Avoiding Chaos: Building a New Company on the Fast Track

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Learning Objectives

After completion of this program you will be able to:

- **Objective 1:** Understand the challenges of both a divestiture and an acquisition from IT and business perspectives.

- **Objective 2:** Follow Cinch’s roadmap to becoming an independent company, including alternatives they considered.

- **Objective 3:** Learn how the right tools helped Cinch deliver results in an accelerated timeframe – without the chaos.
Agenda

- Introduction
- Q&A: How Cinch Avoided Chaos and Lessons Learned
  - Pre-divestiture Environment
  - Divestiture Process
  - Inventory Project Scope and Details
  - Expected Results
- Questions
- Conclusions
eprentise Can...

- Consolidate Multiple EBS Instances
- Change Underlying Structures and Configurations
  - Chart of Accounts, Other Flexfields
  - Inventory Organizations
  - Operating Groups, Legal Entities, Ledgers
  - Calendars
  - Costing Methods
- Resolve Duplicates, Change Sequences, IDs
- Separate Data

...So Our Customers Can:

- Reduce Operating Costs and Increase Efficiencies
  - Shared Services
  - Data Centers
- Adapt to Change
  - Align with New Business Initiatives
  - Mergers, Acquisitions, Divestitures
  - Pattern-Based Strategies
    - Make ERP an Adaptive Technology
- Avoid a Reimplementation
- Reduce Complexity and Control Risk
- Improve Business Continuity, Service Quality and Compliance
- Establish Data Quality Standards and a Single Source of Truth
Cinch Connectivity Solutions designs and manufactures a broad range of interconnect products with facilities around the world.

Supplies solutions for Computer, Electronics, Aerospace and Transportation Industries.

Product lines include Johnson, Midwest Microwave, Semflex, Vitelec.

- Primarily sold through distribution channels and to the aerospace industry.
Project Background

• Cinch Connectivity Solutions was a spin-off from Emerson, and was acquired by Bel Fuse

• Cinch needed to:
  • Quickly change their calendar to match Bel’s
  • Do an asset revaluation to satisfy GAAP
  • Move their instance to a new hosting provider
  • Restructure to accommodate inventory org changes

• Simultaneously, a division of Power One was also acquired by Bel
From Emerson to Bel Fuse

• Within a month, a division of Power One was also acquired by Bel
• Most important goal was to exit TSAs (Transition Services Agreement)
• Quickly get off of parent company environments
• With two EBS instances, Cinch now needs to:
  • Streamline operations
  • Have Bel recognize the economies of scale and emergent synergies of their acquired companies
Pre-Divestiture Environment
What was the business environment like when Cinch was part of Emerson?

Connectivity Solutions was divested from Network Powers
What was the business case made for the divestiture?
What were the anticipated challenges once the decision for a divestiture was made?

- Separation of Connectivity from Emerson’s data and systems
- Research best way to deal with calendar change, the Oracle EBS data, and the asset revaluation
- Migration without interruption, including all third-party peripheral applications
- Justifying the cost of anticipated solutions
- Whole business was in flux, and difficult to get a response and review the changes to be made
What were the anticipated challenges once the decision for a divestiture was made?

- Review contracts and licenses
- Obtain new hardware
- Determine what information is needed in the new system
- Review master information
- Decide how to treat historical data
- Determine how to handle interfaces with third-party systems

• Leave data with parent company
• Bring data forward with the new divested entity
What do you wish had been done differently now that you have been through a divestiture and an acquisition?

- Emerson paid for the divestiture
  - Elected to use masking
    - Had to unmask data because the wrong people were masked
    - Had a lot of work to do on lines of business to “hide” data from users in drop-down lists
    - Increase storage in hosted environment
  - Walked away from some functionality (GRC)
    - Can’t alter forms personalization
Divestiture Process
What components were involved for Cinch to complete the divestiture and stand on its own? What about the acquisition by Bel Fuse?

- Asset revaluation
- Cinch has 3 inventory orgs that they wanted to merge into 1 (originally)
- Needed a way to move from 4-4-5 calendar to match new owners’
  - Connectivity and Power Solutions have both 11i and R12 instances
- Third-party solutions needed to be migrated and reconnected
- Hosting challenges of dealing with data on different networks, and ownership of data
- Complexity of changing from data ownership to hosted environment
What were the business drivers that led to the need for the different projects?

- GAAP Requirements
- Facilitate Reporting
- Streamline Operations
- Reduce Costs
- Consistency across Cinch and eventually Bel
How were the priorities defined?

- Simplicity and need to get calendar done before 1\textsuperscript{st} of year
  - Challenges of producing year-end when it wasn’t year-end
What were the actual challenges Cinch had to overcome, and how did they differ from those expected?

- Compressed timelines
- Bel Fuse also acquired a division of Power One
  - Needs to be consistent between Cinch and eventually Power One
  - Instance consolidation will be required
- Selecting hosting environments
- Setups for inventory orgs were different
  - Difficult to identify what belonged to Cinch and what needed to be moved
Inventory Project Scope and Details
What is the project scope?

- Identify the candidate items to merge
- Prepare the items to merge (by pre-steps / clean up operations)
- Identify the necessary changes to make the merge work
- Use eprentise software to merge the items into target inventory org with necessary changes
- Continue using the items under target inventory org
Identify the Items Under Source Inventory Org

Identifying items is achieved by defining a new item category (MCAT inventory flexfield) structure and related item categories with segment values defining the required changes, and associating them with the candidate items.

Item Category Structure is defined with four segments, each defines certain attributes as below:

- **SEGMENT1** - Identifies the Item to be
  - moved (Value 'MOVE'),
  - not to be moved (Value 'DO NOT MOVE'),
  - merged in to target by making the source Item record and attributes prevail (Value 'YES'), and
  - not to be merged by making the Target Item record and attributes prevail (Value 'NO').

- **SEGMENT2** - Identifies whether to Merge/Do not merge/Move the On-hand quantities, with the above four values

- **SEGMENT3** - Identifies whether the BOM setups have to Merge/do not Merge/Move, with the above four values

- **SEGMENT4** - Identifies whether the BOM Routings needs to Merge/do not Merge/Move, with the above four values
Use eprentise Software to Merge Items into Target Inventory Org

- Prepare items before merge
- Identify merge items
  - On-hand quantities
  - BOM setups
  - Routings
- Execute the item merge
  - Item categories – segment values
  - Replicating target values that do not exist
  - Removing duplicates
  - Repointing target inventory orgs
Software Eliminates the Risk
1. Where Item does not exist in target Inv Org (Non-Duplicating Items between Source and Target Inv Org)

Move / Merge Items from 403 (ID 630), 405 (ID 750) to 402 (ID 612) – Rules 1&2
Project Plan

Source

- Inventory Orgs 403, 405
- Item Category
- Configured CCIDs for New Valuations
- Item Number

Target

- Inventory Org 402
- Inv Org Level Setups
- Sub inventories
- Items filtered by Category
- Configured CCIDs
- Interface Tables
What is it that Cinch hopes to achieve with the Inventory Merge / Item Move project?

- Simplification of processes
- Ability to single-thread the processes
  - Leverage supplier discounts and terms
- Organization structure actually represents the business
What Options Did Cinch Consider to Accomplish These Goals?

- Considered consultants
  - Expensive
  - Offered time-consuming solutions
  - Solutions not guaranteed - seemed risky

- eprentise solution
  - Out-of-the-box software solution as opposed to custom scripts
  - Followed abbreviated schedule
  - Updatable and repeatable
  - Experienced in doing similar projects
Align GL Balances

GL balances for sets of books 41 and 121 need to be reconstructed (41 decreases and 121 increases)
Describe the effort that has been required from Cinch personnel to outline the scope, and define the details of the requirements for the project.

- Calendar change – just testing
- Asset Revaluation – provide the list and values
- Inventory
  - Work center cleanup
  - Criteria for separating and merging data
  - Reconciliation
### Can you give examples of the detailed requirements involved in the Item Move?

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<tr>
<th>STRUCTURE_NAME</th>
<th>STRUCTURE_ID</th>
<th>CATEGORY_ID</th>
<th>SEGMENT1</th>
<th>SEGMENT2</th>
<th>SEGMENT3</th>
<th>SEGMENT4</th>
<th>ORGANIZATION_ID</th>
<th>ITEM_COUNT</th>
<th>INTERPRETATION / ACTION</th>
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<td>50816</td>
<td>110262</td>
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<td>NO</td>
<td>NO</td>
<td>405</td>
<td>2 TBD</td>
<td>527 Item will stay back in source with its transaction data, TBD</td>
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<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>DO NOT MOVE</td>
<td>405</td>
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<td>Merge (Source Item Record survives), 'YES' for on hand quantity means source on hand quantity related data in source, BOM and ROUTING records FROM source survives, and ROUTING is not setup.</td>
</tr>
</tbody>
</table>
What would you have done differently?

- Emerson should have used divestiture software to give them a standalone instance
- Emerson should have made more timely decisions about how to handle the divested data and the instance
- Define requirements up front
- Additional testing time
- Understand 3rd party impact more
Expected Results
What other EBS reorganization projects, besides the Inventory Merge / Item Move project, has Cinch done, or is Cinch considering undertaking?

- Instance Consolidation
- Internal merges of OUs, Inv Orgs, etc.
- Standardized COA, calendars
- Begin to use additional 3rd party applications that Power Solutions had
What are the expected outcomes once this project and future projects are completed?

- Inventory org reduction
  - Will end up with two inventory orgs instead of three
- Process improvement
  - Review data and setups to streamline operations
  - Original setup may have caused conflicts; can be resolved by selecting the processes that work best
- Reduced costs of consolidating instances
- Standards across Bel Fuse, including the former Power One operations
What savings – either in terms of costs, staff time or other – are anticipated?

- Project with eprentise takes the equivalent of 2 FTE and a period of months
- Project without eprentise was estimated to take the equivalent of 5 FTE and a minimum of 2.5 years to complete (just inventory)
Lessons Learned:

What advice would you give to someone else who is divesting or being acquired?
Conclusions

- It *is* possible to survive, and come out with a smile!
- Use software instead of System Integrators
Questions?

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Thank You

Visit eprentise at booth 1225!

- One World, One System, A Single Source of Truth -