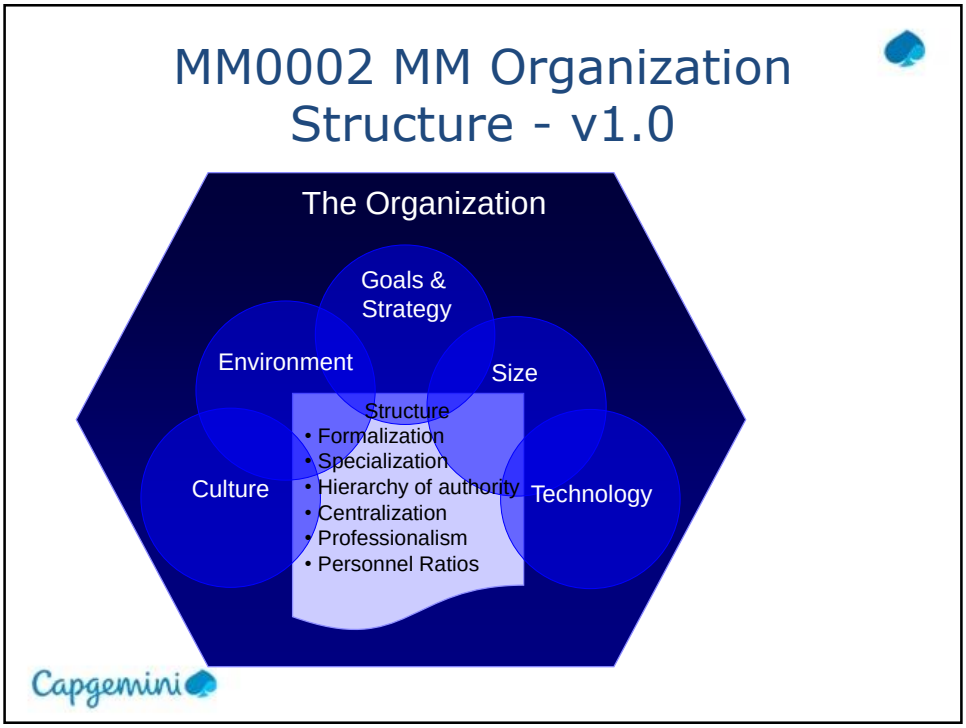

This In-house course was developed to meet the needs of SAP R/3 Consultants working at Capgemini. This course is designed to present a high level view of Materials Management Organization Structure and to provide the Consultants with basic information about how to use this Functionality.

More in-depth courses have been developed to train Consultants in specific areas discussed during this course.

Your comments at the conclusion of this training session are appreciated and will help us better tailor future courses to meet your training needs.

Course Objective

- Become familiar with SAP Organization Levels in Procurement Process.
- Definition Of Organizational units in SAP - Organization, Client, Company Code, Plant, Purchasing Organization, Storage Location, Purchasing Group.
- Assignment Of Organizational units in SAP.
- Creation & Assignment Of Organizational units in SAP.
- Case Study & Exercise.
- Tips & Tricks
- Test Your Knowledge

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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*.

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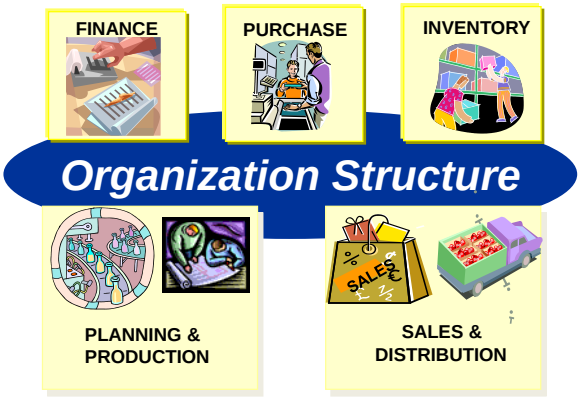
•An enterprise operates within a diverse environment consisting of multiple influencing factors. For example no enterprise can overlook the statutory reporting requirements to satisfy the legal authorities or afford to not respond to its customers' needs.

•Hence the need for creating specialized task force of groups of people, to deal with the external factors. This grouping of people into specialized areas, all equipped with their own systems, is called as Organization.

Purpose



- 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.

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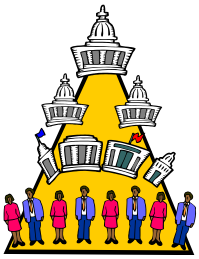
Use



- 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.

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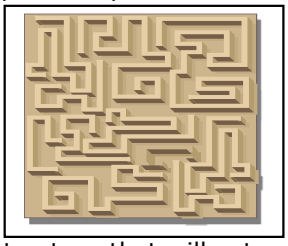
Challenges

Large Business houses need a specialized work force to focus on specific areas

of Business. Different units within an Organization operate in different environments and 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.

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SAP Organization Unit

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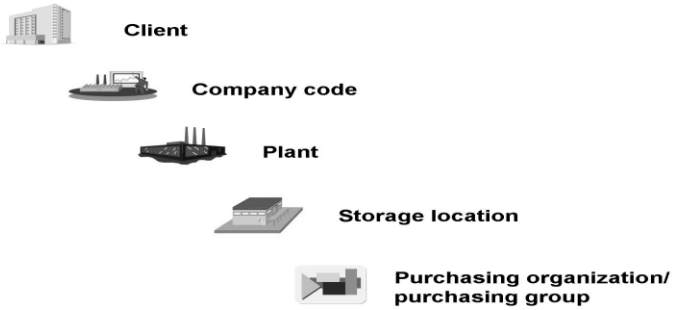
SAP Organizational Levels in Procurement Process



- In the SAP system, organizational levels are structures that represent the legal or organizational views of a company.
- The determination of the organizational levels is an important work step in the project. In fact, it is an essential prerequisite for all subsequent activities.
- The organizational levels are defined and assigned in Customizing for the *enterprise structure*.

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•This level contains the data applicable to all individual group companies, all plants, and all warehouses/stores belonging to an enterprise (corporate group).

• Examples of material data that is valid client-wide are the material group, the short text description of a material, the storage conditions (temperature range, whether the material is explosive or perishable, and so on), and the purchase order text.

SAP - Organization Unit

- **Client**
- The **client is a unit within an 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, for example.
- 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 .

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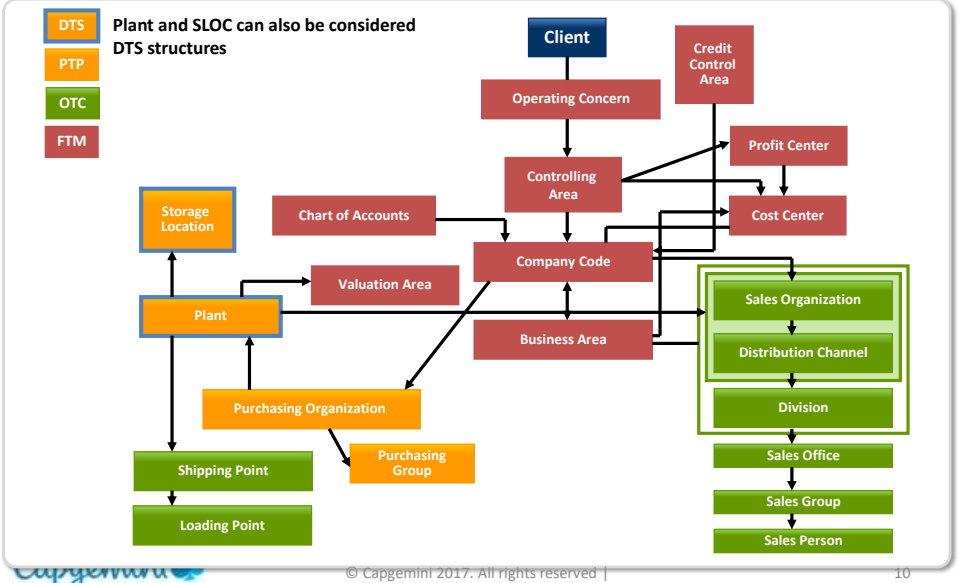
•This level contains the data applicable to all individual group companies, all plants, and all warehouses/stores belonging to an enterprise (corporate group).

• Examples of material data that is valid client-wide are the material group, the short text description of a material, the storage conditions (temperature range, whether the material is explosive or perishable, and so on), and the purchase order text.

The SAP Organization Structure Covers all Functional Areas…



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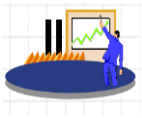
SAP - Organization Unit



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 require posting 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 in the client.

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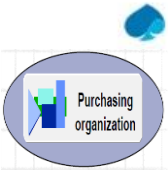
Applications:

- Balance Sheet & Profit & Loss statement.
- Transfers financial Information to Controlling
- Material Valuation
- User Level Authorization
- Output Type determination

SAP - Organization Unit

Purchasing Organization



- The Purchasing Organization is an organizational unit within Logistics that subdivides the enterprise according to purchasing requirements.
- Procures materials or services, negotiates conditions of purchase with vendors, and assumes responsibility for these transactions.
- Responsible for all types of Purchase, right from creation of RFQ to Purchase Order.
- Purchasing Organization can play a role of Centralized Purchasing, Company Specific Purchasing or Plant Specific Purchasing.
- Own Info records, conditions for pricing and Vendor Masters.
- Negotiates conditions for purchase (price) with Vendors and with other plants.
- 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 Purchasing Organization

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Applications

- Controls pricing conditions.
- Approval of Purchase document
- Output determination
- Master data
- User authorization

SAP - Organization Unit

Purchase Group

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.
- The principal channel for a company's dealings 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.

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Applications

- Reporting
- Output Determination
- Approval of Purchase document
- User authorization

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.

Plant plays an important role in following areas

- Materials can be valuated at Plant Level.
- A Factory Calendar is controlled at Plant Level
- Certain views like MRP, Purchasing… in the Material Master are maintained at Plant Level.
- User level authorization can be controlled at Plant Level.
- A plant is defined in the system by means of a four-character alphanumeric key that is unique in the client.

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A plant may represent a variety of entities within a firm, such as:

. Production facility

. Distribution center

. Regional sales office

. Corporate headquarters

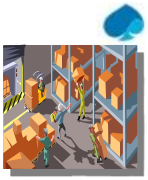
. Maintenance location

Applications:

- Material Valuation
- Master data maintenance
- User Level Authorization
- Output Type determination

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.

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Applications

- Physical Inventory
- Reporting

Assignment of Org Units

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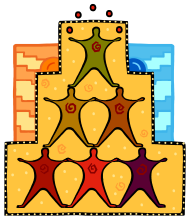
Assignment of Organizational Units

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, with out which no transaction can be executed



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

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The enterprise structure is created through the assignment of organizational levels to each other.

Purchasing Organization

Centralized Purchasing

The concept of Centralized Purchasing is used when procurement is done centrally for all the plants irrespective of there locations.
Central Purchasing helps to have a better bargaining power.
The Central Purchase org. is assigned to all the Plants and need not be assigned to there respective Company Codes.
The Plants assigned to Central Purchase Org. may or may not be assigned to another Purchasing Org.

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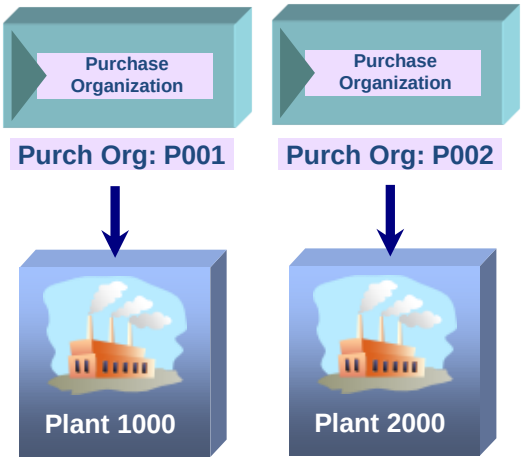
Purchasing Organization

Plant-specific Purchasing



In Plant specific Purchasing, the Purchase Org assigned to Plant is only responsible for procurement of respective Plant. This concept is normally used to procure goods and services which are not economically viable to procure centrally.
Such Purchase org. is only assigned to the Plants and are not assigned to there respective Company codes.
The Plants assigned to such Purchase Org., may or may not be assigned to another Purchasing Org.

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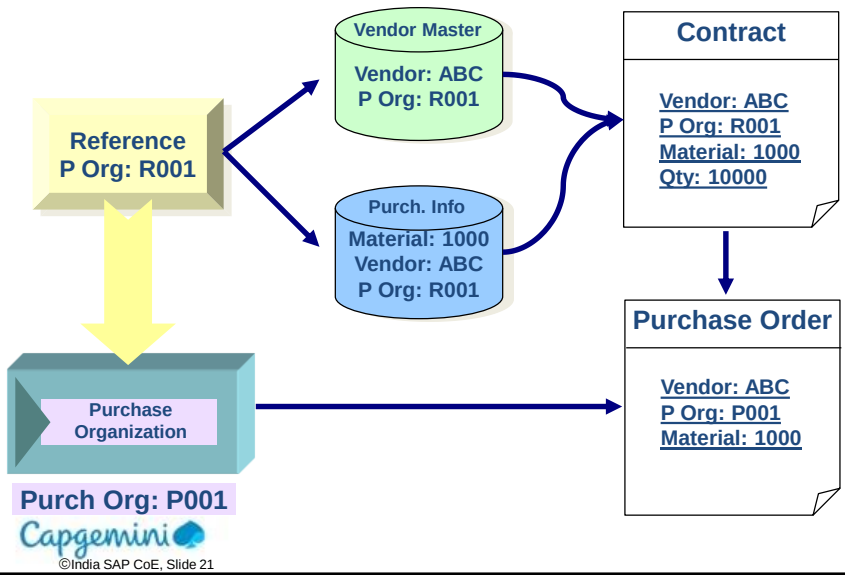
Purchasing Organization

Company-specific Purchasing

In Company specific Purchasing, the Purchasing Organization assigned to the Company Code is responsible for procurement of all the plants assigned to that respective Company Code.
This concept is normally used to procure goods and services which are not economically viable to procure centrally.
Such Purchasing Organizations are assigned to all the Plants and also to the respective Company Codes.
The Plants assigned to such a Purchasing Organization, may or may not be assigned to another Purchasing Organization.

Purchasing Organization

Reference Purchase Organization



Purchasing Organization

Reference Purchasing Organization

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

Reference Purchasing Organization gives a better bargaining power to other Purchasing Organizations (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 Purchasing Info Record created with Ref. Purchasing Organization can be used by other Purchasing Organizations linked to it.

A Reference Purchasing Organization need not be assigned to any Company Code or Plant.

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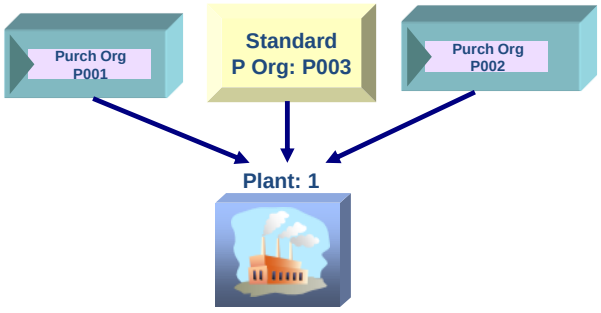
Purchasing Organization

Standard Purchasing Organization



Standard Purchasing Organization is used in Pipeline procurement, Consignment and Stock Transfer process.
This helps when a single plant is assigned to many Purchasing Organization. In such a scenario one of the Purchasing Organization can be defined as Standard Purchasing Organization.
In case of Consignment and Stock transfer process, system does the source determination automatically with the help of Standard Purchase Org.
In case of Pipeline procurement Info record created for Standard Purchasing Org is used for issue of Material.

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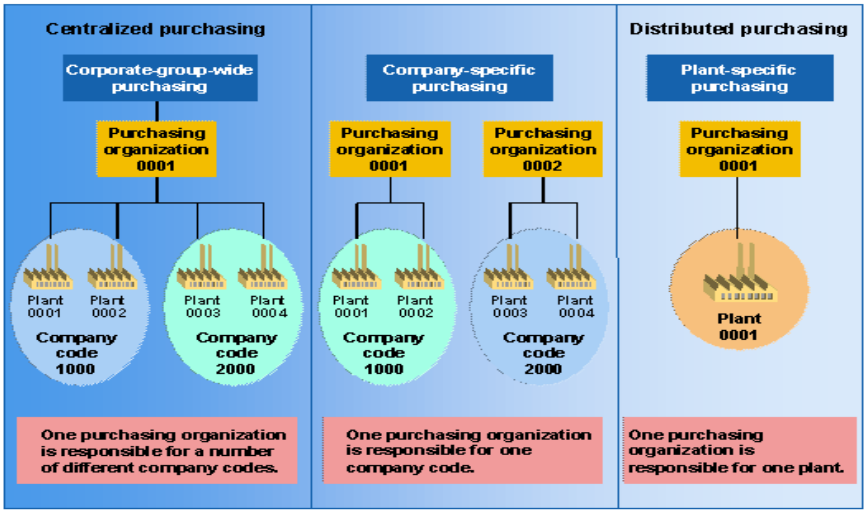
Purchase Organization Assignment Overview



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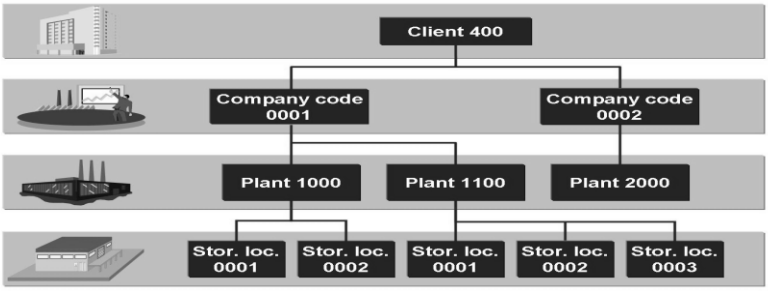
Assignment of Organizational units in Inventory Management



•The enterprise structure is created through the assignment of organizational levels to each other.
•A Client may therefore contain several Company Codes. In turn, a Company Code may contain several Plants.
• A Plant can only ever belong to one Company Code.

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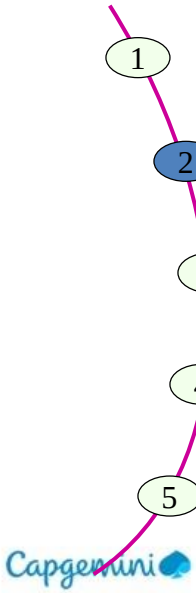
Organization for Inventory Management

- 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 a Plant. Multiple Storage Locations can be assigned to a 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.

MM0002 MM Organization Struct.



Prepare Me

TellMe

Show Me

Let Me

Help Me

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Agenda

- Defining of Org Unit
- Assignment of Org Unit

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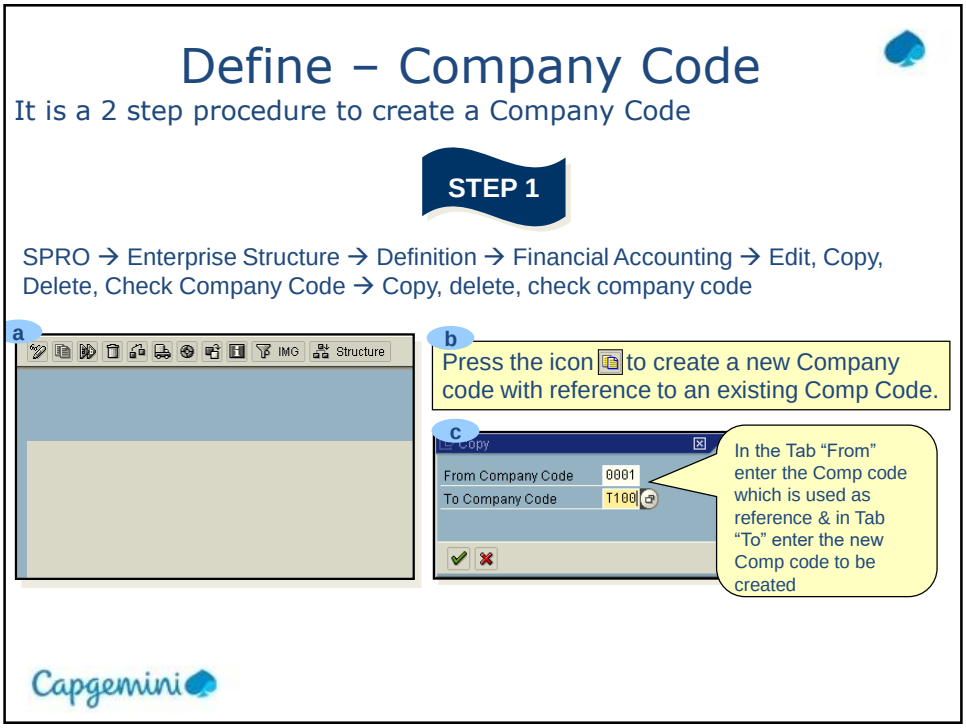


You can also directly access the Screen of creation of Company Code through T Code: **OX02**

When a Company Code is created by copying a reference Company code, system copies all the details like the Name, City, Country code, Currency and Language from the Reference Company Code used.

You need to change the details (if required) which is explained in the next slide STEP 2.

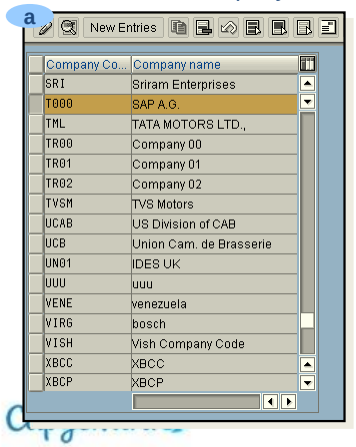
While creating a company code with reference, system prompts whether to create all the G&L accounts of reference company code. It also prompts whether to change the Currency code copied from the reference company code.

Define – Company Code

STEP 2

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

a



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

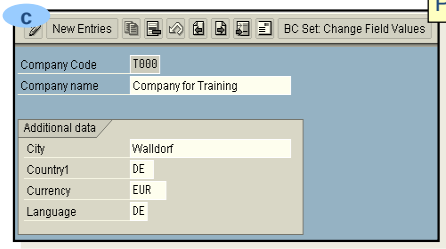
Comp Code can be created directly from this option, but it is not recommended since there are 613 Tables that needs to be updated for the Comp code to function. These tables are not updated fully if the Comp Code is not created with reference to an existing Comp Code.

Contd…..

You can also directly access the Screen of Edit Company code through T Code: **OX02**

Define – Company Code

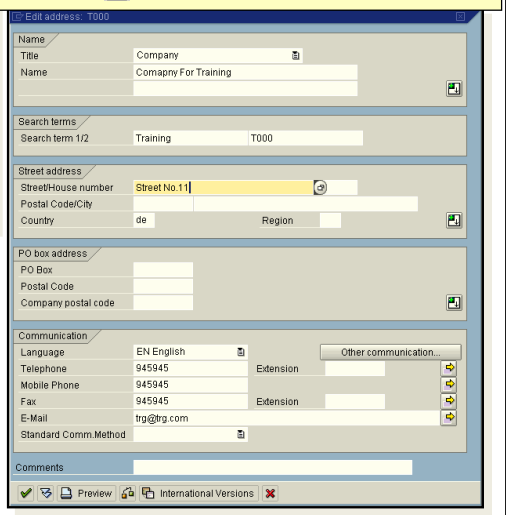
c



Press icon to view all the fields of address screen.

d

Press icon to access the address details Tab.



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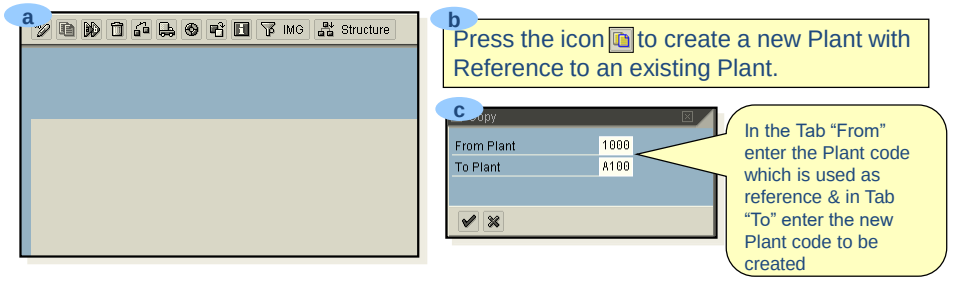
Define – Plant

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



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When a Plant is created by copying a reference plant, system copies all the details like the Name, Address & Factory Calendar from the Reference Plant used.

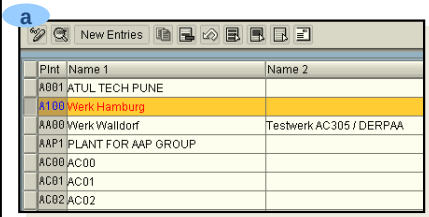
You need to change the details (if required) which is explained in the next slide STEP 2.

Define – Plant

STEP 2

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

a



b

Select the Plant created and press icon 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…..

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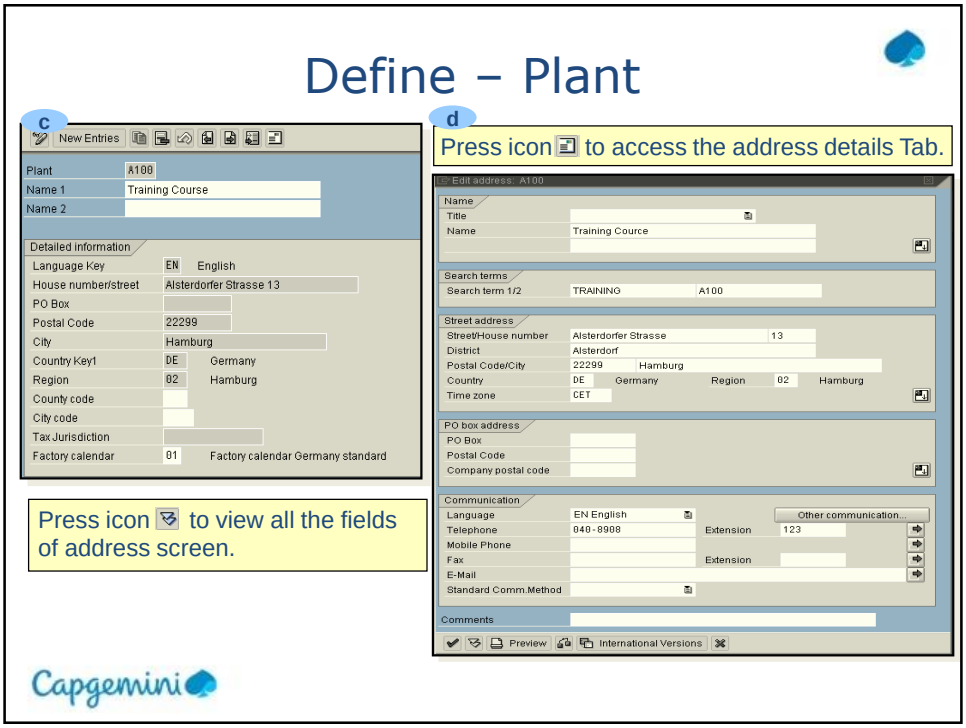
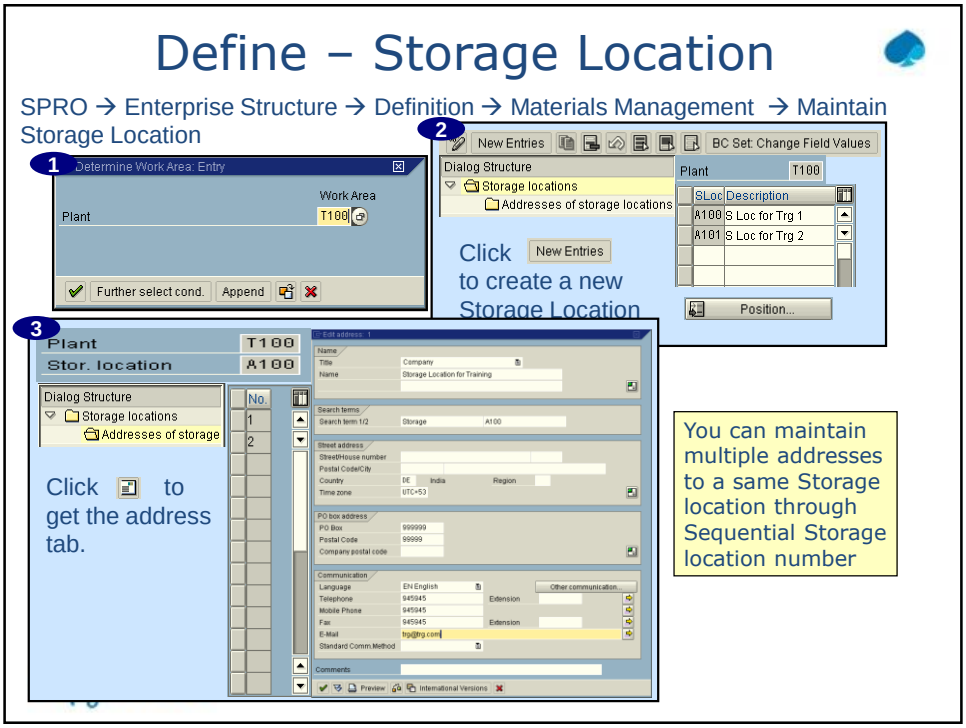
You can also directly access the Screen of Copy, delete check plant through T Code: **OX10**



Factory Calendar code, assigned to the Plant decides the total number of working days and also the public holidays applicable to the Plant. The information is later used by various departments. Example: during MRP run while calculating the processing time it takes into consideration the public holidays as per the Factory Calendar code assigned to the Plant.

Tax Code and Export business are determined by the Country Code maintained in the Plant Code.



You can also directly access the Transaction through T Code: **OX09**

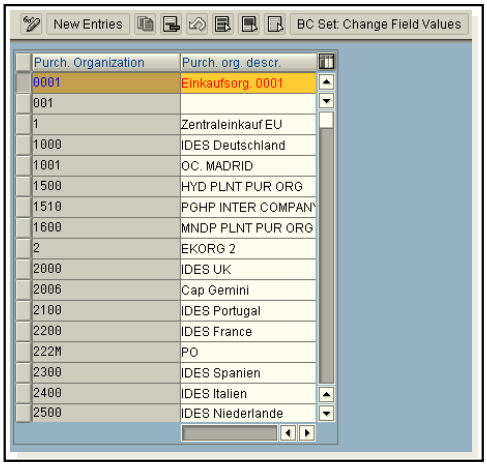
Storage location are always created for a plant. You may or may not maintain Address to the Storage Location.

For creating storage location, the minimum fields that needs to be updated are Plant code and Storage location code.

In Address Tab, Postal Code and Country are minimum fields which needs to be updated.

Define – Purchasing Organization

SPRO → Enterprise Structure → Definition → Materials Management → Maintain Purchase Organization



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.

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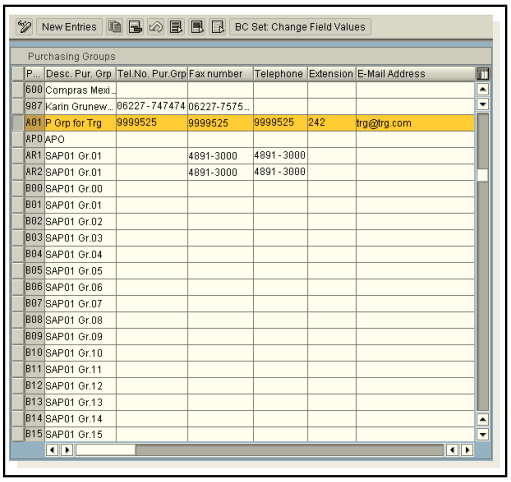
You can also access the transaction through Trans Code: **OX08**

Purchasing Organization code can be 4 digits alpha numeric. You can only maintain maximum of 20 characters Purchase org description.

Define – Purchasing Group

SPRO → Materials Management → Purchasing → Create Purchasing Groups



Press icon New Entries to create a new Purchasing Group.
Press icon to create a new Purch Group with reference to a existing Purchase Group.

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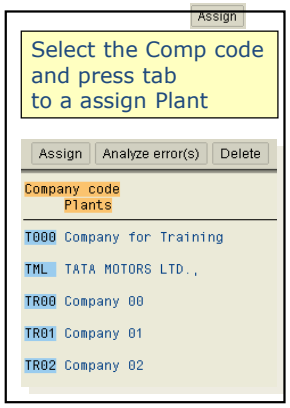
You can also access the transaction through Trans Code: **OME4**

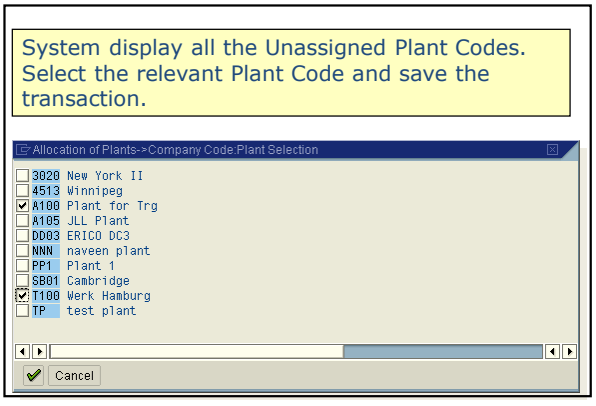
Purchasing Group code can be 3 digits alpha numeric. Purchasing Group is an hanging entity. It is not assigned to any of the Organization unit.

The data maintained against Purchasing Group code are used for reporting purpose.

Assignment – Plant to Company Code

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





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•You can also access the transaction through Trans Code: **OX18**

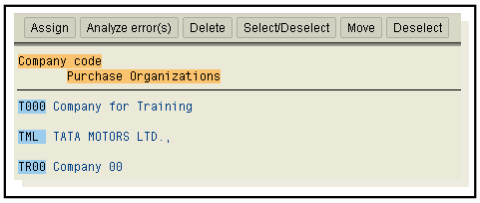
•If a Plant code is created with reference to existing a Plant code, then by default the new plant is assigned to the company code to which the reference Plant code is assigned. To remove the assignment, select the new plant code and press “Delete” icon.

•Company Code and Plant Code has one to many relationship. A Plant can be only assigned to one company code.

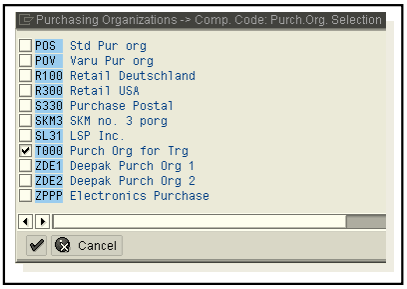
•There is also an option to analyse the errors in detail if any through icon “Analyze”.

Assignment – Purch org to Comp Code

SPRO → Enterprise Structure → Assignment → Materials Management → Assign Purchasing Organization to Company code



Select the Comp code and press tab Assign to a assign Purchasing org



System display all the Unassigned Purchase Organization.
Select the relevant Purch Org and save the transaction.

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•You can also access the transaction through Trans Code: **OX01**

•Company Code and Purchase Org has one to many relationship. One Purchase Org can be assigned to only one Company Code

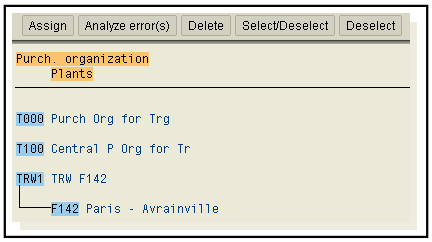
•You can change the assignments by moving the Purchase organization from one company code to another by using the icon “Move”.

•Incase of Central Purchase, the Purchase Org need not be assigned to the Company Code.

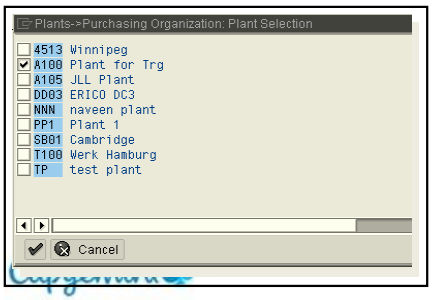
•Incase of Plant Specific Purchase, Purchase org should not be assigned to the Company Code.

Assignment – Purch org to Plant

SPRO → Enterprise Structure → Assignment → Materials Management → Assign Purchasing Organization to Plant



Select the Purchasing Org and press tab Assign to a assign Plant.

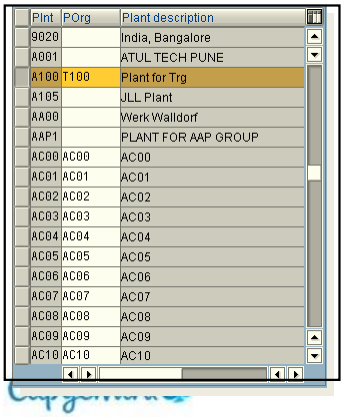


System display all the Plant
Select the relevant Plant and save the transaction.

- You can also access the transaction through Trans Code: **OX17**
- Purchase Org and Plant have one to many relationship. A Plant can be assigned to multiple Purchasing Org.
- You can also have a details analyzes on the errors (if any) through icon "Analyze".
- For Central Purchasing, Purchase org has to be assigned to all the Plants.
- For Plant Specific purchasing, Purchase org has to be assigned to the concerned Plant.

Assignment – Standard Purchasing Org - Plant

SPRO → Enterprise Structure → Assignment → Materials Management → Assign Standard purchasing organization to plant



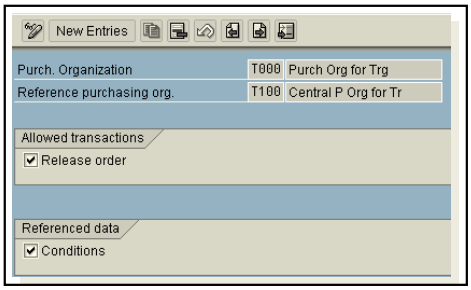
Plnt	POrg	Plant description
9020		India, Bangalore
A001		ATUL TECH PUNE
A100	T100	Plant for Trg
A105		JLL Plant
AA00		Werk Walldorf
AAP1		PLANT FOR AAP GROUP
AC00	AC00	AC00
AC01	AC01	AC01
AC02	AC02	AC02
AC03	AC03	AC03
AC04	AC04	AC04
AC05	AC05	AC05
AC06	AC06	AC06
AC07	AC07	AC07
AC08	AC08	AC08
AC09	AC09	AC09
AC10	AC10	AC10

From the Purchase Organizations assigned to a Plant, one Purchase org can be assigned as a Standard Purchase Organization.
One Purchase Organization can be assigned to Multiple Plants as a Standard Purchase Org.

You can also access the transaction through Trans Code: **OMKI**

Assignment – Purchase org - Ref Purch org

SPRO → Enterprise Structure → Assignment → Materials Management → Assign Purchasing Organization to reference Purchasing Organization



One Reference Purchase Organization can be assigned to multiple Purchasing Organization.

- Select "Release Order" if you want to allow release orders against Contract
  set up by the Reference Purchase Org.
- Select "Conditions" if you want to use conditions maintained for the Reference Purchase Org.

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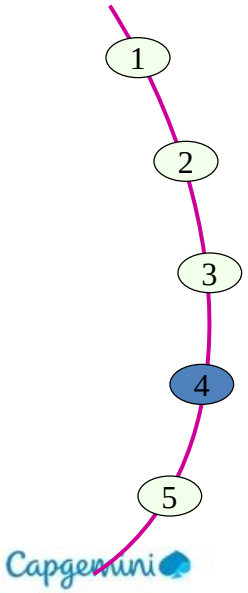
MM0002 MM Organization Struct.



Prepare Me

TellMe

Show Me

Let Me

Help Me

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Case Study

ABC Corporation has business setup in Germany and India with its head quarters 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 type 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 type 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 India.

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Case Study

There are also separate purchasing department located in India & 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

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Exercise

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.

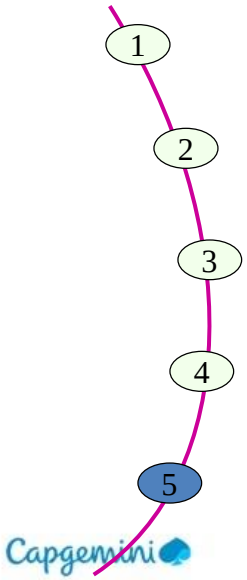
Create 8 Storage Locations. 2 each for manufacturing plants and 1 each for the Depots.

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).

MM0002 MM Organization Structure



Prepare Me

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Show Me

Let Me

Help Me

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.

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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

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Test Your Knowledge

1. Which statements apply to a client in an SAP system?
Choose the correct answer(s).
□ 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

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Test Your Knowledge

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

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Test Your Knowledge

5. A Purchasing Organization can act for several Plants.

Determine whether this statement is true or false.

□ True

□ False

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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Answers