



All the Right Moves: **How Vertex Eases the Tax Risks** **of SAP S/4HANA Migrations**

Brian Wilchusky, Director SAP Global Partnership, Vertex Inc.

Willie Thurman, Principal Solution Sales Consultant, Vertex Inc.

Introduction: A Fundamental Question

Executive Summary

When companies migrate from SAP ECC to SAP S/4HANA, the Finance leadership, IT team and tax department within these companies, have to consider the impact the migration will have from a tax technology perspective; so, too, do their tax technology advisors.

Vertex has compiled critical information that can be leveraged during the planning and discovery phase of a possible migration to help companies understand the factors that have the largest impact on the tax technology transition from SAP ECC to S/4 HANA. It is critical to identify the scope and cost for this technology transition to set the correct expectations on how the change will impact the business.

By engaging Vertex early in the planning and discovery phase, companies can set the correct expectation within their organization related to scope and cost and reduce the risks that may affect the business and tax processes by defining the correct implementation strategy.

What does an ERP migration involve from a tax technology perspective?

This question is crucial to organizations using Vertex Indirect Tax solutions, starting the moment their company commits to migrating from SAP ECC to SAP S/4HANA. When this shift occurs, tax and business leaders want to know:

- + Can the same tax technology and solutions we integrated with SAP ECC also work with S/4HANA?
- + If new technology is needed how much does it cost and how long will it take to implement?
- + Who can assist us with planning this transition?

The good news is that the tax stakeholders in your business are not alone in their search for answers. Vertex has a compelling desire to help address these questions so we may deliver the best customer experience throughout the process.

Although the scope, project duration and implementation cost can vary for the tax technology transition related to an SAP ECC to S/4HANA migration, Vertex's experience, subject matter expertise and strong partnership with SAP (25-plus years) shows Vertex's customers we are reliable, we are experienced and we are confident we can support our customers through their migration.¹

The topics that follow in this paper focus on the factors that have major impact on the Vertex implementation's scope along with actions that project teams can take to limit the duration and cost of those efforts while increasing ease and speed.



The Top 3 Determinants of Duration and Cost

“The discovery and purchase phases are designed to glean increasingly detailed information about each company’s unique business needs so that a more precise assessment of implementation activities, project duration and cost can be completed prior to implementation.”

Several motivations prompt companies to migrate from SAP ECC to SAP S/4HANA, including:

- + Geographic expansion;
- + Product expansion;
- + ERP consolidation and related changes;
- + Audit, risk management and/or control changes; and
- + A larger cloud migration and/or digital transformation initiative

Depending on the size and structure of an organization, the key stakeholders involved in the decision processes may include the head of the tax department; the Chief Financial Officer (CFO) or another top finance executive; the Chief Information Officer (CIO) or Chief Technology Officer (CTO) or top information technology (IT) leader; and the leader who is ultimately responsible for the SAP ERP investment. As the purchasing journey progresses toward implementation, these stakeholders consult and collaborate with SAP, their systems integrator and, in many cases, the third-party solutions providers whose technology integrate with SAP.

Vertex supports the three primary phases of the purchase-to-implementation journey: **discovery, purchase, and implementation**. The discovery and purchase phases are designed to glean increasingly detailed information about each company’s unique business needs so that a more precise assessment of implementation activities, project duration and cost can be completed prior to implementation.

The discovery phase functions as a valuable filtering process — zeroing in on the critical factors that were identified at a higher level. The discovery team holds conversation with key stakeholders to discuss and review factors that will influence the implementation. Our client stakeholders typically include director-level tax professionals who possess deep knowledge of indirect tax management processes and IT directors who directly support tax technology. Once this detective work concludes, the discovery team produces a statement of work that includes the project methodology, milestones, and costs.

Our discovery process that has been continually strengthened and refined by insights gleaned from hundreds of customer implementations is designed to:

- + Engage in a collaborative conversation to discuss the needs and expectations of the organization and specifically the needs of the finance and tax departments;
- + Identify key success factors that should be used to define the implementation strategy and milestones;
- + Identify a clearly defined process to tackle complications before and as they arise



It is important to emphasize two points: first, the scope of tax technology implementations within SAP ECC-to-SAP S/4HANA migrations varies by company; and second, more than a half-dozen factors directly affect the duration and cost of these implementations. That said, our discovery work over the years indicates that three factors exert the greatest influence on the ease, length and cost of implementations across most organizations:

1. **A company's geographic reach:** Does your organization operate exclusively in North America? Does the company also sell to customers in Europe, the Middle East and/or Asia? Do you have a presence in South America? The number of global regions a company operates in usually has the largest impact on the scope of the implementation. A North America-only implementation may require as little as 300 total hours (i.e., a duration in the three- to six-month range); a multi-region, global implementation can require as many as 5,000 hours (i.e., a duration of in the six- to 12-month range). The nature of some global operations also influences the implementation effort. For example, certain trade flows (i.e., the means by which an organization distributes products globally) can add significant amounts of complexity to some implementations.
2. **The availability of internal implementation resources:** The team managing the implementation consists of a mix of internal and external resources. In addition to the project manager, the internal members of this team include SAP experts knowledgeable of specific functionality (e.g., materials master records, sales and distribution, purchasing, SAP Basis and more), tax professionals and IT professionals. If those experts are unavailable internally, they need to be sourced externally, which increases implementation costs.
3. **The SAP S/4HANA implementation schedule:** As mentioned before, the Vertex Indirect Tax solutions integration represents a smaller, yet critical, component of the much larger SAP S/4HANA implementation. As a result, the SAP S/4HANA project timeline determines when and how the Vertex implementation occurs. For example, while the total Vertex implementation time may be four months, that period of work may be conducted in discrete stages throughout the duration of a longer, much more comprehensive SAP S/4HANA implementation. In some cases, the Vertex implementation may be completed within three, four or six consecutive months; in other cases, that tax technology work will start and stop according to the SAP S/4HANA implementation project plan. When there is a need to compress the Vertex implementation timeline to satisfy the SAP S/4HANA project plan, additional resources are needed, which increases the cost.

In some cases, one or more of the above factors can be controlled; in others, they cannot. In all cases, however, it is beneficial to get an accurate read on those three factors as early in the discovery phase as possible.

Other Factors that Influence Effectiveness and Efficiency

“When assigning roles and responsibilities, a RACI chart showing which roles are responsible for each task, who is accountable, and, when necessary, which stakeholders should be consulted or informed is useful.”

Besides those three factors, other issues also exert varying levels of influence on the duration and cost of a Vertex implementation that accompanies an SAP ECC-to-SAP S/4HANA migration. These secondary factors include:

- + **The Vertex offerings being implemented:** Whether a company is implementing Vertex to support sales tax and consumer use tax in the U.S. and/or value added tax (VAT) overseas affects the implementation scope. The same holds true regarding whether the Vertex technology supports procurement as well as sales.
- + **Accompanying workflow adjustments:** Tax functions may elect to perform workflow improvements and related changes to material groupings, customer numbers and other master data elements in tandem with implementations. This approach offers efficiency benefits (leveraging the implementation project to achieve additional improvements), yet it also adds complexity to the implementation. These process and workflow adjustments should be documented and considered during the discovery phase.
- + **Integrations with related applications:** In addition to integrating Vertex with SAP S/4HANA, there may be a need to integrate Vertex with other business applications connected to the ERP system, such as SAP Ariba and SAP Commerce Cloud.
- + **The delivery model the organization selects:** While Vertex offers indirect tax solutions in multiple deployment options (on-premise, on-demand and cloud), the scope of implementation work varies depending on the company’s current and future SAP delivery model. For example, a migration from on-premise SAP ECC to cloud-based SAP S/4HANA typically requires more work than an on-premise-to-on-premise SAP ECC-SAP S/4HANA transition.
- + **Who takes the lead:** When laying out the project team’s roles and responsibilities, it is important to identify whether the organization or Vertex will take the lead on the implementation. If the company has a Vertex expert available to assume that responsibility throughout the duration of the implementation, it can help reduce costs.

When assigning roles and responsibilities, a RACI chart showing which roles are responsible for each task, who is accountable, and, when necessary, which stakeholders should be consulted or informed is useful.² Other project management steps also figure prominently among a set of implementation actions that tax functions should consider taking.

Key Implementation Considerations



Over the course of conducting hundreds of discovery phases for tax technology integrations that accompany ERP upgrades, Vertex has identified several actions that correlate with successful implementations. Tax leaders and other stakeholders involved in SAP ECC-to-SAP S/4HANA migrations should consider taking the following steps to improve the speed and efficacy of their Vertex implementations:

- + **Involve an indirect tax expert in the purchasing process:** In too many situations, an indirect tax expert does not participate in the purchasing or discovery phases of the overall implementation process. Instead, an IT group may be spearheading the effort or a higher-ranking tax executive with less in-the-trenches knowledge of the company's indirect tax process and challenges takes the lead. When an indirect tax expert is absent from discovery activities, the indirect tax assumptions and requirements tend to be incomplete or, worse, incorrect. Addressing these shortcomings during the implementation phase increases the cost and duration of the overall project.
- + **Reexamine “lift and shift” assumptions:** Relatively few SAP ECC-to-SAP S/4HANA migrations occur without accompanying business and processes changes. As enticing as it is to view this sort of implementation as a straightforward “lift and shift” exercise, it rarely qualifies as such. The phrase is often misapplied and should be carefully inspected if it arises in the context of an implementation.
- + **Avoid the tendency to downplay complexity:** Successful implementations require the identification and management of a large collection of unique, company-specific nuances and challenges. This does not mean that implementations need to be longer or more expensive than forecasted; rather it indicates that discovery-phase discussions should be as objective and candid as possible. Identifying potential complications and obstacles prior to implementation is much more effective than adopting an “It’s no big deal” mindset.
- + **Distinguish between SAP expertise and Vertex expertise:** It is important to seed the project team with SAP expertise and Vertex expertise. It is also important to recognize that possessing SAP knowledge is not the same as knowing how to integrate SAP S/4HANA with Vertex Indirect Tax solutions. Fortunately, existing customers typically have Vertex expertise on staff; the question is the extent to which those experts are available to work on the project team for the duration of the implementation.
- + **Create a project charter as early as reasonably possible:** A product charter formally describes the Vertex implementation's objectives, acceptance criteria, key stakeholders (including the sponsor and project team), initial requirements, benefits (e.g., return on investment) and primary risks. In some cases, the charter may include an early estimate of the implementation's duration and cost along with a short list of key milestones in a project timeline. The project charter should be “created at the very start of the project, when the selling of the project's goals and ideas needs to begin,” according to the Project Management Institute's definition of the term. “It is an ideal place to document the relationships between the project and the organizational strategy.”³

Conclusion: Discovering the Right Answers

Sound project management fundamentals are crucial given what's involved in these types of ERP implementations and the tax technology transitions that often accompany them. "Migrating to S/4HANA typically is a not a trivial matter," notes a recent SAP post. "Under the hood, S/4HANA represents a significant technical redesign that requires a complex conversion taking up much time, resources, and capital."⁴

Of course, that technical redesign delivers outsized returns, including benefits such as major performance improvements, additional reporting capabilities, easier maintenance, even better security and lower total cost of ownership. The tax data management benefits are also significant. Optimizing those benefits begins with a successful implementation — one that is enabled by a thorough, candid and, above all, collaborative discovery process. Vertex's proven approach to planning, discovery and tax technology/ERP integrations as well as its lengthy partnership with SAP ensure that the tax technology component of the ERP cloud conversion is executed in a straightforward and cost-efficient manner.

End Notes

1. Vertex is recognized as a Silver Partner of SAP:
vertexinc.com/partners/technology-partners/sap
2. cio.com/article/2395825/project-management-how-to-design-a-successful-raci-project-plan.html
3. pmi.org/learning/library/charter-selling-project-7473
4. blogs.sap.com/2020/01/18/sap-s-4hana-on-premise-vs-cloud/

About Vertex

Vertex, Inc. is a leading tax software and services provider that empowers global commerce. The Vertex mission is to connect customers and partners across all industries to deliver the world's most trusted tax solutions for businesses to grow with confidence. The company provides cloud-based and on-premise solutions that can be tailored to specific industries for every major line of indirect tax, including sales and consumer use, value added and payroll.

North America
King of Prussia, PA, USA

Latin America
São Paulo, BR

Europe
London, UK

Asia Pacific
Chennai, IN

