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Achieve Subsidiary **Flexibility** While Maintaining **Global Control** with SAP Business ByDesign

by Greg Chase, SAP

Can you imagine a scenario in which your business would make a conscious decision to run operations manually in spreadsheets, even when more sophisticated ERP technology is in place at your company? For small business units and subsidiaries, this scenario is a reality since the alternative is to tackle the challenge of morphing their business to match their parent company's ERP system.

Over the last few years, large enterprises have often focused their IT efforts on consolidating the entire enterprise onto a single ERP instance to improve company visibility, standardize operations, and reduce IT operating costs. However, when standardizing onto a one-size-fits-all global ERP system, some business units are left out — especially those with different business models or ownership structures, those that are too small, or those that are simply too new.

But companies no longer have to struggle with the challenges of morphing a business unit or subsidiary to match the mother ERP system so they can take advantage of the benefits of such a move. Instead, they can look to SAP Business ByDesign, a solution that supports the localized nature of business units while also providing the parent company with global visibility.

The Freedom to Be Local

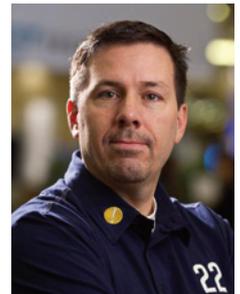
The business units and legal entities that make up a corporate ecosystem can be incredibly diverse. Sometimes they are limited liability shells or divisions of the parent company operating under a different brand, or country-specific sales organizations and regional manufacturing groups. They can also have business models that differ greatly

from the parent company's. Often these units also have specific business processes unique to their operation. That's why, in the case of joint ventures, potential spin-offs, and franchise models, for instance, it's inappropriate for the entity to even run in the global ERP system. Instead, it often makes sense for these particular business units to have their own systems that can better support their unique business processes.

One way to address the challenge of differing business models and processes in subsidiaries is to accept that local needs are just that — local. Companies can benefit from having a standardized program for business units that need some independence in their IT operations. Software-as-a-service offerings such as SAP Business ByDesign work especially well in these cases because they allow companies to tailor the system to their specific needs, without hiring specialized IT personnel.

Take, for example, Lufthansa Revenue Services, a wholly owned subsidiary of Deutsche Lufthansa AG. Deutsche Lufthansa AG is an international airline company, while Lufthansa Revenue Services is a specialized business process outsourcing and application service provider for the parent company's airline partners. The subsidiary's radically different business model left it with an underused ERP system that managed only its financial processes, with the rest of its operations running on spreadsheets and point applications.

That's why Deutsche Lufthansa AG decided to move its subsidiary's operations onto SAP Business ByDesign, which offers support for professional services companies. SAP Business ByDesign's integrated financials and project



Greg Chase (greg.chase@sap.com; Twitter: @GregChase) is Senior Director of Cloud Solutions Marketing at SAP. He joined SAP in 2006 and has nearly 20 years of experience in the software industry, holding roles in product marketing, sales, product management, and engineering. Greg is a frequent blogger on topics such as IT cloud strategy, software tools and development, software-as-a-service, hybrid cloud/on-premise IT architectures, platform-as-a-service, and business process management methodology.

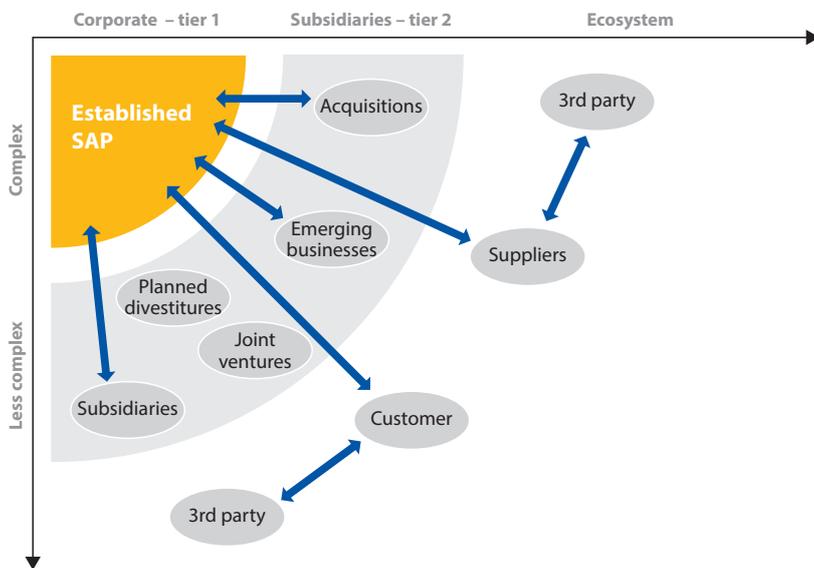


FIGURE 1 ▲ A two-tier ERP approach provides flexibility for independent business units and governance and visibility for parent companies

management business processes fit well with the subsidiary's business model, and have allowed Lufthansa Revenue Services to gain visibility into the status of projects and control over costs, improving customer satisfaction and profitability. Additionally, since SAP Business ByDesign is delivered as a service, local IT staff can focus on the core function of providing business process outsourcing, and not on maintaining an on-premise ERP system.

Lower Your Support Costs

To empower subsidiaries, companies often create template ERP systems for entities in the corporate ecosystem. International beverage companies and auto manufacturers, for example, have employed this practice for years with on-premise ERP systems for franchise operations and regional subsidiaries. However, this approach requires fairly long implementation times, onsite IT expertise, and capital expenditures on software licenses. As a result, smaller and more dynamic business units do not fit into this traditional accelerator model. With SAP Business ByDesign, it's easier to standardize business processes and integrations in multiple configurations, and spawn different kinds of instances that can also be configured to meet local business unit needs.

This is why TUI A&D InterCruises Shoreside & Port Services — a ground handling and port agency service for the ocean and river cruise industry that operates more than 300 port offices in 50 countries — chose to leverage SAP Business ByDesign as its standard system for managing international subsidiaries.

Working with Accenture, TUI A&D defined a global business model and business process template based on SAP Business ByDesign that incorporates local country requirements and headquarters' reporting needs. It is now in the process of rolling out the solutions globally at regional subsidiaries. A cloud solution is particularly appealing since it means there is no need to keep specialized IT staff on hand at far-flung global subsidiaries. This also means that TUI A&D can rapidly deploy new systems whenever it opens new or acquired operations.

Take Advantage of the Cloud

Local systems provide subsidiaries with the independence and flexibility they need to manage their business. Yet these same systems can also help the parent company maintain visibility, reporting, and economies of scale by incorporating standardized processes and integration (see **Figure 1**).

For example, with SAP Business ByDesign, it's possible to outsource roles, such as purchasing or HR, to the parent company's global service center. Global employees can then log into the SAP Business ByDesign system as external users to accomplish delegated tasks. This kind of operation is particularly helpful for startup subsidiaries that need to focus on market development rather than administration. Examples of standardized parent-company-to-subsidiary integration available with SAP Business ByDesign include:

- Automated financial statement consolidation to aid in financial reporting
- Payroll integration that allows the use of global payroll services, while providing results for subsidiary financials
- Master data integration for consistent customer, supplier, and material data
- Procure-to-pay process integration to help subsidiaries sell global company materials and leverage global company logistics for delivery
- Analytics integration with SAP NetWeaver Business Warehouse (SAP NetWeaver BW) to allow headquarters to benefit from analytical data from its subsidiaries around the globe

Explore the Possibilities

To learn more about how SAP Business ByDesign can help manage independent business units effectively, visit www12.sap.com/subsidiaries. ■