VOTE OF CONFIDENCE

Research by the ACT and Kyriba finds that treasurers can make better use of technology and do more to raise their profiles. Andrew Burns reports

For the second year running, the ACT and treasury software company Kyriba have run a survey looking at strategy, technology and proactive treasury management. The responses are taken from a cross-section of finance and treasury professionals, across a broad range of company types and sizes. The survey results can be found at www.treasurers.org/contemporarytreasurer

The expanding role of treasury

According to the survey, treasury teams are playing a broader role than ever, and are contributing to a wide range of tasks beyond pure treasury, cash and risk management. Almost seven in 10 treasury professionals contribute data and analysis for strategic decision-making, and six in 10 are involved in working capital management. Treasury professionals' counsel is still not widely sought in major corporate initiatives, however. Only one in five provides input for market expansion, with just 18% being involved in M&A activity.

In general, cash position reporting and forecasting, along with liquidity management, ranked as the most common tasks, cited by 73% of respondents, followed by bank reporting and account administration, investment, and payments, which are core activities for 60%. These figures don't change dramatically based on role, with 73% of treasurers and CFOs involved in daily cash forecasting, compared with 71% for treasury analysts and assistants.

Impact of technology on treasury strategy

In spite of several well-publicised issues concerning over-reliance on spreadsheets, more than four in 10 (42.7%) UK companies still favour them as the primary tool for managing their treasury operations. Server-installed treasury workstations are the second most commonly used overall, at 26%, with 12% of treasuries using their company's enterprise resource planning (ERP) treasury module, and 10% relying on a cloud/software as a service (SaaS)-based treasury management system.

There is a significant difference in usage patterns between companies of different sizes. Among small companies, almost eight in 10 either rely on spreadsheets, or another in-house developed solution, for treasury management. This number falls steadily as company size grows, although 11% of the largest enterprises still – quite alarmingly – rely on spreadsheets for treasury management – the same figure as last year's study. Even among companies in the £1bn-£10bn turnover range, spreadsheets remain the dominant treasury management tool.

Dedicated treasury systems are gaining ground across companies of most sizes, although larger enterprises (with a turnover of £1bn and above) continue to make the most use of them. Although

there are far fewer cloud/SaaS vendors on the market, this method of treasury management is showing significant growth, particularly among mid-size and larger companies. In fact, in the £1bn-£10bn turnover range, use of cloud/SaaS treasury software increased by 50% from 2013 to 2014, from 11% to 17%. At the opposite end of the spectrum, use of ERP systems' treasury modules continued to drop, particularly within the largest enterprises, where its use fell by a full 10 percentage points, to 16%.

Productivity gains and automation continue to be driving forces behind many companies' decisions to move to treasury software, with 80% of users citing these as key benefits. Extrapolating respondents' estimates for the amount of time they spend daily on manual and operational tasks, spreadsheet users spend 689 hours (more than 17 40-hour weeks) per year, simply performing these tasks. This figure falls significantly, to approximately 10 weeks per year for ERP treasury modules and server-installed software, and even further, to under five weeks, for treasury teams using cloud-based software.

For the majority of treasury software users, however, moving to a dedicated treasury system has a number of additional, more strategic benefits. Seven in 10 treasury systems users cite increased control of processes as a key benefit, with 61% also citing greater visibility into cash balances and forecasts and exposures. Almost half (47%) also enjoy an improved ability to provide strategic analysis of data for broader corporate decisions.

Strategic focus

As more treasury teams have the technology to automate many parts of their role, and as they have got a firmer grip on both cash visibility and control of treasury processes, there has been a continued move towards treasurers taking a more strategic role, with 33% of all companies becoming more strategic in their approach. Large companies are significantly ahead of small companies in their transition, with 44% viewing themselves as more strategic than they were two years ago. Overall, 22% of respondents see their treasury department as mainly strategic in its approach to treasury management, although 24% believe it is mainly tactical. Surprisingly, just 17% of CFOs and treasurers view their department as primarily strategic, compared with 30% that view it as primarily tactical.

Approximately two-thirds of respondents claimed that providing information and analysis for strategic decision-making are their focus. On this question, there was little variation in response between roles and company sizes; only companies with turnovers of less than £500m had a higher response for focus areas other than strategic decision support. Among this group, the most common strategic task that is performed is working capital management, cited by 63% of respondents (compared with 59% for strategic decision support).

Nevertheless, the results also showed that treasury still has some way to go before it is fully integrated into companies' overall growth plans. Barely one in five treasury professionals plays a role in market expansion, with fewer still being involved in M&A activities and accelerating revenue growth. Even among CFOs, barely a third are involved in revenue growth expansion, and only one in 11 contributes to decisions about expansion.

Treasury teams need to raise awareness of their increased capabilities, to ensure that treasury is no longer viewed as a process-oriented cost centre. In saying this, most treasury professionals rate their abilities in operational tasks much higher than in strategic activities. Nearly half (42%) of respondents believe they execute payments "extremely well" (with a further 40% saying they do it "well"), and 33% feel the same way for compliance. Most treasury teams have a reasonable level of confidence in their abilities to optimise corporate cash (70% say they do it "well" or "fairly well"), and manage risk (68% believe they do it "well" or "fairly well"). But just one in 12 treasury professionals (and one in 11 CFOs and treasurers) believes they accelerate overall business growth "extremely well", with 50% more respondents saying that they perform the task "poorly" or "extremely poorly".

Dealing with risk and change

The past few years have proven the need for companies to respond to rapid and often potentially catastrophic change. Thankfully, the vast majority of respondents view themselves as completely (17%) or mainly (68%) prepared, with less than 15% seeing themselves as unprepared to respond. Also encouraging is the fact that almost half of all respondents (43%) regard themselves as more prepared than two years ago, while only 6% are less prepared.

Spreadsheet errors, while relatively low on the agenda for respondents as a whole (27%), are the second most common risk factor for those who use spreadsheets as their primary treasury management tool, cited by 43%. This compares with just 15% of those who use a dedicated treasury platform or an ERP treasury module. While the vast majority of treasury teams still use spreadsheets to some extent, they are certainly a much larger source of concern if relied upon as the primary treasury management tool.

Treasuries that only use spreadsheets identify a lack of visibility over assets and forecasts as a much higher risk factor than those that use treasury management packages. Overall, lack of visibility is a 'top three' risk for 60% of treasuries that just use spreadsheets, compared with 32% for those with treasury management software. Interestingly, payment fraud is a low area of concern for treasury teams, with just 18% citing it as one of their three largest risk factors for this year (and 73% saying that they perform compliance and fraud prevention "extremely well" or "well").

Conclusion

Overall, patterns in the survey are consistent with other recent research conducted by the ACT in that treasurers have work to do to further raise their profiles. For more information, see *The Contemporary Treasurer* at www.treasurers.org/node/10122

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