# The Value of Best-of-breed Vs ERP/Suites

Data and information governance: replacing ERP with best of breed without sacrificing integration.

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# Introduction

SAP indirect access is a wakeup call in understanding how the tides of enterprise software are changing – in particular ERP and enterprise software offerings that are pitched as all encompassing "suites".

In February, 2017, a UK court ruled in favour of SAP in the case of SAP vs Diageo. Diageo was forced to pay £54m. At the time of writing there is also an ongoing dispute with another customer, Anhauser-Busch Inbev, for a cool $600m.

This paper considers the idea that this ruling could lead to a revolution in how businesses approach buying new software and whether or not it will result in a more general change in philosophy. One in which an ERP solution is no longer the central data repository that every other system has to rely on but rather, just another application on a larger platform with master data centralised in one hub.

In achieving this a business will be able to pick and choose the technology that will suit them best and not have to worry about the overbearing influence of one individual provider.

The ideal situation will be to achieve the same objectives that ERP and software suites have promised to provide in the past but without the need to be single sourced to a single provider and without a high cost of organizational change if you want to switch your software around.

Not only this, but your data will all be stored in one central repository allowing for high quality data analytics.

Below we take a look at how the future could look and how the CIO, CPO and CFO could quite possibly reshape this future.

> "According to the text of the judgment, the drinks company and SAP had begun their software license and maintenance agreement in 2004, and came into dispute after Diageo deployed two new third-party systems in 2012."

## What is SAP Indirect Access?

Currently, one of the most toxic contractual terms in the ERP world is that of "indirect access".

Simply put, this is where users exchange information with the SAP software in dialog or prompt mode. The issue is not with licensed users who access the software using its UX, but with unlicensed users who may be accessing the SAP information via a third party software. In the case of Diageo, they got into trouble when they allowed customers and members of their customer support team access to SAP, via two different third party systems – ironically in an attempt to save money and improve efficiency.

The result? Diageo has had to shelve out a staggering £54m (c. $71m) to SAP, doubling their typical annual outlays.

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# Why was ERP created?

ERP in its original guise was designed to centralise manufacturing processes. Over time this expanded into other back office processes with the promise of enabling a single source and single view of all information. Primarily financial.

While the on-premise ERP visionaries envisaged a full, end to end business process environment, contained within a single system, it never fully delivered on that concept. The domain of Enterprise software across all functions, geographies and industries is just too broad and the expectations of consumers and enterprise has shifted radically.

To compensate for this, companies started to buy other software to layer on top or below their ERP system to meet their business requirements, and built expensive data warehouses to try and make sense of all the data.

Today the ERP system is often seen as legacy but something which cannot be replaced.

Simply as it has grown very large, it's heavily customized, people who have been involved in its design and ongoing enhancement have moved on and it's a real challenge to move away from it from a cost and change management perspective.

# Enterprise systems for the digital age

ERP was created over 40 years ago and back then it made sense. It still makes sense in certain areas like manufacturing, which is really where it all started out, however it should no longer be seen as the company's core but instead as another transactional system.

Defining the requirements for your Enterprise system today should focus on moving away from the problems of the legacy ERP systems from the 90s, and early 00s.

### ERP: The Promise

- Creation of a centralized system for all transactions.

- There will no longer be the need to integrate systems because everything will be in one system.

- You will have a lower TCO because your IT software is standardized to one provider which will make supporting and operating it cheaper.

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| Traditional ERP Concepts | Future ERP Concepts |
|---|---|
| Prioritized single system over best functional fit to business requirements. | Prioritize user experience and smaller fit for purpose systems. |
| Rigid; costly and difficult to change. Assumed everyone would work in the same way. | Flexible, easy to change and fit for purpose. Assumes it's more beneficial to have functionality tailored to industry and function use. |
| All encompassing; huge investment and change management cost. | Solving specific user cases and provides more autonomy to the group using the system to solve a particular problem. Lower cost of organisational change management. |
| Locked their customers in and makes it difficult to switch providers. | Smaller investment, easy to change and not locked in by fear of losing out on existing investment. An open architecture where systems can communicate easily with one another. |
| Difficult to integrate data as a result of Mergers & Acquisition activity. | Provides a mechanism which makes it easy to integrate other systems into your Enterprise architecture. |
| Data centred around facilitating transactions. | Data is centred around enabling decision making and analytics. |
| Costly and infrequent upgrades due to heavily customized systems. | Easy to upgrade individual parts of your Enterprise system. Leveraging fit-for-purpose applications allowing organisations avoiding customizing systems to fit their needs. |
| Poor data quality. | Prioritize data quality to enable decision making and analytics. |

There is a clear shift in thinking which needs to happen when architecting an Enterprise system architecture which differentiates transactional systems, master data and information management systems and analytical systems.

In the same way as business analytics moved away from the ERP early on, because it was ill fit for analysing data and information, the same realization is being made around having master data and information management happening in the ERP.

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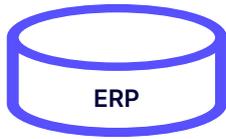
| ERP promised this | You ended up with this | What you need is this |
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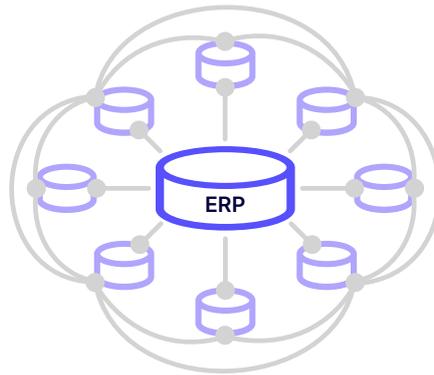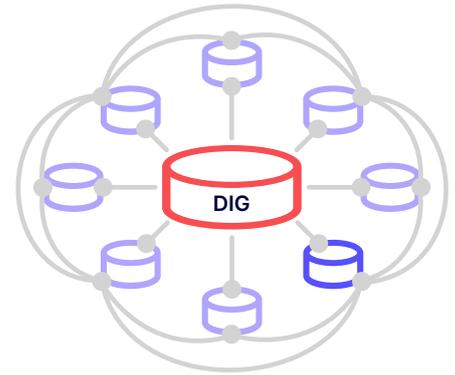


Master data and information needs to be well governed and curated across broad stakeholder groups and fed into transactional systems of which an ERP is one of them.

# The future enterprise landscape will be multi system rather than single system

In today's world it doesn't work anymore – at least, the way technology is moving, it is extremely unlikely to work in the long run.

The ideal is a good one, everything in one system. Ultimately though, it's simply unrealistic.

There are too many small providers who have expertise that a big monolith such as Oracle and SAP could never hope to rival.

The world has moved to more self-service and simpler systems which are fit for purpose.

Businesses change quickly today with companies merging and divesting constantly. ERP no longer provides a single view and the processes are so broad by industry that it is impossible for a single system and provider to cover everything well.

# Using the latest technology is a key value driver

With information and data being created so quickly and with so many technological advances, best of breed is the only way forward. Large organisations can no longer afford to be using old, out dated,

traditional software. It will only hold them back, limiting their opportunities in making savings across all departments.

Still, we need to address the dilemma of organisational change management.

This cannot be overlooked but there is a solution here, or at least one in the making.

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# Avoid being single sourced in an ERP or "Suite"?

That is probably the question every CIO is trying to answer at the moment. Having already pumped millions into existing ERP software platforms, the dilemma is twofold:

- Do I continue down the single vendor path? If I do, will I be in an even weaker position in 10 years?

- If I break the pattern now, how high is the cost of change and impact to my organization going to be?

It's a difficult decision but if we consider pretty much anything living, be it an organism or an organization, those that adapt are those that survive and even thrive.

In fact, CIOs could well capitalize on the recent event as a trigger for changing the way they architect business systems. £54m is a good reason for any organization, and if that is not enough, how about the $600m gun that SAP are pointing at Anheuser-Busch Inbev. Interestingly, this change in thinking is already happening, over the past six months this conversation, usually with larger organisations, has become more and more common.

The way forward is to embrace multiple systems as a way to be – that's the true benefit of software as a service.

> "If you cannot replace it easily then it's not really software as a service."

Clearly the key issue of swapping out software for any large Enterprise is the organizational change management impact.

# What's the way forward?

The CIO needs to get back to the real meaning of Chief "Information" Officer and not Chief Software Officer, there is a big difference.

The business relies on data and information, and in order to do this well, they use processes that ensure consistency, scalability and control.

The software being used is actually irrelevant.

It is a shift in thinking but there needs to be a shift infocus away from the notion that an ERP system is the solution to a single view and that it should reside at the centre of all other systems.

Having smaller SaaS modules (from the same or a different provider) which can be changed individually is the answer. This allows you to transition in a phased approach and adapt different parts of your organizations capabilities without affecting everyone.

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## With this in mind, how could you achieve this?

Data and Information Governance (DIG). The key to an open and data driven IT architecture is having a central and very well-defined way to manage master and reference data. If this is resolved, then the 'transactional' systems that deliver the processes are almost irrelevant.

The challenge around integration has always been inconsistent master data and governing the way it's created and updated. Having a central platform feed everything else opens up a whole new level of agility.

Now you can connect systems without a single system. Once you do this then the other critical issues to address are much simpler. Why?

- **User training and rollout** – If each business function can modularly select the SaaS products which they like, it changes the game for system implementations. It's a smaller community, invariably a better UX, which is generally self-taught and doesn't require heavy IT involvement or large change management program.

- **Reporting and analytics** – the ability to have a consolidated and single view is vital, but it can be achieved just as well, if not better, through simple common master data. This approach allows you to easily connect and bring data together if the core data that you report and analyse your business with are common.

There are so many excellent BI, Front-end, Analytical, etc. tools out there – but what they all suffer from is poor data and the complexity is always bringing the data together. This would change and with it would come numerous advantages.

The last 20 years of ERP have shown that single system does not give you single view, it all boils back to the data structures you report against. These are what matter, not the transactions which business processes generate. At a corporate/group, sector or function level the interest is in aggregate views along specific reporting structures.

# Is the burden just with the CIO?

The CIO is just one of the major players here but the situation is bigger than one person. There needs to be a mind-set shift by business users that they need to be involved in data and information governance daily. This topic is too broad to cover here but we will be releasing a white paper dedicated to how you can achieve this so stay tuned.

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# In summary

> "We cannot solve our problems with the same thinking with which we created them."

The words of Albert Einstein, one of humanity's greatest problem solvers, should resonate with Chief Information Officers as they seek to digitally transform their function SAP indirect access should be a wakeup call before it's too late.

ERP is now rapidly becoming a transactional system which leads to a crippling long-term total cost of ownership with high switching costs. Just because it is perceived as 'normal' it doesn't necessarily make it a good option.

Digital transformation is about rethinking the way an organization operates.

This needs to start with rethinking the whole notion of what ERP and many software suites actually offer. Are they putting your business first or will they do anything to lock you into their software and out of anything competitive and creative?

Innovation is the key to the success for any business.

If you want innovation in Enterprise software while minimizing the cost of change and organizational impact, a rethink is needed. The new approach could quite possibly be to embrace multiple systems which work from a core set of master and reference data.

This would provide a consistent view of data and information while keeping organisations nimble and providing them the ability to swap software out as demands change. It would liberate the flow of information and ultimately align your functions better.

A silo, by definition, is a single system. To remove silos is not achieved by forcing many individual systems into another bigger silo but by finding a way for systems to never become silos.

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Supplier Data and Information across their Enterprise, across any
spreadsheet, app or system. Our solutions enable your businesses
to be more reliable, flexible, and scalable. Building from a rock solid
platform of good quality data, we help businesses become digital
in supplier management, third party management, compliance and
risk, master data and finance management.

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