



SUCCESS STORY

Richardson Electronics

For more than 75 years, US company Richardson Electronics has been a global provider of engineered solutions and a leading distributor of electronic components to the electron device marketplace. This case study outlines how Richardson, which now has operations in more than 30 different countries, implemented treasury technology to gain visibility over and control of its global cash.



Key Takeaways

Improved treasury control

Simplified compliance with US FBAR regulation

Eliminated manual reporting preparation

Integrated host-to-host communication with banks



Richardson Electronics is based in LaFox, Illinois, about 50 miles west of Chicago. Founded in 1947, the company has developed into a multinational corporation (MNC) with operations in countries including China, Singapore, Korea, Germany, Italy, Netherlands, the UK, Brazil and Canada.

Richardson operates only a small treasury department, with an assistant cash manager and myself, as treasury manager, reporting to the chief financial officer (CFO). Treasury's responsibilities include global bank relationship management, treasury and insurance risk management, global cash management and investment, the management of the company's global card programme, administration of the 401(k) pension plan, cash repatriation and share repurchase.

The company's monthly payment volume for the US business comprises approximately 506 automated clearing house (ACH) transactions, 74 wires, 28 cheques and, for Europe, 242 single euro payments area (SEPA) and UK bankers' automated clearing services (BACS) transactions, as well as 61 wires. Richardson works with over 2,400 unique vendors that require management of the electronic banking instructions and oversight for complete payment automation.

The Need for a New System

Before its new platform was installed, the company's treasury department was using a combination of spreadsheets and banking software for cash and treasury management. However, this solution increasingly lacked the functionality, control and transparency to support the levels of financial risk that the business was generating.

At the same time, the company was migrating to a new customer relationship management and enterprise resource planning (CRM/ERP) system – Microsoft Dynamics CRM and Microsoft Dynamics Great Plains. Treasury decided to secure approval for a treasury technology replacement project, which would give the department a secure platform for its current and future operations. The primary objectives were to identify and implement a solution that would provide centralized control and visibility of Richardson's global cash position and to serve as a global payment factory to centralize all disbursements to be sourced from the corporate office.

System Selection Process

An extensive project was implemented by small treasury team comprised of the company's CFO, myself, and the assistant cash manager but without internal support from IT, where resource is scarce.

The team's approach to selection was to arrange a series of vendor demonstrations, with follow-up conversations to ensure that all parties fully understood Richardson's system requirements, and the way in which the proposed solutions could fulfil these. Team members relied significantly on their market knowledge, Association for Financial Professionals (AFP) material about treasury workstations, and on conversations with our peers. I took responsibility for negotiating the contract.

The vendors were asked to supply sample project plans that provided evidence of their specific capabilities as well as their capacity to support the project. The team evaluated two prospective solutions in detail, and eventually chose GTreasury. Members liked the fact that the company is relatively small, with a reputation for listening and adapting. This was proved by their ability to develop new facets to the solution as the project progressed. Other plus points included the vendor's client list, and especially the fact that they had implemented a payments factory for General Electric (GE).

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Michelle Perricone
CTP, Treasury Manager

Implementation

As Richardson's corporate IT capacity is limited, the implementation project was led and performed by the treasury team, without outside assistance beyond the vendor's provision of professional services, plus consultants from our cash management banks of JP Morgan (JPM) and Bank of America (BoA). The team constructed a project plan and members found that they needed to be flexible, to adapt to changes in the implementation of the company's ERP system, which was also taking place at the same time. The vendor accepted the fact that every treasury function is different in the details of its specific requirements. This valuable flexibility and practical support enabled the team to configure and deliver a solution which properly addressed the company's needs.

Execution of the plan was monitored through weekly review calls with all involved parties that ensured any errors and omissions were detected, dealt with and any essential modifications introduced. The project, delivered on time and to budget, successfully achieved all of the team's targets, and the system was made operational for Phase 1 of Richardson's US and European treasury operations.

The operational system manages about 90 demand deposit accounts (DDAs) and 20 investment accounts with Richardson's two cash management banks. The next phase of banking consolidation will be to reduce the number of bank accounts to clear disbursements down to about 45. The team's bank account management objectives have been prone to delays due to the amount of elapsed time required for banks to validate and perform the required operations, changes in the company's ERP implementation and final decisions related to its internal globalization objectives. Members anticipated that this task would be time-consuming and with a treasury team of just two people the delays inevitably stretched the slim project resources.

The scope of GTreasury's implementation includes host-to-host communications with JPM and BoA, to retrieve bank account balance and transaction statements, and for executing the different types of payment used, multibank reporting for non BOA or JPM accounts, foreign exchange (FX) rate triangulation, plus ERP integration. The change management process has given central treasury full visibility and control over cash for all regions and the ability to make fully automated payments for the US and Europe, the Middle East and Africa (EMEA) through the GTreasury system.

Further Project Benefits

Besides the central cash management process improvement gains realized, treasury is deriving several more benefits from the new workstation.

First, it has provided an effective means of complying with the US foreign bank account reporting (FBAR) regulation – a potentially highly demanding reporting requirement, which would stretch treasury's resources if the returns had to be prepared manually as they have been in the past.

Also, in the course of the project the team identified an additional need for system support with Richardson's FX triangulation. This requirement involves using current FX rates for translation in accounting for corporate commercial activities in 30 countries. The vendor flexibly developed a solution to import a daily feed from XE rates (expressed in currency units per US dollar (USD), and in inverse format), and export these to Microsoft GP. This automation saves considerable manual effort.

Ahead of the new 1 August 2014 deadline for migration, the necessary adjustments for single euro payments area (SEPA) compliance have been achieved quite straightforwardly, essentially by shifting from the use of local bank clearing and routing numbers to international bank account numbers (IBAN) in coordination with our pan-European bankers, JP Morgan.

Further Planned Developments

The next stage for Richardson's cash management solution is to roll it out to the Asia/Pacific and Latin American operations, which will be live in the second quarter of 2014. By this autumn, the new ERP should be completely live, and at that point treasury will have full visibility and control of all the organization's cash and disbursements and will have completed the delivery of a global payments factory.

In a further phase planned for 2015, treasury plans to extend the integration between its Microsoft Dynamics GP ERP system and the GTreasury workstation so that the workstation can be used for bank account reconciliations and inter-company netting. This will further improve treasury control and achieve the cost efficiencies that are available by reducing payment transaction volumes.

Results and Recommendations

The implementation team is proud of the way that the treasury technology project has already achieved its key objectives, and is continuing to add value as its scope is broadened. The cost/benefit projections indicate that the company will achieve monthly cost savings, once the solution has been fully integrated and centralization is complete. This analysis includes the monthly workstation and bank direct transmission fees, savings achieved through closing some accounts, reduced transaction costs through the utilization of local clearing systems, reduced audit fees through the consolidation of cash, and the reduced costs from the automation of the payments and reconciliation processes.

The author's advice to other financial professionals who are planning a similar exercise is to keep in mind the necessity of organizing sufficient staff resources for the task, which is critical if real value is to be achieved. The resourcing requirement extends to the provision of the necessary education in the configuration and operation of the selected solution. Lastly, it should be mentioned that having a strong project sponsor—as we did—is vital to the success of the project.

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GTreasury provides CFOs and Treasurers with **The Clarity to Act** on strategic financial decisions with the world's most adaptable treasury platform, empowering them to face the challenges of today and tomorrow. Because each company faces different points of complexity and needs, our industry-leading solutions are purposefully designed to support every stage of treasury complexity, from Cash Visibility and Forecasting to Payments, Risk, Debt, and Investments.

With GTreasury, financial leaders gain comprehensive connectivity across all banks and ERPs to build an orchestrated data environment, enabling rapid value realization with implementations up and running in weeks. Plus, our unmatched industry expertise ensures your continued success through dedicated guidance and top-tier support.

Trusted by over 1,000 customers across 160 countries, GTreasury provides treasury and finance teams with the ability to connect, compile, and manage mission-critical data to optimize cash flows and capital structures. To learn more, visit GTreasury.com.

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