

EVERY FD'S TROUBLESHOOTER



WHERE WOULD YOU BE WITHOUT A GOOD FINANCIAL CONTROLLER? HAVING A STRONG DEPUTY RIDING SHOTGUN MAKES THE FD'S ROLE TOLERABLE. SO, WE WONDERED, WHAT ARE THE ATTRIBUTES OF A TOP FC?

BY SARAH PERRIN



Batman had Robin. Wooster was lost without Jeeves. Lewis solved most of the cases that Morse investigated. Every star needs a good number two – and FDs are no exception. So what makes a good FC?

FIRST, BEING A SAFE PAIR OF HANDS. “The chief executive, the chairman and the group FD are anxious that somebody, somewhere, is making sure it all adds up, that numbers are not being hidden or misaccounted for,” says Sean Arnold. He’s the senior client partner at recruitment consultancy Korn/Ferry and specialises in filling top finance roles. While FDs have been concentrating on the outward-facing aspects of the role, he says, the

financial scandals of the last couple of years have made the numbers incredibly important. And that’s highlighted the need for a good controller.

“The FC makes sure the trains run on time so that the FD can strategise,” says Suzzane Wood, head of the CFO practice at executive search consultants Odgers Ray & Berndtson. “If the finance function were a football team, the FD is the manager on the bench while the controller is the captain on the field.” And like a good football captain, a good FC ought to be looking at becoming a manager one day.

One-time controller Nigel Hall thinks so. He worked at Burton Group for nearly 20 years. In 1992 he was made group FC reporting to then FD Richard North. “He expected me to run finance for the group on a day-to-day basis, to be that safe pair

of hands,” says Hall. “He would dip in and out as necessary or appropriate. Transactions and financing were his core skills and in those areas he would be much more hands-on. But all the day-to-day planning, forecasting, reporting and accounting in the group – that was my patch.”

SECOND, BEING A LOYAL LIEUTENANT. Hall became FD himself in January 1998 when Debenhams was demerged and Burton Group was renamed Arcadia. Paul Budge, who had been running the group’s accounting services centre in Leeds, stepped in as group FC. “Paul and I had worked together and I knew

what he could do,” says Hall. “When I became finance director, he was the natural choice as my financial controller. I had worked with him for a long time and trusted him completely. If the chief exec wanted to know detail about the numbers, he didn’t bother with me. There isn’t time in an FD’s life to immerse yourself in every nook and cranny of what’s going on in the business. But I was never discomforted by the fact that he would be in the hot seat, often without me there, discussing with other directors what was going on.”

Trust is perhaps the defining characteristic of the FD-FC relationship. Budge, who took over as FD at

Arcadia himself when Hall left in March 2003, recalls their relationship as close – intuitive, in fact. He now has a similar relationship with his own FC, Gillian Hague. “It’s like a marriage,” says Budge. “Not a day goes by when the two of us wouldn’t be interacting. The financial controller is very much your right-hand person.”

Yet even in the smooth successions from FC to FD at Arcadia, the exact FD-FC working relationship has varied. Budge’s relationship with Hague, for example, is very different to the one he had (as FC) with Hall. Why? Because Arcadia is now a private company. “I do now spend a lot of my time dealing with banks, our main source of finance,” he says. “And I don’t have to worry about analysts and shareholders. So even as FD I’m very hands-on now.”

ILLUSTRATION: MATT TIMSON



THIRD, DEALING WITH DELEGATION. A good controller knows how to step in and handle the high-volume work that comes at the FD as well as making sure the department is well run. Take the Arcadia team. With a private owner – Philip Green – a greater amount of detail is now demanded of the finance function. “It’s Philip’s money, at the end of the day,” says Budge. “So even though I am still quite hands-on, I need a good financial controller to make sure finance is running well on a day-to-day basis. As a private company, we are probably working twice as hard in terms of what’s required internally.”

He believes there is more attention given to controls, particularly around cash, now that the company is private. “Delegation is essential if we’re going to get the job done,” the FD says. “In the private arena it’s more about delegating similar tasks. In the public arena it’s delegating different tasks. Either way you have to work as a team.”

Hague describes this role as being a filter for her FD. “Paul doesn’t have time to deal with little issues,” she says. “So I make sure the finance department below Paul deals with as much as they can and

“FINANCIAL CONTROL IS THE HUB WHERE ALL THE OTHER AREAS COME TOGETHER AND YOU GET THE TOTAL PICTURE”

that Paul is only dealing with things that are important.”

It works both ways: delegation is probably the most important process to get right in the FD-FC relationship. Duncan Tatton-Brown, FD of Kingfisher subsidiary B&Q, believes that you should delegate as much as possible to your FC. “The financial controller needs to feel as accountable as the finance director,” he says.

That doesn’t necessarily mean the FD doesn’t get involved in the controller’s work. But the FC needs to feel they have the right amount of responsibility. “It’s about having the right balance of controls to validate the work of the financial controller, be that through internal or external audit, or through the FD’s review process,” says Tatton-Brown.

An FD’s review checks that the controller understands what’s going on, can explain variances and consider any control implications. “As

WHAT YOU LOOK FOR IN AN FC

We asked you to tell us what attributes and skills your ideal FC would have. Here’s what some of you said.

- Enjoys the detail of accounting.
- An appreciation of double-entry book-keeping. (This, I have found, can’t always be taken for granted.)
- Desire to “own” the accounts, rather than be told what to do.
- Pride in his/her job.
- Loyalty.
- Good cash control.
- Team player – with all departments.
- Tells me what is really happening – not what I want to hear.
- Reliable, honest, independent and a good communicator.
- Able to deal with most issues without having to defer to the better judgement of the FD.
- Technically competent, but knowing when to get a more expert opinion.
- Knowing when to focus on detail and when to step back and look at the bigger picture.
- Robust enough to survive the most fraught days with their sanity intact, but human enough to maintain the trust of their staff.
- Be in constant communication with business managers over their results and earn their trust and respect.
- Instinctively know where the problem areas are.
- Ability to give feedback direct to the FD on his/her performance, be it good or bad.
- Never support the same football team as the FD. The ability to break out of “work mode”, without delving into their personal life, is a must. By supporting a different team you may both be fed up on a Monday, but both have different stories to tell!
- Always be happy. The FD’s role is often serious and pressurised and the last thing they want is to sit with a fed-up FC after a long board meeting.
- He or she is my eyes and ears both inside and outside of the department. My FC needs to be honest and trustworthy (I don’t like unpleasant surprises); to be loyal to myself and the finance team; be hardworking; and technically competent. Simple.

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well as the financial statements, the financial controller needs to own the controls associated with those statements,” says Tatton-Brown.

His own right hand man is Martin Halliwell. He bears the title director of financial control – a sign of the importance of the role. “A key part of what we do in control is navigation for the business,” says Halliwell. “It’s interpreting what you’ve got historically and what that means looking forward. I see financial control as the hub. It’s where all the other areas of finance come together and you get the total picture. Obviously the FD has a key part to play in that – but the financial controller provides the information.”

THE FOURTH, BEING A GOOD COMMUNICATOR.

At Arcadia, FC Gillian Hague handles all the day-to-day liaison with the FDs at the brand businesses – she’s the link between group and the operating units. Budge, although finance director, only gets involved at key points. For example, ever since Arcadia became a private company, cash controls have been stepped up. “Paul designed those controls in the first place, but then stepped back, leaving it to us to make sure they work,” says Hague. “The controls involve all the unit finance directors – but it’s me who is responsible for communicating them and for making sure they are working properly.”

Her FD agrees. “We have five brand FDs and then three more finance directors with other divisional responsibilities,” he says. “They all have to know about the way we want to do plans and forecasts, time-scales and succession planning. Gillian plays a key role in being able to do that for me. Communication and organisation skills are absolutely vital to her role. I can’t see how you could have a financial controller who was in any way disorganised or who didn’t communicate well.”

FIFTH, BEING THE FD’S EYES AND EARS

in the organisation.

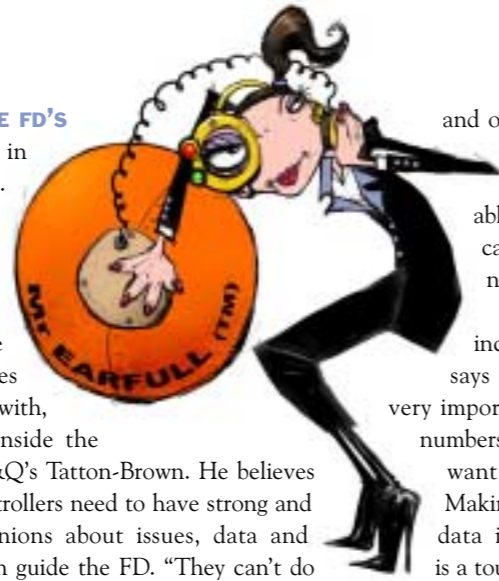
“They need to be able to form effective working relationships – both with the external parties they have to deal with, but also people inside the business,” says B&Q’s Tatton-Brown. He believes that financial controllers need to have strong and well-founded opinions about issues, data and people so they can guide the FD. “They can’t do that simply by getting close to the numbers. They have to be able to read people. That’s the real challenge for the financial controller.”

Personal integrity is also important. “You need someone who people feel they can trust to talk to about issues without necessarily fearing that everything will go winging its way back to the FD,” says Hall. “The FC can be a useful conduit

and outlet for smoothing the corporate machine. By having someone who is sufficiently knowledgeable, experienced and discreet, issues can be resolved without every drama necessarily becoming a crisis.”

“They need to be quite robust, including with the finance director,” says Arnold. “They are custodians of very important information. Sometimes the numbers don’t tell the financial controller what the FD wants to tell the board. Making that translation of raw financial data into useful business information is a tough job.”

These skills all go towards making a great FC. And they’re qualities a controller can build on to make the natural progression to finance director. But even the nuts-and-bolts of the role are an essential grounding for future FDs. Halliwell took his FC job specifically to enhance his skills ready for a directorship, balancing out the extensive commercial experience he already



POTENTIAL DIVISION OF RESPONSIBILITIES

Finance director

- External communication with shareholders, institutions, analysts, banks.
- Internal communication with other directors.
- Responsibility for accurate financial statements and management information for forward planning.
- Responsibility for compliance with corporate governance regulations.
- Strategic development of the business and its finances.
- Fund raising and overseeing treasury management.
- M&A activity.
- Control of senior finance appointments.
- Development of senior finance staff, including the financial controller.

Financial controller

- Production of accurate financial statements, management information and board reports, budgets and potentially longer-term plans.
- Ensuring correct use of accounting standards.
- Liaison with other finance teams and business units for production and analysis of financial data.
- Monitoring compliance with controls.
- Ensuring the FD is fully briefed on finance function issues.
- Responding directly to board-level queries.
- Ensuring the department operates smoothly on a day-to-day basis.
- Authority for junior appointments.

had. “I’m getting closer to core processes and the technical side in this role,” he says. “A few years ago everyone just wanted commercially focused FDs. But control and technical accounting is becoming more important again.”

You’ll certainly get the best out of your FC if you nurture their development. “You need to give them the right level of responsibility to match their capabilities,” says Tatton-Brown. “Agree the areas of focus for development and performance. Advise, support and observe. And remember that delegation’s good for you as FD, too.”

Wood suggests that FDs with a large finance function consider setting up a leadership group where the more senior reports can meet.

“Create a forum where you can deal with development issues,” she says. “You could bring in speakers. You could have another senior board member chair the meetings.”

How else can you make your FC’s life better? Above all, controllers want to be kept in the loop. “The key thing is the communication channel,” says Hague. “I want to know the context so I don’t get caught out by someone asking me something but I don’t know what they’re talking about.”

You also need to be realistic about what can be done when. “Paul is a pretty good FD when it comes to doing that because he has come up through the organisation,” says Hague. “As a former FC himself, he understands where we’ve got sleek systems – where you can press the button and the information comes out – and where it’s going to take a while to collect the data from different spreadsheets.” As she says, if the FD didn’t have an understanding of that reality, “it could make the controller’s life hell.”

“DELEGATING TASKS TO YOUR FC IS VITAL IF YOU’RE GOING TO GET THE JOB DONE”

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