Are Your Competitors Equipped to Make Better Decisions Than You?

How Integrating SAP Systems Transforms Your Board Room

By Kathrin Becker | SAPinsider, Volume 15, Issue 2 April 1, 2014 - http://t.co/EcdJaMAvSQ

To put the right information in the hands of decision makers, you need to integrate your strategy, planning, and risk management systems so that they work flawlessly. While SAP systems such as SAP Strategy Management, SAP Business Planning and Consolidation, and SAP Risk Management are designed to integrate seamlessly, the vast majority of companies still use them in a silo-ed, modular fashion. This article looks at what gets in the way of SAP integration within organizations and how to better integrate your SAP systems to unlock predictive insights and enable better decision making.

It's the middle of a board meeting at a large oil and gas company, and executives are working to define the company's group and business unit-level strategies. The company is considering a venture into one of three possible new markets. The meeting is run by the CEO, facilitated by an interactive, touch-screen projector that displays objectives, initiatives, and key performance indicators (KPIs) from last year along with a summary of the effectiveness of each strategy. The board members are equipped via their tablets or laptops with strategic information, including objectives, KPIs, revenues, and costs, and they can look at this information for different periods in time at a touch.

They can run predictive analysis on their proposed objectives, including predicted revenues and costs. They can also run simulations on uncertainties such as opportunities and risk scenarios. At the push of a button, the board members' experience is augmented with the best possible predictions of scenarios based on historical data from their portfolio, as well as simulations for expected gains and losses based on uncertain opportunities and risks.

As the meeting progresses, the CEO runs a consolidated, group-level simulation for each proposed new market. Their experience is enhanced with information that would otherwise be impossible to digest, predict, or simulate using static, paper-based reports. It avoids the "question on notice" — the question that might be tabled or avoided due to a lack of information on hand.

This sounds like something from the future. The reality, however, is that this technology is not even new: It is commonly used SAP technology that has been integrated in the way in which it was designed to be used.

What Prevents This Scenario?

Why doesn't every organization use such a solution? In our experience, they don't for the following reasons:

1. Foremost, there is a perception that it is difficult or costly, or there are more important priorities and hence companies give it no further thought or exploration.
2. Despite the fact that SAP systems integrate well, solution advisors' experiences and advice are still siloed by module.
3. There are some executives who prefer to rely on their experience and intuition rather than combine their experience with technology to make the most informed decisions.
4. Strategy and integration between IT and management in some cases do not go in the same direction, and understanding the purpose of certain tools may not be clear.

Better Decisions through Integration: Unlock Predictive Insights

System integration and process integration will give you time to elevate your thinking. Think back to the example oil and gas company that is investing in new markets. System integration enables the company to take a portfolio approach and to continuously monitor the portfolio and opportunity, answering questions such as:

- What capabilities, processes, and resources need to be in place?
- What initiatives create sustainable advantage relative to competitors in the new market?
- What enhancements can be implemented to reduce risk arising in seasonal business, having long-term contracts, or having long lead times?

Through integration, you are able to plan, predict, and simulate all points in the supply chain, including price planning, foreign exchange rates, plant performance, and capacity planning. A more accurate and realistic forecasting of costs and expected revenues, as well as initiatives to reduce the costs and increase the revenues, can be achieved. More realistic costs can be determined due to simulation of expected losses arising from risks.

Integrating SAP Solutions

To put the right information in the hands of decision makers, you need to integrate your systems so that they work flawlessly. The three systems that we are focusing on in this scenario are SAP Strategy Management, SAP Business Planning and Consolidation, and SAP Risk Management. The details of the modules themselves aren't relevant to the executive team, who should ideally have access to a seamless user experience without needing to understand the complexities behind it.
Integrating SAP Strategy Management and SAP Business Planning and Consolidation provides a direct connection between strategy and planning, as they share objectives, initiatives, and predicted revenue generation and costs. Initiatives need to be adequately costed to ensure success, and revenue projections should be realistically modelled to focus on the initiatives worth the most to the company.

This integration links existing data with assumptions to quantify future options, including best-, expected-, and worst-case scenarios. Research and benchmarking show that companies that directly link strategy and planning achieve significant advantages over companies that do not. In our experience, strategy can only be effectively executed if it is directly linked with planning. Conversely, budgets can only be considered accurate when directly linked to strategy.
Adding SAP Risk Management to the integration scenario gives you an insight into the risk and likelihood of an opportunity. SAP Risk Management allows the company to model scenarios with

associated possible opportunities and risks with varying probabilities and impacts. The opportunities and risks link to and influence each other, and without technology, it would be unrealistic to understand the impact of these unknowns on their possible objectives, initiatives, and budgets. Decisions and judgments would be based on intuition, at best.

Integrating SAP Strategy Management, SAP Business Planning and Consolidation, and SAP Risk Management allows executives to simulate expected benefits and losses based on possible opportunities and risks. They can predict on the fly that an initiative will actually cost, for example, $X million more due to simulated expected losses due to risk, but if approached slightly differently, may result in an additional $Y million in revenue due to related opportunities.

Not only that, but they can also undertake sub-initiatives and controls to further reduce the expected loss and further enhance the expected benefit. A board may be prepared to accept a higher level of risk for a disproportionately higher level of opportunity associated with an initiative.

Making Decisions Based on Smart Predictions and Simulations

We've moved past decisions based on board member experience coupled with vague, out-of-context, and silo-ed data in difficult-to-digest formats. Now companies can base decisions on board member experience augmented with best, likely, and worst-case predictions of different strategic options and simulations of opportunities and risks, with further sub-initiatives to enhance the opportunities and reduce the risks. And it is possible to represent all of this intuitively to executives, on their tablets or laptops, in real time with simulations of their own proposals. This is how SAP systems are designed to work, yet the vast majority of companies are still using SAP systems in a silo-ed, modular fashion. Don't let yours be one of them.

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For further reading on how to successfully integrate SAP solutions, visit www.incqconsulting.com