



Insight: Treasury Survey



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Deutsche Bank agreed to sponsor the AFP Treasury Benchmarking Survey, as we believe this will help treasurers develop best-in-class teams. Through our cash management and supply chain solutions, Deutsche is also dedicated to driving efficiencies in the treasury environment. We strive to be best in class with the services we provide, and believe that furthering an understanding of the key issues from the treasury perspective makes sense.

Launched in 2008 as a joint initiative between the Association for Financial Professionals (AFP), IBM and Deutsche Bank's Global Transaction Banking (GTB), the AFP Treasury Benchmarking Survey provides data for treasury and finance professionals to allow them to compare their own treasury organization against their peers. Beginning in 2009 and continued this year, the survey is now supplemented by the participation of *gtnews* subscribers.

Aside from determining average performance levels through benchmarking, the objectives of the 2010 survey were to define world-class — i.e., 80th percentile — benchmark targets, analyse performance levels by peer groups and provide a sound basis for corporates to identify performance gaps and evaluate opportunities for improvement.

Survey Highlights

The survey found that the typical organization operates its treasury function at a cost of USD 0.71 per USD 1,000 of annual revenue, with the world-class benchmark coming in at USD 0.28 per USD 1,000. Larger organizations with annual revenues of

over USD 6bn spent an average of USD 0.22 per USD 1,000 of revenue — the world-class benchmark being USD 0.10 — while smaller organizations with annual revenues of under USD 500m spent an average of USD 1.79 with a world-class benchmark of USD 0.83. These results show conclusively that smaller organizations invest a greater proportion of revenue in treasury operations.

In terms of how the money is disbursed, resources invested in treasury operations are spent overwhelmingly on personnel with this representing 76% of total expenditure — USD 0.45 per USD 1,000 of revenue in the average organization. Information technology, on the other hand, accounts for far fewer resources with the typical organization spending USD 0.0408 per USD 1,000 on treasury systems.

The level of staffing in different types of organizations is a point of interest. The survey found that the typical organization has 3.9 full-time equivalents (FTEs) in treasury for every USD 1bn of annual revenue, with the 80th percentile benchmark coming in at 1.6 FTEs. However, treasury staffing levels differ dramatically between different industries. For example, finance (including insurance) companies have an average of 8.1 FTEs — likely the result of stringent regulatory requirements in this space — while manufacturing manages an average of only 3.3 FTEs and energy 2.5 FTEs per USD 1bn of revenue. Survey respondents also reported a median personnel cost of USD 100,000 per treasury operations FTE, including all benefits.

In terms of cycle times, the survey found that the typical organization can produce a short-term cash flow forecast in four hours, with the organization at the 80th percentile doing so in two hours. The typical organization also needs two hours to concentrate/physically pool cash, while the world-class benchmark comes in at an hour. The survey has shown that, with several exceptions, the size of an organization is not a reliable predictor of cycle time, while financial services firms tend to have lower average cycle times than other industry groups.

Unsurprisingly, the survey also found that larger organizations are more likely to take a strategic view of the treasury function, using their skills to contribute to a number of areas that are not traditionally the domain of the treasurer. For example, treasuries in large organizations are much more likely to be involved in managing debt and corporate funding, acting as an internal consultant to other departments and supporting merger and acquisition activity.

The survey's full results offer many further insights of value to both treasurers and service providers. They are available at www.AFPonline.org/benchmark and include over 25 charts that cover, among other issues, costs, cycle time and staffing, as well as providing the ability to analyse data on the basis of company size, geographic region, ownership type and industry sector.