

Argyle Conversations

by Argyle Executive ForumSM

Ann Marie Petach, CFO for BlackRock Fund Advisors discussed the role of the CFO as a partner to the business and the challenges of overseeing a global operation.

Kurt Salmon: Can you start by giving us some background on your career prior to BlackRock and why you eventually joined the company five years ago?

Ann Marie Petach: My only other job before BlackRock was with Ford, where I had more traditional financial analysis duties. My first encounter with BlackRock was in 1998 when I became the Assistant Treasurer at Ford and was responsible for overseeing and investing our pension funds. We had a \$70 billion fund which was pretty traditional, about 60/40 equities to bonds. But when we looked at our bond portfolio, we saw that there was a mismatch in the component of the platform that was supposed to be the lowest risk. We had a long duration liability matched with a much shorter duration asset, and at the time interest rates were higher.

So we contacted BlackRock to see what we should do about it, and they came up with a recommendation on how they would run the portfolio if they were constrained not by a benchmark, but instead by what our actual liabilities were. I was really impressed with the thoughtfulness and the client focus that they brought to solving that problem.

Now that you are with BlackRock you work with both institutions and retail individuals. How does BlackRock continue to prioritize its client and customer focus?

There are two priorities that drive everything we do: clients and investment performance, which is of course what our clients need us to deliver. Our thinking about what our clients should be doing relative to the present environment has recently been translated into advertising. These current ads focus on what clients should do with their money and the problems they are facing today, which is historically low interest rates. It's about using your money and cash to its fullest potential, particularly if you're facing retirement.

So how do you seek investment income if it's not available in cash instruments? How do you think about alternative asset classes as a retail investor? What if I live longer now? We've spent a lot of time really thinking about the demographics and the macro issues of helping our clients prepare themselves not just for these present circumstances, but for the long term as well.

How do you view the role of the CFO as a finance partner to the business?

There are a couple of key things I try to bring to the table, starting with an objective view of data and information that is needed to have transparent discussions and make good business decisions. One of the beauties of the BlackRock business model, especially when I compare it to my days at Ford, is our ability to continuously adjust to the present environment and what clients need today. The data is very powerful because you can adapt to it. We don't ever want to be risk-adverse, we just want make sure that we know every risk we're taking and that they are intentional.

One of the things that makes my job easier than almost any other CFO in financial services is that we don't have any balance sheet risk. We're not investing our own balance sheet, the portfolio managers are investing assets on behalf of the clients with agreed risk profiles, so I never feel conflicted with those decisions. Our clients take those agreed-upon risks. BlackRock is not a balance sheet model, and I feel like as a CFO that that's a bit of a luxury in financial services today.

Since BlackRock has good relationships with various government entities, do you have any insights about the potential regulatory impacts that could affect the CFO function?

We really think of this as a long cycle. Part of my role is to make sure that people are educated about what are the win-win solutions that would help achieve the intended consequences and benefits of certain legislation, while avoiding perhaps a majority of the potential unintended or negative consequences. We also prepare ourselves for legislation in draft form even if we don't necessarily believe it will look that way in its final form. For instance, we are preparing now for FATCA (Foreign Account Tax Compliance Act) compliance even though it may look different before it is finalized. If we don't begin our work today, we won't be able to properly comply with the risk profile in the high-quality manner that we expect of ourselves.

BlackRock has made a couple of fairly significant acquisitions since you've been there. Can you tell us a little bit about those experiences and about how you've integrated and harmonized finance activity?

While it may not be easy on the finance department, our philosophy is that integration needs to happen as quickly as possible, and having everything on a common system will in the long run put you in the best risk, processing and efficiency profiles. So in both our acquisitions of Merrill and BGI we were on a single GL instance on the day of close.

What are some of the challenges you have faced overseeing a global organization and how have you addressed those challenges?

In many ways the global nature of the business has been a great opportunity, and in finance we've been able to focus around three major hubs. In New York we do our core corporate reporting and FCC reporting, as well as the firm's books and records. In Edinburgh we have our finance operations and our largest center of finance people, at a significant cost benefit compared to when they were in London. And in Gurgaon, India we have a growing presence that will take us to a new level. As a finance organization the business wants and expects more from us, but to do that we have to grow our capabilities and our resources. 

BIOS:

Kurt Salmon – Global Financial Services

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Kurt Salmon's Global Financial Services practice works with the world's leading retail, corporate and investment banks, consumer finance companies, asset managers and investment funds, insurance companies, payments businesses and financial sector regulators. Our global team brings deep industry knowledge and experience, strategic insight and operational expertise, and a passion for delivering measurable bottom line results.

Ann Marie Petach

Ann Marie Petach, Senior Managing Director and Chief Financial Officer, is a member of BlackRock's Global Executive Committee. In addition, she is a member of the Corporate and Business Operations Executive Committee, the Global Operating Committee, and the Government Relations Steering Committee. Ms. Petach also serves as Chair of the Capital Committee and Co-chair of the Corporate Risk Committee.

Prior to joining BlackRock in 2007, Ms. Petach was Vice President, Treasurer at the Ford Motor Company She began her career in 1984 at Ford, where her responsibilities were global and included pension asset management, actuarial studies, banking, funding for Ford and Ford Credit, and risk management. In addition, Ms. Petach worked at two former joint ventures between Ford and Volkswagen, in Europe as Treasurer of AutoEuropa and in Brazil as Assistant Treasurer of AutoLatina.

Ms. Petach earned a BA degree in business and Spanish from Muhlenberg College in 1982, and an MBA degree from Carnegie Mellon University in 1984.