# A Networked Perspective On Business Model For Sap Managed Services

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**Abstract**

This study seeks to answer the question how to visualize SAP Managed Services business model using networked business model recently proposed by (Palo & Tähtinen, 2011) and find the modified networked business model framework for SAP Managed Services case. This study applies case study from selected company. By examining the SAP Managed Services business model from a networked perspective, this study creates tools for both researchers and managers to plan, develop, produce and maintain SAP Managed Services.

*Keywords:* networked business model, SAP, managed services.

## 1. Introduction

The concept of the business model has evolved since the first appearance in 1957 in the academic literature (Wirtz, Pistoia, Ullrich, and Göttel, 2016). Discussion about the business model is growing ever since the era of the internet and dotcom boom (Wirtz et al., 2016). In the last decade some of the literature has provided a broader definition of the business model. Most of the literature define the concept of the business model and identify all the building blocks, components and elements. The definition of a business model most widely used and accepted business model proposed by Alexander Osterwalder and Yves Pigneur. (Osterwalder & Pigneur, 2010) proposed a business model canvas (BMC), which has nine building blocks that consist of value proposition, key partners, key activities, key resources, customer relationships, channels, customer segments, cost structures and revenue streams.

(Bouwman et.al., 2008) describes STOF business model consists of: Service, Technology, Organization and Finance. This model is the result of the research business models for innovative mobile services. By looking at some of the existing framework, (Lindgren & Rasmussen, 2011) attempts to determine the dimensions of which owned a business model. Seven dimensions of business model have been identified and proposed as Business Model Cube (Lindgren & Rasmussen, 2011). (Masanell & Ricart, 2009) proposed a business model framework to describe how value is created and captured by an organization through which decisions are made and the resulting consequences. Researchers from the University of St. Gallen recently presented St. Gallen Business Model Navigator. (Gassman et.al., 2013) apply the concept of business model consists of four dimensions: Who, What, How and Value.

In 2011, (Palo & Tähtinen 2011) identify the generic elements of a business model in the field of technology-based services and uses those elements to build a networked business model. A networked business model reflects a situation when it is impossible for a single company to govern all the relevant resources and activities needed in developing, producing, and marketing technology-based services.

In order to offer managed services solution a solution provider has to partner with other vendors such as Application Service Provider (ASP), Independent Software Vendor (ISV), data centre or co-locator, a system integrator, a management consultancy, a networking company and possibly a telecommunication company (Seltsikas & Currie, 2002).

In this study, researcher examine the networked business model framework in a case of SAP Managed Services. SAP Managed Services is selected as the focus of this study because of it requires the integration of multiple business processes and suppliers and because it embodies novel instances of networked business model that

have not yet received attention in the research literature.

### *1.1 Networked Business Model*

(Palo & Tähtinen, 2011) get the facts from his research that there is not common and universal definition of the concept of the business model at the operational level. A unique business model is needed to cover the action and choice in the fundamental level and daily practical operations.

The proposed business model is in the form of a framework that defining the elements of the business model.

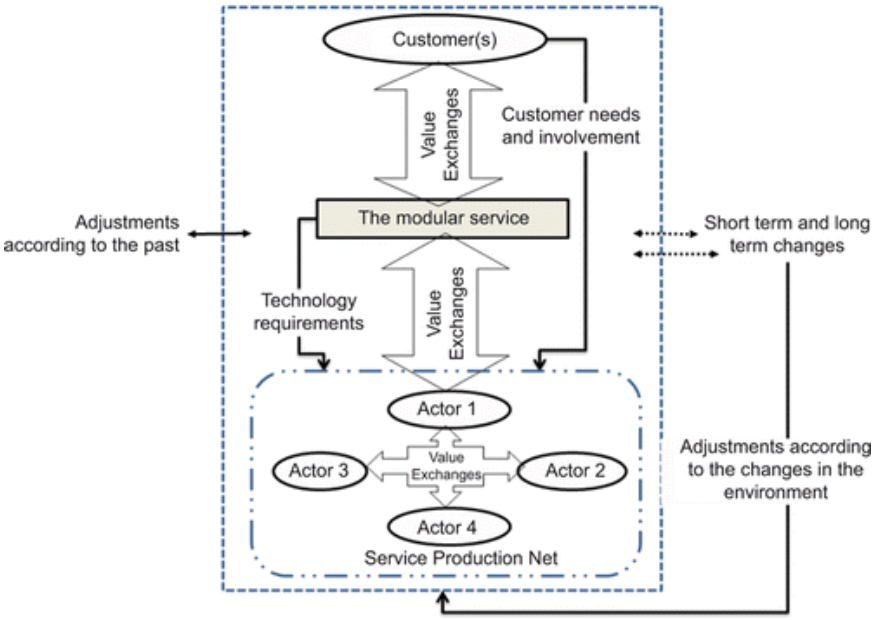


Fig. 1 Framework Networked Business Model (Palo & Tähtinen, 2011)

Network is the element of business model that proposed in Business Model Cube (Lindgren & Rasmussen, 2011) and St Gallen Business Model Navigator (Gassmann et al., 2013).

The component of BMC e.g key partners, key activities, key resources reflected in this framework as actors and their relationship. Customer relationships and channels reflected using customer and channel block. The variance of customer segment is not captured in the framework. If there are customer segment variances then business model for each customer segment must be drawn specifically. The money flow could be captured in the framework but not for the revenue and cost structure.

Technology and its dynamic improvement become important factor that affect the development and production of the technology-based services (Palo & Tähtinen, 2011). Services and technology are important components proposed (Bouwman et al., 2008).

### 1.2 SAP Managed Services

(CompTIA, 2014) defines managed services as management, monitoring, and maintenance of the network, software, hardware, and IT services related to external organizations (CompTIA, 2014). Managed services are often characterized by the Service Level Agreement (SLA) that includes provisions regarding performance, safety, efficiency, accountability, response time, and upgrades are relevant (CompTIA, 2014).

SAP is a software in the area of enterprise applications especially Enterprise Resource Planning (ERP) (Popp, 2011). SAP in managed services means delivery an SAP system “as a managed service”. Traditionally SAP systems had been implemented and managed “on premise” as products bought by customers. The most important disparities between SAP in managed services and installed in-house SAP application are the application are

under control of the service provider while installed applications are offered as a product and accessed and controlled from the customer's location. SAP in managed services could be using Infrastructure as a Service (IaaS) and accessed through Internet.

## 2. Methodology

According to Westerlund (2009) case studies are applicable for the research on networks due to their ability to capture the dynamics of the phenomena and to provide multisided view of the object of study in its specific context. Further, case study research may produce comprehensive, holistic and pragmatic descriptions of complex networks that have unique features and are context-specific.

We use a qualitative research approach incorporating case study methodology comprising structured interviews and observations for the collection of primary data, as suggested by (Yin, 2009). For reasons of commercial confidentiality, the names of the company in this study are withheld.

### *2.1 Data Collection and Analysis*

Our field-study process ran over 12 months period between January- December 2016, during which time we conducted semi-structured interviews with senior management in the selected case company. Representatives of the senior management were selected as the key informants.

The key informants were seen as viable sources of information in the critical evaluation of the representativeness and validity of the data. The interviews with the senior management were recorded and transcribed. In addition to conducting our intensive field study, we collected an extensive set of secondary data on the company, comprising agreement, quotation, and website. We also reviewed the relevant literature on technical approaches to SAP implementation.

The data collection was iterative: as data was collected and identified to guide further data analysis, which then coded on prior themes and concepts.

Table 6 . Interview Themes

| Elements | Purpose | | Interview Themes |
|---|---|---|---|
| *Service* | Understanding perception, issue, problem, and future expectation of the service | 1. | Perception of the services from the actor's perspective |
| | | 2. | Issues, problem in service development |
| | | 3. | Future expectation of the service |
| | | 4. | Development strategy |
| *Actors* | Understanding the actors and their roles in development, production and marketing the service | 5. | Necessary actors in production and commercialization |
| | | 6. | Necessary actors in maintaining the service |
| | | 7. | Possible cooperation of the actor in the commercialization and production of the service |
| *Customer* | Understanding the customer | 8. | SAP Managed Services customer |
| *Value Exchange* | Understanding the money flow, benefit , resources and activity of the actor | 9. | Benefit of each actor |
| | | 10. | Quotation scheme for the customer and its term and condition |
| | | 11. | Quotation scheme t and discount to produce the service |
| Technology | Necessary technology in producing and developing the service. | 12. | Hardware and software elements in producing and developing the service |
| | | 13. | Ideal use of technology |
| | The effect of technology development and changes | 14. | The effect of technology development and changes |

Each element was aimed at further understanding the analysis of: a service, the customer, the actors, value exchange and technology.

After the second round, the data were analysed using QSR NVivo 11. The analysis first codified the data into themes, such as the elements and characteristics of business models, and then combined the themes into wider categories. The themes were also written out and illustrated figuratively. Quotes from the answers will be used to illustrate the logic of the analysis. As a result of the data analysis picture of the elements of a networked business model was developed.

## 3 Case Analysis

The study shows that SAP Managed Services defined as a service including SAP licenses, Annual Technical Support (ATS), Support Desk and rental server.

The service will determine the actors in the production, comercialization and maintain the services. The results showed that the SAP Managed Services has a greater role to face the competition. Bundling between implementation and managed services gives competitive advantage because the other SAP business partner- as competitor- did not have the IaaS or link is required in the provision of services. The study also shows technology had an important role. Technology changes will change the necessary actor.

The customer is an essential element of a networked business model, and customer needs have to be taken into account in developing and commercialising the service. Four customer segments has been identified. The study is producing four cases presenting the elements of a networked business model.

### *3.1 SAP Managed Services for TLK Group*

TLK Group are comprised of TLK's subsidiary previously using TLK's SAP system. As the diversity of the business of each subsidiary then TLK's SAP system could not accommodate the needs of difference business processes and their complexities.

Gradually, each TLK's subsidiaries implement SAP. In consideration of ease of implementation and daily operations, SMS requested to implement and manage SAP for TLK's subsidiary.

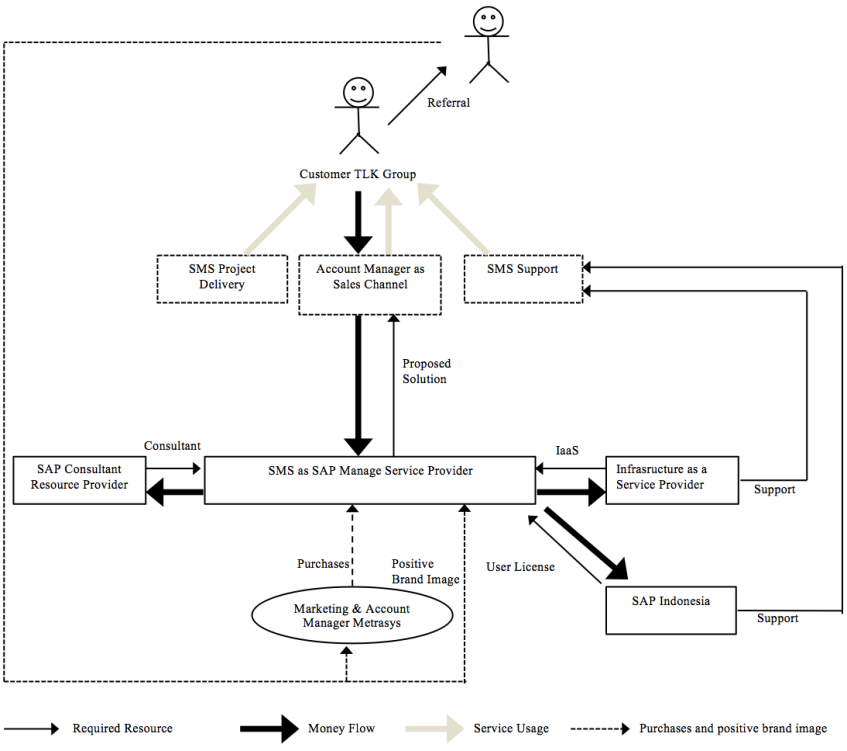


Fig. 2. Business Model for TLK Group Segment

*3.2 SAP Managed Services for non-TLK Group*

SAP Managed Services was originally intended for Telkom Group in 2015 began to be offered to enterprise that have not used SAP and need to implement SAP. SAP's technology in 2015 has changed. SAP released SAP HANA version based on in- memory computing technology. Changes in these technologies also bring changes to the hardware and infrastructure requirement.. This situation makes SMS must purchase the hardware and software needed. In the provision of hardware and software SMS made partnership with hardware distributor. THen, Hardware collocated in SCC's data center and use TLK's link.

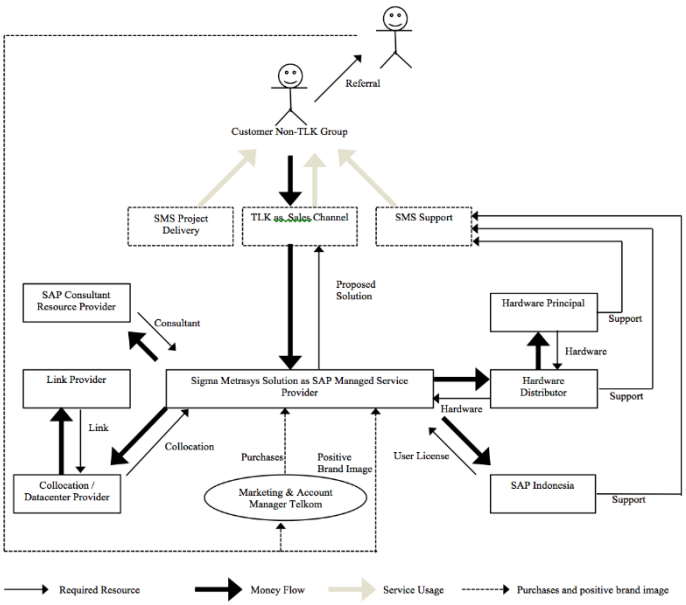


Fig. 3. Business Model for Non-TLK Group Segment

*3.3 SAP Managed Services for a Holding of Owned State Private Company*

One of Non-TLK Group customers is a state-owned enterprise holding company consists of 13 subsidiaries. For this case the total capacity and specifications of the hardware can be calculated. Based on the calculation the IaaS was proposed.

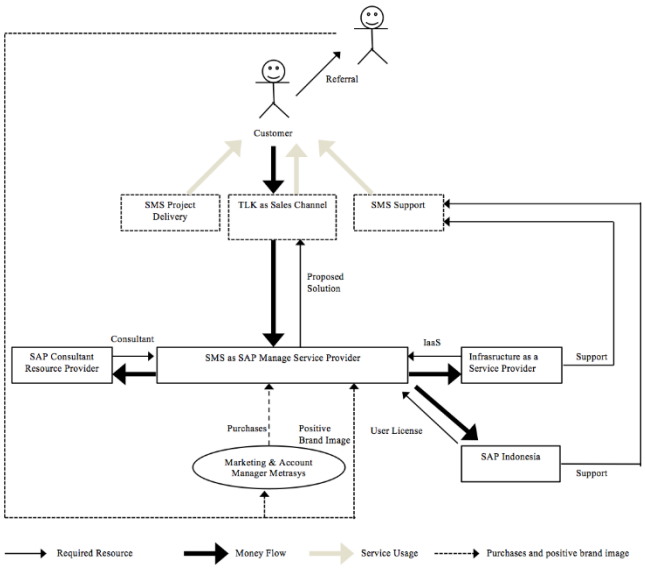


Fig. 4. Business Model for Sate Owned Enterprise Holding Segment

*3.4 SAP Managed Services for existing SAP User Segment*

Organization had been implemented SAP usually doing operation support itself. A state owned enterprises interested in managed services. Hardware and infrastructure are using the existing hardware and infrastructure as on premise.

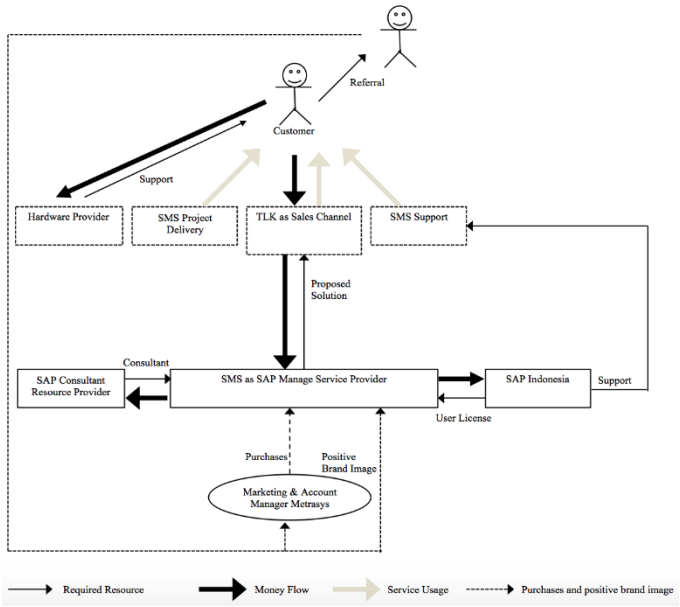


Fig. 5. Business Model for SAP existing user segment

## 4 Conclusion

Framework networked business model able visualize the elements services, actors, customer and value exchange explicitly. Bundling between implementation and managed services gives competitive advantage because the other SAP business partner- as competitor- did not have the IaaS or link is required in the provision of services. Technology changes have a significant impact especially SAP technology changes. The development of in memory computing technology affect the hardware and software provision then will affect the actor and its roles.

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