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## Case Study: Voith Rolls out a Global Guarantee and Trade Finance Solution

Gerald Böhm, Voith - 16 July 2014

*Founded in 1867, German industrial multinational Voith is a major producer of turbines and drive technology with 43,000 employees worldwide and annual revenues of €5.7bn. This article describes the project to upgrade the technology supporting the group's global guarantee and trade finance business operations.*

The group's guarantee and trade finance department services its Voith Financial Services and Voith Finance units. Globally, the department has a team of nine. Five dedicated members are based at the town of Heidenheim, in the southern German state of Baden-Württemberg, and four are in the regional treasury and finance centres located respectively in China, India, Brazil and the US.

The department's business roles are:

- Managing bank and parent company guarantees, for Voith customers.
- Managing incoming guarantees, for Voith companies.
- Import and export letters of credit (L/Cs).
- Credit insurance for both the export credit agency (ECA) and political risk insurance (PRI) markets.

As department head, the author reports to Voith Financial Services' chief executive (CEO).

### Identifying the Need

In recent years, it became increasingly clear to the team that the group's trade finance operation needed a state-of-the-art technology solution to support any enhancement of its business processes. A project to select and implement a new solution was launched, with three primary business objectives.

First was the need to centralise visibility and control of the guarantee and trade finance operations, and to design and deliver a new business process set-up. The solution would need to accommodate around 1,000 guarantee and L/C transactions per year.

Second, the team wanted to enjoy the benefits of implementing a global SWIFTNet communications solution with its banks; previously the tool used for guarantee administration was simply the database, which lacked sufficient capabilities for fully effective management. The project's ultimate goal was to implement a harmonised process for all the guarantee and L/C instruments that Voith uses.

Third, the team sought to enhance working capital management and to optimise interest results.

There were further important project objectives:

- A single central installation, with remote access for all Voith business units worldwide.
- Central reporting for immediately available trade finance data.
- Electronic connectivity to the group's banks via standard channel SWIFTNet communications.
- Optimising management and control of worldwide bank limit utilisation.
- Achieving full audit compliance for all trade finance activities.
- Integrated support for Voith's internal information and control system.

Voith undertook a cost/benefit exercise to justify the project, which identified the benefits outlined below - achieving these was a main driver.

### System Selection and Implementation

The final solution selection process took around six months, once the investment decision was approved. With the author as project leader, the core team consisted of three other Voith colleagues from both the business function and IT areas. The team consulted several corporates and banks for recommended vendors, and subsequently evaluated three prospective solutions against the project objectives. The methodology included issuing a request for proposal (RFP), evaluating the responses and product demonstrations.

The eventual choice was the COR-TF multi-bank corporate trade finance system from Surecomp. Besides the functional fit, the team was impressed with the vendor's track record compared against competitors and its reputation in the market as a trusted player.

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Voith appointed a team of four for implementation; the author again as project leader and supported by three colleagues from business and IT. Surecomp's team included Dettel Lietfien, COR-TF product manager and Thomas Thielking as project lead, plus three other members for individual topics.

The implementation project started in March 2012, with global roll-out completed by January this year. Work towards the start of SWIFTNet communication is still in progress, but the team conducted successful SWIFTNet tests with a couple of banks between summer 2012 and last winter, both in test mode and also in the production environment of the software application.

Several features of the implementation should be mentioned in more detail. The team implemented a highly sophisticated process for uploading the old guarantee and L/C records into the COR-TF system. The solution accommodates a range of different fee calculation methods for the provision of charges for bank limits and corporate guarantee limits.

The implementation added four-eye-principle functions for all static data objects in COR-TF, including definitions of the business configuration. This arrangement provides a robust level of security and control over trade finance operations. The final key event was achieving connectivity to Voith's international banks via SWIFTNet.

In retrospect, the most challenging aspects of the process were uploading old data and achieving SWIFTNet connectivity with the group's global banking network.

The implemented COR-TF solution is indirectly integrated with two other Voith processes. The system generates extensible markup language (XML) files for corporate guarantee commission administration purposes; and there is an automatic information transfer to SAP for invoice production.

### **Benefits Analysis**

To date, the main benefit achieved is the delivery of globally standardised guarantee management business processes. Further major benefits will follow once the major banks are fully on-boarded for SWIFTNet connectivity.

Under the new system and process, any guarantee application process has to be processed through the COR-TF system. This means each prospective transaction is thoroughly vetted and validated - at the latest during the application process in COR-TF. The process improvement has strengthened risk awareness and has a positive impact for management of future cases - even if that isn't possible for current transactions.

### Recommendations

From personal experience at Voith, the author would recommend that anyone who has initially selected a similar type of software solution insists that a test installation be set-up and operated. The underlying reason for this is that the implementation project can then be planned with a high degree of precision, which should be done before the contract is finalised.

The test environment should be configured to meet your organisation's detailed requirements and should then be used to run as many possible test transactions as is practical given the project resources and timetable. These transactions should include historical data, to provide a comprehensive view of the system's requirements and capabilities.

Finally, in an ideal world you should not implement a complex global system solution on top of your daily job - but in the real world that's not always practical.

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