

## Case Study

# Medtronic

## Transformation from a Decentralized Treasury Model to a Regional Center of Excellence: Exceeding Expectations and Achieving a Global Treasury Center of Expertise

Medtronic is a global healthcare solutions company specializing in medical technology, services and solutions, operating in more than 150 countries worldwide with over 350 locations. In Latin America the company has operations in Argentina, Brasil, Chile, Costa Rica, Mexico, Panama, Peru, Puerto Rico, Dominican Republic and Uruguay. Medtronic recently also opened a new Surgical Robotics Experience Center in Santiago.

### The Challenge

Relying on a decentralized, locally managed business model, Medtronic's Latin America Treasury team faced challenges due to the varying practices across the company's numerous legal entities in the region. The lack of standardization around treasury operations resulted in reduced visibility and control over accounts and cash management, in addition to creating additional hurdles when implementing new regional treasury initiatives.

### The Solution

To address its decentralization issues, the Medtronic's Treasury team embarked on an ambitious treasury transformation journey with the objective of creating a regional treasury team based in the newly created "Americas Shared Service Center" (SSC) located in Colombia. To accomplish this critically important goal, the team turned to long-standing banking partner, Citi – leveraging the bank's experience in the implementation of SSCs in the region and globally – to put in place a best-in-class center of excellence that would best serve the business and its growth strategy.

### Best Practice and Innovation

Working in close collaboration, the Citi and Medtronic Treasury teams put a series of key initiatives in motion to centralize and standardize the company's Latin America Treasury operations.

These best practices included:

- Establishment of **cash pooling structures** to ease cash concentration and allocation.
- Implementation of a single enterprise resource planning (**ERP**) solution for all legal entities, to process payments (vendor, payroll, taxes, etc.), to report account statements, and with **host-to-host connectivity** channels (via **CitiConnect®**).
- Implementation of a single **treasury workstation** solution to better manage cash, liquidity and risk.
- **Centralization of third-party statements** reporting to a single BIC, through Citi's Data Aggregation Solution, Infopool, for full visibility and control of all bank accounts.

- **Standardization** of accounts payables and receivables processes.
- Leveraging locally specific solutions, such as **Citi PSE/Mis Pagos al Dia** in Colombia, **Banconexion** in Chile, **P-Cards** for tax payments, **Citi e-checks** in Argentina.
- Development of a **cross-country, cross-functional treasury support team** aimed at continued operations and proper succession planning.
- **Automation of treasury processes** for enhanced operational efficiencies and monitoring.
- **Talent recruitment and training** to maximize development.

Additional steps taken included regular SSC team meetings with Citi's Treasury and Trade solutions experts to examine industry and market trends, as well as innovative solutions that were available across the region. Medtronic was also able to benchmark this initiative against other Citi clients with SSCs in the same region in order to take advantage of lessons learned.

## The Results

The Medtronic Treasury transformation initiative exceeded all expectations for the company. The initial objective was to move from decentralized units to a centralized, standardized regional Center of Excellence in Colombia. However, due to the overwhelming success of the program, the Treasury team was able to go to the next level, establishing a Global Treasury Center of Expertise in a remarkably short timeframe.

This initiative has delivered significant results for the organization, including:

- Greater transparency and efficiency of flows, with in-country operations funded centrally.
- 40% reduction in full-time employees, enabling Treasury to reallocate resources to more strategic initiatives

- 50% reduction of idle cash balances by managing cash transfers through central treasury.
- 47% reduction in the volume of manual payments facilitated by host-to-host payments processing.
- Rationalization of banking partners to support best-in-class connectivity, delivering increased visibility and control of cash balances.
- 15%+ reduction in the number of bank accounts resulting in significant bank fee savings.
- Connectivity harmonization through Citi's single global digital platforms.
- Reduction in the number of CitiDirect instances from 11 to 1, resulting in increased visibility and controls over bank account user access.
- Implementation of a single FX tool across the region, Citi FX Pulse for spot trading, resulting in the standardization of the process, as well as improved visibility and controls.
- Implementation of cash flow forecasting models (direct and indirect) which have resulted in increased efficiency of cash repatriation and funding.

Medtronic's Global Treasury Center of Expertise has positioned the Treasury organization to continue to grow and support the business. Thanks to the overwhelming success of this initiative in the Americas, the company has decided to centralize Treasury operations in Asia Pacific.