

ERP SOLUTIONS THE VOLVO GROUP REFERENCE CASE

The Common Financial Solution for the Volvo Group.

In 1995, Volvo IT began developing a financial solution for Volvo companies around the world. Two years later, it was time to implement the Common Financial Solution (CFS), which has resulted in a significant increase in administrative efficiency within the Volvo Group.

Starting point.

In 1995, every Volvo company was using a different financial system. Each system had its own set of processes and definitions, which made it difficult to achieve a satisfactory level of business support and efficiency. One consequence of this situation was the lack of both a uniform financial language and universal methods.

Furthermore, Volvo needed to capitalise on economics of scale for its administrative functions, lower its costs, and improve the quality of its administrative procedures. Quick, accurate and timely information was in demand at all levels of the organisation, as were more accurate and flexible tools for financial analysis.

Volvo also recognised the fact that one common financial solution for all of its companies would facilitate support and maintenance and, at the same time, make it easier to adapt to the changing demands of the organisation. In addition, an improvement in one company would be more readily accessible to others within the same group.

The development process.

The development process began with the establishment of a common language, as well as common definitions and processes. The institutionalisation of

these concepts within a financial system followed. This procedure is extremely important for a financial project because if it is not done correctly, it will be impossible to select the correct information and analyse it. Detailed definitions that make it possible for everyone to be "on the same page" are also extremely important.

Implementation of the Common Financial Solution (CFS) began in 1997. By the beginning of 1998, it was a part of almost all of the companies that make up the Volvo Group around the world. Today, more than 170 legal entities within the Volvo Group and Volvo Car Corporation use it. Volvo IT currently supports over 7,000 financial users and is responsible for maintaining and updating CFS.

One solution for all.

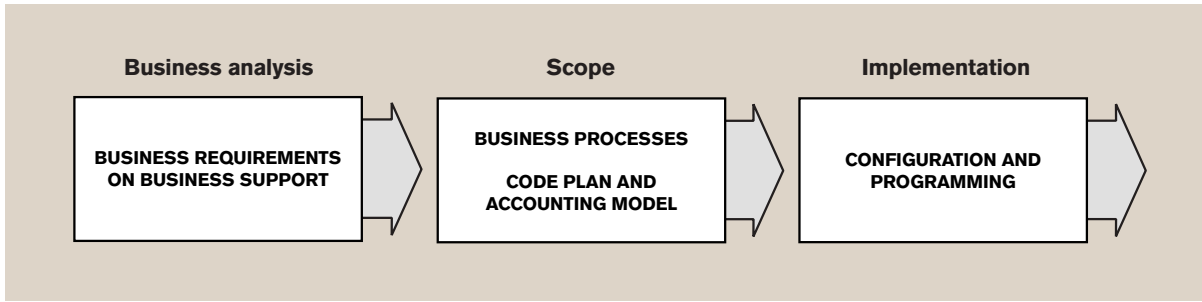
Like all corporations, the Volvo Group needs different types of analyses to evaluate its performance. These evaluations might deal with such matters as divisional profit and loss, deviations of operating income compared to budget, and key performance indicators (KPIs).

Within the diverse sectors of its enterprise, the Volvo Group needs to have common definitions captured in AB Volvo's code plan and accounting model. Based on these comprehensive requirements, which stem from a business support perspective, AB Volvo's model becomes a reality through the configuration and programming of its applications solutions.

The solution in more detail.

The basis of the Common Financial Solution is a master concept that uses SAP finance modules,





Work model to create the Common Financial Solution.

which provide the foundation for financial solutions. The core of this concept is a common structure for the use of hierarchical entities and master data within the organisation. It provides template processes, rules, and guidelines that establish, among other things, an accounting model and a reporting structure. In order to make it easier to support and maintain this system, all companies that currently exist within the Volvo Group must follow the master concept whenever possible.

The centrally maintained core model – the finance master – can be transported easily to each company's local systems environment. This feature was needed since the solution had to reside in several physical systems that support the Volvo Group companies all over the world.

The solution consists primarily of two modules: the SAP Finance Module (general ledger, accounts receivable, accounts payable, and asset accounting), and the SAP Controlling Module (profit center accounting, internal orders and profitability analysis).

A workflow solution with a document management system makes it possible to improve efficiency and quality in the accounts payable process.

Experience.

The use of a common master has worked out as planned. As all companies within the Volvo Group can use the same financial solution, after some local adaptations, it is easy to support and maintain the system in a cost effective and efficient way. It is also easy to harmonise the system, since one organisation, Volvo IT, manages it.

The system can be improved and upgraded efficiently because Volvo IT is able to concentrate its work in only a few locations rather than having to work with several different systems all over the world.

Future.

The Common Financial Solution constitutes an efficient, high-quality business support tool. It is easy to add new functionality within the financial area, as well as integrate new functionality outside this area into one system.



Volvo Information Technology AB

SE-405 08 Göteborg, Sweden
www.volvo.com/it

