SAPinsider

BENCHMARK REPORT

SAP S/4HANA Migration

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TABLE OF CONTENTS

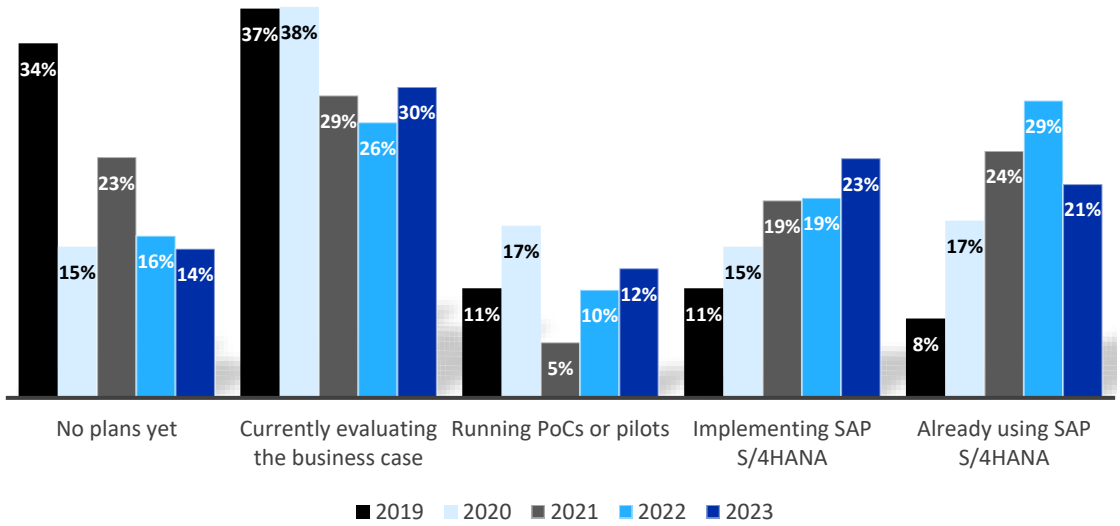
Executive Summary 1
Required Actions 4
Chapter One: SAP S/4HANA Migration Overview 5
Best Practices Model – DART 5
What Drives SAP S/4HANA Migration? 7
How Do SAPinsider Members Address These Drivers? 8
Key Takeaways 11
Chapter Two: How Do SAPinsider Members Approach SAP S/4HANA Migration? 12
Top ERP and SAP S/4HANA Requirements 12
Which Technologies Do Respondents Need for ERP and SAP S/4HANA? 14
Key Takeaways 16
Chapter Three: Required Actions 17
Steps to Success 18
Methodology 19
Appendix A: The DART™ Methodology 20

Executive Summary

SAP S/4HANA continues to be one of the most important topics of discussion for SAP ERP customers. Since it was released in 2015, around 22,000 customers have licensed the solution, with approximately two-thirds of that number having completed a deployment. SAPinsider started tracking SAP S/4HANA adoption in 2019 and since that time, we have noted a steady growth in those reporting they are using it. This is consistent with the numbers that SAP has reported in quarterly earnings calls, although the focus in the last year has been more on the cloud ERP story, to which SAP S/4HANA Cloud is central. This year's data shows that, as we approach the 2027 maintenance deadline, this has again become the primary factor impacting SAP S/4HANA adoption.

To provide insight on this year's trends on SAP S/4HANA adoption, SAPinsider surveyed 161 members of our community between January and March 2023. The first question asked respondents about where their SAP S/4HANA adoption status was and, for the first time, differentiated between those who do not yet have plans for SAP S/4HANA and those who do not plan on moving to the solution at all (see **Figure 1**).

Figure 1: SAP S/4HANA Adoption Status



Source: SAPinsider, March 2023

While the proportion of respondents who indicated that they were already using SAP S/4HANA did drop from last year, possibly a result of varying demographics, the overall percentage of respondents testing, implementing, or using SAP S/4HANA has continued to grow. The proportion of respondents who have no plans yet also decreased as compared to 2022. In this study, 10% reported having no current plans while 4% reported they were not

INSIDER PERSPECTIVE

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We are moving to SAP S/4HANA in order to upgrade our system and ensure ongoing maintenance continuity. We also want to improve the performance for our business teams and will use the move to SAP S/4HANA as an interim step before moving to the cloud.

In order to ensure that our move minimizes disruption, we ensured that we had the full support of our business teams and have focused on communication, training, and upskilling internal resources. We are also working with an experienced partner to support our deployment.

"

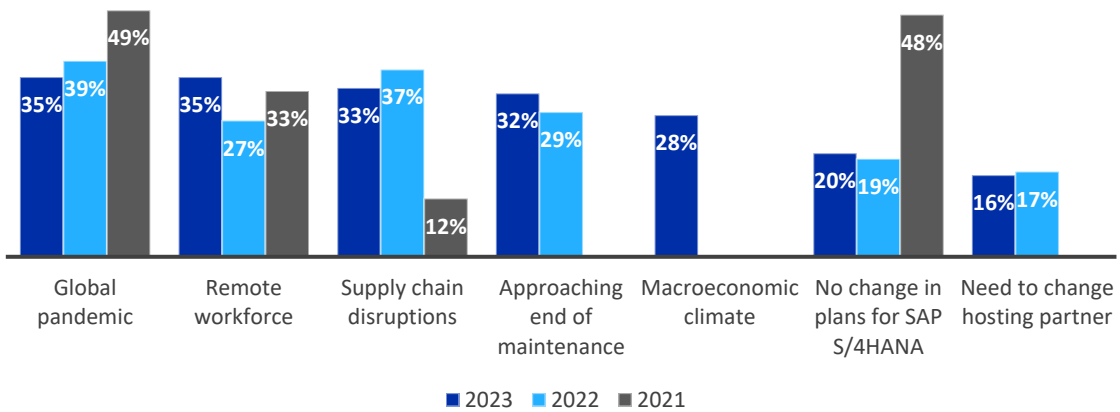
~ Project Manager
IT Systems Company

planning to move to SAP S/4HANA. Looking at the data by organization size, higher revenue organizations were more likely to already be using SAP S/4HANA. For example, 31% of respondents from organizations with revenues over $1 billion said they were already running SAP S/4HANA, compared to just 11% of those from organizations with revenues below $1 billion. This could indicate that the cost of SAP S/4HANA deployment is a factor, as 27% of those with no plans for a move said cost was preventing their organization from moving.

As detailed in **Figure 2**, we have queried respondents on external factors impacting plans for SAP S/4HANA adoption since 2021. Although the impact of the global pandemic has lessened since we first asked this question in 2021, 35% of respondents reported pandemic-related factors as impactful to adoption. Similarly, 35% of respondents reported the presence of a largely remote workforce as a factor impacting adoption, indicating further pandemic-related barriers.

With the majority of employees starting to work remotely during the pandemic, and many obviously continuing to do so, large-scale deployments across a distributed workforce could be a challenge. Ongoing supply chain disruptions and the approaching end of maintenance were identified as impactful by 33% and 32% of respondents, respectively. A new choice added this year was that of the macroeconomic climate, since many organizations are being cautious about spending in 2023.

Figure 2: External Factors Impacting Plans for SAP S/4HANA



Source: SAPinsider, March 2023

Of respondents who currently had no plans to move to SAP S/4HANA, the biggest reason was the complexity of their existing implementation (47%). Given that this has been a factor behind many long-term SAP customers being unable to upgrade to newer versions of SAP ECC, or even to deploy enhancement packages on their existing versions, it is no surprise that this is a gating factor for a plurality of respondents. The next two factors preventing

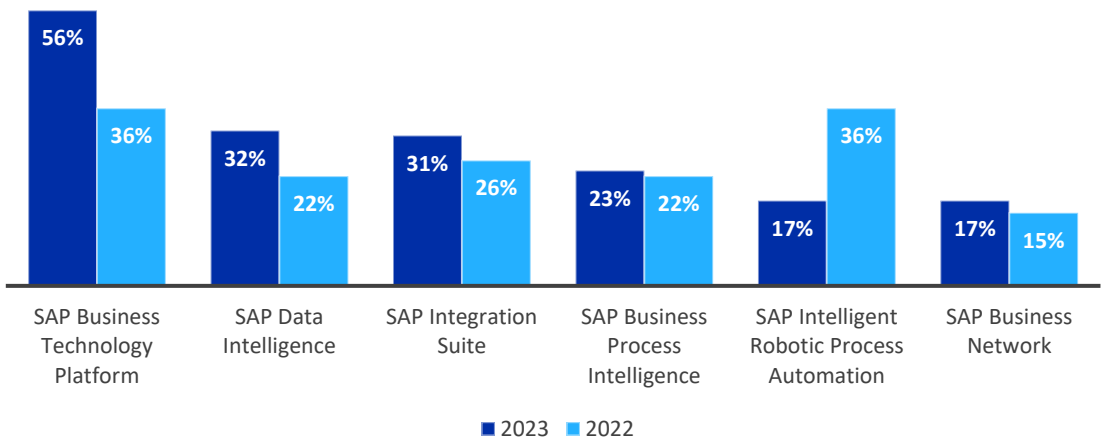
organizations moving to SAP S/4HANA were the length of the project and not seeing the value in SAP S/4HANA. Each of these was selected by a third of respondents, and demonstrates that there is still a lack of traction in defining value in SAP S/4HANA adoption.

Those who have already moved to SAP S/4HANA continue to see the benefits of doing so, with 76% of respondents reporting improved performance compared to previous ERP versions. This was followed by improved process efficiencies (62%) and improved end user and business satisfaction (57%).

However, these organizations have also experienced challenges with their move. This year, the biggest challenge was in finding the time to prioritize the project, followed by needing to cleanse and improve data. A significant challenge was also redefining roles, authorizations, and separation of duties.

Compared to our 2022 results, respondents to this year's survey were much more likely to consider using SAP Business Technology Platform (BTP) to leverage their SAP S/4HANA investment (**Figure 3**). Another more likely target for investment was SAP Data Intelligence, which could increase further with the release of SAP Datasphere earlier this year.

Figure 3: Additional Solutions to Leverage SAP S/4HANA Investment



Source: SAPinsider, March 2023

This year's survey also revealed other trends, including the following:

- IT (82%) remains the most likely internal team to be involved in decisions regarding SAP S/4HANA, although this number has dropped from previous years. Supply chain (increasing from 5% to 43%) and analytics (increasing from 12% to 37%) teams were both more likely to be involved in SAP S/4HANA decisions than in previous years.
- We found 20% of respondents said that their organization plans to switch their project to RISE with SAP, nearly double the percentage in 2022. Fewer respondents

INSIDER PERSPECTIVE

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We want SAP S/4HANA to be the core of our enterprise systems and plan to use it in combination with other cloud-based solutions from SAP. This is part of a broader digital transformation process that we are currently engaged in. We want to be able to create an environment that allows us to update our system each year so that we can effectively leverage new innovations as they become available. We are building this in as part of our release management cycle.

"

~ Operations Lead
Global Manufacturer

reported that they were unfamiliar with RISE with SAP (11% in this study compared with 14% in 2022), but 10% stated that they were still confused about how RISE with SAP impacts their plans for SAP S/4HANA.

- A slightly increased number of respondents (27% compared to 23% in 2022) reported that they were considering moving their current SAP S/4HANA implementation to RISE with SAP.
- Over seven times as many respondents this year (15%) reported that the release of SAP S/4HANA they were running was SAP S/4HANA Cloud via RISE with SAP.

Required Actions

Based on the survey responses, organizations should take the following actions in relation to plans for ERP and SAP S/4HANA:

- **Understand that the upcoming end of maintenance date will not be extended**. SAP CEO Christian Klein stated explicitly in SAP's 2022 earnings call that SAP would not extend the end of maintenance beyond 2027. SAP's position on the situation is that it has provided multiple options and expect customers to decide which is appropriate for them. The primary focus from SAP is that of moving customers to cloud ERP, but this does not necessarily mean a greenfield implementation of SAP S/4HANA Cloud, public edition is necessary. SAP S/4HANA Cloud, private edition is the same product and code line as SAP S/4HANA deployed in an on-premise, customer data center scenario. Whatever decision is made, organizations must plan for 2027 to be an end of maintenance deadline that will not be extended again.
- **Make plans to start moving forward immediately.** Multiple external factors have impacted respondents' ability to move forward with their ERP plans over the last three years. This started with the global pandemic, was further impacted by ongoing remote workforces and supply chain disruptions, and has most recently been influenced by the current macroeconomic climate. This said, there will always be external factors that must be accounted for. Organizations running older SAP ERP systems cannot afford to delay indefinitely. Further, the more complex and customized existing environments are, the more important it is that plans to streamline these environments are prioritized.
- **Explore solutions that will extend the value of your SAP S/4HANA deployment.** SAP continues to provide capabilities that will allow organizations to fully leverage the value that they gain from deploying SAP S/4HANA. The most recent addition to that list is SAP Datasphere, which is intended to allow organizations to address their most pressing data management challenges. Yet organizations may look beyond solutions provided by SAP to leverage their capabilities, and a significant number use capabilities provided by cloud service providers. Regardless of which technology is selected, organizations should explore solutions that maximize and extend the value of SAP S/4HANA deployments.

Chapter One: SAP S/4HANA Migration Overview

Over the last year, SAP has continued to emphasize its focus on cloud ERP. While organizations can still purchase a perpetual on-premise license for SAP S/4HANA, which also would be used in a bring-your-own-license scenario with a hyperscaler, SAP's strategic objective has been to move customers to subscription licensing with RISE with SAP S/4HANA Cloud. Part of this has been through a continued emphasis on RISE with SAP, which could be either SAP S/4HANA Cloud, public edition or SAP S/4HANA Cloud, private edition. However, only a small proportion of respondents use SAP S/4HANA via that offering. The challenge for SAP remains in convincing long-term customers with heavily customized and tailored systems running on SAP ECC or SAP Business Suite to adopt the cloud ERP model that they are proposing.

Best Practices Model – DART

SAPinsider grounds all its research insights in its proprietary DART model. This research model provides practical insights that connect business **D**rivers and **A**ctions to supporting **R**equirements and **T**echnologies. **D**rivers represent the internal and external pressures that shape the organizational direction. Organizations take **A**ctions to address those **D**rivers. They need people, processes, and capabilities as **R**equirements for those strategies to succeed. Finally, they need enabling **T**echnologies to fulfill their **R**equirements.

In this report, the top drivers for ERP and SAP S/4HANA migration were the end of maintenance and support for core SAP ERP releases, pressure to digitally transform existing ERP solutions to create a harmonized and centralized model and structure, and the opportunity to re-engineer processes to better fit operational needs or correct poor processes/configurations from a previous ERP implementation.

To satisfy these drivers, respondents indicated that they are modernizing or eliminating custom processes to streamline transition and provide more agility for future updates, implementing new systems and processes to support new business changes and requirements, modernizing reporting and business intelligence strategies to provide faster access to business insights, and adopting best practice business process models.

To support their cloud innovation and transformation strategies, survey respondents reported the requirements they needed, including minimal disruption to operations as they migrate to SAP S/4HANA, integrations between core ERP and line of business applications, a fully compliant ERP system that supports both global and local regulations, and a partner with a proven track record implementing SAP S/4HANA. Respondents also reported using or planning to use a wide range of tools and technologies to support these requirements.

Respondents' answers to our survey and interview questions revealed clear trends that are summarized in **Table 1** and will be examined throughout this report.

INSIDER PERSPECTIVE

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The most important factor for our ERP planning is ever-changing business needs. The company is constantly evolving and changing. We rely on technology to "do more with less" and are always trying to automate business process. We normally focus on small manageable changes as opposed to big disruptive organizational changes, which usually don't provide the intended returns. Lots of small changes are easier to implement, easier to deploy, and usually have a much greater impact when added up at the end of the year.

Our move to SAP S/4HANA took the opposite approach, but it was an unusual event. We used the upgrade as an agent of change. We cleaned up old stale data, reviewed existing procedures that had evolved over time, and retrained people on the optimal way of doing things. The upgrade also introduced new technology options, which we have been rolling out to improve the underlying solution.

"

~ ERP Director
Retail Company

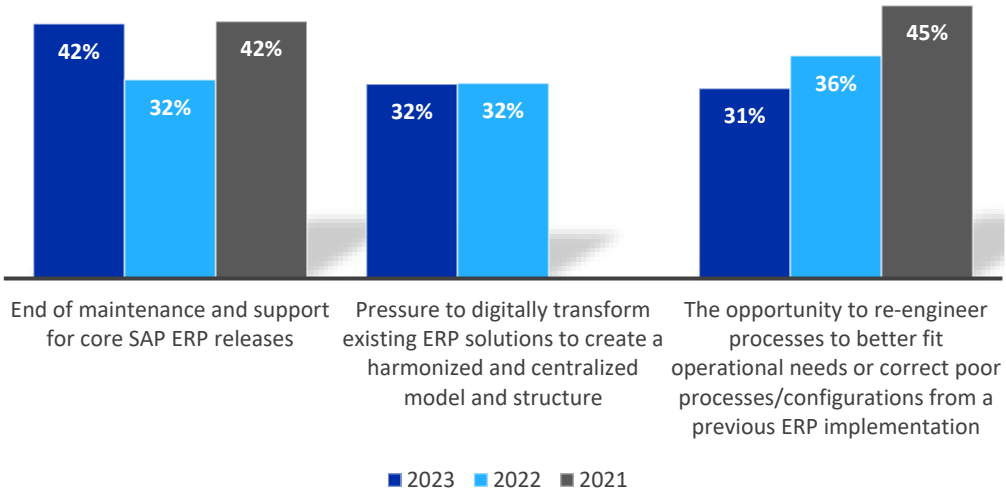
Table 1: DART Model Framework for SAP S/4HANA Migration

Drivers	Actions	Requirements	Technologies
• End of maintenance and support for core SAP ERP releases (42%) • Pressure to digitally transform existing ERP solutions to create a harmonized and centralized model and structure (32%) • The opportunity to re-engineer processes to better fit operational needs or correct poor processes/ configurations from a previous ERP implementation (31%)	• Modernizing or eliminating custom processes to streamline transition and provide more agility for future updates (39%) • Implementing new systems and processes to support new business changes and requirements (38%) • Modernizing reporting and business intelligence strategies to provide faster access to business insights (37%) • Adopting best practice business process models (37%)	• Minimal disruption to operations as they migrate to SAP S/4HANA (76%) • Integrations between core ERP and line of business applications (72%) • Fully compliant ERP system that supports both global and local regulations (72%) • A partner with a proven track record implementing SAP S/4HANA (71%)	• SAP Readiness Check (38%) • Change management solutions (37%) • Extraction, Transformation, and Loading (ETL) tools (35%) • Integration tools and solutions (32%) • SAP Business Technology Platform (32%) • Automation (26%) • Custom Code Lifecycle Management (26%) • Automated testing and validation tools (25%) • Process Discovery for SAP S/4HANA Transformation (SAP Business Scenario Recommendations) (23%) • Data cleansing tools (22%) • SAP BTP ABAP Environment (22%) • Open source technologies (21%) • Process management tools for ERP Business Process Modeling (BPM) (16%)

What Drives SAP S/4HANA Migration?

In 2021, after the extension of mainstream maintenance for core Business Suite applications, the factor most responsible for driving strategy around ERP and SAP S/4HANA was the opportunity to re-engineer processes. Using the move to SAP S/4HANA to re-engineer processes allows organizations to update them to better fit today's needs, often an issue when running systems that can have been in place for years, or to correct configurations from that older implementation. This year, for the first time since 2020, the end of mainstream maintenance has again become the biggest factor behind the move to SAP S/4HANA (**Figure 4**).

Figure 4: Top Drivers for SAP S/4HANA Migration



Source: SAPinsider, March 2023

While a significant number of organizations have already licensed and implemented SAP S/4HANA, as many as 35,000 existing SAP enterprise ERP customers may not yet have acquired a license. Given that the end of maintenance deadline is now less than five years away, it is no surprise that the end of maintenance and support has again become the factor most responsible for driving ERP strategy for respondents.

While this is now the biggest factor behind organizations' ERP decision-making, it will be important to follow how much this impacts the plans of those 35,000 customers. Over the last few years, SAP S/4HANA adoption has been largely linear. If these organizations are to move to SAP S/4HANA before the end of 2027, then there must be a significant acceleration in adoption.

INSIDER PERSPECTIVE

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We plan to move to SAP S/4HANA so that we can standardize business processes across the different divisions in our company. An important part of this will be scalability in supporting future mergers and acquisitions.

Once the implementation is complete, we plan to use SAP BTP to manage automation, connectivity, and reporting. By using SAP S/4HANA through RISE with SAP, we will be able to minimize disruption to our existing systems through methodology that SAP has created.

"

~ Architect
Technology Company

Pressure to digitally transform existing ERP solutions to create a harmonized and centralized model and structure was selected by the same proportion of respondents as in 2022. This meant that it became the second most important factor behind ERP strategy this year. Given the increasing number of organizations planning a scaled-up deployment of SAP S/4HANA, creating a single point of business and financial truth within their organization makes sense. Creating a centralized model and structure also supports the goals of bringing together multiple existing ERP instances into one central instance.

Dropping in importance this year, although still one of the top three factors impacting ERP strategy, is the opportunity to re-engineer processes. For organizations that are undergoing a broader transformation as they move to SAP S/4HANA, updating and re-engineering processes to better meet current needs is a major part of that process. However, updating processes can also add time and expense to an already expensive move, especially for customers that have extensively customized and tailored long-term deployments.

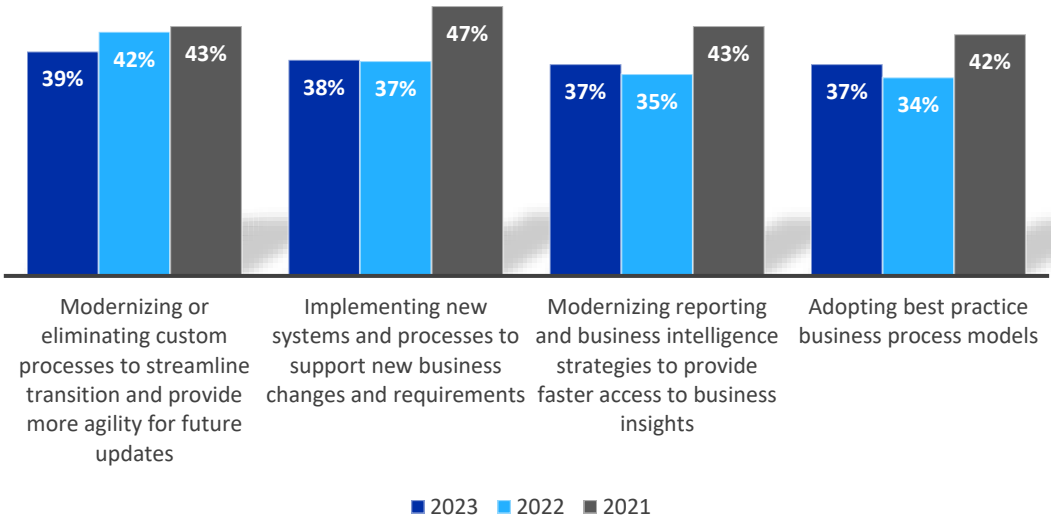
Looking at the factors driving ERP strategy based on where respondent organizations were in their move to SAP S/4HANA, those who had already deployed SAP S/4HANA were most likely to have made their move because of a business mandate to better support business users with innovative solutions (41%). Close behind that was the focus on a harmonized and centralized model and structure (38%).

For those in the process of implementing SAP S/4HANA, the two equal most important factors were a centralized model and structure (34%) and the upcoming end of maintenance (34%). For respondents who were evaluating the business case for SAP S/4HANA or were running proof of concepts (PoCs), the biggest factor was the upcoming end of maintenance (48%). The opportunity to re-engineer processes (33%) was a distant second. Respondents who currently had no plans for SAP S/4HANA were most impacted by the upcoming end of maintenance (44%), followed by new business models demanding greater flexibility (39%).

How Do SAPinsider Members Address These Drivers?

Like last year, the strategy that organizations were most likely to use to support their ERP and SAP S/4HANA needs is modernizing or eliminating customer processes to streamline transition and provide more agility for future updates (**Figure 5**). Almost as important was the need to implement new systems and processes to support new business challenges and requirements.

Figure 5: Top Strategies Taken to Address the Top Drivers



Source: SAPinsider, March 2023

Many SAP ERP customers faced significant challenges over the past decade around upgrades and updates. While SAP systems have provided wide capabilities for customization and have enabled organizations to extensively tailor those systems to meet their exact needs, this can significantly impact the ability to update these systems. Applying enhancement packages to a highly customized system can be just as complex and expensive a task as upgrading to a newer version. This is one of the main reasons many organizations have remained on the versions they have already deployed.

Modernizing these systems and eliminating everything but essential customizations is important when it comes to ensuring the ability to update more readily in the future. With 34% of respondents reporting that they are running or implementing SAP S/4HANA 2022, a version only released in October 2022, it is clear that most organizations are looking to complete upgrades more regularly.

Implementing new systems and processes to support new business changes and requirements was the second-most likely strategy to be implemented in last year's survey and remains in that position this year. While this strategy did drop in importance from 2021, it is a key reason why organizations are looking to update their ERP systems and move onto a platform that meets current regulatory requirements without the need for customization.

Modernizing reporting and business intelligence (BI) strategies to provide faster access to business insights moved up to become the equal third-most important

strategy for respondents this year. Just outside the top strategy in our 2022 report, updating the ability to gain insight more quickly to the performance of the business has been an increasingly important requirement for organizations over the last few years.

SAP has partly addressed this through the embedded analytics that are part of SAP S/4HANA, including SAP Fiori-based analytical apps for business users and extensibility applications for analytics specialists. It has also provided analytics capabilities through SAP Analytics Cloud via a real-time access to or replication of SAP S/4HANA data. The increasing importance of reporting and BI strategies also connects to the recent SAP Datasphere announcement.

Adopting best-practice business process models has come back into the top strategies being implemented this year after dropping out in 2022. This is very much connected to the driver of the re-engineering process to better fit operational needs as well as the strategy of implementing new systems and processes to support new business changes and requirements.

Deploying best-practice business process models goes beyond updating processes. It ensures that organizations are putting in place best practices to enable their organization to put in place processes that can help them continue to meet local and global compliance standards.

Organizations that have already deployed SAP S/4HANA selected modernizing reporting and BI strategies to provide faster access to business insights (48%) and implementing new systems and processes to support new business changes and requirements (44%) as their top two strategies. For those who are in the process of implementing SAP S/4HANA, the top strategy was also modernizing reporting and BI strategies (44%), but that was followed by adopting best-practice business process models (38%).

For organizations that were building their business case or were running PoCs or pilots, the top two strategies they followed were modernizing or eliminating custom processes to streamline transition and provide more agility for future updates (45%) and implementing new systems and processes to support new business changes and requirements (42%).

Respondents who currently have no plans for SAP S/4HANA are focused on cleansing, deleting, and/or archiving data to minimize the SAP HANA footprint and minimize downtime during migration (41%). This is important because organizations are recognizing the need to establish strong data management and governance programs as a precursor to SAP S/4HANA adoption.

There were also differences in responses based on the size of the organization. Respondents from organizations with revenues over $1 billion were most focused on modernizing or eliminating custom processes (51%). This is probably because these organizations are much more likely to have complex existing ERP implementations with multiple ERP instances or implementations.

Similarly, large organizations may be focusing on standardization due to the intention to consolidate multiple ERP instances when SAP S/4HANA is implemented. Respondents from organizations with revenues below $1 billion were more focused on implementing new systems and processes to support changing business needs or requirements (41%). This reflects the fact that these organizations are more focused on putting new systems in place and are able to do so because their existing environments are less complex.

Key Takeaways

When it comes to ERP and SAP S/4HANA plans, the following takeaways are clear:

- **Transformation and centralization continue to be a significant factor for ERP planning**. While the upcoming end of maintenance is again the biggest factor for those making plans for their ERP future, increasing in importance is the pressure to digitally transform existing ERP solutions to create a harmonized and centralized model and structure. Transformation goes beyond updating or adding new capabilities and focuses on disruptive change. Part of this may involve bringing together data from multiple systems into one single, centralized instance. A greater focus on centralization from EMEA-based respondents has been seen in multiple reports over the last three years, but is now becoming part of ERP planning for organizations globally.

- **Include updating and modernizing processes in your ERP strategy.** Four in 10 respondents from organizations with revenues over $1 billion said that their ERP strategy was being driven by a need to update or modernize processes to better fit operational needs. This was second only behind the upcoming end of maintenance (56%) and shows that larger organizations with complex existing ERP deployments are looking for ways to bring their current systems into alignment with today's business needs. But this is a complex task, particularly because it involves eliminating unnecessary customizations. Organizations should ensure that any ERP strategy they implement includes the time and budget required to perform these updates.

- **Align ERP strategy with reporting, business intelligence, and analytics strategies.** The most important strategy for those who have already implemented SAP S/4HANA is to modernize reporting and BI strategies to provide faster access to business insights. These organizations are already seeing the benefits of moving to SAP S/4HANA but want to ensure that they are fully leveraging the value of their data. SAP S/4HANA already includes improved embedded analytics, but there are capabilities offered by both SAP and third parties that can extend this even further. Aligning ERP strategy with reporting and BI strategy will help ensure that the best insight and access is possible from the data in ERP systems.

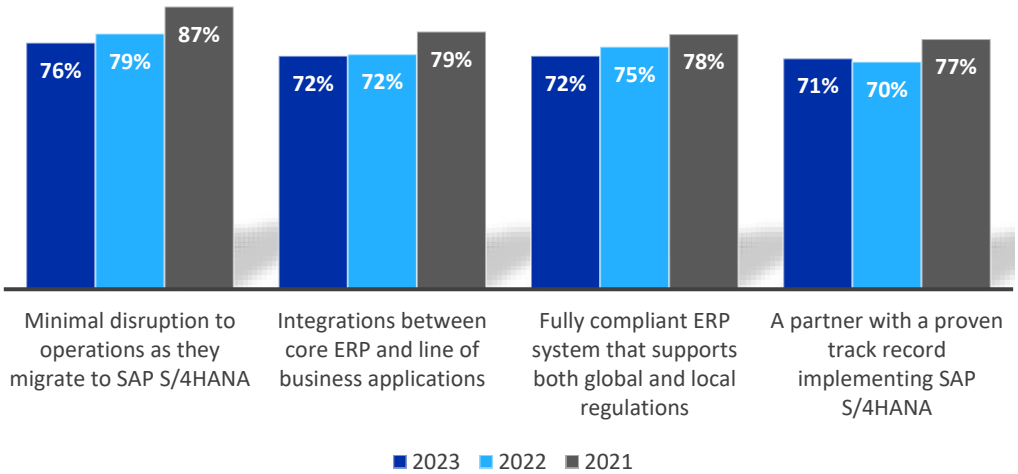
Chapter Two: How Do SAPinsider Members Approach SAP S/4HANA Migration?

The upcoming end of maintenance of core Business Suite applications and the pressure to digitally transform to create a harmonized and centralized structure were the two most important factors behind ERP plans today. The two most likely strategies that respondent organizations are implementing to address these needs are eliminating custom processes to streamline transition and provide more agility and implementing new systems and processes to support business changes and requirements. But to make these strategies a reality, organizations must meet specific people, process, and technology requirements. These will be examined in the course of this chapter.

Top ERP and SAP S/4HANA Requirements

The requirements that organizations making ERP plans must meet have changed minimally over the last three years. This year, the most important requirement for any ERP plans is minimal disruption to operations during the move to SAP S/4HANA (**Figure 6**). Even planned downtime has the potential to impact revenue, making it no surprise that respondents remain focused on ensuring that the cutover to SAP S/4HANA minimizes disruption as much as possible. This was also the requirement that the most respondents (47%) selected as being very important to their plans.

Figure 6: Top Requirements for ERP and SAP S/4HANA Plans



Source: SAPinsider, March 2023

INSIDER PERSPECTIVE

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The most important part of the move to SAP S/4HANA for our organization is being able to support business growth in an agile manner by providing close to real-time information for decision-making in a secure manner.

As part of the deployment, we have been able to standardize processes across our global enterprise subject to local statutory requirements. This has really enabled us to have an agile supporting business in data-driven locations.

"

~ QA Manager
Global Manufacturer

Since most SAP customers run more than one enterprise workload, these organizations have an obvious need to ensure that they are integrated. This need explains why the requirement for integrations between core ERP and line of business (LoB) applications has remained one of the top requirements over the past three years. And with an average of at least half a dozen workloads integrated with an ERP system, this need is not going to change.

Having a fully compliant ERP system that supports both local and global regulations has also been one of the top requirements over the last three years. Since implementing new systems and processes to support new business changes and requirements is a top strategy, it makes sense to put an ERP system in place that will support this strategy. There is also a more pressing need for a system that is compliant without needing customization. Creating custom code to meet compliance needs can be both expensive and time-consuming.

The last major requirement for ERP and SAP S/4HANA plans is a partner with a proven track record implementing SAP S/4HANA. Given that only 7% of respondents said that they do not plan on using system integrators in their move to SAP S/4HANA, working with an experienced partner for the implementation is very important. Having experience is extremely important, as project management (46%), change management (40%), and business case and roadmap development (37%) were the top ways in which respondents reported that their organization planned to use partners. Partners need to be experienced in order to effectively perform these roles.

Evaluating requirements based on the size of the respondents' organization showed some significant differences. For example, respondents from organizations with revenues above $1 billion viewed minimal disruption to operations as much higher in importance (84%) than those from organizations with revenue below $1 billion (64%).

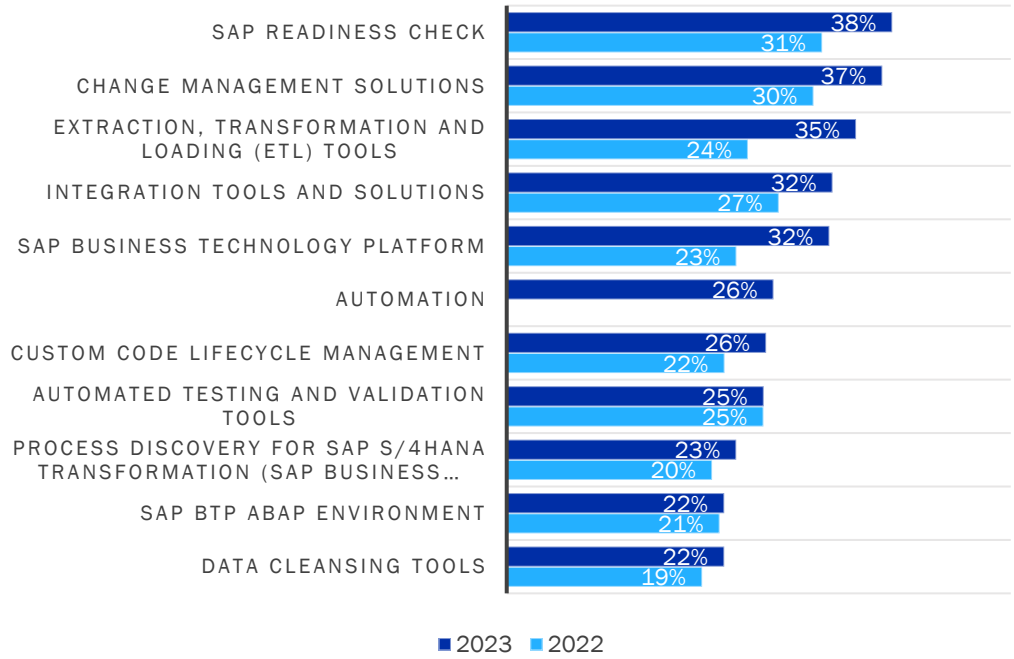
Larger organizations were also much more focused on a compliant ERP system that supports local and global regulations (87%) than smaller organizations (60%). These large organizations, most likely with more complex landscapes, were also more focused on integrations between core ERP systems and LoB applications (82%) than smaller organizations (62%).

SAP S/4HANA adoption status also impacted requirements. The top two priorities for organizations that have already deployed SAP S/4HANA were minimal disruption to operations (84%), and cleansed and harmonized data across systems (84%). Those who were in the process of implementing also prioritized minimizing disruption (82%). But second to that was integrations between core ERP and LoB applications (82%). For those exploring the business case or running PoCs, the top priorities were a partner with a proven record implementing SAP S/4HANA (73%), minimizing disruption (71%), and reducing or eliminating their custom code footprint to create a clean and agile core (71%).

Which Technologies Do Respondents Need for ERP and SAP S/4HANA?

As has been the case for the last two years, SAP Readiness Check is the most-used technology for organizations planning their ERP and SAP S/4HANA future (**Figure 7**). Given that SAP Readiness Check is used to determine whether an existing ERP system is ready for the move to SAP S/4HANA, it is not a surprise that nearly four in 10 respondents reported that their organization is using this tool. Looking at respondents who have already deployed SAP S/4HANA, the proportion that have used SAP Readiness Check increases to 65%.

Figure 7: Tools and Technologies Currently in Use for ERP and SAP S/4HANA

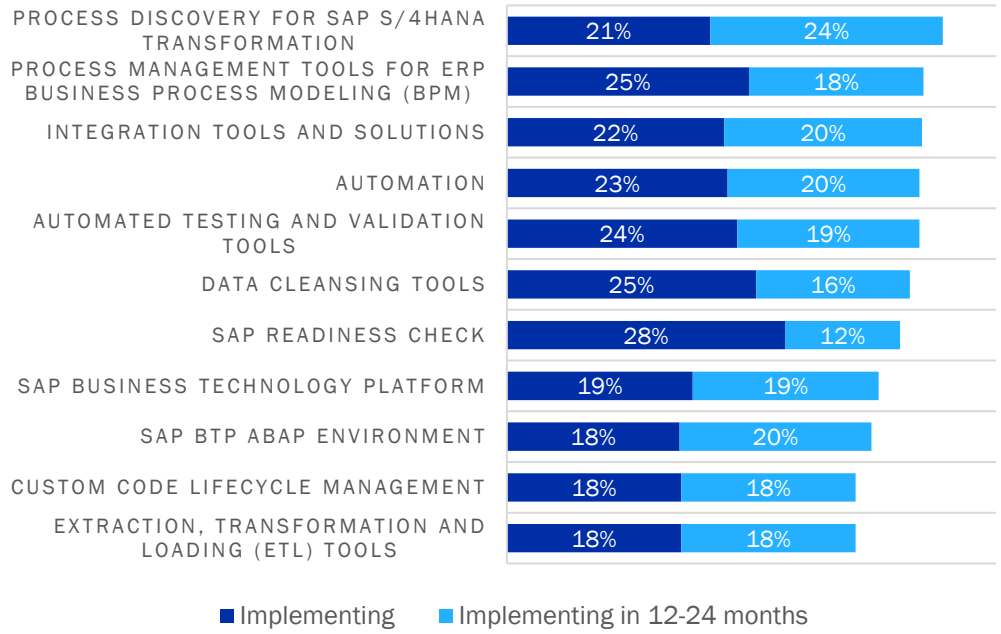


Source: SAPinsider, March 2023

Respondents from organizations with revenues over $1 billion were more likely to use most of these technologies—the top seven are used by 30% or more of those larger organizations. By comparison, there were no technologies used by 30% of respondents from organizations with revenues below $1 billion, although change management solutions came closest (26%). These numbers suggest that larger organizations are further along the path of preparing for, or already using, SAP S/4HANA.

Technologies planned for implementation over the next 12–24 months start with Process Discovery for SAP S/4HANA Transformation (**Figure 8**). Previously called SAP Business Scenario Recommendations, Process Discovery for SAP S/4HANA Transformation focuses on helping organizations understand why they should move to SAP S/4HANA, the benefits to each line of business, and what innovations are most relevant. Also on the list of technologies being implemented are business process modeling (BPM) tools, integration tools and solutions, automation, automated testing and validation tools, and data cleansing tools.

Figure 8: ERP and SAP S/4HANA Tools and Technologies Being Implemented



Source: SAPinsider, March 2023

Automation, along with automated testing and validation tools, can provide a significant benefit when moving to a new ERP system. Automation can assist with both software and operating system configuration and deployment, tuning, and managing servers across a cluster—a crucial requirement when implementing traditional SAP dev, test, and prod instances in a high-availability environment. Automated testing and validation tools can help streamline and accelerate the deployment itself and better ensure that the new system is working correctly.

Respondents from organizations with revenues over $1 billion were most focused on implementing data cleansing tools, followed by automation. This is not unexpected, given that they are likely using significantly larger data sets. Organizations with revenues under $1 billion are focused on implementing BPM

INSIDER PERSPECTIVE

"We have reviewed and educated operational and business users on how to use SAP within our organization. Because we had a seamless upgrade, our executives have gained more confidence in the ability to deliver on time and on budget. SAP S/4HANA has been chosen as the core ERP system of the organization and is now replacing other ERP systems among the corporation's various divisions."

~ ERP Director
Retail Company

tools, automated testing and validation tools, and integration tools and solutions. These organizations are also much more likely to be looking at using Process Discovery for SAP S/4HANA Transformation, as it can help provide a business case for moving to SAP S/4HANA.

Looking to the future, respondents are evaluating technologies that will help them build upon their initial SAP S/4HANA deployment. This includes open-source technologies (27%), the SAP BTP ABAP Environment (26%), and custom code lifecycle management (25%). These technologies will help organizations better manage their systems post-deployment and allow them to create an environment which will provide more agility for the future.

Key Takeaways

When it comes to equipping organizations with the capabilities and technologies required for ERP and SAP S/4HANA, consider the following:

- **Minimizing disruption is key to a successful deployment and ongoing resilience.** The most important requirement for those implementing SAP S/4HANA is to minimize disruptions during that move. But it is equally important to reduce downtime as much as possible for the lifetime of the solution. This starts with ensuring that the cutover to the new system is as nondisruptive as possible. This can be accomplished by completing multiple dry runs and extensive testing. But ensure that plans for future resilience are included before starting a deployment.

- **Integration and integration technologies are key to connecting SAP S/4HANA to the entire landscape**. ERP systems connect to other solutions across the enterprise. CRM, HCM, BI, and supply chain solutions all have valuable data that must be linked to ERP systems. Putting in place integrations between the ERP system and core line of business applications should be part of the planning for any ERP deployment.

- **Automation and automated testing can help streamline and accelerate the move to SAP S/4HANA**. A quarter of the respondents to this research are using automation technologies in their ERP planning, with another 42% planning to implement automation over the next two years. The percentages are almost identical for automated testing and validation tools. Organizations are leveraging these technologies because they can play a significant role in managing and facilitating deployments. Dedicate time to exploring automation and automated testing technologies to integrate them into ERP planning.

Chapter Three: Required Actions

December 2027 is now less than five years away. While SAPinsider research is recording a steady growth in adoption, many organizations have yet to make a decision about moving to SAP S/4HANA. For those that have not yet engaged, the biggest impediments include concern over the complexity of their existing environment, the length of the project, the cost of the project, and not seeing the value in SAP S/4HANA when they already have an ERP system that is effectively supporting their business.

SAP introduced offerings such as RISE with SAP, and the newly announced GROW with SAP, to help streamline and accelerate the move to a cloud ERP system. The fact that SAP manages everything from the software to the infrastructure and provides capabilities around transformation and extension is designed to make the process easier. While more customers are adopting SAP S/4HANA via RISE with SAP, many organizations are concerned about moving their ERP systems to the cloud and to consumption-based licensing. Slightly more than one in five respondents to this survey reported that they were either unfamiliar with RISE with SAP or were confused about how it impacts their plans for SAP S/4HANA.

However, while some have raised concerns about implementing a cloud ERP system and moving away from on-premise licensing, RISE with SAP S/4HANA Cloud, private edition offers those same capabilities. There is a separate software instance for each implementation, and infrastructure is not shared with other organizations unlike SAP S/4HANA Cloud, public edition. That means that anyone using SAP S/4HANA Cloud, private edition is running the same software as SAP S/4HANA 2022 in their own data center or via a hyperscaler. And SAPinsider research on RISE with SAP shows that 76% of those considering RISE with SAP intend to use SAP S/4HANA Cloud, private edition.

What is certain is that pressure is again increasing on organizations that have not yet moved to SAP S/4HANA. For the last two years, respondents from some regions have been more impacted by the upcoming end of maintenance. But this year, that was the biggest factor impacting ERP and SAP S/4HANA plans across all respondents.

Organizations are aware that the cost and length of an SAP S/4HANA deployment project can be significant when there is an existing ERP implementation, and time is now of the essence if there is a goal of switching to SAP S/4HANA before the end of 2027.

Organizations must leverage the time they have to begin their preparations for a move off their existing ERP systems. Even if there are no immediate plans to begin a deployment, the better the preparation, the smoother the deployment. Utilize time wisely over the coming years to ensure that you are ready no matter what the future brings.

EXPERT PERSPECTIVE

"

The timeline for moving from SAP ECC to SAP S/4HANA is very short. The process is complex, and we don't see many organizations that have the funding to make an investment today. We still see many organizations running SAP R/3 along with SAP ECC, and there is a lot of need for ABAP developers.

In addition, while we are starting to see more cloud adoption, most companies are still opting for on-premise deployments. With the majority of the organizations in the region being mid-sized, until now it has been difficult for them to justify the cost of the investment.

"

Fernando Roque
Director
Amplitude Deviation & Statistics

Steps to Success

Our research reveals that SAP customers should apply the following key steps to ensure that their ERP and SAP S/4HANA initiatives have a foundation for success:

- **Start planning for ERP change today.** The longer an SAP ERP system has been running, the more complex it is likely to be. For any sort of plans for replacement, a move to SAP S/4HANA, modernizing or re-engineering processes, or eliminating legacy code, the sooner that process is underway the better. Many organizations may run tools to determine if their system is ready for a transition, but do not complete a thorough evaluation of the system and the customizations in it. This can significantly slow down the overall project once it is underway. To avoid delays and to streamline systems that aren't being upgraded, start planning for ERP change today.

- **Dedicate and prioritize time for SAP S/4HANA planning and deployment**. The biggest challenge identified by respondents for moving to SAP S/4HANA was finding the time to prioritize the project. This does not suggest that the project was not important to their organizations. It indicates that, as a lengthy and resource intensive project, it is difficult to dedicate the necessary resources for the entire project. For one major transformation project, over 250 internal team members were involved for 12-18 months. For a subset of business team members, 50% of their time for a year was allocated to the project. Ensuring that project team members can dedicate sufficient time to the project is crucial to overall success.

- **Evaluate SAP S/4HANA deployment options and licensing to understand them fully.** Many organizations automatically rule out SAP S/4HANA Cloud as a possibility because they do not differentiate between the public cloud, private cloud, hyperscaler, and customer data center options. There is also often a misunderstanding of how licensing and full-user equivalents work when coming from an SAP ECC background. This may be further confused by the emphasis that SAP account teams place on cloud ERP and RISE with SAP. Take the time to understand the real differences between SAP S/4HANA deployment options so that any decisions made will be fully informed ones.

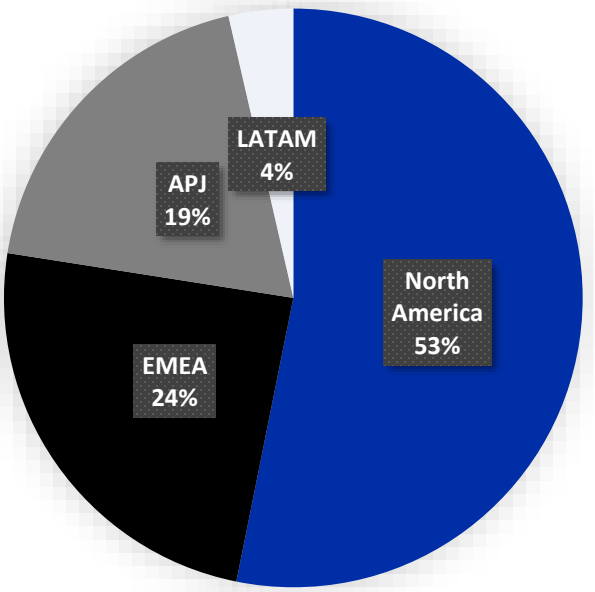
- **Find the right partner for any SAP S/4HANA deployment project.** Partners and System Integrators play a major role in any large-scale ERP deployment, and only a small proportion of organizations do not plan to use them in any move to SAP S/4HANA. While the most likely roles for partners are project management and change management, they can help optimize workflows, develop new code, share knowledge, and assist with data cleansing. So, it is critical that any ERP project has the right partner. This may be a partner that is regularly used, or one that specializes in SAP S/4HANA. But with so many organizations likely to be starting projects over the next few years, partner availability may not align with organizational timelines without proactive scheduling.

Methodology

Between January and March 2023, SAPinsider surveyed business and technology professionals regarding their plans for ERP and SAP S/4HANA. The survey was administered to 161 members of the SAPinsider community and generated responses from a wide range of geographies, industries, and company sizes. Respondents completed an online survey and provided feedback in customer interviews that questioned them on:

- What best describes your organization's current SAP S/4HANA adoption status?
- Which external factors have impacted your plans for SAP S/4HANA over the last 12 months?
- How has the release of RISE with SAP impacted your organization's plans for SAP S/4HANA?
- What benefits have you met with your SAP S/4HANA move?
- What additional SAP solutions are you considering to leverage your SAP S/4HANA investment?

PARTICIPANT PROFILE



Demographic Profile of Respondents

- **Job function:** Functional areas of respondents included: IT Management (46%), IT Operations (14%), SAP Team (13%), Other (5%); Systems Implementation and Integration (4%), Finance or Accounting (4%), Basis or Administration Team (4%), and Business or Enterprise Architecture (4%).
- **Market sector:** The survey respondents' market sectors included: Software & Technology (30%), Industrial (25%), Retail, Distribution, and CPG (15%), Public Sector (9%), Healthcare & Life Sciences (8%), Financial Services & Insurance (7%), Hospitality, Transportation, and Travel (3%), and Media & Entertainment (3%).
- **Organization size:** Survey respondents represented organizations with annual revenues of less than $10 million (9%), between $10 million and $199 million (13%), between $200 million and $499 million (10%), between $500 million and $1 billion (18%), between $1 billion and $10 billion (21%), and greater than $10 billion (20%). 10% of respondents did not provide revenue information.
- **Region:** Survey respondents regional demography included: North America (53%), Europe, the Middle East, and Africa (EMEA) (24%), Asia-Pacific, Japan, and Australia (APJ) (19%), and Latin America (LATAM) (4%).

Appendix A: The DART™ Methodology

SAPinsider has rewritten the rules of research to provide actionable deliverables from its fact-based approach. The DART methodology serves as the very foundation on which SAPinsider educates end users to act, creates market awareness, drives demand, empowers sales forces, and validates return on investments. It is no wonder that organizations worldwide turn to SAPinsider for research with results.

The DART methodology provides practical insights, including:

- **Drivers:** These are macro-level events that are affecting an organization. They can be both external and internal, and they require the implementation of strategic plans, people, processes, and systems.
- **Actions:** These are strategies that companies can implement to address the effects of drivers on the business. These are the integration of people, processes, and technology. These should be business-based actions first, but they should fully leverage technology-enabled solutions to be relevant for our focus.
- **Requirements:** These are business and process-level requirements that support the strategies. These tend to be end-to-end for a business process.
- **Technology:** These are technology and systems-related requirements that enable the business requirements and support the company's overall strategies. The requirements must consider the current technology architecture and provide for the adoption of new and innovative technology-enabled capabilities.

SAPinsider

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