



SAP BUSINESS BYDESIGN ANONYMOUS

ANALYST

Seth Lippincott

THE BOTTOM LINE

A mid-sized company deployed SAP Business ByDesign to improve its business processes and ensure compliance with its global operations. With separate entities in multiple jurisdictions, the organization used ByDesign's built-in localizations to better link its business units. By leveraging traceability throughout its entire manufacturing process, the company to reduce inventory and waste as well as improve its financial management and reporting.

ROI: **288%**

Payback: **5 months**

Average annual benefit: **\$839,867**

...

THE COMPANY

The company is a mid-sized medical device producer with almost 20 years in the industry. The company focuses on creating medical solutions for a variety of ailments using proprietary materials and technologies. Through organic growth and acquisition, the organization has expanded into multiple regions and continues to make innovative products focused on improving patient outcomes.

THE CHALLENGE

After a series of acquisitions, the company was operating with a number of disparate, loosely structured systems. With limited process coordination and standardization, the manufacturing departments suffered from inefficiencies

causing scrap, rework, and waste issues in its inventory as well as difficulty in maintaining compliance and meeting reporting requirements.

In 2012, the Board of Directors mandated that the company undertake a technology update to better unify operations and ensure compliance across what was essentially a scattered conglomerate of companies, representing 14 different countries and 8 currencies. Previously, accounting personnel had been using QuickBooks for financial management, which was error-prone and meant that each region was using its own version, making consolidation and reconciliation cumbersome.

Cost : Benefit
Ratio | **1 : 3.2**

THE STRATEGY

Based on its size, the company knew that it needed a solution that could handle global operations but was designed for fast-growing medium-sized organization. The company considered a number of solutions, including NetSuite and Sage, but found their capabilities underdeveloped and was unsure that the vendors would be able to service its needs. At the end of the review process, SAP Business ByDesign was selected for several reasons including:

- **Functionality.** Based on SAP's functional breadth, the company knew that the vendor would be able to meet its process needs. The company needed to track its build-of-materials (BOM) from the purchase of raw materials from approved suppliers through building and distribution all while maintaining quality. As a result, it relied heavily on ByDesign to deliver visibility and accountability.
- **Localizations.** Needing coordination across numerous international branches, the company knew SAP could provide the local capabilities to service the markets in which it operates.
- **Cloud-based.** The company wanted to avoid the costs associated with implementing and managing an on-premise system and looked exclusively at cloud deployments. At the time, there were not many cloud options available, but the company was confident that SAP would be able to handle its global operations with ByDesign's cloud delivery.

After deciding on SAP, the organization went through a difficult period where it was unable to make much progress with its first implementation partner. After some

reflection, the leadership team realized that it needed to change strategy and moved forward by hiring internal resources while relying on a new implementation partner for specific capabilities. Leveraging internal expertise, the company was able to go live in three months, while making continuous improvements on an ongoing basis.

TYPES OF BENEFITS

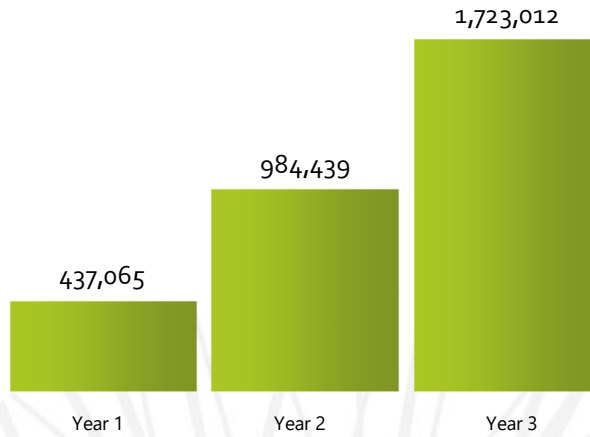


KEY BENEFIT AREAS

After implementing ByDesign, the company transformed from a loose collection of companies operating almost completely independently to a tightly integrated organization. Key benefits included:

- Increased user productivity. Moving off QuickBooks to manage its finances, back office employees were able to accomplish more in less time using ByDesign. Additionally, the quality and built-in localizations ensured that forms and reports were automatically generated in the relevant language. For example, if an employee needed to create a customer invoice in a foreign country, the system would automatically customize the invoice to fit the locality.
- Reduced inventory levels. The company was able to implement more cohesive and efficient manufacturing processes and managed its inventory more effectively. The company drastically reduced the amount of waste and scrap in production, increasing its utilization rate and reducing its costs of goods sold.
- Lowered audit costs. With its financial statements managed more centrally with fewer errors, the company reduced the costs associated with its auditors. The company did not have to devote as much time preparing its books for its auditors, with the ability to perform a financial close in three days instead of four weeks.
- Reduced staffing needs. After deploying ByDesign, the company was able to streamline its operations and clerical processes. As a result, the company was able to reduce the number of clerical staff that it needed to employ.

CUMULATIVE NET BENEFIT

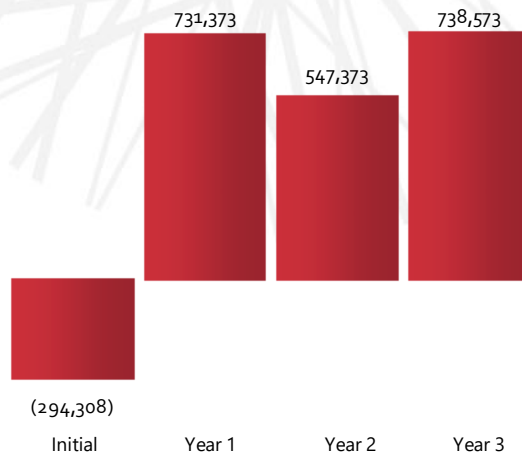


- Increased process maturity. Using ByDesign, the lifecycle for the company’s products matured, as has the visibility of the production processes from beginning to end. Because many of the products it sold were early in their lifecycle, the company was able to build its manufacturing processes from the ground up.

KEY COST AREAS

Costs of the project included annual software subscription fees, initial and ongoing consulting costs, initial and ongoing internal IT staff, and initial employee training time.

NET CASH FLOWS



BEST PRACTICES

The organization's choice to leverage the cloud when deploying an enterprise resource planning system meant it avoided investing in hardware and annual maintenance costs of an on-premises system, which was ideal for a medium-sized enterprise that wanted to maintain agility and keep down capital costs. The cloud also made supporting operations across multiple locations and jurisdictions easier, with all users presented with the same version of the truth.

By using internal resources for the majority of the deployment work, the company was able to make incremental improvements based on its changing needs at a lower cost than if it had hired an outside consultant. Internal personnel had a better understanding of the business needs and were able to split time between delivering short-term improvements for line-of-business personnel and long-term strategic information technology projects.

CALCULATING THE ROI

Nucleus quantified the annual software subscription fees, initial and ongoing consulting costs, employee training, and internal staff costs to calculate the total investment the company made in SAP Business ByDesign.

Direct benefits quantified included reductions in inventory from reduced waste and scrap as well as reduced audit costs and eliminated staff position costs. The indirect benefits quantified included the increase in employee productivity driven by the deployment. These productivity savings were quantified based on the average annual fully loaded cost of an employee using a correction factor to account for the inefficient transfer between time saved and additional time worked.

Unquantified benefits include improved commercialization of the company's products due to better process maturity and improved manufacturing efficiency, as well as improved accounts receivable standing due to better accounting management.