BEST PRACTICES SURVEY: AGGREGATE FINDINGS REPORT

SAP Value Realization: Achieving Business Value From Your IT Investments

April, 2007
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Program Background and Study Objectives

PROGRAM BACKGROUND
In March 2006 ASUG and SAP agreed to jointly launch a series of best practices surveys in areas of Business and IT Strategy. The Best Practices Survey Program serves as a forum for SAP customers to understand current and emerging trends in technology and business processes, identify drivers of performance and understand implications of adopting best practices. To learn more about the ASUG/SAP Best Practices survey programs, visit us online at www.asug.com/benchmarking/bestpractices

SAP VALUE REALIZATION SURVEY: STUDY OBJECTIVES

■ Objectives. The ASUG/SAP Value Realization survey was designed to address three key questions:
  ▪ How well do companies realize their value objectives?
  ▪ What challenges do companies face in realizing value from their implementation initiatives?
  ▪ What are best practices for meeting or exceeding the value and timing objectives as outlined in a business case for an implementation or transformation initiative?

■ Analysis Framework. The Value Realization Maturity Model framework is built in 3 dimensions:
  ▪ Value Identification: Level of business case clarity and definition
  ▪ Transformation: Level of change definition and adoption
  ▪ Measurement: Comprehensiveness and orientation of benefit measures

■ Value Definition. Realized value is defined as:
  ▪ Financial Benefit Expectations – have projects met or exceeded the level of benefit expected, as expressed in their respective business cases?
  ▪ Timing of Benefits - was value realized before target, on-time, or after target?
Diverse Participation

Companies of all sizes, and many different industries, participated in the survey. In total, 78 complete responses were submitted. Most of the respondents represented an IT function, but a wide array of other functional business areas were also represented.
Executive Summary

Getting the value from implementation/transformation investments is paramount. But how does a company best address attaining value from these projects? The Value Realization Best Practices Survey addresses this very question. The good news: most companies believe that they have achieved significant levels of financial benefit from their initiatives.

- 47% estimate over $5,000,000 of value realized over the last five years
- More specifically, 33% estimate achieving over $10,000,000 of value over the same timeframe

However, many companies may be unknowingly ‘leaving value on the table’ by not measuring and managing value realization during and after implementations:

- 49% estimate that value is realized later than planned in their business case(s)
- Up to 85% of companies estimate achieving less value than planned
- 59% of respondents are unaware of the level of value attained through their company’s initiatives
- 77% report that value is either not measured or not quantitatively measured post go-live

Survey results demonstrate that companies with more mature value realization approaches have the capability to achieve greater value earlier from their programs.

- 60% of more mature companies achieved value on time or earlier than planned
- 19% exceeded their value targets; 42% meet their value targets
- 75% of companies that quantitatively assess value realize their value targets on-time or early

Mature value identification, transformation, and measurement approaches are key. But mature companies also use many of the same best practices, including:

- Incorporation of business case objectives throughout the project lifecycle
- Clear communication and documentation of process objectives and project success criteria
- Use of both existing and new, program-specific financial and operational key performance indicators (KPIs), based on the business case objectives, to measure project success
- Clear ownership of the achievement of value outlined in the business case
Estimated Value Realized

The estimated value resulting from implementation initiatives is significant. For those respondents who were able to estimate value achieved, 88% cited benefits over $1M; 32% of estimates were over $10M.

Many companies achieve substantial business value:
% of overall responses

- Up to $1,000,000: 12%
- Up to $5,000,000: 32%
- Up to $10,000,000: 24%
- Above $10,000,000: 32%

Estimated Value Realized in the last five years
Achieving Business Value: On-Value, On-Time Performance

On-value and on-time performance are the two key measurements of value realization success. As encouraging news, 46% of reporting companies attain their value targets on-time, and 5% attain them earlier than planned. However, the percentage of target value attained appears to be a significant area of opportunity for many companies: 82% report achieving less value than outlined in their business case(s).

Half of the initiatives realize value on time or early...

% of overall responses providing estimate; n=36

..but very few exceed their benefit objectives

% of overall responses providing estimate
Value Realization Maturity Model Dimensions

There are many factors that indicate the level of maturity of an organization’s value realization approach. Translating a well-defined business case into an actionable and measurable plan supports achieving results. Value realization maturity can be classified in 3 broad categories:

**Value Identification**

*Level of business case clarity and definition*
- Extent of analysis required for approval of an initiative or project
- Level of linkage between corporate strategy and project justifications

**Transformation**

*Level of change definition and integration*
- Degree of planned business process change
- Level of linkage between the business case and process requirements
- Extent to which project findings or scope changes are assessed for business case impact
- Level of clarity of business case objectives prior to detailed design, or ‘Blueprint’ phase

**Measurement**

*Comprehensiveness and orientation of benefit measures*
- Extent to which Key Performance Indicators (KPIs) are aligned with the business case and strategy
- Level of linkage of process metrics to financial values
- Extent to which performance baselines are established
- Extent to which KPIs are measured after implementation
- Extent to which value is managed and assessed after project completion
## Value Realization Maturity Model – Stages of Excellence

Companies exhibit different levels of maturity along the Value Realization Maturity Model. Companies falling into Level 1 have less mature/lower levels of best practice adoption while companies falling into Level 4 have the most mature/evolved levels of best practice adoption.

### Value Identification

**Level 1**
- Qualitative business case
- Little to no benefit quantification required
- Projects not linked to strategic objectives

**Level 2**
- Limited approach for process change and value integration
- Implementations typically change existing processes through automation
- Teams have limited exposure to either process objectives or the business case
- No link between implementation activities and the business case
- Impact areas defined only, such as “reduce raw material inventory”

**Level 3**
- Moderate level of process change and value integration
- Implementations improve existing processes through best practices previously unavailable or supported
- Teams are aware of needed process changes and how they support the business case
- Business case may be updated to reflect findings or scope change during Blueprint and Realization

**Level 4**
- Focus on leading process change and value integration
- Implementations support innovative processes for business transformation and competitive advantage
- Teams use quantitative and qualitative attributes of process change to guide design, and understand how they support the business case
- Value checks are built into Blueprint and Realization to monitor and assess the level of design support of the business case
- Clear process changes defined, with tie back to business case financial value

### Transformation

**Level 1**
- Little to no process change or value integration
- Implementations are technology transfers, requiring virtually no business process change
- Project teams unaware of linkage of their scope to the business case
- No link between implementation activities and the business case
- Implementation objectives defined only, such as “implement CRM”

**Level 2**
- Limited approach for process change and value integration
- Implementations typically change existing processes through automation
- Teams have limited exposure to either process objectives or the business case
- No link between implementation activities and the business case
- Impact areas defined only, such as “reduce raw material inventory”

**Level 3**
- Moderate level of process change and value integration
- Implementations improve existing processes through best practices previously unavailable or supported
- Teams are aware of needed process changes and how they support the business case
- Business case may be updated to reflect findings or scope change during Blueprint and Realization

**Level 4**
- Focus on leading process change and value integration
- Implementations support innovative processes for business transformation and competitive advantage
- Teams use quantitative and qualitative attributes of process change to guide design, and understand how they support the business case
- Value checks are built into Blueprint and Realization to monitor and assess the level of design support of the business case
- Clear process changes defined, with tie back to business case financial value

### Measurement

**Level 1**
- Value measurement does not exist
- KPIs are not identified for value measurement
- Value attained is not assessed post-implementation

**Level 2**
- Minimal quantification
- High level saving estimate only
- Informal link to strategic objectives

**Level 3**
- Costs and benefits are quantified
- High-level business case and ROI analysis

**Level 4**
- Detailed cost / benefit analysis
- Specific benefit areas, sources of value, and associated costs
- Formal link between strategic objectives and each business case objective

### KPIs used to manage value

**Level 1**
- KPIs are identified, but not well utilized
- Some KPIs are identified, but they may not relate to the business case or have performance baselines, or get measured post-implementation
- Value assessment is anecdotal

**Level 2**
- KPIs are identified, but not well utilized
- Some KPIs are identified, but they may not relate to the business case or have performance baselines, or get measured post-implementation
- Value assessment is anecdotal

**Level 3**
- KPIs used to track value
- A KPI framework is developed, but it may not fully relate to the business case or have performance baselines
- Value is tracked through reported performance

**Level 4**
- KPIs used to manage value
- Framework of operational and process KPIs, linked to the business case, with performance baselines and targets
- Value is monitored and managed for continuous improvement
Survey Respondents – Level of Value Realization Maturity

Participant maturity levels were calculated as an average of individual response scores to questions which reflected their level of best practice adoption along the 3 dimensions of the maturity model. Companies were then grouped into one of the four best practice maturity levels based on their score, with Level 1 being the lowest level of best practice adoption and Level 4 being the highest. Distribution of survey responses across the levels of adoption followed an approximate normal distribution: 95% of companies fell into the middle two categories: Levels 2 and 3.

Many companies have an opportunity to enhance their approach for realizing value

% of companies by level of best practice maturity; n=78