

SAPinsider Benchmark Report

State of the Market

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Research Partner







Research Partner

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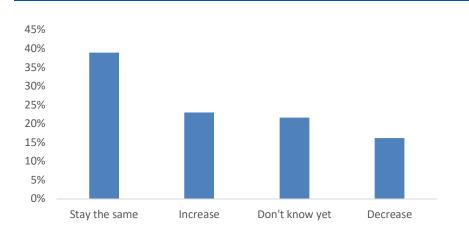
Executive Summary

While 2020 was a year of disruption, the unique economic and business climate has served as catalyst to justify the need for companies to transform their business processes and technology landscapes. Our 2021 State of the Market report found that investments in new strategies, innovations, and technologies will ramp up in the coming year. This research study delves into the details of how and why respondents are evolving the people, processes, and technologies—that underpin their core business and technology strategy.

SAPinsider surveyed 352 members of our SAPInsider community between December 2020 and early February 2021. Our survey was intended to examine each organization's outlook on SAP projects, investments, technologies, and people in the coming year.

What we found is that, on the whole, organizations are no longer retreating and cutting budgets and people as a means to surviving the current economic situation. A majority of organizations (63%) will keep budgets the same or increase their investments when it comes to SAP (see **Figure 1**).

Figure 1. SAP Budget for 2021



Source: SAPinsider, February 2021



Likewise, most companies will continue to increase staff and expand their existing skillsets. An overwhelming majority (92%) of our survey respondents report their SAP support staff will stay the same or grow in 2021, with only a small number of companies (8%) indicating that they plan to make cuts.

Companies are looking to invest in SAP support staff because they do not expect the number of SAP users in their organization to decrease. A large majority (90%) say their SAP user base will stay the same or increase. Over one-third (36%) expect the number of users to grow. Workloads will further be intensified through new technology investments as companies evolve their landscapes to include SAP S/4HANA and the cloud as well as embrace new technologies in analytics, data management, artificial intelligence and automation.

This research revealed some other interesting trends related to respondents' 2021 SAP-related plans:

- A third (33%) of our survey respondents report that they are running or are in the process of implementing SAP S/4HANA, while another 40% are running pilots or evaluating the move.
- The business process areas in which companies are most heavily increasing their investment include ecommerce (39%), sales (35%), finance (34%), and supply chain (34%).
- When it comes to the hottest technology areas, respondents are expanding their investments in cloud (53%), analytics (52%), and automation (42%).
- Our respondents will focus their 2021 cloud investments in software-as-a-service solutions (53%) and private cloud or managed services (35%).



Required Actions

Organizations across the globe learned key business lessons in 2020, and the SAP ecosystem was no exception.:

- Now is the time to move forward: The pandemic brought with it
 a significant economic disruption, as indicated by the number of
 respondents (50%) who suggested that SAP projects in their
 companies were either eliminated, disrupted, or had to change
 focus. Now is the time to re-evaluate projects and focus on
 growth. That is what your competition is doing.
- Evolve from your business and technical core outward: Many organizations are starting to innovate from the foundation.
 From a process perspective, that means finance and supply chain operationally and ecommerce and sales to drive revenue.
 On the technical side, the focus for many should be on core ERP, cloud, and data. These are the places where you can improve resiliency, flexibility, and visibility.
- Solidify your hiring, training, and retention strategies: As with any massive change, your human capital is critical to your organization's successful response. Partners will continue to play a strategic role, but you will need to shore up your core business and technical staff and may need to add skills, particularly when it comes to SAP S/4HANA, cloud, and data.
- Continue to tighten your IT and business relationship:
 Transformation and innovation will not be possible without your IT and business teams working in concert from business case and assessment all the way through go-live and optimization.
 Companies who continue to operate in silos risk seeing their critical projects stall.



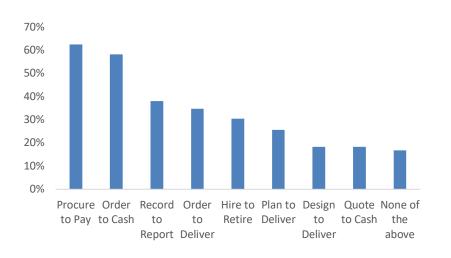
Chapter One: Key Process and Line of Business Investments for 2021

Key business processes supported

Most companies in the survey indicated they are prioritizing investments in specific business process areas and technologies across the board. For most, the focus is on laying the groundwork for managing their business in a highly volatile environment while supporting innovation, transformation, and visibility.

When it comes to business processes, survey respondents are choosing to innovate and invest where SAP traditionally supports their existing business. For many, that means finance and supply chain. The top four end-to-end business processes that are significantly supported by current ERP or SAP systems include procure-to-pay (63%), order-to-cash (58%), record-to-report (38%), and order-to-deliver (35%) (see **Figure 2**).

Figure 2. Business processes supported by SAP



Source: SAPinsider, February 2021





We started our transformation with projects that are easy to understand such as travel and expense and purchasing. Once you start creating benefits that people can see, then they start asking for more and you can advance to more complex end-to-end processes, and change goes from push to pull within the organization.



~ CIO, Financial Services
Organization

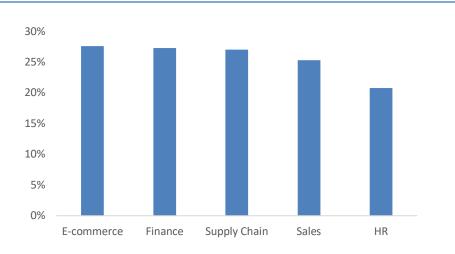


Top functional areas for investment

While finance and supply chain still represent core investments in 2021, sales and ecommerce are leading the way when it comes to line of business (LoB) priorities. We saw the boom in ecommerce during the pandemic, driven by a change in purchasing habits during lockdowns and quarantine. This massive shift towards ecommerce should continue at some level even after the pandemic. Not surprisingly, ecommerce is the function in which the greatest number of respondents (28%) plan to invest (**Figure 3**).

Finance ranks second in terms of planned investment (27%). This is not surprising because finance is always core to ERP and is one of the most critical areas for managing the health and well-being of the organization. Key finance and accounting processes discussed by respondents include managing cash, visibility, and increasing the efficiency of financial processes.

Figure 3. Planned increased investment by functional area



Source: SAPinsider, February 2021

Supply chain emerged as one of the most critical business functions during the pandemic. The importance of a robust, resilient, and responsive supply chain immediately became evident as organizations had to adapt to rapidly changing demand patterns as well as unstable supply chains. It is no surprise, therefore, that



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We saw a 30 percent uptick in ecommerce sales through the pandemic. To meet production demands, we had to reduce our number of SKUs, and shift our supply chain around. We needed to shorten our planning horizons from quarterly and monthly to weekly. COVID opened our eyes to the fact that we really don't have the visibility we need across our supply chain.



~ VP of IT, Consumer Products
Company



more than one quarter (27%) of respondents listed supply chain as a top planned investment in the coming year.

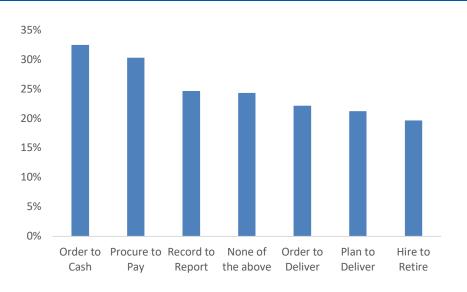
Many respondents also discussed the importance of starting transformation in areas like finance and supply chain that could yield tangible, easy-to-understand benefits and could help earn visibility, secure internal support, and then drive future projects.

Business process transformation

When it comes to end-to-end processes, those that are most supported by SAP ERP are the ones that more organizations intend to transform in 2021. These priorities continue to reflect a focus on cash creation and management and other core finance processes.

Over one-third report that they will transform their order-to-cash function (33%). Procure-to-pay (30%) and record-to-report (25%) ranked second and third respectively (**Figure 4**). These numbers show that respondents are trying to control and manage their expenses and payments and get a handle on their close processes.

Figure 4. Business process candidates for transformation



Source: SAPinsider, February 2021





There are big discussions about what is next with SAP. The ROI on the Finance related features are clearer but outside that the cost is challenged continuously.



~ GRC Manager, Automotive Company



Process automation and visibility are priorities

When it comes to business transformation and process improvement, a majority of the projects cited by our respondents related to automation and analytics. The primary goals for these initiatives are to improve efficiency and visibility into existing processes and this trend matches the technology priorities that we outline in our next chapter.

Automation is among the top three areas of investment (33%). Process automation is a key ingredient of business transformation. This indicates that when organizations are thinking about business process transformation, they are willing to invest in associated technologies and capabilities that will help accelerate the transformation. Investing in analytics capabilities (42%) also aligns with process transformation. The recent business disruptions and the need to react immediately has increased the need for real-time visibility into business processes. The proliferation of data and data sources has also made this an important challenge, and automation combined with analytics is the answer to that challenge.

Improving processes and leveraging the existing data to provide intelligence across the landscape is one way companies believe they can establish a competitive advantage. The investment in both technology and skillsets is critical to accomplishing that.

Key takeaways

As you evaluate investments across your business landscape, here are a few things to consider:

 Balance revenue-driving processes with your operational foundation: Many companies we talked to are starting with core finance and supply chain because these areas are critical to supporting any innovation. While this is sound logic, organizations must also adopt a balanced approach when investing in process improvements.



- Understand your status quo and the cost of maintaining it: You have to fully evaluate your current processes, what they cost to maintain and execute, and what the return would be on new investments. Work with your internal teams and partners to do the analysis in each of your functional priority areas so that you understand the concrete benefits your future state will bring. This will not only help justify individual investments but can also help make the case for larger transformation projects you may undertake.
- Build your new process and functional maps around volatility and change: Many of our respondents are quick to point out that their markets and customers may never be the same. Demand, supply chains, customer preferences, and delivery models will be in constant flux, and your systems and processes must be nimble and flexible enough to support this dynamic environment.
- Focus process innovation efforts on automation, intelligence, and integration. These are the ways many respondents are seeing improvements in their critical business functions.
 Respondents indicated that they not only want to eliminate inefficiency and reduce, costs, but also build a greater and more immediate understanding of what's going on at the deep levels of their business at any point in time.



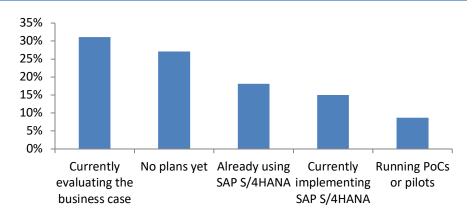
Chapter Two: Evolving the SAP Platform in 2021

Investing in SAP S/4HANA

Many respondents who began projects before or during the past year are now looking to re-engage and complete these evaluations or implementations as we enter 2021. Migrations to SAP S/4HANA and the cloud represent the key platform considerations companies are facing. Many see SAP S/4HANA not only as a necessary technical upgrade, but also as an opportunity to update their core ERP backbone and improve their business processes and analytics. Others are weighing the business case and cost justification of such a significant project.

One third (33%) of our respondents have implemented or are in the process of implementing SAP S/4HANA (**Figure 5**), which is in line with what SAPinsider saw throughout our research in 2020. More than one third of respondents (40%) are currently evaluating the business case or running pilot projects and only about one quarter (27%) indicate that they currently have no plans to move forward.

Figure 5. SAP S/4HANA adoption status



Source: SAPinsider, February 2021





We need to improve overall responsiveness both to internal and external stakeholders. Our current technology landscape is not currently built to deliver this.



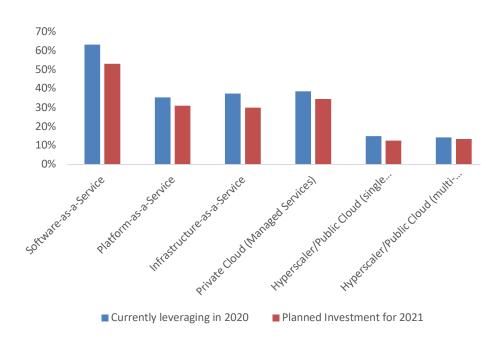
~ IT Manager, Industrial Manufacturing Company



Software-as-a-Service and Private Cloud Are Top Cloud Investments

Survey respondents also are investing in cloud solutions across the board. Software-as-a-service (SaaS) solutions continue to receive significant investments as the number of cloud-based business solutions from SAP and other partners continues to grow. SaaS solutions are the most used type of cloud solution today (63%) as well as one of the larger planned core investments (53%) for the coming year (see **Figure 6**). We also see that 20% of our respondents plan to implement or have already implemented the SaaS version of SAP S/4HANA. Companies are tired of having to customize and maintain business processes when they can rely on the collective best practices that can be enabled and configured for them through SaaS solutions.

Figure 6. Cloud services and solutions usage (2020 vs 2021)



Source: SAPinsider, February 2021





When we speak about SaaS, the benefit is about standardization. For certain processes there's no reason to reinvent the wheel. When it comes to hyperscalers, they are investing in security, resilience, scalability, and performance at a rate that can outperform most private data centers.



~ CIO Financial Services Organization



Private cloud or managed services represent the second most utilized cloud solution (39%) and planned investment slated for 2021 (35%). Many of our respondents see the benefit of cloud but want a certain level of security and control.

Infrastructure-as-a-Service, Platform-as a-Service, and hyperscaler solutions are also starting to earn investments as more companies look to establish development, integration, and other cloud-based services to surround their core application maintenance, extension, and optimization.

Large organizations continue to be cautious about hyperscaler investments, with just a quarter 25% of our respondents planning to move forward with new projects in 2021.

The bottom line is that both business and IT leaders see the inevitable move to the cloud as a way to cut costs as well as accelerate implementation and innovation. However, they will proceed with caution choosing the safest and most secure path forward.

Following the major platform focus on SAP S/4HANA and the cloud, survey respondents plan to invest in the key technologies that will support these core initiatives and propel their overall digital and business transformation ambitions.





We want to stay more focused on data and look for learnings on how to use that data to improve the business. We have seen significant data growth over the last few years and now need to build models for understanding our business better.

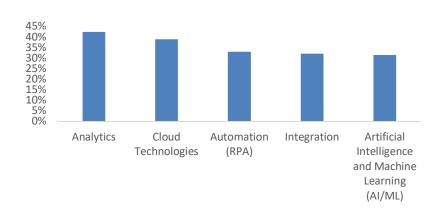


~ Process Engineer, Large Machine Industrial Company



According to our respondents, analytics (42%) is the area of greatest technology investment (see **Figure 7**). The recent business disruptions and the need to plan and react immediately has increased the need for real-time visibility into operations, sales, and customer experience. The proliferation of data and its sources have also made this an important challenge.

Figure 7. Increasing investment in key technology investment areas



Source: SAPinsider, February 2021

Cloud (39%) is slated to receive the second greatest investment, followed by robotic process automation (33%), integration (32%), and artificial intelligence (32%). Improving processes and leveraging the existing data to provide intelligence across the landscape is a way companies believe they can establish a competitive advantage. The investment in both technology and skillsets is critical to accomplishing that.

The proliferation of so many cloud-based solutions has put an emphasis on integration technologies and skillsets as well. Maintaining point-to-point solutions requires significant overhead, is inefficient, and lacks visibility. As a result, many customers are seeking more centralized, automated ways to bring their cloud and on-premises solutions together.



Key takeaways

As we look forward into 2021, organizations will start to pursue a multi-tiered investment approach more aggressively when it comes to their technology projects. To support this goal, you should:

- Finalize your SAP S/4HANA strategy: While the end of
 mainstream maintenance for existing SAP ERP systems has
 been extended to 2027, we see one third of our respondents
 have already implemented, or are in the process of
 implementing, SAP S/4 HANA. Given the economic and
 business climate, it is important to have a more stable, flexible
 core. Establishing a sound SAP S/4HANA transition strategy will
 enable you to fully understand the potential impact and
 associated decisions of this important investment.
- Build a short-term and long-term cloud plan: Organizations need to carefully craft a cloud strategy that is holistic, aligns with their organizational mid- and long-term objectives, and is flexible. Most companies will continue to support a hybrid environment. The key to developing this robust cloud strategy is to understand where your core ERP system will reside and how you will provide integration across your landscape. You should focus on cloud-related skillsets as you continue to build your teams.
- Invest in data knowledge and experience: Analytics and datafocused technology were clear priorities for our survey
 respondents. Many felt that they do not currently have the right
 solutions and skills to support their long-term corporate
 strategy. You need to work with your partners and employees to
 build skills in data science, automation, artificial intelligence,
 and advanced analytics to build the right solutions and skillset.
 Start testing use case projects and learn by doing. This practical
 knowledge will be essential in the long run.
- Re-evaluate your integration strategy: Integration was cited as
 a top priority when it came to technology investment, in part
 driven by the sheer number of disparate solutions that
 businesses must support. To scale and increase efficiency, reexamine your integration overhead and explore more centralized
 API and services-driven approaches.



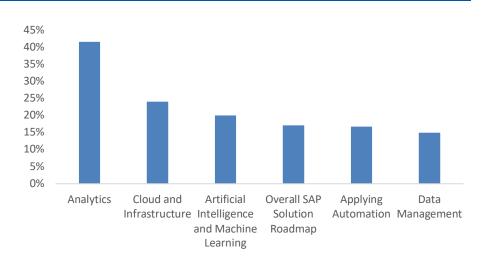
Chapter Three: Organizational Vision for 2021

Optimistic emergence

An important finding highlighted by this survey is the fact that organizations generally have an optimistic outlook as we move from 2020 into 2021. This extends from our budget discussion in Chapter 1 to the SAP teams and the users they support.

Not surprisingly, the skillsets deemed most important to our respondents support the business and technology priorities discussed in previous chapters. While technology is a powerful enabler, it must be paired with the right people and processes. The number one in-demand skill is analytics (42%) followed by cloud and infrastructure (24%), and artificial intelligence and machine learning (20%) (**Figure 8**).

Figure 8. Skillset priority areas



Source: SAPinsider, February 2021

Customers continue to look for ways to take advantage of the operational data that has been collected for years and want to go beyond basic periodic reporting. To take advantage of advanced analytics and AI, these organizations are seeking data scientists





We want to expand our organizational skillsets and partner ecosystem to have a diversity and full coverage across our landscape, especially in some of the emerging niche areas including SAP Analytics Cloud, planning, Artificial Intelligence, and Machine Learning. We don't just need technical skillsets but people who fundamentally understand business processes and can support innovation.



~ CIO, Energy Company



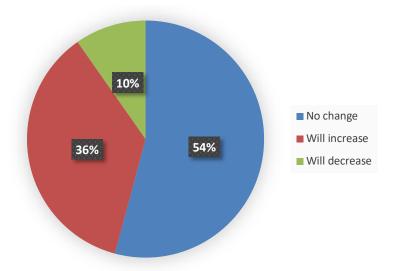
and engineers to help them build and assess models as well as apply predictive capabilities.

Managing and migrating workloads to the cloud takes a new perspective as well as different types of integration and administration skills. Vendor assessment, alignment, and negotiation are critical priorities.

SAP user base and support organizations will not shrink in 2021

A majority of respondents indicated that their user base will either remain the same or increase in 2021, which shows a positive outlook for the SAP application landscape as well as hiring and the avoidance of future restructuring and layoffs. The average number of users supported by our sample size is 8,009. Looking ahead, nearly all (90%) of our survey respondents expect this number to grow or the stay the same (see **Figure 9**).

Figure 9. Change projections for SAP user base

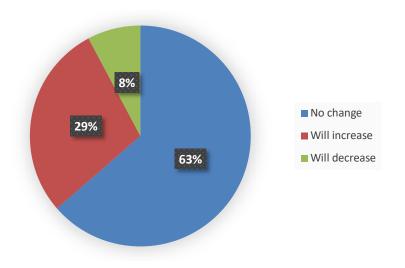


Our survey indicated there is a similar positive outlook among respondents when it comes to SAP support staff. Identical to the SAP user base, 90% of our survey respondents expect to keep the staffing levels the same or increase them (**Figure 10**). This increased need for support is defined not only by the increasing



SAP user base but also by the need for additional skills required to support the adoption of new technology and platforms outlined in the previous chapter. While core ABAP and BASIS skills are still in demand, it is the analytics, cloud, and integration requirements that are helping drive the demand for additional staff.

Figure 10. Change projections for SAP support staff



Source: SAPinsider, February 2021

Many companies expressed the need to balance retention and replacement of some of their core skills with hiring, as many of those individuals occupying the traditional SAP roles are headed for retirement. Companies will turn to partners to help support skills gaps when needed.

Most support organizations still deliver, but a clearer vision is needed on SAP strategy

The stress of the recent economic disruption and skills gap has put a strain on many SAP support organizations and is preventing them from delivering the highest level of satisfaction. On the positive side, most are able to meet the basic needs of the business and are ready to regroup.

Internal SAP support teams received an average rating of 7.5 out of 10 by the respondents, which indicates room for improvement. Our





We do not have many people who can see the big picture and draw the overall SAP Solution roadmap. Execution is the key and project management is paramount for the successful implementation of any SAP solution. Many times we miss this critical piece.



~ Vice President, Software and Technology Company



respondents are challenged by significant demand for both existing and new capabilities and have seen their ability to grow their teams limited over the last year by the uncertain economic conditions.

One of the important requirements of any customer organization is having a solid understanding of SAP's own strategy and solutions. Many respondents felt that they did not possess a strong understanding of SAP's direction, solution portfolio, and potential impact on their business. Respondents rated their level of clarity on SAP's solution roadmap as **6.7 out of 10**.

As SAP rapidly introduces new cloud solutions and offerings, many of its customers are scrambling to fully understand different capabilities, releases, and impacts on their existing applications and infrastructure. Having internal experts that can quickly absorb and interpret these changes has become a critical requirement.

Partner relationships must evolve beyond the technology

A majority (58%) of our respondents rely on their partners for traditional implementation projects (**Figure 11**). However, the looming needs for business transformation and innovation as well as process improvement are driving customers to seek guidance from their partners for these higher-level initiatives. Business strategy and transformation was the second most indicated topic where respondents feel their partners add value (37%), followed closely by business process enhancement (34%).

As companies increase their activity around new solution and platform selection, they are also looking to their partners for support in this decision making (30%) and providing managed services (27%). Overall, our respondents are looking to these partners to help fill their skills and knowledge gap and keep pace with a much more dynamic solution landscape driven not just by SAP, but the industry as a whole.



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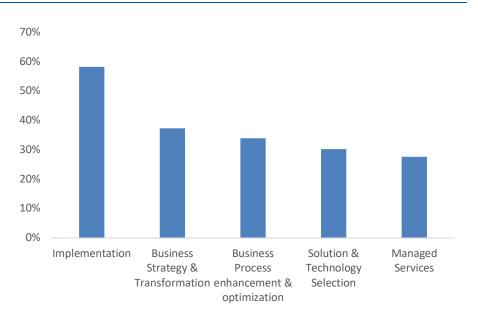
Layoffs are expected.
But at the same time,
these vacancies will not
be filled, and overtime
will not be approved.
That leaves a reduced
staff to address project
implementation in
addition to operational
needs.



~ Business Systems Manager, Public Sector



Figure 11. Areas where partners add value



Source: SAPinsider, February 2021

Steps to Success:

Despite the massive business disruptions of the past year, our respondents are ready to move their organizational strategy forward to support their critical 2021 initiatives. In order to do so, you should:

- Increase your understanding of SAP's strategy: SAP continues
 to evolve its product strategy with a greater emphasis on cloud
 solutions. They are also rolling out new initiatives such as RISE
 with SAP to bring the technology and business picture together.
 Whether or not you choose to implement these solutions or
 services, you must build a fundamental understanding of this
 landscape so that you can make informed decisions, build solid
 business cases, and keep pace with emerging capabilities.
- Prioritize skillset expansion and retention: There are a host of new skills that are must-haves for today's SAP support organization when it comes to SAP S/4HANA, the cloud, integration, and analytics. However, since core business processes are the foundation, you must be able to retain your



functional knowledge – and also some of those key development and administration skillsets – to build a bridge to the future.

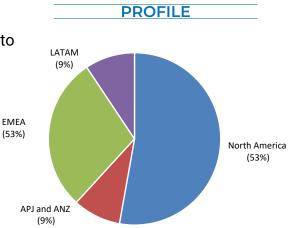
- Push your partners to expand their scope of value: Evaluate and expand your partner relationships so that you can expand your perspectives on business, transformation, results, and hard ROI. Focus on partners who have a wealth of experience in your industry and who can connect both the technology and business picture. They can give you an immediate boost in experience related to AI, data science, and the cloud.
- Use Agile methodologies to accelerate experimentation and organizational knowledge: What is very clear from our findings is the growing need for companies to quickly build skillsets and knowledge across a wide array of technologies and to understand their associated impact on the business. The older, traditional project methodologies won't help you build these skills quickly. Agile approaches which prioritize smaller, quicker projects will help you try, fail, and learn more rapidly as a company.



PARTICIPANTS

Methodology

In December 2020 and January 2021, SAPinsider examined the experiences of businesses and technology professionals related to their overall plans for SAP, their investments in business and technology solutions, and overall organization. Our survey was administered to 351 members of the SAPinsider Community and generated responses from across a wide range of geographies, industries, and company sizes. Respondents completed an online survey and provided feedback in customer interviews that questioned them on topics such as:



- What has been the overall impact of the recent disruption on budget, investments, and team?
- What technology investments are most important for 2021?
- What are their adoption plans for SAP S/4HANA and the Cloud?
- What are the most important skillsets that they need?

The demographics of the respondents included the following:

- Job function: Functional areas reported by respondents include: Information Technology (64%), Finance and GRC (14%), SCM and Operations (9%), Sales and Service (9%).
- Market sector: The survey respondents came from every major economic sector, including: Software and Technology (37%), Industrial (29%), Public Services & Health Care (14%), Retail, Distribution &CPG (8%), Media & Entertainment (4%), and Hospitality, Transportation, and Travel (2%).
- Geography: Of our survey respondents, 53% were from North America, 29% were from Europe, the Middle East, and Africa, 9% were from Asia-Pacific, Japan, and Australia, and 9% were from Latin America.



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