**INTRO**:

Welcome to the Treasury Update Podcast, presented by Strategic Treasurer, your source for interesting treasury news, analysis, and insights in your car, at the gym, or wherever you decide to tune in. Companies are feeling the pressure to adapt to new payment requirements and achieve results. Host Craig Jeffery sits down with Bob Stark, Vice President of Strategy at Kyriba to discuss key findings into their 2019 Global Payments survey. This research provides a comprehensive view of the global payments environment with a focus on the treasury function and identifies which technology and processes are top of mind now and in the coming years. Listen in to find out more.

**Craig Jeffery**:

Welcome to the Treasury Update Podcast. This is Craig Jeffery. I'm the managing partner of Strategic Treasurer. Today's episode is the 2019 Global Payments survey. This is the analysis of select findings. I'm here with Bob Stark. He's the VP of Strategy at Kyriba. Welcome to the podcast.

**Bob Stark**:

Thank you very much, Craig. It is great to be here. I always enjoy having these kind of podcasts with you.

**Craig Jeffery**:

So just a couple of things for the audience. Let me introduce you to Kyriba. They are a treasury management system vendor, and they have over 2,000 organizations running on their cloud treasury management system platform. Bob has over 18 years of experience in treasury technologies, worked for a number of very well-known firms. He is responsible for our global product strategy and market development and works with clients, partners, and industry influencers to make sure that Kyriba's at the forefront of treasury technology. You'll hear him, he's a regular speaker and writer on risk management, treasury, and the cloud. So, as we get into this, we're not going to go through all of the findings individually. I wanted to just check with you and maybe if you could give us a few headlines of the survey, either the theme, or maybe start with a few headlines.

**Bob Stark**:

Well, I'll tell you what I found interesting. Not surprising, because in fairness, what people responded with seems right. There's nothing that came out and I thought, "Oh my goodness, I knew nothing about that as a driver or risk area or something like that," but what really stood out to me in terms of reinforcing what we believed was important to corporates. It is unfortunate that we have to have fraud and cyber crime as something that we need to protect against. It would be great if that just wasn't an issue, but it is. As a result, I think treasurers and CFOs are recognizing that this is their number one priority, and that's a good thing because three, four, or five years ago, even two years ago for some organizations, this was not a priority. It was one of those items that probably won't happen to us and it doesn't seem that sophisticated. It seems really easy to avoid imposter fraud. So, the fact that that awareness has changed, Craig, I think is a really good thing. That's one headline that I thought was very interesting.

The other one is just, and we can talk further about this, is this need to invest in technology to make workflows and processes more efficient. There's just so much more complexity around payments than there used to be. As a result, there is this need to look at technology to simplify, and maybe in some cases just keep up. So, those are what stood out for me as the biggest headlines.

**Craig Jeffery**:

Excellent, Bob. Now let me jump into just a couple of stats on the survey. The survey was taken over May and June, 2019. Over 300 respondents took the survey and the survey included over 70 questions. Now, not everybody had to take every question, but there was a lot of detail, a significant amount of content, and so we thank everyone who took it for their time and their influence on the organization and we thank Kyriba for underwriting this survey. Where can you get the survey? We'll share more information at the end, but you can always go to strategic treasurer.com/survey and find more information there to download the infographic, the report, et cetera. We'll have more information in the notes on all the locations to get data on this particular survey. Now, Bob, I liked your headlines. Fraud and control was the top one. We have to protect against fraud and cyber crime. This was a big issue. I'm just, I'm going to want you to expand on it. It was a top driver for spend and a top concern for nearly 60% of firms. The implications of this are that the success of cybercriminals and others who compromise payment processes means that payment professionals believe a stronger defense is needed. I think that's really clear to those of us who are talking about it, but maybe you could expand on that a bit. Anything from the survey or conversations you've had lately?

**Bob Stark**:

Yeah, of course. I think I can touch on both. So, what I found from the survey, because we asked quite a few questions around this. What were the challenges? How do you do your payments today? What kind of technology platforms are you utilizing? What we found, especially when respondents talked about their challenges, is they really did cite some of the different issues, such as having disparate internal systems result in very manual workflows. We know manual workflows is a big problem in terms of having a great defense against fraud and cyber crime, because if you have manual workflows, that means your controls are not standardized and they're likely not consistent. You may have different types of processes for AP than for treasury. You might have different processes between North America and Europe and Asia just because they're in different time zones with different people. So, having a variety of systems and manual workflows really makes it difficult to put up that formidable defense of standardization and consistency. So, I found that that was interesting.

In those same challenges, many respondents talked about lack of available staff to manage process, which, yes, you could say is an automation or productivity issue, but for me, I also see that as a issue in terms of enforcing payment policies. You may have payment policies that say "We're not going to pay suppliers that aren't in a country that we do business in," as an example, or "We always review if there's been a change to a recent bank account." Those are things that are typical payment policies, and yet, if we don't have staff to manage the process, maybe we aren't detecting everything that goes against those policies. Now, we're not quarantining those payments that need a different look, and so as a result, these are challenges where the policy may be perfect, an excellent defense against fraud and cyber crime, but we don't have the ability to enforce those policies. So those are the kind of things that really stood out to me, Craig.

**Craig Jeffery**:

As you talked about the efficiency different organizations might be intensive in payments in very different ways. You mentioned people may have a number of different systems, and so creating something that's consistent becomes a real challenge when you have four payment systems, four systems originating payments, for example. You may be global and in a lot of countries. Anything that you want to talk about in terms of complexity, intensity? Let me throw out a few stats and see if there's anything you want to say on that or if there's anything else you want to add. I'll highlight just a few. Four out of nine firms, or 44% of firms, make payments in six or more currencies, and one to three companies originate payments with only one or two banks. So that's a pretty big range right there and we certainly haven't touched the end points. So, those are just a couple of factors of complexity or intensity. Anything else that you wanted to note in how that may make it different for a payment professional?

**Bob Stark**:

Sure. Well, there's obviously ... and we've seen this for a long time. There's this movement to try and reduce the footprint of banks. For some in the survey that has been successful. For others, as you mentioned, not everyone's gotten down to the level of one to two banks. So that creates its own set of complexities right there because you're dealing with multiple technology platforms from each bank. If you overlay that with the other responses around how ... what technology platforms? How are you using payments? How are you initiating these? You find that any 1% of organizations, most on the treasury side of things, said they use bank portals. So if you have multiple banks, and it means you have multiple bank portals, which means you have multiple ways of entering and approving payments, that gets difficult to manage when you're trying to do this at volume.

So then you talk about the other statistic you mentioned, not just the payment volumes and the pure number, but the number of currencies, which again adds complexity. So you're dealing with multiple systems, multiple currencies, which inevitably means multiple parts of the world, and you have different people touching different platforms in different parts of the globe. It really, really needs something that's a bit more centralized. I know there's a big percentage of the audience that said, "Yes, we are working towards centralization," but the majority of folks haven't quite got there yet, and part of that is because of the complexities you talked about, a few too many banks and a few too many currencies. That combination just makes it really difficult to get to a point where you feel you're fully centralized and in control, if I may say.

**Craig Jeffery**:

Yeah, very good. Bob, following up on the discussion about efficiency, right on the heels of payment intensity, efficiency is really viewed as number two of what people are trying to do. They're trying to reduce costs, eliminate defects, and exception processes. So, is that the exact same conversation that you just gave or is there something else that people should be thinking about and knowing?

**Bob Stark**:

Well, I think there's a point you made right there around efficiency that I think is really important. In addition to this idea that you may have multiple systems, you have to try and manage multiple bank portals or bank technologies and looking for ways to standardize that, just to simplify it so that you can do payments one way and make sure that whatever bank it's going to, it goes to without you having to do a lot of work, without IT having to be involved. There's definitely an efficiency there. What I think is also interesting is you mentioned this idea of multiple payment types. So what we're thinking of already in terms of, okay, I'm sending ... ACH is the equivalent types of payments internationally, and then on top of that, maybe dealing in different currencies and that sort of thing. So I'm dealing with three or four or five different banks, which is kind of what the average respondee was saying.

What I found interesting on top of that was that we found another issue that is yet another barrier to efficiency in payments with these multiple payment types. So, if you look at just this idea of real time payments, which banks are starting to embrace there, many of them are employing APIs because that's the way that you need to connect with them to have real time payment work in real time. That means that you have real time payments versus maybe same day payments or next day payments, and you're having to think, "How am I supposed to support this?" Because it's not just a new format that the bank requires. It's a whole new set of information and response in terms of integrating your systems together.

So as an example, and this is maybe a little detailed, but I think it's a good one, is if you wanted to use, let's just say domestic payments here in the United States, you wanted to use real time payments through TCH through your bank. So if that's the case, you're initiating that real time payment from your ERP, maybe it's SAP or Oracle. Then maybe you're having that standardized and processed through your payment hubs, so maybe that's your treasury management system or a dedicated payment hub. Then it's going by API directly to the bank. The bank turns around and gives you an immediate real time acknowledgement, which you then have to push back into your ERP to ensure that in real time you sent and it was received and everything's understood from that perspective. That's a bit of a difficulty unless you have a significant updates to your technologies in terms of all those interfaces. That really works against this idea of efficiency. It makes it very inefficient, in fact, if you're trying to figure out how you support that. So there's a lot of moving parts, but in the end, yes, you have the opportunity to be efficient if you have the right technologies talking to each other, using APIs and other immediate types of communication.

**Craig Jeffery**:

That's a good point. I think that dovetails into the plans to spend just upgrading the overall tech to make the organization more scalable. I want to talk about efficiency, including tech. I'll just give a little background for the listener. So, a couple of the items that ... Well, or rather three of the items that came out related to efficiency, one was efficiency of the organizational structure. The second had to do with other types of structures, like centralized payments or pay on behalf of, so that would be not just the people but routing it through a single entity for payment or a reduced number of entities instead of every single legal entity that an organization has. Finally this idea of people are planning on their spending and planning on spending on payment technology to address these issues. Any thoughts or additional comments on those three altogether?

**Bob Stark**:

Sure. Well, there's a couple of things that I like around ... they're starting to pop up within the survey, just the whole concept of payment on behalf of. We did this survey ... if we did this survey, I should say, 10 years ago, there's no one saying that they're doing payment on behalf of, really. There might be the odd organization, but for the most part, this idea of shared services and payment on behalf of, it just didn't really exist. It was either centralized or decentralized, and now you're seeing these hybrid models. You're seeing a bit more dedication and outsourcing, or in-sourcing maybe I should say. I think it's a positive that you have these structures, which lead to a more efficient way of making payments and applying those payments internally so that you actually have a full life cycle of not just payment, but also all the way to the accounting for that. That efficiency, coupled with the technology, can actually be a big game changer for many organizations.

The interesting part, though, is that ... what I found especially interesting, I should say, is that the treasury is actually quite involved in these structures. That's maybe one of the things I didn't expect quite as much. We see certain things like treasury saying they're centralized, whereas AP may not be quite so much. We're seeing AP saying, "We're part of shared services," whereas treasury not so much, but when it comes to payment on behalf of structures, treasury is right alongside the AP side of the organization saying "This is an opportunity for both of us."

**Craig Jeffery**:

Yeah, it sure is. Those major shifts are interesting. Like you said, 10 years ago, I don't think that ... I think the term is probably five or six years old. I do know several decades ago there were some banking services that would provide sub accounting reporting where you could issue checks on behalf of and then it funded from other accounts that create this whole ZBA structure, a lot more heavy lifting on the bank side, and now there's these many, many organizations and over ... about one in eight are using pay on behalf of structures, which is pretty much new to the market five or six years ago, or new as a term and new as a consistent process, so pretty interesting in the movement of technology, just the growth here presents that opportunity.

**Bob Stark**:

It also shows the internationalization of payments as well. Maybe that's a segue into cross border payments a little bit, but in my experience so far I've always seen that you're typically taking a more centralized approach where you're utilizing cross border payments or you're trying to find efficiencies through something like payment on behalf of, where you can actually utilize the least costly channel. In many cases, that's making local payment out of local accounts to vendors in that particular region and taking advantage of a payment on behalf of structure to do that. So, it tends to, even though it was a growth in interest in lower cost cross border payment types, even non-bank channels in some cases, still we're finding that those organizations that implement a [POBO 00:17:40] type structure really do benefit by incredible synergies as long as they have the right structure in place from a cash standpoint as well. Obviously a payment on behalf of structure, you need to have a good inter-company structure as well, and efficiency around how that's managed. Otherwise it doesn't work out too well in the end of the day.

**Craig Jeffery**:

I'll just mention one more thing about the impact on connectivity and formats. 85% of organizations ranked APIs for connectivity, making payments, et cetera, as the number one impact in the medium term horizon and ISO 20O22 formatted option, which is a extensible markup language, typically extensible markup language format methodology, that followed with 61%, so this is a more enriched format that has the tags that tell you what the numbers are that come with it. So, I found that interesting. We asked a bundle of questions and number one was API, in terms of your views, and ISO 20O22 was number two with 61%. So, with that, Bob, I gave you a few seconds to think through what your final leave the audience thought would be.

**Bob Stark**:

Well, I think it actually plays on what you just said. Simplification is what every organization is looking for. Obviously having technologies like payment hubs certainly allow you to get that level of centralized visibility and control that's so difficult when you're managing disparate systems. It also simplifies the movement towards these newer technologies such as ISO 20O22, having standardized XML messaging and replacement of all the different formats that you might get, even though XML, still, there's a variety of format variations, like hundreds and hundreds of them, but nonetheless, it's still a drive to simplification, which is difficult if you're trying to manage that across multiple ERP platforms and treasury systems, etcetera. So having technology can simplify that. APIs is just one that it doesn't really want to touch. They liked the idea, but building APIs to all these different banks that are supporting them in different ways, that's something that IT is thinking, "How am I going to support this? I don't have the bandwidth to do this for treasury and AP right now." So again, it really makes that play for let's have technology take care of it and take this burden away from IT so that we, as finance and treasury, can take advantage of all these new opportunities to be more efficient, such as those in the survey said they want.

**Craig Jeffery**:

I like that. Yes. It seems like you're saying simplification is the strategy and technology is the tactic you use to get there. Hopefully that's not putting words in your mouth, but that makes a tremendous amount of sense. Bob, thank you so much for talking with me about the global payments survey, the results, the implications, and thanks for underwriting this year's edition of the global payments survey.

**Bob Stark**:

Thank you, Craig. We are always happy to be part of this. It's really good data for organizations to learn where there's opportunities to help themselves.

**OUTRO**:

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