

PwC's 2021 Global Treasury Survey

An inflection point for corporate treasury:
Seize the strategic opportunity



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The value created by a connected corporate treasury department became clear to financial leaders during the COVID-19 crisis, putting treasurers in a position to build on this goodwill and secure a more strategic role. Five trends rose to the top in our 2021 survey of treasury respondents from 340 companies across industries.

We identified five priorities for corporate treasury in 2021

1	Business partnering
2	Raising digital acumen
3	Driving ESG
4	Optimize cash
5	Financial risk

The pandemic made quiet heroes of millions of workers in 2020, with corporate treasury teams doing their part by protecting liquidity and cash flow, and managing risk throughout. Their impact has not gone unnoticed.

Sustaining treasury's relationships with the broader business is a leading priorities for CFOs, according to respondents to our 2021 Global Treasury Survey (see chart at right). As we analyzed this and the other leadership priorities, alongside the broader responses from our survey, five key trends emerged for consideration.

Unpacking the implications behind each trend can help treasurers demonstrate the value of their function during a time of substantive organizational and business model change. In our view, treasurers have a significant opportunity to maintain and expand a new position of influence.

Top treasury priorities for CFOs

Q: What treasury topics are a priority for the CFO of your organization?

1	Funding/capital structure
2	Cash and liquidity management
3	Relationship with the business
4	M&A
5	Technology and digital innovation
6	Fraud risk and cybersecurity
7	Talent management
8	Tax implications

Source: PwC Global Treasury Survey, August 16, 2021: Base of 323

Top priorities for treasurers

Q: What treasury topics are a priority for the treasurer of your organization?

1	Cash and liquidity management
2	Funding/capital structure
3	Financial risk
4	Banking management
5	Technology and digital innovation
6	Working capital
7	Fraud risk and cyber security
8	Relationship with the business

Source: PwC Global Treasury Survey, August 16, 2021: Base of 318

Five priorities for corporate treasury



1 Business partnering

Delivering on the promise of business partnering

Expect the relationships developed during the crisis to continue and significantly expand as companies focus more on cash flow optimization and those in business development, capital management, operations, finance, tax and other functions tackle new challenges.



2 Raising digital acumen

Raising digital acumen to accelerate technology adoption

The cloud infrastructure required to make greater use of automation and artificial intelligence (AI)—and deliver on treasury-on-demand real-time service—is taking shape. Simultaneously, the required skills and capabilities needed for competitive digital acumen continue to grow.



3 Driving ESG

Supporting business leaders driving ESG

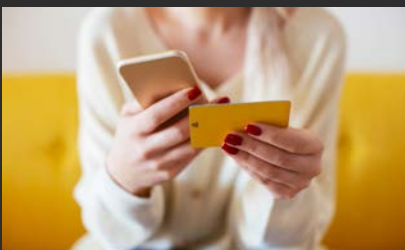
Environment, social and governance (ESG) matters are affecting borrowing, investments, supply chain finance programs and other areas that go well beyond reporting.



4 Optimize cash

Responding to demands to optimize cash

Companies are in dire need of a cash flow steward and treasury can start to fulfill this role by reducing the number of bank relationships and using advanced liquidity management techniques, such as in-house banking and on behalf of structures, as a part of an overall streamlining agenda to strategically optimize cash.



5 Financial risk

Sharpening the focus on financial risk

Risks stemming specifically from LIBOR transitions are on the radar, as well as in foreign exchange (FX) management as a result of business disruptions and pressure on margins.

1 Five priorities for corporate treasury

Delivering on the promise of business partnering

This year's survey highlights the increased importance of relationship building for treasury departments: 44% of respondents say this is a priority for their CFOs, ranking third on the list of top topics.

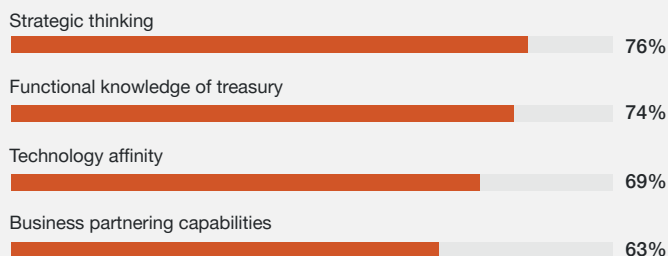
What's more, most respondents say their departments operate as either a value-enhancing (50%) or strategic (33%) partner. We believe these results mark a firm reclassification of treasury's role into one of business partnership.

It's not surprising that respondents believe that the skill sets needed within their departments are changing. Strategic thinking is viewed as the most critical skill, with business partnering capabilities ranked as fourth. Technology continues to drive how and where people work, but it demands agility from practitioners as well as strong analytical and digital capabilities. As a result, upskilling plays a more central role in many workforce strategies for the future.

These findings show the value (and need) for treasury to become a predictive and proactive partner that can move at the pace of business and in a way that supports the immediate needs and longer-term vision for company operations.

Strategic thinking leads list of skills in demand for corporate treasury

Q: What skills and competencies are important for the treasurer of the future?



Source: PwC Global Treasury Survey, August 16, 2021: Base of 286

Implications: Something has to give to create the space needed to function more strategically

Inaccurate forecasting, rising operational complexity and liquidity-funding requirements are the top three challenges treasury departments face, according to respondents. Each of the challenges represents strategic demands on these departments that require new capabilities and the space to innovate and develop solutions.

Our results also show that most processes are centralized at the group treasury level—particularly those flagged as strategic. To alleviate the pain points and optimize treasury resource time for strategic activities, treasurers could consider leveraging managed services, outsourcing or other opportunities for streamlined processing, such as process redesign, automation and digitization.

Top challenges in corporate treasury

Q: What are the top three challenges faced by the treasury team in your organization?



Inaccurate forecasting and visibility



Greater operational scale and complexity



Liquidity and funding requirements of business

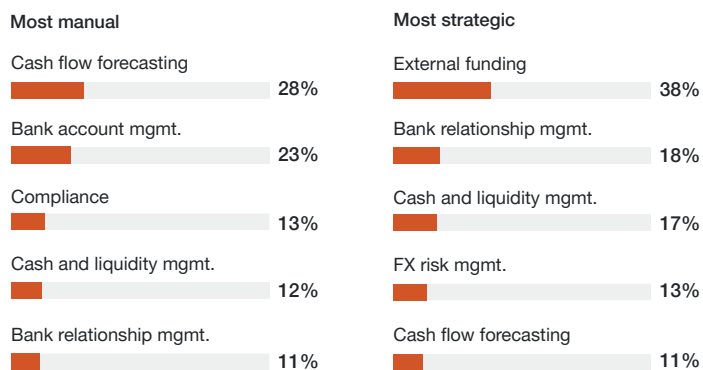
Source: PwC Global Treasury Survey, August 16, 2021: Base 320, showing responses for top three by a ranking score.

1 Five priorities for corporate treasury



Treasury is at its most strategic in external funding while forecasting is the most hands-on

Q: What treasury activities do you consider as your most manual/as your most strategic?



Source: PwC Global Treasury Survey, August 16, 2021: Base 308, showing responses for top five activities only.

Consider bank account management, an area that has long presented barriers to automation due to factors like limitations in electronic bank account management (eBAM) services, compliance requirements (e.g., anti-money laundering (AML)), know your customer (KYC) and data maintenance challenges, which can increase with operational complexity. A small percentage of companies (13%) outsource this activity to shared services centers (SSCs). For larger companies in particular, managed services or outsourcing could provide a viable solution.

The same case could be made for cash flow forecasting. This activity is notoriously tricky to automate due to the high degree of data integration and coordination involved, especially for companies with complex operational footprints. While 28% of respondents recognize this as their most manual process, our findings also show that close to half of departments manually process short-, mid- and long-term forecasting instead of making use of an integrated or system-based process.

While introducing new technology can be a solution here, redesigning existing processes and leveraging available digital tools are alternatives that can help mitigate the time and resources devoted to manual legacy processes like forecasting. As one example, PwC has developed a secure, tech-enabled service, Cash Intelligence, that provides real-time cash flow visibility and agile scenario building that can help clients reach decisions faster.

2 Five priorities for corporate treasury

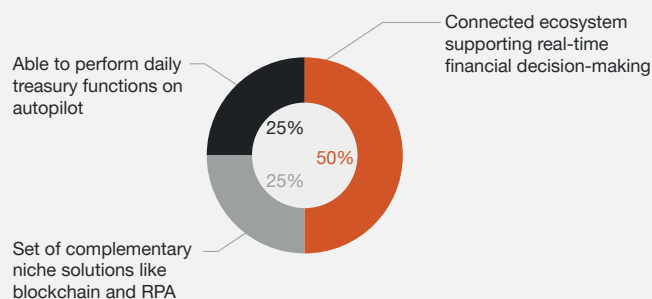
Raising the treasury department's digital acumen

CFOs and treasurers are focusing more on technology improvements and digital innovation compared with [results in our 2019 survey](#). The primary investment targets—gaining efficiency and generating more impactful insights—point toward organizations laying a foundation to support an ultimate vision of enabling treasury-on-demand services.

Half of the respondents tell us they're working toward this vision of a connected ecosystem that leverages advanced capabilities and analytics to empower CFOs and treasurers to make financial decisions in real time. The pandemic underscored the need for real-time treasury data and insights as teams responded to intense cash and liquidity challenges while working remotely.

Tech is enabling different futures for corporate treasury

Q: What is your treasury vision?



Source: PwC Global Treasury Survey, August 16, 2021: Base 187

Clearly, many departments accelerated or maintained their digitization efforts over the past year: Just 30% of respondents now say they're poorly or somewhat poorly positioned to manage significant adaptations to company strategy caused by economic shifts. Departments continue to focus on data analytics, robotic process automation (RPA) and visualization tools to drive digital transformations and demonstrate the value of treasury technology investments in supporting a broad range of activities. Data analytics and visualization tools are continuing to help treasury furnish insights quickly in support of cash and liquidity, working capital and risk management, with enhanced RPA supporting manual and/or redundant activities in areas such as payments, collections and reconciliation.

In general, departments do not appear to be at the point of a wholesale connectivity transformation, but findings show that the build-out is underway: 90% of respondents expect application programming interfaces (APIs) will be relevant in their function in the next two to three years. These are software tools that can connect systems and share data, and support real-time connectivity between corporates and banks to help treasury departments to further deliver value while saving time and money.

Data analytics and visualization tools embedded across corporate treasury

Q: In what area(s) of treasury do you actively use these tools/technologies?

	AI	API	Block-chain	Data analytics	Data visualization	RPA
Liquidity management						
Financial/management reporting						
Exposure management						
Payments and/or collections						
Deal management						
Working capital management						
Intercompany loans						

■ Not in use ■ Less likely in use ■ Somewhat in use ■ More likely in use

Source: PwC Global Treasury Survey, August 16, 2021: Base 128

2 Five priorities for corporate treasury

Implications: Left unattended, outdated tech and data quality issues will hold back visions of a connected organization

Almost half (45%) of respondents cited 'lack of technology' as a key challenge. This issue often relates to sparse data and/or insufficient data quality checks within the upstream systems, resulting in a knock-on effect that hampers accurate forecasting.

Overall, respondents see two main challenges to implementing new or upgraded technology: budget constraints (61%) and the need for relevant skills (57%). These concerns are common across business divisions, but treasurers may find more support if they can make the case for fast-rising business priorities. API investment, for example, is most relevant in cases where direct connectivity to data sources can help drive accurate inputs into forecasting and decision-making.



Supporting business leaders to execute on ESG

The rising interest in sustainable business practices is undeniable. In this survey, 42% of respondents say their organizations have instituted formal policies around ESG principles while an additional 33% say ESG is being incorporated into decision-making. However, when it comes to investing excess cash, a core activity in treasury, 54% say they're not being guided formally by ESG factors.

Given their position as financial stewards, treasurers should understand not just the reporting implications of ESG but the financial ones as well. CEOs around the globe are increasing commitments to ESG in numerous ways, and Treasury can play a role in moving the needle to address these commitments and broader sustainability strategies.

Implications: ESG is filtering through much of what treasury does—and it's all about finding opportunities

- **Investments:** Consider investing excess cash in assets that are consistent with overall ESG objectives. In companies still developing their sustainability strategy and commitments, treasury should aim to join the conversations so that any policy changes affecting investment practices can be put in place quickly.
- **Financing:** Arguably the biggest ESG opportunity (and risk) for treasury relates to financing activities. For context, consider the wide-ranging effects of last year's EU Taxonomy Regulation, a classification system for sustainable business practices that requires companies to disclose both ESG impact and ESG-related risk. With its responsibility for liquidity and funding, treasury should be familiar with its company's ESG disclosures, sustainability targets and performance in order to exchange information with investment partners.

Consider that some banks now factor ESG performance into the pricing of loans, both as part of a standard risk assessment and also in product offerings like ESG-linked loans. Some loans can be structured with lower interest rates if companies meet the ESG objectives set in the contract terms. With credit ratings in the picture, treasury should expect to join the CFO in discussions about protecting the integrity of ESG reporting and how that may influence credit availability and pricing.

Options for sustainable financing are increasing as the financial sector responds to growing demands. For instance, some major banks now offer green deposits for companies to invest their short-term liquidity in environmentally-friendly initiatives. Beyond traditional lending, sustainable (or green) bonds allow companies to leverage capital markets to raise funds for ESG-linked activities. All of these solutions provide additional avenues for the treasurer to execute financing in a way that aligns with ESG priorities.



ESG is a significant factor for only

10%

when investing excess cash

- **Supply chain financing:** As companies look to advance their own ESG goals, such as carbon reduction, partnerships with those across the supply chain can become critical. Treasurers can leverage supply chain finance (SCF) programs as one way to incentivize improved ESG performance from their supply base. And suppliers with more favorable ESG ratings may see more favorable financing conditions, as the refinancing of SCFs via the financial market can be provided more favorably than non-ESG structures. The challenge for treasury typically lies in obtaining relevant information on the sustainability profiles of suppliers in order to match requirements of the SCF programs. Treasurers should work closely with their supply chain teams to address this challenge and support the broader SCF program.
- **Banking partners:** As treasurers align their financing policies with their company's broader sustainability strategy and commitments, they may consider reevaluating their banking partners based on each bank's own ESG reporting and sustainability strategies. Subsequently, relationships may be adjusted toward banks that align with the company's own ESG priorities.

4 Five priorities for corporate treasury

Responding to demands to optimize cash

The pandemic amplified the need for strategic cash and liquidity management. It's no surprise to see cash management remaining first priority for treasurers, yet it's also a top priority for CFOs, confirming that the broader business (not just treasury) is dialed in on the value of strategic cash management. We expect the focus on cash optimization and working capital to remain. Treasurers can lead the way by expanding their treasury lens beyond cash management to becoming true stewards of cash flow for their companies.

This can result in changes to specific processes related to cash, liquidity and working capital as well as extending automation and/or controls throughout the cash management process. A rebalancing of relationships for banking services is also on the agenda, the findings show.

Implications: Delivering advanced cash management techniques will require collaboration with the broader enterprise

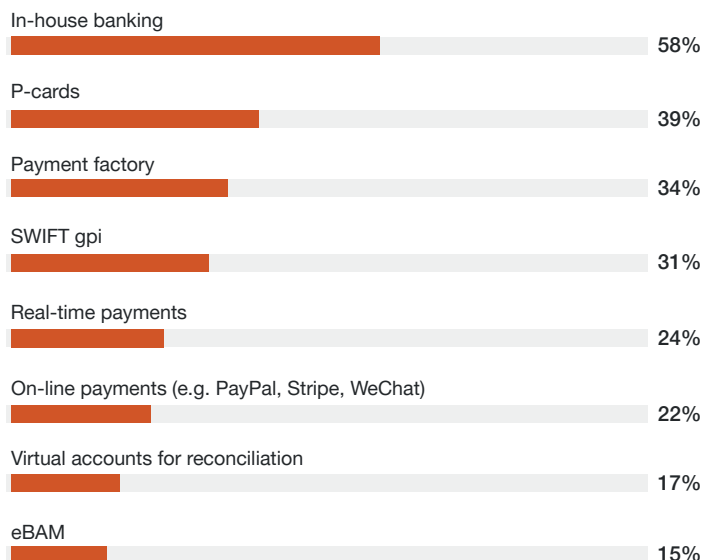
Respondents in larger corporations (annual revenue over \$5 billion) are continuing to utilize more advanced cash and liquidity management solutions such as in-house banks (IHB), payment and collection on behalf of models (POBO/COBO), purchasing cards (P-cards), payment factories, and virtual accounts. In general, these solutions can allow treasury to support centralization, embed process efficiency and thus gain more control over cash and working capital management activities, as well as more efficiencies in performing reconciliations.

Most respondents (65%) say they've considered bank rationalization in the past three years—highlighting the pressure and steep competition on banks to secure market share. They're also increasing the frequency of relationship reviews. In our 2019 survey, 47% said they reviewed their banking relationships on an ad hoc basis. This year, just 32% say the same, while 39% say they review relationships annually, a rise from 30% in 2019.

Bank rationalization and advanced liquidity techniques offer treasurers more options to streamline cash management processes. Such improvements have the potential to not only improve the treasury team's experience, but the customer experience as well through the easier facilitation of payments.

Top cash and banking initiatives in practice

Which of the following initiatives are you already using for banking and cash management operations? Select all that apply.



Source: PwC Global Treasury Survey, August 16, 2021: Base 243



Fewer bank accounts, fewer bankers

65%

Corporate treasuries considered rationalization in past three years

Sharpening the focus on financial risk with the aid of tech

Financial risk management remains a top three priority for treasurers dealing with pandemic-driven disruptions and the resulting pressure on margins. That's underscoring the importance of efficient FX risk management and capitalizing on digital advancements. Moreover, interest rate risk remains high on the radar for treasurers, registering as the second most impactful risk to their business. Considering market expectations for rates to eventually rise, treasurers should monitor carefully now and plan ahead.

Implications: Technology plus advanced data applications are plugging the meetings gap

Treasury leaders still appear to be having difficulty devoting enough time to meet with their business counterparts to assess economic exposure. Only 23% conduct touchpoints with a regular cadence and 37% say they have infrequent or ad hoc meetings.



Time required to developed strategic insights is hard to find

just **23%**

of treasury teams say they meet with business counterparts regularly to understand economic exposures

In the absence of regular meetings, digital capabilities can help bridge the gap. Organizations are leveraging system capabilities rather than bespoke solutions to measure their exposure and execute risk management activities. Eighty percent of respondents are deploying enterprise resource planning (ERP), treasury management systems (TMS) or other third-party solutions for financial risk management.

Additionally, findings show that data analytics and visualization, RPA, AI and APIs are becoming increasingly prevalent in exposure management capabilities. Several of our clients, for example, already leverage AI capabilities to generate projections for cash flow and non-functional currency risk, as well as to highlight anomalies. AI is also being used to calculate the reliability of forecasts ranging from one month to one year by running algorithms to compare past forecasts against actuals.

Approaches to the LIBOR transitions are more varied. Findings show many treasury departments are taking a more passive approach to prepare for one of the more significant interest rate events in recent memory. Of the organizations that identify themselves as value-enhancing, only 14% have active transition plans in place, while 50% are in a monitoring mode.

5 Five priorities for corporate treasury

Strategy-oriented treasury departments more advanced in LIBOR transition preparation

Q: What best describes your treasury organization's mode of operation?

Q: How is your team preparing for the LIBOR transition?

- LIBOR working group in place/transition plan in motion
- Monitoring development in LIBOR / limited actions to date
- No actions to date on LIBOR transition

Our treasury is... strategic



... value-enhancing



... tactical



Source: PwC Global Treasury Survey, August 16, 2021: Base 264

Departments that identify themselves as strategic appear more proactive, with 29% reporting working groups in place. From a regional perspective, the respondents with working groups in place were more likely to be concentrated in Asia and Europe. This reflects the more immediate timetable for the end of LIBOR rates for GBP, EUR, CHF, and JPY at the end of 2021.

Treasurers have several paths to approach a successful transition. They can proactively approach their banks to find solutions for contracts that require remediation, wait for their banks to approach them, or in certain limited circumstances continue to wait for the markets and regulators to provide further guidance and solutions. In all scenarios there are several external and internal issues to consider in their planning. The process for amending contracts should continue to be an important focus point given the timeline involved and the potential effects on hedge accounting and taxes.

Internally, organizations should focus on preparing systems and processes to use new reference rates for accounting and forecasting. Utilizing any new reference rates for intercompany loans currently using LIBOR should be of particular interest to the treasurer and tax group. Ultimately, consistent communication with financial institutions on the mechanics for the transition and regular touchpoints with internal stakeholders will result in much less disruption.

About the survey

PwC's 2021 Global Treasury Survey report reflects the views of 340 treasury department respondents contacted by the PwC global network from February through May 2021. The respondents are based in over 30 countries, across 22 industries and in companies with median annual revenue of \$4 billion. The report also relies on insights from our global team of treasury function experts.

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