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Published by Wellesley Information Services

WIS PUBLISHING

www.WISpubs.com



sapinsider.wispubs.com

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Postmaster: Send address changes to SAPinsider, 20 Carematrix Drive, Dedham, MA 02026, USA.

SAPinsider (Print ISSN# 1537-145X, Online ISSN# 2155-2444) is published quarterly by Wellesley Information Services, LLC (WIS), a division of UCG, at 20 Carematrix Drive, Dedham, MA 02026. A subscription to SAPinsider is free to qualified readers within the US and Canada. Outside North America, a fee of US\$39 is applied for international shipping and handling for an annual subscription. To subscribe, visit sapinsider.wispubs.com.

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# What to Do When Your Subsidiaries Need to Integrate with Headquarters

How SAP's SME Solutions Helped LORD Corporation Navigate This Challenge

*Carney Vensel, LORD Corporation, in conversation with SME Insights Columnist Prasad Akella and Sheila Zelinger, SAP*



Carney Vensel  
Manager of International IT  
LORD Corporation

**As globalization marches on and businesses look to grow in international markets, companies are often confronted with the need to build and serve locally.** And to do so, they need to think through core aspects of their product design, build, and distribution strategy — and the associated implications to their overall organization — from an IT perspective. Specifically, how do they enable their subsidiaries to run efficiently while fulfilling headquarters' requirement to have a holistic view of the corporation?

In this "SME Insights" column, the focus is on subsidiaries, which make up an important portion of the small business and midsize enterprise (SME) population. SAP's Dr. Prasad Akella and Sheila Zelinger caught up with Carney Vensel, Manager of International IT at LORD Corporation, a company that has integrated its subsidiaries using SAP Business One.

## Q: Could you describe LORD Corporation and its subsidiary operations?

**A:** LORD Corporation is based in Cary, North Carolina, and is a leader in adhesive, coating, and vibration control and motion management technologies, with revenues of US\$720 million.

We have 17 manufacturing facilities in nine countries, along with 90 strategically located sales and support centers worldwide. In the past, these subsidiaries used their own software and developed unique business processes to meet their operational requirements. However, some of these solutions lacked work-in-process (WIP) and quality management capabilities. At certain sites, there was no link between manufacturing operations and accounting software, making it difficult to conduct profit center accounting.

## Q: What drove you to launch an IT project to integrate these international subsidiaries?

**A:** Without standard processes or systems, many subsidiaries found it difficult to provide timely data and reports in uniform formats to corporate headquarters. Many manufacturing facilities were

also using inefficient, error-prone, manual transactions. So, the leadership team decided that all international locations would deploy the same software to better integrate our operations and provide profit accounting, quality, and WIP management capabilities to all plants.

## Q: Why not simply roll out SAP ERP 6.0 from your headquarters to those subsidiaries?

**A:** We use SAP ERP 6.0 to support operations at headquarters and the larger manufacturing facilities in the United States. But this software would not have fit the needs of our smaller subsidiaries and would have created process overload for them. We wanted something simpler, but we also needed a solution that would still integrate with our corporate SAP ERP solution while supporting the subsidiaries' languages, currency, and regulatory requirements. It also had to integrate with the manufacturing software from be.as GmbH, which each production facility uses. After evaluating products from a number of solution providers, we selected SAP Business One.

For more information on SAP solutions for subsidiaries, write to Prasad Akella at [prasad.akella@sap.com](mailto:prasad.akella@sap.com).

### Q: What made you pick SAP Business One?

A: During the solution evaluation process, we found that the SAP Business One software had the most extensive overall functionality and the largest number of localizations and languages. We also felt that it was a simple system to use and run. We knew that it came with solid, prebuilt integration with SAP ERP and would integrate with our manufacturing software.

### Q: Where in the rollout process are you?

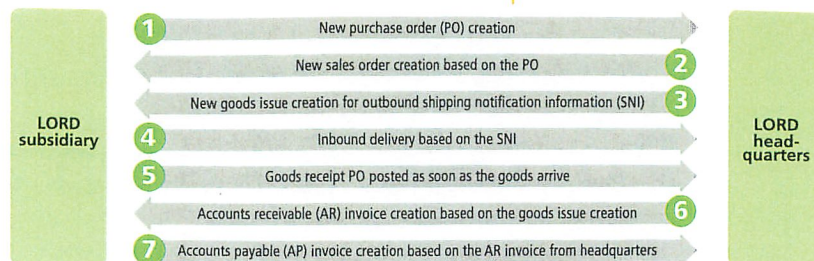
A: We have already implemented SAP Business One at locations in Germany, Italy, Switzerland, France, the UK, Hong Kong, Japan, India, China, and Taiwan. In the next year and a half, we plan to deploy SAP Business One at our sites in Turkey, Poland, Malaysia, Thailand, Indonesia, Vietnam, and Australia. The rollout is based on a global template with localizations for each legal entity.

We also set up integration scenarios between headquarters and subsidiaries (SAP ERP 6.0-to-SAP Business One scenarios), as well as between the subsidiaries themselves (SAP Business One-to-SAP Business One scenarios). For example:

- **Master data integration.** SAP-provided integration scenarios enable master data integration between the headquarters' SAP ERP 6.0 system and subsidiaries' SAP Business One instances. This aids in our global financial consolidations, reporting, and overall BI strategy.
- **Subsidiary-to-subsidiary inter-company transaction.** In China, we have three subsidiaries (one sales office and two production plants), each running SAP Business One. One of the production plants acts as a subsidiary of the sales office, which purchases all the goods produced by the production plant. The system automatically creates inter-company transactions between these production plants to transfer the daily production data with all relevant accounts payable and accounts receivable transactions.
- **Subsidiary to headquarters internal purchasing integration.** Figure 1 captures the scenario of inter-company purchasing when subsidiaries order materials from headquarters or facilities running SAP ERP 6.0.

### Q: What has been the best moment so far?

A: The most satisfying moment came when the subsidiaries started to appreciate the value of standardizing on SAP Business One and integrating



with our corporate system. In the past, subsidiaries could customize their systems in any way they wanted. Under the new architecture, they are still able to support the unique aspects of their operations, but they have to work off of our standard SAP Business One blueprint template and ensure master data alignment with the corporate system. While it initially seemed that it would add additional work and constraints, the subsidiaries now realize that it allows them to leverage corporate investments, such as business intelligence, to gain better insights into their operations, and have become vocal supporters of our approach.

### Q: What advice would you offer to companies that need to integrate subsidiaries?

A: My first recommendation is to implement common systems at subsidiaries as much as you can; it really makes planning and execution so much better. Second, use a common blueprint; it allows for quick implementation. Third, if you are using SAP at headquarters, take a close look at SAP's solutions for subsidiaries — they come with excellent process and master data integration, which is the key to a streamlined environment. ■

FIGURE 1 ▲ Subsidiary purchase order to corporate sales order integration scenario

## About the Interviewers



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