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**Supplying the tools for a
finance transformation**

MSC Industrial Supply Co.
addresses complexity head on

Supplying the tools for a finance transformation

MSC Industrial Supply Co. addresses complexity head on

MSC Industrial Supply Co. is no stranger to big projects. For more than 75 years, the company has steadily built itself into a big business that provides close to \$3 billion in industrial equipment annually to clients across North America. With more than one million offerings—from metalworking and maintenance offerings to repair and operations (MRO) products and services—MSC’s business is a complex one. The IT system to support it, likewise, has traditionally been big and complex, ballooning to more than 13 million lines of legacy code in recent years.

For MSC, the burgeoning challenge of maintaining a custom system while supporting business growth and operating an efficient supply chain proved to be a daunting proposition. Leaders understood that they needed to take action, and the way forward ultimately would involve a radical transformation with SAP® technologies and help from Deloitte.

MSC at a glance

Approximately
\$3 billion
in annual revenue

6,500
employees

More than
1.5 million SKUs

Headquartered in
**Melville, New York +
Davidson, North Carolina**



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Struggling with complexity

Dealing with millions of lines of custom, in-house code created a host of pain points for MSC. An aging system and the business processes it supported were far from flexible and scalable—and not current, lacking the intuitive and user-friendly functionality that stakeholders expect today. Moreover, changes to code could have ripple effects on processes, slowing or halting the flow of information and affecting the ability of warehouse workers to pick and ship products. With same-day and next-day shipping central to MSC's business model, any delay in fulfilling orders could have a big impact on customer satisfaction and the company's overall brand.



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Struggling with complexity

The highly customized and fragmented IT environment also was less than ideal for supporting MSC's online business. The company does approximately 60 percent of its sales through its website, making scalability, data accuracy, and tightly integrated back-end systems huge priorities. The legacy system also was not designed to support multiple currencies, and advance ship notices had to be custom-coded.

Despite the obvious need for a transformation, some board members were initially reluctant to move forward with an ERP, however. They had heard ERP horror stories involving cost overruns and a lack of flexibility, according to Charles Bonomo, senior vice-president and CIO of MSC. Any ERP project would have to be rock-solid—with a clear strategy for delivering on objectives.

Key challenges



Lack of detailed, standardized reporting and analytics



Highly manual legacy finance processes and high total cost of ownership



Risk-averse business and IT culture



Aging IT platform lacking in functionality and scalability



Fragmented legacy IT environment and business processes



Lack of detailed process and technology documentation



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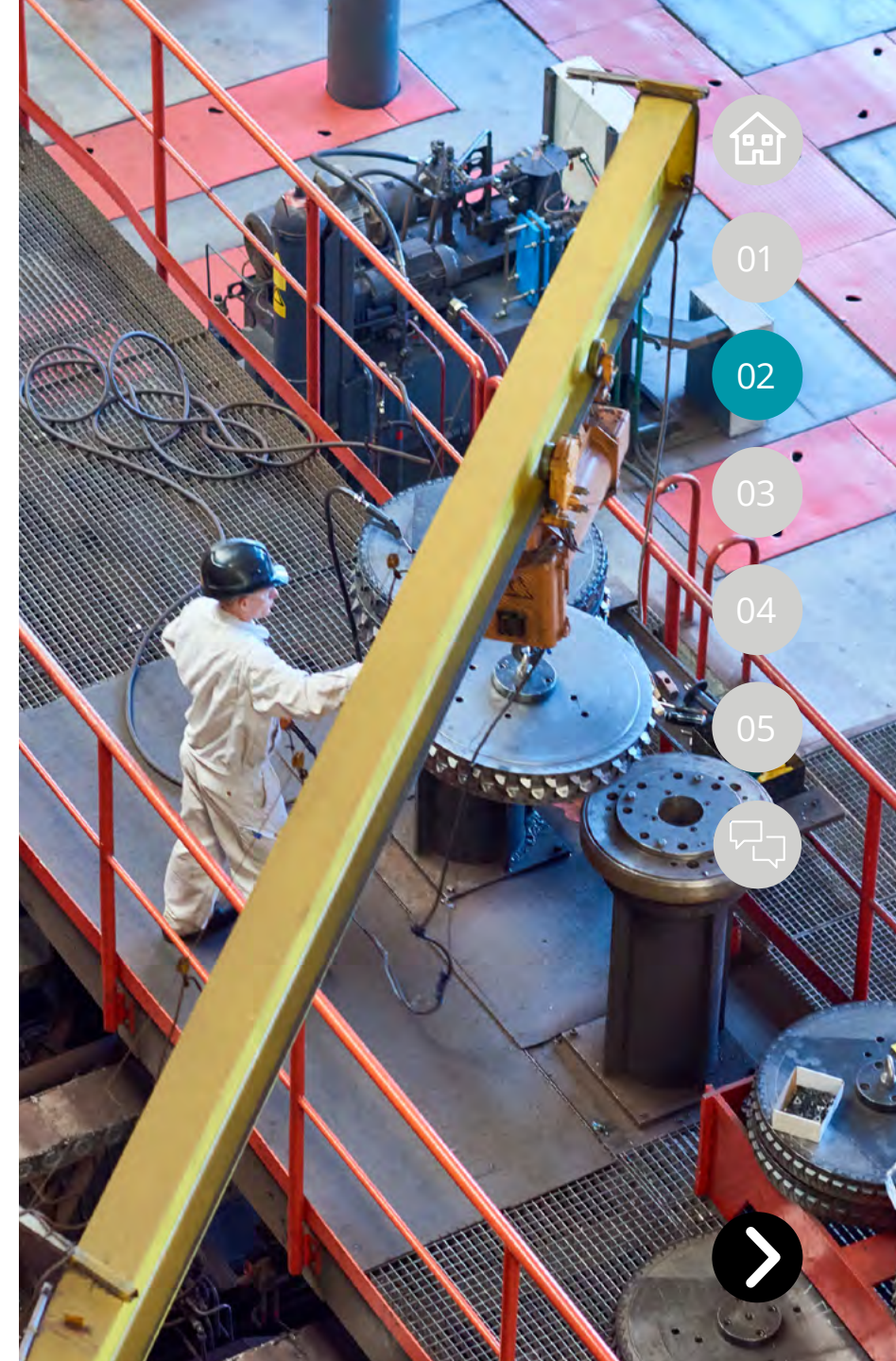
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Making the case for transformation

To help leaders make the case to the board and to their peers, Bonomo and MSC worked with Deloitte, tapping into an existing relationship that the two organizations had built over more than a decade. Having evaluated SAP solutions, MSC executives in 2016 were already leaning toward adopting SAP S/4HANA®, the digital core ERP. But they needed to establish the potential value the company could get with the solution. Deloitte leveraged industry-specific experience and its proprietary Enterprise Value Delivery methodology to help build the business case for transforming the enterprise with SAP S/4HANA and other SAP solutions, including SAP® SuccessFactors® offerings for human capital management.



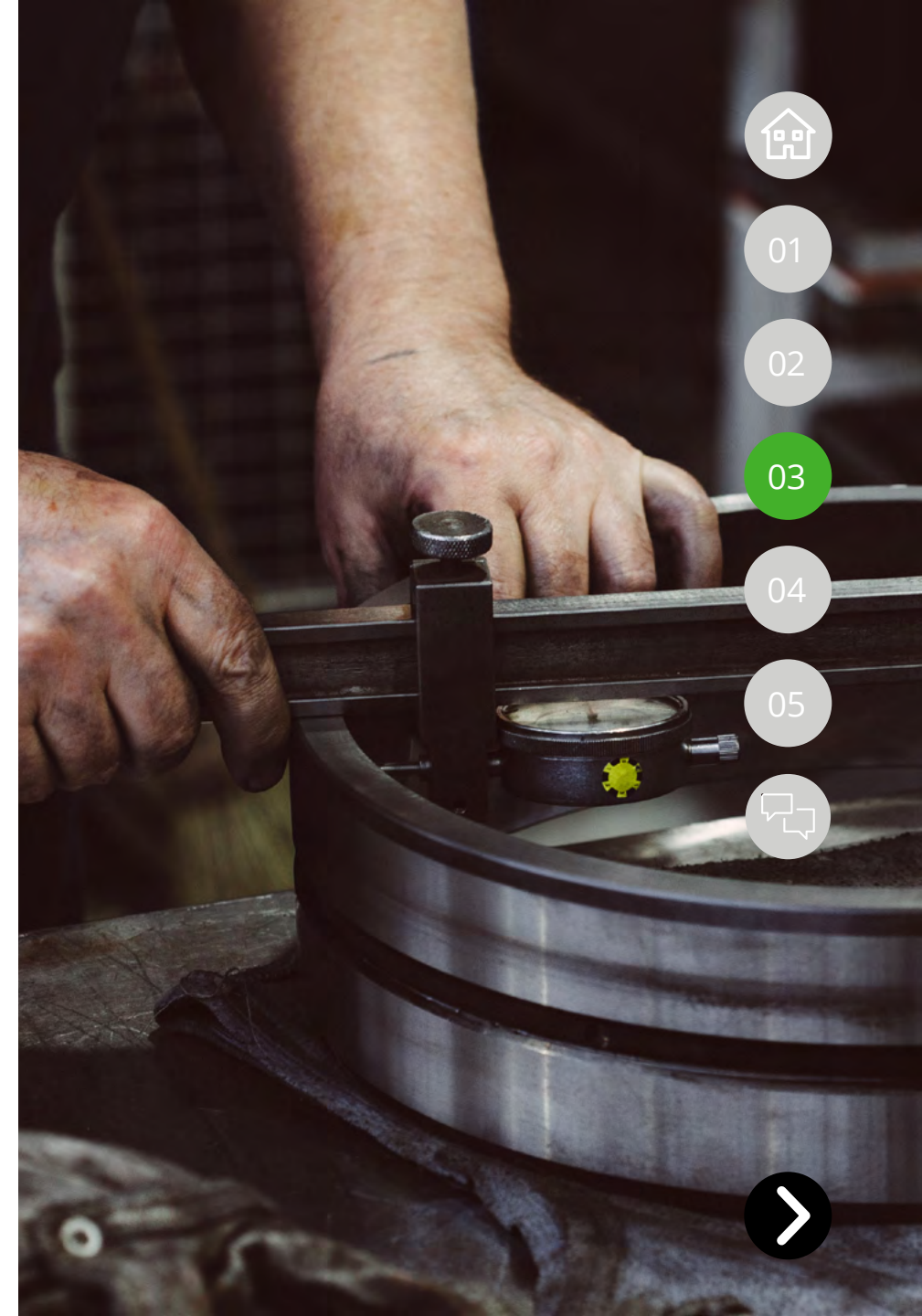
The solution

Making sure that the project was business-led—with the office of the CFO acting as a champion—was critical. In the first 90 days of the project, MSC collaborated with Deloitte to develop a well-defined blueprint, focused on transforming the enterprise with SAP S/4HANA Finance and a hybrid cloud strategy—to streamline, simplify, and digitally enable record-to-report processes as well as order-to-cash and procure-to-pay processes.

As business requirements, project plans, and costs began to solidify, MSC envisioned a timeline that spanned 15 months for a “brand new” deployment of SAP technology. With a go-live in April 2017, the company finished on time—and 5 percent under budget, according to Bonomo.

One key to the success of the project was the focus on small steps rather than a “big bang” approach. By deploying SAP S/4HANA Finance functionality in phases, the company was able to address any new IT or process-related needs early and then carry forward lessons learned to the next stage of the project.

In addition to SAP S/4HANA Finance and SAP SuccessFactors to support HR, MSC also has worked with Deloitte to deploy SAP’s CallidusCloud software to support sales management.



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Realizing results

MSC's finance makeover with SAP S/4HANA is paying off for the company. From the beginning of the project, leaders positioned the makeover not as a revenue engine but as a necessary ERP foundation for doing business in the digital era—to deliver savings in finance, enable new business process, and accelerate the pace of business.

Early payoffs have included reduced people-hours for executing finance processes and IT maintenance activities. Specifically, the transformation has allowed MSC to:



Adhere to standard, leading practices for finance



Enhance the user experience with a full SAP Fiori® user interface



Deliver modern reporting and analytical capabilities



Enable universal journal functionality, providing detailed general ledger capabilities and reducing the need for offline and manual analytics



Provide a technology and process foundation for future HR, procurement, and order management capabilities

MSC also can close its books faster, thanks to the “continuous close” functionality enabled by SAP S/4HANA Finance. And the company is more effectively managing credit collections and “days sales outstanding,” according to Bonomo, who expects even more benefits as MSC brings more ERP functionality on line.



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Collaborating for value

For MSC, working closely with Deloitte has been essential to the success of the project. “Deloitte really understands distribution,” Bonomo said. “They are able to take that deep understanding of distribution and join it with their experience and knowledge of SAP.”

Regular meetings focused on identifying problems and sharing responsibility for solving them has been a key ingredient of the relationship between MSC and Deloitte. “Deloitte’s leadership is really vested in our success, and they’ve helped us stay ahead of issues,” Bonomo said, explaining that the close collaboration enables MSC to readily identify potential overspending and escalate issues before they become bigger problems.

Cost, flexibility, the ability to manage risks, and alignment for success were all considerations when selecting Deloitte for strategy and implementation, Bonomo said. But the knowledge

and experience of the Deloitte team when it came to SAP S/4HANA and finance helped seal the deal—with Deloitte pulling in team members from another successful Deloitte SAP S/4HANA implementation project to help with Project Bedrock. Deloitte also brought proprietary accelerators and an industry-specific preconfigured SAP S/4HANA solution to help MSC get up and running fast—with a goal of realizing value sooner.

Impact from transformation

- A flexible, scalable digital core ERP foundation to support growth
- Enhanced user experience that meets the expectations of the modern workforce
- Accelerated business processes, extending from finance to supply chain activities
- Analytic insights to aid decision-making
- Reduced IT maintenance needs and costs



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Let's talk

MSC's transformation is just one example of how Deloitte is helping organizations across industries reimagine everything—an entire world of possibilities with SAP solutions. From finance to the supply chain to HR to customer engagement and beyond, our global network of more than 18,500 professionals focused on SAP solutions can help you reimagine your opportunities for unlocking value. If transforming your business to get ahead of tomorrow's challenges is a priority for your organization, we should talk. Contact us to get the conversation started.

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