

# How to build an efficient and customer beneficial digital infrastructure: a VDB Case Study

EMGN Autumn Academy | Guy Selbherr, October 27 2022



# About Guy Selbherr



Member of the BoD of Bürgschaftsbank Baden-Württemberg GmbH  
President of the Association of German Guarantee Banks (VDB)  
President of the European Association of Guarantee Institutions (AECM)

# About VDB and its members



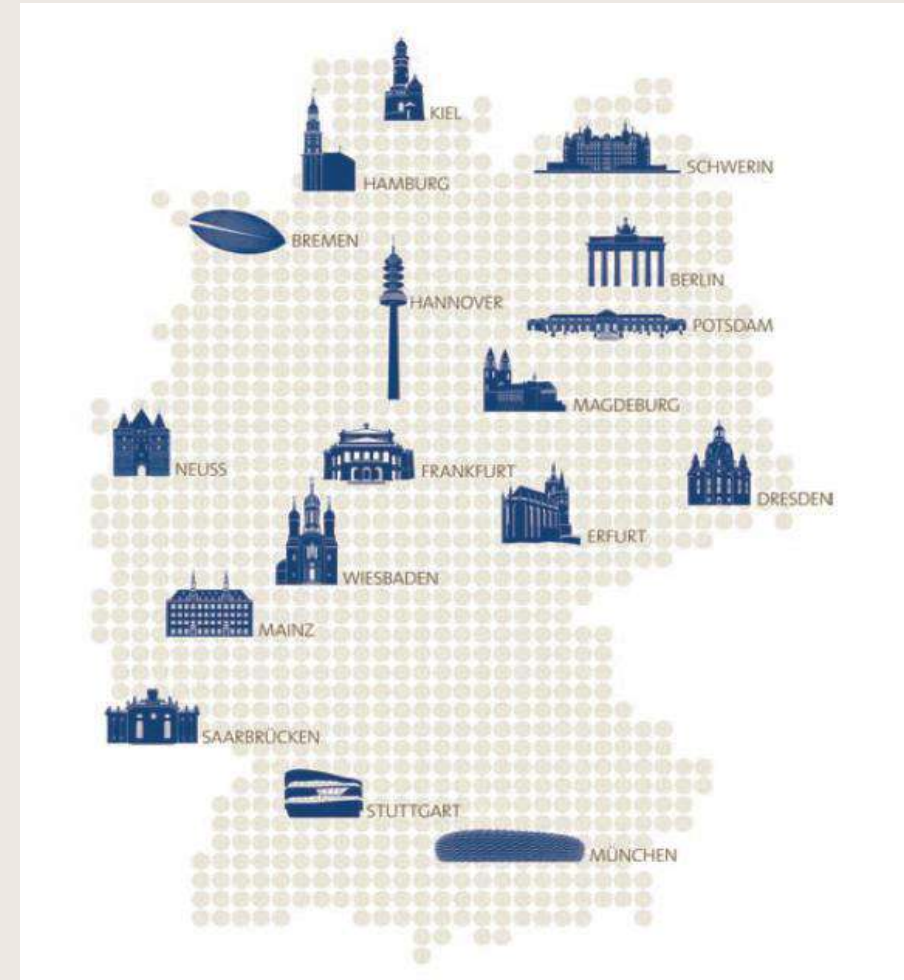
## VDB: THE ASSOCIATION OF GERMAN GUARANTEE BANKS

The Association of German Guarantee Banks (Verband Deutscher Bürgschaftsbanken, VDB) represents 17 guarantee banks in Germany.

VDB represents their interests towards government, politicians, industry and the general public.

German guarantee banks support SMEs, as well as founders of new business enterprises, in their respective federal state. They do so by providing external collateral in the form of guarantees.

The government of the Federal Republic of Germany and the governments of the federal states provide counter-guarantees as part of their support for SMEs.



# About VDB and its members

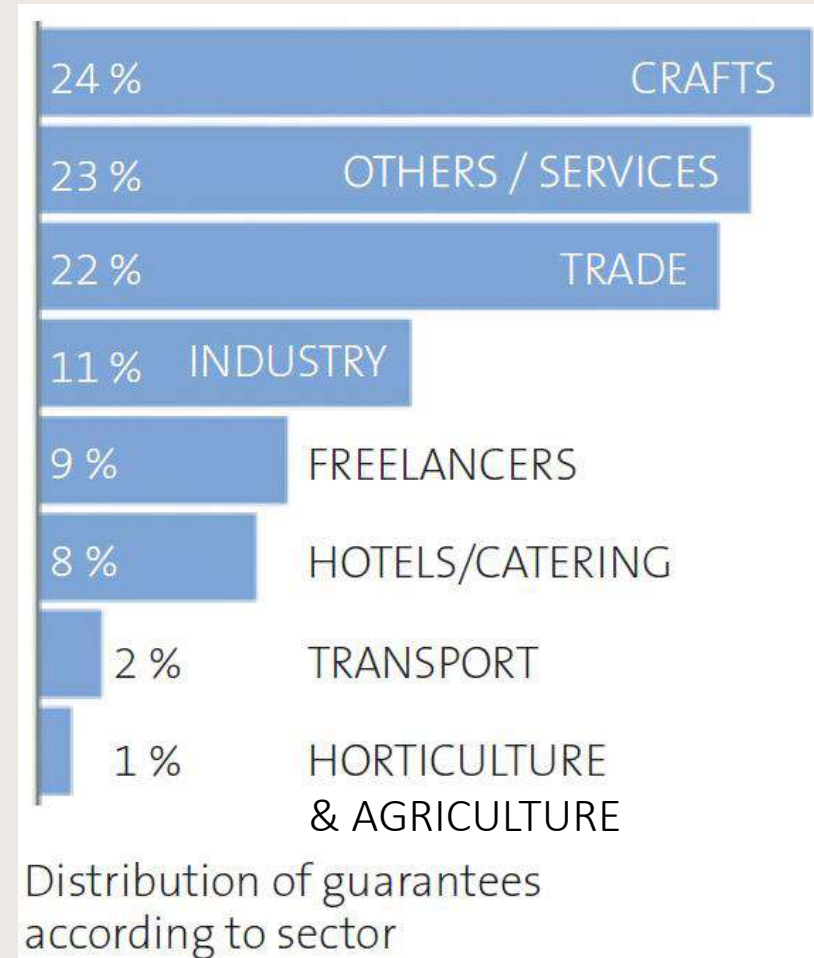


## VDB: THE ASSOCIATION OF GERMAN GUARANTEE BANKS

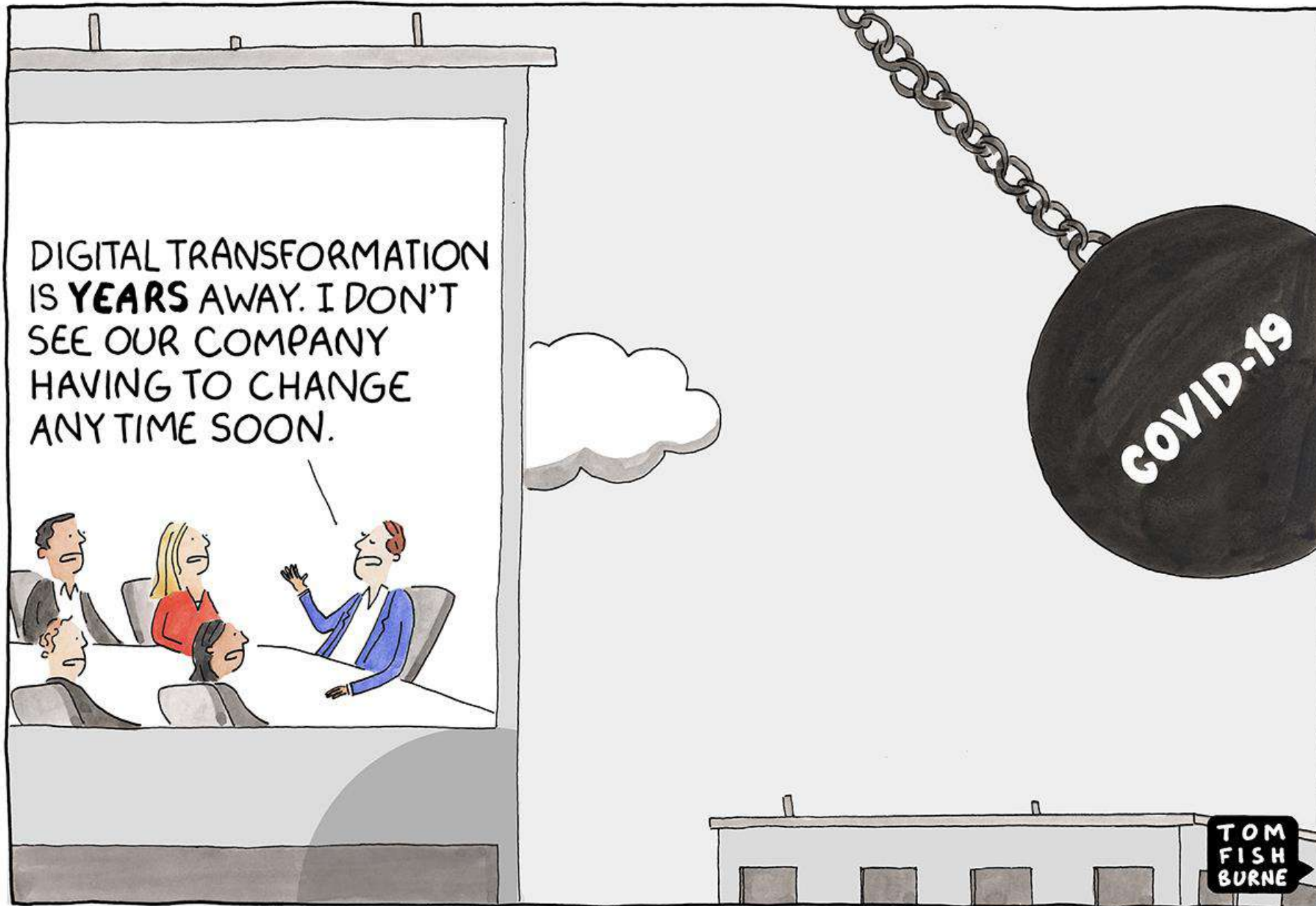
- Maximum guarantee amount: **2,0 Mio. EUR**
- Special crisis framework Ukraine: **2,5 Mio. EUR**
- Number of new guarantees 2021: 5.230 / portfolio: 50.000
  - Total loan amount 1,9 bn EUR
  - Total guarantee amount 1,3 bn EUR
  - Portfolio: 6 bn EUR

## BÜRGSCHAFTSBANK / MBG BADEN-WÜRTTEMBERG

- 155 employees
- Number of new guarantees 2021: 2.125 / portfolio 15.000
  - Total loan amount 665 Mio. EUR / portfolio 2 bn EUR
  - Total guarantee amount 426 Mio. EUR







# Effects of the pandemic on digitalization



**The health crisis was a game-changer for digital transformation.**

## **European Commission data:**

- The pandemic accelerated existing trends in remote work worldwide, e-commerce and automation
- Individuals increased online customer interactions from 32% in December 2019 to 55% in July 2020
- More than 1 million ICT specialists entered the market in Europe
- Businesses provided more fully digitised products and services: 34% before the Covid-19 crisis and 50% during the pandemic

# The rationale for enterprises



**Digital tools can bring significant benefits for many different businesses.**

- Digitalisation reduces transaction costs by providing better and quicker access to information, and communication between staff, suppliers and networks.
- It can help SMEs integrate into global markets, through reductions in costs associated with transport and border operations and it significantly enhances the scope to trade services.
- It facilitates access to resources, including finance (e.g. peer-to-peer lending), training, and recruitment channels, including government services, which are increasingly being made available on-line.
- It also supports innovation, and greater access to innovation assets, as well as the potential for enterprises to generate data and analyse their own operations in new ways, to drive improved performance

# The digital transformation of SMEs



**But: Small firms are lagging behind in the transition to digital.**

## **OECD data:**

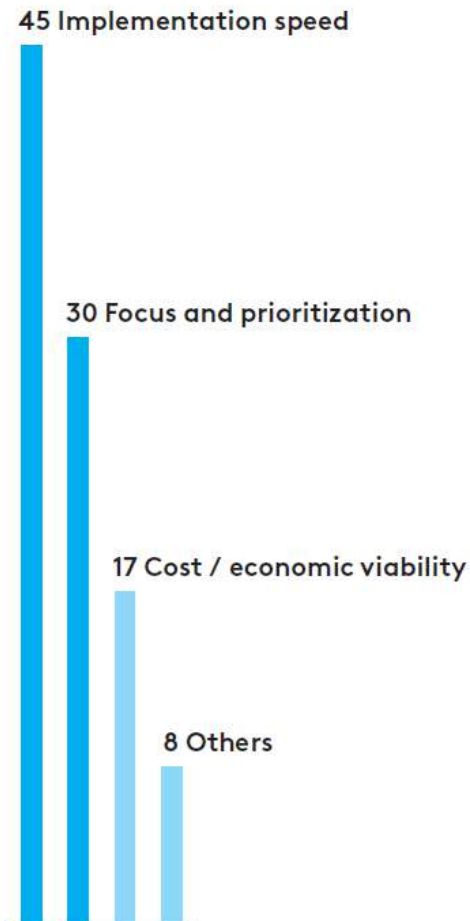
- For small enterprises (= with 10-49 employees), digital adoption gaps, compared to larger firms, have grown over the last decade
- The entry point for small firms is in digitalising marketing and administrative functions: e.g. online interactions with the government, electronic invoicing, use of social media, and e-commerce
- SMEs tend to leverage on external systems, support, and advice (compensate for weak internal capacities, cost-grounds, etc.)
- Significant differences across sectors in terms of intensity and types of tools adopted
- SMEs face difficulties in accessing finance for intangible digital investments



# The rationale for banks: External and internal pressure



Greatest challenges in the course of digital transformation (in %)



Key finding  
**three**

COVID-19 has caused online availability of financial products to skyrocket, further increasing the pressure on banks to digitalize.

**75%**  
of all participants in our study see the push towards online banking caused by COVID-19 as permanent.

Key finding  
**SIX**

Corporate banking is still lagging far behind the retail banking segment in terms of digitalization, as there is still a lack of digital product offering; moreover, there is still untapped potential in the area of process automation.





# The rationale for guarantee institutions

**Guarantee institutions have just as many reasons to make digital transformation part of their core strategies.**

- Simplifying external processes
- Simplifying internal processes, e.g. interfaces with internal and external applications (e.g. submission platform, rating tool, commercial registers, ESG scoring system)
- Reducing administrative burden
- Innovation & adaptation: create structures to support new way of working
- Be customer-friendly: offer digital tools as service to enrich the relationship
- Improvement of the effectiveness of products
- Digital competence of staff: amount of necessary training & retraining becomes visible

**External and internal digital workflow is a necessity.**

# Case study: VDB „Ermöglicher“



“Ermöglicher” = “enabler”

[Finanzierungsportal.ermoeglicher.de](https://finanzierungsportal.ermoeglicher.de)

# How did we get there: Our first steps



## PROCESS MAPPING & STAKEHOLDER ANALYSIS

Who are our customers?

Who are our competitors?

Who are we losing market shares to?

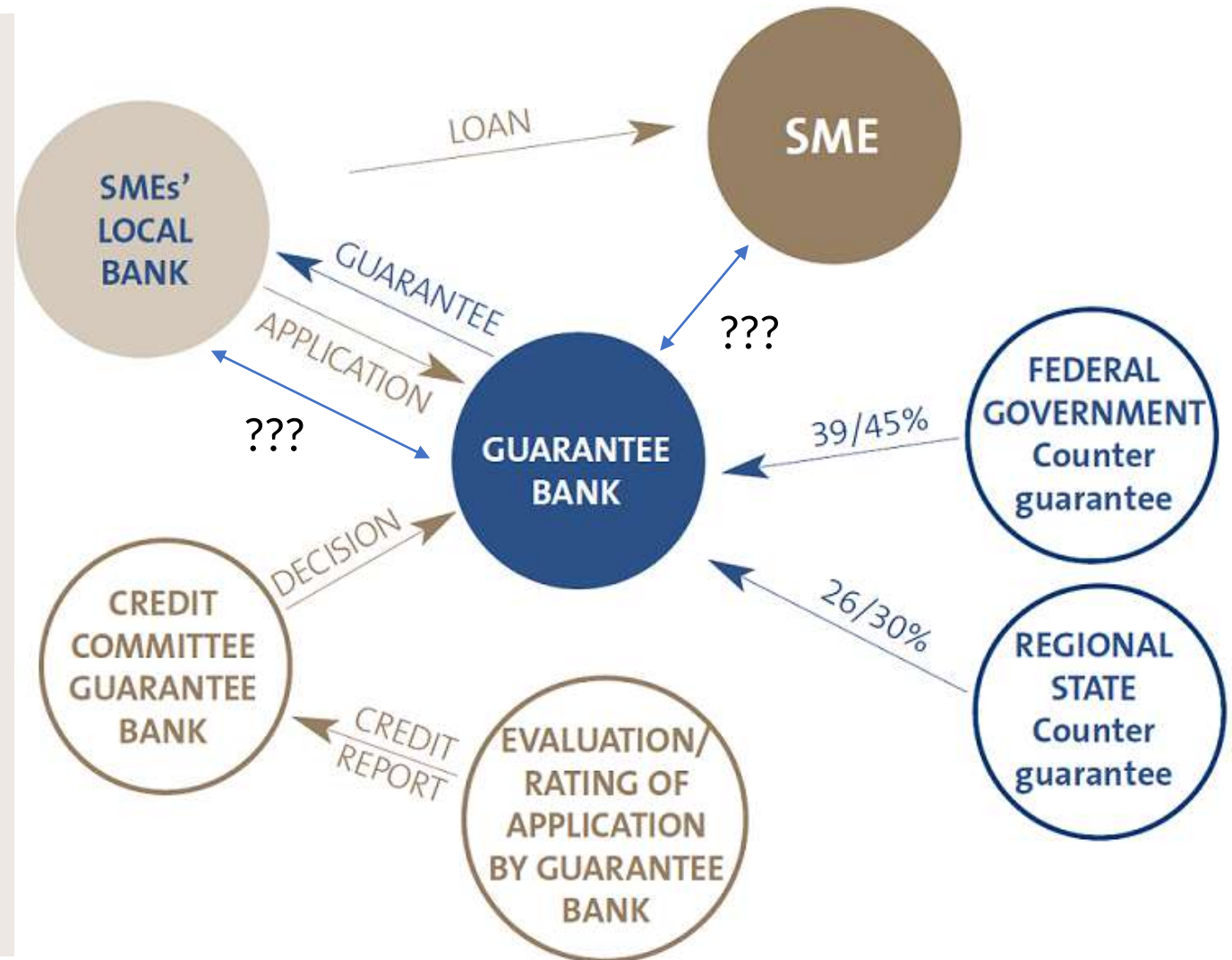
Who are our partners?

Do we need to get into more direct contact with SMEs and if yes, how?

How can we help SMEs navigate the ocean of promotional offers and financing options?

How can we incentivize local banks to use our products better?

How can we get all stakeholders to take part in a single digital workstation?



# How did we get there: Core conclusions



## BECOMING MORE INDEPENDENT FROM SMES' LOCAL BANKS

FROM OUR ANALYSIS, IT BECAME CLEAR TO US THAT WE NEEDED TO CHANGE OUR PLACE IN THE „VALUE CHAIN“ IN ORDER TO STAY IN DEMAND FOR THE LONG TERM

WE ARE DOING SO BY SHIFTING OUR FOCUS FROM LOCAL BANKS AS OUR CUSTOMERS TO THE SMES AS ORIGINAL DRIVERS OF GUARANTEE DEMAND







# How did we get there: Basic objectives of our solution

**Simplifying the external processes with a focus on customers.**

**Using digital technologies to enable service innovations.**

- Smart combination of digital tool, competence, and personal contact
- 24 x 7 availability of digital tools
- Keep it simple: content is easy to understand
- Keep it user-friendly: use the language of customers and don't ask too much
- Keep it attractive: motivate visitor to become a customer
- Improve online visibility and efficiency by using a single starting point for all German guarantee banks

**With the long term target of digitalising the entire procedure, from first customer search to recovery in case of a default.**

# Our solution



## THE ERMÖGLICHER PORTAL

Online service tool to enable entrepreneurs to find optimal financing

Virtual application, yet individual financing solution

Not only deal tool, but collaboration tool for all parties involved – “virtual workstation”

Automated regionalization for all German guarantee banks



# A digital workstation for our stakeholders



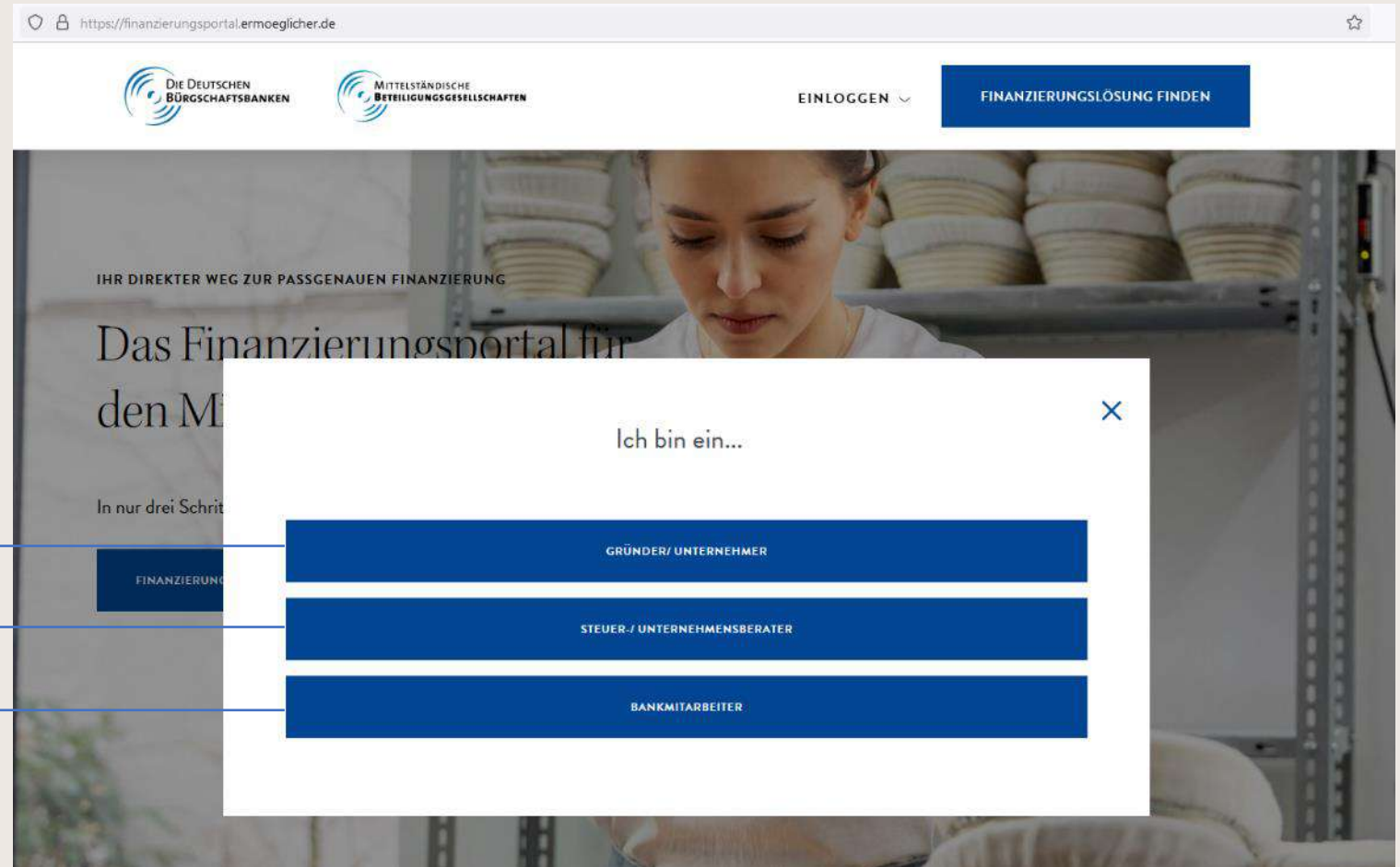
## ONE STOP SHOP FOR ALL OUR STAKEHOLDERS

Individual access for different stakeholder groups

Entrepreneurs / Start ups

Consultants

Bank employees



# Value propositions for all stakeholder groups



## Entrepreneurs/ SMEs & Start ups

- Business owners, start-up founders etc. can log onto the Ermöglicher portal and describe their business and their financing needs in detail
- The request is then published in the Ermöglicher online dashboard and checked by the respective Bürgschaftsbank's staff
- Instant feedback by our financing professionals free of charge and without any commitment
- Quick greenlight for a guarantee or helpful advice on how to rework the request to get a greenlight
- Entrepreneurs without an existing relationship with a local bank can use our matching service: Greenlit guarantee cases are offered to local banks through our matchmaking service

## Consultants

- Consultants (tax advisory, start-up counsellors, chambers of commerce etc.) can offer their customers additional value by having their financing needs checked by us
- Consultants enter their customers information into the Ermöglicher portal

## Bank employees

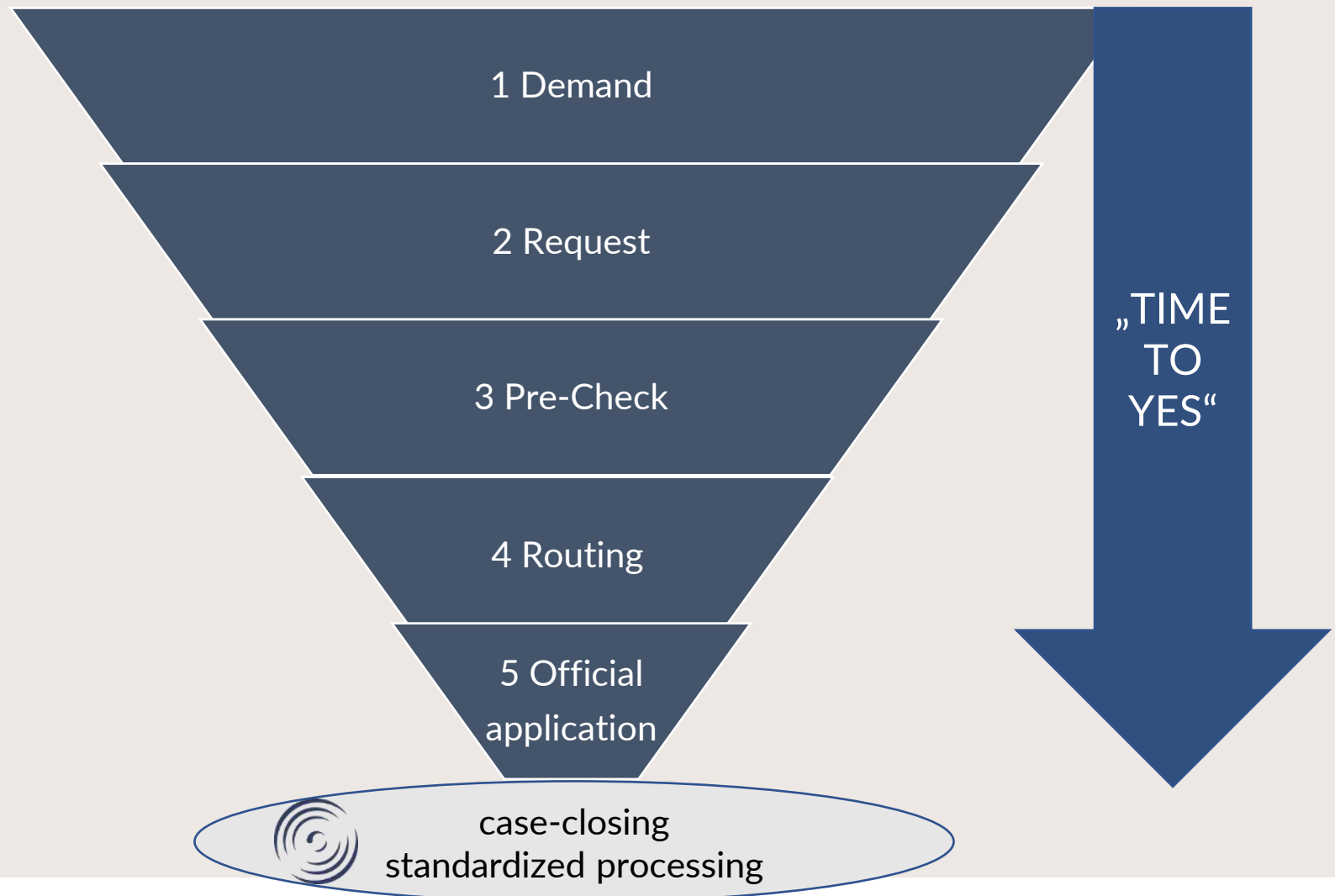
- Banks can use the Ermöglicher portal in the same way as SME customers by sending in guarantee requests to be pre-checked by our staff
- Also, the portal can be used for additional digital correspondance 100% safe and secure
- Banks can receive guarantee cases through our matchmaking service free of charge and without any commitment

# How a request becomes a guarantee: Process design



## GOAL: MINIMIZING „TIME TO YES“

1. Customer segmentation through **financing demands**
2. **Structured input** of relevant project details into the online form
3. **Pre-Check:** Automated indicative assesment based on selective KPI and minimum rating
4. After greenlight: **Routing to local bank**
5. Filing of **official guarantee application** by the bank





# Bank portal example: Customer information



Our bank partners can enter customer information and details to the desired financing.

Customer is a start-up founder / business transfer / an established SME

Location of the project

BANKBERATERKONTO ✓

UNTERNEHMENSDetails ✓

KUNDENVORHABEN 2/4

Wir benötigen abschließend noch einige Informationen zum Vorhaben Ihres Kunden.

Bitte beschreiben Sie das Vorhaben möglichst detailliert, geben Sie die Investitionskosten und die entsprechende Finanzierung an.

1. DER KUNDE IST EIN...



Gründer / Jungunternehmer



Nachfolger



Etablierter Unternehmer

2. WO MÖCHTE IHR KUNDE SEIN VORHABEN VERWIRKLICHEN?

BUNDESLAND

Baden - Württemberg

✕

# Bank portal example: Financing structure



The bank employee can then enter the projected financing structure of the transaction

## 3. VORHABEN IHRES KUNDEN

Bitte erläutern Sie durch die Auswahl der Mittelverwendung das Investitionsvorhaben Ihres Kunden. Mit Hilfe der Mittelherkunft beschreiben Sie die zugrundeliegende Finanzierungsstruktur. Bitte achten Sie darauf, dass die Investitionssumme der Summe der Finanzierungsstruktur entspricht.

### MITTELVERWENDUNG

Objekt	Betrag
(Nutz-) Fahrzeug	75 000 €
Objekt entfernen	
Hard- / Software	75 000 €
Objekt entfernen	
Betriebsmittel / Li	100 000 €
Objekt entfernen	
+ weitere hinzufügen	

250.000 €  
Investitionssumme

### MITTELHERKUNFT

Finanzierungsart	Betrag
Darlehen	150 000 €
Objekt entfernen	
Sonstiges	50 000 €
Objekt entfernen	
Eigenmittel	50 000 €
Objekt entfernen	
+ weitere hinzufügen	

250.000 €  
Finanzierungsstruktur



Die Investitionssumme entspricht der Summe der dargestellten Finanzierungsstruktur.

# Bank portal example: Project details



**250.000 €**  
Investitionssumme

**250.000 €**  
Finanzierungsstruktur

✓ Die Investitionssumme entspricht der Summe der dargestellten Finanzierungsstruktur.

## BESCHREIBUNG

optional

Mustertec GmbH erbringt Dienstleistungen im Bereich Marketing und Außenwerbung (Plakatierung, Litfasssäulen, Fassadenbeklebung etc.). Investitionen erfolgen in Spezialfahrzeuge (T€ 75) sowie in leistungsstarke Hardware samt Softwarepaketen (T€ 75), zudem sind Betriebsmittel zu finanzieren (T€ 100). Mustertec finanziert T€ 50 aus Eigenmitteln. Verbleibende Finanzierung soll über ein Darlehen unseres Hauses T€ 150 über 10 Jahre dargestellt werden, zudem stellen wir eine KK-Linie über T€ 50.

Additional information helps us in assessing the project and allows us to make a better informed guarantee decision

# Good market acceptance



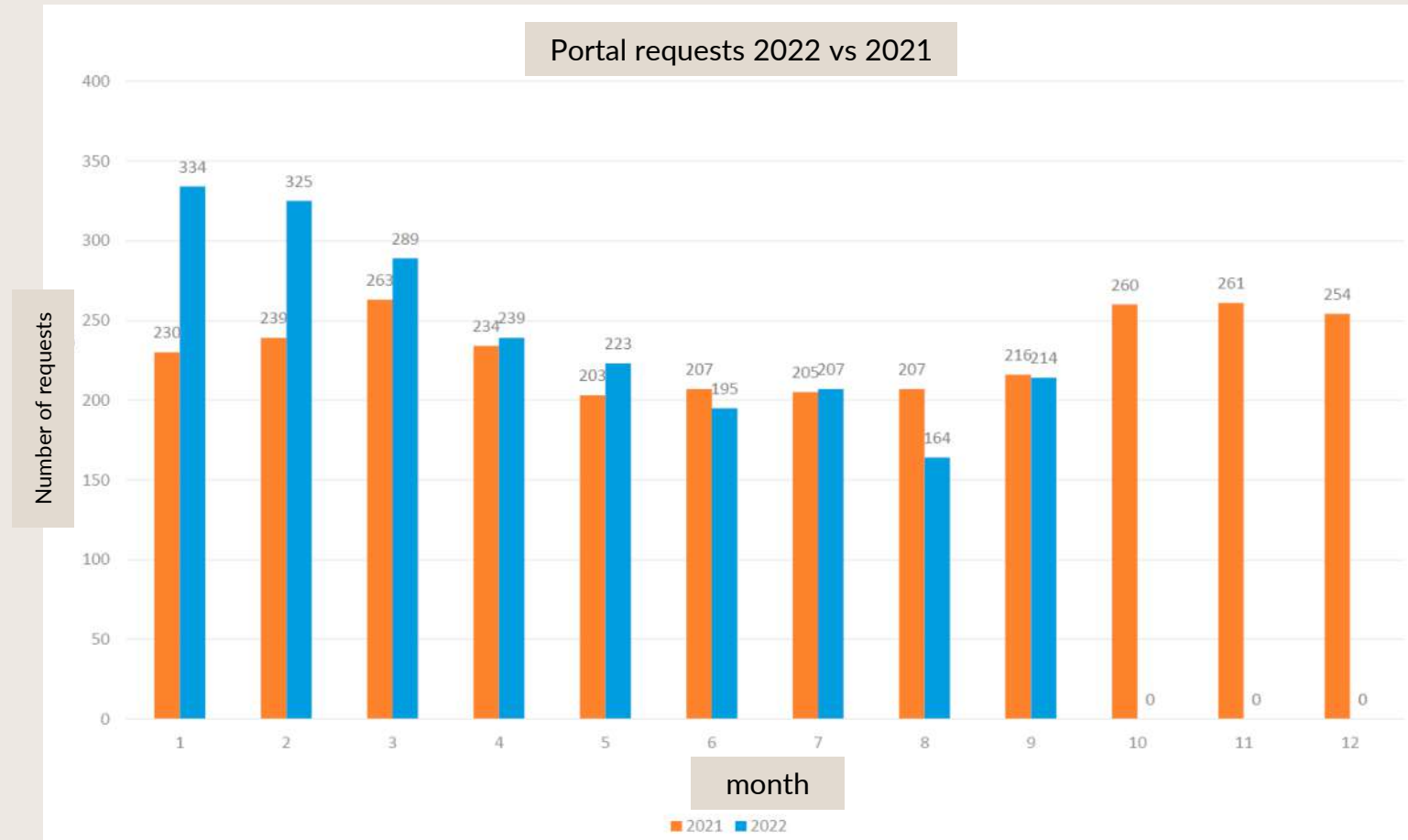
## ERMÖGLICHER PORTAL MORE AND MORE ACCEPTED BY SMES AND BANKS AS A COMMUNICATION CHANNEL

Since its launch in August 2019, more than 15.000 guarantee requests have passed through the Ermöglicher portal

The portal was a big help in processing the massive wave of requests during the start of the corona pandemic in spring 2020

2022: Around 180 requests per month

...without any digital marketing or SEO whatsoever!



# Our way forward: A fully digital platform

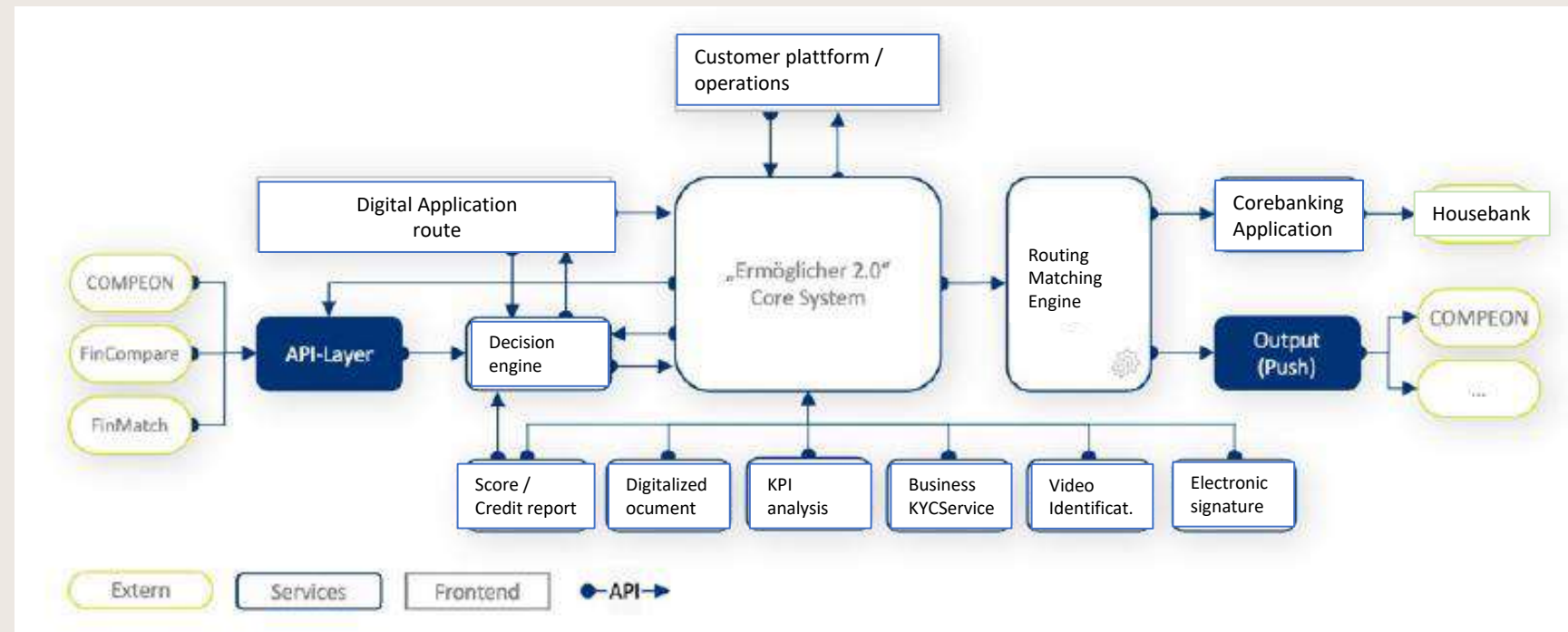


## THE ERMÖGLICHER PORTAL AT THE HEART OF OUR OPERATIONS

At the moment, the Ermöglicher portal mostly acts as our frontend „window to the customer“

In the future, it shall be the heart of our daily operations

360° streamlined and efficient digital infrastructure





# Our way forward: Automated services and supporting apps



## **Credit report**

Allows an initial look at creditworthiness and the expected probability of default in the next few months on the basis of well-founded information - essential in particular for inquiries by new customers.

## **Balance sheet digitization**

Converts PDF balance sheets into a machine-readable format and makes them available via interface so that non-value-added activities can be outsourced and the platform can focus on the essentials.

## **KPI analysis**

Delivers fully automated, intra-year financial statements and evaluations with KPI analysis based on totals and balances lists - for up-to-date company assets, finances and earnings at a glance.

## **Business KYC service**

With the Business KYC service, all regulatory requirements are fulfilled - for example, you can document the type of business activity, the ownership structure as well as beneficial owners and authorized signatories.

## **Video identification**

Ensures simple, fast and legally compliant legitimization via video chat.

## **Electronic signature**

In the process, the signature is made with electronic signature - without any software downloads or add-ons.

# Challenges during the project process



## Sticks and stones

- Due to the decentralized structure, it was necessary to take into account and, if necessary, harmonize the organizational and technical framework conditions and, in some cases, the fundamental ideas of 16 independent institutes during the overall project.
- The starting points were equally heterogeneous with regard to established processing routines, digital know-how, and the fundamental mindset concerning digital transformation
- The readiness for the change process was and is a challenge. This affects all employees in the organization without exception. The mindset in the context of "ermöglicher" is not only crucial for the employees using the portal frontend, but for the whole guarantee bank.
- The team composition, formed in a top-down approach, was differentiated in parts in terms of skillset, availability and motivation.
- The management of external service providers and internal project management at the federal level proved to be difficult due to the not always clear distribution of competencies and responsibilities.
- Test structures, manuals, etc. uniform specifications for nationwide project management had to be developed and established in parallel in line with our governance.
- Time of deployment: implementation of digital platform as ready-to-use web-based tool needed much more time than estimated. Several regulatory issues had to be solved to make it usable for different commercial banks

# Lessons learned



## **Basic strategic understanding**

Must be established before the start of an organization-wide project. Discussion phases should precede the project phase itself as divergent ideas can complicate / even jeopardize the course of the project.

## **Change Management & Mindsetting**

The willingness to change is an essential prerequisite for the success of such projects. This competence must be developed successively within the organization.

## **Competency regulations**

as a clear framework are also essential prerequisites in order to be able to work together effectively in the project team and also cooperate reliably with external service providers.

## **Teambuildings**

require stringent coordination with the project lead and the respective required skill sets.

## **Communication**

must be ensured not only at the C-level, but also towards the entire workforce and in particular concerning the units that will be directly affected in the future in order to secure maximum support for the implementation phase.

## **Organization**

especially the synchronization of the respective project management regulations as well as the transfer of competencies and capacities must be established for nationwide projects; clear role assignments are key!

# Any Questions?

Q&A





# Talk to us.



Telefon: +49711 / 1645-6

Bürgschaftsbank Baden-Württemberg GmbH  
[www.buergschaftsbank.de](http://www.buergschaftsbank.de)

MBG Mittelständische Beteiligungsgesellschaft Baden-Württemberg GmbH  
[www.mbg.de](http://www.mbg.de)

