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ASIA'S FAST-GROWTH COMPANIES

Rethinking the Business With Enterprise Software

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SAP, a global provider of enterprise application software, asked CFO Innovation to invite a select group of CFOs, finance directors, controllers and other senior finance executives to a roundtable discussion in Malaysia on 8 October 2013. The participants shared their experiences, pain points and solutions to the challenges of extracting, consolidating and analyzing data through enterprise software.

This report records the insights of the following participants:

Chin Whye Yu
CFO – Malaysia, Singapore & Brunei
Eli Lilly

Kevin Wong Tack Wee
Senior Group Financial Controller
IOI Corporation Berhad

Datin SK Yap
Chief Operating Officer
Malaysian Institute of Accountants

Alex Ong
CFO
MTJ Development SDN Bhd

Lisa Wan Siew Han
General Manager – Finance
Sabah Electricity

Quek Ting Chin
GM, Group Performance & Planning
SapuraKencana Petroleum

Ragesh Rajendra
Group CFO
Star Publications (Malaysia) Berhad

Nazariah Ibrahim
GM – Finance
Tenaga Nasional Berhad

Sirajul Huda Mohamad Zain
GM Finance,
New Business & Major Projects Division
Tenaga Nasional Berhad

Hyder Hasan
Financial Controller, Malaysia-Singapore
Unilever

Host Executives
Kurt Bilafer
Regional Vice President, Analytics, APJ
SAP

Julia Lee
Head of Analytics, South East Asia
SAP

Moderator
Cesar Bacani
Editor-in-Chief
CFO Innovation Asia

This report identifies the persons quoted whenever possible. However, some statements are not attributed to allow participants to express views that may not reflect those of their organization.

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The senior finance executives who recently gathered for lunch in Kuala Lumpur were a virtual cross-section of Malaysian business. They represented two electric utilities, a plantation-based conglomerate, an oil and gas services provider, a hotel owner, a media group, a global fast-moving consumer goods enterprise, and the Malaysian Institute of Accountants.

Virtually all are rapidly growing organizations. Even Tenaga Nasional, the country's largest power utility, is getting aggressive. "We're looking to expand our business overseas, so my division is basically looking at opportunities," said Sirajul Huda Mohamad Zain, General Manager (Finance), New Business & Major Projects Division. "We have to make a lot of business assessments, but one of the key issues we are facing is the quality of information."

The volume of data is also a challenge. IOI Corporation has interests in plantations, oleo-chemicals and specialty fats, property development and investment, shopping malls, hotels and golf courses. "We have so many businesses and systems, so getting information is not easy," said Kevin Wong Tack Wee, the conglomerate's Senior Group Financial Controller. But IOI must produce the data because it needs to report results to the stock exchange two months after the end of every quarter.

SapuraKencana Petroleum is grappling with diversity of information. SapuraCrest Petroleum and Kencana Petroleum merged in May 2012. "The challenge is how to harmonize the two cultures and the different systems," said Quek Ting Chin, General Manager, Group Performance & Planning. "For the time being, we cannot get all the needed information immediately."

The one-hour discussion was devoted to the sharing of experiences, pain points and solutions in extracting and consolidating data. Among the themes that resonated with the participants were the use of analytics and other enterprise software to boost operational and financial efficiencies, the ways to knit together disparate and financial and operational systems, including Excel and specialist software, and making the business case for analytics, which can come with high initial costs.

Counting on analytics

The Western multinationals had taken the first steps in the analytics journey years ago. For example, there are various enterprise software and systems at Unilever, which makes and sells fast-moving consumer goods from food and beverages to home and personal care. Not surprising, because Unilever has more than 400 brands and employs more than 173,000 people worldwide.

This raises the specter of apples-and-oranges comparisons. "We have tens of thousands of projects and people sitting in different geographies doing their own analysis," said Hyder Hasan, Financial Controller for Malaysia and Singapore. "The proposals go to top management and everyone is saying: 'We are the best! We are giving the best return.'"

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The use of spreadsheets to knit together data generated by the different systems is an issue"



Hyder Hasan of Unilever in Malaysia and Singapore

The solution was a common template that the various units are required to use, regardless of the business's individual processes and technology. "We went through a phase of understanding the challenges and then we decided on a standard way of evaluating all the projects," said Hasan. "We went through the entire process of checking each and every sales and other data, getting feedback, doing test projects." Unilever now has "a standard way of evaluating business cases."

IOI, one of the world's fastest-growing integrated palm oil companies, is embarking on a similar journey. "We need business analytics," said Wong. "For example, we have more than 12,000 hectares of plantations and we need to know which hectares have been harvested, which have given good yields, and so on." A consolidation system is being put in place to capture data and make sense of it at the unit, regional and group levels.

The challenge is to choose the information to extract and make sure relevant data and analyses are funneled to the right people. "We have a decentralized structure, so we want the outgoing information to go to the respective business group, not so much the head office," said Wong. Fast-moving consumer goods will want to see exactly how much sales were yesterday and where they might be today and tomorrow, whereas plantations will focus more on the dynamics of cost and yield.

The use of spreadsheets to knit together data generated by the different systems is also an issue. At post-merger SapuraKencana, information still has to be captured in different systems and consolidated in Excel. "It's possible there are mistakes," said Quek. The objective is to standardize all the systems to allow automation and straight-through processing. "We need to use just one system throughout the Group," he said.



Sirajul Huda Mohamad Zain of Tenaga Nasional (left) and SapuraKencana's Quek Ting Chin

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Portfolio of solutions

Kurt Bilafer, Regional Vice President for Analytics at SAP, acted as resource person along with Julia Lee, SAP's Head of Analytics, South East Asia. Drawing from SAP's global experience, Bilafer put in context the challenges that rapid and sprawling growth is placing in the way of Asia's rapid-growth companies such as IOI and SapuraKencana.

"We have very large global entities that use SAP and sometimes, for each different business, they have a different instance of the same enterprise software, whether it's a different configuration of ERP or even just an instance of a planning platform," he said. "The challenge is that there are [sometimes] no template they can start with" – something that is true of the plantation business, for example. What SAP does in these cases is to "co-invest with our customers and co-innovate."

But regardless of the different instances of enterprise software, Bilafer stressed that the end goal remains the same for all companies: To gain the ability to consolidate all the information across the group in a timely manner, roll up the data and look at the implications on the business currently and in the future. And, increasingly, the data comes not only from within the enterprise, but from the supply chain, competitors, industry and the macro-economy as well.



SAP's Julia Lee (left), Sabah Electricity's Lisa Wan Siew Han and Kurt Bilafer of SAP

That's all made possible by enterprise software, SAP's Lee weighed in. "We do have a very broad portfolio of solutions, covering areas like analytics, business intelligence, governance risk, and a whole line of business finance solutions." In Malaysia, many clients are now looking at risk management. "It's a multi-step, multi-year journey," she said.

It's happening in many Malaysia- and Singapore-based companies. "We see a lot of transformation, a lot of different approaches to analytics adoption in this market," said Lee. "Definitely, the CFO champions a lot of the transformation, both large and mini." One new SAP project involves a utility in Singapore that is looking not only to provide business intelligence internally, but also share key statistics with its customer base.

Bilafer shared the reservations about the spreadsheet, which he described as "corporate duct tape – because it's a catch-all where we put everything." Companies can introduce a significant amount of risk when they rely too much on it because even automated data at the transactional level can be manipulated when poured into a spreadsheet. "What happens when you have someone come in and do something?" he asked.

It is better to use a solution like SAP's Business Objects, Bilafer argued, because such software eliminates human error and protects against data manipulation. Business Objects automatically extracts data from SAP and non-SAP systems and then analyzes and models the information based on parameters set by the end-user. The results can be disseminated in real time across the organization over various platforms, including mobile devices.

"The interesting thing is, the data companies want to analyze doesn't come only from inside the enterprise," he noted. "One of the things we see in Asia Pacific and Japan is the desire to analyze statistics about the emerging middle class from government entities. People also want to look at their suppliers' information, social information, you name it, and they are building very sophisticated models to analyze the data."

**Increasingly, the data comes not only from
within the enterprise"**

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Making the business case

However, the reality is that it can be tough to convince decision-makers within and outside finance to spend resources on analytics, even if the CFO, for example, wants it done.

One roundtable participant, who headed analytics within finance at a previous company, is moving cautiously on acquisition of new technology in his new job as CFO. "To start with, I think I would go about seeing how we can use more Excel for analytics first," he said. "If I can show that analytics really works, then perhaps we can justify investing in a new system."

Cost can be an issue. "It can really be high," said Ragesh Rajendra, Group CFO at Star Publications (Malaysia) Berhad. A service provider recently made a presentation to his company on automating the accounts payable process. "We were very impressed," he recounted. "It was a very good presentation." Then the vendor was asked the price. "They said: 'US\$1.5 million.' That was a problem."



Bilafer, Eli Lilly's Chin Whye Yu and Ragesh Rajendra of Star Publications

But, observed Lee, "customers are very good in negotiations," adding that companies like SAP can be creative in structuring deals. One approach that is working in Malaysia, Singapore, Thailand and other markets in Asia, she said, is a "rapid deployment solution" designed to produce quick wins in an implementation journey that can take two to three years. "We help look for cost efficiencies at the same that we make sure there is risk mitigation," said Lee.

In 2010, Bilafer added, SAP structured a pay-for-performance solution for Airgas, a major US supplier of industrial, medical and specialty gases and related equipment. The two parties agreed on a set of KPIs that would determine how much Airgas would pay for SAP's customized solution. "We gave them the ability to opt out and pay the full bill whenever they wanted," he recounted. "They chose to do that within 18 months."

There is a reason for SAP's premium pricing, Bilafer went on. "Part of that is because we reinvest in innovation and then we innovate the solutions. I think you either value that or you don't." And while the acquisition may seem expensive, what companies should be looking at is the value that is provided over the long term.

Conclusion: Sooner rather than later

The issue of cost aside, what is clear is that rapid-growth companies are concluding that they need to invest in business analytics as their company expands geographically and into various, and possibly unrelated, businesses. Such moves seem to be a given in Asia – the regional economy (excluding Japan and Australia) is forecast to grow 5.6% this year after expanding an estimated 5.7% in 2013 and 6.2% in 2012.

It is possible to attempt to extract and consolidate data in spreadsheets and analyze for trends and insights using programs like Excel, but companies run the risk of errors, inaccuracies and manipulation, not to say the possibility of various and confusingly different spreadsheet reports getting circulated.

Depending on the company's volume of transactions and level of complexity, an analytics solution from a smaller service provider may be an option. "Sometimes a small tool is the right tool," Bilafer conceded, "as proof-of-concept or just to start with until you prove the value."

Every company is different. In today's increasingly globalized and ultra-competitive business world, however, starting on the analytics journey sooner rather than later is almost certainly the most prudent course of action.

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