

TOP GUNS FOR HIRE



DEPLOYING THE RIGHT EXPERTISE AT THE RIGHT TIME CAN CAPTURE OPTIMUM VALUE FOR TREASURY. **LUCILLA HERRMANN** LOOKS AT THE ROLE OF THE INTERIM TREASURER.

The skills of an experienced corporate treasurer can make all the difference in delivering a responsive and effective treasury function at key stages in a company's strategic development. However, as in many specialist functions which are dependent on expert, qualitative decision-making, staff costs may contribute a significant element to the expense of delivering this business support. Therefore, the leverage of expertise on an interim basis may be a cost-effective solution to meeting the needs of a business when the demands on the treasury function are particularly acute.

WHEN MIGHT A COMPANY USE A TEMPORARY TREASURER? The use of an interim treasurer may be most appropriate in a situation where internal resources are limited, or where the relevant skills or expertise are not available. He or she can provide immediate technical expertise and experience that is not currently in place within the company, together with the management experience necessary to take control of the situation.

The common factor in many high-profile treasury projects, treasury start-up situations and periods of organisational change, is that specialist expertise is needed for an initial period. Thereafter the function can often be run either by someone internally who can be trained to take on the role, or by the recruitment of a person at a less senior level than treasurer. The initial use of an interim resource, with the appropriate experience to set things up, therefore avoids the risk of having an expensive permanent treasurer who is then overqualified and/or under-occupied for the longer-term role. Thus, an interim treasurer can, in the right circumstances, add considerable value without a long-term commitment on the cost side.

Some of the more common circumstances where the requirement for a temporary treasury person may arise are:

- **The departure of the treasurer.** The departure of the treasurer, permanently or temporarily, with no internal cover available, may occur for a number of reasons. For example, cover may be needed for illness or maternity leave where the length of absence is unknown, or if the treasurer is leaving but a replacement has not been found within the notice period. The treasurer may be seconded to another project in the organisation, such as raising additional finance, where his or her expertise is needed full time for a short period and someone else is needed to manage day-to-day treasury operations.

- **A new acquisition.** A myriad of management issues must be considered when a new business is bought. Treasury issues make up only one small part of the integration process, but to manage them smoothly and to realise synergies may be time consuming, particularly if a change of banks is needed. Using an experienced interim assistant treasurer who can dedicate the time required to this project can make a huge difference to the future success of the business.
- **Setting up a new treasury function.** Following separation from the former parent after a buy-out, a new treasury function may be required. The setting up process may include managing a complete change of culture from meeting profit objectives to being driven by cash, and so involves all parts of the business rather than just treasury in isolation. The acting treasurer, who in these circumstances typically needs to have had experience at a fairly senior level, may have to work with the investors as well as internal managers so good communication skills are vital. This is the area where we have most experience working with freelance treasurers, although we work in a different way from the normal interim contract. Our temporary treasurers, who have been carefully selected prior to undertaking any assignments with us, always work as part of our team with one of our permanent consultants being responsible for the assignment. If the freelance treasurer experiences any problems with the assignment, they can be discussed with our team to find the best solution. This also means that we can continue to provide support to the client once the assignment has completed.
- **A new team.** As a result of any of the above situations, a company may need to train or recruit a new treasury team. This may be a continuation of these assignments or a project in its own right.
- **Project work.** Short-term staff may be used for treasury projects when internal resources are limited. Such projects could include adapting systems and procedures to cope with new accounting rules, reviewing existing treasury systems or implementing a new system, cash pooling or raising new debt finance. Each assignment will require specific skills and this applies to more junior treasury staff working on projects as well as a fully-qualified treasurer.

WHAT POTENTIAL ADVANTAGES CAN AN INTERIM TREASURY APPOINTMENT BRING? In addition to considerations of cost, one significant advantage of the use of a treasurer on a fixed-term assignment is flexibility. An interim treasurer is usually flexible in

terms of availability and can adapt to changes in assignment timing. In our experience, the shorter full time assignments are around three months, but if it takes longer than anticipated to identify a permanent candidate then the period of an assignment may easily be extended. It may also be possible to change the contract from a full time to part time basis.

Speed of appointment may also be a factor. Where a permanent treasurer cannot be found in the time available, a temporary treasurer can usually be identified at short notice. In the past we have had to find a treasurer in two days, though a longer period is preferable. Ian Magness, Director of specialist treasury headhunters Esox Search, says, "In two to three weeks a reasonable interview list can be processed (both by the recruitment company and client), references obtained and the successful candidate installed. Typically, there will only be between two and four candidates interviewed for any narrowly-defined role, especially if the desired start date is close."

One final point to bear in mind, particularly in relation to change projects, is that many companies find it invaluable to have a fresh pair of eyes and someone who can bring an objective perspective to an assignment, without being influenced by internal politics.

WHAT ARE THE POTENTIAL CONCERNS IN USING TEMPORARY TREASURY STAFF? One factor which may discourage the use of temporary staff is the short-term cost which, based on daily rates, is likely to be somewhat higher than for a permanent employee. However, given the risks of leaving a treasury unmanaged or under-resourcing a crucial project (and the potential savings in the medium term of being able to adjust staffing levels in treasury), this cost can often be justified.

Another possible disadvantage may be the lack of continuity. By definition, the interim manager will only be around in the short term so if questions need to be asked later or part of the work updated, it may mean starting again.

WHAT ADVICE SHOULD COMPANIES FOLLOW WHEN CONSIDERING AN INTERIM TREASURY APPOINTMENT?

- **Define the role.** Before going out to recruit a temporary treasurer, a company should define as far as possible the role that this person will undertake – will it be as a fully-qualified treasurer, to make strategic decisions and work on all aspects of treasury, or do they need someone less qualified who can just be an 'extra pair of hands'? How much of the role can be covered internally by the person designated to cover for the treasurer? When the task of the acting treasurer is to set up a treasury function from scratch, it is not always possible to define exactly what will be required. Where possible, we overcome this by working with treasurers familiar with buy-out situations.
- **Appropriate expertise.** Although temporary treasurers are often overqualified for the job, it is important to ensure that the candidates' expertise matches the requirements. This includes management as well as technical expertise as the acting treasurer may need to run a team.
- **Fitting in.** The company must also ensure that the chosen candidate fits in well with their management team. Although one of the advantages of using an interim manager is that he or she can be replaced at short notice, clearly it is preferable to get the best person at the first attempt as it avoids repeated disruptions.
- **Authority and responsibility.** Once in place, it is vital to ensure that the acting treasurer has authority as well as responsibility for the agreed role. This person is a key member of the management team rather than just an adviser to them. If other managers within

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Sources of temporary treasurers

- Recruitment consultants who specialise in placing interim managers.
- Treasury consultants who may work as we do with freelance treasurers, or who may second their own staff.
- Word-of-mouth or recommendation may provide information on treasurers who are between jobs or those who work on a freelance basis

the company have not been fully informed of the scope of the treasury assignment, they may not agree to help with implementation, thus turning the role of the temporary treasurer into one of a consultant rather than a manager.

- **Regular updates.** In our projects, the temporary treasurer provides regular updates of the work carried out and this is compared with the defined objectives. We hold regular meetings, usually with the finance director, to ensure that everything is running smoothly and that adequate progress is being made. If an interim treasurer has been recruited through an agency that may not provide this service, or by word-of-mouth recommendation, such update meetings can be arranged internally to track progress.

WHAT ARE THE OPPORTUNITIES FOR INTERIM TREASURY PROFESSIONALS? For the temporary treasurers themselves, this work can be very challenging as they must be quick to grasp the company's treasury issues and systems. They must always be prepared to address the full spectrum of treasury management, including the 'nuts and bolts' issues. It is no good being a great strategist if there is nobody to prepare and consolidate cashflow forecasts! Many of the freelance treasurers we know have chosen to work only in this type of role as they find the work very rewarding.

Heinz Starke, a Swiss-based freelance treasurer, works with us regularly. He says, "Many years of experience and excellent communication and interpersonal skills form the basis of success for a freelance treasurer. Association with a treasury consultancy team to explore ideas and solutions is also invaluable in completing the work to the highest standard."

FINAL THOUGHTS? In conclusion, if you can define the role clearly, find the right candidate and regularly review and manage progress of the assignment, the use of a temporary treasurer can be beneficial to all parties.

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