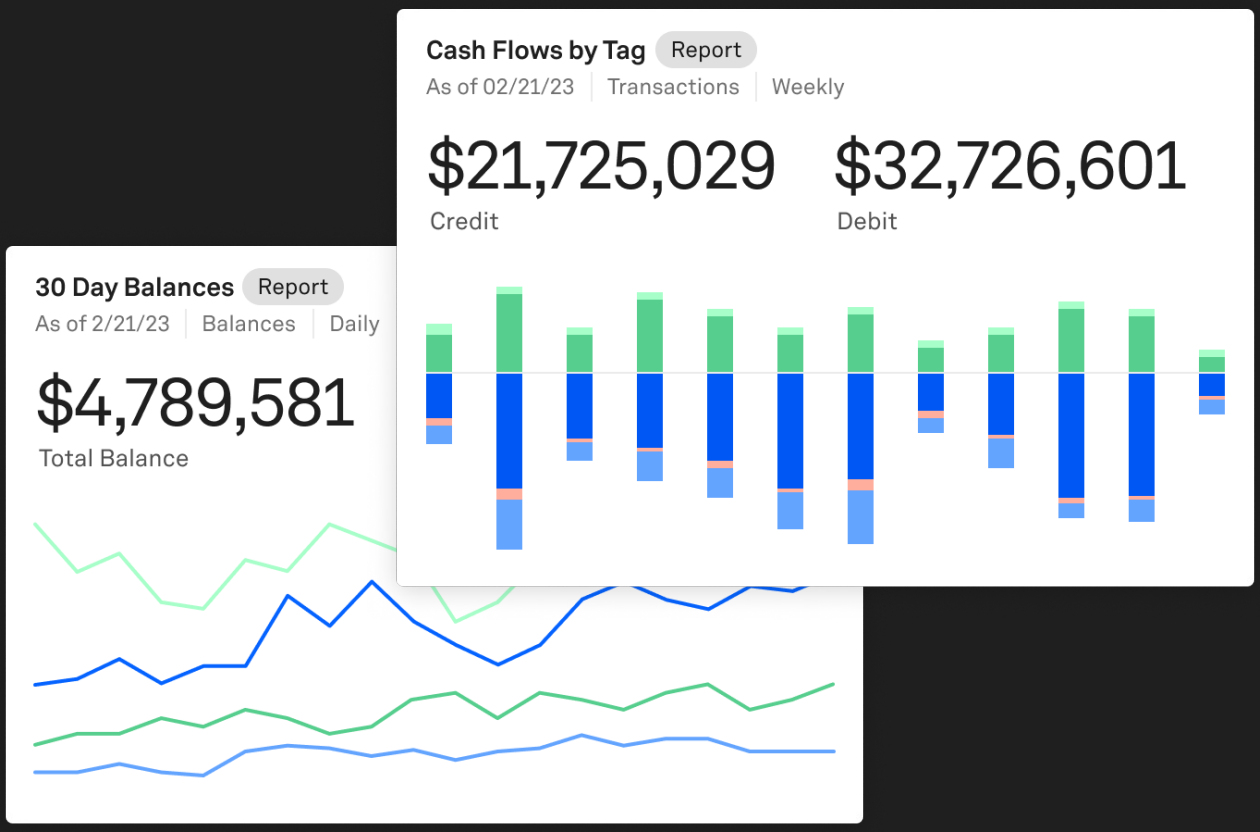
TROVATA

REPORT

Building Tomorrow's TREASURY

The Treasurer's Guide to a Data-Driven Future



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Foreword by Brett Turner

At Trovata, our mission is simple: enable access to financial data for everyone and empower businesses to control their existing financial data.

We're able to do this because we're experts in using APIs to connect multiple data sources, generating valuable cash insights fast without requiring any internal IT resources.

While our solution is straightforward, we know that the treasurer's digital transformation journey can be challenging.

With this guide, we aim to help you benchmark your technology progress against other treasurers' experiences and provide a road map for a successful treasury digitization project.

I hope you find this report useful, and I wish you every success in your own journey towards a digital treasury.

Brett Turner
Founder & CEO

Introduction: Why Digitize?

Today's treasurers are frustrated. Frustrated because the technologies that have transformed our lives as consumers have been too slow to arrive in business. At home, we're used to instant access to 'always on' services, to having our questions answered as soon as we ask them.

In treasury departments, it's been different. Held back by legacy technology, treasurers have found themselves relying on spreadsheets and manual processes to undertake tasks that should be fast, smooth, and transparent – in a word, digital.

If treasurers are to change their world, they will need to digitize, and the foundation for digital transformation is the right combination of technology alongside people and processes.

So what is digital transformation, and what does it mean for corporate treasury?

One definition is that it's the process whereby an organization positively transforms the way it works, both internally and with its external counterparties, using digital technology. But it's also about changing the *organization's culture* to ensure that the right technology is adopted and embedded into the company's values, directly supporting future growth opportunities.

For treasury, this means enabling a structure where the best available technology is used to deliver more efficient work processes, resulting in cost reductions and better control. To get there, we need the right technology – but also new thinking about people and processes.

Fortunately, a new wave of best-of-breed solutions makes the digital treasury easier to achieve than ever before. In January 2021, we surveyed 50 companies to determine where they are on their digital journey. While the results are encouraging, it's clear that there's plenty more to be done in even the best-organized treasury teams.

This guide sets out a pathway to digitization that any treasury can follow.

The State of Play

When the first treasury management systems (TMS) arrived in the 1990s, their use was restricted to the largest corporates.

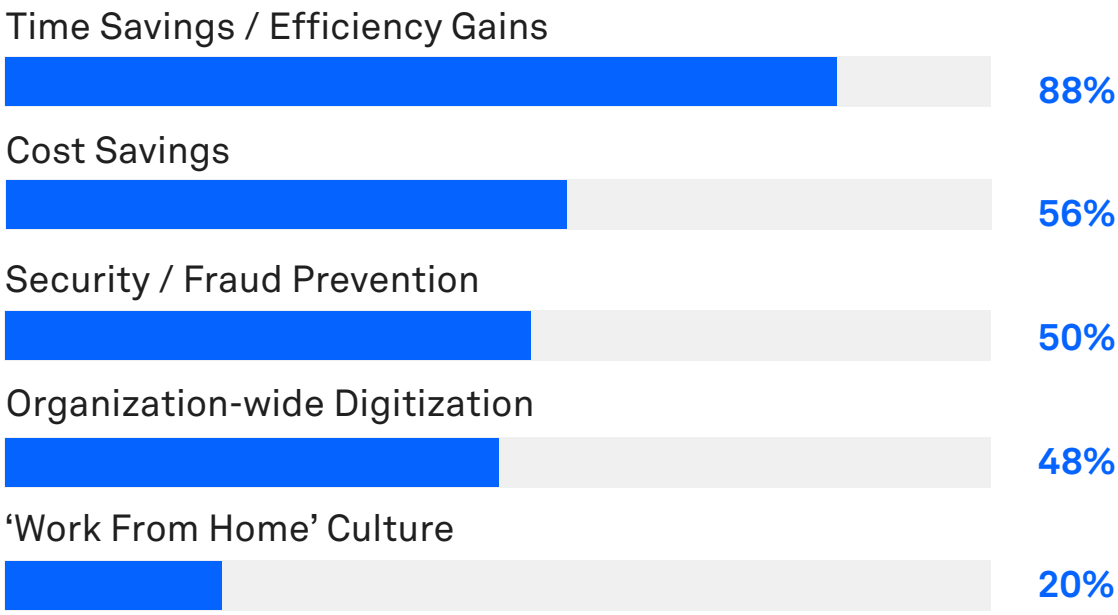
Since then, they have multiplied and, alongside banks' software, are present in many more corporate treasuries. By no means all, however. In 2019, almost a third (32%) of respondents surveyed by Asset Benchmark Research was still primarily relying on Excel spreadsheets to manage their treasury functions.

COVID-19 changed all that. With treasuries forced to work from home, older processes that relied on complex spreadsheets struggled to keep up.

What's more, the 2020 pandemic has accelerated treasury's evolution into an advisory role serving the broader organization. Treasury professionals are being pushed to become more strategic and forward-thinking (Chief Cash Officer, anyone?), yet they can't abandon their routine daily tasks. Digitization offers a lifeline by automating and accelerating those daily tasks.

88%

of treasurers say that time savings and efficiency gains are a primary reason for wanting to digitize. What is the main reason for digitising/automating a treasury function?



Digitize What?

Technology buzzwords are just as prevalent in treasury as in any other area of life. Yet treasurers are consistent about the technologies that most interest them today. When asked what technologies would be relevant to them in the coming few years, fully 80% chose data analytics, with APIs and open banking not far behind at 74%.

Which of the following technologies will be relevant to your treasury function in the five years ahead?

For these treasurers, the ability to combine API-driven access to bank data with robust analytics to understand and use that data is the logical next step.

Areas for Change

Looking more closely at the essential functions of treasury, there are significant differences between them in 'digital priority.' Interestingly, those areas which are already higher up the digitization' league table' are also those where further investment is expected over the coming year.

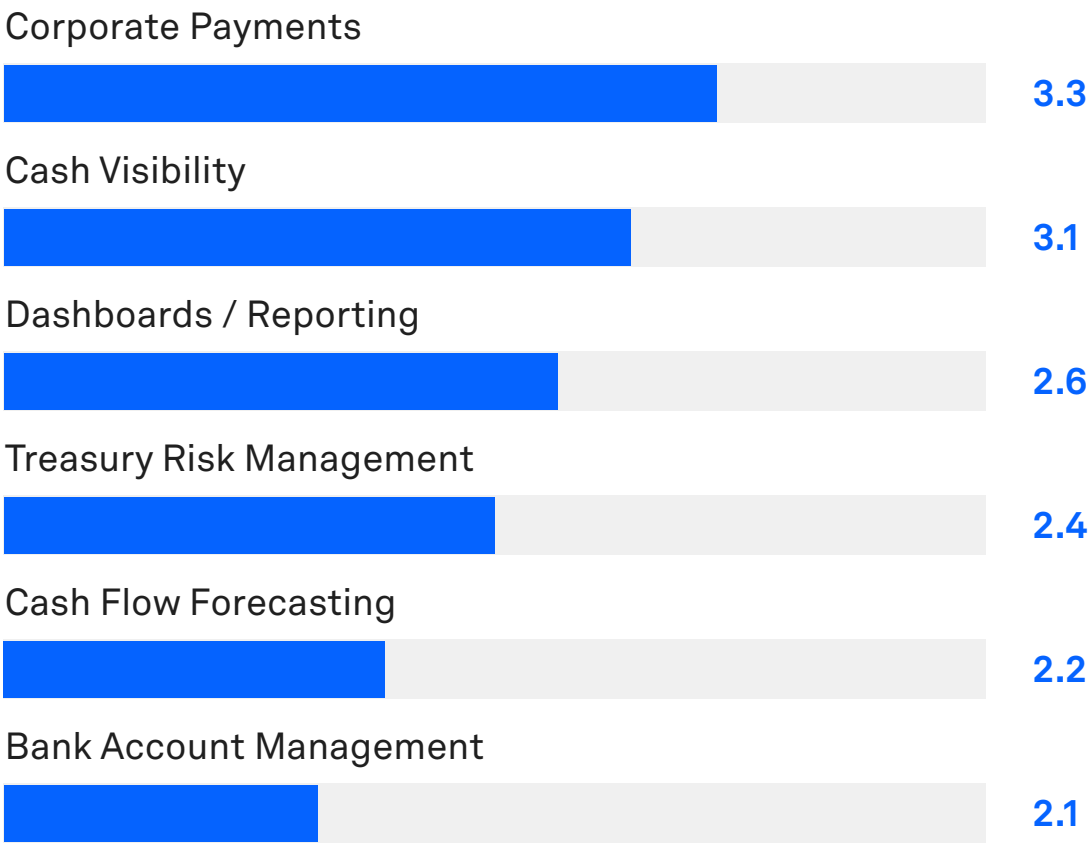
Cash visibility, dashboards/reporting, and corporate payments are the top three in each case (see charts).

The priority placed on dashboards and reporting reflects one of the 'high-quality problems' that increasing digitization brings with it; with so much additional data available to treasury, finding a way to analyze and use that data is becoming more critical than ever.

The other priorities remain as they have always been: knowing how much cash is available, and sending that cash where it needs to be.

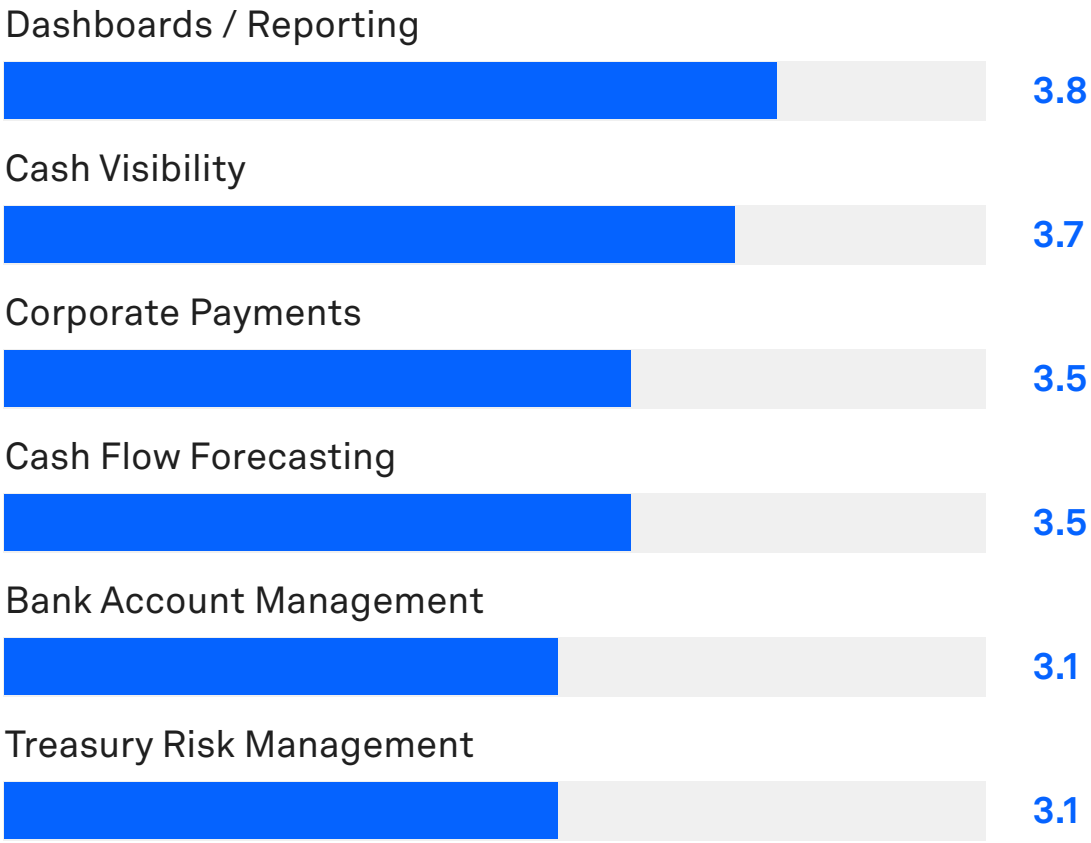
Most digital today*

*Average score, measured on a scale of one to five where 1 is 'mostly manual' and 5 is 'fully digital.'



Digital Priorities for the year ahead**

**Average score, measured on a scale of one to five where 1 is 'not at all likely to become more digitized', and 5 is 'very likely.'



Ten Steps to a Digital Future

1. Set Clear Objectives

It's always tempting to rush in and look for a treasury solution that might fit your company's needs. But before hitting 'search,' think carefully about what you want your treasury digitization project to achieve. What processes are broken right now? What do you want to be able to do in the future that you can't do today?

2. Build a Business Case

'It will make my life easier' might be a compelling reason to invest in a treasury technology solution for you, but unfortunately, your board needs a better reason when it comes to freeing up the corporate purse strings. As with most business decisions, this one comes down to return on investment. Will the money you're proposing to spend deliver a return for stakeholders in terms of more accurate forecasts, time saved, or even reduced headcount?

3. Gain Internal Sponsorship

With a business case worked out, it's time to make sure you have the high-level support you're going to need. It may be that, as treasurer, you're perfectly capable of signing off the expenditure but, if your project hits a bump in the road, it'll certainly help to have a c-level voice in the background, opening doors and pushing things forward.

4. Secure the Budget

Unsurprisingly, 'lack of budget' is cited by 38% of treasurers as a primary reason for not pressing ahead with a digitization project. Yet costs are falling as the older vendors and pricing models are challenged by startups with software as a Service (SaaS) plans and flexible pricing. You may not need as much as you feared.

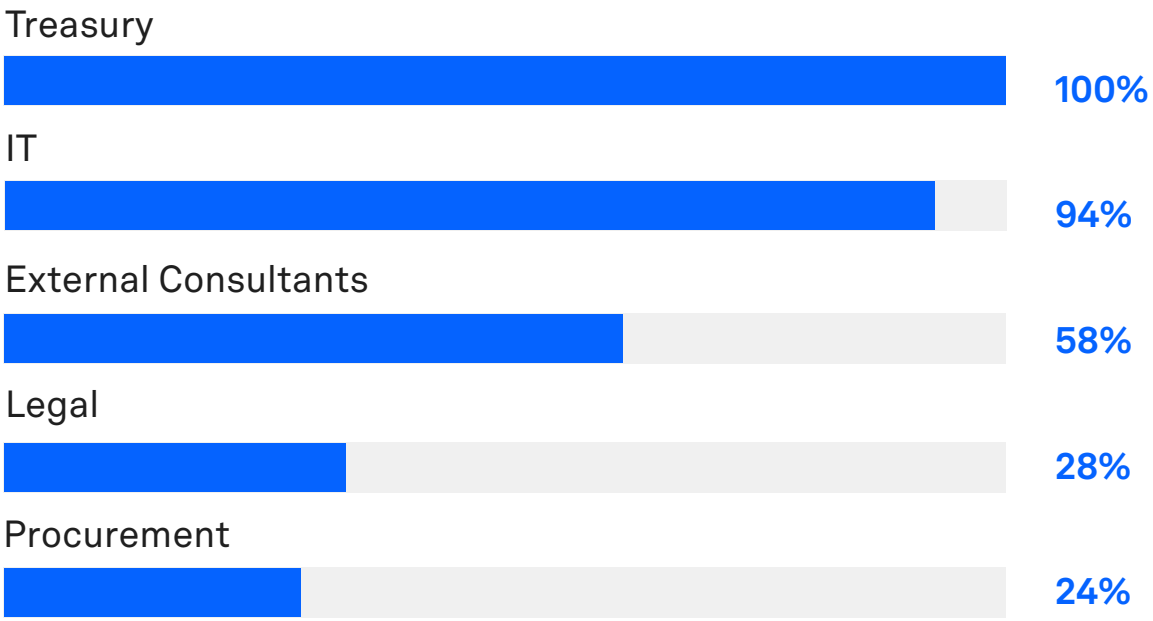
5. Build an Internal Team

Treasury can't do this alone. If your digitization project is to deliver the results you want, you will be interfacing with other internal systems such as your ERP. You'll need support from IT (cited by 94% of treasurers) and perhaps from other departments such as legal and procurement.

6. Set Out Your Requirements

Whether or not you choose to go down the route of a formal Request for Proposals (RFP), it's essential to use the information you gathered and the decisions you made in step one to create a clear set of requirements. Only then do you have a chance to compare rival systems against the same criteria.

If you do embark on a treasury digitisation project, who will be involved?



7. Choose the Right Partners

Reaching your digitization goals may take just one technology partner, or it may take several. What's important is that you choose a solution provider that will take the time to understand how your treasury works, that can interface with your existing systems and data sources, and that you feel confident in working with for many years into the future.

8. Identify the Early Wins

Treasury digitization should be an iterative process. For example, treasury might identify accounting and accounts payable (AP) as the greatest obstacle to change in areas such as file format. The treasury's role here is to influence these partners, convincing them that providing richer data through different format standards and achieving better straight-through processing benefits the whole company.

9. Don't Lose Sight of the Goal

The pressure is on treasury to continually add value to the organization. Digital treasuries are lean and efficient. Where possible, activities are automated, with data mined using AI and ML tools. The result is faster and more accurate decision-making, and it is here where the real value lies.

10. It's Never Over

Many treasury digitization projects start with a bang but go out with a whimper. To make sure yours doesn't, keep monitoring and measuring its success, and don't be afraid to correct your course. If you've chosen wisely, you're working with a partner who can adapt to your evolving requirements and is with you for the long haul.

The Future is Digital

As more services digitize, the volume of treasury data will increase, and the means to analyze, discover patterns and trends, and then present choices, will become ever more critical.

Artificial intelligence and machine learning are already helping, and we will see more sophisticated digital tools becoming available. Companies will use repositories of structured and unstructured data like 'data lakes' to a much greater extent.

However, having access to the data is only part of the story: good reporting tools will be essential. Real-time reporting will become the norm, and the ability of treasury to quickly and efficiently deliver insights customized for any audience will become a reality.

For treasurers, this future holds the promise of an enhanced role as true 'internal consultants' on corporate cash, supporting the wider organization in ways never before possible.

The Treasurer's Technology Glossary

Blockchain or Distributed Ledger

While there were great hopes that this technology would deliver treasury improvements, the consensus seems to be that it will take longer than anticipated. Areas such as reconciliation, virtual accounts, and compliance seem to be where some of the development activity is taking place. However, the current view is one of "wait and see."

Robotic Process Automation (RPA)

RPA uses software to automate highly repetitive or routine tasks previously performed by knowledge-based workers. In treasury, this might include areas such as account consolidation or account reconciliation. Automating such repetitive tasks saves time and money, reducing errors and freeing staff to perform higher-value activities such as risk management, hedging, or liquidity structuring.

Machine Learning (ML)

ML is a method of data analysis that automates analytical model building. It is a branch of artificial intelligence based on the idea that systems can learn from data, identify patterns and trends and then make decisions based on the learning. This is especially relevant to treasury in cash flow forecasting, hedging, and analysis of large quantities of data.

Artificial Intelligence (AI)

AI refers to the simulation of human intelligence in machines that are programmed to think like humans and mimic their actions. This includes learning from existing behavior and problem-solving. In treasury, we see it being used in areas such as account reconciliation and cash flow forecasting.

Open Banking and Application Programming Interfaces (APIs)

Open Banking is the practice of sharing financial information electronically, securely, and only under the customer's specific approval. APIs are software written by third-party providers to access financial data and develop new apps and services. Ideally, this leads to more and better products becoming available to treasury users.

Open banking assumes that the banks will provide data access to third-party providers. It is not quite that simple. In Europe, for example, regulations already require banks to cooperate with authorized third-party providers. In the U.S., some banks voluntarily make data available, but some do not. Open banking, however, is here to stay with or without it becoming a requirement.

Data Analytics

Data analytics is an old skill sometimes dressed up as a new technology: the process of inspecting, cleansing, transforming, and modeling data to discover useful information, informing conclusions, and supporting decision-making. For treasurers, this can mean gathering information from multiple sources to create an informative 'dashboard.'

Software as a Service (SaaS)

Treasury technology itself is going through its own digital transformation. Before cloud-based computing existed, treasurers were used to purchasing software installed on the organization's own network. This necessitated the involvement of internal IT to oversee and manage the implementation and any upgrades and support required. Known as Software as a Product (SaaP), these solutions are an expensive, one-time purchase, with no monthly usage fees but often requiring extensive maintenance and upgrade costs. Software as a Service (SaaS) solutions offer treasurers greater flexibility and choice and sometimes at a price well below their SaaP competitors. With SaaS, applications, software, and any data created by the treasury team is stored in the Cloud on the provider's servers and delivered back and forth over the internet. Organizations pay a regular fee for this service. The vendor, in turn, grants access to the application and data under pre-agreed security, availability, and performance standards. In effect, all the treasury team needs to do is log on to the application via an internet connection from anywhere in the world, at any time. Updates, maintenance, or support of the application are often done by the supplier without requiring the organization's own IT team's involvement.

About Our Survey

Our survey was conducted over six weeks between January and February 2021. The majority of respondents (86%) were treasurers, with the remainder split between c-level executives, finance, and IT roles with responsibilities for treasury technology. Geographically, 66% of respondents were in Europe, 19% in North America, and 9% in Asia Pacific. Six in ten respondents came from corporations with revenues of more than $1bn.