

The Future of ERP EP6: Changing the Way People Work with Business Process Intelligence & Automated Controls

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Richard: Welcome to the future of ERP podcast. My name's Richard Howells. I'm the Vice President for thought Leadership for SAP's ERP Finance and Supply Chain Solutions. And today I'm joined by my co-host Oyku.

Oyku: 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 changing the way people work with business process intelligence and [00:01:00] automated controls with our guests Jan Gruener from Deloitte and Neil Patrick from SAP. Welcome gentlemen. Would you like to introduce yourself?

Jan: Thanks for having us. My name is Jan Gruener. I'm a director at Deloitte in Germany and my let's say area of work is the consulting and auditing of internal control systems, corporate governance, system, risk management, and compliance.

Neil: Hi everyone. I'm Dr. Neil Patrick. I work in SAP Solution Management team for GRC and cybersecurity. Been with SAP about ages now and worked for a number of our competitors actually in the past as well.

Oyku: We are glad to have you here today. First of all, let's get a common understanding. What is business process modeling?

Jan: Yeah, so business process modeling or BPMN is a form of process visualization and the graphical approach to business process design. It is a certain kind of standard to perform business process modeling. And what is [00:02:00] noteworthy for me being an, you know, a nerd and specialist when it comes to risk and controls is that you can assign attributes to what you've actually scribbled on your white sheet of paper. So in for your business activities or those process activities, you can assign attributes. You can actually assign the control owner, a control performer, a process owner. So all these information, which he usually has on a piece of paper or not in a very digital and reworkable way, you now have within business process modeling tools. And if, for example, you want to assign a risk to a certain activity within a process, you can then subsequently assign a control to that activity. And on all of that information, you can actually report at the end. So you can pull a reporting where you have risk, where you have which roles, what kind of IT systems you have in your process landscape.

Neil: Yeah. And just to add to Jan's point that if you look at businesses, they're operations. So fundamentally, you'll have a business, they have objectives, and you achieve objectives by having programs of work within the business. And [00:03:00] programs of work are delivered by processes within the business line of processes, business processes. And of course that leads to risk, and then you need controls. So it's kind of surprising that you don't have this tight link in most systems between process and risk and control. And historically, you know, GRC hasn't done that, apart from some exceptions, one of which I worked from before, which is a fabulous solution. But now I think with this integration we're talking about today really interesting how to sync this up.

Richard: Thanks for the overview of business process modeling. So before doing the call, I did a little bit of research, not to sound totally stupid during the discussion. I read that 72% of finance teams spend up to 10 people hours a week on accounts payable related tasks that could be automated. That's 520 hours a year if you multiply it out by 52, just to show how mathematically unchallenged I am. So how can automation help to optimize internal controls around areas such as finance, compliance, and [00:04:00] sustainability?

Neil: So that's great stats. I think it underlines the importance of what it is that we're doing here. So if I steal and slightly paraphrase the COSO definition of what internal controls is, because this is partly what we're talking about. We implement processes designed to provide assurance over the achievement of objectives. And that's covering, for example, regulatory compliance, reliable financial reporting and the end point of that is looking at the effectiveness and efficiency of those operations. The example I like to use a lot is if you look at

period end within finance, so whether it's month end or quarter end or year end when you're closing the accounts, there are a whole series of steps that the finance people will go through to ensure you can close the books for that period. And if there are any discrepancies or variations that leads to delays in closing the books. Now, in the worst case, month end could take say, two or three weeks to close. Quarter end could take one and a half months, year end could take months to close. Now, if we can collapse all of that by automating the internal controls in process to catch those things before they happen, then this is just really good news for [00:05:00] the business. It's a real value add.

Jan: Yeah. I'd like to add a couple of points from my client's experience there as well. We are in a regulatory environment or in a time for most organizations where our clients or these organizations faced increasing regulatory requirements which have direct impact to two processes. So if you think about tax compliance requirements, if you think about CSRD and sustainability reporting, which is something embedded into the processes as well, or that might be with European centric right now, that's a big topic for us at the moment is that you have to provide control or assurance over some parts of your supply chain. And that leads to specific requirements on activity level within your processes, which stem from these new regulations. And if you try to actually tackle these regulations as an organization without any technical support or without any focus on automation in mind this will lead to increased bureaucracy into very expensive additional manual activities. So [00:06:00] automation is key for most of our clients.

Oyku: And why is joining finance compliance and sustainability together a game changer? What does it deliver?

Jan: Similar to what I just said, automation is key. And there are a couple of points where you know, the combination of automation efforts and also business process modeling is able to bring major benefits to client organizations. One is cost efficiency. These additional regulation mean challenges for the organizational structure, the overall resource and staffing for organizations. So lean governance and the focus on cost of control and focus on cost of compliance is very paramount to model an organizational structures and BPMN and also automation can help to identify automation potentials and to make your bureaucracy and the manual activities, leaner and less effort involved for these activities. Second point is transparency BPMN can help our users to visualize risk and controls within their actual processes. So we are able to identify bottlenecks, but also points [00:07:00] which are important from a regular laboratory perspective. Third one is compliance. We are able to identify process design weaknesses and nonconformities with transactional data if you have the

proper data analytics in place. And that's only based on the, you know, formation, transparency and also, this is actually the last point, but that's actually the first point when I started to work BPMN and like six or seven years back, is it increases fundamentally the acceptance when you talk to users, to people working in processes. When you talk about their actual process design and you talk about visualized processes. When you want to expect to them risk controls and automation potentials because you're actually working along their daily activities and you're able to transport and make your points a lot easier when you talk about their client's activities.

Neil: Yeah, I agree with that completely. And if you look at the transparency and accountability, [00:08:00] having, joining these two things up, it means that you've got this contextualized visibility of your controlled performance and the status of your controls. They're in front of you within the process and because you're automating this as well. So anyone who's involved in the order functions, if you're looking at a manual process, you have to go through a testing sample. if you automate though, you can go further and much deeper and get a much richer and broader visibility of either the performance of the controls or the state or the effectiveness of the controls. So what that means, in fact, is that your high value, , employees, let's say in the finance or wherever their job then is not so much about where is the test result and is it up to date? But rather, what is the business consequence of this test result and what do I need to do now to deal with that? And then coming back to sustainability and the finance. That's really interesting as well. As you all know, everyone is talking about ESG and sustainability. You know, it's the thing. But actually the impact on the business [00:09:00] goes deep and wide. So the emerging regulations like the ECC and EFRAG, underpinned by things like the TCFD, they're deeply rooted in governance, risk management metrics, compliance but also in terms of disclosures, now what we are seeing emerging is that there is a joint disclosure by the corporate to wherever about how, their finances and ESG compliance relate to each other. And from a CFO perspective as well, what you clearly want to know is what are the financial impact of my sustainability objectives and initiatives within the organization? And failing to meet those then is failing to meet your objectives. And that is a big burden to the business. So if we can automate a large part of that, if we can integrate that into business processes, that reduces the overall cost for the business. And exactly as Jan was saying, speeds up or provides us really deep visibility as to where they're going.

Richard: Neil, you touched on my next [00:10:00] question a little bit, as you were talking then. And automation must reduce the amount of repetitive and mundane tasks that are done on a daily basis. But how does business process modeling change the way that business works for users? How does it change the day-to-day job of a user and stakeholders?

Neil: Sure. I'd probably start with a high level view. So, In SAP, if you look at the ERP systems we tend to talk about four key business processes, just to put some names, some context. So we talk about source to pay, recruit to retire, designed to operate and lead to cash. Okay, so these are core process. If there's something wrong with any one of those processes, your ability or efficiency or commercial viability as a business suffers. And that could be because there are just straight deviations or delays in any of those processes. So things are taking twice as long, maybe as they should do. You could have illegal or fraudulent behavior. In some of these and that can obviously have a cost of the business, loss of revenue inside. Or maybe it's that the [00:11:00] process has some unexpected deviation that you didn't know. And you know, there's a big difference, and this is again, one of the values of the integration, I think is the difference between your planned process and what's actually operating in the business. There's usually a difference. So, showing these divisions can show you where there's a slowdown in these core processes. So, having this integration and the automation of that means that you can get to those deviations, those variations, those illegal behaviors quicker with more visibility and react to them much, much faster. And that supports then a business that is really wanting to move fast, move quickly with assurance, and it kind of provides a foundation also to agility and resilience.

Oyku: I know we touched on it previously, but can you please expand on key benefits that you mentioned? And how does it improve the performance, resilience, agility, and compliance?

Jan: What we see, and I think that's the same for you guys at SAP. We see many of our clients struggle at [00:12:00] their S4 transformation, or at least they're within the S4 transformation and what I try to convince most of my clients on a very regular basis. And we are getting BPMN that helps us to actually be more convincing in that area is that it makes sense during S4 transformation, think as early as possible about risk and controls as soon as you forget about risk and controls during your process design phase, for example. It makes it a lot on your wrist and a lot more expensive to work on, additional control, design necessities after the fact. So, just as an easy example, if you have your process design finished and then you find out that there are doctoral requirements, which need to be reflected in certain controlled activities. That actually means that during the S4 transformation project, you have to reopen the process design, BPMN with all these attributes, with all these aspects in which we've mentioned earlier during this call already makes it a lot easier to talk about process design and also about [00:13:00] control risk and controls design and, you know, thinking to one direction, which is most effective and most efficient processes at the same time.

Neil: Yeah, and I think following on from that, there's often a perception within the business if you look at finance, or manufacturing, or something that the risk function or compliance function do work against them. Whereas in actual fact, both teams are trying to achieve the same objective. You want to have the business running as fast as it can, as effectively as it can, but also within the guide rails of what is compliant, what is standard offering procedures, what is ethically designed by the business and having that running effectively and visible within your process design and as we're saying, automate that as much as possible means that, for example the line of business with say, let's call them frictionless controls they can get ahead of any business disruptions to their line of business, and then they're immediately alerted that are any problems, which could be policy or financial delays or whatever. And it allows [00:14:00] sort of first, second line and maybe even third line to get a handle on stopping downstream impacts of what's happening. And that obviously impacts the end customer. And this is a real value add to a business.

Richard: Just, a follow on question from one of the ones that was asked a little earlier, I mean, process automation sounds great and you can definitely see the benefits that you just described. What's the effort to automate these processes? Do you need a team of programmers to automate the processes. We hear a lot about low-code, no-code. Does this fit into that, question?

Neil: So I, I can start. You know, we're looking at an IT project. Okay. So there is obviously always work that's needed to do something in a business transformation IT system. But to put some context around it control automation. The challenge usually I found when we've done discovery sessions with customers is not what is the piece of code that I need to write, but it's the agreement within the lines of business that this is what the processes [00:15:00] are. Yeah. And these are the controls that are necessary. So it's to get that single view and then how to report on that. So that's the big work. Once that's done Then it becomes, a technical project. How long does it take to write a report? Anything between say, I don't know, half a day and three days, if it's a really complex report to write a rule, you know, ballpark, let's say somewhere between half a day and the three days for a complex one or maybe four days. But the beauty of these things is you write it once, you pop it into the back end and it just goes on and on and on. Okay. You fine tune it, but then it's, you know, it's really just going on forever. So, yeah, there some set up at the start. But in the grand scheme of things, it's not that difficult.

Richard: The benefits far outweigh the effort.

Neil: Absolutely. They're far outweigh. And even if the rule isn't perfect, you can refine it. Yeah. And the alerts, the visibility, the insights that you get, and this is exactly as Jan was saying the, so it's the insights into your business and what we've heard from lots of customers the tendency always is to try and minimize unnecessary cost and certainly in any [00:16:00] implementation you'll try and reduce the amount of cost it takes to implement something. What for we hear from customers though, is the further you push out things like compliance and controls and risk management, the more you actually understand how your business works. And the more visibility you has, it gives you all sorts of surprises, things that you didn't even know happened, and all of a sudden you can see them and deal with them.

Jan: Yeah. Neil, I'd like to add a bit to your first point there. The way I like to explain to my clients you know, my perspective on automation efforts is that I try to explain to them that this is obviously as everything is a journey, but we try to work our way from easy to complex and you know, from a technical perspective the easiest solution is automate an activity, which you don't need to actually automate because you can get rid of that activity. So get rid of the activities which are unnecessary, harmonize, standardized as much as you can before you [00:17:00] actually think about automating. And when you then go have that outta the way, which is from a technical perspective, the easiest way. But from an organizational perspective, probably it's not going to be the easiest route to go for, but it's a very worthwhile activity because you are improving your overall design and your the organization as a total. When you think about automation, you think, again, from simple to complex before you think about any technical solution, you're actually buying externally. You think about the technical potential within your existing ERP system use what is there? Then think about additional technologies such as robotic process automation or any bots of data analytics you may include in the mix.

Neil: Yeah, and I think also as you're saying, Jan, it is a journey and we're probably in the back of our heads during this conversation, making assumptions about the kinds of customers who might want to go down this road. There's automation of processes then and documenting with business process modeling. But there, of course there is a precursor. [00:18:00] So a company, let's say, is largely manual or using Excel or maybe paper-based, they first have to digitize what they're doing. So get it into a computer system and then start running automated process on top of that. So let's call that digitalization and that's a journey.

Richard: It's a walk before you can run, before you can automate.

Neil: Yes, and the mistakes are exactly as the saying, trying to automate something that you don't need. Trying to automate something that is hugely complex and what is the business value? What come back to the business principle. What are we actually trying to achieve here? Run the business with these objectives. How do we do it? What's the best way? Yeah, and then automate from that.

Richard: I have one last question, but before I ask that question. Is there anything that we've missed? Is there anything that you would like to add that we should have asked and haven't asked?

Neil: I'd add one thing I suppose, and that is if you look from an external audit perspective and even from an internal audit perspective. The general approach from internal audit, let's say, is with whatever's happening in my business that I can see [00:19:00] what are the processes that are likely to break the business? So what do I need to do to stop the business from breaking? So internal, you wanna go through and find these things. Having the processes documented and being analyzed with BPM diagrams and process intelligence type software, and having the control setting on the top of that and seeing what the state of those controls are running or not designed well, gives you such a jumpstart in to be able to answer that question. So that's one point. And then from the external audit perspective, it's kinda like the meri are the same question. They'll ask what are your high value processes? Are you in control of those processes? And show me. And this is what this gives you digitalized.

Jan: I'd like to add one point just without going into too much detail about that, but I think it's, worth mentioning a point touching on resilience and also transparency. I think, processes which are designed and documented within a following BPMN have the [00:20:00] benefits that you can collaborate on those processes, you can actually share that information a lot easier within your organization. And that is, I think becoming more and more important the more you actually automate because we sometimes talk about something which is called brain drain, which you automate a manual activity and then you don't have the knowledge on the expertise on that manual activity, anymore. And, I think BPMN provides you with the necessary instruments and tools to actually prevent that from happening.

Richard: So my final question then, if you had to summarize in a sentence or two, , taking business process intelligence and automation into account, what is the future of ERP?

Jan: Well, I go first. I think phrase a couple of perhaps expectations and wishes if you like. I think the future of ERP needs to be a lot more focused on risk, compliance and regulatory requirements than it used to be. Because [00:21:00] I think that at least for the processes we've been talking about today, like financial process within and around financial accounting and with relevance to financial statements. The increase its regulation or increasing regulatory requirements will lead to, to necessity to have more efficient processes, but also it will lead to the fact that ERP has to be more risk centric than it has been for a while

Richard: Neil?

Neil: Yeah. So sort of parallel and then actually meeting up with Jan's Point. What I see happening is, so there's a shift away from large, complex heterogeneous, IT landscapes towards simplified lower cost to run, consolidated IT landscapes and one of those is to consolidate towards less even a single ERP instance. So I think that's one trend. And with that moving or hiding the complexity of ERP processes behind that single instance, so putting the difficult stuff behind the box and [00:22:00] making the business users use of that easier. To make that safe, I think, we need a lot of transparency and visibility and automation behind the scenes to make this safe for businesses to run. So you get this, but it needs to be as part of the overall offering that you have the ability to understand deeply what your risks and controls are for your processes within your standard operating procedures.

Richard: Thank you. Well, thanks Jan and Neil for a great conversation and thanks for taking the time to talk to us today.

Neil: Of course. Thank you. It's been a pleasure.

Jan: Yeah, it's been a pleasure.

Richard: And I'd like to thank everyone for listening. Please mark us as a favorite and you can get regular updates and information about future episodes. But until next time, from Oyku and I thank you for discussing the future of ERP.