



Corporate Treasury Management in Today's Dynamic Business Environment.

Corporate Treasury Management in Today's Dynamic Business Environment: What Lies Ahead.



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Data analytics will become the bedrock for informed decision-making, providing treasurers real-time insights into market trends and risks.



Corporate treasury will also be characterised by a **fusion of financial expertise and technological prowess**, enabling companies to proactively navigate the challenges of an increasingly interconnected financial ecosystem proactively.

Association of Corporate Treasurers of Nigeria **TREASURY360** CONFERENCE & EXHIBITION

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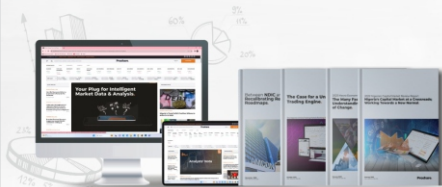
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Being a Goodwill Message delivered by Olufemi AWOYEMI, mni, Chairman of Proshare LLC at the 2023 Treasury360 Conference & Exhibition of the Corporate Treasurers Association (ACTN), held on Wednesday, November 16, 2023, at Muson Center, Lagos State.

Introduction.

I appreciate the opportunity to deliver this goodwill message to a niche gathering of corporate treasurers, the bellwether of financial stability in difficult corporate times.

Your role as liquidity, risk and capital efficiency manager, ab initio, was not merely transactional but intended to be transformational. Today, the strategic importance of the corporate treasury role has multi-dimensional implications for management, marketing, financial creativity, organizational values and larger corporate objectives.

To appreciate this role, we must dare to imagine rather than act from memory, as the shifting global and local financial realities place us under immense pressure to ensure business sustainability. In my view, this pressure is the necessary catalyst to reestablish the natural intention of the role and, accordingly, its rightful primacy in the management matrix.

This morning, I will briefly share my perspectives on the critical drivers of the shift happening, the convergence within the broad planning & management fields, and cast a vision for the future of this vital corporate function, upon which company boards can build a realistic expectation of professional excellence.

Corporate Treasury Management - A Peep at the **Historical Journey**.

Long before the age of predictive analytic tools, PowerBi, AI/ML, advanced securities management, and neobanking, the landscape of treasury has been steadily moving away from the old back-office stalwart into one of a dynamic and strategic financial partner to support business sustainability.

Two decades ago, I had the privilege of serving as the Head Treasury and planning of a multinational. In this role, I was a member of the Executive Finance Team, with the responsibility of developing the company's strategy and effective management of the agreed corporate financial plans. Specific responsibilities cover preparing and coordinating all aspects of company planning and forward estimates for all areas of Business and administration of the treasury function for efficient use of company funds. But the devil was in the details.

As a global firm, multiple reporting lines ensured an apparent dichotomy between financial accounting and treasury (*planning, budgeting, risk, liquidity, capital efficiency and ecosystem treasury operations*).

While it did help that my company had a global credit rating, this role covered everything from negotiations on environmental scanning – PESTELS & VUCA analysis; financial institution leveraging – banks, insurance, pensions; regulatory provisions – taxes, rates, levies, customs duties, waivers, tariff advocacy conceptualisation; and traditional treasury management reporting were parred for course.

Before this, a decade earlier, I worked for a Nigerian company in the oil & gas industry as the

Head of Finance and Corporate Planning, where the role was not as defined but was the converging point for company accounts and treasury operations.

Through these roles, I had a front-row seat in the treasury function, which was further enriched as Head of Strategy for a bank. So, what did I learn from all this?

Emerging Trends in Global **Corporate Treasury Management**.

Yesterday's treasurer is a different species from today's and a far version from tomorrow's. A bat may have wings, but it is not a bird; that is the difference between the old corporate treasurer and the new corporate financial manager.

Before the pandemic-related disruptions to corporate operations, treasurers were increasingly expanding beyond their traditional roles to support companies in navigating strategic shifts and adapting to changes in business models. Post-pandemic, the quick pace of digital transformation further solidified the evolution of corporate treasury. Increased access to data and expanding analytic capabilities aided the treasurer's capabilities and contribution to the company's overall strategic direction.

On the one hand, the **convergence** between the traditional roles of the treasury, digital transformation, and the need for a comprehensive view of environmental scanning under VUCA - *Volatility, Uncertainty, Complexity, and Ambiguity* meant that Corporate Treasury is no longer confined to risk and liquidity management; it evolved with a broader scope, including policy review, budgeting/management accounting, scenario planning, and leveraging emerging technology.

Simultaneously, there is an ongoing shift in the emphasis on professional qualifications. The complexity of modern financial markets requires treasury professionals who are not only qualified in traditional accounting or securities skills but are familiar with emerging financial technologies, fiscal blockchains and financial market

infrastructures. In this regard, there is a growing collaboration between professional treasury bodies and academia to ensure that treasury practitioners have the skills to make them **fit for purpose** in tomorrow's dominant industries. An international consulting firm recently predicted that at least 40% of today's businesses will either fade away or be redesigned and refocused by 2030, and the jobs currently done will have to be reimaged.

These seismic shifts in enterprises and the corporate treasury function result from digital transformation, evolving human characteristics, and the complexity of corporate operations. This has not only enhanced the efficiency of treasury operations but has also necessitated a shift in the skill set, professional qualification emphasis and experience required of treasury professionals.

Nigeria's Macroeconomy and the State of the **Treasury Function**.

Nigeria's macroeconomic condition has shown adverse outcomes reflected in a trilemma – inflation, interest rate, and exchange rate. These economic indicators reveal weaknesses with consequential implications for industry, markets, and consumers.

The gloomy outlook for the Nigerian economy in 2023 and 2024 has led to several downgrades of the country's debt and fund ratings by international agencies, with implications for annual fiscal budgets and the country's development agenda.

Given this situation, sound corporate treasurers are expected to inspire BoDs and EXCOs by identifying the opportunities at the heart of business and economic storms. Corporate treasurers should provide leadership based on value-added services, such as:

- Ⓟ Pioneering financial risk management and developing innovative hedging and financing strategies to protect the company's bottom line and support its growth, particularly in the face of the country's FX instability.
- Ⓟ Driving responses to market(s) activities and

managing the company's capital structure, funding sources, and investor relations, rather than the traditional and sole focus on money market instruments.

- Ⓟ Enhancing treasury governance and controls and ensuring compliance with the relevant laws and regulations in the face of changing financial systems and complex regulatory structures.

Expectations of CEO's and the **Business**.

A Refinitiv survey of 250 executives across the globe suggests that CEOs and businesses now expect a balance of hard and soft corporate treasury skills, including good communication, adaptation to changes, and critical thinking skills. Moreover, corporate treasurers are now expected to be strategic advisors to the Board and the management.

The expectation for corporate treasury to be a **strategic partner** stems from the realisation that there is a broader scope of responsibilities and regulations (*both local and international, such as the Basel III, IFRS, and codes of the Financial Reporting Council*) that has heightened the influence and roles of corporate treasury in enforcing compliance and safeguarding the going concern of the business.

Treasurers must align financial strategies with broader business objectives, ensuring that treasury decisions contribute to long-term value creation. Beyond traditional risk management, treasurers are also expected to provide insights that drive innovation and enhance the company's competitive position.

Effective Communication has become essential for corporate treasurers in a changing business landscape. According to the earlier referenced **Refinitiv** Survey, *good communication skills ranked #1 in the research of the most desirable soft skills for corporate treasury candidates*. Boards and CEOs seek treasury professionals who can distil complex financial information into clear, actionable insights.

Strategic Stakeholder Engagement is another dimension of the evolving expectations for corporate treasury. Treasurers are now tasked with cultivating relationships with financial institutions and a broader range of stakeholders, including investors, regulators, analysts and the wider community. Engaging with these stakeholders strategically is seen as a means to enhance the company's reputation, manage regulatory compliance effectively, and contribute to the overall sustainability agenda.

Professional Practice and Personal Development **Gaps and Opportunities.**

There is a global talent crisis across corporate functions, and corporate treasury cannot dodge it, particularly in the face of digital transformation and the complexity of financial operations.

A **2019** study by Hackett Group has suggested that the corporate treasury talent profile is significantly changing, and this transition will require unprecedented levels of reskilling and upskilling to have a fit-for-purpose treasury.

Upskilling will involve **reimagining the professional qualifications and practices** to embrace change and emerging technologies because:

- Ⓟ Automation and artificial intelligence will redefine routine tasks, allowing treasurers to redirect their focus toward analytical insights and strategic planning.
- Ⓟ Blockchain technology, in particular, holds immense potential for transforming payment processes and enhancing transparency in financial transactions.
- Ⓟ Data analytics will become the bedrock for informed decision-making, providing treasurers with real-time insights into market trends and risks.
- Ⓟ Corporate treasury will also be characterised by a fusion of financial expertise and technological prowess, enabling companies to navigate the challenges of an increasingly interconnected financial ecosystem proactively.

So, where do you go from here?

In an October 04, 2018 report, Bloomberg analysts noted that:

*“While there is no magic ball to tell the future, all signs point to a corporate treasurer of the future with even more responsibilities and costs. One example is when we will soon see banks charging for all asset class research due to unbundling rules being implemented as part of MiFID II. The effect on corporate treasury will be that **they either pay for research – increasing costs – or conduct the research themselves.** Conducting proper internal research is only a realistic option at the largest corporates with in-house economist departments – but where does this leave the vast majority of other corporate treasury departments?”*

The Corporate Treasury Function of **Tomorrow, Today.**

The corporate treasury function's evolution is underway – moving from a primary focus on corporate finances to more strategic advisory and stakeholders engagement. Leading to a convergence of the CFOs' and CTMs' functions in mid-sized companies.

The realities of the Nigerian business environment, usually with convoluted governance structures, will force **smart** corporate treasurers to assume the mantle of strategic advisors, aligning financial decisions with the company's broader goals. As Bloomberg puts it, *“Outside factors, including the constantly changing FX markets and general market volatility, only add to the pressures the corporate treasurer feels. As the treasury's top priorities are liquidity, efficiency and controllership, this group truly understands how standardization and centralization of the treasury group can lead to automation, which ultimately saves treasurers -and the company – time and money. As treasurers are asked for more in-depth analytics and monitoring of cash and risk management, technology is helping this group adapt to all of these regulatory and external pressures.”.* They need more strategic partnerships to navigate an intricate nexus of geoeconomic fragmentation, geopolitical uncertainties, and technological disruptions in an evolving regulatory landscape.

Therefore, tomorrow's corporate treasury function is here today, and it will **dominate sustainable finance initiatives**. *As environmental, social, and governance (ESG) considerations gain prominence, treasurers must integrate ESG factors into their financial strategies, aligning Nigerian corporations with global trends for long-term resilience and value creation.*

The strategic stakeholder engagement of treasurers will thus extend beyond focusing on financial institutions' traditional boundaries to investors, regulators, analysts and the wider community. The analyst role would represent an outsourced research opportunity that plugs into the bespoke objectives of the treasurer.

Therefore, tomorrow's corporate treasury function will be a catalyst for promoting financial sustainability and ethical business practices, thus contributing to a resilient and progressive corporate ecosystem. It represents the pathway for finance professionals to become C-suite boardroom leaders.

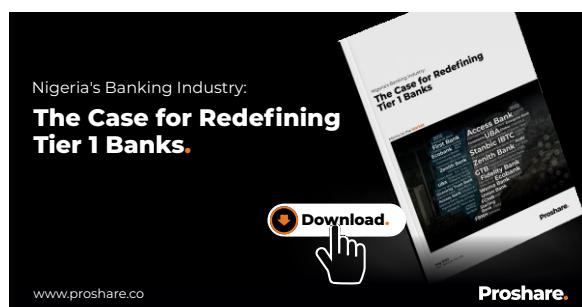
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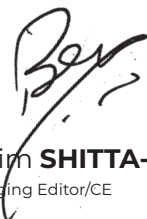
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