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Letter of the Editor

Dear Financial Executive,

Herewith, you receive the **Seventh IAFEI Quarterly**, which is the electronic professional journal of IAFEI, the International Association of Financial Executives Institutes. This journal is the internal information tool of our association, destined to reach the desk of each financial executive, who is a member of a national IAFEI member institute.

In this issue again, several IAFEI member institutes have contributed with own articles. We repeat, that we would like to see all IAFEI member institutes contribute with articles to this professional journal. Any time, we are open to receiving such articles for inclusion into this quarterly journal. Thus, the IAFEI Quarterly will continue to be the voice of all IAFEI member institutes collectively.

The financial crisis in much of the world continues to take its course. Much remedial action has been taken by governments, central banks and the financial institutions themselves. Not only the worst cases could be avoided, but financial markets have started to slowly improve. At the same time, a severe recession is impacting the real economies of many countries in all continents. Great uncertainty is going along with that, as is volatility in prices and opinions. As an example, there are the ones that fear that certain economies will fall into deflation, whereas others just expect the opposite, inflation. Acting with caution looks like the best response to this.

It is this mix of situations along with uncertainties which has caused the Spanish IAFEI member institute to step back from the commitment to hold the 40^{th} World Congress of IAFEI in the autumn of this year. Too much uncertainty is seen in terms of financing and attendance. While this is disappointing, is does just mean the cancellation for the current year. IAFEI is confident on and already working on coming up with a solution, and it will inform in time, where and when the next world congress will be held.

With best personal regards Helmut Schnabel

Institutional Sponsor of IAFEI, the International Association of Financial Executives Institutes:

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starting 2009

It is the sponsorship policy of IAFEI, to thereby enhance the value of the organization to is member institutes and its individual financial executives members, around the world, while, at the same time, entering into a professional dialogue, by various ways and means, with the sponsoring corporations. In so doing, IAFEI is striving for having such corporations as sponsors, which are world class corporations, and among the best in their business sector, and with a truly global scope and focus of activities. Thus, IAFEI and its sponsors, want to jointly serve financial executives, worldwide, for their professional benefit.

EXPANDING ECONOMIC COOPERATION IN ASIA, HELPING THE GLOBE GET RID OF CRISES

SPEECH AT BO'AO FORUM BY ZHENG XINLI EXECUTIVE VICE CHAIRMAN

CHINA CENTER FOR INTERNATIONAL ECONOMIC EXCHANGES (2009-4-18)

The financial and economic crisis sweeping the globe is dealing a heavy blow to the world economy. It is forecast that the global trade volume will drop by about 9 percent, industrial output by 15 percent and economic aggregate by 1 to 2 percent, indicating the most severe situation for 60 years. The economic crisis is testing the economic management capabilities of governments as well as the wisdom of mankind.

Asia is being impacted profoundly as the region is affected by the sprawling crisis, challenged by decrease of export, decline in employment, and rising risks in forex reserves. However, Asia is comparatively a fortunate region in the crisis in that its direct impact is less serious than the U.S. and Europe, its potential domestic demand is enormous, and its capital and forex reserves are abundant. With the exception of a few developed economies, most of the countries and regions are in the process of accelerated industrialization and urbanization. By expanding economic cooperation in Asia, combining industrialization, urbanization of Asia with the technologies of developed countries as well as capitals from within and outside the region, tremendous demands will take shape. Once the demands are translated into real purchase power and import power, they can play a vital role in driving the global economy out of the shadow of crisis.

At the rare historical moment of Bo'ao Forum where elites from Asian countries are gathering here, I'd like to propose three recommendations on the topic of expanding economic cooperation in Asia and helping the globe get rid of crisis.

First, to protect the safety of US Dollar reserves held by countries, Asian countries should join hands to demand that the U.S. make commitments to peg the value of US treasury bonds to the inflation rates of US Dollar.

For a long time in the past, tens of billions of US Dollars worth of financial derivatives have accumulated, creating financial bubbles of enormous scale. The depreciation of the dollar has become an inevitable historical trend. The recent purchase of treasury bonds by the Federal Reserve in a sense initiated the procedures of dollar depreciation. Once the bubble occurs in the dollar and treasury bonds, Asian countries holding large reserve assets in dollar will suffer severe losses. The US government for the purpose of stimulating its economy, hopes that Asian countries continue to buy US T bonds and President Obama on many occasions maintained that US dollar is still the safe reserve currency. Countries which have considerable holdings and will continue to buy US T bonds such as Japan, India and China should join hands to demand that U.S. make commitments to peg the value of US treasury bonds to the inflation rates of US Dollar. This will help dispel the worries of these countries on losses from the depreciation of the dollar and on the other hand enable the US government to continue to gain foreign capital support, pushing the US economy to recovery as early as possible, thus creating a win-win situation.

Second, to promote the reform of international reserve currency system, Asian countries should, based on the Chiang Mai Initiative, explore the SDR as the Asian reserve currency.

For the future global currency system, the architecture with three pillars of US Dollar, Euro and RMB yuan is recommended. The three currencies offer options for companies and countries to choose in settlement. Whichever shows trend of depreciation, countries can abandon the currency; whichever demonstrates trend of appreciation, countries can buy in the currency. With three currencies competing and supplementing each other, a comparatively stable international financial system can be constituted. But for the internationalization of RMB yuan, there is still a long way ahead. RMB will not become an international currency before a complete capital market and a full convertibility are in place. Facing the volatile global financial market , countries and corporations are looking for ways to safeguard the currency value. IMF has invented an instrument to protect reserve value by linking SDA to a package of currencies. Not long ago, Mr. Zhou Xiaochuan made a proposal to replace sovereign currency with SDR as an international reserve currency, which attracted the attention from the IMF leadership and may be put on the agenda of discussion this year.

Instead of waiting indefinitely, Asian countries should rather take actions first on their part. Based on the Chiang Mai Initiative, while expanding their reserve scales, countries shall discuss the introduction of SDR as the reserve currency by the weights of their respective GDP and the peg to a package of international currencies. Through this means, financial cooperation among Asian countries will be expanded and three purposes can be achieved: 1, risk resistance of Asian countries can be enhanced; 2, forex safety of Asian countries can be guaranteed; 3, the attractiveness of Asian countries can be increased, generating pilot experiences for extended SDR application by IMF.

Third, to step up the development of Asian countries, it is suggested to establish the Asian Infrastructure Investment Bank and Asian Agriculture Investment Bank.

Infrastructures in most Asian countries are lagging behind. To step up industrialization and urbanization, it is essential to address the infrastructure issue first. There is abundant capital in this region. Rather than to buy US T bonds which bear exchange rate risks, to invest in Asia will yield higher rate of return than the US T bonds. The Asian Infrastructure Investment Bank, with share holdings by member countries, will serve to create conditions for attracting foreign capital and supporting the economic take-off. Asia is rich in agriculture resources and boasts immense potential productivity. By establishing the Asian Agriculture Investment Bank, countries with favorable resource conditions will be helped to develop the production of goods in short supply worldwide, such as paddy and tropical crops, which will be welcome by many countries. The two commercial banks will pose competition with ADB, which is conducive to improving the operational efficiency of banks. The three banks will seek investment opportunities in Asia, which can create import demands for equipments and raw materials, contributing to global economic recovery and prosperity and development of Asia.

Quoted from www.boaoforum.org

Cover Page

Title:

The Making of the Taiwanese Executive: Age, Gender, Education, and Religious Belief

Author: Chengli Tien

Introduction

The influence of a company's chief executive is widely discussed from diverse perspectives (e.g., Datta and Guthrie, 1994; Roth, 1995; Rajagopalan and Datta, 1996; Simons, 1999; Herrmann, 2002; Dionne, Yammarino, Atwater and Spangler, 2004), among which demographic characteristics of the executives catch tremendous attention (e.g., Finkelstein and Hambrick, 1996; Park, Hema and Klekamp, 1997). Much of prior research, however, focuses on issues relating to chief executives from western societies or developed countries, and little is known in terms of top executives from eastern societies, such as Taiwan. Why is the study on Taiwanese executives so interesting? Taiwan, one of the newly industrialized economies, is facilitating its transformation into a better-developed place for businesses. The institutional and infrastructural differences that may exist between western societies and eastern societies make it interesting to see if chief executives from the newly industrialized economies (e.g., Taiwan) are any different from those from western societies. Furthermore, the impact from the "bamboo network" (Lehmann, 1998: 2) may further attract attention over its potential economic and social influences in and outside the region, which makes the study on the chief executives and their influences in such network interesting. Therefore, the purpose of this article serves to provide concise, but fundamental knowledge for learning profiles of successful chief executives in Taiwan from the perspectives of demographic characteristics in a longitudinal manner that hopefully may further contribute to more dialogues on what makes a successful executive from different perspective.

Upper Echelon Approach: Demographic Characteristics of Successful Executives

Upper echelon theory states that organizational outcomes are partially predicted by managerial background characteristics that include both psychological and observable factors (Hambrick and Manson, 1984). This article uses the approach of upper echelon, but mainly focuses on chief executives' individual characteristics (e.g., age, education, and religious belief), while adding gender to the discussions. Thus, demographic characteristics of successful executives can basically be found in age, gender and educational levels. I use the data from the China Credit Information Service (CCIS) for the years covering 1993, 1994, 1995, 1996, 1999, 2000, 2002, and 2003. CCIS conducts such study by using the screening criteria (e.g., firms on the Top 5000 list in Taiwan; employees over 100; firms with ISO 9000 certified and governmental authority certified); firms with such profiles can be considered as success and their chief executives as successful executives. Hence, the sample in their study include 2233 CEOs for years of 1993 and 1994; 2374 CEOs for years of 1995 and 1996; 2392 CEOs for years of 1999 and 2000; and 1778 CEOs for years of 2002 and 2003. The demographic characteristics are shown in a longitudinal manner and cover time periods basically from 1993 to 2003 to better illustrate what commonalities successful chief executives in Taiwan may share and further compare these characteristics with those in USA to further illustrate what commonalities successful chief executives may share regardless of regional differences.

Age

Upper echelon suggests that firms with younger managers are more likely to experience greater growth and variability in profitability than firms with older managers (Hambrick and Mason, 1984). Hence, chief executives in successful companies shall be rather young, then. Most of the successful chief executives in Taiwan, however, fall into the range of 40 to 60 years old. This age pattern from 1993 to 2003 is quite consistent, but actually shows some incremental increases in age. Although family businesses and ties may still play an important role in Taiwanese businesses, which may influence their succession plans including who and when to succeed, the trend in Figure 1 implies that experiences, functional backgrounds and tenures may matter in effective leadership even under different cultures.

(Insert Figure 1 about here)

Gender

Upper echelon does not actually address "gender" issues with possible influences or implications to the organizational outcomes. However, based upon conventional wisdom, male executives should dominate the executive world in an unproportional manner, compared to female executives in Taiwanese firms, although people regardless of gender receive equal educational opportunities in Taiwan. This finding may further supplement other streams of study on gender or further encourage empirical studies in terms of if or how gender matters in firm performance.

(Insert Figure 2 about here)

Education

Upper echelon addresses that the amount of formal management education top managers receive is not associated to the average performance of their firms (Hambrick and Mason, 1984). I study the education factor by categorizing education into four levels: doctoral, graduate, undergraduate and all other levels to study the educational profile of successful Taiwanese executives. The results show that successful executives are well-educated in general in Taiwan, but it does not imply that chief executives with doctoral degrees can perform the best and this should be tested empirically. From the descriptive statistics, most chief executives have college degrees, and the trend shows that more executives tend to pursue higher education degrees in the master or PhD levels. With more educational opportunities made available to the full-time managers (e.g., EMBA programs), it is evident that chief executives' education levels will be elevated gradually down the road. Hence, an interesting debate whether a successful executive should posses "street smarts" over "book smarts" or experience over education can be further tested empirically and the findings may further rich the related discussions academically and practically.

(Insert Figure 3 about here)

Religious Belief

Upper echelon primarily emphasizes observable managerial characteristics as indicators (e.g., age and education). Psychological factors (e.g., cognition and value) are also recognized, but not emphasized in this theory. Religious belief, which can relate to the individual value system, is attracting attention over its influence to the leaders and organizations (e.g., Ettorre, 1996; Fort, 1996; McLaughlin, 2005) because it may influence a person’s value and ideology. Hence, this article also includes religious beliefs in the executive demographical characteristics, but has modified from the original source of data into two categories: with religious beliefs and without religious beliefs. The original source of data actually can tell more in specific religions, which is not the intention of this article in order to prevent possible distraction. Nonetheless, the original source of data shows that among those executives with religious beliefs, Buddhism takes the lead in Taiwan. Nevertheless, from Figure 4, it is clear that most CEOs have religious beliefs over years of study.

(Insert Figure 4 about here)

When East Meets West

From Figure 1 to Figure 4, demographic characteristics of successful chief executives in Taiwan seem to be very consistent over the time periods from 1993 to 2003. Hence, for the following comparison on the demographic characteristics of successful chief executives between the East (Taiwan) and the West (USA), data of 2002/2003 for chief executives in Taiwan from CCIS, and of 2004 for chief executives in USA from Forbes 500 are compared, and those on the CCIS and Forbes lists can be considered as successful executives due to the fact that companies that can be selected on both lists (CCIS and Forbes) can be considered successful respectively. As Figure 5 illustrates, the majority of both chief executives of Taiwan and chief executives of USA falls into the age range between 40 and 60; however, executives of Taiwan tend to be younger than those of USA. As Figure 6 illustrates, in US and Taiwan, male chief executives significantly dominate the executive world; however, Taiwan seems to have more female chief executives than USA in proportion to male chief executives. As Figure 7 illustrates, most chief executives of Taiwan have college degrees, while those of USA receive higher education in master degrees. Overall, regardless of any possible differences in institutions or infrastructures or any other major firm-level variances between Taiwan and USA, successful chief executives, whether they are from newly-industrialized economies or from developed economies tend to share similar demographic characteristics, which result in a profile of a successful chief executive: a well-educated male who is in his 50s. This result is also consistent with the finding of Bhargava (1993) that a typical CEO is a white Protestant male whose age is 56 years old, based on the study of American CEOs on Business Week’s 1000 firms. In order to compare between two geographical boundaries, this article does not particularly address the ethnicity and race within the same geographical boundary (although the majority of CEOs in USA on Forbes 500 firms are white, while the majority of CEOs in Taiwan are original Taiwanese ethnicity, and CEOs with Japanese nationality come next according to the same study on 2002/ 2003 by CCIS).

(Insert Figure 5 about here)

(Insert Figure 6 about here)

(Insert Figure 7 about here)

Conclusion and Implications

Without further considering institutional, infrastructural, firm-level, and industry-level differences, the article, although requires further theoretical reasoning and empirical testing shows that successful chief executives are found to be very similar in a number of ways (e.g., age and gender), but different in other ways (e.g., education level) between two different economies. In other words, successful chief executives from both Taiwan and USA are reaching their mid-age and most of them are male. In terms of education level, however, successful chief executives in USA generally receive higher education than those in Taiwan whose degrees are most in the college level. Although it may still require further empirical testing and reasoning between “book smarts” and “street smarts”, chief executives from top performing firms seem to require both elements due to their age (accumulating hands-on experiences through tenures for “street smarts”) and education levels (accumulating knowledge through school learning for “book smarts”). Nonetheless, this rather short research note only serves to shed some light on issues relating to executive leadership under cross-cultural research (Javidan and Carl, 2005), etc. Certainly, extended research on some other important characteristics or attributes such as ethnicity, nationality, functional background, international experience and international education (i.e. successful Taiwanese executives who receive their education degrees from U.S.) should enhance the related study and our understanding on the profiles of successful chief executives..

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Figure 1

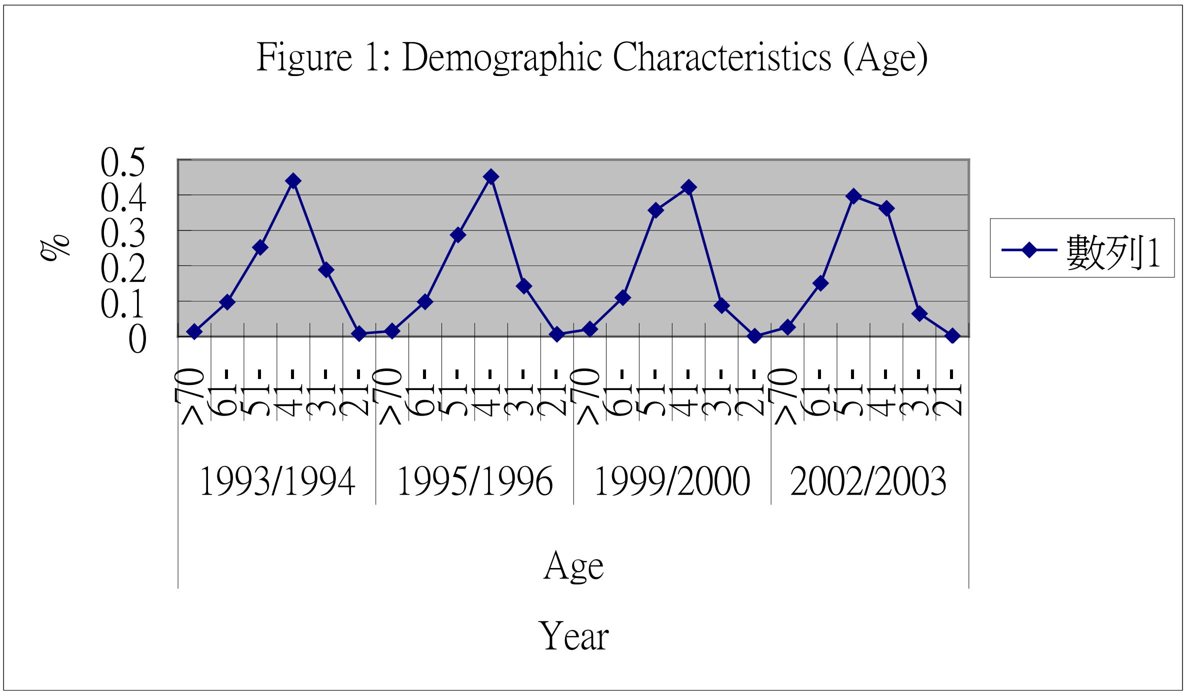

Figure 1: Demographic Characteristics (Age)
0.5
0.4
0.3
0.2
0.1
0
%
>70
61-
51-
41-
31-
21-
1993/1994
1995/1996
1999/2000
2002/2003
Age
Year
數列1

Figure 2

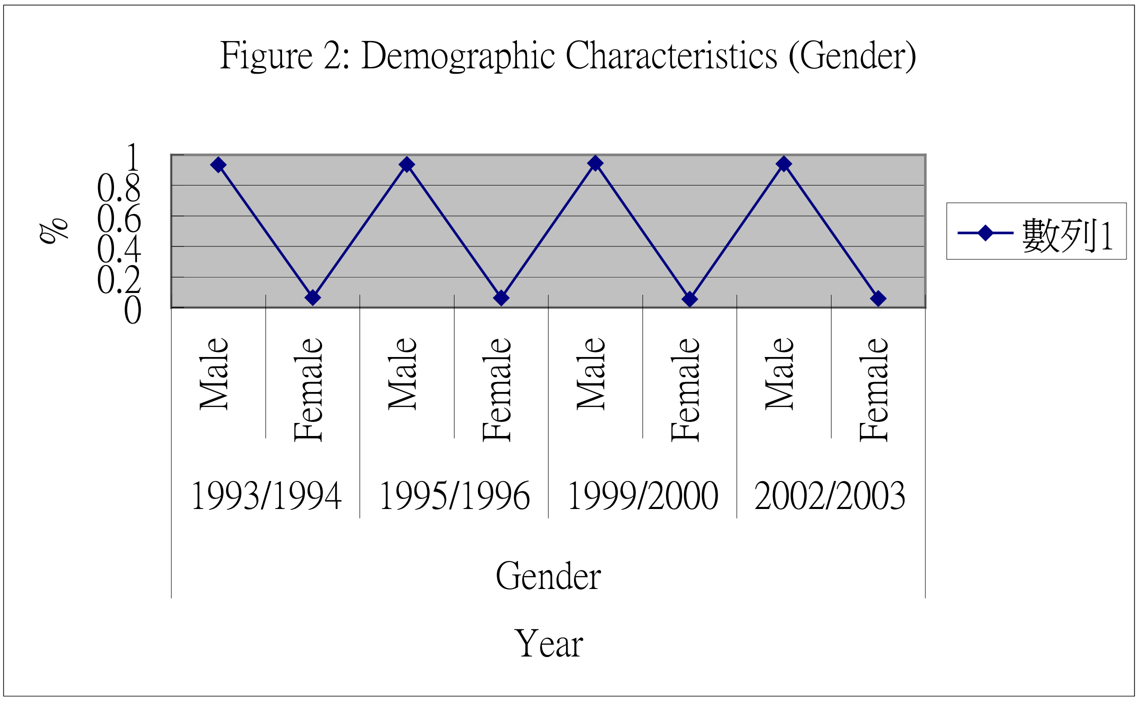
Figure 2: Demographic Characteristics (Gender)
%
1
0.8
0.6
0.4
0.2
0
數列1
Male
Female
Male
Female
Male
Female
Male
Female
1993/1994
1995/1996
1999/2000
2002/2003
Gender
Year

Figure 3

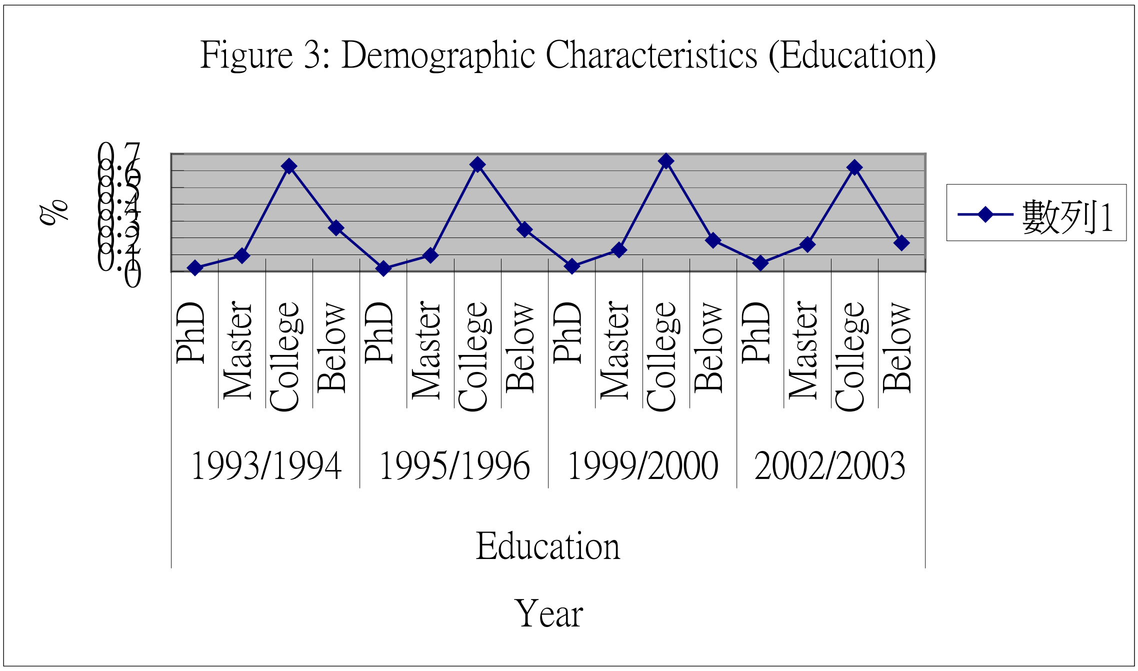
Figure 3: Demographic Characteristics (Education)
%
0.7
0.6
0.5
0.4
0.3
0.2
0.1
0
數列1
PhD
Master
College
Below
1993/1994
1995/1996
1999/2000
2002/2003
Education
Year

Figure 4

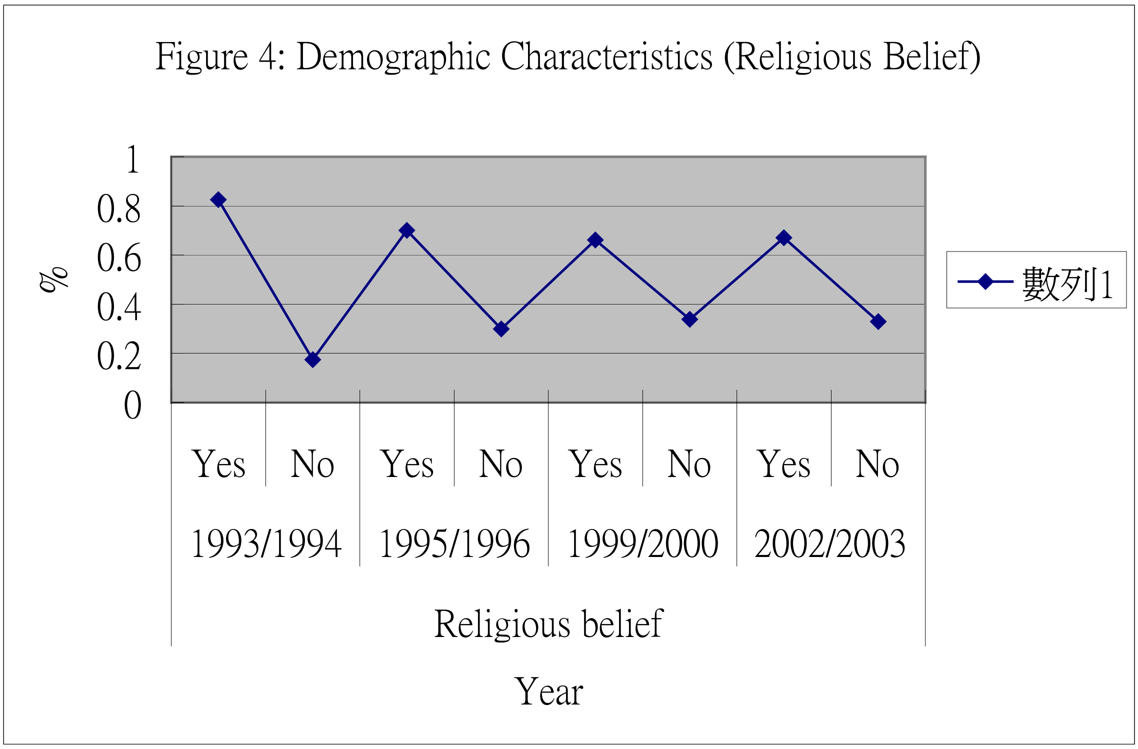
Figure 4: Demographic Characteristics (Religious Belief)
%
1
0.8
0.6
0.4
0.2
0
數列1
Yes
No
Yes
No
Yes
No
Yes
No
1993/1994
1995/1996
1999/2000
2002/2003
Religious belief
Year

Figure 5

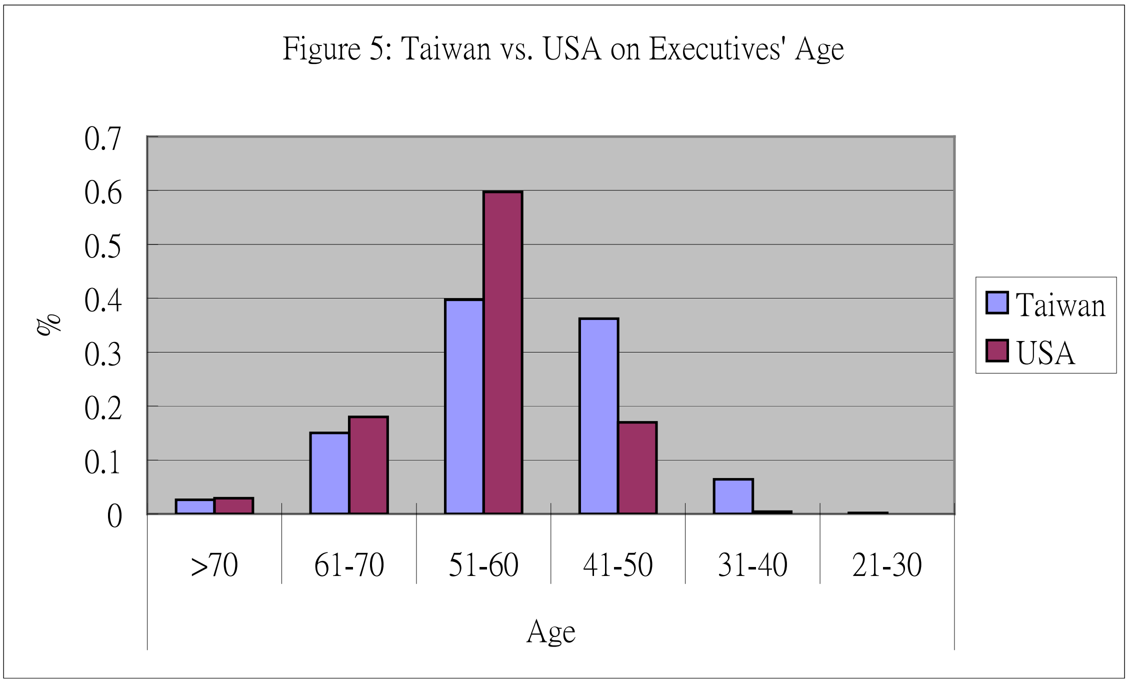
Figure 5: Taiwan vs. USA on Executives' Age
0.7
0.6
0.5
0.4
0.3
0.2
0.1
0
%
>70
61-70
51-60
41-50
31-40
21-30
Age
Taiwan
USA

Figure 6

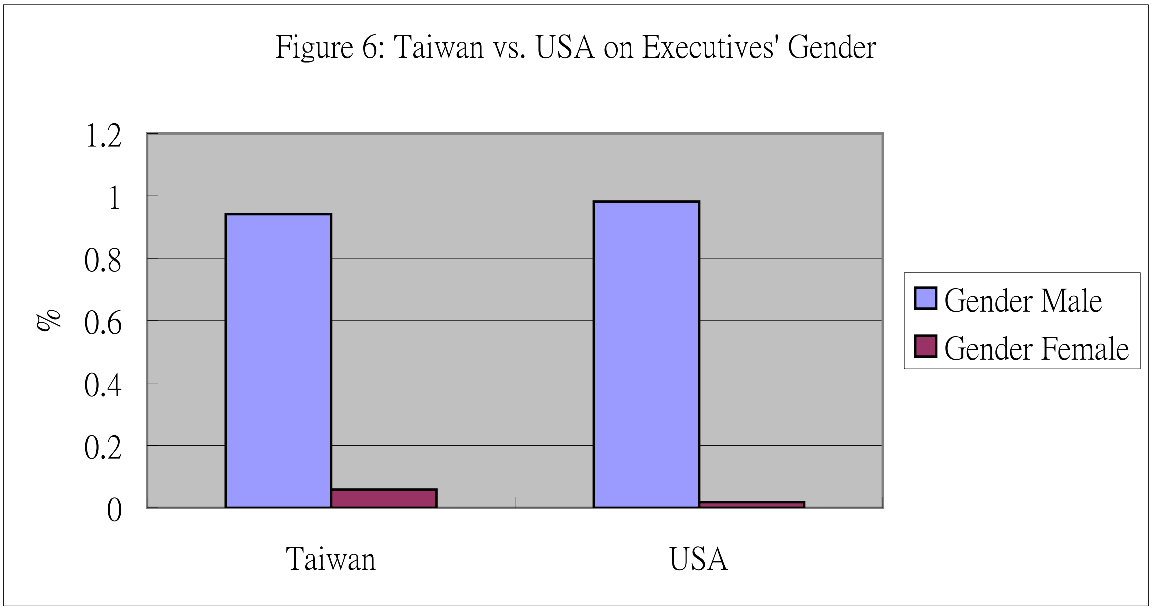
Figure 6: Taiwan vs. USA on Executives' Gender
1.2
1
0.8
0.6
0.4
0.2
0
%
Taiwan
USA
Gender Male
Gender Female

Figure 7

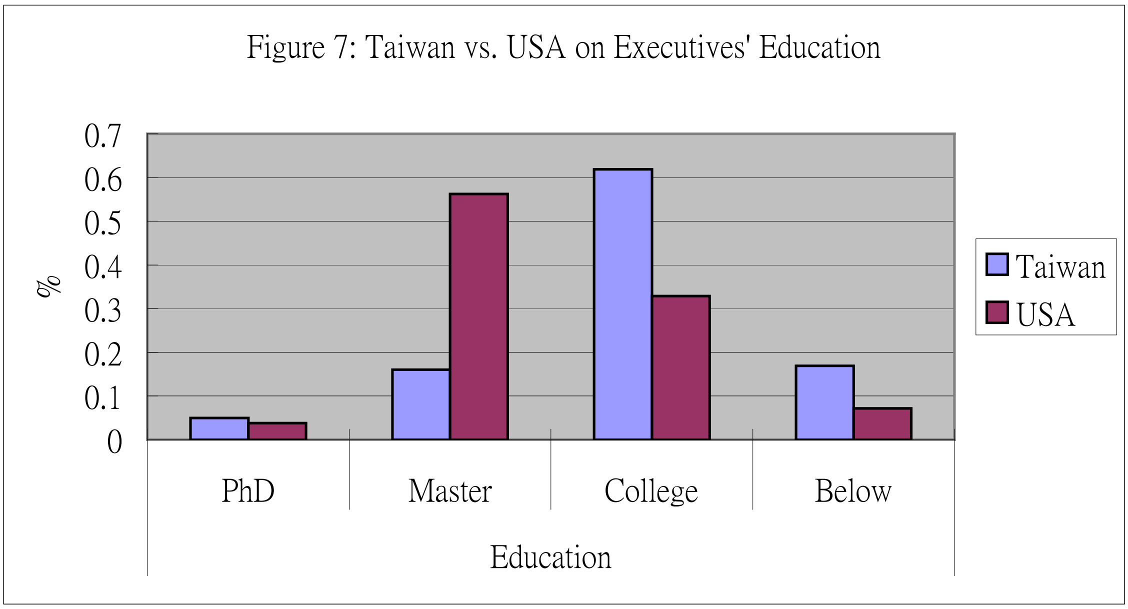

Figure 7: Taiwan vs. USA on Executives' Education
0.7
0.6
0.5
0.4
0.3
0.2
0.1
0
%
PhD
Master
College
Below
Education
Taiwan
USA

Cash management Moves up the Corporate Agenda

Author: Werner Steinmüller, Deutsche Bank

The current global economic turmoil has led to changing behaviour from both corporates and their transaction banking partners, says Werner Steinmueller, Deutsche Bank's Head of Global Transaction Banking

The unprecedented economic conditions of the past 18 months have raised cash management strategy to the top of many corporate agendas. Indeed, maintaining day-to-day liquidity in the face of limited access to external funding has become the primary focus for corporate treasuries across a range of industry sectors. While the treasurer's role was changing even before the current crisis struck, recent events have increased the prominence, scope and strategic importance of the treasurer in many organizations. And these developments have also affected how corporates and their transaction banking partners are interacting and approaching the provision of cash management services.

A well-documented trend has been the “flight-to-quality” in cash management and across the financial services industry more generally. However, given that investment security is overriding investment yield as the primary concern for many, this trend could more accurately be described as a “flight-to-security”. This has been reflected in corporate behaviour with riskier short-term investment vehicles often being shunned in favour of maintaining cash balances and optimizing them using pooling and related techniques.

The prevailing trends in corporate cash management that were apparent for some time before the current crisis struck – centralization, standardization and automation – are continuing, though we are now seeing them being tempered by a heightened awareness of risk management. However, these goals are not necessarily contradictory. Centralization and standardization can often increase visibility, assisting in risk management and regulatory compliance.

In terms of the changing role of the treasurer, the increased importance of liquidity and risk management has raised the profile of this role in many corporates. The input of the treasurer is now needed for many financially significant decisions – such as, for example, screening capital investments – and feedback from treasury on key financial metrics will also have become crucial. However, while the increased prominence of the treasury function in many organizations has allowed them to secure additional resources from senior management, we are also observing cases where company-wide cost saving initiatives are causing them to come under pressure to reduce head counts and expenditure.

Changing practices

In terms of the specific approaches being deployed to meet current challenges, several techniques have increased in prominence. For example, physical and notional cash concentration and pooling are gaining in popularity as they allow cash-strapped corporates to make the most of existing balances and reduce external borrowing. Indeed, harnessing synergies between subsidiaries can make a significant contribution to improving internal funding within a group.

Corporates are now also increasingly aware of the importance of the financial health of their key trading partners, especially in industries that depend on highly sensitive inventory strategies such as just-in-time production. Financial supply chain management (FSCM) is one way of taking an active interest in the financial position of key suppliers and interest in this discipline has picked up throughout credit crunch. Offering working capital management, trade risk mitigation and process optimization, FSCM cuts across the traditional banking areas of cash management and trade finance and allows trading partners to trade off competitive advantages in order to achieve mutually beneficial outcomes such as extended payment terms and reduced funding costs.

This increased corporate awareness of the risks presented by counterparties is also extending to banking partners. Thanks to the roots of the current crisis in the banking sector, banks' balance sheets and business models are, understandably, being scrutinized by clients in an unprecedented way. Indeed, bank counterparty limits and the active tracking of bank credit ratings is now the order of the day for many corporates.

Changing models

Of course, the financial crisis has also had a profound effect on banks and their business models. While the past year has certainly been a steep learning curve for all banks, transaction banking practitioners have remained above the worst of the opprobrium and this discipline is now enjoying its day in the sun as a stable, low-risk revenue stream for many institutions.

The heightened scrutiny of the banking sector has encouraged a more open and engaged relationship between banks and their clients. Corporates are now more seeking assurances from senior bank management regarding business models and their commitment to particular services. Indeed, there is concern in some quarters regarding the level of commitment that some institutions – especially those that have been recapitalized using tax payer's money – have towards their international banking provision, especially in terms of maintaining electronic platforms and in-country representation.

However, while the current environment is clearly tough for banks as well as their clients, many banks are recognizing the opportunities being presented in the transaction and cash management space. Yet the barriers to entry into this sector remain high with significant investment required in systems and expertise. And when the dust from the financial crisis settles, those banks with a transaction banking pedigree and long-term commitment to this sector are likely to emerge best positioned.

With respect to the fortunes of Deutsche Bank's Global Transaction Banking (GTB) throughout the past 18 months, we mastered the challenges well. There certainly remain some challenges ahead, yet the Deutsche Bank brand remains strong and enquiries from potential clients continue to rise. Indeed, as a well-capitalized institution that has not received government support, we are continuing to benefit from the ongoing flights to quality and security in cash management.

While the transaction banking divisions of many banks are also doing relatively well, a sustained period of investment before the crisis struck has left Deutsche Bank’s GTB particularly well-placed to capitalize from changes in the banking sector. Indeed, we look forward to expanding in line with the aspirations of our clients over the coming months and years.

Crisis? An Italian view

The new role of CFO: manager of complexity

Author: Paolo Bertoli, President Andaf, the Italian IAFEI member Institute

Without a doubt we can say that we are living in ‘extraordinary’ times, but, unfortunately,not in a positive sense! Things that our generation has no living memory of are happening. So we find ourselves asking, “is this the crisis, or just one crisis among many?”
Alas, I hold it’s just one crisis among many. Only by observing events not over the last six months but over the last 10 years, and by analyzing the process that has been unfolding over time, can we base our recommendations on reliable knowledge. Only then are we able to give a hand to our entrepreneurs and to our businesses.

So, let’s start from way back when. Technology has created a resilient discontinuity. Technology has allowed us to communicate ever more swiftly throughout the world in an interconnected system: satellite tv, cell phones and internet. This configuration, however, has brought to light the unsustainability of our development model. It is precisely via our technology that we’ve realized that we’re in a dangerously unsustainable world, a world which has developed in discordant and unequal ways. We have come to realize that all of us, the rich and the poor, are already consuming what should have been tomorrow’s resources.

Furthermore, in our interconnected system all instances of globalization are tied to each other and so, as in a physics set of communicating vessels wealth tends to balance itself, to level out. The different episodes we’ve been through in the past few years are, just like 9/11, can all be traced to the same complexity matrix. A world where 20% of the population lives by exploiting global resources that leaves the other 80% below the poverty line or, even beneath subsistence, is unsustainable. Now enormous forces are pushing us to level out these inequalities.

Technology brought about discontinuity quickly, thereby engendering complexity. Businesses did not have time to adapt. In a situation where all is changing – opinions, lifestyles, and behavior – will big businesses or streamlined businesses survive? Certainly the streamlined ones.
We here in Italy, positioned amid a global framework of giant industrial corporations, have a system of smaller companies remarkably skilled at responding. Our entrepreneurs are poor organizers, but they have great adapting skills.

So, for example, if they produce cheap glasses, which are being made in China as well, they can't compete. But if they produce machines to make thousands of those glasses, that's where they'll find their entrée into hugebusiness and creative potential. We all know that during moments of change deciding new strategies and changing processes are not difficult; instead, it's the behavioral change that's difficult. Our heaviest ballast, what weights us down the most, is the minds of those people who have a profound resistance to change.

'Storms are not forever' we were saying four years ago. The ANDAF conference, which just ended, was entitled: "Running a business amid complexity and discontinuity". Running a business on models from the past is hardly suitable nowadays; in fact, it's downright risky. You need to know how to identify, amid the strong background noise, those factors which will point us towards the winning strategy.

A lot has been said about this crisis. Yes, the Americans didn't keep the subprimes in check. No, they didn't save Lehman Brothers... But if we zoom out and look at what happened from a larger perspective, we can say that, yes, things could have happened differently, but that something was bound to happen nevertheless.
The extraordinary period which we are living is not due to single episodes, but, rather, to our globalized context. We find ourselves in difficulty because global-scale comparison generates dramatic discontinuity. The events that follow one after the other at an incredible pace are extraordinary: a business can find itself in dire straits without even having any direct responsibility for its failure! 25 years ago this was inconceivable.

Just think of Microsoft, the unrivalled world leader, which was desperately trying to buy up Yahoo!. Today Microsoft is terrified – and rightly so – that service systems like that are being turned on their head; its most-feared competitors are no longer IBM or HP, but Google, which offers tools, services, and individual productivity solutions all on-line – and free – and all while earning inconceivable amounts. Microsoft's powerful and extraordinary revenue due to its position is wobbling. Everything is changing! Here's Microsoft, forced to redefine its mission and its strategies just to maintain its position. And so we find, in our modern world, full application of Darwin's theory, which, in an unsuspecting age, maintained the need to adapt in order to survive.

Jacques Attali, the great French philosopher-economist, was asked whether it were possible to have a prolonged, 60-year absence of significant events, such as wars, which in the past had the (difficult) task of destroying wealth, to subsequently regenerate it in periods of great rebirth and expansion. Attali replied that, in effect, all nine of the historical crises up until now, of which that of '29 was the most recent, were apparently resolved in different ways, yet, actually, all of them had occurred within ten years of a dramatic event...

Is imagining a globalized world without global rules possible? The rules for sustainability, the protocols for environmental safeguarding such as Kyoto's, the control of financial movements, should all be strengthened and enforced.
In the meantime what can we, who work in business, do? First off, we should perform a careful analysis of our business' risks. This, unfortunately, is not a part of our culture. We need to pinpoint our weaknesses. This is not a mere technical step, but a cultural leap. Without this step we will never be able to get perspective. By

asking for a statement of transparency, our lawmaker has in fact specifically asked us to examine our business' risks.

But what can we business executives do that is strongly innovative? Paradoxically, a situation like this offers new potential for competitivity. During a total short circuiting like this, we need to have the courage to cut off the dry limbs. In normal times we can allow ourselves some luxuries, such as the inertia of not taking uncomfortable or painful decisions. But now, unfortunately, has come the time to cut out those businesses that we know won't work, which take up too much energy – not only financially, but also time wise. Opportunity knocks only in times of change, and we can't let it get away. Italian executives and managers are not lacking in creativity.

ANDAF's - role, therefore, is to support our entrepreneurs and executives by providing them with a 'dashboard' to help them to see how fast they are driving and where their business is going – in all of its commercial areas – in order to provide them with timely pointers for realigning their strategies with the market. We have to think up a model for efficient global business, realizing that our competitors aren't winning only because they are developing a better product or service, but because their whole business functions better, from the receptionist to the warehouse worker. Performance indicators that are simple, concise, and easy to apply need to be set in place. We don't need a dashboard with 10,000 gauges. That's wasting time. We need to summarize data and transform it into useable management support information. This, performed with mental rigor and intellectual integrity, is the executive's duty, nothing extraordinary.

Attali said another interesting thing tied to the idea of sustainability: an economy based on Non-Governmental Organizations is being born. This is an economy based on altruism. In a world where wealth is completely lopsided, it's obvious that poor countries have no intention of paying royalties to rich pharmaceutical companies just to give aspirin to people who don't even have money to buy food. The altruistic economy must become part of our forthcoming economy. Let's hope that after this chaos we can get to work to put things in order.

Widening the scope past Italy to Europe, when we think about globalization often we're thinking about two giant economic blocks: the American one and the Chinese one. Nothing could be more wrong: these are not two separate entities. One cannot live without the other; they are symbiotic. If America has the engineering, China has the production. There is no not want to be emarginated, it needs to find its own particular role in this almost indissoluble situation.

The last topic we should focus our attention on is normative compliance; businesses live subjected to stringent and rigorous regulations. Specifi often contradictory in matters of administration. So it is within each Italian company that order must be created and that regulations, which in the other developed countries have been clearly defined and respected for years, must be respected. If we compare ourselves to our French, English, German or Spanish colleagues, to say nothing of the Northern Europeans, we can see that Italy is consistently at the tail end. We are not careful enough about administering our companies, about making the most of our resources, about the efficie or about our relationship with our stakeholders. Furthermore, our companies are not well-equipped enough in their administration, which should be the key to recovery. In fact, our investment know how to use those tools which have already been perfected. Lower efficiency in our tools means lower efficiency in our business' overall functioning. We need to invest in tuning up this machine.

Lastly, I would like to make a call out to my colleagues in other areas of business management. I know that sometimes we Administrative and Financial Directors are frowned upon because we slash budgets or projects. But we need to realize that the final goal is always the same: improving the company's overall performance. So may we be pardoned for our role that is, unfortunately, increasingly that of 'managers of complexity'.

News: FASB Reregulates Conduits

May 19, 2009. Starting next year, US - banks will have to lengthen their balance sheets by hundreds of millions of Assets and Liabilities of their structured investment vehicles / conduits. The US accounting standard setter FASB, is reported to have issued such changes to the FAS 140 accounting standard.

By applying this standard, about 900 billion assets, will have to be added to the balance sheets of just the 19 largest banks in the USA, as the Federal Reserve has assumed when defining its stress tests for the sector.

The new regulation reduces the use of off balance sheet financing vehicles, socalled Qualified Special Purpose Entities. It obligates the creators of such structures, to in the future inform the regulators also about the loan assets held in such, then to be consolidated, structures, and to increase their own equity reserves. The new regulations relate to reporting periods starting after November 15, 2009.

In anticipation of the new regulation, State Street has taken off balance sheet assets of almost 23 billion US dollar onto its balance sheet, thereby also booking a concomitant special charge of 3,7 billion US dollar.

Quoted from Börsenzeitung, May 19, 2009, translated by Helmut Schnabel

News: EU Issues Tighter Loan Making Regulations for Banks

May 7, 2009. The European Union is tightening its regulations for banks as a consequence of the financial crisis. The European Parliament decided yesterday on tighter equity regulations for banks. In Future, when banks are selling credits risks to the market via securitisations, they have to retain on their own books five percent of such risks. At the end of 2009 a review will be made as to whether a higher retainer ratio will be considered as necessary.

This is just the start of much broader reforms of equity regulations. There is the intention to arrive at a uniform definition of core capital for all banks in Europe. Also plans are considered to scale the required equity position tighter to the amount of risk that is being taken.

Originally there have been requests for much higher retainer ratios on the banks`balance sheets in the case of passing on credit risks via securitisations. EU- Commissioner for Internal Market, Charly McCreevy had asked for a 15 Percent retainer. Members of parliament had requested at least 10 Percent. The banks had warned, though, that such ratios might be the end of securitisation and thereby tighten credit availability.

Quoted from Handelsblatt, translated by Helmut Schnabel

News: More Responsibilities for Central Banks

May 19, 20, 26 – The Bank for International Settlement, Basel, BIS, is stating the view that central banks ought to have more regulatory competencies over financial corporations which could represent a danger for the financial system. When central banks have to play a more important role in dealing with systemic risks, then they must have stronger supervisory powers over institutions which are important for the functioning of the system.

Apart from the functions as last resort lender and a few supervisory functions, the central banks, so says BIS, are not disposing presently of instruments for securing the stability of the financial system.

Also, the BIS is warning from unwanted conflicts between strategies for financial stability and stability in monetary policies. This will arise when the aggressive stimulating measures will be reduced again. An early reduction could defer the normalisation of the market, and a too late reduction could induce inflation, according to BIS.

In the European Union similar considerations are evolving. There is the expert proposal, under the leadership of the former French central bank president Jacques de la Rosiere, to erect a tight network of supervisory agencies in the financial sector. Existing European committees for banks, insurances , and exchanges - CEBS, CEIOPS, CESR - should get more authorities. Parallel to this, a European council for systemic risks - ESRC – should be erected. This one, under the leadership of the European Central Bank including the 27 national central bank governors, should identify risks for the financial stability in Europe and also work out remedial measures. Many details of this proposal are still up for decision, and the European authorities are still working on the details of this intended new scheme.

In the USA, a similar trend is evolving. May 20 (Bloomberg) -- The Obama administration may call for stripping the Securities and Exchange Commission of some of its powers under a regulatory reorganization that could be unveiled as soon as next week, people familiar with the matter said.

The proposal, still being drafted, is likely to give the Federal Reserve more authority to supervise financial firms deemed too big to fail. The Fed may inherit some SEC functions, with others going to other agencies, the people said. On the table: giving oversight of mutual funds to a bank regulator or a new agency to police consumer-finance products, two people said.

The 75-year-old SEC, chartered to oversee Wall Street and safeguard investors, has seen its reputation tarnished as some lawmakers blamed it for missing the incipient financial crisis and failing to detect Bernard Madoff’s $65 billion Ponzi scheme. Any move to rein in the agency is likely to provoke a battle in Congress, which would need to approve the changes, and draw the ire of union pension funds and other advocates for shareholders.

Treasury Secretary Geithner and National Economic Council Director Summers are leading the administration’s effort to redraw the lines of authority for policing the financial system.

“We’re going to have to bring about a lot of changes to the basic framework of oversight, so there’s better enforcement,” Geithner said May 18 at the National Press Club in Washington. “That’s going to require simplifying, consolidating this enormously complicated, segmented structure.”

Geithner today told the Senate Banking Committee at a hearing in Washington that financial “rules of the road” are needed to ensure against “manipulation, deception and abuse.”

Treasury spokesman Andrew Williams said “no decisions have been made” on the proposals to change regulations. President Barack Obama’s administration “is seeking views as it puts together its framework,” he also said in an e-mail.

Obama has said he wants to sign legislation on regulatory changes by year-end. House Financial Services Committee Chairman Barney Frank, a Massachusetts Democrat, is planning hearings with the aim of drafting a bill by the end of June.

Quoted from Handelsblatt, Börsenzeitung, Bloomberg