

## **EXECUTIVE SUMMARY**

---

# **SAP Sustainment and Support Benchmarking Study Report Prepared for IBM Canada**

Sponsored by: IBM Canada Ltd.

---

Joel N. Martin

Jan Duffy

October 2005



<b>TABLE OF CONTENTS</b>
--------------------------

	P
<b>Introduction</b>	<b>7</b>
<b>About the Benchmarking Study</b>	<b>7</b>
Methodology .....	7
About the Participants.....	7
<b>SAP Environment</b>	<b>8</b>
Infrastructure and Applications Environments .....	8
Customization.....	11
Business Warehouse/Business Intelligence .....	12
<b>SAP Business Value Contribution</b>	<b>14</b>
<b>User Satisfaction</b>	<b>17</b>
<b>SAP Support Organization</b>	<b>18</b>
Support Availability .....	22
<b>SAP Training and Education</b>	<b>23</b>
<b>SAP Sustainment Costs</b>	<b>24</b>
<b>Process and Delivery Management</b>	<b>25</b>
Downtime.....	26
Use of Frameworks.....	26
<b>In Conclusion</b>	<b>27</b>

## LIST OF FIGURES

	P
1 Respondent demographics .....	7
2 SAP Environments .....	7
3 Server platform and operating system used for SAP .....	8
4 Mission critical modules .....	8
5 Application currency .....	9
6 Intention to expand SAP implementation .....	10
7 Level of SAP customization.....	10
8 SAP Interfaces .....	11
9 Custom programs and non-standard reports.....	11
10 Number of BI instances running .....	12
11 BI/BW Environment.....	13
12 Original reason for investing in SAP .....	14
13 Business value achievement –CFO office versus SAP manager .....	14
14 Outcome achievement -- CFO versus SAP manager.....	15
15 Measuring SAP's contribution .....	16
16 Requests for additional functionality.....	17
17 Number of support staff versus users and modules .....	18
18 Use of external support resources .....	18
19 Support provided by internal staff.....	19
20 Support provided by contract staff.....	20
21 Separation of support responsibilities .....	20
22 Annual turnover rate.....	21
23 Maximizing retention and minimizing turnover .....	21
24 Approach to SAP training.....	22
25 Number of days/courses per core team member per year .....	23
26 SAP Sustainment Cost Overview .....	23
27 Actual (2004) and preferred (2005) allocation of SAP budget.....	24
28 Formal SAP processes in place .....	24
29 Planned downtime.....	25
30 IT frameworks in use.....	25



## **INTRODUCTION**

This report provides insights into the cost of sustaining an SAP environment in the Canadian marketplace, by application modules installed, IT environment, and organizational demographics based on the results of the SAP Sustainment Benchmarking Study conducted in 2005 by IDC on behalf of IBM Canada. This important effort to establish SAP Sustainment Benchmarks has produced information required for organizations to evaluate and improve the efforts and costs required in developing and sustaining a world class SAP support organization.

The findings reported in this report provide information that will facilitate comparison and evaluation of your organization's sustainment and support performance with other Canadian organizations using SAP. Insights are provided in areas such as SAP footprint, application currency, support organization, training, process resilience, and optimized resource provisioning.

Any questions pertaining to the results of this study should be directed to Lars Goransson (lgoransson@idccanada.com or 416-673-2287) at IDC Canada.

## **ABOUT THE BENCHMARKING STUDY**

The purpose of this study was to gain deeper insight into supporting and sustaining SAP in the Canadian marketplace. The research offers insights into areas such as the SAP footprint and application currency, the support organization, training, process resilience and optimized resource provisioning. The results facilitate comparison and evaluation of your organization's performance and costs with other Canadian organizations using SAP.

### **Methodology**

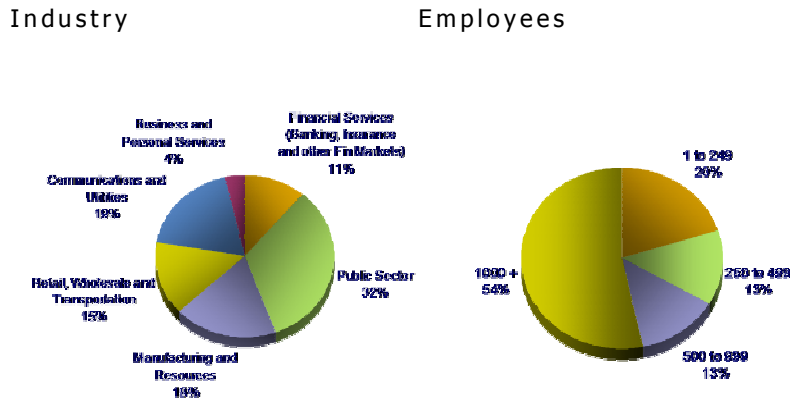
The SAP Sustainment Benchmarking data was collected from 27 Canadian organizations of varying sizes, in a cross-section of industries and locations, all of whom have implemented SAP R/3 software. The data was collected by IDC using a web-based data gathering tool. The results of the survey provide an indication of the decisions taken by those who are already using SAP in a full production mode. Although the focus is primarily on sustainment, participants were asked to provide information about the overall SAP environment in order to provide more meaningful comparisons.

### **About the Participants**

Of the twenty-seven participants, approximately half earned more than \$500 million in revenue in 2004. A broad range of industries was included in the study and the majority of the participants have more than 1000 full-time employees (see Figure 1). Twenty-five percent of SAP managers report to the CFO and more than 30% report to the CIO.

**FIGURE 1**

Respondent demographics



Source: IDC, 2005

**SAP ENVIRONMENT**

Figure 2 provides some basic information about the 27 participants and about the SAP environments being managed by the benchmarking participants. Mean, median, minimum and maximum data are provided to enhance the ability to make meaningful comparisons.

**FIGURE 2**

SAP Environments

		Mean	Median	Minimum	Maximum
	Number of R/3 production instances	2.6	2	2	7
	Number of Modules (including SAP Portal)	16.9	17	9	31
Number of Support Staff	Management	1.8	1	0	8
	BASIS	2.1	2	0	6
	ABAP	2.5	1	0	10
	Configuration Maintenance and Development	7.5	4	0	49
	SAP Help Desk	1.2	0.25	0	6
	Testing	1.0	0	0	10
	Other	1.1	0	0	11
	Total	16.3	11	0	78

Source: IDC, 2005

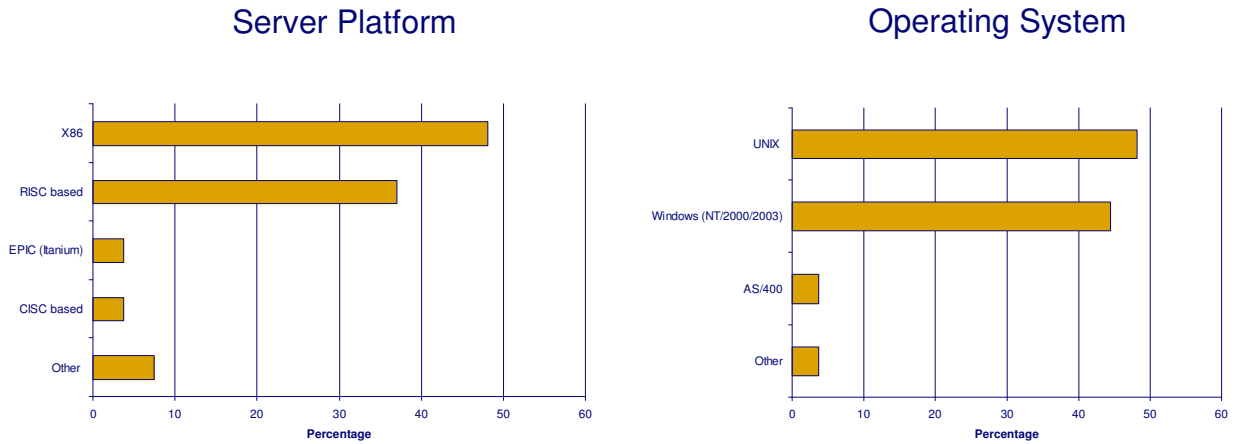
**Infrastructure and Applications Environments**

Server platforms and operating systems are critical underpinnings for any ERP application. Almost 50% of the benchmarking study participants use X86 as the server platform and there is almost an equal split between UNIX and Microsoft

Windows as the operating system chosen to underpin the SAP application (see Figure 3).

**FIGURE 3**

Server platform and operating system used for SAP

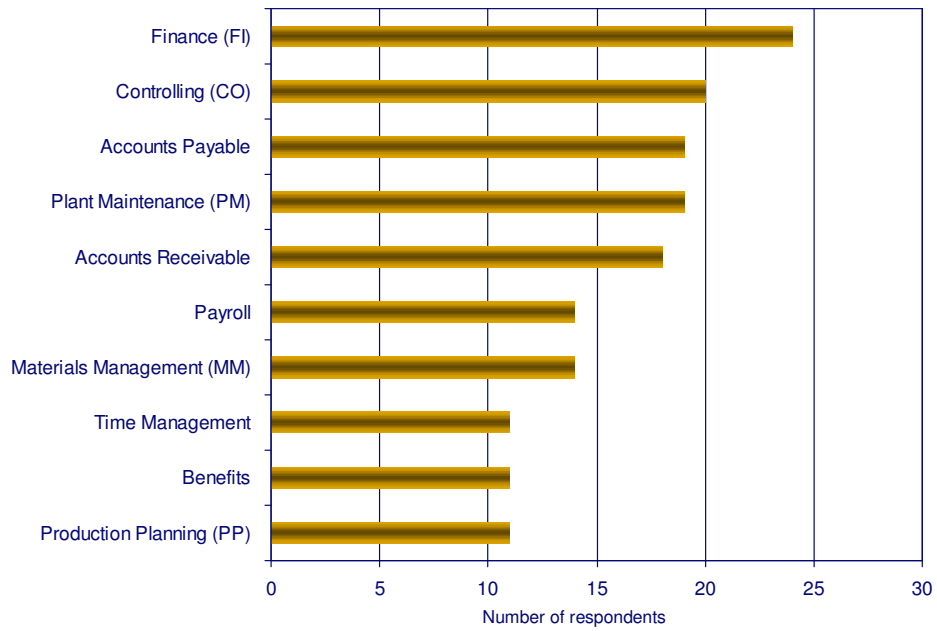


Source: IDC, 2005

Laying an SAP foundation most often begins with enterprise applications focused on core financials – the processes required to run a business and account for success. These are "mission critical" for most organizations and this is reflected in the benchmarking study findings (see Figure 4).

**FIGURE 4**

Mission critical modules

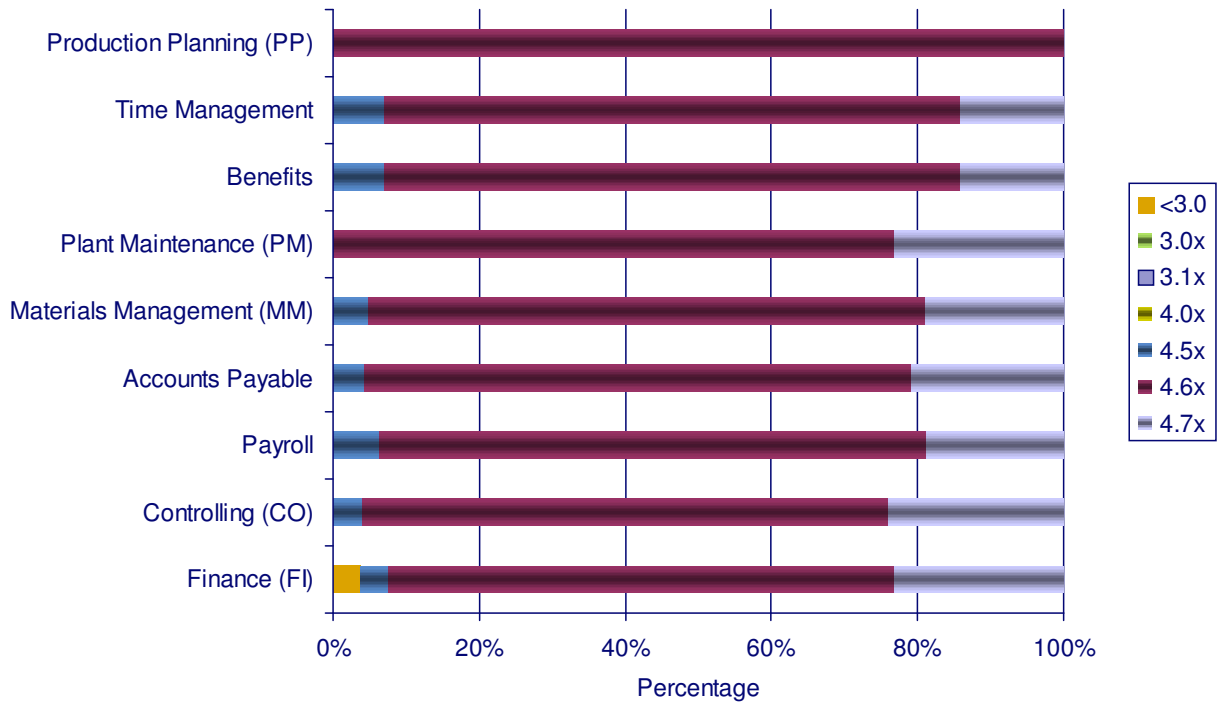


Source: IDC, 2005

Maintaining application currency, e.g. having the most up-to-date version of the software, is important from a maintenance perspective and because it supports the application's ability to deliver ongoing business value. Study participants recognized this, ensuring that mission critical applications remain current (see Figure 5).

**FIGURE 5**

Application currency

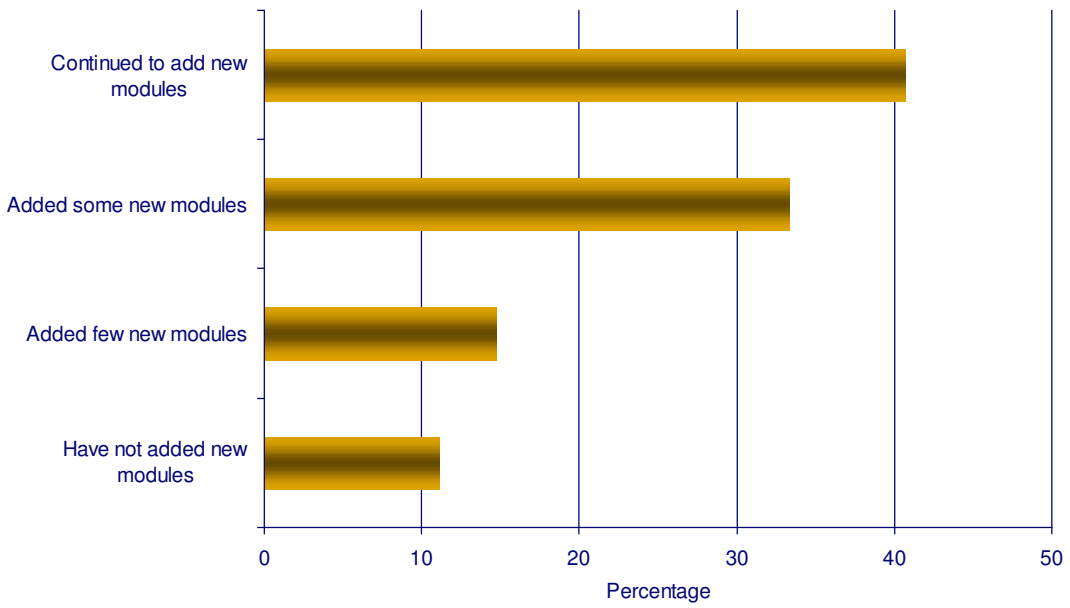


Source: IDC, 2005

A deliberate and planned strategy that focuses on a single enterprise application provider and expansion based on selected core applications is much more effective than implementing a set of disparate applications from one or more providers. The resulting environment, in this instance an expanded SAP footprint, leads to lower sustainment costs, higher quality support and a higher level of user satisfaction (see Figure 6).

**FIGURE 6**

Intention to expand SAP implementation



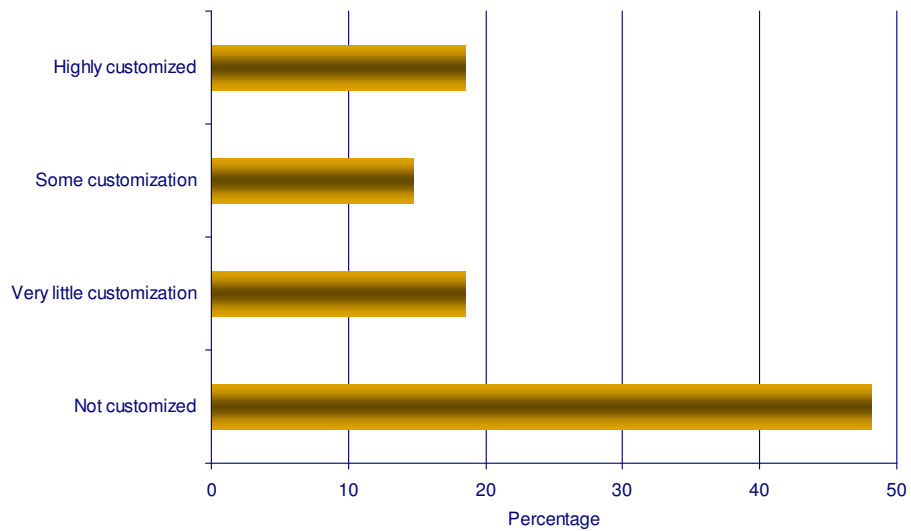
Source: IDC, 2005

**Customization**

Nearly 50% of the participants in IDC's Benchmarking Study have customized their SAP implementations to some degree (see Figure 7). This includes the development of "z-programs" and non-standard reports required by business managers. Customization allows an organization to tailor its services to a particular industry's requirements and provides for the organization to work smarter than its competitors.

**FIGURE 7**

Level of SAP customization

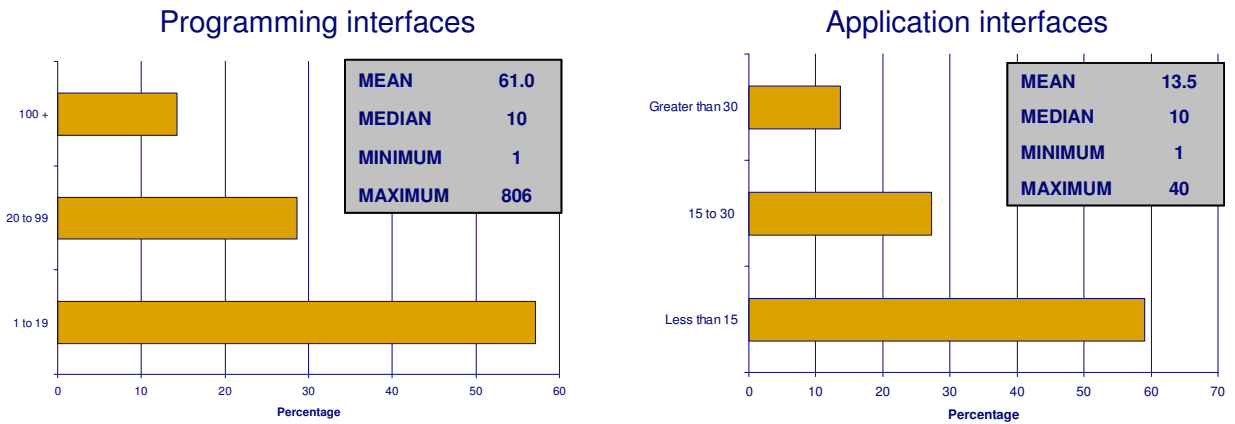


Source: IDC, 2005

Most participants are interfacing SAP with a number of applications and programs. In many cases custom programs are used and the output populates non-standard reports (see Figures 8 and 9). This level of integration and customization suggests that SAP is embedded in the organization's key business processes.

**FIGURE 8**

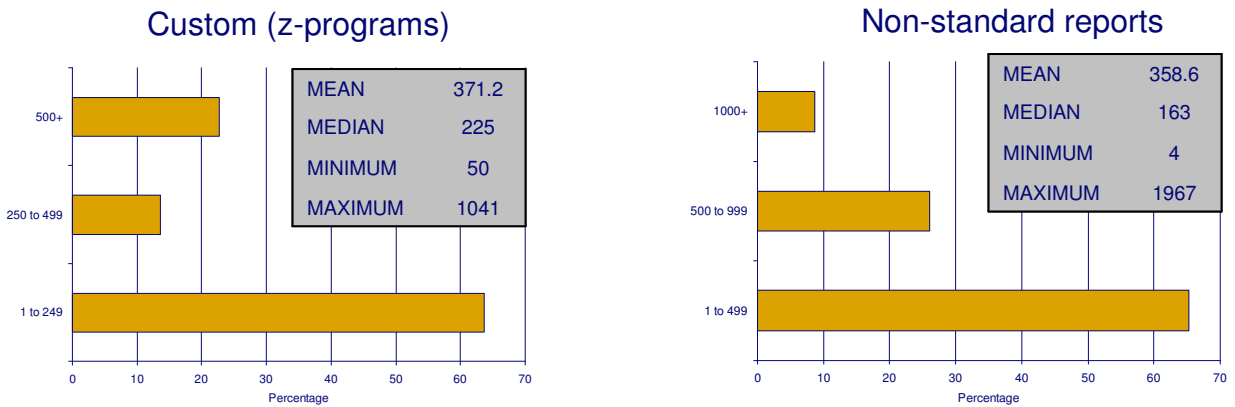
SAP Interfaces



Source: IDC, 2005

**FIGURE 9**

Custom programs and non-standard reports



Source: IDC, 2005

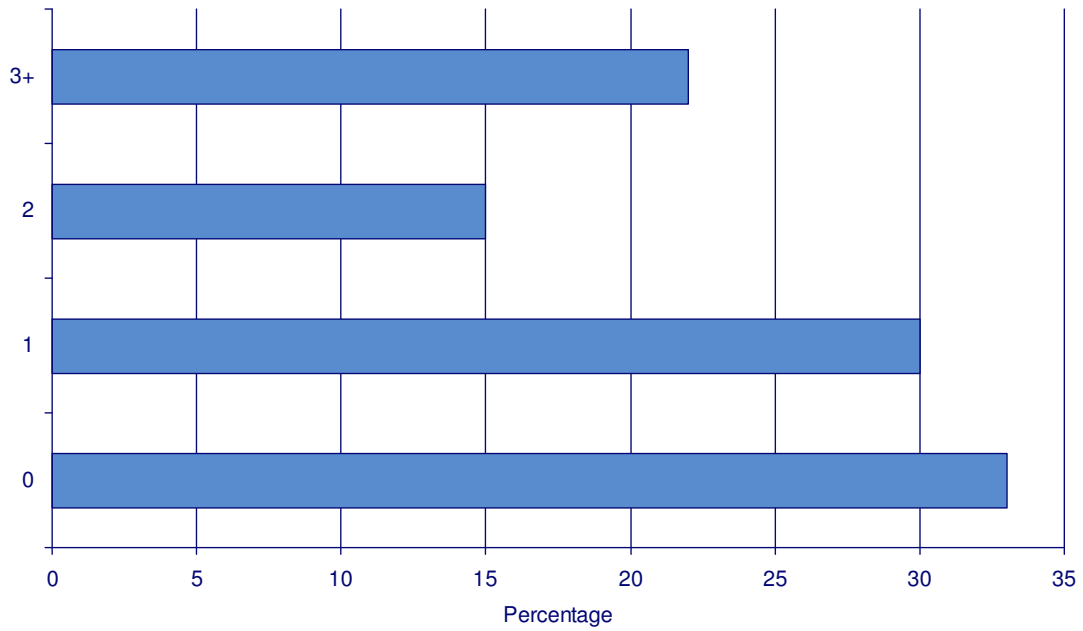
**Business Warehouse/Business Intelligence**

More than two-thirds of the respondents Have implemented the SAP BW module, thereby capitalizing on full integration of BI with their ERP system and the contribution this can make to business effectiveness (see Figure 10). Support for the BI/BW

environment is provided through remote assistance and telephone and personal visits. A relatively high level of customization and integration is in place – non-SAP data sources, modified infocubes, non-standard reports, etc. (see Figure 11).

**FIGURE 10**

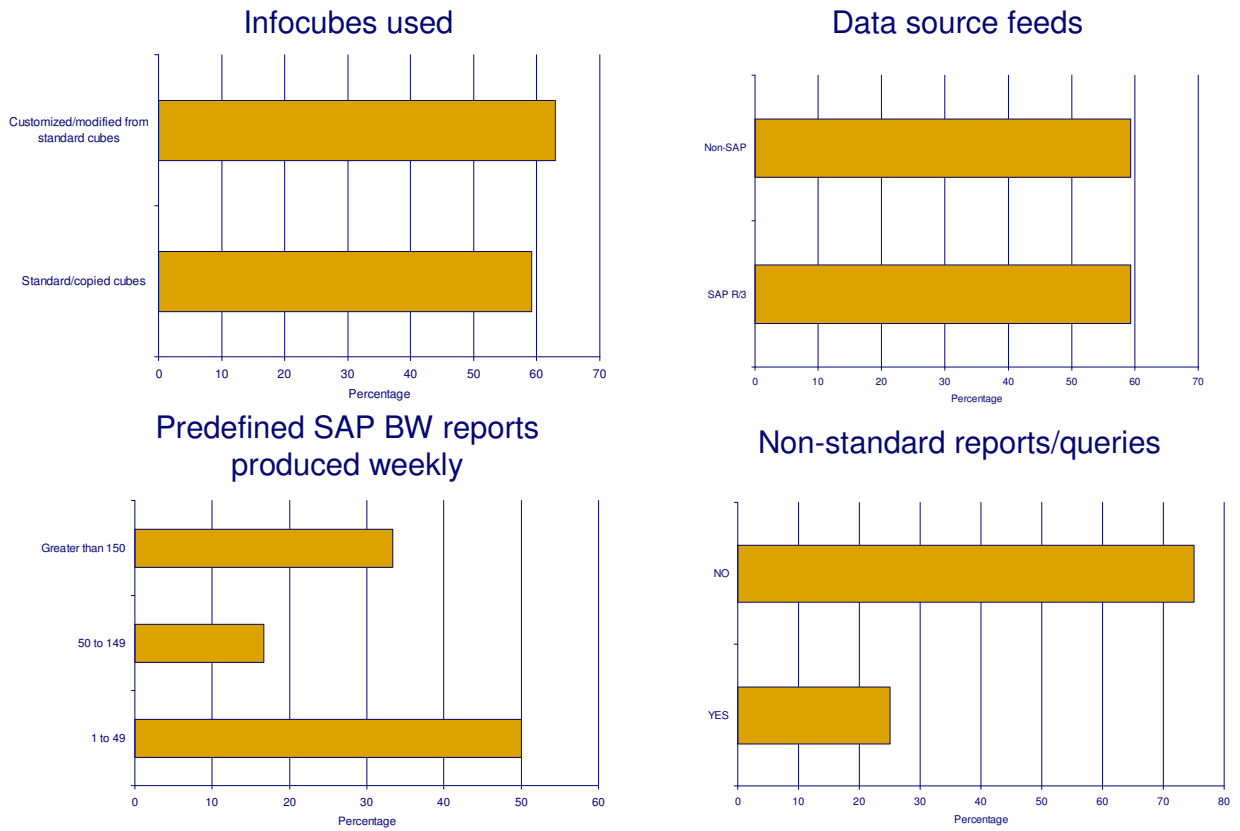
Number of BI instances running



Source: IDC, 2005

**FIGURE 11**

BI/BW Environment



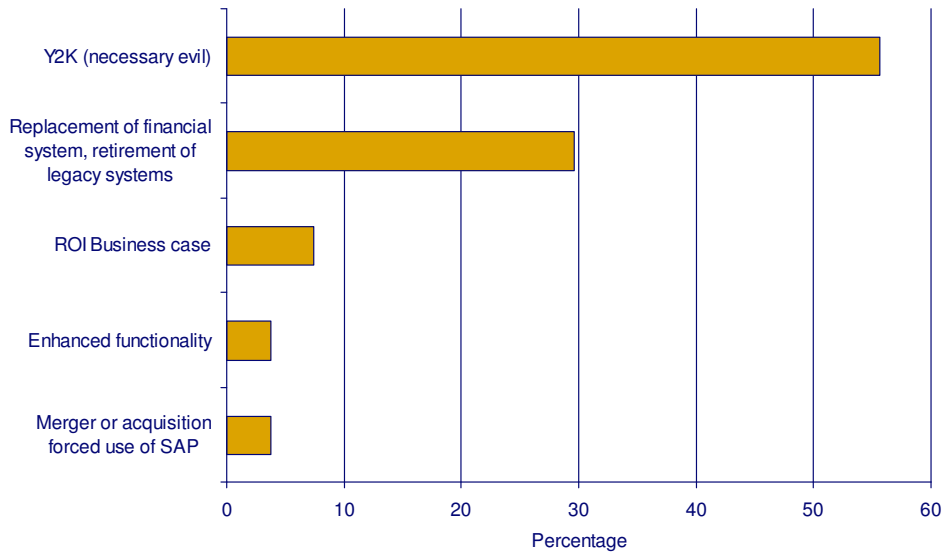
Source: IDC, 2005

**SAP BUSINESS VALUE CONTRIBUTION**

Participants provided a wide variety of reasons for initially investing in SAP; 55% indicated this investment – core to their ongoing business success – was a "necessary evil" and 30% of the benchmarking participants implemented SAP to replace an existing financial system (see Figure 12).

**FIGURE 12**

Original reason for investing in SAP

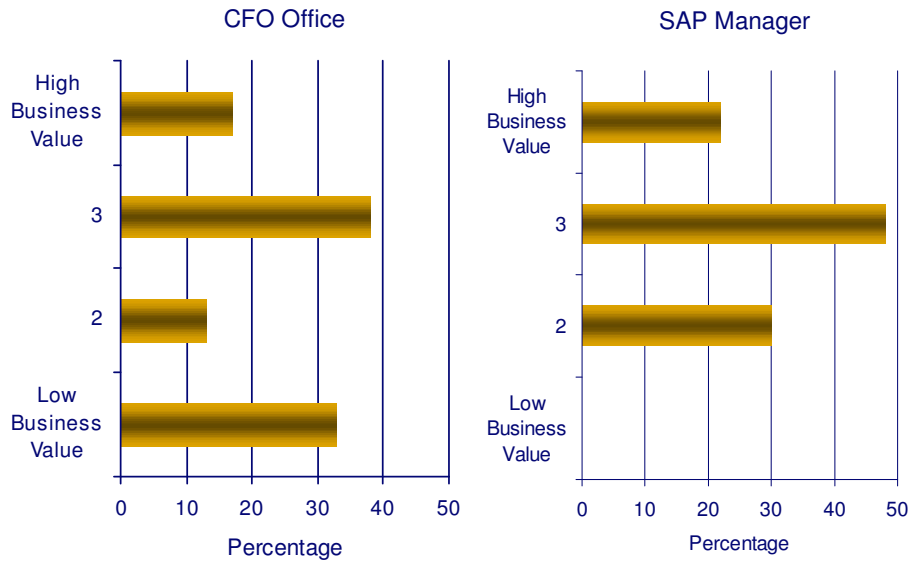


Source: IDC, 2005

Development and communication of common goals is important, as is the establishment of reward and recognition systems needed to support the achievement of these goals. Without them, there is significant risk of misunderstanding and ultimately working towards different – perhaps inappropriate – goals. In many participating organizations, the CFO and SAP Manager have differing views of application and service driven value achievement (see Figure 13).

**FIGURE 13**

Business value achievement –CFO office versus SAP manager



Source: IDC, 2005

When asked whether the SAP investment met expected outcomes, respondents from Finance were most positive about the capabilities of SAP application(s) to "enhance process stability and reach", this business measurement ranked fourth in SAP Managers' opinions. Meanwhile, SAP Managers believe investments allowed the company to "enhance [its] ability to realize return on investment on business investments"; a view not shared by respondents from Finance (see Figure 14).

**FIGURE 14**

Outcome achievement -- CFO versus SAP manager

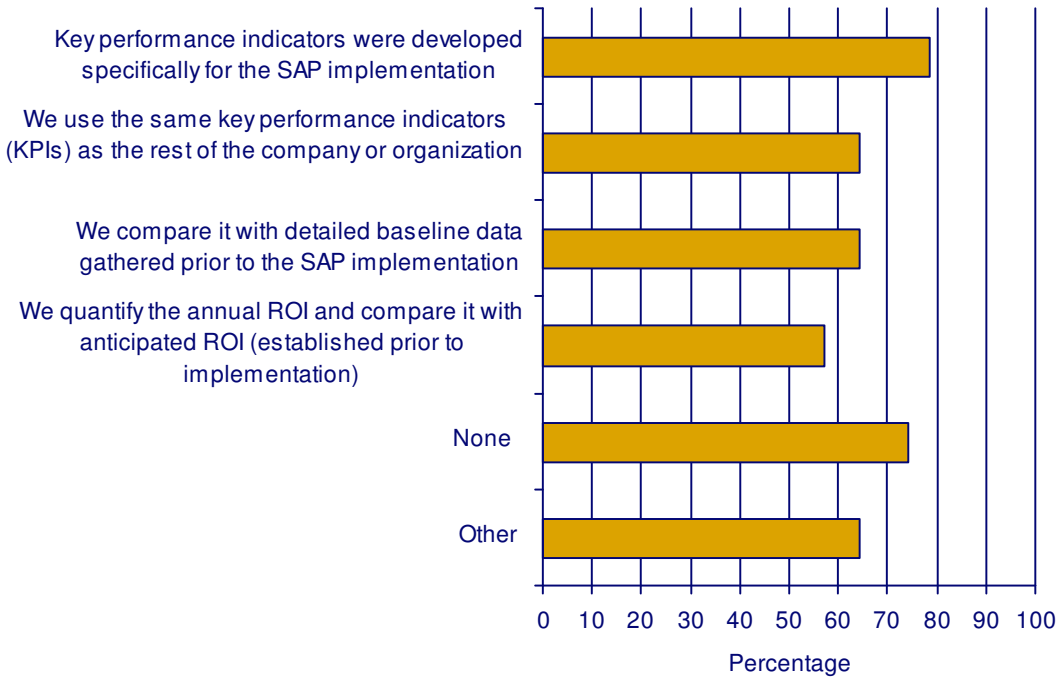


Source: IDC, 2005

It is difficult to fully capitalize on an application's business value unless its contribution is tracked and measured. Almost 80% of the participants have developed KPIs specifically for the SAP implementation (see Figure 15). Thirty-three percent of participants link SAP's contribution to business value to at least one executive's compensation.

**FIGURE 15**

Measuring SAP's contribution



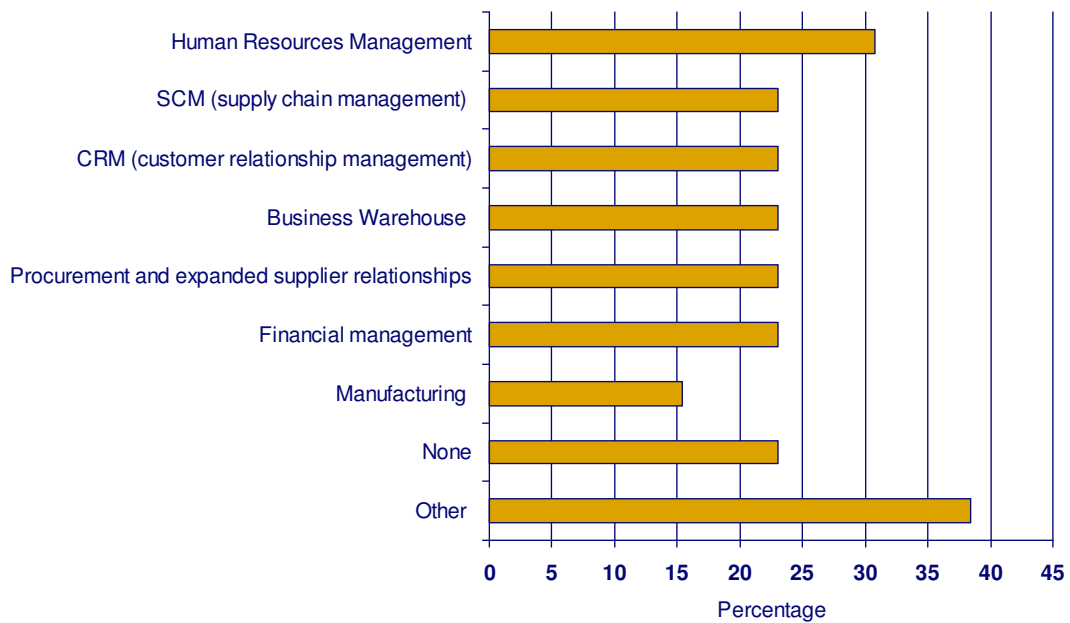
Source: IDC, 2005

**USER SATISFACTION**

Only 26% of the participants have processes in place to measure user satisfaction. Users are looking for a wide variety of SAP enhancements (see Figure 16). In addition to those shown, in more than 90% of the participating organizations users have requested improved ease of use and 70% asked for integration of back and front office processes.

**FIGURE 16**

Requests for additional functionality



Source: IDC, 2005

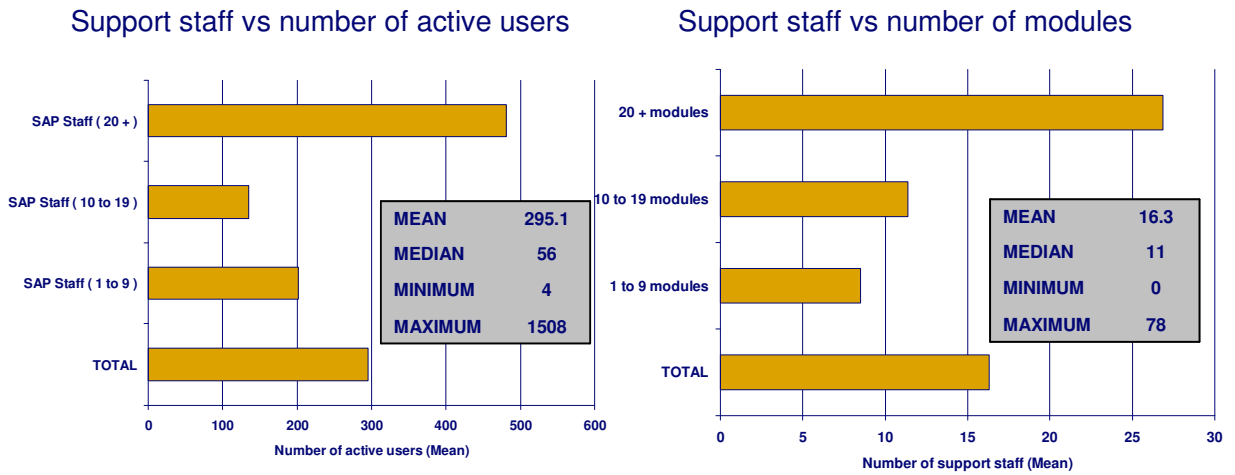
## SAP SUPPORT ORGANIZATION

A formal, centralized SAP support organization has been implemented by a resounding 82% of participating organizations and just 11% have a formal decentralized support structure. The remaining 7% appear to prefer an ad hoc approach to support since they have no formal SAP support organization in place.

Figure 17 provides an insight into the number of support staff by the number of active users and number of modules in participating organizations. There are potential differences in the circumstances in which the services are provided, for example number of modules installed, services provided and the relative criticality of the modules being supported.

**FIGURE 17**

Number of support staff versus users and modules

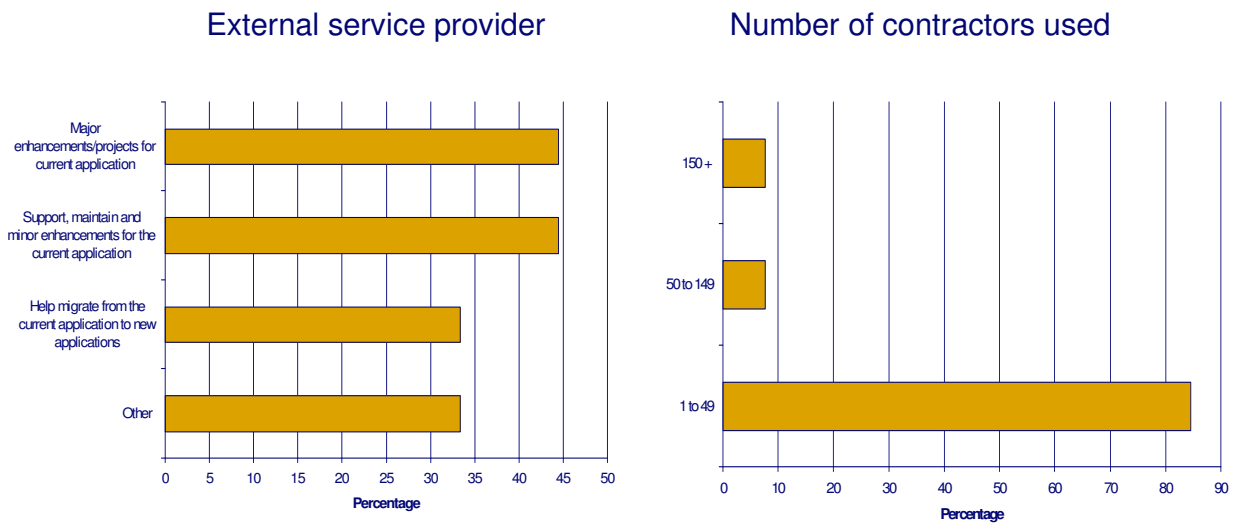


Source: IDC, 2005

More than 40% of the participating organizations routinely use contract resources to augment their SAP support organizations. These resources are primarily used to provide ABAP, Configuration, Maintenance and Development, BASIS, and Functional Services. The use of external resources for consulting and integration services is commonplace – nearly 80% of the participants are currently working with one or more of a wide range of external service providers, the majority of whom are managing custom built applications. A small number of participants are currently using external service providers to manage SAP support (see Figure 18).

**FIGURE 18**

Use of external support resources

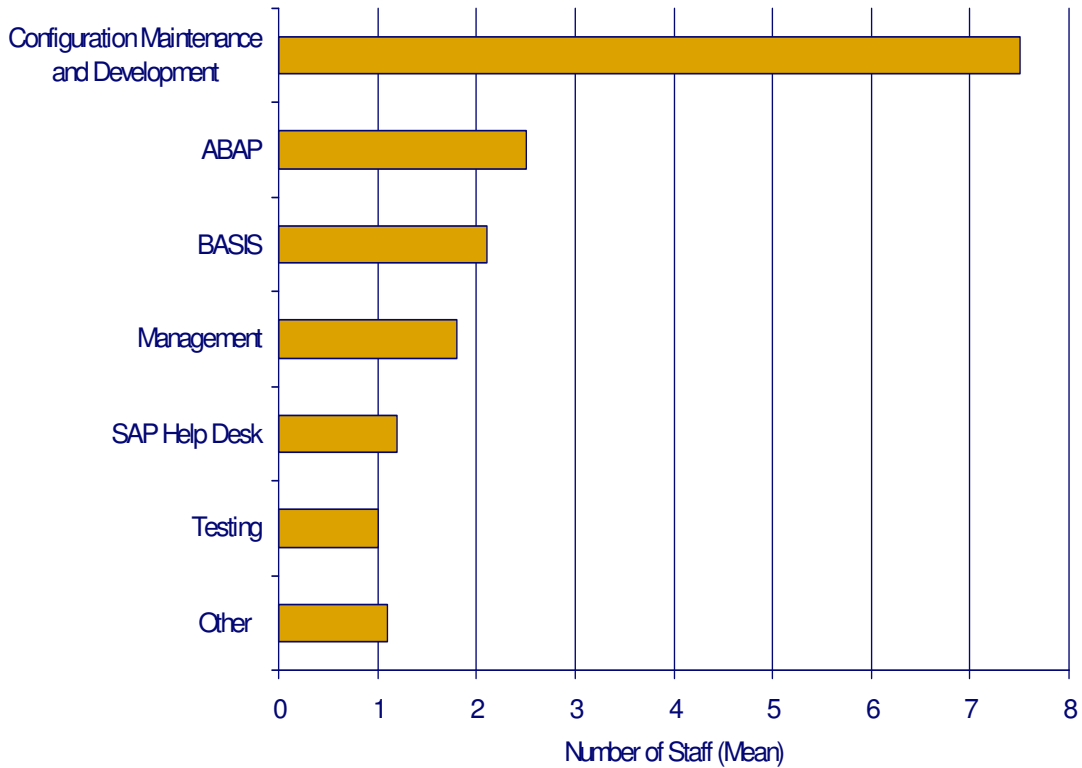


Source: IDC, 2005

Internal support resources are deployed across a full range of services, but more are deployed for Configuration Maintenance and Development than for any other service (see Figure 19). Contract staff are used by most respondents for a number of support services, although the largest percentage use contractors for ABAP (see Figure 20).

**FIGURE 19**

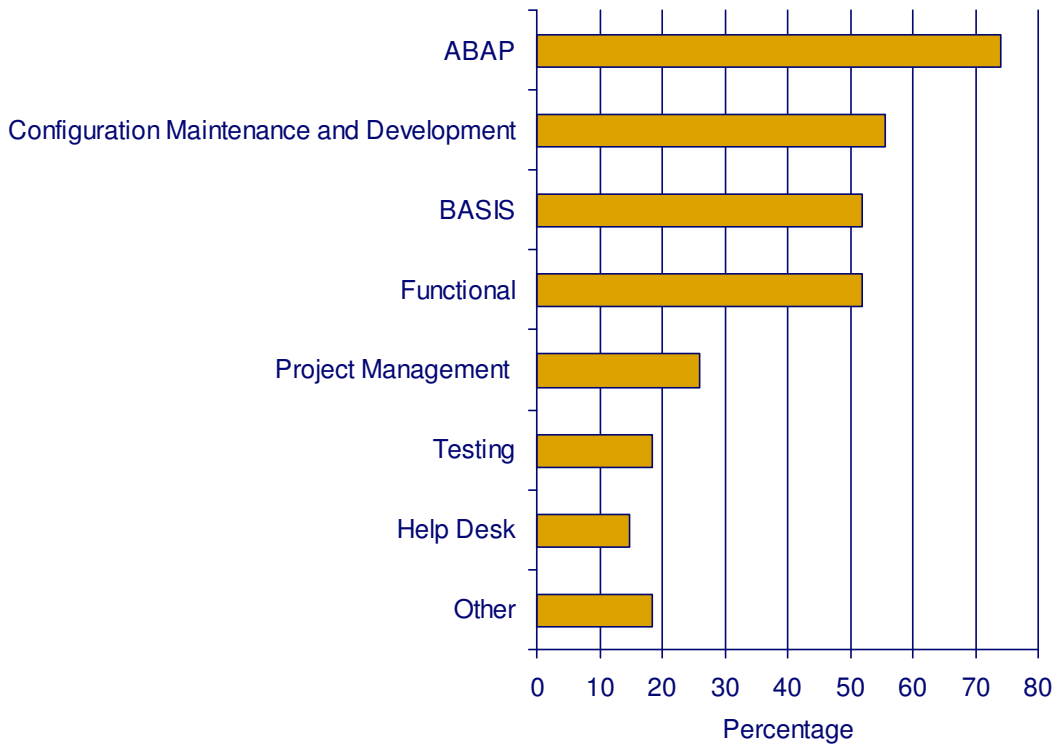
Support provided by internal staff



Source: IDC 2005

**FIGURE 20**

Support provided by contract staff



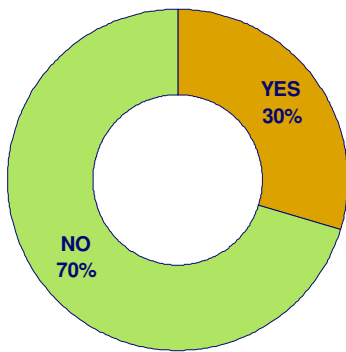
Source: IDC, 2005

The majority of respondents do not separate operational support from project delivery, but almost one-third have a separate enhancement team (see Figure 21).

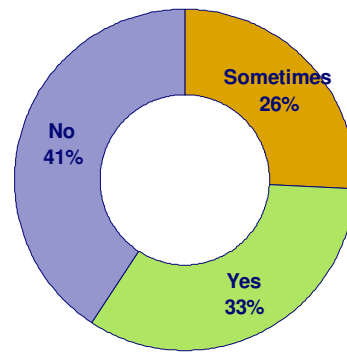
**FIGURE 21**

Separation of support responsibilities

Split between operational support and project delivery



Separate enhancement team



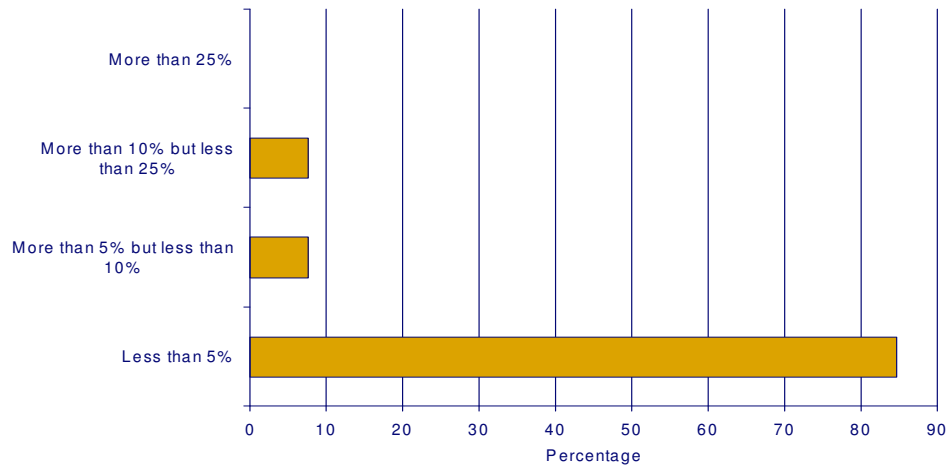
Source: IDC, 2005

## Support Availability

In more than 80% of the respondent organizations the SAP staff turnover rate is less than 5% (see Figure 22). In those organizations where action has been taken to maximize retention and minimize turnover, the most common interventions are shown in Figure 23.

**FIGURE 22**

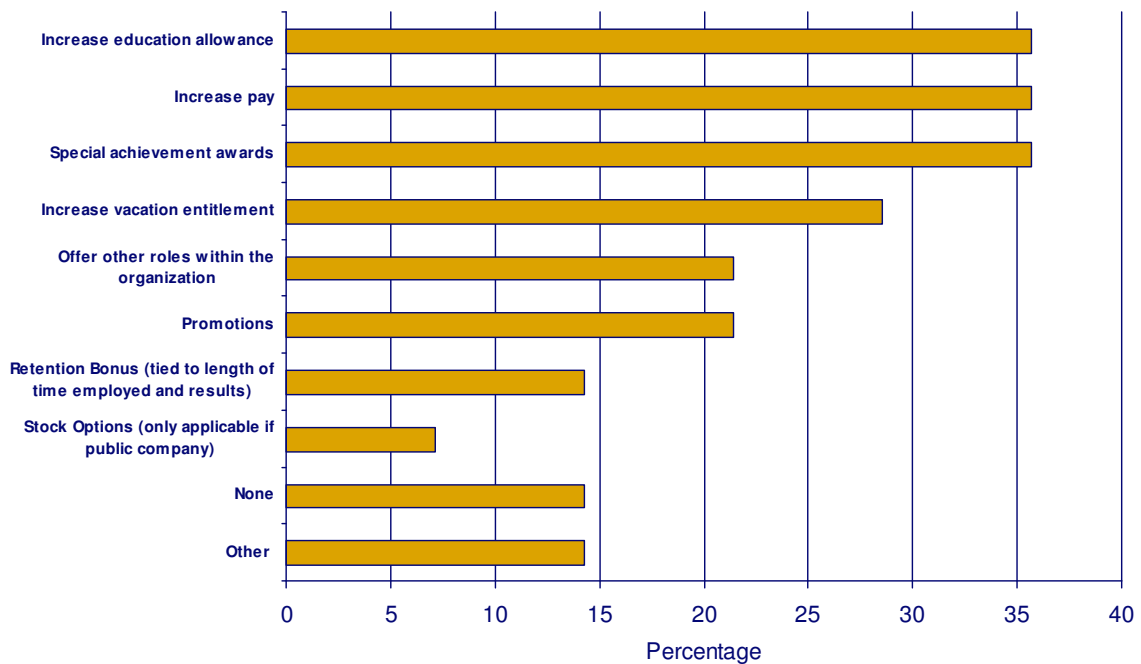
### Annual turnover rate



Source: IDC, 2005

**FIGURE 23**

### Maximizing retention and minimizing turnover



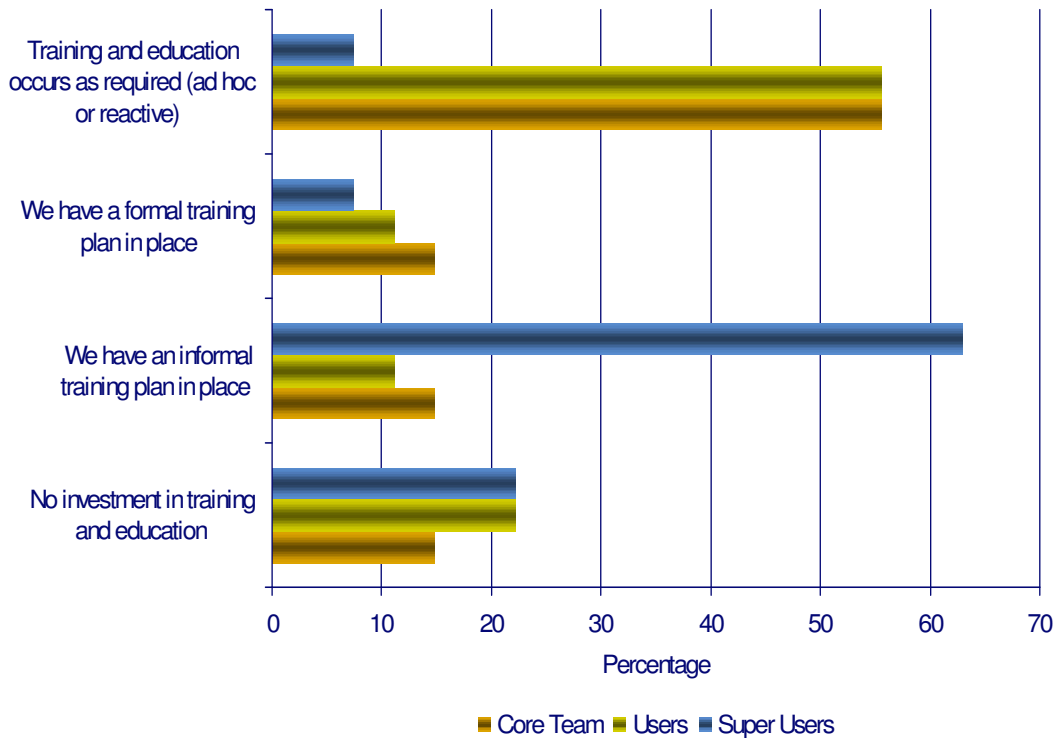
Source: IDC, 2005

## SAP TRAINING AND EDUCATION

Although most SAP managers would acknowledge that training and the transfer of skills are important, particularly when they are associated with a sophisticated tool that manages business processes, few study participants have formal training plans and 20% do not invest in training at all (see Figure 24).

**FIGURE 24**

Approach to SAP training

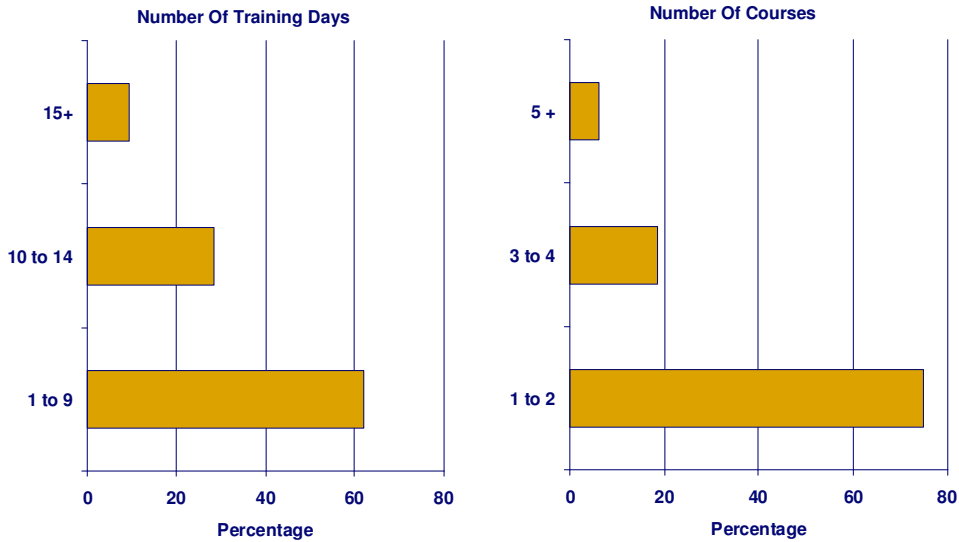


Source: IDC, 2005

The total training budget for the core SAP team is higher than \$100,000 in 15% of participants' organizations and less in 85%. The benchmarking study findings indicate that the number of training days provided for SAP core team members varies from one day per year to more than fifteen days per year (see Figure 25).

**FIGURE 25**

Number of days/courses per core team member per year



Source: IDC, 2005

## SAP SUSTAINMENT COSTS

The cost of providing SAP support differs widely; this is influenced by the type of support offered; the number of support staff (labor is the highest cost element); and the type of resources being deployed. Figure 26 provides an overview of SAP sustainment costs. In most cases there is a desire on the part of the SAP Manager to use less of the budget on sustainment activities in order to free up funds for enhancement and increased training (see Figure 27).

**FIGURE 26**

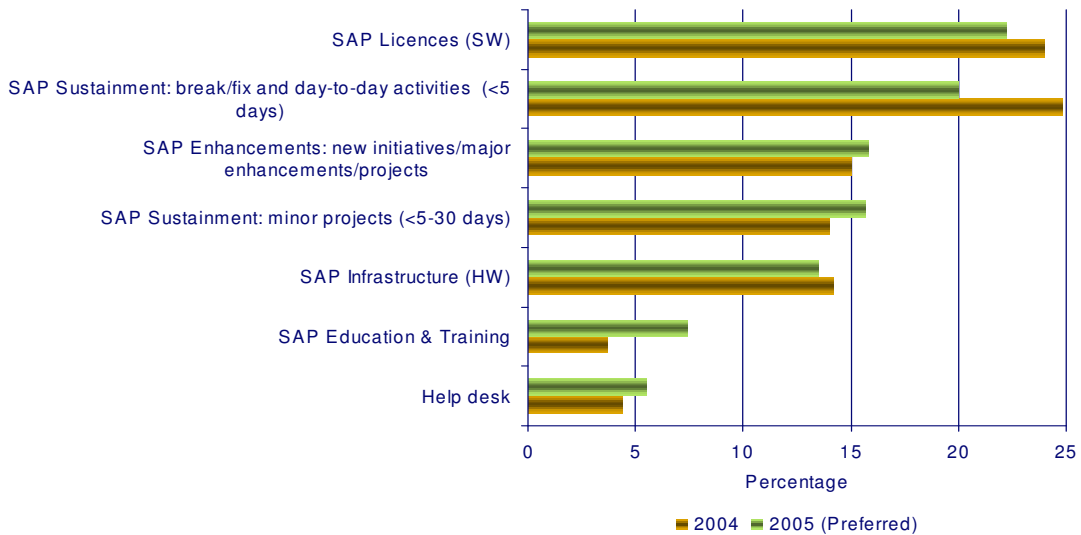
SAP Sustainment Cost Overview

% of SAP budget	Mean	Median	Minimum	Maximum
SAP Sustainment: break/fix and day-to-day activities (<5 days)	24.8	20	0	70
SAP Sustainment: minor projects (<5-30 days)	14.0	10	0	41
SAP Enhancements: new initiatives/major enhancements/projects	15.0	11	0	50
<b>TOTAL Sustainment</b>	<b>38.8</b>	<b>37.5</b>	<b>0</b>	<b>100</b>

Source: IDC, 2005

**FIGURE 27**

Actual (2004) and preferred (2005) allocation of SAP budget



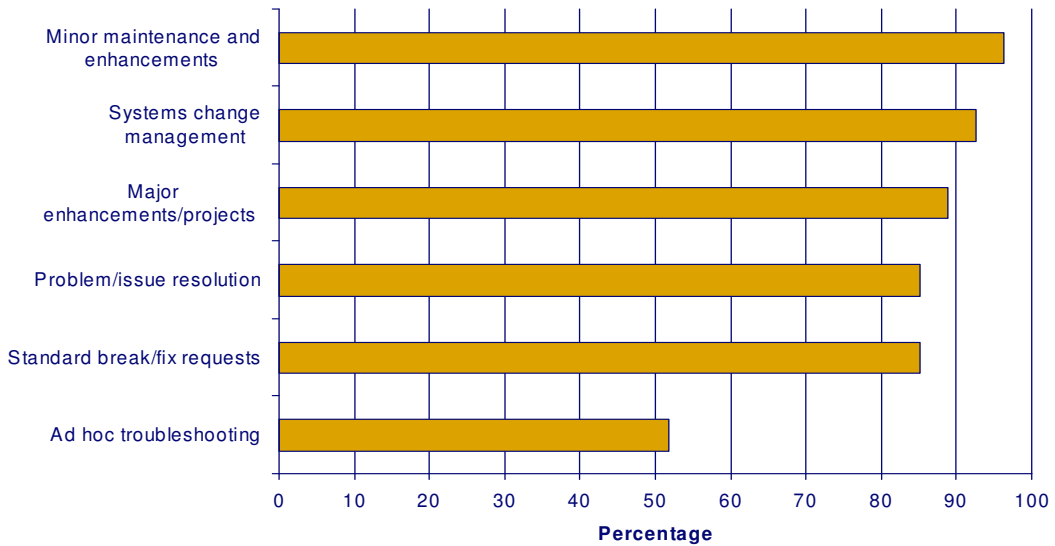
Source: IDC, 2005

## PROCESS AND DELIVERY MANAGEMENT

The majority of participants have formal processes in place to support SAP changes, enhancements and problem resolution (see Figure 28). However, 30% of the respondents indicated that they have few or none of the appropriate processes in place to run SAP effectively and thereby leverage its full capabilities.

**FIGURE 28**

Formal SAP processes in place



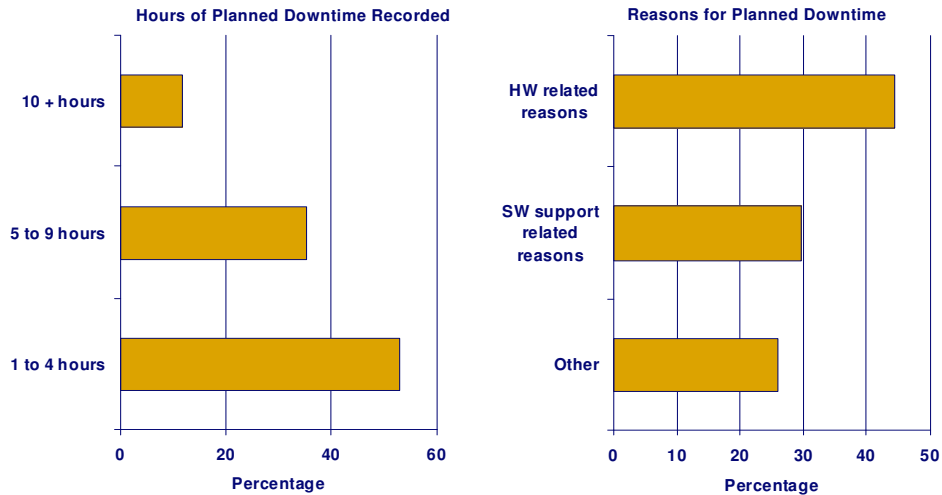
Source: IDC, 2005

## Downtime

Planned downtime is a key element of systems maintenance and support. The majority of planned downtime in participating organizations is associated with hardware related issues (see Figure 29).

**FIGURE 29**

### Planned downtime



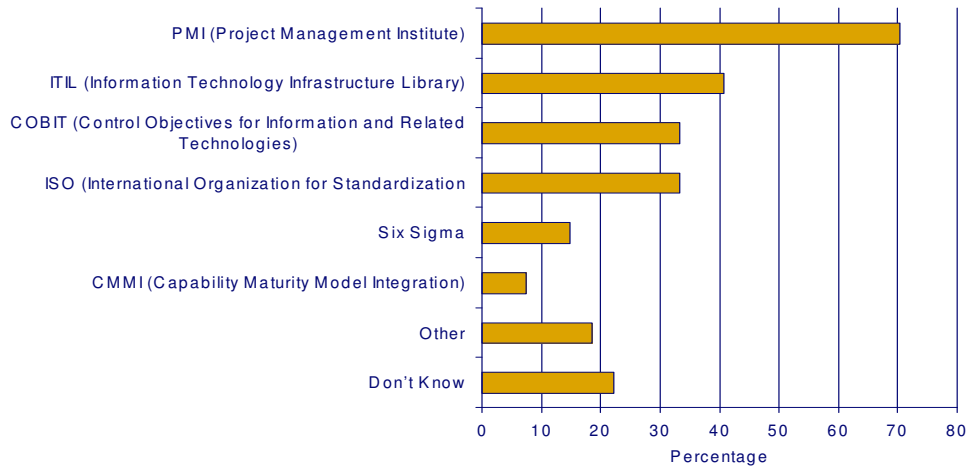
Source: IDC, 2005

## Use of Frameworks

An increase in the use of IT frameworks to drive best-in-class processes is reflected in the responses to this benchmarking study. The majority of participants have embraced one or more industry standard IT frameworks (see Figure 30).

**FIGURE 30**

### IT frameworks in use



Source: IDC, 2005

## **IN CONCLUSION**

IDC believes organizations must continuously refine and improve IT's contribution to business value. In the context of SAP sustainment, this is likely to involve moving key employees who are familiar with the business and are therefore ideally suited to developing new ways of driving value, away from support and maintenance tasks. Although not *always* predictable, IDC believes sustainment is primarily a process-based activity that may potentially be delivered better by an alternative provider under a well-defined partnering arrangement.

To ensure that your SAP implementation continues to contribute business value to your organization IDC suggests that you consider the responses to this benchmarking study in comparison with your organization.

---

## **Copyright Notice**

External Publication of IDC Information and Data — Any IDC information that is to be used in advertising, press releases, or promotional materials requires prior written approval from the appropriate IDC Vice President or Country Manager. A draft of the proposed document should accompany any such request. IDC reserves the right to deny approval of external usage for any reason.

Copyright 2005 IDC. Reproduction without written permission is completely forbidden.