Enterprise Governance and SAP Systems

What is the problem?

As SAP customers face up to the challenges of migrating to new technologies, such as S/4HANA and the cloud, there is much discussion about shortcomings in Enterprise Governance of SAP system investments. The focus is on expanding the scope of the governance from "measuring that IT is doing things right" to "measuring that the SAP system is well positioned to deliver optimum value to the business or public service, now and for the future". It is about stretching existing Enterprise Governance to include all elements in the complete SAP lifecycle.

Enterprise Governance may be effective during the development and approval of business cases and project plans for SAP investments, but we hear many CFO's and CEO's complain that "SAP costs an awful lot of money, we don't know where it's going, and we don't seem to be getting all the benefits set out in the original business case". There is little evidence that, after systems go live, Enterprise Governance appropriately examines how well the SAP system is supporting the business processes or public services and the achievement of planned investment goals [ROI].
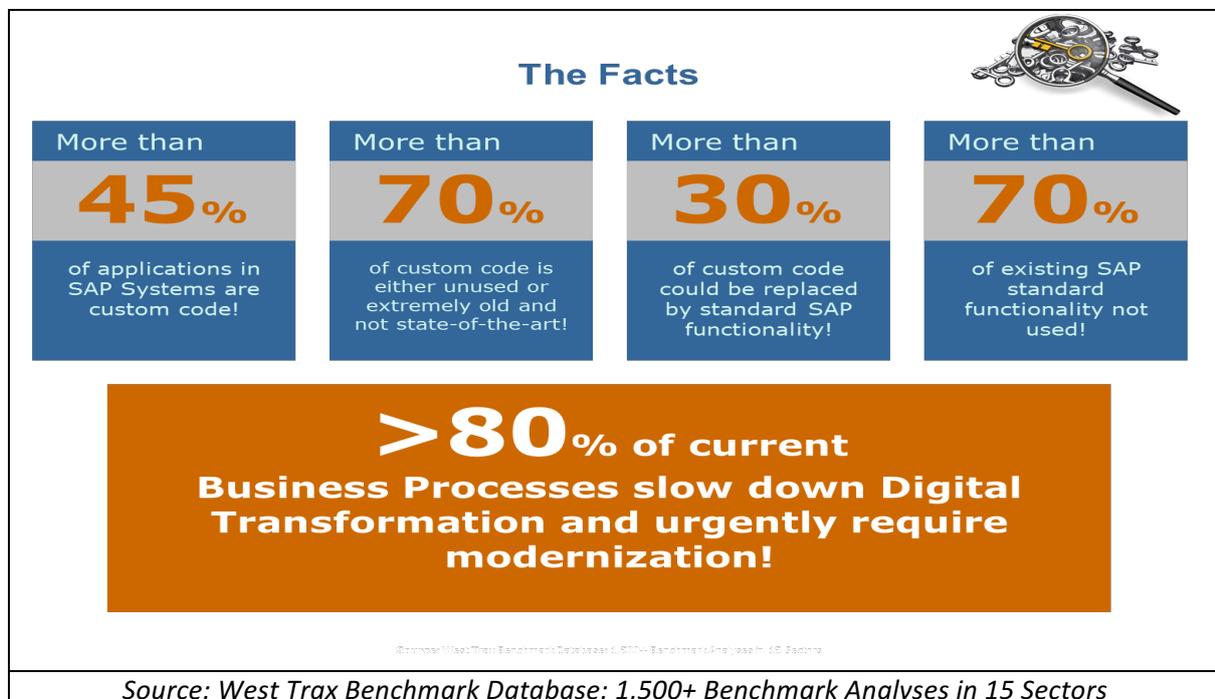

The Facts

More than **45**% of applications in SAP Systems are custom code!

More than **70**% of custom code is either unused or extremely old and not state-of-the-art!

More than **30**% of custom code could be replaced by standard SAP functionality!

More than **70**% of existing SAP standard functionality not used!

>**80**% of current **Business Processes slow down Digital Transformation and urgently require modernization!**

Source: West Trax Benchmark Database: 1,500+ Benchmark Analyses in 15 Sectors

Fig. 1

Analyses and benchmark data, produced by independent analyst company West Trax, indicate that many business processes supported by clients' SAP systems are not producing the expected benefits and/or are not exploiting the potential that exists to produce additional value in terms of significantly improved productivity, profitability and

competitiveness. Why is this major gap not being detected, monitored and addressed by Enterprise Governance of the ERP investments? Does your organisation have the relevant metrics and methodology to support Enterprise Governance of investments in SAP? How do your systems stack up against the above data resulting from over 1,500 analyses of live production systems?

As most SAP landscapes have evolved over a period of years, new releases have often been implemented as purely technical upgrades. Over time these systems have deviated far from the latest standard software, with little or no implementation of updated SAP best practice business processes. West Trax analyses indicate that they are generally characterised by high levels of custom code that is rarely or never used, or could be readily replaced by additional standard functionality provided in more recent releases. Carrying unnecessary custom code forward increases pre and post migration costs and risk, with the potential to impair the business benefits delivered by the resulting business processes.

So where are the gaps in Enterprise Governance of SAP systems?

What events or steps in the SAP lifecycle need to be improved within the normal Enterprise Governance structure and its processes? Post-implementation is the key stage where improved governance is needed to regularly measure and monitor the effectiveness and efficiency of the business processes supported by SAP and their actual usage within the business. An appropriate methodology, consistent metrics and benchmark data are essential for the effective performance of these tasks. Without them business cases and project plans for migration to future environments such as consolidations, S/4HANA and Cloud may well be built on out of date information, opinions and guesses. Expensive houses built on sand.

In order to reap the maximum benefit on the journey from today's situation to new landscapes such as HANA it is imperative to establish and periodically update solid facts about a system's current maturity and optimisation levels. The costs, risks and benefits associated with actions to optimally position the system along the journey to the new environment can then be accurately calculated and included with confidence in the business case and project plan.

Failure to regularly assess the potential costs and risks associated with continually future proofing SAP systems exposes enterprises' estimates of future costs, revenue and profits to significant reporting errors. These may be in the multi-million order. The estimates of future proofing costs should include more than just the IT costs. The major organisational change costs associated with updating business processes to support the future environment must be included. These could be associated with re-organisation, re-structuring, staff re-deployment, retraining and re-motivation and external interfaces. In some cases these costs will match or exceed the IT costs.

Many enterprises using SAP systems are currently faced with trying to address these issues as they start to develop brown-field or green-field migration plans to new environments such as SAP's S/4HANA platform. In the process some are encountering some unwelcome surprises that highlight exposures in their Enterprise Governance methodology.

Call to action!

You should be concerned about Enterprise Governance of SAP systems if someone in your organisation cannot answer the following questions, based on consistent metrics and an established methodology: -

1. How do our systems measure up against the facts shown in Fig.1 above?
2. How do we know? What metrics and methodology do we use?
3. How often do we measure?
4. When did we last measure?
5. Are our CEO, CFO and audit team regularly updated on the results?
6. If not, why not? This is an ongoing, strategic, multi-million investment!

The Solution - Get a West Trax Maturity Assessment for SAP® Systems!

The West Trax Maturity Assessment is aimed at all Executives concerned with enhancing Enterprise Governance of their SAP systems as they plan to prepare their SAP landscape for the introduction of advanced technologies and major lifecycle changes. These include in-memory, S/4HANA, Mobile Computing, Big Data, Cloud, Real Time Business, IOT etc.
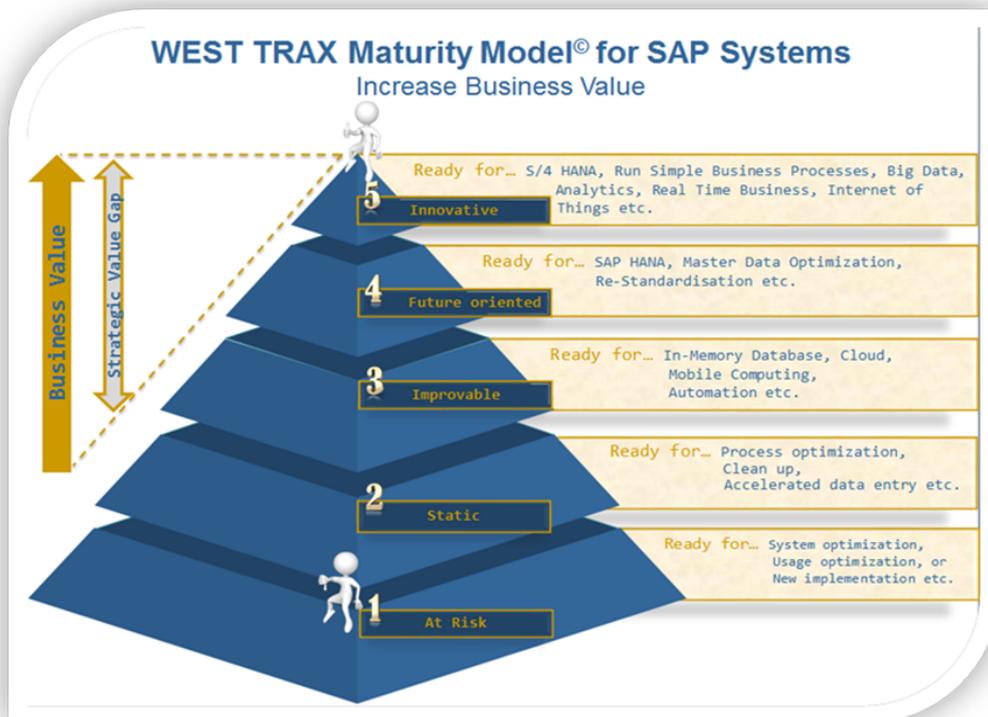
The Maturity Assessment provides an objective determination of the "As-Is" situation and clear client actions to be taken to achieve the desired goals and benefits. Resulting projects can be carried out with a reliable Business Case based on facts.

The West Trax Maturity Assessment is based on a combination of the West Trax KPI Scan® methodology and the award winning West Trax Maturity Model©. With the KPI Scan® methodology, the actual use of SAP® systems by end users will be transparent, including vulnerabilities existing in the operating and business processes. The evaluation of the data is offline, no system access required. The maturity level of an SAP system is then determined in terms of its future readiness and the likely benefits of investments in new technologies and projects. Optionally, the required optimization measures are defined.

The West Trax Maturity Model for SAP systems responds to the need to future proof systems appropriately in order to optimize benefits and minimize costs associated with new technologies such as HANA, S/4HANA, on premises and in the cloud. Similarly benefits will be optimized by pre-positioning for projects such as upgrades, EHP's, outsourcing, consolidations, acquisitions and mergers.

The West Trax Maturity Assessment is repeatable. The metrics produced include KPI's and benchmark data that provide an accurate and cost-effective basis for measurement, monitoring and trend analysis of on-going system optimization levels. Regular re-analysis provides a highly effective methodology to support enhanced Enterprise Governance of SAP systems.

If you are an IT person and you recognise the issues raised in this article, but feel that they are not directly relevant to your role, please forward it to your CIO or CFO as they are relevant to them.

See more details now Here or contact West Trax CTO Diana Bohr to hear how West Trax can provide you with essential facts to improve your Enterprise Governance of SAP systems.