

# Driving Financial Excellence: Enhancing Digital Maturity for Effective Cash Management



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# Introduction

In the fast-evolving realm of finance, staying ahead isn't just beneficial—it's essential. As we step into 2024, the landscape of cash flow management technology stands at a crucial juncture, blending past successes with future aspirations. Looking back, we've witnessed how market dynamics and technological advancements have profoundly reshaped how organizations handle their financial operations.

Recent findings from Deloitte reveal that global investment in cash flow management systems surged to \$1.4 billion in 2022, underscoring the growing emphasis on robust solutions. This surge reflects a critical need for enhanced efficiency, improved risk management capabilities, and sharper decision-making processes within financial operations.

The trajectory of cash flow management technology has been marked by pivotal milestones, from the rise of cloud-based platforms to widespread adoption of data analytics, AI/ML, and other automation tools. Each innovation has revolutionized financial management practices across industries.



# What are the Current Challenges Impacting the Corporate Treasury?

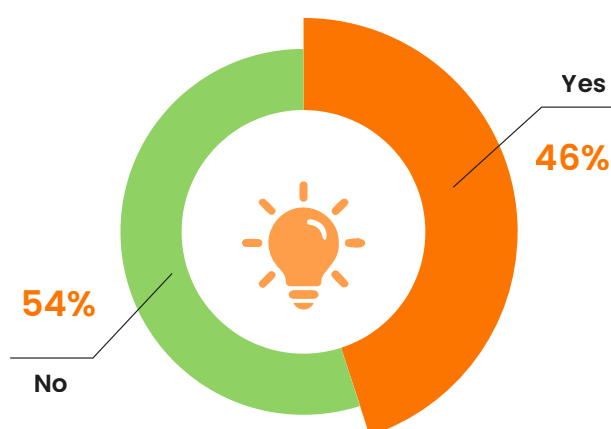
There are a lot of challenges and uncertainties facing the financial sector in the current unstable economic environment. Cash management and forecasting have become much more important in the wake of the COVID-19 epidemic, as noted by 68% of treasury experts who noted that CFOs now prioritize them (AFP and Deloitte).

The persistent economic ambiguities and the hazards of recession have increased CFOs' attention to managing liquidity risk. This change has led to CFOs working harder to improve cash forecasting skills and manage liquidity through automation and digital innovations.

Amidst these rapid changes, many companies are adopting Cash Management Systems (CMS) to streamline operations. While CMS adoption remains a key trend, emerging technologies such as AI/ML, blockchain, and APIs are gaining prominence for their transformative potential in optimizing daily cash management tasks.

Despite these advancements, a recent survey by BNP Paribas highlights a readiness gap, with only 46% of companies feeling adequately equipped to make agile cash management decisions. This underscores the ongoing need for proactive strategies and 24/7 preparedness in navigating financial uncertainties.

## Is your treasury management system sophisticated enough to help you make adept treasury decisions?

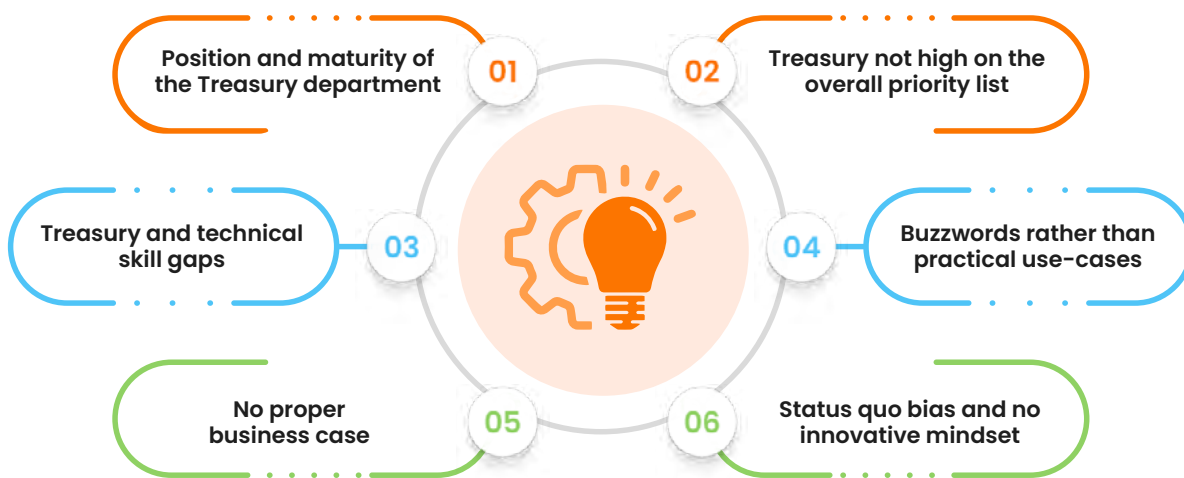


To address this gap, advanced cash management technologies must be implemented to boost accuracy and efficiency, thereby empowering firms to navigate economic challenges confidently with precise forecasting and agile liquidity management.

# 6 Critical Factors Impeding the Adoption of Treasury Digitization

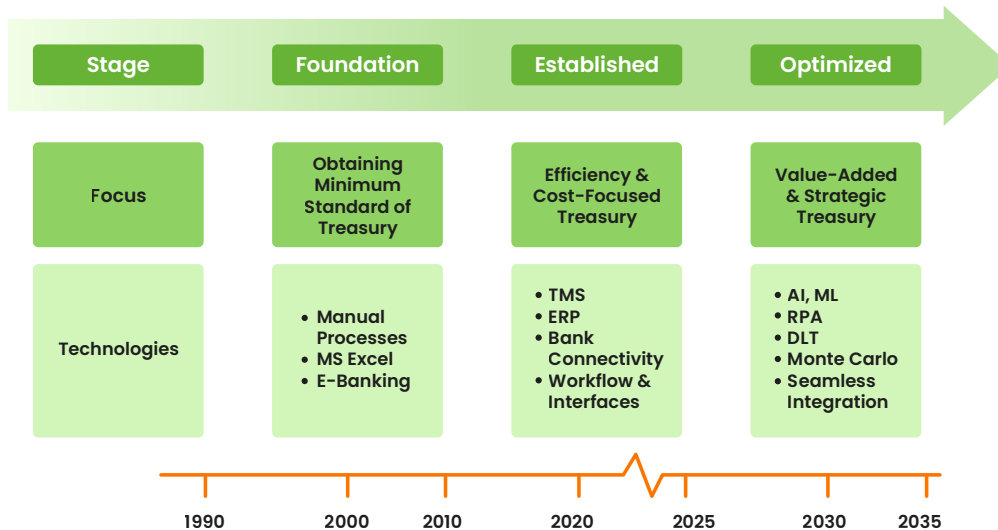
Low rates of digitization mean that treasuries often cannot carry out their growing responsibilities as efficiently or effectively as they could. Their most critical challenges include:

## What is causing the drag in the adoption of treasury technologies?



## Maturity of the Treasury Department Within the Organization

A low maturity treasury department indicates insufficient effectiveness in risk mitigation and cash management, as demonstrated, for example, by low adoption rates of treasury management systems (TMS) below 30%. This results in lost opportunities to efficiently manage financial risks and optimize liquidity, which impairs the performance of the business as a whole. Enhancing TMS adoption rates and putting advanced Treasury methods into practice are two ways to improve maturity and produce better financial results.



## Treasury and Technical Skill Gaps

Treasury-specific skill gaps hinder the mastery of complex financial tools, while technical deficits hamper the implementation of digital solutions. Leadership gaps in strategic vision and change management further impede progress. Mitigating these challenges demands targeted training, technical upskilling, and empowering leadership. Fostering a culture of adaptability and collaboration ensures smoother treasury transformation, driving efficiency and innovation while nurturing the professional development of employees.

Leadership and Soft Skills	Treasury Specific Skills	Technical and Analytical Skills	
<ul style="list-style-type: none"> <li>Thought leadership</li> <li>Innovative mindset</li> <li>Pressure resistant</li> <li>Strong communication</li> <li>Relationship manager (external and internal)</li> <li>Ability to prioritize</li> <li>Negotiating skills</li> <li>Affinity for technology</li> </ul>	<ul style="list-style-type: none"> <li>Best Treasury practices               <ul style="list-style-type: none"> <li>Cash management</li> <li>Risk management</li> </ul> </li> <li>Financial markets               <ul style="list-style-type: none"> <li>Transactional knowledge</li> </ul> </li> <li>Regulations               <ul style="list-style-type: none"> <li>Local markets</li> <li>Payments requirements</li> <li>Accounting regulation</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Data Analysis               <ul style="list-style-type: none"> <li>Processing data</li> <li>Analyzing data</li> </ul> </li> <li>Computer skills               <ul style="list-style-type: none"> <li>Programming skills</li> </ul> </li> <li>Modeling knowledge               <ul style="list-style-type: none"> <li>Financial modeling</li> <li>Predictive modeling</li> </ul> </li> </ul>	
All	Pro-active	Attention to detail	Teamwork Oriented

In an integrated treasury department, these skills will help the team on take on different roles and drive digital transformation



## Low Prioritization on Treasury Transformation

Given the competing corporate needs and perceived complexity, treasury transformation is frequently given less priority. B2B prioritizes supply chain optimization, whereas B2C focuses on customer-centric activities. Different opinions about the strategic importance of treasury arise from this discrepancy. On the other hand, adoption is hampered by treasury transformation neglect, which results in lost chances for efficiency and risk management. Redefining treasury's significance across sectors can be accomplished by promoting cross-functional cooperation and emphasizing its contribution to sustainable growth.

**Based on a benchmarking survey done by PWC, below are the possible challenges and opportunities for various different corporate treasury functions:**

Corporate Treasury Challenge	Enabling Technology	Key Advantages
<b>Cash Flow Management</b>	Machine Learning and AI solutions use smart algorithms to generate accurate cash flow forecasts. Simulation engines help evaluate scenarios and their impact. APIs enable real-time data sharing and integration, while real-time payments and transfers enhance liquidity by reducing settlement times. These technologies together optimize cash flow management, allowing businesses to make timely, informed decisions.	Cognitive cash management systems enhance accuracy and timeliness by learning from data. Scenario analysis expedites decision-making, bolstered by real-time data integration and instant fund transfers that boost liquidity. Together, these technologies optimize cash flow management, enabling businesses to produce precise forecasts, assess multiple scenarios, and execute well-informed financial decisions promptly.
<b>Cash Flow Forecasting</b>	Machine Learning and Artificial Intelligence based solutions contain smart algorithms to mine data and generate highly accurate forecasts. Additional simulation engines enable companies to consider scenarios and measure impact.	Cognitive cash flow forecasting systems continuously improve accuracy and timeliness by learning from data, while scenario analysis speeds up decision-making.
<b>Currency Risk Management</b>	Machine Learning and Artificial Intelligence based solutions can create smart algorithms which can perform multiple calculations at once.	This cognitive technology is on a continuous learning loop and therefore continues to update its decision-making process which helps improve future predictions.
<b>Working Capital Management</b>	Machine Learning, Artificial Intelligence, and advanced OCR (Optical Character Recognition) based solutions can now accelerate the cash application process, reducing DSO (Days Sales Outstanding) and improving working capital.	Combining cognitive technologies and advanced OCR enables reading of PDFs, emails, and customer portals, automating cash application with over 95% accuracy. Early cash application positively impacts DSO and working capital.





### **Lack of Proper Business Case for Adoption of New Technologies**

Treasury transformation initiatives are hampered by the absence of a strong business case for new technologies. It erodes support from stakeholders, stalls the distribution of resources, and heightens risk aversion. Decision-makers are less inclined to start or continue initiatives when the benefits are not clearly stated, which hinders the organization's capacity to change and prosper financially.



### **Buzzwords vs. Practical Applications**

The gap between buzzwords and practical applications impedes the adoption of new technologies for treasury transformation projects. While buzzwords tout innovation, their actual application frequently fails because of misunderstandings or complexity. Adoption is hampered by this disparity, which breeds doubt and resistance among stakeholders. Bridging this gap requires tangible demonstrations of how technologies address real-world challenges, foster confidence, and drive adoption in treasury transformation initiatives.



### **Status Quo Bias and Lack of Innovative Mindset**

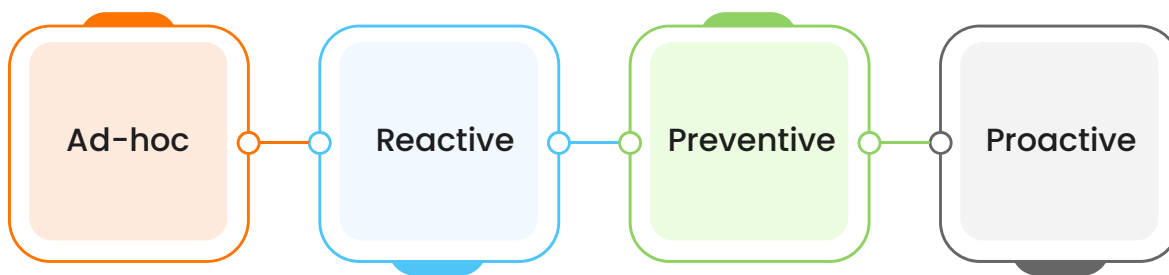
Status quo bias and a dearth of innovative thinking pose formidable challenges to digital transformation in the Treasury. The resistance to depart from established methods and the hesitance to explore novel technologies impede progress, even when there are evident advantages such as efficiency improvements. In order to overcome these challenges, Treasury operations' digital transformation projects must be led by a culture that welcomes change and actively looks for novel solutions.

The maturity assessment could be of rescue to the CFOs and higher management which can help them in evaluating their present maturity stage and how they can navigate to the next stage and what solutions or strategies they can implement to achieve their goal.

# Demystifying the 4 Stages of Cash Management Maturity Model

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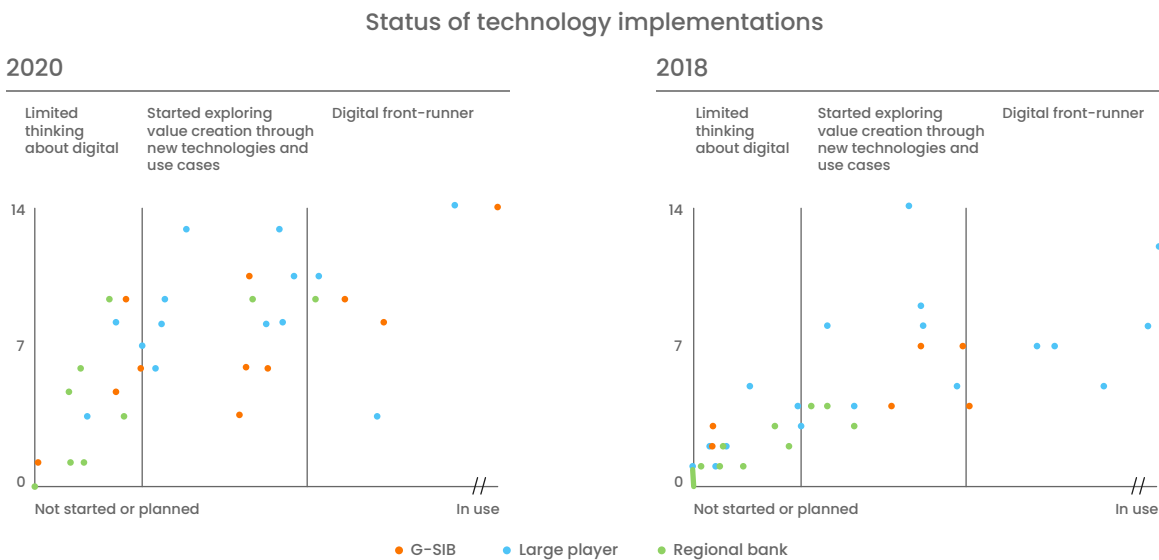
We have seen how companies face challenges while deciding and implementing a proper solution to streamline and automate their Treasury processes. Planning the future of the treasury's growth isn't always clear-cut. It's crucial to grasp how the treasury department operates now before introducing new tech. Here are the stages in the cash forecasting maturity model:



- 1. Ad-hoc** - Imagine your finances are like a superhero without a plan. When you handle things ad hoc, it's like relying on your superhero to swoop in and save the day whenever trouble strikes, but without any set strategy or preparation. It's similar to villains without a well-defined strategy, which leaves you open to unforeseen difficulties and challenges. Operating ad hoc in the context of finance transformation refers to addressing issues as they arise without using a planned strategy or long-term outlook. It's more difficult to remain ahead of the game when you're trying to save the day without the help of a reliable superhero playbook.
- 2. Reactive** - In finance transformation, being reactive is like waiting for a distress signal from a trusty sidekick before donning your superhero cape. Instead of proactively addressing financial difficulties before they arise, you're always playing catch-up. This approach leaves you one step behind, shaping your strategy based on crises rather than foresight. It's a rollercoaster ride, with events—rather than a carefully thought-out plan—dictating your financial story.

- 3. **Preventive** - The preventive stage in digital maturity for finance transformation involves implementing proactive measures to anticipate and mitigate risks before they impact operations. It's not only about addressing issues; it's also about strengthening your defenses in advance of any potential threats. Your organization is effectively building a force field against possible interruptions by weaving together a complex web of state-of-the-art controls and procedures. This proactive approach transforms your financial landscape into a resilient stronghold, where risks are repelled, and opportunities are embraced with confidence and agility.
- 4. **Proactive** - The proactive step of the finance transformation journey is likened to arranging a symphony of possibilities. It's about orchestrating the rhythm of change, not merely staying ahead of the curve. Organizations may take control of their financial future by utilizing cutting-edge technology like artificial intelligence (AI), blockchain, and robotic process automation (RPA) in conjunction with innovative tactics. This allows organizations to influence outcomes before they happen. This proactive mentality encourages creativity and gives you the ability to foresee changes in the market, grab opportunities, and steer the path towards long-term success and prosperity—in other words, to paint the future with bold, forward-thinking strokes.

### Exhibit 4 - Treasuries are not Transforming Fast Enough



## How You Can Navigate to the Next Maturity Stage:

Stage	Ad Hoc to Reactive	Reactive to Preventive	Preventive to Proactive
<b>Awareness</b>	Identify inconsistent processes and reactive decision-making based on immediate needs.	Recognize patterns of recurring issues and the need to address root causes.	Understand the importance of staying ahead of potential challenges and market shifts. Develop a culture of continuous improvement and foresight.
<b>Technology</b>	Assess the current technology landscape for gaps in data integration and accessibility.	Implement basic analytics tools for monitoring and troubleshooting. Invest in data management systems for real-time insights and risk modeling.	Embrace AI, machine learning, and predictive analytics for forecasting and strategic decision support. Leverage cloud computing for scalability and flexibility.
<b>Strategy</b>	Develop ad hoc contingency plans for crisis management but lack long-term vision.	Shift focus towards proactive risk management, implementing controls and early warning systems.	Embrace innovation as a strategic imperative. Develop agile strategies to capitalize on emerging opportunities and disrupt traditional approaches. Foster collaboration between finance and other business functions for holistic transformation.

Proactive digital maturity begins with selecting one of five trending treasury transformation technologies: AI/ML and Predictive Analytics, Gen AI, Cloud-based TMS, Blockchain, and APIs. Each has distinctive advantages that support proactive decision-making and preparedness for the future. Whether you choose to use Cloud-based TMS or CMS for agility, Blockchain to unlock secure transactions, embrace Gen AI for adaptive intelligence, or harness AI for predictive insights, the decision you make will drive you toward innovation and long-term growth in the digital age.



# Summary

Post-pandemic, treasury tech has transformed, exemplified by firms like [Danone](#), [Ascend](#) and [Konica Minolta](#) leveraging HighRadius AI-powered solutions for cash forecasting and cash management, which has been named a first-time leader in G2, [realizing the ROI from its implementation](#). Advancements in API, ML/AI, and blockchain enhance forecasting, risk assessment, and fraud detection.

Despite the rise in technology adoption in this sector, treasury remains one of the least automated finance functions in comparison to other departments with over 40% of organizations having implemented little to no treasury automation. Various reasons have been attributed to such a slow adoption rate, the major ones being the following:

- Cost of implementing new solutions
- Implementation timeline
- Involvement of multiple stakeholders
- Budget approvals
- Fear of operational disruption due to extended timeline

We discussed multiple things across different aspects of Treasury digitizing and how departments should plan about it. But, here are the following five factors that every treasurers should focus on while selecting the treasury technology:

- Assessing and evaluating the current situation
- Identifying key pain points and related tool features and future aspect
- Assessing the pricing vs quality
- Emphasizing on onboarding and integration
- Managing and maintaining the relationship with the supplier effectively

Despite tech adoption, treasury lags in automation due to cost, timeline, stakeholder involvement, budget, and fear of disruption. Prioritizing assessment, pain points, pricing vs quality, onboarding, integration, and supplier relationships is key. HighRadius aids companies in achieving proactive digital maturity, enabling agile treasury management and competitiveness amidst rapid tech changes.

Ready to Optimize Your Cash Flow with Real-Time Cash Management Solution?

[SCHEDULE A DEMO](#)





## About HighRadius

HighRadius offers cloud-based **Autonomous Software** for the Office of the CFO. More than 850 of the world's leading companies have transformed their order to cash, treasury and record to report processes with HighRadius. Our customers include 3M, Unilever, Anheuser-Busch InBev, Sanofi, Kellogg Company, Danone, Hershey's and many more.

Autonomous software is data-driven software that continuously morphs its behavior to the ever-changing underlying domain transactional data. It brings modern digital transformation capabilities like artificial intelligence, robotic process automation, natural language processing, and connected workspaces as out-of-the-box features for the finance & accounting domain.

Before the availability of autonomous software, finance stakeholders had to pick between a digital replacement of a paper-based solution or build & maintain custom RPA/AI-based tools in-house. In contrast, HighRadius' Autonomous platform combines the best of both worlds to deliver measurable business outcomes such as DSO reduction, working capital optimization, bad-debt reduction, reduced month-end close timelines, and improved productivity in under six months.

[Click here](#) to see Autonomous Software in action.

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