Acquiring Treasury Technology
Understanding ROI & the Overall Business Case
Introduction

We live in an ever-changing world. Financial stewardship, the primary role of treasury, has become an ongoing battle of balancing ships in the most turbulent of waters. At the same time, globalization has created new clouds of complexity in business, and the winds of technological advancement have stirred to unveil the perfect storm of risk and uncertainty.

On first look, this scenario can seem daunting and stifle even the most seasoned treasurer, but savvy stewards recognize both the dangers and the opportunities that are found in the midst of volatility. Taking advantage of new environments requires an updated toolset. Thankfully, the same innovation that has created a more competitive market has also created advanced solutions to help navigate this tempest of trade.

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To put it succinctly, significant headwinds exist. Today’s treasurer is expected to do far more with almost the same set of resources. The role of treasury has grown to move beyond, though not away from, operational matters to include analytical, tactical, and strategic functions within the organization. There are at least three elements directly contributing to the struggles of corporate treasury. Taking a closer look at each is necessary before planning to overcome them.

1. **Increased Complexity**
   The internet may have made the world a smaller place, but the world has made treasury far more complex. For many organizations they have seen the complexity grow and explode.

2. **Heightened Expectations**
   Since the financial crisis, board members have become increasingly aware of the risks the organization faces. They expect treasury to not only protect the organization but to know what the various threats are and have a clear process to address them before the fact. Gone are the days where a two-week response time is acceptable for a board member’s question driven by a headline or board publication. They now expect treasury to turn around an answer almost immediately about the company’s exposure to the threat and show how that risk is mitigated properly.

3. **Limited Staffing**
   Treasury groups have experienced minimal staff increases in total. Many have not had any increases in staff in the past five years even with significant changes impacting their organizations. Something needs to change, either better technology or increased staff. Both may be appropriate. Most organizations are resistant to any significant staff increases in treasury unless a major issue emerges. Staff increases tend to be unlikely and limited when they occur.

There are at least three elements directly contributing to the struggles of corporate treasury: Complexity, Expectations and Staffing.

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**Ongoing Globalization** — The percentage of a firm’s revenue and profit outside their headquartered country has often doubled in the past five years.

**Fraud/Cyber Fraud** — Fraud has long been a nuisance. The rise of massive system-level fraud is resulting in the exfiltration of organization assets at unprecedented levels. Treasury must up the defense of systems, people and processes or face the consequences of being unprepared.

**Acquisitions** — For many, the past two acquisitions haven’t been fully absorbed before additional ones are in process. This adds systems and multiple non-standard processes to the mix challenging efficiency goals and the risk management strategy.

**Payments** — Faster and better payments are rolling out into production in numerous countries and regions. While they promise advantages, treasury has to keep up with the formats, regulations, and plans to manage these.

**In the past year has treasury staff:**

- **Increased** 25%
- **Stayed the same** 63%
- **Decreased** 8%
- **Don’t know** 3%

Source: 2017 Cash Forecasting & Visibility Survey
The Leverage of Technology

How do you approach a seemingly insurmountable task? “Give me a place to stand,” said Archimedes, “and with a lever I will move the whole world.”

Technology is not magic. It cannot spontaneously generate returns. It will not eradicate all risk. It is, however, a tool—a lever—by which investments and cash forecasts can be managed to produce greater returns. It can strengthen visibility and accelerate analysis to better mitigate risk. It can power operational processes without the common pitfalls of human labor. It is, at its core, a means of automation and automation is the path for increased efficiency and reduction in errors.

Determining a current Return on Investment (ROI) is useful for creating the impetus for the spend. Equally or more important is understanding the strategic value of the ‘lever’ you are going to implement. Non-integrated or manual processes are not scalable. They require too many people. They are unsustainable and can impede the organization in its mission. Having an appropriate technology architecture will become evident to others at exactly the point in time of expansion or acquisition when an organization can least afford it.

Manual and non-integrated processes require controls outside of the system and between all of the numerous handoffs from one system to another. They represent the dual threat of increased operational risk coupled with a fragmented view of processes and exposure to risks.

Ensuring that the organization has the proper technology architecture and system(s) in place makes all changes you put in place build to the desired end state.

- Greater Efficiencies - STP
- Constant Progress Forward
- Strategic Technology Partnerships

**Strategic Goals**

- Support organizational changes
- Service global exposures
- Partnerships with capabilities and commitment to support organization
- Rationalization of systems

**Benefits & Savings**

- Data as an asset - all eyes on same data
- 25% savings from aggregated pricing
- Data warehouse: historical, unified set
- $350K savings per system with one consolidated Treasury and Risk Management System (TRMS)

Airline Industry Representative

Energy Firm Representative
Viewing Technology as an Investment

Attempting to scale with efficiency while maintaining a reliance on manual processes is a bit like trying to dig yourself out of a hole. Those in the trenches of treasury certainly understand the laborious nature of manual input, review, and reporting. While executives may not fully appreciate the daily challenges of treasury, they can certainly recognize the need for resource management that aligns with the directional goals of the organization.

One job of today’s treasurer is to position the critical cost center as an efficient engine of support for future company progress. Whether it’s through organic growth, mergers and acquisitions, or rival failures, corporate executives and boards understand that cash is king in the land of opportunity. Without strong stewardship – managing both cash and risk – organizations cannot survive, much less thrive, in a competitive marketplace.

Adding the right people and technology must be viewed as an investment and not as an expense. For technology this means the following:

- **Protect Your Investment** – Make sure the value of your system increases each year by improving capabilities and features, growing more connections, and ensuring tighter integration across the enterprise.

- **Brutal Elimination of the Sub-Optimal** – Your new system and architecture allows you to take out redundant and stand-alone systems and spreadsheets. They must be viewed as costly and risky. As such, they are a threat. Systematic and dispassionate elimination of these threats is in order.

- **Focus on the End** – Adding different systems, patches, and fixes is necessary to ensure you can continue to maintain your investment. Don’t forget to continue to look for strategic improvements to make sure every action and investment moves you along the roadmap.

Treasury technology should not be treated as an expense. Like all investments it should be carefully tended to over time.
There is one key perspective and two major elements that should be part of any business case for nearly every organization. The level of importance will vary according to your organization’s culture and the level of support provided to treasury.

**Perspective**

Every group within a firm is competing for organizational attention and resources. Every organization has limited resources (time, attention and funding). To make your case, you need more than a wonderfully worded document and an ROI calculation that will make a non-quantitatively oriented executive impressed. You must get the votes. This requires a well-thought out business case.

**Elements**

There are two key components of any business case: Strategic Rationale and ROI.

1) **Strategic Rationale.**

Explaining your request for an investment in treasury technology is most appropriately done when it is linked directly to overall mission and key initiatives. The strategic elements are usually the primary drivers to move the organization to commit the time, attention and resources to this endeavor.

Some organizations are in acquisition mode and need to be able to consume these entities quickly and gracefully. This consumption needs to contemplate the core processes and visibility to the various and changing exposures of the organization.

If treasury is unable to properly manage the growth in volume or additional complexity coming from new countries, currencies or commodity exposures, the entire progress of the organization can be slowed or threatened. The following page contains some of the key expectations placed upon treasury by corporate leadership. These items taken together represent the key pillars that support treasury’s ability to meet organizational objectives and expectations.

The organization must understand how the technology investment is vitally connected to the overall mission of the organization. Treasury must socialize the strategic rationale as part of an ongoing process and not simply view this as an event or a document.

2) **Return on Investment (ROI).**

Where is the value from investing in treasury technology? Individual aspects of risk don’t lend themselves to quantification, in a similar manner as operational efficiency changes or elimination of direct software maintenance charges. Nonetheless, these should be identified even if not fully measured in the ROI calculation.

The organization understands the cost and benefit of insurance as a way of bringing the organizational exposures in line with its risk appetite the same is true with the risk management endeavor.

Continued...
There are numerous areas for finding hard-dollar financial value in a TRMS environment. Here are three to include:

- **Optimization and Reuse of Data.** Buying data multiple times for multiple areas is expensive. Managing and reconciling that data is a source of great cost and errors. The single source of truth and single point of cost should resonate with leadership. Most of these costs can be quantified through data subscription and bank fees.

- **Connectivity Related.** Using internal resources to establish and maintain the myriad of connections within and beyond your organization and outside can add significant costs to your infrastructure. The efficiencies gained with aggregation services or outside support add to the savings.

- **Efficiency.** While treasury staff may be stretched and may not be completing other key activities, there are many personnel located downstream in various treasury processes. These include accounting personnel and reconciliation staff. For larger organizations leveraging technology means savings of multiple full-time staff while speeding up these processes. Fully-burdened staff costs, by itself, often represent payback in the first year of the project.

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**Multi-national organizations must have a professional treasury organization outfitted with current technology to deliver the value expected and required of them across the areas of liquidity management and financial risk management. These expectations are increasing and include the following items.**

**Visibility:** The ability to see all of your cash globally across a range of dimensions including: bank, currency, country, and counterparty category, as well as the ability to see various exposures in an aggregated and calibrated fashion.

**Efficiency:** Manual processes create errors and rework. Automated processes and straight through processing (STP) reduces errors and improves efficiency. Reporting and self-service functionality add to the operational and analytical efficiency of the treasury group.

**Control:** Consistent processes, centralized data access, and the systematic controls that ensure compliance all protect the organization. From funds transfer to control of bank account signatories/access, all require carefully crafted processes that are supported by the deployed technology.

**Flexibility:** Ensuring that the organization is flexible and can handle acquisitions, expansion into new countries, and changes in exposures and the risk profile.

**Insight:** The ability to identify relationships, risks, and ways to analyze options quickly and accurately.
Today’s TRMS Landscape

Treasury has changed in many ways throughout the last ten years. Whereas options used to be limited, there are now many options for a TRMS. For example, a few years ago installed solutions were the only approach available for treasury management systems. Now Cloud/SaaS is a common platform, in addition to fully hosted software. With the myriad of options available, many companies are choosing to outsource their current headaches to a TRMS. In order to accomplish the goals of efficiency though, it is imperative that the technology used stays current as it increases in value.

Connectivity must be considered when surveying the TRMS landscape. STP in particular is vital. We do not live in a stand-alone world. STP can help with everything from trades to transactions. But keeping up with all of these transactions can be costly.

A TRMS plan should help isolate format changes. Today, all systems handle visibility and core cash positioning and management. The decision you make comes into focus when the needs of your organization and the company’s level of treasury-intensity are considered. There is not a one-size-fits-all system. A TRMS must balance between meeting your company’s current and future needs and should ideally be able to grow and change with the organization.

Finally, if you buy more capabilities than are truly needed there is a high chance that the cost and effort of caring for a massive and underused system will overwhelm your treasury department. It is wise to understand both the overall treasury technology landscape and the TRMS landscape.

Treasury Technology Functionality Framework
No one in their right nautical mind would provision their vessel or plot a course across the Atlantic ocean by using old maps or the writings of Christopher Columbus. Our knowledge is vastly different and our technology and means of transport have changed dramatically. The same is true of treasury technology. Architecting the modern treasury technology stack should be substantially different from what was done thirty years ago, or even three years ago. It should reflect the reality on the ground or in the water.

Your destination may differ substantially from your peers at other organizations. While asking others for their advice or experience can be helpful, it can also be harmful if it is not calibrated properly to adjust for organizational differences and technology changes.

Your business case must be informed by the current TRMS landscape and a modern treasury technology stack from: data, connectivity, systems, reporting, and analytics. As you build the business case you will want to leverage relevant resources to ensure your structure and plans are appropriate. Gathering several perspectives can help you triangulate the data and help you arrive at an appropriate position. Here are some of the perspectives you may want to consider, along with some caveats.

### Technology Vendors
You want to leverage their knowledge and experience but you may fear awaking the sales-driven executive who won’t leave you alone. The sales-cycle is long for TRMS. There are some TRMS vendors who have the patience to help bring along a company in their understanding and are comfortable knowing that others also have your ear. They will provide information and appreciate that a well-informed treasurer will be a better customer. They will be able to share relevant real-life case studies which can help with making the business case and ROI.

### Guiding Thoughts
Fewer systems (rather than more) is a standard maxim for technology. It is more important to determine how processes will be managed throughout the organization and within various systems. Each handoff represents a point of exposure and cost. Each additional handoff reduces your ability to adapt to future changes. The focus should be on optimizing the overall structure with a mind towards flexibility and openness rather than on optimizing each individual decision. Your company and your two-year future you will appreciate it.

### Consultants/Analysts
Consultants and analysts can be expensive. They also may need training. So, caution is in order. They must have extensive experience with firms that have similar risk levels and areas of complexity to yours. You should understand their biases and source of each bias (financial, limited experience). They must be completely current on the range of current technology, recent developments and emerging trends. They can be leveraged for the design and architectural elements to make sure you are using a modern treasury technology stack. They also should be able to quickly help you narrow down the solution sets that make sense so your focus is concentrated on a few players.
Worth Mentioning

Change is often difficult, even when it’s for the better. Acquiring an advanced tool and implementing it within an active organization is a significant endeavor. It takes numerous things to go right to successfully pursue corporate investment and development, but it only takes a few things, possibly only one, to cause an impasse that stifles the whole project. That’s why your company needs you to be a champion for change. One who won’t quit.

As detailed earlier, the need for leveraging technology in an increasingly complex environment is apparent to those paying attention. The case for investment is real and is often compelling, but only when the work of thorough analysis and planning has been done. If you have seen the strategic need, calculated the cost, and discovered an area of potential ROI for your organization through the purchase of a treasury management system, then it is your duty as steward to earnestly pursue it.

To champion this type of endeavor, it is more than advisable to enlist the help of others—those who are impacted directly by financial processes and those who can help support the effort to drive efficiency and better manage risk within your organization.

Keep your eye on the horizon. Steady and stay the course. The trip may not be easy, but it will be well worth it. You have already proven that to your team. Now, make the case to the rest of the organization.

Do you need help building a business case for a TRMS? Talk to Openlink.

Do you want more information on how Openlink helps treasury? Learn more.

For general information, email us at: treasury@openlink.com
About the Firms

**ION Treasury**

ION Treasury is the largest provider of treasury and risk management solutions in the world. Its solutions are designed to meet the needs of organizations with varying complexities and at different stages of technology adoption. With over 1,250 clients in more than 30 countries, ION Treasury is also a powerful community shaping the global treasury landscape.

ION Treasury is a division of ION, which dedicates over 40% of its employee base to product innovation. It is the only corporate treasury provider that has the financial strength, breadth of products, and commitment to continuous innovation to deliver on treasury’s diverse and changing technology needs. ION Treasury’s portfolio of leading treasury products includes Wallstreet Suite, Openlink, Reval, IT2, ITS, City Financials and Treasura, as well as innovative tools and services that span across the entire solution set.

**Openlink**

Openlink (www.openlink.com), an ION Investment Group company, provides award-winning solutions for trading, treasury and risk management to serve energy companies, commodity-intensive corporations, and financial services institutions—on-premises and via the Openlink Cloud.

**Strategic Treasurer**

Strategic Treasurer provides consulting, research, and professional services for treasury management, security, technology, and compliance. Since 2004, corporate clients, banks, and fintech providers throughout the world have relied on their advisory services which are backed by a deep awareness of current practices, plans, and perceptions through their annual surveys and decades of treasury experience.

The mission of Strategic Treasurer is to elevate and enhance the practice of treasury by advising individual clients and informing the industry at large. Headquartered in Atlanta with consultants based out of Philadelphia, Cleveland, and Washington DC, Strategic Treasurer guides treasury and finance professionals through real-world, mission-critical issues that organizations face today.

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