**Meredith**:

Welcome to the Treasury Update Podcast presented by Strategic Treasurer, your source for interesting treasury news and analysis and insights in your car, at the gym, or wherever you decide to tune in.

On this episode of the podcast Managing Director Craig Jeffery of Strategic Treasurer covers some of the most frequently asked questions and treasury. Topics of discussion center around APIs, working capital, robotic automation, and more. Listen in to the continuation of FAQs and treasury with round two.

Last year we released a podcast on the first round of FAQs submitted by various treasury and finance professionals. Topics of discussion included forecasting, PSD2 impacts, and more. Today we're going to continue with a round two of FAQs covering treasury topics around APIs, working capital, and robotic process automations, and more. Welcome to the show Craig!

**Craig**:

Thanks, Meredith, and by way of full disclosure, a few of those questions, I modified them a little bit so I would be able to answer them.

**Meredith**:

Okay, perfect. I'm going to kick off the questions with how are TMS systems better than Excel for forecasting?

**Craig**:

Forecasting is such an important topic. It's one or two quite regularly in organizations minds in terms of what they're focusing on. It's also where they spend a significant amount of time, and where they find there's a lot of improvement. So this is an important question, especially with the rise of treasury management systems and the the ubiquity of Excel as a way of doing modeling. So I'll just break it out a couple different ways Meredith. So when we think about doing quick modeling for the most part, Excel is quite easy. Running and building models is anyone who's an Excel guru or even just proficient at Excel can run a number of models and it's quite effective. And some of the tools, the ability to do pivot tables using slicers, some of the BI stack with the Microsoft BI stack, you can do quite a bit there. Where Excel doesn't do as well as TMS systems mostly sits in a couple of different areas.

**Craig**:

One is tracking and this is actuals to the forecast. So since the TMS systems getting all the bank data in, it's coming in through the bank accounts and with whatever information there, the ability to do those comparisons and drill down, in other words, a managed database, it's extremely effective. It's very good at doing not only reporting, but when you're trying to figure out why there was a variance, what was the source of it? It's really quite quick at it. So that is an area where variance management excels. Now there's some different elements of trending. Now, it used to be you would have the ability to create forecasts within a TMS. You could say, take what last year was add some kind of adjustment to it, a certain percentage increase, and then layer that out. That's still the case. So when you look at your flows in a certain line of business or through certain bank accounts, you have to understand what those flows are.

And the tools in TMS, in the treasury systems are a lot more capable. So they can run a different types of analysis create the information or might create a suggested flow. But they're also good at doing that. Extracting information out in case you want to manipulate it in Excel and then load it back in for your primary forecast or for alternative forecast if you're running several models at the same time. There's also the use of better tools and treasury management systems that can track how well the forecast is running based on the models that are selected by the system. So pretty extensive algorithms and automation that can help detect what's occurring and see over time so that you can help the system learn from it. That's not really adopted broadly across all platforms or even though some of the vendors that offer that it's become a little bit more of an experiment, but it's proving to provide quite good feedback and the systems are getting smarter in terms of tracking those trends. Now there will always be, or there should always be (for certainly some long period of time) the ability for someone who understands the cashflow, what's changing in their business to put their finger on the scale and make those adjustments more appropriately, have a bigger distribution channel. Your sales are really going to go up because of such and such a reason that your system may not have insight to. And so the human a spreadsheet and TMS can all get along, but more capabilities are being built into TMS-s that make it effective but clearly to your core question, variance analysis and tracking that way is very easy. Running multiple models at a secondary level is going to be superior in a TMS.

**Meredith**:

Very good. What are APIs and why should treasury care?

**Craig**:

There is definitely a lot of talk about APIs, APIs for information reporting, APIs to provide feedback on a particular topic, APIs to connect one system to another. And the other frequently asked question episode that we did had to do with PSD2, which was the Payment Services Directive 2, a European arrangement that required banks to expose their underlying systems and payments to this framework. That meant that banks in that region would create an API framework so that these API calls could come in and you could provide let's say, a balance back. And what that means is that any type of tech vendor or even if you're doing some internal development, you could leverage the API that a particular bank has made incorporated into, to the system.

And then that would, let's say, provide a balance back into some system that you have. And that could be a risk system, some reporting system or visibility tool. It could be a TMS, but it just opened it up to more capabilities to get information and to enact transfers. And so why is it important? We think about information that's a better feed and a better process for a wide range of activities because it's easier to get up and running. There are some challenges and just still talking about information. There are challenges in terms of how much data flows across and what's the speed and latency. So sometimes you can set it up and say we've put an API for information and there's 100,000 records going through an account a day. It can get bogged down. And so there has to be some tuning and working on that between, let's say the bank and the technology provider to make sure that it can scale.

Whereas an SFTP process, sending a file doesn't run into those issues, but there's a lot more steps in that, a lot more handoffs and steps, but it's not as instantaneous. It's not when you open up a system with an API, the API may be triggered to pull a balance so it gets the most current-day balance. When you open up your ERP, your treasury system or something else that someone's created, it can pull it up. That's the opportunity today to make it just trigger on that. Whereas the prior method, which certainly works in certain instances as pulling data via file, so an SFTP process, it logs in, provides security, transports a file, there's a process to check the file, the file gets loaded, and then you can see it through your UI. There's a lot of steps there. Sometimes that can be relatively quick or relatively long, but certainly longer than pulling a single balance.

For example, an API. And that matters for a couple of reasons. One is, what are you doing with the data you need in passing? Does an API make sense? Does your traditional method of connecting work? So APIs are changing and allowing development on the technology front. Other ways to use and get access to the data. That's from a corporate perspective. From the bank perspective they have to have a front end that can manage these different calls and requests. Why do we care? Because it's a new way, a way to cheat to certain types of connections and a way to support development. And that's just connecting with your banks. But think about APIs. They've been around a long time. You have internal APIs that you can pass data, query information or enact transactions. Why do we care about that? It allows for faster development, it allows for new development, and it can transform some of what's being done and it'll take a while and you have to plan for it. So it's exciting. Banks are rolling those out. Talked with a couple of treasury system vendors this week that have a handful of APIs with their banking partners up and running and they're learning from it. They're figuring out capacity issues, initiating and sending thousands of payments. And it's a little different in terms of thinking about it than passing a file. Someone creates let's say a payment file. They create a payment file, they have an SFTP process. There's a scheduler that says a file is placed in this area. It does whatever checking. It says, now I'm going to send it. So calls a job to send it and pass it on to the bank.

It confirms in a secure manner that's been delivered. The bank receives it, runs their process, loads it, et cetera. So that's an SFTP process. So the API process pushes it and it doesn't really pass a file. It just connects and sends the information for the payment while an API can send a file, it's really passing data, almost like Neo in The Matrix. When he learns that he's looking at that kid with the spoon, it's like you can't bend the spoon. Nobody could bend the spoon. That's impossible. You have to realize that there is no spoon. You're not building this whole process of a file. You're passing information in a different manner that eliminates some of the steps and some of the overhead. So it's different. It's new and it presents opportunities to connect different systems, internal systems and multiple vendors systems.

So I think the idea of an ecosystem will get much better as we build these connections that are API driven as opposed to export data, transfer it, check it, load it back and forth, back and forth. Lots of activities. Let's say instead of using multiple web services calls from two SaaS systems, their system integration can be run and delivered via APIs, which means they can put it up faster. They can connect to other partners in the ecosystem to more banks, to more third party providers of activity and treasury needs to care about that and know what's going on. So when they're looking at their technology, they look at what are we doing? Will our vendors support that? What are banks doing? Where can and does this make sense?

**Meredith**:

So in a way, would you say that APIs help foster communications?

**Craig**:

Yeah, they definitely do. In some ways it's a much easier process. It's a cheating connection. It just lets you make connections a lot easier than, than some of the SFTPs.

**Meredith**:

What treasury events should I go to? If I am looking for a good treasury event, what would be helpful?

**Craig**:

Are you a banker or are you a corporate practitioner? And how senior are you...

**Meredith**:

Say that I'm all. You're all of the above!

**Craig**:

Well, I think there's physical events and there's virtual events. So virtual events people should avail themselves of things like podcasts, webinars, et cetera. Just to be constantly learning. That's important. Constantly learning, building relationships. And I think people need to do more of the virtual events, but I don't think we should cut back on the physical events or something that happens in a room where you're talking and meeting. Hopefully everyone that's in treasury, whether you're a banker, a corporate treasurer, or a treasury practitioner, make sure you're getting to at least one event a year. Hopefully a couple and so it can depend. If you're a corporate, are you going to the regional, like in the US there's regional AFPs, there's EuroFinance in some different locales.

Those are very good events to go to, to meet, to share ideas, to talk, where you're out of the office. If you're on a webinar, you learn a lot, but it's a short time. You don't have as much time to communicate with others verbally and have those one-off conversations. Super regional conferences in the US, things like New York Cash Exchange is a great event. TECHSPO is another one. Same thing with Windy City. Those are good ones. There's a lot of others. I don't mean to not list them. There are definitely other events. I also think particularly if your're a treasury analyst, your're new to treasury all the way to a treasury director, I think the local chapters of an AFP make a lot of sense to go when you can. I do think some of them have to have some virtual events.

Not everybody can get out of the office, go have a lunch hear a speaker, and do it, certainly not 12 times a year. So I think there's some adaptation that needs to take place, but I think those make sense. Other events, Money20/20 might be one if you're in insurance. The LOMA Financial Inforum is a great one. There's some specialized things for higher ed [and] healthcare. There's some events that you should look and see what's out there. Do I need to go to this event every year? Do I need to go to it every year? How do I cycle through those? And that needs to be done in conjunction with who else is in your group. So the annual AFP conference for us as a consulting firm, we have to go to that one, and we do try to go to many of the super regionals and other events.

We want to make sure that the industry is strong in that way. But then the specialized ones matter as well. If you're focused on industry verticals, we have focused on some of those, so we go to those. If you're in those, it's very good to talk with people that are in a particular vertical. If there is a significant difference in treasury or certain areas that are different where you're very intensive in a particular area, whether it's payments, investment management, the process of what goes on with in healthcare, higher ed. There's a couple areas that make a significant difference there. I think if you're more senior you might focus on the super-regional treasury conferences, the EuroFinance, the national AFP. You might also look at some different, a peer group information exchange things where you're talking with more senior people and have something where you have an opportunity once or twice a year to talk.

I'll say off the record about some different issues you have. I think those are vital and I really think that we lose something when people don't go to some of the physical events. There's a lot of things that virtual is so much more efficient. You can share more information more quickly. We do webinars and we'll have five, 600 people on them. Okay, well that's a ton of people from multiple time zones, multiple countries. You can share great information very affordably and so that's obviously growing and very important, but people need to know and see more. So I think what events you should go to, you should go to all you plan and what you plan should look at where you are in your career, what the organization needs, and make sure you're getting two one, two or three physical events a year. Maybe a few more if you're can have some type of local organization.

**Meredith**:

That's great advice. RPA is robotic process automation. What do I need to know?

**Craig**:

Well, RPA, robots, robotics, I think you need to know that just because it is extended beyond what automation used to be in terms of how we may define it, that it's not just a buzzword. It's not saying, oh well I used to do macros or we did menu-driven macros back in Lotus 123 days. But I think what we need to think about with robotic process automation is, and I'm going to use the word cheat again, this is a great way to cheat, to get to straight through processing. As we look at organizations, they have multiple systems and you need to access data from multiple systems either for our workflow process or for data for reporting or for forecasting or to enact transactions. So we're always passing data from multiple systems and there will always be multiple systems that are used.

Companies are always acquiring…other groups areas and they have to integrate those systems and there's always a process where it takes a long time to integrate them. Robotic process automation does a couple things. It helps cheat the handoffs between systems and it helps us gain time. Every robot or bot you put out there saves significant or should save significant time. This saves an hour a day or three hours a week, that provides better validation, involves humans when something's out of sync, whether it's for reconciliation, validating files, checking to ensure completeness of activity and so on. There's a real opportunity to help increase efficiency without waiting for the one system. All the data's in a single system, in a process. And everyone talks about theory like this is going to be ideal, that everything's in a single system. All the processes are, is 100% automated handoffs and therefore we have, we can get to and reach for six sigma.

This helps us get there by streamlining the handoffs, the activities. But what it does most significantly, these bots can work outside of, in a single system. And what I mean by that is you do something in Excel. You might have a macro, you might have something that goes and accesses and other database and now you're starting to look outside of just Excel for example. But you might have other programs that you use, let's say a risk system, how you have the ability to configure activity or processes within the system. And that's great, you have to do that. That's configuration. It is some programming. But when we think about robotic process automation, these bots that you build can do and reach across systems, across areas, to make sure you're improving what goes on. And by building some facility with that, you save time and by saving time you then are freed up to build other bots.

You're freed up to focus on other areas for analysis. Figuring out where, where does my data need to go so I can do better analysis, analyze things that we don't even know what we need to analyze today, but we know a question's going to come up. And so we need access to data. We can normalize the data, we can look at risk, we can create better forecasts, we can help and spend more time with different areas of the business and provide them financial advice. So robotic process automation helps us reduce errors and defects. It saves time incrementally. So you continue to build up in that area. I think that the thing you need to know is that it's not a buzzword. I mean it is a buzzword, but it's not without significant merit and all of the leading organizations I would say today are at least piloting RPA projects.

They're building bots, they're gaining facility with it, and your organization needs to focus on at least creating some pilots, gaining some facility with this because the payoff is great. That hour a day, three hours a week continues to add up. Treasuries are very busy. You don't have to worry about head count going away per se. In Treasury, you do have to worry about tasks going away. You have to worry in terms of making those tasks go away because there's this huge list of other things you need to do. So what do you need to know? RPA will help make us more efficient, will help us move to much better tasks. I don't see it as reducing head count. I do see it as eliminating tasks that can be eliminated quickly, but there's so much on the table that needs to be done. You should get going.

**Meredith**:

Perfect. And I know that the treasury update podcast has featured some great success stories with RPAs as a part of some episodes including one with Chick-Fil-A. So that's a great one as far as how they actually use this process. Thank you for this informative, interesting discussion. Craig, for our listeners, thanks for tuning in to the Treasury Update Podcast. If you would like to listen to the first round of FAQs and treasury, visit us at strategictreasurer.com/podcast. Thanks for your support.

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