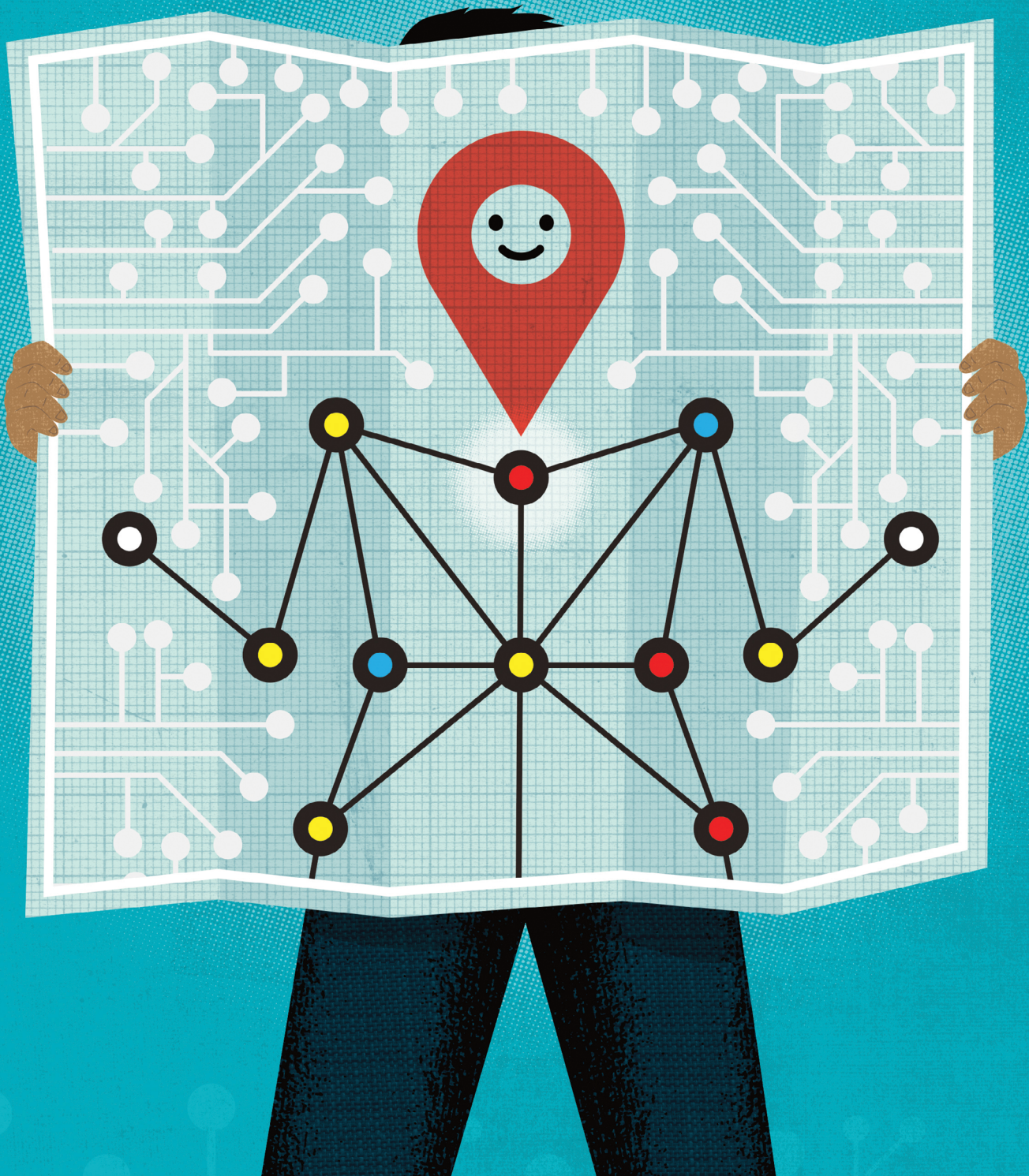




Navigating the Talent Shortage

The role of just-in-time-talent and virtual CFOs

BY CHARLIE FRANCIS, MIKE MCCANN, AND ADAM STONE

As demand for local government public finance officers grows, local governments are facing challenges in recruiting and retaining top talent in this field. A report from GFOA and Lightcast, “Meeting Demand for State and Local Government Finance Jobs” [available at gfoa.org/meeting-demand-public-finance], demonstrates that demand for state and local public finance officers is outstripping the current supply of workers in the sector and that increasing the pace of hiring and the breadth of recruitment will be necessary to reverse the growing gap between supply and demand. Local governments are also facing the prospect of a wave of retirements, which is expected to exacerbate the shortage of public finance officers.

As local governments struggle to find and hire skilled finance directors and key finance staff, the use of virtual CFOs and just-in-time talent is becoming an increasingly popular option. A virtual CFO is a remote professional who provides high-level CFO services to organizations either full-time or on a part-time or project basis, while just-in-time talent refers to the use of

highly skilled contract workers who can be brought into an organization remotely or onsite—on a project or part-time basis—to provide specialized expertise and support. These approaches can help local governments access specialized financial expertise and support when they need it.

In this article we will explore the evolving role of local government finance directors and the benefits and challenges of using virtual CFOs and just-in-time talent in local government, as well as provide insights and best practices for local governments considering these approaches to support their financial operations.

THE ROLE IS CHANGING

The role of the local government finance director is evolving in response to changes in the political, sociological, and economic landscapes, along with the increasing complexity of financial operations. As local governments face new challenges and opportunities, finance directors must adapt and develop new skills and expertise to meet these changing needs.

One of the key changes in the role of the local government finance director is the increasing focus on analytics. With the proliferation of data in the digital age, finance directors are expected to be able to

collect, analyze, and interpret financial data to inform decision-making and strategy. This may require expertise in data analysis and visualization tools, and an understanding of how to use data to drive financial performance and growth.

There is also an increasing focus on external-facing goals such as customer satisfaction and forward planning. Finance directors are expected to be more in tune with the local community and to have a broader perspective on the financial needs and goals of the local government—meaning that CFOs need to have effective communication and collaboration skills, as well as an understanding of how to build relationships with stakeholders and partners. They also need to know how to deploy social media tools to monitor the needs of the local community.

Local governments have also been moving toward more decentralized and distributed models of work, which means finance directors are expected to have the ability to manage horizontally, working in more direct collaboration with other business units beyond the traditional boundaries of the finance department. This may require finance directors to have strong

leadership and management skills, as well as an understanding of how to work effectively in a distributed and hybrid work environment. Finance directors should be able to implement and use customer-centric community platforms that connect the front, middle, and back offices, allowing local governments to provide more seamless, secure, and reliable customer-centered services that meet the evolving expectations of their customers, enhance the customer experience, and improve the overall quality of local government services.

The role of the CFO in local government is evolving, and the current labor supply shortage is only increasing demand for next-generation CFOs who possess the skills and traits necessary to navigate these changes.

BENEFITS AND CHALLENGES

One key benefit of using virtual CFOs and just-in-time talent in local government is the ability to access specialized financial expertise and support on an as-needed basis. Local governments can bring in temporary employees who have specific financial skills or experience to support specific projects or initiatives, without the need for a traditional CFO. This can help local governments save on costs and resources and can be particularly useful for small local governments or those with limited financial resources.

Finance automation and data analysis are areas in which the use of virtual and just-in-time talent is becoming increasingly prevalent. Automating routine tasks such as invoice processing, bank reconciliations and other data entry work can increase efficiency, enhance accuracy, improve decision-making, reduce costs, and improve compliance—which can free up a government's resources for the kind of data analysis that provides insights into the organization's financial and performance health.

Using analytics to support policy-making provides its own benefits—the first of which is that policies will be based on sound, reliable, and accurate information, which can also help improve the effectiveness of policies

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and reduce the risk of unintended consequences. Using data can also help to increase transparency and accountability in policymaking, as decision-makers can be held accountable for the data and evidence underpinning their policies. It can also help identify patterns and trends that may not be immediately apparent, which can be used to inform and improve policy decisions. Other uses for this kind of data include predictive analytics, which help the government create long-term and sustainable policy changes.

There are also some challenges to consider when using virtual CFOs and just-in-time talent in local government. One of these is the potential for communication and collaboration issues,

as virtual CFOs and just-in-time talent may not be working onsite. Local governments must find effective ways to handle this issue.

Just-in-time professionals have the experience and expertise to hit the ground running, but onboarding and integrating them can be challenging. Local governments will need processes and systems to optimize this step, along with training and support. Just-in-time talent can bring a fresh perspective to government leaders, as well as specialized expertise, but integrating them seamlessly into the organization is crucial to realizing the full potential of their contributions.

CASE STUDY #1

Here's an example of how one county recently used a virtual budget director as just-in-time talent to address two challenges: the immediate need to get someone into the position, and the transition to a new budgeting software system.

The county's budget director had recently resigned while the county was in the middle of moving to a new budgeting software system. This was a major problem because the budget preparation had stalled and there wasn't a key leader in the financial planning process, nor was there the ability to prepare, present, amend, and adopt a new budget.

A virtual CFO is a professional who provides financial guidance and support to a local government, much like a traditional CFO does for a larger organization. The main difference is that a virtual CFO provides these services remotely, usually through telecommuting or online communication, rather than working on site at the local government. Virtual CFOs can be individual professionals or part of a third-party firm that provides virtual CFO services to multiple clients. They may have a wide range of financial expertise and experience, they can provide services such as financial planning and analysis, budgeting and forecasting, financial reporting, and risk management.

Just-in-time talent refers to the use of highly skilled remote or onsite contract workers who can be brought into a local government on a project or part-time basis to provide specialized expertise and support. These workers may have expertise in a specific area of finance such as budgeting or financial analysis, or they may have a broad range of financial skills and experience. Just-in-time talent can be used to scale up a local government's financial team during key moments in the budget planning cycle or financial planning cycle and can be phased in and out as needed to support the local government's financial goals.

So, the county brought in a highly skilled contract budget director with experience in both budgeting and budgeting software implementation, who worked remotely. The budget process was reinvigorated to stay on track, transition to the new software system, and get the new budget adopted within their state's legal deadlines. The county's chair of the board of commissioners commented, "He is everything you want in a consultant, and someone you rarely find—available, helpful, and thoughtful, he provides solutions tailored to meet our unique needs. His expertise in local government finance and budgeting is evident and unmatched. He has been a tremendous guide."

Using just-in-time talent in this way allowed the county to bring in specialized expertise at a key moment when they needed it most. It provided a level of flexibility, and it ensured that the budget process and transition to a new budgeting software system were successful.

CASE STUDY #2

Another example of using a virtual CFO in combination with just-in-time talent was when the CFO for a small city resigned not only at the start of the budget preparation process but also left behind an understaffed and dysfunctional finance department. Internally and up until the resignation, staff had been painstakingly populating legacy worksheets with updated calculations for the next fiscal year's budget. Many of these worksheets had broken links and arcane formulas that staff had difficulty repairing.

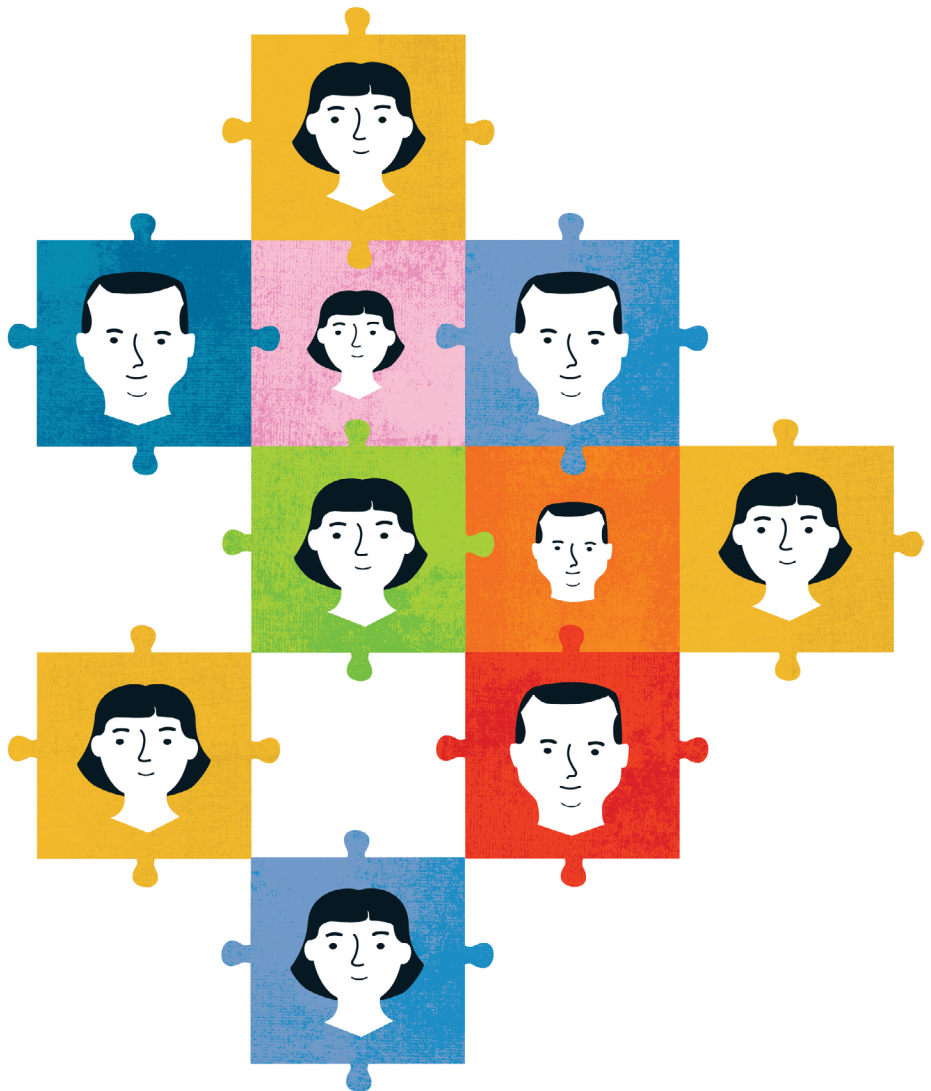
The budget work had been also severely slowed down because of the overall state of the Finance Department. Payroll, Accounts Receivable, Accounts Payable, and general ledger processes in the Finance Department were not functioning in a manner that provided timely and accurate financial reports. Bottlenecks existed in each of these functions stemming from faulty software, unnecessary business processes, staff turnover, staff vacancies, and work overload. As a result, bulk processing of entries into the general ledger was often

three months behind, bulk postings were made into account numbers without the proper allocation, current-year budget-to-actual reports were inaccurate, and considerable time was spent looking for data to respond to requests for information. Bank account reconciliations were months in arrears.

Outsourcing financial management provided with the city the following benefits: immediate access to better talent, which instantly addressed the staffing issues and labor shortages; access to better technology, which improved processes and productivity; and reduced risks associated with ineffective in-house processes.

Outsourcing the city's financial management further resulted in providing management capability that supported the city's strategic objectives, direction, and plans; professionally directed staff in procedures that ensured timely and accurate financial reporting; provided continuous business process improvement; leveraged technology into efficiencies; and identified new innovative financial management best practices.

Within the first six months, staff had not only fully reconciled the bank accounts but also all the general ledger accounts. The budget was produced and adopted on time, using new



budget preparation technologies. The annual audit produced a financial report, and there was a successful ERP cloud-migration project.

This project combined using a virtual CFO with just-in-time talent financial management and analysts. These specialized experts were brought in at the crucial moment before a potential collapse of the financial system.

CASE STUDY #3

A fast-growing community had an elected fiscal officer position, a role that is separately elected from the community's council and administration. The newly elected fiscal officer found that the department was short-staffed and had its hands full maintaining daily accounting functions. Council and other community leaders were very active and demanded a lot of financial information from the department. While long-term plans were in place to grow staffing over time, the daily staffing wasn't able to keep up. Rather than risk burnout, the community adopted the just-in-time talent concept to help augment staff for high-level and more complex tasks.

Within a few months after retaining a just-in-time talent firm to act as the virtual CFO, the community had implemented new procedures that enabled more informed financial decisions. This resulted in improved financial reports that provided timely and accurate data and evidence for policymakers. Faster delivery of ad hoc reports combined with tailored communications were the key differences in helping this community address emerging issues. This also helped elected and appointed decision-makers keep residents and businesses more informed and ultimately helped the community make tough decisions. The combination of just-in-time talent for day-to-day operations with a trusted virtual CFO role has empowered a fast-growing community to compete and to navigate growth challenges without having to take on the long-term fixed costs associated with hiring an equivalently skilled CFO.

Ultimately, being able to divide the duties, personalities, and competing political interests of the elected officials from financial management and oversight has been the major benefit of this arrangement. Getting the assistance of an independent advisor has provided safe space, outlets, and improved discussion quality. The key to this community and the benefits it has realized was the elected fiscal officer's openness to change and willingness to trust an outsider's input, along with the will to consistently implement business process improvement recommendations.

RECOMMENDATIONS FOR LOCAL GOVERNMENTS

To make the most effective use of just-in-time talent to support their financial operations and achieve their long-term financial goals, local governments should consider the following recommendations:

Completely describe the role. The first step is to completely describe the role, which will help local governments determine their specific needs.

Clearly define the financial expertise and support needed. After defining the project, carefully define the specific financial skills and support that is required to meet these needs. This will help ensure that just-in-time talent is brought in to address specific areas of need rather than being used as a general solution for all financial challenges.

Carefully vet just-in-time talent. Make sure these professionals have the necessary skills, expertise, and experience to meet the government's financial needs and goals. This may involve reviewing resumes, conducting interviews, and seeking references and recommendations from other local governments or financial professionals.

Establish clear communication and collaboration channels. Effective communication and collaboration are essential for the success of any financial project or initiative, particularly when working

with just-in-time talent and virtual CFOs. Local governments should establish clear communication and collaboration channels, including regular meetings, updates, and progress reports, to ensure that all team members are aligned and working towards common goals.

Monitor progress and adjust course as needed. Local governments should regularly monitor progress on financial projects and initiatives involving just-in-time talent and virtual CFOs and be prepared to adjust course as needed. This may involve adjusting project scope, timeline, or resources, or bringing in additional just-in-time talent or virtual CFOs as needed.

CONCLUSIONS

Virtual CFOs and just-in-time talent can provide local governments with the financial expertise and support they need to achieve their long-term financial goals. By accessing specialized financial expertise on an as-needed basis, local governments can save on costs and resources, and can scale up financial support during key moments in the budget or financial planning cycle. However, there are also challenges to consider when using these approaches, including communication and collaboration issues and difficulties in onboarding and integrating just-in-time talent. Local governments will need to carefully consider the benefits and challenges of using virtual CFOs and just-in-time talent to ensure that they are able to effectively support the financial needs of the organization. ■

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