NTT DATA Business Solutions

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Combining the Cloud with On-Premise Solutions

Using Hybrid Solutions: How to Integrate Subsidiaries into Corporate Networks

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Jan Ammann has been with itelligence since 2010. He supports national and international customers in SAP environments with on-premise and on-demand solutions. After joining itelligence as an SAP ERP consultant, Ammann worked as a Solution Architect for ERP landscapes and was involved in the development of itelligence's SAP ERP Industry Solutions and AddOns. Ammann was working with the NTT Data Headquarters in Tokyo for more than two years where he led several global work streams. He is still Co-Lead of the SAP Cloud CoE. Today, Ammann leads the Public Cloud/SaaS activities at itelligence globally. In this role, Ammann and itelligence's experts support the individual growth of itelligence | NTT DATA Business Solutions customers.

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How Corporate Networks Best Benefit from the Cloud

For most companies, divesting business areas or adding new ones through M&A (mergers & acquisitions) has become an important strategic means for keeping pace with the market and current trends. However, these companies are facing tough challenges to economically integrate their smaller business units into their central systems.

Divestment and M&A projects can pose major challenges.

A similar situation can be observed in growing companies with several subsidiaries. Here again, it is important to align the affiliate's IT landscape with the one at headquarters to ensure smooth operations.

Crucial Questions That Must Be Considered

What about...
- how to achieve intercompany synchronization?
- conflicting priorities at different sites?
- limited IT resources of subsidiaries?
- dynamic local needs?
- change of business focus?
- different laws and regulations?

SAP Cloud solutions – specialized for the upper small and medium-sized (SME) sector and for subsidiaries of large companies – streamline all of your business processes.

SAP® Business ByDesign® Provides the Answers

- Enriches compliance with Software as a Service (SaaS)
- Simplicity to grow faster as the market expands
- Instant and secure mobile access
- Control of processes by headquarters
- Supporting headquarters for monthly closing

Get a more detailed insight into how the cloud enables more efficiency, faster processes and increased profitability.

Pursuing Growth Through Divestments and M&A in Changing Markets

In view of today's growing internationalization and the globalization of sales and procurement markets, divestments and M&A have become more decisive cornerstones in a long-term business strategy. Instead of growing only organically, most companies have to focus on this strategy because divestments and M&A offer a significantly higher growth potential to stay ahead of the curve.

Nevertheless, these undertakings bring multiple challenges to a company's IT infrastructure. In the majority of cases, newly acquired companies have a completely different IT infrastructure. You need a way to integrate them smoothly into the existing ERP system of your company's headquarters. In the case of a divested company, it is important that it can stand on its own.

> **Challenges for Corporate Networks**
>
> - Information must be synchronized between headquarters and subsidiaries
> - Heterogeneous application landscapes impede exchange of information
> - Integration of foreign IT systems is time-consuming and expensive
> - Limited IT resources in the subsidiaries have to cover dynamic local requirements

New IT Challenges – How Organically Grown Corporate Groups Benefit from the Cloud

Despite the trend toward selling and buying companies, or parts of them, many organizations still rely on organic growth. Over the years, they have established local or international subsidiaries, which have to be integrated into the headquarters' IT landscape to optimize processes and performance. In long-established organizations, IT systems have often grown according to the company's individual requirements over many years.

Companies pursue new strategies in response to changing markets.

Figure 1: Challenges in Enterprise Networks

Selling Unit	New Market	Small Subsidiaries	Customer Service	Mergers and
Enable Cross-Selling	Opportunities		Centers	Takeovers
Change Service Mix				
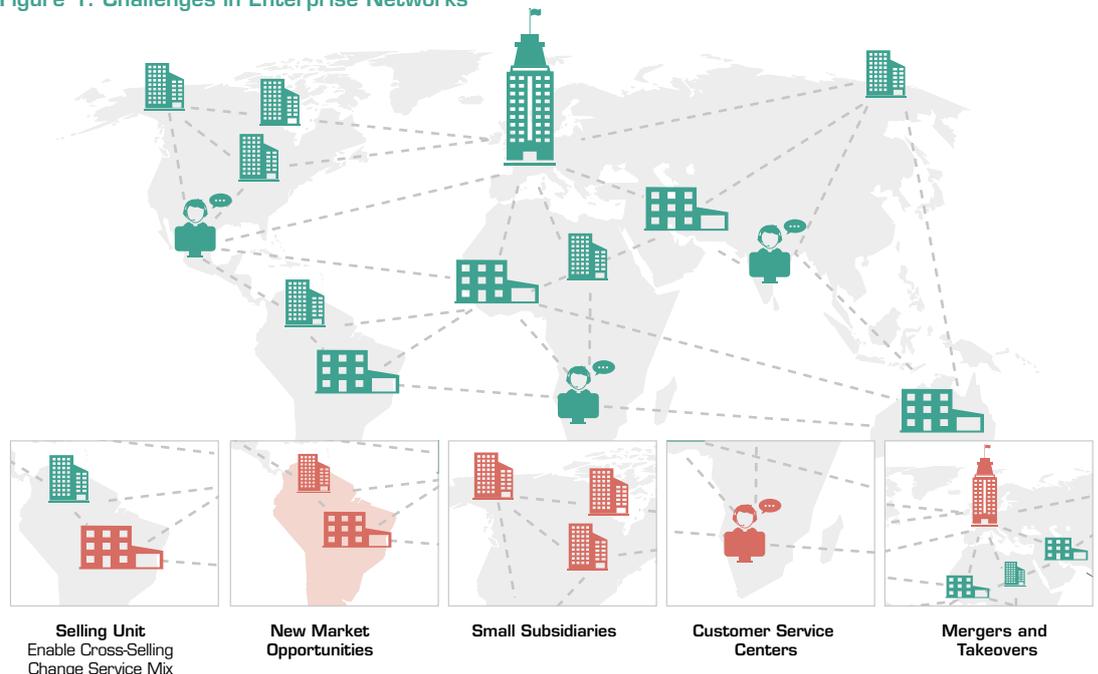
IT landscapes often become heterogeneous with growth.

That makes the integration of smaller subsidiaries a major challenge due to heterogeneous IT landscapes. Since most subsidiaries are smaller than the headquarters, they don't need all the functions of a highly work-sharing centralized ERP system. Often, a CRM system with marketing and sales applications is initially sufficient for them. In addition, IT applications should be easy to use, since training sessions are expensive and difficult because of travel.

On the Path to Success in Two Tiers with Cloud ERP – SAP Business ByDesign

Seen from our practical experience, a two-tier strategy has proved highly attractive. This is a hybrid model in which the headquarters keeps running its proven and work-sharing on-premise solution, while the smaller subsidiaries and divested or acquired companies implement cloud applications with suitable standardized functions and standardized industrial processes.

We recommend that our customers opt for a single software provider if they plan to orchestrate their IT across different sites. With this strategy, you can be sure that both solutions – the cloud version and the on-premise applications – fit seamlessly together. Hence, if you have an SAP ERP at your headquarters, your best choice would be to opt for the cloud ERP, SAP Business ByDesign or SAP Hybris Cloud for Customer. Why? The on-premise ERP and the cloud versions are based on easily assimilated architectures.

Hybrid is the best option for corporate network integration.

The cloud solutions can integrate seamlessly into the existing ERP system and be quickly activated without great effort. In addition, customers can leverage a wide selection of predefined, standardized interfaces.

Benefits for Corporate Groups at a Glance

Following this two-tier strategy offers three main advantages for corporate groups:

Streamlined, Custom-Fit Software Service for Subsidiaries
- Customized to the needs of SME subsidiaries
- Easily implemented due to best practices
- Quick time to value
- Can be simply adapted to market changes

**Consistent Data Across the Group**
- Easy consolidation of financial figures
- Easy consolidation of ad-hoc reports
- Group-wide standards, automatically met by the subsidiaries
- Embedded implementation of company governance

Low Capital Investment at Reduced Risk
- Minimal initial investments
- Faster implementation than an in-house deployment
- No training expense due to a user-friendly interface

Figure 2: SAP Integration Scenarios for Hybrid Models

SAP ERP ECC/ SAP S/4HANA — On-Premise HQ ERP

SAP Process Orchestration

Direct Integration Without Middleware

HCI SAP HANA® Cloud Integration

SAP Business ByDesign — Cloud ERP
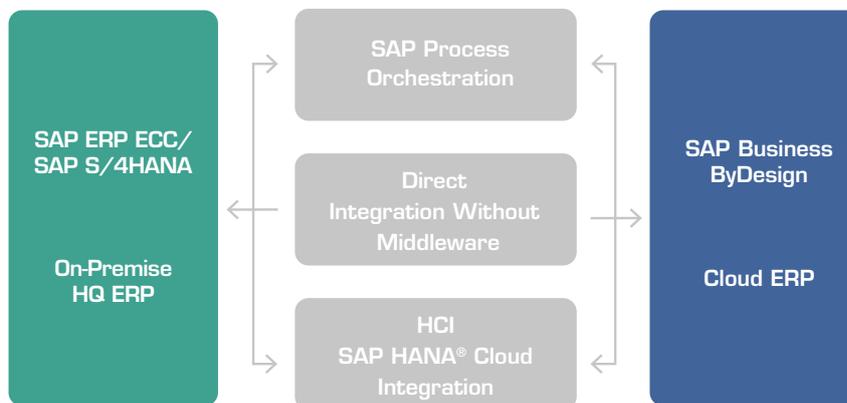
**Recipe for
success: cloud
and on-premise
from a single
source.**

**Figure 3: The Comprehensive Business Solution –
All Essential Operational Areas Covered by SAP Business ByDesign**
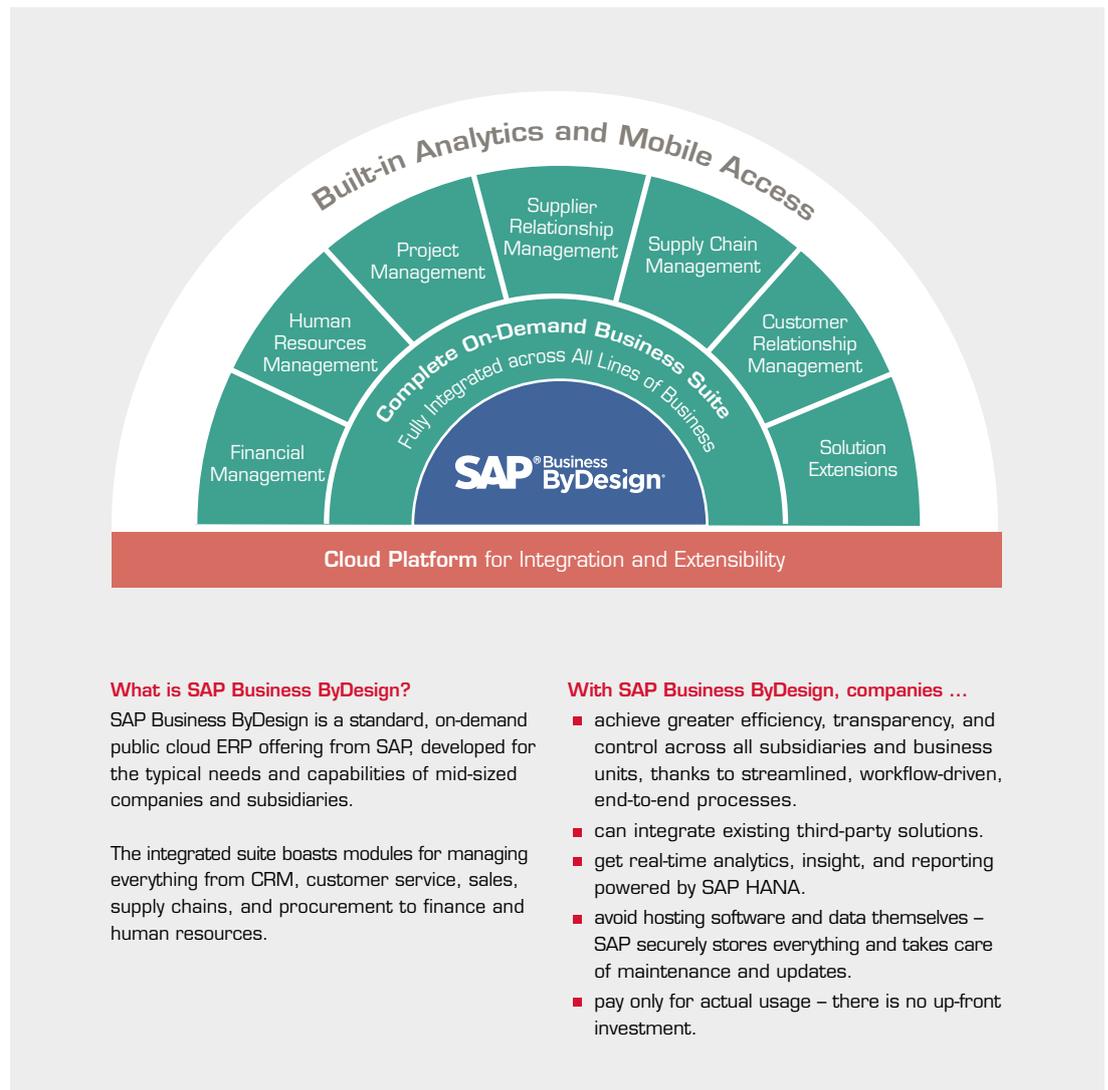
What is SAP Business ByDesign?
SAP Business ByDesign is a standard, on-demand public cloud ERP offering from SAP, developed for the typical needs and capabilities of mid-sized companies and subsidiaries.

The integrated suite boasts modules for managing everything from CRM, customer service, sales, supply chains, and procurement to finance and human resources.

With SAP Business ByDesign, companies …
- achieve greater efficiency, transparency, and control across all subsidiaries and business units, thanks to streamlined, workflow-driven, end-to-end processes.
- can integrate existing third-party solutions.
- get real-time analytics, insight, and reporting powered by SAP HANA.
- avoid hosting software and data themselves – SAP securely stores everything and takes care of maintenance and updates.
- pay only for actual usage – there is no up-front investment.

How Can International Subsidiaries Profit from the Cloud?
In contrast to domestic subsidiaries, international affiliates must act as legally independent companies.

**This has several consequences for
the IT landscape:**
- Software services have to be configured according to country
- Different local legal requirements have to be considered
- Local currency and the rate of value-added tax have to be taken into account
- Terms of functions, input masks, and templates should be in the local language
- Financial accounting has to be customized to local regulations
- User support can be difficult over long distances

Cloud solutions, equipped with clear approval workflows and a transparent rights system, are geared to supporting all these requirements and ensuring legally watertight business in international subsidiaries.

Figure 4: The Comprehensive Business Solution –
All Essential Operational Areas Covered by SAP Business ByDesign

Tier 1: SAP Business Suite
- Support complex business scenarios
- Use personalized software for maximum process efficiency
- Adhere to compliance standards
- Include external parties

Tier 2: Cloud Solutions
- Adopt enterprise standards and best practices
- Keep implementation and operation costs low
- Integrate seamlessly into tier 1
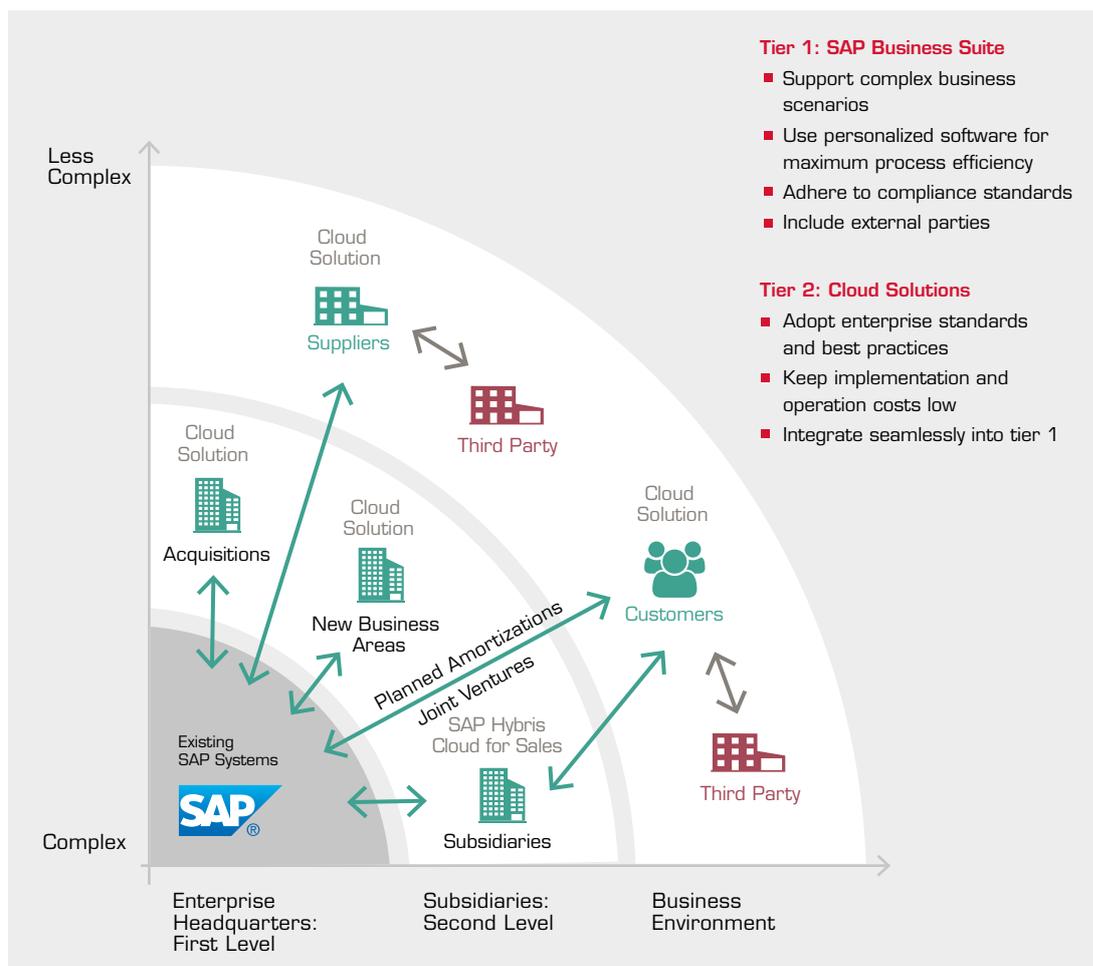
Benefit from a Partnership with an Internationally Proven IT Expert

If your company is active in more than 20 countries – the number of countries SAP Business ByDesign supports by default – it makes sense to partner with a proven, international consulting partner. itelligence has developed supplementary "light" country-specific versions that comply with all linguistic and legal requirements.

As an SAP Global Partner, we have been closely connected with SAP for more than 25 years. We influence the latest business management software and innovations and engage in board-level dialogue. That's why our consultants provide the whole range of expertise in SAP and can support you in finding the right solution for your special requirements – from SAP ERP and SAP Cloud ERP to SAP S/4HANA on-premise and in the cloud.

Learn more
about itelligence cloud solutions and other innovations:

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