

SUMMONING RESOURCES

CORPORATE TREASURERS SEE RESOURCE PLANNING AS VITAL IN DELIVERING SUCCESSFUL CASH MANAGEMENT IMPLEMENTATIONS. **SHEELAGH KILLEN** REVIEWS THE RESULTS OF A MINI-SURVEY BY *THE TREASURER*.

In designing and implementing a cash management solution, ensuring you have the right staffing for a project can make all the difference in delivering an outcome which works, is on time and hits its budget. This was a key theme emerging from responses to *The Treasurer's* mini-survey on cash management implementations. All but one of our respondents cited adequate resourcing, both internally and from the company's external providers, as critical to the success of their respective projects.

DEDICATION'S WHAT YOU NEED. Vanessa Campe, Deputy Head of Treasury at Law Debenture Corporation, found that retaining a dedicated internal project manager for three months was invaluable in ensuring the efficient transfer of cash management operations to a new treasury management system (TMS). Her project involved the migration of transactions on seven individual bank-specific electronic data interchange (EDI) portals to a single Integra-t platform (with connectivity to two preferred banks) which also facilitated the introduction of straight through processing capabilities. "The key issue is a dedicated resource – you need to live, eat and breathe TM systems for three months!", she recalls wryly. Campe explains that for Law Debenture it was possible to free up an internal staff member in the treasury department to fulfil this role. This not only meant that the individual was familiar with the workings of the treasury but also allowed valuable expertise to be retained and transferred following project completion. The decision to put a Treasury Manager full-time on project management was also a key move in Carphone Warehouse's cross-border euro cash pooling implementation although, in this case, according to Treasury Manager, Jenny Appenrodt, the manager was hired externally.

INSIDE STORY. The availability of adequate internal resources was also quoted as a critical factor by Ricard Mas, Assistant Treasurer at Invensys plc, who recently managed the implementation of an international cash concentration project. His views were echoed by a senior treasury manager at a business services company who admitted in relation to a recent euro cash pooling project that: "It has been much more time consuming than anticipated and we did not initially allocate sufficient resource." In this company's case, the resource shortfall was addressed by using external consultants to carry out some tasks such as evaluating bank proposals and finalising documentation for the cash management arrangements.

Box 1

Treasurers' tips for Cash Management implementations

- 1 Proper and thorough planning is crucial
- 2 Speak to other treasurers about their experiences
- 3 Do not underestimate resource requirements – use a dedicated manager if possible
- 4 Review your existing processes before commencing, particularly the efficiency of cash flow forecasting
- 5 Consider the detail in which you need to design your cash management structures before suppliers and banks come on board
- 6 Choose your partners and suppliers carefully
- 7 Get buy-in from remote centres
- 8 Use tried and tested systems
- 9 Keep in regular contact with your suppliers and bankers
- 10 Where possible, consider a phased implementation

The ACT and JPMorgan Fleming Asset Management carry out a detailed International Cash Management survey which is available at www.treasurers.org/treasury_resources/cash_survey.cfm

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The specific type of resource as well as the quantity of personnel free to work on projects was also a relevant consideration. Edward Poet, European Cash and Banking Process Manager at Nestlé Purina Petcare (UK) Limited, underlined that being able to recruit staff with language skills and the ability to adapt to cash management practice in other European jurisdictions was a key dependency of the project to establish a European Shared Service Centre (SSC). The initiative included centralising Accounting and Accounts Payable as well as consolidating banking arrangements to a single bank supplier and instigating euro pooling across eight countries. Nestlé utilised local recruitment agencies to source the appropriate additional skilled staff for the SSC.

PERFECT PARTNERS. External resourcing was just as critical as the allocation of internal staff. Each of our respondents believed that the support provided by banks and other suppliers was a cornerstone of project success. This meant that accessing and managing external resources was crucial for the treasurer. For example, Vanessa Campe at Law Debenture considers that the quality of the training and helpdesk support provided to her team by the systems supplier was instrumental in achieving a smooth handover to the new system. Her project also required a number of electronic banking upgrades to be executed before the appropriate interfaces to the TMS could be structured and this necessitated significant input from partner banks.

Whilst suppliers can add substantial value to the mix, it is still vital to manage the relationship and to monitor performance of third-party providers. A common piece of advice is to "have regular meetings and conference calls with your chosen provider to make sure that they are doing what you expect". One treasurer even implored colleagues: "Don't be afraid to ask your vendors the most obvious questions! Often the most obvious are not delivered on."

CLOSE TO HOME. The importance of effective partners in the realisation of major projects was reflected in the treasurer's desire to work with suppliers with whom a relationship had already been established. The majority of banks included in tender processes (and actually receiving mandates) for cash management arrangements were amongst a company's existing relationship banks. This desire for the familiar was also reflected in a preference for an established solution over a "cutting edge" product. As Mas summarises: "It is always problematic to be the first customer to implement payments using a particular system from the bank – it is easier to use tried and tested solutions."

In cash pooling projects, the tendency was to retain one major bank provider, although almost all respondents confirmed that they also maintained local banking relationships to achieve the optimum range of services and to gain access to the widest branch networks. In one instance, all UK retail operations had been placed with one major European player whilst the cross-border cash pooling tender had been won by another. In instances where local bank accounts are run in parallel with central pooling accounts, several treasurers commented that the ability to transfer funds between each of these networks can prove problematic and may warrant specific investigation.

DESIGN BRIEF. The process for selecting optimum project partners appeared to differ depending on the type of solution envisaged. Whilst all our respondents said that they had prepared formal 'request for proposals' (RFPs) in tendering for banking or systems suppliers, the level of detail contained in these documents differed according to the content of the project. Where the implementation under consideration involved complex, cross-border arrangements, there was a tendency to complete a preliminary design phase involving tax and other external advice prior to the tendering process being commenced. In these circumstances, most treasurers identified at least a month-long fact-finding and design stage prior to the RFP being issued. Several respondents commented that they had talked to other treasurers about potential issues and ideas during this design phase. The resultant RFPs were more directive in terms of specifying the exact requirements for which competing parties were tendering, although it was generally made clear that some flexibility would be allowed in arriving at an optimum solution. "The RFP allowed for banks to suggest alternative solutions if they felt it was appropriate", said one treasurer.

For domestic pooling and SSC projects, treasurers tended rather to undertake an initial tender process to select a supplier and then work with that partner in devising the details of the solution. Poet comments: "The requirement for a single European bank was key to the creation of the SSC and so our RFP concentrated mostly on the transactional capabilities of the banks. The cash management element followed on from the decision to use a single bank so many elements of the design were not finalised at the time of the RFP." The TMS implementation at Law Debenture showed a similar model, with the initial choice of supplier being followed by a joint design and specification project being undertaken in collaboration with the systems provider.

Whichever initial approach was taken, it was not uncommon for changes to the original design plan to be introduced during the implementation phase. For example, Appenrodt notes that in Carphone Warehouse's cash pooling project, a CHF cash pool initially planned for London was relocated to Zurich during the project.

SELLING SKILLS. The final issue which elicited substantial comment in our survey was the question of persuading remote business units and operating subsidiaries to buy-into and to support cash management implementations. Most respondents identified potential opposition in decentralised units as a key risk to project success. This indicates the need to consider the implications of any treasury project for other units and to consider this issue in the design phase. It is also important to communicate the objectives of the project and involve those affected in the planning process. This will be crucial where success of the project relies on meeting tight deadlines in overseas centres.

IN SUMMARY. Yet perhaps the most interesting theme drawn out by our mini-survey was the depth of the involvement of the treasury department in delivering a cash management implementation. Much of the advice offered here by treasurers in relation to cash management projects could be relevant to any other major initiative within the modern organisation. Cash management implementations are no longer stand-alone projects confined to a functional area and it is no longer appropriate to hand over primary responsibility for implementation to a bank or supplier. Treasurers are now 'hands-on' at the coal-face of cash efficiency.

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