

# THE CORPORATE TREASURER

## *Takes Center Stage*

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The global economic crisis of the past two years has transformed corporate priorities, pushing financial risk management to the top of the list. In turn, this shift has raised the profile of the executive often responsible for managing that risk: the corporate treasurer.

“The changes in the focus of the treasurer over the last year have been nothing short of seismic,” said Jamie Smith, group head of tax and treasury for manufacturer Smiths Group. “Historically, treasurers have been seen as important, but rather hidden. But treasury and risk are now permanently on the board’s agenda.”

Today, treasurers spend considerably more time in senior management meetings and before the board than ever before. In financial companies, “boards are being questioned more by regulators and need a more sophisticated understanding of credit and market risk,” said Hugh Graham, director of treasury and corporate finance for Northern Rock. “Treasury is being scrutinized far more than it used to be, and this has raised the profile of the new treasurer.” At Smiths Group, the treasury team has even implemented a new treasury reporting system to give the board access to more information.

Treasurers have also been working more closely with CFOs ever since risk and cash flow management have become greater corporate priorities. “The CFO has to be critically involved in the discussion around the balance sheet and risks, and cannot just be focused on investor relations,” said Smith. “Our CFO now probably spends a quarter of his time on treasury issues.”

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### THE NEW TREASURER

Before the crisis, the prevailing treasury trend was to concentrate on benchmarking and on best-in-class systems processes and controls. “That works in a steady-state environment. But when the market started to collapse, it became all about market dynamics and risk management,” said Adil Mistry, treasurer for Toys“R”Us.

“In today’s environment, it’s all about access to liquidity, and there’s a greater focus on debt covenants,” said Irene Moshouris, vice president and treasurer for United Rentals. Because of her status as a point person on financial risks, Moshouris has been named co-chair of United Rentals’ enterprise risk management committee. The group gathers colleagues from different departments, from HR to IT, to develop an enterprise-wide view of risks to the organization and reports on them to senior management and the board.

To better manage risk, most treasurers have chosen to run a very conservative treasury operation in response to the economic crisis. Once the credit markets started to open up in late summer 2009, they started to consider refinancing. “To the extent that you could remove refinancing risk from your balance sheet, you were rewarded by the market,” said Mistry.

But even though green shoots for the economy are appearing, treasurers haven’t entirely changed their approach just yet. “I sense a feeling of mute optimism,” said Sean Christie, group treasurer for AstraZeneca. “People are less defensive, but I still think treasurers now are more conservative than they used to be.”

### A CHANGING SKILL PROFILE

In fact, most treasurers view the volatile markets of the past few years as less of an aberration than as a new reality they must be prepared to navigate. “When I recruit for my team now, I am looking for people

who can react to a rapidly shifting landscape,” said Graham. “I want broad business thinkers and people who have been stress tested.”

In this environment, traditional areas of focus for treasurers, such as cash management, have become sidelines. As a result, the traditional treasury operations skill set is less in demand, while savvy in capital markets has become increasingly critical.

Meanwhile, as the need for comprehensive, real-time information for decision-making has increased, so has the use of technology tools for decision support. In turn, IT understanding has also become more valued in the treasury role. But while treasurers should be able to bridge the application of technology to the treasury operation, having a current understanding of treasury concepts and trends remains far more important than technical IT skills.

### THE TREASURY CAREER PATH

While the treasurer role is often a stepping stone to CFO in the banking and finance industries, treasurers don’t necessarily see the recent focus on treasury as a trend that will open up new career opportunities to them. Some even feel that it may even be more difficult for treasurers to move beyond the role right now because they’re so indispensable in their current position.

Others see the role as a great proving ground, but acknowledge that a vertical move is only realistic for those who break outside of the treasury silo, since good exposure to financial planning and analysis and control are also common requirements for the CFO role.

Today, a number of blue-chip companies deliberately rotate executives through the treasury function, as well as through operations and other departments, to groom future leaders. “I am not a career treasurer,” said Anna Manz, group treasurer for Diageo. “I was

put into treasury both to round off my skill set, and also because treasury now requires a broader type of person. You need to be nimble, stress tested, broadly focused, understand the business and all its elements, and you must add value.”

### **MOVING BEYOND CRISIS**

As the economy improves, many treasurers expect to spend the next few years focused on balance sheet repair. “Treasurers have got the bulk of the risk behind them, but it’s come with a cost,” Mistry said. “I think the next wave will be treasurers trying to claw back to regain a more malleable balance sheet.”

Despite the current attention on the function, some treasurers view the role as cyclical, and expect the focus on treasury to ebb as the financial crisis fades. But others feel that the downturn has permanently changed both the way that companies manage risk and the treasurer’s role.

“The whole funding and liquidity landscape has changed,” said Christie. “Traditional assumptions around assessing liquidity have changed. We have to look more closely at our backup facilities, at how the bond markets are reacting, at the credit worthiness of counterparties. We need to look more closely at where we put our money and how safe it is. The level of scrutiny is just far higher — and I think it’s here to remain.”

### **ABOUT THE AUTHORS**

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