

Think carefully before locking yourself into a TMS – but how do you choose the right one?

That a stable IT environment is key to efficient and effective processes in treasury and adequate support for technical issues has become common knowledge thankfully at the majority of treasury departments now that we live in an era of Industry 4.0, big data and Cloud & Co. However, apart from this undoubtedly fundamental issue, there frequently is uncertainty with regard to the specific focus of the treasury IT landscape and putting all the pieces of the jigsaw (of professional requirements, compliance issues and technological conditions) together to create a clear objective. It is exactly that strategy for determining an adequate treasury IT standard that many companies find difficult to find, so that, in the end, they do not make the right (or maybe no) decision with regard to a system architecture that fits into their environment. "First make a good decision, then make the decision good" is then often the approach taken during the decision and implementation phase of treasury IT.

It's really quite simple: jot down the requirements, select a system. Done.

But, at some point every person in charge of treasury faces the same problem – regardless of whether no professional treasury management system (TMS) is in use, an existing one needs to be updated or IT support in general is to be improved: either an entirely new tool has to be acquired or individual functionalities, or even entire systems, need to be exchanged.

Good for those whose professional requirements in treasury are already obvious and so clearly structured that a uniform solution can be found which can be completely implemented in the system environment. In that case, the proven methodical approach for selecting a system until making a final decision on a treasury management system and suitable system supplier permits a largely rigorous selection process: individual and sufficiently detailed specification of the professional requirements of all functional areas of treasury and adjacent divisions, followed by a structured tendering procedure combined with a thorough evaluation of treasury system suppliers and their products, in the end at least provides clarity on the solution which best meets the professional requirements. But, is the system selected then really the most suitable one with regard to the individual roadmap for "one's own" treasury, the planned developments and further strategic outlook of the entire company, IT context and technical requirements? Or are important secondary aspects beyond core functionalities being neglected in this manner in favour of a comprehensive approach?

Scrutinise the manufacturer(s)

The decision about a treasury management system really does not need to be for eternity. Flexible operational models such as software-as-a-service or the possibility of using particular treasury functionalities in combination with cloud solutions reduces the inhibition threshold to change supplier, also on the part of customers, and thus the useful life of entire treasury management platforms or individual components for specific functionalities. Nevertheless, before signing a contract with a system supplier, supplier-specific evaluation criteria should definitely be taken into account and included in the final selection decision. This starts with the usual background information and fundamentals about the system manufacturer (such as financial stability and sustainability, development in recent history), but also includes an evaluation of the supplier's specific attitude to one's own system. A number of treasury system suppliers have several products in their portfolio and position these in various market segments. In this regard especially an assessment and projection are important of how the desired system will develop in the future, what further developments are planned and whether or how these fit into one's own treasury roadmap.

Already during the selection process for a treasury management system it should also be clear whether and, if so, with which resources the supplier will carry out the planned implementation and upgrade project in the desired time and quality. If there is already uncertainty during this phase or there are no testimonials available in the market that can be compared regarding satisfaction with the manufacturer's system and support, that manufacturer should certainly not be put on the short list.

IT also has a say in it. Is that necessary?

To give you the answer upfront: yes it is. Irrespective of the project or selection committees of companies, in almost all cases, the final decision for or against a treasury management system supplier is prepared, taken, and eventually also made by the responsible specialist departments. However, treasury departments and their processes are extensively integrated into other specialist departments. There are interdependencies that are both procedural and technical in nature. A new or upgraded system in treasury will therefore always be an integral part of a company's entire system landscape and be equipped with numerous internal and external interfaces. Not least for that reason it is of particular importance to compare the company-specific IT requirements and standards with those of treasury system suppliers already during the selection process. Are cloud solutions permitted, and if so, under what circumstances? How technologically mature is the envisaged solution? What IT security standards and certifications must the manufacturer fulfil? Is the system regularly checked for security gaps and how are these remedied? Is the supplier's treasury software compatible with the company's end clients? Do the supplier's recovery and continuity models fulfil the risk requirements of the treasury function? Does the manufacturer and its product fundamentally fit into the IT strategy and portfolio of the suppliers defined by IT? What other company-specific IT policies does the manufacturer have to fulfil? These are selected examples of the questions and issues that treasury departments do not like to address, which however not only have to be considered with a view to the selection decision, but could develop into selection criteria under certain circumstances, especially with regard to IT security. Interdisciplinary project teams composed of professional and IT experts are therefore indispensable for the selection and evaluation process.

Anticipating the total cost correctly and making it comparable

Last but not least, the cost side. Or to use a more up-to-date expression, the business case, because it is not only important to investigate what additional costs are generated by a new or changed treasury system landscape, but also the resulting potential benefits – quantitatively and qualitatively – and savings effects. However, in the majority of cases, particularly the effect of costs still is the determining factor in deciding for or against specific projects, also in treasury.

A discussion of the specific cost and benefit dimensions addressed by an improvement in IT support for treasury would go beyond the scope of this article and also be too general. Rather, the question of concern is what cost factors can become relevant during a decision for or against a treasury system supplier and on what basis the information provided by manufacturers can be made comparable. This should be done in following the basic principle of total cost analysis, meaning that not only the one-off costs (licences and start-up costs) – usually – provided by the manufacturer are considered, but also follow-up and operating costs over a certain period of time (three to five years max.). Furthermore, it is important to take into account not only the manufacturer's maintenance and support expenses, but also internal expenses and additional costs arising from system use. This is the only way to make a comparison between higher maintenance treasury management systems (for example due to frequently required release upgrades and the associated test effort or if particular additional IT components are required for operation). Such an overview has resulted in some surprising

comparisons in the past, given that certain suppliers which at first glance seem to have lower start-up expenses may turn out to be the most expensive alternative in the end when taking into account all cost factors over a longer period of time.

Only a '360 degree' selection process results in the right TMS

To avoid creating the wrong impression at this stage: The main focus of all considerations regarding system support in treasury and the resulting questions about systems and suppliers, as well as their individual combination in a specific company setting, should always be the best possible coverage of all professionally required functionalities. These primary considerations are generally also the actual reasons for dealing with the introduction of a new, or upgrade of an existing, treasury management system. It is rather uncommon to replace TMS environments for cost reasons or to introduce a particular system for technical innovations alone.

But, the initial question referred to deciding about the right system for treasury, and not the system offering the widest range of functions. And, when making this decision, the secondary aspects mentioned, such as evaluation of the manufacturer(s), requirements and standards of one's own IT, as well as adequate consideration of total cost criteria, should play an important, if not equal, part. Individual and sufficiently accurate requirements and preferences must be specified also for these aspects, and be included in an appropriate evaluation grid, in order to allow a comparison between the various treasury solutions. Without complicating the selection process and decision-making in the end, the 360 degree approach ensures inclusion of all aspects in order to avoid unpleasant surprises at a later stage during the implementation phase. Wrong, hasty or one-dimensional decisions with regard to contracting a manufacturer are difficult to reverse, because – in quoting the author of this article's title once again – "Delusion is short, remorse is long."