How SAP GTS Revolutionized Legal Compliance in Supply Chain Processes at Graybar Electric

Graybar Electric Co., Inc.  
Director, Paul Unruh

Krypt, Inc.  
Co-Founder, Rajen Iyer
Agenda

- Company Profile: Graybar
- Company Overview: Krypt, Inc.
- Compliance Management: Challenges at Graybar
- GTS Solution for Graybar
- Rapid Implementation of Project Plan
- Key Decisions
- Details of Implementation
- Return on Investment, Other Benefits
- Key Learning Points
- Questions
Graybar Electric Co, Inc.

Graybar is a leading distributor of electrical, communications and data networking products and provider of related supply chain management and logistics services.

- Founded – 1869 by Elijah Gray and Enos Barton
- Employee owned – 1929
- Fortune 500
- Based in St. Louis, MO
Krypt, Inc. “Solutions Partner”

**Corporate**
- Founded in 2008
- Headquartered in Sunnyvale, CA with presence in Atlanta, Chicago, NJ, Dallas and Bangalore, India
- Multi-Industry Deployments including Chemical
- One stop shop for Supply Chain and Compliance: GTS, GRC, TM & EWM

**Leadership**
- Thought Leaders in GRC, Trade Management and Supply Chain
- Over 200,000 hours of consulting experience in the following:
  - SAP GTS
  - SAP TM
  - SAP EWM
  - SAP GRC

**Commitment**
- ASUG, ICPA, AAEI and WIT member and sponsor
- SAP go-to partner for SCE and GRC
- Authored 5 books including one on SAP GTS and the next one is coming out on GRC; more than 65 white papers

**Innovation**
- Krypt methodology has reduced implementation times up to 50%
- Continuous investment in R&D for Compliance and Supply Chain solution
- Co-innovation with SAP on GRC suite and Supply Chain Solutions
- Patents, Trade Mark and Products
Graybar’s Current Landscape

- GTS 10.0
- ECC 6.06 – 12 TB database
- SCM 7.02
- BW 7.01 – 5 TB database
- CRM 7.01
- PI 7.11
- SOLMAN 7.0
$5.4 billion sales (2012)
$36.3 million export sales (2012)
950,000 SKUs – 14.5 million plant/material records
350,000 customers
30,000 billing docs/day
6,500 employees
4,500 suppliers
250+ locations
  Distribution centers, branches, and counters
High volume of Business Partners and Transactional Data makes manual Compliance screenings extremely cumbersome. (Graybar has 1.5 Million Partners and 1800+ Concurrent Order Management users). Even a small percentage of SPL “hits” create a large number of GTS blocks that need to be manually checked and cleared or blocked.

Generic materials – to allow a customer to order material not on the database, either a new material needs to be created on the fly or a generic material can be used. If a generic material is used, an ECCN cannot be associated with the material.

Desired ability to block the purchase requisition in ECC to prevent ordering special order material from vendor for a blocked order.

Existing automated business processes to regularly input material master data from various vendors into ECC drives a desire to utilize ECC as the system of record for ECCN and HTS; standard is to use GTS.

Inadequate Maintenance of ECCN, HTS and Schedule B classification data and dependency on vendors for information. Business decisions to be made when ECCN not associated with material in material master.
Other Graybar Challenges

- Limited number of Legal and Supply Chain Personnel in the St. Louis, MO office performing compliance duties for the entire enterprise
- Large number of order entry locations widely dispersed geographically
- Unknown “One-Time” Business Partners could buy from Graybar locations: a scenario with Legal Compliance risk
### SAP GTS Solution Map

<table>
<thead>
<tr>
<th>Trade Compliance Management</th>
<th>Product Classification</th>
<th>Export Control</th>
<th>Import Control</th>
<th>Embargo Check</th>
<th>Trade Compliance Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sanctioned Party List Screening</td>
<td>SPL Screening of Customers</td>
<td>SPL Screening of Suppliers</td>
<td>SPL Screening of Employees &amp; Applicants</td>
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<td>SPL Screening of Financial Transactions</td>
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<td>Product Classification</td>
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<td>Electronic Customs Communication</td>
<td>Customs Warehouse Processing</td>
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<td>Vendor Declaration Handling</td>
<td>Preference Determination</td>
<td>Customer Declaration Handling</td>
<td>Trade Preference Analysis</td>
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<td>Electronic Compliance Reporting</td>
<td>Intrastat Reporting</td>
<td>Industry-specific Reporting</td>
<td>Output Communication</td>
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<td>Trade Finance Service</td>
<td>Letter of Credit Assignment</td>
<td>Letter of Credit Compliant Printing</td>
<td>Letter of Credit Monitoring</td>
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<td>Restitution Management</td>
<td>Securities and Licenses Handling</td>
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**SAP NetWeaver**

**Adobe Technology**

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**Business Intelligence**

**Portal Technology**
Scope of SAP Business Objects GTS 10.0 Implementation

Compliance Management

- Sanctioned Party List Screening of all Business Partners
- Screen all business partners in Export Transaction Data (Inquiries, Quotations and Orders) TREX used to improve search results
- Embargo Check of Business Partners and Export Transaction Data
- Product Classification for ECCN (Export Control Classification Number) and Licensing for EAR

Customs Management [Upcoming Phase]

- Export Customs Declaration with US-AES Self Filing
- HTS Classification
- Commercial Invoice
- Shipper's Letter of Instruction (SLI)
- Certificate of Origin
### Graybar Scope

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### Technology Stack
- **Adobe Technology**
- **SAP NetWeaver**
- **Business Intelligence**
- **Portal Technology**

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Rapid Implementation: Graybar

GTS Project Plan (High Level)

<table>
<thead>
<tr>
<th>Project Phase</th>
<th>Week 1</th>
<th>Week 2</th>
<th>Week 3</th>
<th>Week 4</th>
<th>Week 5</th>
<th>Week 6</th>
<th>Week 7</th>
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<td>Business Blueprint</td>
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<td>Go-Live Preparation &amp; Go-Live</td>
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<td>Post Go-Live Support</td>
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Target Timeline

*WK 11 QA ready

Actual Timeline

*Integration Testing & functionality of dev objects

*Training (2 days)

*Start on Production System

*Transfer BP to GTS & Check SPL & Release Partners

Project completed **on-time** and **on-budget** with one full time and one part time Krypt resource in addition to Graybar business, technical and ABAP resources.

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Graybar: GTS 10.0 Landscape
Key Decisions

- Pre-build and cut over/conversion preparation as part of the pre-go live due to the volume
- Decision taken to use custom-logic to “block” Sales Orders while any GTS block encounters instead of standard Copy Control implementation. Block prevents creation of Purchase Requisition
- Team decided not to activate hard blocking of deliveries until we had a handle on what partners and documents would actually get blocked. Concern with slowing delivery process
- Thorough testing of batch jobs to ensure that new partners and materials are being transferred from ECC to GTS
- Configured the license determination to accommodate Graybar’s use of generic materials and items with missing ECCN’s
- Determined who the compliance managers are early in the project
- Involved Graybar Legal and Operations teams from Blueprinting to Go-Live
Wholesale Distributor Business Case
- To prevent the transfer of Requirement or Purchase Requisition that are issued to the distributors

Background
- Standard GTS “Copy Control” implementation of “GTS Hard Block” prevent subsequent document generation in ECC Feeder System; however it does NOT prevent Transfer of Requirements or Creation of Purchase Requisitions out of Sales Orders in specific OTC scenarios

Solution Implemented
- On ECC side, extended existing “Delivery Block” mechanism at Graybar OTC
- There were multiple Header level blocks used in Sales Order like Credit-control blocks that are associated with various business controls
- Created new “ZG” Delivery Block for GTS purpose with additional coding in “include RV07A900”
- Set the ZG block in “include MV45AFZZ” form “UserExit_Save_Document_Prepare”
- In GTS, customized BAdI “/SAPSLL/CUHD_RELEASE” which is used to release a Sales Order in ECC via RFC
- SAP Workflow has been used effectively for error handling
Compliance To Be – SPL Screening BP Creation

**Branch office / CSR**

**Export (and Domestic) Compliance Manager**

**Remarks**

1. Based on criteria used in GTS
2. Fully transparent – no workforce involved
3. WL has to be checked on a daily basis
4. All flows created on this partner will be blocked
5. Flows on this partner will NOT be blocked.
6. All flows created on this partner will NOT be blocked
7. All flows created on this partner will be blocked
8. Manual process (every 3-6 months) - To be reviewed later if needed
9. Automatic process (quarterly)
10. Possible to see in GTS if customer or supplier

If partner is not released, communicate to respective Graybar entity: CSR >> Customer Purchasing group >> Vendor

**Automatic transfer**

**Manual information**

**SAP transaction**

**GTS transaction**

**Outside SAP**

**COMPLIANCE TO BE**

Partners (Vendors/Customers) creation
Sanctioned Party List check

- **Partner Creation**
- **Batch replication every hour??**
- **Sanctioned Party List check**
  - SPL HIT?
    - NO 2
    - YES
      - New entry in the WL 3
        - Display Blocked Business Partners
      - Possible to take the decision?
        - NO
        - Investigate 10
          - Add comment for partner
          - Periodic automatic screening 9
        - YES
          - Review of Positive and Negative lists 8
          - Partner is BLOCKED 9
          - Review of Positive and Negative lists 8
          - Partner is RELEASED 9
          - Partner is RELEASED until next automatic SPL screening 9
          - Partner is BLOCKED until next automatic SPL screening 9
To Be Process: License Determination

**COMPLIANCE TO BE**
Sales Order creation (domestic/export) Licenses

<table>
<thead>
<tr>
<th>US CSR</th>
<th>GTS</th>
<th>Customer Service Supervisor</th>
<th>Dedicated Legal Approver per license</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
<td></td>
<td>1 If product not classified, order will be blocked 2 Various controls Depending on license type (quantity/value, partner, country...)</td>
</tr>
</tbody>
</table>

**Diagram Details:**
- Automatic transfer
- Manual information
- SAP transaction
- GTS transaction
- Outside SAP

- **COMPLIANCE** License determination
- **License required?**
  - Yes
  - Yes
  - No
- **Valid license?**
  - Yes
  - No
- **Email notification Entry in WL**
- **Unblock order**
  - Recheck documents
- **License creation or License UPDATE**
- **Request for APPROVAL**
- **Blocked orders report**
  - /SAPSSLL/BL_DOC_3D_R3
- **Notification on SO**
  - Subsequent document creation is blocked
- **Email**
  - Request to unblock order
- **Sales Order**
  - Subsequent document can be created
Minimized risk of fines and penalties from trade compliance violations
Automated Compliance screening with very minimal manual intervention
Seamless integration with SAP Order-To-Cash transactions
Centralized approach in Legal Compliance and Product Classification
Speedy and cost effective implementation. On-time and on-budget with a minimum of Graybar and Krypt resources
Increased productivity through automation and elimination of unnecessary tasks
Avoid trade with sanctioned or denied parties and ability to prove it with an audit trail
Protect company brand and image
Meet and exceed customer and partner commitments
Increased customer confidence and satisfaction
Key Learning

- Select suitable implementation partner for your project
  - Krypt’s Rapid Implementation methodology adopted
- Leverage knowledge and experience from past projects
  - Flexible decision-making during the project to overcome hurdles
- Identify and allocate internal resources early for the tasks; the most important being of Compliance Manager
  - Able to learn new processes and help with acceptance testing
  - Super User concept
- Involve key stakeholders from IT, Legal, Logistics and Customer Relations since Trade Compliance is closely integrated within these departments
- Planned and systematic Cut-over and Go-Live activities; bring in the past-experience to the project
- Master Data clean up prior to the conversion: product in terms of Unit of Measure, ISO codes, etc.
Where to Find More Information

  D. Rajen Iyer, Implementing SAP BusinessObjects Global Trade Services (SAP Press, August 2009)

  D. Rajen Iyer and Suresh Veeraraghavan, Effective Pricing with SAP ERP (SAP Press, August 2011)

  60+ SAPexperts trade and logistics white papers
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