Real-time treasury

Automation key to achieving financial resilience

in association with

THE GLOBAL TREASURER
From the GTNews team

Contents

Foreword

With great disruption comes great opportunity. Generally, people have acknowledged that the pandemic led to a global digital transformation of business. Where initially, companies worldwide grappled with maintaining and protecting their businesses, they have now discovered and harnessed new ways of working to not only recover but to accelerate growth.

Part of the transformation was driven by the massive shift towards homeworking for lengthy periods, making it necessary for companies to quickly invest in technologies that would react instantly to their new needs and keep the entire workforce connected and communicating.

Corporate treasury departments felt the impact. Suddenly they faced the prospect of managing organisation-wide cash, liquidity, and other risks from home.

For many of them, the pandemic emphasised the shortcomings of traditional, manual ways of collating information on cash from across their organisations.

Treasurers quickly realised they needed more immediate insights into their liquidity and overall financial positions, which meant visibility across all bank accounts, payables, receivables, and instruments globally.

In this context, it is worth assessing how treasurers can move forward now by deploying greater automation and new technologies to meet growing demands for accurate and timely information on both corporate cash and cash flows.

Cash is king

For many companies, cash has always been king.

Today, understanding how much cash is held in bank accounts globally and how to access it easily can be as much an issue for the wider organisation as it is for the treasury function.

> "While the financial impact of the pandemic was the catalytic moment for companies, who suddenly found themselves caught out, the transformation towards a real-time and unified treasury was inevitable."
>
> "The number one priority became a question of 'what is our liquidity?' How much cash do we have, how much cash will we get in, and where should invested monies go? Other areas of available liquidity also had to be identified in case existing sources dried up."
>
> **Tracy Kantrowitz**, Vice President, Marketing at Bottomline Technologies

Since the outbreak last year, board members and shareholders have become increasingly engaged in cash flow and liquidity discussions, expecting treasurers to produce the information they need accurately and quickly – often many times a day.

Cash is king

In the past, when things were going well, treasury operations were often taken for granted. But in the event of a crisis, such as the 2008 financial crisis or the recent pandemic, the first question companies ask is related to accessing cash – especially if that company had a significant level of debt on its balance sheet, according to Shaun Kennedy, group treasurer of Associated British Ports (ABP).

> "Our treasury is now reporting to the board on a weekly basis – instead of a quarterly basis."
>
> **Shaun Kennedy**, Group Treasurer of Associated British Ports (ABP)

Similarly, Yang Xu, global treasurer at Kraft Heinz, correlates the recent situation to that experienced in the financial crisis.

> "We saw the return of a huge focus on liquidity because this is the lifeline of a company," she says. "From a strategic perspective, our treasury had to look at where we can cash liquidity, where we need the liquidity and also what we could do if we experienced a liquidity event ourselves."
>
> **Yang Xu**, Group Treasurer at Kraft Heinz

The focus on available cash was matched by board-level calls for improved information and projections on collections and payments, and more detailed insight into customers.

> "On a day-to-day basis, we also needed to know how our own customers would be impacted. Some, like restaurants, were going to be hit harder than others, so we had to consider how we would support them."
>
> **Yang Xu**, Group Treasurer at Kraft Heinz

> "How well our customers are doing is viewed as especially important, and visibility into them is now wanted at board level. Cash flow forecasting is much more important today as it gives a perspective on possible future strains on liquidity."
>
> **Shaun Kennedy**, Group Treasurer of Associated British Ports (ABP)

At Bottomline, Kantrowitz explains that companies have had to consider the impact on their forecast to devise appropriate strategies to help customers and ensure their own receivables.

> "They have had to consider ways to ensure they still manage to get monies due in – even if they are late. With new terms in place, Treasurers were able to factor the new terms into their cash flow forecasts and deliver more predictability to the business."
>
> **Tracy Kantrowitz**, Vice President, Marketing at Bottomline Technologies

Demand for digital

Despite the considerable importance of cash and liquidity to all companies, many corporate treasuries still rely on traditional, manual processes and tools, such as spreadsheets, for collating data from systems and people across their organisations and the banks they hold accounts with. This inefficiency significantly slows down cash reporting and forecasting processes while also being more susceptible to errors.

According to Bottomline's Business Payments Barometer (2021), 56 percent of enterprise organisations claim their cash flow forecasts are rarely accurate.

Many of them use more than one method to manage cash flows, and 25 per cent are still using manual tools such as Microsoft Excel to analyse increasingly complex data points.

> "One of the biggest challenges treasurers' face is that visibility is becoming more difficult to achieve as data volumes and sources keep expanding."

says Kantrowitz, pointing out that treasurers are now collating a variety of data on AP, AR, sales, cash holdings and more from numerous sources across their organisations.

56%

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25%

of enterprise organisations are still using manual tools such as Microsoft Excel to analyse increasingly complex data points.

"This brings time pressures and creates questions over the value of that data because old data is inaccurate data. Real-time visibility is key."

Tracy Kantrowitz, Vice President, Marketing at Bottomline Technologies

"You would be surprised by the number of large MNCs still using spreadsheets for cash flow forecasting. It is, unfortunately, a real case you will find in many companies. The multi-bank situation complexifies the exercise of cash flow forecasting. Treasurers need to update cash flow forecasts daily with last bank statements; reconcile to offset planned flows – in or out – and consolidate accounts in several currencies into the functional one. It is a question of efficiency. The reliability of cash forecasts and speed to deliver them make the CFO's decision process more accurate and efficient."

Francois Masquelier, Chair of ATEL and CEO of Simply Treasury (former Treasurer of RTL Group)

A recent European survey of **350** corporates by the European Association of Corporate Treasurers revealed that improving cash flow forecasting remains a priority for companies over the next **12** to **24** months.

"It is interesting to notice that a 'classic' issue remains year-on-year a top priority, although technologies have achieved significant improvements."

Francois Masquelier, Chair of ATEL and CEO of Simply Treasury (former Treasurer of RTL Group)

Shifting to an Intelligent Mindset

Functional: Consumed with the day-to-day operation of the treasury department	**Strategic:** Able to focus on higher-level task like forecasting, M&A and geo expansion
Manual: Workflows that are filled with tedious, heavily manual treasury processes	**Automated:** Workflows that are filled with AI-based automation for lower-level process
Disconnected: Treasury isolated from other related financial functions	**Connected:** Treasury connected from other related financial functions like AR, AP, procurement
Relative: Handcuffed to daily operations; can't look beyond today's crisis	**Predictive:** Treasury able to look beyond today with AI-driven insights
Operational focus: 'Bean counting,' focused on efficiency of department	**Value focus:** Treasurer actively finding ways to add value to business

Source IDC: 2019

Advantages of automation

For many corporate treasuries, greater automation and increased investment in new tools and technologies can provide answers.

> “What treasuries need is to be able to access and analyse the collated data quickly, and a TMS [Treasury Management System] is a great unifier,”

says Kantrowitz, pointing out that treasury departments are a central point of connection for the entire organisation.

> “We spoke with one client recently who told us that pre-Covid, they required inputs from one or two other departments when building their forecast, whereas now our client must incorporate financial data from as many as 18 different sources to create an accurate forecast. This multi-sourcing of critical data underscores treasury at the heart of the financial organisation and overall business. It also highlights the importance of a modern TMS that acts as the conduit for centralised financial data and visibility.”

The Global Treasurer spoke with many treasurers who said they could leverage their investments in TMS technology to deal with issues presented during the pandemic.

In 2017, ABP implemented a TMS, which fully interfaces with all its bank accounts, providing access to regular bank statements.

Advantages of automation

> “We now have no problems in doing cash reporting every day,”

says Kennedy, pointing out that the TMS provides seamless visibility into where cash is held.

> “What we used to do before implementing a TMS was an arduous process, and it took a lot of time to do our cash reporting, which has to be done as correctly as possible. We have now been able to streamline our processes and get rid of spreadsheets.”

He adds that the TMS has also helped his organisation reduce errors in reporting.

> “Ensuring the accuracy of information is vital – if the information collated for cash reporting is not accurate, there will be gaps and deficiencies,”

he says, noting that reliance on spreadsheets is prone to human error when making judgements and inputting data.

> “The process of collating information for cash reporting needs to be systemised so that all data is brought together in as efficient a manner as possible. Our own cashflow forecasting could still be improved.”

he continues, but notes that it is not always easy to ascertain where the information required for cash forecasting is actually held.

Kraft Heinz also relied heavily on manual spreadsheets before it implemented a TMS two years ago.

> “We wanted to give our people the gift of time – if we could automate as much as possible, we would provide them with more time to work on other projects,”
>
> **Yang Xu**, Group Treasurer at Kraft Heinz

The TMS has provided Kraft Heinz’s treasury with real-time visibility into 90 per cent of the cash balances it holds worldwide. This visibility enables them to respond quickly to shock events like the recent pandemic by providing an immediate view of where cash is, where it is needed and cash coming in. Only information on cash in bank accounts in less developed countries is still not available in real-time.

Xu adds that the company now benefits from more detailed cash flow forecasts for 13 weeks into the future.

> “This has provided us with much greater insight, enabling us to make much better decisions on both our cash and debt, and more effectively enforce our risk management philosophy.”
>
> **Yang Xu**, Group Treasurer at Kraft Heinz

Advantages of automation

The French vegetable producer, Bonduelle, implemented its TMS in 2012 when the Single Euro Payments Area was introduced and has since recognised the benefits of its investment.

> "The need for real-time cash management has been there for some time and is well-known. We now have no real problems getting insight into our bank accounts as every bank account used by our subsidiaries – even the smallest ones – are connected to our TMS.
>
> "We do not yet have real-time cash management but do have end of day balances," he continues. "Improved daily visibility into our cash enables Bonduelle as a group to optimise its financial capacity for day-to-day life; align that capacity with its exact needs; and optimise business activity. At the same time, it enables us as a treasury department to become more efficient and improve financial costs."
>
> **Olivier Touchard**, Group Finance and Treasury Director at Bonduelle

Bonduelle operates a zero-balancing policy for cash held at different banks by its overseas subsidiary operations. Having a TMS provides an entire view into all these bank balances to know precisely what is held and where.

> "At the end of each day, cash held at subsidiary level is swept to group treasury in France. We then take a centralised approach to payments, making all payments on behalf of our subsidiaries,"
>
> **Olivier Touchard**, Group Finance and Treasury Director at Bonduelle

Aalberts Surface Treatment, a company specialising in surface technology services, reports a similar situation.

> "It can be difficult to organise and manage multiple bank accounts, especially when also handling overseas subsidiaries. It's extremely important to be aware of one's financial situation in all aspects at all times."
>
> **Danna Price**, Corporate AR/AP Specialist at Aalberts Surface Treatment

Danna Price, corporate AR/AP specialist at Aalberts Surface Treatment, points out the introduction of greater automation with a TMS has helped provide a clearer picture of company cash flows.

Managing security risks

The pandemic has increased security concerns, with fraud emerging as a significant risk for many companies.

However, organisations can reduce the financial risk and costs associated with such security issues through investment in automation.

According to a recent Bottomline research report, TMS users claimed average fraud losses of **£179,500**, while those that do not use automated solutions report average losses of **£213,800**.

Managing security risks

> “Security is paramount today, particularly concerning payments, which have become prone to attack,”

says Kantrowitz, noting that having high levels of human intervention in payments creates the possibility of errors and leads to greater security risks.

> “If you don’t have a controlled way of authorising payments, a person from within your organisation may make a payment to a different and unknown beneficiary. With remote access and more homeworking, the chances of this happening have increased.”

She adds that organisations can address many security issues through better use of new technologies to protect in real-time. Behavioural biometrics, for example, represents an important step towards improving the authentication process for company executives, which is particularly important when they are working from home. Additional security features, such as Bottomline’s real-time watchlist screening delivered through an API, offer the highest levels of protection.

Security risks are well understood at Bonduelle.

> “In terms of challenges, security is the main one for us. There has been an increase in fraud attempts since the pandemic started, and these are becoming more sophisticated too.”

In fact, Bonduelle even witnessed an attack in the name of a bank.

> “This means that companies need to keep a tighter grip on their treasury operations.”
>
> **Olivier Touchard**, Group Finance and Treasury Director at Bonduelle

Touchard adds that ongoing security requirements emanating from SWIFT have enabled Bonduelle to reinforce the security of its own TMS, which connects to the SWIFT network, as well as the banks it works with and SWIFT service bureaus.

The company is also looking into how it can use Artificial Intelligence (AI) to reduce security risks.

Deep technologies

Deep technologies, such as AI, machine learning and predictive analytics are gaining increased recognition among treasurers.

Machine learning, and the possibilities it offers by enabling machines to perform tasks previously handled manually, represents an important stepping stone towards improved cash reporting accuracy and reduced human error. It can also help treasurers free up valuable staff resources to concentrate on other tasks.

Predictive analytics, meanwhile, allows for fuller exploitation of historical data held on existing corporate systems to analyse past trends in areas such as customer behaviour. This analysis can build potential future scenarios and feed into cash flow forecasts to give a more refined picture of future liquidity.

> “AI, robotics, and predictive analytics already play a big role in new ways to produce cash flow forecasts. It seems, according to users, that predictive analytics based on past patterns, and including new factors, works well. Although AI and robotics, or machine learning will certainly bring cash flow forecasting into the third and next dimension, I do believe treasurers priorities remain in producing more qualitative pieces of information and in speeding up the production process.”

Francois Masquelier, Chair of ATEL and CEO of Simply Treasury (former Treasurer of RTL Group)

Meanwhile, ABP’s treasury team is interested in using deep technologies such as AI, and predictive analytics, to improve its cash flow forecasts.

> “Predictive analytics can play a role in understanding customer behaviour. It could be used to help us understand which customers are experiencing problems, for example, and then we can talk to them before they become late payers. Where certain tasks involve people, AI could also be used to free up their time to do other things. “We are not using AI in treasury yet, but there has been some application of AI in our finance team to improve processes.”

Shaun Kennedy, Group Treasurer of Associated British Ports (ABP)

Similarly, Kraft Heinz, which is already using AI in certain businesses units, including finance, is exploring its application in its treasury function.

"Predictive analytics is definitely on our roadmap, and we are interested in applying it to collections. It could help us better understand our receivables and manage them more effectively by getting an insight into who may end up paying late."

Yang Xu, Group Treasurer at Kraft Heinz

Bonduelle is equally impressed by the benefits of adopting predictive analytics.

Touchard explains that, over the past year, his treasury team has made efforts to improve visibility into payments and collections by implementing a new tool that collects invoice data from Bonduelle ERP systems.

"This project has enhanced our ability to gather information on collections," he says. "It has enabled us to take a much better short-term view on collections. Use of predictive analytics for more accurate cash flow forecasting is likely to become another chapter for us, and we are looking at this. It would be very interesting to compile data on consumer behaviour in relation to our products in different countries."

Olivier Touchard, Group Finance and Treasury Director at Bonduelle

He explains that the company is a seasonal business, working globally, with both its payables and receivables impacted by factors such as the weather in different countries. Therefore, analysis of historical data on the impact of seasonal and temperature changes on customers and suppliers could provide better forecasts for payables and receivables.

Meanwhile, at Aalberts Surface Treatment, Price points out that predictive analytics can generate major accounts receivable improvements.

"There is less chance of human error, and having predictive analytics helps eliminate time and effort for employees. Cash flow forecasting should be a top priority to treasurers, especially during times of crisis."

Danna Price, Corporate AR/AP Specialist at Aalberts Surface Treatment

Conclusion

According to Bottomline

27%

of organisations are already using deep technologies to take better advantage of the wealth of data already held in their corporate systems.

As more and more organisations introduce greater automation into their processes and look to deploy advanced, deep technologies, treasurers themselves recognise that they stand to benefit too.

The pandemic and the lockdown periods have made the case in point much more urgent, as treasurers now need improved visibility into cash holdings – in near-time if not real-time – as well as into their payables and receivables.

At the same time, the movement towards increased homeworking has led to security concerns, which organisations can offset by deploying advanced biometric solutions.

> "A lot of treasurers are already using much more automation in their departments, particularly with the deployment of TMS solutions. This represents a huge step towards improving treasury's connectivity with the wider organisation for a broader and more accurate view of the business's financial health."
>
> **Tracy Kantrowitz**, Vice President, Marketing at Bottomline Technologies

She explains that the next step is to create intelligent treasuries, which are exploiting AI, machine learning, robotics and predictive analytics, to improve their efficiency, security and timeliness, and the accuracy of cash reports and forecasts.

According to Bottomline, 27 per cent of organisations are already using deep technologies to take better advantage of the wealth of data already held in their corporate systems.

"We expect to see treasurers particularly excited about the use of predictive analytics to improve their understanding of receivables – not only when they can expect to get monies in, but also the propensity of their customers to pay at any one point in time," says Kantrowitz, pointing out that cash flow forecasting will be a huge beneficiary.

"Treasurers will also be able to conduct scenario analyses by putting together different scenarios for their cash and provide a better overall picture of future liquidity."

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