

# Value Management 2.0

Riaz Raihan,  
Senior Vice President, SAP Canada  
November 2011





# Agenda

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- **What is Value Management**
- Value Engineering Overview
- Value Management 2.0



# What Is Value Management?

# What is Leading Performance?

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**Value Management: applying proven frameworks, methodologies and tools to technology-enabled business projects (and portfolios) to maximize business value**

On Time  
**1.9X**  
MORE

On Budget  
**1.5X**  
MORE

On Value  
**1.5X**  
HIGHER

# Most Organizations Have Not Adopted formal Value Management ...

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**Significant opportunity awaits you**

**98%**

**of organizations know they can extract more value out of their initiatives**

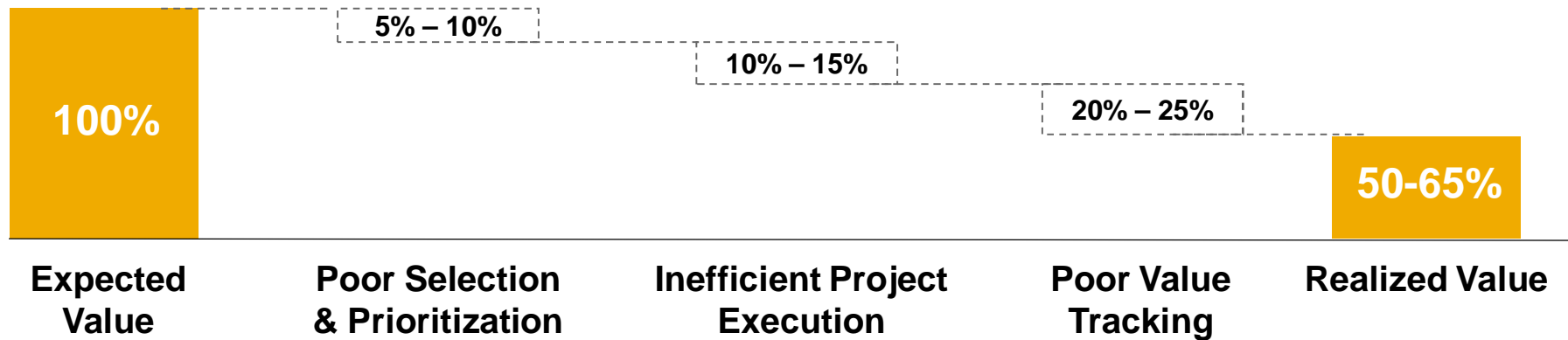


**18%**

**of organizations have established a formal VM practice, program or organization**

Source: ASUG/SAP Value Management Best practices Survey; 500+ Responses, Sept 2010

# ...Resulting in “Value Leakage”

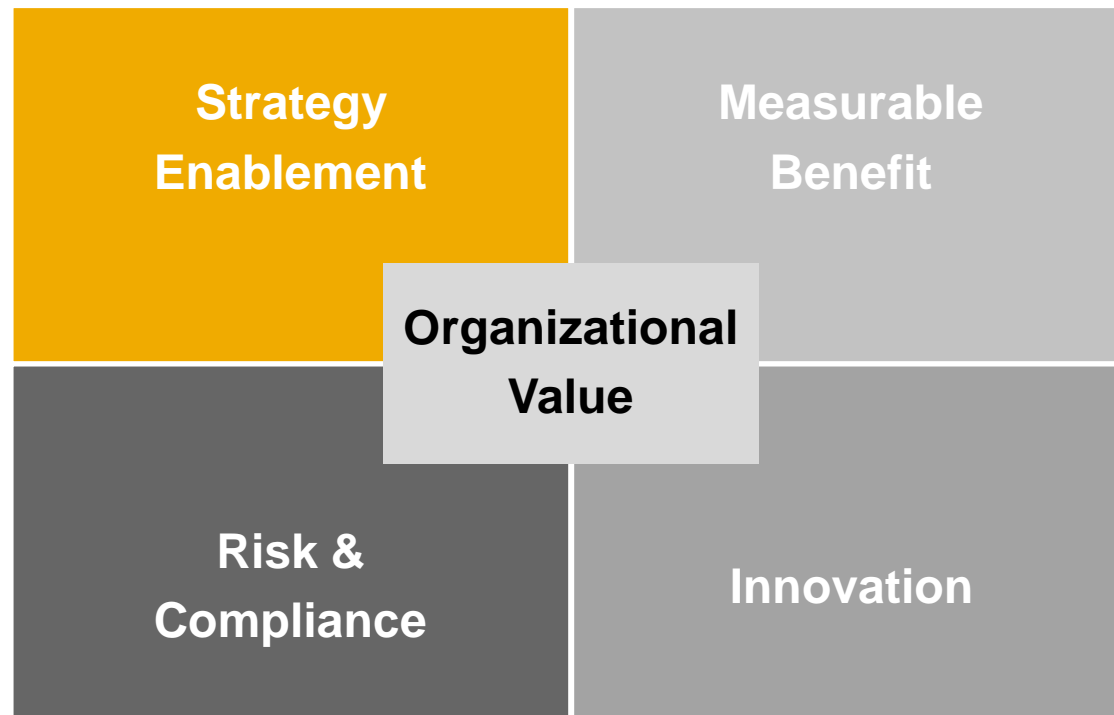


Source: Corporate Executive Board -Applications Executive Council Research

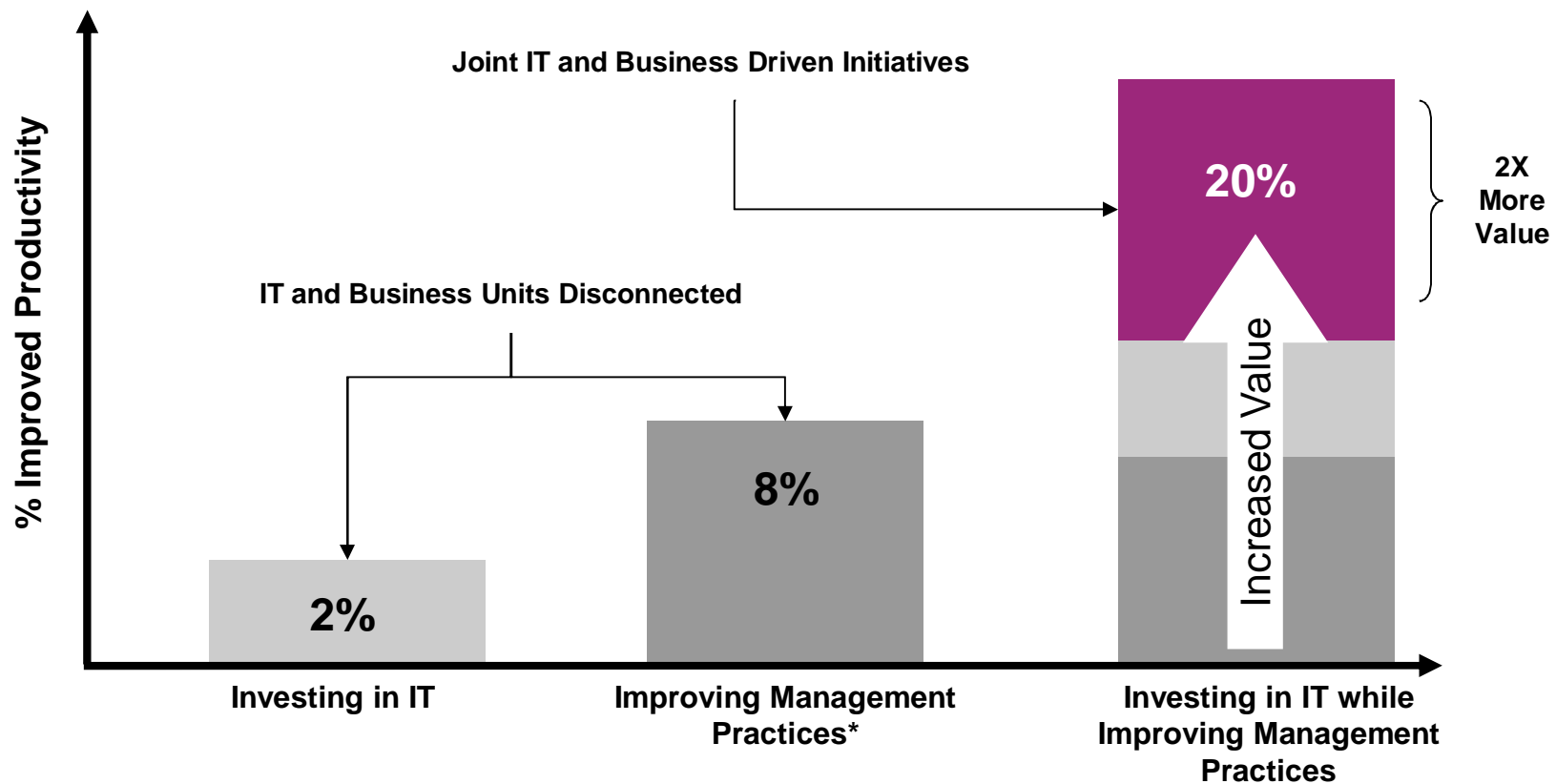
# Defining Value

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## The Four Value “Buckets”



# How Do Leading Organizations Realize Value?

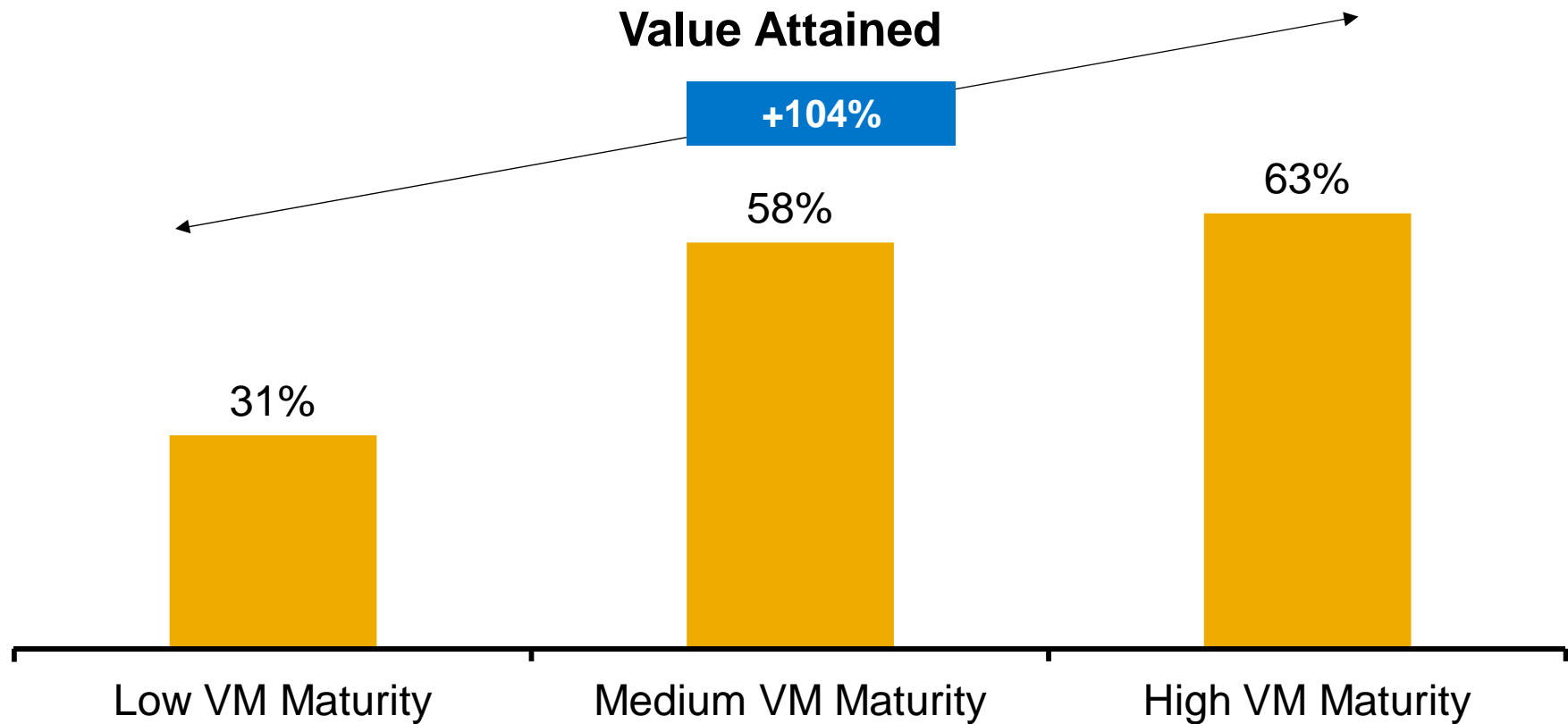


\* Key performance improvements i.e. Performance Mgmt., Six Sigma.

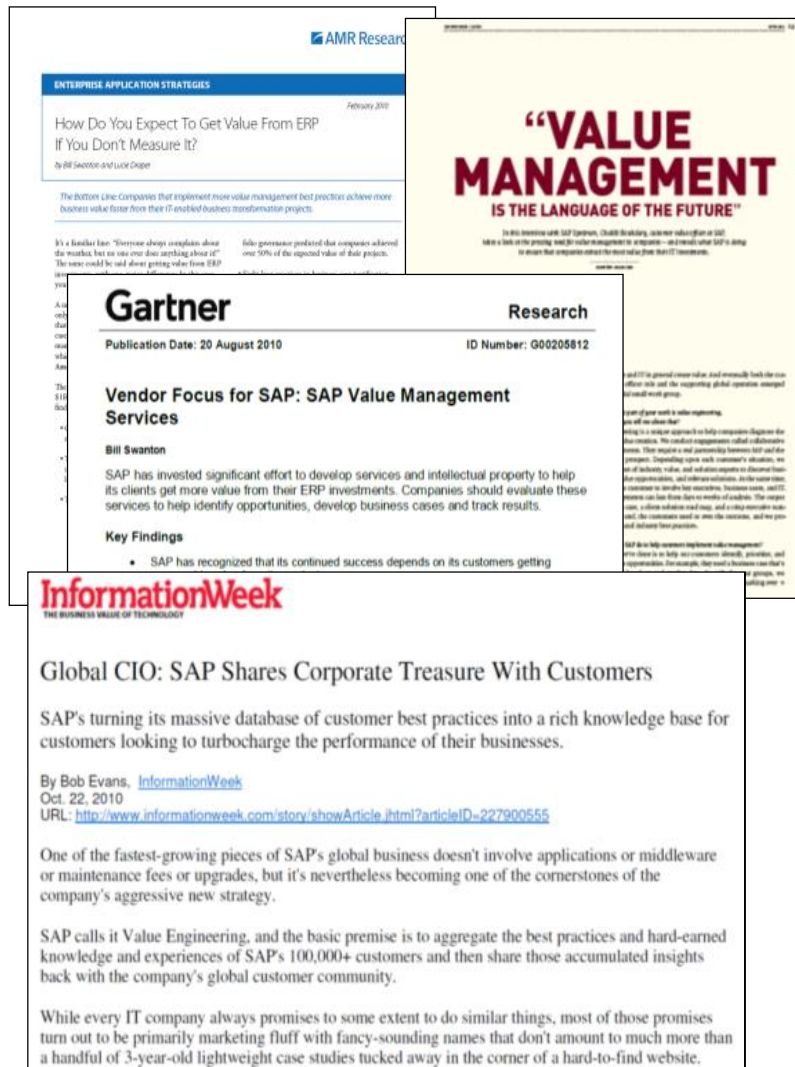
Source: "When It Lifts Productivity", The McKinsey Quarterly, 2004 Number 4



# Value Management Matters



# Analysts Validate SAP's Value Management



## Analysts

*"SAP has invested significant effort to develop services and intellectual property to help its clients get more value from their investments. Companies should evaluate these services to help identify opportunities, develop business cases and track results"*

Gartner

## Press

*"SAP's value management program is the most advanced effort of its kind...offer[ing] advanced business solutions along with deep-domain expertise and insights."*

InformationWeek

Bob Evans, "Global CIO: SAP Shares Corporate Treasures With Customers"



# Value Engineering Overview

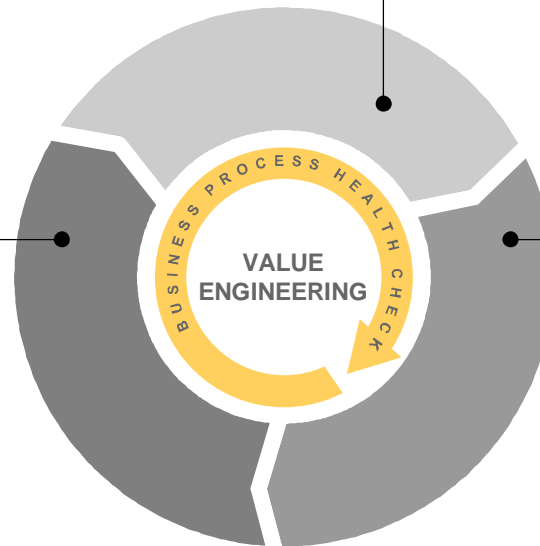
# Value Engineering Overview

## Value Discovery

- What are the **organization's value creation** imperatives?
- What is the **expected impact** of addressing these imperatives (business case)?

## Value Optimization

- What is the value realized by the program, and how does it **compare to TCO**?
- How does the implementation compare to **best practices**?

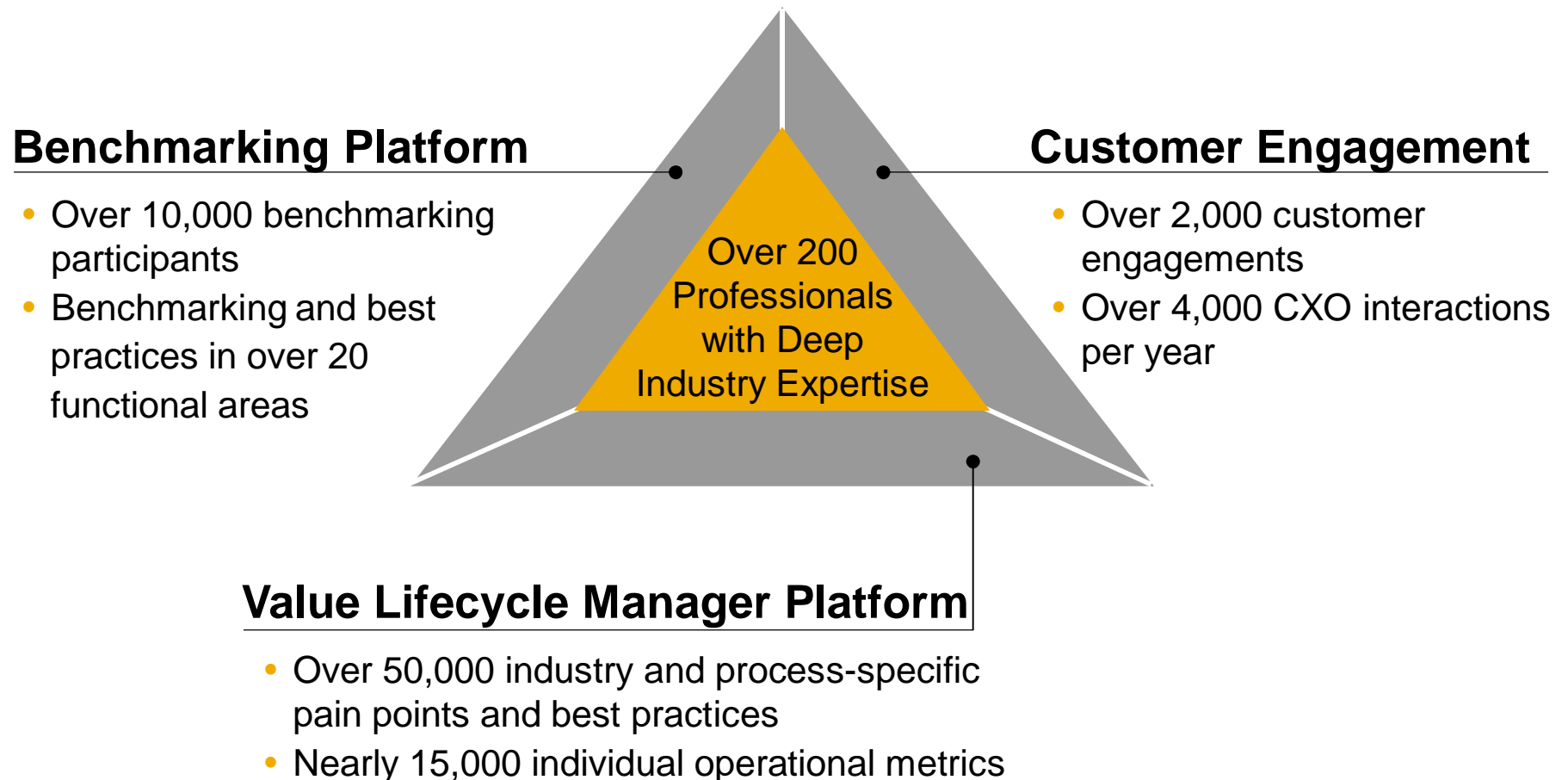


## Value Realization

- How should the organization **mobilize and govern** the program to achieve value?
- How can the business case be made **actionable** at the operating level?

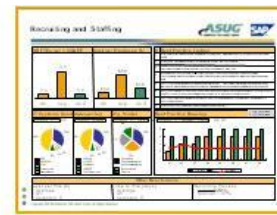
# Value Engineering: Methodology & Intellectual Property

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# Value Engineering Process

Process Benchmarking >



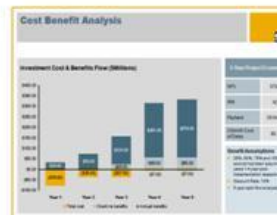
Benefits Assessment >

Category	Value
Productivity Gains	100
Cost Savings	50
Revenue Growth	20
Risk Reduction	10
Customer Satisfaction	15
Employee Retention	10
Compliance	5
Other	5
<b>Total</b>	<b>215</b>

Category	Value
Order Processing	100
Inventory Management	50
Customer Service	20
Logistics	10
Other	5
<b>Total</b>	<b>185</b>

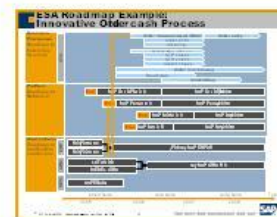
Business Case Development >

Issue	Recommendation
Supplier Performance	Improve communication and collaboration
Supplier Risk	Diversify supplier base and conduct regular audits
Supplier Innovation	Encourage suppliers to share ideas and best practices
Supplier Sustainability	Implement sustainable procurement practices



Roadmap Development >

Initiative	Phase 1	Phase 2	Phase 3	Phase 4
Initiative A	Start	In Progress	Completed	Completed
Initiative B	Start	In Progress	Completed	Completed
Initiative C	Start	In Progress	Completed	Completed



How Does my Organization Compare?

What Is our Potential?

How Does SAP Enable?

How Do We Get There?

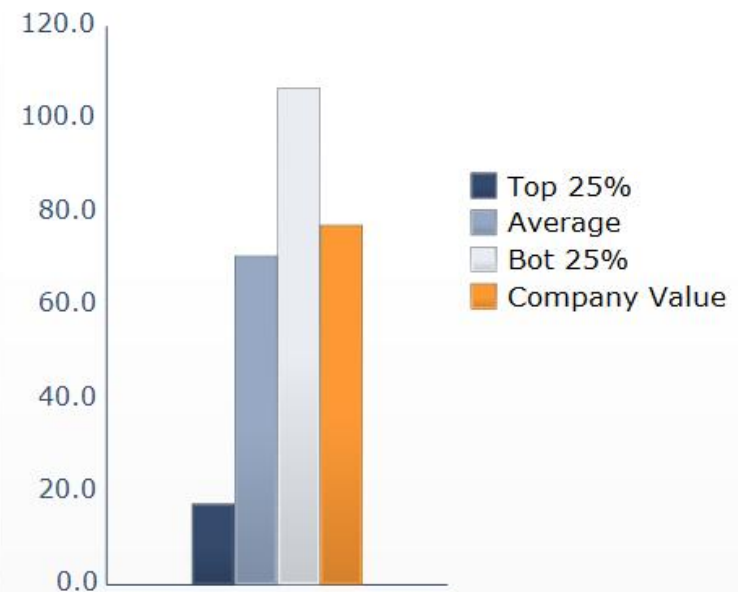
# Value Drivers



## Finance Survey Display

Key Metrics	Top 25%	Average
Uncollectible A/R Write Offs (% of revenue)	-	-
Overdue Accounts Receivable (in %)	-	-
Error Rate in Bills Sent Out (in %)	-	-
Discounts Lost (in %)	-	-
Paycheck Errors (in %)	-	-
<b>Finance FTE's per Billion Revenue (overall)</b>	<b>17.4</b>	
Finance Cost as a % of Revenue	0.35	
Audit Cost as a % of Revenue	-	-
Days to Close Monthly Books (in days)	-	-

## Finance FTE's per Billion Revenue (overall)



# SAP Value Creation Example

## Organizational Strategy Themes



## Operational Value Drivers



## Value Creation Pillars

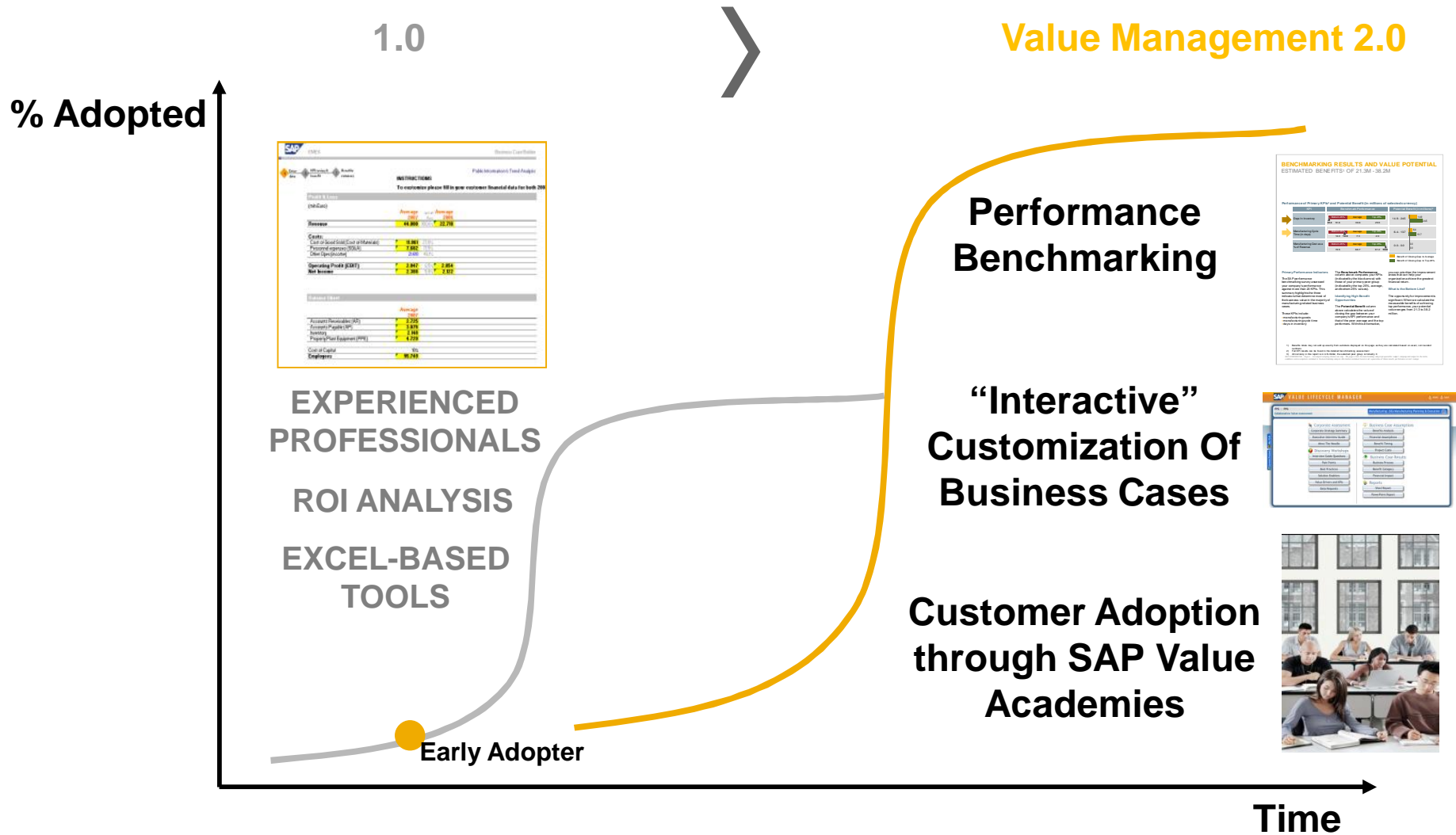






# Value Management 2.0

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SAP Value Management 1.0 screenshot showing a financial statement:

Account	Actual	Plan
Revenue	44,300	32,750
Cost of Good Sold (COGS)	10,800	10,800
Personnel Expenses (PE)	2,800	2,800
Other Expenses	1,000	1,000
Operating Profit (EBIT)	2,800	3,850
Net Income	2,800	3,850

SAP Value Management 2.0 screenshot showing benchmarking results:

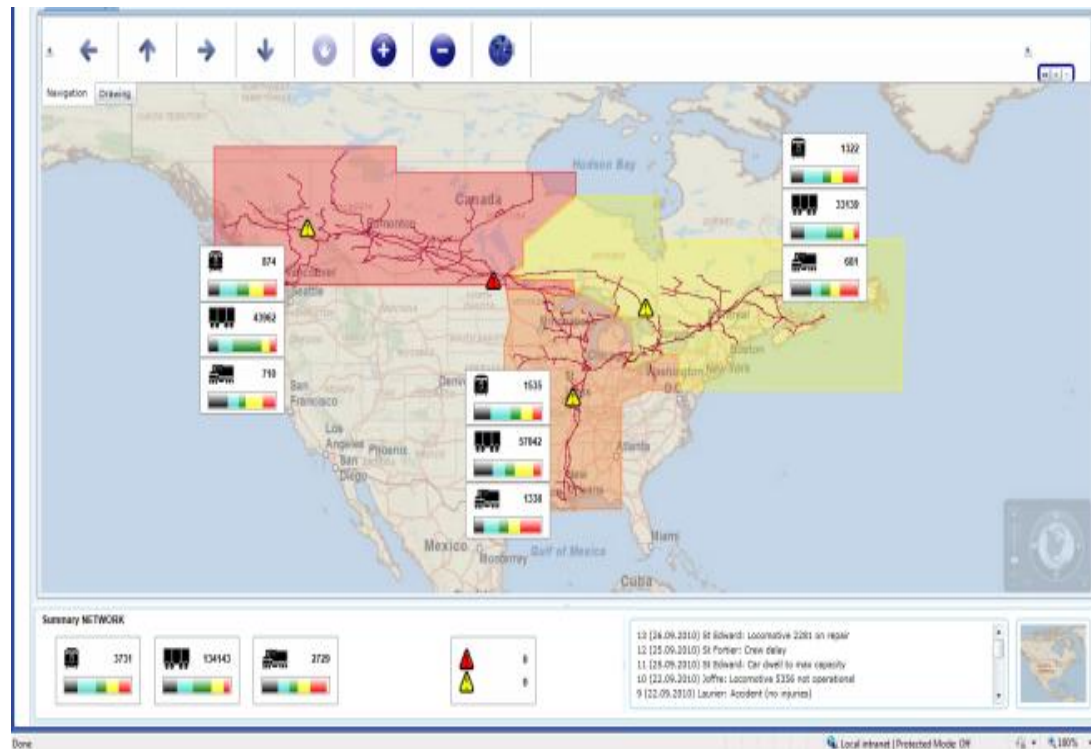
**BENCHMARKING RESULTS AND VALUE POTENTIAL**  
ESTIMATED BENEFITS OF 21.5M - 30.2M

Category	Current	Target	Delta
Revenue	44,300	65,800	21,500
Operating Profit	2,800	23,350	20,550



# Value Management 2.0 Success:

Keep Deliveries on Time



## Challenge

- Move products across 20,000+ km of rails

## Solution

- Provide network spatial map view of mobile assets
- Trigger business execution based on alerts

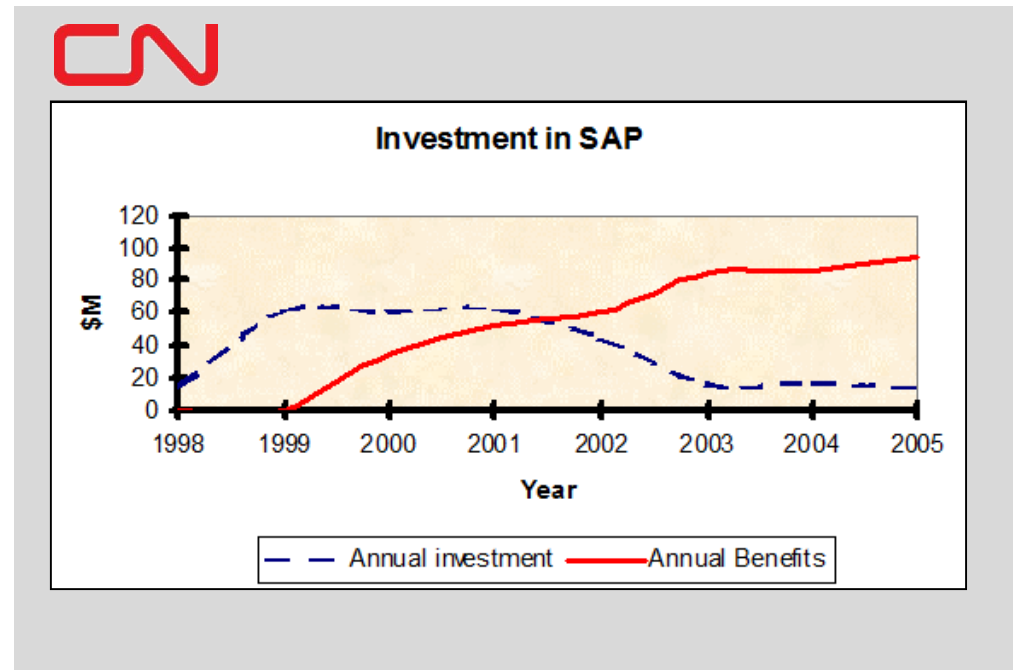
# CN Rail

## Operational Benefits

- Over \$400 M in hard benefits
- Over \$80 M in one-time savings
- Over \$100 M in annual savings

## Strategic Benefits

- Retired over 100 legacy systems
- Improvement of the operating ratio: from 72% to 61% over 7 years



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DO WHAT THEY DO BEST, EVEN BETTER.



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