Benchmarking Treasury: Achieving Best in Class

Moderated by:
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Panelists:
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August 23, 2012
Why Benchmark?

- Globalization of business
  - Operating growth increasingly EM focused

- Rapidly evolving regulations
  - Finance sector regulation, local capital controls, transfer pricing

- Stretched supply chains
  - Events highlight embedded risks in physical and financial supply chains

- Volatility in environment
  - Costs of economic, political, FX, and counterparty risks

- Treasury’sspan of control increasing in depth and breadth
  - More global and complex
  - More strategic role in giving value to operating business

- Focus on optimizing global structure, processes to create capacity and be more effective
  - Benchmarking provides a way to help understand where you stand relative to peers, prioritize change efforts
Some Benchmarking Options

- **AFP** – As a global resource and advocate for the finance profession, research programs include the Benchmarking, Compensation, and Liquidity Surveys; networking opportunities include the Corporate Treasurers Council (CTC) and AFP Annual Conference.

- **Citi Treasury Diagnostics℠** – Citi’s proprietary benchmarking program for global corporate clients provides objective, individualized benchmarking of your treasury operations compared to other multinationals from across all industries and regions.

- **The NeuGroup** – Provides leading peer knowledge exchange to treasury and finance professionals at global corporations. Member network includes more than 270 professionals from over 160 companies – all dedicated to define, meet and exceed world class standards.
Citi Treasury Diagnostics and The NeuGroup’s Global Cash and Banking Group, comprised of 25 Fortune 500 senior treasury practitioners, jointly identified core principles to guide treasury departments aspiring to become world-class.

Some takeaways

- **People are principal** - world class people are required to perform world class activities
- **Centralize policy-making, governance, and control frameworks** - even if execution is shared between HQ, regional, and local operations
- **An efficient banking structure is foundational** – have the right bank partners and ensure the right account structure and product mix within the banks
- **Optimize intercompany flows** – deploy advanced structures such as an In-House Bank and Netting Center at the appropriate stage of enterprise evolution
- **Report regularly and with substance** – establish Key Performance Indicators (KPIs) and “measure to manage”, help demonstrate value created by Treasury

Source: The NeuGroup/Citi Principles of World Class Cash Management, 2012
### Organizational Efficiency

<table>
<thead>
<tr>
<th>Score-Keeper</th>
<th>Average Performer</th>
<th>Benchmark Performer</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100,000 Average cost per FTE</td>
<td>$80,000 Average Cost per FTE</td>
<td>$65,000 Average Cost per FTE</td>
</tr>
<tr>
<td>Employs 4 FTEs per Billion of Revenue</td>
<td>Employs 2 FTEs per Billion of Revenue</td>
<td>Employs 1 FTE per Billion of Revenue</td>
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<tr>
<td>Baseline Performance (Measured by Cycle Time)</td>
<td>100% More Efficient than Score-Kepers</td>
<td>200% More Efficient than Score-Kepers</td>
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### Considerations

- Size/Industry/Trading Model of firm
- “Maturity” of treasury function

Considerations

- “Culture” of firm
- IT strategy
- Degree of centralization/decentralization
### Considerations

- Tenure and experience of staff/mix
- Commitment of organization to staff development
- Interaction with treasury internal partners

### Talent Management

<table>
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<th>Score-Keeper</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Few “Credentialed” Resources</td>
<td>At Least 1/3 of the resources are certified</td>
<td>At Least 1/3 of the resources are certified, experienced, and tenured.</td>
</tr>
<tr>
<td>Attends Less Than 2 Days of Training per Year</td>
<td>Attends 2-4 Days of Training per Year</td>
<td>Attends 4-6 Days of Training per Year</td>
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There is no silver bullet to achieving best in class!

- The “right” balance of staff, process and technology is dependent on the size/maturity of the department/organization

Furthermore…

- An optimal balance of experienced and tenured staff utilizing their resources effectively will outperform over time

Simply comparing your metric results to those of other organizations is not the point – achieving best in class is about finding the underlying practices that produces the desired level of performance
• Contact:
  – Tom Hunt, CTP, Director of Treasury Services, Association for Financial Professionals, thunt@afponline.org, 301-961-8676

• Resources:
  – AFP Benchmark Survey: www.afponline.org/benchmark
  – AFP Treasury Metrics & Scorecard: www.corporatetreasurers.org/

• Contact:
  – Ron Chakravarti, Managing Director, Global Liquidity & Investments, Citi Transaction Services, ron.chakravarti@citi.com, 212-816-6909

• Resources:
  – www.transactionservices.citigroup.com

• Resources:
  – NeuGroup Peer Exchange: www.neugroup.com
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efficiency, renewable energy & mitigation