



HMThinking



## Combining the role of CFO with a NED

At a recent Hedley May roundtable, we were delighted to welcome Joanne Wilson, CFO then at Britvic, now at WPP, and NED at Informa; and Alan Stewart, former CFO of Tesco, and now Chair of the Audit Committee at Diageo, Chair of the Remuneration Committee at Reckitt and NED at Burberry; to lead a discussion on whether the benefits of supplementing a CFO career with a NED role are worth the added burden of work.

Over a stimulating conversation, three key themes stood out. We also discussed the all-important transition from Executive to NED.

As of early 2023, 25 of the FTSE 100 CFOs hold a NED role at another PLC, 75 do not. In the FTSE 250, 27 of the CFOs hold a NED role at another PLC, whilst 123 do not.

### The right NED role can elevate a great CFO.

For those who are able and willing to commit their time, the potential benefits are compelling.

You gain new perspectives on business, the challenges that other industries are grappling with, and how they are tackling these challenges. As a sitting CFO and NED, you can also strengthen and refresh your relationship with your own company's Board. You gain fresh insights into Board effectiveness and another Board's approach to decision-making and oversight. Also, you better appreciate what NEDs want and need from executives. For example, the importance of brevity in the pre-reading packs is underlined when you are forced to spend a few of your own Sunday afternoons tackling needlessly long documentation!

From an individual perspective, taking on a NED role is an opportunity to accelerate your personal development and career growth. It can be a stepping-stone to a more substantial CFO appointment and can also help you to prepare for an executive transition to CEO, by offering new exposures and expanding your breadth of responsibilities. Furthermore, the enlarged external network is extremely valuable if you choose to build a broader NED portfolio at a later career stage.

### But... be ultra-aware of your own time constraints.

[The time demands of holding CFO and NED positions concurrently can be exceptionally high.](#) While the benefits outlined above are compelling, it is critical to evaluate whether the additional responsibilities might jeopardise your performance as an executive. The clear message is this:

### Establish yourself as a great PLC CFO before taking on an external NED role.

Working out in advance your ability and willingness to commit the time required is essential. The time needed to prepare for Board meetings is outside the scope of executive responsibilities and will eat into your free time. Even if you *currently* have the capacity to expand your workload, anticipate whether circumstances might change in your executive role which affect your ability to deliver as a NED. Conflicts between executive and NED responsibilities are sometimes out of your control and the possibility that they might arise should not preclude you from pursuing a NED position. However, be conscious that unforeseen events might mean you need to step down from a Board to prioritise executive responsibilities.

Our discussion highlighted a few areas to focus on when considering the time constraint. Overlapping year ends are inevitably a problem. Pay special attention to when the strategy week falls. An international Board role is often appealing on paper – but getting to and from meetings can add an unwelcome dimension to your time management. And though a more senior Board role can bring added prestige, the extra hours required of the Chair and Committee Chairs rack up quickly.



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## Be discerning – have the courage to say “no”.

Having the *capacity* to take on a NED role is not enough: it is better not to take on any Board position at all than to accept one that is not right for you. What determines a good fit? Be selfish, and start by asking:

**“is this a business I can really be interested in?”**

**Above all, trust your instincts.**

Approach every NED opportunity with a sceptical eye and be bold enough to say “no” – unless you see something special in the business for you. Like when buying a house, the wrong opportunities ultimately provide clarity when you see the right one.

You will need your CEO and Chair to be comfortable with your taking an external Board role on top of your executive responsibilities. Once you have their blessing, their network may be very useful in your search. Talk to head-hunters in advance. Always explain your thinking when approached with a NED role, regardless of your answer. If it is a “no,” clarify your reasons, which will help them to bring you a more suitable role next time. Before accepting a NED position, ensure you have good answers to crucial questions, including:

- **Can you truly add value to this Board?** Try to ascertain the level of appetite the company’s CEO has for the Board to influence strategy and add value. Approach sitting NEDs – ask them independently about Board dynamics and interactions between executives and NEDs. What is not said can be just as revealing as what is. Headhunters will also find ways to signal red flags.
- **Is the business set up for success?** It is an obvious point, but take time to work out how successful the business is. As an executive with an already full schedule, you do not have the time to endlessly bail water from a leaking boat somewhere else. Alongside strategic analysis, remember that understanding the culture and values of an organisation is a critical indicator of success.
- **Is this a sector you can thrive in?** On a practical level, ensure that the sector is sufficiently different from where you have built your executive experience, because a NED role can conflict with and restrict the executive roles you can consider. On a personal level, you should want to take the role on. If you are sacrificing the little free time you have, do not settle for a sector that does not interest you or add breadth to your skill set.

In particular, your relationship with the Chair of the Board will be a critical indicator of whether the role is right for you. Do your due diligence: spend time with the Chair, understanding what they are looking for and their Board priorities. Remember that, unlike in your executive role, you will not have a day-to-day relationship with this person.

**Ensure that you are comfortable that the Chair is someone with whom you can have chemistry and build trust relatively easily.**



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Verity is passionate about finding clients the very best person to fix the problem. She is also motivated by helping the next-generation of leaders, often diverse, realize their ambitions.

## A successful transition requires treading the line between executive and NED carefully.

Once you have accepted a NED role, the transition is all-important. There is a stark contrast between the role that an executive plays and the role of a NED. As a Board member, you need to help shape an organisation’s strategy – and there is a line between influencing and directing. Overstepping this mark means you move from being valuable to annoying, or even disruptive. The art lies in saying less and asking great questions. Expressing any concerns or frustrations with the Executive in private sessions, rather than at Board meetings, is likely to be the most effective approach. Getting feedback on how you are doing is also important – the Chair and Chair of Audit Committee will be very mindful of your transition and will want to make it a success.

Joining the audit committee as a member is an ideal first NED role for sitting CFOs, and supports the transition. Thanks to your working executive knowledge, you have the opportunity to deliver specialist domain expertise to the audit committee – from governance and regulatory changes to accounting standards – while taking the time to develop the broader contribution required from a NED. You also have time to adapt your executive diary to the requirements of NED responsibilities while observing and learning about the Chair of the Audit Committee position, such that you become the natural successor.

When entering a sector outside of your executive experience, be conscious of your strengths and limitations. Do you understand the essence of the challenges the business faces? It is not your job to interpret all the details. Step back and look at the big picture: ESG, cyber, talent, and other considerations are common across every sector.

You will grow over time to contribute to a broader range of topics. Remember, you are there as a businessperson: while your CFO skillsets are valuable, you should not limit yourself solely to the technical finance knowledge you bring to the Board. As a NED, you add strategic – rather than operational – value. Ask for an induction process up front, and use this initial period as a window to spend time with the business and learn as much as you can. This may not be as possible later on, since day-to-day operations are not your job, so take full advantage of the transition.

If something puzzles you, find the right way to ask. If you can, secure a mentor with ample boardroom experience to support you through the first six months.

**No one expects you to be perfect from day one – and every other NED has faced these transition challenges.**

## Leadership Inspired

We seek out world-class executives who create lasting change and leaders who will make a world of difference. Deep market knowledge, bespoke processes and innovative thinking enable us to find extraordinary leaders across the globe.

Over 69% of all of Hedley May placements in 2022 have been diverse. We recognise the importance of diversity and its impact upon the long-term and sustainable success to organizations.