

HIGHLY COMMENDED WINNER

Best Cash Management Solution

Dong Energy

Anne Heidemann, Director, Treasury Front Office
Kim Japp, Director, Financial Shared Service Centre



Lone Bang Jespersen, Nordea, Kim Japp and Anne Heidemann, Dong Energy and Rob Van Peer, Nasarius

COMPANY PROFILE:

Headquartered in Denmark, DONG Energy is one of the leading energy groups in Northern Europe. Around 6,500 employees are involved in areas such as oil and natural gas exploration and production, the generation of electricity and heat from offshore wind farms and power stations, and supplying energy to residential and business.

THE CHALLENGE:

DONG Energy was created following the merger of six companies in 2006, each with its own procedures, systems and bank relationships. This gave rise to a number of challenges for the treasury. "We remember first-hand the scale of the task involved in managing payments to the company's subsidiaries and joint ventures – more than 200 legal entities – and how the decentralised structure made it impossible to get a complete view of the company's funding and liquidity," explains Kim Japp, Director, Financial Shared Service Centre at DONG. Bringing its financial processes into alignment was a huge task for the team, but also one vital to the company's success.

THE SOLUTION:

The company therefore embarked on an ambitious multi-year programme of activities to optimise its finance processes, with the vision of establishing an internal bank and payment factory and a completely centralised treasury. This would involve a broad range of process and operational transformations, new IT systems and changes to its legal, banking and commercial relationships.

After setting up a shared services centre and with ambitions for instituting an internal bank and payment factory, DONG Energy had a need to revisit the payment processes. They hired Nasarius, an external SAP consultant, to help with this process transformation. The solution enables centrally approved payments to and from all subsidiaries in DONG Energy's SAP system, sent to one central bank hub, Nordea eGateway, covering payments from Denmark, Norway, Sweden and the UK. In addition, Nordea developed a flexible zero-balance structure in the global cash pool system, so the company can match the needs in the internal bank set-up.

The new payment platform was live by the end of September 2014, and the cash pooling solution has gone from strength to strength. The solutions are fully integrated into DONG Energy's SAP and treasury management solution, and also into its shared services and treasury processes. "These have been two major projects," says Japp. "And the implementation has been a success. Now DONG Energy has truly updated, modernised and enhanced its core finance processes, producing tangible results."

BEST PRACTICE AND INNOVATION:

DONG Energy has achieved a total transformation and modernisation when handling and executing payments. The connection between SAP at DONG Energy and the Nordea eGateway payment hub has proved to be the perfect match for simplifying and streamlining the processes at DONG Energy. All payments are delivered in one place independent of which Nordea country the payer account is located. Nordea automatically distributes the payments to the local payment infrastructure where the payment is executed. As Anne Heidemann, Director, Treasury Front Office explains: "this set-up gives the opportunity to change expensive cross-border payments into cheaper local payments for both payer and payee."

A perfect example of best practice is demonstrated by the right people being on-boarded from all three parties, DONG Energy, Nasarius and Nordea, at the very start of the project in physical meetings. All members of the team got to know each other and were present when defining the scope. Discussions concerning the solution were taken up front, so any later disputes were avoided. It was clear to all participants exactly what to implement, and with a minimum of redesigns during the process, it only proved to enhance the entire project.

KEY BENEFITS:

- Reduced reliance on bank credit lines.
- Reduction in bank charges.
- Cost savings.
- Productivity gains.
- Process efficiencies.
- Risk removed/mitigated.

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Firmenich SA

Philippe Farine, VP Group Treasurer



Séverine Bellens, BNP Paribas, Brigitta Keller, Citi, Corinne Mérat and Isabel Paris, Firmenich SA and Kristian Rygh, Nasarius

COMPANY PROFILE:

Founded in 1895, Firmenich SA is a private Swiss company in the perfume and flavour business. Employing 6,000 people globally, Firmenich is the largest privately owned company in the industry and ranks number two worldwide.

THE CHALLENGE:

Firmenich was undergoing a global financial transformation project to ensure that it had the necessary structure and governance to operate with rigour and discipline moving forward. As part of this process the company was looking to replace its traditional decentralised cash management solution by a global solution.

The company's requirements were as follows:

- To replace the previous cash management set-up by a global solution.
- To deliver uniform payment and security processes.
- To set up a standardised way of communicating with their external banks.
- To reduce the number of external banks used by the affiliates to one core bank when offering, at the same time, the possibility to opening internal bank accounts with the in-house bank.
- To increase business process outsourcing (BPO) capabilities through the establishment of a payment factory.
- To ensure compliance with their risk management and internal control standards.

On the technical side, the company wanted to:

- Set up a stable host-to-host connection between the company and their external counterparties.
- Deliver true automation.
- Get standard text on tag 86 of MT940s from three banks.
- Deal with country specifications on XML payment files.

It was a big project for the company and as Philippe Farine, VP Group Treasurer explains: "the challenges we faced were at the level of project management; first to determine the accurate budget and timeline of a project that would last two to three years; second, defining the right time to spend in development and testing and; third, internal resources: we had only a single resource located in Europe, dedicated to the set-up and the testing of the module in SAP, who had to deal with all time zones during the implementation."

THE SOLUTION:

After putting the mandate out to tender Firmenich selected BNP Paribas for Europe, Citi for the rest of the world with the exception of the CHF covered by UBS to be their partners for the new solution. Working together with the banks Firmenich implemented a global cash management solution covering all 28 affiliates allowing them to join their global cash pooling solution as well as their inter-company netting process. This was completed by the implementation of a payment-on-behalf-of (POBO) structure serving more than 20 affiliates.

In less than two years, Firmenich has set up a global in-house bank (IHB). This was made possible by the existence of a single SAP instance (ECC6

version) implemented earlier to which two new SAP modules (IHC and BCM) were added to run the IHB. Today, the IHB is:

- Heading a true global cash pooling structure (26 affiliates zero balanced on a daily basis on master accounts held in Switzerland and UK), offering full control on the cash around the globe.
- Running an internal netting (ICO) process to settle the payables and receivables of 25 affiliates.
- Paying on behalf of (POBO) 22 affiliates today using only three banks.
- Providing a complete change in the payments process of the company, transforming inter-company payments into internal settlements with no cash transfer and cross-border payments into domestic payments.

BEST PRACTICE AND INNOVATION:

The solution implemented has fulfilled the objectives set at the beginning of the project, contributing to the implementation of treasury best practices. It has also accelerated the centralisation trend initiated a few years ago, and contributed to compliance with Firmenich's corporate objective to excel in executing their operations. In addition to this, it offers the ideal architecture to extend this towards other treasury practices, like eBam or a collection factory.

This solution also evidences the importance of a strong project team. "We have been able to gather internally (not only at corporate level, but also including affiliates' representatives) a range of complementary competencies/talents," explains Farine. "Commitment, accountability and excellence in execution were the values that the team shared during the project. We also had great interactions with our banks and were able to build intimacy between the project team and the banks' team."

KEY BENEFITS:

- Reduced reliance on bank credit lines.
- Reduction in bank charges – reduced the number of banks and bank accounts by 180 to concentrate on three global players.
- Cost savings.
- Time taken to implement solution and realise benefits.
- Productivity gains – on average 800 intra-group invoices on a weekly basis without any rejection.
- Process efficiencies – daily view on more than 95% of the total cash of the group, out of which more than 75% is captured by the cash pooling structure.
- Interest savings.



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A GOOD GRIP ON BOTH SIDES

Business and Technology

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