Corporate treasury in the UK: ‘the rapid creation of a new professional speciality’

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Abstract
A substantial academic literature has accumulated on the development of professions, including the accountancy profession. This paper investigates a related profession, that of the corporate treasurer. Taking the UK as a case study, we trace the progress of corporate treasury from an occupational group to a recognised profession, with its own professional body, The Association of Corporate Treasurers (ACT). Although many of the developmental factors are particular to the UK, many have a relevance to the wider international development of the treasury profession. We explore the development of the role of the corporate treasurer and the professional body, relating these to a number of theoretical perspectives on professionalisation. In particular, we apply Abbott’s System of the Professions framework to examine the emergence and development of the ACT. This analysis examines the close ties between corporate treasury, accountancy and banking and considers why the ACT has evolved as an entity distinct from the UK’s professional accountancy bodies.

Keywords: treasury; corporate treasurer; corporate finance; financial risk management; Association of Corporate Treasurers.
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1. Introduction

In the space of four years the Association of Corporate Treasurers has grown from nothing to a current membership of some 800 – impressive evidence of *the rapid creation of a new professional speciality* (Riley, 1983; emphasis added).

The origins of the profession are rooted in the changes in the management of risk and liquidity which began in the 1970s. In this new dynamic environment, financial management was facing currency, interest rate, fiscal and legal risks on a scale that was unfamiliar. A new function and a new profession became the focal point for dealing with what was rapidly being recognised as the ‘treasury’ responsibility (Richard Raeburn, ACT Chief Executive, *GT News*, 7 March 2005, p. 1).

‘[E]nsuring that finance is generated, used and managed to the maximum advantage of a business at all times’ is of fundamental importance to corporate success and sustainability (*ACT Now*, November 1978, quoted in Prindl, 1995, pp. 57-8). As recently as 1970, however, ‘most people could not have said … what a treasurer was’ (Prindl, 1995, p. 1). Subsequently, corporate treasury management has developed to such an extent that it can be considered a worldwide profession, with a multitude of associations spanning many countries representing the interests of those ‘advising on what businesses invest in, organising the appropriate funding for this, and controlling the risk in the organisation’ (Billings, 2007, pp. 16-17; www.treasurers.org/treasury). The relevant UK body, the ACT, established in 1979, grew quickly. It currently has more than 3,500 members in over 40 countries, with a further 1,300 student registrations (ibid.).

While corporate treasury can be described as a ‘new’ profession, within the UK professional association lexicon, the designation ‘corporate treasurer’ dates back to 1885 with the formation of the Corporate Treasurers’ and Accountants’ Institute. It was, however, a public sector body, evidenced by subsequent changes in title. Understanding of the term ‘corporate treasurer’ has therefore changed over time and it is important to stress that we use the term in this paper to refer to those individuals.
working for companies, rather than in the public sector. Having so defined the
corporate treasurer, it is important to recognise that there were treasurers in the UK
prior to the establishment of the ACT and there remain treasurers outside the ACT
fold. Much of what is considered ‘treasury work’ will previously have been, and
continues to be, undertaken by accountants. These responsibilities would include
‘banking relationships, cash management, obtaining financing, credit management,
dividend management, insurance, pensions management’ (Brealey and Myers, 1996,
p. 7). For Arnold, treasury management encompasses the need ‘to plan, organise and
control cash and borrowings so as to optimise interest and currency flows, and
minimise the cost of funds. Also to plan and execute communications programmes to
enhance investors’ confidence in the firm’ (2005, p. 681). The close links between
corporate treasurers and accountants, the distinctions between them and the
establishment of a specialist body to cater for the needs of the treasury professional
are central to this paper. We show later that most ACT members are also
professionally-qualified accountants. We draw parallels between the development of
the ACT and various other UK professional bodies, some of which are also closely
linked to the accounting profession.

Surprisingly, these developments have not attracted the attention of business and
financial historians, perhaps as a result of the relative youth and small size of the
various professional treasury bodies. The nature of the treasury role and the
prominence of treasurers in large, often listed, companies, leads us to suggest that
their significance could be considered disproportionate relative to their numbers. One
of the motivations for this paper is therefore to address this neglect. We trace the
development of treasury from an occupational group to a recognised profession, using
the UK as a case study, though many of the issues raised transcend national borders.

The paper is structured in the following way. Having provided an overview of what a
corporate treasurer is, in the next section we provide the theoretical framework for the
paper by considering, among other theories of professionalisation, Abbott’s system of
the professions approach. The third section, based upon Abbott, looks at system
disturbances. The fourth section then focuses on the professionalisation of treasury in
the UK. In the fifth section, we test, at Abbott’s invitation (1988, p. 31), the
applicability of his theory to this professional project, set within the system of the professions and consider the jurisdiction of the ACT member. Finally, we offer some concluding comments.

2. Theoretical Framework

In harmony with Carnegie and Edwards (2001), we argue that the formation of a professional body, while not marking the commencement of the professionalisation process, is nevertheless an important ‘signal of movement’ within the process of upward professional trajectory, and denotes the beginning of the formal stage of the ‘professional project’ whereby ‘producers of special services seek to constitute and control a market for their expertise’ (Kirkham and Loft, 1992, p. 3).2 Within that project, the professional body or ‘qualifying association’ (Millerson, 1964) faces the tasks of ‘producing the producers’ to ensure that those admitted to the fold pass through an ‘appropriate system of selection, training and socialization, and [have been] turned out in a standardized professional mould’ (Macdonald, 1995, p.189). Such institutional moulding is essential to ensure that the producers and their products or commodities are given a ‘distinctive form’ (Larson, 1977, p. 14).

The Weberian concept of closure has been developed to explain the means by which interest groups strive to ‘translate one order of scarce resources - special knowledge and skills - into another - social and economic rewards’ (Larson, 1977, p. xvii; see also Giddens, 1973; Parkin, 1979; Child and Fulk, 1982; Murphy, 1988). This involves ‘the exercise of power by an occupational association in a downwards direction and is primarily concerned with the definition of the membership in such a way as to exclude those whom the professional body and its elite regard as “ineligibles”’ (Parkin, 1979: 450) or “outsiders” (Weber, 1978: 342)’ (quoted in Macdonald, 1995, p.131). As Chua and Poullaos (1993) note, this closure process entails identifying a range of social or physical attributes as a justifiable basis for exclusion. Lee (1995) notes that professionals ‘are perceived as organizing to gain market control of an occupational service by means of monopolistic exclusion of individuals deemed unworthy or unqualified to provide it (Larson, 1977). Professionals create explicit mechanisms to operationalize this strategy, including
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entry prerequisites, institutionalized programmes of academic education and work-related training and experience. Unless an individual satisfies these criteria, professional membership is impossible and certain service opportunities denied’ (p. 49).

Andrew Abbott’s *The System of Professions* (1988) claims to provide a theory capable of explaining the history of professions in a systematic manner, driven by ‘interprofessional competition’ (p. 2).³ Conflict arises as different professional groups strive to establish effective control over particular areas of work through the application of their specialist abstract knowledge. A profession’s effective control over a ‘task area’ is termed its ‘jurisdiction’ (Abbott, 1988, pp. 20, 112). A classified list of tasks undertaken by a profession at any point in time therefore maps its jurisdiction (p. 41). The changing professional status of a group is a product of its ability to create, defend and extend its jurisdiction. The struggles associated with the control of particular tasks lead to conflict and thereby make the histories of different professions interdependent (p. 19). It is this interdependence, according to Abbott, which provides the basis for a systematic, rather than an individualistic, perspective on professional developments.

Professions use their ‘abstract knowledge’ to extend their jurisdiction over existing tasks and to annex new work areas. A profession can come to occupy a jurisdiction either by finding it vacant or by fighting for it, with jurisdictional claims being made in the workplace, the public arena, and in the legal arena (Abbott, 1988, chapter 3). While the ACT has built an image for itself and promoted the ‘corporate treasurer’ credential (the public arena), it has neither sought nor received state conferral for formal control of particular tasks (the legal arena). Hence, in this paper, we view the workplace as the venue for jurisdictional claims, where ‘jurisdiction is a simple claim to control certain kinds of work’ (p. 64). The specific arena in question for treasurers is generally the organisation, in contrast to public accountants, where professionals worked in sole or small group practices in open markets (Edwards et al., 2007). However, we do acknowledge that as a result of the cost of carrying out the treasury function in-house, smaller companies employ ACT members on a consultancy basis, whose worksites therefore mirror those of the fee-earning public accountant.
Abbott sees professionalisation as a ‘chain of effects’. The creation of a profession is a feature of the jurisdictional process. ‘It is by their claims that groups identify themselves; to claim a jurisdiction is to claim it for someone’ (Abbott, 1988, p. 81). Of particular relevance to the case study of corporate treasurers are system disturbances, which challenge the professional status quo, or the existing work-profession balance, and lead to jurisdictional battles. These disturbances emanate either from ‘external forces opening or closing areas for jurisdiction’ or from ‘existing or new professions seeking new ground’ (p. 90). Abbott argues that ‘if we can understand the beginnings and endings of these disturbances, the ways they propagate, and the conditions determining them, we will have an effective model of professional development’ (p. 91). He goes on to state that these ‘changes lead to chains of disturbances that propagate through the system until absorbed either by the professionalization or deprofessionalization of some group or by absorption within the internal structure of one or more existing professions’ (p. 90).

Abbott acknowledges that the validity of his theory is in its application (1988, p. 31). We therefore set out to test its applicability to the case of UK treasurers, having first set out the historical corporate and financial management context into which the body emerged (section 3) and then consider the professional project of UK treasurers and their professional body, the Association of Corporate Treasurers (section 4).

3. ‘System disturbances’

The post-Second World War economic era in the UK can be broken down into two sub-periods: the first, the ‘golden age’ from the 1940s to the early 1970s, characterised by low inflation, low unemployment, and relatively high economic growth and living standards; and the second, from the early 1970s, when the UK and world economies entered much more turbulent times.

In the first period much greater importance came to be attached to the stock exchange ‘as a result of the metamorphosis from personal to managerial capitalism. City interests were much more influential by the 1970s’ (Wilson, 1995, p. 181). Domestic
securities grew in importance from accounting for just 8% of those quoted in 1913, to reach over 90% by the late-1940s. The annual value of domestic capital issues (at current prices) grew from an average of around £70m in the late 1940s to over £650m by the early 1970s (Wilson, 1995, p. 188). During this period, known as the ‘rise of the cult of the equity’, there was a transformation in industrial investment from a position during the inter-war period where retained earnings accounted for about 80% of the total, to the late 1960s when external sources of capital contributed over 50% of all new finance (ibid, pp. 183, 188). There was also colossal merger activity, encouraged by ‘the decline of family control over the larger firms and the disclosure requirements of the Companies Act 1948, … providing potential bidders with more information on asset values and profits’ (Matthews et al, 1998, pp. 186-7). From 1957 to 1967, 38% of quoted companies were acquired by other quoted companies, while the hostile takeover became a new feature on the stock market (Hannah, 1983, pp. 130, 149, 150). Unsurprisingly, industrial concentration increased sharply: the 100 largest manufacturing companies’ share of net output grew from 23% (1950) to 41% by 1978 (Wilson, 1995, pp. 194-5).

In the second period, Britain’s ailing manufacturing sector with its lack of international competitiveness ‘seemed to threaten complete deindustrialization’ (Matthews et al, 1998, p. 187). Imports as a proportion of total sales in manufactures more than doubled across the period 1968-1989 (Griffiths and Wall, 1983, p. 593). In the 1970s ‘stagflation’ both inflation and unemployment began to rise in Britain (and elsewhere), with inflation remaining above 11% between 1974 and 1981 (reaching a record level of 24% in 1975), while a continued rise in the jobless total culminated in a peak of over 3 million (one in nine of the workforce) in 1986 (Dimsdale, 1991, p. 121). General tariffs reduced in the post-war period under GATT agreements, with regional moves to freeing up international trade, including Britain’s entry to the European common market in 1973. As a result, international trade has grown sharply. In the UK, the share of trade in GDP rose from 20.1% (1960) to 26% twenty years later (Mackintosh et al, 1996, p. 396). Capital is also exported in much greater quantities, particularly following the abolition of exchange controls in 1979, which signalled the incoming Conservative Thatcher government’s commitment to the liberalization of markets. Other measures included the near abolition of control over
bank and building society lending, deregulation of banking and other financial services, and the Big Bang of 1986, which ‘saw outsiders let in to the London Stock Exchange, minimum commissions ended, and the closed cartels of the jobbers and brokers abolished and replaced by integrated securities houses’ (Matthews et al, 1998, p. 188).

In this second period, the international system was rocked by two major oil price hikes: the first, resulting from the divisive lines of support for the combatants in the Yom Kippur War, saw a quadrupling in the price of crude oil from about $3 per barrel in 1972 to over $12 by the end of 1974; the second, brought about by the combination of the Iranian revolution and the Iraq-Iran War, caused crude oil prices to more than double, increasing from $14 in 1978 to $35 per barrel in 1981 (www.wrg.com).

Unsurprisingly, the economic crises of the 1970s significantly affected interest and exchange rates. Interest rates reached previously unscaled heights: 13% in November 1973, 15% in October 1976 and 17% in November 1979. Rates were often in double digits during the 1980s. Since 1997, when the government gave the Bank of England independence from political control, rates have been much lower, currently at their lowest point ever. The period from the Second World War through to the 1960s was characterized by stable exchange rates under the Bretton Woods agreement. After its collapse in 1971, companies were forced to deal with floating currencies, as well as considerable change in financial markets. Exchange rate data shows huge volatility in currency markets in this period (see, for example, www.bankofengland.co.uk).

Opportunities to raise external capital increased with the development of the Euromarkets and new institutions such as consortium banks. Euromarkets developed rapidly: The London International Financial Futures Exchange (LIFFE) was founded in 1982; Marché A Terme d'Instruments Financiers (MATIF), Paris, in 1986; Swiss Options and Financial Futures Exchange (SOFFEX), Zurich, 1986); and Deutsche Termin Borse (DTB), Germany, in 1990. This period also witnessed the migration of the major international banks to London and other Eurocurrency centres. For example, the number of foreign banks with direct representation in London grew from 161 in 1971 to 350 in 1980 (Daly, 1984, p. 1011). Financial markets and services
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became increasingly sophisticated and competitive. The development of the single market and single currency in the European Union followed, with the introduction of the euro in 1999.

The second half of the twentieth century also witnessed the development of important aspects of finance theory. Notable theoretical advances relevant to treasurers included: theories of optimal capital structure (stimulated by the debates prompted by Modigliani and Miller); studies of financial market pricing and efficiency linked to the capital asset pricing model (CAPM) and arbitrage pricing theory; the Black-Scholes model for the pricing of options; and the debate over ‘shareholder value’, which developed from agency theory and emphasized the maximization of free cash flow, including the use of share buy-backs and minimization of taxation.

Advances in communications and transport have ‘shrunk the world, furnishing the ability to buy and sell and move funds on a global scale instantaneously’ (Matthews et al, 1998, p. 189), leading to ‘the rapid growth of international economic interdependence’ (Wilson, 1995, p. 230). ‘Between 1950 and 1962, 364 foreign subsidiaries (300 American) were established in Britain (Wilson, 1995, p. 230). In the other direction, of the largest 100 British-owned manufacturing companies in 1950, 29% had six or more overseas production operations; by 1970 the figure was 58% (Channon, 1973, p. 78)’ (Matthews et al., 1998, p. 189).

These complex global entities, operating within evolving liberalised, competitive financial markets, turbulent economic times and less reliant on internal finance, faced new managerial challenges. ‘Multinational companies were (and remain) exposed to the vicissitudes of rate movements, of political boundaries, of exchange controls, of differing tax rates, legislation, corporate values and cultural perceptions’ (Prindl, 1995, p. 2). There was a pressing need to ‘sort out exchange controls around the world, to work on tax minimisation, to deal with banks in widely different legislations with diverse practices, … to cope with unpredictable markets, …[to] interface[e] with financial markets and the banking system, …. to develop systems … to know where … cash was, to make it move more quickly, to minimise exposures to interest rate and exchange rate fluctuations, to use optimally all the company’s assets and liabilities,
and to report all that to a probably not very knowledgeable board’ (ibid). In the next section, we consider how those charged with these tasks mobilised themselves in the 1970s.7

4. Professionalisation of Treasurers

Having outlined the theoretical underpinning of the professionalisation process and the disturbances impacting upon finance professionals, we now focus on how the ACT emerged in the UK. According to Prindl, ‘[w]here there was no treasurer in most companies in the 1960s, by the end of the 1970s, all large companies had a treasury department or were beginning to build one’ (1995, p. 51). Research by Davis and Collier (1983) corroborates this view. The latter found that in a study of UK Times Top 1000 companies, just over half the sample had separate treasury departments, with 89% of such departments created after 1970, and more than half after 1975. Treasury departments were small, typically with 5 or fewer non-clerical staff. The treasurer was likely to report to the finance director, though often had very substantial discretion in the investment of surplus cash and the management of short-term borrowing, but not for long-term borrowings, where reference to a higher authority was usual (ibid).

Despite the growth in the number of companies with separate treasury departments across the 1970s, ‘it was obvious that treasurers in Britain, from companies of various nationalities, were not sharing their knowledge or reviewing their common problems together’ (ACT: 21st Anniversary, 2000, p. 6). Prior to the establishment of the ACT, there had, however, been attempts to form a body for treasurers, although some of these were more of a social than professional nature (Prindl, 1995, pp. 3-4). In 1972, The London Treasurers’ Club was established at a dinner at Claridges. It was an attempt to bring together a group of top UK and US treasurers to discuss common problems and lasted for around 20 years (ibid., p. 3). Geoffrey Jones reflected that ‘the prestige of the membership was such that Central bankers and commercial bankers, as well as industrialists, were keen to address the club’ (ibid.).8 He argues that the decision to include those from outside industry (which led to an increase in membership from around 40 institutions to 150), was its death knell, as ‘confidence in
frank discussion declined since those attending did not know each other so well’ (ibid.). In 1978, the Torquay Club was formed at a conference of the recently-established Society of International Treasurers. The Club comprised ‘a group of about one dozen soul mates, who lunched monthly and exchanged views on their treasury challenges’ (ibid., p. 4).

**Formation of the ACT**

The real stimulus towards the formation of the ACT is acknowledged to have been *ACT Now*, authored in 1978 by Norman Tribble (Proprietor and Managing Director of Manchester Exchange and Investment Bank) and Walter Woodford (Chief Executive of the Institution of Production Engineers). They shared the view that ‘neither the Institute of Bankers nor the Institute of Chartered Accountants really trained people in the financial skills now needed for modern treasuries’ (Prindl, 1995, p. 4). *ACT Now* set out their ideas and a plan of action to organise those involved in corporate treasury, building upon an earlier co-authored Tribble article on the role of the treasury manager (Darby and Tribble, 1976). The distribution of, and favourable response to, *ACT Now* led to a meeting of the ‘Pioneers’ at the Selfridge Hotel on 25 January 1979. Chaired by Peter Hayman (Treasurer of EMI), this group comprised the treasurers of British Gas Corporation (Eric Hampshire), Unigate (Daniel Hodson), GKN (William McLuskie), Kelloggs Frozen Foods (Ian Miles), and RTZ Corporation (Kerridge Markham), the Finance Director of Dowty Group (Charles Bracher), Tribble and Woodford. The ‘inaugural meeting’ of the ACT took place on 10 May 1979.

Initial membership of the ACT was by application, with ‘Group Treasurers or Finance Directors of *The Times* Top 1,000 companies ... invited to become Foundation Fellows’ (Bracher, 1989, Sect. 3). Entry was by no means automatic. Approximately one-third of applicants were accepted on the basis of an extensive written application; the remaining two-thirds were also subject to interview, with approximately half rejected (ACT Council Minutes, 22 July 1981). Nevertheless, by the end of the first year, ACT membership had reached 445 (Bracher, 1989, Sect. 3).
Admission was based upon three areas ‘of equal importance’: academic qualifications, experience and present position, subject to applicants satisfying the minimum age requirement (25 years for membership; 30 for fellowship) and an employer size threshold (ACT, *Guidelines for the Election of Members*, 1982, p. 2). The academic requirement was met if candidates possessed a relevant professional qualification (Institute of Chartered Accountants in England and Wales, Institute of Chartered Accountants of Scotland, Institute of Bankers, Institute of Cost and Management Accountants and Institute of Chartered Secretaries and Administrators) or a relevant university degree (law, business studies, economics) and satisfied the Membership Committee in a viva voce examination that their academic background, knowledge, and experience matched the ACT’s ‘seven pillars of treasury’ (ibid., p. 2). Four of these were deemed to be ‘core’: cash management, investment management, funding management and foreign currency management; the others being corporate financial objectives, corporate development, and related financial knowledge (ibid., p. 1).

Members had to possess experience (five years for fellowship; two for membership) in ‘positions of senior responsibility for an appropriate range of corporate treasury functions’, where an ‘appropriate range’ was defined as experience encompassing at least 4 pillars, 2 of which had to be core (ibid., pp. 2-3). The ‘present position’ hurdle for fellowship necessitated having either ‘direct responsibility for an appropriate range of Treasury functions … e.g. as Treasurer, or as a Deputy Treasurer (in large organisations)’, while membership was for those ‘involved in an appropriate range of Treasury functions, but who have only limited direct responsibility, e.g. Assistant Treasurers’. Permissible ‘present positions’ included finance directors, executives in general management, professors/heads of departments in academia, consultants, and bankers in clearing or merchant banks. The latter had to be ‘responsible for their own bank’s funds at a sufficiently senior level to ensure an adequate (and real) level of authority in practice, as well as an adequate spread of responsibility with respect to the seven pillars’ (ibid., p. 3).

A fundamental element within the ACT’s professional project, and central to the moulding function, has been ‘to encourage and promote the study and practice of
corporate treasury management and related subjects and the education and training of those engaged therein’ (Memorandum of Association, quoted in Prindl, 1995, p. 13).

A determination to establish professional examinations and to move to examination-only entry characterised the ACT’s early days (President’s Reviews, Annual Reports, 1982-3, 1985-6; Prindl, 1995, p. 61). In 1979, the ACT established an Education Committee, which was charged with the task of creating a professional examination structure and syllabus. The following year, four members agreed to write the four papers for the newly created Part II course (equivalent to today’s full membership). The Institute of Bankers (IoB) and Institute of Chartered Secretaries and Administrators (ICSA) agreed to set and examine the Part I course (equivalent to today’s associate membership) (Prindl, 1995, p.15). In 1983, the first candidates were enrolled on both courses. In the same year, the ACT Educational Trust was established to provide a fund for the education of students, through sponsorship of prizes, setting up a members’ library, and financing the provision of study materials. The ACT established a joint venture with the Institute of Chartered Accountants in Scotland (ICAS) in 1990, providing distance-learning material for ACT students for both Parts I and II.

Entry has been by examination only since the end of 1998, although non-examination entry was much curtailed before this, with a maximum of ten new members per year permitted by the ‘experience’ route. Aside from its ‘main’ examinations leading to full and associate membership, the ACT has also established other qualifications. In 1997, the Certificate in Cash Management (later restyled as the Certificate in International Cash Management) was launched. Eight years later, two new certificates in Pensions Risk Management and Financial Risk Mathematics were established. These certificates can be taken on a ‘standalone’ basis or can form part of the redesigned modular associateship qualification (The Treasurer, March 2005, pp. 16-19).

The current ACT examinations for associate membership require students to pass four Foundation papers in Financial and Management Accounting, Economics and Statistical Analysis, Corporate Taxation and Business Law. The second stage of examinations permits a restricted choice of three papers from five (Corporate Finance...
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and Funding, Liquidity Management, Risk Management and the Certificate papers in Financial Risk Mathematics and International Cash Management), in certain combinations. The MCT (full membership) qualification requires candidates to overcome papers in Corporate Financial Management; Advanced Funding and Risk Management; and Treasury Management. A corporate grade of membership was established in 2001 to enable senior treasurers to participate in the ACT without having to pass its examinations (although they are not entitled to use a designation denoting membership).\(^\text{14}\)

**Further ‘signals of movement’**

The production of its own publications can be considered another ‘signal of movement’ in the ACT’s professionalisation process. In the early days of the ACT: ‘A fundamental problem was the absence of a coherent body of relevant and authoritative text books’ (Bracher, 1989, Section 4). The ACT’s journal, *The Treasurer*, was established in August 1979, with 10 or 11 editions per year since the early 1980s. The journal plays an important part in the dissemination of knowledge and best practice and is currently circulated to the ACT’s members and students and to 750 additional subscribers. The ACT has also produced a range of specialist publications (Billings and Cowdell, 2005, p. 17).

A further ‘signal of movement’ is the ACT’s role in representing the profession. Within its first year ‘... the Bank of England had asked the ACT to nominate someone to join its new committee to examine the sterling deposit market’ (Prindl, 1995, p. 11). This function has been important throughout the ACT’s life, with involvement in UK and European legislative and regulatory proposals in areas such as the European single market, corporate law (for example on shareholder pre-emption rights) and taxation (Prindl, 1995, pp. 43-6) as well as in other areas such as the development of accounting standards, corporate governance codes, and the ‘Code of Standard Practices for Participants in the Credit Rating Process’. Reporting of such issues and soliciting the views of members has always been a function of *The Treasurer*.

Other notable ‘signals of movement’ towards professionalism include the introduction of an annual dinner (first held in 1983); the development of a coat of arms and motto
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(‘Prosperity Through Stewardship’) in 1984; the establishment of an ethical code, 1985; a foreword to the first yearbook of The Treasurer penned by HRH Prince of Wales, 1987; holding its first European conference, 1992; and, establishing the International Group of Treasury Associations, 1996 (www.treasurers.org/treasury; www.igta.org).

5. The system of professions

In this section we consider how the fledgling ACT entered the existing professional association landscape or the ‘system of professions’. We concentrate on its relations with existing bodies, the effect of system disturbances and how the ‘abstract knowledge’ of the treasurer mapped its jurisdiction, the ‘pillars’ of corporate treasury.

From the outset, the ACT’s founders demonstrated concern as to how their plans would be received within the professional firmament. ‘Some anxiety was expressed that opposition to the proposed new body might come’ from three extant bodies: the Chartered Institute of Public Finance and Accountancy (CIPFA), the Institute of Chartered Accountants in England and Wales (ICAEW) and the IoB (Prindl, 1995, p. 6). ‘It was strongly felt that prevention was better than cure and that attempts should be made to win their active support before any move to inaugurate was made public’ (ibid., emphasis in original). The authors of ACT Now, Tribble and Woodford, were charged with this task (ibid., p. 6). Three of the ACTs ‘pioneers’ offered to help: Eric Hampshire and Bill McLuskie were both members of CIPFA, while Peter Hayman was a chartered accountant. These pioneers’ various overtures were rewarded - all three bodies were persuaded that the proposed Association was breaking new ground and posed no threat to them. In the event, all three bodies accepted invitations to their Presidents to attend the inaugural meeting as guests. CIPFA went so far as to offer help with the founding secretariat (Prindl, 1995, p. 6).

The outcome of a spring 1979 meeting between two ACT Pioneers and the ICAEW President and Secretary is reproduced below. Penned by Hodson, and addressed to fellow ACT members Clement, Tribble, Markham, Hayman and Woodford, it is headed ‘Institute of Chartered Accountants’ and reads:
‘Peter Hayman and I met the President of the Institute, E C Sayers, and Secretary John Hough, on 30 April 1979.

The meeting started a little frostily, but ended cordially; the following being the main points:

1) Our hosts saw no conflict with the Association provided that the latter’s role was confined primarily to education. Indeed they welcomed this possibility, and suggested joint courses and even sharing some form of diploma.

2) Not unnaturally, they felt rather more unhappy about the idea of qualification for the Association by examination, and specifically warned that people in mid-career were unlikely to be attracted by such a qualification. We did not think it appropriate at this meeting to argue too much on this point.

3) They would be happy to make joint approaches by way of lobbying appropriate government institutions where areas of mutual interest justified.

4) The President felt unable to attend the inaugural meeting in his official capacity.’

A number of interesting points emerge from this document. Written by the ACT, use of the word ‘frostily’ to describe the commencement of the meeting, would support the sense of ‘anxiety’ referred to by Prindl (above) and suggest that the ICAEW was somewhat guarded about the proposals. Moreover, despite the statement that the meeting ended ‘cordially’, close examination of the wording used suggests that the ICAEW was uncomfortable with the ACT from the outset. In the first point, it is stated that the ICAEW saw no problem with the establishment of the ACT provided that it restricted its activities to those centring upon education. Secondly, they were more unhappy with the ACT in terms of it becoming a qualifying association. This is interesting given that the ICAEW stated that it felt that those in elevated positions in mid-career would not be attracted to such a qualification. There appears to be fearfulness that the accounting body may misjudge the likely reaction of such mid-career professionals and that such qualifications may prove attractive. Finally, whilst it is stated that the ICAEW President felt unable to attend the inaugural meeting in his official capacity, this suggests he either felt personally uncomfortable with supporting
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the new body or was concerned about being seen by his members to appear to endorse the ACT by attending.

The ongoing relationship between the ICAEW and the ACT is both intriguing and complex. At one level, there is co-operation, with the ICAEW Library & Information Service housing the ACT library collection, which ACT members and students can access by visiting Chartered Accountants’ Hall in London. At another level, there appears to be competition, evidenced by the ICAEW forming a Corporate Finance Faculty in 1997 with significant overlap in provision to that of the ACT. This Faculty, with more than 6,200 members in 2010 (www.icaew.co.uk/corpfinfac), is open to non-ICAEW members, with entry subject to a (nominal) fee without examination. Among its aims and objectives are to:

- To be a centre of professional excellence, contributing to consultations from government and regulators, while representing the different disciplines within our membership.

- To promote and develop the Corporate Finance qualification (CFq) for practitioners which we launched in 2005 (www.icaew.co.uk/corpfinfac).

The CFq, developed by the ICAEW in partnership with the Canadian Institute of Chartered Accountants (CICA), is a two part programme (Diploma and Advanced Diploma) designed to develop analytical skills and technical knowledge of corporate finance, through education and work experience. It is stated that the CFq will be of benefit to professionals in, or aspiring to, a range of positions including CFO/Treasurer (ibid.).\textsuperscript{15} The CF designatory letters are awarded to those who have proven that they have met the requirements set by the ICAEW and the CICA, through their studies and experience (a minimum of three years experience working in corporate finance). The topics covered in both the Diploma and Advanced Diploma are closely related to the ACT’s pillars of treasury, perhaps indicating that the ICAEW sees the ACT as a rival in the area of corporate finance.\textsuperscript{16}

While the ICAEW may have been concerned about the arrival of the ACT, other bodies were more accommodating, with numerous links established. CIPFA lent moral and some material support in the early days (in the form of office facilities),
and there was ‘... an unwritten agreement that the [ACT] would not do anything that implied poaching ...’ (ACT Council Minutes, 22 July 1981). As noted earlier, the ACT’s initial Part I professional examinations were examined by the IoB and ICSA, while a later joint venture with ICAS provided distance-learning material for ACT students (Prindl, 1995, p. 15). Well-established ‘fast tracks’ to ACT membership exist for members and students of the Chartered Institute of Management Accountants (CIMA) and members of the Association of Chartered Certified Accountants (ACCA) (since 1999 and 2003 respectively). As these two bodies have strong international membership, this could further ‘internationalise’ the ACT membership.

Professional bodies do not, however, stand still, as the experience of the IoB demonstrates. Its membership in 2004 was ‘less than a third of what it had been a decade earlier’ (Lascelles, 2005, p. 205). With hindsight, the changes which have impacted on the banking sector might seem obvious, inevitable even. Green (1979, pp. 195-7) identified the broad appeal of the IoB qualifications as a strength 17, but it seems also to have been a weakness. Could such a large body cater to the specialist needs of those involved in corporate treasury services? By the late 1980s it was clear that ‘professional qualifications, such as company secretary and corporate treasurer, were attracting more people because they were pitched at a higher level and offered greater variety’ (Lascelles, 2005, p. 135) and that the ACT’s ‘exams gave bankers a better feel for the concerns of their business customers than anything the [IoB] could offer’ (Lascelles, 2005, p. 203). The IoB (now ‘rebranded’ as the Institute for Financial Services (IFS)) has since considerably revised its professional qualifications. 18 At the ACT’s inception an important issue was whether to allow membership applications from treasurers outside private sector corporate treasuries. But the issue of which, if any, bankers should be eligible had been resolved with the IoB even before the foundation of the ACT, with those bankers involved in treasury work within banks considered eligible, but those dealing with customers not (Prindl, 1995, pp. 7-8).

The composition of the ACT’s membership has changed over its lifetime, with an increasing number and proportion of members working in financial services. By 1995 more than half of its students worked outside corporate treasuries, mostly in banks,
and the success in attracting students and members in banking has been important to the ACT’s commercial success. As Prindl notes, ‘Corporate bankers sell their wares to a small number of customers who are represented by their treasurers. The ACT offers, therefore, almost the entire UK corporate catchment of a bank like JP Morgan or Nomura for any service it wishes to provide’ (1995, p. 38). This example shows how jurisdiction can shift, with disturbances in banking and the wider financial services sector proving to be advantageous to the ACT. A series of events have proved to be important to the ACT, often attracting high profile speakers (leading businessmen, politicians, central bankers), and frequently arranged in collaboration with other organisations such as credit rating agencies, the British Bankers’ Association (BBA), the Loan Market Association (LMA) and the Association of Insurance and Risk Managers (AIRMIC).

While we have looked at the emergence of the ACT and its relationships at an institutional level, for the practitioner in the workplace, there is evidence to suggest that there was a need for something more than was offered by existing bodies and their qualifications. As Charles Bracher, Dowty Group Finance Director, a Pioneer and ACT President (1983-85), stated: ‘I was personally inadequately trained in Treasury matters as a chartered accountant qualifying in 1948 after war service. I suspected that the Institute of Bankers’ examinations were not ideally suited either. There needed to be a post-graduate specialism in treasury to supplement the broadly-based grounding in the various financial, accounting, banking and various branches of company and contract law, taxation and so on provided by the accountancy and banking bodies and since the war by some university courses’ (Prindl, 1995, p. 8). Similarly, Darby and Tribble asserted that ‘[m]any businessmen believe there is a gap between the services provided by the accountancy profession and those offered by banks and bankers. This gap is concerned with the management of the internal resources of a company in order to maximise liquidity, and the mobilisation of external resources to give the best combination of funds in use at any time … There is therefore a need for professional treasury management consultants, who will not only be able to act as overall comprehensive treasury managers …, but also undertake specific assignments on behalf of the large companies where specialised knowledge and techniques can be of particular benefit’ (1976, p. 63).
Billings and Cowdell’s (2005) detailed analysis of *The ACT Directory* adds credence to these views.\(^{19}\) They found that 67.7% of ACT members also held professional accounting qualifications, corroborating the study of Davis and Collier (1983), in whose much smaller sample of just 63 ACT members almost 75% were qualified accountants. Almost 45% of ACT members were found to be chartered accountants, 13.3% were management accountants, with 9.7% certified accountants (Billings and Cowdell, 2005). Less than 1% were members of CIPFA – the body whose predecessor, as discussed earlier, introduced ‘corporate treasurer’ to UK professional parlance. Of other professional affiliations represented, banking was by far the most prevalent among ACT members, with 5.7% of corporate treasurers being also members of the IoB or the Chartered Institute of Bankers in Scotland. Much smaller numbers held taxation (2.7%), securities (1.5%) or company secretarial qualifications (1.4%) (ibid.).

Those professionally qualified accountants who joined the ACT clearly found value-added in the treasury qualification. This, it can be suggested, may have been a combination of the audit/public practice-oriented nature of the chartered accountants’ training and also, given its reputation as a mid-career qualification, the fact that several years had elapsed since members sat professional examinations.\(^{20}\) The former argument is rehearsed by Matthews et al (1998). They argue that ‘as more and more accountants who qualified in public practice moved into industry, the suitability and relevance of their training became the subject of even greater concern’ (p. 264). Keeble (1992, p. 54) claims that members of the accounting bodies ‘gained their professional qualifications still, in business terms, semi-literate’. Similarly, W.W. Fea (1957, p. 15), chief accountant at GKN, lamented the fact that the ICAEW failed to provide any specific training for industry at a time when one-third of articulated clerks were leaving public practice for industry upon qualification. He asserted that he had ‘yet to meet an accountant who has entered industry from a practitioner’s office who did not freely admit, sometimes with astonishment, how much he had to learn about industry’s problems and how industry is really run’ (ibid).
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In the next sub-section, we analyse how the ACT was able to fill these gaps, by claiming an effective ‘jurisdiction’ over key ‘task areas’, underpinned by key developments in finance theory.

Jurisdictional claims

At its establishment, the ACT identified ‘seven pillars of treasury’, the task areas by which the new professional body first defined itself. The ACT used the architectural metaphor, arguing that ‘corporate treasury is a profession built on the foundation of a number of financial disciplines, all of which are not only vital in their own right, but which also support and complement each other’ (ACT, Guidelines for the Election of Members, 1982, p. 1). These pillars were later reworked to number five, largely covering the same areas, and they are now described as the ‘core elements of treasury’. Most ACT members, whether at the body’s inception or now, have backgrounds in other professions and/or academic qualifications in related areas such as accounting, actuarial studies, corporate finance, insurance, law, taxation, or more general management qualifications such as MBAs. We therefore argue that, in accordance with Abbott’s view of the interdependence of professions, the blend of the task areas which corporate treasury embraces, rather than the specific task areas themselves, gives the ACT its uniqueness, and stimulated its emergence as a professional body.

The development of finance as an academic discipline, at a time of other system disturbances, enlarged the abstract knowledge base relevant to corporate treasurers and provided key conceptual underpinnings and legitimacy to the treasurer’s role. Advances in finance theory, together with other disturbances, such as those in regulation and attitudes to markets, were significant to developments in financial markets, institutions and instruments. Such advances required that treasurers possess wider knowledge and understanding in order to be able to exploit financial opportunities for the benefit of their employers. In this period, financial markets became increasingly open, but were invariably imperfect, obliging treasurers to reflect the impact of variations in accounting requirements, taxation, and capital and foreign
exchange controls, on financial decisions in multiple legal jurisdictions. These developments enabled the combination of task areas to be captured.

The original seven pillars were asset management, liquidity management, funding management, investment appraisal, risk and insurance management, taxation management and ‘general’, which included foreign exchange (Annual Report, 1980, p. 5). Many links between the advances in finance theory described in Section 3 and the original pillars are apparent. For example, a treasurer may be expected to attempt to minimize, or target, a company’s overall cost of capital, an objective arguably linked to all the original pillars. Among the most important influences on a company’s cost of capital will be the relative use and cost of debt and equity, and the effectiveness of risk and taxation management. Theories of capital structure, the pricing of financial instruments, and the management of corporate cash flows embrace these influences. Decisions about funding and liquidity management really represent the same type of decision divided between long- and short-term respectively. Investment appraisal, capital budgeting and other financial decision-making techniques, such as the evaluation of new financial instruments including various types of derivatives and securitization transactions, would involved the use of discounted cash flow techniques, using discount rates often derived from the CAPM. Although financial managers had long been responsible for such task areas, developments in finance theory and the infrastructure of financial markets expanded the esoteric knowledge base of these managers, as well as granting them a deeper legitimacy.  

6. Concluding comments

In this paper, we have studied the emergence and subsequent progress of ‘corporate treasurers’ in the UK, as recognisable suppliers of services over which they possessed an effective ‘jurisdiction’. Abbott’s The System of the Professions (1988) has been employed to theorise and explain the significance of the evidence we present, and his thesis has proved effective in increasing our understanding of the development of this profession.
We argue that the ability of the ACT member to demonstrate added value was the product of the convergence of a wide range of factors at a particular juncture: the chaotic economic climate of the 1970s; rapidly evolving and increasingly sophisticated liberalized financial markets; the development of an academic finance literature upon which treasurers could draw and which helped to legitimize their activities; advances in technology and communications; the growth in (by number and scale), and attendant difficulties of managing, global organisations; and the failure of other professional bodies and qualifications to provide a sufficiently specific education and training for the demanding role of the corporate treasurer. The drive and determination of the pioneers to enter the congested field of professional associations in the UK, added to the foresight of Tribble and Woodford in *ACT Now*, were clearly necessary critical success factors in the professionalisation of treasury.

The major ‘system disturbances’ of the 1970s posed new challenges in managing multinational enterprises. The financial team was charged with the responsibility of managing the complexities arising from ‘the vicissitudes of rate movements, of political boundaries, of exchange controls, of differing tax rates, legislation, corporate values and cultural perceptions’, with increased freedom to engage in world markets through the internationalisation of capital markets, securitisation and the abolition of exchange controls (Prindl, 1995, p. 2). Existing professions, in particular accountancy and banking, could legitimately make claims over certain areas of abstract knowledge annexed by the treasurer. But they could not do so in the combination which gives value to the ACT’s qualifications and therefore proved ill-equipped (as judged by the numbers from each profession who also became ACT members) to supply the specialist knowledge to those who could simultaneously manage internal resources, while accessing external resources to optimal effect. We have therefore shown, by applying Abbott, that advances in finance theory widened the ‘abstract knowledge’ base relevant to treasurers and underpinned their claims to ‘jurisdiction’ over key task areas, or ‘pillars’ of treasury management.

The continued success of the ACT will depend on its ability to sustain its jurisdiction over corporate treasurers by meeting the needs of those working in, or servicing the
needs of, corporate treasury more effectively than other professional bodies. Some of these bodies are evolving in ways which might be thought to threaten the ACT’s position, but the ACT has considerable advantages: a very strong position amongst its ‘natural’ membership; the ‘bespoke’ professional qualifications - well-established and well-respected but adaptable; a clear focus; and a size which enables it to respond to challenges in a flexible way. The case of corporate treasurers shows an occupational grouping experiencing an upward trajectory, forming professional bodies expected to enhance the status of members, consistent with Abbott’s conclusion that ‘the more strongly organized a profession is, the more effective its claims to jurisdiction’ (Abbott, 1988, p. 82). In short, the study highlights ‘the rapid creation of a new professional speciality’.
References

The ACT’s public website: www.treasurers.org

**ACT publications**


ACT Day Planning Analysis (1995)

ACT Minutes of Council, various.

*ACT Guidelines for the Election of Members* (1982)


*The Treasurer.*


**Other publications**


*Financial Times*.


*GT News*

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Other websites
www.icaew.com (the Institute of Chartered Accountants of England and Wales)
www.igta.org (the International Group of Treasury Associations)
www.socintrs.com (the Society of International Treasurers)
www.wrtg.com (WRTG Economics)

In the context of the accounting profession in England, Carnegie and Edwards note the following ‘signals of movement’: the ‘listing of accountants in trade directories of the late eighteenth century; recognition in legislation, the Bankruptcy Act, 1831; formation of an organisational body, 1870; publication of a professional journal, 1874; issue of a Royal Charter, 1880; and achieving professional classification in census lists, 1921’ (2001, p. 304).

For an overview of studies using Abbott’s framework, see Edwards et al. (2007).

Chief executive of the ACT, Richard Raeburn, argued that this was a ‘significant milestone’, in that treasury took over roles previously performed by chief cashiers and controllers, and undertook ‘the dynamic and value-adding challenge of managing liquidity and risk separately and together’ (GT News, 7 March 2005: 1). The UK accounted for 17.4% of total world capital exports between 1985 and 1990, placing it ahead of all countries except Japan (Dunning, 1993, p. 18; Mackintosh et al, 1996, p. 631).

This system involved countries adopting monetary policies to maintain exchange rates fixed values - plus or minus one percent - in terms of gold and the ability of the IMF to bridge temporary imbalances of payments. On August 15, 1971 the United States unilaterally terminated convertibility of the dollar to gold. The US dollar thereby became the sole backing of currencies and a reserve currency for the member states. In the face of increasing financial strain, the system collapsed in 1971.

DTB merged with Deutsche Borse AG and in 1998 merged with SOFFEX to form Eurex, the world's largest derivatives exchange by volume.

For a broader examination of the twentieth century development of financial management in large British companies see Billings (2008).

Jones was head of the ACT’s Education Committee from 1979-83 (Prindl, 1995, p. 64).

The Society of International Treasurers , formed in 1977 and dissolved in 2007, sought to 'provide a forum for the privileged and confidential interchange of views, opinions and experiences between senior treasury and other finance officials of major corporations’ (www.socintrs.com).

This stated that candidates should hold appointments in organisations with a capital employed of at least £10m and an annual turnover exceeding £50m, though the Membership Committee was afforded some discretion where these conditions were not satisfied, but other circumstances warranted admission.

Originally, the committee covered Membership and Education. Two years later, the Education Committee became independent (Prindl, 1995, p. 13).

They were Archie Donaldson (ICI), John Heywood (Hambros), Alfred Kenyon (Plessey) and Daniel Hodson (Unigate). A relationship was established with Manchester Business School in 1982, leading to the ACT’s first Part II professional examinations in 1985 (Prindl, 1995, p.16).
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13 The IoB and ICSA examinations were regarded as unsatisfactory as they were not tailored to the needs of the ACT and its students (ACT: 21st Anniversary, 2000, pp. 11 and 15). This arrangement terminated in 1989.

14 This may be considered a pragmatic move, involving those who are ‘passing through’ treasury as part of a broader career: ‘... more senior treasurers are moving into our discipline from tax, other areas of finance, and operations. Many ... are already so senior that they are unlikely to take our exams’ (Annual Review 2003-4, President’s Statement, p.2) and ‘... we risk the future of the [ACT] ... if we are inflexible in embracing ... those who will not study for our qualifications’ (Richard Raeburn, The Treasurer, July-August 2004, p. 32).

15 The others listed are Investment Banker, Venture Capitalist, Commercial Banker, Corporate Finance Executive, and Corporate Development Executive.

16 At the Diploma/Intermediate Stage, these are: Foundations in Corporate Finance, Interpretation of Financial Statements, Valuations, Debt and Equity, Changes in Control. Those successful at the Intermediate Diploma stage are then eligible to take the Advanced Diploma which encompasses Advanced Changes in Control and Restructurings, Mergers and Acquisitions, Advanced Debt and Equity Issues and Strategic Financial Management.

17 Evidenced by nearly 74,000 members and 68,000 students in 1977 (Green, pp. 224-5).

18 The IFS BSc/ACIB programme currently includes various modules relevant to treasury management such as ‘Bank Treasury Management’, ‘Risk Financing and Management’ and ‘Multinational Corporate Strategy and Finance’ (source: www.ifslearning.com, accessed 3 August 2005).

19 Unlike many professional bodies (for example accountants, solicitors and doctors), details of the ACT’s membership are not in the public domain. This analysis was based on a random sample of approximately one-sixth of members (566) listed in the 2005 Directory.

20 ACT members are generally over 30, with 70% in the age range 30-49 in 1995. Almost a quarter of members were aged at least 50 (ACT Planning Day Analysis, 1995). With over 70% of ACT members possessing a degree, it is argued that several years would have elapsed subsequent to members taking their first professional examinations.

21 The five pillars/core elements are: corporate financial management; capital markets and funding; money (or cash) management; risk management; and managing the treasury function (ACT: 21st Anniversary, 2000, pp. 3-4).

22 See, for example, Stewart (2005; 2008) for discussion of the complexity and consequences of the ‘financialization’ which has resulted.