REVAL®

Single Solution. Total Visibility.™

Selling the Value of Transformational Treasury and Risk Technology

Tips for a Winning Business Case

September, 2013

CONTENT

Executive Summary

Introduction

What Makes Today's Treasury Technology a Required Vehicle for Financial Transformation

Why Technology Investment is Strategic, Not Tactical

Nothing is Free, Not Even Status Quo

Information Gathering Helps Define Value for all Stakeholders

Conclusion

Executive summary

The responsibilities of the treasurer have expanded over the last few years as the disconnect between what a treasurer needs to support his or her broad remit and what the Chief Financial Officer is willing to fund continues to run deep. In this paper, Reval demonstrates how treasurers can frame the business case for transformative technology and sell the value of a strategic investment in next generation treasury technology.

Introduction

Challenges that treasurers face today are different than they were five years ago. And treasurers know that five years from now there will be new, more complex challenges they will be facing. As stewards of their company's financial nerve center, treasurers are living with the reality that new responsibilities and financial risks are lurking around every corner. In fact, while 86% of those surveyed in 2013 by the Association of Financial Professionals say that risk assessment is very important, 53% say they have greater difficulty today anticipating risks to their companies' earnings than they did before the global financial crisis. In fact, the visibility of these risks – regulatory and market risks among the most pressing and unpredictable – has reached the boardroom level at 80% of companies Deloitte surveyed in the second quarter of 2013. With risk concerns at this level, the treasurer is increasingly relied upon as a strategic business partner in delivering on corporate performance. Consequently the responsibilities of the treasurer have expanded over the last few years as well. Still, the disconnect between what a treasurer needs to support his or her broad remit and what the Chief Financial Officer is willing to fund continues to run deep.

Technology solutions that will empower the treasurer and his or her organization are necessary if treasury is to deliver on the expectations of the C-suite and deliver on the growth objectives of the company. But despite the magnitude of treasury's purview across the enterprise, it is a constant battle to prove the value of having the right resources and technology - technology that has a broad reach across the entire treasury organization

Single Solution. Total Visibility.™

and that can enable treasury to have an impact on several business functions across the enterprise.

In order to demonstrate such value, treasurers must understand:

1. What makes modern treasury technology a requirement for financial transformation
2. Why technology investment is strategic, not tactical
3. Nothing is free, not even status quo
4. Information gathering helps define value for all stakeholders

1. What Makes Today's Treasury Technology a Required Vehicle for Financial Transformation

Treasury's evolution over the past five years to a more strategic business function has shaped the requirements of its enabling technology. So much so, that installed, client-server technology is giving way to next generation, cloud-based Software-as-a-Service (SaaS) technology for Treasury and Risk Management (TRM).

Next generation treasury technology is transformational in that it goes far beyond simple automation to help change the conversation for treasurers, their finance teams, and business units, such as those involved in pricing and contract negotiations, executive management, and the board. However, if treasurers cannot articulate the value of transformative treasury technology to their CFOs, it is unlikely they will be effective agents of change within their organizations. The inability to effectively lead change may leave companies subject to the advances of their competitors, who may be bounding toward the future, empowered with the right tools to support their charge.

Taking a Cue from other Technology Transformations

It is often challenging for sponsoring executives to actually quantify and articulate to the CFO the value of transformative technology, in spite of the fact that these solutions have a significant impact on treasury's performance, and therefore on corporate performance. To understand the broad impact such technology can have on the enterprise, it might be helpful for treasurers to look back on the evolution of some well-known business

Selling the Sizzle of SaaS in Treasury

SaaS remains the most popular form of cloud service, used by 63% of organizations, up from 55% last year, according to North Bridge Venture Partner's 2013 Future of Cloud Survey. This delivery method's key attributes also provides value to treasury.

There are four key areas that set the standards of excellence in SaaS-based technology:

1. ***Flexibility** - in configuring software to meet functional needs*
2. ***Adaptability** - in global deployments of applications across the enterprise*
3. ***Responsiveness** - of the technology solution provider in meeting changes in the market that are happening rapidly each day and each year, and*
4. ***Cost Effectiveness and Transparency** - in operating solutions that can help run the business.*

applications that are commonly used in companies today, such as Customer Relationship Management (CRM), which began as simple sales force automation. Salesforce.com, for example, continues to expand the applications offered on its single SaaS platform for CRM as more of the enterprise leverages the intelligence created by various functional groups. In another example, SaaS-based technology company Workday has transformed the way HR and ERP solves problems for large, global enterprises.

While these solutions manage multiple business processes across a major part of the enterprise, each meets the needs of a function that has developed from a tactical operation to a more strategic, forward-looking function. In addition, each technology progression moved beyond the limitations of on-premise, client/server technology to nimble, multi-tenant SaaS platforms that offered comprehensive functionality and liberation from the constraints of IT. These examples might help treasurers frame for their CFO's how companies today are leveraging technology to deliver on corporate strategies that are continually pushing their businesses forward.

Still, the question remains for each company considering new or replacement technology for treasury: What is the immediate need that is causing the most pain for the organization, and does that justify the investment?

2. Why Technology Investment is Strategic, Not Tactical

A company's immediate pain begins the treasurer's journey to exploring various technologies and ultimately investing in the right solution for his or her organization. To this end, having a broader vision of a world-class organization will enable companies to set themselves up for future change. For example, M&A events may leave an organization with disparate, redundant, or incompatible systems and processes. Growth in any organization, whether through mergers and acquisitions or through organic means, commonly highlights inefficiencies in manual processes, redundant processes, additional risk factors and outdated systems that cannot handle the challenges of conducting business in various markets around the world.

While this example of a compelling need comes from the complexities of a merged culture, conditions leading to consolidating systems and optimizing processes may have been a long time in the making. In either case, the organization is beginning to realize that future growth is simply unsustainable without the support of modern technology that can take the company where it wants to go. But truly transformational technology should not only help the company get where it wants to go, it should take it to places it never dreamed of. Only a technology vendor that can work as a strategic partner in this effort can help a treasurer determine whether the project is worth the investment.

3. Nothing is Free, Not Even Status Quo

To help treasurers begin gathering the information to build and, perhaps more importantly, sell the business case for transformative technology, consider the areas below that can help him or her demonstrate return on investment (ROI):

- Global Financial Market Risk
- Global Cash and Liquidity Risk
- Regulatory Compliance Risk
- Operational Risk

Exploring each of these areas with your vendor can help treasurers collect the information necessary to build out the business case by assessing the costs involved in keeping the status-quo or acquiring the vendor's technology. Let's briefly examine some ways to think about putting a value on current operations versus a new technology within each of these key areas.

Global Financial Market Risk – While automating these processes can be quantified on its own, linking a value to these exposures can demonstrate the limits to what you cannot do – how much in addition would you like to hedge, if only you could?

Global Cash and Liquidity Risk – What is the dollar value of idle cash? If you had global visibility into cash positions, you could avoid overdraft fees, or if your forecasting was better, you could invest these amounts. A global company that is considering an in-house banking model may currently have one subsidiary depositing in one bank, and another taking out a loan from a different bank. Placing a value on interest and bank fees saved can be easily quantified.

Regulatory Compliance Risk – The technology you are seeking to justify is truly transformational if it can help you with change and operate with limited resources. What does it take to keep up with new and changing regulations from global financial reform or accounting standards? You can calculate the extra headcount you might need on a project or the consulting hours you may require. If you will be coming from a manual process environment, how much will you save from the detailed audits of your entire process? The checks from audits on companies with good and reputable systems in place will be significantly less, not to mention the significant impact on shareholder value a restatement would cause.

Operational Risk – Companies can put hard dollars against the efficiencies gained by automating processes, many of which have been mentioned above. Savings can also be quantified in payment efficiencies. Optimizing payments can bring down the number of payments and transaction costs. A payment factory approach can reduce the number of banks used across various countries. Using a few preferred partners would reduce transaction costs because of higher volumes.

Other operational savings can come in optimizing data and the outsourced hosting benefits of operating in the cloud with a SaaS offering. Hardware requirements, set-up and maintenance of interfaces, the physical cost of upgrades, data and data recovery centers can all be calculated. In an organization of manual processes, a treasurer could calculate annual costs against the number of people working on gathering data, reconfirming data, making manual bookings, and manual accounting entries. Is the organization spending time gathering data and ensuring data integrity, rather than analyzing reports and basing decisions on those insights? Manual, repetitive processes cost a lot of time and effort.

4. Information Gathering Helps Define Value for all Stakeholders

While the treasurer will be the one to present the business case to the CFO, he or she will have to rely on input from various teams or stakeholders when considering the value of transformational technology against the organization's current state. At some point in the evaluation process, this may require that the treasurer come to the table with his or her team. This not only provides the treasurer with an opportunity to gather information, but it also promotes a stronger internal partnership with the business units. In addition, it helps define the strategic value to internal clients and partners. For additional inputs into the business case, treasurers should ask their vendors for a benchmark in their respective verticals – companies that are comparable by industry, size, and operations.

Conclusion

In the end, quantifying the ROI throughout the evaluation process will arm the treasurer with the hard numbers for presenting the business case. But also framing the business case for transformative technology will help treasurers sell the value of a strategic investment in technology. With increased expectations from their CFOs, treasurers will need next generation treasury technology to provide greater competitive value to the business.

While treasury now has the attention of the C-suite for the value it brings to the table, treasury's next mandate is to prepare its organization for the future to handle challenges known and unknown. Getting the organization and especially the CFO behind this vision will require a deliberate process and methodology to qualifying and quantifying the value of a transformative treasury technology initiative.

Here's how to learn more:

- Listen to the webinar: Future-Proof Your Treasury Part 3: Building the Business Case for Transformational Technology
- Watch the video: Realizing Treasury Transformation Through Technology
- Get the ROI model: info@reval.com

