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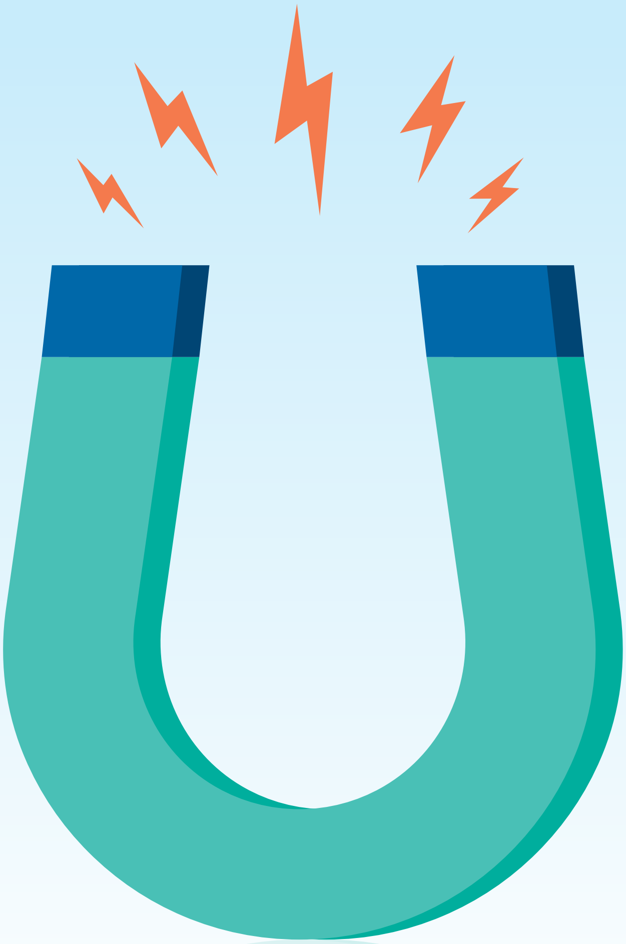

Influencing the Board as CFO

Even seasoned CFOs can struggle when it comes to influencing decision-making in the boardroom. **Emma Carroll** explores how the best execs are making their presence felt way beyond the finance function

Today's CFO has much to contribute in the boardroom beyond providing assurance over the numbers – they can spot business opportunities, contribute to talent plans and provide a fresh perspective on performance. However, to exert real influence they need to build strong relationships with the non-execs and step out of the CEO's shadow.

Phil Smith, Chair of IQE and a Criticaleye Board Mentor, believes the best CFOs are multi-talented. "They're great at handling the investors, they're great at handling the market generally but they're also great at handling the numbers in the team," he says. "Like any leader, I expect them to build good teams, to bring people up inside their organisations as well. I think it's easy to characterise a CFO as a number counter. I don't think that's the right way to do it."

A truly effective CFO has a first-class understanding of the financial health of the business, but they will also go much further. **Phil** says the best CFOs are "some kind of hybrid business development person, always thinking about opportunities, how the company can grow and how it can engage in different markets".

Dame Alison Carnwath, NED at BP and Zurich Insurance, finds that a new CFO can really shake things up in the Boardroom. "They can add value by effectively just looking at all the numbers through a different lens... The way information is provided, KPIs, the way risk is looked at; a new CFO can come in and look at things... very differently and that can really change the debate around the boardroom table," she says.

Leslie Van de Walle, Chair of Euromoney Institutional Investor, Senior Independent Director at DCC plc and a Criticaleye Board Mentor, agrees that the CFO can provide a welcome alternative perspective on the business. "As Chair my key relationship is with the CEO, but I make sure I see my CFOs formally or informally once or twice a month. It's good to have another take on the results and what's happening in the business," he says. "They don't focus on the same >

things. The CFO spends more time in the engine room of a lot of things: the systems, controls, risk – so you see a different side of the business."

The CFO and the Board

The ability to exert influence in the boardroom is earned over the longer term. **Aoife Forde**, Relationship Manager at Criticaleye, says: "It's about building relationships – that's what buys you credibility with the Board. When you step into a new role as CFO you need to spend time getting to understand the business, but you also need to get out and meet the non-execs. Get together in an informal setting and catch up between Board meetings.

"Your efforts will really pay off when you need to have difficult conversations as that's much easier when you have established trust between you."

Leslie believes execs, including the CFO, need to step up to the plate and drive the business agenda. "The best way to influence the Board is to have a clear strategy, in which the non-execs have been involved," he says. "My view is that management needs to propose the strategy – I don't think the Board should develop it; they should challenge it and fine tune it. Then it's a collective exercise to come to an agreement about what the strategy is."

It's also important to keep the Board engaged and avoid surprises by providing a regular flow of information. "Early warnings are important. I see this working well at DCC," **Leslie** says of the international sales, marketing and support services group. "The strategy is mostly about operational excellence and acquisitions, and at every Board meeting there is an update on the pipeline: ongoing acquisitions, ones that are appearing and candidates that have just been identified," he explains.

CFOs can really make or break their right to influence when performance is under pressure. **Mark Silver**, Chair of Cordic, a Criticaleye Board Mentor and former CFO explains: "The CFO is important when it comes to a difficult market because if she or he is calm, understands what's going on, can enumerate that and also show a degree of independence from the CEO, these things give the Board reassurance that they know what they are doing.

"As CFO you need a degree of independence from the CEO. You are absolutely seen as the conscience of the organisation," he says.

He provides an example: "Sometimes the CEO might just want to reduce targets by 10 percent, whereas you know that if they are reduced by 25 percent they can be met much more safely, and the company will be on a better footing. That's an example of where conflict can occur between the CFO and CEO and where the relationship between the CFO and the Chair comes in."

Leslie says that executives must be upfront with the Board and realistic when it comes to revising forecasts: "The Board will be disappointed whatever downgrade you give. So, make sure you've given yourself enough room to start re-building upwards. The worst thing is a falling number that keeps falling – if you keep missing your forecasts then you lose all credibility."

He also agrees that CFOs who want to influence need to raise their profile. "Often the CFO is too quiet in Board meetings, because the 'boss' is there," he says.

"You need to find a way to have your fair share of airtime because you are playing a key role. The non-execs are watching, and it will impact on your perceived image and influence in the business if you don't." ■

This article was based on the Criticaleye CFO Discussion Group How to Influence the Board and the video Adding Value Beyond the Numbers.

Criticaleye's CFO Retreat 2019, held in association with Capita, AntWorks, Brewin Dolphin and E.ON UK, takes place on 14th and 15th November. For more information, please contact Emma Carroll.

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