Enabling Business Alignment through a Value Driven Approach to EA

Alvin L. Paules, Chief Technology Architect, SAP Africa
16 March 2011
Agenda

Part I – “Mind the Gap”
Part II – Disruptive Innovation
Part III – Bringing IT Together
Summary
“Mind the Gap” Or “Is there a Gap in the Minds?”
The Nature of the Firm  

By R. H. Coase

At the margin, the costs of organising within the firm will be equal either to the costs of organising in another firm or to the costs involved in leaving the transaction to be “organised” by the price mechanism. Business men will be constantly experimenting, controlling more or less, and in this way, equilibrium will be maintained.
Over 7 years, SAP has evolved its value management capabilities; investing in developing a robust value platform.
Value Management Lifecycle Defines our Methodology Framework

**Value Discovery**
- Quantify impactful improvement
- Recommend enabling solutions
- Build justification for action

**Value Optimization**
- Measure performance
- Identify improvement
- Drive change

**Value Realization**
- Unify the objectives
- Design for value
- Define KPI’s
- Assign accountability
- Drive benefit achievement
Adoption of Value Management Disciplines is Critical

- Value driver development
- Justification strategies
- Boardroom presentations

- Performance diagnosis
- Improvement strategies
- Best practices
- Performance Mgmt.

- Competency maturity model
- Organization & role design
- Critical processes & practices

- Benefit enablement by design
- Policy, practice & management design
- KPI definition for performance
- Value based deployment scenarios

- CEO/board agenda alignment
- Leadership enablement
- Innovation & strategy
- Alignment practices & models

- Planning & prioritization
- Decision rights & enforcement
- Project portfolio lifecycle mgmt.
- Risk identification & mgmt.
SAP has externalized its value investments: Training, Community, Tools and Assets

**Value Academy**
- Methodology and Tools Training
- Business case execution
- Performance Benchmarking
- Business & IT Alignment

**Online Value Community**
- Value practitioners networks
- Executive strategies
- Industry priorities

**Tools, Assets, Services**
- Industry content, best practices
- SAP Benchmarking Program
- Value Lifecycle Manager Tool
- Value Management Mentoring Services
- Process Performance Services
Rich Tools and Assets

SAP’s investment in value enablement has generated a rich set of assets that deliver the knowledge base to enable rapid proficiency ramp-up

**Industry Best Practices**
Comprehensive and deep knowledge of best practices, pain points and key performance indicators by business process for more than 45 industries

**Benchmarking**
The most comprehensive business process benchmarking platform with over 2000 participant companies developed in collaboration with our America’s user group with rapid adoption in EMEA & APJ. Coupled with the Business Objects platform yield a powerful performance tool.

**Business Cases**
Over 5000 business cases built with customers using validated value driver targets that drive achievable benefits. Results are translated into pain points, value drivers, and target ranges.

**Case Studies & Whitepapers**
Full cycle success story studies that quantify savings and validate initial expectation setting. To link top performers to new customers, an active network of world class customers by line of business to share best practices and learn from each other’s experience.
The course is structured along the lifecycle and consists of hands-on training on value lifecycle tools and platform. The course will be conducted in case study format with multi-company discussion forums.

Business Strategy & Alignment  
Business case development  
Boardroom Presentation |
|------------------------------------------|---------------------------------------------------------------------|
| Day 2: Performance Management & Justification | Benchmarking  
Process Adoption and Standardization  
KPI’s for Dashboarding & Management  
Company business case development |
| Day 3*: Value Delivery, Governance, Organization & Adoption | Design for Value  
Governance & Organizational Excellence  
Value Adoption Strategies |
### Value Academy Goals

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<th>Enable Customers to adopt VM skills internally</th>
<th>Connect customers to share best practices</th>
<th>Drive value disciplines to build best run businesses</th>
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#### Enable VM Community
- Launch SAP Value Exchange
- Provide ongoing virtual education
- Enable Best Practice Sharing

#### Content Repository
- Develop a robust library of tools and templates for VM Enablement

#### Increase SAP Customer Value Proposition
- Transform to value advisors
- Provide Prescriptive Value Roadmaps
- Certify Value Management Companies & Partners

#### Guiding Principles
Value Engineering  www.sdn.sap.com
The Quest for Innovation Driven Growth

One secret to maintaining a thriving business is recognizing when it needs a fundamental change.

Reinventing Your Business Model

by Mark W. Johnson, Clayton M. Christensen, and Henning Kagermann

www.hbr.org
Reinventing Your Business Model

The Idea in Brief

When Apple introduced the iPod, it did something far smarter than wrap a good technology in a snazzy design. It wrapped a good technology in a great business model. Combining hardware, software, and service, the model provided game-changing convenience for consumers and record-breaking profits for Apple.

Great business models can reshape industries and drive spectacular growth. Yet many companies find business-model innovation difficult. Managers don’t understand their existing model well enough to know when it needs changing—or how.

To determine whether your firm should alter its business model, Johnson, Christensen, and Kagermann advise these steps:

1. Articulate what makes your existing model successful. For example, what customer problem does it solve? How does it make money for your firm?

2. Watch for signals that your model needs changing, such as tough new competitors on the horizon.

3. Decide whether reinventing your model is worth the effort. The answer’s yes only if the new model changes the industry or market.

The Idea in Practice

UNDERSTAND YOUR CURRENT BUSINESS MODEL

A successful model has these components:

- **Customer value proposition.** The model helps customers perform a specific “job” that alternative offerings don’t address.
  
  Example: MinuteClinics enable people to visit a doctor’s office without appointments by making nurse practitioners available to treat minor health issues.

- **Profit formula.** The model generates value for your company through factors such as revenue model, cost structure, margins, and inventory turnover.
  
  Example: The Tata Group’s inexpensive car, the Nano, is profitable because the company has reduced many cost structure elements, accepted lower-than-standard gross margins, and sold the Nano in large volumes to its target market: first-time car buyers in emerging markets.

- **Key resources and processes.** Your company has the people, technology, products, facilities, equipment, and brand required to deliver the value proposition to your targeted customers. And it has processes (training, manufacturing, service) to leverage those resources.
  
  Example: For Tata Motors to fulfill the requirements of the Nano’s profit formula, it had to re-design how a car is designed, manufactured, and distributed. It redefined its supply strategy, choosing to outsource a remarkable 85% of the Nano’s components and to use nearly 60% fewer vendors than normal to reduce transaction costs.

IDENTIFY WHEN A NEW MODEL MAY BE NEEDED

These circumstances often require business model change:

<table>
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<tr>
<th>An opportunity to...</th>
<th>Example</th>
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<tbody>
<tr>
<td>Address needs of large groups who find existing solutions too expensive or complicated.</td>
<td>The Nano’s goal is to open car ownership to low-income consumers in emerging markets.</td>
</tr>
<tr>
<td>Capitalize on new technology, or leverage existing technologies in new markets.</td>
<td>A company develops a commercial application for a technology originally developed for military use.</td>
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Disruptive Innovation
OUR UNIVERSE IS EXPANDING

**Devices Expand**
- +1B Connect to the Internet on non-PC platforms today.
- 7x More Mobile Internet Connections than Broadband
- 200,000 Android Devices Activating a Day

**Data Expands**
- 72% of all workers agree that it is easier to locate “knowledge” on web than IT Systems
  - 2010 – We produced 35% more Data than Storage

**Decision Points Expand**
- Growth in Corporate Apps Accessed via Smart Phones
  - +43% CAGR from 2008 to 2013
- 60% of Fortune 1000 will deploy collaboration tools by 2013

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1 – Yankee Group, 2008  
2 – Yankee Group – enterprise storage study - 2008  
3 – J. Gold Associates, November 2008  
4 – Google CEO – Eric Schmidt Statement (URL in notes)  
5 – EMC Digital Universe Paper
The era of AND

Evolution **AND** New Horizons
Technology Platform
Evolution
Mobility

Lower TCD AND Native Experience

Unwired Existing Applications AND Fantastic New Applications

Business AND Personal
Cloud Computing

Core AND Extensions
Integrated AND Open
Reliability AND Ease of Consumption
Private AND Public
In-Memory Computing

Real-time AND Lower Cost
Transactions AND Analytics
Supercharged Existing Apps AND Amazing New Apps
Non-Disruptive AND Innovative
Native AND Open
SAP’S PRODUCT STRATEGY – BASED ON NETWEAVER
THIS IS REAL … IT ALL COMES TOGETHER

ORCHESTRATION + CONSISTENCY

Lifecycle Management

Master Data Management

Process Orchestration

On Device

LOB On Demand

SAP Business ByDesign

On Demand

Low Cost of Ownership

Integration and Common Architecture

On Premise

SAP Business Suite 7

Consumer grade Experience

Low Cost of Ownership

Integration and Common Architecture

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Bringing IT Together
From Strategy to Implementation, Driving Value

The important task of linking Strategy to IT to identify, create and realize value

The Business Architecture is the key to link the Process Architecture and Information Architecture together and thereby enable Business Transformation.

Without a clear Business Architecture, management and operation careens from one performance and value issue to the next, unable to leverage reusable capabilities, assets (competencies) and process execution. With a defined and declared Business Architecture, an organisation uses the core competitive and differentiating competencies that can drive performance and value opportunities to realization.

Some concepts that underpin SAP’s Business Architecture Framework

**Business Strategy**
- Defines the business goals, approaches
  - Diagram that is used to document the primary (strategic) business objectives

**Strategy Map**
- Relates the business goals and the wished benefits/results together
- Linkes Value Drivers with the Performance Drivers

**Value Map**
- A management tool used to cascade business goals defined in the Strategy Map and the wished benefits/results captured in the Value Map with the operational performance. Enables a company to monitor operational performance against strategic goals.

**Operational Model**
- Represents a general vision of how a company will enable and execute business strategies within IT domain

**Operational Business Model**
- Defines the Business Model in an operational value chain view
- Specifies business competencies within value chain elements (gives guidance for developing / aligning IT and business)

**Core Differentiated Competency**
- Competencies and within them high value oriented business services and thereby processes that distinguish from competitors and are not easy for competitors to imitate
- Most Value Drivers are within these competencies and are needed for the differentiation

**Core Competitive Competency**
- Specific competencies and within them value oriented processes that business sees as central to the way it competes and operates
- Essential value competencies that are needed for the the competitive environment

**Base (Non-Core) Competency**
- Basics competencies and within them performance oriented processes necessary for effective operations
ASAP Phases Impacted by a Business Architecture Template Approach
Today’s Dynamic Business Environments Demand a New Approach to Managing Business Processes

- **Business changes more rapidly**: Speed of change!
  - ...requiring processes that can easily be adapted

- **Businesses forming global networks**: Global Networks!
  - ...requiring processes to span across organizational and geographical boundaries

- **Closer Business and IT alignment is imperative**: Business & IT alignment!
  - ...requiring tools that foster the collaboration between LOB who defines processes and IT who implements processes
Create and Adapt Own Business Processes
Building Composite Processes with SAP’s Comprehensive Offering

Leverage SOA-enabled industry best practices in process extensions

How do I effectively create own business practices?

Use an “executable” process modeling language that both LOB and IT understand

How do I foster collaboration between LOB and IT?

Leverage an integrated technology portfolio for complete management of your own practices

How do I manage and govern own business practices?

Provide a unified view on process and business performance

How do I leverage analytics to support decisions and optimize own practices?

Embed flexible business rules in processes that can be controlled by LOBs

How do I enforce ever changing business policies in processes?
SAP Business Suite and SAP NetWeaver BPM
Leverage Industry Best Practices And Define Your Own

Create own practices with SAP NetWeaver BPM

Examples
- People-centric processes
- Paper and approval-intensive processes
- Processes spanning across multiple systems
- Processes interacting with external parties

Leverage best practices with service-enabled SAP Business Suite

Examples
- Payroll processing
- Year-end closing
- Purchase order creation
- Warehouse management
Business Process Modeling Notation
Improve Collaboration Between Business and IT

From modeling …

…to execution without translation
Germany’s Coca-Cola bottler
Leverages SAP NetWeaver BPM to support localization of global SAP template

“SAP NetWeaver BPM helps us to enhance our global standard processes and best practices with processes that meet our unique requirements.”

Dr. Leo Schmidt
Program Manager
Coke One

Alexander Grobe
Innovation Specialist

React flexibly to local business needs - support localization of global SAP Business Suite roll out for Coke bottlers

Easy implementation of rules in business processes - change business rules fast and flexibly without coding

Faster process innovation cycle - implement differentiating new business processes on top of SAP Business Suite

*Coke One is the global SAP template rolled out to Coca-Cola bottlers worldwide
Demand determination for promotion material
First live process implemented by CCE AG with SAP NetWeaver BPM

Implemented scenario: Determine the demand for promotion material (point of purchase material, incentives, etc), ~40 people involved in process execution

Goal: Optimize marketing budget allocation for promotion materials

Solution: Planning of promotion material and ordering within one tool

Benefits of new solution:
- Increased transparency for all process participants enables faster and better planning
- Streamlined process through automation of process steps
- Less need for end-user trainings due to intuitive, user-friendly interface
- End-to-end process integration

“The new solution based on SAP NetWeaver BPM is a customized workflow solution, that offers seamless integration of marketing, sales and procurement processes.

This tool enables us to optimize demand planning in a challenging environment.”

Mirja Jaschke
Marketing Manager and Project Lead

Joon-Mo Lee
Senior Procurement Manager
SAP NetWeaver BPM @ Kaeser Kompressoren

Leading supplier of compressed air system technologies relies on BPM to support transformation from a product vendor to a supplier of compressed air as a service

"The new processes that we created with SAP NetWeaver BPM allow us to streamline our customer service significantly. In fact, we can now respond immediately to emergencies because of radically reduced processing time."

Falko Lameter  
CIO  
Kaeser Kompressoren GmbH

Fast and flexibly satisfy service requests – through streamlined, integrated global service and supply chain service planning, logistics, and IT processes

- Response time to emergency incidents: -33%  
- Service order processing time: -60%  
- Service order errors: Eliminated

Increase development efficiency – through decoupling innovation from backend by leveraging productized enterprise services

- Cut development costs by 50% through code reuse and reduction in new coding  
- Used 50 standard enterprise services from SAP to develop composite application
SAP LEAD Program
LEAD – Offered in the Netherlands – Different paths

The SAP LEAD Program offers several tracks:

**Diploma SAP Lead Enterprise Architect**

Value of this program:
At the end of this program you will have:
- A solid Enterprise Architecture case
- Triple-qualified Enterprise Architects who effortlessly link business to IT
- Defined input for a business and value case for your own organisation

If two or more architects from your organisation are participating – they will have the opportunity to use their own input and work on a personalised case study for your company. Enabling your company to identify pain points, weakness clusters, improvement potential and business transformation potential.

Individual Performance Coaching (IPC)
For each module consisting of 5 training days you will receive 0.5 days of additional IPC and an additional 2 days of coaching to support you in writing the Enterprise Architecture case.

**Diploma SAP Business Value Architect**

Value of this program:
At the end of this program you will have:
- A solid Enterprise Architecture case
- Double-qualified Enterprise Architects who effortlessly link business to IT
- Defined input for a value case for your own organisation

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- Double-qualified Enterprise Architects who effortlessly link business to IT
- Defined input for a business case for your own organisation

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“Applying Real-World BPM in an SAP Environment”

Authors: Snabe, Rosing, Taylor, Chase, Omar, Rosenberg

- Learn what BPM is and how to get started within an SAP context
- Benefit from a comprehensive compilation of use-cases from early adopters
- Discover SAP technology, methodology, performance metrics, and governance

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Thank You!

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