

Treasury Action Plan

Step 1 - Define Objectives

What does the company hope to achieve by developing or modifying a treasury management system? Is it to speed collections, reduce funding costs, or integrate a new acquisition? Objectives exist within the context of business strategy for the region which includes plans for investment, market growth, and acquisitions. The company's strategic preference for centralization, decentralization, or regionalization is best considered at this stage.

Step 2 - Get the Facts

Are there particular areas of inefficiency or cost in the treasury which are to be addressed by the treasury management system? How are treasury operations currently conducted? Develop a questionnaire to collect and organize financial data from company affiliates. Ensure that this questionnaire poses specific questions which will be understood by, and are comparable, from affiliate to affiliate. Be sure to include information on special situations such as the location of factories in enterprise zones which may be some distance from banking centers.

Step 3 - Manage Inclusively

Distribute the questionnaires developed in step 2 to the team along with a clear explanatory note outlining the project, its duration, and its expected benefit. Set reasonable target dates and standards for completion. Solicit advice on what can and cannot be done in a particular location or region. Keep in mind that local people will always know more about local practices than the center. The center adds value by providing perspective and functional expertise.

Step 4 - Analysis and Development

Review the data collected in step 3 and analyze the implications of the data in terms of liquidity management improvements, administrative efficiencies, control, transaction costs, tax efficiency, float optimization, foreign exchange costs, and the overall funding mix. To the extent possible, conduct back of envelope analyses to see where the biggest benefits relative to cost are likely to be found.

Step 5 - Build the Business Case

This is a refinement of the analysis in step 4 and involves a more rigorous benefit/cost analysis. For example, if tax efficiency emerges as a possible benefit, a tax oriented team should be assembled to validate the benefits and estimate the costs.

Step 6 - Management Validation

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The initial analysis and business case will probably indicate a clear strategic direction. Make sure that this direction is consistent with current management thinking and objectives before continuing with the project.

Step 7 - Develop Prototype

Take the results of the analysis to date and management validation and creatively develop a prototype system including descriptions or roles, responsibilities, and possible account structures. Include as many team members as possible both for the expertise provided and for the political buy-in necessary in any large scale project.

Step 8 - Test Prototype

Evaluate the prototype(s) created in step 7 relative to regulatory requirements, tax regimes, time to implement, organizational consistency, and ability to monitor performance. This may be a good time to test drive the prototype by visiting organizations which employ a structure similar to those under evaluation.

Step 9 - Select Structure

Adjust to realities and adopt a structure which best fits the organization and its needs. Keep in mind that organizational fit is as important to success as quantitative benefits.

Step 10 - Refine Structure

Build out the structure selected in step 9 to confirm the validity of the objectives from step 1 and obtain the internal approvals necessary for a large scale project to proceed.

Step 11 – Implementation

Create a detailed action plan outlining responsibilities of internal and external team members, critical dates, and other performance benchmarks.