ASUG ANNUAL CONFERENCE

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EDUCATION ZONE

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How Aflac Supports Global Planning and Consolidation Processes with SAP Business Objects Planning and Consolidation 10.1
Session ID# FIN7586

David Pope, Aflac

Satwik Das, TruQua

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Speakers

David Pope, Manager
**IT SAP Financial Applications**
Aflac

Satwik Das
Principal Consultant, Business Intelligence
TruQua Enterprises

Aflac Overview

- Aflac was founded by brothers John, Paul, and Bill Amos in 1955.
  - Headquartered in Columbus, Georgia
  - More than 5,400 U.S. employees and 4,500 employees in Japan
  - 84,000 licensed agents in the U.S.
  - Offices in all 50 states, Puerto Rico, Virgin Islands, and Guam
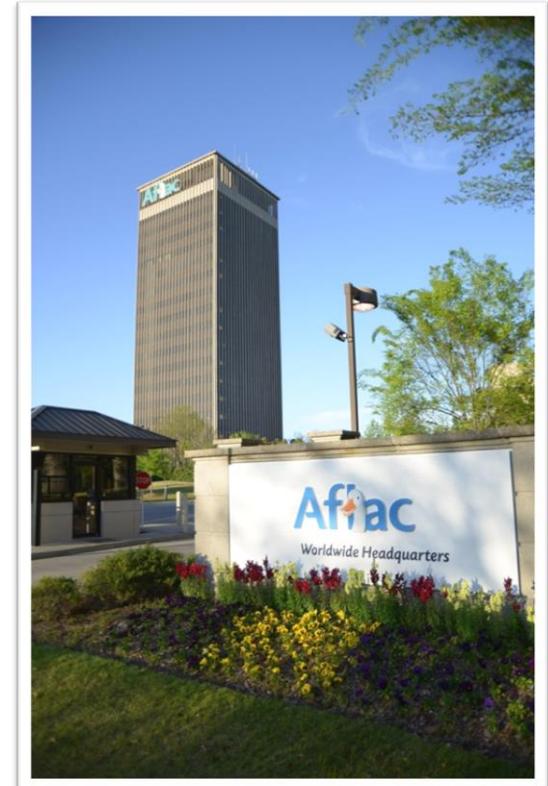
Aflac Overview

- Aflac is a Fortune 500 company, providing financial protection to more than 50 million people worldwide. When a policyholder or insured gets sick or hurt, Aflac pays cash benefits fairly, promptly and directly to the insured. For nearly six decades, Aflac voluntary insurance policies have given policyholders the opportunity to focus on recovery, not financial stress.

- Aflac U.S.
  - Aflac is the No. 1 provider of voluntary insurance at the work site in the United States.*

- Aflac Japan
  - Aflac is the No. 1 life insurance company in terms of the number of individual insurance policies in force in Japan.

*Source: Eastbridge Consulting Group, Inc. U.S. Worksite/Voluntary Sales Report. Carrier Results for 2012. Avon, CT: April 2013

Aflac SAP/History

- 2002 – Kickoff SAP 4.6c & BW 2.1.c Project
- 2003 – Completed Implementation – Go Live
- 2004 – Migration BW 2.1c → 3.1
- 2006 – Migration of 4.6c → ECC 6.0
  - BW 3.1 to 3.5
  - Implement BPS
- 2011 – Kickoff Project Ocean
  - Special Ledger → New GL on ECC 6.0
  - BW 3.1 → 7.0
  - BPS → BPC 7.5
- 2012 – Project Ocean Go Live
- 2016 – BPC 7.5 → BPC 10.1 embedded
- 2017 – BPC10.1 Go Live (3rd quarter)

Aflac Planning Landscape
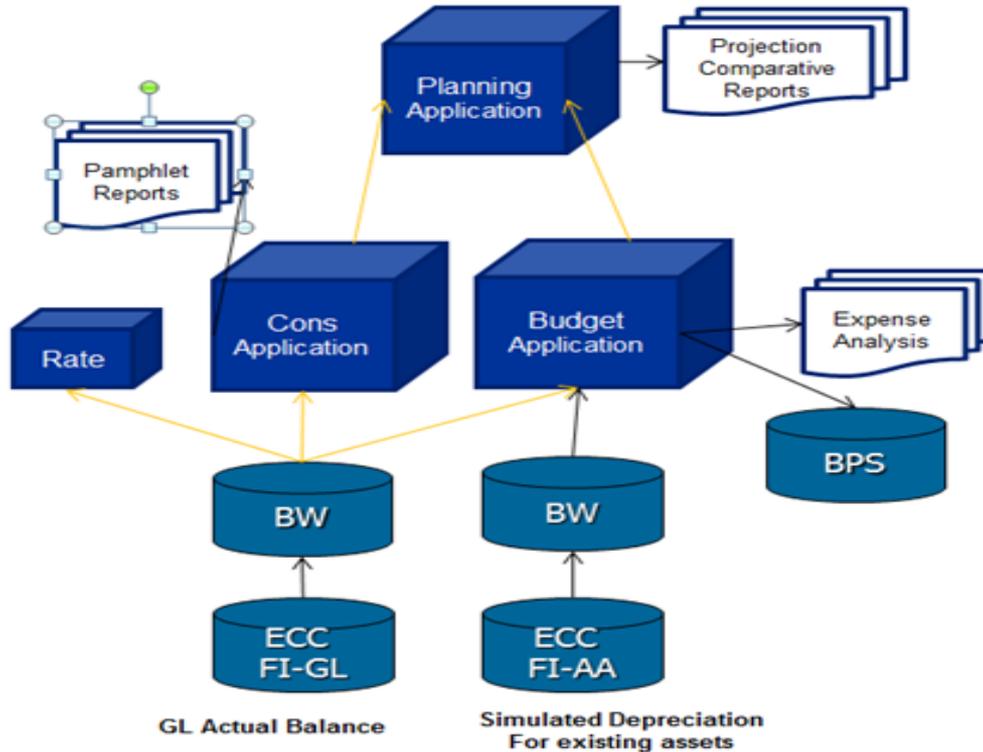
Project Description

- The purpose of this project was to implement the latest enhanced version of SAP's BPC10.1 NW (embedded version) on HANA application in support of global Budget, Cost, Consolidation and Planning processes.

- The current installed version of BPC 7.5 had limitations preventing the expansion of these processes to meet the changing demands of the business and marketplace.

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Project Scope

- Comprehensive and latest Business Planning tool for Budgeting, Planning & Consolidation
- Improved reporting menus & navigation
- Improved Administration, Security, Master data maintenance
- Improved BPC load and reconsolidation at critical reporting periods
- Headcount salary planning revisions
- New BPC applications to support i.e. Cost Allocations
- Improve run times for planning models through redesign & HANA acceleration
- Reduce/eliminate post load steps
- Provide a Corporate Planning model
- Allow for additional currencies translation and FX processing
- Allow for sub accounts processing and reporting

Business Drivers

- Budgeting on multiple currencies utilizing best practices for all budget items with the ability to translate currencies related to expenses into a global view
- Segment, regulatory (US/FSA) and global consolidated reporting on multiple currencies
- Cash flow reporting
- Sub account, transaction type level detail reporting and analysis
- Global cost application foundation
- Global corporate planning model support by segment planning for all entities and currencies with Japan planning performed completely inside BPC
- Consolidated view of all critical shared dimensions to support global reporting and processing needs (e.g. Investment P&L and Planning)
- Rapid enhancement deployment

Technical Drivers

- New SAP technologies allow for technical paradigm shift away from traditional solution design
  - HANA in-memory database
    - Super-fast performance over large volumes of data
    - View-based modeling eliminates data loads and redundant storage
  - Improved and Consolidated Front-End Tool – SAP Analysis for Office
    - Excel embedded tool that allows for reporting, analytics, planning and query design in a single tool
  - S/4 HANA foundational work
    - Laying down the foundation of S/4 HANA objects in BW/BPC
    - Future roadmap for Aflac – 2018+
- Technical maintenance and support for SAP BPC (NW) 7.5 moves to premium in late 2017

Business Requirements

- Reduced financial statement closing process due to data load, automation and reporting performance improvements found in BPC10.1 embedded version on HANA) estimated to reduce time incurred for financial statement close process

- Global processing and reporting for Budget, Cost, Consolidation and Planning

- Comprehensive transaction identification and granularity support all Financial reporting needs, which are highly accurate and robust

- Reduced overtime through process improvements and HANA performance gains during critical reporting cycles, reduce wait times

- Japan Planning cycles completed inside the core system supporting a global planning application in support of a Corporate Model

- Improved technology change management features allowing for rapid deployment of enhancements

Challenges

- Potential project impacts
  - Competing projects/resources
  - Complete redesign of the Consolidation application
  - Complex Actuarial models for Planning
- Resourcing Challenges
  - Business resource bandwidth
  - Global teams and time zone challenges
- Technical
  - New consolidations function on embedded 1610 release
  - Parallel BW HANA migration
  - Rationalization of report list
  - Hardware requirements - MPLS connections
  - Software requirement purchased, SSO cloud
- Timeline revisions
  - Dual loads to on premise and cloud
  - Extended break fix transport sync
 - Staggered Go Live, confirming application dependencies

Solution

- Solution built using BPC embedded, including the new consolidation application
- 4 main streams
  - Budget and Forecast
  - Cost Allocation
  - Consolidation
  - Strategic Planning and Corporate Model
- HANA calculation engine used for complex Actuarial calculations
- Migration of historic data, including consolidation data, into the new models

High Level Flow
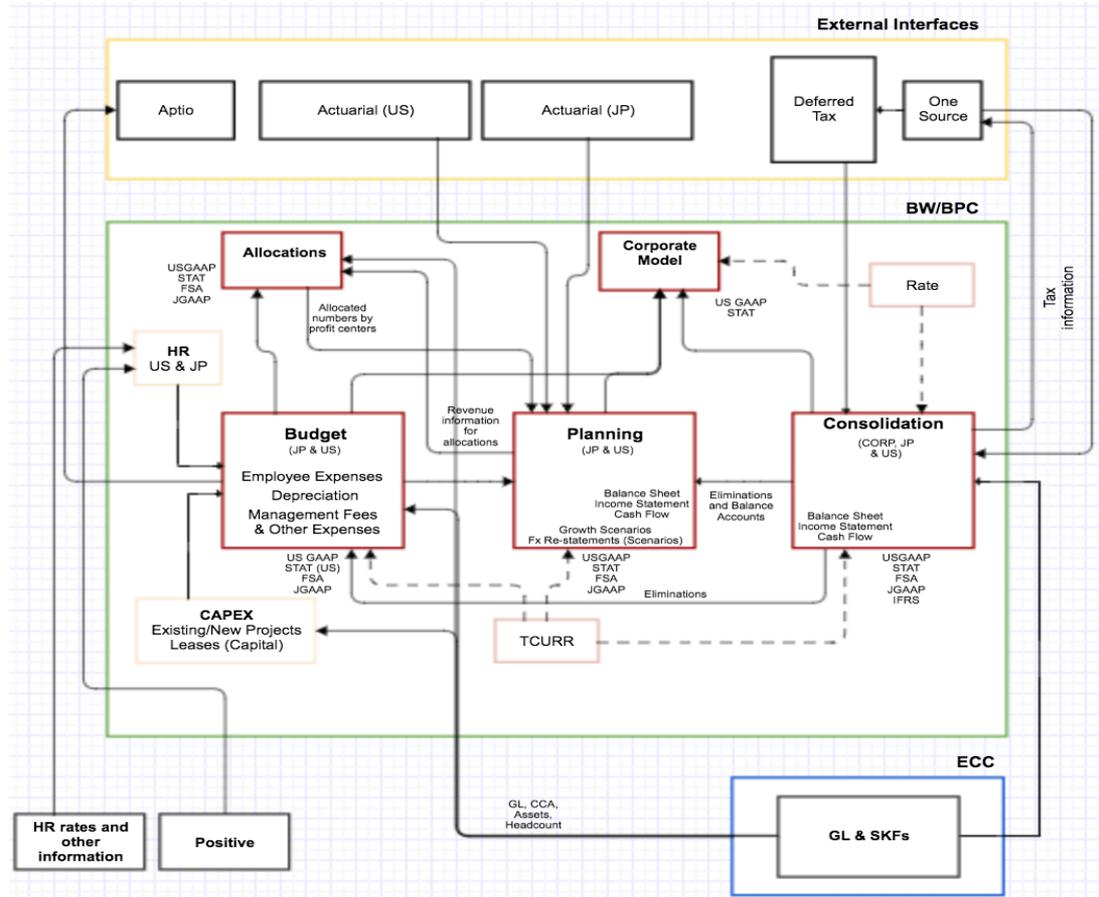
Budget & Forecasting – Key Focus Areas
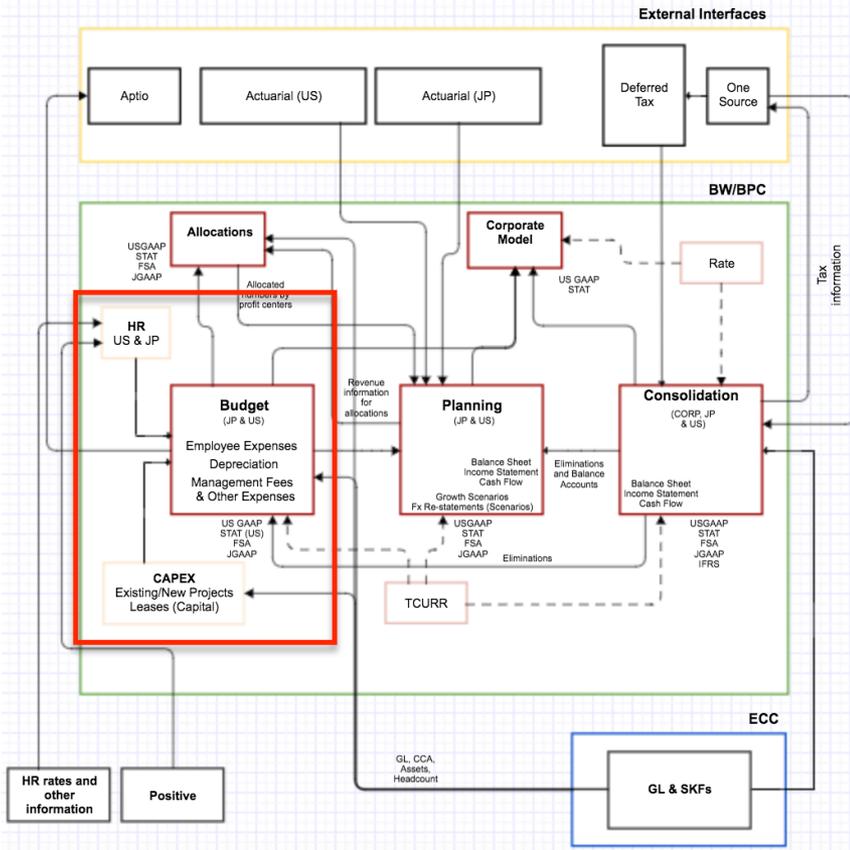
Key Focus Areas
- Enable better integration with Actuals data
- More granular reporting
- Better locking mechanism to manage multiple applications together
- Easy to use input templates and better analytical reporting

Budget & Forecasting - Highlights

HR Planning
- Headcount Planning
- New Position Planning
- Position Management
- Salary, Bonus and HR Expense Planning
- Temp and Seasonal worker's expenses
- Payroll Taxes
- Overtime Planning

CAPEX
- Existing Asset Depreciation
- New Asset Acquisition
- Position Management
- Project and CIP (Construction in Progress)
- Capital and Operating Lease

G&A
- G&A Expenses
- Planning and Summary and Line item level
- Budget Transfers
- Summary HR and CAPEX Expenses

Features
- Reduced data redundancy by integrating Actuals and Plan models
- Interface between CAPEX, HR and G&A application
- Central Locking functionality using data slices (Admin functionality)
- Rationalizing number of standard layouts for input and reporting
- Comment functionality at multiple levels of granularity

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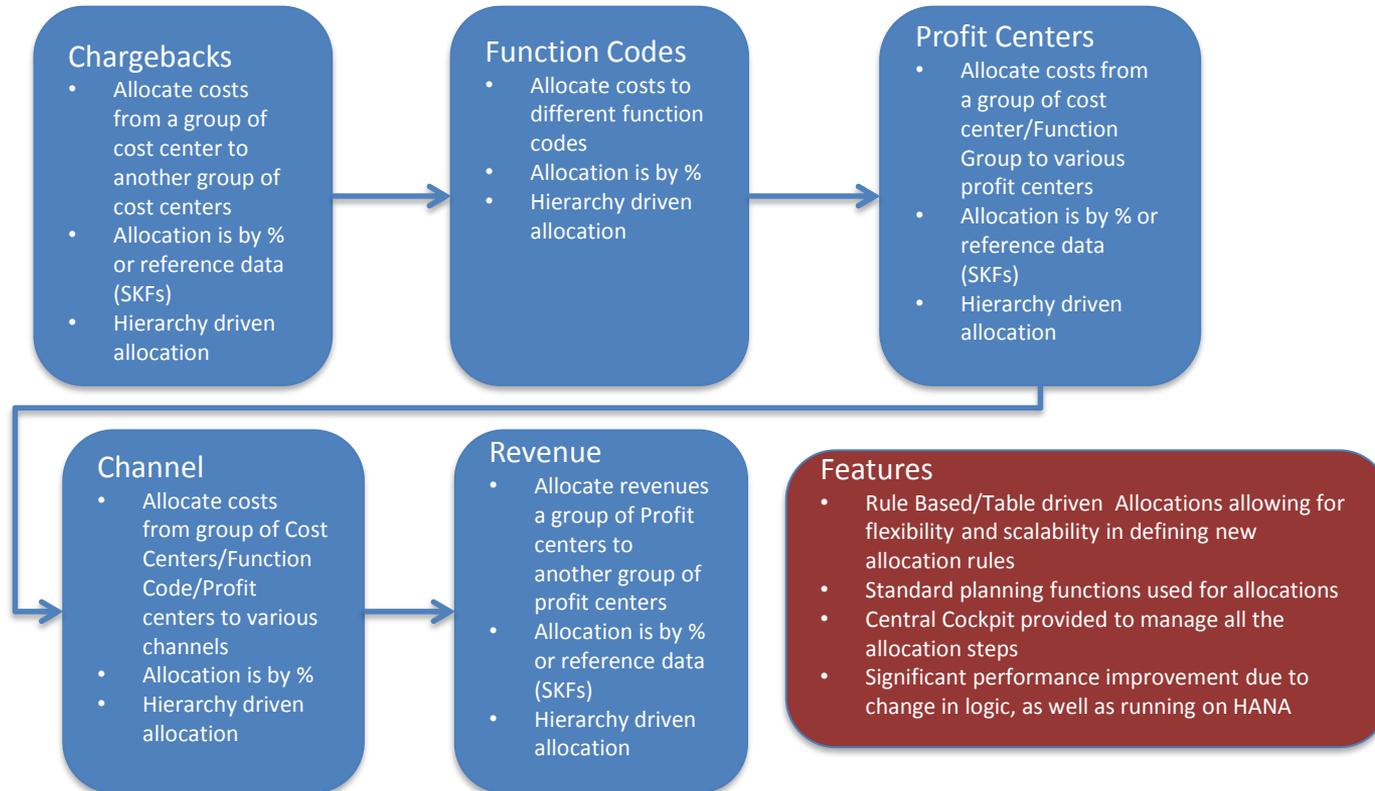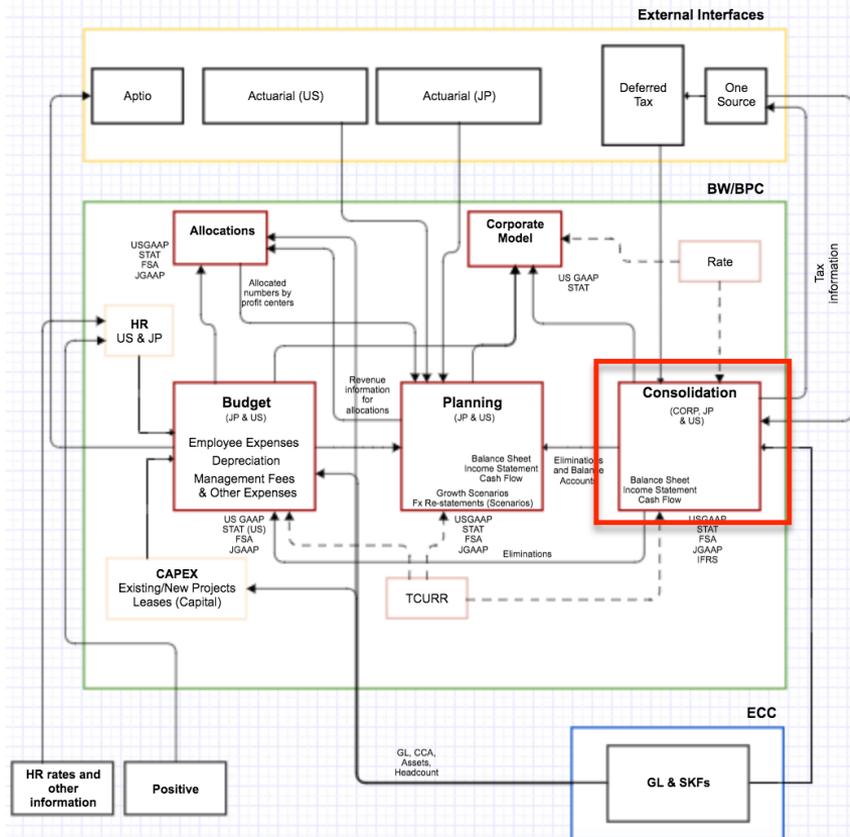# Allocations - Key Focus Areas
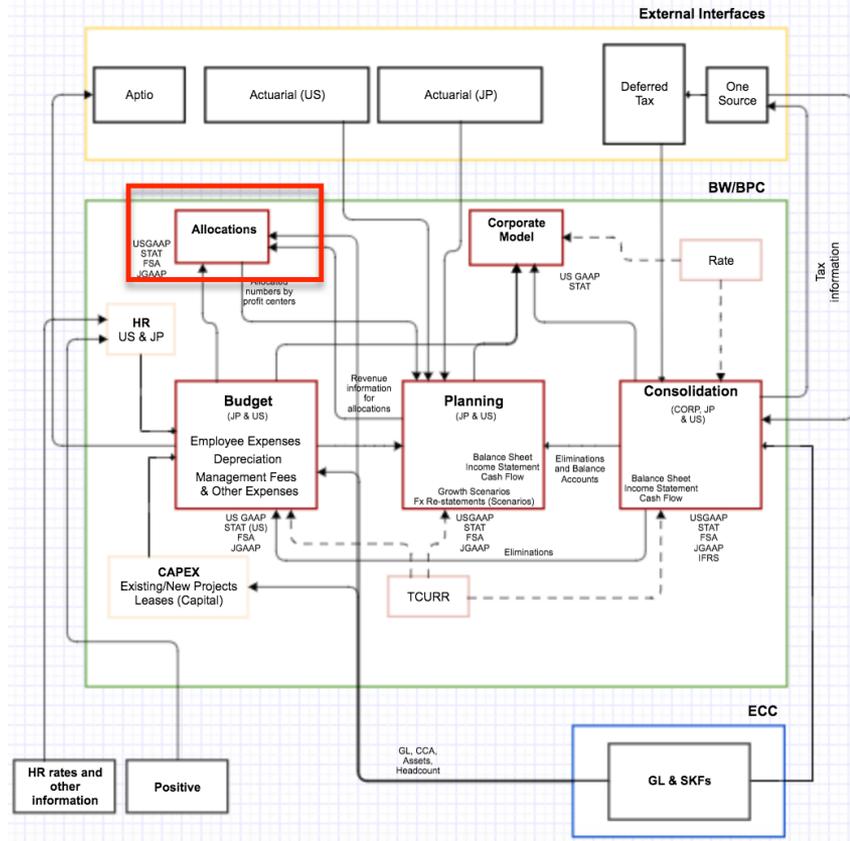
Key Focus Areas
- Create a global framework for the allocation process
- Reduce time for the end to end process
- Reduce dependency on the IT team during the Allocation run
- Flexible solution to add/modify rules

Allocations - Highlights

Allocations is done for both Actual and Budget numbers

Chargebacks
- Allocate costs from a group of cost center to another group of cost centers
- Allocation is by % or reference data (SKFs)
- Hierarchy driven allocation

Function Codes
- Allocate costs to different function codes
- Allocation is by %
- Hierarchy driven allocation

Profit Centers
- Allocate costs from a group of cost center/Function Group to various profit centers
- Allocation is by % or reference data (SKFs)
- Hierarchy driven allocation

Channel
- Allocate costs from group of Cost Centers/Function Code/Profit centers to various channels
- Allocation is by %
- Hierarchy driven allocation

Revenue
- Allocate revenues a group of Profit centers to another group of profit centers
- Allocation is by % or reference data (SKFs)
- Hierarchy driven allocation

Features
- Rule Based/Table driven Allocations allowing for flexibility and scalability in defining new allocation rules
- Standard planning functions used for allocations
- Central Cockpit provided to manage all the allocation steps
- Significant performance improvement due to change in logic, as well as running on HANA

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Consolidation – Key Focus Areas

Key Focus Areas
- Better automation of the consolidation process
- Enable possibility of multiple group/ownership structure
- Simpler solution for handling multiple accounting-basis
- Simplify handling of transaction currency and Fx restatements

Consolidation - Highlights

Pre Consolidation
- Load Actuals
- Maintain Ownership information
- Maintain Rate information
- Maintain dimension properties

Consolidation
- Balance Carry Forward
- Currency Translations for Adjustments
- Account Transformation
- Eliminations including retrocession
- Calculate Retained Earnings
- Fx Restatements

Reporting
- Balance Sheet
- P&L
- Consolidated Cash flow
- Consolidated Trial Balance
- Exchange Effect Report

Features
- Based on the new BPC embedded consolidation solution
- Simplified solution for handling of currency and Fx Restatement process by providing transparency and visibility into logics and calculations
- Tight integration between Consolidation and Strategic Planning process
- Easily scalable solution for handling additional accounting-basis, Fx re-statement scenarios, Group currencies and Group/Ownership structures
- Aligning business processes between multiple segments enabled standardization and rationalization of reporting
- Consolidation of different accounting standards using the same BPC Embedded model

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Strategic Planning – key focus areas
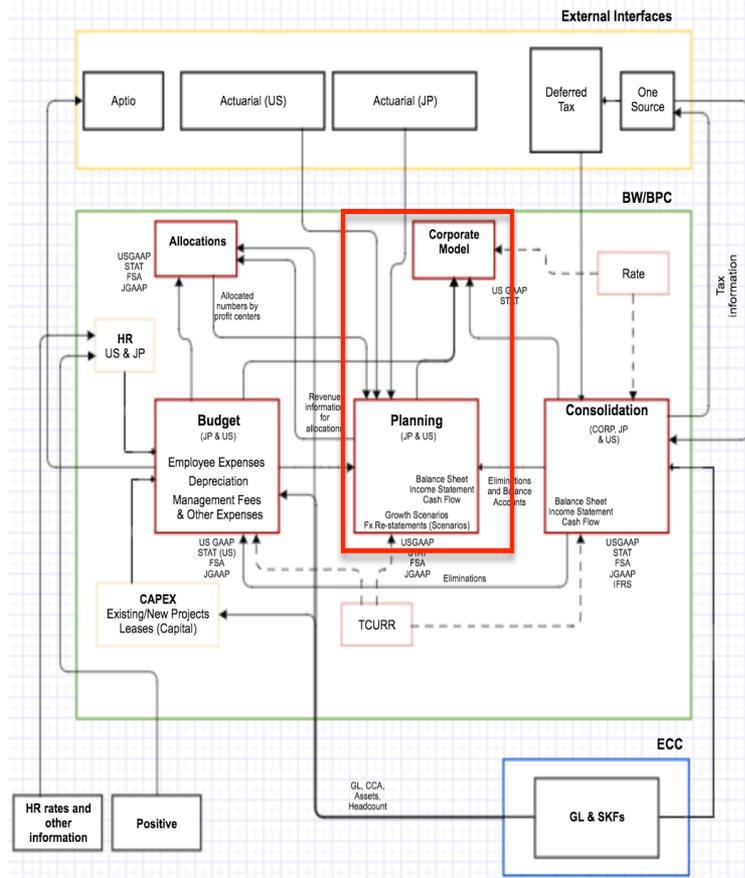
Key Focus Areas
- Bring the Actuarial process and Corporate model into the Aflac SAP landscape
- Improve performance of the Actuarial calculations
- Enable better automation as well as better integration between the Actuarial and Non Actuarial process
- Simplify handling of Transaction Currency

Strategic Planning - Highlights

Actuarial Model
- Load Marketing and Actuarial input data in BPC
- Run calculation in HANA to generate most of the P&L line items like Revenues and Cost, as well as units (# of Policies planned to be sold)
- Run what-if scenarios on assumptions (like % of rejection rate etc.)

Non Actuarial Model
- Combine revenues, cost of sales from Actuarial with expense projections, investment income etc.
- Generate 5 year projections for Balance Sheet, P&L and Cash Flow
- Manage different Fx scenarios to analyze currency exposure.

Corporate Model
- Calculate Earnings per Share (EPS) of the company
- Analyze impact of future reorganization (like acquisition and divestitures) on EPS
- Generate projected Balance Sheet, P&L and Cash Flow based on the reorganization impact

Features
- Actuarial model combines the BW data and structures with the HANA tables and calculation engine carry out complex calculations.
- Significant improvement in actuarial calculations compared to the legacy solution
- Brings the Actuarial and Corporate Model under the SAP/BW umbrella and provides unified reporting.
- Provides a central cockpit for the Admin to manage all steps of the planning process
- Corporate Model provides ability to project Financial Statements based on different possible organization structures

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S/4HANA Readiness

- Imported /ERP/ Info Objects into the BW system (SAP note 2243472 provides the /ERP/ info objects)
- The /ERP/ Info Objects read from views at runtime in the S/4 HANA system
- The new objects used in the BPC Embedded application
  - Reads from the standard master data tables in the BW system
  - Prepares the system for future migration and avoids possible redesign of some of the applications.

Future Outlook

- BW system deployed on HANA supporting BPC
- Meets all business, system and contract requirements
- Full Global Financial Divisional utilization
- Full transition from manual processes to system supported content delivered
- Rationalized "single version of the truth" outputs and reports
- Strategic direction is to follow SAP's roadmap
  - Moving ERP system to S/4 HANA
  - Consolidating ERP landscape
  - Utilize reporting and visualization tools to improve user experience

Key Learning Points

- Multiple skills required across various SAP technical areas to ensure successful development of solution:
- Too much flexibility can be detrimental to solution design.
    - Determine appropriate level of flexibility early on.
- Address the reporting transition topic early in the project.
    - Move users towards fewer reports providing wider analytical ability.
- Conceptual challenges in re-implementing in BPC Embedded due to user familiarity of current solution
- Adopt iterative design approach that allows for evolution as you discover more about your data.

Return on Investment

- Rapid transactional data loads in support of reducing the closing and consolidation activities, providing just in time reporting for global operations
- A granular level of detail loads supporting sub account, transaction types and data fields critical to financial operations
- The ability to meet Japan planning level detail utilizing HANA for processing and reporting of granular data, allowing for end to end Japan planning in BPC that support the corporate planning model
- The foundation for a global cost application providing a corporate cost allocations process
- A new transport strategy where all enhancements and development can be isolated and packaged into a release providing the ability to rapidly deploy changes in a controlled auditable fashion
- System prepared for future migration to S/4 HANA to align with SAP roadmap

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