

A winning team



THE WINNERS OF THE TREASURY TEAM OF THE YEAR AWARD 2007 TELL **JENNIFER CARRUTH** WHAT MAKES AN AWARD-WINNING TREASURY TEAM.

Vodafone's treasury department puts its success in scooping the Treasury Team of the Year Award 2007 down to a thirst for learning and a balance of hard work and enthusiasm. As Phil Clark, Deputy Group Treasurer, puts it: "The team is a collection of well-rounded treasury professionals." This mix of background gives the department a broad base of knowledge. "We get clear leadership from our Group Treasurer, Gerry Bacon, who sets the parameters within which we work," says Clark. "That, plus good people management, sets a great working ethos."

A GLOBAL TEAM James Lee, Vodafone's Assistant Treasurer, agrees that "strong leadership and an attitude for excellence" is what motivates the treasury team. He adds: "We have an attitude for excellence no matter what; whether we are dealing with capital markets or FX dealings. We have strong principles and a good understanding of how we deal with banks and subsidiaries."

Vodafone's past year has been dynamic and exciting. The team consists of over 25 members, and following major acquisitions in 1999 and 2000 the company has subsidiaries in 17 countries, equity interests in eight others and franchises in 40 more.

In 2007 Vodafone acquired Hutchison Essar in India (renaming it Vodafone Essar) in a deal clinched with a cash outflow of \$11bn. This was a challenge for Vodafone as it had to grasp how India worked, especially with regards to local banking.

Ian Locke was sent out to be Treasurer of Vodafone Essar, working closely with the group treasury, based in the UK with satellites in Germany and the US. (See *The Treasurer*, November 2007, page 28).

The management team have regular calls to update and help Locke with any issues that may arise. "We always work as a global department, assisting those overseas when required," says Lee.

MOVING UP The Vodafone treasury team take personal development very seriously. "We try to promote from within the team, giving team members confidence and a chance to develop their skills," says Clark, "and at least twice a year each member has a personal review. This allows everyone to discuss and agree their objectives and plan their own personal development."

Members of the treasury team are encouraged to attend courses, not only relating to treasury, but leadership and management training, too. This helps them to gain a well-rounded understanding of working in a team and encourages career progression.

Clark adds: "We have a nice balance between attention to detail, having some fun and working hard; it's an excellent team."

GOOD PRINCIPLES For Lee, the Vodafone treasury team's success can be put down to its strong principles and policies, which are passed around. "We have strong leadership and the employees are empowered by the Group Treasurer," says Lee. "We feel empowered to do things within our policies."

Lee joined Vodafone in 2000 from Deloitte and went into the tax department for four years. An opportunity came up to work in treasury and he took it. "The good thing about the treasury department is that everyone is from various backgrounds and so the knowledge base is much better," he says.

LEADING THE WAY Bacon believes that Vodafone's successful treasury team sticks by its principles and by doing so focuses on achieving their goals. "We are a mobile communications company and we don't try to be anything else," he says. "In the treasury we believe there's no such thing as a free lunch and we don't take other views on the market. We try to commoditise the products we buy and simplify everything into their building blocks."

Back in 1993, Bacon alone constituted Vodafone's entire treasury team, but he has since recruited more members to assist with the young company's growth.

"There was no M&A department until late 2001, and the tax, legal and treasury departments teamed together to manage M&A," Bacon says. "This has given us the confidence, experience and expertise across a wide range of subjects."

Bacon believes that the success of the team comes down to a high level of understanding and communication between the team members. "We are an active team and we don't like to overcomplicate things," he says. "We have high achieving levels, and high affiliation levels. We like to do things together and everybody on the team enjoys a challenge."

As Group Treasurer, Bacon likes to set a framework and let people work within it while keeping it as large as possible. "The treasury team is a bunch of talented people, self-motivated, who get on well and like being challenged," he says. "They like to make a difference."

Highly commended: Tesco

The self-proclaimed aim of Tesco's treasury team, which was highly commended in the Treasury Team of the Year Award 2007, is to rank as one of Europe's top five, writes *Graham Buck*.

It's an ambition that has guided Nick Mourant since he joined Tesco as Deputy Treasurer in 1988. One of Mourant's first moves on taking over as Group Treasurer three years ago was to benchmark against the very best.

Mourant says the team drew up a menu of companies worthy of emulating. Names on the list included the treasury model of AstraZeneca, the straight-through processing of Diageo, the career management of Unilever and BP, and the ratings and cash modelling management of BAA.

A noticeable absentee from the list is any retail name. "It's the tradition in retail for treasury to be seen primarily as a cash management function," says Mourant. "But as you move into becoming a global player, your sector suddenly becomes less relevant."

Although Tesco's overseas empire has continued to expand, the treasury team has remained at no more than 12 individuals, with four main sections. A four-strong dealing team runs cash management for the UK and overseas operations, as well as foreign exchange. Relationship managers act as the interface between Tesco as a corporate entity and its various subsidiaries, assisting the treasury agenda in each country where the group operates. "This means, for example, that those responsible for our European or Asian operations spend a great deal of their year on the road," says Mourant.

A middle office handles management information and analysis, and a couple of members are designated to look at more complex pieces of funding. Outside the team, a number of other functions are handled by Tesco's back office.

The automation of the more plain vanilla activities has enabled the team to remain relatively small and stay centralised. The treasury team is now busy with a major upgrade of its management systems and further automation, including electronic dealing through the multi-bank dealing platform 360T and its treasury management system to Swift. This, Mourant says, will enable his team to move to more value-adding roles, while keeping it "lean and mean".

Mourant says Tesco has been able to deal with its new US venture in the same manner as other new markets: "We have a reasonably standard toolkit regarding the setting up of bank accounts, handling payments and other activities, which means it has been pretty similar to our earlier entry into markets such as Eastern Europe and Asia."

Capital market issuance in 2007 included €600m 40-year, £500m 50-year and \$2bn 10-year and 30-year issues. All three were lauded, but the dollar issue opened up a whole new market to the Tesco name, "broadening both our appeal and our investor base", says Mourant.

This policy also saw Tesco issue Islamic bonds for the first time last summer through its Malaysian subsidiary.

Like other companies, Tesco faces the prospect of tougher conditions in 2008. "Since the advent of the credit crunch, spreads have widened significantly and you've seen less appetite, while on the corporate debt side issuance in the debt markets has lessened except for the most well-known and strongly rated companies," Mourant adds.

The group has been fortunate in finding banks and other financial institutions relatively flexible. "We've tried to take from them what is best and mould it to our own corporate requirements," says Mourant. "This can involve adapting ideas so that they meet the particular needs of our business."

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