

The Role of the FD

Without doubt the role of the modern FD has changed, no longer are they expected to simply just 'count beans' or be a 'safe pair of hands'. This article recently published (in three parts) on Mike O'Connell's blog www.sageontheweb.co.uk explores the role of the modern FD.

Solid Foundations

As a supplier of [part time FD](#) and [interim FD](#) services I am often faced with clients who are not entirely sure what an FD does, or why they should need one "I have a financial controller who is more than capable of knocking out a good, timely set of management accounts why do I need an FD, what do they add?"

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So what exactly DOES an FD do? Firstly an FD can do nothing without management information. They must put in place the personnel, systems, controls and processes required to deliver the appropriate level of accounting information. The level of information needs to be appropriate for the size of the company, appropriate for the audience (management team, investors and staff). Appropriate to the budget of the company and where it is moving to in the future.

It is too easy for an accountant to hide behind a multi-tabbed spreadsheet or a thick management pack. Too often accountants bring the management pack they picked up from their previous employer and try to squeeze it into their current company with little regard as to whether this is appropriate.

I have a friend who is the FD of a [FTSE100](#) company – until recently he didn't have a computer on his desk. I was both horrified and amazed, but on reflection I was also rather jealous. With a beautifully designed and modelled spreadsheet the temptation to go straight into detail is high. I think I would be better served sometimes if I sat back and reflected on what I really needed to know for the business.

There are some CEO's who do not fully understand their accounts but are comforted by a number of artistically crafted graphs and if there is a really thick management pack as well, then "someone must be delving into it and analysing stuff", mustn't they?

It is worth noting that often the FD's best decisions (and sometimes worst!) is the selection of the accounting team. Team recruitment and development is often the area that the average accountant has the lowest level of skill and experience in. This is partly why our own Isosceles' service has been so successful. Our FD's are backed by an [experienced team](#) of accounts assistants, accountants and controllers, all tried and tested in difficult situations – battle hardened. We make it easy for the FD to look good!

There is nothing worse for an FD than an under-skilled, de-motivated team supporting them. The finance department needs to be built on solid foundations - standard controls and procedures performed regularly, reconciled, reviewed for variance and non-compliance. On top of this can be layered good standard reporting and on top of this can be layered advanced analysis and KPI identification. The FD must fashion and produce this department. They must be able to lead and motivate.

Painting the Picture

Now that we have a solid foundation, the appropriate level of reporting and a team capable of providing this on a regular basis, let's look at 'painting the financial picture'. (I could go on about controls, but to be honest any good financial controller ought to be able to put these in place.)

A [balance sheet](#) is a static picture at a point in time, it says neither that a company is doing well nor badly. It simply says at the moment we could potentially liquidate all our assets and liabilities at book value for X.

Even a [profit and loss account](#) for a single period does not provide enough information, about the performance of a company.

Each piece of analysis is a paint colour and the job of the Finance Director (FD/ CFO) is to take the colours and paint a picture of the overall performance of the company. It does seem surprising that I am equating what is a mathematical output into terms that are artistic, but this is what the best FDs do. This is especially true of smaller organisations where the company may be operating using incomplete data as to the state of the market and competition.

The painting of the picture through the presentation of numbers and the commentary are the primary communication methods used by the FD. The ability to communicate is essential.

Once again the degree of communication required can vary from industry to industry. In creative industries the nature of the communication is vital – the executives of a company are often dealing with intangibles, they are in the business of communicating messages and ideas and this is how they would like to be communicated with.

Entrepreneurs often have very short attention spans they require the bare bones quickly and efficiently. They don't want to wade through pages of analysis nor do they necessarily want to have the numbers pitched with spin. The ability to be able to answer a straight blunt question with a straight blunt answer is often the most important.

In a manufacturing environment the executives are used to wading through quite large amounts of analysis and variance. These are generally highly analytical people.

An FD needs to understand what the information and communication needs of his management team are and adapt his/her message accordingly.

The Glue

To be continued catch the next installment on www.sageontheweb.co.uk