

JAPONICA PARTNERS 15 SEPTEMBER 2015 TELECONFERENCE RE A GLOBAL 5-STAR FINANCE MINISTER FOR GREECE

Professor George Serafeim Transcript

Transcript from Professor George Serafeim, the Jakurski Family Associate Professor of Business Administration at Harvard Business School, who has published many studies in the most influential academic journals and is the author of numerous widely used case studies in finance, accounting, and management, including his most recent case study titled: "Greece's Debt: Sustainable?":

I am happy to say that the MACC Framework, a framework that I have been using for many years to teach management practices and improve organizational performance, could prove to be useful in the context of my home country, Greece. The MACC framework has been used by many organizations around the world and ensures value-creation for all stakeholders. In the case of Greece, it can be used in an objective and transparent process to rate the finance minister for Greece so that a selection process is based on meritocracy.

The "M" in MACC stands for "measurement". In the context of a finance minister for Greece, this means the skill correctly calculates numbers that are essential to major decision-making. For example, a finance minister for Greece will know the rules for measuring debt and deficit, according to the international macroeconomic statistic guidelines, such as the European System of Accounts, as well as international accounting standards, such as IPSAS and IFRS.

The "A" in MACC is "analysis." Five-star analysis skills include the ability to take financial statement information in Greece and derive insights before other people see. For example, a finance minister would have discovered from analyzing the financial information of other countries that Greece's present value of net debt and debt service ratio are a fraction of peer European Union member states.

The first C" in MACC is about "creating value". This is one of the highest value-contributing skills of a 5-star finance minister. In the Greek context, an example would be executing the publicly disclosed 100-day plan that would increase the value of the government's financial assets by tens of billions of euros.

From the experience I have had with other organizations that I have worked with, the first step is to actually provide high-quality financial information in the consolidated balance sheet that accurately reflects how values are changing over time.

The second "C" in MACC is "communication". In the context of the finance minister, this means the ability to build trust and confidence. As a turnaround change leader, the finance minister must show knowledge of the topic of government finances as vastly better than anyone else. There must be a track record of open and public debate on subjects where misconceptions should and must be changed. The 5-star finance minister must have a passion for popularizing the topic of accountability, a topic that is so important in the case of Greece.

Thank you very much.