

Fonterra Co-operative Group Establishes Global Financial Visibility, Enhances Strategic Planning



Leading multinational dairy
company based in New Zealand

Fonterra Co-operative Group
Auckland, New Zealand
www.fonterra.com

Industry:

Consumer Products

Annual Revenue:

US\$9.9 billion

Employees:

17,000

Oracle Products & Services:

Hyperion Financial Management
Hyperion Reports

Key Benefits:

- Increased the flexibility of budgeting and forecasting
- Instituted a single global instance of financial consolidation to improve data integrity
- Allowed all global users to save financial results centrally
- Shortened month-end closing process by two to three days
- Reduced intercompany reporting time from 30 minutes to five

"Using Hyperion Financial Management, we have created a centralized system that provides a single version of the truth for all of our users. As a result, we have much greater visibility into our intercompany information and we have become more proactive in making informed business decisions." – Grant Foster, System Lead, Fonterra Co-operative Group

Fonterra Co-operative Group is a leading multinational dairy company owned by 11,600 New Zealand dairy farmers. Its global supply chain connects shareholders' farms in New Zealand to customers and consumers in 140 countries.

Collecting approximately 3.4 billion gallons of milk per year, Fonterra manufactures and markets more than two million tons of dairy products annually, making it the world's leader in large-scale milk procurement, processing, and management.

Fonterra needed a financial system that could increase efficiency across its rapidly expanding operations. Oracle's Hyperion Financial Management enables Fonterra's global employees to save results to a centralized database—eliminating the need to e-mail files. With Hyperion, Fonterra creates multiple budget and forecast scenarios that help project and enhance future performance. Moreover, with Hyperion, all employees are now working on the same system, looking at the same data, at the same time.

One Database for Greater Visibility

Powered by thousands of small dairies, Fonterra is a rapidly growing multinational company with hundreds of financial entities and dozens of company accounts. Recognizing its need to eliminate the inefficient manual tasks associated with its legacy financial system, in 2003 Fonterra set forth to simplify and standardize its business systems. A key step to achieving this priority was the development of a single, global chart of accounts and a centralized Web-based system.

“We haven’t increased the size of our team, but we’ve increased the functionality we use within Hyperion system. As a result, we’re providing information more efficiently with value-added analysis. That is having a significant impact on our company.”

Grant Foster
System Lead
Fonterra Co-operative
Group

“Prior to Hyperion, our financial system operated on a distributed database, which meant that to update the numbers at our headquarters, we had to send in files from all of our regions,” said Grant Foster, system lead, Fonterra Co-operative Group. “As our company grew, this process became convoluted and time-consuming. We wanted to transition to a solution that would work in all regions but let us maintain a single, centralized database in New Zealand.”

Flexible Forecasting, Stable Reporting

Soon after implementing Hyperion Financial Management, Fonterra prepared its 2005 budget with a minimal learning curve. From there, the company progressed to actuals reporting, statutory reporting, and forecasting. Fonterra’s new forecast model gives the company the flexibility to copy year-to-date actuals into the forecast scenario and then let business units populate the forecast for remaining periods of the year.

“We’ve used Hyperion Financial Management to create multiple budget and forecast versions,” Foster said. “Our people have the flexibility to take the original numbers the board has approved and build different scenarios based on changing exchange rates or business restructuring. Once we have all versions loaded, we can see one reporting total in Hyperion Financial Management.”

With Hyperion software, Fonterra is rolling out a three-year business plan that will take the latest data for all business entities and copy it into the first quarter of the year to establish opening balances. Starting with that data, the entities will then forecast the next three years to show where the business is heading.

“We now have multiple versions of budget and forecast, actuals, and fixed year reporting,” Foster said. “We also have a module that will help us transition to IFRS reporting. As we’ve progressed, Hyperion has proven to be a stable reporting platform. Whether you press ‘consolidate’ once or 100 times, it always comes back with the same correct answer.”

Live Data Streamlines Closing Process

With Hyperion Financial Management, Fonterra is reaping the benefits of using a single, centralized financial system. Fonterra’s legacy system required employees to wait for files to be sent back to New Zealand before anyone could view

intercompany mismatches. Hyperion makes mismatches visible around the world as soon as data is submitted.

“With Hyperion Financial Management, we have much greater visibility into our balances, Foster said. “Users can fix their own mismatches and resubmit the numbers. We’ve knocked at least two or three days off the month-end timetable while increasing data quality at the same time.”

Award-Winning Efficiency and Results

Having accelerated the consolidation process through Hyperion, Fonterra now delivers higher quality information to management in less time. The organization produces board reports with Hyperion Financial Management Excel add-in functionality and employees use Hyperion Reports formats to drill down and analyze the data. Meanwhile, the company has reduced the accounting workload at its headquarters.

“We haven’t increased the size of our team, but we’ve increased the functionality we use within Oracle’s Hyperion system,” Foster said. “As a result, we’re providing information more efficiently with value-added analysis. That is having a significant impact on our company.”

After transforming business processes in a relatively short period of time, Fonterra’s Hyperion Financial Management team received the company’s CEO award for delivering uncompromised results. All of Fonterra’s 17,000 global employees are eligible for the CEO award, which highlights notable improvements in efficiency, processes, time savings, and related areas.

“Winning the Fonterra CEO award was great recognition for our very small team—and we did it all on the back of Hyperion Financial Management,” Foster said.

Why Oracle?

Seeking to increase the visibility of the financial data, establish a global chart of accounts, and free up more time for analysis, Fonterra considered 13 different financial consolidation systems. Fonterra ultimately selected Hyperion Financial Management to help manage 350 entities. Today, the solution dramatically

streamlines intercompany reporting and budgeting for about 250 users around the world, primarily in the finance department.

“With one global Hyperion Financial Management instance, users from our far-reaching countries, such as Brazil, Russia, or Ecuador, can log into the system,” Foster said. “When they hit the Save button, they’re actually updating the database back in New Zealand. That represents a huge increase in efficiency.”

Fonterra loads data files into Hyperion Financial Management from a number of enterprise resource planning systems, including SAP R/3, which half of the company uses. Hyperion’s easy integration with SAP is a critical feature for the company as it runs its ingredients division on SAP R/3.

Implementation Process

To ensure a successful implementation, key employees from Fonterra held critical positions on the project team, enabling them to provide input that ensured the solution would meet Fonterra’s business needs.

Fonterra tackled the challenge of training a far-flung workforce by gathering “super-users” in New Zealand for training sessions. From there, the super-users returned to their home regions to train their staff. Today, employees can turn to these local experts for speedy, knowledgeable answers—easing the burden on Fonterra’s IT staff.

Fonterra Co-operative Group is an international dairy company responsible for more than one third of international dairy trade. The company, owned by 11,600 New Zealand dairy farmers, generates nearly US\$10 billion in annual revenue.