



# Leading Practices

Working Capital Management, Managing Globalization

March 2017

Co-Presented By:





# Coming Up...



**2017 B2B Payments & Working Capital Management Survey**



**The Digital Corporate Bank: Land and Expand Strategies Easing the Corporate Experience | Part 2: Expand**



**How Banks and Corporates Benefit from SWIFT gpi**

# About the Series & Presenters



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**SAP Ariba** is the world's largest B2B network – connecting over 2 million companies across the source to settle process. They have partnered with Discover to develop the award winning B2B payment platform: AribaPay.

Experience: 20 years leading innovation initiatives impacting treasury, finance, and procurement functions.

**Strategic Treasurer** is a consulting firm advising on treasury, financial risk and risk technology issues.

Experience: 30 years – 12 years leading ST - serving corporate, government, education and not-for-profit institutions

**Advise**

- Treasury Technology
- Working Capital Optimization
- Treasury Security
- Financial Risk Management
- Compliance
- Bank Connectivity & Onboarding
- Bank Fee Management

**Inform**

- Industry Surveys
- Analyst Reports
- Benchmarking
- Whitepapers
- Webinars
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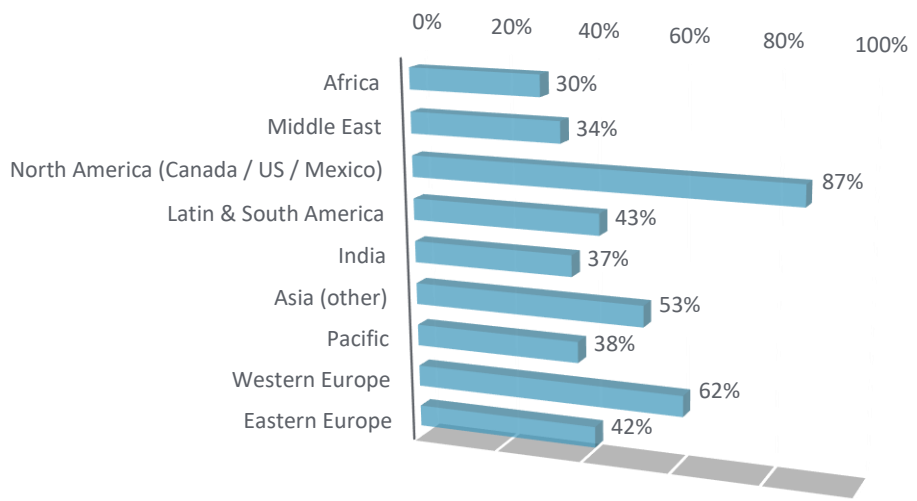
## Topics of Today's Discussion

- 1 The Impact of Economic Globalization on the Supply Chain**
- 2 The Opportunities of a Globalized Supply Chain**
- 3 The Challenges of a Globalized Supply Chain**
- 4 The Importance of Aligned Internal Objectives**

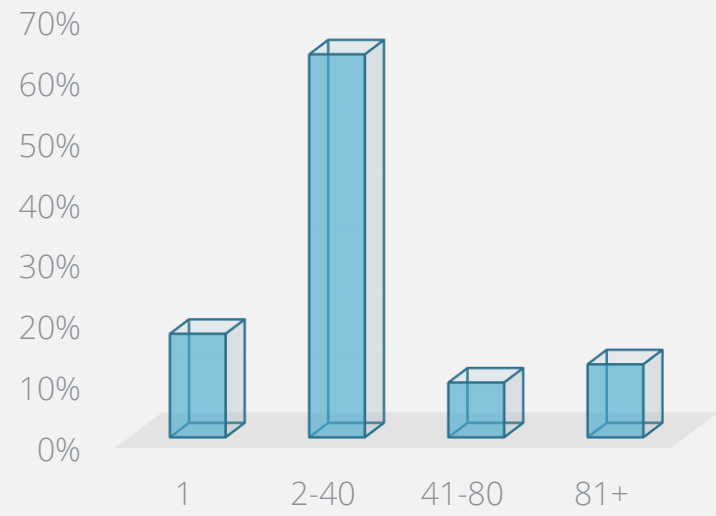
# A Globalized Economy



Which region(s) does your company operate in?  
(Select all that apply)



Our Business Operates in This Many Countries:

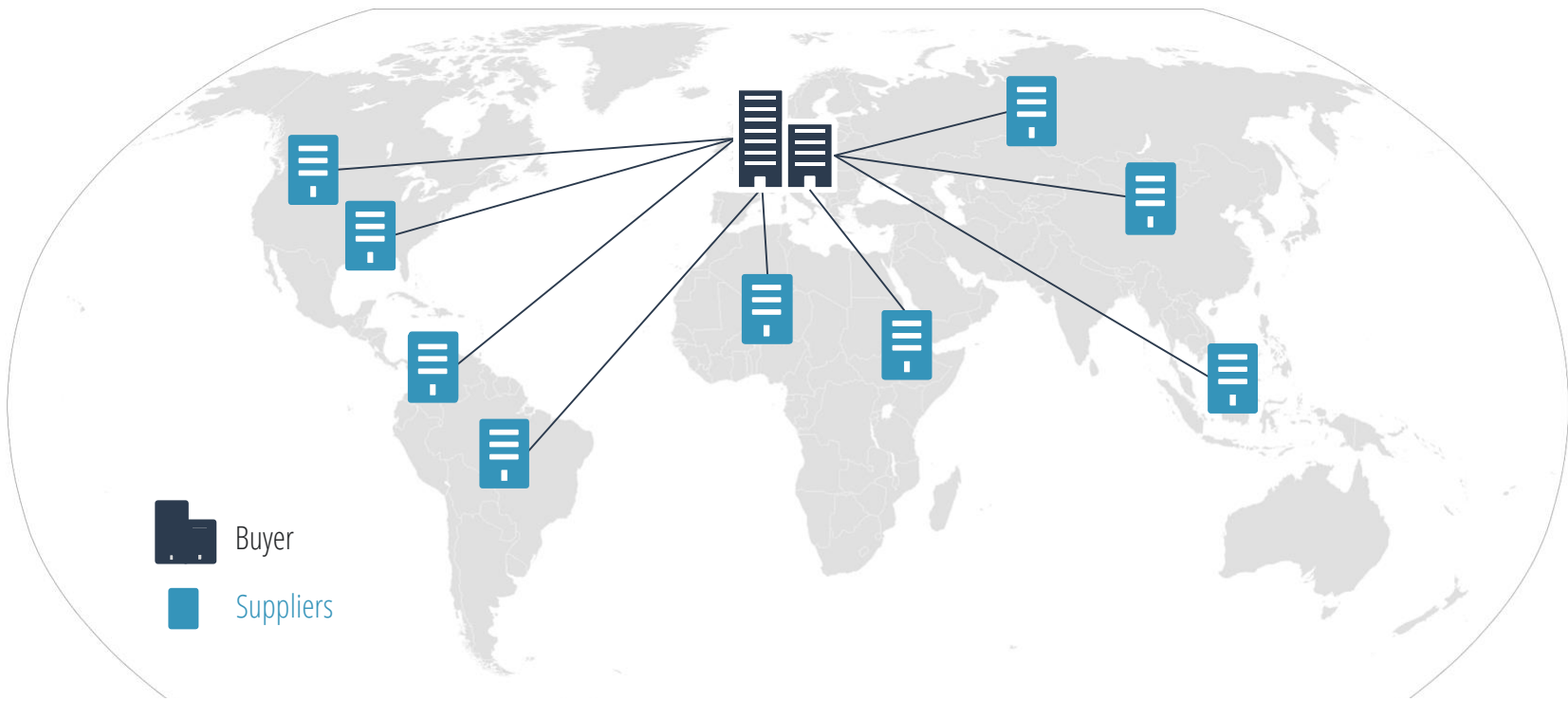


Strategic Treasurer's 2016 Global Payments Survey underwritten by Fides Treasury Services

**The vast majority of organizations today conduct operations in a multitude of different regions and countries. 83% were operating in more than one country, and at least 30% were operating in each of the major world regions.**



# Globalization of the Supply Chain



As the world's economy is more connected now than ever, the supply chains of many organizations span across a range of countries. These cross-border supply chains create a set of unique opportunities, but also a number of challenges.



## Globalization of the Supply Chain: Key Opportunities

 **Increase Communication & Interaction with Supply Chain**

 **Maximize Supplier Participation in SCF Programs**

 **Optimize Working Capital**

### Key Opportunities: Increase Communication & Interaction

A proper cross-border SCF program allows **buyers**, **suppliers**, and **financing institutions** all to interact with one another centrally and in real time, regardless of location.

- Data can be efficiently managed & exchanged over long distances
- E-invoicing and E-payment capabilities are provided
- The SCF Solution acts as a centralized hub for buyer-supplier interactions







# Key Opportunities: Increase Communication & Interaction

The advancements in technology that have occurred alongside the globalization of the supply chain have allowed buyers to onboard ever growing numbers of their suppliers to their program.

- Virtually the entire supply chain can now benefit from an SCF program, including the “long tail” of suppliers.
- The ease in which suppliers can now be set up and begin use of SCF solutions results in higher participation rates.

Historically, a buying firm’s small (SME) suppliers would be excluded from their SCF program, as **the cost and risk associated with onboarding them outweighed the benefits.**



Due to technological innovations that have made it easier and more affordable to onboard suppliers, **a buying firm’s entire supply chain can now participate in their SCF program, including SME suppliers.**





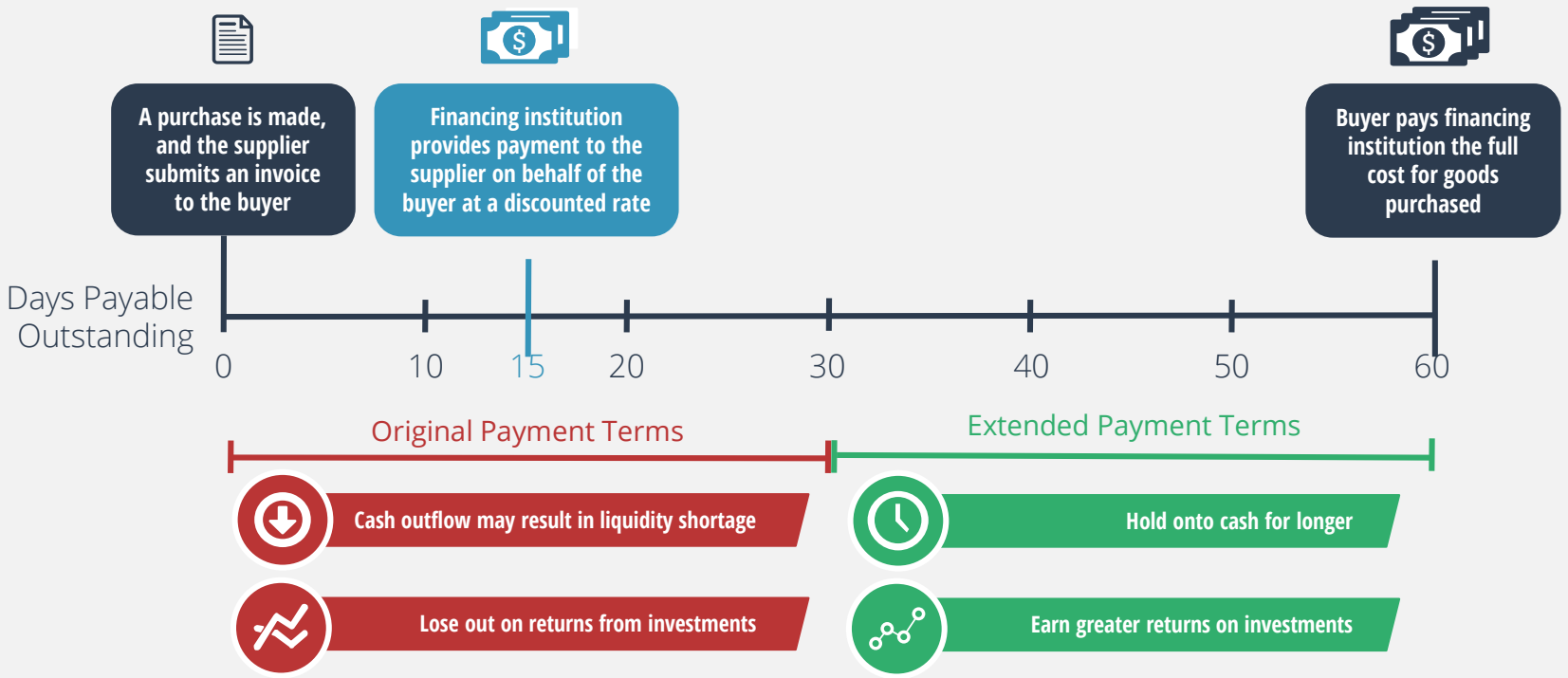
# Poll Question



# Key Opportunities: Optimize Working Capital

Supply chain finance allows a buying firm to hold onto their cash for longer periods of time, without placing unnecessary burdens on their suppliers. This can be done in order to:

- Put cash to work in the market generating returns.
- Ensure enough capital is on hand to pay off short term cash outflows.





## Globalization of the Supply Chain: Primary Challenges

The globalization of the supply chain has resulted in a number of new challenges for organizations as they attempt to establish a supply chain finance program.

### Regulatory Inconsistencies

- Emerging vs Developed Markets
- Lack of regulatory clarity in undeveloped regions
- Maintaining Visibility

### Managing Risk

- Physical Risk
- Liquidity Risk
- Global Payments Risk



## Primary Challenges: Regulatory Inconsistencies

One of the major issues that can arise when instituting a global SCF program is the complex and often unclear regulatory guidelines that exist in some markets – particularly in South America & Asia. As these regulations can shift from country to country, the task of ensuring an SCF program’s compliance within each principality can be costly, complicated, and time consuming.

- In most cases, the SCF solution provider will have the experience to navigate these diverse regulations and can provide guidance to firms as they set up their SCF program.



In Europe, compliance expectations, particularly for banks, are steep



The North American compliance environment also places steep expectations on banks



In Latin & South America, a lack of regulation in many countries makes lending to suppliers risky






In Asia, the differences in regulation across various jurisdictions is complicated to understand



# Poll Question




## Primary Challenges: Managing Risk

As the supply chains of organizations become more global in scope, the process of managing risk increases in difficulty.

-  **Physical Risks:** Threat of supply chain bottoming out, supply shortages, etc.
-  **Liquidity Risk:** Shortage of liquidity due to cash being tied up in the supply chain
-  **Payment Risk:** Payment security becomes an issue as funds are exchanged through potentially insecure channels, or delivered to unstable regions where it can be tied up or seized.

## Internal Alignment: Establishing Objectives

When implementing or managing a global supply chain, it can be difficult for all the involved departments and parties to agree upon a unified set of goals and objectives. In order to circumvent this issue, there are a number of steps that can be taken.




-  Include all affected departments in the decision-making process (Procurement, Finance, Treasury, IT, etc.)
-  Work together to establish mutually beneficial objectives
-  Make sure each department knows what their primary responsibilities are moving forward





## Final Thoughts: The Right Questions to Ask

**Moving forward, there are several key factors organizations should take into consideration when weighing the decision to implement a cross-border supply chain finance program.**

-  How can I structure my SCF program to most effectively promote participation amongst my supply chain?
-  What is the best way to manage risk and maintain visibility to my global supply chain?
-  How can I ensure collaboration amongst my various departments to ensure that organizational SCF objectives are aligned with one another?



# Contact Information



Strategic Treasurer was founded in 2004 by Craig Jeffery, a financial expert and trusted advisor to executive treasury teams since the early 1980's. Partners and associates of Strategic Treasurer span the US, the UK, and continental Europe.



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With our recent twenty year milestone, the Ariba Network is nearly two million businesses strong, with tremendous support as a member of the SAP family. Together with our customers we're changing the way business gets done. And we invite you to join us.



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