



The Accounting Podcast Series

S04E02: Gunther Burghardt

A journey to CFO: How Accounting and Finance get a seat at the strategic table

Transcript

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A: Welcome to TAPS, The Accounting Podcast Series. I'm Albie Brooks, and working with me is Abbey Treloar. Today our guest is Gunther Burghardt. Gunther has built a global reputation as an organisational CFO as well as a team and people leader working in leading international companies. Gunther has held accounting and finance roles in such companies as Proctor & Gamble, Reckitt, the former Fosters Group, Treasury Wine Estates, Kraft Foods (now Mondelez), and most recently Blackmores, where Gunther has been CFO for the last two years, finishing up in March this year [2022]. Moreover, Gunther's interests in the development of those entering the accounting and finance field extend to his role as an Executive-in-Residence here at Melbourne a few years ago, as well as significant contributions to the development of interactive simulations and case studies to enhance the student learning experience. Let's fine out more. Welcome to TAPS, Gunther.

G: Thanks a lot, Albie. Really great to be able to join you today.

A: Perhaps we could start with the early days, Gunther. What attracted you to accounting and finance in the first place?

G: Well, Albie, I'd love to be able to tell you that it was this grand scheme and that my career was all planned well in advance, but that would be probably misstating things or overstating things. Truth was, I was good in high school at numbers and at the maths side of things, but likewise was good at English, good at history, et cetera. So I had a broad spectrum of interests and it was hard for me to decide what to go into. I knew it would be a business field but I wasn't sure which one. I was lucky because I went into a university that had a co-op program. So you got a broad selection of classes in the first couple of years, and then after the second year was done, companies came on campus and they would begin to hire you for four-month stints. And it just so happened that the company that made me the best offer was Shell Oil, and it allowed me to move to Calgary. And I had never travelled in Canada before; I'd always lived near my house. And I was really excited by the prospect of travel. It just happened to be a finance and accounting role. So really, that's how I ended up in finance and accounting.

A: Well, something must have worked in your favour because you've stayed with this now for quite a long time. So connected to this, what attracted you to industry? As you say, you had that offer from Shell back in those early days. You've spent a lot of time in roles in what I would term industry in organisations working in an accounting and finance role. So what attracted you to spend much of your career in industry as opposed to consulting or the large accounting firms?

G: That's a great question, Albie. I went on from Shell Oil. A couple of things I'd say. The co-op program had another benefit. If companies like what they saw, it was something that could lead to full time employment. And so as the last two years of my university degree unfolded, then you've got a choice. As you say, you get industrial companies wanting to hire you. You've got the Big Four, and they've got a very compelling offer.

Many, many finance and accounting students joined the Big Four firms. You've got M&A banks that are trying to hire finance and accounting people. In this case, what happened is my second and third co-op terms would end with Proctor & Gamble. There would be an offer to come to Toronto to work with them. And the great thing for me was they made me an offer to join them before I was finished my last year of studies, so that was a tremendous opportunity. It sort of takes a lot of pressure off where are you going to work. And I think what was great about Proctor & Gamble is they're a really good training company. So I was able to start in industry with somebody who could go through the basics. You know, how do you write an effective business case? How do you analyse financials in relation to innovation? But I think the other thing that really attracted me to industry, Albie, is if you get a choice of do I want to consult about something or do I want to audit something or do I want to own it, there was a part of me that really wanted to own it. And industry offered me a choice to – over time as my experience grew and my roles grew, industry offered the opportunity to really own the outcomes of things within a company rather than consulting about them or auditing them. All of them are good fields; all of them can be great career choices. I'm certainly not belittling anything else. But what I've loved about industry is that level of agency and ownership that you get.

A: Yeah, fantastic. So within those roles and over the years, how has that role of accounting and finance – perhaps in particular management accounting, but generally accounting and finance – how has that role changed over the years?

G: Yeah, and it's getting, as you say, close to three decades for me, so I've seen a lot of evolution, as you have, Albie.

A: Yes.

G: I would say that a few decades ago, accounting and finance were more concerned with the practice of illustrating the performance of a company through its financial statements. So it had really important objectives. They're basic, like how do we describe the backward-looking performance of a company? How do we ensure strong controls? How do we protect assets? How do we provide visibility? And these are still important things today, but they were the main driving factors behind accounting and finance a few decades ago. What I've seen in the last couple of decades is a huge shift as finance and accounting has morphed from being about counting the beans to helping grow them. And that sort of – finance and accounting has a seat at the table now, an opportunity to really help shape strategy and to make better decisions for the company. And that last couple of decades has seen a real shift as finance people become strategic partners, and it's really about how do you use advanced analysis to improve those decisions? And the accounting and finance function, we sort of sit in the middle of that access to information. The question is how do we use that information to make better decisions, to change the future for a company? That has been a huge shift in the last couple of decades, Albie.

A: I think it's just fabulous to see the accounting and finance functions sitting at the table with the decision-makers, as you say, compared to – or as well as – in the background providing information and data that is certainly necessary. But it's great to have a seat at the table and something that we try to convey to students through the education process as well, the importance of that role which I think also – which we'll come to shortly – opens up a set of other attributes that we need to possess as well. You mentioned about the information. So connected to that, what sort of accounting information is being demanded in companies and how is that changing? In other words, what sort of information is being required for consideration at that table that accounting wants to sit at?

G: Yeah, and that's seen as equally a quantum shift and a huge change. And I would say first of all the need for faster, more accurate, and much more detailed information has exploded in the last couple of decades. You hear this term "big data". You'd no doubt use that a lot at the University of Melbourne, and you hear it everywhere. It's not a well-defined term. So it's easier if I give an example of big data, Albie, and that makes it more tangible. One thing I'd get into is pricing and promotional data. We worked in consumer goods companies. So whether it's wine or it's vitamins, right? Finance maybe used to do a set of financial statements and maybe it used to be 20-30 years ago about just being a little more detailed and trying to provide a bit more information. When you look at questions like, "How do we price our products? How do

we promote them? How often? How much of a discount? To which customers?”, finance sits right in the middle of these kinds of analyses. And so the kind of information we would get there if we would get millions of data points from a company like Nielsen – that’s an external company – and they’re getting this information interfaced to them from large retailers, from small retailers, right?

And what you learn from that information is here on thousands and thousands of promotions in different cities at different times of day and different days of the week and different prices, here’s how much the consumers bought. And the shift has been that today the expectation is that we can use advanced statistical analysis, and looking at thousands and millions of data points from the past we can predict with a reasonable degree of accuracy how the consumer is going to respond to a certain kind of promotion at a certain price point with certain products on a certain day, and we can change that estimate based on how we do the promotion in-store. If you go into your local store and the promotion has an end aisle at the end of the aisle and it’s got shelf talkers that point you to the promotion and additional information, or it’s in the flyer or it’s online, you look at all these factors in your statistical models and you use history to predict what will happen in the future. So the kind of datasets that you need, you need internal financial data – how much does each product cost? What is the margin we make on each product? – but you also need external market data.

And so finance and accounting will sit there and fuse these multiple datasets together and then they will run algorithms to try and optimise a promotional program. And if they do that effectively, that strategic revenue management, and they partner with sales and marketing, that’s how you make the most money. You can calculate what the best outcomes are for promotional programs through the course of the year. And if you do that well and you make it a science, you can significantly improve the results of a company. So that’s the kind of area that finance and accounting is playing in now, whereas 20 or 30 years that whole concept of predicting consumer behaviour using the past was just really starting in industry.

A: Fascinating. It is so interesting that because of the amount of data that’s available, the assistance in the predictive nature of information is just amazing. A little on the pandemic, Gunther. You started in your most recent role as the pandemic took hold in Australia. Tell us a little about that, and the role of accounting in helping the company – without getting too much into the specifics, but helping the company to manage the crisis. What was critical in that? That must have been a really tough gig to start.

G: Yeah, it was. I had just returned, obviously, to Australia from a few years in California, and got here in January of 2020. So, as you say, Albie, we were just at the real beginning of the pandemic. And listen, I think it was really hard for everyone for a variety of different reasons. But what you saw is that for companies at the time when the pandemic began to ramp up, obviously for Blackmores it has a China business. So already in January we saw – perhaps earlier than some other industry which may not have Asian exposure, we saw the potential for this to be a huge risk event, sort of a black swan event. But regardless of how early companies saw this, one of the things that was a consistent theme is people dove really deep into risk management. Now, how bad is this going to get?

And the question for finance and accounting where we have a seat at the table, is you’ve got to run a lot of scenario analyses. Executive teams and boards alike were going, “Listen, I need to understand what is our worst-case scenario? What if this goes on for six months?” It seemed like a long time in January of 2020. What if it went on for 12 months? What if it went on for 18 months? And then the question is how would the consumers respond to it? Are borders going to close? Are we going to get access to certain materials? Are our customers going to be able to pay us or are they going to run into trouble? What do our supply chains look like?

So what happened is that management teams and boards realised that in order to ensure their survival, they first of all started to focus on cash, because you can talk about – you know, you’ve heard the old adage, Albie, “Profit is opinion, but cash is king”. Never is that truer than when you have a black swan event like a pandemic. So first of all, people went back to cash, and they said the thing that cannot happen is we cannot run out of cash and we can’t breach our debt covenants with our banks, because that sets in motion for a public company a whole chain of events that you don’t want. So what we did in finance and accounting is we began to look through all the scenarios, and within those all the assumptions. And you need to paint a

picture across that spectrum, “Here’s what the worst cases look like. Here’s how long we’re hearing from our community they could or could not go on. Here is the best case. Here is the most probable case.” And then once you look at all these scenarios, for each of them there are action steps the company should take.

If it was the best case, well, demand for immunity vitamins will go up; we don’t need to do anything. That’s the best case scenario; it’s actually good for Blackmores. The bad scenario is we lose China for several months, there’s a huge impact on vitamin sales, we can’t get inventory of materials, supply from foreign markets is shut down. Here’s a bad case, and it goes on for 18 to 24 months. That’s your nightmare scenario. But what happens is when you develop that range of scenarios, the use of it with the companies the decisions you make.

So Blackmores, as an example, we decided to do a capital raise in May or June. The capital raise wasn’t needed in the best-case scenario. You could argue that maybe only part of it was good protection and an abundance of caution in the most probable scenario. But at the time, the board knew that Blackmores as a company was well thought of, that the capital markets were open to help companies that were acting out of an abundance of caution rather than anything else, so we made a prudent decision to do a capital raising a few months later and partway into the pandemic. So that’s just one example of the kind of things that we did.

Another example is we went to our banks and asked them to extend our leverage covenants. We started having a lot of banking discussions, and they were very helpful, the banking groups. But you have to take a whole variety of steps. And then in the business, how do you get backup supply of materials? How do you build inventory in materials that might see problems if the pandemic ramps up further? So your whole supply chain becomes so vital, and how you invest working capital to give yourself space is such an important set of decisions. So finance and accounting is at the heart of risk management, and risk management requires good understanding of scenarios and how you respond to each of them. And that’s where finance can really contribute along with the other functions.

A: It’s just amazing the impact that all of this has had and how it has led business to just look at themselves in so many different ways. Just an added question to that. With lockdowns and things like that and people working from home and so on, how did you find the internal communication channels that existed, say, within Blackmores in your case? Did they work fine? Did you have to spend a lot of time within the organisation getting communication channels, given that people were not necessarily in offices, and so on?

G: It’s a great question, Albie. And I would imagine you will have seen this at the University as well.

A: Yes.

G: I mean, what a quantum impact it’s been. I think first there was – our IT systems, everything from ERP systems to forecasting systems to graphic design systems to fulfilment systems, are we going to be able to work on those from home? And everybody had to send their employees home to be safe, right? There was no question that you had to – the only people who continued to work all the way through the pandemic are the ones who make, pack, and ship our product. Everybody else was sent home as sort of non-essential. But, as you say, Albie, the communication then changes. And I think it’s had such an impact on employees. They’re getting used to Zoom meetings and Teams meetings instead of face to face.

And it is an adjustment, and there is this reaction where they start to feel like the days go on forever because, of course, if you’re in Zoom and Teams meetings, well, you’re at home, and you’re always at home. So I think a whole bunch – what we found worked really well – and I think Blackmores did a great job of it and our CEO and executive team – every week they would provide updates to the employees. Here’s what’s happening. Here’s what’s changing in the legislation. Here’s what we’re doing internally. Here’s how we’re going to support you. Here’s what’s happening with our systems. And you need in a crisis to clearly over-communicate, because if you don’t, people just – you know, they’re already concerned. They’re already alarmed. They’re already fearful of the pandemic itself. You don’t want to add to that by not – you know. So overcommunicate when there’s a crisis, and do it transparently and do it clearly, and support your employees. And if you can do those things, the team will be with you. If you don’t, it gets really ugly.

A: Now, you've alluded to this with your comment earlier about owning what goes on in that accounting and finance role inside industry organisations. So what have you really enjoyed about the CFO roles that you've had?

G: I think there's probably a handful of things I'll call out, Albie. For me, I've been really lucky that there's been a great element of international and cultural diversity in some of my CFO roles. They've been in the United States, they've been in Eastern Europe, they've been in mainland Europe. So I've lived in seven countries and four continents. So that opportunity to live and work in so many different countries, it brings with it a wonderful cultural diversity. You come across so many different ways of seeing and thinking things, and if you keep open minded to that, that's really helpful in my own development. I think a couple of other things I'd call out, first of all I've been really lucky to work with some fantastic leaders. And some of them sort of sponsored me and coached me very early in my career, and that's particularly when it makes a difference. And sometimes they were tough.

They weren't always – but they would spend some time with you, even if they were giving you constructive feedback, and that's a gift. So I've been very, very fortunate that through the nearly three decades that a few of the right people took interest in me and helped me build. And for students, that choice of your boss and your team is so incredibly important. So for the CFO roles I've been in, I've been lucky that the majority of those have had a lot of great people around them to help. I think the final things I'd call out, opportunity to work and partner commercial and operations functions. If you want a seat at the strategic table, you've got to work in situations where they enable that and they encourage that. And companies like Reckitt Benckiser were phenomenal at the sales. People would bring you out in the field with them.

With Treasury Wine Estates I got to travel with the commercial teams and the sales and marketing teams in China and meet the distributors and build the route to market, negotiate the contracts. But you have to be learning as much about marketing or sales as the marketing and sales people know, because if you don't you can't have a strategic seat at the table. So I've been lucky because a lot of my CFO and my earlier finance roles gave me that exposure to commercial and operations functions and gave me those opportunities to learn. I'd finally say that I've been lucky to be at some great companies. P&G and Reckitt, fantastic. Blackmores, really strong turnaround. TWE was a great post story for the years that I was able to be there, and it was a lot of fun. As they say, Albie, success is not an action but it's a set of habits. We are what we do repeatedly, and if you've got fortune to work for a number of employers where you see and are part of that success, then that helps you learn. That helps you develop. And in my CFO roles, I've been lucky that way, too.

A: Excellent. Something that's been on my mind recently, and I think it's triggered by the pandemic and other external shocks that companies might endure – in broad terms, I've wondered about – can accounting and finance functionings come – what can they do to be well-prepared for these external shocks, or can you simply not be prepared? In other words, is there a way to stress test the adequacy of the accounting and finance function within an organisation? Do you have any thoughts? How do we know that our accounting and finance function is sufficiently structured to be well-placed to deal with these big external shocks?

G: Yeah, that's a really great point, Albie. I think one way you can – and I wouldn't call it a stress test, necessarily, but you can understand the resilience and readiness of your finance and accounting function and your business. It's exactly in your heartland, Albie, which is what I call that monthly integrated planning rhythm. And if you do it the right way, your monthly integrating planning rhythm, you're looking at your demand volumes for the next 12 to 24 months, you're looking at your ability to supply those things, you're looking at new launches, you're looking at key business decisions, and you're looking at what they all translate into financially, right? But part of that process is risks and opportunities analysis. And what can distinguish both an organisation and a finance function is that they're really good at understanding both their risks and their opportunities.

And so the pandemic, if you return to that example, geez, did we ever get some searing learnings on supply chain risks, for example. We have some great products, for example, a product like Armaforce, which is in the bioceuticals thing. It's an immunity product. It's a phenomenal product; people bought a lot of that at the beginning of the pandemic because they trust it for immunity, right? But its main ingredient is called

Andrographis and it's an ayurvedic ingredient that comes from India. And you can imagine when India suddenly shut down for four months during the pandemic, you start an interesting debate about what our potential backup supplies of Andrographis are.

Can there be in the future any that are local? Are there different Indian suppliers? Are there different suppliers from other markets? So I would say that – what can an accounting and finance function do? When you really delve into that monthly analysis of the key risks and opportunities, then you partner other functions to have mitigation plans for as many of the risks as you can. And I would say, if anything, the pandemic has accelerated most companies to find more backup plans and more rigorously, and it was probably in the supply chains of the world that a lot of people found some of the greatest challenges existed. Can we get freight? Can we get it on time? Can we get it at a reasonable cost? Can we get access to our ingredients? Everybody knew that's a risk, but until you get a generational event like a pandemic, you don't realise how big a challenge it is, and that continues to resonate in a lot of industries two years later.

A: For sure, definitely. Well, let's turn our attention to aspiring accounting and finance – our graduates, if you like. So for those entering the profession, what are some of the key attributes a graduate would benefit from or could work on during their studytime, for those who are seeking in particular to go into industry?

G: Yeah, that's great. And listen, whether you go into industry or you go into the Big Four or you go into the consulting – what I'll call the core technical aspects of robust accounting are vital. And in a way, I won't talk to those, because those are the ones that have been important for all the time that accounting has existed. You know, people that are thorough, that are diligent, that are numerate, that display high levels of ownership. Those kinds of qualities are important, and they always have been.

But as you think about people going into industry or event consulting or the Big Four, I'll call out one that we find is a challenge for finance and accounting students, and that's really effective communication, because the truth is that whether you're with the Big Four and you're in an auditing role, or you're in industry and you've now got a strategic seat at the table and you're trying to influence decisions, your ability to communicate is your ability to influence decision-making. And in any context that's important. And what you see sometimes is that people will wrongly say, "I'm going to take a career in finance and accounting because I'm comfortable with numbers, but I don't like communicating or interaction with people." I understand that a lot of people feel that way. But my advice to you is: get practice. Communication is so important, and in industry where you're shaping direction of a company, the more senior you get, the more important it gets.

So if you have aspirations to become a CFO, become a lifelong student of communication. That's the second thing I'd say. And then the last couple of things I'd call out is develop strong analytical skills. One is the technical skills of accounting; here is the debits, here is the credits, here is the consolidation accounting, here is the accounting standards. So that's good. But the other side of it relates to decision-making. How do I analyse something in different scenarios to arrive at an optimal course of action? How do I do that analysis? You know, Albie, I know you and the team and we've worked together on lots of case studies. That's a great way for students to do that. Case studies are your way in to analytical decision-making as a student. So I really encourage people to embrace the ambiguity of these case studies and do as many as they can, because that sets you up for that second piece which is that seat at the table.

A: Excellent. With the communications, I think that increasingly accounting is in the business of communications in many ways, it seems to me. So that element there is critical, well, for all of us. The other thing about communication, as you alluded to, it's something that ideally we can all get better at if we want to enough. We don't all start off at 20 years of age as excellent communicators, although some are. It is something that we can get better at as time progresses and as long as we're prepared to work at it.

G: That's a great point, Albie. I always say to my team I still have a lot to learn. And think about when you hear great communicators. And I've been fortunate to work with people who are much better communicators than I, right? When you hear a great communicator, don't just listen to them and go, "Oh, that's good." Ask yourself why was that so effective. Was it their brevity, was it their humour, was it the way they modulated their voice, was it their pauses, was it their body language? If you really study when you see a great communicator what makes them great to you, and you start to try and emulate and experiment with it, then

you learn how to better verbally communicate, or in writing. But if you're not consciously studying that, you don't improve. And so even if you work for the Big Four, if you want to succeed, if you want to be a partner with PwC or Deloitte or EY or these guys, you need to be an effective communicator. So it's not just about industry, but it's so underrated, and sometimes people wrongly go through university thinking they don't need to do that because it's more about the numbers. Unfortunately for them, that's not the case anymore, so practice.

A: Yeah. And then finally, we've probably covered off on most of it, but would you have any other advice for students contemplating or planning a career in accounting? For example, you talked about it for yourself. And I sometimes like to talk to students about the need to be global financial citizens by at least knowing what's going on around the world. You've been fortunate to work across so many parts of the world. Do you see that as a relevant thing? Would students take those opportunities? What other advice might you have for those either currently studying or planning a career in accounting?

G: I'd say a few things, Albie. Your callout is a really good one. The international opportunity if you can get it is just so enriching because you encounter people who think about things differently than you do, and that helps you develop. I would say you've had a theme through the questions today about industry versus the Big Four. Listen, starting with the Big Four is great, but whether you stay with them and you go for industry, what's important later on is getting a diversity of experiences. Even with the Big Four, maybe you could spend a few years out of audit on the consulting side of the Big Four. Find a way to do completely different things, and a lot of them, especially early in your career, because the broader you can become and the more experiences you can have, the more opportunities you will have later on.

And it links into my second point: you can't always plan your career exactly. If I think about every role I've had over nearly three decades, I predicted exactly zero of them. And it was always a company was like, "Oh, you're based here. Well, geez, this guy quit or something happened over here. We need to move you here. Or we need to move you to this new role or this different opportunity," and none of them I had planned. Sometimes I'd had great discussions with my bosses about, "Well, I wouldn't mind doing this, that, or the other thing," but what really happens in companies, regardless of which industry they're in, is that there's often unforeseen events that create the need for you to take the next step in your career.

Or you might get called by an external company with an opportunity, as I was by Benckiser before I went to Poland. And you can't plan for that. Somebody suddenly calls from Warsaw to Canada and says, "We're looking for somebody to move over here." I mean, you can't expect that. So the advice I'd offer students is keep your ears and eyes open and really assess the opportunities. They might not be what you expected. I never expected to go to Warsaw, Poland in the '90s, but they can be such fantastic career-builders. And you've got to really have a process and a way of thinking about which ones you choose and which ones you don't and why. And so that flexibility, I would call it, in terms of opportunity is important. I think the final couple of things I'd say is that your boss and your team are so vital to your development. People don't leave companies; they leave bosses.

It's hard in an interview process, but get to know your peers and bosses well. They can be vital throughout your career. And approach every relationship as if it could be something that stays with you for a long, long time, even after maybe you're not with that company anymore. If you approach things that way, that's great. And keep in mind that your boss and your team are as vital to your career as you are to theirs. It's a two-way street. And I think for students keeping that in mind as they approach industry is good. And then the final thing is the theme of what we discussed earlier, Albie, which is that accounting has gone from a reporting and controls function, which it is, to one which is heavily steeped in analysis and making better decisions. So become a student of these analytical and decision-making skillsets because they will make the difference in the more senior part of your career. So that's probably one of the big ones.

A: Fantastic. This has been so much fun, Gunther. As we have in the past, I could talk to you for hours about many of these things. So I really appreciate you joining us here at TAPS, Gunther. Very much appreciate it. It's been a lot of fun. And we wish you well in your current and future endeavours, so thanks again.

G: Great. Thanks a lot, Albie. It's been great to talk to you again as well, and I look forward to chatting soon in the future. Take care.