SAP Landscape Transformation
Adapting SAP landscapes to fulfill new business requirements

Introduction – SAP Landscape Transformation
April, 2010
1. Market Situation
2. New SAP Landscape Transformation Approach and Benefits
3. SAP Landscape Transformation Offering
Agenda

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Business transformation is driving major SAP landscape transformation initiatives

Introduction of SAP applications

Operation of an increasingly fragmented SAP landscape

Initial simplification by
- standardization of processes
- harmonization of data
- consolidation of systems

Ongoing adaptation to changing business requirements (M&As, reorganizations, carve-outs)

The ability to seamlessly transform a corporate SAP landscape has become a key value driver
SAP customers invest huge budgets in ERP transformation

SAP transformation requirements...

SAP has become quasi-standard and business process backbone in many industries

But the often fragmented SAP landscape requires simplification and ongoing adaptation to new business requirements

- Multiple instances and different versions
- Different coverage of value chain
- Different process design
- Business processes spanning across multiple instances rely on manual re-entry, Excel sheets and maintenance intensive interfaces
- Master data on various systems are redundant and inconsistent
- ...

...in every occasion from M&A to system consolidation

- Strategic business transformation
  - M&A
  - Carve-out
  - Reorganization

- Value chain transformation
  - Finance and controlling
  - Supply chain and logistics
  - Sales
  - HR

- IT landscape transformation
  - System harmonization and consolidation
Transformation scenarios driven by top management...

Business impact:
- Strategic business transformation:
  - M&A
  - Carve-out
  - Reorganization
- Value chain transformation:
  - Finance and controlling
  - Supply chain and logistics
  - Sales
  - HR
- IT landscape transformation:
  - System harmonization and consolidation

Drivers:
- CEO/CFO
- Functional CxOs
- CIO
...with scenario specific expectations

Typical transformation value drivers

<table>
<thead>
<tr>
<th>M&amp;A</th>
<th>Carve-out</th>
<th>Reorganization</th>
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</thead>
<tbody>
<tr>
<td>Maximize net profit</td>
<td>Maximize net profit</td>
<td>Maximize cost savings</td>
</tr>
<tr>
<td>Reduce time for integration and synergies</td>
<td>Reduce overall timeframe</td>
<td>Reduce transformation time</td>
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<tr>
<td>Ensure business running smoothly</td>
<td>Reduce risk endangering transaction</td>
<td>Support upcoming changes in business</td>
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<tr>
<th>Finance and controlling</th>
<th>Supply chain and logistics</th>
<th>Sales</th>
<th>HR</th>
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</thead>
<tbody>
<tr>
<td>Accurate and timely financial reporting and controlling</td>
<td>Ensure business continuity</td>
<td>Increased customer loyalty</td>
<td>More efficient HR services</td>
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<tr>
<td>Reduce transformation time</td>
<td>Reduce transformation time</td>
<td>Optimized sales processes</td>
<td>Globally standardized HR processes</td>
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<tr>
<td></td>
<td>Support upcoming changes</td>
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System harmonization and consolidation

- Reduce run and project costs and IT spending
- Reduce complexity in operations and development
- Ensure business continuity
- Support changes in business
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**SAP offers new ERP transformation solution: SAP Landscape Transformation**

**Traditional approach insufficient**

**Typical approach replaces all existing ERP applications with a new target ERP system**

*Very expensive, high-risk approach*
- Leads to multi-year projects
- Ignores functional expertise embodied in existing ERP assets
- Historical data and running processes usually not transferred to new system
- Clients at risk of losing SAP maintenance coverage, if data is converted on database level

**New software-based SAP approach: SAP Landscape Transformation**

SAP develops powerful tool: SAP Landscape Transformation (SAP LT)

- **Operates on** running systems ensuring business continuity

- **Starts with scenario analysis to choose best solution and target system**

- **Saves time** and money by operating directly on database level

- **Guarantees preservation of historical data, running processes and persistence of maintenance**

*Source: Project team, BCG analysis*
High value proposition: SAP LT sets new standard for transformation projects

Customers' pain points

Long project duration
- Long timeframe until business can run on target mode

Limited business benefits before full deployment
- Chosen approach often "rebuild & migrate" instead of "transform"

Limited predictability of cost and duration
- Approach based on man-day calculation
- Projects not on-time / on-budget

Huge budgets
- Huge budgets over long periods of time

IT transformation as "disruption" to business

Limited ability to adapt the business continuously
- Every change requires new project
- Limited ability to maintain unified landscape

SAP LT value proposition

Reduced time to achieve full business benefits
- Speed up projects – and business transformation

Step-by-step realization of benefits
- True "transformation", many benefits already realized during transformation

Predictability
- Solid assessment of required efforts, duration and cost at an early stage

Cost savings
- Lower budgets through "productized services" and effective transformation approach

Minimal business disruption and risk
- Business continuity after transformation
- Phased transformation at reduced downtime

Agility and continuity
- Build customers' transformation capability
- Enable readiness for upcoming changes
- Continued monitoring of "unified" landscape

Source: Project team, BCG analysis
SAP LT approach saves costs and time
Quicker benefit ramp-up and reduced time to full benefit

Advantages of SAP LT

Total costs and project length significantly reduced
- Lower project costs due to tool-based analysis functions
- Replacement of manual coding

Significant advantages on the benefit-side
- Break-even reached sooner
- Total benefits higher
- Increased ROI

Source: Project team, BCG analysis
Case examples show significant added value

**European beverage company**
- Major standardization project along entire value chain for company using several SAP instances throughout Europe

- **Exemplary transformation activities**
  - Consolidate functions and standardize processes in shared service center
    - Cost reduction due scale effects and lower wages
  - Harmonize spend data and standardize procurement processes
    - Improved forecasting and reduction of purchasing costs
  - Consolidate spare part management systems
    - Reduction of spare part stock and capital lockup

- **Impact**
  - Transformation benefits ($M)

- **Source:** BCG case studies

**Major European utility company**
- Consolidation project for business units focusing on sales and distribution with heterogeneous IT architectures and processes

- **Exemplary transformation activities**
  - Standardize processes and consolidate application landscape
    - Reduction of maintenance and support costs
    - Efficiency improvement of DB management and data center services
  - Consolidate hardware platforms
    - Reduction of depreciation and hardware maintenance costs

- **Impact**
  - IT related costs ($M)
    - Before transformation: 72, Benefits: 23, After transformation: 49
    - ~32% reduction

- **Source:** BCG case studies
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SAP Landscape Transformation solution combines different offerings

Fast growing product functionality from analysis to transformation
Version 1 covers: Chart of Accounts, Client Transfer, Company Carve-out

Complementary Service Offering
Support customer transformation projects
SAP Landscape Transformation software
Content of Version 1

Best practice and guidance in project evaluation and preparation methodology and project execution
- Roadmap for Chart of Accounts Conversion
- Roadmap for Company Carve-out
- Roadmap for Client Transfer

Analysis Capabilities
- Identification of most suitable transformation approach
- Scoping and technical feasibility assessment for transformation projects
- Includes predefined analysis profiles
  - Generic analysis functions
  - Company Carve-out analysis
  - Scenario and Mapping analysis for Chart of Accounts
  - Repository comparison analysis
  - Customizing comparison analysis

Transformation Capabilities
- Efficient execution of technical transformations with reduced downtime
- Consistent transformation on data base level including historical data
- Includes predefined C&M packages
  - Chart of Accounts Conversion
  - Company Carve-out
  - Client Transfer including Upgrade and Unicode Conversion

1. not MDMP
Landscape Transformation

Complementing Services

- Business Transformation & LT Strategy
- Program / Project Management and Coaching
- Technical Optimization Services
- Quality Assurance Services
- Transformation Accelerators

Landscape Transformation Solution Services

- Complementing Services
  - Sell
  - Buy / Reorganize Business
  - Sell, Buy and Restructure
    - *Carve-out company (share deal)
    - Split Company (asset deal)
    - Integrate organizations and processes (PMI)
    - Merge business or organizations
    - Change business or organizations
    - Split business or organizations

- Unify and Transform Data
  - Financials and Controlling
    - *Transform and align in financials
    - Transform and align in controlling
    - Implement IFRS
    - Change currency
  - Logistics and Operations
    - Transform and align in sales and distribution
    - Transform and align in material management and procurement
  - Human resources
    - Transform and align in HR
    - Transform and align in HR

- Consolidate and Reduce IT Cost
  - Consolidate systems
    - *Set-up multi client systems
    - Migrate to single client system
    - Move part of business into new shell
  - Split Systems
    - Provide development system
    - Provide test or education system
  - Setup non-productive systems
  - End of life of system
    - SAP and Legacy System de-commissioning

* Focus of SAP LT software – Version 1
SAP LT solution supports customers depending on their requirements

Transformation as one-time effort

Productized Service:
- Certified consultants deliver SAP LT services
- SAP LT (Software & Knowledgeware) as part of the service

Transformation as frequent effort

License:
- SAP LT (Software & Knowledgeware) as SAP standard product
- Focus on platform
- Build-up own skills
- Support via SAP LT services

SAP Landscape Transformation gives customers full flexibility to focus on their business
Further Information
For Customers and Partners

Web Pages:
- SAP.COM: in preparation

SAP LT Solution Map:  http://service.sap.com/sapLT-solutionmap

SAP LT Software - Key Information Sources:
- SAP LT - Getting Started presentation
- SAP LT software – Master Guide
- SAP LT software – Security Guide

SAP LT Services:
- Complementing services for SAP LT software: see SAP Note 1454883
- General service requests: slo.consulting@sap.com

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Thank you!