



5D  
FD

BENCHMARKING  
THE FIVE-DIMENSIONAL  
FINANCE DIRECTOR

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\* For the purposes of this White Paper, the terms FD and CFO have been used synonymously.

## FOREWORD

We are living in a business world in which change is the only constant: a maelstrom of political, economic, social, legal, technological and environmental forces that have a disruptive influence on enterprises and how they are managed. Add to this the new wave of competitive influences, the torrent of big data and ever-increasing customer expectations and the challenges facing the executive team have never been so pronounced – or so business critical.

To quote Wotif founder, Graeme Wood: “Change has never happened this fast before, and it will never be this slow again.”

As a consequence, the current business environment has been described as ‘VUCA’ – Volatile, Uncertain, Complex and Ambiguous.

So, who in the organisation is best placed to navigate their way through this increasingly complex landscape? Certainly, the Finance Director is uniquely equipped to determine the data essential to effective decision-making, after all they routinely manage and report on the numbers. But have they stepped up beyond the auditing, planning and budgeting role for which they have traditionally been known? Do they have the ability and agility to support the strategic decisions that matter to the success of the enterprise and ensure their execution?

In summary, today’s FDs/CFOs face an incredibly challenging universe of risks and opportunities. CEOs are increasingly looking to their finance leaders for strategic direction and operational support to propel the organisation’s vision, strategy and drive financial performance. Understanding the changing dynamics of the Finance Director’s role, to be able to determine ‘what outstanding looks like’ and benchmark their ability to be effective has never been more vital.

Through closely examining the risks and opportunities to the organisation, this White Paper explores and confronts the modern Finance Director’s role in meeting and adapting to key business challenges, by asking the question, “**Is your FD fit for purpose?**”

**Ben Mekie**

Founder, Acuity Associates

# THE 5 DIMENSIONS OF THE MODERN FD/CFO



## FINANCE DIRECTOR RISK & OPPORTUNITY MATRIX

# STRATEGIST

Crystallising strategic objectives into a coherent and cohesive plan

FD RESPONSIBILITY	RISKS	OPPORTUNITIES
<b>BUSINESS AND FINANCIAL STRATEGY</b>		
<b>Business Valuation</b>	Sub-optimal business valuation/ Inability to achieve a sale.	Maximise business valuation by enhancing both EBITDA and multiplier (sale-ready strategic positioning).
<b>Strategic Alignment</b>	Loss of focus and direction leading to confusion, wasted resources, increased risk and negative impact on bottom line. If the CEO is not thinking 3 months to three years ahead and does not have an FD that is capable of directing the day to day, then he does not have an FD.	Deliver a cohesive financial plan that matches and supports the business plan, having challenged and validated assumptions.
<b>External Factors</b>	Low awareness or lack of understanding of the external environment and its impact on the business.	Stay on top of the current political, legal/regulatory, economic and technological environment informing decision-making.
<b>Scenario Planning</b>	Lack of knowledge of contingency plans renders scenario planning irrelevant.	Create effective scenario plans and stress analysis enabling the business to gain greater foresight and plan for contingencies in times of unexpected or expected change.
<b>Resource Allocation</b>	Inadequate and misaligned resource allocation/wrong teams causing strategy to fail. Operational inefficiencies.	Free up the time of the business owner/founder/entrepreneur so that they can concentrate on their strengths, priorities and opportunities. Ensure effective and timely decision making across the organisation.  Bring in specialist skills where required, rather than improvising and/or risk training existing team and distracting them.

## FINANCE DIRECTOR RISK & OPPORTUNITY MATRIX

# STRATEGIST

Crystallising strategic objectives into a coherent and cohesive plan

FD RESPONSIBILITY	RISKS	OPPORTUNITIES
<b>GROWTH</b>		
<b>Organic</b>	Unstructured and haphazard growth leading to sub-optimal utilisation of resources and cash flow issues/ working capital.	Maximise growth opportunities by optimising internal and external sources of working capital.
<b>Acquisition</b>	<p>Failure to spot the right opportunities for acquisition.</p> <p>Inadequately prepared Data Room increases risk profile to acquirer and results in subsequent under-valuation of business.</p> <p>Reactionary approach to events, insufficient time to prepare collateral for presentation to buyers/investors.</p> <p>Distraction from important value driven tasks and projects. Strategy not executed properly due to lack of time of Founders/Entrepreneur.</p>	Make sure that senior team members are able to continue to grow the business without being bogged down, distracted and disrupted, thus protecting business valuation.
<b>FUNDING</b>		
<b>Requirement</b>	Failure to spot cash requirements until it is too late (over trading/cash cycle) = running out of cash and not seeing it coming.	Explore and arranges short and long term sources of working capital finance.
<b>Options</b>	Inability to secure appropriate/ best value funding options that will provide the necessary quantum/ headroom to execute the plan.	Understand the financial options available in the market, their value and how they can best be structured to meet the company's objectives.
<b>Time</b>	Unfocused approach to funding working capital in a timely manner puts the business at significant and potentially critical risk.	Make certain that funding events adhere to key delivery milestones, minimising execution risk.

## FINANCE DIRECTOR RISK & OPPORTUNITY MATRIX

# CATALYST

Ensuring consistency of understanding and assumptions across the business

FD RESPONSIBILITY	RISKS	OPPORTUNITIES
<b>Whole Company Vision</b>	Lack of a shared vision or the inability to articulate the business purpose clearly or in an engaging way leads to weak focus, low team motivation and poor performance.	<p>Look across the whole operation and identifies how the activity of each area impacts the others so that they can work well together with purpose and conviction.</p> <p>Ensure the adoption of a company level perspective by the more technical members of the leadership.</p> <p>Enable each team member to understand how they fit into the big picture.</p> <p>Coach/develop financial discipline, augments and enhances performance across the organisation.</p>
<b>Challenger</b>	Without a credible and informed 'Challenger', important business decisions can lack the necessary rigorous examination or go unchecked, increasing risk.	Provide an important voice on operational, strategic, personnel, safety, IT, sales and marketing risks, decisions, initiatives, and performance.
<b>Risk Management</b>	<p>A 'not my problem' mentality can develop. Poor communication of Risk Management means that risks are not understood by employees.</p> <p>Furthermore, there may be no awareness of risk and therefore no mitigation planned.</p>	<p>Promote risk management across the whole business, not just financial risk.</p> <p>Minimise unfortunate surprises in the business and enables effective and documented contingency planning, making the escalation pathway known and easier.</p>
<b>Intra-Departmental/ Divisional Understanding</b>	Silos occur – objectives achieved by function are seen as success, which may not be congruent with business success.	<p>Make sure technical team members with different expertise understand each other's business.</p> <p>Recognise and communicate how business roles fit into the company goals to deliver commercial value.</p>

## FINANCE DIRECTOR RISK & OPPORTUNITY MATRIX

# BUSINESS PARTNER

**Working with colleagues outside finance to understand their issues and help them achieve their objectives**

FD RESPONSIBILITY	RISKS	OPPORTUNITIES
<b>Support</b>	Teams feel unsupported and marginalised.	Teams feel motivated and employees enjoy higher productivity, the bedrock of an employer brand.
<b>Relationships</b>	Conflict between finance and teams leading to communication disconnect and poor working relationships.shortfall.	Foster harmony between finance and teams creating a positive culture and enhancing operational performance.
<b>Targets</b>	Teams set their own targets in isolation and these do not match the founder's/entrepreneur's aspirations or the business plan.	Encourage teams to meet goals and targets as they have the correct resources to achieve them, increasing the likelihood of success.
<b>Function</b>	Teams are incentivised to empire build at the expense (literally) of the business.	Ensure all employees and stakeholders have the tools to understand the whole business.  Common understanding of goals across the business drives overall success.
<b>Language</b>	A disconnect in the vocabulary used between departmental functions and finance.  Finance fails to speak the same language as the departments while the departments do not use the language of finance and the boardroom.	Help non-financial managers to express their operational plans and objectives in the language of finance.
<b>Partnership Management</b>	Inability to augment the team with external professional advisers can lead to insufficient expertise in key areas and potential governance issues, as well as creating operational bottlenecks affecting performance.	Optimise and direct other external professional advisers, ensuring that the required specialist skills are brought into the organisation at the right time and price, (e.g. for tax or legal matters) or to address specific capacity issues.

## FINANCE DIRECTOR RISK & OPPORTUNITY MATRIX

# CUSTODIAN

Ensuring the finances of the business are improved by setting and monitoring against plan

FD RESPONSIBILITY	RISKS	OPPORTUNITIES
<b>CONTROLS</b>		
<b>Cashflow</b>	Run out of cash (this is most common reason that businesses go into liquidation) and not seeing it.	Recognise that revenue is vanity, profit is sanity and cash is king.
<b>Working Capital</b>	Not fully recognising/ understanding funding requirements and timing (so when will cash run out due to growth or over-trading and planning to fill the gaps?).  You can go broke in your best month.	See the bumps in the road ahead and plan for them (i.e. impacts of pay rises etc).
<b>Costs</b>	Lose control of costs (affects profits and dividends), e.g. Not matching POs to invoices.	Adhere to plan and understands deviations from plan when unavoidable.
<b>Profits</b>	Sell products and services that lose money (affects profits and dividends).	Maximise contributions to gross margin through optimised product/ service mix.
<b>Budgets</b>	Poor budgeting is symptomatic of failing to plan (which means planning to fail). Don't know when to hire staff or if that it is affordable at any particular time.	Know when to re-plan/re-budget in the light of market conditions.

## FINANCE DIRECTOR RISK & OPPORTUNITY MATRIX

# SCORER

**Ensuring proper accounting records are maintained and statutory reporting, tax and other obligations are met**

FD RESPONSIBILITY	RISKS	OPPORTUNITIES
<b>Management Information (MI) and Reporting</b>	<p>MI does not meet business objectives. Lack of clarity through becoming 'lost in the detail'. Poor team focus and fuzzy thinking.</p> <p>No way of appraising team performance against targets.</p> <p>Material errors creep into financial reports, or reports take too long to produce.</p>	<p>Review and summarise effectively, presenting information in the way that it is best received (largely by non-financial) colleagues and that communicates the key messages and risks effectively.</p> <p>Results in highly focused teams with clear objectives and direction.</p> <p>Drive effective target setting and achievement.</p> <p>Provide clear thinking, reporting and analysis to improve the quality of decisions.</p>
<b>Systems and Processes</b>	<p>Lack of systems and processes risks the ability to deliver less than optimal productivity and consistency.</p> <p>With overburdened and inefficient processes the tendency is to throw more resources at the problem rather than fix it.</p> <p>A lack of focus on systems leads to issues in management and measurement/metrics and impacts adversely on business performance and value.</p> <p>Little or no current systems implementation or training.</p>	<p>Drive consistency, clarity and scalability.</p> <p>Results in time-saving and more efficient resource allocation.</p> <p>Facilitate roll out across any business that may be purchased so all businesses 'singing from the same hymn sheet'.</p> <p>Implement and/or trains the team in processes and systems that imbue control.</p>

## FINANCE DIRECTOR RISK & OPPORTUNITY MATRIX

# SCORER

**Ensuring proper accounting records are maintained and statutory reporting, tax and other obligations are met**

FD RESPONSIBILITY	RISKS	OPPORTUNITIES
<b>ENSURING PROPER ACCOUNTING RECORDS ARE MAINTAINED AND STATUTORY REPORTING, TAX AND OTHER OBLIGATIONS</b>		
<b>Governance/ Compliance</b>	<p>Big fines or penalties, as well as the significant reputational harm that may be incurred by breaching regulatory requirements.</p> <p>Ultimately disqualification of company directors. Potential prison sentences.</p>	Reduce organisational and individual risk and promotes confidence.
<b>Filing Accounts</b>	<p>Fines, penalties, reputational risk for non-compliance. Ultimately disqualification of company directors. Potential prison sentences.</p> <p>Potential reputational damage and mistaken view on business health by external parties and internal teams if accounts filed late.</p>	<p>Attain standards and requirements expected by third parties inspecting books and records (table stakes).</p> <p>Ensure correct and timely filing protecting the reputation of the business.</p>

## THE AUTHOR



### **Ben Mekie, Founder, Acuity Associates**

Ben Mekie was educated at St Paul's School, London, followed by Southampton University where he majored in Economics. Ben began his career at Deloitte in London.

In 1995 he moved into the music industry working variously in finance, royalties and marketing. In 1997 Ben started his first venture "Carbon"; growing the business from a single retail outlet into a chain of 7 shops and associated record label.

In 2000 Ben joined Firstsource as their 5th employee. By engaging FTSE 100 clients and major corporates Firstsource grew from a standing start to 13,000 employees in 6 years under the watch of Matthew Vallance. Ben became European CFO and Compliance Head in 2003.

Firstsource floated on the Mumbai Stock exchange in 2006.

After the float, and frustrated by the inability of recruiters to provide consistently competent candidates, Ben founded Acuity Associates in 2007.

## ABOUT ACUITY ASSOCIATES

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Founded in 2007, Acuity Associates' mission is to strengthen finance teams through the application of The Acuity Method™.

The Acuity Method™ validates accountants' (particularly FDs' and CFOs') technical skills. i.e. their ability to be effective in their roles. Using The Acuity Method™ we have comprised a hugely talented base of associate FDs and CFOs whose skills include readying business for sale or other significant liquidity events (e.g. Private Equity fund raise et al).

We place these associates in our clients' offices to supplement the existing team and prepare data rooms, enhancing reporting and ensuring these elements are produced to meet the requisite standard. Typically, there are significant ancillary benefits that add value to clients' operations as our associates identify process and/or systems areas for improvement.

Acuity Associates provides a retained executive search function where candidates' skills are validated before presentation to our clients. Acuity's FD and CFO Associates are also available for interim placements on demand.

### **WHAT IS THE ACUITY METHOD™?**

The Acuity Method™ is an assessment that validates the technical competencies of accountants in all pertinent areas including Excel, accounting fundamentals, accounting standards, software literacy, management reporting, process improvement, systems implementation, modelling, forecasting, projects and financial planning and analysis. For senior roles we assess commercial, business and strategic capabilities.

We technically assess candidates and only put them forward if they demonstrate appropriate competence for the defined role. We continuously review and improve our processes to ensure that The Acuity Method™ is consistently at the vanguard of technical assessment and validation.

The Acuity Method™ validates skills and is not a psychometric tool.

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