MAGAZINE FOR FINANCE PROFESSIONALS IN SOUTH AFRICA

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CFO

Transforming to World Class
CFO Awards winner Colin Brown raises the bar at Super Group

FirstRand CEO Sizwe Nxasana
"The CFO needs to play a guiding role"

Free trade revolution
Exciting times for business on our continent

Anoj Singh
CFO Transnet
"Learn to manage a complex organisation"

Simon Ridley
CFO Standard Bank Group
"You can't just throw stones at a problem"

Brett Goschen
CFO MTN
"You need to be prepared to accept the pain"

Aarti Takoordeen CFO JSE

"I love being an enabler"

HOW DO YOU RATE AS A FINANCIAL EXECUTIVE?

What is your Financial Reporting Efficiency Score **("FRES")**

You hold a key position as a financial executive within an organisation that has multiple legal entities and/or business units and your responsibilities include accuracy in consolidating and reporting financial results against stringent deadlines. No doubt you will also be accountable for the timely assembly and finalisation of faultless budgets and forecasts.

But just how efficient are you really?

These 8 questions could change your financial reporting paradigm:

1. **Do you extract financial results from an ERP (Enterprise Resource Planning) system and manually finalise reports in spreadsheets?**
   ERP systems (transactional accounting software), notably don't always allow for flexibility to generate and publish customised reports with reports and consolidated numbers your management team may require.
   Y=1 N=0

2. **Are your budgets and/or forecasts captured in Spreadsheets?**
   Understanding that you may experience data and reporting inconsistencies, with these issues being compounded even further across larger and disparate entities…
   Y=1 N=0

3. **Are you able to use a single software system to manage all your financial reports, including cash-flow, monthlies, budgets, forecasts, tax and items such as assets?**
   YES, if your entire reporting requirement is performed in one software system?
   NO, if you use multiple software systems, require different modules for different reports or only use spreadheets?
   Y=0 N=1

4. **For final consolidated results, can you drill down into any number (as presented to the board) within seconds after being queried?**
   Whether for year-to-date numbers; percentages; variance explanations or comparisons (i.e. amount per cost centre or General Ledger detail that make up a total)?
   YES, I can drill down anywhere.
   NO, I can't drill into some/any/all final reported numbers.
   Y=0 N=1

5. **If you are using a consolidation and/or financial reporting system (in addition to your accounting system), do you require on-going support and/or do you need consultants to assist in managing and maintaining the software?**
   YES, Need support and/or consultants.
   NO, Don't need support and consultants.
   Y=1 N=0

6. **Can you seamlessly import data from multiple sources into a single analysis report?**
   For example: Can you import trial balances from your accounting system together with headcount and payroll information from your payroll software - into a single report – in which you generate specific results…
   Y=0 N=1

7. **Do you seamlessly enforce validation checks to ensure that users capture accurate information in the correct format?**
   This in turn prevents errors from users not conforming to standards and/or not submitting accurate and reconciled information.
   Y=0 N=1

8. **Is your inter-company reconciliation and exception reporting automated?**
   YES, if you have a fully automated tool to reconcile inter-company transactions and balances.
   NO, if you're using spreadsheets and/or multiple systems.
   Y=0 N=1

Your "FRES" Score =

Collate · Consolidate · Communicate
RollupSheets™
www.rollupsheets.co.za

If your score is ≥ 3 CONTACT US
to simplify and optimize your reporting process!

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Sizwe Nxasana

Business power house, Chartered Accountant (CA) and Fort Hare graduate Sizwe Nxasana (57) started KwaZulu-Natal's first black audit firm in 1989, listed Telkom on the Johannesburg Stock Exchange (JSE) in 2003 and more than doubled FirstRand's market cap to R295 billion in 2015, after becoming CEO in 2010. In an exclusive interview with CFO South Africa, Nxasana talks about the role of CFOs, SAICA, the economy and BEE.

Anoj Singh

"If you want to be a great CFO, you need to be in a position where you can learn to manage a complex organisation," says Anoj Singh, Group Chief Financial Officer at the dynamic State-Owned Company (SOC) Transnet and winner of two CFO Awards at the annual gala evening on 15 May 2014. 'Exposure' is a word he uses all the time. It's the reason he enjoys working in a challenging environment and he believes it's the key to a successful career when you're an aspiring CFO.

Simon Ridley

"As CFOs we need to be trusted advisors, rather than critics," says Simon Ridley, CFO at the Standard Bank Group and last year's CFO of the Year. In an exclusive interview with CFO South Africa, Ridley talks about the myth-busting responsibility of CFOs and CAs, the charm of over-disclosing, the reason everybody at the bank knows his mother, and about being the perfect business partner: "You can't just throw stones at a problem."

CFO South Africa is the number one network for finance professionals in South Africa. our goal is to connect finance professionals online and off in order to share knowledge, exchange interests and open up business opportunities.

CFO South Africa
CFO Enterprises PTY ltd
6 Kikuyu Road | Sunninghill
2157 Johannesburg | South Africa +27(0)110837515
www.cfo.co.za

MANAGING DIRECTOR
Melle Eijckelhoff
Melle@cfo.co.za
+27(0)825846243

COMMUNITY MANAGER
Jurriën Morsch
Jurrien@cfo.co.za
+27(0)110837515

EDITOR IN CHIEF
Joël Roerig
Joel@cfo.co.za
+27(76)3712856

EDITOR
Toni Muir

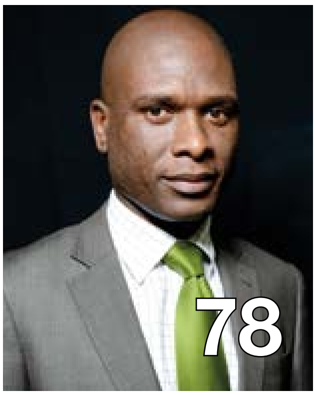
CONTRIBUTORS
Joël Roerig, Aarti Takoordeen, Melle Eijckelhoff, Ebrahim Moolla, Dianna Games, Venter Labuschagne, Alexandra Watson, Jonathan Yudelowitz, Dumisani Dlamini, Neil Morris, Yolisa Msweli, Sarah Ball

DESIGN
Cor Lesterhuis
Femke Wouda

PHOTOGRAPHY
Patrick Furter
Stephen Cruickshank

PRINTING
Paarl Media Group
+27 11 201 3460
+27 84 612 1032
Coenraad.Pretorius@paarlmedia.co.za

SALES
Chantelle Booysen-Fourie
+27 (0)83 777 2894
Chantelle@cfo.co.za



Finance Transformation

Strategy Execution

Moving into Africa

Governance & Compliance

Public Finance

And further

South Africa's inaugural CFO Awards

For CFO South Africa, 2014 will always be the year of the inaugural CFO Awards, an incredibly successful event held the Summer Place in Johannesburg.

Simon Ridley was celebrated as the first CFO of the Year. In his acceptance speech, the Group Financial Director at Standard Bank revealed he is known as "one of the quaggas of the company" and that this means he is in a good position to reflect. Ridley said South African CFOs are known worldwide for their honesty and skills: "Our CFO community is incredibly strong and punches way above its weight."

Chaired by Business Day's Semeyi Zake, the CFO Awards turned out to be a marvellous black-tie affair with the cream of South African finance leaders present.

The Young CFO of the Year Award was won by Aarti Takoordeen, who joined JSE Limited in 2013. Takoordeen said that CFOs have a role to play in making the profession more attractive for young talents, which was the reason why she gladly accepted the award. "I thank CFO South Africa for organising this and I thank the panel of judges for reading through 160 pages of interview material and making an informed choice between the nominees."

Two other big winners were Super Group CFO Colin Brown and his Transnet colleague, who both won two awards. Brown received the much-coveted Finance Transformation and Strategy Execution awards for saving his company from collapse. "I can't actually believe it," was his first reaction. "It is such a great honour to win and the Awards are such a great initiative for South Africa." Singh received the Compliance & Governance and the Public Finance awards after he propelled Transnet to become one of the most successful parastatals since his appointment as CFO in 2009, the first few years in an acting capacity. The High Performance Team Award was won by John King, Group Finance Director at IT solutions firm, EOH. "It is a great honour and it is especially nice to win this particular award, because EOH is really a great team," King said. "Our philosophy is that when you have the best people, you have the best business. So it is very gratifying to win this award."

Double CFO Award-winner Colin Brown (Super Group): "It is such a great honour to win and the Awards are such a great initiative for South Africa."

Aarti Takoordeen, CFO at JSE Limited: "I thank CFO South Africa for organising this and I thank the panel of judges for reading through 160 pages of interview material and making an informed choice between the nominees."

CFO of the Year 2014 Simon Ridley (Standard Bank): "Our CFO community is incredibly strong and punches way above its weight."

Anoj Singh, CFO at Transnet: "As Transnet we are really internally focused, interactions with other CFOs are limited. We face a lot of common challenges as CFOs, whether we work for Transnet, Eskom or Kumba Iron ore. CFO South Africa came up with the CFO Awards. It was an excellent occasion to network with like-minded people. It is a brilliant thing."

Who will receive the CFO Awards 2015? www.cfo.co.za

View from the top

As editor of CFO South Africa I often have the privilege of visiting Finance bosses in their offices. One day I find myself navigating the grimy labyrinth of Germiston on my way to see Interwaste FD André Broodryk, the next day I park next to a shiny specimen of the latest Badger infantry combat vehicle on my way to see Denel's FD Fikile Mhlontlo in Irene. And then there's the special elevator in the Standard Bank building in downtown Johannesburg – built on top of an old gold mine – that only goes to the executive floor, nowhere else. After going up in style I always feel a little bit important by the time I shake the hand of 'the quagga', Group FD Simon Ridley.

But nothing compares to the 49th floor of the monumental Carlton Centre just down the road from the bank. Once the tallest building in the southern hemisphere, its walls seem to hide the secrets of success and failure. Its height talks of ambition and advancement. And its interior – now bustling after years of neglect – speaks of industriousness and perseverance. But it's the view from the top – mine dumps in the distance, hawkers down below and Sandton hidden behind building cranes – that really gets to me. It brings home the gravitas of the CFO role and I always find myself slightly relieved when Transnet CFO Anoj Singh is in an upbeat mood when he meets me there.

As former award winners, Singh and CFO of the Year 2014 Ridley feature in this very first South African CFO Magazine, along with fellow winners Colin Brown (Super Group), John King (EOH) and Aarti Takoordeen (JSE Limited). Most of you will have spotted the latter on the cover by now. The choice wasn't arbitrary, as I believe that Aarti stands for innovation, inspiration and transformation – all the things to which any South African CFO should aspire.

As editor of CFO.co.za, the African web hub for everything CFO-related, I am also pleased that the magazine contains contributions by experts who regularly feature online, such as Professor Alex Watson, who has written a thought-provoking piece on financial disclosure. Other highlights for me are the interviews with retiring FirstRand CEO Sizwe Nxasana, Africa-expert and MTN CFO Brett Goschen and public sector ace Rofhiwa Irene Singo.

CFO South Africa's MD Melle Eijckelhoff has written some insightful pieces on themes that bind this issue, such as Finance transformation and strategy execution. It was his vision and that of his partner-in-entrepreneurship Alex van Groningen that launched CFO South Africa. If I had to count the number of CFOs who have told me in the last two years how much they have benefited from our events – and how much fun they've had - I'd have enough testimonials to fill a book. I can assure you the pleasure was entirely ours. We are already excitedly planning our 2015/2016 schedule, which is packed to the brim with events for private and public sector CFOs!

I hope you will enjoy reading the magazine as much as we enjoyed making it. Some reads will inspire you, some will challenge you. Some articles will be exciting to read, some will be slightly daunting. But that comes with the territory, when you have a view from the top.

Joël Roerig

Joel@cfo.co.za
+27(76)3712856

BY AARTI TAKOORDEEN, CFO JSE

Role of the CFO in Africa

The role of Chief Financial Officer has never been more complex than it is today. This is due to the fact that the CFO's operating environment is typified by managing stringent regulation, and managing increasing shareholder scrutiny and economic uncertainty.

Traditionally, the CFO's role has been to ensure fiscal prudence, financial analysis and reporting and risk mitigation. These skills and expectations are not obsolete; they are fundamental for any CFO. However, what will distinguish the future CEO and ensure that s/he retains their position will be the focus on not only the fundamentals but lateral thinking and engagement with a variety of stakeholders.

Today's business environment demands the CFO to develop new sets of skills and competencies to drive organisational success and successfully execute company strategy. These skills and competencies can be summed up into 4 themes:

1 Leveraging off a wider pool of talent

CFOs are beginning to recruit talent from beyond the profession of accountancy. To address complex business challenges, the CFO will need to recruit talent from a range of professions. For instance, CFOs increasingly rely on the expertise of IT professionals to manage finance reliance on new information technology. By leveraging off a range of non-traditional talents and expertise, today's CFO can lead an organisation to optimise value for the benefit of its customers and other key stakeholders.

2 Adapting to digitisation

Technology has become an enabler of the growth of the financial services industry. Through technology, financial services have become more efficient by reducing human errors and speeding up the execution of traditional finance responsibilities to the benefit of organisations and customers. Embracing digitisation ensures that we not only grow organisations, but also stay true to one of the key principles of accountancy that is risk management.

3 Partnering with business

Today's CFO is called upon to assist in making more strategic decisions. By expanding one's network beyond the realm of the finance industry, CFOs are empowered

to contribute meaningfully to organisations by providing valuable insights, and participate in strategic discussions and decisions. Business partnering combines the skills of financial expertise and business acumen to drive key decisions in organisations. In order to thrive in this complex operating environment, the success of a CFO will be determined not only by a focus on financial expertise but also on relationship building, collaboration and management.

4 Mentorship of up-and-coming CFOs

The opportunities in financial services are well known. Qualifying as a Chartered Accountant is a requirement of any CFO of a listed entity. However, in order to develop a new breed of CFOs, we need to increase the amount of information on the various roles available across the spectrum of the financial services. It is crucial that we begin to expose young people and newly qualified accountants to the various career opportunities that financial services have to offer in public companies, asset management, equities, trading and research. As one of the most sophisticated financial markets on the continent, it is crucial that we ensure that we are promoting awareness of the dynamics of this industry to guarantee a solid pipeline of talent for future growth.

There is indeed more demand on the CFO in the current operating environment. By embracing some of these competencies, today's CFO will be better equipped to contribute meaningfully to company strategy and enable future growth for organisations. ●

BY MELLE EIJCKELHOFF

From the MD of CFO SA.

The evolution of the CFO

The CFO has become a very popular animal to study. If you want to learn more about its behaviour in the wild, you can read about CFOs in hundreds of research papers and reports that are available on the web. Most researchers are looking for what the world's most successful CFOs have in common. So what are they learning as they explore boardrooms and C-suites for signs of typical CFO behaviour?

Well, for one thing, Darwin would be proud. The CFO is clearly adapting to its changing environment. Being a top-notch accountant, the once so-successful approach of the CFO, is no longer enough to ensure its survival. This has been replaced by the more successful strategy of being an astute business partner.

Some researchers have spotted the odd IT evangelist in the corporate landscape. A few reports claim to have seen change managers, coaches, strategists, compliance officers, risk managers, corporate finance experts, analysts, stakeholder managers and talent managers amongst the flocks of CFOs.

You have to wonder: are these all birds of a feather?

CFOs have to be many things to many people. Their role has become more complex and important than ever, and their agendas have never been so overloaded. Almost all aspects of business end up on their desks. Today, the CFOs and their teams are at the forefront of organising critical information flows throughout the business. The more complex our environment becomes – think globalisation, technology, regulation and risk – the greater the need for information. All eyes are on the CFO to help the business make the right decisions.
Sometimes I worry about that. Is it possible to keep an eye on the bottom line of the company if there are so many other things that demand your attention? What happens if there is not enough focus on sound financial management because you are too busy running a big data project? And if the CFO is involved in every aspect of the business, how can they keep enough distance to play the role of the professional sceptic? After all, we need our naysayers to ensure the business doesn't derail because of its own enthusiasm.

These challenges and the way they affect the ever-evolving role of the CFO are simply a sign of the times. You have to adapt or die. In my opinion, the CFOs who survive are the ones who remain focused on their most important task: being the steward of healthy financials. And at CFO South Africa we're going to keep doing all we can to ensure the survival of this fascinating animal.

From all the great conversations I have had with CFOs, I am confident that most of them are survivors. They have their priorities right: profitability, stakeholder value and cash flow. And they work the extra hours to get the job done. Because whatever Darwin says, CFOs are still accountants at heart.

We need our naysayers to ensure the business doesn't derail because of its own enthusiasm.

Anbann Chetti, CFO at Nedbank Corporate Banking

"The event is always exceptionally planned and well attended, which creates an excellent networking platform. Cannot wait to attend the 2015 events"

Peter Walsh, Group CFO at Servest Multi-Service Group

Having attended the first CFO South Africa event in Cape Town in 2012 it has been exceedingly encouraging to see CFO South Africa evolve into the community it has. The latest event incorporated high quality round-table discussions; topical and informative speakers; and was well attended by a broad spectrum of like-minded colleagues. CFO South Africa events are hard-coded into my diary.

Jo-Ann Pohl, CFO Africa at Standard Chartered Bank

The CFO forum events are enlightening, cathartic even as you learn and share with peers and colleagues. We do not often take time out during the day to network, share and learn from each other. Thank you for making this possible and helping ensure we make the time to work together. I have no doubt this type of engagement and interaction will take the CFO role and finance profession further.

Brett Tromp, CFO at Discovery Health

"High quality, high profile CFO event. A suburb opportunity to network and share ideas. Thumbs up CFO SA, will definitely attend the next event."

Deon Fredericks, Group CFO at Telkom

I fully support CFO South Africa's mission to connect the country's finance leaders as this is critical for the continued growth and employment opportunities in our country. CFOs are playing a more significant role from a strategic point of view to enhance the financial performance of a company. As such, it is very valuable to learn from each other and share experiences, challenges and solutions. This programme has been key in facilitating the sharing of strategies and identifying key future focus areas. ●

Join CFO South Africa today. Register via www.cfo.co.za

Gain New Productivity and Efficiency with Excel-Based Reporting Solutions

Financial information is key — the right information in the right place at the right time.

In a recent CFO innovation survey, 73% of respondents said they used Excel© for more than half of the analytical work at their organizations even while acknowledging that spreadsheets are problematic.[1]

ERP and business intelligence (BI) systems hold a wealth of important information within arm's reach of executives. The issue comes with delivering the information into the executives' hands in a meaningful and intelligible form that is error free and real time!

Technology like GL Wand and Reports Wand from Excel4apps is able to solve the disconnect between Excel and the ERP simultaneously reducing the risk of spreadsheet calculation errors. This is done by establishing a live, secure link from Excel directly to summary and transactional finance data in ERP systems like Oracle© E-Business Suite and SAP©.

[1] Kelly, Susan. For finance planning & analysis, majority still use spreadsheets. CFO Innovation. July 3, 2014. Retrieved Aug. 13, 2014, from http://www.cfoinnovation.com/story/8507/finance-planning-and-analysis-majority-still-use-spreadsheets.

Use Excel to access real-time ERP data

Download The Free White Paper at go.excel4apps.com/cfo15

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Wands

BY MELLE EIJCKELHOFF

Transforming finance the smart way

The term Finance Transformation hides a promise of a huge positive change; an entirely different level of effectiveness and value, delivered by the Finance team. Are we there yet?

Most of what we call Finance Transformation today focuses primarily on making our finance processes more efficient. That is all very good and useful, but it is basically a cost-cutting exercise to match external benchmarks. Simplify, standardise, centralise and automate all rule-based repetitive tasks and try to avoid manual work. Maybe outsource the whole thing to a BPO partner. But does that really transform Finance? Does the character of what we do change?

Finance has not yet transformed into an agile, high-tech, data-driven, real-time, value-adding lean machine. At least, the vast majority of our Finance departments have not. Compared to some of our primary processes, for example, car manufacturing, Finance has not changed much over the last 15 years, even though the idea of Finance Transformation has been on the CFO's agenda for at least as long. And the majority of CFOs are in the middle of some kind of transformation project or effort.

Here is the thing though. As long as we view ourselves purely as an operational service centre and a cost centre, our character will not change fundamentally. A real change in character will come if we manage Finance as a profit centre that offers value to the business. Becoming more efficient is fine, but we also need to allocate resources towards value-added activities.
In the next few pages, read about how Colin Brown transformed Super Group from a business that needed saving to a fast-growing enterprise, learn how data mining company Transparent can help you earn money back and work smarter, be inspired by the insights of 'life hacker' Martijn Aslander, and meet KPMG's Frank Rizzo, who has his eye firmly on the future of technology.

Maybe it is time we invest in Finance instead of downsizing it?

As these examples show, transformation happens if we invest convincingly and generously in our capabilities to guide smart business decisions. We don't need to get cheaper, we need to get smarter. ●

Transformation cheat sheet

- Understand every aspect of the business model and the drivers behind its success
- Spend at least two days per week interacting with management going through the 'what ifs' of your business
- Be proactive instead of reactive, give advice even if the business does not ask for it
- Skills, skills, skills, skills
- Treat your accounts and ledger as a source of precious information that needs to be augmented, shared and analysed continuously.

BY EBRAHIM MOOLLA

Weapons of mass disruption

After dazzling CFOs and other top Finance professionals with a barrage of inspiring technological innovations, visionary speaker and entrepreneur Martijn Aslander sounded the clarion call for a people-centred digital revolution. "In the next 10 years, the world will have changed more than it has in the last century."

During CFO South Africa's Get Smart in 2015 events in Johannesburg and Cape Town, Aslander warned that the future belongs to a new breed of entrepreneur - those who are prepared to unleash "weapons of mass disruption", taking aim at the (business) world as we know it. "These are dangerous people. They are not in it for the money and don't even have a business model – all they want is to improve the lot of humankind. The only competitive advantage a company really has is the ability to learn."

The Dutch livewire spoke about digitisation and crowd sourcing and condemned the ruthless profiteering of hyper-capitalism. "In the future, it is no longer about what you own or what you do, but about your attitude and ability to adapt," he said during the event on 17 February 2015 in the building of the JSE Limited in Sandton, which was followed by a similarly well-received presentation at the Cape Town Club two days later.

In a simple but profound example of the dearth of digital skills in many large companies, he pointed to the legions of employees who attain a basic proficiency in Microsoft Outlook and other email clients without ever trying to advance their skillset to enhance productivity. "I go through 400 emails and monitor 900 websites every day, even though I spend most of my day attending meetings and am at my computer for an hour at most. The secret is in how you filter all this information," he said, before demonstrating how he uses voice commands to respond to emails. This is the essence of his 'lifehacking' philosophy: "Accomplishing more in less time, with less stress, at lower cost with the use of simple digital tools."

Brett Tromp (Discovery), Greg Davis (Standard Bank), Deon Fredericks (Telkom), Frank Rizzo (KPMG) and Martijn Aslander discussing the digital revolution.

In his introduction, Aslander, a renowned motivational speaker, author and explorer, told the CFOs that the world was experiencing a new Renaissance, a golden age fuelled by

> **"Accomplish more in less time, with less stress, at lower cost with the use of simple digital tools."**

the cumulative power of networking. Unencumbered by financial jargon, he spoke of revolutionary personal healthcare gadgets like the SCIO handheld molecular scanner and the Scanadu Scout, a tiny device that is able to measure your heart rate, breathing and temperature with minimum fuss.

Aslander also mentioned the incredible IBM Watson, a supercomputer with the power to decipher the cryptic clues needed to succeed on the American game show Jeopardy and to devise a recipe for the world's best chilli sauce in a matter of milliseconds. He highlighted the achievements of electric car manufacturer Tesla Motors and space travel pioneer SpaceX, along with those of founder Elon Musk, who has released his patents into the public domain as a catalyst for development. He encouraged the audience to visit the "most disruptive website on the planet", Instructables, which allows its users to painlessly share and access information on all manner of complex subjects. ●

BY JOËL ROERIG

6 technology trends CFOs can't afford to ignore

Frank Rizzo (KPMG)

KPMG Technology Sector Leader for Africa Frank Rizzo delivered a Master Class on trends in data analytics, business intelligence and technology at our Get Smart events in Johannesburg and Cape Town.

In his introduction, he outlined six key tech trends that are shaping the business landscape:

1 Cloud computing – Internet-based access and exchange to resources coupled with web-based access to low-cost computing and applications is proving to be a disruptive force on the African continent.

2 Cyber-security – Rizzo identified this as a leading trend in 2015 as cybercrime escalates and governments intensify their efforts to secure state assets. As an example, he mentioned the unprecedented $1 billion bank cyber-robbery by a multinational gang of hackers.

3 Gamification – "Making a game of how we interact with our customers as businesses and our workforces is changing the nature of corporate communication," said Rizzo, citing Discovery's innovative points-based car insurance scheme as an example.

4 Mobile Communication – "Across the continent, mobile is exploding, offering opportunities to access business services and content," he said.

5 Social Media – Linked to the rise of mobile, Rizzo said the uptake of social media in Africa was "encouraging" and was creating a revolution in customer relations.

6 Data and Analytics – The influx of various data and matching internal data with externally sourced information will open up a range of opportunities.

Rizzo was later joined by CFOs Brett Tromp (Discovery Health), Greg Davis (Standard Bank Africa) and Deon Fredericks (Telkom), as well as 'lifehacker' Martijn Aslander, for a lively discussion and to field questions from the assembled captains of industry.

In response to a query from Tromp about how much resources should be allocated to cyber-security, Rizzo said it was dependent on the value of the data that need protection. "How much value do you need to protect? Remember that it is a question of when, rather than if, when it comes to cyber-security breaches. The best way to go about it is to find the core data that needs protection and leave the rest to the public domain," he said.

Rizzo quelled Fredericks' fears that technological advances would have a negative impact on South Africa's already woeful unemployment rate.

> "Technology will create jobs we cannot even dream of right now."

"Technology will create jobs we cannot even dream of right now. The power of machines and the ingenuity of human beings can be formidable," said Rizzo. He agreed with Fredericks that formal education for accountants and other finance professionals needed to be revamped to allow them to cope with the fast pace of change and develop a more creative outlook on business.

From counting beans to adding value

Continuous transformation of the finance team, IT and working methods often defines the tenure of a CFO. During the selection process for the CFO Awards 2014, the panel of judges asked South Africa's top CFOs some difficult questions. These were some of their answers.

If you compare your financial department today with the way it operated 2 years ago, what is the biggest accomplishment and how did you get it done?

Dalu Majeke, Chief Financial Officer at the National Treasury
"We have created much more efficiency and streamlined a lot of governance controls. You can implement systems for efficiency, but people need to drive it. In our case that drive included many things, ranging from personal development and governance to efficient management of financial resources."

"We used the so-called Johari Window to explore individual strengths, weaknesses, opportunities and threats. This was done to bring synergies. Since then, we have greatly improved our turnaround time. We plan to the detail and close our financial books and in that consistently become the first national and provincial department to do so. In addition, we're one of the 5 departments – assessed independently – with good financial management practices."

Dalu Majeke, National Treasury: "Technology plays a critical role, but the work needs to be done by human beings."

Garth Saunders, Financial Director at SAB
(now Director Global Business Services) "Over the last 4 years we have focussed on changing our organisation to become more market facing. We have been on a journey to increase the time available for decision support and are reskilling our Finance teams. Using the levers of standardisation,, consolidation, automation and outsourcing, we have significantly increased the time Finance has for decision support. We have halved the cost of finance. We have put a competency framework in place and ran a behavioural programme to learn how to engage differently with the business."

Jannie Serfontein, Chief Financial Officer at Eqstra
"I have changed the talent pool by hiring good-quality people, which was not an easy process. The people that were here when I arrived spent 90 percent of the time consolidating and compiling information. Now that is less than 50 percent and we spend a lot more time on analytics. We are starting to add value and our people are starting to try to get involved in strategic issues. For that, a relationship needs to be built with all the businesses."

"We are busy implementing SAP at the Contract Mining and Plant Rental division and AX at the Fleet Management and Logistics division. The next phase is that we will be able to drill down real time on a monthly basis into different ERP systems. We are putting systems in place to regain controls. Some divisions submitted information packs that were clearly wrong. We, at holdings, acted as their control. Now, with proper systems in place, people can stand back and look at the bigger picture."

What is the role of technology in your finance team?

Lawrence Weitzman, Chief Financial Officer at Business Connexion

"We do a lot of acquisitions, but it is dependent on what we buy whether we integrate the financial systems or not. Some acquisitions we do integrate fully into our shared services. The different systems are Finance's biggest challenge in supporting the business's changing needs. Business Connexion is currently embarking on a restructuring that will enable us to grow on the continent, and working with different systems can make supporting the business more cumbersome."

Tryphosa Ramano, Chief Financial Officer at PPC

"Fortunately, I am also responsible for IT. There is a CIO who reports to me. When I arrived they were in maintenance mode, but we have now fully embedded IT into the business. We're going into the Democratic Republic of Congo and they already know what systems to buy, what licences to obtain, which cell phone provider to choose. We have been active in Zimbabwe for the last 15 years and until recently they had their own standalone IT system. Standardisation is important. I want to work paperless. I don't sign anything on paper, but do it in SAP. That way you can always check the audit trail."

"Just like tax and IT, other departments have been forced to change. Procurement now gets more exposure to foreign currencies. That needs to be priced. We can't have contracts anymore that say 'when the currency does this, the price changes'. That is a business risk we need to take."

Dalu Majeke

"Technology plays a critical role, but the work needs to be done by human beings. Technology can help us bring efficiencies which include quick turnaround times, but only when we know what we are looking for can we add value. We're playing a critical role in the rollout of the government's Integrated Financial Management System (IFMS). We are doing the pilot for that."

What percentage of time does your team invest in data collection and basic accounting? What percentage of time does your team invest in analytics and advising your management team?

Vuyokazi Memani-Sedile, Executive Director: Finance at Unisa

"About 80 percent is back office transactional work. We can pick that up. We should not be pushing paper more than we are advising people. I'd rather spend 40 percent on data collection, but it is a huge task. In 2 years it should be 50/50."

Kevin Johnson, Chief Financial Officer at Howden Africa

"Personally, I spend a small amount of my time on information gathering. I prefer that my Financial Directors and I spend our time on business analytics rather than information gathering. We have put in place high quality KPIs focussing on the key drivers for the business."

Dalu Majeke

"I think it is now 60 percent spent on data collection and 40 percent on analytics, which is something we can still improve on. I believe we should spend 70 percent of our time on analysis. It takes a mindset change, but we have the capability. I believe that improving the quality of a team is primary important with restructuring secondary to that."

Tryphosa Ramano

"We now spend 80 percent on collating information. That needs to be 60 percent or even 50 percent. I have introduced a CA training programme, registered with SAICA. We now have 4 intakes and are utilising that capacity as data collectors, but the trainees have young minds so we are also using them to ask questions. They are willing to please and to succeed and have curious minds. Because of that our guys – those who have worked here much longer – start to come out of their comfort zone. How do we ensure they stay? We keep engaging them and can offer a lot of mobility, from Germiston to Limpopo to Rwanda and the DRC. They want to travel after their studies and I tell them they can work with us and travel at the same time." ●

BY JOËL ROERIG

Transparent CEO Willem-Jeroen Stevens explains how his recovery audit firm retrieves 1.5 to 4 times more money for clients than other auditors.

Getting your cash back

"We simply find more duplicate payments and missed discounts than other auditors," says Willem-Jeroen Stevens, the global CEO for data mining company Transparent – the fast-growing recovery audit firm that is making an impression on the South African finance world.

Transparent launched its South African office in 2012 and has built up an impressive list of clients, including Standard Bank, Nedbank, insurance company Hollard and hospitality chain Tsogo Sun. "Our offering fits the financial service providers perfectly, but other sectors can benefit just as much," says Stevens, who founded the company 14 years ago in The Netherlands. "I learnt the trade in the United States at a company that did something similar, but they weren't as obsessed as we are with mining data to the max."

Stevens says his company was already exploring the value of big data long before that term became fashionable. "We simply work with data that resides within the companies that we work for. We want to be the front leader and believe we're already one of the best when it comes to using technology the most efficiently."

Since it was founded, Transparent has grown between 30 and 60 percent annually. For Stevens, this is proof that they are fulfilling a need. "In 2002 we worked with Amsterdam-based Heineken International for the first time. Our first assignment abroad was in 2003 in Belgium and in 2006 we start to operate on an international level. In 2008 we started working for DHL and now we help them globally. In 2009 we opened an office in the United States, where we also do federal audits and work for some of the banks."

Four basic services

According to Stevens, Transparent is a data mining company delivering four basic services: "First of all we do recovery audits. We find duplicate payments and missed discounts; basically money that belongs to the client but sits in the bank account of their supplier. Secondly, we do benchmarks. We have 2.8 trillion dollars-worth of invoice information in our database. Based on facts, we can indicate how our clients' companies compare to peers, based on data

"We specialise in finding the proverbial needle in the haystack to earn money back for our clients, but also provide them with unique insight and benchmarking for their business processes."

Sandeep Gadhia (Zydus Healthcare), Willem-Jeroen Stevens (Transparent) and Wallace Holmes (AfroCentric/Medscheme) enjoy a roundtable discussion at the Saxon Boutique Hotel.

that has been rendered anonymous. Our other services include advising organisations on how to improve efficiencies. We also provide insight to our clients through a secure portal. Our clients can use that to get real time access to their own data – which is a great tool for fraud control."

Benchmarking, advisory and insight services through the portal won't cost the client anything extra, Stevens explains. "Our earning model is simple. We get a fee for the money we get back, which is usually a percentage. This means we take all the risk when we start working with a client. Almost all companies think that their systems and processes are perfect. We tell them we can prove they're not. And we're always right."

Haystack

That doesn't mean firms are losing big sums of money, "but all the little bits add up," says Stevens. "We tend to find 0.01 percent to 0.11 percent of the revenue or of the number of invoices containing payments that

"We invest between 25 and 28 percent of our turnover in R&D."

can be recovered. We're really looking for the needle in the haystack, but we're able to do this due to our investments in IT, our methodologies and efficiencies. We're finding the most needles of all. Our track record shows that we find between 1.5 and 4 times more than other auditors. We use different software and do a 100 percent check – that makes the difference."

Transparent employs over 100 people in 8 countries. Transparent's own efficiency is one of its biggest assets, Stevens says. "When you grow as fast as we do, you have to run a tight ship. All our excess cash is invested in Research & Development (R&D) and sales. Even now we're running a successful international business, we still invest between 25 and 28 percent of our turnover in R&D."

Today, Transparent routinely conducts several global audits for multinationals like DHL and Henkel. The quick uptake of his company's offering in South Africa hasn't surprised Stevens. "South Africa is positively geared towards entrepreneurship, but we've still run into several hurdles. Requesting a VAT number took over a year, for example."

Stevens wants to make Transparent a "family brand" in South Africa. "We want to be the preferred partner for medium to large companies. We have already learnt a lot in South Africa and now have more than 10 sizeable clients, including Afrox, Philips and the JSE Limited. South Africa will be our platform for the rest of the continent." ●

BY JOËL ROERIG

The Nedbank case: money back and valuable lessons

"When Transparent approached us to do a recovery audit, we were of the view that we did not have any errors or duplications," remembers Darryl McMullen, Executive Head of Group Business Services (GBS) at Nedbank. "But we agreed we had nothing to lose and actually ended up claiming back millions of rands from duplicate payments that Transparent uncovered. The process also helped us clean up our client database before embarking with our SAP ERP implementation, which was an added benefit."

McMullen has been with Nedbank for 27 years, spending most of that time in accounting and financial reporting. Mid 2013 he replaced Ian Fuller as head of the Group Shared Services. "Centralised shared services have not only led to more efficiency and effectiveness, but they have also created a central point for driving behaviour, and make it easier to review and manage our data." According to McMullen, he and Fuller were fairly doubtful that Transparent could contribute positively to the bank. As the fee for the multinational recovery audit firm is a percentage of recovered funds, they decided to proceed. "Transparent explained to us that what they do is not 'just' an error or fraud busting approach used in Africa, but a process that yields results globally."

Darryl McMullen (Nedbank)

"Getting money back is always important, but it is a two-edged sword, as we also needed to learn from their findings and adjust our processes to avoid repeating our mistakes."

McMullen now fully admits Transparent's involvement paid much bigger dividends than they could have imagined. "We supplied them with 5 years of data and they performed their audit. We make about 350,000 payments per year, totaling up to R10 billion a year. About 95 percent of payments come through our shared services centre. Transparent came up with a list of R18.5 million worth of duplications, VAT claims, or credit notes not repaid. Getting money back is always important, but it is a two-edged sword, as we also needed to learn from their findings and adjust our processes to avoid repeating our mistakes."

Although the recovery total may seem small relative to the total payments over 5 years, McMullen says the process has been more than worth it. "Recovery has been 0.04 percent of our spend over the 5 years, but I think the process has been very successful. It shows there were errors we shouldn't be making. It has helped us identify processes, centrally and in the business units, that need to be changed and made us think about the controls we'll be putting into SAP ERP."

Through the Transparent audit, Nedbank discovered that double payments can easily occur when an invoice gets paid once as 1234 and again as 1234/1. In addition, "some of our vendors were on the procurement system twice, for example, because they have a Cape Town and Johannesburg office. After Transparent discovered those issues, we were able to take this up with the procurement category managers, who then took the discussion to the vendor," says McMullen.

"They are not asking you to pay money up front for their services and it adds value by helping improve your processes. I think late 2015 would be a good point for re-engagement post the settling down of our ERP, and we'd like to make use of Transparent's services again."

BY JOËL ROERIG

Double CFO Award winner Colin Brown raises the bar at Super Group.

Transforming to world class

"You need to understand what world class means and then raise the bar for your own company." There is no doubt that Colin Brown knows what he is talking about. In his position as Group CFO, he assisted the Group Chief Executive Officer, Peter Mountford, and the current leadership in rescuing the flailing Super Group from the abyss five years ago, turning it into a profitable transport logistics and mobility group once again. Brown's contribution was in part due to his experience as a CFO of the Middle East and African operations of two multinational groups. His achievements recently helped him win not one but two CFO Awards in 2014, one for Finance Transformation and the other for Strategy Execution.

Talking calmly and confidently, Brown seems like an extremely 'nice guy', somebody you don't expect to get angry. But that can't be right for such a successful CFO? "I do get upset and I have had to let people go where a person did not competently execute his or her work," says Brown. His advice for ambitious CAs is to work hard at your job and show dedication by going the extra mile. 'Soft skills' are another crucial asset. "I think an accountant's ceiling is often limited by people management skills. Presentation skills and relationship skills are essential, especially for a CFO in the public domain, so those are things you need to learn if they don't come naturally."

"An accountant's ceiling is often limited by people management skills."

Brown has quite a story of his own to share: "When I joined Super Group the financial reporting was slow and chaotic. Many of the financial processes were not world class. I had 10 years of experience working for American and Japanese multinational companies." Despite the doom and gloom at the time, Brown managed to keep a good number of talented finance people on board. "Most team members embraced the challenge to implement world class processes and reporting, which provided the executive with the necessary visibility during the turnaround phase."

Although the high-calibre judges for the 2014 CFO Awards conducted thorough interviews with all the nominated CFOs, Brown's record speaks for itself. It is something that makes him proud: "From the time that the new executive team took over in July 2009 to now, the market capitalisation went up from R350 million to R10 billion." Indeed an impressive performance, especially if one takes into account market sentiment towards Super Group in those dark days in 2009.

"A CFO that doesn't understand IT is at risk."

Brown was delighted with the awards he received: "I think CFO South Africa and the awards are a great initiative, and the event was very well attended. There is a need for this kind of forum in the country. From a networking point of view, gatherings like these are great for CFOs and also for young accountants."

Recipe for success

"I also believe that a CFO that doesn't understand IT is at risk," says Brown, whose recipe for success includes his deep understanding of IT, something he believes will aid any CFO tremendously. "For example, I can programme in Microsoft SQL. This has really helped me in analysing large amounts of data across numerous entities and systems in

“We have had instances where a competitor has tried to poach individuals, and participants have said ‘No, I am a shareholder at Super Group, I am staying’.”

a meaningful way. I learnt SQL in a previous company, and did basic programming when I was a kid."

Brown recalls how he put those skills to good use when he joined Super Group in June 2009 as Head of Treasury, and later when he was appointed as Group CFO in February 2010. "The banks had basically taken control of the purse strings. They demanded daily cash reports and payment requests and it was a very cumbersome process to provide the numbers required by the banks. That is when I personally built a database that collated daily bank balances for hundreds of bank accounts. I used SQL and Excel to create treasury reports that were submitted every day to the banks. In addition, the analysis of trends at different levels enabled us to accurately predict cash requirements, allowing us to settle expensive borrowings early and terminate onerous banking arrangements ahead of plan."

Handsome dividends

This approach continues to pay handsome dividends. "Our treasury division is still using that same database today, and we have been able to drive significant interest benefits through cash management within the group. We produce a full cash report first thing each morning. We can then analyse the cash trends at our different businesses and can quickly identify businesses where there are abnormal cash movements. This enables a quick reaction by the executive to possible problem areas. If you only rely on the month-end financial reports, it could take a couple of months before you notice any cash flow challenges."

In the end it all boils down to creating a world-class organisation that allows the executives to pursue ambitious goals, reaffirms Brown: "As the Finance Division, our objective is to provide accurate and timely financial information to management. Through technology, good processes and disciplines, we have refined our month-end processes to be quick and accurate. Every month-end should be like a year-end. If you do not have a clear idea what is going on in the company on a regular basis, you can come across some unforeseen surprises during the year-end process."

New acquisitions

Although Brown sees both awards as achievements, he says he is "probably most happy" with the Strategy Execution Award: "Of course it was crucial for Super Group to get a good financial function working. A lot of transformation was needed to get people to recognise value, get teams to meet deadlines, and to make sure there is one version of the truth across the whole group. But it is quite an honour to win the strategy award, because strategic issues are critical to the success of a company." Brown's contribution to the Group's strategy included restructuring Super Group's capital structure, renegotiating onerous agreements with multiple banks, initiating a R2 billion corporate bond programme, and participating in integrating new acquisitions and the disposal of non-core operations.

Another strategic initiative that Brown implemented was the B-BBEE ownership scheme for the South African operations. "We restructured the Group by separating the South African operations from the international operations in order to implement the black employee ownership scheme at a South African level. We then gave an effective 10 percent of the ownership in the South African operations to black staff in a 10-year ownership scheme. This was a strategic way whereby we could empower our black employees instead of making another black billionaire richer. It is broad-based and participants lose their benefits when they resign. The financial benefit that a participant enjoys is linked to years of service, and not to seniority, salary or qualification. In many cases the scheme has changed the way people see their employer. We are starting to see an impact on employee retention. We have had instances where a competitor has tried to poach individuals, and participants have said 'No, I am a shareholder at Super Group, I am staying'." ●

BIO

Colin is a Chartered Accountant and has an MBL from the UNISA School of Business Leadership. Colin provided support services to the Group`s treasury activities from June 2009 to February 2010, and was subsequently appointed to the Board as CFO. Prior to that, Colin was CFO and a member of the board of Celcom Group Limited, a business in the mobile phone industry and previously listed on the Alternative Exchange (AltX) of the JSE. Colin has also held the Financial Director position at EDS Africa Limited and Fujitsu Services South Africa, both multi-national companies in the IT services industry.

Colin Brown and Victor Sekese (SNG)

HARNESSING THE POWER OF DISRUPTIVE TECHNOLOGY

"The future belongs to a new breed of entrepreneurs – unleashing weapons of mass disruption taking aim at the (business) world as we know it." These were the words of Martijn Aslander at the recent CFO South Africa's 'Get Smart in 2015'. Aslander, founder of the global life hacking movement, promotes the use of ICT and other simple tools to do more in less time, with less stress.

We live in a changing world, its speed revolutionising how we live and how we do business. Not only is technology a key driver, but it often provides the tools with which to adapt. With more change expected in the next ten years than the entire last century, innovation and the ability to evolve has never been more crucial for business survival.

KPMG's recent 'The Changing Landscape of Disruptive Technologies – Global Technology Innovation Insights 2014/ 2015', concurs. "A portfolio of emerging technologies will disrupt consumer and enterprise markets. The interplay of these emerging technologies is enabling new business models and fuelling innovation."

"It is imperative for businesses to equip themselves to adapt to a changing marketplace," emphasises Eugene Olivier, Business Development Director, 4most, a leading supplier and implementer of SAP Business One and ERP software and technology. Businesses needs to be dynamic. They need to be capable of immediate response, and they need to be bold.

So what stops businesses from harnessing the power of technology to secure its place in today's changing world? "The perceived cost and complexity of available solutions," says Olivier. With technology solutions often thought to be the prerogative of larger enterprise, SAP Business One from 4most, a powerful and integrated business management and business intelligence platform, is rapidly changing this perception. "It is leveling the playing fields for medium sized businesses across all industries," continues Olivier.

Eugene Olivier

Director, 4most Systems

Medium sized businesses need the functionality to grow seamlessly whilst efficiently meeting current requirements, simultaneously conducting future scenario planning and accurately predicting long term product development. Designed with flexibility and tailored to the individual business SAP Business One, from 4most, is proving itself a highly credible and successful solution.

"And it is giving our customers the competitive edge," continues Olivier. According to a recent Circle Research survey, 64% of respondents listed the achievement of growth together with the securing of customer success and improved business operations as key goals. It is the ability to provide medium sized businesses across Africa with these exact benefits, coupled with the infrastructure to adapt to a changing world that is changing the way 4most's customers are doing business.

Craig Uren, Director and COO, Isuzu Truck South Africa, agrees. "SAP Business One has given us the confidence to be bold and progressive in our approach to market," he says. Two years post implementation, Isuzu Truck achieved market leader status. Speed to market has increased by 83.3% , with 233.3% increase in the number of vehicles processed each month from 150 to 500, and a 90% cost reduction in IT systems. "To stay in touch with the real marketplace, you need to be constantly in touch. Your system needs to help you do the fundamentals and be able to adjust to those nuances," adds Uren.

Lombard Tyres provides another example. "SAP Business One, from 4most, is clearly the solution and company to take us to the next level," says Sean Kruger, Financial Director. A 15% increase in productivity and 90% increase in reporting capabilities, sees Lombard Tyres enjoying a substantial return on its investment. "But the real impact has been felt by our clients who are realising the added value of improved services," continues Kruger.

"It is about so much more than significant ROI," says Olivier. As critical, it is about improved efficiencies and access to accurate and real-time information. This is giving our customers the comfort of knowing their business is secure with functionality allowing for fast, accurate and real-time response to changing market conditions," continues Olivier.

"We may not know the future, but we know 4most and SAP Business One will continue to grow with us, helping to define our future business blueprint," concludes Cheng Zang, Project Manager, FAW SA.

BY JOËL ROERIG

Retiring FirstRand CEO Sizwe Nxasana on the role of CFOs, SAICA, the economy and BEE.

Moving South Africa forward

Business power house, Chartered Accountant (CA) and Fort Hare graduate Sizwe Nxasana (57) started KwaZulu-Natal's first black audit firm in 1989, listed Telkom on the Johannesburg Stock Exchange (JSE) in 2003 and more than doubled FirstRand's market cap to R295 billion in 2015, after becoming CEO in 2010. In an exclusive interview with CFO South Africa, Nxasana talks about the role of CFOs, SAICA, the economy and BEE. He also has some tips for ambitious CAs.

"At the end of the day the CFO needs to help the company balance growth, earnings and risk, especially during an expansion phase."

Have you ever – at any point during your career – considered becoming a CFO?
"I was CFO at SA Sugar Distributors before I qualified as a CA and before I started the accounting firm Sizwe & Co. It was a very important period for me, providing me with a foundation in the accounting and the technical financial environment."

During your career, how have you seen the role of CFOs change?
"The role has certainly changed. Initially, the responsibility was mainly the financial, but the role has morphed into that of strategic partner to the CEO. The basics and the technical competence are a given, but CFOs also need to be able to provide business insights, for example when a company has expansion plans."

Should a CFO be a friend of the CEO or a watchdog?
"The CFO has to be a partner. Other people, like the internal auditor and the risk management functions, should play the watchdog role. Although the CFO needs to be sensitive to risk, I don't see the position as a watchdog, even when a CFO works with a very entrepreneurial CEO. The CFO needs to play a guiding role, because he or she is close to the purse strings and knows the capacity and capabilities of the company. At the end of the day the CFO needs to help the company balance growth, earnings and risk, especially during an expansion phase."

You are known as a modest man, but you are also regarded as a very successful CEO. Acknowledging that a company's success is a team effort, what do believe has been your personal contribution to FirstRand's success?
"I am the custodian of the culture of the group. The way we operate and do things has to fit in our culture. I play an important role in shaping the strategy and making sure the leadership walks the talk, but

my role as the culture custodian is the most crucial. That includes inducting new people and reminding people that have been in the group for a long time what our values are. Our culture is informed by an owner-manager approach.

We empower our people and hold them accountable."
"Of course there is always some bureaucracy. We have an organisation of 37,000 people and we do have regulations, processes and systems. But we try to make sure that people are recruited for what they bring to the party. We encourage them to do things differently, if they think that is better, and be innovative. It is their ideas that matter."

You recently attended SAICA's APC results event.
"SAICA has really done very well compared to other accountancy bodies in the world. They have a good understanding of the evolving role of accountants and also of the role that they play as an institute. They are supporting government in a drive to be more accountable and are providing skills to the market. And they keep enhancing the profession."

"The methodology of the new APC [Assessment of Professional Competence] now focuses on the right things, the things that are important for the 21st century. We require accountants and employees that can work in groups, can be analytical and can be critical."

Nxasana: CA training needs to be "broader and business focussed".

“What needs to follow is an improvement in terms of how accountants are trained in the training offices. That needs some adjustment. For example, we have a training office at FirstRand and we make a point of rotating the trainees through the group. We don’t only expose them to accounting, tax and auditing, but also to the other aspects of the business. CAs are expected to do much more than audit, accounting and tax. SAICA plays an important role in adjusting the training to become broader and business focused. There needs to be a conversation about this with the firms which have training offices. Maybe this is already taking place, but I am not aware of it.”

What is your view on economic growth in South Africa?
“We have some challenges in this country, but we are not unique in this regard. You can look at countries in Europe, but fellow BRICS countries like Brazil and Russia are also facing challenges and so is China. Only India is a different story.”

“Clearly we have our own issues, whether it is the power shortages we face or the pressure to improve the level of our skills. But the recent decline of the oil price should give us some benefits. As business, we need to continue to work with government and be positive in spite of the challenges. Government has a responsibility to provide a good business climate, but business also has to play its part.”

“An example of this is labour. Government has created a legislative environment. That is in place. Business needs to do a lot more to improve relationships with organised labour. You see it starting to take place now, where business and labour get involved in conversations of a strategic nature.”

What did you think of Finance minister Nene’s budget speech?
“The budget is very balanced in a difficult environment. The government needs to provide resources to spur on growth while facing a budget deficit and at the same time continue to provide a safety net for people who need it and address income inequality. I feel that this budget manages to strike that balance. The increase in taxation is largely seen as very moderate.”

Many businesses fear the direction BEE is going. They feel they have just come to grips with how to address the current pillars, but now things are changing again. What is your take on this?
“The changes are important. We have made a lot of progress in the last 21 years, but we need a much more broad-based black economic empowerment, where more benefits are flowing to more people. The new emphasis on enterprise development and preferential procurement is good. We need growth in the number of black entrepreneurial businesses and to move away from BEE companies taking minority shares in companies as the way to address the situation.”

As founder of the first black accounting firm and the first black CEO of a big bank, what is your view on transformation at your level? You could argue that even FirstRand is still part of a white old boy’s network?
“We made a lot of progress with transformation, but we are not where we need to be, within FirstRand or elsewhere. There is a lot more that needs to be done. There is certainly an improvement in the pipeline of black managers rising through the ranks, but we still have a long way to go, especially when it comes to African women. It is way too early to stop with BEE. It takes generations for a country with our history to have a representative workforce. In countries like the United States and Malaysia they have been dealing with this for much longer than us, but they are also still not where they need to be.”

How are black accountants doing? Are they coming through fast enough?
“The Thuthuka Bursary Fund has been very successful and has increased the number of black accountants significantly. When I look at the APC results, the number and quality of black accountants is encouraging. But we can’t kid ourselves and rest on our laurels. I have been involved in Thuthuka since its inception and have also been there since the foundation of ABASA [the Association for the Advancement of Black Accountants of Southern Africa]. I want the opportunities that I have had as a CA to flow to a lot more people.”

“The CA designation is a ticket to the gate. You still need to go and play the game.”

What advice would you give to a young CA who one day wants to be a CFO or even a CEO of a financial institution?
“Go for it! They are all capable of being CFOs, but they need to continue to educate and improve themselves, even when they are qualified. The CA designation is a ticket to the gate. You still need to go and play the game, realise your goals and dreams and help move the country forward.” ●

BY MELLE EIJCKELHOF

Setting strategy free

Setting strategy involves figuring out troop movements, deploying resources, outsmarting the enemy. It is popular because everyone wants to play a role in shaping the future of an organisation. But when it comes to strategy execution, people's enthusiasm wanes. This is because executing a strategy is far more difficult than formulating one, even if you have a detailed plan. In fact, the plan can sometimes be the problem.

Historically, the CFO checks and measures progress against the plan. When an organisation fails to meet its strategic goals it's blamed on mismanagement or inertia; people dragging their feet. The default response is generally to invest more time in an ever-increasing number of measurement tools. We throw balanced scorecards, rolling forecasts, interim reports and analysis at the problem. We have more meetings. But is this the right response?

In reality, the gap between a brilliant strategy and poor results is not always due to a lack of alignment or poor execution. It's often simply that there has been a rapid change in circumstances, but you're too busy checking progress against the plan to notice.

What today's CFO needs to understand is that we work in a volatile world. What we often perceive as a reliable and stable environment is in fact changing all the time. Even before the ink of your strategic plan has dried a new reality has emerged. In that case, sticking to the plan is about as fruitful as arranging the reclining chairs on the sundeck of the Titanic.

The reality is that there are many unexpected factors that influence performance and markets. New threats and new opportunities arise constantly. These situations don't ask for a balanced scorecard or a CFO who is stuck in a Deming Cycle wondering why the results don't come in. They ask for a CFO who is agile enough to respond to change and make real-time adjustments to the strategy based on real-time changes. Today's CFO needs to spend less time checking the plan and more time monitoring the outside world because often, when change needs to happen, it needs to happen fast.

To really lead as a CFO, you sometimes need to move people, disinvest and kill your darlings. It is hard to do if you are used to doing exactly the opposite. In the next few pages, MTN CFO Brett Goschen explains that you sometimes even have to incur short-term losses to pursue longer-term strategic goals, while Ronel van Dijk admits that tasting ribs, burgers and wings is part of her strategic role as Spur CFO.

Like the late American general Norman Schwarzkopf said: "Leadership is a potent combination of strategy and character. But if you must be without one, be without strategy." ●

The death of the number cruncher

These days, practically all CFOs proudly proclaim that the days of the number cruncher are over and the era of partnering the CEO has dawned. But what does that mean? We asked the nominated CFOs for the 2014 Awards what their involvement in strategic decision making is. This is what they had to say.

Vuyokazi Memani-Sedile, Executive Director: Finance at Unisa

"Part of the strategic planning is looking at the next 15 years, which I find very exciting. You have to take yourself out of where you are now and look at macro changes. We ask ourselves questions like how do we get the competitive edge and what do we take from the National Development Plan? Some contact universities are bursting at the seams. With our model we can keep growing. It is exciting to have to think far in the future. I try and provide some statistics, like information about costs, how to get rid of loss-making ventures, to aid these discussions."

"Communication and team work are crucial to be able to influence the business. People often don't see the financial impact of their plans, so we – as Finance – have to invite ourselves to the party. By now, we're well known for inviting ourselves to meetings. More and more, the organisation sees us as advisors and invites us on their own accord. Personality helps: I am calm and frank."

Kevin Johnson, Chief Financial Officer at Howden Africa

"The CFO role at Howden is very strategic. I like that I am not involved in the day-to-day details of operating a business unit. I like working with the commercial side of the business and being involved in important strategic initiatives. I also like the fact that there is nothing routine in being a CFO with every day presenting different challenges."

Jannie Serfontein, Chief Financial Officer at Eqstra

"When I started I would not say my relationship with the CEO was at a level that I believed it should have been. I had never worked as a CFO before or in a listed environment. My audit background helped a bit, because there I often dealt with clients that wanted to dominate. Now the CEO and I have an excellent relationship. Together we provide the business with a good balance between optimism and checks. We do roadshows together. He is always very optimistic. I think he respects me a lot and always consults me in all his major dealings."

Megan Pydigadu, Chief Financial Officer at MiX Telematics

"As Exco we're all involved in what services and what markets we'll focus on. My role is to question the logic and the returns. As Finance we need to be a service to the business. Finance shouldn't be red tape, but we need to keep asking questions." ●

BY JOËL ROERIG

Tasting success

What you won't read in this interview is what Spur CFO Ronel van Dijk's favourite item on the menu is (it's ribs…). What you will read is what strategy she follows to keep growing the popular restaurant franchising brand. And believe it or not, that does include tasting food.

Last year Spur Group's sales increased by 13.5 percent, with turnover now exceeding R5.5 billion per year. This year the group wants to open 10 new Spur outlets, 10 Panarottis, 7 John Dory's, 8 Captain DoRegos and 6 outlets for The Hussar Grill. We asked CFO Ronel van Dijk how her finance team has contributed to this success and to offer some insight into the company's international strategy.

Of what recent innovations are you most proud?

"First of all, we have introduced a standard costing system for our manufacturing business. That has led to much higher efficiencies. Secondly there is IT, which is also my responsibility. We have introduced a mobile operations management system which our area managers have started using on their tablets. They do monthly service and health and safety checks and until this year this all used to happen on paper. That meant it took a very long time and meant that feedback to the franchises was also delayed. Now all the information gets synched the moment it gets entered on a tablet. We have not done a calculation, but the difference in time and money is quite significant. It is gearing us up for the future. Fewer people can get a lot more done, with more time spent on value add rather than administrative work. "

You have been at Spur since 2003 and in the position of CFO since 2005. What's different these days?

"My role has changed significantly. I now only spend around 30 percent of my time on the traditional CFO role, looking after accounting and reporting. I spend a lot of time on other areas of the business like IT, HR, strategy and compliance. I am also very involved in the international operations. The level of time required ensuring legal, regulatory and governance compliance has increased significantly."

"The demands on my time have therefore increased substantially and the only way to deal with that is delegation, management and supervision. I had to learn to manage rather than do. The key is to ensure you have the right people around you, so accurate recruitment is essential. I work with two excellent CAs – we practically finish each other's sentences."

> "I had to learn to manage rather than do."

Ronel van Dijk

What can you say about Spur's international expansion?

"In the UK we will soon be opening an offshoot called RBW, which stands for Ribs, Burgers and Wings. It is smaller than Spur and it offers counter service. In Australia, two franchises have opened this year and we're hoping to add two more in the first half of 2015."

"Africa is keeping us very busy. We now have 37 restaurants and our aim is 50 by the end of the next financial year. These restaurants are all franchised, which means that our franchise holders deal with regulatory and other local issues. In Namibia we'll soon have 12 restaurants and that is why we will be opening an office there."

It seems you travel quite a lot?

"I visit the UK 3 times a year and Australia twice a year. African countries are visited on an ad hoc basis. I really enjoy Namibia and Kenya, but Nigeria was a bit of a shock to the system. Early next year I plan to visit Arusha in Tanzania where we are opening a Spur and a Panarottis at the foot of Mount Kilimanjaro. I am hoping to combine that trip with a few days off to maybe reach the top of Kilimanjaro."

How are you involved with international operations?

"I am involved in a much wider range of activities than the finances and the accounts. I maintain our relationship with the franchise holder and assist with financial issues, but I also discuss operations, marketing and corporate social investment.

“People like me have the Spur DNA, so we are heavily involved when we develop a brand from scratch.”

In Australia and the UK I also get involved in leasing and legal issues. As an executive team we debate where we go, we test the equipment and we taste the food – that is the part that I enjoy. People like me have the Spur DNA, so we are heavily involved when we develop a brand from scratch.”

It looks like you have created a CV for yourself that fits a CEO?

“It would be presumptuous to say I want to be CEO of Spur and we have never had those discussions internally. But a general management role is appealing and I am glad my experience gives me options. During my time at Spur this company has grown from strength to strength. I still remember the celebrations when we reached restaurant turnover of R2 billion – and now it exceeds R5.5 billion. The experience I have gained will no doubt stand me in good stead.” ●

BIO

Ronel van Dijk matriculated in 1990 from Hoërskool Tygerberg, Cape Town. She is a CA(SA) since 1997 and holds an honours degree in accounting from the University of Stellenbosch. After 7 years as Audit Manager with Arthur Andersen and KPMG she joined Spur Corporation as group financial manager in 2003. In 2005, she was appointed as chief financial officer and company secretary, joining the board in 2006. Ronel is responsible for the finance, company secretarial, administrative, legal and compliance functions of the group. She also fulfills a supervisory function for information technology, human resources and transformation. She has been involved in the international growth strategy of the group since 2008 and was appointed as the chairperson of the Spur Foundation Trust’s board of trustees during the year. In 2014 Ronel received the Regional Business Achiever Award - Corporate Category from the SA Business Women’s Association. Ronel is a CFO Awards 2015 nominee.


"At MTN, we touch the lives of so many people and contribute significantly towards the socio-economic development of Africa."

BY JOËL ROERIG

MTN CFO Brett Goschen says businesses should be prepared to "accept the pain" of playing it by the book in African countries.

Ethics vs. Africa

After conquering Nigeria and Ghana for MTN in various CFO and CEO roles, Brett Goschen was 'redeployed' last year as Group CFO. In an exclusive interview with CFO South Africa, Goschen talks about the business support role of a CFO and the challenges a mobile telecommunications multinational faces. He also explains how to successfully do business in West Africa: "You need to be prepared to accept the pain."

You have worked in the mobile telecom industry since 1996, first at Altech Autopage Cellular and since 2002 at MTN. What do you like about the industry?

"I like to be involved at the leading edge of change. I can't get excited about industries or products that the man in the street cannot relate to or does not use. Cell phones are used by almost everybody in everyday life. Not only do they provide functional benefits but from day one, cell phones have also made a lifestyle statement. For example, having the smallest and lightest phone initially, such as the Nokia 2110, and more recently having the latest smartphone, says something about the device owner."

"In the early days, there was a lot of hype in our industry, as the telecommunications sector grew at an unprecedented rate. In recent times, voice growth has slowed. However, this has not dampened excitement around new opportunities which have emerged with the advent of smartphones. These novel devices are now driving a vast array of new digital products and services. We are part of an industry that is defined by rapid technological evolutions and regulatory changes. This in turn requires our business to be agile in response to the dynamic business environment in which we operate. Personally, I find this feature of our business much more exciting than traditional industries which have done more or less the same thing for over 100 years. At MTN, we touch the lives of so many people and contribute significantly towards the socio-economic development of Africa."

Of which of your accomplishments at MTN are you most proud?

"What immediately comes to mind is the rapid growth rate we achieved when I moved to Ghana as the country CEO. I believe that we played an important role in helping to jump-start that country's economy. This is in spite of the fact that our business had been present in Ghana for nearly 12 years before I arrived in that country in 2006. The high growth rates that we achieved were realised by focusing on making our network more efficient and introducing innovative new products to our subscribers. As a result of these efforts, MTN Ghana grew by around 60 percent per annum for the first couple of years of my tenure there. We went from 2 million subscribers in 2006 to nearly 10 million in 2011, attaining a 53 percent share of the total market. That was hugely successful."

"Another highlight in my career was our achievements in Nigeria when I returned to that country as CEO. My return to Nigeria followed my time as CEO in Ghana and an earlier stint as CFO in Lagos. From being an almost totally voice-oriented operator, we successfully implemented a digital strategy and quadrupled our data revenues in the first 2 years. I believe that my team and I laid the path to developments at MTN Nigeria, which currently see 15 to 20 percent of our total revenue being derived from data. In the process, MTN has also become the largest distributor of music in Nigeria. Our capex project management in that country was also hugely successful. After great price reductions in 2010/2011, we embarked on a massive capital programme to grow our network capacity, in line with the traffic growth. We managed to rollout $1.6 billion of capital equipment in 2012 and an equal amount the next year to grow our infrastructure."

Which industry specific challenges do you deal with as CFO?

"Some specific challenges relate to cash flow and capital allocation choices. MTN has always had a very strong balance sheet, while other operators in most of our markets outside of South Africa were typically more cash strained. We were thus able to expand our networks faster and wider than our early competitors and gain a greater proportion of the early adopters. We were in the fortunate position of being able to invest wherever an acceptable return on investment would be made."

"Due to the rapid pace of developments in the industry, another typical challenge has been to ensure that the systems and business intelligence (BI) that are useful for management decision making provide the necessary information timeously. One of the most rewarding aspects of a CFO's role is being able to contribute to the business success by providing the right information and guidance. But that means you need to have the systems, reporting tools and expertise in place to identify the key trends, risks and opportunities for the business to focus on."

"The core function and responsibilities of the finance department are pretty similar across most industries, although Revenue Assurance – that is the prevention and detection of revenue leakage – probably plays a much larger role within the telecoms industry."

"Having a backup option is always important, particularly if your actions do not go according to plan."

"From a business challenge perspective, irrational competition is something we have to deal with from time to time. This is where competitors would reduce the price of calls/data to levels below their costs, which are not sustainable. That is where your product mix and what you market or withdraw becomes very important. You need to have systems in place such as Activity Based Costing that detect where you are losing margin, where you are gaining margin, by how much and through what type of customers. In this role there is also a need to highlight the opportunities where we can lower or increase prices, or where we should avoid implementing such measures."

So it's the finance department that eventually has to tell the marketing guys 'no'?

"For finance people, I think it is always healthy to be a bit on the conservative side. You need to be able to play devil's advocate. Risks often provide the returns, but it's important to know what those risks are and what the likelihood is of those returns materialising. Having a backup option is always important, particularly if your actions do not go according to plan. On the other hand, circumstances also arise where the marketing guys may be erring too much on the side of caution. In these cases, the finance team would be expected to highlight the benefits versus risks of taking more aggressive actions. Sometimes short-term losses need to be incurred to pursue longer-term strategic goals. At MTN, we tend not to employ people that only act as gate keepers, although there is always an element of that required when you're in finance. We like proactive finance people who see it as their duty to support their colleagues in the various divisions of the business."

What was it like building MTN up in Nigeria?

"I was still working as Managing Director at Altech Autopage Cellular when MTN approached me for the CFO role in Lagos in 2002. I was at a service provider level and thought this was a great opportunity to move up the industry value chain. Gaining international experience was also attractive to me. It was an amazing life and work culture experience. A place like Lagos has thousands of expatriates, who are away from their family and their usual circle of friends. That means it is very sociable and there is always something to do. Everybody is a lot friendlier."

"Most importantly, MTN Nigeria had just launched, so this was a massive greenfield opportunity. When I arrived, we had about 600,000 subscribers in a population of over 150 million. These days, MTN Nigeria has over 58 million subscribers and contributes almost half of the attributable profit of the whole MTN Group."

Some CFOs see Nigeria as the next frontier, others are nervous. What is your assessment?

"Obviously it is a huge economy, in real terms even bigger than South Africa. At the end of the day, you

"Using an appropriate advisor, like one of the Big 4 accounting firms, is essential for anybody doing business in Nigeria."

need to look at the opportunity, the expected returns and the risks. There were only a few hundred thousand people on fixed-line telephones when we entered the market and we obviously benefited from a first mover advantage. In addition, when we started, there was very little existing competition or entrenched interests to upset. That is probably an easier model than new entrants to other industries may face. We have seen some failures of other international and South African companies going into Nigeria, but overall it depends on the soundness of your strategy, business model and ability to execute."

What advice can you give companies – and their CFOs – who want to conquer Nigeria?

"You need to be prepared to accept the pain. Don't be tempted to deviate from your ethical standards when encountering difficulties."

"One other area we found to be key to our success is having local shareholders and directors from all the major ethnic groups and regions. It might be harder for small businesses to achieve, but you need to have the right local partners. They can help you and provide guidance on community issues. In addition, using an appropriate advisor, like one of the Big 4 accounting firms, is essential for anybody doing business in Nigeria."

"To get acceptance from authorities, consumers and business partners, you need to develop and employ locals at a senior level. There is an incredible talent pool in Nigeria. At MTN, we have an academy and create our own skills base. Where there is a new operation and we genuinely cannot find the skills locally, we look to the diaspora. It is also important to make sure your workforce is diverse."

And Ghana?

"There is a saying that if you are not yet in Africa as a business, you should try Ghana first before venturing elsewhere in Africa. It is investor friendly and it is easy to get to interact with government officials and other stakeholders. However, bear in mind that the country is facing a foreign currency shortage and their currency has recently devalued fairly significantly."

How have you enjoyed your role back in South Africa so far?

"My return to South Africa was rather sudden and I had to leave the packing up of my house to my wife in Lagos. Day-to-day life is much easier in South Africa in terms of the ease of moving around, shopping, the choice of restaurants and those kinds of comforts. Professionally, I am enjoying my multi-country role. I also have much more contact with equity investors, and take value from their insights and views. I am also more exposed to the Treasury side of things, international lenders and investment bankers."

After your CFO role in Nigeria, you were CEO in Ghana and Nigeria and now Group CFO again. How do you compare the roles? What advice can you give ambitious, young CFOs?

"I have been CFO three times and CEO three times since I joined the industry. I seem to alternate between the roles. From my perspective, I haven't set out to pursue one or the other career path. It has more been a case of where the opportunities and challenges have been and where I could contribute the most at a particular point in time. I believe that the focus of a CFO role should be on supporting. I believe that if you strive to make other people successful in the pursuit of the company's objectives, you will be successful too. That attitude can prepare you for a CEO role too."

"If you want to be a CEO, the best place to start is by focusing on your business support role. Enable your CEO to be more successful, enable your marketing manager and enable your tech guys. Be patient – don't be in a hurry with your career. If you want to be a CEO, everything you do as a CFO is still going to be valuable for your development. There are different types of CEOs that are effective. You don't always need to be a larger-than-life Steve Jobs kind of person." ●

BIO

Brett Goschen holds a B. Compt honours degree from the University of South Africa
He is a qualified CA(SA) since 1989. Today he is specialising in turning challenging emerging market environments into successes. Brett was appointed MTN Group Chief Financial Officer in 2013. and has been with MTN for more than a decade, first as CFO of MTN Nigeria, then as CEO of MTN Ghana and most recently CEO of MTN Nigeria. Prior to joining MTN in 2002, Brett was the Managing Director of Altech Autopage Cellular.

BY DIANNA GAMES

Risk in Africa

That there are tremendous business opportunities north of the Limpopo is no longer a secret. But what are the risks? And how should CFOs deal with those? Dianna Games, CEO of business advisory Africa @ Work and author of Business in Africa: Corporate Insights, sheds some light on the matter.

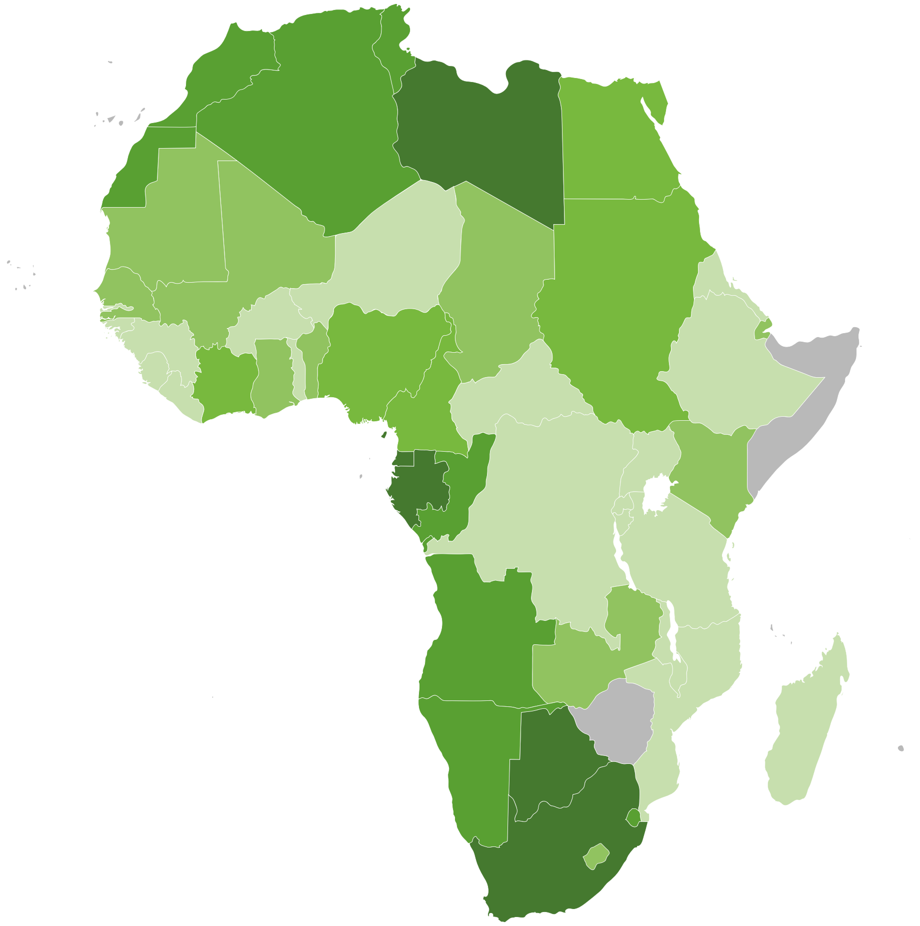
Dianna Games (Africa @ Work)

"There is increasingly a view that the risk is now not having a presence in Africa."

BIO

Dianna Games is Chief Executive of Africa @ Work, a consultancy focusing on African business issues. As a columnist for Business Day she is a leading commentator on business issues, trends and developments in Africa and has travelled extensively around the continent over the past two decades, visiting nearly 30 African countries to date.
She has written many published reports on African business issues, including her book, 'Business in Africa: Corporate Insights', published by Penguin South Africa.

She specialises in corporate engagements across Africa and has done research into regional economic developments, corporate and government investment trends, sector analysis for private clients and tracks business developments in Africa's key markets.



African stalwart and Shoprite Chief Executive Whitey Basson is well known for looking on the bright side of risk in African markets. The tougher the country, the less competition there is likely to be, he maintains. He has benefitted not just from early mover advantage in Africa, where the company is the market leader by far, but by leaving nothing to chance.

The Cape Town-based company continues to refine its strategies to counter challenges and take advantage of opportunities. It is also quick to learn from its mistakes. Importantly, Basson leads from the front, visiting stores across the continent as often as possible rather than relying solely on boardroom strategy and managers in distant locations.

Shoprite is one of many successful companies doing good business on a continent which investors abroad, and even those in South Africa, regarded even a decade ago as being too high risk to bother with. But as the perception of risk improves in the wake of better governance in many countries, market reforms and a greater openness to investment, competition is growing for companies building a pan-African presence.

Growth

There is increasingly a view that the risk is now not having a presence in Africa as the continent continues to promise robust growth, high returns on investment and low-hanging fruit in almost every sector. The global financial crisis was a turning point for Africa, as investors sought investment opportunities in high-growth emerging markets, many of which turned out to be on the continent.

As growth rates declined in developed countries, capital favoured key African markets such as Nigeria and South Africa looking for good returns. The optimism was backed by positive continental growth trends averaging 5 percent for a decade.

The International Monetary Fund forecasts slightly lower growth for Sub-Saharan Africa in 2015 of 4.9 percent, down from its original projection of 5.8 percent, rising to 5.2 percent. This is based on the economic impact of the downward spiral of oil prices since mid-2015, which has negatively affected oil producers, including Nigeria, Ghana, Angola and others.
The serious Ebola virus outbreak in West Africa has also had an impact on investor confidence. Although it affected mostly 3 tiny economies in the region, the impact was far broader, with many companies avoiding the continent altogether, regardless of the minimal risk across most of it.

But despite some headwinds, foreign direct investment continues to flow into sectors such as consumer goods manufacturing, mining, oil and gas, ICT, agriculture and services. The African Development Bank estimated that FDI would reach a record $84 billion in 2014. Actual investment has not yet been calculated but even if it is lower than expected, the trajectory remains positive.

Multinationals from outside the continent continue to show an interest in African markets and are seeking local assets to expand their footprint or reduce entry risk or expanding their existing operations to counter rising competition.

Remittances

Africa's growth has also been boosted by the confidence Africans themselves are showing in the opportunities on their own continent. It was not that long ago that millions of Africans regarded their own backyards with caution, preferring to keep their money offshore and educate their children abroad. Although many of the estimated 30 million Africans who live outside Africa remain in their adopted homelands, the money they send home cumulatively has overtaken aid flows to Africa and played an important role in stimulating economic activity. In 2014, remittance flows to developing countries are expected to reach $436 billion, up from $404 billion in 2013. A large chunk of this goes to Africa.

But with increasing opportunities and improved lifestyle options available in African cities, skilled emigrants are starting to return home to work for the growing number of local and foreign multinationals and contribute to the growing number of middle-class Africans.

Companies that are making good returns on investment in African markets believe the risks of operating in Africa are overstated and that critics have failed to keep abreast of improvements in the operating environment. Some people believe that risk appears to be lower because risk management has become more sophisticated.

Regulations

But the best risk strategies cannot take account of all eventualities. A particular problem in this regard is the uncertainty of sudden regulatory changes that could have a major impact on the bottom line and upset long-range plans for a market. Keeping close to regulators and policy makers is one way to mitigate this but it is not fool proof.

This underlines the need for companies to build in cushions for unexpected costs and to be as flexible as possible in terms of strategy without compromising the group ethic. Corruption and inefficiency along supply chains is another key factor that can be both unpredictable and costly.

Although political risk in terms of outright conflict has undoubtedly declined, arguably the risks have become more nuanced, particularly with regards regard to growing competition from local businesses. These include undisclosed private business interests of policy makers and politicians or the political influence enjoyed by local conglomerates.

Reform has been its own risk. While reforms are usually well intentioned – to improve and modernise the operating and policy environment – they can present problems to entrenched operators who face unintended consequences of reform such as new operating costs, local empowerment regulations and competition. This has particularly been evident in the resources sector. Security is not a new frontier in terms of African risk but the nature and aims of the combatants is changing.

Terrorism

For example, Nigeria, a country that is not new to conflict along its historical fault lines, is now battling a scourge that it is unfamiliar with – terrorism. Sea piracy is on the rise in West Africa while in East Africa, Kenya is also grappling with unpredictable extremists carrying out random bomb attacks, shaking confidence in one of Africa's pivotal states.

And then there is the risk of underestimating potential risk. Companies still tend to go into markets without doing sufficient homework on the full range of potential challenges, often accepting information and advice from desk-bound analysts with little experience of African markets. There is also a tendency to overlook the fact that Africa is not a country, but 54 very different markets with many local nuances and specific challenges. Even the most rigorous business plans can run aground on the unique and complex set of circumstances in each of them.

> **"There is a tendency to overlook the fact that Africa is not a country, but 54 very different markets with many local nuances and specific challenges."**

This is a particular challenge for companies building pan-African operations and extending their footprint over multiple countries and regions. Risk may be lower now than it used to be but the management of what there is remains the thin line between success and failure in Africa's still challenging markets. ●

BY JOËL ROERIG

Tackling tax in Africa

Never speak to the tax authority in an African country without an advisor present, make better use of tax incentives and familiarise yourself with the local tax law and the people who enforce it. Those were some of the lessons learnt during KPMG's Moving into Africa Master Class on 19 March 2015.

During the CFO South Africa event in the Michelangelo Hotel in Sandton, CFOs received a comprehensive overview of African tax affairs from some of the brightest tax minds on the continent.

It was Devon Duffield, Chairman: Tax & Legal at KPMG, who kicked off proceedings by emphasising that three completely different tax bases are used in Africa: Napoleonic law in the West, English Common law in the East and Roman-Dutch law in the South. He noted that more and more businesses and CFOs are looking at expanding into Africa, but that many are still nervous about the investment climate.

Lack of familiarity with the tax landscape in African countries can strike fear into Excos, with the most often cited tax worries being withholding taxes and Base Erosion and Profit Shifting (BEPS), commonly known as transfer pricing. According to the Africa Tax Administration Forum (ATAF) between $500 billion and $800 billion leave the continent irregularly each year. In most countries that number is higher than the aid they receive. More and more countries are creating or improving legislation to encourage and enforce tax being paid in the correct country, something that will be relevant for pretty much every single investor in Africa.

While tax systems in African countries, especially in West and Central Africa, are not very sophisticated, that is changing now

While tax systems in African countries, especially in West and Central Africa, are not very sophisticated, that is changing now, Duffield explained. Increasing tax revenue is often seen as one of the best ways for Third World countries to make a leap forward. "These days the majority of western aid is going to projects to help countries to set up systems," Duffield said. While he encourages good relationships with tax authorities, he insists local tax consultants should always be present: "At KPMG we don't allow a conversation between a client and a tax authority unless a senior tax partner is present."

"At KPMG we don't allow a conversation between a client and a tax authority unless a senior tax partner is present."

According to Duffield's KPMG colleague Venter Labuschagne, Head: Trade & Customs, many CFOs underestimate the importance of managing customs duties, while often being preoccupied with seemingly 'bigger' issues. "Africa has the highest rates of customs duties. They are easy to collect, so that is what authorities

Victor Onyenkpa (KPMG)

focus on. It is not on the radar of the CFO, though. It is often left to the department that handles logistics. Most businesses leave customs to their freight forwarders or couriers, but they have no interest in lower rates," said Labuschagne, calling on CFOs to get actively involved in managing customs duties. Labuschagne also signalled a trend of fewer tax exemptions, for example for the extractive industry. Trade regions such as the Southern African Development Community (SADC), Economic Community Of West African States (ECOWAS), East African Community (EAC) and the the Common Market for Eastern and Southern Africa (COMESA) are also growing in importance. "They are getting more tight-knit," Labuschagne said. "A very exciting development is the Tripartite Free Trade Area. SADC, EAC and COMESA are in a very advanced stage of negotiations for a free trade area encompassing 26 countries." In the next article in this CFO Magazine, Labuschagne outlines the opportunities and challenges the creation of this Tripartite Free Trade Area (TFTA) provides.

Africa experts Bikash Prasad (CFO Olam International), Greg Davis (CFO Africa Standard Bank) and Sean Bennett (Head of UBS South Africa and Sub-Saharan Africa) also contributed their insights to the Master Class. Prasad has had a hand in $1 billion of Olam's investments in the continent so far, and successfully turned around disappointing business performance in South and East Africa, by closing 11 businesses, reducing overheads and reducing risk exposure to cotton. He also modernised IT and localised the finance teams in African countries. "We are often at an disadvantage, because we compete with informal trade and underdeclaration by competitors," Prasad said.

Davis is a regular contributor to the CFO South Africa website, CFO.co.za. His Expert Insight contributions focus on four business principles for doing business in Africa: being in control, interacting, influencing, and getting the most out of infrastructure. "Doing business in Africa is not for the faint-hearted, but I see incredible talent in Africa," Davis said during the Master Class. He added that Standard Bank is trying to play a role in helping tax authorities in African countries align their practices.

The real detailed, practical value of the Master Class came from the last three KPMG presenters, Victor Onyenkpa (Partner Nigeria), Richard Ndung'u (Partner and Head of Tax Kenya) and Louison Kiyombo (Head of Tax and Legal DRC). They spoke about the challenges, pitfalls and opportunities in West, East and Central Africa and replied to a question by UBS's Sean Bennett about the possibility to get a pre-ruling on tax matters. In East Africa and Ghana this seems to be working quite well, while tax authorities in Nigeria and the Democratic Republic of Congo might give an 'opinion' on a tax matter, but no binding point of view.

Victor Onyenkpa further explained that in West Africa 100 percent foreign ownership of companies is usually not a problem, unless you are in the oil or mining industry. Corporate tax rates hover around 30 percent and there are a number of sectors – like low cost housing in Ghana and tourism in Sierra Leone – in which investors can enjoy 'tax holidays'. Restriction of profit repatriation is almost non-existent in West Africa and tax authorities are getting more approachable by the day.

The Kenyan Revenue Authority can issue advance tax rulings on contentious issues, while tax authorities in Nigeria might give an 'opinion' on a tax matter, but no binding point of view.

In East Africa, the Kenyan Revenue Authority (KRA) is the most aggressive and influential and agencies in other countries often look up to it as "big brother", Richard Ndung'u said. Kenya is in a process of implementing e-filing, e-payments and e-registration platforms and can issue advance tax rulings on contentious issues. Tax Revenue Appeals Tribunals have been established for the resolution of tax-related issues. Rwanda has built investment centres that function as one-stop shops for businesses, while other East African countries have similar initiatives. ●

BY VENTER LABUSCHAGNE, HEAD: TRADE & CUSTOMS AT KPMG AFRICA

26 African countries launch initiative to scrap duty and quotas.

Free trade revolution

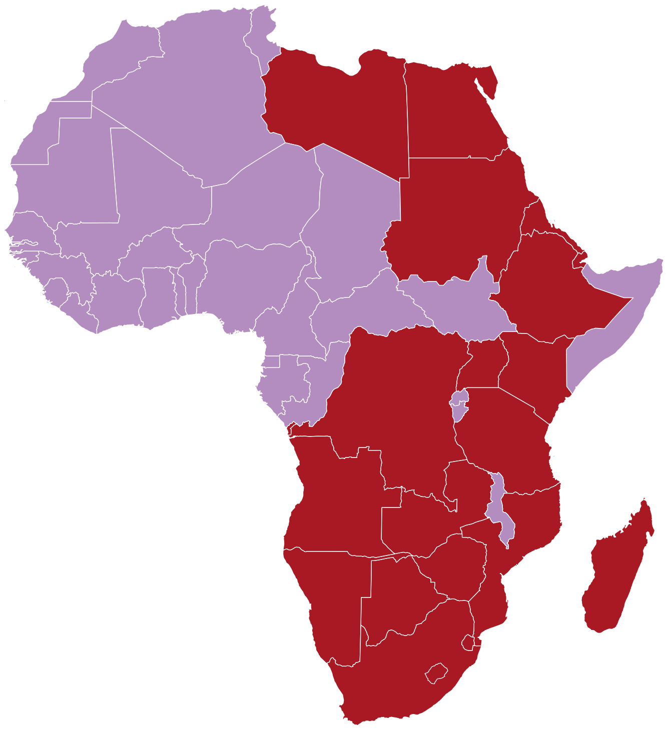
The establishment of a free trade area in 26 African countries is going to be a revolutionary development for the continent. In this article, Venter Labuschagne, Head: Trade & Customs at KPMG, outlines the opportunities and challenges the creation of the Tripartite Free Trade Area (TFTA) provide.

Businesses engaged in intra-African trade, and those with aspirations to grow their businesses into new markets on the continent, are holding their breath for a big announcement on the establishment of a major free trade area, spanning the entire length of the continent.

> "Businesses are considering the opportunities offered by the TFTA as being paramount in planning their African expansion strategies."

The big announcement, expected as soon as May 2015, will officially launch the Tripartite Free Trade Area, commonly referred to as the TFTA, covering almost half the continent's countries, with a combined population of some 625 million people, and a GDP of almost US$1 trillion. The announcement on the launch of the TFTA is the culmination of 10 years of negotiations between member states of 3 regional economic communities, being the East African Community (EAC), the Common Market for Eastern and Southern Africa (COMESA), and the Southern African Development Community (SADC).

The member states of the TFTA are Angola, Botswana, Burundi, Comoros, Djibouti, DRC, Republic of Congo, Egypt, Eritrea, Ethiopia, Kenya, Lesotho, Libya, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Seychelles, Swaziland, South Africa, Sudan, Tanzania, Uganda, Zambia and Zimbabwe.



The TFTA is a major step towards the realisation of the African Economic Community.

The objectives of the TFTA rest on the following pillars:

- harmonisation and improvement of functionality of regional trading arrangements and programmes, including establishing a Tripartite Free Trade Area encompassing its 26 member countries, which is a major step towards the realisation of the African Economic Community;
- enhancement of trade facilitation to improve the flow of goods along transport corridors by lowering transit times and the cost of trading. Significant progress is already being achieved on the North South Corridor, which has been implemented as a pilot since 2007;
- joint planning and implementation of infrastructure programmes which include surface (road, rail, border posts, seaports) and air transport, ICT and energy. The enhancements of physical interconnectivity through infrastructure development and improvement of operational efficiencies of border crossings and seaports are important factors in speeding up economic development and facilitation and expansion of inter-regional trade, as well as trade with the rest of the world; and
- free movement of business persons within the Tripartite region to facilitate the conduct of business.

The ultimate objective of the TFTA is to establish duty and quota-free treatment of all products meeting the origin requirements of the TFTA agreement. The movement of such goods between member states will also be free of quantitative restrictions. Negotiations are ongoing on the rules that will determine if products have origin status, thus qualifying for free movement as envisaged, but timelines for implementation have not been finalised.

Discussions around the principle of "variable geometry", allowing countries to progress to full integration along different timelines, are also proving to be problematic. It is foreseen that full implementation of the TFTA agreement can take up to 8 years.

Despite these factors, businesses are considering the opportunities offered by the TFTA as being paramount in planning their African expansion strategies. From an investment perspective, African companies are now, second only to Western Europe, the biggest investor in Africa, accounting for 22 percent of Greenfield investment on the continent. Measured in deal volume, African Mergers and Acquisitions account for the biggest number of deals, and 21 percent of South African foreign direct investment is going into Africa.

The area covered by the TFTA:
Intra-African trade does, however, face a number of challenges, not least of which is the lack of trade finance when it comes to transactions being concluded, or having the potential of being concluded, on the African continent. This is featuring prominently on the agenda of the World Trade Organisation, with Director-General Roberto Azevêdo, in opening the seminar on "Trade Finance in Developing Countries" at the WTO on 26 March 2015, pointing to a recent WTO Secretariat paper indicating that trade financing gaps are "the highest

The WTO estimates that the value of unmet demand for trade finance in Africa is between $110 and $120 billion.

in the poorest countries, notably in Africa and Asia". He said that "lack of development in the financial sector can be a significant barrier to trade", and told participants "let's redouble efforts to work together and resolve this problem".

Azevêdo noted that trade finance availability had largely returned to normal in major economies after the global financial crisis, but that smaller companies, in less developed countries are finding it more difficult than ever to access such finances.

On the issue of such financing gaps, Azevêdo said:

"I was particularly struck by the fact that the financing gaps are the highest in the poorest countries, notably in Africa and Asia. And I was struck by the size of those gaps.

A survey by the African Development Bank of 300 banks operating in 45 African countries found that the market for trade finance was somewhere between $330 and $350 billion.

It also found that this could be markedly higher if a significant share of the financing requested by traders had not been rejected.

Based on such rejections, the estimate for the value of unmet demand for trade finance in Africa is between $110 and $120 billion.

This gap represents one-third of the existing market.

The main reasons for the rejection of requests for financing were:

- the lack of credit worthiness or poor credit history,
- the insufficient limits granted by endorsing banks to local African issuing banks,
- the small size of the balance sheets of African banks, and
- insufficient US dollar liquidity.

Some of these constraints are structural, and can only be addressed in the medium to long term. The retreat of global banks from Africa, and from other poor countries, is one such issue."

From a tax perspective, the landscape facing companies operating on the continent is also constantly changing. The debate around Base Erosion and Profit Shifting (BEOS) is gaining momentum, and a large number of countries have, in the last 3 years, introduced stringent anti-avoidance and anti-tax haven rules. The last 5 years have shown a reduction in corporate income tax rates from 30.6 percent in 2009, to 28,6 percent in 2014.The UN has however set a target for African countries to achieve tax collections of at least 20 percent of GDP. Not surprisingly, Zimbabwe currently tops the list of tax collections as a percentage of GDP, at 49 percent. South Africa has achieved 27 percent, while Kenya is at 18 percent, and Nigeria and Angola are lagging at only 6 percent. With the fall in oil revenues, however, tax revenue collection has received considerably more government attention in these countries.

Notably, as tax systems are becoming more sophisticated, revenue authorities are becoming more aggressive. The Africa Tax Administration Forum (ATAF) is now 38 countries strong, and mechanisms have been put in place to promote mutual cooperation between countries, and improve efficiencies in tax collection. The Forum also allows member countries to freely exchange tax payer information, improving enforcement of tax laws across the continent. International organisations such as the World Bank, IMF and UK DFID are providing funding to revenue authorities to improve collection capacity, and broaden the tax base. In a survey recently conducted by KPMG within the CFO community, respondents have listed the capacity, capability and accessibility of the revenue authorities on the continent as being the biggest challenge when doing business in Africa.

All things considered, these are indeed interesting and exciting times to be doing business on our continent!

BY JOËL ROERIG

An interview with Nedbank's Mike Brown.

The CFO who turned CEO

"The best CFOs are intellectually persuasive without being arrogant," says Nedbank CEO Mike Brown, who was the CFO of Nedbank before he took over the reins. "A good CFO is able to read the tea leaves and persuade others about what this means for the future and what the organisation needs to do differently as a result."

It happens quite often that CFOs ascend to the CEO role. For all the good reasons, because financially astute executives like CFOs understand how businesses generate profit and loss, know how to allocate resources, and know the ways of the capital markets. On top of that, they are used to take a good solid look at numbers and know how to analyse. This knowledge and experience can be crucial in dealing with the complex world today. Nedbank's Mike Brown is one of those successful examples. We had the opportunity to talk to him about the transition.

What makes you a typical Nedbank CEO?
"I don't believe there is such a thing as a typical Nedbank CEO. Every individual has his or her own style, strengths and weaknesses. That is extremely healthy, because those differences provide energy to the organisation."
"Having said that, there are some characteristics I believe all Nedbank CEOs should have, like deep industry knowledge as banking is an extremely complicated business. Leadership skills and humility as well as the ability to attract, retain and motivate a team of skilful people, are crucial. Most importantly, a CEO needs attributes that are appropriate for the culture of the company. At Nedbank things like long-term sustainability need to be in your DNA because they are so close to our brand. Accountability, integrity and respect are also core values one needs."

If you did not work in banking, what would you do?
"At different stages of my life I wanted to be a vet or golf pro, but in the case of the latter my family would have starved... If I was not in banking, I would probably work in private equity. I enjoy business strategy and the valuation and negotiation of buying and selling businesses."

Do you worry about the investment climate in South Africa?
"It definitely worries me. The business of a bank is very closely correlated to the macro-economic environment. Globally, the economic climate is difficult and the financial markets are nervous. There is also a disconnect between the somber economic prospects and the optimistic outlook reflected in relatively high stock market valuations and low volatility."

"South Africa is standing out for the wrong reasons: the current account deficit, the

Mike Brown (Nedbank)

fiscal deficit and strikes. All countries have challenges. What investors want to see is a visible programme to resolve issues and that is currently lacking here. The labour relations issue is the biggest issue at the moment in the South African economy and it needs to be addressed urgently by all parties."

What is needed to jumpstart the South African economy?

"A lot of effort from government and the business world went into the creation of the National Development Plan. That is a good document, which provides a diagnostic and a vision. It now needs to become a real plan with prioritisation, funding and an implementation timeline to track progress."

"In the short term we need to find a better labour dispute mechanism. We also need to sort out our infrastructure issues, primarily around the lack of electricity. Generally, we need a shift towards a more business friendly environment. Jobs only

BIO

Mike Brown is a Chartered Accountant by profession since 1988. He holds a BCom, Acc from the University of Natal and has completed the Advanced Management Program at Harvard Business School.

After articles at Deloitte in Durban, Mike worked for Deloitte & Touche in the USA and London. Later he joined NBS. Mike led the merger of NBS Corporate and a division of BoE Private Bank and was appointed Deputy Managing Director of BoE Corporate and then Managing Director of BoE Corporate and Board Director of BoE Ltd. After the merger between Nedbank Ltd, BoE Ltd, Nedbank Investment Bank Ltd and Cape of Good Hope Bank Ltd, he was appointed Head of Property Finance at Nedbank Ltd. He was appointed as Chief Financial Officer of Nedbank Group in June 2004 and as Chief Executive on 1 March 2010.

come through economic growth, especially when small businesses are thriving. A booming SME sector is really crucial for job creation, because big business is not great at job creation."

Almost all CFOs under 40 want to become CEOs. You made that switch at a young age. How did you manage to be a successful CFO and gain skills to become CEO at the same time?

"My advice to any CFO is to spend some time outside of the finance streams. I was extremely fortunate that after a period at Deloitte I worked for 10 years in the front office at Nedbank in varied disciplines including structured finance, private equity and property finance."

"The combination of those client-facing positions and a period as CFO has provided me an almost unique overall perspective of Nedbank when I was appointed as CEO. I have a very real understanding of what our frontline people are dealing with. That enables me to understand what the real issues are, because mostly I have seen the movie before."

How do you compare the roles of CFO and CEO?

"I have always enjoyed every job I have had. In my current role I have much more interaction with stakeholders. I am representing the organisation at numerous levels, which is very time intensive. That was quite a change for me, because it means that the amount of time I have to spend on things outside my day job is huge."

"The worst part of being a CFO is producing the repetitive, monthly accounts. The best part is the unique insights you can generate into the business and using those to create value for stakeholders."

"A CA generally ticks the IQ box, but you also need to be able to communicate and persuade people without being seen as arrogant. If you want to be a brilliant CFO it is important to develop those skills."

What are the best and worst parts of being a CFO?

"The worst part of being a CFO is producing the repetitive, monthly accounts. The best part is the unique insights you can generate into the business and using those to create value for stakeholders."

What makes a CFO brilliant instead of just good?

"The most important thing is being able to read the tea leaves: understand what is going on in your environment, what is going on at competitors and what is going on in your own business. You need to know what your leading indicators are and you need to be able to analyse trends. How do you pull together those tea leaves? That is the difference between a brilliant and a solid CFO. Then you need the persuasive powers to convince the team of your insights and get the organisation to act differently as a result, which is often the hardest job."

"As a CFO, you are a custodian of enormous amounts of data. You have to be able to use that to predict the future. Your job is to work with the CEO to lead people in a common direction."

What advice do you have for aspirant CFOs?

"There is no substitute for hard work, there are no shortcuts. You need to learn to work longer, harder and smarter than anyone else. You also really need to understand the importance of IQ and EQ. A CA generally ticks the IQ box, but you also need to be able to communicate and persuade people without being seen as arrogant. If you want to be a brilliant CFO it is important to develop those skills." ●

BY JOËL ROERIG

Challenging conventions should be top of mind for finance leaders, says CFO of the Year 2014 Simon Ridley.

Myth busters

"As CFOs we need to be trusted advisors, rather than critics," says Simon Ridley, CFO at the Standard Bank Group and last year's CFO of the Year. In an exclusive interview with CFO South Africa, Ridley talks about the myth-busting responsibility of CFOs and CAs, the charm of over-disclosing, the reason everybody at the bank knows his mother, and about being the perfect business partner: "You can't just throw stones at a problem."

Thanks to a quarter of a century of CFO experience at Absa and Standard Bank, Ridley is regarded as one of South Africa's most respected finance leaders. Over the last decades, he has seen the role of Chartered Accountants changing – but he emphasises that the basics still need to be in place. "CFOs and CAs need to switch from number crunchers to analysts to business partners. That doesn't mean just being a friend to other executives. It is crucial that we are myth busters. Often businesses believe in certain conventions, but assumptions or beliefs can be wrong and it is our job to test and challenge them." There are many examples where organisations would have been well-served by finance leaders who had the courage to bust the myths, says Ridley. "If you go through many of the recent corporate failures, from Enron to banking collapses, you will see they are often due to misheld beliefs. This is especially the case in banking - compared to industrial companies, banks are quite highly leveraged and that means the room for error is quite low."

"Assumptions or beliefs can be wrong and it is our job to test and challenge them."

Even at Standard Bank, the biggest bank in Africa, wrong paths have been taken, Ridley admits. "At some stage we had quite a big push into low income micro-lending, for example. We had a fast-growing loan book which seemed great, but we soon realised our assumptions were wrong. We realised that late in 2012 and decided to change strategy. Now micro-lending is back to being a small part of what we do. It was just not something we were good at and we should not compete with banks that are. Realising that early has saved us from a lot of pain."

"Standard Bank had to do a 180-degree turn to avoid imploding."

Throwing stones

Ridley is quick to say that being a myth buster does not mean telling other decision makers that they have it all wrong: "Helping the CEO of a business to understand the problem is crucial. You can't just throw stones at the problem. You need to use common sense. Be a trusted advisor, rather than just a critic." In recent years Ridley himself has been just that at the Standard Bank Group, which had initially embarked on an ambitious international expansion path, but now focusses on positioning itself as Africa's number 1 financial institution.
It's that experience and versatility that was rewarded by the panel of judges for the 2014 CFO of the Year Award, Ridley feels. "I have been around a long time in this game, which I guess helps! During the last decade, Standard Bank has made a 180-degree strategy turnaround. Maybe the panel felt I contributed to a successful turnaround." Ridley was delighted to receive the award, especially since all nominees were strong. "For example, the Super Group story really impressed me: the company was negatively rated and is now thriving – their CFO, Colin Brown, would have contributed hugely to this turnaround. Having said this, I don't think any CFO really feels he or she is 'the best' as every company is so different."

Credibility

The amount of positive feedback surprised Ridley. "Certainly inside the bank many people commented on the award. As an organisation we don't really like self-promotion, but for a long time I bumped into people who said 'well done'. Although the country is still getting to know CFO South Africa, people looked at the panel of judges and were impressed. That group of people provided the biggest source of credibility, because everyone knew them."

Ridley says one of the secrets to being a successful CFO in a major corporation is hiring the best people you can. "That is one of my objectives. Modern finance functions include very specialised areas; you need people dealing with things like treasury, M&A, investor relations, tax, financial systems and IFRS. Those are often deep career roles. I aspire to have the country's number 1 or 2 expert for each of those fields. Our CEO recently said 'your people are really good – they make you look very clever' to which I agreed whole-heartedly! You are dependent on people, but at the same time you need to own the mistakes your department makes."

180-degree turn

Ridley himself considers the massive strategy change that Standard Bank underwent as one of the most interesting processes he has ever been part of. "At some stage we wanted to be the SABMiller of banking and spread our business across all emerging markets. We're now consolidating it back to Africa and that is difficult. We had to do a 180-degree turn to avoid imploding. Typically, those turnaround processes are done by a new management team, but that has not been the case for us. Not many people go into a market and then out of it again. In the end the reversal did not cost too much money, so it's been an interesting experience – even though it felt a bit schizophrenic to sell businesses we had recently bought."

These days, Standard Bank's eye is firmly focused on the continent. "In South Africa we cannot really expand our market share; that is why we are looking at other African countries. We have a good brand, good systems and a lot of market share potential in many countries. Last year we grew 44 percent in Africa outside South Africa, so we're clearly on the right track." The biggest successes are currently in countries such as Nigeria, where Standard Bank manages to employ local managers with European or American education and experience. "Luckily the diaspora wants to come back. That way we can employ local people who come from the world's best universities."

Disclosure is one of Ridley's hobby-horses and he seems to elevate transparency above all other virtues. He believes there is very little downside to over-disclosing. "We want to tell the market almost as much as we tell the Board. Bad news is always going to come out, so immediate clarity reduces the prospect of disappointment. Rather a lower stock price now, than losing credibility when

Simon Ridley (Standard Bank) and Victor Sekese (SNG) at the CFO Awards 2014.

"Rather a lower stock price now, than losing credibility when bad news comes out later."

it comes out later. You want investors to see the business accurately. Of course you want to do it in a way that does not harm your competitiveness. It is an ongoing tension that you can mitigate with intense internal processes. For example, we do at least two dry runs before our profit announcement."

Risk-related questions

Thanks to Ridley's vast experience in CFO roles, he is in a great position to comment on the changes in the profession. "Besides the move from number cruncher to business partner, the CFO is also much more involved in risk than 10 or 20 years ago," says Ridley. "That is what we talk about when investors meet with me. Through the financial crisis it became clearer to everyone what it actually is that banks do and that is raising many risk-related questions. Trying to develop talent has also become a much higher priority."

"The people that get to the position of CFO quickest are the most curious people."

Asked what tips Ridley would give to ambitious CAs who want to scale the corporate ladder, he immediately emphasises the need for well-considered career choices. "I always tell our youngsters 'Be honest with yourself about what you like and what you don't like to do. Otherwise there will be issues later'. The people that get to the position of CFO quickest are the most curious people. Never being satisfied with one answer and an irritating sense of curiosity are great assets for a Finance leader. It is also important to work for someone who adds value to you. Don't make a career jump for money if you don't respect your prospective boss." A final tip from Ridley is to keep your language simple. "You always need to think as a shareholder with little time for waffle. In fact, when I try to explain stuff I always ask myself if my mom as a non-banker would understand what on earth I'm talking about, and a lot of people in Finance at the bank now seem to do the same! The question is always, 'Would Simon's mom understand this?" ●

BIO

Simon has held several senior finance positions in the insurance and banking industry in South Africa. He was a member of the team that merged several banks to create the ABSA group in 1992. He joined Standard Bank as Director, Finance and Operations in SCMB (now Corporate and Investment Banking) in 1999 and was subsequently appointed Chief Financial Officer of the Standard Bank Group. He is also on the boards of Standard Bank South Africa, Standard Bank Africa and is the chairman of Standard Advisory London Limited. Simon holds a B.Com Acc from the University of Natal, qualified as a CA (SA) in 1982 and attended the Advanced Management Programme at Oxford University in 1994.

BY JOËL ROERIG

An interview with award winner Aarti Takoordeen, CFO at the JSE Limited.

Transform, innovate and give back

In an exclusive interview with CFO South Africa, the winner of the Young Talent Award 2014 talks about her 'homecoming' to a South African company and her passion for transformation and innovation.

In her previous role at HP and Johnson Controls International, Aarti Takoordeen received multiple international employee awards, but it was only when she realised that Professor Ben Marx of the University of Johannesburg was on the panel of judges for the CFO Awards, that she accepted her nomination for the 2014 CFO Awards, she reveals. "I have a lot of respect for Professor Marx, so I decided to accept. Normally, I decline to be in the limelight. I prefer that rags to riches stories are not written about me."

CFOs of 40 years and younger qualify for the Young Talent Award (now renamed Young CFO of the Year Award), so at just 33 years old, Takoordeen was a natural contender. "Former colleagues from the multinationals I worked for were teasing me, as if I am still an undiscovered talent…"

But when messages from students and young professionals started pouring in via social media and email congratulating Takoordeen on winning CFO South Africa's Young Talent Award, she saw that young South Africans need a role model and she has somewhat of a responsibility to be just that. "I did not realise the extent of inspiration it generates, I was pleasantly surprised."

So, without dwelling on it for too long, Takoordeen's life story is indeed an amazing one. She worked herself up out of poverty and, if anything, it's given her a healthy dose of perseverance. Wanting to start a business straight out of school, she had to 'settle' for studying to become a CA, because she didn't have any startup capital. At the age of 23, with a degree in hand, Takoordeen built her career at the SA Bureau of Standards (SABS), IT company Namitech, computer technology firm HP, and the South African office of Johnson Controls International.

Two years ago Takoordeen joined the JSE, glad for the opportunity to contribute and "give back" at a local company. Being the youngest executive in the boardroom has been the usual for her, rather than the exception. "In the American environment a lot of my work was in the virtual space, so I really was colourless and ageless. Now, 80 percent of my work is face-to-face. That is a true culture change which I rather ignore than explore. If you put your head down and deliver, you win trust and respect. That is what it comes down to."

Readying other young corporate Finance leaders for the future has become one of Takoordeen's biggest passions. JSE's CEO Nicky Newton-King recognised Takoordeen's global outlook and asked her to take on the challenge of elevating the Exchange's Finance department to a higher level. "I put together a 3-year finance transformation plan," the CFO explains. "I use a scale that goes from basic to progressive to leading, so we know where we want to go. I use the online people-development resource CEB, which offers tools from multinationals to mid-size companies and has courses throughout the year to skill my team."

"I love being an enabler."

BIO
Aarti holds a B. Compt and CTA honours degree from the University of South Africa. She is a qualified Chartered Accountant since 2004.

At 23 she started working at SABS as provisional financial manager, helping to drive the then parastatal through transformation. After almost two years at Namitech, an IT company in the Nampak Group, Takoordeen found her feet at computer technology firm HP. After five years Takoordeen moved to the South African office of Johnson Controls International as Finance Director, where she spent more than three years. Aarti was appointed CFO of the JSE in February 2013.

Takoordeen says she is surprised by the influence she has as a CFO at JSE Limited and is clearly relishing the role. "It is a unique position. I enjoy it today more than ever. I would not have loved it as much 50 years ago, because working on back office accounts would have killed me. But thanks to increased globalisation and technology, the role of the CFO has become very interesting. The recent shift in the CFO discipline has been more staggering than any other shift within executive positions. I love being an enabler. When you combine that with innovation it becomes a very powerful position."

"I feel that the information age has reached an inflection point," Takoordeen explains. "Yet again, we experience a storm brewing that will change society and industries. As we enter a new communication age, which hinges off social and relationship interaction, our response must be a focus on relationship building and management. The new partnerships CFOs must form within their businesses and their more outward-facing role means that the role requires a more rounded skills set. CFOs are no longer stern faces in grey suits. They are now armed with emotional intelligence, sound leadership and management skills, which has shifted the focus to executing corporate strategy. The future looks bright for Finance, especially for those of us who are willing to embrace change and innovation." ●

Young CFOs aim high

"I feel there is untapped innovation in the finance world," Aarti Takoordeen told CFO South Africa when we interviewed her for the first time in 2013. The 34-year-old CFO of the JSE Limited has since won the Young CFO Award 2014 and has become a driving force for change and a 'holistic approach' at the exchange. Takoordeen says she studied to be a Chartered Accountant "as I wanted to manage a business but could not afford to start my own". Her career is to go full circle and her goal is "to become a CEO of a business one day".
We spoke to 4 of the other ambitious CFOs who were nominated for last year's Young CFO of the Year Award and found out they are equally ambitious.

What makes you a good CFO? And who is your example in life?

Jannie Serfontein, Chief Financial Officer at Eqstra
"Two people have served as great examples for me. The COO at Deloitte is exceptional with people and the CEO of Steinhoff is a visionary and a brilliant business man. I want to find that balance in my own career."

Dalu Majeke, Chief Financial Officer at the National Treasury
"I have got many examples. One of them is my grandmother, Duna. She is 96 and lives in rural Mahlungulu in Qumbu in the Eastern Cape. She still reads, sews and makes her own tea. I have grown up with her and she had taught me how tough life is. She was a widow looking after my father and his siblings and then myself, my sister and three brothers. She taught me the spirit of Ubuntu, helping other people while helping yourself, issues of community development and how to leave when times are tough. She taught me not to hold a grudge and deal with the facts. She entrenched, integrity, passion and commitment to myself."

"I studied Bantu education and went to school barefoot even in frostily cold season. We had to work very hard for any school work including at home. It has helped shape my character. Irrespective of circumstances I am a fighter. I decided I won't be a failure. I don't want my children to suffer. I never want to accept giveaways."

Kevin Johnson, Chief Financial Officer at Howden Africa
"I am originally from Ireland, have a home in Australia and now live in South Africa. I have worked in North America, Asia and Europe and consider myself to be a true Global CFO. I have spent time in many different cultures and have built a formidable set of tools and experience that

allows me as a CFO to quickly adapt to any environment and immediately identify areas where I can swiftly deliver significant improvement to a business organisation and processes."

"My dad is my best example in life. He has been in similar executive roles in the past and provides good advice."

Megan Pydigadu, Chief Financial Officer at MiX Telematics
"I don't have a finance role model, but I admire Steve Jobs and also Marc Benioff of Salesforce.com, who challenged the status quo and have been very innovative in the space within which their businesses operate. They both disrupted the markets they play in and have changed the world for the better."

How do you manage your work-life balance?

Dalu Majeke
"It is a tough ask as a CFO. I am also going through that with my coach. I have just completed a Masters in Business Leadership (MBL). I have 3 children and a wife and a plot at Centurion where I am residing which needs maintenance. There has been a compromise in the process to ensure fair share of balance, but this is a continuous challenge. With time I am getting better at finding a balance."

Kevin Johnson
"That is very challenging when you are driving the strategy of a business in a highly competitive environment and you have a young family. My kids are 4 and 7 and I try to always put them to bed. The first year in South Africa was more challenging, but it is becoming a bit easier. I do take a holiday whenever the opportunity avails. On holiday, I try to refrain from using my emails, but am not always successful."

Jannie Serfontein
"I don't believe in a work-life balance. When I am at work, that's what I do. When I am home, I am at home and my phone goes off. I spend between 10 and 20 percent of my time at home, so I need to ensure that this is quality time. I have always been a very structured person. I guess the audit profession has taught me that."

Megan Pydigadu
"I am married and have 2 kids of 5 and 2. A good support structure is crucial – and being very organised."

What is your ambition for the future?

Dalu Majeke
"I want to be a strategist, whether here or in a company. In line with my Masters I'd like to work in infrastructure investment. I plan to contribute more to the public sector in terms of skills I possess. I have given it all to the National Treasury and still have energy to give more in a challenging portfolio. I have nothing against the private sector, but if we all jump to the private sector, it leaves the public sector exposed."

Kevin Johnson
"Our majority shareholder is an American company called Colfax which has gone through a dramatic growth in the last 3 years with some significant acquisitions. I see myself moving into a larger CFO role within our Group running one of our global platforms."

Jannie Serfontein
"I love finance and I love the people side. I am definitely interested in more of a CE role in the future. I don't want to do that when I am 60. I have had open discussions with our CEO and if possible, I want to be one of the candidates that could possibly step into his shoes. I want to keep growing and learning."

Megan Pydigadu
"I would like to see MiX grow as a global company and be truly competitive on the global stage. Few South African companies have been successful in the US, so that is really an exciting challenge." ●

Megan Pydigadu (MiX Telematics): "I admire Steve Jobs and Marc Benioff of Salesforce.com."

Jannie Serfontein (Eqstra): "I don't believe in a work-life balance. When I am at work, that's what I do. When I am home, I am at home and my phone goes off."

BY JOËL ROERIG

Following his vision.

Brooks Mparutsa

“At the age of 16 I made the decision to become a CA and a business leader,” says Brooks Mparutsa, the eloquent Group Chief Financial Officer of Hollard Insurance. His impressive career in the public and private sector has taken him all over the world. So what’s next?

How do you value your time as an auditor?
“I have greatly benefited from that period in my life. I started my career at what is now PwC in Mafikeng. After doing my articles, I decided to stay on for another three years. People tend to leave as soon as they can because they want to be business people. For me it was important to stick around. When they qualify as CAs, many people think their learning is complete. I hate to say it but when you’re in articles, you’re a unit of production. That is why staying on was so valuable. In my role as audit manager I got my first exposure to managing people. That is very important, especially at the start of your career. You need to feel a sense of ownership of the role and learn to be a leader. At the firm you are not on your own and you can learn from the Partners. It is nice to learn the ropes in a familiar environment, where you have built up goodwill already.”

In the late 90s you joined South African Airways. What was that like?
“At South African Airways I was Director of Structured Finance. That was also an important part of my learning curve, moving away from audit to finance and accounting. I still remember one aircraft cost $150 million. I really learnt a lot: I had to work with banks, lawyers, financiers, most of them in Europe. I got the opportunity to travel all over the world, which was amazing because I love travelling.”

> “The public sector provides CAs with the opportunity to learn about complex transactions at a young age.”

Why should CAs consider spending time in the public sector or at parastatals?
“Success in the public sector is very important for the success of South Africa and Africa. I see the period I spent at SAA and later at the Airports Company South Africa (ACSA) as my national service. These organisations provide CAs with the opportunity to learn about complex transactions at a young age and to be exposed to many diverse issues. I was in my mid 20s when I was financing large, long-haul aircraft. Look at Eskom or Transnet – they have some of the biggest infrastructure programmes in the country and

Brooks Mparutsa on CFO South Africa's events...

"The round tables are a great way of learning how other people are dealing with similar challenges to the ones I face. Networking and the social element is also important. We don't live in a cocoon as CFOs; we deal with similar pressures and it is nice to chat, even just about the rugby. It also provides business opportunities, especially because a lot of CFOs are involved in strategy nowadays. It is a great way to build new partnerships and find new opportunities."

on the continent. It is hard labour and the remuneration is not great, but it makes you understand the opportunities and challenges of the public sector, of doing business in SA and this will stand you in good stead for the rest of your career."

It seems that you have planned your career meticulously?
"When I was 16 years old I made the decision to become a CA and a business leader. I am following the path I set out for myself. I wanted to get international experience, which I got at SAA, Stanbic Africa and ACSA. What a lot of people lack is the vision. I benefited a lot from staying at my audit firm for a number of years and spending years in the public sector – it is a path I definitely recommend. Part of my vision is really focussed on the economic success of Africa. That is why I spent some time as Head of Finance: East Africa at Stanbic Bank. Through my travels I have seen that every economy has challenges. I want to be part of the solution and I don't want to stand on the sidelines and criticise."

You became CFO at Hollard Insurance in 2007 and you're still going strong. What do you like about it?
"At the time I was approached by a head hunter. I had no insurance experience, but it was the company and not so much the industry that attracted me. There is a very deep entrepreneurial spirit and people are empowered to make decisions. Hollard focuses on its people and I am a firm believer in leading people. We have a huge focus on culture. We don't take ourselves too seriously, but we take our work seriously. I have only worn a tie to work twice during the last 7 years. It is not about how you look but about your outlook. Hollard believes in win-win-win for our customer, our partners and Hollard as a company. We continuously balance these."

"I have only worn a tie to work twice during the last 7 years."

"Seeing the success of people I have inspired makes me the most proud."

Do you see yourself as a partner to the CEO?
"Of course strategic planning is important, but as CFO you always need to keep a finger on the pulse and make sure that the day-to-day runs smoothly. It is not always a role of stargazing into the future, but of course strategy and the partner role are the most exciting parts of the job. The CFO role is one of the most rewarding positions to hold. A lot of young CAs want to be in business, but they should realise that sticking with a Finance career can be a great way to get a bird's-eye view of a company and to influence the entire business and its trajectory."

Of what accomplishments are you most proud?
"A lot of people would talk about their financial success, about attracting funding, large transactions, etc. For me, every career milestone has been important. Becoming a CA was a huge milestone, but seeing the success of people I have inspired makes me the most proud. Often we talk about ourselves. I like to be a leader who inspires people to be all they can be. That is the most rewarding part of what I do. People generate the profit. I look at my role as being responsible for inspiring our people so they enjoy work and create good results and profit for the company."

What is next for Brooks Mparutsa?
"I mapped out a journey for myself and that journey is far from complete. I still see myself at Hollard for the foreseeable future. My portfolio has changed over time and keeps changing. I am getting more involved in the other African operations, which fits in with my own vision. As far back as 2001, after an insightful trip to Rwanda, I set a goal for myself to contribute to the growth of Africa. I realized my focus needs to be on the continent. I see myself as a leader with a finance background. The title is less important, but I can't be Hollard's CFO for the next 30 years, right?" ●

BY JOËL ROERIG

Do we invest enough in Compliance and Governance?

By nature the CFO is the guardian of rules, practices and processes. He or she knows that fundamentally, there is a level of confidence that is associated with a company that has a reputation for good governance. And that confidence will pay off in the future.

Boards are finding themselves increasingly responsible for running their organisations, and no doubt, regulations are going to continue to increase. More than others, the CFO feels and bears responsibility for ensuring the company is directed and controlled properly. This makes the CFO more risk-aware than anyone else.

Here is a story I came across. There was a CFO who was leaving his office late one evening. As he was walking along the corridor to his car, he saw the CEO standing by the shredder with a piece of paper in his hand. He asked if he could help. The CEO said: "I have this sensitive and important document here, and my secretary has gone home." So the CFO turned on the shredder, inserted the paper and pressed the start button. '"Thanks," said the CEO. "I just need the one copy."

A smart CFO of course shouldn't invest in shredders, but rather in top-quality governance – audit – and risk committees and the talent to help them with these difficult tasks. Even if compliance and governance can be costly operations – especially when internal processes are shaky, the costs of a major scam, fraud or illegal move are unthinkably higher. To cut back on implementing strong compliance and governance tools is penny wise but pound foolish.

Astoundingly, despite the risk awareness of many CFOs, we still love to work with spreadsheets. Ok, they are cheap. But we know that our favourite financial reporting tool can be a compliancy headache: they are rarely under administrative control, are poorly managed, and are usually a big stumbling block for auditors.

The solution is to go as far as we can to implement technology to increase transparency and auditability. We need to ask ourselves what we can do to deliver more transparency, one version of the truth and better access to important documents and data.

Technology and automation is the single best way to keep compliance costs in check. It is a case of having to spend in order to save. Forward-thinking organisations will realise that small upfront costs will pay for themselves many times over in the future.

BY ALEXANDRA WATSON, RICHARD SONNENBERG PROFESSOR OF ACCOUNTING, COLLEGE OF ACCOUNTING, UNIVERSITY OF CAPE TOWN AND EXPERT INSIGHT CONTRIBUTOR TO CFO.CO.ZA

Rethinking financial disclosures in integrated reports

What is the best way for a company to present financial information in its integrated report? UCT Professor Alex Watson feels that there is room for improvement and cites a number of practical examples to illustrate the way financial disclosures should be presented.

Most listed South African companies include either full or summarised financial statements in their integrated reports (in 2013, 54 of the 100 largest listed companies included full financials and 35 summarised). Are companies doing that in order to be compliant with regulations (as in "the company secretary insists!") or because they believe that is the best way to communicate the company's ability to create value in the future?

Are the financials available with the integrated report or are they truly part of it?

A company has to distribute either full or abridged financial statements to its shareholders, and is required to make a full set of financial statements available to those shareholders. That is not up for debate, but what is up for debate is the best way for a company to present financial information in its integrated report.

My impression is that many companies have prepared their integrated reports by starting with their existing suite of reports and attempting to make them more integrated instead of starting from a zero base and focussing on only that information which is relevant to explain how the company creates value. Inclusion of financial statements prepared in terms of IFRS and detailed information on directors' remuneration are two areas where the motivation appears to be more compliance-driven than fulfilling the spirit of integrated reporting.

Apart from the obvious lack of connectivity, a key difference between financial statements and financial information in an integrated report is that financial statements are backwards-looking whereas an integrated report is intended to be forward-looking. If financial statements are included in an integrated report, the information has to be presented in a way that communicates the potential for increasing financial value in the short, medium and long term as well as the related risks and connectivity to other capitals. Financial statements prepared in terms of IFRS are important and will continue to provide important information to certain users in certain circumstances, but that does not imply that they should necessarily be included in an integrated report. It is worth noting that the integrated reporting framework makes it clear that an integrated report "is intended to be more than a summary of information in other communications (e.g. financial statements ….." and instead "should make explicit the connectivity of information to communicate how value is created over time."

Understandably, there is some reticence to publishing financial forecasts, but that does not mean that forward-looking financial information cannot be presented. Integrated reports have some examples that are useful to look at to get a sense of how historical financial information can be presented to make it more appropriate for integrated reports. Useful approaches could include:

- A waterfall graph to explain the movements between current and prior year profits. African Rainbow Minerals did this particularly effectively by grouping the movements between those that were caused by market movements and those that are within its control (2014 IR page 16).
- Providing information linking the business model to the financial performance. Standard Bank Group did this effectively by indicating how different business activities impact income statement line items and the related risks for that activity (2013 IR page 4).
- Disclosing the sensitivity of profits to external prices. For example, Sasol discloses the sensitivity of its profits to changes in the oil price and the Rand:$ exchange rate (2014 IRpage 81).
- For industries that are price takers, disclosure of break-even prices is useful. RBPlat did this particularly effectively by disclosing its break-even platinum price on an industry cost curve (2013 IR page 15).
- Linking financial results to key risks. By linking interest on trade receivables, cash collection costs and bad debt charges over 5 years, Truworths highlights the financial impact of its credit risk (2014 IR page 52).
- Using graphs to highlight key ratios over an extended period. For example, Clicks presents a graph of turnover and the operating margin over 5 years (2014 IR page 18), as well as the long-term relationships between dividends, HEPS and dividend cover and another contrasting Clicks Group return on equity compared to average ROE of other food and drug retailers (2014 IR page 19).

Where financial forecasts are published, disclosure of the assumptions used and industry context is useful. Truworths is a good example. In addition to providing targets on a range of financial performance indicators, disclosure is also given of the prior year's target together with actual performance and local and international benchmarks providing useful context.


Professor Alex Watson (UCT)

While acknowledging that integrated reporting is in its infancy, one aspect that I have found particularly disappointing is the lack of connectivity between financial and other capitals. Many companies talk about the reduction in carbon emissions, water and electricity usage etc., but there is virtually no disclosure of current or future financial consequences arising from those activities. That is what is needed to show the connectivity between different capitals.

Investors and lenders have used, and are likely to continue to use, financial statements in many of their financial models and there may be resistance to excluding financial statements from an integrated report. A good compromise is to distribute financial statements with an integrated report, as a separate document which may or may not be bound as one document. The distinction between being part of an integrated report as opposed to being available with an integrated report is an important one that needs more attention if integrated reporting is to achieve its goals. ●

Where financial forecasts are published, disclosure of the assumptions used and industry context is useful.

BY JOËL ROERIG

Follow CFO.co.za for more Expert Insights

One of the main pillars of CFO South Africa is knowledge sharing. Professor Alex Watson's article on the dubious nature of integrated financial disclosure, featured on the previous pages, is exactly the kind of thing we like to share. She is one of our favourite Expert Insight contributors on CFO.co.za, a website that is fast becoming a pivotal African hub for everything CFO-related.

The best way to compare notes with other CFOs, learn from industry leaders and get shaken out of your comfort zone by inspiring speakers is to attend one of our regular events; you'll find a calendar for the year at the back of this magazine and online.

But if you want weekly – or even daily – inspiration from thought leaders such as Professor Watson, leadership coach Jonathan Yudelowitz (read his article 'Saying no to the CEO' on page 68 and 69) and other experts in fields such as technology, recruitment or finance transformation, you can find us at our virtual home, CFO.co.za.

With a membership base of more than 1,000 Finance professionals, over 3,000 LinkedIn group members, a following of over 6,000 people on Twitter (@CFOSouthAfrica), it is no wonder that our website has an ever-growing readership, as our Google Analytics stats confirm. CFO.co.za is packed with information that CAs and CFOs cannot ignore. It's easy to use, easy to share and will keep you up-to-date with all the latest news from the Finance world.

On the website you can sign up as an online member, but also find all the information you need about our Platinum membership option and its many benefits, including exclusive master classes, high level dinner gatherings and fun – but informative – events with fellow members. On the website you can interact with other Finance professionals in our member network, learn who is moving where in the industry and of course, review highlights from our many events. And of course you can see all the photos from the CFO SA Awards gala evening – a bit of a who's who in the Finance world...!

And there is more to come! CFO.co.za already features a regular 'CFO of the Week' profile, weekly instalments in our Expert Insight series and ample place for industry leaders – some of them CFO South Africa's partners – to share information, inspiration, industry news and insights.

As the platform grows, so does our product offering of articles, features, updates on career moves and Finance-related news snippets. We are looking forward to learning from new analysts and developing a series of opinion pieces and insights with leading Finance professionals, covering themes such as Moving into Africa, Technology, Capital & Finance, Strategy & Growth, Accounting & Tax, Risk, Control & Compliance, Leadership and Empowerment.

You can also follow us on twitter @CFOSouthAfrica to join the conversation and get our updates in real time. If you have suggestions for improvement or you would like to join our thought leaders and share your Expert Insights, analysis or opinion pieces, don't hesitate to contact me at jroerig@cfo.co.za.

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BIO

Anoj is a Chartered Accountant by profession. He holds a Bachelor of Accountancy degree and a Post Graduate Diploma in Accounting from the University of Durban Westville – now University of KwaZulu-Natal. Before joining Transnet, he worked for food retail group Spar and auditing firm Deloitte & Touche where he was accountant in charge of some of the firm's biggest accounts, including Tongaat Hulett, Sappi, and McCarthy Motor Holdings.

Anoj Singh joined Transnet in 2003 as a Senior Financial Manager at Transnet Freight Rail – the company's biggest division – before moving on to become General Manager Group Reporting. He has been Acting Chief Financial Officer of Transnet since 2009 and was officially appointed Chief Financial Officer in July 2012.

"There is a reason entities like Transnet are state-owned. They do things that private parties don't have the risk tolerance for."

BY JOËL ROERIG

CFO Anoj Singh of Transnet, double CFO Award winner, talks about the "surprising appeal' of working in the public sector.

"Exposure the key to career development"

"If you want to be a great CFO, you need to be in a position where you can learn to manage a complex organisation," says Anoj Singh, Group Chief Financial Officer at the dynamic State-Owned Company (SOC) Transnet and winner of two CFO Awards at the annual gala evening on 15 May 2014. 'Exposure' is a word he uses all the time. It's the reason he enjoys working in a challenging environment and he believes it's the key to a successful career when you're an aspiring CFO.

"First of all, and most people will tell you this, you need to enjoy what you are doing," says Singh when asked what advice he would give talented young finance professionals who see themselves as the leaders of the future. "Be excited by challenges and be the best you can be. To be a successful manager, there are personal attributes you need to have, but you also need an environment that allows you the space to develop."

Although government and SOC jobs don't have sexy or lucrative reputations, one of them could be exactly the right place to start as a freshly qualified CA, Singh suggests. "From an exposure perspective it doesn't get more complex than at an SOC or in the government. There is a reason entities like Transnet are state-owned. They do things that private parties don't have the risk tolerance for." At the same time, the number of interesting jobs is growing rapidly in the 'quasi-government' sphere. "Over the last couple of years we have grown a lot and we now have approximately 150 CAs within Transnet. 10 years ago that was less than 50."

Singh was the recipient of the 2014 Compliance & Governance Award and the Public Finance Award at the CFO South Africa organised event. He admits his surprise at being recognised for governance and compliance, since SOCs are often criticised for just that. "We were up against JSE-listed companies who have compliance top of mind. The perception associated with companies like ours is not one of prudent governance, but I think one of the things we have been able to demonstrate over the last years is that we have substance behind our concepts at Transnet. We have delivered on many fronts."

Hit the mark

Like other top CFOs, Singh said he enjoyed the gala event, which highlighted the important role of finance leaders in the country. "I think it was a fantastic event. The evening itself surpassed my expectation. Normally these gatherings are fairly drab. There was a good balance. The night was actually fun. The list of the participants was impressive and it was great for networking. I had not had the opportunity yet to meet the CFO of Eskom, for example. That resulted in a meeting afterwards. It really hit the mark and personally it was of course wonderful to be recognised." Singh suspects the panel of judges recognised how difficult it is to be successful at a state-owned company and feels emboldened by the positive reactions afterwards. "I think it has been recognised that is has been an extraordinary effort. I have received a broad reaction from people at the event, the rest of the CFO community, people within Transnet and some of our service providers. There seems to be consensus that the awards were well deserved." This confirms the strides that Transnet has made to get its house in order.

Singh smiles when he is reminded of the roars that resounded through Johannesburg's Summer Place when his name came up as an award winner.

“Being up against top-quality CFOs and being among the five recognized winners for 2014 is a great honour. And the panel of judges consisted of captains of industry, a very high calibreof professionals.”

Transnet had booked a table at the CFO event for a group from within their finance team. Besides mingling with the top echelons of the CFO world, the employees of the SOC also got to cheer their boss’s win. “The team contributed to these awards and I had invited them to join me at it so they could share the enjoyment of the evening, particularly if we won anything,” Singh says. “Personally it is very gratifying. It is the first external recognition award I have ever received. Being up against top-quality CFOs and being among the five recognised winners for 2014 is a great honour. And the panel of judges consisted of captains of industry, a very high calibre of professionals.”

Surprising appeal

Working in the public sector shouldn’t be under-estimated; it can have a surprising appeal, says Singh: “It is a personal thing. It is the challenge, I think. There is rarely a month, week or day that I am not pushing my own boundaries. That motivates me. You have the best opportunities to develop yourself. There are always competing objectives: commercial, socio-economic and regulatory. I don’t think I would be as challenged and exposed in the private sector. I sometimes wonder what comes after Transnet for me? There is very little out there that is equally interesting to me, there are very few complex organisations like Transnet.”

Singh says Transnet is “probably” one of the healthiest SOCs in South Africa. “We are outward-looking. Our focus is on letting South Africa Inc. grow. How do we make the county more competitive? Making a difference is also something that is crucial to me personally: we are impacting people’s lives, creating jobs, providing economic benefits and developing skills. We‘re a different organisation to the Transnet of 7 or 10 years ago; we are now competitive. I really enjoy being successful and putting my function at the heart of the business. We grew revenue 30 to 40 percent in the last 3 to 4 years and we’re able to generate good amounts of cash.”

Audacious plan

Transnet has been in the news a lot because of its Market Demand Strategy (MDS), which includes a 330 billion rand commitment to infrastructure expansion. “We fully understand what is happening on a macro-economic level, but despite the downturn we are continuing with our audacious plan. We said let us understand what the long-term view on our main commodities looks like. A short-term decision would not allow us to plan for the next boom. We think the markets will be down for another 3 to 5 years but we are looking beyond that.”

“There is a broad consensus that counter-cyclical investments bring their fair share of risks. Given the fact that we are state-owned, we are required to take that risk where others don’t. It is the right thing to do for the country. At the same time we are looking at diversification like providing parking for empty containers, investments in Africa that don’t put the balance sheet at risk, and looking at capital optimisations.”

The MDS programme required finance transformation in the most literal sense, Singh explains. “The team is significantly different now. We had a team that had the skills required for the disposal of assets. We needed a different type of skill to execute MDS. Once we had MDS approved, we needed to deliver. Capital integration and assurance as well as cost-effective funding have been important. We need to manage capital risk at a different level, having had to borrow 130 billion rand. You can’t do that with a traditional Finance team. You need skills, innovation and experience. We needed a function that could analyse, pushing the boundaries of thought leadership and therefore we have enhanced the team considerably.”

“Making a difference is also something that is crucial to me personally: we are impacting people’s lives, creating jobs, providing economic benefits and developing skills.”

We are very transparent, but...

Although it might not be every CFOs favourite topic, the level of governance and compliance can be defining the quality of their work and their legacy. During the selection process for the CFO Awards 2014, the panel of judges asked South Africa's top CFOs some difficult questions. Is integrated reporting a waste of time?

How do you deal with the difference in interests between your shareholders and your other stakeholders?

Jannie Serfontein, Chief Financial Officer at Eqstra
"There should be a fair balance. Shareholders are very important and we need good ones. Currently about 30 percent of our shares are with Coronation Fund Managers and other big portions with Old Mutual Investment Group, Investec Asset Management, PSG Alphen Asset Management and Allan Gray – all big blue chip shareholders. The problem is that they can start dictating to you."

John Snalam, Chief Financial Officer at Coronation Fund Managers
"If your clients are happy, it will align all stakeholders, including shareholders, employees, and others. Client satisfaction through investment performance and proper service is what we focus on."

John Snalam (Coronation Fund Managers): "If your clients are happy, it will align all stakeholders, including shareholders and employees."

Megan Pydigadu, Chief Financial Officer at MiX Telematics
"Shareholders, employees, customer suppliers, communities are all stakeholders. One of our values is building relationships. That is very important. We are a South African company. We need to be giving back. We started a B-BBEE-company with a Trust on top, which administers a bursary programme for dependents of staff below a certain level. We also build community centres. We're finding a nice, happy balance."

Wynand Greeff, Financial Director at PSG Group
"One always has to consider the interests of all stakeholders. PSG is a company that prides itself on good corporate governance – integrity is non-negotiable. We believe in being completely transparent, in good times and bad. Although we consistently aim to provide shareholders with a superior return, it should never come at the expense of other stakeholders."

What level of transparency do you reach in your integrated reporting and how has it developed over the years?

John Snalam
"Our reporting policy has been progressive. We are as transparent as we possibly can be. However, when it comes to our remuneration structure, we limit disclosure. Our business is about human capital and is highly competitive. We limit the disclosure of what individuals earn. We do disclose what the CEO, I and the other directors earn, but we are reluctant to unveil the extended remuneration structure."

Wynand Greeff
"As mentioned earlier, transparency is important. We have always applied this principle in communicating to stakeholders in a clear and concise way. That said, King III is a guideline, not a rule. More work is required now that the JSE has written some of the King III guidelines into its listings requirements. However, we don't always agree with these; the rule that non-executive directors should not own shares in the company which they serve is one example. One can spend a lot of time on integrated reporting, but we believe in 'get to the point and get on with it'." ●

BY JOËL ROERIG

4 questions for Granville Smith, KPMG Partner in charge of the Internal Audit Business Division.

Turn risk into opportunity

"Turn risk on its head and explore the opportunities offered by signals of change in the marketplace," says Granville Smith, KPMG's Internal Audit boss in South Africa, in an interview with CFO South Africa.

1 Which aspect of your work do you enjoy the most?

"I am fortunate that I have the opportunity to engage with different clients across various industries with different business models and different strategic thinking. The opportunity to provide advice on the organisation's key risks and controls and more importantly having insightful debates on how they can improve their operations is the part of my work that I enjoy the most. I am also excited about the opportunity to oversee the development of individuals working for KPMG. It is a real thrill to see how individuals develop and how our guidance assists them in becoming trusted advisors to our clients."

"A good internal auditor should not be afraid to enter the competitive fray of ideas."

2 How can CFOs leverage the knowledge of internal auditors better?

"In my view a good internal auditor should not be afraid to enter the competitive fray of ideas. One of the early lessons that I have learnt in my career is that you must have a view and more importantly that you must not be afraid to share your views. Our clients expect us to express our thoughts – you should not and must not play it safe, otherwise you will not create value. Like in any argument, the person looking from the outside in will always have a better feel or view of the problem and quite often can offer better advice than individuals involved in the argument. I have however also learnt that you are only able to offer real insight if you make an effort to understand the environment and the issue. You cannot advise the client on a payroll issue if you do not understand the size of the payroll, legislative requirements, the client's policies and procedures or strategic direction."

"Good internal auditors have a unique insight into the client's business and operations and often CFOs could better leverage this knowledge. Internal auditors might not always have the same level of management's business acumen or the deep understanding of the strategy of the organisation, but they are better placed to understand how operations, rules and policies impact on each other. They also have the benefit that they see the organisation in its entirety and through a different and objective lens, therefore they possess an understanding of the

"I think many businesses will be surprised by the wealth of knowledge and views that their team of internal auditors will bring to the table."

business that should be valuable for any CFO or business leader. In my view, if I was the CFO of the organisation, I would have weekly discussions with my internal audit team on how they view the business – I think many businesses will be surprised by the wealth of knowledge and views that their team of internal auditors will bring to the table."

3 What are the biggest risk issues in 2015?

"CFOs recognise the direct link between being able to manage risk, business performance and creating value. In a global business environment, KPMG's risk professionals are trained to challenge executive management in terms of understanding and unpacking key risks that face the organisation and ensuring their mitigation strategies and action plans will have a direct impact on bottom-line performance."

"Every organisation's circumstances are different, and therefore the key risks for one Board may not be the same as the key risks for another. But there are some risks that I believe most Boards and organisations need to address. In South Africa currently the electricity or power supply challenges are a risk that cannot be underestimated by any Board. A common issue faced by every Board and organisation is the impact of the slowdown in economic growth. This has an add-on risk on all industries from the public sector for tax revenue, to miners, retailers and manufacturers."

"Are you taking enough risk to win?"

"Another issue faced by every Board and organisation is innovation and technology. Innovation is changing and disrupting business models in a dramatic way. This is something every Board needs to monitor very carefully. Management complacency is the biggest risk of all. Beware of the boiling frog syndrome. At KPMG we believe we need to get back to basics, i.e. make sure your risk management, internal controls and assurance plans are aligned and focussed on how to improve the bottom line – in the short-, medium- and long-term."

"I also believe that one should not only focus on the negative side of risk – it is about moving risk to value. Turn risk on its head and explore the opportunities offered by signals of change in the marketplace, like digitisation, innovative business models and new technologies. I will encourage all CFOs to ask the question 'Are we taking enough risk to win?'."

4 What are typical mistakes CFOs make relating to corporate governance?

"Unfortunately there is no list of common mistakes that CFOs make when it comes to corporate governance, as industries, companies and executive teams are not the same. Many business leaders including CFOs take a 'tick box' approach to corporate governance and fail to leverage the efficiencies of the convergence of strategy, risk, performance and governance. The economic and industry cycle are also factors. For instance, in recession or low-growth periods such as we are facing at the moment, CFOs are often challenged by shareholders and the Board to cut costs. It can be tempting to do this superficially or to cut too deeply."

"CFOs have to give careful consideration to rationalising parts of the business or trimming expenses. We see the consequences of cutting costs in the medium term with the impact it can have on control frameworks e.g. reducing headcount can result in poor segregation of duties, over-burdened staff and key-man reliance, to name but a few consequences. This increases the risk of fraud or results in poor application of controls leading to losses."

"Awareness of fraud risk becomes even more relevant during difficult times. Likewise, in our profession when CFOs are looking at reducing the internal audit budget, they do well to ask first whether they have optimised their combined assurance strategy (i.e. making sure that the right assurance providers are giving comfort and that there is no omission or duplication of effort) and are using data analytics to get the most optimal coverage and insights into risks."

"When it comes to organisations' out-sourcing internal audit functions, in order to reduce costs and headcount, we have found that our experience counts. KPMG has taken over Internal Audit departments in terms of Section 197 of the Labour Relations Act, and have yielded good results for the organisation, as well as improved outcomes for the employees. And at the end of the day, good governance is about achieving results in an ethical and sustainable manner. Therefore it is not about doing less or more, but more importantly doing the right thing, religiously, if not fanatically." ●


Granville Smith (KPMG)

BY JONATHAN YUDELOWITZ, JOINT MANAGING DIRECTOR OF YSA LIMITED, AUTHOR OF 'SMART LEADERSHIP' AND EXPERT INSIGHT CONTRIBUTOR TO CFO.CO.ZA

Saying no to the CEO!

"It takes more than intelligence for an intelligent person to behave intelligently," Dostoevsky astutely observed. What this means for a Chief Financial Officer or Financial Director is that to be effective, he or she must develop self-awareness and become fully comfortable with the non-rational in himself or herself, others and the world.

Exercising judgment is more art than science.

I was recently coaching an FD, who soon after being appointed was being pressured to circumvent procurement rules and give a contract to one of the Chief Executive Officer's political connections. Incidentally, this was a company where politics matters a great deal.

As FD, she had a fiduciary responsibility to refuse to do as he demanded and to ensure that the procurement policy was properly followed. At the same time, she was well aware that she needed to build a working-relationship with the CEO, and wanted to avoid any hostility in her relationship with him. She felt very troubled by this dilemma and imagined that if she were more experienced or perhaps if she were a man, she would somehow know how to handle the situation.

As the pressure for her to accede to her boss's demand grew, she felt more and more like an imposter: her inner conflict causing her to become paralysed in analysis. She began to second-guess both her conscience and professional judgment. She sensed that she was 'losing her grip' and began to ques-

Jonathan Yudelowitz (YSA Limited)

To fulfil the mandate of providing effective financial leadership, you must be able to sometimes say no to the CEO.

tion whether she was the right person for the job. By doubting herself and not taking firm action, she would be failing to fulfil her mandate, which would have meant that her assumption about not being good enough would have become self-fulfilling. When she acknowledged just how she was setting herself up, she stopped blaming herself and became more comfortable with her authority as well as firmer in her resolve to stand her ground.

She also came to appreciate that although the dilemma was difficult for her, it was not an examination or personal test; even though this is exactly how it felt. By gaining such perspective she was able to set about garnering others' advice and support.

Through the experience the FD gained invaluable perspective on her tendency to doubt herself when questioned by an authority figure and to over analyse and want to solve the resulting problem alone. Consequently, she was able to handle the issue in a way that was right for herself, as well as the company. She will no doubt encounter such quandaries again; but by being aware of her default reactions, she has begun to establish a frame of reference appropriate to her authority as an FD – to help counter her default coping patterns.

Assumptions are essential when dealing with the uncertainty implicit in the future or other people's perceptions. To be useful and constructive they must become working hypotheses, which get tested against reality. The dangerous default is that they come to be treated as fact.

For example, people who assume they should cope alone give the impression that they neither want nor need support. In fact, other people are likely to turn to them for help, resulting in their feeling very much alone as well as unsupported and burdened. This reinforces a deeper belief that they must always be strong and self-reliant. In a similar vein, if one assumes that it's one's duty to please others, one will be unlikely to express or assert one's own needs. The inevitable consequence is that everyone else gets priority and the project of pleasing others becomes the story of one's life.

While the fiduciary and executive responsibilities of a CFO or FD may be defined, the real-time process of exercising judgment; of taking not only the rational, but the potential political and emotional realities into account when one applies professional knowledge and skill, is more art than science. It cannot be codified or programmed.

Hence, the FD role demands responsibility. It demands that one becomes aware of one's assumptions and the way they make essentially uncertain circumstances seem predictable or controllable. Self-awareness on the other hand helps one see things as they really are – to notice the full range of possibilities that are around one, as well as the dangers that actually exist – and choose one's actions accordingly. This forms the basis of true authority, necessary to really shape one's circumstances. To fulfil the mandate of providing effective financial leadership, you must be able to sometimes say no to the CEO. ●

BY JOËL ROERIG

Rofhiwa Irene Singo on turning around public institutions.

CFO Clean Audit

Popularly referred to as 'CFO Clean Audit', Rofhiwa Irene Singo leads the Finance Department at the Department of Mineral Resources, and has a remarkable story of perseverance to tell.

Irene, as she prefers to be called, has been instrumental in turning around the failing financial reporting at three public institutions and prides herself on having achieved these under very difficult conditions. "I always knew that I could do it, hard and smart working paid the price. The name CFO Clean Audit resonates well with me and I like it," she says.

A humble woman from a rural background, Irene hails from Tshilamba, in the Vhembe district of Limpopo formerly known as Venda. She recalls losing her father when she was three years old. "My mother had to assume the role of raising me and my four siblings on her own at the age of 29. It has not been easy," she says. "My brother was already in university and that made it very difficult for my mother to cope financially, but with the support of her extended family she never gave up on making us realise our dreams."

Irene started her career in accounting by studying accounting at the then Technikon Northern Transvaal, currently known as Tshwane University of Technology. She then returned to her hometown, Thohoyandou, and worked in the local branch of Standard Bank. During those years, there were only one or two banks in the area, which meant that there were always long queues to deal with. However, she strongly feels that this is where the foundation for her successful career in the private and public sector was laid.

Determined as she was, Irene decided that nothing was going to stop her from pursuing her aspirations of becoming a Chartered Accountant. In 1996 when she was working for the University of Venda, she enrolled for a BCompt degree with UNISA (University of South Africa) studying part time "in between three wonderful boys", she recalls. She later joined her husband who was based in Pretoria.

Going to Pretoria gave Irene the opportunity to do her articles with the Auditor-General. However, because she had not yet completed her degree, she had to start at the Finance Department and later moved to auditing and training. During her articles she was shortly seconded to Deloitte for further accounting work, to maximise her exposure. Auditing itself was never a career that appealed to her. "I didn't like it. You always had to be in people's faces, you always had to tell people where they were wrong and you never had the opportunity to do something about those problems yourself," she says.

Irene worked for a period of time as a Group Accountant in the private sector at Datacentrix, and then decided to join government. She was appointed Director of Finance in the Deeds Office and later on moved to the Department of Rural Development, where she spent the longest time and became acting CFO of this department.

"I love making a difference."

Rofhiwa Irene Singo (Department of Mineral Resources)

"As public CFOs we put a lot of effort into reinventing the wheel."

In August 2013, she moved to the Department of Mineral Resources, where she was appointed CFO. “I love making a difference and I call myself CFO Clean Audit, because that is where my pride lies”, she says. “When I joined the Deeds Office, their audit report came with a qualification, which I managed to resolve. Also, at the Department of Rural Development, the audit report came with a qualification, which I resolved as well. In my first year at the Department of Mineral Resources I couldn’t do much, but with the help of my team and some consultants, I believe we managed to get it right, although our audit report has not been published yet.”

“If corruption stymies progress, that needs to be addressed.”

Asked how she managed to achieved these successes, she highlighted attitude as a determining factor. “You have to find the root cause of a problem and uproot it. You have to find people with the right attitude. People from the Department of Rural Development, where I was acting CFO until in 2013, had recently phoned me and said ‘yes, we did it’. That shows the right attitude. As a leader, you have to motivate your team. There will always be 1 or 2 people that won’t come along, so you leave those behind,” she says. “If corruption stymies progress, that needs to be addressed. If people have bad intentions, you pick it up very easily. If the Director-General and the Minister are not towing the line, it becomes very difficult to steer away from corruption. I have been lucky in that sense.”

Irene is also responsible for Information Communication Technology (ICT). Working closely with the CIO, she is currently laying the groundwork for automating the applications for efficient registration and execution of mining licences. “Any CFO hates it when processes waste time and one of my recipes for success is the fact that I refuse to completely rely on consultants, something that sometimes happens to finance leaders in the public sector due to lack of human resource and IT capacity to deliver on pressing mandates,” she says. “Most firms are uncomfortable to work for me, because they really need to work for their money. You can’t raise the bill every year, without showing improvement. The problem is that often the scope is not clearly defined. As a CFO you want the problem to be fixed and you end up not spending enough time writing the scoping document properly. That always leads to lots of extra expenses.”
In between career growth and family, there was never enough time to focus on the qualifying exams. “I have made a difference in my career life, now I believe the time is right to attempt for the board exam in January 2015,” says Irene. She is currently on study leave following her dream and hoping to cash in on her perseverance and finally acquire her CA title.

Pressed about her ambitions, Irene says she wants to work for the government for about 4 to 5 years – and give it a go in the private sector by the time she turns 45. “My days are filled with doing everything in my power to not receive a qualified audit. Everything is always about compliance. We don’t have time to sit back and wonder ‘how can I improve?’ But I really want to make a difference in the public sector first, although I sometimes wonder if I can do that properly as a CFO,” says Irene. Is the role too inward looking? “As a CFO you don’t get the opportunity to look at other departments. That is why I am looking forward to the time when I will be a qualified CA, because I would like to sit on audit committees of other departments to learn, contribute and influence.”

Irene is excited about the network opportunities that public CFOs like her have acquired since the inception of CFO South Africa. “As CFOs in government, even within departments, we operate within the same environment, but there is not a lot of sharing of information or best practices. There is a CFO forum in the Treasury, but that is all about ensuring compliance and reporting. If we need a sourcing strategy, for example, I must be able to make reference to the strategy that has worked successfully in another department and adapt for my specific environment rather than starting from scratch. As public CFOs we put a lot of effort into reinventing the wheel.” ●

CFO South Africa launches Public Finance chapter

Heeding a call many Chief Financial Officers in the public sector have made over the last year or so, CFO South Africa has established a separate chapter for public CFOs. The Public Finance Chapter gives CFOs of departments, municipalities and other governmental bodies the opportunity to share knowledge, discuss challenges, network and listen to solutions that partner organisations have to offer. BY JOËL ROERIG

The inaugural meeting of public CFOs took place at the Cape Town Club, a national monument in the Mother City, on 13 November 2014 and was a resounding success. Afterwards, acting SARS CFO Bob Head said the round table "was a lot more fun than I thought possible", CFO Dumisani Dlamini of the National Arts Council of South Africa (NAC) called the discussion "one of the most brilliant conversations I ever had" and Peter Goss of audit and advisory firm SizweNtsalubaGobodo said the planned regular meetings of the public chapter of South Africa will be "a critical enabler to our public sector growth".

Balancing compliance and performance

Cooperative Governance and Traditional Affairs Minister Pravin Gordhan has recently put great emphasis on the need for improvement among public CFOs. That is exactly where the Public Finance Chapter of CFO South Africa comes in, with an important role in the offing for the Accountant-General and the Auditor-General as well. "It is important that we take this public CFO group

Economic Development CFO Semphete Mildred Oosterwyk listens attentively

Clifford Appel, Chief Financial Officer at the Department of Social Development, signs up for the Public Finance chapter of CFO South Africa

Dr. Ivan Meyer, Minister for Finance in the Western Cape, fully supports the initiative

further and I am dedicated to doing so," says Melle Eijckelhoff, CEO of CFO South Africa, which has fast become the leading network and knowledge-sharing organisation for finance leaders in the country.

"Each and every CFO seems to have pockets of solutions. If we have a coordinated approach, we can have a stronger impact."

During their first meeting, the public CFOs discussed how they could increase their impact on the performance of public organisations. They shared stories and openly told their peers about their successes and failures, their goals and their personal drive. "The environment in

"Clean audits and clean water are both demanding attention."

which they do their job is extremely complex and challenging. All of the participants were dealing with the balance between spending time to comply with the rules and regulations versus time to focus on the real performance issues," said Eijckelhoff. "Clean audits and clean water are both demanding their attention."

Inspiring and fun

Dr. Ivan Meyer, Minister for Finance in the Western Cape, remarked that discussions like this – "where we raise our arguments instead of our voices" – will get his full support and can contribute a great deal to the development of our public institutions and professionalism. "We now need to make sure we sustain the conversation," said NAC CFO Dlamini. "CFOs have raised critical issues around legislation, audit and value for money. Each and every CFO seems to have pockets of solutions. If we have a coordinated approach, we can have a stronger impact. Most solutions are already there."

Eijckelhoff said is was inspiring to hear how the public CFOs are determined to have more impact beyond the boundaries of financial accounting. "And it was fun to share stories! We all agreed that the dialogue between CFOs, the Auditor-General and the Accountant-General should increase. Sharing ideas, experiences and solutions are the key towards continuous improvement." ●

Are you a public sector CFO, but not yet part of our Public Finance chapter? Send an email to jmorsch@cfo.co.za and join your peers.

BY JOËL ROERIG

World class tier 1 ERP for government

Finally the rollout of an integral ERP for government departments is near.

Admitting mistakes is not something we have come to expect from governments. Lindy Bodewig, Chief Director at the National Treasury, admitted some mistakes were made while reflecting on the failure. These mistakes have provided national treasury with a much more sober and realistic outlook to the implications of implementing an ERP. During a candid round table with CFOs from the public sector, Bodewig charted the way forward and promised the anxious finance leaders light at the end of the tunnel.

"The digital age has moved forward and the government has slowed down," Bodewig said during a breakaway session of CFO South Africa's Get Smart in 2015 event, hosted at the JSE Limited in February. She told the CFOs that the National Treasury, the Department of Public Service and Administration (DPSA) and SITA (State Information Technology Agency) are currently evaluating bids from "world class tier 1" vendors for the so-called IFMS project. Bodewig and her colleagues don't want to mention names yet.

"The objectives of IFMS are to change antiquated processes, bring government into the digital age and move towards managing resources for performance," says Bodewig. From 2004, the government had attempted to create a custom-built ERP system, but this proved too complex, complicated and costly. "Since then, the Accountant-General has taken over. Basically, the business people have taken over from the technical people."
Time pressure is now on, Bodewig admits: "The lifecycle of our legacy systems is finished and its language is no longer compatible with the latest technological developments. This makes the costs of maintaining legacy systems very expensive. We have been trying to make things easier, for example by bringing information into Microsoft Excel, but this still means there are a lot of manual processes in the CFOs' offices. CFOs are spending way too much time on the numbers and way too little on strategy."

IFMS aims to provide an integrated solution for Supply Chain Management, Human Resource Management, Financial Management, Payroll and Business Intelligence. Bodewig says the departmental and provincial CFOs have an important role to play in shaping the exact way the system is designed. "For example, in the future people could be able to capture leave forms on their cellphone and send them off. That is one of the things we want to discuss with you, the CFOs."

Many of the CFOs present said they were "traumatised" by the previous ERP implementation process, that has been dragging on for a decade. "We've been through hell during the last two years," Bodewig conceded. With advice from Gartner, the World Bank and a big accountancy firm behind her, Bodewig is confident that the right path has now been chosen. "They all said the same: implement a vanilla ERP system with as little customisation as possible. It is an opportunity to look at best practice within the government, but it is also a big change management exercise. There will be a lot of disruption and 35,000 people will be directly impacted in their work."

"We have promised cabinet that we will be done by 2021."

At the moment there is a moratorium on buying new hardware software, with which departments have to comply. Once an ERP system is chosen, a tricky period will follow when legacy systems will operate next to the new ones. Bodewig says that the pilot phase of IFMS will start next year in the Western Cape and Eastern Cape, with the rest of the national departments and provinces following afterwards. "We have promised cabinet that we will be done by 2021." ●

BY JOËL ROERIG

Continuous improvement public sector finances

Not only were National Treasury Chief Financial Officer Dalu Majeke and Unisa's Finance Director Vuyokazi Memani-Sedile nominated for the 2014 CFO Awards, they have also been staunch supporters of CFO South Africa from its inception. On this page they share some thoughts on the continuous improvement of financial management in the public sector. "There should be no difference between the public and the private sector in professionalism and in the quality of the financial statements."

Dalu Majeke

"We need to continually improve. How? By training human beings, sharing and communicating. We need to raise the problem, come up with a solution by looking at it with different hats on. Even the lowest graded person in government can have useful inputs. We need to continuously challenge the system and bring new initiatives in order to enhance integration so as to bring efficiencies within the system."

"When I joined the National Treasury, the quality of information that the Finance team produced was not ideal and processes were not streamlined. I am a supporter of business engineering. I went on training in Mauritius and learnt that garbage in is garbage out. Now we don't compromise and the quality of our information has improved enormously. Everybody in Finance now knows what we are doing. In that we have built knowledge management and brought consistency in achieving and exceeding planned targets."

Vuyokazi Memani-Sedile

"There should be no difference between the public and the private sector in professionalism and in the quality of the financial statements. Training is crucial to accomplish this. The more we work with professionals that understand the importance of continuous professional development, the better chance we have."

"If this was your money, what would you do?"

"When I started here we used to take many months to do our financial statements. Now it takes 3 months and our goal is to be done by the end of January. Our month end procedures need to be up to scratch to accomplish that. Government departments need to be done in 2 months; that is also achievable for us."

"The way we have been doing budget control has been important and we have also been raising more awareness about the fact that we work with tax payers' money. R1,000 wasted sounds like a little, but many times R1,000 add up to a huge amount. If this was your money, what would you do? We present the budget at staff assemblies. I feel that the mindset is changing." ●

BY DUMISANI DLAMINI

An Expert Insight by Dumisani Dlamini, CFO at the National Arts Council of South Africa.

Public sector CFOs should involve line managers

Line managers in government departments, municipalities and other public institutions should prioritise financial management and public CFOs should help them with that, argues Dumisani Dlamini, CFO at the National Arts Council of South Africa (NAC).

Dlamini has a wealth of experience in municipal audit committees and as former Senior Finance Manager at SARS. He believes "working for the government gives one a sense of higher purpose." For his Masters of Commerce degree he wrote a dissertation on how to improve financial management in government. In this article he summarises his conclusions.

Financial Management is one of the critical functions in organisations in the modern world. The goal of managing finances is to maximise the value of the owner's financial resources. For the purpose of this article, government is the shareholder or an owner.

South African public finances have been affected by the global financial crisis in recent years. Lower commodity and asset prices as well as automatic stabilisers have caused fiscal revenues to decline. During the second half of 2012, South Africa experienced economic instability, which caused a 16.3 billion rand revenue shortfall.

State resources can't keep up with the increasing demand by citizens for government services. This creates a gap between citizens' expectations and services received from the state. This calls for state officials to show greater accountability for funds they manage and for better operational efficiency (Montondon, 1995 cited by Aikins, 2011).

It is critical that public sector managers come up with ways to strengthen financial management within the constraints of limited resources, without compromising the quality of their services. They can do this by introducing measures to improve efficiencies in finance and the quality of organisational policies.

Finance departments should have skilled staff members who can assess the effective deployment of financial resources, eliminating waste and unauthorised expenditure. The finance team should make recommendations that improve performance and enhance operational efficiency (Aikins, 2011).

Financial management is a key function in government. It can help to stimulate economic growth and fiscal balance. South African public financial management comes with its own challenges e.g. poor management of financial records and financial administration systems. If these aspects of financial management are not in place, institutions are at risk of underspending, overspending, or theft of allocated funds. All this impacts an institution's ability to meet their strategic objectives.

Each government entity needs to stay up-to-date with financial information and continually review its processes to improve financial management and stay competitive.

The International Federation of Accountants (IFAC) requires public sector organisations to ensure that there are measures in place that assist in efficient and effective financial management and budgeting. They also need to have governing bodies that will establish relevant procedures that assist public entities to report on how effectively and efficiently they have used their resources (IFAC, 2001).

Financial management is not only a responsibility of a Finance department or a CFO, however (Shank, 1989). Today's competitive business world requires line managers to have immediate access to financial information such as rolling forecasts, channels and services in order to better manage organisational resources.

Line managers need to prioritise financial management and give it the time it deserves to prove that their business units are serious about improving financial management. Most of the financial management key performance areas (expenditure management, asset, travel, procurement) are only included in the performance agreement of finance employees not line managers and operations employees. In addition, good partnerships between Finance and line managers are useful in the daily management of operations, which includes asset management, procurement and expenditure management (Baxter and Chua, 2003). Financial management is a collective

responsibility that requires internal control and daily discipline. It is also dependent on competent and committed Finance staff. Hoe (2009) suggests that most organisations expect finance to reduce time spent on processing transactions so more time can be spent on analysis and reporting to help managers make instant and sound decisions.

This calls for CFOs to move beyond cost cutting to the creation of value using available financial, technological and human resources (Hoe, 2009). This shift includes assisting with the management of cost at a planning stage (Shank, 1989). Arthur (1996) and Johnson and Kaplan (1991) view Finance's role as critical in financial management as it helps line managers measure the financial impact of decisions and strategies. This can make a big difference particularly during scenario planning. When CFOs move from a gatekeeping role to become strategic partners to the business, they can better respond to the modern needs of various business units within their organisations. Achieving tangible business results can be influenced by Finance staff, particularly Finance managers, with a solid business alignment.

Firstly, Finance staff can be of assistance in aligning functions, strategic divisions and regions to realise synergies and improved revenue. Secondly, they can assist management to unleash unexploited management resources through focused, reliable and consistent management reporting. Lastly, Finance is better placed to allocate resources against projects of strategic importance through overall business impact monitoring.

CFOs need to understand that they should use the management function as an enabler to help achieve the organisation's strategic goals. They need to spend time with business units they support to understand their operations, rather than spending time with each other at the Finance department.

Understanding organisational objectives can assist Finance to develop better understandings of risks and costs, helping them to maintain a balance between good financial management and business goals (Iversen and Wren, 1998).

Finance can learn more from line managers while line managers can learn more about Financial management from their finance colleagues. The institutionalisation of a culture of financial management is dependent upon Finance and line managers having a common understanding and working together to achieve organisational strategic objectives. Coad and Cullen (2006) propose that finance should go beyond normal organisational financial boundaries and be a part of the integrated system.

For cited references email **dumisani@nac.org.za**

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BY NEIL MORRIS, YOLISWA MSWELI AND SARAH BALL, KPMG SOUTH AFRICA

What is your Social Return on Investment?

How does measuring your Social Return on Investment add value to businesses? Neil Morris (Director, Financial Risk Management) and his KPMG South Africa colleagues, Yoliswa Msweli and Sarah Ball, list 5 examples.

Whether social investment is central to your business or not, it is undeniable that all companies have social touch-points, which mean that companies influence, and are influenced by, the societies in which they operate.

Reasons for focusing on social development differ from organisation to organisation. For some, social investment and stakeholder engagement is centred around maintaining a social licence to operate and reduce stakeholder risks, while for others it may be more relevant in terms of galvanizing employee morale and engaging staff, or showing visible commitment to national imperatives such as the National Development Plan. Many companies carry out social investment activities to strengthen their pipeline, both of material supplies and skilled employees.

Regardless of the motives, these are all strategic imperatives for your company and should be taken no less seriously than other decisions made at a strategic level. Social Return on Investment (SROI), which quantifies the impact of your social investments and determines the socio-economic returns it creates, is one way of elevating conversations about social investment appropriately. It allows the formation of a ratio between the investment made and the return achieved, as well as being able to identify to which stakeholder this value has accrued.

Our experience working with social investors, and more specifically, working with SROI, has revealed a number of ways in which these types of analyses are able to add value to businesses directly:

1. It feeds directly into your business strategy: Knowing which initiatives achieve the most impact and have the greatest positive effect on the intended stakeholders allows the decisions around social investment to be made from the same sound fact-base as other business decisions. This means that funds can be spent more effectively, achieving greater value for money, and essentially allowing a company to 'do more with less'.

Many companies carry out social investment activities to strengthen their pipeline, both of material supplies and skilled employees.

SROI evaluations can also be carried out predictively, giving an indication of the likely benefit of an investment, and a clear understanding of which stakeholders are positioned to benefit most. This can save significant waste of social investment funds as the initiatives are far more likely to achieve the desired impact if they have been selected on the basis of their predicted ability to do so.

2. It is able to ascribe a financial value to social impact of development activities, which enhances the reporting capacity and degree of transparency in the integrated reporting process. Although most of the capitals lag far behind financial capital in terms of their ability to be objectively reported, understood and compared, the momentum being gained by tools such as SROI bodes well for a more holistic approach to understanding the value being created by business, increasing the value of the integrated report.

3. It helps to identify risks in your social investment processes and implementation plans. This is particularly relevant where separate legal vehicles such as Trusts, Funds and Foundations are used which, completely unlike any other business functions, are penalised for underspending. As a result, these vehicles often disburse money under pressure, which leads to it not being spent strategically, and without appropriate due diligence processes.

   If the intended return is not being achieved, or if it is accruing to stakeholders other than those intended in the project design, a flag is raised as to possible irregularities which, if identified early, mitigate reputational and stakeholder risks.

   Leading from this, it affords members of the Social and Ethics committees the tools to treat their fiduciary duties with regards to social investment with the same gravity and objectivity as other Board committees manage their respective portfolios.

4. It gives you a clear understanding of WHO is benefiting from your investments, and how much of this benefit is attributable to you: Is most of the value accruing to the company? To project beneficiaries? To government? Is this who you were hoping would benefit? Knowing this helps provide a platform to create partnerships with the beneficiary stakeholders, or leverage the positive impact you are making on them to achieve greater value for your own business. It also gives you grounds to alter your investment if the desired beneficiaries are not being reached.

It gives you a clear understanding of WHO is benefiting from your investments

   In order to work out what percentage of the impact achieved is attributable to you, the SROI methodology takes into account attribution and counterfactual information (information that tells you about the contribution of others, as well as what would have happened regardless of your intervention). This informs the degree to which you are responsible for any impact experienced. In this way, you are able to understand how much credit you are able to take for impacts created, as well as to know who is responsible for the remainder, once again forming a valuable basis for decision making and the creation of partnerships. If this information is taken into account predictively, it is able to enhance impact, decreasing any waste that would have taken as a result of duplication and laying the foundation for constructive partnerships before the project begins.

5. It provides a consistent measurement tool: Although the number of SROI assessments carried out to date is not large enough to have allowed for the development of robust benchmarks and points of comparison, the growing body of case studies is building a sound basis for shared learning and year-on-year comparison of the social investment portfolio of an individual company. Eventually, this will translate into a large enough pool of studies for companies to compare their projects with one another, strengthening the response of business to the country's most pressing social issues and, in turn, creating a more stable society in which business is able to function more effectively, as well as continuing to drive improved value for money in the social investment arena.


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