Application Lifecycle Management

HOW COMPANIES SUSTAIN BUSINESS PERFORMANCE IN VOLATILE TIMES

RAISE IT PRODUCTIVITY WITH APPLICATION LIFECYCLE MANAGEMENT

THE BEST-RUN BUSINESSES RUN SAP™

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OVERVIEW

In the current economic environment, CIOs and IT managers are challenged more than ever to cut IT costs and enable business process excellence and timely innovation adoption – at the same time. In this document, leading enterprises demonstrate how they have successfully addressed this challenge by taking different measures in responding to individual business drivers. These measures include system landscape consolidation and harmonization, standardization of IT service management, use of SAP® enhancement packages, and adoption of service-oriented architecture. These SAP customers confirm that application lifecycle management is a key enabler for these measures that reduce the costs of implementation, operations, and continuous improvement and upgrades. Using these measures, organizations reduced total cost of ownership between 15% to 60%, while maintaining and even improving business agility, innovation, and business continuity – as a result of holistic ALM based on SAP solutions, services, and support.

SURVIVING AND WINNING IN TOUGH ECONOMIC TIMES

HOW SUCCESSFUL COMPANIES ARE APPROACHING IT PRODUCTIVITY

In the face of continuous, accelerated change in the business environment, executives must find ways to contend with shifting pressures that threaten their companies' competitiveness and profitable growth. Especially in these tough economic times, executives must strike a balance between reducing costs and making the right investments to ensure their companies' success now and in the future. And the longer the economic uncertainty persists, the more challenging the balancing act.

Many companies have adopted immediate tactical measures such as cost cutting and layoffs. However, cuts alone are not the answer. Winners have thrived through times like these not just by cutting costs (without weakening business capabilities) but also by making judicious investments (such as in IT) and exploiting market opportunities. According to a McKinsey & Company survey, "Investments in IT-enabled business processes can deliver up to 10 times the impact of traditional IT cost reduction efforts."[1] IT can help corporations drive immediate business value and streamline operational costs. Investing in the right IT solutions and end-to-end business processes enables companies to simplify their IT landscape and reduce total IT cost. These investments also allow businesses to run more efficiently and improve customer experience.[2]

IT matters even more in this challenging global economy. A recent study led by Andrew McAfee and Erik Brynjolfsson of the Harvard Business School supports the hypothesis that investments in enterprise resource planning (ERP) and other integrated systems greatly improve the productivity and competitiveness of corporations.[3]

But despite the fact that IT makes business productive, there is constant and – in the current economic environment – ever-increasing pressure on the productivity of IT itself. IT managers must do more with the same or an even smaller budget while preserving the same service levels and reducing total cost of ownership (TCO).

1. J. M. Kaplan, R. P. Roberts, and J. Sikes, *Managing IT in a Downturn*, McKinsey & Company, 2008.
2. See also C. Bouhdary, "Leadership Makes the Difference During Times of Global Financial Crisis," www.sdn.sap.com/irj/scn/index?rid=/library/uuid/a0ca7566-b2a3-2b10-f790-a440782261ac.
3. "IT Does Matter: How IT Ecosystems Help, Not Hinder, Productivity and Competitive Edge, Q&A with Harvard Business School's Andrew McAfee," April–June 2008 issue of *SAP Insider*.

Gartner Inc. recommends companies take the following measures to improve IT productivity:

- "Prepare for a transformation that will replace their IT infrastructure to ensure low-cost and agile operations for the next five years in response to cost and earnings issues.
- Focus on the centralization and standardization of operations and processes that are similar or identical across the business. Balance this, however, with the proper structure that will respond to the business environment they are facing. Smart centralization of systems that are responsive to the business avoids the trap of centralization that prevents business performance.
- Apply 'lean IT' principles to the IT organization to further inculcate the cultural practices that will increase IT productivity."[4]

These recommendations are well matched with the strategies and measures that many SAP customers have undertaken to improve IT productivity. In this document, we demonstrate how several customers have used **application lifecycle management** (ALM) as an enabler to drive IT productivity amid the current economic challenges. These examples reveal the following measures:

- Some companies have leveraged an agile technology platform based on service-oriented architecture (SOA) to improve responsiveness and reduce integration and development costs (such as for solution extensions) by reusing prepackaged enterprise services.
- Companies have benefited as well from the enhancement package concept, which offers SAP customers the chance to enhance functionality without the disruption, risk, and effort of a large upgrade project. By installing SAP enhancement packages as part of their regular maintenance activities, customers have reduced downtime, manual efforts for their complete installation procedure, and testing efforts.
- Other companies have reduced the number of productive SAP software systems they run, sometimes to a single global instance. Due to the associated technology consolidation and business process harmonization, these customers have experienced both significantly reduced TCO and an increased responsiveness to business requirements.
- Still other companies have significantly lowered their cost of operations by implementing standardized service-management processes following SAP standards for operations and recommendations based on best practices and the IT Infrastructure Library (ITIL) framework.

Why Application Lifecycle Management Matters

Application management can be described as an iterative lifecycle divided into a discovery, delivery, and optimization phase. At its best, application lifecycle management (ALM) makes cost-cutting and value potentials become more transparent in the discovery phase – using benchmarking analysis, best-practices comparisons, and feedback from operations to build solid business cases. ALM ensures a better alignment of projects with business needs through IT portfolio and project management and better control of risks. Improved quality and IT productivity can be achieved through the continuous improvement of standardized processes and practices in the delivery phase, which includes three steps: build and test, deploy, and operate. When IT resources grow tighter, ALM becomes extremely important; it helps manage change, driven by business demands, in a smooth fashion from discover to delivery phase in order to continuously increase IT productivity.

4. J. Lopez and M. Raskino, *IT Productivity: The Next Source of Competitive Advantage*, Gartner Inc., 2008.

In summary, what most of these companies have in common – and the key to reducing IT costs – is a holistic approach in their ALM. This document shows how SAP customers have increased IT productivity by leveraging SAP solutions, services, and support.

For example, the SAP Solution Manager, enterprise edition, provides a centralized, robust application management tool set that combines tools, content, and direct access to SAP to efficiently support the entire application lifecycle.[5] With the ability to analyze change impact that this software supports, customers can reduce the scope of their change testing, which saves resources on both the IT and business sides. An integrated service desk and root cause analysis help to identify and solve problems more quickly, reducing operations costs and increasing user satisfaction. According to an Americas' SAP Users' Group (ASUG) and SAP benchmarking study conducted in 2008 with over 150 participants, the support staff ratio is more than 40% higher for companies without the SAP Solution Manager application management solution, compared to companies that have implemented this solution. And finally, the business process monitoring functionality supports not only IT service management but also business service management, because it provides business key performance indicators, such as business process execution time, and enables, for example, peer-group benchmarking on a business process level.[6]

"Ferrero, as one of the leading confectionary manufacturers in the world, faces the current challenges by the best use of the integrated SAP Business Suite and the adoption of SAP NetWeaver as the technology platform, which provides integration tools and more technological support tools that are really useful. And then last – but not least – is the use of specific support tools for the application lifecycle like SAP Solution Manager, which is an excellent way of covering the whole process and controlling every step from the design to the realization to the IT operation of the system, guaranteeing a full tracking and a very effective introduction of the system."

Martin Flegenheimer, IT Director, Ferrero Germany

"SAP is integrating this offer with some highly specialized support services like SAP Active Global Support [SAP AGS] and SAP MaxAttention™ performance, which are very appreciated in complex contexts where we need to solve difficult technical and application issues and where the added value provided by SAP experts is really appreciated. We obtained substantial benefits with this adoption, reducing TCO, and above all we were successful in managing complex projects and operations. The relationship with SAP AGS was a key success factor for the implementation of the SAP Solution Manager scenario."

Enzo Bertolini, CIO, Ferrero Group

5. For more information see *Running and Optimizing the Business of IT: The SAP Best Practices Approach*, IDC white paper, 2008.
6. For more details see *Standards for Life-Cycle Management*, SAP white paper, 2009.

To improve IT productivity while ensuring business continuity over the whole application lifecycle, it is key to have an integrated application and quality management platform that serves as a "single source of truth." This means having structured, comprehensive, unified, and reliable information about all projects in progress and the state of the productive solutions, which in turn provides the basis for informed and fact-based customer decisions and actions during the complete application lifecycle. For example, a change manager should be able to tell whether all necessary tests of a change have been successfully completed before approving the shipment to production.

Colgate-Palmolive Company is a leading consumer products company serving hundreds of millions of customers in over 200 countries and territories. This requires ongoing innovation and transformation while ensuring business continuity and efficient operations. The current economic situation puts even more pressure on the responsiveness of IT to business requirements. The company's technology platform therefore must be adaptable to change and facilitate new business processes while ensuring high system performance and reliability at low TCO. For Colgate-Palmolive's IT department, this means supporting integrated, end-to-end business processes and reducing implementation and testing costs through the synchronized release cycle of SAP Business Suite applications.

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"Our strategy is to use SAP as all-inclusively as possible. Having one integrated business process and application management platform to cover the entire application lifecycle helped us significantly to become more efficient. Our strategy toward SAP enabled us to reduce our IT cost per net sales by 30%. Independent benchmarking analysis confirmed that we are on the lower end of TCO compared to best peers. Portfolio management, standardized project management methodology, and a standardized change control process have been the foundation for meeting our strategy with SAP. When it was time to integrate and centralize IT support as part of an overall global IT initiative, we turned to the SAP Solution Manager to provide us with full visibility into our entire change control process."

Ed Toben, Senior Vice President, Global IT and Business Services, Colgate-Palmolive Company

HOW APPLICATION LIFECYCLE MANAGEMENT ADDS VALUE

A HOLISTIC, INTEGRATED APPROACH

With a holistic and integrated ALM approach in place, companies are able to:

- **Continuously improve business processes,** which means continuous measurement and optimization of business-related key performance indicators for increased business value and improved competitiveness. An agile IT landscape helps to realize these benefits with an enhanced responsiveness to business requirements and to better align business and IT.
- **Accelerate innovation adoption** without the need for upgrades, to lower costs and to protect investments
- **Manage business continuity** to keep business up and running at lower risk with reduced downtime and higher availability
- **Optimize solution operations** to reduce total cost of operations

Figure 1 illustrates these relationships. The following sections examine how SAP customers have used ALM to improve IT productivity and to realize the benefits mentioned above at the same time.

Continued Business Process Improvement

The only constant in the current turbulent and uncertain environment is change. Only agile companies that are able to react quickly to business changes will thrive in the downturn and stay profitable and competitive. To remain agile in

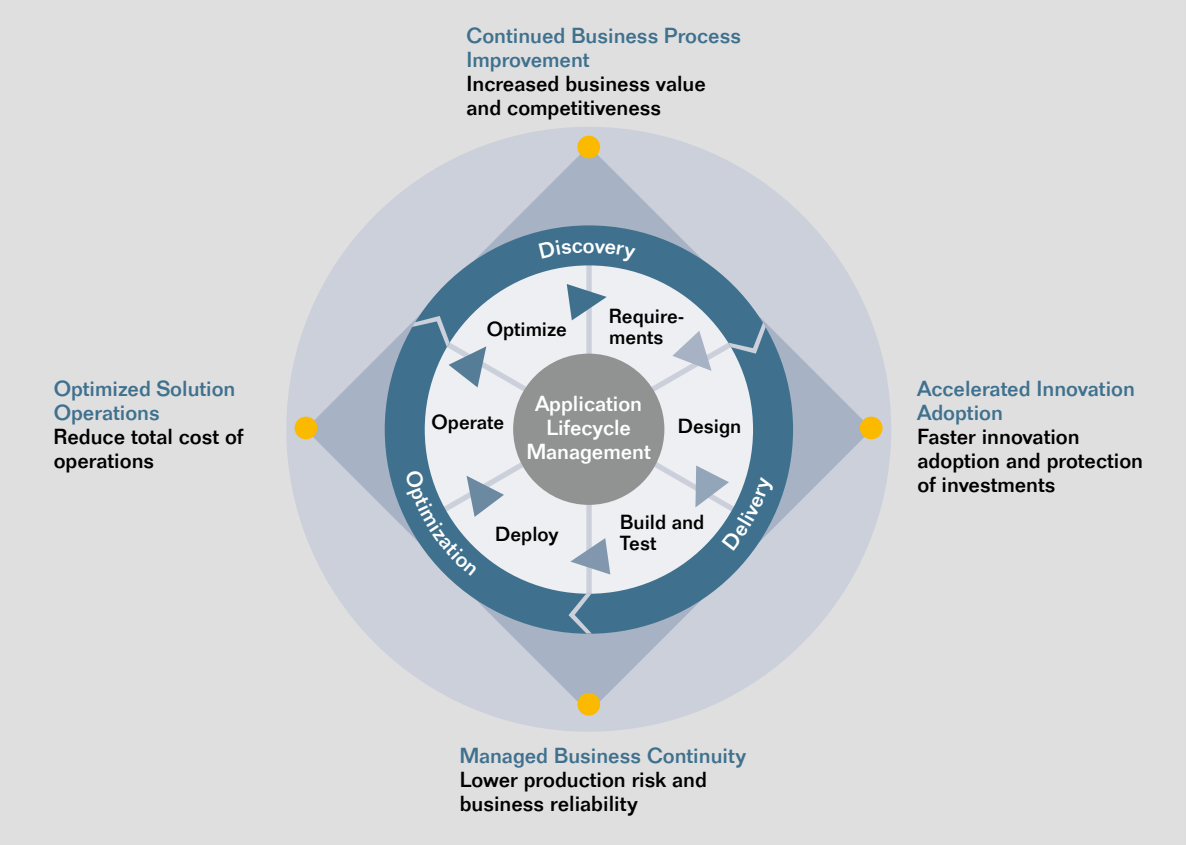


Figure 1: Business Drivers of Application Lifecycle Management

changing markets, companies need a more flexible IT environment, but without investing in large-scale projects. IT investments that do not show immediate business impact will not be approved. New paradigms for speeding up solution-innovation cycles and increasing the flexibility of existing IT landscapes are key – such as new, easy-to-adapt architectural concepts with shorter time to value. The pressure to change business processes more rapidly has accelerated the evolution of new application architectures, including SOA.

A recent study conducted by SAP with the University of St. Gallen in Switzerland shows IT projects based on an SOA improve software reusability, reduce operations costs, and offer substantial process efficiencies and strategic agility to support new innovative business models.[7] SAP customers reported that they achieved 10% to 20% savings in IT operations costs and 20% to 30% shorter project durations across their IT landscape by adopting SAP's approach to SOA. The main reasons for these improvements were lower interface and functionality development efforts due to reuse of enterprise services, as well as reduced maintenance costs due to consolidation of redundant functionalities, data, and interfaces. However, the major benefit of SOA unfolds on the business process side. Participating SAP customers achieved increased process efficiency of between 10% and 30% and also benefited from improved process quality due to the integration of their unified technology foundation with their business applications. SOA governance in alignment with ALM and the access to the same information basis (such as processes, system landscapes, Web services, custom code, and so forth) are vital to achieve these benefits. SAP's approach to SOA as a smooth transition, rather than a large-scale infrastructure project, reduces investment requirements and shortens the ROI period, according to study participants.

Faster and flexible integration capabilities of a standards-based technology and business application platform are also key in business scenarios such as mergers and acquisitions. Mergers, acquisitions, and divestiture activities have increased tremendously over the last years. Although the pace has slowed recently, experts assume that these activities will soon significantly increase. There are great opportunities to buy companies at historically low prices, and many enterprises are trying to sell off noncore areas of their business in order to free up money.

Sappi Limited, a leading global producer of coated fine paper and chemical cellulose, announced on December 31, 2008, the successful conclusion of its acquisition of M-real's coated graphic paper business. Because speed is one of the most important success factors of most merger and acquisition activity, IT must support business agility with flexible architectural models and solutions to realize the expected synergies.

"We succeeded in concluding the integration within a three-month time frame. By leveraging the SOA-based flexibility of SAP Business Suite on the SAP NetWeaver technology platform, we were able to cut the required time by 50%. The proven methodologies and best-practice service offerings of the System Landscape Optimization group from SAP helped us as well to reduce time, risk, and effort significantly."

Didier Magnien, Director, Global SAP Systems, Sappi Limited

Companies need systems that continuously improve the efficiency of their business processes. In some cases, these processes are unique to the company, whether they are a competitive advantage or a result of the changing business environment. IT must be able to adapt existing systems to fit these unique processes in a flexible, easy-to-maintain manner. The most cost-effective way to customize business systems is to compose applications by reusing functions or services from existing applications as much as possible, and only develop new functionality when no reusable alternative exists.

7. SOA economic justification study, www.sap.com/platform/soa/index.epx.

Accelerated Innovation Adoption

The ability of IT to support fast adoption of business innovations is still key to maintaining competitiveness. Today, enterprises want integrated IT solutions that tie investment to immediate value. Customers want to be able to easily adopt new software functionality without waiting for the next upgrade version. Costs for continuous improvement and upgrade projects can rise to over 30% of overall TCO in a five-year lifecycle, and customers are very sensitive to this.

In order for companies to achieve rapid time to value, IT is asked to deliver quick wins and long-term benefits. This means that companies don't want – or can't afford – to wait until the functionality they need is available in the next upgrade. These days, for example, many customers want to streamline collection and dispute resolution processes to improve days sales outstanding, and consequently their liquidity. Or they want to improve the functionality of their financial supply chain management application as soon as possible. To avoid the cost and disruption of large upgrade projects, they want to select and activate only the functionality they need while keeping their core software stable. Ideally, they want the new functions to be installed as a maintenance activity with only minor additional effort.

ThyssenKrupp AG is one of the world's biggest technology groups, with more than 190,000 employees. ThyssenKrupp Steel AG is Germany's largest steel producer, focused on premium carbon steel flat products. ThyssenKrupp Steel is driving an ERP harmonization initiative using the SAP ERP application as part of the SAP Business Suite software. The company is continuing to replace third-party products step by step with SAP products to lower TCO and to provide a business process platform on which it can more easily design, compose, and manage innovative business models to react to rapidly changing business needs. ThyssenKrupp Steel leveraged enhancement packages for SAP Business Suite to provide new functionalities (such as travel expense accounting) to users within days.

"We needed 100 times less effort to install, activate the business function, and test the existing functionality of the enhancement package in comparison with a release upgrade. The efforts did not exceed the installation and testing effort of a 'normal' HR support package. Install, activate, done. We didn't need to change running functions, and the new UI is easy to use and ergonomic. We are really satisfied with our experience with the enhancement package, and we will continue to implement more enhancement packages and the provided functionality. The enhancement package concept allowed us to fulfill requirements years before we will start our next release upgrade."

Stephan Polster, Project Manager, ThyssenKrupp Steel AG

Another example of accelerated innovation at lower costs took place at Sappi.

"We implemented an enhancement package for SAP Business Suite in order to use the functionality delivered for order-to-cash, dispute management, and procure-to-pay scenarios. In comparison to the upgrade from SAP R/3® 4.6C to SAP ERP 6.0, we reduced the costs for installing, configuring, testing, and going live with the enhancement package by almost 10 times. In addition to that, we are now able to provide new functionality to the business together with our regular support package maintenance on an annual basis."

Didier Magnien, Director, Global SAP Systems, Sappi Limited

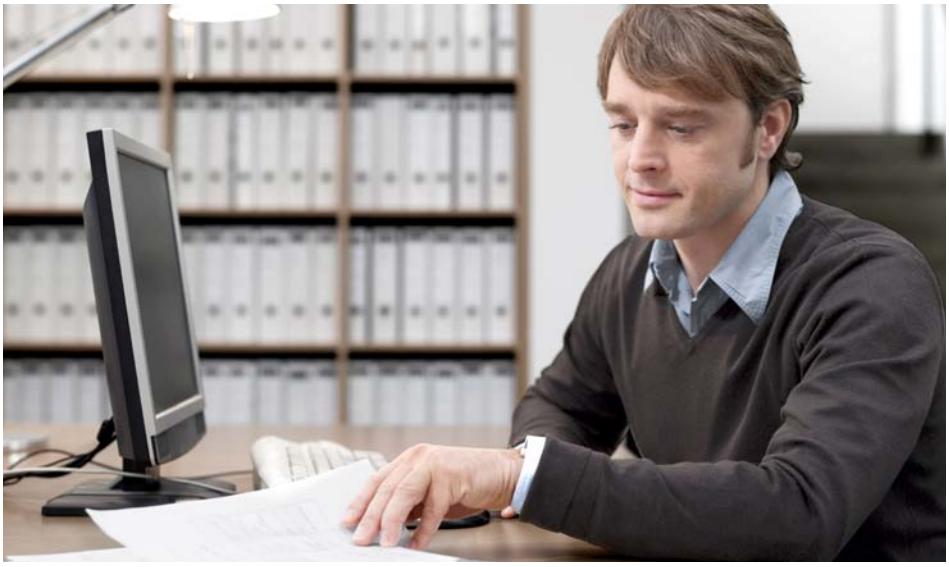
In today's business environment, accelerated innovation drives the need for changes in business applications such as those from SAP. These changes may be significant, such as a new process or system deployment, or they may be technical in nature, such as installing and activating an enhancement package to enable new functionality. Changes may occur on an almost-daily basis, driving the need for quality assurance and risk management via testing. Only effective and efficient testing can secure the productive environment while not slowing down the innovation and deployment process. But what is effective and efficient testing?

Effective testing has two parts. First, IT and business must fully understand the scope of changes and then test all potentially affected processes – but nothing more. SAP provides tools and documentation that help determine the correct testing scope, which speeds up the testing phase. Second, the proper execution, management, and monitoring of the testing process and results significantly impact release quality and therefore reduce risk to the production environment. Here, a centralized test-planning environment, such as what SAP Solution Manager, enterprise edition, provides, can help to achieve this.

Managed Business Continuity

As business continues to become more competitive, organizations are finding that they are more dependent than ever on IT. CIOs and IT managers confirm that business continuity is one of the most important challenges in their work. There is no tolerance for downtime or performance reductions for mission-critical applications like those from SAP.

This is not surprising, as downtime can cost US$10,000 or more per minute due to productivity or revenue loss, depending on the supported business process. IT departments are often measured by how successfully they can reduce planned and unexpected downtime, as well as by the availability of end-to-end business processes, which includes infrastructure and application availability.



To remain agile in changing markets, companies need a more flexible IT environment, but without investing in large-scale projects. IT investments that do not show immediate business impact will not be approved. New paradigms for speeding up solution-innovation cycles and increasing the flexibility of existing IT landscapes are key – such as new, easy-to-adapt architectural concepts with shorter time to business value.

In order to ensure application availability, customers have successfully leveraged the functionality of SAP Solution Manager, enterprise edition, a foundation of SAP Enterprise Support services. This includes support for end-to-end change control; remote diagnostics and fast issue resolution; robust service-level agreements for global 24x7 root cause analysis by SAP, including custom code; global 24x7 escalation procedures and support advisory; and continuous quality and configuration checks.

"With SAP Enterprise Support and its holistic application and lifecycle management, we had the right support solution from the beginning, helping us to build up our software landscape based on best practices and defined standards to achieve successful solution operations at lower costs. The close collaboration with SAP makes it valuable for us."

S. R. Reddy, Assistant Vice President of IT, UTI Asset Management Company Private Limited

In the current IT climate, there is a shift away from simply operating the systems and infrastructure toward offering solutions and services that more directly provide business value. This includes, for example, proactive business process monitoring, such as issuing an alert if open orders exceed a certain threshold. High availability and continuity without oversizing or investment in high-availability hardware platforms can be achieved with an integrated application and quality-management platform as a "single source of truth," following landscape recommendations and through standardization of application management procedures and processes.

Plzeňský Prazdroj a.s. – which is a member of the SABMiller Group and the leading brewing company in central Europe – has a big thirst to quench: 17,000 establishments in the Czech Republic, the Slovak Republic, and Germany that rely on it for daily deliveries of beer.

"SAP Safeguarding for Upgrades eliminated the risk for the upgrade project and helped us deliver it on time and within budget. The money we invested in the safeguarding services was well spent. . . . We also implemented recommendations that improved transaction speeds – which are now 20% to 30% faster than before. . . . We now have response times under one second. This allows users to get information quicker. It provides good value for the investment and mitigated our risk. We received excellent support and advice from SAP Active Global Support."

Tomas Dytrych, Operation Systems Manager, Business Information Systems, Plzeňský Prazdroj a.s.

Optimized Solution Operations

Organizations are taking a harder look at their investments in the technology they depend on to optimize their operations, and they are asking increasingly difficult questions about the costs of operating that technology. Many IT departments and IT service providers overcome these challenges by implementing and continuously improving best-practice processes in solution operations based on ITIL.

SAP provides solution assessments, clear guidance, and deployment recommendations that reflect best practices and SAP standards for solution operations, such as incident and change management; system and business process monitoring; and test management. Not only are these a key prerequisite for enabling automation and reducing the cost of operations, but they also improve traceability, auditability, and business continuity.[8]

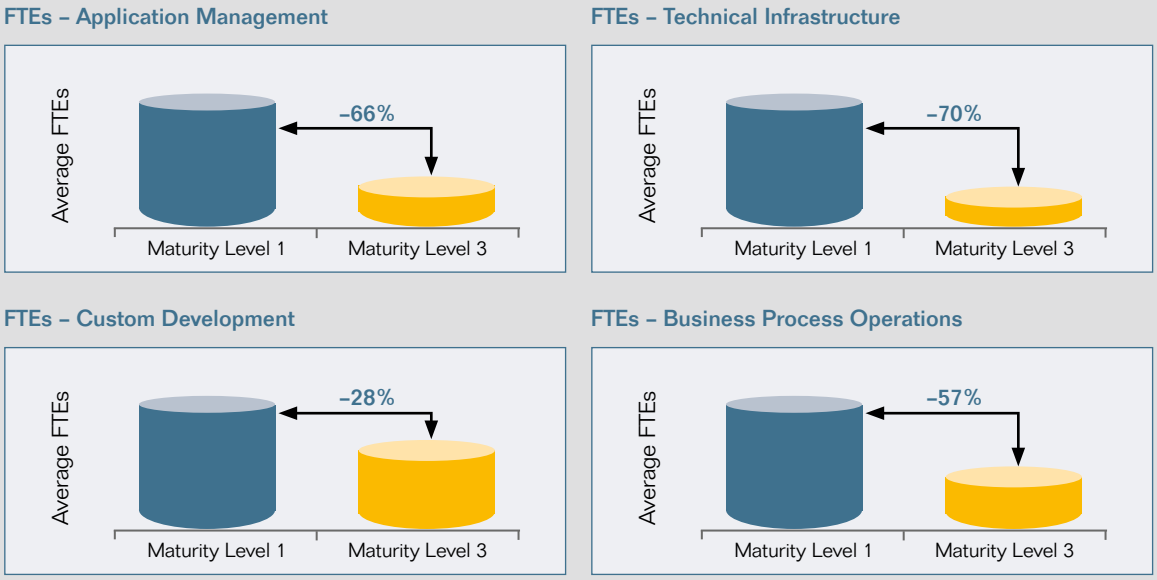
8. See detailed information on SAP standards for solution operations: http://service.sap.com/supportstandards (support portal).

As part of its efforts to support the application lifecycle as defined by ITIL v3, SAP offers the Run SAP methodology, which provides support for best practices along with content, services, training, and tools that enable organizations to optimize the implementation and ongoing management of a broad range of solutions.

The positive impact of the maturity of the SAP solution operations, reflected in lower operations costs, is supported by a survey conducted in 2008 by SAP with more than 250 participants over 20 countries.

Reducing landscape complexity on the user interface, application, and infrastructure side is one of the major challenges of IT managers who seek to reduce costs over the entire lifecycle. The harmonized user interface that presents similar views across the SAP Business Suite applications delivers a coherent user experience that helps to reduce end-user operations costs by providing better usability, higher user productivity and satisfaction, and lower training efforts and costs.

The charts below highlight the favorable impact of the progression to higher maturity levels of SAP® solution operations on the number of full-time equivalents (FTEs).*



***Aggregated results may not reflect individual results.**

Figure 2: Favorable Impact of Progression to Higher Maturity Levels of SAP Solution Operations on the Number of FTEs

To avoid the cost and disruption of large upgrade projects, the enhancement package concept lets companies take advantage of new and improved business functions while keeping core software stable. Ideally, enhancement packages are installed along with support packages as part of regular maintenance, and the new functions are only activated when needed.

Customers have also successfully reduced their overall system landscape complexity by replacing third-party or legacy systems with SAP standard applications, reducing custom code, or consolidating their SAP software systems landscape. These measures reduce hardware, software, and operations costs. Here are two examples.

Under the supervision of the Global Competence Center Information Services (GS), BASF Group finalized in 2008 an IT project with the aim of reducing the IT costs for operations and application support by consolidating the group's SAP applications. Besides system cleanups, release upgrades, functional and process enhancements, and a Unicode upgrade, BASF migrated over 30 companies within the given time frame.

"With the harmonization of processes and data, we saved BASF significant costs in business operations and through merged and replaced systems, including third-party systems. This reduced the overall IT costs for the group and user support by a two-digit figure of millions of euros annually."

Thomas Rudolph-Gary, Director Enterprise Systems, BASF Group

For voestalpine Profilform – a division of leading steelmaker voestalpine AG, located in Krems, Austria – cutting its operating costs and providing centralized IT support had become a priority. The company recognized that consolidating and centralizing its disparate IT solutions could yield impressive cost-cutting benefits. To carry out this initiative, voestalpine decided to upgrade its existing SAP software to the newest release of SAP ERP.

The services of the voestalpine group-IT GmbH, the group's own IT unit, for SAP software are internally charged based on the number of SAP users. These charges, which could be significantly reduced by the consolidation and upgrade project, comprise the overall SAP costs such as hardware, software, maintenance, and operations.

"Based on the figures for 2006, we've been able to cut our cost per SAP user by 64%. This means that the project – including the cost of necessary upgrades – has paid for itself in the space of six months."

Walter Osbelt, Project Lead, voestalpine AG

Large enterprises are not the only ones to benefit from an integrated SAP solution; midsize companies find benefit as well.

Joerns Healthcare is a leading provider of long-term care products and services to the operators of skilled nursing homes, assisted living facilities, and other institutional healthcare settings. It's a global company with multiple manufacturing facilities, 800 employees, and a global network of distributors and partners.

In early 2007, Joerns Healthcare spun off from its parent organization to become an independent and privately held company. Though the parent company has been a long-time user of Oracle products, Joerns decided to go with SAP software. The company completed the ERP systems transition and successfully established its own IT infrastructure based on SAP solutions within six months from start to finish.

"I have come from an environment with multiple applications and many best-of-breed solutions, and I had to live through the nightmare of integration problems and finger-pointing among vendors. My whole premise was: I do not want my team members waking up in the morning and thinking, 'Is the integration up and running?' I wanted them to focus on improving business processes and not worry about day-to-day data integration and synchronization issues. SAP's total cost of ownership was the lowest, and it had more than a 15% TCO advantage over other ERP systems we considered. SAP's integrated solution and end-to-end lifecycle management approach helped us achieve lower cost of implementation, operation, and continuing enhancement. The resource requirement to support the SAP environment was much lower than what we would have needed to support other non-SAP, multisystem environments. SAP's portfolio of solution offerings met almost all our business requirements, so we didn't need to purchase third-party software to create a complete business solution for Joerns. SAP's vision and consistency of strategic execution made it an obvious choice for us."

Partha Biswas, CIO, Joerns Healthcare

Besides the IT landscape complexity on the application side, data center managers are challenged with insufficient server utilization, low flexibility in assigning and using hardware resources, and high effort required to set up and integrate new components into the existing infrastructure. Adaptive computing virtualization addresses these challenges by acting as an umbrella technology of the physical and virtual landscape and hiding the complexity and by dynamically assigning resources to easily adjust to performance and business requirements. The benefits are reduced complexity, improved flexibility and scalability, and lower operational and hardware costs due to better server utilization. The last point also factors in savings in power and cooling.

The University Competence Center (UCC) location for SAP solutions at the University of Magdeburg is an application service provider offering hosting and application services for SAP software. All of the SAP software systems – over 120 – were transferred into a virtualized environment based on the Adaptive Computing Controller tool from SAP, thereby supporting the UCC's extension to the whole EMEA region.

"The Adaptive Computing Controller helps us to save a lot of time through landscapewide mass operations – for example, the time for kernel switch is reduced by a factor of 10. We get a higher availability without an expensive high-availability solution for our SAP software instances. We are now able to dynamically manage our system environment for better efficiency and are more responsive to short-term business needs."

Ronny Zimmermann, Head of SAP Platform, University Competence Center Magdeburg, Otto-von-Guericke-University Magdeburg

As part of its efforts to support the application lifecycle as defined by ITIL v3, SAP offers the Run SAP methodology, which provides support for best practices along with content, services, training, and tools that enable organizations to optimize the implementation and ongoing management of a broad range of solutions.

Another measure taken by customers to reduce hardware and operations costs is outsourcing or outtasking. Standardized solution-operations processes, like the Run SAP methodology, on both customer and service-provider sides are key to help ensure efficient collaboration.

"Our strategy to outsource areas that are not core to our business, like SAP operations to SAP Hosting and our EDI solutions to Crossgate, saved us an annual seven-digit number, which means around 15% of our overall IT budget. Thanks to this and our successful consolidation and upgrade efforts, we are able to invest in business-relevant IT areas like supplier relationship management solutions despite the current economic situation, which strongly hit the automotive industry."

Martin Limpert, CIO, Preh Group

FUTURE OUTLOOK

SAP WORKS TO IMPROVE PRODUCTIVITY AND DECREASE TCO

We have seen many examples of how SAP customers are successfully addressing the current economic challenge of improving IT productivity with existing SAP solutions, services, and support offerings.

Nevertheless, SAP will continue to enforce the three principles of "avoiding, hiding, and reducing complexity" to decrease TCO across all cost categories of the application lifecycle by offering enhancements of existing solutions or new solutions. As an example, information lifecycle management (ILM) is tightly connected to the application lifecycle, because much information can only be accessed and interpreted by the application that generated it. ILM is a daunting task and could become quite expensive without the targeted and automated support of the SAP NetWeaver® Information Lifecycle Management component. This tool enables companies to decommission redundant SAP software systems while retaining full auditing and reporting capabilities with the stored data. It also enables compliance with information retention regulations in both live and decommissioned system environments.

Other software designed to increase IT productivity includes the SAP IT Service Management application, which is offered as part of SAP Business Suite. It provides service desk and related functionality that is fully compliant with ITIL, the quasi standard for the business of IT. It shows SAP's strong commitment to the area of IT productivity and further connects core IT processes with the rest of the enterprise. This will unleash further visibility into IT activities via integration into cost accounting of the cross-charging of IT services or even invoicing of shared services.

To Learn More

Improving IT productivity over the entire application lifecycle will continue to have a high priority on the CIO's agenda, certainly for the time that the economic downturn persists and probably longer.

For more information on application lifecycle management and to learn how it can help your organization through challenging economic times, please contact your SAP representative or visit www.sap.com/lines-of-business/it/index.epx.

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