Arla Foods: Cultivating Sophisticated Financials with SAP® BusinessObjects™ Software

Implementation Partner

Deloitte.

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Company

Arla Foods amba

Industry

Consumer products

Products and Services

Milk and milk-based products

Web Site

www.arla.com

SAP® Solutions and Services

SAP® BusinessObjects™ Financial Consolidation, SAP BusinessObjects Financial Information Management applications

Partner

Deloitte Denmark

How do you best position your company to grow 50% over 4 years? How can you handle your financials to be on a par with publicly listed companies? For Danish dairy company and cooperative Arla Foods amba, the answer was to deploy the SAP® BusinessObjects™ Financial Consolidation and SAP BusinessObjects Financial Information Management applications. "With the SAP solutions, we have the foundation for a single global financial center," says Morten Rose-Nielsen, senior VP of corporate finance for Arla Foods.

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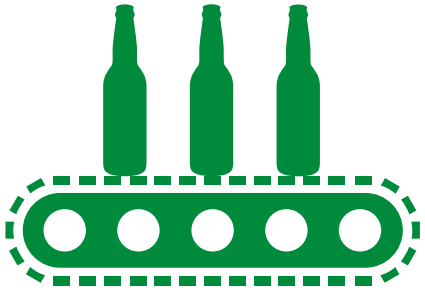
A global dairy leader on a mission

Initially formed in 1915 as Landtmannens Mjolkforsaljningsforening, Arla Foods amba is a global dairy company and a cooperative owned by Danish, Swedish, and German dairy farmers. With a mission to provide modern consumers with natural milk-based products that create inspiration, confidence, and well-being, the company sells a range of products under well-known brands in more than 100 countries. As one of the world's largest dairy cooperatives, and the world's largest producer of organic dairy products, Arla employs 16,000 people and operates production facilities in 13 countries and sales offices in another 20.



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Production facilities in 13 countries

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Capitalizing on a culture of industry leadership

Arla Foods plans to establish itself as the leading dairy company in Europe commanding the highest possible milk price. Key to achieving its vision is holding its finance organization to the same standards as a publicly traded company, even though it is a cooperative. Arla aims to do this by establishing a single global financial center that can support its growth strategy in terms of speed and efficiency. "We need to increase quality by applying best practices, ensure continuous access to financial competencies, and continuously optimize our processes," explains Rose-Nielsen.

150

Comprising more than 150 legal entities

Because Arla Foods comprises more than 150 legal entities, it has a complex management structure. As a result, it requires a high degree of flexibility for financial accounting and powerful consolidation abilities. This is especially critical to achieve its goal of growing significantly over the next four years, mainly through acquisitions and external funding. When Arla Foods subsumes acquired companies, it wants to immediately include them in its financial and management reporting setup to achieve transparency from the start. "You need to be very clear about cash flow and profit and loss before you can move up the finance value chain," says Rose-Nielsen. "That means aligning and streamlining financial processes by uniting internal management and external financial accounting."

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Widening the field with acquisitions

As it sought to transform itself into a business on a par with publicly traded companies, Arla Foods recognized the need to shed its outdated mode of managing finances. Relying on the IT department for financial consolidation and making do with limited visibility into its balance sheet was no longer practical. The company knew it needed to be more in control of reporting flexibility, the ability to produce a balance sheet on a monthly basis, and the means to better incorporate newly acquired companies into financial processes.

To achieve its aggressive growth objectives, Arla Foods weighed its alternatives. After evaluating several options, the company chose SAP BusinessObjects Financial Consolidation and SAP BusinessObjects Financial Information Management.

"We have largely standardized on SAP software and were impressed with SAP's road map for its business intelligence software."

Morten Rose-Nielsen, Senior VP, Corporate Finance, Arla Foods amba

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Quickly churning out strong results

Having previously worked with Deloitte Denmark, Arla Foods engaged the consultancy along with SAP to implement a comprehensive solution. According to Rose-Nielsen, his team chose to work with Deloitte for a number of reasons. The firm has a deep understanding of how to apply technology to solve business issues, especially with a project of such great scope. In fact, it had successfully implemented similar solutions and was able to help Arla Foods understand how to truly consolidate its financials on an ongoing basis. Just as important, Deloitte would be able to provide ongoing support.

In less than eight months, Arla Foods was live with SAP BusinessObjects Financial Information Management and SAP BusinessObjects Financial Consolidation. "The implementation time frame was very impressive considering the high degree of integration with the SAP NetWeaver® Business Warehouse (SAP NetWeaver BW) component and other SAP solutions, along with complete process reengineering across 50 business units. We knew our schedule was ambitious, but SAP stepped up. I'm not sure other vendors could have done what was needed to help us deliver on time," says Rose-Nielsen.

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Implementation in less than 8 months

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Gaining newfound global fluidity

Using SAP BusinessObjects Financial Information Management as a link, the company can feed data about profit and loss, the balance sheet, and sales metrics from SAP NetWeaver BW into SAP BusinessObjects Financial Consolidation. The new finance solution is used on a monthly basis by about 150 users at all levels of finance throughout the organization – in all subsidiaries and divisions, and at the corporate level. In essence, Arla Foods now has a group reporting tool at the corporate level.

"With SAP BusinessObjects Financial Consolidation, we now have visibility into the balance sheet and can report cash flow monthly. This is essential to seamlessly integrate newly acquired companies, secure external financing, and act like a listed company," explains Rose-Nielsen.

In addition, Arla Foods has newfound flexibility around exchange rates. While the company conducts business in, for example, U.S. dollars, the British pound, and Danish Kroner, it reports its financials in Kroner.

"With SAP software, we can consolidate our financials at different exchange rates. As a result, we can better gauge whether our performance is driven by true business growth or by the exchange rates."

Morten Rose-Nielsen, Senior VP, Corporate Finance, Arla Foods amba

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Extending the shelf life of its financial reporting

With SAP BusinessObjects Financial Consolidation in place, Arla Foods gained an international footprint for accurate financial reporting and the ability to immediately analyze its financial situation at any point. Plus, it's now on track to reduce its working capital by US$1 billion over the next couple of years. "Without SAP BusinessObjects Financial Consolidation, we wouldn't be able to track our efforts to reduce our working capital on an ongoing basis," says Rose-Nielsen.

Arla Foods has also realized its goals when it comes to acquiring new companies. In early March 2011 the merger of Arla Foods and Hansa-Milch Mecklenburg-Holstein eG was approved. At the end of April Arla Foods was able to include the finances of the newly merged company in its month-end reporting.

"We've always been able to report on the bottom line of a newly acquired entity, but only with the SAP BusinessObjects solution were we also able to report on the full balance sheet from the start."

Morten Rose-Nielsen, Senior VP, Corporate Finance, Arla Foods amba

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Ready for greener pastures

While Arla Foods has already achieved major objectives by using SAP BusinessObjects Financial Consolidation, it expects to further benefit from the solution going forward. "As a business, we're entering a more volatile world and need the ability to forecast and plan more frequently, but on a lighter basis. With SAP BusinessObjects Financial Consolidation, we can implement that. Plus, we expect to more consistently cascade down targets and conduct scenario planning for strategy management," says Rose-Nielsen. Moreover, while many business units within Arla Foods use different versions of the SAP ERP application, everyone uses SAP BusinessObjects Financial Consolidation.

"Now we have an infrastructure in place to gather reporting from every entity in the company. We may use this to support future reporting on our efforts to continually reduce the environmental impact throughout our supply chain."

Morten Rose-Nielsen, Senior VP, Corporate Finance, Arla Foods amba

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