

SAP Customer Success Story

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Anne Marie Griffin, Senior Manager of Export Compliance, Microsoft

Microsoft®

AT A GLANCE

Company Name

Microsoft, United States
www.microsoft.com

Industry

High tech – software

Key Challenges

- Improving trade regulatory compliance levels
- Integrating SAP NetWeaver™ platform and Microsoft .NET
- Integrating transactional systems of various Microsoft business streams via Web services
- Achieving process efficiency in environment with a high transaction volume

Solutions and Services

- SAP® Global Trade Services (SAP GTS) application
- SAP NetWeaver

Existing Environment

- SAP R/3® software, functionality available today in the mySAP™ ERP solution
- Microsoft .NET

Implementation Highlights

- On time, within budget
- Distributed team development
- Integration of Microsoft .NET technology and SAP NetWeaver

Key Benefits

- Improved trade regulatory compliance
- More efficient trade processes
- Easier monitoring and reporting through centralization
- Reduced maintenance costs
- Highly scalable solution

Hardware

HP DL760 and DL380 servers

Operating System

Microsoft Windows Server 2003

Database

Microsoft SQL Server 2000



MICROSOFT

MICROSOFT JOINS WITH SAP TO IMPROVE EFFICIENCY AND REDUCE RISK OF TRADE REGULATORY NONCOMPLIANCE

In the post-9/11 world of cross-border trade, companies must execute export transactions with care and precision – or risk the ramifications of noncompliance. With exceptional global reach and a large portion of its business success riding on international trade, Microsoft understands this better than most companies. And when the Redmond, Wash., giant wanted to adhere to the letter and the spirit of the law while maintaining efficiency and its renowned business agility, it turned to SAP.

“SAP is a longtime Microsoft partner,” says Paul Wilde, group program manager at Microsoft. “We use SAP solutions as our enterprise platform. We had familiarity with the technology, confidence in the company, and a strong working relationship based on past mutual success.”

Still, Microsoft did its due diligence, performing a build versus buy analysis to determine whether or not a custom solution would best serve its needs. After factoring in development time and cost, the company decided to use the SAP® Global Trade Services (SAP GTS) application. “We liked the fact that it was a completely standard offering that would not only interface with our SAP implementation on the back end but would also connect to Microsoft’s .NET technology through the SAP NetWeaver platform. This would allow us to incorporate diverse systems within the Microsoft IT landscape – even though these aren’t SAP environments – and help to ensure trade compliance of those transactions using SAP GTS.”

DEALING WITH TRADE REGULATIONS

Although SAP GTS enables companies to execute customs management tasks such as classifying products, calculating duties, generating trade documents, and communicating with regulatory officials, Microsoft's immediate interest was in the export compliance management capabilities of the software.

"What we needed most," says Anne Marie Griffin, senior manager of export compliance at Microsoft, "was to enable a standardized, automated approach to Denied Persons List [DPL] and embargoed country screening." The U.S. government publishes updates to the DPL regularly to inform exporters of the individuals and organizations with whom trade is prohibited – an issue of increased concern for government authorities and corporations around the world after the events of 9/11. "Microsoft wants to do its part to comply with national security requirements," continues Griffin. "And we want to do it in a way that prioritizes compliance and lives up to our standards of efficiency. SAP GTS gave us that ability."

OBJECTIVE: AVOIDING PENALTIES

Microsoft's overriding business objective for its SAP GTS implementation was to mitigate the risks of regulatory non-compliance with export control laws – risks that can be quite substantial. Penalties for exporting to prohibited entities range from the confiscation of shipped goods to financial fines – even the revocation of export privileges. "The problem is," says Griffin, "in an organization like ours – trading with literally hundreds of partners around the world – the smallest error can lead to significant penalties. To demonstrate good compliance, you need to use a robust system."

For example, lists generated by various governments need to be consolidated and all export-related transactions need to be checked against a consistent set of data to avoid inaccurate screening results. In addition, the names appearing on the DPL

need to be cross-referenced for possible spelling variations that could arise due to issues of foreign language transliteration. To ensure trade regulatory compliance, Microsoft developed a list of objectives the SAP GTS implementation had to meet.

SAP GTS MEETS MICROSOFT'S OBJECTIVES

One of those objectives included standardizing Microsoft's internal and external screening systems and processes. "The fact is," says Wilde, "Microsoft uses a host of different systems to support its various businesses. We needed to simplify access for this diverse constituency, which meant Web-enabling the capabilities of SAP GTS so that it could receive data from these systems in a common format via a simple Web service, check that data for compliance, and return a result," adds Wilde. "Microsoft .NET technology and SAP technology working well together was critical in making this happen in a seamless fashion."

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Paul Wilde, Group Program Manager, Microsoft

Another issue was the process of implementing "tenants" – other Microsoft transactional systems that would be leveraging the software – onto SAP GTS. "We would be bringing on new business streams on a regular basis," says Wilde. "We wanted that process to be standardized, efficient, and secure."

Remaining objectives included being able to scale up and screen large volumes of customers and transactions, as well as enabling the centralized reporting capabilities that would capture critical, summary-level reporting information related to screening activity. To help meet these objectives, Microsoft used its proven Windows Server 2003 platform and SQL Server 2000 using "clustering services" for the SAP GTS database and "central instance" installations.

OVERCOMING TECHNICAL CHALLENGES

“Goalkeeper” was the code name given to the SAP GTS implementation project at Microsoft. And one of the major technical challenges facing the Goalkeeper project was to ensure an acceptable level of performance. Could SAP GTS receive and screen a high volume of transactional data – coming from multiple source systems via a Web service – and send back results in a reasonable time frame? And could SAP GTS work together seamlessly with Microsoft .NET in a Web-based context?

To make these things happen, Microsoft deployed the SAP connector for Microsoft .NET – a proven component used by SAP customers to facilitate integration between the SAP NetWeaver™ platform and Microsoft .NET. The SAP connector for Microsoft .NET facilitates communication – using a powerful combination of server- and XML-based protocols – between users entering and receiving data in their various application environments and the SAP GTS application in the background, which uses a Web service.

“We are able to help ensure compliance without disruption of the business processes occurring in those transactional systems,” says Wilde. “Through a combination of SAP NetWeaver capabilities and Microsoft .NET technology, we are able to connect these various systems to SAP GTS with little trouble at all.”

IMPLEMENTATION: ON TIME, WITHIN BUDGET

The actual system development work was managed by distributed teams divided by continents. A team in Dublin managed the front-end development of a tool based on Microsoft .NET technology, known as “Screen Manager,” which manages the incoming flow of data about customers and transactions and feeds it into the Web service. At the same time, a Redmond-based team developed the Web service itself, which enables communication between Screen Manager and SAP GTS.

“Because of the discrete nature of the components of the system, distributed development worked just fine for us,” says Wilde. “There was a Microsoft .NET component and an SAP NetWeaver component. We developed them separately and then hooked them up when both were ready to go.

“All in all, it was a very successful implementation experience,” Wilde continues. “On time and on budget. We went live in May 2004 and now we have a powerful and scalable solution that helps ensure trade compliance.”

BOOSTING CONFIDENCE, BACK TO BUSINESS

For Microsoft, this project was more about streamlining export compliance than financial return and, in terms of compliance, the picture is already clear. The use of SAP GTS has given Microsoft confidence in its ability to reduce the risk of regulatory noncompliance. And that is good for business.

“We’re also happy with our ability to rapidly ‘onboard’ tenants to SAP GTS and process the load efficiently,” says Wilde. “This is due in large part to a design decision: putting SAP GTS on its own box in order to off-load processing duties from our back-end enterprise system. Preliminary results indicate that we can update about 1,000 records in a three-minute round-trip. And I expect that number will come down as we continue to fine-tune the process.”

“Another clear benefit of the new system is centralization,” adds Griffin. “We strive to ensure consistent processes across the company, and we want the reporting relative to those compliance activities to extract information in a uniform, efficient manner. We can now set metrics for measuring compliance levels internally.”

MOVING FORWARD

Due to the vast variety of businesses and systems within Microsoft, it was important for the company to have the flexibility to connect SAP GTS with not only their SAP R/3® software but also non-SAP systems. (SAP R/3 functionality is now available in the

mySAP™ ERP solution.) “In a way, we put the cart before the horse,” says Wilde. “It was of greater strategic importance to us to hook up SAP GTS with our non-SAP systems – which meant Web-enabling the system to incorporate our various business streams.”

Since then, Wilde adds, Microsoft has implemented the interface between their SAP R/3 software and SAP GTS. This has allowed Microsoft to carry out DPL and embargoed-country screening for transactions processed directly through their back-end enterprise software. “It has also allowed us to retire a custom solution that we had been using previously to screen these transactions. The challenges for this project were also minimal because it was an SAP/SAP integration job,” says Wilde.

According to Griffin, Microsoft is exploring the possibility of using the other components within SAP GTS as well. “For us the initial SAP GTS implementation fulfills a targeted need – screening denied persons and embargoed countries to achieve export compliance. Once we’ve completed the majority of the business stream onboarding work, we’ll be considering using other components of the system as well, particularly the product classification and duty calculation capabilities.”

“We’re very happy about how this project transpired,” says Wilde. “We’ve proven that SAP and Microsoft work well together. We’ve proven that our technology platforms are compatible. And we’ve shown to ourselves that a standardized solution such as SAP GTS can really work for us, meet our needs, and help improve the way we do business.”