Business Challenge
Mondi Syktyvkar wanted to align itself more closely with Mondi Group global standards, to unify and standardize key processes, and to extend a single ERP solution across all facets of its business.

Transformation
Leading Russian paper producer Mondi Syktyvkar worked with IBM® Global Business Services® to achieve the on-time, on-budget rollout of a new SAP® ERP environment. The new solution aligns the Russian business with global practices and templates, enabling greater consistency and transparency in processes, financial reporting and production planning.

Mondi Syktyvkar
Rolling out global ERP model to Russia for harmonized business and simplified reporting

Mondi is a global packaging and paper group, employing around 25,000 people in more than 30 countries and generating revenues of EUR6.8 billion (2015). The Group is integrated across the entire packaging and paper value chain – from managing forests and producing pulp, paper and compound plastics, to developing effective and innovative industrial and consumer packaging solutions. In Russia, Mondi Syktyvkar is the largest domestic paper producer, with a fully integrated wood supply operation that includes wood harvesting, road construction, wood transportation, reforestation and forest management.

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Dmitry Korobeynikov, Head of IT, Mondi Syktyvkar
The need for a clearer view

The Russian paper mill company – established in 1969 – that was later acquired by the Mondi Group and re-named Mondi Syktyvkar had implemented SAP ERP as far back as 1997. This was a full solution covering inventory management, financials and controlling, sales and distribution, human resources and plant maintenance, among other business areas. However, the solution was not aligned with the global model and templates used by Mondi Group companies in other countries. It was also showing its age and becoming harder to manage.

Mondi’s main objective was to better integrate the Russian operations with the global business. The vision of the parent company is to achieve standardization and commonality across the various country operations largely through the use of common templates and standards for SAP ERP. By adopting the group model, the Russian business would be able to standardize and unify key business processes – purchasing, controlling, finance, sales – bringing them in line with global practices.

The differences between the local and group models for ERP contributed to delays and a lack of transparency in reporting, as well as making it difficult for the global business to understand the capacity of the Russian business to take on new orders. The Group wanted its Russian business to adopt the global standards and templates, both in order to standardize key business processes and to accelerate the reporting of financial information. Doing so would also enable Mondi Syktyvkar to extend SAP ERP to its Ezhvatrans business unit – which handles all transportation for wood supply – as well as providing an opportunity to fully integrate SAP ERP with its Manufacturing Execution System (MES) for the first time.

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The Russian team spent a lot of time studying the legislative and regulatory differences, and determining the work required to adapt the standard Mondi template to meet local legal obligations in Russia. At that stage, the Russian team prepared documentation and readied local employees for the transition, before going to tender for an implementation partner.
Following a stringent tendering process, Mondi Syktyvkar appointed IBM Global Business Services as its lead integration partner for the deployment of an all-new SAP ERP solution. Mondi Syktyvkar selected IBM because at the time, IBM was working on an SAP implementation with the parent group, and also had a strong reputation locally for its knowledge around adapting SAP to meet Russian standards. Equally, Mondi Syktyvkar wanted a multinational consulting company with deep experience in its SAP practice, and IBM ticked both of those boxes.

Throughout the course of an 18-month project, the IBM consultants worked closely with their counterparts both in Mondi Syktyvkar and Mondi Group to adapt the Mondi global models and templates to meet local requirements around financial reporting and controls. Also involved in the project were representatives from Mondi Syktyvkar’s MES vendor.

As the existing SAP ERP system at Mondi Syktyvkar was around 15 years old, it was considered more cost-effective, less risky and less disruptive to start from scratch with a new implementation rather than to attempt an upgrade. The plan was to deploy a new instance of SAP ERP, and to move the existing system into archive mode after go-live.

Mondi Syktyvkar faced a number of challenges during the course of the project. For the first time, the Russian business fully integrated its SAP environment with the MES, so that employees would have better visibility and control across the full scope of their activities, without the need to re-key data from one system to another. In resource terms, there was a high degree of interdependency with other projects, so the Russian team needed to ensure that roles and responsibilities were very clearly defined, and that team members could make decisions or escalate open issues immediately.

But the single most significant challenge in the project was balancing the Russian regulatory requirements with the requirements of the global Mondi model. It was tough to find compromises that would meet the local requirements as well as the expectations of the group. As far as possible, the Russian team moved all business processes and reports to the global standard, which in some cases meant restricting the local functionality compared to what Mondi Syktyvkar had in place previously.
Benefits in detail

- Achieved non-disruptive go-live following 18-month project involving multinational team.
- Integrated Russian business with global processes and standards.
- Improved transparency in reporting, operations and planning.
- Cut number of customized reports by 50 percent, saving time and effort.
- Gained a single system for all global mills, simplifying production planning.
- Delivered greater transparency in operations and reporting.
- Aligned financial reporting with global standards while respecting local Russian regulations and standards.
- Integrated SAP ERP with Manufacturing Execution System, making it faster and easier to see lead times.
- Harmonized the analysis of profitability by products and customers with global standards, which is expected to lead to optimized decision-making.
- Reduced complexity and IT support costs through the elimination of the non-standard ERP system in Russia.

The experience and professionalism of the IBM Global Business Services team were a great help at this stage. The IBM consultants helped Mondi Syktyvkar to run a series of workshops to decide the best way to balance local and global requirements, persuading people on both sides to compromise on the necessary changes.

To ensure that decisions could be taken quickly, the steering committee for the project was structured to include senior IT and business decision-makers from the Mondi Group. Also on the steering committee were global SAP subject-matter experts from IBM, helping to guide the project across topics such as overall scope, budget, key milestones, risk mitigation, and approvals.

A number of changes to business processes as handled in SAP ERP required the training of existing users, which was carried out before go-live by the joint project team. Procurement in particular had to undergo a number of changes, so the Russian IT team worked closely with users from this part of the business as they adapted the processes to meet the group standards.

Building on a strong preparation phase, the joint team meticulously planned and then successfully achieved a smooth, non-disruptive deployment of the new solution across the Russian business, putting the old ERP system into archive mode to permit historical reporting where required.

To help its client accomplish the deployment, the IBM Global Business Services team drew on local and global expertise in SAP ERP, business process modeling and design, solution architecture, and program and project management.

Mondi Syktyvkar was able to take advantage of IBM’s experience of similar SAP rollouts in Russia for international firms, and the IBM consultants’ deep understanding of Russian fiscal legislation and regulations. To ensure a rapid, low-risk deployment, IBM used two proprietary accelerators: Enterprise Information Alignment for SAP and Accelerated Global Rollout for SAP.

Globally aligned operations and reporting

The joint team of IBM Global Business Services, Mondi Syktyvkar and Mondi Group personnel successfully completed the 18-month SAP ERP deployment project on time and within the expected budget. The go-live ran smoothly and was followed by several months of collecting user feedback and minor change requests.

The primary objective was to integrate the Russian business with global Mondi standards, and Mondi Syktyvkar achieved this with the help of IBM. The feedback about the project was very positive from every level of Mondi, and there was very little disruption to local users.

The adoption of the global model and templates for SAP ERP has helped to accelerate reporting and improve transparency. It has become much faster and easier to collate and transform data, as all local figures are now immediately comparable with figures from other Mondi European operations. It is also now much easier to understand the performance of the business thanks to the standardization of the model.

Today, there is a common set of standards and processes across all of Mondi’s mills globally, which helps to streamline production planning. Sales offices place orders centrally, and can then choose the best site at which to execute them, based on the expected lead times, margins, transport costs and so on. If a certain mill cannot work to the required lead times, managers can move their orders to another mill which has the required capacity. Now that the Russian mill is using the same model as the others – and because it has integrated SAP ERP with its MES – it is easier and faster for managers to understand what work Mondi Syktyvkar can undertake and to see expected lead times.

Oxana Dmitrieva, Head of Accounting and Controlling at Mondi Syktyvkar, explains, “We have aligned our financial reporting to the Group’s international financial reporting standards [IFRS] as a priority for reporting at group-wide level, whilst also complying with local regulations and standard requirements. Now, all of our financial data is stored in the shared system and in compliance with those standards. There are still some ad-hoc local reports to address specific Russian requirements, but overall we have reduced the number of customized reports, saving time and effort.”

Now, it is easier at the group level to see the capacity and the orders currently being manufactured. In addition to adopting the standard ERP template, Mondi Syktyvkar also has global standards and reporting from SAP Business Warehouse. All of the production data from the MES feeds into the global data warehouse, and here in Russia the team draws data from the global system, combines it in SAP Business Warehouse with local data, and uses this for reporting.
and finance summaries. With all mills in all countries using the same models and standards, it is easier to compare like with like and gain an accurate view of activities and performance.

The integration between the MES and SAP ERP provides a single point of control for understanding lead times. Production orders come to Mondi Syktyvkar’s MES from the central ordering system (ERP), and MES provides immediate forecasts to sales managers that are created using the CTP (Capable to Promise) and ATP (Available to Promise) workflows in SAP ERP.

Vadim Chistyakov, Head of In/Outbound Logistics at Mondi Syktyvkar adds: “The introduction of SAP ERP at the mill helped optimize logistics processes, make them more consistent, unified and transparent. The full integration of logistics processes with the SAP ERP system contributed to streamlining the mill’s activities to comply with Mondi Group’s standards. Now, an SAP ERP-integrated web interface allowing transportation data exchange is available to forwarders. In addition, the reporting generation system based on data from SAP ERP makes it fast and efficient to generate reports with various layers of complexity.”

In the past, Mondi Syktyvkar’s ERP and manufacturing systems (MES) had two routes for entering sales orders: some came from the central SAP system, and some were local. The Russian team needed a specific interface between its old SAP system and the MES, and a second interface between the central SAP system and the MES. Today, there is effectively just a single ERP system and a single connection with the MES, regardless of whether Mondi Syktyvkar is producing pulp, paper or container boards. Replacing the non-standard ERP system in Russia and reducing the number of interfaces requiring maintenance contributes to lower complexity and IT support costs for Mondi. Further efficiency savings stem from cuts in the number of customized SAP reports. As the Russian team has aligned its financial reporting to the group standards while also respecting local Russian regulations and standards, there is no longer any need to manually prepare reports for the group level. All the required data is already in the expected format in the common system. There are still some ad hoc local reports to address specific Russian regulatory reporting requirements, but overall the team has reduced the number of customized reports.

Mondi Syktyvkar is the largest Russian paper producer. The most popular office paper brand from Syktyvkar is “Snegurochka” - the leading office paper brand in Russia.
The project to deploy SAP ERP based on Mondi Group standards has been a great success. The IBM Global Business Services team provided excellent support at all stages, and took the time to understand the Russian business’ processes and how to get the best outcomes. The Russian team was fully satisfied with the work IBM accomplished, and appreciated the value of their knowledge both of SAP ERP and of the particularities of the Russian legislative and regulatory frameworks.

Alexander Ratnev, Roll-out Project Manager on behalf of Mondi Syktyvkar, adds: “In this roll-out project, we transitioned from a local SAP system to a central SAP solution. Since we began relying on SAP ERP in 1997, users at Mondi Syktyvkar have developed knowledge of SAP processes and experience using SAP, and our IT team has become fluent in SAP. These factors contributed to the successful project implementation. The Mondi Syktyvkar project team adopted several areas of responsibility in this major project, and we completed all tasks successfully in cooperation with IBM. I would like to emphasize the efficient project coordination shown by IBM and our headquarters.”