

A photograph showing a thick, light-colored rope coiled around a metal bollard on a wooden dock. The background is a harbor scene with several boats and buildings, slightly out of focus, under a soft, warm light, possibly at sunset or sunrise.

GUERILLATREASURER

THE GUERILLA TREASURER MINDSET: COST EFFECTIVE TREASURY DEVELOPMENT

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Where to Focus?

The average corporate treasury development project goes something like this: the treasury gets allocated funds from the management to improve risk management and promptly decides to acquire a new treasury management system (TMS).

The first six months goes by in a blur in the request for information (RFI)/request for proposal (RFP)/request for quotation (RFQ) merry-go-round. When a decision finally gets made, the next three months are spent at the negotiating table with the chosen vendor, wrangling over contract terms. The next 18 months are then spent on a step-wise implementation of the system. The whole project ties up the treasury's development resources for several years and costs an arm and a leg.

Does the company get its money's worth? If the homework has been done properly and several basic things are in order, the answer is an empathetic 'maybe'. The project could have been much more productive, but that is not the topic of this article. Quite often, however, this approach is simply barking up the wrong tree. If the basics are not in order, the investment into a new system is a waste of money and resources.

The key task of a treasury is to manage the financial risks - such as liquidity and currency risks - of the company. The risks are caused by the cash flows of the operative business. The treasury needs to have reliable, real-time cash forecasts and foreign exchange (FX) exposure reports. Otherwise the situation is 'garbage in, garbage out', no matter how expensive and fancy the TMS is.

So what would a guerilla treasurer do? They would start by putting the basics in order. The beauty of the whole thing is in the fact that the basics are relatively easy to put in order and it does not even have to cost very much - all the company needs to do is put its business-to-treasury (B2T) process in order. This, however, requires attention and a willingness to look at things differently.

The first prerequisite is that the operating units understand what is expected of them. This, in turn, requires the treasury to understand the needs of the operating units and create instructions and policies in a language normal humans can understand. The second prerequisite is having appropriate tools; if the tools are built for the needs of the treasury only, there is a considerable risk that the operating unit people find them too hard to use.

A guerilla fights against an overwhelming enemy with meager resources, and only cunning and passion for the cause on their side. Similarly, a treasurer must fight with a meager budget and resources to fulfil the constantly changing demands of the markets, accounting rules, and corporate top brass. To be successful, the guerilla treasurer needs a healthy dose of common sense and subtlety to do their job.

Selecting the Solution

Selecting the right solution is a tricky business where many an otherwise sensible corporate treasury can go astray. Corporate treasuries, as a rule, have limited budgets and suffer from a chronic lack of time and resources. Yet even a relatively simple software acquisition project is undertaken as if it were the renewal of a crucial safety system for a nuclear power plant.

Let's take cash forecasting as an example. It is undoubtedly a significant challenge for a majority of corporates. However, from a software perspective, solving this problem is not rocket science. Yet, a treasury gone astray can easily spend up to 12 months to select such a system with the following two-fold reasoning:

- ✓ The cost of the solution must be as low as possible.
- ✓ It must fit perfectly with the corporation's existing processes.

Let us examine these requirements in more detail. If the treasury manages to negotiate a 10% discount with their software vendor of choice, they may feel they have achieved major savings. In reality, the savings might be in the range of €5,000-10,000. Real money, to be sure, but, because of inefficient cash forecasting, the corporation might have been losing hundreds of thousands of euros per month. So it can turn out these 'savings' are rather illusory. The other piece of reasoning is even harder to justify. The so-called 'perfect solution' can usually only be achieved through a bespoke solution or by extremely complicated configuration and parameterisation.

Both routes lead to sizable software projects that even further delay the realisation of the benefits from the system, and - more likely than not - end up exceeding the budget. In fact, I have witnessed several cases where this dilemma has resulted in the treasury not undertaking the project at all, because they cannot find 'just the right solution' for them. And, at the same time, the corporation is bleeding considerable sums of money.

A guerilla treasurer takes a pragmatic, street-wise approach. From the corporation's perspective, only one thing really matters: how fast the problem can be adequately solved. A true guerilla treasurer sees the overall picture and understands that the longer the money pit is open, the more expensive the project becomes. They also understand that if there is no perfect solution available (and, let's be honest here, how often have you seen the perfect solution?), the best option is to employ an 80% solution that can be deployed quickly, and possibly perfected over time.

Cash forecasting is a prime example of an ever-evolving process that the treasury and business units perfect by practice. Instead of trying to score the perfect solution from the get-go, I strongly recommend practical baby steps that gradually lead to a fully functional solution.