



A Search for New Horizons



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MANAGEMENT AT A GLOBAL CONFECTIONER DECIDES TO IMPLEMENT A COMMON AND INTEGRATED INFORMATION SYSTEM, MERGING OUTDATED LEGACY SYSTEMS INTO A GLOBAL ENTERPRISE ARCHITECTURE. [20055384]

SUMMARY

Over the last few years the Ferrero Group undertook a deep reorganization program aimed at migrating from a geographical to a functional organizational model. The ultimate goal of this effort was to create a truly global confectionary company, where key business processes would share common principles and practices. Amongst a number of other initiatives, with the considerable sponsorship of the two CEOs, the Top Management decided to implement a common and integrated information system, based on SAP R/3 to support worldwide operations. The GEA (Global Enterprise Architecture) program was launched, changing the way Ferrero IS strategy was conceived over the past years from a "Best of breed" to an integrated approach. The Program Masterplan was defined, and accordingly projects aimed at developing the Group's Kernel, building the IT infrastructure, consolidating the data centers and unifying all master data were launched at the beginning of 2003. The implementation of the SAP R/3 has already reached important results, as some of the Group's largest companies are already running SAP on key business processes.

APPLICATION

Pietro and Giovanni Ferrero founded Ferrero in Alba in 1946. Since its foundation, the company's core values were identified on innovation, quality, uniqueness of products and innovative and proprietary production technology and processes.

Under the leadership of Michele Ferrero (Pietro's son) the company introduced a number of "new to the world" products that today are worldwide market leader of each respective category. Amongst those, Nutella, Kinder, Tic-Tac, Rocher, Mon Cheri and Pocket Coffee, can be mentioned as some of the most well known brands.

Michele Ferrero also expanded the presence of the company across Europe and worldwide. In 1956 and 1958 respectively, he established the company's presence in Germany and France. In the following years the international expansion continued, and today the Group is one of the world's largest confectionary manufacturer, with more than 16.000 employees, 15 production plants in 12 countries and more than 30 commercial companies across the world.

At the beginning of 2003 the GEA (Global Enterprise Architecture) program was launched as one of the initiatives instrumental in supporting the Group organizational transformation.

Ferrero Top Management considered that the revision of IT systems was key to allow the Group to pursue its strategy, which comprised:

- Centralization of some key business processes
- Standardization of activities and practices, in order to improve the Governance of the Group

Considering the scope and the level of complexity of the project, the IS function defined a detailed master plan for the kernel definition, its subsequent rollout on each company and data centers consolidation.

First initiatives of the Program comprised the finance, treasury and controlling kernel definition; the development of a template to support operations of smaller commercial companies; the go live of unified master data for materials; the set-up of the two data centers for the whole Group

From an architectural point of view, the GEA program is realized on a single development client for all projects in order to guarantee consistent kernel and rollout management. The development environment is serving two production clients, whose alignment is guaranteed by strict transportation and change requests policies. Additionally, a release strategy has been defined to manage major

changes to the Group's kernel.

Ferrero successful business, practices and its overall level of complexity drove the Management to select cutting edge solutions in the implementation process. From a technological point of view, the GEA Program is characterized by a number of peculiarities:

- Introduction of Unix platform to run the SAP 4.7 version on a HP architecture, to optimize the performance of the new system
- Implementation of XI (a component of the NetWeaver architecture) for R/3-legacies interfaces, to enable efficient management of interfaces and data flow
- Implementation of the 4.0 version of APO (for logistics planning activities) under rump-up configuration that empowered Ferrero to foster its relationship with SAP AG and become a strategic partner during the application fine-tuning process

BENEFITS

The global SAP implementation enables the homogenization of key processes, and core central activities that are providing the Groups with a number of benefits:

- Savings related to consolidation of selected staff activities
- Improved quality and performance of some key process, like procurement (where centralization allowed scale, process alignment to best practices, increase in bargaining power with vendors)
- More accurate production and logistics planning (improved level of services to commercial companies, invested capital reduction, better saturation of fixed capital)
- Improved controlling, to support the Top Management decision making process
- Efficiencies on information systems management, thanks to the run-down of systems in place and subsequent reduction in maintenance costs

IMPORTANCE

Ferrero heavily relies on information technology to manage its business complexity and multinational dimension. In particular the IT backbone is key in supporting procurement, production, logistics, sales & distribution and customer relationship activities. These important processes are becoming more and more complex due to the evolution of distribution channels, the globalization of suppliers and other third parties involved with the Ferrero business. In the last few years, globalization and increased competition made the Ferrero IT on of the main assets to obtain efficiencies and improve business performance.

ORIGINALITY

GEA program is the first Ferrero global project that is matching Group requirements with local practices. This important program requires the creation of cross-national competence centers to develop the system kernel and assure the consistency of rollouts. Another distinctive characteristic of the GEA Program is the concurrent implementation of SAP R/3 modules with other SAP non-transactional applications, such as CRM and APO

SUCCESS

SAP R/3 modules are already operating in some of the largest Ferrero companies. In Germany finance, controlling and sales & logistics applications are already up and running; Italy and France finance and controlling modules are already in place. Meanwhile the APO rollout is on its way after its go-live in Italy.

Today the management recognizes how the strong CEO's sponsorship, top management commitment, change management and incentive systems for key personnel have been the key success factors of the initiative.

DIFFICULTY

For Ferrero, SAP implementation meant a global project that involved management of heterogeneity in terms of culture, languages, management styles, regulatory requirements, markets particularities, etc. This, coupled with significant business complexity, and the Ferrero history of a geographical rather than functional organization, required a significant change management effort.

