

Adopting S/4HANA – from a functional and technical perspective

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- The **business case for financial system upgrades** has shifted toward arming finance and accounting teams with the latest tools to support business model evolution for the digital economy
- This represents a significant departure from recent trends, where the goal of IT technical transformation with TCO improvement was most popular year-over-year
- And now – amplified by the upcoming end of maintenance deadline for core SAP ERP/ECC the urgency to act rather increases

In this session we will look at **options, considerations, trends and what happens after the initial migration** – from a functional and technical perspective

Adoption options

S/4HANA *

- Brown-field will short-term get a boost (get on, and get on)
- Green-field the best (if you have the budget, resources required - can you afford it) ?
- Blue-field selected data transition (why not)
- Central Finance most pragmatic (least disruptive, risk-reduced, phased for multi-ERP FIN customers)
- Do nothing is not a great but (for a time) real option (even though at a higher price / cost)

SAP Cloud App portfolio

- BTP, Cloud Apps and cloud-based add-ons (and custom SAP Build's)
- Decomposition and adoption of two-tier approaches and solutions (partial move)

* And the best deployment approach for you is based on your specific needs and your tolerance to "give up" and harmonize and standardize

Considerations

Motivation (*S/4 as business value baseline, grows with every additional improvement / released innovation*)

- Functional (improvements, innovations)
- Technology (simplification, consolidation – move to cloud, decomposable architecture)

Governance

- Product lifecycle and release management (roll-out's, maintenance & support, upgrade, migration)
- System of record (audit compliance)

Investment Management (both, functionality and technology-wise)

- Technical Debt
- Ability to transform (for future needs)

SAP CEO statement on the End of Maintenance (EOM) deadline

*“The end of standard maintenance for all ERP releases lower than S/4HANA by the end of 2027, and I really would like to say this clearly, **there will be no extension of this timeline.**”*

“Why? Because at the end, we want to also use our R&D capacity and investments in the most effective way, and there are so many new technologies which we really want to embark on that we really want to deploy those in the cloud.”

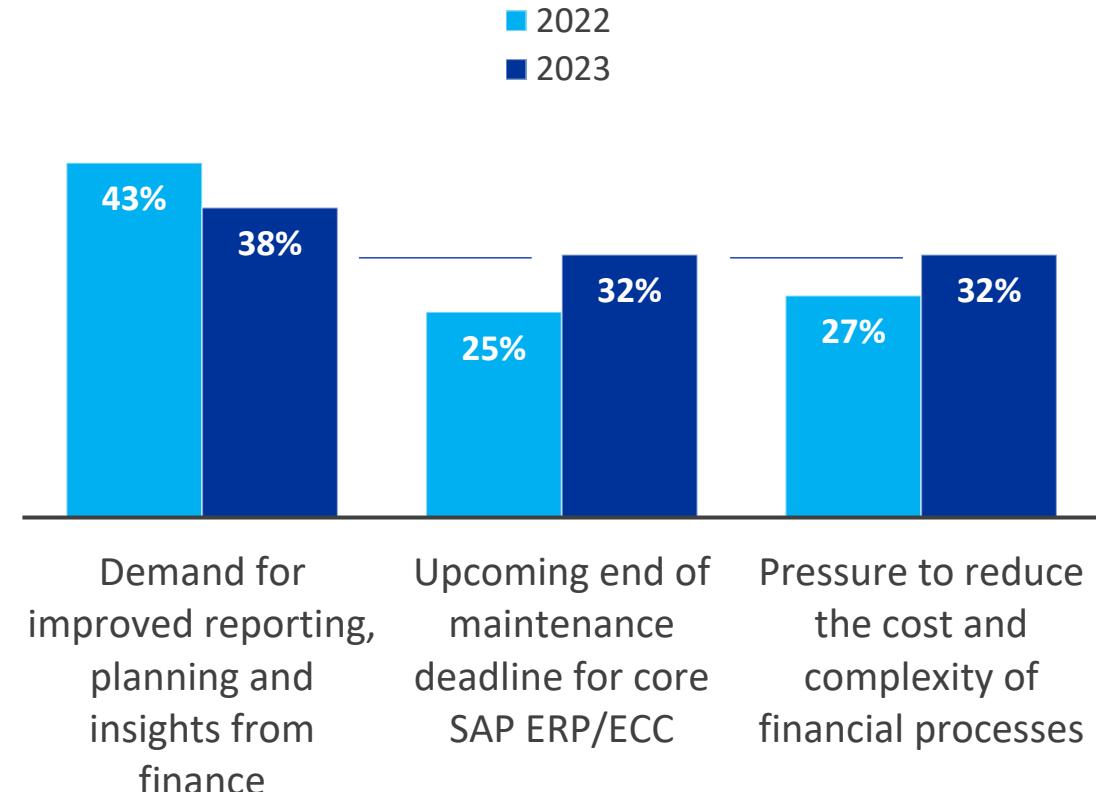
-SAP CEO, Christian Klein on 1Q23 Conference Call



End of Maintenance is a top driver for Finance

For all companies overall, End of Maintenance is ...

- The #2 top driver for strategic priorities
- On par with key finance business requirements

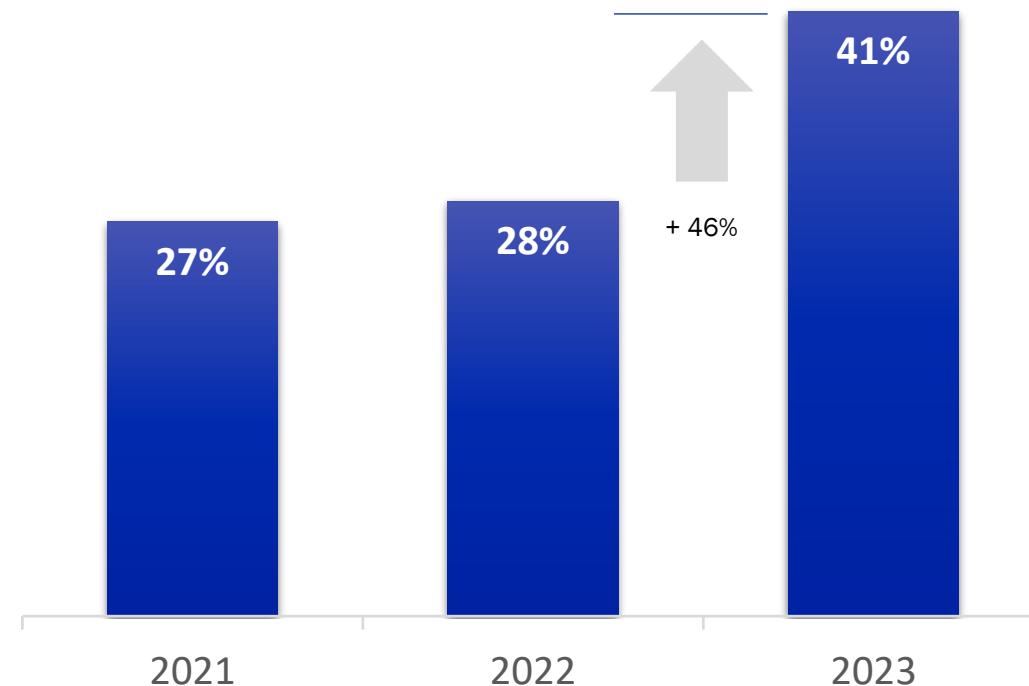


*Source: SAPinsider, February 2023

End of Maintenance is strategic, even more so for ECC customers

For companies still on SAP ECC

- A strategic priority for more than 40%
- More than doubled over last two years
- Heavy upwards trend now (+ 46%) since 2022



*Source: SAPinsider, February 2023

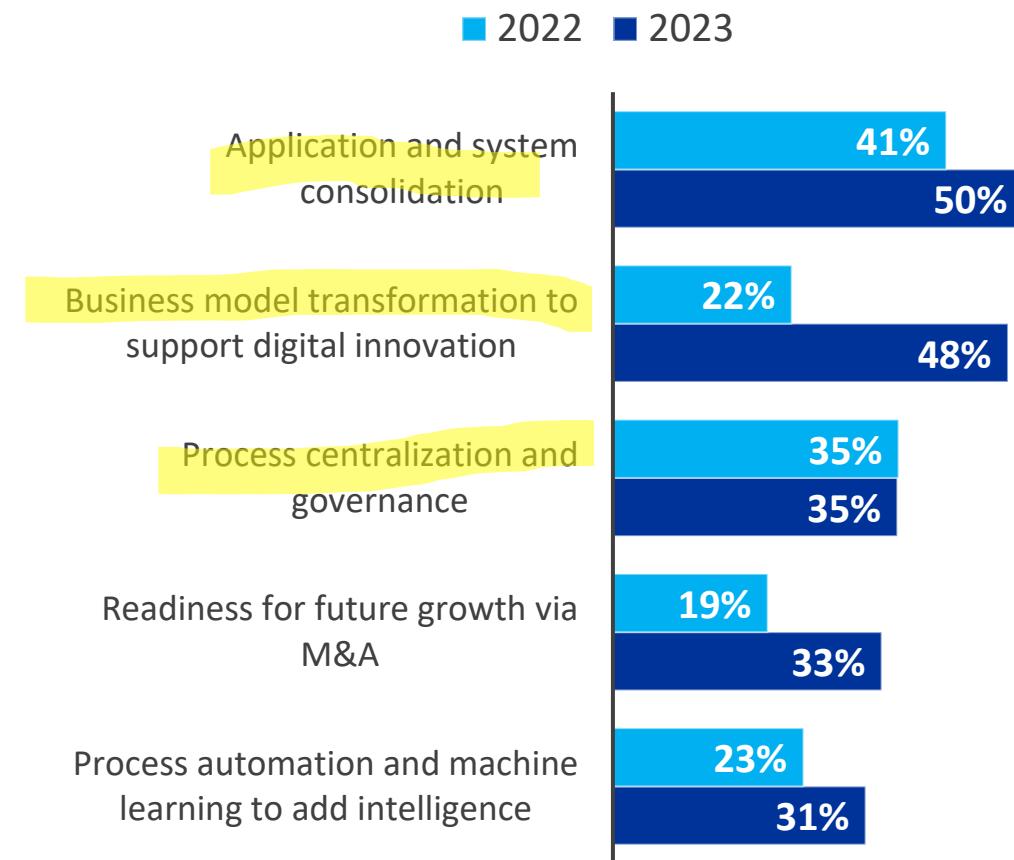
End of Maintenance is a catalyst for realizing finance target goals

S/4HANA deployments enable compliance

- Finance systems are systems of record

Catalyst for key finance target goal realization

- Digital innovation
- Finance transformation
- Process optimization and automation



Source: SAPinsider, February 2023

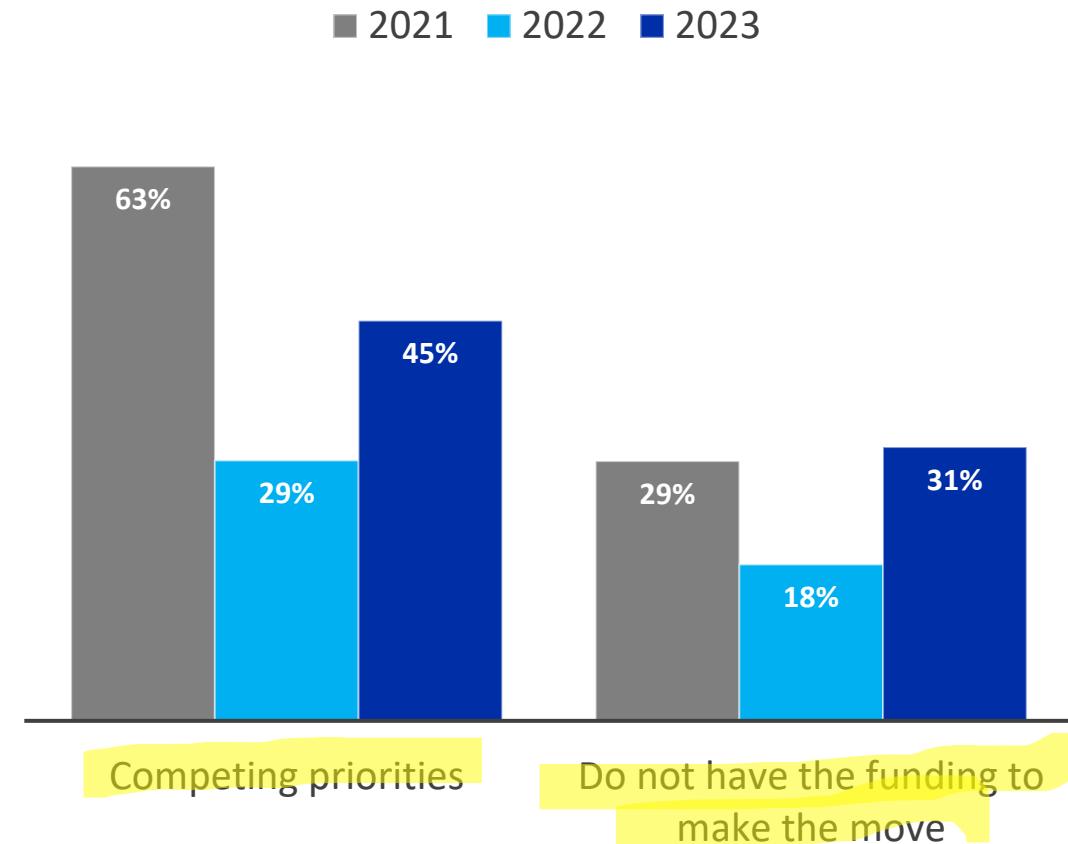
End of Maintenance About what overcomes your key barriers best (for you)

S/4HANA deployments directly compete

- with other IT and finance initiatives
- for key organizational resources (time, money)

Green-field, Brown-field, Selective Data Transition, Central Finance, Public cloud ...

- All have different resource requirement profiles
- All have different value propositions
- Some fit your constraints better than others



*Source: SAPinsider, February 2023

Public Business Case remarks

“Budget-centered business cases are biased against novel technologies, partly because they don’t factor in the value of learning gains and spillover effects. ”

“It starts with insights—knowing which aspects of technical debt are most tied to value offers a path into a more strategic approach to resolving technical debt.”



www.sloanreview.mit.edu/article/a-better-way-to-pilot-emerging-technologies - April 2023



www.mckinsey.com/capabilities/mckinsey-digital/our-insights/breaking-technical-debts-vicious-cycle-to-modernize-your-business - April 2023

Key technical and functional considerations

Ability to execute

- Business value generation (new finance service level, process execution and orchestration advancements)
- Enterprise architecture renewal (move to cloud, subscribe (consumption based), utilize “cloud as a service”)
- Disruption, Risk (plus company culture / ability to change)

Budget

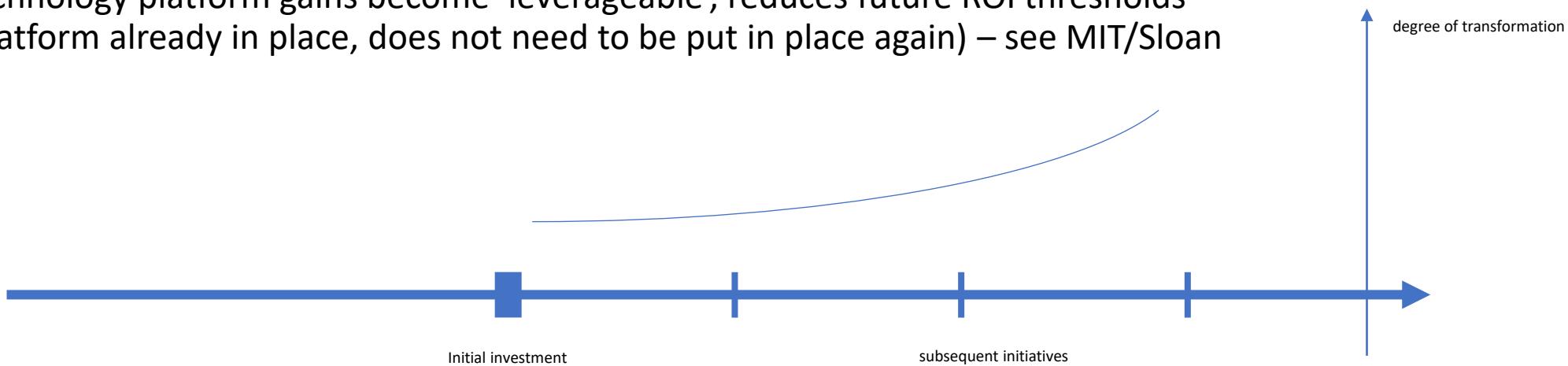
- Funding (technical / functional payback, accelerated time-to-value, stage-gate funding, consumption pricing)

Resources

- Company priorities (big bang go lives, phased implementation, partial adoption / over time)

What happens after the initial adoption

- With the ongoing, steady stream of technology innovations there is really not just one (and only one) S/4HANA business case you need to wrap your head around
- Early adopters have initially (requested via the initial business case) and put in place an initial intelligent ERP system, that now serves as foundational platform for the much larger, ongoing organizational transformation
- Technology platform gains become ‘leverageable’, reduces future ROI thresholds (platform already in place, does not need to be put in place again) – see MIT/Sloan



S/4 adoption and Transformation - what's top of mind for (your) finance

- Finance transformation opportunities have arisen through highly disruptive technology innovations

There is no end in sight, rather a steady, continuous stream of additional, new innovations forthcoming

Functionally there will be more innovations and technically more automation (ML/AI, RPA, workflow options)

- Transformation is a (ongoing) marathon and not a (one, short-term) sprint

Finance has a central, critical role bringing transformation to the organization (implementation and roll-out)

- Finance supports business transformation, finance transformation and finance business model transformation

Transformation means changes to processes, people, and organization – based on the new technologies

- End-Of-Maintenance (EOM) is a catalyst for (intelligent technology) adoption acceleration

S/4 migration or SAP Central Finance are the key enablers to move up / move transformation forward

Adopting S/4HANA – from a functional and technical perspective

- Central Finance Deployment
- The Universal Journal
- Change Management
- Financial Planning, Budgeting and Forecasting
- Financial Data & Reporting
- Finance Automation (RPA, AI & Machine Learning)
- Financial Closing

Key Learnings

1. General awareness and calibration on options and paths towards S/4 and from then onwards
2. Critical factors driving “your journey” to an intelligent finance
3. Understand and prepare for what moving to S/4 will mean to you as an individual, as a resource, and your company

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