

CONVISTA:



WHITEPAPER

Digitalization in Treasury: What Treasurers can learn from the Covid-19-pandemic

COVID-19 A CORNERSTONE FOR DIGITALIZATION

Digitalization is making our world spin faster and faster. Processes are being re-thought, fundamental strategies are being revised, and new technologies are increasingly coming into focus. The COVID -19 pandemic has proven to be a significant driver of digitalization in all aspects of life.

The COVID-19 pandemic and the Ukraine conflict have been shocking not only to treasurers but the entire business world. The challenges include a large number of employees working remotely, efficient liquidity management in a volatile business environment with global supply chain difficulties, increased financial risks, and digital management of communications and projects.

Especially during this period, Corporate Treasury has proven to be an indispensable corporate unit. It is now more essential than ever to protect against a wide range of risks, ensure a company's liquidity and provide management and decision-making support through Treasury. To fulfill these tasks, treasurers worldwide are required to act and align Treasury digitally, efficiently, and effectively.

To shine a light on the current situation, ConVista Consulting AG has conducted the study 'Digitalization in Treasury and the impact of COVID-19'. In this study, treasurers and Treasury executives from a wide range of industries and continents have been surveyed. The conclusions seem particularly relevant given the Ukraine war and the tense global economy. Based on their answers, Treasury departments as well as their companies can be segregated according to their 'digitalization strategy' as follows:



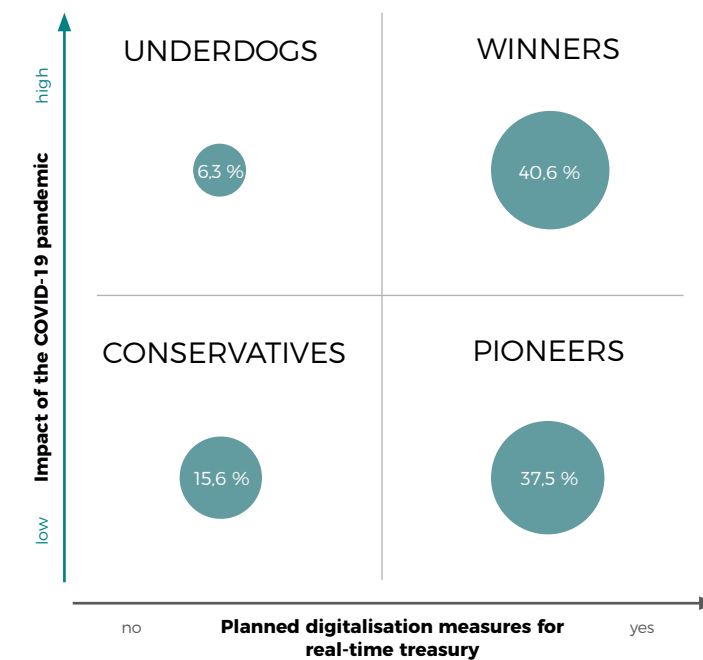
The study provides valuable insights on digitalization trends and current challenges in the Treasury field.

UNDERDOGS

The small group of underdogs includes companies that were or are severely affected by the pandemic and yet have no or hardly any plans for digitalization measures.

WINNERS

The largest group of winners consists of strongly affected companies that plan to evolve continuously through digitalization to cope with future challenges in the best possible way.



CONSERVATIVES

16 % of companies surveyed were not significantly affected and do not see or have any need to become active in digitalization and Real-Time Treasury.

PIONEERS

More than a third of respondents are planning further digitalization measures in Treasury to address shifting challenges, even though they are only slightly affected by the current pandemic.

In addition to digitalization in Treasury as a result of COVID-19, this study also covers the adoption of innovations in Treasury as made possible via new technologies (e.g. Real-Time Treasury). Treasurers also revealed in which functional areas they are reacting and gearing up to further optimize their digital solution landscapes through the use of FinTech solutions.

ABOUT THE STUDY

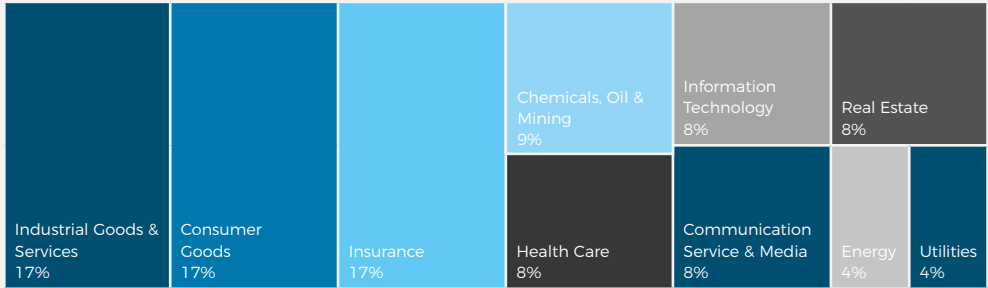


The diverse interviewees of this survey reflect a realistic picture of today's Treasury organizations.

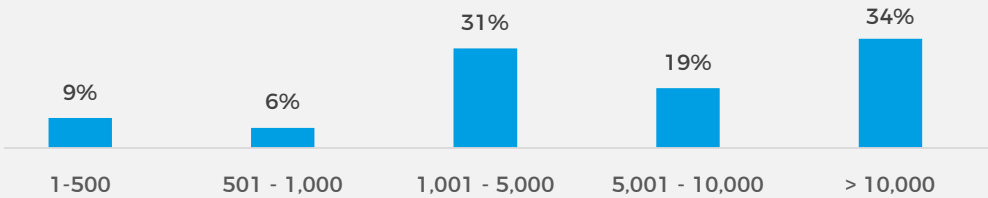


A total of 32 globally active companies were recruited for the study, from which experts with leading roles in the treasury sector took part. All levels were represented, from corporate treasurer to CFO. Thus, a realistic picture of the current treasury could be determined.

The respondents' companies cover a wide range of industries:



Participating companies reflect all sizes:

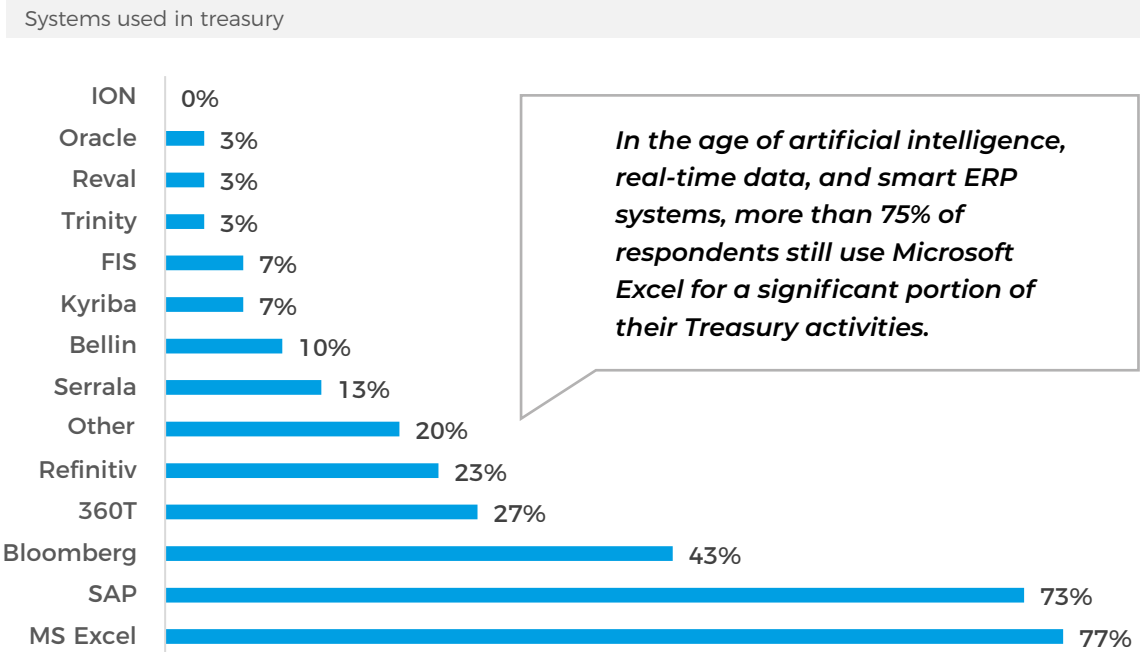


The activities of the participating companies span across the entire globe such that a comprehensive picture of digitalization trends, as well as current challenges in Treasuries, were determined.



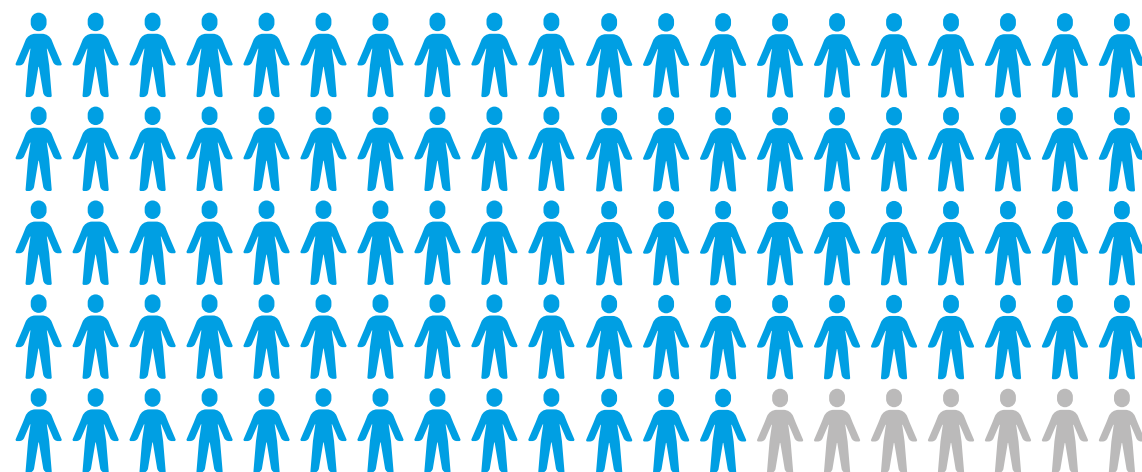
STILL SIGNIFICANT GAPS IN DIGITALIZATION IN THE TREASURY AREA

In times of artificial intelligence, real-time data, and smart ERP systems, Treasury activities of more than 75% of respondents are still heavily supported by manual tools such as Microsoft Excel. Less than half of companies surveyed use external platforms for straight-through-processing (STP) in trading or for market data (e.g. Bloomberg, 360T, Refinitiv).





93 % of respondents see a high or relevant potential for improvements of their Treasury system landscape.



What unites all respondents is a great potential for improvement in their Treasury system landscape. Many companies see weaknesses, particularly in data quality and integration. Data should be as harmonized, standardized, and interlinked as possible to enable comprehensive Treasury reporting, which many companies still continue to pursue. Likewise, obtaining real-time key information such as the group's financial position in multiple dimensions remains a challenge that requires connecting a variety of internal systems and external data. To do so, it is necessary to identify essential data (sources), to connect them to the system landscape and to process them accurately.



Crises like COVID-19 call for a stronger role and strategic guidance from Treasurers, as well as greater digitalization and process optimization within Treasury.

The fact that the COVID-19 pandemic had already been prevalent for more than a year at the time this survey was conducted enabled respondents to provide interesting insights into the changes in Treasury, which seem to be helpful for current and future challenges:

According to the responding Treasury departments, the 'Strategy & role of Treasury' were affected most heavily by COVID-19. Traditionally, Treasury departments are small with a few employees, managing daily financial positions or hedging risk. However, more than ever Treasuries have become an important source of information for top management. A key goal has been to ensure their company's solvency during the pandemic, amid broken supply chains and limited human resources. While even more (94%) of the responding companies mentioned that their 'Cash balances' were affected by the situation, only 47% claimed the pressure to be strong or very strong.

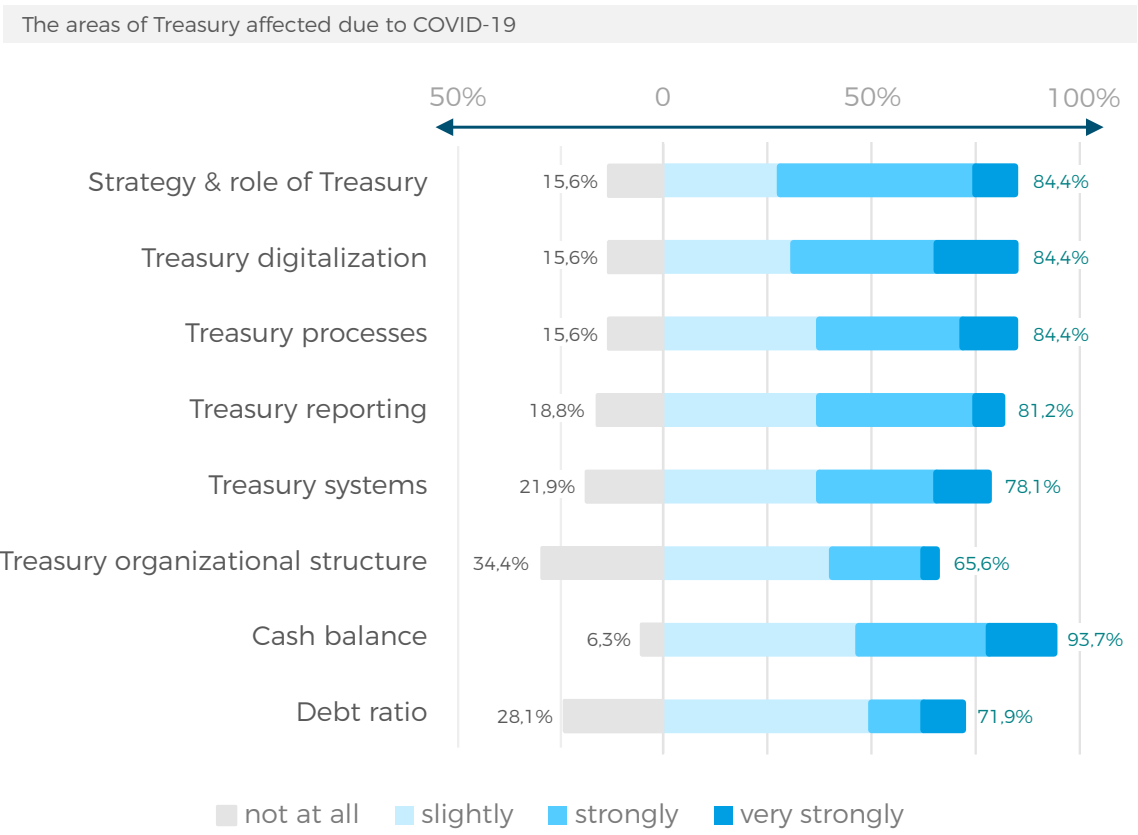
DEFINITION

Real-Time Treasury

Real-Time Treasury is the result of new technologies and developments that make it possible to execute transactions in real-time at any time of the day and anywhere in the world. For companies, this means that they can process all payments and collections in real-time. This also has implications on organization, processing, and liquidity. Technologies such as RPA and AI make it possible to automate processes such that, for example, idle cash can automatically be invested according to a predefined strategy. Similarly, real-time cash flow forecasts determine the exact timing and amount of borrowing required. The dependency on time zones and cut-off times can be eliminated by a 24/7 Treasury.



84% of respondents believe that ‘Treasury digitalization’ i.e. the need for it has been driven by the COVID 19 pandemic. More than half of the respondents even indicated a strong to very strong correlation between the two, which is not surprising, given that many corporations had to convert their entire workforce to remote work within a few weeks and digitalize a large number of processes in order to work efficiently during the pandemic. This finding is also reflected by the respondents’ perceived effect of the pandemic on ‘Treasury processes’, either through higher demands on automation or the need for completely new processes. Surprisingly, less than 22% of respondents indicated that their ‘Debt ratio’ was strongly or very strongly affected by the pandemic. It seems respondents were able to overcome the recession caused by the COVID-19 pandemic with their own resources rather than taking on additional debt.



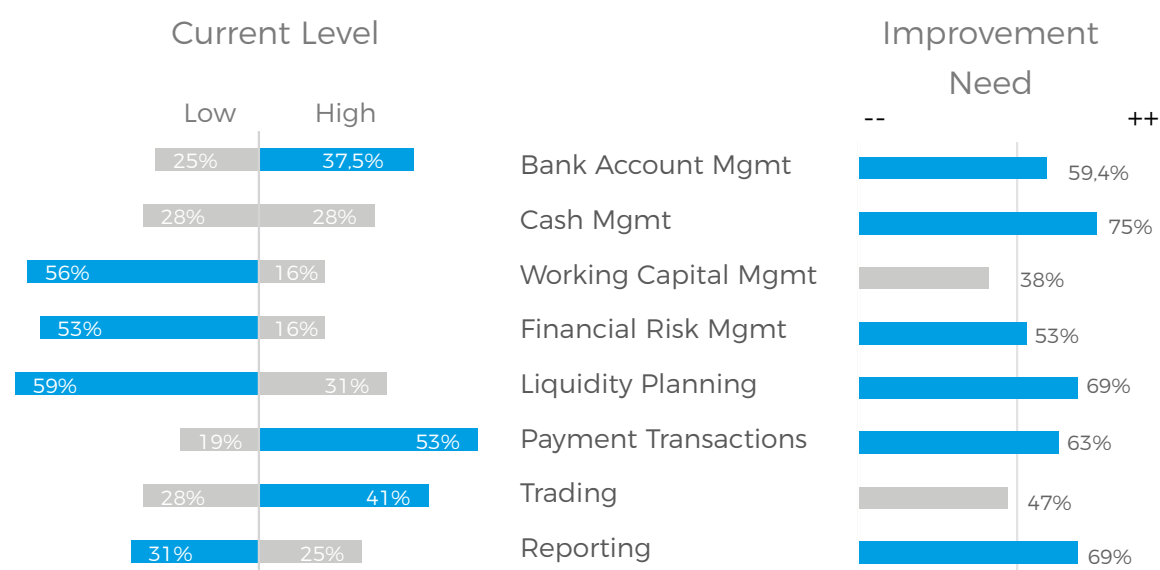
DIGITALIZATION AS AN ENABLER IN CRISES SITUATIONS

While real-time Treasury has already been under discussion in previous years, the COVID-19 pandemic evidently accelerated its evolution. To further assess the situation and its development, participants of the study were asked about the new i.e. current level of digitalization of their Treasury and future improvement need. They were also asked whether specific initiatives were already planned for realization.

The following functional areas were assessed: ‘Bank account management’, ‘cash management’, ‘working capital management’, ‘financial risk management’, ‘liquidity planning’, ‘payment transactions’, ‘trading’, and ‘reporting’.

At the time of the survey, treasurers and CFOs estimated the degree of digitalization within their companies to be high only in the areas of payment transactions and relatively high in the area of trading. Even before the pandemic, progress made in the automation of payment transactions and integration of external market data and trading platforms had already led to significant advancement towards real-time Treasury. Nonetheless, a high proportion of respondents see a very high need for improvement in both areas (41% and 53%).

Digitalization now and tomorrow



The majority of respondents see a current low level of digitalization, particularly in the areas of working capital management, financial risk management and liquidity planning.

In which areas do respondents see the greatest need for improvement?

The answer provided by the survey could not be clearer: All Treasury areas require further improvement and digitalization. Only in areas of trading and working capital management did less than 50% of respondents identify future improvement needs, suggesting that trading has already been digitalized to an advanced degree and that in working capital management, the chances for increasing efficiency through further digitalization are viewed as limited by treasurers.

The areas most in need of digitalization are cash management, liquidity planning, and reporting, with over two-thirds of respondents seeing improvement needs in their companies. This observation is in line with respondents rating the current levels of digitalization in liquidity and cash management as low to medium. There is also considerable space for improvement in reporting, where treasurers see significant potential to benefit from digital reporting tools.

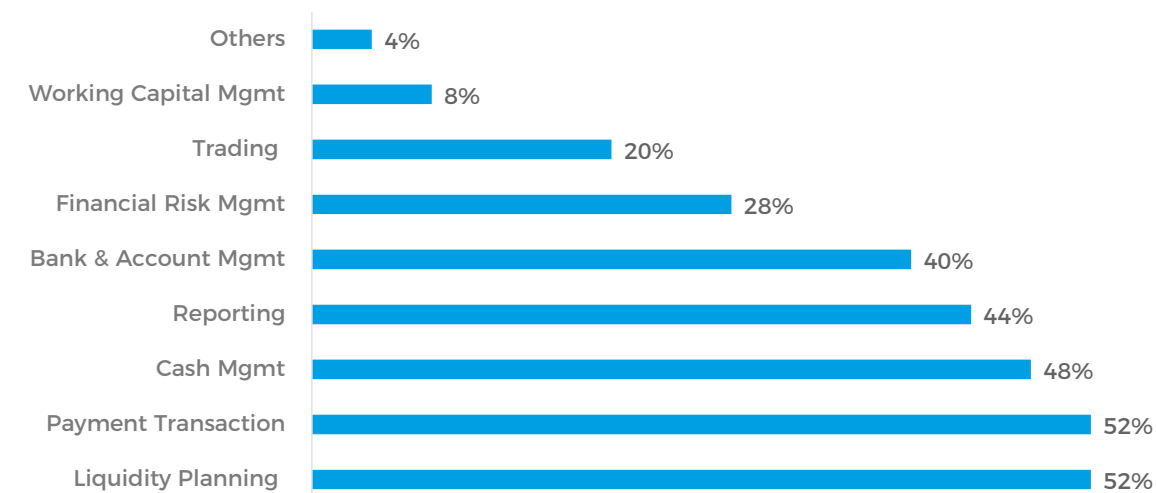
CONCRETE DIGITALIZATION MEASURES FOR THE FUTURE

In which areas do treasurers want to become active in the near future?

The question on concrete measures already planned for further digitalization in Treasury revealed a clear picture:

More than three-quarters of those surveyed are already planning measures to increase digitalization in Treasury. Here as well, the fewest activities are planned in working capital management. The areas of cash management, liquidity planning and reporting, which were seen as having great potential for improvement, are the focus of digitalization at most companies. Surprisingly, payment transactions also receive significant consideration, even though this area was rated as digitalized to an advanced degree and was not seen as a top priority for further improvement.

Area of Treasury where Digitalization planned and measured for the future





“ *Treasurers see the greatest future potential concerning new technologies in Real-Time Treasury and APIs* ”

When it comes to new technologies – Treasurers see the highest potential in Real-Time Treasury and APIs

The last part of the study focused on current technological advances in Treasury and concepts such as artificial intelligence (AI) or application programming interfaces (APIs) that can benefit the Treasury organization. The study examined which technologies offer the greatest potential in the eyes of treasurers.

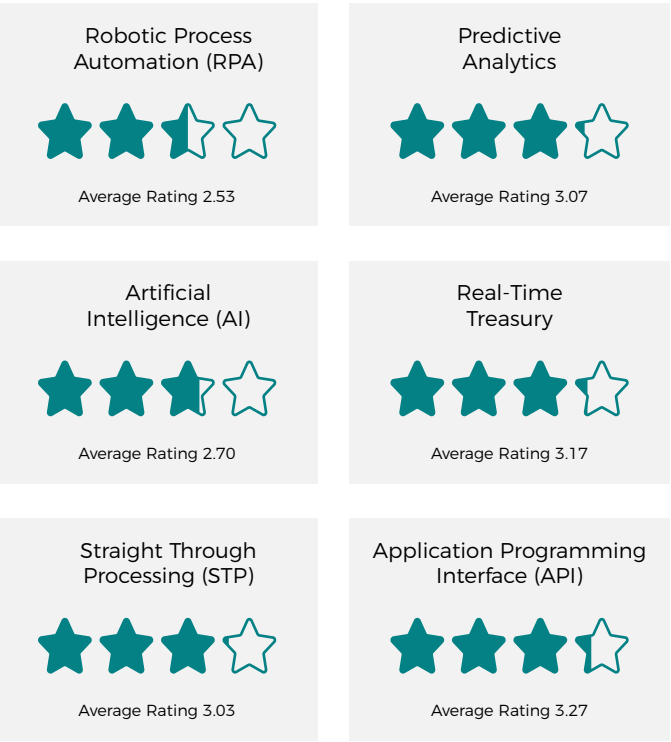
With just over three out of four stars, APIs i.e. interfaces between systems and thus a tool for integration of a comprehensive system landscape, seem to be the most promising technology listed. It is followed by Real-Time Treasury and the need for real-time information in the various Treasury areas: Payment transactions, reporting, or trading with varying exchange rates. Predictive analysis and straight-through-processing (STP) are also considered essential technologies by respondents, offering potential benefits for treasurers. While all

new technologies received high ratings for their expected future potential to further digitalize and automate Treasuries, artificial intelligence (AI) and robotic process automation (RPA) were attributed slightly lower ratings.

DEFINITION

Application Programming Interface (API)

An application-programming interface (API) is a computer interface that defines interactions between multiple software intermediaries. This means that applications or individual modules can communicate with each other and exchange information. In addition, APIs can be used to modularize individual systems, system landscapes, and ultimately entire platforms into individual components. The decisive advantage of APIs over existing forms of (bank) connectivity is speed. All previous solutions rely on batch processing, which means that transaction-based processing in real-time is not possible.



Just under two-thirds of treasurers have FinTech solutions in use

FinTechs are playing an increasingly important role in driving innovative solutions. Almost 66% of the companies surveyed already use FinTech solutions in Treasury.

Trading, payment transactions, and working capital management have been named by respondents as prevalent areas for the use of FinTech solutions. This is consistent with the observation that these areas have been digitalized to an advanced level. In contrast, the areas of cash management, liquidity management, and financial risk management, which show higher need for improvement in the area of digitalization, have no FinTech solutions currently being used by respondents.



DISTRIBUTION



RPA, AI & Predictive Analytics

Robotic Process Automation (RPA) automates highly repetitive, labor-intensive, and manual processes, by using software robots to minimize human activity. The robot does only what it has been instructed to do, so no advanced decision-making is possible.

Artificial Intelligence (AI) enables machines to learn from experience and take on tasks that require human intelligence. AI is able to manage data rapidly, including the collection and classification of data, its integration into large data stores, and the recognition of patterns in data.

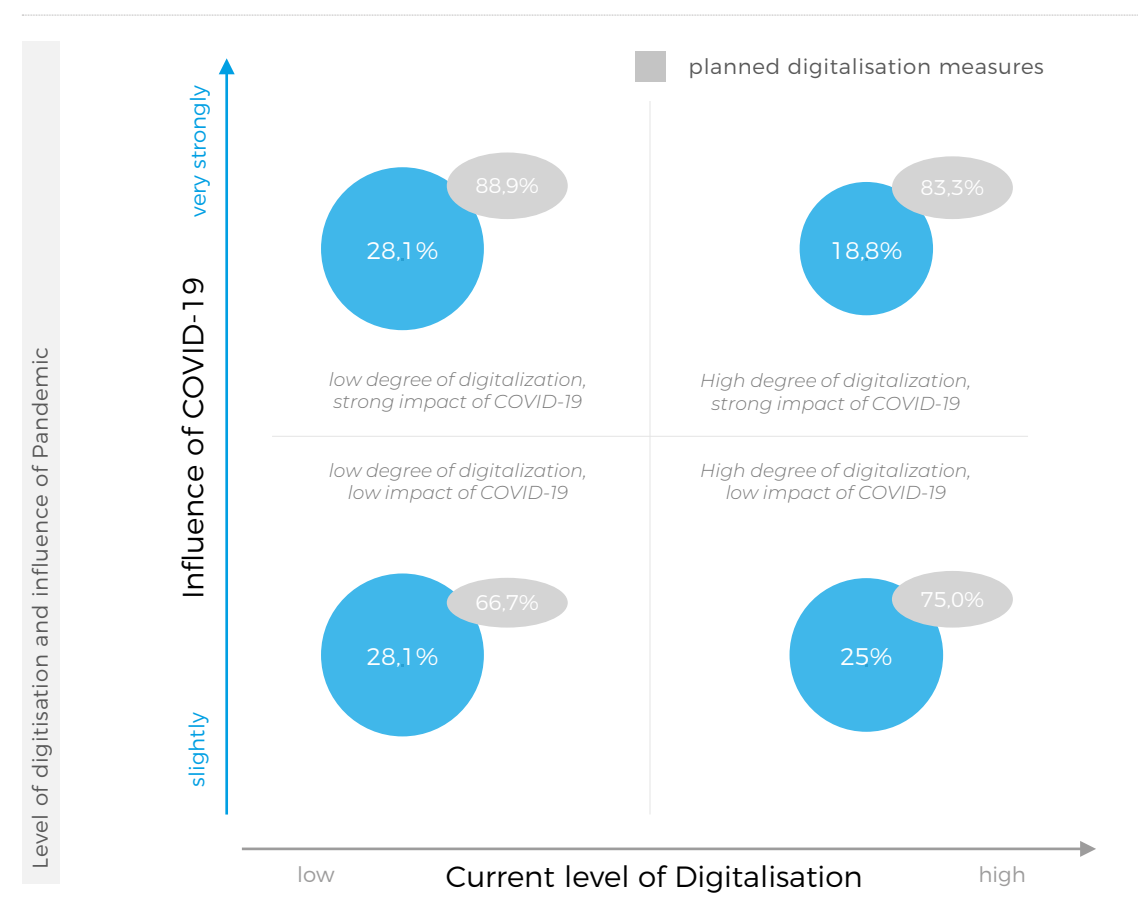
Predictive Analytics

Refers to the analysis of historical and current data to derive forecasts and trends. Various types of statistics and modeling techniques such as linear regressions or cluster analyses are used.

SUMMARY: FUTURE OF TREASURY

In conclusion, it can be claimed that digitalization in Treasury remains a hot topic. All of the companies surveyed are dealing with the existing opportunities, but also the structural obstacles of an innovative Treasury. During the pandemic, digitalization was compellingly advanced in some areas and facilitated the new remote workday for many treasurers in companies worldwide.

Corporations that already had a strong degree of digitalization and Real-Time Treasury have been significantly more successful in mitigating the treasury challenges they have faced due to the COVID-19 pandemic. As a result, these companies are also in a strong position to master further current challenges.



Overall, it can be demonstrated: The higher the degree of digitisation, the lower the influence of COVID-19 on the treasury organization.

“The higher the impact of COVID-19 on the organization, the greater the perceived need for further digitalization measures.”

Is the digitalization level at corporations already sufficient?

According to the survey, the answer is no, despite the advanced degree of digitalization of some companies, between two-thirds and 89% of the respondents (depending on the current level of digitalization of their Treasury) feel the need to advance digitalization further. It is striking that the more a company was affected by the pandemic, the greater their willingness to take (further) measures and use the latest technologies.

In the field of [Real-Time Treasury](#), the real-time connection of data via API can lead to more transparency, less complexity, and faster response times, for example, if the delay caused by reading bank statements can be countered by real-time bank account balances.

To enable treasurers to free up even more capacity and relieve them from manual, repetitive tasks, RPA can add a lot of value. With the help of [Digital Workers](#) that can perform tasks automatically according to a fixed set of rules through robotics, this frees up more time for the interpretation of data, as well as elaborating on recommendations for decisions and taking actions based upon them.

Such real-time information can be used and evaluated as part of a Treasury Dashboard. With the help of predictive analytics in the context of a visualization tool, such as SAP Analytics Cloud, user-friendly visualizations and forecasts can be generated, providing valuable support to the treasurer in decision-making.



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ConVista Consulting AG is one of the leading management consultancies for IT and business consulting. With our holistic approach, we support our customers in improving their processes, methods and technologies. Together we implement business strategies and optimise processes via software integration and development, based on SAP, Microsoft, Java and other well-known technologies. In addition, we also take on tasks in project, quality and change management.

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- We **implement** IT solutions based on SAP, Microsoft and Java technology. Our **software products** are quickly deployed and easily customisable.
- Whether on-premise or in the cloud, we take care of the **Application Management** for the functional and technical operation of your IT solutions.

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