

Making the Value Case for Digital Transformation

SAP's Perspective and Role

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What is a Business Case?

When someone asks for a Business Case, they could actually mean . . .

A FORMULA ...

- Return on Investment
- Net Present Value
- Payback
- Internal Rate of Return
- Economic Value Added

Or a DOCUMENT

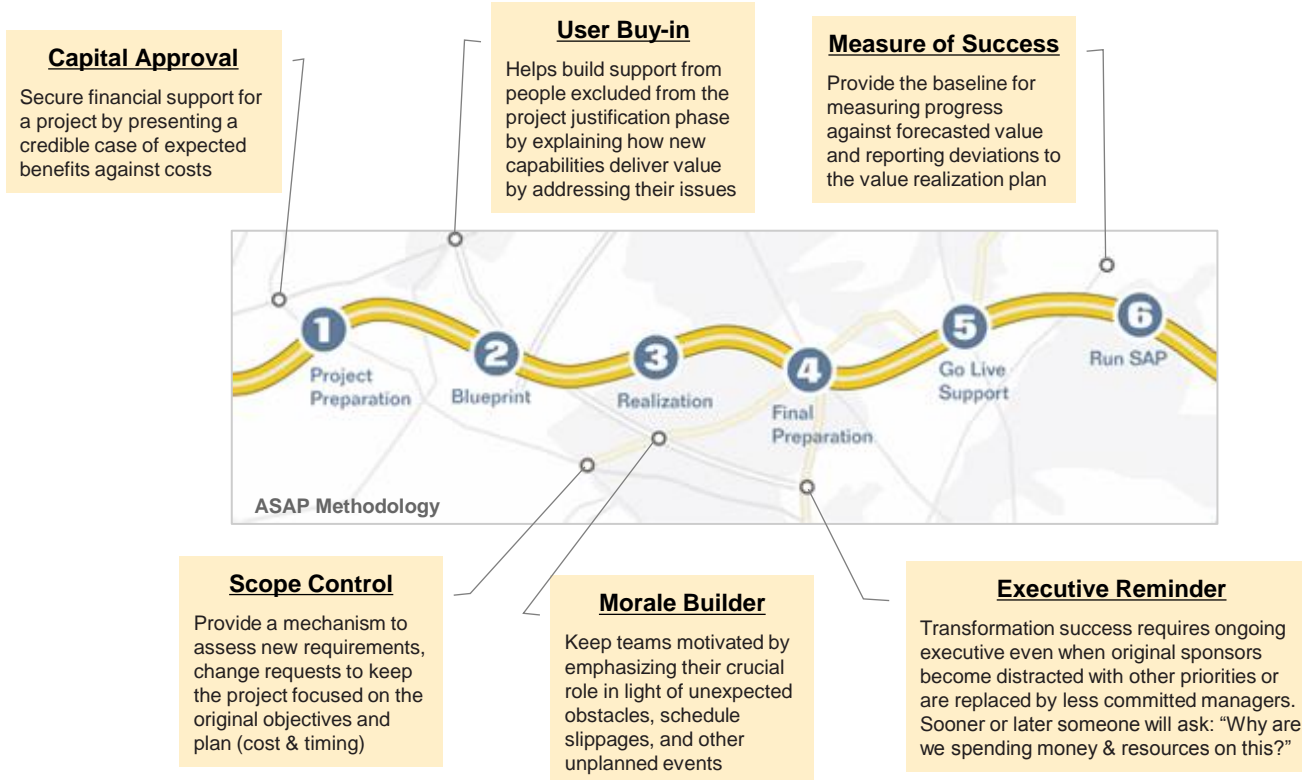
- Value Proposition / Benefit Summary
- Cost Benefit Justification
- Value Realization Plan
- TCO Study

Or a PROCESS ...

- Strategic Opportunity Assessment
- Financial Modeling
- Value Management
- Scenario / Sensitivity Analysis

What does a Business Case mean to you?

A Business Case Can Serve Multiple Purposes



Four Distinct Deal Types Enabled by Technology



Transformation/Innovation – A top down, strategic enterprise approach to improving, transforming, and/or innovating a company's business model. This always requires top level sponsorship with C-level executives, Board of Director members, and/or company owners. This is a holistic exercise that encompasses multiple end-to-end enterprise processes that impact product/service offerings, customer experience, and go to market channels. C-Level driven.



Process Optimization – Recognition by an organization that an end-to-end or LoB process has opportunity for scale, improvement, or renovation. This usually contains detailed discovery to map proven product centric value models. This approach requires predetermination of the problem scope defined by a process framework that identifies the beginning, end, and all activity in-between. IVE benchmarking, discovery workshops, and detailed process analysis are the preferred method of engagements for these opportunities. Functional SVP or Globally driven.

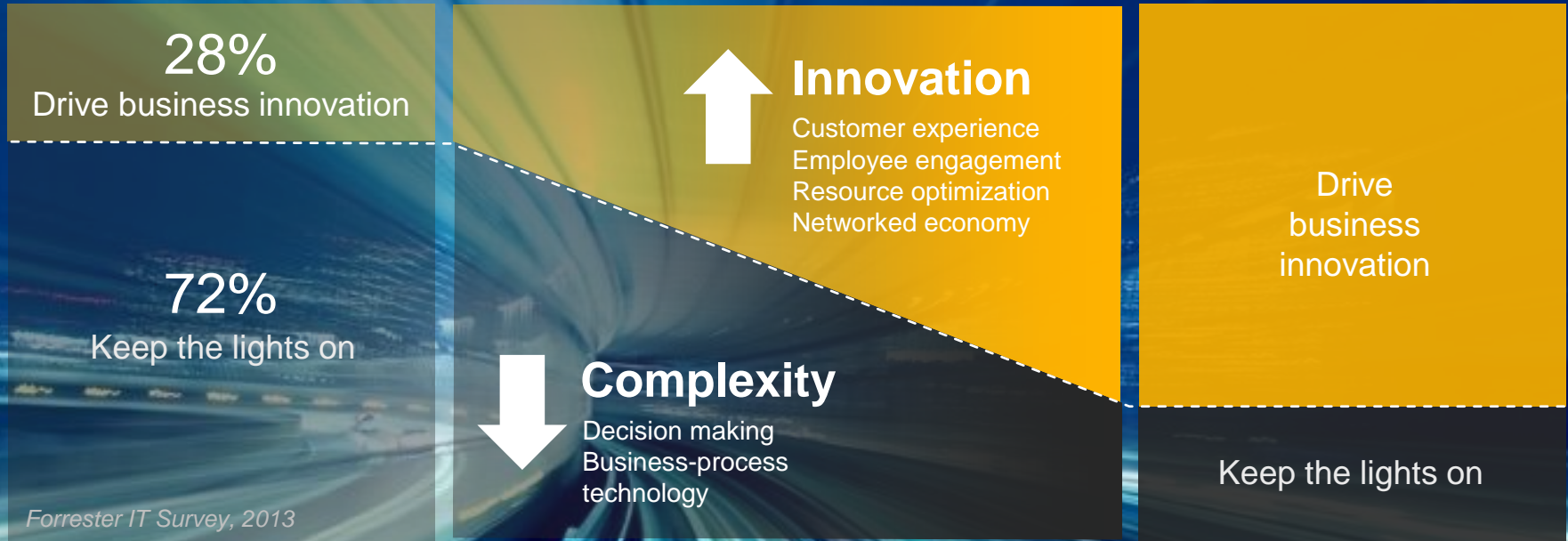


Product – Opportunity to position a SAP product for a known business problem. Discovery and data collection should be contained to proven areas of strength, differentiation, and value. Ideally product centered opportunities can be expanded, however should be consistent and repeatable. These opportunities have potentially limited direct alignment to the corporate strategy or larger initiatives. VP driven.



Trigger Event – Advance knowledge of a pending event that will drive a customer decision process. This could include, but is not limited to expiring discounts, deal terms, PSLE, and/or special offers. Opportunity to make this a positive transaction which with advance notice ideally shifts to one of the above deal types. IT and Finance driven, at least initially until the opportunity is expanded.

Today's Reality



What does Digital mean to you? ... and to your Business?

Opportunities ...



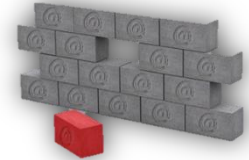
Discovering value at new frontiers

- Reexamine your entire way of doing business
- Develop entirely new businesses
- Identify new value pools in existing sectors
- Open opportunities for disrupters



Creating value in core businesses

- Improve capabilities to serve customers – existing & new
- Implement a closed-loop evolution of business processes
- Foster ongoing product or service loyalty



Building foundational capabilities

- Better and faster decisions, smaller teams, and more iterative & rapid methods
- Enterprise view including partnering with external parties
- Cross-functional collaboration, flat hierarchies, innovation
- Incentives and metrics aligned to support foster agility

Risks ...

Lack of alignment and common vision about where the business needs to go



Misguided efforts and piecemeal initiatives



Missed opportunities, sluggish performance, and false starts

Digital Expectations & Priorities

Top Expectations of Digital (next 3 years)*

71% drive greater top-line
revenues

64% drive increased profit
margins

56% increase return on
invested capital

Top Priorities for Digital



Digital engagement of
customers*



Digital innovation of products,
services, business models, or
operating models*

Digital Growth¹



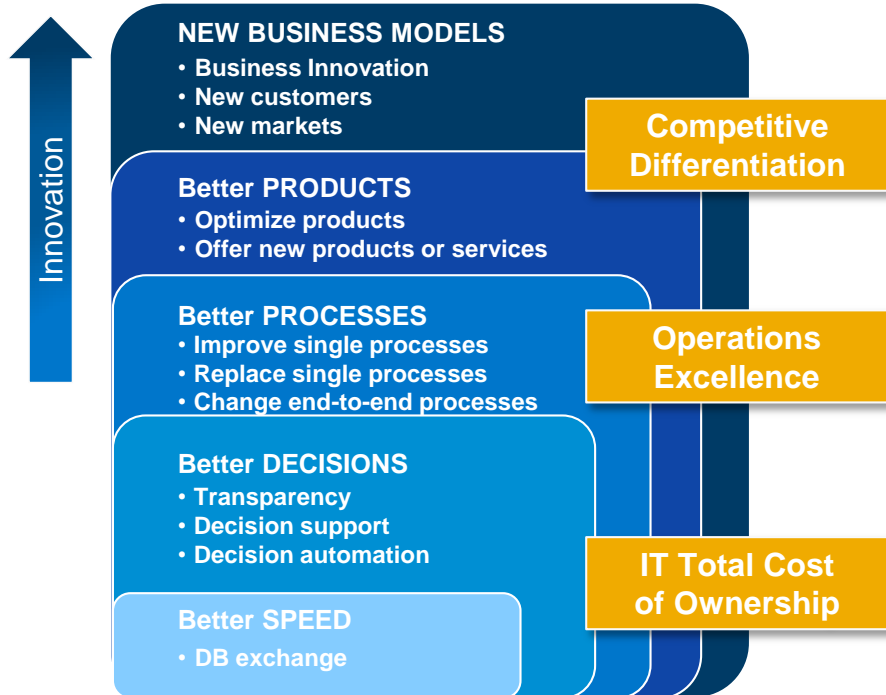
Automation and/or the improvement of
business processes*

Digital Core¹

*Source: McKinsey Global Digital Survey, Sep. 2015 n=987, ¹SAP classification

The Digital Opportunity depends on the Client's specific objectives

SAP Digital Marketing Message

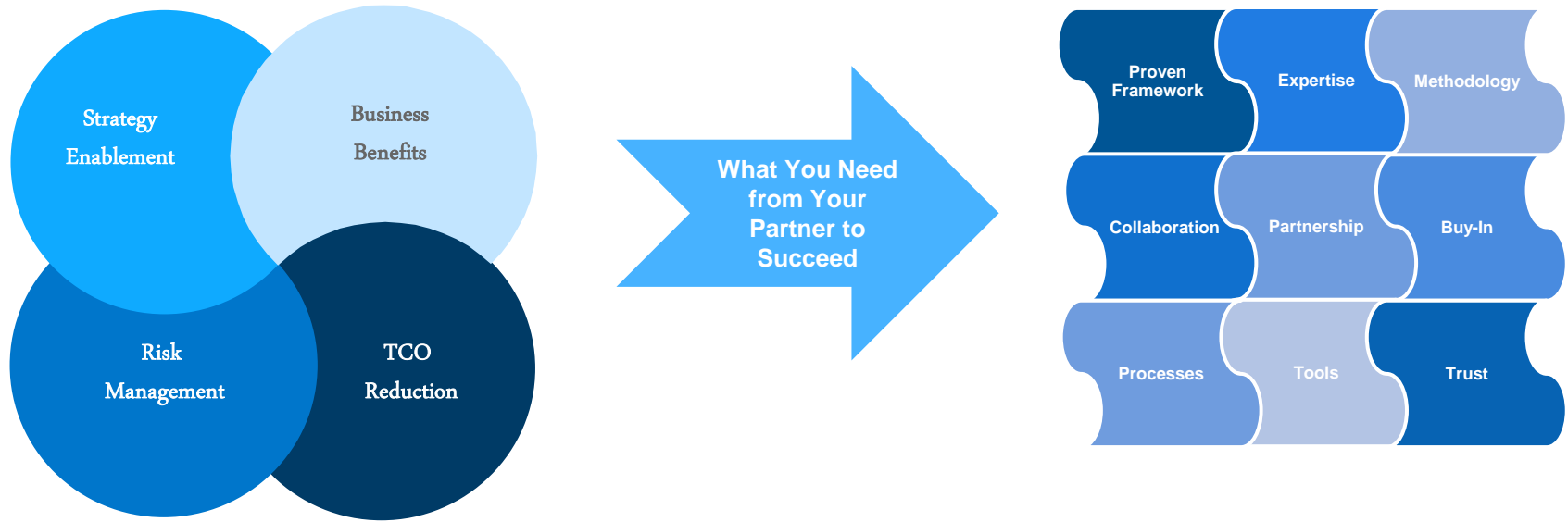


Customer Objective

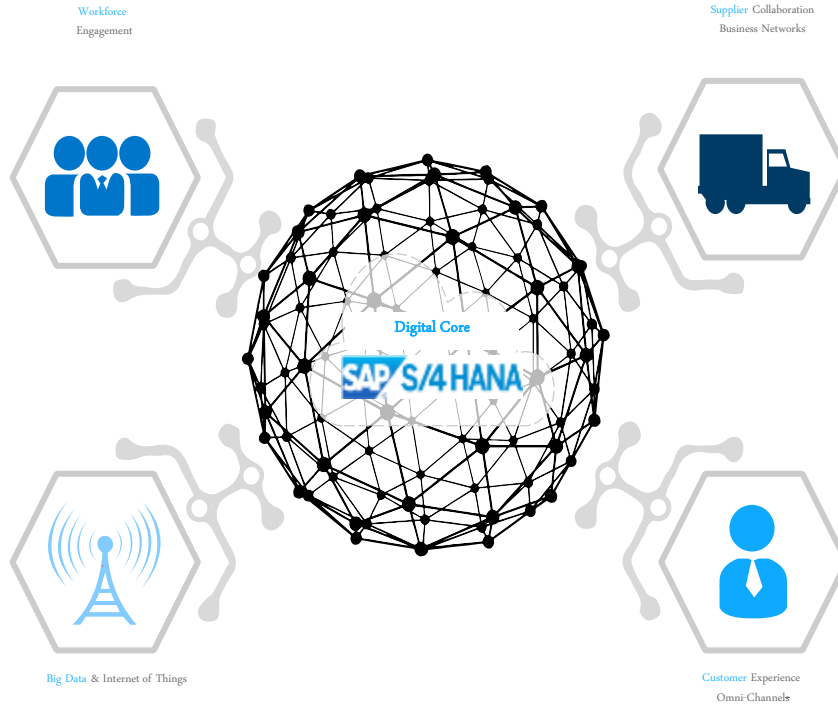
- **Business Transformation**, New business models / JVs / joint Go-to-Market opportunities / OEM enablement
- **New Growth Markets**, New products / customers / channels
- **New Business Strategies**, Globalization / reorg / M&A / divestitures
- **Enterprise Synergies**, Shared services / standardization / automation / visibility / scale
- **Process Modernization**, End-to-end process integration / best practice adoption / reengineering
- **Continuous Improvement**, 6 Sigma / cost reduction initiatives / cash flow improvement / time-to-value
- **Complexity / Risk Reduction**, Landscape consolidation / legacy replacement / unsupported applications / SAP 1st strategy
- **SAP Compliance**, Audit results / usage beyond license rights
- **Contract Terms**, Expiring terms & discounts / exchange rights / license consolidation / maintenance

Business Value in a Digital Economy

In a digital economy CEOs are not just looking for immediate results, they want to transform their company, expand their customer reach, and become more relevant. Value is measured the way the stock market rewards winners.



SAP Framework for the Digital Business



Develop and execute a digital strategy across these 5 pillars:

1. Outcome based **customer** experience
2. Re-platform **core business processes** and bring together business process and analytics in real-time to be smarter, faster and simpler
3. Smarter and engaged **workforce** across all employees and contractors
4. **Supplier** collaboration to accelerate growth and innovation
5. Harness **internet of things** and **big data** to drive real-time insights and new business models

Digitize core processes & transform performance

Digital Core



Workforce engagement

Compliance “naturally achieved”

Inventory, stock “naturally stated”

Supplier networks “naturally balanced”



Supplier collaboration
Business networks

Sustainable Product Innovation

Manufacturing and Logistics

Responsive Supply Networks

Marketing, Sales and Aftermarket

Connect R&D areas and processes to deliver desired innovations quickly and with high quality:

- Enable real-time cross-functional collaboration, from idea to launch
- Higher product quality through rapid root-cause analysis on product and process failures
- More accurate cost estimates with role-based product cost estimation activities

Respond to globalization and cost pressures by reducing inventories and synchronizing logistics processes:

- Establish sub-daily material requirements planning
- Real-time inventory monitoring with automated procurement proposals
- Predict breakdowns to proactively perform maintenance on assets
- Gain instant transparency due to real-time processing of inventory consumption

Increase the efficiency of supply networks:

- Reduce supply chain risk and disruption
- Monitor real-time commodity price-and-supply volatility
- “Real-time” view of end-to-end supply chain. Exception-based notification and integrated resolution of issues

Increase profit margins, optimize services and innovate new offerings for informed and demanding customers:

- Provide real-time visibility into customer demand across all channels for vehicles and parts
- Real-time marketing with increased transparency and internal collaboration
- Provide enhanced customer service using context-aware, Big Data insights

Procurement

Eliminate supply disruption risk while protecting margins:

- Collaborate instantly with global suppliers
- Monitor real-time commodity price-and-supply volatility
- Automate procurement proposal creation based on real-time inventory

Finance

Allow for visibility into the state of the business at any time:

- Enable real-time financial close for faster, more accurate, and more collaborative decision making and execution enterprise-wide

HR

Manage, develop, reward, and retain a global workforce:

- Integrate end-to-end HR and financial processes for budget and head count

Books “naturally closed”

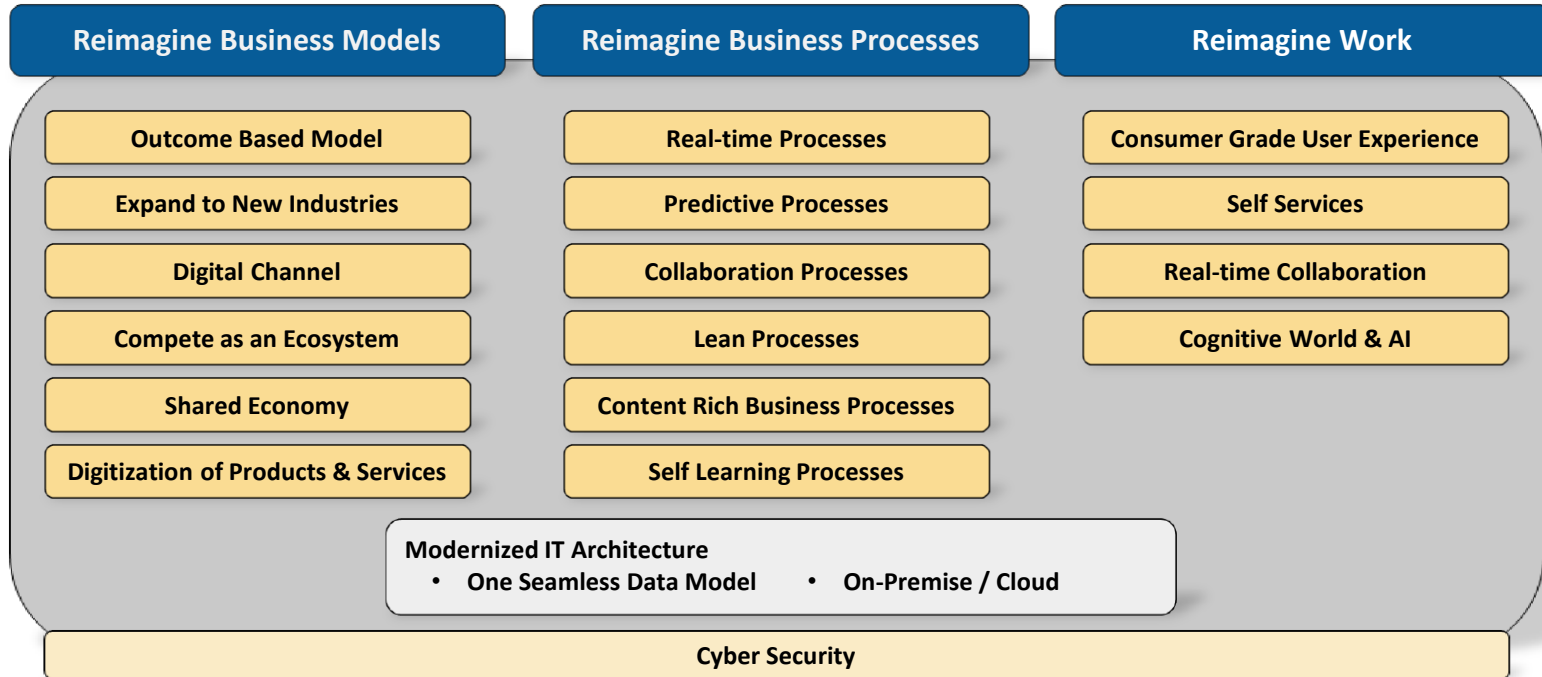


Internet of Things
and Big Data



Customer experience
Omnichannels

Typical “Digital” Business Imperatives

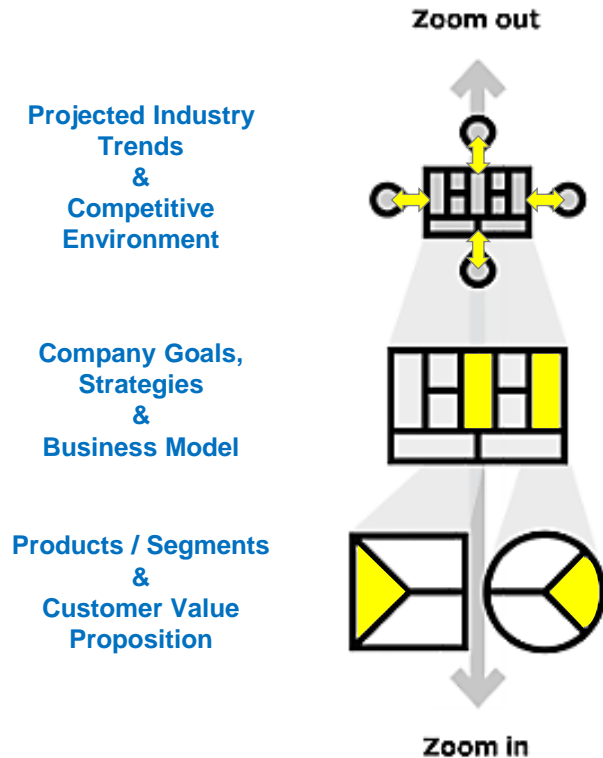


*Source: Reimagine a Brighter Future 122315_AK.PDF

Winning Business Strategy for Digital Transformation



Finding insights across the Enterprise & Value Chain



The **Industry Context Map** helps create a snapshot of the present environment to understand the critical factors, trends, and forces at work in a marketplace

- Identify unique opportunities for competitive advantage

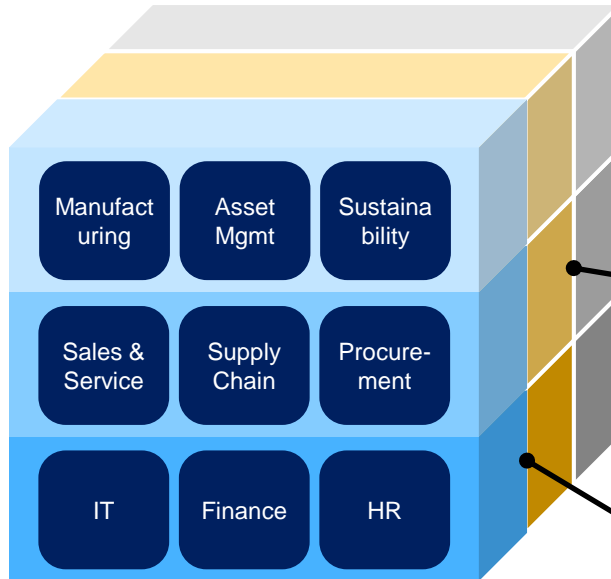
The **Business Model Canvas** allows you to describe, design, challenge, invent, and pivot your business model

- Better align strategies, processes, and resources

The **Value Proposition Canvas** is a proven approach to isolating the specific needs of different market segments

- Create compelling products & services customers want

Segment Capabilities Based On Your Business Strategy



Base (Non-Core)

- Capabilities classified as low value and / or non-competitive
- Enabled by standard processes & practices
- Should be operated to required effectiveness at lowest total cost



Core - Competitive

- At parity with industry average -- diminishing return beyond that
- Supported by Industry Specific processes & best practices
- Performance aligned to desired results & benefits

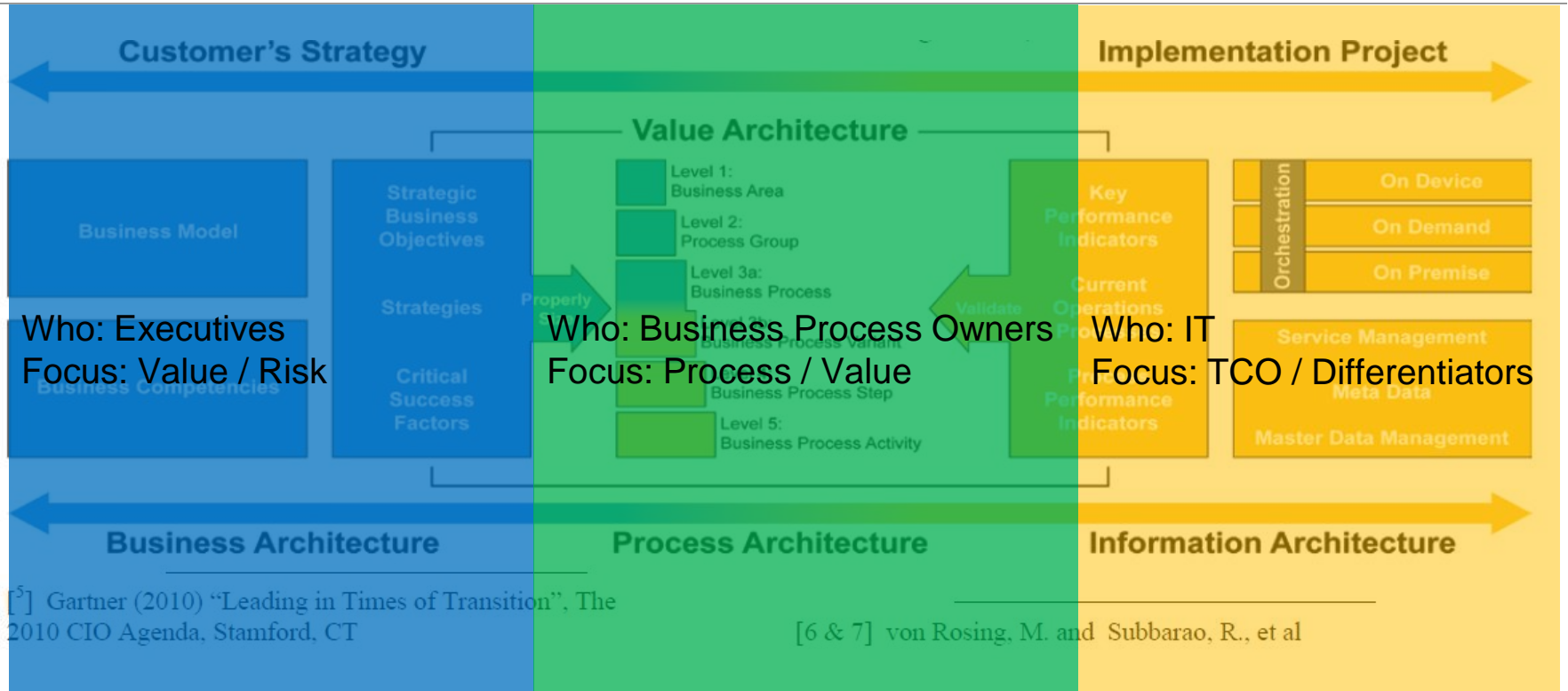


Core - Differentiated

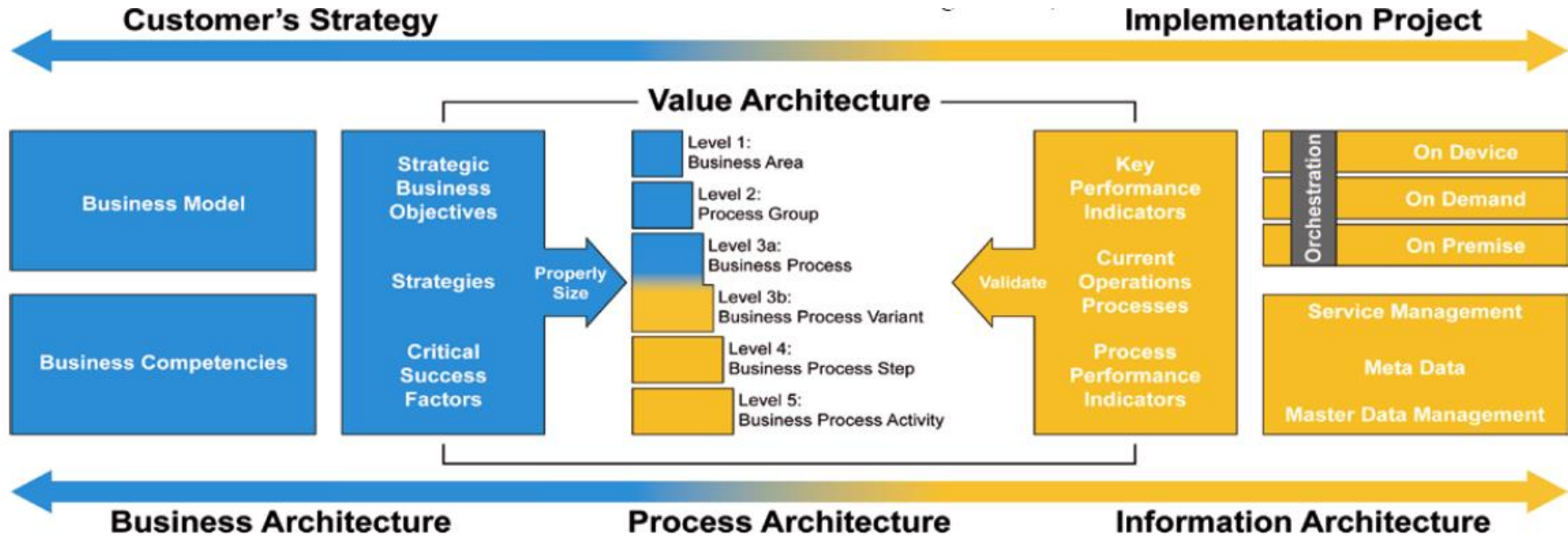
- Must be differentiating to industry average performance
- Driven by a Company's Own Internal Practices
- Specific objectives defined to ensure better outcomes



Value Management Framework



Value Management Framework



[⁵] Gartner (2010) "Leading in Times of Transition", The 2010 CIO Agenda, Stamford, CT

[6 & 7] von Rosing, M. and Subbarao, R., et al

Target eliminating Sources of Waste beyond the plants

Common Sources of Waste



Defects

Efforts caused by rework, scrap, and incorrect information



Inventory

Excess products, materials, and data not be processed



Overproduction

Production that is more than needed or before it is needed



Transportation

Unnecessary movement of products, materials & information



Extra-Processing

More work or higher quality than is required by the customer



Waiting

Wasted time waiting for the next step in a process



Motion

Unnecessary movements by people or systems



Non-Utilized Talent

Underutilizing people's talents, skills, and knowledge

Typical target areas for SoH

- Proactive notification to quality issues
- Better match supply to demand
- Visibility to operations performance
- Control expediting & premium freight

- Reduce complexity and associated TCO
- Accelerate slow transactions / processing
- Eliminate reconciliation / data quality checks
- Shift resources to higher value added work

Thank you!



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