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ANALYTICAL POTENTIAL OF DIGITAL SOLUTIONS IN FINANCIAL MANAGEMENT OF A GROUP OF COMPANIES

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Annotation. As a group of companies grows through the acquisition (creation) of legal entities from related or related industries, the problem of ensuring manageability becomes more acute, which manifests itself in the financial sector due to suboptimal cash flows, duplication of efforts, inconsistency of accounting and reporting, and different policies for managing financial risks and debt. The solution was found in a unified treasury platform, the automation of which based on ERP systems today provides a number of positive effects for the group as a whole due to: increasing interest rates, involving in the placement of previously unplaced amounts, reducing commissions and other payments for banking services, reducing the total number of financial services personnel and increased intra-corporate borrowing. The authors, using the example of a project implemented in the Tatneft Group, explore these effects and are looking for opportunities for deeper analytics of the data available to the centralized treasury platform.

Key words: unified treasury in a group of companies, centralization of financial management functions, efficiency of centralization, statistical analysis of time series.

In complex organizational entities consisting of many different multi-industry business units, the task of ensuring the manageability of various aspects of activity becomes more acute. In a group of companies, which is such a complex entity, especially if it has a complex structure, financial management can become a real challenge. Here are some of the most common problems in this area:

1. Lack of a unified vision and coordination. Each company in the group may have its own financial goals and priorities (for example, a management company providing specialized production equipment to the managed companies, and a company engaged in R&D, development and implementation of production innovations). This leads to uncoordinated efforts to attract borrowed funds and inefficient use of borrowed resources. Different accounting, reporting and control systems in different companies make consolidated financial management of the entire group difficult [1]. The lack of clear communication between the financial departments of different companies can lead to errors, inaccurate information, duplication of functions and delays in decision-making.

2. Risks and risk management. In a group of companies, especially if it operates in different industries and regions, various financial risks may arise related to exchange rates, solvency of debtors, credit risks, liquidity risks, etc. Insufficient centralized management may lead to some financial risks remaining unnoticed by the «center» and therefore insufficiently managed.

3. Optimization of cash flows. Each company in the group may have its own cash reserves or significant fluctuations in these reserves, which leads to their inefficient use across the group. The lack of centralized payment management can lead to delays in payments, increased accounts payable, and liquidity problems [2].

4. Inconsistency of financial reporting. Different accounting standards, the use of different platforms for accounting and reporting automation (for example, SAP and 1C) in subsidiaries and dependent companies make it difficult to consolidate financial information and prepare unified reports for the entire group, even if the group of companies has been maintaining consolidated financial reports for many years [3]. Disparate data makes it difficult to analyze the financial condition of the group as a whole.

5. Lack of efficiency. Each company in the group may have its own accounting and reporting departments, which leads to duplication of labor efforts and corresponding personnel costs. Different financial management systems (see above) in different companies can make the process of integrating and combining data more difficult and costly.

6. Debt management issues. Business units in a group may have different debt management strategies (e.g. operating in broad consumer markets and not allowing large debt, and being contractors to the parent company

and operating at stable volumes, but not receiving a large payment on time). This may lead to risks of inefficient use of borrowed funds.

These problems can lead to reduced profitability and difficulty in making strategic decisions within the group of companies.

Over the past 5-10 years, large Russian holdings and groups of companies have launched projects to create a single internal treasury platform [4]. The analytical report notes the desire of the overwhelming majority of respondents to centralize treasury processes – 95% of participants responded that they consider a centralized or partially centralized approach to be the most effective in organizing treasury activities. 79% of respondents assessed the cash position for the entire group.

In 2008, the Lukoil Group created and fully automated a cash management system between the accounts of subsidiaries and a treasury financial center abroad. It was then that the company declared «the creation of an effective liquidity management tool that ensures the concentration of cash, reduces labor costs by automating operations to write off and credit cash, reduces financing costs, and increases the group's interest income due to the effective placement of the consolidated cash balance». Today, centralized debt management allows Lukoil to maintain financial stability and minimize risks associated with the debt of subsidiaries. In addition, it ensures transparency and accountability in the management of cash flows and assets of the Lukoil Group of Companies. In the late 2010s, the Unified Treasury was created in the Gazprom Group, which is designed to solve the following problems: centralized management of cash flows of the Gazprom Group, management of intra-group liquidity, centralization of the payment function and risk management.

In 2015, the Tatneft Group launched the project “Building a Unified Treasury Platform”. Almost the entire range of problems presented above was typical for the Group’s cash flow management model. The analysis showed the absence of a unified policy and unified procedures for making payments, low efficiency of work with liquidity was noted in a number of enterprises, there was virtually no control and management of costs that ensure cash flow, low efficiency was noted in solving problems that required coordinated actions of the Group's enterprises. The main task of the treasury was the operational management of the company's financial flows (maintaining the current solvency of the Group's companies) with minimal costs and maximum benefit for the enterprise. A centralized form of treasury organization was chosen, which corresponded to the general trend of

organizing such services. The project charter defined 10 (subsidiaries and dependent companies) + 1 (PJSC Tatneft) enterprises (the enterprises have their own branch network – 16 branches) from various areas of the Group's activity. At the same time, the treasury contour covered the main cash flows of the group (90%).

In the process of transition to the target model, work was carried out to bring the treasury functions to the standard level of methodological and technical equipment. Integration solutions of the 1C: Holding Management software package with the existing accounting systems used at the enterprises of the contour were implemented, more than 500 specialists were trained, 46 instructions were prepared and 23 regulatory documents were developed. Implementation and operation of the 1C: Holding Management system revealed segments requiring adaptation of standard algorithms for the system to the specifics of the Group's enterprises (algorithms for forming annual limits were finalized taking into account the specifics of the branch structure of TN-AZS Center LLC and TN-AZS Zapad LLC), as well as the need to fine-tune reporting forms (budget execution reports for these enterprises were reformatted).

At the stage of project completion and the transfer of the centralized treasury from the project format to a permanent functional format, the project effects were determined, presented in Table 1 and consisting of additional income and saved costs (Table 1).

Table 1 – Effects of centralizing treasury functions at project completion

Effects	Declared	Actually	Off, +/-
Due to the increase in interest rates, the involvement of previously unplaced amounts in the placement, and the increase in the placement terms, RUB million.	78.4	76.0	-2.4
Reduction of RKO fees + currency control + conversion, RUB million	8.1	10.7	2.6
Reduction in number, people	15	13	-2
Intra-corporate borrowings, RUB million	0,0	506.0	506.0

In general, we see that centralized treasury allows groups of companies to manage their financial resources more effectively, reduce risks,

optimize operations, increase transparency and support growth and development. But, in addition to this, centralized treasury has enormous analytical potential [5]. Today, the centralized treasury of Tatneft Group has automated a number of analytical functions, including:

1. Analysis of the use of the plan for forming limits
2. Plan-actual analysis (including by currency)
3. Turnover of financial transactions
4. Plan-actual analysis of gas stations
5. Analysis of budgets for the movement of payment instruments
6. Analysis of reserve movement budgets, etc.

At the same time, the analytical potential inherent in the volume of data generated by the centralized treasury is inexhaustible. In particular, based on the analysis of various dynamic series, it is possible to assess the level and identify reserves for improving the quality of planning (Figure).

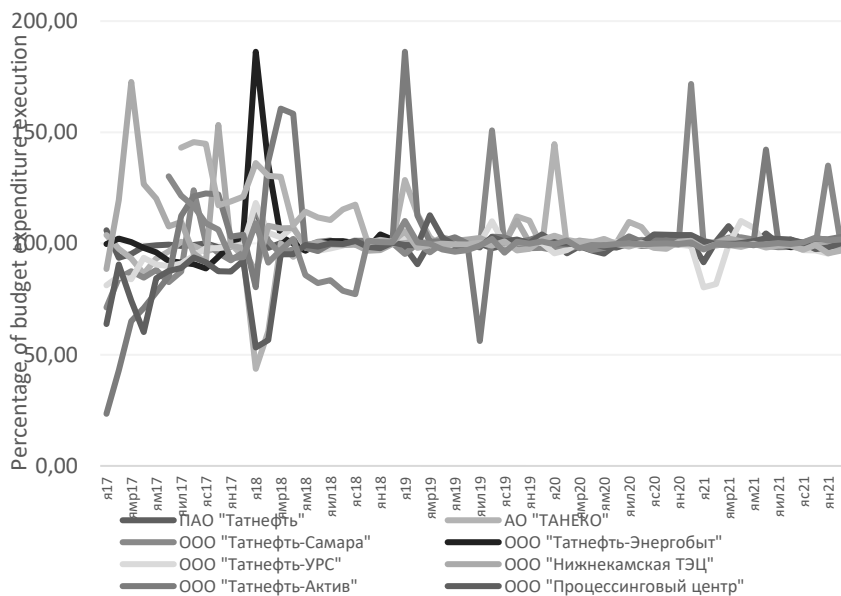


Figure 1 – Change in the percentage of budget expenditure execution in monthly dynamics from January 2017 to December 2021

The data in Fig. 1 demonstrate how, over the course of 4 years since the launch of the centralized treasury project at the enterprises of the Tatneft Group, included in the project outline from the first day of its implementation, the overall chaos of the plan execution indicators has been reduced. Also, using the example of individual enterprises, one can consider the change in the quality of budget planning as a result of the implementation of a single treasury platform using standard statistical analysis of deviations of actual expenditure values from planned ones (Figure 2 and Figure 3).



Figure 2 – Changes in the deviation of actual expenses from planned ones in monthly dynamics from January 2017 to December 2021

The planned-actual analysis of the expenditure budget at JSC TAN-ECO shows that the largest deviations in the 5-year period occur at the beginning of the year – at the beginning of the transition to a centralized treasury, there was an overspending of funds, then the situation stabilized, in 2019 there was unplanned savings, and in 2021 the situation again becomes relatively stable.

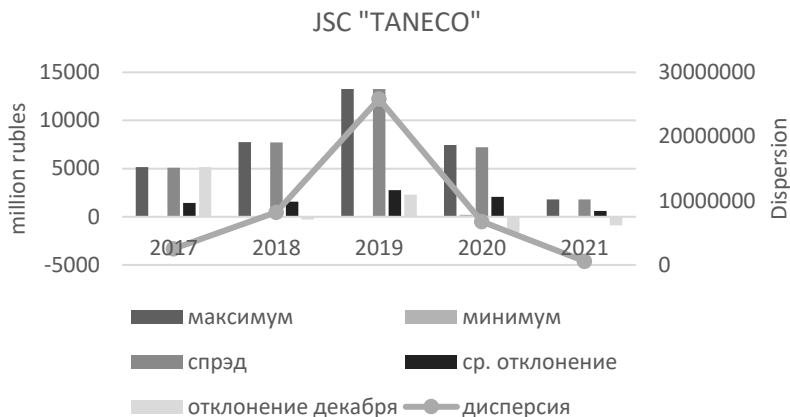


Figure 3 – Statistical analysis of deviations of actual expenses from planned ones in monthly dynamics from January 2017 to December 2021

These conclusions are confirmed by statistical analysis of deviations – the largest spreads between the maximum and minimum values of deviations and the dispersion value were recorded in 2019.

Thus, the digitalization of management, which has come to the aid of large companies and makes it possible to centralize financial functions, in particular treasury, in groups of companies, carries with it enormous analytical potential that needs to be explored and used.

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