The future of Treasury Management Systems

FX-MM brings together leading industry experts to discuss the future of Treasury Management Systems (TMS) and examine how technology is enabling Treasurers to ditch the data gathering and take on a more strategic role within their organisations. Our panel examines how technology is also helping to democratise the use of TMS, with Software-as-a-Service offerings enabling corporates large and small to enjoy the benefits of the cloud and more user-friendly systems.

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ROUNDTABLE

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Peter Garnham: Why are Excel spreadsheets still commonplace in corporate Treasury? What can be done to encourage Treasurers to ditch the spreadsheet?

John Byrne: Excel has become a standard tool in most business departments and especially in Treasury. We believe that there is a combination of misplaced perceived cost effectiveness and simple pride in one's work. As a software developer we can appreciate that when you have put together a complex and structured program there is great pride in that work. You feel a personal 'ownership' toward it. This is much the same with authors of spreadsheets. Once they have created the spreadsheet, or more likely, multiple sheets with large data volumes and complex formulae there is greater confidence in that work because it has a personal stamp on it. If it is perceived to cover what they require for their daily work coupled with the confidence in the numbers, then it is then difficult to let go.

Continued education of the risks associated with them, is probably the only way to encourage Treasurers to move off their Excel creations. People have a natural affinity to their own constructions and therefore have confidence in what they have produced.

However, we all acknowledge that they carry major operational risk. The main risks are the proliferation of spreadsheets across many departments, created by many different personnel. Therefore there are multiple versions of the same data and the likelihood of them agreeing is slim while the likelihood of errors is high. That proliferation ensures that there is no single source of data and that inevitably and always leads to errors. The question is how grave are those errors. Until they are serious or indeed catastrophic, and they can be and have been, then the status quo is usually maintained.

Bob Stark: Spreadsheets are common because they are easy to use and effectively without cost, while TMS have historically been difficult to use and very expensive. The development of TMS using cloud technologies have made treasury systems dramatically more cost effective and very flexible at adapting to user requirements. These changes have driven TMS adoption to record levels in Europe, in America and in emerging markets such as Asia and the Middle East.

In addition there are external factors such as prevention and detection of fraud and cybercrime along with regulatory compliance that highlight the exposures of relying on spreadsheets for treasury and risk management. Using spreadsheets has never been so risky, which is why more Treasurers are being told by their auditors and

information security teams that spreadsheets are insufficient to manage treasury workflows.

Martin Bellin: The implementation of a professional treasury system goes hand in hand with changes to daily processes. Unfortunately, human beings are creatures of habit. Excel does offer extremely flexible ways to present and calculate figures and supplements every financial organisation. However, companies could do so much more than just calculate figures. They lack an understanding and a vision of what they could achieve from a strategic point of view. This is why they see the implementation of a treasury system as time-consuming and costly even though it could be the very opposite in the long run.

We need to lower the threshold for corporates to obtain TMS that by and large replace spreadsheets. The provision of systems via Software-as-a-Service (SaaS) was a step in the right direction. TaaS (Treasury-as-a -Service) goes a step further and allows corporates to benefit from the results a professional tool can provide without having to bother with an implementation project and without licensing an application. TaaS is the way forward.

Peter Garnham: How has the role of the Treasurer changed since the financial crisis? To what extent are they taking on a more strategic role within their organisations? How are TMS enabling Treasurers to take on that more strategic role?

Bob Stark: 2008 created an opportunity for Treasurers as they were asked critical questions around cash visibility, available liquidity, and counterparty risk. Those that offered good answers earned the opportunity to continue offering strategic insight, which has evolved into a trend across most organisations of greater collaboration within finance.

Martin Bellin: While all treasurers have a crucial role when it comes to strategic decision-making, the extent depends on the type of company. The longer the planning time frames, the more strategic the role. In addition, treasurers are more often involved in the financial aspects of mergers, or they provide support for sales activities with regard to fixing prices in foreign currencies. More treasurers than ever before have been telling me that they were invited by almost all departments before and during the preparation of budgets; something they hadn't witnessed in years.

John Byrne: Instant information is key to the strategic role. Whether that be group-wide banking and cash flow activity, or currency considerations and interest rates movements, the effects on working capital, corporate risk, exposures, debt, access to funds, and bank relationships. A strong TMS that can be the centre piece of the integrated jigsaw of corporate systems, with information easily flowing in and out of it, is key to supporting a modern Treasury Department.

Peter Garnham: How can a TMS free Treasurers from data collection and help centralise operations? What are the benefits for the business as a whole?

Martin Bellin: The key is to "share" processes. Advanced TMS do not just calculate the value of a certain financial transaction. They provide a basis for the entire organisation to improve their workflows and to save time and effort in even the smallest unit or department. A state-of-the-art TMS is no longer only a technological tool in the traditional sense. It is a platform which supports both central treasury and the local units and improves their workflows. With every department and subsidiary using the platform for their domestic and individual processes, everyone is invested in gathering data, ensuring that central treasury has complete and accurate data – available in the system, doing away with time-consuming reporting. The specific setup is up to the business and their treasury: do they want to centralise, share or just control the respective processes in the group.

What are the benefits for the business as a whole? What is the benefit of using binoculars? You get a better idea of things going on outside of your field of vision; you find the best route, the easiest path, and the smartest way to achieving your goals. Otherwise you may just stumble in the right direction, but by pure chance. All types of businesses benefit. Sales can adjust prices in other territories better; procurement can work with optimised payment terms with view to refinancing, reverse factoring or other instruments for their benefit; engineers can optimise the production processes by applying the right quantities of commodities; and the CFO can ensure that liquidity is allocated to the right departments at the right time; accounting can save time and effort on booking procedures and streamline workflows which are required but don't add value to the business. The whole company is enabled to stay flexible and independent.

The development of TMS using cloud technologies have made treasury systems dramatically more cost effective and very flexible at adapting to user requirements

Bob Stark

Bob Stark: The benefits a TMS offers for the business as a whole include improving financial controls, better protecting financial assets and data from fraud and cybercrime, optimising cash and liquidity, implementing better risk programs and enabling more effective financial decisions.

There is significant value that treasury can deliver to the business, but none of this is possible without the enabling powers of a well implemented TMS.

Peter Garnham: How can technology mitigate the cost of implementing a TMS?

John Byrne: Evolution in technology on the more modern platforms has greatly improved over time. As a Microsoft partner, we receive Microsoft evolutions well in advance of general release. This allows us to take advantage of new tools to improve both the development and deployment of the TMS. This greatly helps us evolve our own Treasury software development, the speed of that development and implementation processes for deployment,

thereby passing on these functional advancements and cost savings and efficiencies to our customers.

Martin Bellin: The more customisation is required when implementing an application, the higher the cost. The technology of TMS is so advanced that they can be delivered with only very little need for configuration. The problem is less the technology and more the company constantly seeking more customisation. That is why most of the effort is spent on training and maintenance of all the settings and the triggers that come with this individualisation. This is why we recommend to move from SaaS to TaaS. SaaS has reduced the technical effort but not the work that goes into implementation, configuration or training. TaaS enables the treasury to outsource the configuration and implementation of the application.

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>
> *Martin Bellin*

Treasurers can concentrate on management, based on the required results made available to them. The cost for consulting and customisation decreases dramatically for many reasons – one being reduced effort in connection with training and error handling.
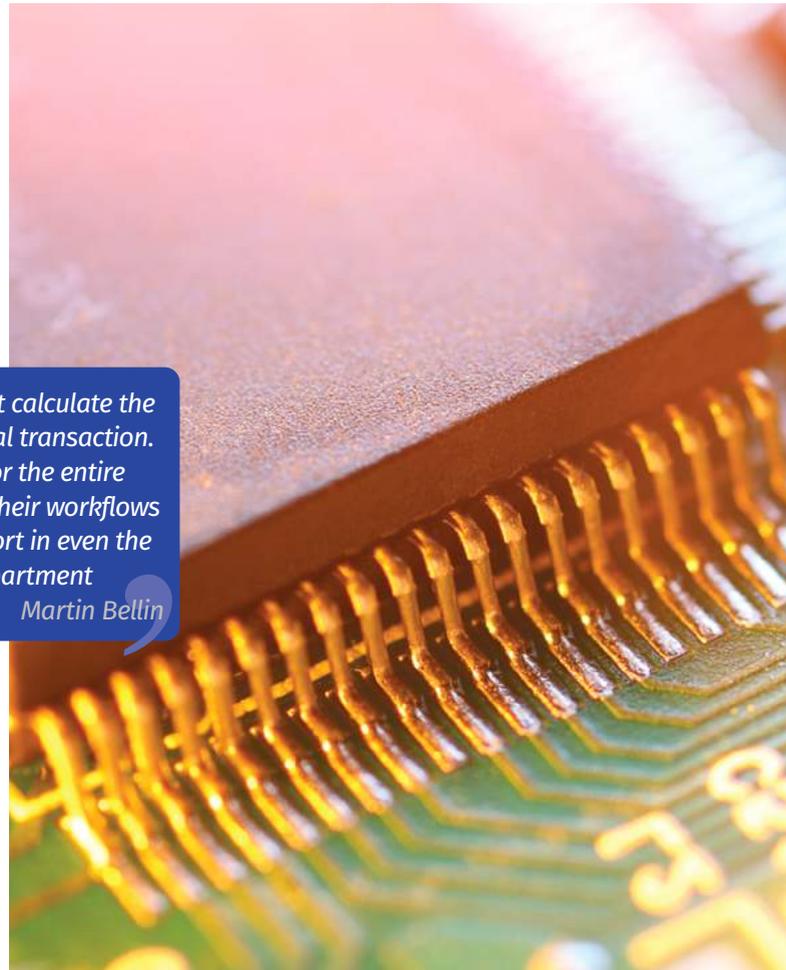
Bob Stark: Cloud technology simplifies the implementation and maintenance (i.e. updates and upgrades) of a TMS by reducing the time and effort required to install and setup a treasury system, which in turn reduces the costs associated with a TMS implementation. Many systems can be pre-configured to expedite initial setup, focusing time instead on configuration and training. It is for this same reason that CIOs have turned to the cloud to reduce costs and implementation complexity across the entire organisation. Leveraging the cloud for Treasury is simply part of that overall cloud strategy for the business.

Peter Garnham: To what extent has cloud-based technology democratised the provision of TMS, allowing smaller firms, as well as larger ones, to benefit from the solutions? How can TMS providers provide scalability in their systems as their clients grow and demand increased functionality?

Martin Bellin: The change in technical provision has reduced the efforts going into installation and technical provision as well as error handling, updates and other things. However, depending on the way cloud applications are provided (single or multi-tenant), there may be a price to be paid, and this doesn't go far enough. The application may not be individually provided and does not consider the requirements of a particular company. Overall not much has changed – especially not for smaller clients. Their concerns are still cost and the implementation work for the organisation. Who decides how a certain trigger is set, how the configuration is done? Who ensures that the knowledge is kept within the organisation and that the application is really used in the best possible way. Again, an option is to take the next step and move to TaaS. Here, the provider doesn't restrict their offering to the cloud based application but also delivers operations. Having your financial status in your pocket means that the vendor produces a result, using their application, and then provides a link to the report. The client does not even need to have a "project" team or even a treasury organisation. TaaS is the "outsourced workbench", and the results are shared in the cloud. This will reduce the cost of implementation and maintenance for the benefit of all.

Bob Stark: Treasury systems used to be so expensive and so IT-intensive that they were only available to the elite of organisations with large treasury teams and even larger treasury budgets. The cloud has reduced the costs for treasury technology and, at the same time, simplified the effort to implement treasury software. This reduction in costs has delivered a more compelling ROI for firms of all sizes, including growing organisations that are looking to emulate the best practices of their larger peers.

In addition, the cloud has also offered more modularity for treasury systems, where specific features can be selected without having to purchase the entire software package. This has allowed Treasurers of smaller firms to pick and choose the functionality that meets their immediate needs without having to justify the investment in modules that do not offer the same ROI.

is user-friendly and easily configurable. User-friendliness is extremely important and should be the top priority for every treasury software developer. For those TMS providers with large and diverse client bases, it is easy to gain the feedback across different sizes of organisations, different industries, and across geographies to ensure that the software is as usable as intended.

Fortunately for some TMS providers, newer cloud technologies aid in designing flexible screens, reporting, and dashboards that allow high configurability – meaning that the same treasury system can be personalized for different users and their preferred ways of using treasury software. This has helped eliminate the need to customise the software, which is a tremendous benefit for the end user.

The next shift in TMS will be around information management and business intelligence. Treasurers are increasingly asking for more treasury data and information to enable them to make more informed analyses. A treasury system's ability to feed that appetite – to make treasury information more intelligent – is key for the Treasurer and his/her team to evolve and deliver more strategic analysis to the business.

Martin Bellin: Who still pays for an app on their smartphone? Are companies in the future still going to be willing to pay for applications? I very much doubt it. However, people are willing to pay for results that add value to their business. The way we will be providing such results in the future will also change the ways in which technology is used. In the past we bought tools, learned how to apply them and used them as best we could. In the future, we will be commissioning the result, and somebody will to the job – maybe using even better tools. The customer doesn't need to concern themselves with these technicalities. It is the price in comparison to the created value which drives the decision and the business. TMS may well end up standing for Treasury Management Services rather than Treasury Management System.

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In terms of scalability, those TMS providers that have embraced the cloud benefit from more efficient development methodologies and lessened effort to rollout new functionality to clients, allowing more costs to be redirected to the development of new features and functions. Treasurers' appetite for new functionality is increasing rapidly and some TMS providers are in a position to meet that demand while others struggle to keep up.

John Byrne: As far as scalability is concerned, we provide a modular based system. This means that there are major module functional blocks, such as FX or money market dealing. Then this will go even a step deeper to the type of instrument coverage required. Customers only need to license exactly the instruments and functional coverage they require for their operations. However, they have the added benefit of knowing that should they require additional functionality or processing in the future, those features and functions are there to be licensed and switched on. In other words our clients only pay for what they want and what they use.

Peter Garnham: What can TMS providers do to ensure that their systems are user-friendly and customisable to different clients' needs? What do you consider to be the next big shift in the provision of TMS?

Bob Stark: TMS providers must listen to their clients to determine what

John Byrne: It may be giving our own strategy away a little to answer this question. However, suffice to say that flexile integration of all third-party systems that hold operational information for Treasury should be automated to feed into the TMS for both import and export of data. This needs to be in place and deployable in a speedy and flexible manner. Delivery and analysis of all related data will be key to the future. Delivery media such as smart and mobile devices, providing both read and write access for actionable tasks, with the required security, should also be in place. This will be an ever evolving requirement for all levels of corporate financial management in the future. And more and more of this technology is and will be available in the cloud.

For further information: **www.fx-mm.com**

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