Treasury Trends

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Treasury – when everything is high priority

There is always something to be done, operational and/or strategic, with 'better' operators assessing what has to be done, by when and, importantly, by whom. With competing priorities, tough choices have to be made — what to do, what to do later and what can and will not be done.

"Time management is an oxymoron. Time is beyond our control, and the clock keeps ticking regardless of how we lead our lives. Priority management is the answer to maximising the time we have." The words of John C Maxwell, an author and speaker in the area of leadership — seem to apply perfectly to treasury.

It is often the case that you don't have to set one opportunity off against another, it is more a case of phasing. A refinancing likely has a specific date attached whereas a review of merchant or payment channels might be 'when we get time'. In many cases, the latter opportunity may be better from a strategic, customer experience and/or cost benefit — and hence might be elevated to be run in conjunction with the refinance, for example. Better still, it could be run ahead of the refinance as outcomes, especially around more efficient use of cash/dynamic discounting etc., could add even more value by changing the amount, type, flexibility in the financing structure.

A recent project achieved 'worthwhile savings' resulting from a restructure of bank accounts and cash collection channels but the 'very material dollar benefit' came from the flow-on impacts the cash review had on the wider use of funds, and resultant reduction in the amount of borrowing facilities required. In other words, the priorities were rephased, leading to a smarter, holistic outcome.

The Pareto Principle

In order to provide some sense to priority management, many resort to the Pareto Principle, the 80/20 rule. Put simply, and applying to both people and tasks, *'roughly 80% of the effects come from 20% of the causes.'* With a pure financial lens, the dollar signs come in to play: which tasks will provide opportunity for the best financial outcome? This should perhaps remain

Key Points

- *"Deciding what not to do is as important as deciding what to do"* – **Steve Jobs**
- **It's all about priority management**
- **Treasury gaining greater recognition … and workloads increasing**
- **Communicate clearly, and often. Highlight outcomes … but not at the expense of ignoring existing risks**
- **Boards are retaining a spotlight on capital and liquidity/cash, risk management, as well as ESG and regulatory impacts.**

one test of any task at hand but, with a treasury perspective we appreciate that, sometimes, an element of the routine, the back-office, the check and check again principle, will take up time. Strategic thinking, or pro-active planning, might afford the opportunity for some such tasks to be offloaded, outsourced, etc., and thereby free up more time to achieve the 'bigger' wins.

Dealing with organised chaos, and in an increasingly challenging environment

Treasury has never been a career for the fainthearted and dealing with 'organised chaos' is the norm.

In a recent study undertaken by the UK's *Association of Corporate Treasurers ("ACT")*, it was noted that *"financial risk management, always core to the treasurer's role, has climbed back up the agenda particularly in light of inflation, market volatility and, more recently, geopolitical issues."* Add in the fact that many in the finance and banking sector are new to working in an environment of rising interest rates and high inflation — and the experienced treasurer has had, and likely will

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have — a crucial role to play in broader organisation success and governance.

Findings from the ACT survey have been echoed elsewhere, with Boards suggesting their main area of focus is on capital and liquidity/cash, strategy and risk management, as well as ESG and sustainable finance, regulatory impacts, relationship management and corporate finance. With interest too in exploring greater use of technology, Boards are exhibiting signs of being interested across the spectrum in treasury — strategic and operational. Whilst this bodes well for treasurers, old and young alike, it also means that the workload will climb. The ACT survey reported that, in answer to a question about where time was likely to be spent in the future, treasurers expect more time to be spent *"on everything."* And, no doubt, most areas will be priority.

It's taken another crisis, but …

Whilst treasurers have long positioned themselves as being strategic in value to an organisation, all too often they have been last in the queue for information sharing — forcing reactive responses to the need for funding or cash. The COVID-19 experience and aftermath have served to highlight the benefits from having an open and transparent relationship between the Board and treasury. Achieving the 'trusted advisor' status has taken too long for many and has been hard won by others — but is likely now an enduring feature.

Adding order to the chaos

Whatever the order of priorities within your own organisation, the battle is more likely on which 'number one' outranks the other number one rankings! Staffing is typically a limited resource and spend and wider technology an impediment in many cases. The Treasurer or treasury function needs to plan carefully and communicate clearly. With greater recognition of the contribution treasury makes to an organisation, delivering a clear plan of action — including requirements to succeed, objectives and how to measure outcomes — is crucial.

Dashboard reporting is not new but recent times have shown the benefit in keeping focus at senior management and Board level on key areas. Simplified policy controls, appropriate to the risk, and signalling of future problems or potential breaches, all support the confidence in treasury management, and allow for broader discussion on strategy.

Have a plan

For those readying for sale, or looking to expand their operations through acquisition, it is good practice to have policies, procedures and reporting at a fit for purpose standing. A robust treasury risk management structure can only be seen as a positive.

We work with many clients under a formal Treasury Plan — setting out objectives for the organisation as it impacts on treasury, supporting treasury-led changes to the respective business, along with how to achieve, assigning responsibilities and timelines as well as the ultimate test or measure of success. If you would like to discuss how such a plan could benefit your organisation, please speak with your advisor.

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