For Cloud Professionals, part of the
On Cloud Podcast

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Title: Managed service providers and SAP—a match made in heaven
Description: For many organizations, SAP is the backbone of the enterprise—powering HR, accounting, finance, sales, production, and more. However, SAP implementations, especially in the cloud, require a lot of care and feeding. Enter managed services providers (MSP). MSPs use their technical and strategic capabilities to enable a seamless cloud experience with SAP, enabling clients to focus on core competencies, not cloud-management. And, if the client operates in a multi-cloud environment, MSPs can help integrate cloud deployments, navigate technology changes, and leverage technology innovations. In this episode, David and guests, Deloitte’s Stephen Swartz and Pavan Srivastava, discuss key benefits of using an MSP for SAP deployment and how MSPs can help clients develop strategies that improve business performance while reducing cloud complexity and costs.

Duration: 00:22:47

David Linthicum:
Hey, guys, welcome back to the podcast. We’re going to start a discussion today talking about SAP and how it works on managed service providers, so I’m looking forward to this because I get to learn something for a change. We have our two guests. We have Stephen Swartz with Deloitte, and, Stephen, tell us what you do here at Deloitte and what your day job is and how you got involved in SAP and managed service providers.

Stephen Swartz:
Well, my day job is I’m the practice lead for Cloud Managed Services. So, responsible for all the delivery of all our hosting and obviously SAP huge part of our business and very excited to be able to talk to you guys today.

David Linthicum:
So, real quick, 30-second description, what's a managed service provider for our listeners?

Stephen Swartz:
Yep, so what we do for our clients is we run and operate the complete infrastructure, the cloud infrastructure for our clients. So, it’s not only taking care of the care and feeding of the systems, the patching, the backup, the monitoring, but deal with all aspects around cyber, securing, protecting our clients’ data, compliance, meeting all the regulatory needs that vary from industry to industry. In addition, we do that with a complete 7x24-365 support team that really operates globally around the clock.

David Linthicum:
So, also, we've got somebody else from Deloitte, Pavan Srivastava. Hey look how I did with that. And tell us about you and what your role is at Deloitte and what you do during the day.

Pavan Srivastava:
Yeah, so, David, I lead all of our practice around SAP on cloud, under which I build out offerings, and all of our relationships with all the leading cloud providers, especially in today's market when our SAP clients are looking into hyperscalers. And, of course, managed services operates as a big part of it that; we can definitely talk about that.

David Linthicum:
Nice. So, Stephen, I'm going to go to you first, and I'll let you follow up. So, why am I interested in SAP on a managed service provider? How come not SAP in a public cloud provider, SAP on premise?

Stephen Swartz:
Yeah, well it’s a good question, and certainly all our clients kind of go through that decision-making process themselves. I think increasingly, though, clients really see the cloud as as-a-service type of model. And increasingly being able to bring it to the cloud, operate it and view it as a true service is hugely advantageous. There’re considerations of cost, there’s considerations of agility and speed, even security. I think some of our clients are starting to think of the cloud as even a more secure environment than what they’ve been able to do traditionally on prem. So, when you take that and then looking for, you know, to take that as-a-service model up the stack, if you will, beyond the infrastructure to basis and the SAP application, I think it’s like a match made in heaven, and I think that’s why there’s just this huge interest around cloud and SAP together today.

David Linthicum:
Right, and leveraging a managed service provider as a platform to make that happen.

Stephen Swartz:
Exactly.

David Linthicum:
So, why ultimately are enterprises going to look at this direction going forward? Because to me, managed service providers are things I was dealing with 10, 15 years ago. You know, they kind of run in the realm of co-lo providers and all the different hosting options we had in the past, but moving forward, managed service providers become a more important option for people that are leveraging cloud computing. But why SAP? Why is SAP there?

Pavan Srivastava:
So, something to – which is very interesting going on at this point of time is, while cloud is becoming more and more popular on more choice for our clients, at the same time, SAP has also come up with a new product line called S/4HANA, and that is geared towards the digital transformation, making you connect more to your suppliers and vendors and ecosystem. And those are the some of the features, functions or capability is efficiently delivered out of cloud. Now, clients have choices between going to a full-scale SaaS solution, a public cloud with SAP. Or clients have also a choice of leveraging hyperscalers to run that platform, run that solution on a hyperscaler platform. Now, why they are moving to cloud and managed services when everything has already been in place is because hyperscalers are not providing the services. SAP is the enterprise backbone for any enterprise. If the solution stops working, you have shipping stops, you cannot bill your customers. It is one of the important applications in your data center and you need a lot of caring and feeding around it. Running on a hyperscaler, the ability for us to design, architect and operate and offer an SLA service-based SLAs that our clients are looking for, because cloud also offers a lot of other innovative solutions that we can continue to innovate. That’s why we have started with this notion to our client that operate to innovate, which means you get into an operate stage where Deloitte would help you to continue to innovate and take the benefit of the cloud platform.

David Linthicum:
Yeah, and one of the reasons I’m here at Deloitte is we kind of take everything from an objective standpoint. In other words, we put ourselves in the position of the client, versus selling something, things like that. So, one of the things that I think clients would be concerned about is cost – cost of ownership, cost of actually acquisition, cost of getting things in place, cost of migrating data, things like that. How do they compare – and this is a question for you, Steve – on SAP with cloud versus MSP? What are the cost comparisons?

Stephen Swartz:
Yeah, the cost comparisons are very competitive. I mean, you get a lot of advantageous benefits from the cloud in terms of on demand, scale up, scale down. You know, we’re seeing that especially early on when people are at the early stage, having to develop test accounts, test environments, development environments, you know, being able to scale those and shrink those as needed gives a lot of benefit early in the process. But then also having the peace of mind that you’ll be able to kind of scale the business, scale your SAP instance incrementally as a business
scales without large capital outlays, more and more clients are doing the math. We see that time and time again. They do the math, they look at that total cost of ownership and, you know, increasingly it’s becoming a cloud type of decision.

**Pavan Srivastava:**
Yeah, and just to add to what Steve said, in the real scenario, we’re working with a lot of clients, and one of the clients who started their journey in Americas first, and we put SAP onto a cloud platform, and later on their business changes and they have to start implementing SAP into the Asia-Pacific region, and it was all about where do we go, how do we grow into the other regions. With cloud, we were able to stand up a new set of systems integrated with their American systems, because that’s what they wanted in a matter of time. So, within few weeks, the new application systems were up and running and they have a plan that two is now (inaudible) They’re going to merge both the systems together. And the investment they are doing today is not a (inaudible) because we will be able to optimize their cost once they are ready to merge Americas and Asia-Pacific to the same (inaudible) So, there are a lot of those benefits to be into this flexible market.

**Stephen Swartz:**
I think legacy debt; technical debt is also a consideration. You know, we see a number of the large –

**David Linthicum:**
Define that for our listeners, technical debt.

**Stephen Swartz:**
Yeah, you know, technical debt is you build your new SAP system and then three, four years go by. Now that infrastructure is aging, it needs to be replaced, it starts to become problematic. Well, for an organization, you know, another big capital outlay becomes problematic and you see a lot of organizations really kind of try to stretch that asset well beyond its lifespan. The fact that it’s in the cloud and that refresh is happening continually through the cloud providers, I think that’s another big advantage in terms of the long-term cost of ownership.

**David Linthicum:**
So, when we’re looking at the decision as to where to host SAP, ultimately is there a rule of thumb that we should do, kind of back of the napkin kind of calculations, in terms of costs. Because I know the answer’s going to be since we’re all consultants, it depends, and it depends on going through lots of information, lots of data, but I’m finding more and more people are like, well, what is the rule of thumb, what is kind of the quick and easy way to figure out the cost?

**Pavan Srivastava:**
Yeah, so I would take my end and, Steve, you can add on. Definitely there are multiple factors that play into which platform to pick from. And by the way, I think we all would believe in this, that our clients are moving into a multi-cloud environment. They are going to use the best of breed from all the solutions. Typically, SAP clients, clients with SAP in their center, have now the ecosystem which is a combination of a SaaS solution, either Ariba or Salesforce or Confer, or there are a lot of SaaS solutions that integrate with SAP for different functions around it. And then you have a lot of other hyperscalers around it. Clients are making the decision based on SAP workload, their global footprint, where they operate, where the data centers for those hyperscalers are located, how quickly they can connect to their customers and their suppliers. They are also looking at their long-term vision about where they’re going to run their IT as other applications, not just SAP. So, what are their strategic choices that they are making to start with? They’re also looking at platform capability, for example, am I looking for something that is a very cost-effective database versus, machine-learning solutions, versus data and analytic solutions? Which cloud providers are partnering well with SAP and have a future roadmap around it? And definitely cost is one of the factors. Sometimes there is a huge up-front cost for SAP clients to embark upon, and how their relationship and their contract negotiation goes with those hyperscalers would also drive some of those decisions.

**Stephen Swartz:**
Yeah, you know what I’d add to that is provide – you touched on it. It needs to be part of an overall strategy moving to the cloud. It needs to be part of the enterprise technology strategy, and for many of our clients, ERP, SAP is at the core. And looking at part of the overall strategy, it’s not just about SAP, it’s about the ancillary applications that surround SAP oftentimes. More and more of those applications are going to the cloud vis-à-vis SaaS, for example. Other solutions, you know, clients are wanting to move to the cloud for different reasons as well. It only makes sense for that core nucleus, if you will, of the enterprise SAP to follow there as well.

**David Linthicum:**
So, I think I might take a poll here, perception would be that all the cool kids and the cool technology is out on the public cloud, specifically the Google cloud. So, what’s the difference, for instance, in terms of security and monitoring and management, the things that I’m dealing with when I’m operating the thing? Do I have to give things up in moving to an MSP or are there advantages to moving to an MSP? What’s the tradeoff?

**Stephen Swartz:**
Well, one big advantage is just how well-integrated the infrastructure is. You know, it’s an API-based world. You deal with it through a setup, consistent APIs and the case of Google cloud platform. And the fact that that integrated API set exists, I think is advantageous in a couple ways. One is the number of different third parties and tools and options that are out there, people know how to program to these APIs and you get a lot of great third-party tools that are out there. We use a number of different tools as part of our managed service solution. But then the fact that those things can be so well-integrated with one another, I think it creates a much more seamless management environment, a much stronger management back play than people have traditionally had, you know, cobbled together in some cases in the legacy data center world.

**Pavan Srivastava:**
Yeah, and just to add to Steve, I think from my standpoint, what I'm hearing from our clients, the reason they choose to go with us as an MSP is they all can see the future of multi-cloud, and their ability to cobble together all the tools and technologies for various cloud versus having a partner or a system integrator doing it for them as the technology improves. They go to all these big cloud conferences and hear 2,000 innovations every year. It is a challenging task for our clients to keep up with those, and they would expect us to be helping them manage all of these, bring together all the innovations in technology rather than worrying about it.

David Linthicum:
So, why wouldn't I go this way? Are there any downsides? I mean, it's not a perfect world, right? What are the downsides to doing things on an MSP versus a raw public cloud?

Stephen Swartz:
Yeah, well, three's a couple considerations. Certainly it (inaudible) big, large memory instances are critically important. You know, we saw today the announcement 12 terabyte instance, I believe, with Google, which are pretty much industry leading I think right now. So, if your HANA instance, if you will, is bigger than that, you're going to be looking at other options perhaps in-house. I think some clients also, whether it has to do, maybe less so around security, maybe more around regulatory compliance, say utilities, electrical utilities, might have an interest in keeping it in-house in order to meet those concerns. But I think as people get more experience with the cloud, more comfortable with what cyber compliance means, and how to operationalize it, and take advantage of the API ecosystem that exists, again, I think those barriers or that reluctance is quickly fading.

Pavan Srivastava:
Yeah, and I think I'm also seeing from our client reactions that in last two, three years, the way things have been innovated, our cloud providers are innovating stuff, they're a little confused. They're looking at us and trying to figure out that how would we go and adapt to it. We're talking about huge amount of data around big ERPs, right. Are we continuing to grow, are we continuing to go and keep finding the bigger and bigger HANA environment or are we going to set a strategy where we can limit the active needed data into your core systems and leverage other cloud technologies such as Google has BigQuery and other stuff that allows you to do other things with data, which is more meaningful rather than keeping active in your systems. They are challenging themselves that: do I need all this data to close my books or do I just need one year worth of data versus five years' worth of data. Can I do the data analytics out of my active transaction system? I think that is kind of like slowing them down, and very specific to SAP with SAP coming up with S/4HANA as a new product line, a lot of them are also debating to find the right time to take advantage of both together, which is cloud as a step and moving to S/4HANA as another step and trying to combine a creative business case which is best for their organization.

David Linthicum:
So, I'm an owner of a tire manufacturer who's been around for 100 years and I just got my R-3 upgrade finally done, with huge over budget runs 10, 15 years ago, and now we're staring at this. So, walk me through kind of a pragmatic approach to if I want to move in this direction to SAP on a managed service provider, specifically ours, what things does that person have to look at, what are some of the pitfalls and opportunities that they have, how fast should they move, what kind of cost should they expect?

Pavan Srivastava:
Yeah, so we can think about various ways. By the way, I would like to start by saying, for our clients' challenges, cloud is not always the answer. The answer has to be what is really more productive, valuable, for you at that point of time. It's a business decision. You just came out of a heavy overrun cost of implementing (inaudible) and if your objective is to look at reducing your costs of operating it, I would definitely start first hitting the low-hanging fruit like, okay, how much do you pay for infrastructure, is there a way for you to reduce the infrastructure cost, is there a way for you to reduce the management cost, is there a way for you to optimize your code and move into a cloud-native, where you still have to continue to build on top of it, right. Sometimes we are very frank with our clients that, hey, maybe we just help you optimize, but may not be the right time to move to the cloud right now. So, it depends on business requirements. We have had clients where we also have done the cost-benefit analysis, and the amount of money they have already invested in their data center, it may not be a wise move for them for another two years. So, we wait for them and then they move. So, we've been into this journey many times, and I would say depending upon the client's situation, we take that approach.

David Linthicum:
So, you mean one of the answers is don't move now, wait two years?

Stephen Swartz:
Well, it could be. If you have a large capital investment you've recently made in your data center, in your hosting environment for your SAP system, you may want to very well wait and let the process go through the depreciation, let it be amortized and then do it as part of a refresh. And then by doing so, avoid further refreshes beyond that in the future.

David Linthicum:
You know, ultimately the thing is that's kind of what make us different, the fact of the matter is we're empathetic, and we're looking after the needs of the clients versus, in essence, pushing technology. I mean, we're not cloud bigots. We're solution people that kind of look what's going to align to making their business better.

Stephen Swartz:
Yeah, I mean, as we said, it is ultimately a business decision. And you need to look at that business decision from a number of different perspectives. There's the economic perspective, there's the technical perspective, compliance, cyber, your workforce and your people, the skills
they have, the operating model you have for your own organization. You have to look at it from all those different angles to get to the right approach that’s ultimately going to drive you to the outcome you’re trying to achieve.

David Linthicum:
What is it like to work with one company SAP, and of course work with a cloud provider such as Google, since you’re kind of sitting in the middle between them and the clients? What are the dynamics, the things that drive you crazy, the things that are very helpful?

Pavan Srivastava:
Well, so it’s pretty interesting. SAP themselves are also evolving to become a cloud company, and they have made some massive investments and innovation is happening around there. One thing I think I really like, or appreciate, about SAP is SAP believes in the ecosystem play, rather than forcing a solution to their customers or our clients. They would rather open it up to play with the ecosystem, and today’s announcement you have seen from (inaudible) as to how they’re investing in improving cloud infrastructure to bring SAP workloads. So, SAP would also be taking the similar approach in the market that the client can decide the best of breed solution. Sometimes they’re also going to SAP’s own cloud, but even those clouds are slowly being powered by, in some cases, by these hyperscalers. So, SAP does a good job as to a lot of other players in the market to work with the ecosystem, and along with us. So, I think there is little bit of time that it’s going to take for us to evolve and agree on it, right. There are cases where our clients would take one versus other, but I think in terms of the ecosystem, SAP and hyperscalers have been coming together.

Stephen Swartz:
Yeah, I think SAP has a really broad view and understanding of the enterprise market, and clearly, they’re taking the long-run view of this. You know, how you bring all those clients that they currently have, all those customers to the S/4HANA world is going to be a big challenge, but they certainly have a roadmap, a strategy built out around that. But it’s going to be a journey that every client’s going to have to go through themselves, individually. There isn’t a cookie cutter approach to this. The timing, the considerations, the business and technical and economic aspects, all need to be examined and, you know, each client’s going to have to make that journey themselves at the end of the day.

David Linthicum:
So, how do they start the journey? How do they get in touch with you guys and what would you basically tell them would be the first step?

Pavan Srivastava:
Yeah, so typically, as you know, Deloitte has a very mature SAP practice, and our approach to our clients is to go to solve the business problem. So, we are approaching through our practice to solve business problems, merger and acquisitions, new businesses, scaling and transforming, and while having those conversation, cloud does come into that – those conversation. And we look at approaching in multiple ways again. We explore options of doing on prem versus doing in-hybrid cloud model or a public cloud, hyperscaler, SaaS solution, using the integration with cloud. What is the best solution we can bring it to them that is going to cater to their business transformation needs? And that starts a conversation to let’s start going into the (inaudible) cloud. Lot of times there is a misconception or perception in the market that hyperscalers are all about the infrastructure, so we do a lot of those jobs of educating that cloud is a lot more than just a shared pooling of infrastructure. It is also about innovating in the future. I always talk to our clients that you may not need all those innovations today, but you want to embark upon this building block strategy or journey where you go to the cloud and then slowly take the innovative ideas together around it. So, that’s how we approach it initially.

David Linthicum:
Okay. Guys, want to thank you very much for joining us on the podcast, and looking forward to learn – I’ve learned a lot about SAP on MSPs and haven’t really talked or thought about that in a couple of years, but now I’m going to go look more into it, because I do think it’s going to be a viable solution for lots of companies out there as they’re really trying to make their way into cloud, basically making it a lot easier and also more economical and cost-effective. So, I thank you for showing up at the podcast. Thank you, guys, for joining us.

Pavan Srivastava:
Thank you.

Operator:
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