China's Huaxin Cement Embraces SAP

Capgemini collaborates with cement manufacturer for SAP deployment in carefully planned stages across multiple locations and process standardization with Holcim

The Situation

Operating in China, the world's largest cement market, Huaxin Cement manufactures cement and associated equipment, besides offering a range of other services.

From 2008, Holcim, a leading global producer of cement and aggregates, became the largest shareholder in Huaxin Cement. Contrasts between the two companies were evident—the former was truly global with well defined systems and processes; the latter's business was focused on ground realities in China. Holcim's increased stake in Huaxin Cement triggered several changes in the organizational fabric of the latter.

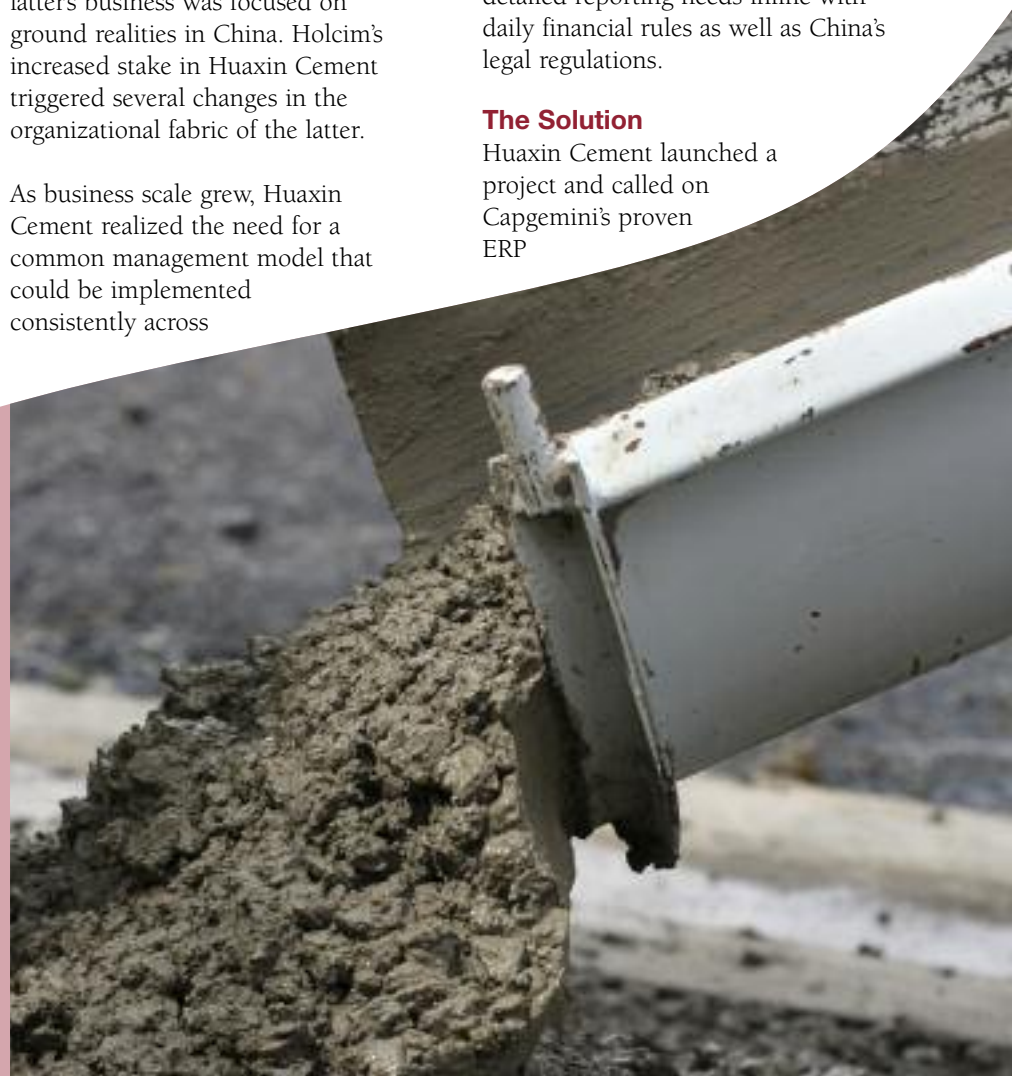As business scale grew, Huaxin Cement realized the need for a common management model that could be implemented consistently across all locations. Achieving this demanded a need to embrace more efficient and unified business processes, as well as a standardized management platform across all subsidiaries. In order to utilize Holcim's experience in management systems for the cement business, the system needed to be compatible with Holcim's ERP template and HARP (Holcim Accounting & Reporting Principles) standards. At the same time, Huaxin Cement needed to define and develop an efficient business model to fulfill detailed reporting needs inline with daily financial rules as well as China's legal regulations.

The Solution

Huaxin Cement launched a project and called on Capgemini's proven ERP

> **"A lot of consulting companies talk about partnering with their clients, but Capgemini really delivered. The collaborative approach taken by Capgemini and Huaxin resulted in a single unified team. This was a key foundation for the success of our project."**
>
> **Ian Riley,**
> **Vice President,**
> **Huaxin Cement Company Limited**

Parallel Ledgers in SAP FICO

Parallel Ledgers is a term specific to SAP FICO where the SAP system provides multiple ledgers, one for local legal requirements, one for global financial reporting purposes as well as another ledger for other purposes. Normally, one is the leading ledger for daily operations and the others are called non-leading ledgers for different reporting purposes and are mainly used at the end of a period.

Parallel Ledgers are designed to be used in standard vanilla SAP systems. In the case of Huaxin, they were running in a highly customized environment. As such, compatibility with its counterpart in Holcim's system was a major challenge. None of the team members in the ecosystem (Capgemini, Huaxin, Holcim or even SAP) had dealt with an issue of this magnitude earlier. Using a fresh approach, the team took on the challenge and succeeded in designing an innovative solution that carried some risk and demanded careful execution. Both these constraints were carefully factored in to attain success.

expertise to help steer it to success. Using its DeliverSAP methodology, Capgemini executed gap analysis and process design based on Holcim's SAP template—Connect—and designed new financial standards based on CAS (China Accounting Standard) and HARP. SAP was subsequently implemented in phases across Huaxin Cement's multiple locations in China.

The Result

Working intimately with both Huaxin Cement and Holcim throughout the project, the Capgemini team was able to promptly discover conflict of interest between global (Holcim) and local (Huaxin Cement) interests, solve the problem through change management methods and channels, and help both enterprises identify common interests and devise solutions. The SAP solution that was deployed strikes a perfect balance and delivers to the needs of both organizations. Huaxin Cement now has a reliable SAP system and fully trained user team, thanks to the collaborative efforts invested by all participants involved.

How Huaxin Cement and Capgemini Worked Together

Huaxin Cement's SAP rollout embodied Capgemini's Collaborative Business Experience. 21 dedicated SAP consultants from Capgemini and 50 stakeholders from Huaxin Cement and Holcim comprised a core team that came together to drive results. Effective collaboration was critical to success and Capgemini acted as the glue between the two companies, merging Holcim's global and Huaxin Cement's local experience, and sharing knowledge with both parties to resolve issues like Parallel Ledgers.

Measures were deployed to identify and mitigate hurdles to success, ahead of the rollout. In particular, careful attention was paid to the following:

- fulfill Huaxin's localized requirements with global processes and SAP solutions

- globalize Huaxin's local management culture
- minimize the effect of local solutions on other sites.

The rollout was achieved via structured methodologies by using a multi-phased approach that can be broadly summarized into the following stages:

Pre-Blueprint
Prior to solution design, Capgemini coached project participants via team building and training sessions. Multiple workshops helped establish strong ties between all team players, locally as well as globally. This interaction was vital in order to allow participants to cooperate and work seamlessly, increase the efficiency and productivity of the team and at the same time enable participants to adopt common project management and implementation tools such as Lotus Notes, Aris, and SAP Solution Manager.

Training for change management mainly focused on how to popularize an efficient working style and methodology that nurtured teamwork. Capgemini consultants also trained Huaxin Cement's local team on basic SAP knowledge, project implementation methods and key tasks. The team subsequently studied Holcim's global solutions, and identified gaps between local requirements and the global solution via detailed Gap Analysis. Thus, a strong base for future implementation was devised. After the Gap Analysis, the local project team, comprising Capgemini consultants and SAP module leaders from Huaxin Cement, traveled to Holcim Philippines to see the implemented global solution in action as part of a two week knowledge sharing session.

Huaxin Cement's current processes were also analyzed in this stage to discover core competences and identify weaknesses. Based on this, the team designed end-to-end

processes and IT rollout strategies, which formed a basis for future SAP and other IT system implementations.

Blueprint

The goal of this stage was to develop a project plan that represented actual deliverables mapped to each individual team member. A generic, high level plan would have been confusing for some participants, so this stage was critical. The blueprint development phase covered three different levels of project plans:

- master plan listing overall project steps
- phase plan listing the tasks for a specific phase. The tasks were based on modules, enabling module project status to be tracked via Microsoft Office Project
- module bi-weekly plan and weekly status reports, covering various modules and based on specific responsibilities of individuals and start dates.

To execute the blueprint plan, the team published, tracked, discussed and updated project progress and planning via different periodic meetings (weekly, monthly, etc.). Communication and change management plans were carefully prepared. The blueprint phase was the best opportunity for Huaxin Cement's senior management as well as mid-level management to get involved. This involvement was encouraged via steering meetings, management interviews, user surveys and key user/business expert workshops.

Realization

During the realization phase, different important project tasks were conducted in parallel, including system configuration, testing, master data, and user training. The project team was restructured by adding horizontal work streams besides vertical module teams, which formed a matrix structure. Every work stream had a dedicated leader from both sides—Capgemini as well as Huaxin Cement—responsible for preparing work stream plans and monitoring its execution. The matrix structure assigns direct responsibility for every project task, distributing project manager workload and improving the quality of work.

Before beginning actual realization of the system, the joint team agreed that testing would be the most important method to guarantee a stable system. Therefore, a thorough testing plan was developed via SAP Solution Manager, after which testing scenarios were listed, testers assigned and testing results recorded. The overall test work covered unit, integration, UAT, parallel running, go-live simulation, stress and month-end closing tests. Every test had two runs to ensure completeness. Effective management of results was ensured by test scripts being the responsibility of different individual testers, for example, consultants, core team members, key users and end users. All test results were properly recorded, and subsequently put through a formal sign-off process.

Self-developed SAP programs which could have side effects on local subsidiaries were identified and the feasibility of each program was duly checked by the core team. For example, the team had set up certain background jobs to run high workload programs during non-working hours. However, non-working hours at the Headquarters could be working time in other local subsidiaries, thus impacting their performance. Some "local" programs to fulfill a given subsidiary's specific requirements needed a "filtering" mechanism so that its "local" processing did not impact other subsidiaries.

Go-Live

Two runs of cut-over simulations were carried out prior to Go-live. The cut-over plan and strategy was further tweaked to provide feasible opportunities for the project team and pilot sites to experience SAP. The team prepared workable supporting strategies, ensuring the cut-over plan could be executed accurately and in timely fashion. All possible system problems and disasters were listed in advance before the pilot itself, and multiple business continuity plans were devised in order to ensure that daily operations would not be impacted.

An integrated IT system, i.e. SAP Solution Manager was utilized to record and track system issues and solutions. Thus, a global view was provided to the project team, facilitating knowledge sharing between project units.

Prior to full-scale deployment, a pilot was undertaken at Huaxin Cement's headquarters and four sub-companies. The pilot was effected by transferring SAP solution and process know-how for Holcim's Connect template, with strong support from Holcim including its global IT, HARP and its other teams. SAP modules covered in the pilot included SD, MM, PP, PM, FI, CO and BW.

The project team was thus able to refine the project plan and methodology for the subsequent rollout. After the success of the pilot, SAP is being rolled out to more than 26 Huaxin Cement subsidiaries as well as 2-3 remote sites (located far away from the headquarters) by replicating the solution deployed at the pilot centers to the other locations. The plan schedule will encompass 11 subsidiaries before the end of 2008 with another 10 scheduled during 2009. At that time, the team will also start expanding to other service lines like Ready-Mix. Since the solution has been thoroughly tested and validated in pilot phases, the rollout is greatly simplified.

Before the first month-end of Go-live, every transaction in the system was monitored extensively. Timely error detection and problem resolution helped avoid the accumulation of problems before month-end closing, a critical time for finance departments of all organizations. A detailed simulation of activities carried out during month-end closing further helped the team evaluate the robustness of the SAP system to volumes and proactively mitigate risks arising through bottlenecks. Based on results of the simulation, the team gathered all accountants from Huaxin Cement's pilot plants to carry out month-end closing together at the Huaxin Cement headquarters which was at Huangshi (it has subsequently moved to Wu Han). This approach provided a highly efficient support and knowledge sharing platform to

allow the team to achieve Go-live within a relatively short period of time.

High quality user training was identified as the most important factor to ensure post implementation success of SAP. As such, the team arranged multiple user training sessions in accordance with best practices and approaches used worldwide. User training was extensively planned and

budgeted, in order to guarantee its quality and success, i.e. there was no compromise in training facilities, projectors, computers, personal schedules of participants, etc.

The team continues to validate and improve SAP modules to increase Huaxin Cement's confidence in SAP operations and future rollout.

About Capgemini and the Collaborative Business Experience®

Capgemini, one of the world's foremost providers of consulting, technology and outsourcing services, enables its clients to transform and perform through technologies.

Capgemini provides its clients with insights and capabilities that boost their freedom to achieve superior results through a unique way of working - the Collaborative Business Experience® - and through a global

delivery model called Rightshore®, which aims to offer the right resources in the right location at competitive cost. Present in 36 countries, Capgemini reported 2007 global revenues of EUR 8.7 billion and employs over 86,000 people worldwide.

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In collaboration with

Huaxin Cement Company Limited, formed in 1907, has a rich legacy spanning over 100 years. The Group's principal activities are producing and selling cement and further processed cement products, cement clinker and paper-cloth bags. Other activities include researching, manufacturing, installing

and maintaining cement production equipment, import and export trading of cement and other building materials, and operating of restaurants.

In 1999, Huaxin established a strategic partnership with Holcim Group of Switzerland, the world's leading cement manufacturer. By 2008, Holcim had become the largest shareholder in Huaxin Cement. For more information, please visit: **http://www.holcim.com**