# Accounting department transformation; a central part of Hurtigrutens future strategic success

*Ellen Charlotte Solum, Partner Uniconsult AS and Project Owner*
*Lena Halvari, Partner Uniconsult AS and Project Manager*

**SAP Brukerforum, Oslo 22nd May 2019**

About us

Hurtigruten history and strategy

Project background

Key project information

The prototype model

Scope and solution design

Critical success factors and learning points

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# Who we are

## Ellen Solum

Ellen har allsidig og bred erfaring og kompetanse innenfor regnskap og økonomistyring, og har hovedsakelig jobbet i lederroller i både små og store selskaper, de siste årene som management for hire i økonomifunksjoner i børsnoterte selskaper. Her har hun hatt flere ulike arbeidsoppgaver og ansvarsområder, og har innehatt linjelederansvar som regnskapssjef, konsernregnskapssjef, leder controlling avdeling, økonomidirektør og CFO. Ellen trives med lederoppgaver og endringsprosesser, i tillegg til mer faglig rettet arbeid. Hun har vært ansatt i Uniconsult siden 2001.

## Lena Halvari

Lena (f. 1975) støtter bedrifter i relasjon til transformasjons- og forbedringsinitiativ innenfor Finansiell Rapportering, Konsernstyring og Strategi, og fyller godt roller som selskapets interne representant/prosjektleder i større prosjekter og som rådgiver og sparringspartner i forhold til ledelsesaspekter. Hun har mer enn seksten års erfaring innenfor CFO området og strategisk viktige prosjekter fra blant annet Kraft-, Fly-, Entreprenør- og Cruise Industrien. I tillegg til Prosjektledelse, Finansiell Rapportering og Konsernstyring er Strategi og Kommunikasjon innenfor hennes kompetanseområder. Lena har gjennomført flere endrings- og forbedringsprosjekter i grenselandet system og prosess, samt implementering av nye styringsmodeller, strategi og rammeverk.

Hun er kjent for dedikasjon, struktur og en løsningsorientert tilnærming. Hun er tilpasningsdyktig og bygger profesjonelle forhold på integritet og fleksibilitet. Lena startet i Uniconsult i januar 2015.

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# About Uniconsult

Uniconsults tjenesteområder

## Uniconsult leverer spesialistkunnskap og ledelse innenfor økonomi og prosjekt


Uniconsults historie

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


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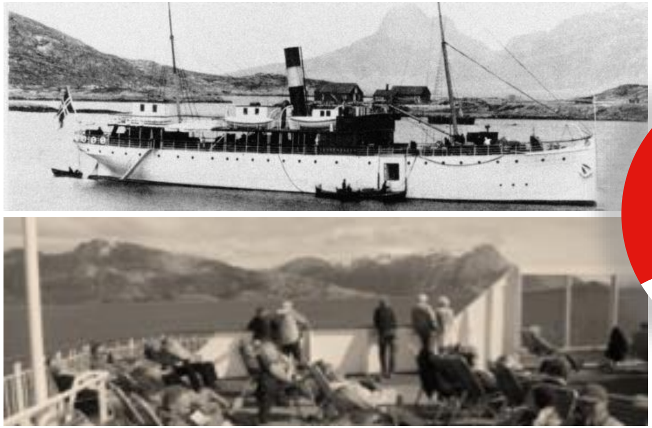
# Delivering Unique Exploration Experiences is in Our DNA

## 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

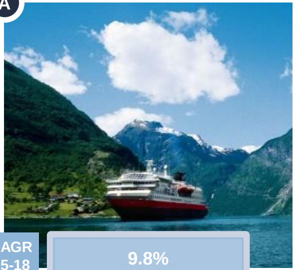
# Global Leader in Cruise-Based Exploration and Adventure Travel with Strong Business Momentum

*Exploration and Adventure Travel – High Growth and Margin Businesses*

CAGR 15-18

2018A Norm. Revenue Contribution

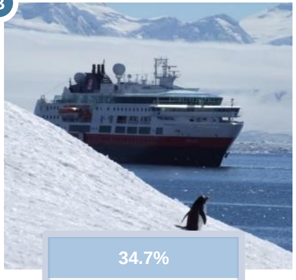
## A Norwegian Coast



9.8%


NOK 3,520m[1]

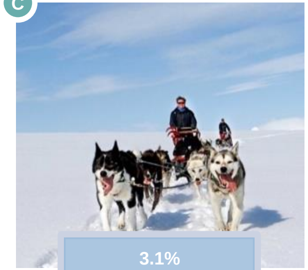
## B Expedition



34.7%


NOK 936m

## C Land Based[2]



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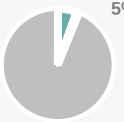
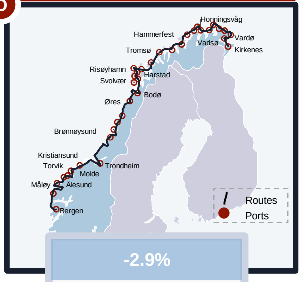



NOK 295m

## D Coastal Government Agreement [3]




-2.9%


NOK 692m

# Norwegian Coast - Authentic Exploration Cruises along the Norwegian Coast

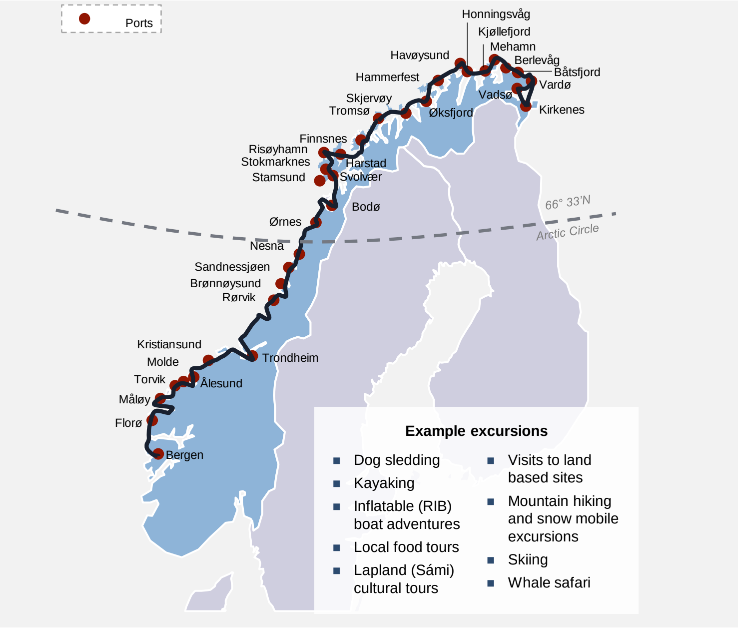
## The Authentic Norwegian Coastal Experience

- 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




**Example excursions**

- Dog sledding
- Kayaking
- Inflatable (RIB) boat adventures
- Local food tours
- Lapland (Sámi) cultural tours
- Visits to land based sites
- Mountain hiking and snow mobile excursions
- Skiing
- Whale safari

# 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-class[1] 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

### *Itravel 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*

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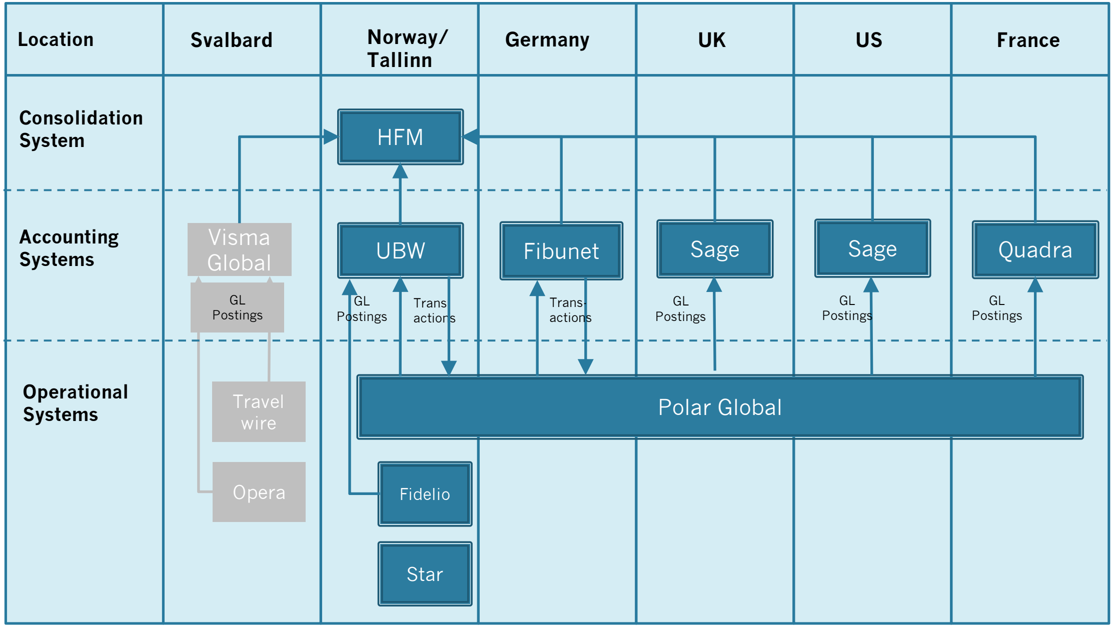
# 5 systems and 5 locations | Accounting and Finance Functions

## New financial solution ERP project



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

NEW financial solution ERP project

*SALES PROCESS VIEW - EXAMPLE*

**Operational** → **Financial**

Search & Availability | Reservation | Pricing | Invoice/ Charge | Settlement | Revenue Recognition | GL Posting

## Today

*SYSTEM VIEW – **DECENTRALIZED** APPROACH*

Booking System: Search & Availability | Reservation | Pricing | Invoice/ Charge | Settlement | Revenue Recognition

Finance System: GL Posting

***Difficult** to capture data*

***Low** frequency of data transfer*

*Impacts ability to*

| | | |
|---|---|---|
| Perform efficiently | Impose internal control | Early closing (timing) |
| Reporting & Analytics | Support business requirements | Fulfil compliance |

## Future

*SYSTEM VIEW – **CENTRALIZED** APPROACH*

Booking System: Search & Availability | Reservation | Pricing

Finance System: Invoice/ Charge | Settlement | Revenue Recognition | GL Posting

***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

# Objectives

## New financial solution ERP project

1. Ensure the financial solution, processes and routines reduces manual workload, enhances automatization and harmonizes principles in relation to correct and relevant financial transaction processing and data collection
2. Ensure the financial solution is compliant and supports business requirements, performance management and business development
3. Prepare the Finance & Accounting Department for the future by implementing a financial solution, including processes and routines, that enhances flexibility and automatization

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# 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*

# From traditional bookkeeping to an advanced system solution

## New financial solution ERP project

*OUR MISSION IS TO…*

*…transform the financial processes and solution, by **digitalizing and standardizing**, to support HRG development and growth.*

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

### ***CENTRALIZE***
*financial data handling in ERP*

Move towards a *centralized **system based process** for financial transaction handling*, empowering digitalization and standardization

### ***DIGITALIZE***
*financial solution*

Implement a solution that *enhances **automatization, data capture and analytics***, supporting flexibility in relation to the future business development

### ***STANDARDIZE***
*financial processes*

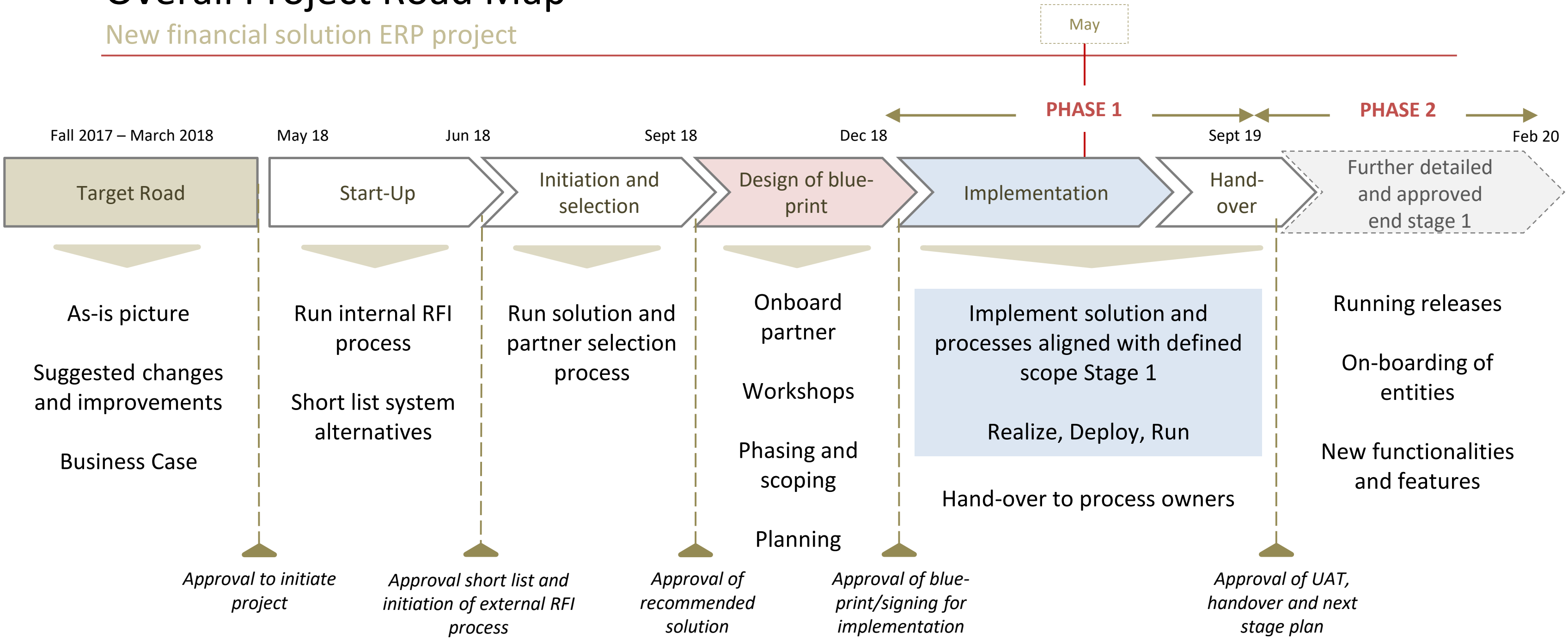
Enhance ***synergies in the financial routines*** across entities, countries and business areas to allow for ***alignment and efficient processing***

### ***PROFITABILITY***
*with voyage accounting*

Provide ***detailed revenue and cost information*** on relevant level, and with relevant timing, to ***support operative departments*** maximizing profit

# Overall Project Road Map

## New financial solution ERP project



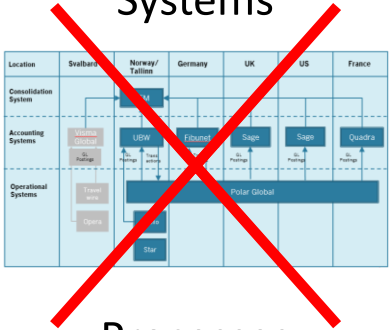

*The main focus in the design phase was to* ***map the landscape, intersections and dependencies*** *to provide a good solution for implementation, allowing the project to work through the relevant issues* ***without jumping into premature conclusions*** *on deliveries and phasing.*

*The main focus in the implementation phase will be 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

Systems




Processes

***Greenfield***

*Scrap systems*

*Scrap processes*

*New-implement SAP S/4HANA*

*Out of the box*

*Fit to Standard*

*Short design phase*

*Early implementation*

*Lean and mean*

*Respect complexity*

*Communicate to align expectations*

# Key project information

## New financial solution ERP project

### *System and Partner*

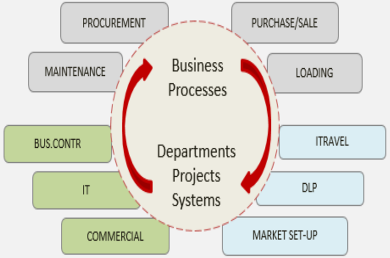
SAP S/4 HANA

Pearl and
Cross Application Consulting

### *Approach*

Cooperation across departments,
projects and system

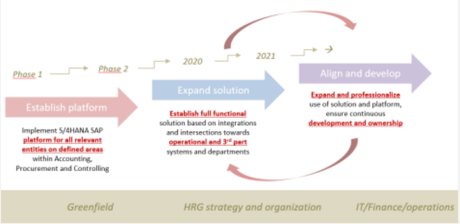
Prototype Model for implementation




### *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

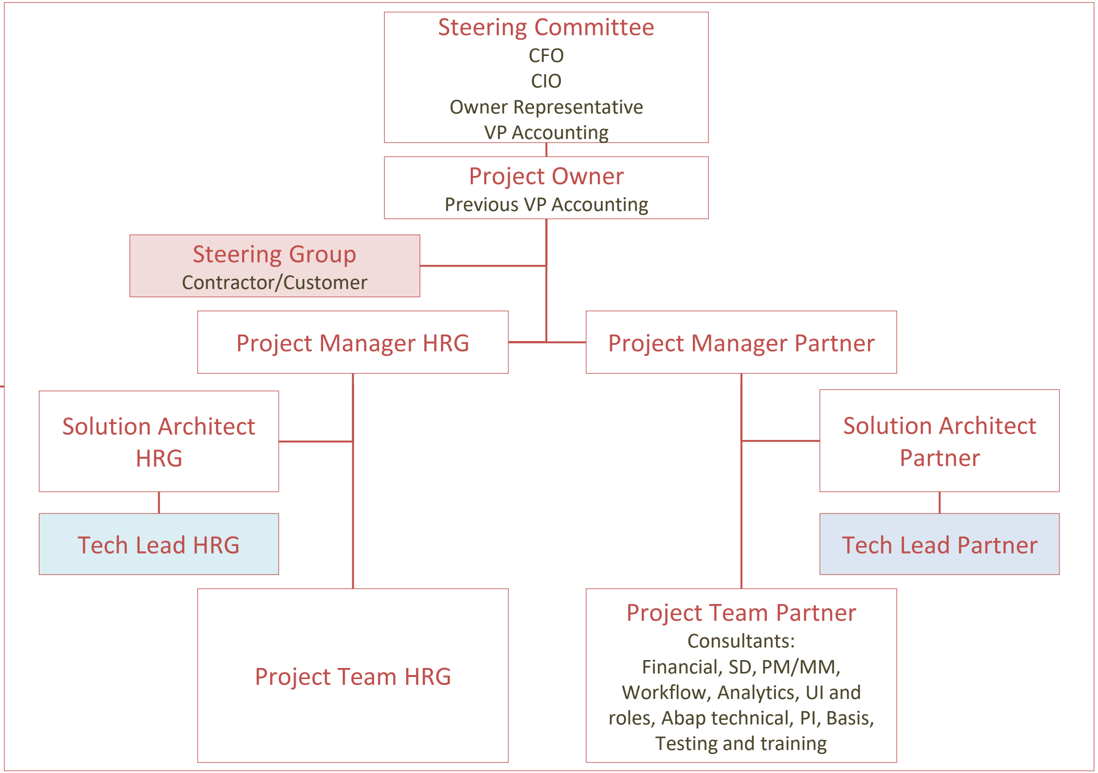
## NEW financial solution ERP project

**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

*Phase 1* → *Phase 2* → *2020* → *2021* →

**Establish platform**

Implement S/4HANA SAP **platform for all relevant entities on defined areas** within Accounting, Procurement and Controlling

**Expand solution**

**Establish full functional** solution based on integrations and intersections towards **operational and 3rd part** systems and departments

**Align and develop**

**Expand and professionalize** use of solution and platform, ensure continuous **development and ownership**

*Greenfield* | *HRG strategy and organization* | *IT/Finance/operations*

# Basis for expected Return of Investment

## New financial solution ERP project

| | |
|---|---|
| Improved business supportive information | • Improved data capture to enable analysis and KPI's for decision making support |
| Cost Avoidance | • Avoid increased F&A cost in relation to growth in Expedition segment<br>• Avoid employing for manual process handling |
| Increased automation | • Increased data quality and control, top-down focus<br>• Faster financial closing and reporting |

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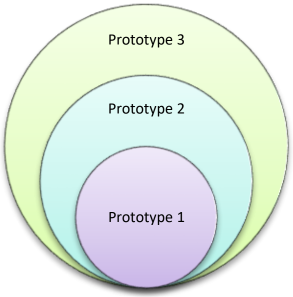
# Approach | Prototypes

## NEW financial solution ERP project




*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

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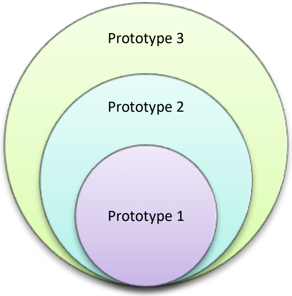
# Phase 1 | 3 Prototypes | *Improve User experience*

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

NEW financial solution ERP project

- 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

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# Roles and Mandates | After implementation | Aligned with Organization

NEW financial solution ERP project

### Product owner

Strategically drive the development, launch, and continuous support and improvement of SAP

### Process owner

Overall ownership of processes and Master Data

### Super User

Daily follow-up responsibility of respective process and respective Master Data quality

### User

Daily tasks handling respective process and Master Data update when relevant

Mutual Dependency

## Role mandates

### Purpose

- Justification of role in relation to compliance/quality

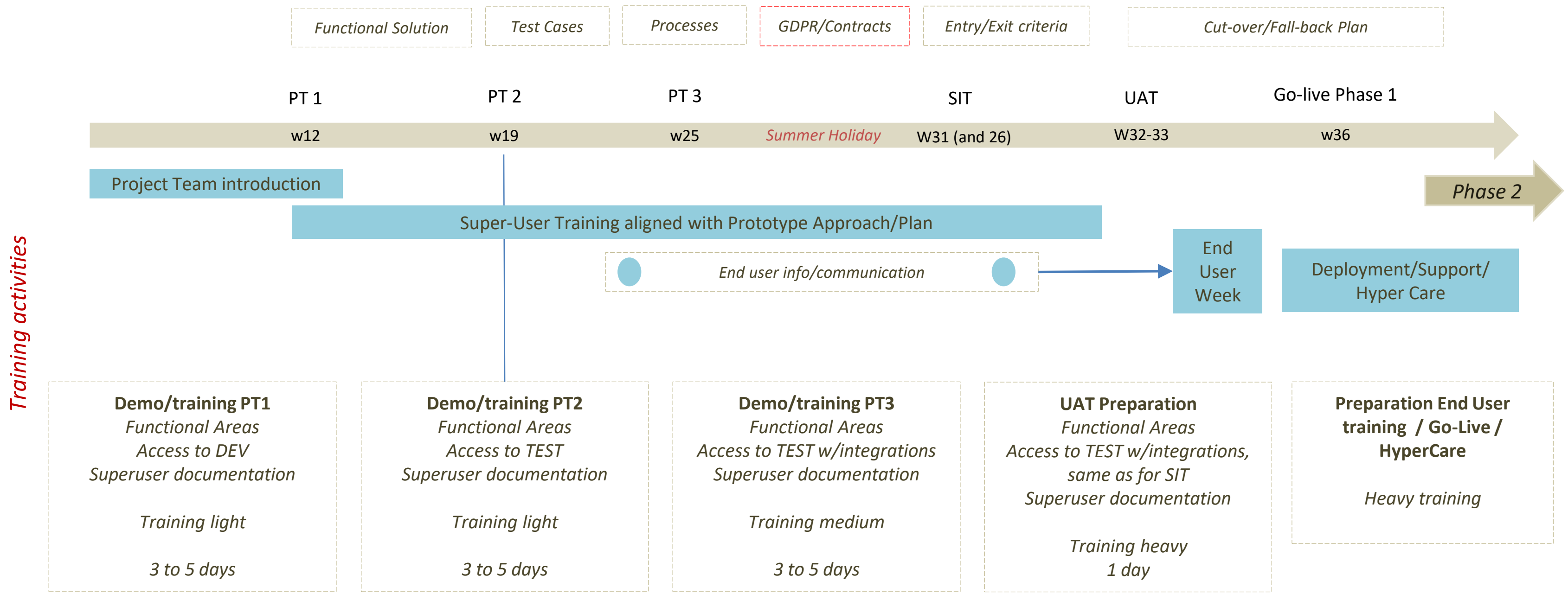
### Main Responsibility

- Describe what the role is responsible for and what the main tasks include

  - Financial Reporting and Controlling
  - Internal control
  - Accounting Policies
  - IT/SAP/Stakeholders

# Train the trainer | Main deliveries | Mitigating actions

NEW financial solution ERP project



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# Scope Phase 1 and Phase 2

## NEW financial solution ERP project

Dec 18 | Sept 19 | Feb 20

*Approach*

**PHASE 1:**

Prepare → Explore → Realize → Deploy → Run

Prototype 1
Prototype 2
Prototype 3

**PHASE 2:**

Running releases/sprints

*Deliveries/Processes:*

**Phase 1**

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

**Phase 2**

- Further improvement of integrations and functionality
- Onboarding of other entities (aligned with market Setup)
- 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 (1/4)

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.

A few standard exits in the code are identified as necessary and a few add-ons are required (see 4/4)

## PROFITABILITY

- S/4 enables gathering and structure of all relevant details for **profitability analysis in one place**
- Integration of front-end systems on detailed level to gain and align revenue and cost information in relation to **business units, ships and voyage dimensions**
- Voyage order as central object

## PURCHASING AND COST CONTROL

- Move cost control **from post to pre-control** by pre-aprovement based on contracts/prices and goods/services received controls
- **Integrated invoice workflow** with automatic posting
- Streamlined process, less manual data entry, improved control and automatization of accruals

# Executive Summary Solution Design (2/4)

## NEW financial solution ERP project

### BUDGETING AND PLANNING

- **Planning** is done on the same data structure and on the same dimensions as actuals
- The solution enables flexible drill-down on drivers of profitability including customer, segment, product category, geography

### ANALYSIS

- For **reporting in real-time** a data modelling is done with a simple view (CDS view) on top of the data in S/4 HANA; enabling combined data from tables, master data objects etc., example is actual and plan
- No additional data persistency – both analytics and day to day business interfaces are using the same tables. So, the transactional data and master data represent a **single version of truth**.


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# Executive Summary Solution Design (3/4)

NEW financial solution ERP project

## ORGANISATIONAL STRUCTURE AND GENERAL ACCOUNTING

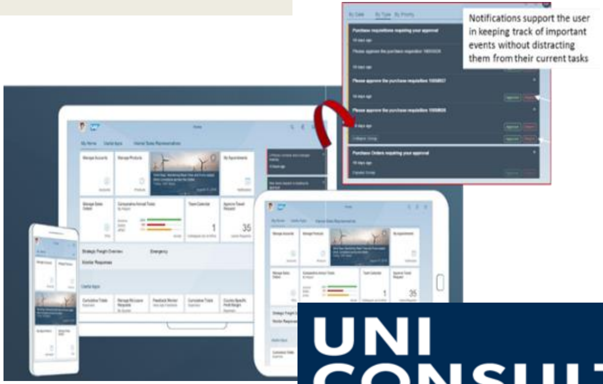
- Multi-currency, and legal and general requirements
- Legal entities, branches, segments in addition to business units  and responsibility areas on a lower level
- Legal, transactional and group currency (EUR for HRG*)
- Legal reporting, complex and compliant VAT requirements, bank integrations
- Automated and embedded intercompany processes and postings (Tax-tonnage)
- Asset accounting with depreciation calculations, incl settlement of Capex projects to assets
- Other general accounting functions; period-end closing, accounts receivable, accounts payable

## 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

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# Executive Summary Solution Design (4/4)

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

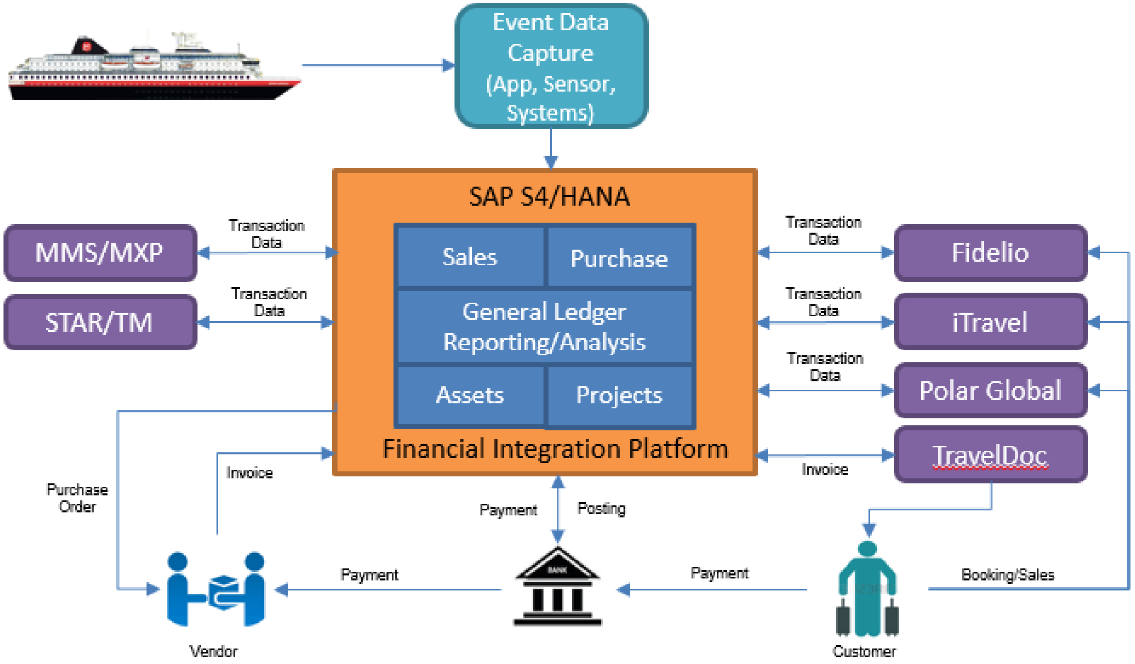
SAP Process Orchestration (SAP PO) is the proposed integration platform, and is SAPs recommended integration solution for implementations where traffic is predominantly towards non-cloud services. SAP PO is a complete and modern platform to orchestrate business processes supporting modelling, implementation,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

# The system landscape | Solution Design

NEW financial solution ERP project

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

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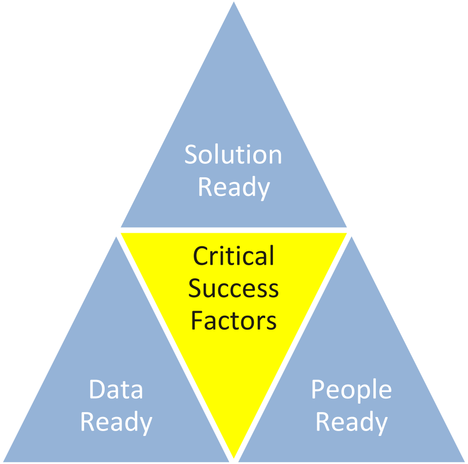


- **SOLUTION READY – FIT PROCESSES TO THE SYSTEM, NOT THE OPPOSITE**

  *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.

# Key Success Factors | Key Learning Points

## New financial solution ERP project

1. CFO **ownership**, Steering Committee **anchoring** and proper Project Management and support fitted HRG
2. Sufficient **communication** and close **coordination** between project, line organization, relevant stakeholders and parallel interdependent projects
3. Project organization and line resources **prioritise project work** to ensure delivery, implementation and future monitoring of performance in relation to the project
4. Quality evaluation and selection of **solution AND partner**, based on HRG requirements and needs, supporting HRG strategy
5. Correct level of **scope**, for the individual **phases** and timelines

*Learning Points*

- 3rd part resources
- Piggy-backing
- …

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# Thank you!