

UK Financial Officer Newsletter

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There is an ancient Chinese curse that reads: “May you live in interesting times”. There is no doubt that we are living in interesting if not unprecedented times. The malaise that has affected many of the world’s major financial institutions is now gathering momentum and affecting all parts of the economy.

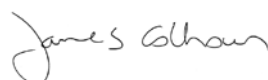
The pressures on CFOs are greater than they have ever been. Many businesses have declared a virtual freeze on all recruitment. Paradoxically the market for senior finance executives remains as strong, if not stronger, than ever. We have seen the following trends emerge over the last six months:

- > A number of CFOs in major quoted businesses have either decided to leave or have been forced to move on.
- > The days of the “brave hire” appear to have come to an abrupt halt. Quoted companies are now under such pressure that they are looking to fill their board CFO slots with candidates who have held such a role before and who have — as far as is possible in this market — unblemished reputations with institutional investors.
- > New skills are being sought. In particular, employers are looking for those experienced managing in a downturn and with refinancing skills.
- > Candidates are becoming extremely conservative. All businesses are now at risk and candidates are reluctant to swap one potentially risky situation for another.

All these factors are making the process of finding and hiring talent significantly more challenging for employers and their search partners.

There is already evidence within the financial services sector of re-based bonus schemes, more directly linked to both personal and business performance. We do not envisage any upward movement in the base salaries of senior finance executives over the next year.

We believe that there will be an increasing number of board CFO mandates in the market for quality executives with strong reputations and proven experience managing in a downturn. The logical extension of this is that later in 2009/2010 these newly appointed CFOs will be making changes to their teams, which should result in more active recruitment at the mid to senior level.



James Colhoun
UK Financial Officer Practice Leader



Interview: Jim Lawrence

In the second of a series of brief interviews with FTSE 100 CFOs, we spoke to Jim Lawrence, who joined Unilever plc as CFO from General Mills in September 2007

How does this Anglo-Dutch listed company contrast with your previous experience in the US, particularly in the role of the finance function?

In my experience the finance function in Unilever is more influential than in any other CPG company I am familiar with in the US. It not only operates differently but has a more prominent seat at the table. I believe the reason for this is the truly global scope of Unilever's operations. The finance function needs to deal on a regular basis with businesses in many different countries and continents. This is more difficult and requires more skill than in most domestic US companies. Even in those US companies that have international operations, these represent 50 per cent of their revenues at most. By contrast, Unilever's home markets represent only 5–10%, the balance is international. This is vastly different.

In a truly global multinational such as Unilever you find yourself working with colleagues from a variety of backgrounds and cultural heritages. There is a far greater opportunity to steep yourself in this diversity. I'm not just talking about a British versus an American way. The CFO in Hindustan Unilever for example, is an Indian and needs to be well versed in dealing with both the local Indian market — where we are listed — and with the UK plc and Dutch NV environments. We have a large number of different nationalities in the finance leadership team.

At Unilever, dual listing in the UK and the Netherlands brings an added degree of complexity and hassle. You abide by the most stringent rules of the two listings regimes and there is duplication with two AGMs, two lots of filings, etc. As CFO you need to ensure that departmental resources are allocated properly.

Unilever is known for the training and rigour of its finance function — how well equipped is finance to partner with the business?

Finance directors at Unilever used to be called commercial directors and they continue to be strongly linked into the business. This has the advantage of providing interesting developmental opportunities for our finance directors. All our FDs are now functionally aligned across the company. With brand development, marketing and R&D managed globally and supply chain managed regionally, our geographical units tend to focus more on sales, customer and local stakeholder management rather than being the freestanding operating entities they were in the past.

Our finance people therefore provide an important link between the globally run category and functional entities and the geographical units. Finance provides the lubrication if you will, particularly as regards the planning and budgetary cycles which tend to take a longer-term perspective than in the geographies.

Have you seen differences when looking for talent?

The biggest difference again is the truly global nature of our operations.

Unilever is big enough to have a strong graduate intake each year across all geographies. For example, we are now a major recruiter in Asia, Africa, Middle East and Turkey. Once people have achieved a certain level in the finance organisation we utilise them around the world, moving people from headquarter roles to finance jobs in the field, anywhere from Argentina to China. We seek out people of different nationalities who are mobile, but on the whole we look for people who are numerate and commercial, good communicators and with the utmost integrity.

The changing face of internal audit: Views from FTSE 100 audit committee chairmen

The scope of the internal audit function within the UK listed sector has broadened in recent years and audit committees are scrutinising the work of internal audit more closely than ever before. Today's head of internal audit needs to possess a set of skills and personal attributes quite different from those required ten years ago, according to a report just published by Spencer Stuart's UK Financial Officer Practice.

The increasing involvement of internal audit in risk services shows how the function has evolved and, in the words of one audit committee chairman, been "completely transformed". Traditionally, risk and internal audit were separate but the functions are increasingly being merged, and this has implications for leadership.

Having a strong internal audit function means having an effective leader who brings both financial knowledge and rounded business experience to the job. This means that those with a pure audit background will be less likely to make the required impact in the leadership role than someone who has been exposed to different parts of the business — for example as a divisional finance manager — and who therefore has the confidence to operate in any area of the organisation.

Internal auditors must be able to work effectively with other people — especially the audit committee chairman — and must have the tenacity to follow issues through to resolution. Most importantly they need to have, and be seen to have, the confidence of the board. Aside from courage, integrity and independence of mind, those leading the function need to demonstrate a range of soft skills, including the ability to influence and communicate, emotional intelligence and the ability to build trust through relationships.

One of the greatest challenges for any head of internal audit is attracting the best people into a function that has not traditionally been the preferred destination for aspirant finance professionals. Persuading highly talented finance executives to do a stint in internal audit is difficult if you cannot demonstrate that the function commands respect and is a stepping stone to a successful career.

The full report is available online at www.spencerstuart.com/research.

Hard copies can be ordered from lpaxton@spencerstuart.com

Some recent placements

Plc Board CFO

Neil Page, Carpetright plc
Toby Woolrych, Consort Medical plc
Christopher Mawe, Ferrexpo plc
James Douglas, Fuller, Smith & Turner plc
Julian Steadman, Hogg Robinson plc
Andrew Morris, Hornby Group plc
Jez Maiden, National Express Group plc
Tidjane Thiam, Prudential plc
David Mellors, QinetiQ Group plc
Paddy Gallagher, Rank Group plc
John Hunter, SDL plc
Alex Smith, STthree plc

Plc Board CFO, continued

Ian Springett, Tullow Oil plc
James Lawrence, Unilever plc
Peter Turner, Venture Production plc

Chairman of Audit

David Sleath, Bunzl plc

Divisional Finance Director

Julie Ann Wirth, Musgrave Retail Partners GB Ltd

Corporate Development Principal/M&A

Debu Purkayastha, Google

Corporate Development Executive

Gary Fee, Bunzl plc

Treasury

Karl Fenlon, Invensys plc

Financial Controller

Neil Taylor, Smith & Nephew plc

Tax

Steven Robinson, Johnson Matthey plc

Global Head of Financial Shared Services

Graham Russell, AstraZeneca plc

Audit

Ihab Ahmed, Dell EMEA

Events

Spencer Stuart continues to host numerous events for CFOs and the constituent communities within the UK and European finance market. In conjunction with Makinson Cowell, the leading investor relations advisory firm, we host a bi-annual dinner bringing together FTSE 100 and 250 CFOs.

Our commitment to the recruitment and development of functional experts beneath the main board continues. We host a full diary of networking events focusing on investor relations, treasury, audit, deputy finance directors and high potential finance executives who have limited access to the broader search market.

The Spencer Stuart UK Financial Officer Practice

Spencer Stuart is the acknowledged market leader in senior-level financial recruitment. We recruit across all industry sectors for quoted companies, private equity-backed entities and family-owned businesses.

TIM BURRAGE tburrage@spencerstuart.com

Tim Burrage leads the European Financial Officer Practice and also is a member of the firm's Industrial and Technology, Communications & Media practices. Tim has over twenty years' recruitment experience.

CAROLYN EADIE ceadie@spencerstuart.com

Carolyn Eadie is a leading member of the European Board Services Practice, recruiting chief executives and non-executive directors across industry sectors. Carolyn is also a recognised leader in the UK in recruiting senior executives in the finance function.

JAMES COLHOUN jcolhoun@spencerstuart.com

James Colhoun leads the UK Financial Officer Practice and is active at both board and divisional level. He also specialises within investor relations and treasury. James is a core member of the Industrial Practice.

CHARLIE BARTON cbarton@spencerstuart.com

Charlie Barton is a member of the global Financial Services Practice and is responsible for real estate relationships within asset management and UK listed property companies. Charlie is also a member of the firm's Financial Officer Practice.

AIDAN BELL abell@spencerstuart.com

Aidan is a member of the Financial Officer Practice. His sector experience is diverse and encompasses all areas

from financial services to media. Aidan has particular exposure to the consumer sector's finance community, as well as the investor relations and M&A space.

LAURA GALLAGHER lgallagher@spencerstuart.com

Laura is an associate in the Financial Officer Practice and works primarily on senior finance assignments across a wide range of industries. Laura is also a member of the firm's Legal Practice.

JACQUIE O'DEA jodea@spencerstuart.com

Jacquie is a senior associate and European associate practice leader within the Financial Officer Practice. Jacquie focuses on international assignments across the finance function, having particular experience in consumer, life sciences and industrial sectors.

PIETER LEYTE pleyte@spencerstuart.com

Pieter is an associate in both the Financial Officer and Financial Services practices. Pieter specialises in recruitment for the finance function and has particular knowledge of financial services.

RICHARD ASHTON rashton@spencerstuart.com

Richard is an associate in the Financial Officer Practice and specialises in senior finance appointments across a range of sectors. Prior to Spencer Stuart, Richard worked in the lead Advisory Corporate Finance team at KPMG. He is ACA qualified.