



The
CONTEMPORARY
TREASURER
2016

TRENDS IN TREASURY



**LEADING TREASURY
PROFESSIONALS**

Contents

Introduction	30	Who are we talking to?	33
What are treasurers really telling us?	31	What is everyone else doing?	35
Who is the contemporary treasurer?	32	The future of treasury	36

Introduction

As a professional body, the ACT has two primary concerns: to advance the interests of its members and students, and to enhance the understanding and appreciation of corporate treasury as a discipline in financial and business management

For a fourth year, the ACT has commissioned a comprehensive, completely independent survey of treasurers' attitudes towards the evolving influence of treasury on corporate financial strategy and business growth. The survey represents a random sample of 191 treasurers, which is the largest group we (or any professional treasury body) have worked with to date on a global basis. These individuals are mainly, but not exclusively, ACT members and students working in non-financial organisations across the world, from west to east and north to south. This is the real voice of treasurers from the only Chartered body for the profession.

Corporate treasury is a profession built on the foundation of a number of financial, business and personal disciplines. The ACT defines these in its Competency Framework and considers them to be the skills and capabilities needed by treasury professionals to operate successfully in today's challenging business

environment. From tactical to strategic issues, treasury is about advising on appropriate choices, the trade-offs and compromises involved, and executing corporate business policy.

The analysis and results of this continuing project helps the ACT and, by extension, other treasury associations we work with globally, to provide evidence-based support for our interactions with policymakers, legislators and regulators.

Additionally, this report helps inform our own work when providing professional training and delivering professional qualifications to individuals in both non-financial and financial organisations. And equally as important, it allows the treasury profession to speak with authority and integrity on the role that treasurers play in making their organisations successful.

The ACT's Competency Framework can be found at www.treasurers.org/competencyframework



What are treasurers really telling us?

Strategic focus: the amount of time treasury is spending on strategic issues is rising and this is the area most expected to see increased activity over the coming 12 months.

Pessimism wins: the cost of credit has started to increase over the past 12 months and further rises are expected.

Trusted adviser: more boards are asking for further advice from their treasuries - and then acting upon what they hear.

Regulatory drag: there is a continuing negative, albeit resigned, response from treasurers to the increase in financial regulation.

Technology drivers: while it is probable that treasury technology investment will remain stable or perhaps increase, treasurers are unlikely to be early adopters of wider fintech innovations.



Who is the contemporary treasurer?

For the first time in our series, we have asked respondents themselves to distinguish whether activities they carry out as part of their role are strategic or operational

Each to their own, but the question highlights where individuals think their activity is most focused.

The growth and development of the treasury profession has generally been concentrated in larger corporates, and just over 70% of our respondents work in companies with sales in excess of £1bn. The bigger the business, the weightier the issues; which is why we see a greater emphasis on strategy in businesses with more than £10bn of sales. Within these larger businesses, treasurers report that they spend 32% of their time on strategic issues.

But we are also seeing the rise of professional treasury roles in companies with sales as low as £200m, which suggests that treasury is being recognised as a strategic partner for business across all sizes of companies.

In general, our treasurers expect to spend more time on business strategy, risk and corporate funding, with operations and controls declining in focus. Clearly, this will vary by business, geography and need, but it says to us that the role of treasury is widening, with treasurers becoming involved in these issues to a greater extent, even if not at the leading edge within their organisations. (See figures 1 and 2)

Experience matters, of course – not to mention being professionally qualified, but our age and gender profiles are moving down the curve, which reflects the growth of the profession and the numbers of newer entrants. More than 85% of those surveyed had more than five years’ treasury experience, which is why their opinions count. (See figure 3)

WHAT RESPONDENTS MEAN BY STRATEGIC VERSUS FUNCTIONAL ACTIVITIES

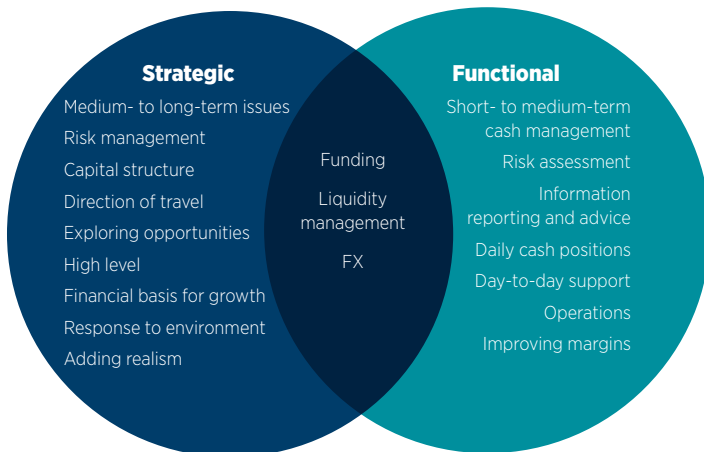
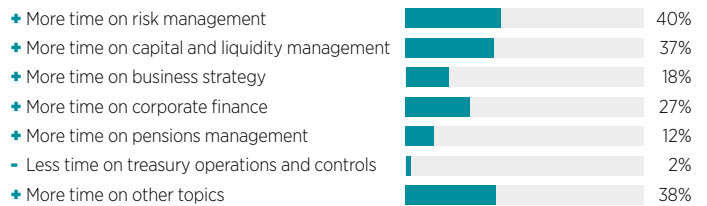


FIGURE 1. DAY-TO-DAY ACTIVITY COMPARED WITH A YEAR AGO

For treasury leaders asked: are you spending more or less time on these activities compared with one year ago?



For individuals in other treasury roles asked the same question:

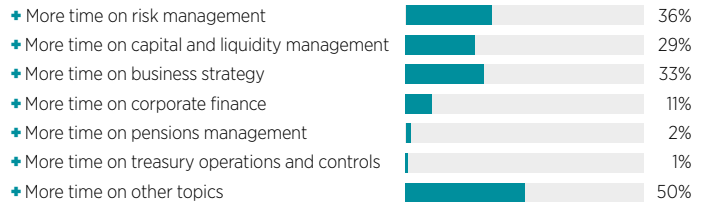


FIGURE 2. CHANGES EXPECTED IN THE NEXT 12 MONTHS

When asked whether they expected to spend more or less time on these activities in the next 12 months:

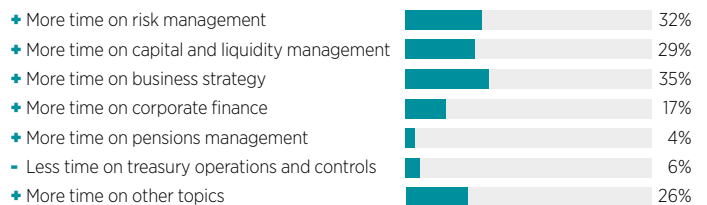
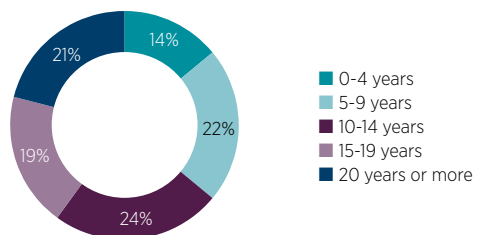


FIGURE 3. EXPERIENCE

Our respondents have an average of 13 years’ experience in treasury and 86% have five-years-plus in treasury:



Who are we talking to?

The visibility of treasurers to their boards seems to be improving over time, judging by answers from the four years we have conducted this survey

We have seen increases once again this year for most groups, but it is noticeable that EU treasurers and those in government organisations in particular are reporting higher levels of exposure than their counterparts elsewhere. (See figure 4)

The subjects that respondents report on to their boards tend to reflect the main areas of treasury activity, so capital and liquidity management and risk management remain the topics most commonly reported on to boards. Corporate finance is the third most reported topic, although it is more commonly addressed by continental Europe-based treasurers than by those in the UK. That's the case for business strategy reports and pensions management, too.

We also looked this year at reporting by business type and found that different industries place different emphasis on particular aspects of their reporting. So, for instance, wholesale and retail companies place a greater premium on risk management and treasury operations and controls. Treasurers working in utilities are more likely to report on pensions management (45% of them) than overall (26%). Both manufacturing and wholesale and retail companies show higher than average levels of reporting on improving working capital (77% against an average of 61%) and supply chain finance (50% compared with an average of 31%).

So, if treasurers are talking to boards about funding options, what does that say about the funding they have? Unsurprisingly, debt capital markets are represented slightly higher up the chain for UK companies than for treasurers based in continental Europe or the Middle East. For smaller and non-public companies, bank finance still rules the roost, although asset-based finance appears important for smaller companies (below £250m sales). (See figure 5)

One area where treasurers are clearly living up to their cautious reputation has been their inability to predict the relative cost of credit. For three years, respondents have predicted that credit would become more expensive over the ensuing 12 months – and for three years, they have been wrong. Well, in the past year that caution has proved well founded – the cost of credit has moved upwards in the past 12 months. There is also broad agreement that the increased cost anticipated for next 12 months will be bad for business. Perhaps some treasurers haven't heard the ACT's message in the past few years to "fund early, fund often and fund long!" (See figure 6)

One area where treasurers are clearly living up to their cautious reputation has been their inability to predict the relative cost of credit

FIGURE 4. THE ROLE OF THE TEAM NOW AND FIVE YEARS AGO

All treasurers

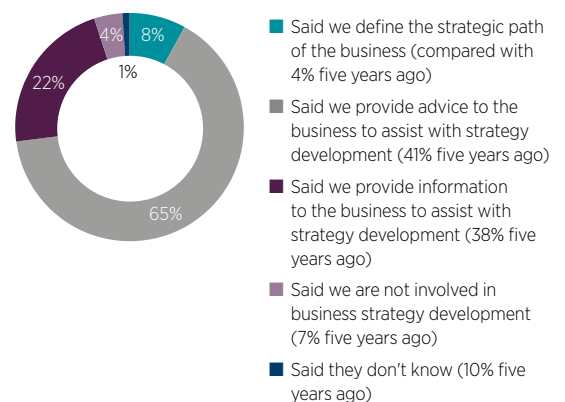
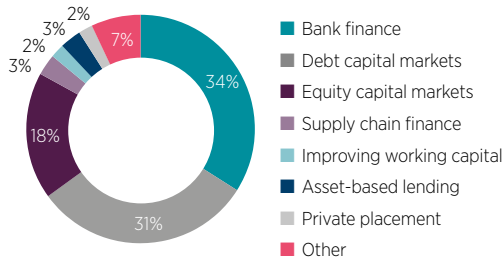
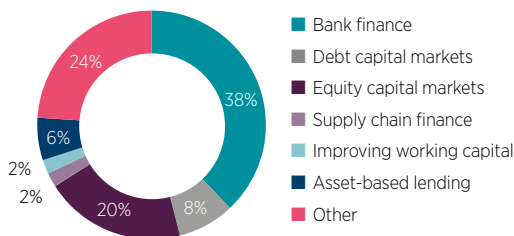


FIGURE 5. CURRENT FUNDING BY ORGANISATION SIZE

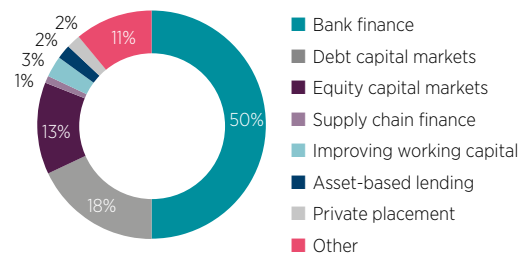
All companies



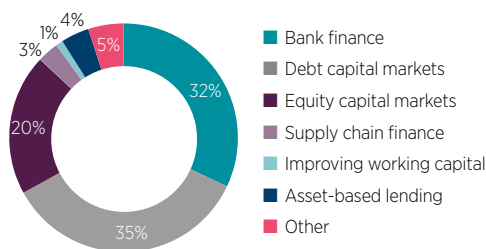
Companies with under £249m in turnover



Companies between £250m and £999m in turnover



Companies between £1bn and £10bn in turnover



Companies of more than £10bn in turnover

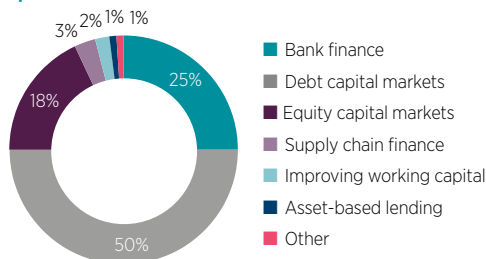
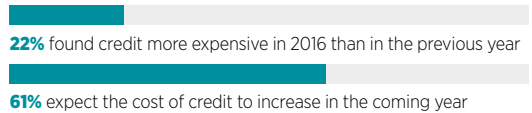


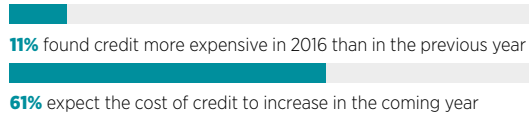
FIGURE 6. RELATIVE COST OF CREDIT – A CHANGE, BUT NOT FOR THE BETTER

When asked about the cost of credit (net positions):

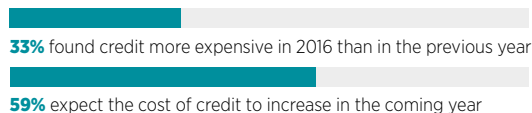
Out of all treasurers



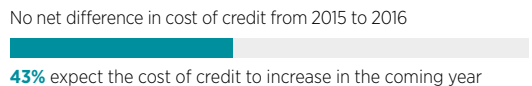
In the UK



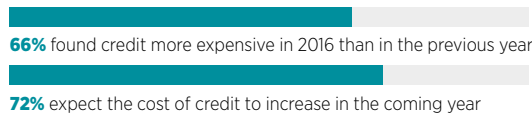
Rest of world



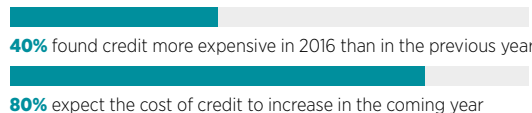
In the EU



In the Middle East



In Asia-Pacific



In North America



What is everyone else doing?

In last year's report, we commented on the involvement of treasurers in new business and market development

The picture remains cloudy this year with some inconsistent results. For example, 19% of treasurers in businesses with more than £10bn of sales say they are not consulted at all, whereas, in companies with sales below £250m, more than half of treasurers say they are closely involved. A case of larger businesses having too many riches, or smaller ones recognising their talented staff, perhaps?

Treasury technology is playing a stable role. Almost all respondents plan to increase treasury technology investment or keep it at current levels. In fintech we have an almost perfect statistical model between innovators and laggards. In fact, treasury is slightly behind standard societal expectations when it comes to adopting new technology – a reflection of treasurers' famed sense of caution. (See figure 7)

FIGURE 7. ADOPTING NEW TECHNOLOGY

When asked about fintech (and disregarding the 'unawares' and 'don't knows'), treasurers surveyed gave responses very similar to the standard statistical model:

Innovators



Early adopters



Early majority



Late majority



Laggards

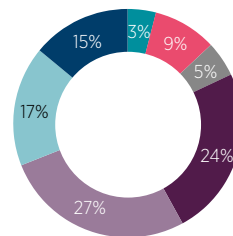


FIGURE 8. RESPONDING TO FINTECH

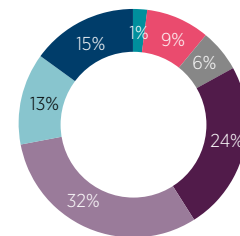
When asked: what has been your department's response to the expansion of fintech in terms of dealing with its financial activities?

- Said my department is a fintech innovator
- Said my department is very early to adopt fintech
- Said my department adopts fintech as it sees fintech systems being used successfully by early users
- Said my department adopts fintech systems only once the majority of the market is using them
- Said my department is very slow to adopt or unlikely to adopt fintech until traditional solutions are no longer available
- Said my department was not aware of the expansion of non-bank fintech tools
- Don't know/not applicable

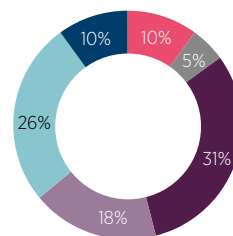
All treasurers



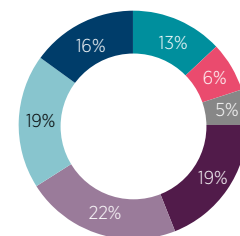
UK



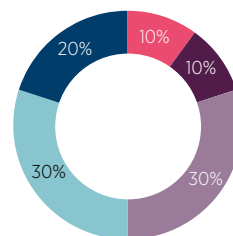
EU



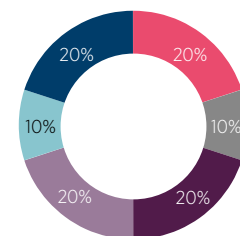
Middle East



Asia-Pacific



North America



The future of treasury

As in previous years, we asked our survey group questions about a range of topical issues

Financial regulation – and not just within financial services businesses – is still seen as having a net negative effect, although largely this is no worse than its peak in 2014.

Interestingly, those with more functional roles find regulation less onerous now than their more strategically focused colleagues in leadership roles. This suggests not only that we’re getting used to pointless bureaucracy, but that younger treasury staff see regulation as part of the job.

The good news is that treasurers remain positive and generally satisfied about their role and the level of stimulation it brings to working life. With limited outliers, there is higher indication of increased interest over the previous five years now than was reported in 2014’s survey. Additionally, treasurers in strategic roles on balance find higher levels of satisfaction and lower levels of frustration than those in more functional roles. That’s the nature of career progression. (See figure 9)

Last year’s survey also talked about the skills young treasurers lack and the message is repeated, if nuanced, this year. (See figure 10)

We asked additionally this year: who is responsible for addressing skills gaps in younger treasurers? And the results show no great confidence in corporate remedies. (See figure 11)

Although the ACT has revamped its qualifications over the past couple of years and online learning is now increasingly preferred, the survey suggests that, in some parts of the world (the US in particular), ACT qualifications lack presence in the local market. We are working very hard to change that perception. (See figure 12)

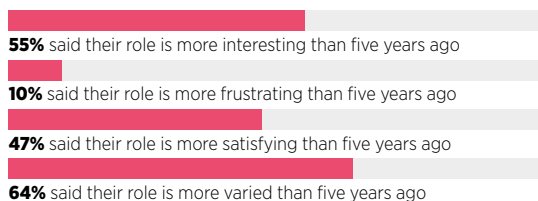
Treasurers remain positive and generally satisfied about their role and the level of stimulation it brings to working life

FIGURE 9. SATISFACTION AT WORK

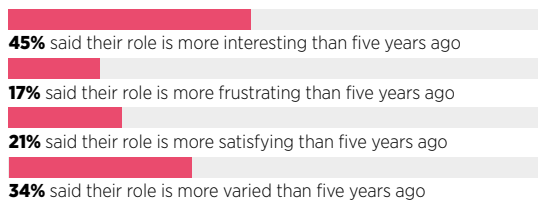
When asked whether their work was more interesting than five years ago, a majority, **63%**, said yes. (In 2014, the figure was **60%**.)



For those with a mostly strategic role



For those with a mostly operational role



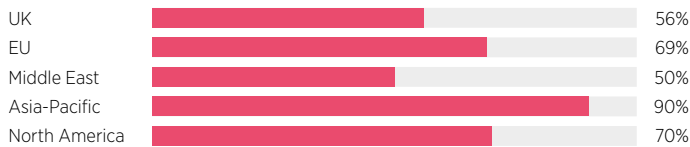
The values above are net percentages

Of all the qualifications I've done, it is the most interesting and relevant. I've done more in the ACT than other qualifications – it's underrated

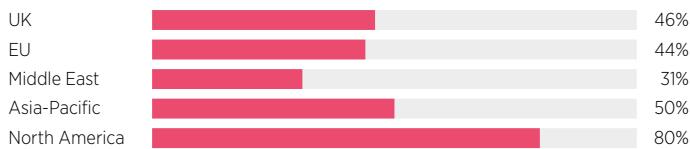
FIGURE 10. SKILLS GAP IN YOUNGER TREASURERS

When asked what skills younger treasurers lack, respondents replied similarly region to region:

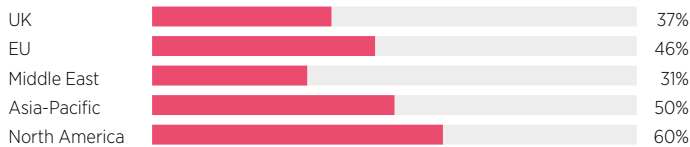
Understanding wider business management



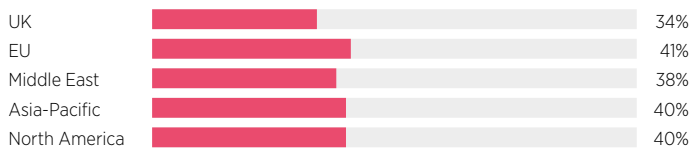
Effective working skills (for example, presentation and influencing skills)



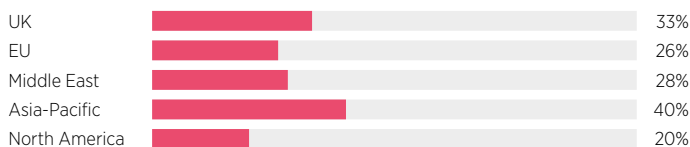
Risk management



An appreciation of business governance



Corporate finance including funding and investment



Treasury operations including cash, liquidity and financial products

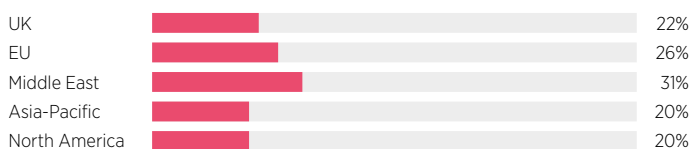


FIGURE 11. ADDRESSING THE SKILLS GAP

Who is best placed to address the skills gaps in younger treasurers?

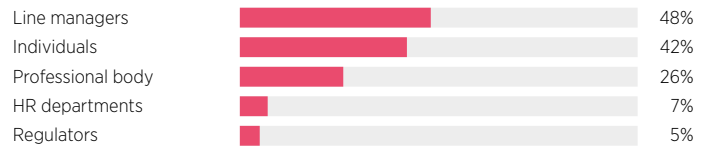


FIGURE 12. SEEKING OUT ACT QUALIFIED INDIVIDUALS

When asked whether, during recruitment, respondents seek out individuals who have ACT qualifications or who show a willingness to study for an ACT qualification, we had the following free responses:

Yes



"Of all the qualifications I've done, it is the most interesting and relevant. I've done more in the ACT than other qualifications – it's underrated." An EU respondent



"I view it as a benchmark in treasury; as a member, I am very supportive of the ACT." A Middle Eastern respondent



"If they don't have it, I make it a requirement to do it – I have been through the exams myself and I think it's a very good qualification to have. It also makes them sure that they really want to work in treasury and will dedicate and commit their time to it, as it is a specialist area." An Asia-Pacific respondent

No



"There is an Austrian competitor to ACT; its language is German, so it is more convenient for the business to use it." An EU respondent



"In Canada, it's not a well-known qualification, so it wouldn't be something I would actively seek out, but if it was there I would be interested." A North American respondent

METHODOLOGY

The findings in this report represent a tracking study looking at the role of the treasurer and the influence of treasurers on corporate strategy, repeated annually.

Telephone interviews were conducted by a professional research firm,

with 191 treasurers randomly selected from the ACT's membership and relationship lists everywhere in the world. The interviews took place between early January and mid-February 2016.

Research and analysis was carried out by What's Next!