

## ENTERPRISE PERFORMANCE MANAGEMENT FOR FINANCE

### STATEMENT OF DIRECTION FOR 2008–2010 (EXECUTIVE SUMMARY)



This statement of direction describes SAP's vision, strategy, development, and commitment for enterprise performance management applications for finance and their future role and position within SAP's overall solution portfolio by laying out a three-year road map. The vision and road map described in this document are those that SAP currently plans to realize. To react to shifting markets, SAP may postpone, cancel, or accelerate some of the planned functionalities for any number of reasons and at any time.

#### Vision and Road Map

SAP and Business Objects, an SAP company, are committed to and focused on providing customers with the market-leading solutions for enterprise performance management – applications in both financial and operational performance management. SAP® solutions for enterprise performance management empower organizations to manage all financial and operational strategies, planning, budgeting, forecasting, reporting, and analytic requirements – in addition to profitability and cost optimization. Whether you are measuring profitability, achieving cost-reducing synergies, accelerating time to market, or reporting results in a more compliant and timely manner, these solutions can help you deliver answers, drive decisions, take action, and manage your business.

The **strategic focus** of SAP solutions for enterprise performance management helps ensure that:

- Performance management addresses the entire organization – that is, more than financial performance management
- Financial performance management goes deeper and extends beyond the traditional realm of planning, budgeting, forecasting, and consolidation; performance management solutions from other vendors have lacked support for next-generation strategy management capabilities and any advanced profitability functionality

- Financial performance management is tied to other key initiatives that are important to the office of finance, such as governance, risk, and compliance; performance management solutions from other vendors have failed to address these synergies
- Performance management offers a comprehensive view of the business through integrated processes that leverage a market-leading business intelligence platform to provide a single version of the truth and better reporting, analytics, data quality, and data integration

In April 2007 SAP established a cross-functional business unit that brought together the people, partners, integrated technology and product portfolio, and best practices to help CFOs drive business performance, manage risk, and optimize the financial value chain. SAP was an early investor in this market (since 2000) with the introduction of strategic enterprise management products. SAP started strengthening its portfolio of analytic applications and commitment to C-level executives in February 2007 with the “tuck-in” acquisition of Pilot Software, a privately held company specializing in strategy management software. In June 2007 SAP finalized the acquisition of OutlookSoft Corporation, a company providing software that helps CFOs manage integrated planning, budgeting, forecasting, and consolidation. Finally, in January 2008 SAP acquired Business Objects to complete its strategic focus on providing solutions not only for finance but also for operations and all other business users.

## Road Map for Financial Performance Management

With SAP's acquisition of Business Objects, there is some overlap in the combined product portfolio. At a high level, this document covers SAP's road map for financial performance management solutions moving forward.

The financial performance management applications from SAP support closed-loop performance management with best-in-class functionality for the following core domains:

- Strategy management
- Business planning
- Profitability and cost management
- Financial consolidation

SAP's goal is to offer customers the best solutions on the market using the approach outlined in this document. There are two guiding principles for addressing areas of product overlap: to continue meeting the business requirements of customers and to create simplicity. In areas where there are overlaps, SAP selects one application in each area to build on. Wherever possible, duplicate products are placed in maintenance mode with clearly articulated maintenance rules, migration kits, and declarations of functional parity for most of the solutions.



In the short term (6 to 12 months), SAP plans to optimize financial performance management software for both SAP and non-SAP platforms, providing a choice of platforms and the ability to leverage information from any source – whether SAP or non-SAP. This flexibility will also **enhance integration** between financial performance management and other portfolio products, including the business intelligence platform and tools. At the same time, SAP intends to work on additional integration with SAP solutions for governance, risk, and compliance. The goal is to create a powerful end-to-end solution for business users and the finance office.

In the longer term, SAP plans to move to a unified application experience for the full set of applications. The goal is to merge applications on a **common business intelligence platform** that uses enterprise service-oriented architecture services. This ensures that the user layer is abstracted from the data layer and that business users have a unified application environment, providing a holistic view of enterprise performance management processes. For customers with existing solutions that are not part of the go-forward strategy, SAP intends to cover their needs in its product road maps and focus on product innovation that provides attractive replacement options. Lastly, SAP plans to devote R & D resources to help ensure the appropriate migration, integration, and maintenance support.

## Strategy Management

In the area of strategy management, SAP evaluated four products for rationalization:

- SAP Strategy Management application (formerly a Pilot Software product)
- Balanced scorecard functionality in the SAP Strategic Enterprise Management (SAP SEM®) application (known to current customers as SEM-BSC)
- BusinessObjects™ Performance Manager application
- BusinessObjects Objectives Management application

Last year SAP announced that SAP Strategy Management would be its go-forward product; the company has determined that this application will continue to be the direction it invests in going forward. In a deep review of SAP and BusinessObjects applications, SAP Strategy Management proved to be the most comprehensive offering for “scorecarding,” strategy maps, initiative tracking, and management of key performance indicators.

SAP recommends that customers using BusinessObjects Performance Manager migrate to SAP Strategy Management and is currently evaluating tools and services to facilitate this migration. SAP is planning to incorporate certain features of BusinessObjects Performance Manager and BusinessObjects Objectives Management in future versions of SAP Strategy Management. BusinessObjects Performance Manager customers looking for dashboard functionality should look at BusinessObjects Dashboard Builder and BusinessObjects Xcelsius® Enterprise software. Both are information delivery and discovery products from Business Objects.

In March 2008 SAP introduced a new release of SAP Strategy Management. The application now has tight integration with the SAP NetWeaver® technology platform and with SAP solutions for governance, risk, and compliance, so risk measures can consistently be applied to new strategies.

Additional enhancements planned for SAP Strategy Management are as follows:

- In the first half of 2009, SAP plans to provide another release that:
  - Exposes information within SAP Strategy Management to software such as BusinessObjects Dashboard Builder and BusinessObjects Xcelsius Enterprise
  - Integrates SAP Strategy Management with an integrated data model, an important concept as it helps provide data integration among all products within financial performance management
- In 2010 the goal is to unify the application with the other financial performance management products when SAP releases the next generation of financial performance management applications.

## Business Planning

Within the area of business planning, SAP evaluated five different choices:

- Business planning and simulation software in SAP SEM
- Business intelligence integrated planning functionality in the SAP NetWeaver Business Intelligence (SAP NetWeaver BI) component (known to current customers as the BI-IP planning engine)
- SAP Business Planning and Consolidation application
- BusinessObjects Planning XI application (formerly an SRC Software product)
- BusinessObjects Planning Extended application (formerly an INEA product)

Since investment in SEM-BPS stopped in 2005, it was not an appropriate choice for new customers looking for a planning solution. The BI-IP planning engine was the successor to SEM-BPS but is no longer positioned as a go-forward choice for customers looking for a planning application. Instead, SAP Business Planning and Consolidation was positioned as the go-forward choice following the acquisition of OutlookSoft last year. This application delivers a full planning application, rather than a planning-engine approach.

In evaluating BusinessObjects Planning XI and BusinessObjects Planning Extended, the company determined that SAP Business Planning and Consolidation was a superior solution and provided better functionality overall. Customers using BusinessObjects Planning software can migrate to SAP Business Planning and Consolidation for all their planning, budgeting, and forecasting needs. SAP is currently developing offerings to aid with database migration and user authorization conversion as well as the standard planning methodologies to help with the migration to SAP Business Planning and Consolidation.

The enhancements planned for SAP Business Planning and Consolidation are as follows:

- Build specific vertical content for healthcare and regional banks into the application for release in the future
- By August 2008 introduce a new release that has tight integration with SAP NetWeaver, allowing both read and write functionality directly to SAP NetWeaver BI 7.0; also planned is a new version of the Microsoft platform
- In the first half of 2009, expose SAP Business Planning and Consolidation data services to the business intelligence tools and begin the integration with an integrated data model
- In 2010 unify the application with the other financial performance management products, including SAP Strategy Management and the BusinessObjects Profitability and Cost Management application (formerly an ALG Software product)



## Profitability and Cost Management

Within the area of profitability and cost management, SAP evaluated two different solutions for product rationalization:

- BusinessObjects Profitability and Cost Management application
- SAP Business Profitability Management application by Acorn (reseller agreement with Acorn Systems Inc.)

The BusinessObjects Profitability and Cost Management application gives financial and line-of-business analysts the ability to calculate costs and line-item profitability for many dimensions of their business – for example, products, customers, distribution channels, processes, and services. After a deep review of functionality, SAP decided to continue its investment in BusinessObjects Profitability and Cost Management as part of its financial performance management portfolio and not to focus on the reseller agreement with Acorn.

BusinessObjects Profitability and Cost Management is available for purchase now and includes the products formerly known as BusinessObjects Activity Analysis, BusinessObjects Performance Optimization, BusinessObjects Objectives Management, and BusinessObjects IT Services Costing.

The enhancements planned for BusinessObjects Profitability and Cost Management are as follows:

- By June 2008 introduce a new release with additional platform support and scalability enhancements
- In the first half of 2009, provide another release that includes some integration with SAP NetWeaver and an integrated data model

## Financial Consolidation

After an extensive product review, SAP decided to support the following three financial consolidation offerings in the immediate term:

- SAP Business Planning and Consolidation application
- BusinessObjects Financial Consolidation application (formerly a Cartesis product)
- Business consolidation functionality in SAP SEM

The company determined that all three offerings have rich functionality for the different consolidation scenarios that customers face. Until SAP can combine the rich functionality of all three into one product, the company plans to support all three products so customers can continue to benefit from the

consolidation products they have already implemented. SAP is the first vendor on the market to offer consolidation functionality for all scenarios, including financial and management reporting with corporate, departmental, and regional requirements.

SAP Business Planning and Consolidation is a unified offering that will continue to be provided in the future. Moving forward, the plan is to provide a single consolidation engine that leverages the unprecedented usability of SAP Business Planning and Consolidation and the strong functionality of BusinessObjects Financial Consolidation. BusinessObjects Financial Consolidation has richer functionality for statutory reporting and support of the extensible business reporting language (XBRL). SAP understands that finance departments have complex business needs that include dealing with mergers and acquisitions, reorganizations, divestments, multiple GAAP, and currency exposures. Because of this, SAP considers BusinessObjects Financial Consolidation an exceptional part of its portfolio for certain consolidation scenarios.

For existing consolidation customers, the support plans are as follows:

- SAP Business Planning and Consolidation and BusinessObjects Financial Consolidation: SAP plans to maintain and enhance **both** products in the near term. In the next-generation release of the financial performance management applications (release 8.0 in 2010), SAP plans to unify them in order to deliver unprecedented usability and functionality.

- Business consolidation functionality in SAP SEM: SAP plans to continue maintenance per the 5-1-2 policies. The 5-1-2 maintenance strategy encompasses five years of mainstream maintenance during the unrestricted shipment phase, one year of extended maintenance at an additional 2% fee, and two years of extended maintenance at an additional 4% fee, with customer-specific maintenance thereafter. Planned enhancement packages will continue through 2008, and any legal enhancements will continue through 2013.

The goal is to provide customers with a migration path from any of the above three financial consolidation offerings to the unified release with minimal or no disruption. If customers choose not to upgrade, they will be supported per the standard 5-1-2 policies.

In any solution category, if a customer decides to migrate, SAP will provide a license "credit" toward the license of the successor product. In all cases, investments are safe per the appropriate support and maintenance policy.

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