

TREASURY HEADCOUNTS BENCHMARKING SURVEY 2018

INTRODUCTION – THE SAMPLE OF RESPONDENTS

In May 2018, the EACT issued a survey to study the size of Treasury departments. We received responses from 250 companies.

The objective was to assess both the size and the scope of Treasury departments, as well as try to establish correlations between Treasury headcounts and size of companies, in order to help Treasurers benchmark themselves.

In this report, whenever we write about the set of companies as in the sentence “20 % of companies”, we refer to the sample of 250 companies that responded to our survey. We believe the sample size gives us comfort to generalize to the wider Treasury population, but we recognize that any survey introduces biases.

The survey was distributed both directly by the EACT and indirectly by some national treasury associations (NTAs), members of the EACT.

Upon request, we may distribute a specific study for the smallest 20% (less than 1 880 employees globally) and the largest 20% (more than 32 000).

THE SAMPLE AND DESCRIPTIVE STATISTICS

The following table shows the descriptive statistics of the respondents: the average, median, some deciles.

Description	Average	Median	20% percentile	80% percentile	Min	Max
Global Turnover	6 899	2 057	700	8 000	1	66 800
Foreign currency turnover	3 032	606	54	3 500	0	57 000
Total balance sheet	9 418	2 500	650	11 000	3	125 000
Nr of Employees globally	22 533	8 000	1 880	30 000	2	300 000
Nr of Finance employees	400	150	50	500	2	4 800
Nr of Treasury employees	13.8	5.0	2	17	0	240

Turnover and balance sheet figures are expressed in millions of EUR.

“Treasury employees” are defined as full time equivalent employees (FTE) reporting ultimately to the group Treasurer.

“Finance employees” are defined as FTE ultimately reporting to the CFO or the highest-ranking Finance manager.

It is interesting to note that the 250 responding companies employ 3 390 employees in their Treasury departments.

To put in perspective, the 23 National Treasury Associations (NTAs) members of the EACT have 13 000 members working in around 6 500 companies. So, the sample represents only 4% of companies but employs 26% of professionals that belong to a Treasury association. This needs to be nuanced because this study was sent to non-financial corporations only while some NTAs have among their members employees of financial corporations.

Some data points help understand that a majority of Treasurers work in large organisations:

50% of Treasurers work in companies that employ more than 32 000 employees,

50% of Treasurers work in companies that have a turnover in excess of EUR 10 bio,

50% of Treasurers work in companies that have a balance sheet in excess of EUR 13 bio.

As in all surveys, we had to clean data.

SCOPE OF TREASURY

The following charts shows which of 20 tasks fall within the scope of the Treasurer.

In the survey, Treasurers were asked whether a specific function was performed within Treasury or outside of Treasury. A function could be performed both within and outside of Treasury, therefore the sum may exceed 100%.

"Treasury department" is defined by the employees ultimately reporting (solid lines) to the group Treasurer.

For instance, Treasury is performing "Cash Management" for 97% of respondents while for 18% of, such a task is also done outside of Treasury.

Results confirm the core functions of Treasury: Cash management, Financial Risk Management, Subsidiaries funding. Quite interestingly, Treasury information systems are mostly managed by teams reporting to the Group Treasurer, which confirms the very specific needs and security requirements of Treasury.

"Commodity risk management" is more balanced, almost equally done in and out of Treasury.

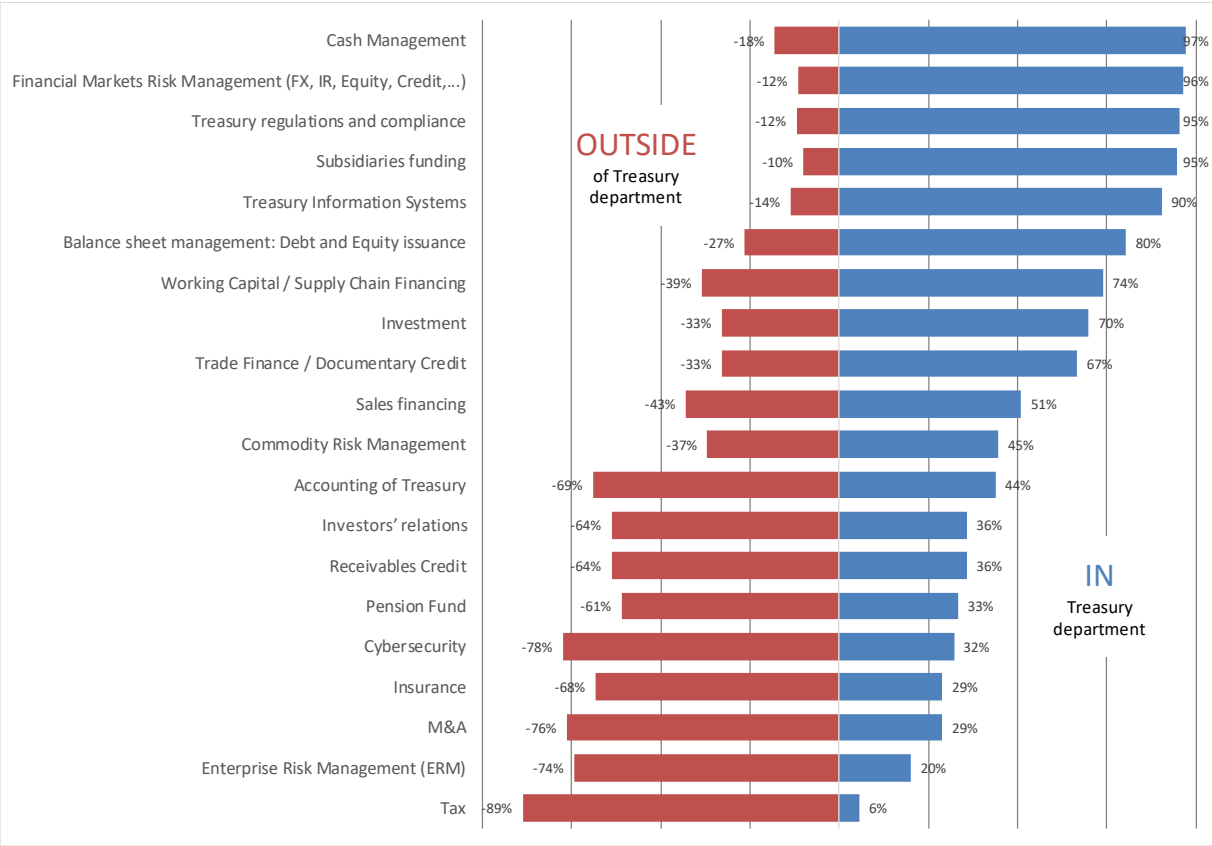
"Trade receivables credit", "Investors relations", "Insurance" and "Pension fund" are most of the time done outside of Treasury but fall also in the scope of a sizeable number of Treasury departments.

"M&A" is mostly done outside of Treasury, with probably some support of Treasury.

"Tax" is almost exclusively done outside of Treasury.

The responses to "Treasury accounting" and "Cybersecurity" reflect segregation of duty.

"Sales financing" will be clarified in our next study. By this term, we meant the activity of providing funding for customers to purchase the company's goods and services. Some companies have specific financing (for example, leasing) branches, but the survey seems to indicate that Treasury has a significant role in the activity.



For each company, we calculated a "Scope Score" representing the number of activities (from 0 to 20) performed by Treasury. Differences in "Scope Score" may explain deviations from regression (see below).

The table below shows that, in average, Treasury departments accomplish 11 of the 20 tasks listed above, and the Treasury department with the largest scope has activities across 18 of them.

Description	Average	Median	20% percentile	80% percentile	Min	Max
Scope of Treasury Score	11.2	11.0	9	14	0	18

CORRELATION ANALYSIS, WHAT IS THE RIGHT SIZE OF TREASURY?

We have computed regressions (both monivariate and multivariate) to explain the number of employees in a Treasury department with various variables such as:

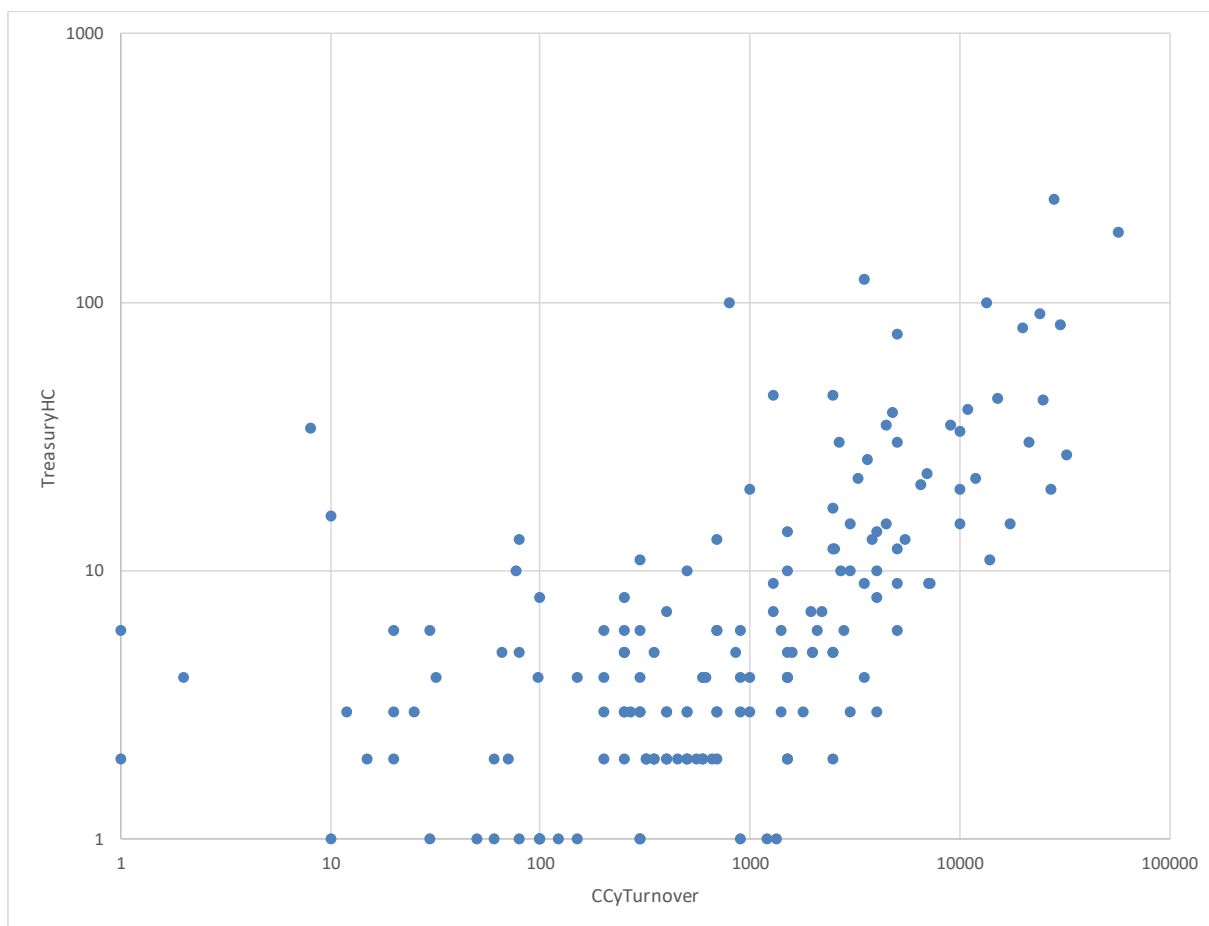
1. Global turnover
2. Total turnover in currencies other than the base currency of the group
3. Balance sheet size
4. Number of employees globally
5. Number of employees in the Finance function
6. The answers to whether some of the 20 specific functions were in the scope of Treasury (binary)
7. The ScopeScore which represents how many of the 20 functions are in scope

Quite logically, in single variable regressions, we found that Treasury size was positively correlated with the first 5 variables but there was significant dispersion. R-square (R^2) was used to assess the quality of the regression: from low (variables have no explanatory power if $R^2=0$) to high (a regression is perfect if $R^2=1$)

The best explanatory variables are

- The foreign currency turnover, with an R-Square of 0.48
- The global turnover, with an R-Square of 0.34

In the chart below, each dot represents a company with the X/Y coordinates being respectively the foreign currency turnover and the number of employees in Treasury. Considering the wide range of company sizes, we used logarithmic scale to make the chart more readable.



So, size obviously matters, but it is interesting to note that the foreign currency turnover is quite clearly the best explanatory variable on its own and the balance sheet size has much lower explanatory power.

When adding variables to the foreign currency turnover, the following multivariate combinations slightly improved the regression:

- Foreign currency turnover and Finance employees: R-Square of 0.57.
- Foreign currency turnover, Credit in scope, Insurance in Scope and Sales Finance in Scope: those 3 functions are the ones that are quite equally in or out of Treasury, so they are quite discriminating. The R-Square was slightly improved to 0.53

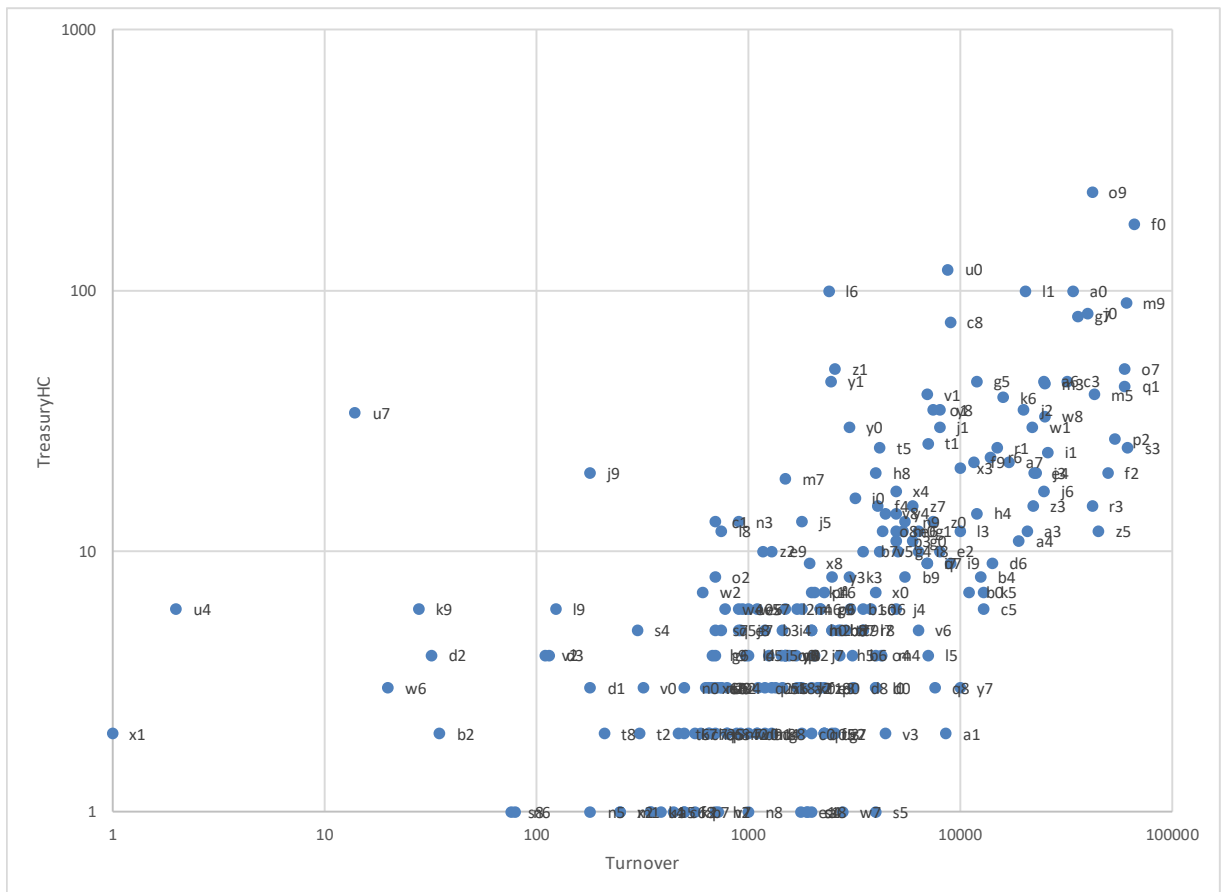
For most regressions, we forced the intercept at zero (eliminated the constant), as smaller companies do not have a treasurer. Performing regression on logarithms of variables did not yield to better results.

In future versions we will refine balance sheet management and add a question on geographical presence.

**FURTHER, AD-HOC BENCHMARKING
RESTRICTED TO SURVEY RESPONDENTS**

Below, you will see graphs where points represent individual companies with code names (a letter and a number). By design, we have guaranteed anonymity in this survey. But, in order to receive the survey results, most respondents have given their contacts details to the EACT.

As a respondent, if you would like to be in contact with your peers to further benchmark, send us an email stating the code of the company you want to be put in relationship with (ask for a zoom on a cross section if the code is unreadable). The EACT will then contact the company to verify if they accept to establish dialogue with you (referred to by code). If the answer is positive, the identity of both companies will be disclosed to each other.



Below is a zoom on a denser section

