



## Treasury Benchmarking Survey Highlights Gaps Between Typical and High-Performing Operations

Large gaps between the performance of typical treasury organisations and world-class treasury units suggest there are opportunities for many companies to improve their treasury operations.

Researchers at the Association for Financial Professionals (AFP) have drawn this conclusion based on results of the 2009 AFP Treasury Benchmarking Program survey, the second in a series of three planned annual surveys being conducted by AFP in partnership with IBM Corporation and underwritten by Deutsche Bank. Although only 9% of respondents were European, across the survey responses it was clear that region was not a significant predictor. In other words, the survey results should be just as relevant to European treasury operations as they are to US treasury operations, the researchers say.

One of the consistent results across both the 2008 and 2009 surveys is a fairly pronounced gap between typical (median) and benchmark performance. Here's a look at some of the 2009 survey findings:

### Treasury Operating Costs

The typical organisation operates its treasury operations at an average cost of 69 cents per \$1,000 of annual revenue, while the benchmark standard was 26 cents per \$1,000 of revenue — a gap of 43 cents per \$1,000.

The vast majority of treasury resources (72%) are spent on personnel. The typical organisation spends 43 cents per \$1,000 in annual revenues on treasury personnel costs, while the benchmark organisation only spends 18 cents per \$1,000.

"There again we see a huge performance gap, which is consistent across revenue size, industry and region," says Kevin Roth, Managing Director, Research, at the AFP.

### Staffing

The benchmark gap is also evident in responses related to staffing. The typical organisation has 4.2 full-time equivalent employees (FTEs) for every \$1 billion in annual revenues, compared to 1.7 FTEs for every \$1 billion in revenues for a benchmark organisation.

The number of FTEs in treasury differs on a normalized basis by organisation size. As an example, the typical organisation with annual revenues between \$6 billion and \$10 billion

has 1.6 FTEs per \$1 billion of annual revenue, while those with annual revenues between \$500 million and \$999 million utilise 5.5 FTEs.

Treasury staffing levels also differ greatly by industry type. Organisations in the finance/insurance industry employ the most treasury operations FTEs on average — 10.0 per \$1 billion in annual revenues — followed by government (8.0), services (5.5), information/communications (5.4), manufacturing (3.1) and energy (2.0).

Personnel costs average \$100,000 per treasury operations FTE, including compensation and benefits.

### **Cycle Times**

The 2009 survey examined the cycle times of seven critical treasury functions: cash flow forecasting, concentrating/pooling cash to establish daily cash position, producing a treasury accounting entry, resolving bank account discrepancies, processing an internal fund transfer, processing a borrowing decision and processing investment elections.

For most of these functions, size, as measured by revenue, was not a significant predictor of cycle time. Also, surprisingly, the data suggests that automation, in and of itself, does not improve cycle times.

### **Organisational Structure**

The majority of responding organisations conduct most treasury operations within a single corporate treasury operation, rather than in a decentralised fashion. Respondents were asked about how they structure more than a dozen treasury functions, and the percentage of respondents reporting a centralised delivery approach ranged from 58% for "produce treasury accounting entries" to 90% for "manage debt."

### **Automation**

Systems represent about 9% of treasury operating costs, according to the survey. Dollars spent on treasury systems is another area revealing a benchmark gap. On average, the typical organisation is spending 4.07 cents per \$1,000 in annual revenue, while the benchmark organisation is spending 1.29 cents per \$1,000 in revenue.

And what are treasury organisations getting for their technology investment? Not everything they expect, they report. "There were very few spots where respondents' automation expectations were met," Roth says.

While automated organisations reported better outcomes in audit trails, improved payment efficiency, and greater effectiveness for in-house banking and bank fee analysis activities, they largely indicated dissatisfaction with automation's impact on reducing staff and improving cycle times.

"The most widely cited reasons for automating treasury were reducing staffing and manual errors, improving cash flow forecasting and treasury reporting, consolidating to a single application, and rapidly establishing a cash position," says Jeff Glenzer, a Managing Director at the AFP. "And these were some of respondents' biggest areas of disappointment.

"One of the messages of the 2009 survey seems to be: If you think you are going to solve that benchmarking gap by throwing automation at it, or purely by centralising your

operation, these factors alone are not going to drive those performance improvements," Glenzer says.

**Looking Ahead: 2010 Survey**

The next AFP/IBM/Deutsche Bank treasury benchmarking survey will be distributed via e-mail in early March 2010 to AFP members and treasury professionals in the London-based gtnews subscriber database. To ensure that you will have an opportunity to participate and receive a customised benchmark report, contact your Deutsche Bank relationship manager or Global Transaction Banking representative. They can also provide a copy of the 2009 survey's 28-page executive summary.