



# Cash Management Goes Global

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**T**en years ago, it was still a great innovation. Today, almost all companies have one – a system for cash management. It helps obtain bank statements automatically, plan current account balances, and manage all payments orders on a unified system – in short, it is the basis for electronic banking. Long gone are the days of monstrous Excel spreadsheets and paper-based payment orders. Today, such a solution is a basic necessity and many corporate headquarters have optimised their cash management. What is the next step?

Innovations hailed as revolutionary ten years ago have become standard functionality today. Everyone knows it, everyone has it. Cash management is the bread-and-butter business of any organisation. Internationalisation and growing complexity in this field have led to increasing professionalism in treasury. Almost every company has implemented a system supporting and facilitating cash management processes and tasks. Has the time come to sit back? No, now is the time to make processes more efficient group-wide. Now is the time to ask, "What's next?"

The answer is actually quite simple, but complex to implement: Cash Management Goes Global. As the number of subsidiaries worldwide increases, so does the complexity of data which needs to be managed in the system. Soon, managing data for the group companies in Excel or on paper becomes highly complex and difficult to handle. Even if subsidiaries use systems to make their data available electronically, the variety of individual solutions implemented by each company can be nearly impossible to harmonise on the group level. Therefore, it is necessary for group headquarters to gain an overview of all local cash management solutions throughout the enterprise.

## Integrating all group companies on one platform

To control cash management on a global scale, organisations need a holistic approach that goes beyond just a central treasury – one that brings together all group companies on an efficient treasury platform. Every company, no matter how small, has to send payment orders to a bank and needs to obtain account information. This is the foundation for the idea to unify all data in one system. All cash management processes have to be integrated globally – from

signature authorisations to bank account balances to an overview of group-wide planning data.

Once the integration process has begun, cash management gradually grows from the nucleus of local implementations into a global solution. As soon as all companies in a group have been united on a single platform, cash flows throughout the entire group become always accessible and transparent for authorised users. Group-wide cash management knows about all financial inflows and outflows and the financial planning of every organisational unit. This applies equally to fully controlled subsidiaries in the cash pool and to independent companies in FX-controlled countries such as China or Brazil. Ideally, the organisation connects the platform to all of its banks, enabling group companies to process both domestic and cross-border payments for each country in the system.

Many advantages of integrated bank communications are obvious: No standalone solutions in the subsidiaries, no unnecessary emails to headquarters, no time offset in reporting – instead, signature authorisations, existing accounts and individual banking relationships become transparent. Headquarters may even no longer have to collect electronic account statements from subsidiaries. In addition, complicated bank-specific payment approval processes on national and international levels no longer apply. Now, corporate treasury enjoys access to all data in real time, full group-wide transparency, and the ability to intervene in any process – without having to centralise.

## A new era of co-operation

Unified cash management paves the way for a completely new way of intercompany cooperation and holds potential for additional



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improvements. How about multilateral netting between all group companies – since they are already integrated – to gain additional efficiency? How about significant interest rate advantages for the group when raising capital?

If group companies have reciprocal receivables and payables, let us hope that they offset them and only transfer netted amounts. By involving additional companies in an intercompany settlement process, a simple bilateral transaction can become a complex multilateral process – group-wide netting on a global scale.

### Extended global intercompany reconciliation

Netting throughout an organisation has numerous advantages: Payment transaction fees can be reduced, particularly if the group has a large number of companies in different countries. Refinancing via intercompany sources opens up completely new opportunities for raising capital. Netting has a beneficial effect on intragroup currency risk as well, eliminating or at least substantially mitigating such risk, or allowing the organisation to limit it to a qualified organisational unit. And finally, it saves time and effort! Even groups of companies with a relatively low business volume benefit from optimising their intercompany reconciliation processes. All this is true especially if group companies already use a common treasury platform for cash management. Globalised cash management can be the driving force behind further improvement of treasury processes in the organisation – multilateral group-wide netting is just an example.

### A treasury network based on the web

If treasury is to be a global process, it needs to be supported by an appropriate system. Therefore, a treasury network based on the web is key. Again, technology deemed a great innovation ten years ago has become commonplace today. Recently, a journalist was surprised to hear that web-based and mobile treasury systems have been on the market for many years, even before the invention of iPads and iPhones. His astonishment was founded in the popular misconception that web-based systems are merely a means for mobile data access. Often, people overlook the extensive

opportunities networked solutions offer to organise processes across group companies and national boundaries.

In the past, software had to be installed on a workstation or a laptop. Today, users open a browser window, enter the URL and start working. This has become a normal process. Today, treasurers can access their treasury management system using almost any Internet-enabled hardware without worrying about local installations or technical requirements. A web-based system can be used in corporate headquarters as well as in subsidiaries. Whether CFOs are in the office or on the go – in London, New York or Singapore – they can authorise payments from their desktop, laptop, or mobile phone, always and anywhere. The group's financial status is constantly available to be checked in real time on any web-enabled device: It is no longer necessary to update spreadsheets or receive files by email.

### For treasury, the cloud is more than just new technology

Mobile treasury using a web-based system – working in the cloud – represents a quantum leap in terms of data management and compliance. This technology also offers advantages for treasury process organisation. With group-wide data sharing, employees, departments and business units can help themselves to the information they need from a common pool and, at the same time, make their own data and processes available. Complex data distribution mechanisms in the organisation are a thing of the past! No more massive amounts of information via email, phone and fax to process – the system already contains all relevant information.

When employees in cash management no longer need to spend all their time collecting, transmitting and organising data, their capacities become available for other tasks. They gain freedom to deal with strategic aspects of their work instead of focusing their energy on day-to-day business operations. In the end, cash management can be transformed into a holistic management process for the entire group – integrated treasury management. This process involves many business units in the organisation with completely different tasks. Working with a web-based solution makes it possible.

### Integrating all processes with load-balanced treasury

Even though Treasury in the Cloud is not a new concept, globalisation trends in treasury business help it get the attention it needs for widespread adoption. Today, organisations need a treasury management system that lets them connect their companies. All organisational units work simultaneously and in real time on the same system to manage their own local day-to-day business in as much detail as they need. The more users, the better, because this increases group-wide transparency, integrates employees and leads to superior data quality.

A web-based system allows treasurers to implement the load-balanced treasury principle – a group-wide distribution of treasury tasks – to everyone's benefit. If an enterprise wants to implement global treasury, it will reach its goal faster and more efficiently with the support of all companies and people involved, and with a steady and targeted distribution of workload and responsibility for treasury processes throughout the group. Responsibility can be globalised and means of intervention can be created even without pushing for centralisation. Cash Management Goes Global stands for collaboration across the entire group, resulting in significantly reduced administration workload, better security and increased transparency. □



Work in the cloud represents a quantum leap in data management and compliance.



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Martin Bellin is Managing Director of BELLIN GmbH, which he founded in 1998. The company is a leading provider of consulting, software and services for treasury management. With visionary concepts including LoadBalancedTreasury® and AgreementDrivenNetting®, BELLIN gives organisations worldwide new opportunities to integrate their treasury decisions. Today, in excess of 15,000 users in more than 120 countries benefit from these solutions. Martin Bellin is the author of numerous technical articles on treasury and has published *We love Treasury*, a non-fiction book with testimonials from 30 international treasury management experts.