MOVING WITH THE TIMES

TECHNOLOGY IS TRANSFORMING THE WAY THAT TREASURERS WORK. TIM WHEATCROFT REPORTS ON AN ANNUAL SURVEY THAT THE ACT CONDUCTED IN CONJUNCTION WITH KYRIBA

ILLUSTRATION: SHUTTERSTOCK

The ACT, in conjunction with software-as-a-service treasury management system vendor Kyriba, recently ran the third annual treasury survey, in which many of you participated.

The results are now in, and they provide a useful snapshot of how treasurers spend their time, and what the concerns and issues are for their organisations. Kyriba has a comprehensive report based on the survey on its website, but here are some of the more interesting findings.

Use of technology

Treasuries are continuing in their march towards using a dedicated technology platform to manage their cash.

In last year's survey, 42% of companies reported using spreadsheets as their primary treasury management tool. That figure has fallen over the past year to 31%, as greater numbers of treasury teams adopt dedicated treasury solutions, or are brought into their organisation's enterprise resource planning (ERP) system.

This move towards technology is even more pronounced when SMEs are discounted. Among companies with annual revenues of more than £100m, the number of companies using either a dedicated treasury management system (TMS) or an ERP treasury module climbs to 78%, with a third of the 'holdouts' currently in the process of buying a solution.

Irrespective of the increased ability to analyse data and provide strategic counsel that a treasury solution provides, the amount of time it saves treasury teams cannot be underestimated. Those who use spreadsheets report spending almost three entire months a year just on manual tasks (such as gathering bank information and making general ledger entries). This is almost 50% more time than those who use a TMS.

Despite the increasing trend towards 'bring your own device to the office' over the past few years, treasury has still not fully embraced the concept. Just 18% of treasurers reported using their smartphone or tablet as their primary work platform.

Finally, on the technology front, let's look at Bitcoin. While cryptocurrency has certainly attracted plenty of attention from the media over the past couple of years, this doesn't seem to have transferred into usage among corporates. In fact, only 2% of companies in the survey are currently accepting Bitcoin. A further 4% don't currently accept the digital currency, but are looking into whether they should do so. While this figure is certainly higher than previously, it still highlights that Bitcoin hasn't even come close to being viewed as a mainstream alternative to fiat currencies.

Fraud and risk

Risk weighs heavily on the minds of treasurers. Almost half of all those polled have risk management as part of their daily role, with an equal number saying it's one of the three areas where they spend most of their time.

Given the current global geopolitical uncertainty and the ongoing volatility of the euro, it should come as no

surprise that FX tops the list of risk factors impacting the treasury team in 2015. Almost 60% of those who responded cited it as one of their three biggest risk factors. Another common theme is a lack of visibility into liquidity and forecasts, which – despite forecasting being one of the most time-consuming activities performed by the treasury team – is still seen as a key risk factor for 40% of treasuries.

One risk factor that technology could certainly help to alleviate, however, is spreadsheet errors. Almost half (47%) of those who use spreadsheets as their primary treasury tool say that this is one of their three greatest concerns, whereas among those who have a treasury management platform in place, the figure is just 15%.

Fraud continues to be a major issue for the treasury team. A quarter of all organisations have lost money through fraud, with internal fraud being slightly more common than external. While most of these instances resulted in a loss of around £100,000, in some instances, the loss was as high as £3m. In addition to those who were victims of actual cases of fraud, a further 27% of companies had been unsuccessfully targeted by fraudsters.

Yet although 52% of businesses had been targeted by fraudsters, fraud prevention remains surprisingly low on the priority list – despite the continued number of high-profile corporate fraud cases. In fact, just 11% view fraud as one of their three top concerns for 2015.

Cash visibility

Cash visibility is at the centre of all treasury professionals' lives. It's therefore not a huge surprise that 70% of treasurers are involved in cash position reporting and forecasting on a daily basis. In fact, even 58% of CFOs still have daily input into corporate liquidity activities. In spite of this, many companies have still not perfected the art of maximising visibility into their corporate cash.

In fact, just 22% of companies report having daily visibility into 100% of their cash, while even fewer (19%) have similar daily visibility into each of their bank accounts. Among large companies with revenues above £10bn, the numbers fall even lower – only 14% have complete cash visibility and just 6% enjoy full daily bank account reporting. As six in 10 companies stated a desire to have 100% daily cash visibility, there is certainly a long way to go.

Unsurprisingly, therefore, many treasurers are concerned about their lack of visibility into cash positions and forecasts. Some 40% view a lack of visibility as one of their three biggest concerns for the next 12 months, and 39% have made improving visibility one of their three biggest priorities for the coming year.

Key priorities – today and tomorrow

Treasury has undoubtedly become a much more strategic function over the past few years, moving from being a transactional, back-office-based function to one that provides detailed financial analysis and counsel to the office of the CFO.

Yet the treasury department still doesn't have direct input into major growth initiatives. While two-thirds of respondents provide input into strategic decision-making processes (this rises to three-quarters of those who are treasury directors and higher), just a third of senior treasury team members are involved in M&A decision-making, with even lower numbers participating in market expansion and revenue-growth activities (20% and 9% respectively).

Most treasurers' future priorities are also somewhat transactional in nature. Cash and liquidity management remains a top priority, with almost half of all those questioned placing it among their top three focus areas for the coming year. Given that, as previously mentioned, 40% of treasurers view the lack of visibility into liquidity as one of their three biggest risk factors, it is not surprising that improving visibility is the second-highest priority item, followed by risk management and regulatory compliance. Of the more strategic options, such as market expansion and acquisition support, none were a priority for more than 20% of all respondents, even among treasurers and CFOs.

The full report can be viewed at www.kyriba.com

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GLOBAL TREASURY

As globalisation has continued, spurred on by a major uptick in M&A activity, treasury has had to become more of a global operation as well. Almost a third of treasury teams have a global remit, while 78% cover at least two territories. Treasury team size remains lean, however. While the number of one-person treasury teams has dropped from 14% to 10% in the past year, the majority of companies still have less than five treasury team members.

The majority of organisations – 61% overall – run fully centralised treasury functions, with a further 15% having multiple treasury centres and 14% using a hybrid system of central processes with decentralised teams. There is not a significant difference in the make-up of companies with up to £1bn revenues, with approximately 70% being fully centralised. Among companies with revenues above £1bn, however, the figure drops down to just 50%, with multiple treasury centres being in place at almost a third of organisations.

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