

Challenges in Integrating Two SAP Environments in a Merger - a Case Study

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Agenda

- An introduction to Emirates Global Aluminium (EGA)
- The case for the merger
- Integration challenges and approach
- Achievements and lessons learned
- Way forward
- Q & A

Emirates Global Aluminium (EGA)



EGA was formed by the merger of Dubai Aluminium and Emirates Aluminium, two UAE industrial flagships



<p>First metal in 2007</p> <p>1.3 million MTA finished product</p> <p>The world's longest potline at 1.7km and largest gas treatment centre</p>	<p>Workforce of 3000 +</p> <p>Contributed 0.4 percent of the UAE's total GDP in 2012 and 2013</p>	<p>150+ customers</p> <p>Produces sow, standard/sheet/foundry ingots and extrusion billets</p>
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<p>Founded in 1979</p> <p>More than 1 million MTA finished product</p> <p>Proprietary DX reduction technology</p>	<p>Workforce of 3800+</p> <p>One of Dubai's largest non-oil economic contributors</p>	<p>300+ customers (automotive, construction, electronics)</p> <p>Produces foundry alloy, extrusion billet and high purity aluminium</p>
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Bauxite Mining

- Combined value of over \$15B
- \$6.6B in revenue
- World's 5th largest aluminium company by production

Refining

- Joint production capacity of 2.4m tons per annum
- Planned value chain expansion into mining and refining

Smelting

- Serving over 440 customers in 55 countries across 6 continents
- Over 7,000 employees – 20+% UAE Nationals

To provide the global economy with sustainable material of the highest quality, building a legacy of excellence for the UAE and the world



We help shape the future by delivering high performance aluminium to our customers, for use in a range of cutting-edge applications



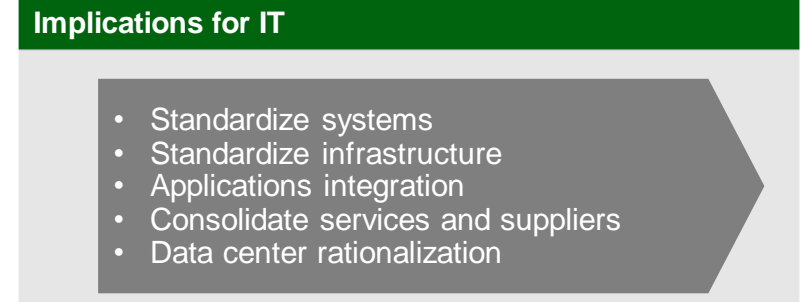
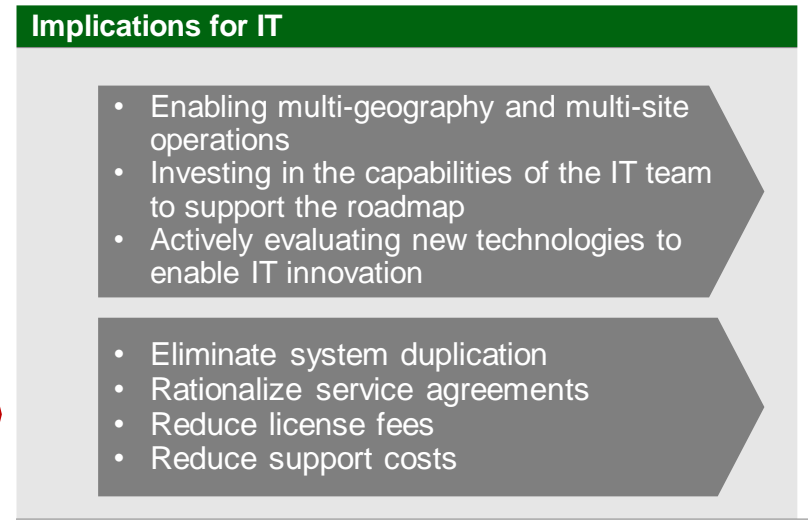
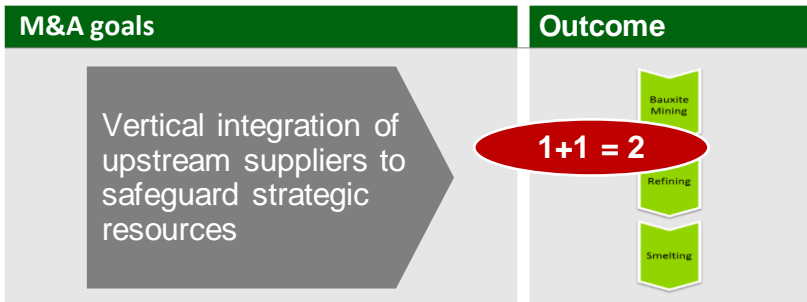
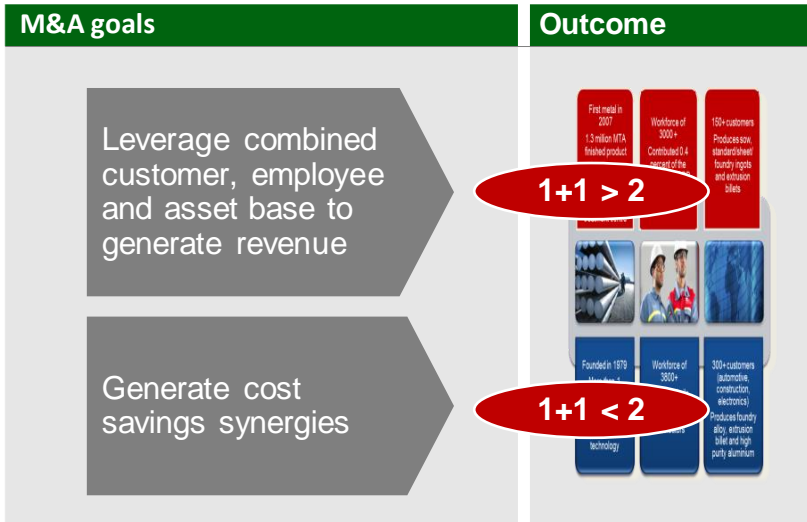
We operate with a deep commitment to sustainability and to the well-being and development of our people.



We focus on innovation, performance and profitability, and provide support for a broader aluminium cluster, to ensure a lasting contribution to the UAE and global economies.

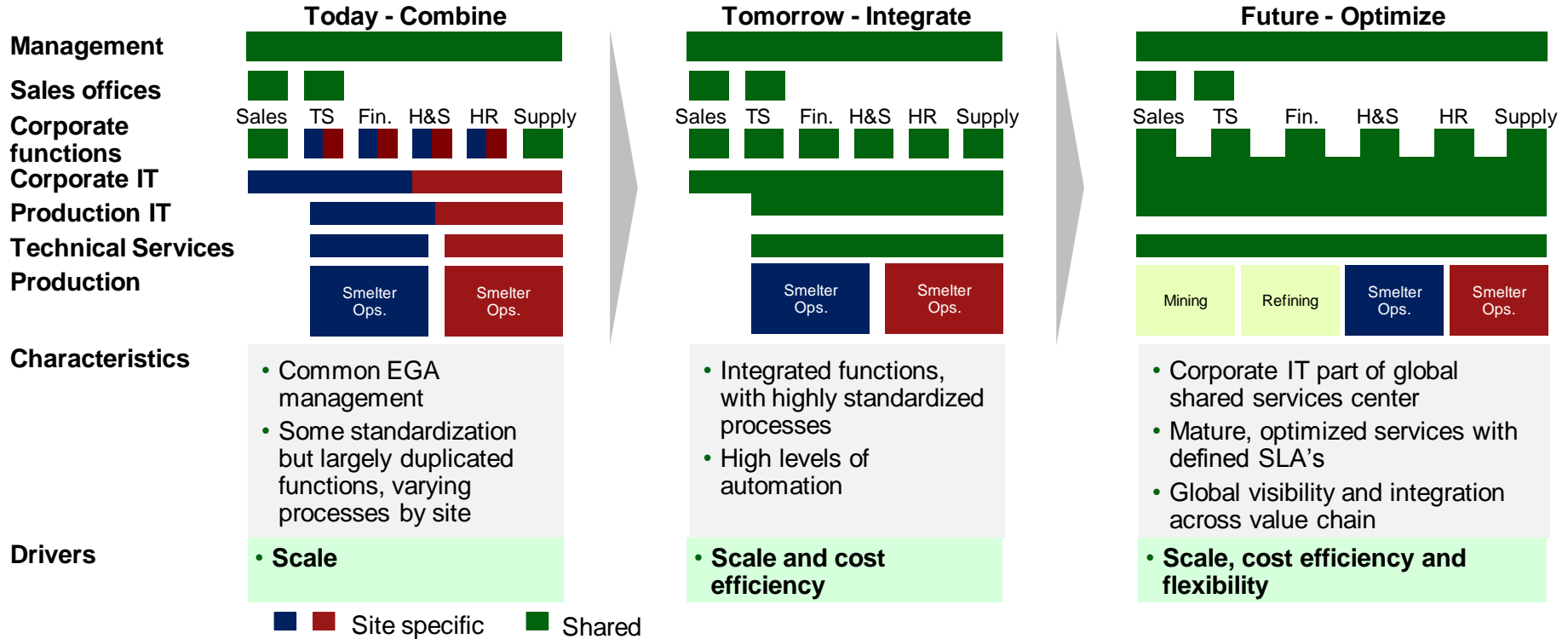
Objectives of Merger and the Implications for IT

A range of merger objectives have different implications for IT



EGA Operating Model

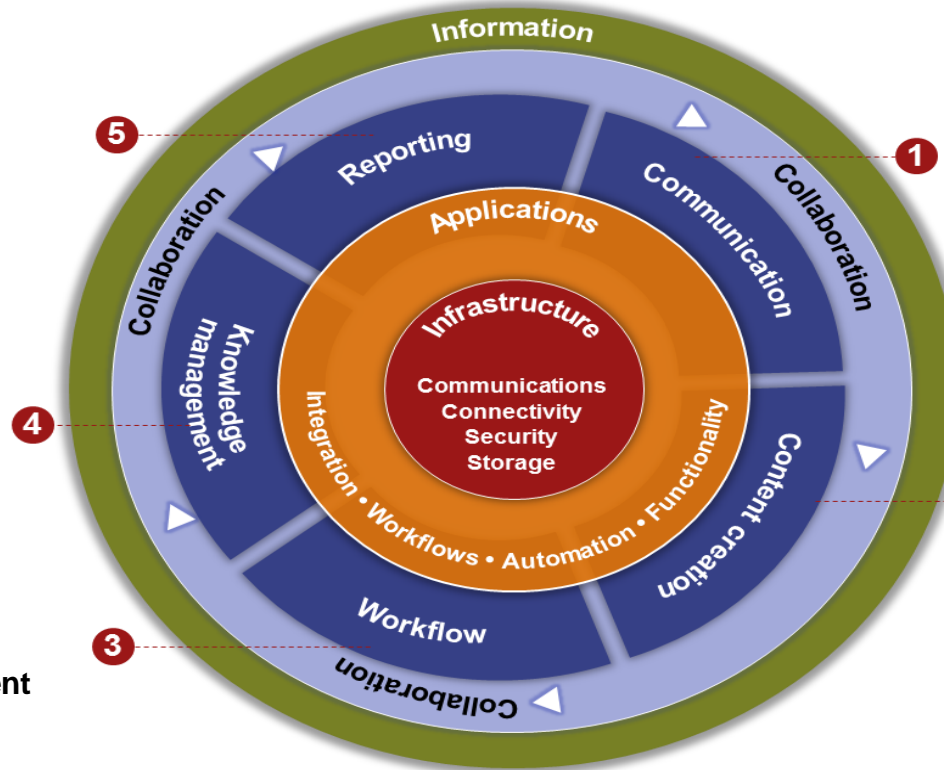
IT needs to support an operating model that will become more integrated as EGA assimilates new assets along the value chain



EGA Business Requirements

IT capabilities are required to enable better information-based decision-making, and support a globally integrated business

- **Data mining, predictive analytics** and visualization
- **Self-service** for Strategy & Corp. Dev. Team
- **Market intelligence** data
- **Mobility**
- **Easy access to policies, procedures** and handbooks (EHS, Legal, Technical Services)
- eLearning capability to track certifications
- Enterprise-wide **document management**



- Information sharing using **multiple channels and platforms** e.g. social media
- Information exchange with 3rd parties
- Aggregated unstructured content
- **Common templates** e.g. Technical services and EHS
- Marketing Resource Management for Corporate Comms.

Integration Challenges and Approach

Due to shifting Day 1 timelines, IT needed to be agile and apply strong governance practices



Challenges

- Different corporate cultures
- Differing organizational structures
- Staff attrition
- Shifting Day 1 timelines
- Information security risks



Approach

- Defined leadership structures, roles and responsibilities to achieve functional integration
- Integration Management Office (IMO) provided support for strict prioritization of solutions for Day 1
- Applied strong IT governance and communication
- Assigned agile and dedicated IT team, including war room for Day 1 support issues
- Established Enterprise Information Security Department
- Aligned organizational structures in SAP systems

Day 1 Deliverables



The focus was to identify and implement solutions to support critical, Day 1 EGA processes as approved by the EGA business integration teams.

Information Technology

- Prepared **IT Infrastructure requirements** to support **cross-site business activities**, for example office computing, back-office infrastructure, communication lines, network, telecom equipment.

Cross-functional

- Provided EGA employees with **secure access to key DUBAL and EMAL systems**.
- Provided EGA with a secure and efficient **approval mechanism** for key processes, including alignment of **SAP workflows** with new **EGA delegation of authority**.

Finance

- Provided EGA with a **SAP solution to support key financial processes**, including **electronic payments** and the generation of **IFRS financial statements**.
- Provided EGA with a **Treasury Management System** to conduct Treasury Operations securely and efficiently.
- Provided EGA with the ability, in both EMAL and DUBAL SAP systems, to **manage credit for secured customers and control the release of metal** to customers.

Sales & Marketing

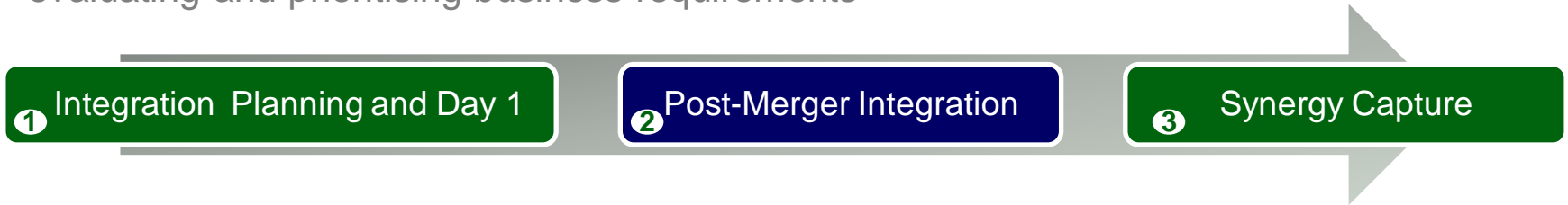
- Provided EGA with the design for a **single customer portal**.

Human Resources

- **Aligned SAP organization structures** across EMAL and DUBAL
- Provided EGA with a **payroll processing** solution.

Integration Challenges and Approach

High business demand across multiple sites requires a robust mechanism for receiving, evaluating and prioritising business requirements



Challenges

- New management teams
- Staff attrition
- High business demand and competing strategic priorities
- Key SAP design differences
- Different IT policies, procedures and service catalogues across sites
- Information security risks



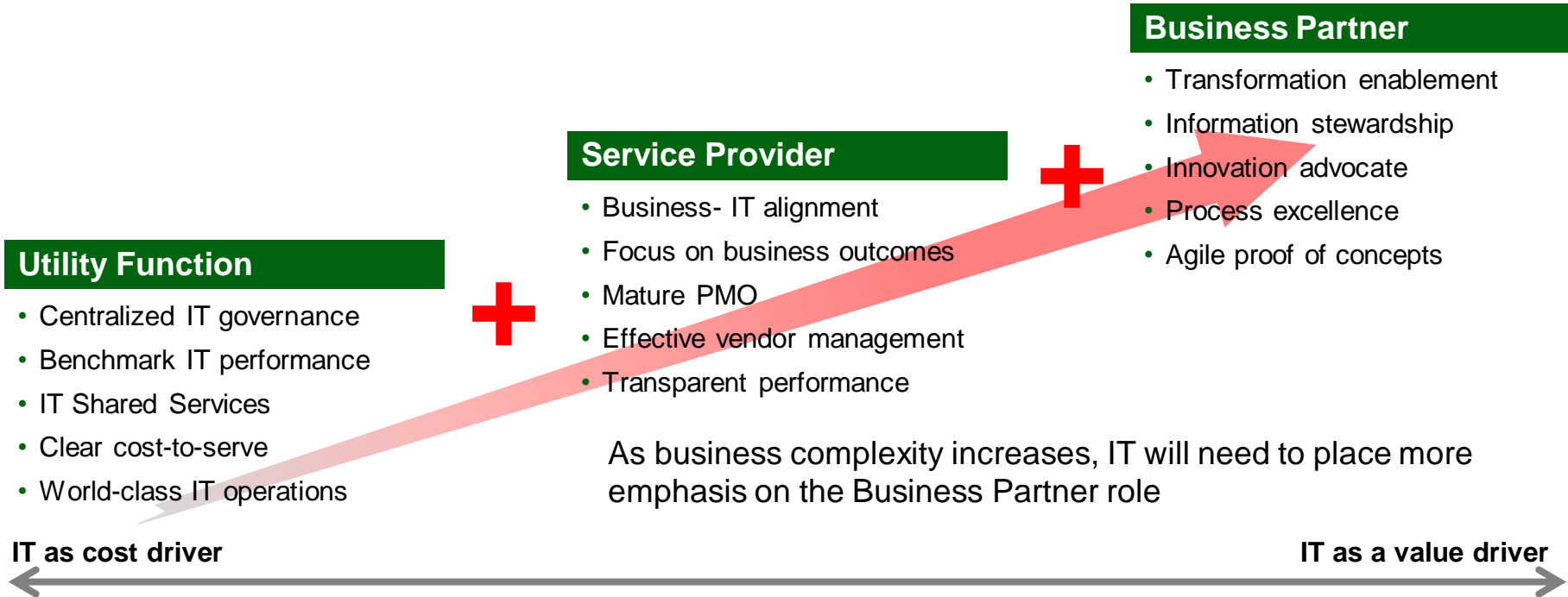
Approach

- Prepared EGA 5 year IT strategy and business area roadmaps
- Established Innovation Centre and collaborate with key vendors
- Prepared EGA policies and procedures
- Established IT service model to support new entities
- Uplifted Business Relationship Manager role
- Consolidate SAP landscape
- Adopt a collaboration platform
- Consolidate and further standardize infrastructure

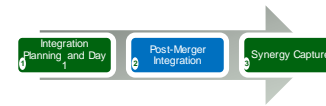
EGA IT Strategy Outputs



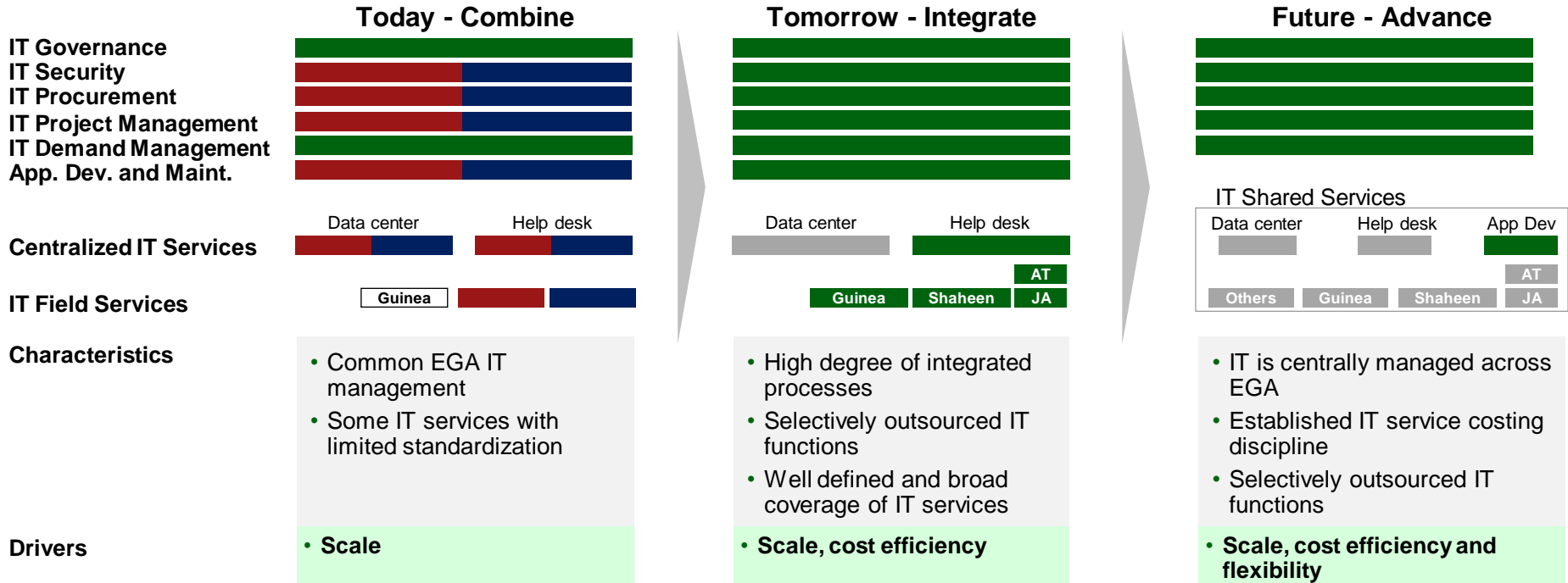
EGA developed a 5 year IT strategy and roadmap that integrates and leverages the best of DUBAL and EMAL to support EGA's business objectives and growth aspirations.



EGA IT Strategy Outputs



IT will transition its operating model to support centrally managed and globally shared IT services

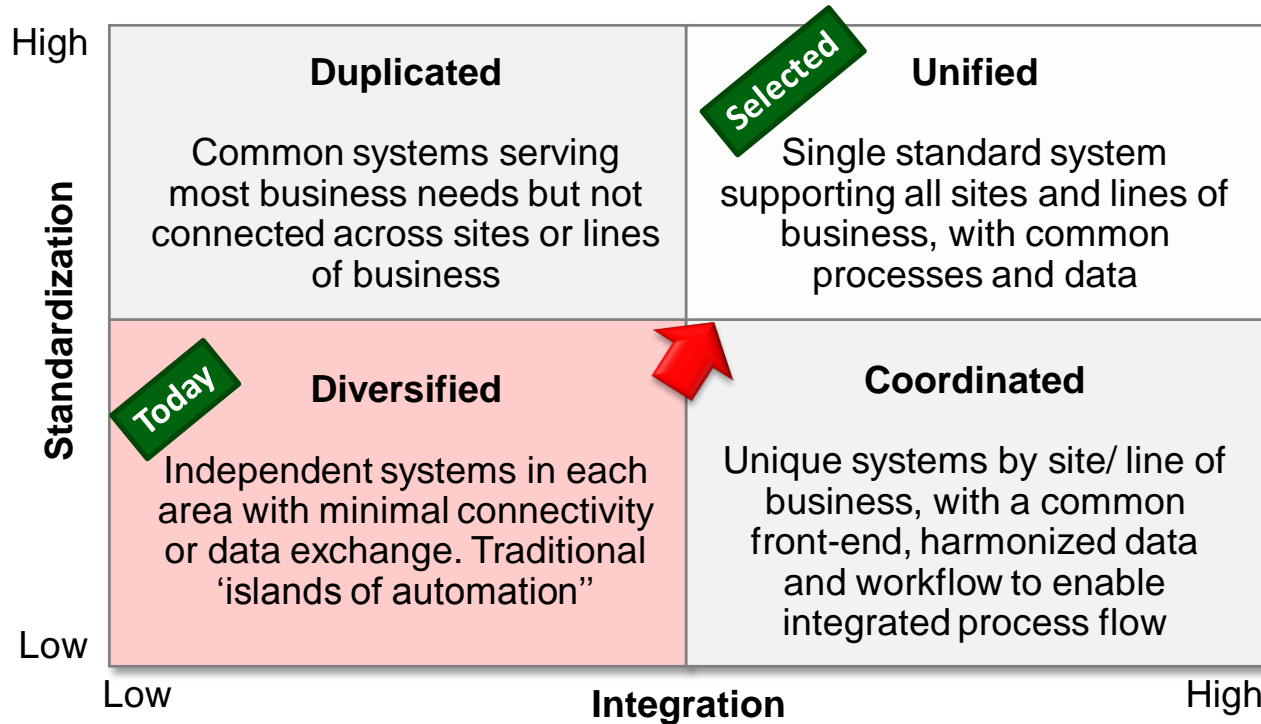


Site-specific
 Standardized
 Outsourced

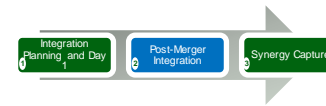
Consolidate SAP Landscapes



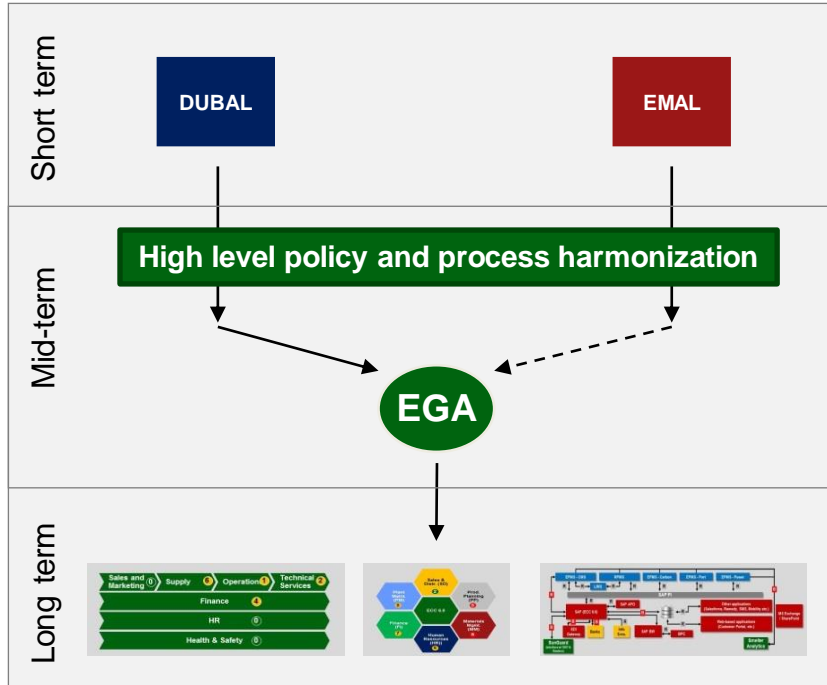
A number of SAP consolidation options were considered in light of EGA's target operating model and business requirements



Consolidate SAP Landscapes

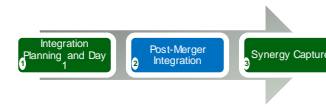


A unified SAP system will provide financial benefits while allowing for agility and innovation



- Similar process across sites
- 30 key design differences
- Over 100 source code changes
- Over 1,000 customizations
- High-level process harmonization completed pre-blueprint as a first step in SAP unification project
- Add mining and refining entities to DUBAL SAP in short-term
- Controlled carryover to new refreshed instance:
 - Core SAP functionality from DUBAL
 - Selective functionality from EMAL
- New unified EGA SAP environment
- Fewer source code changes and customizations
- One process, one design, one architecture

Business Area Roadmapping

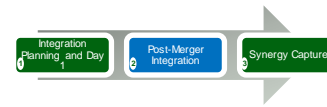


A well governed roadmapping process will help EGA to target and realize strategic benefits

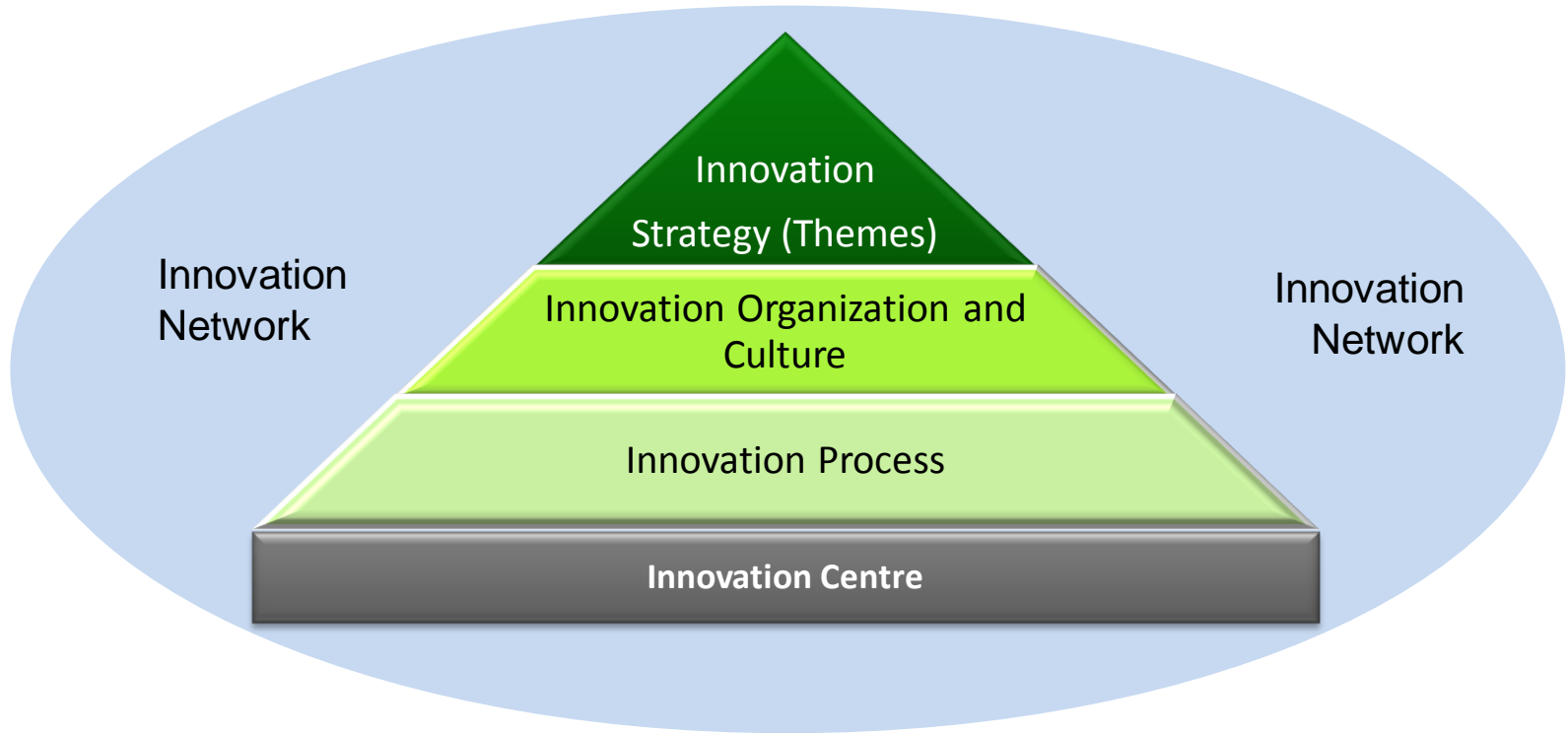
- **High-level initiatives** are identified per business area and **prioritized** over a **3-5 year horizon**
- Driven **top-down** ensure **alignment with strategy and target operating model**
- Initiatives to be executed through IT registered projects
- Ongoing process that is **repeated bi-annually**
- Monthly **progress reporting**
- Initial consolidated roadmap and major updates to be **approved by the EGA Executive Committee**



Innovation Framework



The innovation centre will support the roadmapping process and help to develop an innovation network including EGA employees and business partners



Integration Challenges and Approach

New challenges continue to emerge throughout the integration process



Anticipated Challenges

- Maintenance of duplicated applications and large portfolio of data centers
- Competing strategic priorities
- Supporting growth versus cost pressures
- Agility and standardization across global sites



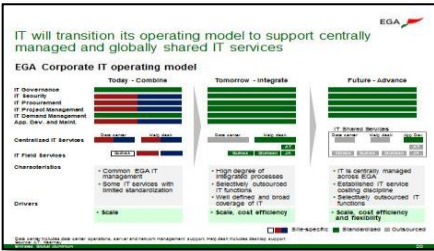
Planned Approach

- Prepare for and establish EGA IT shared services
- Enhance and standardize applications architecture
- Adopt cloud-based solutions
- Enhance Business Intelligence platform
- Implement data standards, governance and management system

Evolution of EGA IT Shared Services



EGA IT plans to operate as a shared services organization within the next 2-3 years



Combine

- Unify IT service catalog
- Standardize and integrate IT processes and tools
- Centralize basic IT functions and services to reduce costs and provide superior business support

1+ years

Integrate

- Provide Enterprise IT services with structured service levels and metrics
- Adapt vendor management role as outsourcing increases to achieve additional savings

2-3 years

Optimize

- Enable further efficiency and savings by migrating new functional groups (e.g. HR, Finance etc.) to shared services
- Optimize existing IT shared services by further outsourcing non-core services
- Establish IT service costing and chargeback capabilities

4-5 years

Continuous improvement →

Lessons Learned from DUBAL and EMAL IT integration

IT's recent integration experience provides a platform for establishing a repeatable, best practice approach for future use

What went well...

Defined IT's leadership structure early

A successful and issue-free Day 1, despite uncertainty on timelines

Good planning and governance with dedicated IT team

Good communication with business

Prioritized Day 1 initiatives over business-as-usual and post-day 1 requirements

Even better if...

Managed staff retention by identifying and engaging key IT personnel

Better identification and management of cultural differences

Leveraged strengths and capacity of IT vendors

Greater urgency in post day 1 activity plans

Balanced business and IT requirements (IT M&A was driven mainly by business needs)

Way Forward

EGA IT needs to undertake a number of steps to successfully complete post-merger integration and execute the strategic roadmap

Socialize IT Strategy

- Conduct a series of IT Strategy roadshows to familiarize key business and IT stakeholders using scenarios where applicable

Establish IT Strategy execution team

- Establish ownership for the IT Strategy execution team with mandate and clear roles

Build business roadmaps

- Engage with EGA functional areas to establish requirements and develop business roadmaps

Confirm IT funding

- Confirm IT budget for the IT strategy timeframe in consultation with the Executive Committee

Detail strategic initiatives

- Develop charters for each IT initiative covering scope, dependencies, estimated duration, effort, benefits and costs

Finalize detailed IT implementation plan

- Develop and roll out a detailed IT plan to the broader IT and business organizations (before the end of 2014)

Report on metrics

- Measure and report progress against the IT roadmap, at least twice a year

Q & A

Thank you