

NEAT EVALUATION FOR DXC TECHNOLOGY:

SAP HANA and S/4HANA Services

Market Segment: Overall

Introduction

This is a custom report for DXC Technology (DXC) presenting the findings of the NelsonHall NEAT vendor evaluation for *SAP HANA and S/4HANA Services* in the *Overall* market segment. It contains the NEAT graph of vendor performance, a summary vendor analysis of DXC for SAP HANA and S/4HANA services, and the latest market analysis summary for SAP HANA and S/4HANA services.

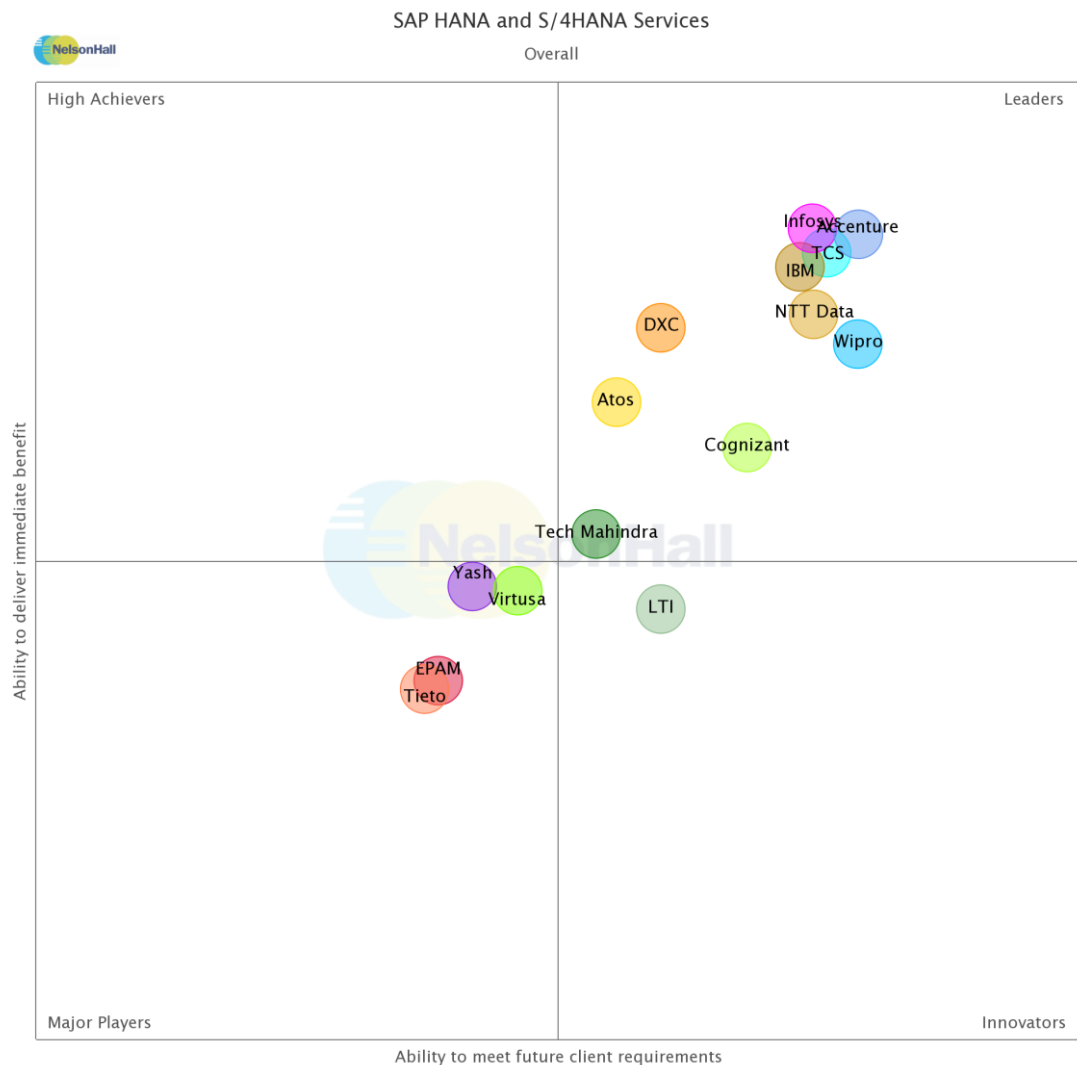
This NelsonHall Vendor Evaluation & Assessment Tool (NEAT) analyzes the performance of vendors offering SAP HANA and S/4HANA services. The NEAT tool allows strategic sourcing managers to assess the capability of vendors across a range of criteria and business situations and identify the best performing vendors overall, and with a specific focus on SAP HANA and S/4HANA services individually.

Evaluating vendors on both their 'ability to deliver immediate benefit' and their 'ability to meet client future requirements', vendors are identified in one of four categories: Leaders, High Achievers, Innovators, and Major Players.

Vendors evaluated for this NEAT are: Accenture, Atos, Cognizant, DXC Technology, EPAM Systems, IBM, Infosys, LTI, NTT Data, TCS, Tech Mahindra, Tieto, Virtusa, Wipro, and Yash Technologies.

Further explanation of the NEAT methodology is included at the end of the report.

NEAT Evaluation: SAP HANA and S/4HANA Services (Overall)



NelsonHall has identified DXC as a Leader in the *Overall* market segment, as shown in the NEAT graph. This market segment reflects DXC's overall ability to meet future client requirements as well as delivering immediate benefits to SAP HANA and S/4HANA services clients.

Leaders are vendors that exhibit both a high ability relative to their peers to deliver immediate benefit and a high capability relative to their peers to meet client future requirements.

Buy-side organizations can access the SAP HANA and S/4HANA Services NEAT tool (Overall) [here](#).

Vendor Analysis Summary for DXC Technology

Overview

In May 2016, Tysons, Virginia based CSC announced that it was acquiring the Enterprise Services (ES) division of HPE. As of April 1, 2017, when the merger was completed, CSC and HPE Enterprise Services re-branded as DXC Technology (DXC). DXC operates 31 strategic delivery centers and 91 data centers in ~70 countries, servicing ~6k clients. 55% of its labor force operates in low-cost geographies in 21 global delivery centers. Of CSC and HPE's top 200 accounts, there was a less than 15% overlap in the revenue streams.

DXC has ~15k SAP skilled resources. The SAP capabilities of each company were mainly complementary, as CSC possessed more project, implementations, and SI focus, while HPE ES had a greater concentration in ongoing operations. This has enabled DXC to essentially double its SAP workforce, improve its ability to offer clients end-to-end SAP service capabilities with limited portfolio overlap.

DXC is also using partnerships to expand its capabilities. This includes partnering with PwC consulting to deliver digital strategy consulting and AWS and Microsoft Azure for SAP cloud offerings.

In March 2016, CSC acquired UXC, an Australian independent IT services company, for \$289m. UXC brought an enterprise applications practice and a burgeoning cybersecurity practice. It also expanded DXC's coverage in Australia, adding ~3k employees (2.5k in Australia). UXC's division focused exclusively on SAP services for the Australia and New Zealand market is called UXC Oxygen. NelsonHall estimates it has ~500 employees.

Historically, DXC's primary focus in SAP has been run and operate services for both SAP applications and infrastructure. While it has long offered consulting services, DXC now sees 2018 as a turning point in which up-front consulting, implementation engagements drive a majority of SAP revenues. It estimates that in the first half of 2018, ~60% of SAP revenues came from run services. In the second half, it estimates ~56% of revenues come from SAP consulting and implementation services.

Financials

DXC reported FY2018 revenues, its first fiscal year as a combined entity, to be ~\$24.6bn.

Of this, NelsonHall estimates that SAP services represent ~10% (\$2.4bn), with HANA and S/4HANA services accounting for ~15% of that, or ~\$368m.

Strengths

- Broad geographic delivery footprint
- PathWay and Ignite offerings to accelerate client migration
- Broad cloud offering portfolio
- SAP co-innovation experience.



Challenges

- Skilling up of SAP workforce still in progress
- Slow uptake of S/4HANA among large enterprise client base.

Strategic Direction

DXC has defined a strategy to grow its S/4HANA and HANA practice by focusing on the following areas:

- Expand employee re-skilling
- Grow skilled employee base
- Increase maturity of cloud offerings
- Mature and expand migration and industry offerings.

Outlook

DXC is investing in growing its SAP HANA and S/4HANA capabilities as it sees client demand rise significantly as 2018 turns to 2019. It has built unique offerings that utilize their differentiated capabilities such as the PaaS on SAP offering and the Ignite program. These provide it a differentiated offering as it continues to expand the proportion of its SAP workforce skilled on HANA, S/4HANA and other emerging SAP technologies as well as its industry-focused offerings.

Its offerings also help address the challenge of slow adoption by DXC's core large enterprise client base. Ignite and PathWays offerings both provide DXC with strong positioning to address client concerns about migrating to S/4HANA.

In addition to re-skilling its existing workforce, DXC is also looking to expand its workforce through external hiring and potentially making an acquisition to grow its geographic or industry capabilities. With few competitors aggressively acquiring specialty SAP firms, DXC acquiring new capabilities targeted at specific growth opportunities will provide it a complementary capability to its portfolio of functional extensions and accelerators.



SAP HANA and S/4HANA Services Market Summary

Overview

NelsonHall estimates that 68% of migration and implementation work completed by IT service vendors has been to Suite or BW on HANA rather than to S/4HANA, up from 27% in 2016. For many organizations, however, this is the beginning of a multi-phase approach, ultimately leading to S/4HANA hosted in the cloud.

With the introduction of S/4HANA 1809, combined with new migration paths (such as a hybrid bluefield approach), Model Company offerings and incremental capabilities, organizations are increasingly migrating directly to S/4HANA from legacy ERP landscapes.

NelsonHall expects this to continue to accelerate as S/4HANA, Leonardo and C/4HANA offerings mature. By 2022, we expect ~55% of IT service vendor SAP HANA or S/4HANA revenues to be derived from S/4HANA rather than BW or Suite on HANA.

NelsonHall estimates that ~65% of new S/4HANA adoptions are being completed through the implementation of a new system, rather than migrating existing legacy ERP landscapes. This is driven by early S/4HANA adoption being dominated by new buyers (particularly small and medium businesses) who can more easily adopt S/4HANA's best practice business processes rather than organizations with large, customized, legacy ERPs.

Organizations that have adopted SAP HANA have focused on simplifying their technical environment to reduce costs and increase agility in accessing data.

As S/4HANA adoption accelerates, organizations are increasingly using it to drive broader business change including introducing new business models and transforming business processes. These broader benefits aren't solely measured in traditional IT cost reduction but through greater agility within the business. However, S/4HANA's simplified technical architecture (data, custom object, etc.) are also driving IT cost benefits.

Buy-Side Dynamics

The key capabilities sought by organizations in selecting a vendor to deliver SAP HANA and S/4HANA services are:

- Tying of fees to desired outcomes
- SAP technical delivery capabilities
- Local SAP HANA and S/4HANA consulting capabilities
- SAP functional delivery capabilities
- SAP HANA migration tools and accelerators.

Market Size & Growth

The global SAP HANA and S/4HANA services market is estimated by NelsonHall as ~\$10,405m in 2018. It is expected to grow at 21% CAGR to ~\$29,765m by 2023.

Success Factors

The key success factors for SAP HANA and S/4HANA services vendors include:

- **Automated assessment, migration and roadmapping capabilities:** successful vendors offer a portfolio of automated tools and methodologies to assess the impact of migration on current ERPs (including custom objects and legacy data), develop a migration roadmap and execute the migration of legacy objects and data including automated custom code modification
- **Vertical-centric offerings:** successful vendors develop a portfolio of offerings to complement core HANA and S/4HANA capabilities with tailored industry-centric applications, analytics, and edge capabilities. These include proprietary migration accelerators (pre-configured industry blueprints), SAP Model Company offerings and industry or LoB specific functional extensions
- **Business Process and OCM Capabilities:** as organizations look to use S/4HANA as a catalyst for modernizing and simplifying business processes, vendors need to be able to provide the non-technical capabilities that help the client organization to migrate to the new processes and organization in parallel to migrating to the new system
- **Incorporating emerging technologies:** successful vendors are looking to develop offerings that incorporate new and emerging technologies such as those offered by Leonardo and C/4HANA. Building capabilities that incorporate IoT, AI/ML, analytics and blockchain to increase the value that organizations can realize by adopting S/4HANA
- **Business case development capabilities:** successful vendors use experiences and benchmarks to help organizations shape a defined business case incorporating direct cost reduction and indirect business value from enhanced capabilities and improved processes
- **Geographically diverse delivery team:** successful vendors possess onshore resources capable of consulting with clients in initial stages (including migration, business process, OCM planning and business case development), coupled with strong offshore migration and application management factories.

Outlook

Companies that have already invested in legacy ERP are slow to migrate to S/4HANA. This can be driven by concerns about the change required (see next slide) as well as the level of effort required to migrate. Migration effort is driven by the custom code changes required to operate in the new environment and the level of configurations to tailor the system to operate in the client's industry.

Where large enterprises were initially hesitant to adopt S/4HANA due to its impact on customized processes built over time in legacy ERPs, increasingly organizations are viewing S/4HANA as a way to transform the organization and processes in addition to modernizing technology. These organizations are looking to S/4HANA implementation vendors to help guide them on this broader transformational journey instilling new business processes and managing related organizational and change management.

The future direction for SAP HANA and S/4HANA service vendors include:

- Approach and objectives:
 - Large enterprise SoH and ECC clients accelerate replacing legacy with S/4HANA, focusing on simplifying custom business processes, organization and application landscapes
 - Cloud based S/4HANA based on pre-configured industry templates becomes the primary hosting approach to improve business case
 - Large enterprise adoption is driven by digital transformation objectives and the desire for incorporating expanded capabilities such as Leonardo's IoT and AI/ML offerings and C/4HANA
 - Vendors continue to bolt on functionality to core S/4HANA capabilities, but focus on value-add functionality tailored specifically to client industry needs.
- Benefits:
 - Organizations use S/4HANA as a foundation to gain access to digital transformation technologies (IoT, machine learning) that expand their business case to increased revenues and improved customer service
 - Old business models, processes and organizations are modernized and simplified to improve agility
 - Incremental infrastructure cost saving realized through the use of cloud-hosted S/4HANA.
- Delivery model:
 - S/4HANA implementation is foundational step of a broader digital transformation roadmap
 - Assessment, roadmapping, and code and data migration are primarily completed by automated tools
 - Migration factories located primarily offshore accelerate the migration from ECC to S/4HANA
- Onshore consulting focus primarily on business process and organization transformation.



NEAT Methodology for SAP HANA and S/4HANA Services

NelsonHall's (vendor) Evaluation & Assessment Tool (NEAT) is a method by which strategic sourcing managers can evaluate outsourcing vendors and is part of NelsonHall's *Speed-to-Source* initiative. The NEAT tool sits at the front-end of the vendor screening process and consists of a two-axis model: assessing vendors against their 'ability to deliver immediate benefit' to buy-side organizations and their 'ability to meet client future requirements'. The latter axis is a pragmatic assessment of the vendor's ability to take clients on an innovation journey over the lifetime of their next contract.

The 'ability to deliver immediate benefit' assessment is based on the criteria shown in Exhibit 1, typically reflecting the current maturity of the vendor's offerings, delivery capability, benefits achievement on behalf of clients, and customer presence.

The 'ability to meet client future requirements' assessment is based on the criteria shown in Exhibit 2, and provides a measure of the extent to which the supplier is well-positioned to support the customer journey over the life of a contract. This includes criteria such as the level of partnership established with clients, the mechanisms in place to drive innovation, the level of investment in the service, and the financial stability of the vendor.

The vendors covered in NelsonHall NEAT projects are typically the leaders in their fields. However, within this context, the categorization of vendors within NelsonHall NEAT projects is as follows:

- **Leaders:** vendors that exhibit both a high ability relative to their peers to deliver immediate benefit and a high capability relative to their peers to meet client future requirements
- **High Achievers:** vendors that exhibit a high ability relative to their peers to deliver immediate benefit but have scope to enhance their ability to meet client future requirements
- **Innovators:** vendors that exhibit a high capability relative to their peers to meet client future requirements but have scope to enhance their ability to deliver immediate benefit
- **Major Players:** other significant vendors for this service type.

The scoring of the vendors is based on a combination of analyst assessment, principally around measurements of the ability to deliver immediate benefit; and feedback from interviewing of vendor clients, principally in support of measurements of levels of partnership and ability to meet future client requirements.

*Exhibit 1***‘Ability to deliver immediate benefit’: Assessment criteria**

Assessment Category	Assessment Criteria
Offerings	Overall HANA & S/4HANA Capability HANA migration capability S/4HANA implementation capability HANA & S/4HANA cloud offerings Leonardo offerings Proprietary functional extensions Migration tools Ongoing management capabilities Model company
Delivery	Breadth of HANA & S/4HANA capabilities HANA & S/4HANA consulting capabilities Functional skilled resources Technical skilled resources Use of Activate N. America EMEA APAC LATAM
Presence	Scale of operations - overall Scale of operations - HANA Scale of operations - S/4HANA
Benefits Achieved	Skills & capabilities Timely project completion Value for money

*Exhibit 2***‘Ability to meet client future requirements’: Assessment criteria**

Assessment Category	Assessment Criteria
Future Commitment	Financial rating Commitment to S/4HANA Commitment to innovation in S/4HANA services
Investments	In HANA capabilities In S/4HANA migration capabilities In proprietary offerings In geographic expansion
Ability to Partner & Evolve Services	Key partner Ability to evolve & use best practices

For more information on other NelsonHall NEAT evaluations, please contact the NelsonHall relationship manager listed below.



research.nelson-hall.com

Sales Enquiries

NelsonHall will be pleased to discuss how we can bring benefit to your organization. You can contact us via the following relationship manager:

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