LET'S TALK APPLICATIONS

ENTERPRISE RESOURCE PLANNING

ACCELERATE BUSINESS VALUE WITH SAP INSTANCE CONSOLIDATION

THE AVERAGE OPERATIONAL COSTS OF RUNNING A SINGLE INSTANCE OF SAP ARE 25–40% LOWER THAN RUNNING MULTIPLE INSTANCES

THE FUTURE OF SAP RESEARCH, 2013 by HCL

THE **OPPORTUNITY**

"The average operational costs of running a single instance of SAP are 25 – 40% lower than running multiple instances"

"88% are running at least one version of 4.7 or older – all systems which are currently out of support"

"The average SAP customer only uses 65% of its licensed Bill of Materials, yet it pays maintenance on the complete licensed value"

Source: The Future of SAP Report, 2013 by HCL Technologies

From all the research that has been done it is absolutely clear that by consolidating SAP instances organizations can realize significant operational savings.

It is equally clear that SAP's future roadmap is based on developing the new capabilities of its HANA platform for its SAP S/4HANA suite. To migrate to these new developments – and gain the substantial benefits they promise – organizations will need to update their installations to the latest version of the current software. Doing this for multiple instances, could result in massive costs. On the other hand, if organizations consolidate down to a single instance before migration, the costs will be significantly lower and the transition much simpler, which only furthers the case for instance consolidation.

In short, at HCL, we believe that organizations should seriously consider consolidating their current SAP systems onto a single instance of the latest version of SAP in order to:

- Take advantage for the inherent operational and infrastructural cost savings associated with running a single SAP instance
- Take the opportunity to rationalize their SAP license base and reduce SAP maintenance costs
- Position themselves for a low cost migration to the SAP Business Suite or SAP S/4HANA.

For a typical Fortune 2,500-user SAP customer, we believe that these savings amount to $15-20 million over a five-year period.

"There are no technical reasons why organizations cannot run a single global instance of SAP"

Source: SAP AG

"The average instance consolidation project costs 70 – 80% of the original implementation"

Source: HCL Research

TECHNICAL **CONSOLIDATION**

Many organizations have embarked on instance consolidation by effectively re-implementing their existing SAP solutions from scratch, without properly considering how they use them and, in particular, what works and what needs to be improved. As a result, they are spending tens to hundred's of millions of dollars on the process.

At HCL we think that this approach is fundamentally flawed, as it fails to take into account both the obvious synergies of doing an SAP to SAP migration and the huge wealth of knowledge and information embedded within the existing SAP systems, information that can short-circuit the design and implementation of a new consolidated, single instance.

In our experience, the first activity of any instance consolidation project should be to extract and analyze this information and use it to drive the design of an optimal instance consolidation project for each specific organization. The following table outlines how we use this information to help us design and optimize these projects.

LEGACY SAP ANALYSIS	OPPORTUNITY
Which configured processes, code blocks, and custom developments are actually being used by the business?	• An immediate focus on only those processes required to run the business • The ability to eliminate non-utilized processes, code blocks, and custom developments, in particular enhancements, forms and reports.
How efficient are the existing SAP processes? For example, what: • Manual intervention is required in processes • On-Time in Full Process Completion • Process re-work is required • Are the process durations	• The identification of inefficient processes where additional process re-design could deliver operational savings
Which processes are heavily customized and can be redesigned to be standard?	• Take advantage of standard delivered functionality and evaluate if S/4HANA simplifications can add immediate value
Which master data is being used in processes?	• The identification of unused or scarcely used master data which can potentially be eliminated from the new system
User activity analysis – who is using SAP and to do what?	• The identification of users that can be moved to surrounding applications
How far away from standard SAP are the configured SAP processes?	• The identification of which processes are standard SAP and hence can be copied unchanged to the new solution • The identification of processes which deviate most from standard SAP and, as a result, are candidates for re-design

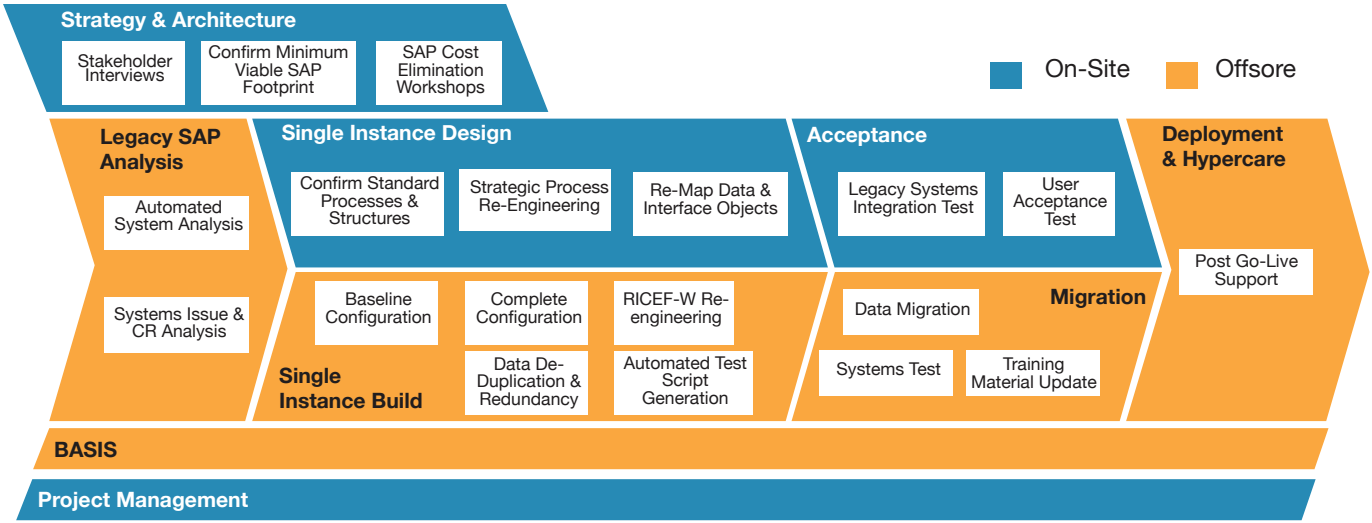
To help in this process HCL has developed a number of automated tools to extract and analyze the information, allowing us to fast-track the design of the future single instance. In addition, by transferring bulk of the build and migration activities offshore, we are able to deliver single instance consolidation projects at a fraction of the cost against our competitors.

HCL'S **APPROACH**

Given the huge cost savings to be gained from instance consolidation and SAP footprint rationalization, we have developed a set of principles that apply to any instance consolidation project. These include:

- Development of a global single instance (except where this is prohibited by information security requirements)
- A return to a vanilla SAP configuration
- Elimination of redundant configuration
- Elimination of bespoke coding
- Elimination of unused or limited use data
- Right-sizing to the minimum viable SAP solution footprint

In our opinion, anything that deviates from these principles must be robustly challenged, as the consequence of deviation is additional, non-value added IT cost.



LEGACY SAP ANALYSIS

Using our instance consolidation analytics toolset on either production support environments or system extracts hosted in our secure data centers, we analyze your current SAP systems to determine:

- Which processes and associated configurations are actually being used and how frequently
- How efficient the existing SAP processes actually are in terms of speed, quality, and cost
- What master data is actually being used and how frequently
- The degree of deviation of the current configuration from standard SAP

The output of these tools is analyzed to derive a set of recommendations for both what standard configuration and processes can be leveraged as well as the re-engineering opportunities that should be investigated.

The automated examination is supported by a thorough analysis of the systems issue, ticket, and change request logs associated with each of the current productive SAP systems. This helps us identify current pain points and areas for improvement.

STRATEGY AND ARCHITECTURE

The objective of the strategy and architecture phase is to understand the views of key business and IT stakeholders about the performance of the current systems and the opportunities to improve process performance. In doing so we question the current deployed scope and/or functionality in order to determine the Minimum Viable Solution (MVS), and hence the lowest SAP system cost required to support business operations. As well as stakeholder inputs we also use actual SAP usage data.

As part of this effort, we also review where new SAP functionality - such as the latest general ledger - can be beneficially leveraged to replace older, and usually more customized, functionality. The MVS is then used as the baseline for the new single instance design.

Another key deliverable of this phase is developing an agreed deployment plan that outlines the sequence in which we will migrate business units from their current SAP instances onto the new consolidated instance.

Having rationalized the high-level SAP footprint, we then work with IT stakeholders to consider other levers of SAP cost reduction, with a particular focus on infrastructure, including SAP cloud migration, support, and operational costs.

SINGLE INSTANCE DESIGN

The initial focus of this phase is to confirm the standard, non-differentiating processes and organizational structures which can be rapidly migrated to the new single instance.

The majority of the design effort is focused on re-engineering those processes which we have either identified as being inefficient, subject to heavy customization, or providing clients with significant value or competitive differentiation.

Using data from the legacy systems analysis we can readily highlight inefficiencies and non-value added steps and this information is used to drive the re-engineering process. In all cases, the objective is to return the process design to as close to vanilla SAP as possible.

Once the process re-engineering has been completed, the onshore team is able to rapidly identify any required changes to master data structures or interfaces, details of which are passed to the offshore team to allow the re-engineering of the respective RICEF-W objects.

SINGLE INSTANCE BUILD

Starting with a clean SAP instance at the latest release level, the offshore team rapidly configures the standard and strategic processes as the onshore design team confirms them.

The standard processes are implemented using vanilla SAP configuration with no modification. With the strategic processes, the on-shore design team updates the process design documentation as a result of the re-engineering work. The offshore team then uses it to correctly configure the processes.

Where enhancements, forms, reports, or workflows are required, the emphasis is on re-using existing developments from current SAP systems. In all cases the objects are subjected to automated code analysis, so the development team can identify and rectify code inefficiencies.

The offshore data team analyzes the results of the legacy SAP systems analysis to determine duplicate, unused, and slow moving master data objects. The objective is to agree with the business data owners which records can be eliminated in the migration to the new global single instance.

Similarly, the offshore testing team uses the results of the legacy SAP systems analysis to determine a comprehensive set of test scripts based on actual transactions posted in the client's current SAP systems.

Using our test builder tool, the team builds automated test scripts that have live master data as inputs and output conditions based on productive SAP system postings. Using our test builder tool to create these automatic test scripts dramatically reduces the testing cycle. It also enables a more thorough and detailed test set, supported by real transactional data.

MIGRATION

Once the offshore team has configured the system we use our library of standard data migration tools to populate the new system with the complete set of rationalized master data required to support the first deployment. Once the master data has been migrated, we execute the previously defined automated test scripts against the new single instance.

If required, our offshore training development center can either perform direct updates to client's existing training materials and solutions, or develop additional training materials.

ACCEPTANCE

The test scripts are sequenced in order to prioritize those processes that have external interfaces or dependencies, allowing the on-shore team to co-ordinate legacy system integration testing. Having tested both the SAP processes and legacy system integration on a full productive data set, we then move to User Acceptance Testing, which is performed by client personnel supported by a small onshore test team and assistance from the offshore team.

As all previous testing has been performed on live master data and validated against the results of productive SAP transactional postings, user acceptance testing can be streamlined, focusing on validating that the previous test transactions actually produced the expected results.

DEPLOYMENT AND HYPERCARE

Once the client test team has completed user acceptance testing, our offshore BASIS team builds the single instance production system using the same approach that was used to create the test system, with the additional step of performing master data delta loads, open item migration, and limited transaction history.

Again, as this is an SAP-to-SAP load, that uses our standard SAP migration tools and has extremely limited modification. Once the production system is built and commissioned, it is released to the user community with a short post go-live support period being provided remotely.

The use of the analytics tools described above, coupled with the approach detailed in this brochure, has delivered instance consolidation projects faster and at lower cost than our clients ever believed possible.

WHAT OUR **TOOLS REVEAL**

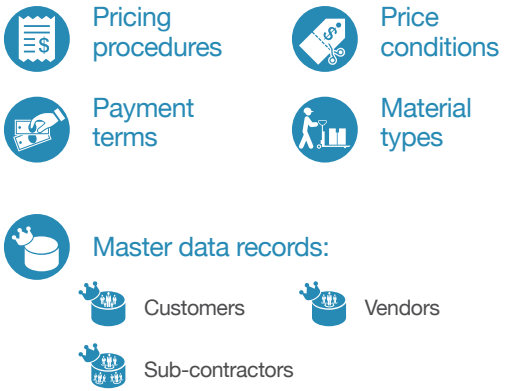
Which processes are currently being utilized?

Every single transaction recorded in SAP links back to the supporting configuration. Our tools analyze the SAP transactional information in each system being considered for consolidation and correlate this to configuration information to determine which configured processes are actually being used, in what volumes, and for what customers, products, and suppliers.

Proof Point
At a recent engagement we discovered that although there were fourteen different sales order types configured, only eight had been used over the last 24 months, and that four order types accounted for 99.2% of posted orders.

Which master data/code blocks/configuration elements are currently being utilized?

In a similar way, our tools analyze which configured master data, code blocks, and configuration elements are actually being utilized in posted SAP transactions. Where configured elements are not being utilized the implication is that they can be removed from the consolidated instance.
Typical examples include:



Proof Point
A European Oil Major had 400+ pricing condition types configured. When we analyzed them we found that less than thirty were ever used, and 98% of all orders were priced using twelve condition types. In the end they reduced the number of condition types to about 24.

How efficient are the configured processes/where does process leakage occur?

SAP either directly or indirectly records the vast majority of process performance measures about:

- Process speed
- Process cost
- Process quality

In our experience very few organizations extract this information and use it to improve process performance. But we think it is essential to any instance consolidation project, if that project is going to deliver a set of streamlined, optimized consolidated business processes.

Proof Point
A global pharmaceutical analyzed their invoice approval process and discovered that invoice approval delays voided early payment discounts in 96% of cases.

A global office machine manufacturer analyzed its European telesales operations and discovered that 54% of sales orders in the UK were manually over-ridden in one country, driving sales margin down considerably.

A US complex equipment operator analyzed its warranty claims process and discovered that 65% of all component failures within warranty life were not notified back to the OEM.

THE **NEXT STEP**

To help you discover the opportunity for SAP cost reduction in your organization, we are pleased to offer you a no cost* benchmarking assessment.

As part of this assessment, we will:

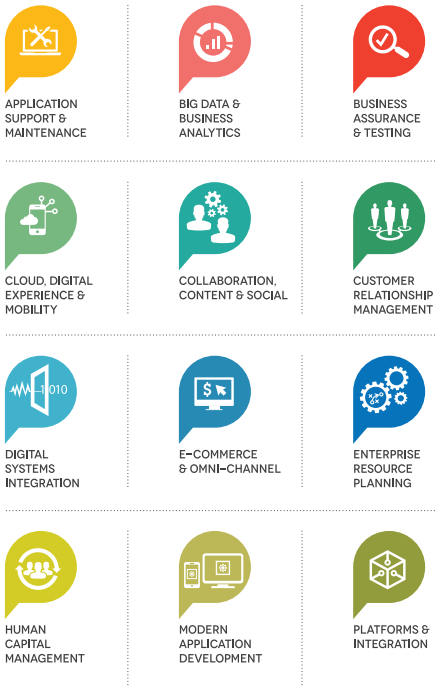
- Conduct a high-level review of your global SAP landscape
- Benchmark your landscape against those of over 250 similar organizations
- Analyze one SAP instance using our tools, to demonstrate their value in planning instance consolidation programs
- Share insights about the new SAP technologies and how these might be leveraged as part of a consolidation program

The outcome will be a report that provides an overview of the high-level business case for consolidating your SAP landscape. This will include a description of potential process improvements as well as discrete next steps for building a detailed instance consolidation plan.

To take advantage of this offer please:

Email: Integrated.Applications@hcl.com
Visit: www.hcltech.com

**Offer is limited to 15 organizations that will be selected purely at HCL's discretion.*



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