GRUNDFOS

SYSTEM LANDSCAPE OPTIMIZATION ENABLES GLOBALIZATION OF IT SOLUTIONS AND PROCESSES

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Christian Ø. Kristensen, IS Delivery Manager, Grundfos

QUICK FACTS

Company
- Name: Grundfos
- Location: Bjerringbro, Denmark
- Industry: Industrial machinery and components – pump manufacturing
- Products and services: Circulator and centrifugal pumps
- Revenue: DKK 17 billion (€2.3 billion)
- Employees: 17,000
- Web site: www.grundfos.dk
- Partner: SAP® Consulting organization

Challenges
- Eliminate slow and resource-intensive processes that hinder Grundfos in establishing a new global strategy
- Unify financial structures to enable a shared service center and to support further globalization and company growth
- Increase transparency across business operations worldwide

Objectives
- Provide an optimized IT infrastructure that enables Grundfos to support decentralizing sales and distribution units and establishing cross-market financial reporting
- Deliver a solution to accelerate Grundfos' financial reporting and business processes by merging 3 separate controlling areas
- Reduce overall maintenance efforts
- Realize a smooth and effective merger of 3 controlling areas with no impact on production

SAP Solutions and Services
Controlling area merge service from the System Landscape Optimization group of SAP Consulting

Implementation Highlights
- Completed project in just 5 months and 15% below estimated budget
- Carried out merger over 2 weekends

Why SAP
- Ability to provide a consistent area merge project without impacting production
- A trusted partner – several SAP software solutions already running at Grundfos

Benefits
- Supported Grundfos' global strategy by harmonizing and consolidating the company's IT infrastructure
- Enabled cross-market financial reporting
- Increased transparency within the entire organization with decentralized sales and distribution units
- Freed up resources for strategic tasks, thanks to optimized controlling processes

GRUNDFOS

As the world's largest producer of heating pumps and with production facilities around the world, Grundfos relies on its IT landscape to support business operations for the manufacturing, sales, and distribution of its pumps. To maintain and expand its position as a global leader, Grundfos is constantly looking for opportunities to make its business more efficient. In response to a newly established global strategy, the company partnered with SAP to adapt its IT landscape and to accelerate Grundfos' overall financial reporting and business processes.

Merging Controlling Areas to Establish New Global Strategy

For the last ten years, Grundfos' IT infrastructure divided the company into three separate controlling areas. This was extremely resource intensive, it obstructed financial reporting transparency, and it hindered the company in implementing its new global strategy. The IT structure was needed due to server technology that required servers to be shut down temporarily for maintenance. Because Grundfos had branches and manufacturing facilities across several continents and time zones, it was necessary to have three different controlling areas to avoid disrupting production worldwide. As server technology evolved and server shutdowns were no longer required, the three controlling areas became an obstacle for Grundfos' global operations.

In 2008 Grundfos' board of directors decided to initiate a new globalization strategy, which, among other things, aimed at decentralizing sales and distribution units worldwide to make them more efficient and flexible and to enable cross-market financial reporting. To support the board's new strategy, it was decided to merge the three controlling areas. "We were adamant that the controlling area merger had to be 100% successful. The controlling area merger affected almost two-thirds of the entire company's data touching Grundfos' business of roughly DKK 12 billion. Our vast production output meant that we would not and could not tolerate any production closures," states Christian Ø. Kristensen, IS delivery manager at Grundfos. An in-house risk assessment estimated that disrupting production for only 24 hours could cost up to several million DKK.

To be on the safe side, Grundfos decided to engage its software vendor SAP to tackle these complex and company-specific transformation requirements. The System Landscape Optimization group from SAP® Consulting, specializing in numerous types of transformation scenarios, was viewed as the right partner for this critical project.

Moving 12 Terabytes of Data

The major challenge was to move two massive controlling areas, each with four terabytes of data, into the third controlling area – and do it over a period of five months. The transformation project started with an in-depth system analysis that was guided by Grundfos' business requirements. This was followed by two dedicated test cycles incorporating all changes to help ensure a smooth, productive conversion. One of Grundfos'

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requirements was the full transfer of its data history during the actual going-live phase.

Accelerated Merger at a Reduced Cost with Remote Services

A major advantage of the remote services offered by the System Landscape Optimization group is the reduction in travel, accommodation, and other expenses throughout the project. However, the kick-off meeting always takes place at the customer's site so that all involved personnel can meet face-to-face, which fosters teamwork and communication during the entire project cycle. Christian Staalby, sales engagement manager for SAP Nordic, explains: "Our transformation experts in the field of controlling area merge are located in different regions and can be assigned easily to such an exclusive transformation initiative. This helps ensure high-quality work and reduce overall project costs."

At Grundfos, the lack of physical proximity with the consultants did not affect the working relationship. "It felt like we had three employees working directly with us. As this was such a specialized task, we were grateful to have expert consultants working on the merger. They were very skilled at understanding and dealing with our needs," adds Kristensen.

"To avoid any miscommunication, we identified two key people to handle all communication issues and speed up the overall process. The thorough planning and the effective working relationship with SAP helped us meet the tight five-month timeline," says Kristensen.

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Completing the Merger on Time and Within Budget

Grundfos' major objective was to reduce system downtime to a minimum during the productive conversion. Since system outages or disruption of the company's production could amount to several million DKK, the System Landscape Optimization group was engaged to meet the scheduled downtime requirements. Grundfos decided to perform the production conversion on two weekends, which allowed employees to continue their daily work as usual on the following Monday morning.

"The merger was a 100% success. None of the employees realized that the transformation of their entire business had taken place, and the complete data history was merged into a single controlling area," reports Kristensen. "The merger itself was flawless and met all quality standards. In fact, the implementation ended up 15% below the estimated budget," adds Kristensen.

Effective Financial Reporting Functions Across All Markets

After the new controlling area went live successfully, Grundfos was able to effectively utilize its financial reporting functionality across all regions and market units. Following the merger, Grundfos has made considerable progress toward harmonizing and consolidating its IT infrastructure.

A homogeneous software environment and optimized controlling processes have freed up resources for strategic tasks. Now Grundfos has the IT fundamentals in place to expand its global strategy and maintain its position as the world's leading supplier of central heating pumps.

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