



## BackOffice Associates: Making Cape Cod the New SAP Data Quality Hub

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[Bruce Richardson](#)

If your company is in the middle of or near completion of a major software project, I'm willing to wager that you are now a true believer in the importance of good data quality, master data management, and data governance. This is true whether the project is a relatively simple sales force automation initiative or a full-blown ERP upgrade with massive instance consolidations. One true measure of success is the attainment of true, 100% quality data.

The obvious question is: how do you get there? If you're depending on your people to update data, good luck. How many CRM projects have been derailed because sales reps didn't enter all their deals or update their forecasts or pipelines? Instead, we continue to maintain critical information in multiple Excel files. Even CRM leader **Siebel Systems** used to manage its forecast with spreadsheets.

While I may not be able to recommend a solution for cleaning up your CRM data, I would urge **SAP** customers to take a close look at **BackOffice Associates** as they begin planning their next project. BackOffice first came to our attention three and a half years ago during a meeting of our SAP Peer Forum. Chuck Nardi, the then VP of IT for **Purdue Pharmaceuticals**, had recommended that other Peer Forum members look at BackOffice to help manage data migration and quality issues.

Over the next few years, BackOffice surfaced again and again as the one software vendor that had seemed to solve the SAP data management puzzle. While I was aware of the company, I really didn't think much about it until I received an e-mail last April from Mr. Nardi that he had left Purdue and would be joining BackOffice as vice president of consulting and alliances.

### **Cape Cod: the silicon sandbar**

Late last summer, Mr. Nardi called and said that he would be driving to Boston with Tom Kennedy, BackOffice's co-founder and CTO, and asked for an hour-long meeting with us. Mr. Nardi had recently located to Massachusetts to be close to BackOffice's headquarters in Harwich on Cape Cod.

Within 30 minutes of their arrival, I was convinced that I was witnessing a whole new way of thinking about the data management challenge.

As I look back on my notes from the first meeting, three points stand out:

### **Everything depends on clean data**

While this is an obvious observation, you have to look at the complexity and interdependencies of all of the SAP modules for customers. For example, Mr. Kennedy described one customer's SAP implementation that has 1.2 million items in the item master; supports 500,000 customers, 100,000 suppliers, and 10,000 SAP seats; and "processes more than 14 million interactions with R/3 every day."

This business clearly depends on completing the perfect order, managing every step from demand generation to order entry to shipment to replenishment.

### **Configuring SAP: 50 screens ... across 11 business groups**

The second point is that the SAP system requires more rigid attention to detail than you might surmise. Mr. Kennedy asked us if we knew "how many screens a customer has to complete before the SAP system will accept a new finished good that you manufacture?" He then showed the 50 different SAP screens involved. Yes, 50.

He followed this up by asking "how many different internal business groups must participate in this process?" As the slide began to build, the answer became 11 groups, as we watched it span across basic, environment, plants, warehouse, sales, forecast, finance, quality, regulatory, manufacturing, and review.

In this example, BackOffice coordinates people and screens. It can take customers six and a half weeks to introduce a new material into SAP. BackOffice wants to cut this down to three days.

If all the steps are not configured properly, the system can prevent orders from shipping. In one case, Mr. Kennedy warned a customer that his "sales volumes will drop 80%" if he attempted to go live without cleaning the data. This was after an integrator had certified the data as business-ready.

### ***BackOffice's promise: a "boring Go-Live"***

If you want a "boring Go-Live," don't wait until just before "Go Live" to load data. SAP estimates that 20% to 40% of the cost of a new implementation (first-time or upgrade) is tied to data migration. Mr. Kennedy is convinced that customers can cut this to 2% to 18% of the cost by continuously loading data rather than waiting until near the end of the project.

He then walked us through two approaches to a nine-month implementation. Both require multi-tiered data to be loaded: the difference is when you load it. Tier 1 represents master data (customers, materials, bills of material [BOMs], routing, vendors, etc.). Tier 2 consists of transactions (sales orders, purchase orders, etc.). Tier 3 includes all historical data (accounts receivables, payables, general ledger, inventory, etc.).

Here's the traditional approach:

- ◆ **Month 1**—Functional specs start
- ◆ **Month 2**—Functional specs due
- ◆ **Month 3**—Technical specs start
- ◆ **Month 4**—Technical specs due
- ◆ **Month 5**—Technical build start
- ◆ **Month 6**—Technical build continue
- ◆ **Month 7**—First load, Tier 1
- ◆ **Month 8**—Second load, Tier 2 and Tier 3
- ◆ **Month 9**—Go-live?

### **"An error log is not a deliverable"**

Contrast this to BackOffice's "Boring Go-Live" approach:

- ◆ **Month 1**—Legacy connections tested
- ◆ **Month 2**—First load, Tier 1
- ◆ **Month 3**—Second load, Tier 2
- ◆ **Month 4**—Third load, Tier 2-plus
- ◆ **Month 5**—Fourth load, Tier 3
- ◆ **Month 6**—Fifth load, Tier 3-plus
- ◆ **Month 7**—Sixth load, Tier 3-plus
- ◆ **Month 8**—Seventh load, Tier 3-plus
- ◆ **Month 9**—Final load at Go Live

As proof, Mr. Kennedy cited one customer which used the traditional approach. The first time it loaded real data, the SAP system generated 100,000 error messages despite the integrator's assurance that the customer had clean data. In another case, a customer loaded its data only to find out that only 9% of the items had the correct costing data; the SAP system refused to allow the other 91% to ship. The items were missing routings, BOMs, or had been identified by the SAP software as obsolete (that is, past the expiration date). In four weeks, BackOffice cleaned the item data from 9% to 90%. Mr. Kennedy closed his case by stating that "an error log is not a deliverable."

### **Customers swear by the results**

In my view, Mr. Kennedy has a compelling argument for SAP customers. I didn't want to just take his word for it so I contacted five customers. All reiterated the points that the BackOffice executives had stressed: BackOffice knew the SAP software better than the integrators hired to do the scoping and blueprinting; BackOffice was willing to guarantee data quality while neither the integrators or SAP were willing to own the data; and all of the projects finished on time and either on budget or under budget.

### **Goldman Sachs invests \$30M**

BackOffice continues to grow at a rapid pace. The company had 250 employees at the end of August, 282 as of mid-November, and 300 when we talked to them last week. The base has grown to more than 150 customers and projects, all within the SAP customer base.

The customer base includes some of SAP's largest customers. As a result, the company has attracted attention from some of SAP's global account teams, and was recently invited to attend SAP's internal FKOM event or field kick-off meeting in Las Vegas. BackOffice is now organizing its sales force to map to SAP's core verticals.

BackOffice has also attracted its first round of funding. Goldman Sachs kicked off the new year with a \$30M investment for an undisclosed portion of the company. BackOffice intends to use the funding to continue its domestic and international expansion (including doubling the number of sales reps, expanding the team in Asia, and increasing the development staff.)

While BackOffice is quickly establishing an expanded presence within the SAP and software communities, it still retains its flavor as a family business. Trish Kennedy, who happens to be Tom Kennedy's wife, serves as CEO and the acting head of sales. The company will likely need an infusion of additional management talent if it's going to reach its full potential. BackOffice could really benefit from adding former SAP insiders, people who know how to navigate through the SAP field and product engineering organizations. In some cases sales cycles have been slowed because of conflicts with SAP's master data management (MDM) team. That doesn't make sense. We bet that there are lots of SAP customers willing to pay BackOffice's premium to ensure a "boring Go-Live."

**Any advice for Cape Cod's other Kennedy family?**

What advice do you have for Cape Cod's other Kennedy family as they dance around the giant? Can they build a billion-dollar company by fishing from the SAP pond or are they likely to be acquired by SAP first? Can you put a price tag on a "boring Go-Live?" Would you be willing to relocate to the silicon sandbar to help run BackOffice? As always, I welcome your feedback and ideas—brichardson@amrresearch.com.

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