

SAP Portfolio

SUCCESS IN THE NEW ECONOMIC REALITY

HOW THE SAP® PORTFOLIO ENABLES THE CLEAR ENTERPRISE



THE BEST-RUN BUSINESSES RUN SAP™



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EXECUTIVE SUMMARY

ACTION NOT INERTIA

Stop. Wait. Don't make a move.
Do nothing, and everything will be fine.

In today's challenging economic environment, no business can afford to be rash. But can the "do nothing" approach to managing your organization really pass as sound business strategy? Since when is inertia the key to success in an economic downturn? As in the best of times, so it is true today: companies need to understand the nature of the pressures they face and take clear action to address them head-on.

What exactly are these pressures? The fact is, today we're at an inflection point in the global business environment. While contending with survival through a period of unprecedented economic volatility, businesses now also need to manage two contradictory pressures. These include increased complexity that stems from doing business within global networks and increased accountability as stakeholders everywhere ratchet up demands for sustainable business practices.

To survive in today's business environment, companies must **see clearly, think clearly, and act clearly**. Only those with the visibility to act effectively and decisively will survive current conditions to emerge in a stronger competitive position. In short, a best-run business today needs to be a **clear enterprise**. Becoming clear improves



every aspect of managing a global enterprise and allows companies not only to survive and thrive in the near term, but also to be sustainable over the long term. This is why leading organizations are focusing their energies on developing the following two business attributes:

- **Clarity** to refocus business strategies and streamline operational execution
- **Transparency** to demonstrate accountability to key stakeholders and to protect the company's brand and reputation

VISIBILITY FOR ACTION

THE CLEAR ENTERPRISE

Driving Clarity and Transparency into Your Business

Success depends on your ability to address the challenges posed by complexity and increased demands for accountability. Clear enterprises have the ability to overcome complexity by understanding what's going on in every aspect of their business and their business networks. They operate with increased speed, relevance, and accuracy. They are prepared for risk and uncertainty, and they adjust their operations as market conditions change to remain accountable to all stakeholders involved. In short, clear enterprises are:

- Transparent and accountable
- Lean and agile
- Customer centric and collaborative

These are all good things. But the question remains: How do you bring clarity and transparency to your business? How do you see, think, and act clearly so that you can understand your risks, formulate smart business strategies, and take actions that align with those strategies? The answer is by driving initiatives that increase insight, efficiency, and flexibility. And the SAP® portfolio can help. The SAP portfolio comprises software and services from SAP and our ecosystem partners.

Insight

A lack of insight can wreak havoc on business performance by impeding effective decision making. Without accurate, timely, and relevant information, how can you evaluate risk and develop business strategies to ensure ongoing business health? To better understand

risk and improve decision-making processes, organizations should undertake initiatives that seek to improve insight across the business and the business network. You can succeed with the SAP portfolio, which enables you to do the following:

- Connect operations with strategy by aligning plans, budgets, and operational reporting across all organizations and processes
- Help ensure that strategies adjust for anticipated risks and realign with changing business conditions
- Allow teams to make collective decisions by unifying information across multiple sources
- Analyze and track outsourced business processes
- Expose key performance indicators (KPIs) to enable management by exception
- Enable identification of inefficiencies and waste in business operations and the supply chain
- Evaluate profitability and sustainability performance against company targets
- Improve visibility, enable better decision making, and help ensure timely and accurate data
- Engage external perspectives to expand visibility and improve decision making

Efficiency

Inefficient business processes increase costs and create unnecessary waste. This reduces your competitiveness and makes it difficult to achieve sustainable operations. At a time when organizations need to preserve working capital and conserve resources, you can succeed with the SAP portfolio, which enables you to do the following:

- Automate closed-loop performance measurement to determine if operational outcomes align with strategic goals
- Reduce operational costs through support for integrated end-to-end business processes for all lines of business
- Analyze spend to identify opportunities to save money, protect cash, and maintain optimal working capital
- Accelerate the financial close and automate compliance to reduce the cost of audits
- Organize compliance requirements while embedding and automating control testing directly into business processes
- Drive sustainability and efficiency into the supply chain and internal operations to reduce overall energy consumption and detrimental impact on the environment
- Improve productivity by allowing performance of day-to-day activities in the context of common desktop tools such as documents, e-mails, and spreadsheets

Flexibility

Today, business conditions change very quickly. A lack of flexibility in such an environment can impede efforts to deliver customer value – and this can impact the long-term competitiveness of your business. To respond more effectively to evolving circumstances and shifting customer requirements, organizations need ways to capture demand signals and incorporate new ideas into business processes and business networks. Improved agility at the operational level will also allow organizations to more effectively modify processes



How do you see, think, and act clearly so that you can understand your risks, formulate smart business strategies, and take actions that align with those strategies? The answer is by driving initiatives that increase insight, efficiency, and flexibility.

as they seek to eliminate waste and build sustainable value chains. The SAP portfolio, which includes software and services from the SAP ecosystem, enables you to do the following:

- Create adaptive business processes that facilitate rapid responses to changing business conditions
- Integrate processes across companies to speed customer-driven innovation and responsiveness
- Share information beyond corporate firewalls in a secure context

- Extend business capabilities through service-oriented architecture approaches that support the integration of technologies and software applications
- Reorient business networks to support the rapid innovation required to react quickly to evolving customer demand
- Leverage the collective knowledge and skills of a broad community of experts to adapt to business conditions as they change

How SAP Can Help

When it comes to running a clear enterprise, SAP is well equipped to help you from the ground up. With 35 years of experience collaborating with large, medium, and small businesses worldwide, we've developed deep insight into your industry and proven software that can help you address your short- and long-term business objectives.

By enabling insight, efficiency, and flexibility for customers, SAP software helps you close the gap between business strategy and execution. SAP provides a single, integrated technology platform that supports industry-specific business processes – with upgrades and updates delivered through optional enhancement packages that enable you to innovate without business disruptions. SAP software solutions also leverage a service-oriented architecture, which speeds and simplifies the integration of SAP and non-SAP solutions. In the end, you can realize the following benefits:

- Insight to understand business conditions, predict risks, and improve decisions
- Efficiency to reduce costs and maximize your utilization of resources
- Flexibility to respond more quickly to evolving market conditions and capitalize on opportunities as they emerge

While recognized the world over for excellence in the development and delivery of enterprise-grade software, SAP offers far more than cutting-edge technology and applications to support your clear-enterprise initiatives. In particular, SAP offers exceptional value management services that allow you to achieve ROI, a customer-focused ecosystem that facilitates innovation beyond company boundaries, and proven service and support for closing the gap between the business and IT.

Value Management to Support Strategic Goals

Any project that your organization undertakes should have a solid business case and a view to how it will provide strategic value. Yet according to the value engineering group at SAP, 83% of business projects fail to achieve the expected benefits. The culprit is a lack of proactive value management practices that would otherwise enable organizations to select business projects on the basis of solid business cases for delivering strategic value. On the basis of such business cases, organizations can better align activities to achieve desired outcomes and gain more than simply a return on their investment.

SAP has developed a value life-cycle framework based on industry best practices and research from more than 2,000 participants. The value management framework guides customers through the definition of a strategic business case and development of targeted initiatives designed to improve organizational performance. This framework focuses on the development of

enterprise-wide buy in for critical projects where value drivers and economic justifications are clearly articulated, and IT capabilities are aligned with business strategy. By offering a comprehensive value life-cycle framework, SAP helps you discover, realize, and optimize the value of your business projects. Using this framework, SAP has developed over 4,000 business cases using 250,000 validated value-driver targets and benchmarks.

By partnering with SAP to identify and develop a plan for building strategic value, your organization is in a better position to design value-based deployment scenarios and best practices. All these are backed by clear KPIs that help keep projects on track so that you can align strategy to execution quickly and effectively.

Services and Support to Manage the Investment Life Cycle

Some projects are relatively simple – with a clear beginning and end. Others are better understood from a life-cycle perspective, as they are critical to ongoing business success. This is why SAP offers integrated life-cycle management services and support. With SAP serving as a trusted partner, you can identify IT projects that have the strongest business case – projects that maximize financial benefits while minimizing environmental impact. You can then choose projects and solutions that help reduce total cost of ownership and time to value through streamlined implementations and best practices that

help ensure smooth operations. You'll be able to increase user acceptance through improved data consistency, rapid problem diagnosis, and increased system reliability. In the end, this helps you manage business continuity and improve performance while giving you the flexibility you need to scale up to meet new demands as circumstances dictate.

Customer-Focused Ecosystem to Accelerate Innovation

As a global leader in enterprise software solutions, SAP has developed an ecosystem that helps you accelerate innovation, speed ROI, and achieve breakthrough results. Harnessing the collective knowledge of SAP partners, experts, and customers, you can innovate at the edge of your industry by collaborating with the ecosystem community and pursuing solutions that leverage proven best practices. An online ecosystem marketplace makes it easier for you to learn about, evaluate, and purchase specific solutions from SAP and its partners. You'll be able to engage the right people, line up resources, and access relevant knowledge and expertise on a 24x7 basis. A wide range of solutions from SAP and its partners helps minimize integration costs, while standards-based implementation methodologies help reduce project risk. Ultimately, this ecosystem puts knowledge and expertise at your service so that you can use it when you need it to achieve your objectives and improve ongoing business performance.

SAP CUSTOMERS RUN GLOBAL BUSINESS



SAP counts among its customers some of the leading and most innovative companies in the world. Spread across multiple industries, these companies share something in common: they all have the insight, efficiency, and flexibility required to succeed in a highly competitive global market. The numbers speak for themselves. Our customers are responsible for:

- Producing 40 million barrels of oil per day
- Executing US\$300 million worth of retail transactions per day
- Generating 75% worldwide annual beer production (1.5 billion hectoliters)
- Managing 50 million bank accounts
- Producing 65% of chocolate worldwide each year (2.2 million tons)
- Managing 54 million healthcare patient visits each year (in the United States alone)
- Producing 32,000 car engines per day
- Managing defense forces across 107 countries
- Producing 4 million tons of chemicals per day
- Processing 2.5 billion utility bills per year

THE BENEFITS OF BECOMING A CLEAR ENTERPRISE

HOW TO ALIGN STRATEGY WITH EXECUTION



By partnering with SAP to identify and develop a plan for building strategic value, your organization is in a better position to design value-based deployment scenarios and best practices. All these are backed by clear KPIs that help keep projects on track so that you can align strategy to execution quickly and effectively.

The SAP portfolio helps you align strategy with execution so that you can address short-term economic challenges while building a foundation for continued profitability and growth. This will help you follow through on the initiatives that are critical for success in today's economy.

Enhance financial visibility to preserve cash and profitability. Struggling against volatile markets for commodities, interest rates, and currencies, many organizations find it difficult to

ensure appropriate liquidity and compliance with financial reporting standards while also protecting the profit margin.

A clear enterprise has the insight to accurately assess liquidity and cash requirements, maximize savings opportunities, and operate with full confidence in the health of its balance sheet. By supporting better decision making and helping ensure timely, accurate data, the SAP portfolio helps you manage cash flow more effectively and preserve profitability

during challenging economic times. Greater transparency enables you to accurately assess global liquidity and cash requirements. Real-time metrics and powerful analytics help you analyze spend data so that you can identify and maximize savings opportunities. You can also reduce costs significantly by streamlining cash-intensive processes (such as source to pay) and by accelerating global financial close and consolidation procedures. The SAP portfolio also makes it possible to incorporate compliance into critical business processes so that you can focus your energies on core capabilities while reducing the cost of audits.

Achieve leaner operations to reduce operating costs and increase agility.

Intense competition, higher customer and shareholder expectations, and geographically dispersed business units amplify the pressure to achieve operational excellence. Executives must be alert to emerging threats or opportunities and swiftly adapt strategy to new conditions. In such an environment, lean, more agile companies can have a distinct advantage. In response, companies are looking for ways to reduce the cost of operations, respond more quickly to customer needs, and leverage existing investments in IT resources.

A clear enterprise has complete visibility across its business and business network. This enables it to act with agility to streamline operations and respond more quickly to customer needs. By helping you achieve greater visibility, the SAP portfolio plays a critical role in reducing operational costs and increasing business agility. You can analyze



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your portfolio of projects and determine optimal resource allocations to increase profitability. You can also analyze core business processes to identify opportunities for operational cost savings and use the SAP portfolio to support leaner, more efficient processes. For example, you can implement shared services – such as HR or payroll – to meet common corporate needs and reduce cost to the enterprise.

In addition, the SAP portfolio enables you to respond swiftly across your supply network so that you can achieve service-level targets – without maintaining excessive inventory. You can fast-track new product development and production to deliver innovation more

effectively into the marketplace and synchronize development with manufacturing to speed time to market. You can also connect plant-floor manufacturing to the core enterprise to manage production more efficiently and cost-effectively while ensuring the highest degree of quality, traceability, and compliance. And by integrating sourcing and procurement, you'll be able to optimize savings and help ensure compliance with contracts.

Protect market share by increasing customer loyalty. In this period of economic volatility, businesses and consumers are reducing spending. In addition, the Internet has driven a tectonic shift in power toward consumers, who

now directly influence business models as well as the design and delivery of products and services. As a result, companies must find ways to protect market share in order to survive through the downturn. This includes revisiting their business models and making it easier to collaborate with their business networks to deliver superior customer value.

A clear enterprise understands the changing needs of the market and gives its customers exactly what they want, when they want it. The SAP portfolio helps you protect market share by facilitating the free flow of ideas so that you can better communicate with and understand your customers. This helps

you drive fast, relevant innovation to continuously improve the customer experience for long-term loyalty. For example, you'll be able to provide a superior customer experience by delivering real-time customer information to front-line employees. You can also analyze customer interactions or trade promotion results to reveal continuous insights into customer trends – and then use this information to better meet evolving customer demand. You can even extend your analysis to trusted partners to drive innovation throughout your business network. The end results are more satisfied customers and greater long-term customer value that helps you maintain your share of the market.

Optimize organizational performance and reduce HR costs. Globalization and demographic changes exert pressure on companies to find ways to identify and reward top talent while also reducing HR costs. To navigate through the current economic volatility, organizations seek to leverage the talents of their most innovative people. At the same time they must keep their eye on the long-term success of the organization by finding ways to retain and reward these employees despite pressures to contain costs. These same cost concerns also drive organizations to streamline HR services while maintaining service-level agreements.

A clear enterprise has complete visibility into available human capital and has the ability to put the right person on the right job at the right time. The SAP portfolio helps you do just this – while

reducing HR costs at the same time. With standardized, automated global shared services for HR – which can also be extended beyond corporate boundaries – you'll be able to reduce costs and increase efficiency. You can also accelerate skills development to improve productivity and increase the value add of your employees. The SAP portfolio also supports the transparency you need to effectively communicate strategic objectives so that employees can better align their career goals with those of the organization. You can even leverage powerful analytics to identify where top talent resides and use training tools that help foster employee development to meet organizational objectives. The end result is a more aligned workforce that helps close the gap between business strategy and execution on an ongoing basis.

Anticipate risks and reduce the cost of compliance. Globally integrated capital markets and rising fiduciary expectations continue to drive organizations to improve executive governance so that they can comply more effectively with proliferating regulations. The globalization of stakeholders also means that executives must ensure integrity at all levels, for all operations, in all locations. Best-run companies must embrace corporate accountability to protect reputation in an era of instant transparency. To ensure long-term business viability, organizations seek better, more efficient ways to predict risks while minimizing the rising cost of complying with a wide array of regulations around the world.

A clear enterprise is willing and able to demonstrate full accountability to all its stakeholders – but at the same time must find ways to reduce the cost of compliance. The SAP portfolio helps you strike the right balance so that you can minimize operational risks while maximizing business performance. By embedding risk-monitoring controls directly into business processes for financial and line-of-business operations, you'll be able to automate compliance tasks and refocus your energies on your core business mission. With great-

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er business insight and flexibility, you'll also find it easier to adjust business strategies to evolving risk assessments. And with applications that support management by exception and automatic alerts, you'll be able to react quickly to control failures in a way that helps ensure ongoing compliance and helps protect your business reputation.

CLEAR STRATEGIES FOR LONG-TERM GROWTH

Sustainability is an organization's ability to holistically manage economic, social, and environmental risks and opportunities for increased profitability. Sustainable business practices are becoming increasingly important to companies everywhere.



Many companies have responded to the current economic environment by cutting costs and adopting a "wait and see" stance. This may seem like a rational option, but it overlooks innovative business strategies that can present new opportunities for growth:

- Transforming the business network to share risks and collaboratively deliver superior customer value
- Adopting sustainable business practices to improve profitability by reducing waste, differentiating and protecting company reputation, and reducing costs of compliance

These new strategies are helping companies realize gains by streamlining operations and improving customer value. Over the long term, they also promise to position companies for significant competitive advantage.

Focus Your Business Network on the Customer

Many companies' business models have evolved from linear value chains to collaborative "networks" with all of the business partners focusing on joint value delivery to customers. Within the context of these business networks, each business focuses on what it does best while working closely with other companies to leverage broader resources, share risks, and improve the customer experience.

The first priority of any business network transformation initiative should be to establish bidirectional relationships with customers to gain more insight into their wants and needs. The goal is to turn customers into co-innovators who can influence the design and delivery of your products and services. Co-innovation can help develop customer loyalty, which is an important competitive advantage during a downturn.

Understanding customer demand is one thing. Delivering cost-effective products and services to respond to this demand is another. This is why companies need to develop capabilities for coordinating far-flung business network partners – the suppliers, out-sourced manufacturers, design part-

ners, and logistics firms that make up the value chain. From a short-term cost-savings perspective, an effective business network can help. It can let you cut fixed capital investments and reduce overhead as your cost structure comes to depend more and more on the variable costs of specialist partners. From a long-term strategic perspective, a well-oiled business network helps you establish a reputation for delivering exactly what customers want – where and when they want it. That increases your value as a company.

In the end, business network success comes down to effective collaboration. To capitalize on the competitive advantages to be had with flexible, effective business networks, companies need to build collaborative relationships. These, in turn, need to be supported by well-understood handoffs across business processes, increased sharing of information, and broader visibility into risk and performance across all partners that make up the value chain.

Strive for Sustainability

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“It's important to innovate through a recession to sustain new brands and products and offer the customer a little more value.”

A. G. Lafley, Chairman and CEO,
Procter & Gamble

everywhere. Global regulation and social focus have put intense pressure on businesses to minimize their environmental impact, serve as model corporate citizens, and mitigate risks.

In response, organizations are undertaking a range of sustainability initiatives driven by a clear account of the risks and opportunities involved. Proliferating business regulations, for example, present significant risks for com-

panies that manage compliance in a manual, error-prone fashion. On the other hand, companies that automate and embed compliance activities into core business processes can demonstrate accountability more cost-effectively.

Sustainability initiatives also focus on maintaining brand, market, and shareholder value. Take, for example, the impact to businesses from the risk of unsafe products (as with recent toy recalls) or child labor issues arising from partners that lack the appropriate level of oversight. Companies that implement sustainability best practices can better mitigate the risks of damaging brand, sully corporate reputation, or diminishing market share.

Sustainability, of course, is also about energy efficiency. And today, energy efficiency is as much about bottom-line costs as it is about good corporate citizenship. Companies that take the opportunity to capitalize on “green IT,” advanced metering solutions, and a wide range of mature renewable energy technologies can streamline consumption, reduce costs, and increase profitability.

On the Path to Clarity

As always, SAP is dedicated to helping its customers become best-run businesses capable of thriving regardless of the economic climate at any particular point in time. This is why we've developed the following steps to help you become a clear enterprise:

1. **Choose the company that can truly support your business strategies.** As you develop plans to enable your success in the new reality, choose the company that provides **clear** answers to your strategic questions.
2. **Develop a plan to build strategic value.** Work with SAP to identify strategic opportunities for value and develop initiatives to get you where you want to go as quickly as possible.

3. **Start small but think big.** Invest in Best-Run Now packages that enable you to close the gap between strategy and execution in the short term as well as start you on the path toward becoming a clear enterprise.
4. **Engage key partners in your business network.** Work with SAP to assess your business network and determine how you can launch initiatives to build stronger business networks.
5. **Close the strategy-to-execution gap and measure the benefits.** No matter what initiatives you undertake, be sure to develop KPIs and track progress so that you can measure success and report back to key stakeholders.



FIND OUT MORE

To learn more about how SAP can help your organization become a clear enterprise, contact your SAP representative today or visit us online at www.sap.com/clear.

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