



2017 CORPORATE TREASURY PRIORITIES

A New Starting Line

Each year, Treasury Strategies assesses the state of the treasury profession and key issues on the horizon. We supplement our rich experiences from consulting to corporate Treasurers with a robust survey of treasury priorities. This year, over 450 organizations participated in the survey.

When we consider what our clients and the survey participants are telling us, it is clear we are closing the book on the financial crisis. They see the regulatory onslaught beginning to temper, interest rates beginning to rise, economies gaining traction and, importantly, banks back in the banking business. Hence our theme for 2017, “A New Starting Line.” While many of their priorities are quite familiar, treasury is taking fresh approaches to tackling them.

Our key survey insights are discussed in this summary. You can use these as a barometer to confirm your own priorities or identify activities that may have escaped your radar. Of course, you can call us to discuss these further.

In Table 1, we show the top ten priorities for 2017, 2016 and 2015. The year-to-year trends are informative.

TABLE 1: Top Treasury Priorities for 2017

| | RANK 2017 | RANK 2016 | RANK 2015 |
|---|-----------|-----------|-----------|
| Cash forecasting | 1 | 1 | 1 |
| Financial risk management, FX | 2 | 2 | 2 |
| Treasury staffing levels and skill sets | 3 | 8 | 3 |
| Treasury functional organization | 4 | 3 | 5 |
| Treasury management systems | 5 | 6 | 7 |
| Bank relationship management | 6 | 4 | 6 |
| Best practices | 7 | 5 | 4 |
| Operational efficiency | 8 | 10 | 9 |
| Balance sheet optimization | 9 | 9 | 11 |
| Bank service fees | 10 | - | - |

We’ve grouped the most important 2017 initiatives into four categories:

- Forecasting and risk management
- Treasury organizational structure
- Banking
- Treasury technology

FORECASTING AND RISK MANAGEMENT

Cash forecasting and financial risk management ranked first and second for the past three years. We observe two reasons for this in our client work. First, these issues are important and have a very direct and significant economic impact. Second, it's difficult to get them right and keep them that way. To do so requires a process of ongoing improvement against a shifting business / economic climate.

Treasury groups expect to be coping with financial volatility and uncertainty in 2017, clearly evident in the survey results. Political climates around the world are fraught with uncertainty. Both trade flows and financial flows are likely to face upheaval. Firms will strive to minimize adverse financial impacts by focusing on cash forecasting, financial risk management, credit access and balance sheet optimization, wrapped together with treasury technology. Such initiatives will also help treasuries align their treasury strategy with overall corporate strategy.

TREASURY ORGANIZATIONAL STRUCTURE

Many companies are positioning themselves at the new starting line by examining how they conduct their treasury activities. Is the right team in place to face the future environment? How do skill sets that were important in a low rate, low growth environment match up against needs in a higher rate, higher growth environment?

High priorities here include:

- Treasury functional organization
- Centralizing or decentralizing treasury functions
- Cross-silo initiatives
- Integration with business units
- Training
- Shared service centers

Optimizing the treasury group's structure enables a Treasurer to minimize financial risk, face off against other parts of the company and meet larger organizational objectives as efficiently as possible. A sound structure positions the team for long-term success.

BANKING

We're in a new financial services world in 2017. Nothing bears that out more than the face of the banking industry and the regulatory field on which banks must play. In short, with the regulatory pendulum now swinging back, well-capitalized banks will be in position to offer a wider array of services to corporate Treasurers. However, they are likely to do that within narrower geographic scope. In addition, they have new-found pricing power, so pent-up price increases that have been on the shelf for several years will be hitting the market.

Remember "relationship banking"? It is making a comeback now that "compliance banking" is receding. That's a good thing for Treasurers, but it may require some retooling or reorientation. That's why 2017 banking-related priorities include:

- Bank relationship management
- Bank service fees
- Banking structure
- Access to credit
- Pooling structures
- Cash repatriation

In addition to top priorities, we also asked Treasurers what benchmarks they would like to see. Interestingly, bank service fees, a new category this year, ranked #1 on the list.

Table 2 shows the top ten activities for which Treasurers would like to have external benchmarks.

TABLE 2: Top Treasury Benchmarking Needs for 2017

| | RANK 2017 | RANK 2016 | RANK 2015 |
|---|----------------------|----------------------|----------------------|
| Bank service fees | 1 | - | - |
| Financial risk management, FX | 2 | 3 | 6 |
| Cash forecasting | 3 | 4 | 4 |
| Centralizing or decentralizing treasury functions | 4 | 10 | 10 |
| Best practices | 5 | 1 | 2 |
| Treasury management systems | 6 | 7 | 9 |
| Treasury functional organization | 7 | 8 | 7 |
| Short-term investments | 8 | 5 | 3 |
| Treasury staffing levels and skill sets | 9 | 2 | 1 |
| Banking relationship management | 10 | 6 | 5 |

TREASURY TECHNOLOGY

Treasury technology continues to grow in importance. Companies are replacing siloed and archaic treasury systems with better integrated, more functionally robust, global platforms. Many of our clients have decided to optimize their existing technology. That includes implementing modules that were omitted from the original installation, and adding “bolt-on” software for specialized functions.

Even as the universe of treasury technology providers continues to consolidate, new offerings are emerging. This clearly benefits corporate treasury.

Treasury technology priorities include:

- Upgrading treasury management systems
- Cyber security
- Operational efficiency and execution
- Evaluating shared service centers
- New technologies

A NEW STARTING LINE

It’s a new day. It’s time to begin a new race. If your top priorities align with your peers, then get started! If they differ, pause for a minute to consider why, and adjust if appropriate.

To get the most out of your treasury team, we recommend these four steps:

1. Develop a treasury strategy. Align it to your company’s overall strategy.
2. Create a two to three-year roadmap with the key initiatives that underpin the strategy.
3. Develop project plans for each roadmap initiative.
4. Get started.

If you’re having a difficult time with any of your initiatives, or if you’d like help thinking through your treasury strategy, call us. It’s in our name - Treasury Strategies! We can help. With the correct methodology, a collaborative approach and the right external partners, together we can make 2017 your best year ever!





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