



WHAT MAKES AN OUTSTANDING FINANCE DIRECTOR?

“Right now as an FD, you can have a major impact – and if you don’t seize the moment they’ll find somebody else who will.”

Steve Marshall, Chair, Balfour Beatty Plc



In association with
Grant Thornton

Directorbank Group

Directorbank Group

Comprising two market-leading brands, Hanson Green and Directorbank, the Directorbank Group offers a complete range of board level recruitment solutions to the full spectrum of companies from private equity backed businesses and family firms to FTSE and AIM listed organisations. Finance Director appointments are delivered by search consultants with many years experience in this specialist market.

The logo for Directorbank, featuring the word "Directorbank" in a serif font, with the "i" in "Director" and the "i" in "bank" being red.

Directorbank is a leading provider of executive, non-executive and interim directors with a market-leading position in the private equity sector.

More than 70 leading private equity houses from across Europe retain Directorbank's services to gain access to their exceptional network of top level board directors for their portfolio companies. Due to the quality of their candidate base, and the accessibility and speed of their service, Directorbank has also become a key source of industry experts for strategic advice and due diligence assignments.

Contact: **John Pearce**
Managing Director

8 St Paul's Street
Leeds
LS1 2LE
T: **0113 297 8000**
E: enquiries@directorbank.com



Hanson Green is a specialist board practice search firm with a market leading position in the appointment of chairman and non-executive directors and a respected executive search practice.

Hanson Green's proven track record of solving clients' recruitment challenges, combined with the unrivalled quality of their service, has made them the search partner of choice for a wide range of FTSE and AIM listed companies.

Contact: **Elizabeth Jackson**
Group Chief Executive

110 Park Street
London
W1K 6NX
T: **0207 493 0837**
E: info@hansongreen.co.uk



Grant Thornton UK LLP is a leading financial and business adviser, operating out of 28 offices. Led by 215 partners and employing nearly 4,000 of the profession's brightest minds, we provide personalised assurance, tax and specialist advisory services to over 40,000 individuals, privately-held businesses and public interest entities.

Our offer to the market is great depth of expertise, delivered in a distinctive and personal way. Through proactive, client-centric relationships, our teams deliver solutions to problems, not pre-packaged products and services.

Our deep-rooted experience in the issues affecting mid-sized businesses, combined with the true global reach and resources of Grant Thornton International Ltd mean that we're uniquely placed to deliver the best advice, in a seamless way - regardless of service line, regardless of location.

We are a member firm within Grant Thornton International Ltd, one of the world's leading international organisations of independently owned and managed accounting and consulting firms. Clients of member and correspondent firms can access the knowledge and experience of over 2,500 partners in over 100 countries and consistently receive a distinctive, high-quality and personalised service wherever they choose to do business.

For more information please visit: www.grant-thornton.co.uk

CONTENTS

	THE SURVEY	P.6
SECTION 1	WHAT MAKES AN OUTSTANDING FD?	P.7
SECTION 2	WHAT MAKES AN FD INEFFECTIVE?	P.11
SECTION 3	CAREER PATHS TO BECOME AN OUTSTANDING FD	P.13
SECTION 4	WHAT NEXT FOR AN OUTSTANDING FD?	P.16
SECTION 5	WHAT ADVICE DID THE OUTSTANDING FDS HAVE FOR THEIR PEERS IN THE CURRENT ECONOMY?	P.17
	THE OUTSTANDING FDS INTERVIEWED FOR THIS REPORT	P.18
	FDS NOMINATED AS OUTSTANDING	P.19

A DIRECTORBANK GROUP SURVEY REFLECTING THE VIEWS OF MORE THAN 350 MAIN BOARD DIRECTORS



This report is the second in our series examining the outstanding contribution made by many board directors. Our first report focused on outstanding chairmen and we know the anecdotal advice contained in the report provided guidance and inspiration to many looking to progress their careers.

This time we have focused our attention on the Finance Director, often the unsung hero of the boardroom and yet required more than ever in these uncertain economic times to give an outstanding performance. The first part of our survey drew on the views of chief executives, chairmen, senior independent directors, investors and advisors. They have outlined the key attributes for an outstanding FD as they see it and nominated those they consider to be outstanding.

We have interviewed 25 of these nominated FDs and from them come remarkable tales of ambition and achievement – as well as important insights into the steps that need to be taken to get to the top - and they have some surprising words of wisdom and advice for their peer group during the current economic conditions. In the survey, today's outstanding FD emerges as a right hand man to the CEO and a much more rounded, commercial businessman than his counterpart of ten or twenty years ago. Thankfully, this does much to turn the traditional stereotype on its head.

Many commentators said that 2009 would be the year of the FD with financial skills being more highly valued and there was talk of a shift of power in the boardroom. Almost two years on from this, the results of our research suggest this line of thinking continues as today's outstanding FD is clearly very often a CEO-in-waiting.

Whether you take from the report a greater appreciation of the unsung hero, or it inspires you to take up the challenge yourself, I am certain you will find the collective views of more than 350 prominent directors will add value to your business and career.

Our thanks to Grant Thornton for their support in producing this report.



John Pearce

Executive Director, The Directorbank Group



I am delighted that Grant Thornton is working with the Directorbank Group on this research into what makes an outstanding Finance Director; the timing could not be more appropriate.

Over the past two years the global economy has experienced one of the most turbulent periods of modern times, challenging the existence of many businesses and their management teams. The role of the FD has never been more important and, as businesses have fought for survival, FD's relationships with their CEOs have been put to the test.

Unsurprisingly the key theme of the report is the need for commerciality and forward thinking from FDs. The outstanding FDs are recognised for their excellent commercial, communication and people skills and because they are able to use them to best effect with their CEOs, customers and advisors. Understanding the numbers is no longer enough to make a top flight FD; being able to 'stress test' their resilience to the business strategy and influence its development are just as important.

The outstanding FDs display similar qualities to those we seek to instil in our people. While technical experience is crucial, we recognise that the softer skills are essential for the development of business-savvy individuals. As highlighted in the report, a solid financial training provides a platform for many outstanding FDs who choose to take their careers forward in corporate organisations, where they seek the opportunities and challenges to maximise their experience in leadership roles.

While it is evident that confidence has been knocked by recent market conditions, the message from the outstanding FDs and their peers on boards is clear; strategic planning for growth should be a key priority and, although there are clearly still risks, these risks should be evaluated and not avoided.



Scott Barnes

Chief Executive, Grant Thornton

THE SURVEY

Directorbank set out to find what differentiates an outstanding FD from the average; the preponderance of ineffective FDs and how boards deal with poor performance. We also sought to identify the key building blocks for an aspiring finance executive's career and looked briefly at the wider career opportunities that might exist for FDs. We explored the FD's attitude to risk and how this might be effected by incentive schemes.

In April 2010, Directorbank carried out online research with some of the UK's leading directors, with 342 giving their views. Of the survey respondents, a quarter worked in private equity backed companies and more than half in Plcs, private or family businesses.

Directors were asked if they had worked with an outstanding FD – 82 per cent of respondents said they had.

FD or CFO?

For the purpose of this report we have treated the titles FD and CFO as being one and the same. While the title chief financial officer (CFO) is now widely used, for consistency we have used the more generic term of FD in this report, except any verbatim quotes from our interviews.

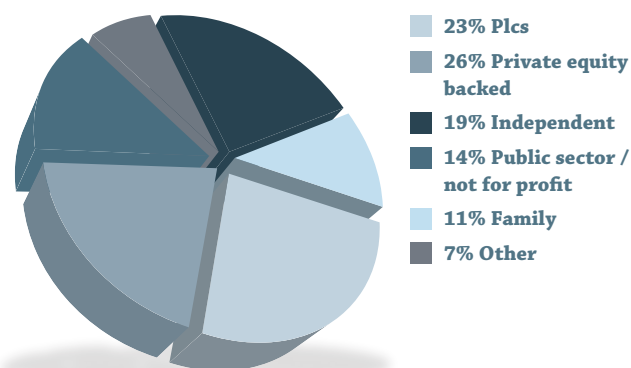
Many were prepared to name their outstanding FDs – 145 in total (listed at the back of this report). Their relationships to the nominated FDs were as chairmen (10%), chief executive (31%), executive colleague (24%) or non-exec (15%). The remainder were advisers, investors or subordinates. Half were from Plcs and private companies; a quarter from private equity backed companies.

We interviewed 25 of these nominated outstanding FDs through a mix of face-to-face and some telephone interviews and combined their comments with our directors' views to produce this report. We explored what factors these outstanding FDs thought had been critical to their success, the most difficult challenges they had faced, their relationship with the CEO and board colleagues. Finally, we set out to determine what the key strategic priorities of an FD should be in these difficult economic times.

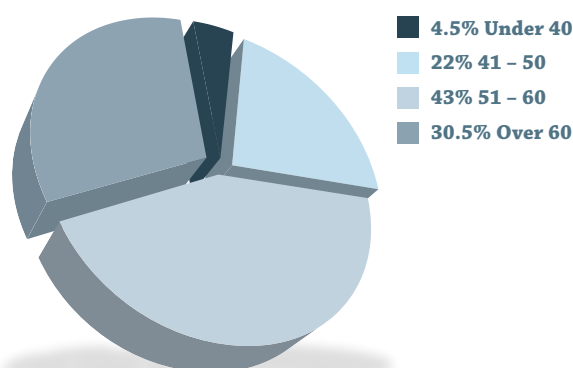
The outstanding FDs interviewed for this report:

- Richard Ashton
- Simon Ball
- Karen Bach
- Angus Cockburn
- John Coombe
- David Downes
- Andrew Gossage
- Richard Guest
- Sara Halton
- Peter Hallett
- Stephen Harrison
- Eric Hutchinson
- Sir Richard Lapthorne
- Roger Matthews
- Steve Marshall
- Simon Melliss
- Judith McKenna
- Swag Mukerji
- Richard North
- Neil O'Brien
- Richard Pennycook
- Barbara Richmond
- Dr Raymund Scheffrahn
- Matthew Streets
- Paul Venables

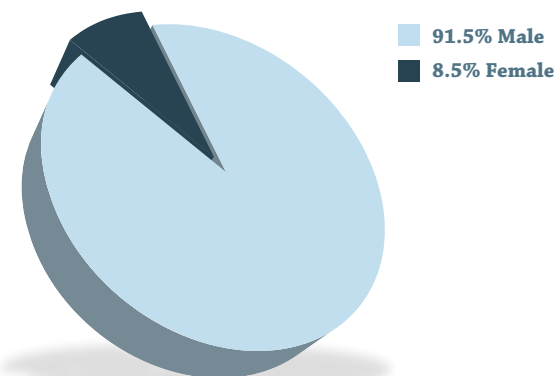
Sample profile: business background



Sample profile: respondent age group



Sample profile: gender



1.

WHAT MAKES AN OUTSTANDING FD?

Today's outstanding FD has emerged as a much more rounded, commercial business leader than his or her counterpart of ten or twenty years ago. He is a great communicator who can win the trust of colleagues across the business and he is a partner to the CEO. He is very often a CEO-in-waiting.

Closer to the customer than most would expect, he really understands what drives wealth creation, where the money is made and he is planning ahead more than he is looking back.

It seems it really may finally be time to forget the old stereotype of the timid accountant, dreaming of becoming a lion tamer in the famous Monty Python sketch. Perhaps after many years of trying, the humble accountant has found a way to tame lions after all.

Today's outstanding FD says that now is the time to be more optimistic and find opportunities for growth. After careful consideration of the facts and assessment of the risks he says that now is the time to make brave decisions and to place some well calculated bets.

He still believes the economy will be difficult for some time but, assuming businesses have cut costs if necessary and are in good shape, he advises his peers to exploit competitor weaknesses and opportunities in the market place and to invest for the future.

The clear attributes that lift an average finance person into an outstanding FD are their people and communication skills. As one outstanding FD said, 'you have to be trusted and liked in the business. You want managers to share their problems with you, not cover them up or work around you'. At the same time it 'isn't a popularity contest' and the tough decisions need to be taken. FDs need to be decisive – usually with imperfect information.

Of course some things never change and all agreed that FDs need technical ability, resilience, honesty, integrity, qualifications and years of toil before they can reach the top. Whilst technical competence was seen as an important given – mandatory for a good FD – becoming a technical expert was perceived as potentially detrimental, particularly because so much good advice is available from both internal and external specialists. Our outstanding FDs placed more importance on strategic awareness, commerciality, communication skills and leadership.

The need for commercial skills came through time and again. Outstanding FDs learn these early on by grasping opportunities, taking on projects and possibly secondments overseas. The best place to become commercial is usually within the business, requiring a curiosity of mind and a proactive approach in seeking out the necessary experiences.

A common denominator with all our outstanding FDs is that they have pushed themselves out of their comfort zones, they have made mistakes and taken knocks but have bounced back stronger. Critically, the hardest of challenges were later seen by many as defining moments in their careers.

The ability to build relationships is another critical skill both externally with shareholders and internally with board colleagues, operational managers and most importantly the CEO.

An FD is expected to be the one who will stand up to and challenge the CEO, while at the same time supporting him and the board. In this key relationship, it is important that disagreements and challenges are discussed in private and that publicly the CEO and FD present a united front. Many said the CEO and FD should 'be joined at the hip' or that they should 'speak with one voice'.

Quoted companies in particular rely on FDs more than anyone else to be their moral compass. They are expected to 'shine the torch into dark corners', but they must also be careful not to become the person who always says 'no'. They have to grasp opportunities, and significantly, they must have the courage to plan for growth whilst ensuring the accounting fundamentals are delivered.

To be outstanding, our interviewed FDs listed the top key attributes:

- Excellent communication skills – with the board, across the business as a whole and with shareholders and the outside world
- Wider people skills, particularly the ability to lead a high calibre team
- Commerciality and in-depth understanding of the business, its markets and customers
- The ability to support and challenge the chief executive
- An affinity with numbers and the ability to interpret them for others

Board colleagues' views of outstanding FDs

Did our pool of directors who were surveyed agree with the outstanding FD's own views?

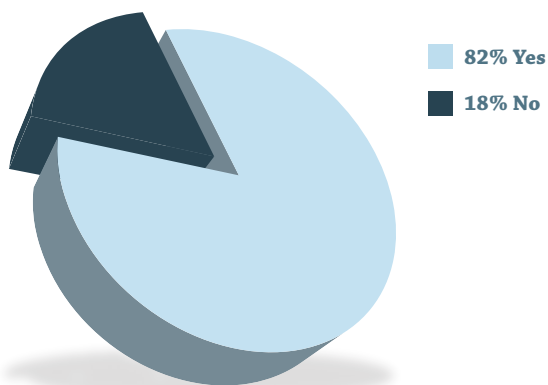
We asked the CEOs, chairs and board colleagues who took part in the online survey what they thought were the key attributes of an outstanding FD. Their top ranked were:

- Strong relationship with the CEO and ability to rein him in if required
- The effective management of risks - many said that without risks there are no opportunities
- Management of relationships with investors and banks
- Management of internal relationships with key operational managers

Thankfully the outstanding FDs and the surveyed directors were in broad agreement as to what the key attributes are. Everyone agreed that relationships are absolutely critical to the role of an outstanding FD – and particularly that with the CEO. But in contrast to the outstanding FDs themselves, communication was mentioned less and the effective management of risk was given more emphasis.

Our directors were asked if they had worked with an outstanding FD. It is reassuring that so many (82%) said that they had – and in 145 cases they were prepared to name them. However, nearly as many (79%) had worked with an ineffective FD at some stage, giving a more mixed picture.

Have you worked with an outstanding FD?



“You’ve got to have that commercial and strategic awareness. The functional, specialist piece is a given. You absolutely have to have a feel for how your business operates, what its strategy should be and support the CEO in that strategic journey. You also need strength of character to say no if you don’t agree with your CEO.”

Richard Pennycook, Group FD, Wm Morrison Supermarkets Plc

“Understand your audiences. You are the expert in numbers but not everyone else is. I realised early on you don’t only do numbers, sometimes you do pictures – graphs, pie charts or whatever but not just numbers.”

Matthew Streets, CFO, Foster + Partners

“The two most compelling attributes are nothing to do with numbers – they are an absolute fascination with the wealth creation process and an extremely high emotional intelligence.”

Steve Marshall, Chair, Balfour Beatty Plc

“Number one is you need to be a business partner with the CEO. There’s got to be trust, you’re very supportive to the CEO but at the same time challenging and prepared to ask the question no-one else is brave enough or in a position to do.”

Roger Matthews, Chair, MITIE Group Plc and LSL Property Services Plc

“The title is Finance Director and the word director means something ... it isn’t controller and it isn’t risk manager but director, which means you have to get on and make some decisions.”

Paul Venables, Group FD, Hays Plc

“An outstanding finance director? I think it’s someone who is thinking about the future, rather than the past.”

Karen Bach, CFO, Kewill Plc

Asked why the nominated FDs were so outstanding, some of the respondents’ comments were:

‘Clear sense of what drives profits and cash in the business’

‘Razorlike brain at finding the right number to interrogate amid a screen full of data’

‘The ability to act as a second in command – but crucially without building a rival power base’

‘Good balance between loyalty to the CEO and ability to challenge’

‘Planning ahead, always having a contingency’

‘Trusted by the financial community, respected by management for understanding the wider context the company is operating in’

‘An absolute understanding of cashflow and an intelligent use of cash’

The relationship with the CEO

Whilst there is no magic formula for having a strong relationship between the FD and CEO the bedrock for this crucial relationship is that it must be based on respect and trust.

The outstanding FDs recognised the balancing act they have to play between forming a partnership with the CEO and supporting him – against being the one who has to be prepared to stand up and challenge when required, often when no-one else will. All the outstanding FDs were clear that whatever their differences, they had to present a united front to the outside world and internally.

In a challenging economy, the FDs felt the need to support the CEO more than ever. The FD needs to be on top of the options and in this way he will be able to help the CEO decide where the business should place their well calculated bets.

It appears that a new breed of FD has emerged with many appearing to be a CEO-in-waiting. Whilst they may have similar skills to the CEO a number of FDs commented that the two roles need to have different and complementary personalities at any one time for the relationship to work best. Whilst it is important for the two to get on, the most important thing for an effective business relationship is that it is based on mutual need. Put simply, each should offer the other something they do not already have.

One outstanding FD commented that many FDs – if not all of them – think they can do the CEO's job, "because they are already doing 80 per cent of it and from there it is easy for an FD to think they can do the rest of it." Although he continued: "But to me, the 20 per cent you are not doing is the bit most CFOs find difficult and that's the motivational leadership of the business."

"Other than your wife and children, the CEO is probably the person you spend most time with in your daily life! For example during a typical 4 week year end investor roadshow, you have breakfast together, lunch together, dinner together, you fly together, so the relationship had better be strong."

Richard Ashton, Group FD, Home Retail Group Plc

"You have to have absolute, total trust in each other. When you're in front of City analysts or bankers they have to see that the two of you are glued at the hip in everything that you're doing."

Sara Halton, former CEO & CEO, Molton Brown

"The effectiveness of an FD is magnified if they have a good relationship with the chief executive, and it's got to be based on mutual respect. Our bank relationship director describes the CEO as the accelerator and me as the brake, and you need both."

Andrew Gossage, COO, Ultimate Products

Attitudes to risk

We asked our survey of directors whether they thought the drive for growth has made FDs take too many risks. Interestingly the majority (60%) said no to this.

However, there were still a number agreeing that the FDs have played a part, 'too many FDs failed to say no to their CEOs'. While others pointed out the role of investors, 'shareholders must also take some blame. As an FD I was often asked when would I normalise my balance sheet – load up with debt and pay a special dividend'.

Our outstanding FDs themselves were more bullish than might typically be expected and almost without exception they put planning for growth as their number one key strategic priority at the moment. The biggest risk of all, they said, would be to do nothing.

At the end of this report, it is clear that the 2010 class of outstanding FDs all feel the need to embrace risk. The conclusion was that the conditions are good now to be planning ahead and that now is the time to make brave decisions and take advantage of the inactivity of others.

'In my experience, any potential action is usually shared with the chief executive at least and with the board if very risky'

'Businesses succeed through taking risks. An FD's job is to understand these and ensure the business takes appropriate safeguards, not avoid risk'

'FDs don't take risks – chief executives do!'

'Businesses take risks – the FDs alone are not the prime movers'

Facing challenges

The outstanding FDs were happy to talk about their challenges, and indeed, their mistakes. They all recognised that finance people will of course make mistakes. A number felt that finance people feel more accountable and responsible than most as a result of their training. They said that an FD is not a 'finished product' if they have not been through difficult times – the key is to learn from the mistakes and not to make the same one twice. Significantly, challenges that often seemed to be a nightmare at the time were later seen as career opportunities and for many proved to be career defining moments.

When our directors were asked to rank a number of attributes for an outstanding FD in order, they put 'experience of having weathered storms' as being more important than having an MBA, technical or sector experience.

How can advisers help outstanding FDs in their role?

Several outstanding FDs mentioned that the role of an FD can be lonely as they are expected to know all the answers, and advisers are therefore a useful and welcome source of support. To do this they need to understand the business and where it is in the business cycle.

One FD said the three key advisers are 'your broker – to give sound advice when making difficult announcements to the City; your audit partner – one who will not sit on the fence but who will make decisions quickly; and of course a really good corporate lawyer, who can be worth his weight in gold.'

A number of outstanding FDs said they were looking for opportunities and deals to be brought to the table by their advisers and several said that in the next 12-18 months a return of good M&A advice might be useful. One said that their advisers sometimes missed opportunities because they had not matched deals to their company or its products – 'not putting two and two together'. Above all though, they wanted honesty – no matter how unpalatable the advice may seem and availability and speed of response were also vital.

"You're dying, thinking I can't believe I've done that and then you're unbelievably amazed when they say that's fine. One time I was asked to push the boundaries too far and I offered my resignation. On the back of that, they called in the chairman and we didn't do what was proposed. It was quite liberating – I'd been feeling really boxed in."

Anon

"Everybody makes mistakes. It's a question of how you get out of them, that's the key."

Peter Hallett, CFO, Redstone Plc

"The biggest challenge as an FD is to be able to go into a traditional organisation and demonstrate to them that finance actually has a value-added role to play in the business."

Swag Mukerji, CFO, SafetyKleen

"It's not one decision or one good set of results which turns everybody's view. You have to deliver year after year and be patient."

Matthew Streets, CFO, Foster + Partners

"You want advisers to tell you what they think – not on the one hand this and on the other hand that. Tell you what he thinks and why and then you can form your own judgement."

Richard North, NED, Majid Al Futtaim Properties

"Consultants normally tell you what you know but if they're good they also tell you what to do, when to do it and how – and jump-start you into action. That's where their value comes in."

John Coombe, NED, Home Retail Group Plc

"Some clients are changing advisers more frequently so some advisers have become more transaction focused. They haven't put the effort into the relationship and understanding the business - the most important thing. Advisers don't always like to tell you the truth, because it might not be financially rewarding for them."

Barbara Richmond, Group FD, Redrow Plc

2. WHAT MAKES AN FD INEFFECTIVE?

Four out of five directors sampled had worked with an ineffective FD, which in the context of the long and illustrious careers of those surveyed is perhaps not surprising. As one outstanding FD said, 'over time you see someone ineffective in most roles – CEO, HR, sales and of course an FD'.

More interesting is what happens to an ineffective FD. When asked, our surveyed directors said that in most cases (79%), the ineffective FD left the business. Asked if the situation should have been handled differently, in the overwhelming majority of these cases the directors said they should have acted quicker or – in the small number of cases where the FD stayed – they should have been exited.

'We tried support and training before firing but it didn't work'

'I don't believe any CEO who is an effective performer should EVER tolerate a sub-par FD. Should always move them out or aside quickly and get the right skills into the job ASAP'

'Straight out of the Big 4 – not enough hands on experience'

'We should have taken more note of the warning signs in references'

'Tends to be people who have grown up with the company and reached their level of incompetence'

'Confused working hard with delivery of results'

'Didn't engage in contentious debate – challenging performance and budget'

'Excessive reliance on advisers'

'Inability to attract, build and retain a great finance team'

'Team going behind his back'

'Ivory tower – did everything in his own office, people ignored him'

Nearly half of the directors put the problem down to a poor recruitment process – including lack of a proper job specification, lack of character assessment and a lack of references, or ignoring reference feedback and sticking with 'gut feel'.

These directors also said that the most obvious signs of a poor performing FD are inaccurate or incomplete reports or when numbers are not produced on time. Often this is preceded by the finance team losing confidence in the FD or different patterns of behaviour which with hindsight should have given cause for concern.

'Missing deadlines'

'Loss of confidence of staff, colleagues, bank, shareholders'

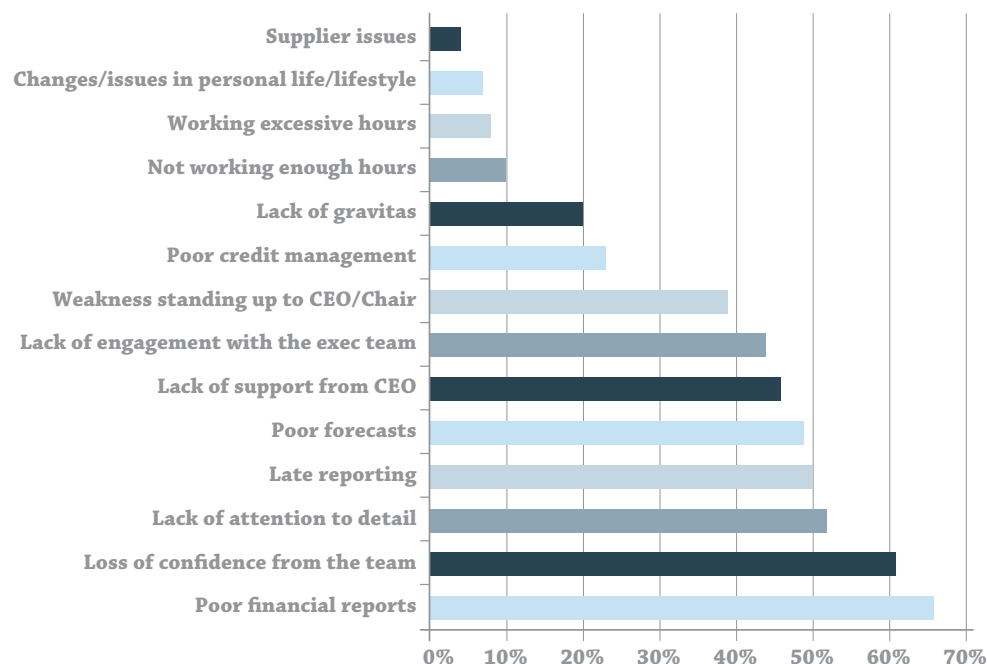
'Undermining the CEO'

'Poor relationship with the CEO'

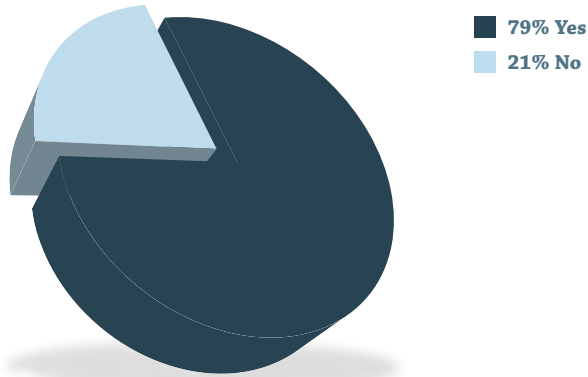
'Not visible, so people didn't involve him'

The majority of the outstanding FDs were emphatic in their belief that the main thing which differentiates an ineffective FD from an effective one is their communication skills. Poor communication was consistently seen as the one thing which stops an average divisional FD or controller from becoming a valuable member of the senior management team, worthy of the title finance director.

What are the warning signs of a poor FD?



Have you ever worked with an ineffective FD?



"The worst sign is when you ask an FD questions and they don't have the answers right away. When you dig further you find there is no substance... then it's like a pack of cards falling over."

Sara Halton, former CFO & CEO, Molton Brown

"I'd say the most ineffective FDs I've seen are the ones who don't pass the communication test. If you can't engage effectively with everyone from colleagues to shareholders, and customers to auditors and the Revenue, you have a problem. The days of the FD sitting quietly in the Back Office with the blinds pulled are long gone."

Simon Ball, Deputy Chair, Cable & Wireless Communications Plc

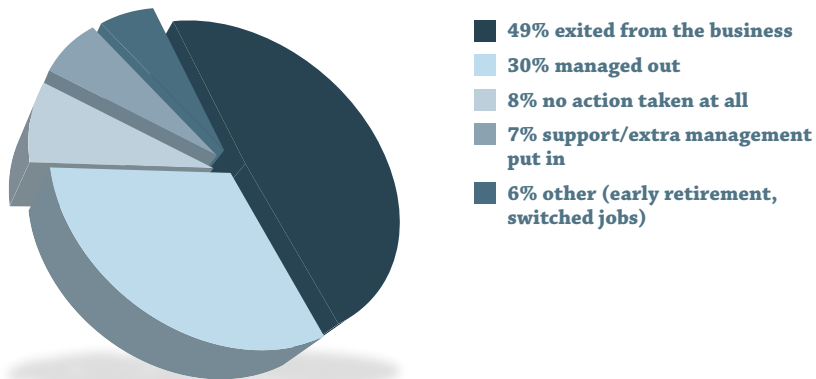
"Many finance directors are a bit stuck in the technical expertise so they miss the broader horizon. They are not close enough to the business and the value drivers, so they miss what really moves business forward."

Dr Raymund Scheffrahn, MD, GVO Asset Management

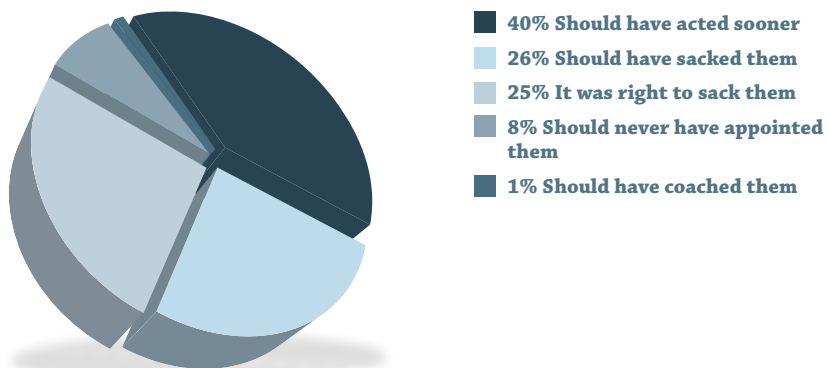
"An FD's job description is not an à la carte menu. You can't choose which bits you want. There are some things that you just have to do."

Simon Melliss, Group FD, Hammerson Plc

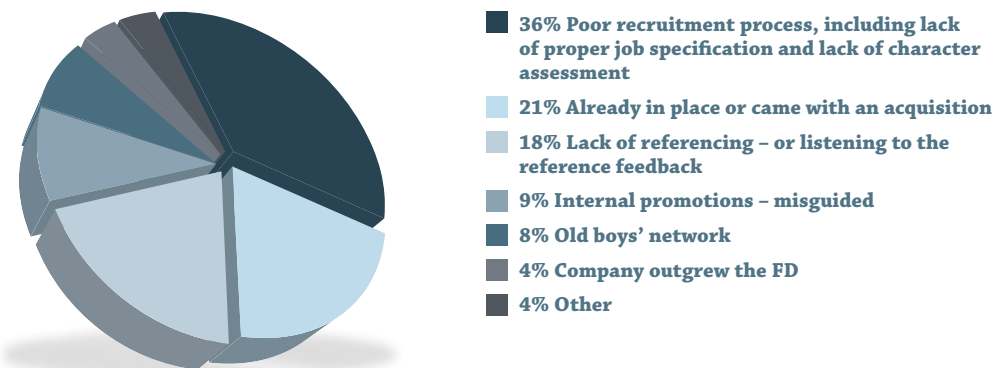
What action was taken with the ineffective FD?



With hindsight should you have taken a different action?



What element of the recruitment process was flawed?



3.

CAREER PATHS TO BECOMING AN OUTSTANDING FD

Many of the outstanding FDs were qualified accountants – though there are a few exceptions – and most started their careers in a professional firm. Some had augmented their professional qualification with an MBA which they said gave them a broader base of understanding than the essential but ‘narrower’ accountancy qualification.

The career themes for these outstanding FDs were:

- They grasped opportunities - even if it meant doing projects or roles that were not particularly appealing. This got them noticed and ear-marked as someone with high potential
- Those who started in the profession mostly moved into industry as quickly as possible
- Most deliberately looked for ways to add value to their CV early on
- They quickly built up a variety of experience in a number of roles, sectors and geographies
- They pushed themselves out of their comfort zones into situations often seen as beyond their capability – and often this was the thing which made their careers take off

A lot of the FDs talked about learning from watching those around them – spotting what impressive people were doing and adopting these behaviours. A number also talked about seeking out mentors and asking ‘first class people’ to tell them how they were doing.

There was no sense of ever feeling an outstanding FD has learnt enough – no matter what level they had reached, all were keen to keep learning, even from the younger generation.

Most of our outstanding FDs had worked in international businesses at some stage of their career – and invariably said yes to projects and promotions overseas. This exposure to global business and different working cultures and mindsets had proved invaluable in landing top jobs later. Today, with international trade being the norm for most businesses, this experience is perhaps more important than ever before.

Going overseas often provides the opportunity to do more variety of work and at a more senior level than could have been achieved in a head office, ‘doing many more things than you normally were allowed – the sorts of things you don’t normally see till you get to the very top’.

Most agreed that headhunters had been important to them and whilst networking was not seen as a natural activity for many FDs, all our outstanding FDs had learnt to become better at this and had become more ‘visible’ as a result. All agreed that networking is an important skill for an FD if they want to progress.

“I managed to change every Unilever subsidiary I worked for by a bit, had them adapt to how I liked things to be done. So Unilever sent me to France. I couldn’t change France. They knew that and they taught me to adapt to France. The language was a practical skills challenge – it took me six hours to clear my mail every evening until I became fluent. It made me understand I needed to listen.”

Sir Richard Laphorne, Chair, Cable & Wireless Communications Plc

“I chose to join a Big 4 firm in Birmingham in preference to London as I was interested in the industrial sector, and I got to work for clients such as Jaguar and GKN.”

Neil O’Brien, CEO, Alkane Energy Plc

“The big turning point was joining Whessoe Group as financial controller. Within 12 months, my FD left and I was offered the opportunity to be Group Finance Director of a Plc at 33, which I took with both hands. It catapulted me into the arena where everybody knows who you are, your name gets mentioned.”

Barbara Richmond, Group FD, Redrow Plc

“I had some great opportunities early in my career which required moving overseas to not-so-attractive places. I shied away, sticking to London. If I’d gone overseas, my experience would have grown far more rapidly and I’d have learnt much more about the world rather than being just UK-centric.”

Richard Guest, CFO, Stock Spirits Group

“You’ve got to stretch yourself as soon as you’re getting to your comfort level, what you really need then is another challenge and that’s how you get big jobs at an early age.”

Richard Ashton, Group FD, Home Retail Group Plc

How does an FD gain commercial skills?

All the outstanding FDs agreed that understanding the business is a critical skill. Our outstanding FDs resoundingly said you should get as much commercial exposure as early on as possible.

Many talked about the need to look for commercial experience, grabbing knowledge and variety – even if this means pushing yourself beyond your perceived capabilities.

Taking on divisional roles, working at headquarters, getting involved in mergers and acquisitions or an investor facing role, working overseas, experiencing adverse conditions and getting close to the end user – all are important ways to become commercial. It was clear that our FDs advise any aspiring FD to manage his career aggressively in order to build up the necessary experiences. Whilst technical competence was agreed to be essential there was also a fear that becoming too much of a technical expert could be detrimental.

‘Be curious, find out what’s behind the numbers’

‘Understand where the wealth creation is in the business’

‘Seek out influential people in the business and opportunities to work with them’

‘Push yourself into areas that will bring variety to your CV’

‘Keep moving. The biggest enemy is inertia and personal risk control’

‘You need to have had a lucky break but then you need to deliver on it’

‘Get out into the divisions and as close to those things called customers as you can’

“ In the profession I was very happy when my favourite client offered me a job. I had a choice - go for partner in say, five years or take a risk and leave. It proved to be a great opportunity. I was made FD and general manager of an organisation that employed 500 people at the age of 27.”

Andrew Gossage, COO, Ultimate Products

“ I’ve been headhunted for every job and I think headhunters play an important part. The best are those who have the skills to match people to the job – rather than the paper qualifications. It’s spotting the wild card who doesn’t meet the spec but is really good.”

David Downes, NED, Bio Group

“ One of the great advantages of being in M&A for a few years is seeing a lot of different business models. You understand to a degree how different companies tick and what creates value.”

Dr Raymund Scheffrahn, MD, GVO Asset Management

“ You have to have a curious mind – really wanting to understand what’s behind the numbers. You have to make an effort to become commercial. For me it started in GEC, being involved in major contract tenders, talking to customers and negotiating variations. The starting point is inside your business and generally people are very willing to help you. When you’re sat at a board meeting trying to make strategic decisions, you need to understand how the customer thinks.”

Barbara Richmond, Group FD, Redrow Plc

“ It’s very easy in finance to dive down a tunnel and just be the financial or management accountant or the tax and treasury person. You must think wider and remember that you’re only there counting the beans because somebody is growing them somewhere. You need to find out how the beans are grown.”

Swag Mukerji, CFO, SafetyKleen

“ You can have commercial exposure in any role if you choose to, by going out to the front end, understanding it and bringing it back in to the job that you do.”

Judith McKenna, CFO, Asda Stores

“ The snag of a CEO, to use a chemical analogy, you’re in continuous production. There is no time when you cannot take a call and expect to add value. An FD is a batch production man. You do the annual accounts – stop. The budget – stop. You can become slightly more detached, more objective. A CEO is absolutely bound up with it.”

Sir Richard Lapthorne, Chair, Cable & Wireless Communications Plc

Does an outstanding FD need different skills in private equity backed companies?

Private equity remains a significant part of the UK economy and is often under the microscope. It remains a dominant force in the mergers and acquisitions market. In our survey of directors, we asked them whether having a stake in a private equity business drives different behaviours and 70 per cent of them said that it does.

'Ownership mindset and focus on wealth creation'

'More thinking like an owner'

'Direct equity stake brings any board member much closer to the issues that are prominent for all shareholders'

'Cash, cash, cash'

'Looking for bigger wins, greater willingness to take risks to get the bigger win'

'Will be prepared to take more risks'

'Short term conclusions to maximise profit multiples'

'Less emphasis on silken investor relations and more emphasis on hands on delivery'

In summary, the directors' views were that an equity stake for an FD in a private equity business is a good thing as it brings about proper alignment with shareholders' goals. The FDs attitude to risk is likely to be less averse and there will be a greater focus on cash and costs in the short term, as the business manages itself aggressively towards a desirable exit. Most agreed that this behaviour is wholly appropriate to the business model.

The outstanding FDs themselves generally felt the skills needed are much the same. The biggest difference they talked about was in the nature of the relationship with investors. In private equity, an FD can be talking to their investors several times a week whereas in a Plc this level of relationship is more likely to rest with the chairman and senior independent non-exec.

"We've got two sets of major investors and I often talk to each of them three or four times a week. They tend to be much more hands-on than a Plc environment in terms of their thirst for knowledge and their desire – not to meddle – but make sure the business is going in the right direction and maximising opportunities."

Stephen Harrison, Group FD, Sandpiper CI

"A Plc FD is very good at relationship building, particularly with external investors and this will be a big part of their job. In private equity, the FD's job is more punchy and therefore probably more driven around business performance on a day to day basis. It is good to be able to do both."

Richard Guest, CFO, Stock Spirits Group

"The question we get asked a lot is 'How would you run your business differently if you were owned by private equity?' The answer is, we wouldn't run it differently at all."

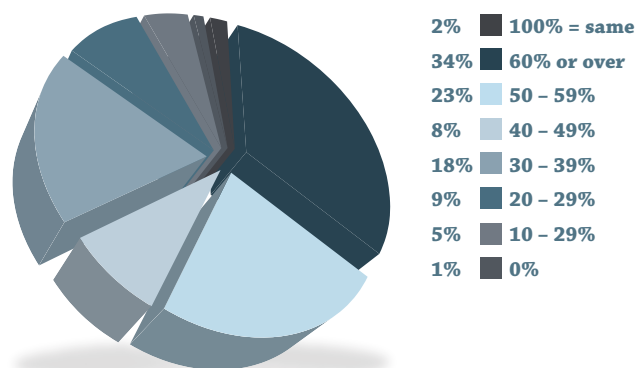
Anon

How should an FD be incentivised?

There were some differences in how the directors thought an FD should be incentivised, against the views of the outstanding FDs themselves. Unsurprisingly, the outstanding FDs were nearly all in agreement that an FD should be an equal player on the management team and should therefore hold the same stake as the CEO.

But the surveyed directors mostly thought an FD's stake should be around 50 to 60 per cent of the CEO's stake. Around a third thought it should be 60 per cent or more and a significant number (41%) said the stake should be less than half of the CEO's. Most of those surveyed felt the difference between the way FDs are incentivised between Plcs and private equity backed companies is largely overplayed, particularly as the length of time that businesses stay in private equity hands increases.

If management own equity in a business, how should the FD's stake compare to the CEO's stake in percentage terms?



"Would I invest in a business in which the FD had no equity interest? Probably not. If you've hired someone who is tempted to change the presentation of figures based on equity interest, your control systems have misfired at a number of levels."

*Simon Ball, Deputy Chair,
Cable & Wireless Communications Plc*

"An FD has got to think as a shareholder, so they have to be aligned with shareholders – whether it's direct equity or a long term incentive plan. Reward mechanisms are a crucial part of the equation."

*Roger Matthews, Chair, MITIE Group Plc and
LSL Property Services Plc*

4. WHAT NEXT FOR AN OUTSTANDING FD?

Is becoming a CEO or chair a natural progression for an FD?

A third of the directors surveyed had seen an FD become a good chair while nearly half had seen FDs become good CEOs.

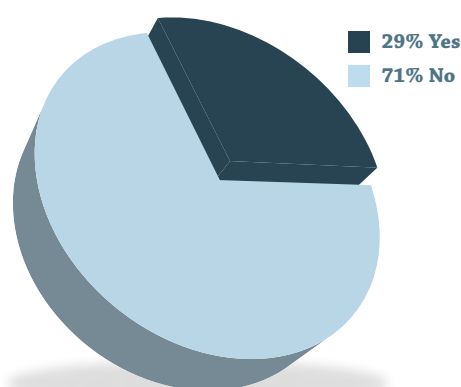
On the whole, the interviewed FDs felt that a move to CEO depended on individual circumstances – the particular FD, the job and the timing of the opportunity. Several commented that an FD might be the right CEO in a turnaround but not in a major growth strategy. One simply said that it is right for an FD to become a CEO, ‘when they want to..... CFO’s broad skill sets can set them up to be good CEOs....but they have to want to be one! For some people it works and for others it doesn’t’.

Most of those interviewed had actively considered a CEO role – but many had decided it was not for them for a variety of reasons. Some still hope to make the move.

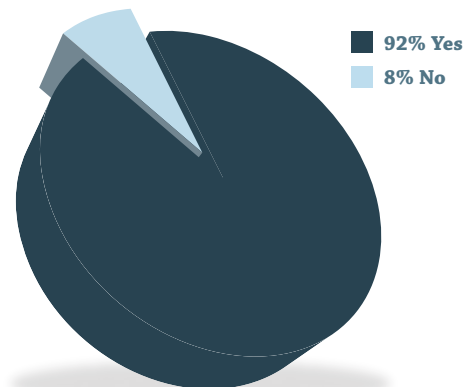
Universally the FD role was seen as a critical board position and as a partnership with the CEO, rather than it being a ‘lesser role’.

However, a number have gone on to be CEOs and chairs and feel this is a perfectly natural and logical step. Having made the move though, few would go back to being pure FDs. A word of caution was that the transition to CEO rarely works if the FD finds it difficult to ‘let go of the numbers.’

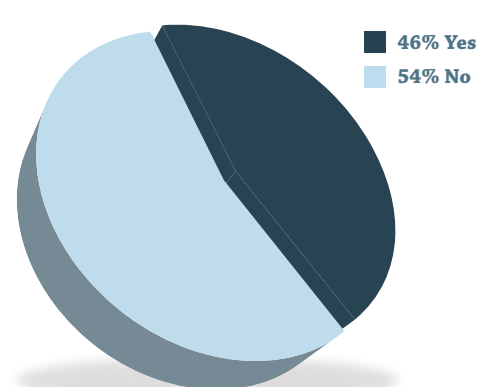
Have you seen an FD develop into a good chair?



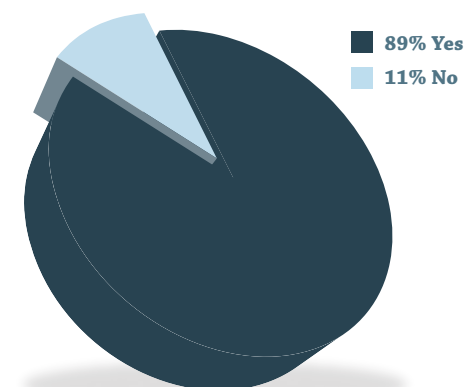
And were they previously an outstanding FD?



Have you seen an FD develop into a good CEO?



And were they previously an outstanding FD?



“ At one stage I was definitely toying with becoming CEO and for six months was acting CEO. On balance I felt the business needed somebody who had more customer contact and knowledge about the technology.”

Eric Hutchinson, CFO Spirent Communications Plc

“ Of course CEOs all wear their underpants on the outside. If you wear your underpants on the inside, you’re never really going to be comfortable wearing them on the outside. I’ve changed the way I wear my underpants over the years – now I’m chair, they’re back inside.”

Steve Marshall, Chair, Balfour Beatty Plc

“ Many FDs sit right on the cusp of either being a very commercial FD or a very numerate CEO.”

Swag Mukerji, CFO, SafetyKleen

“ If you are in a proper relationship with the CEO it doesn’t matter what your job title is. You’re going to be involved in whole aspects of the business.”

Anon

5.

WHAT ADVICE DID THE OUTSTANDING FDS HAVE FOR THEIR PEERS IN THE CURRENT ECONOMY?

We asked the outstanding FDs what their key strategic priorities should be in the current economy.

The answers were rather surprising – and tend to turn the stereotype of FDs being risk-averse on its head. Most comments were made on the assumption that any necessary cost cutting within the business had already taken place. All said that any banking requirements that had not been sorted out properly yet should be addressed immediately to make sure the business is adequately funded. With this in place, however, our FDs placed more importance on making business improvements and investing for growth.

'Keep investing and finding new markets'

'Have options ready to roll'

'Keep close to the customer'

'With good people readily available, consider 'upgrading' some of your team'

'Too many people are still looking back. For me, it's all about where's the business going?'

'Businesses that spot an opportunity can outperform in tough economic situations.'

Their advice was a mix of managing a tight ship and having courage to invest in the future. Several talked about the opportunities that the current economy presents – particularly in emerging markets. Most agreed that the next two years are likely to remain testing – average at best – with low economic growth. All concluded that it is a delicate balance between keeping a really close eye on today's costs and attention to detail, whilst having the confidence to invest for the future.

Our FDs agreed that there is a real danger that we can get too caught up with today without planning for the future. The

most important thing that came out consistently was the need for longer term investment and expansion. This is where our class of outstanding FDs felt the future value in a business will be created.

Most significantly, all our interviewed FDs felt that now is a great time for an FD to make his mark. Now, they said, is the time to look to the future. Now is the right time to seize the moment and make brave decisions. The current economic climate, they said, could present an opportunity for yet another one of those career defining moments.

"If you've got debt coming up for maturity in the next 18 months, sort it as soon as you can if you haven't already. Finance is there but it takes a lot of putting together and I wouldn't leave it till the last moment."

Sir Richard Laphorne, Chair, Cable & Wireless Communications Plc

"Businesses do not grow by continually cutting costs, but by investment. In difficult times it's an even more difficult choice where to put your limited resources. We've strategically gone to other parts of the world – emerging markets and oil-backed. It's going to be tough but I'm optimistic."

Matthew Streets, CFO, Foster + Partners

"The problem with downturns is everybody gets into the downturn methodology and mindsets, looking to reduce more. Things are better than they were and so being ready to accelerate the implementation of your growth plans has to be the number one priority."

Paul Venables, Group FD, Hays Plc

"As everybody else worries about being refinanced and taking costs out, you need to look at how you can benefit from the fact that a number of your competitors will be weak at the moment. Now is the time to be brave."

Anon

"It's knowing and trusting that you have assessed the risk and the decision that you're taking is, on balance, a damn good bet as opposed to a risky bet. But it's always a bet."

Richard North, NED, Majid Al Futtaim Properties

"If you aspire to running the company, now is your best chance of proving your credentials. It's a cliché but FDs can impress their board colleagues by being grippy and forward thinking. Right now as an FD, you can have major impact – and if you don't seize the moment they'll find somebody else who will."

Steve Marshall, Chair, Balfour Beatty Plc

THE OUTSTANDING FDS INTERVIEWED FOR THIS REPORT

- | | | | |
|-------------------------|-------------------------------------|-------------------------|--|
| • Richard Ashton | - Group FD Home Retail Group Plc | • Roger Matthews | - former Group FD J Sainsbury Plc |
| • Simon Ball | - former FD 3i Group Plc | • Steve Marshall | - former CFO & CEO Railtrack Group Plc |
| • Karen Bach | - CFO Kewill Plc | • Simon Melliss | - CFO Hammerson Plc |
| • Angus Cockburn | - Group FD Aggreko Plc | • Judith McKenna | - CFO Asda Stores |
| • John Coombe | - former FD GlaxoSmithKline | • Swag Mukerji | - CFO SafetyKleen |
| • David Downes | - former FD Shanks Group Plc | • Richard North | - former FD Burton Group Plc |
| • Andrew Gossage | - COO, former CFO Ultimate Products | • Neil O'Brien | - former Group FD Speedy Hire Plc |
| • Richard Guest | - CFO Stock Spirits Group | • Richard Pennycook | - Group FD Wm Morrison Supermarkets Plc |
| • Sara Halton | - former CFO & CEO Molton Brown | • Barbara Richmond | - Group FD Redrow Plc |
| • Peter Hallett | - CFO Redstone Plc | • Dr Raymund Scheffrahn | - former CFO Novartis Consumer Health UK |
| • Stephen Harrison | - Group FD Sandpiper CI | • Matthew Streets | - CFO Foster + Partners |
| • Eric Hutchinson | - CFO Spirent Communications Plc | • Paul Venables | - Group FD Hays Plc |
| • Sir Richard Lapthorne | - former FD British Aerospace Plc | | |

Our sincere thanks to all those who have given their time and insight to this report.

For the sake of consistency the FD roles listed above are either current roles or, in the case of those who have moved on to other things, the last FD role they held. Many of the outstanding FDs interviewed have been FD at more than one organisation.

FDS NOMINATED AS OUTSTANDING

Jo Archer	John Coombe	Julie Goldstein	David Keens	Archie Norman	Alan Stewart
David Arnold	Gerald Corbett	Andrew Gossage	David Kelham	Richard North	Matthew Streets
Richard Ashton	Vahid Daemi	Bill Gow	Patrick Kennedy	Graham Norton	William Sunnucks
Karen Bach	Giles David	Alan Grant	Walter Kindler	Neil O'Brien	John T Sutcliffe
Simon Ball	Gareth Davies	Martin Greenslade	Geoff Lane	Kevin O'Byrne	Peter Thomson
Nick Bate	Colin Day	Jason Grover	Sir Richard Lapthorne	Mike O'Donnell	Shaun Tillery
David Bateman	Mark Day	Richard Guest	Simon Lowth	Roy Oliver	Gary Toomey
Rainer F Bauer	Paul Dean	Peter Hallett	Steve Marshall	Jon Painter	Ian Tyler
Steven Beaumont	David Doble	Sara Halton	Andrew Martin	Ron Palmer	Evert Jan van Garderen
Ian Bedford	David Downes	Steve Hare	Roger Matthews	Richard Pennycook	Paul Venables
Steve Berg	Ed Duggan	John Harnett	Judith McKenna	Chris Pinney	Rex Ververs
Iain Bird	Ian Duncan	Stephen Harrison	Richard Meddings	Barbara Richmond	Peter Voser
Roman Bodnarec	Bob Dyrbus	Richard Hastings	Dr Rene Medori	John Rishton	Arvinder Walia
Andrew Bonfield	Graham Eade	Ian Henry	Simon Melliss	Nick Rose	Brian Wallace
Lewis Booth	Hugh Edmonds	Paul Hewitt	Eilon Michaeli	Dr Raymund Scheffrahn	Clive Watson
Philip Bowman	Wayne Evans	Andrew Higginson	Stuart Mitchell	Christian Schmahl	Keith Watson
Ralph Brindle	Craig Fairey	Mike Hill	Andrew Mooney	Darren Shapland	Kelvin Williams
Richard Burdon	Jürg Fedier	Andy Hohne	Andy Moore	Ian Simmonds	Peter Winkworth
Paul Burke	Douglas Flint	Roger Holmes	Ian Morl	Paul Simmons	Phil Wrigley
Paul Chasney	Melissa Foux	Paul Hopkins	Jon Mortimore	David Sleath	Mike Wylie
Peter Chell	David Galloway	Eric Hutchinson	Swag Mukerji	Patrick Smiley	
Anders Tang Christensen	Brendan Geary	Norman Ireland	Mark Neale	Andrew Smith	
Angus Cockburn	Ken Gilbert	Richard Jackson	Frank Nelson	Richard Solomons	
Iain Cockburn	Lance Gillett	Dr Michael Jacobi	Steve Nelson	David Stead	
Michael Connoles	Stephen Goalby	Seamus Keating	Paul Newton	Derek Stevens	

“ Being a finance man you automatically start off looking better than you are because you are fluent in the language of numbers – and that’s the language of business.”

Sir Richard Laphorne, Chair, Cable & Wireless Communications Plc

“ One of the key roles of an FD is to shine a light in corners where other people don’t want it shone. And to tell the facts as they are, not how others would like to see them.”

Simon Melliss, Group FD, Hammerson Plc

“ Too often finance is the business prevention arm, and it shouldn’t be. It should be sitting there with the sales guy, with the project delivery, the manufacturer. For me, the failure of most finance teams is that they just say no.”

Karen Bach, CFO, Kewill Plc

“ An ineffective FD presents surprises to management because they have sat too long on an issue or they are too frightened to put an issue on the table.”

Richard Guest, CFO, Stock Spirits Group

“ You start off in your career thinking that there are these gods in the boardroom who are all powerful, and you realise fairly early on that they’re just human beings with quite a lot of the frailties that we all have.”

Richard Pennycook, Group FD, Wm Morrison Supermarkets Plc

“ To be effective you must have independence and not be afraid to challenge. Be fair, but it’s not a popularity contest. I think the FDs who are less effective are those who aren’t prepared to stand up and be counted and don’t make decisions and don’t make the tough calls.”

Judith McKenna, CFO, Asda Stores

“ Often a CEO will come into a business and as part of corporate scent marking, feel the need to change the FD. Sometimes you just can’t convince yourself that you can trust a team that you’ve inherited, particularly if a business has got issues and is performing badly. It’s really difficult not to lumber the incumbent team as the cause of those problems. Weaker people feel a need to bring in people they’ve worked with in the past.”

Steve Marshall, Chair, Balfour Beatty Plc

Directorbank
Group



Directorbank

www.directorbankgroup.com



In association with

Grant Thornton

www.grant-thornton.co.uk