## Process Standardization, Best Practices and SAP Standard



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## Introduction

For many years businesses all over the world have implemented SAP ERP systems to cover their business process requirements. While in the early years ERP solutions were set up as local and individual solutions today many enterprises are increasingly setting up global and common solutions. This trend is supported by the increased use of standardized processes based on Best Practices for an industry. Standardization leads to a reduction of process variants. Once a standard is created and approved processes that deviate from that standard are harmonized. After harmonization deviations from a standard are often no longer allowed.

A standardization of business processes is often underlined by one statement you often hear from IT: "We are using SAP (in) standard". While this statement provides information about how a company uses SAP software it must not be confused with having standardized business processes. In the following sections the meaning of using SAP in standard and its relationship to standardization of business processes will be explained.

## Standardization of Processes vs. Use of SAP Standard

SAP ERP is the most popular ERP business software and is used by thousands of companies all over the world. Since its beginnings in 1972 SAP has been developing standardized solutions for business processes. In the early years companies who used this software often had to make enhancements or even modifications to the software because its functional scope was too limited. But over the years SAP ERP has grown into a highly configurable package that can be adapted to the needs of a company without any programming by using customization only. Customization uses predefined parameters of the software to design a business process. Although customization itself can be very complex it is still easier than developing and programming your own functionalities. But today even customization is often no longer needed as preconfigured processes - offered as Best Practices - are available off-the-shelf.

Best Practices proclaim that an implementation of a process can be made cheap and fast. A preconfigured process is imported into the IT system and almost ready to use. So if all the processes you need were available as a preconfigured package you could set up your complete business very fast - and get standardization as a spin-off as long as you do not make any changes to the provided settings.

This vision sounds tempting. Does this mean that changes or enhancements to a standard software like SAP ERP are no longer needed if preconfigured packages are applied ? When would changes or enhancements still make sense and how does all this relate to using SAP in standard.? This will be explained by using the following simplified graphics of the SAP ERP software architecture.



Simplified Software Architecture of SAP ERP

- Area 1: This area describes the complete functionality SAP ERP offers in standard
- Area 1a: This area describes which of the SAP ERP standard functionalities a company uses out-of-the box, e.g. Best Practices provided by the software vendor
- Area 1b: This area describes which ERP standard functionalities a company has developed using customization only
- Area 2: This area describes which additional functionalities have been added to SAP by using standard interfaces SAP has already provided
- Area 3: This area describes which additional functionalities have been added to SAP as custom-specific solution

The different areas will be explained in more detail now.

Area 1 represents the complete scope of ERP functionalities that SAP delivers. Without using any preconfigured content the customization of all required business processes can be time-consuming and costly. Therefore this implementation approach is not recommended any more. Nowadays, an ERP system is set up by using a mix of preconfigured settings for industries, countries and specific business processes.

Area 1a represents the part of the ERP functionalities that uses preconfigured content provided either by the software vendor or by an implementation partner. Preconfigured content encapsules the complete settings for a business process, e.g. in a BC (Business Configuration) set and also includes a detailed documentation of the content. The content reflects the Best Practice knowledge how a process should be implemented in ERP to be most efficient.

Area 1b is the section in ERP where you define the processes that are either not available as preconfigured content or where the offered content needs to be revised. In both cases you use customization of ERP for changing configuration settings.

If all processes in sections 1a and 1b are implemented they finally represent the standards you are using from a business perspective. A major objective of business process standardization is to avoid that too many variants of a process are created. There are two aspects with regard to using SAP in standard that need to be mentioned here that often cause confusion. One aspect refers to the statement "We are using SAP standard" that is used to express that a company has standardized its processes and only uses processes from section 1a. Another aspect refers to the statement "We are not using SAP standard" that should express that a company has not standardized its processes and has implemented processes that belong to area 1b. Both aspects need some clarification.

First of all, having standardized business processes has very little to do with using SAP in standard. Using SAP in standard might be an indication for standardization but strictly speaking SAP in standard refers to how you use the software - not the content you are using. Eventually, it does not matter if processes are in section 1a or 1b. Second, as long as you use customization for designing a process you are using SAP in standard. If you adapt settings of a preconfigured process or configure your own processes this just reflects the normal usage of SAP software.

You are no longer using SAP in standard if you start to change standard programs by programming. Such changes are called modifications. Modifications are not recommended in general as they are risky and can lead to subsequent issues and costs. There is a second view on modifications that should be mentioned here. Any misue of functionalities of the standard could be regarded as a modification. A typical example of such a misuse is the use of text fields for storing information which would better be stored in data attributes. This kind of modification should be avoided as well as it creates intransparency and can become a roadblock for using functionalities. When a company starts to implement SAP ERP it is very helpful to consider using Best Practices. An advantage of Best Practices is that the implementation does not need to start from scratch. Then a solution prototype can be set up very fast. However, companies must evaluate Best Practices to gain insight into their details. Often companies take Best Practice as a given and stick to the defined standard despite there are obvious reasons to deviate from it. Changing preconfigured settings of Best Practices should be considered if necessary. It is neither a deviation from standardization nor a contradiction to using SAP in standard.

For changing settings of Best Practices or the implementation of additional processes in section 1b you often need experienced consultants who know business processes and features of the software. Although these activities do usually not require programming knowledge the tasks are not trivial. In implementation projects these efforts should be kept to a minimum. After Go Live and in the operations phase it can be expected that section 1a shrinks and section 1b grows as processes of section 1a will be improved continuously.

There are two further sections that are related to the question if a company uses SAP in standard. Area 2 includes functionalities the customer can add and where SAP has already provided standard interfaces. These functionalities are called enhancements. A typical example is a container for a program, also called user exit, where the customer can put in his program code. Enhancements are usually minor functionalities and can be found in domains that are very specific, e.g. pricing procedures. Enhancements would still be in line with using SAP in standard. In upgrades they do not cause greater efforts as the interface definitions are stable.

Functionalities in section 3 are larger in scope than functionalities of section 2. These custom-specific solutions are not available in SAP standard. When developing such solutions clear development guidelines are needed to ensure that the custom-specific solution integrates well with the standard. The biggest risk in section 3 is that companies develop solutions that are already available in similar form in the standard. In upgrades it is therefore recommended to check if a custom-built solution can be replaced by functionalities available in the new software release.

## Summary

This document outlined that you clearly have to differentiate between business process standardization and using SAP in standard. Business process standardization should be based on business needs and should avoid having a too granular view. Using Best Practices to jump-start an implementation project is reasonable. However, it should be clear to the business that Best Practices are not final. They are a good starting point but should be adapted and maintained if required - something the software vendor does not do for you. A better wording for Best Practices would therefore be "Good Practices" as this already indicates that there might be room for improvement.

With regard to using SAP in standard mainly two aspects are important that a company should keep an eye on. One aspect is that modifications should be avoided and if existent, should be replaced by SAP standard e.g. during upgrades. Another aspect is that a custom-specific development should clearly avoid duplicate development of standard functionalities. If no appropriate solution is available own developments can make sense. Custom-specific solutions often encorporate knowledge that differentiates a company from its competitors. Compared with this, preconfigured content has often already the character of a commodity.

Finally it is important that your people know how the standards are implemented and how they can be improved. If preconfigured content is used to implement the processes this often shortcuts the blueprint phase of a project. While this can save money there is one small risk that should be mentioned here. A blueprint phase builds up knowledge when designing the processes. If preconfigured content is used this learning effect might be skipped. And prohibiting changes because they carry the mark "Deviation from SAP standard" can easily stifle process improvement ambitions in an organization.