IN THE SPOTLIGHT

The financial crisis has changed the nature of treasurers' roles for ever and enhanced their relationship with the board, says Farah Khalique

There has never been a better time to be a treasurer. While treasurers can trace their origins to the latter part of the 20th century, it is only in recent years that they have emerged from the shadows to bask in the limelight.

The importance of the corporate treasurer's role was highlighted during the global financial crisis. As a result of the crisis, the role has expanded in new ways that will ensure treasury is always on the board's radar.

Matt Norris, group treasury manager at FTSE 100 oilfield service company Petrofac, explains the impact that the crisis had: "As soon as that hit, everyone started looking to the treasurer to manage risk and understand where they were exposed. It made people worry about liquidity and shone a light on the role."

Years of "free and easy credit" had undermined the importance of the role, observes Simon Kilonback, group treasurer at Transport for London. "They [treasurers] weren't perhaps valued by the board and senior management as they have been since the crisis, when it became harder for organisations to raise money and manage the deluge of regulation from the crisis."

The common perception of treasurers as number crunchers isolated in an 'ivory tower', whirring away on their forecasts, is now firmly a thing of the past.

Trusted advisers

Treasury advice is more sought after these days, now that access to affordable funding is the biggest constraint on a company's business strategy, according to James Lockyer, development director at the ACT. Gone are the days when a board would send a treasurer away with a shopping list to fulfil. These days, the role has expanded to include advising on the feasibility of projects.

"A project might look great in accounting terms, but, on the other hand, it might drain cash. For instance, if it is a large capital project or absorbs working capital," says Lockyer.

Treasurers now spend more time exploring new avenues of financing, such as the debt capital markets, in order to diversify away from increasingly constrained bank funding.

Debut corporate issuers have embraced the bond market with open arms since the financial crisis. In the year to 5 February 2013, there was $207bn worth of bond issuance compared with just $10bn in 2007, according to global figures from data provider Dealogic.

"Treasurers spend more time looking seriously at capital markets and working out how cost-effective they are," Lockyer notes.

The move towards bond-market financing means that treasurers must spend more of their time working towards, or maintaining, their organisation's credit rating. Figures from rating agency Moody's show that there were 5,721 publicly rated corporates at the end of 2013, compared with 4,608 in 2009 when the financial crisis was in full flow.

Jean-Michel Carayon, senior VP in the corporate finance group for Europe, the Middle East and Africa at Moody's, says that treasurers at European mid-sized to larger companies are showing particular interest in securing a rating and financing their organisation in the bond markets, thus reducing its reliance on bank lending. >

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“That is where we see disintermediation progressing quite significantly and we expect this trend to continue,” he explains.

In addition to exploring new avenues of financing, treasurers are spending more time devising creative ways to improve working capital, such as setting up supply chain finance (SCF) programmes. These programmes allow companies to pay suppliers early in return for an early-settlement discount.

More treasurers are expected to embrace SCF as their role expands, according to estimates by working capital solutions provider Demica. It predicts that the market will expand strongly to the end of the decade with the pace of growth reaching 20-30% by 2015.

Put the board on speed dial

The treasurer’s role is becoming more strategic and less operational in nature, as boards increasingly seek advice on everything from ballooning cash piles to the company pension scheme. And they don’t just want to know how best to fund an acquisition; they are interested in whether it is a good idea in the first place.

Simultaneously, technology is rapidly evolving to allow treasurers to spend less time calculating company figures and more time discussing strategy with the board, boosting their chances of one day joining its ranks.

The globalisation of companies and technological advances were already driving companies to invest in better IT systems that give treasurers greater visibility of their global cash balances, says Monie Lindsey, MD at consultancy Treasury Strategies.

“[But] the crisis drove home the need to have almost real-time accessibility as to what positions were globally,” she adds.

Better yet, experienced treasurers are increasingly in demand for specialised roles such as director of finance, reporting directly to the CFO or FD, according to Francis Burkitt, MD, UK corporate debt advisory at investment bank Rothschild. These specialised roles, which are becoming more common, provide a good stepping stone for treasurers who want to make the difficult leap to the rank of board member.

“We see it increasingly in FTSE 250 companies... often it’s a promoted treasurer,” says Burkitt. “The treasurer for a big company gets promoted to director of finance and then moves to the board of a smaller company as finance director. It is a good career avenue opening up.”

Treasurers increasingly consult on areas outside their traditional remit, including

WHAT DO TREASURY PROFESSIONALS THINK?

- **“I no longer have to explain to people what treasury is!”**
Matt Norris, group treasury manager at Petrofac

- **“Digital currencies such as bitcoin are not on treasurers’ minds, but perhaps should be.”**
James Lockyer, development director at the ACT

- **“Many companies have small finance teams, but lack treasury teams, knowledge and expertise.”**
Dominic Jaques, MD at Treasauris

- **“Treasurers used to be isolated and work with bank accounts, but they have become important to all areas of the firm.”**
Monie Lindsey, MD at consulting firm Treasury Strategies

- **“The financial crisis has had a lot to do with the expanding role of treasurer.”**
Simon Kilonback, group treasurer at Transport for London

company pension schemes, when pension deficits balloon due to poorly performing stock markets and low bond yields. They represent their company in the high-stakes negotiations between the company and its pension trustees during the triennial valuation, Burkitt explains.

"Companies are spending a lot of time on this now. The negotiations are tougher, so [they] draft in more people to deal with it," he says.

Treasurers are also building up their internal profile, as companies look to create efficiencies by ensuring different departments, such as procurement and credit management, work more closely with the treasury department.

Philip King, chief executive of the Institute of Credit Management, says that credit and treasury teams now have to work in tandem.

"There was a time when treasury was in its space and credit was in its space, but now they are much more integrated. Cash is the common thing that flows through both businesses and influences all areas," he says.

Since the crisis, companies' investor relations teams also demand more input from treasurers to answer questions from equity investors about the impact of growing debt on the company's capital structure.

The expanding role of the treasurer means that formal qualifications are more pertinent than ever. In 2012, the ACT set up its continuing personal development accreditation scheme, which now has 60 employers signed up to it, including multinationals such as brewer SABMiller.

But, despite the growing awareness of the value of a corporate treasurer, there is still work to be done to achieve global recognition. Petrofac drafted in Matt Norris from food manufacturer Kraft to help develop its treasury team in Dubai from scratch, but the group treasury manager has faced challenges in his role.

"The role of treasurer is young in the Western world and it is even younger here," Norris explains. "Within [Petrofac] people have processes that they're used to and don't want [things like] online banking. For online payments we are changing one business at a time, starting with the smallest to prove change works."

TfL'S TREASURY IN THE SPOTLIGHT

Transport for London (TfL) is one of the most recognised public transport systems in the world, with its infamous blue Oyster card. It serves millions of Londoners and international tourists.

But it was only after the financial crisis that it created a dedicated treasury team under the leadership of group treasurer Simon Kilonback. Hired in December 2009, he inherited a team of four cash managers and a treasury that mostly had a limited cash management function. Now he runs a team of 15 and has built a fully functioning treasury department.

"The team is now a centre of excellence responsible for all financing activities and advises the rest of the organisation on financial matters," says Kilonback. "I present my own papers at TfL board meetings in my name. Ten years ago, the treasurer would have given [the papers] to the chief financial officer, who would have presented to the board."

The expansion came about partially as a result of the financial crisis, but also because TfL embarked upon a major expansion project that required new ways of raising money and financing major capital projects.

TfL decided to create a professional treasury department to manage the risks associated with raising finance, as well as to handle investor relations and help to inform policy and government on what constituted a sustainable amount of financing and funding.

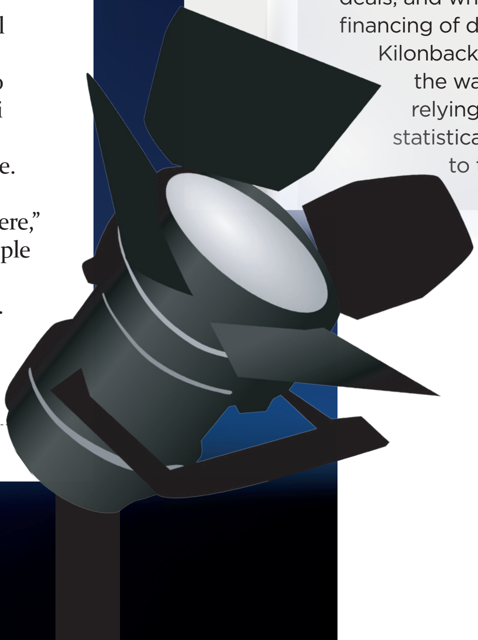
TfL has developed a bond market programme over the past few years under Kilonback's watchful eye, raising approximately £2.5bn despite having not been in the bond market from 2007 until 2012.

"We have built a liquidity curve across all major maturities, and will use the bond market as a core source of funding going forward," says Kilonback.

His role has taken on a more strategic focus – he routinely attends all financial policy committee and board meetings, where his input into other matters is sought. He describes himself as becoming more of an adviser to the board and business, bringing the treasury perspective to major projects and other areas.

"The board will ask what I think is going on in markets; how financeable certain projects are; if we are considering major procurements coming up or considering private finance initiative deals; and what is our view in treasury on value for money and the financing of different structures," he says.

Kilonback's department has become more analytical in the wake of the financial crisis and, rather than merely relying on bank research, spends more time doing its own statistical modelling and coming up with its own conclusions to test against its peers in the public sector.



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