CRITICALEYE CFO INTERVIEW SERIES

# NAVIGATING GROWTH: CFOs AT THE HELM

The CFO of a growth company is tasked with laying out the financial pathway to support its growth objectives. This involves fundraising, capital allocation and reporting, but nowadays the role is much broader. Criticaleye's **Jacob Ambrose Willson** spoke to **Salar Farzad**, Chief Finance and Operating Officer at Gleeds, about the nature of the CFO role in a growth company context

**Salar Farzad's** track record in beefing up the finance functions of high growth organisations speaks for itself. A Chartered Accountant by profession, he currently serves as Chief Finance and Operating Officer at leading global property and construction consultancy Gleeds, maintaining a comprehensive view of the day-to-day running of the business, beyond just the financials.

Prior to Gleeds, **Salar** was CFO at AIM-listed tech recruitment firm Gattaca. During the five-year stint, he led a financial restructuring resulting in a revitalised balance sheet, before steering Gattaca through the Covid-19 crisis along with the rest of the leadership team. In this interview, **Salar** tells Criticaleye about the expanding role of the CFO and the skills required to drive fast growth.

**Q: How has the role and responsibilities of a CFO changed and expanded since you took on your first role?**

**A:** I started my career on the planning side of finance, so I've always been very involved on the commercial side of the business as well as the numbers. Over time, that's led to my role becoming quite broad. In fact, I'm now going to be running the operations of my current business day-to-day, where I lead the operating Board, which includes the business leads. The way it's evolved for me is that it's become broader. You're not just somebody who counts the numbers and presents them, but actually you're very much part and parcel of the decision making and sometimes you're leading the decision making.

**Q: Given the level of disruption businesses have had to contend with over the last five to ten years on a macro level, how important is the notion of adaptability in a CFO?**

**A:** I think it's critical. I don't know any business where agility and adaptability aren't critical. Surprises can come from any place and even the 'known unknowns' that you're trying to anticipate can manifest in surprising ways. Any CFO who is not adaptable shouldn't be in the role.

**Q: How challenging is it to find a balance around managing costs and maintaining a path to growth?**

**A:** It is challenging, especially if you're involved in a fairly substantial business. The empire gets larger and everyone is not quite as connected as they might be. You've got different divisions or territories forging their own way and they all want resource, and you're managing resources in one pot across the Group. So, the real challenge is where do you say no? Every time you turn down an opportunity, you're disappointing some part of the organisation. So, it's looking to maintain that momentum and not turn off various bits of the business.

The other obvious factor is debt now has a real cost to it. If you're raising finance and part of your allocatable capital is coming from debt, then you've got to be more considered about it than perhaps you were three or four years ago.

**Q: When there is a need to execute a financial turnaround within a business, what steps should a CFO take to start that process?**

**A:** The first thing is to be very clear as to whether a turnaround is needed or not and be able to evidence that. If you're losing money, it's quite easy because you engage with the stakeholders and explain that it's not sustainable to lose money.

Where it's much harder is when you're making money, but it's not enough. That involves having credible benchmarks, which can be your competitors, but actually I always look to company history too. If you're in a good organisation, there will have been periods of high profitability and you can reference those. But you've got to get under the skin of why it is less profitable now versus before. If you're making fifteen percent margins, what is the right margin? Should it be twenty percent? And then what's the timeframe to get there? Quite often you need resources to get there, so you have to invest and may go backwards first to go forwards longer term.

**Q: When you've identified a definite need for a refinancing, what level of support is required from the executive team, the finance team and also advisors?**

**A:** You've got to start with the exec team and you've got to have everybody 100 percent aligned. If there is a single person who's not on board, then you're far less likely to be successful. So, you've got to win hearts and minds and that is done by showing evidence and also providing safety. If half of your team aren't sure if they're going to have a job or not in three months, it's difficult to win their support. So, you've got to make sure they know they're part of the future. >

I've always found value in advisors, as long as you set them up in the right way and you're paying for the right thing.

**Q: How important is maintaining good relationships with the banks?**

**A:** If you only engage when you've got a problem, you're going to get a very different reaction versus if you've been engaged consistently. They're going to be much more amenable to whatever you have to say if you've kept them informed. So, when you do go to them with a scenario that's come to fruition, they shouldn't really be surprised as opposed to if you suddenly turn up with bad news and are looking for a bailout, or you are springing an acquisition or major new market entry on them a few weeks before implementation.

**Q: In a Plc context, how is a shrewd CFO communicating with shareholders throughout a turnaround process?**

**A:** First of all, you have to have a plan that you genuinely believe in and can implement. Then it's about not over promising and being transparent enough to say, 'these are the steps we're going to take. Some of them are easy and some may take longer, but the general direction is this.' Then, you're consistently coming back and saying 'this is where we are on the journey'. You don't necessarily have to put detailed numbers around it because as long as your original plan is credible, the numbers will eventually come in.

I find shareholders, within reason, are patient because they know that things don't always go perfectly to plan. As long as your plan is being communicated in a reasonable way and being delivered to time, they will be with you because they see that you're dealing with a real time situation. I think it's entirely about confidence.

**Q: What's your view on the health of the UK capital markets at present?**

**A:** I think there are issues around the UK markets and in particular AIM, which I'm not convinced are risk related. I think investors have fallen out of love with AIM, so there is a fundamental issue there. It would be a tough call to look to float a business on AIM right now. I just don't think there's enough coverage, engagement or interest basically. Perhaps some of our regulation isn't ideal. I think the obsessive interest around directors remuneration – not just on AIM but in the UK broadly – is counterproductive. If you look at the US, they have a much healthier approach. Executives are rewarded for success and that is seen as a good thing, whereas in the UK the impression is sometimes that institutions want the success, but begrudge the reward.

> *“Surprises can come from any place and even the ‘known unknowns’ … can manifest in surprising ways. Any CFO who is not adaptable shouldn't be in the role”*

Generally, outside of AIM, as I understand there's a still a great deal of liquidity available for investment, both in terms of private equity and similar institutions, but also in terms of lending appetite. What's changed there is that, maybe a few years ago, PE firms could invest in a business and as long as they bought it at a reasonable multiple, they could load it up with cheap debt and then flip it on for a great profit in four or five years. Now, they actually have to do something with the underlying asset. I think that is also being reflected in the types of CFOs that are now in demand, which is not just somebody who looks shiny and interesting, but actually has a track record of taking businesses from A to B, with B being a much better state than it was a few years ago.

**Q: Finally, what would be your advice to a first-time CFO of a growth business?**

**A:** Be obsessive about working capital and be obsessive around managing what you've got, but understand that you're going to need more of it and have a plan as to where you're going to get it. In terms of breadth of the role, get out of your office. Don't just talk to finance people and your boss, make sure you're across the business, you understand what's going on and understand, in a growth context, the relative value of your opportunities and the sustainability of those different areas. Something might look brilliant today, but you've got to think about whether it's still going to be the hot area in two to three years' time, before you divert resource to that area. So just have that long-term lens and bear in mind that wherever you're not allocating as much capital to, there's going to be disappointment. Think through the consequences of that as well. ■