

**Robert Eimers
Associate Partner
IBM Global Services**

World Class Treasury

Transcript

Robert: If you look at the underlying technology of treasury and the way -- and the positioning of treasury with other financial management disciplines, you get a sense that treasury is this maverick function that has not matured at the same pace as other financial management functions. Today, if we were to say, why don't you use a spreadsheet to maintain your general ledger, people would look at us kind of oddly. You walk into a treasury operation and many of their reports and many of their supporting tools are purely Excel based. And straight-through processing really means initiate the transaction and manage the rest of the transaction by exceptions. So, at the end of the day I have a cash surplus. As soon as that surplus is approved, then a trigger occurs within the investment arm of the organization, the investment is shopped, the deal is struck, and once the deal is struck all the processing downstream occurs automatically. The wire is sent out, the transaction is automatically settled, and the journal entries are automatically created. No manual intervention. When we look at cash management, the very first thing treasuries need to be looking at is how quickly and how accurately can they look to their cash positions. An organization that waits 'til four o'clock in the afternoon to decide that they have a deficit in cash has lost the battle. So, from an enabling technology perspective, the automation of polling, the automation in an intelligent population of cash position worksheets are key that should be one of the first priorities of any treasury that's manually creating cash position worksheets. Understanding that very often there's a lot of transactions that the bank may or may not price accurately allowing you to automate the evaluation of your bank fees on a monthly basis very quick to when you receive your bank fee statement allows you to actively monitor your bank fees. The other side of bank fee management is bank relationship management such that if you wanted to open an account, close an account, modify the signatories of an account, automated workflow that tracks the request for the change of the bank account through the approval and then the subsequent disposition of that process. Bank account opening and closing, it tends to be a very sensitive topic within the internal control spectrum and using automated workflow we can institutionalize those requirements. Another key enabling technology that is very hot right now is in-house banking. Traditionally, if you were a multinational, you would have pockets or regional segmentation of your treasury operations. So, if you were the European operations treasury, first is the North American treasury operations, each one would operate separately, never really taking advantage of the other's cash position. Using in-house banking, I can take funds, perhaps surpluses in North America and transfer those over to Europe to avoid Europe having to go to the market and borrow those funds. And transparency takes two flavors. In treasury, we have up to thousands of bank accounts with ending balances of cash. When we look at transparency, as a treasurer, can I look in one single system to get a current and accurate perspective of my ending cash balance by region, by business unit, by bank account? Is it drillable? Can I start from a region looking at all the bank accounts in that region and drilling down to see each bank account's ending cash position? It's having the insight that's virtually real time and very accurate into my ending cash balances. From a controllership perspective, transparency in practice means the ability to go from an ending cash balance in a

general ledger account to the balances of the accounts that support that balance. So, if I have a bank account that has \$100 in my financial statements, can I readily drill down to see the five bank accounts and those ending balances to support that \$100 ending balance? Some key missteps that we often see is overestimating the benefit. The benefits will accrue ratably throughout your transformation, but they tend to occur slowly at first until you get into the more substantial delivery or delivery model optimization. Merely streamlining a business process will not reduce headcount. It will improve perhaps the quality and the timeliness of treasury operations, but it may not necessarily reduce FTEs. Another common error that treasuries make is a focus on using a best of breed solution, whereas they ignore a potential module that's delivered within their ERP framework. So, our advice is if you're using a particular ERP vendor, before embarking on the evaluation of a best of breed provider, look at that ERP vendor treasury module and look at it from the perspective of disqualifying it rather than evaluating it relative to other treasury solutions. Third common mistake, when selecting a treasury system, a treasury solution, what have you, many treasuries base that on their current state business processes. If your business processes today are not optimized, then really all you're doing with your technology is further exacerbating an inefficient business process. A more meaningful way would be to look at your future state business process at a very high level and selecting an application based on your future direction rather than based on your current state. One of the leading trends enabling technologies is the proactive monitoring of treasury operation using key performance benchmarks. Very few treasuries today monitor treasury operations by cycle times, by wait periods, and what we begin to notice is that world-class treasury operations actively and prospectively monitor treasury activity. One of the things that we do quite well is we look at the agenda of the CFO and translate that to a transformation roadmap that the treasurer can leverage as a guide to orchestrate initiatives in a meaningful way such that we yield some benefits, but at the same time we're moving along the same path as the CFO. Our approach and our philosophy is very targeted technology enablement that is aligned to the maturity level and the leading practices for treasury in and of itself.

END