# Production Planning

**Lesson 2 :PP Organizational Structure**

# 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
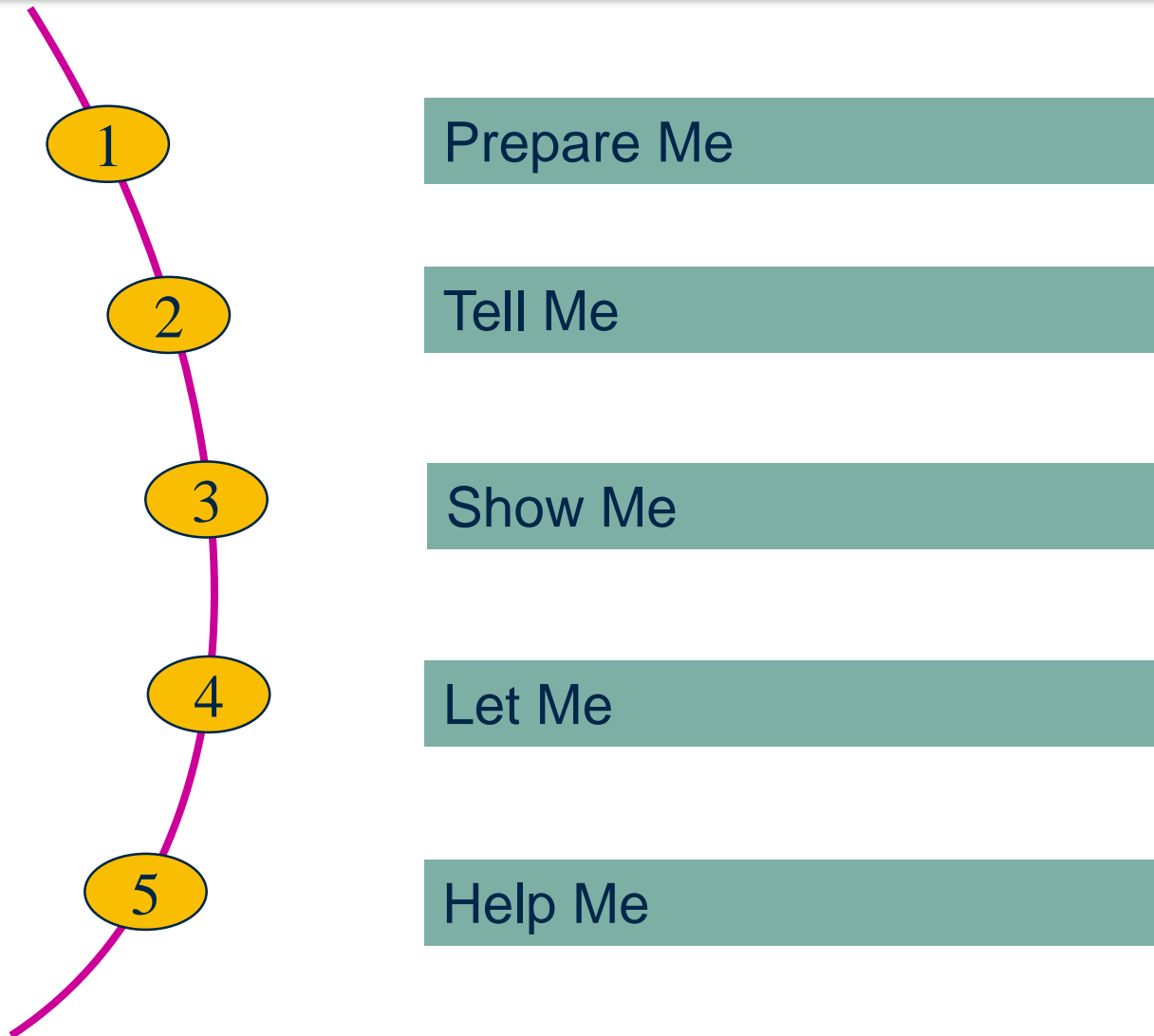  - Creation & Assignment Of Organizational units in SAP

# 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
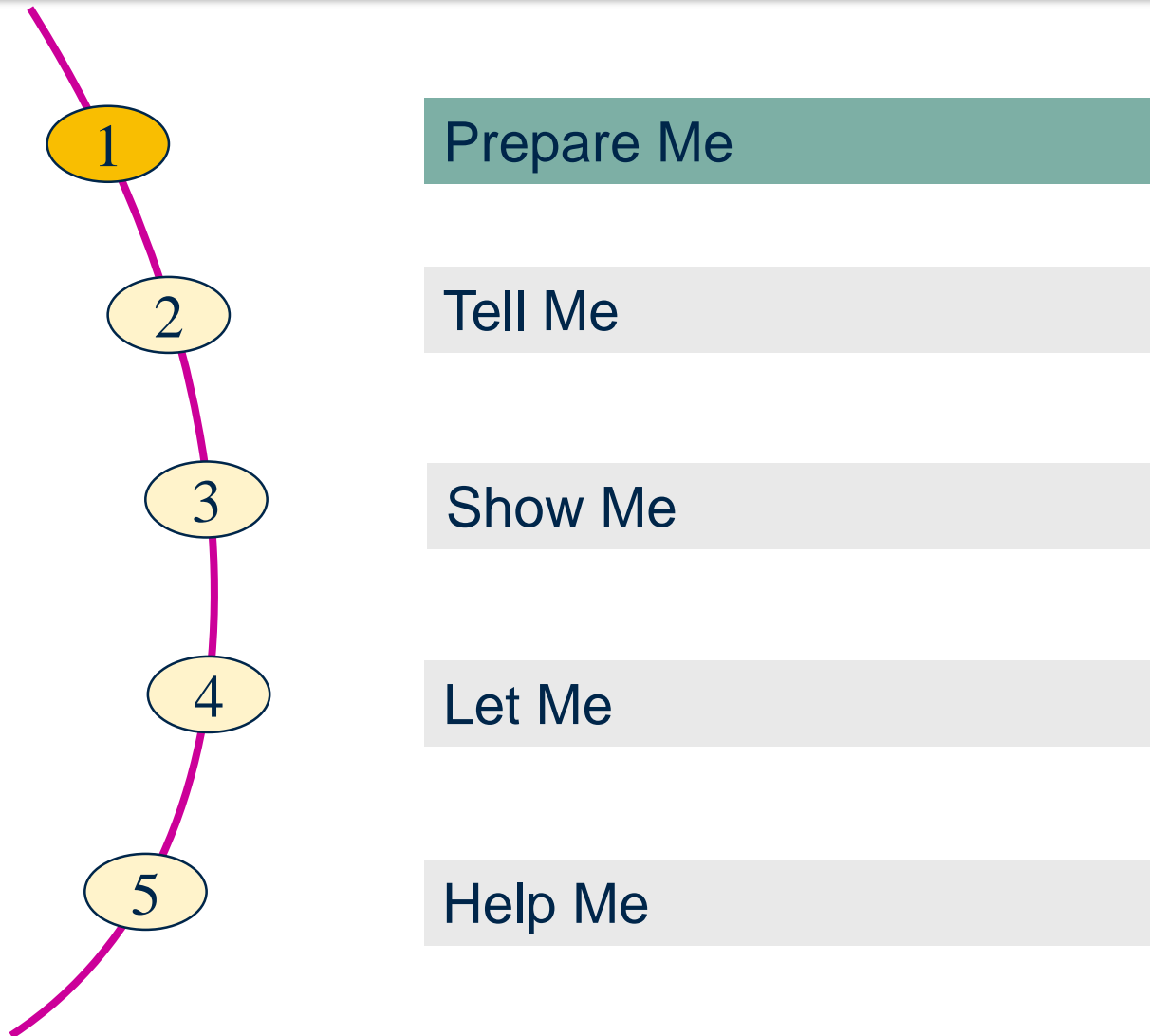- Defining of Org Unit
- Assignment of Org Unit

# PP Organization Structure



The Organization

Goals & Strategy

Environment

Size

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

Culture

Technology

# Name of the Functionality

**1** — Prepare Me

**2** — Tell Me

**3** — Show Me

**4** — Let Me

**5** — Help Me

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# Name of the Functionality

1 — Prepare Me

2 — Tell Me

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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
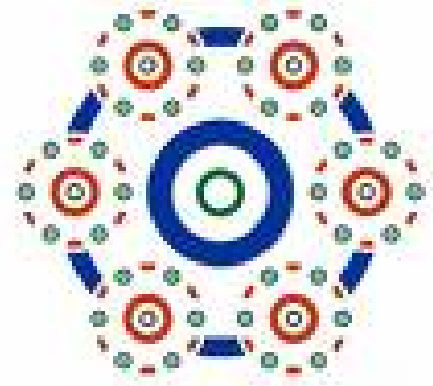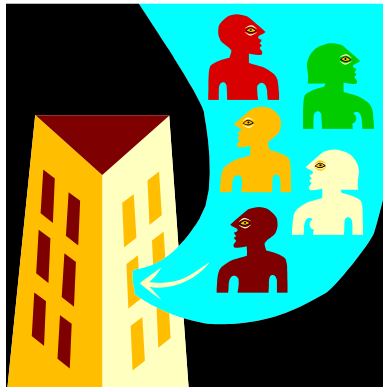


- The word itself is derived from the Greek word *organon* meaning *tool*
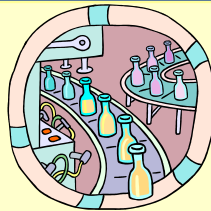
# Purpose



**FINANCE**
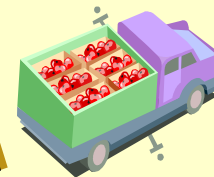
**PURCHASE**

**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.

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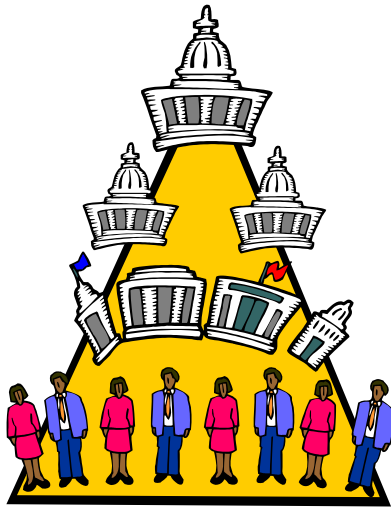
- Organization is a Group of people with specific responsibilities acting together for achieving specific purpose determined by the organization

- 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**

# 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
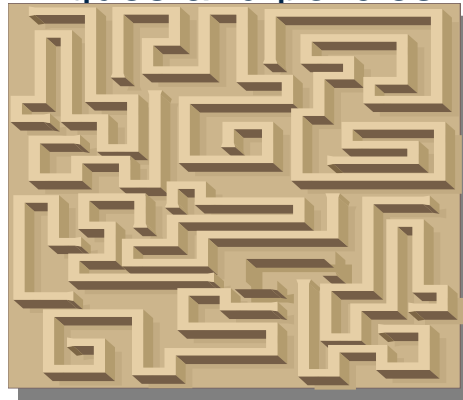


- It is a challenge to create a hierarchical structure that will cater to the needs of individual units yet integrate the effort to meet the common objectives of the Organization as a whole
- In any business it becomes increasingly difficult to ensure proper coordination, proper exchange of information, 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

# Name of the Functionality

1 — Prepare Me

2 — Tell Me

3 — Show Me

4 — Let Me

5 — Help Me
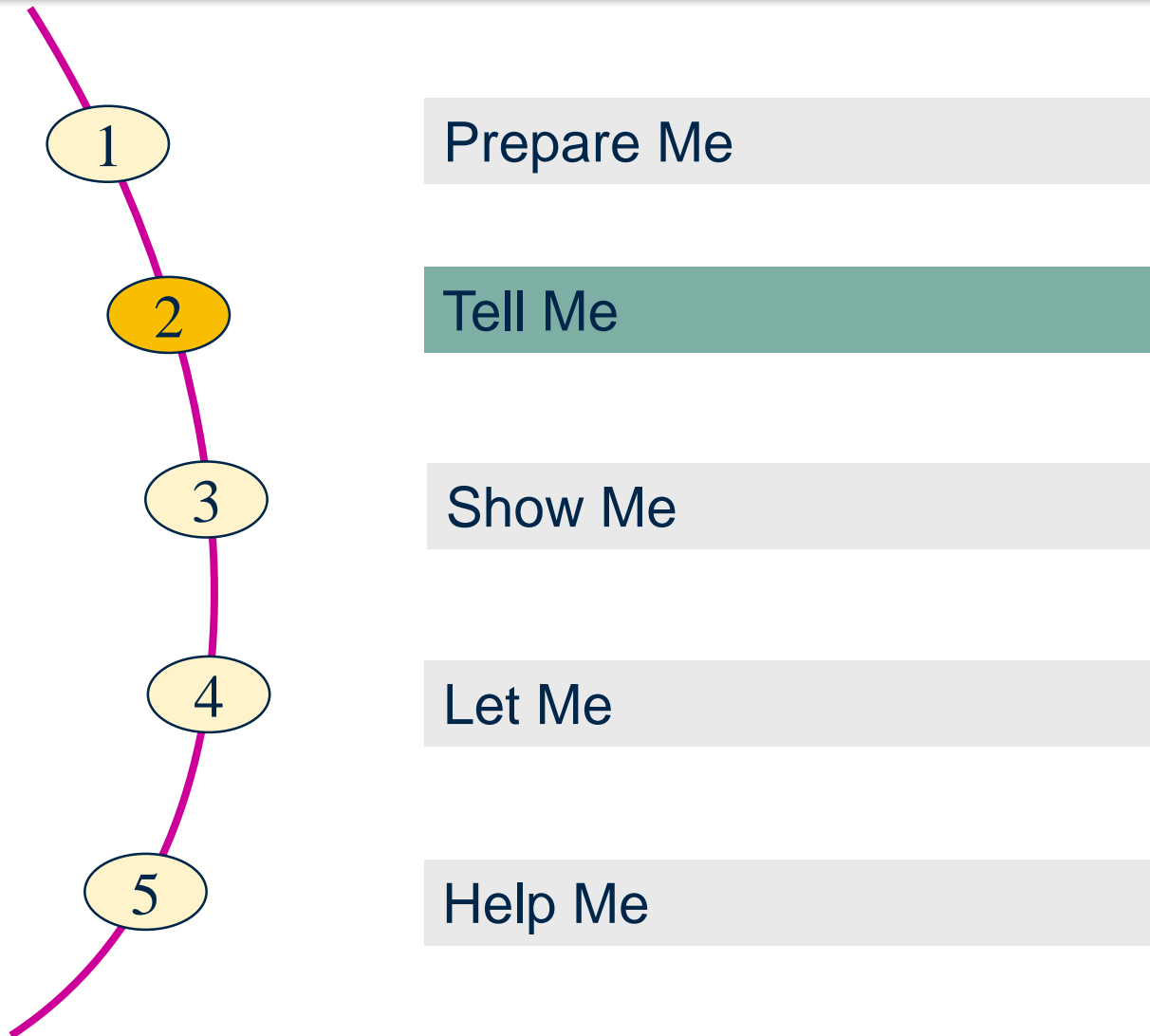
# Enterprise Structure

# Enterprise Structure
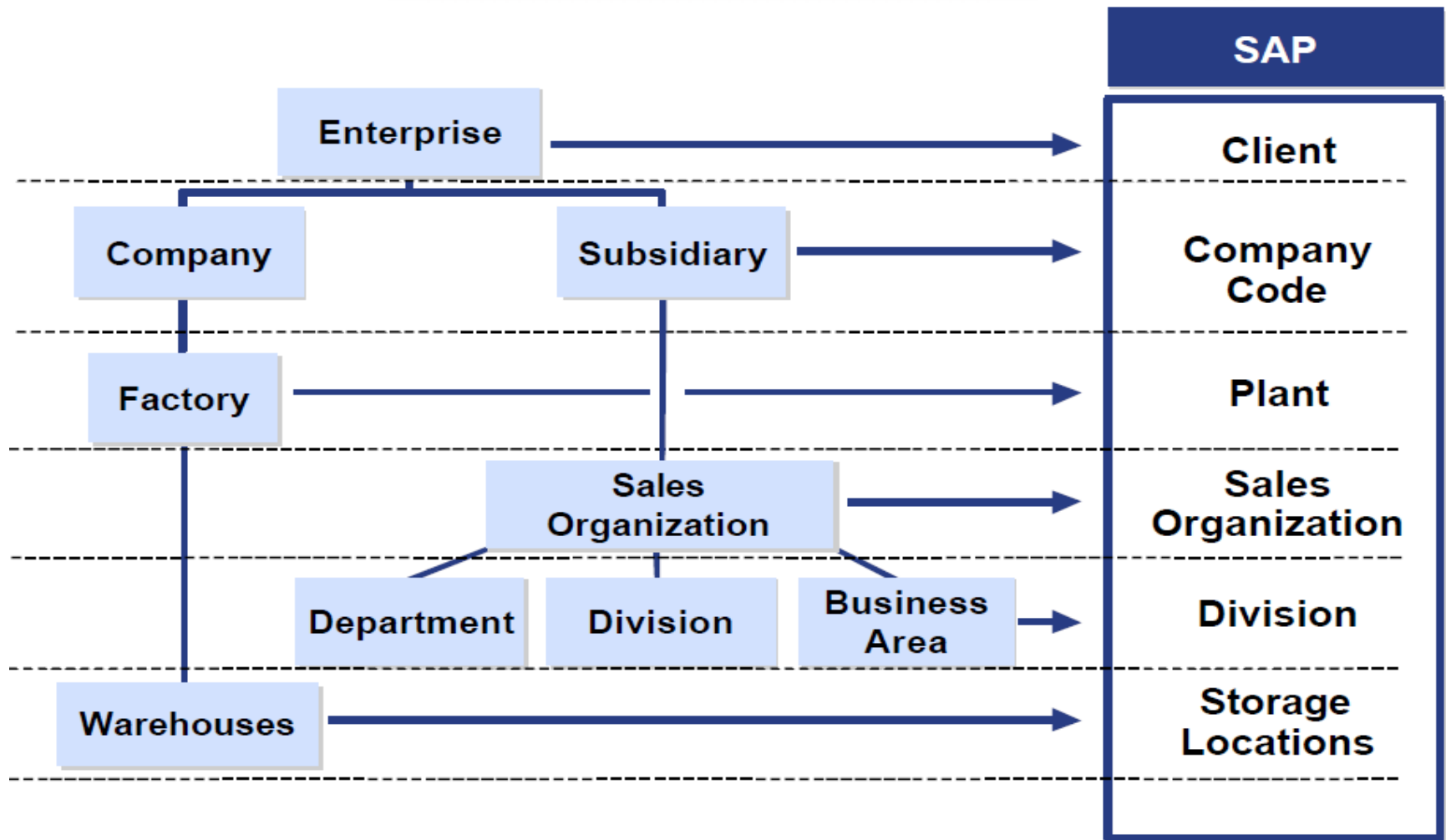
# SAP Organizational Levels in Procurement Process

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*

# 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

# SAP - Organization Unit
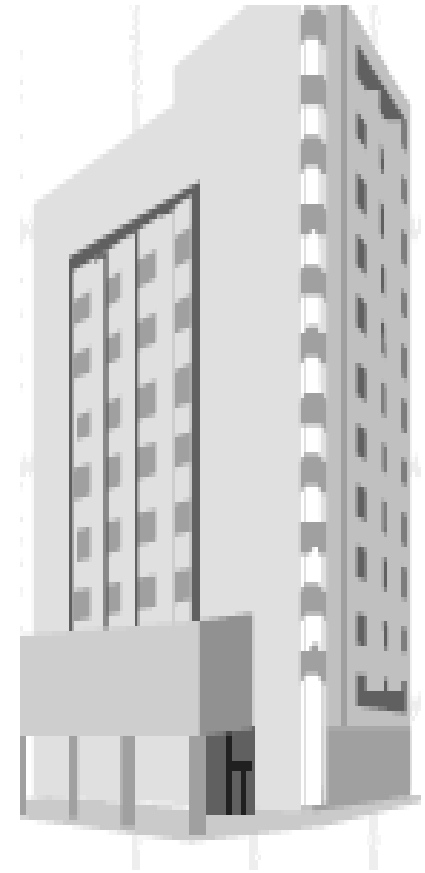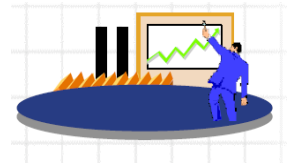
## Company Code

- **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

# 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

# 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

# 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

# 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

# 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
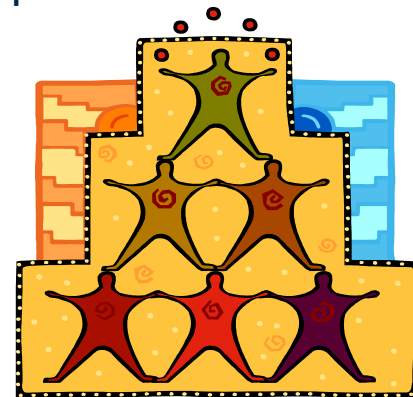
# Reference Purchase Organization

## 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

# 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

# Name of the Functionality

1 — Prepare Me

2 — Tell Me

3 — Show Me

4 — Let Me
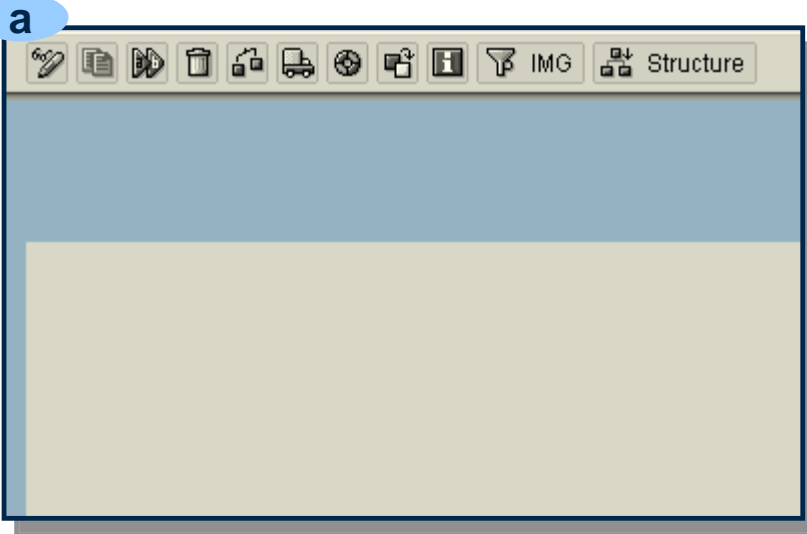
5 — Help Me
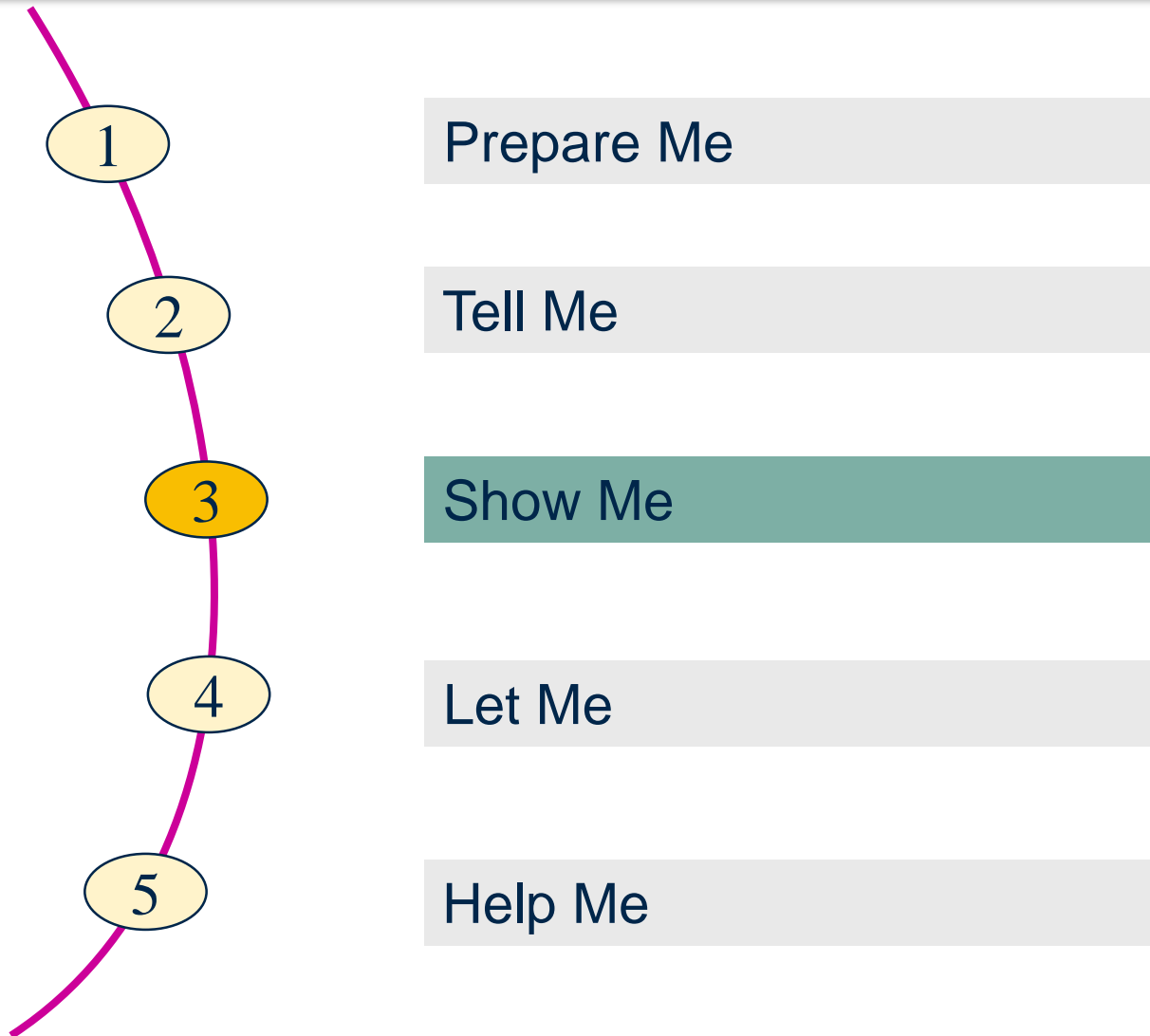
# Agenda

Defining of Org Unit

Assignment of Org Unit

# Define – Company Code
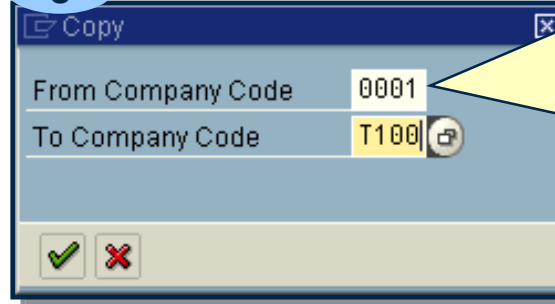
It is a 2 step procedure to create a Company Code

**STEP 1**

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

**a**

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

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

Copy

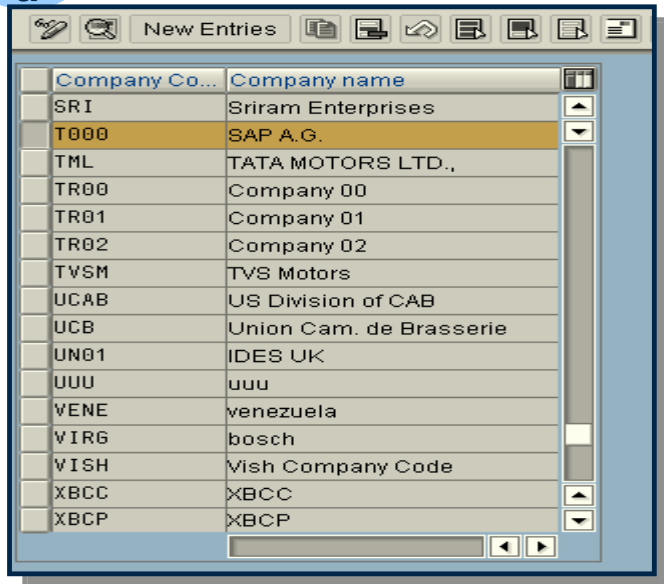From Company Code    0001
To Company Code      T100

**Contd…..**

# 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 |
|---|---|
| SRI | 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…..**

# 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
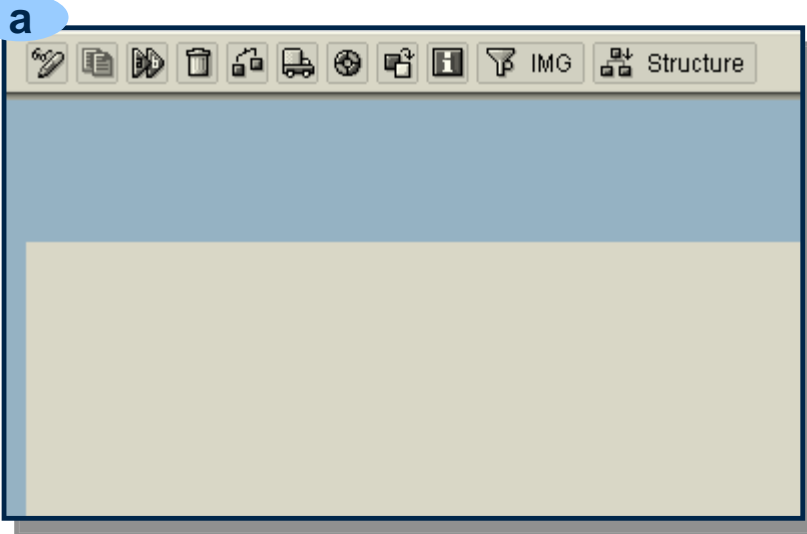E-Mail — trg@trg.com
Standard Comm.Method

Comments

Preview | International Versions

# Define – Plant
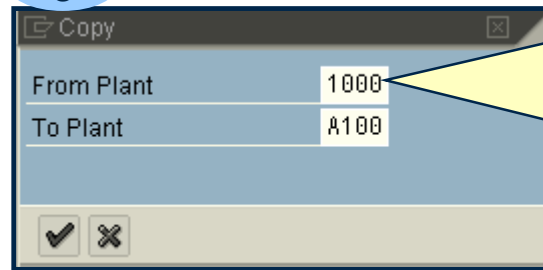
It is a 2 step procedure to create a Plant

**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

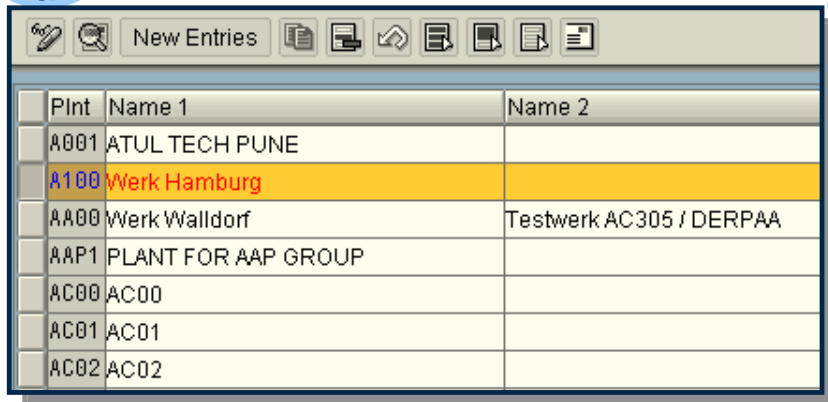| From Plant | 1000 |
| To Plant | A100 |

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

# Define – Plant

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 icon or via **Ctrl + Shift + F2** to view the Plant details.
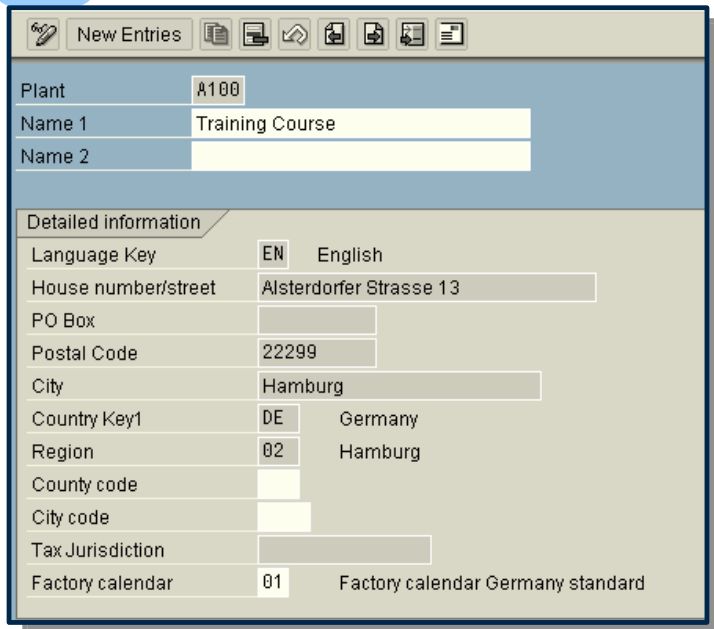You can also view the details the menu path Goto → Details

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…..**

# Define – Plant

**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
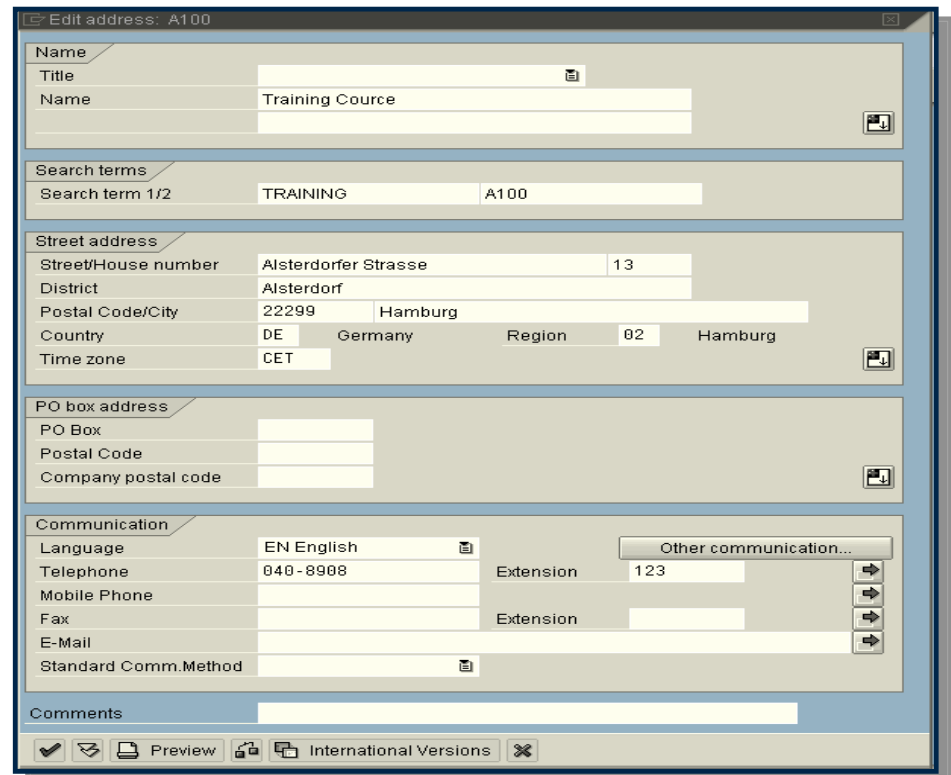Region                  02        Hamburg
County code
City code
Tax Jurisdiction
Factory calendar        01        Factory calendar Germany standard

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               040-8908             Extension    123
Mobile Phone
Fax                                          Extension
E-Mail
Standard Comm.Method

Comments

✔  ⬇  🖨 Preview  🔒  🗐 International Versions  ✂

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# Define – Storage Location

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

**1**

Determine Work Area: Entry

Plant

Work Area

T100

Further select cond. | Append

**2**

New Entries | BC Set: Change Field Values

Dialog Structure
- Storage locations
  - Addresses of storage locations

Plant T100

| SLoc | Description |
|------|-------------|
| A100 | S Loc for Trg 1 |
| A101 | S Loc for Trg 2 |

Click **New Entries** to create a new Storage Location

Position...

**3**

Plant T100
Stor. location A100

Dialog Structure | No.
- Storage locations | 1
  - Addresses of storage | 2

Click 📄 to get the address tab.

Edit address: 1

Name
Title — Company
Name — Storage Location for Training

Search terms
Search term 1/2 — Storage — A100

Street address
Street/House number
Postal Code/City
Country — DE — India — Region
Time zone — UTC+53

PO box address
PO Box — 999999
Postal Code — 99999
Company postal code

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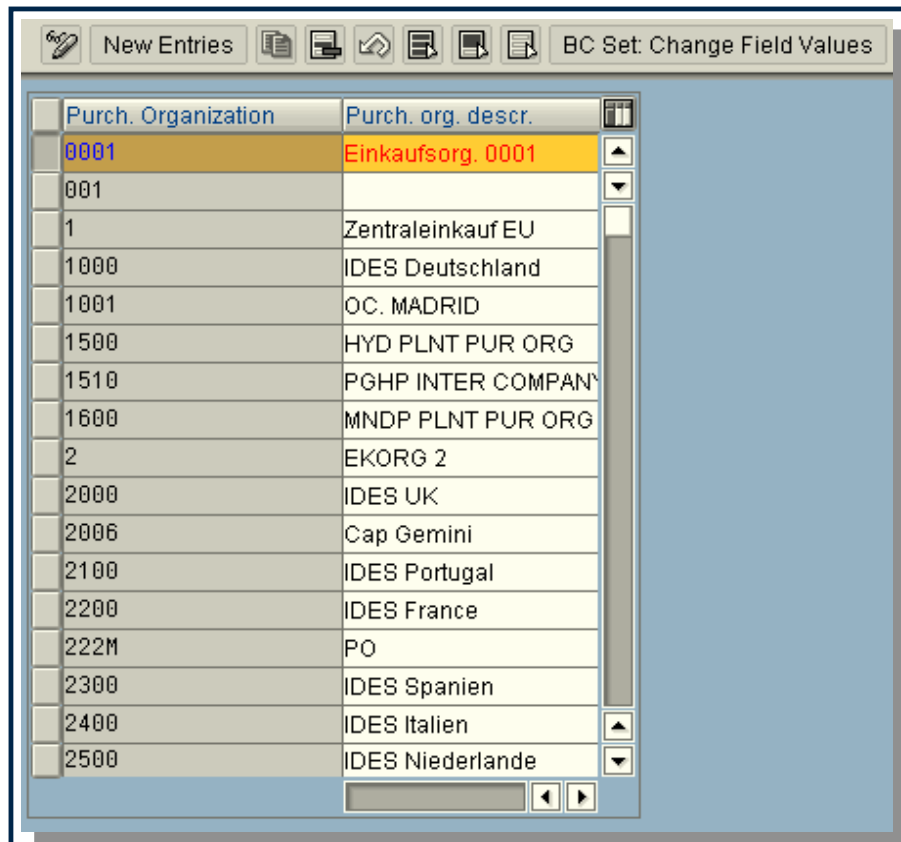Fax — 945945 — Extension
E-Mail — trg@trg.com
Standard Comm.Method

Comments

Preview | International Versions

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

# Define – Purchasing Organization

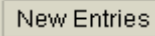SPRO → Enterprise Structure → Definition → Materials Management → Maintain Purchase Organization





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.

# 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

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# Name of the Functionality

1 — Prepare Me

2 — Tell Me

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4 — **Let Me**

5 — Help Me
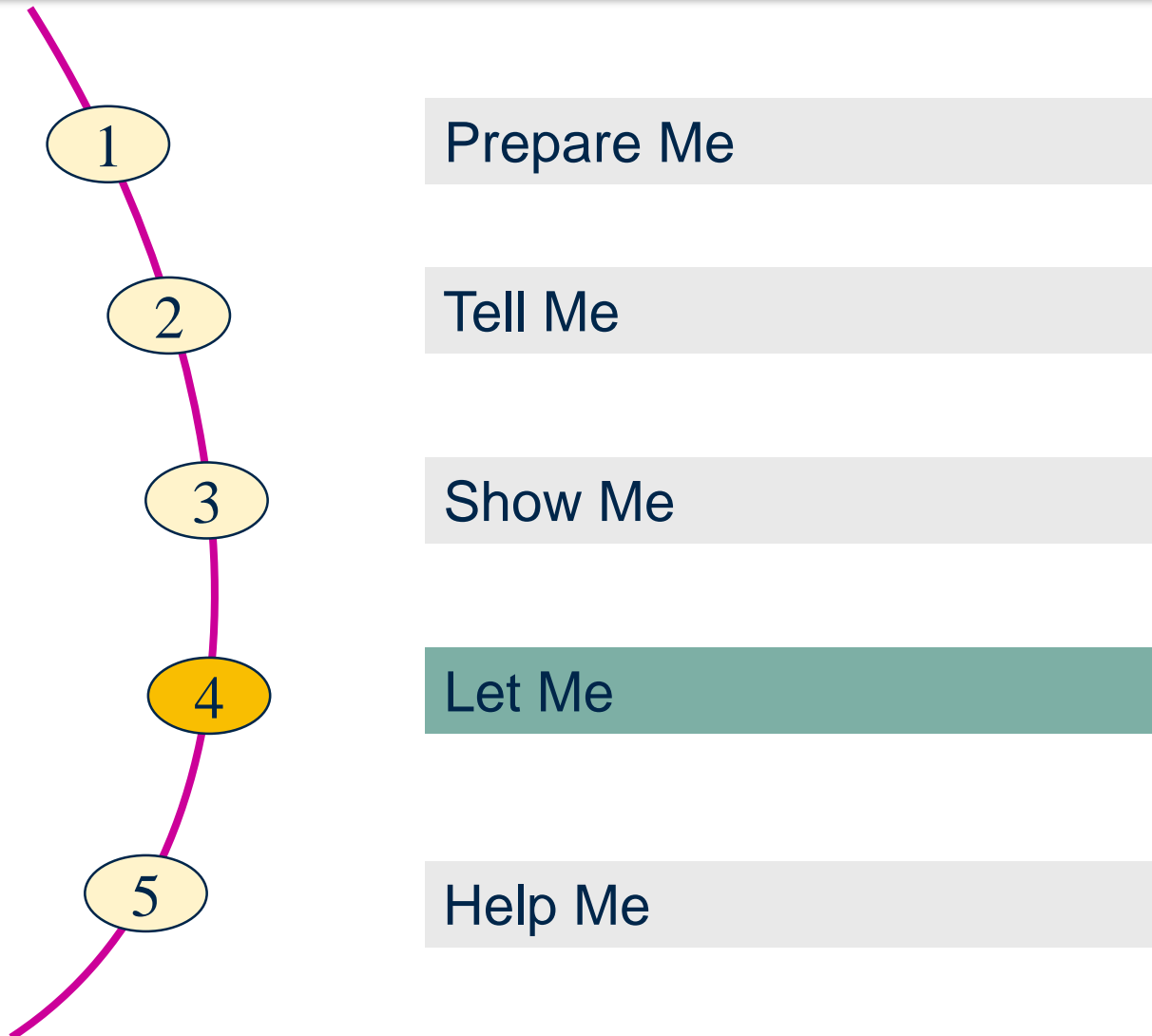
# Case Study
## Let me

- 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

# 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).

# Name of the Functionality

① Prepare Me

② Tell Me

③ Show Me

④ Let Me

⑤ Help Me

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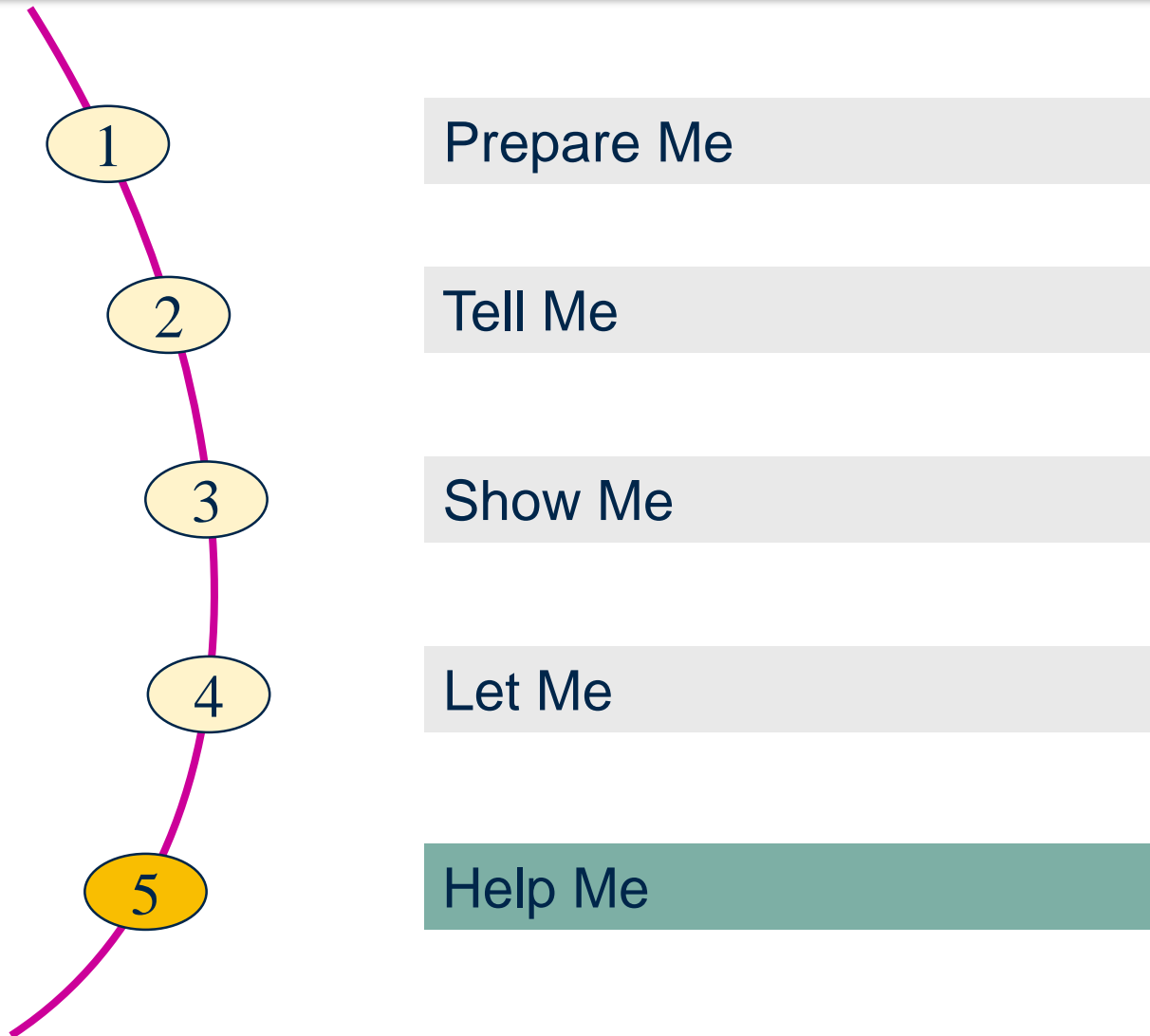
# Tips and Tricks

- 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.

# 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

# 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

# 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

# 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

# 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

# Thank you