Episode 49: Treasury Success in Today's World: Relationships & Technology

Treasury Webinars

Craig Jeffery:	Welcome to the Treasury Update Podcast. This is Craig Jeffery, the Managing Partner at Strategic Treasurer. Today's podcast is Treasury Success in Today's World: Technology and Relationships. I'm here with Ernie Humphrey. Ernie is a longtime treasury practitioner who formerly served as a Director of treasury services at the AFP. You spoken on or moderated on over 400 webinars that impact the career success of treasury, accounts payable, accounts receivable, and FP&A professionals. His webinars are focused on how companies can leverage automation and AI to optimize their cash conversion cycles. Welcome to the Treasury Update Podcast, Ernie.
Ernie Humphrey:	Right. Thank you very much, Craig. It is a pleasure and an honor to be on your podcast.
Craig Jeffery:	So our topic today is treasury success in today's world and it deals with technology and relationships. And I want to begin with how you see things changing in the treasury world or in finance more broadly. What is changing?
Ernie Humphrey:	Thank you very much. I think there's really two pieces here and when I look at treasury success, I look at it in terms of functions. So there are things that'll never change, things that are changing and things that are on the horizon. What we're starting to see, I like to call "back to the future". So I think as we're getting more visibility into accounts payable, accounts receivable and bank relationship management, we are going to see more focus and more metrics of success for Treasury around owning that cash conversion cycle. And so I think that's part one. It's kind of back to the future. So I think AP and AR are going to continue to report up through treasury. And again, I think that's a function of visibility, which is technology. So now we see the great opportunities there. So for payments we can take control of how and when we make payments on account receivable, we can take more control of how and then we get paid. And on bank relationship management,
Ernie Humphrey:	and quite frankly, I'm more shocked when I look at the priority surveys and I see that bank relationship management is down at number eight. When I worked at AFP, it's been a little while ago, but they used to be number one. We used to have a whole bank relationship management suite. But now that we have visibility technology, TMS, bank connectivity software, we really had the opportunity to really develop those mutually beneficial relationships. And then on the other side of it and what's coming and what do we see down the road, it's all a function of how to collaborate the enterprise. So the CFO's role is changing. You need to own performance across the enterprise. So how do we get the CFO the information that they need to pass along to departmental leaders in order to impact performance. So what are the drivers of performance at the departmental level and then at the company level. So when treasury, we're going to be more active. We are more active in FP&A, M&A and also risk management. So in terms of some of the great research that you do there or you've done some research on bank relationship management, I'd be interested

	to see, see what you're thinking and what your thoughts are on why that's such a low priority.
Craig Jeffery:	Well I think it should be a higher priority than you certainly just described and that some people refer to. I just remember before FBAR came out, we've been doing a compliance survey that talks about bank account management, bank relationship management, FBAR. And earlier on people were like, yeah, we do really well with managing our bank accounts are signers, the services, and our bank relationships. And then when f bar came out and they had to pull that data together to say, when does the signer come on, when do they go off? Is that active? Did you confirm that with the bank? What are your balances? People started saying, oh I guess we don't do a great job with it. And their self-rankings went significantly south. Now in the intervening years there had been more people that have been putting in either dedicated bank account management systems or subscribing to the modules of a TMS and have been doing better. There's a lot of room to grow. So I still think there's a lot of room on bank relationship management and bank account management for the majority of companies to improve. So it just might be, other things are hotter on the list of we've got more pressures on other technology areas and people are just limping through bank account management.
Ernie Humphrey:	Right. Yeah. And just to kind of dove tail off that, that's one thing that I see in the other part of it is, and I used to help manage the AFP service codes. Now there is a little bit more opportunity you really understand that goes up, but also do some benchmarking and that goes across the board in treasury. Even about five years ago we used to have to pay for all this benchmarking data and now we have that benchmarking data available to us. So I think that the visibility that we now have into opportunities that we might not have known were there, so now we always say we don't know. We don't know. And now we know some things and it's good, but it's pretty scary, right? Especially like you said on just bank account management, who's doing what, why, what are we doing in AP and AR, how are we supporting FP&A, and then there's some interesting technology coming in.
Ernie Humphrey:	Cash forecasting. One of my strategic partners has just released AI in cash forecasting and so there's opportunities there as well. And of course we are seeing treasury much more involved in FP&A. And so, I think we need to align. So it's funny if you look at surveys, there is a big variance between the FP&A and a cash forecast and the treasury cash forecast. And I think as we build relationships across our department beyond treasury, which we'll talk about later, I think that's what we're really gonna see those things. It's going to be all of it. Again, it's going to be all about relationships and technology. And if you don't embrace technology, you're just going to be left behind.
Craig Jeffery:	Yeah. So a couple points on what you started off with, what's happening in the treasury world, in the overall domain, and you talked about bank account

management, you talked about the cash conversion cycle risk and forecasting. So we've touched on bank account management, but maybe just talk about forecasting for a moment. You just talked about the difference between, you know, FP&A and Treasury. Typically FP&A is looking at an income statement, forecasts projecting ahead a long period of time. Treasury does two types of forecasts, the cash position type forecast, short term forecast a year in or less, six months in or less day to day. Very detailed to make sure you have short term liquidity and you're optimizing your actions and then the overall balance sheet planning to support the organization. What else are you seeing with regard to forecasting, cause you mentioned the cash conversion cycle on AP and AR. Do you see that making a much bigger in road forecasting what treasury is doing or is it bigger from the FP&A side or how would you describe that?

Ernie Humphrey: I think our forecasting efforts need to be aligned, so we need to create that alignment. And so those short term forecast should be of interest to FP&A. And so I'm a proponent of the more direct model because now we have that information and so we've got so much information on AP and AR that we can really reduce a lot of the variants in some of these AI software is actually predict when payments are going to be made. They're pretty good at it. We can take control of our payments and stuff. You look at the variants between the actuals and predictions, we're going to start to see that go down because we'll have a much better idea. And then if we look at cap x, that's usually taken separately. But I see us being able to use that short term forecast and really project out right and use those drivers.

Ernie Humphrey: So we're going out with this focus on AP and AR. We're really understanding AP and AR. So in treasury I think we're always looking backwards. I mean I used to look at bank account data and of course ERP data, but now with these solutions that we have AP we can forecast a or we can understand what's driving their forecast short term, long term. And so that's gonna really cash forecasting as you all know. And I've been on probably 30 cash forecasting sessions. I tried to make mine unique but I haven't done it, but I'm going to have a few once I start talking about AI and cash forecasting and we start to talk about the fact that we really understand AP and AR and drivers and levers, that's going to make the whole forecasting process more valuable across the enterprise and we'll be able to also understand and validate the drivers of our variances in the forecast as well.

Craig Jeffery: Do you have any comments, you know, in terms of understanding when things are going to pay or collect, what's your view is? I mean there's two things that help make it easier to forecast. One is better forecasting tools as you just discussed on AI. And the second is better scheduling. When I say better scheduling, it's either you're putting it in place, you know when it's going to occur, it's electronic. It could be leveraging some of the supply chain financing, some of the tools for making payments. So both parties have better visibility to when things occur. Both of those drive towards this better awareness, both

whether you're sending money or receiving money, didn't know if you have any thoughts on that.

Ernie Humphrey: So again, I think the AP automation, what it does, it allows us to create better supplier relationships. And so part of that starts all the way with the supplier on-boarding. So what we want to do, as you mentioned, we want to eliminate information asymmetries and so there doesn't need to be back and forth about what's owed, what's not owed, what's our bank account information. We're waiting for tax forms. And so we are removing the friction from the AP process. And then we also have visibility into are we even taking the discounts that are available? Many companies don't know that. And then as we become more friction, we have more opportunities to negotiate that and have some dynamic discounting. And then what we can do. And we, I didn't do this now when I was in treasury, we need to own our allocation of payment types.

Ernie Humphrey: So checks you shouldn't be writing checks, right? And so let's optimize, right? So we can now take more control of better supplier relationships. Like you said, we couldn't control when we pay, we can control how we pay. And some of the systems right now allow us to negotiate. So a few of my clients send me an email when they owe me money and they say, do you want to take this discount? And I can go right back and forth with them and do that. And it's almost always makes sense to take that discount. So on the AP side, we're controlling how and when we pay your supplier relationships. Now in the Ar side, this is where I think the AI has made much more progress. And so what we're starting to see be able to identify how to communicate with our customers and that control how so AR communication is important in treasury.

Ernie Humphrey: We should have some control. We don't want bad communication with our customers. And so we can start to predict who's going to pay, when are they going to pay, what's the best way to communicate with them? How can we mitigate bad debt expense? And so the technology allows us to learn right about our customers and also on AR on our suppliers. So the more we know, the more we invest in those relationships, the better off we're going to be. So in credit, what I would see, you'd see the same dunning strategy, the same approach to each and every customer. And so now we can empower our folks with all the dimensions of that relationship. And so we don't waste time on the phone with either side. And so at the end of the day, what we do, we take more control of how and when we pay, we take more control of when we get paid and how we get paid.

Ernie Humphrey: And obviously there's, there's some sort of trade offs there, but again, we own these relationships, right? We can take more control and it's a matter of communicating. So if you look at it, AP done right on my side is going to help AR on the supplier side. So if I do it right, I'm gonna have lower your ar processing costs. So it's about effectively communicating the value of that and also on the customer side, this is the value, right? In that predictability. And so as we learn

how to message those, I like to say the word control. I think I'm like Janet Jackson Control, right? AP Control. How and when you pay AR, when and how you get paid. I don't think we've spent enough time in that. And with automation and AI we can take away a lot of the non value add tasks and treasury and spend time in these areas.

Craig Jeffery: Fair enough. Let me think about the different roles. What people are trying to achieve there. You've got the cash stewardship model. How do I forecast my cash? How do I use it most appropriately? The cash conversion cycle fits into that. The other is process efficiency. How do I make things efficient internally and with my trading partners? And I think what you were just describing, you know when you think about what causes costs and problems on the efficiency side also has an impact on the cash stewardship model. And part of that is on the cost side, what causes costs, what drives them, it's defects or errors and that's a massive impact. The other is incomplete information. You've got to follow up and do it manually. And you were, you were speaking to how do we make that more efficient with our trading partners. But I want to move now in the conversation to this changing role in expanding both what we do with relationship management, the cash conversion cycle, risk management, et cetera. What do you see as the opportunity or threat brought about by these changes? Obviously there's opportunity. What else might exist there from an opportunity standpoint and what threat exists there?

Ernie Humphrey: My views are pretty clear on this. If you view any of these changes as a threat then you're gonna put your career at risk, in my opinion. So you need to learn to embrace technology. So you can either let technology control your career or you can use technology to redefine your value proposition. And so as we get more information, and so you should look to become the expert in AI, the expert in technology, the expert in data management, and that gives you opportunities to build those relationships across the enterprise. And so you should see opportunities to collaborate. So the treasury, if you're not FP&A, doesn't work directly for treasury. Let's talk with them and see how we align on that forecast. If we're in silos and AP and AR and treasury, how do we work together? And so I view this as an opportunity so that visibility creates opportunity.

Ernie Humphrey: And so you need to learn how to collaborate effectively across the enterprise. And I've had to learn this the hard way. So I've done a lot of research in this, I've worked on and I talked to thousands of people about it. So we need to make sure that we have our technical acumen. But the thing that I want to stress is people in technology skills are not independent of each other. And so a lot of times the technology enables us to build better relationships, whether that's within our own company or outside with networking and not in our strategic partners.

Craig Jeffery: So you view the threat as just not embracing technology and helping to use that to drive it along as opposed to the, the tech is not a threat. But one question I

wanted to, when you think about the skill set, so part of what you're talking on, I know you've talked about this and you talked about career advancement and building the skill sets and building relationships. As you mentioned now and I've heard before, what else do we need from a skillset perspective as you're, you know, talking to treasury professionals or whether they're in AP or AR, what is, what is essential in addition to what you just said about some of the communication elements?

Ernie Humphrey: I think you have to have analytical skills. You have to be able to look at data. You have to be able to analyze data and you need to be able to make recommendations that impact decisions. So you need to develop an understanding of your business and understand what drives key areas of your business. So what's driving revenues? What's driving costs and what's driving demand, right? Did we talk to our product managers? And so you need to understand the business. The good news is if you look at Treasury, at least when I was in treasury, I have visibility across the enterprise from HR or operations, marketing, sales. And so you need to be looked at as kind of either, this is an overused word, but trusted advisors. So you have to be able to do that. And I'll, you need to community, this is my new phrase, communicate with impact, right? So you can give people information all day long. You can have a business case, but you need to make sure that that creates an action. And so what's the best thing you can do?

Ernie Humphrey: And the people sometimes make fun of this, I say, go up and ask someone what they want from you. If I could give you anything you want, what do you want? Help them get it. Same with your treasury team, what do you need to be more efficient? What can I do for you? And so those are like the people skills, the technology skills. You need to understand the analytical part, you need to understand the cloud computing, the AI piece. The good news is all those things are free. And so you know, go to conferences, go on Linkedin, if you're in treasury, look at AP conferences, look at AR conferences, look at operations conferences, look at industry conferences. And so the more information that you have about how your industry works and the dynamics, the more valuable that you're going to be across enterprise. Obviously I have more energy than most, but that's really the way I've written an article about unemployment risk management.

Ernie Humphrey: If you have skill sets across all areas, then you know that's going to be amazing. The other thing on the technology side, you have to have some computer skills. You need to understand how data is passed back and forth. For example, when you communicate with banks need to understand the value, right? What are the formats of those relationships at a high level, what's going on, what's coming on the technology side? And then of course we have to have project management skills. So we need to be able to lead projects across departments. And that's something that you have to get experience in, but you have to just really understand how everything fits together. What's the impact going to be on

every person involved in a project and how do you create that accountability? And then the other thing I would say is you need to be able to be a team member as well as a leader. There's not very many people that can do that. So you need to be able to be a team player on a project or to the department or across line. And you need to be able to manage the project. And that means building consensus. And we'll talk about how to do that a little bit later.

Craig Jeffery: One thing, Ernie, when we talk about, there's these changes that have to be put in place. You have to be adaptable, you've got to communicate with impact. Not everyone follows the change process. Some are very resistant to it. They hold back. And you had raised the question of some of the risks there, you raised the point about some of the risks, but how do you bring the team along? Because if the technology passes somebody by they're not playing with it, they're not learning with it, all of a sudden you get to an environment that becomes foreign to them and they're not caught up and then they have to move to another area. And technology is going to be chasing them their whole career until they're gone. So how can you help bring your team along? What might be something that's practical to endeavor?

Ernie Humphrey: Right, so let me start. Let's just use for example what we like to call like an AP transformation project, right? So let's just use that as an example. So as we're putting that project together, we want to get input from everyone that's impacted by this project, which is going to involve technology. So you need the first person you engage is the most technically resistant person. You have the person who's gonna have the biggest attitude problem with change. And you engage that person right up front and you get them on board and you let them know how it's gonna make their job easier and more valuable. You have to help them see how it's going to be valuable to the corporation and your career. And so you, you kinda gotta be a little bit brutally honest and say if you don't change, it's going to have a negative career impact.

Ernie Humphrey: And in terms of maybe internally in treasury, so the way I look at it is if you're the treasurer, your team has a skillset, right? And everyone's gonna have different levels of skills. You're going to have your technology guru, then you're going to have someone, it's an amazing communicator. That's not really technically there yet. So what we need to do is teach our folks to cross train each other. And so I want to have my technology guy, let's have a Webinar. Let's all eat pizza. He's gonna tell us all the latest and greatest technology. And so I've looked to have kind of a each area of importance to my treasury team to succeed. I got my communications guy, my analytical guy, my tech guy, and I facilitate them to cross train each other. And so I want to level set everybody right at a very high level of that and then someone's always above them and then just teach them the value of educating each other. So everybody has to cross train. Everybody needs to know. And usually what I've found is people that are technology resistant, once they dip their toe in the water, they just love technology and they're going to be racing out in front of your technology.

Craig Jeffery: Yeah. Some people do that. I definitely run into some people that are resistant to the very end. I think they stop at nothing to, you know, avoid making change. Right. Some people are just resistant to change and so like you said, getting them involved in part of the process, either doing a pilot or getting experience with things can help them along. Especially if they're working with someone and they see, oh, this makes my life easier as opposed to looking to ways to find fault, but some really good points there. Ernie, I want to ask you a question to you at the end as we come up towards the wrap up is what are ways that a treasury professional or someone in AP or ar can leverage technology to help them build and manage these relationships both internally and maybe with third parties like the bank or customers? What's your advice on that?

Ernie Humphrey: So for me, not surprising to folks on this podcast that know me, is Linkedin, so that's an incredibly valuable tool to use and there's a lot of free content there so you can really use Linkedin to search and find folks of like mind as yourself. And so usually if you reach out to someone, they're pretty receptive to that. Especially for practitioner to practitioner stuff. On the practitioner perspective, it's amazing because you want to find someone in your industry that space the same challenges as you do in terms of technology. I haven't found anything that's more efficient than that on Linkedin, obviously. So there's a whole process of that. That's a whole another podcast. So you have to make the connection and then you have to manage it. So once you make a connection, you see if they have a post or they you like something that they post.

Ernie Humphrey: So let's build that relationship. The same thing can be done with our bank partners as well. And so what I do is with my partners, what I will do is I will write a blog or an article that's relevant to them and I'll mention their name and I'll bring them in. But it's thought leadership and then they're like, hey, thanks for doing that. And then if they write something, let's say chase has an article on Linkedin, I follow Jason, I right, hey, this is a really good article. You should look at that. And so there's ways on linkedin facilitate that engagement. Now internally, there's a lot more of these chat features. So you can actually have conversations right within the software and it's called, I don't know what they call it. They call it is that they call it chatting. Right? And you can nudge people.

Ernie Humphrey: And so you can do that. And then also just using things like we are, they like Zoom meeting and GoTo meeting. And so you can have, because you can have these face to face meetings and so oftentimes putting the face with the name is incredible. So just set up a Zoom meeting or a Skype call. And that face to face is absolutely amazing and you can share the screen. So that helps you build that relationship. But I don't think there's any substitute yet for Linkedin. And so it takes an investment to figure out how to use it, but it's incredibly powerful and you can make an impact, not only within your company, you can become looked at as a thought leader. It helps you learn. So my advice is leverage technology to help you have an appetite for learning as a way of life, right? And people need to embrace that and there's so much out there to consume for free and you can

share. And so it's just an organic process and it's very exciting what you invest in that.

Craig Jeffery: So I'm going to try to summarize what you just said. The three key areas of technology was learning as a lifestyle. This is podcast, webinars, content on Linkedin, second, Linkedin as a way of being intentional about establishing relationships that have gained for both people. And then finally be a frequent collaborator using things like teams or zone. So share and work together even if you're not physically in the same location. Those seem to be at the top three. Those sound like really good ideas and advice. So Ernie, any final thoughts as we wrap up and I do appreciate you spending some time talking about technology and relationships on this podcast.

Ernie Humphrey: Any final thoughts would be number one, I think I made it clear, don't be afraid of technology. Embrace it. We really have a once in a generation opportunity to redefine the value proposition, right? That's treasury and finance and so let's take advantage of that. Don't be afraid and there's always resources out there to get yourself up to speed and let's always look for ways to elaborate, communicate with impact and embrace technology.

Craig Jeffery: Excellent. Thanks again Ernie.

Ernie Humphrey: My pleasure.