

GLOBAL FINANCIAL TRANSFORMATION INITIATIVE

2005 COMPUTERWORLD HONORS CASE STUDY

BUSINESS & RELATED SERVICES

BY LAYING THE FOUNDATION FOR THE FINANCE AND HUMAN RESOURCES FUNCTIONS, WHILE REDUCING SYSTEM COMPLEXITY, UPDATING SYSTEMS WITH LEADING EDGE TECHNOLOGY, AND CREATING A SCALABLE INFRASTRUCTURE FOR FUTURE DEPLOYMENTS, THE COMPANY ACHIEVES FOR THE FIRST TIME A FULLY INTEGRATED ENTERPRISE-WIDE SYSTEM. [20034801]



Robert Carrigan,
Chairman of the Chairmen's Committee

Ron Milton,
Vice-Chairman of the Chairmen's Committee

Dan Morrow,
Chief Historian

SUMMARY

The Mattel Global Transformation Programs (MGT) primary focus is to lay the foundation for the Finance and Human Resources functions, while executing against the IT Strategy of reducing system complexity, updating systems with leading edge technology, and creating a scalable infrastructure for future deployments which will lead to the achievement of a 'One Mattel' approach of a fully integrated enterprise-wide system.

APPLICATION

The Global Transformation Initiative is a major contributor to Mattel's vision of being "The World's Premier Toy Brands – Today and Tomorrow." With revenues over \$5 billion in 2004 and over 25,000 employees across the world, global applications have become the foundation of business functions on a daily basis. The strategic global initiatives that IT has and will continue to engage in, will enable the business to implement growth strategies by leveraging technology to its full potential. The following are some of the rewards that global transformation initiatives have achieved for Mattel:

- Improved business execution in the existing toy business by standardizing processes, terms and definitions in a new hr and financial shared services center environment
- Globalize brands by providing better data visibility and integrity of financial information
- Developed new trends by applying the newest best practices to finance, human resources and information technology processes
- Ensured consistent data definition and standard tools for business intelligence reporting with the creation of a centralized data warehouse system
- Produced a global forecasting system which allows for financial modeling and brand tracking, reporting, and analysis across the company
- Enhanced overhead analysis with standardized reports with the creation of a centralized repository for overhead planning, budgeting and forecasting. Provided consistent and centralized information on a global scale to better direct capital to initiatives with highest ROI
- Redeployed existing headcount to more value added functions
- Created the ability to view and manage our human resources on a global basis with centralized reporting

BENEFITS

With the deployment of global systems, Mattel has been able to obtain the following benefits:

- A global and consistent view of financial and employee data with real time reporting for quicker analysis
- Shared Service Centers have facilitated nascent markets to be added with minimal additional staff required for the transactional processing
- Self-service modules for the global systems have given the users more convenience, flexibility, and faster response times in accessing and gathering information to meet their needs
- A paperless workflow with a predefined hierarchy is a benefit of the self-service modules implemented which has significantly decreased the need for multiple handling of documents which in turn ensures a consistent and auditable process
- Consolidated to a single global instance which reduced information gathering and allows the business to focus more on information analysis which has enable faster and more informed decision making
- Sarbanes-Oxley compliance was improved due to the standardization of process and procedures with the shared services solution and consistent data in a single consolidated data instance
- Multilanguage and multiple reporting currencies fulfilled local country statutory and reporting needs yet also allowed for global financial consolidation reporting
- 9% reduction of legacy systems has reduced maintenance costs and enabled the redeployment of IT staff to meet the changing needs of the business
- With these global systems, Centers of Excellence for development and support teams were established to

- maintain and support systems on a 24x7 basis- Key operational benefit
- General accounting costs for North America reduced by 46%
- Account Receivables cash application costs for North America lowered by 70%
- Implemented a global overhead planning system with a self-service web tool for users to update and retrieve info which replaced the cumbersome process of information gathering and entry on spreadsheets
- Global forecasting system now provides monthly analysis of actual margins with ad-hoc report capability where prior systems could only provide annual numbers
- Enterprise data warehouse solution now provides consistent data definitions across brands and enabled the use of common reporting tools

IMPORTANCE

Global Transformation initiatives are a critical part of the strategic roadmap that enables Mattel to work as a unified team globally as CEO Bob Eckert states – as ‘One Mattel’. To achieve the promise made to Mattel stakeholders which is to be “The World’s Premier Toy Brands – Today and Tomorrow”, global systems have enabled Mattel business units do their jobs in a more consistent and efficient manner. This approach has developed a solid foundation of global systems and standard processes which will allow Mattel to maximize revenue and reduce costs in current markets today, and will help in establishing new markets and alliances in the future.

ORIGINALITY

The Mattel Global Transformation has introduced Mattel to several key concepts which are models in any industry:

- First HR and Finance Shared Services models
- First single global instance
- First project to establish processes
- Global imaging and workflow capability for invoice processing
- Employee HR web portal and self-service for domestic employees
- First virtual global production support structure providing 24x7 system support
- First company wide strategic initiative to established a global footprint
- Establishment of global governance board

SUCCESS

Many factors have led to successful wave implementations such as a centralized and experienced shared service centers, a scalable platform, a flexible and configurable application to meet country needs within the global guidelines, and best practices that have been introduced by the applications themselves such as workflows, approval hierarchies, self service modules, and auditable data. Mattel has also tested system agility with the rapid deployment of the Oracle and PeopleSoft systems to new markets in Eastern Europe in only 8 weeks. In the future this deployment method will be used for nascent markets or acquisitions. Some highlights to outline the achievements of Mattel’s drive for ‘One Mattel’ :

- Over 18 countries are now up and running on Oracle’s core finance modules and self service applications and the list will grow with Europe completing in 2005 and Latin America and Asia Pacific countries to follow
- PeopleSoft has been deployed globally to 7,000+ employees with the only target remaining being the professional staff at manufacturing plants in Asia and Mexico
- Implemented a centralized brand profitability system with drill-down capabilities to SKU level
- Created a global data warehouse which provides a centrally integrated data repository, consistent data definitions, and common reporting tools for all of North America, Europe, Asia Pacific and Latin American markets
- The centralized overhead planning, budgeting and forecasting system was implemented in all domestic business units and also internationally in Canada, Mexico and all throughout Europe

Below are a few comments from our business partners:

"Embracing this new organizational transformation, and learning how to maximize the benefits of the new system will allow us to individually and collectively contribute to One Mattel, and become more of a world class organization." - Director Finance Germany, Frank Mueller

"The roll out of common systems has greatly benefited the successful completion of Mattel’s Section 404 project. Common systems have resulted in reporting and control standards that are consistent. Accordingly, the documentation, testing and evaluation of internal controls were accomplished more efficiently and with less

cost." - Vice President Audit, Joel Rotenburg

"The implementation of Peoplesoft has for the first time put the HR function on the basis where we can access core HR data on employees on a global basis and in a consistent format. We are just beginning to harness the full potential of that availability with far better analytical capability than we have previously possessed." - Vice President International HR, Phil Taylor

"The implementation of Oracle has had a significant impact on the organization some of which we expected such as standard chart of accounts, improved internal controls, ease of IT maintenance, and streamlined the close process. But it has also produced opportunities for many people in the areas of team work, communication and leadership. This project was truly transformation in more ways than one!" – Vice President International Finance, Steve Christman

DIFFICULTY

To achieve successful implementations in addition to creating the footprint for future 'One Mattel' initiatives, the following challenges had to be overcome:

- Overcoming the resistance to change on both a process(Shared Service/Self Service) and technology was accomplished by engaging the business users throughout all cycles of the project implementation. This insured that the system was built as designed by and for the business, in addition to developing user confidence and ongoing knowledge transfer to gain system acceptance.
- Maintaining a stringent and consistent global approach while addressing the local legal and regulatory requirements was made feasible due to the flexibility of design of the application and leveraging localizations provided within the standard application itself.
- Vendor engagement, support, and accountability in the areas of software, hardware and professional services was critical and was constantly monitored and reviewed by our program management office and designated internal resources to ensure service level agreements and agreed upon timelines and were met
- Multi language and currency usage added complexity to the implementations and was handled by configuring the application to support data encapsulation in multiple views
- Developing and maintaining a consistent approach to project status and tracking across multiple streams of implementation in multiple time zones across the globe was accomplished by an ever-present program management office to enforce project implementation and reporting methodologies
- With new team members in every implementation wave, understanding and maintaining a global footprint was made possible with document repositories for design concepts, testing scripts, training guides, implementation processes in addition to project management continuity
- Operating and supporting a single instance to support business globally was a major challenge which involved the creation of a global production support team and processes to service users and monitor systems on a 24x7 basis
- Managing integration points between multiple project work streams, ongoing production support, numerous infrastructure teams, in addition to other IT initiatives was made possible by the program management office