

SAP Customer Success Story High Tech



AT A GLANCE

Company

- Name: SAP AG
- Location: Walldorf, Germany
- Industry: High tech
- Products and services: Business software
- Revenue: €9.4 billion
- Employees: 39,355
- Web site: www.sap.com

Challenges and Opportunities

- Lack of consistent, structured risk management processes
- Reactive approach to risk management, resulting in “fire-fighting” instead of prevention
- Requirement to comply with financial reporting regulations of the Sarbanes-Oxley Act of 2002

Objectives

- Establish a single repository for risk management information
- Share data easily across the organization
- Increase the speed of response to business threats
- Reduce occurrence of issues resulting in loss situations
- Increase proactive risk management as part of everyday operations

SAP® Solution and Services

SAP® GRC Risk Management application

Implementation Highlights

- 1,400 users across the organization
- Software development services provided by the SAP Custom Development organization

Why SAP

Lack of required functionality in software offered by other vendors

Benefits

- Improved visibility of risk exposure across the organization
- Increased risk awareness, resulting in better-informed decisions
- A cut of €3 million in insurance premiums year on year
- Dramatic reduction in number of insurance claims annually
- Industry recognition for management excellence – winner of European Risk Management award

Existing Environment

SAP software

“SAP GRC Risk Management differentiates us from other high-tech vendors and helps to drive down our insurance premiums. As a result, we’re making annual savings of approximately €3 million.”

George Haitzsch, Vice President, Corporate Risk, Global Risk Management, SAP AG

SAP

SAP AG Drives Management Excellence with the SAP® GRC Risk Management Application

As a provider of software solutions that support adoption of best practices and excellence in business management, SAP AG – based in Walldorf, Germany – has proved that it not only “talks the talk” but “walks the walk.”

“We recognized the importance of proactive risk management for a well-run business and wanted to establish a consistent, enterprise-wide framework to help achieve this within the SAP group,” explains Phil Morin, senior director of risk management for the Customer Advisory Office of SAP GRC. “To achieve this, we developed the SAP GRC Risk Management application to help us avoid and mitigate business threats – reducing events leading to loss, cutting insurance premiums, and improving service to customers.”

Facing Business Risks at Every Turn

With over 39,400 customers in more than 120 countries, SAP is the largest software company in Europe, and the third-largest worldwide. Its business software helps enterprises of all sizes around the world improve customer relationships, enhance partner collaboration, and create efficiencies across their supply chains and throughout their operations.

Like any other company, SAP faces a wide range of threats to the smooth running of its business operations every day. These may come in the guise of security failures through unauthorized access to information; product launch delays due to a shortage of software development skills; or legal action resulting from noncompliance with financial reporting legislation, such as the Sarbanes-Oxley Act of 2002, or trade regulation violations.

“Whatever the area of risk, decisions made by managers can have a profound impact on the company’s bottom line and its ultimate business success,” comments Morin.

A Risky Approach to Risk Management

Five years ago SAP employed risk management processes for only one line of business. “For the most part, risk was managed intuitively by business managers and there was an inconsistent approach to it across the company,” confirms Morin.

“SAP GRC Risk Management is helping us to respond more quickly to avoid or minimize loss events.”

*Phil Morin, Senior Director, Risk Management,
Customer Advisory Office, SAP GRC, SAP AG*

However, with the introduction of Sarbanes-Oxley legislation in 2002 the company recognized that a more structured approach to compliance was needed in order to fulfill financial reporting requirements. In addition, through the inconsistent company-wide approach to risk management, it was felt that SAP was incurring costs that could be avoided. “In many cases we were in ‘fire-fighting’ mode rather than taking time to actually think about an issue and prevent it from becoming a problem,” comments Morin.

SAP Runs SAP

In 2003 SAP decided to implement a more structured approach to risk management and established a new business unit with a mandate to manage internal governance, risk, and compliance across the organization. SAP looked for a software application that would support the new business unit in its work. “We wanted a single view of information relating to all the key risks SAP was facing, and the ability to share this information across the company,” says Morin.

That SAP® software would be chosen for the task was not a foregone conclusion. “We looked at what the market had to offer and did a ‘build or buy’ analysis,” he explains. “Ultimately, we felt that to meet the requirements we identified, the best option was to develop a solution ourselves.”

Support Throughout the Risk Management Cycle

SAP developers worked closely with the risk management team to create a solution that supports the entire risk management cycle. The first stage was for business leaders within SAP to agree on a common approach to risk, looking in depth at what constituted a threat to the business and agreeing on which risk management best practices the solution should be based.

Next, the risk management team at SAP spoke to business managers across the organization to identify the specific threats that might prevent them from meeting their particular business objectives. Using the SAP GRC Risk Management application they were then able to prioritize which risks constitute the greatest threat by analyzing the probability of an event occurring and its potential impact. Having identified these key threats, the next stage was to identify appropriate responses using contingency planning tools within the application.

Informed, Risk-Adjusted Decision Making

Through a personalized dashboard reflecting an individual’s role, risk managers and business unit heads within SAP now have an overview of risk exposure for their particular business area. Automated monitoring functionality within SAP GRC Risk Management identifies key areas in which an issue occurs, with alerts displayed through the dashboard. “Previously, this information would have been difficult and time-consuming to acquire,” remarks Morin. “SAP GRC Risk Management is helping us to respond more quickly to avoid or minimize loss events.”

Creating Value

Often, it can be difficult to quantify the benefits of risk management activity. As Morin points out, “How do you know if you avoided a loss situation because of the measures you put in place, or because you were lucky?”

A dramatic acknowledgment that the company has taken effective action against risk is the fact that the world’s toughest critics of risk – the insurers – have granted SAP a significant cut in annual premiums. “Now I can provide our insurers with specific frameworks and models that illustrate how we assess and respond to our risk,” says George Haitsch, vice president of corporate risk for the Global Risk Management team at SAP. “Because of this, SAP GRC Risk Management differentiates us from other high-tech vendors and helps to drive down our insurance premiums. As a result, we’re making annual savings of approximately €3 million.”

“If we reduce the number of loss events, we have more money to invest in areas such as research and development – and that’s got to be good news for our customers.”

Phil Morin, Senior Director, Risk Management,
Customer Advisory Office, SAP GRC, SAP AG

The number of insurance claims has also gone down. “Prior to the implementation, we had an average of 7 to 10 claims per year within our Americas region alone,” says Haitsch. “Now we average just 2 to 4 claims annually for the entire SAP Group.”

Increasing Risk Awareness Across the Business

With the SAP GRC Risk Management application, the SAP governance, risk, and compliance team has achieved its primary objective – establishing a common repository of risk management information and sharing that information across the organization.

SAP GRC Risk Management currently has approximately 1,400 users throughout the company but as Morin explains, this number is expected to grow. “The challenge for any company is to embed an awareness of risk not just within a defined group of risk managers, but across all business units. In this way proactive prevention and mitigation becomes part of everyday operations,” says Morin. “At SAP we’re not there yet, but we’ve begun our journey.”

Competitive Advantage Through Management Excellence

The implementation of SAP GRC Risk Management at SAP demonstrates the company’s dedication to business management excellence – a commitment acknowledged by the fact that *Strategic Risk* magazine awarded SAP the European Risk Management award. By practicing what it preaches, SAP had made itself more attractive to customers and investors. But more than just a pretty face, the risk management software has made SAP a tougher competitor. Of that Morin is convinced. “All loss events impact the bottom line, making us less profitable,” he concludes. “If we reduce the number of loss events, we have more money to invest in areas such as research and development – and that’s got to be good news for our customers.”

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