

Survey Reveals ERP Systems Fail to Meet Expectations in Treasury

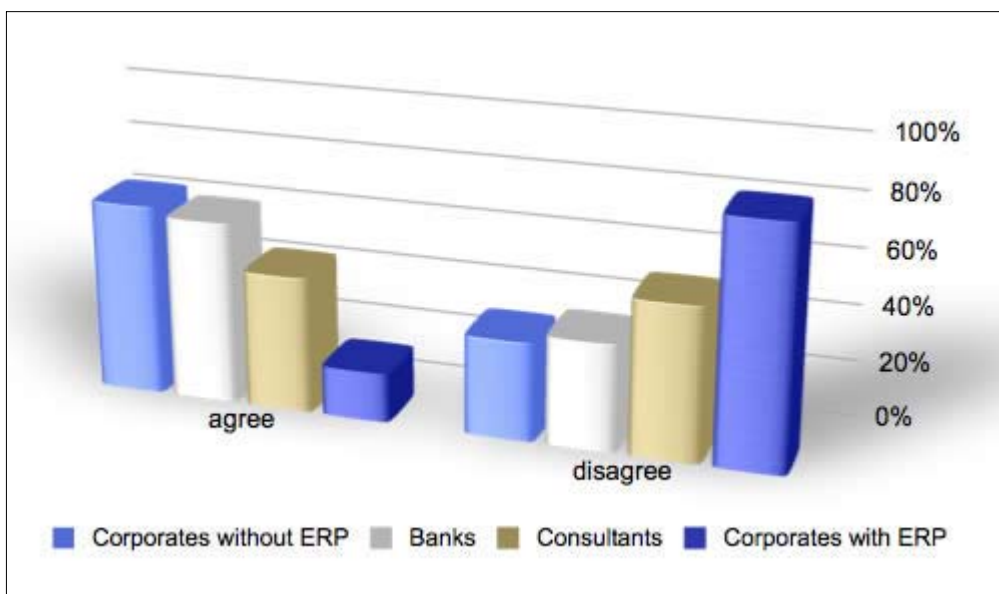
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Are ERP systems effectively addressing the business needs of corporates today? The gtnews survey on ERP systems highlights the fact that there is a gap between what corporates expect ERP systems to deliver and how they perform in practice.

gtnews conducted a three-question survey on ERP systems between 15 and 30 May 2006, which was answered by 282 readers comprising 53 per cent corporates, 16 per cent banks, 16 per cent consultants, 9 per cent financial technology vendors and 6 per cent academics. Among the 150 corporate respondents, 56 per cent have sales of over \$1bn and 25 per cent have sales over \$10bn. Geographically, the corporate respondents were global: 19 per cent from Asia, 24 per cent from North America and 44 per cent from Western Europe.

Last month's gtnews survey on enterprise resource planning (ERP) systems revealed some interesting opinions about the corporate experience of ERP system implementation and functionality. Significantly, while two-thirds of corporate survey respondents *with* ERP systems *disagree* with the statement that 'ERP systems deliver complete knowledge, full visibility and control of cash at any given time', in complete contrast two-thirds of corporate respondents *without* ERP systems *agree* with the statement. This is a worrying indication that there is a gap between what corporates expect ERP systems to deliver and how they perform in practice.

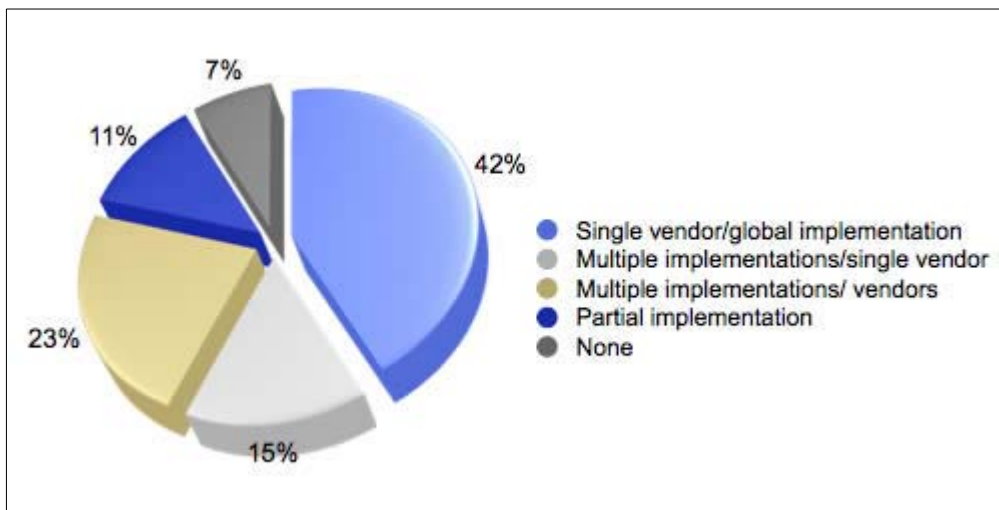
Do 'ERP systems deliver complete knowledge, full visibility and control of cash at any given time'?



Are ERP Systems Enterprise-wide Platforms?

The greatest benefit of ERP systems is that they are supposed to be installed and used as one platform across the enterprise with all functional business departments integrated into the one system. This would include, for example, accounting, human resources and inventory management. In reality, however, we often see fragmentation of this enterprise-wide system and multiple implementations. This is as a result of installing different modules over the years and also the effect of mergers and acquisitions (M&A) where companies must integrate one, two or more different ERP systems.

Only 43 per cent of the survey's corporate respondents said they had a single vendor/version global implementation of an ERP system. Fifteen per cent said they had a multiple implementation/single vendor ERP system while one in five of the corporate respondents have *multiple* implementations of ERP solutions and *multiple* vendors on these systems. This means that over half of the corporate respondents with ERP systems do not have them implemented across the enterprise, which undermines the fundamental value of having an *enterprise* resource planning system in the first place. Indeed, among corporates with revenues between US\$1-10bn, only 54 per cent have a single vendor/version global implementation of an ERP system.

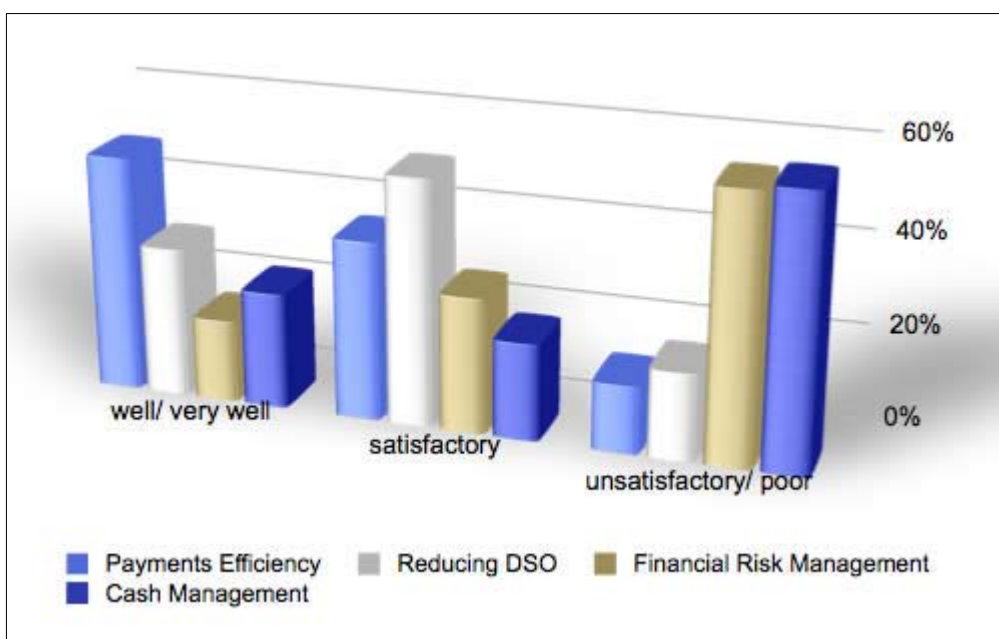


Do ERP Systems Meet Treasury Needs?

Corporate experience of implementation has shown that ERP solutions address most effectively those business areas where change is infrequent and can be planned. As discussed earlier, ERP systems were installed to manage business operations associated with operations or production where the fundamental output and structure rarely changes. Treasury was a late addition to ERP systems and does not have the same functionality requirements as business operations that ERP systems traditionally deal with, such as accounting.

As a result, ERP systems can manage the basic functions in treasury management but are not as efficient in handling the more complex areas around treasury and cash management. This fact is reflected in the survey results.

Performance of ERP Systems in Cash and Treasury Management (corporate respondents with single version implementation)



Among corporates with single version ERP systems (arguably the most efficient type of ERP system), payments efficiency was the area in which the ERP system was the most effective, albeit with low performance levels. Only 49 per cent of the corporates said their ERP solution performed 'well or very well', 37 per cent said performance was 'satisfactory' while 14 per cent said their ERP system was 'unsatisfactory or poor' in this area.

The results for improving days sales outstanding (DSO) revealed a similar pattern: 31 per cent said their ERP system performs 'well or very well', 51 per cent said the ERP system was 'satisfactory' in this area while almost one in five said the ERP system was 'unsatisfactory or poor'.

These figures are interesting considering the fact that payments and DSO are traditional and long-standing finance functions which, by now, ERP systems should be able to deal with at higher levels of performance than simply 'satisfactory'.

In the more complex areas of financial risk management and cash management, the survey results show that ERP systems perform at much lower levels. In fact, in the areas of financial risk management and cash management, over half of corporates with single version ERP systems say their solution performs at 'unsatisfactory or poor levels'.

This opinion was also supported by comments from survey respondents. One said, "ERP [solutions] most often show 'accounting' information, not cash flow". Another agreed, commenting, "An ERP system is not designed for cash management and risk management. It can't solve large enterprises' complex needs in their treasury operations."

A further corporate respondent added: "Cash handling is typically an add-on and poorly integrated."

Given these survey results and opinions about ERP solution performance levels for basic and complex treasury functions, it is surprising that so many corporates are still choosing ERP solutions for their treasury needs.

Make the Right Technology and Business Choice

There are various reasons why corporates opt for ERP solutions for treasury. For example, when a multi-million pound implementation of an ERP solution is signed off by a company's CFO, a huge project is put in place with significant resources behind it to make that solution work across the enterprise, which will include treasury. This financial momentum often obscures the ongoing commercial decision about whether or not the ERP solution fits the company's business needs and can actually deal with the requirements of treasury functions.

For example, one corporate survey respondent, a treasurer from the Middle East, argued: "An ERP implementation should only be undertaken by organizations with an ERP culture, low resistance to change and commitment by the implementation team. Implementation consultants should not undertake ERP projects without first identifying all possible drawbacks and operational pitfalls which may undermine the continuity of business operations and systems."

Another respondent added: "A large percentage of ERP implementations that are not successful are those that are implemented based on technology requirements and not a business perspective."

In fact, according to Martin Boyd, managing director, Europe for SunGard Treasury Systems, in his article, [Technology Debate: ERP Solution v Specialist Technology](#), 'delivering best value' or enabling business growth' are not the key factors mentioned when specialist solution vendors ask why a company chooses an ERP solution.

The alternative to ERP solutions is, of course, best of breed specialist solutions, which offer focused business functionality. For instance, specialist solutions can provide greater efficiency for more complex treasury operations and also have faster upgrade cycles than ERP systems. It is typically a very slow process to implement change and upgrade an ERP system. Specialist solutions do, however, present their own integration challenges for the organisation.

Ultimately, the decision between choosing an ERP solution or specialist technology is one that corporates must make based on their own business and technology requirements.

SunGard's Boyd offers the following advice: "Start with the business principles of how you will continue to grow and prosper as an organisation, and the characteristics of your function within this framework that you need to support this evolution both today and your likely needs in the future."

Conclusion

The debate about whether corporates should opt for an ERP solution or specialist technology for their cash and treasury functions will continue. Interestingly, while corporates had defined views on ERP systems, the consultant respondents (as with most arguments) were equally divided on whether or not ERP systems do deliver complete knowledge, full visibility and control of cash at any given time.

Most importantly, the results from this survey do indicate that corporates must match their expectations of ERP solutions with the business reality of ERP functionality much more closely - particularly around treasury and cash management.

Comments from Survey Respondents

It all depends on the interface between the ERP system, logistics service provider, treasury systems and bank payment systems. And, of course, finally the organization's own ability to plan and forecast (garbage in/garbage out). *Corporate, tax & treasury department, Western Europe.*

One aspect that is important with ERP systems is the implementation. When we implemented our ERP solution, it was not with cash management in mind, and we implemented it to make paying invoices easier but these payments are not in the system until they are due. This makes it extremely difficult to forecast cash needs. If we had stuck to the purchase order system, we would have had a lot more visibility over our payments, but there is also a lot more transactional work related to that as well. *Consultant, North America.*

The treasury functionality [of ERP systems] is now way better than it was just three or four years ago. *Consultant, US.*

ERP systems do not have a treasury management system included. The problem is that vendors say that they do and, unfortunately, some top-level managers believe that vendors (or consultants) always tell the truth. ERP solutions are useless at managing treasury efficiently. *Corporate, treasury department,*

Western Europe.

ERP systems are not specialised in all areas but have functionality in all areas, therefore it depends on the organisation as to whether an ERP system will work. *Corporate, treasury department, Western Europe.*

As with any other systems, ERP solutions have weak areas. In ERP's case, the weakest domain is in planning, subject to many ambiguous values and uncertain human assessment. *Bank, South America.*

ERP systems provide a good tool for managing information as it pertains to the data contained within the ERP. They do a poor job at receiving and updating that information to begin with though. For example, most ERP systems do not have standard interfaces to banks via SWIFT, NACHA, etc.). *Corporate, US.*

For a sophisticated treasury operation, an ERP system without links to a fully functioning treasury system can never give you full visibility of cash. *Corporate, treasury department, Western Europe.*

The problem is that SAP and Oracle are so large that businesses rarely implement the full spec and rarely have the in-house skills to really leverage the functionality they claim they have. *Corporate, treasury department, Western Europe.*

We really don't use the ERP system for cash management because it is not user friendly or intuitive, we have found better offline methods of getting the data we need. *Corporate, treasury department, US.*

We are actually an ERP bolt-on provider of electronic banking and cash management solutions for companies working with older ERP systems, such as BPCS from SSA Global and MAPICS from Infor. We find that in these systems, there are significant gaps in terms of electronic payments, bank statement uploads, lockbox processing and bank reconciliation. More recent ERP releases have generally made some ground in this area for obvious reasons but people tend to forget that there are still a lot of companies out there using older versions who do not want to spend \$2-\$10m to upgrade or change ERP systems. *Technology vendor, Western Europe.*

In our experience, the cost was higher than budgeted and the reach was shortened. We are one year in now after implementation and still have a number of unresolved issues. I would highlight the fact that some of those issues are with regard to the implementation of tools that would create value to financial management. *Consultant, South America.*

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