

KDD039 - Financial Delegation of Authority for Workflows

Status	Approved
Owner	NARAHARI-ext, Bhargavi
Stakeholders	GONZALVEZ-ext, Antonio WENNINGER-ext, Sascha

Issue

Syensqo has financial Delegation of Authority (DOA) defined in various different ways across GBUs and functions, with different approval limits being mapped to roles, positions, or even named persons. Application of these multiple different DOAs is also fragmented, with many approvals happening outside any system, being recorded only in emails or documents such as spreadsheets. With the ERP Rebuild program there exists an opportunity to simplify and standardise the Delegation of Authority across the organisation to implement a single, clear and unambiguous policy and financial approval matrix which is standardised across GBUs and transversal functions, enforced consistently by IT systems for predictability and auditability, and which ensures that Syensqo's exposure to risk is managed appropriately.

Recommendation

It is recommended to **Standardize and simplify the various existing Delegations of Authority (DOA) in to a single approval matrix aligned with job positions and bands in SuccessFactors**. This approach will lead to a significant simplification and standardization of the DOA framework across all Global Business Units (GBUs) within Syensqo, ensuring consistency and clarity in decision-making processes throughout the organization, and a consistent approach to the management of risk by the organisation.

By aligning the DOA with specific job positions and bands, the organization will establish a clear and consistent framework where financial and operational authority is systematically granted based on an individual's role and level within the company. Furthermore, standardizing the DOA will enhance governance over both the DOA policy and the financial matrix. With a consistent and well-defined structure in place, the organization will be better equipped to monitor, manage, and audit financial and operational decisions, thereby reducing the risk of errors and unauthorized actions.

In addition to improving governance, the standardization of the DOA will also facilitate the systematization of workflows within the new SAP systems. By integrating a single, standardized DOA into S/4HANA and other systems, Syensqo can automate approval processes, reduce manual intervention, and improve overall efficiency without incurring the sizeable costs of managing multiple, sometimes conflicting, GBU- and function-specific approval matrices in a workflow engine.

Background & Context

Financial delegation of authority refers to the process by which an organization assigns specific financial decision-making powers to individuals or groups within the company. This delegation outlines who has the authority to approve financial transactions, such as expenditures, contracts, budget allocations, and other monetary commitments, and up to what monetary limit they can do so. Generally the DOA is used to manage the exposure of the organisation to financial risks, for example by limiting the size of financial commitments and risks which lower-level management can incur on behalf of the organisation.

Following are some of the key criteria for Delegation of Authority in general:

Approval Limits	Predefined thresholds that specify the maximum amount an individual or role can authorize/approve.
Roles and Responsibilities	Different roles within the organization have varying levels of financial authority. The delegation matrix often outlines which roles have the authority to make specific types of financial decisions, ensuring that these roles align with the individual's responsibilities and expertise.
Types of Transactions	Financial delegation authority can vary depending on the type of transaction. For instance, a procurement officer might have authority over purchasing decisions, while a financial controller may have authority over budget adjustments or financial reporting. Whether or not a transaction commits the organisation to a recurrent obligation, such as an ongoing subscription, or a once-off purchase, can also determine the overall magnitude of financial risk being entered into, and thus affect who can approve the transaction.
Hierarchy and Escalation	The delegation of authority is typically structured hierarchically, where higher levels of financial commitment require approval from higher management levels. This ensures that more significant financial decisions undergo appropriate scrutiny.
Substitution	Clear substitution rules determine who an authorised approver may nominate as a substitute, for example to ensure continuity of operation during the absence of a nominated approver.

Some of the key processes to which DOA approval is applicable:

- Portfolio and Project Expenditure
- Capital Expenditure
- Sourcing / Procurement Expenditure
- Sales proposals, prices and contracts

- Customer credits and rebates
- Inventory
- Acquisitions and Divestments
- Treasury

Syensqo currently has various different Delegation of Authorities defined across multiple GBUs. Each DOA may have its own set of approver roles and thresholds, leading to a mix of systemized approvals and offline processes. This fragmented approach has created inconsistencies and inefficiencies across the organization, has led to excessive complexity and low predictability in workflows, or to off-system manual processes, thus making it challenging to ensure uniformity and accountability in decision-making processes.

Provided below are some of the many DOA guidelines which exist across GBUs and transversal functions. Some of these DOAs are globally-applicable and GBU-agnostic, e.g. Procurement. Many others are specific to a single GBU. Some specify a DOA policy against the person's role in the organisation structure while others refer to approvers by their names. Implementing such approvals in a workflow system is extremely challenging due to the complexity, lack of a formalised structure for the rules, and the fact that many rules are not linked to underlying organisational structure data. Implementing a variety of different rules for different organisations also increases the risk of gaps or overlaps in coverage, and increases the development and maintenance effort of the resulting workflows.

Organisational Unit	Delegation of Authority document
Novecare Commercial	Google Sheets document
Procurement	PU-0002-G-WW-EN V.03-2024 Delegation of Authority Guideline (DoAG) , stored in AODocs
Composite Materials	DOA Authorization File , in Google Sheets
Speciality Polymers	Delegation of Authority Guidelines.xls , stored in Google Drive Delegation of Authority GBU_Policy_DOA_v3.pdf , stored in AODocs Note: these two documents do not align and conflict with each other in some regards.
Technology Solutions	TS DOA September 22nd md (1).xlsx , in AODocs

As part of the ERP Rebuild program, there will be a concerted effort to standardize job bands and positions across the organization. This alignment of bands and positions will further emphasize the need for a consistent approach to Delegation of Authority, ensuring that all employees, regardless of their GBU, operate under the same guidelines and have a clear understanding of their decision-making powers. This will also enhance the risk-management of the organisation as a whole by clearly defining the level of commitment and obligation, and thus risk, any employee is able to expose the organisation to.

Assumptions

- Jobs, positions and bands will be standardized in SuccessFactors.
- This document determines the approach for financial DOA approvals only and the rest of the approvals required will be determined and designed as part of the To-Be ex: security approvals etc.

Constraints

- The DOA needs to be finalised before the build phase of the ERP Rebuild project so that workflows being developed or deployed by the systems in scope of ERP Rebuild can implement the rules.

Impacts

- Downstream Systems: Once the Delegation of Authority along with the financial matrix is standardized, the downstream systems and applications if not already onboarded into the new ERP Rebuild landscape, that use the DOA should change and adopt the same
- DOA Ownership: In order to standardize and simplify the DOA policy, it needs to be managed and governed centrally. Ownership needs to be agreed and the function that owns the DOA will have to co-ordinate and finalise the DOA policy and financial matrix aligned with the positions and bands

Business Rules

The following Business Rules are proposed:

- The Syensqo Group Delegation of Authority Financial Matrix is a reference to all the DOA approvals within the organization
- Evidence of approvals will be stored in the respective system - as part of the workflow log, or as an attachment
- Job Bands and positions will be directly referenced from the HR Information System (i.e. SuccessFactors)
- Approval workflow tasks will be sent directly to the ultimate approver who is authorised, as per the DOA matrix, to approve the full transactional value within the relevant organization boundary. There will be no multi-step approval of lower-level managers en route to the ultimate approver.

- Workflow tasks may be routed to a substitute in case of absence. Such a substitute must hold equivalent or higher approval authority than the original approver. Substitution to a lower-level employee is not permitted.

Options considered

Following are the options considered for DOA

Option A: Keep the existing variety of DOA frameworks

No change is effected in the existing Delegations of Authority, and each GBU or transversal function will continue to have its own DOA matrix.

These different matrices will be encoded in the relevant workflow rules engines of the systems being implemented by ERP Rebuild.

In the case of conflicts or an inability to clearly determine the correct approval path due to misalignment between these separate DOA matrices, a workflow administrator will be required to resolve.

Option B: Standardise and simplify the DOA to arrive at a single DOA matrix aligned to job positions and bands

As a part of this option, the DOA policy and financial matrix is standardised according to the harmonized job bands and positions. The standardization process ties the levels of authority — such as approval limits, spending thresholds, and contractual commitments — to specific job bands within the organization. Job bands typically reflect an employee's level of responsibility, expertise, and seniority, ensuring that those in higher bands have greater authority. For example, employees in senior management bands might have authority over large capital expenditures, while those in middle management might be authorized for smaller operational expenses.

The table below is an example of how the financial amounts might be mapped to a band into the standardized DOA.

The exact DOA matrix will be determined during the detailed design phase in consultation with various stakeholders in the organisation.

Process	Job Band / Position	Financial delegation value (EUR)	Exceptions
Sign Sales Contract	A (President)	OPEN	
	B (VP Business Managers)	5,000,000/year and <= 3 years	
	C (Area Managers)	2,000,000/year and <= 1 year	

Evaluation

	Option A: Keep the existing DOA	Rating	Option B: Standardise the existing DOA	Rating
Consistency Across Functions	<p>+ Can be tailored to fit the unique requirements of each department, allowing flexibility.</p> <p>- Inconsistencies can arise across departments, leading to potential confusion and inefficiencies.</p>	Medium	<p>+ Ensures uniformity across all departments, reducing confusion and enhancing coherence.</p> <p>- May not account for specific needs of each department, leading to overgeneralization. This is however overcome by adding the exceptions to the DOA process where applicable</p>	High
Efficiency	<p>- May lead to delays as approval processes vary by department, causing bottlenecks. Offline approvals will still have to continue for some of the processes and some of the existing applications / excels will still have to stay as it is very complex to systemize the requirements</p>	Low	<p>+ Streamlines approval processes with clear guidelines, reducing delays. The workflows can be systemised and therefore the approvals can happen in the system</p>	High
Clear Accountability	<p>- Accountability may be inconsistent, with varying standards across departments. Proof of approval is stored in multiple places</p>	Medium	<p>+ Establishes uniform accountability standards, making it easier to manage and audit. Proof of approval is stored in the system as part of the workflow process</p>	High
Risk Management	<p>+ Allows departments to implement risk management practices that are best suited to their specific needs.</p> <p>- Different approaches in different departments can increase the risk of errors or compliance issues.</p>	Medium	<p>+ Reduces risks by applying uniform controls and procedures across the organization.</p> <p>- May not be flexible enough to address unique risks in specific areas. Exceptions in the DOA will have to cover these unique risks and might need exceptions in the DOA process</p>	High
Training and		Medium	<p>+ Simplifies training and compliance by having a single, clear policy to follow.</p>	High

Compliance	<ul style="list-style-type: none"> ⊖ Training and compliance efforts are more complex, as different policies may apply in different areas and training needs to be conducted multiple times 			
Scalability and Adaptability	<ul style="list-style-type: none"> ⊕ Easier to implement changes in specific departments without disrupting the entire organization. ⊖ As the organization grows or restructures, the policy needs to be revalidated / rewritten with the list of new DOA approvers 	Medium	<ul style="list-style-type: none"> ⊕ As the organization grows or restructures, a standardized approach to DOA and financial authority can be easily adapted to new positions or job bands. This scalability ensures that the policy remains relevant and effective as the company evolves, without requiring significant overhauls each time the organizational structure changes ⊖ Can be difficult to manage and scale, particularly in larger organizations with diverse operations. 	High
Change Management	<ul style="list-style-type: none"> ⊕ Minimal effort for change management as the current process 	High	<ul style="list-style-type: none"> ⊖ Requires extensive change management 	Medium

See also

File	Modified
PDF File Workspace Mail - Fwd_ double signature to pay lawfirm bills.pdf	Sept 26, 2024 by FALL-ext, Cheikh

Change log

Version	Published	Changed By	Comment
CURRENT (v. 16)	Sept 02, 2024 11:56	NARAHARI-ext, Bhargavi	
v. 15	Aug 21, 2024 12:38	WENNINGER-ext, Sascha	
v. 14	Aug 14, 2024 14:58	WENNINGER-ext, Sascha	
v. 13	Aug 14, 2024 14:15	WENNINGER-ext, Sascha	
v. 12	Aug 14, 2024 13:38	NARAHARI-ext, Bhargavi	
v. 11	Aug 14, 2024 07:32	NARAHARI-ext, Bhargavi	
v. 10	Aug 14, 2024 07:15	NARAHARI-ext, Bhargavi	
v. 9	Aug 14, 2024 07:14	NARAHARI-ext, Bhargavi	
v. 8	Aug 14, 2024 07:13	NARAHARI-ext, Bhargavi	
v. 7	Aug 14, 2024 06:35	NARAHARI-ext, Bhargavi	

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Workflow history

Title	Last Updated By	Updated	Status
There are no pages at the moment.			

Workflow history

This view shows the 5 most recent entries. The complete workflow log is available from the 'Document Activity' menu item.

Sept 26, 2024	Actor	Type	Activity	Version
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Approved	 FALL-ext, Cheikh	State	changed state to Approved at 1:11 pm	v16
Pending SteerCo Review	 FALL-ext, Cheikh	State	gave <i>Final Approval</i> approval at 1:11 pm	
		State	changed expiry date to '10 Oct, 2024 01:11 pm' at 1:11 pm	
		State	changed state to Pending SteerCo Review at 1:11 pm	v16
Pending Stakeholder Review	 FALL-ext, Cheikh	State	gave <i>Stakeholder Review</i> approval at 1:11 pm	
Sept 02, 2024				
	 NARAHARI-ext, Bhargavi	Edit	updated the page at 11:56 am	
		State	changed expiry date to '09 Sept, 2024 09:56 am' at 9:56 am	
		State	changed state to Pending Stakeholder Review at 9:56 am	v16
Edited following DA Endorsement	 NARAHARI-ext, Bhargavi	State	gave <i>Minor change</i> approval at 9:56 am	
		State	changed state to Edited following DA Endorsement at 9:56 am	v16