FUJITSU

Executive Briefing
Outsourcing your Enterprise Management Services – IT Challenge or Business Opportunity?

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Outsourcing your
Enterprise Management Services

Introduction

Maintaining a competitive advantage in today's global economy means businesses must be flexible enough to adapt to market conditions; reduce costs while increasing productivity; as well as have access to cost-effective, highly skilled resources. More and more organizations are looking to outsource business services, such as IT support and services, to allow them to focus on their organization's core competencies and meet the growing complexities of doing business.

With over fifty years of organizations seeking external expertise for numerous business processes, from legal services to building maintenance, outsourcing is a proven business strategy. In the information technology community, outsourcing is becoming more prevalent as it matures. While a reduction in costs may be the initial driving force in investigating outsourcing, it is a whole of business approach that will deliver long-term points of difference for an organization.

One area which can reap real business benefits from the appropriate application of outsourcing is in SAP operations. The complexities of managing and supporting SAP infrastructure, combined with the cultural nuances, demands a sophisticated delivery and support strategy – one that is based on stringent project management disciplines, yet flexible enough to accommodate changing business needs.

In order to gain maximum business value from the outsourcing of SAP support, it is imperative that there is a common understanding, at the executive level, about the impact of outsourcing and the relationship between the SAP solution provider and the business processes supported by that provider.

At Fujitsu, we believe the key to success is a unified seamless delivery model that leverages SAP delivery and support capabilities, through common processes and a single point of local accountability.

This white paper explores the opportunities and challenges associated with the outsourcing of SAP operations, to offer executives a balanced and realistic approach for maximizing the benefits, and the applicability within their organization. It provides a brief explanation of different SAP Outsourcing Models and discusses the critical success factors for implementing a productive and effective long-term SAP outsourcing strategy, as well as considerations for selecting an outsourcing partner.

> "The key to success is a unified seamless delivery model that leverages global enterprise management services through common processes and a single point of local accountability."

Outsourcing Opportunities

The direct benefits include:

Cost Savings

Outsourcing facilities significantly reduce the unit cost of SAP support work in annual savings, compared to pure internal support costs. Operations have recently demonstrated the added benefit of reduced costs and 'follow the sun' work shifts, allowing for a more productive use of an IT budget that continues to be pressured by today's economic realities. Customers can get expert SAP support on demand in any functional area without incurring travel expenses, and hardware on demand, eliminating the need for 30-45 days manufacturing lead time.

Effective IT and Business Performance

The outsourcing of SAP operations plays a valuable role in helping companies build high-performance IT organizations that enable their business strategies, by optimizing performance, value, and risk. They will have the ability to leverage skills from a larger pool of professional resources, who are able to bring economies of scale and broader knowledge from a range of customers. Achieving specific SLAs and improving quality outcomes will no longer be a challenge.

Renewed Focus on Core Business

In addition to freeing up resources to focus on core business values and strategic initiatives, building the outsourced channel allows for a transfer of information in both directions. This enables reactive and proactive measures to be taken to continuously improve the customer landscape, and to gather more information about this landscape.

Challenges

SAP customers expect that their SAP solutions can be managed efficiently. They rely on a solution's high availability and continuity, and expect fast and successful resolution of new requirements. They expect their consultants, who they have trained and know their systems well, to stay forever. They also expect control of the total cost of ownership. These expectations can be a challenge, especially in the face of current trends and developments in the IT environment. Utilizing local SAP support can be perceived as essentially less risky as outsourcing, but with proper planning, risks can be assessed in order to derive real business benefits to every organization.

Organizational Challenges

Outsourcing of SAP operations services can have an impact on an organization's structure with changes to job roles and expectations. It is essential that an appropriate change management strategy is adopted, with new changes clearly communicated and managed, in order to minimize resistance to change, and to engender support for the new structure.

Security and Legal Risks

Security poses a significant challenge for an SAP solution that involves access to confidential company information and intellectual property. To meet this head-on, the outsourcing provider needs to demonstrate, not only sensitivity to this issue, but adequate protection, both legally and physically, to ensure total privacy of information.

Outsourcing of SAP Operations

When applied correctly, the outsourcing of SAP operations reduces costs, increases organizational flexibility, improves business and SAP performance, and strengthens competitive disparity. A company can generate greater business returns and respond quickly to economic conditions, competitive challenges, and new opportunities.

SAP Outsourcing Models

It is a well-known fact in the industry that all SAP modules can be remotely supported and SAP services can be remotely delivered. The ability to support relates to the delivery of services to a customer solution in order to perform incident and problem resolution management, and to engage with the customer with continuous improvement processes.
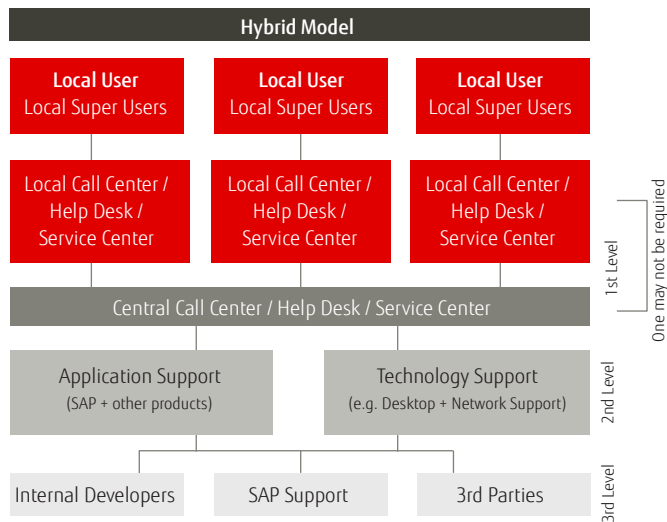
To provide efficient support, the system landscape must have a central access point that can be used to acquire specific information on the solution and quickly access the required tools; early solution development design reviews, support tools development, support infrastructure set up and operation, back end support application development, and implementation of the commercial aspects of support and service delivery.

To accelerate the delivery and to reduce the cost of the service, SAP experts access the customer solution remotely. Perspectives and activities span the range of:

- Early solution development design reviews
- Support tools development
- Support infrastructure set up and operation
- Back end support application development
- Implementation of the commercial aspects of support and service delivery.
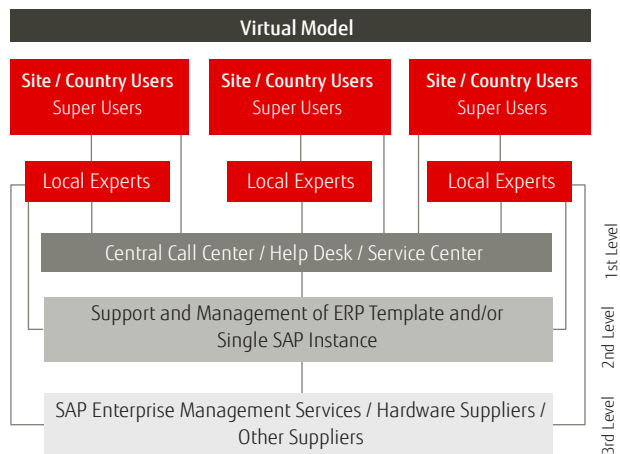
Outsourcing Models

Hybrid Model

Local User	Local User	Local User
Local Super Users	Local Super Users	Local Super Users

Local Call Center / Help Desk / Service Center	Local Call Center / Help Desk / Service Center	Local Call Center / Help Desk / Service Center

Central Call Center / Help Desk / Service Center

Application Support (SAP + other products)	Technology Support (e.g. Desktop + Network Support)

Internal Developers	SAP Support	3rd Parties

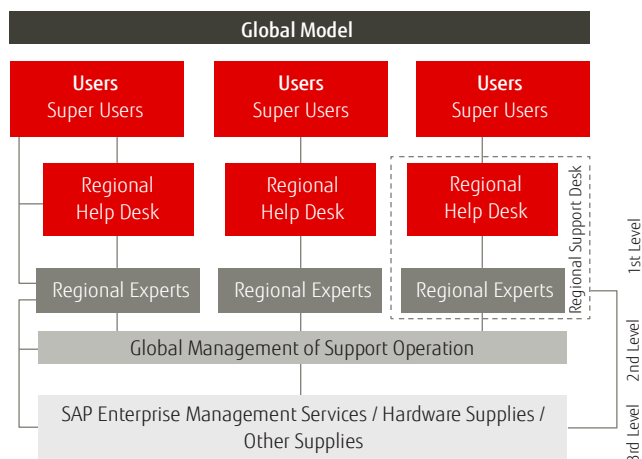*One may not be required*

1st Level
2nd Level
3rd Level

FEATURES

- Caters to different business functions and/or business locations
- Support can be provided across multiple time zones
- Local customs and/or language are overcome with the use of local personnel

Virtual Model

Site / Country Users	Site / Country Users	Site / Country Users
Super Users	Super Users	Super Users

Local Experts	Local Experts	Local Experts

Central Call Center / Help Desk / Service Center

Support and Management of ERP Template and/or Single SAP Instance

SAP Enterprise Management Services / Hardware Suppliers / Other Suppliers

1st Level
2nd Level
3rd Level

FEATURES

- Local experts provide support across multiple time zones
- Single points of contact through the various support levels
- Central governance of:
  - Enterprise template
  - Change management
  - Quality management
  - Technology management

Global Model

Users	Users	Users
Super Users	Super Users	Super Users

Regional Help Desk	Regional Help Desk	Regional Help Desk

Regional Experts	Regional Experts	Regional Experts

Global Management of Support Operation

SAP Enterprise Management Services / Hardware Supplies / Other Supplies

Regional Support Desk

1st Level
2nd Level
3rd Level

FEATURES

- Dispersal of resources through the world
- All centers benefit from shared knowledge
- Strong governance of templates, processes, systems and communications
- Provides for 24/7 support

Selecting the Best SAP Partner

Establishing a good relationship with the chosen SAP support outsourcing provider will enable a company to improve the performance of its own IT organization, thereby reducing costs. An SAP outsourced partner should be viewed as a true partner - a critical member of the organization's high performance team. Together they must seek to understand which functions and tasks of SAP can be performed internally and which are best outsourced.

Critical Success Factors in Evaluating whether to Outsource or Not

As global outsourcing gains popularity, the number of firms offering outsourcing of SAP support services will increase. When evaluating whether to outsource or not, quality is key. The following critical success factors must be considered:

Customer Interface

Daily communication between the customer and the outsourced SAP service provider is essential to ensure proper coordination of requirements and issues, to set key performance measures, and to handle the nuances of intercultural exchanges. Trust in the quality and responsiveness of this interface is important if a company is to free itself from involvement in behind-the-scenes operational details.

Processes

Distributed SAP development teams are bonded by the processes and tools that support them; making it easier for the customer to measure and seek improvement along the way. The quality of SAP processes should be judged by the methodologies that support them and the SAP provider's process maturity. A formal communication structure and clearly defined responsibilities are important if the company wants minimum backstage operational involvement.

Governance

Consider the project and program management of the outsourced SAP provider. Is it able to manage service levels and keep work efforts on track? Common management across the entire outsourcing model will provide the greatest reward. An effective SAP outsourcing organization provides a single point-of-access for accountability and serves as a repository of best practices. It requires expertise in budgeting, risk management, and communications, along with the ability to handle tasks and track performance across multiple delivery options.

Resources

Any outsourcing model that distributes tasks across multiple locations must put resources into consideration. Existing skills, hiring profiles, training programs, retention programs, and learning capabilities should be evaluated. The outsourcing SAP solution must be able to support rapid growth with capable people, and address a drop or change in resource requirements.

In selecting an SAP support outsourced partner, the following factors must be evident in order to have a successful relationship with an outsourced provider:

Culture Fit

Compatibility between the hiring company and the SAP outsourcing firm's quality standards.

Maturity and Stability of Operations

The SAP outsourcing firm's ability to mitigate risk.

Ability to Bridge Culture and Process Gaps

The SAP outsourcing firm's ability to manage diversity and understand cultural differences.

Flexibility of Service Provision

The SAP outsourcing firm's ability to scale and shift resources when necessary.

Process and Metrics-Driven

The SAP outsourcing firm's commitment to process, methodology, and performance measures.

Checklist for choosing your
Enterprise Management Services Provider

Quality
☐ Recent quality assessments at the facility
☐ Compatibility between the hiring company and the outsourcing firm's quality standards

Technology
☐ Illustrates telecommunications capabilities and technology equipment
☐ Demonstrates rapid and seamless immigration abilities
☐ Maturity and stability of outsourcing operations

Logistics
☐ Outsourcing firm's commitment to process, methodology, and performance measures
☐ Proves consistency in delivery from meeting deadlines to staying within budget
☐ Outsourcing firm's ability to scale and shift resources when necessary

Security
☐ Formalized and documented contingency plans
☐ Outsourcing firm's ability to mitigate risk
☐ Outsourcing firm's ability to seamlessly distribute work to local facilities

Motivation
☐ Dedicated to deliver long-term competitive advantage
☐ Offers long-term customer relationship references
☐ Invests in training and employee retention

Leadership
☐ Demonstrated experience in distributed team management
☐ Exhibits project management certifications at the individual level
☐ Generates effective engagement management tools

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Conclusion

Outsourcing is a proven business strategy, especially in the appropriate application of outsourcing SAP enterprise management services. The complexities of managing and supporting SAP infrastructure, combined with cultural nuances, demand a sophisticated delivery and support strategy – one that is based on stringent project management disciplines, yet flexible enough to accommodate changing business needs.

The direct benefits of outsourcing SAP enterprise management services are a reduction of costs, an increase in organizational flexibility, an improvement of business and SAP performance, and a reinforcement of competitive disparity. Utilizing local SAP enterprise management services can be perceived as essentially less risky than outsourcing. But with proper planning, risks can be assessed in order to derive real business benefits.

When evaluating whether to outsource or not, quality is key. Establishing a good relationship with the chosen SAP Partner will enable the company to improve the performance of its own IT organization - thereby reducing costs.

Why Fujitsu?

Rated by Gartner as No. 4 IT Services vendor, Fujitsu is a $47 billion leader in global IT systems and services providing world-class levels of service.

Our track record spans more than 50 years providing mission-critical support to some of the largest corporations worldwide, in government, financial services, retail, manufacturing, and telecommunication sectors.

Source: Fujitsu Limited Annual Report 2013
    Gartner, "Market Share: IT Services 2012" 29 March 2013
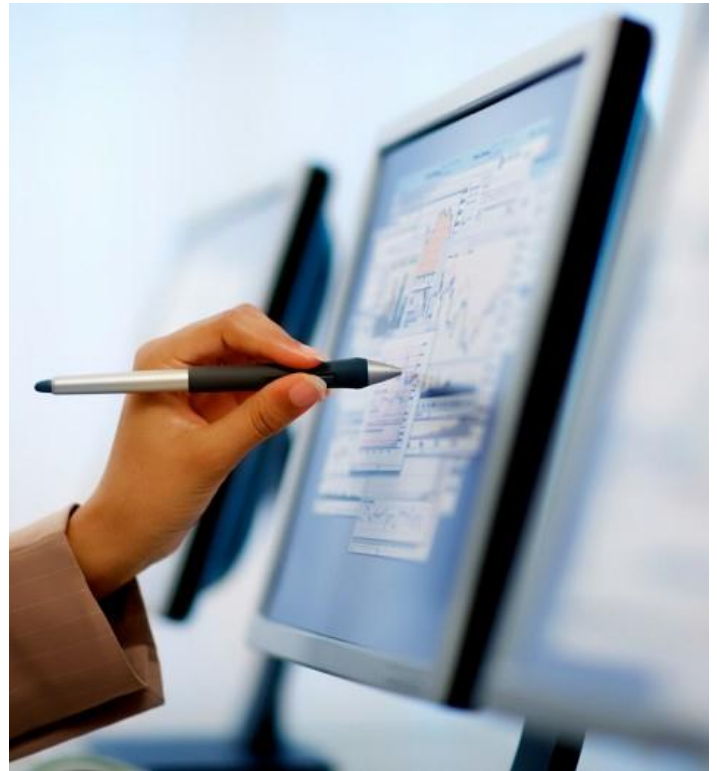
Ask Fujitsu

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