McKinsey: Global treasuries still adopt "penny wise, pound foolish" approach

Recently, I had come across a 2011 article published by McKinsey and Company titled "Five steps to a more effective global treasury". It found that nearly half of the companies surveyed with less than $10 billion in revenue still used spreadsheets as their primary treasury system.

This 2011 survey result is worth revisiting as sadly, little has changed and the findings are still relevant. For example, it highlights the dangers of a "penny wise, pound foolish" approach in using spreadsheets vs investing in a treasury management system. While the rapid pace of software development over the past 20 years has brought to market a range of sophisticated tools that facilitate the treasury function, many CFOs today are still not convinced that advanced systems are worth the cost.

The perception has been that the earliest tools, spreadsheet programs, have dramatically improved, so there is no need to invest in integrated treasury management systems and enterprise resource planning (ERP) modules, which can cost over $1 million or more.

The McKinsey conclusion is consistent with CS Lucas' advice to those who would listen: "As companies assign new responsibilities to the corporate treasury function, treasurers must improve it with a global focus and streamline its performance. That may require an upfront investment, but the payback is worth it."

We would add one caveat to that: given the advancements in technology and design, a sophisticated treasury system that serves corporate needs, need not cost millions for an upfront investment. Instead, they are affordable, customisable and user-friendly.