Aligning Business and IT To Improve Performance on SAP

Making BI and performance management work requires agreement from all stakeholders

White Paper

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The Advent of ERP

Many organizations today have had notable success in their campaigns to increase the productivity and efficiency of their business processes. These improvements are due in part to more efficient use of information technology, particularly the enterprise-class applications – such as enterprise resource planning (ERP), customer relationship management (CRM) and supply chain management (SCM) – that provide standard ways of executing transactions across business processes.

SAP is one of the largest and best-known providers of enterprise applications to large and midsize organizations. In the years leading up to and following the Y2K change-over, the company took advantage of organizations' demand for consistency in conducting business transactions utilizing information technology. As SAP's overall market share among businesses grew, it also established its presence in vertical industries that have unique business processes, among them oil and gas, automotive and consumer packaged goods.

As time passed, large organizations that embedded SAP's applications in their business processes found themselves facing the challenge of maintaining versions and instances of the software across their often geographically dispersed sites, subsidiaries and acquisitions. Today, managing SAP deployments across the business is itself a business process. Varying business needs often force local managers to use an application somewhat differently than counterparts elsewhere do, and for many the cycle to upgrade for more processing power or additional functionality has become almost continuous. At the same time, organizations realize they must weigh against the gains the potential interruption to business operations that upgrading causes. Often, they conclude they should upgrade only where absolutely needed.

Today, managing SAP deployments across the business is itself a business process.

Of course, organizations would much prefer to concentrate on using these enterprise applications to facilitate business transactions. Ironically, the proliferation of various versions and customized iterations of SAP software (as well as applications from a few other major providers and many smaller ones) has left many organizations without the consistency of data and process execution that was their original goal in adopting it. Because of their diverse operations, many find it hard to standardize on one instance of ERP, let alone cope with multiple versions. Instead, they often settle for managing the specific needs of key functions – among them manufacturing and distribution, sales and field service, accounting and HR – as silos separate from each other to ensure stability and effective execution of business transactions within their processes. In such situations, ERP standardization projects are certain to span multiple years, particularly since all existing applications, legacy or not, should be

integrated into the continuous data flow to meet the need for complete business information.

The upshot is that, far from being the competitive differentiator it once was, ERP has become a standard component of the way nearly all enterprises conduct business. Today's challenge for businesses is to regain that edge. One approach in particular seems promising.

ERP and BI – Ready or Not?

In this mixed environment, companies struggle to access data about historical performance across departments and then use it to perform enterprise planning and broader performance management tasks that span operational units. Aware of these needs to work with data in and from multiple systems, SAP has provided reporting and analysis capabilities in products it now calls SAP NetWeaver Business Intelligence and SAP Analytics, but this software is not easy to integrate with multiple versions of SAP or systems from other suppliers without upgrades to those established implementations.

Organizations that have chosen to rely on ERP systems to provide business intelligence (BI) and performance management have been more than challenged. ERP systems have promised but not delivered robust capabilities to support their stated purpose, enterprise resource planning, particularly as it involves BI and performance management. Real enterprise planning must be built on the ability to operate across an organization, to collaborate across business lines and to access large volumes of enterprise data and use it for decision-making. Merely generating reports from one instance of SAP or one departmental area is not sufficient. For example, it certainly is useful to have a report from Manufacturing that indicates efficient use of inventory. However, if the inventory report is integrated with demand plans from Sales and partners, it also could help identify potential issues that might impede delivering to forecasted promotions, which would be even more useful.

ERP systems have promised but not delivered robust capabilities to support BI and performance management.

The desirability of harnessing the full value of data from ERP is obvious. Ensuring that an organization can be prepared for the unexpected or easily can discover potential opportunities or issues, however, requires further preparation. BI is about providing business users at any level with secure access to the data they need to perform their jobs. IT staff cannot predetermine every business question or need, so enabling self-service for users is critical for deriving full business value from your investments in ERP, BI and performance management.

Nonetheless, many organizations have come to terms with their array of SAP applications by limiting themselves to reporting and BI analysis of data in each of these silos. Others have deployed SAP's BI and data warehouse technology – SAP Business Information Warehouse (BW) – as a way to generate information across systems. While using BW does improve operational reporting and analysis across business areas, organizations have found that it can be difficult to extend the tool's capabilities beyond SAP sources.

This situation is a barrier for organizations that try to enforce the use of SAP products for BI and performance management. The SAP-only shop is a rarity in today's corporate world, and without a way to share business metrics and information no matter where they reside, organizations are hindered in efforts to make well-informed decisions. BI and performance management can be critical contributors to business success; time lost in making decisions without complete information could delay an organization in achieving its potential.

Inhibiting Factors

As anyone who has played a role in running an organization knows, siloed systems are not the only obstacle to effective performance. Equally substantial barriers to establishing a common approach to business intelligence and performance management are entrenched politics within and between business units and IT – what is called "turf protection." Over the years, many managers and executives have developed comfortable relations with the vendors that provide systems and tools to their lines of business. Some of these managers have placed what are in effect career bets on how much a particular technology acquisition, such as an ERP system, can improve business efficiency. As a result, they will resist what they perceive as threats to these decisions and their own positions.

Entrenched politics are substantial barriers to establishing a common approach to business intelligence and performance management.

In most cases, IT organizations took part in the decision to standardize on an application suite and were given responsibility for managing it. And in recent years, virtually every IT organization has operated under a mandate to rationalize systems and use fewer suppliers, as a way to reduce costs and simplify the technology environment.

Imagine that into this environment comes a proposal to deploy a new, silo-crossing enterprise system that will help manage information and develop BI and analytics to guide both strategic and operational decision-making. It's a system that could yield significant improvements in business performance. Now the business side must guide IT on what it needs – what kinds of information and decision-support capabilities, for instance. And business needs IT to ensure safety and security along with

efficiency and cost-effective use of technology. But many IT groups and business units do not have strong working relationships that could make it easier to determine these requirements; instead, IT makes a choice based on the technology supplier.

Improving business performance is a goal that cannot be realized without cooperation by the business side and IT. In a wise collaboration, IT focuses on architecture, administration, scalability and performance, security and infrastructure, while business evaluates the practical usability and capabilities of tools being considered and how effectively they can be integrated into the organization and its business processes. IT must work to ensure that its technical requirements and the business needs are well-defined, harmonized and prioritized. Leaving everything to only one side of this team is a sure path to failure. Having agreement on who is responsible for which elements of the requirements and prioritization is the essential first step.

And, of course, this pattern of non-consultation contributes to already existing resistance to change. After all, change is unsettling. For IT in particular, it can upset comfortable partnerships, and it inevitably introduces risk. What's more, it requires work.

It goes without saying that politics exist in any organizational structure. Typically, it is political standing that makes it possible for individuals who are outside the selection process to influence decisions. When such an individual forces a decision in favor of a vendor, the outcome may not benefit the organization as a whole. The danger is particularly acute when the vendor is an incumbent and the decision is pushed in the direction of the easy path of assuming, without review, that its application suite will best meet the business's needs. Making such a decision without performing a review that examines carefully both functional and user requirements can be detrimental to the organization; at the very least, it is risky.

Many managers have developed relations with vendors that they feel compelled to protect.

A related danger is that companies that have made significant investments in a large ERP system such as those from SAP reasonably will wish to reduce their total cost of ownership (TCO) as much as possible over the life of the system. One failure-prone way to do this is to use the system for purposes beyond those for which it originally was designed or purchased, such as BI and performance management. It's a simple, compelling argument: Because the company already owns the software, it can be used for other requirements "for free." But if the software is not really suited for that added use or is difficult for business people to use in that context, it could end up costing substantially more in terms of wasted time and effort and poor results than new software built for the task.

The role of consulting firms also complicates the change process. Many organizations rely on consultants to facilitate the implementation of large applications such as SAP's, and they typically exert some influence over how their clients use them. Such a firm's technical expertise and skills set may not match the performance improvement goals the company wishes to accomplish. For example, skills and experience in the use of ERP as a transaction system may motivate a consultant to try to position ERP as the de facto solution for BI or performance management rather than investigate an alternative that may fit better.

It does not require sophisticated knowledge of best practices to understand that the responsibility for judgments as to what is right for an organization should be vested in the employees who will be held accountable for the outcome rather than any vendor or consultant. Nothing comes for free; using previously purchased or negotiated software in a way that may appear to deliver a lower TCO may not be the best choice for your organization and could even lower your ROI.

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Removing the Obstacles

Introducing BI and performance management into an SAP environment is a decidedly nontrivial undertaking. The actual deployment of the technology often is the least of the challenges to be faced.

The first steps involve human resources: assembling and preparing the business leaders and the team that will deploy the new system. That team must include both business users and IT staff, and the two camps must do some groundwork to ensure that they can in fact operate as a team. This will require discussion, and ultimately consensus, on what the goal of the project is, how success will be measured, what the constraints are likely to be and finally what deployment path to take.

If the team has been created to enable business intelligence and performance management as key business initiatives, it must agree first on common definitions of the two terms. This need may not be obvious, but it is an essential step; many people in business view BI and performance management as management concepts, while many in IT associate the terms with specific capabilities of software and its vendors. The business side must take the lead here, identifying the business goals that will drive the deployment and connecting the BI and performance management concepts to the strategy of the organization, then relating them as processes to the technologies being considered. Only then can the team move on to discuss how specifically to achieve the goals.

Establishing a collaborative process, one that not only invites but seeks out input and involvement, is part of the successful adoption of BI and

performance management. Understanding what is possible with BI and what can accelerate business is important to ensure you are not just implementing capabilities that will not advance the business or that competitors implemented years ago. Understanding the complete life cycle, building the roadmap and clearing the path to maturing your organization's use of these technologies are critical for both short- and long-term success.

Every organization uses ERP in its own nuanced ways. Understanding those nuances is essential to be able to choose the right technology and configure it appropriately. In addition, ERP teams need to understand how BI will impact their system and what data it will draw on. Thus, for example, the team must determine the requirements for – and differences between – executing business transactions and extracting information to help operational users take action and management make decisions.

Of course, just understanding other team members' positions is not sufficient to move the organization forward. Attempting to agree on the right strategy and plan to deploy BI and performance management in an SAP environment is an undertaking that has left many organizations with indecision and stalemate. Breaking through to a clear direction requires applying a carefully selected set of business and technology criteria that represent the organization's requirements and address the issues identified by the team.

Determining what is needed to execute business transactions, on one hand, and to extract information to support operational and management decision-making, on the other, is a critical step. In many organizations one key discussion point is whether the transactional data environment and the information access and decision environment for BI and performance management should be the same. Today's demand to collect data from many functional areas and even external competitive and demographic information for business and regulatory compliance purposes goes beyond the scope of conventional transaction systems. In response, ERP providers have built data warehouses and data marts in which customers can gather data from all relevant sources, apply analytics and develop performance metrics. Even SAP has separated the transactional and informational layers of its systems.

Fully evaluating technology for effective use of BI and performance management involves considering various components. Interfacing to ERP requires efficient data integration that can meet IT requirements for accessing and storing data. Of course, where that information is stored and maintained is typically a database management issue, and thus a key IT decision for IT to make. While the integration

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and storage requirements also are mostly IT-focused, making these decisions requires balancing technology issues with business needs. The importance of business and IT working through this process together should not be underestimated.

The nature of the technology discussion concerning BI and performance management recently has begun to shift. SAP and other ERP providers realized that their approaches to BI and performance management do not satisfy customers' needs, and so they have made software acquisitions to gain traction in the market. In 2007 SAP acquired applications for bridging strategies, goals and initiatives (from Pilot Software) and financial performance management applications (from OutlookSoft). Each of these has business intelligence components that overlap with SAP's existing BI offering. Neither of these providers prior to acquisition was certified to integrate into SAP systems or had much experience in direct integration of its software into SAP in real customer deployments. SAP is still working to rationalize the overlap of the acquired products with its SAP NetWeaver Business Intelligence and SAP Strategic Enterprise Management products.

Faced with an array of offerings from SAP and independent BI and performance management vendors and a lack of strong signals from SAP, you will need to make your own decisions to protect your existing SAP investment while meeting the current and upcoming business requirements of your organization. Building an enterprise strategy that does this will be challenging, but it's hardly impossible. In fact, it's becoming easier as new ideas and pragmatic business and IT thinking increasingly drive politics out of the use of SAP in organizations.

The Right Project Plan

Acknowledge SAP investments, use them where appropriate and complement them otherwise.

It is vital to gain agreement and establish confidence in your plan for investing in BI and performance management. Since it will involve individuals in your organization with varying knowledge, skills and experience levels, as well as software vendors and consulting firms, reaching general acceptance likely will not be easy. To maximize the potential for success, be sure to solicit input from the various business elements of your organization, at both the strategic and operational levels, to resolve up front issues such as what information they need, who should have access and what applications will be used.

Acknowledge the extent of investments already made in ERP and related applications from SAP; plan to use them where appropriate and complement them effectively otherwise. In addition, your organization may have (or if not, should consult) trained experts with knowledge of BI and performance management; you will need to tap their expertise as part of your efforts to develop the best possible deployments. But although leveraging your organization's knowledge of SAP is important

and beneficial, it is only one ingredient of success. Many organizations fail to insist on widespread buy-in to their projects and tiptoe around contentious issues; a frequent result of this reluctance is the creation of yet more data silos that eventually will have be rationalized.

Typically, each of a company's business functions, from Manufacturing to Finance to HR to Sales, has its own processes and applications for conducting its operations. Some tend to mistrust or misunderstand the systems others use. For example, only 11 percent of participants in our research on ERP and innovation said their ERP system captures nonfinancial information for performance management. That research also revealed the widespread existence of complex, heterogeneous environments; more than half of organizations have systems from at least six vendors in the area of ERP alone. Even in those that run half or more of their business using SAP products, the varieties of versions and instances complicate operations: In organizations that use ERP from only one supplier, more than one-third have four or more instances of it.

Five Steps to Success

To set the direction for BI and performance management in SAP environments, a business and IT team must establish a process by which to evaluate possible paths and ensure it makes the right decision. It must face contentious issues directly and work to resolve them; avoiding them is likely to increase the costs of the project and delay realizing its potential. When considering technology choices, decide whether one vendor can meet all of your needs or a mix of others will work best.

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Ventana Research has identified five steps that can help you gain agreement on how to use BI and performance management software and processes effectively in conjunction with SAP's enterprise applications. They assume that you have established a common understanding among stakeholders of what BI and performance management can do for your organization, as discussed above.

1. Assess existing business and user requirements and priorities.

Documenting the priorities of the business and users should not be a lengthy task if you have a common process for it. These requirements should be wholly about business needs, not vendors. In fact, you must consider all of your business needs and IT requirements rather than just those that relate to SAP. Understanding your short- and longer-term needs, from accessibility to usage, is essential to a successful BI deployment. Categorize the needs of business and IT to ensure you meet both communities' needs. In addition, determine how you will share

information and plans and communicate them across functional roles. Develop use-case scenarios across management and operations in which the interaction of people and information is well-defined to provide a framework for later evaluations of competing software packages.

2. Ascertain conflicts and negotiate resolution of them.

Determine how you will go through the process to select BI and performance management software and which vendor should provide it. Elicit the input and collaboration of all involved parties and include them in the discussion and decisions. This will help resolve lingering issues that the business must deal with sooner or later. Realize that each of the varying components of your solution, from data integration and information management to BI and applications for performance management, has business and IT issues you must identify and deal with. Determining how to address these conflicts will be a critical factor in deciding whether the components should come from one provider or several. Don't assume that an ERP provider, be it SAP or another, has all the components you need in one package. Moving down the wrong path could waste valuable time and opportunity that the business cannot afford.

3. Establish shared evaluation criteria.

Develop a shared approach to evaluating your requirements for BI and performance management.

Develop a shared approach to the evaluation of your requirements for BI and performance management. Don't limit this process only to functionality; also consider architecture, integration, usability and relationship with the vendor. Establish a weighted scorecard that brings business needs and IT requirements into clear-cut categories of evaluation criteria before you begin to evaluate vendors so you can compare offerings quantitatively. Balancing the needs of business and requirements of IT is critical to ensure the right decisions are made for your organization.

4. Assess short- and long-term costs and trade-offs.

Identify as thoroughly as possible the total cost of whatever path you will take. You are investing in a product that likely will be in use for five to seven years, so there are both short- and long-term costs to consider. For example, reporting that is bundled with your ERP system may provide immediate relief for business needs, but the potential costs of switching to cross-functional reporting and analysis down the road could be greater than if you choose this option now.

In addition, map the business benefits, including user satisfaction, opportunities for business growth and other valuable outcomes you want to achieve and determine the time intervals at which you will measure progress toward them. Many organizations look at costs without realizing

that benefits may be achieved at different times during the life of the system. Also, speak with reference accounts to study the technology vendors' product release cycles and their responsiveness to customers.

5. Build a business case that includes current and new investments.

Once you have gathered the facts and resolved issues, make the business case for investment in the path you've decided to take. If appropriate, include scenarios where capabilities from SAP and an independent BI provider have to work together for you to reach your goals. Explain the value of your proposed BI and performance management solution and the projected benefits in an organizational context while also making clear how specific functional areas will benefit; emphasize that the investment will improve decision-making and outcomes in the business.

Gaining a competitive edge in today's global markets is never easy, but you can achieve it by applying to the challenge information and decision-making capabilities in BI and performance management software. To date, most business decision-makers and line managers have had neither enough insight into aspects of the business nor a way to acquire it. The complexity and the politics of assembling a broad enterprise strategy for BI on top of SAP enterprise software typically create stress and often conflict between the business and IT divisions that undercut the potential of the organization. The smart response to such a situation is to address it head-on. Work through the issues and focus on reducing the cost, time and risk involved in successfully satisfying your business and technology requirements. By doing so, you can become a world-class organization that exemplifies the best in business intelligence and performance management.

Acknowledge SAP investments, use them where appropriate and complement them otherwise.

About Ventana Research

Ventana Research is the leading benchmark research and advisory services firm. We provide expert guidance to help organizations manage and optimize performance – to become not only more efficient but more effective. Our unparalleled insights and best practices guidance are based on our rigorous research-based benchmarking of people, processes, information and technology across business and IT functions worldwide. The combination we offer of benchmark research, rigorous market coverage and in-depth knowledge of hundreds of technology providers means we can deliver business and technology education and expertise to our clients where and when needed. Ventana Research provides the most comprehensive analyst coverage in the industry; more than 2.5 million business and IT professionals around the world benefit from Ventana Research's insights. To learn how our benchmark research and assessment and advisory services can improve your organization's performance, visit www.ventanaresearch.com.