TAKING THE PULSE

Are today's treasurers still spreadsheet-dependent or has modern technology freed them up to become strategic partners to their businesses? Tim Wheatcroft reports

In early 2013, the ACT conducted a survey of treasury and finance professionals in conjunction with cloud-based treasury management system vendor Kyriba. The goal of the research was to take the pulse of treasurers – how they work, which technology tools they use, how they interact with the rest of their organisation, and how their roles are evolving with the changing regulatory and economic environment.

Given the ever-increasing burden that treasury teams shoulder, do they spend their time on manual, labour-intensive tasks and use antiquated technology such as spreadsheets to manage cash balances? Or have they adopted new technologies to automate many tasks, which frees them up to spend more time on higher-value, strategic activities? Lastly, do treasurers feel like valued, strategic members of the business, or do they see themselves as having a mostly tactical role?

Spreadsheets vs treasury platforms

A good starting place is to look at the tools used for cash management and forecasting, and what impact these have on productivity. A third of companies of all sizes continue to use spreadsheets for daily cash management. Unsurprisingly, this figure rises significantly for small companies (revenues of up to £100m), with 48% relying on platforms such as Excel. But even among large companies (turnover of £1bn-£10bn), spreadsheets are used by a fifth of treasury teams, while 11% of very large companies (revenues of over £10bn) manage their cash position on spreadsheets.

The most widely adopted treasury management platforms are server-installed, used in 37% of companies. Although businesses of all sizes use treasury-specific software solutions to manage their cash, few have adopted cloud-based technology. This is despite cloud-based technology already enjoying significant adoption across other business functions (examples are Salesforce.com for sales and customer relationship management, Taleo for human resources, NetSuite for enterprise resource planning (ERP) and Eloqua for marketing automation).

In total, around 7% of companies use cloud-based treasury management software, with slightly higher adoption (11%) among large companies. Although this level of cloud technology adoption is still low, it is expected to increase significantly over the coming years. The introduction of more cost-effective, mid-market-oriented treasury solutions will probably increase the penetration among smaller companies in the future.

Although relatively few companies – 17% overall – run their treasury operations through their ERP suite, this proportion increases with size. Among the largest organisations, a full 28% use this solution.

Productivity gains

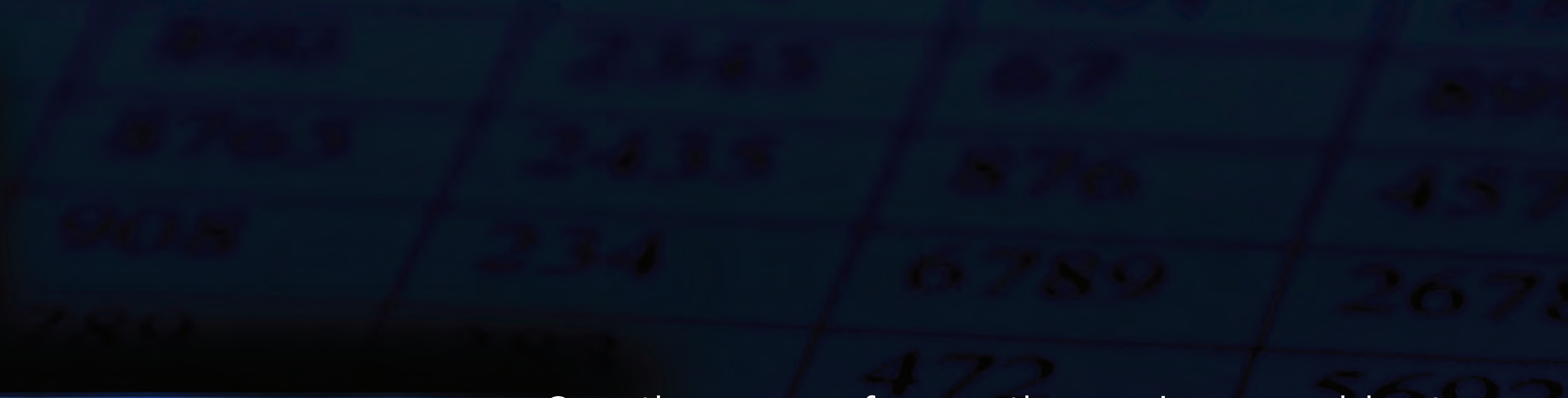
As two-thirds of all companies use an ERP or treasury-specific software solution to manage their treasury function, what impact does this have on productivity? There are some interesting trends. As company size grows and treasury complexity increases, the amount of time spent on manual processes typically decreases (from an average of 1.75 hours per day for sub-£100m revenue companies to 1.42 hours per day for £10bn+ revenue companies). To highlight this, companies using spreadsheets for treasury reporting spend an average of 1.8 hours per day on manual and operational tasks, compared with 1.3 hours per day for those with a treasury platform. A few unfortunate spreadsheet users (6%) spend more than five hours on reporting daily.

Companies that use their ERP solution for treasury reporting (typically the largest, best-resourced companies) spend longer on operational tasks than those using treasury-specific platforms, with these tasks taking up an average of 1.65 hours per day. While the differences may seem slight, over the course of a year, those using spreadsheets spend an extra 130 hours – more than three whole weeks – on manual tasks, compared with those using treasury-specific applications.

Treasury as a strategic partner to the organisation

Even with greater corporate focus on compliance and risk, and the increasing use of powerful treasury automation tools that enable the team to spend more time on high-value tasks, fewer than half (44%) of all respondents see their role as strategic, rather than operational. In fact, the amount of respondents who view their role as strategic falls as the size of the company increases. For companies with revenues of up to £100m, 47% of all respondents see their role as strategic, but for companies with revenues above £100m, that figure falls to 38%.

Interestingly, even among senior practitioners, those who view their role as primarily operational remains high, at 44% for heads of treasury and 42% for finance vice



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presidents and CFOs. Overall, 48% of those questioned see their role as more strategic than two years ago, whereas just 7% see their role becoming more operational. Among mid-sized companies (revenues of £500m to £1bn), the shift was even more dramatic, with 61% taking a higher-level role.

The majority of treasurers – 65% across all companies – believe they are viewed as a 'strategic partner' to the organisation. If treasury teams see themselves as strategic partners, however, what value are they adding to the business? By far the most common activity, across all company sizes, is delivering data and analysis for strategic decisions, which is done by almost three-quarters of respondents. This is followed by forecasting the impact of wider economic issues on the organisation, a task performed by just over 60% of respondents.

Two particular trends stand out. Smaller companies' treasury teams focus considerably more on accelerating revenue growth (24% for sub-£100m businesses compared with 6% for £10bn+ companies). Conversely, corporate governance becomes significantly more important for treasury teams as the company size grows – while 38% of sub-£100m companies' teams are involved in governance, the number is almost 55% for £10bn+ companies.

Interaction with senior management

Among all respondents, there are regular strategic meetings between treasury and senior management, with almost 80% of treasury professionals meeting them at least monthly, and only 5% of treasury teams never having executive-level management meetings.

As company size grows, the frequency of meetings decreases. Although large corporates' treasury teams have the least interaction with the executive team, it could be argued that they have the greatest influence when it comes to who drives strategic initiatives. Overall, senior management mandates these initiatives in 59% of companies. Among smaller companies (revenues up to £500m), this is significantly higher, at 67%.

But as a company's size increases, the autonomy of its treasury team continues to grow. Undoubtedly, as treasury departments present more strategic insight for core financial functions, they will have a greater opportunity to dictate their own strategic initiatives.

Core priorities for the next year

By far the number one priority is cash and liquidity management, cited by 65%. Among the largest companies (those with revenues of £10bn+), cash management was a relatively distant second to risk management. Risk management was the top priority for 40% of respondents, with that percentage jumping to almost 50% for companies with revenues of £10bn+, compared with just over 30% for companies with revenues under £100m.

As companies get bigger in size, the focus on regulatory compliance also increases steadily, from 15% for organisations with under £100m in revenues up to 27% for the very largest (revenues of £10bn+).

Treasury changes

So, what would treasurers like to change most about their roles? Overall, two key themes dominated. The most common response was that treasury members want to take a higher value, more strategic role and focus less on operational, manual tasks. In total, 49% of respondents said that "more opportunity to provide strategic support" was an area they would like to change. The second most common request from treasurers was for increased investment in tools and technology. Overall, half of all respondents want better technology and tools to help them in their daily roles.

As corporate purse strings slowly begin to loosen and the benefits of treasury automation become more evident, treasurers can start to make a strong business case for greater technology investment. Companies will still need to optimise their treasury practices once more sophisticated systems are in place. When these effective controls and greater visibility exist, however, not only will treasurers be able to increase their own productivity, but companies themselves will also benefit from a deeper level of strategic and analytical input from their treasury teams.

For more details on the survey, visit www.treasurers.org/kyriba

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