RATCH/SHUTTERSTOCK

SPOT THE DIFFERENCE

WHAT DISTINGUISHES ONE TREASURY FROM ANOTHER? WILL SPINNEY EXPLAINS

No two treasuries are ever the same. The major influences on a treasury probably relate to who owns the company, the sector the company operates in, its size and geography, its financing arrangements and credit quality, and the responsibilities that it gives to its treasury. In addition to this, cultural differences, such as attitude to risk and individual styles, are also an influence.

Ownership

The ownership of a company dictates where the power base sits and where the financial strategy may originate. In a private equity- (PE) or family-owned business, this will be with the owners, and they will dictate the plans for initial public offerings, dividends and so on. As a result, treasury may not be involved with any financing – in contrast with a quoted company, where regular fundraising would be a feature of treasury's role.

Sector

The sector that a company operates in will influence its treasury's main activities. For example, an airline treasury might focus heavily on risk management, where commodity (fuel) risk and FX risk are key drivers of profitability. A retailer might concentrate on cash collection and the payment of many suppliers.

Size and geography

The staffing and roles of a treasury will generally go up with company size and geographical footprint. The larger the company, the greater the number of banks that may be required, leading to increased complexity, yet international footprint is arguably the main driver of treasury size.

Every country where the company has overseas subsidiaries and operations will have different laws and regulations, requiring a highly individual approach. This is compounded when customers and suppliers are equally diverse. So a national retailer will have a small treasury, whereas a multinational on several continents will have many cash management and corporate finance professionals.

Financing and credit quality

High debt or leverage in itself is not so much a factor in treasury activity, but the frequency of financing can be. A PE-financed business will lock in its finance for several years, but a utility, property company or airline will be almost continuously in the market for new debt of one form or another, which will make up a large part of its treasury's activity. Such highly active companies might well have to spend a lot of time with rating agencies to ensure rating stability, or at least control over rating outcomes, as well as with other creditors, which may be concerned with high leverage, including credit insurers and pension schemes.

Treasury responsibilities

While the ACT defines the role of treasury fairly widely, treasurers, as employees, can really only do what is shown on their job description. Treasurers should make their views known on issues where they can add value, but, more likely, is that the treasurer will be involved in many things beyond treasury, such as pensions, working capital, insurance and property.

Implications

There are probably two major implications that come out of these different ways of managing a treasury with respect to staffing and change management.

First, let's look at staffing. The differences tend to lead towards specialists in both sector and role. What are the implications of this from the point of view of both manager and employee? For the manager recruiting a new team member, it will always be tempting to employ someone who has relevant experience, which limits the pool of candidates. But the treasury training should allow a treasurer to move freely within the profession, applying the basic principles that exist everywhere.

Career matters

For an aspirational treasurer, there are probably two concerns arising from this. Should a particular job function or company type be sought to add to the CV and should it restrict any job searches? While it is always good to get certain names or roles on your CV, neither of these guarantee future success. The principles of treasury apply everywhere and a variety of experience, especially some gained from being close to business operations, can easily trump a good name. Professional qualifications from the ACT for the treasurer and their team are increasingly a must-have on a global basis.

Change may be very difficult to implement. Any investment or disruption will be challenged and so the treasurer will have to choose which battles to fight and be prepared to prove a return on any investment. Quite often, however, opportunities arise unexpectedly, such as after a crisis, or following an acquisition, and treasurers should take advantage of these to implement change.

Will Spinney is associate director of education at the ACT