M. Zonsius: 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. Treasury is thinly staffed and needs resources. On this episode of the Becoming A Treasurer series, Craig Jeffery is interviewed on how to secure the resources you need to become successful in treasury environments. He covers key areas including people, technology and access to optimize productivity in your organization. Listen in to learn more.

Welcome to the Treasury Update Podcast. I'm Meredith Zonsius, communications manager here at Strategic Treasurer 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 six. This series explores questions around becoming a treasurer. And as a recap, we kicked off the series with part one, how to prepare; part two, what to do when you become a treasurer; part three, what to measure; part four, how to communicate effectively; part five, how to develop a team. And now, we continue into the series of securing the resources you need. Welcome Craig.

Craig Jeffery: Thank you, Meredith. I just realized that this is the sixth in a series of Becoming A Successful Treasurer. So now, I know why I'm also a little bit tired.

M. Zonsius: How are you enjoying the series?

Craig Jeffery: I like it. It's helping me to organize some of the thinking around all the conversations I've had with treasury professionals, treasurers, CFOs, and trying to boil that down into information that's useful for someone who's looking to move into the role, or become more successful in the role. That energizes me mentally. And so I'm liking the series and we're having a lot of good conversations from that. So I'm glad that the podcast discussion is extending to other conversations too.

M. Zonsius: So treasury is thinly staffed and needs resources. Why do treasurer groups need resources and what resources may be needed?

Craig Jeffery: Well, you are right, treasury groups are thinly staffed. Most organizations identify that they could definitely use more resources in treasury in terms of people. But when you ask the question, why do treasury groups need resources and then what resource they need, I'd start off with the why they need the resources. It's largely due to changes and expectations placed upon them. So expectations are increasing across the board. And they're increasing because of external pressure. Could be from the board, could be from even residual activities from the financial crisis that make treasury groups have a requirement to respond more quickly and more thoroughly, and be more proactive. So the expectations on risk, efficiency, control increase. The resources also change because of efficiency drivers. There's expectations about leveraging technology, becoming constantly more efficient puts pressure on every area, both the operational side and capital access. So efficiency's a driver.

And I know we've talked about this in the series before, but the control and security concerns are putting pressure on treasury to make sure they're locking down payments, access to key data, and liquid capital. So this concept that the criminals have become much more sophisticated, and are constantly targeting in an automated way, and constantly surveilling companies, treasury has to respond more appropriately. So that that creates a challenge for resources.

And we could go on, but I think there's a couple other pieces that I'll just mention more in bullet form. So a comprehensive mindset is why more resources are needed. It's that mindset of, "How do I help the entire process of the company? How do I help the entire business of the company," as opposed to just optimizing some subset. You've heard me say, the treasurer can be a vendor, or a partner. So this partnership looks at the entire comprehensive view, the end-to-end, "Look, what's the risk? What's the value? How do we have an impact there?" So that expectation is changing and, because it's broader, it requires more awareness of the business. And I know that wasn't a bullet answer.

And the last one has to do with capital flexibility. Organizations might be cash rich, in a cash deficit and always borrowing, or they may change back and forth. But one thing they are expected to do now is to have more flexibility around access to capital to leverage both ends of the financial supply chain. Not just look at the borrowing, but look at their balance sheet, their receivables, payables, even inventory and leverage that in a way that wasn't available before. And that's different. Very large organizations don't have problems with that, haven't had problems. Smaller organizations don't have as much access to capital. And so this flexibility becomes more important for treasurers of organizations, 200 million to 2 billion, in that range, maybe a little bit less than 2 billion. But the capital flexibility is another reason why treasury groups need the resources.

And I will do bullets for what resources may be needed. I would define the resources, just three areas: people, technology and access. And I didn't say process, but I said access. So people, tech and access.

M. Zonsius: So with the area of technology, how should this be viewed? Are there differences between organizations?

Craig Jeffery: Well, different organizations they may be a tech oriented firm, they may be a service oriented firm, but maybe I'll answer your question along the lines of getting the resources you need if they're technology resources. I think I'd start off by talking about the culture and the process of securing resources. The concept of in your organization, how are investments, or spend, or resources allocated? How is that, the need socialized? Is it only through the formal process, or is there a way of getting the rest of the organization on board before you get to the formal process?

And the second is the process. And when you think about how organizations provide funding for large system projects, they oftentimes have these very friendly names like the gating process, or hitting the hurdles, or whatever. Everything seems to slow down rather than accelerate investments as a way of filtering up, or allowing just those projects that make the most sense for the organization. So, they're designed to slow the process down. So how should it be viewed is, I think it's you have to understand the culture and the process because it's not all about the process and it's not only the culture, getting the top people in the organization to buy-in. It's making sure you can navigate both of those elements and understanding the timing differences to make that work.

M. Zonsius: Can you give us a little bit more color on this?

Craig Jeffery: Yeah. So I think, as you're trying to navigate both the culture and the process, there's a few things to think about. What are you solving or trying to address, understand that you're competing for attention and funds, and understanding the connections in an organization. So those will be at least, the broad categories. There's some bleed over here.

First, what are you solving? What are you trying to address with your spend on technology? Whether it's for data, connectivity, systems, analytics, or it could be robotic process automation. What are you really working at solving or addressing? And then, there's a couple aspects to that that can be more compelling. You think about, "We need to do this." Why? Because it saves some money? Is that as compelling as you link it to the overall strategy of the organization, the overall direction of the organization? This will allow us to expand gracefully. This will allow us to handle these acquisitions. Or whatever the issue is, whatever the strategic direction of the organization is, if you link it to that, that is helpful. That's not the end all and be all of it, but it's very important.

Other elements that help, compliance is a big area. This is a particular selling point that accounting loves to use, this we won't be able to comply with generally accepted accounting principles. Or there's a regulation. And there are a number of areas of compliance with treasury compliance and control that need to be identified and addressed as a standard in the same way that accounting may use it and others. So this would be compliance and control with protecting our payment process, making sure we're compliant with FBAR and FATCA, with know your customer, with good controls throughout the process.

A couple other areas would be efficiency. Linking to efficiency, organizations must continually become more efficient. Treasury groups aren't so big that that is a massive driver all the time, but because of the position they play there are opportunities to improve the efficiencies through the entire process. And that also includes their home base, what treasury's doing, but oftentimes treasury has a giant lever that can impact receivables, payables, billing, credit, et cetera. And then, finally the link to capital and the link to risk. I talked about risk of operational risk of fraud, but business risks that people take on, risks that might be a geopolitical, trade related, et cetera. And then, obviously, capital is ensuring that the organization has the liquidity they need, and the balance sheet they need in the future.

I think another couple items under this rubric or title of what are you solving, or addressing is making sure you don't have that attitude of, "It's all about finances. I can show a certain level of ROI." And you say, "Well, that's a no brainer. It pays off so rapidly and generates money. It makes money. Why wouldn't we do that?" That doesn't mean that others believe that it's a no brainer. It might have a nice financial return. Do people believe the financial return you have? Maybe or maybe not. It may not have enough juice, if you will, enough impetus to say, this is important. I can't spend enough time. And I give that example, it's like sometimes you get a call from some broker that says, "Well what if I could offer you something that would probably return you 40% a year? Wouldn't you be interested?" And you might say, "Well, generally, I'd be interested in 40% a year, but I'm not interested in continuing this conversation because I don't have enough bandwidth to listen to every single potential deal that comes on. I have to focus on those things that are important." And so that's why when you help make a pitch, it has to be linked to what's important in the organization. Not artificially, but very specifically.

And I think a couple other things for this in terms of what are you solving and addressing; two more points under that section, one is just because you can make a business case and a financial case that makes sense, are you really solving for that issue in an affordable manner or in a very cost effective manner? Are you wasting money? Or are you doing it appropriately? And that's where it does make sense to make sure you're looking at, here are the six options for solving that. This one makes the most sense because of the long-term benefits and the payoff is significant, and it positions us well for the long-term.

And that ties into the last point is whatever you're doing, make sure you're building for the ultimate structure. Your overall roadmap should be in place long before you can build all the pieces to it. What I mean by that is don't let's rush and get what we can afford, and then have to rip it out two or three years later. Take your time if you need to, and make sure you're building everything, let's say technologically. Or the resources, the people you need, you're putting in the pieces that will lead you to your ideal modern treasury technology architecture stack. You're going to handle data properly. You're not going to rush in and get old data. You're going to get the new formats that provide greater richness, better capabilities. You're going to put in better connections that are more expandable, more flexible. You're going to understand what needs to be done from an analytical level. And so you're going to make sure you can move data and information and access it in that way.

So let me go on to the second point, which is competing for attention and funds. Resources are not unlimited and capital, cash has to be delegated. Is this helping with the organization's key customers and constituents? Is it going to a cost center? What's going on? You're competing for that. So I think the key pieces here are how do we view it, how do we need to look at it is we need to make sure that we're competing for attention in their minds and competing for funds, which means is it a compelling need to others? And is it something that they understand?

It may be compelling to you because you're a finance expert, but it doesn't necessarily become understandable to others in the organization. They'll look at it, it doesn't make sense. It's like speaking a foreign language, an unknown language. An example might be risk management. "Oh, we're going to put this in to determine our exposures. We're going to put this other system in, which will allow us to detect what the different options are and we'll optimize our hedging. Our risk strategy according to our parameters, will allow us to execute those and monitor those." And that may not make any sense to someone outside of treasury. And then even someone else in finance may say, "Well, we could do better without hedging at all," right? They don't understand the concept.

And so making it compelling to others means they need to understand something about treasury, which means we need to communicate that in an effective way. And part of that is the overall view of am I acting as a vendor to the organization or as a partner? And it's not what you think, but what others think about that perspective. Are you helping the company in a very strategic way? Or are you just saying, "I'm providing these banking services, I'm grabbing capital when you need it." And so I know we talk quite a bit about that, or I talk a lot about that in one of the other Becoming A Successful Treasurer sessions, so I won't repeat that.

And I think the other thing too is you compete for attention and funds will it benefit others or just treasury? And linking in other areas so that if you're looking at an end-to-end solution, as we said on the expectation side, or something that's comprehensive it will be impacting others in the cash conversion cycle, or other areas, helping the business along or helping the organization address that. And that'll be more compelling.

The last time ... I've spoken about a few of these things before, I said understand connections in the organization is that concept of you have to build a reputation on what you've done. You can't build a reputation on what you're going to do. And this is the idea of being successful in the small and medium things before you can get to the big things. If you're successful, you get wins, you can build from that point, there's more credibility placed upon you and your organization. You build confidence, they have confidence in your organization, you continue to have success as you go forward. I think those are some of the things we should think about, or as we take a view towards technology and getting the resources that you need.

M. Zonsius: I'm actually interested, what would that look like? What is an example of that?

Craig Jeffery: So I'll give an example of a friend who's in an insurance company. He worked and initially they couldn't force in a payment hub. They do millions of payments a month. Treasury needed to see it, needed to have it for forecasting and position. They also wanted to make sure it was well controlled and efficient, right? From a cost standpoint, from a control standpoint. So they were able to work and get one area on. They put a payment hub in, and were able to make connections for one area. And that was completely by convincing them to do it. And the next area was easier to convince. And then, in short order and within several years it was people were clamoring to get onto it. And then, shortly after that it was the default position that they would use the process and the technology that treasury had put in, they would have to make a huge case not to use what made the most sense for the organization, but that started with I have to convince someone, to people want to use it, to you'd have to be crazy not to use it."

M. Zonsius: Okay so, moving onto people. Treasury groups need more resources. How do you get more resources?

Craig Jeffery: Obviously, you have to have budget for it and you have to make the case for it, but how do you get more resources? I think the resources come in two ways. One is that there are people resources that are related to the skills they have, and some of those are multiplicative skills. And the other is the number of staff that you have that can do those different skills. So you want to make sure you can increase the skills on your staff. Let's say you're setting up a pilot program, getting several of your staff more knowledgeable about robotic process automation. They're going through the process and saving three hours a week here, two hours a week there, eight hours a month here. And as they go through that, they are building skills, but those skills are also multiplicative in terms of their project work that's an investment of time. And then, it has an annuity type return. It's saving two hours a week in perpetuity.

And the other is the number of staff. But I think the way to get additional staff is not an event saying, "We're swamped, we're dead," or waiting until there's some big issue. But identifying the needs and requirements of the organization, what you have, how that's changed over time, and link that to a value, and link that to the organizational plan and direction.

So just a couple items on that, because each organization is different you have to socialize it up, you have to do some of those things. But part of it has to be resilient and adaptive. So when we think about adaptive, this is both taking on more responsibilities, and activities that make tremendous sense for the organization, that reduce risk, increase income, increase the efficiency of achieving that income. But it also involves reducing activities and actions that don't add value. And that can be done in a number of ways. It could be reports that you create that aren't necessary. It could be eliminating functions that automation can take care of. Anything that you can do to adapt, that's adding activities that add more value, deleting, eliminating, or automating less value added activities or outsourcing them.

Second is don't do it in secret, right? Nobody knows how great you are, if you wrote the report, stuck it in a file, and expected them to find it. But show what is changing and why. And so this is what's changed in terms of expectations, what your group is doing, what they need to do, why that has changed, what the impact is. And I think that showing also has to be reflected over time, and that's the history component. So this is track the changes of responsibility, the results that you've had. And the resources that were used to achieve those, and the resources you need in the future. "Here's what we're going to do and why." Why is there value to the organization? Does it fit with the mission? Does it help the organization? Does it pay for itself two or three times over? Is it the best way of going about it? So this idea of being adaptive and demonstrating that over a historical time period is one of the best ways to do it.

Now, each organization's going to be different about how you get staffing, but this has to be covered over time. It's not you go one day and say, "I need more staff." They're like, "No, adding staff is a permanent cost, where's the value? We're not going to add that." So, I think the idea is taking a long-term view on that.

M. Zonsius: You mentioned access as a resource. Please expand on this.

Craig Jeffery: Well, when I mentioned access and, you could tell, I was a little hesitant before because it's not typically what people think of in terms of resources. But we're not going to do a Becoming A Successful Treasurer and talking just about access. So it's not typically what people of when they think of the word resource. I mean access to data, access to plans, access to people. I'll just cover that fairly briefly. I think those that are in treasury will understand some of the components just by listening them. And I may dive into it a little bit, but in terms of accessing data and plans, one element of data would be data that would help you forecast, help you plan for the organizational efficiency, capital efficiency, liquidity management. So you've got to get at the data that you need. So that's one type of resource. If you don't have it now you're limited to what you do with forecasting based on what flows through the banking system. So that's just one example of data.

The second, access to data and plans has to do with the business plans and ideas. This is accessing internal people. What are they doing? What are they trying to accomplish? What will make them successful? And that access to them then allows that spark of ideas of what treasury can bring to the table as financial experts, as risk experts, and be able to cycle that back into the value in the organization. That's a great resource. It's not a, "I'm able to add a staff for that," but it's, "I'm able to add value to the organization."

And then access to people almost sounds like what I was talking there about business plans and ideas because they come from people, but what I mean by that is you need to make sure that treasury has the resources they need. Part of that is making sure senior management is accessible to your banking partners, or any other key partners that you have. Could be rating agencies, but it's certainly involved in those that provide capital to the organization over time. These relationships have to last a long time. And the concept of their multiple people at a bank with relationships with multiple people in the organization, so that there is a relationship between these entities, not just a relationship between two people because if one of them leaves the relationship is dead. But a healthy relationship between these entities means that we're getting senior management involved with our key banks for capital.

And then, other access to people, treasury to others in the organization. And we've talked about communication and some of those pieces in other Becoming A Successful Treasurer as part of this series, so I don't want to repeat some of those things here but, certainly, you have to access others in the organization to gain insight and find out what's going on. And also convince them of the value of treasury, and help them see that over time so they understand what's unique in treasury. And so each of us understands what's driving those different areas.

M. Zonsius: Excellent. This is very informative. What is next in this series?

Craig Jeffery: Well we are at part six, so I'm not sure how many more we'll have, but one other area that I know we'll cover and want to cover is prioritizing with others. And so I'm not sure what the title of this will be, but it'll be how to respond. How do you respond? How to say no? How to say yes? And I'm trying to figure out a way to put that together so that it's ... you're not just saying no. Treasury isn't the business of just saying no or it's always saying yes. There's a way of having that conversation so that it moves people forward. And so let's call it Prioritizing Actions with Others, or something like that.

M. Zonsius: I look forward to our next discussion. To our listeners, we seek your ideas and we appreciate them. For suggestions for future episodes of the Treasury Update Podcasts, please send them to topicspodcast@strategictreasurer.com that's topicspodcast@strategictreasurer.com. And if you are a first time or occasional listener, we invite you to subscribe on your favorite application, so you don't miss an episode. Thank you for listening.

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