

Getting your name in the ring



PETER WILLIAMS EXPLORES THE CHANGING PROSPECT FOR TREASURERS WHO WANT TO MOVE INTO A FTSE COMPANY'S FINANCE DIRECTOR'S CHAIR.

For many treasurers their career path's ultimate goal is to make finance director. This is not a slur on the years spent fulfilling the treasurer's role; rather, it is a recognition that the skills and experience acquired and refined in the treasury department can be put to good use on a wider stage. But while treasurers may see themselves as occupying a broad role of strategic importance within an organisation, it seems that those who appoint finance directors don't always appreciate the attributes of the treasurer in quite the same way.

Ask search and selection consultants about the chances of treasurers moving into the FTSE finance director's chair and you get the professional equivalent of the sharp intake of breath. Of course, say the recruitment gurus, there is nothing actually standing in the way of treasurers moving to finance director, it is just that when they take the brief from the managing director or chairman, the treasurer is rarely at the top of the wish list.

TWO BARRIERS The reason is simple – the treasurer is thought to lack some of the background required for a finance director. The good news, though, is that the deficiency is not a technical one. There seem to be few arguments within UK plc that the treasury profession has a lot to offer on the technical issues. But because treasury teams are usually small, questions persist over the proven ability of treasurers to make the step change to managing large accounting teams. The second barrier in the minds of the appointments committee is that treasurers lack experience in dealing with the demands of the outward-facing role of the FD, most notably with institutional shareholders and City analysts.

Of the two arguments, the first is probably more valid. A FTSE FD will have a large number of reports and a large number of people in the finance department – although how much the FD has to do, and should have to do, with the accounts receivable team in the shared service centre very firmly away from the head office is open to discussion. However, the experience the MD or chairman wants to see is the ability to manage cross-functional, geographically dispersed teams and projects.

FDs can't do the work of the finance department all by themselves. They need a good team around them. Ask any successful – and not maniacally egotistical – FD the reason for doing so well and most will say that they have the ability to spot a good person and the confidence to let them get on with it. They can do no other.

On the other hand, if the treasury team has malfunctioned in some way, then treasurers are usually personally capable – both by the

technical knowledge they still possess and by still being close enough to know what is going on – of getting their department out of the mess. It is a question of learning to let go.

It is harder to agree with the argument over lack of outward-facing experience. Dealing with rating agencies and banks – even when financiers in the supplier role rather than the client one – may not be quite the equivalent of facing disgruntled institutional investors or quizzical City analysts, but it is hard to believe at sticky moments it is any easier a ride. Certainly it is hard to see where the financial controller of divisional FD will have enjoyed the same exposure to the City and the rough and tumble of the capital markets as that acquired by a busy treasurer.

AN EMERGING ROLE Clearly, some treasurers have made the switch to FDs but there could and should be more. There is one long-term emerging trend in the finance function of FTSE companies which may have an impact on both the role of the treasurer and the incidence of the treasurer/FD switch.

An increasing number of companies appearing to be appointing deputy FDs. As the role of the FD has broadened over the years – and the joys of increasing regulation and corporate governance impinged more on their time and attention – many large companies have come

to the conclusion that the FD needs more formal support. The role of the deputy FD usually appears to be to let the FD carry on with big picture, strategy and outward-facing, and relieve the FD of the bulk of the internal reports – you know, financial control and management accounting, tax and... yes, treasury.

This move may well irritate bright and heavyweight treasurers who are used to reporting to a main board director. The result may well be that companies find recruiting the calibre of treasurer they think they want may become harder if the line of command goes into the deputy.

That is the bad news. Perhaps, though, the deputy FD also represents potentially good news for the treasurer. It should be easier and logical for treasurers who want to make the switch to be near the top of the list for the greater technical demands of the role of the deputy. But once you are deputy it should be eminently possible to gain experience, kudos and reputation so that when an FD vacancy arises within the present company – or indeed elsewhere – the former treasurer's name will be well and truly in the ring.

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