Capgemini

Production Planning

Lesson 2 :PP Organizational Structure

Add instructor notes
here.

Lesson Objectives

After this training module you will be able to Understand :

- Become familiar with SAP Organization Levels
  in procurement process
- Definition Of Organizational units in SAP
- Assignment Of Organizational units in SAP
- Creation & Assignment Of Organizational units in SAP

2

Training Agenda

What is Organization
Purpose
Use
Challenges
SAP Organization Unit
Enterprise Structure
SAP Organizational Levels in Procurement Process
Assignment of Organizational units
Reference Purchase Organization
Organization for Inventory Management
Defining of Org Unit
Assignment of Org Unit
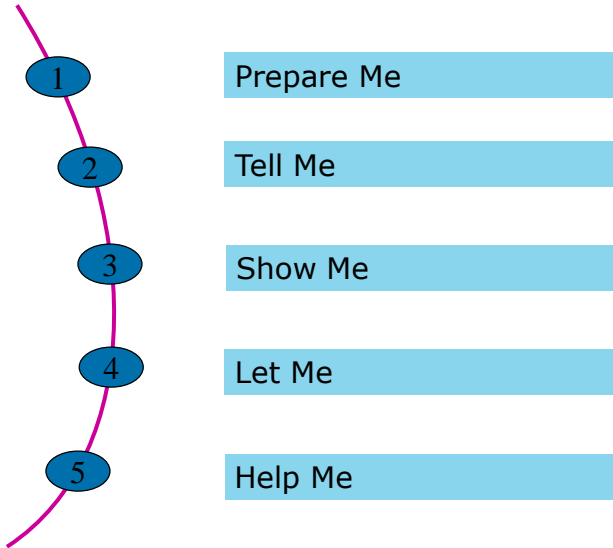
3

Add instructor notes
here.

PP Organization Structure

The Organization

Goals & Strategy

Environment

Size

Structure
- Formalization
- Specialization
- Hierarchy of authority
- Centralization
- Professionalism
- Personnel Ratios

Culture

Technology

4

Add instructor notes here.

Name of the Functionality

1	Prepare Me
2	Tell Me
3	Show Me
4	Let Me
5	Help Me

5

Add instructor notes here.

Name of the Functionality

1 — **Prepare Me**
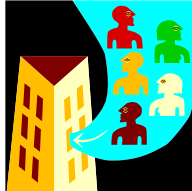
2 — Tell Me

3 — Show Me

4 — Let Me

5 — Help Me

6
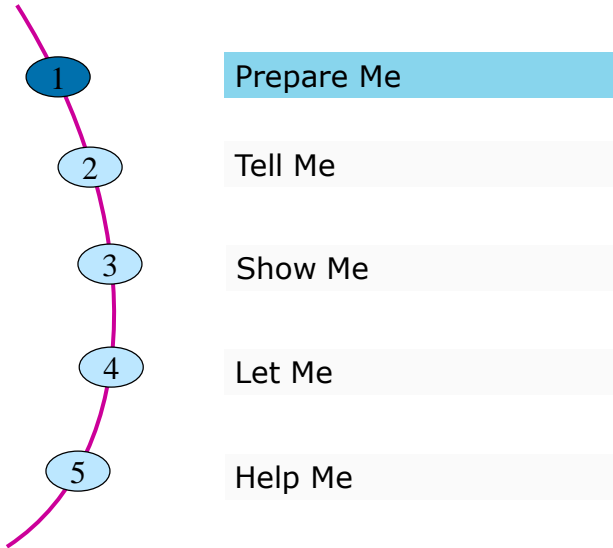
Add instructor notes here.

Organization…?

An organization is a social arrangement which pursues collective goals, which controls its own performance, and which has a boundary separating it from its environment
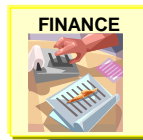

The word itself is derived from the Greek word *organon* meaning *tool*

7

Add the notes here.

Add instructor notes here.

Purpose

FINANCE

PURCHASE

INVENTORY

Organization Structure

PLANNING & PRODUCTION

SALES & DISTRIBUTION

- An organizational structure depicts the structure of an organization in terms of relationships among personnel or departments.
- An organizational chart also represents lines of authority and responsibility.
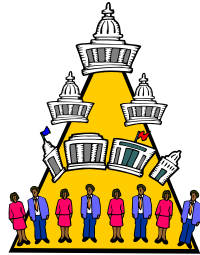- An organizational chart indicates the formal structure of a business or company.

8

Add the notes here.

Add instructor notes here.

Use

Organization is a Group of people with specific responsibilities acting together for achieving specific purpose determined by the organization

Any organization needs proper co-ordination within all its departments

Link between departments is maintained in form of a hierarchy

Organizational Structure facilitates proper flow of information, division of responsibilities & effective reporting

A logical hierarchy is called as an Organisational Structure

9

Add the notes here.

Add instructor notes here.

Challenges

- Large business houses need specialized work force to focus on specific areas of business. Different units within an Organization operate in different and environments hence develop their own specialized knowledge base, procedures, tools & techniques and policies
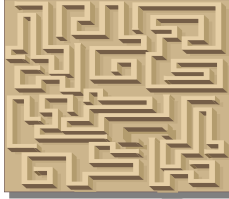
- It is a challenge to create a hierarchical structure that will cater to the needs of
  individual units yet integrate the effort to meet the common objectives of the
  Organization as a whole
- In any business it becomes increasingly difficult to ensure proper coordination, proper exchange of information, ability to react quickly and collate information required to form a big picture if the organization structure
  is too complex or too layered
- A balanced and simple structure can optimize this need for autonomy for various units and coordinate the efforts effectively

10

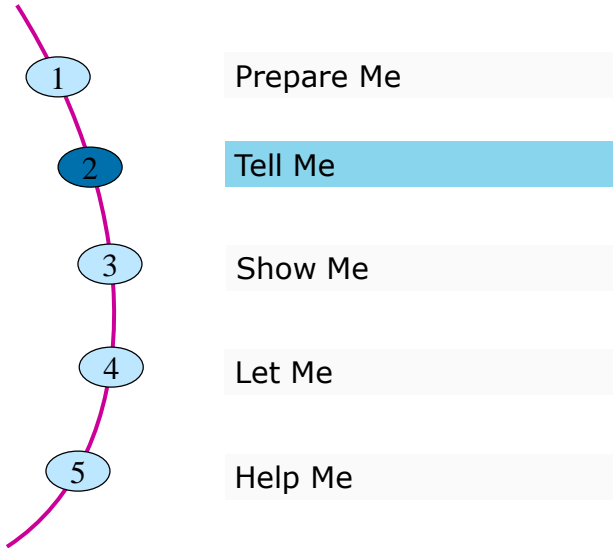Add the notes here.

Add instructor notes here.

Name of the Functionality

1   Prepare Me

2   Tell Me

3   Show Me

4   Let Me

5   Help Me

11

Add instructor notes here.

SAP Organization Unit

Enterprise Structure

12

Add the notes here.

Add instructor notes here.

Enterprise Structure

	SAP
Enterprise →	Client
Company / Subsidiary →	Company Code
Factory →	Plant
Sales Organization →	Sales Organization
Department / Division / Business Area →	Division
Warehouses →	Storage Locations

13

Add the notes here.

Add instructor notes here.

SAP Organizational Levels in Procurement Process

Client

Company code

Plant

Storage location

Purchasing organization/
purchasing group
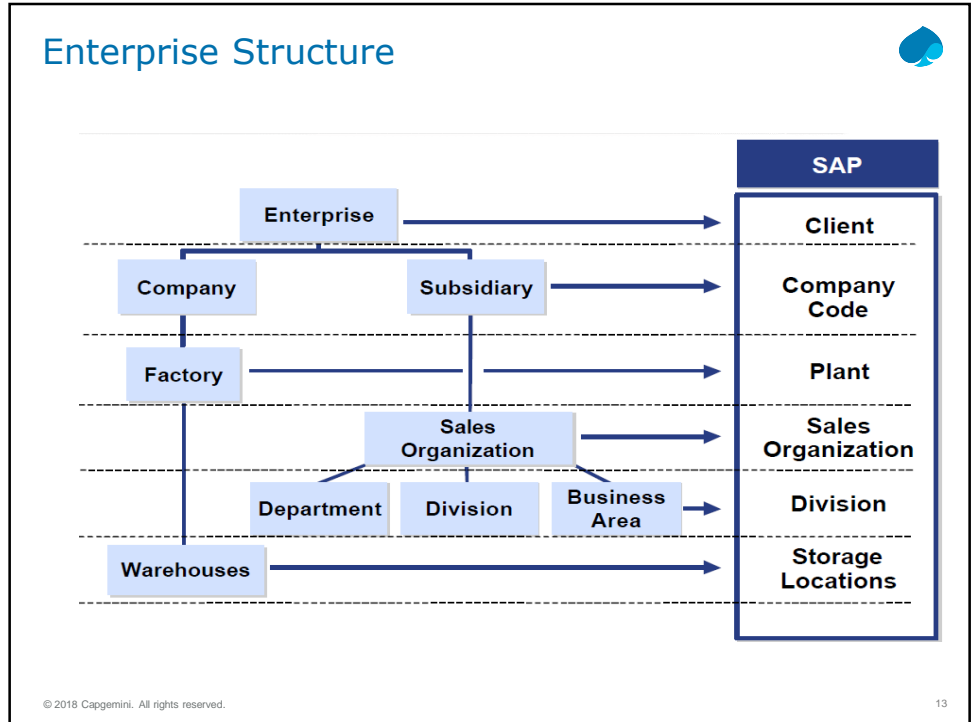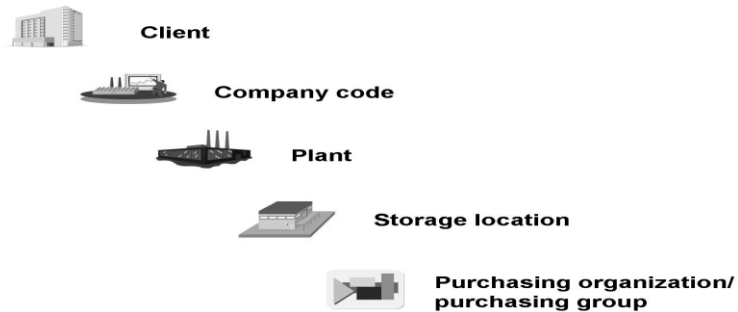
- In the SAP system, organizational levels are structures that represent the legal
  or organizational views of a company
- The organizational structure acts as a foundation for the SAP ERP application
- It is configured when your company begins implementing the software
- All other configuration or master data builds on the organizational structure
- The organizational levels are defined and assigned in Customizing
  for the *enterprise structure*

14

Add the notes here.

Add instructor notes here.

SAP - Organization Unit

Client

The client is a unit within the SAP system that is self-contained both in legal and organizational terms and in terms of data, with separate master records and an independent set of tables

From a business viewpoint, the client represents a corporate group

It is the highest hierarchical level of Organizational unit, with its own data, master records and set of tables.

A client is uniquely defined in the system by a three-digit numeric key.

Examples for Client specific data:
- Application data: Business transaction data and Material Master data.
- User Master data: Authorization and User Groups

15

Add the notes here.

Add instructor notes here.
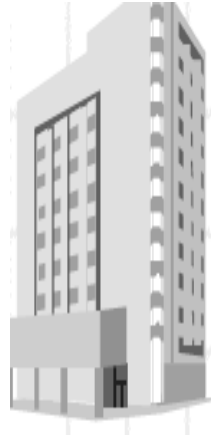
SAP - Organization Unit

Company Code

The company code is the smallest organizational unit of external accounting for which a complete, self-contained bookkeeping system can be replicated

This includes the entry of all events that must be posted to the accounts and the creation of a complete audit trail for balance sheets and profit and loss statements

A company code represents an independent unit producing its own balance sheet, for example, a company within a corporate group (client).Therefore, a company code is the minimum structure necessary in R/3 FI

In an international business, operations are often scattered across numerous countries. Since most government & tax authorities require the registration of a legal entity for every company, a separate Company code is usually established per country

A company code is defined in the system by means of a four-character alphanumeric key that is unique to the client

16

Add the notes here.

Add instructor notes here.

SAP - Organization Unit

Purchasing organization

Purchasing Organization

The purchasing organization is an organizational unit within logistics that subdivides the enterprise according to the purchasing requirements

A purchasing organization procures materials or services, negotiates conditions of purchase with vendors, and assumes responsibility for these transactions

It is an organization unit which is responsible for all types of Purchase, right from creation of RFQ to Purchase Order

Purchase org can play a role of Centralized purchasing or Company Specific purchasing or Plant specific purchasing

It has its own info records, conditions for pricing and Vendor Master and negotiates conditions for purchase (price) with Vendors and with other plants

Purchase Organization serves as selection criterion for list of all purchasing documents and it is the highest level of aggregation (after client) for Purchasing statistics

Authorization to process various Purchase transaction can be controlled through Purchase Organization

17

Add the notes here.

Add instructor notes here.

SAP - Organization Unit

Purchase Group

A Purchasing Group is a key for a buyer or group of buyers responsible for certain purchasing activities

The Purchasing group is:
- Internally responsible for the procurement of a material or a class of materials
- Externally, it is the principal channel for the dealings of an enterprise with its vendors

Purchasing Group is mainly used for reporting purpose. It can be also used for controlling the approval (release strategy) of various Purchasing documents

Purchasing group can also control the authorization for processing various purchasing transactions

Note: The purchasing group is not assigned to other units of the enterprise

   structure in SAP ERP

Add the notes here.

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SAP - Organization Unit

Plant

Plant is an organizational logistics unit where certain important business functions like Production, Procurement, Inventory, Inbound & Outbound delivery processing, Plant Maintenance & Materials Planning are carried out

A plant is defined in the system by means of a four-character alphanumeric key that is unique to the client

A plant is a place where valued goods and services are produced, stored, consumed and distributed

Few examples of organizational elements to which a plant is assigned are company code, business area, sales organization, purchase organization

Examples of plant dependencies are Calendar, Material master, Bill of material, Routing, Work center, MRP configuration

Examples of plants are : Factories, Central warehouses, Corporate headquarters, Sales office etc

19

Add the notes here.

Add instructor notes
here.

SAP - Organization Unit

Storage Location

The Storage Location is an organizational unit that allows the differentiation of material stocks within a plant

Storage Locations are only used for informative assignment. It can be used as a parameter criteria in reporting

Inventory is reported at storage location level. Thus at least one storage location is necessary for Inventory Management & delivery processing. However valuation can be only at plan (or higher) level

Storage Location has the following attributes
- Physical Inventory is carried out at Storage Location level
- Plant can have one or more Storage Locations

A storage location is defined by means of a four-character alphanumeric key that is unique in the plant

20

Add the notes here.

Add instructor notes here.

Assignment of Organizational units

- In SAP R/3 you represent Organizational Structure as legal and logical representing the hierarchy of your company by assigning the organizational units which represent individual departments

- This assignment forms the base for all Purchase activities in SAP, without which no transaction can be executed

- Also, it is generally necessary to interact with other organizational units such as Plants or Storage Location
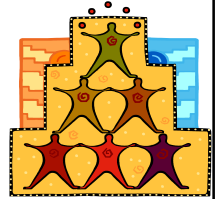
21

Add the notes here.

Add instructor notes here.

Reference Purchase Organization

Reference Purchase Organization
Reference Purchase Organization is like a Central purchase Organization whose conditions or contracts, other purchase organization (linked to it) can use to procure materials & services.

Reference Purchase Organization gives a better bargaining power to other Purchase organization (linked to it) as it is in a better position to negotiate a comprehensive contract with favorable conditions.

It also saves time and effort in maintaining master data. The Vendor master and Purchase Info Record created with Ref. Purch Org. can be used by other Purchase Org. linked to it

A Ref Purch org need not be assigned to any Company Code or Plant

22

Add the notes here.

Add instructor notes here.

Organization for Inventory Management

Plants are assigned to the Company Code. More than one Plant can be assigned to one Company Code. A Plant cannot be assigned to multiple company codes.

Storage Locations are assigned to Plant. Multiple storage location can be assigned to plant.

It is always recommended to create a new company code, plant and storage location by copying it with reference to standard organization unit.

Since the key of a plant is unique in a client, and a plant can only belong to one company code, by specifying the plant, you simultaneously specify the company code.
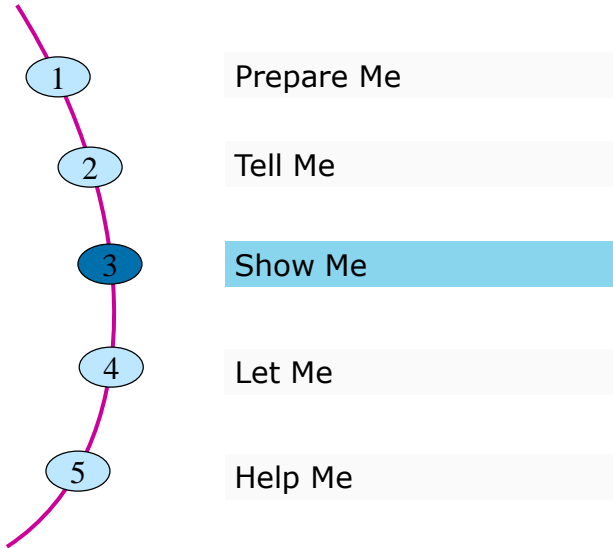
23

Add the notes here.

Add instructor notes
here.

Name of the Functionality

1 — Prepare Me

2 — Tell Me

3 — **Show Me**

4 — Let Me

5 — Help Me

24

Add instructor notes here.

Agenda

Defining of Org Unit

Assignment of Org Unit

25

Add the notes here.

Add instructor notes
here.

Define – Company Code

It is a 2 step procedure to create a Company Code

STEP 1

SPRO → Enterprise Structure → Definition → Financial Accounting → Edit, Copy, Delete, Check Company Code → Copy, delete, check company code

a
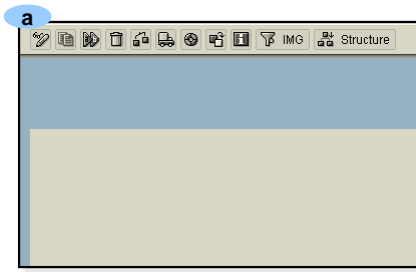
`📝 📋 📖 🗑 🔓 🔩 🌐 🔳 📋 ▽ IMG 🔲 Structure`

b
Press the icon 📋 to create a new Company code with reference to an existing Comp Code.

c
Copy

From Company Code   0001
To Company Code   T100

✅ ❌

In the Tab "From" enter the Comp code which is used as reference & in Tab "To" enter the new Comp code to be created

Contd…..

26

Add the notes here.

Add instructor notes here.
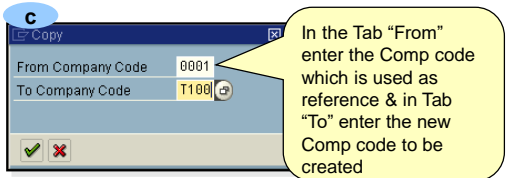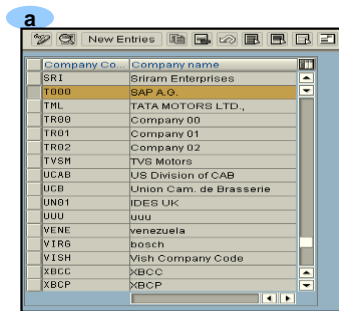
Define – Company Code

STEP 2

SPRO → Enterprise Structure → Definition → Financial Accounting → Edit, Copy, Delete, Check Company Code → Edit company code data

a

Company Co...	Company name
SR1	Sriram Enterprises
T000	SAP A.G.
TML	TATA MOTORS LTD.,
TR00	Company 00
TR01	Company 01
TR02	Company 02
TVSM	TVS Motors
UCAB	US Division of CAB
UCB	Union Cam. de Brasserie
UN01	IDES UK
UUU	uuu
VENE	venezuela
VIRG	bosch
VISH	Vish Company Code
XBCC	XBCC
XBCP	XBCP

b

Select the Comp Code created and press icon or via **Ctrl + Shift + F2** to view the Comp Code details. You can also view the details the menu path Goto → Details

Comp Code can be created directly from this option, but it is not recommended since there are 613 Tables that needs to be updated for the Comp code to function. These tables are not updated fully if the Comp Code is not created with reference to an existing Comp Code.

Contd…..

27

Add the notes here.

Add instructor notes here.

Define – Company Code

STEP 2

d

Press icon to access the address details Tab

c

New Entries   BC Set: Change Field Values

Company Code   T000
Company name   Company for Training

Additional data
City   Walldorf
Country1   DE
Currency   EUR
Language   DE

Press icon   to view all the fields of address screen.

Edit address: T000

Name
Title   Company
Name   Comapny For Training

Search terms
Search term 1/2   Training   T000

Street address
Street/House number   Street No.11
Postal Code/City
Country   de   Region

PO box address
PO Box
Postal Code
Company postal code

Communication
Language   EN English   Other communication...
Telephone   945945   Extension
Mobile Phone   945945
Fax   945945   Extension
E-Mail   trg@trg.com
Standard Comm.Method

Comments

Preview   International Versions

28

Add the notes here.

Define – Plant

It is a 2 step procedure to create a Plant

STEP 1

SPRO → Enterprise Structure → Definition → Logistics General → Define, copy, delete, check plant → Copy, delete, check plant

a

b
Press the icon 📋 to create a new Plant with Reference to an existing Plant.

c

Copy	
From Plant	1000
To Plant	A100

In the Tab "From" enter the Plant code which is used as reference & in Tab "To" enter the new Plant code to be created

29

Add the notes here.

Add instructor notes
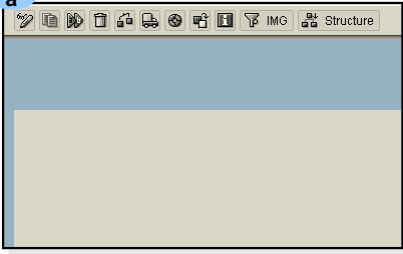here.

Define – Plant

STEP 2

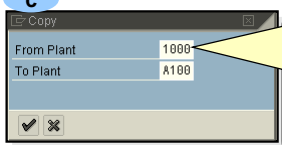SPRO → Enterprise Structure → Definition → Logistics General → Define, copy, delete, check plant → Define Plant

a

	Plnt	Name 1	Name 2
	A001	ATUL TECH PUNE	
	A100	Werk Hamburg	
	AA00	Werk Walldorf	Testwerk AC305 / DERPAA
	AAP1	PLANT FOR AAP GROUP	
	AC00	AC00	
	AC01	AC01	
	AC02	AC02	

b

Select the Plant created and press ico
or via **Ctrl + Shift + F2** to view the Plant
details.
You can also view the details the menu path
Goto → Details

Plant can be created directly from the option "Define Plant", but it is not recommended, since there are 251 Tables which needs to be updated for the Plant to function. These Tables are not updated fully if the Plant is and not created with reference to an existing Plant.

Contd…..

Add the notes here.

Add instructor notes here.

Define – Plant

STEP 2

c

New Entries

Plant	A100
Name 1	Training Course
Name 2	

Detailed information
Language Key	EN	English
House number/street	Alsterdorfer Strasse 13	
PO Box		
Postal Code	22299	
City	Hamburg	
Country Key1	DE	Germany
Region	02	Hamburg
County code		
City code		
Tax Jurisdiction		
Factory calendar	01	Factory calendar Germany standard

Press icon 🔻 to view all the fields of address screen.

d

Press icon 🔲 to access the address details Tab

Edit address: A100

Name
| Title | | |
| Name | Training Cource | |

Search terms
| Search term 1/2 | TRAINING | A100 |

Street address
Street/House number	Alsterdorfer Strasse	13
District	Alsterdorf	
Postal Code/City	22299	Hamburg
Country	DE	Germany	Region	02	Hamburg
Time zone	CET	

PO box address
PO Box	
Postal Code	
Company postal code	

Communication
Language	EN English		Other communication...
Telephone	040-0900	Extension	123
Mobile Phone		
Fax		Extension	
E-Mail		
Standard Comm.Method		

Comments

Preview | International Versions

31

Add the notes here.

Add instructor notes
here.

Define – Storage Location

SPRO → Enterprise Structure → Definition → Materials Management →
Maintain
Storage Location

1 Determine Work Area: Entry

Work Area
Plant   T100

Further select cond. | Append

2 New Entries | BC Set: Change Field Values

Dialog Structure   Plant   T100
▽ Storage locations
   Addresses of storage locations   SLoc Description
                                    A100 S Loc for Trg 1
Click **New Entries**   A101 S Loc for Trg 2
to create a new
Storage Location   Position...

3
Plant   T100
Stor. location A100

Dialog Structure
▽ Storage locations
   Addresses of storage

Click   to
get the address
tab.

You can maintain
multiple addresses
to a same Storage
location through
Sequential Storage
location number

32

Add the notes here.

Add instructor notes here.

Define – Purchasing Organization

SPRO → Enterprise Structure → Definition → Materials Management → Maintain

Purchase Organization

Purch. Organization	Purch. org. descr.	
A001	Purch Org for Trg	▲ ▼

New Entries 🗈 🖫 ⊘ 🖩 🖩 🗔 BC Set: Change Field Values

Purch. Organization	Purch. org. descr.	
0001	Einkaufsorg. 0001	▲
001		▼
1	Zentraleinkauf EU	
1000	IDES Deutschland	
1001	OC. MADRID	
1500	HYD PLNT PUR ORG	
1510	PGHP INTER COMPANY	
1600	MNDP PLNT PUR ORG	
2	EKORG 2	
2000	IDES UK	
2006	Cap Gemini	
2100	IDES Portugal	
2200	IDES France	
222M	PO	
2300	IDES Spanien	
2400	IDES Italien	▲
2500	IDES Niederlande	▼
	◀ ▶	

Press icon New Entries to create a new Purchase Organization.
Press icon 🗈 to create a new Purch Organization with reference to a existing Purchase organization.

Add the notes here.

Add instructor notes here.

Assignment – Plant to Company Code

SPRO → Enterprise Structure → Assignment → Logistics General → Assign Plant to Company code

Select the Comp code
and press tab
to a assign Plant

| Assign | Analyze error(s) | Delete |

Company code
    Plants

T000 Company for Training

TML TATA MOTORS LTD.,

TR00 Company 00

TR01 Company 01

TR02 Company 02

System display all the Unassigned Plant Codes. Select the relevant Plant Code and save the transaction.

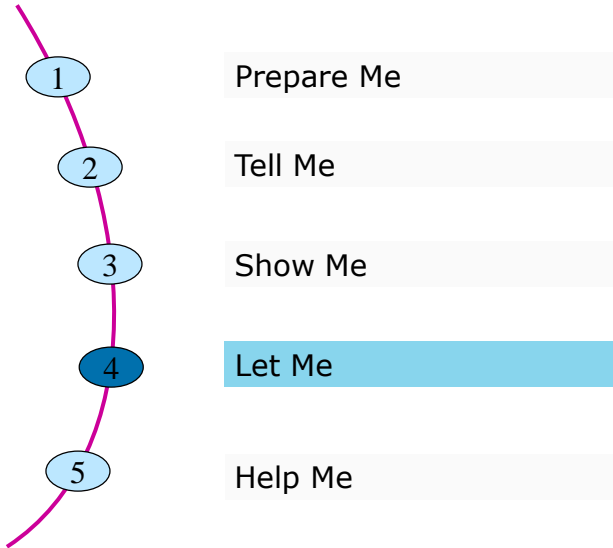Allocation of Plants->Company Code:Plant Selection

☐ 3020 New York II
☐ 4513 Winnipeg
☑ A100 Plant for Trg
☐ A105 JLL Plant
☐ DD03 ERICO DC3
☐ NNN naveen plant
☐ PP1 Plant 1
☐ SB01 Cambridge
☑ T100 Werk Hamburg
☐ TP   test plant

✔ | Cancel |

34

Add the notes here.

Add instructor notes
here.

Name of the Functionality

1 — Prepare Me

2 — Tell Me

3 — Show Me

4 — Let Me

5 — Help Me

35

Add instructor notes here.

Case Study
Let me

ABC Corporation has business setup in Germany and in India with its head quarter based in Frankfurt.

In Germany it has 2 manufacturing plants, one located in Darmstadt and the other in Hamburg. Each manufacturing plant handles only 2 types of materials, stocked in distinct locations. ABC Corporation also has one depot located in Darmstadt from where it supplies material to its Whole sellers.

In India, ABC Corporation has 1 manufacturing plant located in Gujarat and 1 depot in Mumbai. Manufacturing Plant handles only 2 types of materials, stocked in distinct locations.

There is a Purchasing department located in head quarter who centrally procures materials for all the plants located in Germany and in India.

There are also separate purchasing department located in India & in Germany who is responsible for plant specific procurement.

The strength of the each purchasing department is 2 employee, who are responsible to negotiate and deal with Vendors.

You need to map the organization structure of ABC Corporation in SAP

36

Add the notes here.

Add instructor notes
here.

Case Study
Let me

Method:

Create 2 Company Codes each for India and Germany

Create 3 Plants codes (2 manufacturing unit and 1 Depot) and assign to the
company code created for Germany.

Create 2 Plants codes (1 manufacturing unit and 1 Depot) and assign to the
company code created for India.

Create 8 Storage Locations, 2 each for manufacturing plants and 1 each for the
Depots.

Create Central Purchasing Org and assign to all the manufacturing plant located
in
India and Germany.

Create 2 Purchasing Org and assign each to respective plants located in India and
Germany.

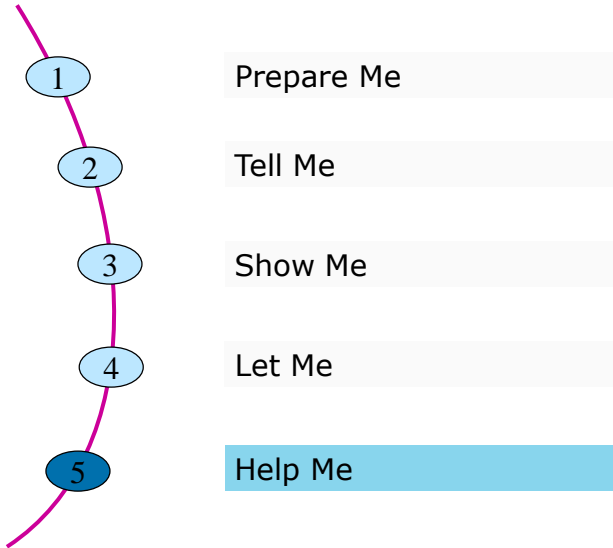Create 6 Purchasing groups (2 for each Purchasing Org).

37

Add the notes here.

Add instructor notes here.

Name of the Functionality

1 — Prepare Me

2 — Tell Me

3 — Show Me

4 — Let Me

5 — Help Me

Add instructor notes
here.

Tips and Tricks

Transaction Code can be viewed in SPRO by using the following path
  Display IMG(SPRO)→ Additional Information→ Additional Information → Display
  Key→ IMG Activity
From the main menu select Additional information → Display key → Attributes.
  The last 4 characters of attributes forms the Trans code
You can display the Total tables affected by company code in the company code
  creation screen from main menu Extras → Associated Tables
You can also display the tables affected by Plant code in the plant code creation
  screen from main menu Extras → Associated Tables
You can use the F1 field help (icon on screen or function key F1 on keyboard) to
  display possible entries for this field
By pressing the F4 key, you get information on possible input values. Alternately,
  you can click the pushbutton directly to the right of a selected field to invoke the
  input help for that field.

39

Add the notes here.

Additional Information

The definition of organization units is a fundamental step in your project. It
is a critical factor in how the project will be structured. You should not use
more organization units than necessary. Once you have decided on an
organizational structure it is not easy to change it

In order to simplify master record and document entry, the organizational
units can be stored as user parameters in the user master record. It is not
necessary to specify the organizational units since the values are proposed
automatically

The following are examples of IDs defined for user parameters:
- WRK – Plant
- EKO – Purchase Organization
- EKG – Purchase Group

40

Add the notes here.

Add instructor notes
here.

Summary

Organizational structure in an enterprise mainly comprises
of-
- Client
- Company code
- Plant
- Storage locations
- Purchasing organization/Purchase Group

Client is the highest hierarchical level of Organizational unit

The plant can be assigned to a single company code, but a
company code can have several plants

Transaction Code can be viewed in SPRO by using the
following path

Display IMG(SPRO)→ Additional Information→
Additional
Information → Display Key → IMG Activity

41

Add the notes here.

Add instructor notes here.

Review Questions

1. Which statements apply to a client in an SAP system?
Choose the correct answer.
a. A client forms a completely independent business unit
b. A client has its own database
c. A client corresponds with a customer
d. A client can represent an entire company

2. You can use the F1 key to ...
Choose the correct answer(s).
a. Obtain an explanation of the meaning/significance of a field
b. View a list of possible entries
c. Change your user data (such as the logon language)
d. Exit the current session
e. Obtain technical details relating to a field

42

Add the notes here.

Add instructor notes here.

Review Questions

3. You use the F4 key to ...

Choose the correct answer(s).

A . Open a new session

B. Obtain technical details relating to a program

C. Call up the SAP Library

D. Obtain a list of possible entries for an input field

E. Generate a print request for the current screen

4. A plant can be assigned to several company codes.

Determine whether this statement is true or false.

☐ True

☐ False

5. A purchasing organization can act for several plants.

Determine whether this statement is true or false.

☐ True

☐ False

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Add the notes here.

Add instructor notes
here.

Review Questions

6. A purchasing group must always be assigned to a purchasing organization.

Determine whether this statement is true or false.

□ True

□ False

7. A purchasing organization must always be assigned to a company code.

Determine whether this statement is true or false.

□ True

□ False

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Add the notes here.