insiderPROFILES

This article appeared in the APR ▪ MAY ▪ JUN 2011 issue of *insiderPROFILES* (http://insiderPROFILES.wispubs.com) and appears here with permission from WIS PUBLISHING.

WIS PUBLISHING

Belgian Railways Group

Keeps Its **ERP Project** ON TRACK

Transportation Company Brings Much-Needed IT Flexibility to Its Constantly Changing Rail Travel Business

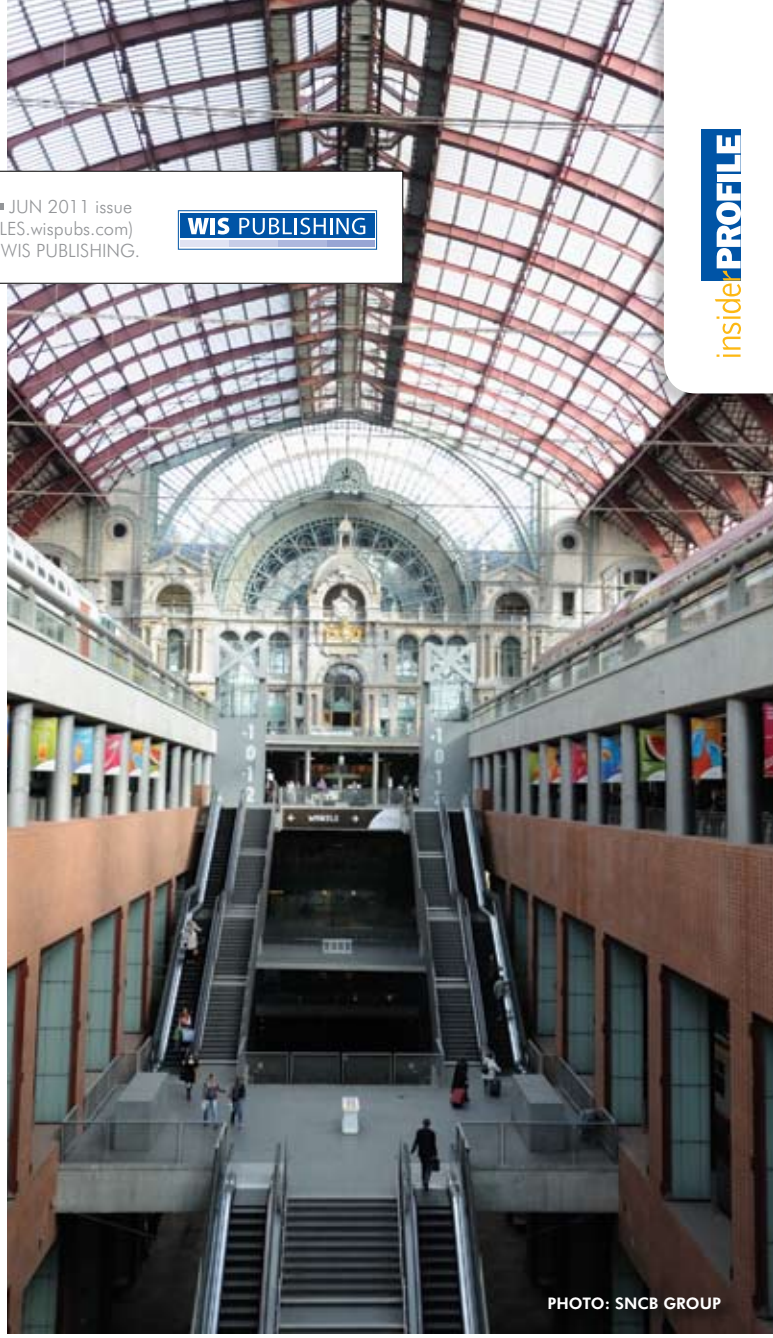

PHOTO: SNCB GROUP

by **David Hannon**, Features Editor

The SNCB Holding railway company has weathered an incredible amount of change throughout its more than 85 years of operation and, as a result, has had to remain extremely flexible. For example, today, the company — better known as Belgian Railways Group — employs 38,000 people. But 50 years ago, there were almost 100,000 employees.

Why this dramatic fluctuation? Belgian Railways Group, like most other national railway companies, saw a strong decline in the volume of railway activity in the 1970s (the automobile's golden period). Yet, in the last 15 years, the business has again experienced significant growth. Due to heightened environmental concerns and highway traffic congestion, rail travel has come back in vogue. Yet, despite that resurgence, staffing levels have dropped even further thanks to a huge productivity increase.

Belgian Railways Group continued to demonstrate its flexibility in 2005, when it restructured its business into three separate entities in order to respect European Union regulations, with the goal of streamlining operations enterprise-wide. The reorganization, however, required more IT bandwidth than its legacy systems — most of which dated back to the 1980s — could handle. Any modifications or updates to the existing systems would be extremely expensive, if not impossible. To properly support the new organizational structure, the railway company needed a software solution that was as flexible and adaptable as its own business operations.

Getting IT from Point A to Point B

The business's newly created entities were **SNCB**, the train operations unit that focuses on keeping the trains running;

PHOTO: SNCB GROUP

Infrabel, the infrastructure management unit; and **SNCB Holding**, the holding company that centralizes a number of shared services, such as the global finance, human resources, and technology functions for the business. During the reorganization, a team of executives representing the three entities convened to develop a strategy for replacing the business's host of legacy systems.

"We had a giant spaghetti system made up of hundreds of legacy applications and software for all the traditional functions of the company — finance, controlling, consolidation, purchasing, sales, asset management, and so on — with a lot of interfaces between all this software," says Michel Allé, CFO of SNCB Holding.

Allé also insisted on the need to improve the company's outdated processes, which accompanied its outdated legacy systems. In areas like project management and purchasing, for example, multiple users were manually entering the same data two or even three times. "We formally respected all the bureaucratic rules we needed to," he says. "However, we didn't always follow the most optimal practices when it came to invoice control, segregation of duties between different functions, and delivery of goods and services, for instance."

Believing that the business could improve in these areas by automating routine clerical tasks like invoice and time-entry processing, Allé became a devoted sponsor of a company-wide project to roll out an ERP system in the central offices in Brussels as well as in the field.

"With my colleagues, the CFOs of the two other business entities, we put a small workforce in place and came quite rapidly to the conclusion that we needed to go to an ERP solution," he says.

Convincing the Powers That Be

An ERP implementation doesn't get very far without funding, and convincing the company's boards of directors to approve the project required some strong evidence. While the legacy systems' lack of support provided a strong business case, an initial monetary estimate for the implementation equaled the cost of purchasing nine new high-speed trains. When the costs were presented in those terms, the directors were unsure about allocating that much budget to an ERP project.

"In the beginning, after a preliminary study, we thought we could complete the project for a quite reasonable amount of money," Allé says. "Then, after a more in-depth study, we discovered it would involve an increased capital expenditure. So there were a lot of hurdles."

Ultimately, the implementation was approved — but this decision came about only after Allé's team undertook a benchmarking exercise and researched the other railways in Europe, finding that Belgium was the only national railway still working without an integrated ERP system.

"A major element to convince our CEOs and the boards of directors to go ahead was that we were the only railway exception that still was fully legacy-linked," Allé says. "In all the other countries — Germany, France, Switzerland, Austria, Italy, and even the small country of Luxembourg — we found ERP implementations."

In the spring of 2007, the boards of directors gave the green light to implement an ERP system, and, with the help of partner Deloitte Consulting, SNCB Holding and Infrabel implemented SAP ERP, including its functionality for finance, controlling, investment management, project management, materials management, and sales and distribution. SNCB, the train operator, chose a different model and elected not to work with an implementation partner.

"Today, Belgian Railways Group has replaced the vast majority of its legacy systems with SAP systems, and almost all of the core systems and applications now run on SAP software," says Allé.

More than 6,000 employees are now using the SAP ERP system across the three business entities. With such a broad implementation, Allé says the first six months after the initial SAP ERP go-live represented the "intensive care" period, during which the project team focused on training users, automating processes, and working out technical system tweaks. But now, the team is squarely focused on reaping the benefits of an integrated system and expanding its functionality.

Setting Short-Term and Long-Term Goals

From the outset, the company's SAP ERP implementation had a short-term goal, which is already being realized: to reduce the amount of clerical work and data entry required. It's done this by automating processes, such as the invoice payment process, as well as tracking hours for the vast majority of its employees.

"Our payment validation, for example, has been automated for more than 50% of our invoices," says Allé. "We also eliminated a lot of double-encoding that was required at the financial and operational levels. Consequently, a lot of data-entry mistakes were eliminated as well."

A more long-term goal for the project was to improve some of the business's core processes based on the new ERP system's workflow. This goal proved a bit more challenging. While some of the company's existing processes fit well into the SAP ERP environment, others simply were not compatible with SAP standards and required some reworking, according to what some internal customers told Allé.

PHOTO: SNCB GROUP

Identify Priorities — and Stick to Them

Before Belgian Railway Group's SAP ERP implementation, Allé had minimal IT project management experience. So, before getting started on the project, he wisely sought out the advice of several other executives. He then developed a list of priorities for the implementation, which he hung on his office wall. This list remains posted there today.

ONE. Work transversally. Work across all organizations of the company.

TWO. Establish an internal ERP project management team. It doesn't have to be a large team, but having some kind of internal team provides better oversight than relying solely on outside vendors does.

THREE. Use an outside consultant or advisor. While an internal team can provide much-needed oversight, an SAP-specialized consultant can provide implementation and process design expertise. In this case, Deloitte Consulting provided that outside expertise. (For more details about Deloitte's involvement, see the sidebar on page 30.)

FOUR. Commit to decisions. Once a decision is made, don't change it unless there is a very good reason to do so. One of the roles of the internal ERP project team was to make decisions that were in the company's best interest and to ensure that those decisions were executed upon. Often, business users may not understand some of the big-picture aspects of the project, so they may object to certain decisions or processes. Making decisions and committing to them drives consistency throughout the project.

FIVE. Keep the C-suite informed. Allé provided a detailed update on the ERP project to both the audit committee and the boards of directors every few months, so they were not surprised by any new wrinkles.

SIX. Begin with a broad scope, but don't expand it afterward. Allé says, "While the strategy may seem unusual or ambitious, we decided to put everything under the same umbrella and have a broad scope from the very beginning, rather than try to expand gradually by module and business region."

SEVEN. Learn from your mistakes. About 10 years ago, the company took a small-scale approach and implemented a supply chain solution at one of its subsidiaries, aiming to then expand the software across the entire company. But that plan went off track due to a combination of internal and technical issues, and the project was shelved indefinitely. This time, the team decided against another gradual approach, and opted for a big-bang ERP implementation — which was a success.

EIGHT. Continue to gather support for the ERP system after go-live. Having the project team work as ambassadors for the ERP system wins more company-wide support and helps maximize the investment made in the system in the long term.

How Deloitte Embraced Change to Assist Belgian Railways Group

Deloitte.

Deloitte, an SAP Global Services partner, is a leader in delivering solutions and services that drive business value. Its SAP practitioners combine their technology know-how with the multidisciplinary capabilities of Deloitte member firms to take a 360-degree approach to a company's technology-enabled initiatives. Through this expanded perspective, Deloitte helps businesses in their efforts to go beyond technology implementation to produce valuable and sustainable change.

SNCB Holding, better known as Belgian Railways Group, is a great example of an organization that Deloitte assisted in reengineering key processes and enabling SAP technology company-wide — consolidating 170 legacy systems along the way. Notably, the initiative was named MIND3, partly because of the enormous amount of change management required. Indeed, the change-related aspects of the project proved to be the most daunting. Partway through the project, Deloitte and SNCB Holding determined that a greater focus on end-to-end processes and cross-business-unit collaboration would be needed to overcome communication challenges and cultural barriers that were causing critical delays. As a result, Deloitte adjusted the composition of its leadership team to reflect this new focus, thus helping bring the project back on track.

The work at SNCB Holding demonstrates that Deloitte's capabilities go beyond technology to include people and processes. With global delivery capabilities and one of the largest SAP practices in the marketplace, Deloitte brings experienced resources and strong leadership to its engagements. These differentiators are important for helping companies to not only complete their implementations in a timely fashion, but also transform their businesses over the long run.

For more information, visit **www.deloitte.com/sap**

"We're looking to design processes that are very close to SAP standards, but that also take into account how we did things historically," says Allé. "It's a long-term effort that will require a lot of change and hard work to convince our employees to follow these best practices."

Continuing Down the ERP Track

While the initial implementation was broad, the business does have expansion plans for its SAP ERP system. Expanding the reporting capabilities through the use of SAP NetWeaver Business Warehouse (SAP NetWeaver BW) is high on that list, for example. But the major ERP expansion plans for 2011 center around SAP ERP Human Capital Management (SAP ERP HCM).

"Our SAP ERP HCM program is our next major challenge," says Allé. "In May 2011, we'll go live with our HR department's back-office functionality, including the modules for organizational management and personnel administration. Then in January 2012, we'll roll out the functionality for the new payroll and overall time management system."

Allé says his experience as the primary sponsor of this ERP project has significantly deepened his understanding of the company's strategy and direction. "I have had much more contact with high-level people in various organizations across the company, which included reporting business strategy to the boards of directors," he says. This new level of insight will help guide his future business decisions as CFO of the company. ■

PHOTO: SNCB GROUP

At a Glance

Belgian Railways Group

Headquarters: Brussels, Belgium

Industry: Passenger and freight rail provider

Employees: 38,000

Company details:
- Founded in 1926
- Divided into three units: A central holding company, a rail operations unit, and an infrastructure management unit
- Trains carry 200+ million passengers and 60+ million tons of freight each year

SAP solutions:
- SAP ERP, including its functionality for finance, controlling, investment management, project management, materials management, and sales and distribution
- SAP NetWeaver BW