

 Mighty Guides®



THE CFO PERSPECTIVE

The Strategic Value of Treasury

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FOREWORD

For today's CFOs, finance transformation isn't a matter of if, but when.

While corporates have enjoyed an unprecedented financial boom for a number of years, the recent volatility in the global stock markets is an indicator of changing times that could bring sharply rising interest rates and the end of cheap money.

In addition to macroeconomic developments, there are other significant changes afoot. The established political order in the US and Europe is being questioned, tensions are rising again in the Middle East, technology is transforming the way we live and work, and the US is overhauling corporate taxation.

To gain maximum agility in this complex environment, CFOs need to transform their finance operations to become a better strategic business partner for their organizations. One of the best places to embark on that transformation is in the area of treasury management, which delivers a low risk, high-yield value proposition for driving growth, improving working capital and mitigating risk.

This guide is designed to showcase how global CFOs are successfully modernizing their treasury and finance organizations with the help of Kyriba. We hope you enjoy it.



Remy Dubois

EVP, Global Sales & Marketing,
Kyriba



Kyriba is the #1 provider of cloud treasury and financial management solutions. Kyriba empowers financial leaders and their teams with award-winning solutions for cash and risk management, payments and supply chain finance. Kyriba delivers a highly secure, 100% SaaS platform, superior bank connectivity and a seamlessly integrated solution set for tackling today's most complex financial challenges. World's largest organizations rely on Kyriba to streamline key processes, protect against loss from fraud and cybercrime, and accelerate growth opportunities through improved decision support. Kyriba is headquartered in New York, with offices in San Diego, Paris, London, Tokyo, Dubai and other major locations. For more information, visit [kyriba.com](https://www.kyriba.com).

INTRODUCTION

Businesses today must maintain tight control over all aspects of their financial health, including treasury management. The right treasury management solutions give chief financial officers (CFOs) a host of benefits and a holistic view into the financial health of the organization. This book takes a closer look at the strategic value treasury management solutions deliver to the CFO.

With the generous support of Kyriba, we've spoken with CFOs and the experts from Accenture and KPMG to discuss the following three questions:

What is the value of treasury to the organization?

How do you measure the success of your treasury operation?

As CFO, what do you get out of a treasury management system?

The result of those conversations is a better understanding of the importance of treasury management. I trust you'll find that these essays contain useful information about treasury management technology and how it can benefit your organization. Each of our authorities has a different perspective for you to consider.



All the best,
David Rogelberg
Publisher, Mighty Guides



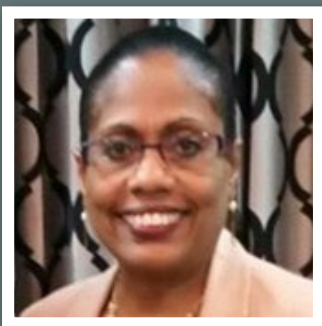
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TREASURY IS THE VALUE CENTER OF THE ENTERPRISE



**MARINA
CHASE**
CFO (Ag.),
Caribbean Airlines

Marina Chase has been CFO (Ag.) of Caribbean Airlines since 2016, having been a senior manager in its treasury department from 2007. Previously, she was finance manager at Tobago Express and accountant and financial controller at McCann Erickson Worldgroup. She has a Business Management Diploma from Cipriani College, and is a chartered accountant in the UK and a certified treasury professional in the US.



Website | LinkedIn

Cash management in an airline business is challenging for many reasons, especially for an international company. Unpredictable weather events, volatile fuel prices, and the challenge of operating with many currencies can significantly impact revenue, cash, and profitability. Marina Chase, CFO (Ag.) of Caribbean Airlines, says that treasury has experienced big changes in recent years. “It’s still cash management,” she says, “but treasury has moved away from the traditional operational functions. It is no longer back office.”

In Chase’s organization, modern treasury-management tools have helped treasury become both a knowledge center and a risk-management center for the business. With treasury serving as a knowledge center, all divisions turn to treasury for real-time information related to operational activities. For example, this can include real-time information that’s needed for payments, and providing information about different laws and restrictions that affect transactions in different countries. Treasury also provides information to support strategic decisions, such as evaluating the cash flow and profitability of current and potential new routes. >>>



It’s still cash management, but treasury has moved away from the traditional operational functions. It is no longer back office.



KEY LESSONS

- 1 With treasury serving as a knowledge center, all divisions turn to it for real-time information related to operational activities.
- 2 The power of the treasury management system comes from its global perspective and predictive capabilities.

TREASURY IS THE VALUE CENTER OF THE ENTERPRISE

Because there are so many variables that can seriously impact the business, risk management is a critical treasury function. “We are able to manage risks, especially around currency exchange,” explains Chase. “These are not risks limited just to interest rates. We also have to deal with repatriation risk. The efficiency of cash flow and managing cash have a lot to do with getting your money in real time. Because of laws and restrictions in different countries like Venezuela and Cuba, there are different ways that we have to comply with regulations in order to access our working capital.”

Treasury has become a value center in the enterprise. “We track working capital, and not just working capital, but also the value of working capital,” says Chase. “An important part of this is predictive analytics, which is more than transformational. It supercharges treasury’s efforts.”

Chase sees several key indicators of treasury’s success, including having adequate cash available for all operations, and preserving capital while maximizing the return on the investment portfolio. But there are other measures. “We must track trends and market dynamics that can impact the business, such as anything that might impact fuel prices, which you need to measure daily because this directly impacts cash flow,” she says.

As CFO, Chase appreciates the global perspective and predictive capabilities provided by the treasury management system. “Predictive analysis and forecasting allow better scenario planning,” she says. “That’s critical because you can plan your cash-flow scenario based on changes in the price of oil, or on revenue going up or down in a particular region because of holidays, or fluctuations due to political situations that would impact revenues.” Chase sees the possibility of leveraging treasury even further by linking to ERP systems, adding business-intelligence tools, and linking the treasury system to the corporate-reporting system. ■

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VISIBILITY IS THE KEY TO A SUCCESSFUL CASH CULTURE



**PHILIPPE
SANCHEZ**

CFO,
The Exclusive Group

Philippe Sanchez serves as chief financial officer at Exclusive Group SAS since July 2007 and is a member of the Management Board. Sanchez has over 25 years of experience in controlling, finance, and management in international environments throughout his career. He has held positions at Tradingcom Europe, Boeder, and Parfums Via Paris. Sanchez holds a master's degree in Management and a postgraduate degree (DESS) in International Trade from the Université Paris I Pantheon-Sorbonne.

“The value of the treasury department is based on the ability to mobilize and coordinate teams and subsidiaries around the cash culture,” says Philippe Sanchez, CFO of the Exclusive Group. “Being successful is not just about the system you are using, but creating a change that, thanks to good technology, spreads a cash culture across the organization.” Of course, what Sanchez means when he says “cash culture” is management of cash forecasts, cash flow statements, and other cash-specific methodologies. Since the Exclusive Group is a global organization, based in Paris, with subsidiaries in Europe and Asia, the company deals with 20 different currencies. This makes managing a cash culture challenging. “Thanks to the treasury department, we can automate these processes, which helps to optimize short-term liquidity.”

Ultimately, Sanchez points out, “A treasury management system improves the efficiency, visibility, and operational controls under cash collections.” Sanchez says that part of being successful is having the right technology in place. “This is why we selected Kyriba. This will help with visibility of cash flow in real time because when you talk about treasury, you are not talking about the cash flow within a year. In our business, we are more interested in knowing what will happen in the next weeks or the next days.” >>>



The value of the treasury department is based on the ability to mobilize and coordinate teams and subsidiaries around the cash culture.



KEY LESSONS

- 1 Treasury management is a cultural behavior that can be enhanced and improved by a good treasury management system that enables cross-organizational visibility and communication.
- 2 The big data analysis and data mining enabled by a TMS allows treasury groups to see and communicate clearly about the health, safety, and success of an organization's treasury management activities.

VISIBILITY IS THE KEY TO A SUCCESSFUL CASH CULTURE

Sanchez points out that standardizing on a single solution across the organization also helps to ensure that when measuring success, everyone is using the same key performance indicators (KPIs). “We use the same language and we can exchange best practices. This creates an understanding for the team and between each other.”

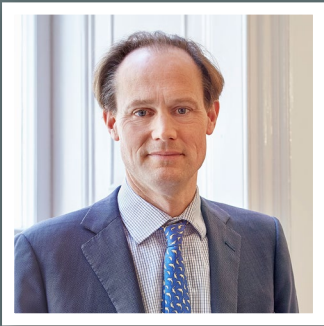
Cross-organizational visibility of assets and efficiency go hand-in-hand, Sanchez expands. The previous method that the Exclusive Group used for managing assets—Excel spreadsheets—was cumbersome and inefficient. With the automation enabled by a good treasury management system (TMS), Sanchez says his company can, “do some big data analysis and data mining on our transactions by category, currency, country, bank, etc. We know this software is very agile and will make the database analysis much easier. It will also help us to auto-generate reports, dashboards and graphs. This is important to facilitate communications across the group.” Sanchez says Kyriba also plays a key role in helping his team analyze bank fees and negotiate lower costs.

“Finally, the TMS gives us some comfort in terms of safety, and making secure payments,” says Sanchez. “We are aware of the risks, so it makes sense to secure our own transactions.”

To sum it up, Sanchez says, “The measurement of success is two things: creating projects that can be identified and shared with all the countries and teams, and not only treasury teams. It’s managed by the treasury group, but it also involves purchases, sales and other departments. Success is then based on those results.” ■

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A TMS CAN CONTRIBUTE TO INCREASED PRODUCTIVITY AND GROWTH



**ANDREW
NICHOLSON**
CFO,
Graff Diamonds

One of the first decisions Andrew Nicholson made when he joined Graff Diamonds five years ago as group director of finance was to implement Kyriba. Prior to that he had qualified as ACMA with Diageo alcoholic beverages company, which also allowed him to work overseas in Miami and Cape Town before finishing as commercial director for Guinness in Continental Europe. He was also the European CFO for four years at Hudson, a US-quoted staffing business.



Website | LinkedIn

As Graff Diamonds grew its retail operation to 45 stores in 15 countries around the world, CFO Andrew Nicholson recognized early on the need for a treasury management system (TMS). The challenge of running six regional finance teams that managed banking and payments in 11 currencies across 15 countries was becoming a tremendous burden. “It was simply unsustainable to continue logging onto each individual e-banking platform in order to approve payments,” he says. “We needed a single point of access across all our bank accounts to set up payments, to define different payment types, and to receive notification of pending approvals.”

Early benefits of the TMS have been primarily operational for treasury, but Nicholson pinpoints additional capabilities that will give treasury a more strategic role in managing cash and risk. “In the upcoming year, we will be rolling out FX exposure management and GL reconciliation functionality,” he says, adding that they are considering a payment fraud detection module for the TMS system, which is important given Graff’s focus on high-value, luxury-based retail. >>>



It was simply unsustainable to continue logging onto each individual e-banking platform in order to approve payments.



KEY LESSONS

- 1 Although a TMS provides operational benefits for treasury, it also gives treasury a more strategic role in managing cash and risk.
- 2 A TMS provides the CFO with the greater global cash visibility, which can improve balance and forecast accuracy.

A TMS CAN CONTRIBUTE TO INCREASED PRODUCTIVITY AND GROWTH

As CFO, Nicholson also appreciates how the TMS provides him with the greater global cash visibility, which has improved balance and forecast accuracy. “The main benefit I personally get is risk mitigation through much greater confidence in my treasury,” he explains. “I receive meaningful data to analyze, automated standardized reports, and accurate cash forecasts. I can authorize transactions remotely. We access real-time, centralized bank statements first thing in the morning, and we source and analyze historical data for bank queries.”

All of this is great, but is it benefiting the business? Nicholson is confident that it does. “We don’t formally measure the success of our treasury and finance operation in terms of KPIs,” he says. “The owners do recognize improvements in operational efficiency, cost savings, and the ability to make more informed and strategic decisions, which in turn is contributing to overall productivity and growth of the company.” ■

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MASATOSHI MIYAMOTO

Managing Executive Officer
and Chief Financial Officer,
JVC KENWOOD Corporation

Masatoshi Miyamoto has served as managing executive officer and chief financial officer (CFO) of JVC KENWOOD Corporation since April 2017. He started his career by joining TRIO Corporation (the present JVC KENWOOD) in 1986. After acting as FP&A general manager, subsidiary president in and out of Japan, and general manager of the car electronics unit and the home electronics unit, he was appointed managing executive officer and general manager of the finance and accounting department in July 2015.

Electronics maker JVC KENWOOD has 90 subsidiaries spread across 19 countries, nearly 250 accounts with about 100 different banks, and it operates in 12 major currencies. As chief financial officer (CFO), Masatoshi Miyamoto oversees this complex, global network from the company's headquarters in Japan, where treasury operations are concentrated. The treasury department's current top priority is reducing operational costs by reducing the company's interest-bearing debt. The department is also responsible for efficiently raising funds to support strategic projects and for managing foreign-exchange risk. "All of these obligations demand a treasury solution that enables fast, accurate decisions," Miyamoto says.

Historically, though, Miyamoto's team used manual spreadsheets to manage cash and to capture foreign-exchange risk. This could sometimes result in inefficiency. "Group treasury management across the globe requires a single dashboard and single source of truth so that all may understand the management policy. The treasury management system (TMS) delivers this unified visibility," he notes. >>>



Group treasury management across the globe requires a single dashboard and single source of truth so that all may understand the management policy. The TMS tool delivers this unified visibility.



KEY LESSONS

- 1 Managing complex global operations with spreadsheets can make it challenging to achieve corporate financial goals.
- 2 A treasury management system gives a real-time unified view that helps the treasury team support the financial health of the entire organization.

A GLOBAL, UNIFIED VIEW ENABLES TREASURY TO SUPPORT CORPORATE GOALS

In addition, the spreadsheet data wasn't real time, making it a challenge to achieve the department's goals in an optimal way. A holistic TMS, however, gives a real-time view on cash positions at all the accounts at all the banks, as well as real-time foreign-exchange positions for all relevant currencies. That consolidated, updated view allows Miyamoto's team to more effectively manage cash and hedge foreign-exchange risk. It also makes it easier to invest available cash into growth-spurring activities, such as capital expenditure and mergers and acquisitions.

"With the added visibility, we can also pay back interest-bearing debts," Miyamoto says. "Compared to the manual Excel work, the TMS gives us direct and far-reaching benefits. We are now able to make more elaborate cash forecasts that allow us to reduce our reliance on external financing. That helps us achieve our key performance indicator—reducing our debt ratio."

A TMS helps multinational JVC KENWOOD in other ways, too. It connects to banks wherever the company operates and allows the centralized treasury department to interact easily with subsidiaries and recently acquired companies. It also offers rich reporting functions that automate inefficient spreadsheet-based processes. As a result, Miyamoto and his team can manage complexity and stay focused on maximizing the company's financial strength. ■

“
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STRENGTHENING TREASURY'S ROLE AS A BUSINESS ENABLER



**DOUGLAS
BETTINGER**

**Executive Vice President &
Chief Financial Officer,
Lam Research Corporation**

Douglas Bettinger is executive VP and CFO of Lam Research, responsible for finance, tax, treasury, IT, and investor relations. Bettinger has been senior VP and CFO of Avago Technologies, VP of finance and corporate controller at Xilinx, and CFO at 24/7 Customer. At Intel, he held several senior-level finance positions, including corporate planning and reporting controller and Malaysia site operations controller. He holds an MBA in Finance from the University of Michigan.



Website

"At the highest level," explains Douglas Bettinger, executive vice president and chief financial officer of Lam Research, "treasury's role is to optimize cash generation in a way that maximizes the value of the company." In a large enterprise, executive leadership thinks a great deal about the balance sheet, while line-of-business managers focus more on profit and loss (P&L). "I plug my treasury people into areas of the business that need more attention on cash generation." In this way, treasury can sensibly use the balance sheet in ways that enable new, profitable business activity.

There are many ways Bettinger's treasury team contributes value to the company beyond routine block-and-tackle treasury functions:

- As a global enterprise, it is important to hedge against currency fluctuations. This not only helps deliver on P&L but also delivers the cash flow that must come from different parts of the business. "We hedge different balance sheet exposures and revenue streams in different currencies," Bettinger says. "Treasury is in a unique position to manage that. >>>



At the highest level, treasury's role is to optimize cash generation in a way that maximizes the value



KEY LESSONS

- 1 In a large enterprise, executive leadership thinks a great deal about the balance sheet, while line-of-business managers focus more on P&L.
- 2 Identify partnership opportunities that involve using the balance sheet to enable business, and then work to accomplish three or four of those tasks per quarter.

STRENGTHENING TREASURY'S ROLE AS A BUSINESS ENABLER

Nobody else in the company focuses on the currency-management piece." Bettinger's company creates hedge ladders, where they look out four, three, two, and one quarter, with different exposures hedged in each quarter.

- Another valuable treasury function involves taking advantage of the balance sheet to enable business that might not otherwise occur. For instance, it may be possible to set up a leasing arrangement for a customer that does not have access to capital it needs to purchase equipment. "We use our balance sheet in a prudent way to protect the asset and at the same time accrue new business," explains Bettinger. "My treasury people are uniquely positioned to make those risk tradeoffs for the corporation."
- Managing the cash conversion cycle is another valuable treasury function that includes managing collections so that money comes in as quickly as possible while stretching out payables. Optimizing cash conversion is a balancing act that ties closely to inventory management, which involves setting targets and objectives for cash-consuming inventory and making decisions about where to place that inventory. "How you balance the debt-to-equity ratio and optimize the capital structure of the balance sheet affects your ability to fund different activities in the business," Bettinger says. >>>

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STRENGTHENING TREASURY'S ROLE AS A BUSINESS ENABLER

To measure treasury's effectiveness, it's necessary to look at metrics for routine treasury functions to determine how efficiently team members perform those functions. Bettinger says, "To the extent you do those things well, you then get to play at a different level in the company." The routine metrics are familiar to any treasury organization—days sales outstanding, days payable, days of inventory, past-due receivables, the timeliness of collecting, return on invested capital, and how the company is managing its cash balance compared to benchmarks. This information provides incentive for treasury to take advantage of its own policies and systems to create value-added efficiencies. For example, Bettinger's company uses its treasury management system to provide self-service functionality that enables certain suppliers to choose payment terms. In this way, treasury more efficiently optimizes supplier payments based on suppliers' preferences.

Other value measurements exist beyond the basic treasury metrics. As Bettinger explains, "I try to measure what I call influencing events, or areas where we've partnered with the business to do something unique and different." These events identify partnership opportunities that typically involve using the balance sheet to enable business, and then the team works to accomplish three or four of those tasks per quarter. Measuring this activity isn't a simple metric, however: Some of these opportunities are quite involved. "I find that if you make those things visible and reward them, then more people will think about how to do other things like that," Bettinger says. ■

CASH VISUALIZATION ENHANCES GLOBAL GOVERNANCE AND EFFICIENCY



SACHIO MATSUMOTO

Executive Officer and
Executive Vice President,
Chief Financial Officer,
LIXIL Group Corporation

Sachio Matsumoto has served as executive officer and executive vice president (VP) of LIXIL Group Corporation since April 2015, responsible for accounting. He has been chief financial officer (CFO) since June 2013. Sachio also serves as director, executive VP, and CFO of LIXIL Corporation as well as CFO of LIXIL Water Technology. Previously, he was corporate VP and head of Finance and Treasury at Fuji Xerox Co., Ltd.



Website

Sachio Matsumoto, executive vice president and chief financial officer of the LIXIL Group Corporation, believes that treasury management systems (TMS) can “enhance global treasury capabilities dramatically.” Matsumoto explains: “Treasury is a critical part of the organization as it directly influences stakeholders’ value and ensures that we have the capital we need to run the business.”

There’s more to it, however. Matsumoto points out that a TMS is a multifaceted application that can help organizations do more to track and balance assets. “Treasury is often the first department to identify potential issues in our group of companies because problems tend to appear in cash flows first. Treasury also protects our financial statements by identifying and hedging foreign exchange and other market risks.”

Success can be measured in a variety of ways, and each organization has specific metrics that carry more weight than others. For Matsumoto, the success of a TMS is in the numbers. >>>



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KEY LESSONS

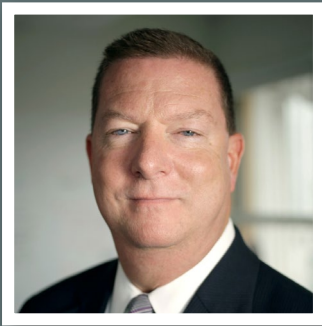
- 1 The role of treasury is shifting to become more than just managing cash and other assets. Today, treasury plays a key role in an organization's decision-making capabilities.
- 2 Treasury management should not only improve shareholder value but also contribute to day-to-day business processes that have an impact on the bottom line.

He explains how LIXIL considers it a success when “Treasury operations improve shareholders’ value by strengthening nominal key performance indicators, such as return on invested capital; net debt/earnings before interest, taxes, depreciation, and amortization; and financial leverage.” In addition, treasury achieves success—from Matsumoto’s point of view—when its TMS is “mitigating day-to-day governance, compliance, and currency risks.”

Treasury management might not be the most exciting aspect of Matsumoto’s day, but he explains, “TMS can add significant value, such as added productivity and more accurate cash forecasting and cash visibility for the company to deliver the objectives and value of treasury previously mentioned.” ■

“
TMS can add significant value, such as added productivity and more accurate cash forecasting and cash visibility for the company.”

MANAGE COMPLEXITY WHILE INCREASING AGILITY



**GARY
MCCORRY**

**Chief Financial and
Operating Officer,
RISE-Alliance LLC**

Gary McCorry is a well-known financial executive and business leader in the upper echelons of the media industry. His cross-functional and client-specific expertise within finance and treasury, legal affairs, and operations on both the traditional and digital side of the business ensures that clients have dedicated oversight of all their financial and operational needs. Over the course of his career as a chief financial and operating officer, McCorry has had the distinction of overseeing global media agencies' financial, technology, and operational functions for large and small clients in virtually every category. He has also guided complex agency and holding-company mergers and acquisitions, restructuring, and business-plan implementation. Prior to working as a media-agency executive, McCorry was a senior manager at Ernst & Young.



Website | LinkedIn

Cash is a key leading indicator of the financial health of almost any organization, and that makes effective cash management an essential, but often challenging, process. For complex, global organizations, two major challenges relate to transaction volume and to rapidly changing market conditions.

“The higher the volume of transactions, the more risk is associated with cash management,” says Gary McCorry, chief financial and operating officer, RISE-Alliance LLC. “It becomes a very fluid dynamic where controls are necessary and important. As a CFO, it’s up to me to manage cash very tightly and to understand all those inflows and outflows so I can identify any potential issues upfront and deal with them on an ongoing basis.”

McCorry has spent much of his career in the media industry, in which agencies make advertising buys on behalf of clients. Global agencies may be managing tens of thousands of transactions every month and billions of dollars worth of transactions annually, creating the need for agility. That is, the agency must be able to respond quickly to any potential collection challenges and easily adjust payments being made. >>>



Any deterioration in cash flow or cash in general is going to highlight potential issues that need to be addressed immediately, before circumstances occur that could have considerable implications.



KEY LESSONS

- 1 Complex, global organizations need agility—the ability to quickly respond to challenges and opportunities.
- 2 Cash is a leading indicator of the health of your business, and effective, real-time cash management facilitates agility.

MANAGE COMPLEXITY WHILE INCREASING AGILITY

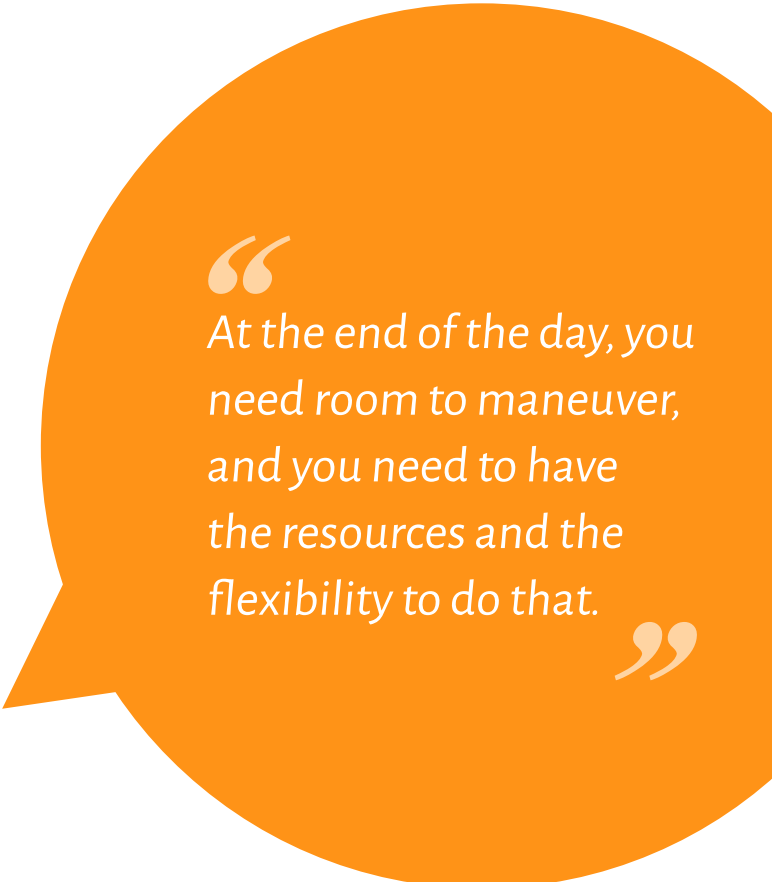
The need for agility is not, of course, unique to the media industry. “Any deterioration in cash flow or cash in general is going to highlight potential issues that need to be addressed immediately, before circumstances occur that could have considerable implications to any company,” McCorry says.

As a result, many organizations forecast cash holdings on a daily or nearly daily basis, and they often include a wide variety of inputs in those forecasts. Comparing those forecasts to reality can reveal risks of all kinds, from collections to vendor payments to the potential effects of changes in a given country’s tax code.

A treasury management system (TMS) can handle these kinds of complex forecasts in ways spreadsheets simply cannot. “There are just too many variables, too many inputs to manage, and too many guesses in terms of expectations. It was virtually impossible to manage that on any regular basis or to be real time in terms of accuracy with spreadsheets. But the tools now allow you to pinpoint variances in forecasting and to address that in real time,” McCorry says.

A TMS also enables quick responses to new opportunities. Everything— from new product lines to acquisitions with the potential to spur growth— requires resources, primarily cash. Also essential are accurate cash-flow projections and the ability to respond nimbly to any event, both of which a TMS helps support.

“At the end of the day, you need room to maneuver,” McCorry says. “And you need to have the resources and the flexibility to do that.” ■



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OPTIMIZING RETURN AND RISK WITH A SINGLE VIEW OF CASH



HITOSHI HONDA

CFO, Director, Corporate Executive Senior Officer, transcosmos inc.

Hitoshi Honda is CFO, director, and corporate executive senior officer at transcosmos inc., Japan's largest outsourcer. As CFO, a position he's held since 2011, he is responsible for corporate business planning, finance, accounting, information technology, portfolio management, and administration. He has recently overseen the establishment of several new subsidiaries and the rebuilding of the management system to support more diverse business models. Previously, he worked at Toshiba Corporation, Urban Corporation, and Fast Retailing.



Website

A CFO's first goal should be to optimize every cent of the organization's cash, according to Hitoshi Honda, chief financial officer (CFO) of transcosmos inc., Japan's largest outsourcer. "CFOs must have the perspective of, 'If this were my own money, what would I do?'"

Effective treasury management is central to achieving that goal because it protects against loss and generates capital to drive organizational growth. Furthermore, every company is seeking higher returns on their investments. "Treasury's contribution is to improve bottom-line returns and provide accountability to our shareholders," Honda says.

To assess whether the treasury operation is achieving its goals, Honda focuses on optimizing risk, which can relate to liquidity, interest rates, currency, fraud, and credit. Honda's team quantifies how it optimizes these risks by looking at foreign exchange exposure, and the extent of fraud incidents and bad-debt losses. "I should add that I am purposely saying optimize, rather than minimize, risk," he explains. "It's important for an organization's activities to be balanced between opportunity and risk." >>>



Treasury's contribution is to improve bottom-line returns and provide accountability to our shareholders.



KEY LESSONS

- 1 Making the most of every penny is the CFO's first job, and that makes it essential to have the right visibility into cash holdings and risks.
- 2 Global expansion increases the need for careful, strategic treasury management, especially in emerging countries.

OPTIMIZING RETURN AND RISK WITH A SINGLE VIEW OF CASH

Honda also measures treasury's success by looking at subsidiaries' funding efficiencies. Each business has its own funding requirements. His team works to deploy needed cash, track the internal cost of capital and balance these two.

As companies expand globally, other measures of success become important, especially the careful management of capital structures and cash injections. "There are tax and regulatory considerations regarding funds transfer in emerging countries," Honda says. That can make it difficult to access invested funds in those countries. "So, to make effective use of them, it is important to implement proper controls to maximize return on cash and minimize underutilized liquidity—before any problems arise."

A treasury management system (TMS) provides Honda with a comprehensive view of current cash holdings and future risks for all transcosmos' global operations; it also shows the measures taken to prevent fraud. "We can make quicker decisions to enable organizational growth. This makes the TMS a strategic asset for the organization," he says.

A comprehensive treasury platform also ensures compliance with internal policies and makes it easier to identify opportunities to increase returns. Taken together, these features give a CFO the tools necessary to protect cash against external risks while maximizing return on cash—that is, to optimize every cent. ■

“We can make quicker decisions to enable organizational growth. This makes the TMS a strategic asset for the organization.”

INCREASING VISIBILITY CAN RESULT IN UNEXPECTED BENEFITS



**FRÉDÉRIC
MARRET**
Group CFO,
Webcor Group

Frédéric Marret is a senior finance executive with more than 20 years of experience at large multinational companies in Dubai, Morocco, France, and the UK. In 2013, he was appointed CFO of Webcor Group, where he has set up and streamlined the finance function, including treasury. He has also reorganized the group corporate legal function to consolidate it into a unified structure based out of Malta, to facilitate dividend and financing at a group level. Prior to joining Webcor, Marret was CFO at Louis Dreyfus Commodities—Middle East and Africa, where he was commissioned to build the Middle East and Africa headquarters in Dubai. In 2011, he was promoted to CEO for the Middle East and Africa region. Previously, he spent 21 years at Royal Dutch Shell (France, North Africa, UK) in several financial roles from controller to finance director, and later in corporate finance, which included the financing of prominent mergers, investments, and acquisitions.



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As a group CFO in the process of modernizing the treasury operation of Webcor Group, a multinational food distribution business, one key benefit that Frédéric Marret sees in a treasury management system (TMS) is the ability to receive global bank data, allowing for better visibility into group cash. “There is often a misconception that the group team and the local teams are independent. Having the flow of the same information to a centralised system helps bridge the gap,” Marret said.

Webcor’s TMS project was initiated by Marret in order to improve the operational treasury tasks, so that group companies had visibility into what was happening in Angola, where the company has its largest volume of transactions, as well as other parts of the world. “It’s not just about the visibility, it’s what you do with this data that matters,” he said. Receiving bank statements was not sufficient, so Webcor worked to integrate the statements back to the ERP. This delivered several benefits, including improved data quality, reduction in time spent importing statements, closing the book quicker, etc. “I know the group value at the end of each day,” he said. >>>



It's not just about the visibility, it's what you do with this data that matters.



KEY LESSONS

- 1 A TMS can provide visibility into your current and future currency exposure, enabling you to manage your risk forward by managing your spot and forward foreign exchange.
- 2 A TMS can measurably reduce currency risk, help reduce idle cash, and improve many operational efficiencies such as speeding up bank reconciliations.

INCREASING VISIBILITY CAN RESULT IN UNEXPECTED BENEFITS

Compared to his cash visibility before he implemented a TMS, Marret now has the ability to look 12 weeks ahead. “We didn’t stop there, the tool should be more than just data in, data out. We include sales, expected receivables and payments. Now you start to build a forecast—this is where the value comes.”

This increased visibility makes it possible for Marret to manage group risk and allow for better strategic input into the business. “Most of our income is generated in Angola, which has its challenges. Having the ability to know my position each day allows me to manage group risk better, including currency risk, over-leveraged bank accounts, or bank exposure against inventory. I am now in a better position to challenge operational decisions,” he says.

“The fully implemented TMS will continue to add value. The group is on a fast pace of growth and we need to keep control through the journey—this is where an innovative FinTech can help.” ■

“

Most of our income is generated in Angola, which has its challenges. Having the ability to know my position each day allows me to manage group risk better, including currency risk, over-leveraged bank accounts, or bank exposure against inventory. I am now in a better position to challenge operational decisions.

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TREASURY IS BECOMING MORE STRATEGIC AND MORE TACTICAL TOO



**JOSELUIS
VILCHIS**

Treasury Consulting Manager,
Accenture

JoseLuis Vilchis, treasury consulting manager at Accenture, has more than 18 years of international experience in global treasury operations, risk management, mergers and acquisitions, and financial consulting. A pragmatic leader with a proven track record of building and fostering long-lasting business relationships, he has worked in the manufacturing, health-care, automotive, and consulting industries. Previously, he has worked for W. R. Grace and Eastman Kodak.

JoseLuis Vilchis believes modern treasury management tools are at the heart of the department's evolution within the enterprise. "We've come from being just expensive cashiers to being the guardians of the company assets," he says. Today's treasury is involved in everything from opening a bank account to strategizing on mergers and acquisitions, and anything else that impacts corporate value. That can include tax and legal questions as well as matters that are more in the realm of cash management, such as foreign exchange and hedging. "We are becoming more and more strategic," Vilchis explains, "and more tactical too."

Acting both strategically and tactically becomes possible with a modern treasury management system (TMS) that can collect financial data while interfacing in real time with other business-management systems, such as enterprise resource planning (ERP) and currency tracking tools. "The technology now allows you to receive intraday bank data, which is actual real-time information about what is happening in your accounts. Banks can send intraday information every minute, every hour, every two hours. It's entirely up to the client," Vilchis notes. This makes it possible to track data as continuous activity, which in turn allows you to see cash and value trends, more effectively manage foreign exchange and risk, and develop more accurate forecasts. >>>

KEY LESSONS

- 1 Tracking financial data in real time allows you to see cash and value trends, more effectively manage foreign exchange and risk, and develop more accurate forecasts.
- 2 One way to measure treasury's success is to see a rise in return on assets (ROA—income divided by assets) as a result of better treasury management.



You can actually see in real time your exposure in Thailand, in China, in England. CFOs love that.



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TREASURY IS BECOMING MORE STRATEGIC AND MORE TACTICAL TOO

One of the greatest benefits to the CFO is accurate, real-time global cash visibility. “You can actually see right now your exposure in Thailand, in China, in England. CFOs love that,” Vilchis says. “I can tell you that they actually love when we are going live with a new treasury system because they can finally get immediate answers to some key questions they’ve been asking all along such as, ‘How much money do I have and where is it?’ or ‘Where is my greatest financial risk.’” CFOs also appreciate how the TMS automates processes so the treasurer becomes more available to work on strategic questions.

Vilchis says there are a number of ways to measure the value of a TMS system to your operation. One would be a rising trend in return on assets (ROA—income divided by assets) as a result of better treasury management. Another would be more accurate forecasts. “Use historical data and current trends to show greater accuracy in information used in decision-making, such as forecasts, budgets, and hedging,” says Vilchis. Still another measurement is more effective foreign exchange management. “That’s very important in measuring the success of a treasury operation, to show how well the treasury team is able to manage FX exposure and in turn, whether it’s a gain or loss on the P&L,” he adds.

Treasury is becoming both strategic and tactical because for a strategy to succeed, you must define where you are, know where you want to be, and you must execute. “The environment that treasury lives in today is exciting, but it also comes with great responsibility, because everything that we do has to be accurate,” Vilchis says. ■

“
The owners realize
improvements
in operational efficiency,
cost savings, and the
ability to make more
informed and strategic
decisions, which in turn is
contributing to overall...
growth of the company.
”

EXPAND YOUR VIEW OF TREASURY TO DRIVE BUSINESS VALUE



**MICHAEL
DINKINS**

President & CEO,
Dinkins LLC

Michael Dinkins is a longtime CFO and the current president and CEO of Dinkins LLC, a financial services firm connecting business owners seeking capital with lenders seeking borrowers. He has spent more than 40 years in finance, including a distinguished 17-year career with General Electric and GE Capital, and CFO roles with five different publicly traded and privately held companies. Dinkins currently serves on the board of directors for Community Health Systems and the National Council on Compensation Insurance.

Most CFOs have not worked as corporate treasurers, which can give them a limited view of what treasury can really contribute to an organization. Typically, CFOs consider treasury's main functions to be collecting as early as possible, paying as late as possible, and hedging, according to Michael Dinkins, president and CEO of Dinkins LLC and a former CFO of five different companies. But thanks to new technology and evolving best practices, treasury has grown to be more strategic than ever before, encompassing payments, fraud prevention, compliance, and working capital optimization.

Supply chain finance (SCF) solutions in particular are growing in popularity among CFOs who want to increase free cash flow and better manage working capital, not to mention improve supplier relationships. One option available through an SCF program is payables financing, also known as reverse factoring, which leverages a third-party to fund early payments of approved invoices to suppliers. For the buyer, this creates offers an opportunity to extend DPO (days payable outstanding) and improve working capital, while simultaneously improving the DSO (days sales outstanding) of key suppliers. >>>

KEY LESSONS

- 1 CFOs should expand their view of how treasury can contribute to their organizations. Today, treasury can enhance the overall value of a business in new ways.
- 2 To reduce operational costs, get treasury involved in negotiations from the beginning and ask the team to find process efficiencies for both your organization and your customers.

“The true value in treasury is around what it’s done to execute the business strategy of the company and how it’s leveraging the technology that it has to do that.”

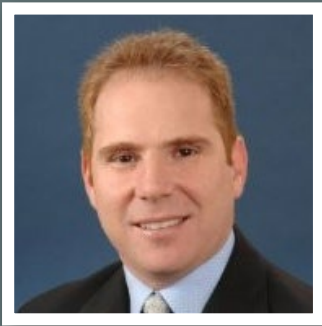
EXPAND YOUR VIEW OF TREASURY TO DRIVE BUSINESS VALUE

When it comes to measuring success, most companies emphasize revenues and margins. Treasury usually has separate metrics that may be overly narrow. As a result, CFOs may want to rethink how those data points can be better aligned. "I'm not saying you should get rid of those metrics, but the true value in treasury is around what it's done to execute the business strategy of the company and how it's leveraging the technology that it has to do that," Dinkins says. CFOs can look at the company's strategic objectives and assess how treasury leveraged technology to help achieve those goals.

Treasury management systems (TMS) are critical to modern finance transformation. The right TMS must meet long-standing requirements related to compliance and security, while also offering capabilities for automation and business process optimization. With that system in place, an organization also needs people who can see the technology's potential and realize it. "And I think that's where a CFO can come in, look at what this technology is capable of doing, such as providing early warning about the performance of the business around key transactions or projects, and then bring the business process and treasury people together, potentially along with help from the outside. The CFO can provide the vision and leadership to change the company by saying, 'I want you to do this.'" ■

"I think that's where a CFO can come in, look at what this (treasury) technology is capable of doing, such as providing early warning about the performance of the business around key transactions or projects, and then bring the business process and treasury people together."

ONE WAY TO MEASURE TREASURY VALUE IS BY HOW STRATEGIC IT IS



RUSSELL HOFFMAN

Director, Market & Treasury Risk,
KPMG LLP

Russell Hoffman is the director in KPMG's Risk Advisory Practice, with over 20 years of extensive treasury, financial-instrument, and risk-management experience in the corporate-treasury and financial-services industry. He works on numerous treasury advisory projects focused on organizational structures, governance and controls, back-office operations, technology, and regulatory aspects. Hoffman serves many of KPMG's largest Fortune 500, private and multinational audit and advisory clients.



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"Treasury has evolved to the point where the treasurer has become a strategic partner to the C-suite and the right hand to the CFO," says Russell Hoffman, director of market and treasury risk at KPMG. At least that's the case in companies that take full advantage of their treasury's capabilities.

How effectively companies leverage treasury often comes back to the objectives of the business and its ability to invest in systems that are treasury enablers. "Many companies have budget constraints," acknowledges Hoffman, "and there are structural, system, and legacy issues that may prevent treasury from adopting technology and using it to the best of their ability. Many treasury operations want to evolve, but they are limited to some degree."

Companies who recognize treasury's potential and make the investments see big advantages, and not just because they can offload some of the more routine treasury operations to a centralized, shared service function. One of the most important roles for treasury, and one that is strategically critical for the enterprise, is managing risk. "Treasury owns what I call market risk," Hoffman explains. "Whether that be interest rates, foreign exchange, commodities, and some credit risk. Treasury is responsible for identifying and managing that risk and needs the support to make critical decisions." >>>



Now treasury has a more holistic view around how all these risks interplay with the rest of the business.



KEY LESSONS

- 1 How effectively companies leverage treasury to manage risk often comes back to the objectives of the business and their ability to invest in systems that are treasury enablers.
- 2 Modern treasury gives the CFO a new level of confidence in critical financial information so there's less focus on questioning data and more on business activities that depend on it.

ONE WAY TO MEASURE TREASURY VALUE IS BY HOW STRATEGIC IT IS

Modern treasury management systems that provide better forecasting, financial metrics, improved visibility through integration with bank systems, ERP, and third-party information services have become enablers that give treasury a bigger view of risk. "Now treasury has a more holistic view around how all these risks interplay with the rest of the business. For example, if there are significant changes to tax law, treasury can see how that impacts a company's ability to source or sell product. Treasury can look at the impact on interest rates, foreign exchange, cash-management risks," says Hoffman. Or if a counterparty bank is downgraded, that information is immediately available and its impact quickly understood.

These capabilities give the CFO a new level of confidence in critical financial information so that he or she can spend less time questioning financial data and more time focusing on the business activities that depend on it.

But for all these benefits that come from a modern treasury, how do you measure its value to the business? "This is a challenging area for many treasuries and companies," Hoffman says. "We can all get metrics on the number of payments we make, what our foreign exchange gains and losses are. These are the obvious ones. But what is treasury doing beyond that? How do you measure that strategic value?" One way to do this, he suggests, is to think of treasury as a profit center rather than just a cost center. "For example, you can make treasury a profit center for the purposes of foreign-exchange risk management. You set a benchmark at the beginning of the year and say, 'We want to beat that benchmark.' Then you work to beat the benchmark, add value and are appropriately compensated for it." ■

"You can make treasury a profit center for the purposes of foreign-exchange risk management. You set a benchmark. Then you work to beat the benchmark."



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