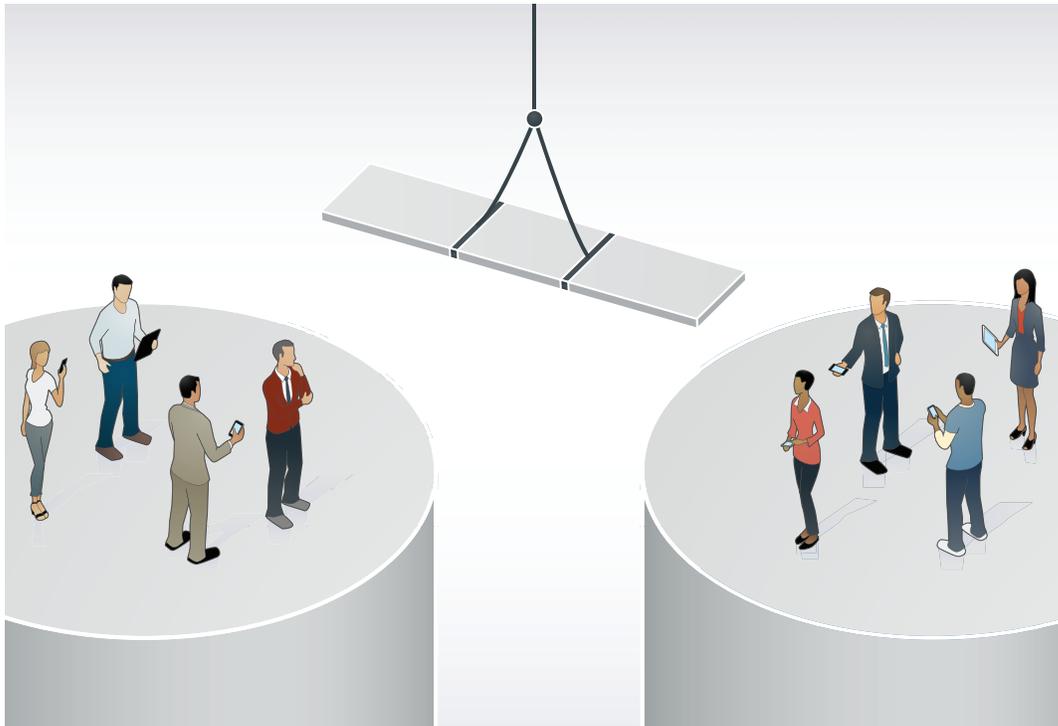

BOND & COMPANY

EXECUTIVE SEARCH AND RECRUITING



"Today's most successful treasury teams are no longer satisfied with fulfilling their traditional siloed role in the organization."

8 Things Strategic Treasurers Are Doing to Avoid Back Office Oblivion

By **Rich Bond**

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Rich Bond founded Bond & Company in 1986, and in the early 1990s started recruiting treasury professionals, primarily for very large entities like PepsiCo and GE. At that time, treasury became much more sophisticated, and companies started to use derivatives, obtain greater access to the capital markets, and realize that they could shop for the best services from banks as the services became priced individually.

In the past few years, software designed for treasury functions has become cheaper and better, and treasury has become more sophisticated even in small to middle-sized companies.

Bond & Company has placed over 80 treasury professionals and can share numerous case histories of how its placements more than paid for themselves, and made treasury a stronger strategic partner to senior management.

8 Things Strategic Treasurers Are Doing to Avoid Back Office Oblivion

By **Rich Bond**

Many corporations have great treasury functions that play an important role in the strategic direction of their companies. Over the years, I have been fortunate enough to recruit treasury talent for (and out of) a number of those entities, particularly during the time when the definition of treasury was rapidly changing.

I have seen treasury go from a hot area, where the demand for talent exceeded the supply, to a stagnant or shrinking job market, particularly for more senior roles. Treasury groups are shrinking, while the businesses are increasing in size and becoming more complex.

Of late, it seems many businesses do *not* view treasury as a strategic partner, and they are putting the function under significant budgetary pressure to do more with less. Treasury more and more is being treated like a back-office function.

Today's most successful treasury teams are no longer satisfied with fulfilling their traditional siloed role in the organization.

As Melissa Cameron, head of Deloitte's treasury consulting group, said in an interview in *Treasury & Risk Management* magazine, "I often feel that treasury is the poor cousin in finance," lacking the same headcount and technology as the controllership or financial planning and analysis.

The situation is, however, ripe for change. New technologies, Brexit, tax reform, swings in the political pendulum, deregulation, tariffs, and automation are creating opportunities that can enable treasury to become a strategic business partner within your corporation.

A recent survey by Deloitte reveals that CFOs are beginning to look to the treasury team to provide analysis and support in freeing up working capital, maximizing profits, and dealing with operational risk management. An article in *Treasury and Risk* noted, "Today's most successful treasury teams are no longer satisfied with fulfilling their traditional siloed role in the organization."

Finance benefitted from better software, technology, and processes, which allowed them to spend less time crunching the numbers related to past performance and more time projecting future results and recommending action that could improve the business. What happened in finance is often referred to as a *transformation* based on technology.

The same opportunity exists in treasury. Because treasury is complex with all kinds of attendant risks, the function is highly *process-driven*. To act as a strategic partner, treasury groups need

to communicate to management less about their processes. Instead treasurers need to use their new technologies to help simplify what they do and demonstrate the value they add.

Although the treasury group makes up a tiny proportion of a corporation, it can have a grossly disproportionate effect on profitability. With a treasury transformation, that effect can be even larger. Treasury can provide the infrastructure to help a business grow profitability and allow it to successfully manage an assortment of risks.

8 Transformative Actions Treasury Can Take

Over the years, we have observed 8 actions that strong treasury functions do to become strategic partners to management. Some of the examples are from our clients, while others are Alexander Hamilton Award winners. The following points highlight ways you can transform your team so that it can develop and execute projects that will effect positive change in your organization and empower you to enact your company's strategy.

1. Understand Your Business.

To be a strategic partner, you need to understand the business. If you are stranded in your silo, you cannot see the opportunities to help your organization grow and increase profits. Treasurers need to interact with management and individual business units to learn what the business does, how it operates, and what is happening in the industry. When you interact with business units, you can learn the language the managers speak, what is

important to them, and how you can facilitate changes to help their business run more efficiently. I can cite two specific examples: one an Alexander Hamilton Award winner, the other at a company where I worked and saw the change first-hand.

Several years ago, Murphy Oil, a multi-billion-dollar petroleum company underwent a transformation that shifted its strategic focus from refining to retailing. The shift required accessing more capital and providing the banks with more information.

Management realized they needed to learn about the retail gasoline business. They worked with the business units to learn the units' vocabulary and figure out a way to translate their terms into treasury terms. They learned about the products and their lifecycles. This opened up understanding and dialogue, not only between treasury and business units, but also between business units and with other corporate departments, such as tax.

The communication enabled treasury to create forecasts to ensure adequate cash to fund the business units' activities, stage by stage. They created a complete flow chart for products and the attendant cash needs. They used technology to manage the cash, to give everyone greater clarity, and to align assumptions. This helped management with strategic planning for capital expenditures and needs for accessing the capital markets. Their bankers were able to lend Murphy more money at lower rates.

Treasurers need to interact with management and individual business units to learn what the business does...

The second instance involved the Seagram Company, the largest liquor company in the world at that time. The treasurer decided to make one of his brightest subordinates the Director of Credit and Collections. Dealing with the distributor network and the state liquor authorities was a challenging real-world experience that over time allowed Seagram to reduce the distributor credit balances by over \$150 million.

2. Identify Business Opportunities, and Help the Company Address Them.

I recently met the treasurer of a smaller, but rapidly growing, company that provides technology-based services to the pharmaceutical industry. When this individual joined the company, sales were at about \$400 million with most of them in North America. In the last three years, sales have increased by ~50%, led by high percentage gains overseas.

The treasurer said he spends over 50% of his time working with the line people and operating groups. He is particularly proud of the infrastructure he set up to make doing business internationally simpler, while minimizing the business risks.

3. Analyze Costs for Purchased Products and Services.

Is your organization buying its financial services and products in the most efficient manner? Companies can survey other companies in the industry to get a sense of what “best practices” are.

Develop processes for saving money when buying financial services

One of our transportation clients called in a panic to find a replacement for the Payment Cards person who had left, as the company was afraid of falling into non-compliance with the latest Payment Card Industry Data Security Standard (PCI) requirements.

The person we recruited not only came up with new processes to insure PCI compliance well into the future, he made changes that reduced costs by over \$2 million/year without affecting customer service. Knowledgeable buyers like this Payment Cards professional can save organizations significant amounts of money.

4. Analyze What You Are Paying Your Banks To Do.

A company in the mortgage banking services field decided they needed to upgrade their custodial services capability. The treasury group worked with their internal customers to replace a largely manual process that was replaced by an in-house banking system that interfaced with the ERP system.

The new system allowed the company to get separate SBIC insurance for each client and dramatically lowered costs. The project eliminated \$500,000 in bank fees and could eventually yield \$300,000 in earned interest credits. This project was the recipient of an Alexander Hamilton Award.

5. Automate Time-Consuming Manual Processes.

One multi-national entertainment conglomerate, faced with new regulations that required increased levels of reporting for every employee and subcontractor who touched a foreign

bank account in all its offices and subsidiaries, installed an automated system to report on all the accounts and report average daily balances. Once operational, the system did the job of three people. Those three people could then work on liquidity planning. In another

Use the time saved through automation to support higher-value, strategic activities.

case, this same company installed treasury workstations that could aggregate data from all the banks, rather than using Excel spreadsheets. The time saved allowed some group members to do higher-value activities, support strategic activities, perform capital structure analyses, anticipate cash needs, and determine the optimal ways of sourcing the cash worldwide. The group also became free to meet with other treasurers to learn what strategic initiatives other organizations are undertaking.

As a result, the treasury group undertook a project to analyze the costs and benefits of installing a whole bank account management system. This new system has enabled the organization to develop a streamlined system for onboarding acquisitions.

It is anticipated that eliminating unnecessary bank accounts will save \$250,000 annually, and the unified bank account management system will cut the cash forecast errors in half.

6. Find and Mobilize “Trapped” Cash.

Some years ago, Honeywell was given the overall award for treasury excellence. One of the key projects honored had been undertaken by the Assistant Treasurer in Europe.

Honeywell had acquired many companies in Europe that that were largely allowed to keep most of their existing banking relationships. By consolidating down to one of two lead banks, Honeywell was able to free up \$300 million in previously trapped cash and generate significant savings in bank fees.

7. Develop a Plan and Put Someone in Charge.

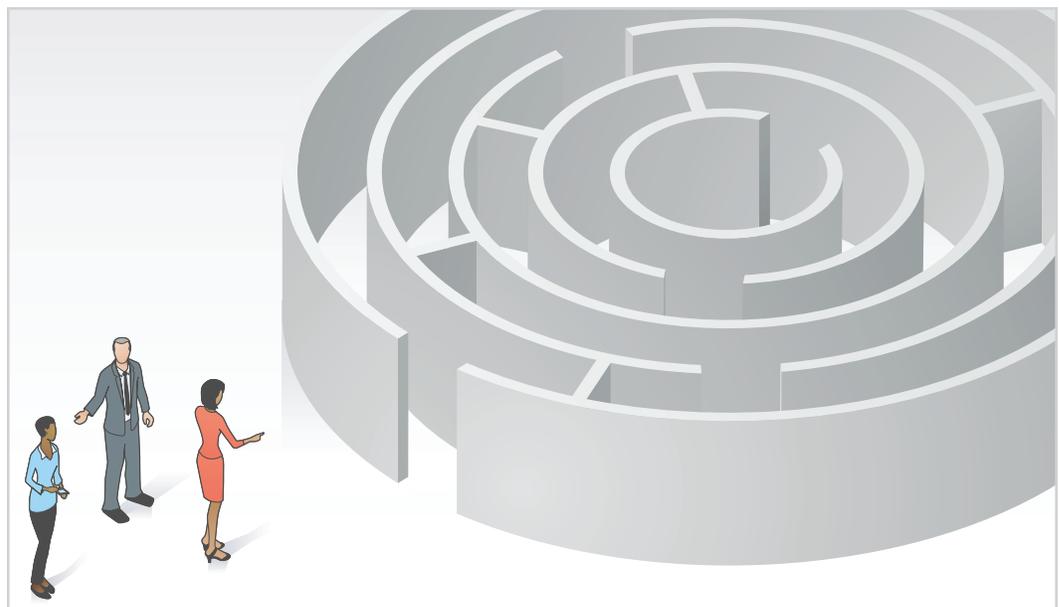
Benjamin Franklin and Winston Churchill both famously said, “If you fail to plan, you are planning to fail!” But there is a big “But...” Any treasury transformation initiative not only requires a plan; it needs a champion to see it through. We all know that hiccups occur. With people working in silos, staffers from various functional areas can fail to understand why the planned changes will make a positive difference. You need a leader to work cross-functionally, tapping the internal and external expertise, developing benchmarks, and helping to bring all stakeholders onboard with the project. Often you need to tap talent with specific expertise to implement a portion of the project. Such leaders can come from within, but sometimes they must be brought in from the outside. Occasionally, the leader can take their initial mandate further, improving functions and returning even more value to the organization.

8. Show Management What Treasury Has Done for Them.

Virtually everyone listens to the same favorite radio station – WIIIFM – “What’s In It For Me?” The management of your organization is no different. How can you demonstrate the value treasury delivers to them? Do they view treasury as a cost center or a strategic partner that

impacts the bottom line, improves the financial strength of the company, and makes them look like heroes? There are several ways you could answer the WIIFM question:

- a. Create pro forma P&Ls showing the cost of doing business without the treasury group vs the cost of treasury and its overhead.
- b. Present to management as often as possible the bottom-line impact of successful treasury projects.
- c. Get outside recognition via awards such as the Alexander Hamilton Awards.
- d. Present all requests and projects in terms of their return on investment.



Conclusion

To avoid falling into the trap of back office oblivion, you need the right team. But treasury tends to have an uneven distribution of talent. To make matters worse, treasurers are not particularly good recruiters because that is not their area of expertise. Furthermore, the function is complicated by its terms and terminology. As a result, hiring the right talent can be a perplexing

and time-consuming experience, particularly when you are looking for team members who will help turn the department into a strategic partner with senior management. But as the 8 examples above show, creative, thoughtful treasury experts can contribute hugely to their organizations.

Hiring the right talent can be a perplexing and time-consuming experience.

Finding new treasury talent for most recruiters – internal or external – can be a frustrating effort because it is essentially an exercise in on-the-job training (OJT). Our knowledge of the treasury talent pool, in addition to our unique approach to recruiting, can save you a lot of time and help you hire someone who will not only succeed, but make your job easier.

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