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THE RIPPLE EFFECT
Stories of purpose and lasting impact

That time adding complexity unlocked efficiency.

A strategic treasury transformation positions one company for the future.

THERE WAS A ROAD MAP. AND IT MEANT RETHINKING THEIR ENTIRE BANKING LANDSCAPE.

THE SITUATION

Eavesdrop long enough on folks working in construction, and you'll hear about *stub-outs.* This means installing major plumbing or electrical components in a wall, then capping them off rather than completing the work. The design and infrastructure for the resource is done (if inactive) and ready to be accessed in the future.

Stub-outs can be useful in business, too; leaders with strategic mindsets can design their technology, people, and finance systems today in ways that anticipate the growth they expect tomorrow.

The leaders at one global telecommunications company have such a mindset, particularly in the realm of finance. Their company—with offices in dozens of countries managing hundreds of suppliers and servicing more than 1,000 enterprise and public-sector customers—*seemed* to be operating well. (In fact, it was). But would that always be the case?

Because operating well today meant business was growing, and that growth—particularly overseas—meant the company was party to global changes in governing tax regulations.

So to harness tax efficiencies (and continue growing tomorrow), leaders undertook a legal entity rationalization, realigning the company's organizational structure and business processes.

In practical terms, this would mean transforming the company's US-centric operating model (whereby the company both paid suppliers and collected from customers in US dollars) into a bifurcated US and foreign principal model. In the new model, the US company would continue to facilitate domestic sales, while a UK-based principal would facilitate non-US sales through several limited-risk distributors.

Further ripple effects: Changing the model would mean that the company's treasury—the function that managed money and financial risk—would need to be structured differently as well. There were opportunities to improve cash management and governance.

The existing bank account structure, for instance, would leave cash scattered across multiple markets ("idle") when, instead, it could be put to work (i.e., be invested or pay down borrowings). This structure would also make it harder to maintain visibility and take more manual work to control the expected increase in transaction volumes. More to the point: Since potential M&A ventures would require significant changes to the existing banking infrastructure, future growth could be compromised.

Addressing these inefficiencies would mean building out a new financial infrastructure. But doing so—shifting the way procurement, sales, and intercompany trade were managed—would add a degree of complexity and scale that the company's treasury function wasn't necessarily equipped to handle.

Yet ... because there was a possible road map to the future state, and it involved revisiting treasury's strategy, organization, workflows, processes—in fact, its entire mechanism. The road map involved a *treasury transformation*. To help assess what such a road map would look like, the company called on Deloitte's Treasury Advisory Services. And despite a global pandemic and the need to conduct all business virtually, everyone got to work.

THE SOLVE

Though the enterprise resource planning system was being upgraded with a new instance of the treasury management system being set up, one of the Deloitte team's first design principles was to reuse as much of the legacy system as possible—there were major IT infrastructure considerations, for instance, including the company's enterprise resource planning (ERP) and treasury management systems—while simultaneously changing the legal entity and tax structure *and* stubbing out structures for future growth. This reuse approach helped with the classic "gotcha" in systems redesign: How does one change the tires on a moving vehicle?

The Deloitte team then solicited input from cross-functional stakeholders in treasury, tax, accounting, and IT: How could the client minimize disruptions? What challenges did the people face with the current system? How could a future state unlock efficiencies? What would an effective change management program look like?

The scale and complexity of the undertaking, along with pandemic undertow (no more hashing things out in a room with a whiteboard) was daunting at times. Stakeholders without treasury expertise had to be brought along as things got more technical so they understood the full breadth of the design and the implications it had on their functions. "It was like we had this ball of spaghetti," one Deloitte team member recalls, "and we were converting it into a daisy chain."

Still, the daisy chain started taking shape. The Deloitte team offered advice and recommendations on a new treasury center and the types of cash concentration and banking structures that would enable efficient and controlled payments and collections. Stakeholders gave further input, and then the working team started developing an implementation road map for both process and technology transformations, including a competitive bidding process for a new bank to support the cash concentration structure.

The working group created cash pooling methodologies that would cater to the liquidity needs of subsidiaries while reducing idle cash and manual effort. The team also developed methodologies to monitor liquidity, settle intercompany trade activity, and manage exposure to foreign currency rates, as well as modify the company's treasury management system to enable to processes developed. Beginning to end, the process took 15 months.

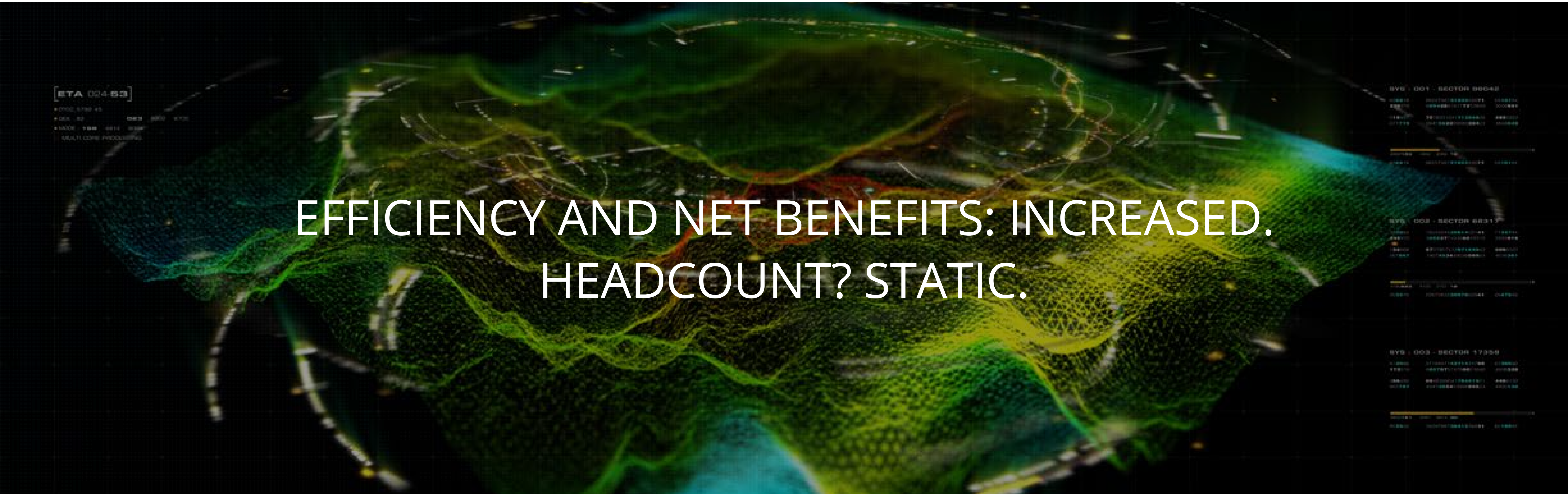
THE CLASSIC GOTCHA: HOW DOES ONE **CHANGE TIRES ON A MOVING VEHICLE?**

THE IMPACT

Transformation: complete. The company and its treasury department are now able to meet the needs of a more complex business model that cuts external bank flows by half, keeps intercompany balances current, simplifies both bank account structures and foreign exchange hedging, and ultimately reduces both bank fees and cost of capital from idle cash—all without increasing headcount.

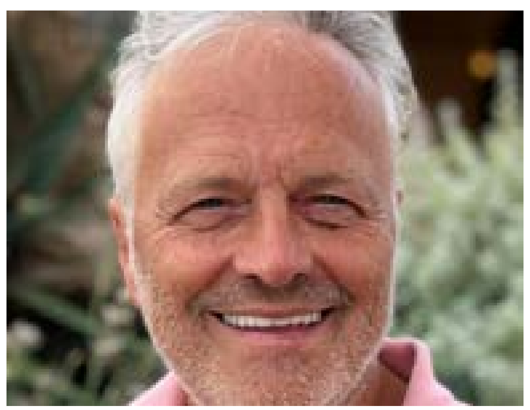
Process redesign improved treasury's ability to manage liquidity and foreign currency market risk in major markets, with new governance policies improving visibility and control over cash flows and balances overall.

More to the point: The customized, end-to-end solution has stub-outs for potential growth scenarios involving mergers and/or acquisitions. Hold the spaghetti.



LET'S CONNECT.

Do these challenges sound familiar?



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