

# A POSITIVE FOR THE PROFESSION



**AENGUS MURPHY** OF FTI CONSIDERS THE ADVANTAGES OF TREASURY OUTSOURCING AGAINST THE VIEWS THAT IT MAY NOT BE IN THE BEST INTEREST OF THE PROFESSION AND THOSE WHO WORK IN IT.

**A**t this stage in the short history of treasury outsourcing, there is a prevailing view that outsourcing is a threat, or at least a challenge, to the treasurer and to the profession itself. But is there a sound basis for this view? This article presents the case for a different view, based on practical experience.

In my treasury travels, I frequently find views expressed, or messages conveyed, that treasury outsourcing may not be in the interests of the treasurer or the treasury profession. These views or messages come from some treasurers themselves, from the profession's representatives and they are raised by the specialist journals. Presumably, the threat or challenge is that the treasurer may lose his job or his position is downgraded in some way; that the profession may have a reduction in members; that its sphere of influence may be reduced; or that its members' interests are not served. These views are moderating in recent times as the experience of outsourcing evolves.

The issue has never been openly and properly explored and debated, so that there is a reasoned basis for the facts or perceptions. Given that treasury outsourcing is now becoming well established as a model, it makes sense to talk about it, so that an informed position might prevail. So, maybe this article will spark off some debate.

**MISPERCEPTION.** Perhaps the perceived threat or challenge comes from the expectation that all of the treasury function, including the treasurer's role, will be outsourced. This does not reflect the reality. Only in very few exceptional cases would the whole treasury function be outsourced. In fact, outsourcing all of the treasury function would not be recommended best practice. Even where all of the function seems to be outsourced, someone in the company, mostly the CFO, will act in effect as the internal treasurer.

**WHAT IS OUTSOURCED?** Much more common are outsourced solutions based on some split of the activity/function, such as:

- by potential for corporate contribution – that is, strategic and value-adding versus operational. Critical, strategic and value-adding aspects of the treasury are retained in-house, with operational

aspects outsourced to a specialist, professional outsource provider. This is the case with one of my company's Scandinavian clients;

- by function – front office versus middle and back offices. Some companies regard the front office function as sensitive or critical and this is retained in-house, while middle and back offices are seen more as administration, and these are outsourced. One of our smaller financial institution clients operates in this way;
- by activity type, where some activities are retained in-house, while others are outsourced. For example, external financing, risk management and banking relationships may be retained in-house,

## 'THE TREASURER CAN ENHANCE HIS ROLE, POSITION, CONTRIBUTION AND IMPACT, AS WELL AS CAREER PROSPECTS IN HIS COMPANY'

but cash management, debt administration, intra-group lending, intra-group netting and settlement, are outsourced. Another of our Scandinavian clients has adopted this split; and

- by geography, where, for example, domestic cash management is in-house but all international (non-domestic) operations are outsourced. A West Coast US client set up its treasury solution in this way.

These are much more likely outsource scenarios than full outsourcing, and, indeed, this is what typically happens in practice. More a collaboration between the in-house treasury and specialist outsourced provider, combining the best of what both have to offer, so as to devise the best solution and service for the company.

**IMPLICATIONS FOR THE TREASURER.** Now let us look at the likely implications for the treasurer. We will do this in the context of today's environment – increased responsibilities and workload, reduced/contained headcount, budget constraints.

- He (or she) is much less tied down in routine day-to-day operations, as these are the elements of treasury most frequently outsourced;
- he can avoid the expensive, effort sapping and problematic systems dimension of the business;

□ **PRACTICAL EXPERIENCE.** It might be useful to give readers the considered views of a treasurer, who has actually outsourced extensively and now has two years' experience of the results and the impact for himself.

Per Malm is Finance Manager/Treasurer of MacGREGOR Group AB, a Scandinavian ship cargo handling products and services company, with global operations. His responses were when asked: What have been the implications of your outsourced solution for:

- **The focus of your day-to-day work?** "My work is now more on a strategic level and taking on new projects, such as developing and implementing a credit risk management system in the group, rather than being almost fully engaged in transactional and nitty-gritty work."
- **Your role and responsibilities?** "My role and responsibilities are much the same, but I can do them better, more accurately and with more quality and much more future looking. Proactively rather than reactively."
- **Your contribution to the group?** My main contribution is now taking on value-adding projects, such as setting up a shared services centre, and generally enhancing the finance function's contribution to the group."
- **Your influence in the organisation?** In the past, I couldn't deliver good support to the subsidiaries in the group, whereas now I can. Through the various projects I have taken on, I am much more visible in the group and as a result, can influence things more."
- **Your position in the organisation?** The position is the same, but my effectiveness is at a higher level and aimed at the future."
- **Your career prospects?** "At present, this is more influenced by what business stance the group takes in the future – expansion or consolidation. Expansion means a necessary role going forward. Consolidation raises questions."

I believe these views are representative of the views of treasurers who have actually outsourced.

- he has reduced call on his time for recruitment, training and managing staff – and treasury staff, as specialists, require considerable management;
- he has much more time available for critical, strategic and value-adding aspects of treasury – and can make real contribution and impact;
- he can put himself about much more in his organisation and have value-adding influence;
- he can position himself and his treasury properly in the organisation; and
- he can either fit in with or be seen to lead a new culture in the organisation.

Overall, then, the treasurer can enhance his role, position, contribution and impact, as well as career prospects in his company, if he can effectively adopt and implement a robust outsourced solution for some element(s) of his function. To quote Per Malm again (*see box*): "outsourcing is perhaps a threat, but, more important, it offers a lot of possibilities".

Of course, there are also risks in this approach. The risks may be that service from the outsourced provider is poor, the solution is problematical, negative events occur – all of which could have the opposite effect on the treasurer – he gets even more bogged down, rather than his time being freed up. This is why it is essential that an outsourced solution must be properly structured, developed and implemented over time, and great care is needed in selecting the outsourced partner.

**IMPLICATIONS FOR THE PROFESSION.** Maybe the full debate is for another day, but I believe that outsourcing will lead to positive developments for the profession, and I summarise as follows:

- enhanced best practice standards in operation, these being developed and implemented in professional outsourced service provider firms;
- enhanced skills in practitioners, created in specialist providers and centres of expertise;
- more practitioners, more profession members, as more small- and medium-sized companies will engage in proper treasury management, with access to this model;
- more training needed to meet the requirements of the employees of specialist service providers;
- more formal qualifications, as specialist firms will require this standard from staff;
- excellent development and career outlets in specialist outsourced provider firms for practitioners and aspiring treasurers; and
- enhanced role and influence for the profession as a whole.

But to gain these potential positive benefits, the profession will need to cater for this new dimension of the treasury business and to position itself where outsourcing is taking place. Perhaps, as such, more a challenge to the profession, rather than a threat to the treasurer.

Aengus Murphy is Chairman of FTI, the leading independent treasury management services firm, which provides outsourced solutions, systems solutions and expert consulting support for companies and organisations worldwide.  
[amurphy@fti.ie](mailto:amurphy@fti.ie)  
[www.fti.ie](http://www.fti.ie)