



ASSOCIATION FOR
FINANCIAL
PROFESSIONALS

2014 AFP

Strategic Role of Treasury

Report of Survey Results

Underwritten by



OLIVER WYMAN



IMPACT THROUGH SPECIALIZATION

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Redefining the Role of the Treasurer – The key to optimizing corporate performance in a more uncertain business environment

The role of the corporate treasurer has been dramatically evolving 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. All this is in reaction to increased focus by corporate leaders and Boards of Directors on optimizing the use of cash on their companies' balance sheets and on ensuring holistic risk management. We believe this shift is significantly altering how companies reach strategic decisions as they attempt to improve their performance in an increasingly uncertain business environment.

With this in mind, Oliver Wyman is pleased to partner with the Association for Financial Professionals® (AFP) to produce the *2014 AFP Strategic Role of Treasury*. The survey results indicate that the role of the treasurer is already undergoing a fundamental transformation. Most respondents currently devote less than a quarter of their time to managing their teams and day-to-day treasury undertakings in order to focus on a new and broader set of responsibilities which increasingly involves balance sheet management and risk-adjusted decision analysis. In fact, nearly half expect strategic decisions concerning capital allocations to be their primary focus in the next two years.

One 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 buy-backs, debt repayment or dividend increases, to operational alternatives such as capital expenditures, acquisitions or product development. They are also well-positioned to evaluate emerging unconventional business opportunities such as supplier finance, peer-to-peer lending or customer loyalty and payment strategies.

Against this backdrop of increased demand for analytical rigor and strategy support, the majority of survey respondents report that they are still primarily evaluated and incentivized based on their ability to deliver tactical (and traditional) improvements such as reduced borrowing costs and banking expenses. The dual (and sometimes conflicting) expectations of the treasury role now require treasurers to provide increased strategic input while also focusing on traditional cost-mitigating metrics. They are also often asked to do more with fewer resources. Treasurers will have to ensure highly effective and efficient treasury operations in order to fulfill the requirements of the "new" treasurer.

We believe the companies that embrace this transition and position themselves to take advantage of this improved analytical capability will have an opportunity to make better strategic decisions. We hope you will find the results of the *2014 AFP Strategic Role of Treasury Survey* informative and useful.

Alex Wittenberg, Partner, Oliver Wyman Group

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Introduction

The role of Treasury continues to expand, and the function is increasingly playing a more central role in corporate decision-making. The survey findings reveal the role of the Corporate Treasurer has fundamentally and irrevocably transformed from a traditionally focused, back-office, intensive function to one that is significantly more visible and highly strategic.

Financial professionals in the treasury area are required to lead their teams effectively and enhance their department's performance. To be considered successful, it is essential that treasurers build leadership skills beyond their job knowledge and technical skills. Post recession senior management at most organizations is more attuned to the financial performance and sources of variability within the business, resulting in the treasury department being more visible and accountable to executive management.

The Association for Financial Professionals® (AFP) has been tracking the role of Treasury for a decade. Results from earlier surveys (conducted in 2003 and 2006); revealed that the treasury functions at companies were beginning to play a more strategic role. Since the upheaval in the financial system and the severe recession, subsequent surveys conducted in 2011 and 2014 have reemphasized the function's growing importance driven by a focus on cash management and liquidity. The increasing role and contribution of Treasury is expected to continue over the next five years.

This does raise some vital questions: what are the implications of this higher profile role and what skills do treasurers need to develop to be effective in this new role? In an effort to answer some of these key questions and to monitor changes in Treasury's current and future focus, AFP surveyed senior treasury professionals in March 2014. The resulting 243 responses are the basis of this report.

AFP thanks Oliver Wyman for its underwriting support of the *2014 AFP Strategic Role of Treasury Survey* and its insights in developing the survey questionnaire and analysis of the survey results. The Research Department of the Association of Financial Professionals is solely responsible for the content of this report.

Key Highlights

84%

Financial professionals report the treasury function is playing a more strategic role

83%

Survey respondents anticipate a further growth in Treasury's expanded role over the next five years

69%

Financial professionals attribute Treasury's enhanced role to a greater emphasis on cash management and liquidity

46%

The **percentage of treasury departments** that act as internal consultants to other departments or business units

37%

Treasurers are members of their organization's Executive Committee/C-Suite

74%

Survey respondents rate their access to executive management strong or excellent

37%

Treasury leaders spend more than 25 percent of their workweek managing/leading their teams

45%

Survey respondents believe their organizations should take greater advantage of Treasury's skills, talent and experience to optimize financial performance

Highlights of Survey Results

The key findings of the *2014 AFP Strategic Role of Treasury* Survey

Treasury's Enhanced Strategic Role

- Eighty-four percent of survey respondents report that the role of Treasury in their organizations has expanded over the past five years. This is similar to the 81 percent in 2011 that indicated that Treasury had an increased strategic role at their companies compared to five years earlier.
- Eighty-three percent of financial professionals anticipate a further growth in Treasury's strategic role over the next five years.
- Sixty-nine percent of survey respondents attribute their treasury department's enhanced strategic role to the emphasis placed on cash management and liquidity in the current economic environment.
- Sixty-three percent explain Treasury's expanded role is the result of the close attention being paid to the company's liquidity and risk exposure by senior management and the Board.
- Ninety-four percent of treasurers take the lead role in bank relationship management at their organizations.
- Sixty-two percent of financial professionals cite cash management and forecasting as a key area of focus for their treasury departments over the next two years.
- Three in five organizations either have operations outside the U.S. and/or conduct business with customers and/or vendors overseas.
 - Larger organizations (those with annual revenues of at least \$1 billion) are more likely to have overseas operations and/or conduct global commerce (72 percent) than are smaller organizations (43 percent).
 - Seventy-seven percent of publicly owned organizations have global operations compared to the 53 percent of privately held businesses that do so.
- Treasury plays a critical role in cash management and global banking at 80 percent and 67 percent of organizations, respectively.

Treasury Department and Executive Committee/C-Suite

- Fifty-five percent of treasury departments measure and communicate results to their organization's executive management and Board of Directors.
- At 37 percent of organizations, treasurers are members of the Executive Committee/C-Suite.
 - Treasurers at smaller organizations (43 percent) are more likely to be a part of the Executive Committee/C-Suite than are their counterparts at larger companies (32 percent).
- Seventy-five percent of financial professionals report that Treasury has strong access and visibility to their organization's Executive Committee/C-Suite.
 - Seventy-nine percent of treasury departments at larger organizations have strong access and visibility to the Executive Committee/C-Suite compared to the 67 percent of departments at smaller companies.

Staffing of the Treasury Function

- Fifty-four percent of organizations have fewer than five people working in their treasury department while 22 percent employ more than ten in their treasury function.
- Forty-one percent of treasury professionals leading the treasury function at their companies spend between 10 - 25 percent of their workweek in managing/leading their team and 37 percent spend over 25 percent of their time doing so.

Leadership Skills and Training for Treasurers

- Virtually all financial professionals agree that strong communications skills are important for a treasurer to be effective and successful; 72 percent believe such skills are critical.
- Seventy-three percent of treasury function leaders are acquiring the expertise/knowledge to be successful at their jobs from external resources while 48 percent are taking advantage of resources offered by their organizations. Nearly a quarter (23 percent) are enrolling in university executive education courses for their professional development needs.

Strategic Role of Treasury

Survey Results

Traditionally, a successful treasury department was one that remained invisible; if it performed its tasks successfully, then the organization's business units, Board of Directors and senior management paid little to no attention to its activities. In many organizations, Treasury ensured an efficient banking structure, adequate liquidity and the safekeeping of cash resources that allowed the rest of the organization to focus on the more "important" tasks of acquisition, growth and development. Treasury's role was certainly a critical one, but it was often relegated to a support function with "back-office" status—it protected the firm's resources rather than create value.

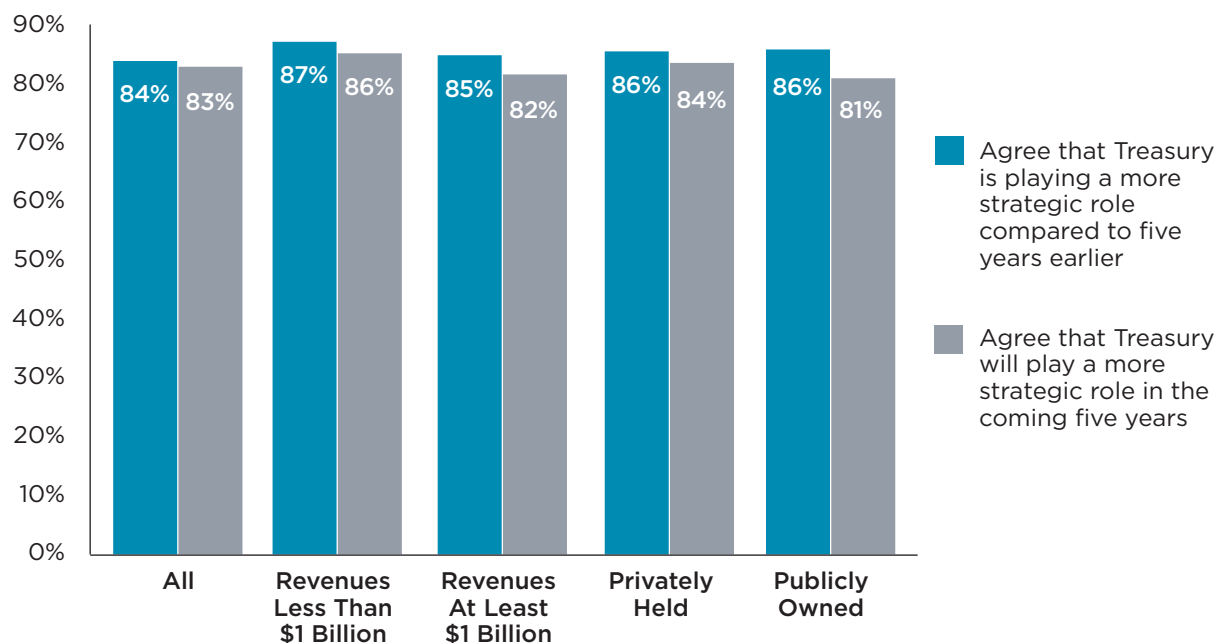
Those days are long gone. Treasury is now recognized as a full "partner" by the rest of the organization and external stakeholders.¹

In the latest survey, 84 percent of financial professionals report that the role of Treasury in their organizations has grown in the past five years. That share is consistent with results from the 2011 survey in which 81 percent of financial professionals indicated that Treasury was playing an increased strategic role at their companies compared to five years earlier. Financial professionals remain convinced that the strategic role of Treasury will continue to expand, as 83 percent anticipate a further growth in Treasury's participation over the next five years. Only five percent of survey respondents report that treasury departments are *not* playing an increasing role at their organizations.

At the same time the strategic role of Treasury is evolving, the effective performance of the "traditional" functions of Treasury enables a company's ability to execute strategy.

The Greater Strategic Role Played by Treasury

(Percent of Respondents)



¹ Serving the new Corporate Treasurer, Elizabeth St-Onge, Axel Miller and Michael Wagner, Oliver Wyman, 2012

Key Reasons for Treasury’s Greater Strategic Role

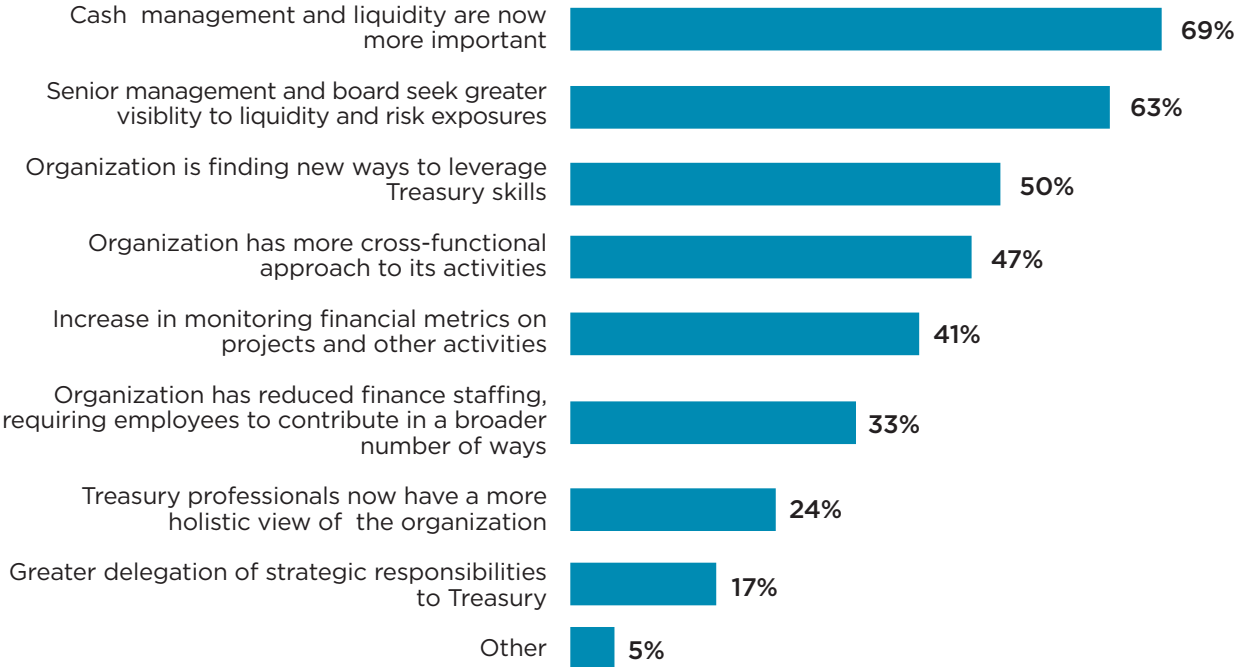
Many of the challenges currently facing organizations are ones that require Treasury’s guidance, skill set and leadership. Nearly 70 percent of survey respondents attribute Treasury’s enhanced role to the emphasis placed on cash management and liquidity in the current economic environment. In a time of increased uncertainty/volatility, making the right decisions regarding the use of cash is even more important. Sixty-three percent of financial professionals explain Treasury’s expanded role is the result of the close attention being paid to the company’s liquidity and risk exposure by senior management and the Board. Half of financial professionals report that their companies are making a concerted effort to be innovative in leveraging the skills that reside in Treasury.

Others factors that have contributed to Treasury’s expanded strategic role include:

- Organization has taken a more cross-functional approach to its activities (cited by 47 percent of survey respondents)
- Organization has been more closely monitoring financial metrics on projects and other activities. (41percent)
- Organization has reduced finance staffing, requiring all employees to contribute in a broader number of ways (33 percent)

Key Reasons for Treasury’s Greater Strategic Role

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



Where Treasury Leads

Treasury takes a lead role in many activities beyond those traditional ones in cash management. It is responsible for developing and maintaining relationships with various stakeholders both internal and external to organizations. The vast majority of treasury departments take the lead role in the following areas:

- Bank relationship management
- Short-term borrowing
- Long-term borrowing (capital funding/sourcing)
- Short-term investing

Treasury is in a unique position to outsource its expertise to other departments within the company. Besides those key functions cited above where Treasury assumes a significant responsibility, a growing share of survey respondents (46 percent) report that Treasury is assuming a lead role as an independent consultant to other business units; this is an increase from 2011 when only 26 percent reported the same. As Treasury successfully collaborates with other business units and plays an advisory role to senior management and other team leaders, the expertise of the treasury function will continue to be sought after across operations.

A more significant percentage of treasury departments at larger organizations (with annual revenues of at least \$1 billion) are more likely to play key roles in various finance functions than are those in smaller organizations. A few examples include:

Short-term borrowing: 95 percent of treasury departments in organizations with annual revenues greater than \$1 billion have a role in this function versus 76 percent in smaller organizations.

Long-term borrowing: 90 percent of treasury departments in organizations with annual revenues greater than \$1 billion have a role in this function versus 79 percent from smaller organizations.

Short-term investing: 88 percent of treasury departments in organizations with annual revenues greater than \$1 billion have a role in this function versus 65 percent from smaller organizations.

Financial risk management: 63 percent of treasury departments in organizations with annual revenues greater than \$1 billion have a role in this function versus 41 percent from smaller organizations.

Treasury departments at publicly owned organizations are more likely to be engaged in borrowing and investing (both short-term and long-term) than are those at privately held companies.

Treasury's role is also expanding functionally as more treasurers take on responsibility in areas that are closely aligned to but were traditionally outside of Treasury's purview. These include corporate finance, insurance, enterprise risk management, M&A, pensions, tax and investor relations. Treasury is also more heavily involved in the oversight and strategy of working capital management and financial supply chain management.

For example, in many organizations, Treasury is working with sales, marketing, credit and operations to develop a comprehensive payment strategy. The objective is to support a portfolio of payment instruments (on both the receivables and payables side) that increase customer loyalty, deepen vendor integration, enhance competitiveness, accelerate the cash cycle, lower costs, protect from risk in the physical supply chain and improve controls. All of these goals, often conflicting, need to be balanced when developing a payment strategy, and Treasury can provide leadership and guidance within a cross-functional team.²

² Serving the new Corporate Treasurer, Elizabeth St-Onge, Axel Miller and Michael Wagner, Oliver Wyman, 2012

Functions Where Treasury Plays a Lead Role

(Percent of Organizations)

	All	Revenues Less Than \$1 Billion	Revenues At Least \$1 Billion	Privately Held	Publicly Owned
Bank relationship management	94%	90%	98%	91%	98%
Borrowing: short-term	86	76	95	86	95
Borrowing: long-term (capital funding/sourcing)	85	79	90	84	92
Investing: short-term	77	65	88	54	93
Investing: long-term	62	55	69	44	77
Financial risk management	53	41	63	47	62
Counterparty risk analysis	50	35	63	45	63
Working capital management (e.g., A/R, A/P, inventory)	49	55	46	53	48
Insurance	47	38	54	43	58
Internal financial consultant to other departments, business units and/or affiliated companies	46	45	46	48	44
Capital planning/Allocation	44	44	43	40	51
Financial planning & analysis	38	49	27	46	25
Retirement/pension plan management	36	26	43	30	44
Leasing	35	25	42	31	42
Enterprise risk management	32	35	28	30	31
Business continuity planning	28	34	24	31	26
Investor relations	28	27	29	25	24
Mergers & acquisitions	26	26	24	38	20
Accounting/SEC compliance	12	20	6	18	10
Technology implementation/management	10	11	9	10	6

Key Areas of Focus for Treasury

Treasury's traditional role in cash management and forecasting has assumed a renewed focus in the wake of the last recession. Financial professionals expect their organizations' senior management will continue to have their treasury departments focus on these functions in the coming years. Sixty-two percent of financial professionals cite cash management and forecasting as a key area of focus for their treasury departments over the next two years. Other areas of focus include:

- Financing and capital allocation (cited by 45 percent of survey respondents)
- Serving as a more strategic resource to the organization (40 percent)
- Treasury and payment solutions (35 percent)

At a recent Corporate Treasurers Council Roundtable,³ the treasurer of a large global organization said, "Treasury's involvement in capital allocation includes advising management on larger projects as well as analyzing the best capital allocation strategies for deploying cash, i.e., dividends, buy-backs, investments." He added, "Making the decisions [about] how much to allocate is Treasury's strategic contribution." Since cash is the single biggest asset at many companies, this statement is certainly true.

Forty percent of financial professionals in this year's survey indicate that over the next two years Treasury's focus will be as a more strategic resource to the organization. This is more than a 10 percent increase in the share of respondents (29 percent) who held this view in 2011, and further validates the trend toward the transformation of Treasury to a more strategic function.

A greater percentage of financial professionals from larger organizations (51 percent) than smaller ones (39 percent) indicate their organizations' treasury departments will focus on financial and capital allocation over the next two years. At smaller companies, Treasury will more likely concentrate efforts on cash management, forecasting and treasury and payment solutions. Treasury departments at publicly owned organizations will be more likely to focus on financing and capital allocation than are those at privately held companies (56 percent vs. 38 percent).

Key Areas of Focus for Treasury Through 2016

(Percent of Organizations)

	All	Revenues Less Than \$1 Billion	Revenues At Least \$1 Billion	Privately Held	Publicly Owned
Cash management and forecasting	62%	66%	59%	68%	64%
Financing and capital allocation	45	39	51	38	56
Serving as a more strategic resource to the organization	40	36	44	35	40
Treasury and payment solutions	35	40	33	36	30
Risk management	31	31	31	31	32
Bank relationship rationalization	20	19	21	22	20
Merger & acquisition/investment banking	16	11	18	16	18
Review investment options and policies	15	15	13	9	13
Credit syndicate renewal	11	8	14	9	16

³ The Corporate Treasurers Council (CTC) is the executive-level membership of the Association for Financial Professionals

Overseas Operations

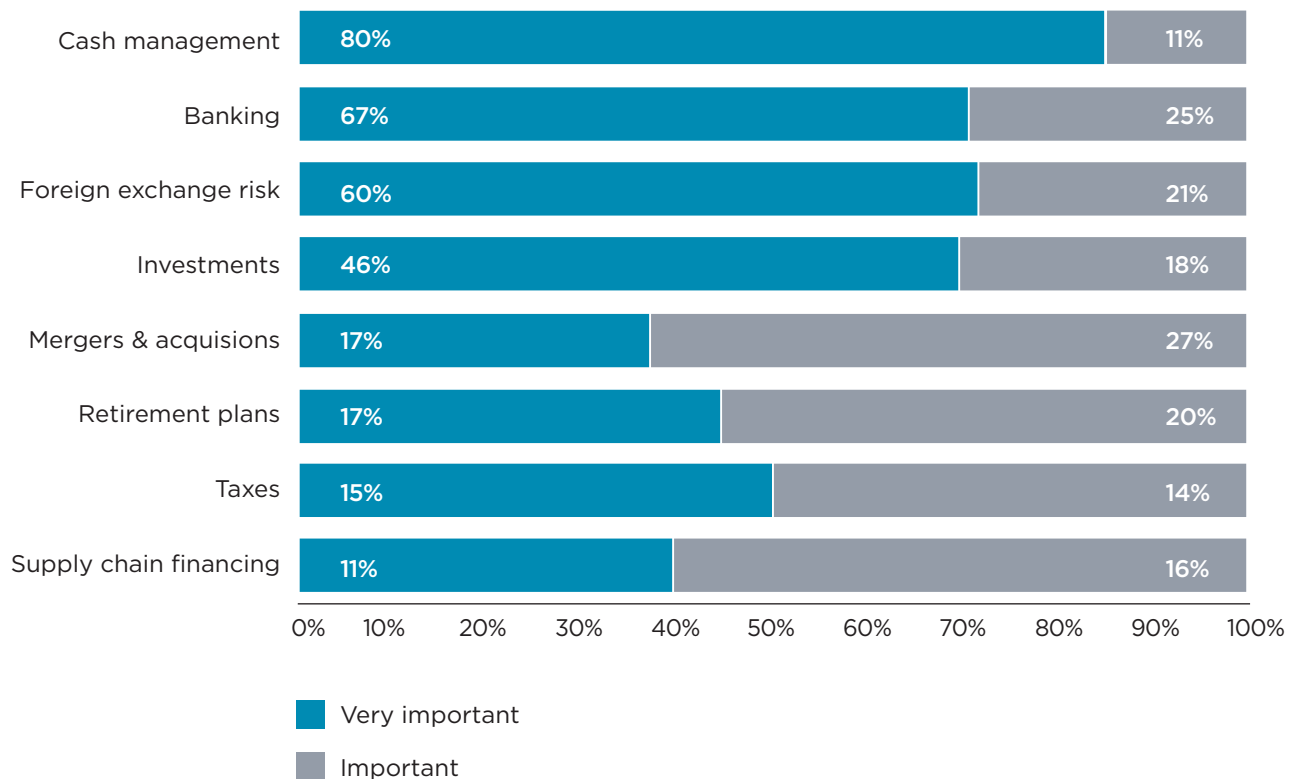
Many companies generate a substantial percentage of sales from outside their home country or purchase goods and services from overseas. Global trade flows are expanding for companies of all sizes, including small and mid-size organizations, as many companies look to global or emerging markets for growth. It is anticipated that Asia will account for 60 percent of global trade by 2020. These emerging and developing markets tend to be more challenging, opaque and/or underdeveloped from a banking, tax, liquidity and currency management perspective—leading to increased complexity and risk for treasurers to manage.⁴

Treasury plays a critical part in an organization’s ability to successfully conduct business outside its home country. In nine out of ten organizations with global operations, Treasury plays an important role in banking and cash management, while in four out of five companies Treasury is a critical player within the organization in managing foreign exchange risk. Other areas where Treasury plays an important role in global commerce:

- Investments (cited by 54 percent of survey respondents)
- Mergers & acquisitions (44 percent)
- Retirement plans (37 percent)

Importance of Treasury’s Role in Global Operations

(Percentage Distribution of Organizations With Global Operations)



⁴ Serving the new Corporate Treasurer, Elizabeth St-Onge, Axel Miller and Michael Wagner, Oliver Wyman, 2012

Measuring Treasury Department's Success

As Treasury takes on additional responsibilities and assumes the lead in many key areas, it is under closer scrutiny from executive management and the Board. In addition, there is a greater spotlight on Treasury's traditional functions than ever before, particularly an outcome from the recession. Its greater visibility and expanded responsibilities compel Treasury to develop metrics and track its performance.

Not surprisingly, revenue and/or profit generation are major components determining Treasury's effectiveness. But executive management employs other metrics in evaluating Treasury's contributions to an organization. Several of these metrics are linked to reduced costs. Fifty-eight percent of organizations measure Treasury's success by its ability to reduce borrowing costs. Fifty-five percent of organizations gauge their treasury department's success by its ability to achieve liquidity targets. About half of organizations evaluate Treasury's success by its effectiveness in reducing banking expenses and in managing risk.

Larger organizations—those with annual revenues greater than \$1 billion—are more likely than smaller organizations to measure the success of their treasury departments by their ability to provide capital structure support and manage risk. Smaller organizations are more likely than larger ones to assess their treasury departments by their ability to attain liquidity targets. Risk management and capital structure support are metrics used more often by publicly owned entities than privately held ones.

It is interesting to note that most of the current measures of a treasury department's performance relate to the "traditional" core functions, and thus may not effectively capture the success or failure of Treasury's strategic contributions. The measures also do not reflect Treasury's leadership roles in areas such as FP&A, ERM, insurance or M&A.

As Treasury's role evolves, it will be important for it to redefine its key success factors and metrics to ensure they align with its most important contributions—and that it educates the rest of the organization about that contribution. For instance, while cost management is important, in the new world of increased risk management and working capital management, managing effective banking relationships may be more important than "cheap" banking relationships. Metrics should reflect how the treasury function provides value to the organization.⁵

⁵ Serving the new Corporate Treasurer, Elizabeth St-Onge, Axel Miller and Michael Wagner, Oliver Wyman, 2012

Key Metrics of Treasury Department's Success

(Percent of Organizations)

	All	Revenues Less Than \$1 Billion	Revenues At Least \$1 Billion	Privately Held	Publicly Owned
Reduced borrowing costs	58%	57%	59%	57%	63%
Liquidity targets	55	59	49	57	53
Reduced banking expenses	51	53	51	51	53
Risk management effectiveness	49	44	54	44	60
Capital structure support	47	29	62	34	67
Income generations (e.g., interest, rebate, etc.)	28	36	24	27	20

Treasury Department and Executive Committee/C-Suite

In many organizations, Treasury is an internal advisor and consultant to the business units and a valued advisor for senior management. Treasury's strong analytical skills and access to financial and market data make it a perfect partner of the executive team in making risk-adjusted business investments and strategic decisions.

With closer scrutiny of Treasury's performance by senior management and, as a result, greater visibility, the treasury function is increasingly more accountable to an organization's executive management and Board. Just over half of treasury departments (55 percent) measure and communicate results to their organization's executive management and Board of Directors. In just under half of smaller-sized organizations (49 percent) Treasury communicates its results to the company's Board/Executive Management. At 57 percent of larger organizations Treasury does so. Treasury departments at publicly owned companies are more accountable to their executive management than are those at privately held companies (58 percent versus 43 percent).

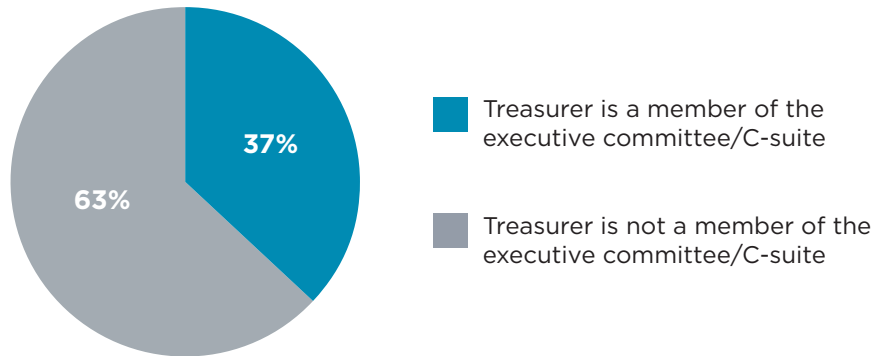
Measuring and Communicating Treasury's Performance to Executive Management and the Board

(Percentage Distribution of Organizations)

	All	Revenues Less Than \$1 Billion	Revenues At Least \$1 Billion	Privately Held	Publicly Owned
Treasury formally measures and communicates to executive management and the Board its contribution to company performance	55%	49%	57%	43%	58%
Treasury does not formally measure or communicate to executive management and the Board its contribution to company performance	45	51	43	57	42

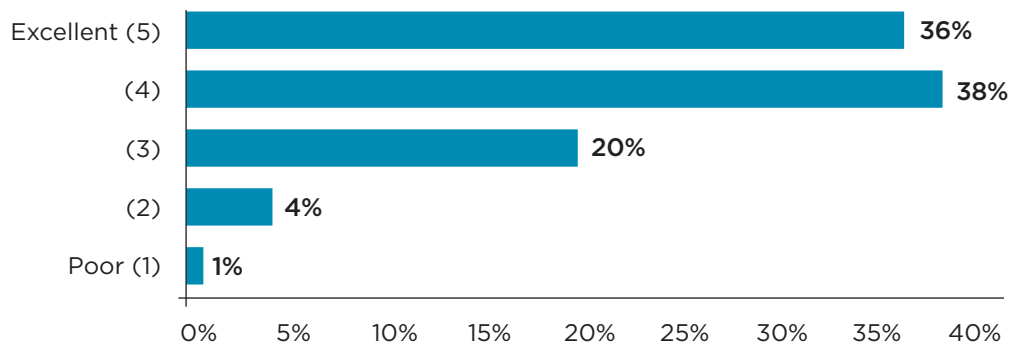
In a number of organizations, the treasurer has direct access to the organization’s leadership team by virtue of being a member of the executive committee and/or part of the C-suite. At 37 percent of organizations, treasurers are members of the executive committee/C-suite. Treasurers at smaller organizations (43 percent) are more likely to be a part of the executive committee/C-suite than are their counterparts at larger organizations (32 percent).

Treasurer is a Member of the Executive Committee/C-Suite
(Percentage Distribution)



On a scale of one to five, where one is poor and five is excellent, nearly three-fourths of financial professionals rate their organization’s access and visibility to the executive committee/C-Suite either a four or five. Survey respondents from larger organizations (79 percent) are more likely to agree with this statement than are those from smaller companies (67 percent). Over half of financial professionals (55 percent) believe their organizations use the full potential of their treasury departments’ skills and talents to optimize a company’s financial performance.

Treasury’s Access to Executive Management/C-Suite
(Percentage Distribution of Organizations)



Treasury Staffing

Size of Treasury Function

Fifty-four percent of organizations have fewer than five staff working in their treasury department; 22 percent employ more than ten in their treasury areas. Over 70 percent of larger organizations employ five or more persons in their treasury departments while 83 percent of smaller organizations employ less than five within their treasury group.

Regardless of size of the organization or size of the treasury team, it is essential that treasurers lead and manage effectively to ensure peak performance from their staff. Many leading these functions are pressured to attain goals and targets with limited resources. Additionally, as a result of downsizing of staff during the recent recession, organization’s treasurers have had to assume additional responsibilities and often deal with severe time constraints.

The typical treasurer spends 20 percent of a workweek on managing and leading the treasury team. Forty-one percent of Treasury leaders spend between 10 and 25 percent of their workweek in managing/leading their teams and 25 percent spend between 26 and 50 percent of their time doing so. Treasurers at larger organizations spend slightly more of their workweek managing and leading their teams compared to their peers at smaller organizations.

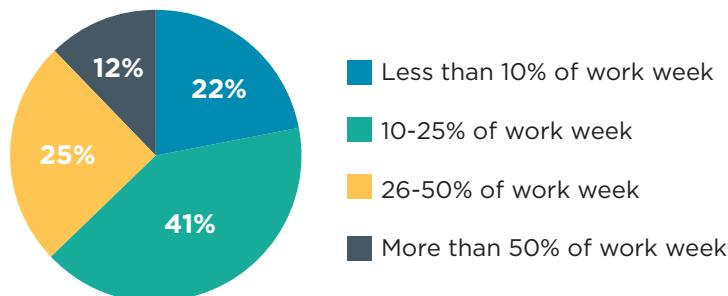
Given a continued lean staffing structure and the significantly increased scope of the treasurer’s role, it is important for the treasury function to identify opportunities where it can automate, standardize and streamline its daily operations. This will release resources to focus on value-added activities and contributions to the organization. Many treasury departments may still be highly dependent on individual knowledge rather than automated processes.

The staffing structure also means that the small number of people in a treasury department must become experts in a wide variety of topics such as global trade, accounting, tax, banking regulation, liquidity, risk (political, physical, economic and financial), payment systems and cash management.⁶

Treasury Staffing (Percentage Distribution of Organizations)

	All	Revenues Less Than \$1 Billion	Revenues At Least \$1 Billion	Privately Held	Publicly Owned
Less than 5 employees	54%	83%	30%	72%	41%
5-9 employees	24	12	33	13	26
10 or more employees	22	5	38	16	33

Time Spent by Leader of Treasury Function in Managing/Leading Team (Percentage Distribution of Organizations)



⁶ Serving the new Corporate Treasurer, Elizabeth St-Onge, Axel Miller and Michael Wagner, Oliver Wyman, 2012

Critical Leadership Skills

In many organizations, Treasury regularly interacts with senior management, the Board of Directors, subsidiaries, customers, vendors, bankers, regulators and investors. The result in many organizations: Treasury is becoming an internal advisor to the Board and to operating units. In fact, the perspective in Treasury is shifting from an “in-to-out” to an “out-to-in” view; it is no longer about what Treasury requires but rather what it can provide to its numerous stakeholders.⁷

The various competencies and skills required for Treasury have evolved, too, as the function moves toward a more strategic role. Organizations are seeking team members skilled in collaboration, leadership and persuasion. Technical expertise skills, though still necessary, are not the only skills organizations look for in their Treasury candidates. Companies are looking to develop a treasury team with a skill set from which they can pull resources.

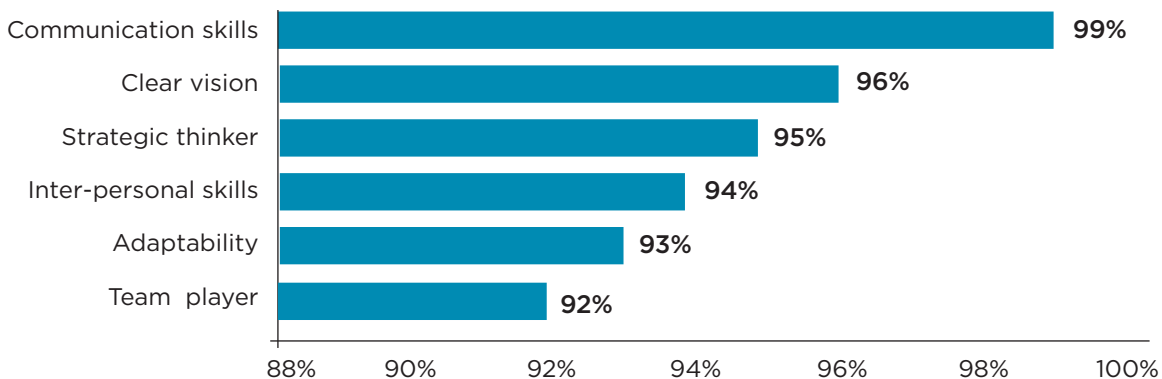
With Treasury playing an expanded strategic role, treasurers and other financial professionals are seeking to develop leadership attributes beyond essential Treasury knowledge and expertise. Virtually all survey respondents (99 percent) believe that strong communications skills are important for a treasurer to be effective and successful. Other skills considered key for successful and effective treasurers as they move from a back-office role to a more consultative role with business units and the executive team are:

- having a clear vision (cited by 96 percent of survey respondents)
- thinking strategically (95 percent)
- having interpersonal skills (94 percent)
- being adaptable (92 percent)
- being a team player (92 percent)

In addition to those leadership skills, survey respondents also consider the following attributes/criteria critical for treasurers to successfully manage their departments:

- strong Treasury experience
- technical competence
- ability to maintain relationships with regulators, bank, rating agencies, consultants, debt providers, etc.
- global business acumen
- analytic capabilities
- motivational and people management skills
- problem solver

Critical Leadership Skills Required to be a Successful and Effective Treasurer
(Percent of Respondents)



¹ Serving the new Corporate Treasurer, Elizabeth St-Onge, Axel Miller and Michael Wagner, Oliver Wyman, 2012

Treasurer Training

Talent management continues to be a key theme for organizations as their Treasury teams transform from tactical to more strategic partners. Teams are working closely with business leaders and leading key processes like capital allocation and enterprise risk management. Companies are looking to recruit bright and technically skilled people who are able to succeed within the Treasury function as well as in the broader finance function and eventually be capable of taking on more strategic responsibilities.

Several companies have formal intern and mentoring programs to help develop staff and keep them engaged. Organizations have found that their new recruits are attracted to Treasury as it provides them with the opportunity to move into other areas.

As the strategic role of Treasury expands and the contribution of the function's leaders are enhanced, professional development is critical. Financial professionals seek to enhance their technical and leadership skills, including those that focus on communication and leadership.

Survey respondents access various sources for their professional learning needs. Nearly three-fourths of treasury function leaders acquire the expertise/knowledge to be successful at their jobs from external resources. Slightly under half (48 percent) use resources offered by their organizations, while 23 percent enroll in university executive education courses to meet their professional development needs. In addition, many financial professionals indicate that 'on the job training' is a key learning resource to gain knowledge and expertise. Larger organizations and those that are publicly owned are more likely to offer their treasurers training within the organizations than are smaller organizations and those which are privately held.

Training Resources for Treasurer

(Percent of Organizations)

	All	Revenues Less Than \$1 Billion	Revenues At Least \$1 Billion	Privately Held	Publicly Owned
Training offered by the organization	48%	34%	59%	64%	36%
Training offered by an external resource	73	70	75	71	69
University executive education course	23	18	28	32	19
Other	21	28	15	22	20

Conclusion

In the three years since AFP conducted the previous *Strategic Role of Treasury Survey*, Treasury's role has continued to expand as it shifts from being a guardian of an organization's assets to a creator of value within the organization. The department's expanded role can be attributed to the emphasis placed on cash management and liquidity in the current economic environment and the close attention being paid to a company's liquidity and risk exposure by senior management and the Board. Treasury takes a lead role in many activities beyond the traditional ones in cash management; they include bank relationship management as well as short- and long-term borrowing. Financial professionals anticipate that their organization's treasury department's key areas of focus over the next two years will be cash management and forecasting.

With many organizations having overseas operations or conducting global commerce, Treasury is a leader in a number of functions, including but not limited to cash management and global banking. It is also a vital player in foreign exchange risk management.

With the closer scrutiny of Treasury's performance by senior management and greater visibility of the treasury function, Treasury is increasingly more accountable to an organization's executive management and Board of Directors. However, in spite of the closer scrutiny on the department and the greater visibility, nearly half of financial professionals do not believe their organizations use the full potential of Treasury's skills and talent to optimize financial performance. It begs questions, why have organizations not taken full advantage of Treasury's skills? Is a lack of resources limiting Treasury's ability to play a bigger role? The fault may lie with Treasury itself. Perhaps it has not effectively communicated or promoted its skill set throughout the organization. As Treasury's strategic role continues to expand and evolve, it is vital that treasury departments develop their communications skills to build and maintain effective partnerships with their organizations' executives, Boards and business units.

About the Survey

In March 2014, the research department of 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. The 1,442 surveys sent to this group generated 142 responses. AFP also sent surveys to non-members with similar job titles, generating an additional 101 responses. The resulting response rate—adjusted for undelivered email was seven percent. The total 243 responses are the basis of this report. The following tables provide a profile of survey respondents.

AFP thanks Oliver Wyman for its underwriting 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.

Annual Revenues

(Percentage Distribution of Organizations)

Under \$50 million	8%
\$50-99.9 million	5
\$100-249.9 million	11
\$250-499.9 million	7
\$500-999.9 million	15
\$1-4.9 billion	33
\$5-9.9 billion	9
\$10-20 billion	6
Over \$20 billion	7

Organization's Ownership Type

(Percentage Distribution of Organizations)

Publicly owned	42%
Privately held	41
Non-profit (not-for-profit)	7
Government (or government-owned entity)	10

Industry Sector

(Percentage Distribution of Organizations)

Agriculture	1%
Air Transport	1
Automotive	1
Chemicals	2
Communications	3
Consumer Products (Manufacturing, Sales, Distribution, etc.)	7
Energy (Utilities, Oil, etc.)	14
Financial Services (Banking, Investment, Brokerage, Insurance, etc.)	15
Government/Not for Profit	8
Healthcare Provider	3
Media/Professional Services	2
Mining and Metals	4
Pharmaceuticals/Biotechnology (Development, Manufacturing, Sales, Distribution, etc.)	1
Retail	4
Surface Transport (Maritime, Motor Transport, Rail)	2
Technology (Development, Manufacturing, Sales, Distribution, etc.)	6
All other Manufacturing (excluding Consumer Products, Pharmaceuticals, Technology)	7
Other	20

Global Operations and Trade

(Percentage Distribution of Organizations)

	All	Revenues Less Than \$1 Billion	Revenues At Least \$1 Billion	Privately Held	Publicly Owned
Yes, my organization has operations overseas (e.g., has physical presence outside the home country)	28%	26%	28%	26%	30%
Yes, my organization conducts global commerce (e.g., import and/or export activity)	9	6	12	8	12
Yes, my organization has both, operations overseas and conducts global commerce	23	11	32	19	35
No, my organization neither has operations overseas nor does it conduct global commerce	40	57	28	47	23

Appendix: Additional Tables

Table 1: Key Reason for Treasury's Greater Strategic Role

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

	All	Revenues Less Than \$1 Billion	Revenues At Least \$1 Billion	Privately Held	Publicly Owned
Cash management and liquidity are now more important given economic and credit market volatility	69%	73%	68%	68%	71%
Senior management and the Board seek greater visibility into organization's liquidity and risk exposures	63	56	68	62	70
Organization is finding new ways to leverage the skills that reside in Treasury	50	43	56	37	59
Organization has taken a more cross-functional approach to its activities	47	40	53	40	54
Organization has been monitoring financial metrics on projects and other activities more closely	41	45	34	47	33
Organization has reduced finance staffing requiring all employees to contribute in a broader number of ways	33	25	39	31	39
Through professional development and hiring, treasury professionals now have a more holistic view of the organization	24	20	30	21	32
Senior finance professionals have been focused on compliance and reporting issues, delegating many strategic responsibilities to Treasury	17	21	12	13	18

Table 2: Treasurer is Member of the Executive Committee/C-Suite

(Percentage Distribution of Organizations)

	All	Revenues Less Than \$1 Billion	Revenues At Least \$1 Billion	Privately Held	Publicly Owned
Yes	37%	43%	32%	44%	29%
No	63	57	68	56	71

Table 3: Treasurer's Access to Executive Committee/C-Suite

(Percentage Distribution of Organizations)

	All	Revenues Less Than \$1 Billion	Revenues At Least \$1 Billion	Privately Held	Publicly Owned
Excellent (5)	37%	29%	38%	27%	39%
(4)	38	37	41	41	42
(3)	20	28	16	22	17
(2)	4	4	4	10	—
Poor (1)	1	2	1	—	2

Table 4: Critical Leadership Skills Required to be a Successful and Effective Treasurer

(Percent of Respondents)

	Very Important	Important
Communication skills	72%	27%
Strategic thinker	66	29
Clear vision	58	38
Inter-personal skills	56	38
Adaptability	54	38
Team player	53	39

Table 5: Organization Fully Utilizes Treasurer's Skills

(Percentage Distribution of Organizations)

	All	Revenues Less Than \$1 Billion	Revenues At Least \$1 Billion	Privately Held	Publicly Owned
Yes	55%	58%	51%	51%	58%
No	45	42	49	49	42

Table 6: Percentage of Workweek spent by Treasury Leaders in Managing/Leading Their Team

(Percentage Distribution of Organizations)

	All	Revenues Less Than \$1 Billion	Revenues At Least \$1 Billion	Privately Held	Publicly Owned
Less than 10%	22%	30%	15%	30%	12%
10-25%	41	38	43	40	42
26-50%	25	24	27	20	29
More than 50% of his/her time	12	8	16	10	17

AFP Research

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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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