

Career Development in Finance: The Route to the Top

Based on research sponsored by Prudential Plc

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EXECUTIVE SUMMARY

Context

Developing executive talent is a high priority item for management teams in all large organisations. Identifying high potential individuals early, understanding their strengths and development needs, actively building their capability and managing their career effectively are all critical in ensuring that businesses have the leadership to compete effectively.

The role of the Finance Director is increasingly complex, broad, demanding and central to the corporate development agenda. Today's Finance Director is viewed as the right hand person to the CEO, fulfilling the following roles:

- A strategic role focused on the portfolio of businesses within the organisation and on the performance of each individual business, thereby maximising shareholder value.
- Actively contributing to strategy development and the management of the corporation.
- A 'selling' role externally focused on the board, investors, bankers, analysts and other stakeholders.
- The conscience of the organisation and its Directors, both Executive and Non- Executive.

Finance executives with the aspiration to reach senior management levels must aggressively manage their careers to build the necessary experiences. This often means continually pushing beyond their comfort zone and sometimes areas of enjoyment. Similarly, the business needs to identify management talent early and utilise it effectively.

There is no doubt that technical competence is mandatory for a Finance executive but being a 'technical expert' is likely to be detrimental, particularly when so much advice is readily available from specialists both internal and external.

The Research

This research project focused on the Finance function and involved interviews with senior Finance executives within Prudential and with 21 FTSE 100 Group Finance Directors. The focus was on identifying critical work experiences that a high potential Finance executive should acquire in order to have the breath required for the most senior jobs within the function and in order to be able to compete in the open market for talent.

This research identified 19 types of work experiences that at least one of our senior Finance executives found to be critical in building their own capability. However,

when rating this entire range of experiences, FTSE 100 Finance Directors identified the following to be the most critical:

- Working in a business unit (ideally as a CFO) to gain an understanding of how the business works at the 'coal face', often managing adverse business performance.
- Working overseas (in internationally orientated businesses), sometimes across more than one geography.
- Working in the headquarters to develop a broad a 'holistic' perspective of a company, learning how to steer an organisation as a whole and influence business units as well as establishing high level contacts.
- Playing a lead role (even if it is not full time) in the definition of group strategy and in Mergers and Acquisition activities.
- Working in a role that includes frequent interaction with external stakeholders (analysts, investors and bankers) to understand the external perspective on the business and learn how to represent an organisation externally.

Whilst there is no single or defined experience set required, our FTSE 100 Finance Director sample highlighted the need for a wide breadth of experiences, encompassing the above, to be the most likely ideal combination.

Conversely, there were some experiences which were perceived to be much less important to developing a Finance career. These were:

- Working in a position that is directly impacted by regulatory requirements (not only in the UK) so that you understand the restrictions and how to work within them effectively.
- Developing real depth of expertise and knowledge in a specialist area (such as tax, risk).
- Working in a position that requires you to apply a sound understanding of accounting, to manage key accounting processes and keep abreast of changes in accounting standards.
- Working as a personal assistant/close advisor/direct support to a very senior company executive in order to understand what they require in their role, learn how to provide value through input to commercial decisions and develop high level contacts.
- Working in a non-finance role (sales, distribution, etc.) to gain a deeper understanding of key business processes and learn how to communicate with non-finance executives.

This range of critical and less critical work experiences were viewed by our sample as the foundation for developing the following critical competence areas:

- Real depth of strategic and commercial capability as required to review the portfolio of companies and each business within it.
- The ability to influence senior executives across all functions, with the stature to be a leader given the Finance Director's key position as No. 2 to the CEO.
- The ability to communicate effectively with both internal and external audiences and thereby 'sell' the business.

- Leadership and management of sometimes very significant teams, knowing when to delegate and when to delve.

The research also identified a set of working styles which were seen as key for effective career progression, including for example:

- Getting things done accurately, on time and without error so that people can trust that you will deliver.
- Being assertive in taking on additional areas of responsibility and seeking broader areas of involvement beyond the basic parameters of the job.
- Displaying the courage to raise issues that may cause discomfort and to focus oneself and others on actions that have to be confronted.
- Working outside one's comfort zone by taking on new and unfamiliar challenges in areas where one may not have all the required expertise.

The Application

Developing this range of competencies and working styles is not an easy process since that can only be achieved through a broad range of work experiences, which take a significant number of years to accrue. From an organisational perspective, the required systematic career rotations are very useful in improving the recruitment and retention proposition. Also, while there is a trade off between development and stability, the latter often proves to be more important at senior levels. Rotating candidates around an organisation is more easily achieved at middle management levels and initial career steps can therefore be used to acquire the required breadth of work experiences.

Internally groomed candidates will almost always face significant competition from external candidates with FTSE 250 CFO experience. To have a realistic chance to get to senior level jobs, executives need to develop the breadth of experience highlighted above. On the other hand, internal candidates can often prove to be lower risk appointments because they know the organisation. They will, however, nearly always need to compete with external candidates for the top job. Demonstrating the breadth of experience so as to be as, or more, accomplished than individuals known to the City is therefore mandatory, since executives and shareholders will not want to take any risks in making senior level appointments.

The most successful organisations actively seek to identify and groom high potential executive talent, starting from as little as five years post qualification. This early identification will typically involve:

- Soliciting input from senior Executives across the Group; asking them to identify high potential Finance executives within their teams.

- Assessing the strengths and development needs of each of these executives through interviews with their manager and direct reports, using psychometric tests and an in-depth session with an experienced business psychologist. (candidates joining the company would also be assessed in a similar manner to ensure that they have the required long term potential).
- Working with each individual high potential Finance Executive to build an in-depth plan that is focused on developing the range of work experiences required for long term career progression, encouraging them to move into new areas that are out of their comfort zone.
- Identifying the key requirements of future Finance Executives across the business and developing an effective talent management process to address these needs.
- Facilitating a programme of annual meetings focused on developing the leadership capabilities of this select group of high potential Finance Executives, including capability building workshop sessions, development orientated projects and meetings with senior company Executives; presenting key aspects of the group strategy and activities.

In general, the feedback from our FTSE 100 Finance Director sample highlighted the critical need to develop internal executive talent that will provide the organisation with bench strengths that can be used to occupy key senior roles with the kind of strategic/commercial perspective and with the communication/influencing skills required for success.

Our research indicates that organisations must, therefore, build comprehensive bench strength in Finance talent from the bottom up, focussing not only on hiring candidates who are 'fit for purpose' but those who have the potential to develop in other Finance roles. This is the case even in specialist areas such as treasury or audit. All key reports to a Finance Director (and possibly business unit CFO's) should, therefore, be considered as key development roles for high potential Finance talent rather than as posts requiring functional expertise.

If you would like to receive the report in full please email Fiona Makowski at fmakowski@oxygenpeople.com