

Four Trends to Watch in Cash Management Information and Technology

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Cash management information technology is at an inflection point, with a convergence of trends dramatically changing the information technology requirements and aspirations of corporate treasurers. Corporate treasurers are demanding more visibility into their global liquidity, and more actionable analytics to support enhanced financial decision-making. They are looking for enterprise-wide solutions that leverage their large investments in ERP systems, that enhance workflow and control within the firm, and that simplify connectivity to banks and supply chain partners. Increasingly, banks as well as software providers are challenged by their best clients to think outside of the box in meeting these expanded aspirations. The innovations that emerge will shape the landscape of corporate cash management over the next ten years.

TREND 1: INDUSTRIAL-STRENGTH CONNECTIVITY

Connectivity challenges are growing as treasury management gains complexity and as companies continue to expand globally and extend their trading partner networks. In the “good old days,” corporates connected to their many banks via proprietary electronic systems, originally terminal-emulators, then desktop software, and more recently browser-based Internet banking applications. This paradigm continues to exist, and major banks like Citigroup maintain investments in web-based banking software, with particular focus on security, reliability,

enhanced functionality, and ease of use.

In parallel, however, companies that have invested in enterprise financial tools from SAP, Microsoft, Oracle and others are looking to better leverage these investments. These software vendors have integrated certain cash management functionality, such as payment initiation, into their systems. Making this functionality work is where the need for

have many formats for how these transactions are encoded, as do banks. The result is the need for sophisticated and flexible translation software, either on the corporate side or on the banking side of the transaction. Finally, there are many options for the “pipes” through which this data flows, such as the Internet, dedicated connections, and SWIFTNet.

A few global banks are laying the foundations for industrial-strength connectivity. For example, Citigroup markets translation services that enable flexible connectivity between ERP systems and the banking system information, regardless of format and transmission protocol.

This expansion to any-time, anywhere, any-format connectivity to and from banks, trading partners, and enterprise soft-

ware platforms has broad payoffs in efficiency, in control, and in visibility to banking system information.

TREND 2: FROM MONOLITHIC SOFTWARE TO BANKING WEB SERVICES

Connectivity will soon mean more than just transferring data, and will extend to embedding bank software functionality into a company’s enterprise systems. Corporate clients will increasingly be asking for a la carte modules that can integrate into their in-house systems. For example, a bank’s lockbox check image viewer might be incorporated into a company’s internal customer service portal rather than be bundled into a separate bank-provided web site. Or perhaps an analytic tool supporting short-term investment options might need to be integrated

TAKING ADVANTAGE OF EMERGING TRENDS

Citigroup offers the following tips based on its experience in developing cash management solutions:

1. *Simplify—Leverage enterprise-wide software for multiple purposes, consolidate multiple connections, minimize points of failure.*
2. *Aspire—Set a high bar. Just because something has never been done before, don’t assume your organization’s needs cannot be met.*
3. *Seek—Understand best practices. Look for more than just transaction execution. Focus as well on opportunities to improve visibility, analytics and control.*
4. *Partner—Don’t try to solve all of your problems. Engage your bank as a partner in innovation.*

industrial strength connectivity with banks arises. The enterprise software creates payment initiation and receivables files, and can import bank account files. But to execute these financial transactions there needs to be direct connectivity from these systems to a company’s banks. And while most of the bank-provided systems have file upload capabilities, these are for small-scale usage. Instead, for large scale ERP integration, corporates want to bypass the web-front ends and go directly to the banks’ processing middleware.

Executing this connectivity correctly ends up being a more complex task than first meets the eye. Ensuring the security and authenticity of files being transmitted is paramount. Multiple standards – which really mean lack of standards – are another obstacle. Software vendors

with a treasury system. More generally, treasuries will begin looking to strengthen control and efficiency by consolidating the many different bank-provided products—each with its infrastructure, user entitlements, and security protocols—into more of a universal multi-bank ERP-provided interface.

This puts stress on the traditional model of bank tools, which typically are designed as monolithic end-to-end software applications. Instead, banks and software vendors should be thinking about delivering web-services, or “service oriented architecture” (SOA). Web services move away from the monolithic model and enable more bite-size blocks of banking functionality to be embedded within a company’s core tools. Clients can pick and choose which pieces they need, and where they want these pieces consumed. The workflow can be more streamlined, without users having to jump from system to system.

Migrating to web services-based cash management tools will require a reengineering of existing bank systems investments, and a rethinking of the many issues around user entitlements, security, data validation. But the payoff in agility and flexibility, and in the collaboration potential with banks and other partners, is large.

TREND 3: REPORTS OUT; ACTIONABLE ANALYTICS IN

Clients want their banks to move beyond end-of-day balance and transaction reporting to providing value-added real-time analytics. The need for meaningful, focused, and actionable information is especially important as treasury both assumes a broader, more strategic role and faces continued pressure to support increased business activity with fewer resources. Banks have a repository of critical data that can be combined with other data sources (e.g., ERP), mined and organized, and analyzed to provide insights that can enhance treasury’s performance.

For example, cash flow forecasting remains a key treasury challenge. Bank

information reporting traditionally provides a snapshot of current balances. By integrating additional data points—such as future dated payment information, feeds from receivables systems, time series analysis of historical data – banks can help treasurers predict future cash flow and apply analytical tools to determine optimal cash requirements support decision-making on surplus or deficit cash positions and help treasury weigh alternatives for deploying excess cash.

Banks increasingly will give treasury the ability to aggregate, analyze, and parse data to multiple users within an organization. Citigroup’s TreasuryVision, which provides data aggregation, analytics, and information distribution, is indicative of this new approach

TREND 4: DIGITAL SIGNATURES ENHANCING CONTROLS AND PAPERLESS WORKFLOWS

One of the barriers to adoption of fully electronic processes has been the need for physical signatures on documents. For hundreds of years, signatures have provided the requisite legal protection and non-repudiation to the parties in a commercial agreement.

Enter the new world of high-assurance digital signatures. A high assurance digital signature is an identity provided to a company’s employees where a trusted third party such as a bank stands behind the process whereby these identities are issued and holds a level of liability for fraudulent usage. Banks have long held a special role in identity certification as regulated institutions, as trusted financial intermediaries, and as administrators of security-focused

policies like “know your customer.”

We are just now realizing the potential for digital identities to profoundly change many of our business processes. Regulatory submissions are one example. The pharmaceutical industry has begun to provide the extensive – and often truck filling – results of drug clinical trials via paperless submissions, now that the US FDA is accepting digital signatures attesting to the veracity of the research.

In banking, we are starting to revisit the paper-intensive process for managing a company’s authorized bank account signers. Since this is effectively a legal contract, to change a signer banks require companies to physically submit signed new supporting documentation for each account, a process that has not fundamentally changed in fifty years. This can be cumbersome and time consuming, such as when there is a personnel change in a corporate treasury involving someone who is a signatory on 100 accounts across ten banks.

The use of high-assurance digital identities can transform this process into online “search and replace”. Under the auspices of the industry-based consortium TWIST, Citigroup is working with a number of corporates, as well as IdenTrust, to create a proof-of-concept for testing the use of digital signatures to managing bank account signatories.

MORE TO COME

Treasury professionals continue to monitor these developing trends. As next generation information management solutions emerge, they will help corporate treasury reach the next plateau from which to enhance bottom-line performance.

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