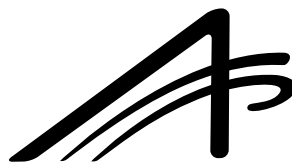


THE EVOLVING ROLE OF TREASURY

Report of Survey Results

November 2003



**Association for
Financial Professionals**

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Introduction

For many companies, the Treasury department bears little resemblance to what it looked like just a few years ago. Transactions that were previously conducted by numbers of employees are now automated or outsourced, and treasury professionals are being challenged to apply their existing skills to strategic activities that enhance organizational financial performance. Many companies are also demanding that treasury professionals develop new skills and use those skills in areas outside the traditional domain of treasury.

In some cases, treasury professionals are serving as internal consultants to other departments, subsidiaries and affiliated companies in order to improve working capital management. Cash forecasting, once used within treasury solely to project investable funds or borrowing needs, is now being used by savvy treasury professionals to provide early warning signals to senior management about business issues that could impact earnings. Economic and political conditions have raised the importance and visibility of financial risk management, requiring increased treasury resources. In many cases, treasury is meeting these and other new challenges while fulfilling its traditional responsibilities – all without the benefit of additional resources.

To better understand the evolution of treasury, the Research department of the Association for Financial Professionals (AFP) sent a ten-question survey to 2,709 members holding senior-level treasury job titles. By the end of September 2003, 366 usable responses were received from this group generating an adjusted response rate of 14.6 percent. AFP Research also sent surveys to senior-level treasury professionals not currently members of the Association, generating an additional 77 responses. At a 95 percent confidence level, the 443 completed surveys produces a confidence interval of +4.7 percentage points.

The membership of AFP includes approximately 14,000 financial executives employed by more than 5,000 corporations and other organizations. The Association's members represent a broad spectrum of financial disciplines; their organizations are drawn generally from the Fortune 1000 and middle-market companies in a wide variety of industries, including manufacturing, retail, energy, financial services and technology.

Executive Summary

While companies continue to dedicate resources to traditional cash management functions, most senior-level financial executives envision their company's treasury department expanding into new areas – e.g., internal consulting, SEC compliance, strategic financial planning. Many companies intend to handle the expansion of treasury responsibilities without adding to treasury staff. Instead, they will be relying on outsourcing, automation and a more versatile staff to lead treasury into the future.

As treasury evolves beyond traditional cash management activities into a more strategic role, the demands on treasury professionals will intensify. Most senior financial professionals believe treasury professionals and their skill sets are not fully matched to the future challenges they will meet. They identify continuing education and technical training – along with advanced college education and professional certification – as key ingredients in the preparation of treasury professionals for their future role.

¹ Job titles included treasurer, assistant treasury, vice president-finance, manager, and director.

² The adjusted response rate accounts for surveys that were not delivered to the would-be respondent. Further, in cases where AFP received multiple responses from corporate practitioners employed by the same company, only the response from the most senior financial professional was used in the analysis.

SURVEY RESULTS

Traditional Activities

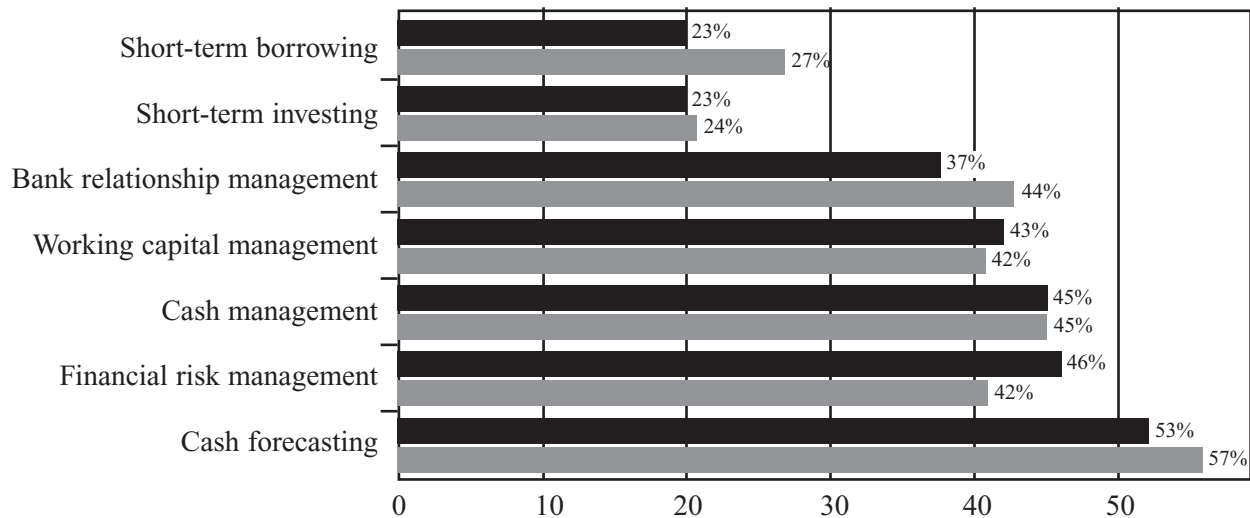
Senior-level treasury professionals report that their companies devote roughly the same amount of resources and staff time to traditional treasury activities as they had five years earlier. Further, these same senior-level treasury professionals expect to continue dedicating the same amount of resources to traditional treasury activities in the next five years. Companies continue to devote the same amount of resources to the following traditional treasury activities: short-term borrowing, short-term investing and cash management.

Still, companies are devoting more resources to certain traditional treasury activities. For example, 57 percent of companies indicate that they are dedicating more time and resources to cash forecasting, with 53 percent expecting to spend more time and resources on the activity in the future. Other activities in which at least 40 percent of companies are spending more resources include bank relationship management, financial risk management, cash management and working capital management.

Traditional Treasury Activities Benefiting from Additional Resources

(Percentage of companies indicating that they have increased or will increase time and/or resources expended for the activity)

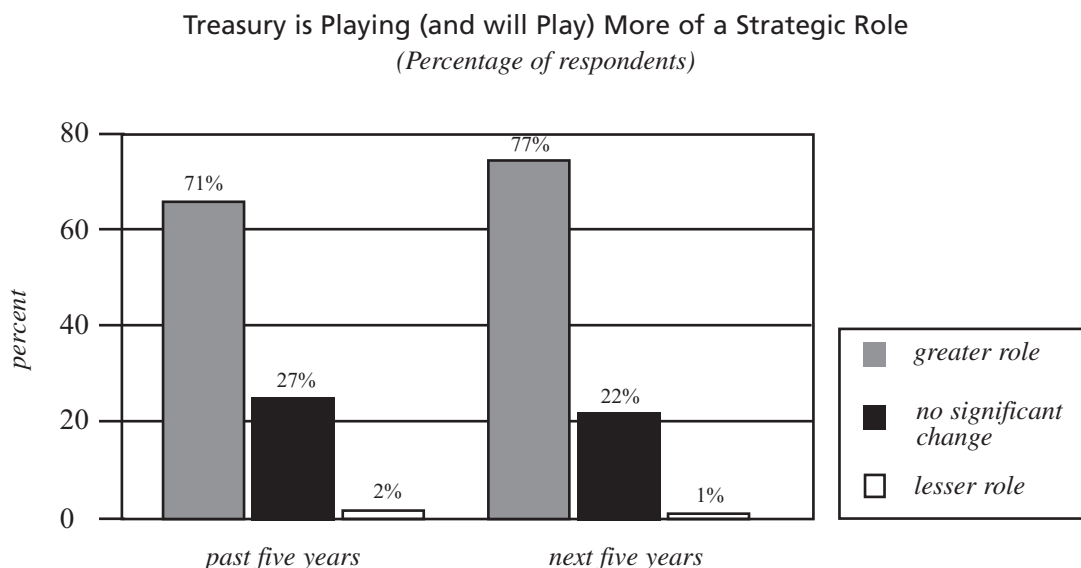
■ next five years
■ past five years



New Activities

As treasury continues to perform many of its traditional functions, it has taken on additional responsibilities that are outside the traditional definition of treasury. These new activities play a greater strategic role for the company and can include SEC compliance, internal consulting, strategic financial planning and technology implementation/management.

Seventy-one percent of senior treasury professionals indicate that their Treasury department is playing a greater strategic role for their company than it did five years ago. A slightly greater percentage of survey respondents (77 percent) expect their company's Treasury department to increase its strategic role in the coming five years. Large companies (those with annual revenues greater than \$1 billion) are more likely to expand the scope of treasury to include strategic activities.



Senior-level financial professionals – especially those from large companies – expect their company's Treasury department to assume responsibility for more non-traditional treasury functions in the coming years. Many of these new responsibilities – frequently activities previously conducted elsewhere within the company – use treasury's technical expertise to enhance the company's financial performance.

Three out of four senior-level treasury professionals, including 81 percent of respondents from companies with annual revenues greater than \$1 billion, indicate that their company is increasing its reliance on the Treasury department to act as an internal consultant for the company. More than three out of five companies expect to increase treasury's role in strategic financial planning, while a similar proportion of companies will increase treasury's role in the area of technology implementation and management.

Fifty-one percent of respondents (including 62 percent of those from publicly traded companies) indicate that treasury will be playing a greater role in their company's accounting and SEC compliance activities. In addition, more than half of companies indicate that treasury will increase its role in both cash forecasting and working capital management. Less than a quarter of survey respondents, however, see their company's Treasury department taking a greater role in short-term investment and borrowing, investor relations and leasing activities.

Activities that Treasury Will Play an Increasing or Decreasing Role
Over the Next Five Years
(Percent Distribution)

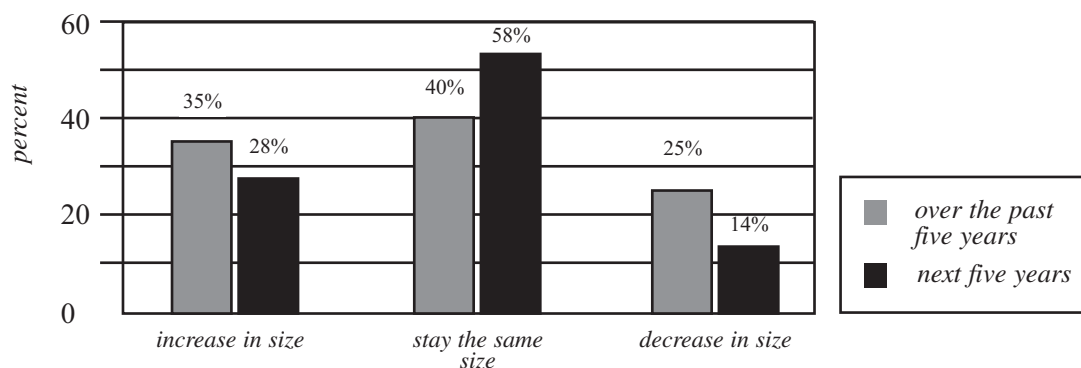
	Increasing	No significant change	Decreasing	Not applicable*
Consulting with other departments, business units and/or affiliated companies to improve financial performance	75%	23%	1%	2%
Strategic financial planning/capital budgeting	62	29	1	8
Technology implementation/management	59	35	2	5
Cash forecasting	54	44	1	1
Accounting/SEC compliance	51	36	1	12
Working capital management	50	35	1	15
Financial risk management	49	38	1	11
Bank relationship management	44	54	1	1
Cash management	44	54	2	<1
Global treasury operations	41	31	2	25
Employee benefit/pension management	26	35	3	37
Short-term investing	24	69	5	3
Short-term borrowing	23	67	4	6
Investor relations	23	41	3	33
Leasing	11	52	8	29

* Activity is not (nor is expected to be) conducted by the company's Treasury department or is not an activity anywhere within the company.

Staffing, Automation and Outsourcing

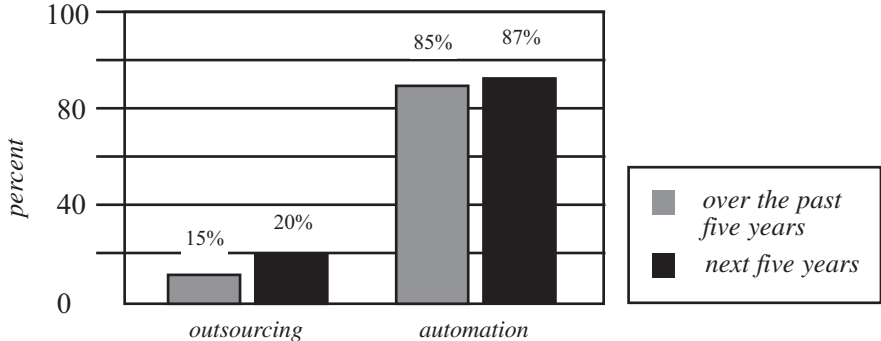
Even though Treasury departments are taking on additional responsibilities, most companies have not added treasury staff in the past five years. **Only 35 percent of senior-level treasury professionals indicate that their company has increased the size of its Treasury department in the past years.** Further, the expansion of treasury beyond traditional cash management activities is not expected to lead to larger Treasury departments in the coming years. Just 28 percent of senior-level treasury professionals expect their company will add staff to its Treasury department in the next five years.

Size of Company Treasury Department
(Percent Distribution)



Treasury departments have increased their use of outsourcing and automation to perform many traditional treasury activities – and take on new responsibilities – without the benefit of additional staffing. Many companies have increased their use of outsourcing and/or automation in the areas of cash management, accounts receivable, accounts payable, and investment or risk management. **Twenty percent of companies have either increased their use of outsourcing in the past five years or expect to do so in the next five years.** The use of automation is even more prevalent. **Eighty-five percent of companies have increased their use of automation in the past five years, while 87 percent expect to do so in the next five years.**

The Increasing Use of Outsourcing and Automation
(Percentage of companies indicating increased use of outsourcing or automation)



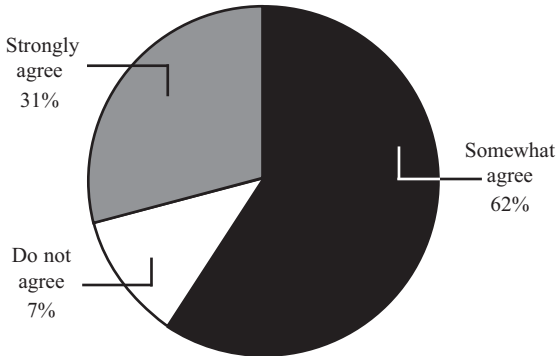
Preparing for the Future

As treasury takes on a more strategic role within their company (and many of the traditional activities are either outsourced or automated), the demands on treasury professionals have both changed and increased. Further, the technical and soft skills necessary for successful treasury professionals have evolved.

Senior-level treasury professionals believe that their treasury staff needs to be better prepared for the role that they will take on in the future. **Just 31 percent of survey respondents “strongly” agree that today’s treasury professionals are prepared for their future role in their company. Sixty-two percent** of survey respondents only “somewhat” agree to the statement that treasury professionals are prepared for their future role.

Treasury Professionals Are Only “Somewhat” Prepared for the Future

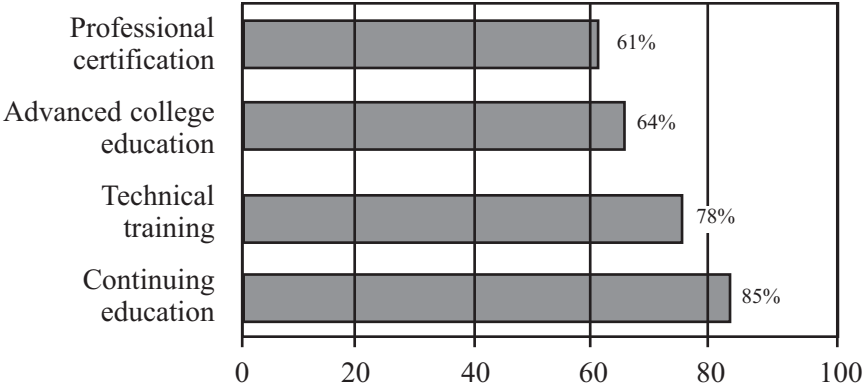
(Percentage of respondents that agree with statement: “Today’s treasury and financial professionals have the skills and training necessary to fulfill the role that my company’s treasury department will play five years from now.”)



Treasury professionals have many resources – from continuing education to professional certification – at their disposal to further their career development and to prepare for the future demands on their profession. Senior-level treasury professionals believe that it is critical for their staff to tap these resources in order to successfully serve their companies in the future.

Eight-five percent of senior-level treasury professionals believe that continuing education (such as conferences, seminars, virtual education) is either “important” or “very important” for treasury professionals and their future role in treasury. Seventy-eight percent of survey respondents indicate that technical training (e.g., software, treasury workstations) is valuable, while 64 percent believe advanced college education is critical. Sixty-one percent of senior treasury professionals feel that professional certification – such as AFP’s Certified Treasury Professional (CTP) credential – is an important part of the professional development of treasury professionals.

Education and Professional Certification is Critical for Financial Professionals
(Percent of respondents who believe that education/professional certification is “important” or “very important” for financial professionals to meet the future needs of treasury)



Conclusions

The future presents both challenges and opportunities for treasury professionals. Many Treasury departments are taking on new responsibilities that focus on strategic activities that enhance the company’s financial performance and raise the visibility of treasury. At the same time, these departments are keeping many of their vital traditional treasury responsibilities. Since many companies are not providing additional resources, treasury is meeting these additional duties through the increased use of automation and outsourcing and relying on a more versatile staff.

As a result of these changes, the skills currently held by treasury professionals might not fully prepare them for the future demands of the profession. Therefore, it is critical for treasury professionals to further their professional development through the use of continuing education and technical training and the attainment of professional certification. The Association for Financial Professionals, along with other organizations, is a key provider of the professional development resources to lead treasury professionals into the future.