

Accounting department transformation; A central part of Hurtigrutens future strategic success

A greenfield road to SAP S/4 HANA

Ellen Charlotte Solum, Partner Uniconsult AS and Project Owner

Lena Halvari, Partner Uniconsult AS and Project Manager

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About us

Hurtigruten history and strategy

Project background

Key project information

The prototype model

Scope and solution design

Critical success factors, experience and pain points



Who we are

Ellen Solum

Introduksjon

Ellen er en erfaren økonomileder med regnskap som spesialfelt. Hun har lang erfaring fra selskaper i endring, har en solid faglig forankring og god kunnskap om digitalisering av økonomiprosesser. Hun setter seg raskt inn i problemstillinger og får god oversikt over strategiske og organisatoriske utfordringer. Ellen er en svært tydelig leder som gjennom oppdrag som konsernregnskapssjef og CFO har identifisert og gjennomført flere forbedringsprosjekter forankret i selskapenes strategi.

Nøkkelkompetanse

- Ledelse av økonomi, controlling og regnskapsavdelinger
- IFRS og konsernregnskap
- Finansiell rapportering og rapportering i børsnoterte selskaper
- Digitaliseringsprosjekter i økonomiavdelinger
- Ledelse av strategi implementering og endringsprosesser



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Lena Halvari

Introduksjon

Lena bistår bedrifter med digital transformasjon og forbedringsinitiativ innenfor CFO området, gjerne i grensesnittet prosess og system. Hun innehar roller som selskapets interne prosjektleder eller representant i større prosjekter, samt som rådgiver innenfor ledelsesvurderinger. Lena har mer enn 16 års erfaring fra CFO området og strategisk relevante prosjekt fra blant annet kraft-, fly-, entreprenør-, og cruiseindustrien. Lena er dedikert og strukturert med en løsningsorientert tilnærming.

Nøkkelkompetanse

- Prosjektledelse (Prince2)
- Finansiell rapportering og internkontroll
- Konsernstyring og selskapsledelse
- Strategi og kommunikasjon
- Styrearbeid



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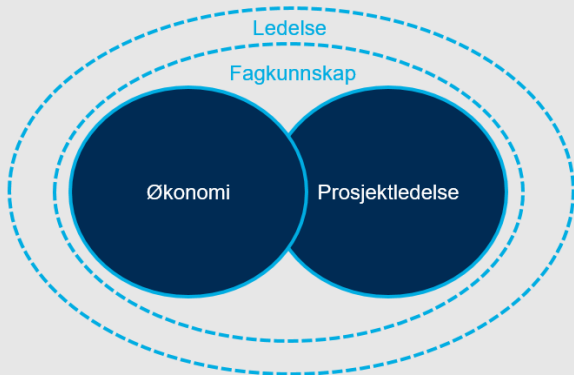
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**UNI
CONSULT**

About Uniconsult

Uniconsults tjenesteområder

Uniconsult leverer spesialistkunnskap og ledelse innenfor økonomi og prosjekt



Uniconsults historie

Et ansatteiet konsultentselskap som i over 20 år har rekruttert de beste innenfor sine områder



**UNI
CONSULT**

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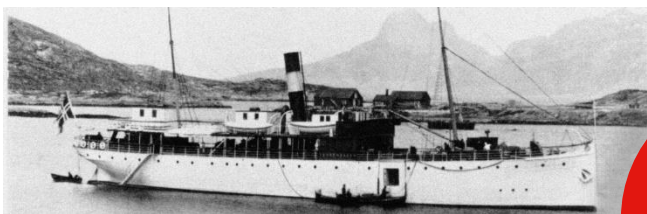
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Delivering Unique Exploration Experiences is in Our DNA

Heritage Dating Back to 1893



- Hurtigruten's coastal voyage was established as a link between Northern and Southern parts of Norway in 1893
- Today's Hurtigruten is the result of a merger in 2005 between the two companies that had operated under the Hurtigruten brand
- Non-core activities (public transport) divested during 2007-2013 as part of the strategy to streamline the Company



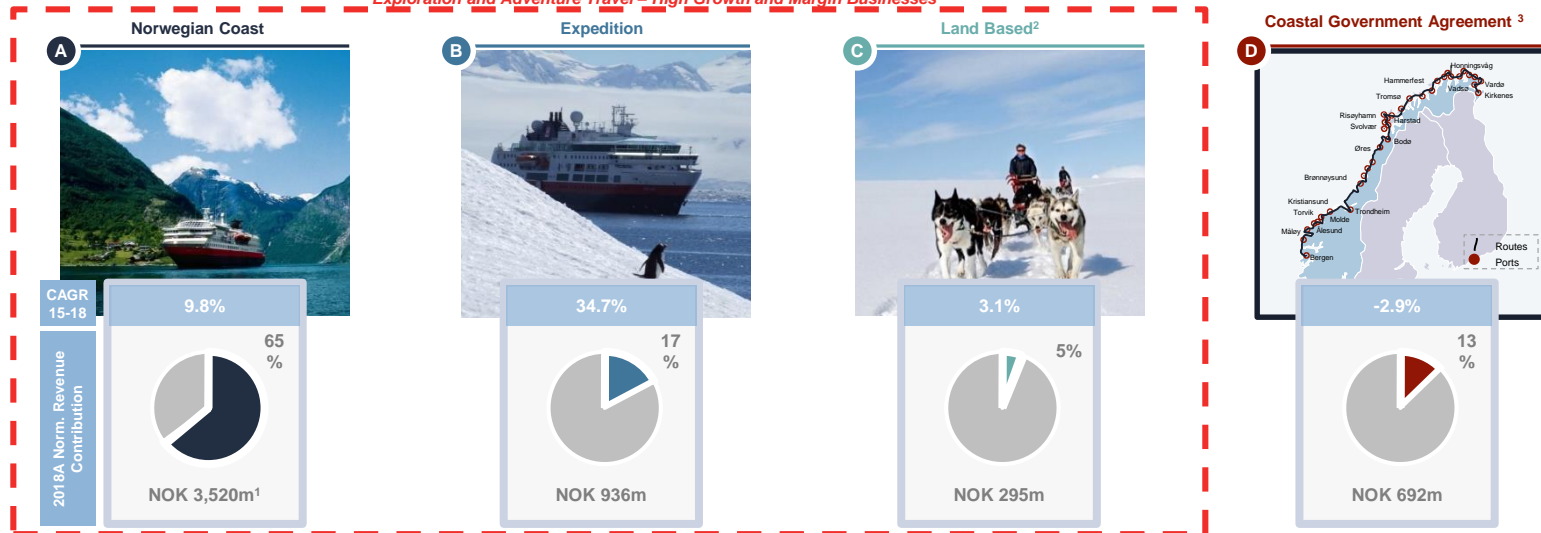
Modern Cruise Exploration and Adventure Specialist



- Leading player in cruise based exploration and adventure travel with an unmatched offering
- Unique corporate culture that combines 100 years of experience operating vessels in polar waters
- Ability to offer modern and authentic cruise products for the adventure traveller and the experienced cruiser

Global Leader in Cruise-Based Exploration and Adventure Travel with Strong Business Momentum

Exploration and Adventure Travel – High Growth and Margin Businesses



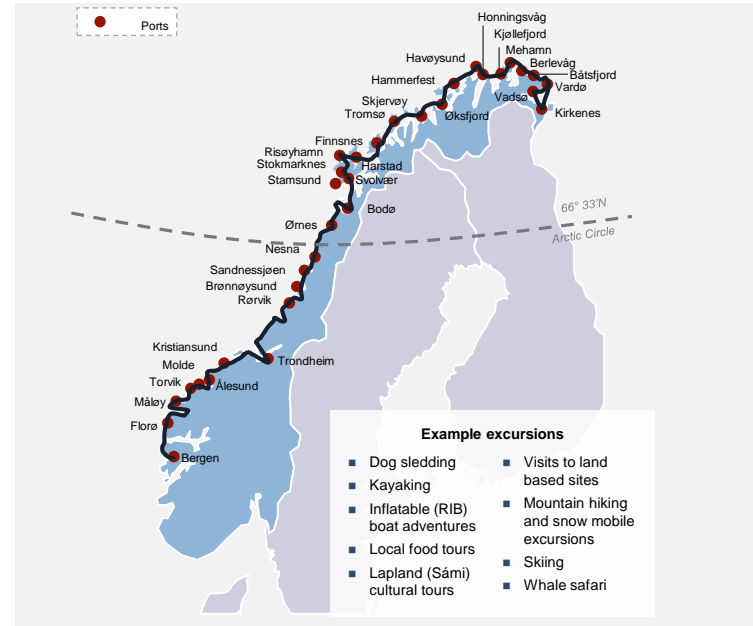
Norwegian Coast - Authentic Exploration Cruises along the Norwegian Coast

The Authentic Norwegian Coastal Experience

- 3-12 day voyages around the Norwegian Coast (total of 1.1 million passenger cruise nights in 2016)
- Vessels with ability to access shallow fjords and straits inaccessible for conventional cruise vessels
- Cruise experience tailored to the changing seasons along the Norwegian coast
- Product targeted at curious adventurers seeking to explore nature and remote civilisation
- Offering more than 90 excursions, with activities led by on-board exploration teams
- High-end food offering tailored to the traditional Norwegian cuisine using locally sourced ingredients from the coast
- ~80% of passengers from outside the Nordics



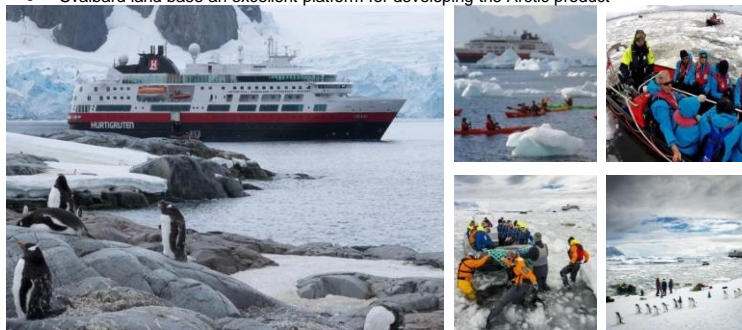
Unmatched Coastal Reach



Expedition - True Exploration Based Adventure Cruises in the Arctic and Antarctica

Expedition Product Offering

- Purpose-built fleet offering unique experiences in remote geographies, with actual landings
- Distinct explorations to the Arctic (Svalbard, Greenland, Iceland, Canada and the Northwest passage) and the Antarctic
- Vessels built to handle landings in the Arctic and Antarctica in order to experience the wildlife first hand
- A wide array of excursions and expeditions offered to provide an unforgettable experience
- Fleet comprised of 3 ice-class¹ explorer vessels, in addition to 2 newbuilds expected to be delivered in 2018 and 2019
- Svalbard land base an excellent platform for developing the Arctic product



¹ MS Fram ice class 1B, MS Midnatsol ice class 1C, MS Spitsbergen ice class 1C (hull).

Routes 2019



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Background

New financial solution ERP project

New booking platform implementation

- Suggested solution manifest existing decentralized financial transaction processes

Several accounting systems in Group

- Different processes and practices across Group leading to unharmonized Financial Data and lack of optimized processes
- Difficult, if not impossible, to automate processes due to decentralized systems and processes, and weak system functionalities
- Lack of Transaction Details for reporting, analysis and control – financial data and transactions are handled in operative systems across the Group

Company growth and change

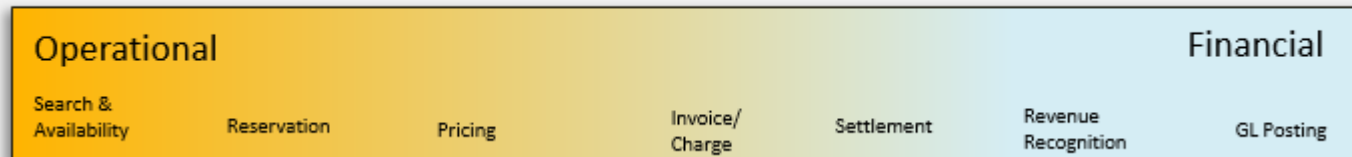
- Tax tonnage regime increase requirement for automation of intercompany transactions
- New market set-up entails changes in operational systems and integration with finance systems
- Company strategy with focus on Explorer segment enhance need for re-inventing processing and reporting of financial data

Target Road report summarize challenges in current set-up and propose target solution of centralized financial systems set-up

Financial transaction alignment with operational processes to ensure data capture and compliance

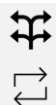
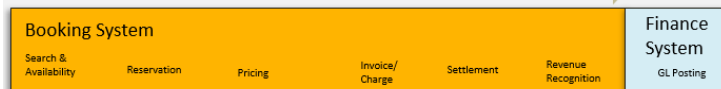
NEW financial solution ERP project

SALES PROCESS VIEW - EXAMPLE



Today

SYSTEM VIEW – DECENTRALIZED APPROACH



Difficult to capture data

Low frequency of data transfer

Impacts ability to

Perform efficiently

Reporting & Analytics

Impose internal control

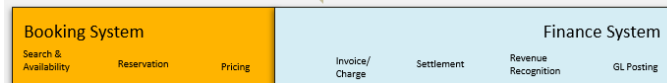
Support business requirements

Early closing (timing)

Fulfil compliance

Future

SYSTEM VIEW – CENTRALIZED APPROACH



Substantial access to financial data

High frequency of data transfer

Include financial transactions and data collection at relevant level in the financial system

Free operative systems from handling of financial transaction processing, supporting focus on business operations

The company strategy is one of the main reasons for the ERP project, and the ERP project is one of several crucial initiatives for strategy success

New financial solution ERP project

OUR MISSION IS TO...

...transform the financial processes and solution to support HRG development and growth.

...provide relevant, correct and timely financial information as basis for reporting, controlling and decision making.



Company expansion

- Company strategy with focus on the Expedition segment enhance the need for re-inventing processing and reporting of financial data to be able to support the business development



CENTRALIZE financial data handling in ERP



DIGITALIZE the financial solution



STANDARDIZE financial processes



PROFITABILITY with voyage accounting

After the implementation the F&A function will have moved from traditional bookkeeping to an advanced system solution

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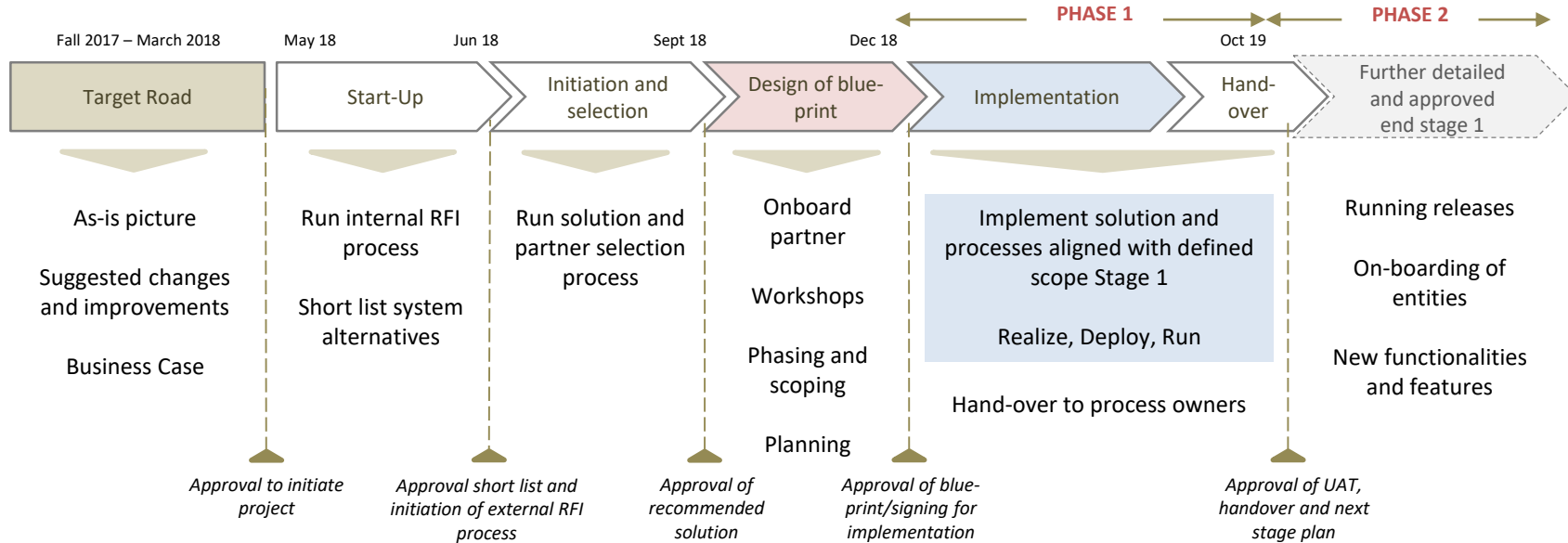
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Overall Project Road Map

New financial solution ERP project

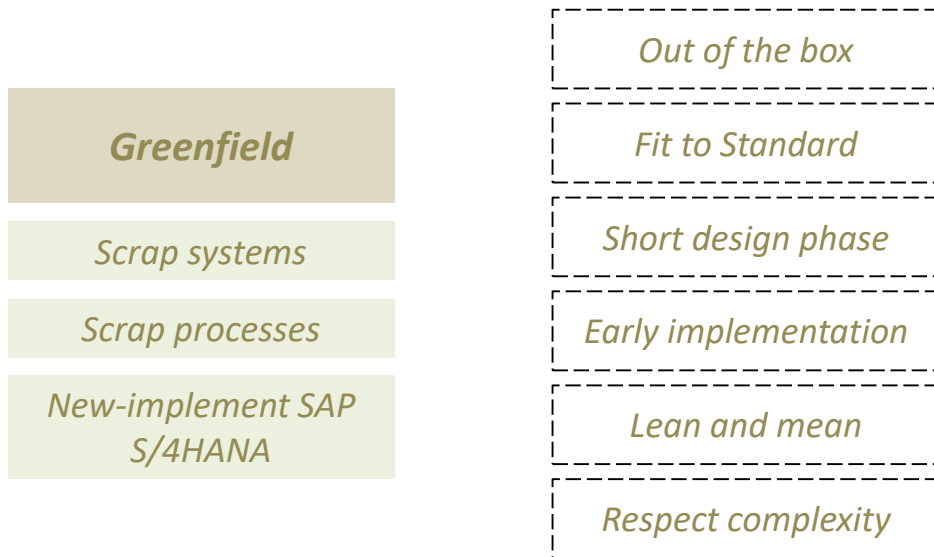


The main focus in the design phase was to **map the landscape, intersections and dependencies** to provide a good solution for implementation, allowing the project to work through the relevant issues **without jumping into premature conclusions** on deliveries and phasing.

The main focus in the implementation phase is to **build a solution based on the design**, and further findings and detailing through the phase

Not just a new system | Fit the processes to the system | Greenfield

New financial solution ERP project



Communicate to align expectations

Key project information

New financial solution ERP project



System and Partner

SAP S/4 HANA

Pearl and
Cross Application Consulting



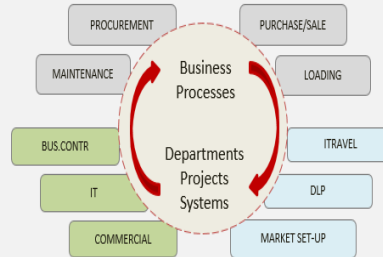
pearl



Approach

Cooperation across departments,
projects and system

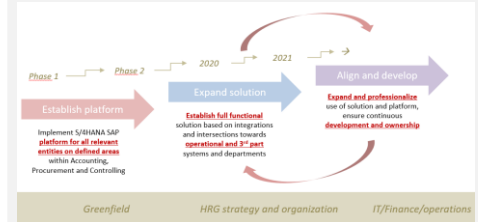
Prototype Model for implementation



Phasing

Realistic scope divided into phases,
ensuring best fit for the future HRG

3 step model towards the total and
fully integrated solution





System and Partner | Why SAP, Pearl and Cross Application Consulting

HRG NEW Financial System

SAP

- Supports **compliance** in all markets
- **Centralized** solution for cost controlling, voyage profitability and analyses
- Transparent and traceable **intercompany** transactions
- **Cutting edge** technology
- Support **streamlining** the business
- Correct, **harmonized** and **timely** information
- **Scalable** solution that supports strategic goals
- **Robust integration** platform

PEARL and XAC

- Support Hurtigruten's **competitive advantage**
- Lowering cost and **increasing margins and revenue**
- **Involvement** of Hurtigruten
- **Lifecycle management** from implementation project to application operation and development (Pearl Care)
- Vendor works in relatively **small teams**
- **Dedicated** resources
- Project management on **both sides**
- **Hands on | customer close | solution orientation**



Project organization

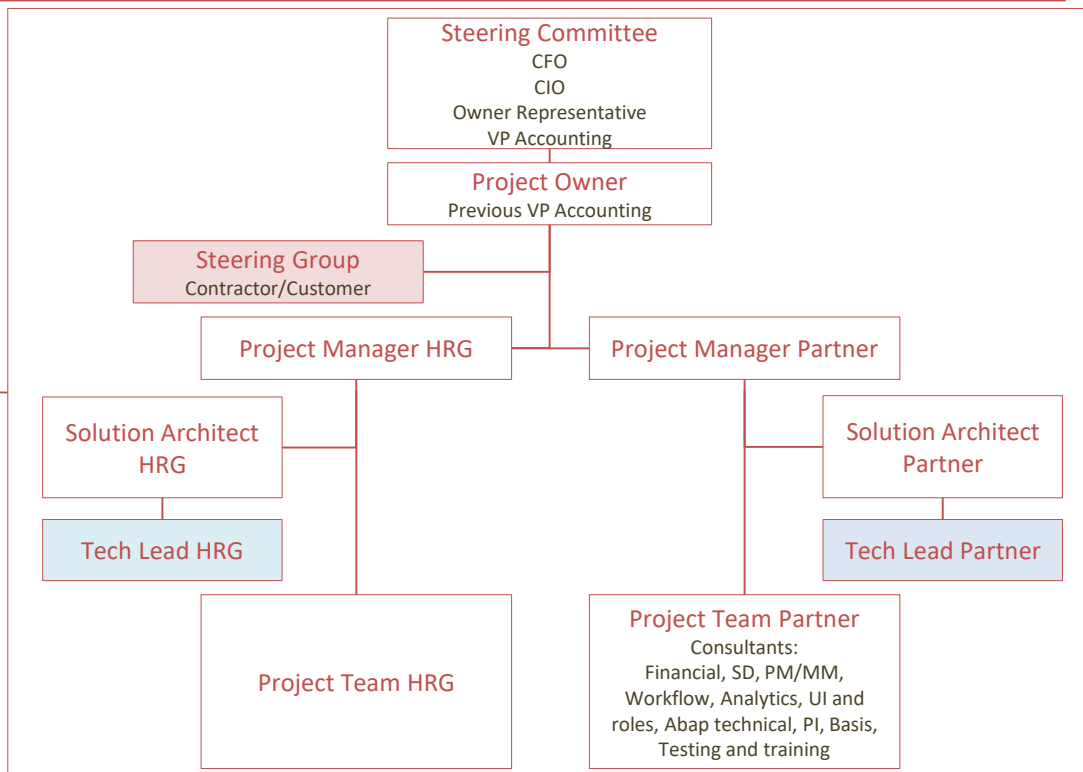
NEW financial solution ERP project

Subject Matter Experts

Internal resources
relevant for respective
subjects and stages

Process owners,
Super Users, testing and
training

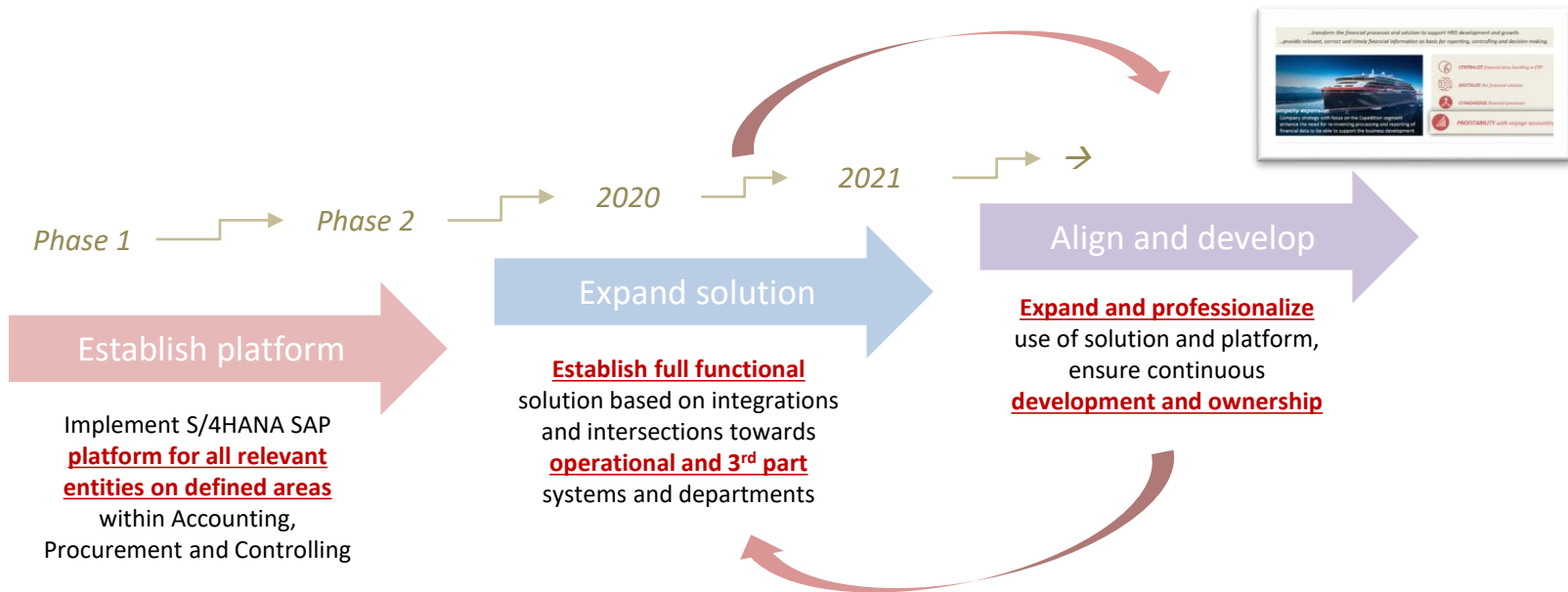
- Accounting
- Business Controlling
- Procurement
- IT
- Commercial
- Global Production
- Maintenance
- Crew
- MO, HO, Other





Phasing | 3 step model towards fully exploited solution

NEW financial solution ERP project



Greenfield

HRG strategy and organization

IT/Finance/operations

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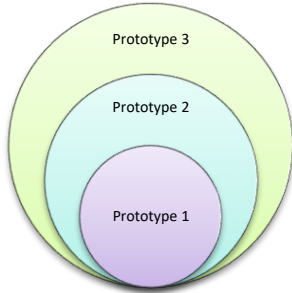
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Approach | Prototypes

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The Prototypes build on the respective processes and adds functionality

Improved customer experience through Prototypes



One step at the time

Planning and preparation

Solution orientation

Workshops prepared and conducted for each PT and respective process/functional area

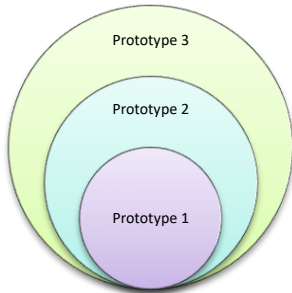
Allows for GAP analysis towards Solution Design

Master data available in the system during prototyping

Day one involvement Super Users – responsible for approving & testing

Phase 1 | 3 Prototypes | *Improve User experience*

NEW financial solution ERP project



Prototype 1 | Demo and Standard Processes

Aim

- All super users logged on to the system
- Introduction to the solution
- Best Practice processes
- No customer development ready
- Customer get the first knowledge and get the possibility to ask questions.

Homework

*Perform a demo and run through standard processes with company codes and selected test data.
At this stage the Customer can run standard processes to have a look and feel of the solution.*

Prototype 2 | Run through Hurtigruten config

Aim

- Same processes as PT1
- Walkthrough of the solution
- Some customer development done
- Adjustment PT1 based on feedback ws's
- Contractor define functionality deliveries
- Customer cont. build knowledge and agree/comment on solution shown

Homework

*Including the configurations for Hurtigruten identified during the Pre-project and the Explore phase.
Feedback on corrections from Hurtigruten is important.*

Prototype 3 | Interfaces and integration with 3rd party applications

Aim

- Same processes as PT1 and PT2
- Walkthrough of the solution
- Adjustment from PT1 and PT2 done
- Customer specific development finished
- Interfaces ready
- Customer cont. build knowledge and agree/comment on solution shown

Homework

*The final Prototype includes interfaces and integrations.
This is where the System Integration Test (SIT) and User Acceptance Test (UAT) is prepared.*

Testing
&
Demos

The Prototype Approach is dependent on the ***Super User*** Role

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- Responsible to ensure that **functional areas** are fully covered in the solution and that necessary **consequences** are revealed.
- Responsible for **conducting required tests** and executing the User Acceptance Test (**UAT**).
- Main responsibility for **end-user training** and adjustment of **user documentation**.
- Contribute practical tasks related to **system setup** and **unit testing** in the project as part of own training.

Ensure timing, especially
Prototype weeks, UAT and go-live

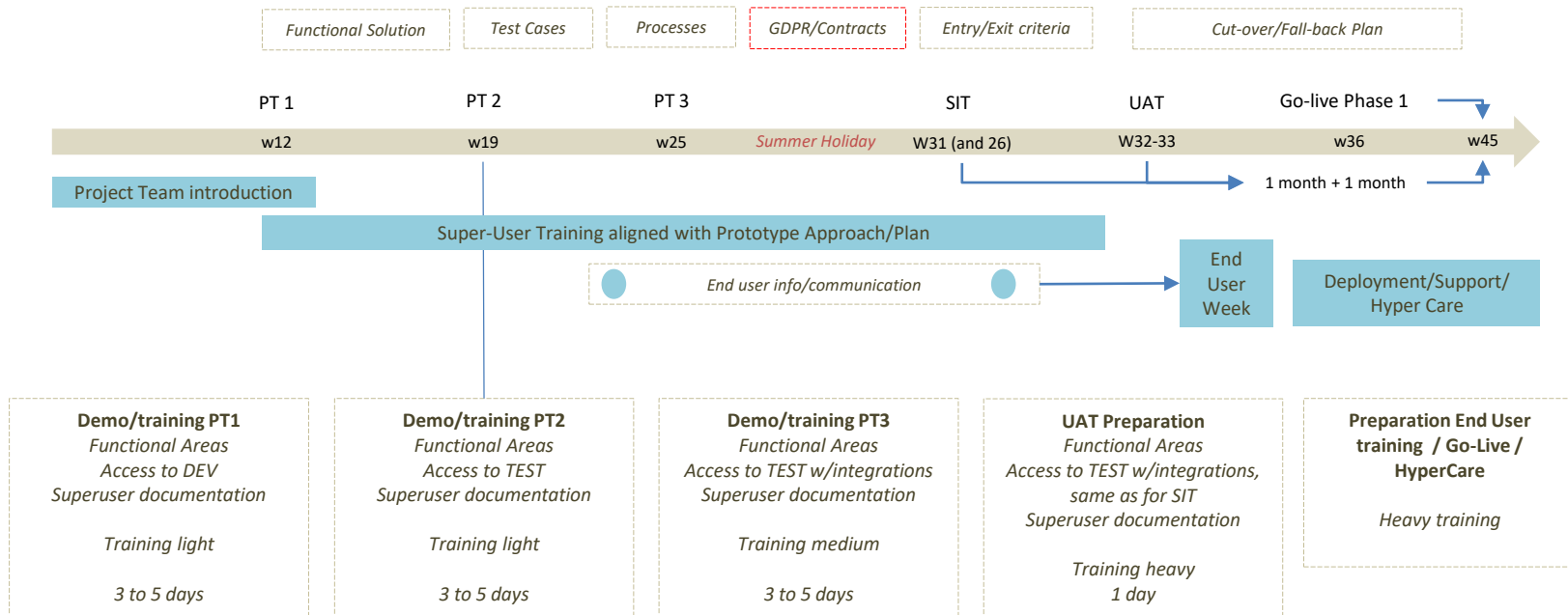
Ensure Super User training, testing
& end user training

Jørgen and Magnus as total
solution Super Users

SUPER USER ALSO HAVE A CENTRAL ROLE AFTER HAND-OVER

Train the trainer | Main deliveries | Mitigating actions

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Scope Phase 1 and Phase 2

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Dec 18

Sept 19

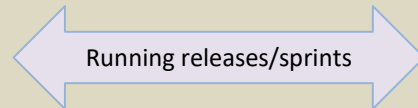
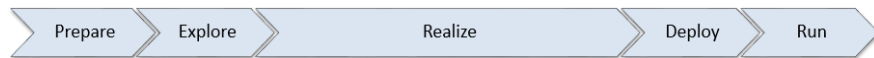
Feb 20

PHASE 1:

PHASE 2:

Approach

Deliveries/Processes:



Nordic entities	Accounts receivable	Embedded BW and integration PowerBI Procurement <u>FHT</u> : basic set-up, limited simple service <u>MMS/TM/Star</u> : purchase order and good receipt, and to support cost on projects and invoice automatization <u>Purchase & administration</u> : basic set-up, incremental increase in use
Financial accounting w /VAT, Bank (DNB and Teller integration)	Accounts payable	
Profitability analysis	Sales order with integration and dimensions for voyage profitability (PG and Fidelio)	
Invoice workflow	Voyage order for cost posting, cost allocation and update to voyage profitability	
Assets & investments	Intercompany billing and agreements	
Planning tool, basic upset PL		

Further improvement of integrations and functionality	
Onboarding of other entities	
Full integration to iTravel	Invoicing to customer from SAP
Full voyage order functionality	Voyage profitability planning
IGA integration	Further features Procurement&stock

Approval of blue-print/signing for implementation

Approval of Phase 1 UAT, handover and next stage plan

Final approval of Phase 2 UAT, handover and next moves

Executive Summary Solution Design

NEW financial solution ERP project

THE SOLUTION

New generation ERP, S/4HANA, on HANA in-memory database

Core principle; simplifying data structure while keeping data on highly detailed level to provide simple and granular basis for analyzing and processing

Standard processes cover all the main requirements from HRG and no identification of breaking standard code.

PROFITABILITY

- profitability analysis in **one place**
- **align revenue and cost information** in relation to business units, ships and voyage dimensions

PURCHASING AND COST CONTROL

- Move cost control from post to **pre-control**
- **Integrated invoice workflow** with automatic posting

BUDGETING AND PLANNING

- Planning based on **same data structure** dimensions as actuals
- enables **flexible drill-down** on drivers of profitability

ANALYSIS

- Reporting in **real-time** through simple view (CDS view) on top of the data in S/4 HANA; enabling combined data from tables, master data objects etc.,
- Transactional data and master data represent a **single version of truth**.

USER INTERFACE

The user interface is Fiori with the underlying concept to give the user business benefits:

- Increased productivity – faster and direct access to relevant information and applications.
 - Transparency on items needing your attention – timely notifications.
 - Helps users decide what needs to be done next.
 - Allows users to take quick and informed actions.
- Can run on frontend entities like PC, tablets or mobile

Executive Summary Solution Design

NEW financial solution ERP project

CUSTOMER DEVELOPMENT

Enhancements are handled by utilizing exits on the code provided for the purpose

Identified required enhancements

- Extended number of fields on sales- and voyage order
- Search functions for bank statements
- Support period split for intercompany

Add-ons and reports identified include add-ons already delivered as solutions by Partner and are not enhancements or modifications to SAP standard processes

Identified required add-ons will as such not cause issues in relation to upgrades

- Invoice workflow
- Agency fee handling
- Article monitor
- Excel interface to accounting
- (Potentially beneficial for) Revenue Recognition

INTEGRATIONS

SAP Process Orchestration (SAP PO) is the proposed integration platform, and is SAP's recommended integration solution for implementations where traffic is predominantly towards non-cloud services. SAP PO is a complete and modern platform to orchestrate business processes supporting modelling, implementation, integration and monitoring processes.

A number of integration objects have been identified.

The main integration partners are;

- Booking systems (PG, iTravel and Fidelio)
- Procurement and logistic systems (MMS, TM Master and Star)
- Bank and payment card providers
- Vendors
- Consolidation system (HFM).

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Summarized the implementation can be said to be dependent upon three components

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- **SOLUTION READY – FIT PROCESSES TO THE SYSTEM, NOT THE OPPOSITE**

SAP brings changes to the organization.

SAP enables standard functionality. It is key to enable standard where it is possible. It will make it easier and cheaper to adapt to future scenarios. Meaning that the Business needs to be open to change their current processes.

Key is to enable early Prototype. Have the Development System ready as soon as possible. So that business users can run scenarios in the solution. Adapt one process at the time. And use each Prototype to gradually enable additional processes and functionality

- **DATA READY – PRIORITIZE MASTER DATA QUALITY**

SAP is dependent upon master data.

In periods with many tasks, it is easy to prioritize down master data. Projects struggles towards the end if master data is not maintained and prepared. Important lessons:

- Start process of data early | Business needs to own and wash data
- Use Prototypes to start conversion of data | Get several quality checks
- Have sufficient Test Data for the User Acceptance Test (UAT)
- Prepare integrations, and test

- **PEOPLE READY – ENSURE DEDICATION BY PROJECT AND LINE RESOURCES**

Key is to allocate the right resources with sufficient time.

Important roles are an active Project Owner, a Project Manager and Process Owners. This group must have the authority to make decisions. Major decisions should be presented AND concluded on in meetings with the steering committee.

2 * 1 month delays | Learning Points

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First delay

...mainly due to challenges with 3rd part integrations to operative systems



Second delay

...mainly due to solution not sufficiently developed and stabilized for the most complex areas

Ensure early onboarding of 3rd part resources

Ensure relevant competence with 3rd part resources

Ensure face to face cooperation between project and 3rd part if possible

Ensure coordinating resource and progression follow-up

Agree on availability, plan ahead, double check the tasks are understood and check again – both ways

Ensure onboarding of Super Users as much as possible

Keep close dialogue and common location for development work

Ensure the conceptual solution is clearly established based on the solution design prior to 3rd part enrollment

Never ever assume common understanding and progression according to own expectations!
ALWAYS strive for confirmations based on facts, alignment and follow-up questions

Experiences | Pain Points

New financial solution ERP project

It is resource consuming to delay go-live!

You can cope with 2 * 1 month delay, but make sure you do not end up in a multiple 1 month race

Never underestimate complexity

ALWAYS use sufficient time to
establish the design
...Ensure the solution design
document is sufficiently detailed for
the most complex areas

Fiori, GUI, WebGUI

Establish SPOC and “special support”
with internal IT department

Choose the standard processes and
out of the box solution when
possible, but always ask follow-up
questions in relation to
understanding of internal
requirements

Greenfield projects are not the same
as solution updates/conversions –
...these require different competence
and approach

Communicate and Align,
...then Communicate and Align more
...but know the limitations

Always have a sufficiently detailed
plan, including dependencies

Don't kill your project organization
with it, but ALWAYS follow it, adjust
it and improve it

Watch out for internal piggy-backing

Spend as much time as possible **“in the same room”** – dedicated project resources, Super User, Implementation partners, 3rd part resources, technical and functional competence

Thank you!

