

From Monopoly to Competition

Design and implementation of an integrated investment and project management system for a telecommunication network provider

The Challenge

With a bureaucratic and monopolistic history, the client (located in south-eastern Europe) wanted to implement a modern and competitive solution to speed up the entire process of network lifecycle management.

The major objectives were to:

- Design the process of planning, building and running a complex network infrastructure (fixed and mobile) from a financial perspective
- Implement a project strategy with clear structures and responsibilities for quality, time and budget
- Manage project portfolio scenarios in case of budget restrictions (considering a top-down and bottom-up approach)
- Optimize the provisioning process (specially through improved material availability); shorten fault repair reaction time
- Provide a detailed financial view on every single asset, from construction and deployment up to the final shutdown; provide monthly reports (including forecasts) to the major shareholders
- Generate management reports (progress analysis) and forecasts for the purchasing group

The Solution

In collaboration with the client's IT group, Westernacher designed and developed an integrated investment and project management system based on the SAP R/3 IM and PS modules. In addition, the material management functionalities for purchasing and inventory management were activated through the MM module and partly from SD.

After designing the entire network lifecycle process, the financial view was transformed in a central investment program, which was hierarchically structured according to organizational and technical features. Capitalizable and operational expenditures (CapEx/OpEx) were differentiated by budget categories.

The investment planning process starts with the approval of the business plan (which is derived from a mid-term plan) and the insertion of the original budgets into the investment program.

On the next level, each activity - infrastructure buildup, provisioning, fault repair - is figured as a project (or a part of one) and assigned to a position on the investment program from which the needed budget is transferred. The resources - material, external and internal work - are planned, ordered and confirmed by using 'network activities' and (in the case of material resources) 'components'.

Overview

Getting a complete and transparent overview on all costs related to the lifecycle of an asset or products from the cradle to the grave is a substantial precondition for detecting the potential for further optimization.

This can be achieved with the SAP R/3 modules IM and PS, seamlessly integrated in the (SAP) ERP landscape to achieve:

- Overall investment management of capitalizable and operational expenditures (CapEx and OpEx)
- Powerful project management (responsibilities, time, budget)
- Fully integrated to material management, asset management, cost and profit center controlling

From the network activities and components, purchase requisitions are generated automatically after release by the project owner. In case of material in stock, the purchase requisitions are transformed to special delivery orders.

The actuals - resulting from the confirmation of internal and external work and goods receipts - are directly posted to the project elements and settled periodically to assets (or to assets under construction until the project is technically closed) and to cost centers. In combination with a sophisticated cost and profit center structure, this function supports activity-based and product-oriented controlling.

Solution highlights

- Customized solution for budget transfer / availability control:** Since the SAP standard solution for budget transfer from an investment program position to a project does not work if different budget categories (CapEx/OpEx) are used, a special transaction was built which also facilitates availability control. This enables the handling of projects with both cost and investment character (e.g. replacement of an old copper cable, and building a new fiberglass connection).
- Aggregated view on Plan - Budget - Commitments – Actuals:** By using the complete process chain of planning, budgeting, ordering and confirming the necessary resources, it was possible to have an integrated view on all costs. This view can be aggregated online not only at the project level, but also at any level of the investment program, with the most recent at the top of the stack.

Solution benefits

Using the new investment and project management system, the client has achieved a complete and transparent overview of all network activities and related costs. This empowers the client to detect possibilities for optimization and to act on the market with new and competitive prices.

