Companies worldwide face an environment of change – ranging from new trade dynamics to evolving business models on the back of digitisation. Ron Chakravarti, Global Head of the Treasury Advisory Group, Citi, explains how corporate treasurers can stay ahead of the curve by reviewing treasury structures, technology and talent.

A century ago, the world was on the brink of dramatic social and political change. The 1920s also ushered in a period of significant innovation in technology and science, with machines replacing unskilled workers on production lines.

One hundred years on, similar trends are reshaping today’s global economy. International supply chains are being reconfigured in response to a surge in protectionism and trade interventions. And digital disruption is transforming industry ecosystems, as well as business models.

Meanwhile, treasurers are busy managing the impact of low and sub-zero interest rates, not to mention changes to Interbank Offered Rates. Major tax overhauls, such as US tax reform and the Organisation for Economic Co-operation and Development’s (OECD’s) Base Erosion and Profit Shifting (BEPS) initiative, are also leading to changes in corporate trading models, with consequences for the distribution of cash, and funding needs, across enterprises.

At the same time, companies are increasingly searching for growth in new geographies, often emerging markets. This adds extra complexity for the treasurer, who is already tasked with taking a greater strategic role and ‘doing more with less’ by embracing advances in technology – even
when some of these digital developments are yet to be fully proven.

And, not to forget, unexpected events – and crises – open our eyes to more radical change. Best practice evolves as the world changes, so treasury models must also move on.

Against this backdrop of uncertainty, Chakravarti believes treasurers would benefit from future-proofing their operations for the 2020s in order to support enterprise growth – while navigating the heightened risks and leveraging the opportunities. But with so many priorities, and no small amount of hype surrounding treasury innovation, where should treasurers focus their future-proofing efforts?

**Cutting through the noise**

According to Chakravarti, there are five key steps that can help treasurers to build their future-proofing blueprint. The first is focusing on collaboration in order to reap the full benefits of digitisation. “Treasurers need to be looking ahead at how they can digitise all of the department’s processes and use data and analytics to help them make better decisions, more quickly,” he notes.

To achieve this level of digital sophistication, treasurers will need to collaborate internally and externally. “Collaboration is vital for treasurers to stay informed of emerging technologies, identify digitisation opportunities, and secure the financial and human capital to realise the potential benefits,” he says. “There will need to be close co-operation with the rest of the finance function and IT in order to ensure treasury’s digitisation efforts dovetail with those of the wider organisation. In addition, treasurers would do well to work closely with their banking partners and technology vendors.”

In this spirit, several Citi clients are participating in collaborative experiments to “leverage emerging digital tools that aggregate fractured data sets more effectively.” The hope, Chakravarti explains, is to be able to use technologies like artificial intelligence (AI) to recognise patterns and adjust liquidity predictions accordingly (see fig. 1). “The technology will also help to simulate next-best actions based on policies and risk appetite,” he continues. “We believe there are similar opportunities with FX exposures, where technology can potentially be more efficient than people in determining the optimal hedging approach.”

**Getting ready for real-time flows**

The second area requiring future-proofing efforts is the move towards real-time treasury. A world where payments and liquidity management...
Treasurers need to be looking ahead at how they can digitise all of the department’s processes and use data and analytics to help them make better decisions, more quickly. Happen instantaneously is on the horizon. “As the velocity of money accelerates, all companies must prepare to move, manage, and invest funds on a global, 24x7x365 basis,” says Chakravarti. “Treasurers should therefore have a strategy and plan for deployment of real-time treasury in the coming years. This will be a very different environment as treasurers of Investment Grade non-financial corporates have not typically worked with intraday cash forecasts in the past.”

Alongside cash management, FX risk management and investments will also happen instantaneously. “Treasury functions will therefore need to work with existing providers of banking and technology services to fully understand the implications of real-time treasury – and put in place the right systems and processes to manage real-time flows. Since these solutions are still being developed, there is an opportunity for treasurers to shape the future by engaging with their partners sooner rather than later,” notes Chakravarti.

To fully leverage the benefits of the real-time environment, treasury teams may also wish to engage with emerging payment providers and networks. “Nevertheless, it is important to assess any potential new counterparties thoroughly, including the know-your-customer, anti-money laundering and financial risks associated with new payment offerings from non-bank providers,” he cautions.

Rethinking treasury structures

The third future-proofing action point is to reassess the validity of the treasury centralisation structures that many treasurers have aspired to in recent years. In a world where enterprise-wide financial, accounting, and tax considerations are increasingly demanding, it is possible that a centralised treasury model is no longer fit for purpose.

Take BEPS, for example. “Tax authorities are scrutinising intellectual property transfers, intercompany transactions, and the basis for arm’s-length pricing more than ever. Another trend is for services to become taxed where consumed, rather than where created. All of this is driving changes in legal entity and tax structures
of treasury maturity are asking whether mid-sized companies at earlier stages landscape normalises? At the same time, later, when the rapidly evolving technology while digital solutions are emerging? Or best time to invest in new technology: now, departments are wondering when is the organisations with mature treasury and fintechs, “ says Chakravarti. 

What’s more, this should not be a one-off exercise in reaction to external changes. “Treasury re-engineering is most effective as a continuous process. Ideally, this should consist of a regular check-up of the existing set-up, and then any changes can be made if necessary, to ensure the structure remains optimal to support the organisation’s growth,” Chakravarti notes. 

That said, it is sensible to have ad hoc reviews in response to unprecedented global events. “Best practice evolves as the world changes, so treasury must remain adaptable to change and be ready to move on.”

Re-engineering technology

The next area requiring attention is advancement of treasury technology. “Of course, this goes hand in hand with digitisation – but here we are talking less about processes and workflows and more about systems and the connectivity webs both inside and outside of treasury.”

Most large companies have well-established treasury technology architectures. These typically involve high levels of integration between the treasury management system (TMS), enterprise resource planning (ERP) solution, and standardised connectivity with relationship banks. “But the technology landscape is changing rapidly and boundaries are blurring between traditional tech vendors and fintechs,” says Chakravarti.

As a result, treasurers of larger organisations with mature treasury departments are wondering when is the best time to invest in new technology: now, while digital solutions are emerging? Or later, when the rapidly evolving technology landscape normalises? At the same time, mid-sized companies at earlier stages of treasury maturity are asking whether they should follow the path of established companies towards traditional ‘best-in-class’ treasury, or whether the new landscape offers the opportunity to leap-frog existing models.

Whichever approach is taken, “treasurers would do well to create a plan for technology requirements for the coming decade, based on anticipated changes in the business and its financial services requirements,” cautions Chakravarti.

Talent for tomorrow

Last but by no means least, treasurers have an opportunity to prepare for the future by broadening their skill sets and reasserting the value of treasury – as value creators for the enterprise. “Talent management will therefore be vital, and traditional areas of expertise such as cash and risk management will no longer be sufficient. Heading towards 2030, treasury professionals will require a range of hard and soft skill sets, combined with deep understanding of technology and data science,” observes Chakravarti.

These traits will be needed to help modernise treasury for the era of AI, application programming interfaces, and big data. In addition, well-honed communication skills should help to ensure that treasury always has the ear of the C-suite and is consulted throughout in the strategic decision-making process.

Picking up the gauntlet

Working on the five areas outlined above should help treasurers to prepare for the decade of momentous change that lies ahead. “Nevertheless, it is important to keep an eye on the present, as well as the future,” cautions Chakravarti. “In order to make the most of forthcoming opportunities and weather any storms, treasurers need to have strong foundations across core treasury pillars, delivering financial efficiency and robust risk management.”

Multitasking will be the order of the day as treasurers simultaneously manage current-year priorities and medium-to-long term objectives, guided by a strategic plan to future-proof the treasury function. “Those who achieve this will be best placed to succeed in this new decade,” concludes Chakravarti.

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Ron Chakravarti leads a global team with responsibility for providing Citi’s multinational corporate clients with advice on treasury and working capital management practices, and Citi’s global product management teams with insights into emerging client needs to shape solution strategies. The team also works closely with Citi’s Banking, Capital Markets and Advisory and Markets divisions towards “One Institutional Bank” advisory and solutions for clients. He holds an MBA from the University of Massachusetts, Amherst and a BA (Hons) in Economics from the University of East Anglia, UK.