Nordea

RESEARCH REPORT

Treasury KPIs

Measuring treasury's journey

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The corporate treasury has never been more in the spotlight, or had greater opportunity to contribute value to the business. But how are treasuries measuring that contribution?

Contents

Key findings	3
KPIs have gone mainstream	4
KPIs could be better aligned to strategic priorities	6
KPIs are about processes, not people	10
KPIs are here to stay	14
Time to step up	17
About our survey	18
Further reading	19

We've been tracking the role and activities of the corporate treasury through our research for a number of years. In our Treasury 2017 report, published in 2014, we explored how many treasuries are stepping up to play a more strategic and advisory role in the business, with particular focus on liquidity, funding and on risk management. In our Hedging strategies 2016 report, we followed up by looking in depth at financial risk management, identifying the growing attention being paid to risk areas such as FX and interest rates.

Almost 60% of respondents said providing advice to the business would be a key responsibility for the treasury in two to three years.

Nordea Treasury 2017 report

How are treasurers planning to navigate their way through these changes? And just as importantly, how are they tracking their progress and the results they're achieving?

For the majority of treasuries, the treasury policy is the roadmap and the yardstick. It both sets out the scope and limits of the treasury's activities, and in many cases defines how results are to be measured, through key performance indicators (KPIs).

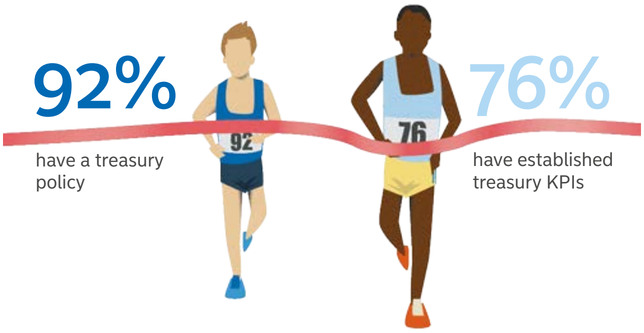
It's these KPIs that we set out to evaluate. In Q2 2016, we held a roundtable discussion and a number of customer meetings about running the treasury. We then went on to survey over 160 large corporate customers, mostly rooted in the Nordics, about how they manage and measure their treasury performance. Our respondents represent nearly every industry sector and vary in size of turnover (for details, see page 18).

This report presents our findings, and offers invaluable benchmarks and best practices for anyone involved in defining treasury policies or interpreting KPIs, including corporate treasurers, CFOs and Board audit committee members.

Key findings

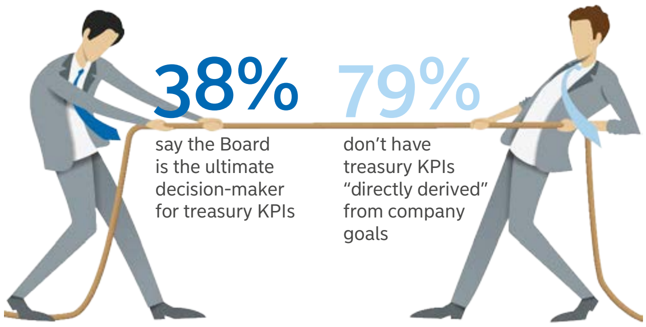
Four top takeaways from our research

1. Treasuries are racing ahead in KPI use



Most corporates have a formal treasury, formal treasury policy, and some form of established KPI framework, regardless of sector or where they're based. The largest corporates are more likely to have KPIs in place, reflecting greater treasury resources and process maturity.

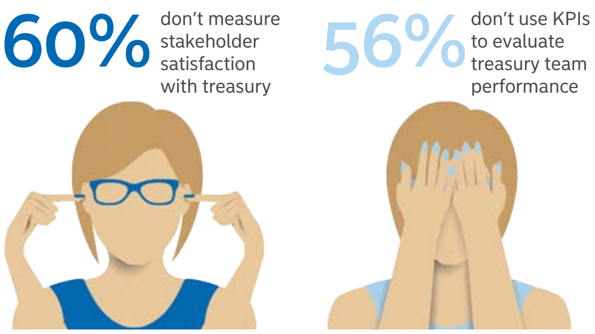
2. Alignment with the business could be closer



Treasury KPIs are decided by and reported to the CFO, CEO and the Board — they're highly visible. Most say their treasury KPIs are aligned to the company's strategic goals, but there's room for improvement; only 17% actually share KPIs with other business areas.

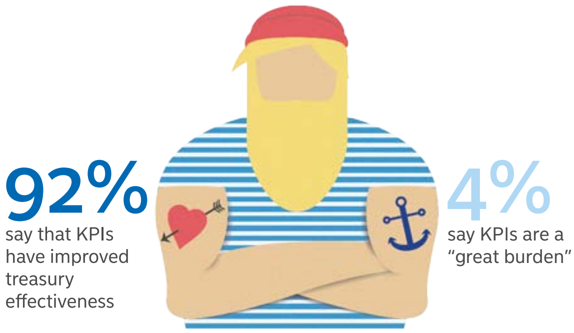
Corporates typically have 4–5 KPIs, and the most popular areas for KPIs are the usual operational focus areas: liquidity, funding, and FX risk.

3. Few use KPIs to listen to the business



Less than half of corporates use treasury KPIs to measure the treasury function's performance, less than one in ten benchmark against peers, and only 40% regularly measure stakeholder satisfaction with treasury. 59% say KPI outcomes never affect staff compensation. All this suggests that KPIs are not yet being used to manage the treasury as a team.

4. KPIs are here to stay



Most corporates expect their use of KPIs to grow, and treasurers have no problem with that: the majority are satisfied with their KPIs and believe they've contributed to treasury performance. Less than half say that reporting on KPIs is any burden at all.

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Section 1

KPIs have gone mainstream

More than three quarters of corporates say they already use KPIs in conjunction with a formal treasury policy. Only smaller corporates buck the trend.

Treasury policies are nearly universal

More than nine out of ten respondents told us they have an established treasury function. That's no surprise — they're large national or multinational corporations.

What's more interesting is that practically every business that has a treasury function also has a formal treasury policy of some sort: the two go hand-in-hand.

This is encouraging — treasury policies are at the heart of defining the treasury's mission and often for setting out what successful performance looks like.

> 92% of corporates have a formal treasury policy.

Some segments are naturally less mature, principally "smaller" corporates — in our sample, those with revenue under €250 million. Only 73% of them have a formal treasury, and only 68% have an established treasury policy. Figure 1 shows the breakdown.

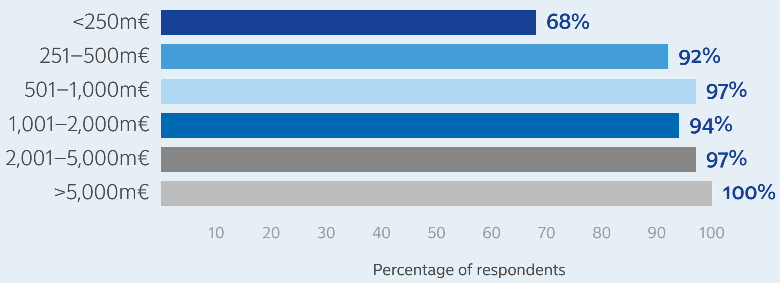
It's notable that these numbers, while significantly lower than for other sizes of business, are still very high. Treasury policies are widespread for all kinds of corporates.

Looking by industry, technology and telecoms companies were less likely than other sectors to have a formal treasury and policy, with only 79% having a policy in place. This perhaps reflects that these businesses can scale quickly to large revenues while still being "young" organisations with small headcount, and therefore having not yet established a formal treasury.

"Over the last two years, Spotify has almost doubled the number of employees and more than doubled its turnover. For a company to stay on top of such fast expansion, it requires a lot from all support functions and areas of the organisation – including, of course, treasury."

Johan Bergqvist, Group Treasurer, Spotify

Fig 1. Percentage of corporates with a formal treasury policy, by annual turnover



KPI use is strongly linked to size

So we know that the vast majority of corporates have formalised their treasury function and have a written policy governing its activities. But does that extend into a mature set of documented KPIs?

We asked our respondents whether they have a set of established KPIs to measure treasury performance: 76% said they do. That's impressively high, but we deliberately left the question open-ended — respondents were free to define for themselves what qualifies as "established KPIs". As we'll explore later, these KPIs come in many different shapes and sizes, and some of them are more formal than others.

> We asked our respondents whether they have a set of established KPIs to measure treasury performance: 76% said they do.

As expected, the use of KPIs increases in line with size of business, as Figure 2 shows. We found that of the smallest group (under €250 million annual turnover) only 55% say they use KPIs, compared to 80% of those with turnover greater than €5 billion.

> 80% of the largest corporates say they use KPIs to manage treasury performance.

This is a pronounced disparity with several possible explanations: in some cases, smaller organisations will have smaller treasury teams with less of a distinct reporting responsibility; or perhaps as part of a smaller and more tight-knit organisation, performance is simply monitored in a more informal or ad hoc way, and that's perfectly satisfactory.

While most treasuries do indeed have a formal policy in place, it might function as more of a tactical workbook rather than a living, strategic document. And though treasurers may want to turn a blind eye, it's important for them to find out whether their treasury policies and performance indicators provide a clear view of the treasury's role and purpose.

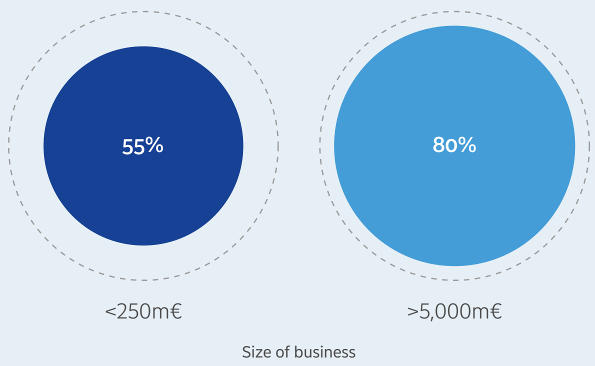
What is a KPI?

Essentially, KPIs are measures of performance in any area of operations that's of particular importance to the business and its departments. KPIs may cover on-time delivery in a supply-chain function, revenue target attainment for sales teams, or customer satisfaction for service functions.

KPIs should be impartial, quantifiable and easy to compare over time, because they're often used to guide improvement efforts and to benchmark performance against similar organisations. But the specifics of what gets measured and how the data gets used varies dramatically between individual businesses and departments.

Many businesses use KPIs as part of a framework such as the Balanced Scorecard to get an overall view of corporate performance.

Fig 2. Percentage of corporates with established treasury KPIs, by annual turnover



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Section 2

KPIs could be better aligned to strategic priorities

Treasury performance is getting Board-level attention — and progress is being made to align KPIs with the rest of the business.

Treasury KPIs are highly visible

The treasury has historically been seen as a behind-the-scenes support function. Does the treasury's use of KPIs reflect that today?

In short, no: our research paints a clear picture that treasury KPIs are highly visible to the business's senior leadership.

As Figure 3 shows, the ultimate decision-maker for setting KPIs is most commonly either the CFO or the Board itself (including the Board's finance or audit committee). The treasurers we interviewed often remarked that KPI expectations came from multiple senior sources.

And this is not just a one-off involvement for planning purposes. The KPI outcomes also get C-level attention, with many corporates saying they report results not just to the CFO (which 83% of corporates do), but to the CEO or the entire Board as a matter of routine, as Figure 4 shows.

Treasury performance has well and truly secured its place on the C-level agenda — in fact some of the treasurers we interviewed were concerned that their activities were now so closely associated with senior management that changes of leadership would prompt a disruptive refresh of treasury KPIs.

This supports what we described in our Treasury 2017 report: treasury is moving out of the back office, becoming a more prominent and strategic function.

Fig 3. Who is the ultimate decision-maker for treasury KPIs?

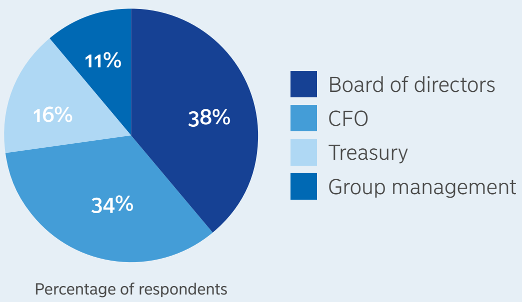
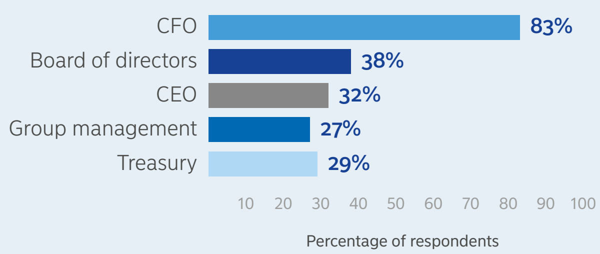


Fig 4. Who do you report treasury KPI results to?



Strategic alignment: room for improvement

But let's dig in a little further. Are treasury KPIs demonstrating performance in areas that the Board, CFO and CEO really care about?

We asked corporates whether their treasury KPIs are linked to the strategic goals of the company. 90% said they were to some extent, as Figure 5 shows.

At first glance, this is extremely encouraging. Only 10% say their treasury sets goals completely independent of the company's strategy, and even given a confidential opportunity to talk candidly about the frustrations of their role, none of the treasurers we spoke to said there was any meaningful conflict between what the business is trying to achieve and their own focus areas.

But looking more closely, there is definite room for improvement. Only 21% of corporates say that their treasury KPIs are "directly derived" from the company's strategic goals.

> Only 21% of corporates say that their treasury KPIs are "directly derived" from the company's strategic goals.

Treasury KPIs are naturally strategic

Furthermore, when we look at what form the KPIs take, many of them are tactical and operational in nature, as Figure 6 (over) shows.

Only 27% of corporates say they have set "specific KPIs" for the treasury, in the sense of defining an ongoing measure and target formulated purely for the purpose of tracking treasury performance. So what are the rest doing?

Some share KPIs with the wider business

17% say they have shared KPIs with other business areas. Shared KPIs are perhaps the ideal, particularly for organisation-wide issues such as maintaining working capital levels or avoiding transaction defaults, where departments such as sales and procurement may have just as much responsibility for success as the treasury does.

Shared KPIs are the most explicit way of encouraging teams to work together toward a common goal — and there is plenty of potential for the treasury to step up and set KPIs that focus more on the CEO's agenda as well as wider business targets.

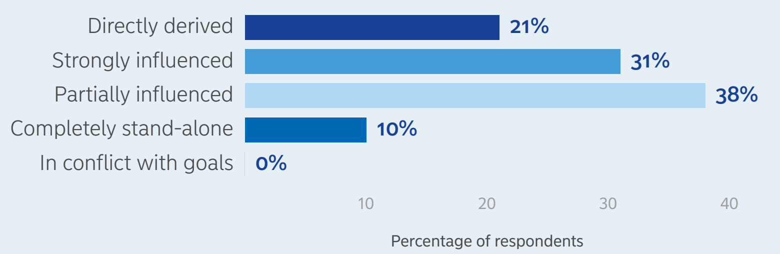
Larger organisations show stronger alignment between business and treasury

Our research found a significant difference between sizes of business in how closely they linked their treasury KPIs to the strategic goals of the company. Of the largest businesses, those with turnover greater than €5 billion, 69% said their KPIs are "directly derived from" or "strongly influenced by" the company's goals. By comparison, only 38% of the smallest corporates (under €250 million turnover) said the same. We believe this reflects the more rigorous and formal processes that larger organisations typically follow to cascade planning throughout the group.

"...A working capital reduction programme needs to involve every part of the organisation. You need to chase all the money you can from wherever it is. You need to shorten your order-to-cash cycle and extend your purchase-to-pay cycle."

Per Norman, Head of Treasury and Risk Management, BillerudKorsnäs

Fig 5. To what extent are treasury KPIs derived from strategic corporate goals?



Others set KPIs for specific projects

21% set project goals. For instance, one treasurer we spoke to has a target of 100 days to successfully incorporate a new company acquisition into the group's financial processes. Others may set goals for technology implementations, process change, bank migrations or compliance with new regulations. Such project goals are important. Major implementations, restructurings and integrations may span an entire year's reporting cycle or more, so are hardly short-term. In fact, one treasurer told us that after the completion of their projects, project KPIs often "graduate", becoming part of standard operating procedure.

"I've held roundtable discussions with many treasurers in big Nordic corporates and I'm surprised to find how few have KPIs that are aligned with overall business goals. Measurement often focuses on tactical deliveries like implementing a new cash pool, or on maintenance issues such as ensuring the smooth functioning of intercompany netting processes or to maintain a certain liquidity or hedging ratio."

Erik Seifert, Nordea

Most draw KPIs from policy parameters

But most common of all is that treasury KPIs are "parameters from our treasury policy" — this option was picked by 47% of all corporates. These parameters are in many cases numeric or percentage limits on processes, such as liquidity amounts, leverage ratios, funding costs or forecast accuracy.

Compliance with these kinds of hard, operational metrics is vital to a functioning treasury. But it's possibly asking too much for non-financial members of the board to interpret what they mean in terms of strategic business contribution, compared to more intuitive and high-level indicators like revenue growth, cost of goods sold, net promoter score, customer lifetime value, share price, market share, product defect rate or net profit.

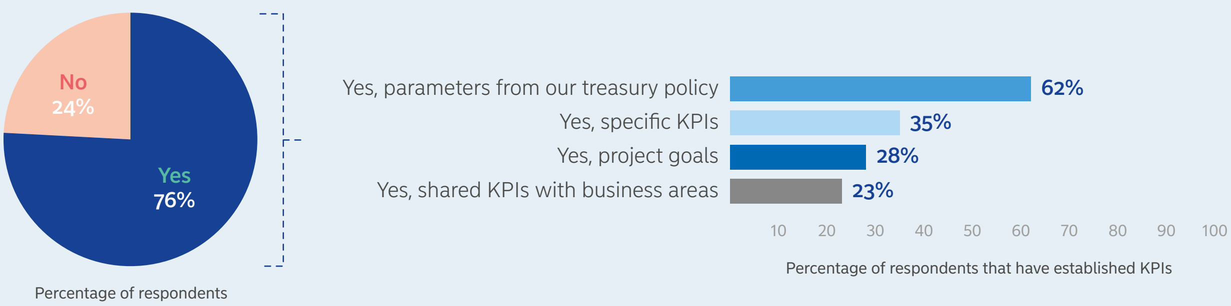
KPIs cover core areas of treasury responsibility

While many of the treasury's activities are measured and reported on as a matter of course, the point of key performance indicators is to identify the most important measures affecting the business's success — they should be a tightly prioritised list.

We found that corporates tend to focus on a few areas, consistent with those revealed in our Treasury 2017 and Hedging strategies 2016 research. This is a positive sign that treasuries are actually measuring the areas that they say are most important to their mission.

Take a look at page 9 for the details.

Fig 6. Do you have a set of established KPIs to measure treasury performance?



Top KPIs used today

89% **liquidity**

- **84%** group cash level
- **56%** liquidity buffer
- **19%** relative liquidity measure
- **17%** yield on liquidity

Liquidity is life or death for corporates, so it's no surprise that it ranks top of the list. Specific KPIs are dominated by absolute measures of liquidity – corporates focus on the actual cash they need to cover refinancing and operations, rather than relative measures like cash to sales ratios.

"Our mission is to ensure that there is cash in our bloodstream so that our daily operations can run smoothly."

Mari Jõgila, Director Treasury Operations Finance & Treasury, Circle K Treasury Operations Europe AS

78% **funding**

- **75%** debt maturity duration
- **54%** funding cost
- **49%** access to types of funding
- **43%** capacity to fund acquisitions

Setting KPIs around funding is both easy to do and a great way of demonstrating treasury's value – after all, funding is critical to continuing operations. Access to multiple sources can help to decrease funding costs and mitigate risk.

"It has been natural and desirable for treasuries to step up and take strategic responsibility for funding — first advising corporates on how to fund their operations and then on how to optimise funding."

Treasury 2017

73% **FX risk**

- **95%** hedging outcome
- **13%** proprietary trading result

FX has risen up the agenda, as we found in our earlier research: it was the top priority in our Hedging strategies 2016 report. The emphasis is squarely on managing risk from volatility, not on profit from trading. That risk-led approach held true across interest rate and commodity KPIs too.

Our Treasury 2017 research found that only a third of treasuries have a trading mandate.

67% cash management

64% operational efficiency

64% interest rate risk

52% working capital management

47% treasury operating costs

19% commodity risk management

15% corporate social responsibility

Use of interest rate risk KPIs varies. 80% of Swedish businesses have KPIs in this area, compared to only half of those in Denmark and Finland. This may be backed due to the high number of private equity firms in Sweden. In terms of sectors, real-estate was most likely to proactively manage interest rate risks, with 78% using KPIs in this area.

Section 3

KPIs are about processes, not people

Corporates use KPIs mainly to monitor and control process performance, not to manage the treasury's effectiveness and value delivered.

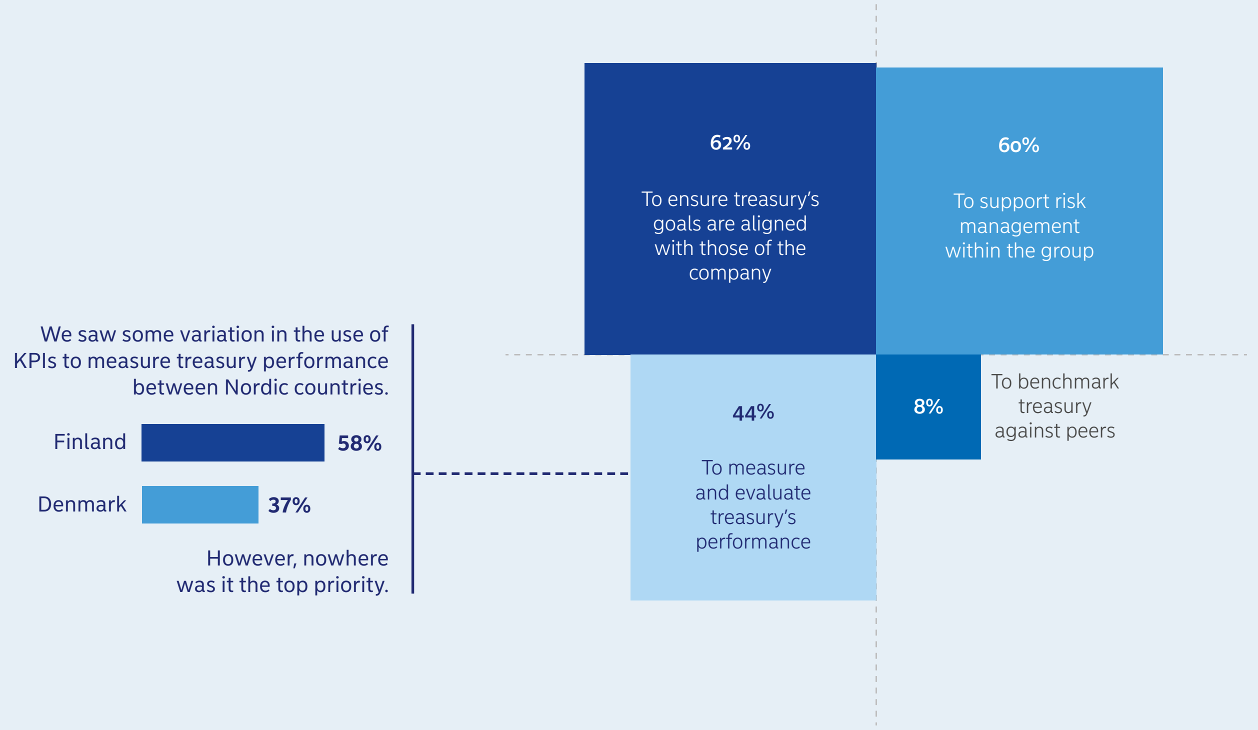
What's the purpose of KPIs?
We've seen what the treasury's KPIs look like. But what are they used for? We asked what treasurers believed to be the purpose of their KPIs. Figure 7 shows the responses.

It's encouraging that 62% say KPIs are there to enforce alignment to strategic goals, and it's easy to see why 60% pick risk management, when so many of the top KPI areas are about avoiding problems around liquidity, funding, FX and interest rate risks.

But less than half of respondents said that their KPIs are used to enable measurement and evaluation of the department's performance in any way — despite the obvious value that success metrics like KPIs can offer during activities such as staff appraisals, budget negotiations, target setting and resource allocation.

Less than half of treasurers use KPIs to measure the department and evaluate performance.

Fig 7. How do you use your treasury KPIs?



Benchmarking: unneeded or impractical?

Even more strikingly, fewer than one in ten corporates use their KPIs to benchmark against their peers. Perhaps this is because what matters to corporates is whether the treasury succeeds at helping the business hit the specific targets handed down by the CEO, no matter how that compares to what's going on in the wider market.

But from discussions we've had with treasurers, we believe that many simply see problems with making fair comparisons against other treasuries that may be in a very different situation, or believe that benchmarking is not an effective use of limited resources.

We encourage treasurers to take a more open view. While every corporate has its own unique position, comparisons against peers (whether that's by industry, size of business, jurisdiction or treasury setup) can serve to sanity-check targets, suggest best practices, and even explain a sudden period of poor performance caused by external market factors.

And it's important to note that benchmarks may be more useful and more easily compiled in some areas than others. Some of the treasurers we spoke to benchmark just their funding cost, for example, or benchmark against readily available public indexes instead of against manually tracked peer groups.

Measurement of stakeholder satisfaction is not systematic

One of the most fundamental measures of performance for any function is stakeholder satisfaction, and that's true not just for those teams that interact directly with customers. It's equally important for teams serving internal customers, whether that's HR, IT, legal, a shared services centre, or indeed the treasury.

If a treasury can measure that its advice and support is appreciated by colleagues in procurement, strategy, sales and other departments, it has the clearest possible evidence to present to the CFO and the Board that it is contributing business value, without having to interpret and report on complex operational metrics.

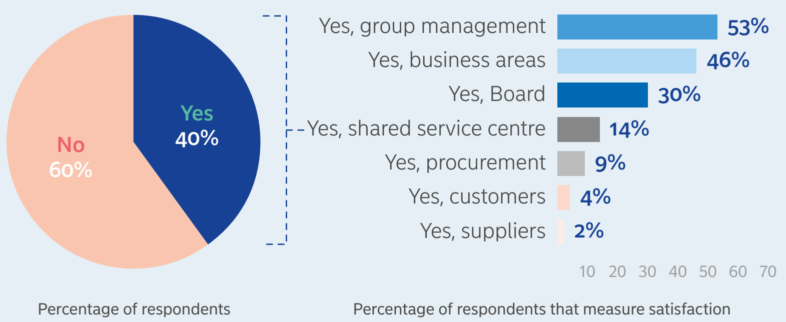
However, our research shows that treasuries rarely move beyond looking at process performance to measure stakeholder satisfaction, at least in any systematic way.

As Figure 8 shows, only 40% regularly attempt to measure stakeholder satisfaction with the treasury's performance. Several of the treasurers we spoke to questioned the value of doing so; one said simply that "the customers just expect the treasury function to work."

Of those that do measure satisfaction, most focus on talking to group management, with less than half capturing feedback from other business areas and less than a third from the Board. Board feedback may be captured during regular reporting or presentation cycles, however.

> Only 46% of those that measure stakeholder satisfaction actually sought feedback from other business divisions.

Fig 8. Do you systematically measure stakeholder satisfaction, and with which stakeholders?



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Feedback mechanisms are largely informal

In terms of mechanisms, the feedback from stakeholders is captured in an ad hoc way 79% of the time, with only a minority using more formal surveys.

For a department starting to raise its profile and take on the role of partner to the wider business, this shows a surprisingly relaxed approach, and we expect it to become much more formalised over the coming years.

"Treasury used to be an isolated unit, culturally. We've seen a great change there for the better, and we would have expected that to translate into how the treasury measures and reports on the work it does — but we haven't quite seen this yet."

Erik Seifert, Nordea

Responses to problems are rarely dramatic

Measuring success is one thing — just as important is what you do to correct any problems. We asked what action treasuries take when a KPI is missed. Figure 9 shows the responses.

It's positive that when KPIs are missed, treasuries take some corrective action the majority of the time: treasurers aren't just continuing with business as usual in the hope that problems will fix themselves.

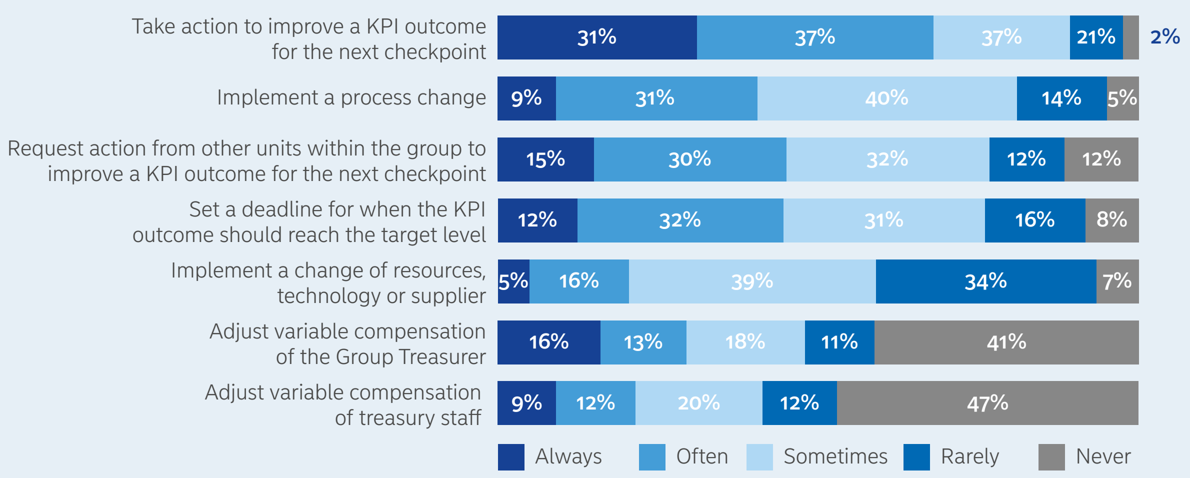
However, when action is taken, it's generally process-related and short-term — to correct the specific outcome for the next checkpoint, to set a deadline, or to enact a process change.

Key performance doesn't affect compensation

Treasurers are much less likely to connect KPIs to people-related elements like compensation, with only one in five saying the KPI outcomes regularly have any effect on even the variable portion of treasury staff compensation. More than half say it "never" or "rarely" affects compensation, whether for the treasury team or its leadership. However this did vary by country. In Finland, for instance, 33% say that the KPI outcome "always" affects the variable compensation of the Group Treasurer, compared with just 16% of the entire Nordic region saying the same.

> More than half of treasurers say KPIs "never", or "rarely" affect staff compensation.

Fig 9. What do you do when a treasury KPI target is missed?



Hitting the next milestone

Only one in five say they regularly make changes to treasury structure for the long term, including team resources, technology or suppliers, as a result of KPI performance.

However, these are naturally more drastic changes and you would not expect them to be made so frequently, or by the treasury without involvement of other departments, such as IT.

In fact, the involvement of other departments in attaining KPIs or making corrections came up as a regular sticking point in our discussions with treasurers. Many, particularly in more decentralised corporate structures, told us they feel frustrated that they don't have ownership of the necessary business processes that affect metrics such as working capital or exposure to FX risk.

One, for example, was tasked by the Chairman with speeding up internal receivables payments, but found that the rest of the business didn't share the urgency.

In such cases, treasurers must turn to soft skills, offering advice and education and influencing change in other departments. But do treasurers feel comfortable stepping forward and proactively suggesting changes in business processes, following up mechanisms or even implementing reward schemes?

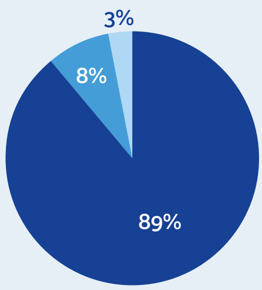
Process effectiveness is still at the heart of treasury

The picture is clear: today, most treasuries are much more interested in using KPIs to achieve consistent process effectiveness than in using them to guide team change or demonstrate more strategic business value.

Is that a bad thing? Not necessarily. As Figure 10 shows, 89% of corporates say they govern their treasuries as cost centres; treasuries are a support function within the parent company and their primary focus is on ensuring that the business can manage its risks and continue its operations. But we absolutely expect treasurers to change how they use KPIs as treasury's profile and role evolves.

> Nearly 90% of corporates say the treasury's core focus is to ensure the business can manage its risks and continue its operations; current KPIs reflect this.

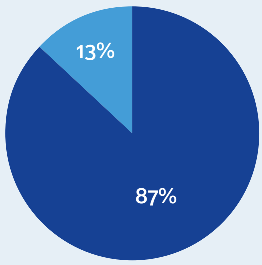
Fig 10. Which regime and structure does your treasury operate under?



Which of the following most closely resembles the governance regime under which your treasury operates?

- Cost centre
- Profit centre with risk mandate
- Profit centre

Percentage of respondents



Which of the following most closely resembles the legal structure under which your treasury operates?

- Department/unit within the parent company
- Separate legal entity

Percentage of respondents

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Section 4

KPIs are here to stay

Corporates have embraced the value that KPIs offer and expect them to play a larger role in the future of the treasury.

Treasurers expect KPI use to increase

Most treasurers say they have around 4–5 KPIs today, as Figure 11 shows.

Nobody expects this number to drop; in fact, half of corporates we interviewed said they expect to have more treasury KPIs in three years' time, as Figure 12 shows (over).

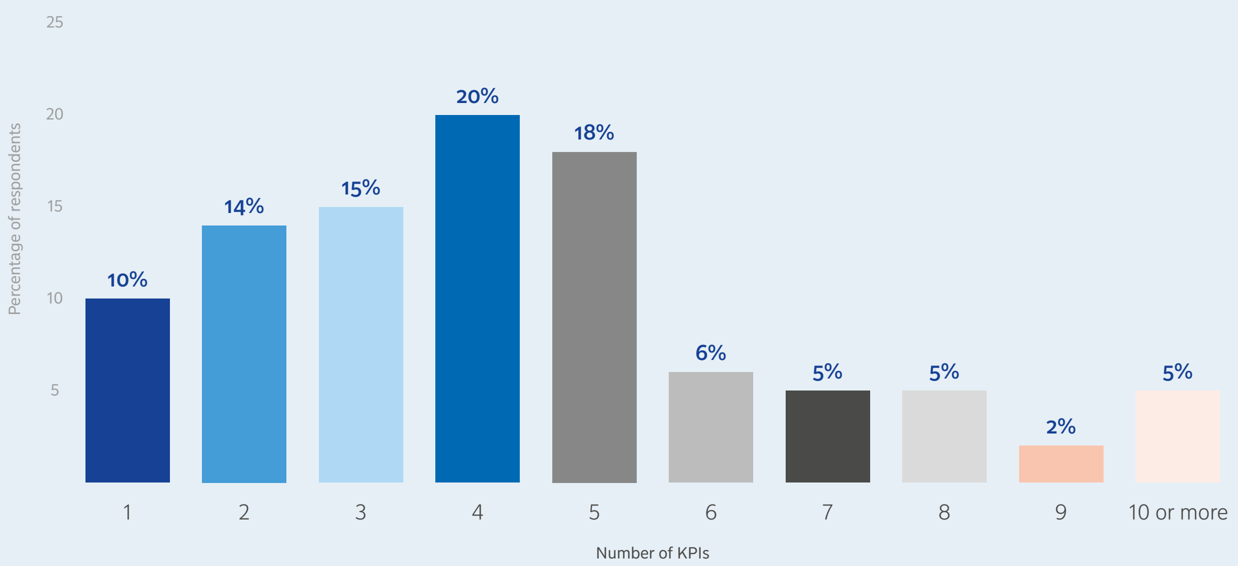
They also expect to be doing more with these KPIs. Nearly 60% say they expect to be making greater use of them in the next three years. Several of the treasurers we interviewed talked about their set of KPIs varying over time as the needs of the business and its structure changed.

What's the right number of KPIs?

The typical corporate has 4.3 treasury KPIs, and our respondents on average said they should have 4.7 KPIs. So reality is close to the ideal already.

Mirroring many of the other findings in our research, the number of KPIs (actual and ideal) increases in line with corporate turnover. Larger corporates tend to have greater maturity, greater access to data, and greater resources to handle a larger number of KPIs.

Fig 11. How many treasury KPIs do you have today?



Corporates see value

So KPIs aren't going away. How do treasurers feel about this? We gave respondents an opportunity to vent their frustrations on a strictly anonymous basis. But in fact, treasurers seem to be fairly positive about all aspects of the situation, as Figure 13 shows.

The vast majority believe that KPIs are improving treasury effectiveness. Only 12% are dissatisfied with their KPIs, and only 8% say the use of KPIs has made no improvement in the functioning of the department.

Treasurers don't consider KPI measurement to be taxing

One might expect there to be some resentment from treasurers about the burden of reporting, especially given the complaints about benchmarking being too challenging. However, only half of treasurers say that measuring KPIs is any burden at all (see Figure 14), and only 11% feel they lack the data needed to report on KPIs (see Figure 15).

Again, this may come down to the wider business: some of the treasurers we interviewed remarked that they have difficulty getting consistent data sources from different subsidiaries and business units.

Fig 12. How do you expect your use of KPIs to change in the next three years?

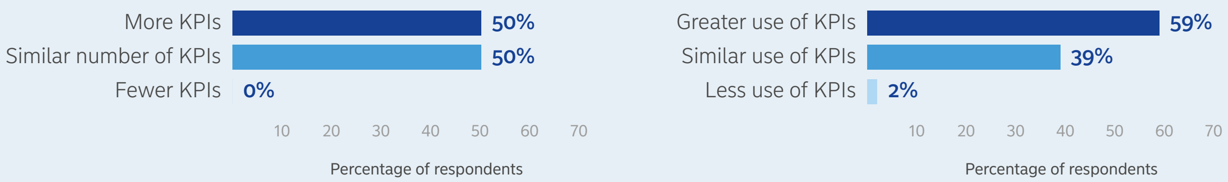


Fig 13. How satisfied are you with your current treasury KPIs?

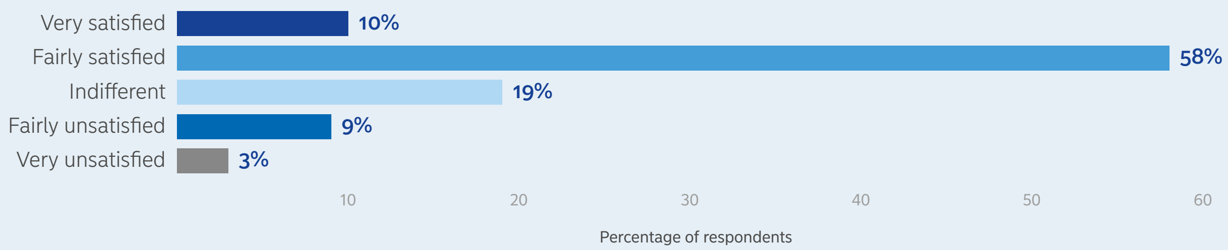


Fig 14. To what extent would you say that measuring KPIs is a time burden on your treasury?

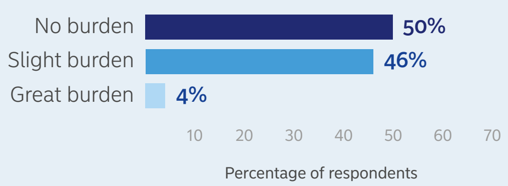
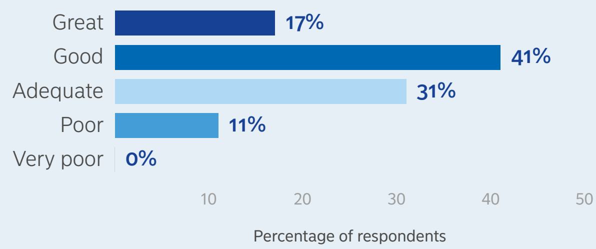


Fig 15. How would you rate the availability of data on which you base your KPIs?



Treasurers are comfortable with reporting

Management publications are full of articles about how to foster a performance culture and overcome employees' resistance to change. Few things are as likely to cause staff to dig in their heels as much as targets parachuted in from outside of their teams, over which they have no influence and ownership.

Seeing that the treasurers we interviewed are so comfortable with their KPIs suggests that they have bought in to the performance ideal and felt involved in developing their measurement framework. It also suggests that they are, quite simply, confident that they're adding real and measurable value and are happy to have their performance in the spotlight.

But we believe there may be other factors at work in this situation.

Treasury KPIs quickly become the norm

Unlike some other departments, treasuries are inherently process-driven functions that are very familiar with gathering and reporting on data.

In fact, our research suggests that treasuries have quickly embedded KPI management into business-as-usual processes: KPIs tend to be set and revised on the usual annual planning cycle, and reported on monthly or quarterly, as Figures 16 and 17 show.

Treasuries are already gathering the data they need

And then there's the nature of the KPIs currently used. Given that most KPIs cover process performance data that treasurers would be gathering and monitoring as a part of doing their job anyway, it should be no surprise that the reporting burden is manageable, even in today's lean treasuries with limited headcount.

In fact, the treasurers we spoke to were concerned only about the time needed to effectively follow up on KPI results, not on the reporting itself.

We don't expect this to change: the availability of current, high-quality data is only going to increase as corporate finance operations become increasingly digitalised, with a new generation of treasury management systems closely integrated into corporate ERP systems.

Does treasury need an incentive?

Finally, perhaps we should look at the consequences of failure. It's easier to feel comfortable with a KPI system that is designed to optimise process performance, and that doesn't risk your bonus or daily activities directly.

If the stakes are raised, we may in the future see greater cultural resistance from treasuries.

Fig 16. How often do you review your KPIs?

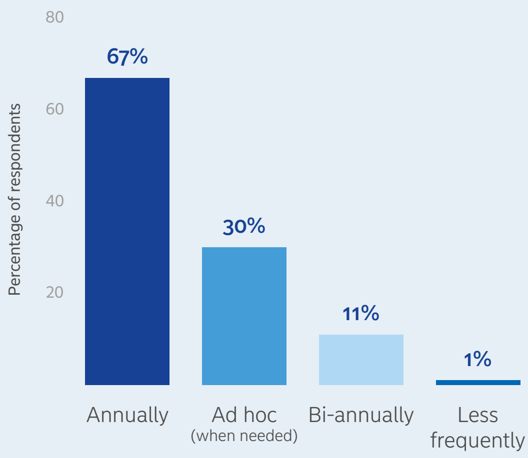
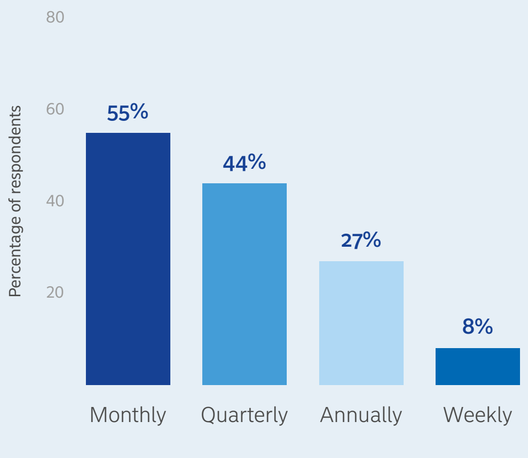


Fig 17. How often do you report on your KPIs?



Time to step up

Treasurers tell us that they and their teams are taking on a strategic role in the business. In addition to their traditional duties, they have value to offer, leadership to show, and advice to give.

KPIs are improving treasury efficiency

There are encouraging signs that this transition is trickling down into the mechanisms that treasurers use to manage their functions and communicate results outside of their teams.

The select package of KPIs they track are decided by, and regularly reported to, senior leadership up to and including the Board itself. And in many cases these KPIs are selected specifically to align the treasury's goals with those that the rest of the business is striving toward. The result, according to treasurers, is positive, with the majority reporting improvements in treasury effectiveness. Yet there is still progress to be made.

Treasurers need to focus more on wider-business integration

The KPIs themselves are still operational; they relate to treasury-specific measures and ratios in areas like liquidity, funding and FX and are undeniably important to the business's operations. But, such measures are too technical and removed from the terminology — and issues — that the C-suite is likely to be focused on.

And although senior leadership may be championing the treasury, treasurers tell us that they have relatively little direct engagement with the rest of the business: in terms of shared KPIs, measuring their stakeholder satisfaction levels around the business, or actually getting other departments to contribute to enterprise-wide priorities like working capital management.

While treasurers regularly report on KPI results, missing a target rarely results in action beyond what's needed to get back on track for the next target milestone. It certainly doesn't affect bonus for treasury staff. In fact, the majority of treasurers don't see their KPIs as part of how they manage their departments as a team, and fewer than one in ten benchmark their department's performance against their peers.

Busy times ahead

Treasuries are undoubtedly in the midst of a transition to playing a more advisory role in the business — but there's still some way to go. As that change consolidates, we expect the business to further increase its expectations for how the treasury team acts, and how it proves its value beyond just complying with the operational limits set out in the treasury policy. For treasurers, this is a huge opportunity. But it's a huge challenge, too.

Next steps

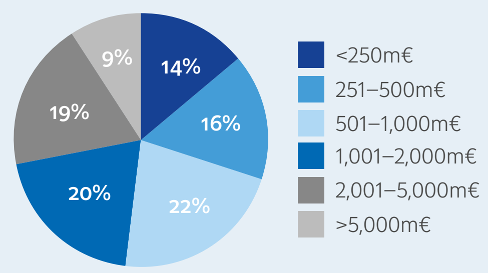
To find out more about how we can help you improve your risk management strategies and optimise your treasury efficiency, please contact Nordea or visit us at **https://nordea.com**.

About our survey

Methodology

More than 160 large Nordic and international corporates participated in our 2016 Treasury KPIs survey in Q2, 2016.

Our respondents were spread across Sweden, Denmark, Finland and Norway and were representative of a wide range of industry sectors. Nearly 40% of the large corporates we surveyed had an annual turnover greater than €1 billion, with almost 15% of our respondents coming from smaller large corporates with a turnover less than €250 million. Our quantitative research was supplemented by in-depth discussions with treasurers both one-on-one and in group roundtables.



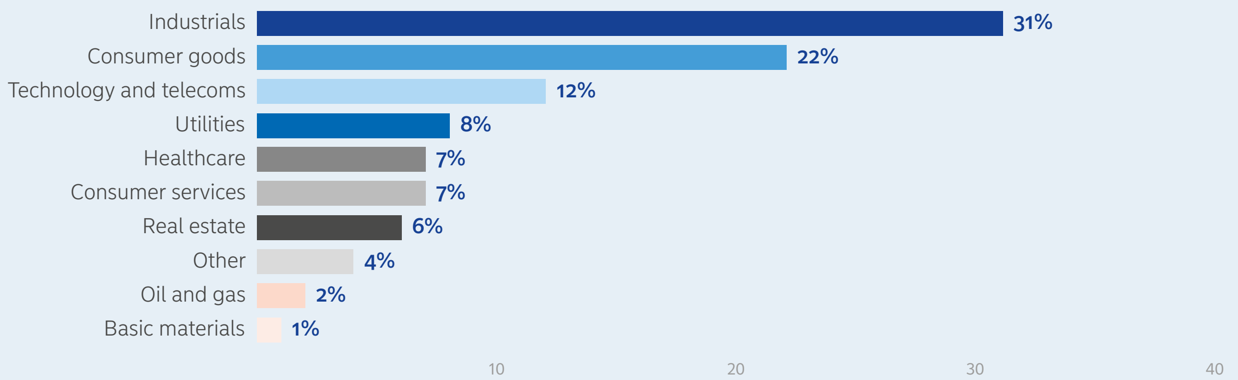
Percentage of respondents by revenue

About Nordea

Nordea is among the ten largest universal banks in Europe in terms of total market capitalisation and the largest financial services group in the Nordic and Baltic region. We have around 11 million customers, 30,000 employees and approximately 650 branch office locations.

We build trusted relationships through our strong engagement with both customers and society and through our broad expertise across the wide range of products, services and solutions within banking, asset management and insurance which we provide.

Our roots go back to 1820 and inherit the strength from over 300 banks and we have a clear guiding star for our future – One Nordea delivering the Future Relationship Bank.



Percentage of respondents by sector

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After completing a Bachelor degree in statistics and a Masters in economics, Kristina spent almost three years working for Statistics Sweden, before beginning a career in corporate finance at DNB bank. Kristina joined the Nordea team in 2013, firstly analysing capital risk management before moving over to Corporate Research.

Discover more

Hedging strategies 2016
As we've seen, treasuries are all about risk management. This report shows how 170 large Nordic corporates are adapting to risk exposure in a world of sky-high FX volatility and sub-zero interest rates.

The future of the corporate treasury
Today's vibrant macro environment and increased digitalisation is forcing the treasury into a period of transition. We interviewed more than 60 CFOs and a further 82 large corporate treasurers to find out just how they're reacting.

Working capital management
If liquidity and working capital are on your list of KPIs, read this report. We assessed more than 400 large corporates to identify best practices for improving your working capital management.

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