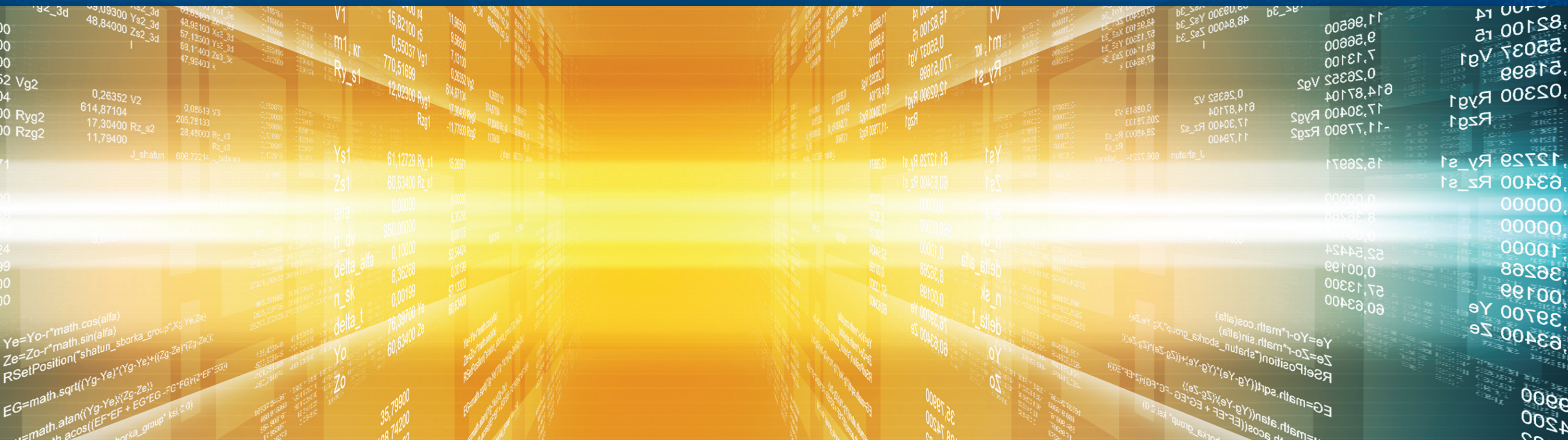

7 Strategies to Build a Resilient Digital Treasury

Takeaways from the 2021 Citi Corporate Liquidity Forum

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Resiliency is a word that resonates loud and clear with treasury professionals nowadays. In the peak of the pandemic in 2020, treasury's resilience was put to the test and ensuring access to liquidity was one of the myriad other challenges. With resiliency prominent on treasury's agenda in 2021, Citi's Corporate Liquidity Forum brought to light seven key strategies for boosting Treasury's agenda this year, and beyond.

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1. Manage growth with caution

2021 is expected to yield an uptick in the global economy and in corporate earnings. However, a multi-speed rebound will be marked by uncertainties as various sectors and economies move at different speeds.

Treasury's risk management acumen will come to the fore as companies look to put excess liquidity to work. Nonetheless, given the environment, many will proceed with caution. Discipline around capital allocations will be needed and senior management will look to treasury for reliable insights in assessing the trade-offs between growth objectives and risk management. Watch senior Treasury leaders discuss their strategies for the year.

2. Accelerate digital initiatives

Treasury transformations, generally speaking, can gain headway from any number of events: A business overhaul, a financial crisis, an evolving technology landscape or even a global pandemic.

Regardless of the impetus or where a treasury organization is on its digital journey, its value to the corporation requires progressing digitization and transformation initiatives, even during challenging times. This includes staying on top of tools, services and trends.

Toward that end, an array of digitization-driven innovations are emerging that can enhance liquidity management. CitiDirect® Cash Concentration, multibank target balancing, seven day sweeps and liquidity sharing are just a few examples of Liquidity Management innovation that Citi is rolling out in various markets around the globe. What's more, technologies such as machine learning are taking data analysis and forecasting to a new level. New algorithmic techniques and machine-based recommendations are being applied to augment forecasting, risk management and decision-making.

Bottom-line, companies in the midst of a treasury transformation, and those that have already rationalized and integrated disparate data and processes, can both pursue digitization at pace and seize new opportunities to increase efficiency and resiliency.

3. Build a real-time foundation

As treasuries continue their march toward digitization, real-time is taking on heightened significance too. The desire for fast, reliable visibility into cash flows is nothing new. However, new business models, 24/7 on-demand commerce and the evolution of instant payment systems around the globe are shifting the demand from "fast" to "real-time".

Today, real-time liquidity is in a nascent stage due to both technical and infrastructure factors. But there is good news coming, as a growing number of markets are adopting new frameworks, and the groundwork is being laid by banks and corporate technology providers for real-time liquidity management to become a reality.

Bottom-line, companies in the midst of a treasury transformation, and those that have already rationalized and integrated disparate data and processes, can both pursue digitization at pace and seize new opportunities to increase efficiency and resiliency.

4. Align with strategic partners

A growing number of fintechs offer specialized solutions that can lead to better liquidity management and measurement. Trusted banking partners, who collaborate with leading fintechs and have a deep technology bench, can play an important role by helping bring to the table strategic fintech solutions.

Citi, which operates its own global Innovation Labs focused on treasury and trade solutions, is helping clients develop sophisticated solutions to meet evolving treasury needs.

5. Anticipate business needs

When Covid-19 disrupted supply chains, challenged traditional sales channels, and sent working conditions askew, the advantages of digitizing and automating cash management processes came even more clearly into focus. Fast, reliable visibility into cash flows and positions became essential. And providing senior managers and core businesses with liquidity insights and advice, often daily and even intraday, became de rigueur among best-in-class treasuries.

It also was a time when digital commerce and the demand for fast digital payment options mushroomed, putting additional asks on treasuries to respond to business needs.

Bottom line, the pandemic demonstrated treasury's strategic role in the company. It also accentuated the need to align with businesses and help them advance new business models, while anticipating their ongoing decision-making needs.

6. Establish ESG goals and program

Issues such as climate change, sustainability and diversity continue to be focal points for environmentally and socially conscious companies. As they seek ways to expand their environmental, social and governance (ESG) programs, treasury departments are playing a greater role, establishing their own ESG goals and strategies that contribute to corporate objectives. Their initiatives include, among others, developing criteria for green bonds, creating diversity criteria for banking partners and vendors, and incorporating ESG money market funds into their investment portfolios.

7. Assess and build skill sets

Building a treasury department today requires the right balance of technology and people.

As treasury departments become more digital and greater emphasis is placed on better use of data, more diverse skills are needed. Technical and transactions skills as well as technology acuity are fundamental. However, deeper analytic skills, more specialized technology expertise , and the project management know-how to skillfully orchestrate sometimes complex technology implementations and treasury transformations play a growing role in today's high-performing treasury departments.

Conclusion

While the economy recovers in fits and starts across global markets, 2021 will be a year to focus on treasury fundamentals befitting a digital age. It will be a year to strengthen technological, skills. It also will be a time to embrace the latest digital liquidity management solutions that strengthen treasury's ability to respond to disruptions and solidify its value to the business — during good times and bad, now and into the future. ■

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