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Building a Successful Leadership Team

The relationship between the CEO and the CFO is crucial to a business' high-performance. Criticaleye's **Emma Carroll** looks at how to keep this relationship healthy and functional

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"One of the hardest things for a Board to cope with is a fracture between the CEO and the CFO," said **Gareth Davis**, Chair of Ferguson. In such circumstances, it's almost inevitable that one of the two parties will have to go, but how do you avoid such a situation from occurring?

At Criticaleye's CFO Retreat 2018, held in association with IBM, BIE Executive and E.ON UK, business leaders explored what makes this pivotal partnership work. **Richard Place**, CFO of NatWest Markets, said that the pair should work together to review all parts of the organisation, looking for strengths, but also being honest about areas that are underperforming.

He added: "The relationship between the CEO and CFO is the cornerstone of the business. You need trust and also challenge."

Matthew Blagg, CEO of Criticaleye, agreed: "Honest and open dialogue is the hallmark of a successful business. The motivation behind those discussions needs to be about driving the organisation forward."

He continued: "Constructive challenge is invaluable. Great executives can disagree, and must make time for those difficult conversations behind closed doors, but they need to come out aligned."

While the CFO and CEO need to demonstrate an agreed business narrative, it can be an advantage if they have different, but complementary, character >

traits. **James Taylor**, CFO of Mayborn Group, the baby products business and owner of the Tommee Tippee brand, certainly values the difference between his CEO and himself. "He will go off and do things, whereas I'm more the reflective type," **James** said. "The absolute key is that there is nothing between us when it comes to discussing our views on the business."

The recent involvement of a new investor at Mayborn Group has enabled this duo to "lift their heads up a bit" and become more forward-looking. "The CEO and I can now spend time discussing the strategy and where the business is going, whereas previously, under a very traditional, PE-ownership structure, decisions were more short-term as they were driven by the bottom line," **James** said.

A Strong Finance Function

To free yourself up to have these more strategic conversations, **Richard** said it's critical to have "the self-discipline to not get dragged back into the detail". To allow this, you need a strong team behind you, one that can be relied on to deliver the financial fundamentals.

It was agreed that Finance needs to be commercial and to have a deep understanding of products, services and how an organisation creates value for its customers. **Joanne Wilson**, CFO of customer data science concern Dunnhumby, explained: "It's about saying to your team: 'Even if you're not in a commercial finance role, I expect you to be spending time in the business and talking about the business.'"

She makes sure that gaining this wider acumen forms part of her finance team's goals, plus she frequently invites

> *"The relationship between the CEO and CFO is the cornerstone of the business"*

colleagues from commercial units of the business along to monthly meetings to share knowledge. In addition, The HR team at Dunnhumby has built a suite of training tools about their products. These are pitched at different levels of knowledge from 'know' to 'sell' to 'do'. "There's a minimum requirement for everyone in the business to have done the 'know' training," **Joanne** said.

Wider Challenge on the Board

The Chair and Non-executives Directors play an important role in supporting and challenging the CEO and CFO. **Gareth Davis**, Chair of Ferguson, the FSTE 100 distributor of plumbing and heating products, said: "On the Board agenda there will be areas subject to micro-challenge, such as clarifications, but the more serious macro-challenges are where the whole concept that's being discussed is questioned," he explained.

"When you're talking about a major M&A deal and someone says: 'This is off strategy, we shouldn't even be looking at it.' That presents problems for the Board, but those challenges need to be made, and have to be resolved, otherwise it's just a box-ticking exercise.

"You want to see whether your actions, executions and tactics are on strategy. I think that's one of the main responsibilities of the Board."

According to **Gareth**, there has to be balance to discussions in the Boardroom. "I get the Company Secretary to record the time we spend on the agenda. It's coded into S, P and G – Strategy, Performance and Governance. Then every six months or so I'll look at how much time we spend discussing each one. What I like to see is around 8 to 10 percent on governance issues; just over 30 percent on performance issues; and then up to around 60 percent on what I call strategy and execution," he said. ■

For more on the crucial role CFOs play in businesses, see Criticaleye's film on Adding Value Beyond the Numbers.

Featuring Commentary From:


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