

Your Guide to Recruiting a Commercial Director

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Introduction

Commercial Directors are crucial to any major project. They ensure that all commercial aspects of the project are properly managed and controlled, develop commercial strategy and drive profitability while managing risks. Their expertise is essential for delivering capital projects on time and within budget. Therefore, it's important that you're finding the right kind of Commercial Director for your project.

In this report, we break down the key factors to consider when searching for and interviewing Commercial Directors. We establish the differences between contractor, consultancy and client-side Commercial Directors, as well as the differences in experience required for senior Commercial leaders depending on the size, phase and form of contract being used for the project.

At Newsom Consulting we have over 26 years of experience finding commercial leaders for some of the biggest infrastructure programmes in the UK.

What makes a good Commercial Director?

When recruiting for a Commercial Director, it is essential to consider various factors such as the company type, form of contract, sector, scale, project phase, and the degree of collaboration involved.

Company Type

If recruiting for a client organisation, it's likely that you prioritise candidates with experience in client organisations or Cost/PQS consultancies where they have been seconded into client roles. While it's less common, some client organisations may consider candidates from main contractors. A notable example is the appointment of a Commercial Director from a contracting background during Crossrail's construction phase. This individual's experience in negotiating change during construction delivery and understanding of contractors proved valuable in this client-side role.

It's generally uncommon to find suitable candidates for contractor Commercial Director roles from Cost/PQS consultancies or client-side companies. For contractor Commercial Director roles,

When recruiting Directors for a Cost/PQS consultancy, first identify the key functions of the role. If business development and work-winning are critical, look for candidates from other Cost/PQS consultancies with active client relationships. If the role focuses on secondment into a major client programme, candidates from other Cost/PQS consultancies or client organisations may be ideal. Occasionally, Cost/PQS consultancies recruit from tier 1 contractors.



What makes a good Commercial Director?

Form of contract

The type of contract a Commercial Director will be working with is a critical factor in determining the ideal candidate. Many projects require a Commercial Director with proven experience in a specific contract form. The primary contract types include:

NEC

NEC contracts have evolved through several versions, with NEC3 and NEC4 being the most encountered on candidates' CVs. The NEC family consists of standard contracts widely used in infrastructure and public sector construction and engineering projects, offering various forms tailored for different project types and roles. NEC4, introduced in June 2017, is the latest iteration. Many major projects will use the NEC Option C Target Cost contract, so experience of Option C is often a prerequisite.

FIDIC

FIDIC contracts are widely recognised. Two of the most known FIDIC contracts are the Red Book, where the employer carries out the design, and the Yellow Book, where the contractor carries out the design. These contracts are prevalent in both international and local projects, known for their clarity and structured approach to risk allocation.

IChemE

Predominantly used by UK water companies and other industries involving process engineering. They offer various forms, such as the Red Book for lump-sum contracts and the Green Book for cost-reimbursable contracts, providing flexibility depending on the project's needs.

JCT

A staple in the UK, especially for building projects in the private sector. They offer a comprehensive set of contract options that cater to the specific needs of building projects, ensuring clarity and fairness in the distribution of responsibilities.

PPP, P3, and PFI

These contracts are used where private companies finance, build, and sometimes operate public infrastructure projects, such as hospitals and roads. The government typically repays the private sector over time through long-term payments or user fees. Designed to leverage private sector efficiencies while transferring some risks from the public sector.

Alliance and Enterprise Contracts

Alliance & Enterprise contracts are utilised in large, complex projects where collaboration and adaptability are essential, especially in the UK and Australian infrastructure sectors. These contracts require a high level of trust between clients and contractors, sometimes also involving consultancies. Risk, resources, and goals are shared, with all parties working towards common objectives. A typical alliance is governed by an alliance board, with each partner represented by a director; the Managing Director of the alliance reports to this board.

Commercially, alliances often operate by compensating contractors for their costs, ensuring they do not incur losses. However, profitability is typically tied to the successful achievement of the client's stated objectives, with shared targets and rewards.

Commercial Directors of alliances will also require very different leadership behaviours to be successful.

What makes a good Commercial Director?

Sector Experience

Specific industry or sector experience may not always be required for Commercial Director roles. In this context, organisations will typically distinguish between infrastructure or building projects and would prefer candidates with relevant experience depending on what the project is. For certain roles, experience in regulated or critical infrastructure sectors may be necessary, but factors such as project phase, company type, and contract experience often play a more significant role in the hiring decision.

Scale

The size of the programme will impact your search for a Commercial Director. How many programmes will they be commercially responsible for and what is the estimated programme value? Is this position the number one commercial role? Consider what their day-to-day job actually involves. At the briefing stage, it's important to convey the level that this role is operating at, and whether they need to have been the number one person on a project of this value before.

Step-up candidates can move from projects two-three times the value of their previous project.

Project Phase

It's crucial to consider the specific project phase and the type of company involved. For pre-contract scenarios, if the role is client-side, you need someone with experience in delivering procurement strategies because there isn't a contract yet. In contrast, for contractors, the focus might be on supporting bids commercially, especially if multiple projects are in the pipeline. If the contractor has already secured several projects, the emphasis will need to shift to post-contract management rather than winning new work.

A key challenge during the pre-contract phase is contract negotiation. This could involve adjusting terms with a client or, from the client's perspective, renegotiating agreements contractors. Examples include transitioning from a target cost contract to an alliance contract or adopting a different contract structure to better suit project needs.

For quantity surveying consultancies, it is crucial to assess whether the Commercial Director role is more aligned with pre-contract activities, such as commercial and procurement strategy, or post-contract responsibilities. In the pre-contract stage, there may also be a need for expertise in project mobilisation and set-up. Post-contract, the role typically involves making key commercial decisions related to project changes, contract administration of compensation events, and settling final accounts.

Another important consideration is the contract structure, whether it is a one-stage or two-stage process. In a two-stage contract, early contractor involvement (ECI) is critical, allowing the contractor to collaborate with the client on project design and establish a target price.

What makes a good Commercial Director?

Personality

Consider the personality traits that align with the nature of the projects and the relationships involved. For roles that involve joint ventures (JVs) and collaborative contracts, the ideal candidate should be someone who is inherently collaborative, positive, and focused on achieving win-win outcomes. This is particularly important in situations where long-term relationships are key, as neither party can afford a win-lose scenario. In these cases, the ability to foster and maintain positive relationships is essential to ensure both parties can work together successfully in the future.

For one-off projects, particularly if they are distressed, a different character may be desirable. If the project outcome is more important than maintaining an ongoing relationship, a candidate who can maximise profit and drive a win-lose outcome might be more suitable. Here, the focus shifts towards achieving the best possible financial outcome for one party, without the need to consider long-term collaboration.

Settling the final account is another critical aspect where personality plays a significant role. The final stages of a project, particularly the negotiation of the final bill, can either strengthen or damage relationships depending on how well they are managed. A Commercial Director must have the ability to navigate these discussions carefully to avoid conflicts that could ruin the relationship between the parties involved.

The working environment and sector also influence the required personality traits. For instance, in the building market, where there can be more one-off clients, the commercial dynamics can be tougher compared to the infrastructure sector, where ongoing relationships are more common and critical to success.

Additionally, in certain client or consultancy roles, there may be a preference for candidates with specific professional qualifications, such as MRICS, CICES, or MCIPS, especially if the role is heavily focused on pre-contract activities. These qualifications not only enhance the candidate's credibility but can also justify higher salaries, reflecting the added value they bring to the role.



Key Competencies

When we interview potential candidates, we assess them according to competency-based questions. These will differ for every role we recruit but these are the common key competencies we use when interviewing Commercial Directors.

Results Orientation

- Taking accountability for meeting key business priorities
- Setting and working towards ambitious goals and quality standards
- Removing obstacles that threaten success

Building Relationships and Collaboration

- Building long-term relationships with customers, colleagues, and stakeholders
- Understanding the needs, concerns, and pressures of others
- Breaking business silos and encouraging cross-functional working
- Proactive in providing support to others
- Sharing knowledge, ideas, and feedback with colleagues

Leading Others

- Encouraging input from team
- Empowering people to perform independently
- Setting stretching goals, agreeing responsibility and holding others accountable
- Aligning goals with individuals' aspirations – motivating teams and driving high performance
- Balancing engagement and authority – tackling difficult issues proactively

Establishing and Developing Strategy

- Developing and implementing insightful strategies to drive efficiency and growth
- Translating organisational objectives and strategies into meaningful operational plans
- Taking a long-term view of problems and opportunities
- Standing back and looking at the broader impact of actions – taking a holistic view

Commercial Awareness

- Analysing competitor activity and considering market trends
- Maximising revenue and margin
- Identifying opportunities for reducing costs
- Identifying opportunities for growth
- Developing a competitive advantage

Deciding

- Taking the initiative for making things happen
- Taking accountability for decisions and/or having input into group decisions
- Considering and balancing risks when making key business decisions
- Drawing upon advice and input from subject-matter-experts so that decisions are informed
- Avoiding procrastination and does not defer decisions – seizing the moment

Communication, Influence & Impact

- Communicating with passion and belief
- Delivering messages clearly and concisely
- Influencing stakeholders and overcoming resistance
- Thinking about the audience when planning messages and presenting ideas
- Raising own profile across the business – seen as credible and inspiring

Key Competency Questions

Here are a few example competency questions we have used when recruiting for Commercial Directors:

Describe a time you have effectively leveraged the value of all parties to positively influence programme success?

Can you give an example of a business/framework/portfolio of projects that you have directly improved the commercial performance of?

Can you give me an example of a major project you have commercially led in the development stage?

Tell me about a time when you successfully negotiated a high-stakes contract with a key client or partner. What was your strategy, and how did you handle any obstacles that arose during the negotiation?

How do you ensure effective communication among diverse teams, partners, and stakeholders in a programme.

Describe a time when you built a successful relationship with a key client you were bidding to.

Can you give an example of how you identified and mitigated a significant commercial risk?

Give an example of how you have navigated supplier cost inflation challenges on an infrastructure project. How did you ensure you maintained key company relationships?

What is an example of a major project that you have successfully contract managed, including setup of the contract management systems?

Tell me about a commercial decision you have made that has provided value to the company.



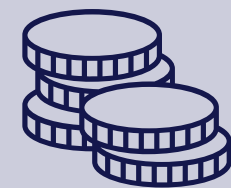
Commercial Director Salary Benchmark

Public Sector Client Organisations

Executive Commercial Director				
Basic Salary			Average	
Low	Average	High	Bonus	Car Allowance
£170,000	£217,125	£310,000	19%	£7,000

Programme Commercial Director				
Basic Salary			Average	
Low	Average	High	Bonus	Car Allowance
£120,000	£146,108	£164,999	28%	£6,000

Head of Commercial				
Basic Salary			Average	
Low	Average	High	Bonus	Car Allowance
£95,000	£135,800	£174,999	17%	£7,000



This benchmark data is the basic salary, average car allowance and bonus for three different categories of senior Commercial roles: Executive Commercial Director, Programme Commercial Director and Head of Commercial.

We analysed the data across four key areas:

- Public sector client organisations.
- Private sector client organisations.
- Private sector contractor organisations.
- PQS/ cost management consultancies.

The following information is an amalgamation of 150 data points across these categories.

Commercial Director Salary Benchmark

Private Sector Client Organisations

Executive Commercial Director

Basic Salary			Average	
Low	Average	High	Bonus	Car Allowance
£180,000	£210,000	£240,000	50%	£9,500

Programme Commercial Director

Basic Salary			Average	
Low	Average	High	Bonus	Car Allowance
£175,000	£187,500	£200,000	50%	£7,000

Head of Commercial

Basic Salary			Average	
Low	Average	High	Bonus	Car Allowance
£105,000	£111,667	£118,000	28%	£7,856



Commercial Director Salary Benchmark

Private Sector Contractor Organisations

Group Commercial Director				
Basic Salary			Average	
Low	Average	High	Bonus	Car Allowance
£189,500	£283,688	£385,000	83%	£15,786

Sector Commercial Director				
Basic Salary			Average	
Low	Average	High	Bonus	Car Allowance
£137,000	£170,667	£290,000	40%	£9,500



Commercial Director Salary Benchmark

Private Sector Contractor Organisations

Programme Commercial Director				
Basic Salary			Average	
Low	Average	High	Bonus	Car Allowance
£137,000	£176,800	£222,000	37%	£8,375

Head of Commercial				
Basic Salary			Average	
Low	Average	High	Bonus	Car Allowance
£102,000	£126,500	£150,000	25%	£8,200



Commercial Director Salary Benchmark

PQS/ Cost Management Consultancies

Programme Commercial Director				
Basic Salary			Average	
Low	Average	High	Bonus	Car Allowance
£133,000	£160,000	£187,000	21%	£7,750



Example Job Description

Role Overview

As the Commercial Director, you will provide strategic and operational commercial leadership for the programme/division/business. This role is integral to ensuring the financial success of the project while managing contractual relationships with a wide range of stakeholders. You will lead the commercial team, oversee financial planning and reporting, manage risks, and ensure compliance with best practices and contractual obligations. Working closely with Programme Director/ senior leadership, you will drive commercial excellence and enhance the overall performance of the programme/division/business.

Key Responsibilities

- Provide strategic direction on all commercial matters within the programme, ensuring alignment with business objectives and stakeholder expectations.
- Lead, develop, and manage the commercial team, ensuring the efficient delivery of commercial services across the project lifecycle. Establish objectives and monitor performance for all team members.
- Ensure that all contracts are managed effectively, including procurement, negotiation, and performance for all team members.
- Identify and manage commercial risks and opportunities in line with company procedures. Implement strategies to mitigate risk and capitalise on potential opportunities to drive project success.

- Oversee the preparation of monthly cost/value reports, project forecasts, and cash flow projections. Implement strategies to mitigate risk and capitalise on potential opportunities to drive project success.
- Promote and enforce best practices in line with company procedures and relevant industry standards. Ensure strict adherence to all health, safety, and environmental regulations.
- Collaborate with senior leadership to formulate and implement commercial strategies that drive financial performance and support project delivery.
- Lead initiatives to improve commercial processes and systems, fostering a culture of continuous improvement and innovation within the team and across the programme.

Key Skills & Experience

- Extensive experience in commercial management, with a focus on large-scale infrastructure projects, such as transport, energy, or heavy civil engineering.
- In-depth knowledge of standard forms of contract, including NEC, JCT, and two-stage contracts with early contractor involvement (ECI).
- Strong commercial acumen with experience in identifying and managing risks. Highly proficient in negotiating complex contracts and managing commercial relationships.
- A track record of successfully leading and developing high-performing commercial teams, fostering a culture of collaboration and accountability.
- Strong understanding of financial reporting, cost control, and cash management within major projects.
- Excellent communication skills with the ability to engage effectively with clients, partners, and internal stakeholders. Capable of building strong relationships to support project delivery.

Example Job Description

Personal Qualities

- **Analytical Thinking:** Capable of assessing data and making informed decisions that balance risks and rewards, ensuring optimal project outcomes.
- **Effective Communicator:** Listens attentively, adapts communication styles as needed and ensures that business goals are clearly communicated to all stakeholders.
- **Customer and Supplier Focus:** Demonstrates a thorough understanding of customer needs and supplier capabilities to ensure high standards of service delivery within time and budget constraints.
- **Adaptability and Change Management:** Sees change as an opportunity and brings teams on board with new initiatives, driving improvements across the programme.
- **Problem Solving:** Takes a systematic approach to solving complex problems, identifying root causes, and implementing effective solutions.
- **Performance Driven:** Motivates the team to achieve individual and collective goals, striving for excellence in all areas of commercial performance.



Executive Search Process

This is an overview of our executive search process. We would follow this method to find a successful Commercial Director:

1. Research

We begin with a consultation to define the criteria, search strategy and compensation. The search is tailored to client requirements and sourced through our own in-house research. When we're confident we have sufficiently researched the market, we provide a longlist of potential candidates.

2. Approaches

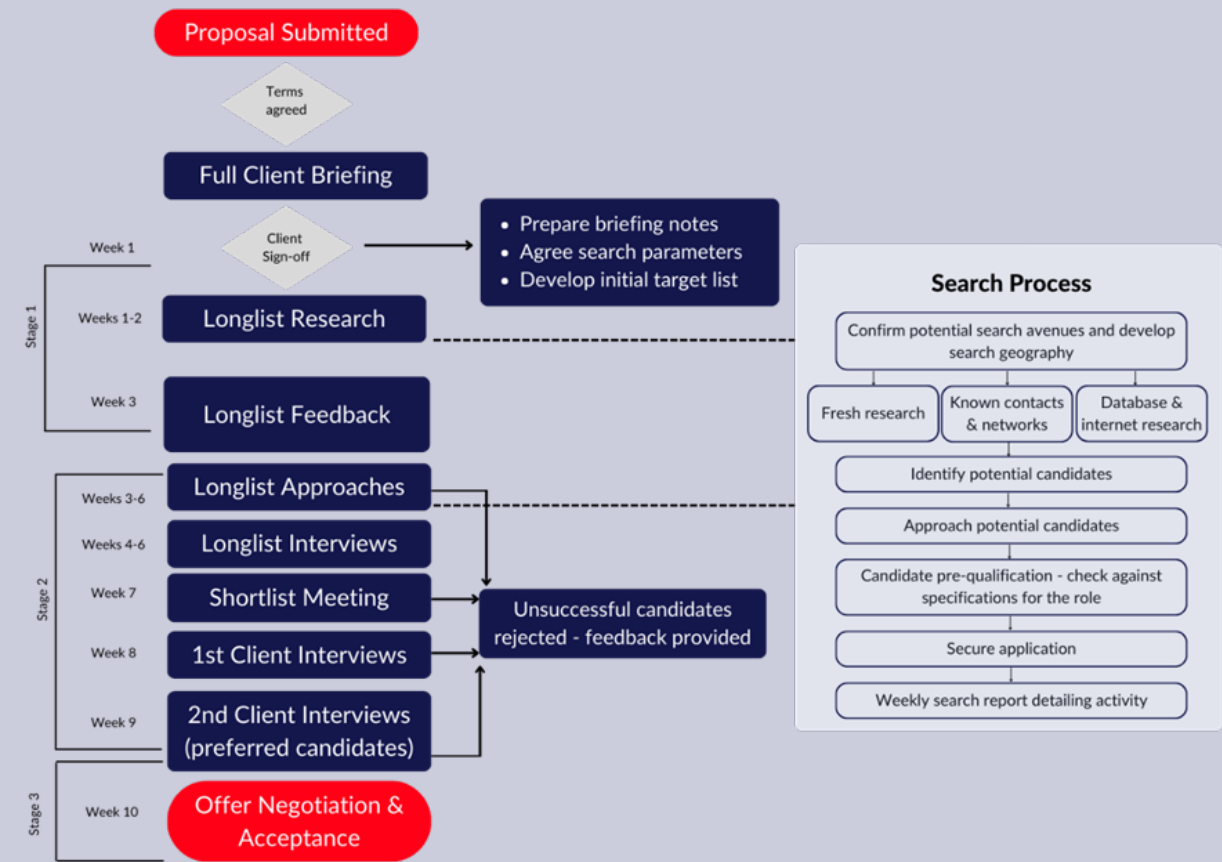
To find our shortlist of candidates, we approach potential candidates and advertise the role. We share a briefing document with candidates, outlining the role, the business and an overview of the remuneration package to ensure maximum interest from approached candidates.

3. Assessment

We conduct competency-based interviews with selected candidates. Personality Profiling and Ability Tests can be provided by us at this stage.

4. Shortlist to Offer

The outcome of this assignment will be a shortlist report which includes a full assignment summary with a statistical breakdown of the candidates, market feedback, candidate CVs, and typically a two-page Candidate Report per candidate including competency ratings.



Get in Touch

Newsom Consulting is an executive search firm that focuses on critical infrastructure and the built environment including, Rail, Aviation & Maritime, Highways, Utilities, Energy, Defence and Buildings sectors. Since we were founded in 2010, our team has successfully placed over 600 experienced industry executives – from executive leadership to senior management and leading technical experts.

Our clients include many of the leading infrastructure asset owners and major projects, contractors, public sector bodies, manufacturers, consultancies, and technology suppliers.

We are dedicated to fostering diversity within the industry and continually strive to enhance diversity in the senior teams of our clients. In the past two years, 33% of our placements have been either gender or ethnically diverse, and we remain committed to increasing the diversity of the industries we operate in.



For additional ideas on how to secure your next senior leaders get in touch. We look forward to talking with you soon.



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