CHARTING
THE COURSE NOW

THE ERP TRANSFORMATION

SAP S/4HANA not only enables standardization of processes and data structures, but also offers scope for digitization and automation. For the majority of companies, switching to this new system means a fundamental transformation of their ERP and data landscape. In order to successfully control this complex project, a well-structured approach is essential.

For SAP customers there is no way to avoid SAP S/4HANA. From 2025, the SAP R3 predecessor system will only be further supported to a limited extent, and higher maintenance fees will be incurred. Nevertheless, many companies are hesitant about making the changeover. They could soon run out of time, even if 2025 is still a way off in the future. Because in most cases, a project of this type will clearly go well beyond a purely technical migration. After all, SAP S/4HANA brings numerous technical innovations, such as a more logical implementation of a single system for both accounting and controlling. In addition, given the visible defects in existing installations – such as having a variety of different templates in different locations, discrepancies between internal and external accounting, as well as the unsatisfactory quality of operational data – the changeover implies a fundamental transformation of the ERP and data landscape. The most important question for companies is therefore how such a complex project can be structured sensibly.

" ONLY BY COOPERATING ACROSS DEPARTMENTS CAN THE COMPREHENSIVE INTEGRATION OF DATA AND PROCESSES IN A NEW ERP SYSTEM BE ENSURED. "

PRELIMINARY STUDY: CREATING CLARITY

Ideally a preliminary study is done first. This is intended to ensure understanding of the status quo of the ERP landscape in both business and technical terms, and to define the prerequisites for going forward with the work on the project. The preliminary study does not need to be a detailed analysis at the level of the posting contents, but to broadly clarify as many aspects as possible. These aspects include the key data for the steering framework, the integration of accounting and controlling, the link to the logistics functions, organizational issues, reporting processes and requirements, shortcomings and required improvements. The preliminary study reveals the extent to which the ERP system needs to be redesigned. In some cases, the changeover can also be exploited to leverage further potential for digitization and process automation. In this case, one of the options is to link internal company information to external data, to enable extended predictive analytics models. This should also be reviewed as part of the preliminary study.

The result of this phase is a schedule with areas of action and a roadmap, which describes the transformation of the ERP landscape, defines the time frame, the necessary individual steps and resources, and clarifies which departments need to be involved.

DESIGN: COOPERATION BREEDS SUCCESS

In the design phase that follows, what matters most is the tight dovetailing of technical and business knowledge and the involvement of all the relevant specialist departments in the project. We have learned, however, both from past SAP ERP installations and current S/4HANA projects, that many companies tend to ignore this success factor to some extent. Only by cooperating

across departments can the successful, comprehensive integration of data and processes in a new ERP system be ensured. The design should therefore involve collaboration with departments such as sales, production, logistics and procurement, as well as accounting and controlling.

The design work always starts by checking and documenting the steering model, as this defines the core framework criteria for the ERP system. The following aspects need to be clarified: What are the key steering targets? What information is needed at each individual level? What does the relevant Management Reporting look like? In addition, we are dealing with questions of responsibility and operational processes, as well as looking at how business volume and value flows can be depicted technically. For this, in particular, both business knowledge and technical expertise need to be brought into the project, if the design is to be implemented successfully later on. With an eye on future maintenance effort, we recommend implementing the system to remain as close as possible to the standard version.

During the project implementation, new, agile methods and design thinking may be relevant. They are not mandatory; but if they are applied, they must of necessity be adapted to the conditions of a complex ERP project.

IMPLEMENTATION: THE CRITICAL PHASE

The longest and most costly phase of the project is its implementation. Ideally, companies will have already checked out some of the technical aspects during the design work, or built a prototype, to help familiarize themselves with the new system. The implementation is also influenced by whether SAP S/4HANA is "on premises", so running on an in-house server, or in the Cloud. In addition, it matters whether the changeover is being done using a brown field approach, where the existing systems are migrated, or using a green field approach, with a completely new ERP system being set up. Cross-functional collaboration also

plays a decisive role in this phase. Under the leadership of the IT department, each expert department is responsible, among other things, for clarifying the remaining questions and ensuring the quality of the content. In addition, test cases need to be prepared and system tests carried out. This is not for the faint-hearted, but is essential for the success of SAP S/4HANA.

The change management, which should have begun during the design phase, now reaches its peak. If the changes that the new system implies are to be accepted in the business, a whole collection of measures are needed: a variety of further training courses, and also some workshops, one-on-one meetings, communities for specific topics and the opportunity to send questions in to the project team. What is obvious is that the appropriate communication and change measures need to be applied for each different hierarchical level.

AFTER TAKEOFF: STABILIZING THE SYSTEM

Once the system is successfully launched following implementation, there follows a period of stabilization. Because despite everyone's best efforts, a completely new installed SAP S/4HANA system will not run smoothly from the outset. Companies therefore need to plan this phase, and have a competent team of business and technical experts available. This is the only way to ensure a successful start to SAP S/4HANA from day one. ∎

Find more information at
www.horvath-partners.com/sap_s4hana

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To successfully introduce SAP S/4HANA, all the relevant business areas have to work closely together.