

White Paper

# Hitachi's oXya Delivers Superior SAP-as-a-Service

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## SAP Is Essential to Businesses

Many enterprises have one or more applications running on SAP software. This may include such diverse functions as customer relationship management (CRM), supply chain management (SCM), data warehousing and analytics, human resources (HCM), and more. Further, SAP products are designed to operate in all major lines of business, function in all major industry verticals, and support many customized applications. For those businesses that have adopted SAP solutions, it is both strategic and essential to conducting fundamental parts of their operations. SAP customers are reliant on the functional capabilities and quality of the products to succeed.

The natural consequence is that if SAP isn't running well, at least some portion of business activities won't be working smoothly or may be completely unavailable. Given the importance of the various use cases, the impact can range from nuisance to devastation. Imagine not being able to fulfill product orders, service customer requests, or make staff payroll, and you get a quick appreciation for the critical nature of SAP implementations.

SAP also represents a relatively large portion of the total IT budget for many organizations. The business value delivered (usually) justifies investment. There are costs related to SAP software licenses, support, and maintenance. Most companies still consider this money well spent because the effort aligns with their major business goals, as shown in Figure 1.<sup>1</sup> SAP can underlie many of these goals—for example, leaner operations through supply chain improvements, addressing legal risk and compliance with better human capital management, or faster time to market with production planning.

**FIGURE 1. Most Important Considerations for Justifying 2016 IT Investments**

**Which of the following considerations do you believe will be most important in justifying IT investments to your organization's business management team over the next 12 months? (Percent of respondents, N=633, three responses accepted)**



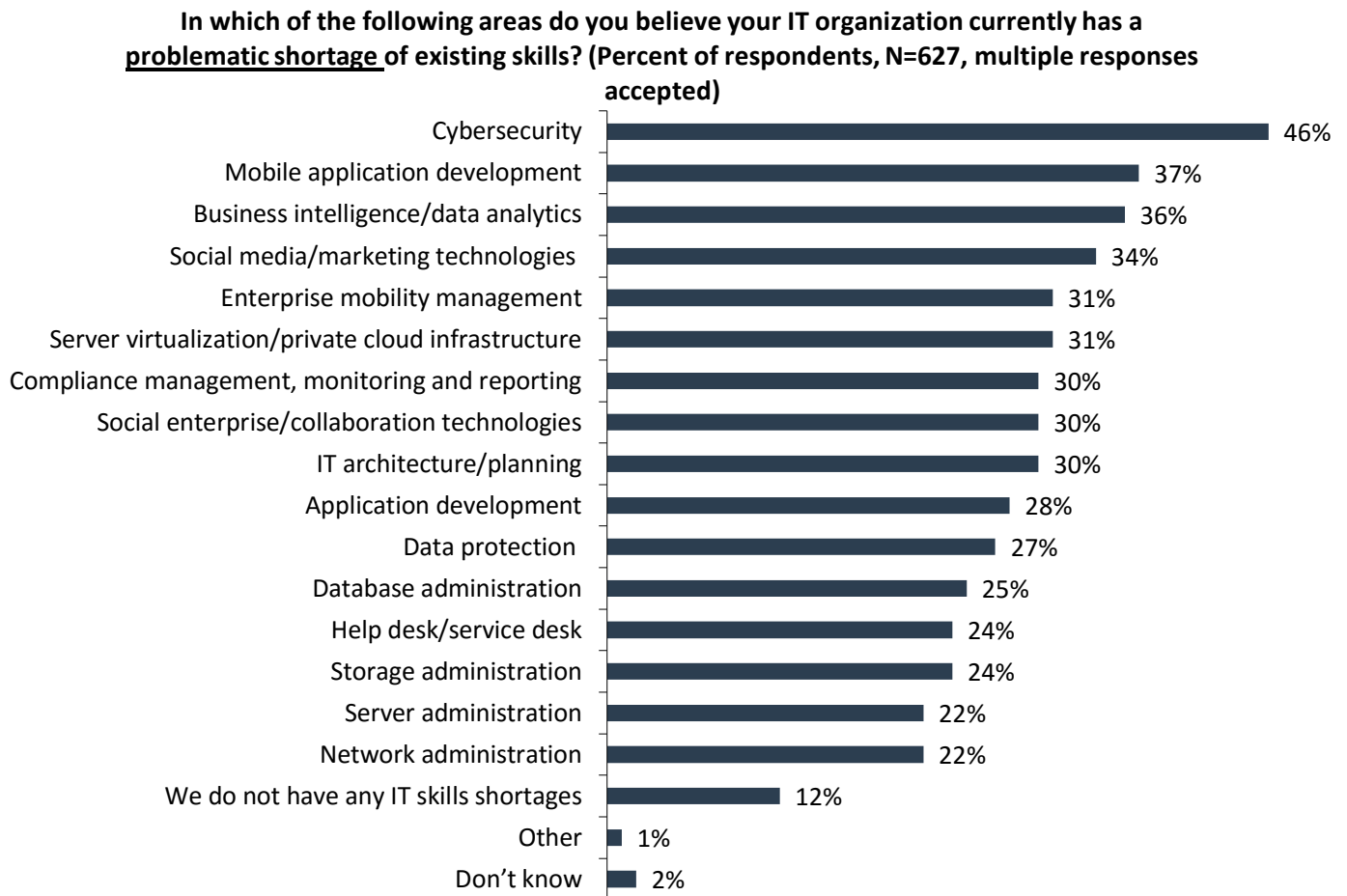
Source: Enterprise Strategy Group, 2016

Aside from the software and related costs, there is also a need for high-end hardware infrastructure and significant manpower to deploy and manage the whole SAP environment. The complexity involved and robustness required to integrate with and support operational processes can be staggering. One enterprise customer recently told ESG about how proud she was to have completed an SAP initiative in only a few years; that sentiment gives an idea of the colossal nature of the efforts but also of their importance for the business.

<sup>1</sup> Source: ESG Research Report, [2016 IT Spending Intentions Survey](#), February 2016.

At the same time, many organizations may still find it hard to recruit and retain enough skilled staff to handle SAP, a trend continuing from previous years. The *ESG 2016 IT Spending Intentions Survey* found 36% of respondent businesses reporting a problematic skills shortage around business intelligence and analytics, while 30% lacked enough staff to adequately handle IT architecture and planning (see Figure 2).<sup>2</sup> This protracted situation will make it difficult for businesses to achieve their goals around SAP, as “time to value” and service quality are tightly linked to staff efforts.

**FIGURE 2. Areas of Technology with Problematic Skills Shortages**



Source: Enterprise Strategy Group, 2016

## SAP S/4HANA Represents a Challenge and an Opportunity

Another complicating factor is the major push behind SAP S/4HANA. This is perhaps the single biggest shift in SAP technology for the last 25 years, since SAP R/3 was introduced in 1992. SAP S/4HANA brings many new capabilities and performance advantages as a comprehensive overhaul of the platform. Because SAP HANA has been available since 2010, many businesses have already made the move to the powerful in-memory database for some specific applications. What changed in 2015 is that the new SAP Business Suite (S/4HANA) now only runs on HANA, as the name implies. This will become the mandatory standard for SAP customers in the near future, assuming they wish to stay current on SAP product enhancements. At some point, support of older versions will start to become increasingly difficult.

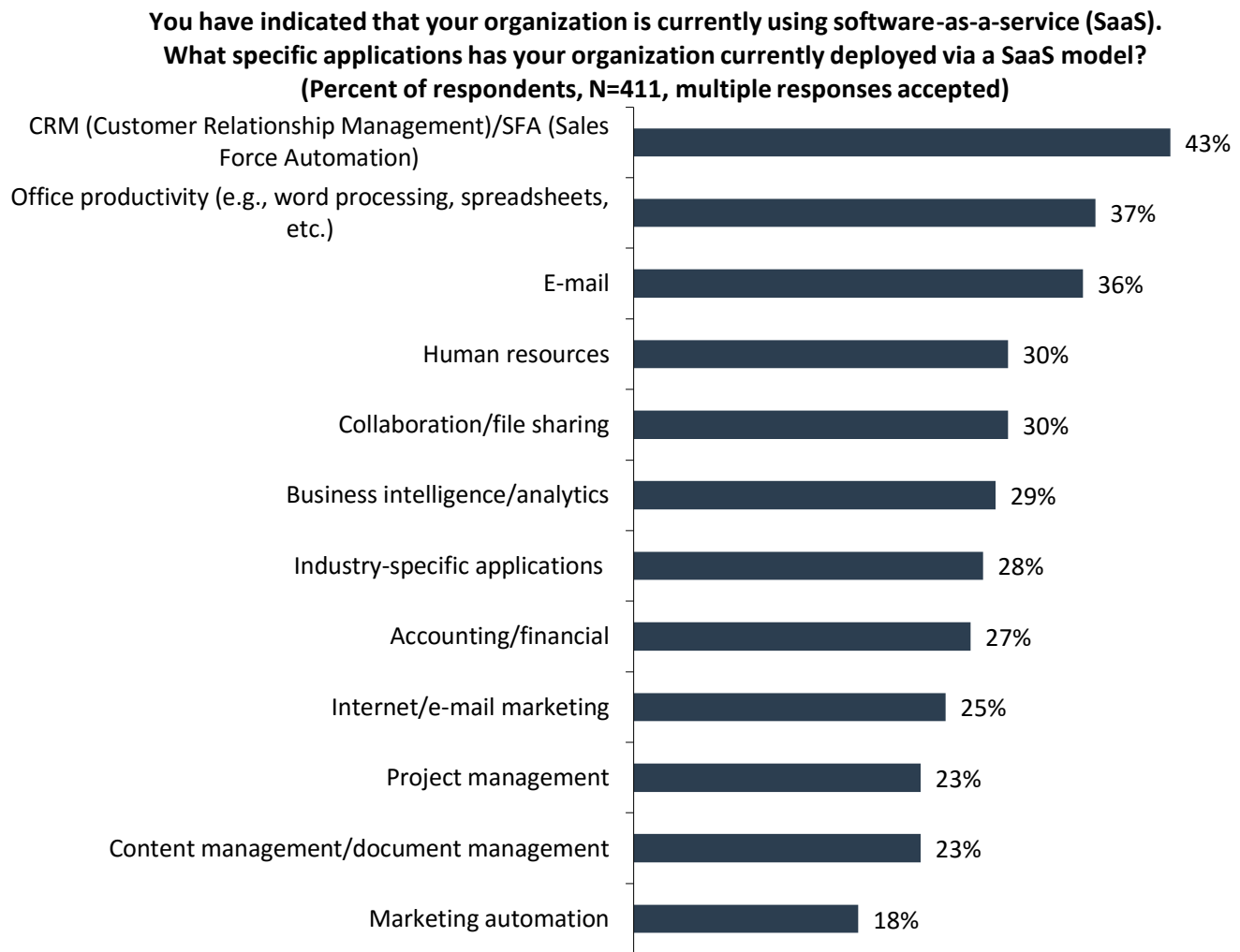
Yet an upgrade to SAP S/4HANA is a major undertaking, as it really is a complete replacement of the core platform and applications. Given the mission-critical nature of SAP, this won't be a trivial exercise. It will be high profile: Failures during

<sup>2</sup> *ibid.*

the migration will be noticeable. This is not to suggest that SAP is exposing customers to undue risk, only to note that by definition, large-scale projects are subject to occasional failures, setbacks, and surprises.

At the same time, big changes like this are also an opportunity to reevaluate the best way to run SAP. While a majority of customers are running on dedicated environments within their own data centers, this may be as much a historical legacy as a preference going forward. ESG research shows that many business applications are now being consumed as cloud-based services (see Figure 3). Many of these are functions that SAP performs for enterprises, including CRM, human resources (HCM), analytics, accounting and finance, project management, and marketing. This indicates a willingness to change to the optimal service environment, wherever it happens to be deployed.

**FIGURE 3. Types of Enterprise Applications that Run in Cloud Services**



Source: Enterprise Strategy Group, 2016

### Managed Cloud Services for SAP Can Be Advantageous and Personal

ESG research reflects a wide range of perceived advantages for cloud services. Take, for example, business intelligence and analytics use cases: Survey respondents cited benefits in a variety of areas, such as operational areas like better security and better availability than they could guarantee running similar environments in house. Others were pleased with a quick time to value, faster project deployments, and staying more current on feature updates. Geographic coverage and avoiding undertaking the systems integration effort for infrastructure were also fairly popular advantages identified by

respondents.<sup>3</sup> All of these considerations add up to a winning proposition for those who are willing to change their default delivery model for SAP.

A good example of a fully hosted cloud service for SAP is oXya, now a part of Hitachi. Founded in 1998 and originally focused on the French market, the company has expanded over the last decade to offer services via local teams and data centers around the globe, including North America, Europe, and Asia Pacific. Like other cloud services, oXya promises customers all of the benefits IT organizations express a desire for. Interestingly, though, oXya's success has come more from its super-personal business model than from any specific technology innovation. While many Silicon Valley enthusiasts tend to favor rapid innovation on products and ruthless cost cutting in cloud infrastructure, oXya has instead built a deeply loyal fan base by offering experienced, modular, local teams of experts assigned as a dedicated working group to each customer account.

Unlike traditional infrastructure-as-a-service (IaaS) solutions that offer compute and storage resources but little else, the oXya managed cloud service for SAP has a differentiated practice that brings deep familiarity of each customer's specific operation. Teams from oXya work with each customer account to handle everything around technical tasks and issues, including planning, deployment, migration, integration, testing, assistance, and ongoing helpdesk support for the duration of the relationship, not merely for the span of a support call. This approach delivers a uniquely high-touch service to minimize mistakes and provide fast resolutions for any problems that might arise. Customized strategic planning for major efforts like onboarding and upgrading are a standard part of the service, not special cost add-on projects.

### oXya Hosted SAP Service Offerings Are Different

In investigation for this white paper, ESG directly interviewed a number of oXya customers and was impressed by how consistently and positively they described their experiences. Each interviewee detailed their business' prior mode of operation for SAP, their considerations in moving to a cloud delivery model, their evaluation of alternative outsourcing choices, and their results since signing up with oXya. All of those responsible for their company's SAP applications described remarkably similar success stories. This helps to validate oXya's impressive claims of greater than 98% satisfaction on its own surveys.

The way the customers favored oXya was in sharp contrast to their past experiences with other approaches. Most had been trying to battle with managing on-premises SAP deployments and supporting infrastructure themselves. They told of issues with reliability, performance, frequency of updates, and the like, many stemming from the lack of availability of skilled staff already noted as problematic in the industry. SAP platforms and applications are complex, demanding, and not for the faint of heart. SAP environments require extensive knowledge and care to be kept running optimally. For this reason, it's important for SAP customers to also have a *technical* SAP partner, such as oXya, in addition to the *functional* SAP partners that they work with.

Others recounted frustrations working with systems integrators (SI) and service providers (SP) for managed or outsourced SAP operations. These groups may sound very much like oXya on their websites and sales pitches, but didn't live up to the expectations. A common complaint was that the alternative providers swap in different support staff on any given call, based on narrow domain expertise, geographic location, or even time of day for a call. That practice doesn't necessarily make a systems integrator bad—it is intended to ensure that each consultant can focus on his specialized area of expertise. Yet the customer's experience of calling in for help and having to explain *everything* about her SAP history, environment, applications, and quirks was not appreciated when urgent help was required. Worse, issues that span traditional disciplines might have to go through this routine multiple times in trying to find the root cause. In fact, there is opportunity here for oXya's unique delivery model to be embedded behind the scenes and actually complement an SI or SP partner's offerings to help them in turn differentiate themselves with their clients.

<sup>3</sup> Source: ESG Research Report, *Enterprise Big Data, Business Intelligence, and Analytics Trends: Redux*, to be published.

But for the SAP clients, having a high-touch service with known and dedicated oXya staff supporting them directly over the years is of incredible value. These teams are deeply trained and cross traditional IT discipline boundaries to be able to offer much richer service for each particular SAP landscape. When a client picks up the phone, he is calling directly to a well-rounded engineer who is intimate with his environment, not to a call center or to a random helpdesk staffer who will triage and then pass him off to unknown others for different angles of the problem. As part of this quality, oXya has earned its status as an SAP Global Partner in three categories: Cloud Services, Hosted Services, and SAP HANA Operations Services.

An additional point of differentiation is the “one price” model. Once a client has negotiated a fair fee for service, it is all-inclusive. Any amount of planning, managing, upgrading, etc., for that SAP environment is all part of the deal—no arguments that work is “out of scope” and, better, no expensive up-selling to handle new needs. Interviewed customers all loved oXya's fair fixed rate monthly fee pricing that eliminated budget surprises and unexpected charges.

With these business model practices, oXya managed services ultimately allow clients to devote much more of their energy and resources to running their businesses and the business processes that SAP underlies, without having to keep explaining what they have going on or paying more for either predictable growth or unplanned changes.

## The Bigger Truth

After huge initial success in France, oXya was by default supporting French enterprise customers at their operations around the globe. oXya has already opened data centers in North America, Asia, and, of course, Europe to offer services in each major time zone. The North America operation, for example, opened in 2007 and is already covering more than 60 clients and ~60,000 SAP users. In all, oXya serves today more than 330 businesses and 300,000 users for its own SAP cloud, hosting, and consulting services. With Hitachi's backing, oXya is now continuing to expand its presence worldwide to accelerate adoption and deliver even more geographically convenient coverage.

While expansion as part of Hitachi seems a natural next step, the key to success for this growth will be to maintain the same team culture in different locations. As oXya today sports over 600 experienced SAP engineers, the company clearly has the talent available, and plans to “embed” seasoned experts with each new team in each new service center. From what the oXya and Hitachi executives are saying, this consistency of quality is the top priority, and is more important than rapid customer acquisition in new markets. The company will therefore leverage the global reach of Hitachi, including Hitachi Data Systems (HDS) and Hitachi Consulting Corporation (HCC), without losing the same high-touch experience or risking customer satisfaction.

Any organization currently looking at major system upgrades (especially to SAP S/4HANA), considering hosted or cloud services, or nearing the end of an existing outsource contract would do well to consider oXya. Current clients speak very highly of their results, and indeed positive “word of mouth” seems to be the most effective marketing for the company. For those who want to focus on their business, and use SAP-as-a-service instead of trying to manage it all themselves, this seems like a winning strategy.

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