THE TROUBLE WITH TECHNOLOGY

**WHAT ARE THE DOWNSIDES OF IMPLEMENTING A NEW TREASURY SYSTEM?
ANDREW BURGESS EXPLAINS**

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Enhancing the IT technology of a treasury department brings many advantages. Whether the new system is for e-banking, enterprise resource planning or trading purposes, or whether it's simply intended to improve communication, it will inevitably have something to offer. Even if implementation does take a little longer, cost a little more and deliver a little less than was originally promised by the technology vendor before your company's own 'unique circumstances' invariably came to light.

For example, automated data imports remove the tedious repetition of data input. This frees up costly staff time and reduces the risk of data quality issues such as typos due to the inputter's attention waning. Meanwhile, automated reports make it quicker and easier to extract data either in fine granular detail, or through high-level summaries.

While these are all good outcomes in themselves, potential downside risks are inherent in any change, including treasury technology upgrades. Considering these risks in advance of committing to a project could help either to mitigate or to avoid problems before they occur. Broadly, there are four key areas to contemplate.

Business case

This relates to the position of the treasury function and hence its treasury IT system within the company's actual business.

◆ Is the company implementing change for the right reasons, for example, effectiveness and cost savings? How will the gains be used? Can a function reduce its headcount and, if so, how will that change be handled? What else goes with the person(s) leaving? If the system is just an empire-building project to please a more technologically savvy manager who will only be around for a few more years anyway, is it really worth it?

◆ Committing the company to a new system for several years – does this fit in with the business's likely strategic goals as well as its immediate needs? If the company harbours ambitions of taking over a competitor that uses the same system, does changing to a new one now make sense?

◆ What is the expected operating lifespan of the system before an upgrade or replacement is likely to be needed?

◆ Will the system be flexible enough to cope with future regulatory changes?

◆ If it's not a global system, how many other systems of that type exist? Is the system sufficiently compatible with other systems elsewhere within the company? Would it be better to use an alternative system that already exists within the company?

◆ What are the implications for working patterns? Will the system actually do what is intended and what is the all-in cost of implementation?

System technology

The heightened usefulness and sophistication of advanced IT systems breeds reliance upon them. This can therefore make companies vulnerable.

◆ Which functions are lost when the service is unavailable? What happens to the company if the system blows up and ceases to function? Delaying management reporting is one thing – defaulting on VAT payments would be much more serious.

◆ Are there business continuity plans that could be used? Is going back to the old way an option, even in the short term? Does that require experience and practice, active passwords and permissions? Will extra time or other resources be needed to perform functions?

◆ What level of archive data is required and how will it be sorted? Will it be migrated onto the new system or will the former system still be maintained? You need to be certain that everything needed comes over, or cope with the expense of maintaining legacy record systems.

◆ What amount of data storage space is needed on the system, and how fast does it build up? Will the upgrade be operating at a snail's pace inside 18 months?

◆ Do you want to use the same system as your peers? As a system becomes more widely used, it develops a 'mono-culture' problem. Virus and hacking attacks become more frequent as that system becomes a more valuable target. The potential pay-off from manipulating a system used by half the FTSE 100 is worth investing more effort in than one that is only used by Trotters Independent Traders.

◆ When, not if, small errors occur, how are they identified and corrected? If more users have an editing function, the data is subject to more change. The nature and frequency of errors becomes important for selecting who has editing rights.

◆ Are there logical blind spots because IT programmers are not finance operators? A system could be operating perfectly but doing the wrong thing. Sometimes requirements need to be spelled out in mind-numbing detail. Having a software patch where the accounting period is a single digit input is fine… if you are in the habit of using hexadecimal logic.

◆ Problem-solving and functional adaptation – sooner or later this will be needed. If the system has grown to a level of complexity where it will swamp the operators, what then? Will it just become a reliable income stream for the original installation consultant?

People
Human operators are vital to any treasury system. So it's logical to set up the system on the assumption that people will always be interacting with it. Meanwhile, changing the IT system also changes the dynamics within and between units.

◆ Fraud, including data theft, is generally an internal problem, whether that's down to malign intent or disgruntled staff. A global IT system automatically increases both the number of individuals who have data access and the extent of that access.

◆ The treasury team's knowledge level is effectively levelled out because everyone is starting again from a more limited base on the new system. Handled right, with generous sharing of knowledge, this can strengthen a team and enhance effectiveness. The opposite behaviour, with insecure individuals hoarding snippets of knowledge as a source of power or security, can be corrosive on the other hand.

◆ If IT support is an external department, then availability and a sense of urgency need to be maintained. So establish an IT hotline for critical functions in advance – and don't abuse it for password resets.

◆ Data quality – who are the different input sources for the data that treasury will be using? And does data quality matter to them? An exposure management system that is dependent on sales engineers inputting details that have no further use to them will

not be a high priority without extensive internal education and a monitoring programme in place.

Politics
A change as basic as the tools people use will affect their working environment and roles, not just within the team.

◆ Source of information advocating system change – if the source is an external consultancy, will it fortuitously also be able to supply the system it is recommending? If the source is internal, does IT project implementation happen to be their principle skill set?

◆ Source of information opposing change – what impact do people expect the new system to have on their working environment?

◆ Whose function is being enhanced with the system? Who gets to put in the features and requirements for other users that they themselves want most? A tool that is purely designed to make life easy in treasury by dumping extra tasks on the accounting function will be a tough sell.

◆ Does anybody become absolutely indispensable (and thus bulletproof) because of their specialist expertise? Is this the reality or a perception that is down to just a few little IT tricks that only they know? Staff with such secure tenure can be more challenging to manage and motivate.

◆ Will anyone on the existing team become excess baggage (or fear that they will) due to the system implementation? It is better that the management team addresses this early, instead of pressing ahead with implementing change in the face of unspoken opposition.

That can be achieved through providing credible reassurances of security or through negotiating a bonus or redeployment for those who will actively contribute their skills until they are no longer needed.

◆ Establish whether the decision-making power lies with the technical experts or the technological experts. Either approach is fine, but both sides need to know in advance and accept it. This will avoid time, energy and

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resources being wasted in settling the matter when the first dispute arises.

Summary
Treasury IT systems bring great potential benefits if the technology change is handled correctly from the outset – and great potential harm, if not. Perhaps a good maxim is to take it as far as is reasonable, and no further.

US management thinker Peter Drucker's statement that "the computer is a moron" could be a little harsh. Picasso was closer to the mark in his observation that "computers are useless, they only give you answers". Because, no matter how cool the IT toys get, it's still down to treasurers to ask the right questions. ✝

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