

# Double Duty

**Latin America's CFOs juggle more tasks than ever and, increasingly, need a human touch, too.**

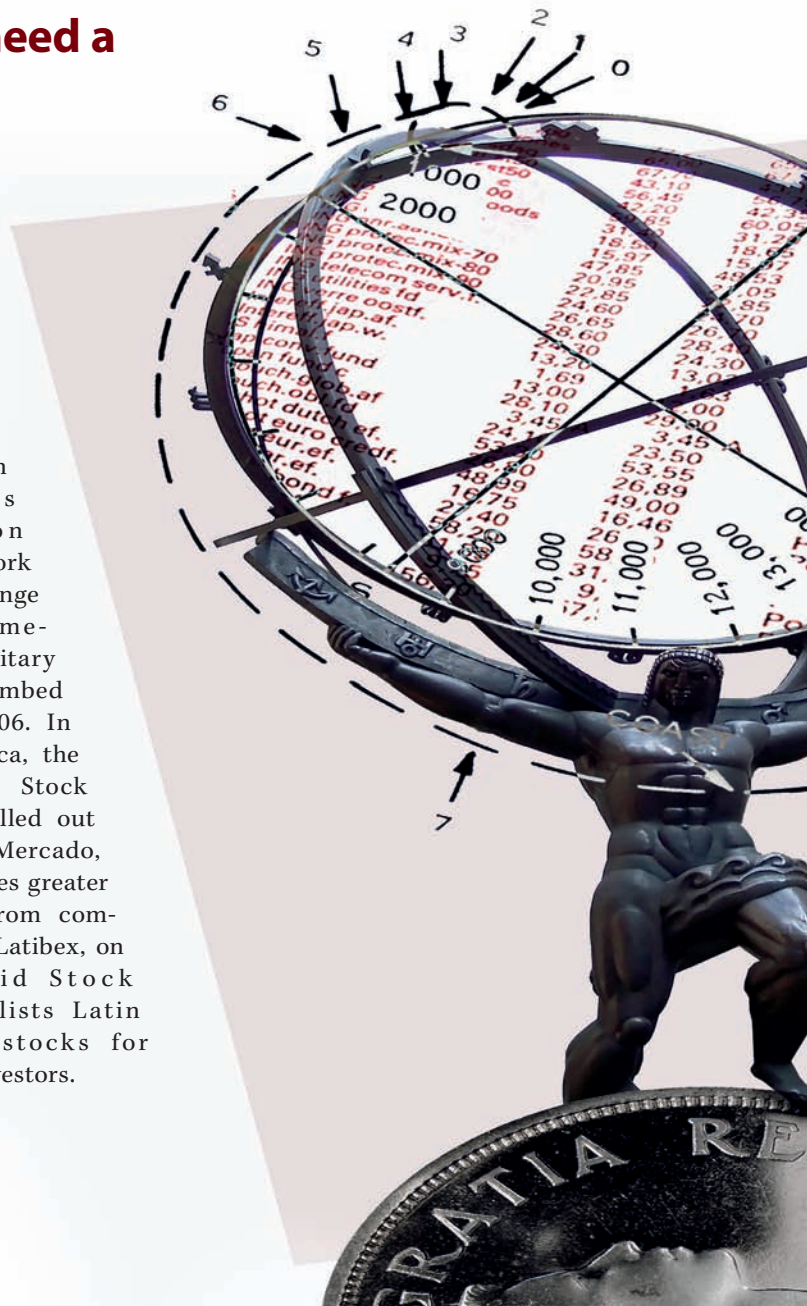
**FORREST JONES • MIAMI**

What does it take to make it to the CFO's chair? Being an ace at finance and accounting is, obviously, required. After all, it's going to take a numbers person to run a big company's motor—money.

But that alone doesn't cut it these days, according to chief financial officers across the Americas. New regulations, globalization and the demand for more information from shareholders have forced Latin America's top bean counters to grow from simply being numbers whizzes to well-rounded executives with hands-on knowledge of global capital markets, once the province of investment bankers hired by companies, and of internal investor relations, once a completely separate job.

There are 268 companies in Latin America trading on Wall Street, and many of those list shares elsewhere, either at home or in other global stock exchanges. According to the Bank of New York, trading volume of all foreign shares in global stock

markets grew by 60% last year, to US\$2 trillion. The bank's index of Latin American companies trading on the New York Stock Exchange through American Depositary Receipts climbed 41.1% in 2006. In Latin America, the São Paulo Stock Exchange rolled out its Novo Mercado, which requires greater disclosure from companies. The Latibex, on the Madrid Stock Exchange, lists Latin American stocks for European investors.



As the global economic engine demands more from Latin America, particularly raw materials, the world's investors are buying into the region, and that means CFOs need new skills. CFOs still oversee transaction processes, like paying suppliers, employees and the like. But the position also now requires much more contact with people from other departments like sales and engineering, as well as with shareholders, says Byron Siliezar, chief financial officer for NII Holdings (that's Nextel, the wireless provider, in Latin America). A

rock-solid treasurer could be a whiz with numbers, but the CFO himself needs to be an all-around executive who can handle his end of formulating and communicating corporate strategy, Siliezar says.

"I think now there is a lot more emphasis on strategy and adding value and that, frankly, requires working with others," Siliezar says. "You need to have your act together. You need to be prepared." Investors decide whether the stock will add value to a portfolio, buying and selling every minute of the day. That means pressure not just on the CEO but also on every executive involved in executing the strategy. "At the end of the day we have a responsibility to the owners of the company, which are our shareholders," Siliezar says.

Even CFOs at privately held companies need a grasp of the big picture, which requires a lot of serious multitasking. MercadoLibre is an online auction based in Buenos Aires. It is a partner company of U.S. auction giant eBay and operates in 12 countries across Latin America. In 2001, JPMorgan, Goldman Sachs, GE, Hicks Muse & Tate and Banco Santander invested in the company, which required top-notch knowledge of global finance, even though the deal was private. Since the company is private, it doesn't need an investor-relations position. Enter the CFO. "We have had very sophisticated investors from day one," says MercadoLibre Chief Financial Officer Nicolás Szekasy.

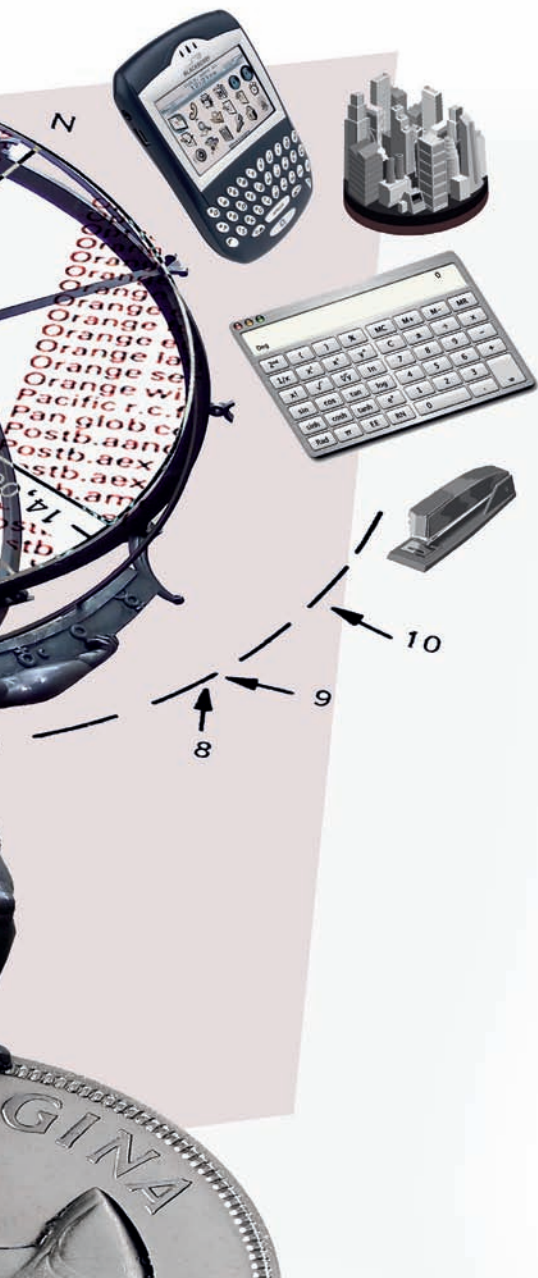
Not only does the CFO need to know the world's major markets, he or she must also at times brush up

on technology. Many companies are outsourcing back office and other tasks to information technology service providers. These multinationals often work from a hub, as MercadoLibre does in Argentina, but they manage operations across multiple destinations and need computer systems to keep the business organized. Such cost-saving steps are complicated, even more so for companies that take in revenues from across the continent on a daily basis. Since the CFO plays the leading role in determining how

**"It's a very badly designed position because you are being asked to be two people in one."**

much to spend on related technology, who gets what and what goes where, tech knowledge matters. "You need to have different types of systems that help you safeguard your assets," Szekasy says.

That means a CFO needs to know way more than spreadsheets, especially for a company like MercadoLibre. The company has more than 18.1 million users that buy and sell things electronically, and those users are all registered, with their information secured online. Most of the items sold via MercadoLibre are new, crisscrossing Latin America thanks to a complex Internet platform. Since broadband Internet penetration in Latin America was less than 2% by mid 2006, according to consultancy Pyramid Research, the region can do little but grow when it comes to getting online. For a company like



MercadoLibre, a CFO who knows techs and specs is a must. “You need a good sense of financial markets and a strong sense of controls,” Szekasy says.

Like many CFOs in Latin America these days, Szekasy did not begin his career in the sector where he is currently employed. He started out in various positions with the Pepsi-Cola Company and at Supermercados Norte, a retailer. MercadoLibre has grown by more than 100% annually since its inception in 2001 and, although the company does not disclose revenue, Szekasy says that in 2006 the site completed transactions worth \$1.10 billion, which makes the skills he picked up at other posts in high-volume companies transferable. “I think what is expected from a CFO is that he is very involved in the management of the business and helps prepare the long-term plans and the short-term plans and works on a daily, weekly and monthly basis making sure that gets accomplished and that the right projects get the funding and the resources,” he says.

Hungry for that kind of talent, companies increasingly look completely outside of the management arena, instead hiring bankers to run the show: Oracle President Charles Phillips is an ex-banker. So is Roger Agnelli, the boss at Brazilian metals giant CVRD, as is NII chief Steven Shindler. Starting off in banking means knowing global capital markets and having plenty of contact with executives looking to raise money.

That’s the challenge of the job now, says Álvaro Rodríguez Arregui, chief financial officer at Mexican glass company Vitro. The position requires top-notch quantitative skills as well as good oral and presentation skills. It’s not enough to be an eyeshade-wearing numbers geek; now you have to be a people person, too, an outgoing executive who can say no to superiors if necessary and

bring healthy levels of conflict to meetings.

“You need to know how Wall Street works. Bankers are always in deal mode, and deal mode is a higher adrenaline job,” Rodríguez says. “Imagine you are a basketball player. Every day you have a game.” Life as a corporate CFO is like settling into the coaching position after pounding down the court for years: There’s the long-term satisfaction of building a working team and watching it win from the sidelines. “Companies are living creatures, and you need to understand how to live inside those living creatures,” Rodríguez says.

For some companies in the region, too, the CFO is taking on double duty. Gol Linhas Aéreas Inteligentes, a Brazilian low-cost airline, splits the job of talking to investors between the chief financial officer and his staff to save money. Press releases are sent out. Information gets posted on the company’s site. Executives go to conferences and talk to shareholders. “The distribution of information is as low-cost as possible,” says Richard Lark, Gol’s chief financial officer. “If somebody is trading our stock, they’re not going to be able to call up here and get quick information, but if it’s a buy-side guy or a sale-side guy who wants to understand information we’ve disclosed or how to look or how to analyze, then we get back in due course.”

The company cannot return every phone call, especially from traders at hedge funds, who buy and sell shares to make a quick profit, Lark says. “We don’t have that sort of the immediate response team that some companies like to pride themselves on, that they get back to everyone very quickly and so on, but we don’t have that

as a low-cost company,” says Lark, whose past stints include being chief financial officer at Americanas.com, a Latin American retailer, and as a vice president at Morgan Stanley, where he was responsible for the Brazilian transportation sector.

**Context.** Investors and sell-side analysts can easily get basic financial information, but sometimes they still want to talk to either the CEO or CFO for context. “Generally, the CEO, for a variety of reasons, doesn’t take on that responsibility,” Lark says. That’s where the CFO comes in, and not a head of investor relations, for Gol at least. “Then it’s important to centralize that kind of dialogue in one person,” he says.

It’s no secret today that airline companies must work to control every cost possible. Some even fly with less water to lower weight and,

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subsequently, fuel demand. Others rely on high-tech solutions to maximize revenue, regularly changing the price of tickets based on historical data. For Gol, a company whose business model is based on lowering costs, technology is a must.

“Depending on the company you work for, there’s the whole technology side, especially if you are a high-growth company or expanding internationally and want to keep costs low, is having to really understand the subtleties of technology,” Lark says. The CFO can make tech decisions concerning back-office solutions and receivables and payables to lower costs, things to which he or she already relates. But the job also

requires more and more knowledge of the broader aspects of the business and their respective technology needs. Otherwise, a CFO may spend too much outsourcing.

“It’s very easy to spend a lot of money on technology, and how you differentiate is really understanding what it is that you need and how you can do it as opposed to calling on some people and saying ‘fix this problem for me,’” says Lark.

For executive recruiters who supply companies with executives on a regular basis, working knowledge of Sarbanes-Oxley—U.S. legislation enacted following a string of accounting scandals that requires much more disclosure and records retention—can determine if a candidate will make it to the CFO spot. Anyone looking to work at a big multinational must have a solid grip on how the U.S. rules work, says Dominique Virchaux, founder and managing partner of Virchaux & Partners, an executive search consultancy in Miami.

“Unless you know Sarbanes-Oxley, the chance to move from local company into a big one is just not possible at the CFO level,” Virchaux says. If a private company wanted to issue stock in U.S. markets for the first time, it would need to bring in a CFO with experience with new accounting regulations to do so. Virchaux says publicly traded companies are doing well sharing their knowledge with rising employees, so in-country talent for the future looks bright. “We have better caliber and better prepared CFOs in the region,” he says.

Whether a double-duty CFO makes sense depends in part on the company itself. “Companies with a few institutional shareholders are less inclined to have a separate investor-relations function. This is, in part, because institutional investors expect to have direct access to the CFO,” says Beth Hicks, an execu-



tive at the financial officers practice at the Korn/Ferry executive recruiting firm in Miami. “The requirements for communicating with a few institutional investors are very different than what is required for a company with thousands of individual shareholders.”

In any event, many CFOs are stepping down these days, and it’s getting hard to replace them, Hicks says. “The demand is driven by the trend of retiring baby boomers and exacerbated by the increasingly challenging regulatory environment,” she says. “Tougher accounting regulations and Sarbanes-Oxley have caused more and earlier retirements. On the supply side, there are not enough professionals at the next level to fill the demand for CFOs to replace the retirees.”

**Chauffeurs.** To retain that talent, companies are going to have to shell out big bucks—even more than already impressive salaries paid now. In Brazil, home to the most highly compensated chief financial officers, the median takes home is just shy of \$530,000 in salary and benefits a year, according to data compiled by Mercer Human Resource Consulting.

Perks, often paid to high-ranking executives in lieu of higher salaries for tax reasons, add up. These include the basics, like health and dental insurance. But they can include restaurant and bar tabs, social-club memberships and expense accounts. Some companies will pick up the grocery tab and chauffeur the CFO around town—even help out with housing costs. In Brazil, for example, perks come to more than \$300,000 a year, well above the \$216,621 paid in base salary and bonuses. The median Chilean CFO—No. 2 on the list—earns just over \$480,000 a year in salary, bonuses and perks. That figure is pretty much split in half between pay and the goodies, with perks slightly higher. Chilean CFOs also earn the highest base pay in the region, at more than \$230,000 a year, followed by Brazil and Mexico. CFOs in Argentina, where the cost of living is comparatively lower thanks to the country’s financial collapse several years ago, took home the lowest base salary as well as the lowest perks. When the U.S. retirement wave kicks into high gear, where it will go is anybody’s guess. **LT**