

Drastic times, drastic



REVIEWING THE CAREER AND RECRUITMENT SCENE IN 2008 LEADS **DEBORAH THOMAS** TO ASK, WHERE DO WE GO FROM HERE?

If this time last year someone had said to me that we would have lost Lehman Brothers, that Goldman Sachs would no longer be an investment bank, that some major financial institutions would be falling over themselves to amalgamate despite the clear competition issues, that others would be part-nationalised, and still others would be trying to avoid that fate by selling equity on less preferential terms to an overseas investor than the UK government was offering, then I would honestly have thought them mad. And yet here we are.

The financial crisis may have altered yet again between writing and publication, as it seems that there is almost hourly change taking place globally. But whatever individual events do happen, the underlying issues will be with us for some time to come.

WAR STORIES Despite the input of billions of pounds and dollars the markets still aren't lending; instead of loan flows increasing, they are only trickling out. Why? Is it still the lack of trust? Is it concern that there is more bad news out there? As I write this, the market is full of war stories – from banks offering double-digit rates for overnight money to rumours of a bond issuance at 20+% and AAA money market funds with problems.

What is the real value of a credit rating in this market? Again, the trust has gone, with some corporate treasurers choosing to invest cash in Asia rather than in the UK or with US banks and are certainly spreading their risk to avoid overexposure to any one entity.

The recent Bank of England interest rate cut did surprise the market but it was only with plenty of arm twisting that it was passed fully to the market. There is the feeling that there is worse to come as the impact of liquidations, unemployment and further prime mortgage default hits the market.

Next year looks like being tough. Even with a new US president, the markets haven't bounced back substantially and while the US economy inevitably affects the UK, it will take time for the effect of any corrective measure to be felt here. For most people this is the most difficult situation they have had to experience, much more so than the early 1990s but there

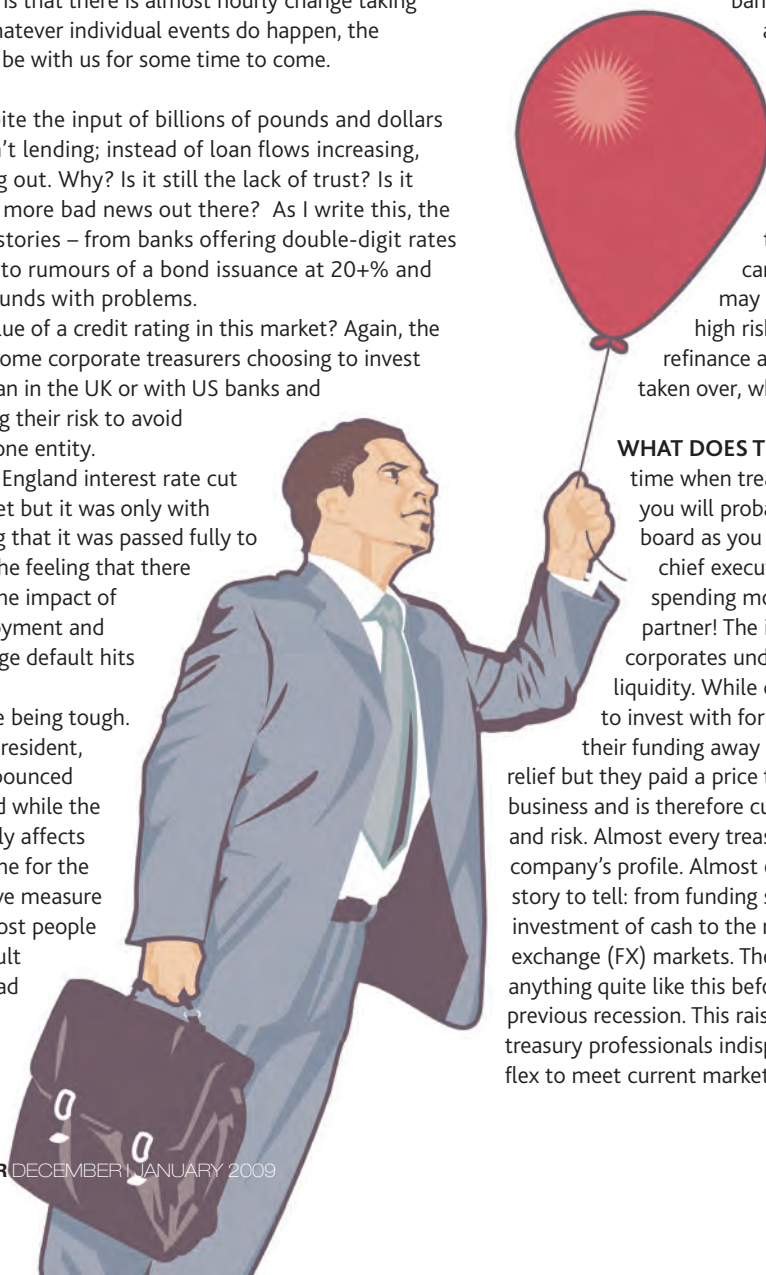
are still questions as to whether this will be the worst recession on record and talk of a depression seems to be waning.

WHAT DOES THIS MEAN FOR THE TREASURY JOB MARKET?

Inevitably, there will be retrenchment as a result of the disappearance and consolidation in the banking sector. While treasury is partly protected as a result of the important role it has to play and the relative leanness of many treasury teams, it is still a factor as banks try to take advantage of economies of scale. My concern is that while

banks in the past have employed rapid hire and fire policies in response to market movements, there will not be the same number of employers in the market for some time to come. The effect will then feed into corporates, which always lag behind the banking sector, although once more with the caveat that treasury departments tend not to carry a great deal of extra capacity and so may be less affected. That said, there is still a high risk that some corporates will struggle to refinance and will end up in liquidation or being taken over, which will diminish the treasury market.

WHAT DOES THIS MEAN FOR TREASURY? This is the time when treasurers need to lead from the front, and you will probably never have as much access to the board as you do now. One treasurer I know now has his chief executive officer coming over every day and is spending more time with his boss than with his partner! The illiquidity of the debt market puts corporates under enormous strain in trying to maintain liquidity. While cash is still king, issues remain over whom to invest with for both security and return. Those that got their funding away earlier have been able to afford a sigh of relief but they paid a price to do so. Treasury is at the heart of the business and is therefore currently high-profile for funding, liquidity and risk. Almost every treasurer is being challenged whatever their company's profile. Almost every treasurer I have spoken to has a story to tell: from funding spreads and unreal rates for the investment of cash to the reality of Libor or volatility in the foreign exchange (FX) markets. The common theme is that no one has seen anything quite like this before even if they have been through a previous recession. This raises the profile of treasury and makes treasury professionals indispensable although policies are having to flex to meet current market conditions.



measures

While some institutions have shored up their treasury functions, most seem to be holding or replacing only. We have had some instances of replacement for treasury professionals with different market experience in these more demanding times.

As always there are winners and losers, with cash-rich companies able to take advantage of the market, albeit cautiously. There is still movement in the market, which creates opportunities, whether it is in funding, FX, cash management or M&A. Business is still being done and those with strong credit ratings can raise funds at reasonable prices.

WHAT SHOULD YOU DO? In most cases, the message is to hold on and gain experience in this market: it will stand you in good stead. You can use the time to gain further experience both of this type of market and other related areas: for example, broader risk, pensions, working capital, debtors' improvement, etc. If a great opportunity does come along, ensure you do your due diligence. Security is a key driver. I recently heard of a case where a treasurer joined an organisation, having been told they had just raised a certain amount of funding only to find on arrival a few months later that it had all been allocated already, putting the individual very much on the back foot regarding liquidity and future funding.

Employers must still draw and retain talent, and the situation has not changed dramatically in terms of attracting high-calibre individuals who are not just technically highly competent but are commercially minded, add value to the business and have the strong interpersonal skills that let them influence at all levels. Succession planning is a key part of ensuring the right selection and active management is still an important tool in retaining key people. A broader skill base adds value to the treasury professional and the organisation. Many treasurers take on roles in tax, pensions, broader risk including insurance, and sometimes general finance.

WHAT DOES 2009 HOLD? Until conditions improve and confidence returns it is still a difficult outlook. Most commentators see 2009 as being a difficult year. Treasury should be well placed to see the pick-up. As a generalisation, financial services lead and corporates follow, so until we see further clarity and confidence in the former, everyone will experience trying times.

These are genuinely historic times. Inevitably, we will see greater control and transparency requirements over the coming year. It also means tighter lending criteria, which in itself will bring funding back to a more realistic, sustainable level. Is leverage now an undesirable term? How will the part-nationalised banks work? Will we be owned by the Middle East or Asia? Will we see tax holidays, drops in VAT or national insurance? Is the bonus culture finished?

Only time will tell what will happen but markets have short memories when things are going well. Next year looks like being a challenge.

Deborah Thomas is responsible for senior treasury recruitment at Michael Page International.

deborahthomas@michaelpage.com
www.michaelpage.com

Essential conferences and events from the ACT

talkingtresury Dubai

The eighth in the thought-leadership series
19 January 2009, venue to be announced
Sponsored by Emirates NBD and HSBC

ACT 5th Annual Cash Management Conference Achieving More with Less

27 - 28 January 2009, The Tower Hotel, London
Sponsored by Barclays Commercial
Supported by Experian Payments

Hear practical presentations from industry leaders and case studies from experienced corporate treasurers on a range of key topics, including:

- Liquidity management in the wake of the credit crisis
- A back-to-basics guide to payment methods
- Getting the most from your working capital
- Implementing a new TMS
- Setting up a payment factory
- Building a centralised treasury operation

talkingtresury Moscow

The ninth in the thought-leadership series
5 March 2009, Swissotel Krasnye Holmy, Moscow
Sponsored by RBS

ACT Annual Conference 2009 Adapting, diversifying and sustaining – dealing with the new normal

22 - 24 April 2009, Manchester Central, Manchester
Sponsored by Deutsche Bank, HSBC and RBS

The ACT Annual Conference will bring you presentations from treasury, risk and finance professionals to ensure you can adapt, diversify and sustain your business in these changed conditions which are now the new normal.

Track topics for 2009 will include:

- Conventional banking and debt capital markets
- Treasury systems for the 21st century
- Exploring alternative funding options
- Risk management
- Robust and sustainable treasury policy
- Working capital and cash management
- The SME perspective of the financial markets

For further information visit our website www.treasurers.org/events or contact the events team at events@treasurers.org or phone +44 (0)20 7847 2589