**INTRO**:

Welcome to the Treasury Update Podcast, presented by Strategic Treasurer, your source for interesting treasury news, analysis, insights in your car, at the gym, or wherever you decide to tune in. On this episode of the seismic shifts in corporate treasury series, hosts Craig Jeffery leads the discussion with Seth Marlowe, Senior Vice President and Strategist with Wells Fargo Treasury Insights Consulting Group on new technology disruption. Listen in as they discuss the primary cause and effects of these disruptions on treasury and what treasury needs to know today to get ready.

**Craig Jeffery**:

Welcome to the Treasury Update Podcast. I'm Craig Jeffery and I'm here with Seth Marlowe, who's the SVP Strategist for the Insights Consulting Group of Wells Fargo and I want to welcome you to the podcast, Seth.

**Seth Marlowe**:

Great. So good to be with you, Craig.

**Craig Jeffery**:

I think it's been about two or three weeks since we last spoke at an event and we did talk about API and RPA, primarily robotic process automation. But I guess I want to start off with a discussion on readiness of treasury for disruption. And before we talk about how ready is treasury and what you think treasury should do to get ready. What do you see are some of the primary causes of this disruption in treasury?

**Seth Marlowe**:

Well, Craig, there's so much going on in our industry right now and I would boil it down to really the unprecedented change that I see going on, really in four areas.

I would talk about it from the perspective of new payment rails. It's been interesting, certainly with the latest Fed news that they are going to try to stand up a new real time payment system, Fed Now. That combined with the second area, which I would say is payment speed, an area where unfortunately the US has been lagging behind significant chunks of the rest of the world, but certainly with the clearing houses, RTP system that's up and running with some limited capabilities in terms of the number of banks on that network, but that's certainly a big piece of what's going on.

The third area I would focus on is really the changes in the way people, the way organizations connect to their banks and their third party providers. Really the evolution from batch and file transmission over to APIs, which really has driven all the apps that we live and breathe with as consumers. Whether it's Amazon, Starbucks, Uber, and so it's kind of the Amazon-ization, or Uber-ization, if you will, of the B to B world, the corporate treasury world.

And then the fourth area I would say is just the amazing amount of technology innovation. All the things that are going on, whether we're talking about big data, artificial intelligence and machine learning, blockchain, distributed ledger, 5g is going to be upon us really very soon as that starting to roll out. So, you've got the confluence of all of this going on, which I think puts a lot of pressure on organizations and particularly treasury.

**Craig Jeffery**:

So that was a full cornucopia of acronyms for tech. This was excellent. Let me just ask you a few items on this before we maybe dive into the readiness and understanding. So, you said new payment rails. You talked about Fed Now, the one that you mentioned as well was the realtime payments through the clearing house related to the speed. Now, just a question on that. Do you think it's just about speed or is it also about an enriched experience, better flow, et cetera? I guess I'm leading you with that question. How much of it is speed?

**Seth Marlowe**:

I think the speed is what facilitates the experience. We live in a world today where everything's about the here and now. As much as we want to put that all on the Millennials, it's all of us. I'm a last year Baby Boomer for crying out loud and I want it now too. So, I don't think it's speed for speed's sake. It's speed for experience's sake. We want to do it. We want these things to happen so that whether we are a customer getting a taxi, it's fewer steps to get one, get in it, get to where you want to go, have it get paid, and I know for me, I've got this fat wallet that's resembles the wallet from an episode of Seinfeld and I don't want to take that out of my pocket. I've ripped my pocket a few times getting that out.

So, that clean, clear experience is what it's all about. And I think with all of us in the treasury profession, we're living these consumer experiences. We now have a new set of expectations, a new bar that's based on what we're seeing as consumers. And we're expecting to see that in our offices, in our interactions, in treasury, in the office, whatever we're doing.

**Craig Jeffery**:

So are we going to change that phrase that we use? If they can put a man on the moon, why can't we do this now? It's going to be, "If I can get in and out of a cab with with just saying hello and not touching anything, why can't we have an efficient process?"

**Seth Marlowe**:

Yeah. Pretty much. Everyone for years has been trying to solve cash forecasting as an example. Well, wouldn't it be nice if you combine a lot of these tools that are out there? A little RPA, a little AI, APIs to connect to all your ERP systems, where the cash forecaster, the cash position for the day, is set before you get in. The two week, the four week, the three month forecast has been revised based on the latest and greatest information.

I don't think it's a pipe dream. I think we're going to see these things happen and I think they are very much happening already in some organizations.

**Craig Jeffery**:

Yeah. And the third item you talked about was the change in how people connect, right? This ability to have visibility or do transactions more seamlessly from long, involved host to host connections to the more manual web portals, to API being enabled in different categories.

So, that was your fourth and the last was technology innovations. So RPA, big data, transmission speeds for wireless of 5g. So, there's a lot there. Data formats, there's a lot that could be discussed there. So, I like your overview. But as we think about how Treasury's getting ready for this disruption, what are you seeing as far as people's readiness and understanding? I know there's a big spread, but what are you seeing and does this represent an opportunity, a risk, or something else?

**Seth Marlowe**:

I think it's a little bit all of the above. I think it's a huge opportunity. It has the potential on the risk side to be a missed opportunity. Even how treasurers look at how they staff their organizations today. I think that there needs to be a focus more today than ever before on bringing people into treasury that have really solid technical skills. We can all teach these folks everything that there is to really know about treasury and banking. That's almost the easy part today.

But getting folks in that have ease of maneuvering between systems, understand, the way apps interact, understanding APIs, being able to play with building, not macros anymore, but moving towards the robots, really the scripting languages of robotic process automation. That's where we need the skills to be built up and we can teach. I used to teach, because people used to come into, when I was at GE, I would teach a class that I inherited from Paul Burstein. It was a treasury and cash management 101 and then there was also a 202 class on how funds move and ZBAs and all the things, all the core activities, in treasury. To me the base stuff is really the easy stuff. Got to get the technical stuff in so that organizations can can move forward.

**Craig Jeffery**:

Please listen to this special announcement. In addition to our annual surveys, Strategic Treasurer has a unique research project currently underway that is focused on payment practices, complexities, frustrations, and workflows. This research is highly condensed from many of our other surveys and takes less than 10 minutes to complete. It is open to active corporate practitioners from around the globe until early October. Please visit strategic treasure.com/research to find out more. Your input would greatly help shape the study. Now back to the Treasury Update Podcast.

**Seth Marlowe**:

I think the other thing, Craig, that's going on is that frankly, I see this interesting dynamic going on, I'm sure you see it too, where there's almost this buddying up of CFOs and treasurers, and I'm seeing a lot of instances where CFOs are relying on their treasurer and their treasury teams to have a broader span of influence across the enterprise and because of all the cash cashflow activity and the cash and the bank accounts that are going on, treasury has a lot of visibility into what's going on to the overall organization.

So CFOs, from my per view, are expecting the treasury function to be more and more strategic. And in order to live up to that, in order to have the time to be able to work on the strategic projects, there's got to be a huge focus on automating any and all things that are manual in nature, that take a lot of time to do, to really bring up the appearance of what's going on in that treasury organization.

**Craig Jeffery**:

There's at least just one or two episodes on that topic in terms of, "Everyone says you've got to be more strategic than tactical or even operational." And the impact of looking at how this technology is impacting the business processes, particularly around the cash conversion cycle, the challenges related to control, and liquidity management. That's a very big discussion, I think, and a good opportunity to talk about the opportunities, or missed opportunities, and what's changing with treasury going forward. But I wanted to circle back to the question at hand in terms of the readiness and understand.

You mentioned staff, you need to get staffing that has great facility with the tech, and do you see that as just you need to inject, I don't want to say new blood, but some new thinking or new skills into the group? And what plays off in terms of having people who continue to adapt to technology, pick up those skills that might be within the organization. What kind of guidance could you give us there?

**Seth Marlowe**:

They are two themes there. One is I don't know that treasury in and of itself has the appearance to folks that are coming out of school with business degrees or other degrees as a terribly exciting or interesting place. And certainly I've seen situations where people very early in their career come in and they see what looks like a lot of manual work. Hopefully that doesn't scare them off, but the reality is it doesn't seem like something that they necessarily want to be doing every day. So, I think in order to attract the right kind of talent, there needs to be an effort to automate and get to the bigger, more meaty activities, as opposed to some very basic spreadsheet jockeying, if you will.

And then the flip side of it is for people that have been doing some of this for a while, I think it's giving them an opportunity to learn some technical skills, to be able to initially improve their own lives. I think that's where I've been seeing some of the early attempts at RPA is really somebody in the treasury organization who is technically savvy, downloads and installs a trial of an RPA tool and realizes, hey, look what I just did. I just managed to automate the tasks that I'm doing every day for downloading FX rates and emailing it and saving the historical rates in a spreadsheet. And it used to take me 20 minutes, but now it's taken me two and a half minutes and I got some time. And so now I'm looking at the next thing I can automate and then I'm nudging my neighbor in the next cube over and saying, "Hey, look at this and maybe I can help you with doing something else."

And it's been interesting to me how some companies have taken that grassroots approach and have then had some success, have started to think about, "How do I build a business case to actually more formally bring the tool in and then start to really look at doing this on a much broader, much wider perspective?" So, I think a lot of this starts with having the right people who are technically savvy and leading to getting some significant automation done that will allow for retention of key people that you bring into the treasury organization.

**Craig Jeffery**:

Yeah. And before we jump into APIs, I just wanted to gauge your thoughts on today. Summer 2019, as a mass, treasury, are they understanding what these changes are? The changes that you mentioned, how impactful they are, or is there a lot of ground to cover?

**Seth Marlowe**:

Honestly, Craig, I think there's a lot of ground still to cover and no matter how many conferences that folks attend and are hearing a lot of the messaging, I think it needs to go from just receiving the messaging to actually starting to play with it and starting to talk to your banks, your software providers, your internal IT people. There's a whole socialization exercise that I think needs to happen and a lot of companies, particularly as you come downstream significantly from the large corporate arena, I think a lot of the large corporates get it at this point.

But as you come down into below the Fortune 1000 into private companies, into the middle market, there's a bit of this almost disbelief that is, "Is this really happening in our world?" And I think, surprise! Yeah, it really is. And for companies to stay competitive today, they have to have to jump in. There's the potential for companies to be a swipe away from being irrelevant and everyone needs to be aware of that.

**Craig Jeffery**:

Yeah. I guess that's the point. If you're not a re-inventing and redoing your processes in light of the new tech, you're becoming less efficient, less controlled, and that that does have an impact on the organization in a fairly quick order. Maybe not in a week's timeframe, but certainly as we span years. Let's jump into APIs, Application Programming Interface. Can you define that and give an example or two?

**Seth Marlowe**:

Sure. So I think at its simplest level, it's really where one piece of software is connecting to another piece of software using some kind of common language to either do a task or exchange data. I think in the banking world and in treasury some great use cases that a number of banks have stood up at this point, are the ability to use APIs to be able to provide a customer with their prior day information reporting, their balances and transactions.

Same thing with same day on the payment initiation side. To be able to leverage an API, to be able to initiate a wire, an ACH, potentially as we've got the real time payment rail, to initiate those payments in that real time technology, which is really the API world, to get that transaction from an RTP perspective to actually be effective in as close to real time, near real time, as possible. So, that's a lot of what I'm seeing as basic blocking and tackling today in the API world as it relates to the banks.

**Craig Jeffery**:

Let me ask the question about what do people need to know about that, in the immediate timeframe and farther out, but let me give you some clarification. So, if someone says API, they've heard the term, they don't know what it is, now they say it's some type of application. If I'm in treasury, do I need to create my own API? Do I need to pressure my vendor to get an API with the bank to pull down a bank balance or to pull down a foreign exchange rate? What do I need to know as a treasury professional?

**Seth Marlowe**:

Well, I think number one it starts with the awareness of what they are and conceptually how they work. I wouldn't say that there's necessarily a business case that says you need to take all of your file transmissions and immediately convert everything over to API based capabilities.

So, for example, if you're using an ERP system today and maybe you've got a file transmission that's doing your AP payments and you're sending your payments to the bank and some of them are wires and some of them are ECHs and other transactions. I don't know that I would be advocating to say you need to shake all that up today. But maybe somewhere in the organization there is a process, it may not necessarily be a treasury process, but it may be a process in the customer support function. It may be in the actual line of business, where there's a need to make a payment in a faster timeframe.

Maybe it's something that's being driven off of an app that someone's looking to develop and deploy. And it could be an app that's either consumer facing or even employee facing or otherwise. And there is a payment capability there that needs to happen.

So, here's an example of that. We've worked with numerous insurance companies and they're trying to, besides one upping each other in their advertising, which is quite humorous, they're also trying to gain customer loyalty by being able to turn around, very quickly, claims. So let's say you've got an auto policy and you've got in an auto insurer and you've had an accident, the goal is to be able to have an app where the consumer can snap a photo, here's what's happened, send it directly in to be reviewed online, and then to be able to make a payment.

The adjuster has become an online adjuster and now it can get paid out to you so that you can go to your local body shop and get the work done immediately. So, there is a need there through the app to automatically be able to get paid and maybe the consumer decides do they want to accept it through their debit card to get the money directly into their bank account. We call that push to card. There is ways of doing that through MasterCard, through Visa, and through numerous banks today. Or is it something that maybe is done as a Zelle payment? To be able to get the money directly into your bank account? And of course there is a variety of other established person to person, or now really business to person, capabilities, whether you're talking Venmo or PayPal and so on.

So, that's something that's an in the moment payment and so we're seeing more and more of those kinds of use cases. And the interesting thing is, if treasury isn't aware that these are capabilities that can be done, how on earth are they supposed to be able to give guidance to other parts of the organization?

Because after all, treasury is the knowledge center for everything banking and payments and treasury. So, they have to know this stuff and they have to be a willing and able to know who the right partners are in terms of their banks to be able to provide the connectivity to make all this stuff happen.

**Craig Jeffery**:

Excellent. I like that. If you don't understand how that can work, you can't understand how it could possibly solve problems, whether it's checking for valid ABA numbers for payments, or validating information against the sanction list, using an API to test it, or a million other examples. Very, very good. That helps us on the API side.

On the RPA side, robotic process automation, can you define that and then give us some examples? You talked a little bit about that, about making bots that go out and get FX rates and pull them down, but please define robotic process automation and help us understand how it's not a macro, it's not necessarily just a scheduler, help us get an image in our head.

**Seth Marlowe**:

Sure. So, it really is so much more than that. And I think when a lot of people describe it, and I would say this is one of these phrases that's frequently heard, but nobody knows who was the first person who said it, that RPA scripts, or these bots, robots that we call them, are like macros on steroids. You can have a lot of different images or visions of what that means, but it barely scratches the surface of what robotic process automation is all about. The similarities are in fact that yes, it's a macro, it's a script, but it's so much more than that.

It's really a software platform that facilitates being able to automate any variety of task that happen that can be going on your desktop, on your desktop computer, or laptop, as well as can be working on a server and operating 24/7.

They can supplement what those people are doing on their desktop, whether they're in treasury, customer service, they really can help do some of the tasks. So, the analogy I like to use a lot is, and it's unfortunate, my swivel chair here doesn't squeak or otherwise we'd have some good sound effects. But, it's the swivel chair effect. Most people today it's, it's pretty common, you've got two monitors. Well you could be swiveling left to right to go from your left monitor that's got your bank portal and then the right screens showing you your ERP system and having to go back and forth because you are the person that's doing cash application and you're looking at a report on the left hand side that's got all of the cash receipts that came in on your information reporting for the day.

And on the right hand side you're trying to apply off that cash to the customers that paid you. And so you're constantly back and forth and there are lots of scenarios and sometimes it's a lot more than two systems. It could be three or four. Imagine someone that's trying to update a cash forecast and needs to access multiple divisions, individual ERP systems. Because let's face it, not everybody is on one global system. So, you may be, that person may find themselves having a spreadsheet on one screen that they're updating and having to go in and maybe run a script in their Oracle system and pull data into an Excel spreadsheet, their Oracle, and then there's another system that's in the cloud that they're pulling from NetSuite and then having to combine all this data in their forecast spreadsheet.

Well, just imagine that all of that activity could be boiled into a script where maybe it's kicked off by the user by entering in today's date or tomorrow's date, what have you. And literally that script goes in, has user IDs in the different ERPs, has access to that Excel spreadsheet, and it goes in and actually emulates the keystrokes that are needed to get to the data. Maybe does the data download into a spreadsheet, shares data between that spreadsheet and the cash forecasting spreadsheet, and in a manner of moments that task that would have taken one of us humans five minutes, 10 minutes, 20 minutes, multiply by number of ERP systems or other ancillary things that have to be tweaked, and then it's done.

And so that person has now gotten that updated and can spend more time analyzing the forecast as opposed to just compiling it. And again, this is tip of the iceberg stuff with RPA. It can get far, far broader and deeper in terms of really full end to end processes, many of which are unattended and don't require a human to be involved.

**Craig Jeffery**:

Sure. So what are people doing, let's say in treasury specifically or maybe more broadly in finance, what are some of the use cases that people are doing now? Is this full blown implementation or are more of the leaders are putting test cases through and piloting things? Just give us an overview of the landscape.

**Seth Marlowe**:

What's happening and continuing to happen is that a lot of companies are looking at this and saying, "I want to play with this. I want to see the digital real. I want to understand that it's more than just macros on a spreadsheet." Oh, and by the way, I didn't mention before that one of the other differentiators from an RPAs perspective versus regular macros is that their security, anybody can't just create one of these RPA bots. You have to be permissioned to do it. You can't just modify it. So, you don't have the security and the socks risks that you have with a lot of these end user macros that have been created. It's a much tighter structure for the way it's all built out, which I think makes a lot of our audit and risk partners much, much happier.

What I'm seeing with a lot of companies is that they start off by dabbling to understand whether it's real, they see that it's real, they automate some tasks that help them and then there becomes that realization that this stuff really works and we need to look at the bigger picture. Is this something that we need to bring in for the entire company? For the enterprise? Is it something that we can start to track? How many bots, how many man hours are being saved, what are the projects that we're starting to work on now? Finally, those strategic projects that are allowing us to be that strategic partner the CFO's looking for. And to get to that point where they can build the business case to say, "Hey, we've been playing so far and here's the result of our playing." Imagine what happens when we can start doing this on a much larger, broader scale.

Not only in treasury but in a lot of other finance functions. AP and AR are absolutely ripe for so much of this automation and there tends to be a lot of manual effort that's involved in both of those areas. I see companies doing that. And then I've seen organizations that have gone through that exercise, have brought in a significant one of these RPA tools, and have then, whether it's in IT or in an operations function, they've created a center of excellence around it so that they're helping identify, in the different areas of finance and in the different lines of business, how do you go about identifying the processes that are ripe for automation and, and this is a big "and", not only identifying which ones to automate, but then actually looking at those processes to see whether or not there is not some optimization of that process that can take place.

Because anybody can automate. But ultimately you want to improve the process too as you go down this path. So, I think there's a lot of opportunities, frankly, for people that are process people to review processes, optimize these processes, and then work with the bot creators, the developers, whether it's nontechnical folks in the business, in treasury, or whether it's actually people that sit in IT. I think some of the more successful shops I've seen have been bringing a combination of players to the forefront and then deploying these tools across the organization.

**Craig Jeffery**:

Yeah, very good point. I like the description, whether you said dabble in it or the people are starting to play. Some companies are playing with it, then they might move on to piloting and then prioritizing that work and then moving into that production environment, with a center of excellence and some more rigor around the process and the controls and the consistency, security, and IDs and all those things. So, there's a lot there that can be done.

And I think you and I have talked and said people should be at least playing or putting in a pilot in the fairly near term in this to gain some facility and knowledge of these tools in treasury.

So, Seth, as we begin to wrap things up here, there's that concept that many things are happening together, technology, risk, data. You mentioned a whole bunch of them. APIs, robotic process automation, are just two. You mentioned a few things about conferences and staying up on things and I guess I would say maybe you could talk about how you see treasury people, what they can do so they don't fall behind, but also what should somebody do so they can get ahead or stay near the front quarter of organizations? Leveraging technology, leveraging some of these technological disruptions that are happening and intentionally taking the reigns on this disruption?

**Seth Marlowe**:

There are a number of things to do. I think number one, you need to at least have some regular activity where you're trying to keep up with what's going on in the industry. In my case, my role is dependent on continually reading and researching what's going on in the industry. But I suggest that for treasury folks as well, pick a couple of, call them trade rags, a couple of consultancies like Strategic Treasurer for example, to follow, listen to your podcasts, to keep up with what's going on and make sure to really bring in and have these kinds of conversations with your key business partners. So, I would talk to your banks, I would talk to your external auditors. It's interesting, in the RPA landscape, the audit companies, the consulting sides, have developed huge practices in RPA. So, there's a lot that they can bring to the table.

Talk to your software vendors, whomever your account officer is from your ERP vendor or vendors. If you're using a treasury management system, talk to them. They're certainly all looking to plug in APIs from the banks to make it a more seamless experience for onboarding customers that are at the banks that they connect through API. So, have those conversations, find out what they're doing, find out what they suggest, and don't be afraid to try things.

I think sometimes there's this hesitancy of, I don't know if I really can dip my toe in that water. Well, I think we're in a world today where we're surrounded by disruption and my perspective is if you can't beat them, join them. So, be disruptive in a polite and appropriate manner in the workplace and disrupt yourself a bit. Try to teach yourself some of these skills. I think that's the beginning of the way forward.

**Craig Jeffery**:

Excellent. Some really good advice there. And I know you and I both attend a lot of the same conferences and we're in a position where we're constantly hearing things. Not everybody gets to attend more than maybe one conference a year, but make sure you do that. Learn, read and thanks for the plug on the Treasury Update Podcast. I appreciate that. I listen to three or four podcasts every week just to keep up and hear new ideas. Seth, any final thoughts? Just in summary from all the things we've been talking about today that you want to leave with the listeners?

**Seth Marlowe**:

Well I think certainly the thought that I just shared about disrupting yourself, I think is a really important one. There's an opportunity as well to really rethink a bit about how you go about staffing the treasury and finance functions, as we talked about earlier on in the podcast. It's real important to stay aware, stay focused. Also check to see what your peers are doing. Something that I really encourage, and this is something that can happen at maybe it's at one conference you go to a year, or maybe there are network meetings. Maybe it's a local regional AFP chapter or FEI. Lot of different organizations that are out there. Connect with your peers in the industry and find out what they are doing as well. Make sure that you learn from the experiences that they're having and sharing.

We used to do a ton of that in my GE days. I think it was even built into my objectives for the year, was how many peer sharing conversations that I had and we need to do that. It's very easy to be locked down in your office with the handcuffs on making sure that the day to day happens. The day to day can be a lot more interesting and exciting if you're going down the path of looking at how all this new technology and all these changes can be applied to your daily work and to your organization.

**Craig Jeffery**:

Seth, I want to thank you for joining me on this episode of the Treasury Update Podcast, the seismic shifts in treasury. Thank you.

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