

Nationwide Masters Its Finance Data

An integrated data management and reporting environment is giving a large US-based insurance company's corporate finance group a unified view of enterprise performance and risk, and a new strategic role in planning and management.

The Customer

Nationwide and its affiliated companies constitute one of the world's largest financial services organizations. Incorporated almost a century ago to provide high quality, low cost auto insurance for rural drivers, the company has grown and diversified to become a leading provider of domestic property and casualty insurance, life insurance, retirement savings, asset management, and strategic investment services. Today, the firm is an industry powerhouse with over \$150 billion in statutory assets, over \$15 billion in annual revenue, 25,000+ employees, 16 million policies in force, and more than 100 companies operating under the Nationwide umbrella.

Business Objectives

For most of its years in business, the growing family of Nationwide companies enjoyed considerable independence. Each business unit operated with considerable autonomy, and managers had the freedom to make their own decisions regarding resource deployment, markets in which to compete and risk management. This decentralized management style produced an equally diverse reporting environment which employed 14 different general ledgers, 20 charts of accounts, 17 separate data repositories, 12 different reporting tools and more than 300,000 spreadsheets.

With no common view of financial performance, corporate reporting was fragmented, labor-intensive, slow and often inaccurate. The burden of acquiring, consolidating, cleaning and validating basic financial information crippled the finance organization's ability to support management with meaningful analysis and insight. As much as 75 percent of the finance organization's time was routinely spent on transactional accounting, leaving only 25 percent for strategic analysis.

By 2004, changes in the competitive landscape – including new entrants, changes in customer behavior and changes in customer preference – made this fragmentation untenable. New senior management and an increasingly competitive business environment were demanding greater responsiveness and a more global approach to decision-making. Senior management needed the ability to look at Nationwide as a single business, and needed greater information transparency in order to design and enforce defined processes for resource deployment, risk management and regulatory compliance that work across business unit boundaries.

Vision and Analysis

In January 2004, Nationwide's CFO launched a major needs assessment and planning initiative, bringing together finance managers from across the enterprise to conduct a joint assessment of financial operations across the company, and to define a shared vision for their future.

Participants envisioned a finance organization that would:

- Be a valued partner and strategic advisor to business-side management, making significant contributions to new value creation

- Operate analytical “Centers of Excellence” with world-class planning, capital management, risk assessment and decision-support capabilities
- Provide an ongoing source of new management talent for both finance and operations
- Deliver accounting, reporting and analytical services that were timely, accurate and efficient.

The group also performed a gap analysis to assess the disparity between Nationwide’s current and desired capabilities. This revealed, to no one’s surprise, that nothing less than a total transformation of the existing finance organization and its infrastructure would make possible the quality of service the group envisioned.

24 Months to FOCUS

With the full support of senior management, the CFO and his team set out to build a new, shared financial infrastructure as an overlay to existing business unit systems. The new environment was nicknamed FOCUS. The team set an extremely aggressive two-year timeline for design and implementation, and set the expectation that if necessary, scope would be reduced before delivery deadlines would be extended.

Technology Selection

As the basic requirements of the solution architecture were defined, it became obvious that the project scope would be at least as ambitious as its timeline. The FOCUS environment would include:

- An ETL solution for data integration and transport, and metadata management
- An enterprise warehouse for data staging, storage and management
- A central ERP system for general ledger and accounting functions
- A central EPM system for allocations and performance analytics
- A master data management solution for reference data standardization and governance
- A common set of data access, planning, reporting, and business intelligence tools

In selecting technologies for these core functional elements, Nationwide employed evaluation criteria developed by strategic business advisor Deloitte Consulting. Key considerations included scalability, integration with other solution components, and proven performance elsewhere within the company. Four of the foundational technologies - Peoplesoft ERP, a Teradata warehouse, Informatica ETL and Hyperion reporting tools - were already in place and providing business value to Nationwide. The company created a vendor council process that brought all technology providers together to focus attention on the success of the total solution, not just their own piece.

A Monumental Undertaking

Implementing the FOCUS environments was a monumental undertaking, even for an organization with Nationwide’s resources. More than 200 operational source system interfaces had to be created. A new physical data model with more 1,000 elements had to be developed. New systems deployed into the project represented 10 different operating environments. At its peak, the development team employed 280 people—60 percent from internal IT and business

departments and 40 percent external contractors—who dedicated 600,000 man-hours to the project. Deliverables were divided into four major releases beginning in August 2005 and concluding in April 2006.

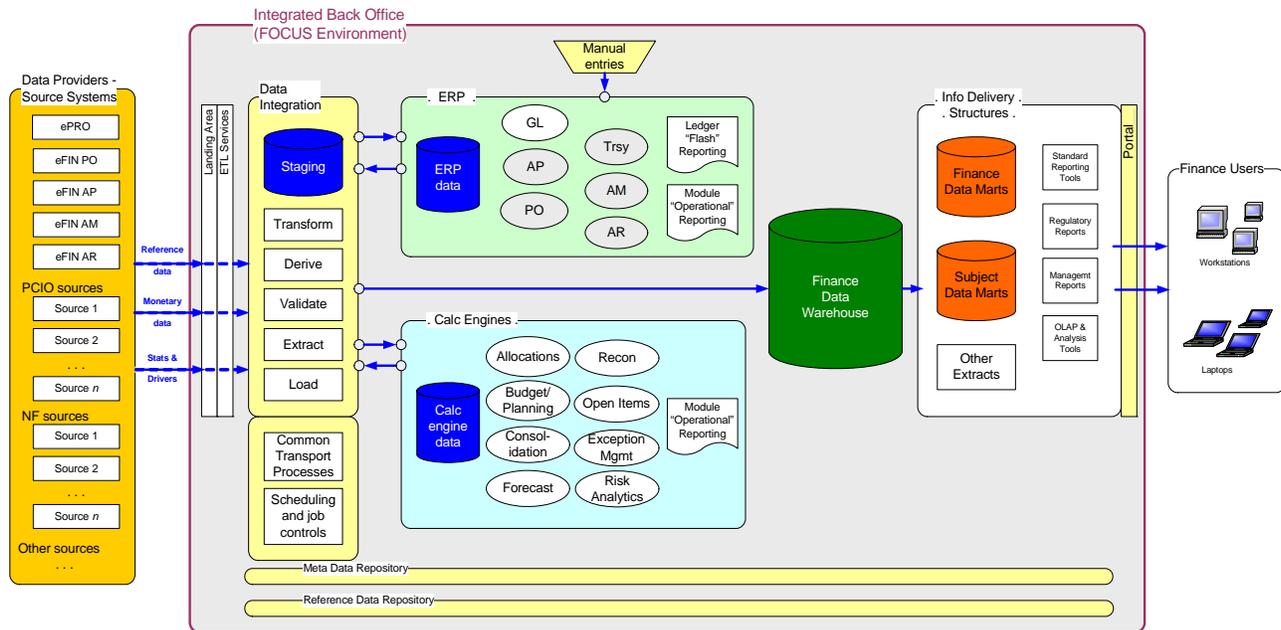


Figure 1 The FOCUS integrated back office environment

Inside the Back Office

The FOCUS environment is essentially a pair of finance application suites—PeopleSoft Enterprise Resource Planning (ERP) and Enterprise Performance Management (EPM)—embedded in a support matrix of data integration, warehousing, master data management, reporting and analytical services. It's those services that connect the FOCUS environment to Nationwide's scattered legacy systems, consolidate and rationalize their output, and provide the finance organization with a single view of operations.

The Data Warehouse: Teradata

In its process design the FOCUS environment is a hub and spoke structure with a Teradata Warehouse at the center. This arrangement accommodates a variety of data management applications—multiple staging areas, an enterprise warehouse with extensive historical detail, and multiple data marts—all in a single warehouse instance, and greatly simplifies transfers between short-term and long-term management areas. Nationwide chose to push all data directly to the warehouse environment and distribute it from there, in order to minimize data movement other than to and from ERP.

Integration, Transportation and Metadata Management: Informatica

All data movement from originating systems into the FOCUS environment, and between systems within FOCUS, is handled by Informatica PowerCenter® Advanced Edition. Nationwide executes an Informatica workflow that reads the files and performs whatever transformations the

business rules dictate for that source. Then it uses Informatica to call a MultiLoad session to load the data into a staging area in Teradata. Informatica allows Nationwide to talk to all source systems much more easily and efficiently than if they had to build shell scripts or Perl components to transfer data and call sessions.

Metadata Manager also provides the FOCUS environment with a comprehensive metadata repository, enabling highly granular analysis of data lineage and change impact to help satisfy audit requirements and build confidence in financial data integrity. It also greatly reduces the time required for manual review and rework.

Reporting and Analysis: Hyperion

Virtually all reporting and analytical functionality in the FOCUS environment is provided through a suite of Hyperion tools that includes Essbase, Planning, Reports, Analyzer and Intelligence. The Essbase component provides the data sourcing capability for the Reports and Analyzer content built by the Performance Management department. Nationwide builds most of its cubes daily, although some are on longer cycles—up to two-week intervals. There is one for expenses, one for income, one for premium revenue and losses, an agency cube, a securities and exchange cube for our financial services business, two regulatory reporting cubes—about 11 all in all, the largest being about 60 million rows.

Nationwide presently has between 160 and 200 reports in production that are developed to the requirements of our various user groups, tested and watermarked. There are about 1200 named users across the various business units. Once a user has a system ID they can use any of the canned reports, or they can use an Excel spreadsheet services add-in to tap into any of the cubes and build their own analysis. This is a true end user query capability.

Hyperion Planning has proven particularly useful in helping Nationwide enhance a budgeting process that was formerly based on archived financial data and statistics. By enabling driver-based planning, standard costing, pre-population, and zero-based budgeting it produces more accurate and consistent plans and budgets. Hyperion interfaces with Nationwide's salary planning, internal product planning and allocations tools to incorporate real-time business information into budgets. Its integration with the enterprise data warehouse and individual source systems eliminates the need for excessive manual data transfers, significantly increasing the speed and accuracy of common budgeting and planning processes.

Hyperion Planning also collects information from end users and calculates projected results for premiums, losses, reinsurance, non-departmental expenses, and specific balance sheet items. Nationwide's improved planning process helps them to effectively synchronize planning activities across business units by integrating their annual plans and forecasts—and by using a common planning calendar.

Master Data Management: Kalido

Reference data hierarchies and dimensions, and business rules for interface translation and transformation are developed and maintained using master data management software from Kalido. Members of the data governance team create nearly all of the master data manually. The process was designed to make sure that these reference data elements are clean, valid, and conform to all applicable business rules. Nationwide also maintains a set of translation tables that

are used by downstream processes for importing and converting information from the various transactional systems.

Once created, this data is sent out monthly to all the company's other downstream applications. Informatica is employed to move it to ERP, EPM and the Teradata Warehouse. All the hierarchies that are consumed come directly out of the reference data warehouse, and are reconciled so that all core processes are using an updated and consistent set of reference data.

Acceleration Through Automation

The manual front-end stage of master data definition is a temporary exception in the FOCUS environment, where virtually all other processes and workflows have been automated for speed, efficiency and consistent execution. Interface files from source systems across the enterprise are automatically transferred to the landing area, validated, transformed, loaded into the Teradata staging area and summarized. Automatic workflows transfer the summarized data to ERP for posting, then sweep adjusted general ledger data back down into the warehouse. Data marts and Essbase cubes are refreshed automatically, ensuring that accurate, consistent and timely financial data is available to all concerned users at all times.

Business Impacts

Since its initial implementation of the FOCUS environment in late 2005, the investment is already transforming financial operations both at the corporate and the business unit levels. Monthly closing intervals have been reduced by an average of 10 days, with a target of 5 days in view. Important but less quantifiable achievements have been made in operating cost reduction, human resource utilization, operational flexibility, risk management, and day-to-day decision support.

Sharing Services, Reallocating Resources

By standardizing its information, technology base and processes across the organization, Nationwide has been able to consolidate a lot of transactional activity to a shared services organization. This frees up the people and resources in the business unit finance organizations to FOCUS on more strategic, high-value contributions to the business instead of worrying about closing the books at month end.

Accurate, Consistent Operating Information

Another benefit is that business units across the organization now have consistent information. Nationwide no longer loses valuable time defining measures because everyone has the same definitions, the same measures and the same calculations. Nationwide's FOCUS solution provides Nationwide finance with the ability to respond to its constituents with greater precision and confidence.

A Changed Role for Finance

The FOCUS initiative has achieved its goal of providing Finance the necessary tools to play a different role in the business and to provide an analytical foundation for fast decision-making. Considerably fewer people are now dedicated to pure transactional accounting. By creating standardized information processes and a shared infrastructure to support them, Nationwide has freed those resources for more important roles.

The Nationwide FOCUS environment – Technology Overview

- Teradata Database V2R6.1
- Teradata Tools & Utilities
- Informatica PowerCenter® Advanced Edition version 7 with Metadata Manager
- Hyperion® Essbase®
- Hyperion Planning™
- Hyperion Analyzer™
- Hyperion Intelligence™
- Oracle® PeopleSoft® ERP and EPM
- Kalido 8M