

The Master CFO Collection
Volume 1

Back seat or center stage?

CFOs and the media



EY

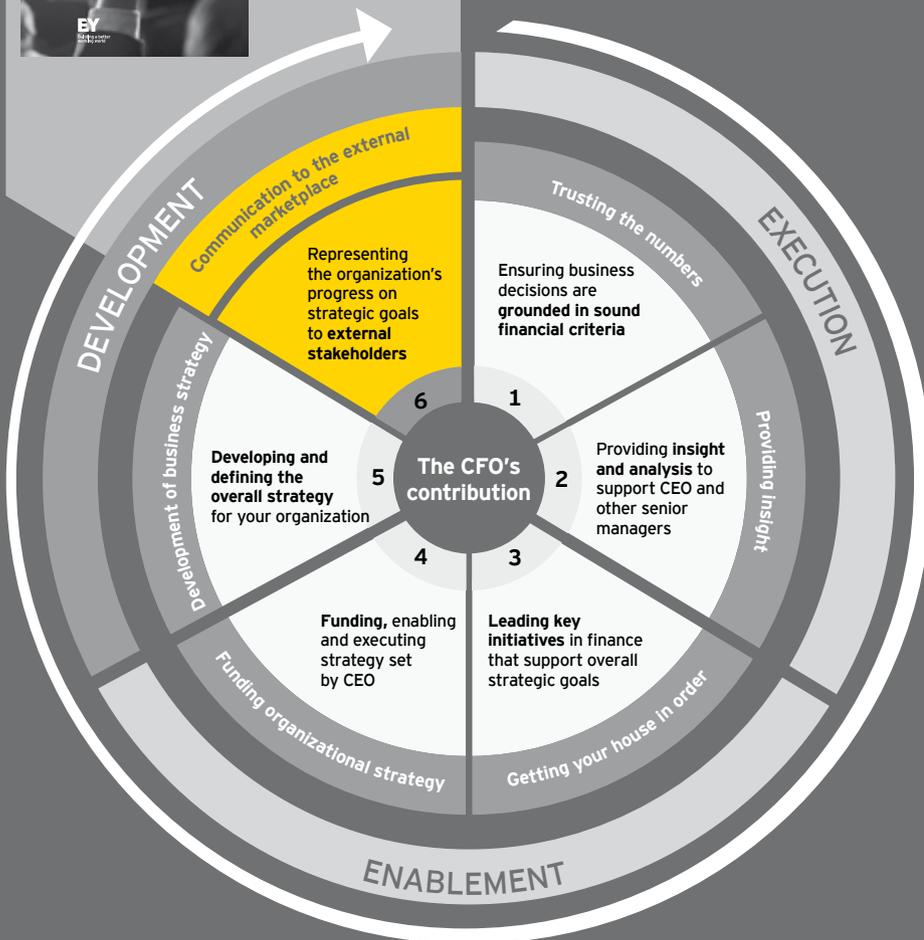
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The CFO's role



We believe these six segments represent the breadth of the CFO's remit. The leading CFOs we work with typically have some involvement in each of these six – either directly or through their team. While

the weighting of that involvement will depend on the maturity and ambition of the individual, the sector and scale of the finance function and economic stability, they are all critical to effective leadership.



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The Master CFO Collection is a collection of studies from EY which provide insight on events and experiences that CFOs encounter as part of their role.

This series is a part of our Europe, Middle East, India and Africa (EMEIA) CFO program. The program looks at aspects of personal interest to CFOs, and aspiring CFOs, as they develop themselves and their teams, and learn from others within their community.

This first report in *The Master CFO Collection* relates to the CFO's role in communicating with the media. It is based on a survey conducted with 260 CFOs across EMEIA, as well as insights drawn from interviews with experts in media and communication. The research was conducted by the Economist Intelligence Unit.

Our thanks to all who participated and shared their experience.

The infrastructure to support CFOs has not caught up with their broadening media role

The support which respondents receive appears surprisingly limited, given more are speaking on broader issues across more varied channels. Only 38% of respondents receive briefings from the press office or a media training company before major announcements, and only 26% work with their communications

team on a strategy to proactively build relationships with key journalists and those who influence them. While practiced at communicating financial results, CFOs may want to consider support and training to help them navigate the worst but also, more importantly, take full advantage of the opportunities that their broadening role offers.

Media relations: 10 tips for the CFO

1. **Prepare for the unexpected.** Spend time before an interview thinking through possible questions. Consider the business in its broadest sense – are there any non-financial issues that could crop up in an interview?
2. **Have clear goals for an interview.** It is advisable to work with the corporate communications team to determine a clear set of messages for an interview. Two to three key points that you want to get across are usually enough.
3. **Keep it simple.** Finance can be complex, but the media usually expects straightforward language and a clear story. Make sure you do not get too technical and think in advance how you can simplify technical points.
4. **Don't be afraid to dig in.** Under persistent questioning, it is perfectly acceptable to stick to the message you want to convey – even if it means repeating yourself. Do not be persuaded to deviate and get onto difficult ground, and never lie.
5. **Ask for feedback.** It is difficult to judge effectively your own performance. Ask your corporate communications team for constructive feedback in order to improve performance and address weaknesses.
6. **Get to know journalists and their agendas.** A proactive approach to meeting journalists and understanding their interests and agendas can pay dividends over the long term by building a trusting and open relationship with the media.
7. **Prepare for everyday situations – not just a crisis.** Training in media relations often focuses on how executives should deal with the media during a crisis situation. This is important, but you should also practice for more straightforward media appearances, such as presenting financial results.
8. **Make the time for media training.** There is no substitute for experience in media communications, but do not assume that you must go through a “baptism of fire” in order to become comfortable with this activity. Training and simulations can be just as valuable to increase confidence levels.
9. **Work in tandem with the corporate communications team.** Our survey suggests that not all corporate communications teams currently provide appropriate support for CFOs. If this is the case, you should proactively seek out these teams, and work closely with them to prepare for appearances and devise a long-term media strategy for yourself.
10. **Recalibrate your measure of successful media relations.** Do not regard a media appearance as successful if you get through it without getting into trouble. A media interview is first and foremost an opportunity for you to sell your company or yourself. A measure of success therefore needs to be based on a positive outcome, not the absence of a negative one.

More CFOs have a more active role with the media



A media interview may ostensibly be set up to focus on a company's latest financial results, but few journalists will resist the opportunity to pose broader questions.

The days when most CFOs were largely limited to the annual presentation of financial results appear to be numbered. Today, finance is a big story. More CFOs are expected to assume a greater responsibility for engaging with the media across a broader range of topics and channels.

The primary media responsibility for CFOs remains the communication of financial information. Seven out of 10 survey respondents say that they are responsible for reporting routine financial results to the media, while 55% say that it falls to them to announce special financial developments, such as a profit warning or dividend cut. But, beyond these core competencies, a growing number of CFOs have found that their remit is being extended. Already, a significant minority say that they are responsible for dealing with the media across a range of broader issues, including business restructuring or cost cutting, crisis management and long-term strategy (see chart 1).

These results suggest that reality has moved ahead of theory in some cases. Here, we see CFOs with experience of dealing with the media on issues for which they do not consider themselves responsible. For example, 43% say that they have experience of communicating with the media about the company's growth plans, but only 27% see it as their responsibility. Similarly, 38% report having experience of communicating non-financial KPIs such as customer satisfaction and corporate social responsibility, and yet only 20% see it as their responsibility. The nature of modern journalism may explain this. A media interview may ostensibly be set

up to focus on a company's latest financial results, but few journalists will resist the opportunity to pose broader questions about the future prospects of the business, or to seek an explanation about an emerging problem or crisis. Hence, CFOs may find themselves discussing topics that fall outside of their core area of expertise.

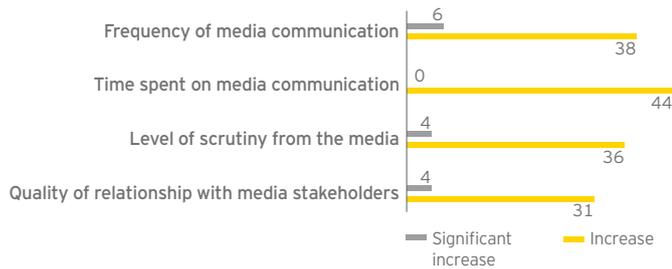
Chart 1: The percentage of respondents who feel they have the responsibility to communicate with the media, and also the experience of communicating with the media on these subjects





More than 4 out of 10 CFOs say that they are communicating with the media more often.

Chart 3: Percentage of respondents who have experienced an increase in the nature of their personal communications with the media over the last three years



A changing media is impacting the way CFOs need to communicate



“The media are feeding off each other in a way that they have never done before. And very often it’ll be the CFO who needs to react and get on the air.”

The past decade has seen significant change in the media industry. Developments in communications technology have caused a fragmentation of media across a bewildering array of online and offline channels. Reporting has shifted to a 24/7, “rolling news” model, with developments in emerging stories being broadcast as they happen. Competition for audiences and advertisers has become increasingly intense, which has piled pressure on newsrooms to be the first to report a story. And, our survey suggests, there is a significant and growing number of CFOs who the media look to for comment.

The CFOs questioned for this research are most likely to have represented their company in the national print press, with the specialist financial press the second most likely channel. Only 6% of respondents have represented their company on television, although this figure rises slightly to 10% among the Group CFOs. Despite major developments in online media over the past few years, blogs and internet-only channels remain of minority interest for CFOs, with only 12% having handled this particular aspect of media communications over the past six months (see chart 4). Yet, while most CFOs are more familiar, and undoubtedly more comfortable, with dealing with the print media, this is not the only channel through which the story may run.

A story broadcast on one media outlet will quickly be picked up by others so that, within a matter of minutes, it will be reported across a wide range of different channels. The speed with which stories can be distributed places much greater pressure on companies to respond quickly to news. “The media are feeding off each other in a way that they have never done before,” says Andrew Harvey, a tutor with his media training company HarveyLeach and a former BBC and ITN television newsreader. “And very often it’ll be the CFO who needs to react and get on the air. For example, you can do an interview with one of the broadsheets. The Evening Standard is paying attention, as is Radio 5. They pick it up and run with the story. The next day the story takes a new direction on one of the business news programs. It’s sometimes not one interview in isolation.”

There is now huge competition among media providers to be the first to report on emerging stories. “Part of the pressure on 24-hour news programs is to beat the opposition,” says Mr. Harvey. “If a news channel receives some information about a company, it will put it out straightaway and repeat it every quarter of an hour until someone from the company comes on air to corroborate or refute it.”



“Journalists used to treat annual accounts as a bible, but now they are more likely to view them as a story book.”

No wonder then that a significant number of CFOs view the media as increasingly hostile in its approach. Almost two-thirds of respondents agree that the media has become more aggressive and demanding of information, while 49% think that the crisis has made the media more suspicious of business leaders (see chart 5). CFOs from public companies and financial services organizations are particularly likely to recognize this increase in aggression and scrutiny. And, in a telling finding, just 33% of all respondents say that they enjoy dealing with journalists.

Chart 5: Percentage of respondents who either strongly agree or agree with these statements



The emergence of a sound bite culture

There are concerns, too, among almost 4 out of 10 respondents that journalists will misquote them or take their remarks out of context. The nature of the modern media means that comments will sometimes be taken out of context. The speed with which the media must respond to emerging stories, along with the competition to retain an audience that is confronted with a vast range of choice has fostered a “sound bite culture” in which stories must be conveyed as quickly and straightforwardly as possible.

“It’s a real challenge for CFOs to get their message across in a way that is concise, quotable but still conveys what is often quite complex information in an accurate way,” says Mr. Carver. Mr. Harvey comments: “I’ve seen 30 page question and answer documents prepared for a CFO accustomed to presenting detailed information to investors. What use is that if you need to convey two or three clear messages during a three-minute interview on the Today program?”

The CFO also needs to consider that they may be judged by different standards when providing quotes to the media. Mr. Carver points out that what the CEO might get away with in a sound bite may not be true for the CFO. “The CFO is expected to be objective, fact based, and is arguably governed by a stricter code of conduct than the CEO. When communicating, the CFO must be careful of being quoted in such a way that the resulting sound bite doesn’t undermine these attributes.”

CFOs' confidence levels in dealing with the media are potentially misplaced



“Suddenly they get asked about something outside of their core area of responsibility and they’re expected to know things over and above their financial remit. This is where the problems often start.”

Given nearly half of CFOs surveyed report an expanding remit with regards to their media interaction, and nearly two-thirds regard media stakeholders as increasingly aggressive, it is surprising that the reported level of confidence is so high. Eight out of 10 rate their overall level of confidence in dealing with the media as excellent or good. The highest levels of confidence are reported by Group CFOs (as opposed to divisional and regional) and those from financial services organizations, who are likely to have greater experience. But, while CFOs may feel comfortable on the familiar subject of financial information, their confidence levels drop when they are being quizzed on non-financial issues.

Just 44% rate their skills at communicating on non-financial key performance indicators as excellent or good, while 49% offer the same assessment of their abilities when these discussions extend into messages related to long-term strategy. True, these may not be core areas of responsibility for some CFOs, but it is impossible to rule out questions on these subjects in what may have been presented as a finance-focused interview.

“I think there can be a certain level of overconfidence with some CFOs when it comes to dealing with the media,” says Mr. Harvey. “There’s a sense that they have all the figures at their fingertips and so feel fully capable of answering any question that comes their way. But then suddenly they get asked about something outside of their core area of responsibility and they’re expected to know things over and above their financial remit. This is where the problems often start.”



Chart 6: Percentage of respondents who rate their ability to deal with the following activities as excellent or good



Perhaps in recognition of the shifting media landscape and increasing demand for communication on issues outside of financial results, many CFOs do acknowledge that they would benefit from greater exposure to media situations. Respondents are most likely to consider more experience as the most helpful way of improving their abilities at communicating with the media (see chart 7).

Chart 7: Percentage of respondents who believe these are the areas which would be most helpful in improving their ability to deal with the media



The three R's: regret, reason and remedy

When under fire during a crisis situation, executives should always remember the three R's. They must first show empathy for those affected (regret); second, explain what happened (reason); and finally, state what measure will be taken to fix the problem (remedy). So says Mr. Carver of the Cranfield School of Management: "Often the CEO is best at delivering the 'Regret' with the personality, energy and drive required to carry this off. The 'Reason' is something that plays well to the strengths of the CFO. The 'Remedy' can be a joint effort between the two. If the CEO and CFO can be joined up and pitch an integrated point of view between them at a press conference, I think this can work extremely well."



The infrastructure to support CFOs has not caught up with their broadening media role



“All too often, CFOs come out of a studio and think that it went well because they managed to stay out of trouble.”

With many CFOs taking on a broader role in terms of media communications, one might expect that companies are increasing the level of support that they provide them. Yet, this does not seem to be the case. In most companies, there continues to be an assumption that the chief executive will perform the lion’s share of media communications, and so should be the individual to whom the vast majority of attention from the corporate communications department should be directed. CFOs, it seems, are not given anything like the same degree of support.

Only 38% of respondents say that they receive briefings from the press office or a media training company before major announcements (see chart 8). This seems very low given the importance of this opportunity – and the potential for it to go wrong. Mr. Harvey recommends that, before any major interview, the CFO should sit down with the corporate communications team to work out how they will approach it. “The CFO needs to be clear about the objectives of any important media appearance,” he explains. “He or she should work with the communications team to identify the two or three central issues that they want to convey. And, if at the end of it, they get two out of three across, then they’ve done pretty well.”

Chart 8: Percentage of respondents who are supported in these areas of communication with the media by their organization



More broadly, CFOs and their communications teams should spend time analyzing who would be the most relevant journalists for their company, understanding what will be of most interest to them, and making proactive approaches to a targeted group in order to build long-term relationships. Among CFOs questioned for this research, only 23% currently do this (see chart 9). “All contacts with the media are valuable because it gets you known and you begin to know them,” says Mr. Harvey. “The key is understanding what the journalist is looking for so that the relationship can provide mutual benefit.”

As well as targeting selected media contacts, CFOs may also consider proactively building relationships with analysts and industry commentators trusted by those media contacts. As one crisis management expert commented in a recent EY report² on crisis communications for audit committee members: “Trusted analysts or commentators ... are especially important for the general media, which doesn’t dedicate much resource to following business; instead, they rely on quotes from these experts or analysts.”



“You may be the best pilot or the best CFO in the world, but there is still value in going through a simulation of a difficult and unpleasant task in a safe environment.”

Mr. Carver likens the CFO to an airline pilot, who may be highly experienced, but who still needs to spend time in a flight simulator to ensure that he can respond to an emergency in the air. In a similar way, CFOs need to prepare for difficult situations – a crisis, an unexpectedly bad set of financial results, or an unexpected angle of enquiry, for example – so that they know what to expect. “You may be the best pilot or the best CFO in the world, but there is still value in going through a simulation of a difficult and unpleasant task in a safe environment,” says Mr. Carver. Mr. Harvey also emphasizes the need for investment in training. “There is no real substitute for real experience, but if you go through a training course and do a series of really practical exercises with experienced journalists, you’re going to get a pretty good idea of what it feels like. Training is vital not just in terms of warning people what it would be like, but boosting their confidence if they have a lack, and conversely, punching through arrogance if they are too far the other way.”

Although preparing for the worst is undoubtedly necessary, it is important to bear in mind that media communications is first and foremost an opportunity, not a threat. “All too often, CFOs come out of a studio and think that it went well because they managed to stay out of trouble,” says Mr. Harvey. “But that is not a success in my view. What’s really happened is that they have failed to take advantage of an opportunity that could have snowballed.”



Conclusion

Emerging from the wings

Media engagement beyond financial reporting and print media – the reported comfort zone of those surveyed – is likely to be an increasing reality for growing number of CFOs.

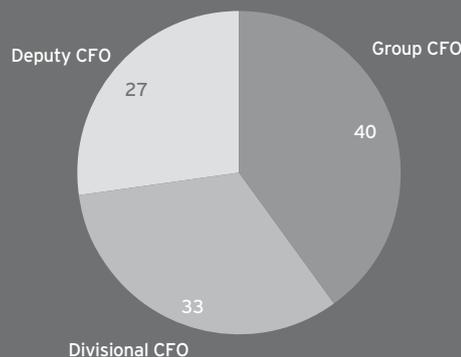
At a time when stakeholders are looking for business personalities whom they can trust, CFOs have a real opportunity to put themselves forward. Their unique perspective over the business, their fact-based approach and their position as purveyors of the truth make them a valuable – and often underutilized – asset in a media context.

While it may be true that CFOs may be unlikely to replace the CEO in the media spotlight entirely, they are definitely emerging from the wings. The challenge is to create the support infrastructure that will enable them to take on this role with confidence and aplomb.

Respondent demographics

The following charts show the demographic make up of the 260 CFOs we surveyed.

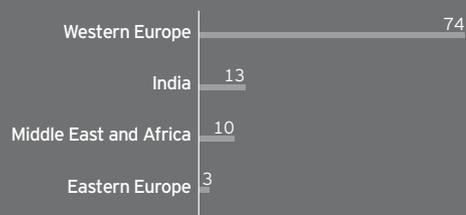
Title of respondents (percentage)



Global annual revenue of organization represented (percentage)



Geographical location of respondents (percentage)



Other titles

This first edition of *The Master CFO Collection* will be followed by others in a collection which will provide insight on the events and experiences which CFOs will encounter as part of their role.

Additional titles, which accompany this collection, include *The DNA of the CFO* (July 2010) and *Future Finance Leaders* (January 2011)

For further information on these titles, and our program of investment in CFOs across Europe, the Middle East, India and Africa (EMEIA), please contact:

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