

Strategy and the Role of the Finance Director

In a [recent piece of research](#), the McKinsey Quarterly considered the role of the CFO in the top 100 global companies by market capitalisation, and came up with four profiles of top-flight finance professionals. Of course, UK law firms operate in a very specific market with unique dynamics at play – but the research should provide food for thought for those considering how best to integrate the Finance Director and their team into their firm’s strategy and operational structure - especially since the profiles they describe are significantly at variance with the research in recent years by the Managing Partners Forum.

The role of the FD (or CFO) has changed significantly in recent years, from being audit and compliance based to an often more strategic role in shaping investment decisions or leading performance management campaigns. Firms wanting to stay ahead of the competition in an increasingly competitive market must be clear about where the FD fits with their vision, the capabilities within the management team, and existing skills in the finance function.

The Finance Expert

The first profile the research suggests is the professional with years of experience in finance functions, often having occupied different roles in a larger finance team, with an advanced accounting qualification or having worked at an accountancy practice. This background lends itself extremely well to compliance and standardisation of processes – vital elements of financial management for a successful law firm – and is important for firms without other strong leaders in finance or which need to make major efficiency gains in the finance function. Unfortunately, this is the case for many medium-sized law firms.

The Generalist

Many larger companies operating in capital-intensive industries look for leaders with broad experience, often in more operational or strategic areas. Although this would not usually describe a typical UK law firm, the entry of ABS and the opening up of the profession to different ownership and management structures does mean that forward-looking firms may look beyond traditional finance profiles to individuals with experience in the wider business world. For those pursuing strategies of expansion and acquisition, this may indeed be a crucial consideration.

The Performance Leader

According to the research, finance leaders “with strong track records in transformations both within the finance function and throughout the organization” are so-called performance leaders – professionals whose focus is on costs, performance metrics, and standardisation of data and systems. Again, these are all qualities an excellent law firm FD would require.

The Growth Champion

The final category is the growth champion – “common in industries with frequent disruptions that require dramatic changes in resource allocation—and in companies that plan to grow considerably or reshape their portfolio of businesses through aggressive M&A or

divestiture programs.” In a legal market subject to considerable upheaval, and where many firms may see their future prosperity depending upon acquisitions and considered portfolio management, the growth champion could also have a role to play.

Ultimately, the type of FD a firm employs will depend as much upon the firm’s own characteristics as it will upon what is happening out in the market, or on any prescribed profile. However, it is helpful to consider just what kind of professional will be needed to head the finance function – to help focus attention on just where the firm is going, or the kind of skills training staff may need, as much as to shape the search for a new FD (if one is being sought).

Growth by Acquisition?

The first question, then, is what the firm’s strategy looks like. Will growth be sought by merger and acquisition, or by more organic means such as lateral hiring – or will the firm look to eschew expansion altogether in order to focus on its core competencies and niche expertise?

This then leads to the issue of the broader management team. Does the firm already have significant finance expertise in its management structure (perhaps unlikely for many firms) and, if not, how will it make up for this shortfall? McKinsey suggest that “companies with a disproportionate share of leaders with a few areas of deep expertise—so-called spiky leaders—tend to outperform those whose leaders have a broad range of more general skills.” If the other key people have expertise in other areas, then deep financial know-how is likely to be an important consideration.

Another important question is whether the firm currently has strong capabilities in the finance function, in which case it may be that the FD can take a more general operational role and leave detailed questions of compliance or reporting to a well-qualified colleague. Again, this kind of strong capability across the finance function may unfortunately be lacking in the middle market, and so it may be that the FD will have to take a more hands on role (and perhaps more strategic and operational expertise can be found elsewhere).

Beyond Finance

Finally, the wider remit of the Finance Director should also be addressed. Beyond the traditional duties of the finance function, should the FD have some responsibility for areas such as IT or purchasing? If the person in question is well-qualified, with experience in more general management roles, then they may be able to handle these issues well, but not if this detracts from their management of the firm’s financial performance.

2013 is likely to pose more difficult questions for partners and managers in law firms around the country, and an important issue to address early on is how the firm will be managed financially – and what the role of the FD will be in strategy, operations and the firm’s overall management structure.

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