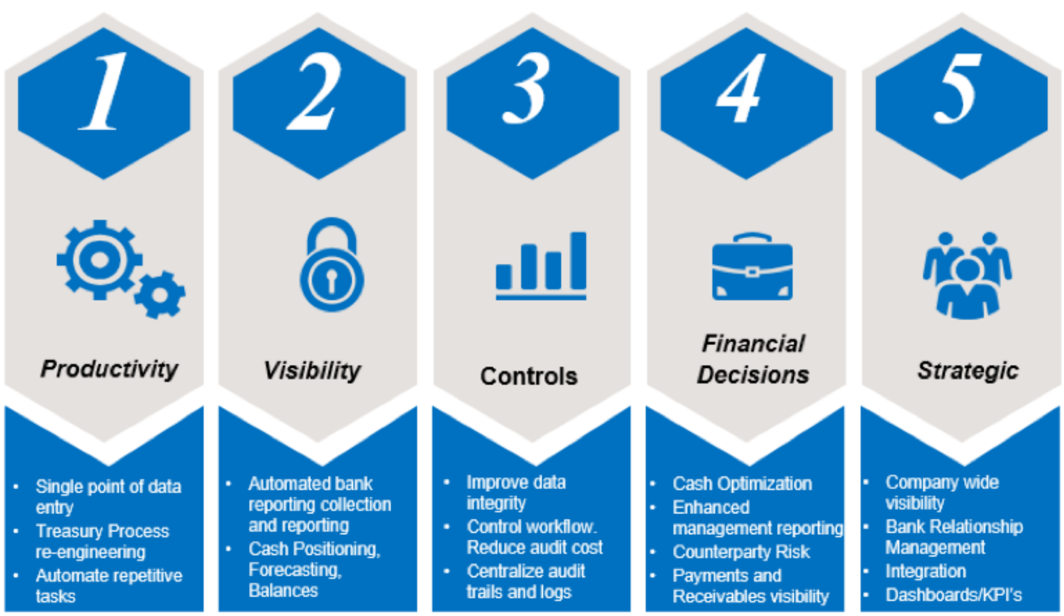
Importance of Planning Prior to TMS Implementation

In the past decade, with increases in market fluctuations, fraud and cyber risk, the visibility and importance of the Treasury function has elevated within the overall organization. Along with this enhanced position comes increased expectations. As such many Treasury groups are looking to evolve their capabilities to meet these demands. For Treasurers looking to evolve their function one of the obvious places to look is implementing a new Treasury Management System or upgrading existing systems in order to gain better understanding and real time information for cash management and risk decisions. While these projects can be a significant undertaking it is difficult to enact a true transformation without introducing a new technology solution. These applications can facilitate a number of benefits including the following:

- Automation of manually intensive processes
- Enhanced cash visibility
- Process standardization
- Improved controls
- Optimized cash utilization
- Reduced risk of fraudulent activity
- Enhanced financial and management reporting



While all these potential benefits and many more are achievable, companies often fail to fully realize these benefits at the conclusion of their projects. One of the main reasons is the lack of sufficient planning prior to commencing these initiatives. There is a significant difference in the benefits achieved by companies who take time prior to the implementation to: document current state processes prepare future state vision and guiding objectives create a prioritized roadmap detailing how they plan to reach the desired end state.

Originally published:
https://www.treasuryandrisk.com/2017/06/05/planning-a-treasury-management-system-implementati/

CURRENT STATE PROCESS DEFINITION

The first step is to obtain a clear understanding of current state processes. A typical approach entails creating cross functional process flow diagrams and documenting key controls across the various tasks. When gathering the information required to create the process flow diagrams, specific focus should be taken to capture the following points:

- Highly manual processes including the amount of time required to execute each task
- Tool or application utilized to perform the task
- Gaps or deficiencies with current capabilities
- Potential control weaknesses
- Data hand offs between groups
- Examples of key reports

The analysis should span all constituents and regions involved in Treasury related activity. The analysis should not be limited to members of the Treasury team, but include all groups either providing input into the Treasury process or consumers of Treasury data. There are a number of groups outside the core Treasury team potentially meeting this criteria, but some likely candidates include Accounting, Accounts payable, accounts receivable and cash application, Financial reporting, Financial planning and analysis, Sales and Tax. Clients failing to include groups outside the core Treasury team will be limited in the impact of transformation realized. They may also find it more difficult to create a compelling business case when attempting to obtain funding for the project as the return on investment will not be as attractive or the perceived benefit to the overall organization may be deemed too narrow. The more stakeholders vested and sold into the benefits the easier it will be to gain final approvals and have resources allocated to start the project. While there are potential challenges when engaging groups outside of Treasury, to the extent potential benefits are communicated to them clearly and collaboratively these groups will likely be receptive to the change initiative. Treasury is often the center of many cross functional areas and having stronger core Treasury functions optimized will greatly support the overall finance team. Obviously it is easier and requires less effort to focus on areas within one's control and knowledge base but the potential benefits to including a broader group of business functions can be substantial. Creating a centralized platform with tight integration with banks and internal systems that are utilized by all stakeholders can facilitate a true straight through processing environment with one source of the truth for all financial activity. As an example, collecting bank data, having the system assign proper general ledger coding, and the automatic creation of balanced entries posting directly to an accounting system will greatly benefit the accounting team. Having all financial data automatically feeding into one source provides enhanced cash visibility as well as shifts the allocation of effort from more manually intensive, time consuming data gathering and compilation to more analytical and value added tasks. A cross functional approach also provides significant opportunities to enhance controls and reduce the chance of fraudulent activity. Another item to be cognizant of is inconsistencies of how processes are performed across regions or subsidiaries. When obtaining clarity on the current state, these differences should be highlighted as they will be important when creating the optimal future state design. Manual processes also have a tendency of over-customization which creates difficulty when translating into a systematic approach. Asking questions with a focus of weeding out unnecessary steps and keeping an open mind is critical to the success of the future state plan.

FUTURE STATE DESIGN

Once there is a clear understanding of the current state, discussions can be initiated regarding the future state vision of the organization and the associated processes. It is advisable to keep the future state design at a higher level and more objective based. To the extent detailed future state processes are prepared without a full understanding of the Treasury Management System's capabilities this exercise will need to be revisited to align the proposed processes with the tool's functionality and recommended processing workflow.

As such the recommended approach for initial design of the future state is to focus on defining the guiding principles, key objectives and project scope. The guiding principle should align with the key initiatives of the overall corporation. An example is "To optimize our capital structure so as to support future acquisitions." The key objectives are the outcomes to be achieved at the conclusion of the project. Some examples of typical objectives are as follows:

- Standardize processes globally
- Centralization of specific functions
- Create straight through processing environment from transaction request to consummation to accounting and financial reporting
- Provide one source of the truth for financial data
- Reduce percentage of employees time performing manual processes by 30%
- Optimize liquidity management to reduce cash reserve maintained and enhance investment yields

Setting objectives prior to the implementation and ensuring they are continually monitored will help in defining and prioritizing the project scope. Defining a prioritized scope is critical in both ensuring the appropriate technology solution is selected and helping guide tough decisions that may be required throughout the implementation. All technology solutions have strengths and weaknesses so knowing the functionality required and which items are nice to haves versus must haves is important when selecting the Treasury Management System.

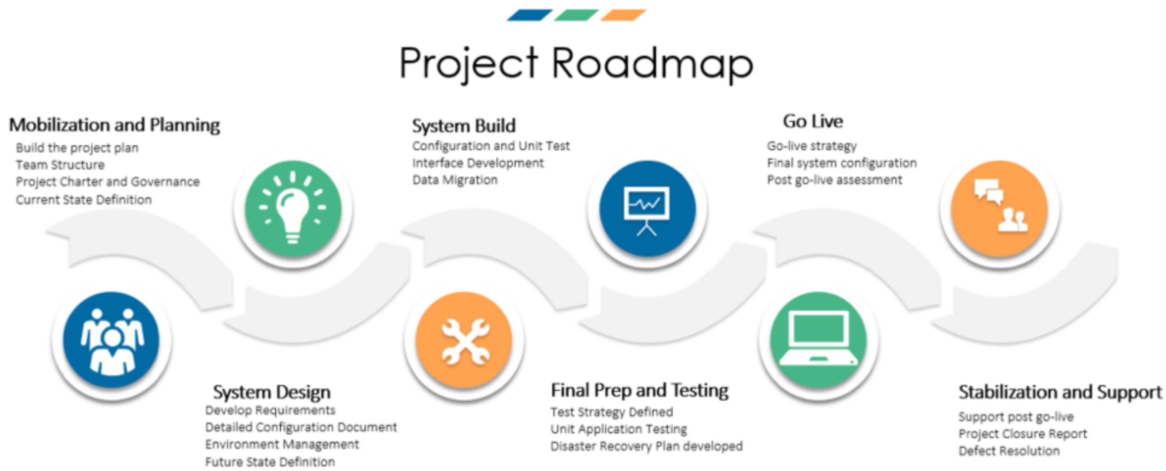
As part of defining the future state it is an ideal time to Benchmarking one's organization vis peers in the same industry as well as vis companies recognized as having best in class Treasury functions is an exercise ideally undertaken as part of defining the future state. While it may be a little more difficult to obtain this information and require peer networking, stepping back and evaluating one's organization against others is an excellent opportunity to inject new ideas and ensure a more robust and best in class end state. Networking events, conferences, webinars, online discussion groups are great settings for information sharing.

PRIORITIZED ROADMAP

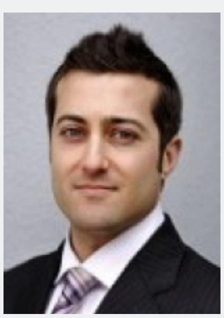
As this journey will likely require a number of steps and may span an extended period of time it is critical to create a well-defined roadmap to measure progress and ensure focus is maintained. The roadmap should be driven by a combination of the task priority, key dependencies, impact to the organization and level of effort required to complete a specific task. There are other potential factors to consider such as expiring contract licenses of existing vendors, budget or resource constraints or key control deficiencies. To the extent a comparable initiative has previously not been undertaken, it may be challenging to prepare

Originally published:
https://www.treasuryandrisk.com/2017/06/05/planning-a-treasury-management-system-implementati/

realistic timelines and resource requirements. In such situations reaching out to internal technology teams is advisable as they are used to executing projects and will likely be able to provide key input. There are also potentially internal processes or standards that must be adhered to which could impact your assumptions so even if similar projects have been executed in the past it is still important to engage the technology team in roadmap discussions. Additionally, all stakeholders of the project including functions outside Treasury should be engaged in the roadmap planning. Engagement and creating a sense of ownership is important as their support throughout the project will be critical so it is vital to obtain their input and buy in from the outset.



Upon completion of the roadmap and other steps outlined herein, the project will be well positioned for success. Not only will the such planning position Treasury to enact a transformational change but project risks will also be significantly diminished and under control. Next, the ideal technology solution can be identified and selected so as to help achieve the desired future state.



Chad Wekelo is the founder and one of two principals at Actualize Consulting, where in addition to his management responsibilities he leads the capital Markets practice group for the firm. He specializes in the areas of accounting and treasury with a specific focus on trade execution, compliance and processing of complex financial products.

Prior to Actualize Consulting, Mr. Wekelo served as manager with Capital Advisory Services and as a senior auditor with KPMG. He received his B.S. in Accounting from the University of Virginia's McIntire School of Commerce. He is also a licensed CPA in Virginia and holds the CFA designation.

Originally published:
https://www.treasuryandrisk.com/2017/06/05/planning-a-treasury-management-system-implementati/