

# Enterprise Health Check Benchmarking Results

ABC Company



SAP Value Engineering  
February, 2010

**“All benchmarks contained in this report are for illustrative purposes only. The contents of the actual report may vary depending on availability and maturity of benchmarks for the peer group in consideration”.**

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# Agenda



## 1. Study Background

2. Executive Summary

3. Company Metrics and Performance Drivers

4. Best Practices

5. Enabling Technology

6. Participant Profile

7. Case Studies

# ASUG/ SAP Benchmarking: Designed to Get Actionable Results



- Strategic service by ASUG and SAP, launched end of 2004 as a forum to exchange metrics and best practices
- Program covers 26 processes, with 3000+ participants who leverage the program to:
  - Build a business case for change
  - Compare performance to leading companies, industry peers, and between regions/ divisions
  - Assess value realization, year-over year
  - Prove success
- **Enterprise Health Check program launched in January 2008**
  - **Supports benchmarking across several key processes**
    - Finance, Order to Cash, Supply Chain, Supplier Relationship Management, Manufacturing and Human Capital Management
  - **Leverages benchmarking data from over 1000 companies**

# Enterprise Health Check: Study Scope



## SRM/ Procurement:

- Contract Management
- Order Processing
- Material Receipt

## Order To Cash:

- Customer Billing
- Order Management
- Chargeback and Rebate Processing

## Supply Chain Management:

- Demand Planning & Forecasting
- Inventory Planning
- Warehouse Management

## Finance

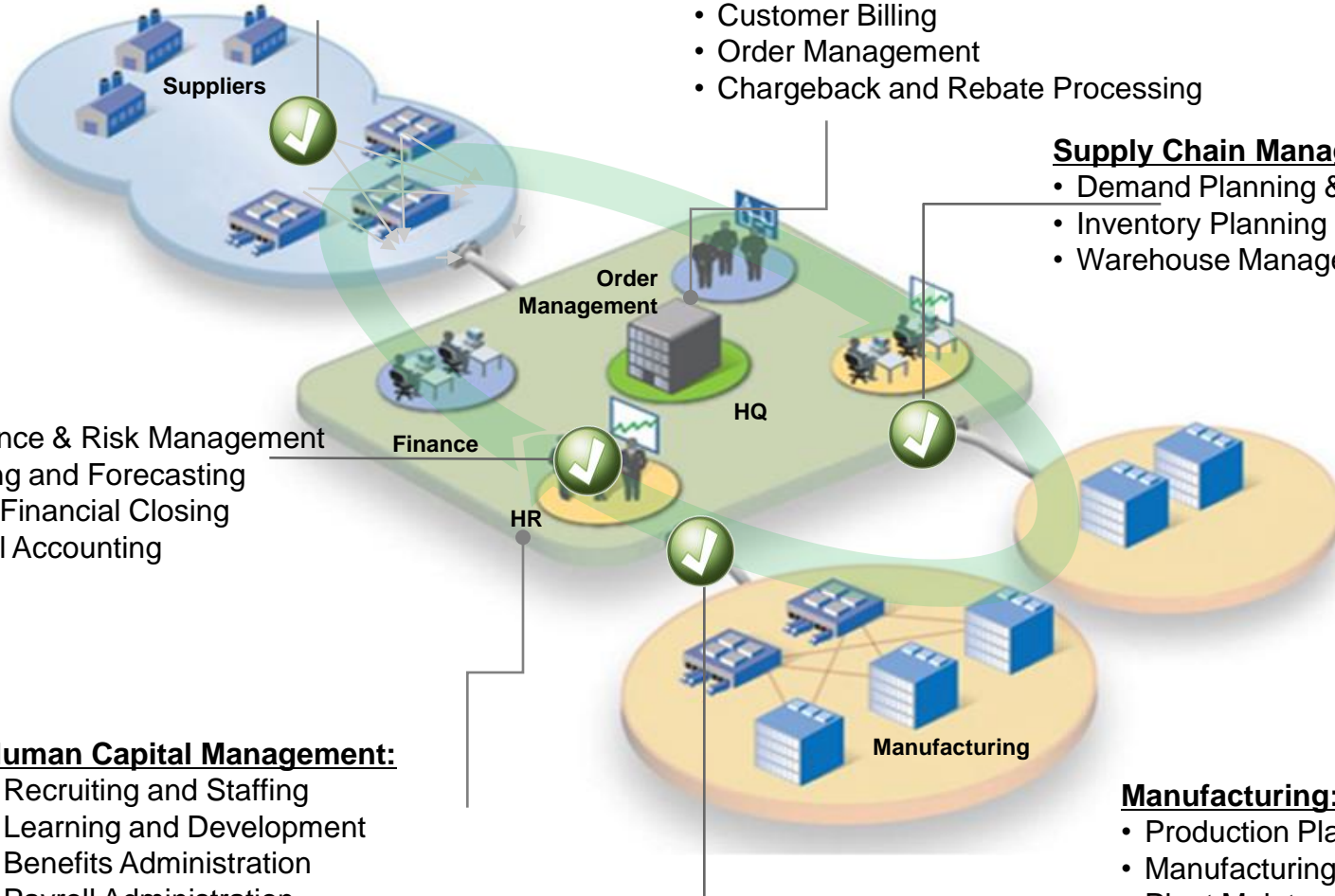
- Compliance & Risk Management
- Budgeting and Forecasting
- G/L and Financial Closing
- Financial Accounting

## Human Capital Management:

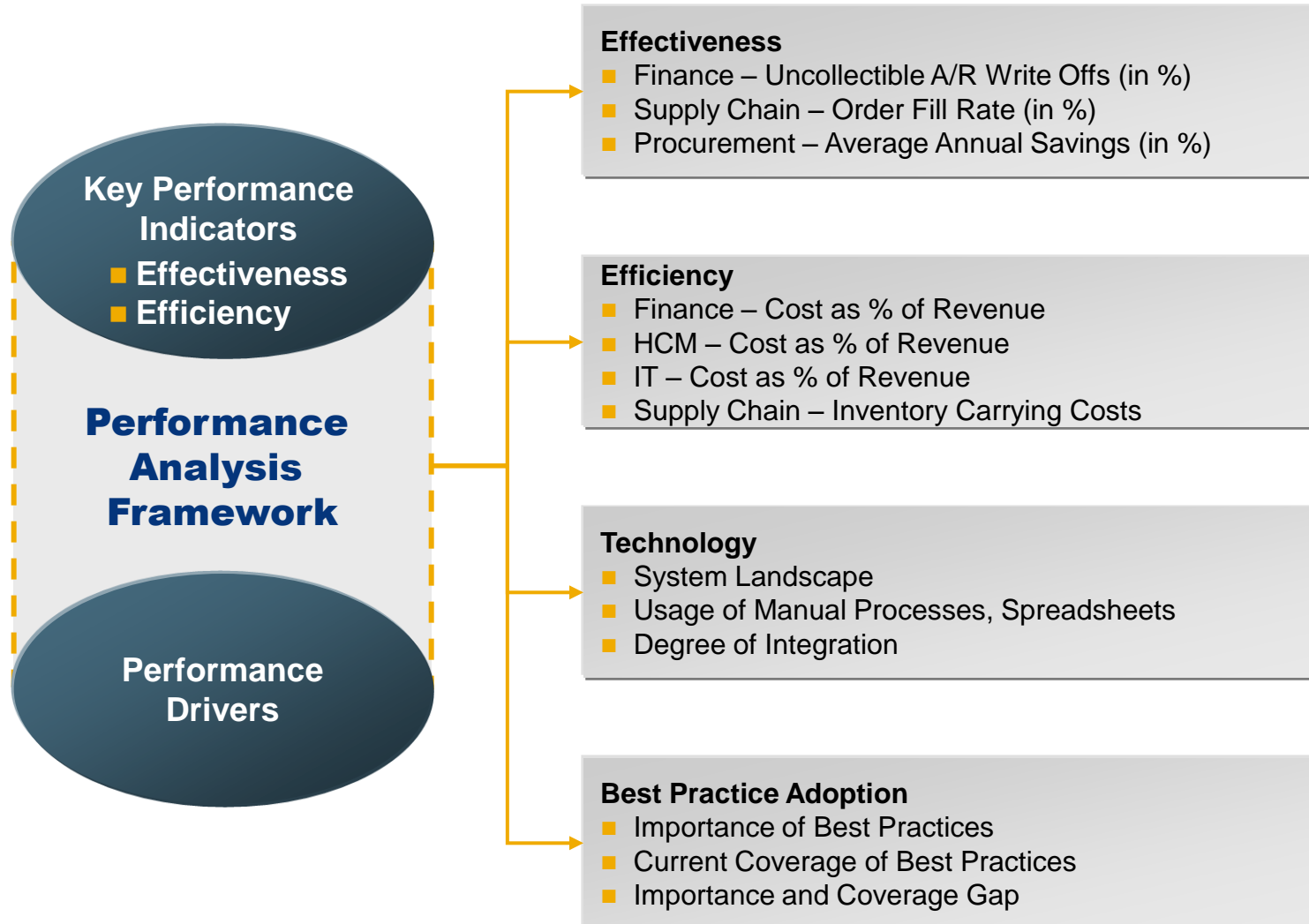
- Recruiting and Staffing
- Learning and Development
- Benefits Administration
- Payroll Administration

## Manufacturing:

- Production Plan Adherence
- Manufacturing Execution
- Plant Maintenance



# Enterprise Health Check: Performance Analysis Framework



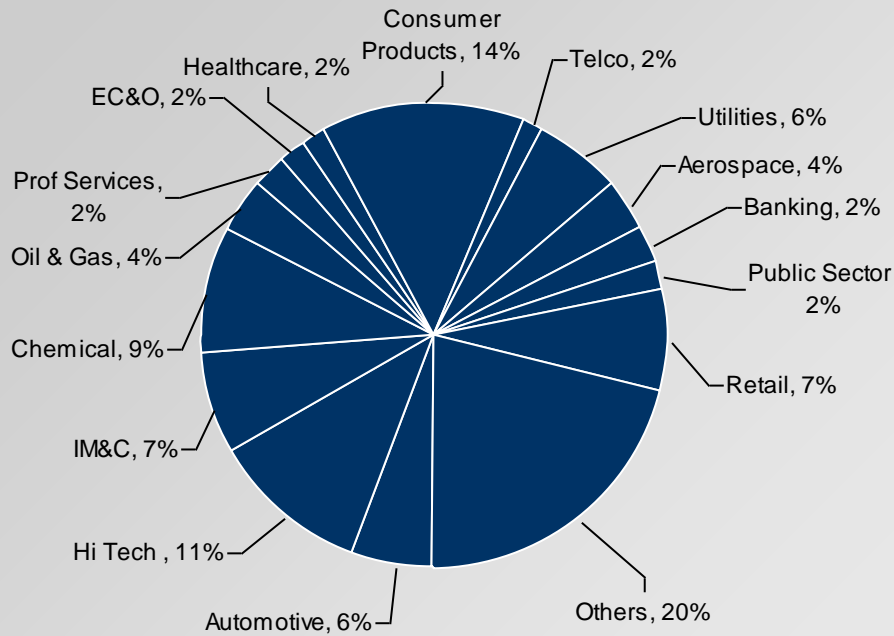
# Participating Company Profile: Industry and Revenue – Overall Database



Number of Companies in the Enterprise Health Checkup Overall Database: xxx

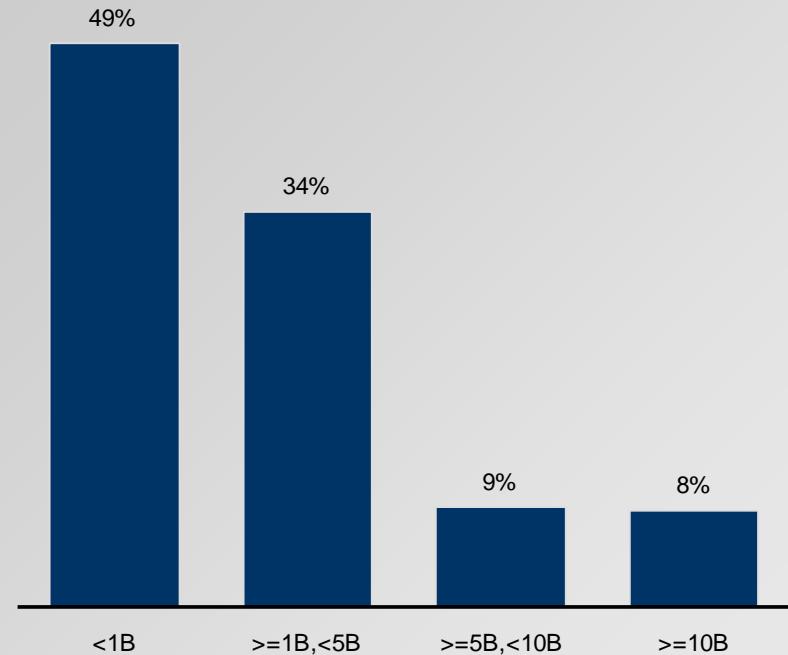
## By Industry Sector

Company Response: XYZ



## By Revenue

Company Response: 1,000.0M



# ABC Company: Company Snapshot



## Regions/ Divisions Included

- Entire Company

## Participant Information

- Joe Smith, Vice President, ABC Company

## Comparative Scope/Timeline

- Comparison against XXX companies (Peer Group P1) and YYY companies (Peer Group P2)
- Comparison of company metrics with peer group averages, Q1<sup>1</sup> and Q4<sup>2</sup> figures
- Data provided is FY 2008
- Currency: U. S. Dollar

Company Facts	Industry	XYZ	SRM/ Procurement	Total Annual Procurement Spend (in millions)	50.0
	Annual Revenue (in millions)	1,000.0		Manufacturing (Plant/Division)	Plant COGS (in millions)
	COGS (in millions)	700.0	Annual Capital Expenditure (in Millions)		50.0
	SG&A (in millions)	200.0	HCM		Total HR Costs (in '000s)
	Operating Income (in millions)	100.0		Technology	System Deployed
	Number of Employees	800	Other Systems Deployed		NA
Finance	Total Finance Costs (in '000s)	2000	Total IT Spend (in millions)		3.00
	Accounts Receivable Balance (in millions)	NA			
Supply Chain Management	Total Inventory (in '000s)	50,000			
	Total Transportation Spend (in '000s)	20,000			

<sup>1</sup>Q1 – Average of the top 25% responses for a particular KPI

<sup>2</sup>Q4 – Average of the bottom 25% responses for a particular KPI

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# Closing the Performance Gap Could Result in Substantial Benefits



## Performance Results – Key Metrics

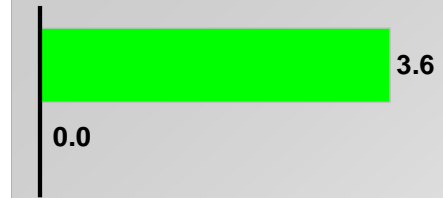
	Metric	Company	Peer Group P1 (n= xxx)		Peer Group P2 (n= xxx)	
			Avg.	Q1	Avg.	Q1
Company Performance	Operating Margin (in %)	10.0	12.4	29.5	15.0	34.4
	COGS (in %)	70.0	64.8	40.1	59.8	38.6
	SG&A (in %)	20.0	23.0	11.8	22.1	15.1
	Revenue per Employee (in millions)	1.3	1.0	3.4	0.4	0.9
Effectiveness	Finance - Uncollectible A/R Write Offs (in %)	0.0	0.5	0.0	0.4	0.1
	Procurement - Average Annual Savings Indirect (in %)	8.0	4.7	10.0	5.8	10.3
	Supply Chain - Order Fill Rate (in %)	90.0	87.5	98.6	85.3	97.3
	Manufacturing - Return on Assets (Plant, in %)	35.0	14.7	30.3	11.8	15.5
Efficiency - Cycle Time	Order to Cash - Order to Ship Cycle Time	4.0	9.8	1.2	13.8	1.3
	Finance - Days Sales Outstanding	30.0	42.8	16.7	54.6	33.6
	Supply Chain - Days in Inventory	26.1	74.8	23.5	83.9	20.5
Efficiency - Costs	Finance - Cost as % of Revenue	0.20	0.95	0.25	1.40	0.43
	HCM - Cost as % of Revenue	0.10	0.84	0.09	2.61	0.18
	IT - Cost as % of Revenue	0.30	1.67	0.39	1.99	0.77
	Supply Ch. - Inventory Carrying Cost as % of Revenue	3.0	2.1	0.5	1.9	0.5

## Potential Benefits:

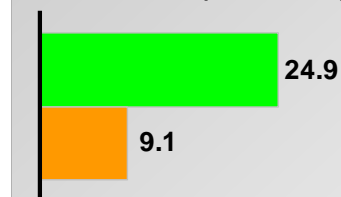
### Value of Closing the Gap to Peer Group P1

■ Gap to Q1   
 ■ Gap to Average

#### Efficiency : Reduced Days Sales Outstanding (in millions)



#### Efficiency : Reduced Inventory Carrying Cost as a % of Revenue (in millions)



**Ranking:**
■ Below Average   
 ■ Between Average and First Quartile   
 ■ First Quartile   
 ■ Outlier

### Key Observations

- ABC's performance on most of the key metrics is low as compared to the peer group P1 numbers that indicates potential scope for improvement.

# Enterprise Health Check: Best Practices Enabling Business Performance



Processes	Company Best Practice Coverage Compared to P1	Company Internally Perceived Gap
Finance	Below Average	Small/ No Gap
Order to Cash	Below Average	Small/ No Gap
Supply Chain Planning	Below Average	Small/ No Gap
Supplier Relationship Management	Below Average	Small/ No Gap
Manufacturing	Between Average and First Quartile	Small/ No Gap
Human Capital Management	Below Average	Small/ No Gap

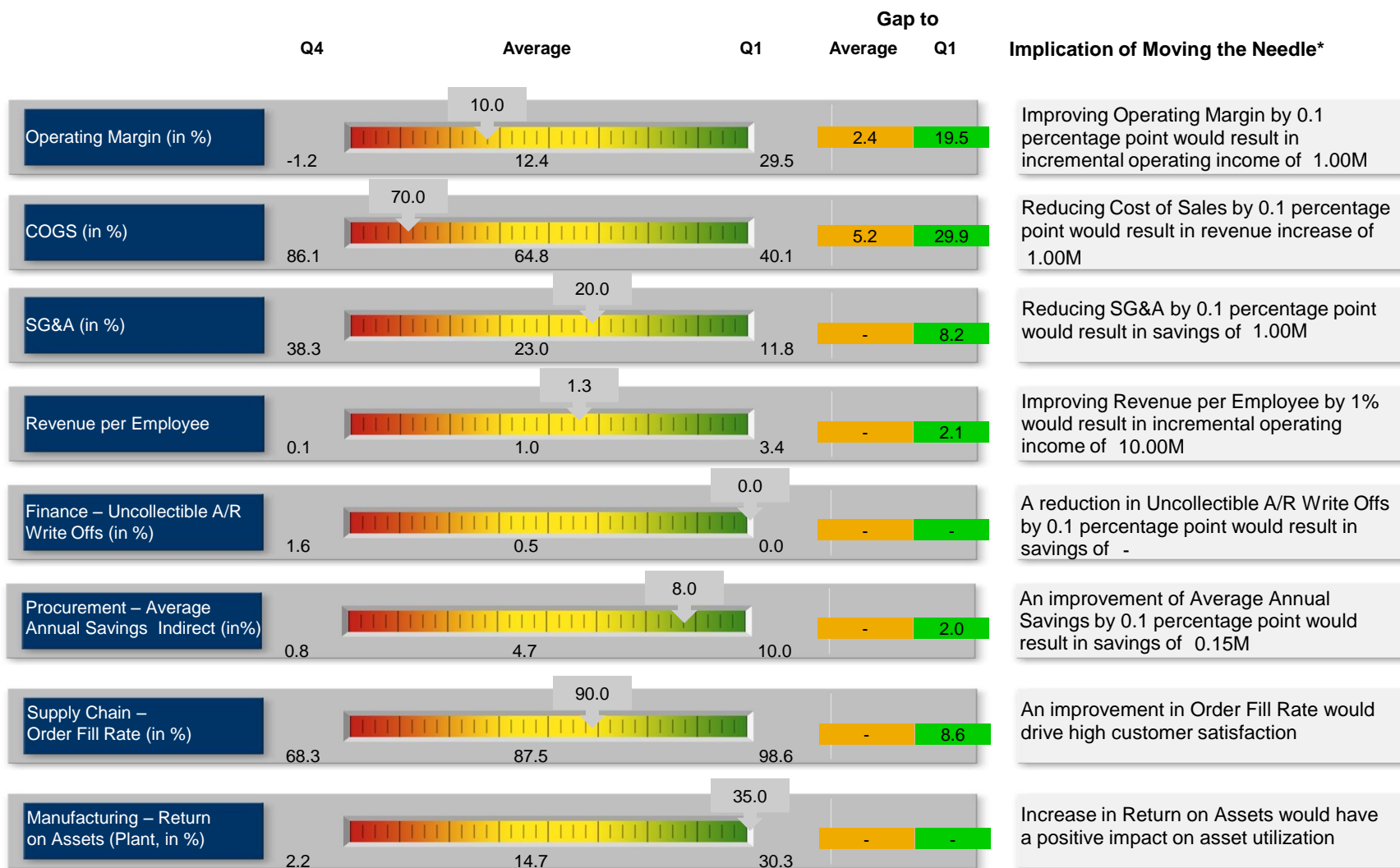
**Company Best Practice Coverage Compared to P1:**

■ Below Average    
 ■ Between Average and First Quartile    
 ■ First Quartile

**Internally Perceived Gap: (Company Importance – Coverage):**

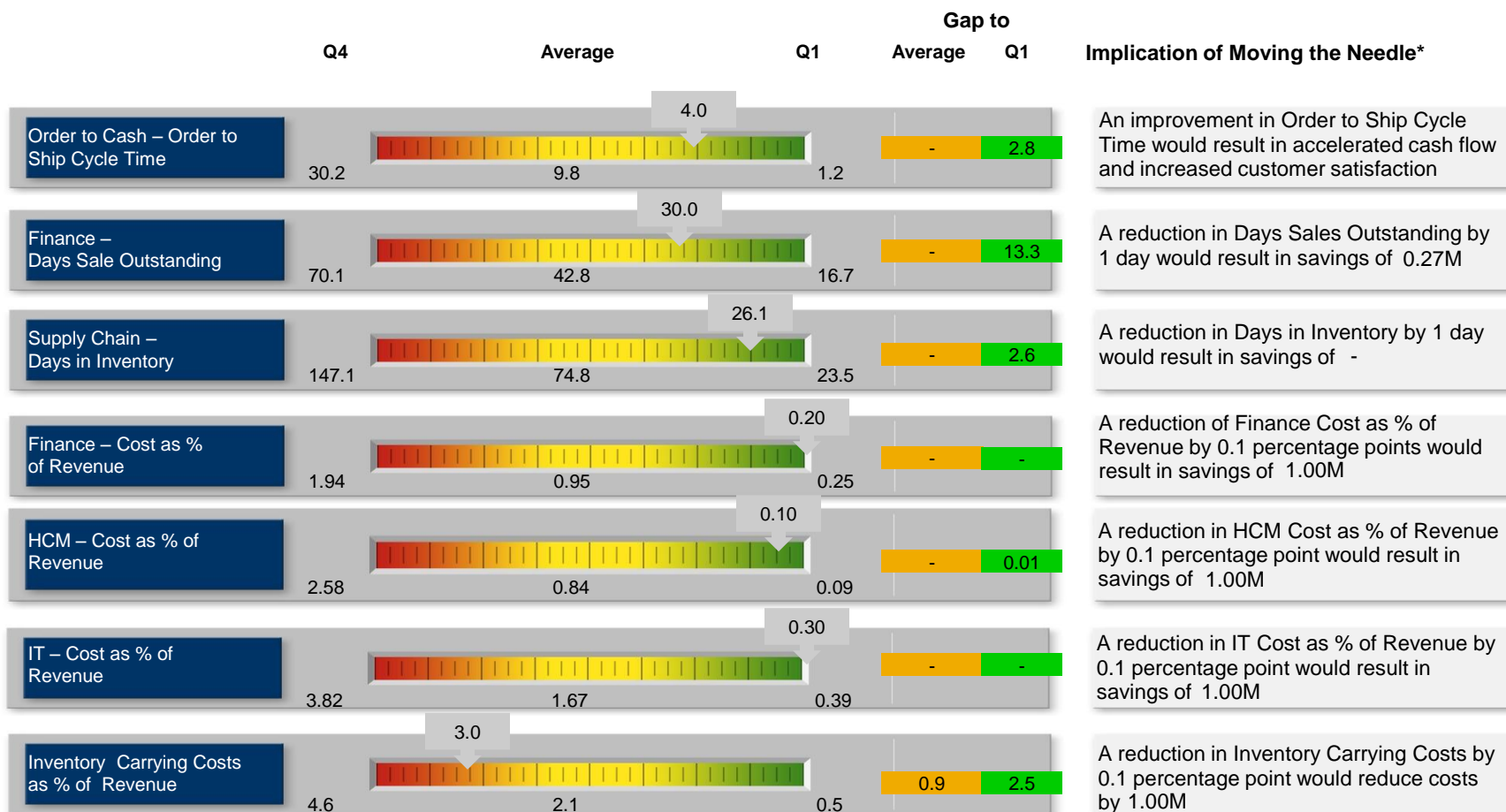
■ Significant Gap    
 ■ Moderate Gap    
 ■ Small/ No Gap

# Enterprise Health Check: Performance Improvements Driven by Key Value Drivers – Peer Group P1



\* The implication of moving the needle comment is the sensitivity analysis of the improvement on the respective KPI.

# Enterprise Health Check: Performance Improvements Driven by Key Value Drivers – Peer Group P1

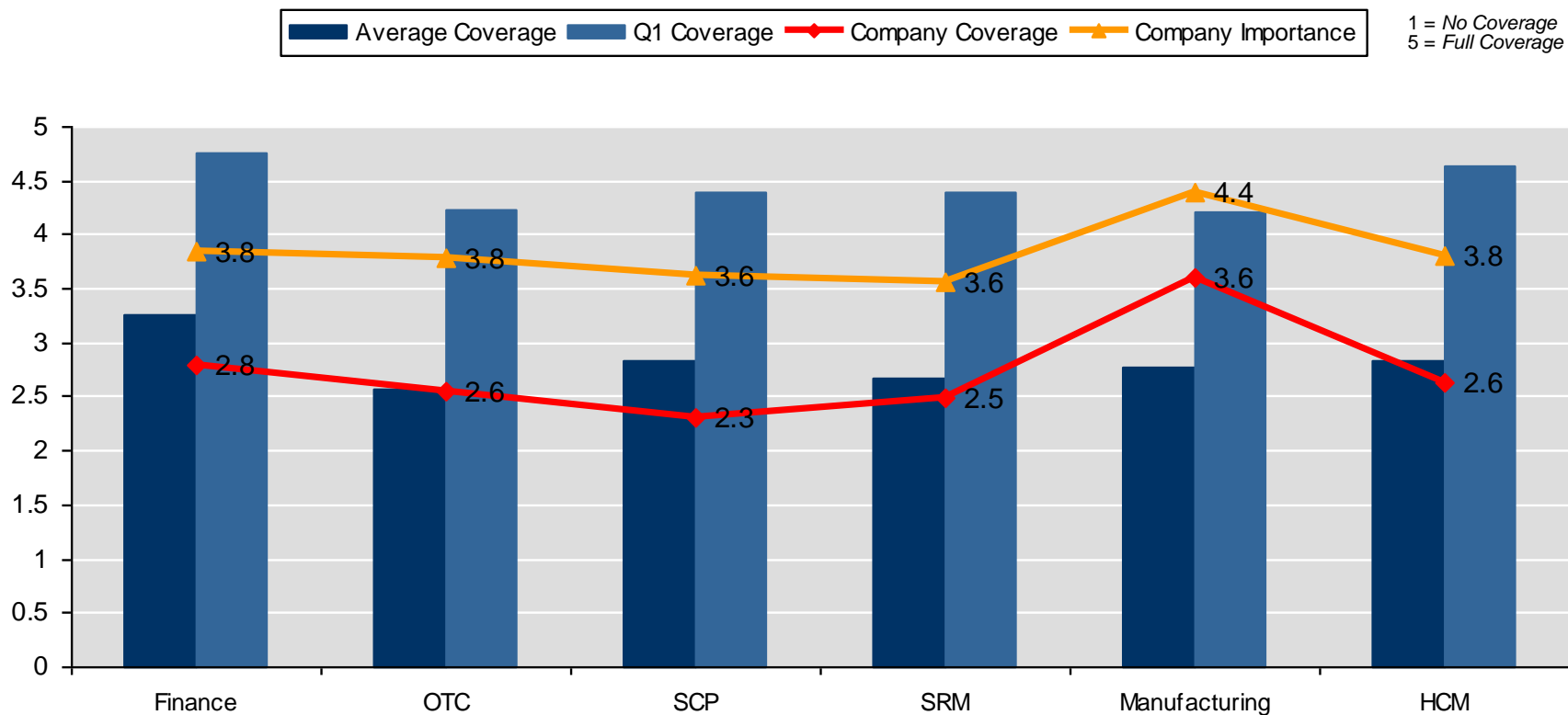


\* The implication of moving the needle comment is the sensitivity analysis of the improvement on the respective KPI.

# Enterprise Health Check : Improved Best Practices Adoption Drives Value



## Company Best Practice Importance Compared to Coverage Contrasted Against Peer Responses (Peer Group P1)



# Agenda



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## Performance Results – Key Metrics

Type	Metric	Company	Peer Group P1		Peer Group P2	
			Avg.	Q1	Avg.	Q1
Effectiveness	Receivables Overdue (in %)	5.0	14.1	0.4	15.9	3.0
	Uncollectible A/R Write Offs (in %)	0.0	0.5	0.0	0.4	0.1
	Discounts Lost (in %)	5.0	2.8	0.0	2.3	0.0
Efficiency	Finance FTEs per Billion Revenue	20.0	104.0	35.3	107.9	41.2
	Finance Cost as a % of Revenue	0.20	0.95	0.25	1.40	0.43
	Audit Cost as a % of Revenue	0.01	0.11	0.02	0.20	0.13
	Average Time to Close Monthly Books (in days)	7.0	6.4	3.2	6.2	3.4
	Average Time to Close Quarterly Books (in days)	9.0	8.2	3.6	7.5	4.0
	Average Time to Close Annual Books (in days)	12.0	15.7	5.1	10.9	4.6
	Days Sale Outstanding (in days)	30.0	42.8	16.7	54.6	33.6
	% of Invoices using Online Processing	90.0	41.4	80.7	44.3	73.3

Ranking: ■ Below Average ■ Between Average and First Quartile ■ First Quartile ■ Outlier

## Performance Results – Key Metrics

Type	Metric	Company	Peer Group P1		Peer Group P2	
			Avg.	Q1	Avg.	Q1
Effectiveness	Order Fill Accuracy (by total orders delivered)	95.0	94.8	99.4	96.1	99.9
	% Lost Orders (% of revenue)	2.0	0.8	0.1	0.6	0.1
	% Invoices with Unauthorized Deductions	1.0	3.4	0.7	2.7	0.7
Efficiency	Order to Ship Cycle Time (in days)	4.0	9.8	1.2	13.8	1.3
	Ship to Invoice Cycle Time (in days)	2.0	1.0	0.7	1.0	0.6
	Days Chargeback Outstanding	4.0	26.1	5.9	26.2	13.0

Ranking: ■ Below Average ■ Between Average and First Quartile ■ First Quartile ■ Outlier

## Performance Results – Key Metrics

Type	Metric	Company	Peer Group P1		Peer Group P2	
			Avg.	Q1	Avg.	Q1
Effectiveness	On-Time Delivery Performance (in %)	99.0	88.5	98.3	86.1	96.8
	Order Fill Rate (in %)	90.0	87.5	98.6	85.3	97.3
	Forecast Accuracy (in %)	90.0	79.0	95.2	78.0	90.4
	Revenue Loss due to Stock-outs (% of revenue)	0.40	0.53	0.02	0.69	0.08
	Inventory Accuracy (in %)	95.0	92.4	99.2	93.3	99.0
	Order Pick Accuracy (in %)	90.0	94.6	99.5	91.9	99.5
Efficiency	Days in Inventory	26.1	74.8	23.5	83.9	20.5
	Inventory Carrying Cost (% of revenue)	3.0	2.1	0.5	1.9	0.5
	Inventory Obsolescence Cost (% of revenue)	0.050	0.782	0.096	0.604	0.043
	Inventory Write-offs (% of revenue)	0.10	0.239	0.005	0.392	0.002
	Total Transportation Spend (% of revenue)	2.0	3.4	0.7	1.9	0.5
	Expedited Transportation Spend (% of revenue)	0.100	0.229	0.022	0.289	0.029
	Total Demurrage, Penalty & Charges (% of revenue)	0.200	0.099	0.003	0.077	0.005

Ranking: ■ Below Average ■ Between Average and First Quartile ■ First Quartile ■ Outlier

## Performance Results – Key Metrics

Type	Metric		Company	Peer Group P1		Peer Group P2	
				Avg.	Q1	Avg.	Q1
Effectiveness	Average Annual Savings	Direct Materials (in %)	10.0	4.7	9.4	6.1	11.0
		Indirect Materials (in %)	8.0	4.7	10.0	5.8	10.3
		Services (in %)	8.0	4.6	10.0	4.0	6.0
	Spend Managed Strategically	Direct Materials (in %)	90.0	72.2	97.0	77.7	100.0
		Indirect Materials (in %)	90.0	50.9	87.6	60.5	90.0
		Services (in %)	90.0	55.6	96.4	60.0	100.0
	Maverick Spend	Direct Materials (in %)	8.0	6.5	0.0	7.0	0.0
		Indirect Materials (in %)	10.0	14.1	0.0	9.4	0.0
		Services (in %)	10.0	11.4	0.0	9.9	0.0
	Spend Under Contract	Direct Materials (in %)	90.0	71.8	98.6	73.1	99.2
		Indirect Materials (in %)	90.0	62.0	94.9	64.6	96.2
		Services (in %)	90.0	67.6	98.3	66.5	100.0

Ranking: ■ Below Average ■ Between Average and First Quartile ■ First Quartile ■ Outlier

## Performance Results – Key Metrics

Type	Metric	Company	Peer Group P1		Peer Group P2	
			Avg.	Q1	Avg.	Q1
Effectiveness	Production Plan Adherence (in %)	95.0	87.0	97.2	93.6	99.2
	Return on Assets (in %)	35.0	14.7	30.3	11.8	15.5
Efficiency	Manufacturing Cycle Time for Primary Products (in days)	5.0	17.4	1.3	18.1	3.1
	Capacity Utilization (in %)	95.0	74.6	91.9	72.4	90.0
	Annual Cost of Unplanned Overtime (% of Manufacturing Cost)	0.20	0.25	0.05	0.15	0.04
	Machine Availability as % of Total Uptime	90.0	87.6	97.1	88.7	96.0
	MRO Inventory as % of Gross Machinery	0.01	0.87	0.51	1.00	1.00

Ranking: ■ Below Average ■ Between Average and First Quartile ■ First Quartile ■ Outlier

# KPI: Human Capital Management



## Performance Results – Key Metrics

Type	Metric	Company	Peer Group P1		Peer Group P2	
			Avg.	Q1	Avg.	Q1
Effectiveness	Employee Engagement	8.0	7.3	8.9	7.3	8.7
	Employee Turnover (in %)	5.0	14.6	3.1	19.8	4.1
Efficiency	HR FTEs per 1000 Employees	6.3	13.0	5.6	15.4	6.6
	HR Cost per Employee (in '000s)	125	1,420	426	2,047	585
	Cost per Hire (in selected currency)	1,000	5,227	581	6,301	1,214
	Time to Hire (in days)	10	44	20	51	28

Ranking: ■ Below Average ■ Between Average and First Quartile ■ First Quartile ■ Outlier

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SAP

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# Performance Drivers: Best Practices



Processes	Company Importance	Company Coverage	Company Internal Gap	Peer Group P1 Coverage Average	Peer Group P1 Coverage Q1
Finance	3.8	2.8	1.1	3.2	4.7
Order to Cash	3.8	2.6	1.2	2.6	4.2
Supply Chain Planning	3.6	2.3	1.3	2.8	4.4
Supplier Relationship Management	3.6	2.5	1.1	2.7	4.4
Manufacturing	4.4	3.6	0.8	2.8	4.2
Human Capital Management	3.8	2.6	1.2	2.8	4.6

Note: Numbers may appear to be same as they have been rounded off; however coloring is based on actual numbers without rounding off

**Coverage Ranking:**

■ Below Average     
 ■ Between Average and First Quartile     
 ■ First Quartile

**Internal Gap Analysis:**

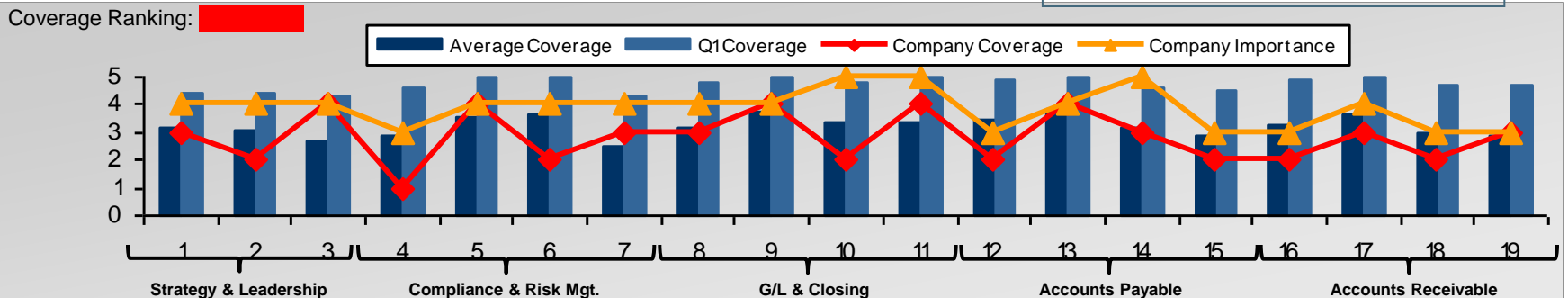
(Company Importance – Coverage)

■ Significant Gap     
 ■ Moderate Gap     
 ■ Small/ No Gap

	Best Practice Listing	Gap
1	Finance leadership spends more than two-third of their time with exec. mgt. on risk and decision support activities	1
2	There is an effective close-loop management process that ties key objectives to strategic goals and assigns measures and targets to those objectives. At the same time there is a process to communicate those goals downwards ...	2
3	Finance leadership has access to a financial cockpit and/or dashboard that provides a timely view into pre-defined set of key metrics (such a sales information on a daily basis)	0
4	Compliance status reports are regularly scheduled and are automatically created for and send to management, ...	2
5	All processes are well-documented and capable to comply with the SOX) requirements 302, 404, 409 and 401	0
6	Internal Audit regularly performs financial, operational, compliance and IT audits	2
7	Risk management system supports automated reporting and alerting to facilitate risk management	1
8	The current G/L Accounting system can handle multiple currencies accounting standards (e.g. US GAAP, IFRS)	1
9	Historical data can easily be accessed to facilitate year-to-year comparisons	0
10	The financial system can support both internal as well as external accounting requirements	3

	Best Practice Listing	Gap
11	The G/L system supports recording, management and recording of accounting entries in multiple currencies	1
12	AP system allows for multiple payment methods incl. electronic. payments globally. Recurring payments are automated	1
13	The AP system is integrated with the G/L so that no reconciliations are necessary	0
14	AP Managers spend time monitoring and evaluating AP processes rather than entering invoices into the system	2
15	AP system enables evaluated receipt settlement (pay and receiver) with key suppliers	1
16	A/R system can handle multi-currency payments and is integrated with credit, billing and collection applications	1
17	A/R system is fully integrated to the billing system so that the appropriate open item is immediately generated and at the same point in time as your customer bill	1
18	A/R system automatically matches payments with A/R balances through electronic interfaces to banks/customers	1
19	A/R system supports global payment formats (e.g. SWIFT)	0

**Coverage Ranking:** ■ Below Average ■ First Quartile ■ Between Average and First Quartile



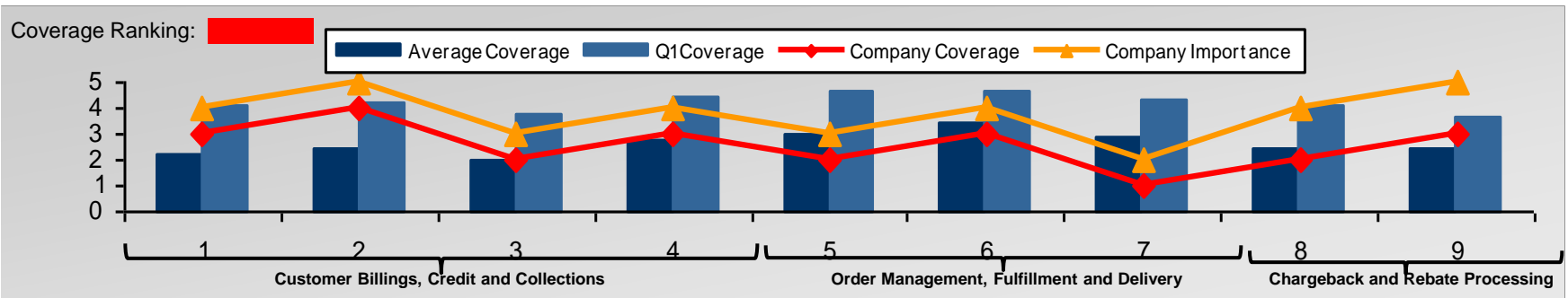
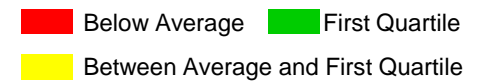
# Order to Cash



	Best Practice Listing	Gap
1	Customers are billed electronically and can view their account/payment status	1
2	Days Sales Outstanding (DSO) reports by product line and region are automatically generated for management to identify trends and performance	1
3	Disputes can be settled online and a dispute management system is integrated into the collections system	1
4	Customer relationships are considered in determining the right collections strategy and the credit collection system reflects those relationships	1
5	Capability exists for customers and business partners to place orders without manual intervention	1

	Best Practice Listing	Gap
6	Access to real-time up-to-date order, delivery and billing information is available to order fulfillment, delivery and shipping staff to ensure seamless business process flow	1
7	Ability to automatically optimize orders, shipments and deliveries exists to minimize logistics/transportation costs	1
8	Chargeback and rebate claims can be submitted via electronic channels	2
9	Comprehensive analytical capabilities exists to analyze large amounts of chargeback data to discern patterns and trends to answer questions such as agreement effectiveness, adherence to quantity commitments and most common errors in chargeback cycle	1

Coverage Ranking:



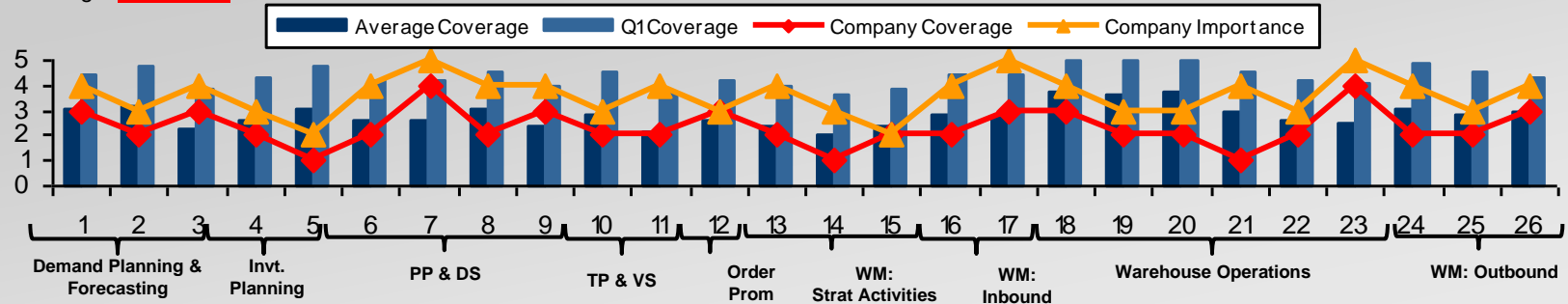
# Supply Chain Management



	Best Practice Listing	Gap
1	Forecasts are dynamic and updated frequently	1
2	Forecasting is performed for all combinations of SKU's and inventory locations	1
3	Forecasting system incorporates all demand history and has automatic corrections for bad data . Real time adjustments to forecast can be online or offline	1
4	Safety Stock plan can be recalculated multiple times per week if needed	1
5	Safety Stock planning is performed at SKU/Location level	1
6	(MPS/MRP) Concurrent Material and Capacity constraint plan is generated multiple times a day	2
7	Detailed Scheduling can be performed multiple times a day	1
8	Individual plans and production schedule are pegged to actual sales order	2
9	Delivery dates are integrated with material availability and real-time manufacturing conditions to generate schedules that optimize machine and labor capacity	1
10	Transportation planning process can be performed on a timely basis considering any other supply chain constraints	1
11	Key processes and systems are integrated (Demand and Supply Planning, Order Mgt. Warehouse Mgt. Production Planning), collaborative framework with key carriers, etc.	2

	Best Practice Listing	Gap
12	Able to prioritize customers, commit an allocation quantity and honor that commitment as product becomes available	0
13	Cross Docking is enabled to accelerate the flow of goods and avoid unnecessary storage of goods in the warehouse.	2
14	Cross Docking is integrated with Yard Management and other warehousing processes for better visibility	2
15	Reverse logistics flow is synchronized with inbound and out-bound materials flow to provide measurable improvements in cycle times, asset utilization, and productivity	0
16	Latest technology tools are used for receiving process to enhance inventory accuracy and reduce labor costs	2
17	The system directs and optimizes stock put-away based on real-time information about the status of bin utilization	2
18	Real time enterprise wide visibility to inventory	1
19	WMS enables perpetual or continuous inventory which keeps book inventory continuously in agreement with stock on hand	1
20	Book inventory and stock on hand are constantly reconciled.	1
21	Real time status and tracking of warehouse activities	3
22	Resource assignment is optimized	1
23	Warehousing analytics is used to directly improve productivity and gross margins	1
24	Capability to fill orders placed through multiple channels	2
25	Orders are consolidated at an item level into waves	1
26	Warehouse process is optimized based on ship times	1

Coverage Ranking: ██████████



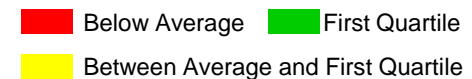
# Supplier Relationship Management (SRM)/ Procurement



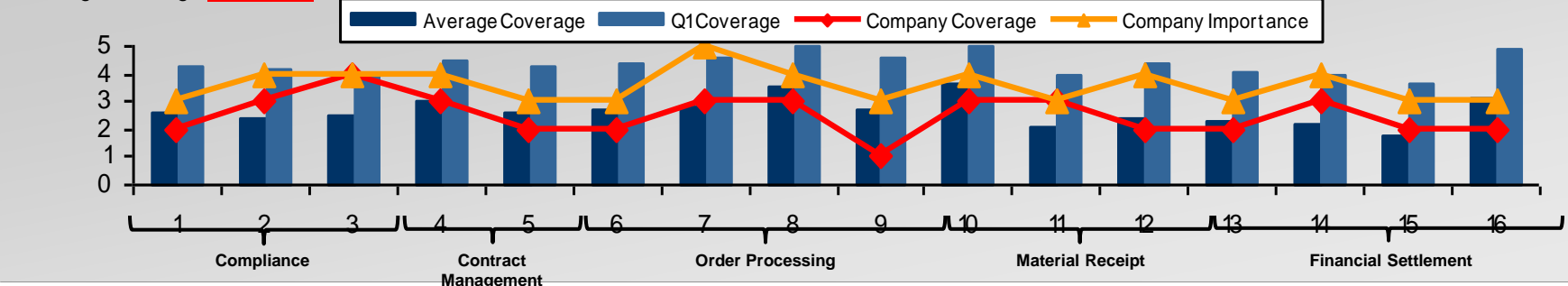
	Best Practice Listing	Gap
1	Contract Compliance is directed, or even mandated, by system controls	1
2	Stakeholders have access to accurate and timely reporting of contract compliance to catch maverick activity	1
3	System provides various standard analyses and reports to monitor purchasing operations and provide a detailed analysis of compliance-related purchasing activities and procurement processes	0
4	Organization has single, centralized repository of supplier contracts	1
5	Organization has ability to monitor supplier compliance with contract terms; Organization performs regular reviews of existing contracts to insure terms and conditions are being met	1
6	System processes POs automatically (no intervention necessary) and submits them electronically to suppliers	1
7	Organization uses integrated platform for indirect, direct and services procurement	2
8	Buyers have online access to PO status	1
9	Change Orders/PO Acknowledgements are controlled and re-communicated to the supplier electronically	2
10	Receiving system is highly integrated with other systems such as purchasing and inventory systems	1

	Best Practice Listing	Gap
11	Advanced Ship Notifications (ASNs) are enabled electronically to allow for pre-receipt of the items. As a result, only the approval of the receipt is required by the end-user.	0
12	Evaluated Receipt Settlement utilized to take advantage of early payment discount	2
13	Invoice entry is automated by XML, EDI, or other means to alleviate the workload of AP	1
14	Tools to support electronic invoicing, online supplier invoice inquiries and dispute resolution are in place	1
15	Suppliers are given the ability to enter invoices directly into the Buyer's system, requiring approval by AP	1
16	The AP system automatically alerts and does not accept receipt of goods when it finds differences between invoice, order and receipt [within defined tolerances	1

Coverage Ranking:



Coverage Ranking:

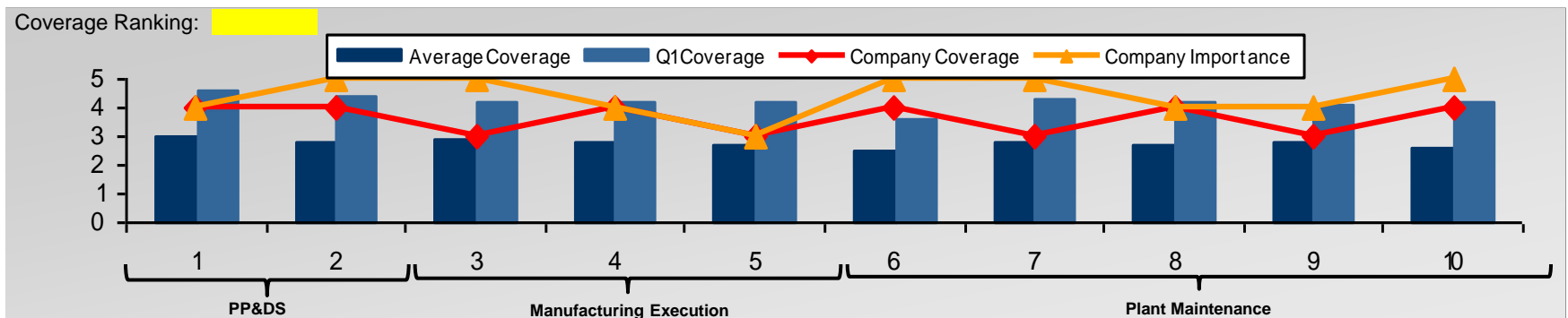
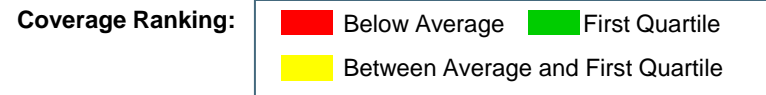


# Manufacturing



	Best Practice Listing	Gap
1	Individual plans and production schedule are pegged to actual sales order	0
2	Customer delivery dates are integrated with material availability and real-time manufacturing conditions to generate schedules that optimize machine and labor capacity	1
3	There is accurate tracking and directing of personnel during work shifts based on qualification, availability and tasks to be performed	2
4	Equipment/ machinery and tools are allocated to operations correctly and their status and usage tracked in real-time to ensure that the planned production targets are met	0
5	Actual production costs and variances are automatically documented and variance against plan and budget are monitored in near time	0
6	Streamlining of maintenance through the automation of monitoring, notification, and maintenance problem resolution processes	1
7	Low percentage of work orders are opened under a priority that would be identified as emergency or urgent	2
8	A majority of maintenance work orders are generated from the preventive and predictive maintenance inspections	0

	Best Practice Listing	Gap
9	Maintenance planning takes into account skill required, material required, tools required, and specific job instructions	1
10	Maintenance costs are clearly and accurately tracked for all assets	1



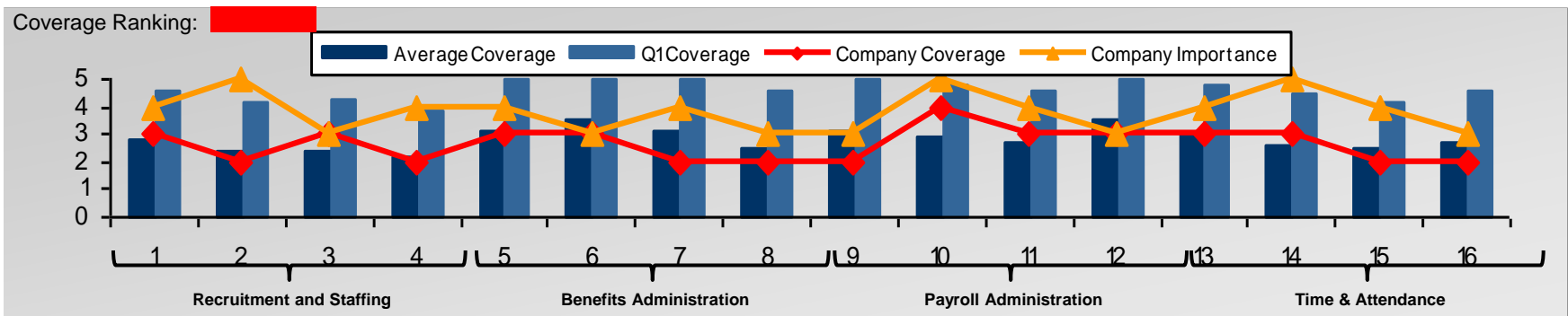
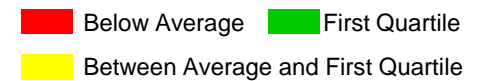
# Human Capital Management (HCM)



	Best Practice Listing	Gap
1	Applicants are able to place themselves in a talent pipeline according to their own interests or goals	1
2	Hiring managers have comprehensive recruiting self-service, including the ability to create and submit job requirement profiles for approval; use approval workflows for requirements profiles; etc.	3
3	Recruiting systems automates applicant/ candidate administration, ...based on standard templates...	0
4	Recruiting system has automated analysis and reporting capabilities to analyze the talent pool and to measure source effectiveness	2
5	Benefits system enables employees to enroll online, and allows them to modify details of the benefits plan and to update information regarding dependents and beneficiaries, including tests for eligibility	1
6	Single point-of-contact established for all benefits related questions	0
7	Benefits system enables employees to check current enrollment in benefits plans, and print confirmation statements and forms online	2
8	Benefits system allows employees to model different benefits elections and their effect on net pay	1

	Best Practice Listing	Gap
9	Online access to direct deposit advices and pay slip	1
10	Payroll system supports legal regulations for a large number of countries ensuring compliance with regulatory requirements for reporting purposes	1
11	Payroll system supports multiple currencies, multiple languages, collective agreements, and reporting	1
12	Single point-of-contact established for all payroll related questions	0
13	Web enabled time administrator tool in place	1
14	Time worked routed automatically to project accounting/ resource planning systems	2
15	"Time and attendance system has automated analysis and reporting capabilities to analyze KPIs such as lost time, productivity, cost of absence, overtime or illness"	2
16	On-line and off-line time entry is available	1

Coverage Ranking:



# Agenda



1. Study Background
2. Executive Summary
3. Company Metrics and Performance Drivers
4. Best Practices
- 5. Enabling Technology**
6. Participant Profile
7. Case Studies

# Agenda



SAP

1. Study Background
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5. Enabling Technology
- 6. Participant Profile**
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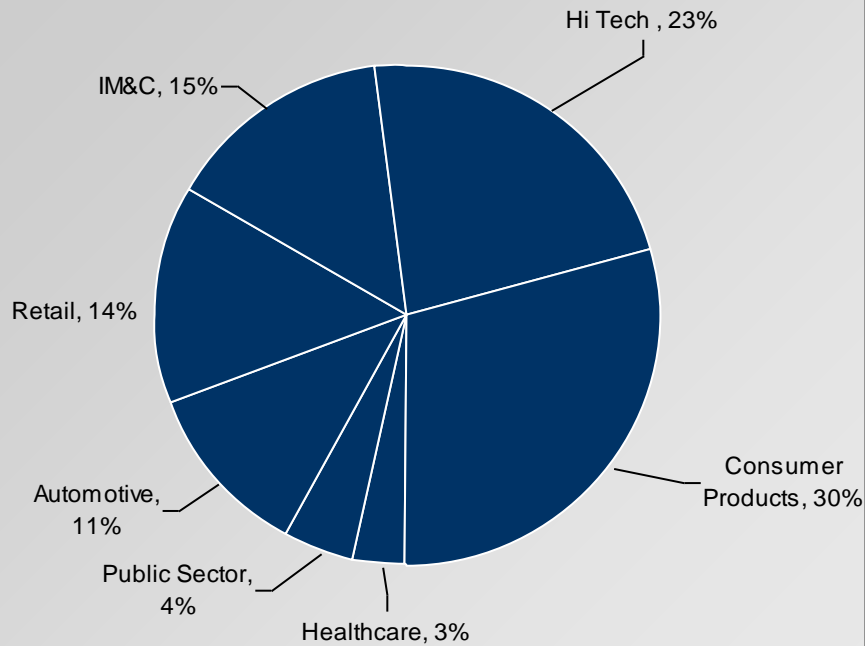
# Participating Company Profile: Industry and Revenue – Peer Group P1



Number of Companies in the Peer Group P1 Database: xxx

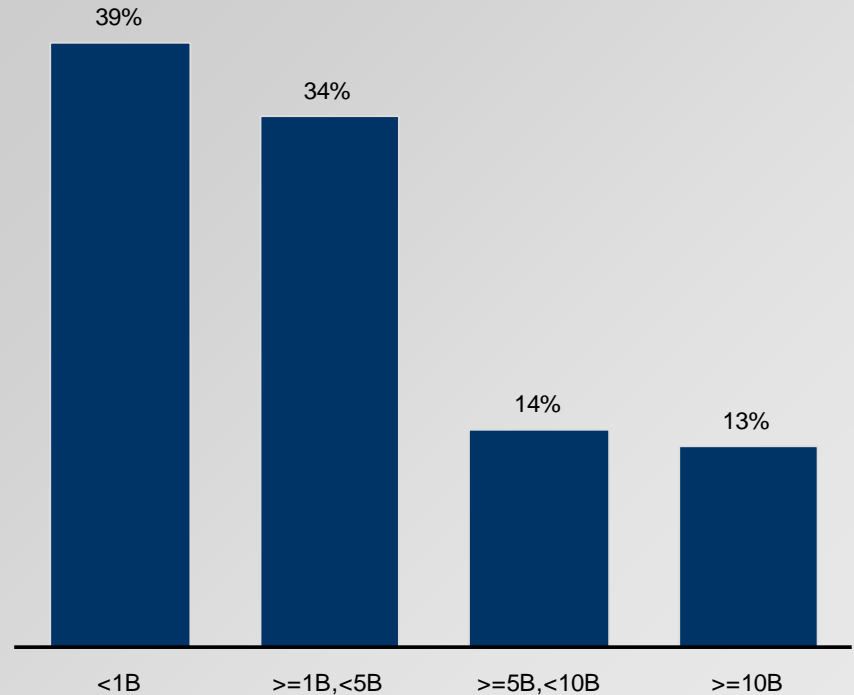
## By Industry Sector

Company Response: XYZ



## By Revenue

Company Response: 1,000.0M



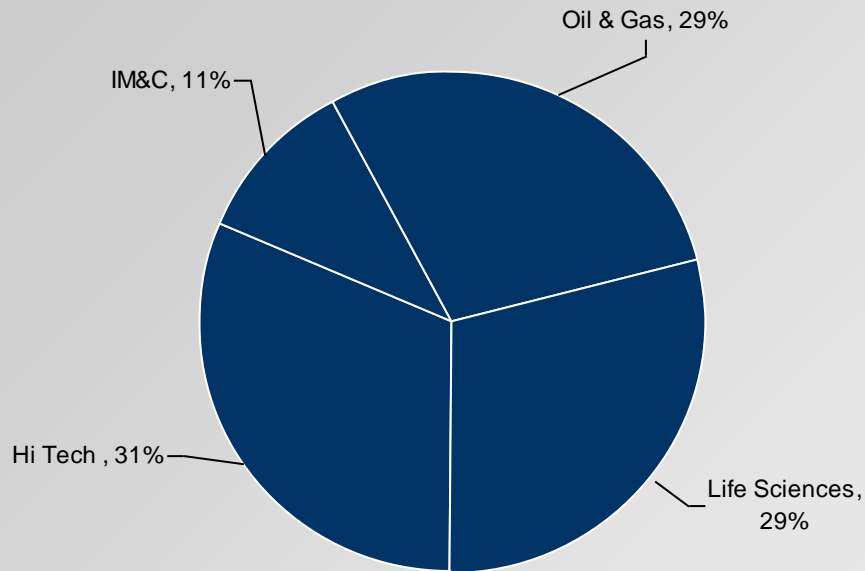
# Participating Company Profile: Industry and Revenue – Peer Group P2



Number of Companies in the Peer Group P2 Database: xxx

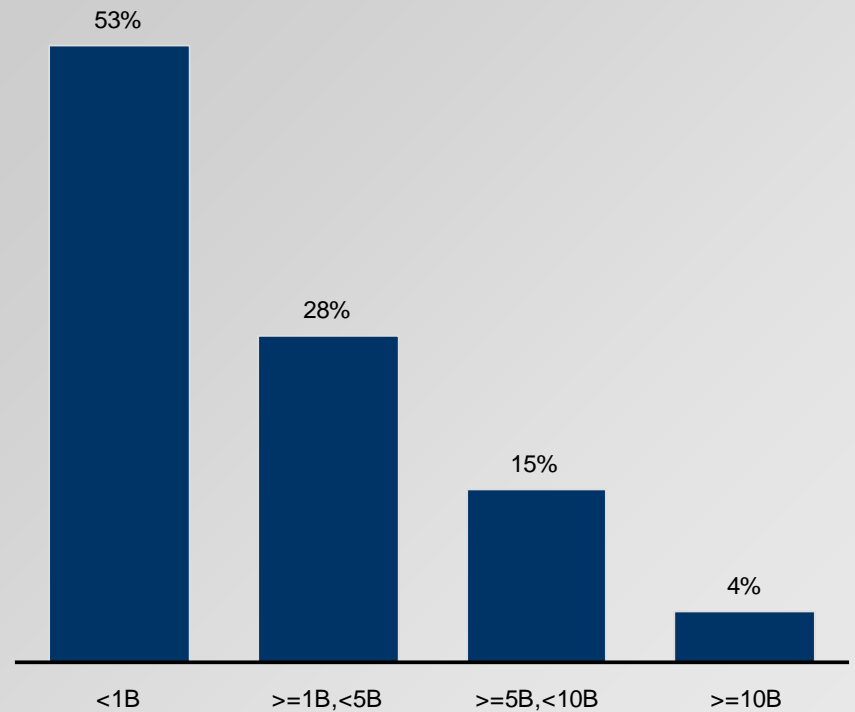
## By Industry Sector

Company Response: XYZ



## By Revenue

Company Response: 1,000.0M



# Agenda



1. Study Background
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- 7. Case Studies**

# SAP® Quick Upgrade Evaluation Provides Rock-Solid Basis for Planning



## QUICK FACTS

### Company

- Name: Avnet EMG GmbH
- Location: Poing, Germany
- Industry: Wholesale distribution
- Products and services: Electronic parts and components
- Revenue: €2.55 billion (Avnet Electronics Marketing EMEA)
- Employees: 2,600 (Avnet Electronics Marketing EMEA)
- Web site: [www.avnet.com](http://www.avnet.com)
- SAP® solution and services: SAP® Quick Upgrade Evaluation service; services from the Global Delivery group of SAP Consulting
- Partner: SAP Consulting

**“All our expectations were met – SAP Consulting certainly delivered on its promises.”**

Clemens Pirks  
SAP Development Manager  
Avnet EMG GmbH

## Challenges and Opportunities

- Move up to the latest release of the SAP® ERP application
- Obtain reliable information on upgrade project and receive validation of planned strategy

## Objectives

- Gain visibility into cost and effort involved in migration
- Analyze complexity of existing SAP software landscape and identify modifications that can be eliminated
- Obtain cost estimate to verify the company's own approach to the upgrade

## Implementation Highlights

- Received service rapidly and in line with company expectations
- Received expert advice and assistance from highly skilled SAP consultants

## Why SAP

- Verification of upgrade strategy based on SAP benchmarks
- Quick project turnaround

## Benefits

- Fulfillment of all customer expectations
- Reliable estimates of resources and time required for upgrade
- Sound basis for planning
- Excellent knowledge transfer – providing the customer with a firm grasp of Unicode-related issues and the SAP Solution Manager application management solution
- Valuable insight into unused modifications that could be excluded from scope of upgrade



## QUICK FACTS

### Hatch

- Headquarters: Mississauga, Ontario, Canada
- Industries: Engineering, construction, and operations; professional services
- Products and Services: Consulting, engineering, and project and construction management
- Employees: 8,000
- Web Site: [www.hatch.ca](http://www.hatch.ca)
- SAP® Solution and Services: SAP® ERP application

“SAP has enabled us to confidently monitor our receivables at any time, which is critical to our success in managing more than US\$20 billion in ongoing programs and projects around the world.”

Glenn Sakaki  
Managing Director, Execution Technology  
Hatch

## Challenges and Opportunities

- Retirement of regional legacy systems
- Efficient assimilation of acquired companies
- Achievement of growth objectives

## Objectives

- Implement a global enterprise resource planning solution offering real-time information
- Support business processes for core operations across worldwide enterprise

## Implementation Highlights

- 8-month implementation
- Big-bang rollout of all core components
- Sandbox system to familiarize employees with software and accelerate business readiness

## Why SAP

- Support for global growth objectives
- Open architecture that enables intercompany collaboration and merger of existing systems
- SAP's global presence and worldwide reputation for excellence

## Benefits

- Scalable platform to achieve growth and seamless integration of acquired companies
- Improvement in capturing global time sheet information by 50%
- Improvement in ability to assess project status
- Reduction of 50% in time to create final global customer invoices
- Reduction of 60% in time for month-end closing

# Glossary – Finance



KPI	Description	Corresponding Questions
Receivables Overdue (in %)	Percentage of accounts receivables that are overdue or not received within agreed time. This is calculated as total receivables overdue divided by total accounts receivables.	Finance Metrics Q.10.
Uncollectible A/R Write Offs (in %)	Accounts receivables that have been written off as bad debts. This is calculated as total uncollectible accounts receivable divided by total receivables.	Finance Metrics Q.10.
Discounts Lost (in %)	Cash discount not taken because of the buyer's failure to pay within the specified time period.	Finance Metrics Q.9.
Finance FTEs per Billion Revenue	Finance FTEs per billion of revenue, calculated as: (Total Finance FTEs/ Annual revenue in millions)*1000.	Finance Metrics Q.7b and Participant Profile Q.6.
Finance Cost as a % of Revenue	Calculated as (Total finance costs/ Annual revenue)*100. Finance costs includes all finance function related costs such as cost of finance staff (headcount costs), external spend, technology spend and all other finance function related spend.	Finance Metrics Q.7a and Participant Profile Q.6.
Audit Cost as a % of Revenue	Calculated as (Total audit costs/ Annual revenue)*100.	Finance Metrics Q.7c and Participant Profile Q.6.
Average Time to Close Monthly Books (in days)	Number of days required by a company to close its monthly books of accounts. This is estimated as the actual amount of time spent in days for completing the monthly closure activities.	Finance Metrics Q.8.
Average Time to Close Quarterly Books (in days)	Number of days required by a company to close its quarterly books of accounts. This is estimated as the actual amount of time spent in days for completing the quarterly closure activities.	Finance Metrics Q.8.
Average Time to Close Annual Books (in days)	Number of days required by a company to reconcile and consolidate accounts and close books for the purpose of generating financial reports to meet regulatory requirements and internal information needs. Activities include ensuring validity and consistency in the company's chart of accounts, completing journal entries, closure of ledgers, completion of reconciliations, running trial balances, correcting errors, etc. This is estimated as the actual amount of time spent in days for completing these activities.	Finance Metrics Q.8.
Days Sale Outstanding (in days)	A measure of the average number of days that a company takes to collect revenue after a sale has been made.	Finance Metrics Q.10.

# Glossary – OTC



KPI	Description	Corresponding Questions
Order Fill Accuracy (by total orders delivered)	Order accuracy metric measures the percentage of orders that were complete as per order specification, damage-free and accurate documentation.	Order To Cash Metrics Q.11.
% Lost Orders (% of revenue)	Percentage of orders that were cancelled due to delays. This is only MTO/ ETO/ CTO type orders.	Order To Cash Metrics Q.11.
% Invoices with Unauthorized Deductions	Instances where the customers might have made deductions for illegitimate reasons which are then not approved, such deductions are accounted for Unauthorized deductions.	Order To Cash Metrics Q.12.
Order to Ship Cycle Time (in days)	Time taken from receipt of order to shipping the same. This time is a combination of order processing, fulfillment, delivery and shipping time.	Order To Cash Metrics Q.11.
Ship to Invoice Cycle Time (in days)	Time taken for creation and dispatch of the invoice.	Order To Cash Metrics Q.11.
Days Chargeback Outstanding	A measure of the average number of days that a company takes to collect on chargeback claims once a claim has been sent to the manufacturer. A low DCO number means that it takes a company fewer days to collect on its outstanding chargeback claims.	Order To Cash Metrics Q.12.

KPI	Description	Corresponding Questions
On-Time Delivery Performance (in %)	[Total number of orders delivered in full and on time as per customer's request date] / [Total number of orders received]. Delivery measurements are based on the date a complete order is shipped. An order must be complete to be considered fulfilled. A complete order has all items on the order delivered in the quantities requested. Multiple line items on a single order with different planned delivery dates constitute multiple orders. Multiple planned delivery dates on a single line item also constitute multiple orders.	Supply Chain Planning Metrics Q.13.
Forecast Accuracy (in %)	$(\sum \text{Forecasted demand} - \sum \text{Absolute Forecasting error}) / \sum \text{Actual demand}$ . It is the difference between forecasted demand and demand variance, as a % of actual demand.	Supply Chain Planning Metrics Q.13.
Revenue Loss due to Stock-outs (% of revenue)	[Revenue lost due to stock-outs] / [Revenue].	Supply Chain Planning Metrics Q.14.
Inventory Accuracy (in %)	Inventory count accuracy by dollars/units: $[1 - (\text{the sum of the absolute variance in units or dollars} / \text{the sum of the total inventory in units or dollars})] * 100\%$ . This is a percent of correctness formula where the system inventory count or value is determined to be XX% correct. For example, if the physical count was 167 and the system count was 175 the accuracy would be $1 - (7/175) = 96\%$ .	Supply Chain Planning Metrics Q.16.
Order Pick Accuracy (in %)	A performance metric which measures the number of times that sufficient quantity of an item is available to be picked at the designated location versus the total number of attempts to pick an item at a location. The inverse would be the % of unsuccessful picks versus total picks.	Supply Chain Planning Metrics Q.16.
Days in Inventory	$[(\text{Inventory} / \text{COGS}) \times 365]$ . Total gross value of inventory (RM, WIP, PFG & FFG) at standard cost before reserves for excess and obsolescence. It includes only inventory that is on the books and currently owned by the business entity. Future liabilities such as consignments from suppliers are not included.	Supply Chain Planning Metrics Q.14 and Participant Profile Q.6.

KPI	Description	Corresponding Questions
Inventory Carrying Cost (% of revenue)	[Inventory Carrying Cost]/ [Revenue]. One of the elements comprising a company's total supply-chain management costs. These costs consist of the following: 1. Opportunity Cost: The opportunity cost of holding inventory. This should be based on your company's own cost of capital standards using the following formula. Calculation: Cost of Capital x Average Net Value of Inventory. 2. Shrinkage: The costs associated with breakage, pilferage, and deterioration of inventories. 3. Insurance And Taxes: The cost of insuring inventories and taxes associated with the holding of inventory. 4. Total Obsolescence For Raw Material, WIP, And Finished Goods Inventory: Inventory reserves taken due to obsolescence and scrap (do not include reserves taken for field service parts). 5. Channel Obsolescence: Aging allowances paid to channel partners, provisions for buy-back agreements, etc. 6. Field Service Parts Obsolescence: Reserves taken due to obsolescence and scrap.	Supply Chain Planning Metrics Q.14.
Inventory Obsolescence Cost (% of revenue)	[Inventory Obsolescence Cost]/ [Revenue]. Includes cost of out of date inventory.	Supply Chain Planning Metrics Q.14.
Inventory Write-offs (% of revenue)	[Inventory Write-offs]/ [Revenue]. Includes Write-off due to damages/ shrinkage.	Supply Chain Planning Metrics Q.14.
Total Transportation Spend (% of revenue)	[Transportation Spend]/ [Revenue]. Annual cost of transportation services (inbound, outbound, and intra-company) including internal transportation costs as well as payments made to external transportation providers.	Supply Chain Planning Metrics Q.15.

KPI	Description	Corresponding Questions
<p>Expedited Transportation Spend (% of revenue)</p>	<p>[Expedited Transportation Spend]/ [Revenue]. Expense on raising the priority level of a shipment/ load due to a past due condition or a change in the requirement date that necessitates compressing the normal lead time. Expedited transportation spend can be of 2 categories – inbound expedition and outbound expedition. Inbound Expedition – To raise the priority level on an inbound shipment/ load due to a past due condition or a change in the requirement date that necessitates compressing the normal lead time. This involves manual checks and taking steps to hasten or to assure delivery of goods purchased in accordance with a time schedule, usually by contract by the purchaser with the vendor. The necessity for expediting indicates the need to improve the planning process. Out-bound Expedition – To raise the priority level on an outbound shipment/ load due to a past due condition or a change in the requirement date that necessitates compressing the normal lead time. This involves manual checks and taking steps to hasten or to assure delivery of goods purchased in accordance with a time schedule, usually by contract by the purchaser with the vendor. The necessity for expediting indicates the need to improve the planning process.</p>	<p>Supply Chain Planning Metrics Q.15.</p>
<p>Total Demurrage, Penalty &amp; Charges (% of revenue)</p>	<p>[Demurrage/ Penalty/ Fine-related Charges]/ [Revenue]. Compensation paid for detention of ship, freight car, or other cargo conveyance during loading or unloading beyond the scheduled time of departure. The extra days beyond the lay days (being the days allowed to load and unload the cargo), are called the days of demurrage. Delays may be due, either by the ship's detention, for the purpose of loading or unloading the cargo, before, during or after the voyage, or in waiting for convoy.</p>	<p>Supply Chain Planning Metrics Q.15.</p>

# Glossary – SRM/ Procurement



KPI	Description	Corresponding Questions
Average Annual Savings	<p>Total savings divided by total spend. Savings should include savings from both cost reduction and cost avoidance strategies.</p> <p>Cost Reduction: Savings from buying the same part/ item/ service at a lower unit cost.</p> <p>Cost Avoidance: 3 examples</p> <ol style="list-style-type: none"> <li>1. Part Substitution: Buy a lower cost part/ item/ service that serves the same function. Example: using aluminum instead of steel.</li> <li>2. Demand Management: Buy less of a part/ item/ service due to better management of demand from the field. Example: requiring use of lower cost videoconferencing instead of internal air travel</li> <li>3. Opportunity Cost: Locking in a long-term price for a commodity whose price fluctuates on the open market. Example: locking in a per barrel price for fuel/ oil.</li> </ol>	SRM/ Procurement Metrics Q.19.
Spend Managed Strategically	Spend is considered to be managed strategically when there is a regular process in place to analyze the spend category, aggregate the spend across regions/divisions, identify suppliers, and execute a supplier evaluation process.	SRM/ Procurement Metrics Q.19.
Maverick Spend	Spend where there is a contract in place but that contract is circumvented (not used/ leveraged) by employees.	SRM/ Procurement Metrics Q.20.

# Glossary – Manufacturing



KPI	Description	Corresponding Questions
Production Plan Adherence (in %)	Orders manufactured annually/ Total planned orders to be manufactured annually.	Manufacturing Metrics Q.24a.
Return on Assets (in %)	ROA is calculated by dividing the company's net income by the company's total assets.	Manufacturing Metrics Q.21.
Manufacturing Cycle Time for Primary Products (in days)	The time of actual production from when a customer order is released to the plant floor for a particular product through to the completion of all manufacturing, assembly, and testing for that specific product. (does not include front-end order-entry time).	Manufacturing Metrics Q.24a.
Capacity Utilization (in %)	A measure of how intensively a resource is being used to produce a good or service: actual production capacity/ theoretical production capacity (in %). Some factors that should be considered are internal manufacturing capacity, constraining processes. It refers to the relationship between actual output produced and potential output that could be produced with installed equipment, if capacity was fully used.	Manufacturing Metrics Q.24a.
Annual Cost of Unplanned Overtime (% of Manufacturing Cost)	(Total number of unplanned overtime hours * Incremental cost per unplanned over time hour)/ Manufacturing cost.	Manufacturing Metrics Q.24a and Manufacturing Metrics Q.24.
Machine Availability as % of Total Uptime	Availability - State of an asset in which it is ready to be put to its designed or intended use.	Manufacturing Metrics Q.24b.
MRO Inventory as % of Gross Machinery	Maintenance, Repairs and Operations inventory as a percentage of Gross Plant Machinery and Equipment.	Manufacturing Metrics Q.24b.

KPI	Description	Corresponding Questions
Employee Engagement	Companies typically measure Employee Engagement through an Employee Engagement survey. An Employee Engagement survey covers dimensions such as trust and integrity of management, nature of the job, line of sight between employee performance and company performance, career growth opportunities, pride about the company, coworkers/ team members, employee development etc.	Human Capital Management Metrics Q.25.
Employee Turnover (in %)	Employee turnover is a ratio comparison of the number of employees a company must replace in a given time period (one year) to the average number of total employees.	Human Capital Management Metrics Q.25.
HR FTEs per 1000 Employees	Number of HR FTEs per 1000 Employees in the organization.	Human Capital Management Metrics Q.26a and Participant Profile Q.6.
HR Cost per Employee (in '000s)	The HR costs incurred per employee in the organization.	Human Capital Management Metrics Q.26b and Participant Profile Q.6.
Cost per Hire (in selected currency)	Cost per Hire include advertising, agency and search firm fees, referral bonuses paid to employees, travel costs incurred by both recruiters and applicants, relocation costs, company recruiter costs (including salary and benefits prorated if the recruiter performs duties other than staffing).	Human Capital Management Metrics Q.25.
Time to Hire (in days)	The time between the day the requisition is approved to the day the candidate accepts the offer.	Human Capital Management Metrics Q.25.