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FINANCIAL
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2022 AFP®

STRATEGIC ROLE OF TREASURY SURVEY REPORT

KEY HIGHLIGHTS

Supported by

 **MarshMcLennan**



2022 AFP®

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KEY HIGHLIGHTS

This summary report includes highlights from the 2022 AFP® Strategic Role of Treasury Survey Report. The complete report comprising all findings and detailed analysis is exclusively available to AFP members.

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SEPTEMBER 2022

Supported by

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As 2022 continues to unfold, the business environment is marked by uncertainty. COVID-19 variants continue to be a concern with lingering impacts and varying responses to the virus around the world disrupting workplaces and supply chains. Geopolitical tensions and inflation risks are adding to the complexity as organizations work to adjust to a “new normal.”

Against this backdrop, the demands on all corporate teams including Treasury departments continue to grow. Consistent with the findings of previous editions of this survey, Treasuries’ contributions to the organization are more holistic than they have been in the past. The Treasury team is interacting more with the C-suite and the CFO, and increasingly supporting other functions in both traditional and non-traditional treasury areas to strengthen risk, resilience, and business strategies.

For businesses, people, risk and strategy agendas have never been more closely intertwined. The *2022 AFP Strategic Role of Treasury Survey* results highlight the importance of a maintaining a high-functioning Treasury team that can leverage processes and technologies to effectively execute core areas of responsibility. The survey data also highlight the mission-critical role of “non-technical” skills that enable treasury teams to collaborate across the organization to drive forward broader business goals. In the face of a limited talent pool, treasury leaders must focus on building “soft skills” and enabling their teams to upskill and be ready to embrace new ways of working and adapt to shifting demands.

Looking forward, Treasury functions that continue to evolve their role and engagement within their organization will be able to apply their knowledge to a broadening range of business issues — especially as organizations further embed environmental, social and governance (ESG) and diversity, equity, and inclusion (DEI) goals.

Marsh McLennan is pleased to continue our sponsorship of this survey and the focus on the evolving role of Treasury.



TOPICS COVERED IN 2022 AFP® STRATEGIC ROLE OF TREASURY SURVEY REPORT

POSITION OF TREASURY TEAM ON THE MATURITY SPECTRUM

TREASURY IN A LEAD/SUPPORT ROLE

CURRENT PRIORITIES WITHIN TREASURY

SHIFTS IN EMPHASIS OVER TIME

MOST CHALLENGING TASKS

SKILLS BEING APPLIED TO SUPPORT THE ORGANIZATION

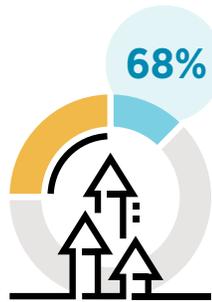
TREASURY'S INTERACTION WITH OTHER DEPARTMENTS

SKILLS AND ABILITIES OF TREASURY

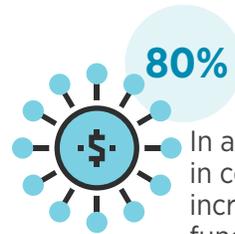
PERSONNEL TRENDS WITHIN TREASURY



KEY FINDINGS



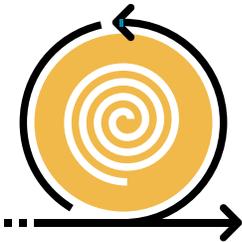
Sixty-eight percent of treasury practitioners report that cash management and forecasting is currently a priority for treasury at their organizations. This highlights the continued importance of cash management and liquidity planning and the emphasis placed on these two roles since the beginning of the COVID-19 pandemic.



In addition to taking a lead in certain areas, treasury increasingly supports other functions. **At 80 percent of organizations, treasury supports Accounting/SEC compliance,** while 76 percent of respondents confirm that their organizations' treasury function is doing the same for FP&A.



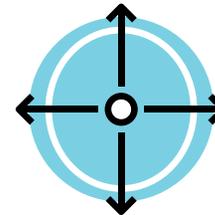
Communication continues to be the most important skill for both senior treasury practitioners and treasury teams. The gap between the importance and effectiveness of communication for treasurers is significant at 14 percent.



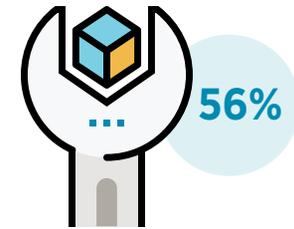
Treasury is now more focused *internally* rather than *externally* since the onset of the pandemic. **The two most challenging tasks are improving payment processes and working capital improvements.**



Soft/people skills remain most in demand. Of the top five skills treasury professionals increasingly applied in order to help support their organizations, four were soft/people skills—i.e., forecasting, critical thinking, leadership, communication and being a change agent in their companies.



Two areas in which skill gaps—that is, the gap between importance and effectiveness—widened for treasury leadership from two years ago are the **ability to collaborate** (8 percent compared to 5 percent) and the **willingness to be a change agent** (12 percent compared to 6 percent).



In response to “the great resignation,” **56 percent of respondents indicate their organizations are attempting to curb staff attrition.** While slightly more than half of treasury practitioners report that enhancing compensation and benefits will curb staff attrition, other actions considered to be more effective in preventing staff from resigning include allowing flexible work arrangements (71 percent) and offering growth opportunities within organizations (53 percent).

INTRODUCTION

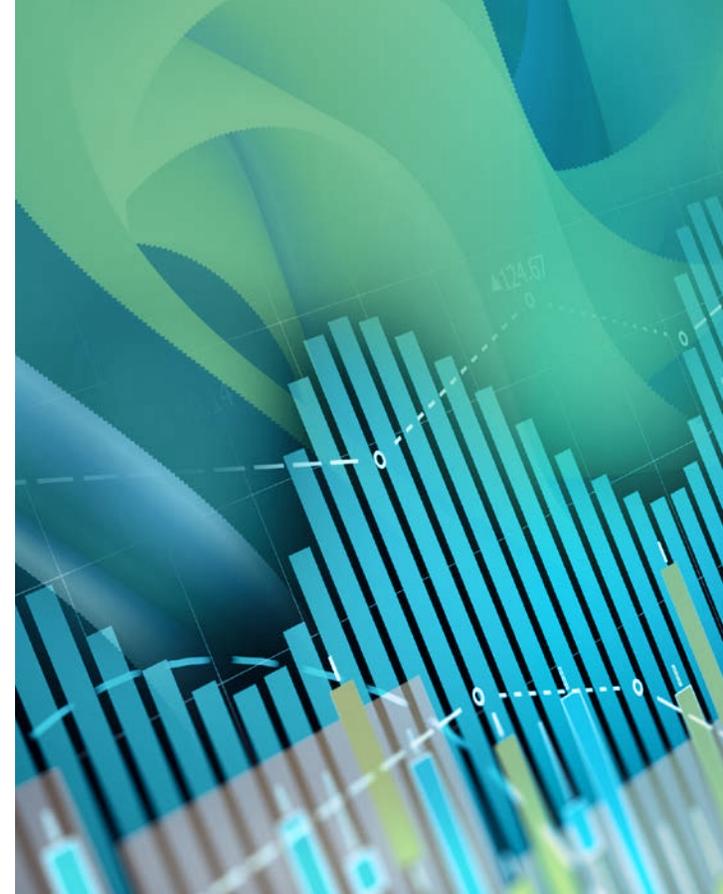
The *2022 AFP Strategic Role of Treasury Survey* was conducted at the height of the COVID-19 pandemic. Globally, COVID-19 was having a severe impact on numerous aspects of our lives; it was infecting millions and killing hundreds of thousands of people. In addition, there were social distancing mandates imposed which altered the way people lived, traveled, shopped, worked and interacted socially. Unemployment rose precipitously and some companies struggled to remain viable as they were strapped for cash. Treasury departments were dealing with a liquidity crisis in an uncertain environment—one in which they had little experience—and they were increasingly being relied upon by executive management at their organizations to provide solutions to the cash flow and liquidity issues they faced. In the *2020 AFP Strategic Role of Treasury Report*, we reported that during the COVID-19 crisis, the two factors driving treasury's greater strategic role at organizations were liquidity management and managing cash.

When the coronavirus vaccine became available in 2021, there was optimism that we might return to some kind of normalcy. But as variants of the virus continued to linger towards the latter part of 2021 and early 2022, treasury departments had to deal with other issues of concern: global supply-chain challenges, skyrocketing gas prices and record-high inflation. Organizations also experienced significant attrition. Employees resigned from their jobs to a greater extent than they had previously. After a stress-filled couple of years, they were looking to work for companies with flexible work arrangements, career prospects or better pay. Some were just burned out and seeking a career change. In addition to these challenges, Russia threatened to invade Ukraine. It followed through on those

threats and attacked Ukraine in February of 2022. At the time this report was being written, the war in the region continued, causing immense devastation and destruction and spurring a tension-filled geopolitical environment. Sanctions against Russia have resulted in gas shortages, and since Ukraine is a significant exporter of wheat, grain shortages have been inevitable, too. To restrain inflation, the Federal Reserve has raised the federal funds target interest rate. In addition, the stock market has been reeling, close to entering bear territory and sending bonds into a steep plunge as the Fed looks to trim back its balance sheet.

Against such a landscape, treasury needs to think strategically, operate efficiently and be able to work closely with both internal and external stakeholders. Treasury departments are responsible for their organizations' cash and investments and they need to ensure they are safeguarding these assets from the prevailing uncertainty. Communicating with others is critical in conveying any concerns and issues. Managing their teams in order to work collaboratively is essential, too. This is an opportune time for treasury to rise to the occasion and provide guidance and expertise being sought by their peers.

Since 2003, the Association for Financial Professionals® (AFP) *Strategic Role of Treasury Survey* has tracked the shifting and evolving role of treasury. This year's survey examines treasury's current priorities, the shift in emphasis on functions by treasury, the gaps in skills/competencies for treasury leaders and their teams, likely positions of organizations on the maturity spectrum and employee resignation trends within treasury functions at organizations. The survey was conducted in May 2022. AFP received 390



responses from senior (214 responses) and core treasury professionals (166 responses) which form the basis of this report. For the purpose of this report, we have identified **senior treasury professionals** as those treasury professionals with titles of Director Treasury and above (i.e., Senior Vice President, Vice President, Assistant Treasurer, Treasurer, Director) and **core treasury professionals** are those in treasury, with some of the following titles: Manager Treasury, Cash Manager, Assistant Cash Manager, Senior Treasury Analyst, Treasury Analyst, etc.

Once again, Marsh McLennan supported this year's *AFP's Strategic Role of Treasury Survey Report*. AFP thanks Marsh McLennan for its support. The Research Department at AFP is solely responsible for the content of this report.



TREASURY IN A LEAD/SUPPORT ROLE

Where Treasury Leads

[NOTE: Analysis in this section is only based on responses from senior treasury professionals.]

Treasury plays various roles at organizations. Within certain functions, it has a distinct leading role, while in other areas treasury has more of a supporting role.

Treasury has a leading role in the following functions:

- Borrowing long-term (capital funding/sourcing) (cited by 82 percent of respondents)
- Interest-rate risk management (76 percent)¹
- Payments strategy and execution (72 percent)
- Currency risk management (73 percent)¹
- LIBOR transition (72 percent)¹
- Investing long-term (67 percent)

¹Not included in 2020 AFP Strategic Role of Treasury Survey

Although treasury continues to be seen as having a significant leading role in the area of *borrowing long-term (capital funding/sourcing)*, a slightly smaller share of senior treasury professionals (82 percent) indicates it has a leading role compared to the 90 percent reported in the *2020 AFP Strategic Role of Treasury Survey*. The lower percentage this year may be a function of the organizations represented in the survey—i.e., organizations with a dedicated capital funding function that operates separately from treasury in the manufacturing industry, finance/insurance industries and some retail that conduct off balance sheet borrowing.

In the *2020 AFP Strategic Role of Treasury Survey*, a similar share of respondents reported that treasury played a lead role in the following functions:

- Payments strategy and execution (71 percent)
- Investing long-term (73 percent)

Working capital management is a function in which treasury often takes the lead in managing (cited by 42 percent of respondents), while 51 percent of senior treasury professionals report treasury supports this function at their organizations. Thirteen percent report treasury plays no role in macroeconomic risk (i.e., inflation, Fed actions, tight labor market), while 45 percent believe it plays a support role and 42 percent indicate it plays a lead role in this area at their companies. Looking at more diverse areas, at 59 percent of organizations treasury has no role in employee benefits management but does have a support role at 41 percent of organizations. Treasury takes the lead in capital planning/ allocation at 37 percent of organizations.

Treasury Plays the Lead and/or Support Role for the Following Functions

(Percent of Organizations)

	2022			2020		
	LEAD ROLE	SUPPORT ROLE	NO ROLE	LEAD ROLE	SUPPORT ROLE	NO ROLE
Borrowing: long-term (capital funding/sourcing)	82%	13%	5%	90%	9%	1%
Interest rate risk Management	76%	17%	7%	--	--	--
Payments strategy and execution (incoming, outgoing)	72%	26%	2%	71%	28%	1%
Currency risk management	73%	14%	13%	--	--	--
LIBOR Transition	72%	15%	13%	--	--	--
Investing: long-term	67%	21%	12%	73%	22%	5%



TREASURY IN A LEAD/SUPPORT ROLE

Where Treasury Supports Other Functions

In addition to taking a lead in certain areas, treasury increasingly supports other functions. At 80 percent of organizations, treasury supports accounting/SEC compliance (compared to 84 percent in 2020), while 76 percent of respondents confirm that their organizations' treasury function is doing the same for Financial Planning & Analysis (compared to 78 percent in 2020). These results highlight how treasury's role has expanded into other nontraditional treasury areas.

Other functions which rely on treasury's support are:

- Business continuity planning (cited by 82 percent of respondents)
- Mergers and acquisitions (69 percent)
- Business development (61 percent)
- Enterprise risk management (67 percent)

It is clear that the trend where a larger share of organizations' various functions—even some strictly finance functions—are falling within the realm of treasury appears to be continuing. A significant share of organizations supports these functions; we saw this in 2020 and continue to see it now. For instance, in the *2017 AFP Strategic Role of Treasury Report*, 50 percent of respondents indicated that treasury at their organizations supported accounting/SEC compliance; this figure increased to 84 percent in 2020 and to 80 percent in this year's survey. Some of the other areas in which the share of treasury organizations playing a supporting role has increased since 2017 are financial planning and analysis, business continuity planning, mergers and acquisitions, business development and enterprise risk management.

As organizations continue to manage through the pandemic, priorities and business drivers are shifting. This suggests that the underlying treasury function is adapting its roles to meet these changes. Companies have focused on surviving through the pandemic and they are in a better position currently to deploy capital. According to the *2022 AFP Liquidity Survey*, 82 percent of organizations anticipate better operating cash flow in the near term despite the current economic climate, highlighting their continued resolve to thrive.

Given its unique skill set and analytical mindset, treasury is often called upon to become a stronger internal consultant. Two areas that have actively been on the radar for treasury departments in the last 5 years are enterprise risk management and internal consulting to other departments and business units.

In 2020, we observed a significant increase in the percentage of respondents indicating that treasury was playing a supporting role in the areas of assessing financial technology and being an internal financial consultant to other departments, business units/affiliated companies as compared to 2017. However, in 2022 a noticeably smaller share of treasury departments is playing a supporting role in the area of being an internal financial consultant. This decrease is likely due to technology moving to implementation and consequently the need for treasury to help assess financial technology has declined. Treasury's supporting role in business continuity planning has increased—from 76 percent in 2020 to 82 percent in 2022. This could be in conjunction with the increase in enterprise risk management support.





TREASURY IN A LEAD/SUPPORT ROLE

Supporting role

(Percent of Organizations)

	2022	2020	2017
	SUPPORT ROLE	SUPPORT ROLE	SUPPORT ROLE
Accounting/SEC compliance	80%	84%	50%
Business continuity planning	82%	76%	45%
Financial planning and analysis	76%	78%	53%
Mergers and acquisitions	69%	70%	50%
Business development	62%	64%	50%
Enterprise risk management	67%	63%	44%
Assessing financial technology	63%	68%	42%
Internal financial consultant to other departments, business units and/or affiliated companies	51%	64%	35%
Supply chain management	51%	51%	46%
Investor relations	47%	46%	33%
Leasing	46%	46%	27%
Employee benefits management	41%	45%	48%
Human capital and payroll costs	41%	43%	43%
Retirement management (Financial wellness)	46%	42%	44%





CURRENT PRIORITIES WITHIN TREASURY

Sixty-eight percent of treasury practitioners report that cash management and forecasting is currently a priority for treasury at their organizations, with a higher percentage of core treasury professionals (74 percent) citing it as a priority compared to senior treasury professionals (64 percent). Liquidity and cash planning is a key priority for 63 percent of respondents, with an equal percentage of core treasury professionals and senior treasury professionals indicating it is important at their organizations.

Payments, treasury and related technologies is cited

as a priority by 46 percent of respondents, although a higher percentage of core treasury professionals (55 percent) list it as a priority compared to senior treasury professionals (41 percent).

It is interesting to note that cash management and forecasting via scenario analysis continues to be a priority for treasury. When asked two years ago, survey respondents indicated liquidity and cash planning would be more important in three years. There are slight differences between responses from senior and core treasury professionals. The 10-percentage-point difference

between senior and core treasury professionals indicating cash management and forecasting is a priority can be explained by the more tactical approach of core treasury professionals, perhaps a byproduct of the business environment and the impact of the pandemic as treasury responds to the organization's needs. Cash management/forecasting is a core function of treasury; with the economic cycle, level of maturity of an organization and the uncertainty due to the pandemic, more importance is placed on this task at smaller organizations with annual revenue of less than \$5 billion.

Current Priorities Within Treasury

(Percent of Organizations)

	All	Annual Revenue Less than \$500 Million	Annual Revenue \$500 Million - \$4.9 Billion	Annual Revenue At Least \$5 Billion	Senior Treasury Professionals	Core Treasury Professionals
Cash management and forecasting (scenario analysis)	68%	70%	72%	65%	64%	74%
Liquidity and cash planning	63%	59%	61%	60%	63%	63%
Payments, treasury and related technologies	46%	56%	48%	47%	41%	55%
Bank relationship rationalization	41%	50%	34%	37%	43%	37%
Borrowing: long-term (capital funding/sourcing)	29%	24%	32%	28%	33%	23%
Payments strategy and execution (incoming, outgoing)	28%	34%	29%	25%	27%	30%
Working capital management (e.g., A/R, A/P, inventory)	27%	29%	27%	20%	24%	29%
Interest-rate risk	20%	20%	21%	16%	22%	19%



SHIFTS IN EMPHASIS OVER TIME

The past two years have been exceptionally challenging for treasury professionals. Organizations hoped for normalcy in the summer of 2021 as COVID-19 vaccinations were being administered and cases decreased as a result. However, the respite from COVID was only temporary. The resurgence of COVID in the form of the Delta variant and the highly contagious Omicron variant during the fall and winter of 2021/2022 brought back the concerns and issues faced at the beginning of the pandemic. In addition, there were severe supply-chain issues globally, resulting in a delay of goods reaching shelves. While organizations were grappling with these challenges, inflation started rising rapidly and gas prices increased precipitously, creating tremendous uncertainty in the economic environment. Organizations were also faced with employees resigning at a pace not seen before. In addition, Russia's invasion of Ukraine resulted in a very tense geopolitical environment.

Against this backdrop, nearly three-fourths (72 percent) of survey respondents report that their organizations are placing a greater emphasis on liquidity and cash planning than in the past two years. Other areas where treasury seems to be focusing more on currently are:

- Cash management/forecasting and liquidity/cash planning (cited by 68 percent of respondents)
- Payments, treasury and related technologies (53 percent of respondents)
- Implementing technology/analytics to improve efficiency, accuracy and compliance of processes (51 percent of respondents)

As expected, nearly half of respondents reports that there is a greater importance being placed on staff engagement (i.e., retention, upskilling, etc.). This is not surprising considering the pace of employees resigning from organizations and the difficulty organizations are having in filling vacant positions.

As was reported in the *2020 Strategic Role of Treasury Report*, liquidity planning was perceived to be a greater priority in the future; this observation highlights the foresight of treasury professionals. The focus now is more about throughput—efficiency in processing and having a clearer insight into the process for stronger forecasting. In 2020 at the beginning of the pandemic, the balance sheet was more in focus, borrowing and shoring up liquidity needs at the start of the pandemic. Treasury is now more internally focused than externally focused in shoring up liquidity and balance sheet management.

Treasury's Shift in Priorities in Past Two Years (Percent of Organizations)

	2022	
	GREATER IMPORTANCE	UNCHANGED
Liquidity and cash planning	72%	28%
Cash management and forecasting (scenario analysis)	68%	31%
Payments, treasury and related technologies	54%	44%
Payments strategy and execution (incoming, outgoing)	53%	45%
Implementing technology/analytics to improve efficiency, accuracy and compliance of processes	51%	47%
Staff Engagement (retention, upskilling, mental mindset)	49%	47%
Working capital management (e.g., A/R, A/P, inventory)	45%	52%
Borrowing: long-term (capital funding/sourcing)	43%	52%
Interest-rate risk management	41%	56%
LIBOR Transition	40%	50%
Bank relationship rationalization	39%	57%
Macroeconomic risk (inflation, Fed actions, tight labor market)	39%	57%
Review investment options and policies	34%	59%
Capital planning/allocation	33%	64%
Financial planning and analysis	33%	65%
Business continuity planning	30%	67%
Financial risk management/Foreign exchange	28%	67%
Internal financial consultant to other departments, business units, and/or affiliated companies	28%	66%
Cost management and allocation	25%	70%
Credit analysis/viability	25%	70%
Geopolitical risk management	25%	68%
Currency risk management (repetitive)	24%	72%

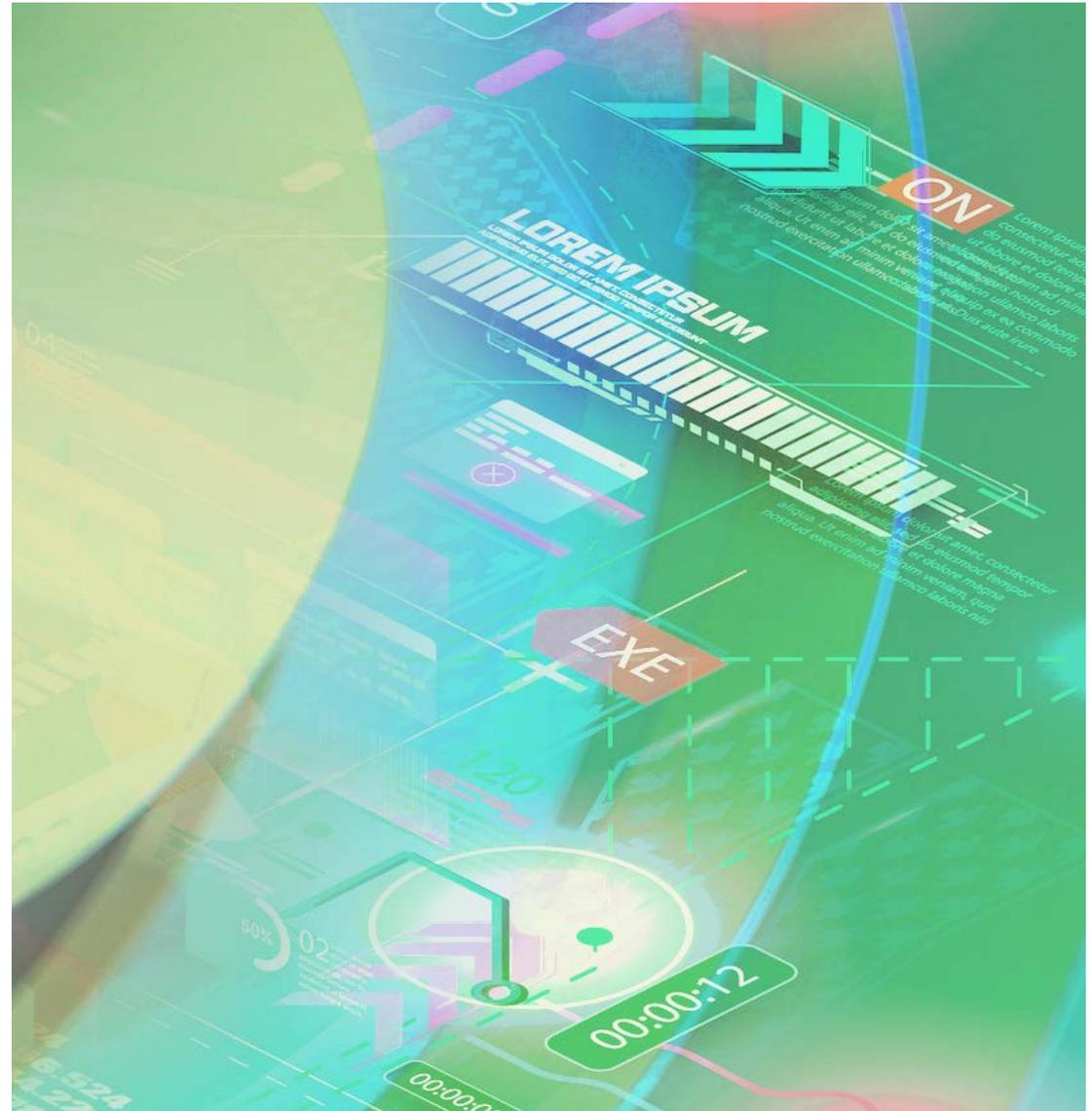


MOST CHALLENGING TASKS

Respondents indicate that the most challenging task they are dealing with at their jobs are:

- Improving payment processes; incoming and outgoing (cited by 64 percent of respondents). This task is found to be equally challenging by both core treasury professionals and senior treasury professionals.
- Working capital improvements (48 percent). A larger share of core treasury professionals considers this task to be challenging compared to senior treasury professionals (53 percent versus 45 percent)
- Protecting the organization through sound internal policies and procedures for money movement (42 percent). This responsibility is a challenge for a higher percentage of senior treasury professions than core treasury professionals.

Treasury focuses on looking inward at the organization, improving payment processes; incoming and outgoing is an example of this. This is a challenging task given the IT resources needed to complete the task, especially as companies are moving to cloud-based ERP solutions and the technology needs of the department have to keep pace with the demand of its constituents. Working capital improvements through the cash conversion cycle is another example of how the pendulum shifts during tougher economic climates when maximizing working capital best supports financing the business without external financing needs. All the while, policies and procedures need to be maintained as the great resignation compels companies to assess their wherewithal as people leave their jobs and tests the limits of those policies and procedures.





MOST CHALLENGING TASKS

Most Challenging Tasks Faced at Job

(Percent of Respondents)

	All	Annual Revenue Less than \$500 Million	Annual Revenue \$500 Million - \$4.9 Billion	Annual Revenue At Least \$5 Billion	Senior Treasury Professionals	Core Treasury Professionals
Improving payment processes; incoming and outgoing	64%	60%	68%	63%	62%	66%
Working capital improvements	48%	44%	51%	49%	45%	53%
Protecting the organization through sound internal policies and procedures for money movement	42%	37%	45%	44%	45%	39%
Reducing/lowering costs internal to the department	33%	41%	30%	27%	32%	35%
Partnering with various business units to improve their cost of operations	28%	27%	28%	26%	23%	35%
Explaining financial information to non-financial staff	26%	32%	26%	18%	26%	26%
Providing risk management support for cyber related activities	25%	26%	22%	34%	29%	21%
Lowering cost of financing for new projects	24%	25%	30%	10%	22%	27%
Managing/implementing hedging policy of foreign currency translation and transaction	24%	25%	18%	27%	23%	28%
Maintaining compliance with debt related activities	22%	27%	24%	14%	22%	22%
Providing external financial stakeholders, the support they need to make sound business decisions (banks, rating agencies, auditors)	22%	15%	23%	22%	22%	22%
Improving organizational enterprise risk management approach	16%	19%	11%	22%	18%	13%
Providing support for geopolitical risk management	12%	7%	11%	15%	14%	9%
Providing support for credit risk management for AR	11%	14%	10%	12%	12%	11%
Providing support for macroeconomic risk management	11%	7%	10%	15%	9%	13%
Providing Environment, Social and Governance (ESG) support	11%	9%	10%	16%	11%	10%
Supporting organization's DEI initiatives within treasury and finance	11%	11%	9%	16%	12%	12%
Reducing pension/401(k) risk	7%	6%	6%	12%	6%	5%
Identifying funding options for organization's ESG initiatives	7%	10%	4%	8%	6%	10%



SKILLS BEING APPLIED TO SUPPORT THE ORGANIZATION

Over half of senior treasury professionals (52 percent) and treasury professionals (54 percent) report they are increasingly applying their cash forecasting skills to support their organizations. During the throes of the COVID-19 crisis, organizations grappled with severe liquidity challenges. While it has been two years since COVID-19 first emerged, recovery has flowed and ebbed, and financial professionals are still very cognizant of managing cash in order to safeguard their companies from any unprecedented issues that may arise.

A majority (53 percent) of senior treasury professionals believes they are increasingly

applying their critical think/strategic thinking skills and leadership skills to assist their organizations. During the pandemic, business leaders were tasked with issues they hadn't had to deal with before such as mandated lockdowns, remote work, etc. Employees were working more than their regular hours, experiencing stress and other emotional issues, and looking to their leaders for support and guidance. Senior treasury professionals had to ensure they were leading their teams effectively and making decisions that were beneficial for both the organization and its employees.

A larger share of senior treasury professionals (48 percent) than core treasury professionals (36

percent) find that they are playing the role of a change agent at their companies. The pandemic compelled treasury practitioners to do many things differently, and therefore routine processes and procedures needed to be updated in order to withstand the current environment. Leaders needed to be the change agents who would adapt the new methods and processes.

It is interesting to note that the top five skills being applied, four of them are soft skills. Only cash forecasting is truly technical in nature, while the other four—critical thinking, leadership, communication and being a change agent—are more “people” skills.



SKILLS BEING APPLIED TO SUPPORT THE ORGANIZATION

Skills Increasingly Applied to Help Support Organization (Percent of Respondents)

	All	Annual Revenue Less than \$500 Million	Annual Revenue \$500 Million - \$4.9 Billion	Annual Revenue At Least \$5 Billion	Senior Treasury Professionals	Core Treasury Professionals
Cash forecasting	53%	68%	62%	61%	52%	54%
Critical thinking/Strategic thinking	51%	52%	64%	64%	53%	48%
Leadership skills	48%	60%	58%	56%	53%	41%
Communication skills	43%	52%	51%	51%	43%	42%
Being a change agent, i.e., promoting and supporting a new processes within the company.	43%	39%	55%	59%	48%	36%
Analytical skills	41%	55%	50%	43%	34%	48%
Bank relationship management	40%	60%	46%	43%	39%	41%
Ability to collaborate	36%	41%	46%	49%	38%	34%
People management	35%	35%	41%	47%	38%	31%
Financial modeling	32%	41%	38%	37%	30%	33%
Data management, i.e., data mining, data analytics	26%	30%	32%	37%	26%	25%
Presentation skills	25%	38%	22%	32%	24%	27%
Risk assessment	22%	35%	21%	28%	25%	17%
Negotiation skills	22%	33%	28%	29%	25%	18%



SKILLS AND ABILITIES OF TREASURY

TREASURY LEADERSHIP

Treasurers and their teams have faced many challenges over the past two years. When the pandemic began, treasurers were compelled to assist their teams through the transition (virtually overnight) to working remotely. Working away from the office was not a common practice among treasury teams at many companies. Subsequently, the entire crisis morphed into a liquidity crisis. Senior leaders were increasingly seeking out treasurers at their organizations to provide them with solutions and strategies to help them overcome the crisis. Treasury professionals' roles quickly evolved as a result. Additionally, they needed to be involved to some extent in other functions (e.g., FP&A, Accounting, etc.) which in the past were not areas with which they were too concerned.

With other economic uncertainty and challenges that have arisen in the past two years the and the

inability to suppress COVID-19 completely, treasury is operating in an environment which is constantly changing. Treasurers are tasked with bringing their teams together to work collaboratively, effectively and efficiently. Treasury leadership is stretched and needs to identify and hone the requisite skills and abilities it needs to operate in this environment.

Survey respondents believe that there are various skills/competencies which are important for treasury leadership to manage their teams during these unprecedented times. Those that are considered extremely important (cited by over 90 percent of respondents) are:

- Communication (cited by 96 percent of respondents)
- Strategic thinker (91 percent of respondents)
- Treasury expertise (91 percent)
- Ability to collaborate (90 percent)

While a vast majority of respondents considers communication a critical skill for treasury leadership (96 percent), 82 percent believe that their treasury leaders are effective in this area. That is a significant 14-percentage-point gap between those that consider communication *important* for leadership and those that believe treasury leaders are *effective* in communicating. This is a competency which treasury leaders need to strengthen. Organizations are looking to their treasury leadership for solutions and strategies regarding cash management and other key treasury responsibilities; consequently treasury leadership needs to be able to communicate effectively with their team, immediate supervisors, executive leadership and external stakeholders.

In addition to the key competencies noted above, respondents believe that treasury leadership needs to be strong in other areas including strategic



SKILLS AND ABILITIES OF TREASURY

thinking and treasury expertise (each cited by 91 percent of survey respondents) and the ability to collaborate—which is key for treasury leaders to align their teams to perform effectively. Other skills that are important for treasury leadership to have include analytical skills, cited by 88 percent of respondents versus 78 percent in 2020. The share of those who consider treasury leadership to be effective in this area decreased to 81 percent from 86 percent in 2020. It is evident that treasury professionals at all levels are increasingly considering analytical skills a necessary requisite for their leaders. The tasks and challenges faced by treasury leaders over the past two years have required them to be more analytical and strategic in decision-making. While the gap between importance and effectiveness is only 7 percent, it is 15 percentage points higher than the 8 percent gap in 2020.

The other skills/competencies where the gap between importance and effectiveness is more than 10 percent are the adaptability/willingness to be a change agent (12 percent) and people management (11 percent). Both these skills are very necessary to have in the current evolving environment. Treasury leaders need to be able to pivot and adapt to what is required of them depending on the challenges they are facing whether it is cash management, supply chain issues, high inflation, geopolitical uncertainty, etc. Treasury teams are looking to their leaders for guidance and so treasury leaders need to be proactive and willing to alter processes depending on what is required of them.

The toil of the past two years has been excessively borne by the employees of organizations. Many have struggled due to immense work-load, personal issues due to the raging pandemic, child-care, etc. Therefore, it is not surprising that employees are taking a stand—many are opting for career changes and/or job moves. In the U.S. unemployment rates are extremely low and the talent market is competitive. Replacing employees are expensive and resources needed to train them are significant too. Therefore, treasury leaders need to be managing their teams carefully and look beyond just their professional requirements. Given this backdrop it is not surprising that respondents expect their leaders to be strong people managers; this likely explains the 11-percent gap between “importance” and “effectiveness” in people management skills among treasury leaders.¹ This aligns with the findings in the Mercer Job Skills Survey Report which noted that skills related to people development are set to be of particular focus for businesses. The three individual skills identified as being most important in the next three years were growth mindset and adaptability, skills related to people development and resilience, stress tolerance and flexibility.

¹ Mercer Skills-Edge Suite Future Skills Report, 2021.



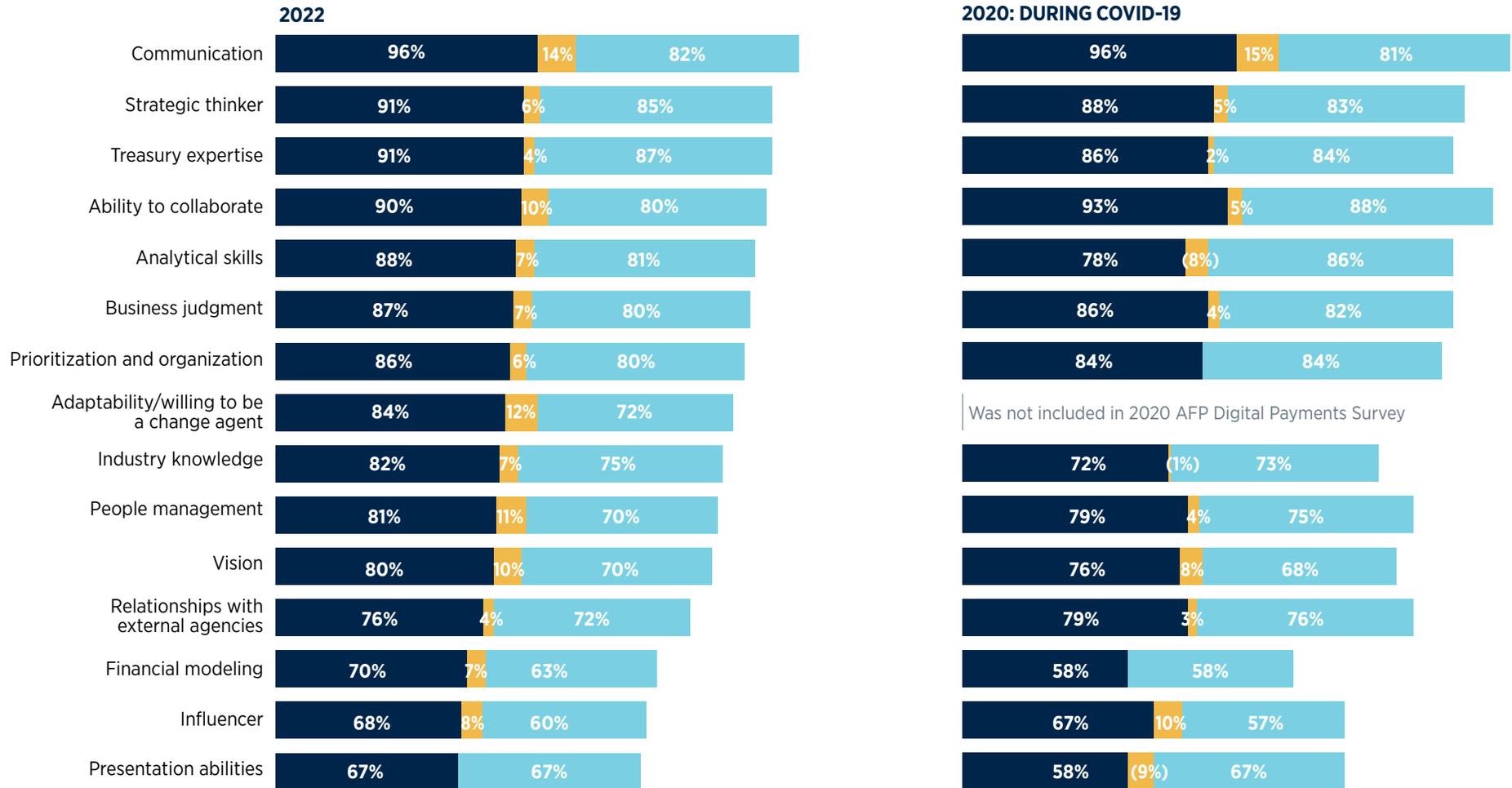


SKILLS AND ABILITIES OF TREASURY

Importance and Effectiveness of Treasurers' Leadership Skills and Abilities: ALL RESPONDENTS

(Percent of Respondents)

● IMPORTANCE ● GAP ● EFFECTIVENESS





SKILLS AND ABILITIES OF TREASURY

Senior treasury professionals and core treasury professionals are mostly aligned when it comes to rating the importance of treasurer leaders' skills and abilities, although a higher percentage of senior treasury professionals than core treasury professionals rate the ability to collaborate important (93 percent versus 86 percent). This difference can be expected since senior treasury leadership is often tasked with motivating their teams and fostering collaboration and are more cognizant of the benefits of teams working together towards similar goals. However, a smaller share of core treasury professionals believe treasurers are effective at collaborating (73 percent) compared to senior treasury professionals (85 percent), suggesting treasury staff believe their leaders might be lacking in this area.

People management is also considered important by a larger share of senior treasury professionals compared to core treasury professionals (85 percent versus 79 percent). The responsibility of managing teams falls on treasurers and they are well aware of the challenges and importance of managing people effectively. Other skills and abilities rated noticeably more important by a larger share of senior treasury professionals than core treasury professionals are business judgement, relationships with external agencies and influencer. Interestingly, 76 percent of core treasury professionals consider financial modeling to be an important skill for treasurers compared to 66 percent of senior treasury professionals who hold this view. As a result, the gap for this competency is wider among core treasury professionals than senior treasury professionals (10 percent versus 5 percent).



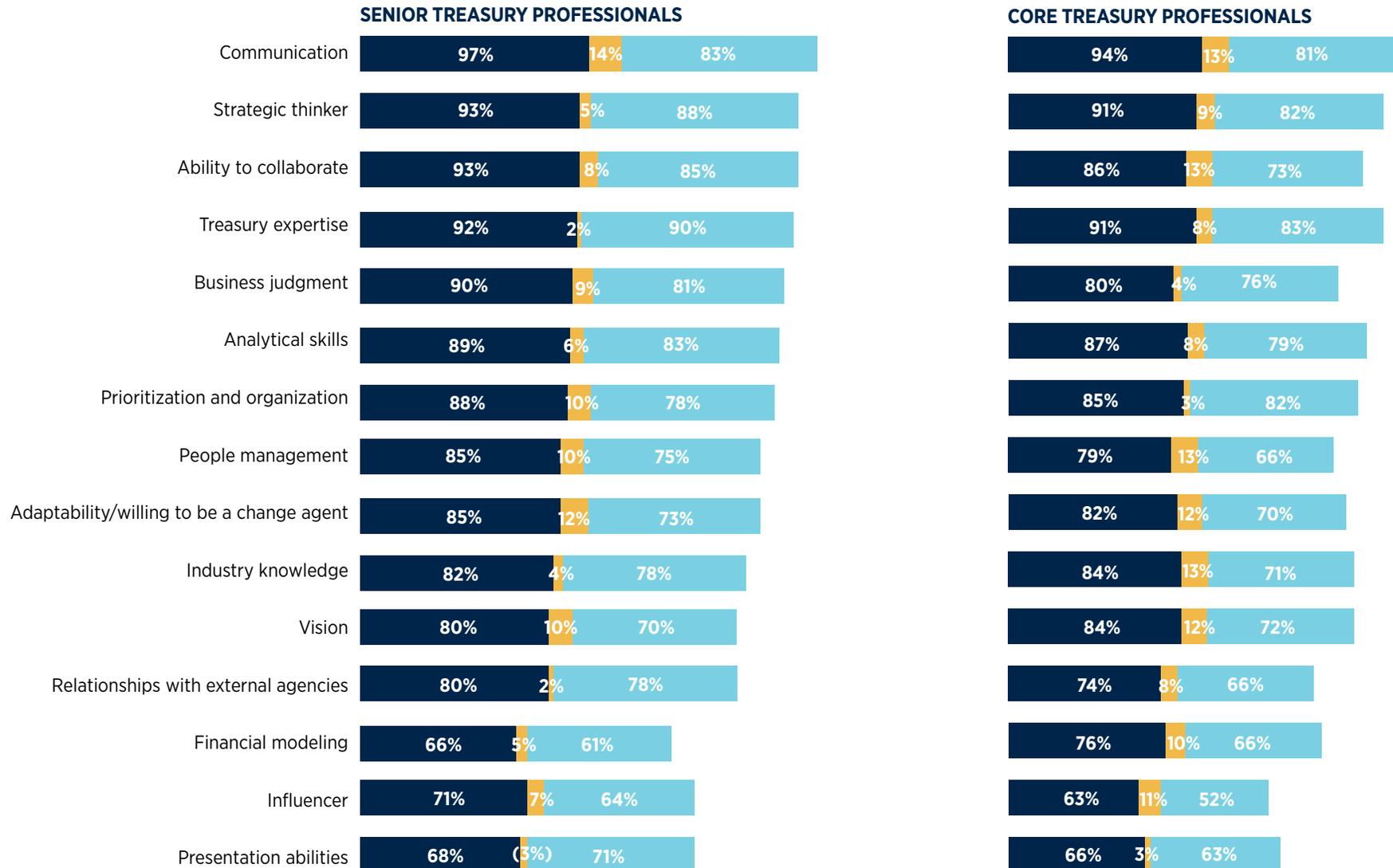


SKILLS AND ABILITIES OF TREASURY

Importance and Effectiveness of Treasurers' Leadership Skills and Abilities

(Percent of Respondents)

● IMPORTANCE ● GAP ● EFFECTIVENESS

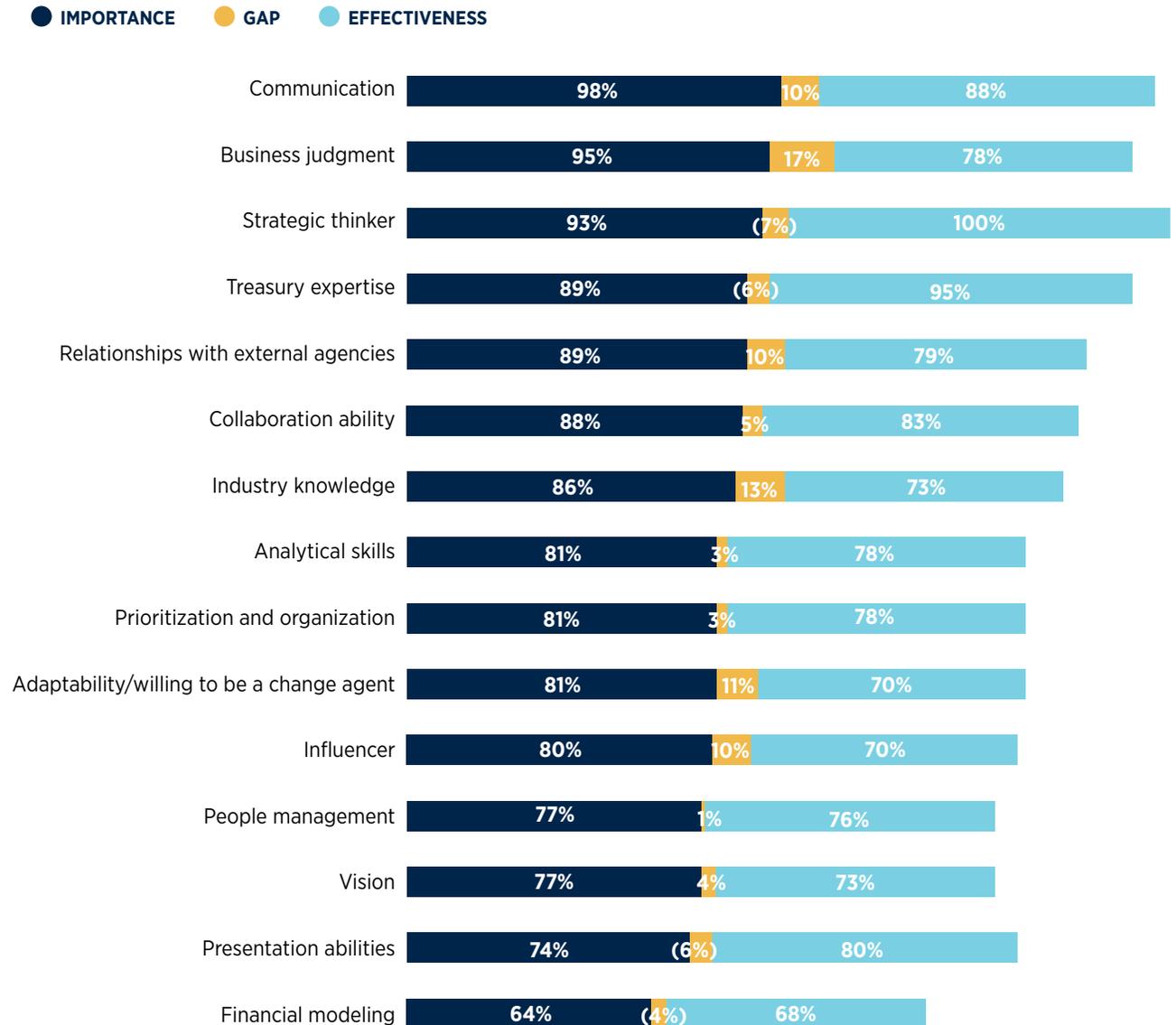




SKILLS AND ABILITIES OF TREASURY

A vast majority of respondents from organizations whose treasury functions are classified as strategic/optimized on the maturity spectrum consider communication, business judgement and strategic thinking to be important competencies for treasury leadership at their organizations. The gap between importance and effectiveness for communication and business judgement is fairly significant: 10 percent and 17 percent, respectively.

Treasury Leadership At Organizations With Strategic/Optimized Treasury Functions (Percent of Respondents)





SKILLS AND ABILITIES OF TREASURY

TREASURY TEAMS

Respondents indicate that there are various skills/competencies which are important for treasury teams to operate effectively and efficiently during these uncertain times. Those that are considered extremely important (cited by over 90 percent of respondents) are:

- Communication (cited by 93 percent of respondents)
- Treasury expertise (92 percent of respondents)
- Analytical skills (92 percent)
- Ability to collaborate (91 percent)

In addition to the key competencies noted above, respondents believe that treasury teams need to be strong in other areas including prioritization and organization (cited by 89 percent of respondents), adaptability and willing to be a change agent (86 percent), strategic thinking (84 percent) and business judgment (82 percent). Currently 84 percent of respondents consider the ability to think strategically to be an important skill for treasury teams, significantly higher than the 64 percent who held this view in 2020. It is evident that the tumult of the past two years has convinced those in treasury that being able to address issues strategically is imperative.

Interestingly, a larger share of respondents in this year's survey considers most of the other skills/abilities more important for treasury teams to have compared to the share two years ago, including business judgement, industry knowledge, financial modeling, etc.

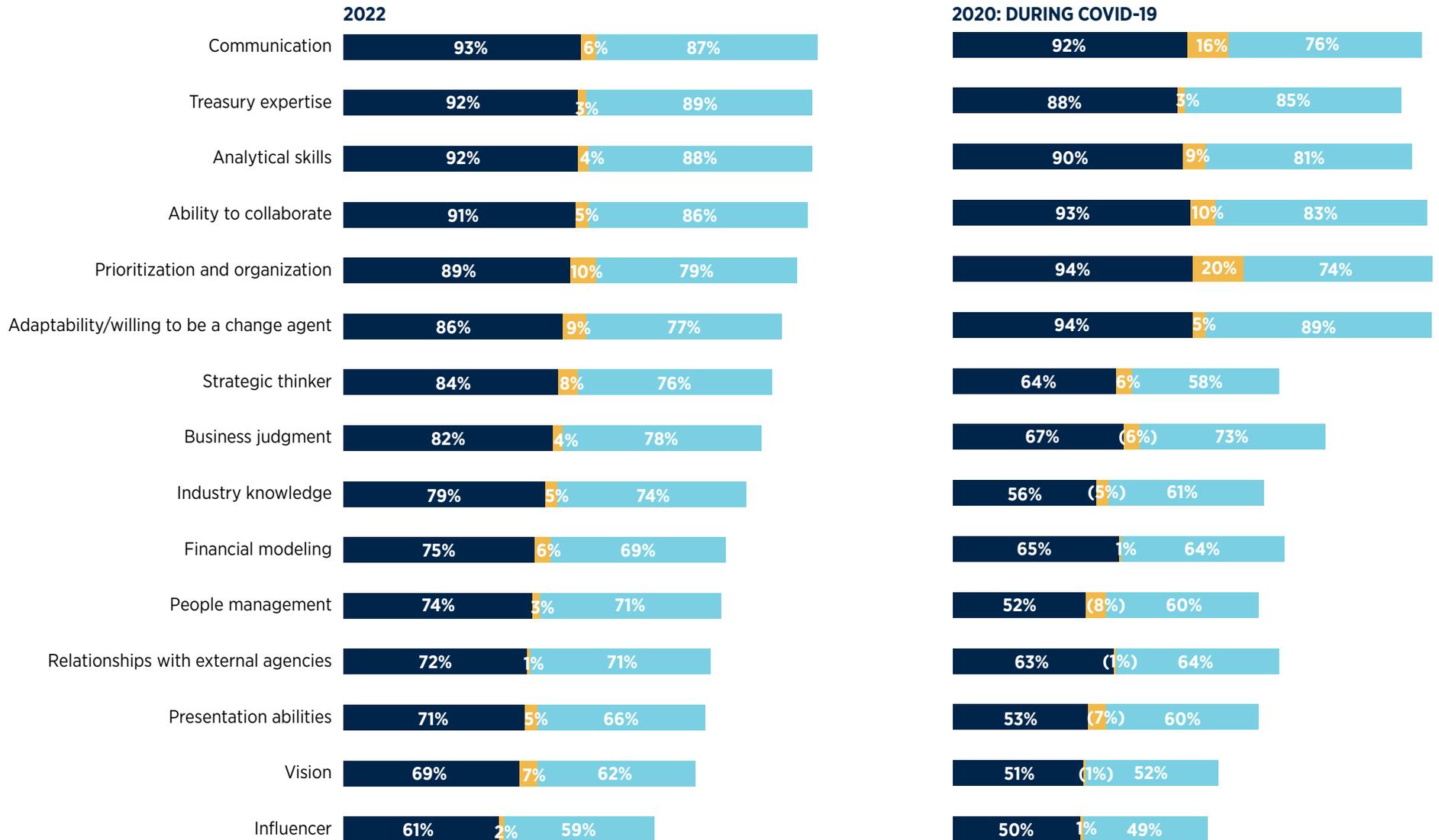




SKILLS AND ABILITIES OF TREASURY

Importance and Effectiveness of Treasury Team's Skills and Abilities: ALL RESPONDENTS (Percent of Respondents)

● IMPORTANCE ● GAP ● EFFECTIVENESS





SKILLS AND ABILITIES OF TREASURY

Senior treasury professionals and core treasury professionals agree that there is a significant gap in the skills/abilities for treasury teams between importance and effectiveness for communication skills, willingness to be a change agent, people management and vision. But there are some contrasts between importance and effectiveness noted by senior and core treasury professionals in the area of industry knowledge; 13 percent of core treasury professionals believe there is a gap between importance and effectiveness compared to the four percent of senior treasury professionals who hold this view. This suggests that core treasury professionals are observing a lack of industry knowledge among their peers within treasury teams.

Communication remains key for treasury teams. At the beginning of the pandemic, it was even more important, but the reliance on this skill has softened over the last two years. Most likely teams have responded by being more proactive and understand expectations better to relay important information across the organization effectively. Treasury is expected to be more adaptable, to be a change agent and to think strategically. The pendulum has shifted from being *reactive* during the pandemic to being more *proactive* and being a partner to the underlying business.

Notable is the transition of the skillset treasury professionals applied during the various business cycles and macroeconomic changes. Early in the pandemic, communication was extremely

important and there was a significant gap between importance and effectiveness and continues to be extremely important as highlighted above. Most business leaders will agree that you can never communicate enough—nor can you communicate too much. However, the key challenge is deciding on when and what to communicate as priorities shift. For example, as noted earlier in the survey, the priorities are shifting towards payments efficiency and throughput. As more organizations strive to increase the back-office capabilities, their staff will be expected to collaborate more and be a change agent as well. This year's survey results support those findings for both the core and senior treasury professionals.



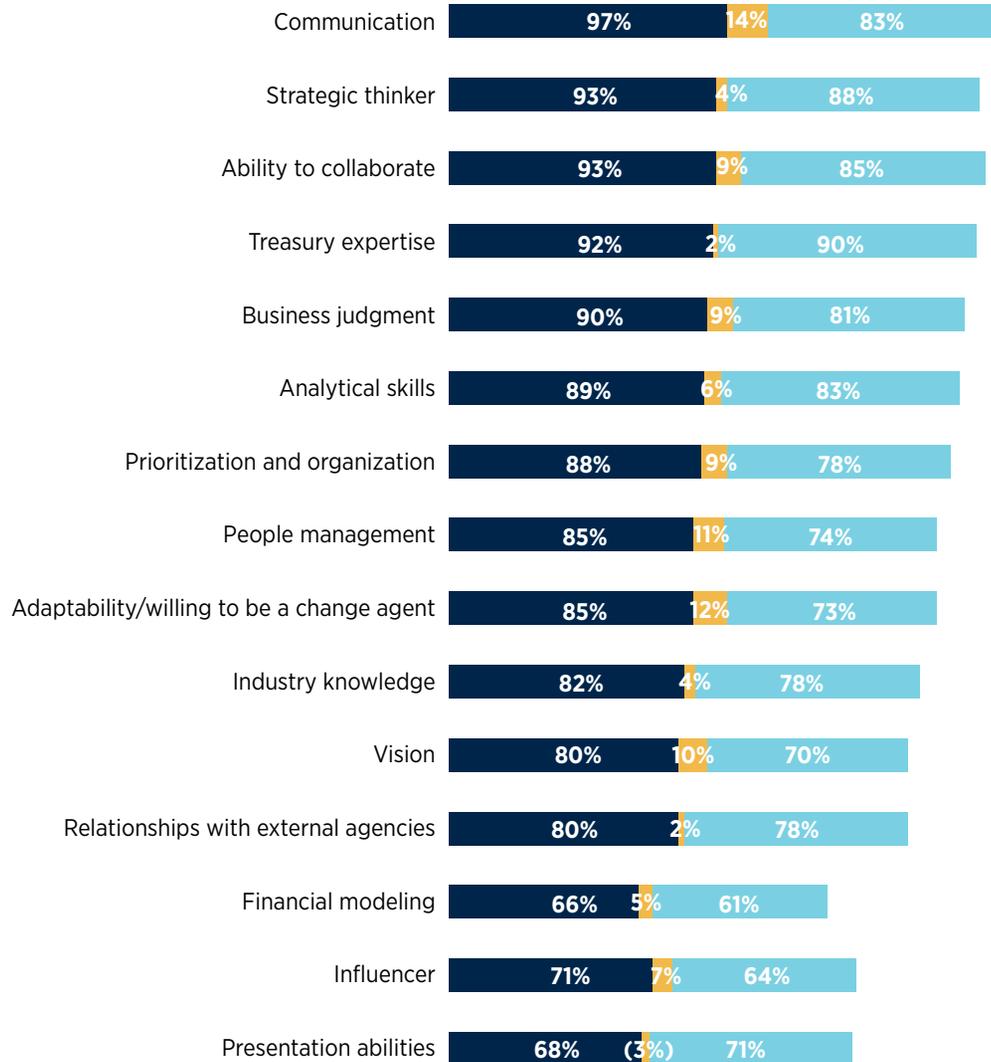


SKILLS AND ABILITIES OF TREASURY

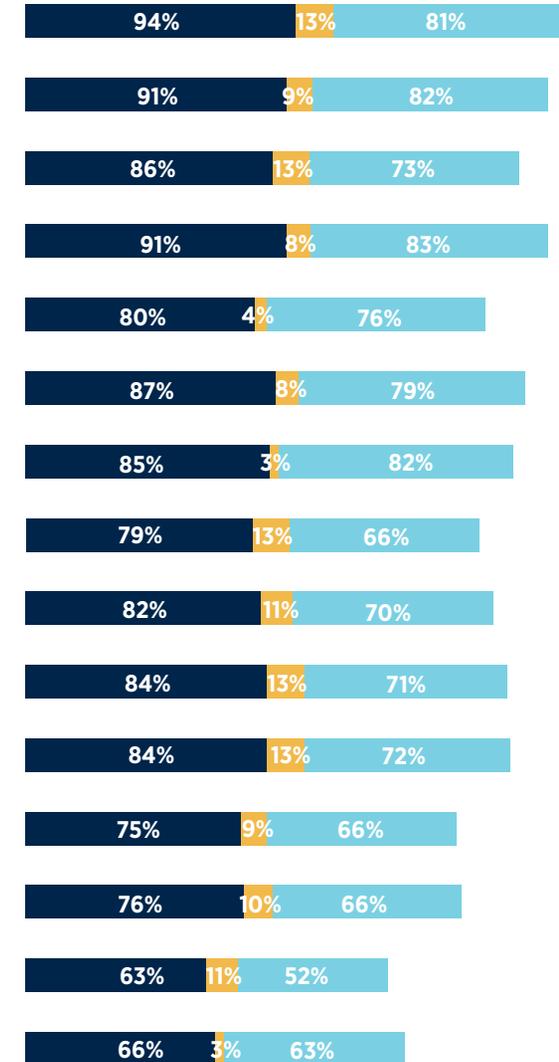
Importance and Effectiveness of Treasury Team's Leadership Skills and Abilities (Percent of Respondents)

● IMPORTANCE ● GAP ● EFFECTIVENESS

SENIOR TREASURY PROFESSIONALS



CORE TREASURY PROFESSIONALS

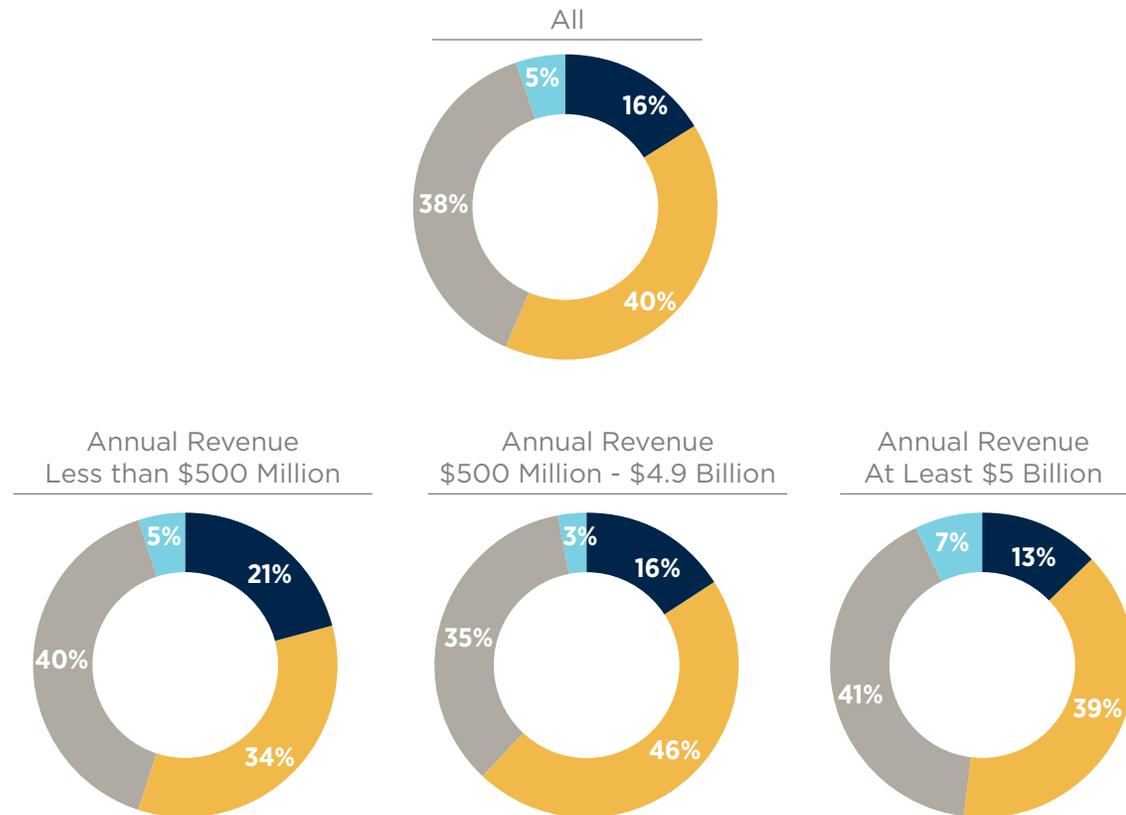




PERSONNEL TRENDS WITHIN TREASURY

Over half of respondents report that actions are being taken to curb staff attrition within the treasury and finance function at their organizations (16 percent indicate active steps are being taken and 40 percent say some action is being taken). Thirty-eight percent of all respondents indicate that actions are *not* being taken to curb staff attrition within the treasury function. A larger share of respondents from organizations with annual revenue of less than \$500 million report that active steps are being taken to curb attrition compared to those from organizations with annual revenue of at least \$5 billion (21 percent compared to 13 percent).

Action Taken to Curb Staff Attrition Within Treasury Function
(Percentage Distribution of Organizations)



- Active steps are being taken to curb staff attrition within the treasury & finance function
- Some action is being taken to curb staff attrition within the treasury & finance function
- Actions are NOT being taken to curb staff attrition within the treasury & finance function
- Other



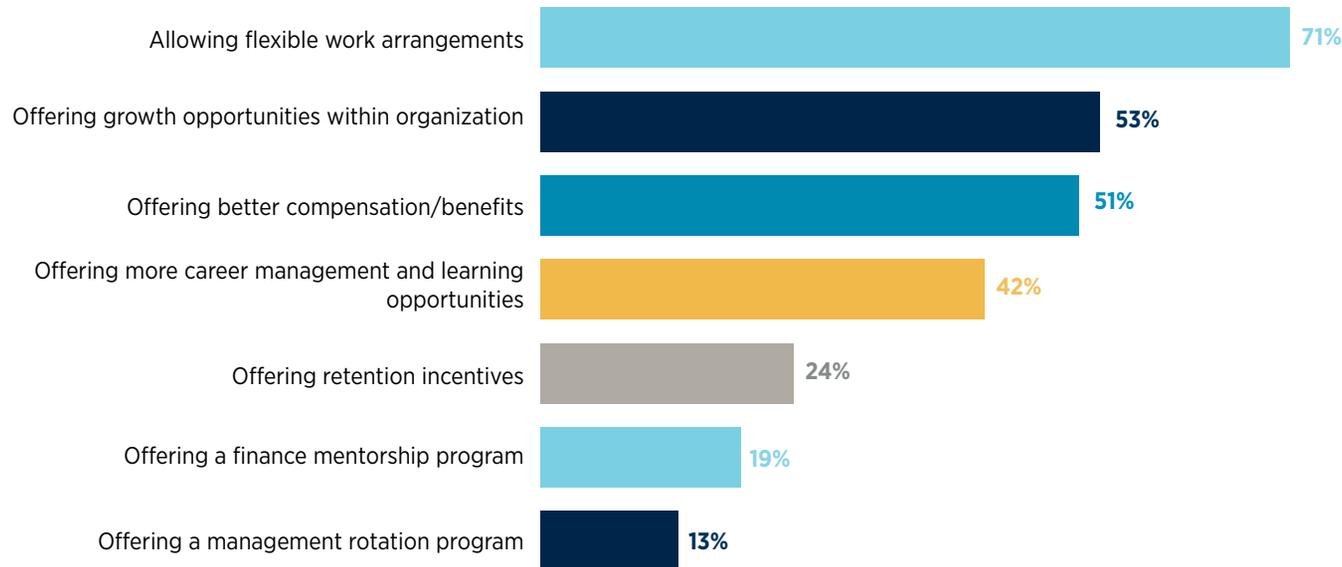
PERSONNEL TRENDS WITHIN TREASURY

The most frequently cited specific action being taken to curb staff attrition is allowing flexible work arrangements (71 percent). Eighty-five percent of respondents from organizations with annual revenue of at least \$5 billion report that they are allowing flexible work arrangements to curb staff attrition, and 77 percent of senior treasury professionals report the same compared to 60 percent of core treasury professionals. Smaller organizations with annual revenue of less than \$500 million are less likely to allow flexible work

arrangements (58 percent), but more likely to offer a management rotation program compared to larger organizations (27 percent compared to three percent).

The second most-often cited action being taken by organizations to curb staff attrition is offering growth opportunities within the organizations (53 percent), followed by offering better compensation/benefits (51 percent), and offering more career management and learning opportunities (42 percent).

Specific Actions Taken to Curb Staff Attrition (Percent of Organizations)



CONCLUSION

The role of treasury has been evolving over the years. The liquidity crisis during the pandemic had senior management seeking out treasury more than before to help them understand how treasury was planning to minimize any adverse impacts on cash and short-term holdings and to ensure cashflow was not disrupted. Since then, treasury has continued its interaction with C-suite and executive management; 43 percent of survey respondents indicate their interaction with C-suite and the CFO has increased in the past two years.

Treasury does play a distinct leading role in some areas including borrowing long-term (capital funding/sourcing), interest-rate risk management, payments strategy and execution. In addition to taking a lead in certain areas, treasury increasingly supports other functions and is increasingly providing support to the finance and accounting functions as well. Treasury also actively supports other functions such as business continuity planning and mergers and acquisitions. This signals that treasury's contribution to an organization is more holistic than it has been in the past.

Respondents report that the most challenging task they are dealing with at their jobs is improving payment processes—i.e., incoming and outgoing, working capital improvements and protecting the organization through sound internal policies and procedures for money movement. This is not surprising: the liquidity crisis that first emerged two years continues to be present and is contributing to economic anxiety.

Nearly two-thirds of treasury practitioners do agree that cash management and forecasting is currently a priority for treasury at their organizations and there is a greater emphasis on liquidity and cash planning. Treasury professionals at all levels are increasingly applying their cash forecasting skills to support their organizations. During the throes of the COVID-19 crisis, organizations grappled with severe liquidity challenges. While it has been two years since COVID-19 first emerged, recovery has flowed and ebbed, and financial professionals are still very cognizant of managing cash to safeguard their companies from any unprecedented issues that may arise. In addition to liquidity and cash management,

treasury also appears to be focusing on payments, treasury and related technologies, implementing technology/analytics to improve efficiency, accuracy and compliance of processes. As expected, nearly half of respondents reports there is a greater importance being placed on staff engagement (i.e., retention, upskilling, etc.); this is not surprising considering the pace of employee resignation from organizations and the difficulty organizations are having in filling these vacant positions.

Communication, being a strategic thinker, having treasury expertise and being able to collaborate are considered key competencies for treasury leadership. Treasury leaders need to ensure they are working on these competencies to be effective leaders. Beyond liquidity and cash planning, a majority of senior treasury professionals indicate they are increasingly applying their critical think/strategic thinking skills and leadership skills to assist their organizations. Senior treasury professionals have to ensure they are leading their teams effectively and making decisions that are beneficial to their organizations and their teams.



DEMOGRAPHICS

In May 2022, the Association for Financial Professionals® (AFP) conducted a survey of treasury professionals globally. The survey’s aim was gain insight on the treasurer’s evolving role over the past two years and to assess whether there has been a shift in their priorities and to understand the gaps in skills and competencies. AFP received 395 responses from both treasury professionals and senior treasury professionals (those who are categorized with titles as directors and above) which form the basis of this report.

AFP thanks Marsh McLennan for supporting the *AFP 2022 Strategic Role of Treasury Survey*. The survey questionnaire and the report were produced by the Research Department of the Association for Financial Professionals which is solely responsible for the content of the report. The demographic profile of the survey respondents mirrors that of AFP’s membership. The following tables summarize the characteristics of the survey respondents where organization-level demographics are provided.

TEAM STAFFING

Forty-nine percent of organizations have fewer than 5 staff working in their treasury department while 27 percent have more than 10 in their treasury area. Sixty-seven percent of organizations with annual revenue of less than \$500 million have treasury departments of less than 5 staff, while only 12 percent of larger organizations (annual revenue of at least \$5 billion) have fewer than 5 staff.

Twenty-three percent of organizations with annual revenue of at least \$5 billion have more than 20 people working in their treasury department compared to only one percent of organizations with annual revenue of less than \$500 million that do.

Number of People in Treasury Department

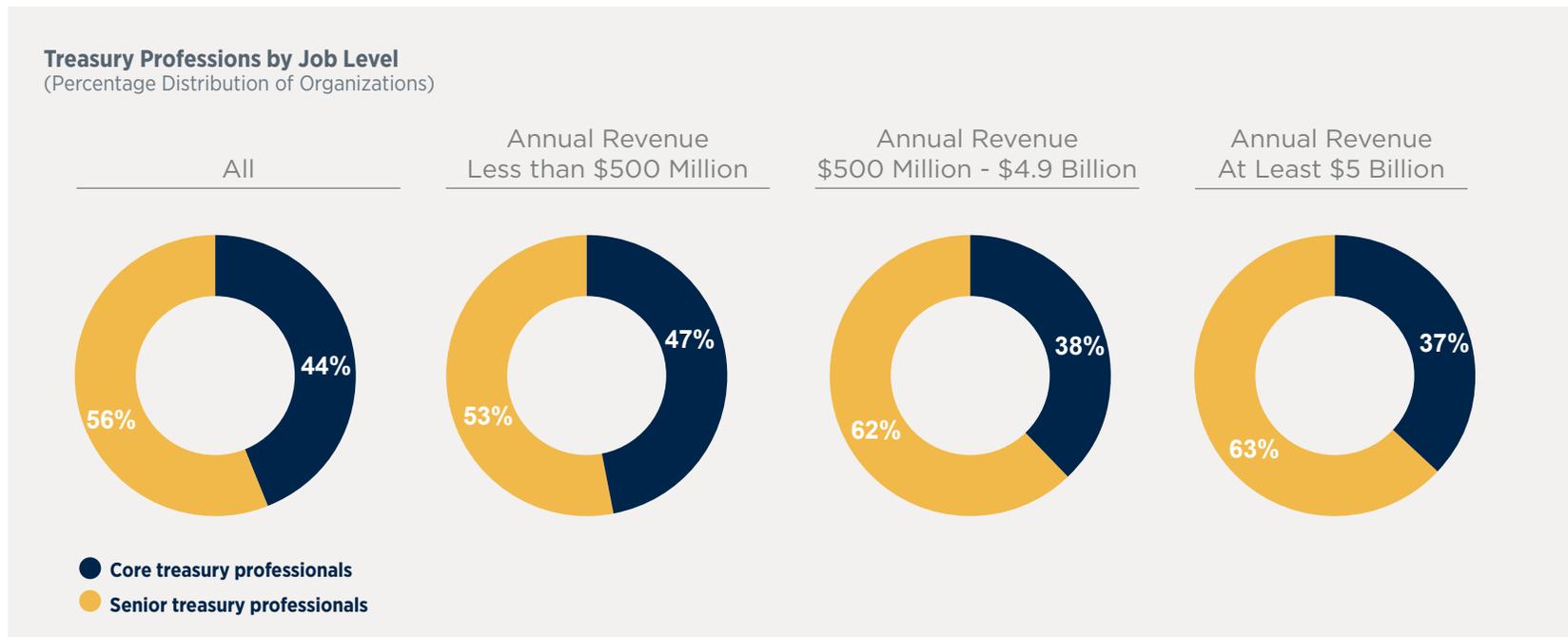
(Percentage Distribution of Organizations)

	All	Annual Revenue Less than \$500 Million	Annual Revenue \$500 Million - \$4.9 Billion	Annual Revenue At Least \$5 Billion	Senior Treasury Professionals	Treasury Professionals
Less than 5	49%	67%	60%	12%	50%	46%
5-9	23%	21%	22%	29%	20%	29%
10-19	18%	11%	12%	36%	17%	20%
20 or more	9%	1%	6%	23%	12%	6%

BY JOB LEVEL

Findings have been segmented into two groups: Senior Treasury Professionals and Core Treasury Professionals. The senior group includes all respondents with a title of director and above, while the core group consists of those with a title under the director level. Some examples of the respondents' titles that are classified as Senior Treasury

Professionals are Director of Treasury, Senior Director of Treasury, Associate Treasurer, Assistant Treasurer, Treasurer, Global Treasurer, Vice President of Treasury, Vice President of Finance & Treasury, and Senior Vice President. Those titles that comprise Core Treasury Professionals are Treasury Analyst, Senior Treasury Analyst, Manager of Treasury, Cash Manager, Manager of Finance & Treasury, Treasury Coordinator and Assistant Manager.



TREASURY DEPARTMENT OPERATING MODEL

One-third of respondents describes their treasury department's operating model as centrally run across all geographics, followed by centrally run because they are only domestic-focused (27 percent), and regional and determined by geography with some central oversight (15 percent). A larger share of respondents from smaller organizations (with annual revenue of less than \$500 million) than larger organizations (with annual revenue of at least \$5 billion) describe their treasury department's operation model as centrally run because the department is only active in a limited geography (20 percent compared to 12 percent, respectively).

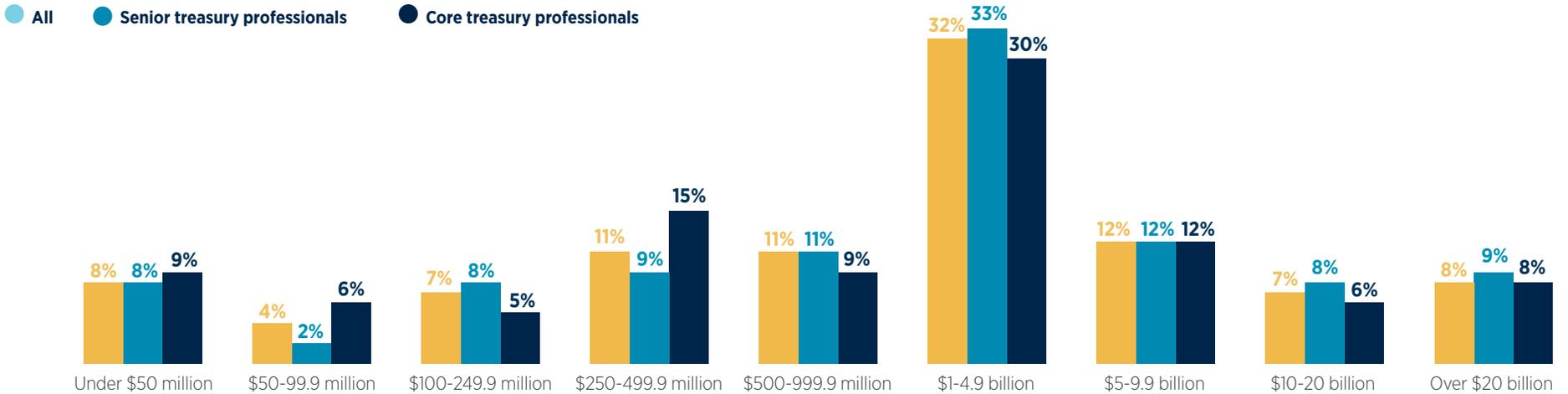
Treasury Department's Operating Model

(Percentage Distribution of Organizations)

	ALL	ANNUAL REVENUE LESS THAN \$500 MILLION	ANNUAL REVENUE \$500 MILLION - \$4.9 BILLION	ANNUAL REVENUE AT LEAST \$5 BILLION	SENIOR TREASURY PROFESSIONALS	CORE TREASURY PROFESSIONALS
Centrally run across all geographies	33%	33%	34%	32%	35%	28%
Centrally run because we are only domestic focused	27%	27%	28%	24%	22%	34%
Regional and determined by geography (with some central oversight)	15%	9%	16%	20%	17%	11%
Centrally run because we are only active in limited geography	14%	20%	11%	12%	14%	14%
Decentralized and determined by geography (with central oversight)	11%	9%	12%	11%	11%	11%
Decentralized and determined by geography (without any central oversight)	1%	2%	--	1%	1%	2%

Annual Revenue (USD)

(Percentage Distribution of Organizations)



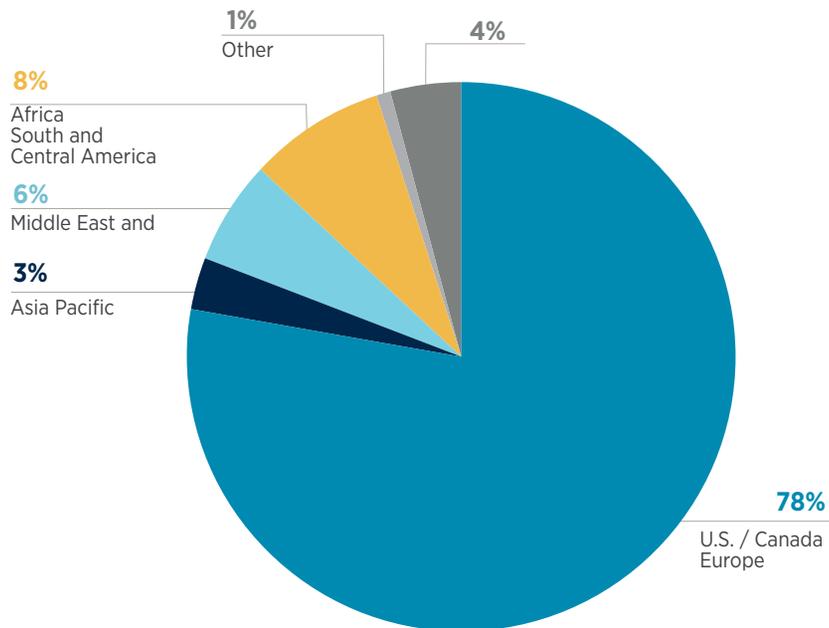
Organization's Ownership Type

(Percentage Distribution of Organizations)

	ALL	ANNUAL REVENUE LESS THAN \$500 MILLION	ANNUAL REVENUE \$500 MILLION - \$4.9 BILLION	ANNUAL REVENUE AT LEAST \$5 BILLION	SENIOR TREASURY PROFESSIONALS	CORE TREASURY PROFESSIONALS
Publicly owned	42%	20%	41%	67%	44%	41%
Privately held	39%	58%	39%	20%	37%	42%
Non-profit (non-for-profit)	12%	12%	12%	11%	11%	10%
Government (or government owned entity)	7%	10%	8%	3%	8%	7%

Geography

(Percentage Distribution of Organizations)



Industry

(Percentage Distribution of Organizations)

	ALL	SENIOR TREASURY PROFESSIONALS	CORE TREASURY PROFESSIONALS
Agricultural, Forestry, Fishing & Hunting	1%	--	2%
Administrative Support/Business services/ Consulting	2%	1%	3%
Banking/Financial services	13%	14%	13%
Construction	1%	1%	2%
Energy	4%	3%	5%
Government	5%	6%	4%
Health Care and Social Assistance	10%	7%	13%
Hospitality/Travel/Food Services	3%	1%	5%
Insurance	7%	7%	6%
Manufacturing	18%	19%	18%
Non-profit	7%	8%	5%
Petroleum	1%	1%	--
Professional/Scientific/Technical Services	2%	2%	3%
Real estate/Rental/Leasing	3%	3%	3%
Retail Trade	6%	7%	5%
Wholesale Distribution	3%	3%	4%
Software/Technology	5%	7%	2%
Telecommunications/Media	3%	2%	4%
Transportation and Warehousing	3%	3%	3%
Utilities	2%	3%	1%
Conglomerate	2%	2%	3%

AFP 2022 Strategic Role of Treasury Report
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All inquiries should be addressed to:

Association for Financial Professionals

4520 East West Highway, Suite 800

Bethesda, MD 20814

Phone: 301.907.2862

E-mail: AFP@AFPonline.org

Web: www.AFPonline.org



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4520 East-West Highway, Suite 800

Bethesda, MD 20814

T: +1 301.907.2862 | F: +1 301.907.2864

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