



Show Me the Value! What You Should Expect from Your Technology Partner

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Introduction

Starting with your earliest engagements, your current and prospective technology vendors should be more than just a channel to understanding their software capabilities – they should be trusted partners to whom you turn for support throughout the entire implementation value life cycle – from value discovery and business case development through education and customer community engagement. Beyond typical fee-for-service consulting, you should seek out software partners that offer complementary services with proven results during the value discovery phase of a project: benchmarking of your current business processes against industry peers; assessment of the maturity of your processes and technology; business cases and roadmaps; and other critical services, all backed by a strong customer

network that supports you throughout the entire value life cycle. Best-in-class technology vendors are those that have established mature practices around value discovery, maintained strong customer networks with which you can engage, and have a deep understanding of best practices, not just within their customer base, but across the HCM marketplace. Ensure that your technology partners are aligned with your business and are providing you with the tools and information you need to make the right planning decisions and to continuously improve in the long-term.

As many companies are experiencing increased financial and margin pressures, there is a heightened focus to prove the tangible value of a software investment and to establish its return on investment (ROI). Many software buyers and senior decision-makers require an understanding of the value and the ROI before making a purchasing decision, and are looking for mechanisms and best practices to ensure that the value is delivered during the software implementation phase. Léo Apotheker, SAP's co-chief executive officer, recently said: "We are now facing demand that is strictly value-driven, where people demand high and very demanding business cases and, moreover, checking out the capability of the particular vendor to deliver that value. Value delivery is as important as value expression." (July 29, 2008, Q2 2008 Earnings Call).

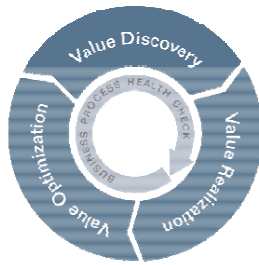
At the same time, many companies acknowledge that understanding the value of a software investment is difficult, and that it is even more difficult to realize its full value. A 2007 study conducted by the America's SAP Users' Group (ASUG) and SAP, in which more than 120 companies participated, showed that 59 percent of respondents were unaware of the level of value attained through their company's technology initiatives. Moreover, more than 80 percent of companies estimate achieving less value than planned, but those which did achieve full value had actively leveraged value realization best practices for value identification, transformation and value measurement. The need for clear value identification and measurement is especially true for implementations in the human capital management space, where value goes beyond head count reductions and efficiency gains to include impacts on employee engagement and retention, which are hard to measure. The extent of value realized is greatly impacted by the extent to which the organization adopts the new practices, e.g., self-service, interaction centers and shared services.

In order to enable continuous value creation, companies need to focus on value delivery throughout the entire implementation value life cycle. The implementation value life cycle – a concept established by SAP's Value Engineering team (see side bar) – describes the stages of value delivery through a technology and business transformation (Figure 1).

Figure 1: Elements of the Implementation Value Lifecycle



On Time, On Budget, On Value



Best-Run Business

During the *value discovery* phase (pre-implementation), a value-based business strategy and business case should be developed, which are enabled by technology and aligned with corporate priorities. This phase addresses questions such as: What are your business imperatives and how do you align business and IT strategy? What is the expected impact of addressing these imperatives (business case)? What are the right initiatives to address value creation opportunities and how are they prioritized?

During *value realization* (implementation), transformational strategies need to be developed to mobilize, deliver, and measure business results based on insights into leading practices and benchmarks. This phase addresses questions such as: How should the business prioritize, mobilize and govern programs to achieve value? How can the business case be made actionable at the operating level? How is value measured? How should the business govern, architect, deploy and ensure quality of master data? How should the business govern, architect and set up an information framework for business analytics?

During value *optimization* (post-implementation), one needs to assess how the implementation and program compares to best practices and recommend areas where the business can drive more value from current investments. This phase addresses questions such as: What is the value realized by your technology transformation and how can the business derive more value from existing investments? What insights do you have regarding the total cost of ownership? How does the implementation compare to best practices? How can we utilize a periodic business process health check to continuously measure our progress compared to our peers? How can the business mobilize and govern the technology platform to optimize its success?

We found that only if a company addresses the above questions consistently during the entire implementation life cycle and identifies, transforms and measures for value, the full benefit of a software investment can be realized. Some stats to prove the point include: the previously mentioned study showed that among those companies with good or best practices in place for value identification, transformation and measurement, 23 percent of companies exceeded their value targets, whereas none of the companies with poor value identification and delivery practices exceeded their value targets.

So, if value delivery is critical, and companies need to address it in a very structured and disciplined way, how should they go about it? The reality is that many companies do not have the resources internally with the appropriate skill set to drive value discovery, value realization and value optimization initiatives. Therefore, they are required to look externally for help and, in many instances, they reach out to strategy or technology consulting partners, engaging in sometimes costly projects. But are they the only option for support?

Best-in-class technology vendors have long since recognized the need to deliver a comprehensive value proposi-

SAP Value Engineering

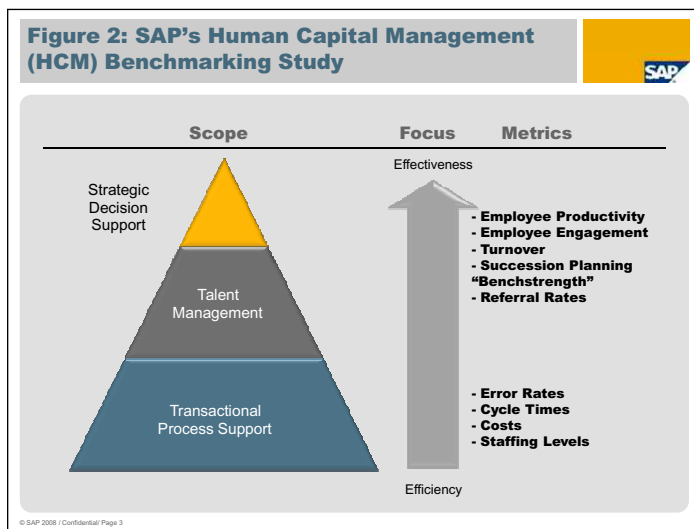
Since 2003, SAP has provided *value engineering* (VE) services to customers and prospects. The mission of SAP's VE team is to help customers identify and articulate business value drivers and enabling solutions for their company. The VE team provides support throughout the entire value life cycle, from developing the business case to sharing knowledge on how to maximize the value of the investment in SAP software. SAP VE offers services such as *collaborative value assessments*, *business process health checks*, *road map development* or *collaborative value realization*. SAP VE also supports post-implementation *business transformation* studies and offers participation in *customer value networks* for HCM, financials, supply chain and customer relationship management. These are executive forums that meet twice a year and which allow business executives to network with their peers in other companies and to exchange metrics and best practices. Overall, most

offerings leverage SAP's proprietary Value Life Cycle Manager platform, which is an application as well as a knowledge repository to support business case and roadmap development and SAP's Benchmarking and Best Practices program. SAP's benchmarking program is offered jointly with America's SAP Users' Group (ASUG) and was established in 2004 as a forum for SAP customers and prospects to share metrics and best practices. Over 2,800 participants from over 1,500 companies have participated over the last three years. In addition to human capital management, which is one of the most mature programs, studies are also offered in additional areas, including talent management, shared services, finance, financial compliance, supply chain, procurement, manufacturing, sales and marketing and information technology. For more information, visit <http://www.sap.com/usa/solutions/benchmarking/index.epx>. For more information about SAP Value Engineering, contact value.engineering@sap.com.

tion, which goes beyond software to also include support for the business transformation, starting with strategy, executive alignment and business case development through implementation governance to post implementation optimization. They have put in place resources, and have developed expertise and knowledge to collaborate with and support their customers in a comprehensive way, and they may be willing to provide some of the support as a strategic service free of charge. Therefore, savvy companies should reach out to their software vendor for support during the entire value life cycle and make their ability to provide high quality support part of their vendor evaluation criteria. The technology vendor/customer relationship is strengthened by working collaboratively through the implementation value life cycle with appropriate validation points along the way.

Examples of tools, resources, and programs you should expect from your technology partner as you embark on assessing each phase of the value life cycle include:

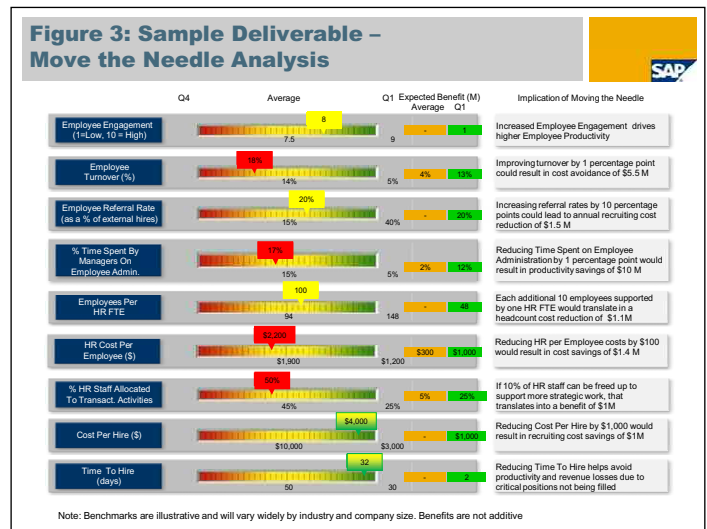
1. Industry Benchmarking: Ask your technology partner to provide you with access to industry benchmarks and to help you assess your organization's current performance against industry peers. Best-in-class vendors will facilitate access to formal and mature benchmarking programs or even manage such a program to help you diagnose the business performance of your organization and to understand where your organization might experience performance gaps (see Figure 2). Ask for benchmarks based on vendor customer and non-customer data that reflect average and best-in-class performance levels for the industry regardless of software usage, as this will provide the most objective perspective.



2. Industry Best Practices: Ask your technology partner to help you understand best practices driving business performance, how they are enabled by technology, and where your organization stands in having adopted these best practices. Best-in-class technology vendors will not only have a formal process/offer in place to assess the maturity of your business process

and technology best practices, but they will also have proof points to show how increased adoption of best practices leads to improved business performance to help justify your business case, and explain how technology enables those best practices. Understanding where your organization is today, what the benefits are to move to the next level of maturity and what the enabling technology is to move to that next maturity level, should be the foundation of every solid, well-structured roadmap.

3. Value Consulting: Ask your technology partner for value consulting support and resources. Best-in-class partners provide their own value consulting practice with support available through multiple geographies. For support during the value discovery phase, expect consultants with deep expertise in business processes and technology plus significant experience in developing a business case. For support during the value realization or optimization phases, request consultants with expertise in implementation governance. Expect senior consultants able to connect with your executives and able to credibly present your organization's business case and to interact with both business and IT audiences. Analysis capabilities should be deep and results should be presented in a visually compelling way (see Figure 3).



4. Customer Value Networks: Customer value networks are structured communities with periodic events to exchange experience with peers from IT, business, and executive levels with a specific focus on value delivery and the best practices driving business value. Customer value networks go beyond user groups, as they also address the questions of senior executives and business audiences relative to value optimization and best practices. For HCM, for example, a best-in-class vendor should provide access to a thriving network of senior HR executives willing to share their knowledge with the network and to speak about the practices they use to optimize, for

example, their collaboration with IT, to improve adoption of new HR tools by employees and managers, or when rolling out new processes. Ask your technology partner if they offer participation in a customer value network, who participates, how frequently the network meets and topics discussed.

5. Value Proof Points: Ask your technology partner to provide value delivery proof points from other customers using the partner technology platform. Best-in-class partners will go beyond quotes or generic endorsements to provide documented case studies of customers who went through a business and technology transformation within their organization, achieved great business value, and are willing to document their achievements publicly. In HCM for example, look for case studies where customers documented their cost savings, cycle time reductions, and other improvements in HR efficiency and effectiveness.

These are just a few examples of what you should ask your vendor, and what you should expect from a best-in-class partner. As value delivery is a critical consideration, your technology vendors/partners should not be selected based solely on their software capabilities. Instead, they should also be judged on their ability to support your organ-

ization consistently throughout the entire value life cycle, their expertise in doing so, whether supporting services are free or fee-based, and how they provide you access to peers on all levels – IT, business and executives – in like companies. Software capabilities are only one of several factors impacting the success of an HR transformation, and the additional support a vendor can provide should be factored in when selecting your vendor.

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About the Author



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