Best Practices to reduce TCO

Introduction

Organisations that rely heavily on SAP applications have needed to invest significantly over the past few years to keep pace with business and IT demands.
As digital becomes even more prevalent, the demand for IT will continue to rise, which in turn will place a heavier burden on IT organisations. Driven by the further digitisation of business and increasing market competition, IT is becoming even more indispensable. Cloud computing, social collaboration and data analytics are simple examples of technologies which require organisations to adopt, or at least rethink these technologies and related new economic models, structures and market approach. Such new technologies are also impacting the traditional roles of supply and demand within IT organisations. Efficient, cost-optimised SAP implementation and maintenance is critical to managing this complexity.
Organisations are moving towards the vision of running SAP as a factory, and automating their IT operations. They put dedicated effort into managing complexity in an environment of cost rationalization. Organisations are therefore very active in evaluating their existing ERP systems and related management environments in order to obtain more value and to reduce costs. The demand for investments in SAP is further increasing due to the pace of new business opportunities brought by technological innovation, making the evaluation and timing of adopting new technology an especially important focus. Cloud solutions in the area of applications, databases and infrastructure are examples of relevant new technologies, and developments in mobility, app markets, user interfaces (such as SAP Fiori) and in-memory techniques (such as SAP HANA) play an important role too.

What Problem arises?

With increasing numbers of interdependent applications, servers, and databases, distributed IT environments, and more users than ever before, IT infrastructures became extremely complex. Increased complexity results in higher costs, impedes agility, and reduces the time and resources available for innovation. So, to drive more business value, IT organizations must simplify their infrastructure and operations. With end-to-end integration, the newest IT solutions for SAP span the enterprise, from browser to the info center to storage, allowing you to simplify your SAP environment. The result's reduced total cost of ownership (TCO) and accelerated return on investment (ROI) for your SAP. Through vertical combination , cloud-ready, best-in-class systems, and a decent partnership with SAP.

Reducing total cost of ownership with cloud ERP solutions

The need to shift is obvious and undeniable. Your business applications should not be deployed in monolithic, on-premise solutions. Instead you would like to deliver business-relevant solutions that are agile and efficient, serving as a platform for innovation while delivering cost savings. On-demand models offer significantly greater advantages than traditional cloud deployment models.
As for IT resources, a cloud ERP approach allows organizations to specialise in business services and accelerate the shift to digital business. It improves time to plug by shortening the time to upgrade by months and executing pilot program schedules. It reduces TCO by optimizing infrastructure and core applications.

You can optimize process efficiency and reduce TCO by

- Applying automation to both the infrastructure and application layers to measurably reduce IT spend
- Using Dev/Ops to eliminate manual steps; detect and proper negative incidents; and embed new technologies to enable new features
- Reducing the time and expense of respective project deployment up to 25 percent
- Saving up to one-third on SAP total cost of ownership through monitoring and automation
- Applying pay-per-use economies, i.e. buy SAP resources only you would like and consume them

Reduce complexity

In general complex systems contain a high number of modules with multiple interactions and operations between them, and an outsized amount of diversity and variability (e.g. differing types of postings within financial transactions).
Another example of complexity is custom code. Custom code is usually created to accommodate business requirements not covered by the quality application. Custom code in SAP environments are often painful and end in changes taking an extended time to maneuver from initiation to implementation. Having tons of custom code and (country specific) configurations to take care of , results in additional pain for organizations.

Drive down SAP costs and make room for renewal and innovation

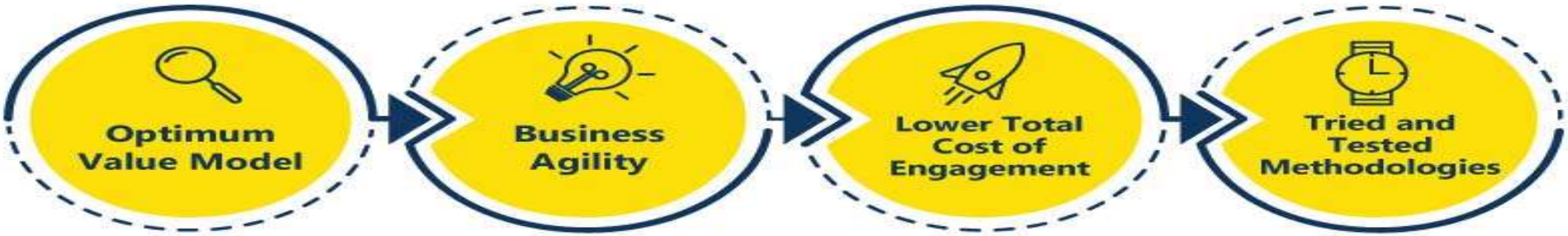
Organisations are struggling to implement cost reduction initiatives. Such cost reduction initiatives often specialise in IT while business units are constantly putting pressure on CIO's to scale back the impact of the IT budget on companies. CIO's need to do more with less. Cost reduction for SAP starts with an in-depth examination of all SAP spend, followed by a prioritisation of possible cost reduction opportunities. Reducing headcount, re-negotiating contracts, reducing service level agreements, limiting licence numbers, and rationalising hardware and software are typical examples which will support reductions in IT and SAP spend.

Currently an enormous chunk of IT spend flows into run and maintain activities. Currently 60% of SAP using organisations spend quite 80% of their ERP budget to optimise and maintain their SAP landscape, leaving little room and a spotlight for simplification and innovation. As CIOs have presumably realised their “quick wins’’ already, SAP cost reduction is becoming tougher . Potential new cost reductions are emerging with the introduction of latest innovative technologies (like Cloud and In-memory solutions) that provide cost optimisation opportunities. Shifting the main target from immediate shortterm wins to more coordinated long-term efforts will further enable organisations to scale back costs while increasing benefits

90% of organisations surveyed indicate that their total SAP spend won't increase or decrease significantly within the coming years. SAP running organisations indicate that the balance between ‘Optimise & Maintain’ and ‘Renew & Innovate’ will shift within the coming future. But despite this fact, survey results indicated that approximately 75% of all organisations will still spend quite 60% on “Optimise & Maintain” efforts within the coming 3-5 years.

Mobility & On Device

In the near future, management, back office employees, warehouse clerks and other staff within most enterprises will use mobile devices to access enterprise data during a more flexible way than via traditional desktops. Mobile solutions offer customers better service and supply employees with secure access to big tools and data anywhere, any time, using their own mobile devices. a mirrored image of where the workforce is headed: more part-time, mobile and contract employees underlines the necessity and value of mobile ERP software solutions, which are being offered by major ERP suppliers. Next to the improved services, mobile platforms provide opportunities to develop cost-effective ERP applications on top of a standardised code-base, rather than development within the code-base itself. this permits agile provisioning of function to finish users and protection of the quality ‘core’ of the appliance .



How to manage lower TCO :

• Lower data footprint: By storing one copy of knowledge in-memory and eliminating the requirements for aggregates, materialized views and indexes
• Reduction in setup costs: Faster time to value with SAP Activate
• Lower testing costs: By eliminating certification requirements for non production HANA hardware
• Simplified landscapes: by blending transactional and analytical systems into one platform.
• Native integration: offering out of the box integration with SAP Cloud solutions.
• And Increased asset utilization: with co-deployment of APO on an equivalent HANA box as SAP S/4HANA

Automation and simplification drive a Save in costs :

One of our SAP ECC customers was seeking to drive down their PTP process costs. Historically, their process was traditional and needed some upgrades to scale back costs and permit for scalability of the AP operations.
Automating the PTP process: request, creation, approval, and payment, increased the amount of no- touch invoices by 50%, reducing AP operating costs to approximately $15/vendor invoice or a 40% reduction.
Some other points to think about when targeting processes for cost reduction?
• Increase Materiality – this might reduce the time and energy of specific close tasks.
• Identify Processes with poor data quality – Consider fixing the upstream data governance.
• Manual or spreadsheet-laden processes – Assess if automation or data governance could reduce the dependency on manual effort.
In a recent study, migrating to a soft or daily close was a top objective of the many CFO's and Controllers. A soft close sometimes mentioned as "continuous accounting" provides critical reports and metrics to run the business without the various tasks to shut the books.

Conclusion on Custom SAP Solutions and Application Life-Cycle Support Costs

The costs and consequences of custom solutions to overall life-cycle support are generally far higher than they may initially appear. For example there is the:

1. Initial developer cost.
2. The application consultant's time,
3. Additional documentation,
4. Additional KT,
5. Additional testing beyond standard functionality requirements,
6. Long term (*unplanned*) support costs
7. Changes, fixes, or bugs are not included in vendor maintenance payments,
8. Additional upgrade testing or "lock in",
9. Paid vendor maintenance may actually "break" custom solutions requiring additional rework,
10. SAP note support for fixes, enhancements, and even regulatory or compliance adjustments will be extremely costly.

etc.