



STRETCHED TO THE LIMIT

HOW CAN OVERWORKED GROUP FDs JUGGLE THE MANY DEMANDS ON THEIR TIME? **JAMES NICHOLSON-SMITH** OFFERS SOME ADVICE

The demands on a group finance director's time are insatiable at the best of times. But when a recession hits or performance deteriorates, it simply gets worse. City investors, brokers and corporate bank managers want to see more and more of the group FD. They want to look the FD in the eye and be told the truth about the performance of the business. As a result, he or she needs to be in every nook and cranny of the business, dealing with the operational impact of the downturn while also calming shareholders, other stakeholders and the board.

FIRST THINGS FIRST

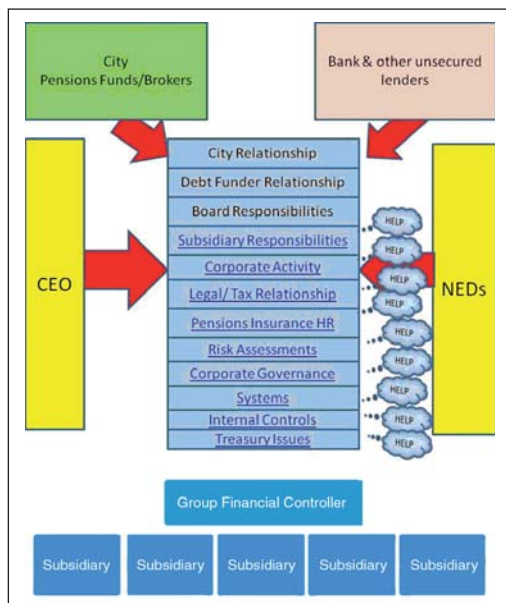
It is impossible for the group FD to do everything at this time. Priorities must be set and help drafted in to ease the time pressure. Most group FDs have 12 key

roles in their job [see chart below], which become a pressure cooker in tough times with few safety valves. In particular, providing regular updates to the brokers, institutional investors and banks and real-time reporting of performance to the board starts to take up a disproportionate amount of time. This leaves little time to address other roles, especially the subsidiary responsibilities and corporate activity. For those of you in this job now, there will be times when it seems there is no pleasing your fellow board directors.

Being overstretched is stressful and the first way to ease the stress is to identify the problem clearly. Group FDs should identify their key roles and the tasks that underpin those roles. Then the priorities within these roles need to be discussed with the other executive and non-executive board members. Managing

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these expectations with fellow directors is critical to 'supporting' them. When allocating these tasks to yourself, it is important to allow spare time for dealing with the inevitable emergency. It is important to remain focused on staying in control of the group's financial position and avoid being drawn into the detail at the operational level. This mistake is frequently the catalyst to dropping a larger and more important ball at group level. When issues at subsidiary levels are identified, the group FD should agree a process to resolve the issue with other board members or subsidiary management and then allocate the right resource to do the task. For example, a trade dispute with a customer or a supplier threatening litigation may be passed to the group FD as it is deemed to be a 'financial matter'. But before accepting responsibility for resolution, you must consider whether all other angles for resolution have been explored by the operational team.



DOWNSIZING AND DISPOSALS

Among the spectrum of issues you are likely to be facing, perhaps the most disruptive and time-consuming are 1) downsizing of a good business where demand has fallen away dramatically and 2) disposal of non-core businesses in order to reduce the debt burden of the group.

When it comes to downsizing subsidiaries, local management teams have a tendency to react slowly to changes in demand and to defer tougher decisions regarding downsizing to the group FD or CEO. Subsidiaries that suffer falling demand should be identified quickly and management must recognise that historic sales conversion percentages may no longer apply. Traditionally, downsizing used to take the form of staff redundancies, but there are now many other ways to reduce staff costs. KPMG's proposal to introduce four-day working weeks and sabbaticals on reduced pay is a recent example. Many companies now have an in-house HR department to run a smooth downsizing programme and ensure compliance with the law. But there are still a number of organisations where local management will require support from the group finance and operations team.

TIPS TO TAKE THE PRESSURE OFF

- Closely monitor the tasks that need to be carried out to prevent something slipping through the net.
- Stay focused on the primary role of controlling the group's financial position by setting processes for subsidiary management to follow for reporting issues and devising solutions. Don't get drawn into solving everyone's problems.
- Match the skills and resources you have in your current group finance team to meet the highest priority tasks.
- For tasks that can be delegated, such as disposals, group FDs can appoint a peer FD to manage and control the process while the local management gets on with running the business. An interim FD resource can cover large disposal projects while a part-time FD can manage smaller disposals.
- Ensure that operational issues are not tagged as 'financial issues' simply because there will be a financial implication.

The group FD needs to agree a process, a timetable and desired outcome with local management as soon as possible and request a plan for approval. If subsidiary management does not produce a plan that addresses the issues, an interim or part-time FD with turnaround experience can be drafted in.

When a group's finances require a disposal programme of non-core subsidiaries to reduce the debts of the group, this decision is often made relatively quickly at board level. The usual targets are good businesses that are expected to attract buyers and generate a good price but are non-core. The process usually starts quickly but then the whole process can grind to a halt when the local management team realise they are conflicted: 'If I provide too much help, I may lose my job when the business is taken over. If I don't help, I am in breach of my fiduciary duties as a director and may get sacked by the current owners if the deal doesn't go through.' To avoid the conflict, the group FD should appoint a person independent of local management on a full or part-time basis to manage the disposal process and control the flow of information between the local management and potential acquirers.

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A HELPING HAND

Drafting in extra help from another FD can make all the difference to an overstretched group FD as he or she can focus on their core role and outsource lower priority tasks that cannot be delayed such as annual accounts and risk reviews. Colin Mills, CEO of the FD Centre, knows this from experience. 'When I was in the group role, I needed additional resources but there were few volunteers for the mucky jobs I wanted to hand out,' he says. 'Of course the lawyers and the accountants are very keen to help, but in most cases, it's either too early to call them in until a clear project can be defined or their skill and experience do not match the requirement. I really wanted another one of me.'