How Rank updated its TMS

SAMANTHA Wren of the Rank Group Plc, looks at how group treasury selected and implemented a new treasury management system (TMS).

IN Spring 1998, Rank emerged from a period of fairly intense activity that saw the group divest itself of a number of non-core businesses, including Rank Xerox, a disposal that group treasury managed. During that time we had also raised some longer-term finance which occupied much of our time. This gave us the opportunity to perform some housekeeping on our own systems and procedures which resulted in the identification of the need for some major upgrading and enhancement.

The group treasury operates through Rank Group Finance Plc in London and manages debt and exposures on behalf of all group members. It also runs a small US office for North American cash management. Group treasury raises all finances centrally for the group and undertakes all foreign exchange activity on behalf of subsidiary businesses. Treasury also manages the group's daily cash position in the UK, in the US through the Atlanta office, and recently took responsibility for cash management in continental Europe also.

The group has foreign exchange risk through exposure to the US and Canada, Europe and a small interest in Japan through the Universal park there. This gives rise to the need to trade foreign exchange spot and forward up to five years and we use foreign exchange swaps to manage short-term timing differences. Such global responsibilities make a good TMS crucial to the group's efficient and effective operation.

Rank had been using a TMS that, while a first-class product when it was introduced, had not been upgraded by group treasury for some years. It was DOS-based and no longer compatible with our operating environment. Interim measures were taken to enable continued operation of the system but this was clearly not a long-term solution.

Our approach was to take a step back from the process of cash and treasury management as it then operated, and fully reappraise our use of technology. We aimed to produce a systems strategy for the department that, in turn, would produce the springboard for the changes we knew would be necessary.

This process was fairly quick and confirmed our view that we were already using some useful technology, such as information systems, e-mail and balance reporting systems, but that the integration of these systems into our TMS was not ideal. It also became clear that some of these systems were outdated or not as useful as they could have been in the information they provided.

The bank reporting systems in use were all DOS-based and provided no transaction information, so transactions had to be reviewed from physical bank statements. The information system product we used was outdated and had been replaced by a less expensive but superior service from the same vendor. We also decided to take the plunge and initiate electronic funds transfer. Against this background, our accounting function also decided to upgrade its own systems and by involving them in our strategic process we could communicate our vision to them and ensure we could account for it!

Our strategy was approved early in 1998, whereupon we immediately upgraded our information systems. The decision was taken to delay changes to the bank reporting software until the TMS had been installed, due to the restrictions in our operating environment. The first step, then, was deciding how to select a new TMS.

A new TMS

The selection of a new system is not something undertaken on a regular basis and, indeed, many

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treasurers go their entire careers without ever having to make such a change. We began our search by collecting marketing literature and talking to colleagues in other organisations to find out what might be available.

We discovered that there are many sources of information and in 1999, we attended the Association's Systems conference to see first-hand some of the systems on offer. We also spoke with some of our banks to find out what systems other clients used and used *The Treasurer*, among other trade magazines, to determine the latest thinking on systems. We realised that there was a daunting choice on offer, but that we needed to make a speedy decision which would therefore preclude looking at all the products on the market. We were able to rule out some high-end systems on the basis of cost.

We don't have a dealing room undertaking hundreds of deals a day, but we needed a robust system that could grow with us as our needs changed. The big question was how to go about it.

The selection process

To make a fair evaluation of the systems available and to ensure that we didn't make a selection that subsequently would not fit our needs, we decided to issue a request for proposal (RFP) to selected vendors. We felt that four was a manageable number of vendors and expected the selection decision to be a difficult one as even at this stage we could see there were some very good products available.

An RFP will guide vendors towards a standardised approach in their answers to your questions. This will ease your evaluation process and force a rigorous examination of all the requirements of the system. With a well-drafted RFP, it is more difficult to miss out important aspects of the systems operations and you will find that systems limitations issues are forced out earlier in the process, thus enabling discussion and, hopefully, resolution.

On the negative side, the issuance of an RFP is time-consuming, as you have to investigate and document your current processes and identify their weaknesses in some detail to decide what is required from a new system – although it's no bad thing sometimes to step back and review operations! These wants and needs then have to be communicated to the vendors in such a way that they understand your priorities and the environment in which their system will be used.

Evaluating the results

Following on from the selection process, a mechanism is needed for evaluating the responses and a filter is required to enable a shortlist to be drawn up if the members of that list are not already apparent from your work to date.

The vendor selection process should be anchored around your selection criteria which should be all-encompassing. (Our selection criteria are shown on page 34.) Some criteria, such as operating environment, were defined necessities and compliance was simple to determine, whereas others, such as post-implementation support, were more qualitative and subject to interpretation. Demonstrations of the systems were helpful in deciding on ease of use but the key to a successful demo is populating the system with a wide variety of transactions.

We then used a simple scoring system to aid us in selecting the shortlisted candidates and progressed after that to detailed meetings with the two vendors on our shortlist during which we looked in depth at the systems themselves. By that stage we were fairly clear about our choice and made two site visits to other users of the successful vendor's system. These visits were worthwhile in that they gave us an insight into how the vendor was likely to perform, both post-implementation and in our ongoing relationship. Had the opportunity arisen at that stage, we would also have attended a user group meeting.

The implementation phase

Having made our final choice, we began the implementation phase. As with most projects, the keys to success are planning and resource management. We had been advised by a number of colleagues that the implementation phase was both time-consuming and sufficiently involved to require a dedicated staff resource. We made the decision to second someone internally rather than use a consultant, since we were keen to try to retain the knowledge within the company.

Our project manager became responsible for all the day-to-day management of the implementation but group treasury maintained decision-making rights over the structure of the system and other equally important areas, such as operating procedures, authority limits and the like. All testing was performed by the team members who would be using the live system to iron out any wrinkles and customise it to our requirements.

For a project to progress, it is necessary to

marshal all your resources at the outset. These resources include: staff, hardware, software and, most importantly, the vendor's own resources. Inevitably assistance will be required in customising the system to one's own requirements and there will be training, fixes and even upgrades during the process. You should expect a dedicated contact from your vendor and that the level of attention paid to you pre-appointment should continue post-appointment, but you must remember that post-appointment you are likely to be vying with other customers for your vendor's prompt attention.

At the outset we all knew that some kind of implementation plan was required but most were vague about the contents of such a plan. We developed ours using project management software to break down all the tasks required into discrete areas. It is important to develop and use a plan because this helps to ensure no tasks are overlooked, that decisions are made at the appropriate level – for example authority limits, and that the project progresses within a fixed timeframe. We decided to implement a steering committee which comprised accounting and IT personnel. Regular meetings ensured we kept to the plan and highlighted potential blockages and delays. The choice of committee members also ensured that any accounting or IT problems were communicated quickly and effectively to those departments, all of whom interact with group treasury. I have no doubt that some of our needs from other departments were dealt with more quickly because of the commitment of the committee members to the project.

Lastly, you should by now have agreed a budget (indeed rough figures should have been approved at the start). It might be useful though to reappraise your figures in the light of any additional costs, such as extra consulting or training.

The tasks we identified at the implementation stage can be grouped under several broad headings: installation, static data, deal entry, accounting, report writing, third-party systems interfacing and testing.

Installation. Installation comprises delivery of the software through to the initial setup of the system. By this stage you should also have agreed any legal documentation. But beware, this can be time-consuming and will no doubt need to be reviewed by in-house or external lawyers. An

important consideration of the legal process is access to source code in the event that the supplier defaults – it's one thing for code to be lodged with the National Computing Centre but another for the code actually to work. You should consider whether the supplier will lodge upgrades and modifications with them and also, for a fee, if the NCC will check whether the code works.

Another element of installation is the authority that individuals will have within the system (for example, deal entry and authorisation) and to maintain strictness at an early stage so that any errors in processing are passed on to management immediately. In our case we identified processing errors in the new system and so restricted authority to a few key individuals. The errors picked up from this process then highlighted the fact that some staff need further training.

What should you look for in a new TMS?

- Try to look at a variety of systems to gauge what's available;
- be honest with potential vendors so they understand your objectives and how you will use their system;
- ask searching questions about the potential system's performance, regardless of whether you follow the RFP approach;
- think about other systems used in your treasury. Is a TMS the only software that needs improvement? If not, think about a larger project to upgrade all your systems and take real advantage of new technology;
- at the planning stage, be prepared to commit real resources to the project. Generally, this is not something to be done on a part-time basis unless you are prepared for the project to run for some time. Resource equals people, time and money;
- make sure your chosen vendor commits time to helping you implement their system. Programming changes take time so try to identify these at the beginning. Inevitably, there will be some surprises (confirmations systems that aren't Millennium-compliant), but these hurdles can easily be overcome. Remember, your vendor wants you as a customer because you will help them develop their system, but it is a partnership and you need to work together;
- make sure the implementation team has support from management and that you commit your time to discussing and reviewing what's being implemented; and
- an implementation has a large number of tasks involved in it so don't lose sight of your goal. As the project rushes headlong towards the 'go live' date, keep focused on quality and control. Sometimes it can be hard to remember when you're up to your neck in alligators, that the original objective was to drain the swamp!

Static data. The ease with which static data is entered will depend on the quality of your existing records. We decided to start with a clean slate and input all static data afresh. This ensured that all bank settlement information and contact details were correct and up to date and, by being fairly strict about the quality of the data input, that we obtained more complete records than had been the case under the previous system.

Data entry. For treasuries with an existing TMS, there is the option to convert transactions from the old system to the new. Past experience within the team suggested that converted data frequently required repair, which is why we opted to rekey ours. We re-keyed one year's matured foreign exchange data and (obviously) all unmatured deals. This process was not overly time-consuming and gave all members of the team the opportunity to learn how to use the deal recording area of the system. The input was rigorously checked against data from the old system to ensure consistency and did not present any problems.

Accounting. We are still working on this area. We are interfacing the TMS into third-party software and at the same time creating a new chart of accounts to better reflect our current activities. We had back-ended this process and with hindsight, would probably have begun to tackle it earlier to avoid going live without the interface being in place. It can be difficult to get the full attention of the accounting team, constrained as they are by year-end and monthly reporting deadlines, so careful planning is required to take advantage of windows in their work time. Another difficulty we encountered was that our account mapping was not the standard for the software we use and had clearly been modified at some point in the past. This was unexpected and required additional work by our vendor.

Report writing. Report writing is often left until late in the project. However, without the required reports from the system, one cannot manage treasury activities adequately. Many systems have relatively few standard reports since corporates' requirements differ so widely. My advice is to remember to plan adequate time for deciding what reports are required. In our case, we had to learn how to use a report writer to develop our required reporting. This process proved relatively simple and all staff now use the system actively to run reports in a way that was never done in the old system, reflecting the user-friendly Windows environment

and general ease of use of the system. Report writing required a large amount of management time compared to some other tasks, chiefly because the management team had exacting requirements on what should be reported from the system. It is certainly important to ensure the data reported is correct and that full advantage is taken of reporting for the purposes of control. Indeed, without reporting having been finalised it is not possible to 'go live'.

Interfaces. Rank uses third-party electronic confirmations processing software to confirm all our FX and money market deals. During the implementation process we discovered that our new system would only confirm FX deals through the confirmations system and not money market deals. This required us to work with the vendor to incorporate money market deals in the process or face delay in going live as we were unwilling to issue paper confirmations to our banks. This oversight is a good example of the importance of clearly specifying requirements in the RFP although in the final analysis this oversight was not difficult to remedy and any corporate wishing to use that particular system for that purpose in future should be able to take advantage of our work.

Testing. The final stage of the implementation project was the testing phase. Over a period of several weeks we formally ran the new system in parallel with the old system and tested the new applications to ensure we achieve the results expected. We encountered no major problems with the system itself and although the process of testing was a time-consuming one it reassured us about on the operation of the new system.

EBR/EFT. Our experience in these areas was mixed. It proved a straightforward task getting EBR systems to talk to our treasury system.

Go live

So where are we now? Our new system is currently in use and represents a huge leap forward in the provision of information and efficiency in the daily cash management process. We have yet to complete the accounting interface and still have some work to perform on bank EBR and EFT systems. Nevertheless, the project is on track for completion shortly. All members of the Rank team are conversant in the use of the new system and it has enabled us for the first time ever to be able to report back to our banks on their performance for us.

GROUP DIVISIONS:	YEAR ENDING 1998:	
Deluxe film services;		£m
Hard Rock;	Group turnover	2,057
holidays; and	Operating profit (pre-exceptional)	280
leisure.	Net assets	1,328