CASE STUDY

OPERATION INTEGRATION

LEADING CHANGE THROUGH INTEGRATION: SMITHFIELD'S SWITCH TO SAP HANA.

Smithfield

Good food. Responsibly.®

COMPANY: Smithfield Foods, a $15 billion global food company and the world's largest pork processor and hog producer.

TECHNOLOGY: Moving from SAP ECC to SAP HANA, with FORGE for foodservice trade management.

TIMING: Phase 1 of the HANA switch went live in November, 2017. Two additional phases will roll out in 2018.

INSIDE VOICE: Bryan Krayer, Vice President of Sales and Business Development since October 2006.

In many ways, the story of Smithfield Foods is the story of the foodservice industry as a whole. They got their start in manufacturing with the 1936 opening of the Smithfield Packing Company, spent several decades expanding through acquisition, and were then acquired themselves in 2013. This lengthy process of acquisition and consolidation has, unsurprisingly, created a patchwork of technologies inside Smithfield.

Looking over this varied technological landscape, an executive steering committee at Smithfield originally planned to use an existing SAP instance to consolidate transaction processing across the organization. But as they began to onboard an entirely new line of business, specifically the business of raising, slaughtering, and processing hogs, they realized the old SAP instance came with more challenges than solutions.

On the other hand, SAP HANA, the newest operating system for SAP, could manage the new business *and* the old from start to finish. SAP HANA offered enormous efficiencies, but it would require a massive internal effort to implement. They weighed their options, and ultimately chose to roll out SAP HANA using a greenfield approach – starting from scratch without bringing over any old systems.

Bryan Krayer, Smithfield's Vice President of Sales and Business

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Development, consulted on the switch and told us more about how things progressed. “We were starting over, and there’s good and bad news with that,” he said. “You have a blank slate, so every aspect of our business needed to be re-engineered in the new system.” He and the steering committee believed the extra effort was justified, because even on an existing SAP instance, Smithfield would need to add new pieces of technology to support their growing lines of business.

By moving to SAP HANA all at once, they could leverage advanced features and get in at the front end of a new SAP version, instead of trying to shore up an older instance.

JUSTIFYING CHANGE THROUGH INTEGRATION

But it wasn’t just a discussion of new versus old functionality. The holistic look at the entire system that SAP HANA provides lets Smithfield see optimization opportunities from end to end. Krayer cites the ability to make better business decisions, manage orders more efficiently, and accurately predict future production and deployment needs as central to the new platform’s effectiveness.

“We can see that we’ve got product made and deployed to distribution centers, even if it’s not actually there yet. The system has visibility into what *will* be there so it can fill orders on time,” Krayer says. Smithfield expects the new insights to yield a 60-70 percent reduction in the number of transactions processed per customer.

“We’re simplifying our business model and basically making it easier to do business with our customers. We’ll greatly increase our service levels and fill rates, and we’ll also be able to invoice our customers more accurately. If you can find a way to do business more effectively, it’s time to do it.”

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CASE STUDY

THE COLOR OF CHANGE

GREENFIELD: Abandoning all existing software or technology in favor of an entirely new system. This approach creates a clean slate, eliminating any legacy inefficiencies or defects from older technology. Greenfield migrations may be more labor intensive and disruptive, but they also offer larger potential long term benefits.

BROWNFIELD: Deploying new software or technology in the midst of existing systems. While sometimes more complex, this approach allows a migration to get the most out of older systems without the need to recreate business processes from scratch. Brownfield migrations may also limit disruptions to existing work.

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TRADE MANAGEMENT TOOL CHOICES

Once the decision to move to HANA had been finalized, it was time to choose a trade management tool. Smithfield was combining two separate divisions under a single HANA instance, and each one had a different tool in use. Although it forced a debate, Krayer believes this split was ultimately an advantage.

Representatives from both trade management tools had to come in and present their end game solution for integrating with HANA to a committee that was charged with evaluating both options. The committee unanimously decided to go with FORGE (a SaaS trade management application from Blacksmith Applications), largely because of its user-friendly interface and history of integrating successfully with SAP tools.

The laborious process of trade, retail, and foodservice requires a large number of users with varying skill sets to access the trade management tool, so front end user experience "became a big deciding factor" for the Smithfield group.

THREE PHASED ROLLOUT

The Smithfield teams have come a long way in the past year, but two phases remain before their transition is complete. The first phase went live on November 1, 2017, and it encompasses about half the company. The new SAP HANA instance is operational and working, but the greenfield approach means there is still considerable testing and stabilization going on.

During the transition project Smithfield acquired an additional company, so the second phase of the project will involve rolling them into the SAP HANA instance around March of 2018. The third and final phase will be to move the other half of the company from its current SAP instance to the new HANA instance later in 2018.

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>
> — BRYAN KRAYER

It's been a long process, but Krayer looks forward to the day when Smithfield's business teams won't have to navigate multiple processes and systems.

LESSONS LEARNED

For others considering a similarly big shift, Krayer has a few words of advice. Companies like Smithfield that have experienced multiple acquisitions and consolidations should be prepared for displays of territoriality. Each group has been developing their own approaches for years, or even decades, and they are likely to believe their way is the right way. "I wish I had known how difficult it would be to break through legacy perspectives to get to one common best way," Krayer recalls.

Eventually he had to champion this "one best way" mantra, encouraging groups to let go of their adherence to a safe, traditional practice in favor of a more effective future path.

He credits his external implementation team, which was brought in to roll out the new system, with helping to overcome this hurdle, saying "I've seen this done multiple ways, and this kind of independent group is invaluable to the process."

THE ROI MAKES CHANGE WORTHWHILE

For Krayer, the entire process came down to a discussion of the potential return on investment. Such a big change requires a big investment, but he believes end-to-end system integration offers enough benefits to offset the difficulties of transition.

"You're going to need to make some tough decisions on the front end," he cautions. "Understand what you want the processes to be and have a clear vision of those before you jump in. Once you start moving, it's too late."