

Call for damage controllers

Insolvency specialists are a hot commodity but the market is having difficulty attracting them. Stan Beer reports.

The severe shortage of experienced insolvency practitioners means firms involved in insolvency work are paying premium salaries to get them on board.

This shortage of staff with more than two years' experience is occurring alongside a shrinking insolvency market.

Philip Newman, one of three partners in the business recovery division of the second-tier accounting firm HLB Mann Judd, says that in the absence of large corporate collapses – such as HIH, One.Tel and Ansett – the big four (Deloitte Touche Tohmatsu, Ernest & Young, KPMG and PricewaterhouseCoopers) have cut their insolvency divisions.

This has left the spoils of smaller business failures and personal bankruptcies to second-tier insolvency specialists. Unlike many accounting graduates of his day, Newman, a registered liquidator and registered trustee in bankruptcy, made a career path choice the day he finished his studies.

He says: "I got into insolvency 20 years ago when I put in my application for a graduate position at Pannell Kerr Forster. I made a clear choice that I didn't want to go into audit, which was the preference of the majority of graduates who go to medium or large firms.

"I gave my preferences to specialists accounting areas such as tax and insolvency because I found audit too technical."

Newman admits that he didn't know much about insolvency because not much of it was taught at university.

"The thing that attracted me to it," he says. "was that it required a range of skills, including negotiation, dealing with people, and counseling. You didn't know what's going to happen next."

You might come into the office to do some paperwork and by the afternoon you could be in charge of a business that you will be running for the next month."

According to Newman, graduates who specialise in insolvency can expect to be thrown in the deep end from day one.

"If a court appoints you as liquidator, you will grab a couple of people and go out to a business that may or may not still be operating.

"As a graduate, you might be told to deal with [incoming] phone calls, or deal with the employees, or find out what you need to order to keep the business going, or do a cash flow [analysis] to find out whether it's viable to keep the business going, or talk to creditors to get information about the business and the directors.

"It's very varied, and that's what attracts people into insolvency," he says.

Newman believes graduates seeking variety in an insolvency career would probably be better off choosing an employer outside of the big four.

He admits many graduates shun insolvency as a long-term career choice because of concerns about the volatility of the business. "Insolvency is cyclical with interest rates and the economy and [therefore] very up and down.

Now is a down period because, as Newman says: "Interest rates are flat and business failures are occurring for the constant reasons of business mismanagement, undercapitalizing or over-gearing, rather than banks appointing liquidators."

He says the perception of uncertainty about insolvency as a long-term career has contributed to the acute shortage of qualified staff.

"Our HR people go to the universities to get graduates and anyone who shows any interest in insolvency gets interviewed straight away. We take in 10 graduates a year but only one or two indicate an interest in insolvency.

"We're registered with all the recruitment agencies and have a permanent as on Seek, yet we interview maybe one person a month."

Owen Firth, principal of the accounting recruitment firm FinanceMark, says the shortage of experienced insolvency practitioners is simply the "pointy end" of the general shortage of experienced accounting professionals.

"Insolvency is such a specialised area, if we find somebody with good experience, we can market them to five firms and get two or three offers," he says.

Firth says that an accountancy professional with three years of audit experience could expect to earn a salary of as much as \$55,000 a year, while an insolvency practitioner with similar experience might be able to demand 10 to 30 per cent more.