



Centralisation, Digitisation and Automation

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A Story of Treasury Transformation

Treasury has evolved substantially in recent years from effectively being a cash management function that operated in a largely siloed way from the rest of the organisation, to being a strategic and connected business enabler, whether across cash, liquidity, risk or financing. However, to achieve this transition, treasury needs the right tools to provide automation and control of treasury processes, visibility over cash and risk, and analytical tools to navigate the uncertain environment in which we operate.

When I joined ISS, treasury, payment and collection processes were manual and labour-intensive, with an entirely spreadsheet-based operation. The

treasury function was largely decentralised, so activities were replicated in different parts of the business, with a lack of consistency in processes and

controls. We have around 130 business units, each managing its own bank relationships, which totalled more than 40. With such a large volume of electronic banking systems, formats and security protocols were fragmented and costly to administer.

A catalyst for change

The result was that it was very difficult to create a timely, accurate picture of cash and exposures at a group level, and therefore we could not manage our liquidity or risk effectively. ISS had experienced significant growth, both through organic growth and M&A, and we recognised that we needed a new treasury organisation and infrastructure on which to base it to meet the changing needs of the organisation.

There were also external factors that emphasised the need for change. For example, we recognised that in an environment of risk and uncertainty, we needed to enhance our approach to credit risk management, which was difficult to achieve without either a global view of exposure, or the tools to manage it.

Furthermore, we needed the ability to comply efficiently with regulatory requirements such as KYC, which can differ substantially by bank and by country, but there are many other regulatory obligations too that we need to consider. We often have problems as banks frequently categorise ISS as a shipping company, which is typically considered a high-risk industry under sanctions screening requirements, whereas we simply deliver services to the shipping industry, so our payment processes and the consistency, completeness and accuracy of information we provide on payments is critical to avoid blocked payments.

Embarking on a change project

We went through an extensive feasibility study to determine what skills we had in our treasury organisation, what our current processes were and how these could be improved, and the solutions that were available that would support our treasury and payment needs both now and in the future. As a result of this evaluation, we embarked on a multi-pronged project to optimise treasury organisational strategy, bank



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relationships, systems infrastructure, and workforce & training.

While creating a convincing business case for centralisation and digitisation of our treasury function to enhance liquidity and risk management for senior management was a key milestone for embarking on this project, bringing together the wider business in support of the project was a more complex and significant task. We held an event in Dubai to communicate to local finance managers what our plans were, what the benefits would be, and the support that we would need from them to enable the process. At this event, we articulated our liquidity and risk management objectives, and the reasons for moving away from a decentralised treasury approach. In addition to gaining their support for the project, it was important to engage with local finance managers to ensure that we would be able to provide services to the organisation in line with local cultural and regulatory requirements.

Designing a treasury infrastructure

Our new systems infrastructure was a crucial element of our new treasury organisation. We needed a solution that would support a new centralised treasury organisation, supplemented by a payment factory and central hub for connectivity with our banks, supported by an in-house bank. Efficient, secure integration of business and banking systems was crucial to achieving this. In addition, we were aware that we had pockets of cash in different parts of the world which were inaccessible to treasury, so by

implementing a combination of the right technology, organisation and bank relationships, we would have better visibility and control over group liquidity, and repatriate cash more efficiently. The new treasury organisation and infrastructure would also enable a consistent approach to control, and standardised processes for managing transactions and information. This needed to be supported by appropriate documentation, processes and business continuity planning. Ultimately, the aim was to deliver value by reducing operating costs, enhance control over our treasury transactions and information, and optimise the use of our financial assets globally.

Creating a treasury infrastructure

Based on the input of our local finance teams, and our vision of a new, world-class treasury function, we developed a request for proposal for potential vendors, and conducted a rigorous evaluation process. We then approached reference clients of each of our shortlisted vendors. This was a very valuable exercise, not only to understand the pros and cons of each system, but also to derive the benefit from their experiences. Based on this process, particularly from the excellent feedback from the Group Treasurer of one of our biggest customers, we made the decision to select TreasuryXpress.

After that, the implementation process was very rapid, and we quickly achieved visibility over 80% of our bank accounts in less than 10 weeks. We were very pleased with the quality of the relationship with

TreasuryXpress and the responsiveness, attitude and abilities of the team. As a result, we are already now expanding the use of the solution, initially to South America.

In addition to implementing our treasury management system, C2Treasury from TreasuryXpress, we also needed to expand the use of our ERP to support a payment factory and in-house bank. We were not able to achieve this using our existing version, so we developed a business case for an ERP upgrade. As part of this, we wanted to introduce some specific workflow controls to make sure that payment data and approvals were maintained at a business unit level, so that all payment transactions came through the payment factory ready validated. As part of this process, we recognised that we needed to conduct a clean-up of our master data as inevitably, however efficient the workflow, this can only be effective if the data on which it is based is complete and accurate.

Benefits and outcomes

As a result of this project, we have significantly increased the professionalism and productivity of our treasury function, with a high degree of centralisation and automation. Together, the various elements of our project are allowing us to progress our liquidity and risk management objectives. For example, we have rationalised our banking relationships and closed over 150 bank accounts and are still closing further banks accounts. We have two notional cash pools, with Bank Mendes Gans and Bank of Bank of New York Mellon, so by consolidating bank relationships and accounts, we have been able to include more of our cash into these cash pools.

By centralising our treasury activities, we have a single point of visibility to our cash and risk positions, and will have an effective payment factory and in-house bank when these are up and running, streamlined, secure bank connectivity and an automated process for bank reconciliation. Once all

stages of the project are complete, we will have completely eliminated the manual elements of our treasury processes. Payments will be initiated and authorised in our ERP by business units, and payment files transmitted to treasury to release to the relevant payment bank. Then MT940 files (end of day balance and transaction reporting) are received by treasury, which are then passed back to the ERP. This saves a huge amount of effort compared with our previous process that involved keying in this data manually.

Collaboration

Key to the success of this project has been the strength of collaboration between different stakeholders, both internally and externally. For example, our senior management, local finance managers, treasury and IT teams have all played a vital role in creating and delivering on a group-wide vision. Similarly, our technology vendors, such as TreasuryXpress, and our banks, have made crucial contributions to our success. As a result, we now have the professional treasury organisation underpinned by a world-class technology infrastructure that will allow us both to achieve our liquidity and risk goals today, and face the challenges ahead with confidence. ■



Inchcape Shipping Services

Inchcape Shipping Services (ISS) provides global strategic maritime, cargo and supply chain solutions to ship-owners and operators who span all geographies, market segments, vessels and asset types. Our vision is 'to be the world leader in maritime and cargo services'. In 2014 alone, ISS successfully acted as the agent for: 65,885 port calls across 1,588 ports in 112 countries. 14,000 vessels globally handled 727,000 TEUs on behalf of more than 2,500 customers. Today, the company is one of the largest maritime services providers globally, with some 300 offices in 68 countries and a team of 3,900 professional and committed staff.

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