M. Zonsius: Welcome to the Strategic Treasurer podcast, your source for interesting treasury news in your car, at the gym, or wherever you decide to tune in.

Intro: This episode entitled How To Prepare For Work In Treasury is the first in a series on becoming a treasurer. Today's discussion, explores the varied and nonlinear career path of most treasurers and outlines two key elements necessary for success in the role. Listen in as Craig Jeffery, the managing partner of Strategic Treasurer, discusses the mindset and capacity that are required for treasury professionals in today's corporate environment.

M. Zonsius: Welcome to the Treasury Update Podcast. I'm Meredith Zonsius, the Communications Manager at Strategic Treasurer, and I'm sitting here with Craig Jeffery, our managing partner and founder. Today we're excited to kick off a series of episodes on becoming a treasurer. We will explore questions around becoming a treasurer, including how to prepare, what needs to be measured, how to communicate effectively, how to develop a team, and how to get the resources you need.

Craig Jeffery: Thank you, Meredith. Glad to be here.

M. Zonsius: So tell me a little bit about this series and what inspired you to come up with this series.

Craig Jeffery: We get a lot of questions about becoming a treasurer, becoming a more effective treasurer, what's key to being most effective? And there's so many differences in organizations that it seemed appropriate to pack some of those conversations into a podcast, to share some of the highlights. And some of these stem back from conversations, I think, back to 2002 or 2003 at a treasury and risk conference on becoming a strategic treasurer, a panel discussion with a lot of great treasurers and now CFOs in terms of what people need to do and think and how they act and the mindset. And so this is a common conversation and I think it helps people to explore some of those themes that can make them become the most effective treasurer or to be prepared to become a treasurer.

M. Zonsius: Yes, a perfect professional development series. What's the career path in becoming a treasurer?

Craig Jeffery: That's a good question. I think it's different for almost every single treasurer. You can say, "Well, I had a unique path to becoming a treasurer." Almost every treasurer will say that. They might have come up through FX, maybe they started in accounting, they moved from FP&A over, they jumped around at different companies. The path is very different because treasury is unique in a lot of different ways. You might have a more standard or consistent path if you're becoming the controller, you're becoming the head of sales, or if you're becoming the chief information or technology officer. The career path is much more linear, much more predictable. Not that those are all predictable but much more predictable than a treasurer. It's very much varied and different.

M. Zonsius: Great. So if someone decides, "Hey, I would like to become a treasurer," how would one prepare to set on that pass?

Craig Jeffery: Yeah, so I think when someone wants to move up in an organization and maybe focus on a broader macro or global type role, like a treasurer role, there's a couple things that they need to do to prepare. They need to be intentional about a few things. Now, this is not a comprehensive list, so don't hold me to just these items, but there's two key things. One is a process of thinking. It's the mindset that someone contained, someone has in approaching the organization, approaching the business and their particular role in it. And second has to do with experiences. What are the experiences and capacity that a person maintains? I think I'll begin with mindset. For mindset and capacity, I'll start with capacity.

M. Zonsius: What do you mean by capacity?

Craig Jeffery: Well, capacity, I guess I'll talk around it rather than answer it directly. So I think some of it has to do with a deep expertise versus being well rounded. Now a normal career path in finance, in treasury, in finance, someone has some deep analytical experience or they're very deep in a particular area. They become masters of a subject of an area and they're extremely well skilled in that. Then they take on another role and they want to make sure they master 99% or more of that area. So there's an element of mastery of subject matter.

 Now as you move up in an organization, unless it's a small organization, you're going to reach a limit. You're not going to be able to know, and 99 and a half percent of every single area in a large organization with treasury, there's just too much content, but you have to be a generalist as well. So you're going to start off in your career and excel by going extremely deeply in a particular area. And then you have to move and shift to become more well rounded, being able to take a macro view, understand what's going on globally, know enough about the different subject matter so you can communicate well, but you might have individual experts that are working for you on your team that you call in for particular topics. And that's just part of growth, becoming an excellent generalist and strategist as opposed to starting off becoming an expert in particular areas.

M. Zonsius: What kind of companies would be good for a treasurer to begin with?

Craig Jeffery: Yeah, that's a hard question because if you want to become treasurer, you definitely want to experience where you're going to run into a lot of different areas, where you can put on different hats in treasury. There's a lot of different hats that go deeply. So a smaller treasury might have three, four, or five people and everyone has to wear a lot of hats. And so that's excellent for becoming well-rounded. Now if you want to become an expert in foreign exchange or in in-house banking or debt, working in a very large organization where you can be extremely specialized, there's some benefit there too. So I think there's a bit of a trade off. So wherever you are is a good fit. You might enjoy working for a smaller company, wearing a lot of hats, and then moving to a larger company where you become a specialist.

 I think there's some challenges to each of those. It's easier to become specialized in very large firms. Like, I'm in charge of debt that comes due within six months. I'm in charge of investments that are one to five years. They become extremely specialized, become extremely knowledgeable in those particular areas, but then that becomes limiting in another way. So if you really want to become specialized, the larger organizations are going to have those extreme niches, whereas you will naturally have to wear more hats in a small organization. But there's different roles in different organizations. So I don't know that there's a perfect path that I can offer generally, but either place, you can see how you build skills deeply and broadly.

M. Zonsius: So bloom where you're planted.

Craig Jeffery: That sounds like a book, but yeah, I think so.

M. Zonsius: Does preparing mean moving companies?

Craig Jeffery: It certainly can mean moving companies. I think as you move in your career path, you have to take ownership of it. People that are in the later stages of their career are probably more used to staying for very long periods of time at one company. People that are newer in their career are used to jumping around. What's in it for my development moment by moment? So I think you do have to take ownership of your career when you're younger. I know myself, I think a lot of people are a lot more impatient when they're younger, they want to gain all the experiences in a year. And you can't gain a decade or two decades worth of experience in an 18 month timeframe. So there could be really good opportunities. There's a sense where you need to be patient and a sense where you need to make sure you pursue those things that are going to help you in your career. And those should align with most organizations if you're pursuing both of those interests. How can I help the organization most effectively? How can I develop my career? They shouldn't be completely at odds with one another.

M. Zonsius: Are there differences in the treasurer role based upon what type of organization it is?

Craig Jeffery: I think that there are indeed. So a smaller or an organization that's very debt oriented, that acts very differently from an organization that's spinning off a lot of cash. One is much more of a investment manager and pursuing things that way, where someone else will become an expert at forecasting, planning and usually has a much deeper, richer view of relationships than someone who's AAA or AA rated firm where everyone's begging to lend them money. There are certainly differences there.

M. Zonsius: I know a lot of companies offer mentorship programs for professional development. Do you think there's a lot of value in mentorship?

Craig Jeffery: I'm not sure I'm well qualified to answer that question. I know some people are really love it where there's a formal program and you have a mentor, there's a mentor, mentee relationship and it's run through some central organizations. For some people, that formality works really well. And others fall into it by their intentional in terms of saying, "How can I help someone along in their career? Or they're intentional saying, "I want to learn from this person or these people over time and have a sponsor." So whether it's formal or informal, people are responsible for getting the advice they need. And so if there's a formal program and that's a good way to do it, go for it. If not, make sure you're asking people that will pour some of their time and advice into you to do that. And you'll find the people that are, they're eager to see the organization succeed through people and those that only care about getting to the end of the day.

M. Zonsius: So that leaves a mindset.

Craig Jeffery: Yeah. So we talked earlier about capacity and this being well rounded versus a deep expertise. I think that there's a couple of things about mindset. I'm not sure I'm going to cover these in a particular thought out order, but these are some of the top items or the items that bubble to the surface. So one is, say, the mindset of linear versus global. And you can think of learners this way. I'm not sure where I picked that phrasing up, but the linear thinker has to see things in order. They have to progress. And there's many things in life that things are in an order. It's one follows the other. We have to have all the facts before we can come to a conclusion.

 There's also the global thinker who takes in much data all at once and then can put that together in some sort of framework or rubric that helps them understand and quantify level of risk, issues, et cetera. There's an aspect about deep expertise that being very linear, methodical, pays off very well, has to be done. And you can think of different disciplines, particularly accounting, some areas of treasury. You have to have someone get these things right to make sure you're not transferring things to the wrong accounts, for example. But when you think about a treasurer role, they have to be able to think globally and think about what's going on in the organization in its entirety and quickly sum up something, sum up a situation or ascertain what's going on and say, "There's too much risk here. We need to move in this direction or here's where we're going to focus our energy." You know, being able to quantify those things at a macro level is going to be more important than making sure everything is exact to the penny. And I'll give you an example.

 I mean, a bank reconciliation tends to be very linear. You got to get everything down to the penny and you'll hear people argue if we don't have it down to the penny that's going to show a control weakness. So we have to make sure everything is completely nailed down. They'll spend $20 chasing a penny difference. There might be some value to detecting a control weakness in doing that, but that can be an issue. When you think about treasury, when someone in treasury is setting a cash position, they want to know something's off from today from what they expected. Well, the cash manager doesn't have to hunt it down to the penny. They may need to find whatever's material for that day. And that might be to tens of thousands, it might be to $1,000 or some other amount, whatever's material for the organization, certainly not to the penny. It's a very different view.

 The same thing can be said for risks, that mindset of a global look. How do I help the organization know what businesses to pursue, what plans to take? And someone in a particular area may be very much in favor of that, but that global mindset has to come into bear to help you quickly discard activities and endeavors that are not worthy of attention or to use that to focus in on those areas that need to be examined more carefully.

 The second area has to do with a mindset of are you going to be a vendor or a strategic business partner? What I mean by that is if you're saying, "I'm an expert in finance, I'm an expert in treasury, I secure debt for the organization, I make sure we have liquidity, I get the services that are needed, I view myself as a vendor to the organization, not as a strategic business partner. If I make sure I have the liquidity, I manage those relationships. But I help the organization, the people in the organization, accomplish their objectives and I make sure the organizational objectives are being met. Then I become a business partner. I learn what they do. I don't just sit in my treasury office or treasury area, only concerned about finance thinking. Everything else is secondary. I understand what business we're in. What are the changes, what's going on? And I leverage what I know to help them."

 That is a strategic business partner. And understanding the business means I've got to get out in it. I need to go tour the plant. I need to have a medical facility. Maybe I go and see operations at night. I understand what's going on. I see how things work so that I have context. And when people see you doing that, that helps them know you're serious. And when you do that, you understand things at a level that you didn't before. And now you can connect with people because you understand the specifics of whatever industry vertical you're in or verticals that you support make sense. So that's one. Understand that business means being a strategic business partner.

M. Zonsius: So being engaged in the business and having a more holistic approach positions you for success.

Craig Jeffery: It certainly does. I mean, that whole let's understand the business and look at what's driving the business, understanding the issues allows you to be much more of a solution provider and have a realistic seat at the table where you're providing the type of advice that keeps you at the main table.

 So the secondary has to do with our view of communication. So when I think of communication for treasury is who's the recipient? Well, it might be executive management who may have maybe not even experience with finance or maybe it's their focus that they grew up out of accounting or sales. They may have no clue what treasury does, what it's purpose is. And if you view communication as I told them once, I sent a memo to him three years ago about it, you're going to be disappointed.

 And you're doing it as service to them because you'll be like, "Hey, I told you what risk management was, our hedging plan. Our hedging strategy, we're going to do these things to bring our risks in line with our risk appetite, what we really want it to bear." And it's doing that. And then you're going to get frustrated three years later when someone from accounting or someone in sales or someone in another area says, "We could have done better if we hadn't hedged any of these items." And I, for treasury people, go crazy because they're like, "They don't understand that our purpose was to bring our risk in line, like an insurance policy." Well, they don't understand that. And if you think they understand it with the one time, you're wrong. And you have to continually emphasize what treasury does, why it's important in terms that they can understand, in a manner that helps them understand what you're doing.

 And if you can't explain that, it's not going to work. And if you have the mindset that communication is a onetime event, it will never work. And you need to make sure you don't try to become a treasurer if you're not going to take on that communication role. You can be an expert very deep and someone else can communicate that to the rest of the organization. But you have to be able to communicate those things if you're going to be the treasurer. You may not be the most analytical and be the treasurer, but you can communicate to people from different disciplines. And that's extremely important. And too many people don't catch onto that.

M. Zonsius: So good communication skills is actually imperative if you're trying to influence the person at the organization to make a decision that will help save the company money or on investments of where to invest the money.

Craig Jeffery: It is. And it is imperative that you make sure that the recipient understands what you're saying. Again and again, not that they have to master it, you don't have to talk about the Greeks and you don't have to go through things at such a level of detail in your shorthand, but you have to make sure they understand the process and then it's repeated again and again in ways that they understand. Then it's emphasized. So when you made money on your hedges, for example, you don't say, "Hey, this is a great thing." Generally, you might say, "Well, we did make money on our hedges. We lost on our underline exposure. This is fine. Some of our competitors weren't hedged or they were hedged and this did exactly what we wanted and this is fine. We had 70% of what we had. We made money on our hedges but we still lost on 30%. this was good protection because it kept it in line with what we had. You know, we paid for the insurance, we had to use it. It'd be better if we didn't have to use it, but we did pay for the insurance."

 The other area, Meredith, I think, is taking a long view of success in terms of a mindset. What's a long view of success? Now I talked about some of that with communication in terms of long and short view, but that's not what I mean here. I think of the long view of success is building a track record of results and that concept of you earn your stripes, you have success, and then you continue to expand what goes on. And I can think of examples of great treasury people who have, on an opt in basis, put in some type of service, whether it was a payment hub, an insurance company, or started to address price fluctuations on the commodity side. They worked with someone who is willing to work with them. They helped the process run smoothly, they achieved success. And the next group was willing to join in. And then after a while, everyone had to do it because this was clearly the best way to do things. Treasury knew what was going on.

 So if you build a track record of success, you're not trying to beg people to join in, they're going to join in and then you're going to be able to enforce things in terms of the treasury mindset and the treasury owns cash, treasury protects the payments, treasury ensures that there's adequate liquidity. So I think those are a couple of the key items that are taking that long view of success.

 And then finally, if I can circle back to one of the earlier topics on the mindset, we talked about being a vendor, a strategic business partner and I mean what I'm going to say now in a, I would say, healthy way. It doesn't quite sound that way when you say you have to be thoughtful when you're talking with the business about their plans for the future because they generate lots of ideas. Some of those ideas are good, some of the ideas are good and need to be refined, some of those ideas are not good, they present risks that people would not think of. Being a treasurer, being a thoughtful treasurer, being an appropriate and strategic treasurer, if you would bear that use of our company name, is being the adult in the room and making sure they understand the tradeoffs and why this might be a risk or think of ways around them if you can. Now sometimes you just need to say, "This is no good because of this reason and here's why in broad terms." And it's like that's not going to generate the money that you expect it to because it's going to create a particular situation. So that's that one and of being the thoughtful finance person in the room.

 And I think the other is exactly what we talked about the end, about building a track record of success, is that you have to be practical. It can't just be pie in the sky. It has to be we get things done, we accomplish things, we support the business when they need it in an excellent way so that you're talking about the right types of strategy, but your group is also functioning well on the operational side.

M. Zonsius: That's excellent advice. So what will the next section cover?

Craig Jeffery: So the next section in the series is about what do you do when you become the treasurer? So we will talk about now you become the treasurer, what do you do, particularly in the beginning, in the first part of your role as the treasurer? What's crucial for that? I'm looking forward to that conversation.

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