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A comprehensive data processing check makes internal SAP solutions more profitable

A public utility company submitted its ERP systems to an extensive check, using benchmarking. The service catalogue and service level agreements (SLAs) were optimized as part of that, and the company now works more cost effectively.

Service quality and economic cost-effectiveness are increasingly important for public utility companies. The Stadtwerke Erfurt Group (SWE), a large public utilities services provider for the German state capital of Erfurt, in Thuringia, is a prominent example of that. The company has 22 subsidiaries, from gas and water, to garbage disposal services, and provides all the required public utility services for its region. To be able to offer them at market prices, it is necessary for SWE to objectively monitor and check the internal price structures. That also applies to the IT landscape that supports it all. VMS, as a benchmarker, can help a CIO obtain a comparison of how his company is doing, compared to the market.

Running a city, its traffic, parking garages, swimming pools, animal shelters, organic waste, garbage disposal services, and its recycling, and also providing the region with power, gas, and water - all requires an economically efficient company, and the Stadtwerke Erfurt Gruppe (SWE) is such a company. The company has over 400 million Euros in sales and 1,700 employees. Up to 230,000 residents get their basic services from the company. The "nerve center" of the SWE Group is its IT systems, which are bundled almost exclusively into Bsys Mitteldeutsche Beratungs- und Systemhaus GmbH, which is owned 100 % by SWE. Bsys has approximately 90 employees, and sales of 10 million euros.

"Bsys runs and supports quite a large and diverse IT landscape for the many companies of the SWE Group, relative to its size", states Dr. Thomas Wachsmuth, the Chief Information Officer of the SWE Group. "It has to operate profitably, and achieves a double-digit percentage of its sales in the external market". As CIO of the entire SWE Group, Dr. Wachsmuth works outside of Bsys, and develops and is responsible for the total IT strategy of the company, in addition to his other duties.

Some of Dr. Wachsmuth's core areas of responsibility are having a market-oriented cost structure, maintaining the service level, and optimizing the IT systems (from a content point of view). Regularly checking those basic areas belongs to the duties of any CIO. For the 34-year old CIO, those were among the first tasks that he had to take on when he took the job at SWE. A good moment for fundamental benchmarking. Working with his colleagues, he made a decision to make use of an external service provider to achieve the Group's goals.

The companies of the Group use components such as the ERP systems based on SAP, multiple company-developed software applications, industry solutions such as SAP IS-Utilities (SAP IS-U), and Customer Relationship Management (CRM). Carrying out an internal audit within the company did not promise to result in any kind of rational result, within a time horizon that could be accepted. Out of ten specialist bidders, the winning bidder was VMS of Heidelberg. VMS was - like some of its competing bidders - able to come up with a solution to assist VMS in checking its entire IT landscape. But what gave VMS the edge over the competition was its unique process of SAP benchmarking. VMS now has over 1,700 systems in its database, and

has a unique methodology of measuring them, and thus has statistically-sound and proven benchmarking values.

"With the VMS project, it was really important to me to compare the status quo of our systems, regarding the price structure and the agreed Service Level, with the market average, as well as with the market's best practices, and by doing that, to identify individual 'projects ripe for construction'", states Dr. Wachsmuth. "But the other IT systems should also be handled that way, and potential for improved efficiency should be identified. On that basis, it is possible to make a well-founded strategic decision for optimizing the landscape."

At the end of 2007, VMS was commissioned with carrying out IT price benchmarking for SWE, using "DNA level benchmarking", a methodology that VMS developed to automatically measure the load and efficiency of SAP systems, and also using more conventional methods. The measurement of the systems took three months in total. After the software was implemented, and after the required documents were handed over, and the kick-off on February 26 of last year took place, the initial results were presented at the end of May. VMS checked the SAP systems, storage and databases, and continued all the way to the individual employee workstation computers. The price structure of the SWE IT service catalog, as well as carrying out a comparison with "best practices" were decisive factors that VMS kept in mind at all times. In order to attain a full and complete comparison, VMS used the SAP benchmark, the service settlement documents, and other documents provided by SWE, as well as questionnaires. VMS created a report at the end of the project, that broke down the price and quality of each individual service, and which showed the potential improvement that could be attained.

The report showed Dr. Wachsmuth how the service catalog and SLAs could be structured in a manner more typical for the market. In addition, it also pointed out a number areas where there was concrete potential for optimization. VMS suggested optimizing the back-up algorithm, continuing and enhancing archiving, and monitoring various applications developed within the company, in order to achieve cost savings. The result indicated: whereas the SWE Group is well-positioned with respect to its SAP environment, with respect to harmonization and the optimal use of its systems as compared with the market, when the check was made of the other IT applications, there were divergences from best practices.

"As a result, we are adjusting the price and service structures of the service catalog and the SLAs of the entire SWE Group", states Dr. Wachsmuth.

SWE also is checking the system/technical and organizational causes that result in those divergences from best practices, and will call on VMS as a partner in future. In the first content and methodological areas such as storage, SWE is "diving deeper", as a result of the data it now has, and is now carrying out optimization projects.

Converting the recommendations into action will change the prices and make possible a more efficient structuring of the service catalog, and will result in one that conforms with the market more. The company now has the required information to work more cost effectively. VMS's services, particularly in the areas of SAP benchmarking, are very useful for companies like SWE, and support the companies in making available reliable, fast, and cost-effective processes. And that helps the company and also the customers, in the end.

Dr. Wachsmuth sums it up: "Our investment in the project paid off". "We expect a return on investment within one year".