Build your treasury playbook for a competitive edge in the oil and gas industry

Financial strategies to give energy companies an efficient offense and impenetrable defense

Some days, running a business in the oil and gas industry can feel like an epic battle on the football field. You encourage your team to stay aggressive and fight for every "yard" of profit, but ferocious foes are working just as hard to take back any ground you've gained. While the analogy could apply to any business, it's especially pertinent in the ultra-competitive energy industry.

"Advanced technologies and shifting regulations are leveling the playing field for thousands of ambitious energy companies," said Brad Vincent, executive director, specialized industry banking at BOK Financial®. "Every company—large and small—is looking for an edge to help them get ahead."

While most companies are focused on streamlining their core operations, they may be overlooking some relatively easy gains in the finance department, Vincent explained. More specifically, enhancements in treasury services could be the "X factor" energy firms need to improve efficiency, cut costs and increase investment returns, while also guarding against profit-eating threats like financial fraud.

Here are several ways a solid treasury services partnership can help your energy company gain a competitive advantage on both sides of the ball.

EMPOWERING YOUR OFFENSE

Optimizing your financial strategies may not create a direct source of revenue, but it can help reduce expenses and put you in a position to seize growth opportunities. In other words, calling the right treasury plays can help your team work smarter—not harder—to put points on the board. For example:

Cash concentration and zero-balance accounts

Startup energy businesses, in particular, need easy access to liquid funds to meet day-to-day working capital needs and pursue rapid growth. It makes sense to keep things simple, directing all sources of funds into a single account to achieve visibility and accessibility of cash. As your business expands, however, maintaining simplicity can be more difficult. You may have multiple bank accounts for different departments or divisions, with excess cash sitting idle in each one. To make the most of these funds, energy companies can establish a cash concentration account with their primary bank, which automatically sweeps cash from disparate accounts into a central depository. Each sub-account is left with a zero balance at the end of each day and funds are aggregated in the master-account to be deployed for working capital needs or invested overnight to earn interest.

"Cash concentration is a great strategy to help companies maximize returns and improve cash management," said Kim Gwin, treasury sales manager at Bank of Texas. "By pooling funds to a central account, you gain better visibility to meet immediate business needs and earn higher returns by sweeping excess funds to an interest-bearing account.

Automation and enterprise resource planning (ERP) integration

The larger and more complex your business becomes, the more time is lost to manual financial processes and human error. However, automated workflow solutions can free your team from repetitive tasks and accelerate processes like payment processing, forecasting and account reconciliations. A treasury partner with technology expertise can help your finance organization integrate automation tools with your existing ERP system. And as your company grows, automation enables you to easily scale up treasury operations without the need for additional staff.

"The efficiencies gained from automation help companies achieve economies of scale," said Gwin. "In the treasury context, that translates to lower costs and higher productivity. At the same time, cleaner data makes for more informed financial decision-making."

Corporate credit cards

For energy companies with a team of traveling field personnel, continuing old-school per diem and reimbursement procedures could be a costly mistake. Alternatively, issuing corporate cards to employees can improve control over spending and lead to significant cost savings.

"When used wisely, credit cards act like an interest-free short-term loan, and they offer some powerful tools and rewards," said Gwin.

For example, corporate card permissions can be customized to allow only certain types of purchases. Card purchases are also easier to track and categorize, which may help with policy adjustments or negotiating better rates from vendors. Furthermore, some cards offer rebates for purchases over a certain amount, offsetting a portion of your expenses. For this reason, some companies also choose to pay certain vendors by credit card, optimizing cash flow and maximizing their rewards.

FORTIFYING YOUR DEFENSE

Smart financial strategies can help your company fuel a potent, profit-producing offense. Unfortunately, any gains you've made are always at risk, and not just from competitors. One of the most daunting threats facing businesses today is financial fraud, and the energy industry is no exception. Building a strong defense against various scams, such as phishing or email compromise, is essential to protect your company's confidential information and safeguard its assets.

"Fraud prevention measures should extend well beyond the IT department," said Gwin. "The finance and treasury teams can play a leading role by ensuring their processes are as airtight as possible."

A treasury services partner can help your organization design the best defensive formation to keep the bad guys out of your end zone. Here are several strategies to consider:

Fewer paper checks

Check fraud is extremely common because it's easy for criminals to intercept checks in the mail and cash them or use the information to create counterfeit checks. Most companies could significantly reduce their risks by moving away from paper checks and instead transferring funds electronically through ACH or other methods. If your company does issue paper checks, ensure you're also taking advantage of protections like Positive Pay. With this service, the bank compares each check presented for payment to an approved list of payees, provided in advance by the customer. If a check doesn't match up, it gets flagged for review.

Zero trust environment

Fraudsters grow more sophisticated—and more convincing—every year, going to great lengths to pose as someone they're not. Make it a priority to educate your team about common scams; affordable online training programs are readily available.

"All employees should at least know the basics, like not clicking on unknown links or giving out confidential information," said Gwin. "But people with the authority to make financial transactions must be especially vigilant and learn to recognize the red flags of financial fraud, which aren't always easy to spot."

Anything that seems out of the ordinary—an urgent email from the CFO, a request for account information, or a vendor changing their payment instructions—should be investigated with a phone call to a known person.

Separation of duties

Financial fraud isn't always committed by outside perpetrators; it's often a crime of opportunity committed by in-house employees. You can remove those opportunities by insisting on the separation of duties (SoD), which ensures that no financial process can be completely controlled by one person. It's a system of checks and balances that minimizes temptation and makes embezzlement much more difficult. Most leading ERP systems and banking platforms include features to help your company implement SoD based on user roles and tasks. For example, every outgoing financial transaction requires an "issuer" and an "approver" for the payment to be released.

"As the energy industry grows increasingly complex and competitive, companies can't afford to lose time and money dealing with security issues," said Vincent. "With the right tools, training and policies in place, the treasury team can worry less about fraud and focus on effective financial management."

Whether it's defending against dangerous attacks or making smart money moves to maximize returns, treasury management is a total team effort. And with a trusted financial services provider to block and tackle and advise on best practices, your company will be well on its way to a winning season.

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