Intro: Welcome to the Strategic Treasurer Podcast, your source for interesting treasury news in your car, at the gym, or wherever you decide to tune in.

M. Zonsius Hello and welcome to another episode of the Treasury Update Podcast. This episode is the second in a series on becoming a treasurer. Today we'll hear from Craig Jeffery, the managing partner of Strategic Treasurer on what to do when you become the treasurer. What groundwork do you need to lay in order to prepare for success in the coming years? This discussion covers a variety of areas including staff planning, inventorying issues, systematic progress, and the nuances required in communication as a basis for future growth. Listen in and discover the conceptual roadmap that will make transition into this role optimally effective.

M. Zonsius: So in our first session we discuss a topic of preparing to be a treasurer. This covered the mindset and capacity. Today's episode focuses on what to do when you become the treasurer.

Craig Jeffery: Yeah, I think that's a good transition, right? One is preparing, getting your career ready to go, and then moving into what do you do when you become a treasurer?

M. Zonsius: Is it more of the same that you did for the preparation?

Craig Jeffery: Well, some of it is. Some of it is the same. Much of the mindset is the same that we talked about in the last podcast and I won't go over that, but there are some differences in the mindset that I think are important to include. It's more of an expansion rather than a complete shift. One is developing your team. The second is developing alliances, or developing alliances more deeply, I should say. And then the third is reinforcing the principle that treasury owns cash across the globe, whatever the type of organization is.

So with those three differences of mindsets, the team developing alliances more deeply and reinforcing the principle that treasury owns cash, owns as opposed to just overseas, I think it's important to recognize that you know what you need to do for the organization. You're in that role. You understand what's going on. You have to protect the organization's most liquid assets. You have to do this regularly and completely, and you have to let others know what you do for the organization, because everyone's focused on their own particular area and doesn't necessarily know what treasury needs to do.

And because of that, and because of the role that treasury plays and how it interacts with other areas, this is important. So I would talk about a couple items. This is not exhaustive, but I think it's a good start. One is on the balance sheet. So managing the balance sheet is a key element, right? This is ensuring that your debt and capital structure meets the organizational need if you're that type of organization. You might be some type of nonprofit, you still have to make sure that your balance sheet meets the needs even if it doesn't have a debt and capital interplay there.

Second has to do with relationship management. This is largely centered on partners who will help the organization get you where you need to be over time and across treasurers. So you have to take the entity's perspective on how do you ensure you have partners that will help the organization over time, even if you're well retired or you moved on to different roles. So relationship management has a generational aspect to it. The third is liquidity management, ensuring the organization always has the liquidity they need and they're getting this in an efficient manner.

And then fourth, just in terms of the fourth area to look at or consider during this podcast is risk management. And when I'm saying risk management, people may think of insurance or they may think of interest rate volatility. They may think of commodity prices moving around, or FX currency pairs moving. And what I mean by this, it includes some of those. And this is the concept of bringing your exposures to these different risks or volatilities, and bring those exposures in line with the risk appetite, not just the risk capacity organization or the tolerance that is stated by the organization. So those are the four areas that I wanted to focus on today.

M. Zonsius: So what do you mean by the terms appetite, capacity, tolerance?

Craig Jeffery: Oh, okay. Yes. So in risk management, I'll start with capacity. That's the largest. So what can your organization bear from a risk management standpoint? What's the largest loss, the biggest fluctuation in interest rates that you could bear, that the organization could bear, or a foreign exchange movement? So this is the ultimate level that would present a risk for the organization. So that's the maximum level.

When you bring that in, the tolerance is what is oftentimes stated in the organization. And I don't mean to say that everyone means something different than they state, but we see it time and time again where people say, "Yeah, we have a tolerance for this much risk." And if the organization actually experiences that much risk and that much of a loss or change in their cashflow, they can get very nervous, right? Very nervous, upset, and they like to make adjustments.

So it's the concept of tolerance might be higher and it's what's stated. But the appetite, I would say, is what the organization really is comfortable with, which is pulled in a little bit more from the tolerance. So you have capacity is the maximum that can be borne. Tolerance is what's stated. And then the real appetite is what the organization is comfortable with handling. And I think that's a key area for understanding risk management, making sure that you know what's stated and it's communicated well.

So those are some key things with the first four. The last item, and one of the most important items is that the treasurer is an advisor to the business. Everyone talks about being strategic, and that's perfect and that's great. But there is an aspect of the treasurer and senior treasury. People have to be the adult in the room. They have to provide advice to the different areas, to identify other risks or exposures, and even opportunities that others may not think of. And sometimes that can completely scuttle a project early on, which is good. It's better to find out something doesn't work quickly than it is to continue down the path and eventually you find out that that great margin that this new business was going to have didn't have a margin, or had all these other risks that offset it so that it no longer made sense. So being an advisor, managing risk, ensuring that the balance sheet meets the current and future needs, that you're working the relationships on a multi-generational timeframe.

M. Zonsius: So what should be done first?

Craig Jeffery: I'll go over a couple things. You're a new treasurer. You need to think about what gets done first because you have a very brief honeymoon period and you're not going to be able to go on the honeymoon in a few years. It's not going to work. I mean you can do that in life, but you can't do it in the business. So you need to take advantage of that honeymoon period. Eventually, if you don't any problems that you inherit the skeletons in the closet, they will become yours. And so the first year, the first six months, the first three months, those are all important timeframes to figure out what to do.

So first we say have a full assessment. And it's great. Everyone has to learn what's in their organization on their own by talking to people, examining and observing, not just reading documents so that you understand the risk, understand the extent of the issues, and get buy-in on fixing those. So you have to have some type of assessment, whether you use a consulting firm, whether you do it on your own, you partner with your banks, you have to do a full assessment to identify the major issues and the major opportunities for what you have. So from that assessment is you can rank those, prioritize those, and come up with a timeframe for getting those done. And I'll just say a couple of things, Meredith, about what's important to make sure that this covers.

First, this has to cover a number of areas, but two that are very important to have to do with technology and payment security. And these are going to be important for multiple years. Other things may supplant them in the future. But one, technology, there are massive changes taking place and that have taken place. Organizations, treasurers, are spending a lot on technology and plan to spend a lot. This means that your plan for technology needs to include an architectural setup. Because it's a multi-year plan, there's so much will need to be changed over time, even if you're apparently in good shape or maybe you're just embarking and you're way behind, putting and figuring out what the structure is so that every activity that you do over the next two, three or five years moves the organization where you need to be technologically.

You can't survive on 10, 15 year old technology, no matter how great it was when you set it up. It still may work, and the stuff that works, you're going to keep running, but eventually you'll have to replace that with newer tech, with newer tech that's more efficient, more open, more connected, that leverages other new types of technologies for connectivity, analysis, reporting, et cetera.

The second area is payment security. This is a tremendous area of exposure that organizations have that I think most organizations, in fact, I'm confident most organizations are not treating it as seriously as they should. So when you think about payment security, you need to review all of the payment flows that the organization has. And I don't just mean, "Okay, here's AP, here's payroll, and here's what Treasury's paying." But every single payment flow, every load to a bank portal, every file that's transmitted, there needs to be a complete inventory of it. Even if you as the treasurer are not currently responsible for the creation and delivery, that still should be known. There should be an inventory. Identify how that process works and what the exposures are.

That awareness of the issues needs to be raised, the ability to get into a system and edit an existing file. Even when you say, "Oh, there's file control totals," these files are still being observed, they're being edited. You can change a routing information, the payment address information, and files go the wrong way. So systems are being compromised every single day. And that doesn't mean that they're being discovered every single day, but they're being discovered after a time and someone's monitoring and seeing what's being done.

So the level of defense and controls around payment management is woefully inadequate in most organizations. That is extremely important. So raising awareness is vital, and then putting a plan in place to correct this. And most organizations find they have not five or six transmissions to the bank, but they find they have dozens, coming from many different systems, loading to portals. And this needs to be cleaned up and usually takes multiple years to clean it up. I said in the beginning, this ... What you said, "What should be done first?" I said, "Identify the skeletons you inherited before you can be blamed for them."

That concept is you need to know what they are, have a plan to fix them. To recap the idea that you have to fix them or they will legitimately become yours, not just with the an artificial period of time, but they will become yours because you didn't take the steps to do it. But when you've identified those items, you said, "We need these resources, we need to put this type of attention to clean these items up that represent a risk, to put us in a posture to grow, or to expand, or to support what the organization needs from a flexibility standpoint."

This is important. This report card that you provide on yourself and that you do will help do it. And you have to be action oriented. In addition to the planning, I've got one of those little Chinese fortune cookies, which is more like advice than any type of fortune. It said, it was like a proverb. It said, "Talk does not cook rice." And that carries with it the assumption you need to get things done. You can talk about it, you can put in a plan, but if you don't fix these items, if you just identify them, they will be your problem and then we'll have to have another session on moving from a treasurer to some other position or looking for a job.

M. Zonsius: You mentioned two differences, developing your team and developing alliances. Can you talk about what you mean by developing your team?

Craig Jeffery: Yeah, there's a lot of perspectives on developing a team. I've heard people describe it different ways. I have different views on it. One way of describing it is you have a bus, that's your company or organization. You've got to get the right players on the bus that are versatile, they can move around. And that works for some organizations, right? Rapidly changing, you've got really versatile players who can play any position, if I can mix metaphors there. But another mindset is you have to have people that are going to fit into what the organizational needs are at the time. And those change over time. We wish ... We might say we wish they never change, that people could always adapt. That is not always true. Some people that are great at one stage of the organization aren't a good fit at another stage, and it changes.

And so what I mean by that, at the different organizational stages you might do really well with someone who's extremely versatile in treasury or in another area, they can handle 15 things, wear 15 hats. Well, as the organization grows, you might specialize more, and they may only wear a couple hats later. Some people are very good about going very deep in a particular area, or very process oriented or linear in how they look at things. Others are good at adjusting and adapting to lots of new activities and a tremendous amount of change. So not everyone's fit for every job, and the company needs may vary. So it's being flexible for the organization and for people to make sure you can see what's coming up.

Now another aspect on the team is know your team and therefore know how to coach them or how to bring people along. So if you know your team, that concept of solid citizens or people that love lots of new stuff, you have to keep people that love lots of new stuff challenged with new items and projects. Other people like consistency. They want to optimize an individual process and they'll work at the same process, make it better and better, and over time, really make a big difference.

Those might be two very different skillsets and mindsets that you need, and knowing your team, it means you're going to make sure you're stretching people, putting them outside their comfort zone, but not so much that you're driving them to be crazy or to do something that's not ... You're not driving them so far out of their comfort zone that they're going to be inefficient. You're adapting to how they address items, how they manage their workflow.

And that concept of challenging people, some people are very great, they're called solid citizens. They do tons of work. And when certain things change and things change rapidly, like the industrial revolution occurred, certain activities get displaced. And part of your role as a leader and as a coach is to make sure that people are challenged enough so they don't get stuck in their process, in their way, because tech will change many of those things. New processes will change how they have to respond. So the concept of larger teams tend to be more complex and there's more specialization. Smaller teams need generalists. And many organizations that undergo a lot of change have to have people who are very good at adapting. They're global thinkers, not just global in the economy, but they take in lots of things and can adapt quickly.

M. Zonsius: What about developing alliances?

Craig Jeffery: Oh yeah, so in terms of alliances, I'm not recommending Sun Tzu's Art of War, but the concept of there are going to be those who you can form alliances with in the organization. So when we see the highest levels of success and treasury, those are areas, those are treasury groups that leverage what they know and they work with people in other departments, other areas of the organization, and with third parties, their banking partners, tech partners, et cetera.

First, if you work on understanding your internal customers by going and visiting them, hopefully you've done that as part of the preparing to be a treasurer, but you want to make sure you understand the business, what's important to them. And if you understand those internal customers, you can figure out ways to help them succeed while you do your job, help them address whatever is on their plate, because whatever's on their plate, what they're measured on is important to the organization. And treasury in many ways and many times can provide a great help in doing that. And if you help them succeed, you're protecting the organization and you're building up alliances in the process and they will be natural allies.

The other aspect too with alliances has to do with, somewhat to do with change management. When you're trying to adopt or put in place certain principles, structures, policies, there might be resistance if treasury wasn't responsible it. So you have to achieve success in particular areas where you might have to get one area to opt in and you have to serve them, make it work. This could be putting in a payment hub, right? So you got to make sure it works. In the first area you found someone who is willing to try looking for efficiency. The second area might come along after they've seen success with that, they'll come along a lot more readily, and then those who are most resistant eventually will have to follow along because you're meeting the needs, you're providing something far more efficient. And so this is a way we've seen a number of treasurers become extremely, extremely successful by building on success and then they work with their easiest targets if you will, and bring on others.

M. Zonsius: Finally, you mentioned the concept or principle that treasury owns cash. Can you explain that?

Craig Jeffery: Sure. So someone could be oblivious to what's going on with cash, and that does not bode well for anyone in the treasury organization to not know what's going on or where that is. But the three core areas are owner, overseer, or observer. There's also the overbearing end of things of you talk about 5-0's for example, but the observer of cash looks and sees what's going on and is more passive and reactive, not in control. The overseer looks, make suggestions about cash. The owner of cash is the proper role for treasury, to own all corporate cash. So it doesn't mean that everything has to be centrally located, but there shouldn't be 20 people in an organization who are deciding where to move funds or who opens up accounts.

So what's really important about owning cash? I'll just highlight a few of the items. This is a ... We could do an entire podcast just talking about that in maybe even several parts, but one, I'll talk about relationships and bank accounts. So who controls relationships with the banks? That has to be treasury and that has to fit with what the organization's needs are. And that doesn't mean everyone else is cut out of having part of that relationship, but who owns the relationships for ideas, for services, to ensure that the balance sheet will be supported as you move forward, be sure that you'll have access to the capital that you need going forward. Managing bank accounts is another area. You have to control bank accounts in at least a central database, and those should be reflected in your financial account policy. But also you're leveraging your key bank relationships to support those relationships that need to support and provide capital and ideas to the organization over time. So all of those have to be done together. Keeping bank accounts and separate databases in different areas with signers and different rules is never a good idea.

Second, managing the debt and equity structure. This is core. There shouldn't be lots of people selecting working capital lines all over the globe. Figuring out what makes sense. Treasury has to look at that in a comprehensive manner across the whole organization. Another area that sometimes gets broken out is the management of global risk. And it might be foreign exchange, the currency pairs that go on. Maybe even in IR, interest rate risk management might be handled in different areas. So everyone's optimizing it for their business unit or region, and at the macro level, at the company wide level, it is sub-optimized.

So when you think about managing foreign currency, why would you settle things in euros here, US dollars there, and other currency pairs in other areas? It doesn't make sense. You're doing too many transactions. It costs too much. There needs to be a comprehensive view of that. So owning cash means we have a a proper view of bank relationships. We manage our bank accounts centrally. We look at what our debt and capital needs are at a macro level. We manage global risks, particularly FX and interest rates in a central manner.

Finally, in terms of how we move money that the payment security process, how we create the best path for payment security. Treasury has to own cash, and part of that is securing the most liquid assets. And a key element of that is running the process of how funds move in an organization in the most efficient and secure way that is required. That is an area that I talked about earlier in terms of an exposure, and this is an area that treasury groups, which may have abdicated it in the past, need to get involved more because losses are mounting, the level of theft increases and there's a lot of changes in the payment domain.

As we look at the concept or the principle that treasury owns cash, this is so important for treasury and new treasurers to make sure that that becomes adopted across the organization. Someone saying, "I need to make sure I have money to make my disbursements." You as the treasurer are responsible to make sure they have the money. If you collect it from all the areas, 20 areas are saying that, cash is everywhere. It's not efficient, it's not effective. So if you don't enforce these, every decision will be harder if this view is not understood and not thoroughly enforced. Everything becomes sub-optimized when you're either the overseer of cash or the observer of cash, you have to be the owner of cash.

M. Zonsius: Wow, so this is great information on what to do when you become a treasurer. What's in the next series?

Craig Jeffery: Yeah, so the next in our series follows from that. So you're a treasurer. You figured out what to do first, you have your list. The other thing is becoming a treasurer, what do I do now? What do I measure? What are the leading practices I need to make sure I'm doing? How do I at least meet the minimum standard, the standard of good corporate conduct? When does it make sense to use benchmarks to figure out what I'm doing? What do I measure, how do I measure it, and why?

M. Zonsius: Sounds good. Thanks for joining us.

Outro: You've reached the end of another episode of the Treasury Update Podcast. Be sure to follow The Strategic Treasurer on LinkedIn. Just search for Strategic Treasurer.

This podcast is provided for informational purposes only and statements made by Strategic Treasurer LLC on this podcast are not intended as legal, business, consulting, or tax advice. For more information, visit and bookmark StrategicTreasurer.com.