Intro: Welcome to the Treasury Update Podcast, presented by Strategic Treasurer, your source for interesting treasury news, analysis, and insights in your car at the gym or wherever you decide to tune in.

How can treasurers communicate effectively? On this episode of the "Becoming a Treasurer" series, Craig Jeffery covers key principles to help treasurers navigate internal and external communication challenges. From working with CFOs to banks, he shares a practical view on having a clear purpose in your communication that will drive decisions and achieve overall success within your organization. Listen into the discussion.

M. Zonsius: Welcome to the Treasury Update podcast, I'm Meredith Zonsius, the communications manager at Strategic Treasure and I'm sitting here with Craig Jeffrey, our managing partner and founder. Today we're excited to continue our series of episodes on becoming a treasurer with part four: how to communicate effectively. For those who are just tuning in, this series explores questions around becoming a treasurer, including how to prepare, what to do when you become a treasurer, what to measure, how to communicate effectively, how to develop a team and how to get the resources you need.

As a recap, part one on how to prepare, this included the concept of mindset which started the discussion on communication and taking a long-term view. Part two, what to do when you become a treasurer. This session covered some of the initial activities that are vital for all new treasurers. And part three, what to measure, we examined the process of measurements, how they help convey significant meaning, status, and progress and how some of the measurements can help align activities with corporate goals. Today's podcast topic is becoming a treasurer, how to communicate effectively. Let's begin with a summary of mindset from the first podcast in this series. Welcome Craig. Good morning.

Craig Jeffery: Good morning. Thanks Meredith. Yeah. Just a quick summary of this, the mindset. We talked about three concepts briefly, in that version of the podcast. Being a vendor, a strategic business partner, taking the long or short term view on communication, and having a long view of success. So the vendor or strategic business partner option was, if you act as a vendor, you're securing capital and services and if you're a partner you're also doing those things. But you're looking at how can you advise the business, help the organization avoid risk or take the right types of measured risk. You're supporting the activities and you're understanding at a more detailed level, what will help those areas be successful. So that's the strategic business partner option.

The long or short view on communication. This is that mindset or principles about do we take a view of communication as a process or it's an event and I described the concept of someone sends out a memo detailing some perspective or initiative and then nine months later someone's not following it, says, "I sent a memo out on that." Not everyone sits in treasury understands the importance of those things. So much of communication is about having a long-term view where you're viewing it as a process to continue to reinforce those key themes.

Finally, or thirdly, on the mindset is taking that long view of success and this is the idea of you need to build upon success, not upon what you're going to do. So this is you achieve success, you continue to add to that, and then you have a track record and it also incorporates that concept of you have to have a practical view of getting things done, not just talking about great things, but having progress, achieving measurable results, helping people in specific ways. So it's a building up of success. So those are the three concepts about having the right mindset.

M. Zonsius: What are the principles of communicating effectively for a treasurer?

Craig Jeffery: Well, I would maybe a priority, it's listen first, think second, ask third, and talk last. This does require a little bit of humility instead of always jumping to an answer. Always jumping and responding immediately is making sure you understand deeply what's going on in the business areas or what people are trying to accomplish. There's a lot about listen, listen first usually means listening and watching and while we say think second, thinking really needs to happen throughout the entire process of course, but it's just in terms of priorities, making sure you're taking input in first on the communication side, processing that throughout, continuing to probe, and then talking last where you can add significant value.

This can be hard because as finance and treasury professionals, we're oftentimes quantitative and we can reach good, reasonable decisions quickly. We get order of magnitude, approximate trends and directions. We get the directional aspect and the magnitude really quickly and we feel the need to speak. But sometimes we have to make sure that people know we understand the different components. We do need to understand the different components so our response is nuanced or calibrated properly and addresses everyone's concerns.

M. Zonsius: Can you go into detail more about the listening part?

Craig Jeffery: Yeah, so listen is really listen, watching, learning. It's that whole process of how do I make sure I understand at first and it's all part of that component of being a strategic business partner. You have to understand the business. Everyone, or most everyone, should know the overall organizational objectives, the targets you're trying to reach. But how many know about the specific challenges of the various business areas? What is impeding them from reaching their objectives? Now the top line items everyone sees, but how can you understand what's going on and you need to ask, watch, learn. So what's working? What could be better? They may be accepting certain situations with this is how the businesses is, our competitors are doing this with credit, et cetera. And that idea of knowing what's working, what could be better, requires that you understand and you might be able to bring other ideas into that after you've listened, watched, and learn.

You know, there's that other concept. We've probably all heard the thing people don't care how much you know until they know how much you care and that can be a little bit corny, but translated into treasury talk means you have to understand an area or business in some depth before you can do a few things. You have to understand it at a detailed level. You have to help the people in that group or the organization meet the needs they have and you have to follow through with what you're committed to. It's just about being consistent, and then you support them where it makes sense as a business partner, it might be services, it might be ideas, it might be some other way of helping them achieve their goals that helps the organization meet their objectives.

M. Zonsius: You want people to listen and watch. Got it. Perhaps we should shift to the next topic: having a clear purpose in your communication.

Craig Jeffery: This is probably a fairly short response. Everyone understands the parties to the communication and that there's a message, et cetera, et cetera. There's always at least two parties in any type of communication, but the key thing here to think about is what are you trying to accomplish in your communication? I remember Doug Hartsima, who was one of my bosses some time ago, had mentioned that you don't have a meeting to discuss, you have a meeting to decide, and that was pretty formative in my thinking, but I would continue to expand that. You don't have just a meeting to discuss. You might have a meeting to understand, you might have a meeting or a conversation to decide. So you can, instead of just understanding, you want to understand and then decide, maybe it can happen in the same meeting, and then you might have communication, whether it's an email or a meeting to inform or advise, or it may be to solicit input.

You're looking and seeking input, and those messages should never be confused. If you're passing out an edict or here's a principal or a policy organization and it's already been decided, you're not seeking input and it needs to be communicated that way. If you're looking for input to influence a decision, it should be understood that way. So meet with a specific goal and purpose. Make sure that's communicated and that needs to be understood.

To respond to your question about that is you have to make sure you're speaking the same language and understand the meaning of words. We can get tripped up on words all the time, even within finance. That's an important part. So what does cash mean? What does owning cash mean? What is DSO versus working capital? Some of these concepts are, everyone has something in their mind that may mean something different.

You know, like we need to collect quickly or you're focused on a working capital goal and you say, "Well let's get the cash in." And what does that mean to someone in accounts receivable? Well, they just need to relieve the AR on the balance sheet. So they get a payment in, doesn't matter if it's in the bank or not, they relieve AR and they're fine. And then the actual liquidity can come four days later. They don't care because they're measured on what comes through the balance sheet, which may not reflect actual liquidity, availability in the bank. Whereas treasury cares about money you can spend and use in the organization. So making sure you're using the same language, whether it's cash, the accounting definition of cash, the liquidity definition, whether it's working capital terms, which are different, from an accounting and a banking perspective, from the working capital definitions that are focused on improving the cash conversion cycle.

Making sure you're using the same words and that is a corollary to having competing KPIs and making sure that you're on the same language. Making sure that you have the same goals all help with having a clear purpose in your communication.

M. Zonsius: Is there ever a time for a hard conversation or is it all about being nice?

Craig Jeffery: I think there's always a time for a hard conversation, but it doesn't have to be mean, I guess is what you're getting at there. I mean there are some red lines, certain things have to be addressed firmly in maybe a winsome some way, in a friendly way. But I think that the red lines are when you see someone or some area doing something that doesn't help the company achieve its objectives, it's focused on their narrow area, you're not following key principles, that has to be addressed directly.

And I would give some examples of treasury owns cash. Most treasury groups should own cash. They may not. What does that mean? Bank accounts are opened and controlled by treasury. Treasury has visibility to all the accounts. Treasury can move the money to wherever it is, can move it at will. It shouldn't be held in particular areas that are concerned. "Oh, well, I have enough money. It needs to be centralized and managed by treasury." Those things have to be enforced throughout the organization through the process of acquiring other companies. So when people are fighting those core principles, there has to be a direct conversation. It has to be fixed right away. I think that's a key element.

You need to explain why that is, but it's not a issue to get their input on. It's to inform and say, "Here's what it is. Here's why, and here's what we're doing." So treasury owns cash is one example, a second one that is becoming more important is payment security, and security in general, but particularly payment security. Treasury has to protect the corporation's assets and a payment channel, and fraud is attacking the payment channel greatly. It's not just seeking to get information. People want to get money and you can get money by selling information, get money by stealing funds. So protection of the most liquid assets, that stewardship function is vital and we cannot, as treasury professionals, tolerate insecure processes around payments. That ownership needs to take place and we need to make sure we understand the process, that it's secure the whole way. Not just on paper, not just on the SOX reports, but throughout the entire process and you have to be more rigorous and on it then internal audit would be, you have to protect that.

So payment security is something that more hard conversations are needed through much of corporate treasury groups. And by more hard conversations, I mean initial conversation, then you have to stick to it until you're sure that the entire process is hardened and protected.

The other element of this is having the hard conversations or red lines is you usually have to put some of these thinking down both in terms of frameworks and policy documents. Everyone talks about policies and procedures. Policies are very important. Some frameworks around control management of the capital of the organization, some of the framework structures are necessary and then policies have to flow from that. Procedures obviously trail off of that, but I think making sure we put the right frameworks out and policy components are essential and that helps people understand what's being done and then the specifics of what the policy is and then obviously how you execute that on a day to day, week to week, or monthly basis.

Finally, is issuing a clear warning. This hard conversation or being nice, I liked how you said that. So you're in a conversation with an area, they're looking to venture into new business or acquire a type of organization. And treasury professionals, treasurers in particular, need to be very clear in what they're talking about. Examine the risks, understand what they are, mention how you can avoid them, how you can moderate them. But let's be clear that we're very specific about what those risks are. It's too risky, issue a very clear warning, explain why. And the other aspect of issuing clear warnings has to do if you have activities or trends that are unsustainable with the organization. They can threaten the organization's life, health, or reputation.

This can take the place of many different kinds of conversations. It could be essentially the organization and some lines of businesses trying to shrink to greatness. Everything is, "We're just trying to win by cutting costs." There's an end point in that. Maybe the band aid needs to be pulled off sooner on that particular line of business or you need to invest in it more as opposed to just letting something die a slow death. So anything that says unsustainable or threatens the organization's life, health or reputation needs to be addressed very firmly. So those are some of the hard conversations.

M. Zonsius: That's the hard part. Is there anything else you can cover on the nice side?

Craig Jeffery: Sure. I think the best part of the nice side, I think it was when share other success. In addition to being a strategic business partner, you help people succeed. Go about sharing the success they have when people make the right decisions for organization, they make sure they're working with the handoffs between departments. They're not just achieving success in their narrow stove pipe or silo. They're reaching out across the organization to make significant impacts. They're working towards SDP, they're eliminating handoffs. They're making sure that they're achieving success across the organization. You want to share that and support that as best you can. You're partnering with them and achieving success has an impact, that really has to be shared, and that process will also help drive the right type of behavior so the overall organization make sense and some organizations are more political than others where there's always the, "Of course that area succeeded because they had all the advantages in the world, anyone could have succeeded there."

They're going to be a number of political challenges in certain organizations, but making sure you're lifting up the right types of behaviors and results should encourage people to move in that direction and I think I've given it on another podcast example of a big leader in a non-bank financial institution, insurance company, set about creating a payment hub and they got one area to come on and they had a really ask and cajole them to do it. They achieved success, it provided better control, feedback, management, efficiencies. Then the next area came on because they saw the other area had achieved success. It was easier to maintain, as formats change, as they expanded, and then they went from trying to convince people to get onto it to eventually it became a standard, someone would have to explain why they wouldn't go onto the best process that the organization had and that was part of helping people achieve success and having mutual success and then it became: "Why would you not use the best route that exists for payments?" Those I think are instructive examples of why we need to share other success too.

M. Zonsius: Those are great examples. You've been focusing on the internal organizational side. What about external relationships like credit rating agencies, banks, and so on?

Craig Jeffery: That's a good question. I think based on where we are, I may need to be a little more brief on that and communicating effectively externally might be another podcast. I know we talked about that as a potential, but let me cover the rest of the parties that we might want to consider. So if we think of external relationships, like you said, it could be rating agencies, bank relationships, but let's just talk about some other areas of the company. You think about there's multiple parties to any conversation, before you can have a good external relationship with your banks, rating agencies, key suppliers, et cetera. You need to make sure your top executives, the CEO, the CFO, are onboard and that they're getting chances to speak when you're meeting with the bankers or whoever is necessary, it could be outside investors, and it really requires making connections intentionally.

And this is whether you're an extrovert or an introvert, your company needs this for sure, to be intentional about making sure the top executives know what's important to treasury and that they can be available to those external parties. And we can talk about that in more depth on another Becoming a Treasurer series. But a couple of elements I'll just mention as a preview to that, to be successful, treasurers need to be talking with other treasury professionals, not just inside the company, because that's a fairly small group, but also outside. And I'll just mention a few here.

So consultants or advisors who help you, they work with a number of companies, they have multiple points of perspectives, that helps calibrate your response, what you may need to do, or advice that you received. So, that's quite vital. And as a consultant advisor to firms, we find that that is one of the most valuable aspects of things.

Making sure people know what others are doing, what they're doing, where that is in relationship to behavior and activities, and then where that's in relationships to what might be leading practices. Second with bankers, are you encouraging them to bring good ideas to the table, good information? Are you being diligent to be efficient and directed in your communication with them? Do you issue call reports that provide institutional history and knowledge of what your conversations are, certainly with your key banks. And finally, with other treasurers and other treasury professionals you can think about just finding out what others are doing and that conversation with people who are in the same chair, is always helpful. Whether it's some type of peer group or industry meeting, that's helpful. But having that informal channel as well can't really be overstated, particularly in some times of crisis.

So whenever we've had some type of financial crisis, those with a good informal network tended to do better, and you could think of some negative examples where everyone's leaving a particular credit from their investments because there's a lot of rumors and noise. Even though the credit ratings high, everyone's heading out, they're leaving, the rating seems fine, but observing what others are doing and saying certainly can have some value there. I'm just giving that as one example, but that informal network has a significant advantage and you can think of examples of people put in over a hundred million dollars in an organization that was going bankrupt while everyone else was pulling out is a good lesson learned. And I go through some of that in both my book and I've done it on other podcasts so I won't repeat all of that.

M. Zonsius: Thank you Craig for sharing our thoughts on communication as a part of this series. What is next?

Craig Jeffery: So next for this, or at least it's planned, we want to focus on how to build your team and how to develop your team. So we're still figuring out if that's too much for one session or might be two. But really the concept of building and developing are two crucial things for any treasurer. After that, we're going to move into securing the resources you need. Treasury needs intellectual resources, they need technology, they might need access to data. There's a number of things that are necessary. So those are probably the next two or three in the series of Becoming a Treasurer.

M. Zonsius: Great. I look forward to it.

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