

Reaching the pinnacle

Making it to Finance Director may not be at the top of every treasurer's agenda, but it is a huge achievement, and you can enjoy yourself on the way up. Joanna Parker, a treasurer herself, takes inspiration from three leading lights to find out how they made the grade.



Paul Richardson, WPP

Paul Richardson is only 43, so how can he have been finance director of a global bulge-bracket player like WPP for the past four years? Well, it's like this – he applies himself, rolls his sleeves up and gets on with it in a very personable manner. Oh, and he's a BA, ACA, MCT, and technically very strong to boot.

First steps in finance

Paul decided early on that he wanted to become a finance director and set about it by qualifying as a chartered accountant with KPMG in 1983. Within six months he made the familiar step into the outside world and faced the choice of either joining BA as an internal auditor, 'a good springboard', or going to Beecham Finance as Group Finance Manager.

He went for Beecham, where he landed on his feet, finding a business unit regularly dealing in 26 currencies with an advanced corporate treasury. He also got in with a good crowd who were active diners with the Association's regional group, which was to prove instrumental in shaping the rest of his career. It was at Beecham he learned the relevance of realised and unrealised currency

WPP IS ONE OF THE WORLD'S LEADING COMMUNICATIONS SERVICES GROUPS WITH 65,000 PEOPLE WORKING FROM 1,300 OFFICES IN 102 COUNTRIES. THEIR ADVERTISING BRANDS INCLUDE YOUNG AND RUBICAM, J.WALTER THOMPSON AND OGLIVY AND MATHER. GROSS BILLINGS IN 2000 WERE A WHOPPING £14BN WITH REVENUE OF £3BN. NET DEBT AVERAGED £423M DURING THE YEAR. ON 7 JUNE MARKET CAP WAS £12.3BN.

positions, and within 12 months he had also assumed responsibility for treasury when the dealing room supervisor and senior dealer both left the firm within a week of each other.

While covering the dealing room, dabbling in spots, forwards, deposits and borrowings, Beecham was also the first to beta test and install Bank of America's treasury system and yet still found time to sit the Association's professional exams.

The hard graft certainly paid off – as one of the first 100 students in 1986 he was awarded the Hambro prize for currency management.

Deputy treasurer

Despite making the necessary overtures to treasury, Paul was not able to shed his accounting responsibilities, which

inevitably led to his departure from Beecham. He was the one successful applicant out of 200 that clinched the position of deputy treasurer at Hanson, and is certain he would not have done so without the 'very relevant' Association qualification. As number two in a three-person team and with no back office, Paul was able to learn quickly about funding in his new role. He started with a \$3bn commercial paper issue shortly followed by several visits to the capital markets to refinance bridging loans on their acquisition programme. He spent six years at Hanson, in a very disciplined environment, and learned how to anticipate the markets, whether forex, titanium oxide or gold. No matter what the market dynamics, at Hanson they could spot the opportunities, both on the way up and down and exploit them under the three fundamental principles of Timing, Timing and Timing.

Director of treasury

After six years at Hanson, Paul felt he had to move on in order to get into the driving seat. WPP, the communications services group, had made some very aggressive acquisitions and consequently was in the grip of a financial crisis – the banks would have foreclosed had there been any tangible assets to foreclose on. On reflection, Paul admits he took a risk in January 1993 that he didn't fully appreciate at the time.

A debt for equity swap had just been arranged with WPP's lenders and a tight corset was placed around their cashflow; everything was bolted down, with tight capital expenditure, working capital targets and generated cash earmarked for the banks. Paul had no need of his capital market's experience here, as it was time to focus on cashflow, controlling working capital very tightly. When operations asked for cash, treasury first asked 'why?'.

Exposure to the board

With these tight constraints placed on its businesses, WPP wanted a direct understanding of the issues at hand, and the director of treasury was required to attend board meetings, giving him valuable experience and exposure – he had a separate slot dealing with treasury issues as part of the Finance Director’s report.

Paul also worked closely with JPMorgan and the bank group, to demonstrate that WPP was on track and extract it from its involuntary and painful financing (at Libor+200bp) as soon as possible. This involved rebuilding the balance sheet from its BB- status in 1993 and helping the banks to place their shares in the company at a handsome profit. By 2001 the rating had improved to A-.

In 1995, WPP succeeded with its first voluntary refinancing through a \$800m syndicated loan at 100bp over Libor. Discipline remained very tight, and by 1997 WPP was successfully refinancing at between 25bp and 40bp, in an “uncluttered” bank deal.

Meanwhile, Paul has been appointed Deputy Finance Director and was Acting Financial Director when his boss took a four-month sabbatical at Harvard Business School. His boss resigned on his return and Paul was offered the permanent directorship in December 1996. Despite this achievement, his corporate profile and the breadth of his remit, he still does not regard himself as a senior Finance Director.

The route to the top

He considers the road to becoming a finance director as being determined by the style of operating company, and something that is often only achieved after serving time in a financial controller role. He believes treasurers make it in specialised industries where risk management is high on the agenda. It is hard to join a new company’s board from a treasury position, but it can be done – witness Paul Spencer, his predecessor, who went from Treasurer at Hanson to become Finance Director (and more) at Royal SunAlliance.

Time only for the big fish

Every sector is consolidating and WPP is ‘not a consolidatee’, making about 50 acquisitions a year and turning many away. As Finance Director Paul only has time to land the strategic and big fish,

Treasurers make it in specialised industries where risk management is high on the agenda. It is hard to join a new company’s board from treasury, but it can be done

such as the £3bn acquisition of advertising giant Young & Rubicam last year.

Letting go of treasury, Paul misses the buzz of the capital markets roadshow where his Deputy Financial Director and Treasurer are currently selling their €1bn Eurobond, the company’s first euro transaction. He would also like to have issued a convertible bond but says he has yet to get the timing right.

Sticking to its guns

WPP was acquisitive during the dotcom era, but having learned many lessons in

the 1990s “it has consistently stuck to its principles, thinking logically about valuations, despite the equity market frenzy and avoiding those high cap companies trading on thin air”.

Mission accomplished

Paul has been single-minded in his goal to become Finance Director and is happily ensconced in his 24-hour travelling role. In today’s global market, he expects a demanding workstyle with limited private time and reckons it is very difficult to achieve lifestyle balance in a senior corporate position. He has no idea about his longer term future and cannot imagine his retirement – “pensions aren’t what they used to be” – but he does hint that one day he might be tempted to step down to a private company with less onerous reporting requirements.

Paul’s words of advice:

- Choose your route through blue-chip companies.
- Keep learning and definitely take ACT exams.
- Be single-minded and have clarity of your objectives.
- Expect a demanding workstyle if the company is to be successful.

TABLE 1 Memorable deals		
YEAR	DEAL	MEMOIR
1987	Numerous forward, forward contracts.	“Very technical. We built our own model to price forward forwards off LIFFE and then went into the market to better these prices.”
1994	Placing 15% of WPP’s stock on behalf of the lending banks following the debt for equity restructuring swap.	“Co-ordinating the placement and stopping the rogue banks/Arbs selling early. First exposure to equity market.”
1995	\$800m voluntary refinancing at 100bp, replacing involuntary debt costing 200bp.	“Re-introduction to the banking markets for WPP. Two years later we were funding at normal corporate prices in uncluttered bank deals.”
1998	Debut \$300m Yankee Bond	“Closed three days before Russian October crisis, when the market dried up for six months and prices soared 100bp, if the deal could get away at all. Timing was everything.”
2000	Young and Rubicam £3bn acquisition by way of share exchange.	“Cross-border share exchange. Largest deal ever in advertising with two other bidders at the table until the 11th hour.”
2001	€1bn Eurobond	“Roadshow currently under way. I still miss the buzz of closing a capital market transaction.”



ENTERPRISE OIL IS AN INDEPENDENT OIL EXPLORATION AND PRODUCTION (E&P) COMPANY WITH 35 FIELDS PRODUCING 280,000 BARRELS PER DAY IN THE UK, NORWAY, DENMARK, ITALY AND GULF OF MEXICO. TURNOVER LAST YEAR WAS £1.8BN AND NET DEBT OF £431M AT THE YEAR END. 7 JUNE MARKET CAP WAS £3.2BN.

Andrew Shilston, Enterprise Oil

On the second floor of an impressive building overlooking Trafalgar Square and the National Portrait Gallery in London's West End, Andrew Barkley Shilston could be forgiven for thinking he had arrived. But the 45-year-old finance director of Enterprise Oil is not resting on his laurels, rather "tasting everything" and feeling energetic and enthusiastic.

Formative years

Gaining an engineering degree at Oxford meant Andrew could well have followed in his father's footsteps and joined the engineering fraternity. But wanting to make his mark on the world and perceiving the UK engineering scene to be in a depressing state of perpetual crisis, he also rejected an opportunity to be a reservoir engineer and "international pawn" with Shell and turned to accountancy instead.

Similar to many other graduates of his day, accountancy offered a "means to an end", rather than providing a "sense of mission", and he was attracted to Arthur Andersen by its energy and professional recruitment process. Starting on £2,600 a year, he endured this "necessary evil" to qualify as a chartered accountant, gaining experience at several oil industry clients before throwing away his red pen and escaping the profession.

On the way to Trafalgar Square

He arrived at BP in 1981, quickly felt he had made the wrong move, and smartly joined Abbot Laboratories, a US healthcare multinational with 20% a year EPS growth. Here, he had to ride financial shotgun on various international marketing operations,

where suddenly customers came into the equation and the mysteries of sales and marketing began to unravel.

In 1984, he was invited to become Corporate Accounting Manager for Enterprise Oil, one of Mrs Thatcher's early privatisations, spun off from British Gas. It was a start-up company with North Sea assets, cash, no employees or debt and a voracious appetite for capital.

Jumping ship

It was not long before he started casting envious glances in the direction of

Take an outward looking job – treasury or investor relations, but don't get stuck in a specialist box. Try out everything that you can and don't get bamboozled by jargon

treasury, as "it seemed fun", and a vacancy enabled him to jump ship. A sterling company in a US dollar-based environment led to very exciting and innovative transactions on both fronts: fund raising and investing.

Enterprise Oil was able to raise funds worldwide and was among the first UK companies to issue perpetual preference stock in the US, make a private debt placement in the US, raise funds from Japanese leasing companies and Switzerland, and to tap the long term sterling debt market. On the other side, the company was able to better lending its cash surpluses to HM Government and the banks, by investing in structured products tailored to its own cashflow, including mortgage-backed securities, which it traded alongside the first tier investment banks. Heady stuff.

Role models

In 1989, Andrew succeeded his role model and former treasurer, Justin Welby (now Reverend Welby and the Association's confidential adviser on ethical and personal issues), whom he had admired for his approach and ability to sell the firm's story and who was influential in demonstrating "what a treasurer could be." With Andrew as treasurer, Enterprise Oil carried out an IPO in the US, took an NYSE listing and SEC registration. Further debt markets were assessed, launching an MTN programme, Eurobond, large revolving credit facility and the like.

Without this treasury experience, he knows he would not have got where he is today.

Guilt-free MCT

Did he sit the ACT exams? No he didn't. But it certainly doesn't embarrass him, having earned his stripes at the cutting edge of the treasury profession, transacting ground-breaking deals over an extensive period.

Almost at the top

Andrew's plan had long been to be in charge and in 1993 a suitable vacancy arose when he was at the ripe old age of 37. Within six months as Finance Director, his name was all over the financial press in connection with Enterprise Oil's hostile attempt to acquire Lasmo. The deal failed, but was a baptism of fire, where he learned a lot about the machinations

of the City, dealing with the press, his colleagues, and above all himself. Nobody likes losing a contested bid and there were a lot of bruised egos around, but it was a fantastic learning experience. Merger talks failed again in 1999 when the Enterprise Oil board stuck to their economic principles and refused to overpay. Mergers of equals are fraught with difficulties and sadly the consolidation was not to be.

With such a history of financing deals there would seem to be nothing left for Enterprise Oil to experiment with. Not so. Over the past 15 years, Enterprise Oil has been based in north west Europe and able to make rapid growth on the back of its balance sheet.

Now as the company moves to more exotic locations – Brazil, the Gulf of Mexico and Iran – the profile of risks and treasury challenges migrate. With joint venture partners, the projects need to stand on their own, which calls for highly structured financing. Hopefully, the next announcement will be for £3bn funding of its Iranian joint venture. Big numbers.

Life in the balance

Despite his achievements, Andrew is not a workaholic. He firmly believes in a balanced lifestyle and declares his three teenagers to be “a source of immense pleasure”, and his family, a central part of his life. Work does not get taken home, as home is for regeneration (not wimps) and he has no idea how many hours a week he works. When the heat is on, it’s on, and the work gets done.

No couch potato, he made time to go skiing for the first time last winter, took up sailing four years ago and plays lots of tennis. Relaxation sees him studying history and lost in opera.

Outward bound

Looking back, what careers advice would he give to young aspiring financial directors? Take an outward looking job – treasury or investor relations, but beware not to get stuck in a specialist box. Try out everything that you can and don’t get bamboozled by jargon. The key to being a financial director is to perceive the role in a strategic context, be a part of the whole debate and demonstrate an ability to take that strategic view and make an informed approach.

Being CEO requires a candid examination of who you are, as it involves selling dreams and visions while maintaining a hide as tough as a rhino and a supply of answers for everybody.

Casualty

Andrew may be happy with his lot, but it doesn’t mean he’s ready to be written off. Convention would take him to a bigger company doing the same thing. Enterprise Oil breaking into a bigger league could be exciting. And being taken over would almost certainly make him a casualty, but only according to convention.

The ultimate goal

In short, he keeps an open mind over his future. He has plenty of mileage in him and would like to be involved in a variety of different things, although not just a series of detached non-executive directorships.

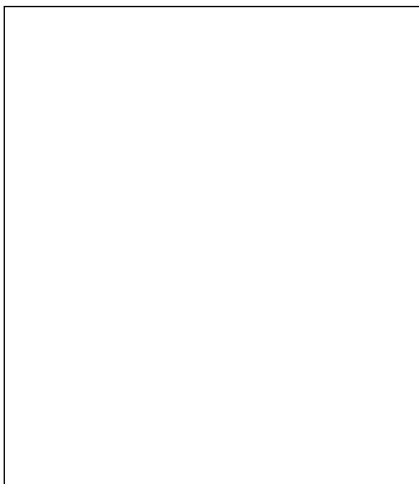
CEO perhaps? He believes being CEO requires a candid examination of who you are, as it involves selling dreams and visions while maintaining a hide as tough as a rhino and a supply of answers for everybody.

Something more entrepreneurial seems to fit the bill, perhaps a special situation, project financial director. Andrew can’t imagine his retirement, but is certain when the inevitable happens he will not end up playing golf all day. Watch this space.

Andrew’s words of advice:

- Take an outward-looking job - treasury or investor relations.
- Do not get caught in a specialist box.
- Take risks in taking different jobs.
- Think strategically.
- Regenerate at home.

TABLE 1		
Memorable deals		
YEAR	DEAL	MEMOIR
1992	\$200m Perpetual pref stock issue in US	“My first US deal of many, great press coverage. The next best thing to equity, no investor calls”
1992	5% equity offering in the US as registered ADR to kickstart US investment.	“Understood how equities are sold in the US, became familiar with SEC and US lawyers and learnt what a ‘greenshoe’ is”
1988	£500m investment in Mortgage-backed and other collateralised securities	“First UK company to invest in these structured products and traded them before the idea caught on at very handsome margins. Attractive feature was automatic repayment as underlying collateral was repaid”
1994	First attempt at amalgamation with Lasmo through hostile bid	“6 months into job as FD, nobody likes losing a contested bid but fantastic learning experience.”
1999	Second attempt at amalgamation with Lasmo by agreed merger	“There is no such thing as a merger of equals. Someone has to decide strategy and resource allocation. We were the larger party but price required in (various forms) for agreement to merge too great”
1997	A need to brief the market about lower production in future.	“There is no easy way to give the market bad news, but we underestimated the reaction and paid a price by the manner in which we did it. It was not a life threatening problem so we were low key but were accused of being insensitive to shareholder concerns”



CHARTER'S CORE ACTIVITIES ARE CONCERNED WITH WELDING AND CUTTING AND AIR AND GAS HANDLING THROUGH THEIR TWO MAJOR BUSINESSES, ESAB AND HOWDEN WHICH ARE WORLD LEADERS IN PROVIDING EXCELLENCE IN TECHNOLOGY AND SERVICE. TURNOVER LAST YEAR WAS £934M WITH Y/E BORROWINGS OF £272M. ON 7 JUNE MARKET CAP WAS £216M.

Nigel Robson

Nigel Robson is able to look back on his career with the confidence of someone who is certainly on the right track. He is so laid back you could forget you were talking to a genius and when he tells his story you can be sure there are no embellishments, rather the opposite. His childhood ambition was to be a professional cricketer, having put his man-management skills to the test as Cricket Captain at Kings College School, Wimbledon over a side that remained undefeated during his tenure.

A serious retirement?

Retiring at 55 he may be able to involve himself more in this beloved sport and will certainly be evident at The Oval. But he has a heap of conflicting interests – rugby, golf, opera, theatre, photography, gardens and chess “in no particular order” and sitting on his desk was a copy of *Understanding Pawn Play in Chess*, so he must be taking his retirement very seriously.

The son of a corn merchant, Nigel disliked university and walked out on his Chemistry degree after six months. To redeem himself he agreed to take accountancy articles, and after a slow start distracted by the handicap committee he thought he ought to take things more seriously and qualified in 1969 as a chartered accountant.

Setting his sights

Now more focussed he decided to move into industry and “do things which made profits, rather than ticking other people’s profits”. By this time he had his sights set firmly on becoming a finance director. At Nestlé for four years, he gained experience on many international projects. He was the honoured high flier who was selected for Business School in Lausanne,

but promotions were based on dead men’s shoes and his next “opportunity” was in the costing department! He responded by updating his CV.

Fortunately BAT came to the rescue. It had recently bought International Stores and was recruiting for the UK’s second largest grocery chain. The first of many significant calls in his career, Nigel was headhunted as group management accountant in 1974. Upwardly mobile in a highly scrutinised and pressured environment he learned a lot about the way businesses work and the importance of relating to people within. He was also fortunate to participate in the purchase of Argos.

Influential

Nigel had just disintermediated the commercial banks by cutting a deal with Girobank to re-route his stores cash for Giro’s pension outflow when it was suggested he apply for MCT. He was already keen as he had identified the Association as a growing and influential organisation which would “look good on his CV and he could afford the subscription”. He attended an interview and demonstrated that he had been responsible for numerous things treasury, including the first

installation of laser scanning tills on a UK shop floor. He has been an active member of the Association since and became a Fellow in 1993.

Right title, wrong job

“To prove himself” he was very focussed on becoming finance director at International Stores and succeeded in 1979, although astutely he knew it was not the “right job”. Another phone call, seeking someone with experience and weight to be group finance director and deputy managing director of Banbury Alton came through. This subsidiary of London Brick was losing £2m a year and needed someone to turn it around. Nigel arrived, buoyed by “the challenge to get up and do something” to find the managing director’s chair vacant with his name on it. He consequently slimmed the business down from 1,100 people to 750, with head office losing 37 out of 40. A breakeven situation was restored in 1983 and he sold the business, recouping London Brick’s original investment.

Promoted to group financial controller in 1983, he quickly found himself in the front line defending an unwelcome bid from Hanson for London Brick. Although the defence failed, it was highly commended in the City and proved to be the only time Hanson was forced to raise his offer twice.

Headmaster’s office

In the weeks following the takeover Nigel kept his head down, going about his business when he was called in to the headmaster’s office for the inevitable discussion. To his delight, not only was he the first senior financial man retained by Hanson, but he was appointed financial director for London Brick, with responsibility for their amalgamation into the Hanson Group

In the next year at Hanson “he learned more about finance and managing businesses than anywhere else in his life”. Importantly, “giving people responsibility but making them accountable, something we all talk about but rarely do in practice. You can’t solve other people’s problems, you have to give them the authority to solve them themselves,” he says.

Not surprisingly, Nigel was left to get on with it until his managing director retired in 1985 and his replacement came as a package with his own finance man. Nigel parted on very good terms and many of his lifetime friendships were made during his Hanson days.

Group treasurer wild card

Now what to do? Nigel seriously flirted with three job offers. Two to become Finance Director of a Plc, and the wild card, to become Group Treasurer at Burtons, the high street retail, property and financial services group.

At his interview, Nigel postured that "he didn't know much about treasury" (another Robson understatement), which was exactly why the "charismatic" Ralph Halpern wanted him. The position of Group Treasurer was accepted in 1986 and Nigel enjoyed the challenge immensely, learning quickly, building City relationships, serving the various businesses needs and raising debt and hedging in a variety of sophisticated structures, including an untapped £2bn war chest.

Treasury growth

Treasury in the late 1980s was dynamic, with many new products. The treasury profession was at last getting the status and respect it deserved as an important business discipline, and there were a lot of hungry banks out there eagerly waiting to deal with forthright organisations such as Burtons.

Now he very definitely misses things about treasury, mostly the very real treasury community which is a very sociable and enjoyable group to be part of, the weighty decisions and readily apparent consequences. Not least, the fact that in a profit centre, the treasurer is almost a "managing director" of a business unit, running a function in a way that can not be done by other ivory tower managers.

Landmark deals

Nigel is proud of two successive landmark deals which were put in place against strong opposition from the accounting profession despite them being genuine structures. In particular the 1987 £100m off-balance sheet financing which became the benchmark by which future financings would be deemed off-balance sheet. This transaction was hailed by the Sunday Times for its innovation and effectiveness in reducing debt and laying off the risks of ownership but retaining the future appreciation in property values for Burtons. These structures still hold true today.

Back to FD

Having had a great time in treasury and despite bribes to keep him, Nigel was ready to become Finance Director of an industrial Plc, when the phone rang

again. This time it was to become Finance Director of Charter plc. Securing this position he believes his treasury experience was important, but that industrial companies need financial control and operational experience more.

In his 11-year tenure at Charter, Nigel and his two fellow directors have changed the composition of the group from a portfolio of old and failing operations to a company that owns two significant businesses: Esab, the world leader in welding and cutting systems; and Howden, the world's largest manufacturer of air and gas handling equipment. This reconstruction has necessitated a lot of deals.

Nigel has also been deeply involved in changing Charter's ownership buying out Anglo-American's 38% stake in 1993 and more recently attempting to merge Charter with its main competitor, Lincoln, which subject to slow Federal Trade Commission consent, failed late last year as the US market slowed down and the highly leveraged US sponsor pulled out.

The importance he places on treasury is self-evident in Charter's latest annual report where treasury matters – cashflow, treasury management, interest rate risk, currency risk and liquidity management – take up more than half the financial review.

On women

Sadly, he concedes he could not have got where he is today had he been a woman, as prejudice still stands in the way. Women "need to be better at the job" and he finds them "more objective, better-focused and less distracted". For his own part, he has nurtured men and women without any apparent favour.

Work to live

Just 55, Nigel has decided to call it a day because, despite his impressive achievements, he has always "worked to live" and maintained an enviably balanced lifestyle. He is proud that two of his three children have followed in his footsteps qualifying as chartered accountants and the other is a successful young manager at Woolworths. His wife needn't fear his retirement as he is not an idle man. Nigel, we wish you all the best in your retirement.

Nigel's words of advice:

- Give people responsibility and the authority to solve their own problems.
- Get financial control and operational experience.
- Decide whether you want to "work to live" or "live to work".

TABLE 1

Memorable deals

YEAR	DEAL	MEMOIR
1979	Sale of International Stores' wholesale and cash n' carry business to Booker McConnell for £20 m	"Always think this was the best deal I ever did. I was left on my own and made so many mistakes and learnt so much that it stood me in good stead for the rest of my career."
1986	Bilateral £250m Multiple Option Facility	"Very unusual to secure a deal at very low margins with no financial covenants whatsoever."
1987	£100m off-balance sheet property financing	"The structure was ground breaking in its day and still remains genuinely off-balance sheet in spite of being targeted by the standard-setting professionals."
1988	£75m off balance sheet property financing	"On Monday we thought we might have a workable structure with Samuel Montagu, by Saturday we were on a private jet to Jersey and signed the deal within hours of our year end."
1994	£450m acquisition of Esab	"Achieved 50% acceptance on day 1 but the remaining Swedish fund managers refused to cave in and squeezed the price up by 5%. We made a tough decision with no regrets."
1999	£200m sale of specialised engineering businesses to Candover	"The ingenuity of venture capitalists in their efforts to salami-slice the price never ceases to amaze. You have to be fast on your feet and very determined to hold your corner."