



Simply Treasury

WHITE PAPER

FOCUS

ENTERPRISE PAYMENT OPTIMIZATION

How to reach the next level in treasury management digitization by optimizing both inbound cash and outbound payments

SPOTLIGHT

VOICES OF THE INDUSTRY

FUTURE-PROOFING THE TREASURY FUNCTION POST-CRISIS

“More than ever, CFOs must modernize finance organizations to handle the coming challenges and become more agile and resilient to crises. The COVID pandemic can be a true catalyst for solid enhancements. Finance should not miss this opportunity, or we will be at risk. We need to build on our experience and anticipate future needs to generate strategic value for a company”.

François Masquelier, Chairman of ATEL

DRIVING TREASURY TO THE NEXT LEVEL OF AUTOMATION

“Treasury can create added value and go beyond protecting a company’s financial well-being by becoming the laboratory for further digitization. We have automated most of our functions, but now need to fine-tune other processes that can benefit from digitalization. In addition, we must go even further and collaborate with other finance departments”.

Marc Pescarolo, FERRERO

OPTIMIZATION OF PAYMENTS

“We have placed a great deal of focus on inbound payments technology, but we have done little to address outbound payments. It is time to revisit outbound payments and to optimize this key treasury process. It is vital to adopt a more collaborative approach regarding both inbound and outbound payments across all our departments”.

Odile Brandstetter, MAJOREL

François Masquelier

Chairman of Luxembourg Treasury Association, ATEL and Vice-Chairman of EACT



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INTRODUCTION



From a business perspective, there are 2 elements to any payment process. The first involves receiving money from customers.

The second involves outbound payments to suppliers, partners, employees and beyond. The payment lifecycle is an ever-revolving door of inbound and outbound transactions. Though the inbound side (collecting money from customers via different means) can be accomplished by a variety of providers, the outbound side is more nuanced — and usually requires the aid of a provider with outbound-specific capabilities. Ideally, each treasury department should have a global platform to enable the full spectrum of capabilities required for true outbound payment optimization.



Enterprise Payment Optimization (EPO) could be a sort of panacea, a “drug” that can legally and effectively improve performance in payment processes.

Very often, the payment process is managed in silos (i.e., geographic, system or functional silos) and fragmented across the group. This fragmented approach is explained by legacy systems, acquisitions, specificities of some regions, group culture or even history and working habits. However, to be more efficient, treasury needs a single platform to channel all payments going out and all cash-flow and balance information coming in. In addition, full integration to all other systems used across the procurement and payment chains is required. Who is better positioned than treasury to solve this problem?

Regardless of the size of your business, reconciliation is one of those processes that takes on a life of its



own. We can identify many challenges associated with doing it right. Eventually it remains difficult and often chaotic given the quality of

data received from many bank counterparties. The finance department needs a clear and complete view of liquidity and cash flows to avoid putting the business at risk. In a “real-time” treasury environment, it is essential to enhance payment processes and manage these through a single platform.

When a treasury is fully digitalized there is less room for improvement. However, there are still areas that can be optimized. A key example remains payment and reconciliation automation. These functions require state-of-the-art technologies that can be interfaced with any ERP, TMS or HR system to tackle business-to-business payments. “While a great deal of focus has been placed on inbound customer payment technology, corporations have done little to address their outbound payment processes. To be fully automated and reach the next level i.e., with a single gateway to banks or a payment factory, treasurers must move towards enterprise payment optimization. They need to refine and streamline both their inbound and outbound payment processes.”

Solving the problem of silos with technology to enhance processes.

To gain the visibility needed to optimize corporate finance strategies, CFOs need to do a better job at breaking down silos. They need to ensure that everyone within their organizations has the right information needed to succeed. These are key characteristics of leading-edge companies, where employees share information and work together to achieve common objectives. Staff must be empowered to take the initiative to achieve desired innovation and growth. Cross-departmental cooperation and collaboration are necessary to breach and destroy silos. Doing this ensures that all managers have the information to accurately assess risks and streamline the finance supply chain, while providing other departments with useful business information.

KEY FIGURES

THE 2020 EACT SURVEY CONFIRMED SEARCH FOR MORE DIGITIZATION

Over
60%
of finance executives claim they do not have complete visibility over transactions being processed within their organizations.

(source The Economist Intelligence Unit)

Roughly
76%
of CFOs cite leveraging new technologies or improving processes as the top ways that organizations can change so that other functions can better help to execute the corporate finance strategy.

(source The Economist Intelligence Unit)

60%
of CFOs see deploying new technology solutions or automating and improving inefficient processes as the most important tactics they plan to use to contain costs over the next 2 years.

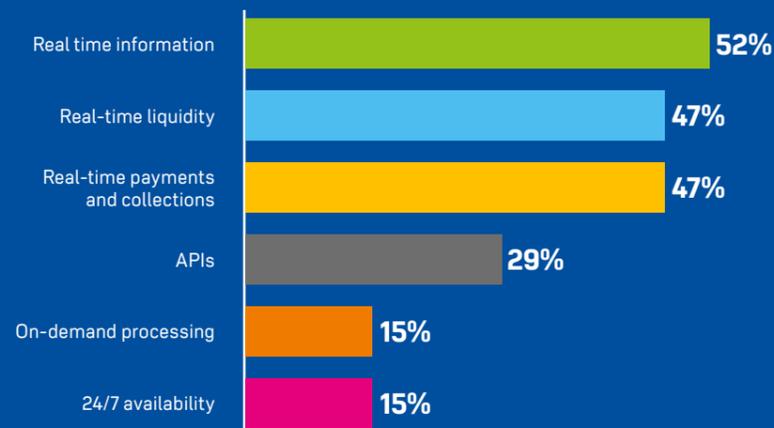
(source The Economist Intelligence Unit)

The 2020 EACT survey confirmed a search for more digitalization:

Over half (52%) of all treasurers are interested in the opportunity to exchange information in real-time, with 47% focused on real-time liquidity and real-time payments and collections.

PRIORITIES IDENTIFIED CONFIRMED QUEST FOR "REAL-TIME" INFORMATION

Topics of interests over the next 12-24 months



HYPERTREASURY

Immortalization of Enterprise Payment Optimization

Treasurers are contemplating ways to create additional value for all stakeholders by further automating and digitalizing processes. The goals remain improving speed and creating greater efficiency. Ideally, we all dream of having the same data available for every business process, shared and traceable along the entire finance supply chain. In a real-time treasury world, the quality of financial data is key to truly leverage it.

The most positive consequence of the COVID crisis is the emergence and universal acceptance of digitalization, the passage into another dimension, a new age. It is as if the world suddenly accelerated, and everything became possible. Modern treasurers in 2021 and beyond want to have greater visibility of their cash flows and more efficient payment processes. They require and therefore seek the ultimate level of treasury evolution, "treasury in real-time!" The holy grail for treasurers is to implement a payment hub that is fully integrated with all IT systems, that initiate payments (regardless of what type of payment) across the entire group. It should benefit headquarters, but also all affiliates and other centralized functions, even out-

side treasury and finance. All CFOs dream of standardizing payment and related processes across all affiliates. They even fantasize about sharing data beyond their own companies in real-time and upon demand. Is this merely wishful thinking or could this be a reality for treasurers?

No one can deny that the pandemic and the resulting digitalization has impacted every corporate treasurer around the world. It has changed the way we work. Today we work partly from home, alone and far from the rest of the team. It has changed the interaction between teammates and coordination between departments. The collaboration, however, should go much further. It cannot stop at a company's finance department but should also be possible between an IT vendor and its customers. There must be platform effects and synergies as well. Members of an ecosystem should be able to share data to protect and prevent fraud using e.g., Payee Community Screening (PCS). Another form of collaboration is with best-of-breed vendors offering products and services via API. We can no longer afford the luxury of remaining inefficient. Silos need to be eliminated and we must revisit our processes and procedures to make sure that they remain efficient while protecting us from undo risks.

Jörg Wiemer (TIS):

Breaking down silos across people, processes, and data

INTERVIEW



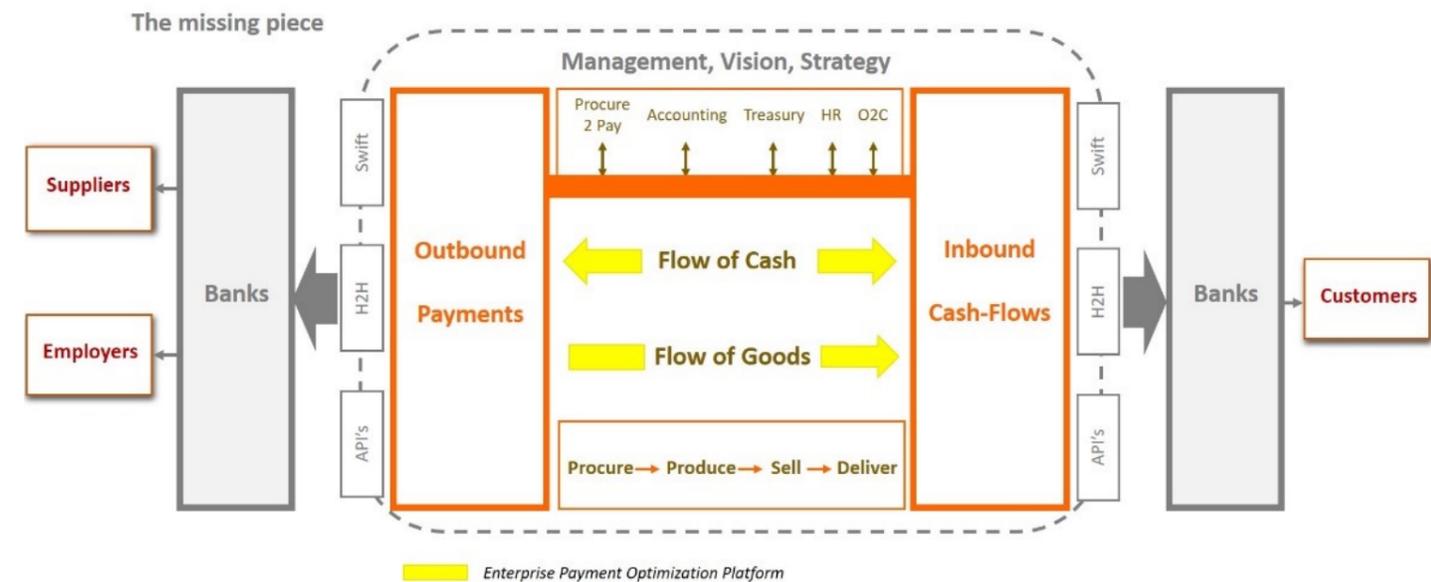
Treasurers of MNCs have focused on inbound payments i.e., inbound cash for the last decade. Where do you think treasurers could effectively enhance their payment processes and how?

Jörg Wiemer (JW): The attention on inbound cash flows has led to less focus on the other side of the equation i.e., outbound payments. As organizations seek to manage cash and liquidity - as well as information - in a real-time environment, they will need to optimize their payment processes. This focus must go beyond the department or local subsidiary level and include the company globally. The only way that an enterprise can efficiently and effectively manage their cash flows and liquidity, is with transparency and full visibility. Having optimized inbound cash is just the beginning. Now it is time for organizations to increase their level of maturity and focus on outbound payments as well.

Do you think that by revamping payment processes and adopting a global payment platform, that a treasurer can more than ever become a "business partner" of the whole company (finance departments, affiliates' finance teams and business operations)?

JW: Absolutely, a standardized and global payments' process increases your strate-

Enterprise Payment Process Optimization



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Successful treasury organizations must anticipate change in economic conditions, in regulation and in the transformation of their operating business.

gic agility and your capacity to grow as an organization. The TIS Enterprise Payment Optimization Platform is the orchestration layer between functions, supporting the exchange of data as well as improving payments and cash flow management. A holistic view across borders as well as business units can positively impact liquidity, profitability, and exposure to risk - including to cybercrime and fraud.

Don't you think that such a global solution could lead to treasury becoming a sort of hero? Treasury can become the efficient and effective partner, delivering valuable services across the entire organization. Is this not a key part of the famous "digital transformation" of the finance function, where treasury has an essential role to play?

JW: Yes, the Treasury Team as value adding change agent and business partner, that makes a lot of sense. Both treasury and other finance units can contribute and collaborate, in fact lead

the way by offering the entire organization some real benefits. Global companies with a high level of complexity need a 360-degree view of their business. They also need the ability to streamline and standardize processes without reducing flexibility for the relevant organizational stakeholders. The TIS Enterprise Payment Optimization Platform breaks down internal silos helps to close payment execution gaps. It also allows the necessary visibility - into people, processes, and the data behind these processes - to support finance, treasury, procurement... and indeed the CFO. This platform also serves as an ecosystem for best-of-breed, third-party vendors to connect via APIs and allows members of the community to create value, share information and collaborate.



TAKE AWAYS

● TIME BECOMES ESSENTIAL

Treasurers must develop a partnership approach to create value along the finance chain. They will need faster processes of inbound cash flow information and outbound payments, through a single platform with multi-tenant accesses.

● A CHANGE IN MINDSET IS NECESSARY

A change in mindset is required. Treasurers need to develop a collaborative approach across departments and affiliates to remove all silos. We are sitting on tons of data that should be shared. This data needs to be exchanged, not only internally, but with third party providers and IT tools that support our business.

● DETERMINE THE (MULTIPLE) OBJECTIVES

There are multiple objectives beginning with enhancing internal controls, increasing efficiency, and reducing costs (when possible). Full real-time visibility of treasury and specifically payments, improving and enhancing processes, in addition to automating reconciliation, will all support and improve the customer experience... both in- and externally.

● LEVERAGE TECHNOLOGIES

Treasurers have always been interested in opportunities that leverage innovative technologies to solve problems and add value to the business in new ways. This trend seems to have accelerated since the start of the health crisis. Optimization of enterprise payments must be a top priority to mitigate risks, accelerate cash conversion and enhance reporting.

● NEED FOR A MORE COLLABORATIVE APPROACH TO PAYMENTS

Connectivity makes sense, and companies must be able to upload e.g., payment information from their ERPs, TMSs, etc. to take advantage of full visibility, transparency, and flexibility. Systems must also be capable of achieving connectivity to virtually any bank. The rewards are significant in terms of liquidity management, data analytics and reconciliation. Understanding and responding to fast-changing, exceptional market situations has certainly become even more crucial since March 2020.

● "TREASURY-IN-REAL-TIME"

The direction for treasury is to move to 'real time'. Treasurers can benefit from a payment hub+ for the whole group including affiliates. The objective is also to allow for faster onboarding and offboarding also regarding connectivity for newly acquired affiliates.

CONCLUSIONS

TREASURERS MAY WELL BECOME THE CFO'S BEST FRIEND

With global uncertainty and changing business parameters, treasurers have an opportunity to take on a more strategic role in helping to guide companies to success. But they need, together with CFOs, to eliminate barriers to gain visibility across departments and geographies. Treasurers need to look ahead as digitalization enables a greater degree of real-time management with more integrated solutions. Data should be available to anyone that needs it rather than being siloed and fragmented. The overall objectives remain the same i.e., to increase efficiency, reduce friction and to mitigate risk e.g., fraud. A single, multi-tenant enterprise payment optimization platform enables a true open cooperation between functions, teams, and the ecosystem.

Technology offers a fantastic opportunity to broaden boundaries and responsibilities while generating value for all departments across the group. The treasurer can become a technical enabler and the most important role within finance, providing lubricants for the heavy and complex payment machinery. The real digital revolution goes far beyond any one department. EPO is certainly a way to revolutionize our treasury role and to enhance a company's financial performance.



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