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WHITEPAPER

Benchmarking your Enterprise Liquidity Management Processes to Drive Industry-Leading, Best-In Class Transformation

Kyriba's Liquidity Management Platform

Introduction

This paper examines best practices for how to diagnose your Enterprise Liquidity Management (ELM) processes, both qualitatively and quantitatively, to determine what you are doing well, what you need to improve, and how to drive additional value for your organization. To objectively assess where you stand, where you need to go, and how to get from here to there, benchmarking is a perfect weapon for you.

How often have you wondered about how your organization is truly performing in comparison to your competitors? "What would it take to identify the best practices leading organizations in your industry have adopted?", or "Do we know what changes are required for a transformation initiative or a technology investment?" If you have asked yourself these questions, answering them can be difficult. Although these are critical questions, many organizations take shortcuts and bypass them thinking they have sufficient information to implement change. Alternatively, some companies opt for contracting with a third-party to perform such assessments to determine what process and technology changes are required to achieve a desired business outcome. These engagements are, however, not cheap and can be very theoretical, especially when it comes to treasury and ELM practices. There is little in terms of detailed financial metrics and codified best practices available in the marketplace.

ELM, as an organization function, is in its infancy. Ownership of its key operating processes has typically been split amongst many stakeholders with sometimes conflicting interests. It is, however, a critical enterprise function. One of the key performance indicators of any for-profit enterprise is its ability to generate cash. Gaining control of sources and uses of cash and strategies to maximize those are what encompasses the discipline of ELM (ELM). In Finance speak, ELM crosses several finance business processes: Cash & Liquidity, Payments, Risk Management, and Working Capital Management. It is the multidisciplinary nature of the discipline that has made it difficult to garner holistic and historical data and best practices about underlying processes.

What is Benchmarking and Why Does it Matter so Much?

Finance can benefit from leveraging benchmarking to evaluate and then improve financial performance and competitive advantage. Effective and optimal benchmarking comes from having the ability to use large and diverse data sets giving finance organizations a better understanding of both historical performance and industry trends and rankings. Questions such as "How has my organization performed over the past years?" "Is performance truly improving?" or "How are we doing against our industry peers?" are paramount to objectively assessing both success and improvement opportunities.

Furthermore, a more dynamic view of historical data and benchmarking against the right peer group has a significant added benefit: identify best practices that need to be established or emulated.

Finance professionals have long used financial benchmarks such as the S&P 500 or Dow Jones indexes to see how they are doing. Many have also compared themselves to key competitors against specific financial metrics such as Revenue Growth, Profit Margins, EBITDA, DSO (Days Sales Outstanding), and EPS. Many have also evaluated their current performance against historical benchmarks.

What few have done is truly gone one level below and pinpoint the root cause of their performance. In other words, they have used lagging indicators to determine the "What" of performance. Too few have taken the next logical step of establishing and comparing their performance against leading indicators. The role of leading performance indicators is to answer the "Why" question. What is objectively causing performance to be what it is? What could be inferred in terms of remedial action to further drive results?

Having both views, lagging and leading indicators, along with statistically relevant performance data samples are the secret to sustainable financial performance improvement.

Comparative data with statistically significant historical data spanning operating geographies, industries, and sectors, and based on entity sizes add even more insights to drive business improvement decisions to the next level.

PERFORMANCE INDICATORS CATEGORIES

LAGGING INDICATORS
Explain what happened
(Measurement of Output)

Revenue growth, profit margin, time spend administering a process, days sales outstanding

LEADING INDICATORS
Explain why something happened and what could be done to improve performance
(Root Cause Analysis)

Process maturity, data coverage, environmental factors, staff tenure, advanced analytical capabilities

Benchmarking Relevance for Finance Organizations

Finance organizations typically focus their benchmarking efforts on lagging indicators. One of the best practices many organizations follow is the use of both historical performance and peer group comparisons.

Historic & Lagging Indicators:

Historical benchmarks can be very insightful in seeing how an organization is performing over time. Has the company's revenue growth, profit margin and net income increased or decreased compared to the past few quarters or years. Having this type of financial information can inform key decision makers to undertake strategic initiatives.

They will typically start with an observation and try to hypothesize on what needs to be done to drive further improvements. This type of approach, albeit common in many companies, relies heavily on tribal knowledge and expertise drawn from either past observation or emulating competitors' behaviors, real or ascertained.

Let's take an example of a publicly traded company such as Coca-Cola. Let's assume we are looking at three key financial metrics: net profit margin, cash ratio, and interest coverage ratio. The table below shows the company's performance against these 3 KPI's over the past 5 years.

Coca-Cola Co. (KO)	12/31/2017	12/31/2018	12/31209	12/31/2020	21/31/2021
Net Profit Margin	3.52%	20.20%	23.94%	23.97%	25.28%
Cash Ratio	0.76	0.55	0.41	0.75	0.63
Interest Coverage	9.02	10.09	9.47	6,45	8.78

This table clearly shows that Net Profit Margin has been on a steady improvement path over the past 5 years, while the cash and interest coverage ratios have fluctuated over the period but deteriorated between 12/31/2019 and 12/31/2021.

This information is especially useful when trying to understand trends. Equipped with this information, decision-makers can implement actions to address potential shortcomings and accelerate positive trends. To identify and implement strategies to achieve better financial outcomes, executives will have to have a good understanding of the market and operations, make assumptions, leverage their experience, and assess overall market conditions and competitive pressures to make a bet on what the future will look like and what investments will need to be made. Sounds simple? This exercise is actually complex and involves many stakeholders, who will go through an iterative process to settle on an agreed-to plan.

This analysis is the most frequently followed today. This process often lacks, however, an added layer of rigor. Focusing on lagging performance indicators is a starting point, not the end destination. This is especially true when evaluating the implementation of finance transformation initiatives or technology investments. What is missing?

The missing link is one's ability to also incorporate leading indicator benchmarks to pinpoint root causes of performance. Going beyond the "What" and incorporating the "Why" will strengthen both the diagnostics (what is happening?), but also what should be done (Why?) to select optimal strategies to drive to actionable and reasonable business outcomes.

Leading Indicators:

There are two missing links, not one. The first is the ability to tap into and leverage leading indicators to understand what a business process is capable of, and, why performance levels excel or lag. The second, and most difficult to achieve, is to leverage statistically significant and comprehensive sample data to aid in the decision-making process.

Kyriba's Value Engineering team has been hard at work for the past five years to build such a Benchmarking database with both leading and lagging performance indicators. The database currently has 1,600+ organizations that can be segmented by revenue, industry, geography, and business process.

Let's assume your organization is embarking on a digital transformation of its finance and treasury management processes. Furthermore, it knows it needs to start right away, but has not yet done all the due diligence to identify where to start, the sequence of change, or the benefit it could realistically expect to achieve.

The Kyriba Value Engineering team would collaborate with your organization to identify what's working well and what needs to be improved upon, as well as the prioritization of the steps based on objective criteria.

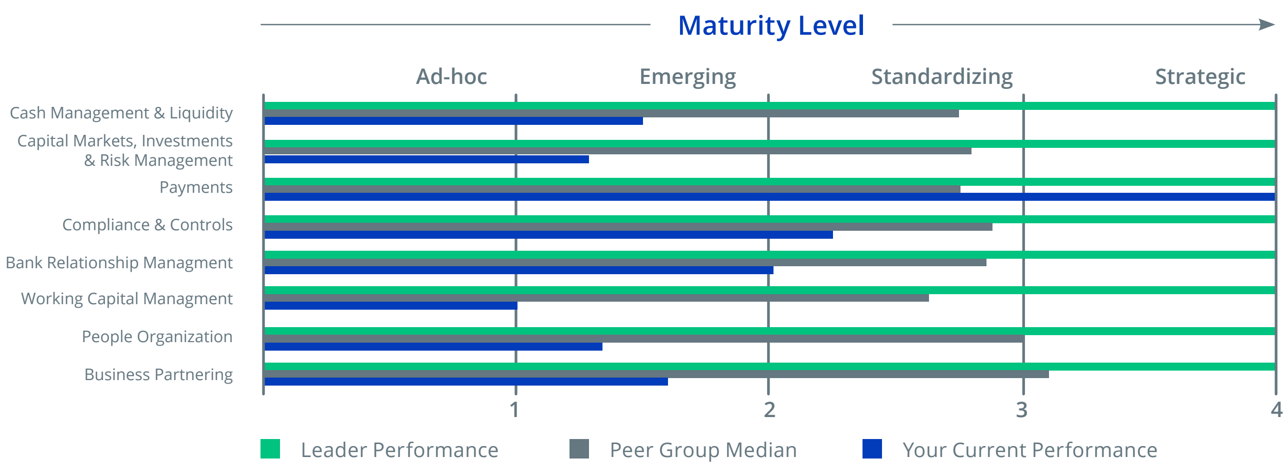
Capability Maturity Model (CMM): Kyriba Value Engineering uses a survey-based approach to collect qualitative data about the performance of your ELM processes: Cash & Liquidity, Payments, Risk Management, and Working Capital Management.

This qualitative assessment will help rank the maturity of the business processes in-scope, across a 4-level scale: 1- Ad-Hoc, 2- Emerging, 3- Standardized and 4-Strategic. The analysis has the right level of granularity to determine performance of sub-processes as well as underlying activities. Your organization will know whether your processes, sub-process and activities are levels 1, 2, 3 or 4.

Additionally, performance maturity assessment analysis leverages process benchmarking to determine how your organization stacks against the right peer group based on annual revenue, industry, sector, and operating geography. That's powerful. It enables you to focus on the right improvement opportunities, and prioritize them according to value, maturity, and risk. Additionally, the peer benchmarking will allow you to identify which best practices are adopted by leaders in your peer group. Understanding what best performing organizations are doing will help you identify which best practices are needed to drive process improvements.

Here is an example of the Kyriba Performance Maturity Assessment.

ENTERPRISE LIQUIDITY MANAGEMENT (PROCESS VIEW)



This qualitative, process level benchmarking, provides clarity on the absolute maturity of a process as well as the relative positioning against peers. The Kyriba analysis goes a step further and decomposes each one of the process components (e.g., Cash & Liquidity, Capital Markets, Investment & Risk Management, Payments, Compliance & Controls) into sub-process and activity scorecards with granular insights.

Coupled with financial and process level benchmarks about key performance indicators and metrics (e.g., lagging indicators) and risk benchmarks (Risk & Threat Assessment), leading indicator (process capability models) benchmarks allow organization to have a full picture of what needs to be done, what is the inherent value of changing current processes (e.g., business case) and risks and mitigation strategies that need to be pursued.

The systematic use of benchmarks with statistically meaningful peer groups is what allows organizations to proactively identify realistic business outcomes they need to seek. For many of Kyriba customers, this type of benchmarking engagement does not end here. They are often using the results of the analysis to monitor the performance of their ELM initiative(s) to ensure they are achieving value. As an example, Koch Industries, a Fortune 50 company, partnered with Kyriba to conduct a value realization study, post Kyriba investment, and validated that their treasury, payment, and risk management initiatives have delivered significant results (see below).

Koch Industries is one of the largest private companies in America. A diverse set of businesses and industries across the world work together to keep improving and exploring new ways to make life even better.

Founded: 1940

Headquarters: Wichita, KS

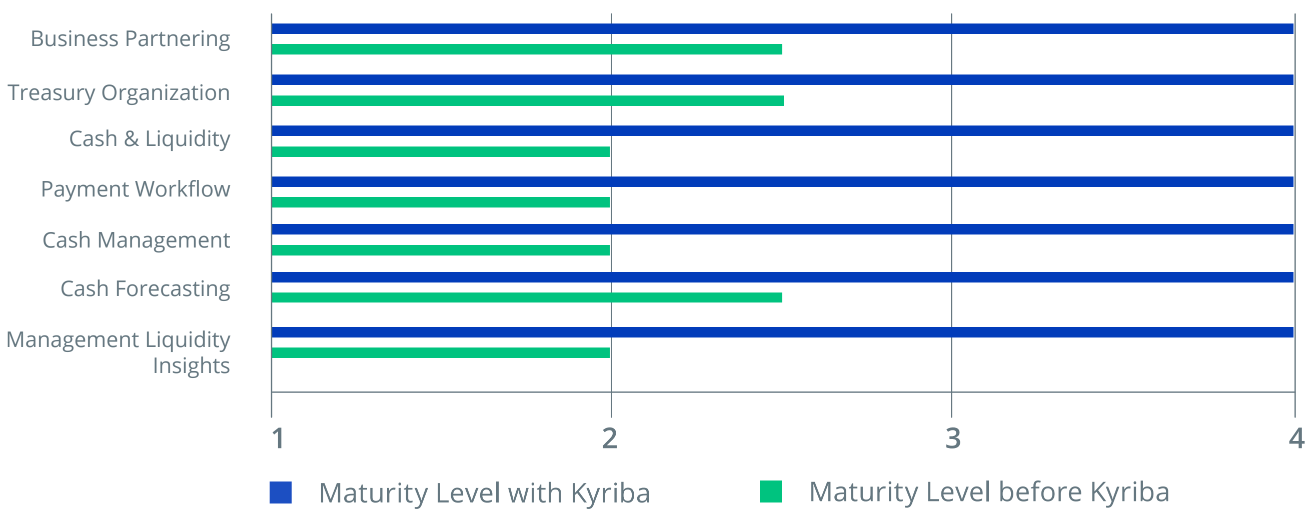
Industry: Multinational Conglomerate Corporation

Employees: 100,000+

Revenue: Over $115B

PERFORMANCE MATURITY ASSESSMENT

(1) Ad-hoc (2) Emerging (3) Standardizing (4) Strategic



Kyriba has conducted benchmarking engagements with 1,600+ organizations. These benchmarking engagements cover three key areas: lagging indicators (KPI benchmarking), process (capability) models (leading indicators) and risk & threat analyses (risk benchmarking).

Finance organizations need to have a full picture of their historical and comparative performance to help inform their improvement opportunities and technology investment strategies.

What is required to ensure benchmarking is delivering the insights needed to aid decision-making and value creation initiatives?

Prerequisites for Benchmarking

Like any other project, Benchmarking also requires some critical elements to establish a strong foundation for success. These key tenets revolve around data, systems/technology, and, most importantly, people.

1. People: Every project needs key stakeholders who will steer the effort and outcomes in the right direction. This typically involves:

a. Executive Sponsor: An executive sponsor is a senior executive that can provide guidance to make sure that the project does not get myopic and only focuses on any individual team objectives, but delivers cross-functional insights designed to support holistic, enterprise-wide objectives. This is especially true when considering transformation initiatives.

b. Champions: Champions are the people who know the project in-and-out. There can be champions in different aspects of the scope of the benchmarking analysis, such as operational objectives, financial objectives or technology requirements. These stakeholders are critical to ensuring optimal collaboration amongst various teams as well external parties (e.g., investors, consultants, advisors).

c. Quarterbacks: Along with the sponsor and champions in each involved team, you also need quarterbacks - people who can support the champions in their quest whenever they need a helping hand. Quarterbacks are often dedicated business and project managers who will ensure access to critical information is achieved, required communication is established, and key milestones met.

"People who can support the champions in their quest whenever they need a helping hand."

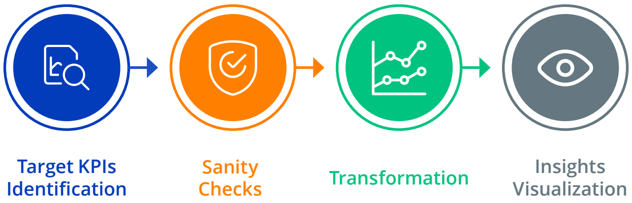
2. Data: There is ample literature emphasizing the importance of data. In today's digital world, data is king. Phrases like "Garbage in Garbage out" are well understood. Ensuring data is comprehensive, accurate and timely is a mandatory requirement to ensure proper benchmarking is collected and analyzed. There are three primary steps required when it comes to data:

a. Target KPI Identification: Establish the right KPIs, both leading (e.g., Process Maturity, market conditions) and lagging (e.g., relevant financial metrics) that an organization needs to measure. Accordingly, identifying the underlying data points and process characteristics that will be required to measure those KPIs is paramount

b. Sanity Checks: In the real world, data is usually tainted and always needs some cleansing before it can be consumed. Sufficient time should be spent analyzing and correcting the quality of data to an acceptable level. That will ensure the data can be trusted and leveraged for actionable insights.

c. Transformation: There are different sources of data that can have different layouts and structures. These differences need to be harmonized with proper data transformation steps. Only after this important step is complete that a complete picture emerges, and valuable insights drawn, making sure nothing material is not lost in translation.

d. Insight Visualization: Once the key KPIs have been identified and agreed to, data has been collected, cleansed, and transformed, the final step consists of tying everything together in a user-friendly and easy to consume dashboards to share those insights and make well-informed decisions. Executives have limited time and representing benchmarking findings in a visually appealing and insightful way is a best practice to get them to understand the importance of acting on your recommendations.



3. Technology/Systems: As mentioned above, there are usually multiple systems that are required to gather inputs for a benchmarking evaluation. Possible systems are below (can vary from one organization to other and with type of benchmarking that is being sought):

a. Core Financial and Accounting Systems such as ERP's

b. Bank Portals

c. Treasury Management Systems (TMS), if applicable

d. Payment Platforms, if applicable

e. Sales and Marketing Systems (e.g., CRM, Order-to-Cash)

Benchmarking Your ELM Processes

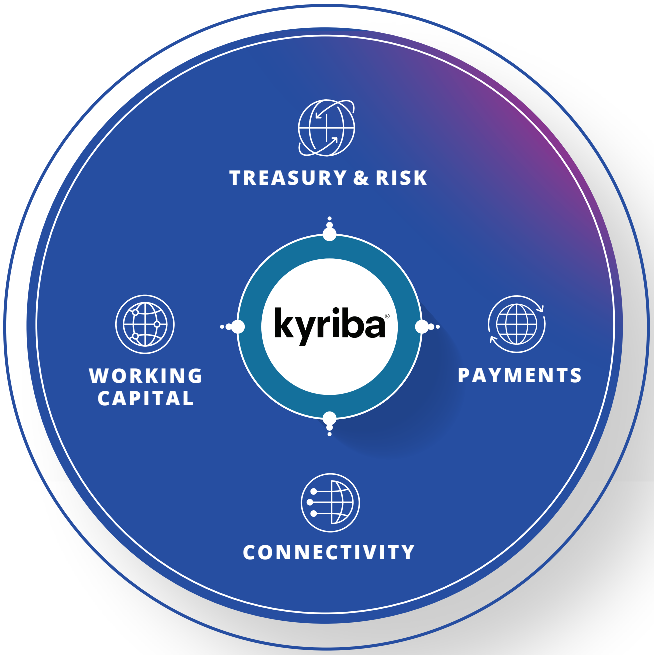
ELM is one of the most critical areas for any organization. It spans Cash & Liquidity Management, Capital Markets & Risk Management, Payments & Fraud, and Working Capital, all of which are paramount to organizational vitality. As such, and given the mounting uncertainty, rising inflation, global pandemics, and geo-political instability, it should be benchmarked regularly. Initiating a comprehensive and rigorous liquidity benchmarking evaluation would not only help to identify internal gaps, but also, help an organization garner and adopt industry best practices to weather the storm and even thrive. We believe that enabling organizations to objectively take necessary steps to benchmark their performance would improve organizational resilience and boost efforts to drive enhanced competitiveness and value creation.

Gathering the required information from scratch can be a monumental task, especially if there is no benchmarking foundation, established methodologies, long data history and peer comparison groups across both leading and lagging indicators.

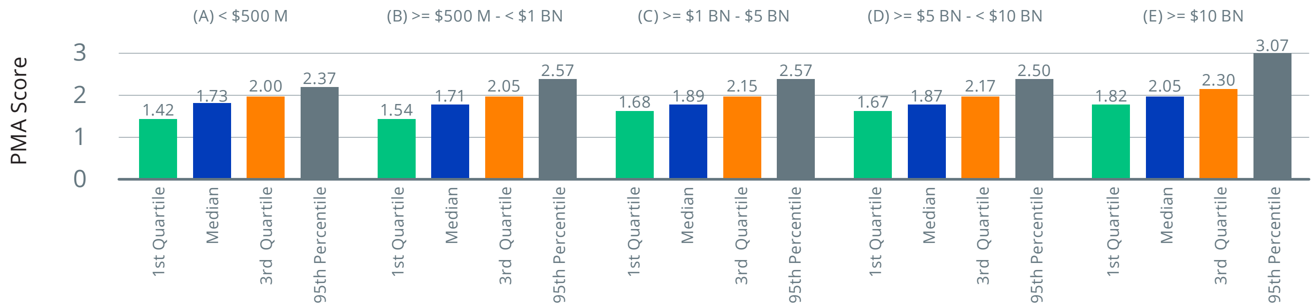
The dilemma many organizations face is acknowledging the importance of the insights that can be derived from benchmarking yet recognizing the daunting task of building a practice by themselves. This often leads to deferring benchmarking initiatives. To overcome this challenge, organizations partner with liquidity management and industry experts/advisors to perform this critical strategic step.

Here at Kyriba, we made the decision five years ago to build performance benchmarking to support our clients and prospective customers need to assess themselves against peer groups to determine 1- what's working well, and 2- what needs to be improved upon.

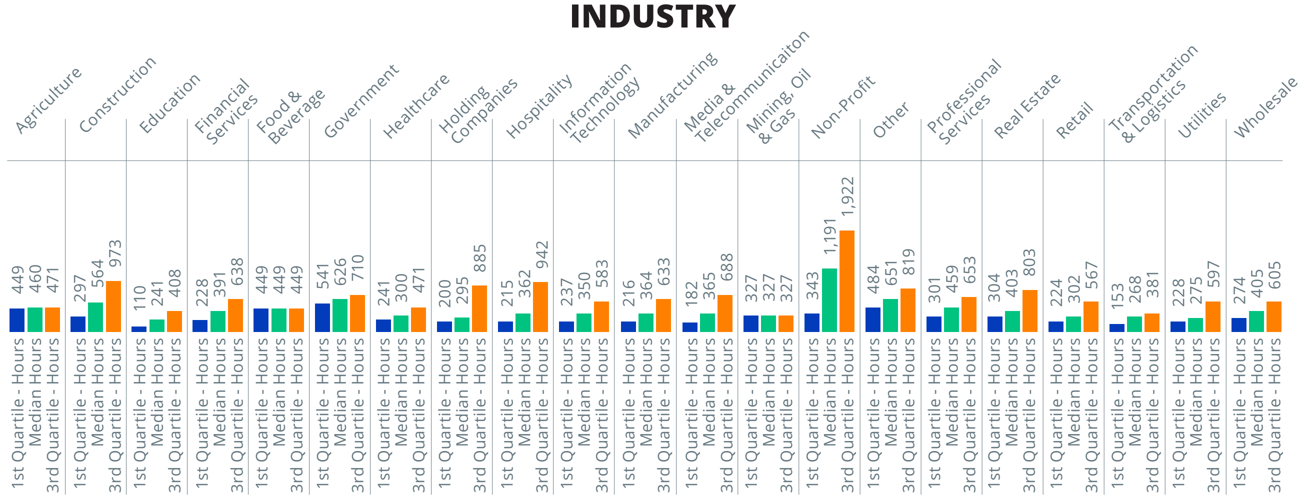
The Kyriba benchmarking database has 1,600 organizations across multiple industries, sectors, revenue sizes and geographies, making it the largest ELM benchmarking repository in the world. The database is also growing at 500 to 600 per year.



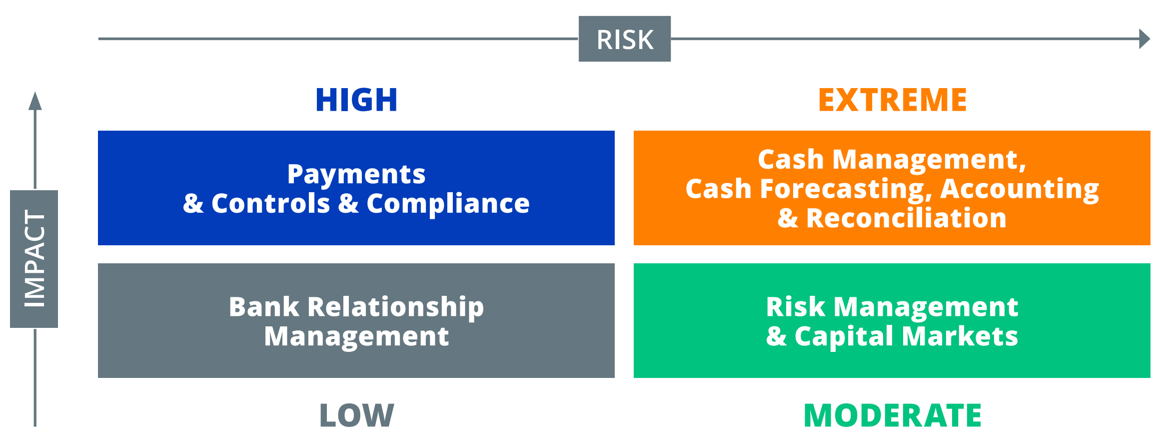
REVENUE BAND



INDUSTRY



RISK & IMPACT PROFILE



Current Potential Risk Consequences:

- Limited capacity to optimize cash
- Errored postings and delayed book closed
- Significant internal cost tied to maintenance and support
- Exposure to fraud and cyber criminal activity

Kyriba Positive Business Outcomes:

- Informed and reliable funding decisions
- Faster month end close
- Eliminate reliance on internal resources and become bank agnostic
- Standardized, systematic and auditable controls

How Am I Performing?

- Process Performance Maturity Benchmarking (Leading Indicators)
- KPI Benchmarking (Lagging Indicators)

What's Needed?

- Important Opportunities
- Organization and Process Recommendations
- Solution Design

What's in it for Me?

- Process Risk and Threat Benchmarking
- Business Case
- Success Blueprint and Ongoing Value Monitoring

With the only dedicated practice around ELM benchmarking, Kyriba uses finance and treasury practitioners and executives to conduct client assessments. Furthermore, to streamline the process and make it efficient, the Kyriba Value Engineering Team uses collaboration tools to collect, validate and refine the data it collects from clients. Client organizations are critical to the success of the program. The Kyriba team collaborates with our clients to identify the right improvement opportunities they need to pursue based on factual empirical data. We use our benchmarking findings as a blueprint for value creation, monitoring, and realization. This full value lifecycle approach allows clients and Kyriba to forge a value-based, outcome-focused partnership.

ABOUT THE AUTHOR

Cheik Daddah | Global Vice President, Value Engineering

Cheik has been a leader in value engineering for the past 20 years. He has worked extensively with CFOs and other Finance executives to help them plan, execute and realize value from transformation initiatives. In this capacity, Cheik has worked with hundreds of clients while at Kyriba, SAP, Oracle, and Teradata. Digital transformation, especially in the areas of finance, treasury, and supply chain management, is one of his specialties. Helping Kyriba clients think and execute transforming cash and treasury management into strategic, enterprise-wide, and real-time liquidity performance management discipline is one of his key responsibilities. Cheik holds a master's degree in Economic and an MBA in Finance.

ABOUT THE AUTHOR

Shruti Gupta | Value Engineer

Shruti is a business value engineer at Kyriba, where she helps enterprises evaluate and build cases to change for value creation through transformation. She has been part of the fintech industry (Kyriba and Morgan Stanley) for over seven years while working in different regions of India, France and the U.S. Shruti holds an MBA (strategy) from HEC Paris and a BTech from IIT-BHU, India.

About Our Team Kyriba's Value Engineering team has assisted over 1,600 companies, across all sectors, revenue sizes and geographies, to perform the right process diagnostics, develop iron-clad, board-ready value assessment, and provide risk and threat profiles with implications and mitigation strategies. To conduct this level of analysis, the Kyriba Value Engineering team has recruited the best in the business. Each Value Engineer has over 15 years of field, treasury and finance experience, and hundreds of assessments under her/his belt, and are relentlessly focused on client satisfaction. Each Value Engineer will collaborate with your team to create the compelling case you need to secure the required investment to support your treasury transformation. Should you want to learn more about how Kyriba Value Engineering can help you, please contact the Value Engineering team at cdaddah@kyriba.com or your Kyriba Sales representative or visit **www.kyriba.com.**

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