

Optimising Treasury Functions: PEOPLE – Stakeholder Alignment

People should be empowered to innovate and perform critical decision making, which means they are driving long-term strategies that maximise enterprise value.

Common Shortfalls

- Excessive key-man risk
- Lack of financial market risk experience
- Stakeholder miscommunication
- Undocumented procedures
- Lack of alignment to commercial & risk management objectives

Solutions

- Up-skill the internal personnel
- Align their performance assessment/awards to company performance
- Create communication and collaboration with all key stakeholders
- Provide event driven strategic advice and management
- Provide on-going experienced strategic and operational support

Design

Any agile treasury process needs to be designed from a holistic stakeholder perspective. This means lateral input across a senior level, but also, critically, horizontal input from key operational staff through to the CFO and the Board. This is especially true for global entities with staff in diverse time zones or who maintain relatively low interaction with head office. If processes and systems are not designed with their requirements in mind, improved operations that are otherwise value generative will grind to a halt at a subsidiary level as the effort it takes them to perform daily operations demotivates and detracts from time otherwise spent driving a strategic agenda.

Develop

Development of Agile Treasury initiatives can only be performed effectively when key stakeholders are first aligned on targeted objectives and practical action plan to realise these objectives. Process managers can then effectively delegate tasks and monitor progress while development is performed 'behind the scenes' as a parallel workload to current operations. This minimises distractions in the day to day, preventing confusion and frustration around expectations.

Implement

Implementation goes hand in hand with training operational and even senior personnel. Again, prior alignment is critical, as is engaging with operational stakeholders to reiterate clear and sensible expectations initially agreed in the design phase. Any required upskilling should only be performed once a clear process, and the systems to empower this process, are in place. This ensures effective learning as specific operations are instilled on top of any broader education of process intent and rationale.

Operate

If stakeholder alignment is achieved throughout Design, Development and Implementation, then when it comes time to operate on a day to day basis, key stakeholders vertically and horizontally should already be equipped with processes and systems knowledge. This ensures minimal disruption to responsibilities throughout the process and confidence that improvements are beneficial not only to the business at a commercial level, but also to the individuals involved in executing on an ongoing basis.

CASE STUDY

A corporate and retail FX broker was unaware of its unoptimised cash position, core liquidity requirements and FX market risks. They lacked the internal expertise to identify, design and implement an interim and long term solution.

PROBLEM

Why the challenge was proving difficult to solve:

- The staff tasked with managing cash positions were operationally focused, concerned with making timely payments and not identifying core cash excesses that could be invested in money market products.
- Their lack of FX market risk management experience exposed the business to significant market risk in the spot and forward books.
- Their senior managers also lacked market risk experience, meaning P&L volatility was accepted as 'normal business risk' rather than a controllable market risk.

SOLUTION

Rochford actions to address and correct the problems:

- We began with a hands-on gap analysis of cash management and FX market risk management.
- We then presented to senior managers, identifying previously unrecognised problems and providing clarity on a successful management strategy.
- We identified the major gap was in-house market risk management expertise. So, we created a tailored job specification for a new, skilled Treasury Manager, conducted interviews and made an employee recommendation, who was subsequently hired
- We continued to support the new Treasury Manager with technical and specific business insights, facilitating swift implementation of the recommended risk management upgrade.

RESULT

End outcome, leaving the business in a better position than at the start:

- Since the introduction of a full-time and professionally trained Treasury Manager, the company's calculated slippage of profit margins from expected levels has been positive. **The negative effects of market risk exposure have been eliminated.**
- Their interest income rose by 50% due to the active management of the FX forward book and investment of surplus/core cash balances in short and medium-term money market products.

To learn more about how we can optimise your treasury function, visit our [Treasury Services page here](#) or [contact our team](#) on +61 (0) 2 8916 6115.

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