## **Alix**Partners

# STARTING YOUR AI JOURNEY WITHIN THE TREASURY FUNCTION

## INTRODUCTION

In the rapidly evolving landscape of business, the race to integrate artificial intelligence (AI) into the work of the finance team has become a strategic priority for Chief Financial Officers (CFOs) and Treasurers with established financial systems. Many treasury departments struggle with outdated cash forecasting processes that remain largely manual and reactive. Such inefficiency often results in late discovery of depleted cash reserves, which then forces emergency borrowing at premium rates, and which is not only costly but also damaging to credibility with boards of directors, investors, and the market.

Al presents a transformative solution to those challenges by offering Treasurers and CFOs powerful tools to shift from reactive cash management to proactive, data-driven financial forecasting.

When we surveyed a group of executives whose organizations had more than 20% in net income profitability in the past year, we found that 53% ranked finance as a major focus of AI strategic focus and investment—16 percentage points higher than the average and just behind customer insight and service. The executives of those highly profitable companies were also more than twice as likely to be using AI tools to analyze enterprise risk—another finance function activity.

# **The same holds true when measuring growth:** 47% of the fastest-growing companies said finance is a major focus of their AI investments compared with 37% overall.

This article explores high-impact AI applications for Treasury and draws from our extensive research and implementation experience. We importantly point out that although AI and automation are ideally suited for accelerating task completion and although agentic AI further enhances that acceleration by making simple business decisions autonomously, the technologies remain only tools. Their effectiveness, like the effectiveness of any tool, ultimately depends on their strategic application within an organization's business functions to maximize the value-add.

To that end, start by taking the following three steps:

## 01 Identify the workflows that would benefit most from AI.

Typically, they will be processes that are labor-intensive, high volume, and transactional-often, remnants of outdated systems or legacy procedures. Such tasks tend to consume valuable time and resources that could otherwise be directed toward mission-critical strategic work. Good examples of such a process are transaction reconciliation and payment processing, where Al-driven automation facilitates the elimination of manual data entry, automates complex reconciliations, and creates intelligent verification systems that reduce processing time, minimize errors, and flag potential fraud patterns.

## 02

## Enable quick wins by harvesting low-hanging fruit such as data aggregation

inefficiencies — particularly if your treasury team spends excessive time manually consolidating historical and banking data. That consolidation process can almost always be improved with AI by enabling the automatic integration of multicountry, multibank accounts into a unified forecasting platform, thereby achieving immediate efficiency gains.

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## Use AI to improve forecast accuracy—especially in cases in which precision falls below 95%.

Al and advanced non-linear modeling techniques enable the automation of validation processes such as outlier evaluation and incorporate real-time data streams to significantly increase forecasting accuracy. The Al approach to forecast accuracy transforms traditional forecasting into a dynamic and precise process that delivers consistently reliable results via continuously refreshed reports such as daily profit-and-loss statements.

It is also important not to overlook two key change management steps before implementing any automation: first, define success criteria, and second, clearly understand the limitations of the automation processes that will necessitate human intervention, such as exceptions that have to be handled by humans.

To bring the foregoing recommendations to life, we consider three specific case studies in which AI and automation yielded excellent results. The studies involve cash flow forecasting, management of accounts receivable, and the use of AI to automatically extract suppliers from bank transactions with a subsequent supplier categorization.



## CASE STUDY #1 CASH FLOW FORECASTING

As mentioned in the above framework, siloed data and inaccurate forecasts usually raise significant challenges for treasury departments, which was precisely the situation faced by a domestic healthcare company whose cash flow forecasting process was erratic and often unreliable due to fragmented data across business units.

By implementing AI solutions that aligned with our approach—including clustering for pattern identification, regression models for prediction, and real-time anomaly detection—the company positively transformed its treasury operations. And as a result, forecast accuracy improved from 80% to nearly 90%, idle cash was reduced by more than 50% through automated bank integrations, and forecasting productivity increased by approximately 70% through statistical modeling techniques.



#### SITUATION/ CHALLENGE

- **Siloed data** and disparate systems impede the flow of information and create inefficiencies in the cash forecasting process
- Inaccurate or unreliable cash flow forecasts can lead to poor decision-making, such as underestimating liquidity needs or overestimating available funds

#### IDEA/APPROACH WITH AI

- **Clustering:** Leveraging ML algorithms for category-based forecasting models can enhance accuracy by identifying patterns in historical data
- Regression: Developing models to predict future cash flows based on data obtained from connected banks and ERPs can provide valuable insights for cash flow management
- Anomaly Detection: Leveraging real-time anomaly detection capabilities enables timely adjustments to forecasts, leading to error reduction and enhanced accuracy

### ILLUSTRATIVE PROFORMA OUTCOME

- Reduce Idle Cash by at least 50% through automated bank integrations that include cash flow category tagging to have a line of sight to idle cash
- Increase Forecasting Productivity by at least 70% by applying statistical techniques: (1) analyzing the distribution of inflows/outflows over time, (2) applying statistical analyses (applying a 95% confidence interval) to enhance the accuracy of forecasts
  - Focusing on statistical techniques (e.g., logarithmic transformation, parametric modeling, exponential smoothing, etc.) that are most appropriate for the distribution patterns observed in the data

## CASE STUDY #2 TREASURY AND ACCOUNTS RECEIVABLE (AR) COLLECTIONS

A global technology company was experiencing some of the issues described in the above framework: the company's AR collections were growing each year while its collection process remained manual and timeconsuming. The company's treasury analysts were spending excessive hours in tracking invoicing data and managing customer outreach, with limited visibility into customer risk profiles.

By implementing the AI approaches outlined in our framework—a classification model to assess default propensity, generative AI to incorporate external variables through web scraping, and natural language processing for automated document processing and communication—the company transformed its AR operations.

The results aligned with our pro forma outcomes: past-due invoices reduced by 15%, and collections productivity increased by 25%.

#### SITUATION/ OVERVIEW

- Multiple AR collections analysts FTEs track the invoicing/collection data and manage the various customer reach-outs for payment
- Visibility into each customer riskiness status is unknown or takes a long time to research
- Additional variables outside of DSO metric not used to determine customer credit risk
- Lack of monitoring can lead to sudden recognition of low reserves

#### IDEA/APPROACH WITH AI

- 1 Classification: understand the propensity of suppliers to default
- 2 GenAl: web scrape for external variables (e.g. recent events, credit
- ratings) and overlay it supplier credit risk model
- NLP: Can extract and attach relevant invoices/documents, type up a draft email based on tone required and manage vendor reach-out programs to collect payment

#### ILLUSTRATIVE PROFORMA OUTCOME

- Ability to manage cash for effectively preventing low reserves
- Able to leverage publicly available external variables (e.g. customer and supplier credit rating, recent events) that may be time consuming to track
- Able to handle customer reach-out programs to collect payment
- Able to reduce invoices past due by 10-20% and increase collections productivity by 20-30%

#### DASHBOARD MANAGING AR COLLECTIONS, POWERED BY AI



## SAMPLE EMAIL WITH INVOICE ATTACHMENT REQUESTING SUPPLIER AND CUSTOMER PAYMENT

64	invoce with your cryanization that needs to be settled. The details of the invoice are as follows:
Add a subject	Druht sond in 160 AM Oral Sond Filmstore (Sond Count of Sond Amount (Innount) Oral Sond Amount (Innount) Oral Sond Amount (Innount)
De jara Vitantina or Vitantina and more	We kindly request through response through the provide line and a charged provide line the sector setting setting the result of the setting setting the result of the setting s
	Describe hos Length modely the is Short 1.100 Madium

## CASE STUDY #3 AUTOMATED SUPPLIER EXTRACTION AND CATEGORIZATION

A business-to-business/business-to-consumer (B2B/ B2C) retailer was struggling with transaction processing inefficiencies. The company's treasury team was performing manual processing of bank transactions to extract supplier names, followed by time-consuming manual categorization of the suppliers into classifications such as payroll, capital expenditures, and operational expenses. That kind of labor-intensive workflow is an ideal candidate for AI enhancement. We implemented a generative AI solution that automatically extracted supplier information from transaction data and deployed an intelligent classification system that categorized suppliers with minimal human intervention—and we did so with 96% accuracy, exceeding human performance.

### ADOPT AN EFFECTIVE IMPLEMENTATION APPROACH

The foregoing case studies exemplify effective AI implementation in treasury operations: pragmatic, focused on specific use cases, and designed to deliver substantial return on investment in the near term while building foundations for sustainable long-term growth.

Rather than pursuing sweeping, enterprise-wide transformations, employ a strategic approach: begin with high-impact, targeted use cases; demonstrate clear value; and then scale methodically.

The following framework illustrates our disciplined methodology for treasury AI implementation by comprising three essential phases: comprehensive assessment, scale determination, and prioritized use case piloting—each of them supported by purpose-built artifacts that guide decision-making and implementation:





## CONCLUSION

As the framework and case studies illustrate, AI implementation in Treasury isn't merely about technology adoption; it's also about strategic transformation that delivers measurable results. The pragmatic approach outlined—from identifying high-impact workflows to enabling quick wins through data integration, to enhancing forecast accuracy—provides a clear road map for treasurers seeking to evolve beyond manual, reactive processes.

The results speak for themselves: improved forecast accuracy from 80 to greater than 90%, reduced idle cash by 50%, and decreased past-due invoices by 10 to 20% — tangible outcomes that directly and positively affect an organization's financial performance and strategic positioning.

Treasury teams must not just adapt to technological change but also use it as a source of competitive advantage. Organizations just beginning this journey should develop a comprehensive strategy before implementation.

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For more than forty years, AlixPartners has helped businesses around the world respond quickly and decisively to their most critical challenges circumstances as diverse as urgent performance improvement, accelerated transformation, complex restructuring and risk mitigation. These are the moments when everything is on the line—a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork

in-the-road decision. But it's not what we do that makes a difference, it's how we do it. Tackling situations when time is of the essence is part of our DNA—so we adopt an action-oriented approach at all times. We work in small, highly

qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done, and only measure our success in terms of the results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.

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