



Why COVID-19 Has Brought Treasury Tech to the Fore

ERP and TMS systems have a crucial role to play in facilitating automation and improving efficiency, both during and after the pandemic.



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COVID-19 has changed everyone's priorities - and companies are no exception. In the past, infrastructure buildouts, expansion via mergers and acquisitions (M&A) and other initiatives focused on growth have always been the immediate objectives of many companies. Treasury technology projects focused on automation, such as Enterprise Resource Planning (ERP) systems or Treasury Management Systems (TMS), were seen as valuable, however they were often put on the backburner given competing strategic aims.

The pandemic and measures to contain it, such as lockdowns, have created considerable economic uncertainty and disruption to the business-as-usual standard. As a result, many companies' priorities have been upended. The move to remote working, while much smoother than might have been predicted before the crisis, has exposed significant gaps in many organizations' capabilities. In particular, it has proven - to any remaining skeptics - the value of automation and digital workflows.

Many mid-sized companies had, until COVID-19 intervened, retained numerous manual processes in treasury. Checks would be received in the mail, opened, and payments posted manually. Even for those companies with a lockbox, there were numerous tasks that demanded treasury staff be at their desks. On the payables side, things were often even more informal: staff would just walk to the Accounts Payable (AP) department and drop off the relevant payment details.

With treasury staff out of the office, such arrangements have broken down. Many companies have spent countless days trying to source information about their balance sheet and cash flow so that they can produce accurate forecasts. Others have found that their workflows for payments, collections,

reconciliation and other tasks are unclear or paper based. Without a staffed office, checks have been left unopened and cash un-posted; the casual interaction that defined many treasury processes is untenable.

Visibility and control are critical

With treasury staff working at home, and operational conditions as well as financial markets remaining volatile, visibility and control have become paramount. Companies have hastily adapted by scheduling Zoom meetings and more clearly outlining workflows to ensure treasury continues to operate during remote working. Many have made more effective use of online banking to automate reports, and switched to electronic payments instead of checks, encouraging their customers to do so as well. However, to make significant efficiency gains, many companies are looking to ERP systems, which principally focus on the automation of payables, receivables, and reconciliation, as well as TMS, which is used on a broader scope to monitor financial activities such as cash flow, assets and investments. Both are used to minimize reputational risk and maintain the firm's financial security. These solutions were once seen as a 'nice-to-have' that many mid-sized companies promised themselves would be addressed in 'due course'. Now, as a result of remote working, they have become an immediate necessity for many companies; the number of inquiries received by Citi in the past year has risen exponentially compared to before COVID-19.

What technology can deliver now... and in the future

Introducing an ERP or TMS system, coupled with a move from paper checks to ACH or other electronic instruments, offers an immediate fix to many of the challenges associated with remote working. Company and bank data is pushed into the front-end of a dashboard so treasury staff no longer has to spend hours logging into multiple bank websites, general ledger systems or other solutions to post statements - all the information and functionality they need is available in a single place. Implementing an ERP partnered with a TMS system not only improves efficiency but also reduces operational risk, as there is less need for manual re-inputting of data. Moreover, data breaches and other cybersecurity risks are significantly reduced, as users no longer have to manage logins and passwords for multiple systems - they simply have a single set of security controls and protocols that are administered by the company itself.

While the immediate gains from an ERP or TMS implementation are front of mind for companies, many - having made a commitment - are looking to the long-term benefits. Firms

investing in ERP and TMS systems today have concluded that these solutions represent long-term value for the company and will facilitate a more efficient way of working, even after people return to the office following successful vaccination programs.

ERP and TMS are not simply a band-aid for today's problems but a commitment to a more effective automated treasury solution in the coming decades. They will facilitate the likely 'new normal' of part-time office and remote working. Most importantly, automation will deliver long-term efficiency gains in relation to payments and collections, cash flow planning and financial statements, which can improve access to funding in the current tight credit environment. Moreover, automation will free up treasury resources so that post-COVID-19 infrastructure projects and M&A activity can be turbo-charged.

Banks are companies' biggest tech ally

While banks do not provide ERP systems, they have a critical role in ensuring their implementation and operation are effective. Selecting and implementing an ERP system is a big task and invariably most mid-sized companies are putting them in place for the first time. However, making decisions about an ERP or TMS systems is not something that companies have to undertake alone. Clients should speak to their banker before deciding which system will work best for them.

Citi is at the forefront of developing and implementing treasury technologies. We are well placed to assess clients' goals and guide them towards short-term wins (such as moving from check to electronic payments) and play a consultative role in determining longer-term objectives. With deep experience of helping clients to implement new ERP systems, we can help shortlist suitable candidates (or even consider the feasibility of a home-grown system). Citi can also outline some of the typical challenges that arise during implementation and how they can be avoided.

Once a system has been selected, Citi becomes an even more important partner. While ERP and TMS systems deliver crucial visibility into companies' day-to-day activities and deliver much greater control, they are powered by data supplied by Citi. It is Citi that facilitates automation, data processing and the added value that results from the application of artificial intelligence to tasks such as cash posting. Having Citi involved during early discussions with ERP or TMS providers helps prevent misunderstandings or problems later on that could lead to delays. Moreover, Citi's guidance can ensure that the client's ERP or TMS will help them achieve their goals - both during and after the pandemic.