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## Podcast Inside SAP S/4HANA - Transcription

Inside SAP S/4HANA Episode 92: KWC's Digital Transformation into the Cloud



**Markus:** Welcome to our podcast Inside SAP S/4HANA. There is no customer success without product success and project success. In this episode, we will talk about KWC's journey to cloud ERP. My name is Markus Oertelt and I'm happy to have two guests and experts on this podcast that will share their experience today. The first one is Menno Vlietstra from KWC. Hi Menno. How is it going today?

**Menno:** Hi, Good morning, all. Thank you.

**Markus:** Perfect. Good to hear. Good morning to you. And from SAP we have Gert-Jean Den Boer. How are you?

**Gert-Jan:** I am very well today. I'm in the office and it's Friday, so. All good?

**Markus:** Perfect! Friday in office sounds good. And we have a lovely office in Zurich. Let's go to you, Menno. You bring a lot of experience from the life science and consumer industries. You are the head of group at Group KWC AG. Maybe you tell me a little bit about yourself and who are you and what makes you run?

**Menno:** What makes me tick professionally, normally, business transformations. I have a background in business process redesign in various companies like Roche, Biogen. I started my career in the Netherlands with Philips and Vopak. For the last decade, involved in bigger technology transformations and trying to make business processes more efficient, more global, more harmonized and better.

**Markus:** Gert-Jan, you are the SAP business architect for KWC in Switzerland. I know personally that you like camping and windsurfing. And also in the past you were heavily involved in the asset and service intensive industries. What else would you like to tell our audience about yourself today?

**Gert-Jan:** Hi there. I'd come like Menno from the Netherlands. I live since more than 30 years in Switzerland and I'll be working most of the time in the manufacturing industry. I have a business background in different companies like ABB and Alstom and I also worked there in different roles. And since five years I work as a business architect in SAP and I advise large manufacturing companies like KCW with their digital transformation. So we support with sharing industry best practices. We help to drive adoption of innovative solutions moving into the cloud and we support with architecture topics in general. So it's a great field to work in.

**Markus:** When we look at KWC, it has a tradition, I mean, this is amazing of a 150 years, when I went on the website, I really liked the value statement or the mission statement values, hygiene, safety, sustainability and enthusiasm. I have never seen that before, but I really like that. Somehow I found this really cool enthusiasm. You have three divisions focusing on home solutions. So here I was told you focus on high quality bathrooms, showers and kitchen fittings. Then the second one is professional solutions, meaning solutions for public and commercial sanitary rooms. And the third one is, I think, also a promising one, the medical solutions. So premium products for the health care sector where you probably face strict disinfection and hygiene regulations. Menno, maybe you can tell me a little bit more in the year, I think it was 2021, the KWC Group became independent after a divestiture. Is that correct?

**Menno:** Yeah, basically KWC was a division in Franke, a Swiss manufacturing company. The water business, KWC Business, was a business of around 200, 250 million with around 1100 people globally. That business was sold in May 2021 and decided at that moment in time to fully separate that company. By the end of 2021, all decisions regarding IT had been taken. That was also the moment that I joined, so it was decided to do the carve out, as you called it, the separation of KWC from the mother company, which is completely new business applications, all the clouds. So that means ERP in cloud, CRM in cloud, PLM in cloud, marketing systems in cloud. And of course as always with the carve out of course on an infrastructure which happened to be also completely cloud based with Microsoft 365 in the Cloud and Azure servers, either on premise or in cloud. And we basically we had to do that carve out up until November last year, 2022. So basically we developed those applications, we integrated those applications and we switched it on in cloud in approximately nine months. If you take into account that we have manufacturing in China, Middle East, Germany, Switzerland, UK and Finland, that was quite a job and not only from an ERP, so SAP, ERP cloud perspective, but also from the perspective that we had to integrate it with new PLM, CRM and HR success factors and marketing applications. We succeeded in doing that. So everything was done by November 2022, so roughly a year from start, which was in Q4 2021. Everything was separated and all the transaction service agreements between KWC and Franke on the IT side were finished. We had established an own support organization, heavily outsourced, of course, fully alive and kicking for the new business. Of course, the last couple of months, so we're now talking summer 2023. We spent another six months on further maturing our organization, our processes and putting the dots on the eye and crossing the T's and and that's where we are right now.

**Markus:** Impressive Menno. When I go to Gert-Jan quickly, when did you get involved and what was your role when you started to advise KWC during the beginning times after the carveout or divestiture?

**Gert-Jan:** So I joined advising KWC early 2022 after the S/4HANA project started, and we have been working since with Menno and his team. So what we do is we support with growing business requirements and for those additional requirements which cannot be solved within the ERP core. We help with additional solutions. For example, we help to implement Signavio for business process management to analyze and to document the processes and, and also like SAP analytics cloud, we help to get insights into the data of KWC and improve also the reporting capabilities. To achieve this, we have weekly meetings where we discuss strategic topics, but also sometimes operational topics like with the S/4HANA go-lives. We also have a regular quarterly business reviews. We had one yesterday where we were on site in Stockholm in the office of KWC, and the highlight for me was we did a factory visit where I could see end to end from a raw bar of metal until the finished goods from KWC leaving the factory. So this also was a great experience to see the end to end process in real time.

**Markus:** And so it's cool. Factory visitors is always good. Menno, you finished the big SAP S/4HANA Cloud, public edition implementation. You told us already a little bit about your key processes, your localizations, not so much about the project setup yet, but maybe you can share more insights about your learnings and what you learned. Or if I would be the CIO and I would have been in your role, how did you do it? What else did you learn? How did you set it up?

**Menno:** I must say our project was simply timeboxed, so failure was not an option. The date of the 1st of November was firm. And so that is one topic. So also for businesses, it was clear that we had to harmonize our business and that we had to go through the change management and that we had to implement those systems by November 1st. What we did is we started with a process harmonization effort. By the end of 2021, formally, I was not onboarded yet at that moment in time. So that basically defined the standard business processes and harmonized matters across ERP, product development, customer relationship management. In 2022, when we started implementation, we stuck to that standards. That was one thing, but we also implemented a project according to a Pathfinder methodology. So basically two or to three one big sites and two smaller sites where the pathfinder for the implementation. So we focused all implementation efforts initially on those three Pathfinder sites. Those were Germany, Austria and Middle East. And we focused all resources on the implementations for these sites and we also enhanced the system. When that was done, we did a lessons learned and we implemented the system more quickly and in a more standard way in Scandinavia, in the UK and in other parts of Germany. That was also the moment that we decided to postpone the implementation of Switzerland. We could. So in all honesty, we did that actually at the beginning of this year, but also from a carve out perspective that was possible. Another topic which was really important for us is the whole data migration. We started with a data migration from the beginning of the project, but I think we did not give it enough focus. So during the Pathfinder project it was all hands on deck, especially from a data migration perspective, and we fine tuned the data transition conversion approaches after Pathfinder. And I think it's only at the end of the program that we really got it right in terms of data migration. So one of the lessons learned for me on this implementation is harmonization and standardization, possible user adoption training possible in such a timeframe, integration possible, but data migration, data conversion, data transition, we should have addressed that much earlier. Of course, it is the case that I said already that over the last half a year we have been further maturing our systems management, still user adoption, intercompany processes. So it is not the case that in November 2021 everything was completely finalized. There was still a lot of work to be done also afterwards.

**Markus:** Very understood and good message from you. Before this podcast, when I looked at the three divisions, I saw the Medical Solutions Division. But you have to handle regulations from governmental agencies or customers of yours with SAP S/4HANA Cloud Public Edition?

**Menno:** Yeah. Answered the Pathfinder project to which was excluding medical. We focused after that on the implementation also for medical and there, yeah, the compliance requirements are somewhat stricter. That was taken into account and I must say it was earlier too. SAP where did you contribute to this customer. I see the contribution there. Also specifically for medical is that SAP assisted in finding the adequate functionality in ERP cloud also for medical but also for manufacturing business, of course, we go to a lot of help there. Gert-Jan was explaining about factory visit actually already much earlier, the SAP team for Walldorf visited our sites and looked at some of the specifics which were needed for our manufacturing implementation. And I must say we got quite some support from the SAP team, how we could make best use of some of the functionalities which were sometimes not there or not completely there, but there were alternatives in your question was around medical, also in the business technology platform and the integration and

reporting to authorities, but also the integration into the product data management. Also there on the BTP side, we're getting good support of SAP also for the more complex resolutions needed for medical. Also in the medical domain, of course, the ERP cloud as such is not enough. You need a good integration with employee data, you need a good integration with service management specifically, and also that integration. We got quite some support from SAP and setting up that integration and that's integrated set of systems that covered all the medical requirements we had to comply to in the September, October 2022 timeframe.

**Markus:** Let's move a little bit to a different topic. Maybe the aspect of extensibility. Did you handle or how did you handle it? Did you even need to extend the solution?

**Menno:** Yeah, I must say there is of course, the strategy and the strategy is extensibility in a three tier landscape. Unfortunately, we are in a two tier landscape and we cannot yet migrate to the three tier landscape which you have more possibilities to make changes and must say if you look at our implementation in terms of integration and interfaces, we have about 25 systems we interface and integrate with, and it goes from automated warehouses to 3PL solutions, to payroll solutions, to the integration of SAP itself with success factors. So in terms of often extensibility and integration are under one header, in terms of the integration over the BTP platform, that is definitely working. We made some modifications to the ERP cloud system, so we apparently were able to do so. There's also requirements to extend more and to make more dedicated solutions for KWC. I must say that is not possible yet and we're definitely waiting to step in that era of three tier where in my view, the extensibility and the possibility for changes are bigger. On the other hand, I have to say, given the fact that our timeframes were we implemented for this 1100 employee company, a mini global manufacturer I call ourselves, we had to do that in a year. And the fact that we had to stick to standard processes helped us also a lot in convincing business, hey, you have to harmonize and stick to this best business practices. There's only a couple of domains where I would say coming from an ECC background over the last decades, I would say yeah, this functionality, that's a pity that we don't have it.

**Markus:** Maybe this would be a different podcast, or maybe we can go out and have a beer and you can talk to me about it and then you can see if we can bring those requirements also in the cloud. You touched on the integration part. I know from Gert-Jan there were a big question mark about the third party logistics integration before this project, the implementation started. I don't know who wants to take it, but Gert-Jan or Menno, how did it go in the end?

**Menno:** That was basically innovation based on ERP cloud. So we in November last year, as I told, we had implemented this ERP cloud solution in all these countries and then the request came still up is we would like to outsource our logistics processes to a third party logistics provider. And as we started the project in November to specify the division of labor between this new 3PL resolver in this case and ourselves, and actually the division of labor is standard ERP, standard 3PL integration between a manufacturer and a 3PL. We implemented or we specified those processes. We agreed with the 3PL on the separation of activities and duties, on the separation of systems and implemented this functionality with yet another implementation partner. And that was quite a success. This project started in November, the 3PL outsourcing. We're talking about multiple locations in Germany, Switzerland, Austria and also goods coming in from the Middle East. And that project took

from November up until March when we also moved the warehouses in the month of February. So all the warehouse, all the inventory was moved. The warehouse in southern Germany was switched on. Also, the whole integration via BTP was set up and this project went really, really smooth. Now you basically see that this application infrastructure that you can build on it and innovate without too many issues. We also did it with the second implementation partner. So that is also good that we now have that Multi-vendor approach implemented. We get a lot of compliments from business that it went so smoothly. And also if I look now at the number of tickets, incidents and problems with this innovation 3PL, it's very limited. I think we have below five priority, three issues every two weeks. But that's it.

**Markus:** I'm happy it went well at the end. We talked a lot about today implementation, extensibility, data migration already was touched, but I know many of you are also a business guy. How does your business rate the user experience with SAP S/4HANA Cloud Public Edition. How happy is your business?

**Menno:** We came from a situation with nine ERP systems. Some of them were SAP. Some of them were non SAP. The former SAP ERP users recognized the processes and SAP supports in the ERP cloud system. You still see the old ECC functionalities and where they are available and where not. So that went in that from a process perspective well. After implementation there also for the SAP people were used to SAP, there was a lot of training necessary and a lot of user adoption had to take place. I would say on average, it took the organizations about six months to really give a thumbs up. Yeah, everything is working fine. Perfect. And we're happy with the system. But the Pathfinder project, which was implemented around the 1st of September, it gives, all middle management gave kind of thumbs up, let's say six months later. So that was early this year. There were also differences in China. It was very smooth and a good usage of the system in the Middle East. Verbally, a lot of approval, but still people had difficulty doing inter-company processes, etcetera. In Germany there were quite some discussions and we started after implementation with a little bit of business backlog, but that was covered within, I would say, within four weeks. Now I go to the non SAP experienced user organization. For them it was really difficult. That organization was in Switzerland. I don't know if it's also culturally related, but our Swiss organization and that is one of our main manufacturing sites is in my view, really struggling with the system and user adoption. The system is working perfectly, but has it been designed adequately? Have those discussions been done adequately? Question Mark. Can all people now work with the processes? It's also still difficult. So the last implementation for Switzerland was done in April, but also three months later we're still having a small business backlog and we are still evaluating, are the processes now designed optimally and what else can we do in order to help the end users? There we are still struggling. Our forecast is that we get the business backlog sorted in the next month and after that is done that we then reevaluate, let's say, warehousing strategies, picking strategies. So there will be a lessons learned session on the design and the efficiencies of the system.

**Markus:** Gert-Jan, you as trusted advisor, saw the change management process at KWC during and before the implementation. What did you see and can you also advise other customers wanting to convert to SAP S/4HANA Cloud, Public Edition?

**Gert-Jan:** It was an interesting journey, like Menno explained, there were some challenges with change management and with adoption, but I think that's normal for any bigger

company. In a nutshell, as S/4HANA Cloud, Public Edition is really a great flexible solution, which you can integrate easily with, especially with SAP solutions. And this is a great jump start for any company the size of KWC with its support to do the right things. So you have to clean up your processes, you have to streamline and you have to adopt the best practices of SAP. So in each every location where you go live, you have the typical jealous that people say, Oh, why should I work with different than I did before in my previous SAP system or non SAP system? And this is just a process which can not be shortcut too much. Like you can train the people, you can build up a key user organization in. But in the end, each and every end user must be trained and explained how he has to use the new system. What is nice is that the standard functionalities and standard integration make it easier to adopt new areas. Like at the moment we are discussing how can we support KWC in the area of sustainability. So there's several areas like the ESG reporting or the plastic taxes or the bottom up CO2 calculations. And these are areas where we have solutions which can be integrated with S/4HANA out of the box. So these are areas which we are discussing at the moment and in the next few months.

**Markus:** Gert-Jan, you already touched a little bit on it. Maybe it's also interesting for our listeners, you as architect, how do you identify solutions of value for your customers? How do you go about it and how do you know it's the right solution?

**Gert-Jan:** It is like I mentioned in the beginning, I joined KWC one and a half year ago and we have a weekly operation meetings about S/4HANA and then I listen in what's going on, what's the discussions, where are the pain points? And we also have set up biweekly strategic goals with Menno and his direct team. And here we discuss certain topics. So we say, okay, what's the longterm view of KWC? What's the kind of area, if you will, to involve in like e-commerce strategy or like, what do you want to do in the area of procurement or how do you want to continue with factory automation, for example? And then if you see that there is it's the right timing and there's an interest, then I talk to the experts in SAP and we set up an initial call. So we present certain solutions, say this is the benefits and this is how you could start using it in KWC and that's step by step we extend the landscape of KWC with additional solutions. So that's a bit how we approach it. And for example, yesterday we had this quarterly business review with a wider team of people. And then we also agreed that we want to have a deep dive on the BTP with a wider community. It is already in use with the KWC, which has a lot of potential to smoothen the existing processes with additional capabilities.

**Markus:** Menno, we are almost at the end of our podcast. What is on your agenda for KWC's future? What's next to come?

**Menno:** It's on the one hand, the total landscape still needs to be extended with certain functionalities and Gert-Jan mentioned it, but it's analytics simply because we now have to use the insights we have and the data we have. It's on environmental safety and health where we simply have to comply with regulation basically on integral supply chain reporting and whether it's CO2 or plastic or other topics, that is a must. We're working hard on employee self-service just because of efficiency. And another must is on integration with our customers around projects, the design of the bathroom, the design of the public wash areas so that we work hand in hand on projects with our customers and in that way drive our order intake. So that's one thing. So that's general. The specifically we are more and more focusing on the different business lines and the differences between the business lines. So

really supporting our professional business, which is where we're working for bigger customers with tighter customer integration in home, where we do the e-commerce and have the processes through the wholesalers, but maybe also with companies like Reuters selling over the Internet and then specific support for our health domain, which is basically driven out of Nordics, Scandinavia and our business in China, which is basically an OEM business also with their specific needs. So what I see is that the differences between these business lines are coming up with more dedicated support, also dedicated requirements from the integration platform. That is what we start to focus on right now.

**Markus:** Very good. As already mentioned, we are at the end of this episode. I really enjoyed this. I would have so many more questions for you, Menno and Gert-Jan. Thank you so much for being here today and also thank you for joining! As always, feel free to drop us an email via [insides4@sap.com](mailto:insides4@sap.com) and let us know which topics are of your interest. Tune in next time and be Inside SAP S/4HANA.

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