



Transforming Data into Insight

Finance transformation at a large insurance company

Introduction

A large insurance company had outgrown its existing financial systems and reporting mechanisms. Organic growth and acquisitions had pushed the business into the Fortune 100, and the company had its sights on becoming the third largest insurer in its chosen product areas. Its growth was being driven by expanding distribution into new but related businesses. This had made it increasingly difficult to manage performance and allocate capital across the various business units.

This company's top executives recognized that achieving their aggressive growth goals would require superior financial analysis capabilities. They also wanted to establish world-class financial reporting and controls similar to those required for Sarbanes-Oxley compliance — even though the company's mutual ownership structure exempted it from such regulations. In this case, "good enough" simply wasn't sufficient.

Transforming Finance

The CFO and CEO sought timely and accurate financial reporting to more effectively allocate capital across business units and make strategic decisions. They set the goal of building a world class finance company with rapid access to consistent financial data across all business units. The key question: How should they reinvent the role and operating model of finance within the company?

Each of the company's five strategic business units had its own finance and accounting systems and processes. Enterprise-wide, there were:

- 14 general ledgers
- 20 charts of accounts
- 12 reporting systems
- 17 data repositories

In addition, company managers had created more than 300,000 spreadsheets in an attempt to reconcile and make sense of the data — clear proof that existing finance systems and processes weren't fully meeting the company's needs.

Each business unit defined data in different ways, making it difficult to analyze, consolidate, and compare information. As a result, it was nearly impossible to make fact-based decisions at the enterprise level. Specific challenges included:

- Inaccessible information – Management did not have easy or timely access to critical financial information. Obtaining financial information from business units to get a consolidated picture for how the company was doing was difficult, outdated, and labor intensive. Information was abundant, but unavailable for strategic decision-making.
- Data discrepancies – Financial information and results from different business units and segments were difficult or impossible to compare without substantial manual data manipulation, aggregation, and reconciliation to improve data accuracy and consistency.
- Process inefficiency – Decentralized, redundant, and non-standard financial processes and systems were expensive to maintain and operate, and they required constant manual intervention and processing. Existing business units monitored financial performance using outdated processes in comparison to competitors. Financials for business units were becoming expensive to run and not yielding useful information for executives.
- Reduced effectiveness – Extensive manual reconciliation and processing took time away from business analysis and other strategic activities. Data was stale and unreliable, limiting its value for strategic decision-making. The finance function spent a considerable portion of its time performing transactional activities, limiting its ability to provide insight and analysis.

The company engaged Deloitte Consulting LLP (Deloitte Consulting) to help in its efforts to transform the finance function enterprise-wide. Deloitte Consulting was selected based on our compelling transformation vision and our strong track record helping other insurers rapidly transform their finance function.

We provided specialists in everything from finance, operations and strategy to technology integration, risk management and human capital. We also selected and managed a number of specialty vendors. Deloitte Consulting professionals worked side by side with the company's staff to help them in their efforts to achieve the company's transformation goals.

Turning information into insight

The goal of the two-year transformation was to make the finance function a valued, capable, and trusted "partner" to the operating units, with deep knowledge of their businesses. In other words, a true contributor to achieving this company's results — not just overhead.

The transformation covered all aspects of finance operations:

- **Technology** – established a single data and technology architecture with a common set of financial systems, applications, and tools enterprise-wide
- **Processes** – streamlined and standardized processes, measurements, and reports wherever possible
- **People** – managed and developed the finance staff to meet the needs of the business units and the company

The overall project scope included all the core finance disciplines: Business Planning, Capital Optimization, Risk Management, Analysis and Interpretation, Record and Report, Finance Organization Management, Stakeholder Management, and Policy Management.

Information was at the heart of the transformation effort. The goal was to provide a common set of financial data across all company business units — information that was consistent, insightful, timely, and reliable — giving decision-makers the insight they need to manage the company more effectively.

Getting it done

Deloitte Consulting worked side by side with the client on all aspects of the transformation. We followed a "co-lead" model, in which every key leader or manager on the client team had a direct counterpart on the Deloitte Consulting team. This model provided close coordination on all project activities and significantly increased the likelihood the company would be able to operate on its own once the project was complete. We also coordinated our efforts across different parts of the transformation — particularly ERP and Data Management — with teams working seamlessly to help achieve the company's overall project objectives.

Major accomplishments included:

One version of the truth. There's a saying that "a person with two watches never really knows what time it is." The same is true of a company with multiple data sources. The project eliminated conflicting information by establishing a single repository for financial data with a warehouse holding financial information for all business units — a massive effort that included hundreds of data sources over 1,000 individual data elements. The repository included a "watermark" feature that made it easier to track where information originated.

Consistent data: Just because data is accurate doesn't mean it's always useful. At the company, every entity — whether it was a business unit, account, customer segment, or product — had its own unique data definitions. Most of this data was essentially the same, but inconsistent definitions made it difficult or impossible to consolidate or compare the numbers across organizational boundaries. The project established common data definitions across the enterprise, as well as a single general ledger, a single allocation rules engine for expense allocation, investment income allocation and direct allocation costs, a single data warehouse, and a single repository for all enterprise master data. All of these steps helped decision-makers to compare "apples to apples."

Flexible and accessible analysis: Data and analysis are worthless if they don't answer the right questions or if decision-makers can't get at them. The project implemented a product suite of flexible reporting tools that allows managers at every level to conduct analyses that meet their specific needs — quickly and with minimal effort.

Continuous data quality: Data quality isn't a one-time exercise; it's a never-ending process that requires constant effort and vigilance. As part of the project, the client established a dedicated team with processes and tools to maintain data quality and consistency on an ongoing basis with a data governance function. This *data governance function* monitors incoming data to confirm it is accurate, reliable and consistent with enterprise data definitions and standards. The team also works to confirm that new systems and data sources are mapped accurately and properly integrated into the overall data architecture. All hierarchies and dimensional reference data originates from one central repository and is propagated into all of the target systems. This is a leading-edge concept that many companies could benefit from.

Key breakthrough activities

Transforming a finance function can be a major undertaking that presents a wide range of challenges, but major breakthroughs at the company helped get it done.

Investing in effective technologies and solutions. Like many companies we have seen, the client had made major investments in information technology to improve transaction processing and operations. However, the CFO and CIO recognized that the company's changing business made it imperative to leverage that investment to improve decision-making. Even the most effective companies can't afford to stand pat.

Understanding the Total Cost of Information. In our experience, a surprising number of companies don't really know what they are spending on information. The client had an annual IT budget, of course, but the budget numbers didn't reflect the massive effort required to reconcile and make sense of the data. The company also didn't know the cost of bad information, which sometimes led to bad decisions and silently undermined overall business performance. A turning point in the transformation came when the CEO started asking: "What's the cost of bad information? Do the resulting decisions cost us \$X million a year? \$Y million? \$Z billion? How can we know?"

Supporting performance measurement and compliance. The client had the systems it needed to comply with reporting requirements; however, it lacked the processes and systems to measure and manage performance. One of the finance function's biggest breakthroughs was recognizing it had to do both.

The bottom line

Deloitte Consulting helped the company complete its two-year transformation effort. The company now has data that is timely, accurate, and consistent enterprise-wide — making it easier to consolidate and compare information across organizational boundaries and improving overall decision-making. These streamlined systems and processes give the finance function the time and credibility to play a more strategic, forward-looking role within the company.

About Information Dynamics

Deloitte Consulting's Information Dynamics practice can help clients address their most significant enterprise information challenges. We use an integrated approach that encompasses all aspects of the company — a 360 degree approach that includes people, processes, technology and strategy — to deliver comprehensive services that can add value to your efforts.

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