

High prominence, high pressure and high demand: Asia's CFOs face new risks and rewards

by Margaret Lee and Michael Keevy

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Competition for experienced CFOs in Asia, the new center of gravity for company growth and expansion, has become particularly stiff. The era of “number crunching” as the primary mission for CFOs has gone by as the rapid growth of companies in the region adds new challenges and dimensions to their roles. CEOs are looking for CFOs who can serve as a partner and add value to the business.

The global financial crisis put the Chief Financial Officer (CFO) role squarely on center stage, adding new pressure and higher scrutiny from regulators, investors, and corporate boards. In Asia, where economies have recovered much faster than elsewhere, people who can handle this demanding job are in high demand themselves.

Competition for seasoned CFOs in the region's highest-growth markets has become particularly stiff. The number of initial public offerings in Hong Kong and China hit a new record in 2010: 106 in Hong Kong from 68 the year before, and 349 in China from 99 in 2009. At that rate, there simply aren't enough CFOs in Greater China with experience at a listed company to go around. To fill the role, some newly-public corporations are snapping up investment bankers and financial managers who don't have listed-company experience but have worked at a multinational.

China's boom, together with the rebound of the equity markets, has made Asia the new center of gravity for company growth and expansion. As a result, demand for outstanding CFOs from both multinationals and Asian conglomerates has been escalating. CEOs are asking more of these officers as well, seeking a high-integrity consultative partner, one with insights into the company's long-term strategies.

The era of CFOs whose primary mission was that of a number cruncher is over. Instead, experience in business management and intimate knowledge of the operation are now the key qualities required for Asia's CFOs.

Accelerated change for CFOs

Korn/Ferry International recently conducted an in-depth survey of fifteen CFOs in Hong Kong, China and Australia – three of Asia’s largest financial centers – to get a snapshot of how the role has changed, what the new expectations and priorities for a CFO are, and what candidates who aspire to the role must do to equip themselves for the post.

All the CFOs Korn/Ferry spoke to agreed there have been major changes to their role in the last five years, particularly after the financial crisis. Companies now want a CFO who is able to respond to volatile and fluctuating markets, and has strong skills in risk management and internal control compliance.

Indeed, the level of scrutiny has increased dramatically, driven by demands from both regulators and investors. “Effective communication and adequate transparency are important to maintain market confidence over the financial sector in the face of the uncertainties of the economic environment,” said Zhuo Chengwen, CFO of Bank of China (Hong Kong) Limited, a leading listed commercial banking group in Hong Kong. That means CFOs have to work much harder to communicate with both shareholders and within the organization itself, respondents said.

CFOs are now playing a bigger role in assisting the CEO on both operational and strategic issues. “There’s been an acceleration of the shift in role to being an entrepreneurial partner to the CEO, away from being a pure financial scorekeeper,” said Kieran Pryke, CFO of Australand, one of Australia’s leading residential property groups. They have, in a sense, become “deputized CEOs,” doing all the work not handled by the chief executive, added Benson Tsang, CFO of NASDAQ-listed ATA Inc., one of China’s leading providers of computer-based testing services. “Five to 10 years ago, CFOs were more focused on financial reporting on historical results. Now it is expected that the CFO focuses on forward-looking strategic advice and adding value to the business,” said Tsang.

Benjamin Toh, CFO of listed gaming concern Sands China, noted CFOs now spend only 30 percent to 40 percent of their time on accounting; the rest is spent on broader business issues, such as how to best allocate and prioritize the company’s resources. Gareth Evans, CFO of Qantas, estimated that he divides his time equally between people-related issues and people-facing activities – such as governance, reviewing performance and strategies, and supporting business unit leaders – and the balance on relationships with external stakeholders, the board, and other issues.

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Split focus: safety and growth

Managing risk and capital are among the top issues facing CFOs today, according to the Korn/Ferry survey. In the wake of the global financial crisis, many companies want a more conservative balance sheet and lower gearing; the no-holds-barred drive for EPS (earnings per share) growth has been tempered. “Boards must be careful that companies do not get into greed mode again,” noted Shane Gannon, former CFO of CSR, one of Australia’s leading building products companies.

Access to funding is another hot issue. The cost of capital has gone up rapidly in the last three years in Asia and CFOs are under pressure to help structure the business appropriately. CFOs have to exercise their own judgment to ensure their company has a strong capital base, manage liquidity, and control expenditure. In parts of Asia – like China, where the economy remains resilient – CFOs have to work hard to ensure that resources are available to take advantage of the tremendous growth opportunities.

The rapid growth of Chinese companies, in particular, adds new challenges and dimensions to the role. “The CFO is expected to monitor the financial risks more closely and in a timely manner. That is not easy as many businesses have gone global, making this increasingly complex,” said the Bank of China’s Zhuo.

Making the grade: Five tips from Asia’s top CFOs

- › Get on board with the CEO. They need a CFO who’s both a partner and an advisor.
 - › Switch off the spreadsheets and get involved in the company’s broader business.
 - › Make your voice heard on operational and strategic issues.
 - › Do what it takes to communicate—both with your board and your shareholders.
 - › Run a tight ship. Risk management and compliance are everything, particularly in today’s volatile markets.
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Skills beyond spreadsheets

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Today's CFO candidates also need to acquire skills that weren't necessary before. In the past, an executive could rise to be CFO of a large group after spending most of their career in a specialist area – but that is not the case now. “We now cycle people through different roles to give them exposure and opportunities, and have changed the structure to show a career path, instill challenges and excitement in people,” said Zlatko Todorcevski, CFO of Oil Search.

All the survey respondents emphasized the need for strong communication skills: CFOs are spending more time dealing with both internal and external stakeholders. CFOs “need to be on the front foot in communicating,” noted Gannon. CFO candidates must be self-assured, he added. “(You) need to have the confidence to influence the board and the whole group.”

CFOs also need to be relationship builders – they need to get involved and be proactive, added Nessa O’Sullivan, CFO of Coca-Cola Amatil. Several respondents described their role as one of a “consultant” to chief executive and the board, providing guidance and advice, not just facts and figures.

Finance executives aspiring to the CFO role must spend time in operations, according to our survey respondents. “It is important to have solid technical skills. But it is more important to develop a skill base with diverse business disciplines and experience – including leadership – so that you can make a more valuable contribution to your business as a CFO and business partner,” said Robert Drake, CFO of Galaxy Entertainment. General manager type roles provide valuable training and put CFO-track executives into situations where they learn to deal with myriad issues and relationships. That prepares the future-CFO candidate to play a broader leadership role outside of the finance silo.

Team trends in finance

“The new demands and expectations placed on the finance unit are changing the ways CFOs organize and manage their teams as well. A finance team must have capability that is both process-oriented to look after systems and controls, as well as have capability to do forward-looking strategic work,” said Nick Hawkins, CFO of IAG. “Part of the challenge,” he added, “is then recruiting a mixture of capability to fill these needs – ideally though skilled people who can move from process to strategic during a normal days work. Also, as positions in finance become increasingly specialized (treasury, taxation, finance, etc.), the CFO then must ensure there is continuous collaboration across teams.”

The new prominence of the CFO has raised the profile of the entire finance unit. Increasingly, Asia’s best and brightest view finance as a path to the top – both to the CFO spot and the role of CEO. To be sure, the shift from CFO to CEO is less common among Asia’s vast ranks of family-run firms. The Asian arms of international companies are more likely to appoint their CFOs as CEOs. Still, CFOs will increasingly be considered attractive options as a successor because of their strong financial acumen, risk management skills, and corporate governance experience.

Attracting those best and brightest meanwhile, is crucial if the finance unit is going to pack the punch that’s now expected of it. Team building has become a key part of the CFO’s job. Our survey respondents said it is critical to spend time coaching and nurturing talent from within the organization, as well as recruiting from elsewhere. O’Sullivan at Coca-Cola Amatil said she hires high-energy people who are avid learners; they also must be smart and brave yet humble. She doesn’t allow “passengers” at her meetings; she demands opinions and gives the bright sparks an opportunity to be coached and developed. “Before becoming a business partner, you must know your stuff,” said Toh of Sands China, “and build a strong team.”

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A great CFO should be navigating paths for growth – for the company, for the finance team, and for himself or herself. The CFOs in Asia who only focus on immediate concerns – like reducing costs and the liquidity crisis – might be shortchanging their companies, and sidelining themselves for future high-profile roles.



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