

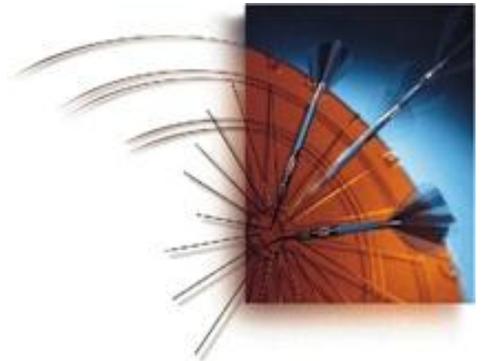


R3Now.com SAP and IT Solution Brief

No Nonsense Answers for IT Leaders

SAP Business Case for ROI, Business Benefit, and Success

Your company's SAP or ERP business case should start before your RFP, and not just at a high level. It is important to take some time up front to get educated and develop some key understanding before ever issuing an RFP.



The more educated you are:

- The better the quality of the RFP.
- The better choice you will make at vendor selection (you'll be able to see past sales pitches to the substance).
- You'll be better able to make a more objective assessment during demonstrations and to ensure that you are seeing what you really need to see to make a better decision.
- The better your project will be scoped and blueprinted, and;

Ultimately, you will end up with a better project and results overall.

To develop a solid business case to prepare for your ERP RFP and for your ERP project, SAP provides several tools to use during what they refer to as the "Discovery" and "Evaluation" phase. Some of the keys to success are in understanding how [SAP can be used in your organization as a change enabler](#) [1] to focus the business on markets, competition, and success. And although SAP's resources are good, during the early stages of an ERP project or during this "Discovery" and "Evaluation" phase they can use more insight and work. The effort and attention you put into laying this foundation for your future project will pay back many times throughout the project even if you don't see it.

Several of SAP's Discovery and Evaluation resources are designed to help you realize business value, business benefit, and ROI by applying strategic components to your SAP implementation preparation work. For years SAP has developed a free toolset for their customers called the Accelerated SAP (or ASAP) toolset. It is available freely to any customer who has access to their service portal. And it is just one of many resources and toolkits available to you as a prospective or current customer to ensure you make the best project decisions possible.

The ASAP toolset is explained in one of their publications that provides an overview of the tool [2]. Along with that SAP provides another resource called the "Solution Composer" which allows companies to do a quick, rough SAP scope for their business processes. After that rough scope is complete you can develop presentations from the scope which speaks in common language and common terms to the organization about



coming changes. This early "rough scope" can also be provided to vendors for RFP purposes as well. This Solution Composer process scoping exercise will help to ensure that you are speaking in more consistent terms to all of your vendors, in the SAP process language that each vendor should understand (if they don't understand SAP's tools, terminology, or processes you might want to look at other options, like different vendors).

The most successful business case for an SAP, ERP, or IT project will include several components:

Value Proposition Elements

- Operational Excellence - expected cost reductions from automating and improving ongoing operations and their processes.
- Customer Focus – how will people, processes, and technology enable operations, goals, and reports to focus on the customer needs and wants? How will sales, marketing, and customer service be integrated and extended to delighting the customer? Tools and resources to empower customers for success with the organization's products and services.
- Innovation – Tools and resources to support internal and external collaboration, engineering efforts, and market intelligence.

Competitive Pressures

An honest assessment of the organization's strengths and weaknesses in the four core competitive pressures businesses face [3]:

- Customer options
- Vendor power
- Existing competitors
- New (innovative) products or services.

Underlying the value propositions and the competitive pressures is the need for solid business goals and metrics that you expect the software application to **enable**. [I've provided some insight on the process of developing meaningful KPIs which can become the basis for a solid business case.](#) That article helps to define the business drivers that are necessary to intersect with technology. By [changing how you look at SAP to focus on the business rather than the technology](#) you are far more likely to achieve great results and more satisfaction with your implementation. And on top of that, by making the business drivers the focus of all of your efforts you will also gain more meaningful insight into aligning the right implementation vendor with your technology project.

For success in highly competitive global markets your organization must be agile enough to change and adapt as necessary. This is true no matter what the size of the organization is. And by focusing on business needs



rather than just on the technology you are far more likely to design processes, goals, metrics, and project expectations that will help to keep you from getting locked into rigid technology restrictions.

Where to start with developing a solid SAP business case based on business and IT strategy:

1. Get your company “A” team together to work on the initial project definition. Be sure they are the people that will have key responsibilities for the SAP project (and they should be key decision makers for the vendor selection process).
2. If you have **not acquired an SAP software agreement yet** then contact an SAP sales rep and ask about getting a copy of the ASAP toolset as part of your evaluation process for software selection. Be prepared for the sales pitch but if you have not yet decided on SAP just insist that you are going through the up front due diligence of Discovery and Evaluation of what SAP might be able to offer.
3. If you’ve already agreed to purchase the SAP software then have your sales rep give you access to SAP’s ASAP toolset. Install it on any web server (Apache, IIS, etc.) and begin getting your team familiar with it.
4. Set a timeline and deadline for the initial project team to produce a business case with your company’s core strategic direction.
5. Get familiar with the ASAP tool set.
6. IF you have an SAP software agreement then you also have something called “IDES” available to you free from SAP. That is a complete SAP system used for training by SAP America. It is the full and complete application with pre-loaded data for a fictitious company. If you are a licensed SAP customer it is NOT a trial version, it is an educational version that does not have some short term expiration date. Along with it you can also go through installing some of SAP’s Best Practice scenarios to get more familiar with the Best Practices resources SAP provides.
7. If you do NOT have an SAP software agreement or if you do not have the time or resources to set up an internal educational system there are several reasonable online services for direct SAP access. You can find one such service listed at the link here: <http://www.r3now.com/links?cat=Education>
8. If you set up the SAP IDES system, or decide to get remote access, then have several key decision makers about the SAP vendor selection begin to get familiar with the software to help with your own understanding.
9. **Get familiar with the ASAP tool set.**
10. Plan on spending about 3 – 6 months on all of this PRE-project prep work depending on the size and complexity of your company and implementation requirements. It may take 2 - 4 weeks or more just to put the RFP together after you have had a few months exposure to SAP's resources and tools.

From this exercise one of the most critical drivers of success in the initial business case will be the ability to define outcome based **business drivers** for the project. These outcome based business drivers should be articulated in such a way as to be able to be verified after go-live and sufficient enough to write a contract with a vendor to include them along with penalties for lack of compliance.

No matter how you draft, define, or craft your business case it should contain a few critical elements:



- People - the expected organizational effects or company changes such as: changes in workforce behavior, more collaboration, greater cross-functional cooperation, more customer focus, etc.
- Process - the existing business processes will be implemented along with any expected cost savings from improvements or automation (lagging indicator processes).
- Process and Technology - any new business processes that will address competitive pressures or value propositions and any expected savings or revenue opportunities (lagging and leading indicator processes).
- Technology - the Key Performance Indicators (KPIs), reporting requirements, goals reporting, and other metrics that the SAP implementation will address and provide the details for (lagging and leading indicator reports). This would also include any new technology that is needed or desired to reduce operational costs or improve revenue and profitability.

Notice that this business case includes the three key areas of business process and technology intersection in the marketplace--, people, process and technology. It is equally as important to note that **the best business case will also focus on both lagging and leading indicators of success**. And one other key point to keep in mind is that this type of business case is focused on business transformation. Transformation in the form of developing an organization that is more focused on competitive pressures, company value, and growth. As a result all any application can do is to enable those transformation efforts, and it can lead them, but it cannot make them happen. **The best measure of success of your SAP project is whether the tools, resources, and means to achieve that business transformation were delivered as expected. In other words, did the implementation provide you with the tools and resources you need as a business to address your business drivers and your business reasons for doing the project?**

No software, technology, or even capital equipment is going to suddenly make you money by itself. Even capital equipment needs the raw material, labor, or service inputs that produce the products or services you make in a new, cheaper, or better way. In other words, no equipment or technology investment alone is going to create revenue, profitability, or cost savings without having proper inputs and outputs to use that resource. It is the new or more effective way of processing those inputs and outputs that makes the difference and this is where your business case should focus. What do you hope for SAP or any other technology to enable your business to do better.

In the end, business transformation must come from the business although it is enabled by the technology.

From this business case a set of “success criteria” and of strategic goals, initiatives, processes and reports can be defined to be included in an RFP to a vendor. And although I’ll write another post on RFPs another day, one of the most important focal points of an RFP and of an SAP project is in achieving “operational independence” which is just a fancy way of saying that you have developed the internal competence to be able to process day to day SAP related issues without outside vendor involvement.

If there is sufficient funding available it would also be helpful to bring in one or two very seasoned contract veterans at this point to help educate you and your team about the ASAP methodology, SAP’s Best Practices, solutions options, help with an RFP, and in learning how to use the SAP system, etc. And even if you don't



have an SAP license yet, your company may wish to use one of the educational services that provide access so you can get some initial exposure to the application with no risk and no obligation.

If you decide to bring on an outside contractor or outside vendor resources to help with the initial efforts it would be to your advantage as a company to insist that by accepting that responsibility they will not be allowed to participate as a competitive vendor during the RFP. This will prevent your up front efforts from being skewed or distorted to have the “deck stacked” to ensure only they get the project. In spite of these incumbent vendor or consultant claims, or their sales pitches on how they know your business the best, you are likely better off using their talents for the vendor selection and for guidance during the actual project.

Whoever you bring in during the Discovery or Evaluation phase (independent contractor or implementation vendor) it would be best to draft an agreement that they are not allowed to participate in the RFP process as a competitive vendor. However, depending on your vendor selection it might be a good idea to work out an arrangement with the incumbent vendor who helped during the Discovery or Evaluation phase to be first choice for project staff augmentation of your internal resources or staff augmentation for the prime vendor if they do not have certain key resources throughout the project.

Good luck on your SAP business case, it will be the beginning of a business focused journey that will help to move your SAP implementation, SAP upgrade, or SAP development work in the right direction toward realizing real business benefits. You might actually discover that elusive “ROI” and recognize the ERP system’s promise of enabling your organization to be more competitive in the marketplace and enhance your value proposition. Using your new system to enable the business to focus more effectively on the underlying measures that are important for revenue and profitability should be your primary goal. And defining what those measures and processes look like creates the foundation for the success criteria you need for your project.

For a little more insight read the article on [effectively scoping your SAP project](#) [4] to get some initial scoping for the SAP RFP. Being able to do some initial SAP scoping work before your SAP vendor RFP will help to level the playing field some.

[1] SAP as a Change Enabler

<http://www.r3now.com/sap-as-a-change-enabler>

Change How you Look at SAP to Create ROI

<http://www.r3now.com/change-how-you-look-at-sap-to-create-roi>

Why SAP Projects Fail to Deliver ROI (and How to Change IT)

<http://www.r3now.com/why-sap-projects-fail-to-deliver-roi-and-how-to-change-it>

Using SAP to Improve Revenue and Profitability

<http://www.r3now.com/using-sap-to-improve-revenue-and-profitability>



[2] SAP PDF files with overviews of the toolsets for use on your SAP business case.

[ASAP Methodology and Tools Overview](#) (KEY Resource)

[ASAP Proven Methodology for Fast Successful Implementation](#) (similar to the one above)

[Additional Resources for Using SAP Tools and Methodologies for Success](#) (similar to the ones above)

[3] Adapted from Harvard Professor Michael Porter's "Five Competitive Forces" model. Professor Porter adds a fifth consideration--, the entry of new competitors. This author believes that while the fifth "force" might be a valid consideration for academic purposes that in practicality if an organization were able to master the other four competitive pressures then the barrier to entry for new competitors would be so high as to make that competitive pressure irrelevant. That fifth force only becomes a real factor if one or more of the other competitive pressures sufficiently lower the barriers to entry.

[4] Effectively Scope Your SAP Project

<http://www.r3now.com/effectively-scope-your-sap-project>



Copyright © 2009, R3Now. All rights reserved.

This document is for information purposes only and its contents are subject to change without notice. This document and its information is not warranted to be error-free, nor subject to any other warranties or conditions, express or implied, including any warranty of merchantability or fitness for a particular purpose. We expressly disclaim any liability with respect to this document and no contractual obligations are formed either directly or indirectly by this document or its information. This document may be reproduced or distributed in any form which reproduces its entire contents without alteration, addition, or deletion