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Lodestone Establishes a Shared Service Center for Allianz New Europe

To improve the efficiency, effectiveness, and harmonization of its finance and accounting operations, Allianz New Europe (AZNE) established a shared service center in Bratislava, Slovakia, to provide financial accounting, regulatory and corporate reporting, and management accounting support services for its companies across Eastern Europe.

The establishment of a shared service center was a major achievement in the Allianz Group's strategy to transform its finance functions and improve data quality and consistency, as well as the reporting speed and efficiency, of its finance departments worldwide.

The shared service center for AZNE is the first such center for the Allianz Group and one of the first multinational shared service centers for finance and accounting in the insurance industry. To define and implement the center, AZNE selected Lodestone as its delivery partner.

"The implementation of Allianz Business Services is a big step forward for the entire Allianz Group. It's the group's first shared service center focusing on accounting, controlling, and reporting and is a role model not only within Allianz but for the entire financial services industry."

Marcin Halbersztadt, CEO, Allianz Business Services

Transforming Global Finance

In the spring of 2002, Allianz launched a global initiative to transform its finance functions in terms of processes, content, and applications. The objective of this program was to enhance the efficiency of the finance functions and increase data quality and reporting reliability.

One of the program's pillars was a global SAP rollout combined with best-practice finance processes and harmonized reporting requirements. Shared services are a key enabler in helping Allianz reach its ambitious goals.

AZNE was the first region to adopt this strategy. It decided to conduct a major finance transformation project by building a shared service center and implementing a common SAP solution covering core accounting functionalities, procurement processes, and business intelligence.

Moving from a Centrally Managed System

AZNE has local companies in nine Eastern European countries — Bulgaria, Czech Republic, Croatia, Hungary, Poland, Romania, Russia, Slovakia, and Slovenia — and each entity had previously been operating independently with separate accounting, controlling, and reporting departments using a variety of different applications. The region was centrally managed and well coordinated, but harmonization of processes, reporting structures and contents, and applications was limited.

A business case revealed that AZNE could gain substantial benefits by implementing a shared service center for the region. In addition to expected monetary benefits, management also counted on an increase of accounting and management reporting quality.

Key Components of a Shared Service Center

When establishing a shared service center, Allianz opted for a solution that involved:

- Transferring operational accounting and reporting processes to the newly established shared service center organization, Allianz Business Services
- Harmonizing accounting, controlling, and reporting processes for all countries and limiting local specialties to legal requirements
- Implementing a common finance, accounting, and reporting platform on SAP software for all countries
- Integrating all feeder systems through an interface hub, a "central rules engine"
- Connecting all countries to the shared service center via a scanning, archiving, and workflow solution
- Implementing one common operational chart of accounts for all entities
- Introducing a harmonized controlling concept for all entities with common philosophies, structures, hierarchies, and cost accounting routines



Marcin Halbersztadt, CEO, Allianz Business Services

How the Shared Service Center Harmonized Accounting and Reporting

AZNE decided to implement one common shared service center for the whole region. A new company, Allianz Business Services, was established to provide services for accounting, controlling, and reporting — among other services such as re-insurance, voice and communication, and infrastructure hosting — for the insurance companies in the AZNE region.

The first wave of three countries went productive after only nine months of project work. The accounting, controlling, and reporting processes were centralized and harmonized for all countries. The shared service center now performs operational accounting — invoice booking, payments, and report creation, for example — for the operational entities. A workflow application handles all necessary document exchange between the center and the local entities. The solution also includes a regional controlling concept that allows harmonized reporting for the complete region. A core component was the definition of one common chart of accounts for all countries.

“Lodestone played a key role in the project’s success, delivering not only SAP technical expertise but also deep industry and process knowledge.”

Marcin Halbersztadt, CEO, Allianz Business Services

Additional waves considerably enhanced the shared service center by including additional countries and companies (now covering all nine countries) and services such as investment accounting and collection and disbursement for the core insurance business.

The Benefits of Sharing Finance and Accounting Support Services

The finance transformation project has produced numerous benefits:

- Clear improvement in data structure and consistency, including improved consistency between local and IFRS standards
- Extensive review and re-design of accounting processes — leading to quality improvements
- Improved reporting and controlling in compliance with Allianz’s reporting, as well as quicker reaction to reporting requirements
- A starting point for centralization activities for better coordination and cost savings
- A common technology platform in the AZNE region
- Local accounting that focuses more on accounting policies, analysis, and decision support
- Fewer accounting processes outside SAP ledgers
- The flexibility to support growth — simplified inclusion of new companies and new business

While cost savings was not the project’s primary objective, substantial efficiency gains could be achieved, and further savings are expected.

Selecting a Partner

Allianz was looking for a partner to help successfully establish its new center. As the project lead for the shared service center implementation, Lodestone provided overall strategic and operational support. Lodestone was chosen because of its deep industry, business process, and technology expertise combined with its proven program, system, and business performance management methods, enabling Allianz to realize business value with minimum risk.

At a Glance

The Allianz Group

Headquarters: Munich, Germany

Industry: The Allianz Group is one of the leading integrated financial services providers worldwide

Revenue: 97.4 billion euros (2009)

Employees: 155,000 worldwide

Customers: 75 million in more than 70 countries

Company details:

- On the insurance side, Allianz is the market leader in Germany and has a strong international presence.
- Allianz is also one of the world’s largest asset managers, with third-party assets of 926 billion euros.
- Allianz New Europe is one of the company’s most important growth regions, boasting an annual turnover of 5.5 billion euros.

Lodestone supported Allianz in designing and implementing an operating model, new harmonized processes, and regionally harmonized controlling concepts following Allianz Group requirements. With Lodestone, Allianz achieved its goals to establish an efficient center, including all infrastructure, processes, and finance accounting and reporting applications based on SAP systems (such as SAP ERP Financials, Materials Management, Sales and Distribution, Investment Accounting, Collection and Disbursement, and SAP NetWeaver Business Warehouse) workflow systems, and document management systems. And they managed to complete the project’s first wave of three countries in less than one year, with additional waves following.

An Industry-Leading Business Transformation

For Allianz, this project is a cornerstone in achieving world-class accounting and reporting. The shared service center in Bratislava enables AZNE to achieve its growth and efficiency targets, and also serves as a model for other Allianz regions worldwide. Lodestone is proud that Allianz turned to them to help ensure that the effort was not only successful, but also an industry-leading example of business transformation.

For more information about Lodestone, visit www.lodestonemc.com. ■