

TREASURY DOES MORE WITH LESS IN AN ENERGY SERVICES COMPANY

In partnership with Ernie Humphrey (CEO, TreasuryWebinars.com), APQC launched its *Delivering Treasury Success in the “Next Normal”* study to understand what success looks like for treasury during the COVID-19 pandemic and what it may look like in the post-pandemic environment. Along with quantitative research, APQC interviewed a range of treasury professionals about:

- » The key drivers/success practices for treasury success in the new reality;
- » how organizations are currently measuring treasury success and how success measures are evolving;
- » key skills for treasury in the ‘next normal;’ and
- » success stories demonstrating treasury’s resilience and innovation.

In this interview, the assistant treasurer of a mid-sized energy services company spoke with APQC about how treasury is helping the organization weather the dual storms of COVID-19 and declining oil prices. As the organization’s treasury function became leaner and learned to do more with less, it achieved big efficiency wins in forecasting and learned to partner more strategically with finance and with the business more broadly. The assistant treasurer is a Certified Treasury Professional (CTP), an active member of treasury professional associations, and has worked in the finance and treasury profession for 14 years.

TREASURY OVERVIEW

Can you tell us about your organization and how treasury is structured?

We’re a global company working in pretty much every country where oil and gas is drilled, so we work in a very diverse global sphere. We’re a pretty unique company in the sense that just over a quarter of our employees have advanced technical degrees.

In terms of treasury, we are a bit of a hybrid structure: We have a head office in North America and regional treasury centers around the world due to legal in-country and/or taxation requirements. Our treasury team at the corporate office includes an assistant treasurer (who reports to the CFO), a treasury manager, and a treasury analyst, along with five or six global employees. We have a dotted line reporting structure with the other regional treasury centers so we can centralize cash as much as possible in the U.S.

The scope of treasury for our organization includes cash and liquidity management, debt management, capital markets, funding, operational controls, trade finance, efficiency projects, and risk management. Risk management is a big area of emphasis for us, and it’s just getting started in a more focused fashion this year, predominantly because of COVID-19, oil prices, and changing global regulations. Risk management is becoming more important to what we do here in treasury; it is probably one of the most important things that we do. We’re also responsible for any treasury-related technology or efficiency projects, whether in the U.S. or globally.

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How has your reporting structure, staffing, and delivery model for treasury evolved over time? What direction are these heading in the 'next normal'?

It's definitely evolved over time and is still evolving today, not only because of changes we've made but because of how the company's strategy is changing and the global economic realities we face as a US-based company. We're moving toward more of an agency role, adding more value and cost savings while trying to leverage group efficiencies.

We're also trying to implement more automation, which is an absolute requirement now that we're all working from home. The next evolution of treasury is leveraging different technologies toward more automation and efficiency. I only see things getting leaner in terms of staffing, which is a product of what's happening in the oil and gas sector right now. People will need to do more with what they have because we don't have a choice to do otherwise.

MEASURING TREASURY SUCCESS

How do you currently measure treasury success in your organization?

We measure success in three broad areas. One area includes the typical requirements that a lot of treasury professionals manage and measure: Liquidity, bank covenants, bank fees, P&L accuracy, and forecast accuracy. (The controller function measures KPIs like days sales and days payable outstanding.)

Another important area of measurement for us is employee satisfaction as well as staff turnover. Treasury is a small department and there has been some turnover. We feel our staff are valuable and want to contribute, and want to make sure they're happy and they don't move somewhere else if there was anything we could have done about it.

A third area we track closely is fraud. We're the last step before cash goes out the door, so we make sure we're well-trained on fraud mitigation techniques and work with the rest of the finance department to make sure we don't get hit with fraud when we could have avoided it.

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We've been working since I started this role three years ago to mature the treasury department, and a lot of that included training on the financial aspects of treasury, in particular fraud prevention. So, we've worked very hard for the past three years to get internal audit and IT involved in this project, and they test us all the time on phishing schemes with fake e-mails. And I keep up a lot with significant changes in treasury, which includes developments around new fraud schemes. And not just in the treasury department but also in AP. Everything is e-mail based now, and sometimes I think you let your guard down when you're not in the same environment. So, we talk through scenarios all the time, and in the three years I have been here, we've had fraud attempts, but none that have been successful. I think it's important to make sure that we're not letting our guard down or behaving any differently in a remote environment.

What do you envision success will look like for treasury in the 'next normal'?

I think liquidity measures are going to remain important. Liquidity is becoming an issue in oil and gas more broadly, so it's going to be critical to make sure we have the right amount of cash balances where we need them to operate and to pay off debt. Covenant measurements will also become more important as we get closer to various levels, along with bank fees in our industry in particular. And I don't see forecasting accuracy changing in importance for us.

Success in treasury for us also means making sure we innovate and try new things, and if we fail, we fail fast. We need to move on if something isn't working and accept those mistakes. In this time we are living in, we don't have the luxury, especially in my industry, to spend time and money chasing dreams. So, if you have a good idea, put it into practice and measure it. If it's not working, accept it, fail fast, and move on.

Another thing I think we've learned in the last year is to pivot quickly. We're all being required to change on a dime, and with that comes the need for great communication skills. That's going to be critical, not just for treasury, but for any department. You need to ensure the communication you are giving as a treasury leader or professional is simple and clear, because as time are difficult right now, we need stability and clear direction to pivot quickly.

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As a lean treasury organization, success also means making the best use of our employees' time. There are a lot of competing projects and responsibilities—the key is deploying people in a way that gets the best out of them for what you're asking them to do in a particular project.

If you had half a million dollars to spend to increase the value that treasury delivers at your organization, would you spend most of it on people or technology (or both), and why?

I would spend at least half of it on training, because whatever technology you put in isn't going to be useful if people don't know how to use it. It's obviously important to have the right technology, but it's just as important to train your employees. It seems like over the last few years in particular, training has become a perk of the job that has been taken away, so you're no longer getting the training you used to be able to get to be more beneficial to the company. Companies need to bring that training back.

The other half of the money would go toward cloud-based solutions that use AI, because I've already seen how well they work and how little they cost relative to other treasury systems that we've implemented in the past. Fintech-type solutions (like cloud and AI) are helping us to become more efficient, reducing the amount of manual work that we do, and providing more useful and meaningful information to those who need it.

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TREASURY CHALLENGES AND RESPONSES

What have been some of the biggest challenges for treasury in a remote working environment, and how have you worked to support the business and provide strategic value during this time?

Our remote work challenges are probably the same challenges that a lot of teams are facing right now. I love working remotely, but I think there's something lost when we can't be together in person. You can't read people's body language to see if they're struggling or know if they're really listening. It's also been a challenge to make sure people aren't getting overworked and making sure tasks are covered when one of us takes vacation time. In the remote working environment, it's been more of a challenge of not really knowing how to get away from work. And, as a manager, you have to be able to manage employees remotely differently than you do in person.

I think we've done a really good job supporting the business because we've been working for about a year with the other finance departments to go completely paperless. We dealt with natural disasters and there have been other things that have kept us out of the office in the past, so we've done a really good job making sure we have electronic workflows and don't have to go into the office to create checks or sign forms.



Success Factor

Previous collaboration with finance to digitize workflows helped pave the way for a seamless transition to remote work during the pandemic.

How is treasury working as a strategic partner within finance in today's environment, and how is this changing as the result of current circumstances?

We work with so many other departments in the company, so it's more important than ever to communicate with the global offices and with the finance teams here. Sometimes a message and tone can get lost in an e-mail, so it's really important to pick up the phone and call people for clarification and more information if needed. We have to ensure we are communicating well as a team so that we are getting the right information to the people who are asking for it. To that end, we have started using Teams and OneDrive, where we can share desktops and pass documents between us. Everything is cloud-based, and if it goes wrong, we have a backup.

As a department that deals with so many other internal departments, I think treasury has always needed to be a strategic partner. In the last couple of years, we've gone to our other offices in the US to teach them about trade finance—everything that relates to letters of credit and open trade. We've become closer to the sales and operations teams to ensure that what they're selling has the right contract terms and the right financial risk terms for us to be able to manage in treasury. Now that those meetings and trainings all have to be virtual, we're getting to know people in different areas of the world that we may not have dealt with before.

COVID-19 is also helping us form more strategic relationships because we have to be able to help where we can by finding solutions and answering questions from the global business. We have the expertise in treasury to help the rest of the organization in certain areas, such as trade finance and banking relationships in other countries. The treasury team can operate as a strategic partner by helping to future proof the company by providing solutions with our expertise.

The treasury team can operate as a strategic partner by providing solutions and needed expertise to the business.

SKILLS FOR THE NEXT NORMAL IN TREASURY

What are the top skills you feel are critical for being a successful treasury professional in the 'next normal?'

I think the next normal is going to require treasury professionals who are deep generalists (well learned and experienced in multiple areas of treasury). Specialists are useful in some ways, but we need somebody who can be asked to do something they haven't done before and at least know how to find the answer or who to ask for help.

Along with that, a successful treasury professional should be a continuous learner because things are changing constantly. If you have that ability, you won't be afraid of learning new technology, which is another key skill. We can't all learn to be programmers, but we need to be able to use the technology and answer questions that other people might have about it.

Another thing that has come up in the last year is a need for people with good storytelling abilities. When we're having C-suite meetings or board meetings, you only have a certain amount of time to get your point across to that audience and you have to get it across really well.

Treasury professionals in the 'next normal' should be:

1. Deep generalists
2. Continual learners
3. Tenacious
4. Passionate about the treasury profession
5. Growth-oriented
6. Willing to stretch outside their comfort level
7. Tech-savvy
8. Good storytellers
9. Partners to the finance function

I would also say it's critical to be able to integrate with the finance profession. In the past, treasury has been separate from FP&A, but it's increasingly becoming part of the same skill set to be good in both treasury and finance.

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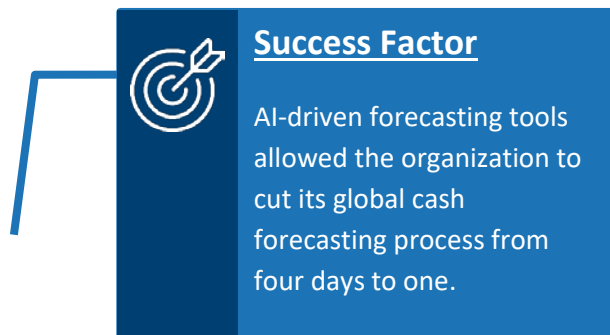
TREASURY SUCCESS STORIES

What relatively recently implemented treasury practices have been most successful in terms of delivering value for your organization?

One big process improvement was our move toward an entirely paperless organization by leveraging our primary ERP system, which is IFS, and Microsoft electronic workflows. Our AP department made the first step by reducing checks because they're expensive, dangerous, and require a lot of touchpoints. Now our payments are either ACH or wire-transfers, and we have workflow solutions so all of our invoices are electronic. AP doesn't have to go into the office to process payments.

Once AP was paperless, we created the same workflow to set up vendor templates. When a vendor gets added or changes any of their details, it goes through the same workflow and we verify the bank details to make sure it has all the right approvals. If we still used paper, it would be much harder to manage right now because it takes five people and we would all be having to go to the office to pass these pieces of paper around. Creating those efficiencies and going paperless has also helped us to reduce costs and prevent fraud.

Another success story relates to cash forecasting. When I first started working for the company, it took four days each week to create the worldwide cash forecast. The process started on Monday, and by the time it was finished on Thursday the information had already changed. Now, we leverage technology using a solution called DataRails for cash forecasting, which incorporates AI. The tool consolidates all the forecasts from around the world and uses AI to update the data in real time as things change. The forecast is now completed in half a day. The documents come in the morning and we spend another half day making sure the reporting is useful for the C-suite. It's one of the greatest treasury success stories I've been involved with.

A blue callout box with a white target icon and an arrow hitting the bullseye. The text inside the box describes a success factor related to cash forecasting.

Success Factor

AI-driven forecasting tools allowed the organization to cut its global cash forecasting process from four days to one.

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