Optimizing Global Treasury Operations in an ERP Environment

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Agenda

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- SCJ’s Strategic Treasury Vision
  - Key Drivers for Change
  - Strategic Treasury Vision
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  - The Treasury Value Proposition
- SCJ’s Treasury Architecture Project (TAP)
  - Core Elements
  - KPI’s & Analytics
- Benefits
- Key Learnings
S.C. Johnson & Son Profile

- Branded consumer products manufacturer
- $7 billion annual sales
- Operations in more than 70 countries worldwide
- International business represents approximately 60% of total sales
- Privately held – 5th generation family ownership
- Major product categories include:
  - Air Fresheners
  - Consumer Insecticides
  - Home Cleaners
  - Storage Bags and Wraps
S.C. Johnson Brands

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SCJ’s Strategic Treasury Vision

Key Drivers for Change:

1. **Business Complexity:**
   - Increasing size, nature and complexity of SCJ’s business leading to greater financial risks.
   - Business model changes

2. **Global Process Standardization/Centralization:**
   - Single instance global ERP system (SAP)
   - Establish a platform to standardize business processes
   - Enable visibility of global financial information
   - Create opportunity to reduce financial risks, leverage scale and reduce expenses.

3. **Decision Support/Reporting:**
   - Provide a consistent analytical framework to guide decision making.
   - Establish Key Performance Indicators (KPIs) and tools to measure and report performance

4. **Controls:**
   - Address a derivatives control issue cited by Corporate Audit
   - Improve the consistency and accuracy of accounting for financial transactions via automation.
   - Sarbanes-Oxley
Treasury Strategic Vision

**Treasury Yesterday**

- Data rich, information challenged
  - GTM outdated and unsupportable
  - Sub-optimal resource deployment
  - Poor forecasting tools
  - Control issues cited by Audit
  - Limited executive reporting
- People vs process orientation
  - Ad-hoc analysis
  - No standard analytical tools
  - No clearly defined targets/KPI’s
- Inadequate customer focus
  - Business unit support part-time
  - Geographically remote
  - Support ad-hoc
  - At times not aligned with business
  - Communications inadequate
- Resource constrained
  - Staff at or near productive limits
  - Not scalable to support business growth

**Treasury Today**

- Financial Perspective
  - Focus on defined KPI’s vs target
  - Minimize weighted avg. Cost of Capital
  - Reduce risk and cost
- Customer Perspective
  - Proactive, out in front of issues
  - Strong alignment with business priorities
  - Reputation for outstanding service
  - Increased customer intimacy
- Process Perspective
  - Achieve operational excellence through automated, efficient and std. processes
  - Scalability of treasury operations
  - Controlled processes
  - More analysis, less data gathering
  - Comprehensive, quality reporting
- People Perspective
  - Reduced risks associated with staff turnover
  - Improved development opportunities
  - Improved work/life balance

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Treasury Organization - Before

- Centralized strategy, decentralized execution
  - No formal reporting link to Corporate Treasury.

- Lack of standardized processes and reporting
Treasury Organization - After

- Centralized strategy, increased centralization of execution
  - RTC’s with formal reporting link to Corporate Treasury.

- Standardized global processes and reporting
The Treasury Value Proposition

Support Structure:

Decision and Reporting Framework
- Strategic Treasury Management
  - Capital Structure Management
    - Global Risk Analysis
  - Executive Level Reporting
    - Business Support
- Global Treasury Organization
  - Global Treasury Management
  - Standardize Business Processes
    - Optimize Global Payments/Netting
    - Maximize I/C Funding, Reduce Costs
- In-House Bank
- Enhanced Treasury Technology
  - Tactical & Operational
    - Trade Tracking, Valuation and Acctg
    - Cash and FX Exposure Forecasting
  - Cash Management
    - Bank Reporting
      - Account Reconciliations
      - Daily Cash Positioning

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The Treasury Value Proposition

Investing in a more strategic and globally oriented treasury optimizes benefits.
SCJ’s Treasury Architecture Project (TAP)
What Is TAP?

TAP represents the implementation of standardized processes and new technology resulting in a common Treasury management solution able to efficiently provide:

- Fast and accurate information on global debt, investment, interest rate risk and foreign exchange risk positions.
- Reporting and analytical tools to optimize management of financial risks and drive benefits.
- Consistent, accurate and automated accounting of financial transactions.
TAP Core Elements

Value Driver

KPI’s & Analytics

Enablers

Global Transaction System

In House Cash

Cash flow Forecasting

Foundation

Cash Management
TAP Core Elements

Cash Management:

Features/Benefits:

• Daily global electronic bank statement processing.
• Automated daily reconciliation against business transactions.
• Standardized global view of cash position
• Significantly improves visibility to global cash and controls associated with cash processing
• Foundation for cash flow forecast process
• Single file interface via global data aggregator (Citi Infopool)
• Reconciliations current on day-to-day basis
• Customizable to create multiple views (by bank, by account, by currency, by entity, etc)
TAP Core Elements

Global Transaction System:

Features/Benefits:

• Provides comprehensive global view of all debt, investment and currency risk positions.
• Significantly improves controls regarding execution and accounting for all financial transactions.
• Automates and streamlines related financial processes (e.g. eliminates spreadsheets to track loan, investment and FX positions).
• Insures complete and consistent G/L entries and enables efficient use of FAS133 hedge accounting.
• Provides foundation to analyze and evaluate financial risks on consolidated worldwide basis.
• Centralized global FX risk management
• Access to both SAP based and non-SAP based subsidiaries
TAP Core Elements

In-House Cash:

Features/Benefits:

- Centralized virtual bank where participating subsidiaries maintain an account
- Facilitates intercompany lending resulting in reduced interest expense
- Reduction of external bank accounts
- Eliminates lost float on intercompany payments.
- One global IHC Center - SCJ Netherlands
- Efficient third party Cross Border/Cross Currency and Inter-Company Payments
- Scheduled AP Netting Run from core ERP system
- External payments via low cost payment services in many Countries
- Straight Through Processing from SAP Treasury to Citibank
- Global Cash Pooling of USD, EUR, GBP resulting in improved cash management
- Standardized global process and methodology where possible
- Comprehensive, quality reporting
- Significant reduction in intercompany account reconciliation effort
TAP Core Elements

Global Cash Flow Forecasting:

Features/Benefits:

- Standardized global tool for the preparation and communication of subsidiary cash flow and foreign currency exposure forecasts.
- Enhances financial returns by optimizing yields and keeping cash fully invested.
- Reduces borrowing requirements and the costs of maintaining excess liquidity.
- Facilitates inter-company lending.
- Enables identification (early warning) and effective hedging of financial risk.
- Based on SAP’s Liquidity Planner, utilizing a combination of R/3, BW and SEM.
- Standardized global forecast template.
- Efficient, automated actual vs forecast performance reporting.
- Incorporates forecast flows associated with treasury transactions.
TAP Core Elements

KPI’s & Analytics:

SC Johnson identified a need to provide actionable Treasury information and business intelligence to SCJ executives and corporate / regional Treasury personnel that is:

- Fact-based
- Readily available
- Relevant and timely
- Proactive, not reactive

A suite of Treasury KPI’s and dashboards has been identified to:

- Reduce interest expense and improve returns on invested funds
- Enable fact based risk management strategies that reduce financial risk
- Manage risk on a global, portfolio basis
- Optimize subsidiary capital structure decisions
- Minimize the cost of capital
- Communicate treasury’s value to the corporation

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Key Benefits

- Standardization
- Centralization
- Optimization

SAP Treasury
Key Benefits

Features

- Consistent Global G/L Entries
- Bank Statement Processing
- Transaction Processing
- Cash Flow Forecasting
- FX Exposure Forecasting
- Reporting
- Training
- IT Support
Key Benefits

Centralization

Features

- Improved Business Support
- Front vs Back Office Structure
- In House Bank – Payments
- In House Bank – Cash Conc.
- Global Month-End Processing
- Improved Functional Back-up
- Improved Security/Controls
Key Benefits

Features

- Better, Fact Based Decisions
- Effective Cash Utilization
  - External Investments
  - I/C Lending
- Improved FX Risk Mgmt
- Banking Consolidation
- Headcount Reduction
- Straight Thru Processing
Key Learnings

• Taking the time to critically evaluate current business practices and develop a strategic vision that is complimentary to and supportive of core business objectives is a prerequisite to building an effective global treasury organization and information system.

• Executing a global treasury vision requires a mix of the right team, the right plan and the right technology… all backed up by strong management support!!

• If you stay committed to your end-state vision, an ERP treasury solution has the building blocks required to implement it.
Risk Areas to Keep in Mind

- Executive sponsorship
- Project management
- Project team resources
- Project schedules
- Scope creep
- Requirements gathering
- Test case design and execution
- Change management
- Project documentation
- Master data alignment
- Bank involvement
DON'T EVER GIVE UP
Questions??