Axalta's Journey Implementing S/4 HANA Central Finance
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Session ID # 84283
About the Speaker

Ankur Banga

• Solution Architect, Axalta Coating Systems
• Extensive experience in planning and execution of SAP finance transformations since 2006
• MBA in Finance and certified in 5 SAP modules
• Love to bike in the summer and ski in the winter
Key Outcomes/Objectives

1. Learn about Axalta and its reasons to implement S/4 HANA Central Finance

2. Highlight the 11 month journey from project approval, design, build, test and all the way to go-live

3. Highlight key successes and areas of improvement for future CFIN implementations
Agenda

- Axalta Overview
- Why Axalta chose Central Finance
- Benefits realized
- Our corporate reporting landscape
- Axalta’s journey to a successful implementation
- Key Success Factors
- Areas of Opportunity
- Central Finance Run & Maintain requirements
Axalta’s Global Breadth and Scope

$4.7 Billion in Revenue

100,000+ Customers

4,000+ Distributors

~14,000 People

130 Countries

50+ Brands

50 Manufacturing Centers

47 Training Centers

4 R&D Technology Centers

30+ Laboratories

150+ Years in the Industry

Durability coatings that protect, enhance productivity and add beauty.
# Customer Segments and End-Use Markets

## TRANSPORTATION COATINGS

### LIGHT VEHICLES
- Automotive Interiors
- Automotive Parts and Components (APC)
- Original Equipment Manufacturers (OEM)

**Global leading supplier to OEMs**

### COMMERCIAL VEHICLES
- Aviation
- Bus
- Heavy and medium duty trucks
- Marine
- Rail
- Recreational & off-road
- Trailers and utility trucks

**#1 Global supplier to heavy duty truck and bus segments**

## PERFORMANCE COATINGS

### INDUSTRIAL
- Electrical insulation systems
- Architectural & decorative
- Oil & gas pipelines
- Valves & rebar
- Automotive components & specialized coatings
- Metal furniture & playground
- General industrial
- Agriculture, construction & earth moving equipment
- Coil / extruded metal
- Industrial wood coatings

### REFinish
- Multi-shop operators
- Independent body shops
- Light vehicle / car dealerships
- Commercial Vehicle aftermarket

**#2 Global supplier to the electrical insulation sector**

**#2 Global supplier to the powder coatings sector**

**#2 North America supplier of industrial wood coatings**

**#1 Global supplier to refinish sector**
Why Axalta chose Central Finance

Axalta is planning a multi-year business transformation initiative to transition from disparate processes to standard, global, harmonized and efficient processes leveraging a single instance SAP S/4HANA as the technology enabler.

First step in this transformation journey was to develop a financial reporting platform based on
- SAP S/4 HANA Central Finance
- BPC Optimized for S/4 HANA Planning

Axalta selected CFIN as the solution of choice to
- Replace a summarized management reporting system focused on month-end reporting
- Provide a platform for seamless integration of mergers & acquisition
- Establish the foundation of a global transactional system, both technically and functionally
Benefits Axalta realized

Platform-inherent benefits

Real-time reporting
- Caution – some process like depreciation, payroll and translation are still periodic

Granular Reporting
- At customer, vendor and material level

Segment Reporting
- Accounting and reporting by Segments

Modern Interface
- Fiori

Benefits from Axalta’s Process-Redesign

Dimensionality switch
- Redefined profitability characteristics with no impact to core transactional systems

Agile and efficient closing process
- Eliminate complex, sequential Special Purpose Ledger processes
- Eliminate manual file transfers
- Reduce reconciliation efforts

Custom COPA to Standard FI
- Fully utilize all transactional (Allocations, Translations etc.) and reporting requirements

Quantity reporting
- Complement financial values with quantities, converted to standardized global units of measure
Corporate Reporting System Landscape - Before

SAP (4.6c) source system

Financial Accounting (FI)
Management Accounting (CO)

Special Ledger 1

Special Ledger 2

Special Ledger 3

Corporate Axalta Reporting System (MS BI)

Informatica

Non-SAP source system

Non-SAP ERP 1

Non-SAP ERP 2

Non-SAP ERP 7

1 YTD file per entity and statement type (BS or PL)
Corporate Reporting System Landscape - After

SAP (4.6c) source system

- Financial Accounting (FI)
- Management Accounting (CO)
- Special Ledger 1
- Special Ledger 2
- Special Ledger 3

1 YTD file per entity and statement type (BS or PL)

Non-SAP source system

- Non-SAP ERP 1
- Non-SAP ERP 2
- Non-SAP ERP 7

1 YTD file per entity and statement type (BS or PL)
Process Architecture

Source Systems

- Plant Closing
- Cost Center Allocations
- Cost Center to COPA allocations
- Entity Closing
- Entity level accruals and adjustments

S/4 HANA Central Finance

- Revaluations
- Profit Center (Business) Allocations
- Translation
- Group Tax Posting
- Intercompany
- Top-side adjustments
- Group Closing
- File

HFM

Functional Currency (€, £, ¥...)
- Statutory Books

Group Currency ($)
- US GAAP Books

Legal Consolidation
Axalta’s journey to a successful implementation

- **Source Sndbx to CFIN Sndbx**
  Core CFIN Replication to prove 4.6c integration

- **Source Dev to CFIN Dev**
  SLT Replication Scenarios & S/4 HANA Finance

- **Source QA to CFIN QA**
  SLT Replication Scenarios & S/4 HANA Finance

- **One month gap needed in switching from CFIN Q to CFIN Prod**

- **Mar’18**
  **Prep**
  Source Sndbx to CFIN Sndbx
  Prove out the challenging Axalta specific transformation scenarios

- **Apr’18**
  **Design**

- **May’18**
  **Technical PoC**

- **Jun’18**
  **Build**

- **Jul’18**
  **Source Dev to CFIN Dev**
  SLT Replication Scenarios & S/4 HANA Finance

- **Aug’18**
  **SIT**

- **Sep’18**
  **Parallel Test - 1**

- **Oct’ 18**
  **Parallel Test - 2**

- **Nov’18**
  **Prod Cutover**

- **Dec’18**
  **Prod Parallel**

- **Jan’19**

- **Feb’19**

- **Source Prod to CFIN QA**
  Full month end simulation & Reconciliation to legacy

- **Source Sndbx to Source QA**

- **Source QA to Source Prod**

- **Source Prod reset**

- **Source Prod to CFIN Prod**
  One month parallel in CFIN Prod

- **Cut-Overs**
  - Source Dev to Source QA
  - CFIN Dev to CFIN QA
  - Source QA to Source Prod
  - CFIN QA Clnt 1 to Clnt 2
  - Source Prod reset
  - CFIN QA to CFIN Prod
# Success Factors – Program level

<table>
<thead>
<tr>
<th>Executive sponsorship and effective governance structure</th>
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<tbody>
<tr>
<td>Business/Finance ownership</td>
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<tr>
<td><strong>Timely decision making</strong></td>
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<tr>
<td>• Timely analysis to facilitate escalation and executive decision making</td>
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<td>• It’s a democracy, but not everyone gets a vote</td>
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<td><strong>Adherence to fit-to-standard principles</strong></td>
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<tr>
<td>• Gaps approved by Operating Committee</td>
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<td><strong>Adherence to scope guidelines</strong></td>
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<td><strong>Technical PoC prior to project launch</strong></td>
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<td><strong>Testing/Validation Methodology</strong></td>
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Success Factors – Solution Level

• Flexibility to amend source system
  – Support pack update on source
  – Adding Trading Partner to GL accounts master data
  – Replicating some source system Special Ledger postings to source system FI, instead of creating custom interface from source SPL to CFIN

• Limited Master Data setup
  – Customer/Vendor: only minimum required fields for Client and Company segments
  – Material: only minimum required fields for the Basic Data segment
  – Maintaining flexibility for master data design with full ERP implementation

• Data Migration Cockpit for simple master data loads
• SLT filters for local-Gaap document types and posting date
• Simplified, yet more detailed intercompany master data and postings
Success Factors – Solution Level (contd..)

- Cost object conversion
  - WBS conversion to IOs
  - PP/QM/PM Order and IO many to one mapping, by order type and company code
  - Certain 1:1 order mapping as well
  - Enhancement to derive PC from source posting, for CO internal postings
  - Enhancement to change business transaction type as certain PP Order transaction types are not allowed for Internal Orders
- COPA replication from FI-integrated postings in source
- CO document replication – Cost Center assessments, distributions (including interco) and Cost Center to COPA assessments worked out of the box
- Custom program to toggle AIF message status to be able to re-process documents for testing
Success Factors - Knowing the limitations

For all SAP source systems

- Document Splitting is not supported
- Key and Value mappings don’t have effective-date feature capability

For ECC 5.0 and lower source systems

- Source systems below ECC 5.0 are not supported
- Source system 4.6c needs to be at patch 58 or higher to utilize SAP’s source system CFIN code
- Clearing replication is not supported
- One-time accounts are not supported
- Cost component split is not supported
- CFIN Reconciliation Reports are not supported

Axalta did not implement this feature
Axalta customized for identified limitations
## Areas of Opportunity – Program Level

### Do not underestimate performance requirements

- Replication: number range buffering, bulk processing, non-synchronous updates and fine-tuning of different memory parameters were effective in remediation
- Reporting: avoiding use of certain (performance impacting) front-end features of AFO provided a work-around

### Plan, simulate and consider contingencies on design aspects from end to end

- There might be legacy dimensions that you may require full reporting on, decide on coding block accordingly

### Plan ahead for conversion to Business Partner

- Overlapping number ranges between customer and vendor in source systems require consideration and appropriate action plans

### Historical Load complexity and resource requirement

- As our historical data source was a reporting system and not the source transactional systems, we loaded historical data through CFIN External Interface.
- AR, AP (alternate recon accounts) open items and Cash balance loads added significant complexity to the GL balance conversions
- Special handling of special characters in text fields required due to use of BPC Optimized / Embedded BW

### Tail end business processes like FP&A need special attention during the project

### Working with ECC 5.0 or lower source systems means you can’t expect available CFIN notes to solve known issues

- Manual down-porting and implementation of CFIN notes might be necessary
Areas of Opportunity – Solution Level

• Complexity with handling dependency of reference documents in replication
  – Reversals, clearings and document changes in source system

• Document summarization vs document splitting (999+ items) present significant complexity

• Need to implement the same CFIN transformation/code in up to 3 enhancement spots – FI document, CO document and Non-SAP

• Adding and transferring custom fields (COPA characters) to SLT replication presents technical and master data challenges

• Additional enhancements are required for Non-SAP SLT Interfaces
  – Certain mapping entities are not available i.e. Trading Partner
  – Not all standard coding blocks elements are available in Non-SAP AR/AP interfaces
Central Finance Run & Maintain requirements

CFIN *environment maintenance* in addition to transactional system maintenance

• Maintaining configuration in sync
  – Limited to replicated Org Units and some document posting configuration
• Maintaining master data in sync
  – Manual upkeep for certain master data
    • Example in Axalta case: GL Accounts
  – Automated interface maintenance
    • Example in Axalta case: Customer, Vendor & Material
• CFIN regression testing for any source system changes that impact document posting
• Environment refresh plans keeping CFIN in perspective

Plan and budget on *continuous improvement*

• New granular, real-time reporting presents new opportunities for deeper and more meaningful insights
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http://info.asug.com/2019-ac-slides
Q&A

For questions after this session, contact me at ankur.banga@axalta.com
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