

CIO'S 2023 TRANSFORMATION REPORT CARD

DETAILED FINDINGS FROM
THE BENCHMARK REPORT
By Mark Vigoroso **October 2023**

DETAILED FINDINGS



Research Partner



Sponsored by



DETAILED FINDINGS

1

Between June and September 2023, SAPinsider surveyed a total of 156 members.

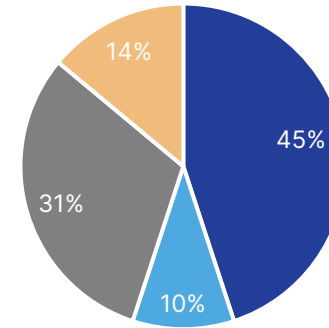
The survey participants came from various geographical regions worldwide, with North America and EMEA contributing the most respondents.

The top two industries represented were Industrial and Software & Technology.

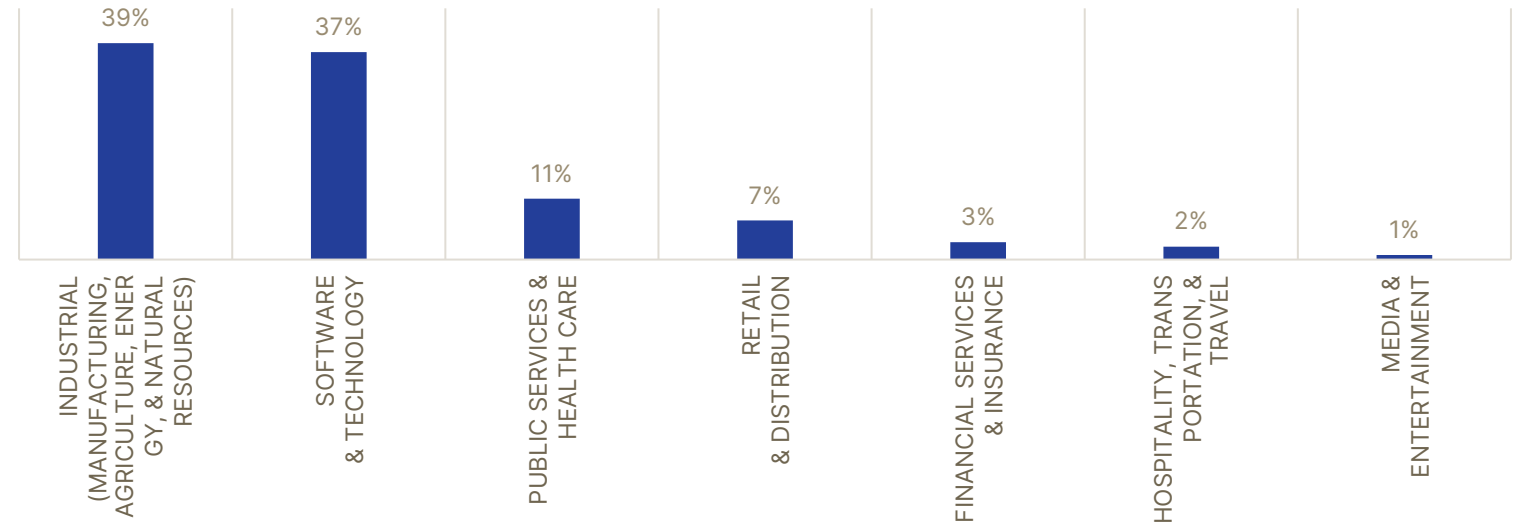
The primary objective of the survey was to gather insights from IT leaders who were involved in SAP transformation initiatives.

Respondent Geographies

■ North America ■ LATAM ■ EMEA ■ APJ & ANZ



Respondent Industries



DETAILED FINDINGS

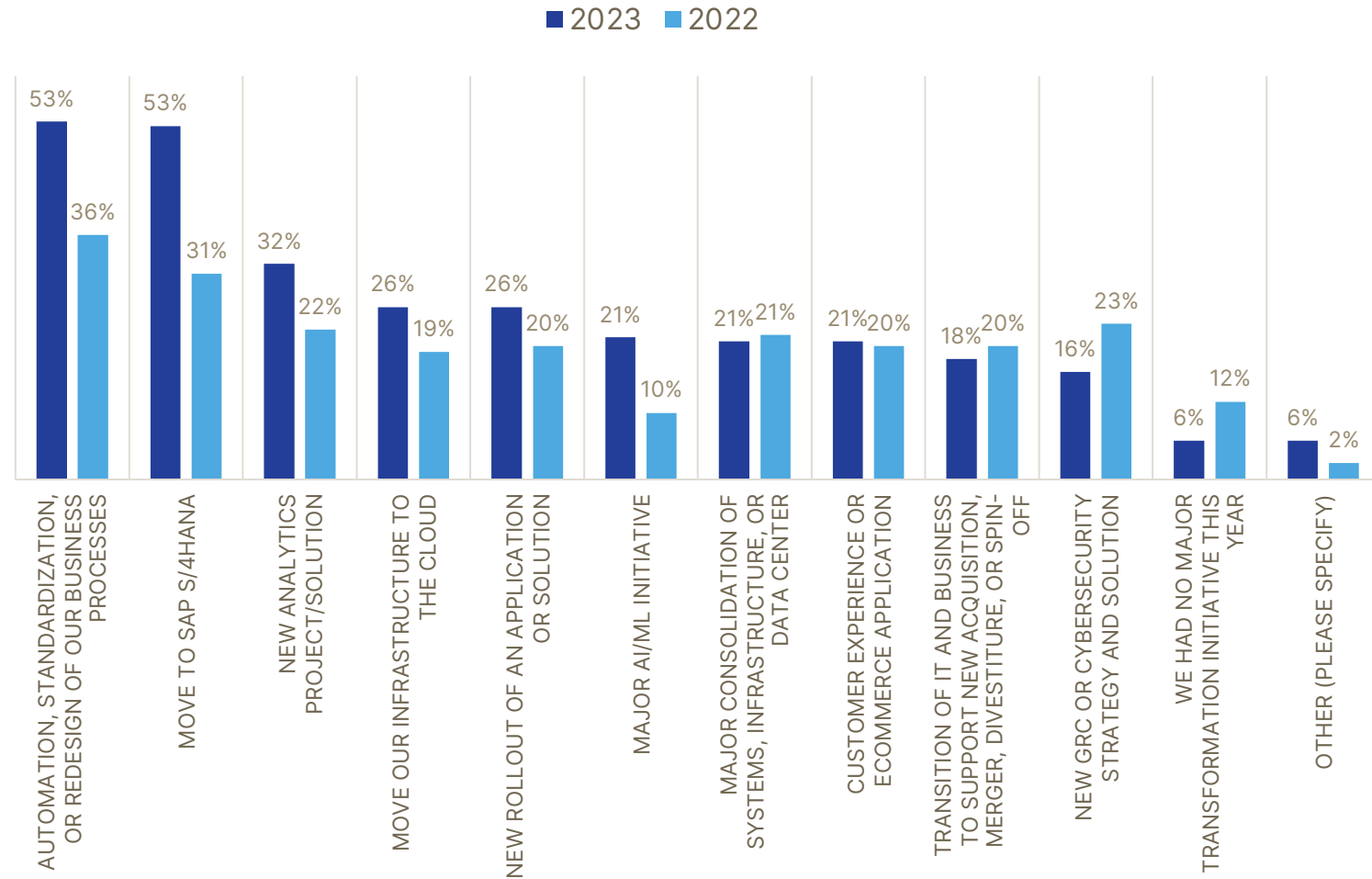
2

Two projects were noted by more than half of respondents – Automation, standardization or redesign of business processes; and move to SAP S/4HANA – representing 17 and 22 percentage point increases over last year, respectively.

“You have to have a business process library. It’s the first step to excellence,” said Jamie Lee, CIO at Ecobat. “Lean best practices will tell you if you have twelve different processes, pick one.”

Polled companies have focused their transformation efforts on such processes as accounts payable/receivable, material planning, quality control, data management, customer experience, order management, labor management, security/risk management, and warehouse management.

Top 2023 Transformation Projects



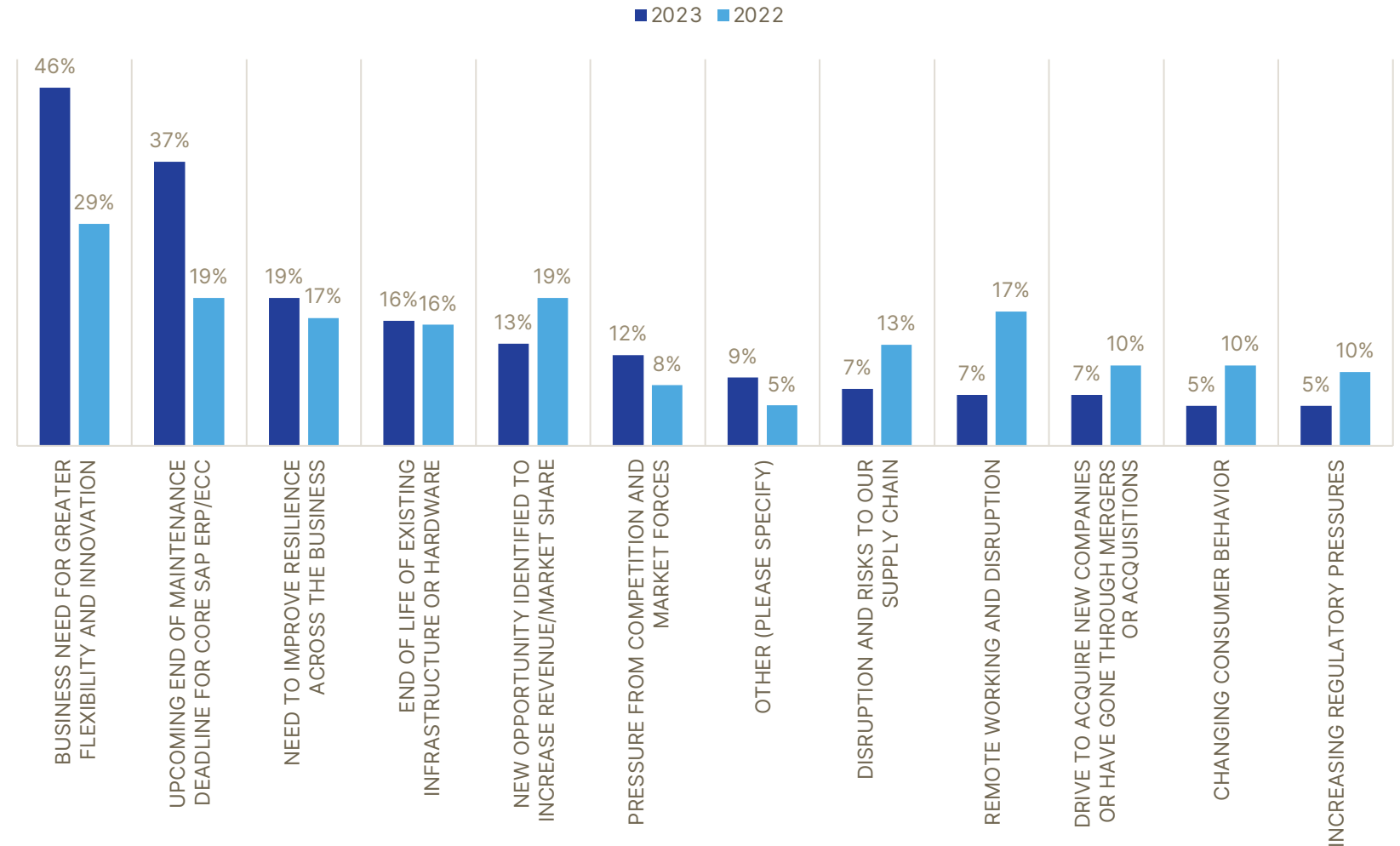
DETAILED FINDINGS

3

Nearly half of respondents cited as a driver of transformation the business need for greater flexibility and innovation, 17 points higher than last year. And well over a third of respondents noted the upcoming end of maintenance for ECC, 18 points higher than last year.

“When you use such old systems and solutions, maybe 80% of your effort goes to maintaining them and to keep the lights on basically,” said Yaman Acar, IT Director at Alliance Healthcare. “So therefore you have no room for flexibility or innovation.”

Drivers of Transformation



DETAILED FINDINGS

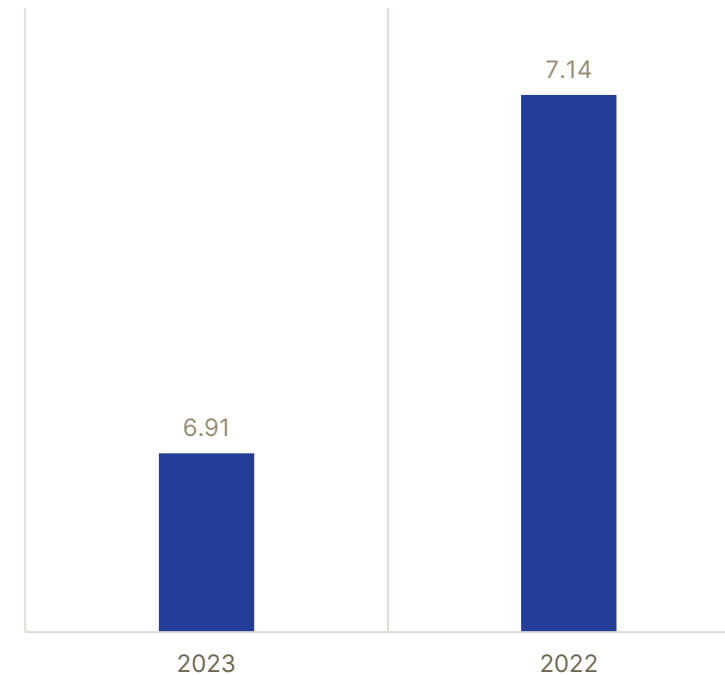
4

Respondents were asked how they would rate the progress or results of their transformation project on a scale of 1-10 (1 is not meeting expectations at all, and 10 is exceeding expectations). The average score was 6.91, down slightly from last year's 7.14.

Among the multitude of factors holding this score back is overestimating the capabilities of a third-party contributor.

"A lesson for me was, put the SI to work on what their strengths are," said Jason Anthony, Head of SAP Capability at SA Power Networks. "Spend time upfront having a look at what they bring to the table and then consider what you bring to the table. We've got really strong technical skills in house and probably should have carried more of that load."

Project Progress/Results Rating



DETAILED FINDINGS

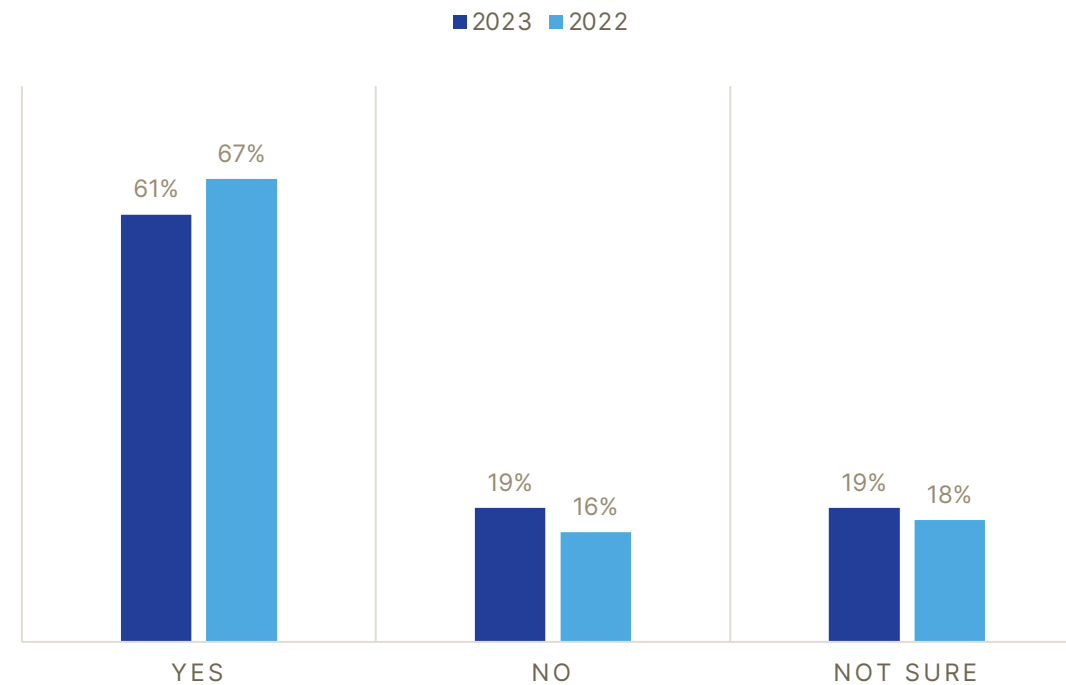
5

Respondents were asked if they have concrete KPIs and measures they are using to measure the success of their transformation initiatives.

Sixty-one percent of companies said yes, down slightly from the 67% that said yes last year.

“My biggest metric is ROI. Whatever you are investing today may look like a huge number, but you always have to create a chart where you see the initial investment, followed by the savings expected after three, four, five years,” said Chanda Verma, Senior SAP Consultant at Perigee.

Are KPIs in Place to Measure Transformation Success?



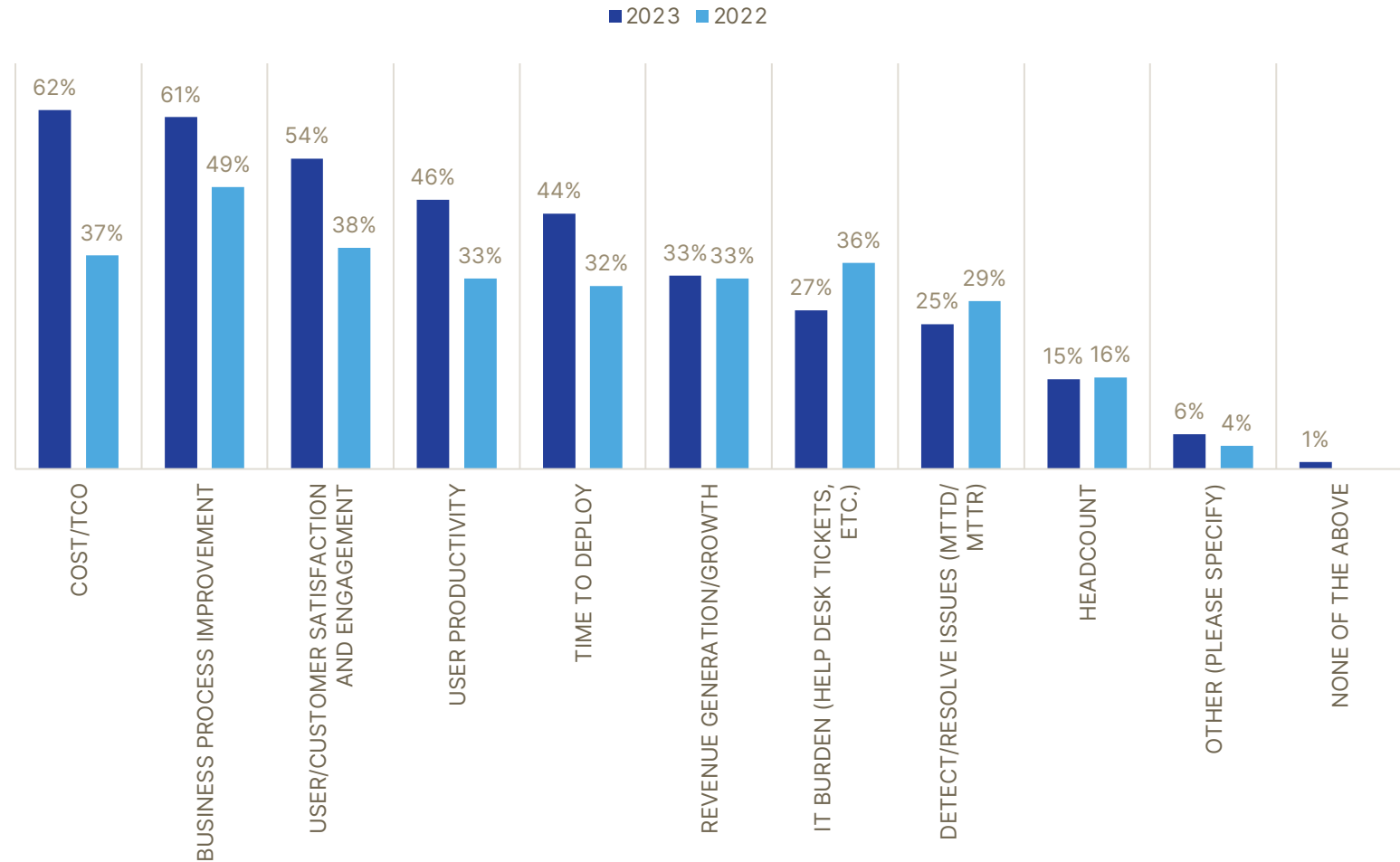
DETAILED FINDINGS

6

The most used KPI for transformation projects was cost / total cost of ownership (TCO), selected by 62% of respondents, up significantly from 37% last year. This was followed by business process improvement (61%) and user/customer satisfaction and engagement (54%).

“There’s mounting profit pressure, but there’s also been a shift in GAAP and IFRS, whereby you can’t capitalize investments in the cloud,” said Jamie Lee, CIO at Ecobat. “So it’s a shift from capex to opex and we’re getting pinched by cloud costs.”

Transformation Project KPIs



DETAILED FINDINGS

7

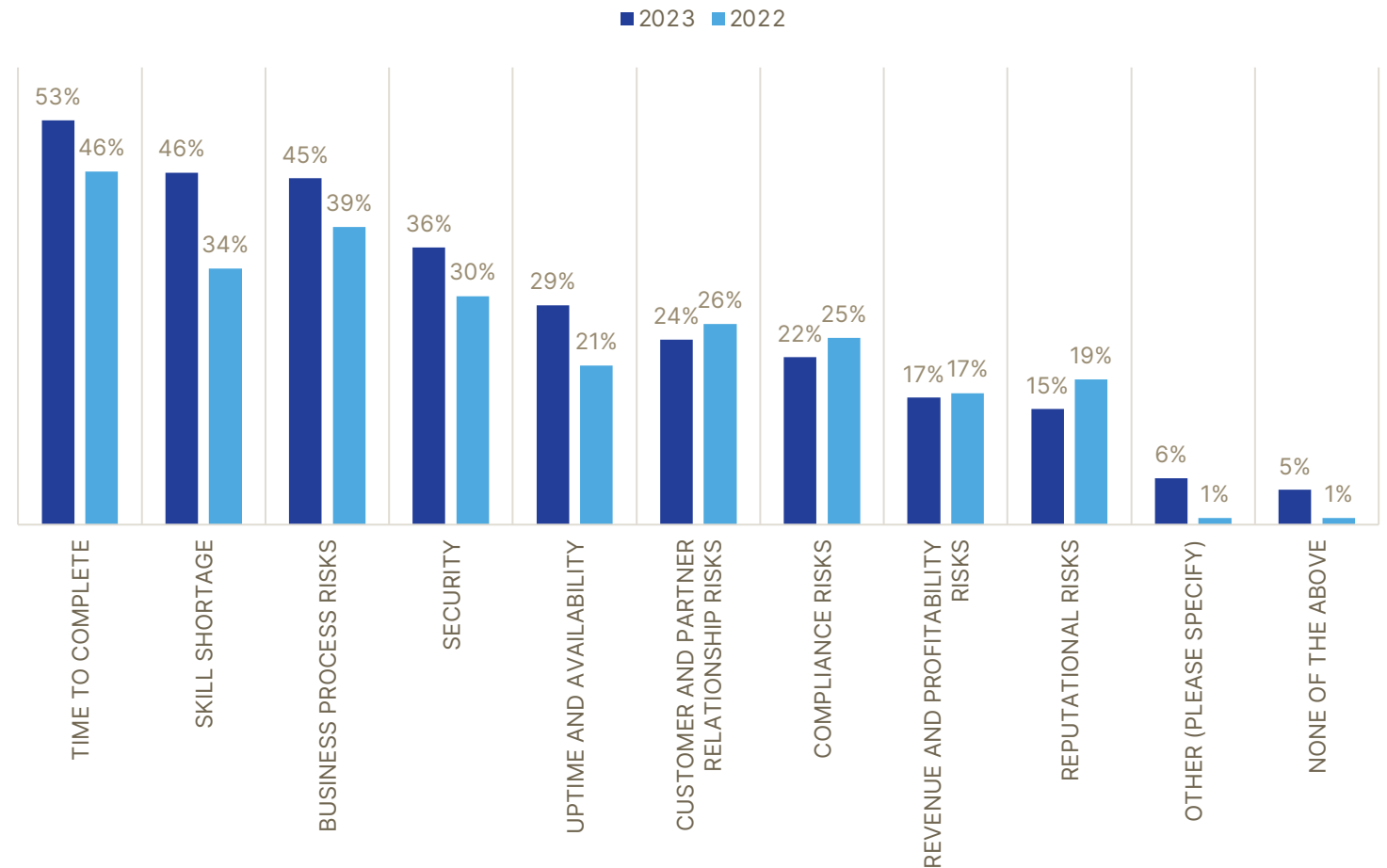
Top risks noted by respondents were time to complete (53%), skills shortage (46%), and business process risks (45%).

To acquire technical skillsets for emerging technologies like AI, some companies are reaching into the younger generations that are learning data science in the college classroom.

“We recruited a group of college interns in computer science studying Python and R, and we had them prove out several models,” said Brenda Ward, Director of Applications and Analytics at Pacific Coast Companies.

“To retain young talent, we really do that with our culture, with keeping them engaged and giving them opportunities to learn and to innovate.”

Risks to Transformation Projects



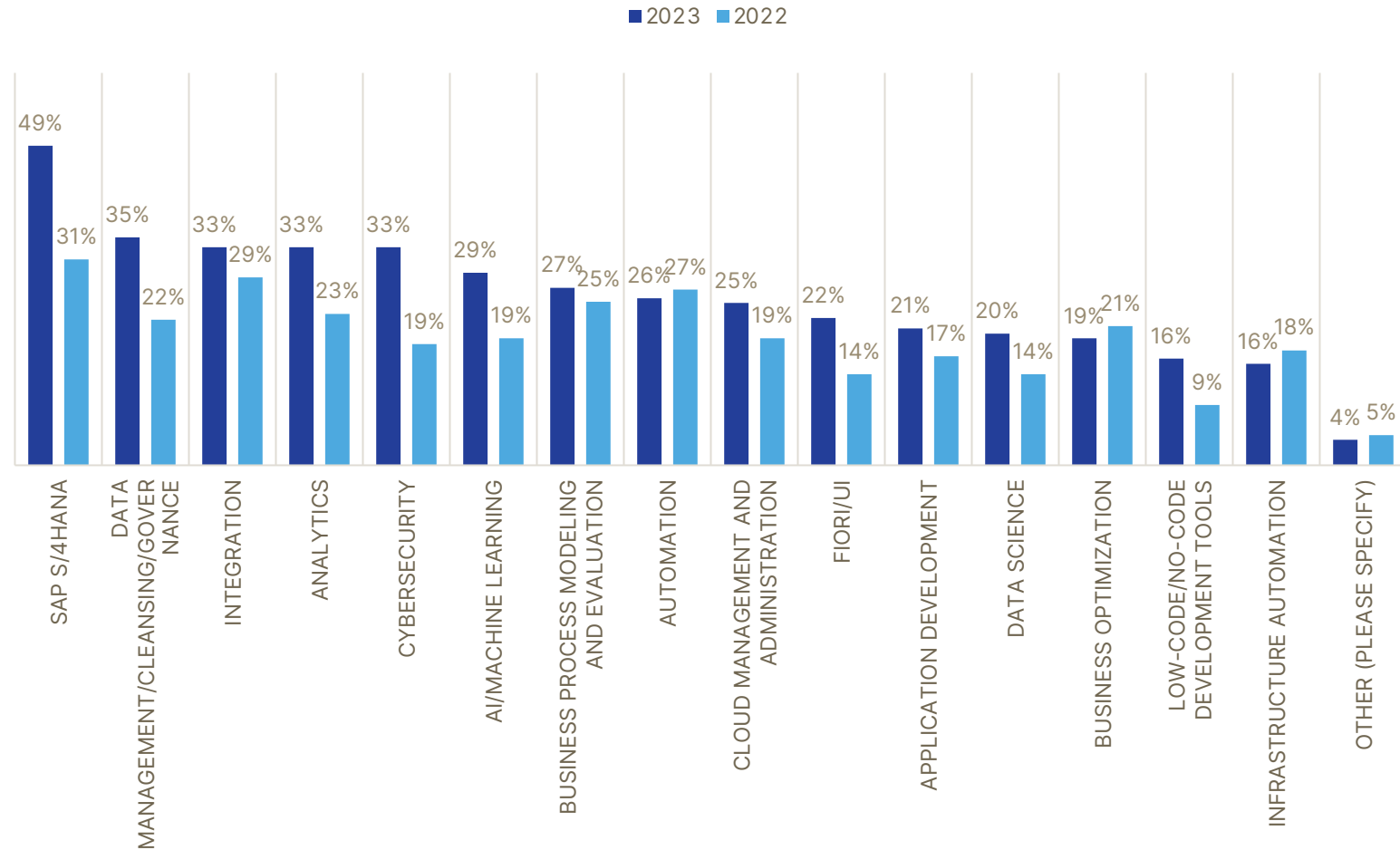
DETAILED FINDINGS

8

Given the impending end of maintenance on ECC in 2027, it's no surprise that nearly half of responding companies are acquiring skills in SAP S/4HANA, up 18 percentage points over last year.

“IT shops get paid first and foremost for ensuring that you have a high degree of reliability and that systems just work. And then the second thing that are table stakes for an IT shop is to make sure that they're managing risk. And then third are enterprise programs and solutions that make sure that the company continues to run as it grows.” said Martin Menard, CIO at Pacific Coast Companies. “We've kept the infrastructure team, support team and cyber team flat. And we've grown on the side of program management, project management and applications.”

Skillsets Added



DETAILED FINDINGS

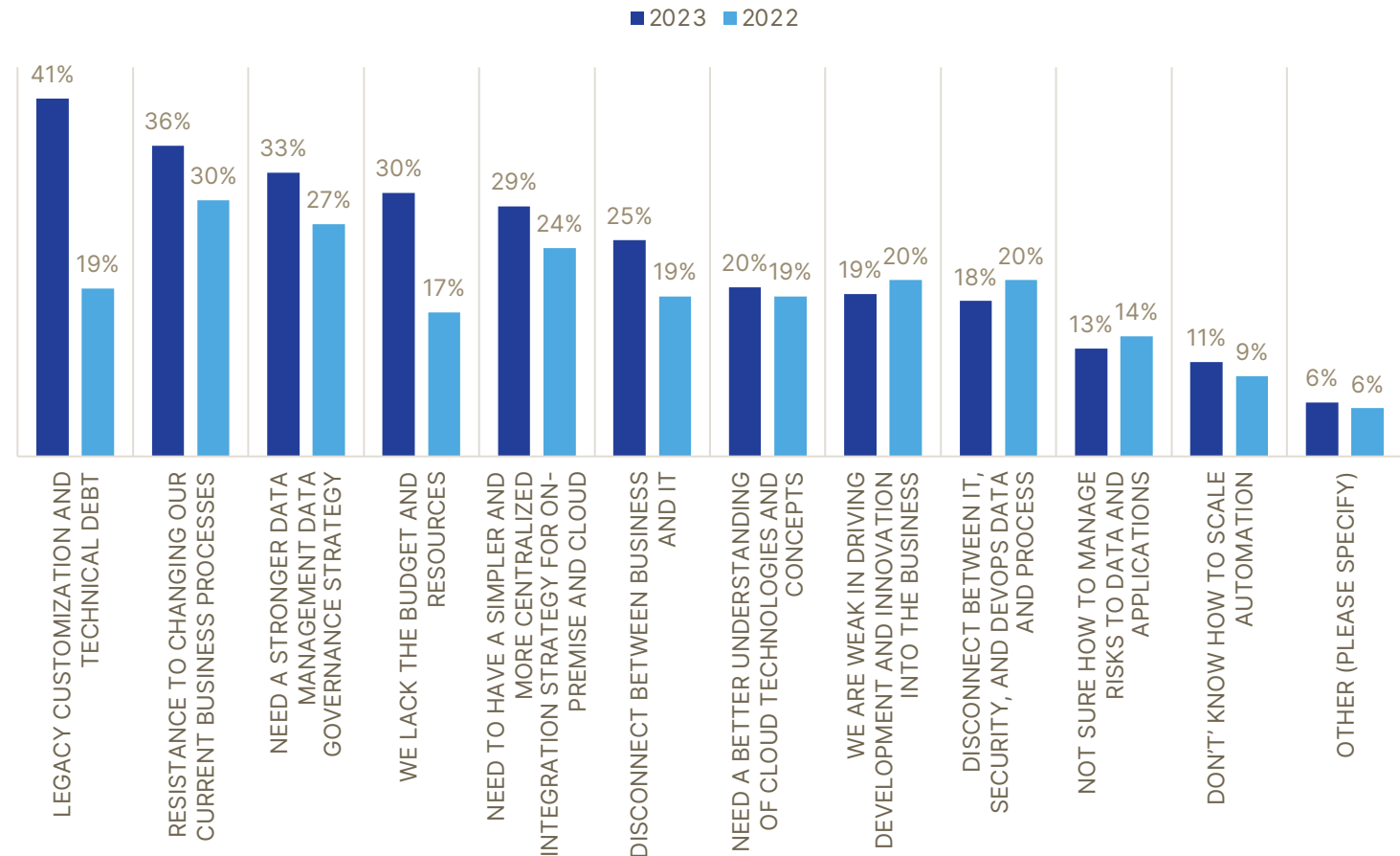
9

Forty-one percent of respondents cited legacy customization and technical debt as a key challenge to transformation, more than double the proportion from last year.

To tackle this challenge, SA Power Networks took advantage of tools offered by SAP that located custom code in their existing 20-year-old ERP environment, 6 to 8 months prior to SAP S/4HANA brownfield migration.

“During the program we got deep down in cleaning up the amount of legacy code that we could. We've still got some legacy code that's hanging around and we'll look to clean up where we can. And that's why I refer to it as being a cleaner core because we'll never get to a point where it's completely clean,” said Jason Anthony, Head of SAP Capability.

Top Challenges to Transformation



DETAILED FINDINGS

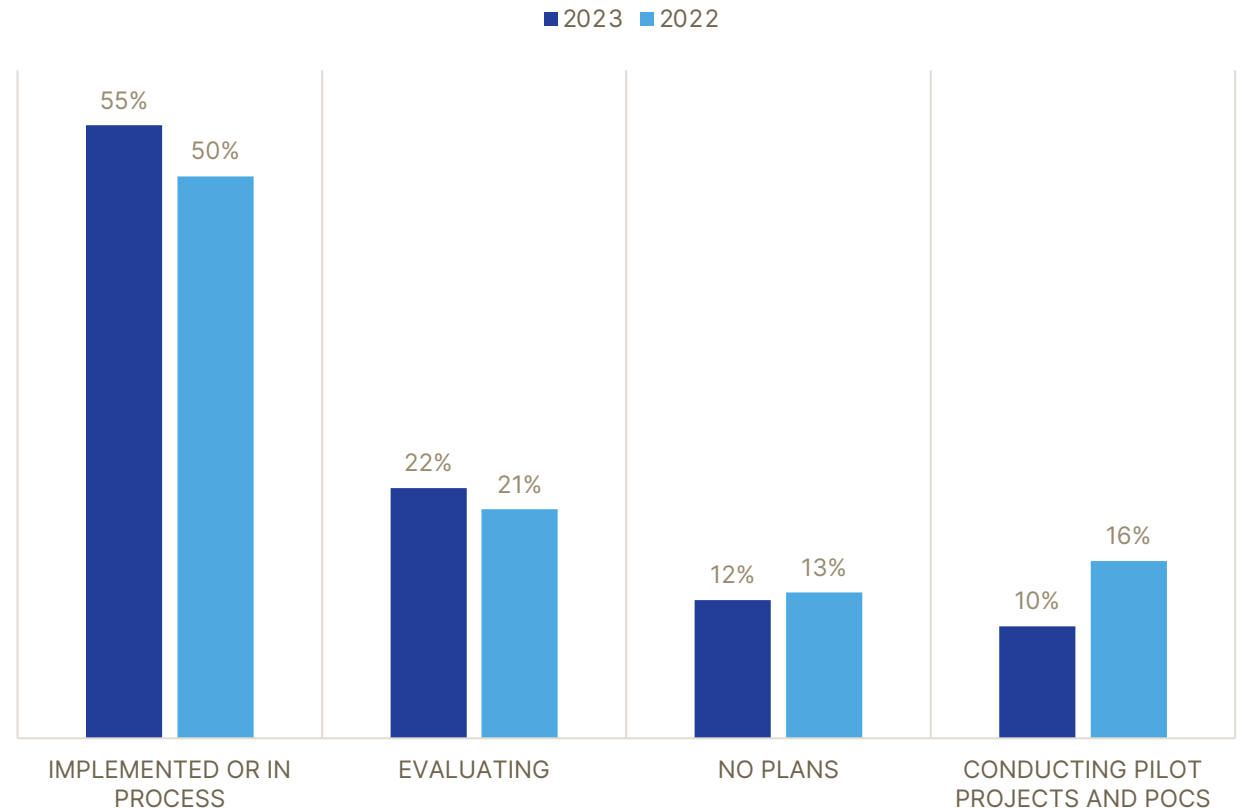
10

Fifty-five percent of respondents have either already implemented SAP S/4HANA or are in the process of doing so, up slightly from the 50% from last year.

Companies typically choose a greenfield approach — without taking over existing system structures — or a brownfield approach — migrate existing SAP workflows and systems — to migrating to SAP S/4HANA.

“We chose a greenfield approach to migrate to SAP S/4 HANA. First of all, we built something called a business process house, consisting of 300 plus main processes. The greenfield approach allowed us to really review everything and to improve everything,” said Yaman Acar, IT Director at Alliance Healthcare.

SAP S/4HANA Status



DETAILED FINDINGS

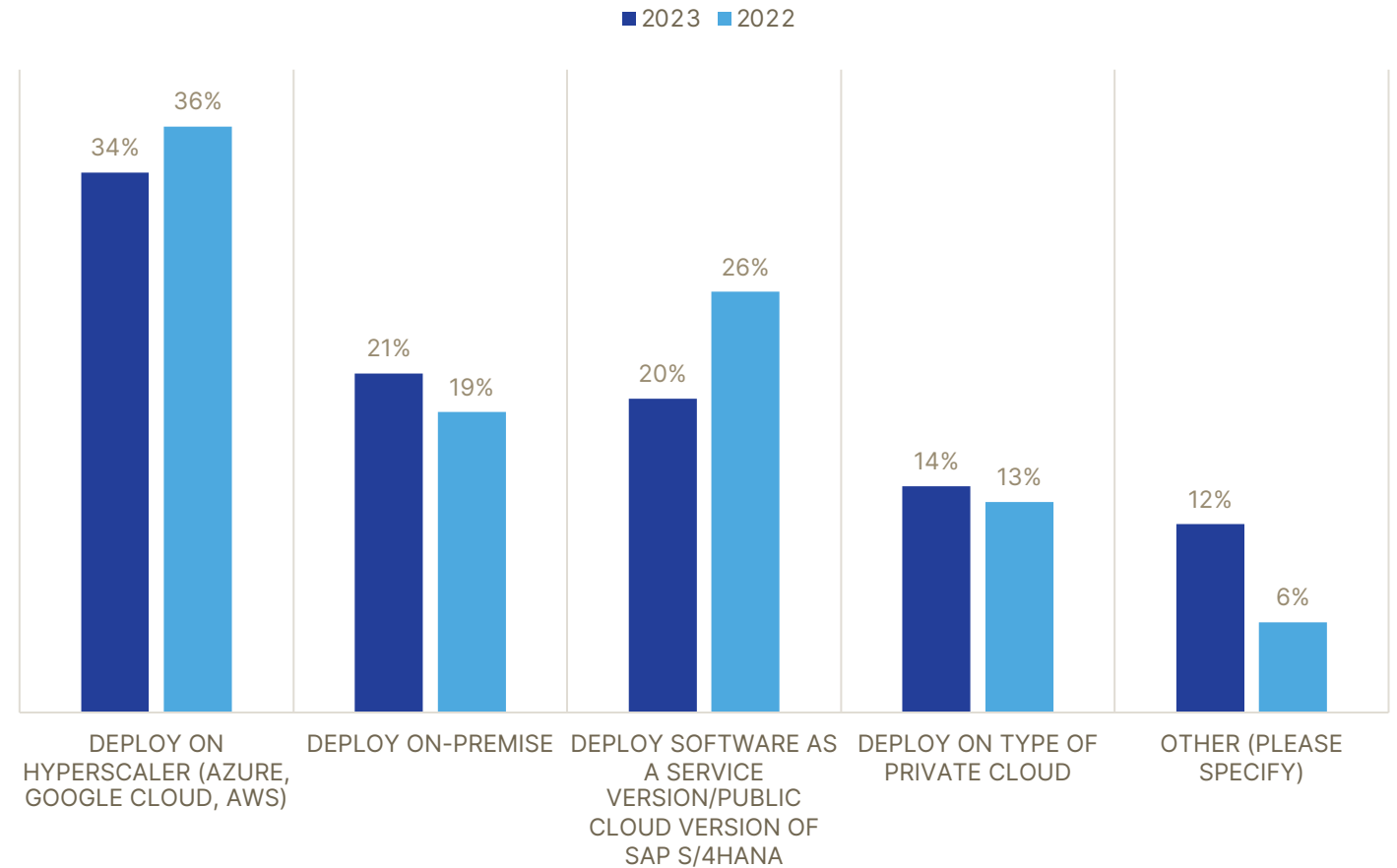
11

The most common deployment approach for SAP S/4HANA is to deploy on a hyperscaler, like Microsoft Azure, Google Cloud, or AWS, with 34% of respondents selecting this option, down 2 percentage points from last year.

Hyperscalers offer Infrastructure-as-a-Service (IaaS) in the public cloud that provides virtual servers, networks, storage, and systems software designed to augment or replace data centers or individually networked computers.

Technology drivers that make hyperscalers the most preferred cloud option are on-demand elasticity, infinite scalability, operational automation, global presence, and security and compliance.

Deployment Approach for SAP S/4HANA



DETAILED FINDINGS

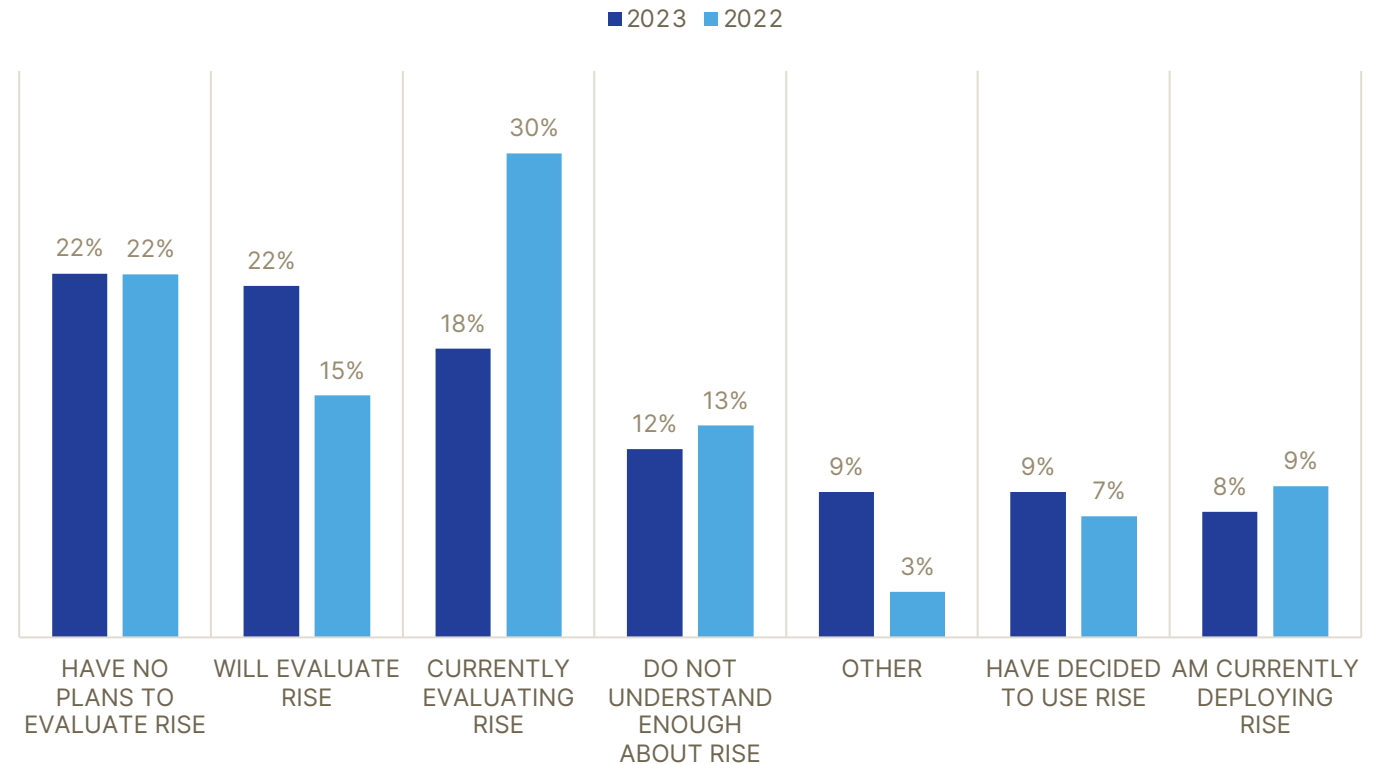
12

There are still decisions pending on RISE with SAP among the respondents, with just 17% already decided to use RISE or in the process of deploying RISE. Forty percent are either currently evaluating or plan to evaluate RISE. And a full 22% have no plans to evaluate RISE.

For some, going with RISE was made easier by a streamlined contract structure. "SAP simplified the contract and put a team around me to assure my success," said Jamie Lee, CIO at Ecobat.

For others, the timing isn't right. "We don't have a compelling reason to move out of our hyperscaler today. Will SAP soften their position on who is authorized to host RISE? We might reevaluate down the line," said Brenda Ward, Director of Applications and Analytics at Pacific Coast Companies.

Role of RISE with SAP



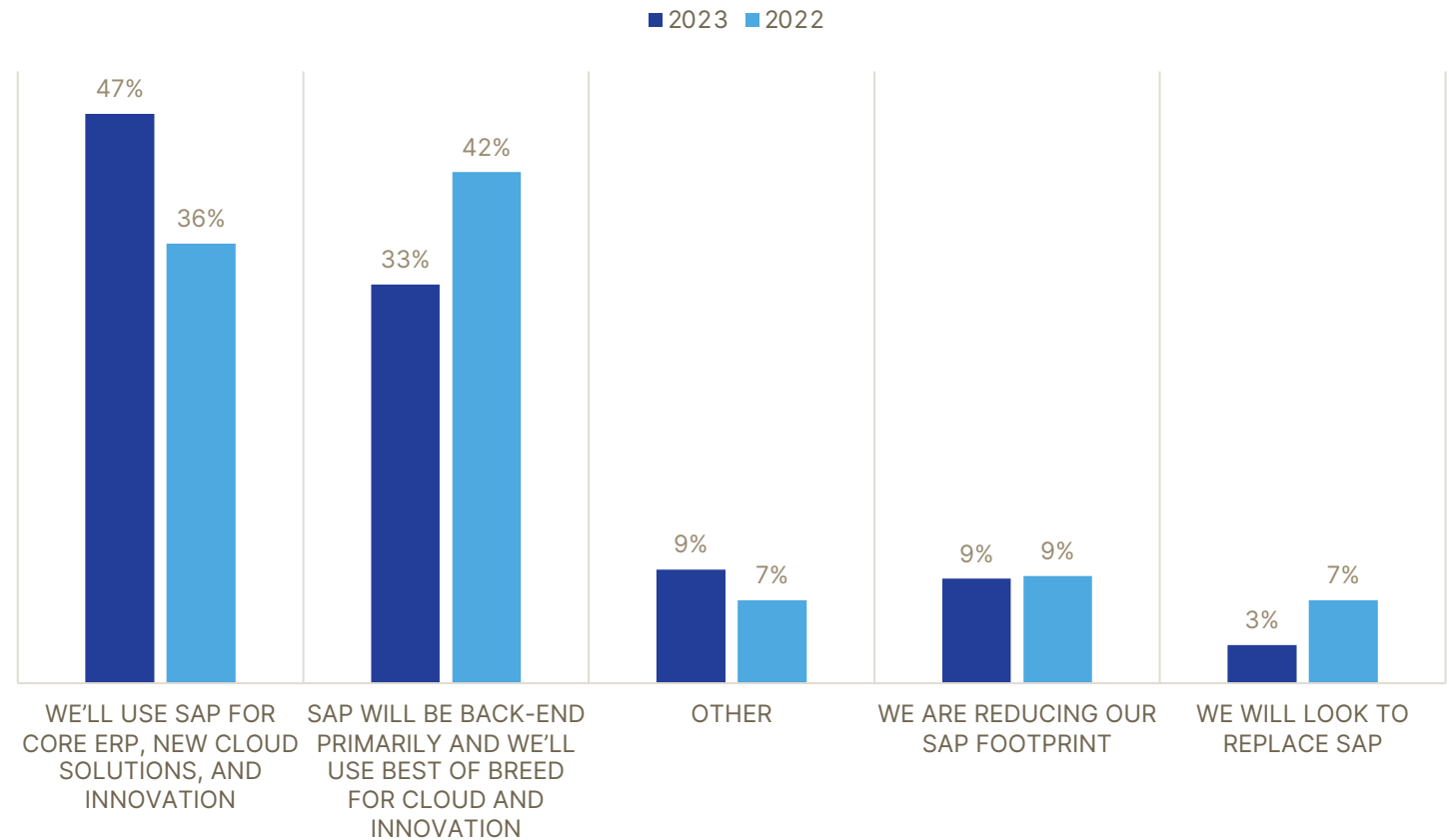
DETAILED FINDINGS

13

There's been a shift in perception over the past 12 months, when it comes to the role SAP plays inside of respondents' companies. This year, 47% said they will use SAP for core ERP, new cloud solutions and innovation, 11 points higher than last year. And just 33% said SAP will be back-end primarily while best of breed would provide cloud and innovation, down 9 points from last year.

"We are wedded to SAP. So our approach has always been SAP-first as we're looking at new technology," said Martin Menard, CIO at Pacific Coast Companies. "The technology choices are SAP first, SAP partner second, non-SAP partner third, and build it ourselves fourth."

Plans and View of SAP



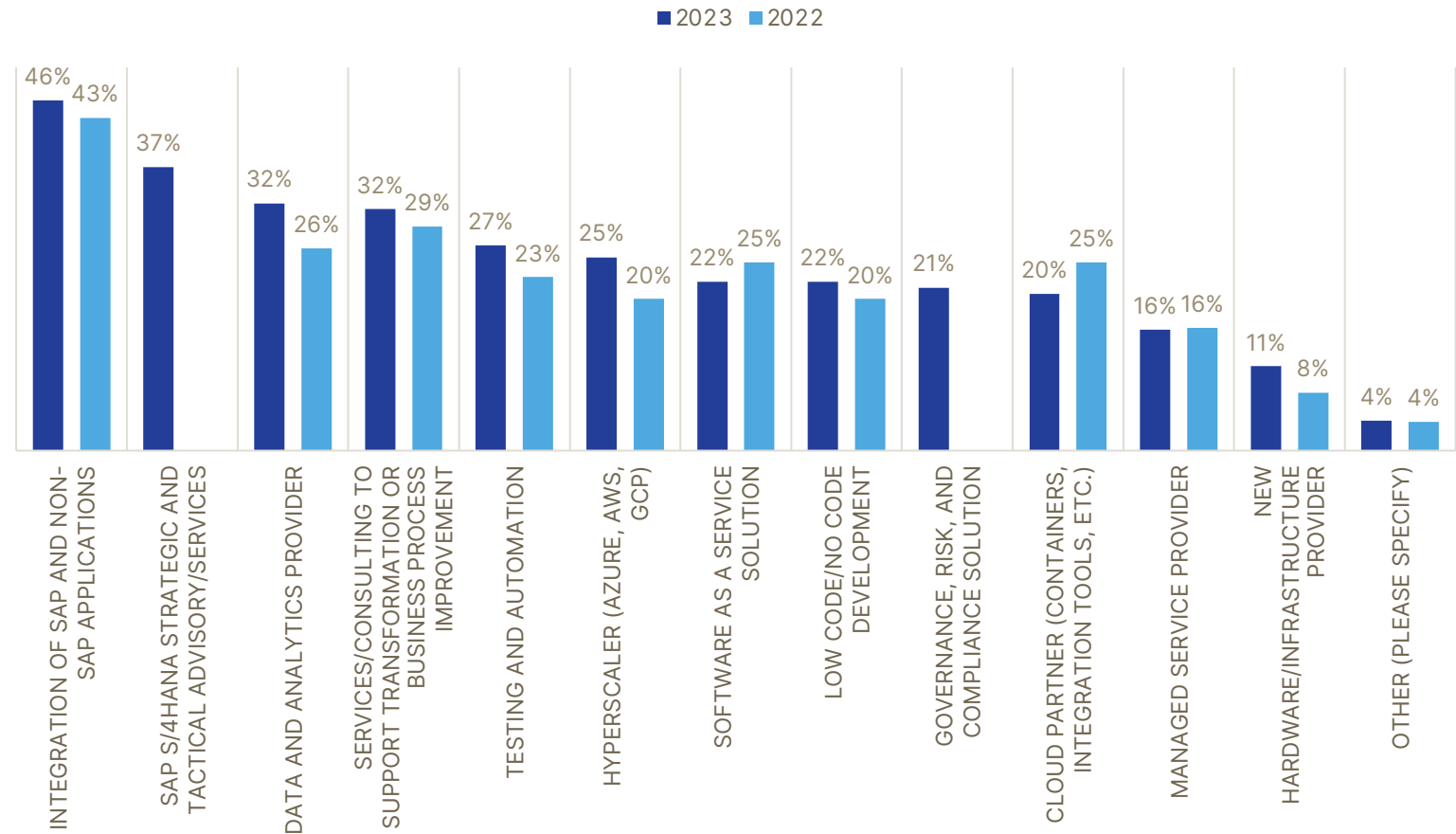
DETAILED FINDINGS

14

Looking ahead, the most common area of investment is the integration of SAP and non-SAP applications, followed by SAP S/4HANA strategic and tactical advisory services.

“Integration's really key. SAP is the system of record for so much, but we need to be able to provide accessibility to that system of record for the rest of the landscape,” said Jason Anthony, Head of SAP Capability at SA Power Networks. “We like the BTP approach and that leads into how we're going to integrate. More systems want to have more streamlined, more secure integrations, be it internally within systems that we are hosting, or it could be with external partners and their external systems.”

Investment Areas in the Coming Year



DETAILED FINDINGS

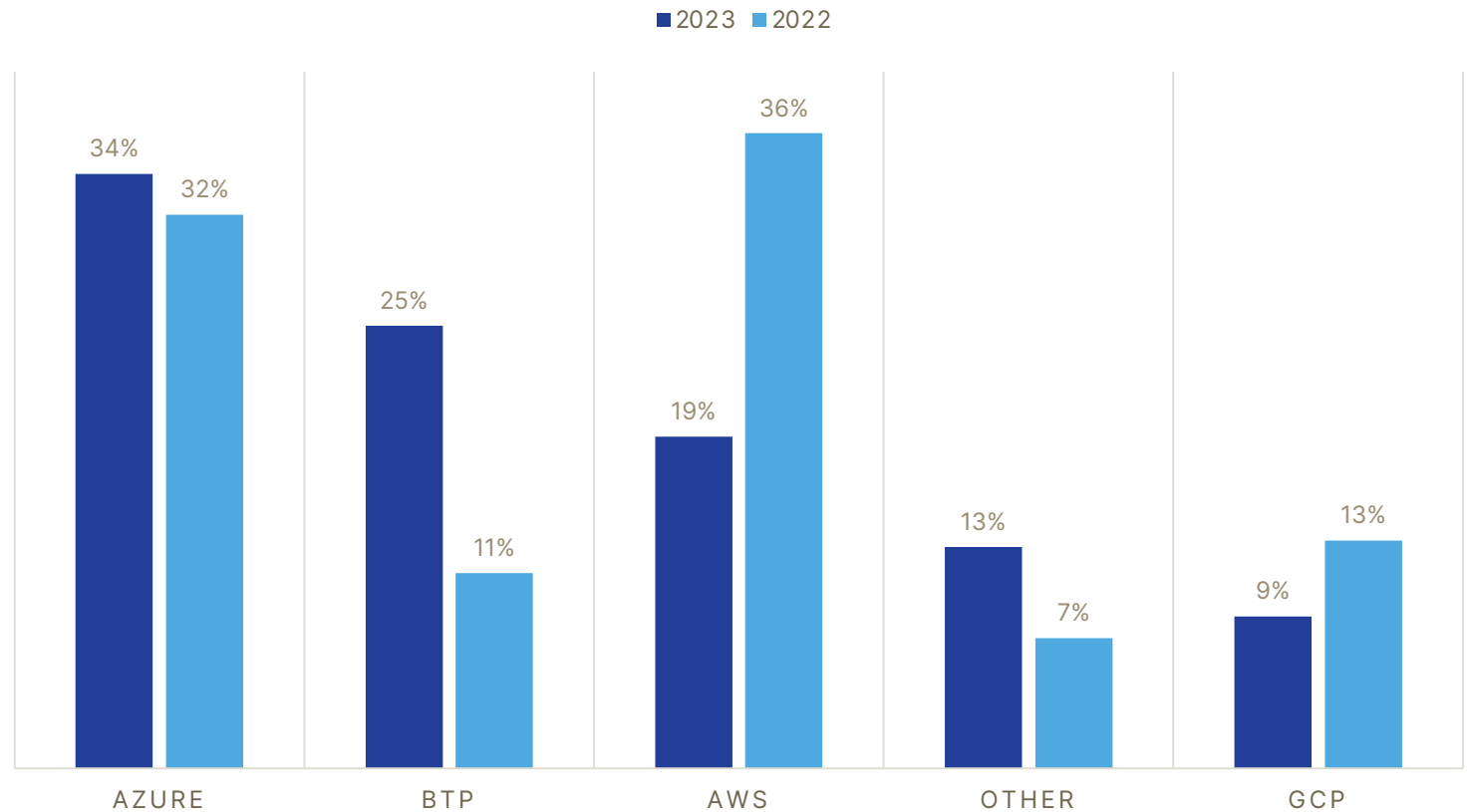
15

Microsoft Azure was the most preferred platform for SAP transformation, selected by 34% of respondents.

Azure offers SAP customers scalability, performance, security, integration, hybrid capabilities, cost management, high availability, AI and analytics, SAP-certified infrastructure, support and partnership.

Microsoft and SAP have a strong partnership, resulting in joint support and co-engineered solutions to enhance the SAP experience.

Preferred Platform for SAP Transformation



THANK YOU

Mark Vigoroso

Chief Content Officer

mark.vigoroso@sapinsider.org

SAPinsider



SAPinsider.org

PO Box 982Hampstead, NH 03841
Copyright © 2023 Wellesley Information
Services. All rights reserved.

SAP and other SAP products and services mentioned herein as well as their respective logos are trademarks or registered trademarks of SAP SE (or an SAP affiliate company) in Germany and other countries. All other product and service names mentioned are the trademarks of their respective companies. Wellesley Information Services is neither owned nor controlled by SAP SE.

SAPinsider comprises the largest and fastest growing SAP membership group worldwide, with more than 800,000 members.
