


**Deloitte.**



**Digital Transformation  
in Corporate Treasury**  
Opportunities,  
Challenges, and Benefits





To catch up with the rapidly growing demands of the way modern corporate treasuries work, organizations need to 'ACE' the competition. This is how Deloitte defines the ACE approach:



**A** Automation



**C** Centralization

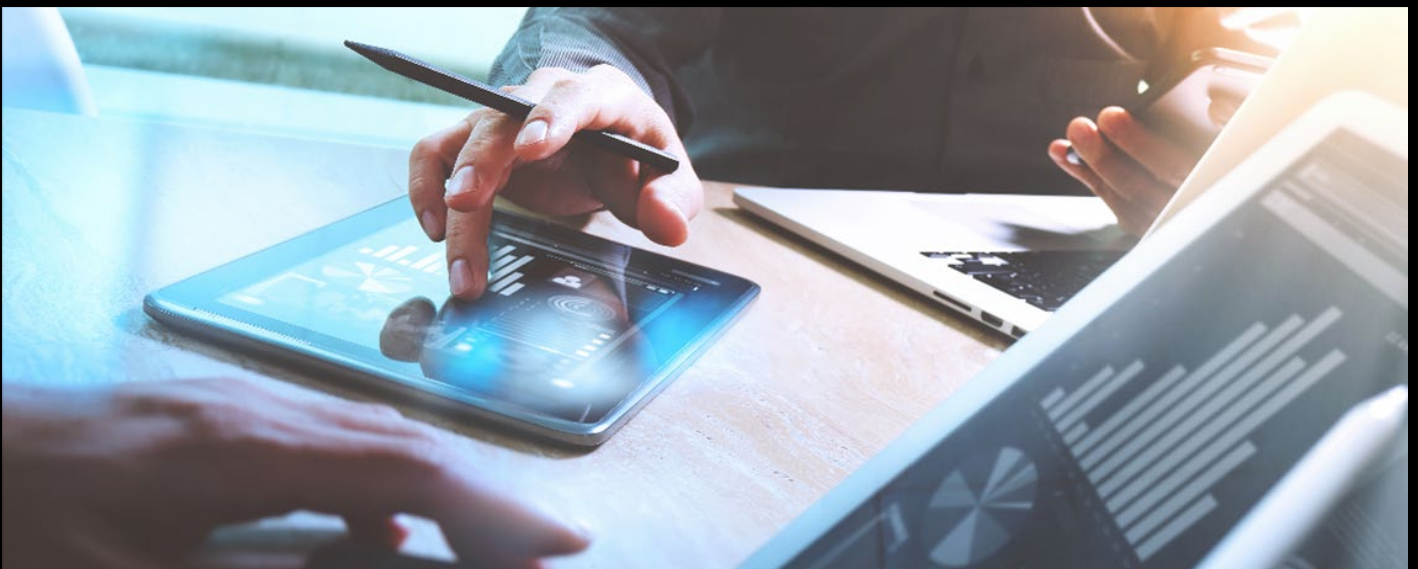


**E** Efficiency

This approach will empower Corporate Treasury departments to ACE their transformation efforts and achieve sustained growth.

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# Introduction

The purpose of this document is to present Deloitte’s point of view on digital transformation trends and practices in Corporate Treasury. We aim to create awareness of digital transformation for corporate treasuries, identify challenges, and discuss ways of tackling these challenges to have a successful digital transformation.

## How do we define digital transformation?

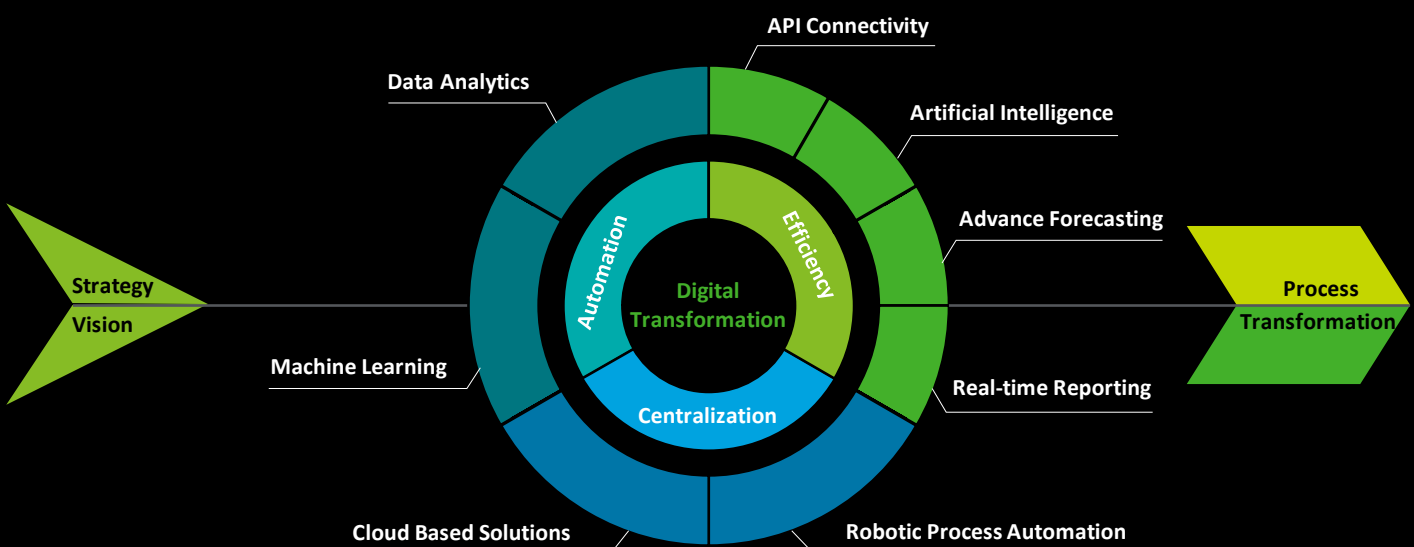
There is no unique way to define the digital transformation process. Each corporate has its unique outlook and processes, with significant variations in structure. Therefore, we can say that treasury digital transformation will look slightly different for every corporate. However, we can still deduce a common definition, which is the adoption of new and emerging technologies into the business, to produce operational and financial efficiencies, centralizes the overall reporting, and automates processes.

## Digital transformation and Corporate Treasury

In today’s world, thanks to the rapid developments in products and solutions, there is an expectation that Corporate Treasuries will adopt technology transformation. Automation, sophisticated analytics, and rich data visualizations are putting powerful new tools in the hands of Corporate Treasury teams.

To achieve the benefits associated with digital transformation, we need to remember that digital transformation is a journey that extends beyond the mere adoption of technology. To achieve the full gains from transformation efforts, an organization needs to take a more holistic view and adopt an incremental development of its digital transformation regime.

Figure 1: Digital transformation as a continuous process



# Why embark on digital transformation?



We all wish, we could automate the bank and cash reconciliations and save ourselves a precious time. However, the trepidation that comes with professionals increasing their reliance on automated systems is universal. But no need to overthink, there's nothing that can replace the emotional intelligence humans bring to the job and hence the treasury professionals should take this worry out when they're deciding to automate their processes.

Automating Corporate Treasury functions will help improve operations and reduce costs. Eventually automation will infiltrate most divisions in organizations, hence treasury leaders must acquire expertise to make themselves valuable in future business process transformations.

The following are some of the factors that are driving corporate treasuries towards digitization:

## Disruptive Forces

Big data, digital innovation, changing risk and regulations, and ever-increasing demands of stakeholders are some of the disruptive forces and challenges that treasury leaders face. To tackle these, the Corporate Treasury department needs to be aligned with a growing number of technologies.

## Efficient Processes

In today's world, the role Corporate Treasurers play is quite intensive. From maintaining bank accounts to generating accounting entries, a lot of processes need to be performed. And it is of utmost importance for Corporate Treasurers to make operational processes efficient in less time at a reduced cost, with improved compliance, and more regulatory insight. These factors should be the driving force that steer Corporate Treasurers towards a treasury system that could eventually help them achieve their goal.

## Competitive Advantage

In the fast-paced corporate environment, companies are continually seeking a competitive edge over their direct competitors and peers. The early adoption of transformation technologies will likely lead to advantages over the competition. For example, implementing a payment hub and centralizing payment approval workflows will minimize the invoice to approval process and will produce a reduction in the payment turnaround time. This will make the company attractive to the top suppliers and eventually will allow it to utilize this strength for better price negotiations.

## Regulatory Pressures

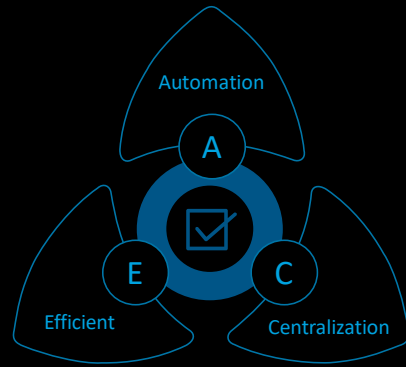
The continually changing regulatory landscape continues to affect business reporting requirements across corporations, specifically for those using complex financial instruments. Not keeping up to date in these areas can increase the risk of becoming non-compliant.

### The Human Angle

Nowadays, everyone can observe how technology is making their lives better and easier. This is the mindset that needs to be carried over to our professional places of work. If through technology we can attain ease in our daily life, why can't professionals embrace modern technology to reduce their manual labor and bring ease to their work? The needs of business are growing. The pace of innovation is accelerating. Corporates and professionals must stay abreast.

### Expanding Role of Corporate Treasury

Modern Corporate Treasury has evolved rapidly, with Many of new responsibilities and functions now under its domain, such as supply chain financing, funds transfer pricing (FTP), etc. To cope with these expanding realms, it has become imperative for treasury heads to embrace the tools and technologies that cater to broader treasury needs.



processes will empower Corporate Treasury departments to ACE their transformation efforts and achieve sustained growth.

The following table summarizes the opportunities for treasury transformation:

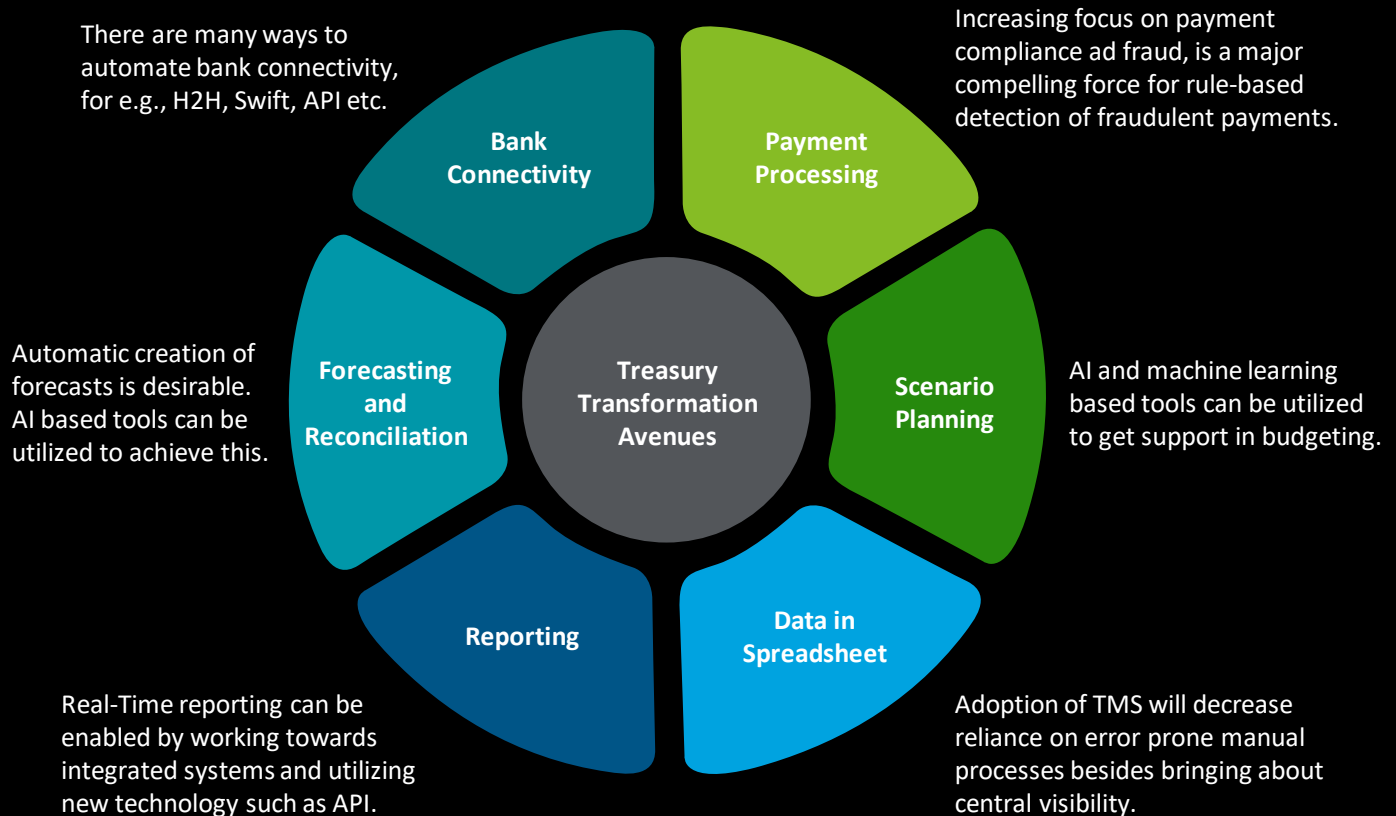
Area	As-Is	Future State
<b>Treasury Operations</b>	<ul style="list-style-type: none"> <li>No standardization (e.g., subsidiaries reporting cash balances in their own templates not capturing all the necessary information)</li> <li>Many individual processes with minimal integration (e.g., financial deals, payments, forecasting all happening in standalone systems)</li> <li>Labor intensive (e.g., bank reconciliation using Excel)</li> </ul>	<ul style="list-style-type: none"> <li>Elimination of manual (Excel-based) processes</li> <li>Systems integrations to make processes in cohesion with one another</li> <li>Standardization (e.g., one template for reporting balances, cash for all sub entities)</li> </ul>
<b>Treasury Technology</b>	<ul style="list-style-type: none"> <li>Standalone systems (no integration), create more mess than help</li> <li>Inefficient utilization of systems due to lack of integration.</li> </ul>	<ul style="list-style-type: none"> <li>Well-integrated systems creating centralized reports</li> <li>Global access to portal</li> <li>Seamless interfacing</li> </ul>
<b>Treasury Controls</b>	<ul style="list-style-type: none"> <li>Decentralized</li> <li>Shared services, not well connected (not localized) (e.g., payments are made through shared services, using their standalone process, workflows, and lack of controls from head office)</li> </ul>	<ul style="list-style-type: none"> <li>Centralization of all payments, cash management (e.g., single treasury management system capturing financial deals, bank balances, payments, reconciliation, and forecasts all in one place)</li> <li>Integration of shared services to centralize</li> </ul>

# Avenues of transformation

As the transition picks up speed, the human capacity to add value to add value will be unleashed. Traditional treasury processes will fade as the focus shifts to the design, configuration, and maintenance of systems. Corporate Treasury departments will have to focus on translating business practices and governance models into automated processes.

Moreover, Corporate Treasurers need to quickly align themselves with technological advancements. Technologies that will be used in the future should be looked at. Treasurers must observe the most labor-intensive processes in the organization and start searching for the tools that can help with these.

**Figure 2: Avenues of Corporate Treasury Transformation**



The following are some of the avenues that treasury professionals can use to plan for digitalization:

## Cash Forecasting and Reconciliation

Forecasting is an important task that treasurers must perform. The cash reconciliation with forecast enables the treasury to have visibility of cash on hand rather than bank balances and gives them an accurate visibility to deploy cash more efficiently. Deloitte's experience with clients' treasuries shows that most of the forecasting is being conducted and maintained in Excel sheets. Any tools that can create forecasts based on predictive analysis will help treasurers enormously. Artificial intelligence can be used to automate the creation of forecasts. For example, repetitive transactions such as payments of wages, rent, or bills, can be read by the system from past transactions and used to emulate forecasts automatically.

Another important process that treasurers must perform is matching created forecasts with bank statements or cash forecast reconciliation. By and large, this process has also been observed to be taking place manually. Rule-based engines can help automate the reconciliation process, hence freeing up treasurers' time to think more strategically.

## Automation of Bank Connectivity

Fetching bank statements is probably the first activity of the day for a typical Corporate Treasurer. Yet, downloading statements and gathering a bank balance report is a mundane and laborious task. Automating this process would save immense time from the treasurer's daily tasks while improving the accuracy of information.

All Treasury Management Systems (TMS) offer various alternatives for bank connectivity, ranging from H2H to Swift, SFTP, and more. Besides this, there are new systems providing out of the box connectivity and the development of comprehensive application programming interfaces (APIs) that ensure quick, efficient, and automated bank communication.

These tools are becoming widespread and can deliver reduced costs, a higher processing speed and improved accuracy for all these high volume and repetitive tasks performed by Corporate Treasury while avoiding human errors in the process.

## Payment Processing

Corporate Treasuries have to deal with varying payment banks and formats along with keeping the payments compliant. Specifically, the emphasis on identifying and curbing fraudulent payments in time has increased manifold. Modern-day treasuries need to have a system that can have rule-based screening engines able to detect fraudulent payments as they happen. These systems should have approval workflows that will enable them to have more centralization, control, and visibility.

## Budgeting and Scenario Planning

Business processes can be moved from budgeting and reporting to include scenario planning, advanced forecasting, and better visualization. Teams of finance and treasury professionals will come together to focus on the most complex commercial decisions, moving around the business as needed. The information required to make decisions will appear "just in time," fully integrated into overall management processes. Routine forecasts will be handled by algorithms that are constantly evaluated by small resource pools that include data scientists. Treasury will have a bigger say in how decisions get made throughout the enterprise.

## Replacing Excel-Based Activities

As the future unfolds, data in spreadsheets will be replaced by visually rich information that is intuitively accessible and easy to use. Treasurers using spreadsheets will be replaced by technology that does 90% of the work without human intervention. Higher-value work requires cross-functional collaboration among businesspeople, technology teams, and finance strategists. Integration between systems will be essential.

## Real Time Reporting

Corporate Treasurers would do well to start to work on an integrated data framework and use analytics tools to generate real time reports. Application programming interface (API) connectivity is a new trend as well, and while using it the data can be centralized, and real time reports can be generated.

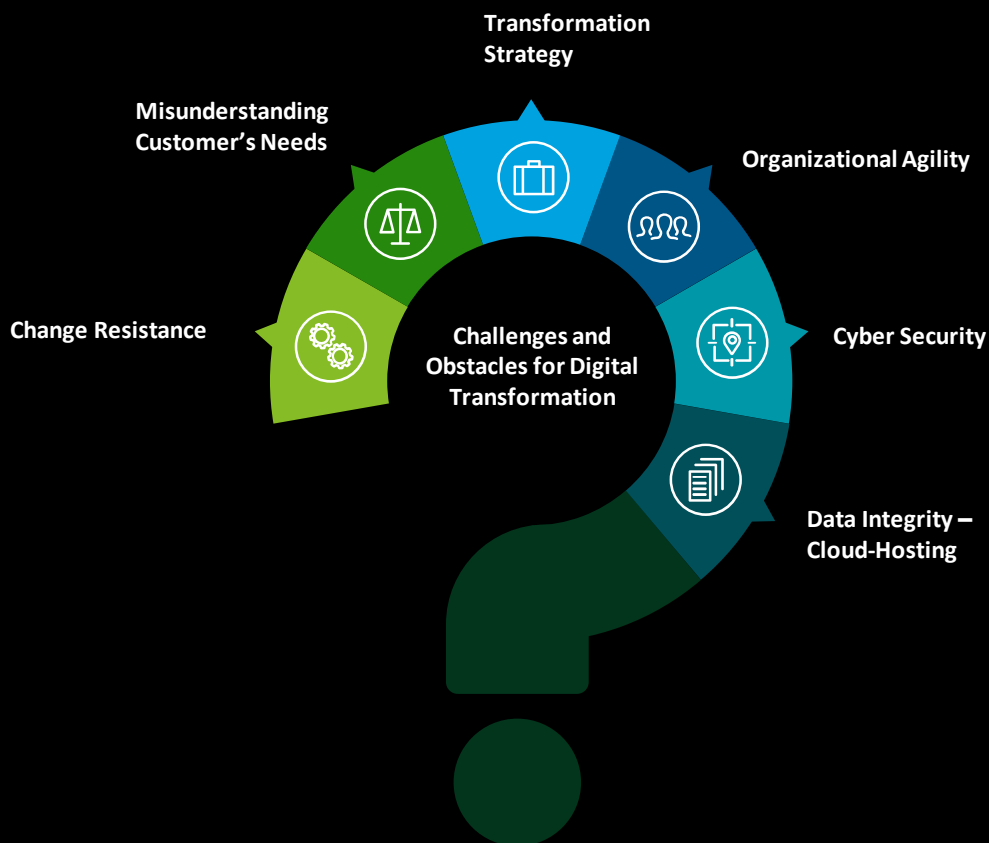
In other words, the old distinction between operational and analytical data is beginning to disappear. So it is imperative for Corporate Treasury in meeting requirements for internal reporting along with the external reporting to investors, who may also want more frequent performance information. Leading organizations should be operating with a new mantra: there is no quarterly, monthly or an annual financial close, rather it's a continuous financial closing activity ;; it's all happening in real time.



# Obstacles and challenges

The following are some of the obstacles that have been observed regarding the move towards digitization. These risks are not only specifically related to Corporate Treasury but apply to any digital transformation:

Figure 3: Obstacles and Challenges of Digital Transformation



## Change Resistance

Change can be uncomfortable. Even if it sets us up for a great future, most people take time to adapt. And one of the greatest reasons that cause employees to consciously or unconsciously resist change is the fear that new technologies will threaten their jobs.

This challenge not only lies during the pre-implementation phase of systems or processes. In fact, in the post-implementation phase change resistance can also occur. For example, employees can become disillusioned with the new system and revert to their old ways. This disillusionment may occur due to some lack on the organization's part: for example, a lack of appropriate training around the new system or process, or an absence of the change management strategy being cascaded to employees, etc.

## Misunderstanding Customer's Needs

Failure to properly gauge customers' needs is one of the mistakes fintech professionals appear to be making in the process of selling their products. Vendors need to ask the question whether their solution will fundamentally enhance their potential client's processes.

## Transformation Strategy

One of the challenges that organizations face in the digital transformation journey is moving without any strategy. Organizations generally miss out on asking crucial questions regarding their motivation for transformation. For example, what is the motivation for replacing legacy systems and manual processes with new systems? Does an organization have the capability (in terms of resources and budget) to implement advanced and complex systems?

These are a couple of examples of the questions that should be answered and documented as part of any strategy. It is important to begin with knowing where processes can be improved and which areas of the company need enhancement before progressing further.

## Organizational Agility

Organizational agility defines the ability of an organization to adapt, change and succeed in a rapidly changing environment. Organizational agility consists of stability and dynamic capability in appropriate measure. Disturbing the proportion of either of these will spoil the outcome. For example, too much stability risks making an organization rigid, while too much dynamism risks the organization being decentralized.

Organization agility is a huge phenomenon that impacts the company's decision on whether to move or not towards

digital transformation. Changes begin at the level of top management and then this vision is cascaded down through a commitment to and the adoption of development and transformation.

The digital world changes quickly; agility is the ability to keep up with changes in the evolving world.

## Cyber Security

With the accelerating growth in digital transformation initiatives, organizations rely on vendors (third parties) such as cloud providers, robotics, and process automation, to power these initiatives. These third-party systems can greatly enhance digital businesses, but they also pose new risks to the company as well. An organization's IT department is more careful, to the extent of being nervous, in the adoption of these technologies, being aware of the risk that if a system breach or technology failure occurs, it can result in financial loss, disruption, or damage to a corporate reputation.

It is observed on many occasions that onboarding business team is easier than the IT and cyber security team, due to these risks. IT knows that while new systems may bring great value to business, the new risks can be more trouble than the benefits are worth.

## Data Integrity – Cloud-Hosting

When it comes to cloud-based solutions, the hosting location can also be an obstacle to embracing this technology. In some jurisdictions, corporates such as government entities or telecom companies have no desire for their data to be located beyond their geographic borders.

# The roadmap to a digital treasury

How can organizations make strides towards digital transformation? And how can results be achieved?

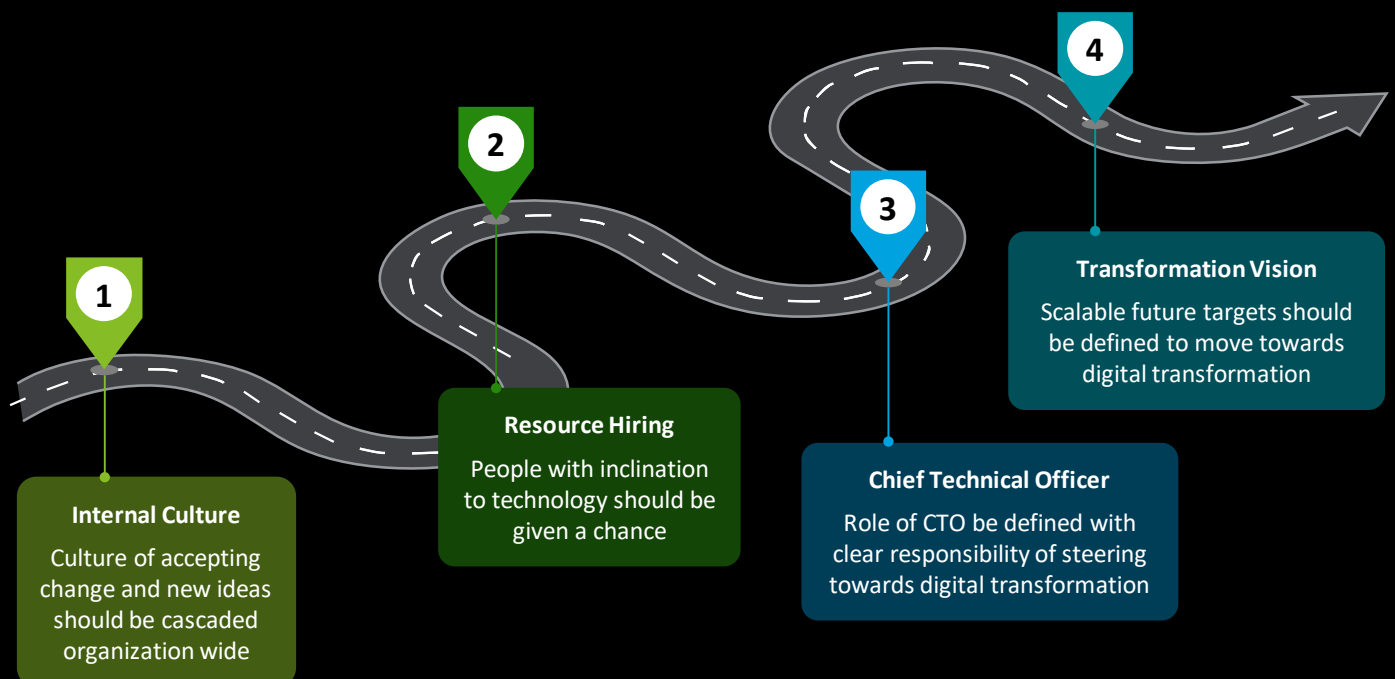
It is important to build an internal culture that accepts change, and which always questions the norm, without any barriers in terms of communicating ideas and feedback to top-level management.

During any hiring process, it is important to ensure potential candidates are interested in technology and demonstrate clear adaptability to new systems.

Appointing a digital champion, or Chief Technology Officer (CTO) is an important consideration. This can be a tough role to recruit for. By design, this role is meant to be involved in other people's business — and therefore it's almost inevitable that this leader will come into conflict with other organizational groups.

The below picture shows the organization's journey towards the digital transformation goal:

**Figure 4: Digital transformation roadmap for Corporate Treasury Transformation**



The need for the organization to define a clear vision and strategy for change is of utmost importance. For this, the organization's decision-makers need to clearly know what needs to change, and what the resulting benefits for the company, employees, and customers will look like.

When it comes to determining where to start your digital efforts, a scalable approach can be adopted. For example, think of the smallest and simplest process to transform and ascend from there towards more complex processes. A convincing business case should also be prepared.

While executives cascade their vision of the future downwards through the organization, there should remain room for employees to build upon ideas, with a culture of encouragement created.

# How Deloitte can support you

The Deloitte methodology involves the following steps:

Focused workshops between our seasoned consultants and key client stakeholders allow us to review the “as-is” and the “to-be” environment. Based on this, we achieve a full understanding of the client’s needs in concurrence with them.

In the next step we match the understanding gathered from the client with the best-in-class treasury transformation solutions from our partnerships with leading treasury transformation vendors to provide a bespoke solution for our clients’ transformation needs.

We then work with clients to help understand the pros and cons of different approaches, but also what we see across

their specific industry. Deloitte can quickly sort through the available options and guide the customer in their decision. We also arrange demonstrations of products to ensure clear understanding for customers.

With our approach of partnering with leading solutions providers, we offer a one-stop-shop for clients to receive the best customized solutions for their transformation needs.

The following are some of the industry’s leading solutions Deloitte works with:



# Deloitte's offering

Deloitte has a specific offering for treasury technology in which we support organizations from end-to-end in achieving their digital transformation: from support in selecting an appropriate vendor through to implementation and post go-live support. Deloitte can be your one-stop solution. The following are just some of the areas that Deloitte can help with in your digital transformation journey:

- **Treasury strategy in terms of automation and future state**

- Defining required technology and treasury's digital transformation vision and strategy.
- Defining a future state vision in terms of automation to achieve the desired level.
- Identifying opportunities to mitigate manual processes and enhance efficiency.

- **Treasury digital transformation**

- Defining the transformation project scope and timeline, as well as reviewing the organizational treasury structure, processes, and related technologies.
- Implementing treasury process improvements and the treasury transformation plan.

- **System implementation**

- End-to-end support on the vendor selection process.
- End to end implementation of the treasury management system.



## Deloitte Middle East Comprehensive Treasury Advisory Offerings

Besides treasury digital transformation, the Deloitte Middle East Treasury Advisory Services team also provides integrated Corporate Treasury advisory covering treasury strategies, treasury operations, hedge strategy and accounting, automation, risk, and valuation. Our dedicated team of treasury professionals is based in KSA and the UAE and is supported by a network of member firms across the globe providing treasury advisory services to leading global organizations. A summary of our comprehensive treasury advisory service offerings includes the following:

### Treasury Operations

- Design and Implementation of frameworks for enhancement of treasury operations.
- Assessment of policies, procedures, strategies, and methodologies of cash and liquidity management.
- Re-designing policies and procedures to layer a structured, consistent workflow, as well as approval procedures and protocols.
- Support in the deployment of in-house banking, with a cash pooling structure to enable the optimal utilization of funds.

### Treasury Technology

- Define a future state vision and identify how to achieve the desired level of automation of the treasury department.
- Run a pulse check of the current systems and advise how to optimally utilize these systems.
- End-to-end support on the vendor selection process for treasury systems and solutions.
- Leverage our partnerships with some of the industry's finest TMS providers to present the best possible solutions.
- End-to-end implementation of the treasury management system.

### Treasury Strategy

- Design and implementation of the global treasury management architecture and operating model.
- Benchmarking treasury strategy and operations with global practices across industry verticals.
- Treasury setup and operationalization.
- Design and implementation of treasury performance metrics and KPIs for treasury personnel.

### Risk Management and Valuation

- Advise on the preparation and implementation of risk management policies aligned with the overall corporate strategy.
- Design and implementation of processes and methods to identify, analyze, report, and manage commodity risks.
- Design modeling methodology for mark-to-market of financial instruments.
- Support in benchmarking of risk models to manage the financial risk and be resilient against risks associated with business.

### Hedging Strategy and Accounting

- Assisting with protocols to keep an entity within set limits while identifying critical metrics that capture sensitivities.
- Implementing the new derivatives and hedging accounting standard.
- Design, implementation, and testing of controls related to the derivatives and hedge accounting processes.
- Implementation of accounting and disclosure framework for financial instruments (GAAP and IFRS).

# Contact us

## Want to engage?

Understanding the complex nature of treasury assignments, Deloitte Middle East has a team of seasoned professionals that thrives at the forefront of treasury innovation and challenges.

If you would like to talk to us about any of the aspects covered in this document or would like to understand how our service offerings can benefit your organization, please feel free to contact the below personnel:



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