

Defining Your Organization

Outstanding Features

- ☐ Mold R/3 SD to fit the needs of your enterprise, whether large or small.
- ☐ Represent simple or complex corporate structures.
- ☐ Show organization from different viewpoints.
- ☐ Support your market-oriented sales strategy using R/3 SD's structure.
- ☐ Use R/3 SD's designed-in integration to empower your organization.

The power of SAP's R/3 System arises from careful definition of structure and process. Precise definition of structure makes it possible for R/3 SD to provide both the functionality and flexibility you need to meet all your processing needs. R/3 SD helps you precisely model your sales and distribution organization, and the R/3 System implements that organization to help execute your business processes more effectively.

Because the R/3 System makes it possible to define a large number and variety of organizational units, you can comfortably represent organizational structures ranging from very small entities to the largest international enterprises. It also ensures that you can represent the legal and organizational structure of your enterprise from different points of view.

Organizational Units in Sales and Distribution

Different organizational units take precedence in each R/3 System module. You define a specific set of organizational units that are crucial for sales and distribution in the SD module. You can define a different set of organizational units, for example, in the Materials Management (MM) module. This makes it possible for each part of your enterprise to use structure and terms that make sense for that segment of the organization.

The R/3 System provides a fully integrated data structure for your enterprise without compromising your control over individual portions of your operation. SD's different organizational levels provide flexibility that allows you to define separate views for different parts of your company, for more effective management and control. At the same time, the process integration built into the R/3 System ensures an effective flow of information through all levels of the organization.

Sales Organization Overview

Your use of organizational units in the R/3 System allows you to drive sales processing in the system so that it matches what happens in your enterprise.

Sales organizational units in SD include sales organization, distribution channel and division. Each combination of these three elements defines a separate sales area. This means you can support multiple sales organizations with different management structures. You can also define the circumstances under which a sales organization may or may not sell particular product lines. In addition, you can define the internal organizational structure of business development and sales using sales offices, sales groups, and sales people.

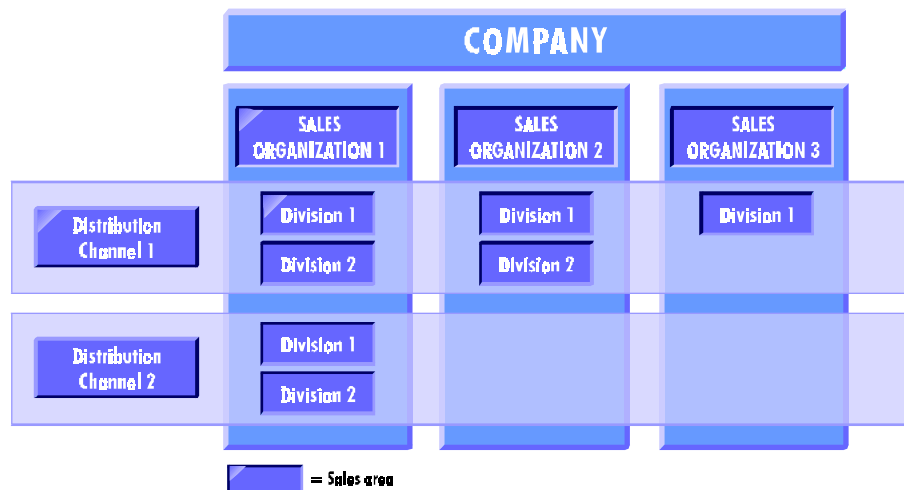


Fig. 2-1: Defining a Sales Area

This organizational structure forms a framework within which SD processes all business transactions and all sales and distribution documents. R/3 SD allocates all sales activities to a sales organization, a distribution channel, and a division. One of the primary values of SD is its ability to control business processes using rules applied in these three areas.

Sales Organization Structure

Sales Organization

You use sales organizations to define national or international sales subdivisions, such as the northern sales region or the Pacific sales region. Every sales organization represents a selling unit in the legal sense, being responsible, for example, for product liability and other claims made by customers. Regional subdividing of the market can also be carried out using sales organizations. Each business transaction is processed within a sales organization.

Distribution channels can be used to define how different products reach consumers. For example, typical distribution channels include wholesale, retail, industrial, and direct sales. You can supply a customer from several distribution channels. Relevant master data such as price, minimum order quantity, and ship-from location may differ with each distribution channel.

Distribution Channel

Companies with large and varied product families can assign each product line to a particular division. You define customer-specific agreements for each division, including partial deliveries, pricing, and payment terms.

Division

Each combination of sales organization, distribution channel and division makes up a separate sales area. In the figure above, the marked sales area includes sales organization 1, distribution channel 1 and division 1.

Sales Area

R/3 SD defines all customer data relevant for sales according to sales area. This enables you to specify for each customer, for example, how you want pricing done in each sales area. You can perform data analyses using any combination of sales area criteria.

You can assign various distribution channels to a customer within one sales organization. You can specify different customer requirements and agreements for each of these distribution channels. You can also define different sales-specific material master data, such as prices, minimum order, or delivery quantities for each combination of sales organization and distribution channel.

As shown in the figure, a company might include north, south and west sales organizations. The firm's distribution channels include direct sales and sales through a distributor. These channels sell products from two divisions, records and books. Direct sales of books in the north sales region make up a specific sales area. In this example, the north sales region sells products from both the book and record divisions using both sales channels. The west sales region sells products from only the book division, and only through the direct sales channel.

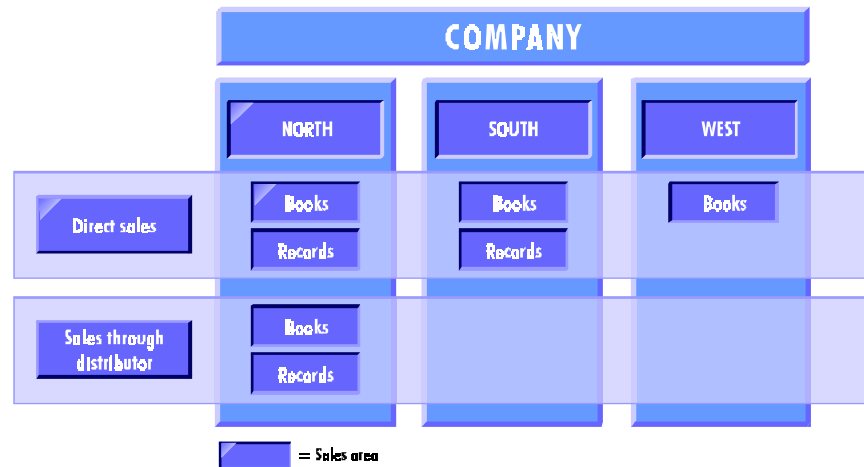


Fig. 2-2: Example Sales Area

Internal Organization in Business Development and Sales

- Sales Office** You represent the internal organization of business development and sales using sales offices, sales groups and salespeople as in the example. A sales office is a subsidiary or branch of a company. It carries out sales activities for one or more sales areas.
- Sales Groups** You can subdivide the staff of a sales office into sales groups. For example, you can assign a sales group to each division.
- Sales Personnel** R/3 SD includes individual personnel master records you can use to manage data about sales personnel. You can assign a salesperson to a specific sales group.

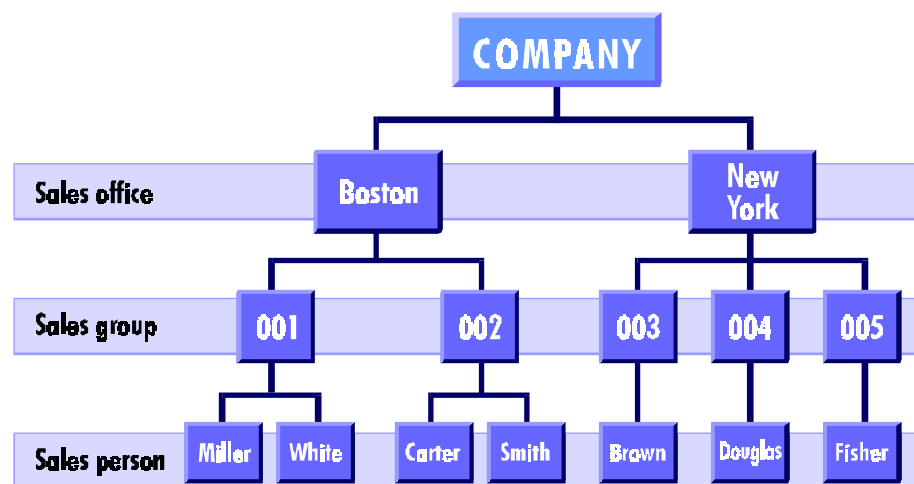


Fig. 2-3: Internal Organization in Business Development and Sales

Organizational Units in Shipping

It is not sufficient to define sales in isolation, because the process is not complete until your customer receives the product. R/3 SD makes shipping an integral part of the sales process. This is essential if you are selling not just a product, but the assurance that it will arrive at the customer’s location at a set point in time. This process takes place in shipping.

Shipping department organizational structure in SD includes shipping points and loading points.

A shipping point is a location within a warehouse or plant where employees process deliveries. R/3 SD assigns a specific shipping point to each delivery.

Shipping Point

You can subdivide a shipping point into loading points. Each loading point represents a different location and type of equipment for loading goods within a shipping location. For example, you may have one loading point equipped with a crane for loading rail cars, and a separate shipping dock equipped with fork lifts.

Loading Point

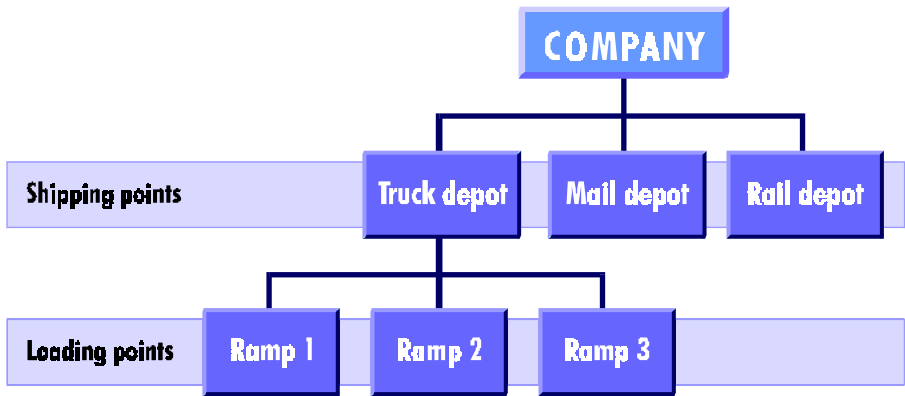


Fig. 2-4: Organizational Units in Shipping

Integrating Organizational Units

All organizational units for a section of a company are interrelated. By linking these units together in various combinations you can accurately represent in R/3 SD the overall structure of your enterprise. Furthermore, the tight integration within the R/3 System ensures that your processes flow efficiently from one function to another.

Company Code

Company code is the central organizational unit used in financial accounting. It is legally an independent company for which you must maintain a balance sheet and profit and loss statement. Multiple company codes can be supported in a single R/3 system.

Plant

A plant is a production facility or simply a group of locations, known as storage locations, situated near each other and where you keep inventory. A plant in R/3 can also represent a warehouse or distribution center. The plant is the organizational level where you carry out planning and inventory management. It is the central organizational unit for materials management.

A sales organization can sell products from various plants or warehouses. Although a plant is linked to a single company code, it can be assigned for use by sales organizations across multiple companies. For example, within company code 1, sales organizations 1 and 2 each have a dedicated plant, but they share sales responsibility for plant 2. Within company code 2, sales organization 3 sells products from both plants 4 and 5.

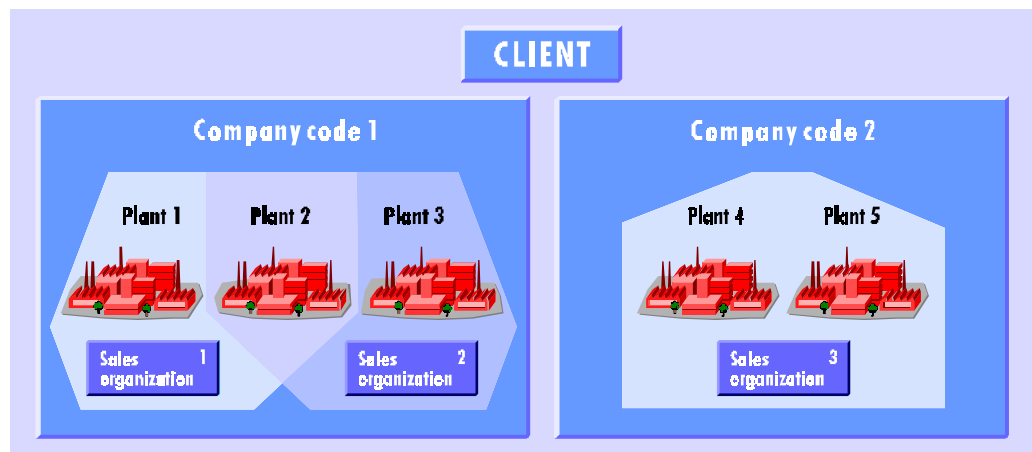


Fig. 2-5: Combining Organizational Units

You can also carry out business transactions between company codes, using, for example, inter-company sales processing. When someone in your European subsidiary (a separate legal entity) enters a sales order, product is shipped from the US to, for example, a customer in Belgium. Your European subsidiary then invoices the customer, and an intercompany invoice is also created between the US company and the European company.

The Power of Integration

Using the R/3 System, you are never alone. The system integrates your data and processes into the entire enterprise. The company code is an organizational element not just in R/3 SD, but in the R/3 financial applications as well. While the plant serves as the provider of products sold within R/3 SD, it is the central organizational unit for the R/3 Materials Management (MM) module. When you sell a product within SD, the R/3 System's

integration automatically affects data in other system modules, driving other processes in financial and materials management applications without additional effort.

This level of integration exists by design. It is built into the organization of the R/3 System. It is assumed in any use of the R/3 Data Model. This means that once you implement the R/3 System, that same integration is built into your enterprise. But best of all, the powerful integration that comes built into R/3 SD can be shaped to fit the needs of your organization.

Integration by Design in the R/3 System

