Episode 2 - Composable ERP with Paul Saunders

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. Oyku, over to you.

Oyku Ilgar: Hello everyone. My name is Oyku Ilgar. I'm a blogger, marketer and podcaster in the area of ERP and Supply Chain at SAP. And today we are going to discuss composable ERP with our guest Paul Saunders. Welcome Paul, would you like to introduce yourself?

Paul Saunders: Sure. Hello both of you. I'm Paul Saunder. I'm the head of Product Strategy and Chief Evangelist for Cloud ERP at SAP. So I've been with SAP for about 18 months now, I came from Gartner, where I was an analyst covering SAP. So I've spent certainly most of my professional career talking to, or talking about SAP and ERP.

Richard Howells: Okay, so let's get going. In a recent article in ERP Today, that I read, you wrote about Composable ERP and your quote was "Today the buzzword dejour is composable." Composable business. Composable thinking, composable architecture, and even composable ERP. So just to set the ground rules and have a common understanding. What do you mean when you say composable?

Paul Saunders: Such a wonderful question and, and a great softball to start this off. What are the challenges with Cloud ERP? If we just start with that, is the cloud means different things to different people. And ERP means different things to different people. And now we've, you know, exacerbated the problem by throwing in this term hostable. So if I can tell you kind of what that it means, and, and Gartner researcher, the ones who came up, well, Gartner came up with the term composable and composable business and then composable ERP a number of years ago. And, largely I think that the term recomposable would be better. Cuz really what it's about is having technology that can adapt to a changing business. One of the criticisms that ERP has had since the early 1990s is that it's monolithic, it's very fixed, it's very rigid, and it's hard to change. The processes are hard to change, the training's hard to change and so on. So, if you think about composing anything, it's about taking pieces and assembling them together. And it's the same with ERP, I mean, at SAP we haven't been monolithic really since about 1992 or thereabouts, the end of our, you know, render of the R three time. Really look at what we've done is we've taken all of

the pieces like finance, procurement, HR, manufacturing and operations the intelligent enterprise is made up of all these pieces that with business technology platform sitting underneath them can be composed and reassembled to deliver different outcomes. composability is really a nice way of saying the ability for something to change to meet the business needs of the day. So simple as that.

Oyku Ilgar: Why now? Why, Why composable ERP so relevant today?

Paul Saunders: I think the, the reason it's relevant today, If you think about how we've taught in technology and this been the we, the general technology community, we've been talking for the longest time that business is changing at a rapid pace and lots of transformation and disruption and all this sort of stuff. I think really the last 12 to 24 months have been a level of disrupt that we would never have forecast, you know, pandemics and global conflicts and ridiculously high inflation and all of this sort of stuff. And what you've seen is the companies that have survived and are thriving through this are the ones that are able to react. The ones that have been able to say look, I need to make less of this product or less of this service, more of this one. And in order to do that, I need to shift my people, my resources, my materials, all of these kind of things from plant A to plant B, and change things that way. And then I need my systems to change. I need my budgets to change. I need my people to be able to change and so on. So realistically, I think that why now is because this is the time when all of the stuff that we've been saying about disruption has really come home to roost, to mix. Way too many metaphors there. But, it's just simple that I've always said that ERP, really, really just reflects the business of the day. That's as simple as that. And today's business requires companies to be able to adapt and respond very, very rapidly. And that's why composable is really important, I think. Having that foundation of the solid core of ERP is what makes all of this stuff work.

Richard Howells: It's really interesting because, I was reading somewhere recently that a word of the year was chosen in Britain, by one of thendictionaries, and it was Permacrisis.

Paul Saunders: Perma? Yes. Yes. Um, when I saw that actually perma crisis, I can tell you that in 1986 I had my own perma crisis when as a younger man, I went into the local hairdressers with a picture of Jon Bonjovi and said, I want to look like him. And they gave me a granny perm, and I came out with this tight perm on top of my head. So that was a real permacrisis, I think. But on a more serious note when the pandemic first kicked off, there was a lot of talk about when will we get back to normal? And I think a lot of businesses with their

technology were saying, look, how do I ride this out? How do I survive this? I think now we're at a point where companies are saying, this is normal and tomorrow's normal might be very, very different, and now being able to compete and be successful today does not necessarily mean that I can do the same thing tomorrow. And that's why, again, I think composability this idea behind it that, and it's not just technology, this is the most important piece, I think. It's all about that mindset piece to start with how do I react? Because, as I say, a lot of companies looked at the pandemic and said, right, I've just gotta get through this. And many, many did get through it just by brute force and determination and and so on. And what we're seeing, certainly as two types of customers, the ones that had kind of moved to kind of a clinker approach with Shan and other pieces before the pandemic hit and they were able to adapt and respond, you know, leverage business networks, leverage our insights, leverage the power of BTP and so on to be able to be successful and come out of the pandemic very, very well. And the other set are the ones who went, wow, we made it. Let's not do that again. You know, that was not fun. So now let's work out how we need to position ourselves better going forward for this.

Richard Howells: Right? The only constant is change itself.

Paul Saunders: Absolutely.

Richard Howells: I did a little bit of research to not sound stupid when we talked about composable ERP and in September, Gartner came out with a hype cycle for ERP, and they positioned ERP in the peak of inflated expectations. It had moved out of an innovation trigger to the start of this peak of inflated expectations. And it went on to say that they see composable ERP to ERP to be transformative in five to 10 years. you understand the hype cycle way better than I do. What's your thoughts on that?

Paul Saunders: Yeah. I think, two points on this. First off, I'm reading a book at the moment called Build by Tony Fidel, who's the guy who created the iPod and he also created Nest and sold it to Google. And I've read hundreds and hundreds of management books and tech books in my career. This is one of the best that I've read. And one of the things that he says in there is that the world is full of companies making cool technology products that nobody actually needs and you have to start with what are we actually trying to do with this? What's the customer need we're trying to solve? And he gives examples about, products that he's created in the past. He gives an example about Google Glass, really great, cool technology and so on. Nobody really needs it. So what, and the thing about the hype cycle, and you've got the innovation trigger and then the peak of it inflated expectations. And then my favorite, the trough of disillusionment

where everybody's like, oh, it's just that? Composable is second, I think only to the M word, the metaverse, which don't get me started on that. But, everybody got so excited about it, composable, it's gonna fix everything. It's gonna do this. No one single thing is going to fix anything. And the thing is, there's nothing actually to be fixed. It's all about how do we adapt again to the piece of the day. I think that every customer out there has been told often in a kind of condescending kind of block kind of way that: the world is changing, the world is disruptive, the pace of change will never be this slow again and so on. It's like, yeah, we know, we run a business, we see this every single day. They know the world is complex. They know they wanna be able standardize. They would love to be able to move to the cloud and run standardized processes. They would love to be able to take innovation that very quickly and leverage it and so on. But it's hard because they've still got a business to run. They've still got product to ship, they've still got services to provide and so on. And I think what they've been looking for is first off empathy for technology companies to say, yeah, changing how you do stuff is hard. It's as simple as that. and I think what's happened with composable is it's all been around. As soon as you got composable, everything will be great and everybody will be hugging each other and singing and dancing and so on. It's like, okay, that sounds lovely. I would love to be able to do that. How? And I think that's why, one of the things that attracted me to come to SAP you know, was, was actually SAP's Rise. Because The thing that I liked about RISE was it was never about technology. It was always about business transformation as a service. Let us show you and listen to you and work with you on how those steps are to transform your business. And then to transform it again. And transform it again, and compose and decompose and recompose constantly. You know, My former colleagues at Gartner were very clear, very clear upfront that it's composable thinking first, then composable business architecture, and then composable technology. What did we all do as technologists? We all got excited about the technology and just jumped straight in there and I said, Hey, let's build composable technology and everybody. Okay, why? And I think that's where we are now. It's at the okay phase and we will go through that trough of disillusion whenever we go uh, it's just IT and technology people saying, this is the greatest thing again. And at some point, as Gartner says, 5 to 10 years, I think it's probably close to 10 years for most organizations. It will start to really show some value.

Oyku Ilgar: So let's talk more about this change. So for these companies that are willing to deploy a composable business system, where do they start?

Paul Saunders: it's a great question, and I think one that it does depend on every business. I hate to be a typical ex analysts and say, well, it depends, but it kind of does depend. But I think there's a couple of key steps that anybody can start with. I like to joke that you can't give any presentation without quoting

Steve Jobs. So I won't, and I will quote Steve Jobs, which was, you have to start with the customer experience and work your way back to technology. It's such a simple thing, but it's so often not done. So for every company, what I would strongly recommend is you ask and answer a few questions. The first one is you have to say, what does a day in the life of one of our customers, our partners, our suppliers, our employees, and so on, look like five years from now? Don't go any further than that because you're probably not gonna get it right. And then say, can we achieve what we need to achieve to meet all of their needs from where we are today? And if not, what do we actually need to change? Then you can start to say, okay, do I have the right mindset to be able to do this? What does my industry look like? Where the industry is going? One of the things that I think is really interesting today is this blurring of industry boundaries. When I started my career, nearly 30 years ago now, you could say, well, automotive company just makes automotive vehicles and ships them, and other people will buy them. Well, now you can say, well, an automotive company makes an automotive vehicle that they provide out on a lease that has a certain number of miles on it, and it's an electric vehicle, and they also provide you the electric charging stations for it. And they have the charging pieces, and then they also have the e mobility services, and then they have the insurance and the service and so on. So it's quite different how all of these industries have changed. But if any company says, right, what are we actually trying to do? So where, what's that day in the life look like? And then what are we actually trying to do now? the second thing to ask is are we ready to change? And this comes to that composable thinking piece. This is really, really important. Can we as a company change? Because everybody believes they can, but everybody just wants everybody else to change. They don't want to change themselves. So you say, okay, so can we actually realize that yes, we need to change some stuff. The third thing is to say, Why, why now? Why would we do this in 2023? Because to the point that you've both made so well, we've said a lot of this stuff before, and the thing that I do love about composable business is it's never claimed to be anything net new. You know, the authors at Gartner have always said it is bringing together various things like their fusion team concept and from agile development and pieces from service oriented architectures and so on. There's nothing really net new about all of this stuff. And, and I think that's the...

Richard Howells: It's a composable strategy.

Paul Saunders: It's, it's exactly, it's a composable strategy that that becomes composable, you know? So I would say for most companies, just say, what does that day in the life look like? Can we get there from where we are today? If not, what are the things we have to change? And you have to start with that, that solid foundation. So, I gave the highbrow quote, no, not necessarily highbrow of

Steve Jobs, but now I'll also bring in a Monty Python one, which is, you know, kind of, I built a castle in the swamp. Uh, it sank into the swamp, I built another castle in the swamp that sank into the swamp and built a third one that burned down, fell over on, then sank into the swamp. Anything you build composable, if it doesn't have that solid foundation, we'll sink into the swamp. It's as simple as that. So that's where the governance piece comes in, the data quality of it, the technical underpinnings, these kind of things that you have to get right before you start saying right then microservices, architectures, let's get going. You know, that's the wrong place to start. In fact, as soon as somebody says that you need to kick 'em out the room. First person who says microservices, kick him out.

Oyku Ilgar: So Paul, one of my favorite blog of yours is Stranger Things blog. For those of our listeners who haven't read the blog, we're gonna put the link down below. So the Stranger Things Is a Head Banging Reminder About the Importance of Re-Innovation. So this blog it is my favorite. Not because only you were talking about AC/DC Iron maiden and Ozzy but there is a paragraph starts with, in a Spotify and Apple Music world, you cannot take a cassette tape and pencil approach to your business challenges. So continuing what you have always done might work up to some point, but renovation is the key in this ever changing world. So my question is, what are some of these challenges that companies might face when they start thinking composable?

Paul Saunders: Well thank you for that for the kind words on that blog post. Let's, let's be honest, nobody gets up in the morning and says, oh, ERP, that's exciting. You know, it's not really that exciting but what ERP can deliver, I think is very exciting. You know, I'm frustrated, failed musician. I still love that music and technology have a lot of things in common. but. When you think about what are the challenges of anybody when they're starting on this composible journey, the first one is, what are we actually trying to do and why are we doing it now? What is it that we're actually trying to get to? What are the things that we do as a business that are non-differentiating? And I think one of the hardest things for companies to come to terms with is that a lot of what they do is non-differentiating. And that's really, really tough. You know, it's like we've done things differently, because we've done things differently, not because it really provided any real customer benefit, market benefit or so on. It was just, that's the way it worked. We just had to do things there. So I think it's hard to go through and say, what are those standardized things? To be successful with composable, you have to be able to standardize on the non-differentiating pieces, because as things start to change at a faster pace. If those things are heavily customized like we used to do with ERP in the past, everything will break very quickly. And then there are some capabilities that really differentiate you to your customers. Let's say that, uh, give an example.

Let's say that the three of us set up a business and we were selling custom made shoes online. somebody could go online and create a pair of shoes and then we would ship them to their door tomorrow. I still need to do accounts payable, still need to do accounts receivable. I still need to pay my taxes. I still need to hire people has no real direct impact on why a customer should buy my product or how I get it to them. But there are some things that are specific for that customer that would really differentiate me from the com competition, and that might be how I do my pricing, how I do my e-commerce capability, how I ship the product to somebody, all of these kind of things that these are the pieces with composability that you are going to want to be able to differentiate yourself on. It's a challenge as well because everybody will say, well, everything differentiates me. I'll give you an another terrible music analogy here. There's a famous story in rock music about when Deep Purple were recording, I think Smoke on the Water, but I don't quote me on that. And they were getting into an argument with the sound engineer about the levels in the mix. And Ian Gillon the singer, said, look, I can't hear myself. Make the vocals louder in the mix. And then Richie Blackmore, the guitarist said, make the guitar louder in the mix. And then, Ian Paice, the drummer said, can't hear the drums. Make the drums louder. John Lord was saying, make the keyboards louder. And so on. And then finally, the legend goes, Ian Gillon said, look, just make everything louder than everything else. And that's I think where many companies are when they try and prioritize stuff and say, what is it that truly is important for us? Everything can't be as important. It really can't be. So I think, you know, when you're looking at composability, customers have to start to think about what is it, what's that one thing that we've got that is solving a customer's problem? And that they would come to me over my competition. And how do I change my business to be able to do that? And then if the more you can think about that, then when your business starts to have to adapt and change and recompose, then you're gonna be in a much better position to do it. But it's all about the mindset, to be honest. It really is. Technology piece is kind of the easy piece. It's the people piece that that's the hard piece.

Richard Howells: Let's, let's focus a little bit on the differentiation. I mean, you've identified what your differentiation is say or where you want it to be, but then you've gotta have the business system and the ERP system to be able to support you in running your business that way. are ERP systems designed to be decomposable or recomposable? And, at what level of granularity do you need to decompose and then recompose?

Paul Saunders: Yeah, this is a question that, we've been discussing internally but also, I've had lots of conversations with analysts and customers about the benefit of ERP. It is effectively that you can manage your material flow or your services flow and your cash flow alongside each other. So then you've got, you

know, visibility into what's my demand look like? Can I make it, do I have the right parts? Am I gonna make any money on it? And, and, and so on. Could I take my order to cash process and chop it up into 500 microservices and rearrange them every other day on the fly? Yeah, I could. Is there any business benefit to that? Not that I can think of. So all of those system of record processes as Gartner refers to those standard capabilities that every company has to do. ERP does it very, very well. and what you want to be able to do is to say we will build a composable technology architecture around ERP as a core, and I will leverage then this digital business technology platform or SAP's BTP to be able to do all of this sort of stuff. But ERP itself is not compostable because ERP itself doesn't need to be composable. It's the pieces that go alongside of ERP and it comes back to the question all the way that we had at the start around composable and the confusion of it. And the confusion of ERP. ERP has become everything to everybody. It does a little bit of everything. For some companies, it might just be their finance system. For others, it's finance and HR. For others, it's every single thing they do in their company. it means different things. And the way to think about it from a core ERP is it provides those business capabilities and that every company needs to do, and a platform upon which you can then differentiate and compose those differentiated capabilities to deliver something different.

Richard Howells: So, Paul, I can't believe this, we've been talking for 27, 28 minutes. So I have one final question, that we plan to ask all of our guests. We're talking about the Future of ERP; so if you could summarize in a few sentences, what do you see the future of ERP.

Paul Saunders: To me, the future of ERP is the future of work. The reason I feel that ERP is often thought of as old-fashioned is because it no longer for many companies has reflects what their needs are of today, how their employees work, how their business works, how their suppliers work and their partners work, and so on. So if you look at kind of the, the big trends again that Gartner's been talking about, where you've got things like hyper automation. Yeah, huge part of ERP, where you have things like RPA will come in and say, right, then all of these standardized things that we're doing, particularly in the finance area, we can use RPA for those kind of things. You've got things like, I love the term cobots. I'm not sure if Gartner came up with that one, but it's kind of a cool. term at the same time. ChatGPT has been so prevalent in all the tech press recently, but this idea of having a more conversational type of ERP, you know, where I can say, hey, you Alexa or whatever it may be, optimize my plant in Bolivia for a more sustainable target. And it does it. Hey, Alexa again, what's my sales numbers look like for Q3? And will the weather in North America impact sales in Q4 next year? Those kind of things, then I think it is then about the usage of it. Many people today will have portfolio careers going forward

where they'll be doing different things in different industries and, certainly the, generations that are coming out of schools and universities now are expected to have 10, 15 different jobs during their life. They're not going to be at one place for 30 years and then retire. So I think the usability of it needs to be and will be much better than it is today. Business is complicated. ERP has to be complicated because business is complicated, but I think the more that we can leverage ERP to take that complexity away from companies so they don't have to worry about the complexity of their business, they can worry about how they differentiate and provide a great service to their customers. So that's my future of ERP in a little bit more than a nutshell.

Richard Howells: Perfect. Thank you. Paul, we're at the end of the podcast, so thanks very much for a great conversation. You've definitely given us our first Monty Python quote of the series, so I really appreciate that and also lots to think about as well. Thanks again for a great conversation and thanks to everyone for listening. Please mark us as a favorite and you can get regular updates and information about future episodes. And until next time from Oyku and I, thank you for discussing the Future of ERP.