

Have you got what it takes to be a finance director?

Summary of comments to an ACCA event at Leeds United Football Club

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A seat on the main board of a company requires more than being a good manager. Drawing upon the findings of his new book 'Developing Directors', Colin Coulson-Thomas looks at the requirements for becoming a director.

Apart from forming one's own company, or joining the board of a family company, there is no standard or automatic path to a directorship. The route can depend upon the company, retirements and vacancies, and the requirements of a particular board.

Whether or not a head of a finance function should serve on a board depends upon the individual and the corporate context. The general consensus among chairmen is that an individual without directorial qualities should not be put upon a board just to 'fill a particular slot'. A board can always obtain specialist advice as and when required.

A different dimension

Direction should be seen as a separate but complementary activity to management, rather than as a route to elevated status and higher earnings. Directors need to look beyond functional considerations and work for the best interests of the company and its stakeholders. Their perspective should be strategic rather than departmental.

Directors must reconcile the concerns of various stakeholder groups, and respect views of colleagues who may have a different perspective. Non-financial considerations need to be taken into account.

Direction is about providing leadership, formulating strategy, establishing policies and values, monitoring performance and being accountable at the level of the company as a whole. It involves activities such as visioning, delegating to management and ensuring appropriate capabilities and controls are in place.

Boards have to strike a balance between short term pressures and longer term considerations, and between stakeholder interests and a company's own requirements. Entrepreneurial drive has to be balanced with prudence and steps to monitor progress and manage risks. A director must be sufficiently alert to specifics to be accountable, while not so engrossed in detail as to lose an overview perspective.

Good managers do not always become effective directors, while individuals with limited management experience can sometimes make a significant

contribution to a board as a result of their personal qualities. Many specialist professionals lack a balanced and holistic perspective, and have a 'departmental' view of corporate reality.

The role of the board and the duties and responsibilities of a company director are at the heart of the distinction between direction and management. The duties are so onerous that opportunities should be examined with care. Many experienced directors of public companies have turned down a board position because of the risks involved.

Qualities sought in directors

Strategic awareness and personal qualities usually dominate the criteria for boardroom appointments. Formulating a distinctive and compelling vision and a realistic strategy requires business acumen and the abilities to look ahead, see a company as a whole and understand the context within which it operates.

Personal qualities sought include integrity, determination, independence, objectivity, balance, commitment, individuality, sensitivity, strategic and ethical awareness, and a sense of accountability and responsibility. Loyalty, team spirit and 'fitting in' are valued more highly by some chairmen than originality and creativity.

In addition to internal monitoring and reporting past performance a board should be externally focused and looking ahead. Directors need energy and drive to move an organisation forward, certain legal and financial knowledge, and an awareness of boardroom issues and practice and relevant governance requirements.

Skills such as planning, delegating and appraising are especially relevant. Communication skills are important both within the boardroom and when building mutually beneficial relationships with stakeholders. The best candidate for financial director may be the person who is best able to explain financial forecasts and results.

The directorial career

Professional success, managerial progression and the demonstration of directorial potential can lead to a first appointment to a board. Governance experience can be broadened by serving on professional committees, joining the board of a hospital, school or subsidiary, or becoming a non-executive director of another company.

Some people accumulate a portfolio of independent directorships. Accountants with appropriate financial or audit experience can be well placed to chair an audit committee. Buy-out and new business directorship opportunities can also arise.

Many chief executives have a background in accountancy or finance. A financial director could also aspire to become a board chairman. A director who is open to new ideas, stays current and continues to learn from boardroom experience can make an effective contribution long after managerial colleagues have voluntarily retired or been made redundant.

The effective board

A group of outstanding individuals does not necessarily constitute an effective board. Board performance depends upon the interaction of particular people and personalities in the boardroom context. Membership changes can alter the chemistry.

New directors tend to be selected to complement the qualities of existing board members and improve a board's operating dynamics. The preferred candidate might be the individual who best balances the team, rather than the person who is technically the most proficient.

One does not need to be 'good at everything' to be selected as a director. Standing out at something can be more important than being quite good at most things. The deficiencies of individual directors can often be compensated for by the contributions of other members of the boardroom team, allowing people to play to their strengths.

Development activities

Good direction is often about thinking rather than doing. Aspiring directors should really understand the difference between being a professional, a manager, an owner or shareholder and a director. Each of these roles can involve a particular perspective and certain responsibilities. People need to be alert to potential conflicts of interest.

To be effective in the boardroom, a director must command the respect of colleagues. Being an effective team player helps. Development activities should focus upon honing and demonstrating strategic awareness and perception, thinking, decision making, communication and inter-personal skills.

Directorial ambitions should be made explicit in performance reviews and development plans. Preparation for a particular boardroom requires an understanding of the business environment, the specific company's situation including how its directors are selected, appraised, remunerated and developed, how its board operates and the contribution a new director is expected to make.

Next steps

Multi-functional and business development experience, running a department as a profit centre and demonstrating contribution to the bottom line can all improve directorial prospects. Joining an inter-organisational team can

broaden a viewpoint, while serving on a multinational task force or undertaking an overseas assignment can foster an international perspective.

Specific directorial requirements will depend upon the corporate context and a board's ambitions. The nature, structure, composition and operation of a board should reflect the challenges faced by a company and the opportunities available to it. Those seeking to join a particular board should aim to fill gaps in the experience, knowledge and skills of existing members.

Further information

*'Developing Directors, a guidebook for building an effective boardroom team', by Colin Coulson-Thomas is published by Policy Publications, costs £34.95 plus p&p and can be ordered from:

<http://www.policypublications.com/developingdirectors.htm>

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