



# TREASURY RESOURCES

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BUSINESS  
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# Benchmarking: Uncovering the Myths & Realities

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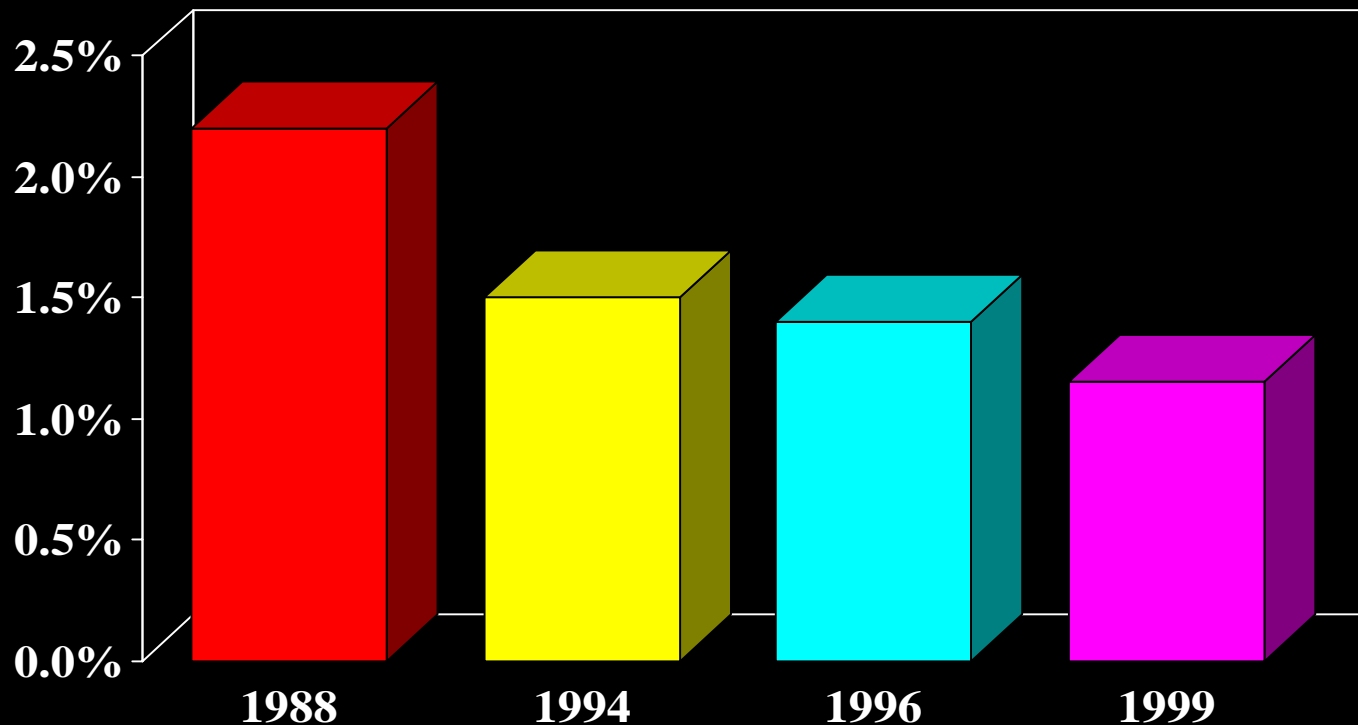
610-834-9696 x 2137

# » Today's Discussion

- The Evolution of Finance - In a Benchmark Overview
- Why the Benchmark Makes Sense... and How to Use It
- Treasury Benchmarks
- Predictions About The Future of Finance
- Finance's Emerging Role... Right Now & Right Before Our Eyes!

# » The Cost Of Finance Has Continuously Declined Over The Last Decade

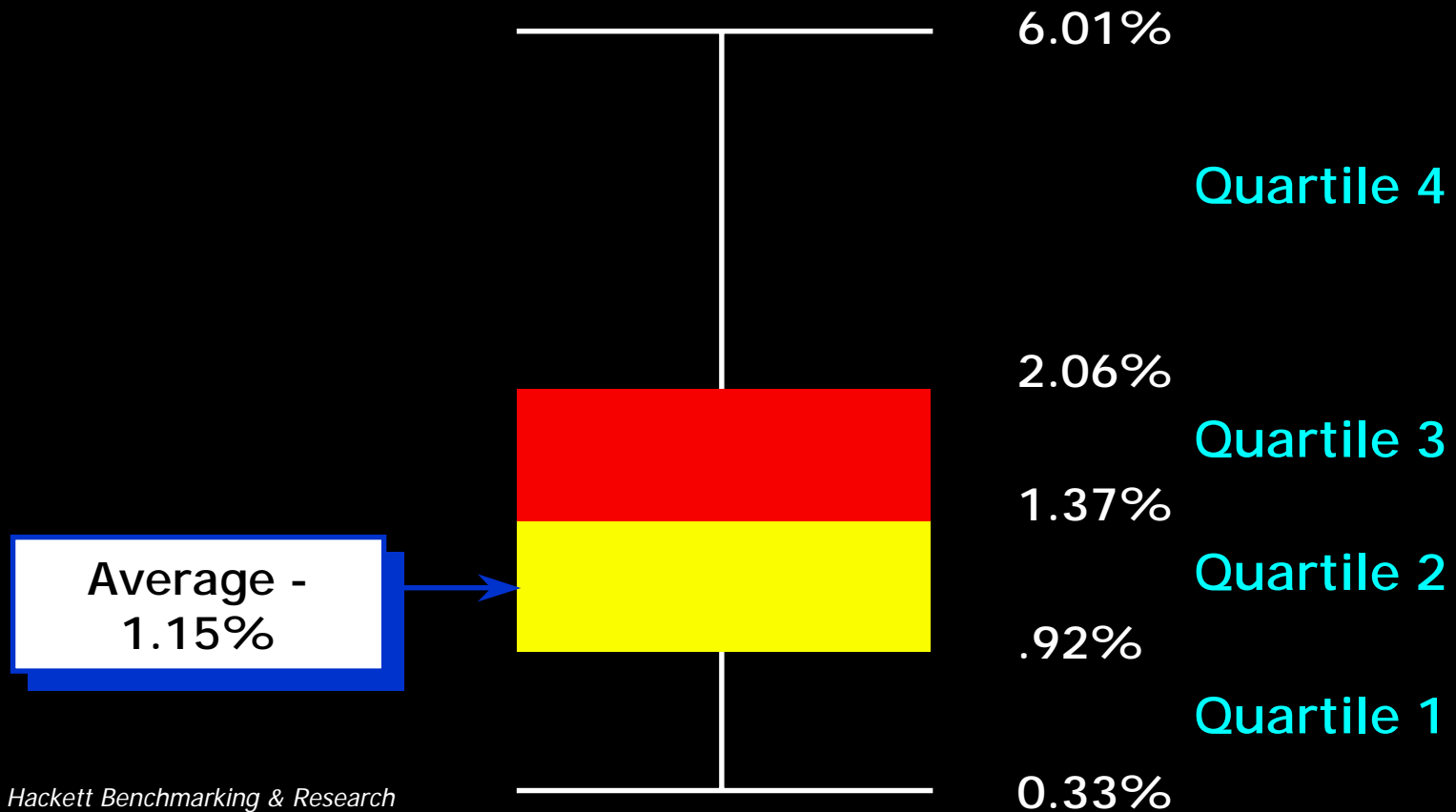
Finance Cost As A Percent Of Revenue



Source: Hackett Benchmarking & Research

# » Today, The Best Companies Have Finance Costs Approaching 0.33%

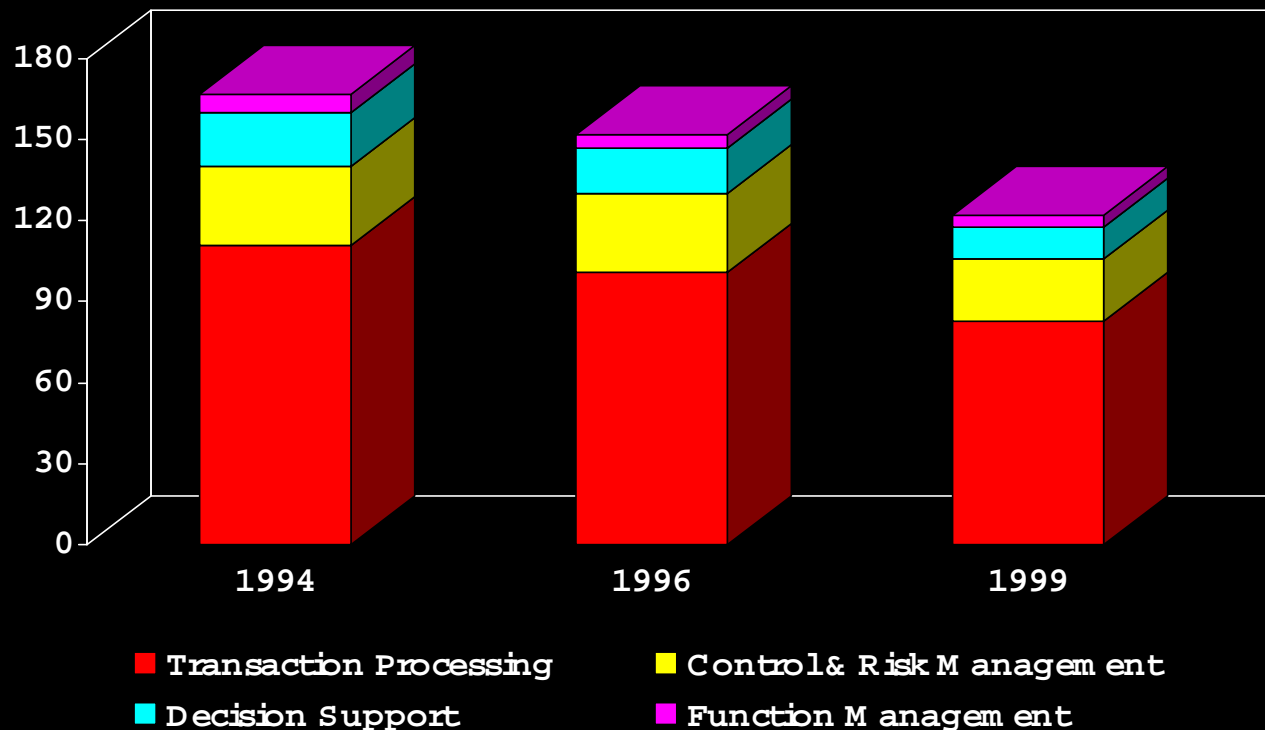
Finance Cost As A Percent Of Revenue



Source: Hackett Benchmarking & Research

# » Reduced Staffing Levels Comprised Much of the Cost Improvements

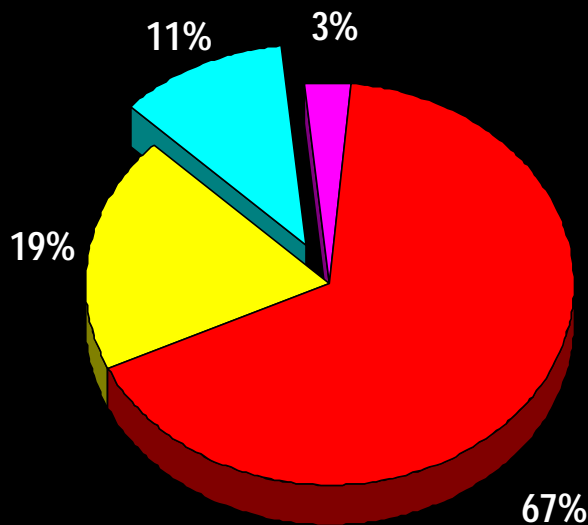
Average FTEs Per Billion Dollars Of Revenue



Source: Hackett Benchmarking & Research

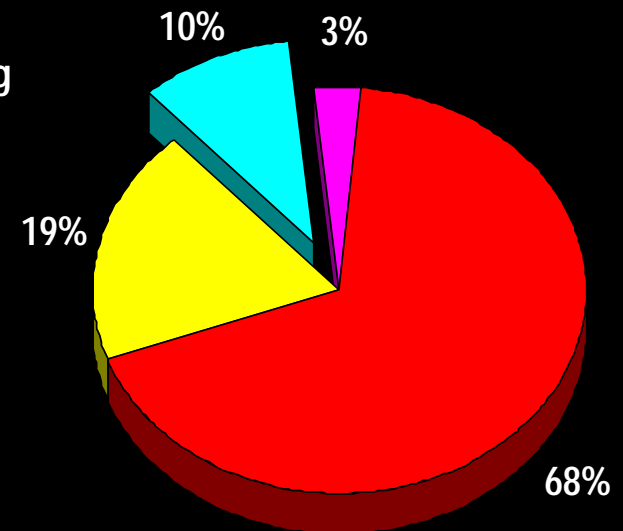
# » At The Expense Of Value-Adding Decision-Support Functions

1996 Average



1999 Average

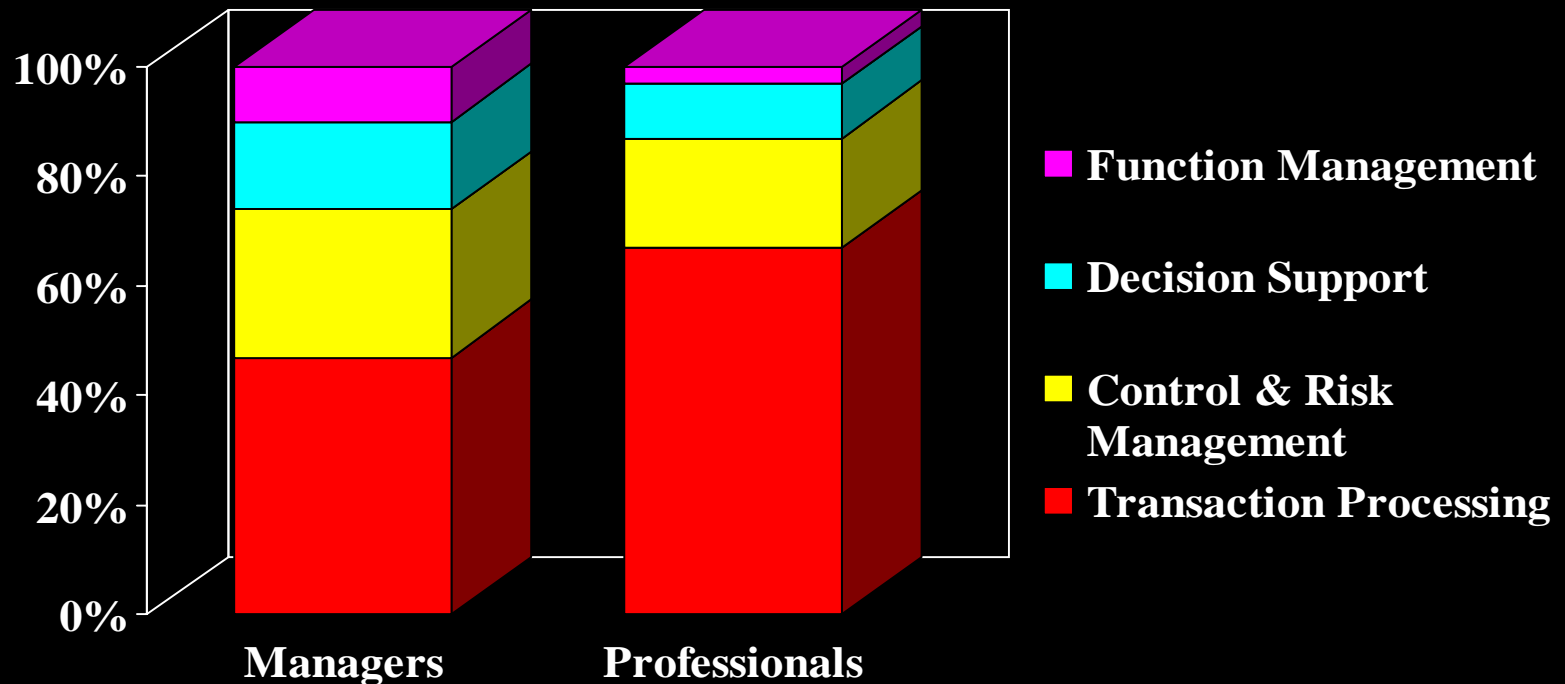
- Transaction Processing
- Control & Risk Management
- Decision Support
- Finance Function Management



Source: Hackett Benchmarking & Research

# » Leaving Managers And Professionals To Focus on Transaction Processing

Percent Of Time Spent

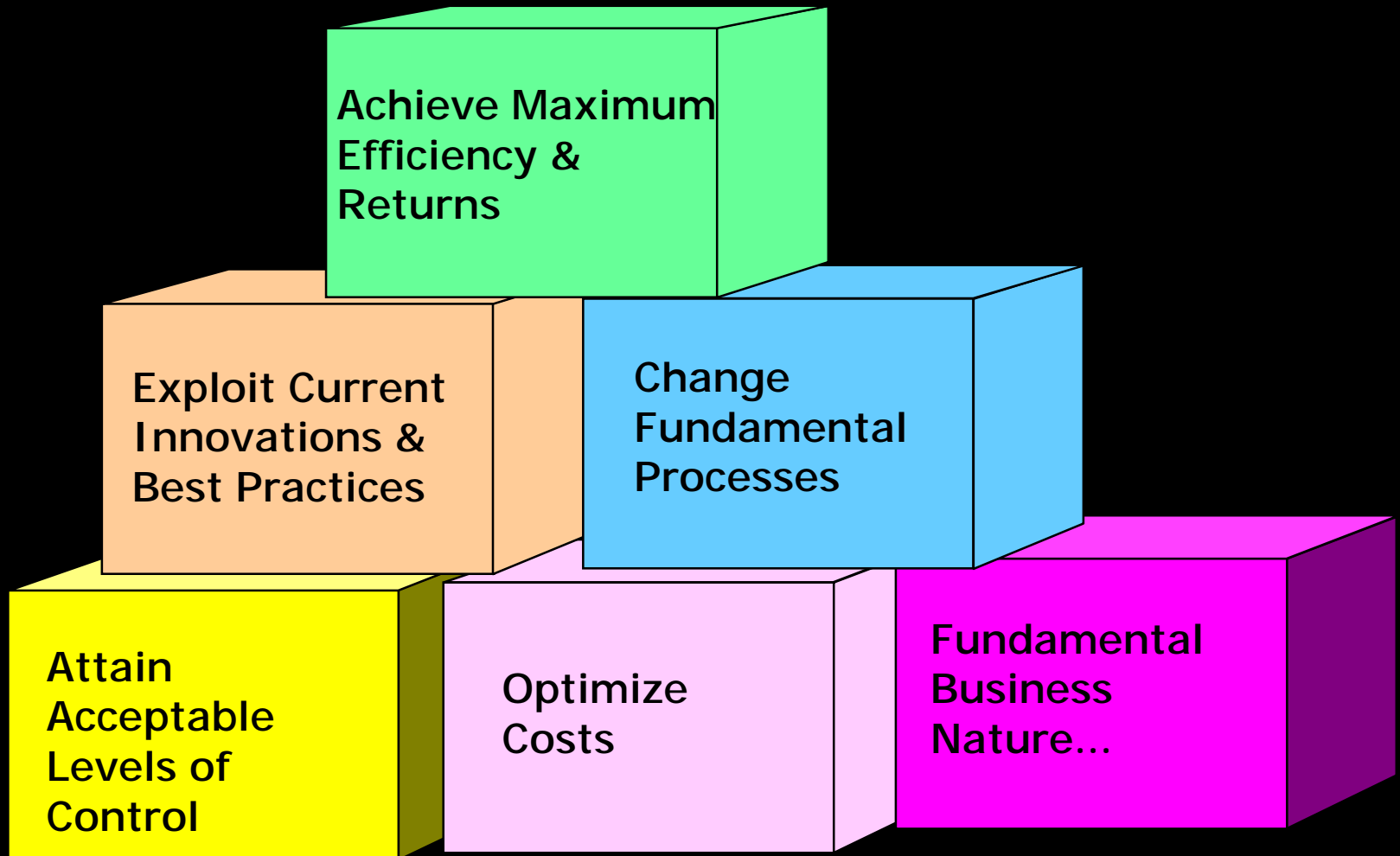


Source: Hackett Benchmarking & Research

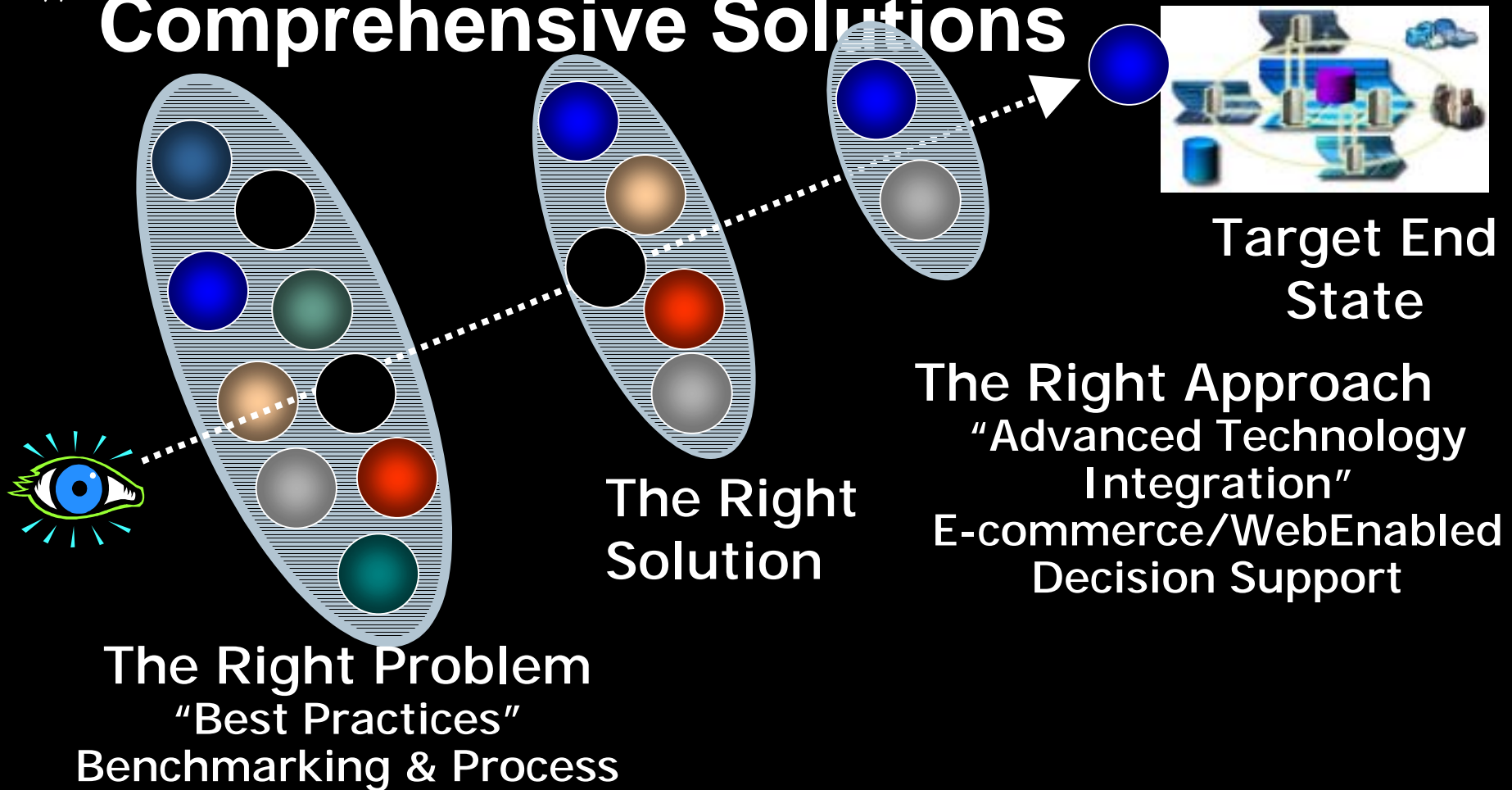
# »» What Is Benchmarking ?

**The comparison of  
similar processes across  
organizations,  
companies and industries  
to identify best practices**

# » Why Benchmark?



# » Benchmarking Ensures Comprehensive Solutions



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# » Hackett's Finance Benchmark Evaluates 31 Key Processes

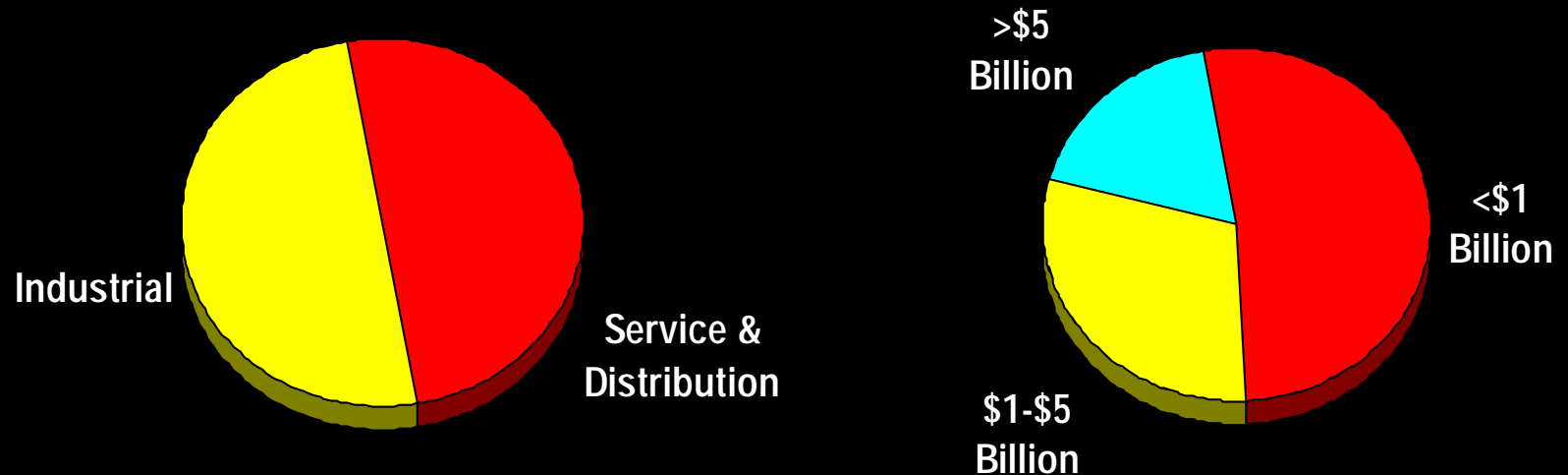
Transaction Processing	Control And Risk Management	Decision Support
<ul style="list-style-type: none"> <li>◆ Accounts Payable</li> <li>◆ Travel And Expense</li> <li>◆ Freight Payments</li> <li>◆ Fixed Assets</li> <li>◆ Accounts Receivable</li> <li>◆ Credit</li> <li>◆ Collections</li> <li>◆ Customer Billing</li> <li>◆ General Accounting</li> <li>◆ External Reporting</li> <li>◆ Tax Accounting</li> <li>◆ Cost Accounting</li> <li>◆ Tax Filing And Reporting</li> <li>◆ Payroll</li> <li>◆ Time Reporting</li> <li>◆ Benefits Administration</li> </ul>	<ul style="list-style-type: none"> <li>◆ Budgeting</li> <li>◆ Outlook/Interim Forecast</li> <li>◆ Business Performance Reporting</li> <li>◆ Cash Management</li> <li>◆ Treasury Management</li> <li>◆ Risk Management</li> <li>◆ Tax Planning</li> <li>◆ Internal Audit</li> <li>◆ Tax Regulatory</li> </ul>	<ul style="list-style-type: none"> <li>◆ Business Performance Analysis</li> <li>◆ New Business/Pricing</li> <li>◆ Cost Analysis</li> <li>◆ Strategic Planning Support</li> </ul>
		<ul style="list-style-type: none"> <li>◆ Finance Function Management</li> </ul>

# » Benchmark Participants Are Numerous And Diverse

80% of Dow Jones Industrials

67% of the Fortune 100

33% of the Fortune 500

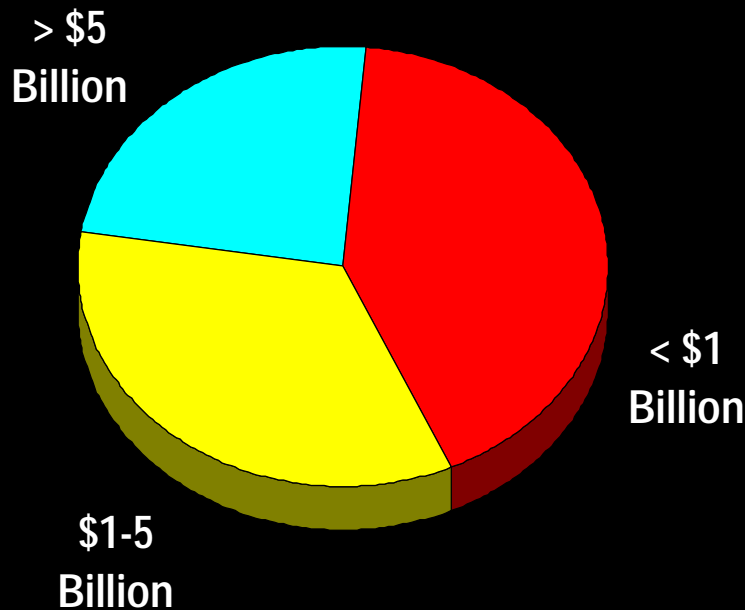


More than 900 participating companies

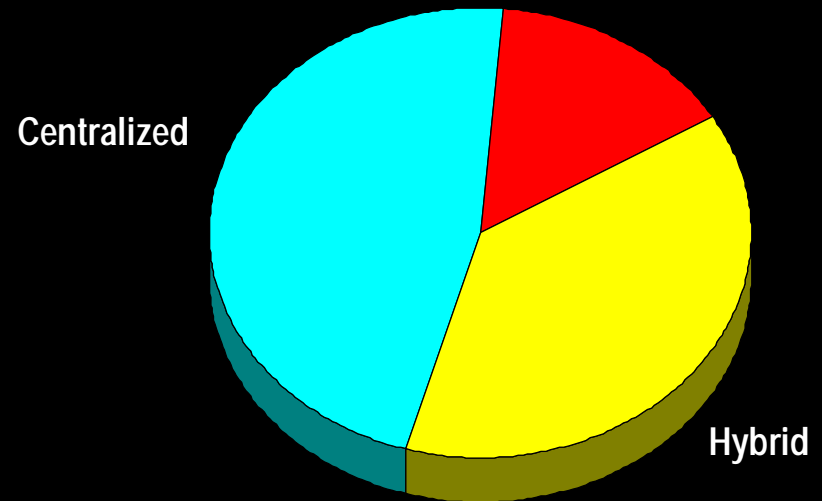
Source: Hackett Benchmarking & Research

# » First-Quartile Consists Of Companies Who Are & Want To Be The Best

## Company Sizes



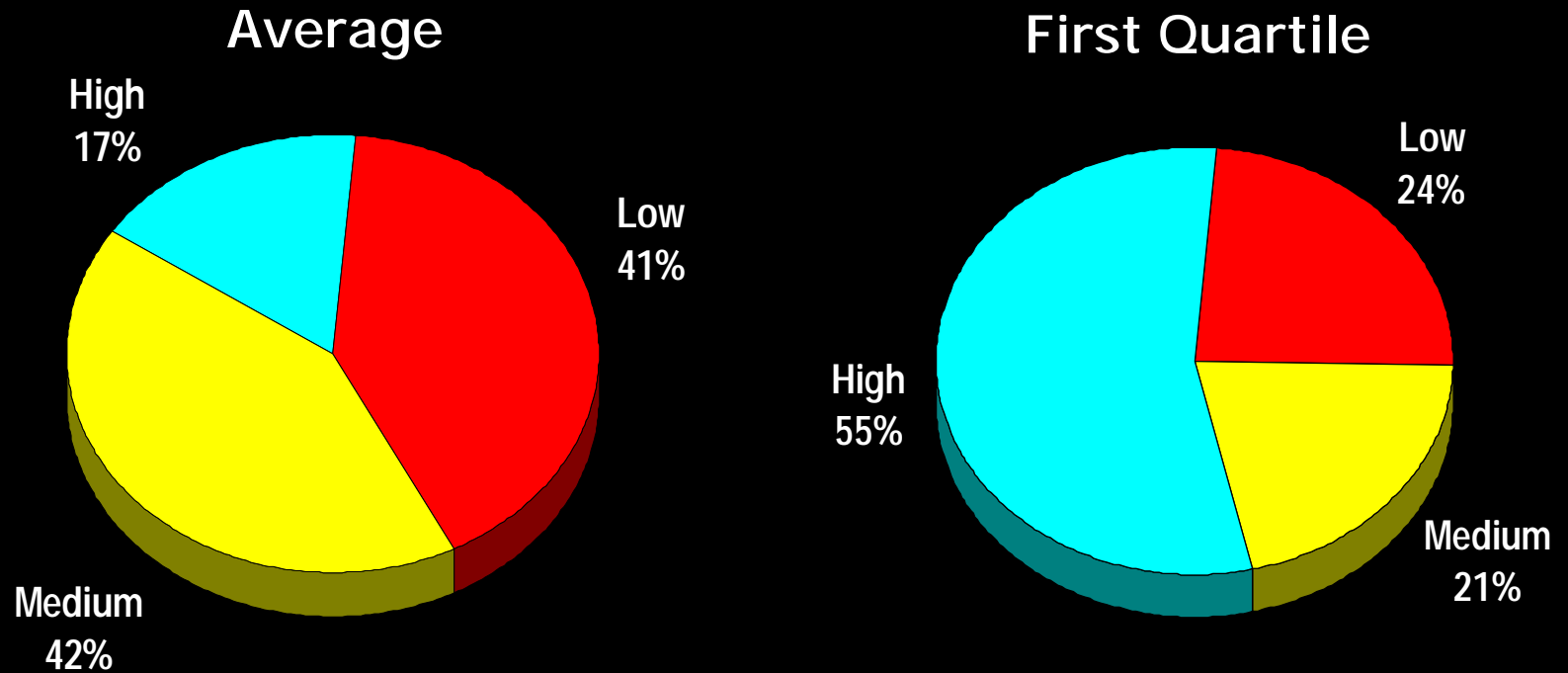
## Organization Structure



Source: Hackett Benchmarking & Research

# » First-Quartile Companies Are Leveraging Best Practices

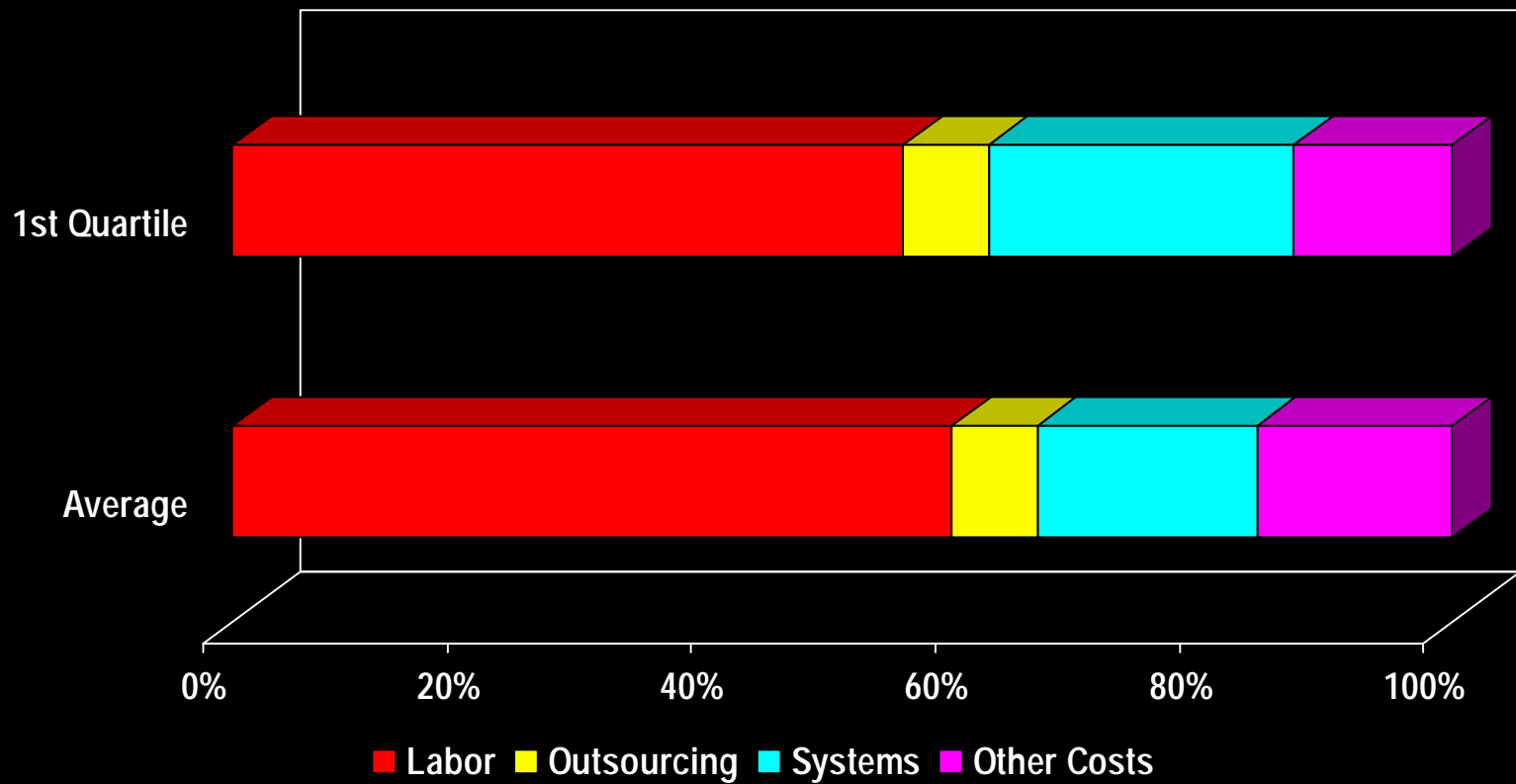
1999 Overall Best Practices Usage



Source: Hackett Benchmarking & Research

# » First-Quartile Companies Are Effectively Leveraging Technology

Resource Allocation

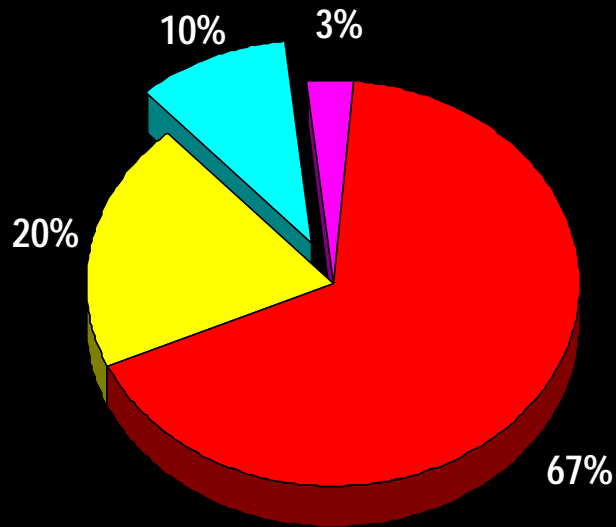


Source: Hackett Benchmarking & Research

# » Shifting The Focus Away From Transaction Processing

## Staff Allocation

### Average



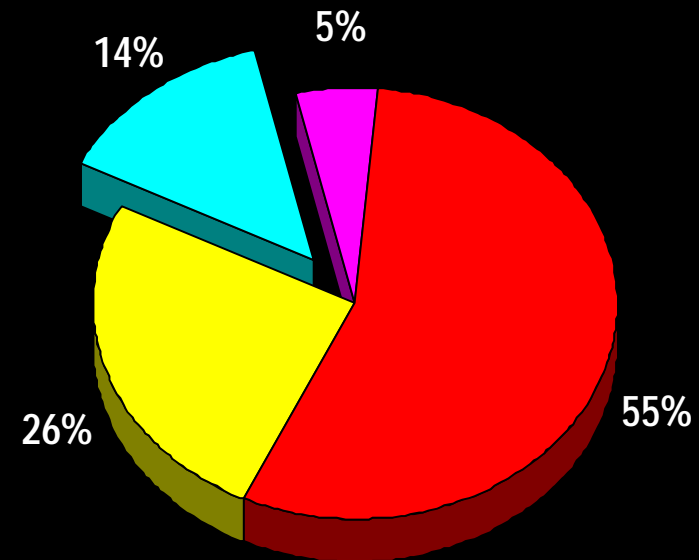
■ Transaction Processing

■ Control & Risk Management

■ Decision Support

■ Finance Function Management

### 1st Quartile

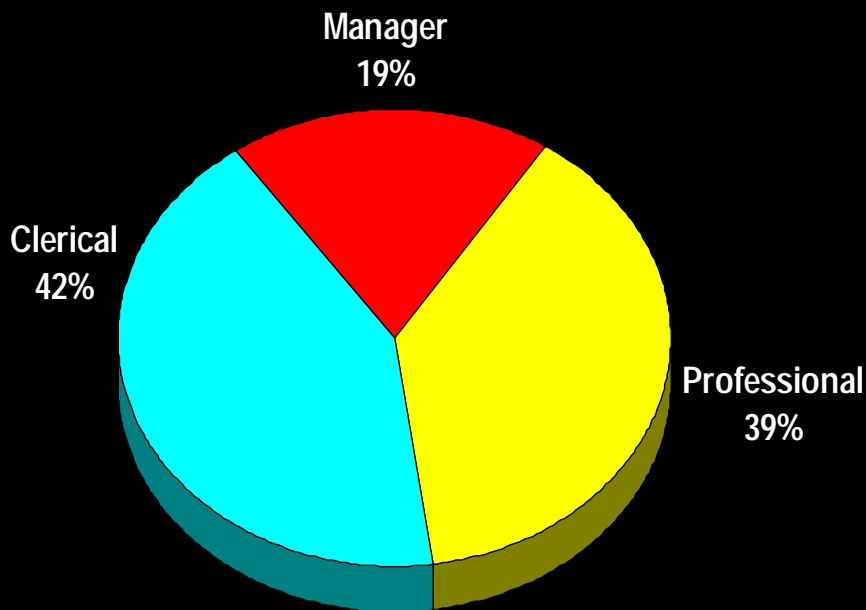


Source: Hackett Benchmarking & Research

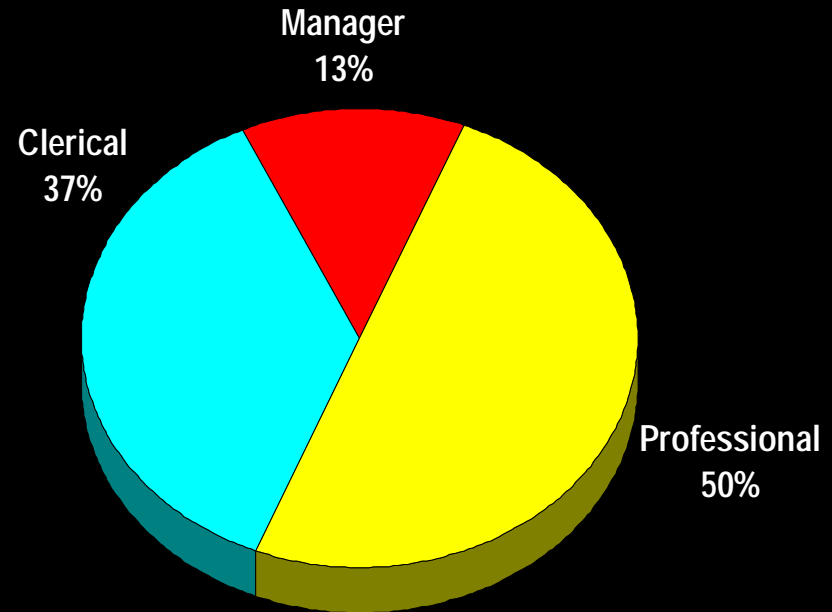
# » While Positioning Their Workforce To Be More Strategic

## Staff Mix

### Average



### 1st Quartile

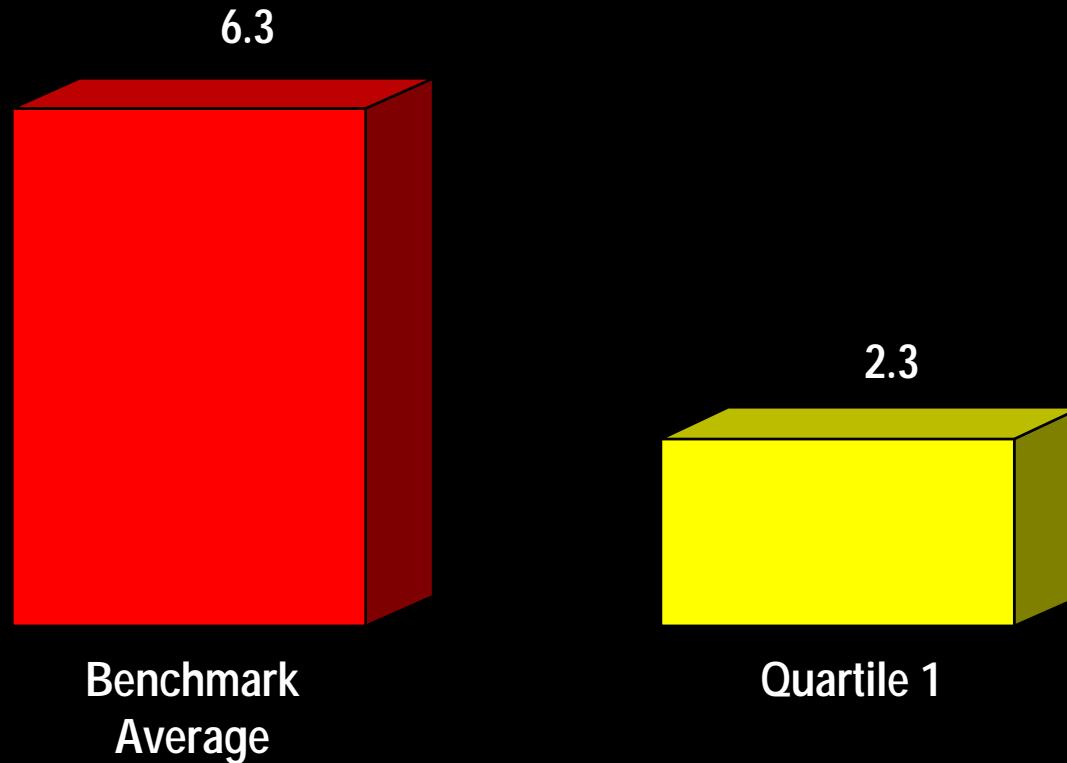


Source: Hackett Benchmarking & Research



# The Typical Treasury Function Has Six FTEs Per Billion

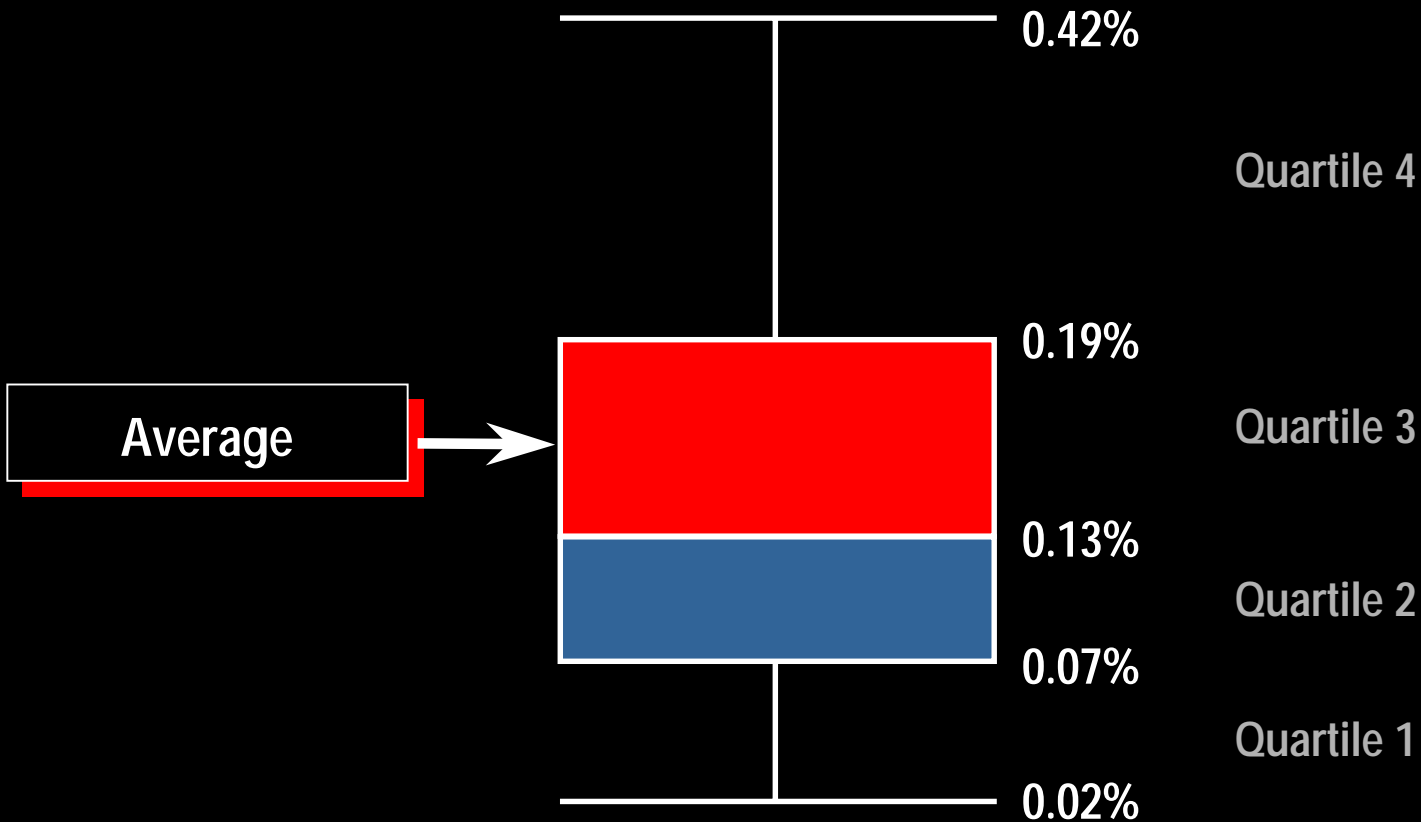
FTEs Per \$ Billion Of Revenue





# The Average Treasury Function Costs .16 Percent Of Revenue

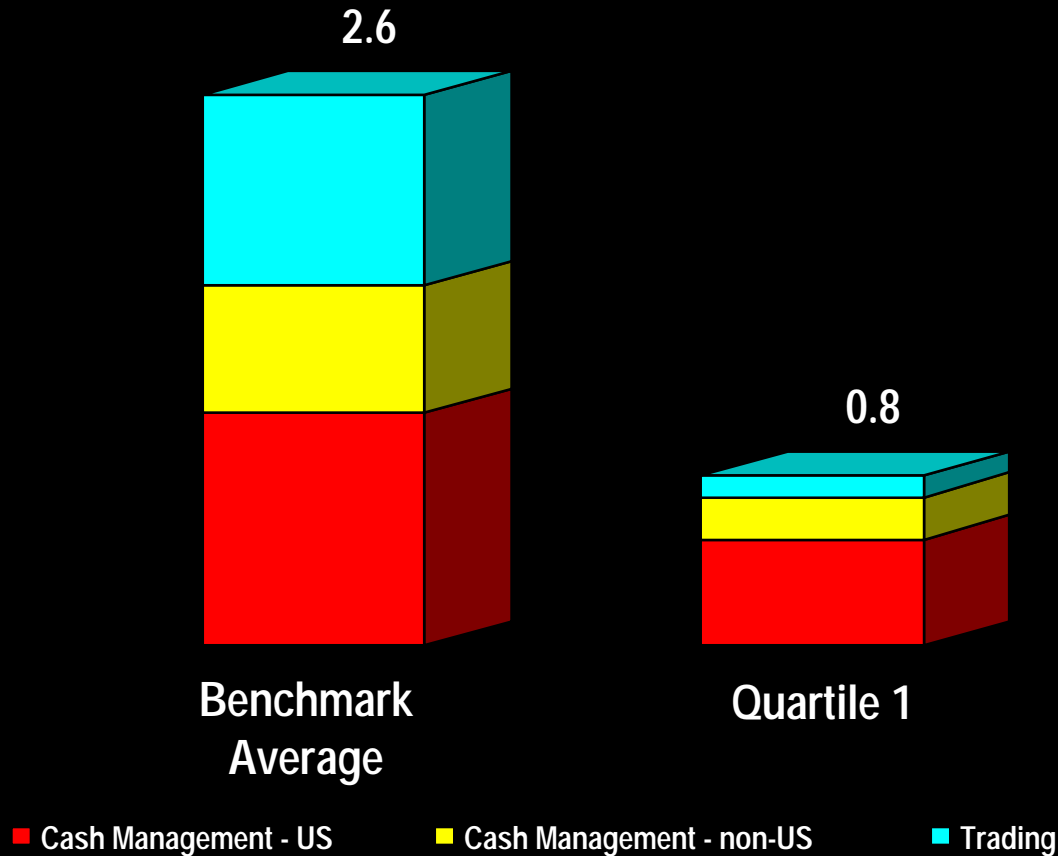
Cost As A Percent Of Revenue





# Back-Office Processing Drives Treasury Staffing

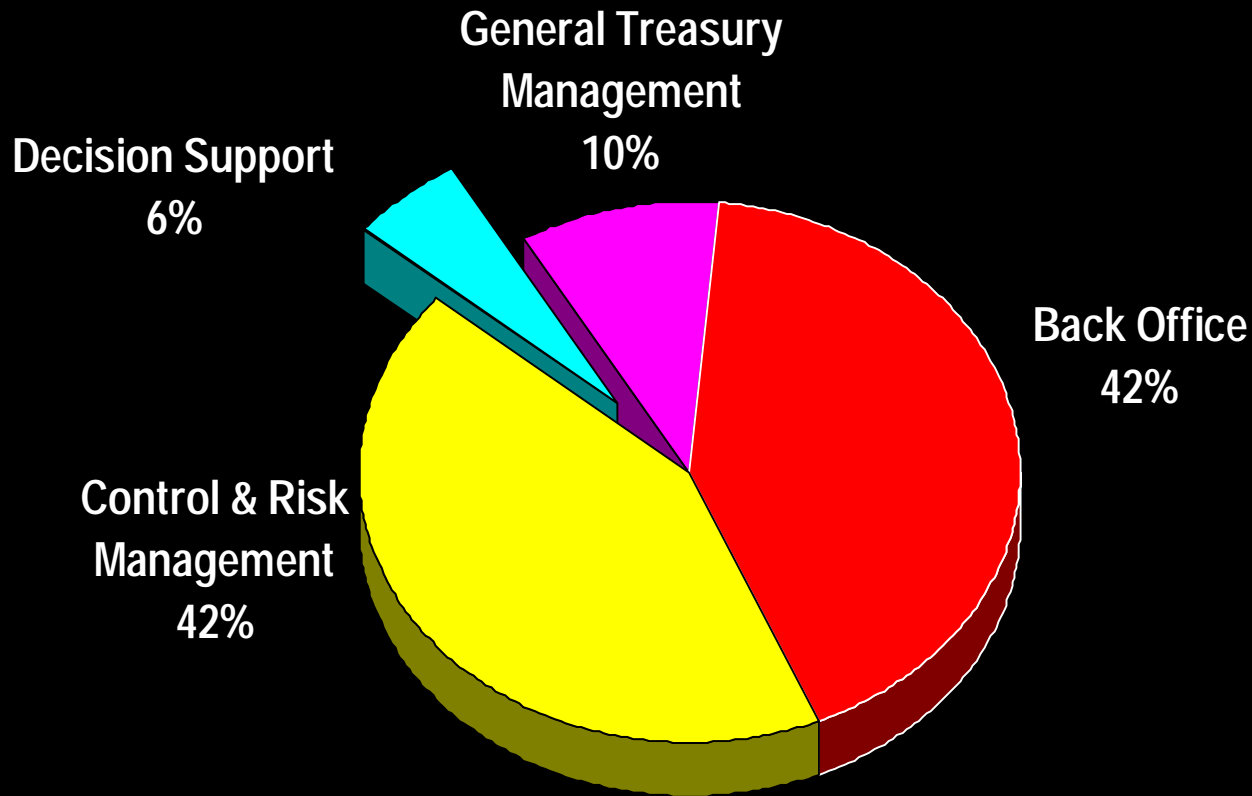
Back-Office FTEs Per \$ Billion Of Revenue





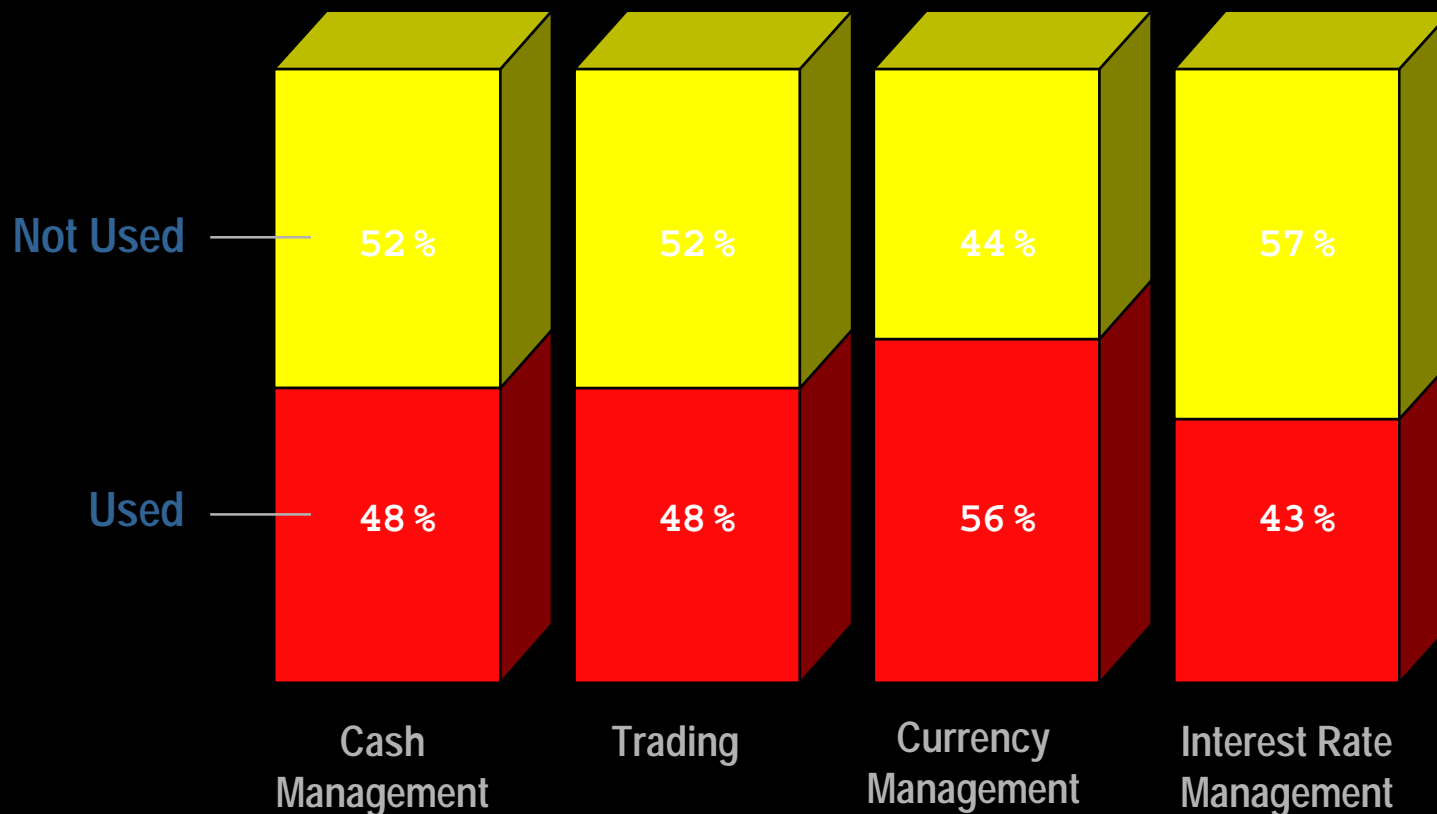
# Treasury Devotes Little Time To Support Business Analytics

## Staff Allocation By Category



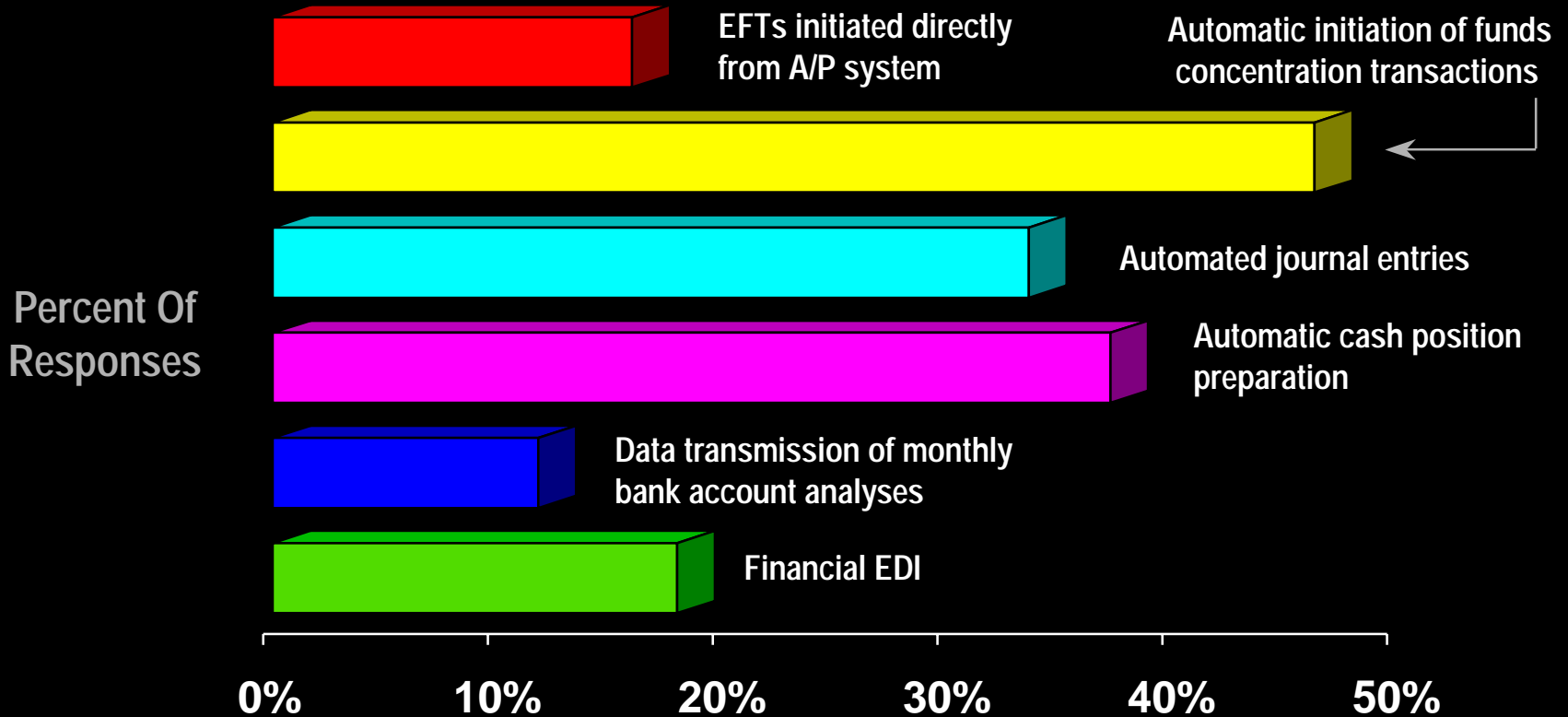
# » And Technology Is Not Effectively Leveraged in Treasury

## Automation By Process





# Limited Use Of Best Practices in Treasury



# » Linking Information and Financial Controls at Case achieved cost savings and...

## Best Practices

Installed a single general ledger system and standard simplified chart of accounts worldwide.

Implemented consistency between internal and external reports.

Reduced manual journal entries 40%.

Developed electronic reporting processes.

Number of computer applications	20	9
Days to close	5	4
Billing error rate	80%	15%
A/R error rate	70%	20%
Number of assets tracked per FTE	16K	32K
Annualized cost reductions	N/A	\$11.3M
General account cost as % of revenues	0.039	0.026

CFO Magazine  
January 1999

# » ... Balance sheet benefits

## Treasury Operations

Centralized treasury function for domestic and foreign operations.

Integrated treasury management information system achieved cash-flow optimization.

Coordinated financial risk management strategy corporate wide.

Integrated processes and management for global banking and capital raising.

Installed comprehensive interest rate and currency risk management systems.

Debt-to-capitalization ratio	61%	27%
Credit lending banks	28	58
Number of bank accounts (industrial)	194	103
Foreign exchange hedging volume	\$625M	\$4.0B
Insurance premium and admin. expense	\$11.9M	\$5.6M
Corporate debt rating	BB+	A-

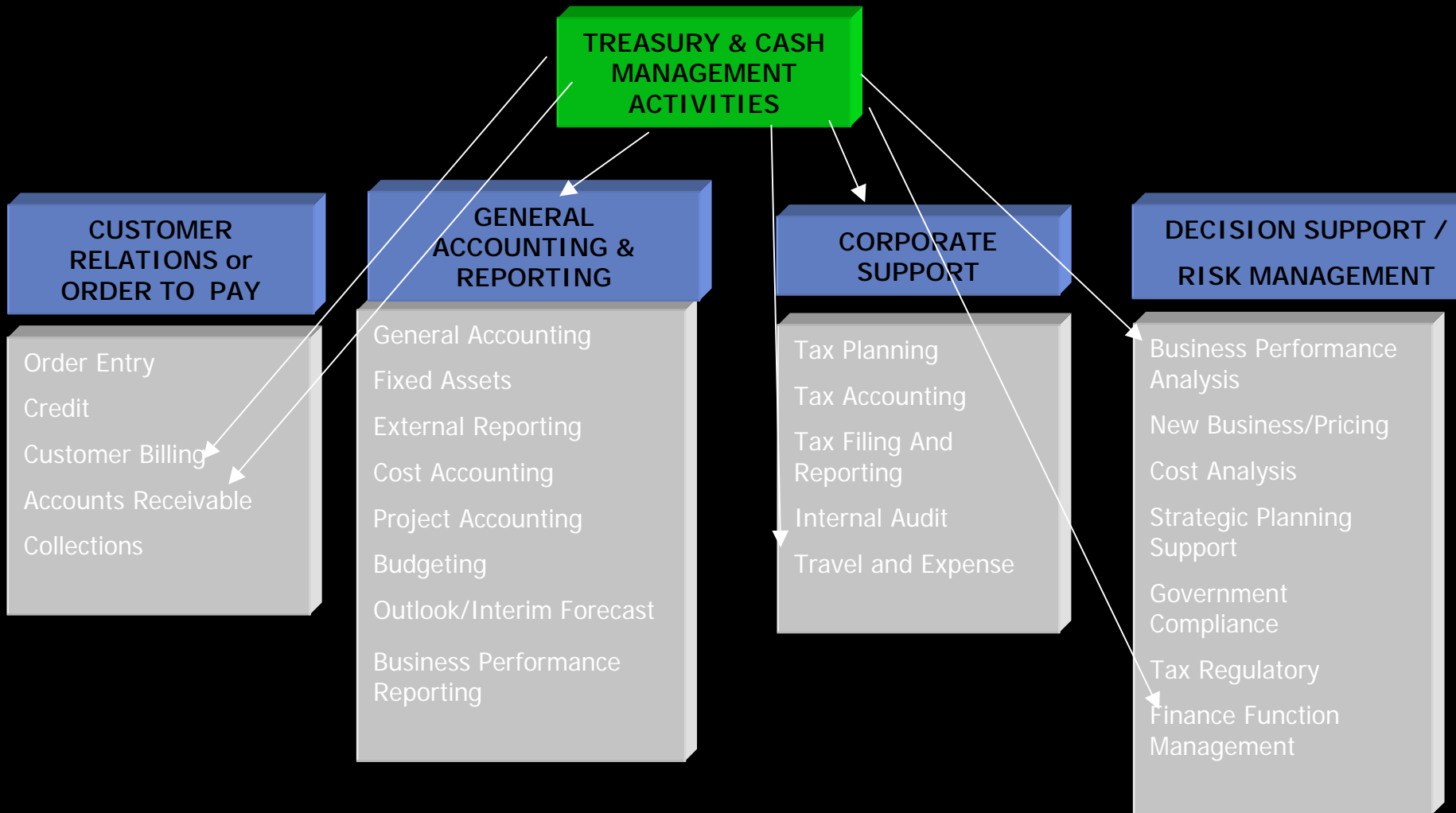
CFO Magazine  
January 1999

# » Some Predictions For The Next 3-5 Years...

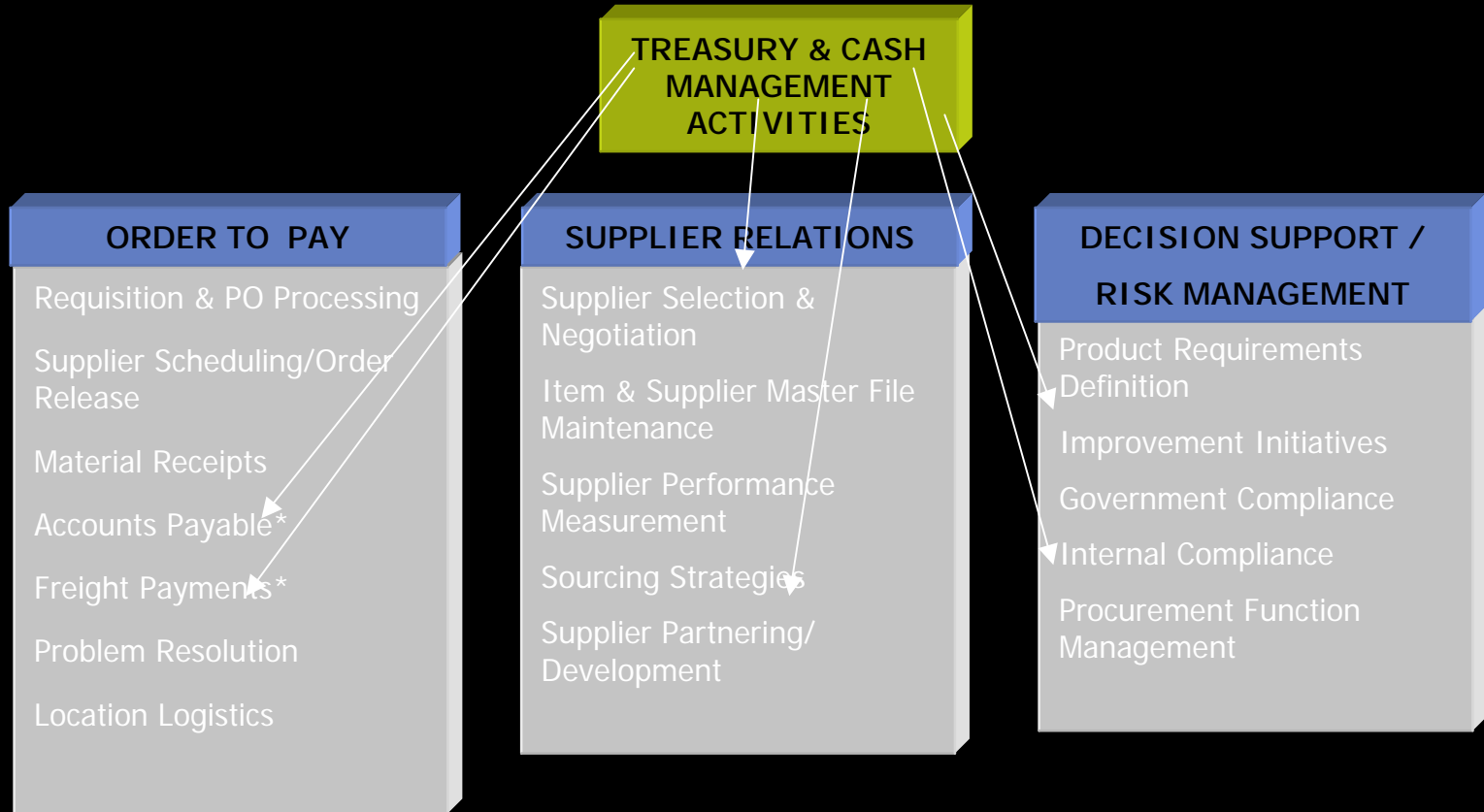
1. Transaction processing will disappear
2. The Model of a Finance Organization will Change Radically
3. A Virtual Organization will emerge
4. Finance's responsibilities will evolve into the role of Strategic Information Architect



# » Treasury is Everywhere & Nowhere in New Business Models...



# » Again, Treasury is Everywhere & Nowhere in New Business Models....



# » eBusiness Is Changing And Enabling This Rapid Transformation

Old Model

New Force

New Model



Bricks and  
Mortar

Technology

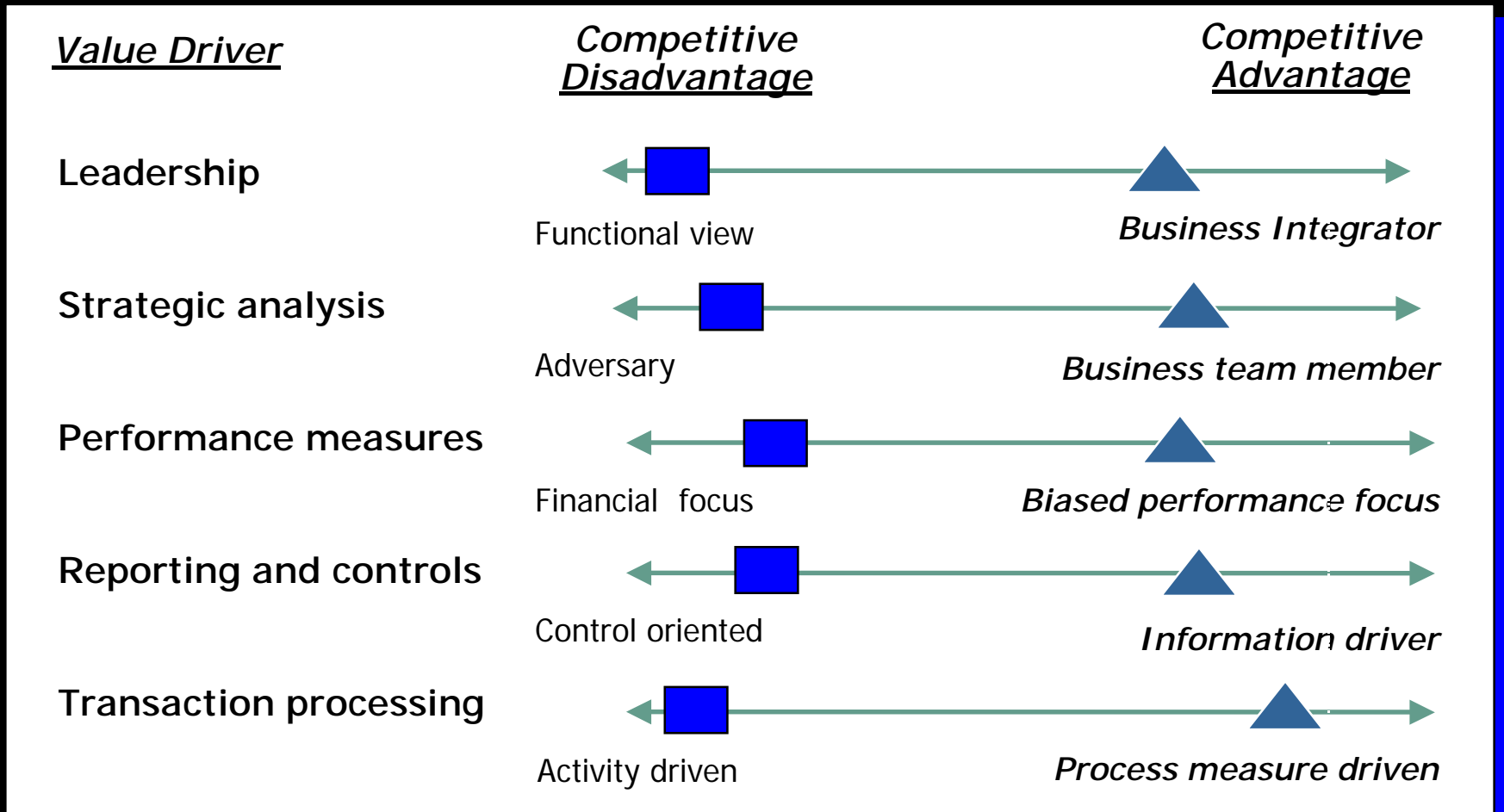
Web-  
Enabled  
Enterprise

# » The E-enabled Business Will Operate Across Different Dimensions

Legacy	Pre-Web	E-enabled
Product Transactions	Customer Relationships	E-Plex
Price	Service/Quality	Convenience
Years/Months	Weeks/Days	Hours/Minutes
Mass Production	Stratification	Mass Customization
Many Suppliers	Few Strategic Partners	Several Open Partners
Domestic	Multi-National	Global
Store Front	Call Center	Continuous Self-Service
Enterprise	Market	Trading Community
Lights on, doors open	Extended hours	24 hours x 7 days/week



# » Leading CFO's Are Redefining The Value Drivers



# » Finance Will Look And Work Differently

Today

## Brick & Mortar Organization

- Functional / business unit alignment and location
- Largely clerical
- Transaction processing focus
- Outsourcing / shared service for transaction processing
- Technical accountants
- Historical reporter

Tomorrow

## Virtual Finance Organization

- Boundaries blurred
- Primarily professionals and managers
- Information / decision-making focus
- Global knowledge centers
- Business integrator
- Information architect
- Strategist

# » The Finance Professional Must Possess Significantly Different Skills

- Flexible, creative problem-solvers
- Customer service and advocacy
- Strong ability to exploit technology
- Ability to see the vision, take initiative and lead change
- Cross-business and multi-disciplinary skills
- Global business-process capability
- Strong team-building and interpersonal skills

