THE THREE DIMENSIONS OF SAP BUSINESS ByDESIGN SET THE STAGE FOR GROWTH

SIMPLICITY, FLEXIBILITY, EXTENSIBILITY IN THE CLOUD

In Cloud ERP: The Great Enabler of Growth, Mint Jutras examined how Enterprise Resource Planning (ERP) solutions delivered as software as a service (SaaS) help companies fuel and simplify growth by addressing people challenges and mitigating risk, while maintaining governance and control. Cloud solutions enable you to fail (or succeed) faster, allowing you to focus on the next and best opportunity for growth. While some of the factors that enable growth are inherent in any SaaS solution, not all cloud ERP solutions are created equal. Targeting mid-size and fast growing companies, SAP claims its SAP Business ByDesign is designed specifically to help these companies grow and maximize profits. In this report we investigate the merit of those claims.

SAP Business ByDesign was born in the cloud in 2007, long before “Run Simple” became the mantra of SAP. Yet the initial objective was to simplify, delivering a 100% cloud-based solution for the small to mid-size enterprise (SME), while also fully leveraging SAP’s experience and infrastructure. Instead of reworking an existing product, SAP took a “start over” approach, and over the past nine years has developed and refined a three dimensional design philosophy. Those three dimensions: simplicity, flexibility and extensibility. This philosophy is a perfect prescription for a growing company that needs to get out of the gate fast, but has not yet reached, or perhaps even determined its final destination. How does SAP do that?

ABOUT SAP BUSINESS ByDESIGN

Before we answer that question, it is important to understand what SAP Business ByDesign is. Because it has been in and out of the spotlight for the past several years, retracing a bit of history helps.

HISTORY

SAP Business ByDesign was first released in September 2007, just as SaaS and cloud were emerging as viable and appealing options, especially for SMEs. Both “cloud” and company size and complexity contributed significantly to the launch of this new product. SAP had been very successful in its bid to penetrate the large enterprise market around the world. But as its solution
addressed more and more challenges and satisfied more and more requirements of large multi-national enterprises, the complexity of SAP ERP had grown along with the complexities of global business. The initial goal was to simplify for the mid-market, while also delivering a 100% cloud-based solution, a differentiating factor at the time.

SAP could have taken a few different approaches, including moving an existing product to the cloud. But to come down market, SAP ERP would have had to shed some of that complexity or be overkill for an SME or even for a subsidiary or division of a large enterprise.

Ultimately, starting over allowed SAP to architect the solution specifically for the cloud, drawing on acquired and organically developed leading edge infrastructure. And even more importantly, SAP was able to draw on the thousands of person-years of experience accumulated by its staff in addressing the needs of the large enterprise. To help a growing company, it helps to fully understand the needs it will face when it reaches its desired destination.

**A FRESH APPROACH TO PRODUCT DESIGN**

SAP also took a different approach to designing and delivering the features and functions required by SMEs. While SAP had a wealth of experience from which to draw, development teams were essentially starting from scratch in terms of actual code. This in of itself is quite a luxury, relieving the development team of the burden of design decisions made when technology was quite limited and the business world was very different. And those teams could devote 100% of their attention to developing new products rather than maintaining or enhancing existing code.

Most software vendors build out basic modules like accounting, purchasing and perhaps inventory first and later flesh out the product with features that help bring all the different functions together. Eventually they add more features and modules that help customers differentiate themselves, but usually those are on the longer-term horizon.

This is the easiest way to grow your development organization and your product modules – find someone who understands accounting and put them on that. Find a purchasing or inventory specialist and develop those modules. But that may not be the best way to support a business and it is not how a company naturally grows. You don't build your accounting functions and then figure out what the business will do to make money. You figure out a business model and then build your functional teams around that and perform an end-to-end business process, engaging a variety of different functional areas.

SAP designed and developed SAP Business ByDesign around the way a business develops and grows, creating business process scenarios like order-to-cash, procure-to-pay, and intra-company stock transfers (see sidebar, next page). Some of these business scenarios may sit within a single functional area.
of the business, but more likely, they might span many different functions. This is a little harder to do because minimally the designers need to understand more than one functional silo of the business. Ideally that insight is passed on to the developers as well. Both need to understand the business itself.

But SAP already had people like this. It had spent many years defining requirements, doing functional designs, developing best practices. It just needed to leverage all this previously acquired experience and reinvent, redesign and deliver it for the mid-market. The SAP Business ByDesign team needed to make sure the product could install, deploy, implement and run simpler, at a lower cost.

**TARGET MARKET: SEGMENTING SMEs**

This need to simplify and reduce cost was driven by the audience SAP was targeting for the product. While SAP always had SMEs in mind, the specific target has shifted a bit over the years, segmenting this broad definition of SMEs, either by number of employees or revenue, with thresholds between segments sometimes varying by geography. However, SAP Business ByDesign always shared the SME market with SAP Business One at the lower end and SAP Business All-in-One at the upper end. Typically SAP Business ByDesign sat in the middle, appealing to those in search of a cloud-based solution, and yes, there was some overlap. The target has now evolved to target mid-size and fast-growing companies and subsidiaries (business units, divisions) of large enterprises. These subsidiaries are often SMEs in their own right, but the fact that they must interoperate within a larger enterprise makes a 100% cloud solution even more attractive.

This proposed market takes the best advantage of SAP and SAP Business ByDesign’s strengths. While the early goal was to simplify, in reality mid-size company needs are not that different from large enterprise needs. And who understands those needs better than SAP? Mid-size enterprises just don’t have the same resources to get the job done, whether the job is entering new, perhaps emerging markets, implementing ERP, or both… hence the need for simplicity and lower cost.

Large enterprise subsidiaries create a particularly sweet spot for SAP Business ByDesign, especially if corporate headquarters already runs SAP ERP. The integration and the ability to consolidate back to the corporate level come built in. SAP has already established a foothold in 175 of these, with SAP Business ByDesign running at subsidiaries.

**TARGET MARKET: SERVICES**

Yet the target market for SAP Business ByDesign is not defined entirely by company size. Needs vary based on industry and product offerings of potential customers. Traditionally companies fall into two distinct categories: those that
make, move and/or sell physical goods and those that build their business on providing services. Typically ERP products are designed to focus on one or the other, but not necessarily both.

While this worked well for decades, today many businesses are a blend of the two categories. Manufacturers are quite likely to also provide services, whether for repair, consulting, project management or any other complementary offerings. Distributors and even retailers may offer light assembly or similar repair services. While some service providers may deliver goods (documentation, content on various media, etc.), all must deal with indirect goods (such as office supplies) and equipment (such as laptops and desktops).

The first SAP Business ByDesign customers came from both of these two different worlds, and happened to be representative of the realities of today’s changing business climate. Its manufacturing customers were also drawn into providing services (repair, support, consulting, etc.) and its service customers handled physical goods, whether just in support of their own business (indirect materials) or in shipping materials (e.g. field repair services, documentation, software on various media).

By the time the dust settled on the first SAP Business ByDesign customers, SAP found it could effectively support both categories, as well as blended businesses. While many different solutions were available to manage the movement of physical goods, the service side of many businesses was underserved, resulting in manual processes and multiple, disparate and disjointed solutions. Because it addressed these needs as part of a fully integrated solution, this became somewhat of a niche for SAP as it actively went after that business.

This is particularly key during growth and expansion. Even if you are purely one or the other today, it is likely you will not be tomorrow. And as you extend your footprint internationally, different locations (which if in different countries will be different legal entities) and subsidiaries might play different roles in the organization. You might have a sales and marketing arm in some locations, a distribution warehouse in another, repair services here and manufacturing there. Having a single product that can handle these different types of businesses is certainly an advantage, eliminating the need for integration.

**WHAT’S IN IT?**

Mint Jutras defines ERP as an integrated suite of modules that forms the operational and transactional system of record of your business. It includes all the master data needed to support the full cycle from order to cash, including a full audit trail of all transactions. While this is our minimal definition, most complete and modern ERP solutions, including SAP Business ByDesign, do much more than this today.

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included some not-so-traditional business scenarios such as third party order processing and service/support request-to-resolve, and it spans all the various functional areas of most businesses, including those providing services (see sidebar).

SAP has also leveraged the knowledge and expertise it has developed and acquired through its investments in the underlying technology. SAP’s strengths include in-memory databases and integration capabilities developed internally, reporting and analytics strengthened through the Business Objects acquisition and mobility, bolstered through the acquisition of Sybase. All combined, this helps SAP provide added visibility above and beyond the typical “access any time, anywhere” aspect of cloud, whether it is through embedded analytics or easy and purposeful direct access through mobile devices.

But the real value of combining all this technology investment is in the creation of a platform for development that supports flexibility and extensibility. The following section explores more deeply how SAP Business ByDesign delivers this to support growth, but first it is important to recognize why growing companies need both.

A fast growing company needs to “right size” its solution at every stage of growth. In the beginning, and throughout these different stages, it needs to get up and running quickly with minimal disruption. That means it needs to satisfy current needs without over-reaching. There is no need to build in added complexity in anticipation of potential requirements. And yet, implementing a solution that you may outgrow very quickly is just as risky. A solution that allows you to start with what you need now and add more as you need it, when you need it, where you need it, is a wise choice.

HOW DOES SAP BUSINESS ByDESIGN ENABLE GROWTH?

By now it should be clear that, in order to enable growth, a solution must be broad (in terms of functionality), flexible and extensible. We have also seen how cloud ERP can be an important enabler of growth. SAP attacks these requirements with a modern and modular architecture that was born in the cloud. It delivers a next generation user experience that continues to evolve and a business configurator that has become the gold standard within SAP, helping organizations adapt as they grow and change. And finally, it embeds reporting and analytics right in the application itself so that continual oversight and analysis does not become an afterthought.

ARCHITECTURE

SAP Business ByDesign is modular by design. This should not be confused with simply being comprised of a set of modules. By definition, any ERP solution is an integrated suite of modules. It is how modules are coupled together, or in
Most mid-size to large enterprises today no longer grow to be large, monolithic enterprises. They grow modularly, spawning new divisions or subsidiaries to expand to address new products, product lines or territories. But these different business units must interoperate smoothly and seamlessly, making obsolete those legacy ERP solutions that were similarly designed as rigid and monolithic.

One of the guiding principles of the design of SAP Business ByDesign is decoupling. This decoupling is delivered in a variety of ways. Business logic is decoupled from the user interface, allowing for ease of translation and also the reuse of logic and services across any number of different types of interfaces. The same transactions can be triggered whether you are using the product through a browser on a desktop, a mobile application or no user interface at all. Through process automation, sometimes the best user interface is no interface.

In addition, the software modules themselves are essentially decoupled. Instead of hard-coded logic, communication between different modules is message-based. This makes it far easier to add or swap modules and business scenarios as needed or even to consume innovation. With a rigid monolithic solution, the entire enterprise needs to march forward together, oftentimes making some departments wait for much needed enhancements because other parts of the business aren’t ready for change.

While there is a lot of value to be gained from this type of decoupling, there is one area where embedding functionality adds more than it detracts in value. If reporting and analytics are completely separate, they often become an after thought, something the implementation team never quite gets around to delivering. And even if they do, if delivered as an entirely separate function, they are often out of sight and out of mind.

Separating reporting and analytics is often required in order to preserve or improve performance, hence the emergence of solutions for online analytical processing (OLAP) separate from online transaction processing (OLTP). However, from the beginning, SAP Business ByDesign was built using an in-memory database that removes those performance issues and allowed SAP to embed analytical capabilities within the solution. In addition to bringing this analysis front and center, it also provides real time access from a wide variety of data sources, including data from sister companies or headquarters, eliminating delays and speeding decisions. The speed and capacity of in-memory also removes the need to limit the amount or granularity of data needed to help determine where and how to invest next. Instead of using aggregated summary data that might be misleading, SAP Business ByDesign users can dive into a level of detail that would be unmanageable and unimaginable using legacy architectures.
NEW GENERATION USER EXPERIENCE

In Cloud ERP: The Great Enabler of Growth we talked about the people challenges associated with growth. New generations of ERP, delivered through the cloud can help alleviate some of these challenges. But Mint Jutras research finds that “ease of use” means more than just a pretty face. Ease of use is first and foremost about efficiency, which not only requires a user interface that is intuitive, but also processes that align with the way business really works - business scenarios that maximize efficiency and minimize time to complete tasks.

Of course the real proof that SAP Business ByDesign delivers on these promises comes with a demonstration, but SAP’s design methodology is conducive to supporting both. When designing a business scenario, SAP designers go on site, observing the way people work and interact. Their designs are based on these observations and then validated, typically in multiple countries (China, India, Germany and the United States) before being incorporated into the product.

The result of this methodology has been an emphasis on the human engineering of the process. Each individual works from a personalized home page, which combines functions from within SAP Business ByDesign with other functions (e.g. email, calendars, maps, etc.) and a powerful enterprise search capability (think of it as a Google-like search throughout your enterprise data). Business processes are made more efficient as tasks are pushed to users. Throughout, there is a theme of simplicity and personalization.

BUSINESS CONFIGURATION

Personalization within SAP Business ByDesign is achieved through a “Business Configurator” that takes advantage of the pre-defined business scenarios discussed earlier and a rules-based catalog. Together these allow each customer to tailor the solution to specific needs by interacting in business language, not code and without invasive customization. These business scenarios map the workflow of a business process through the various functions of the solution. Selecting a pre-defined scenario automatically selects all the functions necessary during initial implementation. Customers can then selectively fine-tune the settings immediately or as business conditions change.

This type of configuration tool is particularly important as companies expand into new locations, either through organic growth or acquisition. Cloud ERP: The Great Enabler of Growth advised growing companies to establish standards to ensure a high level of governance and control while growing. It specifically noted:

“What better way to enforce these standards than by rolling them out through a standard implementation template of a SaaS solution that is
defined and managed centrally? A cloud solution aids both operational and financial leaders in implementing standard cross-organizational business processes more effectively. Look for a solution with industry best practices built in, tailor them for your corporation and use these best practices as a blueprint for growth.”

The combination of the SAP Business ByDesign business configurator, pre-defined business scenarios and a library of business rules enable this type of standardization. Customers need only to supply company-specific data, including assignments of tasks, to support a “push approach” within an organizational structure. By pushing tasks to an individual, processes continue uninterrupted, making the most efficient use of that person’s time. Nothing falls through the cracks.

**ORGANIZATION STRUCTURE**

SAP Business ByDesign allows growing companies to maintain a single organization structure that defines relationships between all legal entities both from a financial consolidation standpoint as well as an organizational (reporting) point of view. As enterprises mature and grow both of these tend to shift and change.

Legacy solutions often require these different structures to be maintained separately by business unit, embedding the enterprise structure within the general ledger account, making maintenance clumsy and any type of change difficult. Once established, changing the structure of the chart of accounts is next to impossible. In legacy systems personnel reporting structures were likely to be defined in a completely separate solution, if they were recorded at all. These two are often not aligned identically and this causes problems in managing performance while maintaining governance and control.

Take your sales organization for example. Sales is often managed as a global organization, yet salaries are paid and revenue is accrued by country and different countries mean separate legal entities. Sales representatives are part of both a legal entity and a global sales organization that spans multiple entities. Pipeline and quotas may be determined in an entirely different way, by internal, external or global sales and/or perhaps by product lines. Where can you get a full picture of performance from any or all perspectives?

SAP Business ByDesign provides the flexibility to structure all of this once, in a way that makes most sense, not in the way dictated by your ERP.

While Mint Jutras finds that today most companies establish corporate standards for ERP, often this is a two tier standard. Our research finds almost half (44%) of multi-location companies use a different ERP at subsidiaries or other operating locations than the ERP used at corporate headquarters (HQ). Because of SAP’s dominance in the large enterprise, corporate is quite likely to have SAP ERP at HQ. For those running SAP Business ByDesign at subsidiaries,
the process of financial consolidation to SAP ERP (running at corporate HQ) is very simple. This makes a 360° view of your entire enterprise available from many different angles.

**EMBEDDED ANALYTICS**

Often companies look to reporting capabilities within their ERP solutions for this 360° view and traditional reporting has long been a necessary tool for managing operational performance. Yet in managing growth, you need to look beyond current operations and analyze the potential of growth opportunities. For this you need analytics. Most ERP implementations today don’t adequately deliver either because ERP has long had the reputation for being easier to get data into than decisions out of.

Standard reporting is never exactly what decision makers want and need and they often tire of waiting for the IT staff to make modifications or deliver new reports. And when making more strategic decisions about growth, they need to ask a lot of questions and the process is very iterative. Yet it is very hard to know where to start and what questions to ask.

Companies are sitting on a mountain of data, making it difficult to process through it very quickly in order to discern which key performance indicators (KPIs) will be most indicative of future performance. After all, they can’t look at every detail. So decision makers settle for aggregate summary data instead of the real detail they need. And they put the request for analytics on the back burner while they fight the operational fires. This is particularly true of mid-size companies struggling with the same kind of decisions as large enterprises, but without the deep pockets and large staffs to address them specifically.

This is why SAP Business ByDesign embeds analytics directly into the business scenarios. While other ERP vendors partner with business intelligence (BI) and analytics solution providers or struggle to develop these types of tools themselves, the acquisition of Business Objects back in 2007 put SAP in a very strong position to deliver not only the BI capabilities that have been the tools of the trade for the IT staff, but also the type of tools business users have long needed.

The analytics are browser-based and available on mobile devices, complete with alerts that can be sent in real time. SAP makes extensive use of dashboards, which business users can create or personalize for themselves. But SAP didn’t turn its back on business users’ almost universal love for spreadsheets. Offline analysis using Microsoft Excel is still possible.
FEATURE/FUNCTION: GROWTH MAY REQUIRE MOVING BEYOND ERP FUNCTIONALITY

The growth and development of SAP Business ByDesign has followed a path that models the growth and expansion of a business. And sometimes this means needing something well beyond the traditional scope of ERP quite early on. It is not just very large enterprises that face this challenge. As you expand into new countries and transform your business into a “blended” business, your needs will vary at each (new) location. Here are some examples of how your business may expand and grow...and how SAP Business ByDesign can adapt.

EXPAND SALES INTO NEW (EMERGING) MARKETS

Let’s say you are looking to expand your market into new territories by opening a new sales office. You’ll need to support the business scenario from marketing to opportunity. You will need to convert quotes to orders and then perhaps manage the order-to-cash cycle or send those orders to corporate or to other sister subsidiaries in order to deliver.

If you are delivering services you may be delivering services from a globally distributed team. If you are selling goods, you may be creating demand for a distribution facility or even a manufacturing site. You are involved in the front and back end, but also need visibility into the middle of the order-to-cash cycle in order to stay close to your customer. The combination of business scenarios you may need is virtually endless depending on the type of product or project you deliver and the global distribution of resources. A partial list of SAP Business ByDesign business scenarios that may be required is shown in the sidebar.

RESEARCH

Perhaps you have a subsidiary dedicated to research. Human resource management and project management will be at the heart of your operations. Time and labor management and workforce administration and authorization business scenarios will likely be deployed.

FIELD SERVICE OPERATIONS

If you sell, support and repair a physical product, you may organize repair through depot repair and return, or you might have repair facilities distributed around the world for on-site repair. You will need field service and repair, customer return management, order-to-cash (for standardized or project-based services), time and expense management, either procure-to-pay or inter-company stock transfers as well as time and labor management – all business scenarios built into SAP Business ByDesign.
MANUFACTURING

Manufacturing requires all the standard supply chain operations from demand planning and strategic sourcing, procure-to-pay, physical inventory management and make-to-stock scenarios. Plus you can’t forget the order-to-cash cycle, resource, time and labor management.

The reader will notice that we have not referenced the traditional “modules” of ERP such as order management, inventory control, accounts payable, accounts receivable, etc. By choosing the business scenarios that are the best fit to model your business, the SAP Business ByDesign business configurator will activate the modules needed to support your business processes. And of course, as a 100% cloud-based solution, those modules are all right there to be used, or not, as needed.

GOOD GROWTH IS PROFITABLE GROWTH

Throughout, whether looking at subsidiaries or the corporate whole, you will need to manage cash and liquidity, payroll services, quality assurance and the financial close. For this you need visibility, delivered by SAP Business ByDesign’s embedded analytics. And you will need a consolidated view across these potentially different businesses within the business. You can’t run a sales and marketing team like a service and repair facility. And you can’t run a field service operation identically to a manufacturing operation. Yet all these have a common thread of master data (customer, products, parts, employees) and need to be consolidated at HQ.

Of course you want to satisfy the individual needs of the different types of businesses within a business, but you also don’t want to be trying to cobble together a unified view from disparate systems. This is the advantage of SAP Business ByDesign’s approach of a single, multi-purpose solution – providing it really can meet the individual needs of the different functions. During your evaluation process, look carefully at those business scenarios delivered with the standard solution. These will provide the base of operation of each facet of your business and those operations may vary and change with growth.

SUMMARY AND KEY TAKE-AWAYS

Cloud ERP is indeed a great enabler of growth for mid-size companies, particularly those looking to take bold steps in a rapidly changing business climate. It is clear that SAP has taken the needs of these mid-size companies seriously, particularly those that are fast growing. Keeping in line with its current mantra of “Run Simple,” SAP Business ByDesign can indeed help simplify the growth process through its three-dimensional design philosophy incorporating simplicity, flexibility and extensibility.
Key factors and therefore key takeaways include:

- A “start over” approach that keeps the design and development clean and clear, but is able to draw extensively from SAP’s vast experience and technology innovation
- A business configurator that has become the gold standard within SAP for adapting and personalizing the solution without invasive code changes or lock-in
- The ability to maintain a single organization structure that defines the relationships between business units, locations or subsidiaries and also flexibly defines reporting structures that may cross legal entity boundaries
- Pre-defined business scenarios that allow entire companies or new subsidiaries to get out of the gate fast, but with the flexibility to adapt to change
- Functionality that creates an end-to-end solution for a variety of different business models for manufactured goods and services, or a blended business of both
- A next generation user experience that makes extensive use of dashboards and embedded analytics, whether on a desktop, laptop or any mobile device

For mid-size companies looking to take full advantage of unprecedented growth opportunities, any old ERP is not enough. If you are in search of a cloud-based ERP solution that can help you grow and grow quickly, SAP Business ByDesign definitely deserves consideration.

About the author: Cindy Jutras is a widely recognized expert in analyzing the impact of enterprise applications on business performance. Utilizing over 40 years of corporate experience and specific expertise in manufacturing, supply chain, customer service and business performance management, Cindy has spent the past 10+ years benchmarking the performance of software solutions in the context of the business benefits of technology. In 2011 Cindy founded Mint Jutras LLC (www.mintjutras.com), specializing in analyzing and communicating the business value enterprise applications bring to the enterprise.