Gold Fields Exploration standardizes and consolidates accounting with IBM and SAP

Overview

■ **The Challenge**
With just 60 staff, Gold Fields Exploration (GFE) manages the finances of more than 40 exploration sites across the globe. Each site is a separate financial entity, and each had its own accounting systems and processes, which were difficult to reconcile with the company's main financial systems. The need to increase consistency, reduce manual workload and achieve compliance with Sarbanes-Oxley regulations by the start of the new fiscal year meant that GFE had to find a comprehensive accounting solution within just four months.

■ **The Solution**
GFE chose IBM Global Business Services to implement a solution based around the financial accounting and controlling functions of the IBM Express Fabrication & Assembly solution, a qualified SAP Business All-in-One partner solution, as well as SAP Strategic Enterprise Management (SAP SEM) for consolidation of the

40+ accounting systems. The solution is supported by an IBM DB2 database, and is hosted centrally by IBM Applications on Demand, and accessed via a virtual private network (VPN) by accountants at GFE sites across the globe.

■ **The Benefits**
Standardized accounting practices across the company help to simplify and automate the consolidation of financial results for over 40 different financial entities – increasing accuracy, eliminating manual processing workload and dramatically reducing the time required for closing the books each month. By building up a pool of accountants with expertise in SAP software, GFE increases flexibility and reduces business risk: any accountant can work at any site, and there is less reliance on local knowledge. The on-time, on-budget implementation by IBM Global Business Services enabled Sarbanes-Oxley compliance before the start of the new fiscal year.

■ **Key Solution Components**
Industry: Mining
Applications: IBM Express Fabrication & Assembly, a qualified SAP® Business All-in-One partner solution based on SAP ERP 6.0 and SAP Strategic Enterprise Management (SAP SEM)
Software: IBM DB2®
Hardware: IBM System p5™ 520 servers
Services: IBM Global Business Services

> *"Thanks to the excellent solution design by IBM Global Business Services and our strategic decision to outsource the hosting and maintenance of the solution to IBM, we have been able to achieve these benefits without any significant increase in staffing levels or operational costs."*
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> Lois Brooks
> General Manager
> Gold Fields Exploration

Gold Fields Limited is one of the world's largest producers of precious metals, with presence in South Africa, Australia, Ghana, Peru, Venezuela, Chile, China, the Netherlands and the US, among others. The company employs more than 48,000 people, and is listed on the NYSE, JSE, Euronext and Swiss stock exchanges.

The company's exploration division, Gold Fields Exploration, Inc. (GFE) employs 60 people, and is based in Denver, Colorado. This small team has a crucial role to play in the direction and management of exploration and mine development, and sends teams all over the world to investigate potential sites for new mines.

GFE's 60 employees manage millions of dollars of exploration expenditure for more than 40 different financial entities – joint ventures, partnerships, sole ownership exploration projects and so on. Each time it sets up a new site, GFE creates a new entity, with a local accounting team to manage finances and provide reports for the central accounts department in Denver. As no standardized accounting processes had been imposed, many of these sites were using different systems to store their financial records, and had different ways of producing the monthly figures.

"Gold Fields is a US listed company, so we need to be compliant with Sarbanes-Oxley regulations – but this was difficult to achieve without a standardized way of managing accounts across all our sites," explains Tom Fowler, CIO of Gold Fields. "Equally, we were too heavily reliant on individual staff members and their knowledge of how the local accounts system worked. We wanted to create a standardized accounting process and a pool of expertise, so that any of our accountants would be able to work at any site."

To facilitate compliance, reduce the effort of monthly accounts consolidation, and reduce risk for the business, GFE wanted to transform its business processes by standardizing on a single accounting system – but as a lean operation with a small in-house IT team, it could not afford to move to a complex infrastructure that would be difficult to maintain. The new solution would have to be flexible enough to manage a large and ever-changing group of financial entities, using the same Chart of Accounts and financial processes for each one.

"The problem we had to solve was how to implement complex ERP functionality to manage all these entities," says Vinit Desai, International Accounting Director at Gold Fields. "On top of that, we needed to complete the project within four months, so that we could begin the accounting for the next fiscal year using a comprehensive ERP system."

Building the SAP software landscape

Gold Fields had already invested in SAP software for its main mining operations. The mining divisions of Gold Fields use the SAP ERP application and the SAP for Mining solution portfolio in their South African operations, and are planning to roll out

the full functionality of the SAP ERP application, including plant maintenance and human capital management, to their other international operations as well.

"When we needed a new accounting platform for our exploration division, SAP was the obvious choice," says Vinit Desai.

Considering the solution requirements from a Sarbanes-Oxley point of view, the high levels of control inherent in the SAP software were also a positive factor in GFE's decision.

To facilitate management reporting and provide a consistent platform across the worldwide footprint, GFE needed a rapid implementation, and chose IBM Global Business Services to design a solution that could be implemented within six months.

IBM Global Business Services deployed the financial accounting and controlling functions of the IBM Express Fabrication and Assembly solution, a qualified SAP Business All-in-One partner solution. Global Business Services also implemented the SAP Strategic Enterprise Management (SAP SEM) application, to meet the requirement of consolidating company codes for over 40 international financial entities that GFE manages.

"By focusing on the financial components within SAP Business All-in-One, rather than implementing a more traditional all-round ERP solution, the IBM Global Business Services team was able to deliver the solution within just four months – on time, on budget, and easily within our deadline," says Tom Fowler.

"The Express solution draws on IBM Global Business Services'

considerable experience of SAP ERP implementations at other companies, and provided us with a template that delivered most of the functionality we were looking for out of the box," says Lois Brooks, General Manager of GFE. "Once we had the basics laid down, IBM was able to rapidly customize the solution to our specific requirements."

Applications on Demand and Enterprise Support Services
The new solution is hosted by IBM Applications on Demand (AOD). GFE's users from Ghana, Venezuela, Chile, the Netherlands, the UK and the US use a virtual private network (VPN) to log into the central AOD-hosted SAP software environment. Alternatively, users can log in using a secure internet portal from wherever Internet access is available.

The hosted SAP software environment is supported by the IBM DB2 database platform, which delivers excellent performance and reliability, and ensures rapid query response speeds for SAP applications. The software is running under IBM AIX on IBM System p5 520 servers, which leverage high-performance 64-bit IBM POWER5+ processors to provide a robust infrastructure for the whole environment.

"One of the main points of this exercise was to leave the technical side of things to the experts, so we asked IBM to choose the hardware and database for us," says Tom Fowler. "Nevertheless, although we have no direct involvement with the infrastructure, we have certainly been impressed by the levels of performance and availability provided by IBM DB2 and the p5-520 hardware."

IBM provided training in the SAP software for GFE's 15 super users,

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enabling them to provide simple "how to" support for the company's wider user community. As GFE did not have an extensive support staff, it engaged IBM Enterprise Support Services to provide worldwide 24x5 support and deal with more complex support issues.

IBM provided a comprehensive solution for Gold Fields. IBM Global Business Services provided project definition, implementation, testing and training services, and oversaw the go-live. Meanwhile, the AOD team handled everything from hosting and networks through to operating systems, databases, ERP installation and technical configuration. Once the project was completed, IBM Enterprise Support Services provided post-implementation support.

"This kind of 'cradle to grave' solution, delivered in a rapid, cost effective manner, is a key aspect of IBM's Small Business ERP offerings," says Scott Porter, IBM Delivery Project Executive for Gold Fields Exploration.

"Having the solution hosted by IBM was a great option for us," says Lois Brooks. "The centralized infrastructure means that we don't need IT teams at the local sites, and using Applications on Demand means that we can scale the system's capacity easily when new sites are set up. It is very flexible from a user perspective as well – since they can log in from almost any PC with a broadband connection."

Reaping the benefits

With the new solution, GFE has transformed its business processes by standardizing its accounting procedures across all the exploration sites, reducing the reliance on local knowledge and facilitating the consolidation of data for monthly accounts. Financial reporting is now

more accurate and much more timely, helping the company to make financial decisions based on up-to-date information.

"Using SAP SEM to consolidate the data will help us to gain more precise insight into our global operations by accelerating the collation process and eliminating errors," says Vinit Desai. "Now that we have the same platform in GFE and in Gold Fields' main operations, it is far easier for us to present accurate figures for group-wide activity, helping us achieve Sarbanes-Oxley compliance."

Tom Fowler adds: "Since every site will now follow the same accounting processes, our accountants will be able to move from site to site more easily. In addition, because SAP ERP is an industry standard, we will find it easier to recruit staff with the appropriate skill-sets, which will reduce our training costs. And since we now have a template for local accounting processes, it will be easier for us to get new sites up and running as our business expands."

Lois Brooks concludes: "Thanks to the excellent solution design by IBM Global Business Services and our strategic decision to outsource the hosting and maintenance of the solution to IBM, we have been able to achieve these benefits without any significant increase in staffing levels or operational costs – helping us preserve GFE's lean profile."

"We have been working with SAP software for a few years, and have been impressed by its flexibility. When GFE needed a new accounting platform, SAP was the obvious choice."

Vinit Desai
Finance Manager
Gold Fields