SAP CEP Moscow – Skolkovo 2013

CEP Summary

Program Summary in A Customer Story: Allianz

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What are we going to talk about ?

- **Recap - Finance Transformation @ Allianz**
- **How to get started – Business Case Yes/No ?! Benchmarking Yes/No ?**
- **Key to Success – Your very basic idea, from a Business view !**
- **Business Targets & their “Marketing”**
- **Ongoing Tracking of Achievements / of Benefits / of required Risk Mitigation**
- **Go-Live Management**
- **Final Conclusions & Recommendations – it’s all about Leadership !**

‘Industrialization” of our Finance function

Best Practice Sharing	Process & System Harmonization
• Finance ‘Best Practice’ sharing across group • Re-engineering of accounting / controlling / closing / consolidation / reporting / IT implementation & upgrade processes	• Re-engineering of financial processes in line with best practices • Pre-configured, standard financial application (‘SAP Template’) • Ongoing improvement of processes and technology

Global Reporting

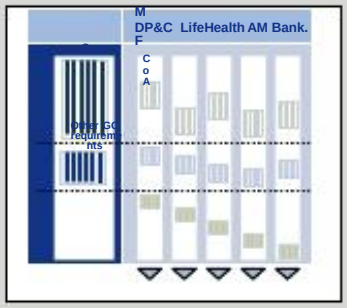
Again, based on key principles

- IFRS as leading GAAP = full posting of IFRS; Multi-GAAP data streams
- Standard CoA (‘7+3‘digits) / Standard Cost Accounting (cost elements, centers, allocations)
- Algebraically coherent Balanced Scorecard KPIs
- Integration of risk reporting into financial reporting
- Rework/consolidation of core business applications / operational sub-ledgers (if needed)

.. where we tackled ALL elements of our ‘Finance Supply Chain’

Data

Standardized operational CoA / other Master data

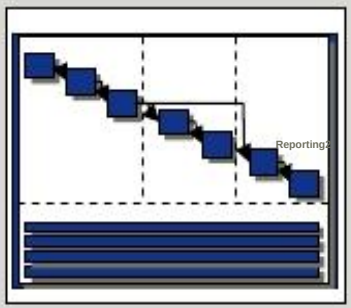


Incl. relevant controlling data !

= Integrated legal and management reporting (P&L, B/S, risk capital, regulatory)

Processes

Continuous process improvement & Best Practice implement.

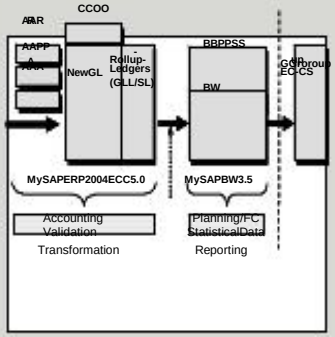


Enhanced process efficiency in line with implementation of Template, standard CoA and Data Governance.

Further best practice processes implemented accordingly.

Financial Applications

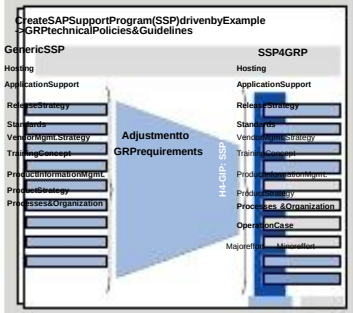
SAP Template Implementation



Strict and coherent implementation of core = Template settings in SAP according to central policies.

Infrastructure

Standard set-up & consolidation of SAP infrastructure



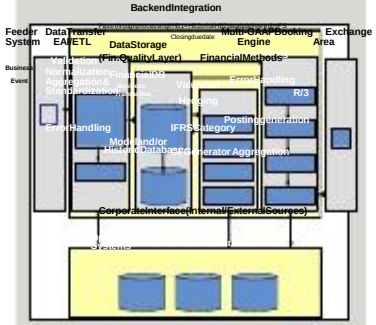
Technical infrastructure in line with central technical policies.

To be consolidated across entities/countries / segments wherever possible.

Regular upgrades.

Back-end integration

of the core bus. applications & sub-ledgers



So called feeder systems enabled to deliver required data in a Multi-GAAP manner.

Feeder systems to be modernized wherever needed to deliver ALL required data.

Main Question - How to Ensure “Value Creation” ?

- **Particularly over such a long period of time**
- **In a global program**
- **With hundreds to thousands of people affected**
- **In many sub-projects ?**

Key To Success – Your very basic Idea

- **The solution you are proposing must be -to some extent- “self-convincing”:**
  - Evident – easy to understand also for IT experts
  - Straight-forward

- **And, most important – from a BUSINESS view**
  - Matching the needs (“pain”) of the users, e.g. in our case
    - Automated parallel Multi-GAAP Accounting (instead of sequential manual processes run on spreadsheets)
    - Quality-checks brought forward to the first data entry point (instead of @ the end, on the desk of the Group CFO, with many long-lasting iterations following in every closing)
    - Re-use the same master data for multiple reporting (e.g. LoB or regulatory reporting)
    - Develop once and reuse for many what is common for all (instead of individual, multiple developments for the same problem)
    - Re-use the same platform for similar reporting (e.g. for Group Marketing + Controlling)

Always Keep in Mind ..

- **If the problem is huge, already longer lasting and highly “painful” (in terms of costs, efforts, timing, etc.), then..**
  - there will be NOT just an IT solution (e.g. bigger sizing, faster processor, etc.)
  - neither will be there an easy Business solution (e.g., bring a few more FTEs on board)

- **There will ONLY be a STRUCTURAL solution in the business itself:**
  - Organizational restructuring, and / or
  - Redesign of processes & principal system architecture
  - **In our case we tackled all of the before mentioned – Examples**

Anyway - “No Risk no Fun..”

- **Don’t be afraid if a few ideas will not work, e.g. in our case**
  - in Controlling, a fully fledged “3-dimensional Value Driver” Scorecard, run on a standard SAP Analytics tool (which was simply not available at that time), or
  - in Actuarial, a life insurance solvency calculation & reporting tool based on SAP BW (which was simply no standard solution, and therefore contradicting our own objectives..), or
  - in Taxation, a fully fledged tax ledger based on Group (= German) taxation standards (same issue)

- **At least this helps to figure out where are the limits of your project ;-)**

How to get Started – Business Case Yes / No ?!

- **Yes, we did a Business Case on group level at the very beginning**
  - With 6 months duration, and for about 5-6 mio € costs
- **With one major issue: There was no case .. ;)**
  - And (in my mind) never intended to be one: it was a strategic decision based on pain !
- **But with one clear advantage:**
  - The exercise was “business-related”: Process mapping (“wall papers”) & baselining for the very first time across Allianz worldwide
  - Which was, of course, a tough start..
  - And, since no internal resources nor experience were available, the money had to be spent for consultants ;-(
  - But, anyway, we had a lot of fun during these 6 months ;-)
- **And we did local business cases:**
  - But each one not showing a positive result was challenged until it did ;-)

How to get Started – Business Case Yes / No ?!

- **My conclusion:**
  - Try to avoid a “business case” showing too much benefits – most such cases are “fake”, mainly to justify an anyway given decision, so lots of the money for the case are wasted ..
  - And, later controllers or internal auditors just want to nail you down on what was once written there – which had the same forecasting quality then a multi-year plan .., meaning, none !
  - **Key** is only:
    - Get an understanding what really causes the problem
    - Set then the objectives right – what do you want and have to achieve, plus
    - Get a number / limit in terms of a budget and manage against it - full stop !
    - Even timelines are nonsens, at least for multi-year programs on a group level (of course this is different for a for instance 4 weeks milestone to be achieved on time during a local implementation..)
- **Excurse – our case (circulations, flipchart)**

How to get Started – Benchmarking Yes / No ?!

- **External Benchmarking – done once in our case ..**
  - Together with the Hackett Group
  - But almost only in the middle of the project, since the
  - Main benefit / objective for us was (“believe it or not”) : Finally getting a rough number of ALL FTE’s in the finance function groupwide, split into functions ..
  - Big issue: “Standard” categories, e.g. actuaries, risk controller in banking, IT for finance people, operational reporting, etc..
  - Excurse: Pro’s & Cons of external benchmarking in general
- **.. And followed up as internal benchmarking**
  - For two more years
  - But more for internal cost controlling purposes

How Did We then Start ?!

- **Getting the Group CFO (my boss) and the Head of the Board of Directors (our former boss when he was CEO) supporting the idea,**
  - Who were then backing the program (and its manager) for the next decade to get it done !

- **Managing a few steps in parallel over the first three years:**
  - "Evangelizing" the idea ("future benefits") at all levels groupwide: Board, managerial & staff levels, across Finance, IT and related operational functions
  - Starting with the (central) development of the SAP Template
  - Setting up the project teams for the pilots and getting kicked off
  - But also communicating the –intended worldwide roll-out- to all others, to ensure
    1) People understand what is coming towards them,
    2) Trying to create a community of followers on staff level ("someone understands my problems & is coming soon to help me") = "value recognition"
    3) Ongoing or planned investments in legacy systems are being minimized ("save expenses") = instant "value creation"

Communication - “Value Propositions”

- **Marketing gimmicks – related to the CFO function:**

  - “World Class finance function”
  (outspoken vision by my boss – later codified in our vision/mission statement)

  - “Finance adds value – Speed, Quality, Efficiency !”
  (running banner on our first homepage.. unfortunately shut down by an envious IT ;))

  - “Triple R” finance function - Reliable, Relevant, Real-time data”
  (repeated “joke” from my boss – referring Allianz’ “AAA” rating that time; after being downgrading to “AA” he also gave up on the “real-time” data ;-))

Communication - “Value Propositions”

- **Marketing gimmicks – related to the program:**

- “Global Reporting Program – GRP”

(branding copyright by me – nice sound in English, both outspoken term + abbreviations; “Global” always gives any project an important touch – but brought me in conflict with the U.N.’s global reporting initiative about Global Warming ..;-))

- “Making your life easier”

(my preferred gimmick)

Targets for the Program – Governance & Rules

- **Agreed upon and decided objectives:**
  (Board decision by 2002)

  - "Overall improvement of quality, speed, and efficiency of the finance function across Allianz Group"

- **Codified in so called "Holding Board Principles" (2005 – for the roll-out)**
  (to be signed of by each local CEO and then transformed into local board member targets)

  – IFRS ("HB2") as the leading accounting principle –> almost a revolution at that time.. which based the future business steering on international standards !
  – Each local operational Chart of Account has to be largely congruent with Group CoA –> towards a single CoA including all controlling / management reporting !
  – Reporting has to be focused on full HB2 valuation / postings – no longer on "delta" values –> the beginning of the end of all existing spreadsheet solutions..
  – OE Feeder systems have to be constructed to deliver HB2 values –> tackling the fundamental issue of decade's old legacy business applications – and this by finance (!), another revolution ..

Targets for the Program – Objectives & Incentivization

- **Broken down into a few "tangible" objectives for local project managers:**
  - "Full monthly (etc.) closing (incl. subgroup consolidation) w/i 8 days, and w/o any preclosing"
  - "Group consolidation + top management reporting incl. all relevant scorecards w/i further 2 days = 10 days elapsed time in total" (which was world class at that time for insurance)
  - "100 % data quality @ first time data capture"

- **But again extensively outlined in binding**
  - Policies & Guidelines for Implementation both at Group Center + locally, and
  - Program Charter + (local) Project Charters
    - **see Examples (circulations)**

- **And incentivized by personal monetary targets from local C-level down to key project members**

Targets for the Program

- **Broken into business + technical blueprints and implementation milestones per function:**

  1) General IT (interfaces & core applications to deliver required data),
  2) IT for Finance (SAP infrastructure, Template settings, releases, updates/upgrades)
  3) Accounting incl. (Sub-)Consolidation & Reporting (CoA structure + codifications, posting rules, SAP modules, posting + closing process), redesign of group legal structure (!)
  4) Asset Accounting (middle & back office processes)
  5) Controlling (EVA based management reporting, “Value Driver Trees”, Cost accounting & allocations incl. redesign of cost center = group organizational structures (!))
  6) Actuarial (aggregation of local reserve valuations to group reporting in line with inter-national best practice standards)
  7) Taxation (deferred tax calculation and processing, tax ledger – see before)
  8) Risk Controlling (ledger + central consolidation for full market-value-based accounting acc. to international Solvency standards)

  ..which we then tackled (or tried to tackle) in accordance with this sequence

Effective Tracking of Execution: “Praising & Bashing”

- **Progress tracking and publishing for creating a “competitive” environment**
  - Regular reporting to Executive Board (Group), based on traffic light system (“red/ yellow/green”) – very effective !
  - Bi-annual “Global Reporting” conferences with all OE project managers + business- + IT-responsibles – same reporting + presentation of success stories – very effective too !
  - “Santa Claus” event with praising & hitting ;) – a fun event with a serious background

- **Group & Local Steering Committees**
  - Group CFO and Group CIO together as Sponsors of the Group steering committee
  - Me and my deputies as standing members in all local steering committees
  - Target setting for all local CFO’s, CIO’s, and their managers regarding the program
  - Monthly reporting - Example

- **Set a Precedence (if necessary)**
  - One OE (and its managers) had to implement the SAP Template THREE times for they were neglecting the standard twice – consciously, and despite being funded by HQ..
  - Only two responsibles (local C-level) had to be even sacked for they were blocking too much (keep in mind - never run a project based on fear and pressure !)

Effective Tracking: Routine Reviews of Key Elements

- **Routine Pre-Go-live Reviews (2-3 days duration on average)**
  - E.g., mandatory CoA codification or structure
  - E.g., mandatory Cost allocations
  - E.g., mandatory SAP settings

- **Even case-by-case After-Go-live Reviews**
  - To ensure ongoing compliance with standards

Successful Risk Mitigation

1. **Personally, I don’t believe very much in excessive or even quantitative risk analysis.**
   The usual aspects are well known (resources not available, execution runs into unforeseen complexities, wrong people at wrong places, etc.), and the rest is not really quantifiable

2. **What is true for any other endeavour is also true for projects – without risk taking no awarding**
   In particular if it is a pioneering task: Here it even needs some trial & errors, like in engineering

3. **I am a strong believer that every business-related project shall be managed by the Business -just enabled by technology- , and every IT related project (like updates, upgrades, sizing, security..) by IT. And NOT vice versa.**
   Only business people know what they are doing (wrong). And just because of the fact that every business process today is supported by technology that doesn’t make an IT project out of it. Well, business people might not know which technical solution is on the market – to inform and consult about that, that’s again an IT task

4. **Once again, it’s all about people. So, try to take stock of the best people you can get across your operating entities when setting group wide standards / creating best practices.**
   Which also ensures acceptance later during implementation, and therefore is part of your risk mitigation

Successful “Go-Live” - Management

- **Key to success is dedicating enough testing effort of all relevant procedures and business cases to as many end users as possible**
  - This will make users familiar with the system
  - This will reduce helpline efforts significantly during go-live
  - It will help detecting any issues with the system solution or missing functionalities

- **Dedicate enough helpline resources during the go-live phase**
  - Internally – a 3 level support (or competence) desk
    - Technical level - hardware
    - Application level – software / “Power User”
    - Core standard kernel – Content
  - Consultants (or in our case even external accountants provided by auditor firms)

- **If you do not feel comfortable, postpone the go-live to the next feasible deadline !**

But Never Forget..

- **“Work hard, but celebrate even harder..”**
  - Celebrations of every local successful Go-Live with (most) staff members involved in the project – in one case the OE could not afford it, I gave support out of the HQ budget !
  - Annual “Munich Oktoberfest” event – a two days workshop with an evening in an Oktoberfest tent

- **In my mind, probably the most important factor to ensure value creation !**

- **Again, its all about people !**

And, the Facts Are ..

- **What was the outcome of our business case ?**

  - see Example (flipchart)

Summary - Key Takeaways

1. **Your basic idea for solving the problem must be simple, straight-forward, and therefore “self-convincing” - you can NEVER convince people, they have to do it on their OWN !**

2. **And, it MUST be a business solution, never just an IT gimmick**

3. **Then set clear targets and incentivize their execution effectively**

1. **Strictly monitor any execution; handle errors with tact & sensitivity**

2. **Institutionalize a contemporary issue recognition – which has a lot to do with an tactful and “open communication” environment. You are responsible for the latter !**

3. **Get it done WITH YOUR TEAM – it’s a team approach, you are ALL sitting in the same boat !**

4. **It’s a lot about LEADERSHIP.. That’s it, in my mind. But I know, its easier said than done .. ;-)**

Thank You

About me

- Former managing director “Finance Transformation,” Allianz Group, Munich
- Former CFO/CRO, Allianz Group Switzerland, Zurich
- Former group controller, Allianz SE Munich, inter alia for Italy, Austria, South Africa, Asia-Pacific incl. Japan & Australia
- Former group controller / M&A, Daimler Benz AG
- Doctorate: “Institutional Theory of Holding Companies”
- Born in Southern Germany, living in Switzerland