

# TMS take-off

BY IMPLEMENTING A TMS, ETIHAD AIRWAYS HAS IMPROVED THE QUALITY AND RELIABILITY OF ITS CASH AND FINANCIAL RISK MANAGEMENT, PROMOTED INTEGRATION BETWEEN TREASURY AND OTHER SYSTEMS, AND GIVEN MANAGEMENT REPORTING A BOOST. **PATRICK COLEMAN** EXPLAINS HOW IT WAS DONE.



more team members would have to be taken on board just to keep things going. The higher levels of treasury activity were also accompanied by heightened levels and complexity of the financial risks being managed by the team.

Accordingly, the costs and risks of treasury operations were increasing. There was a compelling need to enhance the support for treasury operations, and make them more efficient and effective. Best-practice corporate governance demanded action be taken with a critical financial department such as treasury.

**SELECTION** Etihad Airways initiated a treasury systems selection project in 2008. Subsequently, the implementation of a treasury management system (TMS) helped improve the quality and reliability of cash and financial risk management, integration between treasury and other systems, and management reporting. Etihad's vice president of treasury, Ricky Thirion, set the solution selection process in motion. Airlines have strong and proven supply chain management methodologies and resources, as a result of procuring aircraft and purchasing fuel. Etihad adjusted its processes to accommodate the rather different requirements of licensing a treasury management system. The key organisational feature of both the selection and implementation projects was the close involvement of interested parties and not just treasury. Procurement, legal, finance, IT, audit and others all played their part, with an appropriate level of responsibility.

Etihad decided to install the IT2 treasury management system to improve process management and transparency, and help the business to manage cash and financial risk more efficiently. As Etihad has a strong IT department, it chose to install, operate and support the system on its own technology.

**IMPLEMENTATION** Etihad and IT2 worked closely to define and agree the scope of the solution to support current and future operations. This exercise helped ensure the solution implemented corresponded closely with Etihad's objectives, and provided a useful means for monitoring and managing the project.

To implement an integrated treasury system in as short a time as possible, Etihad set a realistic budget and challenging project plan. The challenges relating to the tight timeline of the project were met by appointing a project manager as a consultant, linked to the in-house project management office and its governance standards and software tools. This strategy helped the project team stay focused on what Etihad and the vendor required, and contributed to highlighting

Etihad Airways is the national airline of the UAE. Set up in July 2003, It started commercial operations in November 2003 with Abu Dhabi, the capital of the UAE, as its hub.

Its treasury department started out using a labour-intensive process based on spreadsheets, and a high level of manual intervention. But the increasing volume and complexity of treasury operations threatened to place the department under unacceptable levels of pressure. More and



potential slippages. Challenges were recognised and solutions implemented with as little delay as possible.

**RESULTS** Etihad completed its TMS project 34% under budget, as a consequence of its professional application of strong project planning, user involvement in implementation

and management techniques.

Etihad's workflows are now controlled, documented and secured by the TMS, so the treasury team and the company's management can focus on their key professional duties relating to cash, financial risk and treasury accounting management, without concerns about the accuracy and completeness of the

### Box 1: Top TMS tips

#### RICKY THIRION OFFERS A TREASURER'S INSIGHT INTO TMS SELECTION AND IMPLEMENTATION.

So, you've been authorised to select and implement a new treasury management system (TMS) for your organisation. You are looking to improve control, efficiency and reporting quality in cash, treasury and financial risk management, perhaps as part of your department's continual drive to achieve best practice, perhaps because of a general management directive to deploy technology more effectively. These high-level ideas, based on experience of the TMS project process, may help smoothe the way for you.

#### TAKE THE OPPORTUNITY TO IMPROVE TREASURY

**PROCESSES** A project of this kind is a great opportunity to re-engineer legacy and manual processes that may not be the most efficient way of doing things, but have continued due to a lack of better tools. Look at different approaches, and determine where improvements can be found. Automation provides the opportunity to eliminate the repetitive, unproductive workflows required by manual processes as well as the interim approval steps that often go hand in hand with manual processes. Successful automation enables you to redeploy your treasury professionals in value-added roles focused on the more tactical and strategic aspects of treasury.

**INVOLVE ALL STAKEHOLDERS** Major projects of this kind generally require participation from operational departments such as accounting, audit, IT, financial planning, legal and procurement. But there will be others, such as the finance staff of remote finance subsidiaries who supply cash forecasts and deal requests, or the corporate management reporting team, whose active and positive participation will also be central to your project's success.

Make sure you consider external stakeholders too; for example, where you will interface to banking and electronic market data feed systems, and particularly your auditors when it comes to issues such as hedge accounting.

If you understand the needs of stakeholders, and get their buy-in and support by involving them in designing the solution, the project will run more efficiently, and will add more value for the whole organisation.

**DOCUMENT THE REQUIRED SOLUTION TEMPLATE** This absolutely essential task involves a description of the workflows, reports and interfaces with other systems and other outputs that are required, in sufficient detail to avoid doubt and ambiguity. This can involve quite meticulous specification of, for example, the exact imports and exports

required with bank reporting and payment systems, and with ERPs. The template is liable to evolve when you better understand the capabilities of your selected TMS. This operation will secure all parties' clear understanding of the solution to be delivered at the critical tendering, contracting and implementation stages of the project.

**OBTAIN EXPERT ADVICE** European and US treasurers often supplement their internal resources with expert external consultants to advise on and validate the TMS selection and implementation processes. If you need equivalent resources and they are not available to you, consult treasury peers in other organisations, and always use your treasury association's facilities. Such support will also help you to select suitable potential vendors, and to construct an effective request for proposals (RFP).

**CHOOSING THE RIGHT VENDOR** Your solution template gives you all you basically need to write an RFP and to evaluate vendor demonstrations and workshops. Peer group referencing will give you a good idea of who is dependable, and should assure you about standard functionality, such as foreign exchange (FX) hedging and cash management. The key for you is to verify that the solution fulfils your special requirements – every treasury has a few of these – such as trade finance instruments, guarantees and tailored debt structures. Never assume that an important feature fulfils your requirements – insist on seeing the proof!

**THE IMPLEMENTATION** Once you have selected your vendor and concluded the contact, you can at last focus on putting the solution in place. You may need to appoint an experienced project manager – and you will definitely need to agree a project plan, with well-defined milestones for deliverables for the vendor and for your team. It is critical to clearly define implementation responsibilities, especially the way in which they are shared between vendor and customer.

Breaking the project into phases helps with control. It is useful to put a steering committee in place with representatives of your own and vendor management, and key stakeholders. Your careful preparation in the early stages of the selection phase will bear fruit as the implementation delivers the winning results you are seeking.

Ricky Thirion is vice president and treasurer of Etihad Airways.  
**RThirion@etihad.ae**  
[www.etihadairways.com](http://www.etihadairways.com)

## middle east supplement

### ETIHAD AIRWAYS

information they are using for their decisions. They have been liberated from struggling with spreadsheets, and no longer depend on expensive, error-prone and inefficient human operations to support a critical financial management function. Treasury now provides faster and more accurate management reporting to the board. The new environment is also highly intuitive for auditors, facilitating an enhanced audit process.

**NEXT STEP** The next stage for Etihad's automation process is to upgrade to IT2 version 7.0, which supports enhanced financial and operational aircraft leases, completing the objectives of the original TMS selection project. In the future Etihad may evaluate possible extensions including enhanced

counterparty risk management and cash visibility using eBAM (electronic bank account management) if these facilities are found to have value in today's rapidly changing treasury management environment.

Etihad is now enjoying the benefits of using an integrated treasury management system. The improvements in transparency, control and accuracy move Etihad further ahead in the pursuit of best practice treasury operations.

Patrick Coleman is regional general manager of IT2 Treasury Solutions.

[patrick.coleman@it2tms.com](mailto:patrick.coleman@it2tms.com)

[www.it2tms.com](http://www.it2tms.com)

#### Box 2: Etihad's operational TMS solution scope



**CASH MANAGEMENT**

- Managing daily cash positioning for both domestic and international bank accounts.
- Payment processing, providing a secure and transparent pathway for interfacing with ERP and electronic banking.
- Short-term investment of excess cash, enabling Etihad to identify surpluses and optimise interest income.
- Capturing and controlling short-term cash forecasting for liquidity purposes, helping Etihad to identify future surpluses and funding requirements, enabling the organisation to make the most effective use of internal cash resources, and so helping to avoid borrowing, thereby reducing credit line utilisation.

**DEBT MANAGEMENT**

- Long-term finance, helping Etihad to evaluate and support capital markets operations, and to optimise liability management.
- Managing overdraft and revolving credit facilities, improving efficiency.
- Interest rate hedging – supporting effective interest rate risk management.

**LETTERS OF CREDIT**

- Supporting trade finance operations.

**FX MANAGEMENT**

- FX trading for hedging, cash management and foreign currency payment needs.

**ACCOUNTING**

- Transaction and accrual accounting for all traded instruments.
- Hedge accounting under IAS 39.

**OTHER SYSTEM INTEGRATIONS**

- Secure and transparent integration with complementary third-party systems to support secure and timely exchange of information in the course of treasury processing.
- Reuters 3000 Extra (FX rates, interest rates).
- Oracle Financials (general ledger).
- Bank balance reporting.
- Bank payment initiation.
- FXall electronic FX and money market dealing portal.