Powered Enterprise Solutions

Five blogs about implementing ERP

This article elaborates on the following topics regarding Enterprise Solutions:
- the new normal in ERP is enforced by your employees;
- S/4HANA: how fast do you want to go?;
- customization where it needs to happen, by default where possible;
- standardization as a fuel for successful digital innovation in finance;
- upgrading a finance function is done in steps.

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THE NEW NORMAL IN ERP IS ENFORCED BY YOUR EMPLOYEES

In 2005, research agency Gartner identified 'Consumerization of IT' as one of the most important trends for the coming ten years. No one talks about the term anymore, but the trend has continued strongly.

The idea behind this trend: the way information technology is conquering the world is changing direction. In the past, IT was first implemented in professional environments and then passed on to consumers. In the new reality, innovation takes place first on the consumer side and then migrates to professional environments. In other words: "technology savvy" consumers force adoption: they simply demand that the extreme ease and flexibility they experience when using devices and digital services should also apply to their professional environment. An anecdotal example is the rising use of Dropbox a few years ago: because it was so convenient for private use, people started using it in their business environment, whether against corporate guidelines. We found a striking comment on an article[1] about this topic: "The point is that Dropbox is so easy to set up and use. Most enterprise solutions are far too complicated, leaving the users behind."

It underlines once again that organizations in the 21st century can only be successful if they can respond quickly, flexibly and user friendly to change within and outside their own organization. This also suggests an important lesson about ERP systems. Such a system must of course be stable and reliable, because it is the backbone of your organization. At the same time, however, the system must be flexible and innovative, which makes it stand out in the market and meet the expectations of users.

No manager should therefore settle for an ERP system that adds no or insufficient value and is perceived by users as archaic and rigid. They must work to ensure that their ERP system is not only a cost item but - above all - an essential strategic tool in business operation, a tool that distinguishes the company. After all, the value of such a system does not (only) lie in a controlled, standardized, harmonized and problem-free processing of, for example, large amounts of orders, company information or personnel data; the real value mainly lies in the fact that ERP also makes it possible to quickly respond to market opportunities and contribute to business performance. Just as the employees experience every day in their role as consumers. Anyone who can't live up to that will soon be out of business.

The way information technology is conquering the world is changing direction.

1 http://gigaom.com/cloud/guess-what-mr-cio-one-in-five-of-your-employees-use-dropbox-for-work-files/?utm_source=social&utm_medium=twitter&utm_campaign=gigaom

S/4HANA: HOW FAST DO YOU WANT TO GO?

"The biggest launch in 23 years, possibly ever," says CEO William McDermott of software company SAP at the announcement[2] of S/4HANA, the latest business suite of the German software builder in 2015. In the years that followed, the company made it very clear that S/4HANA is more than just an upgrade from previous versions. Many directors therefore face an important decision. If their organization now runs on an SAP ERP suite, the question arises what to do with S/4HANA.

According to SAP, the potential of S/4HANA is great. The abbreviation HANA stands for High Performance Analytic Appliance, a different way of dealing with databases that provides much more speed in processing and analysis, which is essential in responding to a new business reality in which that speed is so important. The new Business Suite responds to the digitization of chains and ecosystems, easily adapts to new strategies and business models, offers live information about processes for users and seamlessly links workflows of different components inside and outside an organization. Moreover, S/4HANA explicitly responds to the opening of possibilities in the field of Big Data and Internet of Things, among others.

But I am sure decision-makers have heard such fine and promising words before. The reality is: it is better to make decisions based on facts than on fine promises. What are the facts?

Fact 1 is that S/4HANA is indeed much more flexible and faster than its predecessor(s). No one can deny that these are essential factors today. After a takeover, for example, it is simply not an option to have to wait six months (or even longer) for the integration of ERP systems. The same goes for setting up a new business model: fast time-to-market is one of the most powerful competitive weapons and an inflexible ERP system should not be an obstacle. S/4HANA is at this point a giant step forward.

Fact 2 is that many organizations are not well prepared with their ERP system for the demands of modern times, or even have major problems keeping it running. The promise they once started their ERP projects with – a high degree of (cost) efficiency in the organization, possibilities for developing business and streamlining processes – frequently proved difficult to realize in practice. It often takes a lot of effort to adequately manage the SAP environment and carry out the necessary maintenance within budgetary constraints. In some cases, the system can no longer even meet primary information needs and/or requires workarounds. This is starting to cause more and more friction, affecting the challenge that many CFOs, among others, are facing. They want the financial function to be less concerned with routine work and shift its focus to providing strategic insights, to information that really matters, to made-to-measure and preferably in real time.

Finally: fact 3. In December 2025, SAP will no longer support the current version. In concrete terms this means that customers will no longer receive updates, nor can they call on support for technical issues. Although some specialized agencies may probably still offer some workarounds, this will not be a sustainable solution in the long term: 2025 is closer than many people think.

S/4HANA explicitly responds to the opening of possibilities in the field of Big Data and Internet of Things

2 https://bits.blogs.nytimes.com/2015/02/03/sap-aggressively-moves-customers-to-its-database/

CUSTOMIZATION WHERE IT NEEDS TO HAPPEN, BY DEFAULT WHERE POSSIBLE

In the classic Monty Python film *Life of Brian* (1979) the protagonist tries to shake off a crowd that sees him as the messiah. He calls on them to think for themselves: "You're all individuals," he tells the people. "We're all individuals," the crowd shouts back. The scene beautifully reveals how man as a herd animal is inclined to blindly follow the group, which also entails a lesson for ERP implementations.

Herd behavior is also visible here. The archetype implementation focuses on a customized implementation, which is seamlessly tailored to the specific requirements and wishes of an organization. This sounds sympathetic of course, but is it this – expensive and labor-intensive – customization useful?

In the simplest analysis, a comparison is possible with a transport company that buys trucks from a company car dealer. Such a company has specific wishes, of course, but cannot intervene with the dealer in numerous matters, such as the adjustment of the engines or which gears are mounted in a gearbox. There are, however, choices possible regarding the chassis, the options in the cabin and the loading floors. Logical, because these are choices that must fit the type of company.

This is quite different when it comes to investing in information technology. The possibilities to implement custom requirements in software packages are almost endless. And, something strange is going on: *because* those possibilities exist, they are dearly embraced in practice. The effect: ERP implementations are often complex, time-consuming processes in which workshops are used to endlessly discuss how the parameters should be set. If you look at such an implementation remotely, you can immediately see that those parameters do not make the difference in the market. The conclusion is actually very simple: a lot of custom work is based on emotion, not on rational consideration. An example is the drama involved with the SAP implementation at supermarket chain Lidl. One of the problems was that Lidl registers stocks based on purchase prices, while the software does so on retail prices, which is common in the industry. Lidl did not want to make any compromises and reportedly wanted to make the software custom-made at this point, which is asking for trouble, because: "Altering existing software is like changing a prefab house. You can put the kitchen cupboards in a different place, but when you start moving the walls, there's no stability.[3]

> The possibilities to implement custom requirements in software packages are almost endless

Just as a transport company only needs customization insofar as it affects the value it creates with a truck; every organization should also be cautious about customization requirements for information technology. Regarding an ERP system, it makes sense to keep a sharp eye on the value-driven processes, which determine the ability to respond quickly to opportunities in new markets, the rollout of new business models or the embracing of new sales channels. In this case it makes sense to allow degrees of freedom and help the organization do the same. For other processes, a standard setting tailored to the industry is often good enough.

KPMG's Powered Enterprise Solutions focus precisely on this aspect. 80% of SAP institutions are already prepared - and aligned with the industry standard, based on KPMG's in-depth knowledge of these industries. No more workshops are needed. The remaining 20% is about the things that really make a difference in a competitive world. Customization is a given in this world. In practice, the knife of such a Powered Enterprise Solution clearly cuts both ways: it saves an enormous amount of time in the implementation phase and gives organizations exactly the flexibility and power they are looking for.

We really need to take a critical look at the implementation of SAP systems, at where customization is needed and where standards are useful, partly based on a thorough understanding of the industry and typology.

3 https://www.handelsblatt.com/today/companies/programmed-for-disaster-lidl-software-disaster-another-example-of-germanys-digital-failure/23582902.html?ticket=ST-3483047-gWP-W40fVbhUkeDQHubs7-ap4

The deployment of RPA is more effective when the basis on which it is deployed is more uniform

STANDARDIZATION AS A FUEL FOR SUCCESSFUL DIGITAL INNOVATION IN FINANCE

We know that predicting is impossible. Nevertheless, it is safe to say that the financial function of 2025 will in little way resemble the financial function of today. If only because we are already in the middle of this fascinating change.

The core: financial functions will soon no longer be able to get away with providing fast and reliable management information. They must provide the fuel for a successful strategy.

This raises the bar substantially. For many it is already difficult to provide forward-looking information – and in many cases it is not even a reality yet – but now, even that is not enough. The financial function must also offer the action perspective on how organizations can respond to this forward-looking information. In short: it concerns a development from *descriptive* to *prescriptive*. This is just one of the many changes. Because the flexibility of the organization also needs to increase significantly; information must be available immediately; the costs of the financial function must be significantly reduced; and the financial function must become more data-driven.

This is not an easy matter!

Fortunately, there is a wealth of new technology available that comes to the rescue. The recent rise of Robotic Process Automation (RPA) – including machine-learning techniques – has had a marked impact. The challenge is to use this technology in the right context – from a strategic perspective on the financial function – and not to focus on the technology *itself*. The key question, of course, is: how do you do this?

A complete answer to that question requires an analysis of the specific situation and does not fit in an article of a few hundred words. But there is an important general principle.

The deployment of RPA is more effective when the basis on which it is deployed – including the ERP systems – is more uniform.

Uniformity of systems is an unmissable trend in the past ten years. Many organizations want to reduce the complexity of their IT environment and are switching to a more centralistic model. This makes it easier to exchange information between divisions, offers more flexibility to respond quickly to new information requirements and is also much cheaper in terms of management.

Such standardization is not only useful for this reason, but also offers the best "landing strip" for new technology such as RPA. In any case as provisional. Robotics continues to evolve, we can distinguish three main phases: basic, enhanced and cognitive. Most practical examples are still taking place in the first two phases: phase 1 and 2 are combined in the analysis. RPA can learn with large amounts of data. Phase 3 is the cognitive phase, which deals with exceptions, where practical applications are not developed yet. RPA analyzes how certain tasks are performed by people. Due to its learning power, the robot can then quickly take over several processes properly and error-free. However, this only works well if there are many "Desire Paths": machine-learning works especially well if there are large volumes of standard actions. Exceptions make RPA applications less useful and therefore expensive.

We do point out some nuances here. As the RPA tools become more intelligent, this issue plays less of a role. Smarter tools will also be better able to deal with exceptions.

UPGRADING A FINANCE FUNCTION IS DONE IN STEPS

How to eat an elephant? By cutting it into very thin slices.

The same applies to working on the financial function of the future. It is certain that this function will change dramatically. It is also not that difficult to formulate an ambitious dot on the horizon about what that financial function – and the associated systems and tools – should look like. With a few strategic brainstorm sessions, you've got this is on paper. The real challenge, however, lies in realizing it.

Fortunately, we have learned a lot in this area in recent years. For example, the way startups work. They often have a great idea as a motive for everything they do, but with small steps and minimum viable products they take steps towards that great idea. The flexibility is tremendous. This approach also conquers the management of larger organizations and is called strategic incrementalism: step-by-step to the desired change.

In our approach to achieving improvements in the financial function, we translate this into the ESSAR perspective. ESSAR successively stands for eliminate, standardize, simplify, automate and robotize; steps that are necessary to achieve continuous improvement. We build a proof of concept, test whether it works well, polish it up and then go on to the next one.

This way of working is not only necessary because the outside world is so fast and hectic and therefore every blueprint is outdated. It is also the best - and perhaps the only - way to get the organization on board in the change. Because the pace of change is of course often not determined by the beautiful disruptive technology, but by its adoption by people. The computer mouse is a nice metaphor for this. It took several decades before the computer mouse developed from patent application to mass application: the idea was fantastic, but human adoption takes some time.

Change is therefore emphatically a combination of top down and bottom up approach. Of course, change requires good leadership and a clear vision of the future - the top down approach. But working bottom up is the only way to really get people involved in the change. In fact: you stimulate them to actively think with the organization to improve a change. By creating innovation at the edges of an organization, you will build an organization that keeps reinventing itself; an organization that is always in beta, a term used by Google in the early years. Google has become quite successful with it.

ESSAR stands for eliminate, standardize, simplify, automate and robotize

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