

# OPERATIONAL EXCELLENCE FOR BEST- IN-CLASS TREASURY: DASHBOARDS, KPIS, AND METRICS FOR MONITORING FINANCIAL HEALTH



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Treasury Growth Initiative Leader, HighRadius

**CRAIG JEFFERY**

Founder & Managing Partner, Strategic Treasurer



## WHAT

Examining leading metrics to monitor and improve performance across a range of areas.



## WHEN

Wednesday, March 16, 2022  
11:00 AM – 12:00 PM EDT



## WHERE

Live online presentation  
Replays at [StrategicTreasurer.com](https://StrategicTreasurer.com)



This presentation is provided by Strategic Treasurer and HighRadius

# ABOUT THE SPEAKERS

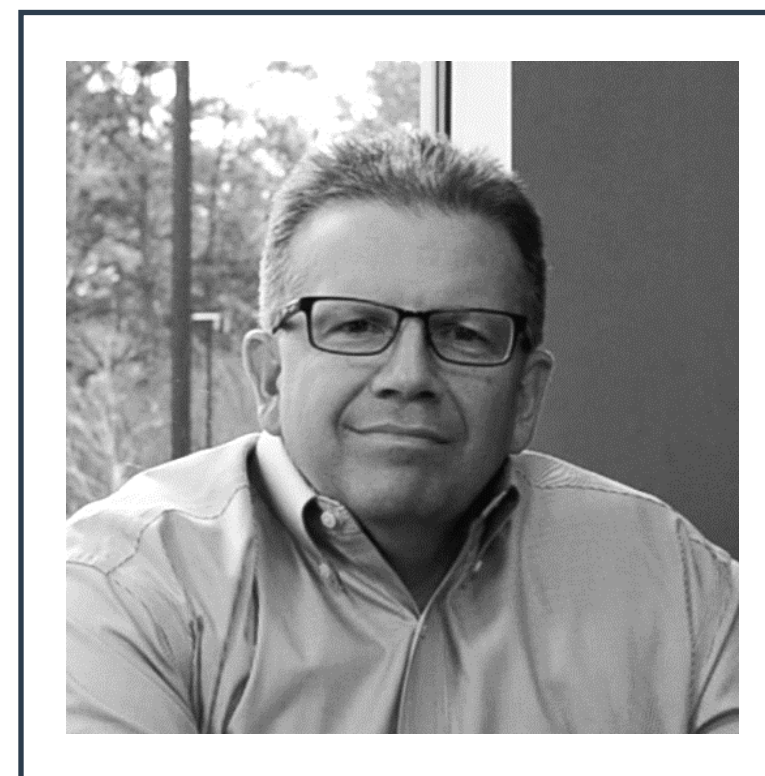
## GET TO KNOW TODAY'S SUBJECT MATTER EXPERTS



### VALERIO TRINCHI

Valerio is a professional with 20+ years of experience in treasury, finance, and capital markets in the US and overseas. As a practitioner, he covered the spectrum of hands-on treasury activities, and as a consultant, he was instrumental in building a successful treasury technology practice, building a deep knowledge of treasury automation and the landscape at large.

He is now leveraging all his previous experiences at HighRadius, applying new technologies to automate treasury processes and create the platform of the future.



### CRAIG JEFFERY

Craig Jeffery formed Strategic Treasurer in 2004 to provide corporate, educational and government entities direct access to comprehensive and current assistance with their treasury and financial process needs.

His 30+ years of financial and treasury experience as a practitioner and as a consultant have uniquely qualified him to help organizations craft realistic goals and achieve significant benefits quickly.

# TOPICS OF DISCUSSION

KEY AREAS OF FOCUS &  
ANALYSIS



## MEASUREMENT

VARIOUS AREAS



## BENCHMARKING

ACROSS VARIOUS CATEGORIES



## KPIs

METRICS AND HAZARDS



## DASHBOARDS

FOR QUICKER INSIGHT



## LIQUIDITY

AND CASH APPLICATION



## KEY TAKEAWAYS

AND FINAL THOUGHTS

# MEASUREMENT

## IMPORTANCE

*If you cannot measure it, you cannot improve it.*

- Lord Kelvin William Thompson



- > *How can we know if treasury is operating effectively?*
- > *How can we keep financial health in check?*
- > *How can we achieve operational efficiency among treasurers?*

# TYPES OF MEASUREMENTS

## VARIED



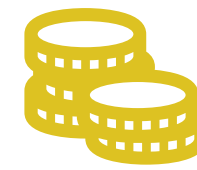
**Operational Efficiency**



**Liquidity**



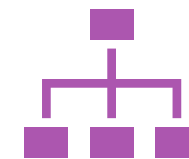
**Risk**



**Working Capital**



**Benchmarks**



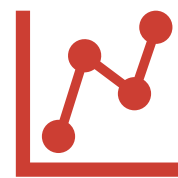
**Diversification**



**Management by Exception**

# MANAGEMENT REPORTING

## KEY METRICS



### Statistics & Trends (MBO)

- Volume over time
- Volume by staff
- Monthly reporting



### Management by Exception (MBE)

- Defects
- Errors
- Late
- Attempted fraud



### Financial

- Cashflow report
- Investment diversification
- Time/Counterparties
- Working capital (efficiency)
- Working capital (cash)
- Balance sheet (needs)
- Income statement (FP&A)



### Benchmarks

- Staffing
- Complexity
- Efficiency

# BENCHMARKING

## MEASURING AND COMPARING



### Payment Process

- Security level
- Security services
- Losses
- Volumes



### Forecasting Accuracy

- Variance minimal
- Feedback loop
- Backtested



### Security/Fraud Prevention Disciplines

- Encryption
- Out-of-band validation
- Dual authorities
- Principle of least privilege



### Staffing

- By complexity
- By revenue
- By XXXXX



### Performance Measures

- Compare with other successful companies

# WORKING CAPITAL

## CASH CONVERSION CYCLE (CCC)



AR = **Days** Sales Outstanding (DSO)

---



Inventory = **Days** Inventory Outstanding (DIO)

---



AP = **Days** Payable Outstanding (DPO)

Measure of Process Efficiency

→ DAYS ←



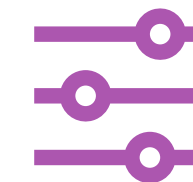
# WORKING CAPITAL

## DISTINCT FORMULAS



### WORKING CAPITAL (WC)

$$\begin{array}{r}
 \text{Current Assets (Includes cash)} \\
 - \text{Current Liabilities} \\
 \hline
 \text{WC}
 \end{array}$$



### NET ADJUSTED WORKING CAPITAL (NAWC)

$$\begin{array}{r}
 \text{AR} \\
 + \text{Inventory} \\
 - \text{AP} \\
 \hline
 \text{NAWC}
 \end{array}
 \quad \left. \vphantom{\begin{array}{r} \text{AR} \\ + \text{Inventory} \\ - \text{AP} \end{array}} \right\} \text{ (Doesn't include cash)}$$

**Accounting/Banks**

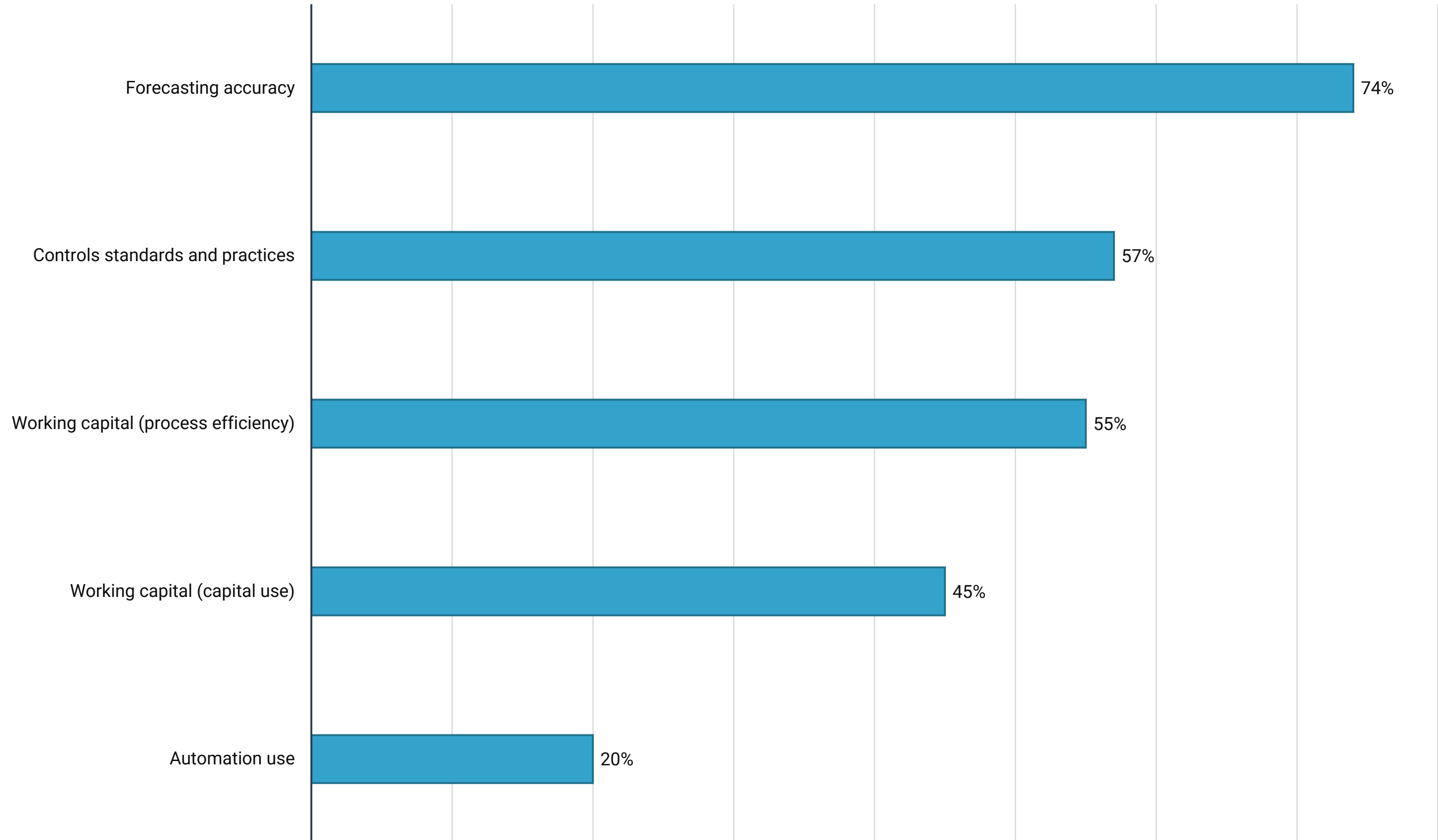
**Treasury/WCM**



**CASH**

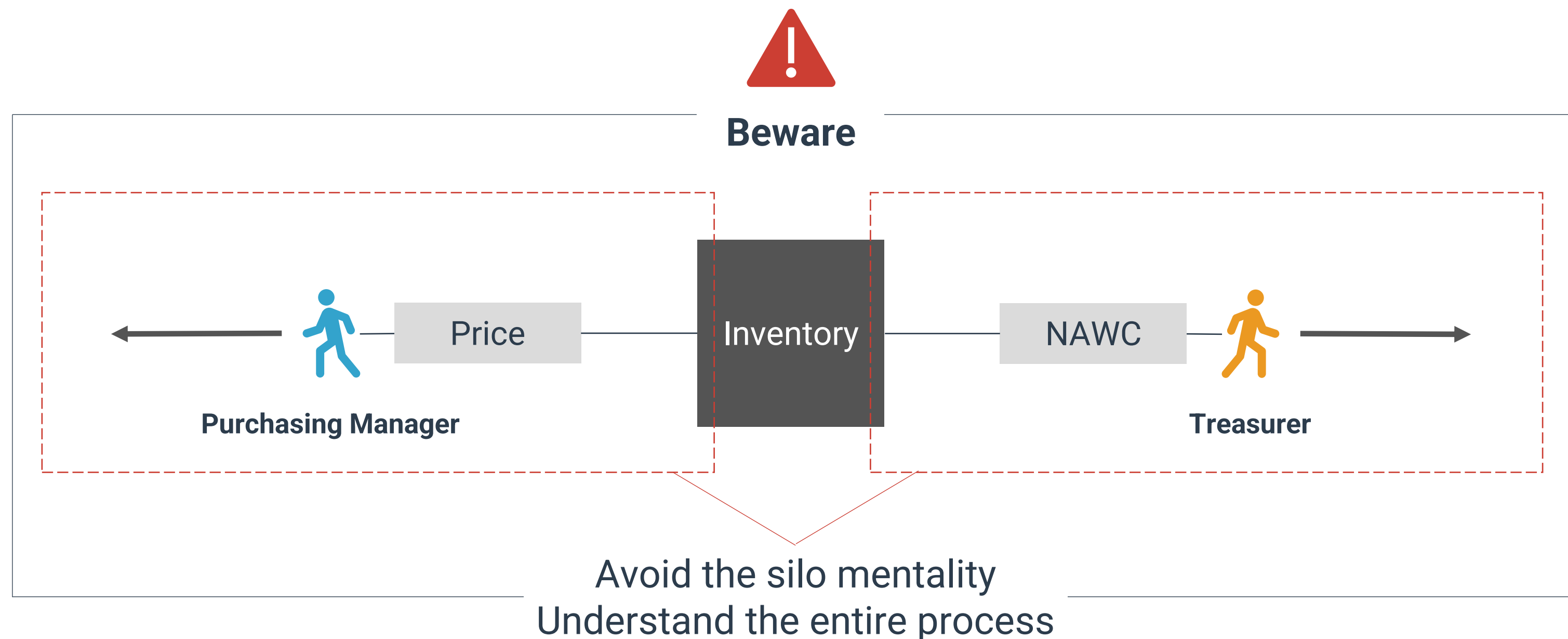
# POLL QUESTION

We measure the following:



# COMPETING KPIs

## THE DANGER



**Optimizing part of the process  
suboptimizes the whole.**

# DASHBOARDS

## BENEFITS FOR BETTER DECISIONS



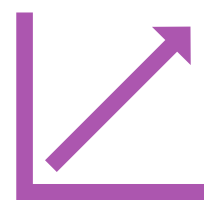
**Accuracy**



**Timeliness**



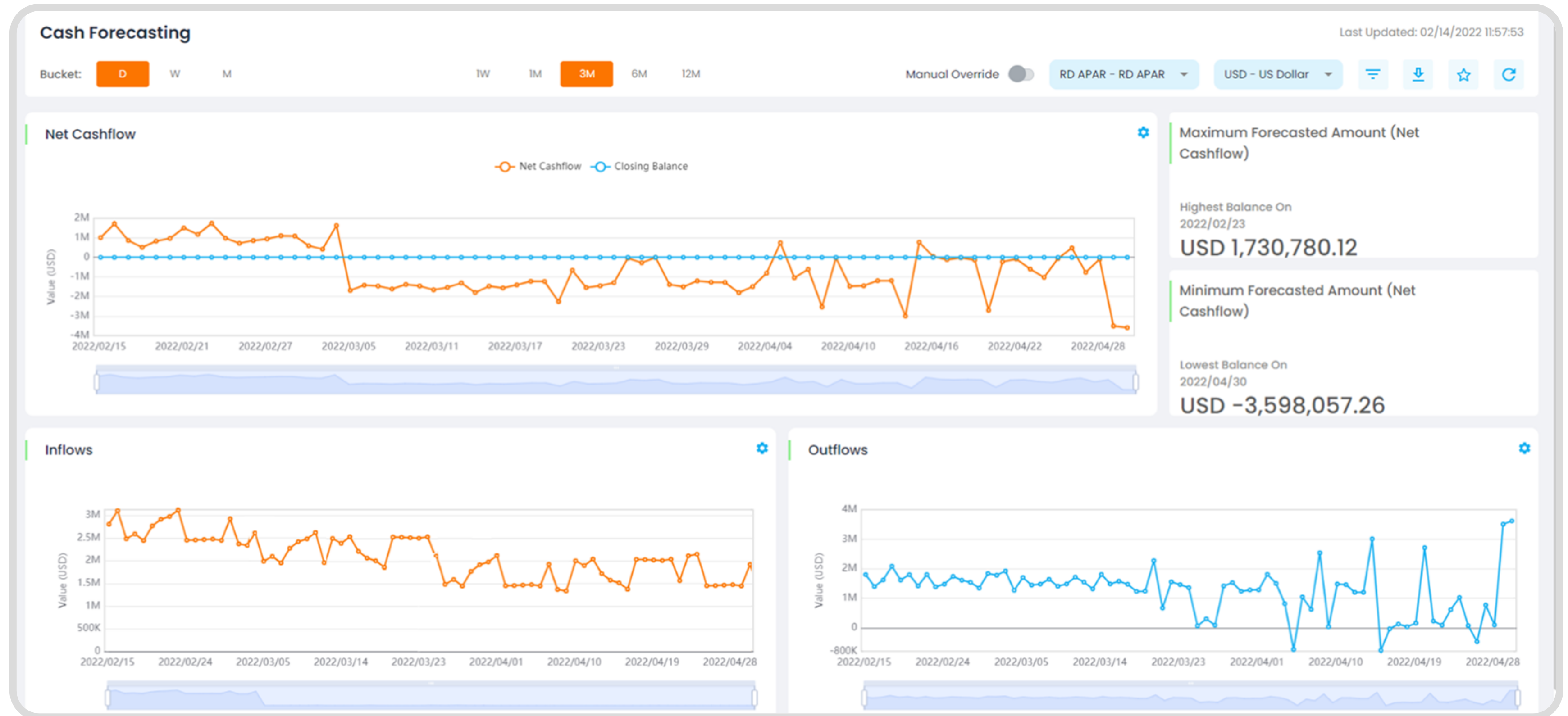
**Granularity**



**Scalability**

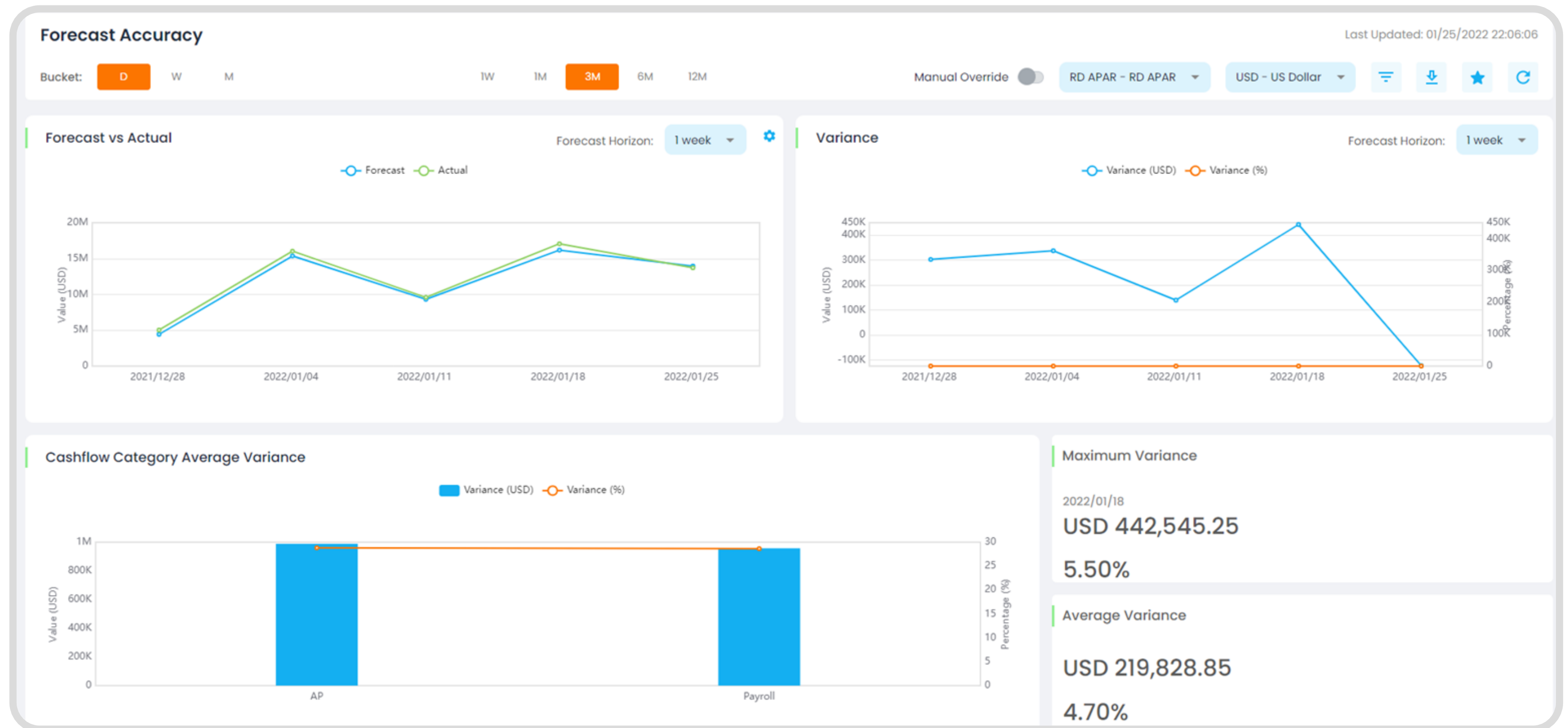
# FORECASTING VIEW

## AN EXAMPLE



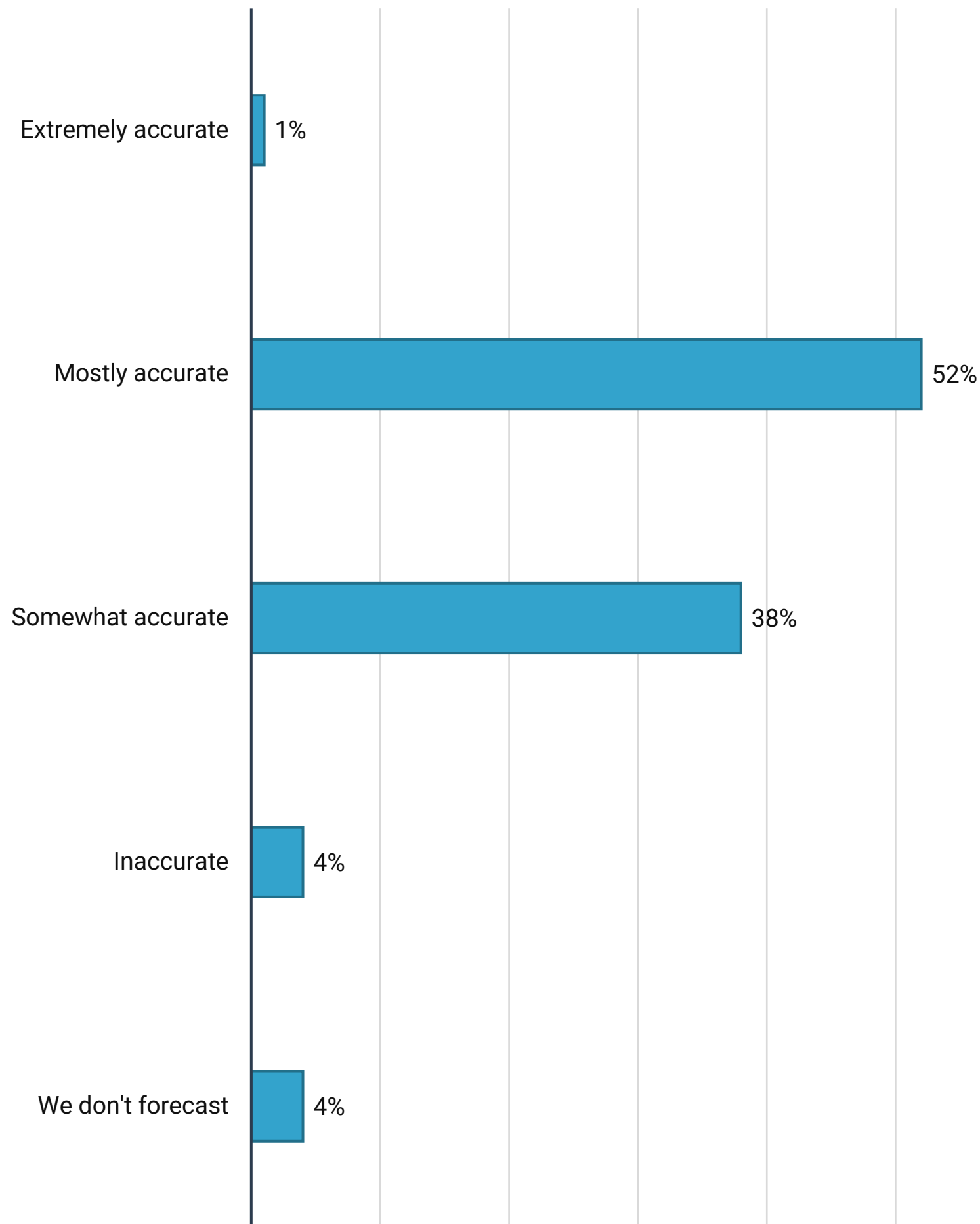
# FORECAST ACCURACY

## FORECAST VALUE VS. ACTUAL VALUE

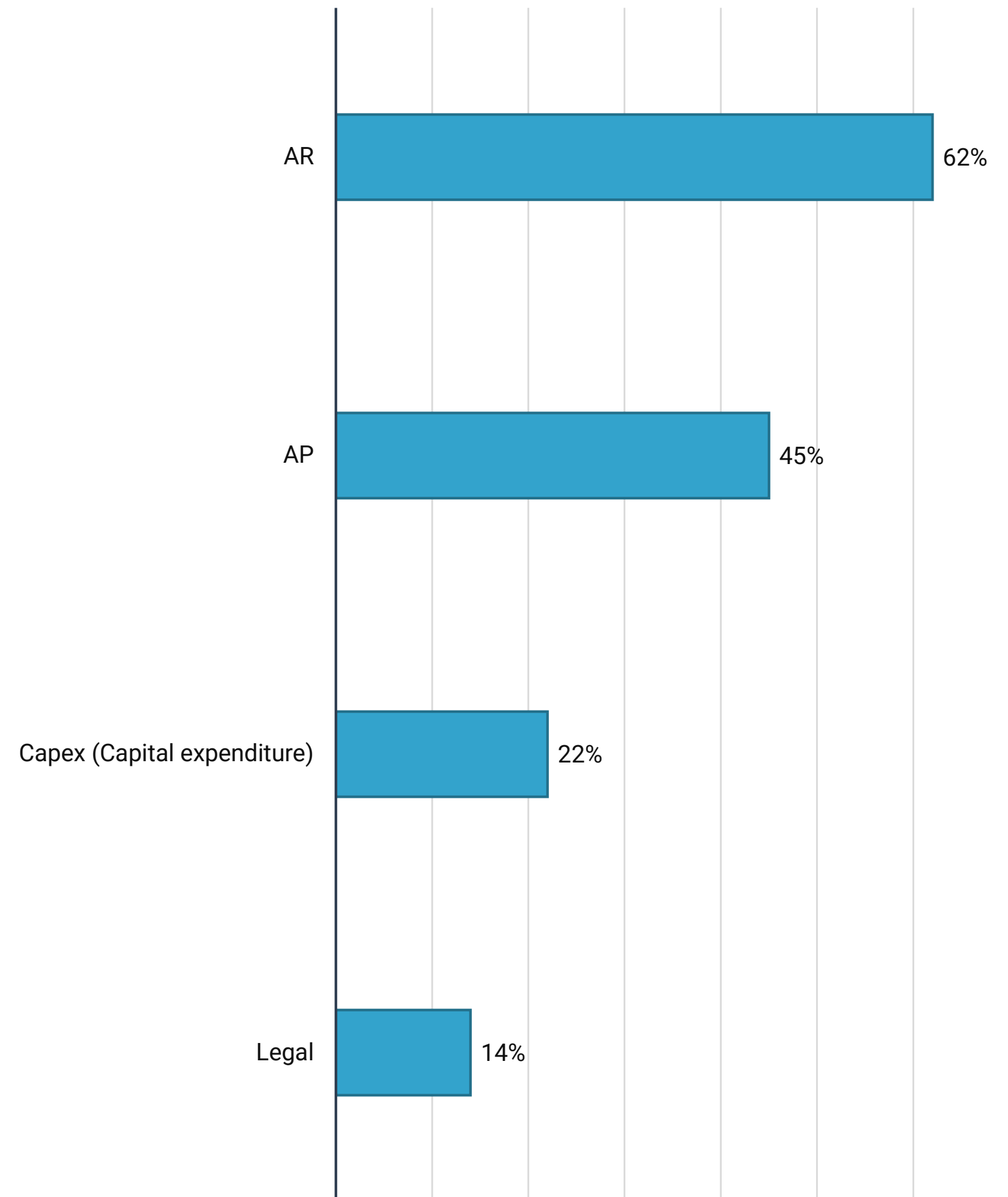


# POLL QUESTION

How accurate is your cash forecasting?



What are the top challenges for getting an accurate forecast?



# LIQUIDITY

## THE TIME SPECTRUM



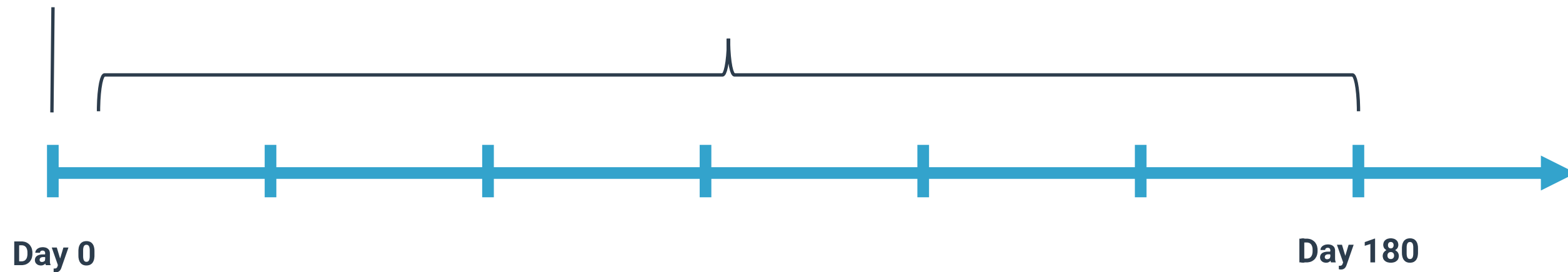
### CASH POSITION



### CASH FORECASTING

0-Day Forecast

1- to 180-Day Forecast



### CASH POSITION

### CASH FORECASTING

Known

Estimated

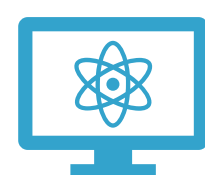
This is the challenge. →

- Averaging
- Time series
- Specific large amounts reports
- Regression analysis
- Bottom-up ML-enabled forecasting
- Modeling



# LIQUIDITY

## QUESTIONS TO CONSIDER



← **Science or Art?** →



← **Balance Sheet:  
Short-Term or Long-Term?** →

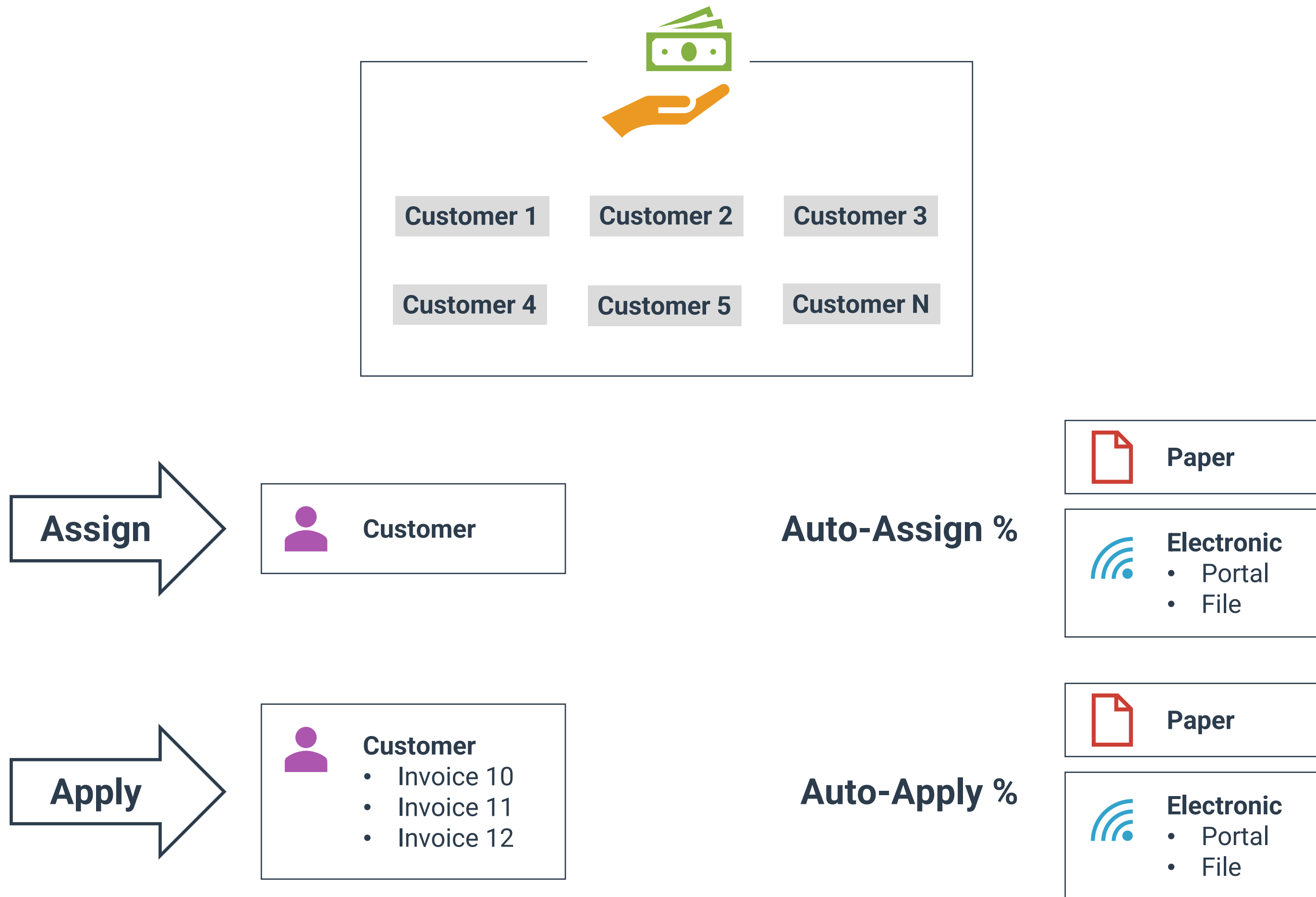


← **Focus of Organization:  
Income Statement or Balance Sheet?** →



# OPERATIONAL

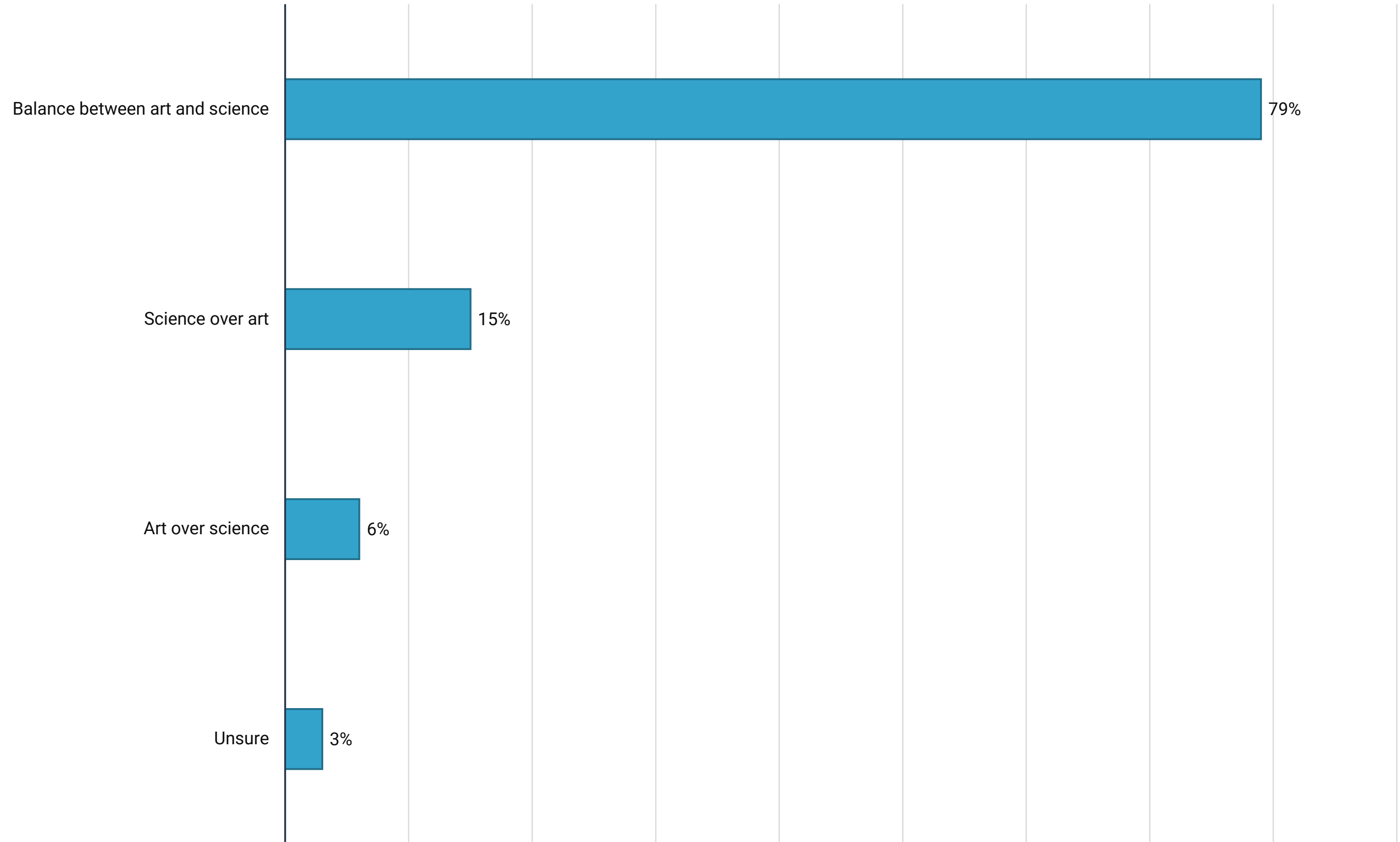
## CASH APPLICATION



Measure of AR Efficiency

# POLL QUESTION

My current view on forecasting is more of a(n):



# FINAL THOUGHTS

## HOW TO PROCEED



### FOCUS

- Key areas
- Limited in number
- Gather and analyze treasury operations and cash management operations



### ALIGNMENT

- Same direction
- Same intensity
- No competing KPIs
- End-to-end transaction tracking and individual transaction granularity



### AUTOMATION

- Capturing data as part of the process
- Leveraging ML
- Auto-distribution for MBO/MBE
- Enhance system with interactive dashboards

***What gets measured gets \_\_\_\_\_.***



**This is up to you.**



Autonomous Receivables

- Credit
- EIPP
- Cash App
- Deductions
- Collections

Autonomous Treasury

- Cash Forecasting
- Cash Management

Autonomous Accounting

- Financial Close
- Account Reconciliation

On-Premise Solutions

Cloud Solutions

Artificial Intelligence

Autonomous Systems

Series B | \$1b+ Valuation

ICONIQ

New Products & IP

RadiusOne  
A/R Suite for Mid-Size Businesses

dotONE  
PERFORMANCE

BANK OF AMERICA  
PNC SGE  
SUSQUEHANNA GROWTH EQUITY, LLC  
citi  
Strategic Investments

Trusted By  
200+ Fortune 1000  
Companies

\$ 1 Trillion +  
transactions processed annually

# LET'S CONNECT.

DON'T LET THE LEARNING END HERE...  
CONTACT US WITH ANY FUTURE QUESTIONS.

Thank you for your interest in this presentation and for allowing us to support you in your professional development. Strategic Treasurer and our partners believe in the value of continued education and are committed to providing quality resources that keep you well informed.



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- Treasury Aggregators
- Supply Chain Finance & Cash Conversion Cycle



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