VALUE BEYOND TECHNOLOGY: REALIZING BUSINESS BENEFITS THROUGH S/4HANA CONVERSION

It Boils Down to Value/ Value Takes Center Stage

Digital transformation is the mantra for success in modern enterprises today as they prepare to invest a staggering $3.4 trillion by 2026 , according to IDC. Digital transformation holds allure for enterprises as it promises plenty, including improved revenues, customer and employee experience agility, innovation, scalability, security and speed to market, and reduced costs. As these programs gain steam, enterprises must consciously and constantly question themselves on the business value derived. It's important because it ensures an enterprise can thrive, innovate, and remain resilient in a rapidly changing digital world.

An HBR study revealed that while almost 90% of enterprises globally are undergoing digital and AI transformation, unfortunately, they have managed only 31% of the expected revenue boost and 25% of cost savings from these programs . This does not mean that digital efforts are not worthwhile but rather is a case of not placing the proper priority on value. It's not just about adopting technology for the sake of it; it's about employing technology to drive growth, better operations, and create lasting value for all stakeholders. In short, it must start and end with value.

S/4HANA Conversion as the Cornerstone of Success

It's the same story with ERP systems. Consider SAP commonly used by large organizations worldwide to manage their finances, operations, and customer relations. Enterprises find transitioning to S/4HANA appealing as they enjoy up-to-date functionality and flexible IT spending.

But the value extends beyond this. Enterprises can experience many more tangible business outcomes. Converting to SAP S/4HANA from ECC will allow organizations to transform their business processes, tap into real-time data insights, and become more agile, competitive, and customer-centric in the digital era.

There are three ways that customers can choose to move to SAP S/4HANA -

- Enterprises that decide to reinvest in their ERP systems can choose brownfield, which is the conversion from an older SAP ERP system to S/4HANA

- A new (greenfield) implementation, which migrates existing business data into a new SAP S/4HANA system

- Selective data transition uses shell conversion to reuse selective code, configuration and data from existing ERP processes in the new system.

However, irrespective of the path chosen, organizations must thoroughly plan, prepare, and test during migration to ensure they get the maximum value possible.

Infosys' long history with SAP systems makes it particularly aware of the criticalness of this initiative. That's why we periodically connect with industry practitioners and experts to discuss topical issues around conversion to SAP S/4HANA. We recently discussed the value that companies achieve at various stages of the S/4HANA conversion journey. This discussion is essential as analysts estimate that 50%-70% of SAP customers have yet to start their S/4HANA journey. So the takeaways from this paper will serve as valuable insights for those seeking to maximize value from the transformation.
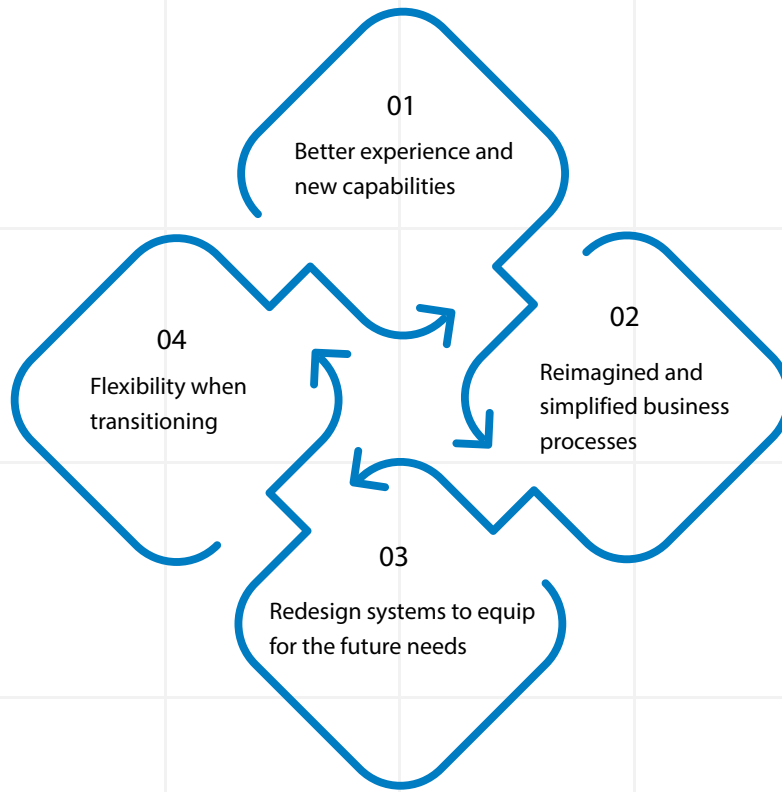
[1] IDC Spending Guide Sees Worldwide Digital Transformation Investments Reaching $3.4 Trillion in 2026

[2] The Value of Digital Transformation (hbr.org)

Value Realization: The S/4HANA Migration Experience

Infosys' customers broadly categorize the value that an SAP S/4 transition can deliver into four buckets:

01
Better experience and new capabilities

02
Reimagined and simplified business processes

03
Redesign systems to equip for the future needs

04
Flexibility when transitioning

The extraction of this value rides on these transformation levers - landscape simplification, process harmonization, landscape standardization, infrastructure optimization, and functionality enhancement, including legal entity rationalization and data cleanup.

1. Provide better experiences and new capabilities thanks to the intrinsic SAP S/4HANA suite qualities - When SAP launched S/4HANA, they intended to make it more straightforward, easy to use, cost-effective, innovative, and perform better and faster thanks to the in-memory database. As a result, the enhanced capabilities make it more conducive for enterprises to provide a better experience to their stakeholders.

A Real-Life Example

A leading Oil Field Service provider delivering services across the lifecycle elected to go the S/4HANA way after using SAP systems for over two decades. A proponent of growth through acquisitions, this company had to convert non-SAP ERP systems in its acquired entities into SAP systems to ensure a common platform. Given the regular occurrence of acquisitions, the company wanted to take advantage of S/4HANA's advanced technology and functionality to streamline, harmonize and enhance its business processes. It planned and executed a complex RAR migration pre-project. In addition, it achieved compliance with new revenue recognition reporting requirements with IFRS16.

A year-long program involved significant business process mapping and requirements gathering to minimize disruptions. The company identified the functionality that would benefit them the most early and prioritized implementation of those. One example is the alternate intercompany CO posting solution to ensure minimal business changes and impact. At the same time, using standard SAP S/4HANA functionality was a key objective, and they eliminated many customizations through code remediation during the cutover phase.

With minimal disruption and easy change management being a top priority, they also adopted a phased implementation of SAP Fiori. At the same time, knowledge transfers and learning sessions happen simultaneously to enable an easy switch. With Fiori, users can now access insightful reports that they could not view before. In addition, numerous customized reports have been eliminated as the functionality is in-built, and business users can generate reports themselves.

2. Reimagine and simplify business processes - SAP S/4HANA can effortlessly integrate with other complex processes enabling a comprehensive view of the entire operations leading to informed decision-making and more accurate forecasts owing to better analytical insights. In addition, financial closing is accomplished much faster.

A Real-Life Example

An American CPG major with multiple brands successfully transitioned to SAP S/4HANA from its existing ECC environment by utilizing the transformation levers of **landscape simplification, process harmonization and functionality enhancement.**

The transition was justified by a business case that showed the need to merge the US and international operations within the same ERP footprint. In its earlier state, the US operations were on ECC, while some countries operated on legacy systems creating inefficiencies when processing (landscape simplification). Secondly, the IT team was keen to address the weak spots in its diverse IT landscape and establish a uniform, standard way of operating (process harmonization). Thirdly, the older ECC system used sub-ledgers which the team intended to convert to a main ledger by reimplementing their inter-company processes (functionality enhancement).

As the company embarked on this momentous transition, it laid out a few ground rules –

1. Disallow any system-level modification to leave the core untouched and keep the landscape simple.

2. In the case of an acquisition or divesture, ensure a new entity follows the same business processes as the parent to ensure process harmony.

Every step taken was aligned with its vision to extract business value.

During the reimplementation, the company performed open transaction conversion to allow only the critical parts of the history from the old system into the new one. Data in the legacy system is still available to be accessed if needed. This approach made dealing with acquisitions and divestitures easier as the configuration was templatized and easier to manage.

Its US, Canadian and Mexican operations successfully carried out this approach. The two international businesses were on non-SAP legacy systems, and the migration template will move these three locations to a common S/4HANA platform.

As the rollouts occur and the IT landscape simplifies, the team will determine which systems and functionality should continue and which need to be decommissioned. The rollouts are in progress, and the company anticipates a simpler and standard way of operating across its global locations as it achieves landscape simplification, process harmonization and functionality enhancement with its SAP S/4HANA transition.

3. Redesign the system to align with future needs – for enterprises, this implies being able to pivot to new business models and integrate new acquisitions into a common ERP environment more quickly and easily. With S/4HANA, it becomes significantly simpler to handle an evolving future.

A Real-Life Example

A Japanese manufacturer renowned for its mining and construction machinery had a distributed ERP landscape in North America comprising SAP and non-SAP systems. A combination of a desire to move out of a legacy background and SAP's looming end-of-support deadline motivated this company to move to SAP S/4HANA across the region. To top this, it expects SAP S/4HANA to deliver process harmonization and simplification and enable a solid digital foundation with a clean core, which it believes is the bedrock for its future success.

The company is currently amid a business case assessment aided by Infosys.

Business users and executives are providing input on the business strategy over the next five to ten years. The objective is to see how the ERP modernization would align with the overall business strategy and goals.

The manufacturer has been using SAP systems for over two decades and has customized them to a great extent over this period to differentiate itself. At the same time, it is keen to explore SAP's advancements in both the ERP and non-ERP space.

They have concluded that a selective transformation or hybrid approach would best suit their context and would use the findings from the business case assessment to drive the conversion. The company hopes to transfer the differentiators into the SAP S/4HANA system while tapping into some advanced functionalities and equipping itself better for the future.

4. Enable flexibility while executing the project- Unlike traditional migrations that follow a rigid approach, customers can dictate the pace of the move to S/4HANA. Moreover, SAP is modifying tools to accommodate more real-world scenarios based on customer experience. As a result, enterprises can enjoy more flexibility during the migration.

A Real-Life Example

A large provider of manufacturing solutions with a presence in over 35 countries and over 250000 employees possessed 70 terabytes of uncompressed data spread across its global operations.

A standard conversion would have meant more then week long cutover whereas a fresh implementation would have meant large efforts, schedule and budget. This also aligned with their learning from an earlier aborted greenfield program that did not meet the program goals of required value even with higher value and efforts. A key takeaway from the earlier experience was that a brownfield approach would mean less effort, changes, and budget.

So they decided to adopt Near Zero Downtime based optimized conversion approach to adopt S/4HANA that allowed them to achieve all the planned value from S/4HANA suite qualities within normal weekend downtime window. The company is enjoying significant benefits despite this being a brownfield exercise.

In the Finance department, the many improvements include-

- 200+ times in overall profitability analysis simply because they now had real-time cost reporting instead of managing a spreadsheet.
- 25 times in serial change reporting
- 20 times in inventory costing updates
- 120 times in employee termination monitoring
- 180 times data analysis.

In addition, the company has implemented over 50 Fiori apps without stopping with these initial wins.
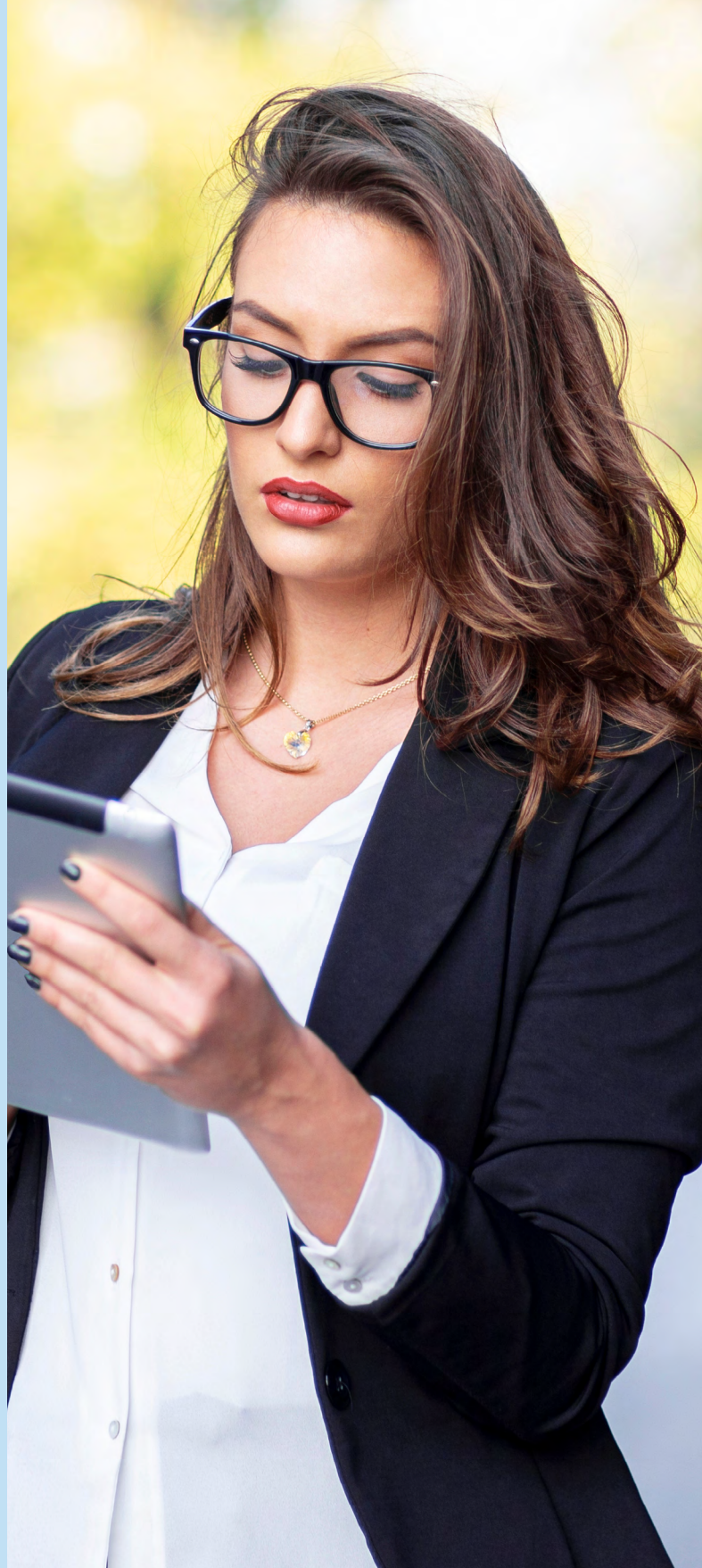
Finally, like the others, this manufacturer is also cleaning up by decommissioning over one and a half million obsolete lines of code. They are working towards implementing BTP to ensure a clean core.

Seeking a value-centric transformation

As enterprises invest billions in the digital revolution, the imperative to prioritize value over mere adoption becomes clear. SAP S/4HANA conversion emerges as a potent enabler, offering a conduit to a clean core, access to innovation and tangible business benefits. The diverse success stories shared in the paper exemplify the significance of well-crafted conversion journeys, employing transformation levers, and fostering partnerships to ensure a value-focused transformation. The stage is set for more companies to follow suit. What's important is to determine the expected value from the transition to shape the approach best suited for each organization's context and plan carefully before setting forth on the change. Working with a capable partner like Infosys can ensure that value remains the key focus from start to finish.

Author

Reach out to our S/4HANA Conversion Leader **Satinder Pal Singh** (Satinder_singh@infosys.com) if you want to start your S/4HANA modernization journey now.

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Satinder has 23 Years of SAP Consulting, Architecture and Program Management experience and is responsible for SAP ERP Modernization and Clean Core offerings. Within S/4HANA Satinder focusses on SAP S/4HANA conversions/migrations/upgrades and have experience in all colors of S/4HANA adoption aka blue, brown and its shades. And he has been involved in conversion projects with all target versions starting from v1511 to v2022. Satinder also specializes in the adoption of Keep Your Core Clean approach for SAP ERP applications and has helped customers with decoupled development using SAP Business Technology Platform or otherwise.

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