A RESEARCH STUDY BY **RESULTING IT**

The extinction of the monolithic SAP system

How will your future ERP landscape evolve beyond 2025?

Resulting it

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Introduction

Introduction

In 2015, SAP released S/4HANA to the world. Then named Simple Finance, and shortly followed out of the gates by stablemate Simple Logistics, S/4HANA promised faster processing through its cutting-edge in-memory database, an improved user experience through the use of SAP Fiori, and "unprecedented innovations and simplifications".

With a walk-the-plank timeline through to 2025, SAP intended to turn the lights out on their existing ECC platform, ending mainstream support.

Uptake was underwhelming to say the least.

Many customers, especially more complex global enterprises with multiple business units, struggled to build a compelling business case that offset the cost and risk of migrating to S/4HANA.

In February 2020, just before the COVID-19 pandemic took hold, SAP extended the life of ECC by two years to 2027. Of course, there was also a commercial back door – pay an extra 2% on your maintenance and you can keep ECC in support until 2030.

> **"Some SAP customers feel that the incremental cost of the extra 2% maintenance payment for the three-year extension to 2030 isn't significant money compared with the cost and risk of the move to S/4."**
> *Stuart Browne, Managing Director, Resulting IT*

But let's not forget that earlier versions of S/4HANA are already running out of mainstream support. The earliest versions of S/4 have a highly restrictive upgrade path – potentially involving re-implementation to move to the latest and greatest.

The world seemed a complex place in 2020 for a number of reasons.

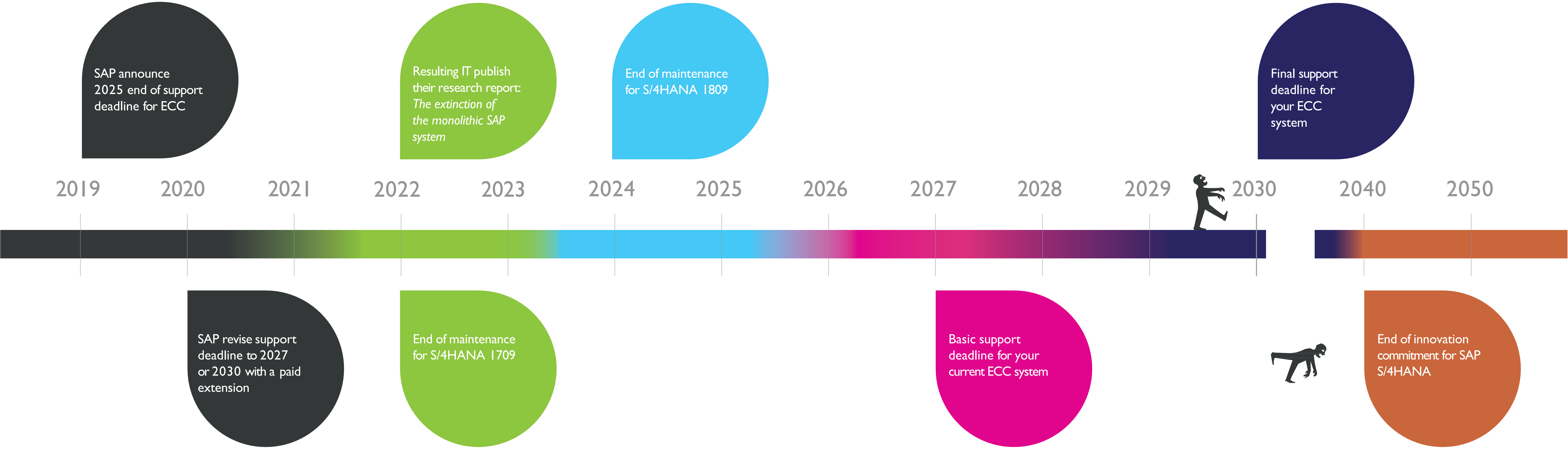
In January 2021, just when SAP customers thought it was safe to go outside, SAP announced RISE to their customer base and partner network. If things were complex before, this didn't simplify matters.

New licensing. New cloud options. New add-on solutions. New sales quotas.

The best-run businesses may run SAP, but many had slowed down to a jog, and then a walk, and finally into a temporary hibernation of confusion.

But time is running out.
Decisions need to be made.

The final countdown – defining your SAP future



Research hypothesis

As the sun faded one evening in summer 2021, the Resulting team sorted through a day's worth of workshop notes. We'd zoned in on three or four worthy subjects for our next research project which we'd run in November and December for release in 2022.

In the end, we settled on two topics.

1. **The role ERP can play in driving sustainability.**
2. **Whether the future of ERP would be integrated or federated and re-integrated.**

We decided to do both. The sustainability topic warranted more thought. The second topic was more straightforward.

Or so we thought.

What we set out to discover…

Are the days of monolithic ERP over?

What are current attitudes towards S/4HANA and RISE in this context?

Is Gartner's composable ERP model a near-reality?

Demographics

Demographics

Since 2018, our research projects have focused on the same seven core personas. The 125 respondents to this research survey focus on those responsible for defining ERP strategy and delivering ERP programmes. The respondents come from a mix of both IT and business backgrounds, providing balance in the research.

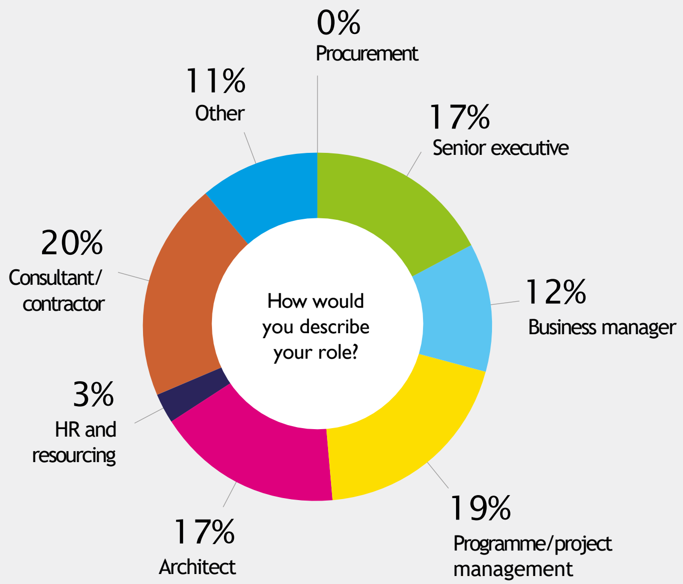
The research is UK-centric (59%), although a control segment from Europe and North America provides us with global sentiment.

Respondents to the research comprised attendees at the UK and Ireland SAP User Group Connect Conference (November 2021) and webinar attendees on a Resulting-hosted *Future of ERP* live research event in January 2022. The large majority of respondents rely on SAP as their core ERP platform – 22% S/4HANA and 66% ECC.

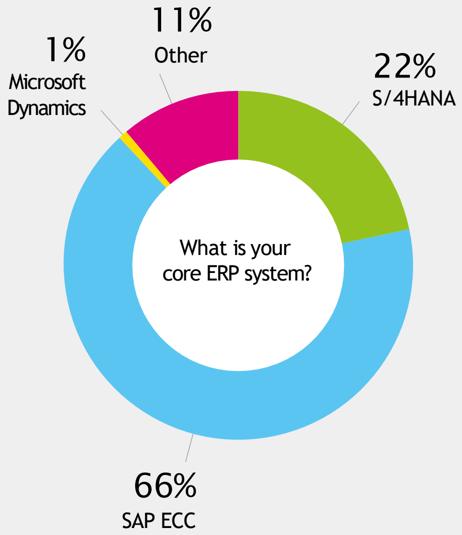
Three-quarters of those running SAP are still on the aging ECC platform and therefore represent a key audience needing to define plans to migrate to S/4HANA in the next five years.

Or maybe not. A proportion of this large 75% will make alternative choices, or stay put on ECC.

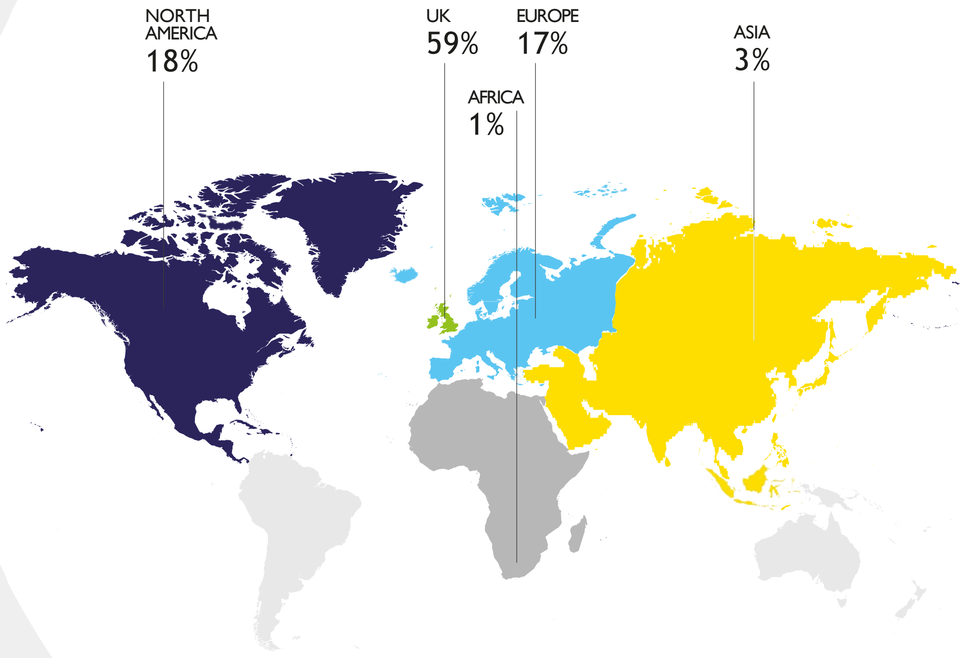
How would you describe your role?



What is your core ERP system?



Where are you based?



Research findings

Why has ERP gone full circle?

Early enterprise IT grew up as individual islands, with separate systems for finance, inventory, purchasing, manufacturing, and sales. ERP arrived in the mid-90s and amalgamated these islands into a single landmass.

The result was, for the first time, a fully integrated set of enterprise business functions whereby movements of inventory created financial postings to value stock, sales orders generated demand which fed into manufacturing and then on to purchasing to buy raw materials.

This new-found integration was game changing for the large corporations who embraced it. Integrated ERP led to near real-time accuracy of management information and the ability to viscerally measure and improve business processes.

This acted as a flywheel for business process improvement, fuelling a decade of investment and focus on business transformation.

The beauty of standard integrated ERP packages like SAP is that they offer standard out-of-the box best practice functionality to deliver standard business processes.

However, the ugly side of real-world ERP implementations was that most large enterprises ignored best practice and customized packaged solutions to suit their existing ways of working.

> **"ERP customisations create baggage which is highly expensive to maintain and upgrade."** *Dr Derek Prior, Former Gartner Research Director, Non-Executive Director Resulting IT*

Wind forward to the 2020s and these ERP solutions have become monolithic integrated systems that form the exoskeleton of the enterprise. Monolithic ERP controls the way the business runs but also constrains business agility and strategy.

ERP has become so complex and customized that the highly integrated foundations make it difficult to change without significant cost and risk. So the thought of replacing a global ERP solution isn't for the faint of heart.

Only 4% of respondents plan to continue into the future with a single monolithic ERP solution covering all business processes. 64% predict a more balanced approach with a large ERP solution covering most business processes which is augmented with best-of-breed add-on solutions.

The remaining 32% consider that their future ERP solution will either be composed of multiple process specific ERP solutions and add-ons, or will be entirely composed of best-of-breed solutions and custom built applications.

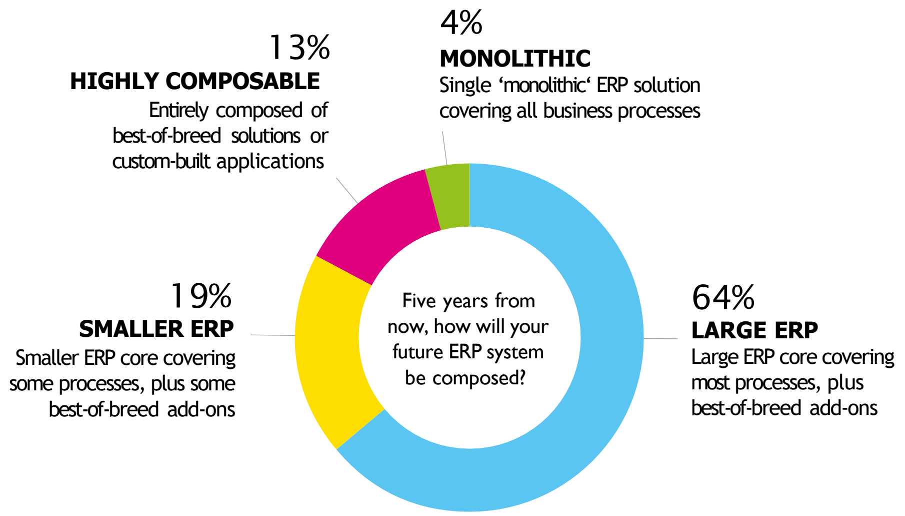
> **"In the CRM space, the move for composable ERP is already in full swing with the emergence and dominance of Salesforce in the customer engagement space for SAP customers."**
> *Pierre-Francis Grillet, SAP Director, SoftwareONE*

> **"Oracle EPM often goes unnoticed but it is the epitome of composable ERP. With a modern UI, EPM already delivers composability to many SAP customers"**
> *Martyn Hope, GVP Business Acceleration, Evosys Global*

Interestingly, those who have made the move to S/4HANA recognise that the future is more composable than those running ECC who are yet to make the move. 72% of ECC respondents expect a "large ERP core" whereas only 18% of live S/4HANA respondents felt the same way. Conversely, 36% of S/4HANA respondents expect an ERP future which is "highly composable".

This paradigm shift to a more composable ERP model is a stark change from ERP's origins in the 90s.

Five years from now, how will your future ERP system be composed?



Questions to ask…

Who is responsible for integration in your future ERP world – both building the technical integrations and ensuring that they continue to operate and reconcile in the real world?

Will the perceived agility gained by moving to a composable ERP solution materialize, or will you be slowed down in different ways – more challenging impact assessment and testing of small changes in discrete systems?

> **"Integration is part of the new normal of ERP. But it remains to be seen to what extent SAP customers will rely on enabling technologies such as Business Technology Cloud Platform, aka BTCP, and SAP Analytics Cloud, versus other integration scenarios."** *Dr Derek Prior, Former Gartner Research Director, Non-Executive Director Resulting IT*

Will your technology teams (or systems integrators) be able to make the leap from old-fashioned batch interface processing – from a large central ERP core and satellite systems – to a more real-time API-driven approach that's necessary in a hybrid world that's primarily cloud- native?

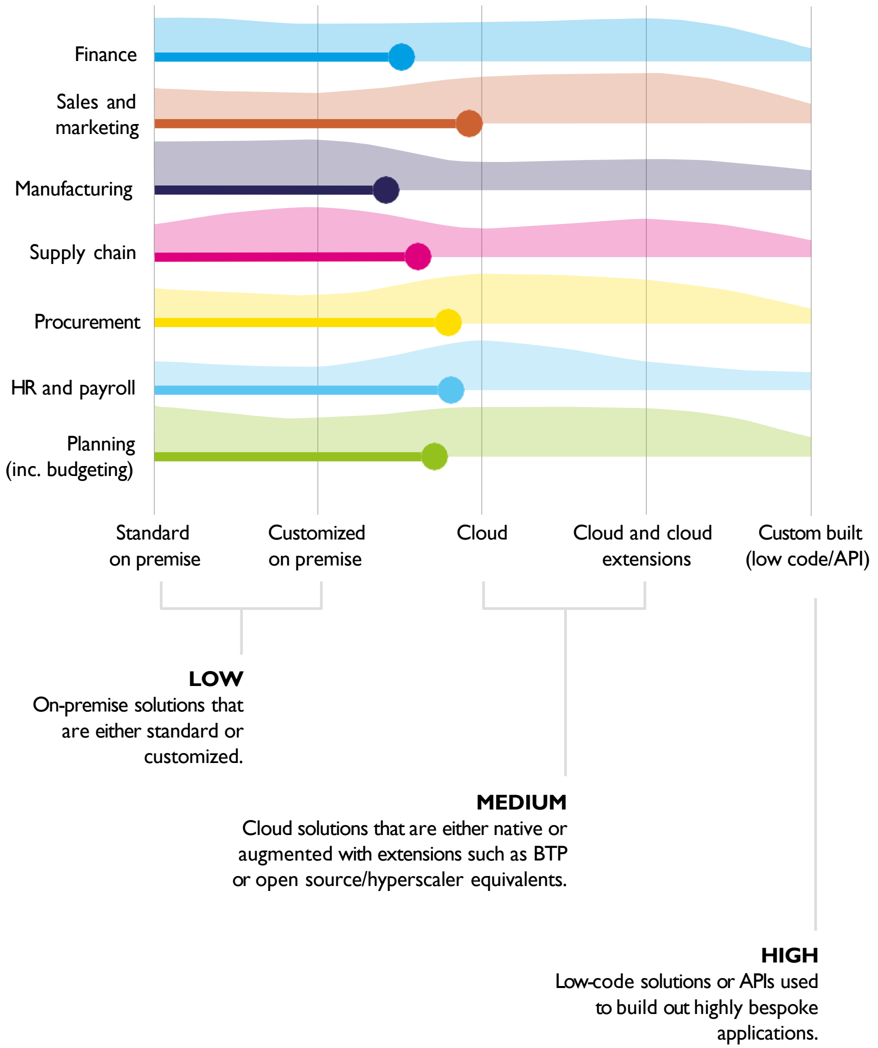
How will you design and describe the complex spaghetti of integration required to run your business across a composable architecture – specifically the relationships between applications, business processes, interfaces and data?

> **"Many cloud-native add-ons now incorporate AI and machine learning that in turn reduces manual effort for standard business processes. For example there are Accounts Payable (AP) automation solutions on the market that automatically code invoices based on previous invoice submissions, allowing AP teams to focus their time on making strategic, value-add decisions rather than focusing on commodity-based processes."** *Robbie Griffiths, Resulting IT*

How will your centre of excellence evolve alongside this shift to composable ERP to deal with a new world involving:

- Low-code/no-code development
- FinOps for cloud cost management
- New architectural design principles
- Different IT procurement models
- The shift from implementation to onboarding
- The need for change management to be able to absorb new SaaS functionality that is released centrally by the vendor?

How will your future ERP be composed in the following areas?



If the future is more composable, which business functions will be most composable?

Respondents were asked to identify how each functional process area would be represented in their future ERP world on a composability scale.

When interpreting these charts, it is easy to focus on the averages. But the distribution of scores tells a very different story. Our conclusions are based on distribution more than average scores.

Finance and manufacturing were the areas identified as the lowest on the composability scale. These areas are more likely to sit in a core ERP platform.

> **"Although finance is low on the composability scale, we regularly see financial planning, forecasting and budgeting sitting outside of core ERP. Plus, people frequently consider best-of-breed for vendor invoice management to support touchless AP processing."** *Alex Stuart, S/4 Finance Architect, Resulting IT*

Procurement and HR & payroll are most likely to be moved to cloud platforms. HR solutions are more likely to be standardized and procurement solutions more likely to be enhanced through cloud extension languages.

> **"A key factor beneath the functional bias for composable ERP is this – which processes can be considered commodity in the context of your business versus truly providing competitive advantage? Payroll is a great example – in most industries it should be a commodity. If payroll becomes a blocker in moving to S/4, mature organisations will simply look to outsource payroll and pay-per-payslip rather than building and maintaining complex ERP solutions."** *Stuart Browne, Managing Director, Resulting IT*

Sales and marketing, in common with planning (including budgeting) solutions are more likely to be highly composable.

Supply chain solutions remain an anomaly with respondents placing them firmly in two camps – either remaining within customized on-premise ERP solutions, or highly composable and best-of-breed.

Given the range and complexity of supply chain scenarios, and the impact of new digital business models on supply chains, this split is perhaps to be expected. More traditional supply chains will remain within a core ERP, but more dynamic and complex supply chains will demand greater agility to respond quickly to changing needs.

S/4HANA FORCES A DEGREE OF COMPOSABILITY OUT OF THE BOX.

The deprecation of Supplier Relationship Management (SRM) in S/4 in some ways mandates a shift to Ariba (or Coupa, Jaggaer, Oracle Procurement) for complex procurement scenarios.

Payroll and HR within S/4HANA loses long-term support, necessitating the implementation of Success Factors (or alternatives like Workday and Oracle HCM) to manage everything, from employee self-service to payroll processing.

CRM in SAP has never been cutting-edge. Second-generation CRM offerings from Salesforce and Microsoft (Dynamics) have hit SAP hard, and the explosion of marketing automation, and integrated eCommerce platforms leaves early SAP CRM adopters spoilt for choice as they move to S/4HANA.

SAP C/4HANA attempts to address this but the stable door has been left open for a long time now – and SAP's CRM stallion is nowhere to be seen.

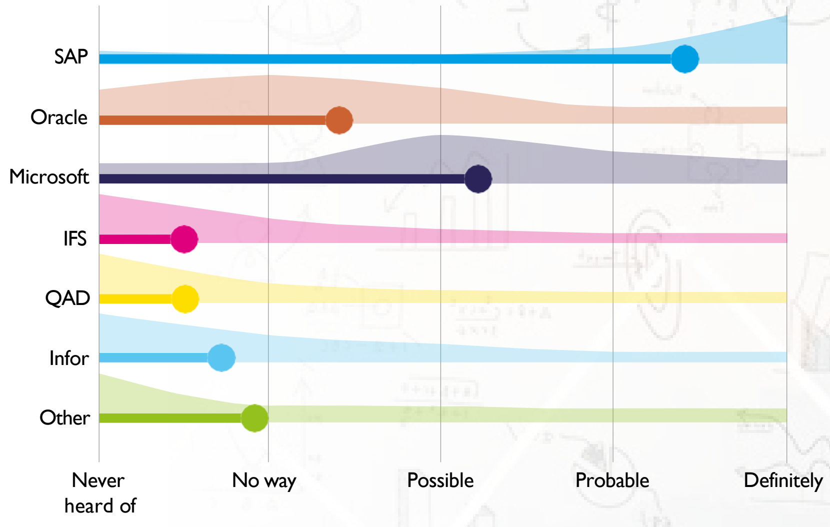
Another SAP own goal has been the promotion of central finance as a fast-track on to S/4HANA. The marketeer would argue that the solution was defined to enable aggregation of multiple finance solutions (SAP and non-SAP) – but the cynic may argue that it was a fastlane for SAP to build S/4 success stories.

Many systems integrators have latched on to the CFIN proposition, especially the Big 4 who have strong CFO relationships in place.

However, the CFIN route creates integration complexity within the ERP core and it remains to be seen how complex the ongoing integration and mapping of multiple finance solutions to multiple core ERP solutions will be for the large enterprises who have opted to hack through this route.

> **"Central finance is not a magic wand to fix all your finance problems and the complexity of the mapping, synchronization and ongoing maintenance shouldn't be underestimated."** *Alex Stuart, S/4 Finance Architect*

Which vendors might make up your future ERP core?



If the future is more composable, which vendors are SAP customers looking towards to compose their solution landscape?

Respondents felt that SAP would probably or definitely be their ERP core.

Amongst this SAP native audience, a material proportion would consider Oracle (11%) and Microsoft (27%) to form their future ERP core.

Respondents had either not heard of, or would not consider other solutions from Gartner's ERP Magic Quadrant as an alternative to SAP for their ERP core.

The respondents to this research represent a die-hard audience. SAP User Group Connect Conference (UK and Ireland) attendees tend to be strong SAP advocates. The secondary webinar audience for the live research segment also registered freely with a genuine interest in improving their knowledge to build a better five-year SAP plan.

It is likely that this group, like many other SAP customers, see their possible options through SAP-tinted spectacles. It is therefore no surprise that they do not understand alternative offerings from credible SAP competitors like Oracle, Infor and IFS.

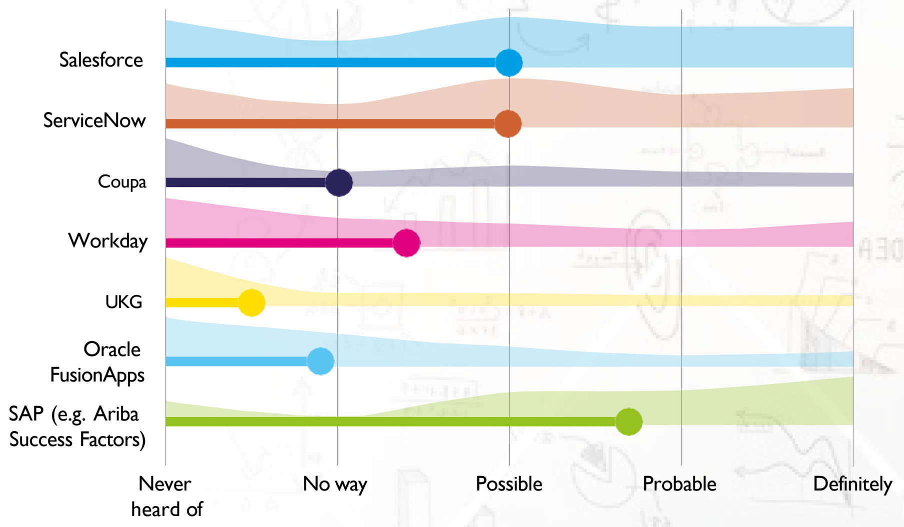
RESULTING ADVICE

Look up from the SAP bunker as part of your planning. Talk to alternative vendors and systems integrators who specialize in alternative solutions. Understand what alternative ERP solutions are available, or whether there are best-of-breed solutions that could surround an SAP ERP core.

> **"Some ERP solutions offer a better alternative for certain industries as they've evolved with a specific industry in mind rather than the SAP one-size-fits-all model. Businesses should look carefully at niche ERP solutions to solve specific industry problems as part of their overall ERP selection processes."** *Nick Coburn, Consulting Director, Resulting IT*

The fact that you may not have heard of or seen these solutions should not necessarily be a badge of pride.

Which vendors might make up your enterprise applications outside your core ERP?



When looking at the surrounding applications, the majority of respondents felt that SAP solutions such as Ariba and Success Factors were probable add-ons.

ServiceNow (service and automation) and Salesforce (CRM) were ranked as probable add-on solutions, and there was some support for Workday (HR).

It should be noted that these leading vendors are currently pivoting from their functional heartlands into broader ERP offerings with an emphasis on finance initially. For service organizations who do not have the complexity of inventory and manufacturing, these vendors will surely represent an option for traditional SAP customers as their ERP offerings evolve.

WHEN IS INTEGRATION NOT INTEGRATION?

On the face of it, the various SAP offerings of S/4HANA, Ariba and SuccessFactors provide a neat replacement for a monolithic ECC solution. But they are not yet as tightly integrated as they ought to be. Although basic integration exists and APIs are available to build out connectivity, much of the integration thinking is open to interpretation during implementation or migration.

Anecdotally, some SAP customers find it as easy (or difficult) to integrate Coupa as Ariba, or Workday as SuccessFactors.

Integration between the various software components becomes a critical service. SAP provides the Business Transformation Platform (BTP) Integration Suite which provides “seamless” integration between standard SAP software, and many other integration vendors provide standard APIs for SAP, but it is important not to underestimate the complexity of both providing critical data at the right time and managing the data lifecycle of master and transactional data within the overall ERP scope.

SAP’s licencing (despite the single agreement promise of RISE) and support for these add-on solutions is also segregated rather than integrated.

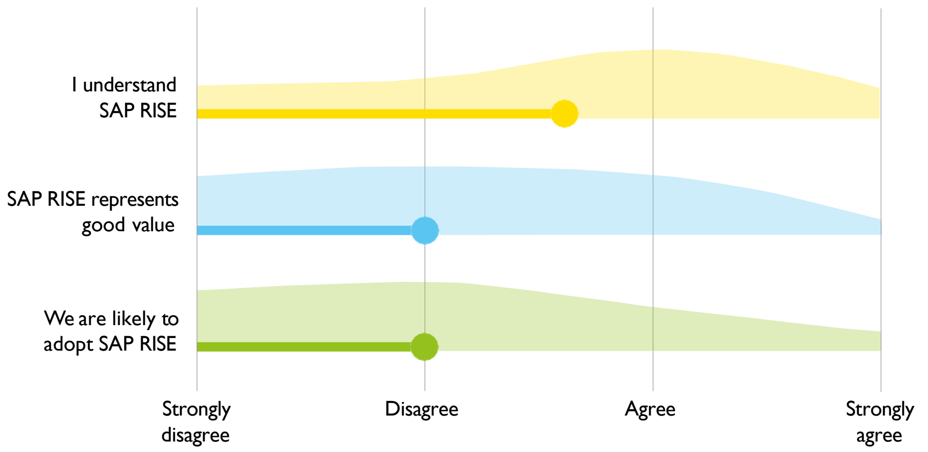
ARE THEY TAKING THE RISE?

RISE is relatively new and as such, very few SAP users are live, so there is little evidence on SAP's ability to deliver the service in a BAU environment and there is anecdotal comment that the processes are similar to HEC, which has had a mixed reputation. How this translates to service delivery remains to be seen.

Experience with Resulting customers with SAP and RISE offerings shows that SAP are focussing on the TCO aspects of RISE as a sales tool which, on an initial view, and especially with volume/revenue licenses, can seem appealing to lock-in over a three-year period. In addition, SAP are not very forthcoming on the price profile for perpetual licenses so it can be difficult to perform a true TCO comparison.

> **"A major recommendation from me is that you can never, ever, believe any vendor's TCO claims. They define their own TCO scope. Customers have no choice but to do their own TCO calculation, listing all assumptions. Don't ever forget that vendors are commercial organisations, so it is in their interests to make bold TCO claims"**
> *Dr Derek Prior, Former Gartner Research Director, Non-Executive Director Resulting IT*

What are your thoughts on SAP RISE?



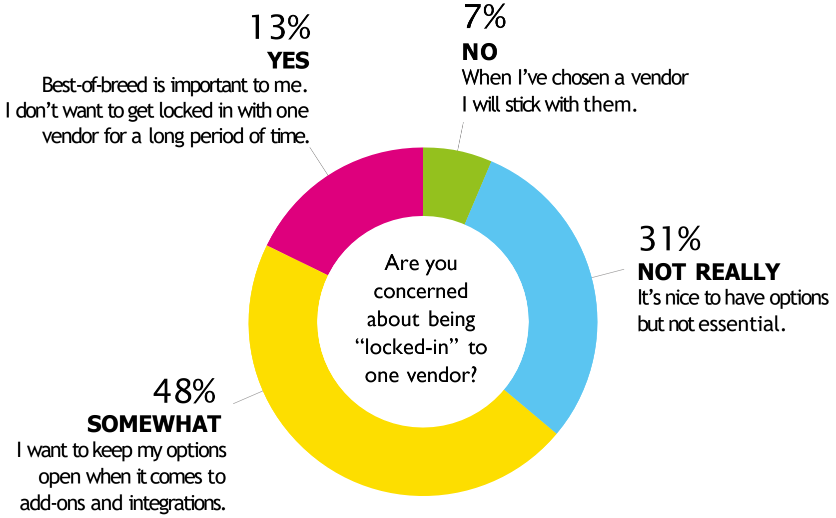
SAP RISE was launched in January 2021 as a new cloud-oriented commercial wrapper for ERP customers. Comprising both S/4HANA licenses and access to cloud hosting solutions from SAP or one of three hyperscalers (AWS, Microsoft Azure, Google Cloud Platform) – RISE was branded as a transformation-as-a-service offering to entice laggard ECC customers to make the S/4 move.

It has had limited success, not helped by the revelation that SAP salespeople will be solely incentivised by cloud revenues from 2022 onwards. The lure of annuity revenue streams and additional wallet share of 'hosting' services in addition to license fees is clearly a tantalizing prospect for SAP's board and shareholders.

Respondents appear to know what RISE is. The majority of respondents are either in agreement or strong agreement that they understand RISE.

However, the consensus among respondents is that they do not feel that RISE represents good value for money. This is supported by a strong view from respondents that they will not adopt RISE.

Are you concerned about being "locked-in" to one vendor?



As ERP becomes more composable and customers make sourcing decisions, the number of vendors that they have commercial agreements with increases. But the majority of respondents appear to see their composable ERP future as largely SAP-centric.

In discussions with clients in 2021, we picked up on a concern that SAP were creating lock-in for customers by owning the full stack from application licencing, database and cloud hosting.

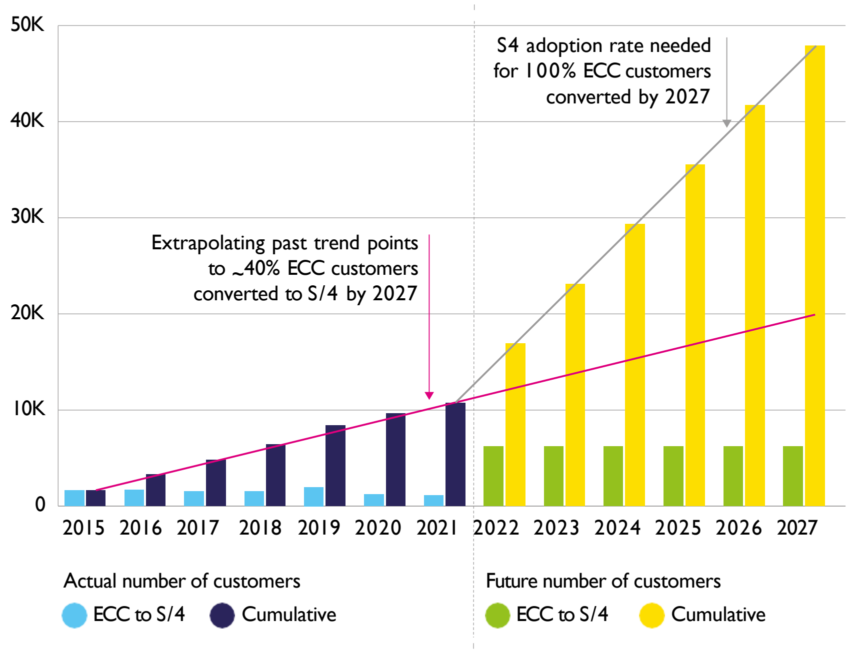
Whilst this is no different from other SaaS vendors, it is a step change for SAP. Allied to their comparatively opaque licensing models vs. SaaS vendors and the spectre of Indirect Access breaches, it is understandable why some customers may be concerned about lock-in.

63% of respondents showed a concern around being locked in to one software vendor with 48% being somewhat concerned and 15% claiming that lock-in was an important consideration in a best-of-breed ERP world.

How adoption of S/4 is shaping up

Projected S/4 adoption needed to reach 100% ECC conversion by 2027 compared to actual conversion to date

Graph and data courtesy of SoftwareONE

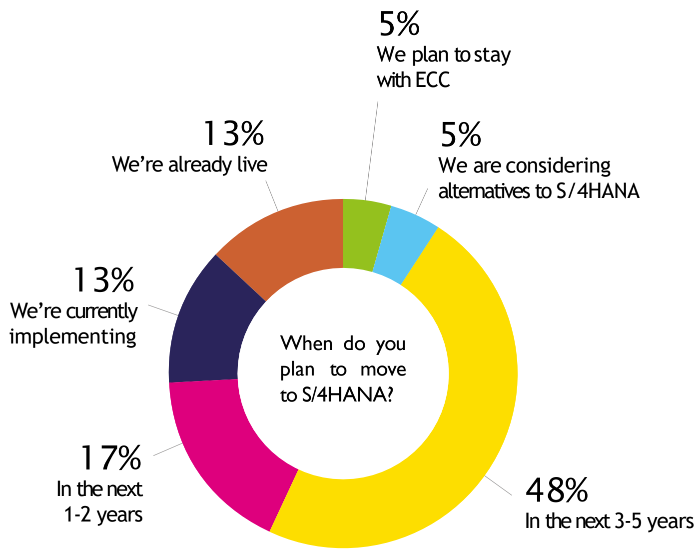


The uptake of S/4 HANA has been lower and slower than SAP would have liked. Current estimates place adoption at 18,800 sold S/4 licences. As this includes net new customers as well as existing ECC customers we estimate this equates to just 22.9% of ECC customers (based on an estimated 48,000 ECC customers).

And bear in mind this is just purchased licenses – it doesn't mean these people have actually migrated and are using an S/4HANA system today.

Live S/4 estimates stand at less than 11,000 in total – less than 25% of the total install base.

When do you plan to move to S/4HANA?

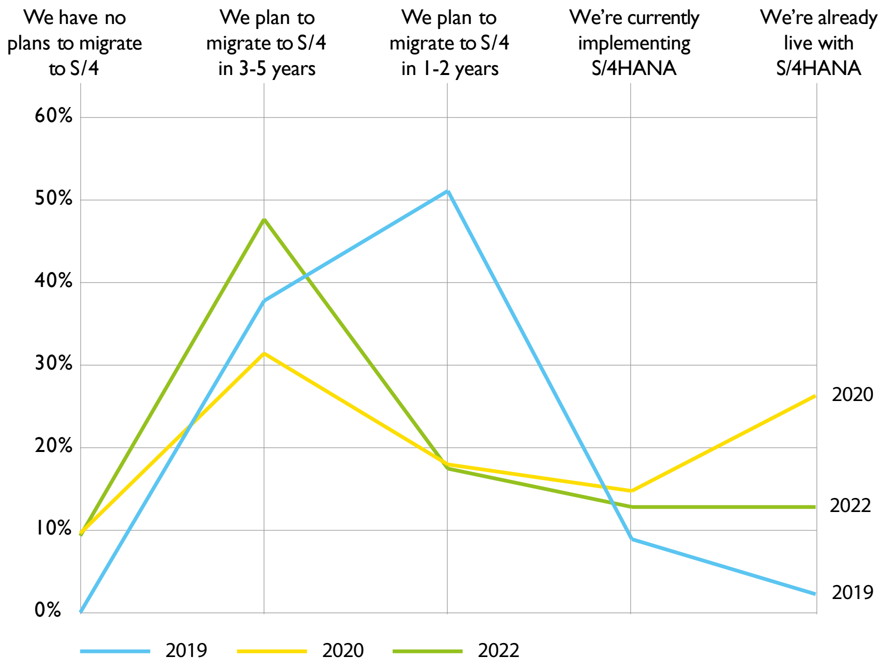


Just 13% of respondents claim to already be live on S/4HANA with a further 13% implementing at the time of the research. This equates to around a quarter of respondents having committed to move to S/4.

Around 10% of respondents either plan to remain on ECC or are considering alternatives.

48% of respondents stated that they planned to move to S/4HANA in the next 3-5 years in our 2022 research, and 17% anticipate moving to S/4 in a shorter time frame of 1-2 years.

When do you plan to move to S/4HANA?

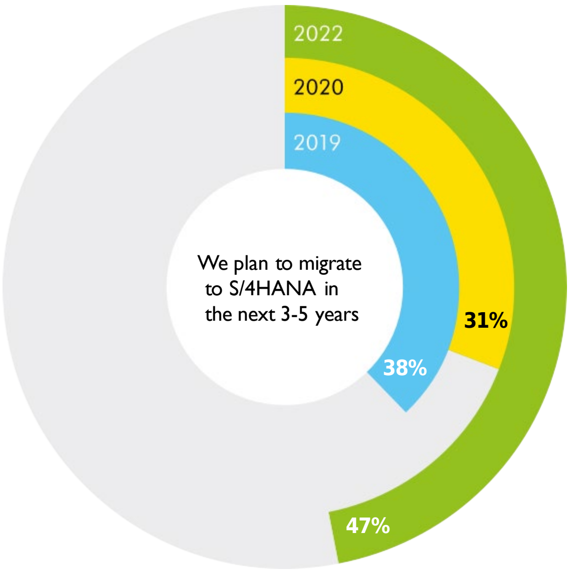


NB: subsequent surveys polled different audiences, meaning that live SAP HANA proportions are not cumulative.

However, we have asked this same question across three separate research projects since 2019. The consolidated analysis tells an interesting story…

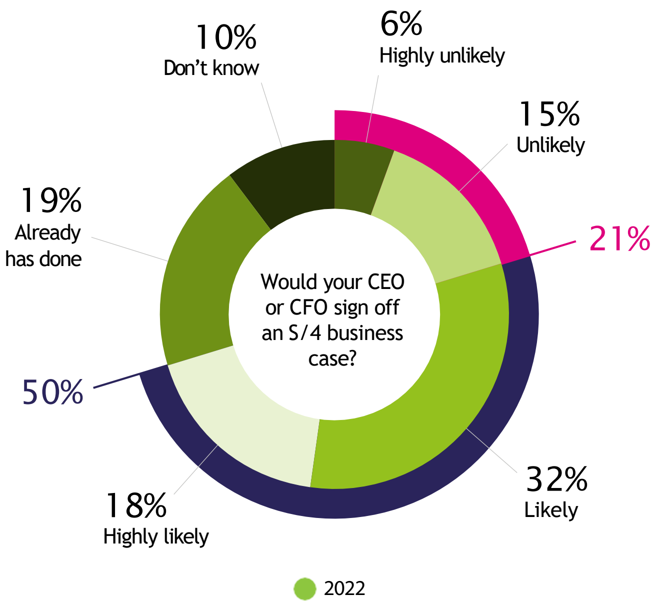
- In 2019, 38% placed their migration to S/4 on a 3-5 year horizon.
- In 2020 (during the Covid-19 pandemic and after SAP's 2 year slippage in end of life support of ECC), this proportion dropped back to about 30%.
- In 2022, presumably due to the 5-year window to end-of-life support, this proportion has increased to nearly half (47%).

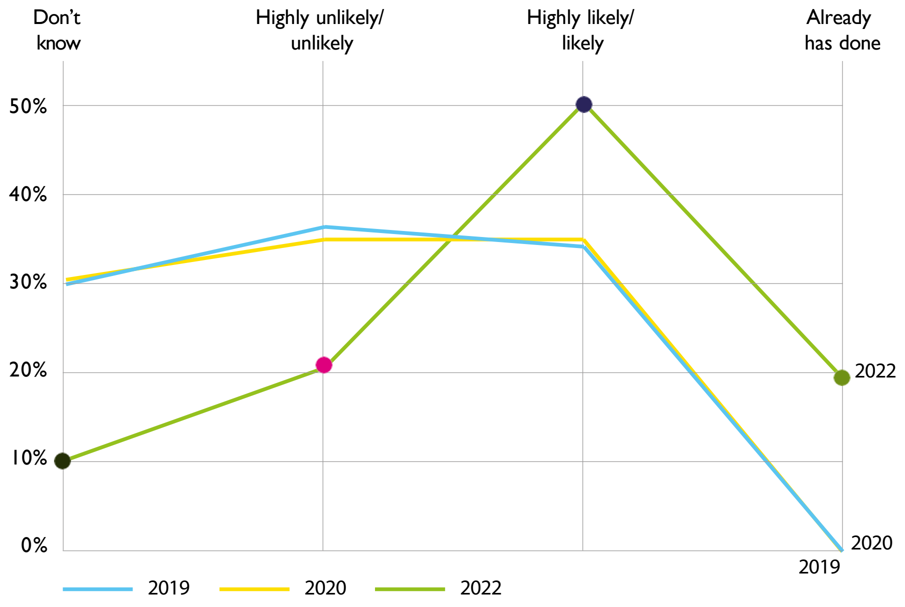
Although the three research projects have polled different respondents, meaning that direct parallels cannot be drawn between them, it is clear that the majority of ECC customers remain on a 3-5 year window – and that this group continues to push out their plans as time progresses.



"One possible reason for this change in sentiment could be ageing technology against a backdrop of demand for a more modern platform. Perhaps organisations have realised that they need to start moving away from complex WRICEFs remediation every time a change in their ECC system needs to be implemented?" *Pierre-Francis Grillet, SAP Director, SoftwareONE*

Would your CEO or CFO sign off an S/4 business case?





The ability to create a compelling business case for S/4HANA has been a recurring theme over the past five years. Organizations struggle to build a narrative that executives buy into that justifies credible benefits vs. the cost and disruption of a move to S/4.

Respondents in 2022 are high in confidence that they can gain commitment to investment in a move to S/4.

19% have already secured approval. 50% claim that it is either likely or highly likely that they would gain CEO or CFO sign off.

This is a significant swing from previous research reports which showed between 34%-36% claiming sign off was unlikely or highly unlikely. The equivalent in 2022 is just 21% of respondents feeling negative around their S/4 investment.

The proportion who don't know has also reduced from 30% to just 10% in the same period.

This augurs well.

The fact that executives are more likely to commit funds to their S/4 move is positive. However, allied with the sliding 3-5 year timeframe to move to S/4, we suspect that organizations are wrestling with how to plan and execute the move now, including selling the change journey to business leadership.

One remaining question is what underpins this change in sentiment around an S/4 business case.

Have organizations suddenly identified the secret sauce in S/4HANA?

- Is there a general sentiment of needing to modernize and adapt (post-Covid, post-Brexit) and that ERP is part of the narrative?
- Have executives resigned themselves to the spend in order to mitigate the pending risk of an out-of-support ERP backbone?
- Are organizations seeing the move to S/4HANA as a 'first base' that can be used as a foundation for their future roadmap, rather than considering it as a 'home run' transformation?

> **"Organisations are realising they need to try and keep things simple to reduce costs and improve agility so that they can react to change."** *Alex Stuart, S/4 Finance Architect, Resulting IT*

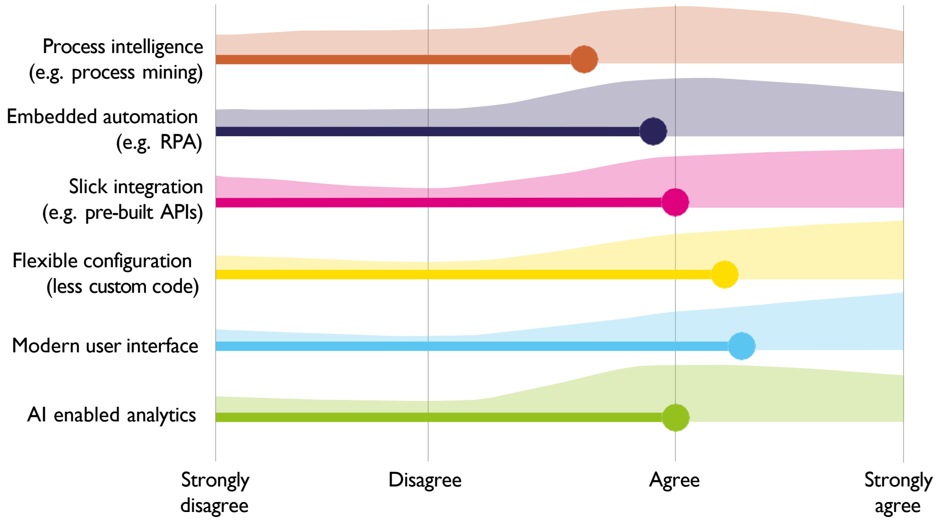
WHO'S IN THE LONG TAIL?

The more complex your business, the harder an ERP migration or modernization is. Broader business process scope and more global operations create a meatier challenge.

Although not validated by the research, it's reasonable to assume that the long tail of late S/4 migrations are the more complex ones. Organizations with complex manufacturing and supply chains are more likely to be in this tail than simpler service-based businesses.

We ought not to simply focus on the numbers of organizations but the relative complexity of their move to S/4HANA. For large global manufacturing businesses, the operational risk of moving to S/4 and the need to limit downtime could result in very long multi-wave projects spanning 5-7 years.

Which features are most critical to your ERP business case?



It is unlikely that organizations will secure a business case for a multi-million dollar S/4 migration by simply replacing what they have today with the same functionality in a different version.

So, what additional factors support a move to a future modernized ERP solution?

From the choices presented, a modern user interface was #1 on the shopping list.

SAP has long been derided for it's antiquated functional but uninspiring interface. When compared to more modern applications, and (for a Millennial/Gen Z workforce) day-to-day web, social and gaming interfaces, the SAP GUI is extremely outdated.

Enter Fiori – the role-based Tile and App refreshed UI launched in 2013. Fiori was SAP's attempt at overhauling the ERP but it seems that nine years on SAP customers still want improved UI.

> **"Don't underestimate the importance of UI in the future. Organisations with a large percentage of millennials and Gen Z staff in their workforce will need a modern UI experience that's fully mobile. It will become a key differentiator for them to be able to attract and retain the right talent, and be seen as the employer of choice."** *Nick Coburn, Consulting Director, Resulting IT*

Away from the user interface, more flexible configuration (with less custom code) and slicker integration (via) APIs were ranked as the next most important features. One could argue that these are not directly beneficial to the business and instead make the technologist's life easier.

However, the consequence of these technology improvements is that it becomes faster to deliver business functionality, and new functionality supports more efficient business operations.

Behind these features in the combined wish lists of respondents were AI-enabled analytics, RPA and process mining. These features are more directly related to business process performance, but interestingly lower down the pecking order in terms of criticality. This may be down to a lack of belief that these 'cutting' edge capabilities will deliver tangible business value in the real world.

> **"As a former Gartner Analyst, a major concern that I have is that the "clever stuff" in S/4, which should underpin the upgrade business case, is clearly there. But we're rarely able to track down live S/4 customers actually using the "clever stuff". Brownfield ECC customers seem to understandably do phase one of the move to S/4 as an upgrade, then never move on to phase two to exploit this clever stuff"** *Dr Derek Prior, Former Gartner Research Director, Non-Executive Director Resulting IT*

FIORI – IS IT MODERN? IS IT ALL THERE?

Fiori is not modern by the standards of web UIs that were available when it was launched in 2013, and it certainly isn't modern compared with the latest in UI technology (e.g. React, Angular, JQuery) that has evolved through to 2022. Given the pace of application technologies, nine years is a very long time, and Fiori can no longer be classed as modern.

Fiori is lauded as one of the main benefits of moving to S/4HANA. However, the coverage of Fiori Apps vs. HTML version of the traditional SAP GUI is very limited. Many high footfall, complex SAP transactions don't have a Fiori equivalent, meaning that SAP customers who are expecting a wholesale UI transformation might be dissapointed.

Fiori has its own authorisation concept meaning new roles must be implemented and existing roles augmented to provide the same level of control in S/4 as its ECC ancestor.

Low code platforms like Outsystems, Mendix or Neptune provide alternative interface options which can aggregate role-specific functions into composite UIs.

Crucially, these can be implemented now in ECC, and the UI ported to S/4 later.

What else is on your mind?

Part of this research was conducted in the course of a live research webinar. The registrants were asked an open question – what's worrying you most about the next five years from an SAP perspective?

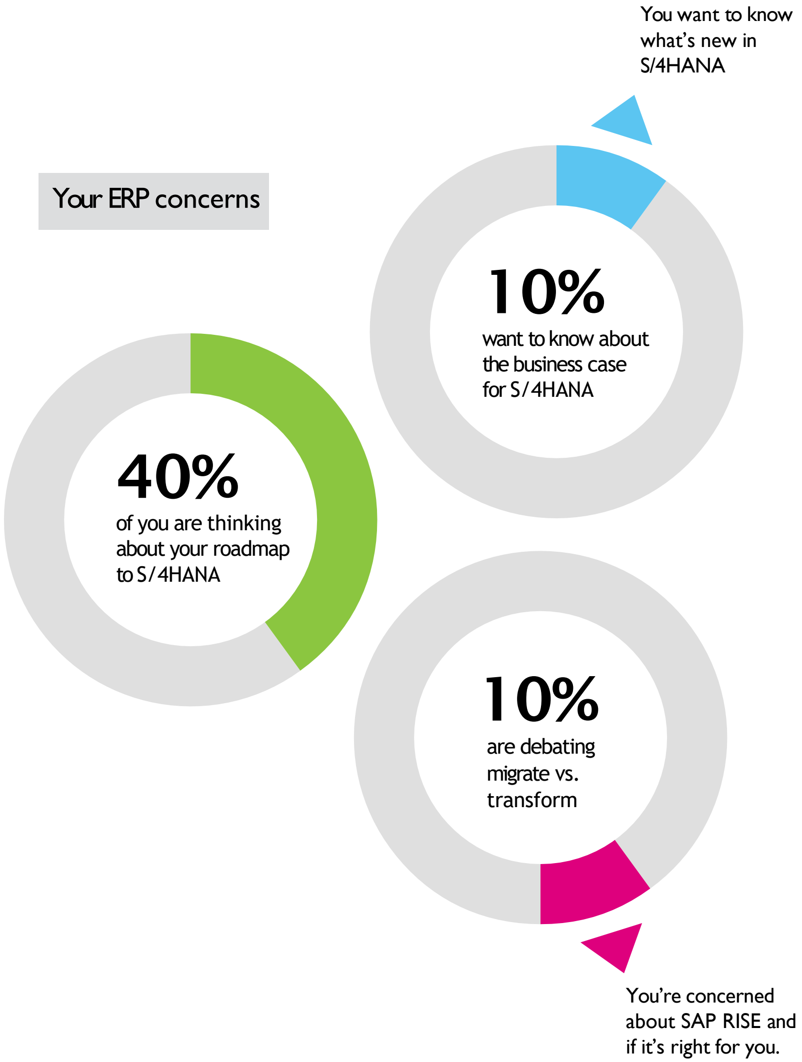
50% of respondents were most concerned about their roadmap to S/4HANA and building a compelling S/4 business case, with a greater emphasis on the roadmap by a ratio of 5:1. This correlates well with the business case research question, where 21% stated it was unlikely or highly unlikely that their CEO or CFO would sign off an S/4 business case.

10% of respondents were more explicit and raised the question of whether they should migrate to S/4 from a technical perspective, or should treat S/4 as a transformation opportunity.

This critical question is also embedded in the thought process of building a roadmap for S/4 and a business case. Why? Because the cost of jumping from ECC to S/4 and the realization curve of the benefits is directly influenced by this decision.

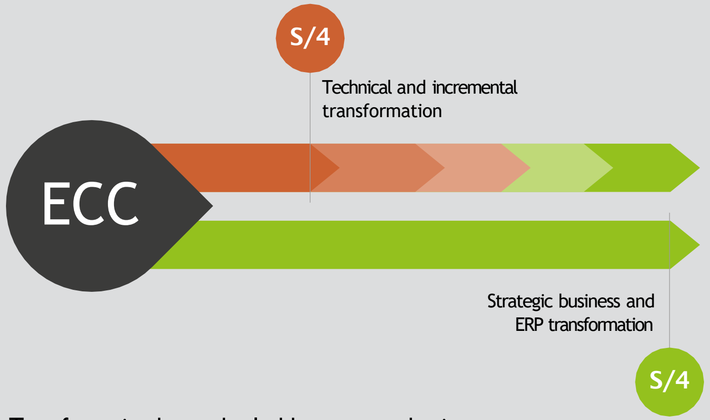
Our 2018 SAP Success Report revealed that 52% of SAP programmes fail to deliver their expected business outcomes. In addition, just 36% delivered to their original delivery plan, and 30% delivered to their agreed budget.

This track record should cause executives to pause for thought before embarking on an ERP-led business transformation programme. If the business case is in the balance, then the cost, time to benefits and extent of benefits ought to be weighted by these success rates to give a healthy dose of realism.



RESULTING ADVICE

If you're wrestling with the question of migrate vs. transform, there's a simple secondary question to ask – does the business have the desire to transform aside from there being a new version of SAP available?



Transformation has to be led by strategy, business outcomes and a firmly sponsored desire to improve. The fact that SAP has a new version of their software (which may also force you to adopt other solutions where functionality has been removed) does not mean that you have to force a business transformation.

Technical migration (brownfield) with incremental improvement is possible, practical and a lower-risk option for long-standing ECC customers with complex solutions.

SHOULD I GO WITH RISE?

Amongst other concerns was a concern around RISE. Will it be more cost effective? Is there a risk of SAP having too much control of the ERP stack? What if it doesn't work technically? This last point is a valid concern given the mixed success and customer churn on SAP's HEC platform in recent years.

Also, don't forget that you still need operations or basis resources, or a managed service in addition to RISE. It is far from a panacea.

And, many AMS providers don't yet have an end-to-end AMS service including RISE, meaning that from a contractual perspective, you may become accountable for managing the AMS – SAP relationship.

RESULTING ADVICE

Don't be rushed into becoming an early RISE adopter because SAP has aggressive sales targets.

WHAT'S DIFFERENT IN S/4HANA?

Another common concern was a general confusion around what's new and different in S/4HANA. Previous Resulting research (2019) has highlighted that 64% of SAP customers don't know what's different in S/4, and 75% don't understand what has been simplified.

The S in S/4 stands for Simplified. Simplification was a key tenet of SAP's marketing when S/4 was launched in 2015.

There is a strong correlation here with the proportion (74%) of SAP customers who have not yet gone live on S/4, or started their migration in earnest.

RESULTING ADVICE

It is impossible to build a credible business case or transformative implementation plan unless you understand specifically what's different in S/4HANA.

Invest time in understanding how the functionality that you use today (zoning in on that which gives you real competitive advantage) will differ in S/4. Understand what has been removed and what new value has been added so that you can both mitigate the change impact, and sell-in the value to senior business stakeholders.

What to do next

Five key take-aways for your SAP future…

#1 Business first, SAP second

Focus on business strategy and business processes.

In-flight safety cards often use the phrase "put on your own oxygen mask before helping others". Whilst your move to S/4 isn't an emergency, this principle is a useful one.

Rather than pandering to SAP's sales quota, focus on your business, your strategy and your business processes first.

Worry about SAP's agenda when you're breathing clear oxygen.

#2 Migrate vs. transform

Choose what's right for your business.

Think hard about whether you have the appetite to transform the business. Crucially, ask your business leaders if this is what they want.

If there's no appetite to transform, your ERP roadmap conundrum has been answered for you. Hold off, or go for a simple technical brownfield or bluefield migration.

#3 Monolith vs. composable

Is S/4 the answer before you ask the question?

Just because you run SAP ECC today, don't assume that this automatically means that S/4HANA is the answer. You may be forced down a composable route (e.g. Ariba, SuccessFactors) anyway.

Use the opportunity to look up from your bunker and assess alternatives for both your ERP core (in whole or in part) and for your surrounding landscape.

You may find ways to innovate and break free from a glacial ERP upgrade programme.

#4 Invest in understanding specifically what's changed in S/4HANA

Will you lose functionality?

Find out what's in the S/4 box (and more importantly what's not). For some ECC customers, the move to S/4 will require implementation of other solutions alongside.

But either way – having a detailed understanding of what's different and how it will impact or improve business processes matters a lot.

See www.fusiongraph.com

#5 Don't fall for RISE too quickly

It isn't a solution – it's just a wrapper.

Don't fall into the trap of thinking that RISE is a different solution. It's a commercial wrapper.

Linked to #1 – SAP's sales team is heavily incentivised on RISE – so you should be wary of being sucked into that tractor-beam.

It may be the right solution, but do your TCO homework on your own terms and at your own pace.

And, don't be bullied into licensing an all-you-can-eat RISE deal which precludes you from a composable ERP future.

OUTTAKE

When we wrote this research report, we found that auto-correct continually changed the word composable to compostable. Which meant that, save for eagle-eyed proof-reading, we might have published a research report on Compostable ERP.

Hopefully, we didn't make that mistake anywhere in the final report.

However, keep your eyes peeled for our 2022 ERP sustainability research report due in H2 2022. Maybe we'll find a way of getting compost into that somehow…

How’s your ERP transformation going?

We’d love to hear from you www.resulting-it.com

FusionGraph™

Visualise your business and its technology, then overlay what’s new in S/4HANA over today’s SAP ECC usage to build your S/4 Roadmap.
Tell me more>

Resulting it

We’re independent advisors who ensure the success of your ERP change project by helping you plan it, wrangle its complexity, and keep it on track.