

# ERP (SAP) – IT Strategy

## DOCUMENT CONTROL

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## 1.1 Executive Summary

The British Council is implementing an ambitious programme within the ERP arena looking at driving efficiency and productivity, reducing cost and increasing revenue from paid services.

This will involve the re-shaping and simplifying of some of our core business processes e.g. P2P, changes to financial and management accounting, introducing simpler screen navigations and improvements in reporting capabilities.

Continued investment within our current application platform provides the foundation to enhance the global platform through reconfiguration rather than customisation. To achieve this goal significant investment in new software or additional hardware is not required.

The number of customisations (circa 320) currently implemented provides the British Council with the necessary level of divergence from the out-of-the box functionality provided by the core product.

In addition, the SAP PI platform provides a robust integration layer upon which a number of interfaces to external systems have been developed.

The IT Strategy clearly promotes enhancements of the existing SAP landscape through the introduction of additional SAP functionality where an 80% fit to requirements can be achieved e.g. time logging which is in the process of being introduced.

The SAP BI Business Warehouse has evolved into an Enterprise Data Warehousing environment for the British Council and integration with the Business Objects Data Services platform provides data cleansing and matching services to deliver a “single view of the customer” which is core to meeting our ambitious income growth targets through marketing initiatives..

Thus, from a strategic perspective the entire SAP environment should continue to be promoted as the strategic platform for the continued delivery of both core and enhanced services for the British Council.

From an architectural perspective SAP provides a fully open integration and application platform and fully supports the complete set of Web Services and security standards. In fact, SAP as an organisation actively participate in the development and support of open standards.

To migrate to an alternative supplier would incur massive disruption and cost for the British Council and is **not** a viable option.

The IT Strategy unambiguously recommends SAP to continue as the strategic ERP Financial and Data Warehousing platform for the British Council. The strategic SAP solution for the future could however be further refined by removing a number of existing components which will reduce the cost of the future application service. **(See Appendix A)**

The service support and delivery of the existing platform needs to be reviewed from a sourcing perspective and there is an opportunity to simplify the service design. There is an immediate need to evaluate SAP hosting arrangements and it is recommended that an urgent review is undertaken to explore the viability of migration of the existing platform into a cloud based SAP environment. In addition, the scope of existing development and support services provided need to be expanded to better meet the requirements of the British Council current operating model. The recommended support model is contained in **Section 1.11** of this document.

## 1.2 Purpose of this Document

The purpose of this document is to clearly document the IT strategy for the Enterprise Resource Management (SAP) system over the next 5 years.

This document sets out how IT will contribute to the delivery of the 2015 Corporate Plan and the success of the British Council beyond.

## 1.3 Background

SAP is used to manage the British Council's core business processes and a series of major technical upgrades have been completed recently to ensure all systems are at release levels which are both fully supported by the vendor and also provide the functionality to deliver additional business value.

This solid foundation places the British Council in a strong position to develop enhanced capabilities through the development of leaner, globally applicable business processes through re-configuration. This will equip the British Council with a significantly reduced administrative burden and improved management information.

A recent ERP review identified a small number of improvement projects essential for the next financial transformation phase.

The improvement projects identified are:

- Changes to Financial and Management Accounting, needed for new legal entities and to provide a simpler solution for small countries.
- Planning and reporting improvements for Global Planning System (GPS) and projects.
- Purchase-to-Pay(P2P)/Travel and Expenses (T&E) process improvements and Shared Service Centre (SSC) optimisation.
- New easy to use intuitive user interface and reporting tools
- Automated and simplified Banking Platform to manage the increase in revenue flows.
- Better governance, training and support.

## 1.4 Scope

The existing SAP functionality provided by the SAP product suite covers:

Core ERP functions:

- General sales order processing, billing and receivables management.
- Procurement of goods and services and payables management.
- Management of Travel and Expenses
- Project Management
- Asset Management
- Financial and Management Accounting
- Planning, Reporting and Analysis.

Additional functions:

- Travel & Expenses
- Teaching Centre Management.
- CRM (projects only)
- Enterprise Data Warehouse
- Business Objects Data Services.
- Business Objects Reporting Tools

## 1.5 IT Principles

The IT Strategy is based upon a foundation of core architectural principles. With regard to SAP the following principles apply:

1. *'We re-use existing application functionality (including SAP) to support global business requirements where the existing solution meets all mandatory requirements i.e. it is considered "good enough".*

*When this is not possible the British Council will follow industry best practice and select new global business systems based on fit to business requirements and total lifecycle costs.'*

2. *'We will re-Use, Share, Buy then Build – new functionality will be met using existing solutions'*
3. *'When buying services we will have a preference for managed services ideally from cloud based service providers'*
4. *'We will always consider open source solutions'*

## 1.6 IT Strategy

The current IT Strategy 2015 signed off by the Executive Board in April 2013 clearly positions SAP as a strategic product for the British Council. The existing product suite fully supports the delivery of major benefits to the organisation and include:

- Enabling impact and income growth through better management information and use of resources.
- Efficiency improvements and cost reduction/avoidance.
- Better quality support services
- Simpler, more effective business processes
- Better control and compliance
- Making SAP easier to use and reducing administrative burden on the organisation.

In addition, in terms of increasing revenue for the British Council the role of the SAP BI platform has been significantly enhanced and has evolved into the strategic Enterprise Data Warehouse platform for the organisation.

Business Object Data Services have been introduced and developed to provide ETL, Data Cleansing and matching services which will deliver a 'single view of the customer'. The creation of a Customer Datamart provides Marketing for the first time with an analytical environment to profile and target customers using Campaign Management services.

In terms of additional out of the box functionality planned to be implemented, Time Logging will be developed for use across the British Council. This is a core ECC 6.0 component.

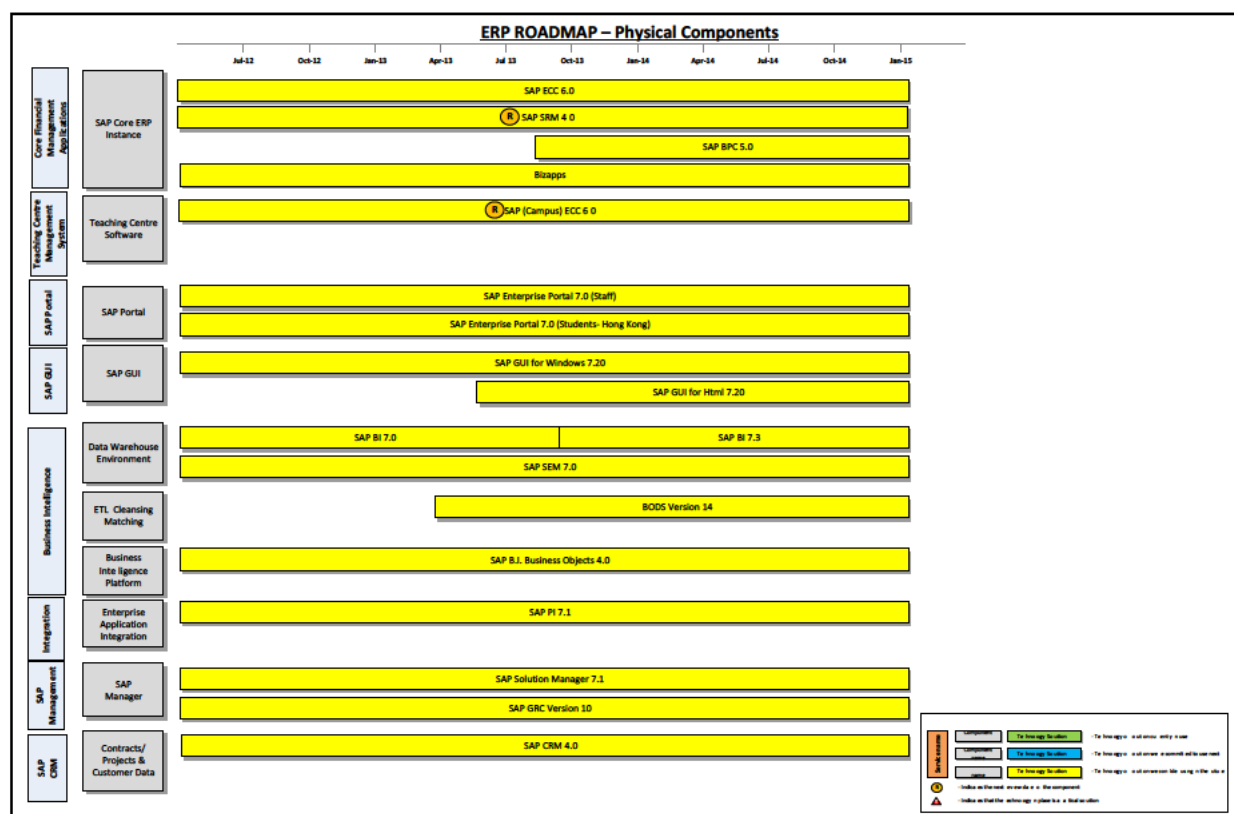
The future role of the strategic Teaching Centre Management System is currently under review, however if the decision is made to change the application platform, PSP and banking service integration for reconciliation of payments is still required.

A small number of CRM pilots are underway using the Salesforce product suite. The results of these pilots will determine the future strategic product set for the British Council.

## 1.7 Technical Roadmap

The Technical roadmap for SAP covering the Core SAP components is depicted in *Figure 1* below.

No major software upgrades are planned apart from the upgrade from BI 7.0 to BI 7.3. The continued re-use of CRM and SAP SRM components will be reviewed during Q2 2013.

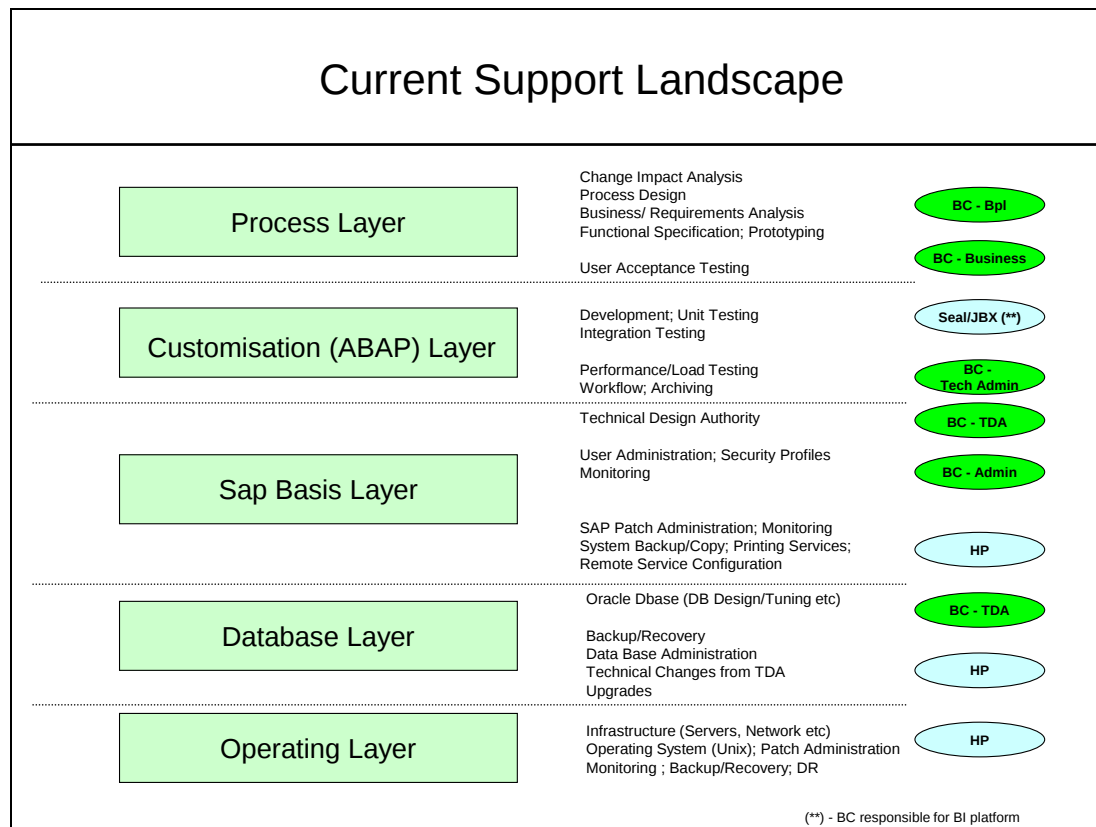


**Figure 1**

## 1.8 Existing Support Model.

**Figure 2** depicts the existing hosting and support model currently in place for the SAP service.

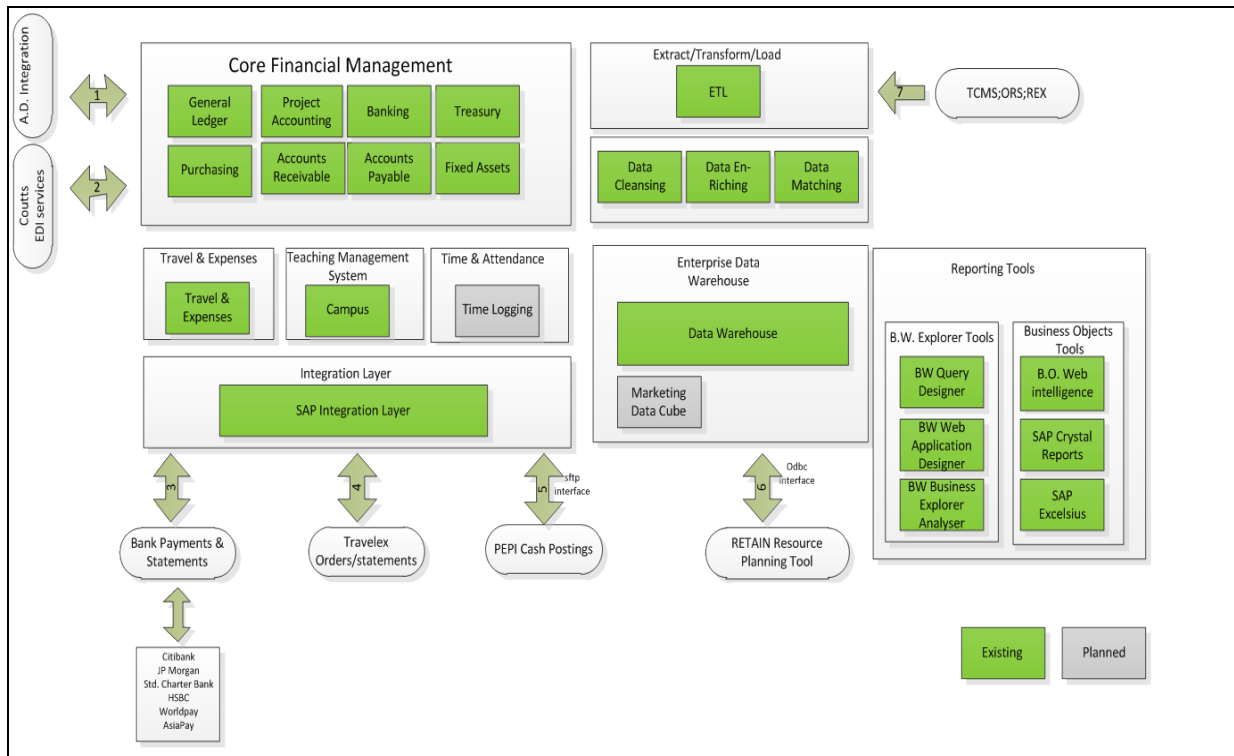
Certain components within the database and Sap Basis Layers are still being carried out by British Council Staff.



**Figure 2**

## 1.9 Functional Architecture

**Figure 3** depicts the Functional architecture of the current SAP landscape including interfaces into 3<sup>rd</sup> Party systems.



**Figure 3**

### Interfaces

1. Integration with Microsoft Active Directory 2008 R2.
2. Integration with Coumts Book Ordering Services (EDI)
3. Integration with Payment Service Providers.
4. Integration with Travelex services.
5. Integration with Pepi TCMS (sftp)
6. Integration with Retain, Resource Planning Services.
7. Integration with ORS; REX – ETL BODS services.

## 1.10 SAP Customisations

An analysis of the existing SAP system shows that the existing system contains a high number of custom programs concentrated within the Finance and Campus areas.

| Business Area  | Total Customisations |
|----------------|----------------------|
| Campus         | 89                   |
| Finance        | 71                   |
| SUN            | 33                   |
| PS             | 26                   |
| Data Team      | 24                   |
| Procurement    | 19                   |
| Finance - Tax  | 16                   |
| T & A          | 10                   |
| Finance - CO   | 7                    |
| SD             | 7                    |
| Finance CA     | 4                    |
| Technical Team | 3                    |
| BW/BI          | 2                    |
| Finance Travel | 2                    |
| Finance SD     | 2                    |
| T & E          | 2                    |
| <b>Totals</b>  | <b>317</b>           |

## 1.11 Strategic Options Considered

A number of options were considered in relation to the development of the ERP strategy.

The main considerations were :

- IT Architecture Principles.
- IT Strategy 2015
- Technical Complexity.
- Business Impact
- Level of Code Customisation
- Hosting and Managed Service Support.

Options were considered as follows:

- |                 |   |                                                                                             |
|-----------------|---|---------------------------------------------------------------------------------------------|
| <b>Option 1</b> | - | Remain with AS-IS SAP application and current support arrangements.                         |
| <b>Option 2</b> | - | Migrate both Application and Support to an alternate product and service /hosting provider. |
| <b>Option 3</b> | - | Remain with AS-IS SAP application and review alternative service/ hosting p providers.      |

### Option 1

The existing SAP platform has been rolled out to approximately 100 countries at a total cost in the region of £60M.

The levels of customisation are relatively high, circa 317 customisations, all of which have been developed to meet British Council specific requirements.

A number of 3<sup>rd</sup> external interface developments are in place.

The existing solution provides extensive language and currency support.

No major investment is required in both software and hardware.

SAP is fully service enabled and SOA developments can continue to enhance the interoperability of both SAP and non SAP applications.

Additional services e.g. Time Logging can be developed at low cost using the existing Core ECC 6.0 platform.

The existing support arrangements do not meet the requirements stated in the IT Strategy with regard to using Cloud based managed services.

The existing support model does not meet the requirements of the British Council in terms of scope of support services provided.

## Option 2

The selection of an alternative ERP solution would involve a major review of market place offerings which would need to take into account:

- Multiple language and currency requirements
- Local functional requirements e.g. tax, statutory and legal
- Conformance to non-functional requirements i.e. Security; Data Residency; Performance etc
- Interface re-design
- Customisation effort to develop British Council functionality.
- Data Migration effort
- Parallel processing and costs during migration.
- Training & Business Transformation.
- Alternative Hosting and Managed Service arrangements

Based upon the above challenges it is estimated that any re platform implementation would take in the region of 5 years to complete at a similar cost to the original SAP deployment.

## Option 3

The assumption for Option 3 is that SAP will continue to be the preferred strategic ERP solution going forward.

This Option considers a complete review of the hosting and managed service arrangements.

The IT Strategy 2015 and Architectural principles clearly state that when buying services we will have a preference for managed services from cloud based service providers.

In addition, the existing support model should be reviewed to include additional service components.

## 1.12 IT Strategy Recommendation

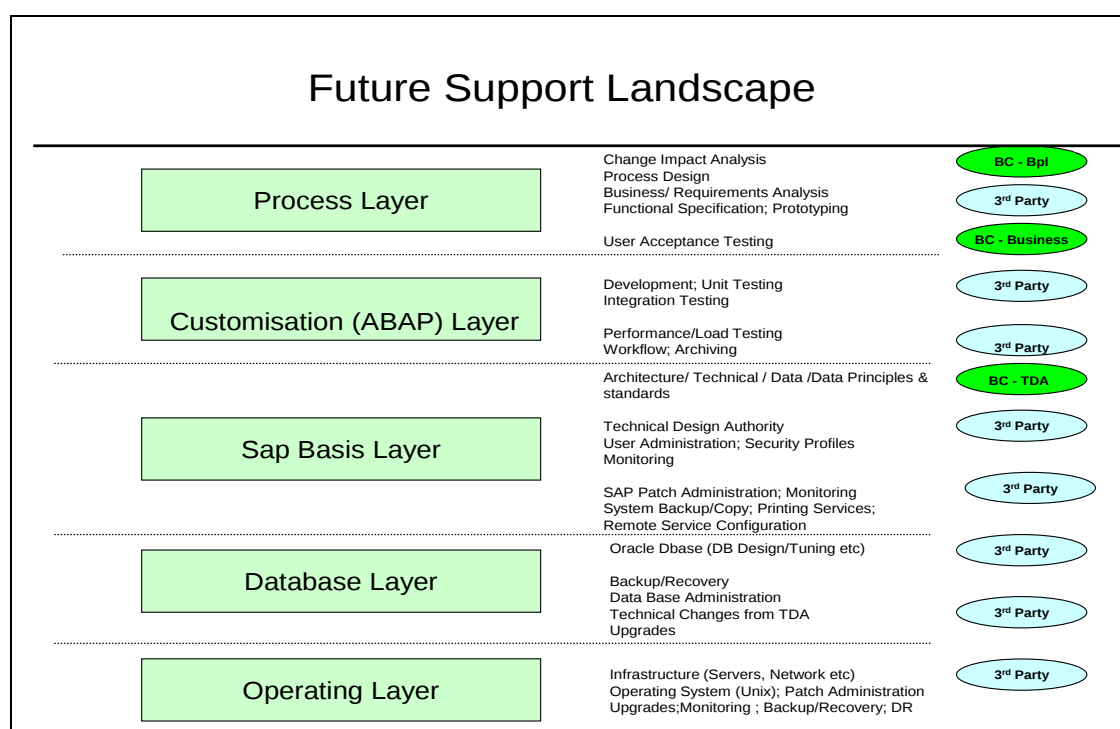
The impact of a major migration of application services to an alternative provider is not recommended due to the cost and complexity of any migration exercise.

**Option 3** is the recommended strategic approach for the British Council.

Existing managed service arrangements should be reviewed to investigate the possibility of taking advantage of 'cloud based' managed services.

This exercise should in parallel review enhancing the level of application development and support services provided to improve the ability of the British Council to deliver additional services more effectively.

The suggested service model for the British Council is depicted in **Figure 4** –



**Figure 4**

The aim of the model is to increase the level and scope of services provided by the managed service provider to include full operational support and development.

The British Council will retain responsibility for all architectural principles and standards together with the vast majority of the 'Process Layer' accountabilities. This model will ensure that the intellectual capital will remain within the British Council.

## 1.13 Appendix A

Appendix A provides a list of candidate applications currently being delivered via the existing SAP platform which could be migrated to alternative application platforms.

### 1. CRM

SAP CRM 1.4 currently provides the Programme and Project Business Development team with the ability to capture details of all full cost recovery opportunities. This information is used to generate pipeline reports, track movements and progress and carry out win/loss analysis

The recommendation is that the above functionality is migrated to the strategic CRM solution (Salesforce.com).

The cost of hosting the SAP CRM instance would be saved.

### 2. SAP SRM

This component is used to support only the interface into the Coutt's catalogue. No further plans are in place within the Global Finance Change Programme to extend this service.

The cost of hosting the SAP SRM instance would be saved.

### 3. Bizapps

Bizapps is currently used to support the British Council Travel Management System.

This is planned to be replaced within the scope of the existing Global Finance Change Programme.

The cost of Bizapps could be saved.

### 4. Campus

The existing Campus application will be replaced by the strategic Teaching Centre Management System subject to approval.

This will remove the existing Campus Management Charge covering the support of 500,000 students.