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**LEADING TREASURY
PROFESSIONALS**

Strategy, Technology and Proactive Treasury Management

Kyriba / Association of Corporate Treasurers
2014 Treasury Survey

Introduction

This report is based on an online survey conducted by Kyriba and the Association of Corporate Treasurers (ACT) in February and March 2014. The responses are taken from a cross-section of finance and treasury professionals, across a broad range of company types and sizes. Respondents were all members of the ACT. The survey is a follow-up to one completed in 2013, of which the results can be found at kyri.ba/ACT2013Survey.

The goal of the survey was to see how treasury professionals operate in 2014. How productive are they? What are their biggest challenges and concerns? What type of technology platforms do they use?

Equally important, how strategic are treasury professionals? Do they primarily focus their efforts on functional tasks, or more higher-level, strategic and analytical activities? To what extent do they believe that their activities have an overall positive impact on the organisation at large?

Key findings

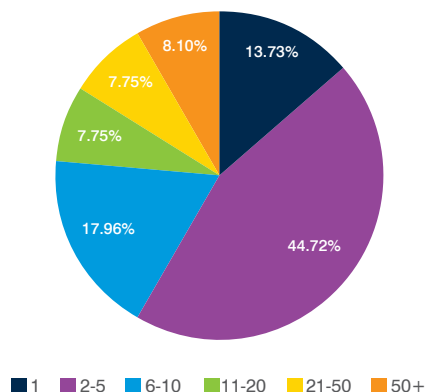
- Treasury teams are playing a broader role, and are contributing to a wide range of tasks beyond pure treasury, cash and risk management. Almost seven in 10 treasury professionals contribute data and analysis for strategic decision-making, and six in 10 are involved in working capital management. However, treasury professionals' counsel is still not widely sought in major corporate initiatives. Only one in five provides input for market expansion, with just 18 percent providing input toward M&A activity.
- Treasury teams have a high level of confidence in a broad range of tasks, in particular those that form the core of their responsibility. However, as the tasks move from operational to strategic, practitioners' confidence in their ability wanes. Almost 85 percent of treasury professionals believe they execute payments "extremely well" or "well," and more than 70 percent thinking likewise for ensuring compliance. However, this number falls to barely half for effectively working the organisation's capital, and less than 45 percent for contributing toward the overall growth of the business.
- Organisations are continuing the move away from spreadsheets to dedicated treasury systems. Although almost two-thirds of SMEs still rely on spreadsheets, above £500m revenues, the majority of companies have either a dedicated treasury platform or use an ERP treasury module.
- Most companies with a dedicated treasury system continue to use a hosted platform, but the gap is shrinking, particularly for midsize companies. Among £10bn+ revenue companies, installed software is 3.5 times more popular than ERP modules, and 10 times more popular than cloud software. However among midsize companies with £1bn-£10bn revenues, installed software is three times more popular than ERP modules and less than twice as popular as cloud software.
- Global trade and the recent economic challenges are top of the list of treasury teams' concerns when it comes to the biggest risk factors. Half of all treasury teams see FX risk as one of their three biggest risk factors, closely followed by lack of visibility into liquidity and cash forecasts. However, the type of risk factors varies dependent on the type of platform used. For example, more than 40 percent of treasury teams who primarily use spreadsheets view them as one of their top risk factors, compared to just 15 percent who use a dedicated treasury platform.

The role of the treasury team

Team size

The size of the corporate treasury team remains lean, even as the function has become less focused on tasks and processes, and more on delivering real strategic value. Fifty-seven percent of all respondents' treasury teams have less than five members, with 14 percent operating as one-man-bands. While the average number of team members grows steadily in line with the company size (for example, a third of all £10bn and above companies have treasury teams of more than 50), the majority of companies up to £10bn revenues have less than five treasury personnel.

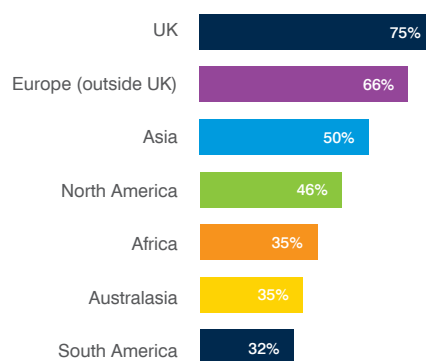
How big is your treasury team?



Global responsibility

Rare is the treasury team that focuses on a single geography. Three quarters of UK-based respondents also cover mainland Europe, while more than half also cover North America or Asia. More than a third of teams have a global remit, with this number rising to 48 percent for companies with more than £1bn revenues.

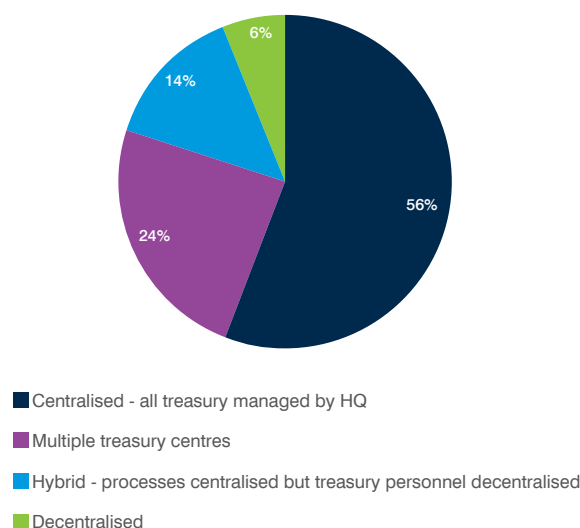
Which regions does your treasury team oversee?



Centralisation

Given the predominantly international focus of the modern treasury team, it is not a huge surprise that centralisation of treasury functions is common. Overall, a little more than half (56 percent) of all treasury teams are centralised, with 24 percent using multiple treasury centres, 14 percent having a hybrid approach of centralised processes with decentralised teams, and six percent being completely decentralised. However, this figure varies significantly dependent on the size of the organisation. Treasury is completely centralised at a full 75 percent of companies with £100m-£500m revenues (although surprisingly only 56 percent of the smallest companies, with under £100m revenues), with this number shrinking evenly as revenues grow. Among the largest companies (£10b+ revenues), just a quarter of treasuries are centralised, with half using multiple treasury centres.

How centralised is your company's treasury function?



Primary activities

Treasury teams cover a wide variety of tasks, from cash and bank position reporting, through to strategic financial analysis and executive counsel. In general, cash position reporting and forecasting, and liquidity management ranked as the most common tasks, at 73 percent of respondents, followed by bank reporting and account administration, investment, and payments, at 60 percent. These figures, quite surprisingly, don't change dramatically based on role, with 73 percent of treasurers and CFOs involved in daily cash forecasting, compared to 71 percent for treasury analysts and assistants. The only area of daily tasks which see any real difference between titles is in risk management, although from CFOs to treasury managers, there is still little variation. Almost 60 percent of CFOs / treasurers focus on FX and hedging (as well as 72 percent of treasury directors and 60 percent of treasury managers), while only treasury assistants and analysts tend to focus away from FX / hedging, with less than one-in-three focusing on it. Although treasurers and CFOs have more responsibility, they continue to focus on core activities.

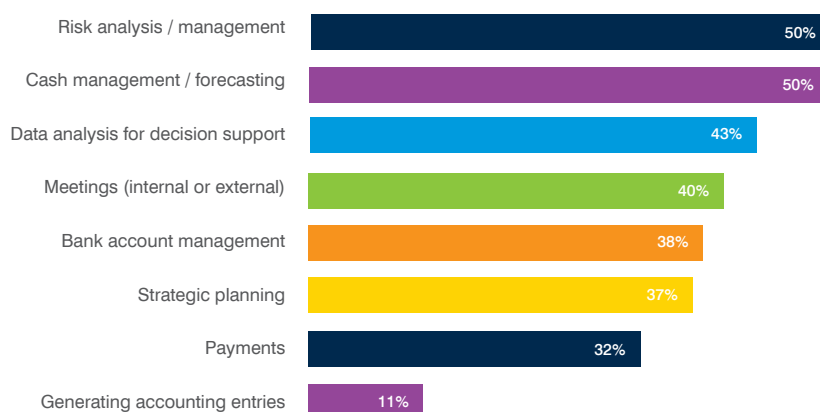
What are the primary activities that you take part in on a daily basis?



Division of time

The higher up the treasury ladder one goes and the bigger the company one works for, the more time is spent in meetings. Less than a quarter of treasury analysts cite meetings as one of the three main areas where they spend their time, but among CFOs and treasurers, this figure rises to 46 percent. However it is not the most time-consuming activity. Risk analysis and management is the number one task performed by respondents overall, at 50 percent (although higher, at 56 percent, for CFOs and treasurers). Cash management and forecasting, while almost the same in terms of overall respondents' time consumption, is marginally higher for managers and below (53 percent).

In which three areas do you spend the majority of your time?



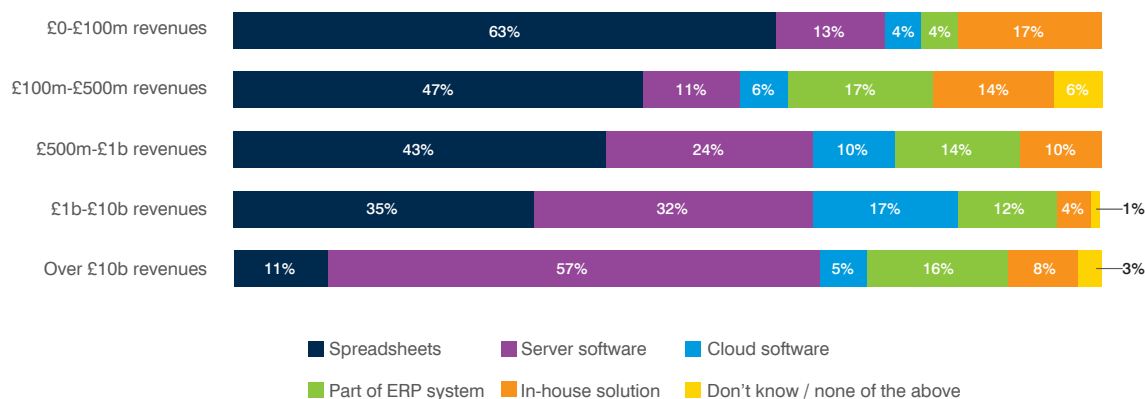
Technology and its impact on treasury strategy

In spite of several highly-publicised issues regarding the over-reliance of spreadsheets – the London Whale being a particularly well-known example – more than four in 10 (42.7 percent) UK companies still use them as the primary tool for managing their treasury operations. Server-installed treasury workstations remain the second most used overall, at 26 percent, with 12 percent using their company's ERP treasury module, and 10 percent using a cloud / software-as-a-service (SaaS) based treasury management system (TMS).

However, there is a significant difference in usage patterns between companies of different sizes, as the chart below shows. Among small companies, almost 8 in 10 either rely on spreadsheets or another in-house developed solution for treasury management. This number falls steadily as company size grows, although 11 percent of the largest enterprises still – quite alarmingly – rely on spreadsheets for treasury management, the same figure as last year's study. Even among companies in the £1bn-£10bn range, spreadsheets remain the dominant tool.

Dedicated treasury systems continue to show strong penetration across most company sizes, although larger enterprises (£1bn and above) continue to be those where they are used more prominently. Although there are far fewer cloud / SaaS vendors on the market, this delivery method shows significant growth, particularly in mid-size and larger companies. In fact, in the £1bn-£10bn size range, use of cloud / SaaS treasury software increased by half from 2013 to 2014, from 11 percent to 17 percent. On the opposite end of the spectrum, the use of ERP systems' treasury modules continued to drop, particularly in the largest enterprises, where its use fell by a full 10 percentage points, to 16 percent.

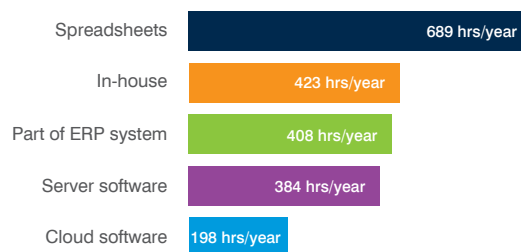
What type of tool do you mainly use to manage your treasury?



The move to more dedicated and cloud-based platforms is also enabling treasury professionals to become less chained to their desktops. The advent of mobile treasury apps and smartphone- and tablet-friendly interfaces has increased the use of these devices for treasury management. Twenty-two percent of treasury professionals now use their tablets to access their treasury data, while 20 percent also use their smartphones to do so.

What is it that drives treasury teams to ditch spreadsheets? Productivity gains and automation continue to be a driving force behind many companies' decision to move to treasury software, with 80 percent of users citing this as a key benefit. This isn't surprising, given the time savings that dedicated software provides. Extrapolating respondents' estimates for the amount of time they spend daily on manual and operational tasks, spreadsheet users spend 689 hours (more than 17 40-hour weeks) per year, simply performing these tasks. This figure falls significantly, to approximately 10 weeks per year for ERP treasury modules and server-installed software, and even further, to just under five weeks, for treasury teams using cloud-based software.

How much time do you spend on manual / operational tasks?



For the majority of treasury software users, however, moving to a dedicated treasury system has a number of additional, more strategic benefits. Seven in ten treasury systems users cite increased control of processes as a key benefit, with 61 percent also citing greater visibility into cash balances and forecasts and exposures. Almost half (47 percent) of users also see an increased ability to provide strategic analysis of data for broader corporate decisions.

What are the biggest benefits that your treasury management solution provides?



Strategic focus

As more treasury teams have the technology to automate many parts of their role, and have got a firm grip on both cash visibility and control of treasury processes, there has been a continued move towards taking a more strategic role, with 33 percent of all companies becoming more strategic in their approach. Large companies are significantly ahead of small companies in their transition, with 44 percent viewing themselves as more strategic than two years ago. Overall, 22 percent of respondents view their treasury department as mainly strategic in their approach to treasury management, although 24 still view themselves as mainly tactical. Surprisingly, only 17 percent of CFOs and treasurers view their department as primarily strategic, compared to 30 percent viewing them as primarily tactical.

Strategic tasks

If treasury teams are viewing themselves as more strategic than before, what higher value tasks are they involved in? Information and analysis for strategic decisions was the most common response, with approximately two thirds of respondents claiming this. There was little variation in response between roles and company sizes on this question, and only companies with less than £500m had a higher response than strategic decision support. Among this group, the most common strategic task performed was working capital management, with 63 percent (compared to 59 percent for strategic decision support).

However, the results also showed that treasury still has a way to go until it is fully integrated into companies' overall growth plans. Barely one-in-five treasury professionals plays a role in market expansion, with fewer still being involved in M&A activities and accelerating revenue growth. Even among CFOs, barely a third are involved in revenue growth expansion, and only one in eleven contributes to decisions about expansion. Clearly the treasury team needs to raise the awareness of its increased abilities, to ensure it is no longer viewed as a process-oriented cost center.

Which of the following activities are you involved in?



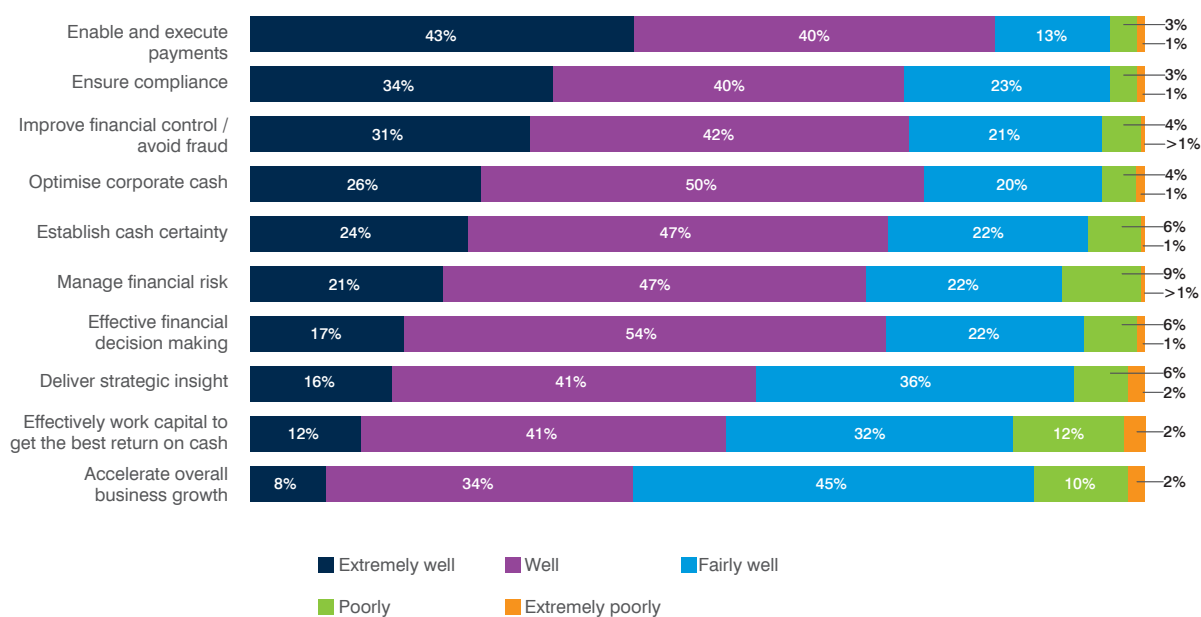
The march towards Proactive Treasury Management

As the treasury team sees itself starting to move into a higher level role, how is it performing both on core competencies and also these more strategic tasks? Clearly, the highest levels of confidence and ability are in core competencies: 42 percent of respondents believe they execute payments “extremely well” (with a further 40 percent saying they do it “well”), and 33 percent feel the same way for compliance.

However, as the strategic value of the activity increases, practitioners’ confidence in their abilities tends to decline. Most treasury teams have a reasonable level of confidence in the abilities to optimise corporate cash (70 percent saying they do so “well” or “fairly well”), and manage risk (68 percent saying “well” or “fairly well”). However, when it comes to activities that deliver tangible business value outside of the treasury function, only 16 percent of respondents believe that they deliver strategic insight “extremely well” (and this number falls to 13 percent for CFOs and treasurers), while the majority feel they do it “well” or “fairly well.” Furthermore, only one in 12 overall treasury professionals (and one in 11 CFOs and treasurers) believe that they accelerate overall business growth “extremely well,” with 50 percent more respondents believing that they perform the task “poorly” or “extremely poorly.”

These statistics make it clear that, although there is a high level of comfort and confidence in treasury teams’ ability to perform core tasks, there is still a considerable way to go until they are similarly comfortable focusing on the more proactive and strategic aspects of treasury management.

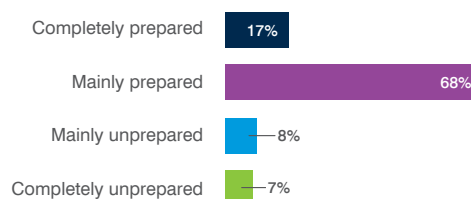
How well does your team perform in the following areas?



Responding to change

The past few years have proven the need for companies to respond to rapid and often potentially catastrophic change. With that in mind, how do companies view their ability to react to these changes? Thankfully, the vast majority of respondents see themselves as completely (17 percent) or mainly (68 percent) prepared, with less than 15 percent seeing themselves as unprepared to respond. Also encouraging is the fact that almost half of all respondents (43 percent) view themselves as more prepared than two years ago, while only six percent are less prepared.

How is your treasury team prepared to respond to change in the market?



Biggest risk factors

Treasury faces a broad range of risk factors, both from within the organisation and outside. Among respondents as a whole, three of the most commonly cited risk factors for the coming year were those from outside the corporate walls – FX, counterparty and broader macroeconomic factors. The turmoil of the past few years is certainly still clear in the minds of many.

Spreadsheet errors, while relatively low on the agenda for respondents as a whole (27 percent), are the second most common risk factor for those who use spreadsheets as their primary treasury management tool, at 43 percent. This compares to just 15 percent of those who use a dedicated treasury platform or an ERP treasury module. While the vast majority of treasury departments still use spreadsheets to some extent, they are certainly a much larger source of concern if relied upon as the primary tool.

Spreadsheet-only treasuries also cite the lack of visibility of assets and forecasts as a much larger risk factor than those who use treasury management packages. Overall, lack of visibility is a top three risk for 60 percent of spreadsheet-only treasuries, compared to just 32 percent of those with treasury management software.

Interestingly, payments fraud is a low area of concern for treasury teams, with just 18 percent citing it as one of their three largest risk factors for the year (and 73 percent saying that they perform compliance and fraud prevention “extremely well” or “well”). A recent survey conducted by Kyriba showed that 78 percent of companies have been the target of financial fraud, and 30 percent of companies have suffered financial losses as a result of it. That such a comparatively small group is concerned by it suggests there may be considerable complacency about whether a company will be impacted.

What are your three biggest risk factors in the coming year?

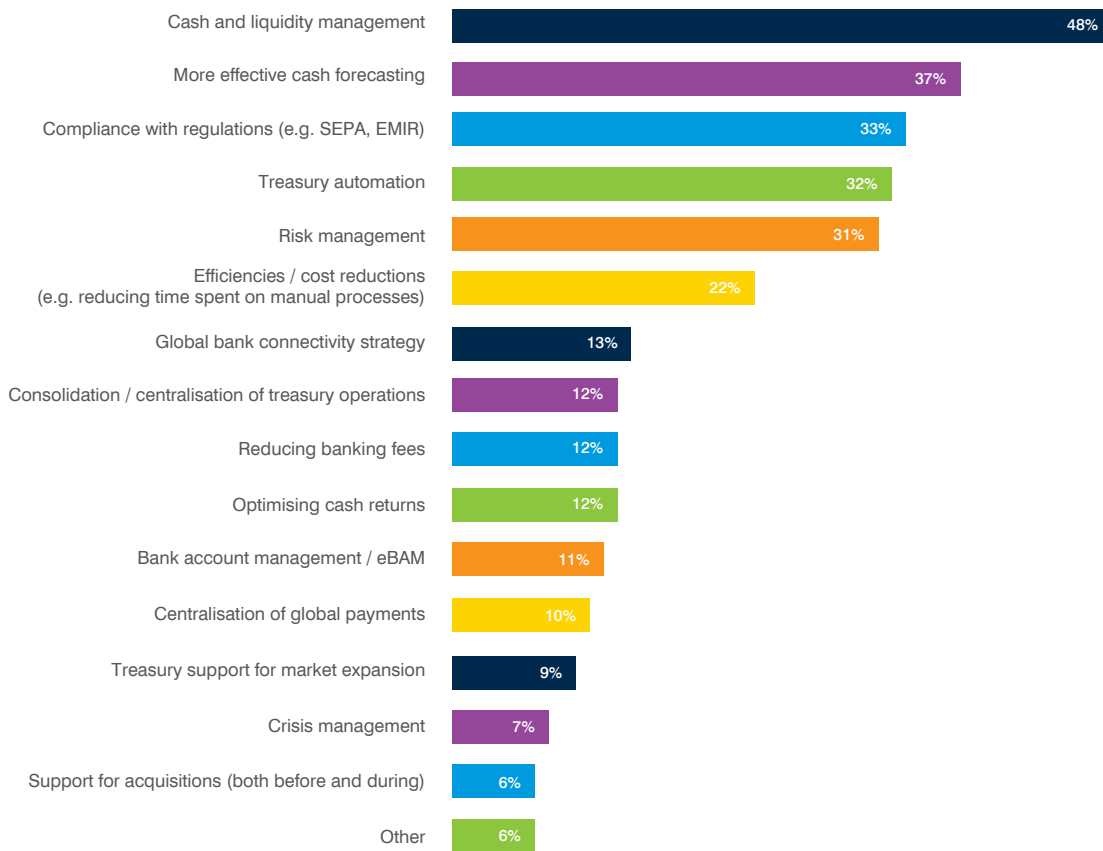


Treasury priorities

Treasury teams' priorities have changed relatively little over the past year, and three of the top four responses – cash and liquidity management, cash forecasting and compliance – are the same as last year. The only new entrant to the top four is treasury automation, which was a key priority for 27 percent in 2013, and 32 percent this year.

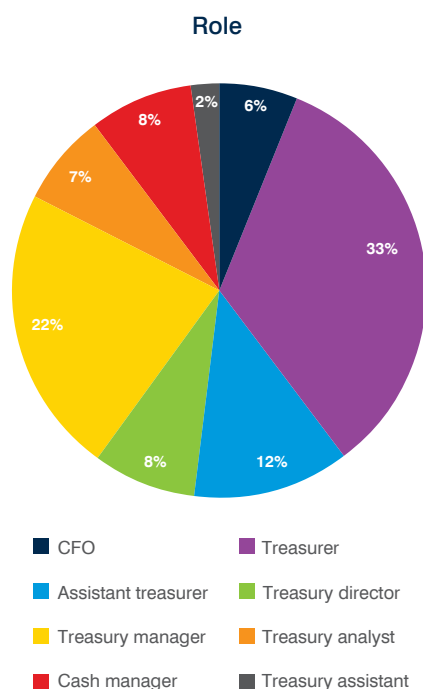
What is clear is that although treasury teams view themselves as increasing their strategic contribution, their core focus remains on tasks such as cash management, cash forecasting and compliance.

What are your three biggest priorities in the coming year?



Demographics

283 responses were received in total. The breakdown of the respondents is:



| Country of residence | Percentage of respondents |
|---|---------------------------|
| UK | 48% |
| Ireland | 5% |
| South Africa, USA | 4% |
| Switzerland, The Netherlands, UAE | 3% |
| France, Ghana, India, Saudi Arabia, Zambia | 2% |
| Czech Republic, Iceland, New Zealand, Pakistan, Russia | 1% |
| Australia, Austria, Bahrain, Botswana, Denmark, Ethiopia, Greece, Hong Kong, Italy, Kenya, Philippines, Sierra Leone, Sri Lanka | <1% |

Note: not all respondents provided their country of residence or title.

For more information

If you would like to learn how Proactive Treasury Management could benefit your organisation, and are interested in hearing more about Kyriba's range of treasury management solutions, visit www.kyriba.com. You can also email info-uk@kyriba.com or call Kyriba's UK headquarters on +44 (0) 20 7859 8275.

If you would like to hear more about the Association of Corporate Treasurers or are interested in joining the ACT, please visit www.treasurers.org or call +44 (0) 20 7847 2540.

If you are a member of the media or an analyst and would like further details or analysis of this research, or would be interested in speaking with a member of Kyriba's team about this survey, please contact Tim Wheatcroft, director of corporate communications at twheatcroft@kyriba.com.

About Kyriba

Kyriba is the global leader in Proactive Treasury Management. Our software-as-a-service (SaaS) treasury and risk solutions enable finance teams to optimise their cash, manage their risk, and work their capital. Our award-winning cash, treasury, payment, risk management and supply chain finance solutions are used by more than 800 organisations worldwide, including Amway, Electronic Arts (EA), PulteGroup, Inc., and Qualcomm, to unlock new business value, drive corporate growth and ensure compliance. For more information on how to be more proactive in your treasury management and drive business value, contact treasury@kyriba.com or visit <http://www.kyriba.com>.

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About the Association of Corporate Treasurers

The Association of Corporate Treasurers (ACT) sets the benchmark for international treasury excellence. As the Chartered body for treasury, we lead the profession through our internationally recognised suite of treasury qualifications, by defining standards and championing continuing professional development. We are the authentic voice of the treasury profession representing the interests of the real economy and educating, supporting and leading the treasurers of today and tomorrow.

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