The Future of ERP Episode 1 - ERP Predictions with Simo Said

Richard Howells: Welcome to the future of ERP podcast from SAP. My name's Richard Howells. I'm the Vice President for thought Leadership for SAP's ERP Finance and Supply Chain Solutions, and I'm joined by my co-host Oyku Ilgar. Oyku if you could introduce yourself, please?

Oyku Ilgar: Hello Everyone. I'm Oyku Ilgar, and I'm a blogger and marketer in the area of ERP and Supply Chain at SAP. And today we are going to be talking about ERP predictions for 2023 and beyond with our guest, Simo Said. Welcome Simo, would you like to introduce yourself, please?

Simo Said: Hi, Oyku. Hi Richard. And thank you for the invitation. I'm extremely pleased to be with you today. And, I'm Simo Said, I'm heading product Marketing at SAP for ERP and finance this includes our flagship ERP product SAPs for HANA Cloud, RISE with SAP solution, the whole portfolio for finance and risk, as well as ERP for small and mid-size organization.

Richard Howells: Simo, Welcome. You and I have been around a long time around the ERP space. Me probably a bit longer than you.

Back in the late nineties, Gartner said ERP was gonna be gone in the next 10 years. So why are we still talking about ERP in 2023?

Simo Said: Well, that's a great question, Richard and I think my first response will be that ERP has never been more relevant than today. I mean, if there is one thing today in today's world that's constant is uncertainty. And this is visible at all level. Climate change, inflation, supply chain disruption, which is a topic that is very close to you, are just few examples. So the reality is that business innovation is a necessity for survival today. And I can give you an interesting number. I was reading a magazine recently and the report was saying that since 2000, 52% of companies in the Fortune 500 have gone out of business, and it's predominantly because of digital disruptions. In fact, If you look at it, it's now well known that technology innovations provide enterprises with new opportunities or value creation. From 1955 to 2011, it took fortune 500 companies, an average of 20 years to reach a billion dollar valuation. Today's digital startups are getting there in four. So if you take a company like Moderna. Moderna is a biotechnology firm that pioneers the development of messenger RNA, you know, and vaccines to produce medicines for a wide range of

diseases and conditions. And having the right ERP in place was crucial for their business and specifically for their business to scale quickly. And it's even more important for a biotech startup is taking on a deadly virus as we know. So SAP helped to quickly manage, modernize transition from a startup to a leader in the vaccine market during the Covid 19 pandemic. So this illustrates for me the importance of ERP today to bring the kind of speed scale innovation and productivity benefits that only the cloud makes possible and needed by all enterprises today. And I would maybe close on the importance of ERP today we have a quote from Clayton Christensen, former professor of the of business administration at the Harvard Business School. And he used to say that breaking on an old business model, he's always going to require leaders to follow their instincts, but there will always be persuasive reasons not to take a risk. But if you only do what worked in the past, then you will wake up one [00:04:00] day and find that you have been passed by your competitors. So that is why ERP is still and will continue to be relevant and I would say essential for running businesses across all industries in the next decades.

Oyku Ilgar: Maybe we can level set on definitions. What do you mean when you say ERP?

Simo Said: Well, that's an excellent question because obviously ERP has evolved a lot in the last decades, right? So, ERP stands for Enterprise Resource Planning, and if you look at the academic definition of ERP it started with being a system helping to manage minimum free functions of the organization using the same database. So in other words, companies were shifting from having multiple system one for managing, for example, finance, another one for HR, another one for logistics, and moving into integrated system that can manage all mission critical processes of the organization. So that was the initial definition of an ERP and what SAP invented back in 1972, 5 decades later if you look at how we would look at an ERP, it does much more than driving integration inside the organization and helping manage all mission critical business processes. What we see an ERP doing today is still the backbone of the organization, meaning helping to run mission critical operations in real time. So that's an essential element of what an ERP does. The second thing is to help build and execute and drive new business models that are specific to the industry. And the third piece that is extremely important is actually to help global expansion . You, whatever country in which you operate, whether it's in North America, in Europe, in Asia, you want to make sure that all your organization uses the same system and all these speak the same language. And that is in essence, what an ERP does today or what a good definition of an ERP would be today.

Oyku Ilgar: So we talked about what ERP is, how it really started, and we touched a little bit off the evolution side of ERP. Let's dig into the evolution part of ERP more. What are the main eras of ERP?

Simo Said: That's pretty fascinating when you look at the evolution of ERP and you can make many analogies, like with the car industry where and how we started with first Ford Automobiles as an example to now electrical vehicles. So to generalize a bit, we've seen three eras of ERP. The first era was sparked by globalization in the eighties and nineties predominantly. So this was the era of operational efficiencies when organizations trim to ERP to help them do business across oceans and borders, it was heavily, let's say, cost oriented and focused on the bottom line. So if I just take the example of a SAP, These were the days of our two or three until SAP ERP. The second era of ERP was predominantly caused by digital disruption that we saw in early two thousands. So this became the era of realtime business when organizations needed to drive accelerated business growth by responding quicker to market opportunities. The idea was to really get the insight that you need in the moment where you need it because you have that window of opportunity in the market that you don't want to miss. And that was really where the expectation from ERP was to provide this level of responsiveness to market changes and by bringing together transactions and analytics within the same system, we saw another element of value brought to the organization, which is top line growth and speed. And as an example, this is when we at SAP launch SAP Hana, our revolutionary in memory data. And then S/4HANA, our next generation ERP, and today we are in a third era of ERP, characterized by two main elements, resilience and business innovation in the cloud. Because of things like geopolitical unrest, cybersecurity threats, supply chain disruptions, sustainability mandates, companies are shifting focus from efficiency to resiliency and resiliency in the short term to weather some of these storms, but also resiliency for the future. So it's not sufficient today to just be, resilient, right? And businesses need to innovate and grow. They need to develop new business models as well as automate their business processes and they need to do it at speed and scale while also running more sustainably. And that is where also cloud comes into play because it brings you that speed and agility that you need to drive continuous innovation and be able to adapt more easily to all changes that are happening in the market. So that is in essence the three main areas of evolution of ERP. And coming back to the first question from Richard why you know, that justifies the, and explains the longevity of ERP along the decades and why this even more relevant today. One was to help organization become global. Second to help organization become digital leaders. And today it's about, again, being resilient to all these, changes that we are seeing and that we will continue to see so how do you manage your business in the context of uncertainty while continuing to accelerate growth meaning business innovation in the cloud.

Oyku Ilgar: I see. So ERP is here to stay, and as we are talking about the future of ERP what are you seeing as top priorities for business executives in 2023 and beyond?

Simo Said: I think we are seeing three major challenges for organization. The first one that I mentioned is unprecedented pace of change for organization. The second one is all the supply chain disruption that we are seeing. And the third one is a mandate to drive sustainability across the organization. So if you look at these three elements, of course there is a responsibility for leaders to. And embed these priorities into their strategy. So when we bring this into an ERP context, SAP's ERP as an example, has evolved again to meet these challenges. And accordingly, we need to find, or there is a new way of thinking about ERP. In the past, we focused on end points with ERP, meaning you buy ERP, implement ERP, and then you have reached the destination. ERP is no longer a destination, it's a journey to business outcomes. So it's not good enough for ERP to get you from here to there. ERP needs to take you from here to there and there and there and there. Simply the nature of ERP has changed because business has changed. So cloud technology enables all companies of all shapes and sizes to realize the benefits of cloud ERP. So when it comes to priorities and why, coming back to Richard's first question again, why ERP is more relevant than ever, that ERP is no longer back office. In fact, back office and front office thinking hasn't been relevant for you. So ERP is now the center of gravity for business innovation. So things like introducing new business model. If you are a manufacturing product centric organization and you want introduce new business model that are subscription based, as an example and move to a service centric approach. This is exactly the kind of capabilities that ERP will deliver today. Another example is in the area of automation. What we are seeing is a higher degree of automation across business processes. What companies need more and more in order to be, again, more resilient and be able to adapt to all these changes that are happening in real time in the market, is to bring artificial intelligence in the context of business processes. So automated business processes is something that we are seeing as A major element. And the third one is that all organization are required to be responsible organization. Towards their community, towards their country, towards their region. And obviously we all have responsibility when it comes to sustainability. So how do you manage sustainability? How do you embed sustainability into your business processes and operations? That is one element as to where ERP plays an essential role. And the other element is obviously compliance, right? You need to ensure your business is compliant with all regulations, be it from a sustainability standpoint, tax regulation, et cetera, et cetera, and where this is going moving forward. I think there are few areas where we can already predict the future of ERP. I talked about automated business process. I think we are gonna move more and. To autonomous business processes. I mean, we can

make, here again the analogy with the car industry, but we are seeing similar trends where based on trends that we are seeing based on similar situation, the system would be able to react to events, to signals that are received from the market and because of the intelligence that we are gonna bring in the context of this business processes, we could step by step evolve into autonomous business processes. The second thing that is gonna be a major evolution is, and this is something that we at SAP announce at last decade event, is the opportunity to expand and augment your ERP with new application that are not necessarily developed by tech savvy experts, but by any business user in the organization that refers to this low-code, no-code type of deployment approach that allows any business. To be able to expand and extend the scope of cloud ERP to meet specific business requirements at specific point of time in the journey of the organization. So that's another major area of evolution. And this means that the whole human interaction is also gonna change dramatically the coming years with ERP used to be a system of record, meaning that a system where all transactions of the organization are happening and being captured. And we are gonna see really an evolution of the system to allow basically more intelligent decision. We've still, obviously the human interactions, but position at the higher level to, analyze the insight and obviously take the right decision, but letting a lot of the tasks or operational task, more and more manage by the system.

Richard Howells: So Simo we have this human interaction, I mean, historically they'd be sitting at their desk on their computer getting the information. But the pandemic where everyone started working from home mobile became a necessity. What are you seeing about the multi experience of ERP users moving forward? What other types of devices do you see them leveraging to get information anywhere, anytime?

Simo Said: Well, I think this is a major trend that we are seeing in European. It started few decades ago. But one area, for example, that we see expanding is the area of collaboration that wherever, whatever system you are using, you can connect basically to an ERP and drive collaboration in this context. But I would like to maybe expand a little bit on, on this topic. If you look at it, I mentioned, the term that has been used for many years of system of record, right? That's how ERP was defined initially to be able to, again, manage all transactions of any organization and record all these transactions in the database, the evolution then that happened in year 2000 was to actually, as I mentioned earlier, bring transactions and analytics together. The way you choose to work is that companies had a transactional system and analytical system, so they were running transactions on one side, typically in an ERP. And then they were taking this data, bringing it into a system like business, intelligence where they were analyzing all this data and there was a lot of technical constraint that,

obliged organization to have this setup. What we did in 2011 SAP for example, with introduction of HANA, that database help actually to break this line and this divide, this segregation between transactional system and decision system. So this means that a business user was able within the same environment to manage execute transactions. And on the other side be able to analyze data and make decisions within the same environment. What we are seeing coming more and more is evolving into a system that yes, will continue to be system of record and decision for the organization. That is gonna be more and more the system of engagement. And a system of change. So system of engagement is exactly coming to your point, meaning that wherever you are, whatever your role in the organization, you will be able to interact with the system and you will be able to interact in multiple ways and often in a personalized way in regards to your role, how you like working, and the kind of tasks that you need to manage on a daily basis. And there is an important element that I mentioned earlier, which is this resiliency element, which is really why ERP is so relevant today. And that's why I think we are gonna evolve slowly to this system of change, meaning that the ERP will be able for some of the changes that are seeing in the market to adapt or to provide the response to the business user as to how what should be the right response to the change so that the company can still meet its objective. And I think that is the evolution that we are gonna see more and more because of more and more AI infused application. I still believe that we are just at the beginning of what AI can bring in the context of business application. And we start to see clearly in acceleration amplification as we saw it in the past.

Richard Howells: It's interesting cuz as you've been talking I've downloaded the IDC Futurescape predictions for intelligent ERP in 2023 and the first prediction triggered by a storm of disruption, economic issues and the need to be digital by 2024, 30% of organizations globally will combine DIY and partner applications to automate their entire business, which is the example that you gave earlier with the build example. And then another prediction by mid 2024 50% of end users will leverage AI infused applications moving from a system of record. They're saying to an intelligent, to a system of intelligent planning, but that is exactly what you are saying, but in different words, it's be able to respond to change and have better visibility of the information. The last one I would highlight is that by mid 2024, 25% of companies will use sustainability to assist in the selection of modern applications. So with that particular one in mind, are you seeing sustainability getting embedded into business processes rather than being a side project?

Simo Said: For us it's already, you know, default in ERP and it started several years ago with different kind of product. And we continue to enrich the portfolio for sustainability to again, help our customers manage sustainability across their business. So that is going to be default capabilities required in any

ERP similar to what we offer for driving financial clothes or building manufacturing plan. That is for me gonna be inherent to what ERP offers. But there is an element I would like to add, Richard, because that's a very important element in the context of ERP. And also the question on sustainability is the industry dimension. And if you look at the history here, ERP initially focused on the core set of capabilities and then going deeper from a line of business perspective, right? Providing more capabilities for finance, for human resources, for procurement, et cetera. And then naturally evolving to getting closer to industry specific requirements. And I think that's gonna be the trend, because when we talk about sustainability, you have organization that you have more impact on your environment than the other one. And that's another important dimension to bring, is that yes, sustainability from a regulatory, requirement perspective, having all the reporting in place again and bending sustainability into operations and processes. But it's also important to bring this in the context of the industry. And that's also an angle where at least at SAP, where what we have been doing for many years is make sure that ERPs as, as close as possible to the industry best practices that we are seeing and obviously providing these best practices to organizations large, medium and small. So to answer your question, yes, and actually it's gonna be default in ERP to manage sustainability.

Richard Howells: I love the fact that every transaction, every movement, every action has both a financial cost and an environmental cost, and we need to track both. As we come to the end of the podcast. And the title of this podcast series is The Future of ERP. If you had to summarize in a sentence or two, what is the future of ERP?

Simo Said: I think, the future of ERP is to evolve from being a system of record and decision to a system of change that will adapt autonomously to changes happening in the market and helping organization drive continuous innovation so they become more resilient while continuing to accelerate their growth in the market.

Richard Howells: Well, thanks Simo, that was a great conversation. And thanks to everyone for listening to our first Future of ERP podcast. Please mark us as a favorite and you can get regular updates and information about future episodes. So, until next time, from Oyku and I and Simo, thank you for discussing the Future of ERP.