

Pepsi-Cola Manufacturing International Ltd.: GCS Implementation

A Governance-Risk-Compliance (GRC) Program

 **Interfacing Technologies Corporation**



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Executive Summary

Pepsi-Cola Manufacturing International Ltd. (“PCMIL”) has successfully executed a **compliance initiative supported by BPM technology** in response to a need for more efficient compliance with the corporate Global Control Standard (GCS). Their primary objective for this initiative was to streamline their preparations for SOX activities and to ensure compliance with GCS requirements. Using Interfacing’s Enterprise Process Center® (EPC), PCMIL effectively integrated their GCS implementation with day-to-day operations in order to benefit from a **unified approach to corporate governance and process management**. They achieved significant cost savings for their internal GCS audit and extremely positive overall results.

“Our auditors gave us excellent feedback on the use of the EPC as part of our GCS implementation initiative. They were particularly impressed with our ability to identify controls and relate them to risks prioritized with the Risk Matrix. They have since recommended our approach to internal GCS compliance as best-practice for other PepsiCo plants.” Control Officer Team, PCMIL

“The integration of our internal audit objectives within our business operations is a novel approach that has exceeded our highest expectations in terms of the effectiveness of our compliance initiative. The GCS implementation program has allowed us to promote a culture of governance and process improvement across the organization.”

Richard Hughes, Director of Finance, PCMIL

Challenge Addressed

Without a formal and central documentation system, the preparation time – and, therefore, business disruption – for internal GCS audits and SOX reporting was very high, and inconsistent process knowledge was a source of insecurity as it pertained to the outcome of the audits. PCMIL also needed to address an acute lack of easy accessibility to the documentation and process flows for auditors and employees, as well as inconsistencies and gaps in their process documentation that were compounding problems associated with manual audit preparation. Although approximately 100 critical processes had been mapped with Microsoft® Visio® and role matrices had been documented in MS Excel®, processes were **decentralized and managed manually and independently of GRC programs**. PCMIL did not have a system in place to support their GCS implementation initiative, and frequent, manual process updates, as well as the audit process itself, were proving time-consuming and costly due to a lack of integration with business processes.

Desired Outcome(s)

In order to address the aforementioned challenges, PCMIL’s GCS compliance team sought to:

- Reduce preparation time, costs, and the risk of human error associated with GCS and SOX audits



- Increase process clarity and transparency; improve visibility of risks; pass the GCS audit
- Create a Process Library that would include the highest priority aspects of critical process areas using industry-standard best-practices for process modeling (BPMN)
- Centralize processes; facilitate the management of the process lifecycle, including process-related information such as risks, controls, documents, business rules, roles, and resources
- Clarify and document roles and responsibilities to ensure segregation of duties for SOX compliance
- Establish a clear audit trail to facilitate the compliance side of continuous process improvement; reduce the need for manual process updates and reporting
- Generate reports automatically: Control Matrix, GCS Matrix, Audit Trail, SoD Report, RACI Report

Process Undertaken and Roles Involved

The GCS implementation initiative was extremely successful as it received full support from top management at PCMIL, the IT department, a dedicated Project Manager, and the core team assigned to the program. It involved employees at all levels of the organization in process modeling and training, so resistance to the end-result was effectively eliminated.

PCMIL selected Interfacing's Enterprise Process Center[®] (EPC) as the supporting technology for its ability to embed global controls in their business processes. An important first step was the delivery of a Process Library in the form of a centralized EPC repository once PCMIL's existing processes had been validated and migrated into the EPC. Cross-functional processes were mapped with the direct collaboration of the line-of-business managers involved in Purchase-to-Payable, Inventory-to-Cost, Sales-to-Collection, Financial Reporting, and Fixed Assets. Top management at the plant, including Finance, Quality, Manufacturing and Inventory Control participated fully in the process, thus enhancing the proportional ownership of this important project. In addition, the local team benefitted from the participation of a steering team at headquarters providing oversight on a monthly basis

PCMIL process modelers captured and documented process-related information, including documents, risks, controls, business rules, roles, and resources, that they then linked directly to processes in the EPC. They utilized the EPC's best-practice RACI (Responsible / Accountable / Consulted / Informed) framework to define roles and responsibilities and leveraged the EPC's integrated Risk Matrix to quantify and prioritize risks in terms of impact and likelihood. With their GCS compliance requirements embedded in their processes, PCMIL used the EPC's automatic reporting capabilities to generate process documentation and audit reports.

Outcome(s) Achieved

PCMIL met their primary objective by integrating global control and governance strategies at the process level. Rather than treating the internal audit process as a "one-time" or periodic project, they have integrated this GRC initiative as an ongoing part of business operations. The improved approach to GCS implementation was successful because it was easily adopted by employees at all levels of the organization; there are approximately 100 non-technical users accessing the system.

Due to the centralized EPC Process Library, roles and responsibilities are clearly defined and documented, enforcing the segregation of duties for SOX compliance. The EPC has ensured that process knowledge is visible and consistent across the organization and easily accessible to PCMIL employees and auditors. This has increased Management and employee confidence around the GCS audit, as those



involved are able to give precise and detailed responses to process and control-related inquiries. Risks are immediately visible, and controls are linked directly to the appropriate processes, and are being actively monitored in the EPC. The project team is currently determining the average cost savings associated with eliminating the need for manual process updates and with automatic report generation as part of the additional project phases. In the Fall of 2010, PCMIL confidently passed their internal audit and received positive feedback from their corporate auditors, who commented on the clear audit trail left by the EPC and on the consistency of process knowledge across the organization.

Planned Next Steps

PCMIL is continuing to document processes in other areas, starting with HR and Payroll, IT, Customs and Duties, Travel and Entertainment, and Safety. They have plans to further enhance the efficiency of the annual GCS audit by automating control testing and audit scheduling processes using EPC Workflow.

