

# CORPORATE TREASURY TEAMS ARE KEY TO COMPANY RESILIENCE DURING COVID-19

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The COVID-19 pandemic is catapulting liquidity and operational risk management to the top of the agenda for treasury teams at corporations. Revenue and supply chains have been significantly disrupted, reducing both cash inflows and access to supplies and suppliers. At the same time, traditional treasury and financial operations have switched to remote operations, sometimes with less staff to handle the workload.

Companies are counting on treasury teams to become more flexible and resilient as they find ways to manage the crisis. Treasury Strategies, a division of Novantas, sees three key areas of focus as treasury teams help to shore up financial health in this time of global disruption: liquidity-management adaptation, working-capital optimization and operational enablement. Such actions will also have ongoing implications for banking relationships.

## LIQUIDITY MANAGEMENT FOR UNCERTAIN TIMES

It's critical that companies re-evaluate their liquidity needs since cash flows have changed significantly. Historical data may no longer be useful for many

companies. This dynamic environment will require daily communication and systems coordination with sales, procurement, accounts receivable, accounts payable and payroll departments.

Companies that are already forecasting liquidity daily can incorporate new processes and methodologies into their existing framework, including more frequent communication with internal and external partners. Companies that aren't forecasting liquidity daily can start developing the framework and process for doing that as soon as possible.

Given the dynamic nature of liquidity needs, companies should ensure they have a rolling 60-day forecast that includes daily re-evaluation of needs based on the increased communica-

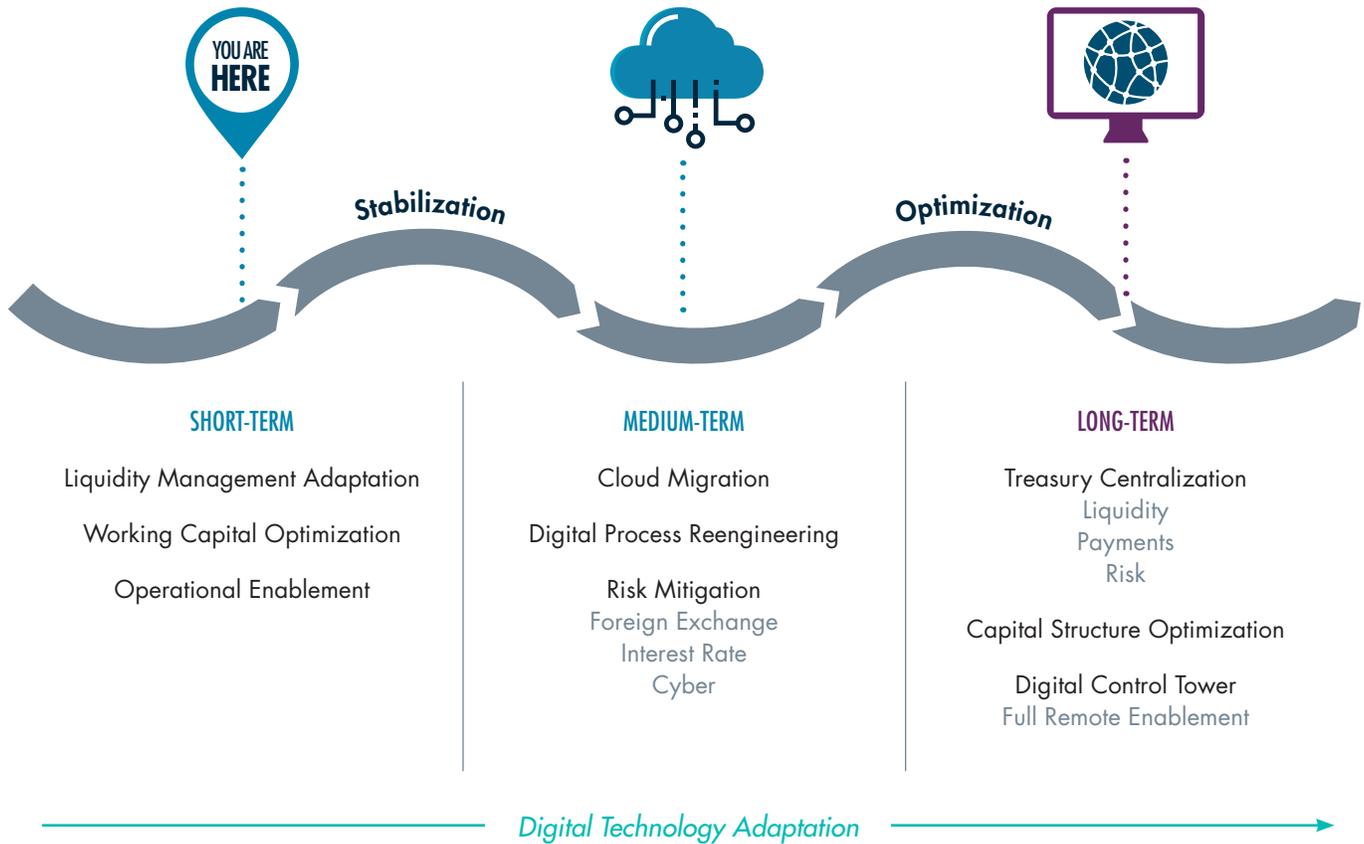
tions with internal partners, customers and suppliers. They can also work with their bankers to ensure they have the bank data that is needed to generate these new rolling forecasts.

## OPTIMIZE WORKING CAPITAL

Nearly all businesses are part of complex supply chains that must survive collectively for any individual member business to recover. Given this interconnectivity, the strongest companies must help the weaker participants in the supply chain. Companies can do this by working closely with customers and vendors to negotiate new payment and credit terms that are mutually beneficial.

This requires companies to proactively communicate with the most

**THE SPECTRUM OF CHANGE IN TREASURY**



critical customers and vendors. We recommend that companies develop a prioritized list of vendor payments to determine who gets paid first, by when and how much. All companies should pay bills on time. If they can't pay a full amount, then a partial payment should be made. These timely full-and-partial payments are critical in delaying the collapse of interconnected participants in supply chains.

The same applies for evaluating and prioritizing customers — identify the most important upcoming payments from customers and reach out to them to determine if they can pay in full or make a partial payment, as well as the timeframe for both.

To track and oversee these daily decisions, companies should establish a working-capital management commit-

tee comprised of key internal partners and generate daily working-capital dashboards for this team to review. This committee should also have regular updates with the company's credit and cash-management bankers to share updates and solicit advice or new ideas.

**KEEPING THE TRAINS RUNNING**

In the first days of the pandemic, corporate treasury groups had to quickly pivot to remote access and ensure that team members had access to critical

financial and banking systems. While most groups had business-continuity plans to operate remotely, many were not ready to do so on a long-term basis. Additionally, treasury groups now must grapple with reduced capacity when team members have family obligations or may become ill.

The need to have additional staff members ready to engage in critical functions is on the rise. That means more team members should be cross-trained in critical treasury functions. Although

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three cross-trained employees used to be adequate, the new standard is for five people working in at least three different locations. Enhanced cross-training of team members and process documentation as a backup to that cross-training are equally essential.

Treasury groups also can accelerate the conversion of paper processes to electronic where feasible. Paper-based accounts payable and accounts receivable operations are inherently vulnerable to disruption during the pandemic. Rapid transition to electronic billing and collections is critically important. This transition includes the develop-

ment of a sequencing plan based on the most important processes, customers and vendors.

This may include check collection (scanning and in-house lockbox), check disbursements (check printing and mailing operations), paper invoices to customers (printing and distribution) and paper invoices from vendors (mail pickup and distribution). Cash-management banks are eager to work with companies to help accelerate this transition to electronic payments.

As treasurers address immediate liquidity and operational concerns, they mustn't lose sight of medium and long-

term objectives, including cloud migration, risk mitigation and optimization of the capital structure.

In these challenging times, financial leaders are being forced into different, and frequently uncomfortable, changes in their roles and responsibilities within their companies. But this is also the time for them to adopt unusually proactive positions to coordinate and support liquidity-management efforts of other departments in the company — from accounts payable to accounts receivable. The speed and magnitude of the pandemic requires rapid changes in financial operations that have never been considered before.



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