

INTERACTIVE SESSION ORGANIZATIONS

Carter's Redesigns Its Business Processes

Carter's has built a big business dressing little ones and you probably wore some of its products when you were growing up. This company is the largest U.S. branded marketer of apparel exclusively for babies and young children, and includes the OshKosh B'gosh brand. Carter's merchandise is sold online, in over 1,000 company stores in the United States and Canada, and in 18,000 department and specialty stores. The company has annual revenue exceeding \$3 billion and is based in Atlanta, Georgia. Carter's financial systems handle hundreds of thousands of transactions each day.

Until recently, the systems Carter's used to process these transactions were heavily manual and paper-based and could no longer keep pace with the company's growth or the increasingly digital business environment. For many years that company had relied on more than 20 legacy financial systems, some of which were homegrown and antiquated. If the systems did not integrate with each other as they should, Carter's used manual processes to keep everything working together. This created bottlenecks that slowed down processing and also increased the chances of human error. For example, managing chargebacks required a great deal of manual data entry and tracking down spreadsheets, emails, folders, and faxes from various systems in order to reconcile a specific chargeback to the appropriate ledger. (A chargeback is the return of funds used to make a purchase to the buyer if the buyer disputes the purchase.)

Carter's management wanted to transform the role of the finance function from preoccupation with transaction processing to focusing more on analyzing financial data and guiding decision making. To accomplish this goal, the company needed process improvements in both the business's finance processes and technology. This meant streamlining and simplifying financial processes so the finance department had more time for analysis and reporting work. In 2015, Carter's launched a "Vision to Value" initiative to achieve this goal.

In addition to replacing outdated systems with more up-to-date technology, including a centralized enterprise resource planning (ERP) system, the project provided an opportunity to modernize financial processes. Carter's selected SAP Business Suite 4 SAP

HANA (also known as SAP S/4HANA) software for this purpose and worked with Deloitte Consultants for assistance with systems integration and implementation. SAP S/4HANA is a business software suite based on SAP's proprietary HANA ultra-high-speed data management and computing platform, and is designed to support all day-to-day processes of an enterprise. The new software solution had to interact well with other related systems beyond financials such as order management systems and point of sale systems. SAP S/4HANA offers integration to multiple data sources from many different SAP and non-SAP applications, financial and otherwise.

Business process redesign was as crucial to the success of the project as new technology. Implementing SAP software provided Carter's with the opportunity to transform older and inefficient processes into modern processes reflecting best practices for its line of business and its industry. Carter's had to benchmark its financial processes against these best practices, many of which were incorporated in the SAP software. Thorough benchmarking required questioning the rationale behind every core financial process. For each process based on existing technology, the implementation had to ask whether it could be redesigned on a new technology platform to be more efficient. Carter's also examined whether the process would be better served by remaining on a legacy system rather than migrating to SAP S/4HANA. Carter's decided to keep a process on its existing system unless migrating to SAP S/4HANA provided clear benefits. For the systems that ran core financial processes, SAP S/4HANA was superior.

In July 2016, Carter's went live with SAP S/4HANA Finance with the procure-to-pay, invoice-to-cash, fixed assets, and record-to-report processes supported by the new system. Moving the procure-to-pay process to SAP S/4HANA increased efficiency by eliminating manual data entry and increasing the visibility of a transaction as it flowed through the system. (Procure-to-pay is the process of buying goods and includes the initial decision to make the purchase, the process of selecting the goods, and the transaction to pay for the goods purchased.) Instead of requiring various phone calls, emails, and paper copies of supporting

documentation, the software guides the process. The SAP Invoice Management application enables a centralized invoicing process by scanning, reading, and filing invoices via optical character recognition (OCR), which kicks off an invoice workflow through a preset list of coders and approvers all the way to invoice payment. Once invoice information has been entered, it can be accessed automatically anywhere along the process life cycle, and users can view all information related to the invoice transaction on a single screen. For example, when approving an invoice, the system makes it possible for Carter's staff to see the invoice data flowing to accounts payable to start the payment process.

System-generated tracking of chargebacks and an improved capability to monitor chargeback status in

the system has created significant time savings and efficiencies in billing and collections. All the information is in the SAP system, so whoever is approving the chargeback can see all the history in one place. In addition to chargeback history, once a chargeback is approved, the system sends a specific chargeback to a specific general ledger. The system has also made processes for fixed assets more efficient by eliminating manual routing and spreadsheet dependence.

Sources: "Transforming a Retail Brand Leader with SAP S/4HANA Finance," events.sap.com, accessed February 24, 2018; Ken Murphy, "A Next-Generation Finance Platform at Carter's," *SAP Insider Profiles*, December 19, 2016; and www.corporate.carters.com, accessed February 26, 2018.