

# Ten Essentials of Treasury Technology

*Windy City 2009*



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# Topic Benefit & Description

- **Benefits:** Understanding how to select treasury technology based on a specific needs and avoiding the common pitfalls.
- **Description:**  
Rapid change, huge opportunities and dissatisfaction with the gap between promises made and the actual delivery are three descriptors of the current Treasury 'tech' environment. To be successful with technology, treasury professionals must understand the tech-landscape, understand how to identify their needs and properly match them up with providers. That is just the first step.

An effective implementation needs to be both well managed and seen as a process not an event. Building the capabilities out to support your efforts to achieve your strategic vision requires intelligence, perseverance and the treasurer's '10 essentials'.

# Context: Treasury Landscape and Trends



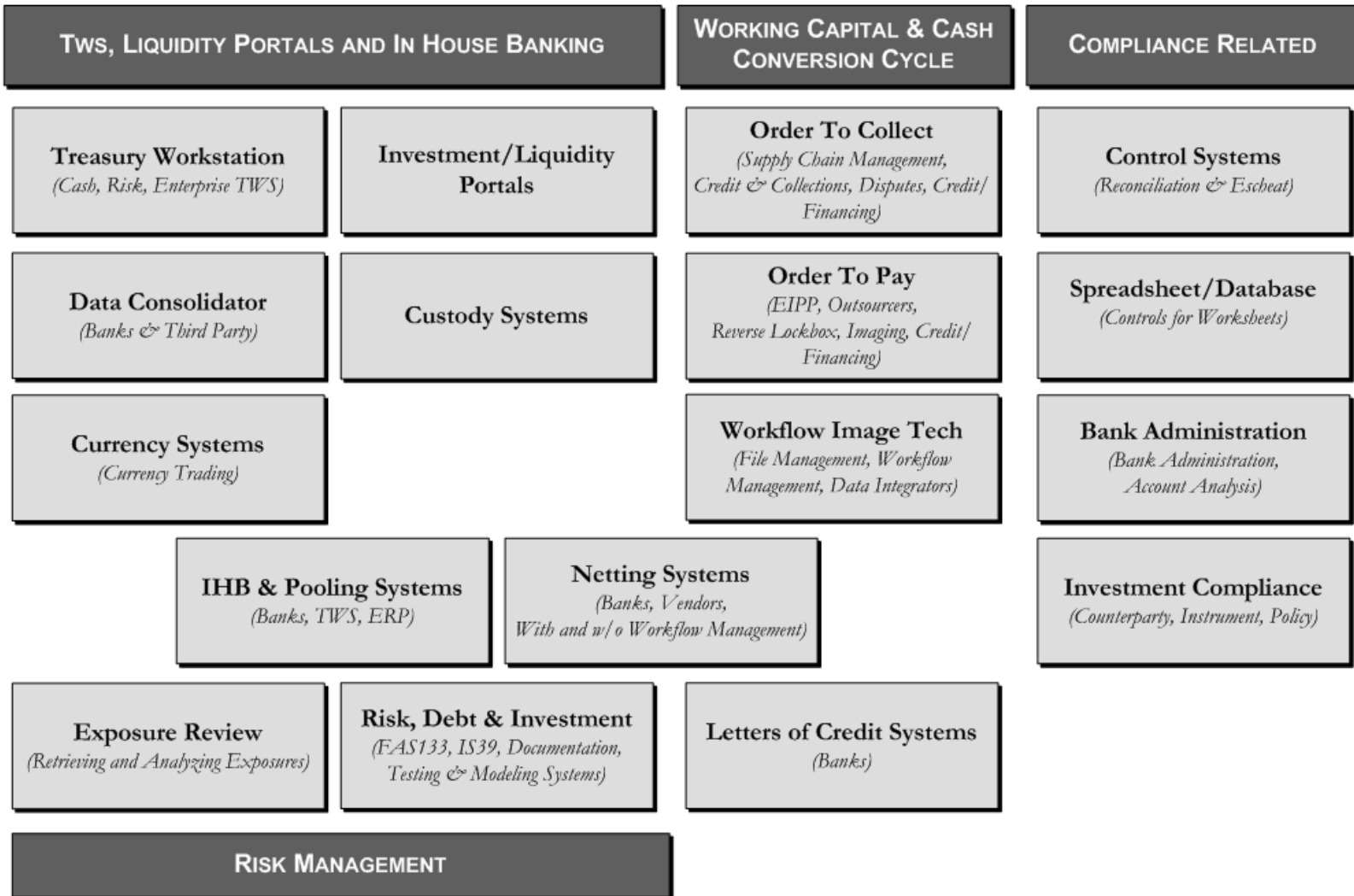
# Five Treasury Technology Trends

- **1. Data Outsourcing Reaching Critical Mass –**
  - *Data access/management is being outsourced in key areas*
  - *SWIFT and Consolidators*
- **2. Technology and Economics/ IT Support –**
  - *Technology and economics: Lease vs. License, SaaS/ASP domination in various sectors*
  - *Visibility – Risk – Liquidity*
- **3. New Players and Best of Breed Emerging–**
  - *New Players. Entering TWS Market at TWS Cash/Mid-Level*
  - *Best of Breed Facilitation: Partnerships Between Risk / Trading / TWS: WSS and Reval – FAS 133 Add-On; FXall and various TWS*
- **4. Bank Focus–**
  - *Mergers and credit issues causing a lull in the vendor acquisition market*
  - *Enriching the service, working capital and efficiency*
- **5. Risk Management and Visibility Tools –**
  - *Back on the menu at the top*



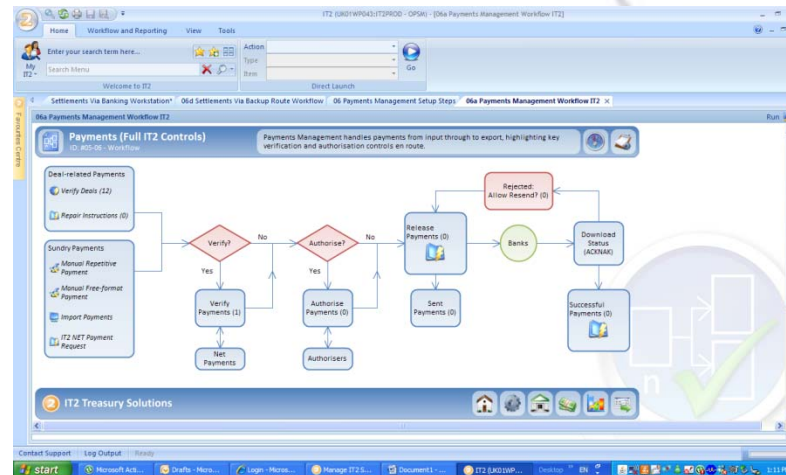
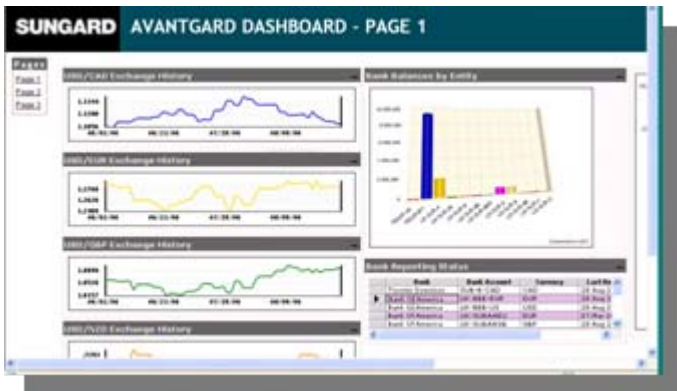
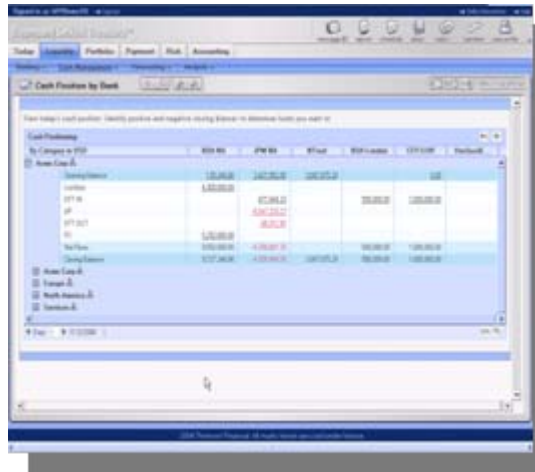
# Technology Systems Landscape View

## LANDSCAPE OF TREASURY TECHNOLOGY SYSTEMS



# Technology Decisions

- Technology must support and enhance the business process and underlying needs
- Choices include:
  - Build
  - Buy
  - Buy and Configure



# Selection Process



# A Phased Approach

Treasury Review - Complete				
Review Current Corporate Treasury Functionality	Identify Organization's Treasury Needs & Requirements	Develop Vision of Future System	Identify Solutions	Develop High-level Implementation Plans
<ul style="list-style-type: none"> <li>Define current structure and processes</li> <li>Define current functional requirements and information flows</li> </ul>	<ul style="list-style-type: none"> <li>Interview individual business units</li> <li>Interview senior management</li> </ul>	<ul style="list-style-type: none"> <li>Optimize Cash Management structure</li> <li>Optimize bank relationships, services, and fees</li> <li>Optimize funds flow and funds movement procedures</li> </ul>	<ul style="list-style-type: none"> <li>Identify automation solutions</li> <li>Identify banking services and solutions</li> </ul>	<ul style="list-style-type: none"> <li>Prioritize solutions in light of cost-benefit analysis</li> <li>Identify and address internal constraints</li> </ul>
<i>Current system schematic and requirements</i>	<i>Company's Critical Needs for Treasury Unit</i>	<i>Future System Schematic</i>	<i>Alternatives Cost-Benefit Analysis</i>	<i>Process an infrastructure to manage proposed system</i>

Roadmaps

Product/Vendor Selection & Evaluation			
Outline Future Environment	Identify Evaluation Factors and Providers	Match Providers to Evaluation Factors	Evaluate Finalists
<ul style="list-style-type: none"> <li>Identify goals for service/product</li> <li>Identify future operational environment</li> <li>Identify solution scenarios</li> </ul>	<ul style="list-style-type: none"> <li>Develop Critical Needs for service/product</li> <li>Identify potential RFI/RFP recipients</li> </ul>	<ul style="list-style-type: none"> <li>Issue tailored RFI/RFP</li> <li>Evaluate responses</li> <li>Facilitate scripted demo (if applicable)</li> </ul>	<ul style="list-style-type: none"> <li>Evaluate scorings, price, reference checks, and other issues</li> <li>Final discussion and recommendation session</li> </ul>
<i>Future Environment Schematic</i>	<i>Critical Needs for Service/Product</i>	<i>RFI Scoring Matrix &amp; Summary Demo Evaluation Package (if applicable)</i>	<i>Recommendation Summary Packet</i>

Roadmaps

Implementation, Documentation & Testing		
Project Planning & Preparation	Disaster Recovery & Test Planning	Installation & System Configuration
<ul style="list-style-type: none"> <li>Establish project infrastructure</li> <li>Establish internal preparation methodologies and tasks</li> </ul>	<ul style="list-style-type: none"> <li>Establish disaster recovery scenarios</li> <li>Outline test plans scenarios</li> <li>Identify and satisfy operating requirements</li> </ul>	<ul style="list-style-type: none"> <li>On-site oversee of installation and testing</li> <li>Project management assistance</li> <li>Documentation assistance</li> </ul>
<i>Project Timeline Best Practice &amp; Issues Log Data Gathering Map</i>	<i>Disaster Recovery Plan Test Scenarios</i>	<i>System Documentation</i>

# Ten Essentials



# Ten Essentials for the Woods

**Compass**



**Matches**



**Bug Spray**



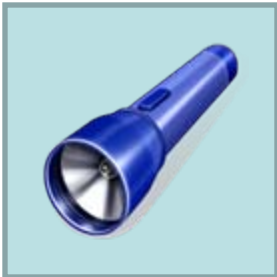
**Sunscreen**



**Map**



**Flashlight**



**Rain Gear**



**water**



**First Aid Kit**



**Extra Clothes**



# 10 Essentials of Treasury Technology

1. **Know Your Destination.** Vision, Mission and Strategy.
2. **Understand the Landscape.** Before venturing out.
3. **Assessment.** Assess your processes, technology and information first.
4. **Future State.** Define your future state and determine the current gaps that exist.
5. **Critical Needs Document.** Identify your organization's needs and wants in a formal manner.
6. **Treasury Information Map.** Define current and future information flows and services.
7. **Deliberate Selection Process.** For processes, technology and information.
8. **Resource the Project Appropriately.** Be realistic with internal resources. Use external resources wisely (design, plan, implementation, testing).
9. **Project Management.** Formal PM and project reporting and communication.
10. **Justify The Project Before and After.** What is essential as you justify your treasury technology project

# Ten Essentials for Treasury Technology

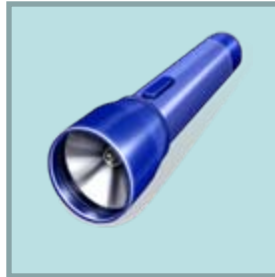
**Know Your Destination**



**Understand The Landscape**



**Assessment**



**Future State**



**Critical Needs Document**



**Treasury Information Map**



**Deliberate Selection Process**



**Resource The project**



**Project Management**



**Justify The Project**



# 1. Know Your Destination

- Vision & Mission
- Where are you trying to go?
- Anyone know a good .....?
- What are you trying to accomplish?



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## 2. Understand the Landscape

- Saves time and shortens the list of who you need to consider
- ‘The usual suspects’ comment
- Knowing the general capabilities and shortcomings of the banks and technology providers

### 3. Assessment: Perform One!

- People
- Structure
- Processes
  - Involve multiple areas
  - Includes data
- Technology



All done with the perspective of what are you trying to accomplish and the destination you seek.

Do NOT buy into the mindset of implement first and then we'll fix it...

## 4. Future State: Ensure everyone can picture it clearly

- All activity should move you in that direction
- Formal (written) is the only real future state
- It should support the mission of the organization and of Treasury
  - And relate to your aspirational vision statement

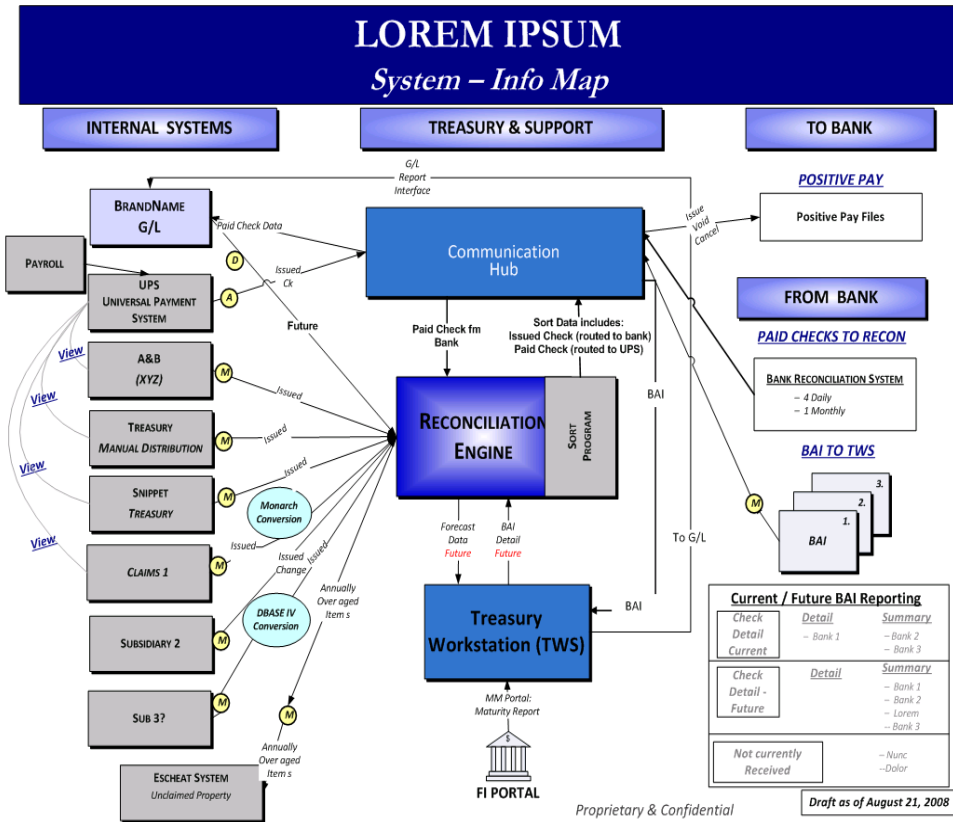


# 5. Critical Needs Document

- Broad requirements and working concepts
- Business Goals
- Access needs
  - People
  - Interfaces and connections (internal & external)
- Technology Platform
- Security
- Services and outsourcing
- Vendor Reputation
- Implementation experience
- Functionality Specifics within each area
  - TWS
  - Risk System
  - Trade Finance
  - Trading Platform
  - Account Management
  - Order to Collect
  - Order to Pay

# 6. Treasury Information Map

- What are you trying to accomplish?
  - Cash position? Risk Mgmt?
  - Cash forecasting?
  - Reconciliation? Exposures?
- What data is needed?
- Where is that data?
- What format is it in?
- How often and when?



# Data Needs Differ Between Setup and Ongoing Management

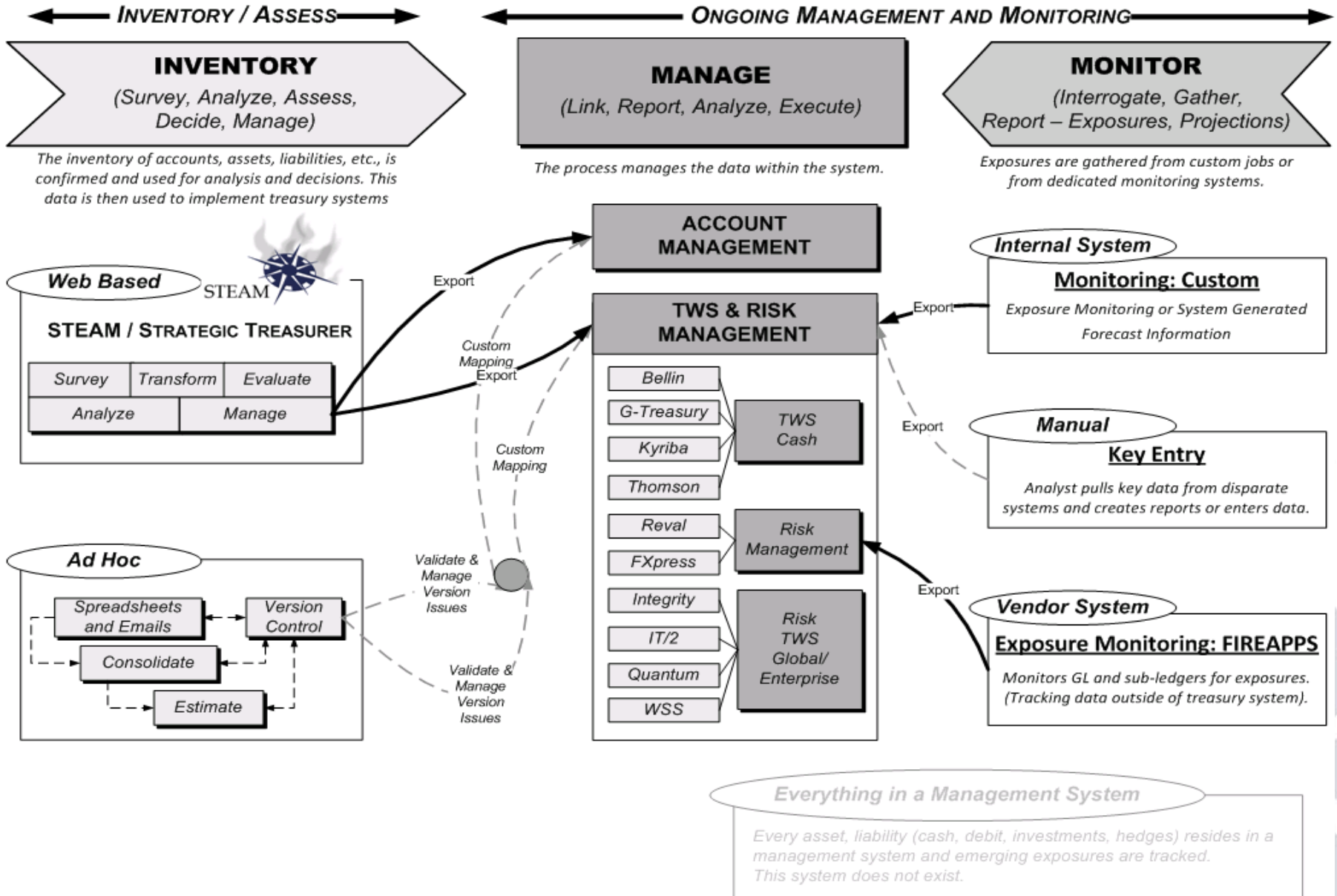
- **Setup: Initial Data Needs**

- What information is needed to evaluate solutions?
- What data is needed to perform the cost benefit analysis?
- How can we get this data for both analysis and initial setup without damaging our internal relationships?
- How can we ensure we have complete and accurate data for analysis?
- How can we reuse this data for analysis and setup within the system (s) we implement?

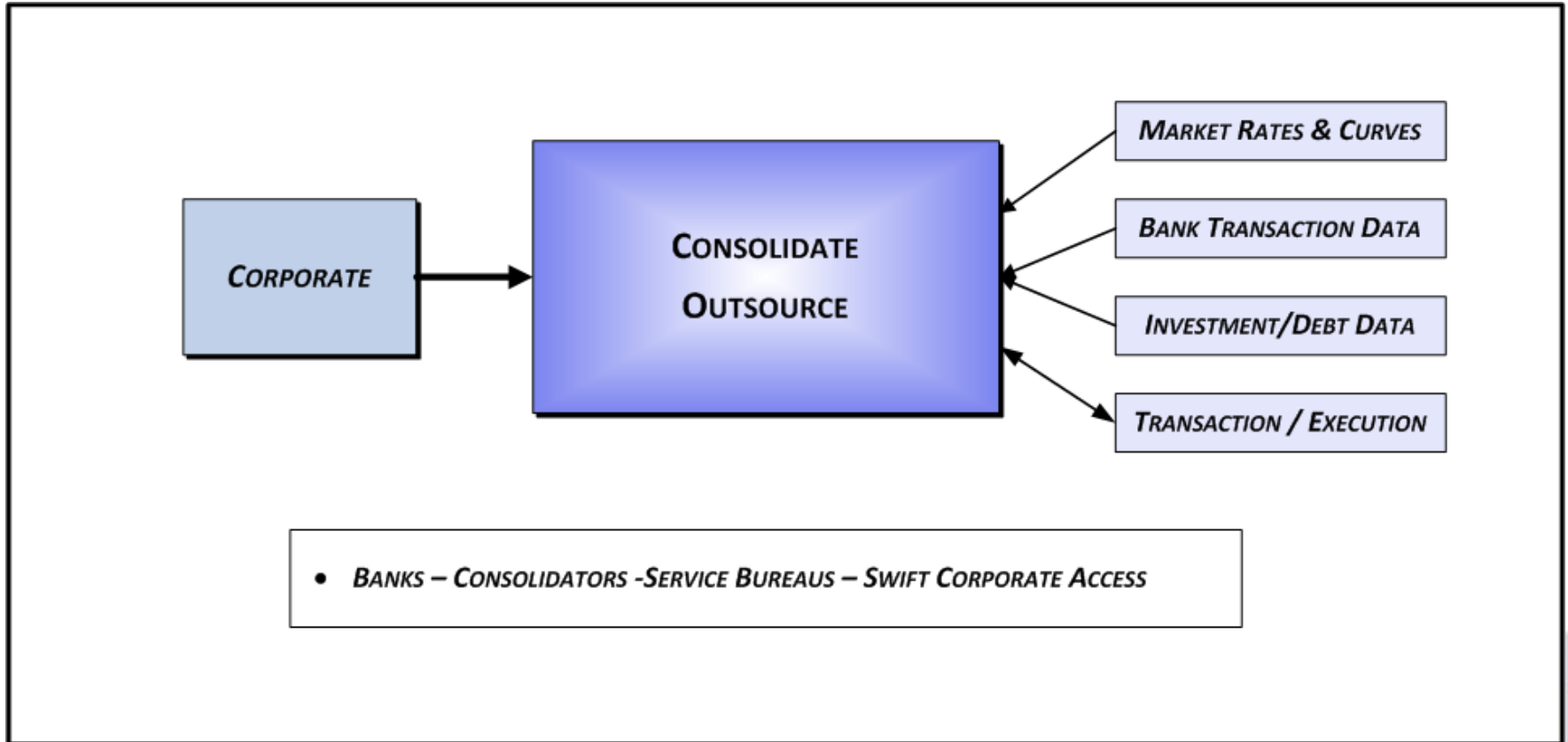
- **Ongoing Management**

- What output/input is needed?
- Where does the data reside?
- How will you access the data?
- How can this gathering of data be automated?

# Data Needs: Setup & Ongoing Management

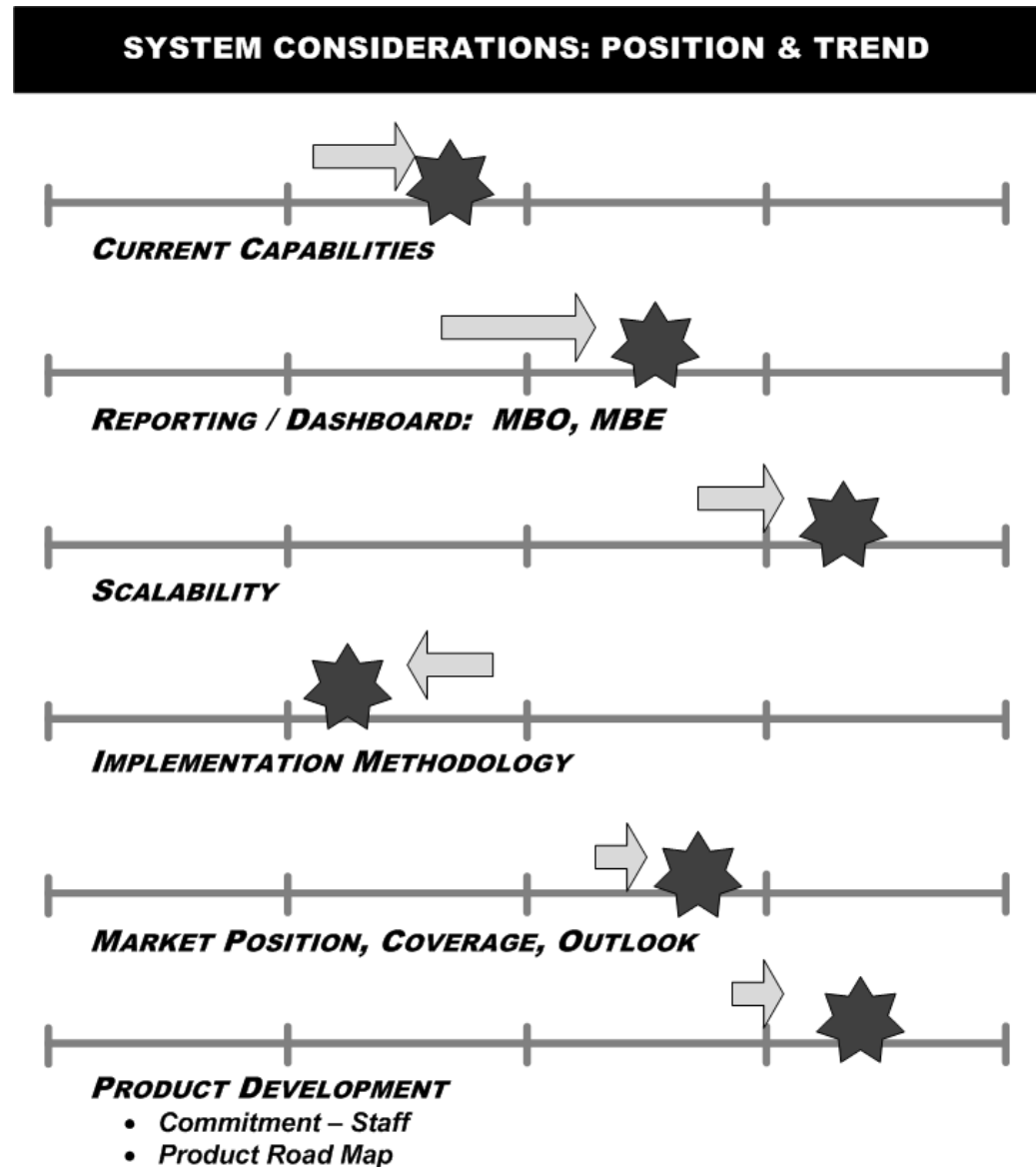


# Data as a Necessity



# 7. Deliberate Selection Process

- Vendor Short List based on your CND
- RFP with relevant questions
- Demonstration with your data
- Due diligence
- Include vendor and system position and trends



# 8. Resource the Project Appropriately

- Dedicated resources vs. part time
  - A never ending project
  - OJT or Experience?
- Internal only or external assistance
  - Do you want to pay consultants to learn on your time?
  - Is it appropriate from a risk and cost standpoint to use the project to learn everything on your own?
  - One time activities
    - Design
    - Static/Referential Data
    - Connections
    - Testing
    - Documentation



# 9. Establish Strong Project and Change Management

- Set realistic targets
- Provide specific target dates
- Ensure Accountability
  - Results, Time, and Budget
- Reporting dashboard
- Communication
  - Others need to know where you are going and why?

# 10. Justify The Project Before and After

- What is essential as you justify your treasury technology project?
  - Is it all about the cost benefit analysis? Hard dollar savings?
  - How it fits with your strategy and helps you fulfill your mission?
  - The risks it helps you mitigate and avoid?
- What area should not be shortchanged in your justification?
- Before and after!

# Ten Essentials for the Woods

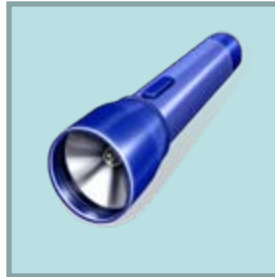
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**Understand The Landscape**



**Assessment**



**Future State**



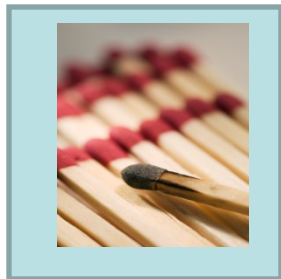
**Critical Needs Document**



**Treasury Information Map**



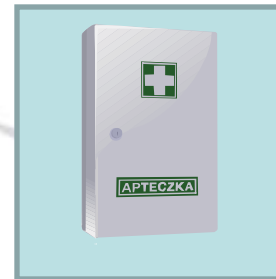
**Deliberate Selection Process**



**Resource The project**



**Project Management**



**Justify The Project**



## Case Study:

# Accounts Receivable Process

\$2-10B Publicly Traded Firm

## • Situation:

- Firm wanted to improve the overall process of managing the cash application process
  - The hit rate was too low (assignment and application)
  - Amount of electronic items was too low (payments, orders, billing)
  - Need to improve DSO from 42 days (paper)

## • Actions:

- **Review.** Reviewed the Order to Collect process and selected four areas of improvement.
- **Communication.** Push for electronic ordering, shipping, billing and payment with goals and tracking of progress.
- **Optimized.** Cash application algorithms and process modified to improve hit rates and accuracy.
- **Feedback.** Developed feedback process to identify and fix errors systematically.
- **UPIC.** Established account that would eliminate future client impact for ACH remittances.

## • Results:

- Hit rate improved:
  - >5% assignment
  - >12% application
- Electronic adoption:
  - Increased the number via a campaign
  - Continue to market and increase the numbers
  - Converting to ACH saves costs
- DSO improvements
  - 7 day decrease for electronic customers
  - ~2.8 days overall
  - >\$30mm of working capital freed up

### • Situation:

- Firm needed to manage working capital and the payable process more effectively
  - Paying some vendors early (shown by audit)
  - Process was too long which caused discounts to be missed
  - Volumes were growing rapidly and organization under pressure to hold staffing levels flat

### • Actions:

- **Established Pcard Program.** Established purchasing card program eliminating many POs, added rebates.
- **Implemented Integrated Payment Files.** Payment files sent electronically for all payment types.
- **Formalized Vendor Master Audit.** Audit vendor master records & missed/taken discounts.
- **Activated P2E Process.** Marketed the move to electronic payments via multiple methods.

### • Results:

- Improve financial performance:
  - Removed many PO's from the system with Pcard
  - Rebate growth
  - Discounts taken when appropriate
  - Payment creation process less costly
- Electronic adoption:
  - Increased the number via a campaign and ongoing work (from <20% to >50% in the first two months)
  - Converting to ACH saves transaction costs
- Improved Resiliency
  - Outsourced payments provided daily payments, faster and with scalability

### • Situation:

- Seeking to become a publicly traded firm, they decided they needed to reduce exposures and strengthen their treasury processes
  - Numerous systems existed that were sub-optimized and in some cases without coordination
  - TWS was being sunset and not used properly
  - Many manual /excel driven processes and tracking

### • Actions:

- **Redesigned Bank Structure.** To reflect relationships and current needs.
- **Designed Treasury Information Map.** To simplify the financial processes.
- **Selected TWS and Reconciliation Vendors.** To manage visibility and tracking (TWS) and to ensure timely and accurate controls (Recon and compliance with policies).

### • Results:

- Better Visibility:
  - TWS allowed faster access to information and specific abilities to distribute information
  - Positive and negative triggers/alerts across many parameters
  - Reconciliation system enforces active management through workflow management
- Implementation:
  - Implemented the TWS with a few months
- Improved Data Use
  - Lowered information costs by single pulls that were reused
  - Tighter integration and better reconciliation

### • Situation:

- Firm being spun off by parent in a nine month period. The firm to be spun off had no Treasury group and no surviving systems from the parent
  - The organization needed to be created quickly
  - Technology needed to be selected and implemented including a TWS and hedge management solution
  - Combined processes pulled apart

### • Actions:

- **Accelerated Selection Process.** Fast tracked the selection process including using best of breed SaaS providers to meet deadlines.
- **Team Formation.** Selected and hired quality staff from a mix of external and internal sources.
- **Implemented TWS and Risk.** Cash positioning. Wire Transfer. Accounting. Hedge accounting & tracking.
- **Created Treasury Information Framework.** Built framework for integration between systems (post spin)

### • Results:

- Less bank systems:
  - Eliminated a redundant bank system
- Efficiency and DR:
  - Gained efficiency by having better backup and integration with wires in the TWS
- Team work:
  - Great teamwork and cross pollination between external and internal staff
- Spin off successful:
  - Effectively managed the spin off that occurred <9 months after Treasurer starts



# STRATEGIC TREASURER

*Practical Advice.*

*Trusted Solutions.*

*Measurable Results.*

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