**Customer Success Story:**

**Baloise**
**Group**

# Implementing a value-based IT infrastructure for better payments, cash application, cash management and treasury

# About Baloise Group

Baloise Group is a major insurance company in Switzerland with an annual turnover of CHF 5.6 billion in 2016 and over 7,300 dedicated staff. Headquartered in Basel, the company offers a broad portfolio including insurances and financial services in key markets in Switzerland, Belgium, Germany, and Luxemburg. Baloise Group is listed on the SIX Swiss Stock Exchange.

# The project: optimizing inbound and outbound payments processing for better treasury processes

As an insurance company, Baloise was affected by the financial crisis and the subsequent low interest rate environment. Robust cash reporting and liquidity planning are therefore key to ensure that the guaranteed interest rates and corresponding returns can be paid out to customers. For managing this across 300 bank accounts, the standard Excel-based approach had reached its limits. This was the key driver for Baloise to look for an alternative, more modern solution. A second key driver for introducing new solutions is the fact that companies in Switzerland are required to migrate their payments systems to the standard XML format by 2018. For this reason, a new payments solution was required to handle the new formats. Following a request for proposals, the insurer selected the SAP-based FS² Payments solution by Serrala and has subsequently implemented further modules including the cash application solution FS² AutoBank as well FS² CashLiquidity and FS² Treasury for optimizing the cash management and the limit management processes.

# Challenges to be Addressed and Objectives of the Project:

An IT landscape that consisted of several different legacy systems including internally programmed solutions posed one of the main challenges for Baloise Group. Maintaining the legacy systems meant that updates, for example, for adapting to new regulations had to be done internally and manually in many cases. Fragmented legacy systems also pose risks as they are rather black boxes that require a lot of specialized know-how to use them effectively. Staff changes frequently result in knowledge drain.

The existing systems also lacked the levels of automation needed and payment creation, cash application and other processes were dominated by manual tasks. Moreover, with the decentralized electronic banking tools deployed, authorization rights had to be modified by the banks which resulted in lack of direct internal control and was time-consuming.

With the optimization project Baloise Group therefore pursued the following key objectives:

- Replace fragmented spreadsheets with one central solution for managing cash in and cash out

- Automate inbound and outbound payments processes

- Enhance process efficiency

- Reduce balances

- Reduce manual tasks to be able to focus on more value-added tasks

- Enhance process efficiency with an SAP-integrated solution

- Dissolve the "black boxes" in form of legacy systems and generate transparency over roles, responsibilities, and processes

- Maintain authorization rights within Baloise instead of externally at the banks

- Put a future-proof system in place that can be easily adapted to new regulations and opportunities such as the XML migration or connecting to payment service providers such as PayPal

- Implement a value-based IT architecture that allows for individual systems to be gradually replaced without disrupting the overall system landscape

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Joris Müller, Treasury Manager, Baloise Asset Management, Baloise Group

# Implementation and Geographic Reach of the Project:

"Our project was driven by the treasury department, but it was important to us that other key departments such as accounting would be fully involved in the process of introducing new software solutions. We invited all stakeholders to share their pain points and provide valuable input for the new IT architecture. This has proved highly successful, as everyone buys into and supports the project", explained Joris Müller. "We spent about a year on detailed analyses of existing infrastructures and requirements and on planning. Serrala consultants supported us in this process. Thanks to the detailed preparations, the implementation phase only took six months. The solutions are now used across our entities in Belgium and Switzerland, and our payment formats have already been fully migrated to the new XML standard in Switzerland – much ahead of time", he continued.

# Focus on Payments

With the implementation of FS² Payments, Baloise was able to replace the decentralized electronic banking solutions except for a small number of bank-proprietary electronic banking solutions where no Swift connection was possible. Prior to the implementation, the authorizations for approving payments were managed by the banks. So, whenever changes to the authorizations occurred, an e-mail had to be sent to the respective bank and it was rather time-consuming until the process was completed. Now, with FS² Payments, Baloise has full control again of its authorizations and modifications and updates can be made without any delays. Baloise also uses the payment optimization feature of the solution which has helped to do away with the previous "black boxes". Today, the entire payments process is fully transparent. For example, return payments can now be posted automatically as each individual payment has its own end-to-end ID. Tracking of payments is thus simplified and control of company-wide payments significantly enhanced. In case a payment needs to be stopped, for example if a typing error occurred, this can be done directly within the new payment system, something that was not possible with the previous systems. Overall, the payments process has become highly transparent and only requires minimal manual intervention.

# Focus on Receivables

In Switzerland, the ESR format for account statement information allowed Baloise to reconcile 95 % of the data automatically already. The remaining 5 %, represented more than 100.000 statements annually covering approximately 10.000 inbound and outbound payment transactions every day. These had to be manually captured, matched, and posted. The accounting department then had to inform treasury via telephone about the balance. This lead to a substantial workload. To automate and accelerate the processing of the remaining statements, Baloise decided to introduce another Serrala solution that equally sits within their SAP ERP enabling streamlined processes and offering users a familiar look and feel. Today, Baloise has already achieved an automation rate of 60 % for these bank statements and expects this figure to rise with increasing digitalization options with the software. "The great benefit for us in the treasury department is the fact that we can access the balance much faster and directly within our central system. As treasury relies on robust and fast data, this is a significant improvement", said Joris Müller.

# Focus on Cash Management and Treasury

"We also use the features of the solutions FS² CashLiquidity and FS² Treasury. The cash management feature automatically generates short-term plannings based on the reconciled items. Thanks to that our cash management processes are much faster and less error-prone. The cash reporting and liquidity planning is done in just one system now without any risk-prone interfaces. ", described Joris Müller the advantages of the features. This is particularly relevant to Swiss employees who deposit money into a pension fund which is linked to their employers. When an employee changes jobs the pension deposits need to be transferred to the new company's fund and the interest rate to be calculated. The faster and more accurate this is done, the better for the employee.

The limit management feature provides Baloise with more flexibility for their treasury. It helps efficiently manage limits and better verify counterparty risks. The limit management is important for treasury to know exactly, for example, what the interest rates are, where free cash is available and how best to use it to avoid any negative interest rates and to optimize results instead.

## Challenges overcome / lessons learned

"Throughout the project, we realized how useful consulting services are provided on site by experienced consultants. They have not only helped us with analysis, concept and preparations, but also throughout the implementation. Support after the implementation is important, as no matter how much you test the new processes in a testing environment, some matters will only appear in real life. So, we recommend rather than aiming for a big bang to go step by step with the different modules, and to plan sufficient time for testing in the real scenarios. Serrala has proven an experienced and reliable partner for the implementation", commented Joris Müller.

## Benefits and outcomes of the solutions

Besides the quantitative improvements, such as raising the automation level for cash application from 0% to 60% in a first step and the much accelerated processes, Baloise particularly values the qualitative enhancements. They provide the treasury department of the insurer with the information they need to make well-informed decisions and help them achieve significantly more process efficiency, for example:

- Faster payments to customers
- Central control of payment authorizations
- Ability to quickly modify payments (pension scheme)
- Payment optimization: individual payments from different accounts can be immediately stopped, if needed
- Changes possible directly in the productive system accelerating further enhancements
- 100% flexibility of the system
- Future-proof: easy adaptation of the system to banks, payment service providers, valuta tax, payment methods etc.
- Automatic posting directly within SAP
- Easy research within the SAP FI application to identify individual items
- Interest rate optimization with regards to, for example, pension fund payments
- Enhanced process efficiency, transparency and data quality
- Full investment security thanks to the complete integration

# Wider Significance of the Project in Advancing Corporate Treasury Practice

The FS² modules deployed by Baloise are fully integrated within the SAP ERP landscape and provide treasury with direct access to key performance indicators for inbound and outbound payments that are important for a well-informed treasury decision-making. By integrating treasury processes as well as payments, receivables and cash management processes within one central system (in this case SAP ERP), the treasury benefits from faster and better quality data and investment security. Moreover, highest levels of automation and features that can be controlled directly by the treasury department with no or only little IT support empower the treasury department to continuously enhance processes through adapting the system to company-specific, individual requirements.

"Serrala has proven an experienced partner with the integrated solutions and best-practice expertise needed for achieving the process efficiency and the central solution within a future-proof IT infrastructure we aimed for."

Joris Müller, Treasury Manager, Baloise Asset Management, Baloise Group

# Serrala Brings Clarity to Complexity

We are proud to announce our evolution from Hanse Orga Group and welcome you to Serrala. Our new name is inspired by the Sierra de la Serrella, a powerful mountain range in Spain symbolizing confidence and security. With a suite of future-proof end-to-end payment solutions we provide efficient and secure optimization of your financial processes partnered with experienced first-class cash visibility and treasury consulting services. Driven by our enterprising nature, we constantly challenge ourselves to bring relevant innovation to market. Serrala supports over 2,500 companies worldwide with advanced technology and personalized consulting to optimize all processes that manage incoming and outgoing payments: from order-to-cash, procure-to-pay and treasury to data and document management. Serrala's software family of best-in-class solutions creates a complete payments ecosystem that provides security and compliance at every step of your financial value chain. Our solutions offer different deployment options to meet your specific requirements – on premise, in the cloud or as a hybrid solution with managed service components. Over 30 years of industry experience provide us with the necessary knowledge and understanding to be your trustworthy partners.



**SERRALA**

**Head Office**
Serrala Group GmbH
Oldesloer Straße 63
22457 Hamburg
Germany
Tel: +49 40 514808-0

**Contact APAC**
Serrala Hong Kong Ltd.
Level 9, Central Building
1-3 Pedder Street, Central
Hong Kong
Tel: +852 3958 2826

**Contact EMEA**
Serrala EMEA B.V.
Nieuwe Prinsenkade 9
4811 VC Breda
Netherlands
Tel: +31 (0)76 578 05 00

**Contact North America**
Serrala US Corp.
205 N. Michigan Avenue / Suite 4110
Chicago, Illinois 60601
USA
Tel: +1 (888) 305 9033

**serrala.com**