

What do journalists expect from the CFO?

Business journalists find it increasingly relevant to speak directly to the CFO though, there are still challenges for many CFOs in increasing their communications skills and communicating what the figures really mean.

Journalists are positive about many Australian CFOs, who they see as having broken out of the 'bean counter' model. The emerging, more conservative, business environment potentially offers more opportunities to CFOs to become trusted CEOs - combining traditional skills of a depth of business understanding with newer skills such as a broader business perspective and confident public persona.

The rising profile of the CFO

Journalists believe that over the past ten years CFOs have become more prominent in the public eye:

"...they have had a much bigger sway over the past decade than they've had before."

There is a perception this trend results from an increased emphasis on company financial performance.

A number of factors are believed to have impacted this, including:

→ A trend towards cost cutting

"Over the past decade with the loss of pricing power, cost-cutting has become a bigger feature, or for many companies the most important bloody feature of their operation, and the CFO is often charged with that responsibility...for much of the last decade, well we've had a touch of deflation in traded goods: it's up to the CFO to cut the costs."

At a glance summary

- The CFO often considered the CEO's #2
 - Role changing from background to forefront - needing to be able to communicate more than just numbers
 - Required to deliver bad news
 - Needs a diverse background, beyond finance
 - Confident communicator, not reliant on jargon
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- High profile company collapses (HIH, Enron, WorldCom) are also responsible for putting various accounting issues in the spotlight
 - The growing profile of corporate governance - greater accountability has led to more stringent guidelines and reporting requirements - often requiring explanations from the CFO
 - The growth in publicly listed companies - both shareholders and the media have a greater demand for detailed company information
 - The changes in companies succession planning - it is often now the CFO who become the CEO of a company:
 - "...over the last decade there's been a steady build in them... I think they have increasing profile because being a CFO is the suspect in succession planning as often as not."*
 - "...if the CEO walks under a bus...people will often look to the CFO to take the reins."*
 - "I mean you do often see the situation where the CFO does acquaint themselves with the business and the media and the markets and then does take over as a CEO."*

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"Chip Goodyear at BHP, was originally hired as the CFO of BHP... Nick Falloon was CFO of PBL and became CEO."

Journalists have divided perceptions about the increase in CFO profile.

Some believe CFOs now hold too much power and influence within a company, believing they push too strong a focus on the finances rather than taking account of other aspects of the company:

"CFOs have been given or seem to have a disproportionate amount of influence over the last ten years and I don't think that's a good thing...we're only getting a financial perspective rather than a total business perspective and that's the problem that I have with the increased influence of the CFOs...they tend to focus obviously on the financial performance of the company, which is fine, but the overall performance of the company can't just be measured by the financial indicators alone."

Others believe companies are simply answering the public's demand for greater financial information and disclosure and pushing the CFO to the fore as a result:

"...media and public in general are now more aware of the problems/issues that could arise and take an active interest in the finances of an organisation. Also people are being forced to provide for their own retirement and so people are taking much more of an active interest."

"CFOs are now the second most senior executives within an organisation..."

The CFO's role within the company

Journalists perceive the CFO's role to be that of the company's 'numbers man':

"...in a broad, corporate sense, the bean counters."

This role includes being able to:

→ Answer any technical queries regarding financial aspects of the company, including the annual report, mergers, takeovers, acquisitions and any other major financial event:

"...when I'm writing [on] especially the annual general report or when I need to clarify some aspects of that, but things that have already been reported."

"...mainly on sort of retention of services, the agreements, financial agreements and terms of engagement."

"...the occasion could arise if it was a matter of money, projections or a financial result."

"If I wanted a further understanding of the numbers, some of the financial statements, if I wanted to see the breakdown."

"...stuff on hard drive...factual information, the type of information that ATO can come in and question them on."

→ Act as back-up to the CEO:

"...someone who really does know the business inside out and performance numbers and any slight different performance, they're onto it straight away."

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There is a perception the CFO's financial responsibility leads them to carry the can when profits are not achieved:

"CEOs like announcing profit upgrades and they leave it to the CFO to do the dirty business of taking out the costs so they can do it."

"When you see a company announcing cost cuts, often times the CEO leaves that to the CFO to be the bad guy."

"...they're responsible for the strategy, they have to make sure that the accounts are not dodgy, and the presentation of the accounts."

"The CFO sometimes does get the blame when things go wrong - in a way they're responsible for the strategy, they have to make sure that the accounts are not dodgy, and the presentation of the accounts."

"...the CFO really tends to run the company...he's the one who makes all the figures add up."

What makes a good CFO?

Journalists believe there are a number of attributes a successful CFO should possess. These include:

→ Having a good grasp of the company's numbers and financial position:

"A thorough grasp of their company's balance sheet and its history..."

"...obviously a well-qualified accountant, whether it was chartered accountant or the other mob, and someone that's got some background in something else other than finance..."

"...the CFO obviously has a deep understanding of the workings of the business..."

→ Honesty, frankness and integrity:

"Well a good one is someone who's frank and honest..."

"...absolutely impeccable integrity."

"...you expect them to be open and honest and provide a full assessment and a breakdown of the numbers."

→ Prudence - particularly when discussing financial matters with the media. Must ensure expectations are not raised unrealistically when forecasting:

"Well the CFO's got to be very careful like the CEO, particularly if it's a public company. So again they have to be very careful in what they say...they have to be careful on their forward forecasts of their business in terms of, particularly if they're a public company, so they are very prudent in what they say"

→ Being a strong communicator. This is about:

▪ Straight talking - addressing the issues at hand:

"Business-like - not treat the query as a social call...understands the need to keep up with media deadlines...give quick information required."

"Being straightforward, sort of discussing aspects, ...I think providing some more information, just to clarify different aspects of, you know, usually a report or something that's been released...make their position more accessible to the public."

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"...provide what we're looking for, I guess, explain what they mean rather than just providing the actual numbers themselves."

- Demonstrating a clarity of thinking and expression:

"...go through and explain the financial in detail... in it a way that everyone can understand I see as quite important... their role is a financial controller position, so you'd expect them to be quite communicative on that front."

- Able to explain a situation without relying too heavily on the use of jargon and acronyms:

"...can explain things in laymen's terms."

"The ability to explain difficult concepts in a way that journalists can understand."

"I think probably someone that can talk to the public and journalists and so forth but can break things down and make them quite simple. I know generally CFOs are more financially based, therefore not all of them are able to put things in simple terms and I think that's very important when you're dealing with the public."

- Ideally being charismatic and confident in front of the media:

"...probably because they're a public figure they need to be able to talk. I guess they need to be able to sort of make announcements and that sort of thing and not be the shy, financial type."

Which CFOs stand out to journalists?

The two CFOs most frequently mentioned by journalists as being strong are:

- Tom Pocket – Woolworths:

"...knows his stuff and expresses a confident persona when dealing with the press and the public."

"Tom... you can always call him or speak with him and he's just got a very good understanding of the company."

- George Vernados – IAG:

"...part of a well run process, opportunistic, forward thinking"

"...He is someone that comes across as being fairly no nonsense and pretty realistic about what is doing well in the company and what's not doing well."

Other CFOs held in high regard include:

- Greg Water at Macquarie Bank:

"...routinely available, answers very specific questions."

- Robert Hines at the Bank of Queensland:

"...not intimidated by the press. Can explain and handle technicalities...explains in a digestible form."

- David Goldsmith of Wesfarmers, praised for making himself available to journalists for comment:

"...comes across as professional i.e. careful not to go over ASX boundaries but explains to the best of this ability...prepared to respond...in terms of being available."

- Neil Drabsch at QBE:

"...shows clarity of thought and expression, intelligent, keeps the market informed, his experience is evident."

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- Stephen Goddard at David Jones stands out for being a strong communicator of strategy:

"Stephen Goddard, he's the CFO of David Jones.... I mean they did a big overhaul recently of procurements and a lot of supply chain reforms and again, all those --- where those things go, how those abnormal items are accounted for, everything was --- Stephen is excellent in terms of relaying that message and explaining to journalists where they go, what they mean, why we did it this way and why we didn't that way, and so again, he's a real stand-out for me."

- Mike Ihlein from Brambles and Steve McKerihan of St George, praised for being happy to talk to journalists in layman's terms:

"Mike Ihlein was quite good, he used to be the CFO of Coca Cola and now he's moved across to Brambles... it's just the way he explained things. He's got a good grasp of language and everything and he just knows how to communicate: he tells a story, he explains things and yes, it's more just the way that he explained things. He's quite thorough and ...he speaks... in general terms. And again, just --- the disclosure as well is quite good as well."

(Steve McKerihan) "...he's very good, he's always there at the press conferences, always willing to back Gail Kelly up and have a chat if there's something more financial that needs to be discussed...from my perspective that's important and he can also talk in layman's terms..."

Perceived limitations

In general, journalists perceive CFOs to have five key weaknesses, predominantly relating to their position within the company as well as their personality:

- Still very much the 'background' or 'back up' person to the CEO:

"There's not a lot of occasions for me personally to actually speak to a CFO unless the CEO isn't available."

"I find that quite a few CFOs, the CEOs stop them from being too showy....You know they're good and everything and you hear them and you see what they do but you don't get a chance to sort of really get an idea of what they're about, what their mindset is, do they think like the CEO or are they a bit more conservative"

- Lack of accessibility:

"CFOs don't usually make themselves terribly available."

"...usually they talk really, really quickly and are dying to get off the phone."

- Weak communication skills - reliance on technical terms, jargon and industry acronyms:

"I'd say it's the tendency to rely on jargon when discussing company performance."

"Usually they're much more interested in the technical terms and they talk in technical terms, I suppose, a lot of them don't seem --- I think jargon has really grabbed them and they can't see past that."

"A lot of them are accountants by trade and don't tend to be able to explain things in anything other than a very jargonistic level."

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→ Lack of charisma:

"I think most of them are seen as fairly dry bean counters."

"Usually they can be a little bit dry and don't talk in a language that is easy for us to understand."

"I think their greatest challenge is to make themselves exciting and present themselves in a way that is interesting to the market and talk in language that investors and the media can understand."

Media training is important in the development of an CFO.

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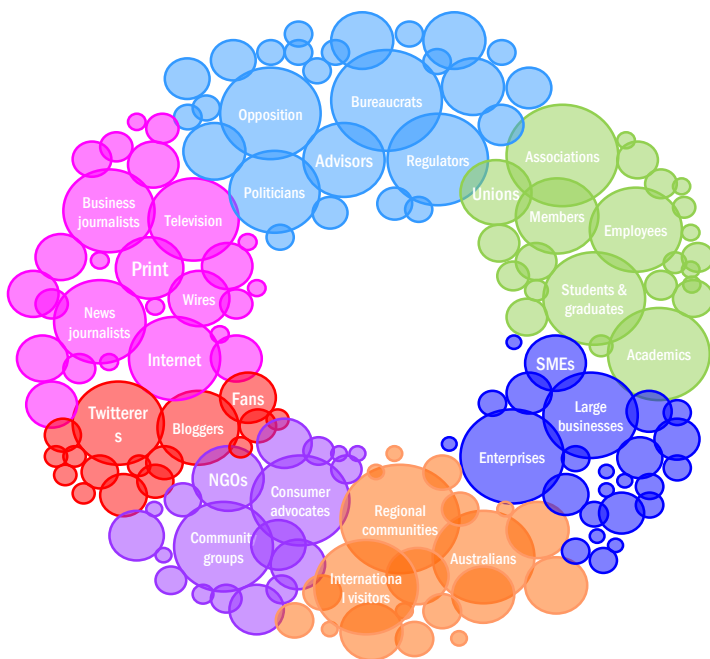
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Contact Catherine Anderson on +61 (2) 9299 9979 or email on

catherinea@insidestory.com.au



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