Smart Treasury

6 Steps to Building a Cutting-Edge Treasury, Today

As corporates implement innovative digitisation plans, what impact will these changes have on the role of the treasurer? In a recent podcast, Sunday Domingo, Head of Digital Product Management, Digital Channels & Data Analytics, Standard Chartered, and her colleague Byron Gardiner, Executive Director, Structured Solutions and Advisory, and a former regional treasurer, explained how smart treasury practices can position treasurers for success in the post-pandemic world.

With many corporates already on the path to digitising their processes, the smart treasury goal is within reach. But when treasury operations are digitised and automated, what impact will this have on the role of the treasurer?

1. Enabling flexibility for the remote treasurer

The Covid-19 pandemic and subsequent lockdowns thrust treasury flexibility into the spotlight, particularly in areas where manual processes still existed. The rise of cost-effective software-as-a-service models (SaaS) and best-of-breed solutions accessible through cloud models is proving game-changing. Gardiner believes this breakthrough is enabling treasuries of all sizes to "take massive leaps forward in their ability to automate and therefore become very agile, whether they are in an office space or accessing their toolkit of functions remotely."

By **Eleanor Hill**, Editor

Corporates have also reached out to their banking partners for support during this transition to remote working. Domingo notes that there are two key areas where banks can help: "The first is timely access to information. Achieving transparency on your cash position across your multiple entities and different markets to effectively manage liquidity across the group is critical, particularly as markets become increasingly volatile. The other key area is dealing with exceptional events to manage risk. Treasurers not only requires timely information, they also need to be able to respond quickly and take action. Digital access to banking services for treasurers is vital therefore – and this goes beyond visibility tools into smart solutions such as data analytics."

2. Leveraging the connectivity impact on working capital

The tools Domingo mentions are not just proprietary anymore, but enable connections to multiple banks. Treasury technology providers such as SAP are providing multi-bank connectivity solutions for their corporate clients, while banks and fintechs now provide application programming interfaces (APIs) that give companies the ability to connect different types of enterprise resource planning (ERP) environments to their banks. Domingo elaborates: "This offers corporates access to smart solutions that provide transparency and greater efficiency in managing their financial accounting processes, payments, and receivables – through automation."

Leveraging data feeds and API connectivity, both from internal and external systems and in real time, is going to enable treasury to improve its ability to forecast the working capital needs of the business, as well as providing valuable additional insights around the management of working capital, in a more dynamic fashion. Gardiner comments: "Looking ahead to treasury in 2030, you could see a working capital optimisation tool that not only determines the optimal working capital mix but also suggests trade execution and fund movements, and possibly even supply chain finance transactions. If you combine RPA [robotic process automation] and AI [artificial intelligence] with this, it may be possible to automate decisions and take actions within predefined thresholds. Currently there is some cultural resistance to taking this leap, but it is possible."

3. Building data-driven treasury best practices

The trend towards treasury digitisation also provides banks with an opportunity to give their corporate clients access to an array of transactional and account information. Domingo notes: "Our corporates are looking to leverage data-driven insights to benchmark best practices. They can compare metrics such as STP [straight-through processing] rates and payment processing times across their different entities. They can use this data to further drive strategy towards centralisation, standardisation and harmonisation. Data analytics give treasurers the ability to understand their operating health, manage their funds with actionable insights, and get clear visibility into their cash positions."

A data-driven approach is particularly effective in tackling cash flow forecasting. Historically, the effort to address this has been in building from the granular up, trying to get the consolidated view from going deep into the ERP, searching the tables and extracting the data. Automation offers treasurers a simpler path to accurate forecasting. Says Gardiner: "If you can structure the data in a way that allows it to be 'interrogated,' and extract insights from it, you can build a model with some machine learning and AI involved. This enables accurate forecasting on the back of historical data - with a high degree of automation and very little manual effort, thanks to data analytics."

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4. Simplifying supply chain management

Another area primed for treasurers to leverage data insights is supply chain management – especially supplier payments and invoices. Domingo notes: "Local suppliers, particularly in emerging markets, may not hold a US dollar account, and will have to convert these payments from the corporate clients into their local currency. They'll pass on this FX cost to the corporate buyer by building it into the price of goods and services. Here, corporates can offer their suppliers the opportunity to invoice in local currency, and negotiate better payment terms as the FX risk or cost is eliminated."

In this space, procure-to-pay platforms such as SAP Ariba - with which Standard Chartered has partnered - are enabling companies to collaborate with their suppliers to digitise the document and data exchange. Gardiner elaborates: "This enables greater efficiency and transparency, and ultimately provides treasurers with insights on potential points of friction, to assess demand and supply constraints and undertake capacity planning."

5. Enhancing risk management through more efficient payments and collections

Beyond supply chain benefits, payment network analytics can help treasurers better understand their counterparty and country risks as well as currency exposures, and apply value and volume analysis to support that. Domingo comments: "Corporates can look for opportunities to become more efficient as a result. For example, can I consolidate certain payments? Or can I use different payment instruments that will enable me to reduce fees, float or turnaround time? In the age of real-time payments, the efficiency that you can provide as a benefit to payment operations is key."

On the collections side, data analytics can be used to identify the frequency of collections by channel and type. This can help corporates profile their customers via their payment behaviour. Domingo adds: "Treasurers can understand if improvements can be made in areas such as the credit process, for example could creditors be reviewed? Data analytics can also help in customer dispute management. For example, are there many invoice discrepancies coming from a customer? By looking at payment behaviours, corporates can understand which customers they can offer an early payment discount to."

6. Becoming a smarter strategic adviser to the business

The combination of structural and operational transformations that treasury is undertaking, together with the current digital revolution, is leading to the evolution of the treasurer's role beyond just a risk manager and custodian of the balance sheet. Treasury is increasingly seen as a smart, tech-savvy strategic adviser to the business.

Gardiner comments: "Two key elements will define smart treasury success. Firstly, the ability to drive efficiency through automation, with a view to creating excess capacity to support a wider treasury remit. Secondly, acquiring the relevant knowledge and skills to become that value-adding business partner and financial technology adviser. If you can tick those two boxes, it's probably time to break out the champagne."

FURTHER SMART TREASURY INSIGHTS

This article is based on a recent podcast hosted by TMI. For more examples, insights and tips, listen to the full discussion here. **treasury-management.com/podcast/smart-treasury-the-future-is-now/**

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