

Beverage Company (BC)

Case Study Brief

Issue

A leading worldwide beverage company (BC) wanted to improve cash management and treasury functions within its U.S. operating beverage segment. The company had decided to convert to the SAP enterprise resource planning (ERP) system worldwide and, prior to the U.S. conversion, asked "*Financial Institution*" to conduct a review of its cash management operations with an eye toward process improvement. Also needed was help configuring and implementing both the cash management and treasury management modules of the SAP system based on the company's unique business requirements.

Action

In the first engagement, "*Financial Institution*" conducted the cash management review, analyzing the client's banking network as well as its internal resources, procedures, controls and processes in place at the time. The "*Financial Institution*" team submitted recommendations for process improvements the client could make immediately while simultaneously preparing for the U.S. portion of its global SAP conversion. The second engagement team provided project management and SAP implementation assistance, as well as cash, banking and treasury management expertise. Responsibilities included knowledge transfer, decision support, advisory services and direction of SAP cash and treasury module configuration and implementation.

Impact

The client has gained greater efficiencies in managing its U.S. banking relationships, better cost management and new methods that allow the company's cash to be processed without delay and dispersed under proper controls. Also improved were the identification and management of risks surrounding the company's treasury function, i.e., movements in commodity, price, interest rate and foreign currency. Switching to SAP delivered a single systems environment with the capability to operate in the same way wherever the SAP system was in place. Finally, BC is now positioned to achieve global integration of financial information, facilitating an enterprise view of its worldwide financial operations on nearly a real-time basis.

Case Study Full Length Story

Précis:

When a leading worldwide beverage company wanted to improve its cash management and treasury functions, as well as tailor implementation of a complex enterprise resource planning system, they called on “Financial Institution’s” Advisory Services experts for help.

Maximizing opportunities in the high-volume beverage business

It might not be obvious to the average teen buying a favorite soda in her neighborhood convenience store, but risk management and cash flow are everything in the packaged goods manufacturing business, where profit margins are slim and sales volumes are high. Making sure that millions of consumers can purchase their favorite soft drinks at countless retail outlets in over 200 countries around the world takes a lot of work – not to mention some highly efficient systems and processes – as anyone on the management staff of a leading worldwide beverage company (BC) will attest. The company has been in business for over one hundred years, and today is one of the largest beverage companies worldwide, with over 50,000 employees and a market capitalization of more than \$5 billion.

Managing cash is one of the most important things a big manufacturer can do to take care of itself. So when executives at BC’s European headquarters decided to give their U.S.-based treasury and cash management system a makeover – by implementing the SAP enterprise resource planning system – they turned to “*Financial Institution*” for help.

It was a good call. “*Financial Institution*” has extensive experience with SAP, and is likely the world’s only advisory firm with equally deep skills in treasury management. “*Financial Institution’s* Advisory Services division provided the right combination of resources for this engagement, where project management, treasury, banking and SAP expertise were all needed to understand the unique

customer requirements and tailor a complex system implementation to meet them.

Getting the upper hand on cash, risk and global integration

What BC gained as a result of these endeavors, were far greater efficiencies in managing its U.S. banking relationships, better cost management and improved methods to get the company's money processed quickly and dispersed under proper controls.

Also improved were the identification and management of risks surrounding movements in commodity, price, interest rate and foreign currency – in essence, the company's entire treasury function. Moreover, the switch to SAP delivered a single systems environment with the capability to operate in exactly the same way, anywhere the SAP system is in place. That accomplishment alone has opened the door to movement of BC employees around the world, a clear advantage for a company that places a premium on retaining experienced staff.

“Perhaps the greatest benefit of all,” says John Coban, *“Financial Institution’s* partner in charge of the BC relationship, “is the global integration. The company’s group treasurer in Europe will now be able to view and consolidate financial activity from around the world on almost a real-time basis. Which means he has the capability to run, from a financial controls standpoint, a huge global enterprise as though it were a single business in a single country.”

A high-profile engagement

Of the many services *“Financial Institution”* has rendered BC over the years – through a working relationship based primarily in Europe – this was a relatively small but high-profile engagement. It began in November 2002, when the client was just beginning to revamp its treasury system. But before the systems work could begin in earnest, BC executives determined they would be well served by a

review of how the company's cash was managed in its U.S. operation. Already working to help one of the manufacturer's key beverage segments in Europe streamline cash management practices, "*Financial Institution*" was asked to provide similar assistance in the U.S. This request formed the basis for the cash management review engagement.

This review had as its particular area of focus the company's lock box structure – a lock box being a post office mailbox to which companies and individuals mail payments, and that the bank later "sweeps" for processing. When set up and managed efficiently, a lock box environment offers a way to accelerate cash receipts and can make a substantial difference in cash management. The bigger the operation, the greater the impact.

"*Financial Institution's*" job was to recommend ways to reengineer the company's U.S. banking network. By year-end it had done so, focusing on both the relationship aspects of the banking network and the process side. Leading the review was Advisory Services specialist Tom Hoffman, whose experience was essential since proposals for process improvement had to be considered in light of the pending SAP conversion. Any new processes envisioned through the reengineering effort would have to work with SAP when the time came – and that time was quickly approaching.

Success earns a second opportunity

Two months later, with the initial review complete and its recommendations presented, "*Financial Institution*" was again engaged – this time to help implement the cash management component of the SAP system module. Included in the engagement scope was implementation of the treasury management component, another of BC's' original targets for process improvement.

Having reengineered and improved its business processes, the company was now looking to “*Financial Institution*” for specialists versed in both the inner workings of SAP and the means by which the SAP cash management and treasury management modules could be configured to meet BC’s specific business requirements.

“*Financial Institution*” turned to its Advisory Services organization to deliver both process improvement knowledge and technical systems expertise with resources whose skills and abilities were a precise fit for the requirements. A key member of the team, Gail Chapman, is a classic example of such a special resource. Chapman was formerly with SAP and led development of the very module BC was now about to implement. He was immediately tapped for the role and upon finishing it, went on to assist with BC’s European cash management and treasury management implementations where he is still on assignment.

As had been done already in Europe, the systems portion of the U.S. project began with the cash management module, with the notoriously complex treasury management component module to follow. Moving as planned, the cash management implementation was completed according to schedule, and with that accomplished, attention could be wholly given over to treasury.

Connections that count

Throughout the project, dedicated treasury specialists on the Advisory Services team in the U.S. have connected with their treasury counterparts across the globe for advice and counsel on complex issues, and have been rewarded with exceptional support, “*Financial Institution*” having perhaps the world’s largest practice dedicated to treasury. “We stay in regular communication,” says Coban, “sharing techniques and other information, and attending BC’s meetings in Europe to be sure all parties are communicating.” Work on the treasury management component is nearing completion, with the client “exceptionally pleased,” according to “*Financial Institution’s* internal customer satisfaction

ratings. When asked about measuring success, Coban remarks, “We measure it in terms of client satisfaction. All parties have to be working as a team, with common goals.”

One of the essential aspects of this engagement has been and continues to be project management. Philip Sieger, the “*Financial Institution*” project manager assigned to the engagement, leads the U.S. implementation effort and has been working with BC managers on a continuing basis to understand and contribute to the systems implementation project plans.

For each component, the management process begins with a validation that the tasks, timelines and resources are appropriate for any given activity. The plan is then updated and used as a guide for ongoing management efforts. Relying on project management skills, experience and a methods-based approach, Sieger is tasked with making sure everyone involved adheres to the plan to the best of his or her ability. It is his responsibility to anticipate issues along the way and adjust the plan or activities when needed.

The second major component has been to provide the client an interactive understanding of treasury management and banking, so that when issues arise, a knowledgeable team is available to provide decision support. Staff chosen for this role not only has to have the expertise, but also the customer relationship skills to facilitate an ongoing dialog between management and staff; client and advisor. The team ultimately selected has been assigned a number of responsibilities, including directing programmers to configure and set up the highly flexible SAP system so that it handles activities the way BC wants to see them. Coban explains it this way, “SAP is a complex system to configure. While it has tremendous power, unlike some other systems that have somewhat of a predefined application, SAP has more of a framework. Within that framework – if you have the ability – you’ll find great latitude for tailoring the system to a client’s needs. And we bring that ability.”

Bringing key controls to life

Ingrained in every part of the SAP implementation is *“Financial Institution’s* extensive knowledge of risk and control. BC appreciates that the experienced Advisory Services team can be sure the right control structures are put in place as the system is being configured. Benefits the client is realizing include improved risk management through control activities that have been predefined and automated in the new SAP environment. This is important because some controls may have been performed manually or may even have been nonexistent in the old structure. Now, monitoring of key control activities can be done on either a preventive or detective basis by the SAP system. So, for example, if an individual at BC initiates a foreign currency trade with a counterparty that has not been previously approved, the system creates an error message indicating the lack of approval – an alert someone else can act upon.

Conclusion

In the end, what has set this engagement apart – making it a true “best practice” example – is the exacting approach that BC and *“Financial Institution’s* Advisory Services team have taken to ensure success. It has been a collaborative, connected effort between the two organizations to examine an important aspect of the client’s business on a global basis, and to consider carefully before implementing any changes.

Together, client and advisory team sought opportunities for process improvement, structuring the project so that analyses could be done before the systems work began. Recommendations were made, and enhancements having the potential to create significant value in cash management and treasury operations were identified. These were subsequently rolled into the critically important SAP system implementation.

Coban sums it up with an insight gained through long experience. “I think that too often, companies get a desire to put a system in place, and they try to do it with unreasonable timeframes,” he said. “Often, they don’t spend the time or effort to improve their processes first, before layering in a system on top of the existing processes. We didn’t do that here. This has been done in a thoughtful, measured way, and its success is a testimony to both our organizations.”

Certainly, BC is benefiting. So whichever flavor a consumer may choose from a host of BC’s well-known soft-drink brands, the company behind them can be confident of doing everything it can to position itself for success – which means BC will be around to make delicious products for the next 200 years. For those who appreciate quality and conveniently available refreshments, that’s good news indeed.

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