

DRAFT

SAP Business ByDesign

FOSTERING A CULTURE OF ADAPTABILITY

USING INFORMATION TECHNOLOGY
TO INCREASE YOUR COMPANY'S
AGILITY



THE BEST-RUN BUSINESSES RUN SAP™



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EXECUTIVE SUMMARY

FOSTER ADAPTABILITY



To achieve profitable growth, successful companies maintain a laser-sharp focus on executing a few key initiatives efficiently. Moving quickly and effectively on these initiatives requires you to make changes across your entire business so you can swiftly adapt operations to accommodate the changes.

This document describes how you can foster a culture of adaptability in your organization by using the SAP® Business ByDesign™ solution to engage in a cyclical process of taking stock of your needs, evaluating the necessary changes to your business operations, and putting these changes into effect to gain a competitive advantage. SAP Business ByDesign can help you foster a culture of adaptability because the software changes as your business needs change.

Designed specifically for midsize companies that want to grow profitably, SAP Business ByDesign is the world's most complete and adaptable on-demand business solution. Unlike any other on-demand business software, SAP Business ByDesign delivers the following:

- Transparency and control of the entire business
- The ability to adapt quickly and cost-effectively to changing business needs
- The most comprehensive set of built-in IT services and support

ADAPTABILITY IS MORE THAN JUST PEOPLE WILLING TO CHANGE

YOUR SOFTWARE SHOULD HELP, NOT HINDER, WHEN YOUR COMPANY NEEDS TO CHANGE

How can a dynamic company like yours achieve profitable growth and still keep the agility you need to maintain your competitive advantage? According to the 2006 study *Achieving Profitable and Controlled Growth as a Midsize Company* by Oliver Wyman, a management consulting company, the key is to foster a culture that embraces adaptability and focuses on the flawless execution of a few key initiatives. When you do so, you can capitalize on your speed and adaptability to take advantage of market opportunities long before competitors or larger companies get organized and move in.

A culture of adaptability sounds great in theory. And chances are you'll need to make a multitude of changes to your operations and to the technology that supports them to drive your initiatives. For example, a new-product initiative may involve acquiring a company, opening a new manufacturing plant in China, or implementing a completely new business model. If you're expanding into a new international market, you must ensure that your operations can handle new currencies, languages, customs, and local regulations.

Consider an example from the Wyman study of a manufacturing company experiencing 12% growth per year. When the CFO noticed that labor costs were compromising profitability, the company decided to move production from Europe to the United States to control costs. Without the right IT infrastructure in place, the move would

Companies That Are Designed to Grow

Achieving Profitable and Controlled Growth as a Midsize Company, a 2006 Oliver Wyman study of more than 200 companies in the United States and Europe, revealed the characteristics that separate consistently profitable growth companies from others that are less successful.

Companies designed to grow:

- Ensure disciplined execution at all levels
- Create a culture in which people readily adapt to change
- Focus their whole business on a few key initiatives

- Make effective trade-off decisions about investment
- Maintain strong metrics and feedback loops
- Promote excellence in execution

Less successful companies are often unable to make large investments in IT to support the visibility and adaptability needed to develop these characteristics. Until recently the enterprise software market has not offered a comprehensive, flexible, and transparent software solution that is easy to implement and easy to modify – at a cost that fits the IT budgets of most companies.

have been untenable because the cost of change would have outweighed the potential savings.

In fact, having the right IT infrastructure is critical to achieving consistent growth and profitability. If you want to take advantage of business opportunities as they arise – or make a business change like the one made by the manufacturing company – your business solutions must readily support changes to both your business processes and your company's organizational structure. Unfortunately, many business applications do the opposite. They are not only inflexible, they also perpetuate silos of business processes and information, and disconnections

between your company's departments. Because implementing and changing them is exceedingly costly, time prohibitive, and complex, most IT business applications actually inhibit change.

Unlike these applications, the SAP Business ByDesign solution is built to enable adaptability and change for midsize companies. The software can be configured and reconfigured as business needs change. SAP Business ByDesign delivers a broad range of business functionality and analytical tools that combine to give you transparency and complete control over your entire business. And a comprehensive set of built-in IT service and support keeps IT costs manageable for companies without large IT staffs.

PLANNING FOR A CYCLE OF ADAPTABILITY

EXPLORE. EVALUATE. EXPERIENCE.

You can use a completely integrated solution like SAP Business ByDesign to foster a culture of adaptability so you can grow and respond to shifting market realities. A culture of adaptability means adopting an IT business solution that enables you to:

- **Explore** – take stock of your company's needs and priorities, maintaining a laser focus on the initiatives that drive change in your organization
- **Evaluate** – design the changes you need across silos and weigh the impact of changes on business processes
- **Experience** – put your changes into effect, experience them in action, and modify them as needed in a cost-effective way

Explore Initiatives to Improve Your Business

Every company sets a unique agenda for achieving market differentiation and outpacing competitors, but industry leaders maintain a narrow focus on a few initiatives that will improve their business. Through more than three decades of working with midsize companies, SAP has found that successful companies make it a priority to take stock of their needs, set realistic priorities, and execute them quickly and efficiently.

As you explore the initiatives that can drive profitable growth, consider the potential impact on your business operations. Because most initiatives require

you to adapt the way you do business, it's critical that your company develops the ability to institute change rapidly. A culture of adaptability does not drive change once; it embraces a cyclical process of change. That means supporting today's initiatives while setting up an adaptable infrastructure that allows you to change your operations in the future – again and again. Let's look at some examples of the kinds of changes you may implement:

- **Improving operational efficiency**
You focus on improving a few business processes that cross organizational silos. For example, if you want to improve operational efficiency, consider automating a key production or customer service process from end to end. If you are a manufacturing or distribution company, you may want to migrate from using bar code scanners to radio frequency identification (RFID) readers in your warehouse, or from distributing maintenance instructions on paper to electronic displays.
- **Building new lines of business**
Often an aggressive growth strategy requires building new lines of business, which means designing a business model, setting up a new division, developing services for customers, and instituting a whole set of new business processes. For example, you may hire a senior executive to head up a new line of business focused on installation services to augment your company's primary business of distributing construction supplies.

■ Expanding into new markets

Expanding into new markets can speed growth for many companies. It also illustrates how critical business agility and flexibility are to your business. For example, if your company plans to obtain intellectual property for new products through acquisitions, you must quickly set up new divisions with different operating procedures and governance in various locations around the world. You must support an array of languages and currencies, as well as ensure ongoing regulatory compliance in the countries in which you do business now and in the future.

Evaluate Business Changes to Support Growth

Once you have identified your key initiatives in the exploratory stage, it's time to move into the evaluation stage. In this stage, you put your plans in action by weighing changes to your business processes. SAP designed SAP Business ByDesign to help you evaluate your business changes quickly and efficiently in several ways.

First, before you license SAP Business ByDesign, you can evaluate the software's adaptability using your own personalized trial system. Without calling in an army of consultants or IT staff, you simply answer questions related to your industry and the countries in which you operate. SAP Business ByDesign uses your answers to automatically set up a trial system with predefined settings that are appropriate for your company. Then, you can

personalize this trial system, experimenting with how it can support your initiatives to open an office in Germany, acquire a company in China, enhance the efficiency of your manufacturing operations in the United States, or set up a new line of business. With your personalized trial system, you can preview how easy it is to add a new product line, alter your corporate structure, or turn on functionality that supports the languages, business processes, and regulations applicable in new geographical markets.

Second, after you purchase the solution and go live, you may need to support a new business initiative or respond to unforeseen market events. SAP Business ByDesign provides a test environment – similar to the personalized trial system – where you can evaluate changes to your business processes and organizational structure. Using the test environment, you can evaluate the changes you need to make to drive business initiatives before you actually implement them.

Because you can test the changes you need to drive your business initiatives – both before you buy and before you make changes – SAP Business ByDesign eliminates surprises and provides a high degree of predictability. This level of adaptability dramatically reduces the cost of configuring the software, making it affordable for companies with lean IT budgets.

Experience Your Changes

In the experience stage, you execute your personal adaptation of the SAP Business ByDesign software. You repeat this stage during the life cycle of your solution – whenever you need to make changes to support your business initiatives.

The first time you enter the experience stage, you transition from your personalized trial system to your live SAP Business ByDesign solution. Because your production solution is based on your personalized trial system, you don't have to start all over again by defining the scope of your solution when you are ready to go live. SAP Business ByDesign organizes your go-live activities into a logical sequence and guides you to the appropriate screens, working through a list of necessary activities. Once you are ready to go live, you can run a go-live check to ensure that you have completed all the necessary steps. Then, literally at the click of a button, you go live to experience everything you set up in your personalized trial system – from corporate organization and master data to business operations and processes.

The explore-evaluate-experience cycle repeats itself every time you need to adapt your solution. Undoubtedly, you'll want to make changes to align your operations and processes with new initiatives – such as expanding into new markets – that you defined in the explore phase. In addition, you are pre-



pared to handle events that you never expected. For example, unanticipated market conditions may require that you cut costs by shifting operations from Europe to Asia.

You simply adapt SAP Business ByDesign in a test environment and then go live when you are ready to implement the changes. There is no risk of disrupting your business operations, and there are no surprises when you go live. Unlike other software that requires IT professionals and consultants to customize, you simply answer questions about your new business needs, and SAP Business ByDesign does the rest. Because the solution is so easy to adapt, you can make changes as fast as you need them. This added flexibility and speed can give you an advantage over competitors who must rely on expensive consultants to modify or completely replace their disparate systems to respond to new opportunities.

THE SECRET TO AN ADAPTABLE ORGANIZATION

USING SAP Business ByDesign TO INCREASE YOUR COMPANY'S AGILITY

The SAP Business ByDesign solution can help you enable adaptability in your business processes, operations, and organizational structure.

SAP Business ByDesign fosters a culture of adaptability. You can adapt the software as your needs change in two key areas – your business processes and your organizational structure. The software is easy to configure, and your business managers can do it without delving into complex settings or relying on external consultants. Your own staff can fine-tune SAP Business ByDesign to support your company's specific needs when you evaluate the software, in preparation for going live, and whenever your needs change.

When you adapt the software, it guides you through an online survey about your organization and its operations. Your responses to the online survey questions determine not only the software settings but also the content you need to support each function. You can then easily adapt the forms, reports, and interface of your solution in the way that best fits your needs.

For example, the software asks you where you operate, and you simply indicate all the applicable countries. SAP Business ByDesign translates your answers into configuration settings, choosing the appropriate features and functions to incorporate. If you indicate that you have a plant in Germany, the software configures itself to support the German language, convert to and from the correct currency, and include any Germany-specific functionality, such as reporting to meet legal or regulatory requirements.

SAP Business ByDesign helps you easily manage and change your organizational structure, department functions, and employee responsibilities. You define the various organizational units in your company, including their function,

accounting setup, reporting lines, and relationship to your company's legal entities. The function of each organizational unit determines the possible job responsibilities of employees within the department. The software automatically assigns default responsibilities and access rights to employees working in each unit and role, and it sets up default management approval policies and workflows for each employee who works within the organizational unit.

For example, when you make an acquisition and need to create a new department, SAP Business ByDesign takes into consideration factors such as the department's functions and whether it is a separate legal entity, a separate reporting segment, or a cost center or profit center. The software automatically proposes changes to the access rights for transferred employees and assigns access rights for new employees. Management then approves the proposal, allowing employees to access a customized portal that is appropriate for their new responsibilities and that routes tasks – such as exceptions, alerts, and requests for approval – to them.

Adaptability Means Making Change Predictable, Affordable, and Easy

Many ingredients contribute to a company's success. Strong leadership, disciplined execution, dedication to excellence, and opportunistic market conditions all play their part. But no company can truly achieve profitable growth if it does not quickly identify and capitalize on business opportunities. Doing so requires a culture of adaptability in your organization.

Whether your initiatives call for growing rapidly or streamlining operations to respond more quickly to market demands, SAP can provide you with the adaptability and speed you need to set your plans in motion. SAP Business ByDesign can help you enable adaptability in your business processes, operations, and organizational structure. It can help you employ a cyclical process of exploring your initiatives, evaluating the changes you need to support them, and experiencing your



changes in a way that makes business change as predictable, affordable, and easy as possible. That makes SAP Business ByDesign the perfect solution for companies like yours – companies that want to grow.

For More Information

To learn more about how SAP Business ByDesign enhances your business agility, visit us on the Web at www.sap.com/solutions/sme/businessbydesign.

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