

SAP Customer Success Story

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R. J. Hooton, Chief Information Officer, NZDF



AT A GLANCE

Organization

New Zealand Defence Force
www.nzdf.mil.nz

Industry

Defense and security

Key Challenges

- Nonintegrated logistics and financials processes
- Lack of real-time access to critical information
- High operating and maintenance costs

Implementation Partner

IBM Consulting (for initial implementation)

Solution and Services

- SAP® R/3®, which is now available in mySAP™ ERP
- SAP Enterprise Buyer, a component in mySAP Supplier Relationship Management
- SAP Strategic Enterprise Management, an application in mySAP ERP Financials
- SAP NetWeaver™: SAP Web Application Server, SAP Business Intelligence, and SAP Solution Manager

Existing Environment

Internally developed batch-mode systems/legacy systems

Implementation Highlights

- GAAP-compliant financials (integrated with logistics)
- SAP Customer Competence Center of the Month award

Numbers of Users

- More than 2,500 for the SAP enterprise resource planning software
- More than 4,600 for SAP EB

Key Benefits

- Ability to conform with New Zealand government accounting regulations
- Increased accuracy of information for planners and oversight bodies
- Savings of millions of dollars annually, thanks to purchasing efficiencies
- Ability to perform year-end close in 3–5 days – down from 1 month
- Improved communications and operational efficiencies throughout the armed forces

Hardware

Hewlett-Packard 9000

Operating System

HP-UX 11 (with Oracle 9.2.2 database)

NEW ZEALAND DEFENCE FORCE

SOFTWARE FROM THE SAP® FOR DEFENSE & SECURITY SET OF SOLUTIONS PROVIDES IMPROVED PROCUREMENT AND LOGISTICS EFFICIENCIES – AS WELL AS INCREASED VISIBILITY OF ASSETS – ACROSS THE ARMY, NAVY, AND AIR FORCE

Over the course of years, the New Zealand Defence Force (NZDF) – comprised of the nation’s army, navy, and air force – had built many powerful IT systems to support its needs. These stand-alone systems supported everything from purchasing uniforms, supplies, and ammunition for its 10,000 active duty personnel to managing facilities as diverse as dry docks, rifle ranges, bulk stores, and more than 2,500 units of military housing. At first, this approach seemed to make perfect sense: by building its own solutions, the NZDF gained precisely the functionality that a given task required. But, in the early 1990s, the New Zealand government embarked on a program of financial management reform across all crown entities, which required that the NZDF change the way it managed and accounted for its operations. That’s when SAP® software entered the picture.

Under the new guidelines, the NZDF needed to adopt an accrual accounting methodology and adhere to generally accepted accounting practices (GAAP), in that the New Zealand government would hold the force to the same financial and accounting standards as any public company. To conform to the government’s reporting requirements, NZDF would have to provide accounting information for virtually every asset it had – but these assets were scattered across the globe and managed by different batch-mode systems that had never been designed to communicate with one another.



“In defense, probably the most important interface for finance is with the logistics system,” says Derek Eades, financial controller for the NZDF. “That’s where all the movements are. You’ve got huge amounts of equipment and people all over the world. You’ve got engineering changes to the equipment, maintenance, and repairs – and in order for us to account for all this in a full balance sheet, our asset management capabilities had to improve a great deal.”

NZDF officials understood that meeting the current and future needs of the force required more than patching the existing stand-alone systems. The NZDF needed a completely new start on a proven platform that would provide a foundation for a comprehensive, highly integrated financial and logistics system. Moreover, with the urgency demanded by military and humanitarian crises that were evolving ever more rapidly, NZDF officials understood that the defense organization needed a system that was flexible enough to support personnel from NZDF locations throughout New Zealand as well as from locations in the field, wherever they might be. The NZDF also needed real-time operational support, with one version of information that all the different parts of the operational team could access.

With these solution requirements in mind, the NZDF issued a request for proposals and soon narrowed the respondents down to three serious candidates. The successful candidate’s proposal met more than 90% of the force’s requirements with standard off-the-shelf software. Based on the formal evaluation process, the NZDF chose to adopt SAP software as the standard for its financial and logistical systems.

CREATING A COHERENT MANAGEMENT ENVIRONMENT

Today, more than 2,500 NZDF users access the equivalent of mySAP™ ERP from more than 40 sites across New Zealand. Users also access the SAP software from purchasing offices in Washington D.C. and London, liaison offices in Australia and Singapore, as well as from field locations where NZDF personnel are posted, including Afghanistan, the Solomon Islands, the Sinai Peninsula, and East Timor.

From a functional perspective, the NZDF has been using SAP software for financials since July 1996, SAP software for logistics since July 1998, SAP software for plant maintenance since December 1999, and SAP software for electronic mail and electronic procurement of clothing since 2000. The NZDF added SAP Enterprise Buyer (SAP EB), a component found in the

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mySAP Supplier Relationship Management (mySAP SRM) solution, in December 2002 to enable users to purchase stationery and furniture from Corporate Express, and it subsequently expanded its SAP EB catalogs to include Yakka Apparel Systems Ltd. (YASL) for clothing and Blackwoods for consumables. More than 4,600 staff members currently use SAP EB. The NZDF also recently implemented key components of the

SAP NetWeaver™ platform, including SAP Business Intelligence (SAP BI) and SAP Web Application Server, which it uses to host and manage technical documents for its integrated land and facilities management system (ILFMS). It also uses the SAP Solution Manager tool to monitor the hardware platforms, store documentation of business processes, and to blueprint new projects. In the near future, NZDF will use SAP BI in conjunction with SAP Strategic Enterprise Management – which is found in mySAP ERP Financials – to develop balanced scorecards, initially for the navy. The NZDF will also use SAP BI to generate InfoCubes to streamline logistics reporting.

The New Zealand Defence Force is currently enhancing its SAP deployment to incorporate industry-specific software from the SAP for Defense & Security set of solutions. This will provide the force with the required platform for developing its joint engineering management system (JEMS). JEMS is designed to deliver a fully integrated and deployable engineering management capability across the army, navy, and air force units within the NZDF. The JEMS project team is well on track to deliver the initial maintenance, repair, and overhaul (MRO) functions to help the Royal New Zealand Air Force manage its aircraft maintenance and airworthiness requirements. The initial MRO functions are expected to go live in the second quarter of 2006.

The NZDF is also likely to adopt SAP software to provide mobile capabilities, as well as enhanced planning and management functionality.

Several key systems remain on legacy platforms, including the Royal New Zealand Air Force air logistic information system, certain systems belonging to the Royal New Zealand Navy, and the NZDF human capital management organization, but NZDF officials anticipate the migration of these systems to the SAP platform in the future. During the interim, the SAP software

interacts with these systems through open interfaces (such as remote function calls and file uploads), which ensures that the planners and financial managers using the SAP solution can gather the information they need from the legacy systems.

RAPID RESPONSE ACROSS THE BOARD

In the day-to-day sphere of operations, the SAP software has improved NZDF business processes and response times. “It has definitely provided enhancements to our reporting capabilities,” says Eades. “It used to take us nearly a month after the end of the year to have our accounts ready for audits. Today, we can have those accounts ready for audits within five days.

“The SAP software has also helped our credibility in the eyes of the government,” Eades goes on to say. “A key reason why the defense forces are considered fiscally responsible organizations is because the accounting systems are very good.”

MANAGING WHEN THE DETAILS REALLY MATTER

NZDF officials see their SAP deployment as far more than a powerful financial management system. They see it as supporting the critical operational functions of the force. The NZDF used the SAP software in field deployments in Darwin and Dili, Australia, and it used it to manage field logistics during an engagement in East Timor. Presently, the NZDF uses it in its deployments to Afghanistan and the Solomon Islands. Data from the SAP solution feeds the NZDF corporate management information system (CMIS), and can easily feed into classified information systems for command and control of the three services.

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software. In fact, we’re told that with SAP software, the operation was much more efficiently organized than previous deployments. It enabled NZDF personnel to match requirements with availability of stores, which were loaded in containers, and to track the contents of each container, with consumption being monitored in the field and replacement stocks ordered automatically.”

“We initially saw our SAP solution as a tool to consolidate financial reporting to ministers and Parliament and to enable us to reduce and better manage our inventory,” says R. J. Hooton, chief information officer at NZDF. “It has far exceeded those expectations, and is now a vital tool for operational activities, including support for deployed operations.”