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EXECUTIVE SUMMARY

Digital Treasurer’s Handbook for Treasury Technology Selection offers a framework to corporate treasurers—challenged in selecting the right treasury technology solution—for evaluating technology providers.

Key takeaways from the study include the following:

- Understanding the factors that determine the successful selection of a treasury management system (TMS) will enable corporate treasuries to create value for their companies.

- Vendor selection participants suffer from time-consuming, confusing, and difficult-to-find meaningful points of vendor differentiation.

- A solid partnership with the TMS vendor can be built only once the vendor has demonstrated—alongside product features—the essential characteristics for success and growth, such as company financial stability, client-base solidity, customer service, and the ability to minimize counterparty risk.

- The document introduces a model—derived from Aite Group’s continuous market research in the TMS space—for a best-practice vendor evaluation process.

- By using the model, corporate treasurers will improve the process of adopting best-in-class treasury technology.
INTRODUCTION

The future for treasury is characterized by speed of execution, visibility of operations, operational excellence and efficiency, strategic decisioning, and support for business growth. To transform the business, management must run operations with efficiency and control. The digitalization of the treasury business processes is the identified strategic solution, and treasury technology has long been heralded as the answer to these problems. But the costs and complexity of implementation have been significant barriers to corporate treasurers who must front multifaceted software solutions and technology vendors.

This paper investigates key market trends related to corporate treasury objectives, supports treasurers in understanding the new “digital” technological landscape, and offers a tool that enables them to select the IT solutions and services providers that best address and resolve their tactical and strategic needs. Understanding the factors that determine the successful selection of a TMS will enable corporate treasuries to create value for their companies.

METHODOLOGY

This white paper is based on June to October 2018 interviews conducted with international corporate treasurers and research conducted across publicly available material. Aite Group’s market research data points were used to analyze and elaborate the priorities of corporate treasurers, and to identify the key criteria that characterize treasury technology selection.
CORPORATE TREASURERS AND TECHNOLOGY

Corporate treasurers are facing business scenarios characterized by high uncertainty and fast change. The speed of technology advances represents another factor of the changing business landscape, making existing investments in technology potentially soon outdated. Operational excellence is tightly connected to successful technology implementation, combining disparate systems and making data available across the organization. Treasurers need real-time views, visibility, and traceability of transactions, which demand that solutions span multiple siloed systems. Good TMS tools and streamlined bank connectivity are no longer optional.

However, corporate treasurers have not been traditionally engaged with information technology matters. Manually managed systems still outnumber dedicated software applications, especially in small and midsize enterprises (SMEs), despite consensus that basic personal computing solutions represent a hindrance to treasury evolution. Traditionally, treasury departments have been run on personal computers to access information on a central database, if not with more basic spreadsheets that have grown in complexity, convoluted workarounds, and increasing data manipulation (Figure 1).

Figure 1: Market Breakdown of Spreadsheets vs. TMS

Digital transformation must adhere to customer expectations: It must be easy to use, secure, intuitive, innovative, and unified across all channels. To bring real value, implementations of digital solutions must be nonintrusive, as they span many corporate departments. Treasurers who are asked to do more with less and who must frequently connect with other lines of business (e.g., procurement) opt for technical architectures that enable flexibility and adaptation to change.
Implementations must be agile, fast, efficient, and effective. “Real-time” implementations must not be intrusive, and this is one of the main reasons why cloud-based platforms outnumber on-premises implementations, even among SMEs (Figure 2).

**Figure 2: Treasury Systems Implementation**

![Implementation Options Offered by TMS Vendors](image)

- **Cloud**: 95%
- **On-site**: 5%

Source: Aite Group estimates of the total Tier-2 TMS vendor population based on interviews with corporate treasurers and TMS vendors, and desktop research

Aite Group strongly believes that a cloud-based architecture represents for a TMS the technology springboard to play in the future TMS innovation domain. Cloud computing is a new paradigm that helps treasurers rethink the way IT can be deployed. Cloud computing allows an accelerated response to changing market dynamics by allowing treasurers to analyze data from multiple sources in real time and by providing deeper insights into user behavior and requirements. A cloud-based infrastructure and platform provides a single source of truth for shared data in a collaborative environment, which is typical of a treasury-bank relationship. Cloud-based applications, platforms, and infrastructure consistently build the stack that supports decision-making. The ability to support the integration between “core” TMS functions (e.g., payments, cash, liquidity) and the various TMS extensions (e.g., risk management, machine learning-based reporting and accounting, electronic bank account management, bank fee analysis) requires a technology capable of retrieving pertinent information in real time from various independent data sources, irrespective of their underlying technology foundations.

Treasury technology has long been heralded as the answer to these problems, but the costs and complexity of implementation have been significant barriers, especially for midsize firms. Smaller firms struggle with spreadsheets and downloads from numerous single-bank portals to manually build up a picture of the company’s cash, while larger firms fight with legacy systems and multiple TMSs and enterprise resource planning (ERP). Corporate customers are more technologically focused, agile, and demanding than in the past. Regardless of the size of their company, treasurers need to run software applications that ensure agility and adaptability to continuously changing conditions, whether external (e.g., regulatory requirements, industry
standards) or internally generated (e.g., new markets, post-acquisition alignment, new product introductions, changes in management).

Figure 3 shows that when a company builds the internal business case to get funding approval for a treasury system, several business drivers trigger the request to invest in a TMS.

**Figure 3: Factors That Push Company Treasurers to Seek Budget for a TMS**

<table>
<thead>
<tr>
<th>Trigger</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company wants to grow and needs a more robust treasury system to manage its expansion</td>
<td>100%</td>
</tr>
<tr>
<td>Newly hired treasurers find the company using Excel and decide it's necessary to move to TMS</td>
<td>75%</td>
</tr>
<tr>
<td>Risk is high and thus control is critical</td>
<td>60%</td>
</tr>
<tr>
<td>Treasury must ensure the company complies with regulations; spreadsheets not the ideal tool</td>
<td>55%</td>
</tr>
<tr>
<td>Companies lack skilled treasury resources and brings specialists who reject spreadsheets</td>
<td>15%</td>
</tr>
<tr>
<td>Company's competitors have a TMS</td>
<td>5%</td>
</tr>
</tbody>
</table>

*Source: Aite Group estimates based on interviews with corporate treasurers and TMS vendors, and desktop research*
SELECTING THE RIGHT TECHNOLOGY PARTNER

Vendor selection participants suffer from time-consuming, confusing, and difficult-to-find meaningful points of vendor differentiation. Anticipating how the system will work in the corporate environment adds further complexity and frustration. Delayed timelines are the most frequent sources of implementation dissatisfaction, to the point that corporate treasurers assert that they greatly prefer “time to implementation”—for the lack of a better term—of a software solution than the solution’s richness of applications and features. Corporate treasurers also expect to better service their own clients through digital solutions that their TMS providers must develop and bring to the table.

Corporate treasury starts its digital transformation journey by first identifying TMS vendors that prove to significantly invest in innovative technologies, such as robotic process automation and real-time payments. To be truly innovative and bring the highest value to the company, every product or service must be designed and created to be ready for change. Innovative solutions must be adaptable to changes dictated by market dynamics.

With this initial product-based evaluation, the corporate treasurer is presented with TMS options that span across private and public cloud-based solutions, as well as with Software-as-a-Service treasury platforms.

A quick review of these criteria immediately suggests that a solid partnership with the TMS vendor can be built only once the vendor has demonstrated—alongside product features—the essential characteristics for success and growth, such as company financial stability, client base solidity, customer service, and the ability to minimize counterparty risk.

THE SUGGESTED EVALUATION MODEL

The proposed model leverages Aite Group’s best-practice vendor evaluation process derived from continuous market research in the TMS space and simplifies the corporate treasurer’s process of selecting and adopting best-in-class treasury technology.

The model has four key components: product features, vendor stability, client strength, and client services (Figure 4).
**Figure 4: Treasury Technology Selection Key Components**

```
Figure 4: Treasury Technology Selection Key Components

Product features and Investment
- Key features
- Implementation options
- Ease of user experience
- Ease of implementation and integration

Vendor stability
- Number of employees
- Quality of management
- Risk management
- Office presence
- Financial stability and transparency

Client services
- Level of support and services
- Training programs
- Online support
- Pricing structure
- Perceived value of product

Treasury experience
- Years of experience
- Average years of experience of treasury personnel
- Years solution has been available
- Diversity of products

Source: Aite Group
```

**PRODUCT FEATURES & INVESTMENT**

The product features component analyzes the key features and functionalities of the TMS vendor solutions and services, including implementation options, user experience, and the strength of the future product roadmap. This component measures whether the vendor offers enough key features and functionalities to remain competitive.

Recommended evaluation criteria include the following:

- Solution functionality matches user requirements
- Frequency of version update is scheduled
- Percentage of revenue invested in research and development is disclosed
- Pricing structure is fully described and predictable
- Core architecture(s) are described
- Programming language(s) used are listed
- Use of third-party software and hardware requirements are clearly specified
- The existence of out-of-the-box connectors/integrators to current systems is declared
- Application programming interfaces are accredited for major banking systems
VEN DOR S TA BIL ITY

The vendor stability component evaluates the overall strength of the vendor in terms of its financial stability, management reputation, risk management, and global presence. This component determines whether a given vendor has the basic foundations to compete and sustain its overall market presence.

Recommended evaluation criteria include the following:

- Vendor has geographical presence
- Vendor declares annual revenue estimates
- Vendor declares profitability of the last three years. Financial transparency is key.
- Vendor informs client of security and data privacy policies and procedures
- Vendor manages third-party risk: Suppliers/subcontractors are held, by contract, to the same standards of information security, data privacy, and confidentiality as stated in the TMS vendor’s policies and procedures
- Vendor manages third-party risk by presenting the business continuity plan testing

T R E A S U R Y  E X P E R I E N C E

The client strength component focuses on the number and diversity of customers for the vendor, the vendor’s reputation among the clients, and overall customer turnover. This component measures whether a given vendor has a strong foundation of clients and a robust client pipeline to sustain its growth trajectory.

Recommended evaluation criteria include the following:

- Years of experience in working with large and small companies to cover all aspects of treasury
- Average years of experience of treasury personnel
- Years solution has been available
- Diversity of products
- Balance of treasury functionalities delivered across the client base to avoid a vendor concentrated in only one main feature (e.g., only cash, only risk management, only payments)
- Client’s global footprint (to gauge vendor’s coverage)
- Annual client retention rate to measure vendor’s ability to keep loyal customers

C L I E N T  S E R V I C E S

The client services component evaluates the pricing structure and its various attributes as well as the comprehensive nature of the vendor’s client support and service infrastructure. This
component measures whether the vendor provides robust service and support to provide real value to the clients.

Recommended evaluation criteria include the following:

- Vendor offers a service-level agreement framework
- Vendor offers a 24/7 global support standard service with no additional fees
- Vendor has established a customer advisory board
- Vendor presents a standardized implementation methodology workflow and clear service/maintenance costs
- Vendor presents experienced implementation personnel who can demonstrate formal training or certification on the treasury management system
- Vendor has staff and technology dedicated to protecting treasury functions from cybercrime
THE PROPOSED EVALUATION FRAMEWORK

The combination of these four components creates the framework for evaluating technology providers (Figure 5).

Figure 5: The Framework for Evaluating Technology Providers

```
  High  Low
 /     /   \
 Vendor 2 Vendor 3
 /     /   \
 Low   High
Vendor 1 Vendor 4
```

Source: Aite Group

The framework is a concise composite evaluation that maps market-leading TMS vendors along two drivers:

- **Company stability**: Combining the scores from the vendor stability and treasury experience evaluation components, this criterion measures the vendor’s overall long-term business viability as a product and service provider.

- **Digital product investment**: Combining the scores from the product features and investment and client service components, this criterion measures the ability of the vendor to deliver on key product functionality and support.
CONCLUSION

Corporate treasurers:

• Look at cloud-based architecture as the technology springboard to launch the future of TMS innovation.

• Select the treasury technology partner by combining the evaluation of the product’s functional capabilities with the assessment of the vendor company’s stability, market presence, transparency in financial statements, predictable pricing structures, and ability to meet complex treasury needs.

• Use a transparent framework to evaluate a technology provider based on assessment criteria that cover all foundational aspects of a healthy long-term collaboration.
ABOUT AITE GROUP

Aite Group is a global research and advisory firm delivering comprehensive, actionable advice on business, technology, and regulatory issues and their impact on the financial services industry. With expertise in banking, payments, insurance, wealth management, and the capital markets, we guide financial institutions, technology providers, and consulting firms worldwide. We partner with our clients, revealing their blind spots and delivering insights to make their businesses smarter and stronger. Visit us on the web and connect with us on Twitter and LinkedIn.

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