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The Fujitsu KISS Report – Manufacturing Sector
Keeping IT Simplified and Streamlined to maximize the business value of SAP® Applications and SAP HANA®

Manufacturing companies operate in an environment that is influenced by multiple, partially conflicting requirements such as stringent environmental constraints, strong requests for faster innovation and more customization and, in parallel, an expectation of highly attractive prices. These demands on the one hand and new technology deployments like real-time analytics and the Internet of Things have driven the biggest change in manufacturing environments for decades. The majority of manufacturing companies realize that they have to build new processes and services, and that the new technologies can be a challenge as well as a powerful enabler.

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Introduction

SAP solutions have enabled global organizations in the manufacturing sector to efficiently run their manufacturing operations, increase productivity and keep control over cost. SAP customers are realizing the benefits of their SAP system and undergoing transformation/deployment projects to introduce new modules, applications and technologies such as SAP HANA® that enable advanced analytics, streamlined and tightly connected processes, quick reaction to changing customer demands, and further business growth.

To better understand the actual needs of SAP customers in the manufacturing sector, Fujitsu commissioned Coleman Parkes Research to conduct a global research project. The key objective of the 100+ telephone interviews with senior level decision makers from global manufacturing organizations was to better understand the root causes of business and IT challenges with respect to business transformation projects, explore potential solutions, and draw conclusions as to how these organizations can best address these challenges and maximize their investment in their SAP solutions.

Key insights

- SAP customers in the manufacturing sector, who are undergoing major transformation, place new business processes and moving to the cloud at the top of their transformation agenda
- Nearly a third is concerned with how to maintain normal business operations while undergoing transformation, especially given the scale of the operation it's likely to affect, e.g. downtime
- More than 9 out of 10 SAP customers have invested or plan to invest in SAP HANA® in the next two years (87%)
- **SAP HANA® boosts exploitation: 97% of SAP HANA® users are able to exploit their SAP system to the full**
- SAP customers recognize the importance of simplification:
  - Simplification is the basis which will help to improve many other areas (costs, flexibility, and harmonization) (90%)
  - Streamlined and standardized SAP landscapes will help customers to better respond to business needs (87%)
  - Simplification must cover all areas to create some impact (SAP applications, underlying infrastructure) (86%)

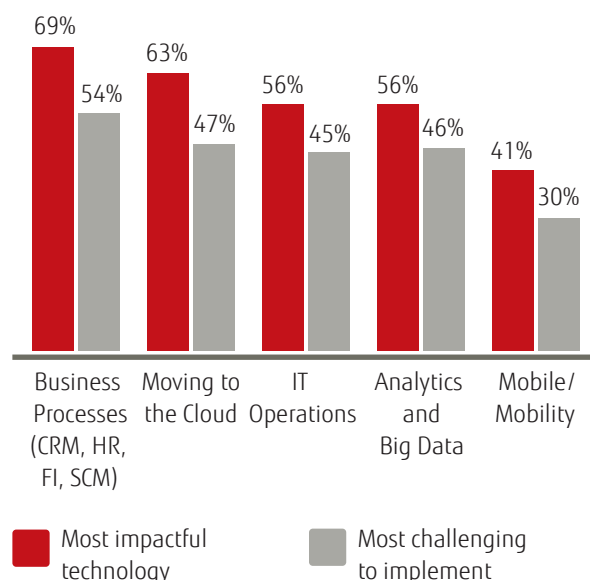## At the top of the transformation agenda: Business processes

SAP customers in the manufacturing sector have plans in place or have started to integrate new technology into their production processes and procedures in order to maximize efficiencies in speed, accuracy and cost.

- Improved business processes (e.g. supply chain management) provide manufacturing organizations with lean operations that significantly improve efficiencies across the business
- Cloud technology provides manufacturing organizations with access to their internal intelligence and knowledge in every sales situation
- Mobile technology improves accuracy and speed to production centers
- Analytics and big data enable manufacturing organizations to fully utilize the vast amount of production and shop floor data that can be used to increase yields and reduce costs
- IT operations provide a robust IT infrastructure that is intrinsically linked to all aspects of the business operation.

Results from the KISS manufacturing sector survey reveal that a change in business processes is considered most impactful and therefore likely to be at the top of the SAP customer's transformation agenda. This is not a big surprise as manufacturing companies are facing a 4th industrial revolution which is driven by technology as an enabler of new business processes e.g. based on greater connectivity. Successful companies of the future need to think about this transformation, which will involve innovation and changes across several dimensions today. Respondents report that changes in business processes will require streamlined applications and systems to enable them to improve cost reductions and other efficiencies.

69 %
Business processes are most impactful

57 %
Need to streamline applications and systems to drive business continuity

54 %
Improve cost reductions
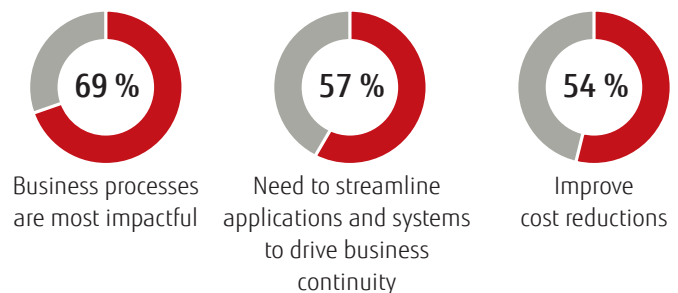
As well as understanding the importance of the trends in new technology and processes (business processes, cloud, mobile, analytics and big data, and IT operations), SAP customers in the manufacturing sector are aware of the potential challenges involved during implementation. Business process (e.g. CRM, SCM) and cloud technology are both considered to have the greatest business impact, yet they are also perceived to be the most challenging to implement. It is likely that the perception of the challenges involved when implementing new business processes is due to the invasive nature of this type of transformation, since fundamental changes in business processes need fundamental changes to the underlying IT to become successful, and new business processes affect nearly all aspects of the manufacturer's operation - from the shop floor to the sales room. Cloud technology is perceived to be nearly as challenging to implement but this is more likely to do with cloud technology still being in its relative infancy. Therefore, both types of transformation are likely to be the focal point for most manufacturing organizations.

Business Processes (CRM, HR, FI, SCM): 69% Most impactful technology, 54% Most challenging to implement
Moving to the Cloud: 63% Most impactful technology, 47% Most challenging to implement
IT Operations: 56% Most impactful technology, 45% Most challenging to implement
Analytics and Big Data: 56% Most impactful technology, 46% Most challenging to implement
Mobile/Mobility: 41% Most impactful technology, 30% Most challenging to implement

■ Most impactful technology   ■ Most challenging to implement

Hurdles hindering transformation

With the focus on the perceived barriers when implementing new technology, not being able to prove immediate ROI benefits (42%) and security concerns (41%) seem to affect SAP customers in the manufacturing sector more so than others (e.g. financial sector, hi-tech/telco). It seems that in order for SAP customers in the manufacturing sector to adopt the new trends in technology they not only have to address concerns about security but need to convince stakeholders of the ROI benefits at an early stage.
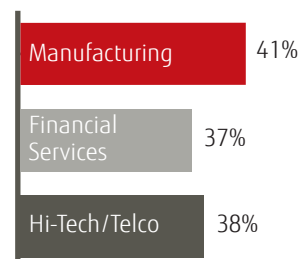
SAP customers in the manufacturing sector also perceive the integration of new technology with existing systems as a barrier (41%). Here manufacturing companies have about the same level of concern when compared to other sectors (financial services, hi-tech/telco), which suggest this is a common barrier that affects many organizations.

Top three barriers preventing the implementation of new technologies
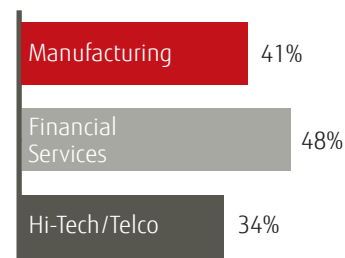
Not being able to prove immediate ROI

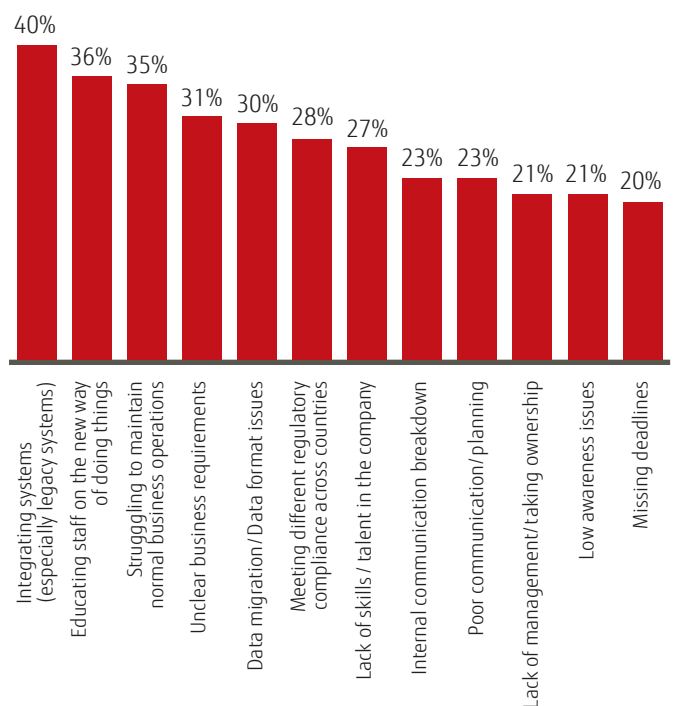|	
Manufacturing	42%
Financial Services	30%
Hi-Tech/Telco	29%

Security concerns

Manufacturing	41%
Financial Services	37%
Hi-Tech/Telco	38%
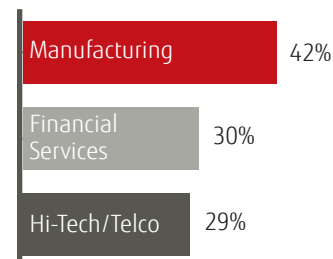
Integrating with existing systems

Manufacturing	41%
Financial Services	48%
Hi-Tech/Telco	34%

Not only is integrating technology into existing systems a barrier, it is also a key challenge for 40% of SAP customers in the manufacturing sector. Therefore, it is likely that the job at hand is not being underestimated by SAP customers in the manufacturing sector but could be an area holding them back from fully utilizing new technologies and optimizing their current operations, processes and procedures.
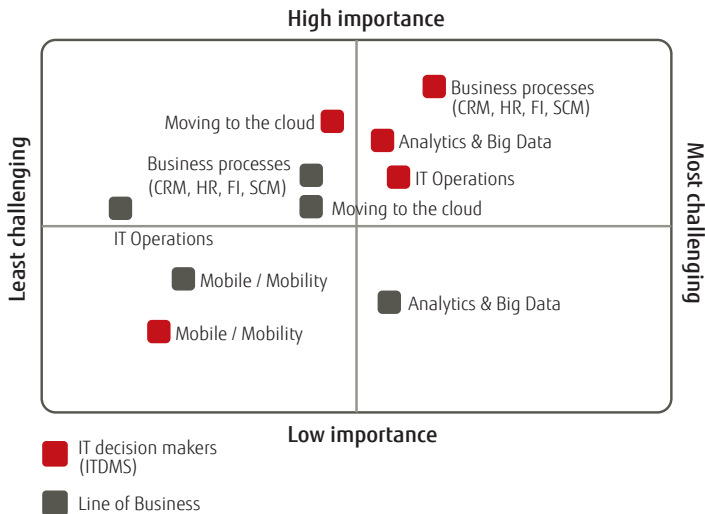
Other challenges include educating staff about the new standardized way of doing things (36%) and struggling to maintain normal business hours while undergoing transformation (35%). Both of which could be addressed with the right level of training and external support from a service provider.

Challenges when undergoing transformation

Challenge	%
Integrating systems (especially legacy systems)	40%
Educating staff on the new way of doing things	36%
Struggling to maintain normal business operations	35%
Unclear business requirements	31%
Data migration/Data format issues	30%
Meeting different regulatory compliance across countries	28%
Lack of skills/talent in the company	27%
Internal communication breakdown	23%
Poor communication/planning	23%
Lack of management/taking ownership	21%
Low awareness issues	21%
Missing deadlines	20%

Collaboration can help to drive transformation

IT decision makers and business decision makers (line of business) have different opinions on the level of business impact each technology will have and how challenging it will be to implement: IT decision makers view business processes (CRM, HR, FI, SCM), analytics and big data and IT operations as the top three most important issues for the business yet also the most challenging to implement. Therefore, these areas are much higher up the transformation priority list for IT decision makers than moving to the cloud and mobility. Lines of business also see business processes and IT operations as important transformation areas, but perceive these as less challenging to implement when compared to the views of IT decision makers. The possible disconnect between IT decision makers and lines of business regarding these areas could mean there is a lack of internal collaboration or communication between these departments.

High importance
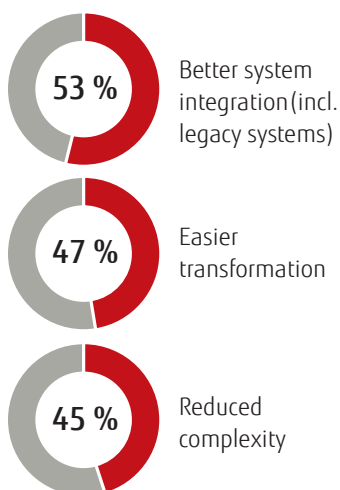
Low importance

Least challenging

Most challenging

Business processes (CRM, HR, FI, SCM)

Moving to the cloud

Analytics & Big Data

Business processes (CRM, HR, FI, SCM)

IT Operations

Moving to the cloud

IT Operations

Mobile / Mobility

Analytics & Big Data

Mobile / Mobility

IT decision makers (ITDMS)

Line of Business

Given the perceived transformation challenges, it's no surprise that simplification and a streamlined process are top of their agenda: 9 out of 10 SAP customers in the manufacturing sector agree that simplification is the basis for improvement in many areas (90%), streamlined and standardized SAP landscapes will help customers to better respond to business needs (87%) and simplification must cover all areas to create some impact (86%).

Simplification is the basis for improvement in many areas(90%)

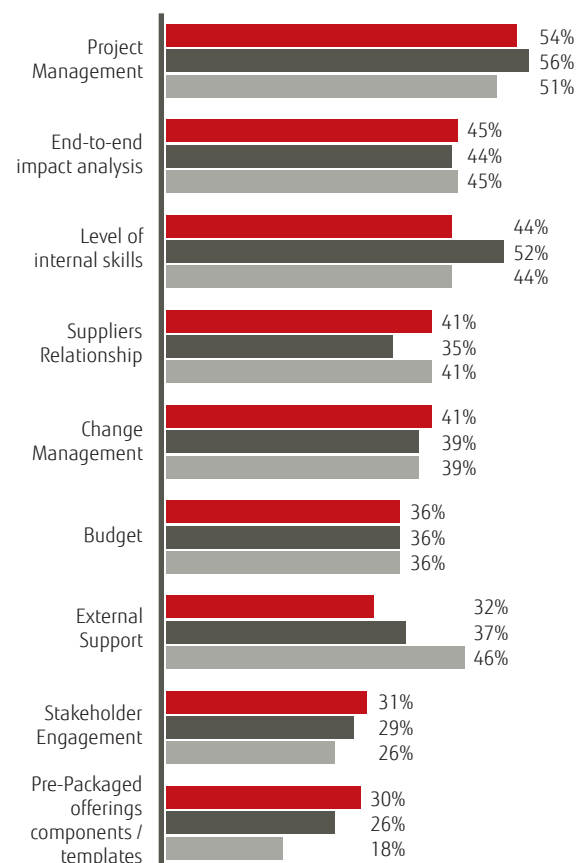Streamlined and standardized SAP landscapes will help customers to better respond to business needs (87%)

Simplification must cover all areas to create some impact (86%)

Recommendation

Since there is a need for streamlined business applications and processes, SAP customers should give IT decision makers a 'seat at the table' during business development discussions. This would provide a significant opportunity for IT decision makers and line of business departments to meet and discuss their technology needs while also understanding the transformation complexities. Potentially, this type of collaboration would allow business decision makers to set aside the 'nice to have' technologies and focus on the technology that will deliver the greatest business impact.

What SAP customers in the manufacturing industry expect

SAP customers in the manufacturing sector expect easier transformation in the long run thanks to better systems integration (53%) and reduced complexities (45%).

These expectations towards the customer's SAP environment come as no surprise, especially given the scale of transformation that is likely to have an impact on the manufacturer's day-to-day operation. This is why nearly a third of customers in the manufacturing sector are concerned with how they will maintain normal business operations while undergoing a transformation on this scale.

35% of SAP customers in the manufacturing sector struggle to maintain normal business operations while undergoing an SAP transformation/deployment

Firms' expectation of SAP in the long term

53 % Better system integration(incl. legacy systems)

47 % Easier transformation

45 % Reduced complexity

Project Management is crucial for transformation

The majority of SAP customers in the manufacturing sector (54%) recognize that project management is key to successful transformation, especially given the scale of the operation. An end-to-end impact analysis (45%) and the level of internal skills (44%) are also important factors. Almost a third (32%) of the respondents think that external support can be helpful e.g. to help maintain normal business operations while undergoing transformation.
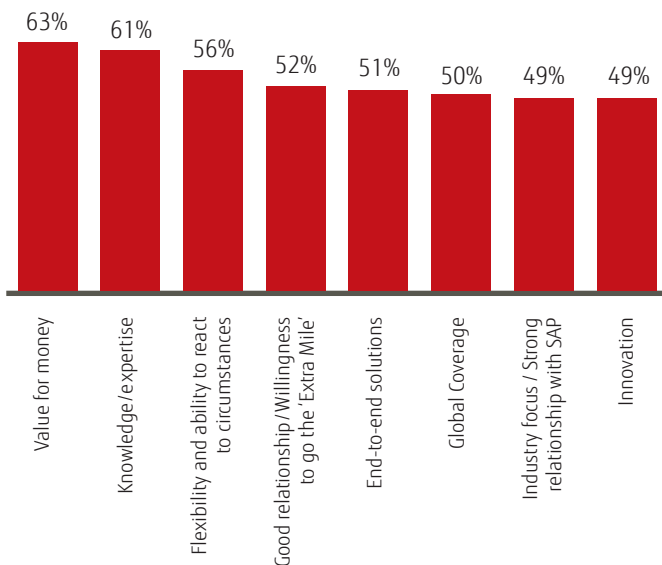
Key factors of a successful SAP transformation / deployment

	Manufacturing	Hi-Tech + Telco	Financial Services
Project Management	54%	56%	51%
End-to-end impact analysis	45%	44%	45%
Level of internal skills	44%	52%	44%
Suppliers Relationship	41%	35%	41%
Change Management	41%	39%	39%
Budget	36%	36%	36%
External Support	32%	37%	46%
Stakeholder Engagement	31%	29%	26%
Pre-Packaged offerings components / templates	30%	26%	18%

Manufacturing   Hi-Tech + Telco   Financial Services

SAP customers in the manufacturing sector, who seek external help to drive their transformation projects and minimize any disruption to day-to-day operations look for a third-party supplier that is good value for money (63%), brings expert knowledge to help simplify and streamline transformation (61%) and is flexible and able to react to circumstances (56%).

The qualitites SAP customers from the Manufacturing Sector look for in a Third Party

Bar chart values: 63%, 61%, 56%, 52%, 51%, 50%, 49%, 49%
Categories: Value for money; Knowledge/expertise; Flexibility and ability to react to circumstances; Good relationship/Willingness to go the 'Extra Mile'; End-to-end solutions; Global Coverage; Industry focus / Strong relationship with SAP; Innovation

Side note on budgets

SAP customers report that current budgets are balanced between maintenance and innovation. The reason why investment in innovation is not higher, especially given the size of their operation, is mainly because they lack the dedicated internal skills to innovate (56%) – which is why nearly half of SAP customers look for this quality in their third-party supplier (49%).

Manufacturers want the most out of their SAP system – SAP HANA® is key

SAP customers in the manufacturing sector value their SAP system since it provides them with the foundation to simplify and streamline their entire operation and processes across the organization. Compared to other sectors (financial services and hi-tech/telco), they are most aware of how much business impact can be achieved through SAP transformation projects thanks to faster provisioning of innovation (60%, 53%, 56% respectively), more flexibility in resource allocation (57%, 53%, 56%), improved system availability (56%, 52%, 54%), and faster provisioning of SAP updates (55%, 46%, 51%).

Faster provisioning of SAP innovation (60%)

More flexibility in resource allocation (ensure right level of performance where currently needed (57%)

Improved system availability (56%)

Faster provisioning of SAP updates (55%)

Compared to other sectors manufacturers experience the highest exploitation of their SAP solutions, with almost 60% of customers believing they are currently fully utilizing the vast capability of their system.

SAP HANA® dramatically drives efficiencies

A further drive to get the most out of SAP applications is to invest in SAP HANA®, with almost 9 out of 10 SAP customers in the manufacturing sector having done so already or planning to do so in the next two years (87%). The introduction of SAP HANA® is great for transformation projects – for business as well as for IT – because it is really a new platform for next-generation applications and analytics which enable innovative business models based on real-time insight and processes.

Results indicate that SAP HANA® significantly drives SAP efficiencies in the manufacturing sector! Basically, the majority of SAP customers in the manufacturing sector already experience good utilization of their SAP solution (57%), but with the implementation of SAP HANA® the percentage of customers who feel they fully exploit their SAP solution increases to 87%.
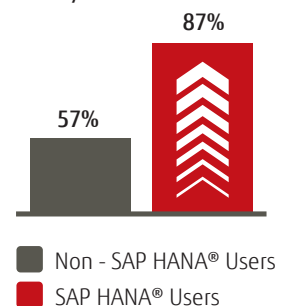
### Firms that believe they are fully exploiting their SAP system today

42 % Hi-Tech/Telco
57 % Manufacturing
39 % Financial Services
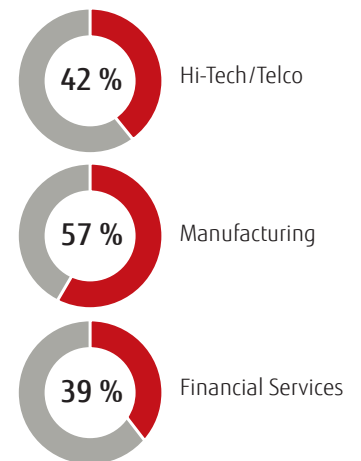
SAP customers already invested in SAP HANA® / plan to invest in the next two years

87%
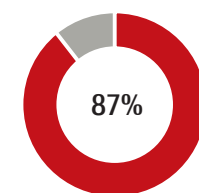
Firms fully utilizing SAP System

57% 87%

Non - SAP HANA® Users
SAP HANA® Users

SAP customers in the manufacturing sector that use SAP HANA® are seeing the benefits. They expect SAP HANA® to provide them with faster data analysis / real-time analytics – essential for fully utilizing the wealth of technical data and customer data they have stored (66%), more accurate analysis (57%) and more informed decision making (53%), which is crucial given the size and scope of their global operations. In fact a quarter also see SAP HANA® as a means of reducing complexities in transformation projects (23%).

Faster data analysis / real-time analytics (66%)

More accurate analysis (57%)

More informed decision making (53%)
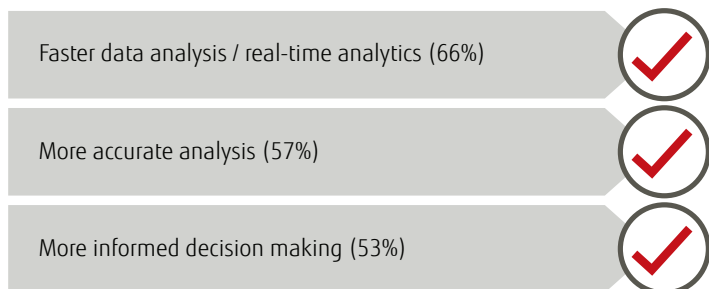
Manufacturing organizations are constantly having to adapt to the change in customer demand in order to survive the competition. SAP solutions help them simplify, streamline and innovate their operations. Specialist third-party support in project management could give them the skills and expertise they need to reduce downtime on the production line to implement such an important transformation.

Conclusion

Manufacturing companies face a strong shift towards customization on the one hand and technology-driven changes and opportunities on the other hand. Previous business models based on highly automated and standardized mass production need to be changed to meet today's more individual demands. The production processes need to become more flexible and agile, but still reflect sustainability challenges and cost efficiency. The push from new technology deployments like real-time analytics and the Internet of Things and the pull for more customized or even tailored products have represented the biggest change in manufacturing environments for decades. The challenge for manufacturing companies is to rapidly undergo transformation and fundamentally change business models. The power of SAP solutions and especially SAP HANA® can enable them to do so once they have stakeholder buy-in.

In fact SAP HANA® has already proven to be a booster for better exploitation of the vast capabilities of SAP solutions, which help empower organizations to make the leap towards future manufacturing operations. Results of the survey show that the manufacturing sector, in line with other industries, recognizes that professional project management is key for successful transformation and that simplification is the basis for improvement in many areas.

A seamless integration of new technologies is also seen as a crucial step towards streamlined and standardized SAP landscapes, which are expected to help customers to better respond to business needs. Fujitsu is closely aligned with SAP and its Run Simple operating principle that helps customers streamline their processes and increase the agility to create new growth opportunities for their business. The broad Fujitsu portfolio based on advanced technologies and service capabilities reflects traditional SAP applications as well as innovations, such as SAP S/4HANA® and the design and implementation of tailored IoT solutions based on pre-build assets and in-depth consulting and implementation expertise.

Fujitsu and SAP – helping customers to transform their business

A trusted SAP Global Partner for over 40 years, Fujitsu has successfully helped thousands of customers worldwide to simplify, innovate and grow based on its reliable and innovative Information and Communications Technology solutions. The company's in-depth industry and technology expertise empowers businesses to achieve their objectives and take the lead over their competition. Fujitsu infrastructure solutions, based on powerful, industry-standard PRIMERGY, PRIMEQUEST and PRIMEFLEX systems, are highly cost-efficient and scalable to match mission-critical readiness with the lowest total cost of ownership.

Fujitsu drives innovation in all areas – from cloud services via managed SAP operations to solutions and services for on-premise deployments. The Fujitsu portfolio for SAP software landscapes includes advanced technologies and services capabilities to deliver tailored future-proof solutions. In collaboration with SAP, our customers and further specialist partners, Fujitsu reduces complexity and optimizes the investment in SAP applications and the SAP HANA® platform. The result is a more efficient enterprise, exceptional ROI and better business outcomes.

About Fujitsu

Fujitsu is the leading Japanese information and communication technology (ICT) company offering a full range of technology products, solutions and services. Approximately 162,000 Fujitsu people support customers in more than 100 countries. We use our experience and the power of ICT to shape the future of society with our customers. Fujitsu Limited (TSE: 6702) reported consolidated revenues of 4.8 trillion yen (US$46 billion) for the fiscal year ended March 31, 2014. For more information, please see http://www.fujitsu.com.