

Post Event Review 2009

The Finance Directors' Forum: Meeting change head on

With light at the end of the tunnel for the economy, the Finance Directors' Forum turned to compelling questions of efficiency, growth and leadership. In each case, the secret is a willingness to adapt.

The 2009 Forum, on board the cruise ship Aurora, took place against a backdrop of uncertainty. Yet while the recession continued to dominate the thoughts of those left ashore, the minds of the FDs on board turned to more positive issues – often around creating or protecting value. Risk management was high on the agenda – but the delegates were as keen to hear about strategies for managing on the upside as protection from the downside.

Positive Mutations: Business success is at least in part instinctive. If your organisation isn't



programmed to deliver financially and to work efficiently in the supply chain environment, it runs the risk of going the way of the dinosaurs. This Darwinian metaphor was apt for the Opening Keynote, delivered by world-famous geneticist Steve Jones. Company DNA is much like that of life itself: positive, adaptable and looking for an environmental niche. The lesson for business leaders is that genetics isn't just about survival of the fittest – it's also about discovering where best your organisation's talents can be put to work.

The second speaker to take to the podium was BJ Cunningham, a charismatic entrepreneur who became notorious for selling cigarettes under the brand name "Death". He'd made, and then lost, a fortune on classic car imports. Faced with an overdraft of £876,000, he convinced his bank manager to restructure his debt so that he could start his next venture The Enlightened Tobacco Company PLC. This business established him as an 'expert' in brand creation, and he leveraged that specialised in no-nonsense messages that used

honesty to sell. But just one adaptation wasn't enough for Cunningham, and after selling his agency (just before 9/11 – luck, he confessed, had played its part in his story) he decided to follow through on his personal principle: "where there's a hidden agenda or outright lie, there's potential for profit."



The lie he chose to exploit was tobacco companies' silence over the health effects of their products – and governments tacit acceptance of the massive revenues their tobacco taxes yield. The honesty of the brand and clear commitments to share profits with cancer-beating researchers ensured his company had a massive profile.

Difficulties created by tobacco distributors and tax authorities – Cunningham ended up arguing a case for his Tobacco Direct business in the highest courts in the EU – ensured his involvement with the cigarettes business didn't. But his lessons – about attitude ("act as if you are who you know you're going to be"), about business ("every problem is an opportunity") and about adaptability ("everything is subject to radical and immediate change") – were extremely well received by the delegates.

Talking finance: As usual, then, the FD Forum keynotes were of an exceptionally high standard. But equally valued by delegates were the discussion groups that allowed finance directors to share their thoughts and experiences with their peers.

The first was themed around ACCA research that shows 83% of FDs think they're "in the board spotlight" as a result of the recession. In many companies they have effectively become the MD: all the key board decisions and interactions are around financial and administrative questions.

"Front line people don't want to face reality," said one participant. "They want to re-shape their numbers to their own ends. So we need to assert our expertise and authority." If the CEO needs to rely on the numbers, the FD must be vested with the authority to control them properly.

The danger when times are tough, the group concluded, is that a need to focus on the numbers distracts FDs away from the wider roles they've carved out over recent years. Leadership and delegation become more, not less, important. And they need to guarantee a single version of the truth – but not spread themselves so thin in working the finance problems that they degrade their strategic input.

The second discussion group asked how FDs would cope when the light at the end of the economic tunnel becomes a little brighter. Do FDs think they or their businesses might be blinded by it? Or perhaps they think there's a false dawn in store?

Moderated by veteran CFO and now private equity investor Jim Weight, the group began by considering how some seemingly cyclical changes in business might actually have longer term impacts. For example, several of the FDs noted that increased competition has resulted in structurally lower market pricing, even where costs have remained stable.

"It's not always possible to pass your pricing problems on to suppliers, and with increasing regulation we're facing even less flexibility in our operations," said one FD. "Once prices drop, they never recover – so we're looking for ways to add quality and get round this perfect storm for margins." The real value in these groups is potential solutions. For example, while it looks like suppliers can't help, suggested another FD, many businesses have much more leverage than they realised, especially if they're a big customer.

Almost all the FDs said they've been through cost-cutting rounds. Interestingly, they said employee morale – a key concern – hadn't been too badly dented by lay-offs. That's partly a function of the severity of the recession (those left in work know their job depends on the company's survival) and partly thanks to FDs working out transparent and fair means of cutting headcount.

In short, then, there was a tremendous amount of positivity. The recession had forced staff – and fellow board members – to use company cash more effectively. In many cases, headcount reduction allowed a paring away of "dead wood" from the payroll. And although capital is still incredibly hard to come by (the FDs found the banks' statements on lending to business laughable), finance has been afforded a profile it can use into the upturn to keep the whole business on its toes.

Managing profile, managing risk: Having been thrust into the spotlight, how are FDs coping?



Nici Marx, former BBC and Sky News reporter, was on hand to help them manage even the toughest media glare. Her session, "Tough questions and how to handle them," was a masterclass in blunting the common weapons deployed by TV and radio interviewers.

The key lesson is to get your own message across as diligently as possible – and never react to the tactics presenters use to elicit a newsworthy outburst or confession. She covered most of the techniques they use such as the pregnant pause (don't be tempted to fill the silence, said Nici); the built-in premise (a leading question which should be gently refuted); multiple questions (answer one at a time, starting with the most positive one); and third party questions (where the best idea is usually to create uncertainty around the assertions made by the person being quoted).

Presenting a willing and controlled face to the outside world is one thing. But making the right business decisions means facing the worst possible interrogator: yourself. Caspar Berry – former actor, screenwriter and professional poker player – built his seminar on risk taking around his experiences from the card table.



All decisions, he argued, are about resource allocation – whether that's money, time, emotional commitment, status or hard work. A risk is simply an opportunity to take a decision – and the perceived size of the risk is all about how far that opportunity takes us out of our comfort zones.

The good news for FDs is that rational and accurate analysis of the fact can help us make a more adventurous evaluation of where our comfort zones lie. Example? In poker, Berry explained, if you understand the odds of losing a hand and multiplier for winning one, you quickly start to appreciate a willingness to lose is fundamental to coming out ahead over the long term. And that's the secret: no-one wants to lose at any time, our brains are chemically wired to hate the feeling. But without losing in the short term, the long term becomes significantly riskier.

That's a lesson that comes naturally to finance directors, of course. And as the delegates to the FD Forum know, sacrificing a couple of days on board Aurora is a great way of acquiring new ideas and making new contacts that will benefit them professionally and personally long after they've disembarked.

To view a full copy of the 2009 programme please visit www.fdforum.com/conference.html



The 2009 Conference Programme consisted of:

- Keynote Addresses
- Seminar Sessions
- Workshops Groups
- Facilitated Peer-To-Peer Discussion Groups
- Professional Development Sessions

Don't take our word for it – here's some comments from our audience:

It was an excellent conference programme and that coupled with the suppliers available provided a good opportunity to take time out to think about how to bring about improvement in my finance function and organisation.

Mike Curtis – Director of Finance, London Borough of Islington

The first forum I have attended since 2002 and the event is as good as ever. A heady cocktail of supplier meetings, seminars, conference sessions and all important networking - the benefits of attending can not be overstated

Russell Margerrison – Chief Financial Officer, Roadchef Ltd

A great mixture of learning, sharing experiences and problems with your peers, meeting new people in a very professional but friendly atmosphere. A rare chance to listen to excellent speakers and meet suppliers and learn about new products without feeling too pressurised.

Vivien Richards – Finance Director, Care Partners Trust



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