

Digitizing the Extended Supply Chain: Update from the SAP eSCM Analyst Event

CIMdata Commentary

Key takeaways:

- *SAP is expanding their reach across the extended supply chain, focused on needs and opportunities in the age of smart connected products*
- *The platformization of the SAP portfolio on S/4HANA illustrates the evolution of the product innovation platform as defined by CIMdata and others*
- *Expansions like Innovation Management, Product Lifecycle Costing, and others are bringing new energy into SAP PLM, expanding their solution coverage to the full product record*

CIMdata attended SAP's Extended Supply Chain Management (eSCM) analyst event at SAP Headquarters in Walldorf, Germany on 29-30 September 2015. The SAP team put on a comprehensive program with most of the first day focused on updates from SAP on company strategy and specific products and initiatives. One-to-one sessions between SAP executives and analysts spanned the rest of the allotted time in which SAP asked for pointed feedback during each session. Because CIMdata's focus is on product lifecycle management (PLM) that is the focus of this commentary. Many of the analysts in attendance focus on other areas including supply chain, manufacturing, and other topics, so the event agenda was both broad and deep, with the information fire hose on full.

Hans Thalbauer, SAP's General Manager for Extended Supply Chain, hosted the event. SAP PLM has been part of the supply chain group at SAP for some time, and Mr. Thalbauer provided a much needed update on how SAP is "Digitizing the Extended Supply Chain." While the customer has always supposed to be king, in today's customer-centric market, manufacturers need omni-channel marketing to provide consistent, reinforcing messages to their target audience and to gather data about that audience to inform lifecycle development. End customers want individualized products, and today mass customization dreams can become a reality, in part by employing Industry 4.0 techniques and solutions. What about the value chains needed to deliver to this complex individualized market? Flexibility using the sharing economy is changing the way products and services are delivered. Companies can provide a service or deliver a product without owning assets or any physical plant. SAP's vision is to provide end-to-end visibility for all stakeholders in the digital extended supply chain.

SAP's new flagship offering, SAP S/4HANA, is their "innovation platform" to support this extended supply chain vision. Announced in February 2015¹, this offering afforded SAP the opportunity to re-architect their data model and the way results are tabulated using the power of in-memory technology. Patrick Crampton-Thomas, Global VP, Solution Management, Response and Supply Orchestration, described the principle of "one" in the redevelopment effort: for every business problem there should be only one solution in the S4/HANA stack. The SAP Fiori user experience (UX) leverages their Sybase acquisition and provides much needed improvements in usability across multiple devices. On-premise, managed cloud and public cloud options are available for S/4HANA.

¹ <http://news.sap.com/sap-unveils-next-generation-enterprise-software-new-business-suite-sap-s4hana/>

The phrase “innovation platform” was chosen specifically above, as it is part of CIMdata’s ongoing effort to describe the evolution of the PLM market over the last several years. Solution providers with data and process management offerings have been working to re-architect their solutions to provide business level platforms to support full-lifecycle development. Just as smartphones and tablets offer a platform for many applications, solution providers have tried to separate their platform and the functional application layers. There are many benefits to this approach, both to customers and the providers themselves. Innovation platforms offer a data and process management backbone supporting applications that can be plugged into to add focused capabilities and support innovation across the business and lifecycle, not just around products and PLM. This accurately describes how SAP is now viewing S/4HANA and their many applications, as shown in Figure 1 below. Many are native applications that will be reworked and drastically simplified when reimaged on S4/HANA.



**Figure 1—SAP S/4HANA Suite as an Innovation Platform
(Courtesy of SAP)**

SAP suggested that customers thinking about moving from ECC 6, their current “platform,” should first go to SAP Business Suite on HANA to make it easier to move to S4/HANA in the future. As with any product re-imagining, it takes time to deliver the full functionality of existing solutions. During one session, SAP estimated that a large percentage of the SAP Business Suite functionality will be available on S/4HANA by the end of 2016. One thing this solution will not be named is “Simple.” Simplification was the watchword in developing the new versions, so Simple Finance seemed to make sense as a name. However, not much that a complex enterprise system does is truly simple, and SAP had some pushback on the naming. The official names for all of the products discussed in this paper are subject to change and will be announced in November 2015. Stay tuned.

During his presentation, Mike Lackey, Global VP, Solution Management, LoB Manufacturing, offered SAP as “Your Digital Product Innovation Platform.” SAP has moved upstream with their Innovation Management offering, which can feed Portfolio and Project Management (PPM), a mainstay of the traditional SAP PLM portfolio. (CIMdata believes that this connection needs to be richer, a topic discussed during the session. For example, innovation projects usually start to meet some quantitative objectives that should be tracked through project execution using SAP PPM. This is a manual process in the current version.) SAP has strengthened their support for engineering work-in-process management over the last several years, with improved configuration management, consistent authoring tool integrations

delivered using the Engineering Control Center (ECTR), the Visual Enterprise enabled by the Right Hemisphere acquisition, and now Product Lifecycle Costing, a new organic solution just being released. SAP has expanded their reach when developing new solutions, casting a broader net for customers to inform the product development process. For example, over 20 customers are co-innovating with SAP on their SAP Cloud for Product Stewardship offering. At this meeting, SAP also presented their current thinking on supporting systems engineering and modeling, simulation, software development, and electronics as part of the evolving and expanding product record. Taken together, these are all positive steps for SAP's many discrete manufacturing clients who have to compete in the age of smart, connected products.

Of course, there is still work to do. Innovation Management, just over a year old, is a good start, or re-start, since SAP has tried to support these use cases before. ECTR is starting to take hold in the SAP customer base, and ECTR's integration and user experience approach is being used to support ECAD, and is being considered for other authoring tools. Interestingly, a requirements management capability to support systems engineering may be harvested from Sybase, the acquisition that keeps on giving to SAP in multiple areas. That acquisition also provided some modeling and software development tools and expertise that SAP is evaluating for use in their offerings. Product Lifecycle Costing is new, and covering a vital topic, one that both PTC and Siemens PLM Software have addressed through acquisitions, and is providing good opportunities to independents like aPriori. CIMdata hopes to learn more about how early adopters are faring.

These additions do help SAP expand their definition of the product lifecycle, and offer some much needed additions to the SAP PLM extended portfolio. Of course, digitizing the extended supply chain takes more than just PLM, and this event had many other sessions about other strategies and offerings that are not covered here. But the product record is core to the digitized supply chain, and with these expansions SAP is looking to cover the full product record as never before. The roadmap is long, but the goals are both broader and clearer. Now comes the hard part—executing the plan.

About CIMdata

CIMdata, an independent worldwide firm, provides strategic management consulting to maximize an enterprise's ability to design and deliver innovative products and services through the application of Product Lifecycle Management (PLM). CIMdata provides world-class knowledge, expertise, and best-practice methods on PLM. CIMdata also offers research, subscription services, publications, and education through international conferences. To learn more about CIMdata's services, visit our website at <http://www.CIMdata.com> or contact CIMdata at: 3909 Research Park Drive, Ann Arbor, MI 48108, USA. Tel: +1 734.668.9922. Fax: +1 734.668.1957; or at Oogststraat 20, 6004 CV Weert, The Netherlands. Tel: +31 (0) 495.533.666.