



2018 Corporate Treasury Priorities Back to the Future

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Each year, Treasury Strategies assesses the state of the treasury profession and key issues on the horizon. We supplement our rich experiences from corporate treasury consulting with a robust survey of treasury priorities, in which over 400 organizations participated this year.

When we consider what our clients and survey participants are saying, we are reminded of the environment during the early years of this century. We have consistently rising rates for the first time in a decade. We have a tax holiday — last seen in 2004. We might even begin to experience some inflation! Hence our theme for 2018, “Back to the Future”.

Key survey insights discussed in this summary can serve as a barometer to confirm your own priorities or identify activities that may have escaped your radar. Of course, we welcome your call or email to discuss these further.

In Table 1, we show the top ten priorities for 2018, 2017, and 2016. The year-to-year trends are also very interesting.

TABLE 1: TOP TREASURY PRIORITIES FOR 2018

	RANK 2018	RANK 2017	RANK 2016
Cash forecasting	1	1	1
Financial risk management, FX	2	2	2
Treasury management systems	3	5	5
Treasury functional organization	4	4	-
Balance sheet optimization	5	9	9
Treasury staffing levels and skill sets	6	3	6
Bank service fees	7	10	-
Operational efficiency	8	8	8
Cyber security	9	14	12
Bank relationship management	10	6	3

Source: Treasury Strategies, 2018 State of the Treasury Profession Survey

We'll briefly discuss the five most important 2018 initiatives:

- Forecasting
- Risk management
- Treasury technology
- Treasury organization
- Balance sheet optimization

FORECASTING AND RISK MANAGEMENT

Cash forecasting and financial risk management are the perennial number one and number two issues — even farther back than this table shows. These two issues are fundamental to Treasury's charter, and they reflect the “never completely done” aspect of Treasury activities.

Forecasting is a top issue because it is vital to having a pulse on the firm's liquidity sufficiency. Your forecast has to adapt to new corporate structures, changes in your business model, data challenges and customer / supplier payment patterns. All such things make a company's cash forecast a kind of living entity that must be regularly altered and updated.

The situation with financial risk management is similar, but perhaps more impacted by economic factors. Some Treasurers note that recent weakening of the dollar against the euro is creating currency swings and rate impacts, all factoring into capital funding decisions. They have become more focused on earnings protection due to the weaker dollar. This illustrates why Risk Management is one of the top two 2018 priorities for so many Treasuries.

TREASURY TECHNOLOGY

This issue strengthened slightly from last year, remaining a top priority; and logically so. A firm's Treasury Management System is among the largest investments a Treasury group makes. As such, it requires regular upkeep (beyond annual maintenance fees) and re-optimization. System configuration has to keep up with corporate and banking changes; reporting always needs to be adapted; missing functionality should be bolted-on over time. And periodically a system does need to be replaced.

For firms without Treasury Management Systems, the acquisition and implementation of a platform may be the issue of the day.

TREASURY ORGANIZATION

Effectively deploying your Treasury resources against your tactical and strategic assignments is also a high-priority challenge. With the job market tightening and Boomer retirements increasing, things could get interesting. Yet having to replace people presents an opportunity to rearrange the deck chairs. Treasury colleagues also note the need to re-invest in skills that have been dormant for a while: running investment portfolios and capital structure evaluations.

BALANCE SHEET OPTIMIZATION

Tax law changes — the tax cut for overseas earnings, and limits on interest deductibility on corporate debt, in particular — are stimulating the need to re-examine the corporate balance sheet structure. It's interesting that this item rates so highly; for many companies, the impact is quite small. However, for other companies, the impact is material.

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

TABLE 2: TOP TREASURY BENCHMARKING NEEDS FOR 2018

	RANK 2018	RANK 2017	RANK 2016
Bank service fees	1	1	-
Treasury staffing levels and skill sets	2	9	4
Best practices	3	5	7
Financial risk management, FX	4	2	5
Banking relationship management	5	10	2
Cash forecasting	6	3	9
Treasury functional organization	7	7	3
Short-term investments	8	8	6
Treasury management systems	9	6	-
Balance sheet optimization	10	12	8

Source: Treasury Strategies, 2018 State of the Treasury Profession Survey

The desire for benchmarking information is an indicator of where an individual Treasury wants to confirm they are on the right track with fees, staffing, etc.

It's no surprise that bank service fees leads this list. There have historically been NO good sources for this information, despite it being a rather basic need.¹ That has all changed with the breakthrough in technology, data and analytics from NDepth, our bank fee analysis solution.

Benchmarks about treasury staffing are of great help to the Treasurer who wants to check staffing issues: Too small, or too big? The right kind of people? The right balance between tactical and strategic?

Best practices are, themselves, a sort of benchmark, and represent a very logical way to check your group's practices and procedures.

To shed light on some of the most perplexing issues on bank relationship management and bank fee transparency, we've initiated an information series on LinkedIn beginning with the following two articles:

- [Earnings Credit Rates in a Rising Rate Environment](#)
- [Balance Assessment Fees: How Much Are You Paying?](#)

¹That has recently changed. For information about bank price benchmarks, see www.treasurystrategies.com/NDepth.

BACK TO THE FUTURE

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 strategic mission statement for your Treasury group. Align it to your company's overall strategy.**
2. **Create a two to three year roadmap with the key initiatives that will help you accomplish your mission statement.**
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 strategic mission statement, call us. It's in our name — Treasury Strategies! We can help you make 2018 your best year ever!

DID YOU KNOW ?

We also specialize in helping companies with their payment systems, financial cyber security, and all types of treasury technology.



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