Fluor Corporation Optimises Cash Management in Europe

by Martin Blom, Finance Director, and Arno van Slooten, Manager Accounts Payable, Fluor B.V.

As a leading global engineering and construction company, Fluor has had a long-standing presence in Europe. The Netherlands office was established in 1946 and acquired by Fluor in 1959. Managing cash and risk is a key treasury responsibility. In cooperation with its US headquarters, the Netherlands treasury group is responsible for over 20 legal entities and branches across mainland Europe. This article outlines Fluor’s successful relationship with partner bank ING, which has resulted in considerable financial and operational efficiencies through a series of transformational initiatives including notional cash pooling and a SWIFT based payments hub.

A partner in business

According to Martin Blom: “We have a large multi-currency credit facility in the United States and typically, we try and offer our ancillary banking business to the banks that participate in this facility wherever possible. As a result of our financing relationship, we evaluated ING’s cash management services in Europe to understand synergies between the organisations. We were very satisfied with the solutions and services that ING offered, and appointed the bank in 2006 for European cash management services. This relationship has progressed very successfully both in terms of day-to-day banking and transformation initiatives that we have undertaken together.

“Our treasury centre in the Netherlands has responsibility for cash and treasury management activities in mainland Europe. We have set up entities in each country in which we operate, each of which needs its own bank account for supplier and employee payments. We use SAP for cash management and accounting and produce batch payments files which are

“"At ING, we have been a proud partner for Fluor both in Europe and globally for the past seven years. ING recognise the importance of delivering solutions that meet Fluor’s needs precisely, a disciplined project approach and a commitment to offering added value in all aspects of our relationship. Consequently, we have been able to support Fluor’s day to day payment and cash management needs, but also its transformation projects in areas such as innovative notional cash pooling and centralised payments processing, therefore enabling both its operational and financial efficiency objectives.”

Rick van Doggenaar, Regional Manager – Corporate Sales US, Transaction Services, ING
We first implemented the cash pool in the Netherlands and have rolled it out to over 40 legal entities and branches.

Fluor Corporation

Fluor Corporation is one of the world’s largest publicly traded engineering, procurement, construction management (EPCM) companies. Over the past century, Fluor has become a trusted global business leader by providing exceptional services and technical knowledge across every phase of a project. Fluor design, build, and maintain many of the world’s most complex and challenging capital projects, working with governments and multinational companies across a wide variety of traditional and evolving industries worldwide, including chemicals and petrochemicals; commercial and institutional; government services; health-care; life sciences; manufacturing; microelectronics; mining; oil and gas; power; renewable energy; telecommunications; and transportation infrastructure.

Fluor has 41,000 employees across a network of offices in more than 30 countries across six continents. In 2012, Fluor generated revenues of $27.6bn, with a five-year annual revenue growth rate of more than 10.9%.

Cash pooling and Intercompany netting

In addition to our daily banking and guarantee requirements, our close cooperation with ING also includes its subsidiary bank, Bank Mendes Gans (BMG). By working with BMG, we were able to implement a global notional cash pool to improve liquidity and risk management monitoring. We first implemented the cash pool in the Netherlands and have subsequently rolled it out to more than 40 legal entities and branches across the world, while the number of participants is still growing. As we had hoped, this has proved a very effective liquidity management tool. A challenge that we had always experienced in the past is that profits are generated and maintained within each entity. We only centralise this cash to issue dividends when it is cost-effective to do so, which may be every six to seven years, and cash remains with the
We expect to have completed our payments hub and SWIFT project by the end of 2013.

**Payment factory and SWIFT**

Although we need to make payments to suppliers, government authorities and employees in each country in which we do business, we recognised the importance of consistent processes, controls and bank communication. We therefore decided to implement a payments system that would continue to enable local payments execution whilst i) harmonising formats based on ISO 20022 standards, and ii) channeling payment files through a single bank-neutral channel, for which we selected SWIFT.

We piloted the project with ING initially and have subsequently approached our local banks to roll out the payments hub. Our banking partners have been very supportive of our harmonisation and standardisation objectives and are willing to accept the ISO 20022 format. Implementing a payments hub will deliver a number of efficiencies including:

- Our cost and maintenance efforts will be reduced as a result of replacing local banking systems with SWIFT;
- Similarly, we no longer need to maintain interfaces of each local banking system and instead, we have a single interface to SWIFT which is managed by our service bureau;
- As SWIFT is a bank-neutral communication channel, we can add or change our payment banks without changing our payments or connectivity infrastructure.

In addition to cost and efficiency advantages, we will achieve more consistent controls as separate user rights and profiles no longer need to be set up in each banking system. With a more streamlined environment, and with the support of a specialised service bureau, it is also easier to concentrate expertise and to pinpoint and resolve problems.

We were already using SWIFT AllianceLite, but we now have a full implementation underway with our service bureau partner. We expect to have completed our payments hub and SWIFT project by the end of 2013.

**Future developments**

In the long term, we may develop our payments hub further by centralising payments execution as part of a wider Fluor strategy to expand the range of functions currently supported through our Global execution centres in India, Poland and Philippines.

We are also embarking on a project to rationalise our bank accounts. We currently have more than 900 accounts across multiple banks globally which leads to considerable challenges in managing permissions, and establishing consistent controls over account opening and closing. Once we have reviewed and rationalised our account structure, we will be able to consider more efficient means of bank account management.

**A positive partnership**

We were early adopters of electronic banking solutions, having implemented first generation electronic banking tools in the Netherlands in the early 1990s. The implementation of SWIFT as a key element of our payments hub is an important new step in this journey to achieving highly efficient, automated payments and cash management and industry best practices. Working with ING has facilitated this progression whilst also enabling our wider cash and treasury management objectives with efficient day-to-day banking and cash pooling structures that meet our cash, liquidity and risk management needs.

---

**Arno van Slooten**  
Manager Accounts Payable, Fluor B.V.

Arno joined Fluor in 1976 and is based in Fluor’s Haarlem office. Arno has a long career across a wide range of finance activities. He has been a pioneer of integrated solutions between Fluor and bank systems ever since the early 1990s. Before his current appointment, his role as SAP country implementation manager involved projects in Poland, the Czech Republic, several locations in Russia, Kazakhstan, Belgium and Spain.

**Rick van Doggenaar**  
Regional Manager Corporate Sales US, Transaction Services, ING

Rick started his career as account manager for ING’s corporate clients in The Netherlands in 2008. In February 2012, he decided to join the Payment and Cash Management US Team. In this role, he is the single point of contact for US corporates and responsible for addressing their payments and cash management-related challenges across the entire ING network.

Rick has a vast knowledge of the European corporate banking environments. Over the years, he created an extensive network within ING to ensure excellent service and perfect execution for his clients.

**Martin Blom**  
Finance Director, Fluor B.V.

Martin started his career in management reporting at Ford Motor Company and General Mills before joining Fluor in 1983. He is based in Fluor’s Haarlem office and responsible for the Dutch finance operations including treasury for over 20 entities and branches throughout mainland Europe.