



ETA ASCON & STAR GROUP

SAP® ERP HELPS TAME GROWTH CHALLENGES FOR UAE CONSTRUCTION GIANT

QUICK FACTS

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Arif B. Rahman

Member of the Board and
Group Director of Finance
ETA Ascon & Star Group

Company

- Name: ETA Ascon & Star Group
- Location: Dubai, UAE
- Industry: Engineering, construction, and operations (EC&O)
- Products and services: Contracting, engineering, shipping, auto, manufacturing, hospitality, healthcare, travel and leisure services, and trading
- Revenue: US\$5.34 billion (2007)
- Employees: 72,000
- Web site: www.etaascon.com
- Implementation partners: Larsen & Toubro Infotech Ltd and Satyam Computer Services Ltd

Challenges and Opportunities

- Upgrade outdated legacy IT system that was outgrown
- Make information available online
- Eliminate islands of information
- Provide consolidated view of enterprise online
- Improve business processes
- Expand visibility of customer credit exposure
- Enable treasury management

Objectives

- Rationalize IT systems across the board
- Integrate IT systems horizontally and vertically
- Capitalize on future opportunities, particularly in the areas of working capital management, banking and treasury management, and project management in the EC&O industry, and manufacturing

SAP Solution and Services

SAP® ERP application

Implementation Highlights

- Established groupwide training program for 3,000 company officers
- Launched 3-company pilot, followed by implementation of financial accounting and controlling and HR functionality at over 80 companies – all in 9 months' time
- Used template approach
- Undertook 3-phase implementation across the enterprise

Why SAP

- Multi-industry functionality with global best practices
- Future-oriented
- Totally integrated system with online, real-time, full-time availability

Benefits

- Faster account processing activity
- Improved business processes and management reporting
- Improved cycle times
- Pull-based material requirements planning
- Improved operational visibility, including inventory, credit exposure, and more

Existing Environment

Homegrown legacy IT system



SAP Customer Success Story

Engineering, Construction, and Operations



If you've built a successful and growing organization, at some point you will probably have to reconsider your approach to information technology. That was the case with the ETA Ascon & Star Group in Dubai, UAE, which had islands of information all around its group companies. After duly researching the market for an appropriate solution, ETA Ascon & Star selected the SAP® ERP application to rationalize IT systems throughout its organization.

Over its 36-year lifetime, ETA Ascon & Star has built a huge, highly diversified, and enormously successful enterprise. Nominally an engineering, construction, and operations (EC&O) company, ETA Ascon & Star is also active in trading, shipping, manufacturing and assembly, automotive distribution, real estate development, healthcare, hospitality, travel, and a multiplicity of other pursuits. With revenues of US\$5.34 billion, it currently employs some 72,000 people in several countries around the Persian Gulf and in India.

About four years ago, Arif B. Rahman, member of the board and group director of finance, set in motion a diagnostic study around a group of ETA Ascon & Star's major companies to identify areas that needed IT improvement. It was found that management did not have sufficient and timely information available on the overall consolidated picture of the enterprise. Business processes were rather weak. Customer credit exposure across the group was insufficiently visible. Process cycle times were excessive. The group also needed better information to develop more efficient working capital and treasury management. ETA Ascon & Star came

to realize it had outgrown its 14-year-old homegrown IT system.

Integrated IT Required to Capitalize on Future Opportunities

There was also a sense in management that if the enterprise was to take fullest advantage of future opportunities, it would need information technology that was integrated horizontally across business units as well as vertically throughout each unit. "We saw significant business benefits in deploying a suitable ERP solution in the group, particularly in the areas of working capital management, customer credit management, treasury management, HR management, project management in the EC&O industry, and manufacturing," notes Rahman, who was the force behind this initiative.

A master plan was developed for the initiative. "We performed an upgrade evaluation of the available enterprise resource planning solutions using the services of GBM – IBM's regional arm," recalls S. Krishnasarma, general manager of information technology services at ETA Ascon & Star, "and then chose SAP software because of

its multi-industry functionality features." K. K. Aithal, group IT advisor at the company, continues: "We perceived that SAP was quite future-oriented in its marketplace. In addition, SAP provides a totally integrated software system with online, real-time, full-time information availability. So these considerations determined our ERP selection in order to meet our mandate of 'ERP supporting business objectives.'"

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K. K. Aithal, Group IT Advisor,
ETA Ascon & Star Group

Before initiating the implementation, ETA Ascon & Star set up a groupwide training program to introduce enterprise resource planning (ERP) and convey the need for standard policies and procedures as well as the need to change. About 3,000 officers were trained over the period of a year, which provided a good foundation for change and transition management.

In the kickoff meeting for the SAP implementation, ETA Ascon & Star group managing director Syed M. Salahuddin



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Arif B. Rahman, Member of the Board and Group Director of Finance, ETA Ascon & Star Group

endorsed the initiative, saying, “The ETA Ascon & Star Group is committed to providing technology expertise for its business solution by adopting industry best practices. The SAP implementation project is an initiative in this direction. It is imperative that we make this successful for our sustained excellence.”

Implementation Template Speeds Rollout to Over 80 Companies

Rahman, the executive sponsor of the SAP ERP initiative in the group, said at the launch, “ERP is a major initiative among the new groupwide initiatives embarked upon by the ETA Ascon & Star Group in the last two years. This will provide significant benefits such as better risk management, effective cash management, optimum utilization of resources, and improvement in supply chain efficiency.”

ETA Ascon & Star then divided the implementation into phases. The first phase was a pilot, dedicated to proof of concept, in which three companies in three different verticals – trading, manufacturing, and real estate development – participated in an implementation of financials, human resources, and logistics management applications. The project manager from the group was M. Kalimullah, general manager, corporate accounts. The proof-of-concept process lasted five months. The implementation team then rolled out financial accounting and controlling and HR functionality to some 80 companies throughout the organization.

In the process of establishing the proof of concept, ETA Ascon & Star developed

a template that it could use to implement SAP ERP financial and HR functionality across the entire enterprise. As the pilot began, the finance and HR fraternity from other companies in the group were invited to assist in creating the implementation template. This enabled completion of the implementation in a smooth manner in terms of configuration, testing, training – everything required for 80-odd companies in two months’ time.

“The template approach was again used for the cluster of similar businesses, and it helped us to optimize the effort, time, cost, and the standardization in the phase two implementation”

S. Krishnasarma, General Manager of Information Technology Services, ETA Ascon & Star Group

After the first rollout, ETA Ascon & Star took a breather. “We just stopped for a while,” says Aithal. “We took postimplementation interviews, and we did a lot of hand-holding with respect to clarification, training, and so forth. And then we took up phase two.”

The Word Spreads – Other Companies Seek Implementation

Phase two engaged nine companies from three other industries: contracting, engineering, and operations; auto; and discrete manufacturing. By this time, word had spread around the enterprise, and these companies came seeking to implement the logistics management

software. “The template approach was again used for the cluster of similar businesses, and it helped optimize the effort, time, cost, and standardization in the phase two implementation – which took six months to complete,” says Krishnasarma. The business objectives and the related key performance indicators formed the drivers for the ERP implementation. Two implementation partners were involved in the process: Larsen & Toubro Infotech Ltd. of Mumbai, India, for phase one, and Satyam Computer Services Limited of Tamil Nadu, India, for phase two.

Six months after the completion of phase two, ETA Ascon & Star has begun to evaluate the results and benefits of the implementation. “Certainly there’s an incremental improvement in financial cycle times in the companies that have implemented SAP software,” says Kalimullah. “Accounts closings are now completed more quickly. Business processes have improved, and elapsed times to completion are shorter.” As more companies come on stream, group consolidated closings are also expected to improve.

Pull-Based Processes Align Procurement and Production with Demand

In the four manufacturing companies where SAP ERP was implemented, ETA Ascon & Star has deployed pull-based purchase and production processes using material resource planning techniques. This helped in aligning the materials procurement and production planning aspects of the business with the demand requirements.

ETA Ascon & Star has seen improvements in other areas as well, such as operational visibility, including inventory. Customer credit exposure is another area where the new software has proven valuable. "This was one of the challenging areas prior to implementation," notes Kalimullah. "Today we are in a position to identify unacceptable group-wide credit exposure for any given customer. And if it exceeds our limit, we can send alerts immediately to all divisions that are dealing with that customer."

Visibility has been enhanced by the SAP ERP application's reporting functionality. "One of the manufacturing companies is generating all kinds of management reports out of the SAP application," says Krishnasarma. "The managers are pleased with this functionality and have actually gone so far as to compliment us for providing it to them." Postimplementation, the group employed the services of PricewaterhouseCoopers to assess the effectiveness of the implementation and to ensure alignment of the ERP software to the business.

SAP ERP Is the Best Fit

ETA Ascon & Star continues to roll out new SAP applications. Satyam Computer Services has implemented the SAP Environment, Health & Safety application across the enterprise and is currently implementing the SAP Treasury and Risk Management application, the

SAP Financial Supply Chain Management set of applications, and the SAP Payroll and Time Change Management application as well.

Going forward, ETA Ascon & Star intends first of all to expand SAP ERP usage. Aithal and Krishnasarma note that at the moment, the organization has 1,000 licenses; it will shortly be adding another 350. The enterprise is also planning its expansion in its most active market, India, where it currently

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M. Kalimullah, General Manager, Corporate Accounts, ETA Ascon & Star Group

does US\$2.5 billion in business annually. "SAP ERP is the best fit for our group of companies since we are highly diversified and need one integrated IT solution that supports the business performance improvement mandate at all levels of management," notes Rahman. "Now that we are through the two phases of implementation, we are beginning to see the business benefits that substantiate our original decision to deploy it."



L&T Infotech



What Business Demands.

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