



CFO one-on-one



Mark Easson is Chief Financial Officer with the University of Sydney, a leading Australian 'Group of 8' university with over 50,000 student enrolments and revenues approaching \$2 billion. The university sector has undergone seismic strategic and operational changes in the past 10 years and CFO's have been at the forefront of this change. The University of Sydney is no different. Mark is one of many CFO's who have transitioned from the private sector to a public university.

Over 9 years, Mark has overseen a significant transformation of culture, capital management strategies and management accounting systems which has ultimately resulted in a far greater commercial focus for the university. Mark discusses the challenges he faced in developing creative solutions to sometimes unique, but always complex, problems within the university.

How has the CFO role evolved within the university sector?

The university CFO role has changed a lot. If you look at the 'Group of 8' universities in Australia, virtually all of the CFO's have come from the private sector within the last 10 years, which is quite significant. If you look at our predecessors, they were typically with public sector backgrounds and their focus was on compliance and rudimentary financial accounting. Budget allocation was like a system of awarding grants similar to a government treasury operation. Today, a commercially focussed university CFO must maintain a comprehensive capital management strategy to support the ability to borrow and access capital markets. We have also had to overlay sophisticated management accounting strategies over the existing project accounting systems to

communicate the full story, and provide new insight for the academic leaders of the university. The thing to understand with universities is that they are a conglomerate of what can appear to be completely different businesses such as research centres, teaching businesses, philanthropic activities, investment activities etc. and these must be melded into a comprehensive strategy that maximises the impact and relevance of our education and research for the community. When consolidated, all these activities can create confusing performance signals. Understanding what is the 'real profit or operating result' and not what is just a matter of differences in cash flow timing has been a focus.

What keeps you awake at night?

Well I generally sleep pretty well but one thing I am thinking about is how to avoid conflict. I am not comfortable with conflict and so I am pretty good at finding alternative solutions to avoid potential conflict. This is important within universities as academics can operate very independently and will tend to withdraw into their corner if there is not a consensus view on key issues.

What has been the highlight at the University of Sydney?

Although there have been many, the biggest highlight was transforming their traditional finance model into a commercial type system, more akin to that used by a large corporate. When I first started as CFO we introduced conventional cost allocation principles and allocated all central revenues and expenses to the faculties, as you would in a conventional business. Steering all of the Deans and other stakeholders through that process was challenging, but giving the stakeholders a commercial understanding of the impact of their decisions was crucial if we were to build the sort of financial stewardship capability across the university that would enable us to create and allocate resources in the most optimal way.



Phil McCann speaks candidly with Mark Easson, Chief Financial Officer, University of Sydney...





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What makes a good university CFO?

As mentioned, I worked with the academics and the Faculties for a couple of years before being appointed CFO and so I developed a good understanding of how universities function, and in particular their culture, before moving into the role. A university CFO needs to both be cognizant of and sensitive to the culture and values of the institution. A university brings together a community of academics and administration staff and as CFO you need to understand how finance and resource allocation policy can influence their behaviour. To be effective in a university, you simply have to understand the detail, but in the context of the overall strategy and core purpose. You really need the intellectual flexibility to constantly move between detail and the broader aspirations and goals. For example, if the university has a strategy to enter new research areas; you need to consider managing philanthropy; leveraging off government grants, and resource implications of bringing various academic groups and disciplines together into a cohesive strategic direction.



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You need to relate the strategy to the detail and package up a whole lot of resourcing options to get things done. The other requirement of a university CFO is communication; how to bring the stakeholder audience into the tent in terms of finance, reducing the complexity and constantly striving to highlight the key things people can engage with.

Having come from the private sector, is the transition to the university sector a difficult one for CFOs?

Well it is a lot easier today as much of the 'hard yards have been done' in terms of new systems, processes and cultural change. When I started I was beginning with the basics; figuring out where the priorities were, what cash goes into capital and what goes into operating. I was fortunate in a way because I came to the University of Sydney not as their CFO but one of their change agents, tasked with taking out finance staff from their Health Faculties and transforming the faculties into units that had a much greater appreciation of the commercial perspectives and insights that could be provided by a professional finance function. We then replicated that model throughout the university. The project went so well I was offered the CFO role.

In the beginning, making sense of what were extraordinarily confusing financial records was very challenging. At one point in my first year, the apparent options to restructure the finances were so complex and time consuming that I took the difficult step to send the family away for a month so that I could immerse myself in a fast track solution. By moving all of the accounting records onto a central database I was able to transition to a revised chart and accounting strategy in one month.

One of the Faculty Heads at the time said it was the first time (after 20 years) he actually understood the finances of his faculty, explained in a clear and concise way. That gave me the confidence to realise that a real focus of the finance transformation needed to be creating absolute clarity out of what had been very confusing fragmented information.

What will the university CFO look like in the future?

The university environment is quite unique and there are no 'off-the-shelf' solutions to refer to. University CFOs need to be relatively innovative and be able to think a little differently and come up with creative solutions. Mark does see a market for CFOs with an understanding of sustainability within universities. Some 8 years ago the University of Sydney tried to embed the 'triple bottom line' methodology into their reporting processes but at the time it was too simplistic and narrow. After all, a university exists for social good which is one of the components of the traditional model. We are now exploring a much broader definition of what it means to be sustainable in the long term and this will require a comprehensive approach covering all the drivers of long term financial sustainability. The University has been here for 165 years and my job is to position it for success in the next 165 years.

