

GM Powertrain Europe centralizes finances—saving time and money—transforming a moving target.

Overview

Business challenge

Shifting joint venture agreements within GM Powertrain Europe meant initial plans to integrate the corporate partners into one company operating under centralized systems and processes were thrown into disarray. The company was already working with IBM on an on-going centralization project for ERP and the finance area. With the changed agreement, GM Powertrain needed help adjusting its centralization plans to fit the new corporate reality while continuing efforts to streamline processes to cut costs and improve efficiency.

Solution

IBM Global Business Services worked with GM Powertrain through its reorganization process and oversaw the business transformation in the costing center and financial departments. The IBM team helped set up a central finance unit within the new corporation and guided the company through a difficult readjustment under changing business circumstances and within a tight timeframe.

Benefits

- Business goals met despite shifting corporate structures
- Automated and streamlined processes: reduced costs, improved accuracy and shortened financial closing cycle to 1.5 days
- Improved production profitability tracking, enables deeper cost analysis and supports better informed business decisions.

Industry

- Automotive



A major European automotive parts company successfully centralizes its financial organization, cutting costs and reporting times while improving efficiency and information accuracy. IBM Global Business Services guided the company through the transformation, both as the project began and as the corporate structure abruptly shifted, forcing the company to adjust reorganization plans.

Challenge

Shifting joint venture agreements within GM Powertrain Europe meant initial plans to integrate the corporate partners into one company operating under centralized systems and processes were thrown into disarray. In the midst of GM Powertrain doing a massive product convergence and organizational realignment, the corporate lines were once again redrawn. The company was already working with IBM on a project to develop common solutions that enabled and supported the provision of common data, common processes and common management reports, using a one systems environment. This included a new ERP solution as well as administrative systems that could manage core finance activities in a standardized and cost-efficient way. IBM Global Business Services was supporting the finance department transformation activities with new process designs in key financial and accounting areas as well as establishing a central data maintenance organization. With the changed agreement, GM Powertrain needed help adjusting its centralization plans to fit the new corporate reality but also continuing the integration efforts for the remaining divisions. The company needed to establish a new central organizational unit to perform key financial functions and provide management decision support. This was to be a completely new unit, built from scratch and with plans to be fully operational within 12 months. As well, different business models needed to be harmonized and various systems integrated while implementing the product costing processes on a new SAP R/3 platform. From an organizational transformation view, GM Powertrain needed support in both bringing together different business cultures while disengaging other areas that would now no longer be part of the organization. GM Powertrain needed experienced change management support that could deal with natural internal resistance as responsibilities were transferred from the individual business units and service providers—leading to a FTE loss on the local side—to one central location.

Solution

IBM Global Business Services initially began working with Fiat-GM Powertrain (FGP), a joint venture between General Motors Corp and Fiat Auto in Europe, to transfer product costing processes and finance master data activities from 13 production plants in seven countries to one central location as well as to help set up the actual competence center that would handle the integrated responsibilities.



That situation changed rapidly in 2005 when the original joint venture agreement was dissolved. Plans for transitioning costing functions to the central organization for Italy and Sweden were stopped, finance functions for the Fiat units were transferred back to the local business, while the Hungarian costing center was given to General Motors. As a result of the changed business framework, the IBM consultants were asked to conduct the disintegration of FIAT finance activities and to lead the post-segregation support as well as the integration of the costing center into the GM organization. The task involved adapting processes to the GM reporting requirements and changing financial closing procedures to fit the tight GM reporting schedule. Post segregation support ended in August 2005.

Benefits

- Increased process control by using a transaction based system mirroring individual material movements
- Reduction of maintenance effort; facilitation of error handling through the reduction of interfaces
- Optimized processes with high degree of automation and integration enable the business to focus on core business activities through elimination of unnecessary work (e.g. reconciliation of balances) and to shorten the end-to-end process times
- The overhead costs were reduced by relocating activities to a lower cost location (Hungary) and by implementing a lean and flat organization structure within the competence center.
- Fast Period-End Closing through Automation & Standardization (reduced to 1.5 days from an initially required 5 days)
- Profitability reporting on production line level through SAP Profit Center Accounting
- Improved on-demand Management Decision Support through leveraging the fully integrated business functions
- Common lean reporting for Inventory, Cost of Sales, Sales, Results per product line, Historical Cost Performance Tracking (actual) and Future cost tracking (not implemented but in scope)
- Shortened link between Purchasing, Materials Management & Finance
- Facilitation of Cost benchmark activities between sites & production lines through process standardization
- Improved Cost Analysis through management of actual and planned cost on a transaction base in one system
- The number of manual accounting entries has been minimized

“GM Powertrain was very satisfied with the IBM project results and the Project Management. The working relationship was always trustful and professional.”

—Peter Flynn, Chief Accounting Officer, GMPT-E

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