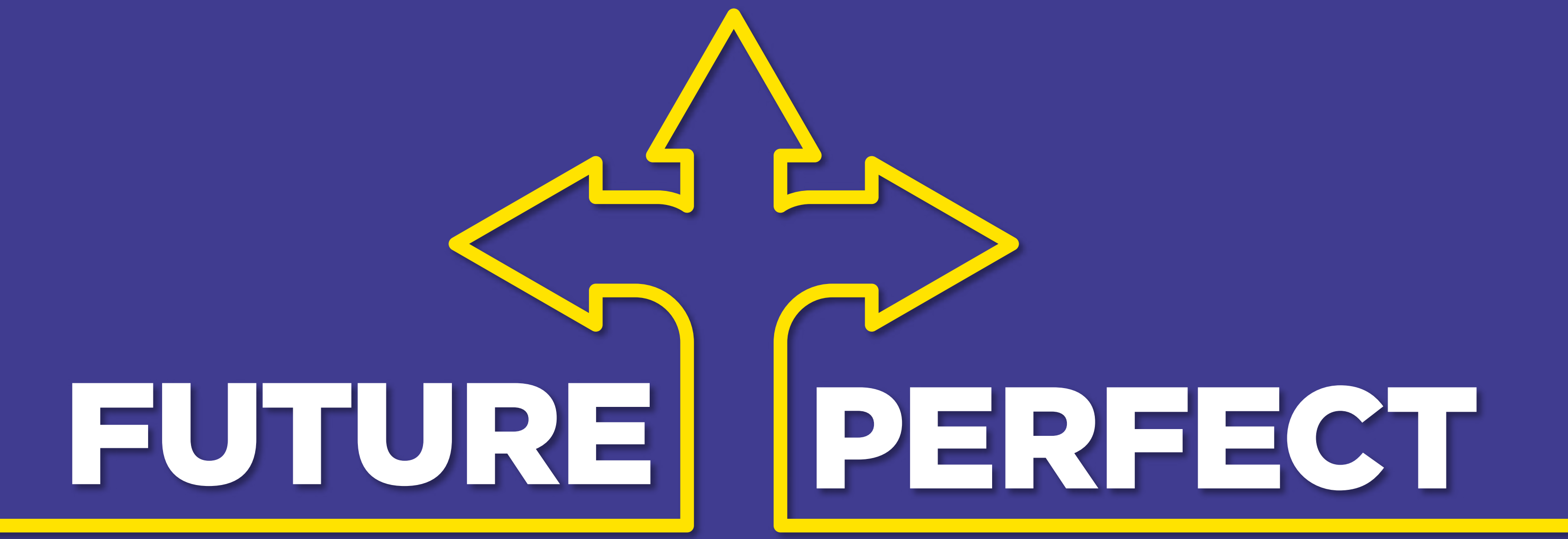

FUTURE PERFECT

CAN YOU OPTIMISE YOUR TECHNOLOGY'S CAPACITY TO SUPPORT GROWTH OR CHANGE WITHOUT LOSING THE BENEFITS OF LEGACY APPROACHES? LESLEY MEALL INVESTIGATES

Predicting the future with any degree of accuracy isn't easy; whether you are trying to forecast future interest-rate movements or future-proof your treasury technology. The only thing we can be 100% certain of is that we can never be 100% certain of anything.

Will interest rates go up this year? Will they go down? Will they stay the same? Faced with questions such as these, you can assess the rate sensitivity of your assets and liabilities, try to understand what the potential impact might be, for example, on cash flow or banking covenants, and then you can hedge. But hedging your bets when it comes to future-proofing your treasury technology may be a little trickier.

Which emerging IT and trends will most impact on your treasury function? Which technologies should you be adopting or exploiting? When is the optimal time to do this? Are you missing opportunities to benefit from developments such as big data and predictive analytics? Can your systems withstand the rising tide of cybercrime? All these questions prompt even more questions.

As we enter an era when technology will radically reshape businesses, all future-proofing attempts to minimise the extent to which a software product, service or technology infrastructure will need to be updated as technology advances may be doomed to some degree of failure. Yet good reasons remain for trying to future-proof (and optimise) your treasury technology infrastructure.

What's driving change?

"Treasury and finance will continue to change and new needs will be introduced that might otherwise stress legacy platforms," suggests Bob Stark, vice president, strategy, at Kyriba, a cloud treasury software specialist. Even if the possibilities offered or demanded by emerging technology don't drive you to change, future developments similar to Single Euro Payments Area payments and European Market Infrastructure Regulation reporting probably will – and your technology infrastructure may make changes such as these more, or less, easy to adapt to.

Compliance is an area where treasurers and finance chiefs must always react, regardless of how easily existing systems can or cannot accommodate this. So when one high street bank with extensive enterprise systems and a big IT budget was struggling to solve a payment protection insurance remediation problem, in mere days, it turned to the low-cost, low-tech solution: gigantic spreadsheets shared by hundreds of staff – despite the horrendous drawbacks of taking this approach.

Time was, this bank (and others with spreadsheet dependencies) might have limped along in this way indefinitely, but new types of software and systems can make this avoidable. New approaches include solutions that look like spreadsheets, but are connected to banks' database systems so that they are linked to legacy systems and data and obviate the need for complex and expensive reprogramming.

SHUTTERSTOCK

Should you jettison spreadsheets?

Not all organisations want to solve their spreadsheet problems in this way. At CA Technologies, a provider of IT management software and solutions, a cloud-based, on demand, software as a service (SaaS) treasury management system (TMS) offered a route out of spreadsheet dependency. "SaaS is the way CA is moving strategically. We like the idea that the technology company manages the software for us. The software is always current, upgrades are pushed to us and everyone across the company is on the same version," says Kenneth Markowitz, vice president and assistant treasurer at CA.

There seems to be little appetite at CA for a system that enables those in the business to solve their own spreadsheet problems. Before it made the transition to cloud treasury software, the teams in treasury and IT at CA had been finding it increasingly difficult and time-consuming to deal with the shortcomings of their legacy treasury systems. "When issues came up it was a very big distraction to the daily work that the treasury team needed to do," explains Markowitz. Also, the reporting that came out of the legacy system was incomplete, it wasn't always accurate and it didn't meet the team's needs.

In response to these problems, the treasury team created its own Excel workarounds. But these spreadsheets needed frequent manual updates and checking, and were error-prone. "We said to ourselves, 'instead of doing all this work to upgrade some old legacy technology, let's look at the market, see what's available and maybe move into the modern age,'" says Markowitz. Having a single cloud-based TMS (from Reval) gives all users access to the same (and the latest) version of software and reporting formats, which makes it much easier to manage treasury-related data.

"We now have everyone around the world on one platform, which is something we've never had before," says Markowitz, "and we have a single source of the truth." Markowitz now gets one standard report he knows is accurate and complete. "Instead of wasting a lot of time doing reconciliations [of one report to another] and ensuring that data is correct, me and my team can spend that time doing analysis, which helps us to drive the company forward," he says.

The potential for standardisation to enhance the treasury function isn't limited to TMS; getting all parts of an organisation onto the same enterprise resource planning system (ERP) and a single instance of that ERP can also deliver benefits. "We are in the final stages of implementing one SAP system group-wide," says Daniel Wong, head of group treasury at British American Tobacco. "The next step will then be implementing a stable group-reporting structure, which we will be able to leverage on to obtain live, real-time reporting."

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Are you on the edge?

Some treasurers and finance chiefs have reservations about public cloud services. But whether you consider them bleeding edge, leading edge or a step too far, some treasurers are fans. Some treasurers see SaaS as nothing more than an enabler – a resource delivery mechanism for the treasury software and systems that happen to best meet their needs. So where public cloud SaaS sits in terms of how comfortable treasurers are with it is up for debate.

At Averda, a provider of integrated waste-management solutions, a SaaS TMS is helping to support the company in its ambitious strategic growth plans, by improving visibility into treasury and adding rigour to financial controls and bank account management (BAM). "We wanted to empower our treasury team with the most advanced tools it could find," says Maria Bavelaar, Averda group treasurer. "Our company has offices in remote locations, manages diverse currencies and with our rapid growth into new markets, we need to ensure full insight into global cash and be more aware of our potential liquidity and FX risk," she adds.

When BBC Worldwide started a project to unify its public service and commercial treasury teams and its BAM databases, a SaaS offering (from Kyriba) seemed to meet this need – and more. "We now hold quality, up-to-date data across all of our accounts, signatories and mandates," says Michael Vasey, treasury analyst at BBC Worldwide. The project will also enable treasury to accommodate future changes and opportunities: automating as many BAM processes as possible means that treasury will be good to go when full electronic BAM (eBAM) becomes possible.

At the moment, all-singing, all-dancing solutions that offer multi-bank SWIFT connectivity, plus the capacity to fully automate eBAM and seamlessly exchange all related data with each and every bank, are just a golden shimmer on the horizon. The reality is multiple proprietary bank eBAM systems. But when true multi-bank eBAM systems do arrive, as they will, Vasey and the team will be ready to exploit them. He says: "We have managed to future-proof ourselves."

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