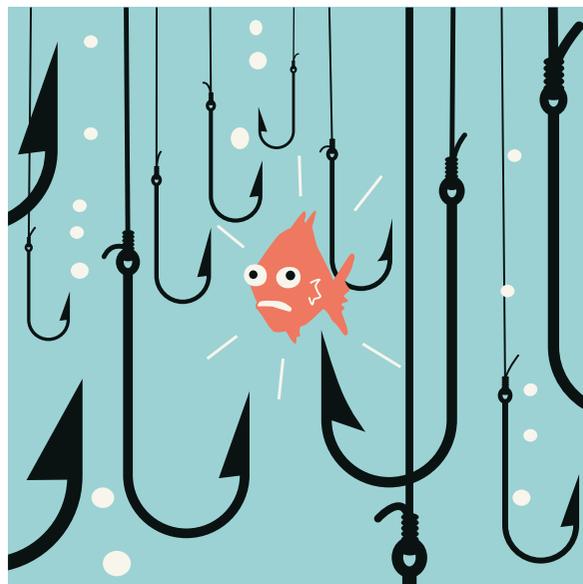


## { TREASURY INSIDER }

# An offer you can't refuse

Treasury Insider advocates playing the long game in the face of proposals for shared services



I returned from a break to find an urgent meeting in my diary with an ambitious colleague (who I'll refer to as 'X') off-site. This seemed intriguing and I attended with an air of expectancy:

**X** "I'm making you an offer you can't refuse."

**Me** "Tell me more, and is it negotiable?"

**X** "We are going to reorganise finance with part of your treasury team joining an expanded shared-service centre."

**Me** "Really? Which consultant has come up with this and will it be based anywhere exotic overseas or locally?"

**X** "No, it's our own plan to streamline and integrate finance teams, and you as a customer will benefit from this service provided in our main UK office."

**Me** "That's interesting – I've moved from head of an integrated function to a customer instantaneously! What other advantages do you see from this proposal?"

**X** "Well, you will reduce headcount, have less HR management, more cover for specialist roles, and we can centralise disaster recovery and systems."

I agreed to consider it.

Clearly outsourcing – externally or internally – is often popular, then reversed when another consultant proposes smaller central teams, greater local control and accountability. However, recognising the mood, I did a rational analysis of the potential benefits.

I agree a fully integrated treasury team might be scrutinised if front, middle and back offices all reported to one functional head, despite our extensive control processes and clean audit reports. This new proposal may enable better segregation of duties.

Would it free me and the remaining team up to be more strategic? I decided to raise that with my boss, the CFO, who was positive, and who suggested that I would be better positioned with operational and control issues by becoming the head of shared services' responsibility.

The proposal was introduced a few months later with some, but not all, of the operational team transferred.

Of course, soon afterwards, operational issues arose, due to manual entry errors and systems failures in sister teams, with potential payment delays for suppliers.

I heard through an early morning email and text from the CFO!

I responded: "Of course our team will support the head of shared services to resolve

## This leaves the issue of whether 'internal' service level agreements are effective or divisive

this." The message back was: "Thanks, but actually can your team lead this to solve today?" The team did and was thanked by other functions for resolving the issue seamlessly – as far as the outside world was concerned.

So in reality, I had not lost the operational issues! There was probably a veiled compliment somewhere in this story.

The key messages I perceive in such proposals are that:

- The treasurer has to establish clear accountabilities and responsibilities.
- Is treasury a problem solver of the last resort, with controls and skills, anyway?
- Will organisational changes make much difference? Will people in fact continue to operate as before?

- How valuable is any separation if functions are to consolidate and be effective as a finance team?
- Who writes and owns treasury policies? If it remains the treasury team, then organisational separation may be irrelevant.

If other functions such as internal audit still look to the treasury team for all aspects of the policy before and after the so-called change, then it's likely it was more cosmetic than real.

For groups with potential changes, greater integration could affect business disposals with continuing requirements for transition agreements. Some contacts advise me that a number of organisations are decentralising in order to be more flexible.

Treasury teams with multiple locations ideally would periodically switch off one and test the process at another live. Admittedly, not all companies have the freedom to do so, but with everyone in one building your risks are high due to weather, power or transport factors.

This leaves the interesting issue of whether 'internal' service level agreements are effective or divisive.

Oh, by the way, if you were wondering what role the ambitious colleague had after the reorganisation, it was head of shared services. Until the operational issue arose, anyway... ♥



**The Treasury Insider** has led corporate treasury functions inside a well-known institution