

White Paper

Cracking the Code for S/4HANA Integration

Starting Strong with
Our Lessons for Success

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Picture this: You're in the midst of a complex S/4HANA integration, grappling with unforeseen challenges. A realization sets in, "If only we had been aware of these challenges beforehand, we might have chosen a different approach." It's a sentiment shared by many organizations attempting to implement this enterprise resource planning (ERP) software. In this white paper, we unveil insights and strategies built from our extensive experience with S/4HANA to help you plan a successful ERP transformation from the start.

Chapter 1: The Typical Market Challenge

In today's rapidly changing business landscape, SAP S/4HANA has emerged as a key topic on the agenda of the C-suite across industries. One of the primary reasons is SAP's discontinuation of their R/3 system, which has been in place for more than 30 years now, with maintenance set to expire in 2027. This recognition is supported by data. As shown in study results (Figure 1), there is a growing awareness of the importance to migrate to S/4HANA. Nevertheless, many organizations have been reluctant to transfer to S/4HANA thus far.

Despite the high relevance of SAP S/4HANA, only a few companies have converted so far.

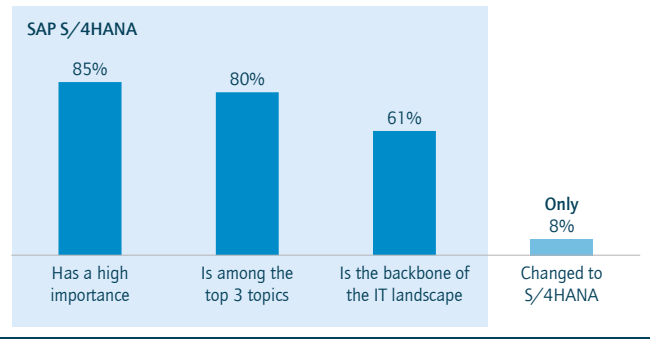


Fig. 1: Source: Komus, Ayelt; Kosche, Patrick, Kuberg, Moritz et al. (2019): Study Positioning S/4HANA

Many organizations embarking on an S/4HANA transformation jump straight into implementation without a well-developed strategy, immediately running into severe challenges that are common during a complex ERP system integration. Due to these challenges, current perceptions of migration towards S/4HANA tend to be a bit negative and biased. But this perception must be reframed. Organizations need to understand that the migration of their ERP system, when approached strategically and

with the right support, can bring immense benefits and long-term value.

The most important reason is the expiry of maintenance in 2027.
The most important goal is to become better with optimized processes.

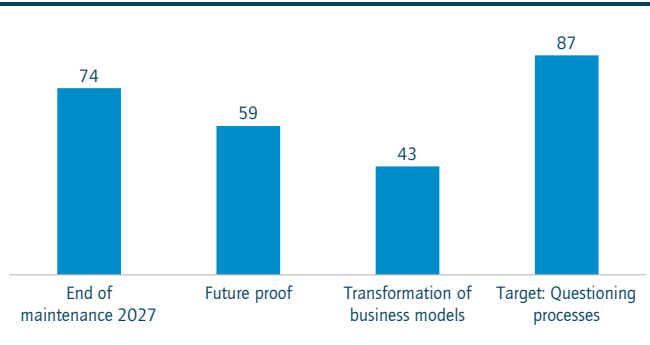


Fig. 2: Source: Komus, Ayelt; Kosche, Patrick, Kuberg, Moritz et al. (2019): Study Positioning S/4HANA

The secret to a successful transformation based on SAP S/4HANA is to leverage its comprehensive functionality to meet business requirements while implementing an intelligent migration strategy. When organizations embrace this understanding and create the right environment, they can view S/4HANA as a great opportunity for transformation and growth.

Many companies lack the necessary internal expertise to seamlessly integrate extensive SAP experience with high-quality standards, comprehensive understanding of business management functions, and system-based IT operations. In this context, internal knowledge encompasses not only a general understanding, but also the optimized utilization of IT functionality and the identification of streamlined business requirements.

Leveraging our years of experience with S/4HANA implementation across various industries, we aim to share some very important lessons learned in this paper and advocate for starting projects with a partner who can bring these lessons learned from the onset.

Chapter 2: SAP S/4HANA at a Glance

Brief Description of S/4HANA

S/4HANA is designed to help organizations transform their business processes into a full end-to-end perspective, enabling them to remain competitive in a rapidly changing business landscape. Faster data processing and real-time insights using in-memory computing technology and AI can help organizations make more informed decisions.

Compared to its predecessor, S/4HANA offers a simplified data model, a more user-friendly interface, and advanced analytics capabilities to help streamline operations, reduce costs, and increase productivity. Due to high complexity and highly individual business processes, a “fast” implementation (e.g. within 90 days) is not feasible. S/4HANA integration requirements create numerous dependencies, particularly with data models, and impacts master data.

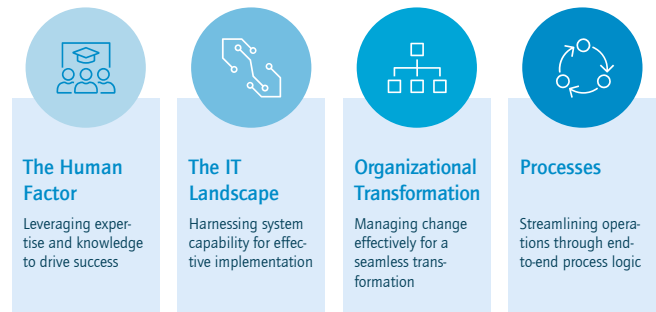
S/4HANA offers significant potential for organizations to standardize, harmonize, and centralize business processes, but projects come with associated costs. Organizations must carefully consider the investment versus potential return (ROI).

What Companies Can Expect by Using S/4HANA

When implementing SAP S/4HANA, companies can expect significant technical improvements. The introduction of the Fiori App has created a more intuitive, user-friendly experience. S/4HANA streamlines master data as a single source of truth (SSOT). This unified data source enables organizations to establish consistent data structures and empowers a faster reporting system. One of S/4HANA's most distinctive characteristics is the usage of an end-to-end (E2E) perspective regarding business processes. Based on this E2E perspective, organizations gain transparency, improve efficiencies, and leverage synergies across functional areas.

Chapter 3: Key Success Factors for S/4HANA Implementation

Drawing from lessons learned through our extensive S/4HANA experience, we have compiled critical success factors that can make or break your transformational journey.



The Human Factor: Nurturing Knowledge and Expertise

This human touch is often the missing piece that fosters success. Your team must have the right knowledge and functional know-how, along with ERP-system proficiency and financial acumen. While systems and standards play their roles, the human element plays a critical part, particularly in bridging the gap between business functions and IT (binding element). A skilled consultant can read an organization's unique needs and facilitate knowledge transfer within the company.

The IT Landscape: Unveiling System Capabilities

In Chapter 2, we highlighted some core functions and benefits of SAP S/4HANA. However, clients often want a clearer understanding of the system's true capabilities before embarking on an implementation. What are the potential limitations, and what additional input is required to harness the system's full potential? It's essential to grasp business requirements and connect them with the right IT competence. Moreover, critical areas such as master data, interfaces, integrated value flows, and dependencies between the different modules of the system are often underestimated until they emerge during the project. Awareness of the software's capabilities in advance is invaluable.

Organizational Transformation: A Holistic Endeavor

S/4HANA implementation is not just the installation of a new IT system—it's a profound organizational transformation that demands the full attention of all levels of management throughout the project. As S/4HANA brings about technical, professional, and processual changes, established activities and responsibilities must be redefined. A common pitfall is underestimating the commitment required for a project of this magnitude. Scenarios involving leadership changes, budgetary adjustments, or competing parallel projects often emerge late in the game, derailing initial plans. Addressing these challenges before the start of the project is key to success.

Processes: Embracing End-to-End Logic

Last but not least, S/4HANA comes with straightforward logic and differentiates itself from R/3 through its end-to-end processes, all managed in a central database primarily via one big data table. However, most existing business processes do not neatly fit into this framework, requiring adjustment to align with ERP requirements. This adjustment goes hand in hand with the organizational realignment of roles and responsibilities. Understanding the quantitative and value flows within both the system and the organization forms the foundation for building an E2E process landscape. Effective integration management is key for a smooth transition.

Chapter 4: Additional Insights and Experiences

At the core of every S/4HANA project stands the optimization of finance and logistics processes. Recognizing this primary focus is crucial for successfully navigating the implementation journey and maximizing the benefits of S/4HANA.

Change is never easy in the ERP environment, but change must be embraced purposefully and accompanied by effective change management practices. It is crucial to guide and support the organization and their employees throughout the project journey.

In today's data-driven world, S/4HANA projects provide an opportunity to not only execute data cleansing but also to unify master data and harmonize productive data. Establishing a standardized and harmonized master data structure and defining harmonized end-to-end process standards enhances data integrity, accuracy, and reliability throughout the organization.

Chapter 5: Key Takeaways for you and your Company

As we conclude our insights on SAP S/4HANA, we recommend these key takeaways that can guide you and your company in approaching this important implementation:

Understand your pain points and set guardrails

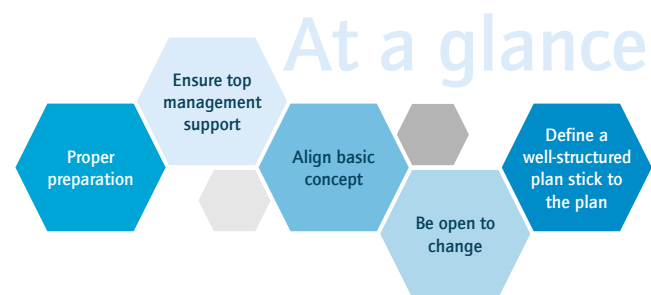
Before diving into S/4HANA implementation, have a good understanding of your organization's current status, processes, and pain points. Leveraging a comprehensive pre-study phase can provide invaluable insights and set the foundation for a successful implementation. Given the complexity of such a project, it's vital to establish guardrails upfront regarding systems, business functions, organization, and processes.

Avoid decision-making resistance throughout the project

It can be expected that directive and business critical decisions will be necessary throughout the project. Therefore, it's essential to establish clear decision-making hierarchies and approval processes upfront. Delays during the operative project work due to decision-making resistance can lead to blockages in the process and long-term stagnation.

Set up the right team for success

The key for a successful SAP S/4HANA implementation lies in comprehensive thinking and holistic decision-making. In addition to detailed system expertise, it requires a blend of business specialist knowledge, process knowledge, organizational understanding, and change expertise. Ideally, the entire S/4HANA implementation project is supported by a partner with a proven track record of the described knowledge, integrating lessons learned from previous transformation programs.



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