When is simple not as simple as it seems?

Becoming an industry leader in business financial planning

The better the question. The better the answer. The better the world works.
The search for consistency

As with many large, multinational organizations, Dow Chemical—a business that operates a portfolio of specialty chemical, advanced materials, agrosciences and plastics businesses in around 160 countries—has a management structure that pulls in different directions. A matrix system is in operation, whereby both leaders of the business lines and leaders of the different business functions have a significant role in strategic decision-making. Without an integrated business planning system, this structure gives rise to significant problems for senior leadership.

Some business units had put robust planning processes in place, supported by custom IT applications, while others made use of rudimentary planning capabilities such as Excel worksheets. In a multinational organization such as Dow, it quickly became very difficult for senior leadership to get a meaningful overview of business planning needs when forecasts from different business units and functions returned conflicting data as a result of using different applications and approaches.

Without a single source of data, the potential for errors is amplified. “When incorrect data is rolled up in multiple ways within a matrix organization, there are all sorts of possibilities to get different readings,” says Steve Meyer, Finance Manager at Dow Chemical. “Each time that happens, a reconciliation needs to be done, which leads to huge frustration from a management standpoint,” he adds.

Challenge 1

Challenge 2

Implementation

The sheer scale of the organization creates significant implementation challenges for business planning and consolidation (BPC) software.

Across the business, there are multiple users, each with slightly differing forecasting needs. This creates the requirement to engage the wider business to ensure that new processes are designed with all users in mind.

Meyer says that working with EY professionals on the project was critical here because their knowledge and experience meant they knew how to factor different users’ needs into the design phase. “Having a collaborator who knows how to deal with these discrepancies was really important,” says Meyer.

One of the challenges inherent within this is envisioning what the final product will look like. On reflection, Meyer says that the more detail that can be put into the planning phase of SAP® BPC implementation, the smoother the process will be and the more successful the outcome. “It’s critical to have an all-inclusive blueprint for what you will do, and also draw some boundaries around what you won’t do, to keep to the scope,” says Meyer.

EY’s involvement from the outset, with its experience in managing such complex, multifaceted implementations, meant that Dow was able to get the design right the first time, saving the additional cost and resources of subsequent redesigns to accommodate users that were overlooked initially.
The solution: delivering accuracy and speed across multiple users

In implementing SAP BPC, there were several benefits that Dow wanted to achieve. Perhaps most important was to improve the accuracy of its forecasting. There was a need to create a single data source that could be harnessed by multiple users across the business, ensuring that the figures were aligned.

This, in turn, would eliminate inefficiencies, caused by the need to reconcile data from different sources, thus saving time and giving leaders the visibility to analyze varying results across the wide range of business units.

Meyer points to costing as one example of where having a single data source is delivering important benefits. “One of the big things we struggled with was trying to marry the costing data with the different forecasts. In the past, we never had those in the same place,” he says. The first businesses that implemented SAP BPC have seen a real benefit getting a single report that has both a backward look at actual costs and a forward-looking forecast in the same place.

Another key benefit of SAP BPC is that, once it is implemented, the process owners within the business are able to maintain the application themselves, with minimum support from IT. “In today’s fast-changing business environment, it’s vital to have planning tools that are flexible enough to allow for changes in the master data and job scheduling,” says Dimitri Sanders, Manager for EY Advisory Services.

As SAP BPC is brought to other parts of Dow’s business, these advantages can be multiplied. The new model of SAP BPC that has been created is going to be a consistent, one-use template that can be implemented across the business. “Instead of everybody having to reinvent the wheel again, it’s going to be out there for people to use in a proactive way,” says Meyer.

Ultimately, there will be dozens of high-level, hundreds of mid-level and thousands of lower-level users of the template. “In an organization as large as ours, any time you can leverage central data for multiple users, that’s really where we get our savings,” explains Meyer.

The results: faster processes in action

Dow Hydrocarbons shares the benefits of SAP BPC

Dow Hydrocarbons is one of the first business units within the Dow Chemical group to implement SAP BPC, and it has immediately delivered tangible benefits to its processes as well as to the wider organization.

During the monthly closing period, Dow Hydrocarbons is required to run a model that provides a breakdown of the cost of ethylene. As a primary building block for most of Dow Chemical’s businesses, there is a need for rapid, accurate information on the price of ethylene every day throughout the monthly closing period, right across the organization.

Before implementing SAP BPC, this modeling process would typically take over two hours each morning to deliver quality data that could be communicated across the business. “During that time, all the other businesses had received their financial information – their P&L data – so they were waiting around for this information to become available,” explains Meyer. The implementation of SAP BPC has enabled the model to be run in 20 minutes, with valuable hours gained for everybody using the ethylene pricing information across the entire business.

A staggered implementation process

The successful implementation of SAP BPC within Dow Hydrocarbons is paving the way for other businesses across the group to adopt the software. In fact, it was following a positive result deploying SAP BPC in the Dow AgroSciences business that Dow Hydrocarbons was able to win sufficient management support to push ahead. “Each successful implementation generates more visibility and support to SAP BPC across the group,” explains Dimitri Sanders, Manager for EY Advisory Services. “Other businesses see the benefits of the implementations we’ve done and are seeking to start up their own projects,” he adds. Within the Dow group, there are currently three further SAP BPC implementation projects under way. The next stage for Dow’s hydrocarbons business is to adapt the ethylene model outlined above for its new propylene plant that will become effective in September.

For Meyer, EY’s close collaboration on the project was crucial to its success for several key reasons:

- The SAP BPC technology requires a high level of competency to apply, and few people possess expertise in its use. It is difficult to develop and retain in-house BPC expertise because it takes a long time to become proficient and there is a risk that trained staff move on to other areas of the organization, taking the knowledge with them.
- EY is a reliable external collaborator that has a great deal of subject-matter knowledge, which can plug gaps in in-house knowledge.
- EY acted as both a trainer and mentor to Dow staff, transferring critical knowledge.
- EY was able to devise creative solutions as stumbling blocks arose. The importance of this flexible approach cannot be overstated in a project of this magnitude.

Dimitri Sanders is the EY Advisory Manager and lead of the Dow project.
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