

Experts in the News

Extending SSC efficiencies to the CIS

This article discusses the business drivers behind Procter & Gamble's extension of its standard global processes to the Commonwealth of Independent States (CIS) and outlines the key challenges it faced and overcame.



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When it comes to centralisation, the multinational company Procter & Gamble (P&G) is a front-runner in the adoption of the shared service centre (SSC) model. P&G has used this model to drive globalisation and scale. Today, a centralised approach to operations is now fully embedded and an accepted part of the organisation's culture.

P&G has a large portfolio of brands - including Pampers, Tide, Ariel, Always, Pantene, Bounty, Folgers, Pringles, Downy, Crest, Actonel and Olay - and 138,000 employees in over 80 countries. It has four major SSCs that provide global support 24 hours a day, seven days a week for its financial operations. They are in Newcastle (UK), Manila (Philippines), Guangzhou (China) and San Jose (Costa Rica).

Initial plans and start up

At the beginning of 2007, P&G made the decision to extend its global platforms to the CIS (primarily Russia, Ukraine and Kazakhstan). This was an exciting project as it offered the opportunity to further the company's standard operating model. However, it also required P&G to adapt its model, particularly to meet local legal and regulatory requirements. It did this in partnership with Citi, which helped P&G overcome key business challenges and successfully extend its processes to the CIS region.

P&G's "connect and develop" approach to partnership enables the company to tap into best-in-class partners' latest tools, and advancements in technology processes. Through partnership with Citi, P&G was looking for organisational innovation to drive success.

Specifically, the scope of the project was to move P&G business and operations in Russia, Ukraine and Kazakhstan onto the company's standard global platform, while streamlining banking processes and moving to locally aligned banking partners. The objective was to innovatively adapt and apply the SSC model to the needs of the local operational teams. This involved multiple processes, which included cash management, foreign currency, investments, all types of payment and bank statements, reconciliation as well as collections.

P&G had to work through each of these areas carefully and gain a clear picture of what it had to achieve in order to align the CIS with its global platform. The ultimate goal was to get the banks and processes in these three CIS countries on a par with the company's operations in the UK whereby bank statements would be received and loaded automatically and all payment files delivered host-to-host, i.e. from P&G's system straight through to Citi without human intervention.

Scope of the project: Facts & figures	
The project spanned:	<ul style="list-style-type: none"> • 13 entities • 65+ bank accounts • 5,500+ payments • 1,000 FC payments • 5,500+ collections

Source: P&G

At the beginning of the project, it was important to outline the solution design prior to implementation because there were some unique elements in terms of how the final solution would be created for P&G. Before implementation, for example, all three CIS states used different ERP platforms and had varying degrees of manual banking processes, from a download/upload manual solution in Russia to an Excel-based system in Kazakhstan.

"The project really began in February 2007," says Nathan Hearn, Project Manager, Global Business Services. "As with all projects at P&G, it started with us visiting each location to map the current processes in place and ensure the business was fully understood. Once this information was digested, we were able to evaluate banks' capabilities within the markets and assess which would best match our needs for the project. The result was a joint kick-off session with Citi, effectively making it part of the project team."

These initial discussions allowed P&G to identify what it wanted to achieve from the implementation and match this with what was actually realistic. It also allowed Citi in an advisory capacity to provide P&G with knowledge of the banking legislation within each of the CIS markets as well as expertise on the ground.

"Following these initial discussions, we began to develop the solution, which started with opening the new bank accounts with our Citi counterparts in Dublin and continuing through to the main testing phases of the project," says Hearn. "The challenges we faced at this stage revolved around the fact that, in terms of culture and location, there was significant distance between the CIS region and Dublin. There is a six/seven hour time difference between Kazakhstan and Ireland for instance."

To address these issues, it was vital that P&G maintained strong working relationships with its local CIS counterparts and Citi's implementation team in Dublin. This was also facilitated through Citi's local CIS contacts that were able to provide assistance and guidance on the ground in the region.

Overcoming the challenges

Harmonising the cash management operations proved to be one of the more challenging tasks, as P&G was unable to implement its standard pooling structure in Russia, Ukraine and Kazakhstan. P&G had to determine a smart, efficient and locally tailored solution which at the same time adhered to domestic rules and regulations.

Through the joint project team, Citi was able to support P&G and leverage specific expertise through our range of pooling solutions. In Ukraine, for example, P&G has four or five companies and the solution we implemented creates something similar to pooling across these entities. Within Kazakhstan, P&G has just one entity so it was more effective to implement automated zero balancing between accounts. This was a first for both P&G and Citi in the Kazakh market.

A further challenge in terms of migrating the CIS region onto the centralised model was on the payments side. The P&G standard is to authorise payment files within SAP so that when they are received in the bank they are all pre-authorised and processed straight through. Russian legislation dictates, however, that payment files have to be authorised by a local finance manager before being released. As a result, Citi put an extra step in place to accommodate local practice.

A solution was established whereby the standard process in terms of having payment files sent host-to-host was followed but they were then held within Citi's online banking tool, where the local finance manager could approve the payment files that had been uploaded. According to Hearn, this was not just a technology issue it also required a change of mindset within the organisation.

"Given the stringent legislation of the central bank within these countries, what we found when testing the solution with Citi was that local payments actually needed multiple payment files types to ensure that we included all the necessary information," claims Hearn. "These needed to adhere to central bank rules, be acceptable by other local banks and include Cyrillic texts." In fact, P&G developed 10 different files for the three markets in terms of local or domestic foreign currency and payroll type payments.

"Each one of these payment files uses the master data or invoice data in a slightly different way so we have to ensure that we met all necessary requirements in every case," says Hearn. "In addition, whenever there is a resident to non-resident payment flow, there are certain documents that have to be submitted to the Russian Central Bank and local authorities."

Traditionally, the payment would be held until the bank is in receipt of the paper documentation but Citi implemented a technique that allowed P&G to scan and automate the relevant hard copies to accompany its payments. For P&G, this was an important capability because balancing automation on the payment file side with the associated documentation was vital to overall operational efficiency.

A further hurdle for P&G was with the testing phase itself. "Traditionally, within Western Europe we would complete the whole payment process all the way through to ensure it works end-to-end," says Hearn. "Within the CIS markets, it was very difficult to deal with the legal requirements and the number of local banks operating within the countries receiving the payments. Each one could interpret the central bank rules in a slightly different way, for instance."

According to Hearn, a significant support tool was the network between P&G, the local counterparts on the project sites and the local Citi branches. "This was one of the key winners in approving the payment files to make sure that whatever we communicated was actually accepted by the beneficiaries," he says.

A final obstacle was overcoming the complexity of bank statements. The aim in P&G is to have all bank statements arriving and loading directly into the accounting system automatically every morning before business begins. This allows clear visibility on the account positions and feeds into the cash management. "The one issue we faced in Russia, Ukraine and Kazakhstan was that bank statements needed to arrive with Cyrillic text," says Hearn. "While that might not seem like a big change, it actually took a team across five companies to make this happen - and it was a major breakthrough for us when we achieved our goal."

The main complication stemmed from the fact that because of the solution in place, the bank statement generated from Citi's online banking tool had to pass through a number of servers to reach P&G. Through each one of the stages,

however, there was potential for the data in the statements to change before it reached P&G. The real difficulty was ensuring that the Cyrillic text came through unchanged and that users could log on wherever they were in Russia and see the statement within Citi's systems in Cyrillic.

There was some technical conflict in connecting and sending the statements, which had to be mapped at every point according to which system it was going through and how that affected the file. Once the solution was finalised, however, P&G was able quickly to re-apply it in Ukraine, Kazakhstan and other countries further east.

Conclusion

Through strategic partnership with Citi, P&G was able to overcome a series of business challenges from language to geography to the technical details of the solutions implemented. P&G's ability to drive global scale and standardisation was key to the success of the project.

Successful implementation could only be achieved by finding new solutions that worked both for the region and for P&G connecting to local organisations and being jointly accountable.

The project went live in February 2008 with a three-month supporting period for people in the CIS to get used to the new systems and practices. As volume ramped up on the new systems, a number of teething problems arose with payment files where the numerous beneficiary banks required specific adjustments and reformatting before acceptance. These were soon resolved, however, by local contacts, P&G and Citi working together.

"Now that we have the links with Citi in these countries in place, we can either re-visit them or look for further improvements," says Hearn. In fact, P&G is now starting the next wave of integration in Russia through one of its acquisitions and the company will be able to use the experience gained on this project.

Any project of this scale in a new region will always be challenging. A vital factor in achieving success is working with a partner bank that understands the client's standard operating processes and can tailor existing solutions to balance them with local market considerations.

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