
A Guide to Cash Management Systems in Europe

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The recent credit crisis has reiterated to corporates the importance of having a good cash management system, which in turn has brought about an increase in the demand for such systems. This article looks at how to select a cash management system, as well as the most common systems being sold in Europe.

What does cash management entail? A cash management system should support the following functionality:

- Management of master data for bank, bank accounts and subsidiaries.
- Management of bank balances per bank account.
- Loading of bank account balances via prior day bank statements.
- Tools for inbound and outbound data.
- Import of treasury flows.
- Import of executed payments.
- Import of information about registered future cash flows from sources such as invoices, orders and salaries.
- Export of exposure data to treasury and risk management systems.
- De-centralised manual entry of forecasts.
- Central corrections of forecasts and the manual entry of additional forecasts.
- Forecast versions.
- Reconciliation of forecasts with bank statements.
- Reporting.
- Reporting on cash position and short- and long-term forecasts, at a group level or regionally, as well as comparison reports.
- Standard reports.
- Ad-hoc reporting capabilities.

Because most systems support these functions, it makes it more difficult at first glance to choose the right system over other solutions in the treasury management arena. Therefore, other factors beyond detailed functionality become the deciding factors when choosing a new cash management system.

System Vendors

Generally there are three types of vendors offering cash management solutions:

1. Banks.
2. Enterprise resource planning (ERP) system vendors.
3. Specialist vendors.

Each type of supplier has advantages and disadvantages. Sometimes the choice is obvious, other times a company may look at vendors from two of the categories, but rarely would a company consider all three.

Banks

Many banks offer some cash management features and reporting tools, as well as liquidity forecasting. One advantage of choosing a bank as a cash management solution provider is that bank-based systems come with an integrated interface to bank statements. Therefore, it is possible to go live within a week or two with some banks' cash management systems.

Another advantage is that a bank's tools are inexpensive, so if a company's requirements are not very sophisticated, this can be a good and cheap alternative.

On the other hand, a company should also consider that if it chooses a cash management tool from a bank, it will become more tied to this particular bank. It will make it more difficult to change banks in the future should the company wish to do so, as it would also have to change its cash management system. Moreover, banks' cash management tools do not have as much functionality as tools from ERP system or specialised vendors.

Therefore, if a company only uses one bank, or has the majority of cash flows through one bank, then this option is worth considering.

ERP vendors

All the large ERP systems, such as Oracle Financials, Oracle PeopleSoft, SAP ERP, or Microsoft Dynamics NAV, have cash management functionality included.

A big advantage of using an ERP system for cash management is the tight integration within the order-to-cash (O2C) and purchase-to-pay (P2P) flow cycles. For example, an invoice can be seen in the cash management report without being imported and converted from another system first.

The large ERP systems also have the ability to analyse client payment behaviour to spot clients that consistently pay their invoices late and reflect this in the cash flow forecasts, thus providing a more accurate forecast. A feature that is difficult to duplicate in stand-alone systems without reconciliation on the invoice level.

Having everything on one platform avoids duplications, both in the processing and data management. For example, a company won't need to load a bank statement twice - first into the cash management system and then into the ERP system - for invoice reconciliation. In addition, it won't have to duplicate bank and bank account information, as it is already available in the ERP system because it is needed when paying vendor invoices.

Additionally, ERP systems have the advantage that a company won't need extra hardware or train IT staff in supporting another platform.

However, if there are many ERP platforms in a company, then the advantage of another ERP system can diminish fast. Cash management systems from different ERP platforms don't integrate well, nor do they support the import process as well as most specialised cash management systems.

Specialised systems

There are many specialised systems on the market providing good cash management functionality. Most of these vendors provide a utility to run cash management as well as functionality to support payment factories, in-house banks and/or treasury and risk management functionality.

Due to the multitude of systems, there is a lot of choice in the market. Even though at a high level each system supports all the functionality mentioned above, there are significant differences in how they operate.

The advantage of a specialised system is that a company can often get functionality and support more closely tailored to its needs than through a bank or ERP solutions.

Often specialised vendors are quicker to release new functionality or processes. In addition, it is easier to install new functionality with a standalone system than an ERP system, as many other processes depend on the ERP system's stability. Therefore, an IT department can be reluctant to upgrade or install new functionality on ERP systems.

On the other hand, some ERP vendors can also be quick to develop new functionality, such as SWIFT connectivity for corporates where, for example, SAP has been a frontrunner in this development. Furthermore, some ERP vendors have developed methods to install new functionality in specific areas without having to go through an upgrade of the whole system.

Selecting a New Cash Management System

Before choosing a new cash management system, a company must look at how it fits into its system landscape and also whether it fits the strategy for system support in the treasury area. A company shouldn't let a cash management system dictate its future landscape because there is a perceived obligation to buy more from the same provider to reduce the number of interfaces. The system landscape should be decided top down, not bottom up.

Once a strategy is in place, a company can start the selection process for a new cash management system. There are five points to consider:

1. Functionality.
2. Scalability.
3. Flexibility.
4. Implementation.
5. Service level.

Functionality

An important part of the project is selecting the right system with the needed functionality. A company must specify which requirements it wants from a system; it also needs to be clear which requirements are absolute musts and which are 'nice-to-have'. However, at a high level, cash management systems do not have much functional difference between them, so a company shouldn't be surprised to get the request for proposal (RFP) back with all its questions positively answered.

To get the full benefit from a cash management system, a company will usually need a lot of information from different departments, which can be located half way around the globe. How well does the system support this process? Today most systems have web-interfaces for remote users, but how well do they work?

When a company chooses a standalone cash management system, interfaces are important, as a lot of data needs to be fed into the system before it can start working. If it has many sources, it is also important to look at the workflow and monitoring tools - how well can it supervise the dataflow and status of the system?

Scalability

It is important to take into account the future environment that the solution has to fit into. Will the business be significantly expanding in the years to come? Does the system manage to cope with an increased number of accounts, users and transactions and still perform well? It's also worth verifying the cost of growth, e.g. impact on licenses and related costs.

Just as important is the functional scalability. Will the company need further system support beyond cash management in the future, or will it replace some of the existing systems? Would the chosen solution be able to cover this increased scope or would the company need a different system?

Flexibility

When a company considers a new cash management system, it may see that not all processes can be implemented as it wishes. Some systems are more flexible and can be customised to a higher degree than others. However, usually the more flexible the system is, the more time is also required for implementation and the more difficult it is to maintain.

Implementation

The solution is only as good as the implementation. Therefore, it is worth focusing on the implementation team and approach. If a company opts for a specialist vendor, then it will find that most of them provide their own team of consultants. Generally this also means that the company will be tied to this one vendor for changes in the future. It should explore whether there are any independent consultancy firms able to do upgrades, etc, as it will reduce the company's reliance on a single supplier and increase competition in the marketplace.

Special attention should be given to interfaces as they are especially important in cash management system. It is important to examine whether the IT department could maintain these interfaces, or at least make minor adjustments.

Service level

It is important to remember the vendor's after sales support and the service level. A company needs to get a service level agreement in place before the purchase is signed.

The Selection Process

When selecting a new cash management system, a company will probably use an RFP to examine feedback from vendors. However, not all vendors in the market have to be surveyed - instead limit the number of vendors from the beginning and work closely with them. Depending on the complexity, scope, current and future system landscape, the number of relevant systems is swiftly reduced.

Selecting a system is not the everyday business of a cash manager so it is beneficial to get experts to help. A number of consultancies can quickly construct a shortlist of vendors based on requirements and needs.

When selecting a cash management system, the demo phase is more important than the RFP phase. As mentioned earlier, most cash management systems have an adequate level of functionality. Determining which is the right system depends on more than a few ticks in

boxes behind functionality requirements. It is important that a company sees the system and maybe even tries it before a decision is made.

In an RFP, it is relative easy to give a positive answer even if the product has a limited functionality; however, a demo exposes what the limits of the system are. A demo that is well prepared, both from the client's and vendor's perspective, is the best way for a client to see whether the product fits.

The client should prepare examples with data, users and workflow that reflect the daily business, and ask the vendor to demonstrate the system's capabilities. It should include different types of input data such as bank statements and invoices from the ERP system, both paid and unpaid, as well as manual inputs.

Ask the vendor to show the workflow and a number of reports. A company should also be ready to ask for some reports during the demo that the vendor didn't prepare beforehand. It will show the strength of the reporting system, as well as the strength of the entire system.

Therefore, rather than using time evaluating many RFPs, a company should concentrate on getting to know a select number of systems. It is better to use an extra few days to prepare the demos than looking through and scientifically evaluating 10 extra RFPs.

Ideally, a company should send its cash manager on a training course to scrutinise the final two shortlisted systems. Many companies may not think they have time for this step, however it would be time well spent.

Evaluating a system from an RFP is like on-line dating - a person may give a different impression once they are seen in real life. It is the same with a cash management system - the most realistic impression is gained through interaction with the future system. After all, a company is likely to use the system for a lot longer than most relationships last.

A company should also talk to a few existing clients to gauge the satisfaction with the system. For example, the service level is not something that a company can test out but can be assessed by asking existing clients what they think.

Major European Vendors - Large ERP Systems

Oracle

Product: Oracle Financials Cash Management

Oracle Financials Cash Management supports both daily cash position and long-term cash forecasts in one application. For reporting, it is possible to define reusable worksheets in order to easily generate daily cash positions. It also allows comparison between actual bank balances and projected closing balances, so that a company can continuously refine its forecasting techniques. The solution can generate a forecast that combines relevant transaction information from both local and remote databases, so if a company has several Oracle Financials installations it can automatically pull information from these to give a view of the total cash position across the group.

SAP

Product: SAP ERP Cash and Liquidity Management

SAP's cash management solution has long been a core part of their ERP functionality and is good for forecasting daily cash balance together, even across several SAP ERP platforms. The cash management information is updated in real-time, so as soon as an order or invoice is entered a company can see it in a cash flow forecasting report. More recently, a new long-term forecasting tool was added that is very flexible as it is based on SAP's generic planning tools. Its strength is that it can accurately calculate the actual usage of cash because it can drill down to the invoice within SAP accounts receivable (A/R)/accounts payable (A/P) to pull out information about cash usage and doesn't need to rely on bank statement information alone. SAP has also been a pilot of SWIFT connectivity, including the new ISO 20022 XML bank statement.

Specialist Vendors

Bellin

Product: tm5

The philosophy behind tm5 is what is called a 'load balance treasury' whereby the idea is to distribute the system to the local users. So instead of centralising cash management and liquidity forecasting, the system is distributed to the users in the subsidiaries. This enables people with local knowledge to work on the system as a local system. It means that they all do their work on their own terms and not the terms of the central head office.

This system has advantages for companies with widely distributed subsidiaries or complex organisations and a decentralised structure. Its core client base is in Germany, but is also sold in other countries, in some cases through local partners.

City Financials

Product: eTC

eTC is a relative new system that came to the market within the past 10 years. It has benefited from being able to use the latest technology when designing and developing the system. It has been created to be an easy-to-configure and easy-to-use system. For example, reporting can be done through its own tool, Report Builder, by clicking and dropping without technical assistance. The continuous maintenance of the system can be left to the client, as the customising is deliberately easy to change.

The system is sold across the globe but the main markets are in the UK, the US and Australia.

ecofinance

Product: Integrated Treasury System

From the beginning, the system from ecofinance is designed to be an integrated solution - as it says on the tin. It is also functionally scalable so a company can add on more functionality when needed.

It is sold to companies of all sizes. In the past, it has focused on German-speaking Europe, but ecofinance is now expanding globally. Furthermore, its solutions are used by banks as a white-labelled product, re-branded and sold to the bank's customers under the bank brand.

HanseOrga

Product: Moneta

HanseOrga has based their solution on SAP's NetWeaver platform, so it is completely integrated with the SAP standard functionality, giving it many of the qualities that the ERP systems have. A central part of the daily cash management is the Cash Position Worksheet, where the cash manager can drill down to SAP and, for example, see which invoices are behind a cash flow forecast. The long-term liquidity planning gathers information automatically from SAP but is also open to input from external systems, manual inputs and adjustments. The solution's strength is its detailed grouping of the actual cash flow, as it can use detailed information from the invoices to accurately categorise the cash usage.

The core market of HanseOrga is the German-speaking part of Europe, as well as the Benelux countries, but it is now expanding beyond these areas. The system is primarily targeted at large corporates using SAP ERP as the core of their system platform, even though companies that primarily run on non-SAP ERP platforms can also use it as long as they have at least one SAP in-house.

IT2**Product: IT2**

IT2 is an integrated platform for supporting all the processes within a treasury department and also includes cash management functionality. The cash management system has deep functionality, although the distinguishing feature of IT2 is that it is a workflow-driven system, rather than a menu-driven system. The system always shows the status of the workflows and the user can quickly identify exceptions to be dealt with. Furthermore, a central reporting workbench serves as the central point for easy reporting.

The target market is the Tier 1 and 2 corporates, but also smaller companies use the system. It is sold in most parts of the world, with core markets in western Europe and North America. IT2 sells it directly, while partners sell it in some areas.

Kyriba**Product: Kyriba**

The strength of Kyriba's solution is the delivery method. It is a relative young solution and has been conceived, designed and developed as a hosted solution which makes deployment, implementation and support much easier. Central to the system is the Cash Position Worksheet, as well as the Liquidity Dashboard, where a company can graphically see its positions.

The solution has been successful with companies in the €1-20bn range, but there are also customers outside that range. The most successful market is North America but the system is sold worldwide.

OpusCapita**Product: Liquidity Management**

OpusCapita's cash management solution originates in the Finnish market where automation has long been a 'must' to be in business. Therefore, the solution has been born with the highest degree of straight-through processing (STP) possible. It turns the users into analysts of the data instead of data entry personnel. Data is fed into the system from other sources, such as ERP systems, and OpusCapita becomes the central point for all cash flows and cash flow analysis. The system is born with flexible interface tools, making it easy to integrate with many systems instead of having personnel rekeying data into the system.

The target market is large Nordic companies, particularly the ones with complex structures that will gain the biggest benefit from automation.

SunGard**Product: AvantGard**

SunGard AvantGard is the umbrella brand that covers several products for the corporate treasury. The two main products being sold today in Europe containing a cash management solution is Integrity and Quantum. Integrity has a smaller technological footprint and is easier to implement. Quantum on the other hand is a more versatile and flexible solution. Which system SunGard will suggest depends on many factors such as number of user and subsidiaries and complexity of business, as well as current and future system landscape.

SunGard is a multi-billion dollar company that develops and sells corporate treasury systems, systems for the financial industry, and also provides technology services. It is a truly global company with sales and activities, and therefore experience, in all parts of the world. It also has a number of services and additional systems a corporate treasurer can benefit from. For example, SunGard is a SWIFT member and can offer SWIFTNet connectivity for corporates as a member concentrator, which means that a client doesn't have to interact with SWIFT directly. SunGard has a large research and development (R&D) budget and can cross-utilise developments from other areas.

Wall Street Systems**Product: Wallstreet Suite**

The Wallstreet Suite is a versatile product that has deep functionality; it is flexible and can adjust to the changing processes in the company, rather than the other way around. From the beginning, it was designed to be scalable and handle large volumes of data. It is also functionally scalable with payment factory, treasury, and accounting modules. It has always been a pure web-based system, which makes it easy to deploy to subsidiaries and, at the same time, give the subsidiaries the same functionality as the head office.

Its target market is large corporates and complex companies worldwide, and its clients are among the world biggest corporates. However, most of the corporate clients are based in western Europe and North America.

Wall Street Systems**Product: Wallstreet Treasury**

Wallstreet Treasury contains a packaged cash management solution for multiple geography treasuries. The key differentiator is the speed and low cost of deployment of bank connectivity, as there is no need for a bank integration project because most large banks already have a partnership with Fides. Furthermore, it offers strong reporting capabilities for both the head office and subsidiaries through its data warehouse.

Clients are from all industries, typically within a €2-10 bn turnover range, with key markets in North America and western Europe.

Conclusion

Although the need for having an adequate cash management system might be clear, choosing the right one is not easy. In addition, a careful and complete implementation programme is crucial for success. This warning should not prevent a company from embarking on the journey - many cash managers have successfully initiated and completed such a transformation programme.

The key challenge is to thoroughly deliberate the different criteria up front. Making an in-depth assessment at the beginning will prevent a company from taking wrong turns along the way and make sure it reaches its objective of having a flexible, scalable and functional cash management system in place.

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24 Mar 2010 - 03:48 Other Financial Institution, India	An article covering all aspects of cash management and also giving some details of solution providers. Very useful. Thanks..