

SAP ERP & Business Suite: If ROI Matters...

And you approach your upgrade strategically

You can:

- **Contain costs by 23%**
- **Stay ahead of compliance requirements by up to 5 years**
- **Undergo post-merger integration in as few as 5-8 months**
- **Innovate at a rate 2x the industry average**
- **Decrease your time to market by 50%**

Source: SAP America Survey; WUSERP: Partner Enabling SAP: Unit06

***Or you can simply
forge ahead***

“Clarkston has consistently delivered exceptional results. Our SAP implementation was delivered nearly flawlessly, with tremendous effort and outstanding partnership from the Clarkston team. Even when [my team] leaders were not in the room during a discussion, I could count on Clarkston to act on our behalf, and to look for mutual benefits. They are a world-class firm with world-class people.”

Bill Miller
Vice President of Enterprise Applications
Mylan, Inc.

The choice is yours.

Let's face it. Since you first implemented SAP, a lot has changed. You have new strategies to incorporate, new business models to support, and a whole new generation of opportunities to manage and employ.

Keeping pace doesn't work anymore. You need to simplify your processes and differentiate your business. You need a more flexible supply chain and a proactive approach to regulatory issues. You need insight into corporate performance management and analytics. And you need a stable, scalable technology platform that supports innovation.

To address these challenges, perhaps you are considering whether to adopt SAP's ERP 6.0 platform and its new functionality and other SAP Business Suite 7 components such as SCM, CRM, and SRM. Such an upgrade may help you achieve a sizable return on your

investment (ROI); lower your total cost of ownership (TCO); reduce risk; and achieve operational excellence across your enterprise. But where do you begin?

To get a better understanding on what lies ahead, we sat down with Vijay Mohan, director of Clarkston Consulting's SAP Center of Excellence, for his perspective.

Can you explain more about why companies should upgrade their SAP R/3 system?

One of the primary drivers to consider is business value. You can achieve immediate gains and significant impact when you approach SAP projects the right way. Our clients have received a significant increase in value by upgrading to the ERP 6.0 platform, compared to previous upgrades on R/3 (e.g., R/3 4.0 to 4.6), which were driven mostly by technology aspects (e.g., TCO reduction from maintenance costs).

Using SAP business value as the driver, one of our biotech clients was able to streamline their manufacturing operations, improve cost management, and gain better control of their cash flow. They successfully replaced multiple legacy systems with a single unified SAP ERP system, flexible enough to support their future growth. One of the true measures of business success was that, within just a few months, the new system and process supported product sales growth of over 100%, helping them generate a new revenue stream they can use to reinvest in their business.

Consider your business value drivers as you develop an upgrade strategy (see Figure 1). Depending on the nature of your needs, you should consider one or more of these.

Type of Value	Source of Value (Sample List)
Strategic	<ul style="list-style-type: none"> Platform to support growth Innovation & flexibility gains Compliance, governance Adoption of best practices Increased collaboration & visibility across the supply chain Improved decision support capabilities
Business Benefits	<ul style="list-style-type: none"> Measurable ROI (e.g. reduction of inventory levels or Order to Cash cycles) New functionality (e.g. over 300 new business functions across Finance, Sales & Marketing, Operations, HCM) Improved efficiency (e.g. closing books) Improved employee productivity Best practices & improved business process integration
TCO Reduction	<ul style="list-style-type: none"> Long term foundation SAP Enhancement Packages eliminate need for future upgrades Reduced maintenance cost Reduced operations cost Application consolidation

Figure 1: SAP Upgrade Business Value Drivers

From a product release perspective, SAP will no longer introduce new functionality into the R/3 release and will only provide extended (or customer-specific) maintenance for R/3 customers. However, ERP 6.0, built on the SAP NetWeaver platform, provides major improvements across all core business areas—financials, human capital management, sales, procurement, supply chain, manufacturing execution, corporate services, analytics and reporting.

ERP 6.0 (and other components of SAP Business Suite) also use an Enhancement Package concept that eliminates the need for future big-bang upgrades of SAP applications and hardware. All with a much simpler harmonized user interface across the platform.

Can you explain more about SAP Business Suite 7? How is it different from prior releases of SAP?

SAP Business Suite is an integrated suite of Business Applications which delivers a true business process platform supporting Service Oriented Architecture (SOA). It is comprised of the most current releases of all core SAP applications—SAP ERP 6.0, SCM 7.0, SRM 7.0, CRM 7.0, PLM 7.0 and Industry Applications. Some of the major advantages over the previous versions include—harmonized user interface (UI), common release schedule, extended end-to-end processes across multiple application components within the Suite, embedded analytics and industry focused value scenarios, and Enhancement Packs eliminate the need for technical upgrades to accelerate the innovation.

SAP product strategy includes two core suites of applications—Business Suite and Business Objects. The primary objective is achieving alignment of strategy (Business Objects) with execution (Business Suite). Most importantly Business Suite delivers end-to-end processes to meet specific requirements of a particular industry (e.g., consumer products, pharma, etc.)

What are the possible upgrade strategies companies should consider?

There are three paths to consider—technical, functional, and strategic upgrades:

- Technical upgrades implement the new software release with no major impact on the business process.
- Functional upgrades implement new functions or business value drivers that lay the foundation for business innovation and improved process automation.
- Strategic upgrades include re-implementations (e.g., customer using release 3.x) and SAP system landscape consolidation (e.g., migration to ERP 6.0 from previous multiple releases) to support business growth and enable overall TCO reduction.

No matter which path you pursue, we recommend that you begin with the end in mind. Leading with business value is simply the best way to proceed. Many of our clients have found that it not only helped them build the rock-solid business case they needed, it also helped them achieve a lower TCO, higher ROI and a stronger long-term competitive advantage.

For example, we helped one leading life sciences company use their SAP project strategically to power their plans for aggressive growth. Using this approach, they were able to improve shipping throughput by 51%, decrease inventory levels by 14% and reduce the effort to close their books by 22%. By streamlining and automating their critical business processes, they project \$13.5 million in benefits, an ROI of 63%, and an internal rate of return (IRR) of 37%. In fact, by the third day of business after go-live, the company had the highest shipment volume in its history.

Conversely, however, if you don't align your technical considerations with your business goals, and don't build those scenarios into your business case and your project plan early on, you'll most likely end up doing it later in the testing phase where you'll incur more expense and frustration.

Establishing the business case is critical. How do you gain buy-in?

We always recommend a business case oriented approach. To gain the budget and resource allocations you need, especially in a soft economy, demonstrating business value is essential.

To develop a winning strategy for a successful upgrade, you should:

- Align your upgrade to your business goals (IT with business). Target areas of improvement and quick wins in efficiencies.
- Take a big picture view to evaluate all aspects (e.g., template for best practices, application consolidation, Unicode migration, etc.).

- Incorporate your lines of business and your business units. Detail how you want to differentiate yourself in each area.
- Take into account everyone you interact with and how you can translate those touch points into opportunities for collaboration and innovation. View your enterprise across all levels—from your clients and prospects to your employees, suppliers, retailers, wholesalers, and partners—and business value will start to become evident.
- Create ownership/accountability in your organization, focusing on change management.
- Determine the metrics you will use to support your upgrade strategy.
- Describe SAP Business Suite 7 capabilities and enhancements.
- Conduct a cost-benefit analysis. Articulate the tangible and intangible benefits.
- Be able to convert your targeted improvement areas (captured in your metrics) into long-term (3-5 year), forecasted financial result calculations (ROI/TCO) that are actionable and measurable.

Most importantly, demonstrate that by upgrading to SAP ERP 6.0 you are

optimizing your infrastructure and setting a strategic roadmap that addresses what matters most to your key stakeholders and your business as a whole.

Here's one example: by focusing on their long-term strategic plan which included a global acquisition and merger, one of our generic pharmaceutical clients replaced their legacy applications with an SAP ERP solution. Using a well-thought out approach yielded an SAP solution that delivers impressive results. It supports \$300 million in cost savings, helps grow their revenue by up to 15% annually while doubling their profits, and improved their overall compliance position. In fact, shortly after the project completion, the FDA conducted an audit at their site. The result? No observations and an FDA approval recommendation for all products included in the pre-approval inspections.

It's important to note that elevating just one targeted area of your business can have immediate impact.

Instead of focusing solely on migrating outdated legacy systems to a single, scalable platform, another client used the opportunity to improve their procurement

division. Using a business-focused approach and SAP SRM functionality, they gained fully automated purchasing processes, self-service requisitioning, and strategic sourcing capabilities.

With more controlled spending through centralized purchasing, faster cycle times, and increased visibility with robust reporting capabilities, they are now well-positioned for future growth and profitability.

What advice do you have for companies that feel overwhelmed by the upgrade and its perceived complexity?

View it for what it is—an amazing opportunity for collaboration, integration, and innovation. You can use your SAP ERP 6.0 upgrade strategically to break down silos, retire legacy systems, eliminate customizations and bolt-ons, collapse separate instances, and create a more nimble environment to grow your business. That's not to say there aren't many moving parts to consider, but with a services-based platform, you can start to restructure your infrastructure to meet the new demands of expanding new markets, competitors, price points, etc.

To safeguard your investment and minimize your overall risk, we recommend approaching your upgrade in two distinct phases:

- Upgrade Discovery & Evaluation— Assess the impact of your upgrade on existing solutions; determine your upgrade strategy, cost and effort estimation; define your SAP landscape and your Unicode conversion requirements; develop your project plan; define business drivers; forecast your ROI; and develop your business case.
- Upgrade Build—Execute a technical upgrade followed by a functional upgrade. Use SAP Solution Manager, combined with a proven methodology such as Clarkston's Coherent Speed™.

Planning for your upgrade and developing a strategy is critical, both pre- and post-implementation. A plan, predicated

“Clarkston Consulting defined an aggressive schedule for our SAP project. Given the scope and requirements to support our business, I never thought it would be possible to make the schedule. The level of commitment and dedication the Clarkston team has shown toward identifying and resolving issues and meeting our requirements within our project timeframe and budget has been amazing. Clarkston's approach for managing and delivering this project is a model for other consulting firms to follow.”

VP of Quality, medical device manufacturing company

on SAP Solution Manager and a results-oriented methodology, will help you facilitate your upgrade, maintain your system, provide post deployment product support, and help you focus on continuous business improvement.

But realize you don't have to do this alone. An experienced SAP-endorsed business partner, such as Clarkston, that understands your industry can get you up-and-running in a relatively short period of time, helping you accelerate your business benefits.

What last bit of advice do you have for companies about to upgrade to SAP ERP 6.0 (and other components of SAP Business Suite)?

Well, if I had to narrow it to three things to remember, they would be:

- Align IT and your business goals and build both into your business case and your planning efforts
- Convert your targeted improvement areas into ROI/TCO calculations
- Involve your business users early in the process and focus on change management

And to avoid scope creep, I'd add two lessons learned: consider innovative approaches, and factor in an adequate amount of testing, training, and validation.

For example, consider revising your validation strategy and procedures and adopting an automated testing tool. By building an electronic test repository using existing test scripts, you can actually improve your compliance position. Using new tools and techniques such as this, we have helped our clients cut their testing cycle timelines by 30%, while laying the foundation for future projects (e.g., support and enhancement packages, roll-outs, etc.).

Lastly, I'd recommend teaming up with the right implementation partner who understands your business.

Why Clarkston?

As one of SAP's first national implementation partners and a multiple SAP America Award of Excellence winner, we have delivered over 400 successful SAP projects worldwide, building a consistent record of success. In fact, in a recent client satisfaction survey, Knowledge, Dedication and Results were the words our clients used to

describe us. Furthermore, AMR Research recently referred to us within a select group of service providers with SAP ERP 6.0 upgrade expertise.¹

Our deep industry expertise in Life Sciences and Consumer Product industries, together with the fact that our consultants have an average of over 10 years of experience in SAP Technology and SAP Business Suite and Business Objects solution components (i.e., ERP, HCM, BI/BO, CRM, SCM, SRM, and NetWeaver), means that we understand the unique challenges you face. We can easily anticipate and avoid the pitfalls that others have fallen into. Our many success stories, consistently high rate of repeat business, and unparalleled customer satisfaction rating all mean one thing: our knowledge, coupled with our dedication, is a winning formula for results.

References

¹ "Finding the Right Consultant for SAP Upgrades: The Guinea Pig Era Is Over," AMR Research Alert Article, Dana Stiffler and Derek Prior, March 24, 2008.

Complimentary SAP upgrade preliminary planning session

*Interested in finding out if an upgrade makes sense for your business? Contact DeShelia Spann at **919-484-4681** or **dspann@clarkstonconsulting.com** for information on our complimentary upgrade preliminary planning session. During this session, our experts will conduct an initial high level assessment of potential upgrade business drivers and your current ERP (SAP) landscape.*



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Clarkston Consulting is a different kind of management and technology consulting firm. We deliver a unique experience for market leaders within the Consumer Products and Life Sciences industries. Considering professionalism, expertise, and value as prerequisites, we take service a step further through our unyielding commitment to the success of people as individuals, both our clients and our employees. By combining integrity, adaptability, and a whatever-it-takes attitude, we have achieved an extremely high rate of referral and repeat business and a 9-year average client satisfaction rating of 97%.