



Bringing home the bacon

GERRY BACON, GROUP
TREASURER OF VODAFONE
GROUP PLC
BY MICHELLE PERRY

PHOTOGRAPHER: ROGER HARRIS

Gerry Bacon is not one to rest on his laurels. His CV reads like a man who always knew where he was going and it's fair to say he's got there. Any observer might consider him well within his rights to continue focusing on his day job as Group Treasurer of Vodafone and generally enjoy his already abundant achievements.

After all, unlike many treasurers at high profile companies, Gerry enjoys a leisurely commute through picturesque countryside to arrive at Vodafone's headquarters in the market town of Newbury, often with his squash or football kit in the boot of his car. Life is sweet.

But no. Bacon is awaiting the results of the imminent Council elections at the Association of Corporate Treasurers, of which he is a Fellow. He believes it's time to "give something back to the ACT" and help steer the Association's future direction.

It's odd to think that Bacon considers he's taken something away from the ACT when in fact he plugged away, while doing an MBA at Cranfield University and getting married in the same year, to complete the demanding ACT exams in 1991 and winning the

joined the FTSE100 company almost 12 years ago.

"All the professional staff in our department are either doing or have completed a post-graduate qualification, such as an MSc in finance or an MBA, or the ACT exams at the level appropriate for them. Many also have post-graduate accountancy or tax qualifications," says Bacon.

"You create a culture in a department and for those who enjoy working in that environment then it is only a small chore to give up personal time and study. But people see the benefits, enjoy doing it and most importantly understand why they're doing it," he adds. "They are also paid more."

TRAINING FOR THE FUTURE It is in this vein that he hopes to contribute to the ACT's future if he is elected.

"The ACT has a good training programme which naturally benefits from continuous development. It is doing a good job and is right to embark on a new, more elective-based training programme, as it makes the market of people who want to join the ACT somewhat broader," says Bacon.



overall examination award. He has also been a member of the ACT editorial committee and now is a member of the ACT technical committee.

FOSTERING EDUCATION Anyone who's ever done a post-graduate qualification will know how challenging it is. But to study for two different courses simultaneously, well, any right-minded individual would consider it insanity.

Nonetheless he survived both, albeit with a little sleep deprivation, and has gone on to become a respected treasurer at one of the UK's most exciting companies which ranks in the world's top 15 in size.

The idea to apply for the ACT exams and to move into the world of corporate treasury came to him in the middle of his MBA when he had to choose which electives he was going to take in the third and fourth terms. "Doing both of them together was really helpful. There was so much interplay between the two and it made them that much easier," Bacon explains prosaically.

It wasn't the first time Bacon had embarked on an intensive training course. After taking a mathematics degree, he took a job and accountancy training course at medium-sized firm Stoy Hayward, now merged into the UK's sixth largest accountancy firm BDO Stoy Hayward.

Indeed along with sport, travel and his family, study is a great passion and he makes sure the culture of study is fostered within Vodafone's treasury department, which he has built up since he

But he also believes it is the right time for the Association to develop a more international focus.

"The world is becoming more uniform. Accounting is becoming more similar across the world and businesses are becoming more global. Communication, the internet and email make the sharing of information a lot easier. And that will just continue."

"I think the ACT needs to increase its focus internationally. Sitting in an international organisation, the ACT can sometimes appear somewhat UK-centric," explains Bacon.

Indeed the introduction of the US Sarbanes-Oxley Act, which all US-listed foreign companies must comply with, is a prime example of this globalisation of standards.

Despite the furore emanating from Europe over the extraterritorial legislation, the additional workload it brings and of course the monumental costs, Bacon is a supporter of the new rules in relation to his treasury department, although questions its value add for shareholders of well-run corporations.

His backing and understanding of Sarbanes-Oxley can clearly be found in his professional background. Before working for corporates, Bacon was employed in the internal audit department of Merrill Lynch. He possesses an innate bent for internal controls.

"When running a treasury department the last thing you want to happen is to have gaps in internal controls; or people in the department who are not versed in internal controls or are not proud of making sure things are done properly and accurately," says Bacon.

Like many finance professionals that have gone through the process of complying with the new US laws, Bacon has recognised you can reap some benefits.

"The two really positive things I've taken from Sarbanes-Oxley are training and analysis of existing controls. Newcomers to our department are involved in re-documenting the controls that we have in place and looking to see which are key and which are not, but still useful to have.

"As we walk through our processes it reminds everyone that controls are very important. Eighty percent of the work we are doing and have done so far in respect of SarbOx in our department is quite positive and useful. And it's a good way of training people and checking that everything's in order," says Bacon.

SEEING THE BENEFIT Still, he acknowledges the downside too, albeit very philosophically.

"The last 20% is an incomprehensible waste of time. But that's like anything in life, if you get an 80/20 ratio, you're not doing too badly. The 20% waste is the price of being listed in the States."

As for the contentious switch to International Financial Reporting Standards, he is Sir David Tweedie's dream.

Instead of getting caught up in the rules debate, like a true British accountant he is focusing on the principle and benefit of the new rules.

"Part of the problem is that I don't think the relevant parties have philosophically worked out whether they should read these as legal documents and therefore take every word as being perfectly drafted, which currently they are not, or whether they're trying to get to the principles behind them. And that's still an issue that people haven't got to grips with," he explains, "but the benefit of worldwide consistent accounting principles is worth targeting."

Of course he's refusing to allow accounting to override

Pensions

The fundamental issue under debate is in which assets is it better to invest pensions funds. Traditionally, equities has always been the preferred choice, but developments, not least the different accounting treatment funds are now subjected to, means that companies are having to rethink their asset allocation.

A few years ago Boots, the UK high street chemist, famously drastically reduced its asset allocation in equities. More recently a study by actuaries Watson Wyatt recommended that equity holding for pensions be reduced to minimise risk. Watson Wyatt recommends diversifying into other return-seeking assets, such as high-yield debt, emerging markets debt, commodities, hedge funds, global small cap and private equity.

Bacon however disputes any suggestion of a blanket approach to managing pension funds which is not part of his responsibilities at Vodafone.

"You have to apply it on a case-by-case basis. Ask yourself, what are your assets and what are your liabilities? At Vodafone we have a young workforce, consequently the liabilities are long-term liabilities, so it's appropriate to invest in a higher proportion of equities than in fixed income.

"If you're the other way round with short-term liabilities and a high level of pension payments, then having more fixed income investments should be more appealing."

Nevertheless external pressures on public companies make decision making for treasurers often taut.

"You'd like to hope that treasurers would perform the right analysis and execute the right solution, but the difficulty, that a lot of organisations face, is shareholder pressure!"

"THE WORLD IS BECOMING MORE UNIFORM."

commercial sense.

"It hasn't changed the way we manage our treasury function. We continue to do what is the right thing for the business, whilst understanding the accounting issues!" Consequently Vodafone's treasury department started the migration to IFRS early and without changing the way of managing risks has modified some of its procedures to fit the new rules whilst still achieving its objectives. An example of this is regression testing for effectiveness of swaps.

"At Vodafone we have always been driven by 'ok what's the big picture, what's the philosophy and what's the principle?' As long as you can write that down, have it culturally accepted within the department or organisation then you can probably answer most questions that arise within the department. You don't have to start opening up page 23 of the treasury policy to work out what you ought to be doing. It should be ingrained in the concept, rather than the application," he asserts. Naturally these principles are embedded in Vodafone's treasury policies and are distributed to all Vodafone's subsidiaries in its 16 countries of operation.

Still, like most treasurers at present he's still grappling with the weighty document that is IAS 39. Nevertheless, in this too, he sees some benefit. "The general thing that's coming through, from discussions with other treasurers, is probably one of moving towards a more simple model, which is not a bad thing for most organisations."

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