



CFO one-on-one



Alison Harrop is the Chief Financial Officer at DEXUS Property Group (DEXUS), one of Australia's leading real estate groups investing directly in high quality Australian office and industrial properties. With over \$22b of assets under management the Group also actively manages office, industrial and retail property on behalf of third party capital partners.

Alison is responsible for the overall finance function, as well as technology, and has over 25 years' experience in financial management for organisations including Westpac, Australia Post, Macquarie Group and Deutsche Bank.

What would you say are the key factors in the property sector that make a successful CFO?

Having a background in financial services is very useful. Even though we are a company with tangible assets, a lot of what we do is very financially based; making sure the yield we are getting on properties is covering what we are paying for our funding, analysing investment returns against hurdle rates, and reviewing profit margins.

In one sense it is a very simple business and so anything we can do to differentiate ourselves by being that bit smarter when focussed on the customer experience can really help.

When I was at Australia Post, we had a massive focus on the customer and I was closely involved with this transformation. This is what DEXUS is doing differently to their competitors and we have transitioned to a true customer (tenant) focussed strategy. The factors we look at are how do we create a better experience, what does that look like to our customers and are we offering flexible solutions around that space? It is great to see this focus at DEXUS.

What are the 3 skills needed to be a successful CFO?

You definitely need to be **resilient**. There are a lot of ups and downs in the CFO role. Since the global financial crisis, the CFO role has become so much more than just about numbers. You need this resilience to see through cycles.

Strategic skills would be the second. Whilst being in charge of the numbers there is a whole lot of stuff you need to have your eye on in terms of operations, long term outlook, the customer piece and technology. Being able to stitch them all together to see how the next few years will look is very important. You cannot just focus on the latest results or the next, you need to think out to the next horizon and understand how you are going to get the company there.

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Finally, there is understanding **innovation** and **technology**. The ability to use technology and ensure that innovation is seeded across the organisation is more important now than it ever was. Constantly striving for efficiency through technology and using technology to innovate throughout the business is vital.

How do you use technology and data analytics and what does it mean to you?

I am very fortunate as I have worked with our Head of Technology previously and I feel that we make a great team. It's great to have someone who is aligned with the strategy of the company and the direction we are going. For me, to be able to have control of where we put our effort is really a useful thing. We are also diverting our technology resources to innovation, smart buildings and the impact of the 'Internet of Things' in the industry, but a large part is efficiency and platform driven; building in-house





Phil McCann speaks candidly with Dexus CFO Alison Harrop...

systems and re-platforming the whole business. I work hand in hand with IT as a partnership to drive the agenda through the company to get the outcomes we are looking for.

In terms of data analytics, we have a lot of data that comes in from our properties every day. There are two sides of this data; using the data to predict our performance e.g. the leases we have, number of tenants etc. We are able to dissect, slice and construct a portfolio around how to manage the vacancies etc. There is also a whole lot of data that we can capture from our retail centres e.g. foot traffic through the centres and other people analytics that we can use to support the customer experience.

We are also looking at how we use our own workspace through Bluetooth sensors in our offices to assess and collect data to see how the space is utilised and what that means to design and build workspaces for tenants. We will be able to help our customers build smarter workplaces. Technology is woven into the fabric of what we are doing here and that wasn't the case 10-15 years ago.

How do you mitigate risk and is that a challenge?

Risk mitigation is a challenge in any organisation. We are a relatively conservative business and when managing risk you have to be very conscious not to manage for the next 6 months result but manage out for the next 5-10 years. From a distribution/ growth point of view that is what your investors are expecting. They are investing in a long term asset class and expecting you to grow earnings on a nice smooth trajectory over the next 5-10 years. You have to be very mindful as you can do lots of things in the short term to drive a result that will actually hurt you in the long term. Part of the financial risk mitigation is having strategies around our hedging i.e. not playing with the volatility of interest rates and being sufficiently hedged through the cycle.

The other risk we face is more of physical risk. We own buildings and we are active in the development space and so work health and safety is a big risk. We take it very seriously and we have a number of risk management committees providing oversight to this. We have a relatively conservative risk setting across the group to ensure we will be there through the cycle.

What keeps you awake at night?

There is nothing in particular. As we have standard 5 and 10 year lease terms in any given year a percentage of your income is locked in already, so I am not really worried about the day to day business. What is sometimes of concern to me are the economic conditions. Is there another GFC coming? What happens if China slows down? How will the Trump

presidency affect global economic conditions? For me, as long as I have everything else managed on the ground, the only thing I can really worry about is if a shock is coming that is least expected, so I need to ensure everything is in place to manage against these shocks.

Your succession plan to CFO was mapped out when you joined DEXUS. Do you now strive to become a CEO?

I think in the longer term this is something I will work towards. As the CFO role is so broad you have a very good opportunity to see all parts of the business and I think it would be nice at some point in my career to give that a go. I do think we have seen that transition a lot recently. At Australia Post I had lots of different functions reporting into me e.g. legal, risk, internal audit, security and you tend to get such great coverage of the organisation through this. The one thing that is missing for me is a real operational/sales role experience. But I am always looking to try something new and add another skill.

