SAPinsider
SUMMIT SERIES

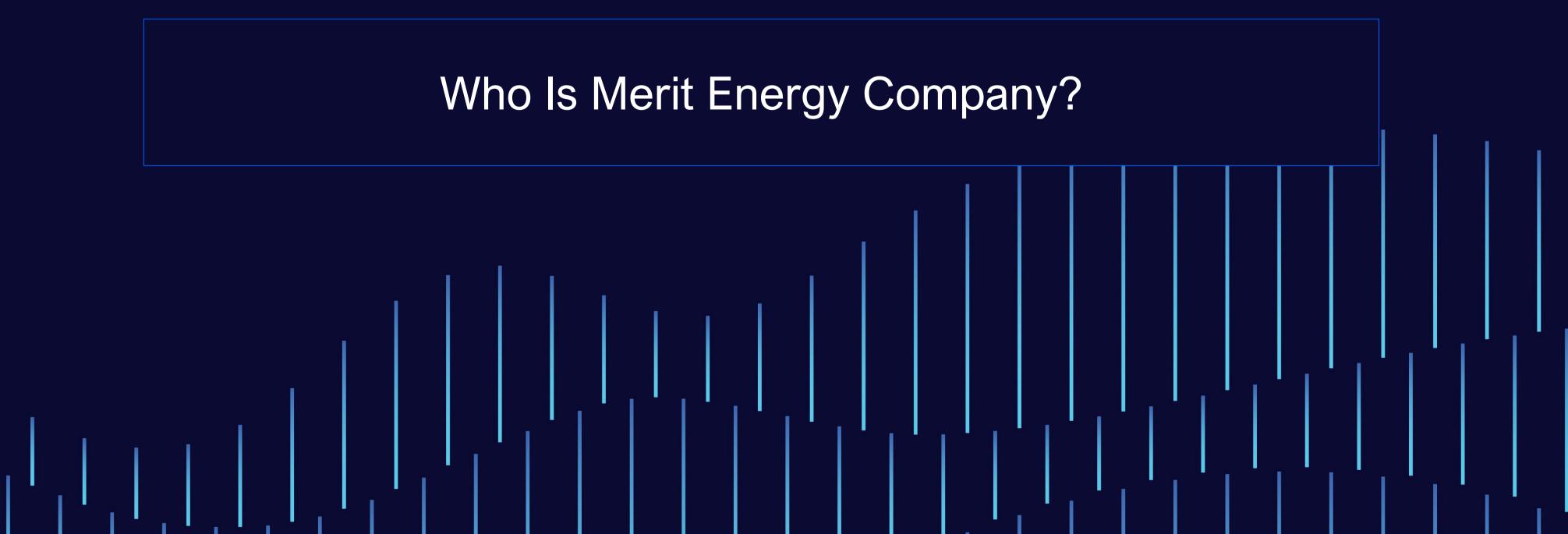# Finance & Innovation

October 15-16, 2024 | Dallas

Keynote: From Legacy to Future: How Merit Energy Successfully Navigated their Finance Transformation with SAP S/4HANA (Do-It-Yourself SAP S/4HANA Migration for the Future – Focused)

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Merit Energy Company

What We'll Cover

- Who is Merit Energy Company?

- Merit and SAP – A Brief History

- The Journey to SAP S/4HANA

- Realized Benefits

- Innovation Roadmap

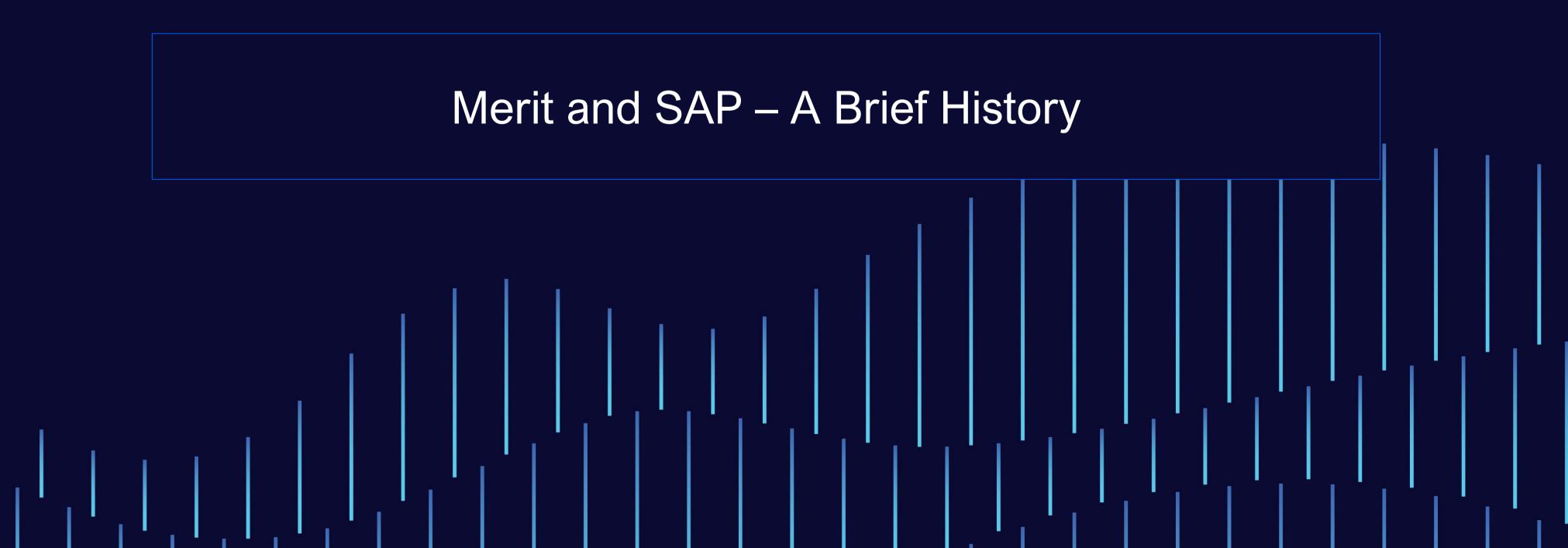- Wrap-up

Who Is Merit Energy Company?

Who Is Merit Energy Company?

- Founded in 1989 by Bill Gayden

- Corporate Headquarters in Dallas, TX

- Operations in Arkansas, Colorado, Kansas, Oklahoma, Texas, Wyoming

- Operate 94% of our asset base

- Raise capital in the private equity market and invest in "mature" high-quality oil and gas assets to generate a return

  "Our goal is to be the best operator of mature oil and gas assets. Our strategy is straightforward: operate more efficiently, look for opportunities to increase production, and improve margins"

- Our People make the difference

- Live by "Good, fast, and cheap – pick two"
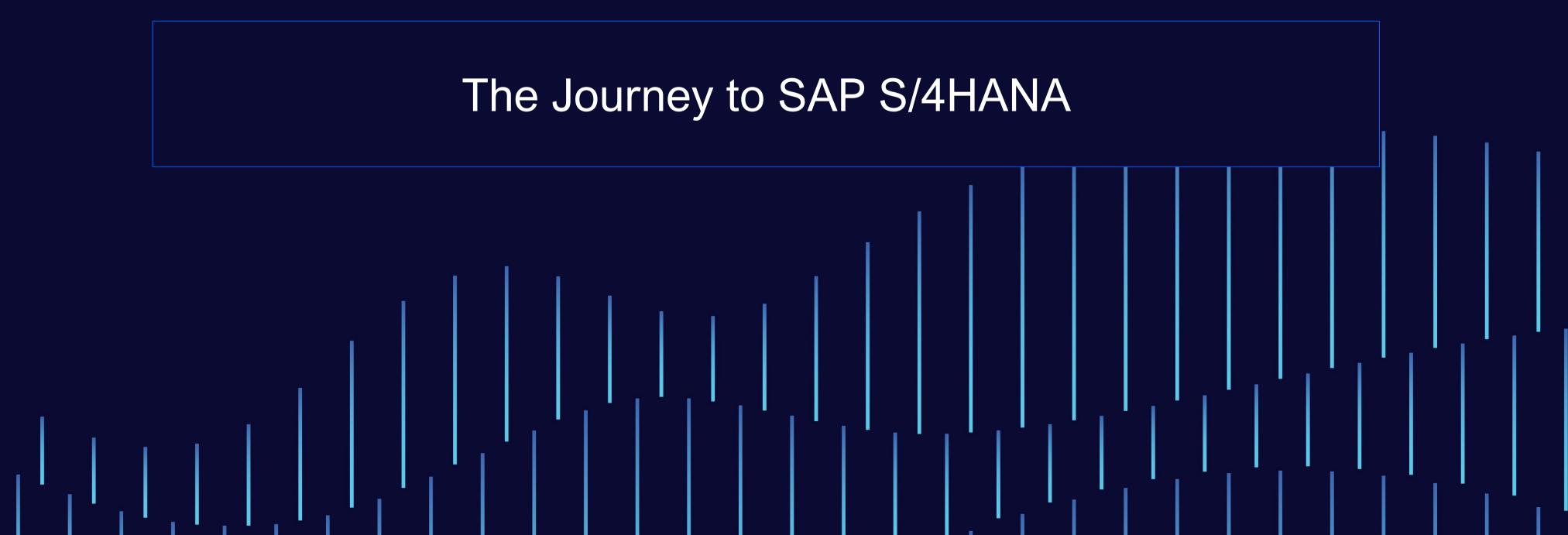
Merit and SAP – A Brief History

Merit and SAP – A Brief History

- Went live on Financials and BW July of 2005 (Financials and BW)

- Internal Support Team from the Beginning

- Software Maintenance Strategy:

  - Support the software with our business as a partnership

  - Be cautiously proactive – silo the risk

  - Build for the future based on trust earned from past success

- Financials

  - 4.6c -> ECC 600 (2009) -> ECC 615 (2013) -> ECC 617 SOH (2015) -> ECC 618 (2017) -> S/4 1909 (2020) -> S/4 2021 (2022) -> S/4 2022 (2023)

- BW

  - 3.5 -> 7.0 (BWA) -> 7.31 (Hana) 2012 -> 7.5 (2019)

- Cloud
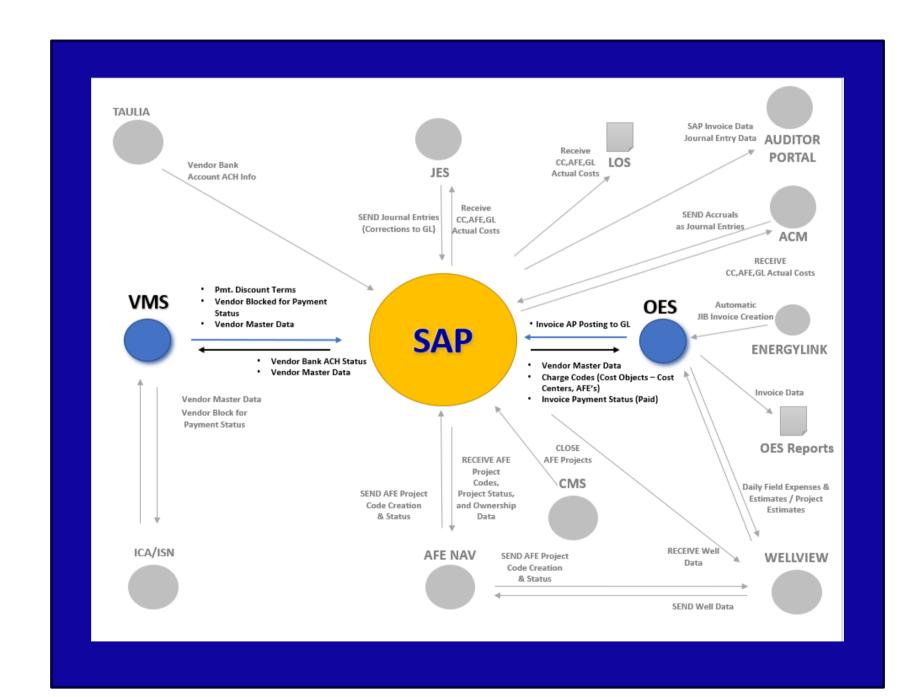
  - SAC, Datasphere, SAP BTP (2019+)

The Journey to SAP S/4HANA

The Journey to SAP S/4HANA – Key Drivers

- Business Process Strategy
  - Decentralized business process model not supporting company growth
  - IT-driven innovation
- Corporate IT Strategy
  - Data Center, Disaster Recovery, and the Cloud
  - Custom Application Strategy Roadmap
- Corporate Data Strategy
  - Expiring Entities
  - Data Retention Policy
- SAP's Strategy
  - ECC End of Life 2025 (at the time)
  - SAP S/4HANA as the Go-forward for Innovation

The Journey to SAP S/4HANA – Business Case

- SAP as the Sun in our Business Galaxy
- SAP S/4HANA Move Program
  - Business Involvement
  - As-Is Process Mapping
  - Glimpses of the Future
- The prospect of Simple and Real-time
- Intangible Benefits

- Our best business base? Our Business!
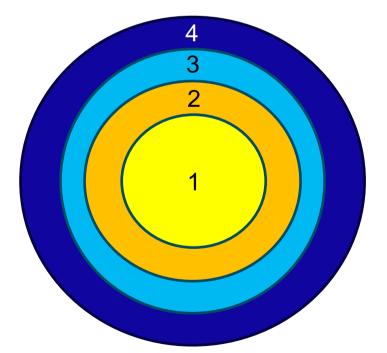 - We can do this!

The Journey to SAP S/4HANA – Project Scope

- Complete Hardware Replacement (On-Premise)

- Hana 2.0 Database Upgrade

- Implement Archiving Strategy

- Brownfield Migration (in-place) from ECC 618 to SAP S/4HANA 1909

  - No immediate need for revamp/correction

- External Application Remediation (BW, Enterprise Hana, etc)

- Fiori only where necessary to start (with intent to expand later)

- Project Executed by Merit Personnel

  - SAP Value Assurance – The Bat Phone

  - 3rd-Party help with Archiving Initiative
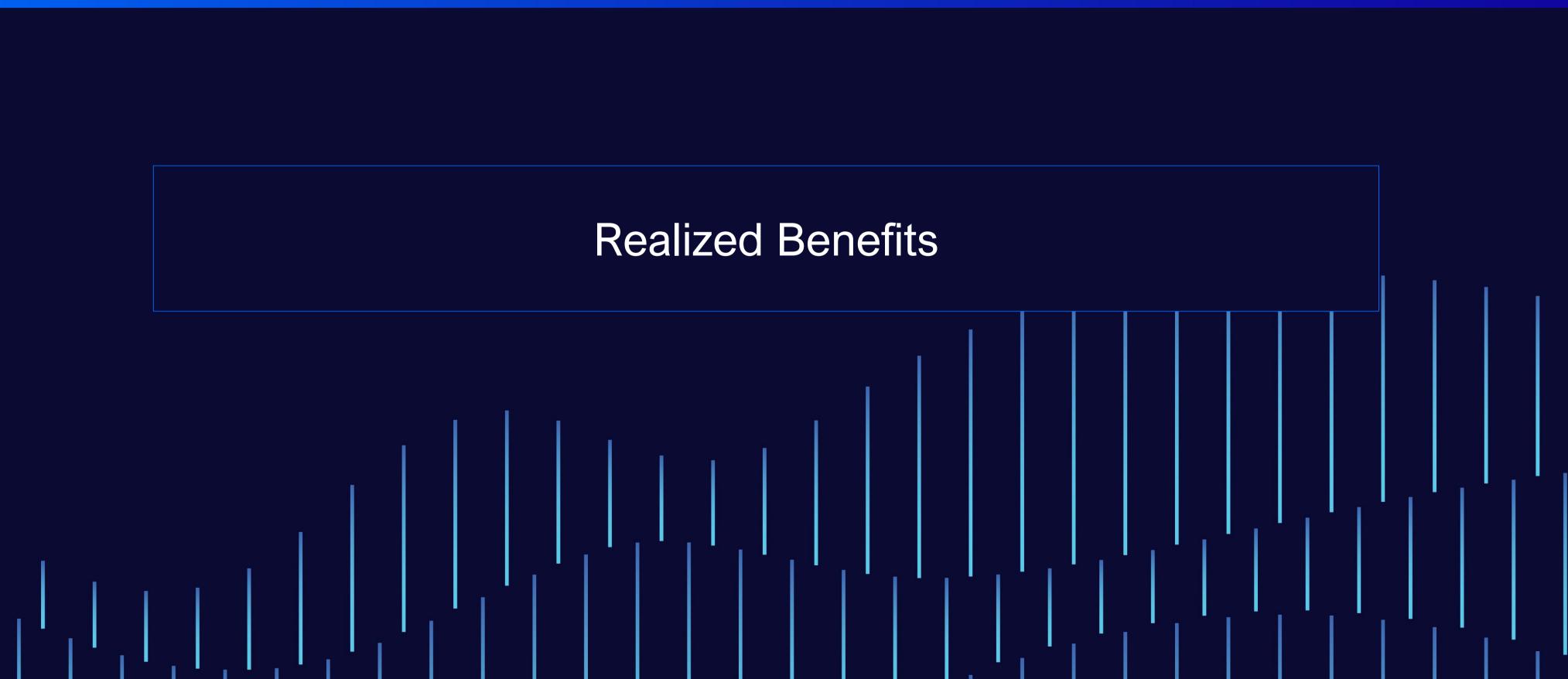
The Journey to SAP S/4HANA – Timeline

- Q1 2020
  - Hardware Replacement, Hana 2.0 upgrade (ECC and BW)
  - Started Archiving Initiative on ECC (Completed June 2020)
  - Prep Work (CVI, Ledger Reconciliation, Simplification List)
- Q2-Q3 2020
  - S/4 Upgrade – 4 Test Cycles with "Progressive Involvement"
    - May 2020 – Test Cycle 1 (I.T. Resources) – Can we complete an upgrade?
    - June 2020 – Test Cycle 2 (Power Users) – Can we close a cycle?
    - July 2020 – Test Cycle 3 (All Users) – Can we do it like production?
    - August 2020 – Test Cycle 4 (External Applications) – What broke outside of ECC?
  - Training
- Go Live Oct 2020

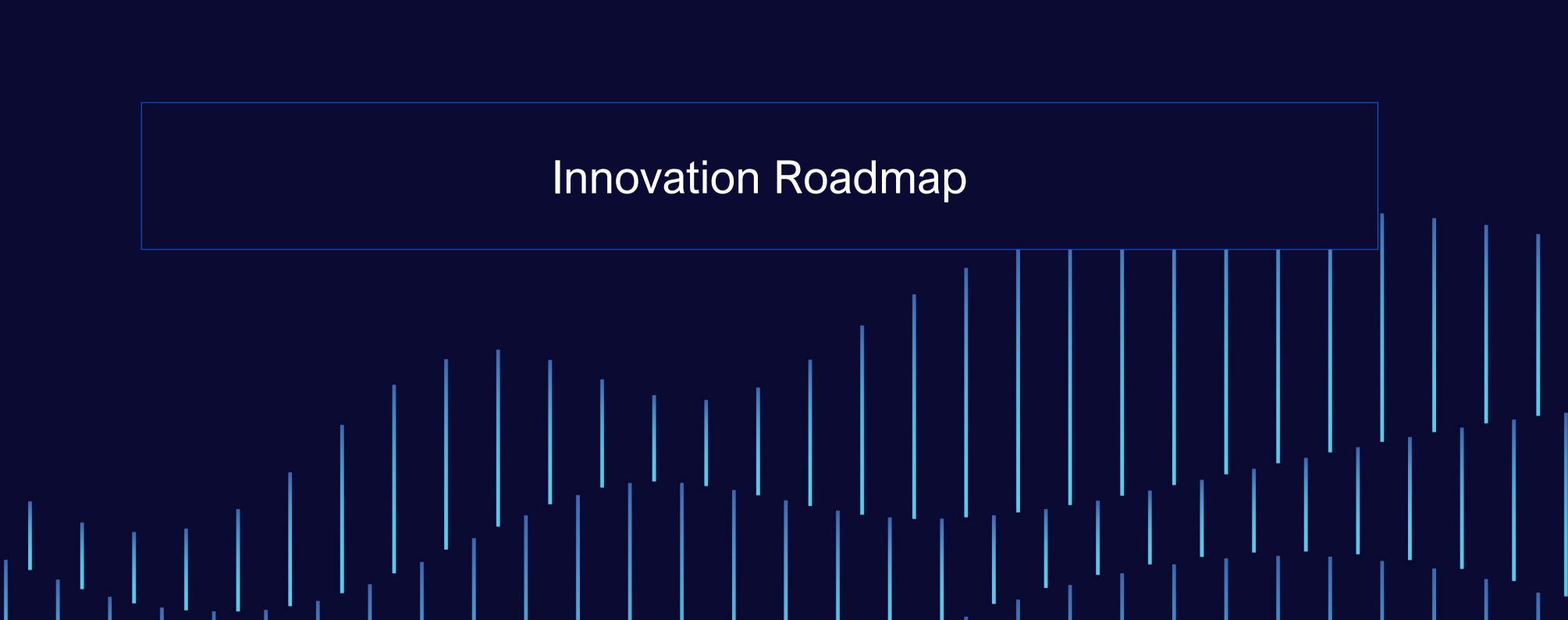***Insert the Pandemic into the above timeline for extra fun***

The Journey to SAP S/4HANA – Project Lessons Learned

- Starting Early on Items that can be completed NOW (i.e. CVI) will save headaches later
- Innovation just for innovation's sake is not worth it
    - Use the upgrade as an opportunity to standardize and develop smarter users
- Practice, practice, practice
    - All of our iterations were different
- Focus on "special" (i.e. industry add-ons)
- Custom code and external integration are going to be the most time-consuming
- Know Thy Self – SAP S/4HANA is still an evolving product
- Upgrade Complete <> Job Done

Realized Benefits

Realized Benefits

- Brownfield approach kept all data in one place – avoided another legacy system
- Enhancements to FI model greatly improved analytics and reporting
- Reduced data footprint due to unified model and archiving initiative
- Unified data model resolved years of performance issues related to close processes
- Ability to utilize immediately available enhancements reducing internal overhead (business and support)
    - SAP Contract/Lease Management Solution on SAP S/4HANA
- Business appetite for new innovation
    - They don't forget and will hold you to it
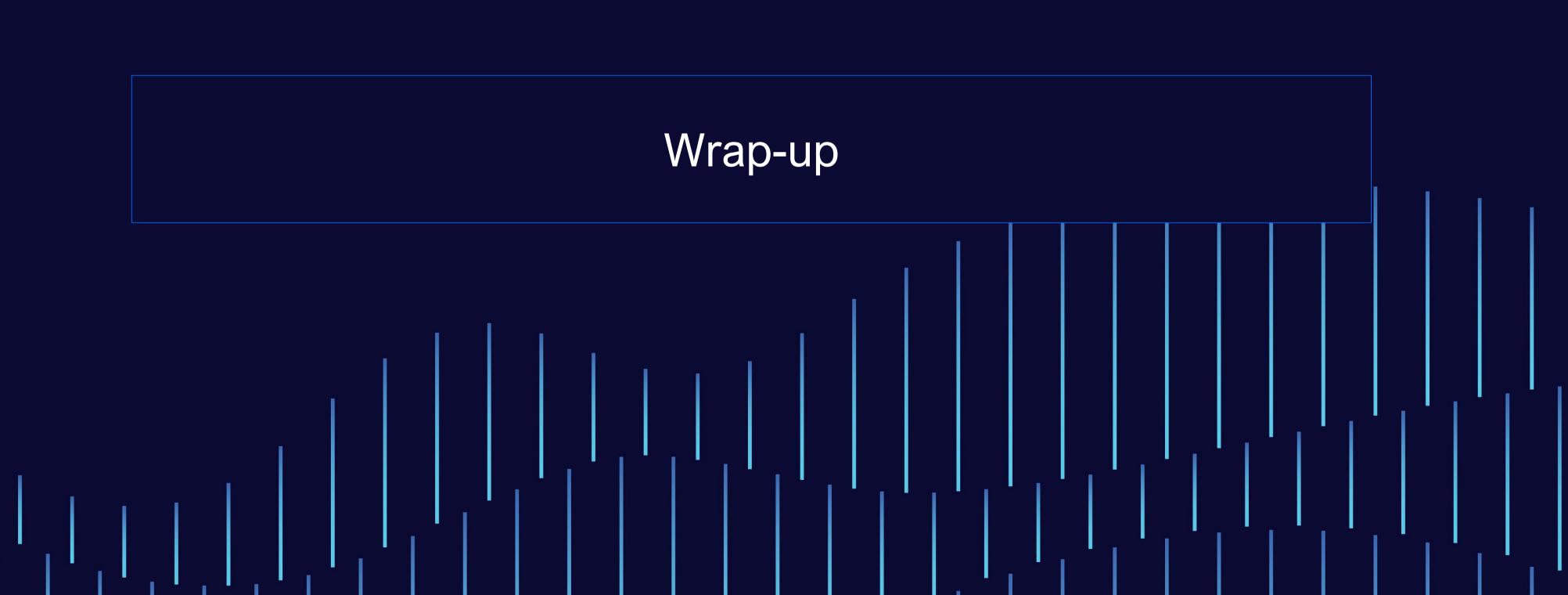
Innovation Roadmap

Innovation Roadmap - Methodology

- Creation of new internal team to focus on initiatives outside of SAP S/4HANA
  - Legacy support team responsible for SAP S/4HANA application and directly integrated solutions
    - What "has been" and what "is" – focus on respecting what we have done in the past and supporting business continuity today
  - New team responsible for direction regarding new processes, custom application standardization, and rapidly changing SAP product landscape
    - What "will be" – focus on where we need to go and how we need to get there

- Change our perspective that SAP is just accounting software
  - Evaluate SAP as a first option, but not the only option

Innovation Roadmap - Initiatives

- Projects to Further Enhance Accounting Model
  - Document Splitting
- Disaster Recovery using HSR
- MDG Implementation for Business Partner controls and data quality
- Introduce efficiency and deprecate legacy custom applications using Fiori and BTP
- Initiative to Eliminate BW via Datasphere and SAC
  - Financial Hana "Models"
- Further Simplifications: Universal Joint Venture Accounting (on ACDOCA)
- Consolidate Operations Gathering into SAP Upstream Operations Management
- Bi-Annual update strategy for new enhancements
  - Custom Journal Entry App Replacement 2022
  - Vendor Management App Replacement 2024

Wrap-up

Wrap Up

- Morals of Our Story
  - Embrace the move to SAP S/4HANA as an opportunity instead of a burden
    - Move forward with respect for the past, where you are today, and excitement for the future
  - Your business case can be your Business
    - People do not care how much you know until they know how much you care
    - Do NOT sell your people short – they have a lot to offer
  - Start Simply, and Simply Start
    - Don't wait for the stars to align in your business galaxy – things are changing too quickly!
  - Utilize SAP as a valued partner
    - Think of the innovation we can do together when we finally get ECC in the rear-view mirror

Where to Find More Information

- SAP Customer Evolution Kit - https://webinars.sap.com/customer-evolution-kit/en/home

  - Remote workshop to build the why, when, and how to move to SAP S/4HANA

- SAP S/4HANA Readiness Check – http://me.sap.com/readinesscheck

  - Multiple Readiness Check options on this page, including S/4

- SAP Process Insights, discovery edition – https://url.sap/discovery-edition

  - Insights into how to begin journey to SAP S/4HANA, improve business processes, and optimize live SAP S/4HANA systems

- SAP Value Assurance - https://www.sap.com/services-support/service-offerings/implementation-pkg.html

  - Find out how SAP can help you succeed

- Merit Energy's Culture Powers Seamless Integration - https://news.sap.com/2021/03/merit-energy-culture-powers-seamless-integration/
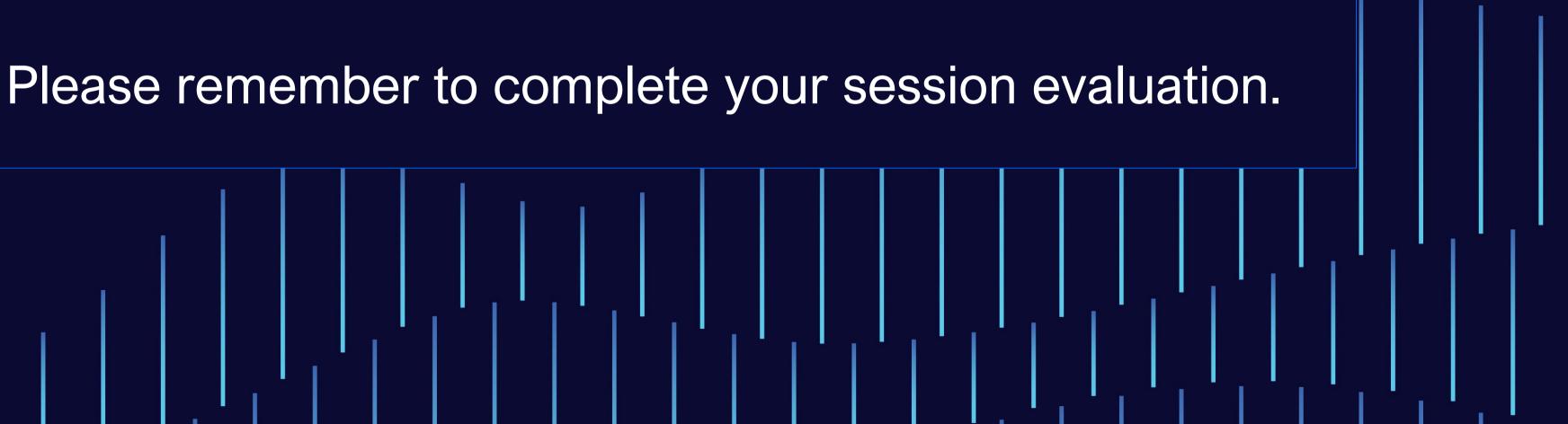
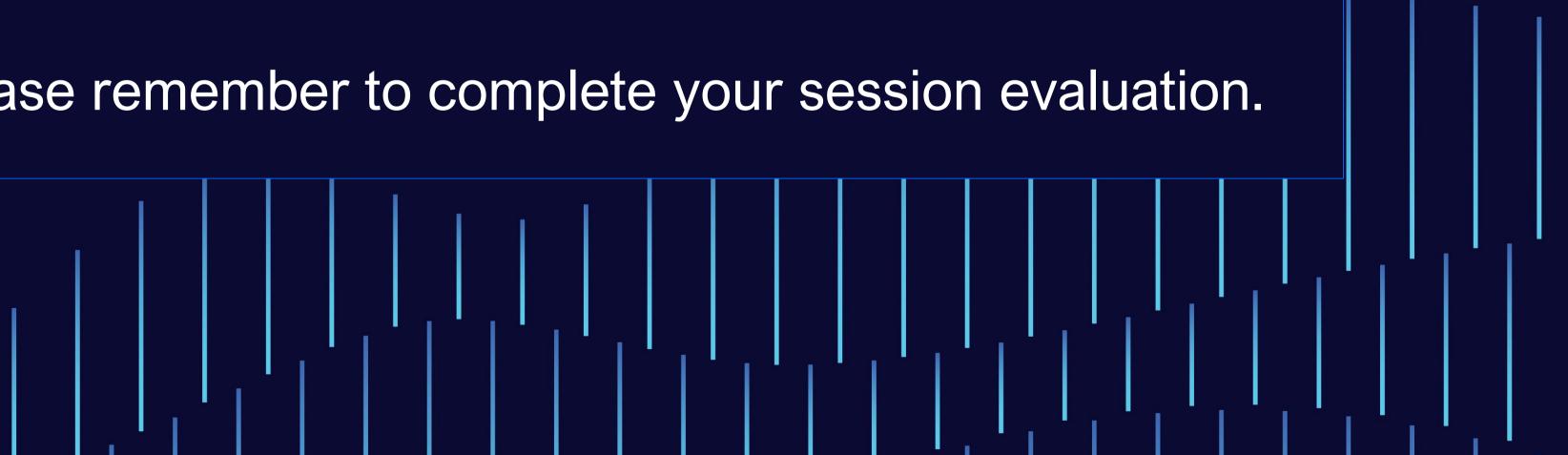 - Same story in a very short form

Key Points to Take Home

- Merit Energy Company successfully migrated from ECC to SAP S/4HANA with no 3rd party integrator and lived to tell about it

- Critical to success were evaluation of key drivers from the past and utilization of the Business to make the business case, execute the transition, and partner for the future

- Focus on innovation and improvements, but do not let the need for these prevent you from moving forward

- Embrace the idea of intangible benefits – dream BIG

- SAP S/4HANA is still ultimately an SAP system with tables, code, and processes

- The most important point - it is going to be okay!

Thank you! Any questions?

Russ Hulme

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