

BEYOND EYORE: Growing your influence as a charity finance director

CLORE RESEARCH REPORT
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PREFACE



This informative and insightful report contains lots of helpful tips and nuggets of information for finance directors seeking to improve their influencing ability within their senior management teams. Drawing on insights from some of the leading lights from the world of charity finance and wider charity leadership, we commend this report to our members.

As we've moved from a production to knowledge economy over the past decade, effective communications and influencing are increasingly required as core skills in the workplace. In finance this is no different. Often typecast in a negative light, finance professions were traditionally viewed by their colleagues as the individuals keeping a tight rein on the purse

strings. But the nature, impact, role and image of charity finance professionals has changed immensely since CFG first started in 1987. Now, being an enabler, a trusted source of advice, a reliable confidante and posing impartial challenge are as much part of the role as knowing the numbers.

This report pulls out some of the key strengths finance directors should seek to nurture as they develop their career - bravery, sympathy and communications skills - that will ultimately raise their value and credibility among their senior peers.

Caron Bradshaw
CEO Charity Finance Group



FOREWORD



This research report is published as part of my Clore Social Fellowship. Within The Clore Social Leadership Programme each Fellow is required to undertake a piece of practice-based research. The purpose of the research is to help develop

Fellows' skills as critical users of research, and to help develop the evidence base for the sector as a whole. The research focus, methodology and output are all chosen by the Fellow.

I would like to thank my employer, JDRF, and in particular its chief executive, Karen Addington, for supporting me during the Clore Programme.

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Jonathan Taylor

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ACKNOWLEDGMENTS

The following people were kind enough to make time to see me and respond to my questions. The discussions were all fascinating and stimulating, and a significant prod to my own behaviour. Almost everything that follows in the main body of the report is drawn from their collective wisdom, and any way this is less than helpfully expressed is my responsibility.

Chief Executives

Martin Edwards	Julia's House
Kevin Geeson	Dyslexia Action (<i>ex-charity FD</i>)
David Nussbaum	WWF UK (<i>ex-charity FD</i>)
Caroline White	YHA

Other roles within SMTs

Paul Amadi	Diabetes UK
Alan Gosschalk	Scope
Rachel Westcott	WaterAid

Finance Directors

Rohan Hewavisenti	British Red Cross
Sally O'Neill	Royal Opera House
Helen Simmons	Diocese of London

Others

Kevin Carey	Chair, RNIB
Andrew Hind	Editor, Charity Finance Magazine (<i>previously chief executive of the Charity Commission, and a former charity FD</i>)

EXECUTIVE SUMMARY

“If you don’t want to be put in the ‘And now Fred’s going to tell us about the numbers’ category...”

This report seeks to summarise the views of 12 individuals, half of whom were current or ex-FDs, the remainder CEOs or other senior members of charity management teams in non-finance roles. Everyone was responding to identical questions about the effectiveness with which charity FDs engage in strategic planning exercises, with a particular focus on what facilitated or handicapped effective interaction with their senior management colleagues.

Regardless of role, those who spoke to me universally noted the unique benefit to the organisation of finance professionals with a view and an understanding of the organisational as a whole, and who can bring an impartial voice to discussions about both the whole and individual elements within it. It was noted that due to a combination of factors resulting from training, experience, and (in very general terms) temperamental inclination, finance directors can often bring discipline and rigour to activities and discussions informing strategic choices and direction. This can be achieved by contributing in relation to process around strategic discussions and decision-making, and often as well by a focus on evidence and appropriate analysis of this.

Very importantly as well, there were strongly held views (again from both sides of the finance and non-finance divide) that in practice it is often finance directors who are most likely to bring a constructive degree of challenge by asking questions about how the charity can best achieve its charitable aims. Interviewees were fully aware of the degree of difficulty there can often be in these kinds of challenging discussions, and there was a strong focus on the importance of these discussions taking place in the context of relationships with a high degree of trust and mutual confidence. FDs in particular spoke feelingly about the fact that finance staff have to earn the confidence of their colleagues by continually acting in supportive and enabling ways, and by demonstrating that they understand the charitable goals of the organisation, and are as committed to these as the rest of their peers. Interviewees of all stripes commented on the importance of FDs not taking a narrow numbers-focused only view, but contributing as much as their colleagues to wider activities and discussions.

The main conclusion that can be drawn from these interviews is I believe that finance directors will be most effective and influential in contributing to strategic

debates, and also more widely, by achieving a good balance between functional leadership responsibilities and a meaningful commitment to full participation in the senior team of which they are members. To achieve this, productive relationships with their senior management colleagues based on integrity and mutual trust are required. Among other things, this requires a degree of awareness of how innately comfortable we may be in developing this area of our competence, and willingness to change in this respect if we feel this is something that would be beneficial to do.

I conclude by noting that achieving a desired balance in this way is to some extent dependent on functional resourcing issues, and that we have a role in acquiring a sufficient degree of resourcing if this doesn’t currently exist and we are committed to contributing at a more strategic level. In the current climate for very many charities, winning this debate will be a positive indicator of our ability to influence and challenge on critical matters.

INTRODUCTION

Background to the choice of research topic

The motivation for carrying out this research came primarily from my own personal experience. As a charity FD for a number of years, I have developed a range of skills in what I think of as the essential FD toolbox. These are primarily technical skills in relation to matters such as preparing, reviewing and reporting on management and statutory accounts, managing investments and cashflow, budgeting, effective use of accounting software, tendering and reporting on funds awarded. Later on in my career I started to gain experience in staff and team management and leadership, performance management, the pastoral element to line management, recruitment and induction, to further add to the toolbox.

Like many FDs I have responsibilities beyond finances, and there are related skillsets associated with managing ICT, HR and facilities: procurement, managing relationships with suppliers, and, quite helpfully, being responsible for matters in which I am not technically proficient. My experience has been in smaller but rapidly growing charities, so there has been an expected level of additional learning in relation to creating and modifying operational and reporting systems, the importance of a flexible approach, a certain amount of troubleshooting and problem solving. This all seemed to fit well within the bounds of the normal and expected for a finance professional.

In recent years, as my career has moved on, some new areas of activity have come to the fore. These have been generally somewhat distinct from my previous

experience, and seemed, rather irritatingly at times, to be from a quite different toolbox. One new activity was relating and presenting to charity Boards/trustees, and developing a much closer relationship than before with Treasurers and Finance/Audit committees. Another was spending considerably more time with my peers within the organisation and making a greater contribution to discussions concerning strategic or tactical concerns of the organisation as a whole.

While these further developments were generally enjoyable and satisfying, I became aware of increasing dissatisfaction on occasions when I felt I had been unable to convey what seem to me to be fairly simple points, or to influence discussions in directions that seem to me important, when dealing with colleagues with different approaches and temperaments to my own. I realised after a while that since my colleagues were extremely capable and intelligent people, the problem was more at my end than at theirs, and that my ability to communicate effectively with people quite different to me was poorer than I wanted it to be, and arguably than was demanded of me in the role.

So to give some concrete examples of this: comments or suggestions of a more critical nature, however constructively intended, sometimes had an oddly and disappointingly ineffective impact, and seemed to upset others, rather than being accepted as the reasonable, positive critique that seemed natural to me. Discussions with non-finance colleagues based on numbers and analysis of data did not sometimes go as anticipated,

with the implications of trends being understood or interpreted quite differently around the table. As a result, these discussions were not in line with what had seemed to me in advance to be most productive (which is not to say I had always been right). There were sometimes contrasting views on the volume and nature of data it was helpful to share outside the team with different audiences. This was all very perplexing.

I want to address these issues in this report. I would like to look at how well charity FDs relate to our peers in senior management teams – how we are seen to communicate with peers and how well we achieve our aims when dealing with them – skills, according to my analysis, from the ‘newer’ FD toolbox. Since this is such a broad topic I have chosen to focus on FD contributions to strategic planning. This is partly because our work in this respect is important in its own right, but also because it seemed to me a very concrete way in which we deal with and influence our colleagues in a way that is generally outside the more comfortable skills from the original toolbox of financial processes. To some extent then, in my own mind at least, the subject is a proxy for the issue of the wider dealings of FDs with our senior-level colleagues, and our ability to deal with them effectively and to their and our own satisfaction. As it happens, the richness of the responses to my interview questions was often such that they lent themselves to an analysis of this wider kind, and as a result I have taken the liberty of expressing some of my conclusions in a way that is broader than the stated remit of the original questions.

Approach and Methodology

I drew up a brief for my research project with helpful input from Michele Madden, MD at nfpSynergy (who later acted in a supervisory capacity on this project), Jane Tully, Head of Policy at CFG, my Clore mentor Andrew Hind, Andy Hornby from Deloitte, and Kate Sayer of Sayer Vincent. They all also provided valuable comments on the initial draft of this report for which I am very grateful.

Given the constraints of the time available, I decided to carry out a piece of qualitative research by having a number of interviews with people I hoped would be able to contribute value to the issue, and by summarising their opinions and suggestions into a report that would largely be an opinion piece. This allowed me to explore the subject quite freely, and to experience the subject from very different points of view, as I was very keen from the beginning to seek the views of CEOs and people in other roles on senior management teams, as well as FDs. It does not seek to represent the views of FDs or SMTs within the sector.

I am very grateful to the 12 busy individuals who made time to see me and to respond to the issues raised by my questions. While this is a small sample, I hope that the quality of their comments and suggestions, individually and collectively, adds up to a broad and insightful overview of the issue. **In particular I believe that it contains many wise and practical suggestions about how FDs can deepen their contribution to strategic planning, and more generally strengthen**

their relationships with key colleagues at work, and have more influence in dealings with them.

I use the title Finance Director as a catch-all term for the most senior person in an organisation representing the finance function regardless of job title. The research does assume a member of staff with formal responsibility for this area, which I recognise will not be the case for many smaller charities. Similarly I use SMT for whatever is the most senior grouping of staff within any organisation with clear responsibility for assisting the CEO and supporting the Board in taking forward charitable objectives. The interviews took place between August and December 2012, and lasted between 40 and 60 minutes.

KEY FINDINGS

All the original points that follow were made by those I spoke to, and are not my own views. However for ease of reading, I have not used reported speech absolutely continuously throughout. Where it is not used, any observations are still the views of those who spoke to me, though I have necessarily compressed or summarised these to an extent. Where I have occasionally expressed my own opinion, largely in the conclusion/executive summary, I have clearly stated that I am speaking in my own voice.

FDS CAN USE THEIR UNIQUE OVERVIEW OF A CHARITY TO INFLUENCE ITS DIRECTION

One of the areas in which there was almost universal comment across all the interviewees, regardless of role, was the relatively unique viewpoint of the FD role. It was characterised by many as the only role, apart from the CEO - but with a different vision and approach - that has an overview of the entire organisation, and of inter-dependencies that might exist within it. This gives the role a rare value, and a very particular potential to influence the organisation.

For me there are typically two people who have the whole organisation, holistic perspective, one being the CEO and the other being the FD. I think what is critical about the FD's perspective is that you would expect them to be more dispassionate about all aspects and all elements of the organisation's activities. As opposed to CEOs who very often have their own prejudices or their own hobby horses that they want to ride.... I think that they are the individual that is best placed to provide that challenge, getting the organisation to think the unthinkable.... So, the FD is uniquely well-placed to force the organisation to actually ask, 'What is important to

the organisation?' And 'can we ensure that we've got a complete and robust and shared understanding of organisational priorities and then ensure that we've got the resources to deliver against those?' [non-FD]

Equally universally, interviewees felt it to be vital for the FD to understand and be interested in and committed to organisational objectives and direction, and not fall prey to having personal preferences or perspectives detracting from their full commitment.

Another point is about them wanting to be as committed as their peers to living the strategic objectives of the organisation, it's just that their contribution as to how that's done is different and all of the contributions are valuable. [FD past/current]

I want my finance director to be as passionate about what the organisation is doing as I am. [non-FD]

And a number of commentators, especially non-FDs, were vociferous about the importance of the FD giving their views on issues across the organisation, and of contributing as fully as others to wider organisational debates, not limiting their views to solely financial matters.

You need to understand the objectives of the organisation, I mean really understand the objectives of the organisation, and what it is trying to achieve, and think through how you are going to contribute to that. It's important therefore that you understand the business of each of your [fellow senior] team members, what frustrates them, what they're trying to achieve, what they perceive as the barriers, what they perceive as being good, what they perceive as being bad. [FD past/current]

Interviewees suggested that due to the nature of the charitable 'double bottom line', the FD must understand the charity's objectives as well as its finances – and how the two are interlinked – in order to make a full contribution to discussions at a strategic level. Interviewees also encouraged FDs to go and look at different parts of the organisation, to fully understand its business. Invite yourself along: go and visit the front line, or its different forms, whatever these might be.

FDS SHOULD TAKE ADVANTAGE OF THEIR VALUABLE IMPARTIALITY

One great attribute of FDs, noted by many interviewees, is their relative impartiality. They can sometimes be the person best placed to call for and contribute to a debate on the bigger questions about what a charity should be doing, because the FD, uniquely, has no axe to grind. One way this was expressed was:

In terms of trying to do away with siloed thinking, at least money is a convertible currency as it were within the organisation. Everybody wants a chunk of the money, and has to make a case for that, so it's about helping to evaluate the priorities and the bang for buck that each part of the organisation gives. So it's providing a more objective view rather than who shouts the loudest. [FD past/current]

FDs must understand that acceptance can take time

A final point was that there can be a time delay before the impartiality and impact of the FD's input on decision making is accepted and welcomed within a particular organisation.

HOW FDS CAN ACQUIRE AND RETAIN CREDIBILITY AMONG SENIOR PEERS

Make sure the numbers are sound

FDs interviewed highlighted the importance of ensuring that the figures produced by the finance team are

sound. They generally agreed that FDs will only be perceived to be as good as the quality and timeliness of the numbers their teams produce, and if there are failings here their standing will fall. Colleagues must trust in the quality of numbers for FDs to acquire credibility in their eyes.

FDs must make it clear which team they are in

FDs must achieve the right balance between being seen to adequately represent the functional division they head up and acting as a full member of the SMT or equivalent group of peers. It was universally noted that FDs should not see themselves, or act in such a way that they risk being seen by the SMT, as merely a representative and apologist for their functional division. Obviously this is an ongoing challenge faced by all members of senior management teams. An extension of this that was mentioned is the possibility that at times, as a member of the SMT, an FD might have to be willing to offer a higher degree of challenge to their own team for the wider benefit of the organisation than they instinctively might if they were wearing only their finance hat. Clarity as to which hat an FD is wearing, and where their priorities and attention are focused at any particular moment in time, was seen to be critical.

FDs should play an enabling role

The most heartfelt, universal, and repeated statement made to me about the role of the FD was about the importance of being, and being seen to be, an enabler. It can be incredibly valuable for an FD to be seen as

someone committed to making things happen rather than shutting them down. Even if an FD has to say no to something, it is vital that this was done in the context of generally acting as an enabler.

The only reason you'd neglect the FD's view is if they were being perceived as the barrier to things happening rather than the enabler. [non-FD]

Interviewees made a number of suggestions about how FDs can ensure they are seen as enablers:

- **Provide easy wins to build credibility,** demonstrating that they are committed to wider goals, and increasing their standing as a contributor to the wider debate
- **Tailor information to the needs of individuals,** trying to recognise and adapt to the very wide differences there may be between degrees of interest in the numbers and confidence in discussions about them
- **Give others information useful to them in language they can understand** (relevant statistical info, insights or data regarding beneficiaries, or in relation to competitors, general matters relating to financial and strategic planning)
- **Contribute to improving the financial literacy of those around them,** eg helping colleagues to understand cost or income drivers that apply to their activities
- **Help colleagues win more money for key activities**

- **Help facilitate a project in some way;** apply your talent for rigour appropriately eg in project management; assist with the drawing up and review of contracts when helpful
- **Suggest solutions to problems** without simply drawing attention to them
- **Apply lateral thinking** as appropriate in proposing solutions
- **Contribute to making life easier for others** in ways that are important for them, eg support them in processes that are more natural for an FD than they might be for them (procurement and tendering were given as examples, also helping others in collating or analysing metrics relating to their operations)

So you're showing I can help you, I can make your job better, quicker, easier and so on using my range of skills which are not entirely limited to knowing which key on the calculator to press next. [FD past/current]

Finally, it was observed that in a variety of contexts the FD is often called upon to be a permission giver, to operate in a gatekeeping capacity. It can be easy for FDs to limit themselves, and only be seen in this way by others, but this role can also be carried out in a much more pro-active and supportive way. This will be much appreciated by others, especially those for whom this will be a breath of fresh air compared to previous experiences or stereotyped expectations.

FDs should enable understanding

I think the most important thing for an FD is that they need to avoid assuming everybody understands the figures in the way they do. [non-FD]

All the FDs, and most of the non-FDs, mentioned the importance of 'telling the story' behind the numbers, not just talking about the numbers themselves. Non-FDs were extremely positive about the FDs they had worked with that demonstrated this ability.

I tell you what does make a difference is getting the finances to tell a story rather than just the finances as a set of numbers, and therefore linking those numbers to the difference that that money has made. It's reporting on a story about why that money is working, what that money is doing. [non-FD]

I need somebody who can make the figures come to life and interpret the figures and use those figures to help us, to help me and the rest of the team drive the business forward. [non-FD]

If you don't want to be put in the 'And now Fred's going to tell us about the numbers' category.... you need to understand and communicate the story behind them. [FD past/current]

FDs should build relationships

There was continuous emphasis in my conversations on the centrality of building effective and positive

relationships with peers and the CEO, and on being a team player. Many highlighted the helpfulness of having potentially challenging discussions on a one-to-one basis. This was felt to give the best chance to work issues through, even if there is initial misunderstanding or disagreement, rather than bringing up controversial issues or questions in a group context. A good number of non-FDs referred to previous experiences, or their fear, of being "ambushed" in this way.

That ability to number crunch and that ability to influence and have people skills don't necessarily sit together.....In my view, the finance directors that are [most] successful have the ability to combine those two. [non-FD]

A critical role for the FD is to ensure that the finance function as a whole seeks to work collaboratively and supportively with counterparts in [other departments]. So, it's around setting tone, leadership by example. [non-FD]

It's got to be about listening, it's about engaging. It's going to be about not rushing to judgement I think that only through the listening and the engaging will you be able to develop the insight that will make for that effective relationship. [non-FD]

Interviewees communicated a very clear understanding of the importance of doing one's best to ensure that discussions take place within a clear framework, and of recognising the very different focus that others present

will have (eg HR - the people, Operations - the services/beneficiaries, Fundraising - the income etc), with the aim of optimising the discussion, decision-making, and organisational impact.

There were other obvious, but easily forgotten or ignored suggestions, such as:

- **Be enthusiastic about positive things going on**, not the eternal 'party pooper' (this comment was made directly by an FD, but implicitly by most of the non-FDs)
- **Strive to understand what others value of your role**, and of how you carry it out
- **Phrase looking at costs in terms of value for money**, not just cutting costs, and do what you can to help others understand the distinction between reducing costs where there would be little or no impact compared to where this would be more significant.
- Conversely (this point was made by a number of FDs), in your enabling capacity, **actively encourage a focus on increasing costs** where this will have the most impact on charitable impact/effectiveness
- **Be the trusted right hand person to the CEO** (more about this follows later)

Particular behaviours for FDs to avoid

[I have seen] negativity in terms of response, failure to listen to the complexity of the situation, limited levels of engagement and therefore lack of understanding. You know what makes good communication? It's all about ensuring that you're listening, demonstrating that you're

listening, and being open-minded as well. I think that's an absolutely critical point, being open-minded, having a bit of flexibility, understanding the nuances of any given situation. [non-FD]

My worst engagement with FDs has been where they've not seen themselves as an enabler. They've seen themselves as the custodian of the organisation's money and very short-termist from that perspective, and have a really one dimensional sense of any debate about it. [non-FD]

A few specific issues mentioned by non-FD interviewees might be helpful in fleshing out some particular examples of what can irritate, though obviously there are much grosser forms of behaviour to be wary of falling into. One is a possible tendency to respond automatically to some situations, without taking the time to investigate what the reason for this was. The example given was responding to a shortfall in actual spend on budget by cutting the budget for the following period, without taking account of that person's ability to take responsible decisions, and without discussion with them. A related point was a tendency experienced for FDs to impose procedural controls in some circumstances, without exploring whether there were more appropriate ways to achieve accountability in that area. It was felt that this did not allow those concerned the opportunity to demonstrate their management capabilities within their own areas of expertise.

Another was for FDs (or finance functions) to throw off requests to others for management information, without taking into account the quality of the systems concerned, the cost/benefit implications of the request, and to do so on a repeated ad hoc basis, rather than thinking these through systematically in advance.

I think a risk for charity FDs is that they get very focused on their needs in terms of financial reporting. FDs sometimes struggle with taking the trouble to understand the business dynamics sufficiently to think through how financial reporting and information and planning should be done for this business and its decision-making rather than the other way round. [FD past/current]

There was also frustration about the occasional insistence of FDs to fit activities with other timings or drivers into the arbitrary timings of the annual budget cycle, or for that matter into the multi-year planning cycle, without demonstrating the flexibility of mind to consider timings that actually work for the activity concerned, whether income generating or beneficiary focused.

BEYOND THE SIMPLE NUMBERS

In addition to the above, there were other reflections on skills or attributes FDs can generally bring to strategic discussions and decision-making. It was noted that they can contribute to getting planning and budgeting done in the right order, as this is not necessarily automatic behaviour. FDs can also help by ensuring that decisions get taken at the right time and in the correct order for the governance timetable.

Rigour

Question 4 in my questionnaire was about the potential negative consequences of not realising the particular value of the FD-type input (recognising that FDs are not the only ones that can bring the qualities often associated with their type of input, at its best).

If you don't get that energy and that drive coming from the FD, the temptation I think is to result in a strategic planning process that is around maintaining the art of what's already been happening. [non-FD]

My view is that you end up with a wonderful plan, which is completely unachievable. [non-FD]

It doesn't feel like it's embedded in any kind of sense of reality... or likelihood of being actually delivered. [non-FD]

I think there are three phases for the potential downsides. One is what happens to the process, the second is what happens to the actual strategy, and thirdly is what happens then to the implementation and delivery. [FD past/current]

Many respondents noted that, depending on the attributes of other team members, FDs can bring a greater degree of rigour or discipline to the decision-making process. Allowing for the very differing qualities FDs can have, both FDs and non-FDs alike perceive them as generally having a range of attributes that can add up

to providing a certain integrity to decision-making:

- Logical, structured approach
- Being process-oriented
- Preferring clarity
- Liking to bring matters to a conclusion
- Interest in measurability, and evidence-based decision making; asking what is measured that indicates one option over another (more on this later)
- Likely to check that assumptions made are actually correct, seek out the evidence that proves the point

Risk assessment skills

Experience in risk assessment, and in operating risk responsive frameworks, was identified by almost all respondents as a value-adding function offered by FDs, and appreciated by other members of SMTs. Key points identified were that FDs are commonly more experienced than others in providing the more critical scrutiny that comes from a risk-aware approach, and asking questions in relation to potential pitfalls and contingency plans. This was felt to be particularly valuable for explicitly new or uncertain activities, whether these are of a charitable nature or relate to income-generating activities.

Active use of reserves

There was unanimous reference by FDs to the importance of having a constructive attitude towards the potential and actual use of reserves to achieve

important organisational objectives. The contrary attitude, of an FD acting as an overly cautious guardian of a charity's assets, including reserves, was seen as a deeply negative attribute by many non-FDs. FDs risk being too prudent and cautious, protecting the wrong half of the double bottom line and letting money or the figures lead the way instead of the cause, or genuine effectiveness.

FDs SHOULD FOCUS ON IMPACT

The FD in a charity is there to be responsible to make the most money benefit the most number of beneficiaries of the charity. [non-FD]

Interestingly, the 'bang for buck' principle was cited by every FD I spoke to, and by a good number of the non-FDs as well. Many saw the FD's relatively unique focus on the impact per pound for beneficiaries as an extension of their impartiality, as cited at the beginning of the report.

So the job of a finance director is to enable charities to optimise what they can do for end users whilst staying in compliance. [non-FD]

Interviewees noted that charities face the continual challenge of having to decide which activities it should focus on in future, among all the desirable activities possible, and how to prioritise among these. Non-FDs were frank about the fact that they and their colleagues

will always instinctively want to prioritise the activities for which they are responsible. FDs, sometimes but not necessarily with the support of the CEO, are in the potentially lonely position of being the one who can bring up the challenging question of choice in the context of impact, and the related and often contentious subject of measurement and analysis.

While all acknowledged the challenges of conducting a clear and productive debate in this way, the possible benefits noted were:

- clearer and better thought out choices in relation to strategic direction
- greater clarity about peripheral versus core services
- greater clarity about effective delivery mechanisms
- ultimately avoiding the converse risk of unintentionally going off mission, using donors' money ineffectively, and running the reputational risk this entails

Those I spoke to were aware how easy it is for planning for mission to get "fuzzy" without appropriate rigour and the scrutiny of a 'critical friend'. Planning can be even more challenging where there are trustees or senior staff who are very committed and close to the charity's aims. It was recognised that introducing the language of measurement and impact awareness can seem very alien to those to whom the purposes of the charity are very dear. So there was awareness of the risk of lack of clarity in relation to the ability to measure success, what good in particular contexts looks like, and the potential difficulty in devising relevant KPIs.

Other dangers mentioned in relation to a lack of focus on impact and careful scrutiny of proposed goals were:

- having insufficient clarity around appropriate investment needs
- carrying on investing in areas which may leave the charity vulnerable
- continuing to do what you are/have been good at, and forgetting the potential need to diversify to keep up with changing circumstances/donor preferences
- neglecting the risk of diminishing returns because there is not sufficient awareness of the costs, margins, or value for money
- leaving decisions too late, potentially missing valuable opportunities.

PERSONAL QUALITIES

There were a good number of comments on what were felt to be personal qualities or choices of approach that could be important in genuinely making a powerful contribution in respect of effective planning exercises, and more widely of course. Many of these were from FDs. Some of these shade off into reflections on the type of personality or temperament that often enters into finance roles, and the strengths and particular challenges there can be for someone with these characteristics. Everyone recognised of course that FDs constitute a wide range of temperaments and approaches.

A foundational point that was made was the choice of leadership style an FD embraces. This statement was

made in the context of discussion of the 'servant leader' role, someone who explicitly accepts that their role is to primarily support and help others.

Bravery

Many interviewees highlighted the importance of bravery for FDs, and of making brave decisions and interventions. Several also commented on the importance of confidence, and of developing self-confidence.

The other element where FDs have been very much to the fore and I think in a really helpful way, has been asking questions like: 'What are we getting for our money in terms of our service delivery? Does that in any way represent value for money? Where is the transparency?' And, 'Okay, so this is the effect we are trying to achieve, but actually, is spending money in this particular way the best way to deliver or to achieve that result?' It's been the FDs in my experience that have led on those really fundamental and challenging conversations and questions. You know, those are the questions where they get posed and the room falls silent because nobody wants to put their hand up and actually confront them... [So] the facile answer is that the consequences of that type of dialogue or that type of approach are painful if they're followed through because the process can be painful and the outcome is painful, because, necessarily you're talking about a challenge to the status quo. This is all on the assumption that you've got a dynamic, progressive FD who is willing to put their head above the parapet. [non-FD]

Interviewees commented that bravery is required to:

- deal with the challenge of going from being in command of one's functional portfolio, to dealing with considerably less concrete matters in which relating to people, and the very different kind of judgements this brings, is much more important
- and at a more detailed level in this context, to switch the focus of your developed judgement from former issues such as applying principles to specific circumstances and interpreting regulations to newer challenges such as deciding what size and type of issue to let go and not let go, being aware of helpful priorities in this respect, establishing what the war is and what is merely a battle, etc
- contribute to the wider debate, to step outside the comfort zone of previous experience and more data-oriented concerns. As one interviewee put it: "It can be easy to say, 'they're making a mess, but it's not my role to interfere'.
- respond to others' fears that spending cuts might lead to job losses (whether reasonably based or not)
- accept that as FD when asking constructive, critical questions, in principle no part of the organisation is outside your remit
- be self-critical and willing to admit errors, and to see this as a strength and not a weakness. It was noted that this might be especially challenging for professionals who devote much energy to getting things right, and are used to operating in relatively unambiguous environments in which what is right is fairly well established and clear.

Sympathy

FDs can risk operating too much in bulldozer mode, perhaps especially when younger and less experienced. They can be too confrontational, more critical than perhaps they are aware, and comment on areas less obviously within their remit.

As an FD you often need people to take heed of what you're saying, but you can over compensate and be too strong in that, perhaps that can be a weakness some of the time. [FD past/current]

One can have both these opposite tendencies at the same time, being overly reluctant to contribute or challenge in some respects, and unhelpfully confrontational (whether deliberately or not) in others.

Good communication skills

Some interviewees suggested that finance staff can have less developed communications skills, and be less good at building rapport and good relationships than others. Others noted that finance professionals can be less aware than others that in some contexts style can be almost as important as content. Some pointed out that FDs must be aware of informal factors that can influence a debate as much as or more than formal elements, including off-table or outside the room discussions and factors:

It's the ability to recognise the informal influence that really applies, as well as the formal mechanisms.

Our training is "this is how it works: you go through a process, you go to a meeting, you have a debate, you come to a decision". The fact that everybody else has spoken about it and come to a broad view about it before they even get in the room could pass you by as an FD. [FD past/current]

FDs should be wary of presenting the numbers in too much detail, or in an overly technical way. This was also expressed as ignoring the charitable half of the double bottom line in presenting figures.

They also need to keep a sense of the bigger picture, paying attention to relevant external factors:

FDs tend to think about what's happening with inflation or something, rather than [for example] what's happening in the personal budgets agenda in the healthcare system when this might be what we should be looking at. [FD past/current]

Among the senior management team, it can be helpful for the FD to offer the business-like approach expected by the charities' Treasurer and Finance/Audit Committee, and by the kinds of people who tend to take on those roles. Explicitly channelling and being seen to represent the voice/approach of these roles was seen as a potential aid in achieving greater focus.

RELATIONSHIP WITH THE CEO

The chief executive generally wants to do lots of things, and FDs tell them they can't do it. There is an inherent tension between the chief executive role and the FD role. And I think that, if managed well, that's a good relationship because there are your checks and balances and there's your creative tension... The FD should be enabling the organisation to do things. They need to be able to tell you if something is absolutely financially bonkers, but I think they should also have the ability to help you do things as well. [non-FD]

FDs agreed that their single most important working relationship is with the CEO. Many suggested conducting constructive groundwork on a one-on-one basis with the CEO ahead of group discussions to ensure they had the grip they felt they needed on the figures generally, key points and issues, and desired outcomes. It was also noted by a number of people that the CEO will set the tone for any discussions that take place, and that others will tend to follow their lead in the way that they value and refer to the FD's input. Given the importance of the relationship between FD and CEO, it was noted that there is room for candid discussion about how the CEO sees the role of FD within the organisation, and a debate if their views do not align.

The extent to which CEOs understand financial matters varies considerably and FDs must accommodate this. An FD can become a highly trusted voice within the organisation, once they have demonstrated their worth in this way. A more uncertain CEO can come to depend on the FD to express any key reservations they have, and once the FD has proven their trustworthiness the FD's sign-off for a particular proposal can carry great weight.

Many interviewees stated that it was critical for the FD to challenge inappropriate use of charity funds by anyone, including the CEO. Use of consultancy funds for personal contacts without due tendering process was one example given. FDs might also need to be aware of CEOs wanting to implement particular programmes out of a desire to leave a legacy at an organisation, rather than because it is necessarily in the best interests of the beneficiaries.

CONCLUSION

This short report offers suggestions about how FDs can engage constructively with strategic planning exercises. It notes the very high value of FDs having constructive and positive relationships with colleagues, and contains a multitude of practical recommendations for achieving this.

FDs have a unique impartiality which allows them to see across the full breadth of an organisation. This invaluable standpoint allows an FD to ask difficult questions about how a charity should best achieve its mission and to evaluate its various activities against each other. These issues can be contentious: there are often communication issues between those who evaluate a charity through measurement and analysis and those who focus on heartfelt values and commitment to beneficiary purpose. However with their background and experience in measurement and analysis, the FD is exceptionally placed to assist in this debate.

FDs function within two capacities: both as head of the finance team and as a member of the senior management team. Interviewees highlighted the different perspectives that both roles bring and spoke of the importance of being aware of which 'hat' they are wearing at all times. There was also the challenge of recognising that FDs have a leadership role in demonstrating symbolically as well as practically how the functional divisions they lead interact with other departments within the organisation.

I was surprised by the number of times that bravery was

mentioned in interviews in relation to the challenges FDs face when contributing to strategic debates. There is bravery in moving between roles where they have functional expertise and confidence to others that are based on more fluid discussions where they may feel less experienced and confident. They require bravery to offer views and opinions on areas outside their direct remit, when this appears important, rather than taking safety in a neutral observer role. Bravery is required above all to challenge the status quo by asking questions about assessing beneficiary impact and the relative cost/benefit ratios of different ways of achieving a charity's aims.

There was a lot of detailed discussion of the most effective means by which finance directors can maximise their impact with their colleagues and peers. How they can stretch themselves in their focus on organisational effectiveness in achieving mission by a combination of relationship-building, and a focus on acting as far as possible in an enabling capacity. Straightforward communication skills are integral to both these forms of behaviour, with the chief executive commonly the key person with whom it is important to interact constructively and intentionally.

The conclusion I draw from these conversations, is that learning to act in these ways are among the key developmental challenges that face finance professionals as they approach the top of their vertical specialism, and seek to build effectiveness and leverage influence horizontally across organisations.

Motivation and resourcing issues

I would also conclude by drawing out a point made only in passing by interviewees. This relates to the adequacy of the resourcing of an FD's function that either hinders or allows an FD to have sufficient time to interact with senior colleagues, and to prepare for and contribute to discussions at this level. In my opinion this is actually a critical issue, because without it there is the ongoing pressure of functional delivery (since finance tasks by their nature include an ongoing series of cyclical deadlines). Since all these tasks have to be done, this results in a daily temptation to dwell on the practical immediate challenge of the functional expertise, to return to the 'safety' of the essential toolbox.

So I see at least three elements to the capability of FDs to engage powerfully and effectively with their colleagues and CEO in some of the ways suggested in this report. In the first place there is the FDs' **innate** temperamental ability and interest in moving away from the comfort of spreadsheet manipulation to interactions with others and the various challenges this entails. FDs will all fall somewhere on the spectrum of possibilities in this respect, from spreadsheet geek to sociable engager.

Secondly, from whatever place on this spectrum FDs find themselves as a result of innate disposition and experiences in life to date, there is the degree of their **willingness** or **commitment** to take themselves to a different place on the spectrum where a greater degree of engagement and influencing is possible. This depends largely on their willpower, or whatever other personal

quality allows or encourages them to change in this respect.

The possible role of feedback

The nature of this commitment will depend of course on the extent to which they feel that change is desirable or necessary as a result of their assessment of where they stand on the spectrum compared to the demands of the role. Dependable feedback on the extent to which there might be a gap between innate comfort in contributing in this way and what is seen to be helpful in the role might be valuable in unearthing possible blind spots. Constructive feedback can be a motivator in engaging in change, but unhelpfully critical feedback can be a demotivator, so it is important to be wise in requesting this.

Finally there is the willingness of the organisations we work for to **invest** sufficiently in the FD's professional development and functional resourcing to enable them to break free of the gravity of functional challenges and responsibilities, and to grow in what I term above the horizontal challenge of engagement and challenge as critical friend to our peers and CEO. Clearly this will depend to a considerable extent on the historical investment and expectation in this respect, and on the FD's ability to successfully propose business cases for greater investment to allow a greater strategic contribution if they feel this will be for the benefit of the charity for which they work.

APPENDIX 1

Questions and background notes sent in advance to interviewees

CONTRIBUTION OF CHARITY FINANCE DIRECTORS TO STRATEGIC PLANNING DISCUSSIONS

Introduction and proposed framework

Thank you for being willing to contribute your time and thoughtfulness to this subject. The intention of this short piece of research is to seek views on how effectively charity finance directors engage in discussions with their executive team colleagues (SMT) when moving out of what might be deemed their immediate financial comfort zone, and for the purpose of these questions I'm assuming the existence of the essential FD 'toolkit' of expertise regarding accounts, budgeting, cashflow and reserves management, risk assessment etc etc.

I've chosen to focus on strategic planning because (a) its important, (b) FDs should have a view/contribution, and (c) it should, at least in its initial stages, be a broad discussion, not one primarily focused on metrics. I'm aware of both elements to the communication dynamic, ie the hearing and responding by others as well as what is said by the FD. How FDs deal with unresponsiveness or disagreement is also relevant of course. To keep the research focused, my intention is to discuss only the planning stages of strategic activity, ie before it moves to implementation and monitoring, and also to restrict it to discussions at SMT level, and exclude matters relating to Board involvement in planning exercises, critical as these actually are.

I'm hoping for a discussion that is fairly 'top level', but without being overly theoretical, and therefore about issues that apply generally across the voluntary sector, (rather than being specific to sub-sectors or organisations with particular funding models). In your responses, please be as frank as possible and feel free to draw on examples from your entire career and not just your current role, as you see fit, given that possible earlier experiences in smaller charities (with perhaps less resource for process) will be very representative of the sector as a whole.

All responses will be analysed and fed into the final report, views or quotes will not be attributed to specific individuals, and all notes and interview recordings will be treated with confidentiality. I am interested in the subject from all angles, so am interviewing CEOs and others involved in strategic planning as well as FDs. For clarity, whenever I use the term "FD" it is shorthand for all posts responsible to the CEO for organisational finances regardless of job title and of additional responsibilities such as IT, Resources, Risk, Business Development etc.

These questions start from the presumption that FDs could and should make important contributions to strategic planning, while recognising that this is not always the case, and are an attempt to explore what might be affecting this. If you disagree with this

assumption in any way, or see a different approach to discussing this, I would be happy to start by talking about this, and perhaps explore the consequences of this further in the main part of the interview, or adapt the questions below to take into account an alternative point of view. I have chosen to focus primarily on issues to do with communication/team dynamics, but if for example there were views that FDs didn't possess sufficient thinking skills in this area, I would want to be aware of this and follow this up to some extent.

QUESTIONS

Value of FD contribution to strategic planning process for charities

1. How important do you believe that it is for charity FDs to contribute to strategic planning exercises?
2. What, based on your experience, should be the particular value of the FD contribution to strategic planning, especially at this time?
3. What are the positive consequences resulting from this (if not included in the above answer)?
4. What negative consequences can follow if these elements are missing from the planning debate?
5. Do you have any views on what factors can contribute to relative neglect of the FD's input?

Communication questions

6. In your overall working experience, how effectively do FDs generally contribute to discussions around strategic planning and thinking? Appreciating the complete subjectivity involved, on a scale of 1-10, 10 being excellent, how overall would you rate this (possibly with a distinction between charities </> £10m income)?
7. What in your experience has worked well about how FDs go about this?
8. What positive factors have you been aware of in how CEOs and the rest of the SMT engage with FDs' views and contributions?
9. In approximate order of importance, what weaknesses have you been aware of in how FDs join in the strategic planning process?
10. What negative factors have you been aware of in how CEOs and the rest of the SMT respond to FDs' contributions; would you say there are any issues that are more common than others in this respect?
11. Are you aware of any challenges or barriers, other than those already discussed, to FDs working effectively with SMT colleagues in considering strategic options, and do you have any suggestions or experience in removing/ameliorating these?
12. Do you have any suggestions for FDs and CEOs about what they and SMT colleagues should do to ensure that an appropriate finance perspective is taken into account when a charity is assessing its strategic choices?

If time allows

- o What if any are the particular difficulties faced by charities carrying out strategic planning compared to organisations in other sectors?
- o Do you think that there is a lack of agreed clarity about the role of FDs in the strategic planning process? If so, does this matter, and how?



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