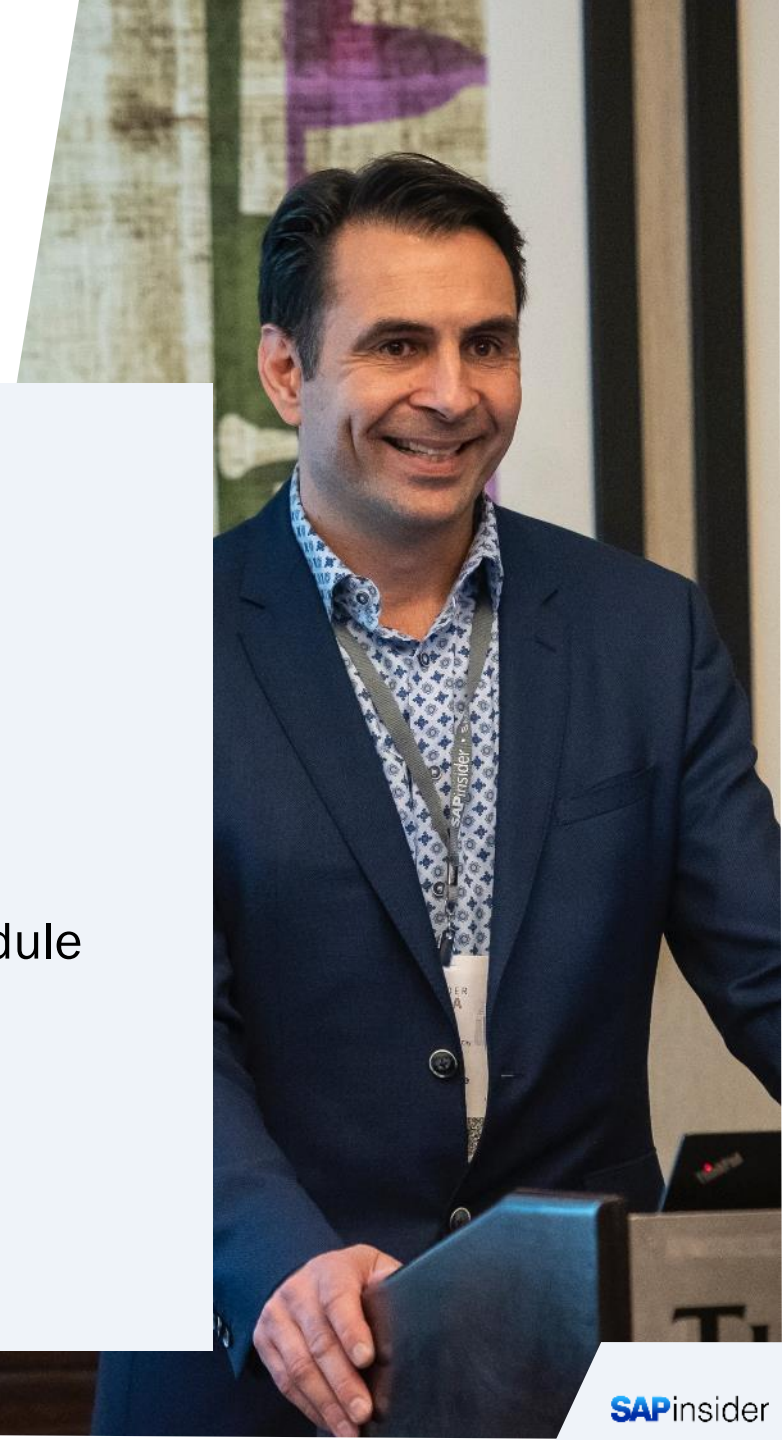# Navigating the Complexity of IT Landscape SAP S/4HANA Migration

Rodrigo Landeros, LeanIX
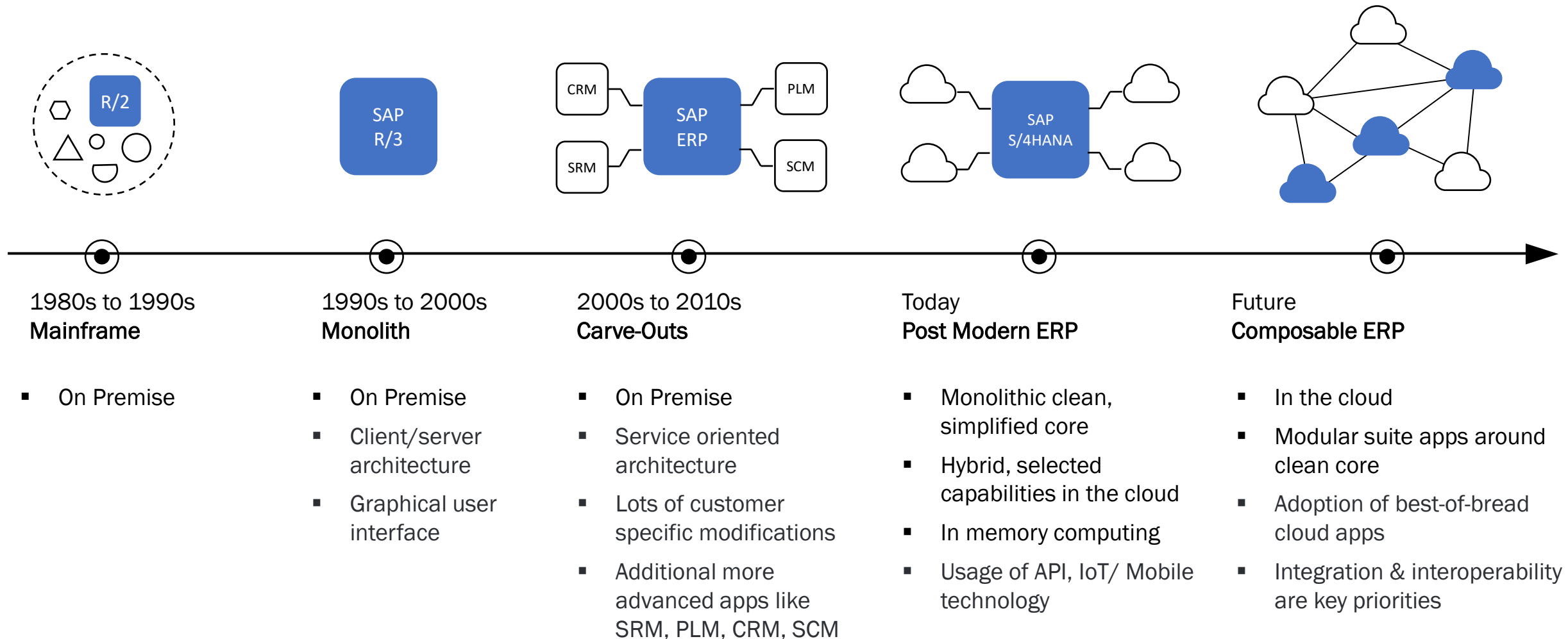
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2023

Agenda

- Discover Dependencies in your IT Landscape

- Before Implementing SAP S/4HANA
  - Scenario Planning

- Aiding the Implementation
  - Business Transformation Management Module
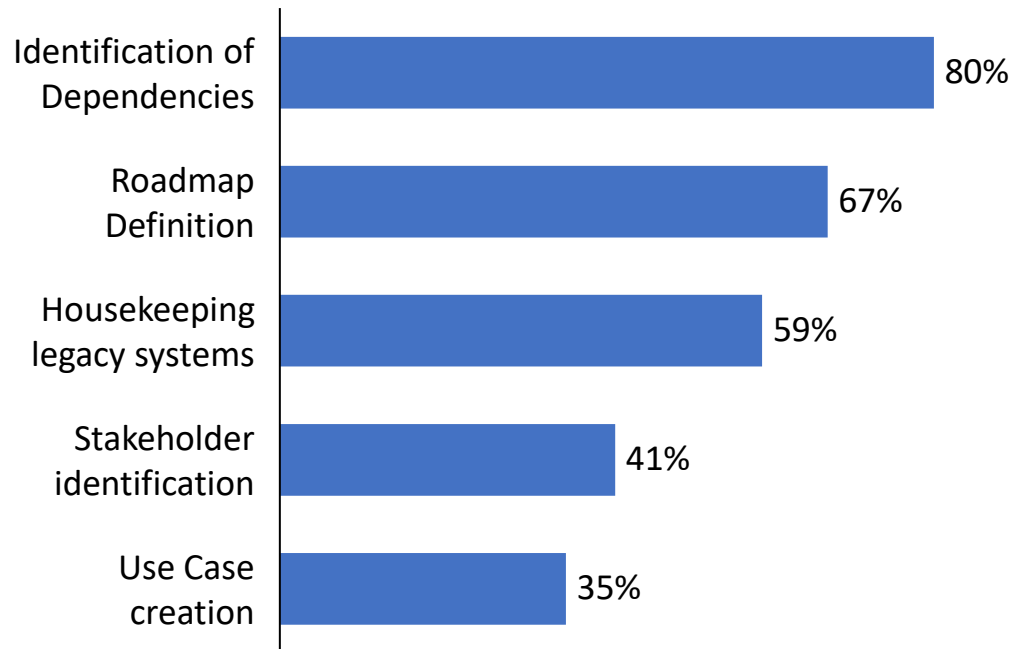 - Project Structure

Before We Start...
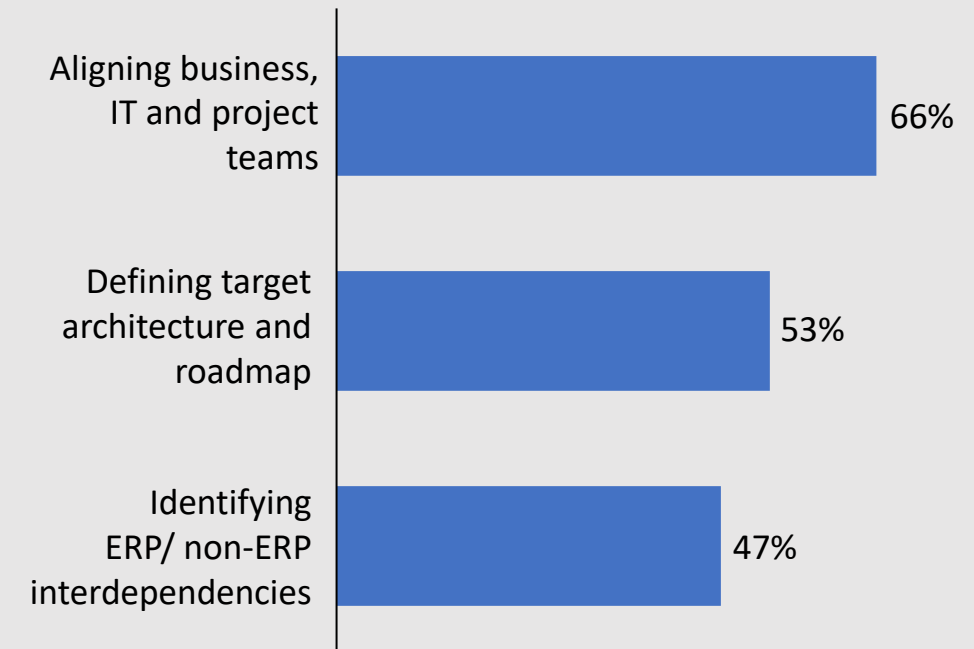
ERP Landscapes are Changing

1980s to 1990s Mainframe	1990s to 2000s Monolith	2000s to 2010s Carve-Outs	Today Post Modern ERP	Future Composable ERP
▪ On Premise	▪ On Premise ▪ Client/server architecture ▪ Graphical user interface	▪ On Premise ▪ Service oriented architecture ▪ Lots of customer specific modifications ▪ Additional more advanced apps like SRM, PLM, CRM, SCM	▪ Monolithic clean, simplified core ▪ Hybrid, selected capabilities in the cloud ▪ In memory computing ▪ Usage of API, IoT/ Mobile technology	▪ In the cloud ▪ Modular suite apps around clean core ▪ Adoption of best-of-bread cloud apps ▪ Integration & interoperability are key priorities

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Consistent Transformation Challenges

2021: Top 5 S/4HANA transformation challenges[1]

Challenge	Percentage
Identification of Dependencies	80%
Roadmap Definition	67%
Housekeeping legacy systems	59%
Stakeholder identification	41%
Use Case creation	35%

2022: Top 3 S/4HANA transformation challenges[2]

Challenge	Percentage
Aligning business, IT and project teams	66%
Defining target architecture and roadmap	53%
Identifying ERP/ non-ERP interdependencies	47%

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Discovering Dependencies

How are our Business Capabilities Pace-Layered

By Business Capability Hierarchy
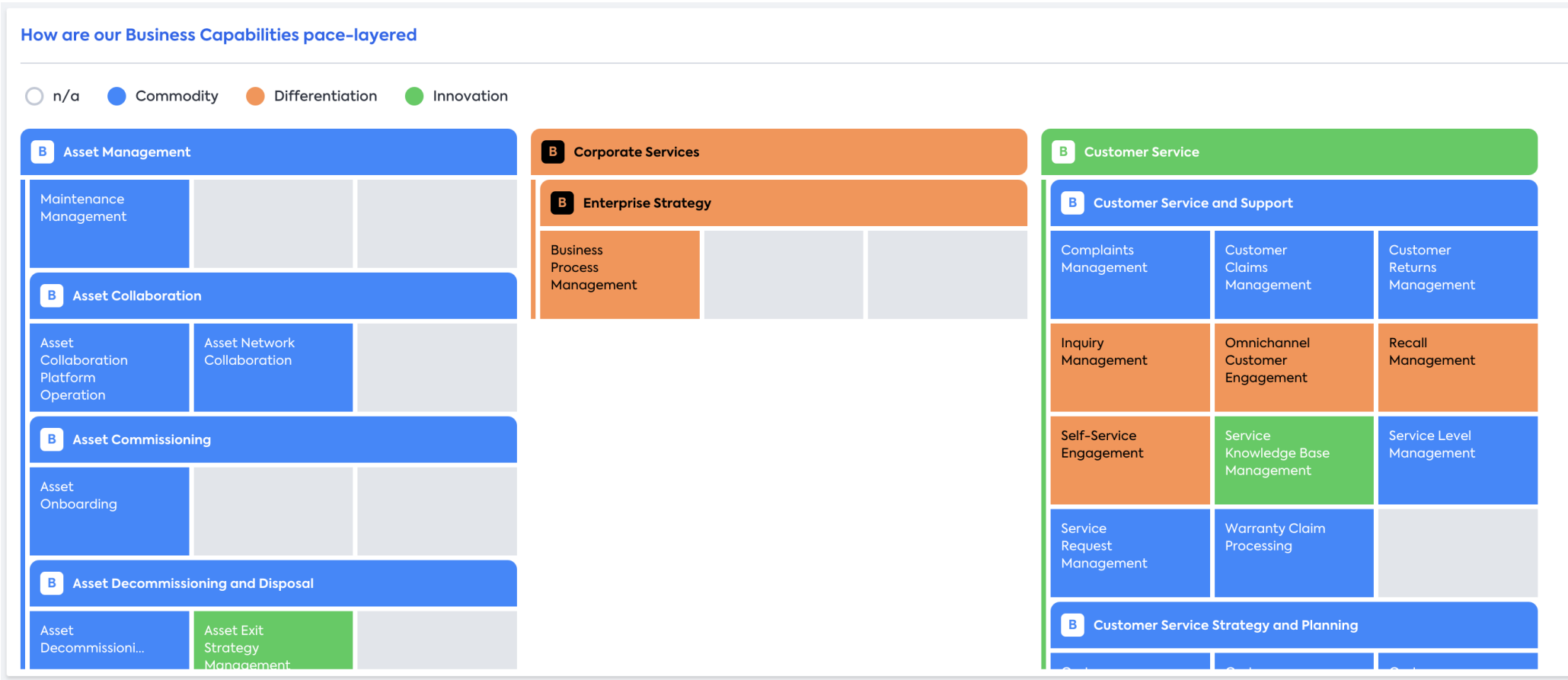
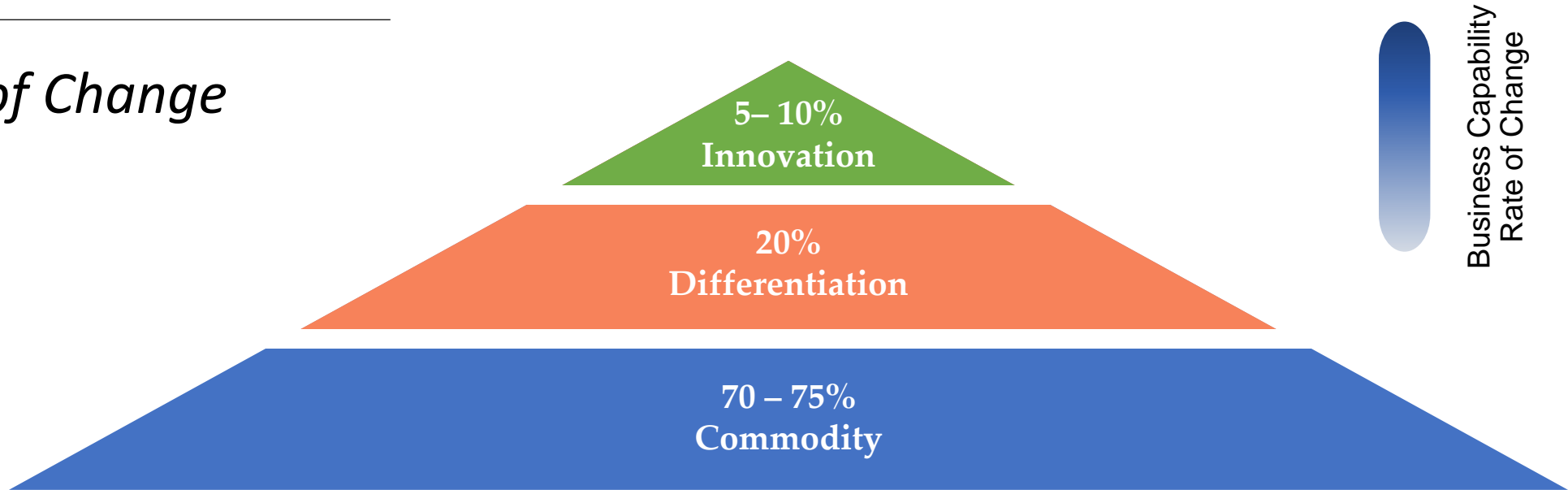# Refresher on Business Capabilities

Business Capability

Business capabilities (also called domains) model what your applications do to support your business goals.

Standardization of Business Capabilities

CUSTOMER RELATIONSHIP

Contact Management
- Classify Demand
- Contact Interaction
- Inbound Contact
- Manage Interaction
- Outbound Contact
- Route Contact

Contract Management
- Manage Contract
- Manage Frame-Contract
- Manage Product Usage
- Negotiate Contract

Customer Management
- Identify Customer
- Manage Community
- Manage Customer
- Manage Customer Hierarchy
- Manage Org. Context

Customer Scoring
- Check Credit-Worthiness
- Define Customer Risks
- Manage Customer Risks

Order Management
- Bundle Order
- Cancel Order
- Steer Order

ENTERPRISE SUPPORT

Enterprise Effectiveness & Project Management
- Develop Projects
- Manage Portfolio
- Manage Programs

Enterprise Risk Management
- Business Continuity
- Manage Compliance
- Manage Fraud
- Manage Insurance
- Manage Security

Human Resources Management
- HR Policies & Processes
- Manage Employee
- Manage Payroll
- Manage Talents
- Recruiting

Information Management
- Define Reports and KPIs
- Gather Data
- Govern Data
- Illustrate Data
- Process Data

IT Management
- Application Management
- EA Management
- Travel & Expense Management

FINANCE

Accounting
- Cost Accounting
- Enterprise Consolidation
- External Reporting
- Inventory Valuation
- Investor Relations
- Manage General Ledger
- Performance Reporting

Asset Management
- Asset Performance Mgmt
- Decommissioning
- Investment Planning
- Manage Asset Lifecycle

Financial Planning & Analysis
- Business Planning
- Cost Accounting
- Forecasting

Payroll
- Manage Payment
- Process Taxes
- Time Stamp Report

Settlements & Payments
- Account Payables
- Billing
- Revenue Cycle Management
- Travel & Expense Management

MARKETING & SALES

Customer Success Management
- Avoid Customer Churn
- Define Plans for Customer Upsell
- Increase Customer Lifetime Value
- Manage Customer Onboarding
- Manage Upsells
- Terminate Contracts

Demand & Offer Management
- Identify Customer
- Identify New Channels
- Manage Community
- Manage Customer
- Manage Customer Hierarchy
- Manage Customer Profile
- Manage Org. Context

Marketing & Sales Development
- Define Customer Value Proposition
- Define M&S Requirements
- Define Marketing Budget
- Develop M&S Channels
- Develop M&S Messages
- Monitor Channels

Sales
- Advise Client
- Create ERP
- Create Specific Offer
- Manage Client

PROCUREMENT & LOGISTICS

Logistics Management
- Manage Demand Forecast
- Manage Logistic Order
- Manage Returns
- Manage Transportation

Purchasing
- Approve & Transmit Order
- Decide On Sourcing
- Define Sourcing Requirements
- Define Sourcing Strategy
- Manage Category
- Manage Purchase Catalogue
- Manage Purchase Order
- Manage Purchase Procedure
- Manage Purchase Requirements
- Manage Purchase Requisition
- Manage Sourcing Tender Process
- Tendering

Sourcing

Supplier Contact Management
- Enact Supplier Contract
- Manage Supplier Contract
- Manage Supplier Frame Contract
- Negotiate Supplier Contract

Warehouse Management

PRODUCT & SERVICE DEVELOPMENT

Engineering
- Conceptualization
- Construction
- Design Products
- Manage Requirements

Marketing Testing
- Analyse Customer Intelligence
- Establish Measures
- Evaluate Market Opportunities
- Market Survey

Method Development
- Define Method
- Execute Method
- Refine Method
- Validate Method

Product & Service Delivery
- Manage Product Traceability
- Manage Production
- Schedule Production
- Test Quality Performance

Product Preparation
- Align Resources
- Master Production Schedule
- Procure Materials & Services
- Select Suppliers & Developers

PRODUCTION

Change Management
- Access Deviations
- Analyze Deviations
- Manage Deviation Allowance
- Plan & Execute Deviations
- Trace Deviations

Infrastructure Management
- Build Site Infrastructure
- Manage Location Restrictions
- Operate Site Infrastructure
- Plan & Control Construction

Machine Management
- Build Machine
- Calibrate Machine
- Manage Machine Information
- Operate Machine
- Optimize Machine

Maintenance
- Handle Spare Parts
- Manage Maintenance Plan
- Recognize & Recover Failure

Materials Management
- Fetch Material
- Handle Dangerous Goods
- Manage Containers
- Manage Incoming Materials

STRATEGIC MANAGEMENT

Business Concept
- Concept Establishment
- External Assessment
- Internal Analysis
- Market Surveys
- Restructure Organization

Externals Management
- Evaluate & Select
- Maintain Contracts
- Manage Payments
- Monitor Performance
- Terminate Contracts

Innovation & Technology Management
- Manage External Innovation
- Manage Innovation Process
- Manage Internal Innovation
- Scout Trends
- Track Innovation

Manage Core Business
- Coordinate Projects
- Evaluate Existing Products
- Manage Bus. Performance & Ops
- Manage Projects

Mergers & Acquisitions
- Manage M&A

Pace-Layering

Rate of Change

5– 10%
Innovation

20%
Differentiation

70 – 75%
Commodity

Business Capability
Rate of Change

Commodity (Common Ideas)

- Transactional, highly integrated
- Company-wide
- Avg. Lifecycle: 7+ years (infrequent)
- **Governance: Rigid, managed complexity**
- **Corporate-funded**

**Differentiation (Better Ideas)**

- Industry- and/or company-specific
- Select business areas
- Avg. Lifecycle: 1 - 2 years (frequent)
- **Governance: Company-specific, adaptable complexity**
- **Business-funded**

Innovation (New Ideas)

- Experimental (trial-based)
- Conditional
- Avg. Lifecycle: 2 - 3 months (rapid)
- **Governance: Scenario-based, high complexity**
- **Funded by special budgets**

How are our Business Capabilities Pace-Layered

Objective: Identify where the business is stable and where we need to account for constant change
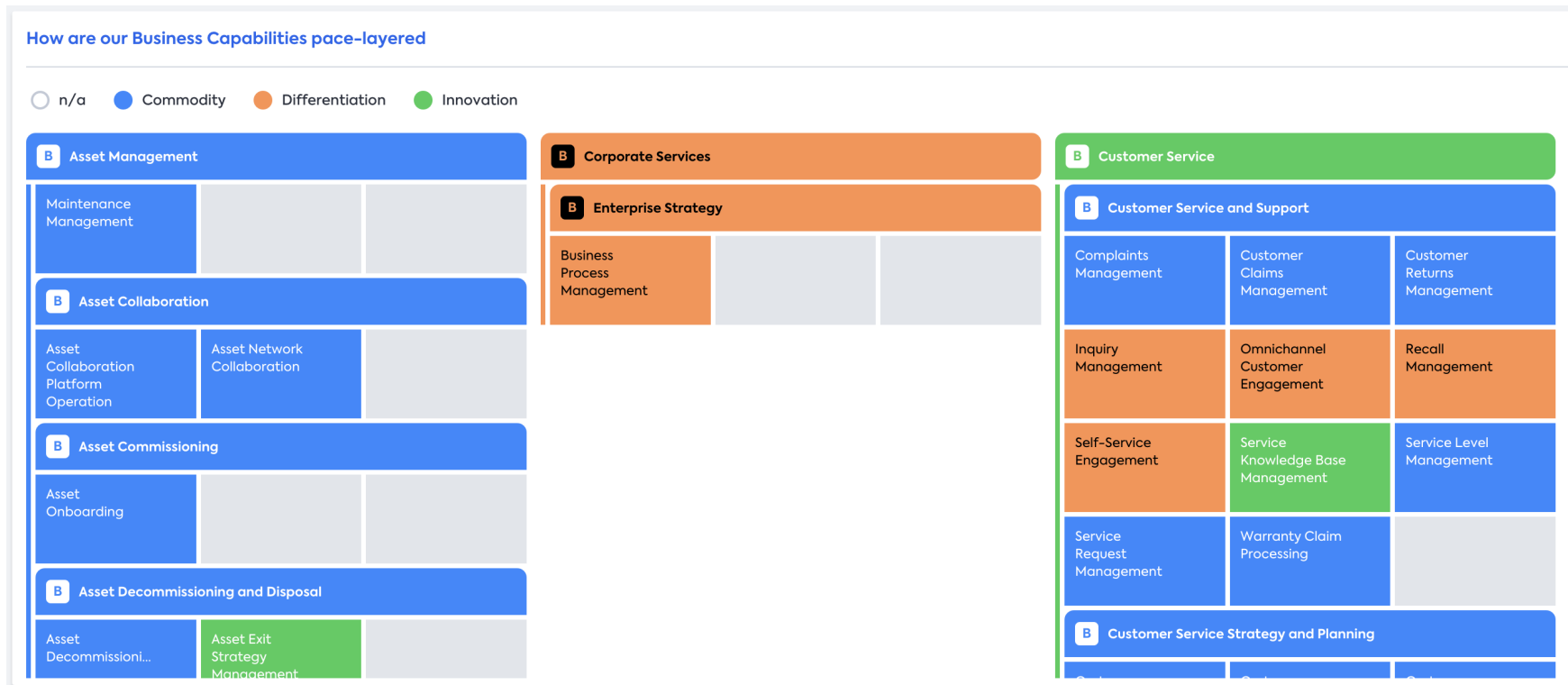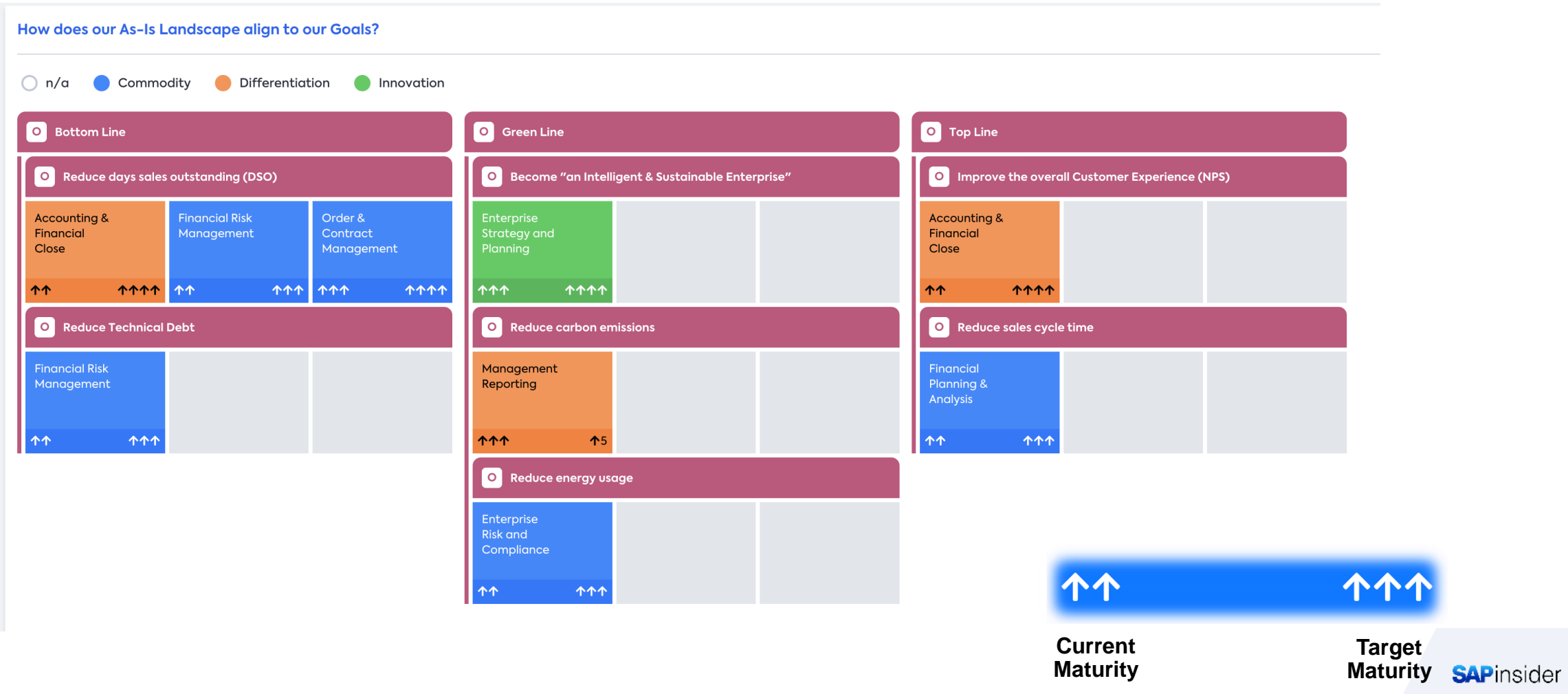

Best Practices

- Re-assess business capabilities against future-state architectures

- Promote configurability only in systems of differentiation and innovation

- Perform frequent impact analysis on systems of innovation

As-Is Business Capability Alignment with Goals

Objective: Identify future states of the business segments and the overall direction

How does our As-Is Landscape align to our Goals?

○ n/a　🔵 Commodity　🟠 Differentiation　🟢 Innovation

Bottom Line

Reduce days sales outstanding (DSO)

Accounting & Financial Close	Financial Risk Management	Order & Contract Management
↑↑　↑↑↑↑	↑↑　↑↑↑	↑↑↑　↑↑↑↑

Reduce Technical Debt

Financial Risk Management		
↑↑　↑↑↑		

Green Line

Become "an Intelligent & Sustainable Enterprise"

Enterprise Strategy and Planning		
↑↑↑　↑↑↑↑		

Reduce carbon emissions

Management Reporting		
↑↑↑　↑5		

Reduce energy usage

Enterprise Risk and Compliance		
↑↑　↑↑↑		

Top Line

Improve the overall Customer Experience (NPS)

Accounting & Financial Close		
↑↑　↑↑↑↑		

Reduce sales cycle time

Financial Planning & Analysis		
↑↑　↑↑↑		

↑↑↑　　↑↑↑
Current Maturity　　　　　**Target Maturity**

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Functional vs Technical Fit Plus End of Life

Objective: Identifying applications that might need to have more exploration before the migration
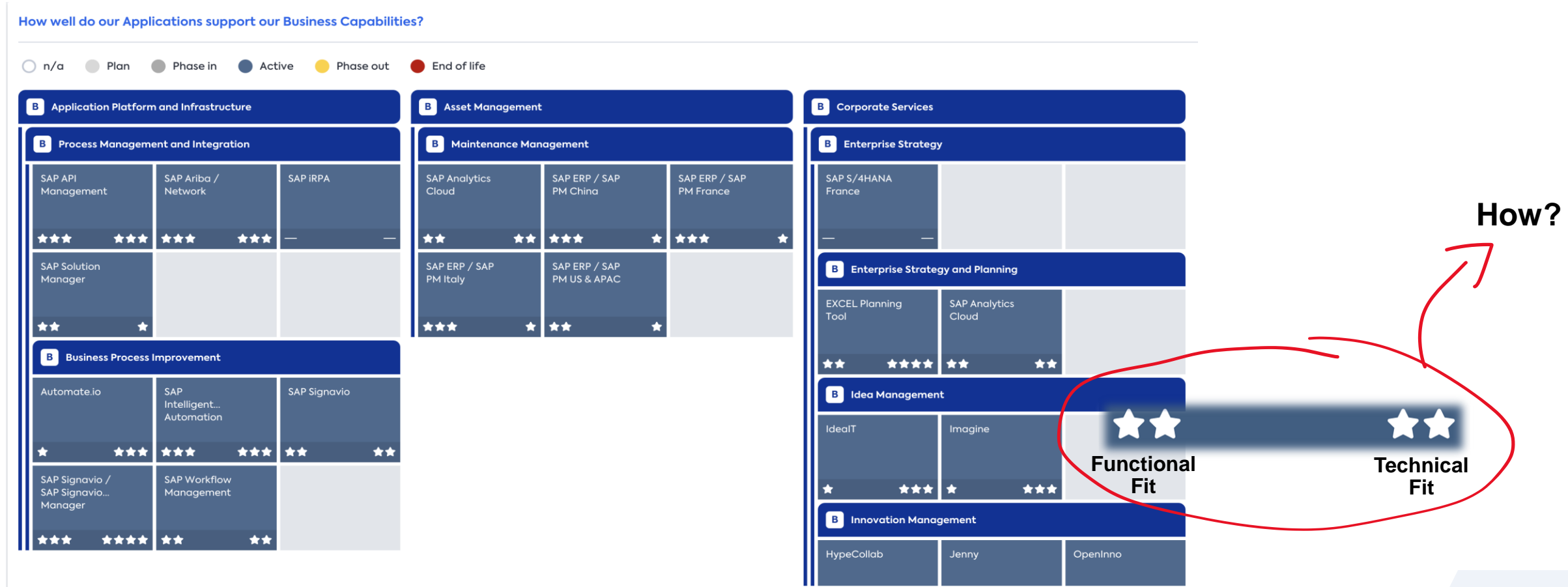
How do you Determine the Fit?

• Functional Fit

☑ Business Fit

🖥 Information Quality

🚀 Future Potential

⟜ Availability

☆ Criticality

• Technical Fit

☑ Technical Requirements

⬚ Architecture Alignment

👥 Pool of Experts

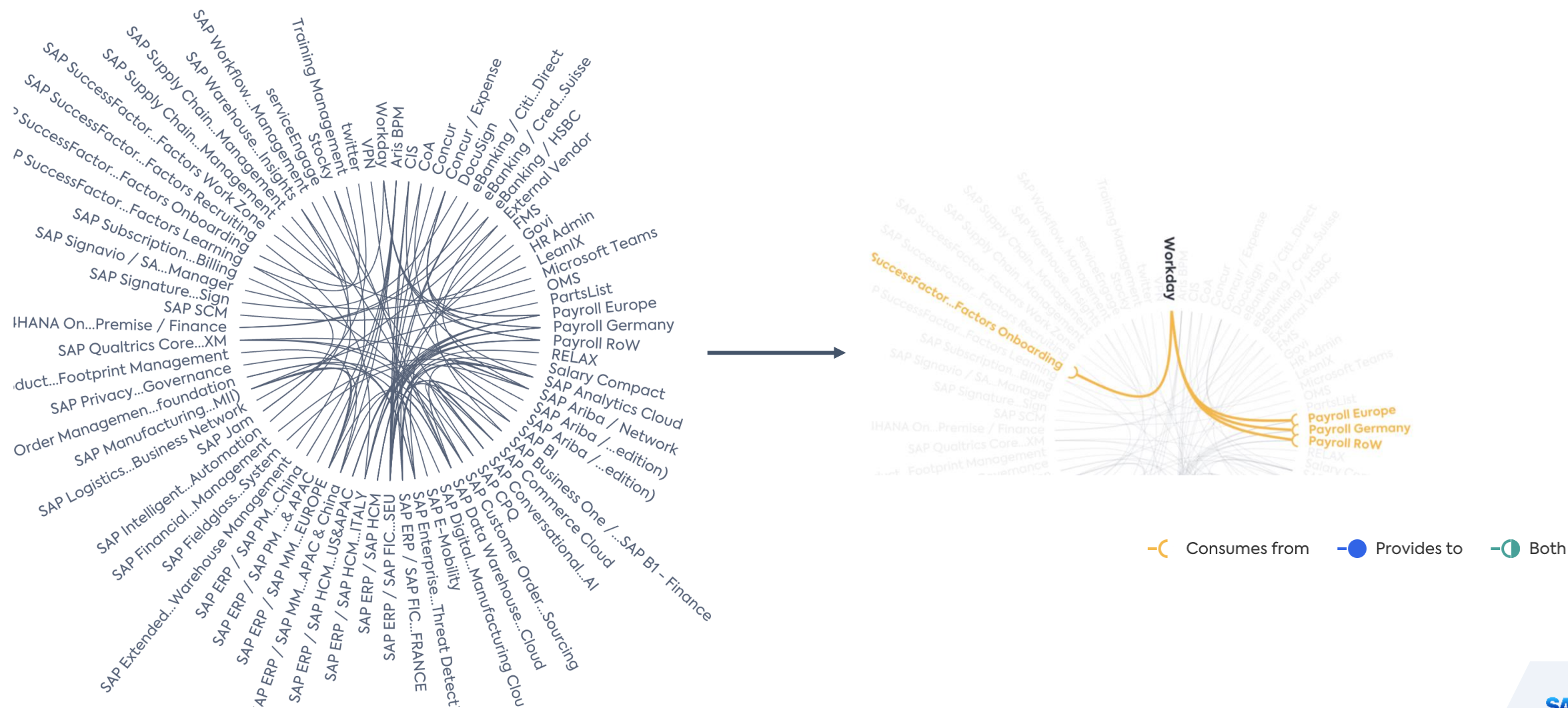📈 Product Stability

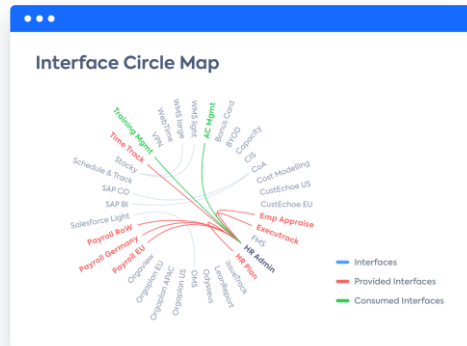🔧 Maintainability

⚙ Customization

⬡ Vendor viability

💬 Support

Exploring Application to Application Dependencies

Objective: Understanding how does the information flows today, and to where (good to streamline)

Consumes from   Provides to   Both

Discover Dependencies in your IT Landscape

- Pace-Layering with their best practices

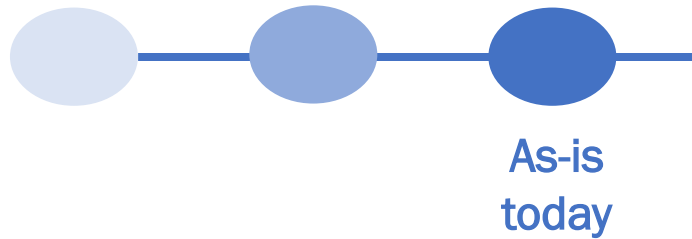- Alignment to the Company Goals

- Application Lifecycle

- Application support to Business Capabilities
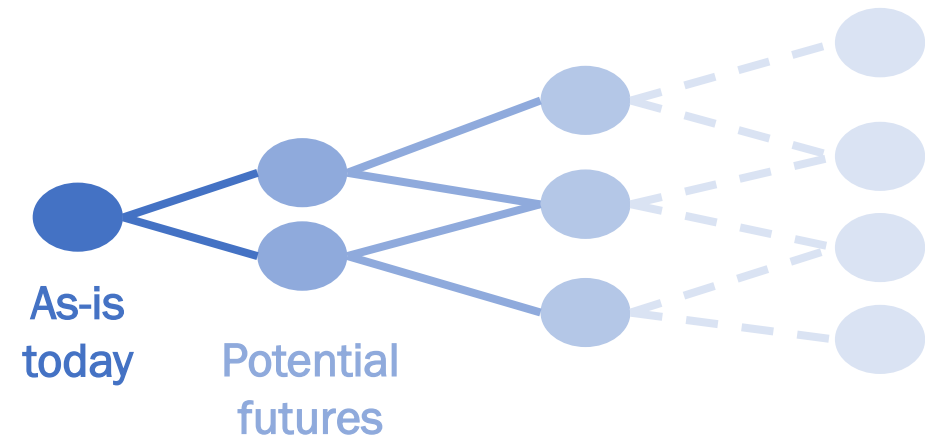
- Application to Application Dependencies

What If...

Know Where you are, to Decide Where to Go

As-is today

As-is today   Potential futures

"We know our As-Is landscape and model our executed decisions accordingly"

"We know where we are today and visualise potential future states to drive iterative decision-making on our future roadmap"

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Scenario Planning

What is our Project Roadmap for the SAP S/4HANA Implementation?

Legend: ○ n/a   ● Plan   ● Phase in   ● Active   ● Phase out   ● End of life

Timeline: 2022 | 2023 | 2024

- S/4 HANA Scenario I – New implementation
  - HR Workstream
    - Option B – Replace SAP HCM with BambooHR
    - Option A – Replace SAP HCM with Success Factors
  - Finance Workstream
    - Finance Innovation Project
    - Finance Migration
    - Finance Rollout & Cutover
      - Rest of the world
      - Rollout Europe
  - Increase Process Efficiency and Automation with SA...
  - Production & Logistics Workstream
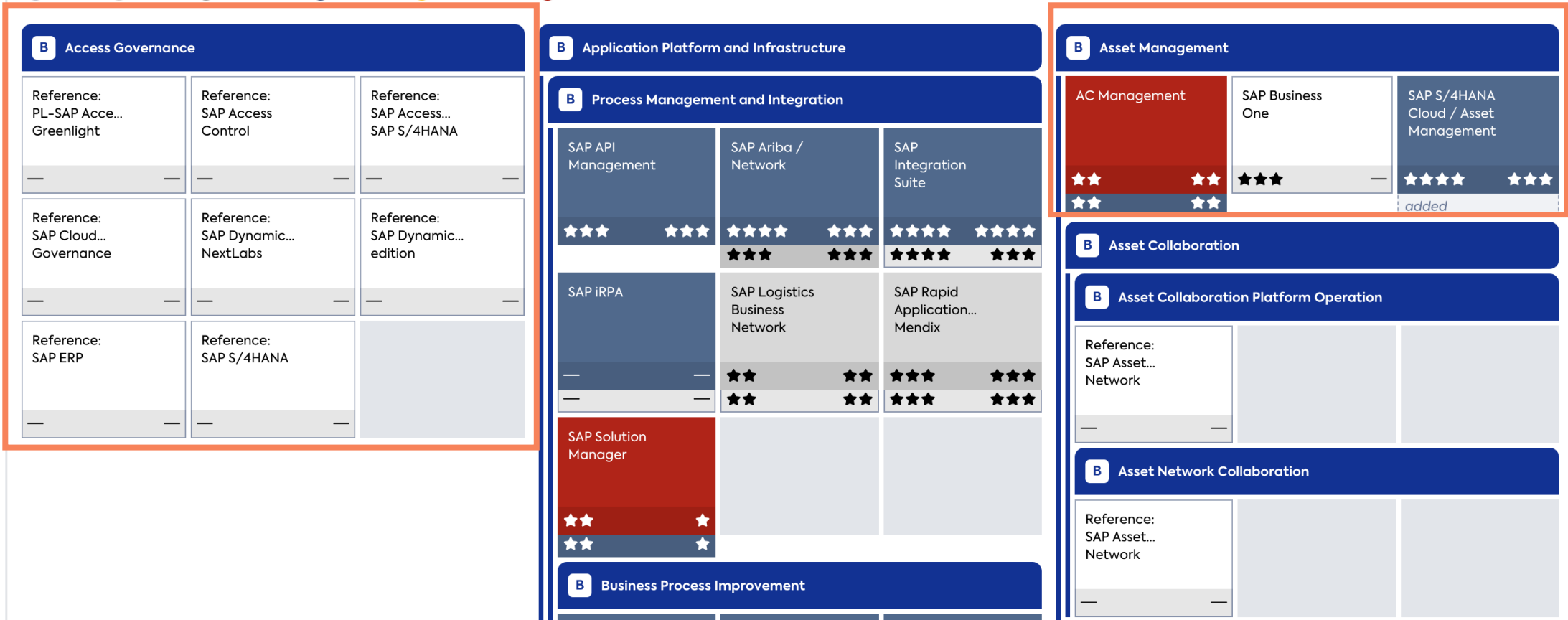   - Innovation Project
    - Migration

Benefits

- Multiple teams can autonomously work on a roadmap

- Future scenarios do not mix up active architecture

- Different scenarios can be evaluated

- Independent validation of projects & their impacts

- Scenarios can be easily removed if no longer needed

Scenario Planning – Looking at the Impacts

What will our Target Application Landscape be after migrating to SAP S/4HANA?

○ n/a　　◐ Plan　　● Phase in　　● Active　　● Phase out　　● End of life

B Access Governance

Reference: PL-SAP Acce... Greenlight	Reference: SAP Access Control	Reference: SAP Access... SAP S/4HANA
—　　　　—	—　　　　—	—　　　　—

Reference: SAP Cloud... Governance	Reference: SAP Dynamic... NextLabs	Reference: SAP Dynamic... edition
—　　　　—	—　　　　—	—　　　　—

Reference: SAP ERP	Reference: SAP S/4HANA	
—　　　　—	—　　　　—	

B Application Platform and Infrastructure

B Process Management and Integration

SAP API Management	SAP Ariba / Network	SAP Integration Suite
★★★　　★★★	★★★★　　★★★ ★★★　　★★★	★★★★　　★★★★ ★★★★　　★★★

SAP iRPA	SAP Logistics Business Network	SAP Rapid Application... Mendix
—　　　　—	★★　　★★ ★★　　★★	★★★　　★★★ ★★★　　★★★

SAP Solution Manager		
★★　　★ ★★　　★		

B Business Process Improvement

B Asset Management

AC Management	SAP Business One	SAP S/4HANA Cloud / Asset Management
★★　　★★ ★★　　★★	★★★　　—	★★★★　　★★★ *added*

B Asset Collaboration

B Asset Collaboration Platform Operation

Reference: SAP Asset... Network		
—　　　　—		

B Asset Network Collaboration

Reference: SAP Asset... Network		
—　　　　—		

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We Have a WINNER!

Where to Start...

Functional Fit

- ☑ Business Fit
- ▤ Information Quality
- 🚀 Future Potential
- ⚬ Availability
- ☆ Criticality

Technical Fit

- ☰ Technical Requirements
- ▢ Architecture Alignment
- ⚇ Pool of Experts
- ⎍ Product Stability
- 🔧 Maintainability
- ⚙ Customization
- ⬓ Vendor viability
- ❗ Support

Remember that we already did all the leg work?

Depending on the results and the impact we can prioritize the core activities.

Combination of all the prework with the scenario planning will result in more educated decisions.

Communicate Roadmap on Different Levels

1   Strategic Overview
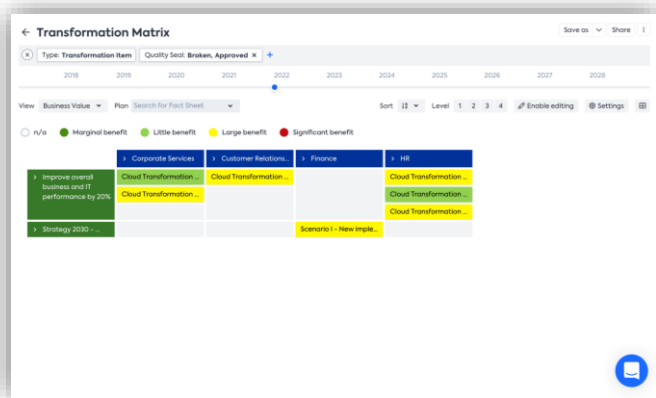
Get an overview of all projects that support your objectives & the improved Business Capabilities
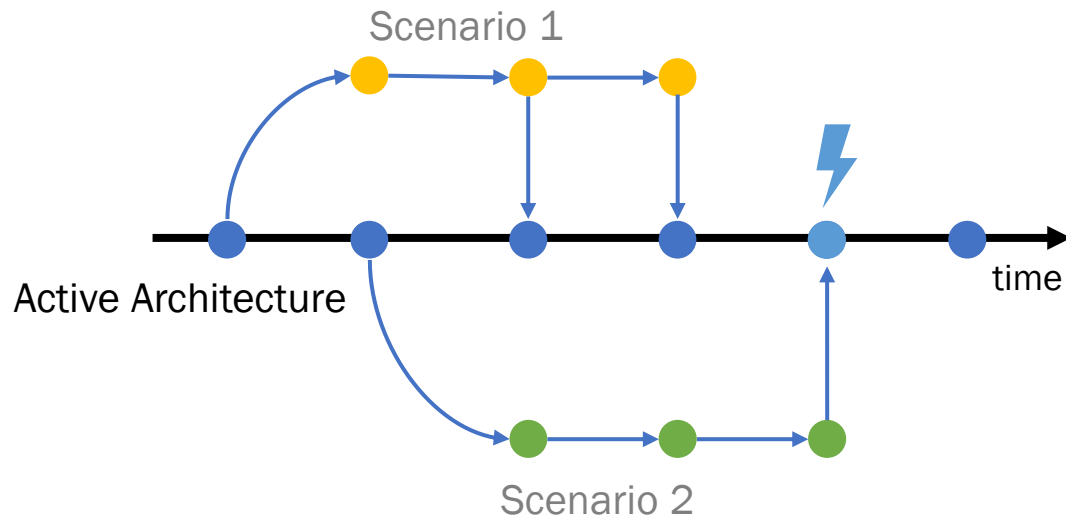
2   Project Portfolio Overview
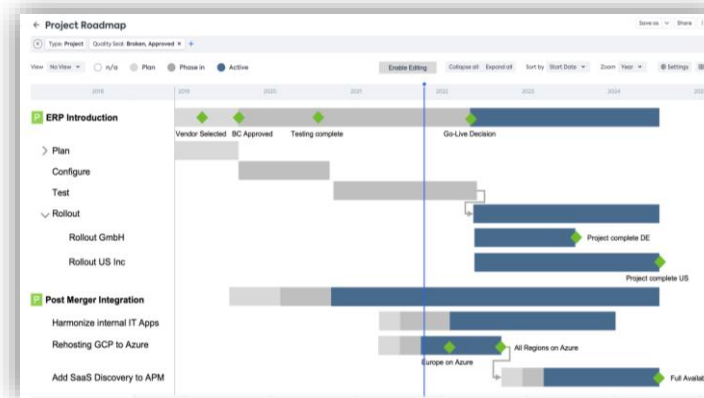
Get an overview over your initiatives broken down into sub-projects & understand their interdependencies

3   Project Details
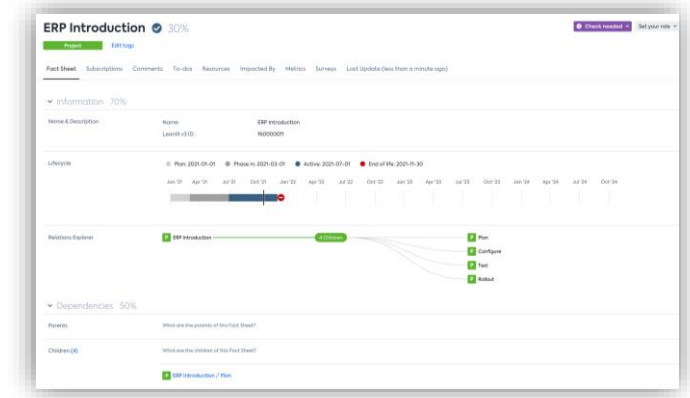
Manage your projects & associated transformations using milestones

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Execution of Impacts to Keep Single Source EA

Scenario 1

Active Architecture

Scenario 2

time

Benefits

- Collaborative modelling of a multitude of transformations at the same time

- Execution of planned changes as the new basis for further planning

- Always work with the up-to-date As-Is landscape

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Wrap up

We went through why and how being prepared can minimize risk when migrating into an ERP

This methodology can be applied to any migration or transition

What if scenarios can be a great place to incite discussion in look for the best path to navigate

Remember, to document your progress so you don't start all over on your next migration

Where to Find More Information

- LeanIX.net

- Leanix.net/en/use-cases/erp-transformation
  - Paper describing the details of building components

- https://www.leanix.net/en/download/holistic-approach-to-sap-s4-hana-transformations
  - Whitepaper - Getting it right: A holistic approach to SAP S/4HANA transformations

- https://www.leanix.net/en/download/setting-the-stage-for-sap-s4hana-with-enterprise-architecture
  - Whitepaper - Setting the Stage for SAP S/4HANA with Enterprise Architecture

Key Points to Take Home

- Use the Pace-Layer to understand which Business Capabilities are getting expanded and invested in

- Review if IT Landscape matches the company's future state and direction

- Do constant checks on the application lifecycles to minimize disruptions

- Comparing scenarios can give you a better understanding on impacts later in the roadmap

- Make sure that once you select a roadmap you have a single source of Truth

Rodrigo Landeros

Please remember to complete
your session evaluation.

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in ⊗ ⊙

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