Mighty Guides

Taking Treasury from Reactive to Proactive

24 Experts Discuss the Most Important Steps to Transform Your Treasury

Sponsored by: kyriba™ Proactive | Treasury | Management

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FOREWORD

We've seen a significant evolution in treasury management over the past few years. It's not that long ago that the corporate treasury team had to keep track of corporate cash on a spreadsheet. However, this remit has changed significantly over the past few years. With a growing mandate for treasury to become a value creator, and the increased use of powerful and feature-rich treasury management systems, corporate treasury teams are now empowered to provide the insight for strategic financial decision making.

We're excited to be a part of this new e-book "Taking Treasury from Reactive to Proactive", which contains a wide range of perspectives and expert commentary from the leading treasury thought leaders, banks, consultants, analysts and corporate treasurers on the steps that forward-thinking finance teams can take to make the leap from reactive to proactive and drive more strategic value. It focuses on some of the most pressing issues facing treasury and finance teams today, including the critical nature of strategic cash forecasting, minimizing FX exposure in a volatile market, and effective working capital management.

Whether you are a CFO, an established treasury practitioner, or starting your career, I am sure that you will come away with a fresh view on how to unlock value for your organization.

Jean-Luc Robert
Chairman and CEO, Kyriba

kyriba™

Kyriba is the global leader in cloud-based Proactive Treasury Management. CFOs, treasurers and finance leaders rely on Kyriba to optimize their cash, manage their risk, and work their capital. Our award-winning, secure, and scalable SaaS treasury, bank connectivity, risk management and supply chain finance solutions enable some of the world's largest and most respected organizations to drive corporate growth, obtain critical financial insights, minimize fraud, and ensure compliance. To learn how to be more proactive in your treasury management and drive business value, contact treasury@kyriba.com or visit kyriba.com.

INTRODUCTION

You would be hard pressed to find any area of business under more stress than the treasury department. Morphing regulatory requirements, shifting foreign currency exposures, international market volatility, fraud, amped-up shareholder expectations—you name it. That's why treasury can't afford to remain reactive any longer. It must become proactive.

Proactive Treasury Management is a new approach. It empowers companies to forecast, plan for, and initiate coordinated responses to change. A proactive treasury can help protect cash while opening new means of putting idle cash to work. It creates visibility into the cash flow of even the most complex corporation's international business units. It can be a key to helping a company execute its strategic growth plans.

With generous support from SaaS treasury management software vendor Kyriba, we gathered 24 seasoned treasury experts and asked them one question:

What are the most important steps you'd take to transform treasury from reactive to proactive?

The short essays in this book include numerous anecdotes from the field describing varying strategies for evolving to a proactive treasury. Several basic themes ring through: no standardized template exists for creating proactive treasury—each company must carefully define *proactive* for itself. Companies the world over are recognizing, from the top down, the value of proactive treasury. They understand that it no longer pays to wait around and see what might happen next.

This e-book contains the collected wisdom of some of the best minds in the treasury space. I am confident you will benefit from the shared wisdom of the experts who have offered their time and energy to bring it to life.

All the best,
David Rogelberg
Publisher

Mighty Guides

Mighty Guides make you stronger.

These authoritative and diverse guides provide a full view of a topic. They help you explore, compare, and contrast a variety of viewpoints so that you can determine what will work best for you. Reading a Mighty Guide is kind of like having your own team of experts. Each heartfelt and sincere piece of advice in this guide sits right next to the contributor's name, biography, and links so that you can learn more about their work. This background information gives you the proper context for each expert's independent perspective.

Credible advice from top experts helps you make strong decisions. Strong decisions make you mighty.

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THINK STRATEGICALLY

In this section...

PROACTIVE TREASURY: PUT STRATEGY AT THE TOP OF THE PYRAMID

LAURIE MCCULLEY

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In her work with Treasury Strategies' corporate clients, Laurie McCulley helps organizations select, implement, and optimize treasury technology, applying her experience from previous corporate treasury and bank capital markets positions with PACCAR, Airborne Express, Ford Motor Company, Bank of America, and UBS. A CTP, Laurie earned her B.A. degree in international relations from Pomona College and her MBA from Seattle University.

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Three basic aspects of treasury activity must occur regardless of whether treasury is reactive or proactive: operations, analytics, and strategy.

By its very nature, most of treasury's activities are operational, such as managing cash, collections, and payments. These tasks can be complex, involving treasury payments for investment settlements, foreign exchange trades, stock buybacks, setting up bank accounts, and many other operational activities that often take up to 80 percent of a traditional treasury's time. But it is in traditional, reactive treasuries that operational activities dominate. The next most important function is analytics. Analytics - often related to risk assessment and cost analysis - traditionally takes up 15 percent of treasury's time. Finally, treasuries try to allocate time to strategic initiatives, which might take five percent of a reactive treasury's time. Strategic considerations can cover many areas that have a broad impact on the business. For instance, treasury may be asked to weigh in on an important acquisition which may have ramifications from a foreign exchange standpoint, or liquidity needed to fund the acquisition. In a reactive treasury, think of these three activities as forming a pyramid, with operations at the bottom, analytics in the middle, and strategic activities at the top.

KEY LESSONS

1. TREASURY HAS NOW BECOME THE FINANCIAL NERVE CENTER OF THE ORGANIZATION.
2. A PROACTIVE TREASURY IS ONE IN WHICH YOU'RE NOT ONLY MONITORING RISK BUT ALSO LOOKING TO MITIGATE RISK.

> "Three basic aspects of treasury activity must occur regardless of whether treasury is reactive or proactive: operations, analytics, and strategy."

PROACTIVE TREASURY: PUT STRATEGY AT THE TOP OF THE PYRAMID

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Principal,
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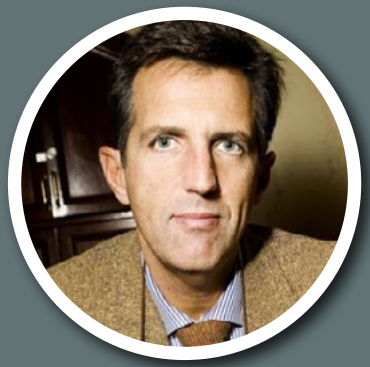
In a more proactive, strategic treasury, the pyramid is essentially flipped so that much more time is spent on strategic activity and much less on treasury operations. How do you do this? Several things must happen to make treasury more strategic.

First, move low-value operational activities into a shared service center or even automate these activities so that treasury has more time to apply its skills to analytics and strategic considerations. Second, treasury must improve its analytics capability by investing in secure technology that provides more real-time visibility into all aspects of cash and risk management. Third, treasury must have more active engagement with stakeholders throughout the company and beyond, with agencies, banks, and regulators.

As treasury becomes more strategic, it must think about its own role comprehensively, from the perspective of people, process, and technology. It's not something that happens quickly because so many components must be taken into account. In addition, the expectations for a proactive treasury differ from one industry segment to another. At the end of the day, however, treasury must be a good partner to its business unit, both up and down the chain.

"In a more proactive, strategic treasury, the pyramid is essentially flipped so that much more time is spent on strategic activity and much less on treasury operations."

A PROACTIVE TREASURY BEGINS WITH A HORIZONTAL VIEW ACROSS BUSINESS SILOS



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Enrico Camerinelli is a senior industry analyst specializing in wholesale banking, treasury, cash and trade finance, and payments. Previously, he served as the European director and chief analyst at the Supply Chain Council, a nonprofit that serves the logistics and supply chain industry. He also spent 10 years working as a supply chain manager at various manufacturing and automotive companies.

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Many of the changes we are seeing now in how treasury works have happened as a result of the 2008 financial crisis. That crisis put the corporate treasurer at the center of attention in the company, because at its peak, the problems that all businesses faced were similar. Do we have enough cash? How are our businesses really doing? Are our banks going to survive? What's going to happen to us? Treasurers learned that to maintain a strategic role in the business, they had to move away from the cubicle.

One of the unique contributions a proactive treasury can make to the business comes from the fact that treasury's understanding of the financial situation of a company gives it a horizontal view that cuts across operational silos. So, it's really up to the treasurer to explain performance indicators that provide insight into how the operations within one silo can affect what's happening in another.

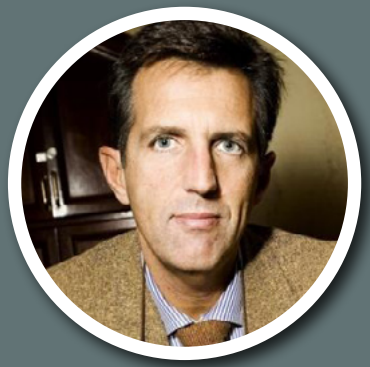
A good example of this is to consider the two operations of logistics and procurement in the context of inventory as a metric. Logistics has the objective of reducing inventory. On the other side, procurement has the objective of reducing the cost per unit of goods purchased. To reach this goal, procurement signs extended contracts with suppliers for full truck deliveries, because that's how the supplier can offer the best unit pricing.

> "One of the unique contributions a proactive treasury can make comes from treasury's understanding of the financial situation, which gives it a horizontal view that cuts across operational silos."

KEY LESSONS

1. ONE THING THAT IS CHANGING RAPIDLY IS THE SELF-AWARENESS OF TREASURERS THAT THEY CAN MAKE POSITIVE CHANGES IN BUSINESS OPERATIONS.
2. THE NEXT STEP FOR TREASURERS IS NOT TO SHY AWAY FROM BUSINESS PROCESSES THAT TYPICALLY ARE NOT PART OF THEIR RESPONSIBILITY.

A PROACTIVE TREASURY BEGINS WITH A HORIZONTAL VIEW ACROSS BUSINESS SILOS



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The purchasing manager reaches the objective of reducing the cost per unit, but that increases inventory, which creates a logistics problem. If the purchasing manager is just managing how he or she buys the goods without understanding what the impact on inventory is, then this unit cost metric becomes a siloed piece of information.

Treasury is in a position to analyze the cost of goods sold while also looking at inventory values in the balance sheet. The proactive treasurer can develop metrics that optimally balance the goals of logistics and inventory control with the somewhat competing interests of procurement. Developing that horizontal view should be the first step for the proactive treasurer.

In a post-economic crisis environment, treasury needs to shift from being important for tactical cash-management reasons to maintaining its importance for operational reasons. Building a connection between the operational performance in the supply chain and an equivalent financial performance enables treasurers to educate and inform, and they can recommend or influence the establishment of some performance indicators that do not jeopardize the operational performance of a single department but work to balance the results. Part of treasury's proactiveness is recognizing that it needs to take the first step so that business units can see that there's something better than doing what they have always done in the past.

"In a post-economic crisis environment, treasury needs to shift from being important for tactical cash-management reasons to maintaining its importance for operational reasons."

DEFINING THE ROLE OF THE PROACTIVE TREASURER

JIM KAITZ

President and CEO, Association for Financial Professionals

Jim Kaitz is president and CEO of the Association for Financial Professionals (AFP), which represents more than 16,000 treasury and financial professionals around the world and sets standards of excellence in treasury and finance. Jim formerly served as the vice president of Government Relations and manager of Trade and Business Affairs at Baxter Healthcare Corporation. He is a 1978 graduate of Georgetown University.

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Long viewed as a function rather than a strategic element of the business, the perception of treasury is changing—along with the role itself. The mandate for continued growth while managing risk is driving treasury teams to be more proactive, identifying new opportunities and driving significant business value.

Treasury's Changing Role

The role of the corporate treasurer has been evolving dramatically since the financial crisis. There is renewed recognition of the importance of traditional treasury activities while at the same time treasurers are being asked to play a more strategic role in corporate activities such as capital allocation.

KEY LESSONS

1. TREASURERS MUST THINK AND ACT STRATEGICALLY AND DEPLOY THE COMPANY'S CASH MORE PRUDENTLY THAN EVER BEFORE.
2. TREASURY MUST BE INVOLVED IN STRATEGIC PLANNING FROM THE BEGINNING.

In the 2014 AFP Strategic Role of Treasury Survey, supported by Oliver Wyman, 84 percent of survey respondents reported that the role of treasury in their organizations has expanded over the past five years. Eighty-three percent of financial professionals anticipate further growth in treasury's strategic role over the next five years.

In the post-2008 environment, treasurers are expected to think and act strategically, deploy their staff and the company's cash more prudently than ever before, and lead and inspire. All this is in reaction to an increased focus by corporate leaders and boards of directors on optimizing the use of their companies' cash and ensuring holistic risk management. This shift is significantly altering how companies reach strategic decisions as they attempt to improve their performance in an increasingly uncertain business environment.

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A key reason why treasurers are in the spotlight is that companies are under increasing pressure to deploy the cash that has been accumulating on their balance sheets since 2009. Treasurers are in an ideal position to critically evaluate and optimize the various strategic uses of cash, ranging from financial options such as share buybacks, debt repayment, and dividend increases to operational alternatives such as capital expenditures, acquisitions, and product development. They are also well positioned to evaluate emerging, unconventional business opportunities such as supplier finance, peer-to-peer lending, and customer loyalty and payment strategies.

> "Ultimately, treasurers will have to ensure highly effective and efficient treasury operations to fulfill the requirements of the "new" treasurer."

Changing the View

At recent Corporate Treasurers Council roundtables held around the country, participants considered the question, "What makes a world-class treasury?" One of the best answers was that "treasury needed to be visible, capable, and reliable in the eyes and minds of the business groups." In the same vein, attendees reported that treasury needs to get out and work with the operating units, educating them on how they affect working capital. "While treasury may not directly control [accounts receivable] and [accounts payable], it is the 'conductor,'" one treasurer said.

Another treasurer added that treasury needs to "own the balance sheet" and the projections tied to long-term planning. In other words, treasury must be involved in the strategic planning process from the beginning. To do so, it must integrate the capital structure into the overall business strategy. According to participants, treasurers must determine how the capital structure supports the company's strategic initiatives and, conversely, how those strategic initiatives affect the capital structure.

Ultimately, treasurers will have to ensure highly effective and efficient treasury operations to fulfill the requirements of the "new" treasurer. In a world of constantly evolving risk, the role of treasury has never been more critical to an organization's success.

LEAD STRATEGICALLY

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Daniel L. Blumen, CTP, is a founding partner of Treasury Alliance Group, where he leads consulting engagements for treasury strategy, risk management, working capital management, and other global treasury issues. Prior to co-founding Treasury Alliance in 2002, he was managing director of Knowledge Management Applications and headed Bank of America's ASEAN region of the Global Payment Services Group. Dan received his B.A. in economics (magna cum laude) from Syracuse University and his MSIA from the Tepper School at Carnegie-Mellon University.

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Treasurers get noticed when credit is tight, banks are in turmoil, and currencies are volatile. If you're a treasurer, the trick is to make sure you're noticed for keeping things running smoothly. The secret to doing so is to take a strategic approach to your role and its execution.

The attributes of poorly performing treasuries are well known. IT picks the treasury management system, tax determines where bank accounts are located, marketing sets sales terms, sales can't be bothered with cash forecasting, and cash is everywhere it shouldn't be and nowhere it's needed. The challenge is moving from this type of reactive treasury management environment to a strategic one in which the treasurer is a corporate team player who provides expertise across the organization and improves financial and enterprise performance.

KEY LESSONS

1. NETWORK RELENTLESSLY WITHIN AND OUTSIDE YOUR COMPANY. LEARN YOUR PEOPLE.
2. STRATEGIC TREASURERS ARE LEADERS, NOT FOLLOWERS.

The following are observations our firm has made in its decades of experience working with companies and treasuries around the world:

- **Strategic Treasurers are Leaders, not Followers.** There is always a company or vendor promoting a new "flavor of the month," a technology idea that cannot fail. The treasurer who leads is the one who knew what Software as a Service (SaaS) was before every treasury vendor in the world began to extoll its virtues. He or she knew where the company stood on SaaS and was able to ask the right questions, sifting through the chaff of marketing initiatives.

> "If you're a treasurer, the trick is to make sure you're noticed for keeping things running smoothly."

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- **Great Treasurers are People-Focused.** They network relentlessly inside and outside their companies, learning about the challenges of others within their company and getting ideas from the outside. Walk the halls of a company with a treasurer: the strategic treasurers are those who are known and greeted throughout the building.
- **Everyone has Opinions, but Facts Don't Lie.** Skilled treasury teams employ realistic, appropriate metrics to their work. Improving Days Sales Outstanding (DSO) is a worthy but ambiguous goal. Wise treasurers ensure that their organizations have a common definition of DSO and that targets are appropriate for the geographies and market segments in which they operate.
- **Effective Treasurers are Disciplined.** They create reasonable plans for their groups, execute the plans, and report on them to their stakeholders. There will always be some kind of crisis in treasury, but high-performing treasuries navigate the crisis and achieve their plan objectives. It's no accident that their plans offer benefits to other company functions outside the corporate treasury.

The rewards of getting it right are personal and professional success—rewards worth the effort of thinking strategically.

> "Skilled treasury teams employ realistic, appropriate metrics to their work."

PLOT A COURSE FOR CHANGE

KENDALL FREDERICK

Senior Manager, Finance Integration, Hanesbrands Inc.

Kendall Frederick is the senior manager of finance integration at Hanesbrands. Prior to that, Kendall was the sole investment professional for the organization's North American Pension and 401(k) trusts. He also worked on numerous strategic corporate finance initiatives, including debt repayment, pension funding, acquisitions, and cash flow modeling. Kendall earned an MBA from Virginia Tech and holds CTP and FP&A certifications.

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In *Alice's Adventures in Wonderland*, author Lewis Carroll featured the following exchange between the protagonist and the elusive Cheshire cat. Alice inquires, "Would you tell me, please, which way I ought to go from here?"

"That depends a good deal on where you want to get to," the cat replies.

Alice retorts, "I don't much care where—"

"Then it doesn't matter which way you go," the grinning cat counters.

The logic is unassailable; any road will lead you someplace. The actual question is whether the destination is worthwhile. These words of wit can be applied to establishing treasury as a proactive partner in your business. To counter the listlessness experienced with no goal or map, first and foremost you need to plot a course for change. Treasury can too easily be seen as a resource for other departments to draw from only when they need specific information, making treasury little more than a financial services wiki. For a direction to be effective, it must focus on what treasury has to offer to internal partners across the organization and explain why working with treasury will benefit them.

Coupled with a change in focus, this newly created proactive treasury department must go about reshaping the culture around it. To do so, it must trumpet that new strategy; it's through this internal sales process that other departments will become aware of what a partnership with treasury can provide. Much like sales leads, these new connections must be cultivated and nurtured if they are ever to bear fruit. This process cannot be a one-way street where treasury only rolls up its proverbial sleeves when it's a project of interest. There will be times when another department is working on something uninspiring. Maybe the company has to jettison a particular brand or restructure to remain competitive. Unpleasant as such tasks might be, these are the types of undertakings where treasury can add value.

> "First and foremost you need to plot a course for change."

KEY LESSONS

1. STRATEGY MATTERS: ESTABLISH A BLUEPRINT FOR MAKING TREASURY A KEY PARTNER IN THE BUSINESS, AND THEN EVANGELIZE THAT STRATEGY THROUGHOUT THE BUSINESS.
2. NURTURE RELATIONSHIPS: MAKE OTHER DEPARTMENTS AWARE OF WHAT A PARTNERSHIP WITH TREASURY CAN PROVIDE.

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There are consequences to treasury being reactive in nature. I recently spoke with a friend at another company who expects a large hit to earnings per share (EPS) in the coming year because of negative foreign exchange exposure. This type of risk was not considered when the business was expanding and treasury wasn't included in the sales and business structure decisions. Treasury failed to stake its claim in the conversation.

At Hanesbrands, we are always reviewing potential acquisitions. By being proactive, treasury has secured a seat at the table in the early discussions. When we recently purchased a company based in Europe, we were heavily involved upfront. Treasury was able to show that there was a growing pool of corporate cash in Europe and successfully lobbied to have the deal financed there, as it was the most efficient use of cash going forward. Further, we were able to model the deal's impact on EPS and financial statements at a high level based on a variable set of assumptions. That information helped our executives assess the deal to gauge whether the proposed tie-up was truly accretive.

> "Focus on what treasury has to offer to internal partners across the organization and explain why working with treasury will benefit them."

Although I have focused thus far on how treasury can work cross-functionally across the organization, it is important to turn these same principles inward. For a treasury team to truly optimize its own operations, each member should understand the connections his or her area has across the department and be open to feedback from others on how to improve operations. I refer to Alice's adventure and a piece of advice administered by the Queen of Hearts: "My dear, here we must run as fast as we can, just to stay in place. And if you wish to go anywhere you must run twice as fast as that." If you work hard to become a proactive, cross-functional team, both within and throughout the organization, you will know that you are getting and providing the best ideas to drive the business—and treasury—forward.

UNDERSTAND THE VALUE THAT TREASURY CAN OFFER

BOB STARK

Vice President, Strategy, Kyriba

Bob Stark is responsible for global product strategy and market development at Kyriba. He is a 17-year veteran in the treasury technology industry, having served in multiple roles at Wall Street Systems, Thomson Reuters, and Selkirk Financial Technologies, including product management and strategy. Bob is a regular speaker at such treasury conferences as AFP National, Sibos, and regional AFP events. He holds a BBA in finance and marketing from Simon Fraser University in Vancouver, BC, Canada.

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The greatest opportunity for treasury to move from a reactive to a proactive force in an organization comes from understanding what treasury does that drives value in that organization. If treasury doesn't understand its value, then it's not going to be part of an elevated discussion. Gaining that understanding of treasury's value, and then acting on it requires taking three essential steps.

First, being strategic requires time; to gain time, treasury operations must become as efficient and productive as possible. This is a challenge because treasury operations manage a huge load of transactional and reporting activities needed to maintain liquidity on a daily basis. Treasury is often reactive and responsive to financial realities that are beyond its own control. So, to become more efficient, treasury must adopt tools and policies that automate as many treasury operations as possible.

KEY LESSONS

1. BEING MORE EFFICIENT GIVES TREASURY TIME TO FOCUS PROACTIVELY ON ANALYSIS AND BUSINESS INSIGHT.
2. A PROACTIVE TREASURY WORKS COLLABORATIVELY TO PLAY A MORE ADVISORY ROLE WITHIN THE ORGANIZATION.

> "If treasury doesn't understand its value, then it's not going to be part of an elevated discussion."

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The second step, which really goes hand in hand with the first, is to develop better financial controls, including procedures, regulatory compliance, audit trails, and proper security measures. It also includes internal policies and procedures, such as how many people touch a payment before it goes out the door and how many people have signing authority over a bank account. Whether treasury operates in one country and one office or is part of a multinational organization with hundreds of people involved in transactional activities, some of whom may not even be part of treasury, it must all be part of a process to ensure that everything is known, controlled, and understood, either to a regulatory level or just to meet internal policies.

With more efficient treasury operations and better financial controls, treasury can take the third step to becoming proactive: gaining greater visibility into financial data. Whether it's analyzing global cash and liquidity, understanding the cost to its banking relationships, or knowing the organization's exposure at any moment in time, that visibility enables better decisions.

> "Being strategic requires time; to gain time, treasury operations must become as efficient and productive as possible."

These three steps provide treasury with the time and information it needs to play an advisory role within the organization. The strategic value treasury offers varies with the business. It can collaborate in decisions about best use of capital, the impact of new regulations, or how an acquisition will affect the business. Being more efficient, having stronger financial controls, and having greater visibility into finances enable treasury to better understand the value it has to offer, and then to be proactive in delivering that value.

A PROACTIVE TREASURY MEANS MANAGING RISK

In this section...

BECOMING MORE PROACTIVE MEANS BEING LESS IMPORTANT DAY TO DAY

GUY SIMONS

Assistant Treasurer,
TRW Automotive

Guy Simons started his career in corporate treasury management working at Norwegian oil and gas giant Statoil's Belgian and Norwegian treasury centers. He subsequently managed foreign exchange for BASF Catalysts (f/k/a Engelhard Corp) and in 2006 joined TRW Automotive, where he supervises global treasury operations. He has extensive experience setting up in-house banking operations and meeting the associated organizational, legal, fiscal, and IT challenges.

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A reactive treasury is like a hospital emergency room. You're not trying to manage anything that happens outside of the emergency room; all you're doing is triage and trying to manage the volume of patients coming in. You can do that, staffing up to address the problems, but in the long run, it's not an efficient way to reduce fatalities.

In a proactive treasury, you are less busy because actions are not based on ad hoc analyses. In the reactive model, you may feel important because you're pontificating about things that only you know, but in a proactive treasury, you spend more time educating and making yourself almost superfluous in many day-to-day operations. The proactive model has fewer exceptions and fewer emergencies. How you become more proactive in treasury often depends on the nature and circumstances of the business. Here's an example of one area where treasury activity transitioned from reactive to proactive.

We have many operating units whose home currency is not the U.S. dollar, and many who buy and sell in currencies other than their home currency. We have no control over whether these currencies grow stronger or weaker, but these changes are potentially large enough to destroy profitability. In our industry, pricing to the unit's customers, vendors, and in which countries we choose to locate our facilities might create currency risk that lasts for many years. Our business units are responsible to manage these risks with their customers and vendors, but short-term these risks are managed by finance, and affect accounts payable, accounts receivable, and bank accounts in foreign currency. These balances revalue with currency movements, sometimes creating sudden large currency effects. Historically, the finance directors had final say on whether to hedge or not.

> "In a proactive treasury, you spend more time educating and making yourself almost superfluous in many day-to-day operations."

KEY LESSONS

1. IN A PROACTIVE TREASURY, YOU ARE LESS BUSY BECAUSE ACTIONS ARE NOT BASED ON AD HOC ANALYSES.
2. YOU HAVE TO WORK WITH SHARED SERVICES TO GET TO A COMMON VISION OF HOW YOU WANT TO WORK WITH BANKS.

BECOMING MORE PROACTIVE MEANS BEING LESS IMPORTANT DAY TO DAY

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Every month, each finance director has to explain all significant variances to their budget, and currency volatility was a common culprit of results that were wide of the mark. Every monthly discussion became an unproductive finger-pointing exercise because no one could actually dissect how much unexpected currency effect was due to bad forecasts, and how much due to bad timing of hedges and who had played a larger role in which bad hedging or not hedging decision.

> "How you become more proactive in treasury often depends on the nature and circumstances of the business."

We began by working to define exactly how much exposure currency movements created for us. We laid down some rules that the business unit was only responsible for reporting its commercial and financial exposures. Treasury would hedge systematically so that senior management would have good expectations of our net exposure and we could reduce month-to-month volatility.

Unfortunately, it didn't quite work out right away. But we moved from finger-pointing in our discussions to discovering real pain points. For instance, we found some systems produced big foreign exchange gains and losses that were due to the use of prior-month average exchange rates to book current-month transactions. We decided to produce daily rates from treasury and provide them to all of the accounting systems worldwide so that everybody was on the same scale. Gradually, we worked out all such kinks, the foreign exchange results have become a lot more sensible, and currency discussions now focus most on business changes that have future currency impacts.

For treasury to become proactive, it must identify simple sets of rules for the business to follow, and thresholds above which treasury needs to get actively involved, and it must develop tools it can offer to operating units around the world to stay financially safe.

COMPANIES LEARN THE TRUE VALUE OF TREASURY

JOHN ENGEMAN

Director of Treasury,
David Yurman

John Engeman is the director of treasury for David Yurman, responsible for global treasury and insurance. Prior to joining the company in 2014, he was the vice president, assistant treasurer of Kate Spade & Company, and the treasurer of the Kate Spade Foundation. His responsibilities included managing global treasury operations—cash and risk management, investments, debt, and liquidity management. A Certified Treasury Professional, Certified Management Accountant, and Certified Financial Manager, he has a BBA in finance from the University of Notre Dame and an MBA from Hofstra University.

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The year 2008 was important for treasury because for many companies, traditional cash flow dried up. If a company's treasury was not proactive and forward thinking during those years of tight credit, that company did not have a chance. Treasury had to become either a strategic advisor or an entity that jumped to the head of the line in communicating with the CEO.

I was at Liz Claiborne (now Kate Spade & Company) during those challenging times. It was a difficult period for the apparel industry, and Liz Claiborne divested itself of many brands to preserve cash flow. We pursued a variety of strategies to maintain sufficient liquidity when credit dried up and some banks simply stopped lending to us. Treasury was forced to be innovative, finding new and creative ways of valuing and monetizing our assets. We changed our approach to managing global currencies and collaborated with suppliers without having to issue letters of credit. Just to provide an idea of how this changed treasury's role, before the financial crisis, treasury met with the Board maybe twice a year, usually to report on how the 401(k) plan had performed. When the crisis set in, we were presenting to the Board six times a year, explaining our liquidity issues to them and being asked for recommendations. We became deeply involved in developing the company's financial and operational strategies.

> "Treasury had to become either a strategic advisor or an entity that jumped to the head of the line in communicating with the CEO."

KEY LESSONS

1. WHEN TREASURY IS PROACTIVE IN OFFERING INSIGHT AND ANALYSIS AND KNOWLEDGE OF RISK EXPOSURE AND MITIGATION, IT CAN HELP MAKE KEY BUSINESS DECISIONS.
2. A PROACTIVE TREASURY CAN PINPOINT OPPORTUNITIES AND STRATEGIES THAT UNLOCK VALUE FOR THE COMPANY.

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As a result of this experience it became clear the value treasury could bring to the table – that being proactive in offering our insight and analysis and our knowledge of risk exposure and mitigation, we were relied upon to make key business decisions, sometimes having direct influence on the future viability of the company.

The credit crisis offered an opportunity for treasury to prove its value and provide strategic solutions that continue today. While the crisis has passed, the focus has shifted from doing everything possible to preserve cash and liquidity to looking at opportunities that unlock value for the company. This may include managing risk differently, providing improved models for global currencies and hedging strategies, providing new financial management tools to business units, or using analytics and technology to guide operations in ways that make forecasting more accurate. It's up to treasury to take advantage of its elevated position so that it will have a positive influence on business operations.

> "The credit crisis offered an opportunity for treasury to prove its value and provide strategic solutions that continue today."

EIGHT STEPS TO A PROACTIVE TREASURY

ERIC COHEN

Principal,
PricewaterhouseCoopers LLP

Eric Cohen is a principal in PricewaterhouseCoopers' (PwC) Advisory Corporate Treasury Solutions Practice, specializing in treasury and risk management consulting. He has provided strategy through execution support in all aspects of treasury and risk management. Prior to joining PwC, Eric spent eight years in a variety of front-, middle-, and back-office positions in banking and capital markets. Eric holds an MBA in Finance from New York University.

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In my years of treasury experience, I have developed a list of eight essential steps a treasury organization needs to take to become more proactive and to help their companies achieve its strategic objectives.

1. Secure the Right Talent. Develop a mix of employees who are strategic, analytical, tech savvy, and customer-centric. They must be able to collaborate with key stakeholders, both internally and externally. Additionally, they should have resources that understand how global operations work. The treasury practitioners of today must be capable of partnering with finance and operations to drive change, navigate risk and seize opportunities.

2. Become Risk Resilient. Manage risks proactively, and adjust strategies as new risks emerge. For example, recently there has been significant volatility in the currency markets resulting in many companies falling short of earnings estimates. From a currency risk standpoint, companies that fully understand their exposure profile and proactively manage associated risks are more likely to be able to adjust their strategies in real time, align better with strategic initiatives, and avoid surprises.

3. Develop a Cash Culture. Historically, many companies have been profit focused, with a priority on sales, and less focused on cash flow. In today's environment, it's critical to be cash efficient and to drive working capital improvement. Treasury has a key role to play in that strategy. One example is of one of our clients who established a "cash leader role" with responsibility to work with various business units in the company to drive working capital improvements. As a result of the output of this initiative, this company realized billions in freed up excess working capital.

4. Partner with Businesses and Other Departments on Key Initiatives. Treasury needs to be proactive in collaborating with businesses on other initiatives where treasury can add value.

> "Develop a mix of employees who are strategic, analytical, tech-savvy, and customer-centric."

KEY LESSONS

1. TREASURY NEEDS TO BUILD TRUSTWORTHY RELATIONSHIPS WITHIN THE BUSINESS AND DEMONSTRATE THE VALUE IT BRINGS.
2. IN TODAY'S ENVIRONMENT, IT'S CRITICAL TO BE CASH-EFFICIENT AND TO DRIVE WORKING CAPITAL IMPROVEMENT.

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One common example is working with businesses in assessing and implementing alternative financing arrangements such as supply chain financing. Additionally, the relationship with the tax and M&A departments are critical as well. If the company is planning a restructuring or a potential acquisition or divestiture, the more involved treasury becomes early on—the more seamlessly the activities will go.

5. Maintain an External Orientation. In addition to being well plugged in within their own organization, it's equally important to be focused on what's going on in the outside world, where the most profound issues reside. Specifically, understanding how the business and financial markets are evolving and developing relationships with stakeholders (e.g., investors, banks, rating agencies) is a vital component to helping the company achieve its objectives.

6. Employ Enabling Technology. Treasury needs to develop and implement a systems strategy that maximizes the use of technology, including exploring cloud solutions. We see many companies limited by a lack of IT resources; having the right technology in place improves visibility and access to data, which ultimately enhances decision making and drives better performance.

> "Treasury needs to develop and implement a systems strategy that maximizes the use of technology, including exploring cloud solutions."

7. Implement Operational Excellence. First, focus on achieving straight-through processing. Second, leverage shared service centers and consider outsourcing alternatives. Treasury organizations that use these two approaches will be able to free staff from transactional activities so they can focus more on analytical and strategic activities and ultimately help drive more value across the organization.

8. Communicate the Value That Treasury Brings to an Organization. Having a clearly defined strategy and vision and being able to actively advocate that across the organization enables treasury to operate more strategically. To demonstrate its value proposition, treasury has a growing incentive to publicize its message via use of scorecards, dashboards or other performance reporting. This will help provide exposure to senior stakeholders and build credibility with business partners.

TO BE PROACTIVE, YOU MUST THINK STRATEGICALLY

TODD W. YODER

Head of Derivatives and Hedging Strategy, Director of Global Corporate Treasury, Fluor Corporation

Todd W. Yoder has an extensive background in multinational corporate finance and holds three business degrees, including an MBA from the University of Notre Dame. His global business interactions have taken him all over the world, including major business centers in Europe, the Middle East, and Asia-Pacific. Todd has been a guest speaker on a variety of topics related to multinational corporate finance, macroeconomics, and corporate treasury strategy. Todd is known for employing a down-to-earth communication style that delivers complex financial and economic information in easy-to-understand terms.

Website

I have been fortunate over my career to have worked with some extremely intelligent business leaders who are strategic and proactive by nature. In particular, the treasurer at WellPoint (now Anthem, Inc.) really opened my eyes to how corporate treasury can be an invaluable strategic business partner to the chief financial officer (CFO) and chief executive officer.

I believe that if you want to have a proactive world-class treasury, you have to see things before they happen and help prepare the organization to mitigate associated risks and seize opportunities. Sound impossible? It's not.

Treasury takes a special type; today's treasurer must be well versed in many areas. The days of reading *The Wall Street Journal* and *Financial Times* every morning and assuming that that's sufficient are long gone. As a multinational corporate treasurer, you must have an advanced understanding of economics, mathematics, statistics, econometrics, technical accounting, tax, banking regulations and restrictions, and the intricacies of all facets of financial markets. The first step is to make sure you're invested in the most talented staff you can find. The return will be in the multiples if you get the right people in the right seats.

KEY LESSONS

1. MAKE SURE YOU INVEST IN THE MOST TALENTED STAFF YOU CAN FIND.
2. FOCUS ON ANALYZING DATA FOR MEANINGFUL DISCUSSIONS THAT HELP YOU MAKE PROACTIVE BUSINESS DECISIONS AND RECOMMENDATIONS.

> "Treasury-related technology should be at the heart of your treasury group."

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Next, you must have a solid treasury foundation, including best-practice policies and procedures—what I call *core treasury.* Some treasurers don't realize it, but you need a treasury management system. Just in the past few years, a range of sophisticated treasury functionality has been brought to market to help you get core treasury to best practices much faster and more efficiently than ever before. Treasury-related technology should be at the heart of your treasury group; it's valuable to each member of your treasury team if used appropriately, reduces user errors, and frees time for your team to think strategically and be proactive. You can have your analysts and managers jockeying spreadsheets all day, or you can have them analyzing data for meaningful discussions that help you make proactive business decisions and recommendations. If your team is consolidating spreadsheets to determine your cash position, which currencies you hold, where you're invested, and what your cash flow forecast is, you're likely not the strategic business partner that you could be.

> "As a strategic treasurer, you must build a reputation within the company as a strategic thinker."

An important resource for the strategic treasurer is the bank group. Some treasury organizations don't use their bank group beyond basic banking services. This is a mistake. Bankers are out there every day talking to a lot of different organizations that are going through different phases and facing different challenges, and they see the strategies that turn out well and those that don't. As a result, experienced bankers can offer good insight. The key is finding those bankers who are at the top of their game and maintaining a consistent dialogue with top organizations.

Finally, as a strategic treasurer, you must build a reputation within the company as a strategic thinker. If you take the steps described herein, the CFO and executive team will quickly begin to see you as a business partner, not a report.

DOCUMENT YOUR TREASURY VISION

In this section...

TOOLS AND INFORMATION FOR TRUE TRANSFORMATION

RUSSELL HOFFMAN

Director Market & Treasury Risk Advisory, KPMG

Russell Hoffman has more than 15 years of treasury, financial instrument, and risk management experience in the corporate treasury and financial services industry. He works on numerous treasury advisory projects focused on governance, operations, controls, technology, accounting, and regulatory-driven processes, serving many of KPMG's largest audit and advisory clients.

Website

What does treasury want to be when it grows up?

I ask clients that question when they engage KPMG to assist in transforming their treasury operations from being reactive to proactive. While light-hearted, it does have serious undertones:

- What should treasury's roles and responsibilities be?
- How should treasury be structured?
- How many people should be in treasury, and what types of experience should treasury team members have?
- Should treasury be centralized, local or regionalized in countries where the company does business, or both?

KEY LESSONS

1. DOCUMENT THE TREASURY VISION, STRATEGY, AND GUIDING PRINCIPLES BEHIND THE CHANGES YOU WANT TO MAKE.
2. EMPOWER KEY PEOPLE TO BEGIN THE DISCUSSIONS AND MAKE DECISIONS.

Treasury includes functions such as cash management, liquidity and cash flow forecasting and management of debt, investments, and risks—particularly risks associated with interest rates and foreign exchange. It is all extremely complex and data driven. Without good information and effective tools, true transformation can be very difficult.

I recently worked with a consumer products company that maintains a presence in 70 countries. Currently, the company's structure is decentralized without a well-defined central treasury department, and individual business units manage their own cash in a quasi-treasury fashion, with little coordination through headquarters. As a consequence, central treasury has poor cash visibility. The challenge here is to empower central treasury to set policies and procedures and dictate where and how cash moves throughout the company. To compound the challenge, treasury doesn't have the data, systems, or infrastructure to confidently transform itself: the process is still unfolding.

> "Without good information and effective tools, true transformation can be very difficult."

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The company has, however, taken several immediate key steps and has instituted an action plan that involves defining a new structure, roles and responsibilities, assessing staffing capabilities and procuring treasury technologies to enable cash visibility and more robust risk management.

Furthermore treasury management has done a deep dive into its global processes, investigating 10 key business units to understand their cash-management and other key procedures to identify risk exposure and determine what needs to be done to allow central treasury to eventually take control of cash management for those units.

> "The story has yet to be fully written, but I am optimistic about its chances for success."

Finally, the company is evaluating whether to augment central treasury by adding well-coordinated regional treasury sub-functions in North and Latin America, Europe and Asia, where differing languages and time zones make absolute centralization problematic.

The story has yet to be fully written, but I am optimistic about its chances for success. The company has:

- Documented its treasury vision, strategy, goals, and guiding principles;
- Taken action and empowered key people to begin discussions and make decisions; and
- Taken steps to ensure that treasury fully understands the business processes and procedures of the company and all of its individual units.

In effect, the company is doing everything to be serious about treasury transformation. These are the steps that companies must take if treasury is to cease being seen as just another service provider and instead be regarded as a full and active partner to the business.

TO BECOME PROACTIVE, TREASURY NEEDS A VISION

JEFF DIORIO

Managing Director,
Treasury Strategies, Inc.

As part of Treasury Strategies' technology practice, Jeff Diorio manages treasury system selections, technology implementations, and vendor relationships. He has helped firms realize the benefits and efficiencies of treasury automation over his 25 years of experience with both treasury technology and global treasury operations. He has been very involved in the creation of hosted solutions and SaaS offerings in his time as a vendor. He speaks and writes regularly on treasury automation and risk mitigation.

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Prior to 2008, treasury was frequently viewed as the operational maintainer of corporate liquidity. The financial crisis highlighted treasury's role in global financial risk management. As a key player in the financial risk equation, it has the tools and knowledge to analyze and understand what currency, rate and counterparty exposures truly mean.

This added organizational recognition as a key enterprise risk player has expanded the mandate for many treasury organizations. Increasingly, treasury is being asked new kinds of questions that affect business operations outside of operational liquidity.

The first thing a treasury must do to take advantage of this new respect and visibility is to establish its own goals. Simply put, every treasury needs a vision for its contribution and role in its organization.

KEY LESSONS

1. IF TREASURY'S GOING TO HAVE A ROBUST ROLE IN THE ORGANIZATION, IT MUST TAKE CARE OF THE FUNDAMENTAL BLOCKING AND TACKLING OF WHAT THEY'RE RESPONSIBLE FOR.
2. TREASURY NEEDS TO HAVE A VISION FOR WHAT ITS ROLE IN THE ORGANIZATION IS..

Some companies just jump right into automating things that streamline operations with the idea that when that is done, they will apply themselves more strategically in their business. This is a mistake.

Treasury first needs that vision and road map – which envisions a treasury that is neither a cost nor profit center, but a "Financial Value Creation Center". With that in hand, it can decide what adds the greatest value to business operations, what foundational things need to change, what easy things can be done early on, and what big things are worth doing although they are complex.

> "The first thing treasury needs to do to become proactive and strategic in an organization is to establish the goal of its operations."

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Some answers may in fact involve automating operations, but others may involve restructuring how things are done in the business. For instance, some companies are moving commodity and insurance risk management into treasury. Treasury is also becoming more involved in working capital management and functions like P-card and receivables financing. Automation is not the starting point for changes like these, but it can help a lot after the restructuring decision. Once a treasury knows where it needs to go, then it can look for holistic approaches to increased efficiencies, enhanced visibility, and better controls around its roles.

Many new treasury and financial management systems are available, and financial enterprise resource planning (ERP) solutions tie more closely to business operations. But budgets are challenging, and IT teams may be stretched. Creative firms are looking to share technology investment budgets *with* the IT group, and leveraging their IT resources with SaaS or hosted systems.

Form must follow function. The Treasury Vision is the key starting point in finding the right technology and automation solutions to build treasury out as a financial value creation center.

> "When a company makes the decision of where it needs to go, then it can look for these more holistic approaches to providing enhanced visibility and controls around cash and risk management."

THE RIGHT STEPS DEPEND ON WHAT PROACTIVE MEANS

TYRUS R. CAMPBELL

Executive Treasury Advisor, Wipro Limited

Tyrus Campbell has been a treasury practitioner for more than 30 years, bringing a unique perspective to the area that includes operational and quantitative disciplines. He was the treasurer and chief investment officer responsible for the income statement and balance sheet results of a large financial services organization, but he is equally well versed in cash management operations and quantitative discussions about equity volatility and interest rate hedging. Tyrus has been a long-term advocate for raising the expectations of treasury leadership and staff throughout the industry.

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Before you can become a proactive treasurer, you have to define what *proactive* means. The term *proactive* means that you're working ahead of the problem and ahead of the result you want. Proactive could be cost-efficiency in one organization, and it could be income generation in another organization. Proactivity in an airline company might focus on fuel economy and risk management. In a coal company, it might be about keeping track of where the coal is. You have to set clear conditions of satisfaction so that people know what their expectations are.

When the expectations for a proactive treasury are set, achieving them depends on investing in three basic things: technology, training, and time. Technology is simple: you need a platform that best fits the purpose of a proactive treasury. Note that the best platform for a bank in the United Kingdom is probably not the best platform for an oil and gas company in Australia. It's important to provide the technology needed by people who are tasked with achieving the conditions of satisfaction for a proactive treasury.

Just as important as the technology is fundamental and advanced-level training needed to effectively use the technology tools. This must be continuous training because people come and go, and the way treasury uses its tools changes to keep pace with business requirements.

KEY LESSONS

1. IF YOU WANT TO BE PROACTIVE, YOU HAVE TO DEFINE WHAT THAT MEANS.
2. COMPANIES INVESTING IN TECHNOLOGY OFTEN FAIL TO PROVIDE STAFF WITH TRAINING THEY NEED TO GET THE MOST OUT OF IT.

> "To be proactive, you need time to think about creating value in the business. Being proactive doesn't matter if you're not creating value."

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Finally, one of the most important investments for a proactive treasury is time. The fact is, people in treasury often have a lot of knowledge about how to get greater capital efficiencies in business operations. To be a proactive treasury organization, you need time to think about your plan. You need time to think about how you create value in the business. Being proactive really doesn't matter if you're not creating value.

Becoming a proactive treasury also depends on who is driving treasury to act more proactively. To understand this, it is important to recognize the vast difference between the old treasurer and the modern treasurer. The old treasurer typically pooled bank accounts in the morning, worked off of reconciliations, and didn't attend meetings or make decisions. This treasurer might work for the controller, who worked for the CFO. Getting technology for this person would be something of a joke, because others in the organization think he or she is just a person. Then, there's the new treasurer, who may be the same person as the CFO. This treasurer sits at the C-level table and has a large reach in the organization. So, who wants the treasury to be more proactive? It's the C-level treasurer. The one who wants it to be proactive is whoever is in charge of meeting those conditions of satisfaction.

"The one who wants it to be proactive is whoever is in charge of meeting those conditions of satisfaction."

BEFORE YOU START, KNOW WHERE YOU ARE AND WHERE YOU WANT TO GO

VARUN DUBE

Global Business Head, Treasury and Payments Solutions, Wipro Technologies

With 15 years of global diversified IT experience, Varun Dube is the Global Business Head for Treasury and Payments Solutions at Wipro, responsible for a portfolio of next-generation solutions and differentiated services around treasury, cash, payments management, financial messaging and channel/wallet services. He and his team understand the breadth of the treasury and payments landscape and provide end-to-end IT services around advisory, consulting, design, implementation, and managed services to Wipro's corporate and banking customers. Varun's specialties include strategy, industry / business solutions and business innovation.

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What does it take to move treasury from reactive to proactive?

When I am asked this question, I usually reply with questions of my own: How do you define *proactive treasury*? What do you want treasury to *be*?

These are the key questions which must be answered at the outset before kick-starting any process to move treasury beyond the realm of glorified accounting. Unfortunately, there is no one template to answer this. The considerations for one company will be different from another; and hence one company's treasury needs will differ vastly from another's.

As a case in point, one of our clients is a leading semiconductor producer, and was hit hard by the 2008 economic downturn. Consequently, the company has identified the need for sophisticated treasury functionality, and yet it doesn't want treasury to be a profit generator. The focus and priorities are around risk management and capital protection and preservation.

Another client—a major oil and gas company—is at the other end of the spectrum. When it approached us for transforming its treasury function, the objective was to create treasury as a profit center with a high risk appetite to invest in complex financial instruments. So, the company uses its treasury to make its money work harder.

> "How do you define *proactive treasury*? What do you want treasury to *be*?"

KEY LESSONS

1. THERE IS NO TEMPLATE FOR PROACTIVE TREASURY. EVERY COMPANY HAS DIFFERENT TREASURY NEEDS.
2. HAVING WELL-DEFINED EXPECTATIONS AND ESTABLISHING KPIS IN ADVANCE WILL GIVE YOU MUCH GREATER TRACTION ON THE PATH TO SUCCESS.

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Global Business Head, Treasury and Payments Solutions, Wipro Technologies

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To round-up, what these organizations had in common was a well-defined vision and goals for what a proactive treasury group should do, and measurement criteria for how to assess this.

Most of my team's conversations with clients start there. We engage with customers and work to understand their long term vision, goals and expectations from treasury versus what treasury does for them today. Based on this, we define key performance indicators (KPIs) to measure treasury effectiveness. Next, we create a governance framework to determine how to capture and report these metrics to key stakeholders.

But first, before any organization can determine what your proactive treasury should do, you must gauge where you are now. You have to set realistic expectations for your treasury journey. And most importantly, you have to understand and sell to your executives that treasury improvements and changes will take time and focused efforts.

> "Don't neglect assessing both your current and your target treasury from people and skill set perspective."

Here are my recommendations for the treasury journey:

- Baseline your "as-is" treasury state and where you stand today. Define your "to-be" treasury state or target goals. Clearly outline the expectations for your treasury functions.
- Identify how you will translate stakeholder expectations into measurable value. Define KPIs so you will know how to measure treasury's success.
- Build a governance structure that determines how to track and measure KPIs
- Embrace next-generation treasury technology to be future-ready
- Continuously report treasury performance; and find ways to raise the bar on how things can be better, simpler, efficient and effective

BEFORE YOU START, KNOW WHERE YOU ARE AND WHERE YOU WANT TO GO

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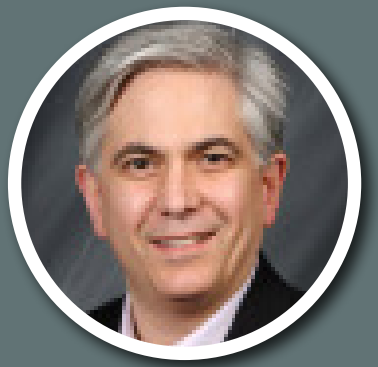
Two final points: first, don't neglect assessing both your current and your target treasury from people and skill set perspective. Ask yourself – is your staff ready? Do they have the right skills? Is your treasury group enabled, equipped and empowered to make decisions and deal with the internal and external changes?

Second, take a look at technology options based on your treasury needs. There is no "one-size-fits-all" solution. The most powerful and best-of-breed technology solutions may not be right for you simply because you may not need them. Many customers use basic technology infrastructure to make their treasury proactive. So it depends completely on what you want to achieve. Technology in treasury is an enabler to be "proactive", and finally should help the CFO and CEO and business achieve your goals.

CENTRALIZE YOUR TREASURY

In this section...

ORGANIZE YOUR TECHNOLOGY TO SUPPORT PROACTIVE TREASURY



ARI MORRIS

Founding Partner,
Global Treasury Partners

For more than 25 years, Ari Morris has provided leadership in global and domestic treasury consulting, technology selection and design, cash and liquidity structures, and foreign exchange hedging, establishing a network of relationships with corporate treasury professionals and technology vendors. Prior to becoming a consultant, Ari worked for Thomson Reuters' Global Corporate Treasury business, JPMorgan Chase, and Sumitomo Mitsui Banking Corporation. Ari is also an advisor to the Cornell–Queens Executive MBA program for the new ventures and global business courses.

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Most companies migrate from a simple accounting structure to treasury management right around the time they reach the $1 billion valuation mark. Usually, when such a company comes to our advisory firm for help establishing a treasury system, it's bursting at the seams.

The volume of its work is increasing. It's being battered by ad hoc questions from the rest of the organization: What happened to that wire from two weeks ago? What is our foreign exchange (FX) exposure? What is our cash forecast two weeks out?

The bigger a company becomes, the more difficult it is for that company to answer such questions without an effective way to aggregate and centralize treasury data. In my experience, that requires robust technology.

In one sense, the question of reactive versus proactive treasury is a legacy question. A $100 billion company was not always that big. In the company's very early years, a simple accounting system was likely sufficient for the task of simply crunching numbers. That baked-in reactivity often carries forward well past its appropriate expiration date.

In my experience, companies stuck in reactive mode probably have no organized technology foundation on which to manage treasury operations. They probably still move data manually from one system to another, doing things like tapping into their many bank accounts individually, without any interface that can reach in and reconcile them all from one single point.

That kind of treasury department, frankly, adds little value. It is invariably playing defense.

> "In one sense, the question of reactive versus proactive treasury is a legacy question."

KEY LESSONS

1. THE BIGGER A COMPANY BECOMES, THE MORE DIFFICULT IT IS FOR THAT COMPANY TO ANSWER CERTAIN QUESTIONS WITHOUT AN EFFECTIVE WAY TO AGGREGATE AND CENTRALIZE TREASURY DATA.
2. A LOT MORE COMPANIES ARE RECOGNIZING, FROM THE TOP DOWN, THE IMPORTANCE OF PROACTIVE TREASURY.

ORGANIZE YOUR TECHNOLOGY TO SUPPORT PROACTIVE TREASURY

ARI MORRIS

Founding Partner,
Global Treasury Partners

For more than 25 years, Ari Morris has provided leadership in global and domestic treasury consulting, technology selection and design, cash and liquidity structures, and foreign exchange hedging, establishing a network of relationships with corporate treasury professionals and technology vendors. Prior to becoming a consultant, Ari worked for Thomson Reuters' Global Corporate Treasury business, JPMorgan Chase, and Sumitomo Mitsui Banking Corporation. Ari is also an advisor to the Cornell–Queens Executive MBA program for the new ventures and global business courses.

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Here is an example of a Silicon Valley technology company I worked with that turned treasury into a critically important function, one that added significantly to meeting the company's overall objectives.

This global company employs an intercompany licensing strategy to achieve the appropriate balance between cash management and tax efficiency. When the project began, its treasury department already was managing heavy volumes of intercompany loans and settlements. Treasury was challenged to keep up with the organization's plans to embark on a series of acquisitions and an anticipated big growth spurt. The company needed a more efficient platform to manage all of that activity and it was determined that a multilateral netting solution was required to centralize intercompany payments that was also capable of efficiently handling related FX. We led the process to craft the vision, define the requirements and advise through the implementation.

When multilateral netting had been implemented, things changed markedly. Rather than being defensive, treasury became an enthusiastic supporter of the company's growth. It now had a technical structure upon which it could layer in all its new business and became a key contributor to the company's overall success.

> "In my experience, companies stuck in reactive mode probably have no organized technology foundation on which to manage treasury operations."

The good news is that I see a lot more companies recognizing, from the top down, the importance of proactive treasury—a fact probably inspired by the financial crisis of 2008–2009. More board members and senior managers are now directing treasury departments to become proactive by implementing robust, centralized technology environments.

I hope—and I am beginning to believe—that this is a permanent condition.

YOU DON'T HAVE TO BE BIG TO BE PROACTIVE

JIM CASHIN

Partner,
McGladrey LLP

Jim Cashin is a Partner in McGladrey's technology and management consulting practice, and has more than 24 years of consulting experience. Jim is the national leader of McGladrey's finance and accounting outsourcing practice and serves as the Northeast leader of the McGladrey's management consulting practice. He focuses on finance, accounting and IT transformation, business process improvement, merger & acquisition (M&A) integration, and performance management.

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One of our clients, a $250 million professional services company, was in the process of executing an acquisition-based growth strategy while at the same time diversifying its core services. Throughout this process, the company targeted acquisitions that had an annualized return on investment (ROI) of between eight and 10 percent, but to acquire those companies, the client often paid a premium, sometimes up to seven times the target's earnings. Despite this, the company was confident in its acquisition strategy and its ability to achieve its targeted ROI.

One of the greatest challenges for our client while executing its acquisition strategy was that it often was unable to quickly analyze its financial performance across the organization, which also included previously acquired companies that were being integrated into its organization. As a result, our client ran into liquidity issues and ultimately lost out on certain favored acquisitions because of cash constraints.

After understanding our client's challenges, McGladrey recommended that the company select and implement a performance management system to sit on top of and draw data from its enterprise resource planning (ERP) system. This performance management system would allow our client to enhance its business analytics capabilities in a structured, systematic and strategic way under a defined governance umbrella. These enhancements would enable the client to manage its treasury function more proactively and strategically, while providing greater insight into short-term and long-term capital needs.

> "Define governance, and assess the importance of a strategic treasury function within the organization."

KEY LESSONS

1. YOU DO NOT HAVE TO BE A MEGA-CORPORATION TO ENGAGE IN PROACTIVE TREASURY.
2. WITH SOLID, PROACTIVE, AND AUTOMATED TREASURY UNDERPINNINGS, COMPANIES CAN CONDUCT SCENARIO PLANNING.

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The company followed our advice and was able to manage cash and working capital much more effectively, improve the performance of existing business lines, and effectively execute its M&A strategy. It was able to prioritize the most strategic objectives and put others on the back burner. It had adopted proactive treasury management.

Enormous market capitalization isn't a prerequisite for making the leap to a proactive treasury function. There is the argument that a centralized treasury function is not necessary until the company reaches a certain critical mass and begins to engage in internationalized business. McGladrey's vast experience shows that this argument is not necessarily true, especially for our middle market clients.

Many middle market companies are already global. As such, they need to understand ever-changing global regulatory impacts, be responsive to international political and market uncertainty, and understand foreign exchange implications—all nearly impossible using reactive, labor-intensive, manual accounting procedures.

> "With solid treasury management in place, companies can strategically manage cash flows as different factors of the business change."

With solid, proactive and automated treasury underpinnings, companies can conduct scenario planning. They can take into account business unit performance, supply chain optimization, accounts payable (AP) and strategic vendor management. They can use the greater visibility into their operations to determine what their AP cycle should be to optimize cash, leverage banking relationships and manage debt ratios.

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How do you get there?

- Define governance, and assess the importance of a strategic treasury function within the organization. Fully map out how it will operate.
- Understand your company's current metrics for managing risks associated with cash and capital. Understand all the banking relationships, the global business strategy and how much investment it will take to get to the next level.
- Assess the data you have on hand—how long are your day sales outstanding (DSO) cycles, for example—to formulate recommendations for improving your cash and risk position as you evolve toward treasury management.

With solid treasury management in place, companies can strategically manage cash flows as different factors of the business change. Say your company has a fast AP cycle, but DSO is slow. You might operate for years not even knowing that situation exists. If a good treasury operation uncovers the problem, however, it might then identify ways to shorten the DSO cycle and lengthen the AP cycle. Suddenly, the business finds that it has more cash on hand to take advantage of opportunities as they arise.

Treasury management is a critical component to all organizations, regardless of size. Establishing proactive treasury capabilities and processes can greatly enhance an organization's ability to meet its goals and objectives, mitigate risks and achieve a competitive advantage.

CENTRALIZING TREASURY OPERATIONS IS KEY

DIANA FAYNBLUT

Treasury Analyst,
New York University

Diana Faynblut is a treasury professional with New York University, holding an MBA from the same. A Certified Treasury Professional, Diana has more than eight years of treasury experience and specializes in short-term investments, liquidity management, and treasury operations. Prior to her career in treasury, Diana was an IT consultant, working with a range of companies on designing and implementing IT solutions. Currently, one of Diana's projects is treasury system implementation.

Website

When I first started in treasury at New York University, the treasury function was new, and all the cash management and banking was done within the individual schools. Over the years, we have moved toward a more centralized treasury process. Centralizing treasury has given us a better view of our cash and investments, which has enabled us to more effectively manage our bank accounts, not only for auditing and compliance but also for tracking bank fees. This centralization has also improved the way we manage investments.

As we centralized treasury, we also worked to automate many functions. In treasury, we spend a lot of time doing many of the same tasks every day. We have been implementing a treasury system that has enabled us to automate many of those functions, such as regular reporting.

KEY LESSONS

1. BY MANAGING WORKING CAPITAL LIQUIDITY, TREASURY CAN INVEST IT IN SUCH A WAY THAT IT DOESN'T LOSE THE PRINCIPAL.
2. IMPROVING VISIBILITY INTO FINANCES AND AUTOMATING ROUTINE FUNCTIONS RESULT IN MORE TIME TO ENGAGE IN STRATEGIC ACTIVITIES.

Our goal is to manage the working capital liquidity and invest it in such a way that we don't lose the principal. Improving visibility into our finances and automating routine functions gives us more time to engage in more strategic activities. For instance, we have more time for research and time to build models that help us decide on the best uses of our working capital. We have more time to work on cyber-security and business continuance planning, to ensure that treasury can continue operating no matter what. We also spend more time working with schools on their budgets, planning and coordinating with them to help them get what they need to achieve their goals.

All of these activities become possible with more centralized visibility into our finances and the time to plan best strategies for managing our working capital.

> "Centralizing treasury has given us a better view of our cash and investments."

AUTOMATE, INNOVATE AND ANALYZE

In this section...

DATA IS POWER

CHAD WEKELO

Principal,
Actualize Consulting

Chad Wekelo is the founder and principal at Actualize Consulting, where he leads the Capital Markets & Treasury practice group and specializes in treasury operations, liquidity management, accounting, and valuation. Chad has detailed knowledge across all treasury products, including debt, derivatives, and investments as well as cash management and payments. He received his B.S. in accounting from the University of Virginia's McIntire School of Commerce, is a licensed CPA in Virginia, and holds the CFA designation.

Website

The treasury groups harnessing the power of data are those that are elevating their status within their business organizations. They are also those that proactively add value to the business.

The time required to perform the day-to-day operational treasury responsibilities in groups lacking automation is one barrier to reaching that state.

A large percentage of financial transactions, investments, and cash management flow through treasury. They are managing a lot of data, but until they achieve a state of automation that allows them to step back and figure out what to do with the data, they are stuck at what I call the *first tier* of treasury operations: they struggle simply to manage the operation. They lack the environment that would allow them to take those data and begin thinking of ways to productively exploit them.

We have a client that executed all of its accounts payable transaction payments through an enterprise resource planning (ERP) system. However, the daily bank statement activity was not being fed into the ERP system. A robust reconciliation engine was available within the native treasury tool. Many times, a treasury group will leave things at that: they don't own the ERP system, therefore the group doesn't really see it as a window into its own operations.

> "Suddenly, the client had far greater visibility into the entire business because it was getting data from the actual source of payment."

KEY LESSONS

1. TREASURY GROUPS THAT HARNESS THE POWER OF DATA ARE THE SUCCESS STORIES.
2. BUILD MOMENTUM WITH SMALL WINS, AND CARRY THAT FORWARD.

CHAD WEKELO

Principal,
Actualize Consulting

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Our client had the vision to see the possibilities. We helped them find a way to port the ERP data through the treasury system and use it not only for forecasting but also for advanced and streamlined reconciliations. Suddenly, the client had far greater visibility into the entire business because it was getting data from the actual source of payment. The client also gained greater confidence in its forecasting. Now the organization can manage and allocate funds more productively. For instance, before the change, our client maintained much larger-than-necessary cash reserves because it lacked confidence in its forecasts. Now, the client can use some of that money for short-term investment, business unit loans, and other purposes.

> "The first step is nailing down a business case that identifies simple but effective efficiencies for automation."

Automation, in this case, provided a true dollar benefit. So, why don't more treasury groups do this kind of thing?

I think people are sometimes scared off by automation's costs—even though it may be more cost-effective than they realize. Further, they lack the vision to see what good it can do. Even in cases where the vision exists, the ability to sell the idea to management and get funding is lacking.

What to do?

- The first step is nailing down a business case that identifies simple but effective efficiencies for automation.
- The second step is mapping out a realistic action plan for reaching what I call the *second tier* of treasury—a place where automation tools allow the group to centralize, analyze, and leverage all the rich data that have been slipping through their fingers.

Systematically investigate and understand your current state, and then prioritize automation additions that can generate the biggest bang for the buck. Then, move on. In other words, build momentum with small wins, and carry it forward. Then, you will be well on your way to the second tier.

EFFICIENCY BREEDS OPTIMIZATION

TOM DURKIN

Managing Director,
Digital Channels,
Bank of America Merrill Lynch

Tom Durkin leads his team in developing client-focused strategies and technology initiatives in payments and reporting solutions for CashPro® Connect, which covers SWIFT Corporate Access, Bank Account Management, and Biller Gateways. He is a leading advocate for thought leadership with global standards, ISO XML, and industry collaboration. Tom has spoken at Sibos 2014, the 2014 Association for Financial Professionals annual conference, Eurofinance, and the AFP Corporate Treasurer Council.

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Companies often look to banking partners to help them evolve their treasury operations from reactive to proactive. Specifically, they look for help leveraging technology to better shape their company's strategic agenda for payments.

If you read *The Wall Street Journal* or *Financial Times* on any given day, you know that the dynamics of business payments are changing significantly. Businesses cannot simply wait for treasury data to arrive, and then spend time and energy manually analyzing it. A proactive treasury management system allows a company to make efficiency improvements to working capital and improve strategic dialogue as it relates to the company's financial bottom line.

Large companies that run payments through banks like Bank of America Merrill Lynch are looking to leverage a global solution. As a trusted advisor to treasury practitioners, our goal is to help clients enable technology standardization, including adoption of the ISO XML 20022 messaging standard. This helps move the dial forward with their internal IT team.

KEY LESSONS

1. BECOMING PROACTIVE MEANS BECOMING PREDICTIVE.
2. AUTOMATED TREASURY IS DOUBLY IMPORTANT FOR COMPANIES ENGAGING IN MERGERS AND ACQUISITIONS.

> "The dynamics of business payments are changing significantly."

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I recommend three steps to companies moving along the path to proactive treasury:

- Create a business plan focused on the strategic growth opportunities for your company
- Clearly understand your treasury landscape. That means investigating your internal technology options and all connectivity points to your banking partners. Standardization is critical: in particular, standardize your payment system as a core offering.
- Talk to all of your banking partners to understand their technology landscape. Assess how they are evolving relative to your payment space. What are the potential impacts when their systems evolve?

In a globalized economy, a company's banking relationships are numerous and complex, partly because of geography and partly a question of diversifying the risks. What a company does not want in 2015 is to be manually logging into dozens of online banking systems to reconcile a multitude of accounts.

Treasury needs automated, intelligent access to enhanced data for reconciliation, strategic payment connectivity, and better risk management for fraud prevention. In terms of cash flow, this means becoming proactive and predictive.

> "Treasury needs automated, intelligent access to enhanced data for reconciliation, strategic payment connectivity, and better risk management for fraud prevention."

That's why an automated treasury management system makes sense. It can give the company cash visibility across all business units, originate payments in standardized files, and automatically feed relevant information to banking partners. This is all doubly important when companies are engaged in mergers and acquisitions, because newly acquired lines of business must be integrated as seamlessly as possible into existing processes. Having standardization in place at the outset helps a great deal.

HAVING THE RIGHT PEOPLE IS KEY TO A MORE PROACTIVE TREASURY

CRAIG JEFFERY

Managing Partner,
Strategic Treasurer

Craig Jeffery is the managing partner and founder of Strategic Treasurer. He has more than twenty-five years of financial and treasury experience as a practitioner and consultant. Previously, Craig was senior vice president and practice leader for Wachovia Treasury and Financial Consulting. He is also a certified Cash Manager and a Fellow of the Life Management Institute with distinction.

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A proactive treasury depends on the treasury organization having three key elements:

- The right mix of people and skill sets;
- Architecting a modern technology stack that enables treasury personnel to do what is asked of them; and
- Establishing and maintaining an awareness within the business of treasury's importance to business operations.

First, it's important to have people who are flexible in their ability to handle rapid changes that no one anticipated. A modern treasury should have people who are creative at problem solving. Accomplishing this depends in part on the mix of experiences team members bring to the organization. It is often better to have people with different backgrounds and experiences rather than people who all have similar skills and the same perspective. Another key characteristic for people in a proactive treasury organization is being social. Treasury personnel need to proactively find out what's going on in the business and establish relationships with key people in the business units. A proactive treasury cannot just operate as a vendor providing services: it has to operate as a strategic partner, which requires social skills and engagement within the organization.

> "A proactive treasury cannot just operate as a vendor providing services: it has to operate as a strategic partner, which requires social skills and engagement within the organization."

KEY LESSONS

1. TREASURY PERSONNEL NEED TO PROACTIVELY FIND OUT WHAT'S GOING ON IN THE BUSINESS AND ESTABLISH RELATIONSHIPS WITH KEY PEOPLE IN THE BUSINESS UNITS.
2. WHEN WE TALK ABOUT BEING PROACTIVE, PART OF THAT IS HELPING OTHERS VISUALIZE WHAT TREASURY IS TALKING ABOUT.

HAVING THE RIGHT PEOPLE IS KEY TO A MORE PROACTIVE TREASURY

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The second element of a proactive treasury involves architecting and building out a modern technology stack. Many businesses are saddled with older technologies that make it difficult to change operations. For instance, in some systems, doing something as simple as changing a report can be a nightmare. The demands placed on the proactive treasury require more real-time access to information, such as snapshots of assets, risks, and exposures, and the ability to adjust reports quickly to answer strategic questions. It's also more than just responding quickly, however: it's anticipating risks and being prepared to respond. You need to structure a technology stack that enables you to analyze and respond to questions that you may not know how to ask until business circumstances bring them to the surface. It is also important to recognize that building a modern technology stack, which includes data, connectivity, systems, reporting, and analytics, means building for continuous change. Building the stack is not a one-year event: it's continuous.

> "It is often better to have people who have different backgrounds and experiences rather than people who all have similar skills and the same perspective."

The third element of a proactive treasury involves establishing and maintaining awareness of treasury's importance in the larger business organization. This is an extension of the idea stated earlier that people in a proactive treasury must be social, because a key part of establishing the importance of treasury is educating others in the business about what treasury is talking about.

This is not a single event but an engagement process. Whether it's about understanding banking, capital markets, bank relationships, risk, or mitigating risk, people in the business for whom elements of treasury are not their core expertise need regular explanations of the relevance of these concepts to their business operations. This means socializing within the business, gaining a better understanding of business operations, and explaining to business unit managers how treasury can help the way they operate, help with cash management, help with risk assessment—help prepare so that when situations arise, the business units can better manage them.

A PROACTIVE TREASURY STARTS WITH BUSINESS CONTINUANCE

GEORGE WERNER

Manager, Corporate Treasury/ Capital Markets, Actualize Consulting

George Werner is a techno-functional treasury professional who has more than 25 years of experience in a variety of treasury roles, including cash management, banking relations, and treasury systems implementations. Combining business analysis, Six Sigma, and project management with a technical background, George applies a holistic approach to treasury issues.

Website

My approach to corporate treasury—especially the cash-management function—has always been one with an eye towards business continuance. Therefore, a first principle has to be that every day treasury must be available and able to conduct essential functions that keep the business operating. A key aspect of business continuance under all circumstances is having a strong, well-tested emergency preparedness plan. Such a plan should cover all imaginable possibilities, from systems failures to natural disasters to market disruptions.

Cash management—managing the company's liquidity plan—is one of the most important treasury functions. There must always be enough cash on hand to cover ongoing operations as well as planned expenditures. To accomplish this in today's economic climate, treasury must apply technological innovations that automate routine functions in ways that free people to devote more time to developing effective cash-management strategies. This means not only offloading mundane tasks but having tools to perform necessary analytics and reporting that enable companies to use their cash wisely.

KEY LESSONS

1. LET TECHNOLOGY AUTOMATE SOME OF THE ROUTINE OPERATIONAL TASKS SO THAT YOU CAN SPEND MORE TIME UNDERSTANDING THE BUSINESS ITSELF.
2. TREASURY SHOULD BE INVOLVED IN MOST ASPECTS OF THE BUSINESS IN SOME WAY, SHAPE, OR FORM.

> "A first principle has to be that every day you must be available and able to conduct essential functions that keep the business operating."

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Website

Having the latest technology tools in place is not enough, however. Treasury must also understand what is happening in the business units. One of the first times I installed a treasury system, the team leader stressed that he wanted treasury managers to be ubiquitous and interchangeable. He wanted us to reach out to the business units we were supporting and to have a constant dialogue with them so that we always knew what was going on in their business. If they had a new deal coming up and needed funding for it, we would know that was happening before it happened.

Of course, the ideal is for treasury to leverage its financial insights and knowledge of the business as a whole to more actively participate in business decisions. That is often not the case in business organizations today. Large organizations typically operate in silos, and they covet their information. They're not always ready to share. By having a broader insight into what's happening across all these silos, treasury is in a more informed position from which it can influence important business decisions.

> "Having the latest technology tools in place is not enough. Treasury must also understand what's happening in the business units."

SEVEN STEPS TO TRANSFORM YOUR TREASURY FUNCTION

ALBERT PANG

President,
APPS RUN THE WORLD

With more than three decades of experience in the software industry, Albert Pang is reshaping the field of IT market research by offering market share data to buyers, vendors, and investors through careful analysis of thousands of vendors and more than 65,000 customer implementations. Often quoted in traditional press and widely connected in social media, Albert is an expert on enterprise resource planning, treasury and risk management, vertical app trends, and the impact of globalization on next-generation business processes.

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As the Internet revolution continues to reshape businesses of all sizes as well as our daily lives, the job of a treasurer is becoming more entwined with such new technologies as cloud computing, mobility access, and predictive analytics. My view is that savvy treasurers need to consider seven ways to boost their technology quotient to add value to their profession while influencing the direction of the organization by rethinking how it manages business processes, from bank communication to exposure management.

1. Handle Data Sources With Care. Every employee involved in the treasury function—or for that matter, financial management roles, from accountant to controller—is becoming a data source, and the amount of information they generate through their affinity to external websites and social networks will carry serious implications both in terms of data integrity and information security.

2. Question System Obsolescence. With a proliferation of organic and external data sources, the job of a treasurer is to determine whether existing systems and their underlying processes can support future business requirements as the user population becomes more diverse, financial transactions more global, and compliance issues more complex. If the current setup is insufficient, treasurers must explore available options, from rip and replace to expanding system footprints, as a stopgap measure.

> "The job of a treasurer is to determine whether existing systems and their underlying processes can support future business requirements."

KEY LESSONS

1. EVALUATE AND DETERMINE THE TECHNOLOGY SOLUTIONS THAT WILL MAKE TREASURY READY FOR THE NEXT-GENERATION ECONOMY.
2. ENSURE THAT TECHNOLOGY VENDORS COMMIT TO AMPLE USER SUPPORT, FROM IMPLEMENTATION THROUGH GO-LIVE.

ALBERT PANG
President,
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3. Balance Cloud and Non-cloud. When deciding whether to start subscribing to an array of cloud services, a treasurer needs to check the ease of information access against industry-specific requirements, data governance, and broader issues like security and scalability. Whatever the case, cloud is not about cost but whether it's a better fit for an organization's business objective.

4. Don't Waste Time on the Cloud. One of the biggest benefits of cloud computing is its ability to deliver enhancements on a continuous basis. That said, users should be able to leverage new features like reporting and payment without it interfering with their daily workflow. In other words, adopt cloud solutions that actually save time but not at the expense of creating more work for your users.

5. Mobility Is the Key. Companies that fail to incorporate mobile devices into their treasury function could run the risks of underserving their users. Thus, a comprehensive mobile strategy is needed to ensure that users can readily access time-sensitive information without compromising mission-critical data while on the go.

> "Check the ease of information access against industry-specific requirements, data governance, and broader issues like security and scalability."

6. Predict What's Missing. Optimizing treasury function may sound routine, but the goal of a treasurer is to anticipate what's to come with regard to the flood of information from the enterprise as well as any expansion opportunity that will help the organization sustain its growth. That means predictive analytics based on historical patterns and the latest market data will become an important tool for treasurers to combine a rear-view mirror and a telescope.

7. Focus on Vendor Support Proactively. "You get what you pay for" may not necessarily ring true when many technologies and cloud services are actually being given away for free. Still, savvy treasurers need to ensure that their technology vendors commit themselves to ample user support during the implementation phase and go-live operations. Any successful software project requires that users and vendors set and meet their expectations under SLAs and actual terms that benefit all parties involved.

BEGIN BY STREAMLINING TREASURY OPERATIONS

GREG LINKOUS

Manager, Domestic Treasury, Hanesbrands Inc.

Greg Linkous has spent the majority of his career working within the corporate treasury space. He spent his early years working as a treasury account manager for Wells Fargo. His most recent experience, with Hanesbrands, has provided him the opportunity to gain practical experience within a dynamic and fast-paced corporate treasury environment. His primary responsibilities include short- and long-term cash forecasting as well as oversight of the treasury system.

My perspective on this question comes from work I have been doing in treasury since I joined Hanesbrands several years ago. At that time, we were just beginning to implement a new treasury system. The treasury department was lean, and many staff members had overlapping skill sets so that anyone could perform pretty much any core treasury function.

Rolling out the system has made it possible for our treasury group to begin working more strategically, but it has taken a while to get to that point. The first thing that happened as a result of the new system was that we needed to add staff resources and align them more effectively with our specialized functions. You cannot be proactive without adequate resources to perform necessary, specialized treasury functions.

After we had realigned staff with the more specialized skills we needed, good communication became critical within the group so that everyone understood the goals of treasury and how to meet them. In our case, for the past several years we have focused on key objectives laid down by our management: processing efficiency and looking at what we can do day to day to add value to treasury functions. We have been collaborating within our group on how to leverage the technology to accomplish these goals.

> "You cannot be proactive without adequate resources to perform necessary, specialized treasury functions."

KEY LESSONS

1. MAKE SURE THAT YOU HAVE ADEQUATE RESOURCES TO PERFORM ESSENTIAL FUNCTIONS AND THAT THOSE RESOURCES ARE ALIGNED TO THE SPECIALIZED FUNCTIONS YOU NEED TO PERFORM.
2. MAKE SURE THAT TREASURY HAS VISIBILITY TO THE COMPANY'S CASH AROUND THE GLOBE.

BEGIN BY STREAMLINING TREASURY OPERATIONS

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Manager, Domestic Treasury, Hanesbrands Inc.

Greg Linkous has spent the majority of his career working within the corporate treasury space. He spent his early years working as a treasury account manager for Wells Fargo. His most recent experience, with Hanesbrands, has provided him the opportunity to gain practical experience within a dynamic and fast-paced corporate treasury environment. His primary responsibilities include short- and long-term cash forecasting as well as oversight of the treasury system.

Now that we have implemented the technology and streamlined many core treasury functions, we are focusing on using the technology to do things that we could not do in the past. We intentionally purchased a multifunction system, knowing that this is what we ultimately needed to do. We are continuing to consolidate so that all of our global banking information is available on one system. With simpler account access and better reporting than we've ever had before, we have greater visibility on a global scale into our cash, and we have a clearer idea of the moves we need to make to maximize our liquidity.

We are just getting to the point where we can apply more advanced features of the system, such as analytics, in a more strategic approach to treasury operations. For example, we used to track our forecasting in Microsoft Excel, but we never really had the ability to do good variance analysis. Treasury system analytics functions enable us to do much better variance analysis, which will improve our forecasting.

It has been an evolutionary process. Using the right resources to streamline our processes has enabled us to think more and be more proactive about leveraging the technology in ways that add greater value to what we do as a treasury organization.

> "For the past several years, we have focused on processing efficiency and looking at what we can do day to day to add value to treasury functions."

LIZA B. MONDONEDO

Manager, Treasury Consulting and Shareholder Services, Beam Suntory Inc.

Liza Mondonedo is a 20-year veteran in the treasury industry, whose expertise is in global and domestic payments, liquidity management, domestic and international banking, financial systems implementation, and overall process automation. Liza's valuable experience comes from working for mid-market to Fortune 500 companies such as Baxter International, Brunswick Corporation, and Yaskawa America Inc. Liza currently works for Beam Suntory Inc. as the manager of treasury consulting and has been there for the past 6 years.

Website

Last year, Suntory Holdings Ltd. of Japan purchased my company, Beam Inc. Our new owners wanted treasury to close our books within two days, shortening the amount of time before revenue accounts could become available for the next accounting period. Before the acquisition, Beam never managed that in less than five days.

To do it, we told our new owners, we needed a treasury system capable of processing corporate-wide financial data much more quickly and deeply. We opened a request for proposal process in April 2014 and selected Kyriba as our treasury system provider. We are currently going through implementation.

The new system is capable of creating reports that feed into our enterprise resource planning system, automatically generating data entry for the journal entries so that accounting doesn't have to process it at all. We can send out automated reports by e-mail to all senior managers so they can track revenues, expenditures, cash balances—just about anything having to do with cash.

This upgrade has helped establish treasury as a truly strategic partner. Ironically, before the acquisition, I'd been trying for two years to convince our treasurer that we needed that upgrade, so, the implementation has helped solidify my reputation as treasury's "technology queen."

In my 20-year career, I have seen treasury evolve significantly. It's a constant struggle: you're either moving forward or moving backwards, but never in between. Nothing is ever static.

> "I believe that automation is perhaps the key element in making treasury proactive."

KEY LESSONS

1. NOTHING IS EVER STATIC: TREASURY IS CONSTANTLY EVOLVING.
2. AUTOMATION IS THE KEY ELEMENT IN BUILDING A PROACTIVE TREASURY. SO, EMBRACE AND MASTER TECHNOLOGY.

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I believe that automation is perhaps the key element in making treasury proactive. It gives us instant access to data that helps the company make key strategic funding and financing decisions. We can now effectively report cash flow forecasts. With mobile technology, we can even approve wire transactions remotely.

When treasury's role was supportive and reactive, we were always in the background. We were the ones, for instance, who had to be in the office to log in to our bank accounts when the bank happened to be open—even when our own offices were closed and the bank was 12 time zones away. Now, we have automated interfaces for that and data can be processed no matter what time it is.

> "Any treasurer who wants a proactive strategy for managing cash must not only embrace technology but master it."

Any treasurer who wants a proactive strategy for managing cash must not only embrace technology but master it. You must understand the interfaces, which means you must forge close partnerships with your IT team. You must also develop strategic partnerships with accounts payable and accounts receivable and with your senior managers. That goes for your banking partners, too. I meet with our banks at least twice a year to inform them of our strategic initiatives.

These, then, are my key tips for developing a truly proactive treasury:

- **Embrace Technology.** Take ownership, and automate where you can.
- **Become a True Strategic Partner.** Build partnerships both internally and with your external customers and vendors.
- **Stay on Top of Your Game.** Treasury is an increasingly potent and important force in the ever-changing industry landscape. Stay sharp. Attend seminars and workshops—educate yourself continuously.

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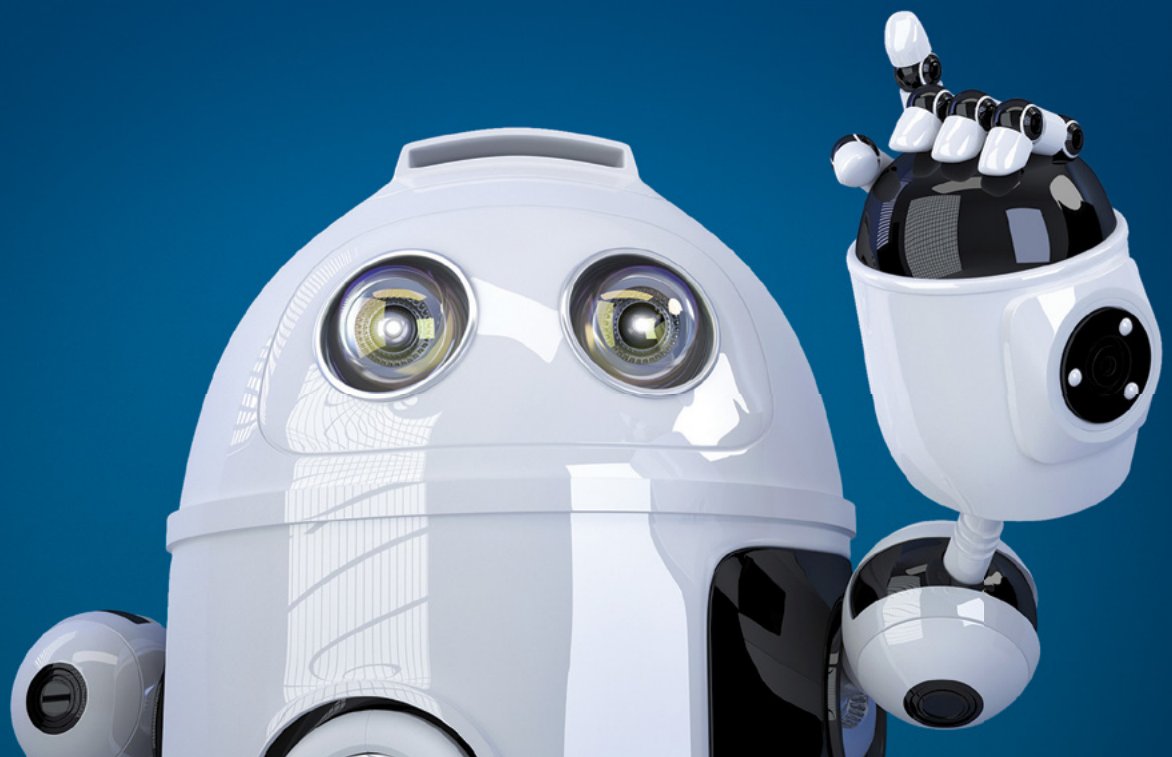

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