2017 AFP

Strategic Role of Treasury Survey

REPORT OF SURVEY RESULTS

AFP® ASSOCIATION FOR FINANCIAL PROFESSIONALS

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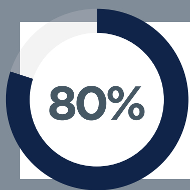
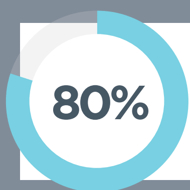
2017 AFP Strategic Role of Treasury Survey

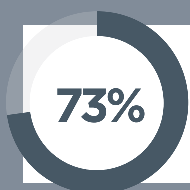
KEY HIGHLIGHTS



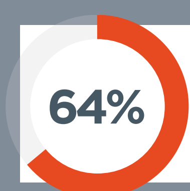
80% of survey respondents believe that treasury is **currently playing a more strategic** role at their **organizations than in the past three years**



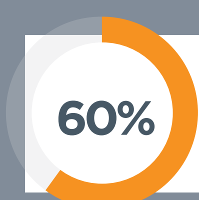
80% of finance professionals agree that the treasury function **will be playing a greater strategic role three years from now**



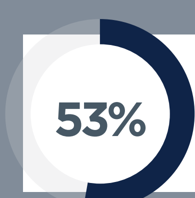
73% of treasury professionals report that the **close attention paid by senior management** and the **Board to the companies' liquidity and risk exposure** is a primary reason for treasury playing a greater strategic role at companies



64% of survey respondents cite **cash management and forecasting** as a key area of focus for their treasury departments over the next three years



Over 60% of organizations measure treasury's success by its **ability to reduce borrowing costs and/or to achieve liquidity targets**



53% of treasury leaders agrees that treasury is making very **effective use of technology to manage risk** and **increase treasury's contribution to the overall organization**

Over 90% of respondents view soft skills such **as communication and business judgment** critical for an effective treasury team

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May 2017

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An unpredictable economic environment, mass migration, unexpected political outcomes, market volatility and technological disruption: these are but a few of the risks that are leaving corporations and consumers unable to make meaningful, long-term decisions. As this uncertainty grows, organizations are increasingly focused on building financial and operational resilience.

In this context, the latest edition of the triennial *AFP Strategic Role of Treasury Survey* provides a window into the expanding role of the treasurer and their importance in strategic decision-making.

Over 70 percent of respondents believe that increased scrutiny of liquidity and risk exposure is the main driver behind treasury's greater strategic role.

Treasurers are clearly being asked to address a broader portfolio of issues. Respondents to this year's survey said that the greatest focus areas for their organization's treasury department included financing and capital allocation (47%), financial risk management (31%), and treasury and payment technologies (30%). Treasurers are going beyond building organizational resilience; they are also supporting the execution of corporate strategy.

There is still work to be done to ensure treasury departments realize their full potential. Thirty-one percent of respondents believe that their treasury team is still developing, compared to only 12 percent who say their team is strategic/optimized. Further, nearly half of respondents are unclear as to the efficacy of their technology in managing risk. The most commonly cited barrier to new technology adoption is cost and business case (42%), indicating that many organizations are reticent to make the necessary investments in their treasury systems.

This survey data provides useful benchmarks against which to consider the role that treasury plays in your organization. Given the potential impact that economic, regulatory and geopolitical uncertainty is having on strategy and operations, forward-thinking executives can gain significant insights from this report.

Marsh & McLennan Companies is proud to support the *2017 AFP Strategic Role of Treasury Survey.*

Alex Wittenberg,
Executive Director, Marsh & McLennan Companies' Global Risk Center

Introduction

In the nearly 10 years since the financial crisis, treasury's role in organizations has become more strategic, with treasurers and treasury departments taking on additional responsibilities. The spotlight was certainly on them during and immediately after the crisis, when concerns centered on liquidity and cash. Today, maintaining adequate liquidity remains a top priority for treasurers.

Jump ahead to 2017, and it is apparent that organizations' treasurers and treasury operations have taken on even more responsibilities—and more strategic ones at that. Why? As the *de facto* financial risk managers at most companies, treasurers are increasingly assuming a wider range of responsibilities and roles outside their traditional ones. Among them are investor relations, insurance risk management, integrating with supply chain management and real estate. Some treasurers are now, formally, the chief risk officer for their companies. As companies continue to evolve through digitization and the "internet of things," the treasurer's role can be expected to continue expanding to include, for example, helping their organizations leverage new technologies to improve supply chain performance and customer relations.

Among corporate functions, treasury has grown in stature and importance for a number of reasons. Principal among them is that C-Suite and Board members are more focused on risk and liquidity; therefore, the treasurer interacts more frequently with senior management. Other corporate functions are also leveraging the knowledge and capabilities of treasury to support their own strategy development and day-to-day operations. For example, in retail companies, treasurers are working with a broad cross-section of their organization's functions to help define long-term payments strategies for a digital marketplace.

Beginning in 2003, the Association of Financial Professionals® (AFP) *Strategic Role of Treasury Survey* has tracked the shifting role of the treasury function. In March 2017, AFP conducted the *2017 AFP Strategic Role of Treasury Survey*. This year's survey assesses treasury's role and current contribution as a strategic partner as well as its likely strategic role in the near future. The survey examines key areas of focus for treasury, areas where the function plays a lead role, and whether or not technology is effectively supporting the function. Responses from 344 senior-level corporate practitioner members formed the basis of this report.

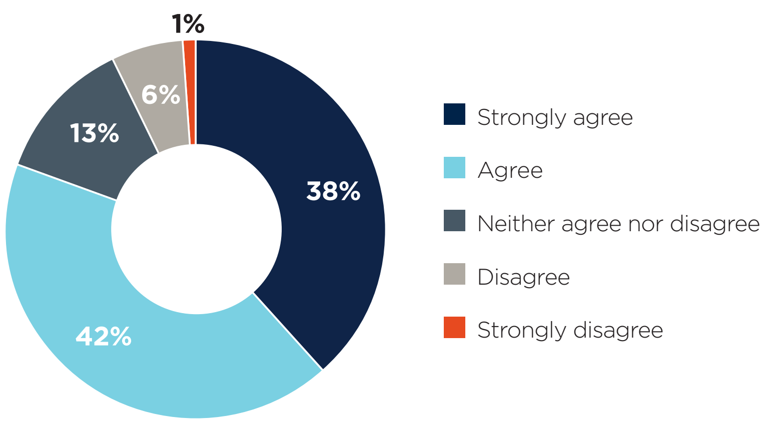
This year's *AFP Strategic Role of Treasury Survey* is once again supported by Marsh & McLennan Companies and its Global Risk Center. AFP thanks Marsh & McLennan Companies for its support and insights. The Research Department of the Association of Financial Professionals® is solely responsible for the content of this report.

Section 1: Expanding Role

Beginning in 2008, more than eight out of 10 respondents in successive *Strategic Role of Treasury Surveys* have indicated that the role of treasury has become more strategic. Since then, functions that were under the purview of the CFO have migrated mostly to treasury. Those functions include building a sound strategy for capital structure and maintaining strong relationships with ratings agencies and conducting capital markets activities such as debt issuance. The "newest" role for treasury is as an internal consultant to many different areas of the business. Treasury may work with sales in developing properly priced contracts, and often works with supply chain management for constant access to vendors.

In this year's survey, 80 percent of survey respondents report that treasury is playing a more strategic role at their organizations currently than in the past three years. This result is consistent with results in the 2014 and 2011 surveys, when 84 percent and 81 percent, respectively, reported that treasury was playing a more strategic role at their companies than five years earlier. Only seven percent of respondents do not believe that treasury departments are playing greater strategic roles at their organizations currently than three years ago. Although respondents *do* believe their treasury function is more strategic—and that the trend will continue—the data also suggest that treasury departments are continuing to move along the maturity spectrum, with many respondents believing their treasury departments have a greater role to play.

Greater Strategic Role for Treasury Compared to Three Years Ago
(Percentage Distribution of Respondents)



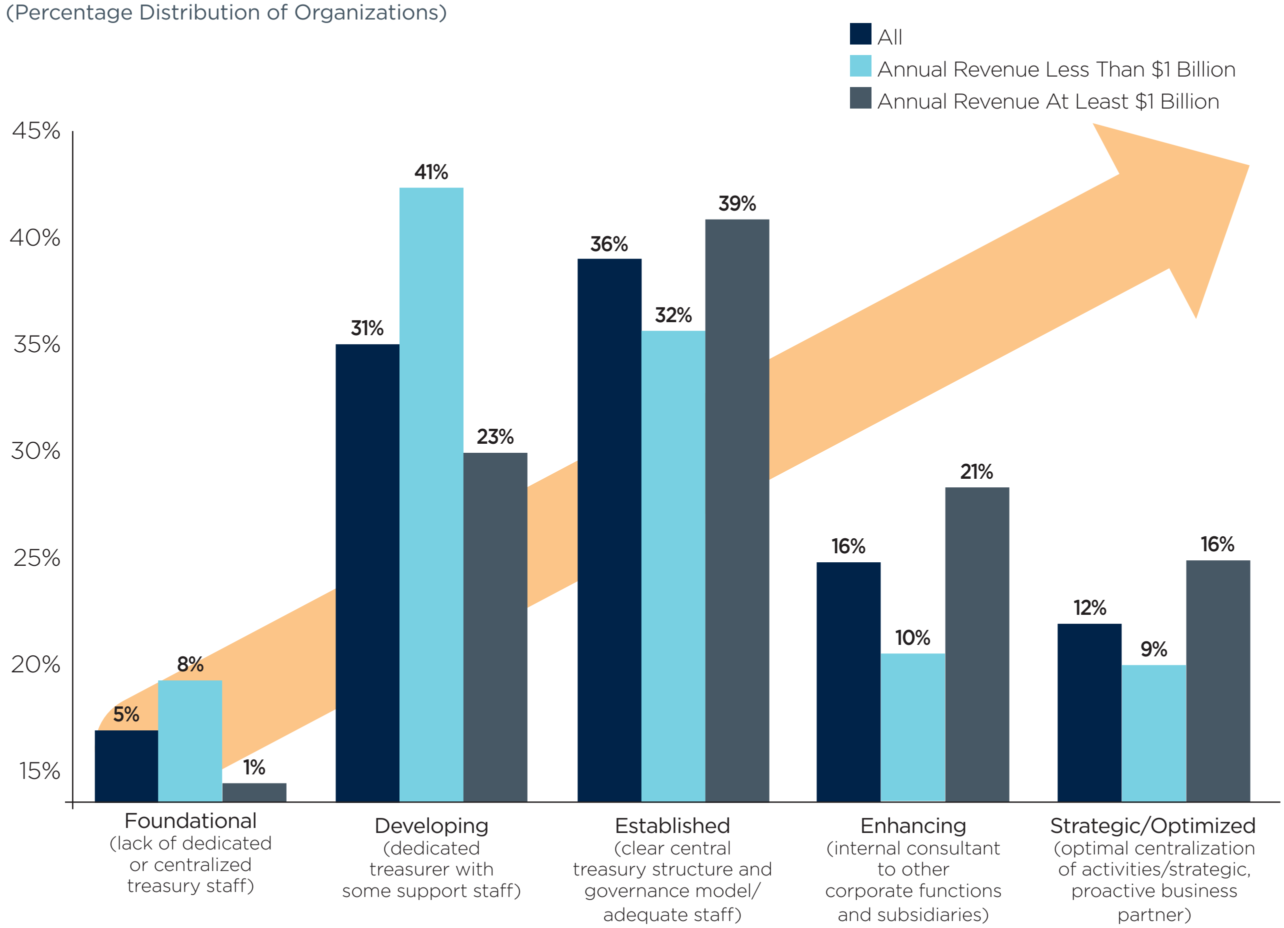
Position of Treasury Team on the Maturity Spectrum

Treasury's level of maturity impacts how well it can serve as a strategic partner to an organization, the C-suite and Board. To help organizations gauge the level of maturity of their treasury function, AFP and other treasury experts developed a treasury maturity model which defines five stages of maturity:

- **Foundational** (lack of dedicated or centralized treasury staff /treasury tasks at subsidiary level)
- **Developing** (dedicated treasurer with some support staff/centralization of some core treasury activities)
- **Established** (clear central treasury structure and governance model/adequate staff /experienced qualified treasury team)
- **Enhancing** (internal consultant to other corporate functions and subsidiaries)
- **Strategic/Optimized** (optimal centralization of activities/strategic, proactive business partner/advisor to CFO on complex business investments)

Awareness of their department's position on the maturity continuum enables treasurers to develop a roadmap for continued development to support a changing organization. Those treasury teams that recognize the evolving business conditions for their company are better prepared to take advantage of changes in the environment and support the business and Board into the next decades.

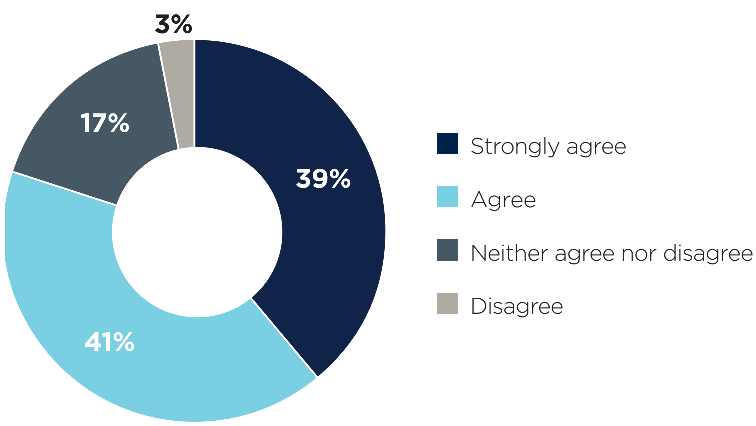
Position of Treasury Department on the Maturity Spectrum
(Percentage Distribution of Organizations)



A very small share of survey respondents (five percent) identifies their treasury teams as *foundational* on the maturity spectrum, while 31 percent believe their treasury teams are still *developing*. Thirty-six percent of finance professionals report their treasury team is *established* and 16 percent believe their treasury function is *enhancing*. Only 12 percent consider their treasury teams to be on the farthest (most mature) end of the spectrum and identify their team as *strategic/optimized* (optimal centralization of activities/strategic, proactive business partner/advisor to CFO on complex business investments).

A greater share of finance professionals from larger organizations than from smaller ones reports that their treasury teams are on the middle-to-farthest end of the maturity spectrum (76 percent vs. 51 percent). Similarly, treasury teams at publicly owned companies (75 percent) are more likely than privately held ones (56 percent) to be positioned on the farther end of the maturity continuum.

Greater Strategic Role for Treasury Compared Over the Next Three Years
(Percentage Distribution of Respondents)



Eighty percent of finance professionals agree that the role of treasury will grow further at their companies, and that the function will have a greater strategic role three years from now. Survey respondents from smaller organizations with annual revenue less than $1 billion and those from privately held ones see the most room for development. (see appendix)

Factors Driving Treasury's Greater Strategic Role

The prevailing uncertainty and volatility in the current economic environment (discussed later in this report) has necessitated that treasury departments continue to place an emphasis on cash management and liquidity. Treasury's ability to manage cash deployment is extremely challenging in times of uncertainty, and in the past couple of years the skills of treasury professionals in managing these areas have been stretched to an extreme.

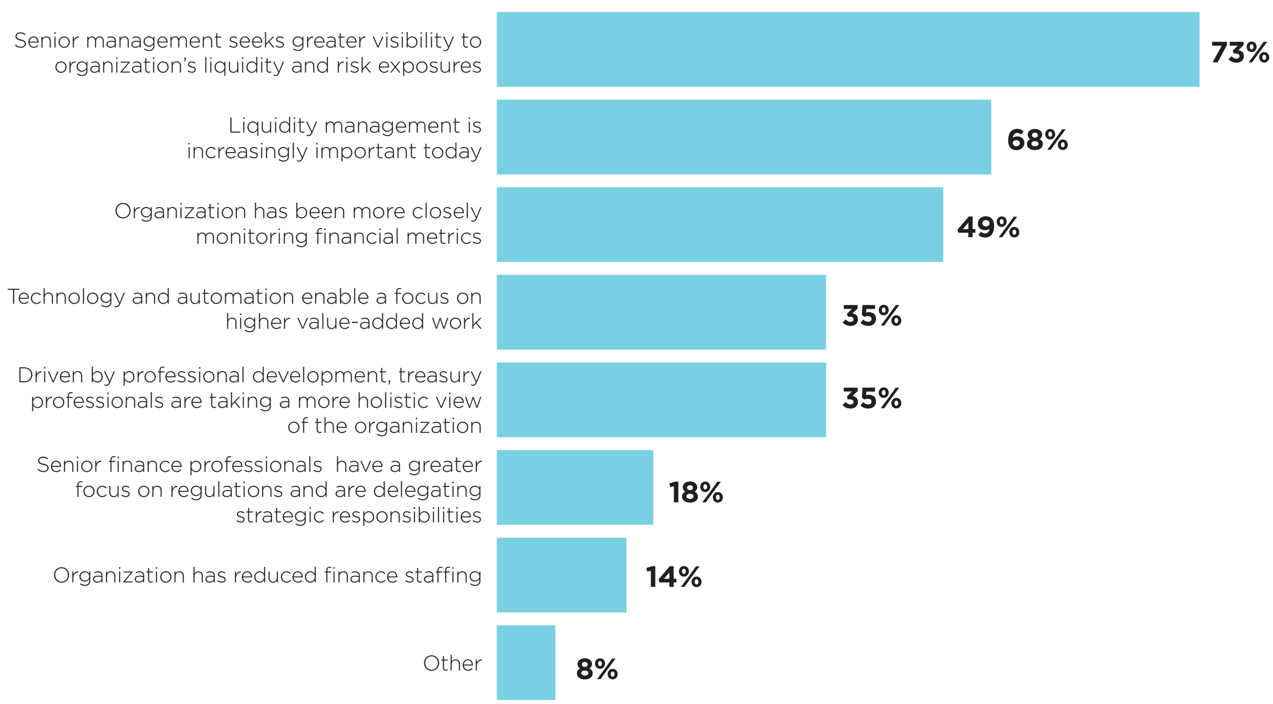
Over 70 percent of survey respondents report that the close attention paid by senior management and the Board to their companies' liquidity and risk exposure is a primary reason why treasury is playing a greater strategic role in their organizations. Sixty-eight percent of respondents also cite the current importance of liquidity management as a cause for treasury's enhanced strategic role.

Other factors that have contributed to treasury's expanded strategic role include:

- **Organization has been more closely monitoring financial metrics** (cited by 49 percent of respondents)
- **Driven by professional development, treasury professionals are taking a more holistic view of the organization** (35 percent)
- **Technology and automation enable a focus on higher value-added work** (35 percent).

Key Reasons for Treasury Department's Greater Strategic Role

(Percent of Respondents Indicating that Treasury is Playing or Will Play a Greater Strategic Role)



Overseas Operations

Increasingly, companies are generating a substantial share of their revenue from overseas or are consumers of goods and services produced across the border, especially larger organizations and those that are publicly owned. But organizations of all sizes are taking advantage of emerging markets to control manufacturing costs. Treasury plays an integral role in an organization's ability to conduct business successfully outside its home country. But this presents additional challenges to treasury departments, as often banking, tax and regulatory environments in emerging and developing markets are not as homogeneous as in developed countries.

Organization Has Overseas Operations/Conducts Global Commerce
(Percentage Distribution of Organizations)

Where Treasury Leads

Beyond traditional cash management responsibilities, treasury is taking the lead role in other critical activities. A vast majority of treasury departments takes the lead role in the following five areas:

- **Borrowing: long-term** (capital funding/sourcing) (cited by 79 percent of respondents)
- **Investing long-term** (61 percent)
- **Payments strategy execution** (both incoming and outgoing) (60 percent)
- **Working capital management** (e.g., A/R, A/P inventory) (54 percent)
- **Capital planning/allocation** (50 percent)

In addition to capital planning and allocation, capital markets activities (capital funding) and long-term investing are also areas in which treasury is taking the lead role. Short-term borrowing and investing have always been the purview of treasury, but in large corporations, long-term investing—including pension investments—was traditionally handled by a chief investment officer (CIO). With the majority of defined benefit plans being frozen, there is no longer a need for a separate (and expensive) CIO. Primary responsibility for such plans is in the hands of the treasurer, who also has a primary role overseeing the more prevalent defined contribution plans.

Even in those areas of an organization where treasury does not play the lead role, treasury increasingly supports other functions. For example, over half of survey respondents (53 percent) report that the treasury department at their company works with the FP&A function.

Even the most advanced activities in the finance structure of companies are falling into the realm of treasury, including mergers & acquisitions (M&A) activities which is part of the business development role. Fifty percent of finance professionals indicate their treasury departments are supporting their companies in the areas of M&A, accounting/SEC compliance and business development.

Reflecting the widening areas of activities, some treasurers' career paths have led to roles such as chief risk officer and business development officer. These developments highlight how treasury skill sets and insights are increasingly viewed as valuable and necessary contributions to key strategic and operational decisions for organizations.

Outside Its Traditional Responsibilities, the Treasury Department Plays the Lead and/or Support Roles for the Following Functions:
(Percent of Organizations)

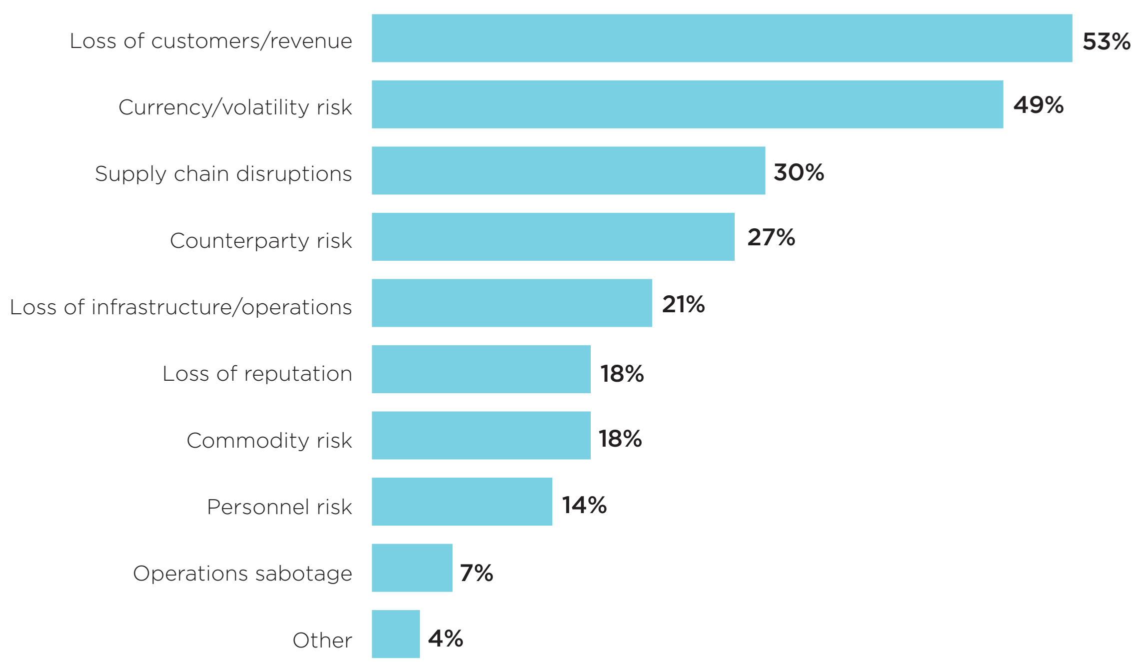
	Lead Role	Support Role
Borrowing: long-term (capital funding/sourcing)	79%	6%
Investing: long-term	61	15
Payments strategy and execution (incoming, outgoing)	60	24
Working capital management (e.g., A/R, A/P, inventory)	54	28
Capital planning/allocation	50	31
Counterparty risk analysis	49	24
Internal financial consultant to other departments, business units and/or affiliated companies	40	36
Insurance purchasing	38	28
Leasing	37	27
Insurance claims management	31	30
Investor relations	29	33
Enterprise risk management	28	44
Financial planning and analysis	27	53
Assessing financial technology	24	42
Mergers and acquisitions	22	50
Retirement management (financial wellness)	21	44
Business continuity planning	19	45
Accounting/SEC compliance	15	50
Business development	11	50
Supply chain management	10	46
Employee benefits management, human capital and payroll costs	7	48

Key Areas of Focus for Treasury

Based on recent research from AFP, the consensus among finance professionals is that uncertainty and volatility are now the norm. We have observed significant fluctuations in global markets after unexpected results from referendums and elections in 2016 and 2017. Organizations operate on a more global scale, with 67 percent of respondents having global operations or global commerce and thus are exposed to a wider range of geopolitical events and the risks associated with those events. Against such a backdrop, organizations seek treasurers and other treasury professionals for their sound judgment and analytical skills so that executive management can make decisions which will protect and contribute to an organization's overall success.

Uncertainty and volatility in both the global and domestic economies have also necessitated that treasury focus sharply on its traditional role of cash and risk management and forecasting. As highlighted in the *2017 AFP Risk Survey*, geopolitical risk—which can be a driving factor in currency volatility, supply chain disruptions or production interruptions—is a challenge increasingly facing many organizations. With geopolitical concerns reaching new heights in an extremely interconnected environment, finance professionals anticipate their senior management will continue to direct treasury departments to focus on cash management and forecasting in the coming years.

Organization's Key Areas of Concern or Opportunity with Regard to Geopolitical Risk
(Percent of Organizations)



Source: 2017 AFP Risk Survey

Sixty-four percent of finance professionals cite cash management and forecasting as a key area of focus for their treasury departments over the next three years. Other areas of focus include:

- **Financing and capital allocation** (cited by 47 percent of survey respondents)
- **Financial risk management** (31 percent)
- **Treasury and payment technologies** (30 percent)

In the face of economic uncertainty driven by geopolitical risks around the globe, treasury can also help organizations weather another "black swan" or other calamitous events or volatility by building a sound balance sheet. The *2017 AFP Risk Survey* showed that organizations are most focused on maintaining adequate liquidity (a factor cited by 60 percent of respondents in that survey), actively maintaining and ensuring a sound balance sheet and assessing currency exposure risks (each cited by 38 percent of respondents).

Greatest Focus of Organization's Treasury Department over the Next Three Years
(Percent of Organizations)

	All	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Publicly Owned	Privately Held
Cash management and forecasting	64%	66%	63%	64%	63%
Financing and capital allocation	47	43	52	56	38
Financial risk management	31	31	30	34	25
Treasury and payment technologies	30	31	29	25	35
Bank relationship rationalization	20	17	22	17	23
Credit syndicate renewal	19	11	25	26	15
Mergers and acquisitions/investment banking	18	31	21	20	17
Introduction/renewal of Treasury's IT systems and capabilities	17	16	18	20	14
Cost management	13	17	10	8	21
Enterprise risk management	11	15	8	7	13
Insurance risk management	8	9	7	5	10

Stepping up to the Challenge

It is clear that the demands on and the roles of an organization's treasury team are expanding. Survey results show that the majority of survey respondents (61 percent) believe that treasury operations at their companies are capable of meeting the rising demands facing the treasury department. Larger organizations are more confident in their treasury departments' ability to do so, perhaps due to their larger treasury teams and access to greater resources.

A greater share of treasury departments positioned on the farthest end of the maturity spectrum, i.e., those labeled "strategic/optimized" (83 percent) respond that they are capable of addressing the key areas of focus vs. those labeled "foundational" at the other end (less mature) of the spectrum (33 percent).

Treasury Department's Capability in Addressing Greatest Focus of Organization's Treasury Operations
(Percentage Distribution of Organizations)

	All	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Publicly Owned	Privately Held
Excellent	18%	9%	25%	22%	11%
Very good	43	44	43	41	45
Good	32	36	28	30	36
Fair	7	10	5	7	7
Poor	–	–	–	–	–

Yet, only half of finance professionals (51 percent) believe their organizations are effectively taking advantage of treasury's skills and talent to optimize financial performance. Organizations with treasury functions positioned farther along on the maturity spectrum are viewed as significantly more effective in using the talent and skills of their team to optimize financial performance: the strategic level (83 percent) the enhanced level (68 percent), established (45 percent), developing (45 percent) and foundational (13 percent).

Organization is Effective in Taking Advantage of Treasury Department's Skills and Talent to Optimize Financial Performance
(Percentage Distribution of Organizations)

	All	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Publicly Owned	Privately Held
Very effective (5)	12%	11%	13%	12%	12%
(4)	39	36	43	44	40
(3)	38	41	36	36	40
(2)	9	10	6	7	6
Not at all effective (1)	2	1	2	2	2

Treasury Department and Executive Committee/C-Suite

In addition to their enhanced role and contribution, treasurers have greater access to organizational leadership. Sixty-four percent of finance professionals rate their organization's access and visibility to the executive committee/C-Suite a four or five on a scale of one (poor) to five (excellent), with treasurers at larger organizations rating their access higher.

Treasury Department's Access and Ability to Communicate with Organization's Board and C-Suite
(Percentage Distribution of Organizations)

	All	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Publicly Owned	Privately Held
Excellent (5)	24%	19%	30%	27%	20%
(4)	40	42	38	38	46
(3)	27	30	23	25	26
(2)	7	8	6	8	7
Poor (1)	2	1	3	3	1

Section 2: Equipping Treasury with the Resources Needed for their Enhanced Role

Measuring Treasury Function's Success - Are New Metrics Necessary?

As treasury's role evolves and the function takes on additional responsibilities and becomes more visible, treasurers will want to be better able to demonstrate their value and performance. Generally, there are two types of metrics to measure treasury's performance:

1. **Activity-based metrics**, such as number of bank accounts, DSOs, cost of capital, debt/equity ratio, floating to fixed ratio, etc.
2. **Performance-based metrics**, i.e., "how are we doing?" Questions asked may include: How much value is treasury adding to the organization? How many of treasury's recommendations have been adopted by operations? Such metrics can effectively capture the value of treasury acting as an internal financial consultant to other departments. This involves reviewing contracts, taking a lead role in legal-entity structuring, advising on rebate discount programs and other payment terms, and playing a role in negotiations with suppliers and customers. Treasury is also assisting business units with their own investment and growth planning by ensuring the right financing is available and cash-flow forecasts support expansion plans. The value and impact of such activities can be hard to measure, but may be the most important ones for treasury as its role throughout the enterprise expands.

Treasury used to be perceived as a back-office function focused mostly on cash management. In the past, treasury was often the last function to be told about an acquisition or expansion into a new country or product; that meant treasury had to quickly raise the funds needed, or hedge the new currency exposure. That is not the case anymore. Today the treasurer (and the treasury department) has a seat at the table—able to offer an opinion on new initiatives from a risk and financing perspective. It is important to measure the value treasury adds at this strategic level. An organization can track the number of treasury's recommendations that were accepted by the company's business units. It can also track the number of contracts treasury has helped structure.

Treasurers at the far end of maturity spectrum will not only facilitate the growth of a company, but will help drive growth and value creation in collaboration with the CFO. This requires an "outside-in" view—one with more awareness of market context and identification of regulatory and political uncertainty and on-going real-time assessment of the impact on an organization's treasury. The treasurer's role is based more on leadership (e.g., visionary and strategic advice) and people management (e.g., talent development) than on mastering operational processes. The objective is creating added value from data insight and risk intelligence in order to focus on business impact.

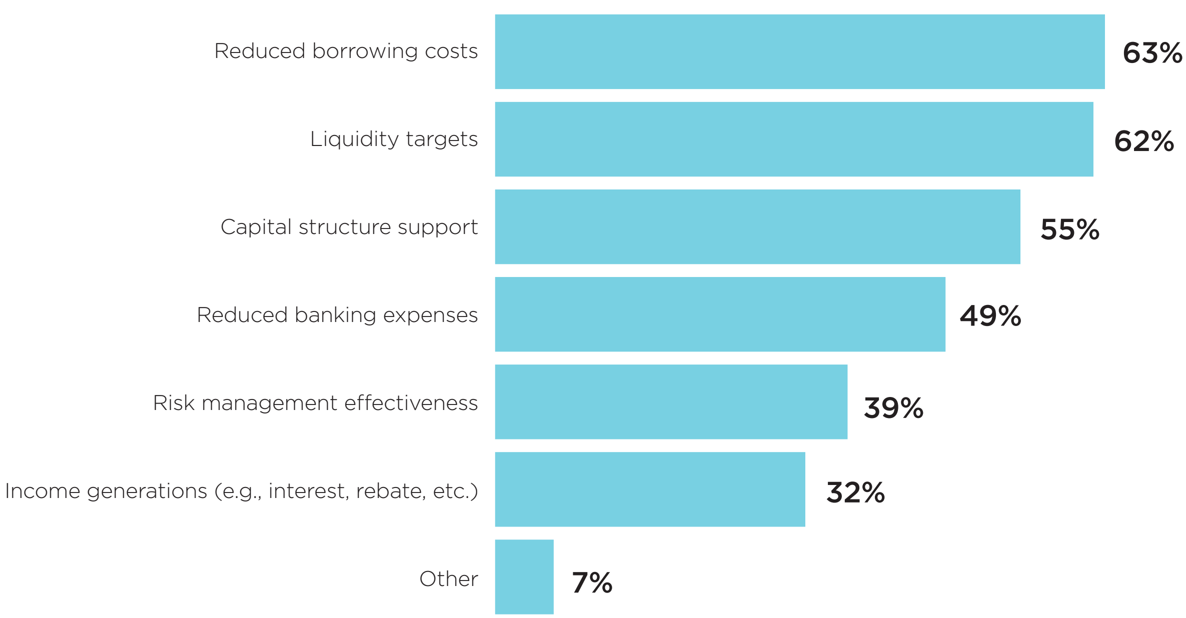
The two types of metrics—activity-based and performance-based—can overlap. Treasury adds value through its core activities by reducing the number of bank accounts, minimizing the cost of borrowing, optimizing the fixed/floating ratio, and reducing the unpredictability of currency movements on income. At the same time, treasury adds value in less quantifiable ways: consulting with an organization's business units, advising on procurement deals and negotiating new contracts.

The survey data suggest that performance metrics have not evolved sufficiently to truly capture a treasurer's and the department's expanding role. Current metrics continue to be largely tied to measuring the efficacy of traditional treasury roles. Beyond monitoring revenue and profit generations, executive management is evaluating treasury's effectiveness using metrics often linked to controlling costs. Sixty-three percent of organizations measure treasury's success by treasury's ability to minimize borrowing costs; 62 percent gauge the function's performance by its ability to achieve liquidity targets. Other measures being employed to track treasury's performance are:

- **Capital structure support** (cited by 55 percent of survey respondents)
- **Reduced banking expenses** (49 percent)
- **Risk management effectiveness** (39 percent)
- **Income generations** (32 percent)

The metrics used to assess treasury's performance appear dependent on size of organization and in some cases ownership type. Larger organizations with annual revenue of at least $1 billion are more likely to measure their treasury department's performance by its ability to reduce borrowing costs than are smaller companies with annual revenue less than $1 billion (69 percent versus 57 percent). Capital structure support, attaining liquidity targets and reduction in banking expenses are measures being used by a greater percentage of larger organizations and those that are publicly owned than by others to measure treasury's performance. Smaller organizations are more likely to rely on financial risk management effectiveness and income generation as measures of treasury's performance than are larger organizations.

Activity-based Metrics Used to Measure the Success of Organization's Treasury Function
(Percent of Organizations)



Treasury Technology: Is it Enabling the Team?

Managing treasury has become more complex in the face of global uncertainty and market volatility. Treasury practitioners face many challenges as they try to gain more visibility within their organizations and exercise more control over the function's activities. Treasury-centric technology can help them operate more efficiently and comply with evolving regulations.

Corporate treasurers need a range of solutions to simplify their day-to-day financial-management responsibilities. The main goal of many treasury-centric technology applications is to streamline and automate such day-to-day processes. Straight-through processing is one example. Areas of straight-through processing include foreign exchange trading, bank-file processing, in-house banking, cash pooling, and other areas that are part of the core support that treasury provides to an organization. Further examples center on automating incoming receipts from accounts receivables, outgoing payments files to banking vendors, and settling and reconciling the collection of information flows.

Treasury is able to do more with less by utilizing treasury workstations, either in an installed format or in a Software-as-a-Service model (SaaS). Indeed, treasury departments can recapture their investment in such technologies since time is freed up to work on more strategic aspects of the organization. Overall, technology can help treasury play a more strategic role, automate routine processes and be more regulatory compliant. At the same time, technology can provide a framework to embody an organization's treasury policies and procedures.

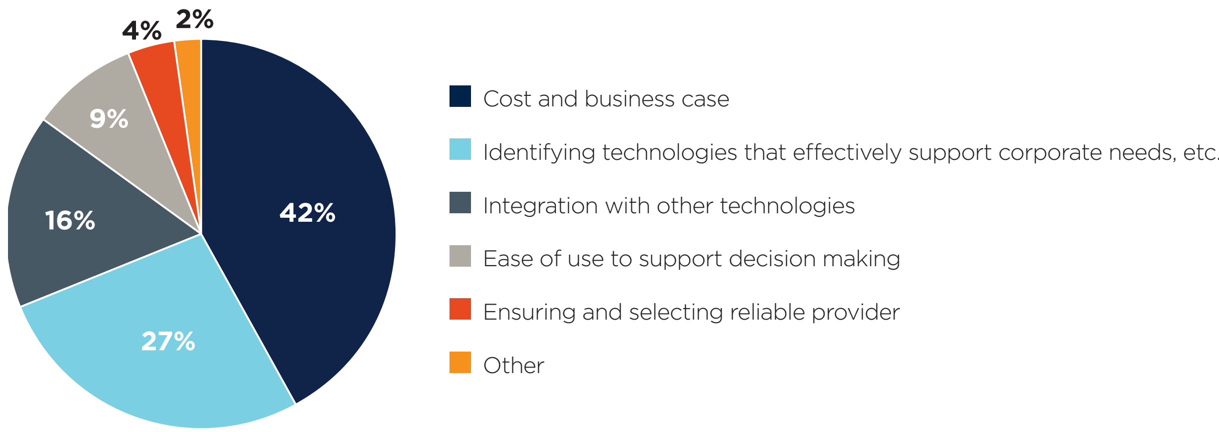
Even as those benefits are noted, nearly half of respondents either disagree or are noncommittal about whether technology is being used effectively by their organization's treasury to manage risk and increase its contribution to an organization overall. But responses differed depending on the maturity level of the organization's treasury department. Organizations positioned on the farther (more mature) end of the maturity spectrum are using technology more effectively than are those at the other end. Seventy-five percent of respondents from organizations whose treasury departments are defined as strategic/optimized indicate that treasury is using technology effectively to increase its contribution to the overall organization. Only 33 percent of those at the lower end of the spectrum are using technology effectively.

Treasury Uses Technology Effectively to Manage Risk and Increase Contribution to the Entire Organization
(Percentage Distribution of Respondents)

	All	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Publicly Owned	Privately Held
Strongly agree	15%	14%	13%	13%	14%
Agree	38	41	36	36	44
Neither agree nor disagree	29	28	32	31	27
Disagree	17	15	18	19	13
Strongly disagree	1	1	1	1	1

The biggest hurdle in adopting new technology appears to be the cost involved and making a business case for the technology. Over 25 percent of survey respondents report that identifying the technology that best suits corporate needs is also a challenge when adopting new technologies.

Key Challenges for the Treasury Department in Determining Adoption of New Developing Technologies
(Percentage Distribution of Organizations)



Treasury Staffing

Sixty-one percent of organizations have fewer than five staff working in their treasury department; 18 percent employ more than 10 in their treasury area. Sixty percent of larger organizations employ five or more persons in their treasury departments, while 82 percent of smaller organizations employ fewer than five within their treasury group.

It is essential that treasurers lead and manage their teams effectively to ensure excellent performance from their staff. One of the most important characteristics of great leadership is self-awareness of one's strengths and weaknesses, a conclusion based on a number of interviews the AFP conducted with treasurers. Consequently, ensuring that the treasury team leader has the proper training and education is important to the team's success.

But training and education is only one path. Another effective approach in building leadership skills is involvement in special projects. Such experiences can make a real difference in how people lead, as they encourage longer-term thinking and working within limited budgets.

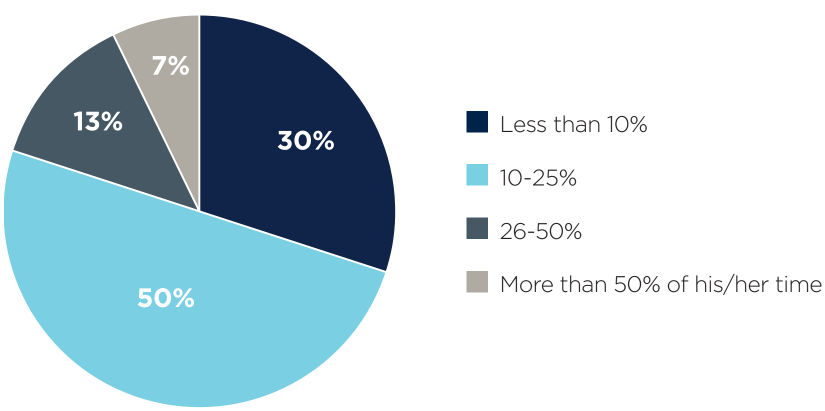
In the final analysis, the treasurer needs to be a visionary leader, creating and communicating a vision for the future of the business and what that means for the treasury team. The lean staffing structure of many treasury departments increases pressure on the team, especially as their role expands and they support the organization in a volatile business environment.

Staffing in Organization's Treasury Department
(Percentage Distribution of Organizations)

Number of Treasury Department Staff	All	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Publicly Owned	Privately Held
Less than 5	61%	82%	41%	45%	77%
5 to 9	22	12	30	28	14
10-19	8	3	13	11	4
20 or more	10	3	17	16	5

Nearly half of treasury department leaders (49 percent) spend between 10-25 percent of their workweek directly managing their team; 30 percent spend less than 10 percent of their time doing so. Managing treasury teams effectively in the current economic environment is challenging enough; with staff spread thin, managers are required to provide the support needed.

Percentage of the Workweek Organization's Treasurer Spends Directly Managing His/Her Team
(Percentage Distribution of Organizations)



Critical Leadership Skills

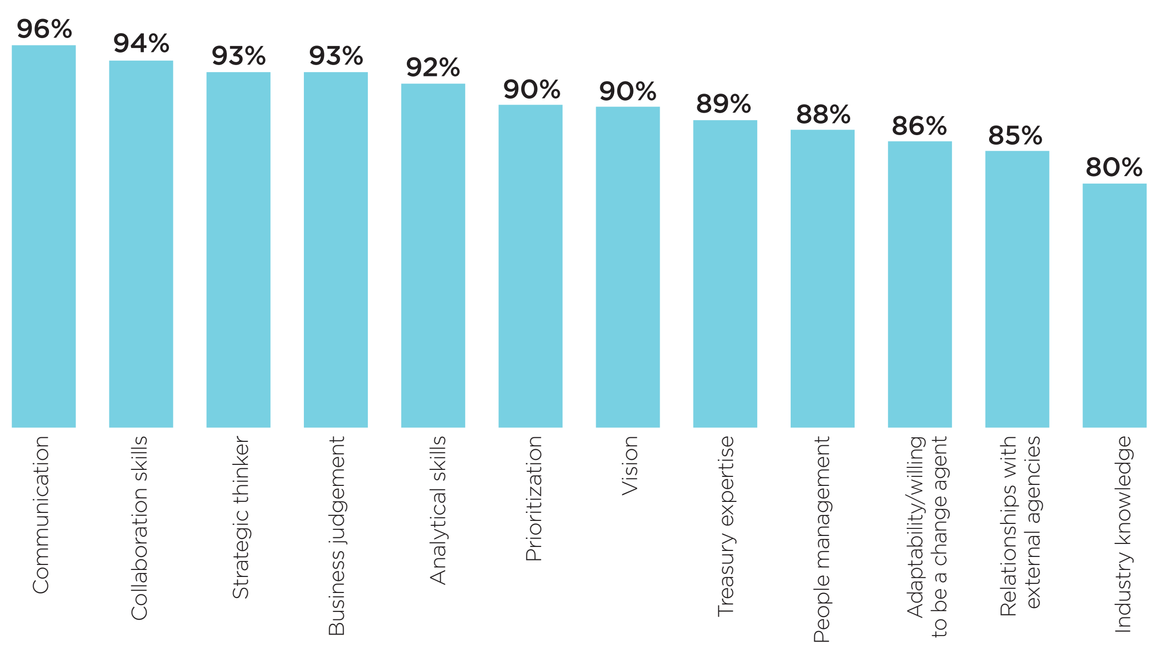
As discussed earlier in this report, the treasury function has become more visible to organizations' C-suites; in some cases, treasury has greater accessibility to executive management and communicates with them frequently. With treasury shifting into a more strategic role, the skills and competencies required for a treasurer to perform successfully continue to evolve. Organizations are looking for those in treasury to have skills beyond technical expertise and financial knowledge and desire broader leadership attributes—sometimes referred to as "softer" skills—in their treasury professionals.

Changes in the importance of these lead roles mean treasurers and their departments need to perform a wider range of functions in the organization, thus putting greater pressure on the need for technical and soft skills in this strategic role. For example, in the area of payments strategy, an effective strategy can offer a company operational efficiencies (e.g., enhanced data security tools, fraud prevention), strengthened revenue (e.g., co-brand cards, loyalty and rewards offers, gift cards, VAT refund service), and an enhanced customer experience (e.g., omni-channel payments, in-store checkout experiences, deeper customer relationships.) Achieving these goals will require the treasury team to work with the company's marketing leads, customer relationship teams and new technology partners, just to name a few.

It is clear that "soft skills" are essential for effective treasury leaders; over 90 percent of survey respondents rate strong communication skills as necessary for a treasury leader to effectively manage his/her team. Other skills considered key by a vast majority of finance professionals (rated either five or four on a five-point importance scale) as treasurers take on a more advisory and strategic role at their organizations are:

- **Collaboration skills** (cited by 94 percent of respondents)
- **Being a strategic thinker** (cited by 93 percent)
- **Having sound business judgment** (93 percent)
- **Analytical skills** (92 percent)
- **Vision** (90 percent)
- **Prioritization skills** (90 percent)

Critical Leadership Skills for a Treasurer
(Percent of Respondents Rating Importance "4" or "5" on a 5-point Scale)



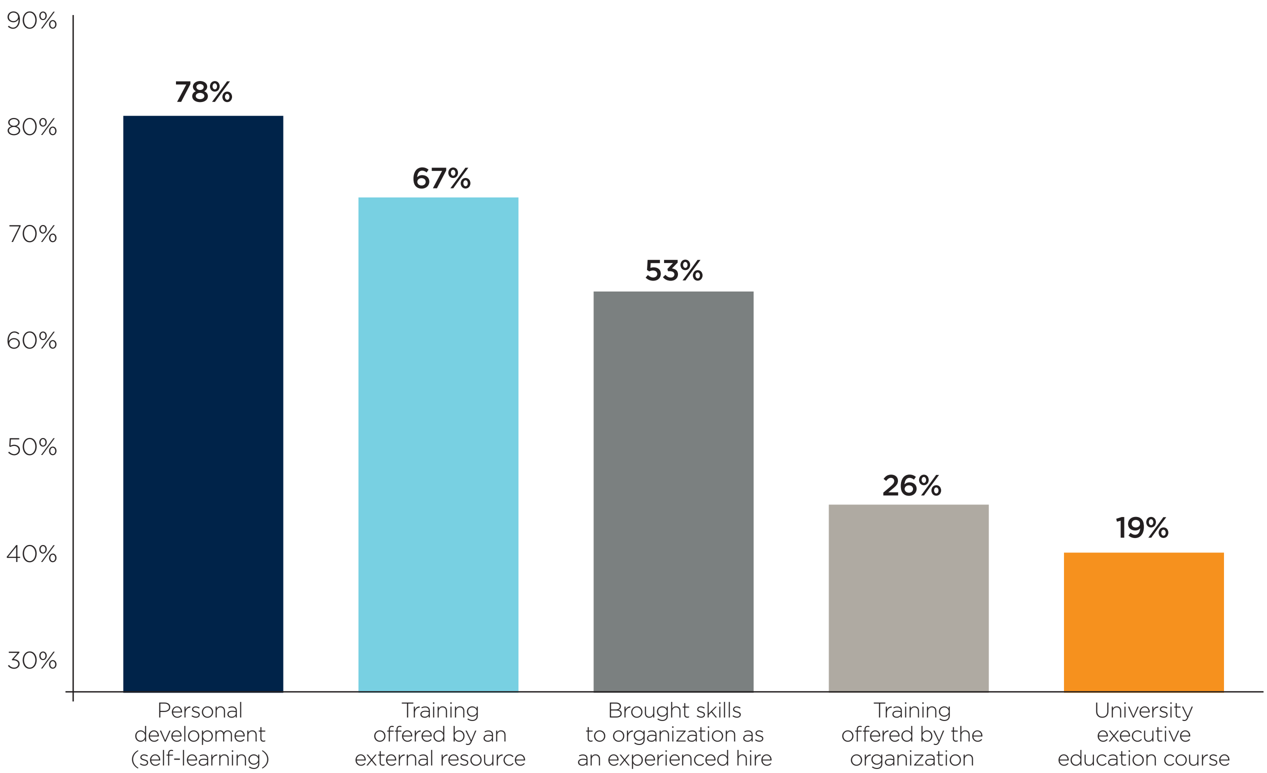
Treasurer Training

As treasury transforms from a tactical partner to a more strategic one, talent management of the entire treasury team is key. Those working in treasury need to build on skills beyond the traditional technical/analytical skills ones required for their jobs. Being able to communicate and collaborate with departments outside of finance is critical for treasury professionals—and their organizations—to succeed. If treasurers are to be effective strategic partners, they need to contribute more strategically and show sound business judgment which extends beyond their traditional finance areas. Indeed, companies are actively seeking technically skilled staff that will be able to succeed not only in core treasury functions but also in broader activities and eventually be able to take on more strategic responsibilities.

Survey respondents indicate they access various sources for their professional learning needs. Over three-fourths of treasury function leaders acquire the expertise/knowledge to be successful at their jobs from personal development (self-learning) resources and 67 percent use resources offered by external resources. Slightly over half (53 percent) already had the required skills when hired by the organization. Twenty-six percent avail themselves of training offered by their organization and 19 percent utilize education courses offered by universities.

Methods by Which Leaders in Organization's Treasury Department Gain the Expertise/Knowledge Needed to be Successful

(Percent of Organizations)



Conclusion

A large majority of finance professionals continues to believe that their treasury department is playing a more strategic role at their organizations; they also feel that this trend will continue over the next three years. Although the economy—both domestically and globally—has recovered since the great recession, in the past couple of years it has been plagued by uncertainty, and the pace of recovery has been tepid. Business leaders have displayed extreme caution in their approach to cash management, and the pressure on treasurers to manage liquidity effectively has been immense. This increased focus on treasurers and their operations has contributed to the function playing a more strategic role.

Beyond the traditional role of cash management, the treasury function is leading organizations in the areas of long-term borrowing and investing, payments strategy and working capital management. With the majority of finance professionals reporting that their companies' treasury departments are taking the lead in managing those non-traditional activities, it is evident that treasurers are playing a more enhanced role than ever before. A majority of finance professionals believes that treasury operations at their companies will be focusing most on cash management and forecasting.

With increased scrutiny on treasury, organizations have metrics in place to measure the success of the function's performance. A majority of companies measure their treasury department's success by its ability to reduce borrowing costs and attain liquidity targets. However, there are further improvements to be made in using technology effectively to manage risk and enable an increase in the treasury team's contribution to the overall organization.

As treasurers lead and manage their team, they need to ensure the metrics implemented tie back to the vision and goals of the organization and there is complete clarity for the team with no gray areas. Treasury leaders should not assume that others are connecting the dots and reading between the lines.

It is also imperative that those outside of treasury are cognizant of how the practices/processes they follow impact the financial health of the company and treasury leaders need to listen when they receive suggestions to improve processes. Treasury leaders should make a concerted effort to network and connect with those outside of the treasury and finance area. Being aware of their projects and initiatives is necessary so there is understanding of goals and objectives on all fronts. Open communication among department heads can help strengthen an organization's functioning.

Key Highlights of the 2017 AFP Strategic Role of Treasury Survey

- **An expanding strategic role:** Eighty percent of survey respondents believe that treasury is currently playing a more strategic role at their organizations than in the past three years.
- **Role is expected to grow:** A large majority (80 percent) of finance professionals agrees that the strategic role of treasury will grow further at their companies, and that the function will be playing a greater strategic role three years from now.
- **A corporate focus on liquidity drives the greater strategic role:** Seventy-three percent of survey respondents report that the close attention paid by senior management and the Board to the companies' liquidity and risk exposure is a primary reason for treasury playing a greater strategic role at companies.
- **Treasurers are focused cash management and forecasting:** Nearly two-thirds (64 percent) of finance professionals cite cash management and forecasting as a key area of focus for their treasury departments over the next three years.
- **Metrics for a treasury department's success include reducing borrowing costs and achieving liquidity targets:** Sixty-three percent of organizations measure treasury's success by its ability to reduce borrowing costs, while 62 percent gauge the function's performance by its ability to achieve liquidity targets.
- **Treasury technology has room to improve:** A small majority of finance professionals (53 percent) agrees that treasury is making very effective use of technology to manage risk and increase treasury's contribution to the overall organization.
- **Soft skills are critical to treasurer success:** Over 90 percent of respondents view soft skills such as communication and business judgment are critical for an effective treasury team.

About the Survey

In March 2017, the research department of the Association for Financial Professionals® (AFP) surveyed its senior level corporate practitioner membership on the state of the treasury function and the transformation of the treasurer's role within their organizations. Job titles of the survey sample included CFO, treasurer, controller, vice president of finance and assistant treasurer, this group generated 344 responses which form the basis of this report. The following tables provide a profile of survey respondents. AFP thanks Marsh & McLennan Companies and its Global Risk Center for its support of the AFP Strategic Role of Treasury Survey. Both questionnaire design and the final report along with its content and conclusions are the sole responsibility of the AFP Research Department.

Organization's Annual Revenues
(Percentage Distribution of Organizations)

	All	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Publicly Owned	Privately Held
Under $50 million	14%	29%	–	3%	26%
$50-99.9 million	5	10	–	1	9
$100-249.9 million	11	23	–	5	17
$250-499.9 million	7	15	–	4	7
$500-999.9 million	12	23	–	8	14
$1-4.9 billion	30	–	60%	42	20
$5-9.9 billion	10	–	20	18	4
$10-20 billion	5	–	10	12	–
Over $20 billion	5	–	10	7	3

Organization's Ownership Type
(Percentage Distribution of Organizations)

Publicly owned	42%
Privately held	43
Non-profit (or not-for-profit)	8
Government (or government-owned entity)	8

Industry Classification
(Percentage Distribution of Organizations)

Agriculture	1%
Air Transport	1
Automotive	3
Chemicals	3
Communications	2
Construction	3
Consumer Products (Manufacturing, Sales, Distribution, etc.)	9
Energy (Utilities, Oil, etc.)	10
Financial Services (Banking, Investment, Brokerage, Insurance, etc.)	14
Government/Not-for-Profit	11
Healthcare Provider	2
Professional Services	3
Media/Information Services	3
Mining and Metals	1
Pharmaceuticals/Biotechnology (Development, Manufacturing, Sales, Distribution, etc.)	2
Retail	6
Surface Transport (Maritime, Motor Transport, Rail)	3
Technology (Development, Manufacturing, Sales, Distribution, etc.)	8
All Other Manufacturing (excluding Consumer Products, Pharmaceuticals, Technology)	11
Conglomerate	4

Appendix

Greater Strategic Role for Treasury Compared to Three Years Ago
(Percentage Distribution of Respondents)

	All	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Publicly Owned	Privately Held
Strongly agree	38%	41%	34%	37%	42%
Agree	42	41	45	43	42
Neither agree nor disagree	12	12	13	12	13
Disagree	6	4	9	7	3
Strongly disagree	1	1	–	1	–

Position of Treasury Department on the Maturity Spectrum
(Percentage Distribution of Organizations)

	All	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Publicly Owned	Privately Held
Foundational (lack of dedicated or centralized treasury staff /treasury tasks at subsidiary level)	5%	8%	1%	1%	8%
Developing (dedicated treasurer with some support staff/centralization of some core treasury activities)	31	41	23	25	36
Established (clear central treasury structure and governance model/adequate staff /experienced qualified treasury team)	36	32	39	40	32
Enhancing (internal consultant to other corporate functions and subsidiaries)	16	10	21	23	10
Strategic/Optimized (optimal centralization of activities/strategic, proactive business partner/advisor to CFO on complex business investments)	12	9	16	12	14

Greater Strategic Role for Treasury Over the Next Three Years
(Percentage Distribution of Respondents)

	All	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Publicly Owned	Privately Held
Strongly agree	39%	43%	36%	35%	47%
Agree	41	47	36%	40	41
Neither agree nor disagree	17	8	24	21	10
Disagree	3	2	3	3	2
Strongly disagree	–	–	–	–	–

Key Reasons for Treasury Department's Greater Strategic Role
(Percent of Respondents Indicating that Treasury is Playing or Will Play a Greater Strategic Role)

	All	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Publicly Owned	Privately Held
Senior management and the Board seek greater visibility to organization's liquidity and risk exposures	73%	72%	78%	82%	69%
Liquidity management is increasingly important today	68	66	67	67	68
Organization has been more closely monitoring financial metrics	49	51	47	50	45
Driven by professional development, treasury professionals are taking a more holistic view of the organization	35	36	35	38	37
Technology and automation enable a focus on higher value-added work	35	37	32	33	32
Senior finance professionals have a greater focus on regulations and are delegating strategic responsibilities	18	22	13	18	20
Organization has reduced finance staffing	14	14	15	20	11
Other	8	5	11	12	6

Organization Has Overseas Operations/Conducts Global Commerce
(Percentage Distribution of Organizations)

	All	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Publicly Owned	Privately Held
Yes, my organization has operations overseas	37%	29%	43%	44%	33%
Yes, my organization conducts global commerce (e.g., import and/or export activity)	9	12	6	7	14
Yes, my organization has both, operations overseas and conducts global commerce	21	16	26	31	18
No, my organization neither has operations overseas nor does it conduct global commerce	33	43	24	18	36

Activity-based Metrics Used to Measure the Success of Organization's Treasury Function
(Percent of Organizations)

	All	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Publicly Owned	Privately Held
Reduced borrowing costs	63%	57%	69%	65%	60%
Liquidity targets	62	57	66	62	59
Capital structure support	55	46	63	69	44
Reduced banking expenses	49	43	53	54	48
Risk management effectiveness	39	42	38	44	37
Income generations (e.g., interest, rebate, etc.)	32	37	28	23	33
Other	7	8	8	11	5

Key Challenges for the Treasury Department in Determining Adoption of New or Developing Technologies
(Percentage Distribution of Organizations)

	All	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Publicly Owned	Privately Held
Cost and business case	42%	39%	45%	45%	38%
Identifying technologies that effectively support corporate needs, etc.	27	28	24	22	33
Integration with other technologies	16	13	18	20	11
Ease of use to support decision making	9	10	7	8	8
Ensuring and selecting reliable provider	4	6	3	3	7
Other	2	3	3	3	3

Percentage of the Workweek Organization's Treasurer Spends Directly Managing His/Her Team
(Percentage Distribution of Organizations)

	All	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Publicly Owned	Privately Held
Less than 10%	30%	30%	32%	31%	29%
10-25%	50	46	51	50	44
26-50%	13	14	12	12	17
More than 50% of his/her time	7	10	5	7	10

Importance of Leadership Skills in Treasurer's Ability to Effectively Lead His/Her Team and to Interact with Organization's Executive Management
(Percent of Respondents)

	Very Important 5	4	3	2	Not at all Important 1
Communication	70%	26%	4%	–	–
Strategic thinker	64	29	6	1%	–
Business judgment	61	32	5	1	1%
Adaptability/willing to be a change agent	54	32	13	1	–
Collaboration skills	53	41	6	–	–
Prioritization	53	37	9	–	–
Treasury expertise	53	36	11	–	–
Analytical skills	53	39	8	–	–
People management	49	39	12	–	–
Vision	47	43	10	1	–
Relationships with external agencies	44	41	14	1	–
Industry knowledge	38	42	18	2	–

Methods by Which Leaders in Organization's Treasury Department Gain the Expertise/Knowledge Needed to be Successful
(Percent of Organizations)

	All	Annual Revenue Less Than $1 Billion	Annual Revenue At Least $1 Billion	Publicly Owned	Privately Held
Personal development (self-learning)	78%	76%	80%	79%	75%
Training offered by an external resource	67	68	65	65	67
Brought skills to organization as an experienced hire	53	47	59	57	45
Training offered by the organization	26	21	29	27	21
University executive education course	19	19	19	16	22
None of the above	1	1	1	1	–
Other	4	2	5	4	4

AFP Research

AFP Research provides financial professionals with proprietary and timely research that drives business performance. AFP Research draws on the knowledge of the Association's members and its subject matter experts in areas that include bank relationship management, risk management, payments, and financial accounting and reporting. Studies report on a variety of topics, including AFP's annual compensation survey, are available online at www.AFPonline.org/research.

About the Association for Financial Professionals

Headquartered outside Washington, D.C., the Association for Financial Professionals (AFP) is the professional society that represents finance executives globally. AFP established and administers the Certified Treasury Professional™ and Certified Corporate FP&A Professional™ credentials, which set standards of excellence in finance. The quarterly AFP Corporate Cash Indicators™ serve as a bellwether of economic growth. The AFP Annual Conference is the largest networking event for corporate finance professionals in the world.

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