Finding your way in the payment factory maze

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The world of payment factories is all but static. Quite the opposite, it shows a constant momentum that makes it difficult to keep up with change and innovation. And its variable-geometry semantics brings more complexity. Time to set the record straight and make sense of it all.

Payment factories are too often presented as a run-of-the-mill solution that all corporates wanting to steal the show should have long adopted. But more and more voices are raised to alert about the importance of combining cultural relevancy and progressive thinking in order to achieve maximum benefit and get tangible return on investment. When creating a payment factory, many aspects must be considered. By taking a close look, we can understand why the phenomenon is widespread amongst the larger global corporates but yet fails to convince some mid-caps and smaller organisations.

No unique payment factory model

Experts agree that there is no unique, standard payment factory model that would bring the same benefits to all organisations. On the contrary, adapting to the reality of each corporation - its culture, scope, organisation and business approach - is of essence when it comes to payment factories.

The truth is that implementing a payment factory has more to do with managing corporate transformation than simply implementing a new set of operational treasury processes. To put it short, what resembles the centralisation of international cash flows is in reality a strategic business move that can potentially translate into a sharper competitive edge whose key word is ?lean?. That is, provided it is managed to the highest standards in the first place.

Three key aspects to centralisation

But how do we ensure that we do that? Let's look at the key aspects of setting up a payment factory that corporates should carefully look into before committing themselves, namely technology, people and bank accounts.

- **Information systems** are the very first expression of centralisation and corporates have been going that way ever since the trend emerged in the 90's. Since then, the pace of innovation has accelerated in an unprecedented manner, and what was impossible to contemplate yesterday is now feasible based on the use of standards like XML and platforms like SWIFTNet. Adding to these are other promising trends like cloud computing which has the potential to make a major difference. The world is moving faster than ever and it is hard to keep up. Yet in this wild swirl of change, some will make the right decisions based on expert advice and the sharing of the best practises.
- **The human face of centralisation, people** are -and rightly so- what the highest level of attention from corporates that aim to centralise their payments. Shared Service Centres (SSC) bring together operational teams at a domestic, regional or international level with

the objective to control and streamline the payment process, with major economies of scale as one of their main benefits. But creating a support team that is geographically remote from a group's subsidiaries comes with a price: language barrier, time difference, discrepancies in the level of expertise and in the level of service are amongst the corollaries of delocalising human resources, with a make-or-break moment as a result.

- **Centralising bank accounts is the third key aspect** to be considered, and as we write, it is a burning topic for corporates. Many organisations are looking to cut down on their bank accounts. To achieve this, they can either centralise their entities' bank accounts in a single country or create a single bank account to make *payments on behalf of* all their subsidiaries (PoBo). The benefits are tangible as a smaller number of bank accounts translates into reduced administrative costs, bank fees and risks of fraud. From a technical standpoint, PoBo is made more accessible thanks to the ISO 20022 standard that supports the end-to-end processing of the final debtor's identification. However, the current regulatory framework leaves room for interpretation and may require special attention locally. In addition, not all means of payment can be centralised which requires an in-depth reflection prior to making any decisions that will commit the organisation.

All about change management

Implementing a payment factory demands a carefully considered change management strategy conducted by an expert -and multidisciplinary- task force. Communicating to all the internal stakeholders on why change is necessary, how the organisation wants to go about it and which overall benefits can be expected from it is a major key to success, as change is more likely to be embraced if it is understood. In the end, the organisations that have already centralised their payments agree that it is worth the effort: payment factories do contribute to a leaner *modus operandi*, with enhanced business performance, increased competitiveness and more agility as a result.

Our Solutions

Payment factory

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Advisory, sales and implementation support on bank account structure, system integration, bank connectivity, reporting, smooth and secure execution of all corporates? payments. All these elements together could be labelled as a Payment Factory.

Netherlands Antilles
