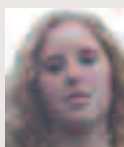


A changing face



STANDARDISATION AND AUTOMATION EMERGED AS KEY THEMES AT A RECENT ACT CONFERENCE ON THE CHANGING FACE OF CASH MANAGEMENT. **JULIA BERRIS**

LISTENED TO WHAT THE EXPERTS HAD TO SAY.

As the regulatory environment changes shape, so treasurers are taking a close look at their policies, technology and business processes to see how they can best adapt to an evolving world. The growth of the EU is causing socio-political and monetary shifts, and treasurers and banks have to respond to the changes. With so many domestic banks, standardising payments within Europe seems like a mammoth task.

The possibility of a Single Euro Payments Area (SEPA) has commanded a great deal of attention. A system that allows cash to flow between countries in Europe more cheaply, quickly and efficiently is something that would permanently change the day-to-day workings of a treasury department.

Standardisation and automation were words frequently on the lips of attendees at the ACT's conference, The Changing Face of Cash Management: Where Will We Be in 2010?, sponsored by HSBC. Now that spreadsheets and paperwork are no longer considered safe and efficient, technology companies and treasurers have developed a more high-tech version of treasury in which geographical boundaries have little impact and the deal process is speeded up immensely.

NEW WAYS OF WORKING Compliance with the Sarbanes-Oxley Act and other regulations has had a significant impact in treasury and driven technological developments. It is seen as a must to dramatically decrease human error in manual processing.

Sarah Jones, Treasury Director EMEA at Hewlett-Packard, said banks and corporates had to respond to the imposition of new regulations. "I work in a company that operates in 170 countries, and paying many invoices a day in the treasury department is a vital part of our job," she said. "In today's climate there is a lot of pressure on banks to assist us with this in terms of technology. How they handle this is key."

Technology developments are key to cash management, so why has the need for better technology only emerged now?

"The need for straight-through processing [STP] has strengthened in recent years," Jones explained. "We have driven this in a corporate

Executive summary

- Regulation is forcing corporates to look at automating cash management and related processes.
- Relationships with bankers can have a long-lasting impact on how treasury department develop and deal with issues.
- A big part of changing the culture of payment and treasury processes is education.
- There is a way to go – 85% of Europe's invoices are on paper.

environment as much as we can and I think that how we interact with our banks is very important to STP." She referred to the growth in popularity of Swift and saw it as a sign of the demand for maintaining good communications between corporates and banks.

"In a company such as HP, every time we invoice in paper, we have to consider the distance it would have to go to get to its destination," she added. "This takes a long time and therefore causes all kinds of issues with the accounts payable department."

Jones argued that the technology to underpin an efficient treasury was already available and that global systems were being harmonised.

Marcus Hughes, Head of Banking at Bottomline Technologies, agreed. He called on corporates to embrace technology to become more efficient.

"85% of European invoices are still on paper," Hughes pointed out. "There is clearly still a lot of manual processing, which is not systematised. This creates problems for the treasury department including slow invoice approval and slow payment authorisation."

CONFIDENCE IN THE TECHNOLOGY YOU IMPLEMENT Hughes argued that the right technology and abandoning of paper invoicing could ultimately make huge changes to how corporates operate.

"Many corporates have early-payment discounts, which encourage people to pay up quickly. With electronic invoicing the process could be speeded up even more, and dynamic early-payment discounts could be a standard practice facilitated by the technology."

Hughes said XML and PDF scanning of invoices and related details



was the first step to fully electronic processes. "This will enable the information required to be used in a standardised way and then sent electronically," he said. "Then corporates can go through a modular migration, working toward efficient data capture which feeds into the system in place and produces the correct standardised invoice."

Having confidence in the technology you implement is what makes a big difference in the way treasurers work, according to Antony Barnes, Group Treasurer at GUS. GUS owns UK-based retail companies Argos and Homebase and information company Experian. With both domestic and international arms of the business, the treasury department at GUS experiences a range of issues.

"As treasurers it is important to understand all elements of the business," Barnes said. "GUS is very active in acquisition, therefore we must strive to understand what is essential for the running of these businesses. We focus on concentrating cash in. You don't have to have cash just sitting in your bank accounts, but it does have to be readily available to you."

An effective tracking system that can follow cashflows accurately and with ease is essential to cash management, according to Barnes. "For cash transition, you have to have complete confidence in your tracking system," he said. "You have to be sure that the money will arrive on time and will arrive at the known cost."

The relationships that treasurers forge with bankers can have a long-lasting impact on how treasury departments develop and deal with cash management issues. Over the years the role of treasurer and treasury department has changed significantly. Over the next

decade Barnes can see further development in cash management and the overall corporate attitude to treasury as a cost or profit centre.

"We have moved on since the days of the treasury role being solely about buying banking services," he said. "Today we need to be explicit about what we want from the banks in terms of cash management and consider our roles in this area with real detail."

Barnes argued that to succeed in cash management banks had to be properly consulted and discussion about specific requirements and needs for the company had to take place at an early stage. Ensuring that you are not blinded by the shopping list of services that you can often receive will help to keep you focused on what you are interested in. Treasurers must use the banks' expertise and solutions as a good resource but must not stray from their main requirements.

"Sometimes there is a tension between the new sale of a service and an existing sale," said Barnes. "This needs to be managed quite carefully. Sometimes banks can be too concerned with the new sale rather than concentrating on the process that will continue your journey from what you had previously done to where you want to go."

Barnes sees an improvement in the relationships that corporates have with the banks that they use in the future. This improvement will be based on good lines of communication and technology systems.

BACK TO BASICS While treasurers are looking forward and anticipating the range of new technologies that will shape the next ten years, David O'Brien, Assistant Treasurer of business solutions company EDS is supporting a back to basics approach to treasury.

"Technology is of course important," he said. "But, be sure to remember and keep up with the theory. It's the theory that has shaped our past and will define our future in treasury. Ultimately we are the cash management experts to the organisation as a whole and it's important we maintain this knowledge."

EDS has a centralised treasury department based in Texas. It deals with working capital management, liquidity management and foreign exchange management, trading with \$3.5bn a month.

"We are a company with large contracts," he said. "We have 14,000 customers worldwide and operate in approximately 65 countries. Part of our policy and viewpoint on treasury relates to how we handle our banking and how we facilitate our working capital management."

Embracing the future in terms of technology and new processes should only be done by remembering and maintaining what has been learnt by experience, O'Brien believes.

Modernising cash management processes will be a continuing theme for the foreseeable future. Lapses in security and the possibility of fraud must be tackled by every company. Encouraging corporates to move away from cheque payments and paperwork is essential to this. In the US the Check 21 Act, designed to make the cheque clearing process faster and more secure, has tried to improve the system that many use to make payments.

"A big part of changing the culture of payment and treasury processes is education," said Liz Fraser, Strategy Consultant at APACS. "Showing people there is another viable option for these processes which they have been using for some time, will make a positive difference."

The emphasis on treasury is no longer simply the buying of banking services in which the treasury selects an off-the-shelf service. Regulatory changes and the prospect of SEPA mean treasurers will have to keep a close eye on developments in cash management.

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