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Five things I've learned: Xu Tao

The CFO of fast-growing Chinese real estate platform BeiKe shares five key lessons from his career and explains why finance leaders must, above all, be experts in the art of communication.

1. Communication is key

As a financial information provider, communication skills should be a CFO's paramount quality. Strong communications between the CFO and the shareholders, tax authorities and other external parties are essential.

Within the company, communications between the CFO and the CEO, COO and other members of the management team are also important. The CFO is the adviser to the decision-maker in providing professional judgments on investment projects and business direction. Having good communication with the CEO will allow them to make better judgments from a financial viewpoint. Effective communication within the management team will also help establish a strong execution team within the company, and create greater value beyond the regular business operations.

A CFO should never be afraid of voicing opinions. I still pay a lot of attention to the soft skills of communication; that is, how you discover the core pain points of your audience, and how you persuade them in a way that means they can accept your arguments more easily. You need to have a resolute attitude, but talk (or act) in a softer way. When communicating externally, you need to manage shareholders' expectations; internally, you need to collect and analyze as much data as possible, so that you are communicating at a higher level with a broader view.

2. Think – and act – strategically

In the past, many CFOs in Chinese companies merely played a "housekeeper" role, where there was no real need for innovation. Their main task was simply to keep the business running. Today, however, the role is being transformed. It is shifting from being a financial controller role to becoming a chief strategy and capital management position – moving from behind the scenes and coming into the spotlight. This implies a change in mindset. In the past, CFOs looked at problems from a risk control perspective. Now, they must also focus on ROI.

A CFO needs to participate in the development of corporate strategy, demonstrate the feasibility of future strategy through financial methods, and provide mid- to long-term financial management plans to support the execution of the strategy.

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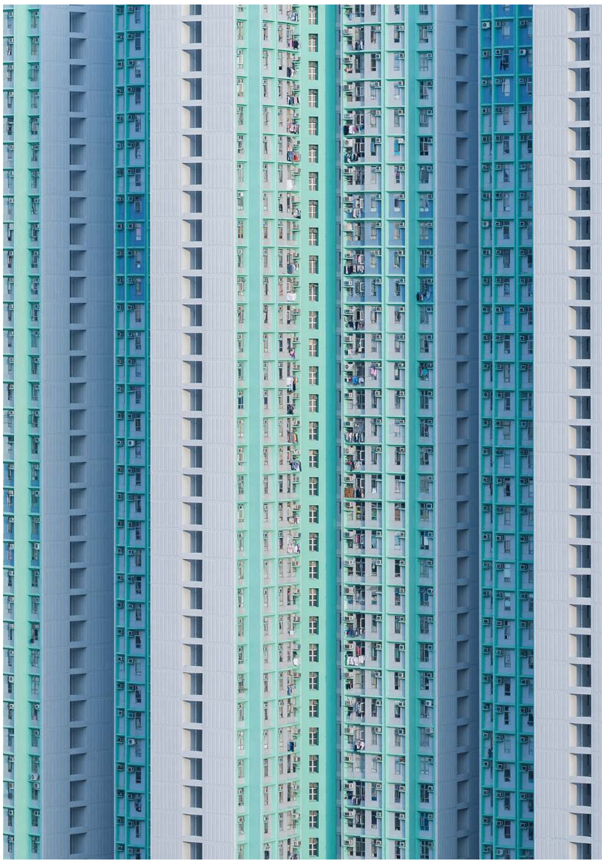

Xu Tao: Profile

Xu Tao is CFO of fast-growing online real estate company BeiKe, overseeing strategic and operational finance, legal, tax and investor relations matters. Based in Beijing, BeiKe provides services including brokerage for existing and new homes, rental, and home decoration and renovation. It has 150,000 employees and annual revenues of approximately US$65b.

Xu has more than 20 years of experience in the technology sector. He started his career at PepsiCo Inv. APAC in 1996 as a management trainee. Later he joined Sohu, where he led the company's Nasdaq IPO. He then served as CFO at Lucent Technologies, Sun/Oracle China and Dimension Data. Prior to joining BeiKe, Xu was CFO at Didi. He holds a bachelor's degree from Capital University of Economics and Business in Beijing, China and a master's degree in International Accounting from the University of New South Wales in Australia.

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3. Connect with capital markets

Capital market management can help the enterprise's growth rate increase from linear to exponential. A CFO has to act as a bridge between the investors, the founder and the management team in order to be able to demonstrate corporate value to the capital market.

The real estate business is now essentially finance-based; financing, IPOs and bond issuing have become key success drivers for real estate development companies, alongside land acquisition. The CFO must adjust the asset structure of the company to meet the continuous needs of financing and fundraising. This is why a CFO who is active in this sector must keep a close watch over the sales volume, receivables, gross profit, expense ratio, received payment status, inventory, interest-bearing liability structure and a series of key performance indicators.

There is a saying in our trade: "When you're doing well, you do an IPO. When you're doing badly, you need a great CEO. And when you're desperate, you turn to the CFO." In effect, the CFO is the steersman for a company's efficiency and productivity, and is a stimulant when the company starts to show weakness.

4. Be a multi-tasker

Today's CFO is supposed to be the decision-maker, the financial executive and the manager of business operation process and performance evaluation, as well as the manager of company control; in other words, the value engineer.

CFOs must therefore have proper knowledge of the financial market and of management, accounting and tax laws. But this is not all. Nowadays, they must also possess business knowledge and market awareness, and be skilled in negotiation and communication techniques. In the future, they will also be expected to play multiple roles in finance and operations. This means that whoever holds this position should understand the business operation as much as financial affairs.

Meanwhile, financial management needs to continue to develop and change as required by corporate management. In turn, CFOs must keep learning and updating their knowledge in accounting and finance, because financial management and control will evolve in line with the changes to corporate management. Financial activities have also transformed from transaction processing to analyzing, internal control, risk management and other matters supporting decision-making. CFOs therefore need to improve their learning in order to keep up with the changing workplace.

5. Mine your data

There is a Zen proverb: "Every wall is essentially an entrance." Under the old idea of financial

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management and disclosure, an invisible wall used to exist between financial information and practical business. But this wall is being broken through, and more doors will be created. Data will become more inclusive, which will bring innovation in interactive experience and drive reforms in finance. Employees will be more self-driven, risk control will benefit from better predictive capabilities, and data will benefit everyone. During this transformation, it is vital to find new positions and roles for everyone in the team.

When it comes to data analysis, the biggest challenge companies will face is not information processing, but the width and depth of data in the era of information explosion, as well as effective circulation of the extracted information. For instance, our housing directory has a database containing 194 million homes, each of which is described with more than 400 indicators.

That means that inaccurate calculation and untimely disclosure can result in a lack of understanding of the company's true business operating status. This reinforces the importance of the sound presentation of data, based on the full comprehension of strategic decision-making, business and operations. In fact, the biggest challenge for a CFO is not how to obtain basic data, but how to excavate deeper in this tremendous volume of data.

Transparency and transmission of information has a great intrinsic value. With data sharing on the increase, this will require a strong platform for information sharing and cooperation, which can only be built upon with the proper mechanisms and tools. The CFO has a critical role to play in ensuring those mechanisms are available. ■

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