# The New Equation: Treasury’s role in driving sustainable value

PwC’s 2023 Global Treasury Survey

# Executive Summary

The role of treasury functions continues to evolve towards that of a strategic business partner helping their organizations create **sustainable value**. We learned from our 2023 bi-annual Global Treasury Survey that leading treasury organizations have evolved from adding value exclusively within treasury to also driving excellence outside of the function. This includes **optimizing cash efficiency**, strengthening the balance sheet, generating business insights to drive forecasts, improving cash flow and providing **decision support for business units** to manage financial and commercial risks, all while **continuing to safeguard company assets**. This is no easy feat given the challenge of navigating today's complex environment filled with inflation, rising interest rates and recent bank stress events.

We have also observed that companies with a strategic CFO are focused on achieving top-quartile shareholder returns and delivering consistent cash flows in excess of investor expectations. A key success factor with such organizations is a sophisticated treasury function with a seat at the table in the **moments that matter**. These teams are laser focused on using data and analytics to identify where cash flow is generated within the business today and where it can be generated in the future.

Additionally, leading treasurers go one step further to optimize **cash flow generation**, cost of funding, exposure management and capital structure in order to increase value. This is facilitated by establishing robust capabilities and operating models that enable visibility to cash generation, optimal financial forecasting and centralization and redeployment of liquidity.

### Top treasury priorities for CFOs

| | |
|---|---|
| 1 | Funding/capital structure |
| 2 | Cash & liquidity management |
| 3 | Market conditions |
| 4 | Financial risk |
| 5 | Working capital |
| 6 | Relationship with the business |
| 7 | M&A |
| 8 | Fraud risk and cyber security |
| 9 | Technology and digital innovation |
| 10 | Banking management |

Q: What treasury topics are a priority for the CFO in your organization?
Source: PwC Global Treasury Survey June, 2023; Base of 362

### Top priorities for treasurers

| | |
|---|---|
| 1 | Cash & liquidity management |
| 2 | Funding/capital structure |
| 3 | Financial risk |
| 4 | Banking management |
| 5 | Market conditions |
| 6 | Working capital |
| 7 | Technology and digital innovation |
| 8 | Bank connectivity |
| 9 | Relationship with the business |
| 10 | Fraud risk and cyber security |

Q: What treasury topics are a priority for the treasurer in your organization?
Source: PwC Global Treasury Survey June, 2023; Base of 351

**Our 2023 report has identified six key areas that enable treasury functions to create value across the enterprise:**

1 Evolution of the treasury organization

2 Cash efficiency becoming paramount

3 Digital enablement

4 Shifting payments landscape

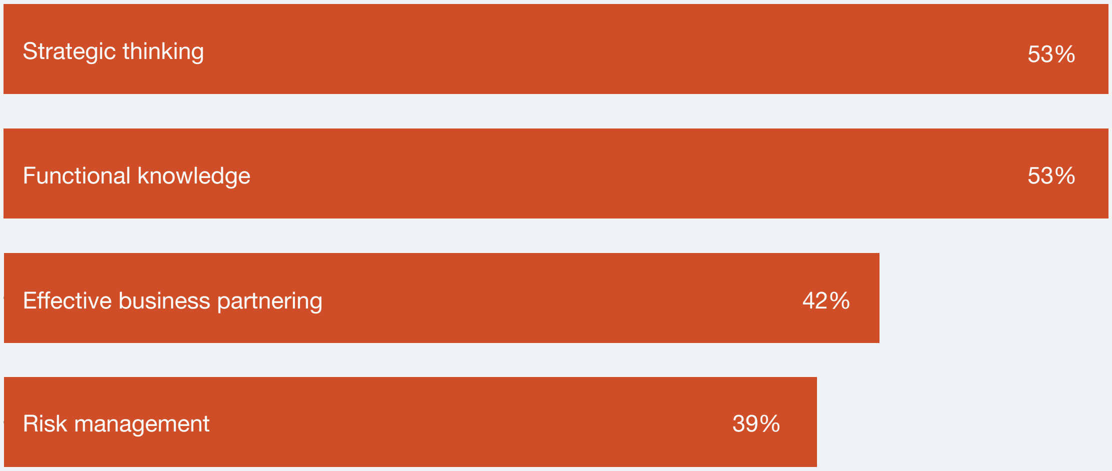
5 Navigating the economic environment and managing risk

6 Involvement in the broader organization's sustainability mission

# 1. Evolution of the treasury organization

The survey results demonstrate that the bulk of treasury functions continue to evolve and view themselves as strategic partners (24% of respondents) or a value enhancing organization (55% of respondents), while only 16% remain primarily transactional. Their growth, however, does not preclude them from needing to focus on and grow in the most strategic areas, including free cash flow forecasting, capital structure optimization and funding. A focus on strategic thinking and collaboration with the business and other stakeholders is in line with this evolution from transactional to strategic, and part of the modern treasury professional's skill set.

## Strategic thinking, functional knowledge and business partnering highlighted as top skills




Q: What skills and competencies are important for the treasurer of the future?
Source: PwC Global Treasury Survey June, 2023; Base of 361

Despite this aspiration, our survey reveals that for many treasury functions there is still not enough focus on data and analytics, and resources are mostly allocated to transactional activities that are in most cases very manual. While the survey results suggest that many companies are currently limiting the number of full-time equivalents (FTEs) dedicated to treasury responsibilities — especially companies with $1 billion to $10 billion in revenue — management does appear aware of the importance of dedicating more resources to treasury, as suggested by the 25% of respondents expecting to increase the size of their teams in the coming year.

This conflicts, however, with the scarce number of resources in the market, which may lead to continued inflation in treasury professionals compensation. Interestingly, the survey demonstrates that treasury functions continue to not use enough third-party support as a way to overcome resource challenges and free up time to focus on more strategic and value added activities.

One interesting solution for treasury functions interested in "being strategic" is to consider managed services alternatives. For example, PwC provides a Treasury-As-A-Service model in which clients can have a flexible, scalable and frictionless multi-banking experience with real-time cash visibility and greater insight into cash flow and risk — freeing up their team's time to spend on value-added activities.

Another interesting finding in the survey is that the broader organization also views treasury's role as a collaborative (42%) or strategic (29%) partner. Respondents highlighted closer business partnerships and daily interactions with expected counterparties such as Accounting, FP&A and tax. However, the interaction with business units ranked below our expectations of a value-adding treasury function and should be a key focal point for treasurers as they look to drive further value. We've seen top organizations lean in on creating their identity and value proposition through a holistic interaction model exercise. Specifically, treasury should engage all of its partners as one cohesive treasury unit, shifting interaction from transaction execution to cash flow, capital and risk insights. By sharing treasury's knowledge across the enterprise early and often, the organization can enable more cash, capital and risk-efficient outcomes, while also improving downstream operational execution. In some cases, functions may need to educate their network on the importance of managing cash, capital, and risk effectively through success stories and use cases.

## Key takeaway

The leading treasury functions of the future are building their teams with new and enhanced digital capabilities, continuously looking at alternative operating models such as outsourcing or managed services and executing various campaigns to create a cash-and-capital mindset across the enterprise.

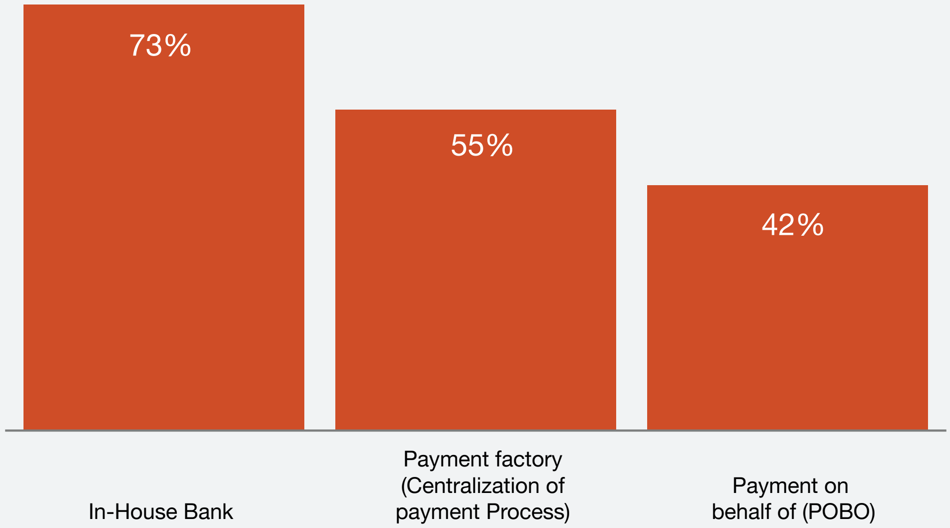
# 2. Cash efficiency becoming paramount

Cash, capital and liquidity management remain the top priorities for corporate treasurers. These are also the areas that create most challenges and, not surprisingly, respondents have highlighted inaccurate cash flow forecasting and access to funding and liquidity as their top two concerns.

To address these concerns and significantly improve cash operations in a sustainable way, leading treasury organizations are looking to enhance existing infrastructure with modernized solutions (e.g. in-house banks, payment hubs) and leverage the latest technologies such as APIs, AI and machine learning, and integrated cash flow forecast solutions. Additionally, top companies are continuing to upskill and acquire digital savvy treasury talent, as well as partnering with the wider organization to enhance technical experience in areas such as data science.

As part of improving cash operations, the survey highlighted a growing focus on increased centralization within treasury — specifically, very large multinational corporations have realized the benefits they can generate through scale and have moved significantly toward further cash management centralization. Seventy-three percent of very large multinationals respondents ($10 billion in revenue or more) have an in-house bank, 55% have a payment factory and 42% use payment-on-behalf solutions. This is an increase of more than 10 percentage points for each compared to our results just two years ago.

### Cash centralization practices are the focus of cash & banking initiatives

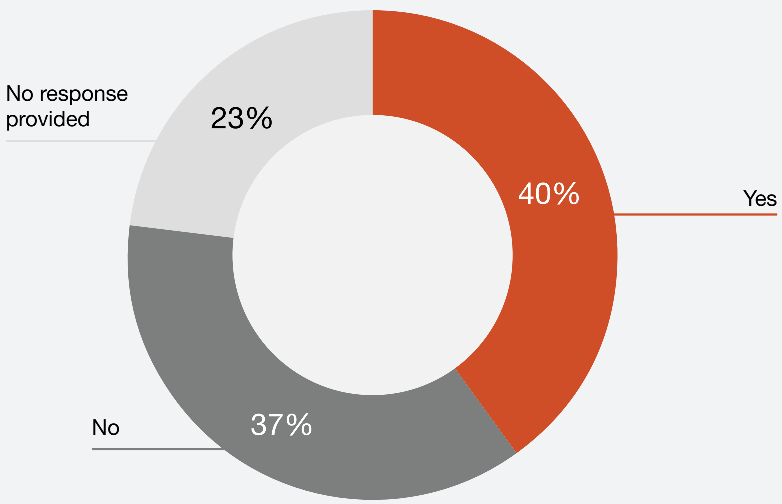



Q: Initiatives for banking and cash management operations
Source: PwC Global Treasury Survey June, 2023; Base of 251

Once again, the survey tells us that cash flow forecasting continues to be a challenging and very manual process with a low level of satisfaction (between 2.5 and 3.1 on a scale of 1-5) depending on the size of the organization. Additionally, less than 3% of the respondents mention using driver-based or predictive analytics for forecasting. It is surprising that so few organizations have invested in integrated solutions, considering that cash flow forecasting has remained the number one priority for treasurers for years and the significant value creation opportunities associated with it (e.g. improved liquidity management, more accurate cash flow guidance to investors and identification of working capital opportunities). In fact, since this survey was compiled we have seen quite a significant uptick in companies looking to invest in more sophisticated cash flow forecasting solutions, including automated interfaces of forecasting data, smart logic and machine learning to improve forecast accuracy, as well as real-time cash and working capital analytics and visualization.

One interesting observation from the survey is that more than 40% of corporations are looking at launching a bank rationalization exercise in the next two years — a significant number considering that responses were collected prior to recent bank stress events. While bank capabilities and participation in long-term funding remain the key selection criteria (mentioned by 72% and 56% of participants respectively), we expect counterparty risk to play a bigger role in the banking selection process compared to what was mentioned in the survey (sixth ranked criteria with 24% of the respondents), given the current banking environment. We also anticipate that large global banks will continue to gain market share, and that corporations will likely continue to diversify their bank groups to manage risk.

### Reducing banking partners and accounts




Q: Are you considering a bank rationalization exercise in the next 2 years
Source: PwC Global Treasury Survey June, 2023; Base of 292

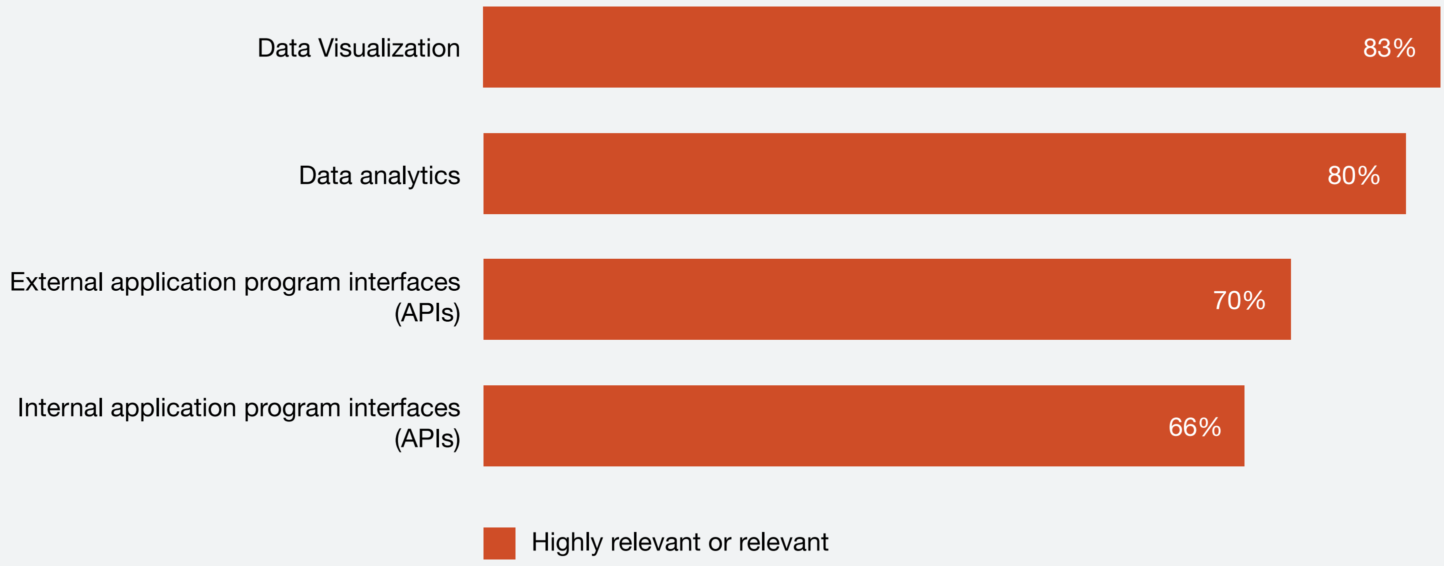
## Key takeaway

Leveraging the latest banking, liquidity and cash forecasting solutions should now be **standard operating practice** rather than hallmarks of elite treasury organizations. Starting and maintaining the journey towards an optimized cash and liquidity structure through building a treasury function **connected and integrated** with the wider organization is the underpinning of **delivering sustained treasury value**.

# 3. Digital enablement

Amid all the disruption of the last few years, the trend of digitization of treasury functions has continued to accelerate, as respondents indicated their focus on data analytics and visualization and application programming interfaces (APIs) as the most relevant technologies for the next two to three years.

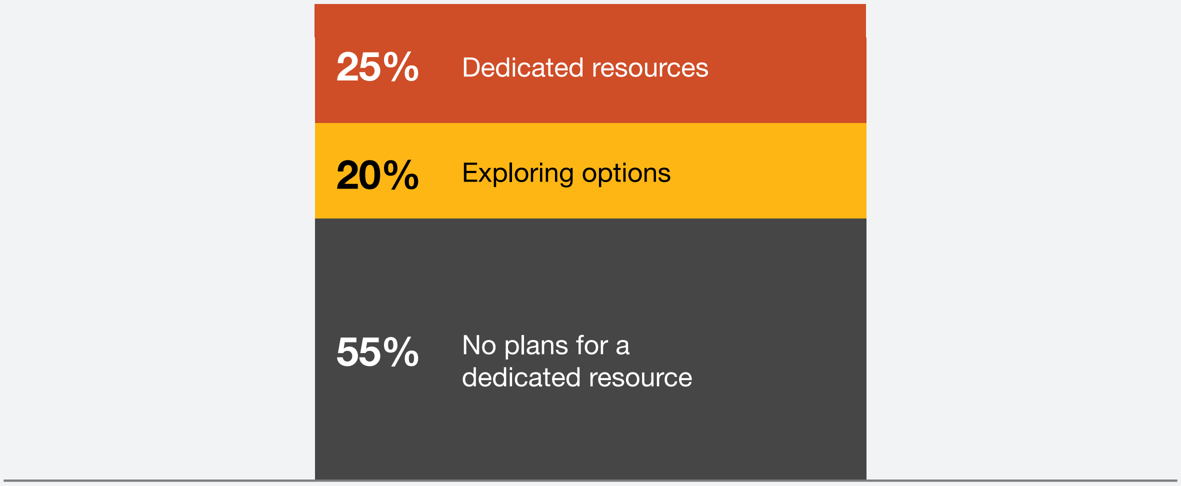
## Digital efforts focused on data analytics and visualization




Q: How relevant are the following Technologies in the next 2-3 years?
Source: PwC Global Treasury Survey June, 2023; Base of 147

Optimizing analytics and visualization can empower the treasurer to be a better steward of their function's critical data, while helping propel the organization along the value-add and strategic partner spectrum. Naturally, cash and liquidity management and financial risk management reporting are the initial impactful areas to focus efforts on dashboarding and strategic analysis. However, treasurers should continue to think more broadly and leverage the data across their enterprises to help drive working capital benefits, strategic risk decisions, and more. Organizations additionally need to plan for success in achieving their analytical and visualization goals, particularly their resourcing. While respondents indicated their digital and analytical capabilities are, on average, at a medium maturity, they seemed less inclined to focus or add dedicated resources in support, suggesting that upskilling current resources will likely be their path moving forward.

## Data and analytics resourcing gap




Q: Do you have a dedicated full-time resource in treasury that supports data and analytics?
Source: PwC Global Treasury Survey June, 2023; Base of 328

Obtaining data faster, more frequently (i.e. in real-time) and more seamlessly is a critical priority for respondents, with API connectivity with both external providers (such as banking partners) and between internal systems continuing to be considered significantly relevant in the next two-to-three years by an overwhelming number of our respondents. For example, several current clients are engaged in projects with major banking providers that enable account balance data to be called via API to their treasury management system (TMS) or enterprise resource planning (ERP) systems in near real-time. But while viewed as the connectivity of the future, our survey results indicate adoption of the technology still requires significant ramp-up and buy-in from stakeholders, especially as organizations migrate away from entrenched communication paths like SFTP and SWIFT.

In line with previous surveys,the largest blockers to implementation of digital efforts center primarily on budgets and technology skills (more than 50% of respondents). This is consistent across organizations of all sizes, but appears particularly prevalent for larger corporations (those with more than $10 billion in sales). To navigate the budget question, treasury leaders should develop thorough business cases that not only focus on improvements within the treasury function, but also highlight the value to the entire organization and identify and effectively measure ROI to quantify that value.

**Key takeaway**

Leveraging digital capabilities as an enabler, we have seen top strategic treasury organizations showcase potential value capture across cash, capital and risk areas, ultimately creating sound business cases to drive initiatives that can deliver sustainable value.

# 4. Shifting payments landscape

The treasurer's role within the payment space continues to become even more prominent, with 71% of respondents indicating that treasury is responsible for owning at least part of the business payment process (either initiation, payment release or both). Therefore, it's no surprise that treasurers increasingly seek to use their treasury technology for this purpose, and TMS vendors are responding by purchasing, acquiring, or merging with other tools that offer increased payment hub functionally to meet this need.

This functionality enhancement — likely focused on sanction screening, fraud protection and control of payment flow, enables treasurers to use TMS architecture to confirm payments are executed in a well controlled manner, giving them greater visibility and control over payment cash flows. This, in turn, can empower treasury organizations to better manage their liquidity and working capital.

While the high reliance on the use of ERPs for payments is unlikely to significantly change given the high volume of payments that originate outside of treasury (e.g. accounts payable), more organizations are exploring opportunities to route such payments from the ERP through the TMS to take advantage of such payment functionality and achieve greater visibility and control. Such a solution particularly benefits organizations with more ERPs and banks, as it can reduce the number of required interfaces.

The survey also suggests that there has been a slower uptake of treasurers taking advantage of new payment types, with usage still focused on more traditional payment routes (e.g. SEPA, ACH, cross-border) rather than increased adoption of digital payments. While real-time and faster payments have become a reality in many countries, only a minority of respondents appeared to be considering moving to real-time payments. Although certain business-to-consumer (B2C) businesses might see great potential in real-time payments to provide improved customer service, it is quite possible that many treasurers in business-to-business (B2B) industries see fewer benefits in paying faster and using digital channels given the cost of change. It is often simpler to manage payments that clear in defined cycles during the day, rather than operating 24/7 cash and liquidity management to keep on top of real-time payment flows.

Another interesting finding within the survey is that payment automation and fraud and sanction screening tools are key considerations for treasurers in the payment space, with over 80% of respondents noting that they either have them in place, are implementing them or are actively considering them. Payment centralization and the use of a payment factory or hub also continue to be popular in the corporate payment space.

## Automation is the focus of payment initiatives


Q: Is your organization considering any of the following payment initiatives?
Source: PwC Global Treasury Survey June, 2023; Base of 212

As treasurers look to improve the efficiency and controls around their payment environment, we view the following opportunities as key focus areas, depending on the nature, volume, currency and value of payments to be made.

- **Automation:** What short- and long-term initiatives can be targeted to increase automation of payments and reduce legacy manual controls and processes? While perhaps not a key driver behind ERP and TMS upgrades, these projects are often great opportunities to achieve this goal. Such projects can also be used as an opportunity to upgrade to ISO formats for bank connectivity.
- **Cyber and fraud risk mitigation:** The importance of detecting and preventing fraud and loss, as well as reducing the effect of cyber attacks on payment flows is ever increasing. New and enhanced tools, either standalone or within the TMS or ERP, give the treasurer a greater armory to counter these threats.
- **Innovation:** For treasurers in B2C industries, the use of newer payment methods (e.g digital, real time, cards) can be a key customer differentiator. Additionally, where card costs seem to be continuously increasing, newer, cheaper alternatives are more often available to treasurers in businesses where such payments are important. Additionally, as the technology and banking solutions supporting efficient payments mature, the business case for additional payment centralization, such as payments on behalf of (POBO), collections on behalf of (COBO), and the use of virtual accounts might be worth another look.

# 5. Navigating the economic environment and managing risk

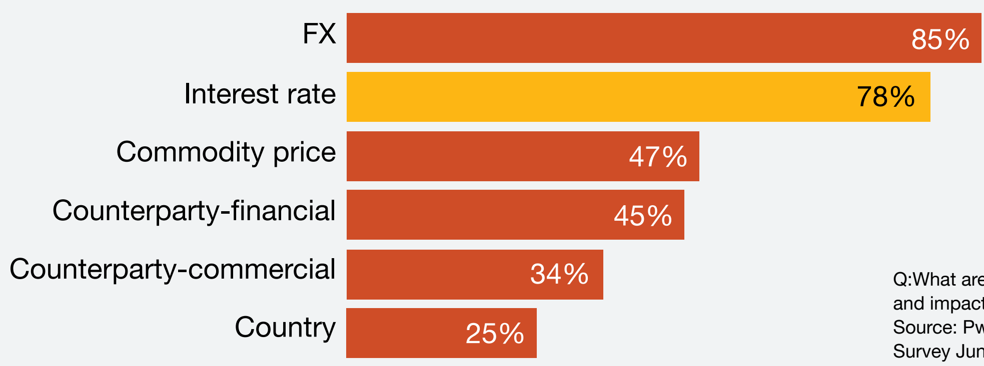
The critical corporate treasury work of protecting and managing a company's cash in volatile and challenging market conditions, while also keeping it easily accessible, is once again front-page news in light of the recent events with several banks in the US and Europe. Based on our survey, we continue to see the trend from previous years where financial risk management plays an important role, with treasurers noting it as a top-three priority. As the global economic landscape continues to experience a series of exceptional events with accompanying uncertainty and volatility, businesses will likely face the resulting financial risks. Specifically, the trilemma between market, credit and liquidity risk requires making difficult choices between protecting foreign exchange, interest rate and commodity market price risk; taking on liquidity risk on possible collateral requirements; or accepting credit risk on over-the-counter contracts. Investors, company stakeholders and leadership remain sensitive to how companies are affected by these financial risks, and communication in these areas is key. Hiring treasurers are looking for strategic thinkers and business partners with risk competencies, all fundamentally important to financial risk management.

As in past years, foreign exchange (FX) risk continues to remain the top economic risk concern of respondents. While overall FX risk management strategy is usually centrally driven, it is essential to establish regional and local connections. By enhancing collaboration and communication, treasury functions can better safeguard the company.

With the return of central bank rate hikes to fight inflation, interest rate risk is also back on the table, with a profound impact on the cost of borrowing and bringing an era of close-to-free money to an end. A well-designed and well-executed interest rate risk management strategy is now more than ever essential to safeguard an organization's financial balance sheet and improve its cost of capital.

Commodity price risk is another critical risk, particularly for companies with extensive commodity procurement or an energy intensive footprint, as energy prices spiked more than tenfold in some markets last year. For companies hedging commodity price risk, this responsibility typically falls on either procurement or a combination of procurement and treasury, again requiring a well considered strategy.

## Top economic risks




Q:What are your most important and impactful economic risks?
Source: PwC Global Treasury Survey June, 2023; Base of 282

## Key takeaway

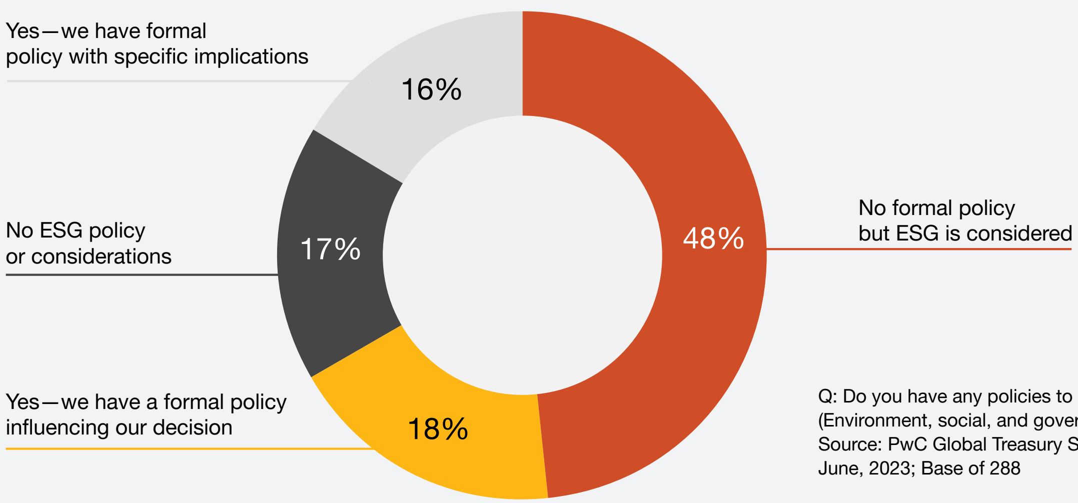
Our survey provides clear indications that to effectively manage financial risk, treasury teams should be very close with their commercial and operations teams and have well designed and updated programs to navigate ongoing volatility in the market.

# 6. Involvement in the broader organization's sustainability mission

As organizations make firmer and more detailed sustainability commitments to both their investors and the public, treasurers and their organizations are continuing to find ways to support these ambitions. For now however, the formal role of sustainability within treasury functions is still developing: While 83% of respondents indicated they consider sustainability in their treasury decision making, only 16% have a defined policy in place to address it with formal measurements in place. In the case of very large multinational corporations, that figure rises to 20%, likely reflecting the increased stakeholder pressure being applied to such organizations. This differing level of focus on sustainability topics is also starkly apparent across industries: The proportion of respondents who consider sustainability in their decision making ranged from 74% in consumer markets to 96% in energy, utilities and resources.

For the respondents who indicated that they did have sustainability policies or considered it as part of decision making, the focus primarily centered on their investment of excess cash, with 54% indicating counterparty sustainability was a contributing factor to deciding where the cash was placed. In contrast, sustainability factors do not yet seem to garner a lower weighting when considering longer-term commitments, with only 3% indicating it as an important selection data point when selecting cash management banks.

### Sustainability a consideration but not formal policy




Q: Do you have any policies to address ESG (Environment, social, and governance)?
Source: PwC Global Treasury Survey June, 2023; Base of 288

**Key takeaway**

As an increasing number of organizations make net zero and other sustainability commitments, it is key that organizational efforts are aligned. As such, creation of formal sustainability policies that are consistent with and support organization-wide strategies is key to avoiding treasury activities conflicting with wider narrative and reporting. Such discordance can lead to accusations of greenwashing and other unwelcome publicity.

## About this Survey

PwC's 2023 Global Treasury Survey report reflects the views of 375 treasury department respondents contacted by the PwC global network from January through April 2023. The respondents are based in over 32 countries, across 23 industries and in companies with median annual revenue of $3.9 billion. The report also relies on insights from our global team of treasury function specialists.

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