



EXECUTIVE BRIEFING

Without Real Time Cash Visibility,
The Treasurer is Missing Strategic
Opportunities

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Gaining visibility over cash is a perennial challenge for corporate treasury departments – one that few treasurers have yet to fully master. In an operating environment where every cent counts, and business decisions are increasingly made in real-time, corporates must gain a firmer grip on their cash flows in order to continue delivering value and strategic insight to the wider business. While technology might be part of the answer, quality of the data is of equal importance.

There are numerous clichés about cash being the lifeblood of a business. Despite the platitudes, cash visibility is arguably more important today than ever before. A confluence of macroeconomic, geopolitical and technological trends has created a requirement for corporate treasury to know where every cent of the company's cash is at any given point in time.

Negative interest rates, for example, are causing treasurers to think much more carefully about where their cash is parked, and for how long. The wrong decision could end up costing the company money – not just in terms of a lack of returns, but tangible financial losses too. Meanwhile, geopolitical challenges such as Brexit and the ongoing global trade tensions are leading companies to rethink their international cash management, potentially changing cash pooling set-ups and keeping a very close eye on in-country cash balances as political and credit risk increases.

Elsewhere, the fourth industrial revolution is motivating organizations to re-evaluate their business models for the digital age. Many boards are therefore looking to the treasurer to provide funding for digital transformation projects. Developing technologies such as APIs, cloud and artificial intelligence also mean that management now expects on-demand, real-time information over cash positions.

The digital age has also brought with it increased competition, since the barriers to entry for many industries have been lowered. An online presence is more easily achieved for businesses / entities without legacy systems. In this increasingly competitive environment, the C-suite continues to expect treasury to add value to the organization through strategic cash management decisions and business insights.

Taking all of this into account, real-time cash visibility is becoming a must for the modern treasurer. Yet the 2019 PwC Global Treasury Benchmarking Survey of treasurers found that 26% of global cash is not visible to corporate treasury on a daily basis¹.

CONSEQUENCES OF POOR CASH VISIBILITY

Before we look into the causes of this lack of cash visibility, it is important to understand what the negative strategic impacts might be of not having proper cash management processes in place. Perhaps the most obvious and most important consequence is the inability to forecast accurately.

Without real-time, complete visibility over cash, it is very difficult to produce an accurate forecast. Indeed, the 2019 J.P. Morgan Global Liquidity Investment PeerView survey discovered that only 44% of firms are able to accurately forecast their cash flows out quarterly or longer².

In turn, poor or out-dated forecasts can lead to suboptimal business decisions, since inaccurate or old data is being fed to the C-suite. These decisions might include anything from foreign exchange hedging to investments or even acquisitions of other companies. As such, poor cash visibility can lead directly to increased financial and strategic risk.

¹ <https://www.pwc.com/gx/en/audit-services/corporate-treasury-solutions/assets/2019-pwc-global-benchmarking-survey.pdf>

Funding costs may also increase without good cash visibility, since working capital use is likely to be inefficient and external funding sources may be overused. No company wants to pay for lines of credit that are not required. Likewise, no treasurer wants to leave cash sitting in a deposit account that delivers zero or negative returns when it could be utilized to pay down debt or invested in a separately managed account, for example.

But without a clear picture of cash flows, companies often keep a cash buffer that is larger than they truly require. Incomplete cash visibility can also lead to poor counterparty risk management, since the size of relationships with banks, customers and suppliers cannot be accurately assessed.

Together, these factors contribute to operational inefficiencies which ultimately translate into an inability to help the business grow. This is precisely the opposite of what the treasurer should be aiming to achieve.

OBSCURING THE PICTURE

While each company will have its own cash visibility challenges, there are several common causes of obscurity. These include:



Decentralization

Multi national corporations tend to have a complex cash management ecosystem, split across different geographies, banking partners and payment methods, exacerbated by growth through acquisition. Together with inconsistent message formats, communication channels and payment instruments, this creates a fragmented data landscape which – without centralized control – impedes cash visibility.



Lack of systems' integration

Many multi nationals also have a fragmented systems' architecture – with instances of different ERPs running into the tens or sometimes hundreds! Add to this TMSs, HR databases and any other proprietary systems, as well as bank portals, and the 'systems' spaghetti' makes it tough to quickly compile a complete and up-to-date overview of the company's cash position.



Poor quality data

When subsidiaries are responsible for transmitting data to the central treasury, often the data is not uploaded in real-time. This leads to decisions being made based on outdated data. What's more, manual process data has the risk of being prone to mistakes and in theory, the moment the data is manually collected and sent to the central treasury, it is already outdated in the fast-paced business environment.

² <https://am.jpmorgan.com/us/en/asset-management/gim/liq/liquidity-insights/investment-peerview-survey>

TURNING THE TABLES

While these challenges might seem to be crying out for an all-singing, all-dancing technology solution to solve them, there are fundamentals which must be addressed before any new technology is bought in.

And by getting their own house in order first, companies might find that they do not need, for example, next generation cash forecasting tools. Or, if they do, they will discover how to maximise the investment in any such tools.

The starting point on this 'back to basics' journey has to be reviewing data quality and timeliness. Digital treasury functions are data-driven. This underpins everything that treasury does – and poor-quality information is not an option.

Cloud-based platforms with superb capability to connect to both back-end systems and front-end banks are therefore of increasing interest to treasurers, because such platforms make it possible for real-time data aggregation and accessibility.

For example, the automation and standardization of bank statement delivery can provide data which delivers a real-time overview of the cash position, whilst significantly reducing costs and facilitating working capital management.

eBAM is another potentially useful tool in gaining cash visibility as it can provide a complete digital overview of bank accounts, and their administration, 24/7. Moreover, eBAM can help to address any concerns around counterparty risk (as outlined above), since robust data on all bank positions is available in real-time.

Improving the quality and timeliness of data is no mean feat, and each organisation will require its own approach, a solid data strategy, the support of IT and, in most cases, help from outside vendors and/or consultants. Nevertheless, the benefits can be extremely powerful.

For example, once data is clean, standardized, and delivered in a timely manner, business intelligence and data visualisation tools can be deployed to deliver strategic insights via a single, flexible, cloud-based platform – available to any permissioned users.

This helps to provide complete cash visibility not just to the treasurer and CFO, but also the C-suite, at the click of a button, anytime, anywhere.

“Through global visibility over all account movements, we can better control corporate liquidity. With TIS we have achieved a new level of control and compliance for our corporation.”

Katja Zimmermann, Head of Corporate Treasury, Heidelberger Druckmaschinen AG

LESSONS LEARNED

Alongside resistance to change, one of the biggest misconceptions management, the CFO, or treasurer may be under when looking to improve cash visibility is thinking that technology can solve all problems.

The right technology, deployed in the correct manner, and used in an optimal way, absolutely has a role to play in improving cash visibility and cash flow forecasting.

But simply buying an automated forecasting app/system without improving the underlying data will not defacto lead to more accurate cash flow forecasts.

Another common misconception is that real-time data can exist in pockets. Treasury operations are not truly real-time unless they are real-time end-to-end. As such, introducing elements of real-time data will not provide the full benefits of complete cash visibility. Centralisation of real-time data, across workflows, is key.

One company that has learned these lessons is Heidelberger Druckmaschinen AG. The company needed to replace a legacy system it was using and in the process was looking to improve its bank connectivity and make its overall cash and liquidity more efficient.

Heidelberger chose TIS to help achieve these goals. As Katja Zimmermann, Head of Corporate Treasury, Heidelberger Druckmaschinen AG, explains, "Central treasury at Heidelberg now profits from the opportunity to monitor all account movements worldwide in real-time and optimally control corporate liquidity," she explains.

"Today, we have complete transparency over all payment transactions and have created the prerequisite to monitor all local bank account authorisations." She adds that: "Through global visibility over all account movements, we can better control corporate liquidity. With TIS we have achieved a new level of control and compliance for our corporation."

MAKING A DIFFERENCE

In conclusion, to remain a strategic advisor to the business and add value at a time when external headwinds are strong, finance and treasury functions must address their cash visibility inefficiencies sooner rather than later. This starts with clean, transparent, real-time data.

With good quality, timely, data in place, corporates can then look to improve cash flow forecasts and deploy business intelligence to provide direct access to insights on profitability and potential business risks. In turn, this should allow the C-suite to drive better business decisions, thereby cementing treasury's role as a strategic business partner, value creator, and digital innovator.

At TIS, we offer a secure, cloud-based platform which acts as a single point of contact for the entire finance function, allowing all payment transactions to be combined in a uniform way across the company. The platform also offers real-time cash visibility, ensuring payment procedures and cash flow are controllable at all times. To find out more visit www.tis.biz and request a demo.

ABOUT TIS

TIS is reimagining the world of enterprise payments through a cloud-based platform uniquely designed to help global organizations optimize outbound payments. Corporations, banks and business vendors leverage TIS to transform how they connect global accounts, collaborate on payment processes, execute outbound payments, analyze cash flow and compliance data, and improve critical outbound payment functions. The TIS corporate payments technology platform helps businesses improve operational efficiency, lower risk, manage liquidity, gain strategic advantage – and ultimately achieve enterprise payment optimization. Visit tis.biz to reimagine your approach to payment

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