Corporate Controller & CAO Hot Topics

Talent Spotlight

Amid ongoing talk of a potential recession, many Controllers and Chief Accounting Officers are preparing for a potential economic slowdown by focusing in part on one major category: talent.

In normal times, recessionary concerns might prompt businesses to consider layoffs as recently seen sweeping the tech industry. However, a number of challenges in the labor market (e.g., declining labor force participation, Baby Boomers retiring en masse, new worker expectations, and dizzying wage increases) have made organizations reluctant to part with workers—even as they face a potential downturn. In fact, fears of releasing employees have led some organizations to engage in **labor hoarding**, or maintaining resources longer than they might otherwise do. Other organizations have increased their focus on retention and development of employees so they can weather a slump with their workforce largely intact versus trying to attract, train, and retain new talent.

Given our role in serving many of the world's leading organizations, KPMG has frequent touchpoints with finance leaders leading to insights into how they're thinking about this topic. Below are five areas that Corporate Controllers and CAOs have identified as central to understanding and navigating this uncertain labor environment.

Economic Outlook

Despite an apparently healthy labor market and stronger-than-anticipated economic forecasts for Q3 in 2022, these leaders still see trouble on the horizon. With inflation expected to remain above the Fed's target throughout 2023, KPMG Economics predicts the Fed will continue hiking rates in order to rein in elevated prices by weakening demand. The Consumer Price Index (CPI) was reported at 7.7% on an annual basis in October, still an uncomfortably high rate of inflation. We expect the Fed to raise the federal funds rate target by ½ percent In December, putting the policy rate at 4.5% by year end.

More will need to be done and we expect additional rate hikes in the first quarter of 2023. As a result, the Fed's actions are further fueling recession concerns amongst financial market participants and corporations.

Finding success in this business climate will require longer-term thinking, as temporary fixes such as one-time compensation adjustments may prove unsustainable at scale.

Talent Challenges and Strategies

As noted above, Controllers and CAOs generally agree that reducing headcount isn't a top priority at the moment, and many organizations are exploring more creative solutions to mitigate the challenges in the current labor market.

For example, fresh thinking surrounding talent acquisition and remote employment will be needed due to changing demographics and workforce demands. Automation, a primary alternative to rehiring, can help some functions scale as demand fluctuates, while implementing new business models such as subscription services can improve financial resilience.

Furthermore, management has been showing a stronger commitment to development plans and addressing skill gaps because of backfill concerns. For companies that don't foresee being able to add new workers, upskilling existing staff is the next best thing.

Another strategy for some companies: multi-year retention payments (rather than a single-year disbursement) that demonstrate the benefits of staying with an organization versus pursuing an immediate pay bump elsewhere.

Recruitment and Education

It's no secret the tight labor market, with its accompanying wage pressures and competition, is placing an enormous strain on recruitment efforts. Finance organizations are finding it difficult to attract talent with both accounting and technology skills, even from traditional sources like universities or the Big Four.

With this in mind, some Controllers and CAOs are developing in-house educational initiatives to familiarize employees with new tools and solutions, which are driving greater efficiency as well as a sense of employee empowerment. Other companies have tried partnering with learning institutions, which offers access to early-career talent.

Overall, it's clear that a robust training and development strategy is essential to help meet organizational needs.

Stemming Attrition

Regarding early-career talent, attrition is a major concern for this segment of workers, who are now sometimes leaving positions after as little as three to six months.

Controllers and CAOs largely see personal development plans, mentorships, and internal promotions following senior departures as ways to mitigate job-hopping and demonstrate a culture of support; team-building activities and more interactions with executive personnel can also help boost job satisfaction for younger professionals.

Companies have also found that establishing mentoring relationships and engaging junior employees in more robust career conversations can help make up for the lack of on-site culture, especially for those who initially joined the workforce remotely.

Ultimately, creating an environment where these individuals see themselves growing and developing—and not just within one group as professional variety is highly valued—will be key.

The Hybrid Workplace

According to a number of Controllers and CAOs, flexibility is crucial when appealing to individuals who have become accustomed to remote or hybrid models, particularly in areas where local businesses are competing for the influx of talent from more expensive labor markets.

Some companies have moved toward a full-time remote option, indicating that employees view this as a perk. It can therefore be used as an advantage when competing for talent, however some worry that embracing such a model could make it harder to sustain a "corporate culture" in the long term.

Many of these finance executives still feel that incorporating some kind of intentional and purposeful in-person interaction for the employee is key, whether it involves teams meeting as they undertake major systems initiatives, or the opportunity to host a skills enrichment curriculum to integrate on-site personnel and remote hires located outside the region.

Whether it's upskilling current staffers, partnering with educational institutions to boost employee development, or continuing to embrace innovative hybrid and remote work options, clear-eyed Controllers and CAOs are responding to economic uncertainty with a mix of creative and nimble solutions when it comes to talent. These initiatives are key, as in the event a recession does occur, retaining, supporting and enhancing existing workforces will be a crucial step to not only weathering the turbulence—but emerging stronger afterward.

Related resources:

KPMG DEI Program Survey: A look back and a path forward

Structural Change Watchlist

KPMG Economics

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