

Experts in the News

Implementing Treasury Banking Solutions – Factors and Considerations

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Today, many corporate treasurers are embarking on global transformation projects to fundamentally change the way they conduct their banking business. In this challenging economic environment, treasurers are looking to implement these solutions as quickly and efficiently as possible to enable them to achieve their goals.

This article looks at some key considerations that corporate treasurers can take into account when planning to embark on global cash management banking projects to help to achieve a successful outcome that meets their anticipated goals.

1. Align the Project with the Company Strategy - Senior Sponsorship for the Project is Key

An important consideration for a corporate treasurer when implementing large treasury cash management solutions with a banking partner is the need to have senior sponsorship for the duration of the implementation of the project, the sponsor preferably being the CEO, CFO or group treasurer.

This may seem to be an obvious requirement, but a large number of banking projects are stalled each year due to the key sponsor of the project either moving to a new role or leaving the organisation with no replacement appointed.

It is advisable that the project sponsor clearly communicates the business rationale of the project, as well as the benefits to be obtained once completed. The project team that will be assigned (both within the company and the bank) also needs to be introduced to all stakeholders prior to the project kick-off. This ensures a degree of continuity and buy-in at the very start of the project, and can eliminate any confusion that may exist in terms of implementation approach.

2. Assign Designated Project Resources

For most regional or global treasury solutions, the company should designate a project team to drive the delivery of the solution. The resources for these projects include, (but are not limited to) a project manager, a documentation manager and technical integration resources.

The project manager: co-ordinates all activities related to the project, ensuring the project is kept on track, liaising with all relevant areas of the company to ensure the right level of engagement is obtained as well as providing regular updates to the senior sponsors and stakeholders of the project. The project manager, in conjunction with the bank's implementation manager, will also raise any risks and issues on periodic steering committee calls.

Documentation manager or specialist: will be responsible for ensuring the legal and regulatory documentation provided by the bank detailing the terms and conditions of the products and services procured are accepted and properly signed in accordance with their signing authorities.

Technical resources: The involvement of technical resources is often under-estimated by companies in projects, but new file development (in specific file formats) and bank integration may require some technical development work to be completed, and technical resources may need to be assigned to the project for a significant period of time. These resources may be deployed from the in-house technical teams, or alternatively obtained using an outsourced technical consulting firm, which could have knock-on cost implications.

Multi-Regional Implementations can be Resource-Intensive

Companies sometimes need to implement cash management or treasury solutions in regions other than where their treasury centre or shared service centre is located. In these cases, it is important that the selected bank's implementation team has the required resources to assign a single point of contact for the project, who will act as the overall project manager to manage the project with end-to-end accountability, as well as assign local implementation teams in each region and ensure the regional components of the project are completed on schedule.

This implementation model gives the corporate treasurer a single point of contact for governance and oversight of all components of the project and an overview of the overall project status at any time to help to ensure that the stated objectives are delivered. It is critical that the selected bank can commit this level of resources in each of the various markets for the implementation to be a success. Banks that do not have the local resources available in each of the countries to liaise directly with the local corporate entities and leverage local knowledge may not be able to deliver the solution as effectively.

3. Start Right - Invest Time Clarifying Project Requirements Upfront

Detailed Requirements Gathering is Critical

Upfront planning is critical in implementing banking treasury solutions, and it does pay for Companies to invest time at the start of a banking implementation project to ensure all requirements are captured, including local payments and receivable instruments and banking practices. This may also include low-level technical information such as file formats, technical schemes and country rules. Dedicated project resources on both sides should be determined, and, if required, a pre-implementation workshop held to jointly agree scope of the project, timelines, dependencies and task ownership. It is also important that a mutually agreed end-state is determined to demonstrate the completion of the project.

Experience has shown that a detailed planning exercise performed prior to the project kick-off can save significant amounts of time later in the project life-cycle, especially if the bank selection process did not entail a detailed review of the requirements.

Bank Integration - the Devil's in the Detail

The ability and ease with which companies can integrate with their chosen bank and begin automating the payment file delivery, returns and statements can determine how quickly the corporate treasurer can reduce manual processes, centralise accounts payable and receivable functions, and realise the benefits of the project. Corporate treasuries are under increasing pressure to optimise the effectiveness of their business functions, which, in turn, challenges banks to provide an implementation approach to deliver rapid file integration with a high level of Straight-Through Processing (STP). Most companies tend to integrate their Treasury Management Systems or Enterprise Resource Planning (ERP) accounting systems with the bank's back-end platforms to automate file delivery and reduce the manual intervention of payables and receivables processing.

Bank integration - or how companies 'connect' to the bank - can be a potentially challenging experience for many companies as this process requires a level of technical expertise which may not be available within the corporation. The connectivity between the two parties can be built using a secure link and the data flow encrypted using industry security standards.

Banks can assist with the bank integration component of an implementation by providing technical resources to assist with building the file in the required format. This is useful as Treasuries may have to compete for internal technical resources to work on the bank integration over the course of the project. This can be a key reason for projects being delayed - technical resources are assigned at the onset of a project, but are later re-assigned to other higher-priority internal projects.

A bank which offers technical resources to assist a client in integrating their treasury ERP systems and generate payment files in the required file formats may be able to significantly reduce the overall implementation timeframe and accelerate the overall benefit to the client.

4. Apply Project Management Best Practices from the Beginning

Project Planning and Governance - Leverage Technology

Clear communication and co-ordination between the various project teams and parties is a critical success factor during bank implementation projects. This can be challenging, particularly if there are different regions/countries, languages or time zones involved.

Projects should be managed in a controlled fashion, and project details should be made available to all stakeholders during the different stages of the project. Project trackers, regular updates, risks and issues logs, weekly conference calls and a Monthly Steering Committee meeting with the project sponsors are just some of the various tools that should be used to keep projects on track. The project documents can be kept on a collaborative workspace or an on-demand shared workspace environment throughout the implementation process which enables both the company and bank project teams safely and securely exchange, organise and manage real-time information relevant to the implementation process.

'Eating the Elephant' - Break the Project into Manageable Pieces of Work

Multi-country projects are normally implemented in phases, and treasurers need to decide on which markets should be implemented in each phase of the project.

Consideration can be given to implementing large business units or markets first to aim to reap higher benefits upfront. However, these have to be selected cautiously, as the largest markets are normally the most complex, potentially resulting in the project being delayed due to the unforeseen complexity of the project once the implementation is underway.

Many treasurers mitigate this issue by initially implementing a Proof-of-Concept project, which is a pilot solution normally implemented in a market that is small and controllable to ensure that the solution is achievable. This ensures the project can be delivered to prove the hypothesis and ensure that the perceived benefits can be derived once the overall solution is live.

Treasurers often chose markets that will be potentially easier to implement for the Proof of Concept and these can be 'quick wins' that will demonstrate success and accelerate buy-in from other subsidiaries. Treasurers also may implement a Proof-of-Concept project in a market where they already have some existing infrastructure (existing accounts opened, existing connectivity etc) to cut down on the timeframes required to go live.

Another factor to take into consideration when determining the phasing of countries and markets to be implemented is if the company is concurrently rolling out a new ERP platform. It may be cost effective to implement the new banking solution only in markets that have already gone live with the new ERP platform, and therefore the timetable of the project roll-out can mostly be driven by the ERP roll-out schedule.

5. Communicate, Communicate, Communicate!

Ensure Buy-In from Local Subsidiaries

Before embarking on regional or global treasury banking projects, corporate treasurers and cash managers need to have obtained local buy-in of the overall project (including the associated benefits) from the subsidiaries and operational companies. In many cases, the banking partner is selected prior to buy-in being obtained, and this sometimes results in the regional or global treasury having to 're-sell' the treasury solution to the local entities, creating unnecessary delays in the implementation and potentially stalling the on-boarding process.

Keep People Informed of Progress

The Project Manager should ensure that all stakeholders are kept abreast of the overall project status, milestones reached and risks (if any) during the various stages of the project, and anyone related to the project should be aware of which task or activity is next to be completed.

6. Celebrate Success

As each milestone of the project is crossed, the project manager should recognise achievements of the team and reward success. Ideally, the project sponsor should communicate clear progress towards the overall project benefits at each key stage of the project.

Conclusion

Implementing large cash management banking projects to harness the benefits of centralisation and globalisation can be complex, and it is imperative that projects are properly scoped and planned prior to commencing execution.

The factors listed above are by no means exhaustive. However, they do represent key success factors derived from various projects that have been successfully delivered on time and on budget, and these factors can easily be applied to similar solutions to ensure a successful outcome.

Alcon case study

Implementing leading-edge technology to facilitate the set-up of shared services

Alcon is the largest and most profitable surgical, pharmaceutical and consumer vision care products company worldwide

The challenge

Alcon wanted to establish a Shared Service Centre (SSC) in Switzerland for its' Europe, Middle East and Africa (EURMEA) region in such a way to achieve maximum automation, whilst retaining a high degree of flexibility to extend the scope of its activities in future.

At the time of the set-up of the SSC in Fribourg, Alcon's parent company, Nestlé, announced plans to sell its' majority shareholding in the company to Novartis Limited. This meant Alcon also had to set up a treasury in EURMEA as these activities were undertaken by Nestlé.

The implementation

In close collaboration with the new treasury team, Citi developed a cash management solution that met the needs of the EURMEA Treasury Centre, as well as the SSC. This involved opening 44 new accounts to facilitate Accounts Payable and Liquidity Management. Alcon decided at the time that, given the economic back-drop, it did not want to impact its customers and therefore an automated 3rd party bank sweep was put in place to draw liquidity from their legacy banks, who still handled Accounts Receivables.

Alcon chose to use SWIFTNet as its connection to Citi and the new ISO20022 XML message formats for both payment, as well as, statements files, to give maximum inter-operability. The XML message standards were very new but, thanks to Citi's experience with the technology and it's willingness to implement these in accordance with Alcon's roll-out strategy, the development and testing were achieved within 4 months. Alcon also chose to pilot the TWIST XML Bank Services Billing statement that Citi was developing.

The project was implemented in phases with Austria and the Netherlands chosen as pilot countries, which went live in November 2009. Following the success of the pilots, a second phase were implemented covering header accounts for CHF, DKK, GBP, and EUR, together with a further 6 countries. In all, 13 countries will be live for payments by the end of 2010.

In the course of the implementation, Alcon needed to withdraw from Nestlé Netting system to complete the disengagement of the treasury activities. In view of the time-scales, and the lean treasury team, it was decided to appoint Citi as agent for the global netting system, which now encompasses some 40 plus participants.

The result

Alcon is pleased with the implementation to date and has particularly appreciated the SWIFTNet and XML support it has received from Citi. The company has achieved a high degree of automation for its treasury activities and accounts payable for the SSC, as well as significantly improved operational efficiency.

Alcon was one of the first companies to make use of SWIFTNet and XML. The use of XML has enabled Alcon to upgrade to CAMT version 2 facilitating better reconciliation. This will also be beneficial in terms of focusing on the automation of AR in the next phase.

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