Making the choice between an enterprise resource planning system and a treasury management system isn't getting any easier, as Lesley Meall discovers

The enterprise resource planning (ERP) system is evolving. "ERP systems are developing their treasury functionality," says James Adams, a senior manager in global treasury and capital markets at Deloitte UK – and corporate treasurers are noticing. "There was a time when treasury managers tended to be very interested in treasury management systems and the driver for ERP was the CFO," he says. "Now, a treasury management system can be an easier solution for corporates moving up from spreadsheets," he adds, "but an increasing number of multinationals are taking the ERP route."

Vendors such as SAP, Oracle and Microsoft are also updating their ERPs to exploit emerging technology trends, such as big data, cloud, dashboards, in-memory processing and mobile access. You can now access as much computing power and treasury-related data from the top of Mount Everest using a smartphone as from a desktop machine that's wired into your entire corporate infrastructure – if you want to. So, as Adams observes: "If you already have an ERP framework in place and you are just adding treasury functionality, ERP may seem like the obvious solution, although it depends on a number of factors and the underlying organisational requirements."

One-stop shop

The ERP approach to treasury functionality seemed to be the obvious solution at AkzoNobel NV, the global provider of paints, coatings and speciality chemicals. The company encourages departments to use SAP software unless business reasons dictate otherwise, and with a SAP ERP already in place, SAP treasury software seemed like a no-brainer. "The software was in line with our corporate IT strategy and one of the best in the treasury solutions market," says Peter van Rood, group treasurer with AkzoNobel, "and it was available at a reasonable annual maintenance cost."

AkzoNobel wanted to establish integrated, standardised and effective treasury processes group-wide, so the company started a phased, year-long roll-out across all 417 of its business units, involving the entire SAP range of treasury applications, from SAP Treasury and Risk Management, through SAP Cash and

Liquidity Management, to SAP Bank Communication Management. "We needed software that could process large volumes of transactions, and we had to integrate cash management across our subsidiaries," says van Rood.

The SAP ERP delivered this and helped treasury to reduce its IT costs. "We achieved considerable process automation in payment processing, lowering manual intervention," says van Rood, which has helped to reduce operating expenses and the risk of error. It's an approach that has won AkzoNobel a number of industry awards and turned its treasurer into an evangelist. "For a company that has the SAP ERP as its backbone for business processes, treasury solutions from SAP should be the first choice," asserts van Rood, "due to ease of integration and a lower total cost of ownership."

Best of breed

Opting for the treasury functionality offered by your ERP provider is not always so straightforward, however, as the utilities 'smart meter' specialist Itron discovered when it expanded from North America into 40 new countries (via acquisition). It needed to reinvent its finance and treasury operations, but rather than use ERP treasury functionality, Itron went for a collection of leading-edge tools, including a treasury workstation from IT2 (now part of Wall Street Systems), FX from FiREapps and FXall, and a Reval treasury management system (TMS).

Before it expanded, Itron was using an Oracle ERP in the US, Canada and Mexico; its acquisition brought with it a specialised manufacturing ERP, QAD MFG/Pro, of which there were 70 different instances (variations). "Over the next two years we plan to migrate all parts of Itron onto a single instance of Oracle," says Ed Barrie, director of treasury, Itron, who is "looking forward to that". Meanwhile, Itron has to rise to the challenges created by its subsidiaries' use of multiple ERPs, each with their own distinct and separate chart of accounts.

"They are all local currency-functional and that creates a lot of exposure on the balance sheet," says Barrie. "We had been hedging our balance sheet exposure for a limited number of currencies that were reflected within our Oracle ERP system."

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But Itron wanted to see its global exposures clearly post-acquisition, too. This meant normalising its exposure across all of the different ERP instances it inherited and mapping them to its corporate chart of accounts. The most efficient way to do that was with FiREapps, its Reval TMS and other specialist treasury tools.

Decisions, decisions

Other treasury managers can learn from the experiences of organisations such as AkzoNobel and Itron. But it is easier to see that a more automated approach can help you to better manage all of the information you need to make informed decisions on cash, debt, commodity positions, FX and other treasury instruments, than it is to identify the solution that best meets your needs. "Unfortunately, there is no one-size-fits-all solution," says Dino Nicolaides, who heads the corporate treasury advisory team at Deloitte UK.

So where do you begin? "Take a step back," he suggests, and start by assessing a broad range of factors. These include, but are not limited to, the size of your organisation; its overall corporate strategy; the structure of its corporate treasury function and its geographical spread; plus the extent to which it already uses treasury management and ERP systems. No two organisations will be the same and there may be many IT-related TMS and ERP factors to take into account before you even start to focus in detail on treasury functionality – though this can be a deal breaker.

The breadth, depth and cost of treasury functionality on offer can vary widely between different providers of TMS and ERP, and different versions of a single system, too. "If you have complicated hedge accounting designations, you need to be sure that the system can be calibrated to meet your needs," says Nicolaides, "and if you want to capture commodity trading as part of your treasury function, then you need to be sure that the system functionality is deep enough to meet your needs." Some scenarios may suggest an ERP; other scenarios may call for alternative approaches.

Each different approach will have its own pros and cons. For example, a TMS is likely to come with more specialist treasury functionality as standard. The software-as-a-service delivery method is making the TMS affordable and accessible to a much broader range of organisations; and it can pull data in from various systems including ERP. The latter can seem to be a more costly approach: it is probably going to require more customisation and configuration than a TMS, but the end result may be better suited to your needs – particularly if they are relatively sophisticated.

As with many technology-related decisions, finding the best solution means considering a host of geographical, operational, resource, strategic and technology factors, and the potential (short- and long-term impact) on various functional areas, including treasury. It also demands cost benefit analysis. Only then can you make a selection, cross your fingers and hope for the best – because having a more transparent and efficient treasury operation won't stabilise fluctuating currency and commodity rates, or solve the eurozone debt crisis, even if it does make some of the pressures on treasury easier to manage.

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