Wesfarmers Insurance

Overview

The need
The various businesses within Wesfarmers Insurance Australian Underwriting Division used a number of different planning systems and processes. Creating consolidated group budgets and forecasts was a complex, labour-intensive task.

The solution
Wesfarmers Insurance worked with Cornerstone to implement an enterprise planning and forecasting capability using IBM® Cognos® TM1® software, enabling consistent planning and budgeting processes across the group.

The benefit
Will save four weeks of manual work during future budgeting cycles. Cuts time taken to make changes to the budget model by 50 percent. Delivers an estimated 20 percent annual return on investment.

Wesfarmers Insurance accelerates business planning

Increasing trust with a single enterprise-wide budgeting and forecasting model

When your business comprises multiple independent brands or divisions, each with its own financial planning systems and processes, how can you create consistent group-level budgets and forecasts that accurately map the needs of the business?

Wesfarmers Insurance realised that it needed to unite the planning processes of its three main underwriting business units by creating a single budgeting and forecasting model. With help from Cornerstone, an IBM Business Partner, the company was able to develop an IBM Cognos TM1 solution that will substantially accelerate and streamline its complex financial planning processes.

Setting the scene

The Wesfarmers Group is one of Australia's largest and most diversified companies, with interests in supermarkets, department stores, home improvement and office supplies; coal mining; insurance; chemicals, energy and fertilisers; and industrial and safety products. It employs more than 200,000 people, generated annual revenues of over AUD 59 billion in 2013, and is listed on the Australian Securities Exchange (ASX: WES).

Wesfarmers Insurance is the fifth largest insurer in Australia and third largest insurer in New Zealand. It also operates one of the largest insurance broking networks across Australasia. With headquarters in Sydney, the company is represented in 138 locations in Australia, 29 in New Zealand and six in the United Kingdom, through a team of over 3,600 dedicated employees.

The business operates through established insurance underwriting brands, including Lumley in Australia and New Zealand and WFI in Australia, as well as progressive brands such as Coles Insurance. Its respected insurance broking brands include OAMPS in Australia and the UK, and Crombie Lockwood in New Zealand.

Solution components

Software
- IBM® Cognos® TM1®
- IBM Cognos Business Intelligence
- IBM InfoSphere® DataStage®

IBM Business Partner
- Cornerstone

Challenges of a complex planning process

Rachael McVitty, Acting Chief Financial Officer of the Australian Underwriting Business at Wesfarmers Insurance, comments: "Wesfarmers Insurance has grown both organically and through acquisition. As a result, our three underwriting businesses all had their own financial systems and processes, which made group-level activities such as budgeting and forecasting both complex and labour-intensive."

Natalie Monks, Finance Projects Analyst, adds: "Most financial planning processes at individual, company and group levels relied on spreadsheet-based models, which raised all the usual issues: high complexity, lack of transparency, and the risk of human error. If we couldn't guarantee the accuracy of the budget down to an operational level, the business couldn't use it to guide decision-making."

Creating a single model

Wesfarmers Insurance realised that the solution was to unite the planning processes of all its underwriting businesses by creating a single budgeting model – but this was easier said than done. The complexity of the business, with hundreds of products and offices, made the company's first attempt at creating a single model unwieldy, and it did not perform as well as expected.

"We faced a real challenge, because the business was starting to lose its confidence in the idea of a single model that would meet the individual needs of each business while enabling better consistency and transparency across all our businesses," comments McVitty. "We had to win back their trust – which meant we needed to deliver results fast."

Forming a true partnership

The Wesfarmers Insurance team decided to work with Cornerstone, an IBM Business Partner, and create a new, more user-friendly model using IBM Cognos TM1 software. The solution would be based on a simple, modular design

that would allow Wesfarmers Insurance and Cornerstone to develop functionalities one at a time, test them, and release them to the business more quickly.

"We had worked with Cornerstone on other analytics projects, and they knew how our business works," explains Monks. "Their consultants also understood the complexities of financial planning in the insurance sector, which was a major advantage.

"More importantly, Cornerstone worked with our team and with stakeholders from the business to design a solution with our users in mind – rather than imposing their own ideas on us. The result was a project that was completed on time and on budget, and delivered value almost immediately through a series of quick wins – helping us to regain confidence in our single-model strategy.

"Best of all, we have had very few issues since the go-live. Everything worked smoothly from day one, which is really impressive for a project of this size and complexity, and has definitely helped with user acceptance."

Piers Wilson, Director at Cornerstone, adds: "Our insurance industry experience, coupled with our budgeting and forecasting expertise, ensured that we were able to deliver an elegant solution to meet quite a complex set of requirements. Even so, the benefits that Wesfarmers Insurance has gained from TM1 have exceeded our expectations."

Benefits of IBM Cognos TM1

IBM Cognos TM1 software provides Wesfarmers Insurance with a central repository of historical data that is used to generate an accurate model for budgets and forecasts, with costs allocated right down to the level of individual offices and product lines.

"One of our other divisions, Lumley General Insurance New Zealand, had already been using IBM Cognos TM1 with great success, and we knew it was one of the best-regarded solutions on the market for complex financial planning," says McVitty.

"We were able to build a strong business case based on the benefits of improving the overall accuracy of our budgets and forecasts, achieving greater accountability with business owners, and reducing the cost and complexity of the processes themselves. We estimated that the solution would deliver a 20 percent annual return on investment and pay for itself within five years."

> *"What we have loved about this project is the way it has changed the company's perception of financial planning. There's now a genuine enthusiasm within the business to harness the solution and expand and enhance its capabilities."*

— Rachael McVitty, Acting Chief Financial Officer of the Australian Underwriting Business, Wesfarmers Insurance

Reducing time and effort

By replacing error-prone spreadsheets with a centralised, secure environment that extracts data directly from the company's data warehouse via IBM InfoSphere® DataStage®, Wesfarmers Insurance has eliminated much of the time and effort its finance team used to spend on budgeting, forecasting and other important processes.

To take one example, the new solution enables users to allocate activity-based costs down to the level of individual products and offices quickly and transparently. This improved functionality has now been extended to activities outside the budget process. The business uses it to generate cost allocation journal entries automatically each month. The allocation process can now be completed within 20 minutes – whereas with the old spreadsheet process, it would have taken up to a day.

Easy to learn

Although IBM Cognos TM1 handles Wesfarmers Insurance's data in a radically different way from a spreadsheet-based process, it nevertheless provides a familiar and intuitive environment for users to work in. The TM1 Contributor interface has a similar look and feel to a traditional spreadsheet, so most users in the finance department have been able to adapt to it with minimal need for retraining.

"The flexibility and usability of IBM Cognos TM1 put all the figures at the users' fingertips," says McVitty. "They can make changes quickly and see how it impacts their bottom line, because the system will recalculate all the values almost instantly. Moreover, the system is much more transparent and standardised: it's clear how each value is calculated, and the calculations are applied in the same way across all three business units."

Monks adds: "It's also much easier for us to manage and update the model. For example, if we need to add a new cost centre or product, or alter a key driver, we can make the change quickly and be confident that it has been correctly applied throughout the model. Previously it might have taken several days to update and check all the relevant spreadsheets."

Accelerating budgeting and forecasting

Wesfarmers Insurance has already completed its first annual budget with the new solution. McVitty says: "Now that the team has gained some experience with TM1, we expect to cut about four weeks from next year's budgeting cycle. We usually have temporary employees helping out during the budgeting period, but we don't think we'll need them going forward, which should be a cost saving."

The company can also now produce monthly forecasts with a minimum of manual effort. Monks comments: "Generating forecasts is much easier now, so we can create them more frequently. We have plans to build on this new capability."

Most important of all, since the new model reaches from the group level down to the individual cost centres and products, the resulting budget and forecast figures are more precise, accurate and trustworthy – so the business is increasingly confident in using them as the basis for decision-making.

Changing the perception of planning

Looking to the near future, Wesfarmers Insurance plans to expand its use of the solution's scenario modelling capabilities. The team is currently working on some ad hoc "what if" analyses for the executive team, and hopes to make these capabilities available soon to a wider user-base on a self-service basis.

"What we have loved about this project is the way it has changed the company's perception of financial planning," concludes McVitty. "There's now a genuine enthusiasm within the business to harness the solution and expand and enhance its capabilities. When someone comes up with a new idea, one of the first questions they ask us is, 'Can we do it in TM1?' And the best thing of all is that our answer is usually 'Yes!'"

About Cornerstone

Cornerstone Performance Management is an IBM Premier Business Partner, providing management and systems consulting services to help its clients analyse, visualise and manage their businesses more effectively. Cornerstone operates throughout Australia, with offices in Canberra, Melbourne and Sydney.

To learn more about products, services and solutions from Cornerstone, please visit cornerstone.com.au

About IBM Business Analytics

IBM Business Analytics software delivers data-driven insights that help organisations work smarter and outperform their peers. This comprehensive portfolio includes solutions for business intelligence, predictive analytics and decision management, performance management, and risk management.

Business Analytics solutions enable companies to identify and visualise trends and patterns in areas, such as customer analytics, that can have a profound effect on business performance. They can compare scenarios, anticipate potential threats and opportunities, better plan, budget and forecast resources, balance risks against expected returns and work to meet regulatory requirements. By making analytics widely available, organisations can align tactical and strategic decision-making to achieve business goals.

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