Interview

Today's treasury job market from a recruiter's point of view: An interview with Richard Bond

In an interview with Rich Bond, Principal at Bond & Company Executive Recruiting and Search, *Journal of Corporate Treasury Management* asks a number of questions about the treasury job market and potential changes in treasury responsibilities from the point of view of a recruiter. Based in Westport, CT, Richard graduated from Lehigh University and has an MBA in finance from the Wharton School. Over the years, he has placed over 50 treasury and financial risk management professionals.

KEYWORDS: credit crunch, job safety, career advice, treasury personnel, evolution of corporate treasury

JCTM: Many people are wondering how the current economic situation is affecting the treasury job market today and what the impact will be in the future.

Rich Bond (RB): Currently there is fear and anxiety about the economy and business prospects. The USA has been rocked by a credit crisis, a real estate bust, a near collapse of the domestic automobile industry, and a record drop in the equities markets. The economy is contracting and companies are reacting with cutbacks, layoffs, write-offs and downward revisions of earnings and sales projections. From what my firm is seeing, the job market for most individuals is not as bad as it would seem, and there should be some additional hiring in the treasury groups sometime in 2009 or early in 2010.

JCTM: Rich, what you are saying seems to run counter to everything we are seeing in the news. Weren't something like 600,000 jobs lost last month and doesn't it appear that unemployment could reach 10 per cent?

RB: It would be wrong to say that the economy is strong, but it can be said is that the current problems, large as they are, appear to be relatively concentrated with the greatest exposure in retail, automobiles, real estate, construction and financial services.

The employment picture in treasury is in some ways the same, but in other ways will be quite different. Most treasury groups have been reduced over time and are currently at a relative low point, reflecting an overall corporate belt-tightening, the outsourcing of some functions, and the massive liquidity that has allowed corporations to drive down the cost of borrowing.

The credit crunch and large recent losses in pension plans and foreign exchange have made the treasurer at most corporations a 'go to person'. Most companies now realise that failure to properly manage their liquidity and financial risk could imperil their very existence. Based on over 15 years of treasury recruiting, Bond & Company foresees a strong demand for treasury professionals to help manage liquidity needs and different types of financial risk. The treasurer alone, no matter how good he (or she) is will need more and better people working for him (or her) in today's challenging economic and financial environment.

There will be a small net gain in treasury employment; this will reflect a selective hiring by most business entities that will be at least partially offset by layoffs at companies in the contracting economic sectors which will of necessity have cut costs and laid off people, even people in treasury, as they struggle to survive. There will be a small gain in jobs, but an overall increase in the level of the jobs, the complexities and scope of the positions, and the potential impact on most companies.

JCTM: Do you see the role of treasury changing because of the credit crunch?

RB: Because the cost of borrowed capital will be higher and the amounts much more restricted, we foresee a basic change in the role of treasury. Treasury groups are going to have to look at more and different funding sources to be able to get as much capital as their companies can given today's market conditions. No matter how hard treasury works, it will be able to raise less capital and it will cost more.

As a consequence, treasurers will have to help corporations be more selective in terms of what they invest in and help manage capital as a scarce resource. Companies took on huge amounts of debt in part because it was cheap and readily available. Going forward, treasurers will have to help their businesses be more critical of capital investments. They will be asking if the money for a specific project can be internally generated by free cash flow. Treasurers will also be looking at other areas that passively employ capital, such as inventory and receivables, to make sure these investments are being managed efficiently.

The credit crisis has also forced treasurers to focus on three areas that were almost taken for granted in the past: (1) bank relationship management, (2) liquidity and working capital oversight, and (3) counterparty and receivable risk management. Treasury professionals also speak about an ongoing need to automate these processes through technology.

JCTM: What does this mean to corporate treasurers and treasury groups?

RB: In the past, many treasury groups dealt primarily with external customers — their commercial banks, investment banks and other financial intermediaries. Going forward, treasury will have to spend a lot more time and effort dealing with its internal customers. Treasury will have to improve its communications with other support functions such as payables and receivables. Treasury professionals must develop better relations with the line people to understand how the business is changing and evolving. Improving communications with the 'internal' customers will not be easy or quick. It is something that must be done over time.

The treasury groups working with line management can improve every step in the cash cycle. Many companies — especially ones operating in a decentralised environment — are developing 'working capital committees'. Generally, these committees can accomplish improvements in all metrics — days receivables, pay payables etc. Improvements in these metrics can affect cash flow and influence the rating agencies' view of a company. Companies that have grown through acquisitions or are managed on a decentralised basis need to do a better job of identifying and mobilising cash by eliminating unnecessary banking relations and bank accounts and centralising cash management. Recent technological innovations such as deposit scanners, subaccount structures and treasury workstations help in this regard. Such moves need to be balanced against the need to credit banks satisfied with non-credit fee-based business.

JCTM: How else will treasury have to change over time?

RB: Treasurers and treasury groups need to think of themselves in the same terms as do the most highly regarded treasury groups in America. At the most recent Alexander Hamilton Awards for Treasury Excellence in

New York City, John Tus (treasurer for Honeywell) detailed the accomplishments of his group, showing why Honeywell's management does *not* consider its treasury as a 'cost centre'. A strong treasury function can and does more than pay for itself. Strong treasurers and treasury groups quantify what they do and what the payoff is to their company.

People in treasury need to think of what they do in terms of what they have accomplished rather what they did or how they did it. For example, a typical cash manager who in the past described his position as the 'management of ten banking relations with an annual expenditure of $2m' will hopefully in the future say that he (or she) saved $200,000 in bank fees while improving the levels of service. After a several-year project, the assistant treasurer for European operations will report an additional $200m utilisable cash balances by centralising/pooling cash and consolidating bank relations.

JCTM: What else do you see in the future?

RB: A strong treasury function needs to anticipate situations that could become problematic as well as deal with current issues. Treasury personnel in recent years may have been overly anxious not to miss out on interesting or innovative products. In the future, treasury personnel are going to have to do a better job of identifying potential risk and taking steps to mitigate or manage that risk.

JCTM: Can you give us some specific examples?

RB: I'd be happy to. I have talked to some very smart treasury people who are becoming increasingly concerned about the new loan covenants. The credit crunch has caused banks to seek significantly more restrictive loan covenants. Treasurers need not only to get a good rate, but be aware of potential pitfalls that could cause significant difficulties in the future.

JCTM: Having tried to determine what treasury professionals will be doing, are we ready to tackle the issue of 'where' they will be doing it?

RB: Based on the changes in our business, Bond & Company projects that treasury jobs in the future will no longer be concentrated among the largest employers. Instead, an increasing number of these jobs will be with growing companies that one would presently categorise as small to middle-sized entities.

Over time, we are seeing more individuals from larger, slower-growing companies moving to more 'generalist' roles at smaller, faster-growing entities. As an example, the treasurer of a Fortune 100 healthcare company recently moved to an Inc 100 company as CFO as he wanted to be 'a bigger fish in a smaller but faster-growing pond'. His new employer, a provider of specialised services to the healthcare industry, increased its fourth-quarter sales by 30 per cent.

There are many, many companies that have been growing at a healthy pace. The economy has been growing for a prolonged period of time with the strongest growth in services, healthcare, export-based companies, and generally small to middle-sized companies. These industries should continue to grow, albeit possibly at a slightly slower rate during the recession. As they grow and expand they will need stronger, broader-based financial management, including a significantly stronger treasury function.

The growth in treasury types of jobs with smaller to middle-sized companies fits nicely with the change in the role of treasury. In a smaller company, a job is generally broader but less deep. Over time, treasury professionals will have to deal with a broader range of issues and with a much wider array of internal and external customers. The evolution of the role of treasury happens to be coincidental with where the majority of new treasury jobs will be.

JCTM: How can an individual judge the safety of his job?

RB: The safest jobs are with companies that have organic (internally-generated) growth.

The expansion of a company through increased sales almost guarantees employment for nearly everyone, as well as creating opportunities for those who can document that they are contributing to the growth of the organisation.

If you want to judge the security of your job, take the compound annual growth rate (CAGR) of the basic product or service your company sells over the last five years, factoring out acquisitions. If the CAGR is a negative number, you should be in an active job search; if it is around zero, you should be looking on a selective basis; if the rate exceeds 5 per cent and you haven't been promoted, you should be doing some soul-searching about whether or not your company values you as an employee.

JTCM: Do you have any overall advice to individuals who are in treasury today or are contemplating a career in treasury?

RB: Today's job market is frustrating and unnerving. There are huge displacements taking place in a number of important sectors in the job market, including automobiles, real estate, retail and banking. There are, however, great opportunities in many non-traditional sectors that are growing and need more and better employees.

The best career advice to employees is to look to leave companies/industries that are not growing. If business is *not* good, either be part of the effort to turn it around, or leave. Don't ride the wave which could eventually put you on the street or severely limit your opportunity to grow and advance. Treasury professionals also need to ensure that they are completely up to date with computer and information technology skills as they are the basis for virtually all of the process improvements in treasury today and are a requirement not a luxury.

It would appear that treasury people in the past have been at something of a disadvantage compared with most other company employees as they generally dealt with people outside of the company (bankers, asset managers, etc). Treasury people have jobs that are hard to explain in simple understandable terms. The overuse of acronyms and technical terminology confuse and unnerve many people and make people avoid contact with treasurers and treasury people.

Treasury professionals currently have the ear of management. They need to seize the opportunity (*carpe diem*) and help management make better business decisions about how to raise and deploy capital as well as manage financial risk. Treasury professionals need to make management aware of the money they save the entities they work for and the value they add on an ongoing basis.

JCTM: Do you have any advice to companies?

RB: The best advice for companies is to hire people who are oriented to best practices and process improvement and can show that with quantified accomplishments. Some of these people will be the future leaders of your company. Some of these people will move on if they are not promoted, but they will have contributed while they were there. Employees should be promoted and rewarded based on what they contribute. Quantified accomplishments justify better compensation. Individuals who have quantifiable accomplishments will be able to move to other employees with better compensation and promotional opportunities.