

SEARCHING FOR OPPORTUNITY IN THE REALIGNING OF COMMERCIAL BANKING AND FINANCIAL SERVICES

Companies Compete to Recruit New Pool of Corporate Treasury Executives

The corporate finance playbook is changing.

As companies come to terms with the current liquidity challenges and the long-term implications of higher costs for working capital, CFOs and Audit Committees are beginning to assess whether their treasury function will be a competitive advantage or a strategic liability in the wake of the credit crisis and ensuing economic volatility.

A growing number believe it is a good time to augment their corporate treasury teams, perhaps by attracting commercial banking and financial services executives who know the intricacies of liquidity and can help them navigate some tough times ahead.

The urgency with which companies mobilized accounting and financial reporting experts to comply with Sarbanes-Oxley has given way to an emerging focus on the treasury function and whether it has the know-how to meet emerging pressures related to cash management, operations financing, liquidity and risk management.

Four years ago, finance officers with corporate controls experience were in high demand because of Sarbanes-Oxley. Today, executives with a depth of banking and treasury experience and a solid handle on credit and liquidity issues and how to navigate them are in high demand, and more of them are attractable by companies large and small, with the right help.

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The realignment of the commercial banking and financial services industries and the federal government bailout of banks deemed “too large to fail” has already prompted many richly experienced – and, for some time, richly compensated – commercial banking and financial services executives to think about their next career move.

The intervention of Congress, foreign banks and government regulators has firmed up many financial institutions that only recently flirted with outright collapse. So, industry insiders observe, the window of opportunity to attract top treasury talent to key roles in new industries or simply to augment the human assets that will drive corporate treasury in this new, uncharted business financing environment may remain open only for a short time.

The availability of a new pool of management talent from the financial services market, says Joe Euteneuer, Executive Vice President and Chief Financial Officer of Qwest Communications International, Inc., is already moving companies in many industries to bolster their treasury function.

“It gives companies an opportunity to get some new people in their internal arsenal to better combat the economic conditions and make you more effective to deal with them,” Euteneuer says.

Jim Gouin, Chief Financial Officer for Tower Automotive and former Vice President & Controller for Ford Motor Company, says the uncertainty that many within the commercial banking and financial services industries now feel “clearly gives different types of industries an opportunity to attract some very talented people.”

Deal-shaping individuals or teams from the commercial banking and financial services industries might help new employers navigate the course toward a merger, sale or acquisition. But they may also bring niche expertise – the kind of know-how many companies outside those financial sectors long outsourced because of the cost of hiring such specialists – to the treasury function, which is now recognized as a potential game-changer.

“If you feel the need to build the strength or capacity of your treasury function, the time is now,” Gouin says. “You need to strike while the iron is hot, because who knows how long this window of opportunity will remain open.”

Looking ahead, Gouin figures, given the liquidity crisis and general decline in the economic environment there will likely be more fallout in corporate America which will put into play more experienced business leaders – “from CFOs and CEOs to other people in key management” – for companies that do business far from Wall Street and the banking sector.

Opportunistic companies are already preparing to take advantage of that new pool of talent. “We have been focused on more senior management roles,” Gouin says, “but there are also implications for roles further down the organization where the supply of treasury talent is much greater.”

Pete D’Aloia, former Chief Financial Officer of American Standard Companies, says that along with other departments

in finance, the treasury function at many companies will be stretched, with more realizing the value of those roles and the elasticity of individual treasury leaders’ skill sets. “In my experience, good treasury folks pay for themselves and also give you the capability of a world-class treasury function to serve the company’s best interests in a challenging economy,” D’Aloia says.

Companies interested in strengthening their treasury teams to prepare for future liquidity and credit challenges must do so in a purposeful and thoughtful manner.

Companies that are looking to these distressed industries to gird up their treasury function have to assess, on a case-by-case basis, whether these newly attractable treasury, banking and finance leaders will bring the right chemistry fit with the existing team.

Some potential recruits with a short-term, deal- or event-oriented approach simply won’t fit in a new corporate environment built around process and a long-term view of corporate performance and team rewards. Companies that don’t recruit selectively, that don’t onboard new talent effectively, and those that overlook the transferability of candidate abilities may find that the strategy of seizing on this opportunity to bulk up their treasury function was poorly executed.

Seasoned finance executives who might consider a move from the commercial banking and financial services to a new corporate employer in a different industry environment, might likewise temper the emerging opportunity with a dose of reality.

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Treasury and commercial banking talent from Wall Street may find stability and opportunity in a far broader range of organizations, but they’ll have to grow accustomed to longer-term reward potential. This kind of move is certainly going to force, for some, a significant change of perspective.

Bottom line is that the days of wildly leveraged finance and huge bonuses may well be gone. Companies may need to do more with less, yet there remain compelling employment opportunities that will provide more work/life balance and the career upside of broadening their finance experience in ways that may stretch and test their existing skill sets. These factors could lead to broader financial leadership opportunities in a corporate setting or, should they choose to re-enter the banking world, a much more thorough, value-added understanding of their clientele.

We're also likely to see that even those executives who are no longer involved in the corporate treasury function are hearing opportunity knock because, given their experience in that function, they'll be tackling today's challenges from that point of view. These could include finance executives, legal officers, risk management and strategy leaders, and compliance experts.

One finance executive who successfully transitioned from the financial services industry to the corporate environment is P. Parimal, Vice President with Terex Corporation, whose own experience suggests significant career opportunities abound for those willing to consider a change.

"Contrary to prevailing wisdom, the transition was not difficult at all," Parimal says. "Yes, the challenges are different. One has to assume an unfamiliar 'principal' role and the goals are broader and usually focused on strategic investments regardless of whether they are acquisitions, joint ventures, or partnerships."

Further, Parimal adds, some banking and finance executives who move into a corporate role may also find that resources are more limited. "Transitioning executives often won't have an associate or analyst to do the 'grunt' work. But if one is committed to the change and not arrogant about their past, the corporate environment is welcoming, forgiving and immensely satisfying," Parimal observes.

Over time, the competition for and compensation offered to business leaders with significant treasury experience will escalate as companies recognize the influence of the function in an environment where liquidity and the availability of credit increasingly frame corporate strategy.

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