

AHANews

Welcome to AHANews

Welcome to the second edition of AHANews. In this edition, get to know one of our University Medallists, Gerlinde Gniewosz (Honours 1997) and read about her experiences doing her MBA at Harvard Business School. Gerlinde is now a Berlin-based consultant with McKinsey.

Also read up on one of the School's major annual events, the John V. Ratcliffe Memorial Lecture. This year's topic was **Executive Compensation: Robbery or Reward?** The lecture was a pleasure to convene, and it was great to see so many of you there.

Welcome back to Kerry Humphreys (another Medallist, Honours 1998), who has this year left the world of consulting to join staff at UNSW. Sound like a tempting career change? Find out more!

And finally, very best wishes to all AHAN members for the Christmas season and a successful year ahead. I look forward to seeing many of you at future events.

*Professor Wai Fong Chua, Head of School,
pictured at the 2004 John V. Ratcliffe Memorial Lecture*



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Profile: Gerlinde Gniewosz, consulting in Germany

Introducing Gerlinde Gniewosz (Honours 1997). Gerlinde is a university medallist and Harvard MBA, as well as an avid traveller and photographer with a thirst for learning. She is currently a consultant with McKinsey and Company and is living in Berlin.

Award-winning academic background

Gerlinde completed her HSC at Oxley College near Bowral in the NSW Southern Highlands, before being awarded a UNSW Co-operative Scholarship. Through the Co-op Program, Gerlinde combined her accounting studies with internships at Deloitte Touche Tohmatsu and the Commonwealth Bank of Australia.

Over her four years at UNSW, Gerlinde's outstanding results led to an

impressive array of academic awards, culminating in the University Medal.

Based on her Honours research, Gerlinde co-authored (with Prof Roger Simnett and Neil Fargher) *Auditors' Assessment of Hedge Effectiveness*, published in the **International Journal of Accounting**. This study was set in 1997 against a backdrop of very little authoritative guidance or knowledge about how auditors assess the effectiveness of derivative hedges. Gerlinde investigated the approaches that auditors undertake in the absence of such guidance, by collecting and analysing descriptive evidence on firm procedures from the technical offices of the then Big 6 audit firms in Australia. Her study found a diverse range of opinions and procedures regarding hedge accounting, and that auditors primarily relied

on a review of client calculations when examining hedge effectiveness.

Harvard MBA and McKinsey

After finishing the Honours year, Gerlinde travelled for four months in South America. She then worked for a couple of years in the field of structured finance with the Commonwealth Bank of Australia and the Banque Nationale de Paris prior to making the leap to join the Harvard Business School's MBA program in August 2000.

On returning to Australia in 2002, Gerlinde drove 22,000km around the country, before leaving for Germany (with 50 rolls of film ready to develop!) This significant trip around Australia allowed her to experience some of our stunning National Parks and to hear

unique stories from fellow travellers on the road, becoming a treasured travel experience for Gerlinde.

Now based in Berlin with McKinsey, Gerlinde's consulting work is diverse. Her clients have been in industries such as telecommunications, consumer durables, and financial services; and she has advised on such topics as organisational change, marketing spend effectiveness and sourcing of intellectual capital.

AHANews interviews Gerlinde Gniewosz

Gerlinde, let's start with Harvard Business School – how did you come to do your MBA?

The MBA was for me an international passport. I wanted to be able to live and work in any part of the world of my choosing. For that reason, I focused my attention on American business schools. Australia provides world class education, but internationally the understanding of our system is limited.

The academia at UNSW, especially Prof Roger Simnett and Dr Richard Morris, greatly supported my application to HBS (there was also some competing encouragement to do a PhD – but I never say never!) I was also motivated by my work environment, where international experience and knowledge was highly valued. ↗

My parents also helped the decision-making process. They have always provided me with fantastic encouragement with regards to realising dreams, whether it be academic performance or overseas travel.

What were some of the sacrifices you had to make?

The MBA is not cheap, particularly if you decide to do it in the USA. Thus, I was constantly having heart attacks when I first arrived in the USA and had to purchase anything. However, it has since paid for itself.

The biggest sacrifice was not being able to enjoy home cooked meals for two years! I was staying in dorms on campus, and the cooking facilities available to us were limited to microwaves for popcorn.

Now that you are two years on from HBS, was it worth it?

Definitely! First and foremost I am now essentially debt free. I celebrated the day that I reached "zero net worth".

An MBA from HBS becomes increasingly valuable over time as one progresses into jobs that require more of the softer skills. Furthermore, the alumni network is incredible with regards to the collective experience. Lastly, the MBA has proven to be the international passport I had hoped for, in that it opens doors regardless of where I am. ↗

What sort of basis did UNSW provide for your Harvard studies?

I have been very fortunate to study at both institutions. UNSW was indispensable in teaching me the foundations, and I still rely on what I learnt at UNSW. The Harvard MBA program in contrast focuses on providing a breadth of general business knowledge and on high-level management. The combination of the two has proven to be very powerful.

HBS is synonymous with cases. Everything, including Accounting, is taught through cases. The benefit of this is that one's knowledge of the general business world expands exponentially. However, associated with the case method of teaching is the notorious "cold call" at the beginning of each class... the tension is incredible as each student fears to be called upon to open the class, particularly those who aren't fully prepared. Once some poor student is chosen, a massive sigh of relief can be heard throughout the class.

What advice would you give to alumni considering studying and/or working overseas?

Being based overseas is a challenging experience, but is well worth the investment. When operating in one's home culture, one takes a lot for granted. For example, communication styles differ between countries, even disregarding the extra complexity of different languages (English is not always the same English.) However, it is often the simplest things that prove to be the most challenging. For example, where is the electrical fuse box in a German apartment block? Australians are also well accepted overseas, even if the locals don't quite understand us, particularly the vegemite!

Gerlinde, you also have a very interesting creative side to your story. Can you share with us some of your impressions and tips as a traveller and photographer?

Australia and the US are great for losing oneself in nature – wide open spaces with no one else around. (Though in



the USA, you need to walk a little bit further to find such places, since they have very good roads even to the remotest corners.) South America also has some stunning diverse landscapes: moon landscapes in northern Argentina; alpine regions in southern Chile; tropical rainforests of Columbia; and of course the great beaches in Brazil. When I'm travelling through such wonderful landscapes, my preference is for colour film so that I can capture contrasts in colour and natural patterns.

Europe, on the other hand, is the place for experiencing new cultures and food. It is particularly good for photographing street scenes in black & white.

Your favourite photographers?

Henri Cartier Bresson is probably my all-time favourite photographer... the way his photos seem to linger in one's memory. Another favourite is August Sander – he is interesting in his achievement to capture such a breadth of people in the society of his day.

Recently my imagination has been captured by the exhibition and publication of photographs by Adam Broomberg and Oliver Chanarin. They photographed people from a diverse cross-section of South African society. Their project was made especially memorable by the stories that accompanied the photos.

What role does photography play in your life?

Photography, in that it is creative, balances out my work life, which generally requires me to be constantly rational and pragmatic. It is something that I can also do regardless of where I am. (I used to play the organ in Australia – but maintaining that creative outlet on a regular basis has proved to be an impossible challenge! The camera is rather more portable.)

I am also volunteering at a small non-profit photography school in London called Zoom-in. There I get to participate in classes, see a constant flow of pictures and get to talk to other photographers who do it for a living. That – along with taking far too many pictures! – helps me improve my photography skills.

Tell us about your visit to the Gaza Strip...

Gaza is the most interesting destination I have experienced to date.

A very good German friend of mine is one of the founders of the Palestinian Rowing Foundation. (As I understand, the IOC is the only international organisation that recognises Palestine as a country.) They have set up a program to teach young girls and boys in one of the refugee camps in the Gaza Strip how to row on the ergometers - the first boats are hopefully arriving

this year. I was lucky enough to be invited to the end of year ergometer competition to take a few photos of the children. So between work commitments, I managed to travel to Gaza for a week-end last year in November.

It was an absolute eye-opener to see the conditions and to experience the atmosphere in which the people have to live.

Thinking more personally... what is it that you hope for in life?

For me, it is important to be continuously learning. At each stage of my life I have had valuable encounters with people who have opened my eyes - whether it be to new ideas or beliefs or other experiences. I feel very fortunate to have experienced so many different cultural environments, and to have encountered a number people who have tested my beliefs and basic philosophy, particularly in the workplace with regards to integrity and standards.

Whilst on my UNSW Co-op Program internship with Deloitte, one of the partners explained that he enjoyed putting people in the deep end to see how far they can go before they start drowning. This may sound very harsh, but he gave me some of my most valuable learning experiences and the chance to fully realise my capabilities. This has helped me continue to "jump into" completely new environments on a semi-regular basis, for example, from Accounting major to Structured Finance to MBA in the USA to Consulting in Germany.

Any ideas on what you might "jump into" next?

I will keep you posted! I'm happy and optimistic that, whatever it is, it will definitely be a new challenge. My current dream would be to live and work in Paris ... but due to the language, that may have to wait a couple of years yet.

Very best wishes to Gerlinde for her future! We thank Gerlinde for sharing her thoughts, and for her beautiful photographs that accompany this story. ■



*Photographs by
Gerlinde Gniewosz*



This page

Top: Karijini

Below: Bowling Green

Previous page

Left: Lisbon

Right, top: London

Right, below: Lisbon

The annual **John V. Ratcliffe Memorial Lecture**, held on 25 November 2004, saw AHAN members join with prominent members of academia, commerce, the professions, financial media and public service at The Westin Sydney. The lecture is convened by the School of Accounting and supported by a fund established by Mrs Florence L. Ratcliffe to commemorate the work of her late husband.

This article summarises the lecture panellists' discussion of the topic **Executive Compensation: Robbery or Reward?**

Mr David Gonski AO, Chairman of Investec Bank (Australia) Ltd, holds numerous board positions in business, education and the arts.

David argued that the main challenge is to stop payment of non-performers. He reasoned that criticism of the high pay of good performers reflects a philosophy of envy and an over-simplification of the issues. It is essential that executive compensation recognizes the realities of competition for scarce resources in a worldwide market, the business imperative to recruit the best and not treat them meanly, and the relatively short tenure of most CEOs. In business, if not the arts, passion is no substitute for money!

David criticized CLERP 9's disclosure regime: it simply drives up execu-



Xin Cissy Dong (2003), Kate Sherwood (2003) and Asher Curtis (2001)



Dean of Faculty Greg Whittred with John O'Brien, Peter Bergman (Faculty Advisory Board) and Scott Armstrong (1991)



Speaker Stephen Taylor (1981) with Justin Wood, CEO of Barclays Global Investment; Phillip Brown (1962); and Frank Mattioli, Managing Director of Origin Capital Group

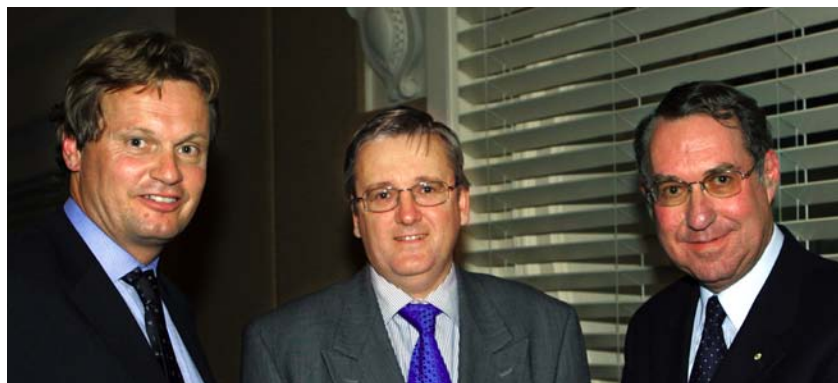
2004 John V. Ratcliffe Memorial Lecture

Executive Compensation: Robbery or Reward?

Thursday 25 November, Heritage Ballroom, The Westin Sydney

Speakers Mr David Gonski AO, Chairman, Investec Bank (Australia) Ltd
Mr Peter Morgan, Director, 452 Capital Pty Ltd
Professor Stephen Taylor, Faculty of Commerce and Economics, UNSW

Speakers Peter Morgan, Stephen Taylor (Honours 1981) and David Gonski AO



tive compensation. He pointed out that one of the most effective ways of limiting executive compensation – co-operation between corporations – is clearly not an option, contravening pro-competition legislation.

Mr Peter Morgan, co-founder and executive director of 452 Capital Pty Ltd, is a strong advocate for the rights of shareholders.

Peter shared his insights into Perpetual's successful transformation over 15 years, and the crucial role played by Perpetual's adoption of employee accountability and rewards for performance.

But in rewarding performance, how do boards properly identify that executives have indeed added shareholder value? Many factors – such as industry cycles, or sharemarket rises (including those generated by the growth of compulsory superannuation) – can affect the company's apparent performance, regardless of executive efforts.

Peter discussed four specific concerns: transparency, inconsistency of reward between industries, eliminating rewards for non-performance, and accounting properly for options. Peter contrasted the unexplained high executive remuneration at Telstra with the relatively low compensation, despite outstanding performance, at Rural Press. Identifying high-profile situations where shareholder value

had been destroyed, Peter labeled as obscene the payouts at NAB and Lend Lease, in contrast to AMP's courageous withholding of a termination payment.

Professor Stephen Taylor, of UNSW School of Accounting, has a distinguished academic background in Australia and the United States.

Appropriate compensation properly links the level and composition of pay with performance. This cannot be brought about by government regulation, which consistently backfires (as occurred with the Clinton US tax concession cap). It relies instead on strong corporate governance. Stephen cited researcher Neal Arthur's finding that board structure is primarily determined by CEO tenure – so a long-standing CEO with an over-compliant board may well be both the gamekeeper and the poacher!

Stephen supported the strong model underlying the concept of stock options, which have the potential to promote a longer-term view and help align remuneration with company performance. But he also explained the dangerous conflicts for executives when a fall in their share price undermines their personal net worth. He attacked the view of options as cheap compensation, and criticized the misuse of deferred compensation to make remuneration less transparent, and thus less likely to provoke outrage.

Audience questions followed the presentations, with David, Peter and Stephen further discussing issues and values behind board and shareholder behaviour. Why do boards permit contracts that reward executive non-performance, and why do investors allow the directors who represent them to exercise weak corporate governance



Pamela Angus-Leppan (1975), third from right, with members of the Ratcliffe family

protocols? To what extent should directors, even if they consider it is morally right to pay executives less, second-guess the market or risk the wellbeing of the company? The speakers explored issues such as the scarcity of good CEO candidates and thinness of the available pool of potential company directors, and considered the relative abilities of personal and institutional investors to effect change. ■

Kerry Humphreys returns to UNSW

Welcome to Kerry Humphreys (Honours 1998) – one of the newest faculty members to join the School of Accounting.

Before her appointment at UNSW, Kerry was a Senior Consultant specializing in Corporate Strategy for IBM Business Consulting Services (BCS). She had previously worked with PricewaterhouseCoopers' Corporate Finance division and for PwC Consulting in both Corporate and Business Strategy development, and Value Based Management (VBM) consulting. Kerry graduated from UNSW with the University Medal in Accounting and is a member of the Institute of Chartered Accountants in Australia (CA).

Kerry has been teaching Stakeholder Value Management to final year undergraduate students this session. She is currently developing her PhD proposal, with research interests including corporate strategy development, behavioural decision making using management accounting information and alliance relationship management.



Kerry Humphreys (left) with fellow Lecturer Diane Mayorga at the Co-op Accounting Network launch

AHANews caught up with Kerry to ask about her return to academia.

Have your impressions of the students changed much since becoming a Lecturer, compared to when you were one of them yourself?

Not too much...I can still remember enough of being a student to empathise with their workload, the exciting challenge of really beginning to grapple with work/study/life balance and the novelty of the material being studied at University. I am learning a trick or two from my students though, and standing on the other side of the classroom I now have an infinitely greater appreciation of the importance of active student participation in the learning process.

Your impressions of the change from industry to academia? – the good, the bad and the ugly?

Fortunately, a myriad of good things so far. The students are proving to be an inspiring group of people who manage to give something back each week, which is incredibly rewarding. My colleagues are a talented team of people with a wealth of experience here that is a gift. It is also encouraging to see so many bright

young people working in the School and to be amongst the interesting research that is being conducted.

No bad or ugly per se, I think the main thing I miss from industry is interacting with clients – the 'buzz' from working with corporate decision makers and helping to shape company strategies. Just means I now need to keep up-to-date reading about their strategies in the press! On a lighter note, I recently attended my first Australia Ensemble lunchtime performance, since returning to UNSW. That is an experience that corporate life just cannot provide!

How is your career experience informing your teaching and/or research?

This has been a rewarding area for me in a teaching capacity. The students seem to enjoy hearing some practical examples of how the corporate strategy theory they are learning is utilised in practice, as well as some of the interesting challenges that arise in applying the theory in corporate settings here and overseas. My experience has also been able to contribute to some areas of our course material, which is great.

As for, "informing my research" that is my challenge over the summer!

That is, to develop my PhD topic in greater depth, and in doing so effectively draw on my career experience to challenge existing assumptions and make a contribution to research.

And of course...why did you decide to return to academia?

Without a doubt, this has been the most-asked question since I returned to UNSW! A few reasons really: Firstly, I had been working out in corporate for six years and while I had worked with some fabulous people and learnt an enormous amount, I was ready for some new challenges. The opportunities to develop in new directions at UNSW – both with respect to research and teaching – present exciting challenges for me. Secondly, while there is always much more to learn, I felt I had some valuable corporate experience to contribute to the students' learning here at UNSW, as well as my own passion for the subjects that I am teaching. Finally, I regard UNSW and the time I spent here as a student with the highest respect and great delight, which made the opportunity to return here too valuable to decline.

Good luck Kerry - your PhD will be very interesting!

Top research accounting school in Asia-Pacific

The University of New South Wales has been ranked the top university in accounting research among all Asia-Pacific universities, according to a recent study to be published in the *Review of Quantitative Finance and Accounting*.

In addition, two of our Professors, Wai Fong Chua and Ken Trotman, have been named among the whole region's top five research authors. For research published in the select top-5 accounting journals, Wai Fong is the region's second highest ranking author, behind Hun-Tong Tan of Singapore's Nanyang Technological University.

The research ranking was based on the total number of articles, weighted by co-authorship and co-affiliation, published in 18 leading accounting journals over the period 1991-2002. The study included a total of 119 universities.



The Asia-Pacific region's top five accounting research universities were University of New South Wales, Hong Kong University of Science and Technology, Nanyang Technological University, University of Sydney and City University Hong Kong.

The study also found that the top 10 Asia-Pacific universities have achieved a research productivity that is competitive with major public and private universities in North America. Applying the study's methodology, the University of New South Wales would have been ranked 12th in North America, comparable to Columbia University.

The study was authored by Kam C. Chan of Western Kentucky University, Carl R. Chen of the University of Dayton, and Louis T.W. Cheng of Hong Kong Polytechnic University.

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The network news: updates from members

In the last edition of AHANews, we heard from Tony Abrahams (1996) about TAJ Productions' presenting the **M2005 Deaflympic Games Cultural Festival: A Celebration of Possibility** coming up in Melbourne next month. Find out more at

www.tajproductions.com.au

And calling all UNSW Accounting Honours Alumni – please **stay in touch!** Our contact details are at left.

Email us with any news, feedback, requests and story ideas.