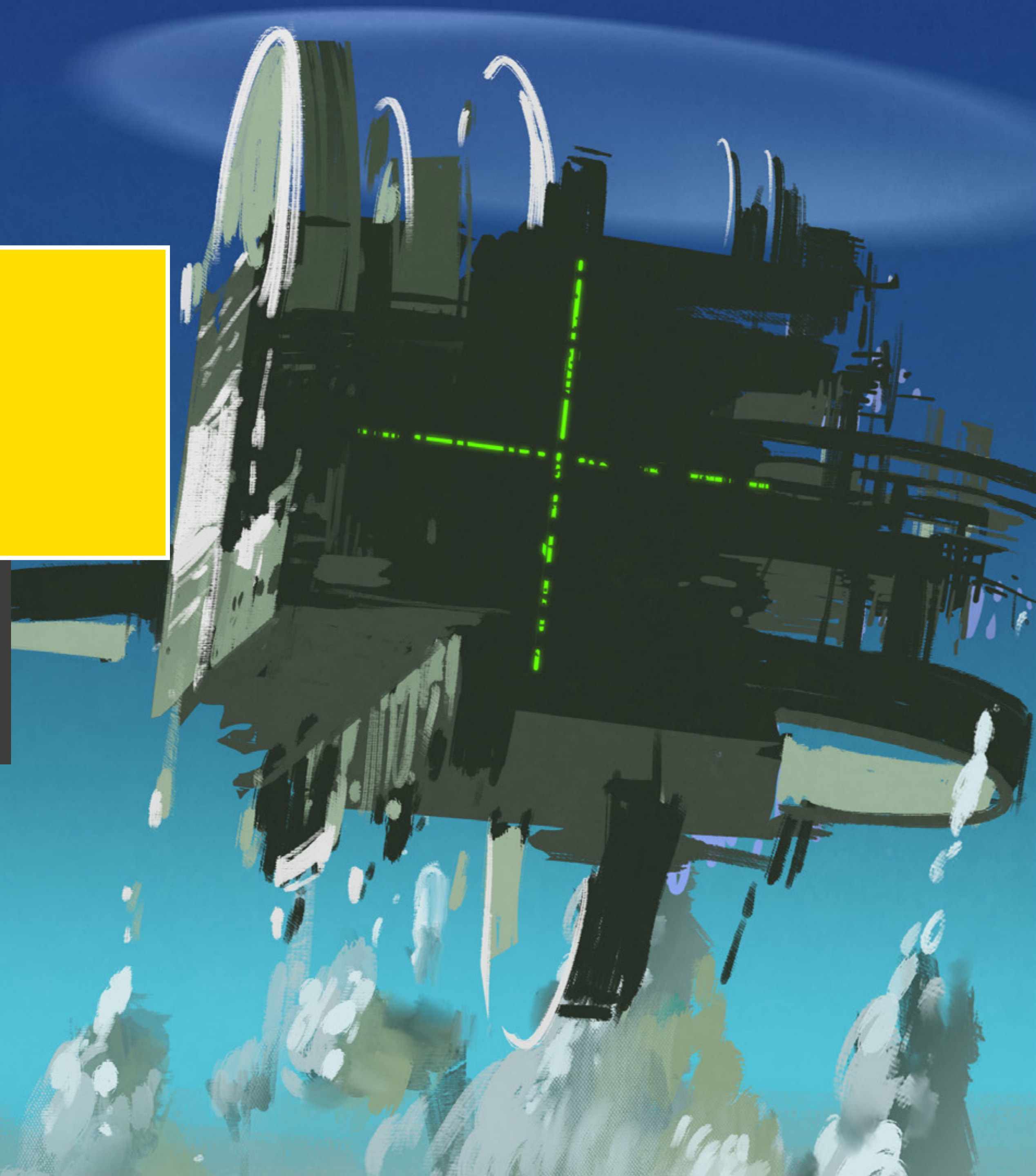


A new way to blueprint your S/4HANA solution

THE RESULTING PACKAGE PORTFOLIO MATRIX

Resulting^{it}



The Package Portfolio Matrix

"When building business applications or implementing packaged solutions like ERP or CRM it can be hard to achieve a balance between adopting standard best-practice processes and customising off-the-shelf software to deliver 'unique' business processes.

Customising software however typically results in longer, more expensive implementation projects with a high overall cost of ownership.



Stuart Browne
Managing Director, Resulting IT

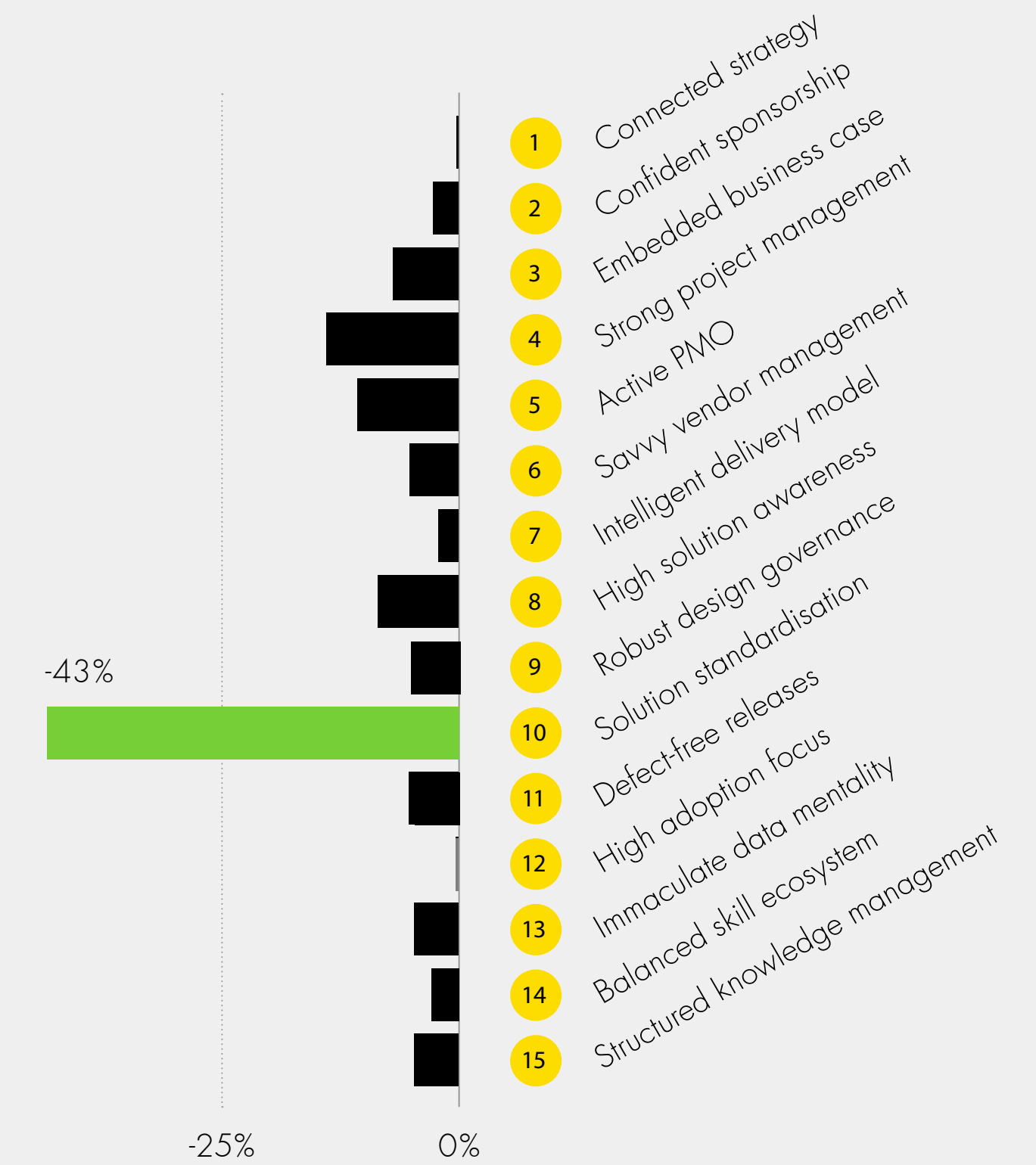
When researching the SAP Success Report, we discovered that the most significant factor in SAP projects running over budget was Solution Standardisation, with 43% of respondents recognising it as having the strongest negative impact on budget.

But that doesn't mean non-standard processes should be avoided at all costs - in fact, they are vital to your Competitive Advantage.

In this guide, we show you how to use the Package Portfolio Matrix to decide where customisation can be applied to provide your business with the maximum Competitive Advantage without taking on unnecessary technical debt.

For more information on using the Package Portfolio Matrix, feel free to contact me at www.resulting-it.com."

Success levers with the biggest negative impact on project budget



* Resulting SAP Success Report: www.resulting-it.com/sapsuccess

Standardise or customise?

Any ERP software implemented in a business and any customisation of that software comes with a Total Cost of Ownership (TCO).



A significant element of this TCO is down to the additional knowledge required to run and maintain heavily customised business applications and the challenge in upgrading them as software vendors release new versions.

However, moving away from customised processes and adopting standard functionality to deliver best-practice business processes leads to a need for greater business change, education and training.

And, If business people are not on-board with changes to the business processes that they are familiar with, there is a risk of rejection rather than adoption.

The Package Portfolio Matrix offers a way for businesses to consider the scope of business applications in a way that addresses these challenges.

Business processes can be described in a hierarchical manner with functions, sub-functions and business processes decomposed down to individual process steps. This approach is often referred to as a Business Process Master List or Business Process Catalogue.

Using this as a base, individual business processes can be categorised in ways that aid the design of business applications.

What is the Package Portfolio Matrix?

The key premise beneath the Package Portfolio Matrix is as follows:

"If every business simply implemented standardised, best-practice package functionality to run its business processes, then all businesses would be the same.

The resulting homogeneity would erode Competitive Advantage between companies."

The degree to which a business process drives Competitive Advantage is therefore a factor in the decision making processes of business application solution design.

Similarly, Competitive Advantage can be achieved in a number of ways.

We can broadly describe Competitive Advantage as either delivering Top Line Value (such as an increase in sales, market size, growth or customer loyalty) or Bottom Line Value (where costs are reduced in the form of efficiency, automation or economies of scale).

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Understanding business processes

Using these principles, business processes can be ranked on a continuum based on the degree to which they impact business value.



Examples:

- Sales Order entry represents Top Line Competitive Advantage
- Route Planning of deliveries represents Bottom Line Competitive Advantage
- Posting Financial Journals is a Commodity business process

It follows that Commodity business processes are candidates for standard, off-the-shelf package functionality. After all, as no Competitive Advantage can be gained from Commodity processes, utilising best-practice business processes makes sense.

However, Competitive Advantage business processes are more likely to warrant investment in more innovative solutions.

Innovation can be achieved by customising standard solutions to work in a different way or by developing bespoke solutions that deliver "our special way of doing things".

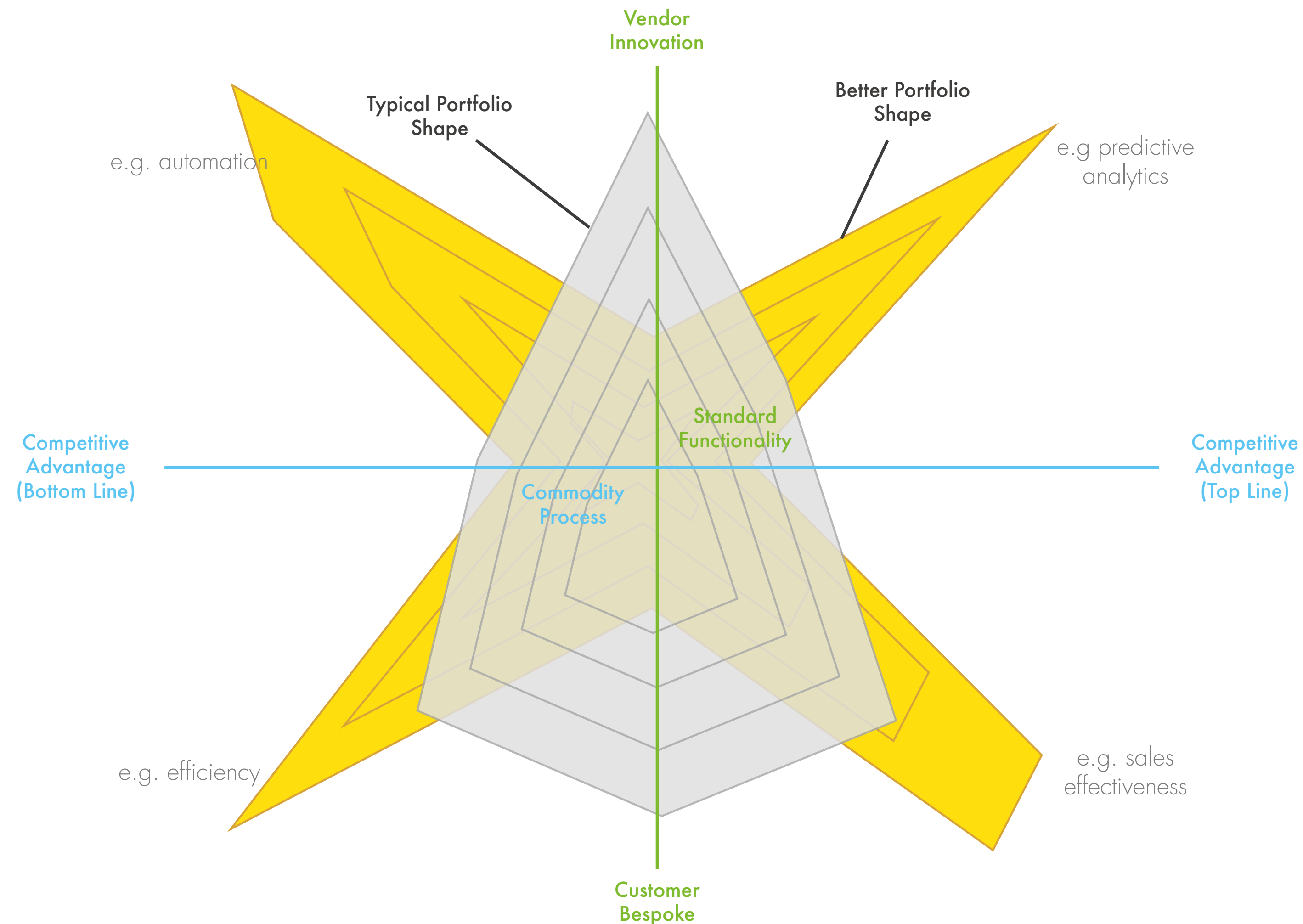
Alternatively, businesses may investigate 'bleeding edge' technology to deliver a competitive edge - for example Machine Learning or AI. These Vendor Innovations typically involve being an early adopter of new technology and investigating whether the benefits claimed are real.

So, whilst business process may be described on a Competitive Advantage/Commodity continuum, business solutions may be described on a similar continuum.



The Package Portfolio Matrix plots these continuums as opposing axes.

The Package Portfolio Matrix



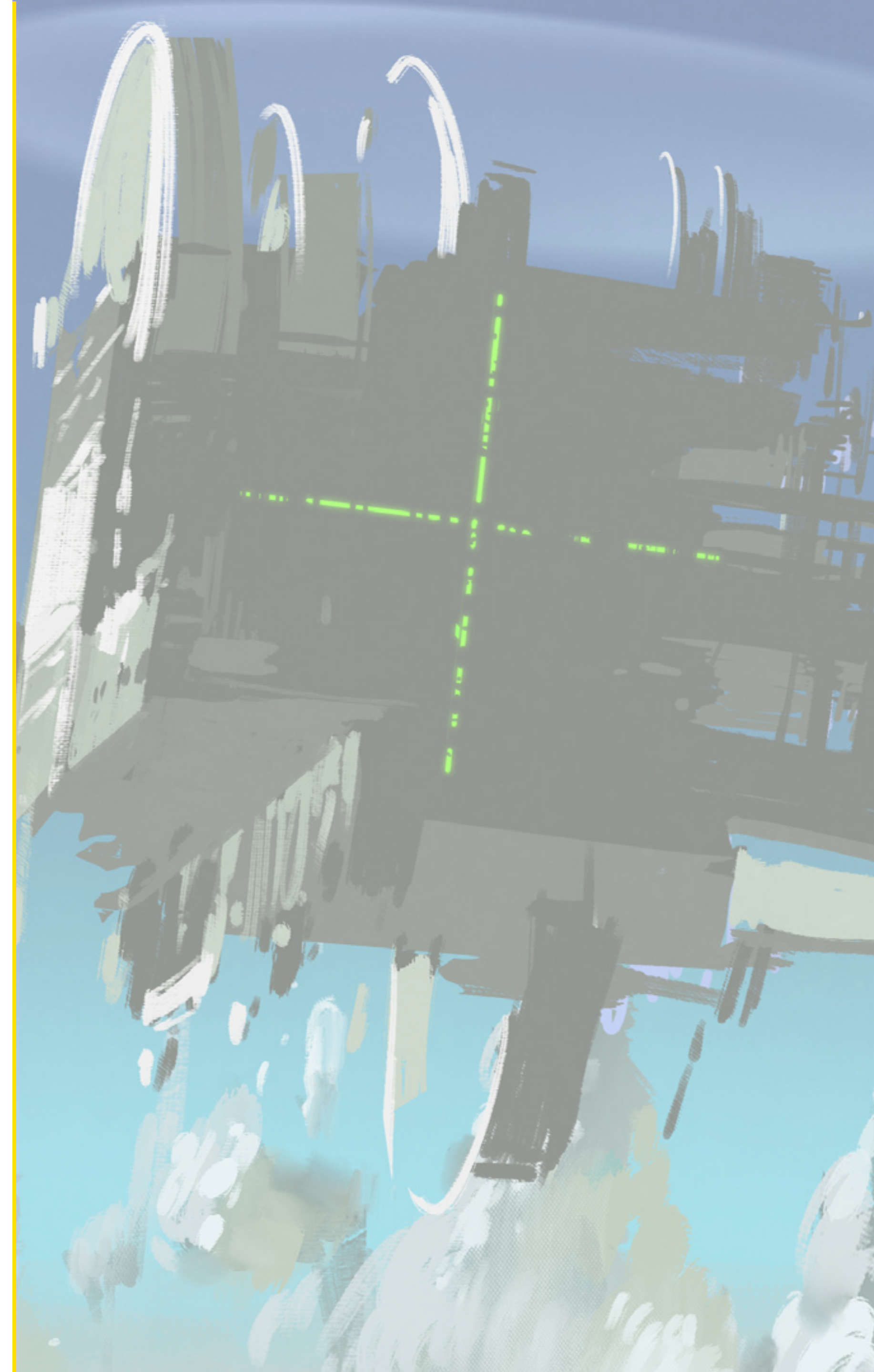
By plotting business processes on this Matrix it's possible to visualise the shape of your Package Portfolio.

Typically, businesses have a "bottom heavy" Package Portfolio with bespoke Commodity processes that could be delivered using an "out-the-box" approach. It also shows a neglect of customisation in the areas that provide the most Competitive Advantage.

When a Package Portfolio is optimised, we would typically see this visualised in a star shape, with the least customisation around Commodity processes, and the greatest amount of customisation and innovation in the areas which provide the most Competitive Advantage.

But this is just one way to use the Package Portfolio Matrix.

The Package Portfolio Matrix in Practice.



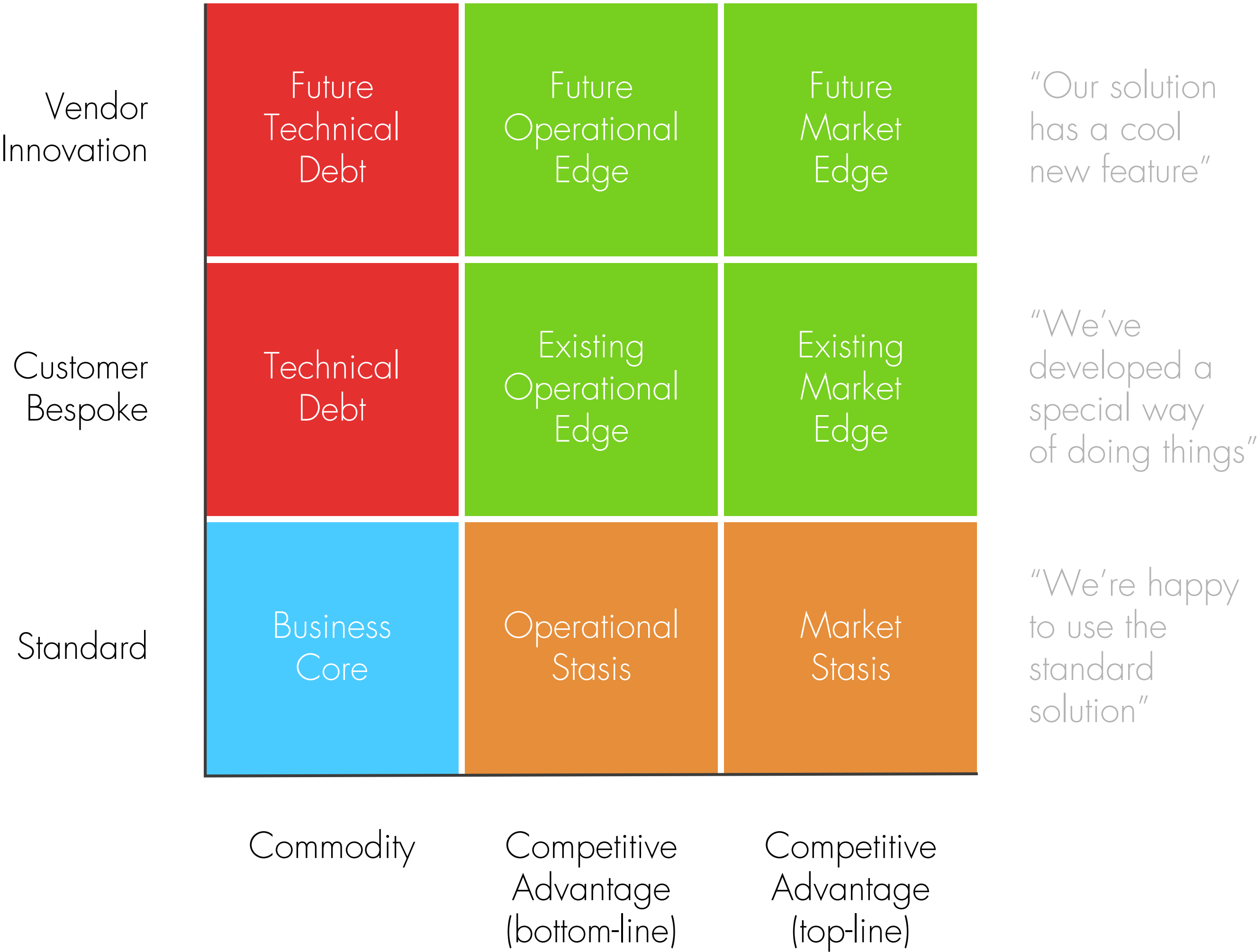
The Matrix in practice

By plotting the axes of the Package Portfolio Matrix in the illustrated layout it becomes an effective tool to use in workshop environments, allowing you to accurately plot your business processes on the Matrix.

Processes can also straddle multiple areas of the Package Portfolio Matrix should they not fit into either camp with 100% accuracy.

This format also benefits from placing concepts next to each other that were previously seen as opposing poles of the same axis.

This can be beneficial as processes may move between areas of the Matrix - such as Vendor Innovation and Customer Bespoke, or Existing Market Edge and Future Market Edge - over time.



How to use the Package Portfolio Matrix

Here are some tips for plotting your processes on the Package Portfolio Matrix:

- Using Standard functionality from a packaged application makes sense for Commodity processes - as there's no differentiator with competition and there's no value to be gained by innovating.
- Using Standard functionality to drive Competitive Advantage leads to a form of stasis where the best one can hope for is parity with the competition. This may be suitable if a business is standardising processes or moving from an out-of-date process model to a more modern way of operating.
- Delivering Commodity business processes using Bespoke solutions or Vendor Innovation is likely to result in technical debt - overly complex solutions that deliver little value.
- Deciding to Customise or bespoke business processes should be reserved for areas of Competitive Advantage. This might be to provide an 'edge' in the marketplace or an operational 'edge' in terms of efficiency.

One may also look to Vendor Innovations to provide future Competitive Advantage. Some Commodity processes may become Bottom Line Competitive Advantage as a result of focused innovation (e.g. invoice scanning and OCR).

Vendor Innovation	Future Technical Debt	Future Operational Edge	Future Market Edge	"Our solution has a cool new feature"
Customer Bespoke	Technical Debt	Existing Operational Edge	Existing Market Edge	"We've developed a special way of doing things"
Standard	Business Core	Operational Stasis	Market Stasis	"We're happy to use the standard solution"
	Commodity	Competitive Advantage (bottom-line)	Competitive Advantage (top-line)	

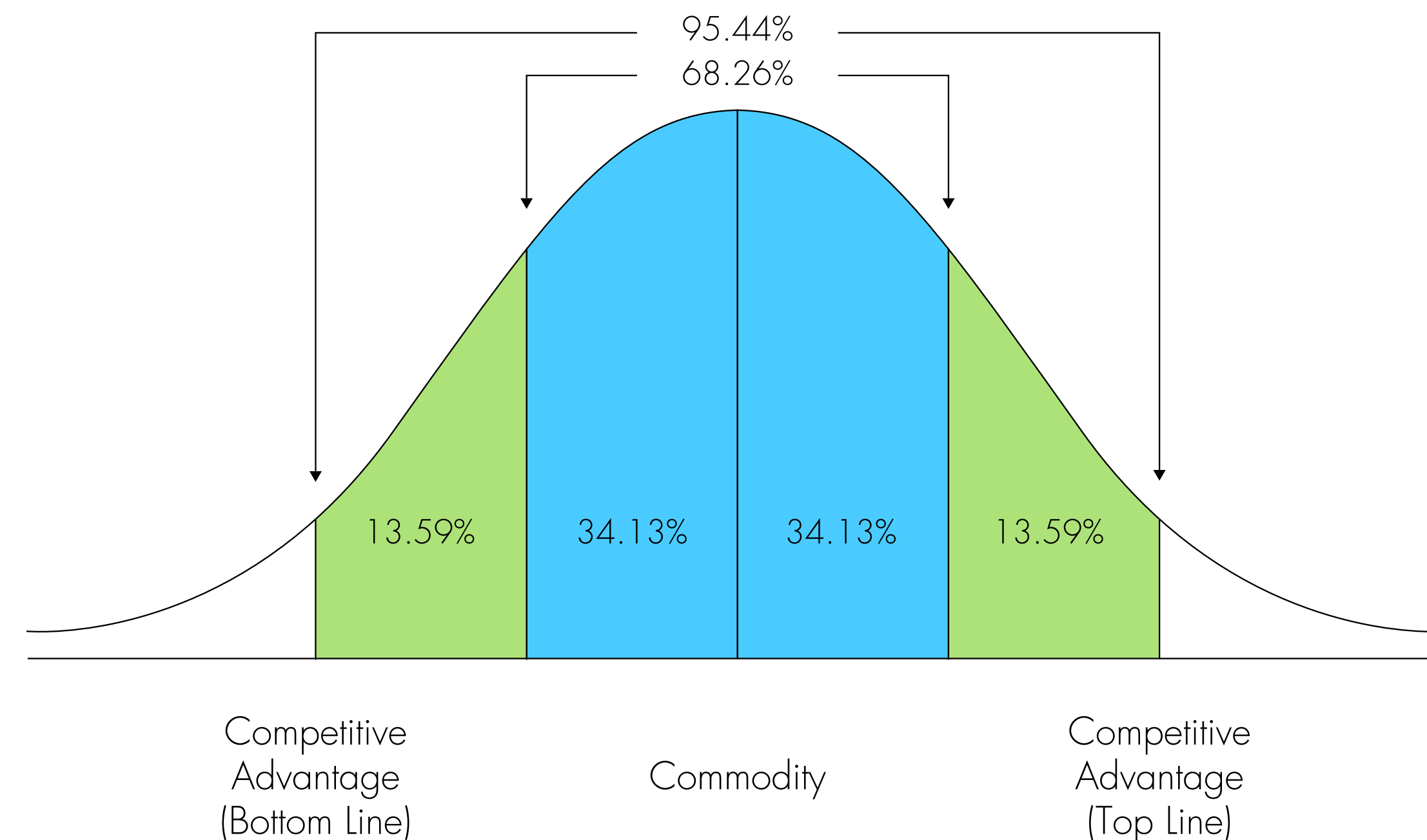
Why all is not square

So far in the model we've explored the square Matrix is broken into 9 equally sized squares. But life is never a neat, convenient 3x3 matrix.

Whether you apply the Pareto Principle (20% of the processes deliver 80% of the value) or simply assume that most processes are normally distributed around a central Commodity column, you'll soon realise that your Portfolio has a different shape.

And, because there's much more Commodity in the real-world, there can be much more standard functionality in your solution than you might expect.

The same applies to your budget too. If it follows that there's not so much customisation required, it also follows that you can either spend more of your customisation budget on the Competitive Advantage processes. Or, you can spend less overall.

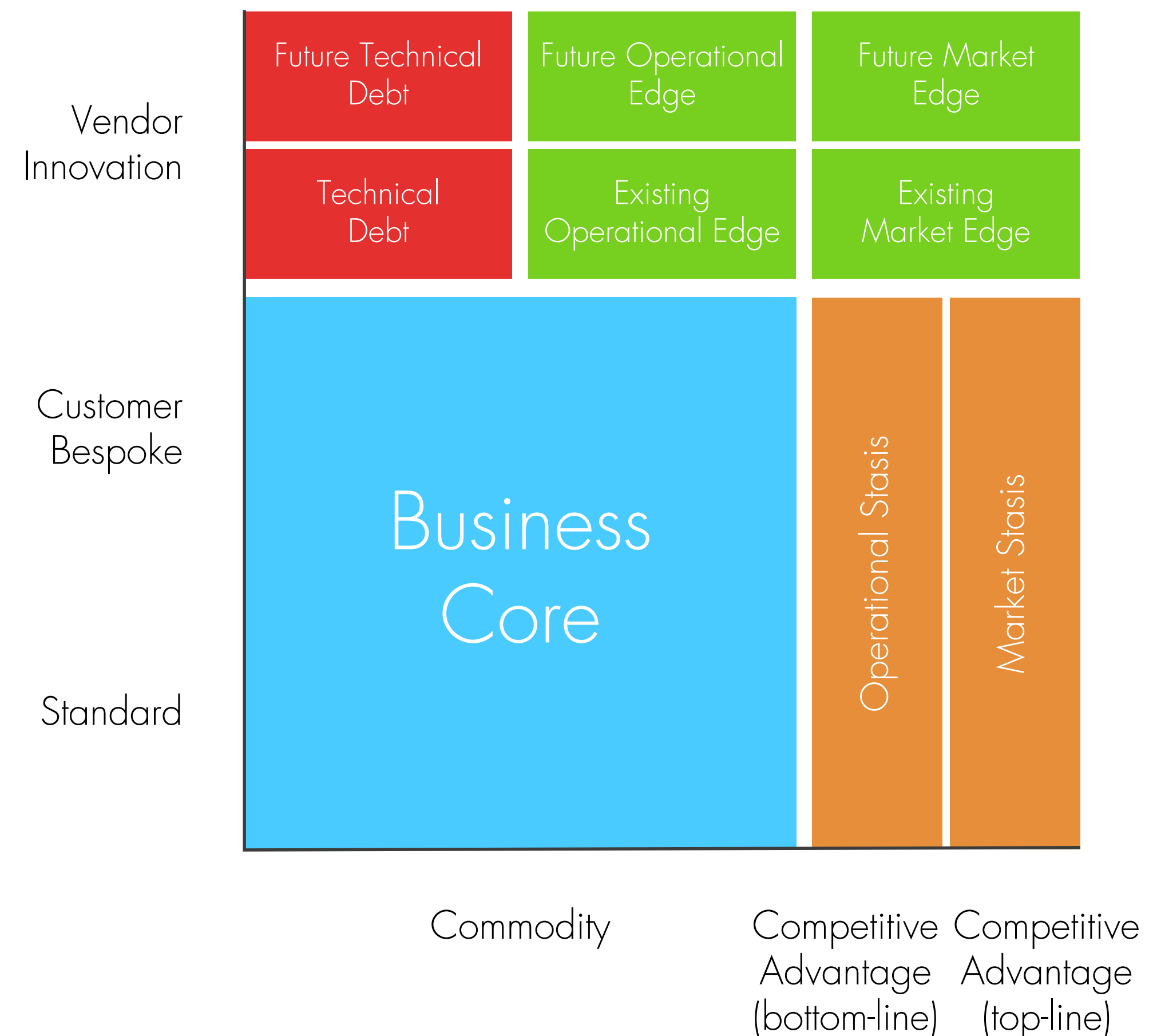


If your solution is more standardised, things start to get interesting

Increasing the amount of standardisation in your system comes with a range of benefits, such as:

- It's now easier to test - or automate testing - because more of your solution hasn't deviated from standard.
- It's easier to train your staff - because you can use off-the-shelf training materials.
- It's easier to upgrade - since future patches are much less likely to break your complex customisations.

Once you begin to standardise, it's easy to see how the savings can start to pile up.



Staying ahead of the curve

Over time, Vendor Innovation becomes mainstream and reverts to Standard. This forces further innovation or customisation.

In situations such as this, you can use the Portfolio Package Matrix to guide solution design and roadmapping of business applications.

The rule of thumb, however, should be that these customisations are the absolute exception.

Does no always mean no?

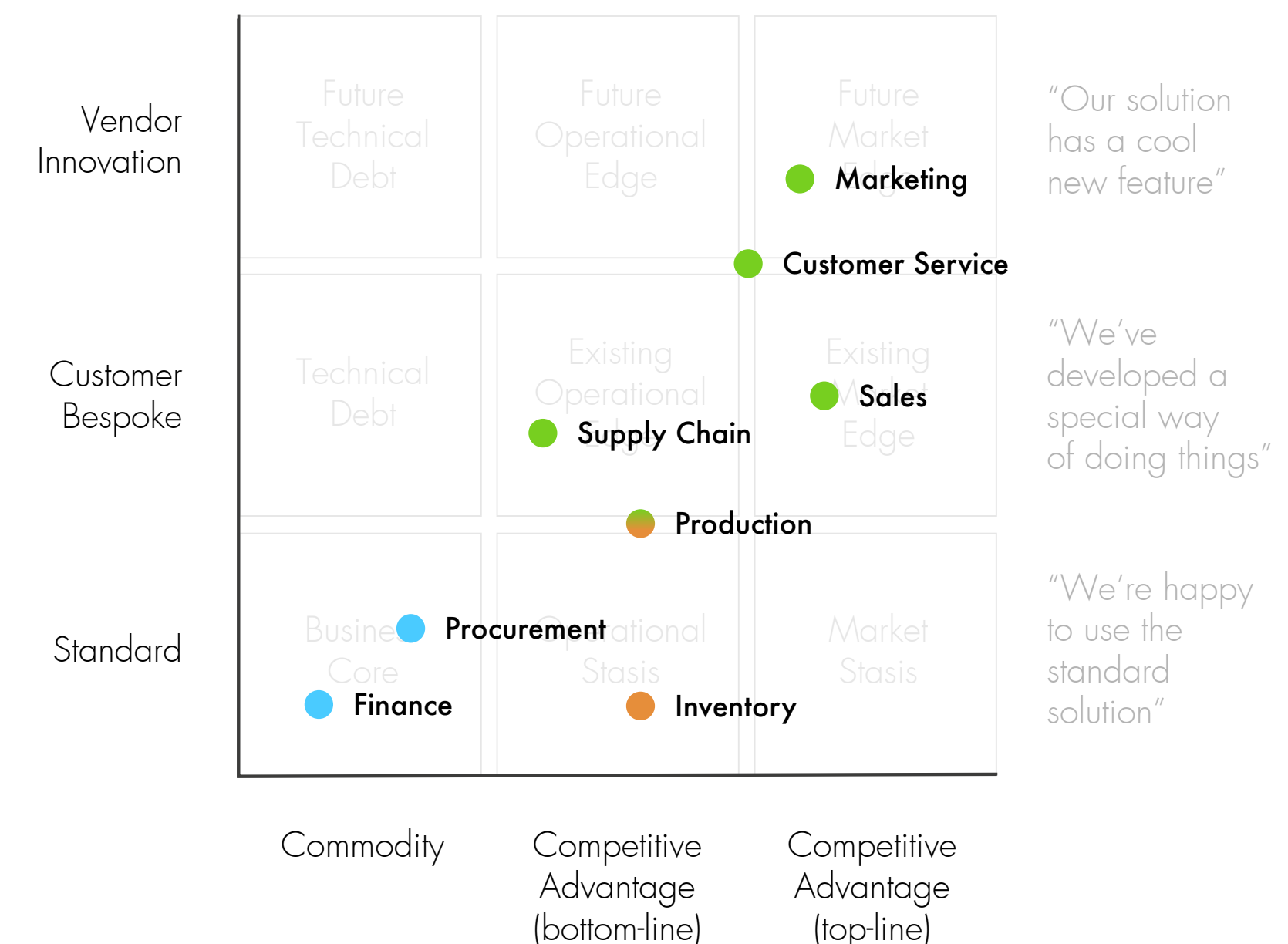
If a process is defined as a Commodity, does it follow that it has to be completely standard? Of course it doesn't.

But, it does mean that you should justify why investment should be made in customisation for Commodity processes.

Good examples include:

- We need an interface.
- We need a report for a business partner.
- Our industry means we need to flag certain transactions in a specific way.

Example Business Processes Plotted on the Matrix



Creating your business case

It's possible to use The Package Portfolio Matrix to elicit a business case for business applications (implementation or improvement) by identifying possible shifts across the Matrix for different elements of the Package Portfolio.

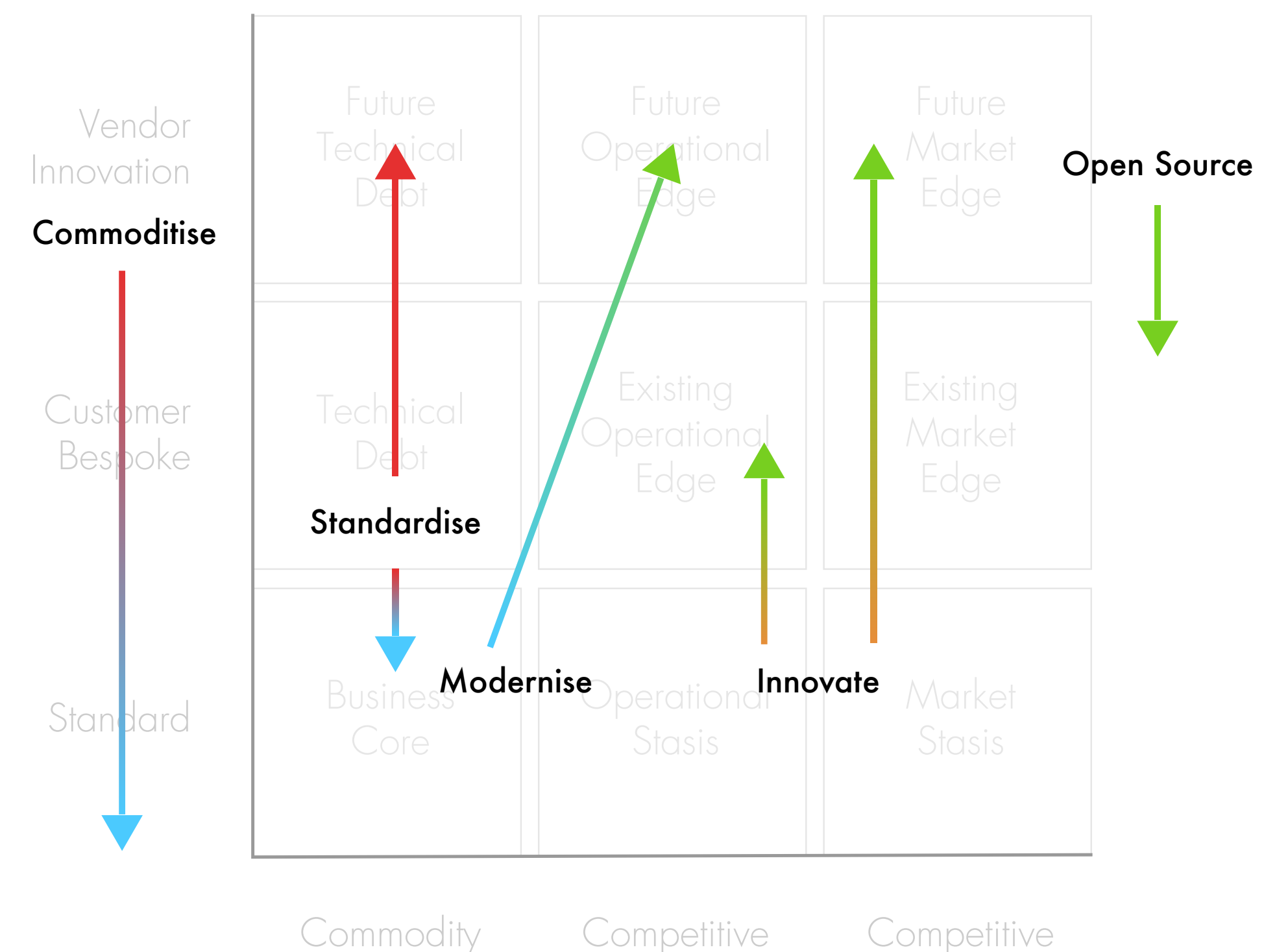
Commoditisation will occur over time as new innovations become mainstream. However, it is possible to deliberately Commoditise those innovations that work by industrialising them as part of the core solution. APIs are a good example - enabling pathfinder innovations to be integrated into the business core without wholesale redesign.

Standardisation may involve replacing custom built solutions with standard functionality or new vendor innovation. For example, a custom time recording system could be replaced with available ERP functionality or a cloud based solution.

Modernisation might involve improving Commodity processes delivered using Standard functionality beyond recognition, resulting in Competitive Advantage. For example, automated invoice matching could lead to faster billing and industry leading cash collection.

Processes which should drive Competitive Advantage but which are delivered with standard functionality can be improved through break-out innovation to drive either customisation or application of Vendor Innovation.

Open Source enables expensive licenced applications to be replaced with custom built solutions which use an Open Source (and therefore free) licence model. This opens up the possibility of switching out proprietary solutions like analytics with open source alternatives to ROI.



Next steps

We use the Package Portfolio Matrix with our clients to help them create a tech-landscape that will support their business strategy and provide them with the Competitive Advantage that adds the most value to their business (and business cases).

If you want to better understand how your business strategy should influence ERP and IT decision making, we can help.

Find out how your Package Portfolio looks on the Package Portfolio Matrix and start making better choices around how to optimise your ERP investment.

Contact us today at www.resulting-it.com to get started.

More from Resulting

Boilerplate is Resulting's ERP Specification and Selection process that will help you find an ERP that supports your business strategy, and find a vendor that will enable you to realise it.

Get your copy at:

www.resulting-it.com/boilerplate

