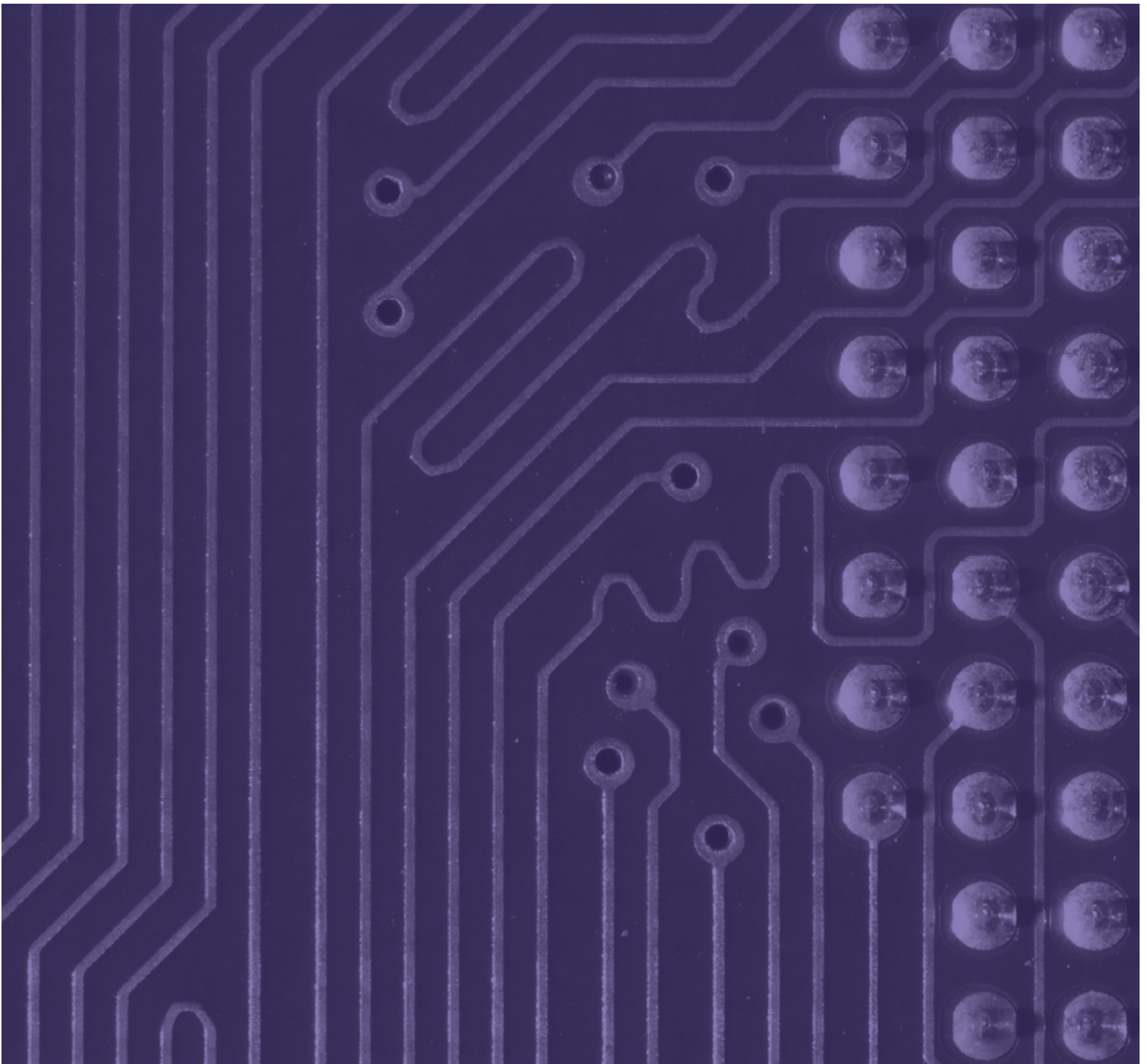


CTC GUIDE

Treasury Technology: The Emerging Landscape



Case Study 4: Pulte Homes

Pulte is the country's largest home builder, with revenues of approximately \$4.0 billion. While entirely domestic, it faces a very common obstacle of larger organizations: it has close to 100 bank accounts some of which are due to regulatory requirements. It has found technology is invaluable to treasury operations, dramatically reducing cost and improving efficiency. Pulte is on its third generation of TMS, providing great insight into how companies' needs change overtime and how their system succeed, or fail, in providing the support their needs.

Domestic companies may argue that they can get by with spreadsheet solutions to treasury operations. But you don't have to be a large multinational to see the upside of a TMS. Pulte, the nation's largest homebuilder, faces a daunting challenge: while it has largely concentrated its cash management activity in two banks, it has close to 100 bank accounts. That is due in part to regulations related to the homebuilding industry. Some states require that sales be conducted from a local bank account, and the company frequently needs to hold money in escrow near a specific project. The result was that Pulte's treasury had one person spending almost an entire day on cash management, logging in/out of bank portals, initiating wires and having to rekey data. Thus, the decision to automate was a natural one.

Background

Pulte's technological evolution reflects that of the market as a whole. It began with an installed solution from SunGard. Pulte switched to a SaaS offering that was web-accessible. Then a few years into it, the company found that its existing system no longer offered the functionality it required. So, a year ago, Pulte decided to make a switch and has implemented another Cloud/SaaS solution.

Treasury Cash Operations Manager Dory Malouf recalls making the initial transition to implement a SunGard product in 2000. The implementation lasted nine months and left treasury with a bitter taste. While it was presented as an upgrade, "It was really an implementation from scratch," ex-

plained Malouf. A lot of the functionality did not pan out. The company signed a five-year agreement and four years into the contract it began to actively seek an alternative.

In 2005, it selected Treasura, then marketed by Thomson (now owned by Wall Street Systems). Treasura was developed on an Application Service Provider (ASP) basis and later branded Cloud. It was offered as Software as a Service (SaaS) basis. The difference was noticeable from day one. The implementation took two months. The process was smooth, and the product delivered. For several years things worked as intended. Pulte had no cost of ownership and paid a monthly subscription fee.

When Treasura was acquired by Wall Street Systems, Pulte grew increasingly unsatisfied with the level of customer service and perceived lack of product development. "Service requests were put on phantom email," Malouf said. "We decided to go out again."

One of the reasons Pulte was able to switch solutions easily was the SaaS model. "We were on a month-to-month basis," Malouf explained. Instead of having to endure unsatisfactory service, treasury could find an alternative. For Malouf, the SaaS model became a basic business requirement. He wouldn't even look at other delivery models.

"We wanted to stick to a web-based product," explained Malouf. "I don't care if you're global or domestic, the SaaS model allows you to eliminate resources within your company for managing disaster recovery, IT support, and the maintenance of a critical and

highly secure system.” The process with SaaS is simple: “Once you get the contract, you have IT review it to ensure it meets their standards.” If the answer is yes, “you get ‘green lighted.’”

“The beauty of SaaS is that after implementation fees your fees are monthly and there’s no ‘break’ fees,” added Malouf. That means practitioners have negotiating leverage (Pulte was able to decrease the monthly fees by agreeing to sign up for a certain duration). But it truly means the customer has the leverage in the relationship, because the cost of going with another provider is drastically reduced in terms of upfront expense but also in terms of the implementation time of a new system and the process of downloading/uploading data into the new product. When Pulte “upgraded” from ICMS 1 to 2, it needed to rekey data, remap to the G/L and move account ID and signers. “It was a lot of work,” Malouf recalled. None of that happens with SaaS.

The end result

After exploring its options, Pulte selected Kyriba. “The economics played a key role,” of course said Malouf. But so did three other things:

1. **References.** The corporate references were very good. Pulte checked not only corporate references, but also checked in with its key bank partners. This was a very big issue for treasury. Its main banks were already very familiar with the solution; there was even a preexisting relationship with the implementation team. That gave Pulte a great level of comfort that the implementation would be handled smoothly.
2. **Functionality.** The other reason was functionality: compared to the other solutions it reviewed, Kyriba offered advanced bank-fee analysis capabilities. That was an important part of how Pulte wanted to manage its banking costs and relationships.
3. **The human touch.** Finally, Malouf put a lot of emphasis on the notion of building a partnership with the vendor. That’s why he insisted on in-person demos rather than something over the web. “We could have done a WebEx,” he suggested. “But we wanted to cram everybody in the room and get a feel for the vendor’s tone and approach to its clients. “We’re very big on relationships,” he said.

Pulte has been using Kyriba for a year now. Switching from its previous system to the new SaaS solution was easy. “We weren’t coming off a spreadsheet,” explained Malouf. It was just a matter of taking a data download from one system and uploading it into the new one.

There are some clear differences in the functionalities. “Prior to Kyriba we got emails or faxes related to yields on funds we that we had invested cash with, we then had to upload that data into Treasura to calculate accrued interest,” Malouf explained. With the new solution, those are all automated feeds. Now the accruals are calculated automatically, shaving off valuable time.

Pulte has also seen big pluses from its new bank-fee analysis capabilities. “What we found most beneficial was not finding whether bank A was charging us \$10 instead of \$4 for an account,” Malouf said. “The best benefit is that we’ve been really able to see what services we’ve signed for and at what cost, and then figuring out whether we’re really using those services.” In the process, “we eliminated services and that we were not using and saved a significant amount of dollars on an annualized basis. The biggest bang is analyzing your services and find out how you can save money by getting rid of legacy old processes that you’re not using that are not applicable anymore.”

In his mind, there’s no going back to the pre-automation days. “You want a one-stop shop,” he said. The idea of logging into multiple banks’ portals to view information and execute transactions is simply no longer acceptable. That model has been entirely replaced by a single login into the TMS. “Why manage all the different banks’ websites when you can simply log into one solution?”

It may be a painful measure to use, but cost speaks to many CFOs. “We can honestly say that TM systems have helped us to save at least two FTEs,” Malouf divulged. That’s mostly in the shift from manual to automated. But each additional technology generation helped increase efficiency: “Prior to the implementation of Treasura, cash management process from start to ‘done for the day,’ took about five hours. Treasura got it down to one hour. With Kyriba, it’s now down to half hour,” he said. “The rest of the time you can spend adding value to the organization and treasury by doing bigger and better things other than just cash management.”