TreasuryPulse
delivering excellence
A Passion to Perform.
Deutsche Bank
Spring 2009

Buy-in from Stakeholders, Suppliers Critical to Success of Supply Chain Finance Project

A supply chain finance project is a complex undertaking involving multiple units and entities within a corporation. To make the project successful, a corporation must achieve buy-in from all relevant stakeholders, both within the company and with trading partners.

Supply chain finance is not a service where there is a single dedicated entry point into the company. In normal lending, a bank usually deals with a finance director or a head of treasury who knows the company's financing needs. Supply chain finance is different because there are more parties and potentially a multitude of people who need to be involved to get a project off the ground.

In a well-governed organization, a supply chain finance program may run through as many as five departments, similar to other complex projects such as business process re-engineering. Many banking products do not need multiple parties to coordinate, whereas supply chain finance mandates may take many weeks or months to materialize and need to be vetted by a number of people in the company.

While the natural entry point into a corporation is the finance or treasury department, in order to leverage the supply chain finance idea within a company, finance and treasury teams need to draw in their counterparties in the purchasing and resourcing areas. And if a bank wants to include dealer financing on the dealer distribution side of the solution, this also requires the support of relevant sales directors, as they not only control the relationships with the distributors but also possess the information about risk profiles, current payment terms and collection patterns.

To obtain the relevant information, in some companies it is appropriate to include the accounting department early in the dialogue. Accountants may provide a solution provider with much relevant insight, such as the actual payment terms (which often differ from the negotiated terms).

Three Critical Stakeholder Groups

In practically all of the conversations that Deutsche Bank staff conducts with clients, finance and treasury teams are not in a position to answer all relevant questions. Therefore, we believe it is crucial to draw other stakeholders into the dialogue, even at an early stage. If "process owners" and "relationship managers" are not part of the team early on, it might be much more difficult to obtain their buy-in later.

The solution provider should address stakeholders from at least three different areas:

1. Finance/treasury IT/business processes
2. Accounting/legal
3. Business partner relationship management. This could be the purchasing area, which interfaces with suppliers, or the sales area, which works with dealer distributors.

Highlighting Wins for Different Individuals
Ultimately, in order to get buy-in, you must provide an incentive for everyone in the program. Effective incentives vary by department.

If the suppliers agree to a nominal price reduction in exchange for participation in the program, then the purchasing person is satisfied because the price reduction will contribute to the department achieving its objectives.

On the other hand, if a supply chain finance program for selected suppliers is implemented in the context of an extension of payment terms, which is a working capital objective, attribution of the benefits for our client is less clear. Sometimes working capital improvement is a purchasing department objective, yet in some companies it is primarily a goal of the finance or treasury department.

If the CFO establishes a goal for the finance department to reduce working capital by 5% by year end, this constitutes a very strong incentive to push for an extension of terms. In such a case, nominal pricing reductions might be irrelevant to the treasury or finance teams.

Commercial On-Boarding of Business Partners
Supply chain finance also requires selling the solution to the corporation's business customers. At Deutsche Bank, we call this process the "commercial on-boarding" of the business partner. In the supplier finance area, it basically means that a bank meets with its primary customer and establishes a strategy on how to approach the corporation's suppliers.

Deutsche Bank typically sits down with the corporate client and segments its business partners in terms of their importance, the volumes they can bring to the table and the likelihood they will accept the solution enthusiastically. Then we arrange face-to-face meetings or webinars with the most interesting — and potentially most lucrative — partners. In these meetings, typically the company's finance and purchasing people meet with their supplier to explain the program and seek the supplier's participation.

Worth the Effort
In order for a supply chain finance project to be a success, a corporation, with its bank's assistance, needs to get the major stakeholders on board, including those within the many different entities of the corporation and those in its suppliers' organizations. Without buy-in from all of these parties, the project will not deliver the benefits to treasury operations that are needed in today's economic climate.

The effort to achieve buy-in is extensive but well worth it for many corporations considering the benefits of automating the financing of the supply chain. By improving the links between buyers, suppliers and banks in the supply chain, you make processes more efficient and improve fund visibility. Supply chain finance solutions also help to stabilize relations between the corporation and its suppliers, effectively keeping the supply chain running smoothly.