



Report on benchmarking project at SAP AG

From cost centre to transformation driver

In his first few weeks as CIO at SAP AG, Oliver Bussmann commissioned a benchmarking project in order to analyse and increase the value IT contributes to the business. The assessment helped the software group with location decisions as it faces a period of transformation.

Although the first 100 days in office might be a honeymoon period in politics, it doesn't apply to managers at a DAX-listed group in the dynamic high-tech sector. In September 2009, Oliver Bussmann took up his post as CIO at SAP AG, and by the end of November he was already in receipt of the results of a benchmarking project. "When you join a new company as CIO, it is extremely important to take stock within the first three months," says Bussmann, who moved to Walldorf from a German insurance group and commissioned the benchmarking project. The assessment paved the way for new ideas, starting points and action plans to optimise the overall strategy for IT. "If you don't have it covered off within the first three months," argues Bussmann, "you get caught up in the system and are always lagging behind."

Bussmann preferred to set the pace and initiated a strategic transformation programme. The issues identified in advance were the quality of IT, the perception of IT by the business, problem areas and the potential for improvement. Four questions were addressed: how competitive is SAP's IT; what threats are there; is money being wasted, and are the correct key indicators being used for evaluating IT functions? "When you know where you stand, you can release the positive energy that's needed for change to be introduced," says Bussmann. With clear and credible information "it's a different discussion entirely with stakeholders about the position of IT."

Although SAP's IT is part of a software organisation, there are many parallels with other groups that are not an integral part of the high-tech industry. On the one hand, Bussmann is one of the first to put new software to productive use and the importance of in-house IT as a "showcase" has increased in recent years. On the other hand, the organisation is "a normal IT department where distinct unit cost management" is called for. Hence Bussmann's dismissal of any talk about living in a "land of plenty": "We too have to prove that we can work efficiently and extract maximum value from the portfolio." So far this has been achieved in an exemplary manner, he can report, thanks to the distinctive global delivery model and single ERP system which is more or less standard design: "Pretty much all of the fat has been trimmed off."

The benchmarking project did indeed show that SAP IT was one of the best organisations of the peer group in terms of costs, productivity and therefore efficiency. The site comparison exercise ranged from total IT costs and plan, build and run elements through to individual service areas, such as server infrastructure, jobs, service desk and networks, as well as the development and maintenance of applications. With Maturity as a partner, it was possible to gather the basic information required for the assessment quickly, says Bussmann who needed reliable and credible information in order to issue recommendations for action rapidly and convince stakeholders in the group before the end

Profile



Company
SAP AG

Website
www.sap.com

Main benchmarking issues

- How competitive is SAP's IT?
- Are there any threats, and if so, what?
- Is the IT budget used cost effectively?
- Are the correct key indicators being used for evaluating IT functions?

"Establishing a correlation between business performance and IT performance compared to other companies is the most effective use of benchmarking."

Oliver Bussmann, CIO at SAP AG



Server room at SAP Hosting, St. Leon-Rot © SAP AG/Wolfram Scheible

Business advantages

- Analysis of the value IT contributes to the business
- Improved integration of departments into portfolio decision-making processes
- Closer partnership between SAP IT and other group divisions
- Preparing IT for the capabilities and capacities needed for the business transformation process ahead

of the year. “Without this momentum and the facts, I would hardly have been in a position to announce a new structure that enables the lines of business to dovetail better with the IT functions,” adds Bussmann.

The transformation was not automatic, as sometimes happens with a change of management at the top. “SAP is facing changes because market and customer behaviour have changed,” explains Bussmann. The trend is away from megadeals and towards reduced contract volumes in conjunction with increased frequency. “As a result of this and due to trends such as cloud computing the product and solutions portfolio is changing which in turn has a considerable impact on SAP’s internal processes, systems and employees.” One consequence is that “our in-house IT must be able to deliver the capabilities and capacities for the transformation process ahead.”

The crucial issue was to provide these capabilities and capacities on a limited budget. “Can we optimise the current structures further and thereby make better use of the resources required or do we need more room to breathe?”

was the question occupying Bussmann – like most other CIOs. The benchmarking project provided a clear indication that further consolidation of the IT budget, in the hope of creating capacity out of it for transformation, would be a waste of money. Using specific examples, Maturity pointed to an increased risk through further savings as well as the problems that might result when implementing the transformation. “We recognised that we must invest more in IT – for example, for business intelligence, data management and functions relating to the automation of our volume business,” says Bussmann.

Transformation isn’t just happening on the surface: “The facts that came out of the benchmarking exercise have produced starting points for how we reflect the governance process on the IT side, how the individual departments are incorporated into the decision-making processes for the portfolio and how we invest more in moving towards enterprise architecture,” says Bussmann. The development of staffing and financial resources has commenced and a strategic partnership with SAP Field Services has been formed in order to make greater use of its global delivery model. There has also been more in-

depth collaboration with SAP Product Development and the Consulting Unit for implementing transformation – “we could move even closer here”. The CIO estimates about two years for the complete restructuring of the business and IT.

To be able to create robust results and develop action plans, it is not sufficient to consider IT purely in terms of expenditure in the assessment. “Instead of undertaking a technical benchmarking exercise regarding cost considerations, we had to analyse the value IT contributed to the business and the key levers,” says Bussmann. Low unit costs alone would not help to increase the success of the company. This will only happen if IT facilitates new products, increases scalability and creates a higher degree of automation for the business. “Establishing a correlation between business performance and IT performance compared to other companies is the most effective use of benchmarking,” Bussmann concludes. Ultimately, this is where it shows whether IT is a cost factor or in fact the business enabler that it should be. Bussmann believes: “There is nothing worse than regarding IT functions exclusively as a cost factor in a growth business.” ■

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