



## **"Telling the Truth with Numbers"**

On Tuesday, November 13<sup>th</sup>, those at BELIEVES took part in a very engaging and interactive dialogue on “Telling the Truth with Numbers” with Tim Doyle, former Global Finance Director for Coca-Cola, and Matt Wise, Partner for Assurance Services at Aprio.



“My role within Aprio is to lead a group that works with clients that makes sure info is materially correct,” Wise indicated. “The goal is to make sure numbers are correct and you can have faith in them.”

Doyle then introduced himself.

“During my 30+ year career at Coca-Cola I was in the field or in the M&A function somehow, but always with Finance,” Doyle said. “However, I am not trained in accounting.”

Doyle added that in roles like the one he had based in S. Africa, managing results and forecasting in the field was always the focus.

“Our Code of Conduct said to ‘make your best estimate,’” stated Doyle.

When someone would say “Aren’t you going to hit the numbers?” it implies the pressure to hit numbers, Doyle indicated.

“You can either hit the numbers, or if you won’t hit the numbers, then it is necessary to reset the numbers,” said Doyle. “The key is to have open and honest dialogue. The worst thing to do is to force people to try and hit numbers. You have to do everything in the rules.”

Wise added that managing the pressures Doyle spoke of starts at the top with corporate culture and governance.

“Do they create a safe space for people to be honest?” Wise said is the question to consider when thinking about senior management. “There’s no one way to determine. You can’t just talk to senior management. You have to go beyond to seek to understand what’s going on.”

Doyle added, “Incentives are important. No matter how you structure them, there’s always a dark side.”

From a Finance point of view, Doyle told the audience that you kind of know what’s going on.

“Once stuff is identified, you deal with it right away,” he said. “It reminds me of the parable in the Gospel of Luke that if you can’t be trusted with small things, you can’t be trusted with large things either. Every code of conduct violation is something small that gets larger. Everyone gets caught at some point. No one starts being a crook.”

Wise then shared of a recent situation he encountered to illustrate.



"In the last month, I saw something that started at \$500, then it grew to \$1000, and then it continued because controls weren't in place," Wise shared. "In the end it was a \$6 million problem – all done by one person."

This led CTK Parishioner Fernando Silva to ask Doyle and Wise about dealing with bribes in foreign countries.

"Starting off, at Coca-Cola we just said 'no' to the mafia and then it stuck later over time," Doyle mentioned from his international experience at Coca-Cola. "I was also told no locals could be trusted because they were all corrupt. I didn't find this to be the case. Some of the best hires were locals. My successors were locals."

Doyle went on to re-emphasize that when it comes to dealing with bribes and corruption in foreign countries, if you say up front "I won't do it" people will respect you for it – then just stick with it.

"In any country, don't put your head in the sand," said Doyle.

CTK Parishioner Kevin Burke then spoke up with a comment and question focused on something different.

"When you uncover fraud, it's always surprising who it is," said Burke. "When you're hiring people, are there one or two things you look for to gauge their susceptibility to commit fraud?"

"Gut feel," replied Doyle. "It sounds like a cop out but it's not. There's a woman I had to let go who was buying business class airfare, traveling in economy, and pocketing the difference. You have to say it and deal with it early. You don't have to always fire someone. You could dock their incentive compensation or something else."

Wise reinforced Doyle's remarks.

"Have a culture of zero tolerance where you speak straight and early so the rest of the organization knows there's zero tolerance. Also, understand people and what's going on with them overall. Opportunities for fraud exist. If you let it, it will."

How has Wise incorporated this with his international clients?

"I have a client in Haiti – one of the most corrupt countries in the world," said Wise. "When I talk with them they speak 4-5 languages. A lot is coaching management there as owners so that every dollar that might be stolen is something they see as coming out of their pocket."

The conversation then shifted a bit with a question posed by CTK Parishioner Walter Kozik.

"Can you speak to the collision between Catholic faith and corporate culture?" asked Kozik. "In Catholic culture, there's penance for example."

"Good question," Doyle responded. "My Catholic faith really helps."

"Did you find yourself having discussions around ethics and the spiritual side with others?" Kozik asked further.

"For me, I believe you need to be upfront about who you are and people respect you for it," Doyle further replied. "At Coca-Cola, Finance was seen as the conscience of the company. I never had anyone push back against me."

Wise added, "Understanding your people and how you deal with them is key so that we don't get to a point where people will step out of bounds."

Fernando Silva jumped back in the conversation with a question about shareholder view.



"How do you manage the pressure of clients pushing against the very edge to keep taxes at a minimum?" asked Silva. "It seems there's 'shareholder accounting' versus 'tax accounting' involved."

Doyle replied stating, "How you incentivize tax folks is important. Taking a larger view of things helps. Taxes are important, but the top line is bigger than the tax line. You can lose sight of what it is you're doing, if you get too tricky."

At Aprio, Wise said they look at what tax regime the company has put in place.

"We put this in the footnotes so regulators can see it. We look at EBITDA for valuation so tax efforts don't necessarily influence that."

Wise also added, "We have the option to not work with companies if they push the envelope too much – and we choose not to."

CTK Parishioner Tim Porter next posed a question that once again shifted the conversation a bit.

"I want to ask a big company versus small company question," Porter said. "In a large company it is easier to take a long-term view it seems. Smaller companies seem like they could be more susceptible for fraud. Is that view true?"

"In private companies, management owns and has vested interests, so we spend a lot of time with them on goals and plans, and then tailor our work around that," Wise answered. "A lot of my clients have their net worth in their business. Their businesses fund their lifestyles so we understand the individuals and the pressures on them."

When Wise and Doyle were then asked what checks and balances they would advise leaders of different types of businesses and organizations to focus on to ensure results and projections were reported accurately, they each offered a myriad of insights.

"The way I look at it is what asset do you have that everyone wants," Wise first remarked. "It's cash. People's greed has to be kept in check, especially for small companies because if cash leaks it will kill a company quickly. So look down on cash first."

Doyle's focus was different.

"Segregation of duties is essential," he stated. "That will catch a lot. Something else I found helpful was going through the balance sheet often. I'd do this with my folks each quarter. Coca-Cola was very income statement focused, but the balance sheet is where stuff gets parked. There are only so many places things can go."

On a more person-to-person level, Wise told the audience that employees knowing managers are involved in oversight is important.

"One thing that scares me is when an organization says something like 'our controller is awesome, she's been here for years,'" Wise commented. "This is always a red flag."

Wise believes that part of his role is to speak to owners about people who aren't competent in order to address the risk involved and push for personal/learning development.

"Conversations are tough especially with family," he said. "Many times clients don't do anything because they think they're being loyal."

An audience member then commented that team member relationships are key, and that there's only so much you can do to advise a client before it's on them.

Doyle agreed, but added another level of insight beyond that.

"An active board is a way to have the really tough conversations," said Doyle. "It is very important to have the Board be able to have the right conversation."

Wise added to close out the session, "Relying on advisors whose job it is to examine your business helps."