The big picture

A DEBATE BETWEEN FOUR RECRUITMENT CONSULTANTS ON LONG-TERM TRENDS IN TREASURER RECRUITMENT GENERATED SOME HONEST ANALYSIS AND SOME INTERESTING INSIGHTS, AS **PETER WILLIAMS** REPORTS.

One of the big questions that came up during the debate was whether treasury has become a more attractive career over the years. The treasury community sometimes feels that it struggles to be appreciated. Many of those who have had successful careers in the sector admit they fell into treasury by accident rather than by design, although that could probably be said of many people's careers.

The financial market turmoil clearly had a serious effect on recruitment last year. Corporates and clients were telling recruitment consultants that they knew there was a treasury recruitment need, but they could not get sign-off to make an appointment because of blanket hiring freezes or because it was unacceptable to be taking new staff on when other parts of the business were laying off.

But in the first quarter of 2009 that situation eased and recruitment plans were being put into operation. There are even signs that the market is now returning to normal, neither booming nor in a state of paralysis.

THE LONG VIEW But what about the longer perspective? Looking back over 30 years it can be seen that the role of treasury has made enormous strides in corporates. When treasury was a fledgling profession many finance directors did not grasp the significance of treasury issues and had little understanding of practices such as hedging. It would be impossible to imagine such a lack of a grasp among FDs today.

Over the decades treasurers have risen in importance both internally and externally. For instance, banks are now anxious to talk to treasurers whereas in years gone by they wanted to speak to FDs or CEOs. This attitude has been reinforced by the credit crisis, with CEOs and FDs pleased to see their treasurers at the table when they are talking to providers of finance. In particular, the risk officers at banks want to talk to treasurers because they know they talk the same language. Given such circumstances, the present time could turn out to be a golden age for the treasury profession.

SITTING IN THE FD'S CHAIR One of the perennial questions for treasurers is whether they wish to progress to the FD's job and, if so, what the chances are that they can make it. The simple answer is that treasury is as good a grounding as any of the other finance functions. But in the end it is not a question of the technical skill set. The FD's role is more about the person and whether he or she has the communication, leadership and strategic skills. That is what interests the rest of the board, rather than the job they did before.

Part of the problem in making the transition is the substantial pay differential that exists within a company between the FD and the treasurer. Good corporate governance practice suggests undertaking an external search to find someone with the skills and experience for the FD role rather than looking to internal candidates, who may be thought ill equipped to make what can be a big step up.

The reality is that treasurers looking to move up to FD may be more likely to secure the job they want by moving to a smaller company for their first FD role rather than by remaining at their present organisation and trying to prove they are up to the job.

KNOCKS AND SETBACKS Looking back at the development of treasury as a career it is possible to identify a range of factors that have impacted it. One of the events that has not been helpful to treasurers was the introduction of the Sarbanes-Oxley financial governance legislation in the US in 2002 following a series of accounting scandals. The 2002 law hamstrung such treasury practices as hedging by placing undue weight on compliance and auditing rules and procedures at the expense of sound commercial practice.

Treasury was further undermined when treasury controllers were made to report to financial controllers rather than to treasurers. The idea was to strengthen internal controls by hindering fraudulent collusion. It is doubtful whether such a control works, or was even needed, but it turned the treasury control function into another part of group consolidation.

At the same time the number of direct reports to the FD has shrunk because the role has been outward-looking, leaving deputy FDs to look after reports such as tax and treasury. And the tax and treasury functions have been combined into one job in a significant number of corporates.

A decade ago only a minority of the UK's larger corporates had such combined roles but that figure has grown significantly. This has affected the market for jobs by drawing in other finance managers to traditional treasury roles, although it has allowed treasurers

to demonstrate other finance skills too. The headcount issues aside, CFOs need to think carefully about whether combining the role really makes sense, especially in the present climate when liquidity and cash management merit such attention.

Treasury professionals also have grounds for complaint in the way their remuneration has not always kept pace with that of other financial professionals and with general professional inflation. This is in part down to an oversupply of treasury professionals over the years exacerbated by an active merger and acquisition market. If company A takes over company B, the stark reality is that the treasurer of company B is laid off along with half of company B's treasury team.

The trend of private equity over the last few years has had a similar effect. Many of the core treasury function of private equity outfits, such as funding and debt management, are performed at the private equity group level or by the participating investment bank. Either way, the treasury function tends to be boosted only when the talk turns to going public again.

FUNDAMENTAL DRIVERS On the other hand, the treasury profession has undoubtedly been boosted by a number of events. The foremost of these, in recent times, has been the credit crunch, which has given a major boost to senior treasury recruitment. The scarcity of credit has left corporates determined to have enough people on board who can help them overcome that shortage. Many companies now subscribe to the view that funding needs across the group must be better co-ordinated and encompass risk both off and on the balance sheet.

And unlike Sarbanes-Oxley, the IAS 39 financial instrument has contributed to treasury awareness and recognition by pulling mainstream accountancy into the treasury arena.

At the same time the recent return of volatility to markets, especially the currency markets, after a period of calm has further highlighted the need for treasury expertise. Currency has seen 20% swings either way and that calls for knowledge of instruments, such as derivatives and options, that can deal with the problem.

Some companies have paid the price for sloppy hedging prices and are now trying to ensure they don't repeat their mistakes. Events in the financial markets have pushed risk up the agenda, with corporates now keen to manage risk on a group basis. That has led to the recognition of treasurers as the risk experts in the business and consequently boosted their attractiveness to corporates.

A subset of this heightened risk awareness is the realisation that pension scheme deficits are a unique but very real risk to corporates. The treasury profession has proved adept at carving out a niche for itself in this field. While pensions is a specialist subject common to many industries, treasury skills are also in greater demand in specific sectors such as property and the not-for-profit housing sectors, which have particular funding requirements that need specialist understanding and attention.

The presence of all these positive factors suggest this is going to be the best period for senior-level treasury recruitment for some years.

PROFESSIONAL QUALIFICATIONS While the treasury market will inevitably wax and wane over time, the need for good professional qualifications remains a constant. To gain a foothold in treasury, candidates need to demonstrate a strong streak of common sense and a desire to get things right and avoid mistakes. But they also need a determination to pursue treasury qualifications.

During the debate, the ACT's premier qualification, the MCT, was described as "stunning". And certainly, to progress in their career

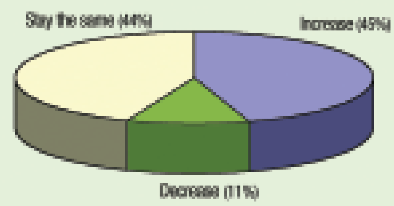
Box 1: Treasury career trends

The ACT London Regional Group conducted the following mini-survey of members that attracted 77 responses:

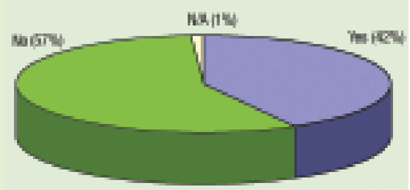
Do you think treasury has become a better career over the last few years?

Do you think treasury departments are perceived more favourably within companies and generally than they were a few years ago?

Looking forward, are you expecting the resources required by your treasury department to...



The ACT has a suite of internationally recognised qualifications. Do you or your employer require treasury team members to pass relevant ACT exams as part of their career development?



would-be treasurers need some or all of the suite of qualifications that the ACT offers as part of the requirement from companies to hit the ground running.

Compared to other recruitment sectors it can reasonably be claimed that treasury has held up well in the financial crisis, especially at the level of group treasurer, although it would be fair to say there are some bottlenecks at the group treasurer and deputy treasurer level. For corporates seeking candidates, it is a good marketplace at the moment, while for treasurers interesting opportunities do exist.

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On the panel were Ian Magness of Esox Search, Mike Richards of MR Recruitment, Deborah Thomas of Michael Page, and David Timson of Curzon Partnership. The discussion was part of the recent ACT London Regional Group meeting and was chaired by David Wilson, group treasurer of John Lewis.