Transforming Treasury: A Dose of Realism
MassMutual

Craig Jeffery: Welcome to the Treasury Update Podcast. This is Craig Jeffery, and I'm here with Todd Picken who's the Treasurer of MassMutual. Treasury transformation contains both joys and opportunities that need to be tempered with a dose of reality. That's the focus of today's podcast. Let me introduce Todd Picken. Todd is the Treasurer of MassMutual. MassMutual is a large insurance company based in Massachusetts. That organization has been around since 1851, and Todd is no stranger to driving change across several different leading treasury and insurance organizations. And importantly, you'll find that he's quite active in giving back to the industry, sharing his insights and experiences, most notably with LOMA and now on the Treasury Update Podcast. So Todd, welcome to the Treasury Update Podcast.

Todd Picken: Thanks Craig. Appreciate you all listening today on this topic.

Craig Jeffery: So as we jump into the topic about treasury transformation, that's a bit of a buzzword. I want to move past what the buzzword is into the reality. That's why I call it the dose of reality. What's going on. So let's talk about change and transformation. So any, any organizations facing a lot of change, rapid change, and as treasury professionals, as IT professionals, everyone has to do more to adapt. Transformation seems to me to be the rapid adoption of change in an intentional manner, thinking through making changes to processes, workflows, technology in a systematic manner intentionally. So, from a change perspective, I'd like to hear some of your thinking on what's changing and the level of that change. How dramatic is that change that you're seeing?

Todd Picken: Well, Craig, one of the, one of the important things to understand is that treasury has become more strategic to any organization regardless if you're a large mutual insurer like MassMutual. But what, what I think is most obvious to me is we are helping to change a fast paced environment. Technology's changing the way in which commerce works today. The way in which we use technology to move money requires the Treasury area to not only be out in front of some of the technology, but to be able to communicate effectively across the organization. I'm going to be able to say to suggest different technologies so that our customer experience is better, but more importantly the more you do with the rest of your organization to, to understand those those needs, the better information you have as a Treasury Department to manage the over all liquidity for the company and some of the operational needs going forward.

Todd Picken: Aside from that, more pivotal obviously than ever in helping to manage overall overall balance sheet of the company and capital of the company. In order to do that, you know, you really have to figure out how to get more efficient in your organization so that you're focused on real, you know, analytical work versus a lot of the operational work. So, um, I covered a couple of things there, but the

bottom line is the change that we see most dramatically is the really focused from real operational work to more analytical work across the company.

Craig Jeffery: Okay. So that's the top, the movement from operational movements to more analysis, better insight, running different models. But you also started off with, you talked about technology adapting are adopting different types of technology to drive the business forward and communicating those two things seem pretty important.

Todd Picken: Sure. It's very important that especially, you know, many of our companies have been around for many years and are in our case 168 and so over over time, many of us have had multiple systems that we interface with the Treasury Department in large companies with multiple administrative platforms have to easily coordinate the data and make sure we have that data consolidated in an efficient way. So I do find that leading the organization through some of that transformation and being able to better consolidate that data in converts systems and helping that payments both receipt and disbursement, so the company become more automated, also provide better insights to cashflows is pivotal in the future and currently in the treasury environment.

Craig Jeffery: So the value play for this transformation, is it about moving to an analytical organization, leveraging the data and the technology? Or is it about more about process redesign or how would you put that together? I mean, it's gotta be some of all.

Todd Picken: Of course it's all of it, but we tend to think about customer experience first. There's only a few times, um, life insurance company has a experience with a customer and most of the time it's through, through premium payments. And then other times we have opportunities to really help people when an unfortunate event occurs. And so when we try and focus on is how that experience feels to the average customer. And you know, frankly the that happen on a regular basis by any of our policy holders of this is in itself an experience. So as we focus on new technologies and the ability to integrate those into our products, treasuries, they are helping to navigate that environment and understand that the latest and greatest ways in which our customers will pay us and we'll pay them.

Craig Jeffery: Then you mentioned two areas that your mindset is on. One is on the customer, what's their customer experience a few times to interact as an insurance company. How do you make that less painful or more enjoyable? And then you also talked about the capital, you know, the balance sheet planning, making sure you're looking after the organization's balance sheet. How do you think about those two things together in terms of transformation? Are they separate tracks, you know, or is it just one or how do, how do you look at it?

Todd Picken: Well, I think it really depends on your company and the role you play as treasurer for any company, a large mutual company like mass mutual, it's about

longevity. Um, our liabilities, we'll reach out 60 years. And so when we think about being there for our customers, policy holders, we have to make sure we have the surplus and capital there and maintain the financial strength to be there when our customers need us the most. So when I discussed is really two separate opportunities. One is making sure the experience of our customers were there when they need us, that reputation matters. So it's making sure we have the financial strength and that's one aspect. But the other aspect is making sure they were experienced in you know, being a new customer and throughout the years that that we're, we're keeping up to date with the technologies that keep them talking about us as a company that is proactive in that space. And innovative.

Craig Jeffery: Todd, when we started the podcast, I mentioned that treasury transformation or transformation is the rapid adoption of change intentionally being intentional about adopting change, whether it's process or systems. Do you agree with that or how would you calibrate that differently?

Todd Picken: I would say that what we are doing is part of what treasury sees as part of the organization is really all the cashflows of the company and where there's opportunity for an experience in one part of our company that should be replicated across another part. We really want to see that being consistent so our customers have the same experience, whether they're a customer of our workplace environment or customer of our insurance business. I do take an approach or trust mutual takes the approach of trying to coordinate a lot of this change across both areas consistently. And we do have a team of um, what we call treasury consultants that they spent a lot of time talking about models and architecture that, that support this, this type of environment.

Craig Jeffery: See, so you have a built-in transformation team in your group, it sounds like.

Todd Picken: I wouldn't call them a built-in transformation team. Call them the consulting team that you know, is advising on how most efficiently to set up our cash management processes and while doing so, adopting the best practices regardless of this isn't a project of transformation and it's over. It's, it's constantly looking at ways in which to refine. We find the business and um, and deliver new technology, new ways in which we can move the cash flows in the company.

Craig Jeffery: Am I putting words in your mouth? If I would say the MassMutual definition of transformation is continual change continually making things better, not just a venture.

Todd Picken: Correct. Getting better at getting better, Craig, is probably what I would.

Craig Jeffery: All right. That sounds good. Sounds like it could be on a button. Maybe. So I want to talk about three areas in sequence. One is getting buy-in, you know, how do you pay for transformation? So there's an element there of how do you

fund this ongoing, getting better at getting better or even a larger project if that happens to be a case. Second, I want to talk about the cultural change, because there's a pretty big human element and we've seen in many cases where some people can adapt to the change and others have a harder time. So how do you go about making the best change culturally to that? And then, finally I want to discuss technology, getting technology to work, every transformation project or almost every single transformation project or mindset constantly layers in new technologies we go through that. So those are the three areas. But starting off on, you know, paying for transformation or getting in, how have you, I'll say you, but how has MassMutual treasury had success in paying for these changes that you're talking about that getting better at getting better?

Todd Picken: Well, well first of all I wouldn't just lock it in he treasury alone. We think in terms of our entire corporate finance division focused on transformation because as a trusted partner with the rest of our businesses, our entire corporate finance team work together to help that transformation process happen. The way we thought about it at MassMutual, and I'm pretty certain other companies are also looking at this way, is what type of work are we doing in our controller shift in our treasury group, in the rest of the organization that is very repeatable work is work that has always been very operational in nature where we could potentially leverage TPAs are outsourcing to get an arbitrage that that works to our benefit. Hopefully that process can and then help fund some of the technology that helps us be more analytical.

Todd Picken: We definitely are focused on taking a look at some of that work and looking to do as much of that as possible in culture. That's a big change. So you know, you asked, you know, how you know, how you pay for it while you do as much as of that as you can. You try and get more efficient and improve process. We were fairly significant lean shop. So we do process improvement and uh, solve around, you know, using lean techniques on a regular basis. We look at opportunities for robotic processing or where there's opportunities and then we look at strategic partners to help us, you know, really handle some of the repeatable work that is out there for us in more operational based work. And as a results of those, those three things, we will end up with the ability to help pay for new technologies technologies that are based in investing in data and in being able to synthesize that data in a way to, to look around the corner, to be able to do a better job at sales forecasting, to do a better job at evaluation and modeling and the organization.

Todd Picken: And yes, in being able to do a better job at cash forecasting and, and some of the treasury work that we do. So that's the way we're looking at. We're not just going out there looking for funding, we're looking for ways in which we can become more efficient to be able to pay for some of this change.

Craig Jeffery: Tell, let me jump in there for a second. I want to do some followup on the buy-in aspect that I'd like to hear your comment about, you know, it's not just treasury, you're looking at all of finance. You're part of a bigger big organization.

There's partnering. And then when you talked about the, you know, paying for any changes that you're doing, you give the example of TPAs or third party administrators where maybe you're arbitraging staffing costs, you're moving very repeatable events to locations or service companies or partners who can do those things more affordably. Does that also include that arbitrage where you're shifting to a lower cost method? Does it also include, you know, robotic process automation or automation where you can eliminate some of the human element for something that's very repeatable you know, moving data around doing an initial valuation and then the humans involved and your professionals are involved in doing analysis or monitoring or managing the process? Do you look at both of those or is it just the arbitrage of labor?

Todd Picken: As I had mentioned, we are looking. We look at it process improvement, but we also look at ways in which we can put robotic process around around certain activities. And we find that the robotic processing that we have accomplished is more than, you know, a lot of people look at and say well I used to do that with macros and in other scripting. But their robotics processing we see today is much more advanced. First of all, it solves problems in a similar way that we used to with macros. But the maintenance of those robots or bots and the way they're managed is more effective. And there's not going to be a scenario...We hope there's not going to be a scenario where down the road if something changes, if it's too difficult to modify the Bot that's running the process. So there are cases in treasury where we've been able to look at robotic processing and in our investment ops side of the house, that's proved very effective. So we continue to look at those opportunities, try and measure cost benefit analysis of each one. There are a few people in our, on our organization that were brought in specifically to do robotic processing and their time is extremely valuable. So we sort of try and align those projects based on the CPAs we can put together.

Craig Jeffery: There's probably no end to items that can be automated in this quest for being more efficient. I like how you self fund those by, you know, finding opportunities to improve your efficiency and then pour that back into, in this case a few people are working on robotics, RPA activity, etc. Do you run into challenges where you're competing for funds? Like in almost every organization? Do you have to make arguments about this? We need to do this from a financial perspective, a strategic perspective to address the need, it's controller risk. How else are you making those arguments or is it really just about yes, swapping better services, more analytics and saving money in the, in the course of action?

Todd Picken: Well, I don't think there's any organization out there that doesn't manage their funding of these types of initiatives closely. There's limited, typically limited resource and limited funds available, but that's the importance of demand management and making sure you have the proper CPAs in place. And we're identifying not only efficiency metrics, but you're also identifying opportunities for, you know, improvements in both investment earnings were better projections for the business teams in the sales, salesforce, et cetera.

Craig Jeffery: Do any of these arguments involve yeah, this will help us with control reducing risk in addition to the performance metrics.

Todd Picken: Sure. Actually there's, um, there's always a review do around anything, whether it's monitoring additional monitoring controls when you're sourcing activities functions through the robotics process where you have to have additional monitoring controls. So don't think that you can just turn some bought on and step away. There's, you know, a good percentage of time plan on spending at least 20% of your time monitoring the outcomes of the bots and making sure that all the controls are in place there, as you can imagine, we're very controlled, focused in a finance area. So those are very important. What's really interesting is when you're, when you're doing things that help you manage risk on a regular basis using bots, you know, they're 24/7 you're always going to have the most up to date counterparty risk data or are there other information you might need?

Craig Jeffery: Yeah. So as you move on from, you know, paying for the transformation or making sure there's buy in forward to the human element, you know, the concept of cultural change, this idea that changes, changes, easier to push on others than to have pushed onto you, for example. You know, just, it's, it's easier to, to talk about change rather than to live through it. But I think the important part is the human side of transforming is pretty disruptive to some people. It's very energizing to others and sometimes there's new activities, new requirements and certain functions and activities no longer exists and other ones come in their place and maybe a lot more other ones come in their place. But we've seen, you know, sometimes 2030 or even 40% of people not being able to adapt to major changes in their area. When these go in automation keeps coming or people make significant changes if it happens rapidly, some people don't retool as quickly. And so in terms of helping this, what do you, what do you see as important and helping the culture change? I guess on a continual basis and helping individuals change, whether it's finding something else to do if they're not able to change in the way that's needed, but how do you help bring people along with this?

Todd Picken: Well, I think it starts with making sure you're communicating effectively the change that's about to occur and making sure you have strong opportunities to discuss the development that's necessary to get to that, to be in that new environment with the folks that are in your group. And you're absolutely right. Some people will really be anxious to get there and others won't be. However, what I've found is that the more you communicate and the more you discuss the changes and identify the opportunities for development, the more engaged your staff is to learn those, those tools. So it am I saying 100% of the group is going to move forward with that. No, I'm not going to say that, but for the most part if you invest in the talent and you start looking at the development opportunities and measure that some of this is a lot more exciting than the work that's being done before.

Todd Picken:	So don't give up on that cultural side because we've experienced a fairly significant change in the past year and our associate level is, is working hand in hand with the leadership team here in treasury to come up with the new training plans and the new development opportunities within the department. And everyone is excited about learning genuine. So not everybody will, will want want to be there, I get it. But as a, as a leader, you need to really put out, you know, put that lighthouse goal out there and make sure that the people understand, you know, what the outcome is. If they believe in the outcome, then they'll want to move ahead.
Craig Jeffery:	I think. I think that says it really well. You know, we see people that look at it as an opportunity, look at the changes in the opportunity. They're constant learners. They want to help drive the change. They do the best at that. I'm trying to remember that movie that there was these ladies from NASA, they were the calculators and they manually calculate everything and then they were learning how to use the computer because they saw that that was going to be faster and were looking ahead what's next step? How can we leverage the tools of the day? But Todd, technology changes a lot of things and you know, if you're not adapting to change, there might be some ways to handle it. But if you keep moving to areas that are like, I'm going to do something that's all manual, I think you'll find that technology just chases those people around the organization as you keep finding ways to become more efficient. You know, especially for the real mundane tasks. But when we talk about technology, we shift onto technology, getting technology to work. I think I mentioned earlier that every major transformation includes some significant technology elements or technology's involved in them. Um, where and how do you see tech impacting treasury? You've already talked about a few areas, but just talk about those things that make the most difference.
Todd Picken:	Well, I think in treasuries specifically the newer platforms that are, are out there that really integrate all the different flows of the company and allow you to see a one, one picture, we've come a long way in that, in that space and treasury, in the systems that are out there and many of them are actually cloud based now, which is nice too. But I would say the most important thing to think about is how your interfaces with the platforms that give you the information for liquidity today. Can you set that up so that in a decade to two decades there won't be major change necessary in the future. So how do you make that as dynamic as possible? How do you make that so it's not becoming just another siloed platform or siloed process down the road and can be replaced with new technology easily.
Todd Picken:	So I think strategically we have to think about that. One of the challenges most companies have had over the years is the payments and the payment systems tended to all be attached directly to the administrative platforms. And we just may have to think differently about that because he ended up with MassMutual with a lot of payment systems and many other companies have the same same challenges. So getting to a point where you have a more centralized hub type

approach to managing a lot of the cash flows is one of those areas that it's important to focus.

Craig Jeffery: I like that. I think of it as, you know older systems used to be maybe two tier. There was the UI and the database and process layer where sometime commingle, then they moved to a three tier or an end tier where the data layer, the process layer in the UI and now we move more as you said, like to open systems where you can have specialty systems that connect one to another. I hear you talking really about what is the modern treasury technology stack or the new finance stack need to look like so that it does last, you know, years and more than a decade so that you can continue to move towards what's your future state needs to be. Now as we, as we look at reporting and analysis, there's, there's a few things on that, right? So if someone says to you, Todd, we need this information or that information, you go to your team, they say, where's the data?

Craig Jeffery: How do I get the data into, you know, some normal state that I can run and analyze. But what do you think about data when you say, how do we set up an organization, you know, that can help us answer questions that we might not know how to ask today? How do we create that type of flexibility so that we can be an analytical organization knowing that there'll be questions that we can't ask yet, but we're going to have to answer later. How can we be more nimble in the future? As we think about data.

Todd Picken: If you are leading a group of people to transformation, and you talk to them about look, we're going to shift everything from being transactional based and repeatable work. We're going to get strategic partners to do that and now I need you to be more analytical and you leave the conversation there. Everyone's going to interpret analytical work differently and in some cases, you know, I looked at this nice problem, solved this problem. Therefore I'm analytical. What you have to do is actually put some very simple goals out and drive towards that analytical chain. Like example I like to use is when the treasury team, when I talked to them about the analytical work, how do we maximize liquidity? How do we maximize the cash available for investment each day and how do we maximize the return on our portfolio as a result. So go back to every particular job.

Todd Picken: You know, if you are working in treasury, you're in a job most likely that can impact that result. Start analyzing ways in which you can help to drive those earnings to help drive the process and look for ways in which to get better reporting and better data to help support that. And that gives them some something to shoot for there. Otherwise, you know, everything that everyone interprets interprets analytics differently. In many of the FP&A teams we talk about the analysis, FP&A or analysis is usually based on looking at that history or results and why we came up with different results, but they're real analytical work in their spaces to be able to project the results. What's going to happen down the road? What do we need to be targeting? So it's making sure that

we're not bogged down with just trying to dig out why something happened, but actually be able to look around the corner and so that can apply to almost any area in our corporate finance group. I guess the bottom line is, you know, when you're leading through a lot of this change and talking about being more analytical, you have to get something out there that's the bogey that someone can actually look at and say, okay, I'm going to see how I can impact that.

Craig Jeffery: Yeah, I like that. That's simply stated goal. It's easy to state but it's a supremely challenging to hit because there's, it's not a reach a certain number. It's how can you maximize the cash available? How can you get the return on the portfolio or whatever your goals happen to be, reduce errors. Very good way to look at it. One other element, Todd, on the, you know, just to recap some of these items, when you look at the challenges about getting technology to work, there's people involved, there's technology, there's process, understanding. There's handoffs between areas. Obviously you have to have teamwork. What do you see as the best way to overcome some of those challenges? What are the biggest ones and what do you see as ways to overcome those challenges? Particularly when it's across multiple areas, not just within a homogeneous team that, you know, is all treasury are all in admin area?

Todd Picken: You know, I, I think the collaboration across all of our partners, business partners and the rest of our division has to evolve from a place we're trusted partners in and helping each other on a regular basis. And frankly that comes down to two, establishing strong rapport relationships, frankly, helping people in the rest of the organization be successful in making it, you know, a joint success and there's nothing greater than when I hear about an organization thinking of one of our team members as part of their department and engaging them on regular basis around decision making, that means your trusted partner and you're working towards common goals gather and you're really valued from that perspective. So it's a corporate finance group. The most important thing is for us is to be able to deliver values to the business so that they can grow the business and that only happens to the proper levels of collaboration.

Craig Jeffery: That's excellent. I like that. Basically your treasury is embedded in the different areas. In their minds. At least you're, you're developing that relationship of trust and they're able to deliver that value. Todd, I want to thank you for sharing your insights and experiences in treasury transformation. Some really great points. I appreciate it. Thank you.

Todd Picken: The problem, Craig, thanks for letting me do this. Appreciate it.