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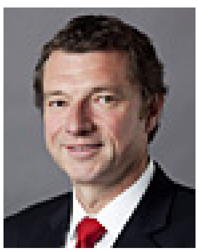
Expanding Roles and Evolving Trends: Understanding Treasury Management Today



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These are challenging times for corporate treasurers. Though still responsible for daily cash management duties, the treasury department has now evolved from a processing unit to a strategic division accountable for improving the bottom line, which has resulted in an increase in authority and profile at all levels of commerce. This may sound like a positive development – and undoubtedly it is – but the downside is that it comes at a time when fiscal resources are depleted and staff numbers have remained flat or even been reduced. As a result, treasurers have never been under greater pressure.

Today's treasurers are caught between a rock and a hard place. Internal pressures require them to assume greater responsibility, while external market forces mean that access to bank-supplied credit lines – the once failsafe remedy for working capital woes – remains severely restricted. Of course, the situation is not helped by the uncertainty surrounding the potential effects of proposed regulatory regimes, such as Basel III. Confronted with these challenges, treasurers have no choice but to look inwards to see how they can make best use of their available resources.

For larger multinational corporations (MNCs), this has resulted in discussions around payment factories, which some have established through their shared service centres. While the debate on this topic continues at the MNC level, the majority of treasurers at small-medium enterprise level are placing an increasing focus on company cash and working capital optimisation.

Cash optimisation can be achieved by improving the commercial cycle – that is, significantly pushing out days payable and reducing days receivable – but this depends on three crucial factors: increased cash control, full visibility of cash positions and end-to-end process flows, and greatly enhanced risk mitigation. Consequently, we are witnessing an increasing emphasis on transaction processing efficiency and supply chain sustainability, with treasurers taking an interest in what is happening to their suppliers and (where applicable) distributors. Risk management is, certainly, more important than ever and corporates must adopt a holistic approach and examine the broader enterprise risk if their organisations are to survive.

Changing Relationship Dynamics

As corporates' treasury needs become increasingly complex and individual in nature, demand is growing for more sophisticated, flexible and sustainable cash management solutions that tie in with the trend for concentrating on the long term. This focus is leading many to come to leading solutions providers, such as Deutsche Bank, for expert advice on how best to manage their liquidity to suit their long-term treasury goals.

In keeping with the need for the increased sophistication and sustainability of solutions, treasurers are placing a growing emphasis on insight, understanding and innovation – an example of how more than mere products are now expected from their banking relationships. While the number of providers that possess the necessary technology, as well as advanced network banking proposition and international footprint, may be limited, the ball remains in the treasurers' court, making a client-centric approach to solutions development and implementation the key benchmark for success for banks.

Certainly, collaboration and open client communication is a vital element of solid bank-client relationships, and our clients tell us that the consultative approach we take to technology development works well, with the Bank rating highly in terms of connectivity, reporting and file conversion. That said, modern, market-leading solutions require more than capability and functionality, and should comprise client insight, ease of use and customisability. This combination is the future of treasury solutions and is an example of where Deutsche Bank is leading the way in terms of addressing client needs.

Next Generation Treasury Solutions

The prevalence of technology means that it can no longer act as a great differentiator among service providers. In light of this, Deutsche Bank is placing increasing focus on quality of service and ease of use in order to improve our service delivery. As processes – particularly back-office – become more industrialised, the issue is not so much what technology a company uses, but *how* it is used. Against this, we are placing increasing importance on what we call the "user experience," which means improving the client onboarding process and making solutions customisable where possible and appropriate. This is a distinguishing feature for us, and we will continue to build on the considerable progress we have already made in this area.

Integration and alignment are also key aspects of state-of-the-art treasury solutions. Deutsche Bank benefits greatly from integration across the Corporate and Investment Bank (CIB) on the coverage side, which corporate clients can also benefit from as it gives them access to a broader range of services through a single entry point. A further trend, both on the payables and increasingly on the receivables side, is our global multi-currency payments solution, FX4Cash, which is designed to give corporate clients access to a broad range of currencies through a single platform and the ability to manage international, multi-currency payments though a single window using a single account. Clients achieve greater efficiencies in treasury management through automation and better visibility of price and information, which are crucial to overcoming the challenges that the ongoing financial turmoil presents.