

KDD058 - Finance Enterprise Structure

Status	Approved
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Issue

In Syensqo's current ECC systems, many companies are created as company codes in the system irrespective of whether the company code is fully operational or not. This added to the complexity of configuring and maintaining the system for IT resources with additional month-end/year-end activities performed by business users which may have lead to inefficient use of resources across the organization.

Recommendation

Based on the analysis performed, it is recommended to go with 'Option B: Create Company for all Syensqo entities but Company Code only for selected entities meeting defined governance rules'. Company Codes and companies will only be created based on clear guiding principles defined to govern the setup of new company codes and companies in the S/4 HANA system.

Efforts will also be made to prevent the creation of reporting entities in the operational S/4 HANA system wherever this is technically possible to keep the company code structure in the system aligned to SAP Best Practice recommendations of having a single company code for each legal entity.

This will keep the core SAP system cleaner and allows the teams involved in the day-to-day as well as period-end processes to focus on core business entities and value-creating activities throughout and especially towards the end of each financial period. For entities out-of-scope from S/4 HANA, direct uploads of the required Financial data into the consolidation systems will be the direction going forward with a streamlined, intuitive and optimized process to realize further time-savings at period-end.

Company codes and companies will be set up such that there is sufficient room to grow for Syensqo as a dynamic organization operating in a rapidly changing business environment. Companies can also be converted easily from non-operational entities into operational S/4 HANA entities in the future without a need for re-numberings while still retaining their unique identification as former out-of-scope entity which may be required for historic reporting. At the same time, the setup of each Syensqo entity as a 'Company' in S/4 HANA paves the way for future consolidated, single-system group reporting out of the new consolidation system introduced as part of the transformation program.

Background & Context

A company is a structure within S/4 HANA used to facilitate legal and management consolidation within the consolidations system. In SAP source systems, it is also used to differentiate intercompany transactions from external transactions with the aim of facilitating typical month-end consolidation activities such as I/C reconciliations and eliminations.

A company code is an organizational unit used in Financial Accounting representing a reporting entity at which fully compliant and complete Financial Statements can be generated out of the system.

In Syensqo's current ECC systems, many companies are created as company codes in the system irrespective of whether the entity is operational or not. The presence of non-operational company codes adds unnecessary layers of design and configurations to financial processes, complicating the overall system management and potentially leading to business inefficiencies during critical financial reporting periods such as period-ends.

Furthermore, technical entities such as reporting entities exist in the current ECC systems which is not in line with SAP's best practice recommendation to keep the company codes in the operational SAP system aligned with the legal entity structure of the organization.

Lastly, no clear governance rules are currently documented on company code and company setup in the existing ECC systems which makes the company code structure appear incoherent and imposes challenges on streamlining master data and process designs.

Assumptions

- New consolidation system deployed as part of transformation program provides ability for direct Financial data uploads from non-SAP systems into the consolidation engine.
- Current non-SAP accounting systems can stay in place for managing day-to-day Financial operations in less complex entities with period-end submissions directly into the consolidation system. If there is a material cost-benefit advantage of managing them out of SAP, the entities should be converted to operational S/4 HANA entities.

Constraints

- Reporting entities currently existing in the legacy SAP systems will be analyzed and repatriated into the main legal entities only if technically /operationally feasible depending on the deployment approach (e.g. reporting entities in India and Singapore) and security design (in-house banking company codes in PI1).

Impacts

The following impacts are expected:

- Data Conversion and Migration: Data from the As-Is systems need to be mapped based on the proposed to-be company code structure and logics.
- Integrated Systems (Upstream/Downstream): There will be an impact on all integrated systems and applications that use the company code for identification purposes. There needs to be a one-time remediation or mapping exercise undertaken to identify all impacted systems and respective mitigation strategies need to be worked out during detailed design.
- Codification Logics for Finance Account Assignment/Master Data Objects: The new company code numbering needs to be considered in the design process of the respective master data objects.

Business Rules

Please refer to the Business Rules in the below section under 'Options Considered'.

Options considered

The following two options were considered:

Option A: Create Company and Company Code as per as-is practice in S/4 HANA

As a part of this option the company and company code is created for all the entities that are in scope for consolidation in S/4 HANA.

Option B: Create Company for all Syensqo entities but Company Code only for entities meeting defined governance rules

As part of this option, company codes in S/4 HANA are created based on the governance and business rules shown in the below matrix table:

Type of Company	In Legacy ECC	Full Ownership	Syensqo as Operator	Consolidation	Company	Company Code	Business Rule
100% Owned by Syensqo and Consolidated	Yes	Yes	N/A	Yes	Yes	Yes	Every legal entity on its own and 100%-owned by Syensqo should be a single company code set up in S/4.
JV Entity (Syensqo with operator responsibilities)	Any	No	Yes	Yes	Yes	Yes	Every company code that is a JV entity in nature where Syensqo acts as the operator (or performing operator-like responsibilities), must be created in S/4 HANA as a company code.
JV Entity (Syensqo w/o operator responsibilities)	No	No	No	Yes	Yes	No	Every company code that is a JV entity in nature where Syensqo acts as the non-operator, must not be created in S/4 HANA as a company code.
Non-Consolidated Entities (existing in legacy systems)	Yes	Any	No	No	Yes	Yes	Entities that are not consolidated, must not be created as a company code in S/4 HANA unless it's a JV operator entity or an active entity in legacy SAP or if it's been set up as a company code in ECC.
Other Non-consolidated Entities (not existing in legacy systems)	No	No	No	No	No	No	Entities that are not consolidated, must not be created as a company code if they didn't exist in the legacy ECC systems.
Other Consolidated Entities (Non-SAP ERP)	No	Any	No	Yes	Yes	No	Every entity managed outside of SAP currently shall not be set up as a company code in S/4 HANA. It must be created as a company though due to group reporting requirements.

Evaluation

	Option A: Create Company and Company Code as per as-is practice in S/4 HANA	Option B: Create Company for all Syensqo entities but Company Code only for entities meeting defined governance rules
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Complexity and Cost Considerations	➖ Con: Many entities do not require a full-fledged setup of an operational S/4 HANA entity with sub-ledger accounting, cost accounting, logistics integration, etc. to meet their reporting requirements. They may be dormant or entities with very little business activities that simply require a trial balance submission at period-end for consolidated group reporting, for example. ➖ Con: Higher maintenance efforts for IT to setup and sustain company code configurations in the SAP system. ➕ Pro: Number of additional accounting systems in use across the organization can potentially be reduced.	➕ Pro: Company codes are only set up for entities which necessitate a full-fledged SAP setup for operational purposes. ➕ Pro: Lower implementation and maintenance efforts /costs for S/4 HANA system. ➖ Con: Additional maintenance/licensing may be required for non-SAP accounting systems in use across the organization.
Period-end Closings / Process Harmonization	➖ Con: Separate period-end close task lists have to be created and maintained for non-operational entities leading to non-harmonized global process designs. ➖ Con: Catering to the needs of non-operational entities in S/4 HANA may bring about additional complexity to master data, configurations and process designs as processes must be kept simple and intuitive to not jeopardize time-critical activities such as period-ends.	➕ Pro: Supports streamlined setup and harmonized process designs for all entities operating out of S/4 HANA and allows for a simple yet intuitive process design for submission of Financial results from non-S/4 HANA entities for consolidated group reporting directly into the consolidation system. ➕ Pro: Allows for a more efficient use of time and resources within the Finance teams involved in the day-to-day operations and period-end processes. More time can be spent on value-adding activities.
Future Compatibility	➖ Con: Setting up a company code in the system for non-consolidated entities with limited business activities in the interim may pose compatibility problems in the longer run as the company grows and evolves. Critical settings such as company code currency can not be changed once a company code is in use. The functional currency of an immature business might change as it matures though. Such a change in the system would require complex data migration efforts.	➕ Pro: The company code will be created as an operational S/4 HANA entity only when it reaches a certain degree of maturity/materiality for Syensqo as a group. With an increased level of maturity in the Financial operations, chances for major shifts in critical Financial decisions in the business (e.g. definition of functional currency) are substantially reduced.

See also

File	Modified
PDF File Workspace Mail - Fwd_ Approved.pdf	Sept 30, 2024 by FALL-ext, Cheikh

Change log

Version	Published	Changed By	Comment
CURRENT (v. 54)	Sept 18, 2024 14:48	WENNINGER-ext, Sascha	
v. 53	Sept 17, 2024 05:31	WENNINGER-ext, Sascha	
v. 52	Sept 16, 2024 12:25	BECHTER-ext, Alex	
v. 51	Sept 16, 2024 10:35	BECHTER-ext, Alex	
v. 50	Sept 16, 2024 10:33	BECHTER-ext, Alex	
v. 49	Sept 05, 2024 04:27	BECHTER-ext, Alex	
v. 48	Sept 05, 2024 04:25	BECHTER-ext, Alex	
v. 47	Sept 04, 2024 11:32	BECHTER-ext, Alex	
v. 46	Aug 16, 2024 09:05	BECHTER-ext, Alex	
v. 45	Aug 16, 2024 09:02	BECHTER-ext, Alex	

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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 30, 2024	Actor	Type	Activity	Version
Approved	 FALL-ext, Cheikh	State	changed state to Approved at 9:27 am	v54
Pending SteerCo Review	 FALL-ext, Cheikh	State	gave <i>Final Approval</i> approval at 9:27 am	
		State	changed expiry date to '14 Oct, 2024 09:27 am' at 9:27 am	
		State	changed state to Pending SteerCo Review at 9:27 am	v54
Pending Stakeholder Review	 FALL-ext, Cheikh	State	gave <i>Stakeholder Review</i> approval at 9:27 am	
Sept 18, 2024				
	WENNINGER-ext, Sascha	Edit	updated the page at 2:48 pm	
		State	changed expiry date to '25 Sept, 2024 12:48 pm' at 12:48 pm	
		State	changed state to Pending Stakeholder Review at 12:48 pm	v54
Edited following DA Endorsement	WENNINGER-ext, Sascha	State	gave <i>Minor change</i> approval at 12:48 pm	
		State	changed state to Edited following DA Endorsement at 12:48 pm	v54