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## Treasurers' Trends and Predictions for 2009

Ben Poole, Editor, gtnews - 06 Jan 2009

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*After a traumatic 2008 in the global financial markets, what will the new year have in store for treasurers?*

When clock towers around the world chimed in the new year and spectacular firework displays across a myriad of time zones lit up the night sky, you could be mistaken for thinking that the revelers were celebrating seeing the end of 2008, rather than welcoming in 2009. Thanks to the credit crisis last year we saw the collapse of a number of large financial institutions, while governments in many countries around the world were forced to create financial bailout and stimulus packages to inject liquidity into their country's economies. The repercussions of the credit crisis will continue to impact corporates, banks and the global financial markets into 2009 - just look at the domino-like collapse of large UK retailers such as Woolworths, Zavvi, The Officers Club, Whittards, and Adams as proof of the ongoing fallout. PricewaterhouseCoopers (PWC), the administrator called in at Adams, has said that the store's difficult trading environment had recently been exacerbated by a lack of available credit. (For more information on how the crisis has unfolded, see [The Credit Crisis Timeline](#))

At the same time, there are some signs that the global economic downturn could be starting to show signs of slowing down at some point in the year ahead. Henk Potts, equity strategist at Barclays Stockbrokers, estimates that the FTSE 100 will be up by around 11% at the end of 2009 compared to today's levels. In addition, over half of respondents to a SIFMA SmartBrief survey think that the financial crisis will subside in 2009.

As treasury professionals enter the new year, what are the biggest issues they face, what trends will define the year, and what strategies are corporates implementing in the new year? I spoke to some key figures in the world of treasury to find out what might be in store.

### Finding Funding

A key issue for treasurers in 2009 will be making sure that they have sufficient credit lines in place. If current lines of credit need to be renegotiated this year, corporates may well find this difficult to achieve or be faced with vastly different terms. The new chairman of the European Association of Corporate Treasurers (EACT), Richard Raeburn, raised these concerns when speaking exclusively to *gtnews*:

"The biggest issue most treasurers will face in 2009 is re-building debt and equity in their company's balance sheet, which will be vital as a direct consequence of the credit crunch," says Raeburn. "This will specifically require treasurers to use their funding skills because there will be shortages within the business and much reduced availability from capital market and bank providers." He also argues that treasurers need to become very good at communicating with the outside world, particularly with financial institutions, about how the business is doing.

The theme of treasury communication is one that was also picked up by Wolfgang Koester, CEO of FiREapps, when he spoke to *gtnews* about the steps he will be taking in 2009 to ensure continued effective liquidity and FX risk management:

"We will continue to be proactive in maintaining our relationships with our lenders, providing them with an understanding of what we're doing to manage capital, risk and to build the value for FiREapps. By reaching out to our bank relationship managers and providing them with insight into our business, we make it easy for them to go back to their credit managers with confidence," explains Koester.

Every business is in the business of managing risk. Successful companies are those that have a true understanding of the risks they face. That doesn't mean they can see the future - it means that they are able to achieve a timely and complete snapshot of the ever-changing present, and establish processes to make the best of events that are beyond their control. This is the only way to build confidence within an organisation and to project that confidence in a marketplace that is full of uncertainties.

"The current financial crisis is clearly the collective consequence of a lack of transparency and an absence of adequate processes to manage economic risks among financial organizations like AIG, Bear Sterns and others," suggests FiREapps' Koester. "Institutionalising greater transparency into the operations of these and other financial organisations will be the only way to restore confidence in the long term."

### Back to Basics

As well as the very immediate need for treasurers to source adequate lines of funding, the credit crisis will also have some more broader long-term implications for treasury departments with regards to how they operate. Speaking to *gtnews*, David C. Robertson, partner at Treasury Strategies, says that he thinks 2009 will see focus returning to core functions within treasury.

"I think 2009 will see a return to the basics. Treasurers will continue to enhance controls and access to data. We'll see more rigor in identifying, assessing and managing risk. Many treasurers will take on a broader scope and will

be assigned a more comprehensive scope with respect to risk management," suggests Robertson. This will require treasury to continue to increase its collaboration across the enterprise. As a result of this, the investment cycle in technology will continue as treasurers turn to deeper and broader technology tools to drive their effectiveness.

"Many treasury units will be challenged to step up to this new role and should probably be conducting a self-assessment to determine how they can get to 'the next level' and be a strategic partner within the firm," explains Robertson.

This point is supported by Diane Barker, treasury operations manager of BG Group, who told *gtnews* "as a result of the recession, treasuries will continue to be under the usual pressure to keep staff to a minimum whilst maximising the value added by the treasury function. Planned projects for 2009 may be postponed or cancelled. This will limit opportunities for corporates to take advantage of improvements in the cash management arena, such as Faster Payments, unless a significant payback can be demonstrated."

### **Treasurers' Top Trends for 2009**

Members of the *gtnews* Editorial Board look ahead to trends and issues that they see on the horizon in 2009:

*Kelvin Hayes, group treasury, corporate finance, SGS*

There is a risk that 'quantitative easing' could spill over in some countries into an upward inflationary spiral and this may, in some countries, have social unrest impacts - so political risk will rise. Strong companies and market leaders will be able to pick off weaker rivals and gain market share at low cost - competition concerns will be cast aside at least temporarily so it's going to be a good time to consolidate fragmented business sectors.

*Further reading: [Lessons Learned from Treasury Consolidation](#), by Magnus Lind, NFS*

*Len Thompson, treasury analyst, Fike Corporation*

I think the continued volatility of the US dollar will be an issue in 2009. Managing foreign exchange exposures will be more difficult than normal for the next several months.

Also, I think the continued explosion of purchasing cards will be important. As a manufacturer, we begrudgingly accept purchasing cards from customers as a form of payment. In the past, this was accepted as a cost of doing business and passively managed (at best). However, as more customers insist on paying with purchasing cards, the associated fees are becoming an issue.

*Further reading: [The Rise of Corporate Currency Exposure Management](#), by Graham Harman, FXall*

*Further reading: [Implementing a Purchase Card Programme](#), by Ian Makgill, Ticon*

*Carlos Negrão, manager, corporate treasury & contract management, BT Global Services*

As the company has important partners on Europe, the credit crunch will impact just local credit adjustments of financial markets. One example is the Brazilian market who took off some non-used credit limits. They've negotiated to realise the credit analysis according to the company needs.

*Further reading: [Credit Crisis Collaboration: The Best Cash Flow Alternative](#), by Drew Hofler, Ariba*

*Michael Connolly, VP - treasurer, Tiffany & Co.*

I think the trends will follow along the lines of cash management control and efficiency.

*Further reading: [Five Tips for Efficient Liquidity Planning During the Financial Crisis](#), by Mona Henriksson, OpusCapita*

*Brad Gilbert, treasury manager, PAREXEL International, Inc.*

We are readjusting as we go. We anticipate continued pressures, so we are continuing to monitor the market and execute accordingly.

*Further reading: [Managing Risk and Liquidity During the Credit Crunch](#), by Mandar Pitale, Polaris Software*

*Ruud Roggekamp, assistant treasurer, corporate finance & banking, The Boeing Company*

Closer relationship management by our banks. Tighter controls, more focus on 'what have you done for me lately'.

*Further reading: [How to Successfully Navigate the Bank Selection Process](#), by Klaus Manzel, Cirquent*

### **Role of the Treasurer**

As the credit crisis has simultaneously placed stress on the treasurer's core functions and raised the role of treasury within the business structure, what key tools and skills will treasurers need to effectively navigate their

myriad of responsibilities in 2009?

The state of the financial markets mean that corporates that are still cash-rich will be able to pick up some relatively cheap acquisitions, according to the EACT's Raeburn: "There is going to be enormous potential for restructuring within the economy, which will open up opportunities for acquisitions. Treasurers need to be ready and equipped to support this process."

Robertson at Treasury Strategies agrees that treasurers will be ever more visible within the business, with the treasurer of 2009 requiring enhanced leadership skills, the ability to effect change, as well as greatly improved communication skills: "Treasurers are beginning to look more like virtual business managers, leading cross-functional change. Tomorrow's treasurer will be more visible and will need to avoid jargon to communicate opportunities, threats and initiatives in a way that cuts across organisational lines. Pure financial management skills will continue to be important but we will continue to see treasurers become more well-rounded in their skill set and organisational perspective."

### **Treasury Talk: Top Three Goals for 2009**

What are the main goals for *gtnews* Editorial Board members in 2009?

*Diane Barker, treasury operations manager, BG Group*

In 2009 my main goals will be to build on the benefits of the improved banking arrangements, focusing on better cash and working capital management. An integral part of this will include further streamlining of back office processes.

*Sue Lee, regional treasury manager, Asia Pacific, Danfos*

1. Manage cash flows - include application of tools/system.
2. Take opportunity of the likely slow moving year to do house cleaning, polish our tools, prepare for better times to come.
3. Consolidate banking relationship - especially in China.

*Michael Connolly, VP - treasurer, Tiffany & Co.*

1. Continue to improve visibility into local market operations outside the US and take more of a role in guiding operational improvements.
2. Technology, technology, technology.
3. Eliminate idle cash and unnecessary borrowings.

*Ruud Roggekamp, assistant treasurer, corporate finance & banking, The Boeing Company*

1. Maintain liquidity.
2. Contain/cut costs.
3. Monitor health of partners.

*Brad Gilbert, treasury manager, PAREXEL International, Inc.*

1. Re-engineer North American cash management.
2. Re-engineer South American banking structure.
3. DSO/DPO projects.

*Carlos Negrão, manager, corporate treasury & contract management, BT Global Services*

1. I'm focused on improving the company working capital and more focused on our fiscal year, which ends on March 2009. After the year end I believe that we will continue to be strongly committed on getting an improvement of working capital, as I believe this economic crisis will not end in the near future.
2. We will be focused on improving the treasury process for Latin America, a procedure not initiated until this moment. As Latin America has become an important region for our company regarding the growth the focus on process will be fundamental to local treasury.
3. Structure the treasury intelligence for the region looking for local solutions against the financial fluctuations of the Latin American market.

*Kelvin Hayes, group treasury, corporate finance, SGS*

1. Continue to add new affiliates to the treasury system to manage their FX exposure.
2. Add regional cash management capability to the Asian treasury execution centre.
3. Copy the Asian model in other regions, starting with South America.

*Len Thompson, treasury analyst, Fike Corporation*

1. Central co-ordination of global credit (in-house bank).
2. Reduce credit card (merchant processing) fees.
3. Survive the current global economic slowdown.

However the credit crisis plays out in 2009, the role of the treasury department will continue to gain a higher profile within the business structure. It is therefore essential that treasurers have sound strategies in place for key issues such as cash management and cash flow forecasting, bank relationship management, and risk issues such as liquidity and counter-party risk. *gtnews* will provide articles from industry experts and thought leaders on these subjects and many more on a weekly basis, helping treasurers around the world keep up-to-date with the latest treasury trends and developments.

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Posted by:	Post
<p><i>26 Feb 2009 - 01:52</i> Corporation, Dominican Republic</p>	<p>This article sumarices perfectly all main responsibilities of any treasurer all over the world. Basicallly, going back to the basics: cash is the king and all over the organizations should be fully aware of that.</p>

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