ENOUGH HANDS TO GO AROUND?

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Treasuries that cut their staff too much may be at a disadvantage

In 2000, during the heady days of the Internet bubble and the rush to e-everything, I was preparing a presentation for the Treasury Management Conference of the South's annual meeting in Atlanta. The topic was—appropriately enough for a contrarian like me—"Back to Basics: Old-Time Values in an E-Commerce World." One of my slides referred to an article from e-commerce magazine Revolution on human beings as the next killer app. No doubt, this was an incredibly quaint vision at a time when the Web could solve any and all ills.

Fast forward to 2005. Our dreams of e-splendor have been downscaled—along with almost every treasury department and budget for new systems and training at the nation's largest companies. The question must now be: Has that pendulum of running lean and mean swung too far as well?

In this first decade of the 21st century, major consolidations in the banking industry have resulted in changes in the way data is transmitted to the treasury workstation. New developments, such as Check 21 and the regulatory demands of Sarbanes-Oxley, have put increasing pressure on treasuries to upgrade systems and develop innovative approaches to conduct day-to-day business. Creative strategies, such as "order to cash," in which treasury is responsible for accounts receivable from invoice to cash settlement, require a well-trained staff skilled in problem solving and flexible enough to meet customer needs.

The corporation that resists the siren song of further headcount reduction and makes the commitment to train staff will have the tools that make the difference between developing a world-class organization and becoming an also-ran treasury function that is no better than a back office production shop. Staff development needs to be treated as a capital investment with an internal rate of return quantified with the adoption of new processes and treasury's strategic contributions. Just as the military has learned that winning the peace after the war has ended requires "boots on the ground" and sufficient supplies, so too a treasury without adequate resources will not win its own peace. Just ask any treasury staffer who has been forced to implement a system with only 800-number advice for support.

Indeed, as one practitioner recently remarked, SOX itself is at odds with attempts to shrink treasury. It is true that with workstations and best-of-breed and bank-supplied software, fewer personnel can do more, but when it comes to internal controls, how does a company achieve separation of duties when the same few people must oversee more types of transactions? A recent study by consulting firm Analytic Results confirms this headcount trap: While the average treasury has shrunk by 31% over the last seven years, the time spent by managers on transactions (rather than more value-added analysis or decision support functions) has risen 17%.

To that end, the Association for Financial Professionals (AFP) needs to become more vocal in attempts to convince companies of the benefits of training and the need for sufficient staff. AFP must persuade the investment community as well, since it is investors who punish companies that don't continually chop heads.

A part of the solution may lie in the demographics that have so kindly left companies with veteran staff whose depth of knowledge can be leveraged, cutting some training expense. Ultimately, no matter how many systems are implemented, experienced people must be there to run them and help treasury impart its knowledge to business units. While the Web has produced a revolution, no amount of evolution can replace the human killer app.

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