Bottomline Technologies

5 Keys to Strategic Cash Management

As the criticality of cash management continues to rise due to both internal and external pressures, the treasury function must evolve to keep pace.

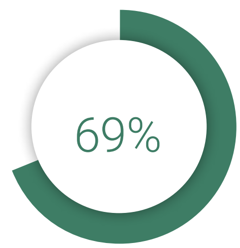
It's no longer enough for treasury to manage bank relationships and focus on high-level investment and cash management. Treasury must transform itself into a strategically oriented department that manages tactical activities that affect the corporate bottom line and has access to actionable intelligence in order to minimize risk while maximizing opportunity.

There's a clear opportunity cost to the traditional treasury model that emphasizes high-level bank and process management vs. creating an agile model designed to provide 360-degree visibility to liquidity. Treasury must step forward to embrace additional responsibilities for virtually all activities related to liquidity.

This requires a continued focus on transactional activities while proactively supporting strategic priorities and decisions. Unfortunately, this needed emphasis is being undermined by inadequate treasury systems. Forty percent of corporate treasury executives cited inadequate treasury systems infrastructure as a key strategic challenge for treasury organizations.[1]

In today's highly regulated and globalized treasury environment, cash management should play a strategic role in a company's financial health, and requires the alignment of all necessary resources.

To get there, an organization needs to follow a roadmap, laid out in these five keys to creating an efficient and effective strategic cash management function:



In a recent survey, 69% of treasurers stated that "cash management and liquidity are now more important" than ever.[2]

1. Deloitte, *2015 Corporate Treasury Survey*, January 2015.
2. Association for Financial Professionals, *2014 AFP Strategic Role of Treasury: Report of Survey Results*.

1. Construct Standardized Procedures and Processes

All too often, the lure of new technology sucks all the air out of the room. Unfortunately, without process improvement, any upgrades are likely to disappoint in delivering the hoped-for enhancements. That's because technology isn't the underlying problem — the ubiquity of manual process is. Inefficiency traps too many treasury staff members in an endless cycle of data entry, collection and aggregation duties.

To eliminate inefficiency at the root, institutions must target process improvement. Technology won't help if all it does is make ineffective processes faster.

Start by analyzing the overall operational model from the top down. Instead of getting stuck in the weeds figuring out how to fix current procedures and processes, wipe the slate clean by deciding what model provides the most efficiency. Then, with that information in hand, determine what steps to optimize. Define, redefine and modify processes until they serve organizational objectives.

Automating financial transactions was cited by 68 percent of best-in-class organizations as a preferred strategy to align treasury and risk.[3] Eliminating unnecessary steps and manual processes creates an environment where automation and the appropriate technological solution is much more likely to succeed.

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2. Provide an Integrated Solution

There's no doubt that lack of integration increases inefficiency. Geographic expansion and M&A activity creates complex banking relationships that often force treasury staff to consolidate information from different banks that exist on different systems in order to gain an overview of an organization's actual cash position. By the time those daily, monthly, quarterly and year-end consolidation and reconciliation activities are over, there is little time for the actual analytical activities that can enhance an organization's finances or competitive position.

Integrated solutions consolidate data that was previously isolated in disparate systems, freeing up staff from these time-consuming aggregation and reconciliation tasks.

By integrating systems, the treasury function gains much more control over the information it has at its disposal, leading to increased visibility and transparency. Staff previously mired in manual processes can spend their time on higher level forecasting and analytical activities designed to support overall financial objectives.

3. Aberdeen Group, *The Integrated Approach to Treasury and Risk: Achieving Greater Returns Through Automation and Visibility*, June 2014.

3. Choose a Bank-Agnostic Platform

As relationships between banks and institutions evolve, more organizations are wary of tying themselves too closely to their banks through bank-sponsored treasury platforms. Executives are becoming more cognizant of the risks of such relationships, which can create too much dependency on the products, policies and reputations of specific banks.

In addition, proprietary bank platforms may lack innovation and frequently do not lend themselves to the standardization that many organizations seek. Bank-agnostic solutions preserve organizational flexibility and agility in lending and deposit relationships, creating a level playing field for treasury to seek the most suitable financial alliances.

Ultimately, a focus on finding the most appropriate bank-agnostic solution focuses on the organization's needs for insight and analysis vs. the time-consuming data collection and aggregation involved in many bank solutions.

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4. Create Global Cash Visibility

A heightened perception of a myriad of risk factors makes it critical that treasury understands how to best protect the organization from both internal and external risk. The saying "you can't manage what you can't see" may seem trite, but too many organizations *can't* manage because they *can't* see critical data. A high level of visibility to available cash — and the daily transactions that may affect the availability of liquidity — is critical. As we have seen previously, improving cash forecasting is a top priority for strategic treasurers.

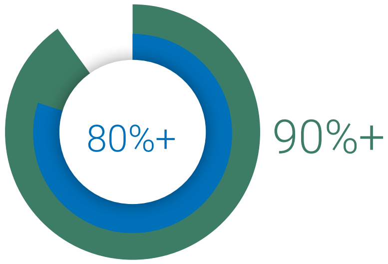
To gain control over the organization's daily global cash position, ensure visibility to all available funds. Cash-flow forecasting and liquidity management will then be based on real-time information related to both global cash positions and known transactions that will affect liquidity.

5. Gain Global Liquidity Flexibility

Liquidity risks abound in a post-financial crisis environment that includes geopolitical instability, high levels of government and corporate debt, anemic global growth rates and protectionism. Not only are risks rising, but they are combining in unexpected ways, creating more challenges. To meet organizational objectives and reduce vulnerabilities, treasury staff and the technology solutions employed must be able to easily adjust internally and externally.

Organizations that possess flexibility with their liquidity can take advantage of opportunities as they appear. When liquidity is accessible, organizations can pivot to make advantageous investments in various assets or in mergers and acquisitions. They can also more readily and quickly cope with risks and changing circumstances.

Deloitte's *2015 Corporate Treasury Survey* reveals that CFOs are seeking more strategic information and management from the treasury department. More than 90 percent of CFOs expect treasury to fully function as a liquidity risk management center, and more than 80 percent see treasury as a steward for risk management and an overall strategic advisor to the business.[4] These functions can't be fulfilled without the flexibility of global liquidity management.



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Conclusion

In the final analysis, the treasury function must produce insight and have access to tools that provide actionable intelligence, so that it can support short- and long-term corporate goals. In fast-moving economies and markets, treasury must understand the impact of events on cash flow, exposures and risk.

4. Deloitte, *2015 Corporate Treasury Survey*, January 2015.

Executives can gain flexibility around cash management with an adaptable, modular solution with the potential to meet future needs. Strategic Treasurer recently shared key insights from its **2016 Cash Forecasting and Visibility Survey**, *which revealed a very strong and continued focus on visibility, forecasting and liquidity management.*

2016 Cash Forecasting and Visibility Survey

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