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Treasury Management Systems

A Roadmap for Implementation and Utilization

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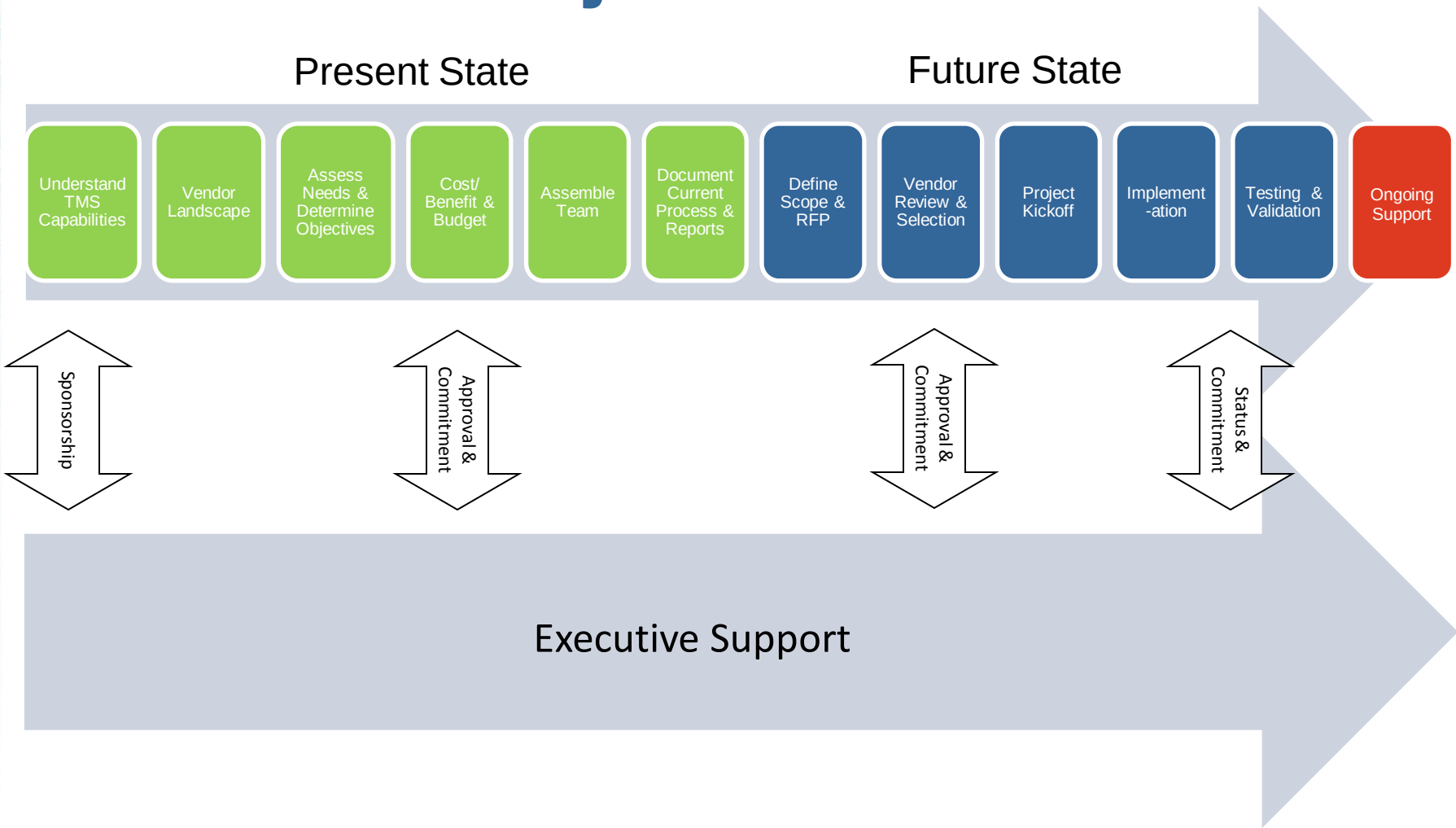
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Mission

- **Our goal is to provide a strategy and tips on successfully implementing and fully utilizing a TMS**
- **We will not focus on the technical aspects of an implementation**
- **The information provided will be helpful to those who are:**
  - Implementing a TMS for the first time
  - Upgrading an existing TMS
  - Utilizing an ERP treasury module
  - Converting from a bank portal to a TMS
- **Highlight Key Points**

Full implementation and utilization of a TMS may take **1 to 2 years**, depending upon the level of resources, commitment, and complexity.

The TMS Project



Executive Sponsorship

- **Implementing a TMS requires executive support**
- **You may need to present the capabilities, costs and benefits to an executive or executive team in order to gain support**
- **Develop an executive presentation and be prepared to discuss the following:**
  - Overview of TMS capabilities
  - Assessment of your needs
  - Summary of objectives
  - Initial cost/benefit analysis
  - Gaining budget approval
  - Project timeline
- **Align with the company's mission and goals**

The key to full utilization begins with how well you understand your needs, TMS capabilities, and vendor services **before** implementation.

TMS Capabilities

What can a TMS do for you?

Functional

- Accounting
- Bank Data Management
- Cash Forecasting
- Deal Management (Investment, Debt, Derivatives)
- In-house Bank
- Payments

Technical

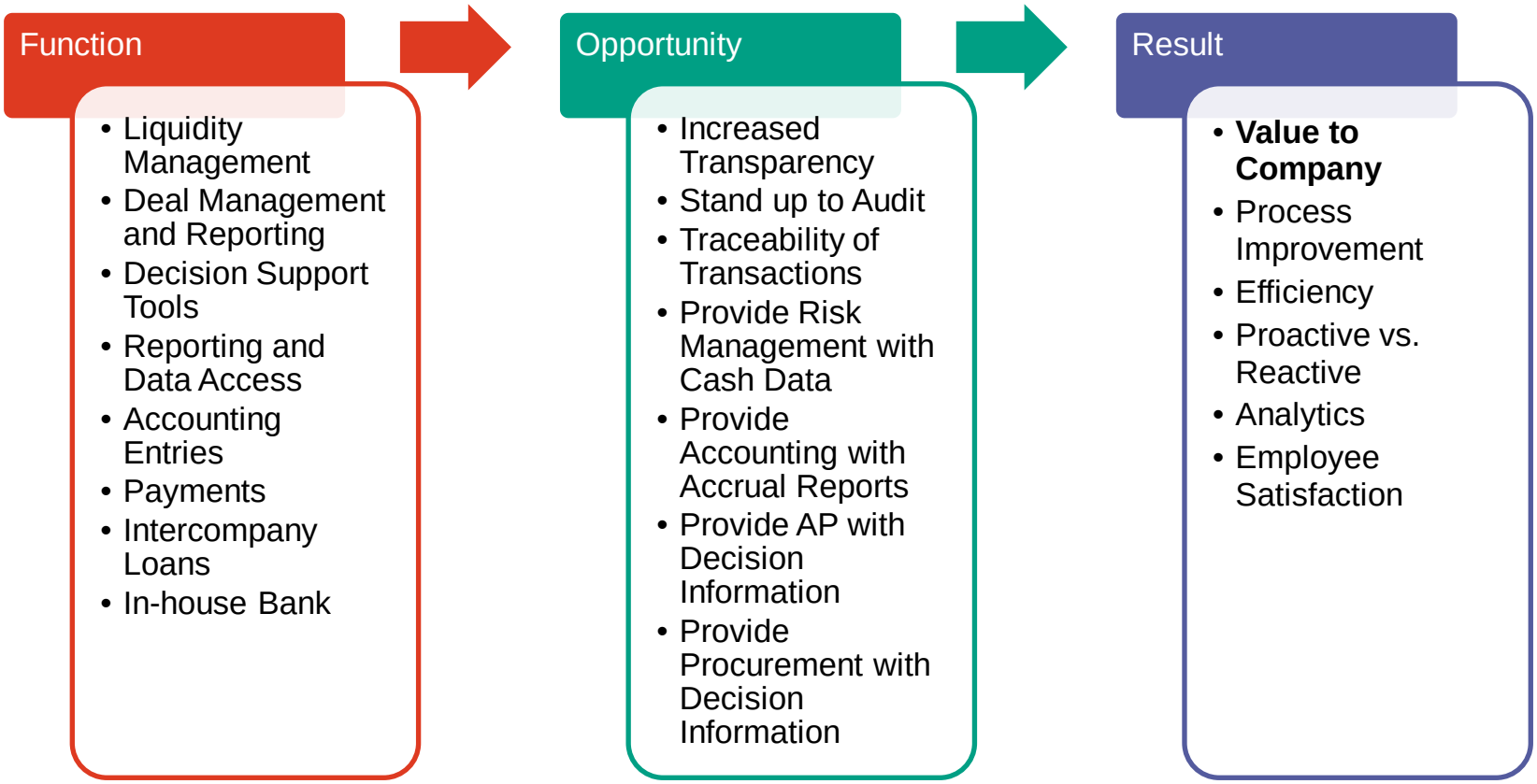
- Overall Architecture
- Importing of Cash Flow and Deals
- Reporting
- Mashability

Additional capabilities may be customized to meet your needs. Research further through periodicals, network groups, presentations/conferences, and vendor publications.

TMS Vendor Capabilities

Market Position	• Financial Viability • Incentive to Maintain, Innovate and Expand • Likelihood of Acquisition
Product Position	• SaaS Solution • Established Client / Server • ERP with a Good Treasury Module
Service Model	• In-house versus Outsourced • Service Level • Staff Knowledge Levels • Technical / Financial Mix -- Ask for Hard Numbers!
Pricing	• Pricing relative to Required Functionality • Does pricing model fit with treasury usage patterns? • What are pricing risks once you are dependent on the system?

Assess Needs



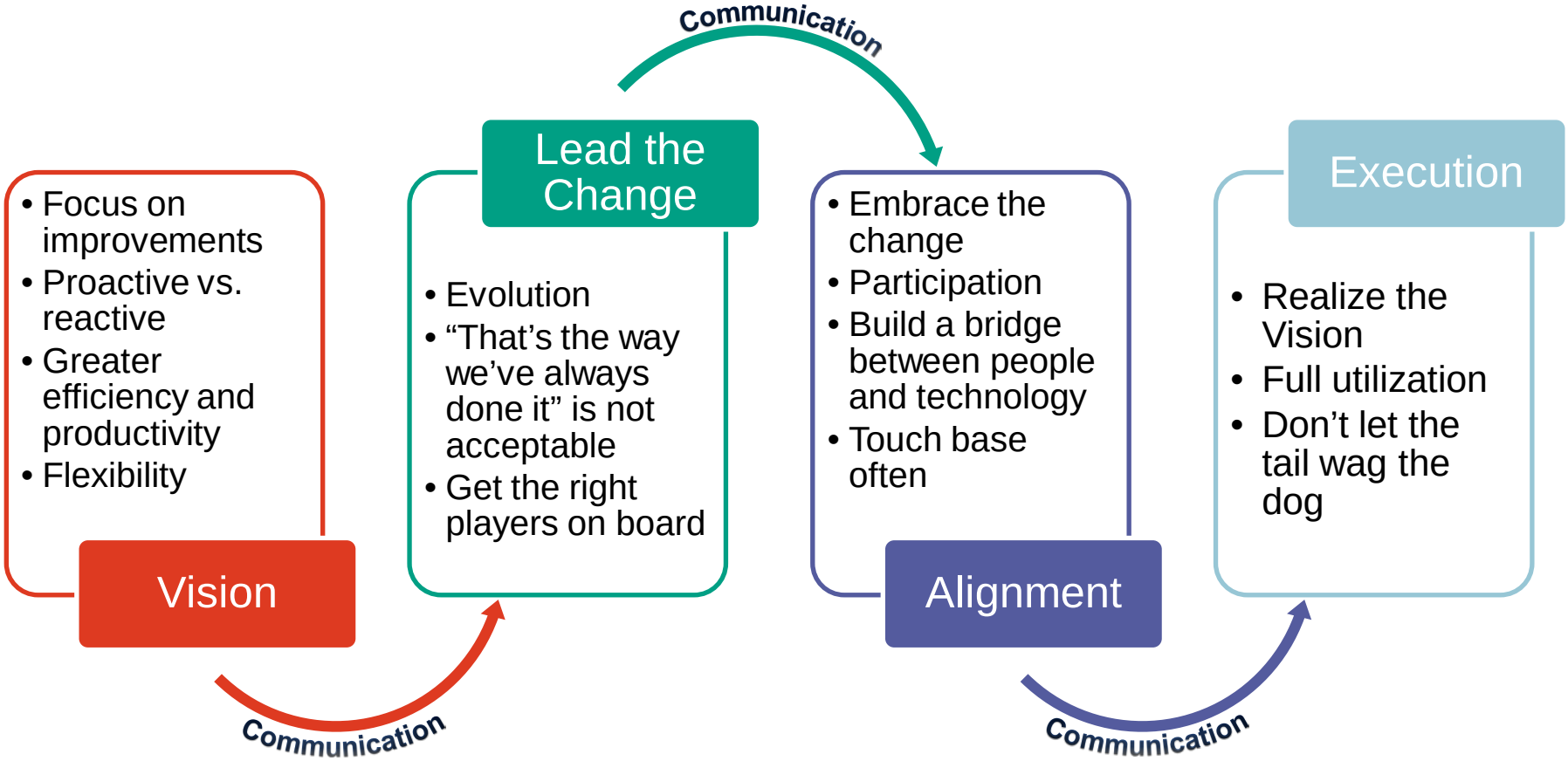
Identify your areas of need and match them up with TMS capabilities, then determine if the vendor offers an effective solution.

Define Objectives

Now determine the ultimate objectives of the TMS.

- **Greater workflow efficiencies**
- **Greater transparency and traceability of cash flow and data changes**
- **More holistic understanding of your liquidity management practices**
- **Timely access to treasury information, presented in understandable form**
- **SOX and internal audit compliance**
- **Improved data integrity and control**
- **Centralized treasury**

Change Management



Projects will either live or die based on the effectiveness of managing through the change.

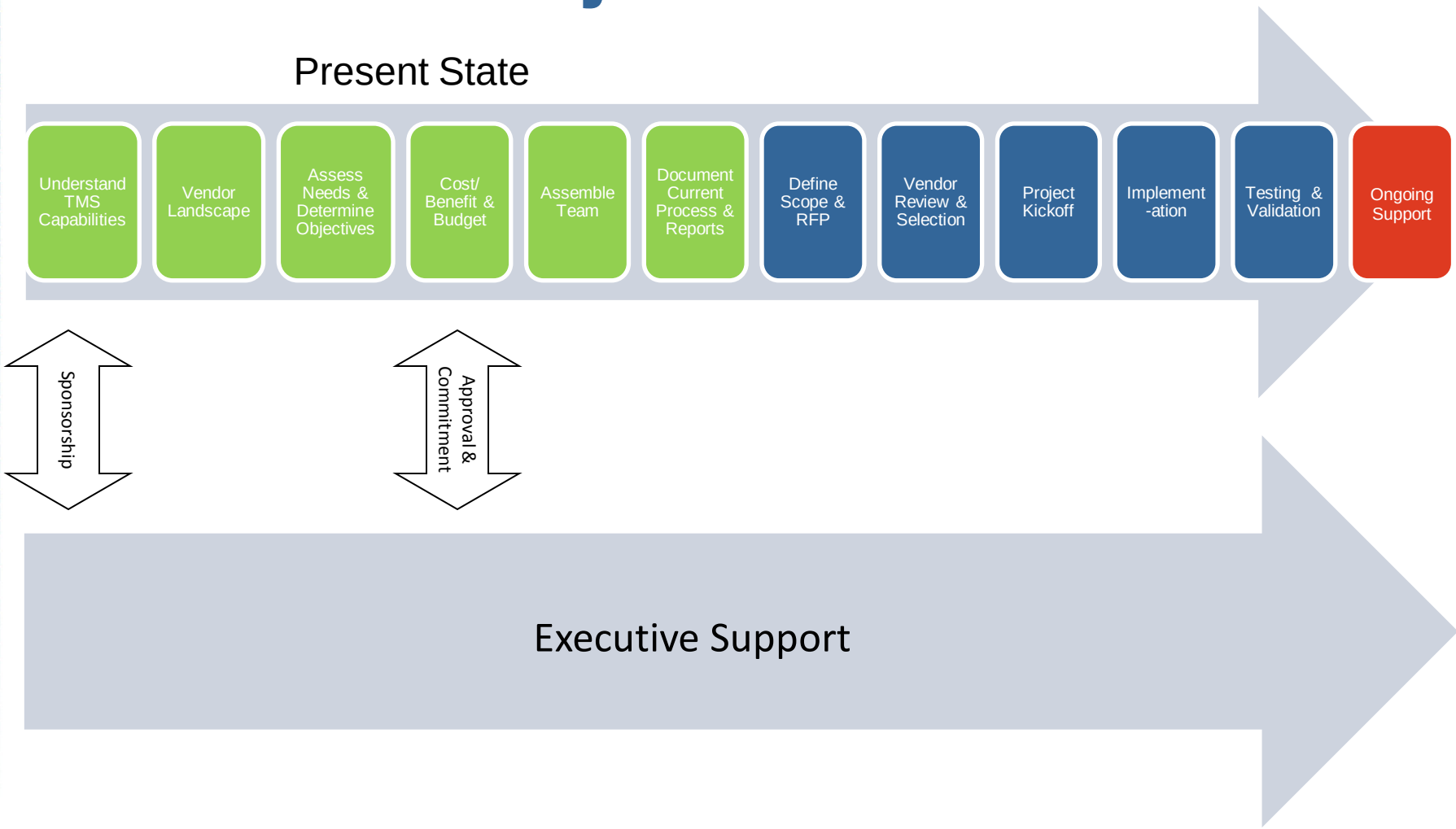
Cost/Benefit Analysis

Prepare an initial cost/benefit analysis. Consider the following:

- **Identify the resources you will need to complete the project, including internal and external**
- **Quantify the benefits:**
  - Automation = lower cost of labor
  - Improved reporting = better decisions = higher returns/lower costs
  - Database vs. Excel = integrity of data = lower cost of errors
- **Provide for flexibility to add resources and take advantage of additional functionality not yet identified**
- **Be conservative - It is easier to reduce a budget request than to request an increase**

This is an initial estimate for executive approval. The costs/benefits will become more accurate through the vendor review and selection process.

The TMS Project



Executive Approval

- **Make a compelling case that aligns with the company mission or values - Make “NO” an illogical answer**
- **Get a budget commitment - Include a contingency**
- **Get a commitment for resources and staffing needs/changes across all related functional areas (Treasury, Accounting, Internal Audit, AP, AR, IT…)**
- **Outline/consider the process for changes and obtaining additional resources**
- **Agree on timing and content of project status reports - Develop a sample report**

Even though budgets are approved, projects often fail due to a lack of committed resources and/or ongoing executive sponsorship and support.

Assembling the Team

- **Executive Sponsor - both explicit and implicit**
- **Internal and external resources**
- **Don’t want people that are “allergic” to change**
- **Team dynamics**



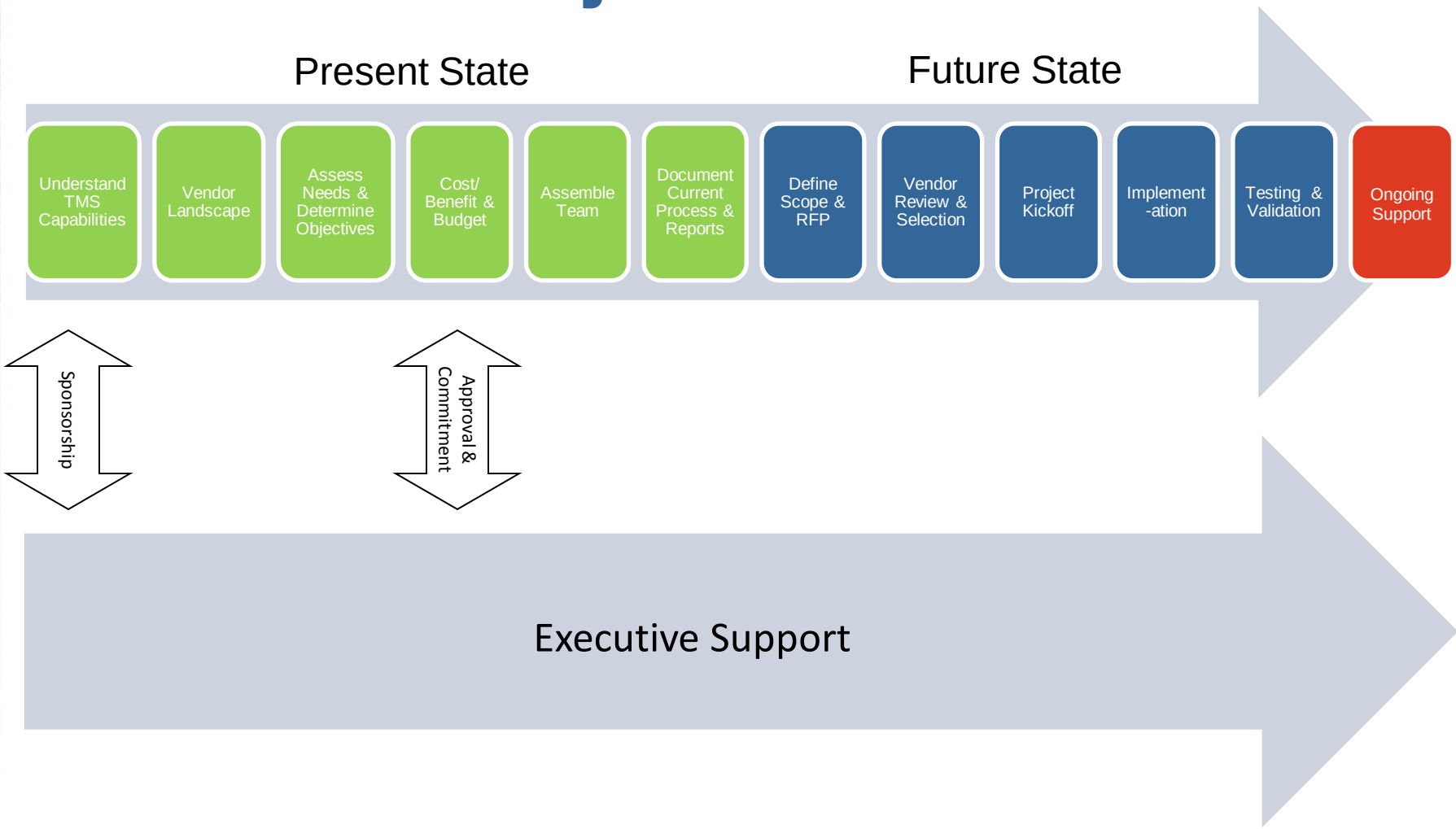
The Treasury Manager is a key player and should be savvy with treasury knowledge and technological capabilities. Consider additional super users.

Process Flows

- **Develop process maps with functional teams**
- **Identify stakeholders, interdependencies, and touch points**
- **Understand your internal treasury ecosystem**
- **Incorporate audit and SOX reviews**

Know thyself first! The documentation of process flows leads to a better understanding of where to drive change and provides the foundation for the RFP.

The TMS Project



Define Scope

Clarify the rules FIRST!

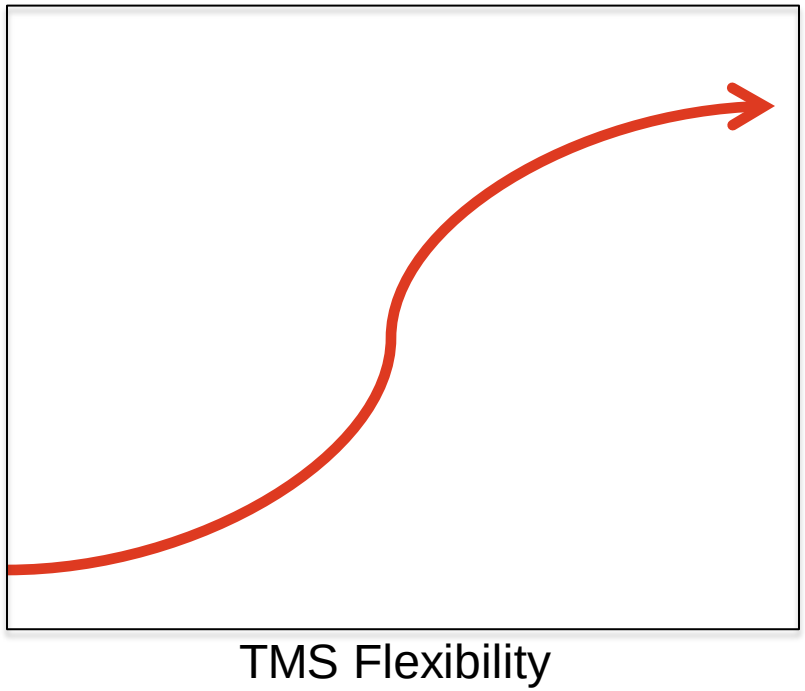
- Plan by milestones and timelines
- Set bars for time, quality and cost
- Make tradeoffs CONSCIOUSLY
- Make your staff available - this is an INVESTMENT
- Be realistic about required timelines
- Don't overlook seemingly minor things

Then capitalize on opportunities

- Consolidate data and do great things with it
- Eliminate longtime pains
- Increase visibility through more frequent reporting
- Develop new metrics
- Mash up treasury data with external data
- Make treasury a financial information center for Finance

Prevent **scope creep**! Clearly define what is included in the project and what is not. The project team must address **threats** as soon as they arise.

Tradeoffs: Complexity vs. Flexibility



Complexity rises disproportionately with Flexibility, depending on technical approach.

Factors that rise with Complexity:

- Implementation Effort
- User Learning Requirements
- Support Risk
- Upgrade / Migration Risk
- Integration Risk
- Technology Change Risk

Gremlins love Complexity! Limit the temptation to hedge by accepting **permanent complexity**. Flexibility is not a substitute for **clear requirements**.

Tradeoffs: Configuration vs. Customization

Configuration	*Customization*
• Make a solution fit with non-programming changes • Usable, Supportable and Upgradable within vendor boundaries • Vendors cite Configurability to suggest ease of implementation and maintenance	• Bespoke functionality at the price of supportability, upgradability and non-standard implementation efforts • May require non-conforming data, programming code and additional maintenance costs • Vendors cite Customizability to suggest more functional coverage

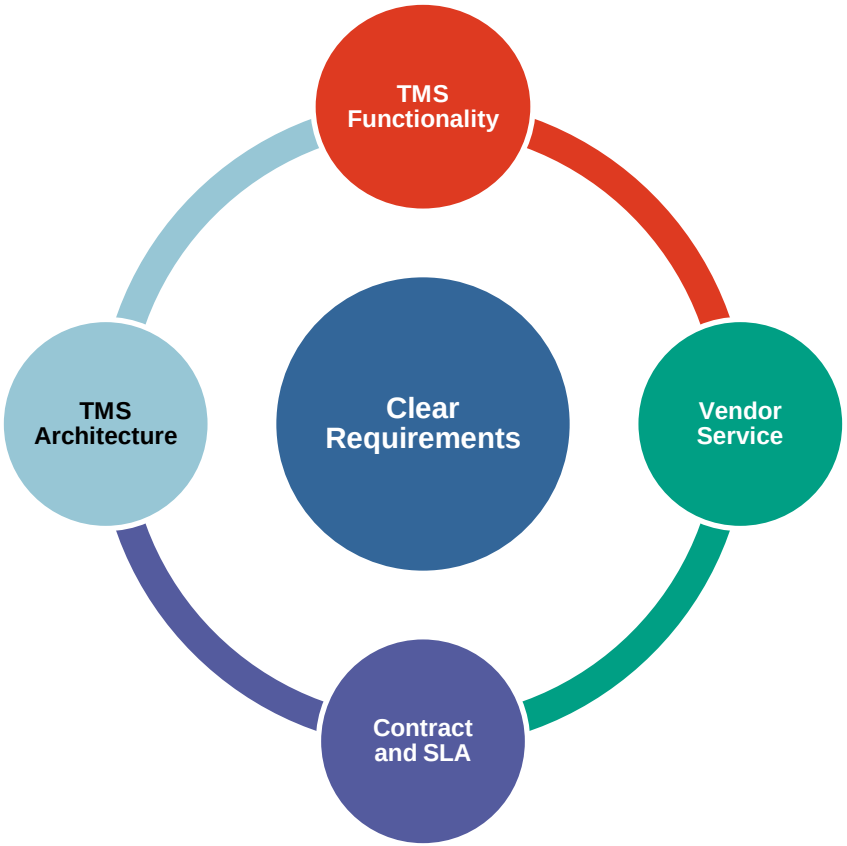
Standardize as much as possible. Distinguish clearly what requires Customization, and decide if it is worth creating and maintaining.

Vendor Review and Selection I

- Determine what a TMS can do for you and what it can't
- Don't pay for services you won't use
- Completing an implementation is not synonymous with Full Utilization
- Full Utilization depends on completing "last mile" functionality
- Approach the first mile with the last mile in mind – ask vendor to define their typical last mile

Meet vendor optimism with treasury realism. Ask vendors to demo against representative Use Cases to sample their expertise, solution fit, and service capabilities.

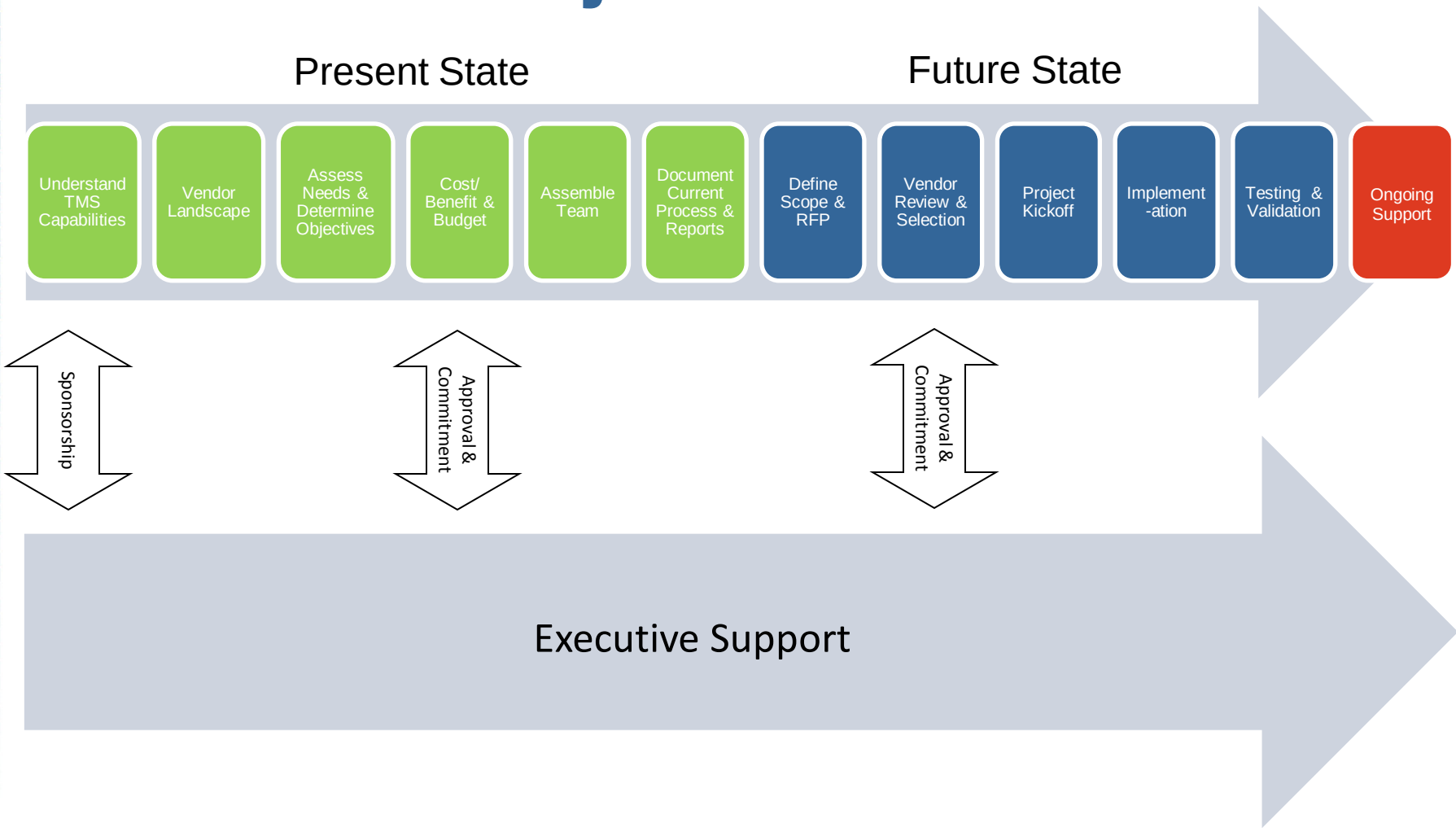
Vendor Review and Selection II



- All dimensions of a TMS orbit clear requirements
- Seek clear answers about functionality, architecture, service and contractual terms
- Know what is included and what is not (ongoing maintenance, regular releases, upgrades, transitions)

Align clear requirements with vendor offerings, from RFP through selection and negotiation of the TMS contract.

The TMS Project



Executive Approval

- Present final recommendation
- Fine tune budget and staffing requirements
- Ensure **commitment** for continued support
- Establish expectations
  - Timeline
  - Scope
  - Budget
  - Communication frequency, status reports, steering committee

Garner flexibility to allow for changes in services, budget, and timing. Have frequent, honest, and open dialogue among constituents and the Executive Sponsor.

Kickoff

- **Redefine process maps for the new TMS**
- **Conduct end-to-end walkthrough with all constituents – People, Process, Technology**
- **Gain Stakeholder approval or redesign**
- **Assign ownership and build commitment**
- **Confirm alignment**

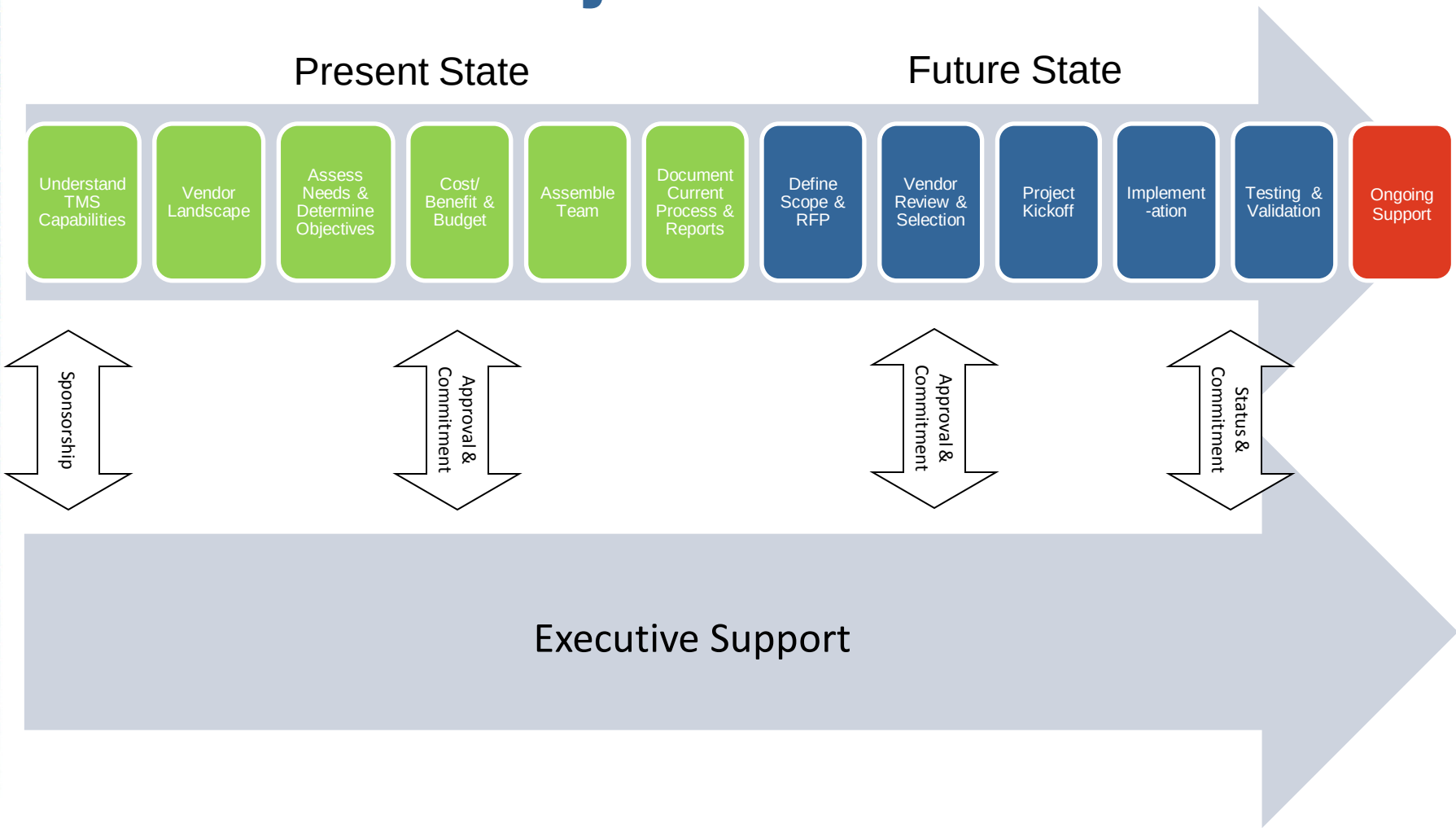
Include the vendor in the process redesign to help drive improvements. Resist the urge to simply transfer existing processes to a new system.

Implementation

- **Utilize a project dashboard**
- **Manage to timeline**
- **Deal with unexpected changes as they happen - opportunities vs. risk**
- **Deal with showstoppers ruthlessly**
- **Document new functional and technical processes**
- **Provide training**

Finalize a game plan **before** starting the implementation and refer to it often.

The TMS Project



Technical Testing

Confirm the basics first

- Don’t skimp on testing.

Create a Risk Register

- Track Probability and Impact of Tolerable, Impactful and Catastrophic risks.

Test interfaces with risks in mind

- Will you detect an outage of bank data?
- What will you do if source systems give out?
- What is the downstream impact?

Test security

- Include audit partners
- Brainstorm loopholes to payments security
- Confirm appropriate access controls and rights

Maintain a record of testing

- Support future troubleshooting and staff turnover

Functional Testing

Is it doing what we want it to do?

- Compare with initial plans

Does functionality meet expectations?

- Keep a parking lot of incomplete items
- SCHEDULE fixes, remediation or workarounds

Create step-by-step test scripts

- Follow scripts and record anomalies
- Do this with vendor and project support

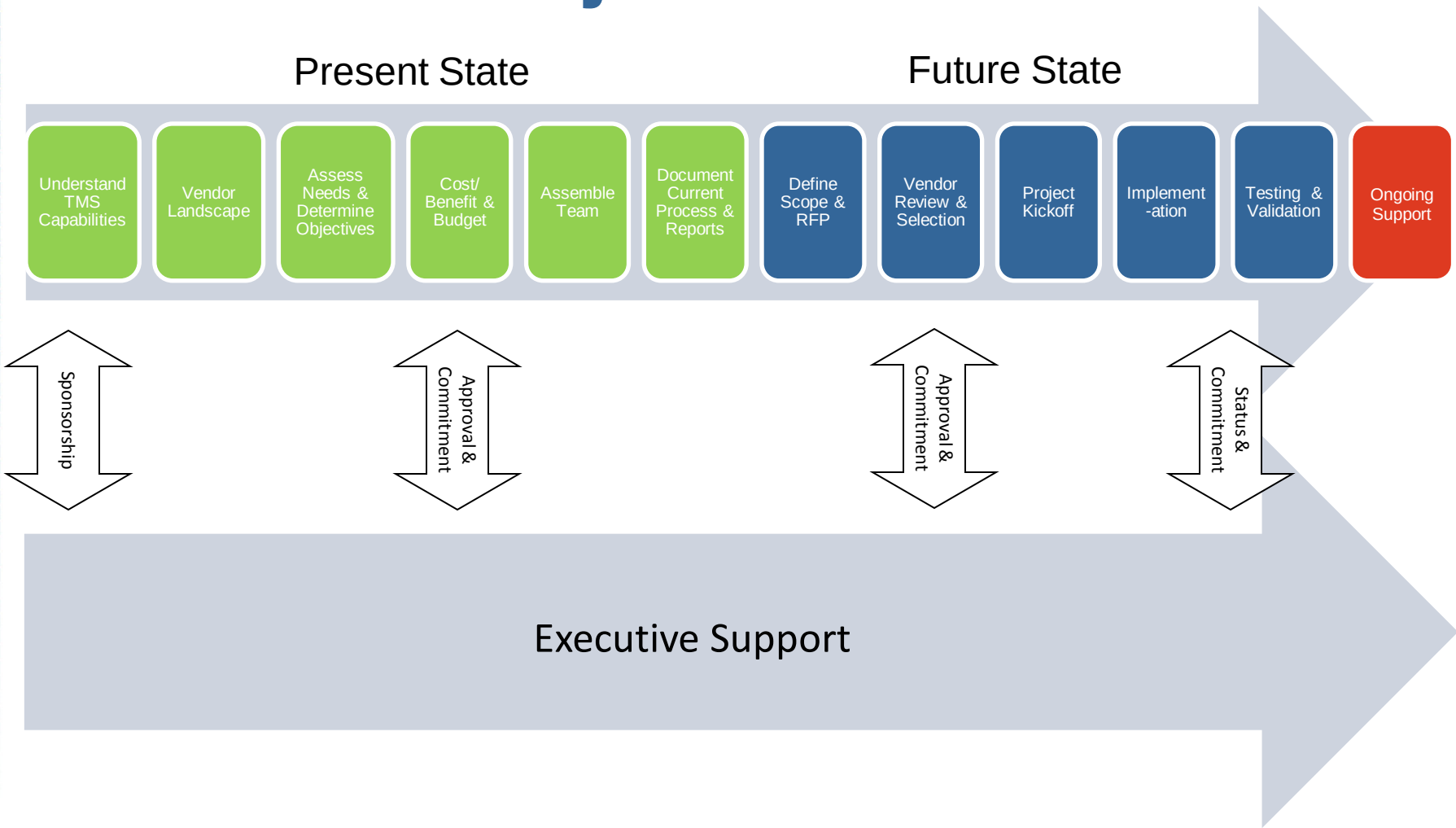
Data validation

- Use aggregate, summation or checksum type test
- Automate testing if there is value

Reporting

- Run spot tests (usually arbitrary date ranges)
- Run month end, quarter end, and year end tests
- Separate large, complex reports into simpler reports where logical

The TMS Project



Ongoing Support

Vendor transition
- Confirm SLAs
- Problem response and escalation rules
- Future upgrades
- Contacts

Internal transition
- Technical and functional handoff from project team to users
- Internal support capability
- Super users

Highlight risk areas

Training
- Vendor training programs and costs
- User groups and conferences

Final signoff

Establish the rules for ongoing engagement to ensure continued productivity and satisfaction.

AFP Resources

- **A 2012 Buyer's Guide to Treasury Management Systems**
  - http://www.gtnews.com/webforms/whitepapers.aspx
- **RFP Resource Center**
  - http://www.afponline.org/pub/res/brm/rfp/rfp.html
- **Treasury Technology Resource Center**
  - http://www.afponline.org/pub/res/topics/topics_treasury.html

Questions?

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TACTICAL READINESS FOR TMS

Overall Project Planning

The strategic and planning aspects of implementing a treasury management system (TMS) have been discussed and written about widely. This article focuses instead on tactical preparations and implementation methodologies. Tactics are sometimes neglected because of their perceived technical depth or the mistaken notion they can be managed easily once a proper strategy is in place. However, tactics need active management.

The popular discussion of strategy can be summarized as follows:

> Preparing to implement a treasury management system (TMS) begins with understanding your objectives, understanding what a TMS can and cannot offer you, and securing budget and executive sponsorship to undertake a project.
>
> Deploy the right people in a team and collaborate to overcome silos. Schedule regular meetings, keep a pulse on emerging risks, and measure success by a predefined scale before you begin. Implement escalation procedures and contingency plans to address risks if they emerge. Keep your goals in mind throughout.

The cliché of these "plan ahead" recommendations don't diminish their wisdom, but the advice suffers from boundless scope. Implementation tactics require controllable scope to be effective.

Implementation, by nature, is a tactical activity that delicately balances ongoing, in situ discovery of relevant details with sticking to the bones of an initial plan. But affording your implementers the flexibility to adapt, indeed encouraging them to be responsibly creative when the situation calls for it, is a key element of success. The purpose of this article is to stimulate thought about balancing preparation with responsible creativity.

Tactical Preparations: Assessing Needs

TMS projects typically begin the tactical phase with focused discovery of relevant details. Officially, this work puts boundaries around scope and produces descriptions of expected deliverables and opportunities. However, implementation road warriors who spend 50% or more of their time on site will tell you that discovery is an ongoing, continuous activity similar to assessing the landscape in the heat of battle. Let this tune your expectations.

The strategic level progress report will never give a full picture. This is not a sign of poor planning; it is a fact of every meaningful project that ought to be understood up front. It is

impossible to predict every snag and risk up front. This should not prevent you from trying to a reasonable degree, but it also means holding off on the panic or punish button if you are a top level planner.

It shouldn't be surprising that a smooth implementation depends on legwork done well in advance of actual implementation, stretching back to vendor market scans to see what's possible, and understanding yourself and your own treasury operations first. The tactical preparation for any implementation begins with an assessment of needs well before a vendor is selected. At this phase, it is a common error to overlook the involved detail or to regard treasury operations as self-evident, especially if non-core treasury staff or consultants will be responsible for most of the hands-on implementation work in modular areas of the TMS.

The mapping of treasury processes should contemplate 3 layers, especially for higher complexity or widely distributed operations. The scope and complexity of TMS project goals will weigh heavily on the usefulness of each layer, but all implementations require the first layer:

1. **Operations Architecture Layer**. The top layer is an overall description of treasury operations architecture. This set of documents (not necessarily a rigid format or map) should include the current state of inputs, processes and outputs from treasury. If process re-engineering is contemplated (as opposed to simply automating today's map), a separate future state document set should be prepared as well. A change plan bridges the two.

   Although the treasury operations architecture document set can be drawn greatly from operating manuals for specific job functions, the project purpose of this layer is a central reference for communications with executives, the project team, vendors, and other outside parties such as banks (on a need to know basis). It should be attuned to this purpose.

   The top layer can be illustrated with box and flow diagrams without revealing the intimate financial details of an operation. This is an ideal tool for initially introducing technical resources and implementers to point-focused project responsibilities; it provides them project context and explains high-level dependencies that rely on their specific areas of implementation. This is especially useful for heading off "finish-to-start" dependencies where an unfinished activity can forestall another that really needs the baton to start running. For project managers, this layer is also useful for creating work breakdown structures that head off invalid work assumptions or inefficient methodologies that will emerge as an implementation proceeds. Divide and conquer.

   Neglect of detailing complex areas, or assuming a TMS can solve what seems basic from a financial point of view can be a disastrous error. Technical delivery of financially simple requirements can be difficult. For example, a manually accomplished cash position may have summary level variances that are hard to provide given a vendor

solution's data model. In this situation, what was done easily with Excel, and taken for granted because of a spreadsheet's longtime service and enhancements, made over the span of years, may be hard for one TMS to replicate but easy for another.

While this is obviously an issue that should have been resolved at vendor selection before implementation, the idea of an operations architecture layer is to highlight areas like this that need proactive drilldown in tactical planning. Is it possible that a TMS could find it hard to do this thing that we do? If a necessary tradeoff is known in advance, and a conscious choice is made to go with a vendor weak in one area but strong in another, the weak area must still be implemented. Tactics for weak areas should be addressed as soon as the tradeoff decision is made. Waiting does not do away with "details".

Surprisingly, other work packages that initially appear as humungous challenges can turn out to be fast horses that can carry you to the finish line. The idea behind a treasury operations architecture layer is to give good, clear context and a common vocabulary to everyone on the project. It also clears up what you need for the next layer down.

2. **Detailed Requirements Layer.** This concept borrows a page from the software development industry, where investments in taking functionality to market require a blend of research into customer needs, technical cost analysis, and product impact assessment. A TMS vendor's product management must balance the value of certain functionality to clients with the cost of providing it, and the effort to make it work well with existing functionality – while not *breaking* existing functionality in technical or usability ways. Short of building your own system in-house (which shouldn't always be off the table, by the way), detailed requirements for implementation will usually be much less comprehensive than detailed requirements for development.

   Although it is rare to see full blown TMS functional requirements on implementation projects, efforts ought to pursue detail in financially complex areas, such as derivatives, intercompany portfolios, or complex outputs for accounting. These should be known to the team before vendor selection, to ensure candidate solutions can indeed meet requirements, and to gauge vendor staff comfort levels with the treasury areas at hand. It might even be useful to ask vendors if they have specialists in areas you know will require special attention as a result of your detailed requirements analysis.

   The process of assembling requirements in detail often unearths cross-functional insights for team members. For example, light bulbs may come on for financial IT staff who see treasury data all the time, but not from the holistic business perspective of treasury. In my experience, this process is mostly incidental, and projects benefit from it without sensing it or measuring it.

Insight generation mostly happens through immersion and osmosis, but it can be accessed and enhanced proactively, by gathering detailed requirements, then creating scenarios from these to test vendors.

3. **Vendor Scenarios Layer**. Without spending an inordinate amount of face time with individual vendors, assessing their capabilities (both product and service) cannot be perfect. This is not to dissuade a concerted effort to find out as much as possible, but illustrates the balance between cost of assessment and depth of assessment. Effectiveness of assessment is not synonymous with either. Representative test scenarios are an effective method to evaluate vendors on multiple dimensions.

   Out of your treasury operations architecture and needs assessment documents, devise representative test scenarios. Vendors will all show you their basics and their best – but they won't voluntarily show you their challenges. Representative scenarios should be devised in paragraph and example form, to test vendors' responses and responsiveness.

   For instance, you may temporarily stump a vendor with a complex financial instrument question, but that vendor may come back to you with a comprehensive answer a few days later – in a committal, written response supported by a brief technical description. Perhaps the functionality is missing, but they normally address it with an ugly workaround. If the vendor answers honestly, this suggests they are resourceful, even if the TMS itself is lacking a feature. Could you work with that?

   Eliciting such a response tells you more about the vendor's specific fit to your project than any brochure or RFP could contemplate. Moreover, it exemplifies how they could proceed during an implementation. Immediate answers are nice, but comprehensive answers are better, and will guide your assessment and interaction with the vendor. While pitching, any vendor will put her best foot forward, but even best feet can be tested. Scenarios are powerful testing tools.

Implementation Methodologies and Tactical Culture

Over and above differing project management cultures, even the technical methodologies and tools applied in an implementation can vary, depending on what a corporate culture will accept and run with at the tactical level. Every implementer knows this. Projects can look alike at the strategic level, but no two will coincide exactly at the tactical level.

The tactical culture of a vendor or customer can even impact the tools used in an implementation! For example, there are scripted entry technologies that can be employed to transform existing spreadsheets into powerful import files. This sounds too good to pass up,

and it is, but yet there is no commonplace use of it. Some vendors are reluctant to step outside of their own boxed technology; some customers are afraid to use technologies not already employed by their own IT departments. Vendors and customers may describe this as a general aversion to risk, but it often amounts to fear of technology or lack of a fear of "owning the experiment" among individual team members or departments. This is only one example of how culture impacts tactics.

Organizational culture determines much of what's possible in a TMS implementation the same way it determines core strategic outcomes for any large company. For instance, a culture of rigid functional silos will require implementers to drive the crossing of functions, while a more collaborative culture may instinctively provide a more informed technical context from the outset. On the flipside, rigid functional silos can deliver technical depth in specialist areas not otherwise possible. While this is not an endorsement of silos, there are accidental advantages that can be leveraged for TMS implementations.

The impact of culture on TMS implementation tactics is perhaps the most under-examined topic in our area, but unlocking it can produce insights to accelerate and improve TMS implementations.

From documentary preparedness to cultural analysis, tactics are a key component to a successful TMS selection and implementation. Tactical readiness will deliver your strategic intentions.