Executive summary

Over the last 10 years the speed of change in the business world has greatly accelerated. With the availability of real-time data and the omnipresence of digital channels, business models are shifting fast. To survive and thrive the company of today needs to be able to create digital value and innovate – again and again. IT systems must enable inherent business transformation and be focused at enabling outcomes. To do this, the need to be robust, fast to deploy, and easy to use and upgrade – giving the business access to the latest innovation whenever it required.

SAP® Model Company services address these requirements. Encompassing prepackaged, ready-to-use end-to-end reference solutions for industries or line of business (LoBs), SAP Model Company services are aimed at simplifying and increasing the speed of digital transformation projects. For this white paper, SAP asked an independent global IT consultancy to interview early adopters of SAP Model Company services to see if they deliver what is promised. The answer is yes.

The main benefits observed among clients that are already utilizing the SAP Model Company Service offering include:

- **Speed of deployment** (for example, reducing total discovery time from 65 to 15 days and delivery time from 24 down to 12 months)\(^1\)
- **Higher “fit to standard”** (for example, reducing custom development efforts by >30%)\(^2\)
- **Ease and speed of decision making** (demonstrated by a significantly decreased the number of meetings)\(^3\)
- **Future-proof foundation** (for example, having the agility and flexibility to react to future changes and unlock innovation potential)
- **Significantly improved project scoping** (for example, enabling confident estimates on the amount of licenses needed)

\(^1\), \(^2\), \(^3\): Quantified benefits directly refer to individual customer examples within the series of interviewed early adopters of SAP Model Company services.
**Situation overview**

The key drivers for IT today are agility, responsiveness to changing business scenarios, and quick results. While in the past customization to fit the most minuscule business requirement was seen as a key competitive advantage, today this very customization can stand in the way of the business’s ability to adapt to an ever-changing environment.

Companies increasingly hit limitations when experimenting and innovating with new digital business models on legacy infrastructure. The modernization and digitalization of these systems became necessary to remove the hurdles and boundaries that are blocking them from innovating with the market.

Delays in project rollout are often attributed to a lack of a predefined project and process scope in combination with limited insight into what standard functionality is available in modern application packages.

In addition to seeking to make their transformation journey a fast one, companies have to keep in mind that due to the speed of market changes and increased customer expectations, modernizing or replacing core applications will likely have to happen on a more frequent basis.

This general observation is triggering the necessity of having more agile system and application landscapes that can react faster to changes in the market. As a consequence, companies must now keep core systems and applications as close to the standard as possible, as opposed to making a high number of customizations.

While the prepackaged SAP Model Company services comprise state-of-the-art applications and proven best practices, they also encapsulate the experience from successful real-life digital transformation projects. Combined with consulting services and our expertise, SAP helps ensure the right guidance and support structure is within reach for enterprises throughout the project.

The following are the step-by-step building blocks of SAP Model Company services:

- **Foundation** (industry reference architecture and digital business framework)
- **Accelerators** (configuration and how-to guides, test demo scripts, and implementation tools)
- **Business content** (business process hierarchy, end-to-end scenarios and process diagrams by roles)
- **Engineered services** (hand-over and enablement workshops to jumpstart discovery, exploration or fit-gap analysis, and realization)
- **Preconfigured solutions** (available as a ready-to-run appliance, including all applications, configuration, and sample data)

SAP Model Company offers end-to-end processes ranging from detailed business process master lists down to test scripts, along with industry and LoB best practices. In addition, all content is documented in SAP Solution Manager, and the services are covered by SAP Value Assurance service packages for SAP S/4HANA®.

The services also include an embedded transformation road map, which supports clients in reducing cost, decreasing risk, and accelerating adoption during exploration (such as through proven fit-gap analysis), and realization activities.

SAP Model Company services help companies to kick-start their digital transformation journey and reduce total cost of implementation by delivering a structured fit-gap analysis and preconfigurations, ready to run as a
sandbox or demo solution. Additionally, the services help to decrease overall implementation risks due to end-to-end LoB-proven processes and reference architecture, and minimize customizations by starting with SAP standard software and operating it through the entire software lifecycle.

As a result, companies are able to benefit from the latest innovation in business software and have the ability to build up demo environments with reference lookup for standard configuration. Leveraging these benefits, companies can also choose between cloud and on-premise environments.

While SAP Model Company services are offered from SAP directly, they are complemented by SAP’s large partner ecosystem. SAP’s partnership strategy has been established and released globally with key system integrators.

**Market study**

A diverse base of participants was chosen to reflect different industries, project types, and SAP Model Company services.

SAP Model Company services were launched in February 2017 and have been very well received in the market. Starting out with offerings for 10 industries and LoBs, the portfolio grew to 25 SAP Model Company services by February 2018.

In December 2017, SAP commissioned a well-known independent global IT advisory firm to gather actual customer experiences with SAP Model Company services. A broad and diverse base of participants was chosen to reflect different industries, project types, and model company services.

In the end, 10 interviews were conducted with customers located in the Netherlands, Italy, Germany, Mexico, Honduras, Colombia, and the United States. The interviewed companies ranged from midsize to large organizations, operating across the manufacturing and industrial, food and beverage, energy and utilities, HR, banking, and chemical industries. The companies also varied in terms of the degree of system and application landscape standardization prior to project start. Twenty percent of the companies said that they already had a high fit-to-standard level (higher fit of their current systems to the SAP reference system), 30% considered themselves to have medium fit-to-standard level, and 50% said they had highly customized systems and applications and therefore significantly varied from the standard of the SAP reference system.
More than a third of interviewees had an extensive background and deep expertise with SAP solutions and services through previous leading roles in SAP project rollouts at current or previous companies. These interviewees were able to quantify project benefits, give additional insights, and evaluate their current SAP Model Company service engagement at a granular level.

**Transformation goals and project types**

**Top priorities and market trends were reflected in companies’ ambitious transformation goals**

The top overall transformation goals triggering adoption of SAP Model Company among the interview participants included:

- Overall digital transformation
- System modernization
- System replacement
- Standardization
- Unlocking innovation

The project types carried out by the interviewed companies could be classified into the three categories: general solution exploration and fit-gap analysis, proof of concept, and full solution rollout and implementation. Around half of the projects included complete solution rollouts, whereas 40% of the interviewed companies carried out proof-of-concept projects aimed at unlocking new innovations, and 10% were involved in more explorative projects applying SAP Model Company services. Around half of the interviewed companies had already successfully completed their engagements, while the other half were still in early phases of their respective projects.
Purchase decision: What made companies choose SAP Model Company?

“Faster time to value” was the unrivaled top purchase reason

Time to value was the key purchasing criteria for most companies. In particular, the clients with large transformation programs considered the investment in SAP Model Company as a means to get a faster return on their overall investments, mainly due to faster rollout of functionality and processes, while reducing the scope and risk of time overrun of such large programs.

“Short time to market was main driver to buy [SAP] Model Company”
Project manager for SAP S/4HANA rollout at a leading company in specialty chemicals

Organizations with a longer history of SAP usage saw the model company service as an enabler to replace custom processes and developments with proven standard practices. They are able not only to adopt new functionalities faster but also to get direct access to the product and project experience of SAP gained over thousands of customer implementations world-wide.

“Help to utilize more of the SAP standard functionality and getting away from too much customization in the current system”
IT director for a manufacturing services company

Some companies (30%) explicitly stated that they chose SAP Model Company to reduce the dependency and level of spending on third-party system integrators.

In two cases, SAP Model Company was used in a product and vendor selection project, and to drive the decisions for an overall application architecture. In both cases the model company service established SAP as a clear leader in the software selection process. SAP scored particularly high in these evaluations because in contrast with the competitors, the processes that were part of the evaluation were ready to use and no customization for process walkthroughs was required.

Process coverage

Perceived process coverage was strongly tied to current levels of process and industry standardization

The required range of processes that the selected SAP Model Company services were able to cover was very diverse. Customers indicated a range of 40% up to 100% as perceived overall fit to their current business processes. In the cases with >90% fit, the companies had already started to adopt standard processes and methodologies some years prior to the current SAP Model Company service engagement (for example, in the area of project portfolio management).
The level of process coverage was therefore dependent on the current level of standardization and linked to the level of standardization within the industry vertical in which the interviewed company was operating. While companies that adopted and operated within the standard practices of their respective industry could leverage the vast majority of the industry best practices and predefined processes of the model company services, companies who were specialized and operating within particular niche subindustries found lower process coverage.

Even though companies with highly customized systems perceived a lower level of process coverage, they still reaped benefits. Feedback revealed that SAP Model Company services helped them get as close as possible to standard, resulting in fewer customizations overall and a more closely aligned future-proof system and process road map.

Most of the interviewed companies invested in their SAP Model Company service tailored to one organizational area (such as finance) or to one specific industry (such as manufacturing). They observe that SAP has made a commitment to invest in SAP Model Company services, taking into account the lessons learned from their project. As a result, they actively recommend the services to other parts of their company and expect that the process coverage in succeeding projects will increase.

Interviewees who had more than 10 years of previous work experience with system integrators and various project rollouts acknowledged that compared to earlier template and best-practice offerings, SAP Model Company represents a tangible improvement. They pointed out that a fit-to-standard approach requires, first of all, a change of mind-set toward adoption of standardized processes and the capability to support this
cultural change management within their organization. This change is critical for their organization to achieve closer to 100% process coverage with a prepackaged offering.

Main observed benefits

“Faster time to value” and “ease of decision-making” led the list of top benefits

All interviewed customers except one acknowledged a faster time to value or shorter project duration. One interviewee compared the acceleration with the adoption of an agile development process that leads to transparent and faster results. Instead of waiting 9 to 12 months for the first results, the project team was able to demonstrate complete business processes to their business stakeholders in 2 to 3 months. Most interviewees could not quantify the actual time savings, but they acknowledged a time-boxed workshop schedule that resulted in more-efficient workshops and an accelerated project schedule. Since business users were able to see and evaluate the available processes and functionality, the decision-making process was perceived as very efficient. Interviewees with previous SAP experience noted that compared to previous projects, it was easier for business and IT to come to joint decisions, thus leading to an overall decrease in the number of meetings and a significantly shortened exploration phase of the projects (from 65 down to 15 days) compared to similar projects.

The “out-of-the box advantage” eliminated a large share of custom developments

In general, the “out-of-the-box” approach prevented time-consuming discussions around potential custom developments and antagonistic process modeling options. Interviewees reported that the preconfigured content was perceived by the business as intellectual property of SAP that codifies best practices gained in implementations with thousands of customers worldwide. This perception resulted in a higher acceptance of available standards and process models and flows.

From a market analyst perspective, companies avoided “reinventing the wheel.” It can be considered good practice that custom development requirements were not accepted in the first project phases and that spending patterns and spending mistakes of the past were avoided. Overall, companies could cut down time and resources for custom development, which resulted in 30% less development and maintenance costs, as well as a significant time reduction for development from 24 to 12 months.
Companies are able to make their system and application landscapes future-proof and ready for turbulent times ahead

Customers observed that the development speed and resulting release cycles of SAP and other application vendors have increased significantly. In particular, the interviewees from larger global organizations said that they consider SAP Model Company a road map and architectural vehicle to understand what new functionality is offered and a tool to adopt it much faster. The general expectation is that this will make the SAP landscape future-proof and more aligned to systems of innovation. Having a future-proof landscape enables companies to keep up with market trends and demands, as new technology can be deployed proactively instead of reactively. This allows the companies leveraging SAP Model Company to take advantage of innovative business processes, letting them play alongside the innovators of their field.

Experienced SAP consultants at the client’s fingertips significantly reduced external dependencies and internal training efforts

Some companies interviewed expected that if they spent less for standard implementation services and custom code, this would push third-party system integrators to come up with more innovative propositions. Thus, external resources can be focused on topics that add higher value. Companies located in countries with a scarcity of SAP resources appreciated that SAP Model Company services mitigated some of their sourcing and staffing constraints, while at the same time reducing the dependency on external competencies.
Tangible benefits reported revealed significant time and cost savings

Because half of the interviewed companies were in early stages of their projects, the long-term empirical evidence for measurable benefits was not present in all cases. While the measured benefits for the companies that are still in early project phases need to be confirmed at the end of the engagements, some interviewees were able to share first robust estimates:

- A six-week time savings was estimated in the discovery phase of the overall project
- Total discovery effort was down from 65 to 15 days compared to a similar project
- Usual development time of 18-24 months was shortened to 12 months

After project completion, benefits are expected in the following areas:

- Over 30% reduction in spending on custom developments and maintenance
- Reduction in discovery by >70%
- Reduction in overall project development phase by 50%
- Highly decreased project expenses due to fewer and more-effective meetings enabled through demos and effective workshops (such as lower travel expenses and more efficient use of executive time spent in meetings)
- Significantly lowered project risks, since SAP Model Company services employ proven, compatible business process configurations, and allow companies to demonstrate actual system usage

Adoption and usage

Both technical and business roles benefited right from the project start

Most interviewed companies had completed the proof-of-concept phase. Roles related to technology as well as to business both profited from the SAP Model Company services.

The established architecture, preconfigurations, extensive documentation, and process coverage eased the general project rollout for IT-related roles. In addition, business roles drew major benefits from early accessibility of demonstrations and end-to-end process documentation and were able to evaluate and plan from a very early stage of their project.

Conclusion: For whom is SAP Model Company most suited?

SAP Model Company services are suited for companies that are looking at implementing a standardized SAP system in a short time frame. This approach fits customers new to SAP as well as long-term SAP customers looking at transforming their system landscape.
We live in dynamic times where digitalization is everywhere, and enterprises today and tomorrow will face the constant need to digitally transform their companies to stay ahead of their competition. This trend creates an urge for digitalizing their increasingly complex landscape of systems and applications. Yet, most companies will recognize that the biggest challenge they currently face is the inability to change their core systems and applications quickly and frequently, due to added complexity, a lack of agility, and overcustomization.

Companies with both lower and higher levels of standardization benefit from SAP Model Company services, which help them to move toward greater standardization and drive more innovation.

The services address all enterprises that want to optimize the time to value of their implementation or migration projects. The general recommendation rate of SAP Model Company services is already very high and expected to further increase due to continuous improvements based on client feedback. Companies in particular appreciate the fast time to market, achieving a higher fit-to-standard level, and the advantage of reduced complexity in decision-making processes, but they also value the direct access to codified SAP project experience, road maps, and resources. This reduces their risk of repeating past implementation mistakes and accelerates their ability to deploy new processes and functionality. Especially companies with a lack of digitalization resources and limited SAP implementation experience can benefit from the packaged approach. Companies with complex SAP landscapes can leverage the offering to increase their fit-to-standard level – creating a positive impact on the level of custom code spending, operations costs, and innovation adoption.

More than ever, midsize as well as large organizations need a strategic partner that can guide them through their digitalization journey. This strategic partner should not only help them to align to standard best practices and provide them with state-of-the-art technology but also enable them to carry out their transformation in a speedy manner and help them plan and prepare them for turbulent future times and changes ahead.