BANK OF AMERICA

New perspectives on accounting platforms

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Jonathon:	00:00	You're listening to the Treasury Insights Podcast. This podcast is part of our broader objective to foster a treasury relationship that prepares you for the future, supports more strategic decision-making, creates efficiencies and helps manage risk. Put it another way, we want to give you the power to see what's next. I'm Jonathon Traer-Clark, Managing Director of Global Transaction Services. And with me today is Michael Bosacco, Treasury Advisory Executive in Global Transaction Services. Together, we will explore when and how changing or upgrading your ERP or Enterprise Resource Platform Systems can help manage cash and other finance activities. Hi Mike. So why don't we start, Mike, with a really simple question? Why would a client want to change their accounting platform?
Michael:	00:52	Well, Jonathon, not such a simple and straightforward answer because not all clients are equal in their use of current platforms. In other words, a client may consider an alternative to their existing platform, as a result of a deficiency or perceived deficiency in that platform. But perhaps they just haven't explored the full functionality of the platform itself. While others have outgrown the platform, they're finding an increasing use of Excel and manual processes to aggregate and position data and report on data. And as a result, that is one of a few indicators that would suggest, yes, indeed, it's time to consider a change, but you have to take into account the analytics associated with before making a change. That should be inclusive of leveraging the current platform, first. There's no reason to outgrow something that you haven't grown into fully.
Jonathon:	01:58	So one of the first things you should do before you even consider making a change to your accounting platform is almost consult with your vendor and effectively do a check on capabilities and make sure you're leveraging all of them is that fair?
Michael:	02:11	Absolutely fair. If you think of it just as in any traditional business case, you're going to have a set of quantifiable and qualitative goals. Those should be either married to your existing platform with commentary that would suggest yes, full functioning feature verse, yes but with configuration verse, yes with customization versus just a straight no, and those things compiled together alongside your objectives should translate into what's next.
Jonathon:	02:41	That makes perfect sense. You and I have spoken at length about I'm going to call it digitalization, but for want of a better way of putting it the massive growth in capabilities of technology and consequently systems and processes and information that is now available to the average

practitioner, or even just as a company starting up, there's a lot more platforms that are now consolidated. There's a lot more, all in one solutions, but there's also other things. I think one thing that's been consistent is a massive increase in capability. If you were looking for example, an accounting system say that's 15 years old, how would that compare to the system that you'd look at today? What would be the enhanced capabilities you would see?

Michael: 03:26 Two things come to mind, Jonathon. First thing is the IT infrastructure itself. 15 years ago, cloud computing, the idea of hosting an ERP in the cloud, whether it was a dedicated, hosted environment or in a public cloud environment, those were somewhat dreamy ideas 15 years ago. It was licensed driven software that was installed at the client's site behind its own firewalls and being complete and total on-prem application. So the first thing that you need to consider is if you're moving from a 15 year old application into the new age, so to speak, does the existing integration that has been developed on-prem with other hardware and software application, is that applicable, does that crossover, so to speak with the newer technology? So, there's a prerequisite to effectively unleash an IT audit to ensure that the transition isn't going to create further inefficiencies because of a newer platform. I think the second thing that is a strong consideration is the newer platforms, yes, functionally rich, and you're making the point that they do more. Absolutely. The key difference is that most of those cloud oriented softwares are open source, which enables other applications via APIs to connect into it. So, where the functionality may not exist, perhaps there's an app that provides a near time or even real-time call to another cloud-based, open source application to facilitate a straight-through process, end to end. The other two things, what can you support from the on-prem standpoint. Just because you move your ERP into the cloud doesn't mean everything that needs to go and touch that ERP is in the cloud. You've got to account for that as integration points, and secondly, the open source technology enables for a more feature function, rich solution because connectivity becomes less challenging.

Jonathon: 05:34 That's an interesting nuance actually. So, what we're saying here is the open architecture, the connectability of an accounting system built today is actually the true value because the nuances in what you can connect to it now, versus what you could connect to it 15 years ago, integration for want of a better way of putting it, much harder than it was now. You mentioned APIs. There are banking platforms, there are cash forecasting platforms, for example, I mean, what other kinds of capabilities could you connect into your core accounting hub that you've seen clients talk about as being enormously valuable?

Michael: 05:22 If we're sticking within the finance space of an ERP, right? And by that, I mean procure to pay, treasury management, order to cash type of realm, right? ERPs do more than just those components. Core functionality within the ERP, generally capable of permitting, I would call benchmark type practices around, for instance, a procure to pay process and procedure. But there could be other features depending on the nature of the industry and or the enterprise that requires more than the benchmark version of procure to pay processing. How do I solve for that within my ERP? That's where the integration component makes life a lot easier. Before I'd have to customize, this is outside configuration and this is a customization that would be required within the software itself. And that's the on-prem 15 year ago type scenario. Now, if I encounter a situation where the out of the box solution is not quite consistent with my needs, it's a lot easier to harness the power of a best of breed add-on that enables that change in process without affecting how the procure-to-pay process ultimately finishes. It's just augmenting which you have, but it's practically invisible to the overall end to end flow of information. It's much easier to do that today then even five years ago, let alone 15.

Jonathon: 07:56 No, I don't disagree with you. The integration was actually the hardest part and you get different accounting standards, you get different data schemers reference architectures and translation between different data types and everything else. Do you see any other advantages? If you can now integrate capabilities from third party providers, then you have a best of breed opportunity with your accounting platform as your core data engine, your single source of the truth. What else can you do with it? What a client's talking about from their business case perspective? What's the return on investment of doing this? It's like doing a heart transplant in the finance system, isn't it changing the accounting platform?

Michael: 08:35 Significant to say the least. Yes, with that comes associated risks that obviously all have to be assessed through the proper preparation. The last thing you want to do is change your accounting platform and slow down the business because staff were improperly trained or not trained enough. Operational workflows are more challenging due to lack of visibility. On the flip side, risk could be deploying updated software on top of existing or current processes. Kind of a lift and shift of process, but with new technology in the middle. If those processes are not well established and well controlled, you could end up making errors faster and without awareness until downstream of where you would traditionally have perceived safety net to stop those errors. So, the preparation should be inclusive of workflow mapping at every level to ensure that when you go live the test unit and user acceptance testing across all those workflows has uncovered any potential business disruption.

Jonathon: 09:54 Interesting. I kind of had drawn out the list of topics, I wanted you to hit, touching all of them in a beautifully sequenced way. Thank you. One thing we haven't spoken about is cost, is this expensive?

Michael:	10:08	I want to go back to where we started. 15 years ago, I would have had a hefty license fee out of pocket, one-time event, followed by probably 20% support maintenance, year over year ongoing, plus a massive implementation. With that, because of the closed environment, I would have had ongoing internal maintenance costs to customize the application and, or maybe external costs to consult, to make changes to work-flows, and so on. Now cost of entry is much lower because most of these applications are subscription based. I don't have a one-time license upfront. There's really no capital cost. I can get in at a lower entry point. Implementation will remain as part of that initial phase. In some cases that implementation can be spread over the course of maybe the first 12 months of subscription. There are options there, but the barrier to entry that capital costs, which from a treasury standpoint, in particular, if you're going for capital costs, it's not easy to win the mandate. But if you can go after the subscription, which is just an ongoing monthly fee and show some benefit much easier to find your way into a new application that way, but costs could be substantial.
Jonathon:	11:28	I'll use an example. Any library around the world, they all use the Dewey decimal numbering system. The point being that there are millions of books in the world, but they all conform somehow to a single reference framework that essentially classifies them and structures them. So, I've always said that if, so much you know, where the single version of the truth is across all of your data architecture, across your enterprise, which to your point could be across multiple systems, and you can accurately point to that then to some extent, does it matter if it's consolidated? Possibly from an integration perspective, which was your point at the beginning, it's much easier to integrate now. That also probably makes the transition from one system to another system, much easier too, if you're consciously aware of where you need to point to get a particular piece of information.
Michael:	12:18	Definitely! Especially, if you drill down into process! One, we hear about often is forecasting. It's not at an ERP level. If you've got multiple instances and even multiple types of ERPs generating a forecast at a corporate level, an enterprise level is incredibly cumbersome. Where does that all land in a spreadsheet? You and I both know that spreadsheets have incredible flexibility, but they lack a very key component from a treasury standpoint, and that is information control. Spreadsheets are not very auditable and that's where the comfort is lost. If you just use that as an example, it's one of many support line items to consolidate and, or at least minimize the number of ERP systems that are being used within a corporate
Jonathon:	13:12	We talked a lot about cloud-based systems and APIs and everything else. They're all security considerations. But the other one that I thought about was support. What about ongoing support? Does it change if your systems

		are in the cloud versus on premise? Presumably, it's slightly easier, but there must be concerns with that.
Michael:	13:30	The challenge, I think, you have with the shift from on-prem to cloud, if we're going to focus there, is that there's a higher dependence on the need to access that the database through the Internet. I can't access my online banking platform to a send wire, so I'll call the bank and do it because it needs to go now. You can't call the supplier and manage your ERP, while someone figures out why you can't get out to the system itself. I think the other one, around support and maintenance, I don't find that to be concerning, but it does change the role of finance IT. And that needs to be well articulated as part of an implementation or transition.
Jonathon:	14:17	Thank you. If I summarize, and tell me if I've missed anything, but I think we said that very important to have a well-thought-out business case. In particular, it should think about the change in the cost structures and the return on the investment, moving from a license on premise model to a cloud model or something different in between. It could be an upgrade, a scalability issue. We know that the accounting platform is at the heart of the enterprise, and therefore probably has quite a large degree of connectivity with other systems. And what's going on with those systems needs to be considered. In particular, we touched on integration functionality increases. For example, we talked about the enhancement around cash forecasting, and I think you made a very good point about having a mature process architecture. You've got to think about where your processes are, and then the information flows across them. We didn't go too much into security, but we've have discussed security on other podcasts, particularly around API. We just touched on support. We mentioned the importance of user acceptance testing, and in particular having well-developed use cases that define examples. We did look at KPIs very briefly. Was there anything other points that you feel the audience may want to hear about, or I've missed off in my summary?
Michael:	15:35	The only other asterisk, I would mention as a consideration and change is the timing. It's probably best to target year end and establish a clean cut off, inclusive of having data backups and the ability to roll back as appropriate. But year-end transition is likely the safest. It gives you a lot of runway obviously before the next year end, and also gives you a decent amount of time before the next reporting period, which is typically the quarter.
Jonathon:	16:05	That's a good point. We're talking about financial year end, right, not calendar year end, just to be very clear? Yes, agreed. It's a very clean cutoff point, where you can essentially have one system dealing with everything up to a given date, and then another system taking over. You obviously got to transition the state of the current accounts at that point as well, but agree with you. Alright, Michael, fascinating as always talking to you.

Thank you very much for your time. I think we'll leave it there. We'll watch and see what happens on this over the coming months, but thank you for your time.

Michael:	16:34	Thanks, Jonathon. Thanks very much.
Jonathon:	16:36	You're very welcome. You've been listening to Treasury Insights. I'm Jonathon Traer-Clark, Managing Director of Global Transaction Services. My co-host today was Michael Bosacco, Treasury Advisory Executive, also Global Transaction Services. As each day brings innovation and opportunity, we are dedicated to working with you to turn technological advances into intelligent treasury.