

THE FUTURE OF ERP PODCAST

Navigating Risk and Transformation in Cloud ERP with EY

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[00:00:42] **Richard:** Welcome to the Future of ERP, a podcast where we discuss hot topics, best practices, and the latest innovations in today's global business. I'm Richard Howells, and I'm joined by my wonderful co-host, Öykü

[00:00:54] **Oyku:** Hello, everyone. I'm Oyku Ilgar, a marketer, blogger, and podcaster in the European supply chain area at SAP. [00:01:00] In this week's episode, we are chatting with Dan Crowley and Natalie Friedline from EY. Dan, Natalie, it's a pleasure to have you on the show. Could you please introduce yourselves and your organization?

[00:01:11] **Natalie:** The pleasure is really all ours, so thank you so much for having us. My name is Natalie Friedline. I am a principal at EY. I started my career here in technology audit about 18 years ago, and that has evolved many times over the years. I now lead our team in our US SAP Risk Technologies Group. We help prepare our clients for S/4HANA transformations. We support the transformation in the security controls and GRC space. We also provide remediation and optimization services for SAP across the globe.

[00:01:46] **Dan:** Hi, my name's Dan Crawley. I am a senior manager within EY for our risk technology group, working under Natalie. I am an SAP security and identity architect with about sixteen years of experience implementing security [00:02:00] within the SAP space across multiple different industries and areas, and even a few different countries. So, really just helping our clients out with SAP implementations, transformations, whether that be brand-new greenfields or existing brownfields.

[00:02:17] **Oyku:** Lovely to meet you too. Pleasure to have you both on the show. So let's dive into one of the biggest shifts that organizations face when they are moving to the cloud, how they think about risk. So why is risk management different in a cloud from an on-prem deployment, and how should leaders be reframing risk as an enabler of successful transformation?

[00:02:38] **Natalie:** It's a really great question, and I think that the core concepts of risk management are definitely gonna be different in the cloud. So clients really need to start thinking about how those frameworks are shifting, right? We're gonna still be looking at risk prioritization. The general concepts of risk stay the same, how you're gonna respond to those risks, and we look at those through [00:03:00] likelihood and impact. That's not gonna go away. But process transformation's really gonna give you that opportunity to reduce risk in both of those areas, and we just need to think about them differently, right? So, how do we embed automated controls in your deployment? How do you get the synergies? You're gonna wanna do that early in the transformation process. So before you start redesigning or begin the project, you're gonna wanna figure out what your pain points are, what areas you need to improve, and what are the areas of highest risk. And this is gonna set the stage for you to develop and grow and have sustainable growth. So it's not just about optimizing those areas, but making sure you address those new risks that are gonna be introduced in the cloud construct. So when you think about those new risks and what's being introduced, it could be something as simple as insufficient monitoring of your privileged accesses, right? In this shared responsibility model, we get a lot of [00:04:00] clients who have assumptions around the accountability, and that ultimately would lead to an issue. So you can also think about something like the availability of certain system logs. One, we need to make sure they're available, but two, how is the data coming? Is it complete? Is it accurate? You need to look at the monitoring of interfaces. There are a few critical IT segregation of duties violations that in that new cloud environment we've seen being inadvertently caused or enabled, and these can get missed because it wasn't considered a financially relevant system, right? It's nothing that's impossible to take care of. You need to take the time and care to address it up front, so you're not caught by surprise later, right? So you need to make sure you're embedding the right controls, training the right people to operate those controls on day one.

[00:04:51] **Richard:** One of the things that you mentioned was the shared responsibility model, and that keeps coming up on every podcast we talk about moving to the [00:05:00] cloud. So, can you break down how responsibility for risk is split between all of the players that are now involved, whether it be the cloud provider, the software vendor, or the company using the software? So

what's typically misunderstood or underestimated in managing the move to the cloud around that shared responsibility model?

[00:05:23] **Natalie:** Yeah, that's definitely one of the hot topics we keep hearing. And I'll start by saying you really need to make sure that you or someone on your team understands your contracts. There's an RACI that comes published, responsible, accountable, consulted, and informed with services and vendors. And I know SAP publishes the RACI for their specific shared responsibility models, but some of the attributes can be left up to interpretation. We have helped a lot of our clients dig deep, understand what it really means, and how that's communicated back to each of your [00:06:00] teams. We've seen the need to drive clarity, especially between internal IT functions, cyber operations, operations security, backups, and disaster recovery. And this is where creating that cloud control framework with clear ownership established, that means training too, before going live, is really critically important. In the shift to the shared responsibility model, you really do lose the ability to enforce some of these controls, and you're gonna have to rely on SAP or your provider to perform them. So, for example, SAP could own the patching and infrastructure controls, and if you say, Well, our vendor pushed down an update," that's really not an acceptable audit defense. You're gonna need to do the testing of what the business impact is and have governance over those changes. So upfront, again, critically important, make sure you really understand what is in that contract [00:07:00] and interpret it and communicate across all parties what their responsibilities are.

[00:07:05] **Dan:** This really provides another opportunity to put people into the right role with the right responsibility as well. In the legacy on-premise days, it was security that handled everything under that giant umbrella that is security. Even though you might be an expert in GRC and PFCG, you would find yourself looking at IP ranges or access control lists that might now fall onto someone else in that shared responsibility model, where that is their expertise. So they really get to contribute that knowledge, that responsibility, that expertise to the right area through this. So it's really worth taking a look at what skill sets we have within our own organization, and who should be taking care of that across the shared responsibility model.

[00:07:51] **Richard:** That pre-planning and the preparation before you go live, and you said that key was before you go live, not [00:08:00] after, and firefight fact and all of that prep of assigning the roles and responsibilities with the cloud control framework. But from your experience, what does planning for the right level of support actually mean, and how does it become a secret source for reducing risk over time during the preparation phase?

[00:08:21] **Dan:** At the beginning of a transformation, you really need to consider all of the risks that you're facing down, right? And where can we begin monitoring these, potentially automating them to help reduce those risks as we move through this process? And what support do we have in place to accomplish these things? What tools, what people, what processes can we potentially improve on from our previous systems so that compliance and security are built in by default as we go through this transformation? So you would need to look at all of these risks and kind of [00:09:00] simulate the amount of exceptions you'd need to monitor in that continuous monitoring type environment, which can be hard to do, right? Starting it from the beginning and saying, "These are e- exactly all of the risks that I have," at the end of a transformation journey is like predicting the future. Yeah. You might be able to get some of it, but definitely not all of it. So some flexibility there and being able to scale up or down what we're tackling as that transformation journey continues is a key step for planning for that support.

[00:09:32] **Richard:** So it's a case of you don't know what you don't know sometimes, and having the flexibility to adjust and respond.

[00:09:37] **Dan:** Plan for what you do know and expect everything else, right?

[00:09:41] **Richard:** Yeah.

[00:09:41] **Oyku:** You have touched a little bit earlier, but this technology is only a part of the story, which brings us to the human and organizational side of risk. So how much of cloud ERP risk is actually about people, process, and governance rather than the platform itself?

[00:09:58] **Natalie:** Yeah that's such a great question, [00:10:00] and it's kind of funny. We used to have an old saying that it was garbage in, garbage out, meaning that if your data and your inputs are garbage, your reporting and transactions are gonna be garbage, right? And I think that holds true today when we think about running technology. We may be able to identify issues more quickly than before, but we still need to rely on data that is complete and accurate, and this translates into the people and governance aspect of ERP. So we have some clients that actually recognize this, and they'll say upfront, "We're gonna need some help in the organizational change management space." And it's usually because they probably lived through some sort of pain before, and they fully recognize the importance of people and governance for a successful transformation and adoption. So you really need to start thinking about this before you begin the project, and that also means putting the right people in those leadership positions as business process owners and [00:11:00] leaders

and getting commitment from their leadership to prioritize the program. This is gonna produce much better outcomes in the end. During the project, you also need to make sure you're identifying stakeholder groups that are gonna be impacted, and knowing what those impacts are is so, so important because at some point, the same folks who are changing are gonna have to be the change agents or the champions that go out and build the awareness and push for change and help adoption. So these are the people who are gonna run the business, and that business is gonna change. So the governance models are gonna force people to play by the rules, and strong data governance is really becoming critically important, especially with the introduction of AI, because that's gonna dictate what those outputs look like, and it's gonna be relying on the data and the controls within the ERP system to support it.

[00:11:54] **Richard:** Well, now you've opened the door because you've mentioned AI. So now everything [00:12:00] changes as it does when we talk about AI as well. Because AI, if it isn't already, it will be very soon deeply embedded into every cloud ERP system, every business system, and it feels like everything we do in day-to-day life. So, how does AI change the ERP landscape, both in terms of introducing new risks that organizations need to manage, but also, as a tool and an opportunity to reduce risk or automate some of these risk management processes?

[00:12:34] **Dan:** You said it yourself, it's already there in some aspects, right? It's already built in. In the near future, it's gonna be everywhere else, right? So these AI capabilities can help us reduce the effort. They can consume large amounts of data and put it out, whether we're talking about an ERP or my fantasy football team, right? It can consume all of that data and say, "Here's something that's different, irregular." So it [00:13:00] really helps us reduce that manual effort of reviewing, whether that's a control or a wide might need, right? There's definitely benefits of being able to do that, but it also brings in the new challenges of we're no longer just managing the users that have access that are executing within the system, but we would be maintaining the identity of the agents, and now we need to review what can the agent execute within the system, and which users now have access to these agents that can execute within the system. So we're adding another layer of complexity to those already complex user access reviews. Luckily, AI is really being seen and approached in the ERP space as an enabler, not a replacement. It's allowing you to get more done faster. But that's for yourself. And we would need to review the actions of those agents who keep the human in the loop. [00:14:00] So as an agent executes, it might come back to the end user and say, "I have made this decision," or "We are facing this decision. Which path should we go from here?" And that really keeps humans at the center, to steal our EY tagline, of how are we executing this with what is under our control? And then reviewing

those actions of the humans becomes easier. Reviewing the actions of the agents is the challenge. You can see the thinking of some AI models, but it's hard to go back and have a conversation about why this decision was made. So we will certainly need to keep that review and keep that human in the loop until we're at a more autonomous future, which who knows what that might be. This is changing day by day, hour by hour.

[00:14:46] **Oyku:** As these new AI capabilities emerge, they raise questions of oversight, right? Making governance more important than ever. How should organizations govern AI-driven decisions in ERP implementations to preserve [00:15:00] accountability, auditability, and trust?

[00:15:03] **Dan:** This is moving very quickly. What we'll talk about today might not be as relevant tomorrow or in the near future again. And the life cycle of an AI-driven implementation is evolving. It's still humans in the loop at the center making those reviews, making those judgments to make a decision to go further. At some point, we potentially will be in an AI autonomous zone, where humans are still at the center of AI and ERP, but maybe that human-in-the-loop frequency is less as we trust their decision-making and can document it, control it, and keep it compliant more. It's reducing that effort, that human, manual effort that we need to implement and move forward. But in the meantime, until we get to that future state, there needs to be additional controls where we can help improve that to make sure that we are making the [00:16:00] correct decisions, and we are keeping the reviews at the correct frequency to help reduce some of those outcomes and make them a bit more predictable.

[00:16:08] **Richard:** Looking ahead, how do you see the future of ERP changing the way organizations think about risk, about accountability, and about that shared ownership? So how will things evolve?

[00:16:22] **Natalie:** Kind of feeding into what Dan said, I think the next 24 months are going to be critical. We have to start deploying differently, not only where and how to deploy AI in a secure and compliant manner, but also how to drive accountability and make sure that while AI is doing the work, the humans are still accountable for the outcomes. It's that ownership piece and accountability piece. So we're really inverting the model of risk, where we change from being detective and asking what went wrong to embedding controls as our [00:17:00] preventative nature, continuously monitoring them, basically blocking transactions from happening because we already know it's a policy violation. When we look at some of these AI scenarios that we're implementing in ERP, you really need to evaluate and think about what that control or regulatory impact is, right? So think about how it will be relied on

from a data perspective in the financials. How are you gathering the information? Are you validating the completeness and accuracy? Do you understand the relevant data for consumption? And most importantly, how did you confirm the model? We'll also look at governance and mitigations. So if something does go wrong or if something incorrectly occurs, how is it being treated? And this is how ownership and control are really gonna change in the future of ERP. The unfortunate news is that the future of ERP [00:18:00] will still require auditability and traceability and, of course, change management. We will just be looking at those controls a lot differently.

[00:18:07] **Oyku:** We had a great conversation on such a broad topic. But how can EY help when it comes to risk management, and where can listeners learn more?

[00:18:17] **Natalie:** We've been tasked with helping a lot of clients in this space. We specifically, Dan and I's group in risk technology, we're looking at how to optimize environments, how to prepare clients for S4 transformation, and of course, responsible AI and thinking through all of the risk elements that could be present, especially when de-deploying AI use cases or scenarios. We've even looked at the standard use cases, how they're being used, how those impact your controls, and can help define that ownership. And I'm sure we can get our website linked in some of the show notes that come out as part of this.

[00:18:58] **Dan:** To add [00:19:00] that, Natalie, what you said earlier of garbage in and garbage out, having a clean environment, clean roles, clean rules set will help you on those transformation journeys to make some of this transition easier. If not purely clean, at least cleaner.

[00:19:17] **Richard:** We're coming to the end of the podcast, and now I'm gonna challenge you to summarize everything we've just talked about in the last twenty-plus minutes into a sentence or two. So, from a risk and security perspective, what's the future of ERP?

[00:19:34] **Natalie:** The future of ERP is very bright. It's evolving where ERP will house the foundational elements for trusted data, and of course, a context engine for AI. AI initiatives will struggle without reliable internal data, and this is what the future of ERP systems will be known for: being a dependable source of trusted data.

[00:19:57] **Dan:** I will add my own [00:20:00] perspective. The future of ERP is really gonna change how end users interact with that ERP. It's not a super user that knows the exact table, Fiori app, or T code to get the job done, but it's really

going to be much more natural language, and we see this with Fiori, of being able to speak to your business process. It used to be that ME22N changed a purchase order. Now it's managing purchase orders, the Fiori app. In the future, it might just be, "I need to correct this purchase order," and working with an agent to get things done.

[00:20:34] **Richard:** Thanks for a great conversation to both of you. It's been really interesting, and I've certainly learned a lot. Hope our listeners would agree. And thanks everyone for listening. Please mark us as a favorite. You can get regular updates and information about future episodes. But until next time, from Natalie, Dan, Öykü, and me, thanks for discussing the future of ERP.

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