

# Survey Reveals Treasury's Driving Forces

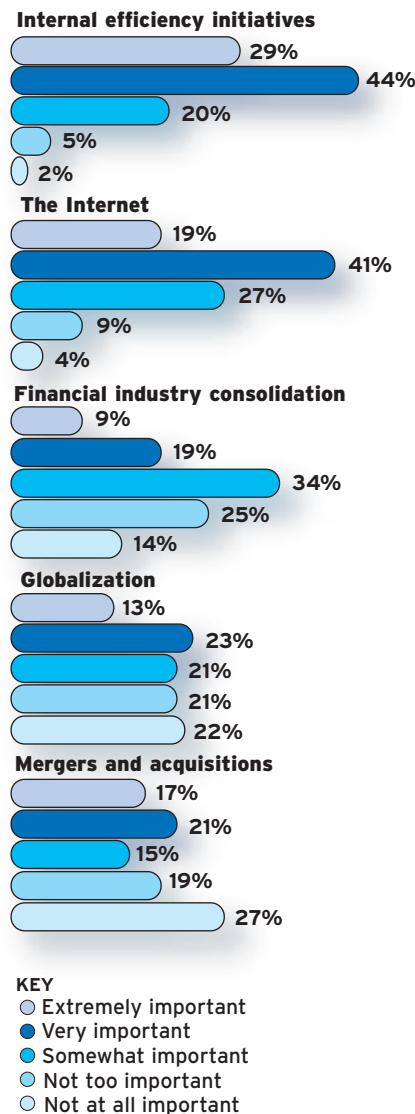
TREASURERS HAVE MADE GREAT STRIDES in streamlining their operations in recent years, and they're not ready to lose that focus just yet, according to a new survey of corporate treasury and finance executives conducted by *Business Finance* and JPMorganChase's executive research group. When asked to rate the impact of five trends on their treasury organization in the past 12 months, 93 percent of respondents — the largest proportion — described internal efficiency initiatives as somewhat important, very important or extremely important.

Companies' financial services providers are key partners in those initiatives, notes Julie Monaco, senior vice president and core cash management business executive with JPMorganChase Treasury Services in New York City. "Banks have achieved a high level of efficiency once things hit our doors, and now [we] are helping corporations with straight-through processing," she says.

"Clients are clearly interested in internal efficiency initiatives," says Randy Schnable, senior vice president, product support, with KeyBank Global Treasury Management in Cleveland. One reason is the continued pressure on staffing levels within treasury departments, Schnable notes.

The Internet took the second-place slot in the survey, voted important by 87 percent of respondents, followed by financial industry consolidation (62 percent). Globalization ranked fourth overall (57 percent), but the impact of this trend on treasury departments is clearly growing. Thirteen percent of respondents reported that globalization had an extremely important impact on their operation last year, up from 9 percent in a comparable survey by *Business Finance* and JPMorgan Chase in 2005.

## How important an impact has each of these five trends had on your treasury area?

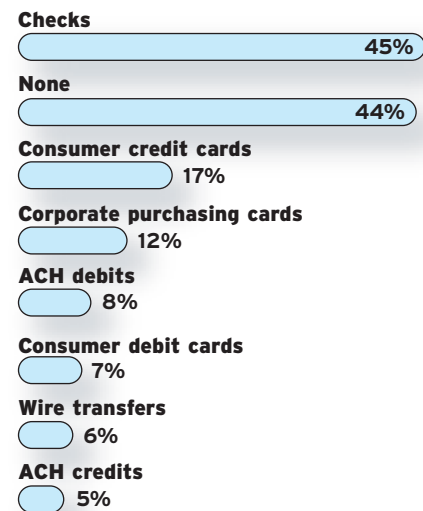


"We're seeing the need for international capabilities for midmarket companies in a bigger way than in the past," says Monaco. "Companies have more international trading partners and are

## When, if at all, do you plan to start leveraging Check 21?



## From which payment methods, if any, did your organization experience fraud in 2005?



doing more international business." Brady Corp., a Milwaukee-based manufacturer of safety and identification products, is a good example of that trend. "We are seeing nice growth in

Asia and especially China,” says Barbara Bolens, vice president and treasurer and director of investor relations with the \$800 million company.

The survey also revealed an increase in Check 21 activity. Just about two years after the legislation went into effect, 23 percent of respondents said their organization has implemented check-imaging capabilities. That compares with 16 percent in last year’s survey. Driving

banking industry will settle on a consistent format of data exchange among themselves,” he notes.

Fraud remains a pressing concern for treasurers; 46 percent of survey participants said their organization had experienced fraud in 2005. Payment fraud, in particular, is a serious challenge, and checks are the most frequently cited source (45 percent).

Most treasurers report that their organization is using a variety of internal tools to fight fraud. Fifty-five percent perform daily reconciliation of checking accounts, and 62 percent incorporate security features into their checks. “We use all kinds of fraud-fighting tools,” says Bolens.

To reduce the risk of check fraud, JPMorganChase now requires its corporate clients to use positive pay. If a client refuses, its officials must sign an indemnification agree-

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**>> Julie Monaco**

**SVP & Core Cash Management Business Executive, JPMorganChase Treasury Services**

treasurers’ interest in Check 21 is the prospect of receiving funds more quickly, a factor that was identified by 58 percent of respondents.

Aerodynamics Inc., a Waterford, Mich.-based provider of aviation support, has realized that benefit. The company hasn’t begun imaging checks itself, but its bank has, according to controller Brien Mack. “If I take something to the bank today, it’s guaranteed to be there tomorrow, versus three to four days before,” he reports. But for many companies, obstacles remain. Goody’s Family Clothing, a chain of apparel stores based in Knoxville, Tenn., uses remote image capture on a limited basis, says Rick Gatian, senior vice president and treasurer. One challenge for Check 21 initiatives “is knowing when the

ment releasing JPMorganChase from liability if a check turns out to be fraudulent. “It had gotten to the point where economics drove it, because of the amount of check fraud,” Monaco says.

Companies’ use of lockbox arrangements remained flat from 2005 to 2006. Fifty-five percent of respondents in this year’s survey indicated that their organization uses third-party lockboxes, down slightly from 57 percent last year. The incidence of outsourcing remained steady, too. Sixty-two percent of respondents report that their company outsources some business activities, compared with 60 percent last year. Payroll and benefits is the most commonly outsourced treasury function (45 percent), followed by investment management (29 percent).

**What type of collection operation does your organization have?**

**Third-party lockbox**

55%

**Internal lockbox**

37%

**Branch/in-store retail lockbox**

26%

**Which of the following processes do you currently outsource or plan to outsource in the next 12 months?**

**Payroll/Benefits**

45%

47%

7%

**Investment Management**

29%

67%

4%

**Payables**

7%

87%

6%

**Receivables**

7%

88%

5%

**Treasury Services**

7%

88%

5%

**KEY**

- Outsource
- Don't outsource
- Plan to outsource