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Benefiting from the Finance Department Turnover Trend

By DAVID LEWIS

Senior Financial Executives of many large Southern California employers have observed a major improvement in the stability of their departmental workforces over the last 3 years, a marked contrast to the tech-boom fueled turnover of the late 1990's. This has been noted even among companies that have traditionally had higher than average employee turnover due to dynamic organizational structures, frequent management change, or difficult work environments.

While it's true that in some cases this enhanced stability may be attributed to genuine organizational change, in most cases companies are merely enjoying the benefits of an extremely weak labor market. In the short run, this may seem advantageous. Unfortunately, the false sense of complacency this engenders will mean most will be unprepared for the spike in turnover that will likely accompany an economic and labor market recovery, a recovery which may be even more pronounced than that which followed the 1991-93 recession. The good news is that a surge in staff departures, if approached correctly, can lead to a real strengthening in departmental performance and even employee morale.

Lower departure rates today are the product of three factors:

Finance department positions are often the first to be cut and the last to be added back, so there have been fewer opportunities for finance professionals to leave their existing jobs.

There is a multiplier effect in the job market similar to the multiplier effects of monetary and fiscal policy change. Specifically, 1 new job may create as many as 5 instances of turnover, as a chain reaction occurs whereby an individual leaves a position to take the newly created position, another leaves their position to take that position, and so on. With the shortage of new job creation in finance since April of 2000, this effect has not been operable.

Employed individuals become more risk averse with respect to job change during weak job markets, and finance professionals are typically among the most risk-averse job seekers.

When labor markets recover, long term trends reassert themselves, and in fact "over-correct." The frequency of voluntary job change has been accelerating steadily over the last 40 years, interrupted only by recessions, with many early to mid-career professionals switching jobs every 3-4 years. This normal change cycle has been deferred in the current market, creating substantial pent

up demand to change positions. And this job recession hit early to mid-career finance professionals in Southern California particularly hard, given the huge number of managers who left large companies for promising technology startups, only to see many of those companies downsize or go out of business.

How to prepare

Keep in mind that your best employees are probably your most ambitious and the least tolerant of slowing compensation and career advancement. They're also the most sought after by other companies and the recruiting industry intermediaries who serve them. So it's a good idea to get ahead of the labor curve and start speaking with these individuals now about what you're going to do for them when things improve. Know also that finance and accounting professionals are trained skeptics—so be prepared to be very specific. Vague reassurances are likely to carry little weight. Furthermore, current distribution

of whatever funds are available for training or compensation increases should be skewed to benefit your best people. This kind of recognition, accompanied by an explanation of events, should increase loyalty later.

How to benefit and trade up well

The good news is that a rising tide lifts all boats, and an improving job market makes it easier for everybody, even your under-performers, to find a new home. Coupled with the pent up job change demand that will affect better performers from other companies, there will be opportunities to "trade up" in terms of the caliber of people you have on staff. But if you want these people to stick around, you should avoid the mistake of rushing the re-hiring process, and first determine whether the position should even exist, and how it can be structured to bring the most benefit to your group. A methodical approach to this will include these steps:

Have the precise desk level job responsibilities of departing employees documented. Deconstruct the job description and qualifications into the tasks and work bundles to be executed.

Identify all redundant tasks, and eliminate them.

Survey the individual's internal customers to identify whether the reports they are generating are even read by the

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people receiving them. Many ad hoc financial reports become institutionalized in company reporting packages and remain long after the original requester leaves the company.

Automate as many manual processes as possible, identify where easy systems interface or download opportunities exist, and implement them. Hours or days can be eliminated from many jobs simply by the application of advanced Excel and Access techniques without costly systems enhancements.

Reconstruct the new position description, and use it to properly calibrate the new hiring target. In some cases the combination of redundant task elimination and automation can reduce the workload to a level where it can be redistributed to other staff,

freeing budget money for bigger raises or creation of higher value adding positions.

The people you want to hire will be disappointed if you hire them into a position where the above steps would have made a difference, but haven't been completed. And it's unrealistic to expect your new hires to automate their jobs out of existence, even if they can.

Taken together, these steps should create a better working environment for the people you want to keep, and a more attractive destination for the people you want to hire.

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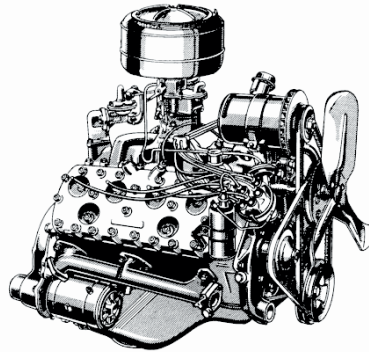


fig. 1 {your company}



fig. 2 {us}

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