



S/4HANA with perspective

Seven pitfalls in the transformation and
recommended actions for a course correction
Whitepaper





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Foreword

Learning from the successes of others - time for a course correction?

The changeover to S/4HANA has been underway since 2015. Initially, all companies were supposed to have updated their systems by 2025, but in the meantime this deadline has been extended to 2027.

This shows that the effort for the S/4HANA transformation was initially underestimated. The changeover to S/4HANA is a complex undertaking because it affects all areas of an organization. Accordingly, mastering this complexity is not always easy. The question of the right methods and approaches is therefore crucial.



We have identified seven pitfalls and provide concrete recommendations for action during the S/4HANA conversion.

The status quo of the S/4HANA transformation

So what is the current status of the S/4HANA transformation? The initial situation compared to a few years ago has changed significantly in the meantime. It can be observed that the motivation for re-evaluating projects such as the S/4HANA transformation is increasing. There are several reasons for this - from the Corona pandemic to the changed macroeconomic and monetary situation. So it's time for an interim conclusion.

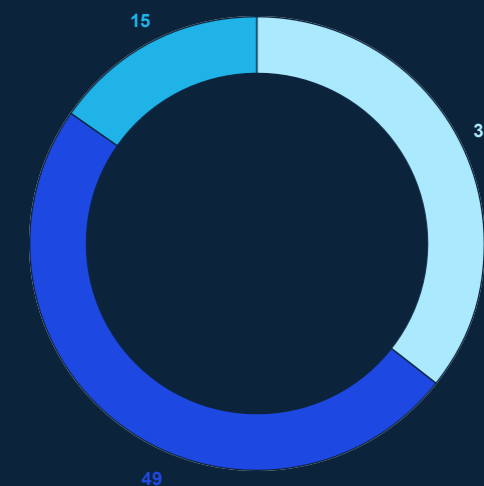
That's why we conducted a survey of 112 companies from 18 sectors to get a more accurate picture of the current situation. Within the framework of this survey, which represents a broad cross-section of industries, we wanted to find out where the companies currently stand in the S/4HANA transformation, as well as whether and which recipes for success exist that can become a model for others. The goal here was to gauge whether companies need to correct their course in the S/4HANA transformation based on current experiences.

Many companies are still at the beginning of the transformation

One significant finding was that many companies are still at the beginning of the S/4HANA transformation. The survey provides two clear indications of this. On the one hand, 49 percent of the respondents stated that they had yet to create the documentation of the requirements.

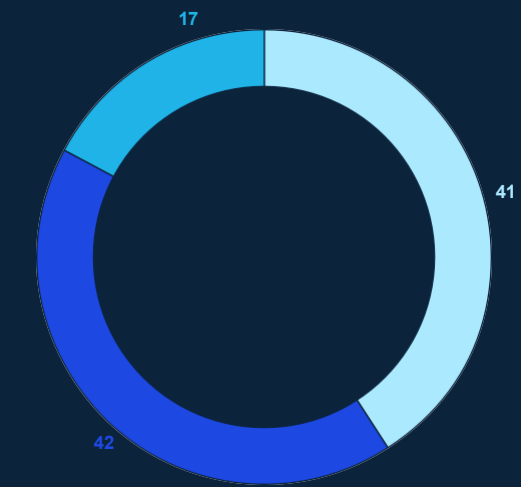
Secondly, 42 percent have not identified the communication and training needs. This makes it all the more important to derive lessons from transformation projects that have already been successfully implemented and to learn from the successes of others.

Figure 1:
The documentation of the requirements, especially the processes ...



- already created
- still to be created
- do not know

Figure 2:
The communication and training needs are ...



- identified
- not identified
- do not know

Source: KPMG AG Wirtschaftsprüfungsgesellschaft, 2022; figures in percent

In the context of this white paper, we ask three central questions: Where do companies stand in the S/4HANA transformation? What experiences and lessons can be derived from successful transformation projects? And what recommendations for action result from what has been learned?

We wish you an exciting read



Seven pitfalls and recommendations for action in the S/4HANA conversion

As part of the survey we conducted, we asked about numerous aspects of planning, implementing and organizing S/4HANA projects.

In the process, we were able to determine that there are currently seven pitfalls in transformation projects that are of particular relevance for the S/4HANA conversion. In the following, we will present the results as well as possible solutions and recommendations for action that can be derived from them.

01. No conversion without transparency - why start now with preliminary projects

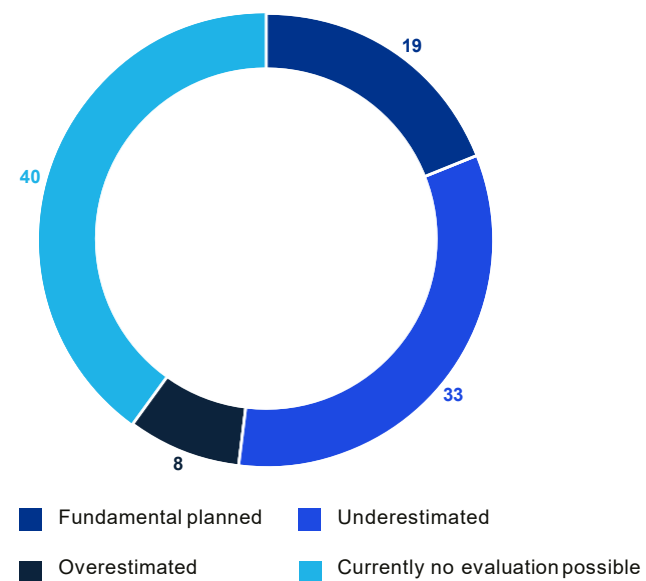
The time factor is an overriding challenge in all transformation projects, whether in terms of the timing of the start of the changeover as a whole or the timing of the entire transformation project.

In view of the initial experience with the changeover to S/4HANA, the originally far-off date of 2027, when SAP will discontinue support for older versions, now seems within reach.

Timing as a critical factor in the S/4HANA changeover

When asked about the current status of planning or ongoing projects, we received numerous answers such as: "We are in the preparation phase and would like to start with the project in 2-3 years", "We are only at the decision-making stage greenfield or brownfield solution" or "Rollout is planned for 2024/2025, therefore still in early phase". Other answers also suggest that projects have "not yet started" or have only "just started".

Figure 3:
How satisfied are you with the timing of your project?



Source: KPMG AG Wirtschaftsprüfungsgesellschaft, 2022; figures in percent

Projects can still benefit from the experiences of those who have already completed their transformation. So, what about the time planning of those who have already gained experience with the S/4HANA conversion? Here it is becoming increasingly clear that time planning is one of the central challenges in S/4HANA projects. 33 percent of respondents said they had underestimated the timing of their project.

Pre-projects in particular can be an ideal test and starting point. But even here, it can turn out that the "time dimension for improvements in the context of pre-projects is underestimated", as one participant shared. Therefore, the first recommendation for action is: Better start now.

No change without transparency

The time and resources required were underestimated by many survey participants. Only 19 percent said they had planned well. When it comes to underestimated time expenditure, insufficient knowledge seems to play a role in particular. As many as 63 percent of those who underestimated the time required said they had insufficient knowledge about the S/4HANA functions. A preliminary project can create transparency and clarity about the planning and thus offers an important basis for the structured implementation of the S/4HANA conversion.

Our recommendation

Pre-projects can be an ideal test and starting point. That is why it is better to start with a preliminary project now.

Point of View

Why it makes sense to start with a preliminary projects now.

One of the key challenges for companies tackling the S/4HANA transformation is accurately estimating the time and resources required for it. Here it becomes apparent that this is often underestimated. A preliminary project can be helpful in creating a reliable time and budget plan and thus be able to react to any delays and risks in a targeted manner.

Not all preliminary projects are the same

A preliminary project is not per se a guarantee for a smooth transformation. In practice, we repeatedly speak with clients who, despite preliminary studies, still have numerous question marks as to where the journey should really go or what the motivation behind the transformation is. That is why it is crucial in preliminary projects to ask and answer the right questions so that in the end a vision for the transformation project as a whole can be derived.

Motivation is crucial

There are several reasons why the S/4HANA transformation is initiated and carried out. Do I "only" want to ensure the release change? Do I want to "cut off old pigtailed" and introduce a new control concept at the same time? Do I take the opportunity to set up a new IT strategy and establish S/4HANA as the Digital Core? Or is it about achieving a cost reduction? The answers to these questions have a major impact on the timeline and expectations associated with the S/4HANA transformation.

This is what a preliminary project must do

This means that several aspects need to be worked out very clearly in a preliminary project. First: Where do I stand and what exactly is my starting position? Secondly, what should be the scope of the transformation project? And thirdly, what is the vision and the associated target image? Only after it has been clarified at the C-level how and to what extent S/4HANA is to be integrated into the overall strategy, can the project plans be meaningfully determined.

After that, it must be examined exactly which other parallel initiatives are affected by the transformation project or whether it has an influence on the general resource situation. Are there planned M&A activities? Are new products and services being introduced at the same time? Are restructuring measures planned? All this has a concrete impact on the timeline.

Why companies should start the pre-project now

Since the transformation is a complex project, it is also advisable to involve all stakeholders involved at an early stage. The S/4HANA conversion is not a pure IT project, but also affects the business departments. Often one of the parties involved initiates the

conversion and drives it forward. If all parties involved do not pull together from the beginning and work together on the time planning, time losses are inevitable.

Furthermore, it must be clarified during the preliminary study whether sufficient employees with the required skills are available and whether they can be released for the project or whether they are too heavily involved in day-to-day business. Depending on the time schedule, a decision should already be made here as to whether external support is necessary. It is therefore important to have an overall view of the market. Since the situation here is tense, it can subsequently become difficult to get advisors at short notice or to build up an appropriate team.

Conclusion: Exploiting the potential of pre-projects properly

There are two major drivers when it comes to delays: first and foremost, a lack of clear scope for the transformation project. If this is not clarified in advance, the question will be asked over and over again during the course of the project and will therefore go round in circles. The other important driver is the non-availability of resources.

Only if there are resilient decisions in advance about whether the transformation will be carried out as part of a brownfield or

greenfield approach, whether only an upgrade will be carried out or the entire organizational structures will be reconsidered, and only if the right questions are asked in the preliminary project, can this contribute to providing reliable guard rails for the S/4HANA conversion. Just knowing where your own pain points are is not enough. A precise definition of a vision or concrete objectives within the framework of a preliminary project is the prerequisite for staying very close to schedule and within budget.

02. Motivation is crucial for planning - courage for harmonization, standardization and innovation

We know from experience: The motivation behind the S/4HANA transformation is crucial for planning the scope.

In the survey, 44 per cent of respondents said they were focused on harmonizing processes, 50 per cent said they were also looking at standardizing processes, and 42 per cent said they were pursuing the implementation of new technologies to ensure competitiveness.

As part of the 2019 study conducted by KPMG and Lünendonk, "With S/4HANA into the digital

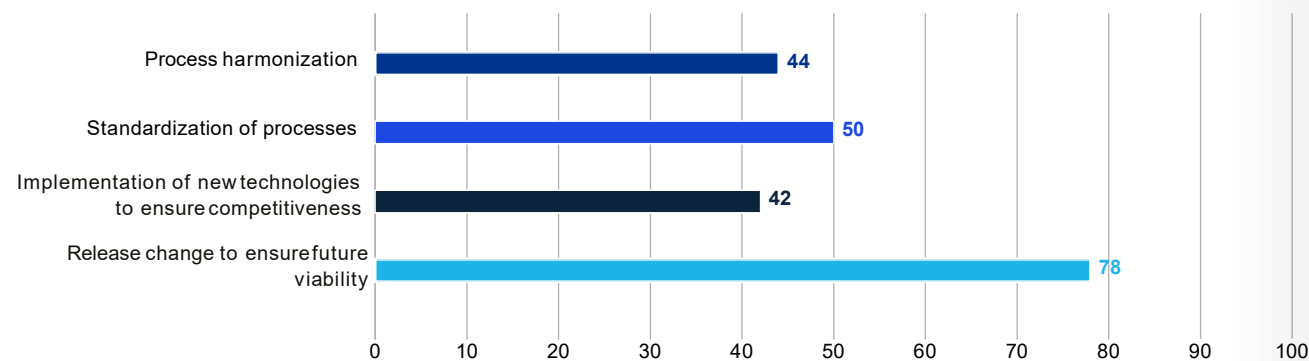
future", it was still possible to determine that, especially at the beginning of the transformation wave, the companies that had a great need for digitization used the conversion to S/4HANA to modernize, standardize and harmonize their processes. The additional added value that came with the conversion was obvious to them. However, for those companies that are tackling the changeover today, the question of the additional added value comes up in a completely new form.

First of all, it is interesting that by no means all respondents (78 per cent) state that the release change was the motivation behind the introduction of S/4HANA. It is also striking that in some cases less than half (50 and 44 per cent) state that they are also pursuing the standardization and harmonization of processes as a goal. These results give pause for thought because a lot of time and resources are spent on the changeover, which raises the question of whether this is not a wasted opportunity if improvements are not also addressed.

Our recommendation

In the course of the S/4HANA transformation, dare to harmonize and standardize processes, have the courage to restructure the process landscape and focus on goals that offer a lot of potential or additional added value.

Figure 4:
What is your motivation for implementing S/4HANA?



Source: KPMG AG Wirtschaftsprüfungsgesellschaft, 2022; figures in percent, multiple answers possible

Point of View

Why the courage to standardize, harmonize and innovate pays off in the end

The mandatory conversion of SAP ECC or SAP R/3 to the new version, S/4HANA, by 2027 is a trigger for corresponding transformation projects. In this respect, the survey result, according to which "only" 78 percent of respondents state that the release change is their motivation, must be more than surprising. Rather, one should be able to assume that the value should be closer to 100 per cent.

The situation is no different when one looks at the answers to the other motivations. Less than half agree to pursue the standardization or harmonization of processes or the implementation of new technologies to ensure their own

to start transformation projects with the right ambition.

Don't be afraid to look at added value

It has already discussed the importance of preliminary projects for the company- wide definition of goals. He also targeted the change-oriented feedback

providers with the focus on achieving realistic planning and ensuring the availability of the required resources. The second important question that seamlessly follows here is: Why should a brownfield or release-focused move not also address additional added value?

After all, why do many transformation projects currently fall short of what would be possible? One hypothesis that we find confirmed time and again in practice is that many decision-makers are concerned that an additional scope would lead to extreme expenses and overtax the project. However, in view of the necessity to ensure one's own

differently. There is hardly a place where this pays off as much as in the context of the S/4HANA conversion. In case of doubt, it is enough to select individual fields in which you want to be "courageous".

Standardization: Quick change versus additional benefits

A large majority of the companies surveyed (48 per cent) have a big bang approach in mind

when it comes to S/4HANA implementation (see Figure 7). This supports the thesis just expressed that many would prefer to carry out the release change as quickly as possible. In addition, as little additional effort as possible should be put into supplementary projects. In this context, it can certainly pay off to leverage additional added value in smaller individual projects.

However, this ignores questions of modernization and the associated advantages. What would it be like to stand out from the competition after the transformation because you offer the simplest technical connection for the supplier network? Such considerations should be taken into account and perhaps the technologies currently in use should be addressed. Technological platforms could be converted to standardized interfaces. If necessary, this could also be done over a longer period of time as an architectural adaptation, which would bring with it better resourcedisreputability.

Harmonization of processes: Cloud as a digitalization driver

When it comes to harmonizing processes, courage is also needed, especially the courage to pursue a consistent cloud strategy. This can be linked to S/4HANA, not least via Rise with SAP. In the course of the transformation, the topic of the cloud takes on greater significance. At the same time, however, this ensures that companies also drive forward their digitalization - without having to tackle all processes straight away.

The current Cloud Monitor from July 2022 also underlines once again that the cloud continues to be highly relevant for companies: 84 percent of respondents state that they already use cloud services and a further 13 percent are about to enter the cloud. Cloud issues are often not limited to pure hosting. Almost half of the companies surveyed in the Cloud Monitor stated that they are striving for a cloud-first strategy. This means that the integration extends across different technologies and models so that these can be considered in the course of the release change.

Courage to innovate: combining innovation and migration projects

In addition to the standardization of technologies and the harmonization of processes, the topic of innovation also requires courage. The argument of additional costs that stand in the way of innovation projects is often cited. However, it must be weighed up here which additional turnover innovations bring or which additional insights can be achieved with them. In order to combine innovation projects with the migration or testing steps that are necessary anyway, companies should ask themselves the following questions:

- Which departments have an innovation backlog?
- Where does a variety of tools and SaaS solutions indicate a need for integration?
- What do process mining or other usage analyses reveal as relevant value levers?

Why extra effort is worthwhile

Thinking about the potential additional added value of a S/4HANA transformation means having the courage not just to do the changeover somehow, but to tackle it properly. Of course, an expansion of the project scope leads to more coordination needs.

However, additional benefits on the other hand can also lead to more supporters within the companies, save costs in the long run or even enable a better business case. However, these goals can only be achieved with courage, otherwise the only remaining option is purely external migration measures.

03.

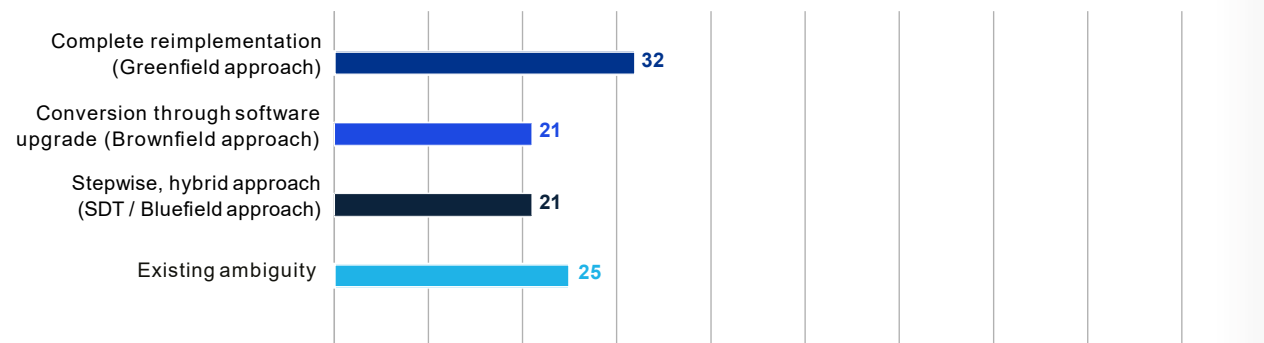
In the project approach: think radically and accept compromises

First of all, with regard to the methodological approach, it can be observed that a majority of companies currently seem to see the added value in the greenfield approach when converting to S/4HANA.

In other words, if you go about it the right way, the brownfield approach is subordinate - which fits in with the courage to think in a new way. The question here is whether it always has to be the pure form of the greenfield strategy. But even if the

greenfield approach is slightly ahead in the direct comparison of possible approaches in terms of preference, there is still a lack of clarity among 25 per cent of those surveyed. Here it is important to first create certainty.

Figure 5:
What approach are you using to implement S/4HANA?



Source: KPMG AG Wirtschaftsprüfungsgesellschaft, 2022; figures in percent, multiple answers possible, rounding differences possible

Shift in the predominant project approaches

The latest survey shows how a trend is gaining strength that was already apparent in previous years. This becomes clear when comparing the two studies conducted by KPMG together with Lünendonk in 2019 and 2020. In the first study, the majority of companies still preferred the brownfield approach. Already in the following year, a mixed approach of brownfield and greenfield prevailed in the majority. Today, too, the majority of companies choose the combination model. Our message is: think radically and accept compromises.

Our recommendation

Even if the greenfield approach is currently preferred, it does not always have to be the pure form. That is why our general advice for the project approach is to think radically and accept compromises.

Point of View

Think greenfield approach and make smart, selective greenfield

The two terms "greenfield" and "brownfield" can be found in their pure form mainly in textbooks. When working with clients, we see time and again that in reality it ends up being something in between. The crucial question is what this "in-between" looks like or, better said, how exactly one arrives at this middle ground. However, deciding which path to take in the S/4HANA transformation is anything but trivial and far more than an academic exercise.

The starting point: greenfield vs. brownfield

Where do companies stand when they think about the S/4HANA transformation? In the market, there is currently a predominant tendency to first question everything and then only take the tried and tested with them. However, there are also cases in which the opposite approach makes sense. Companies that standardized and harmonized their processes a few years ago, for example, already have a high degree of maturity and may have already mapped many things that others would like to realize only within the framework of the S/4HANA transformation. A pure greenfield approach does not necessarily make sense here.

The situation is different if companies really questioned and modernized their processes, systems and organization more than 10-15 years ago. Then it is more appropriate to start from a greenfield approach and selectively take individual points - the "tried and tested" - with them. According to all experience and the current market view, the greenfield approach with a selective, smart approach is currently predominant.

Think radically and accept compromises

The direction from which one sets out should be clarified at an early stage. Ideally, a preliminary study should analyze where on the scale between greenfield and brownfield the transformation project will move. Does one orient oneself more towards the greenfield approach, but retain some proven special solutions? Or is it somewhere in between? The credo for decision-making should be: Think radically, implement smartly. Because it is possible to take the best of both worlds. By no means should one simply throw away the existing and the tried and tested out of principle, just to satisfy the solution of cutting off all the old ties. Rather, it makes sense to assess the individual case.

On dealing with the "special curls"

The desire of many clients to do everything anew in the course of the S/4HANA conversion in order to realize a degree of standardization goes hand in hand with throwing all in-house developments and special solutions overboard. In the process, it is overlooked that there was often a good reason for the development of these so-called "special bells". Here it is worth taking a closer look. In these cases, it was often a matter of making processes more efficient based on the requirements of a certain industry or based on the specification of one's own company and thus to have a market advantage over the competition in the context of value creation.

As a rule, there were no standard solutions for these specific processes. The first question to ask here is therefore: Is there a solution for this today? If such a solution still does not exist, there is no more efficient solution than to adopt the existing one into the new system. Smart Greenfield means building on the tried and tested, but also putting existing solutions to the test. This also means critically questioning whether a department really needs its own development, for example. Perhaps new technologies offer more or are more efficient and more compatible with future innovations.

In addition, the costs for maintenance and further development associated with a "special lock" are often underestimated. But it is not only the technology itself that matters, but also the perspective

It takes a shoulder-to-shoulder approach from all perspectives

In the context of S/4HANA transformation projects, the focus must not only be on the solutions of the past and the status quo. At the C-level, it is particularly important to look to the future. Because from a strategic perspective, the question is rather whether the solutions introduced today will also fit the changes in the business models in a few years. How one shapes the middle ground differs fundamentally if one does not start from today, but asks in a forward-looking way what is strategically important. That's why, right from the start of the S/4HANA transformation, there needs to be solidarity between the strategic vision and the detailed technical perspective from the business units.

Conclusion: Why the customized middle course counts today

The more awareness matures that the S/4HANA transformation affects all areas of companies, the more interesting the customized middle way becomes.

With a modular structure, it is possible to decide at the level of individual departments which approach makes sense. While it could be that in Finance the systems are already mostly up to date, it can be useful to actually cut the old ties in Purchasing. Since this is a tightrope walk, a precise analysis in advance is indispensable.

It is important to decide smartly and selectively which path to take in the transformation. In particular, the question of running costs must not be forgotten when evaluating the benefits. Processes that are highly automated and efficient from a purely technical point of view can have a negative impact on the balance sheet because you have to invest in special solutions yourself. In general, the goal should be to replace solutions that are no longer sustainable and at the same time to maintain or strengthen one's own innovative capacity. In this way, a customized middle way can ultimately lead to a robust, integrated, agile, innovative and efficient overall solution.

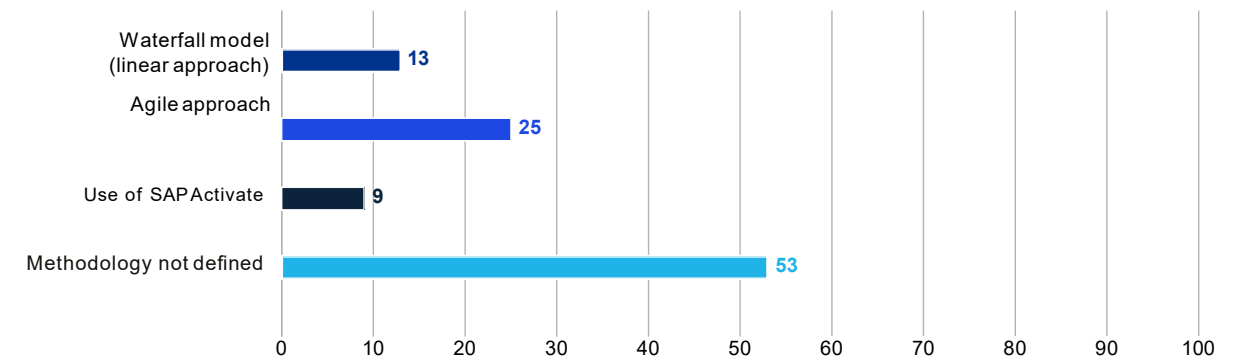
04. Despite agile working, clear transparency of milestones is needed

In a more in-depth evaluation of project methodology, two contexts in particular stood out clearly. Firstly, 53 per cent of the respondents stated that they had not yet defined their methodology.

Here it is important to establish certainty, because those who approach the S/4HANA conversion without a defined methodology create uncertainty within the organization. Because the following should still apply: The conversion to S/4HANA is not done somehow, but correctly.

The second exciting result of the survey is the significant difference between satisfaction with the time planning and the agile approach: 72.7 percent of those who have opted for an agile approach underestimate the time required for the S/4HANA transformation. This striking correlation between the agile approach and time planning should give pause for thought.

Figure 6:
What project methodology do you use exclusively or primarily?



Source: KPMG AG Wirtschaftsprüfungsgesellschaft, 2022; figures in percent, multiple answers possible

Agility and security must not be mutually exclusive

Despite an agile approach, there needs to be a concrete idea of goals, without which projects can proceed in an unstructured manner. Especially with such complex challenges as the S/4HANA conversion, it is important to establish security. That is why it is first and foremost advisable to have a general methodology. This goes hand in hand with the recommendation to not only consciously choose the project methodology, but also to communicate it. The fact that 53 percent of those surveyed do not know which methodology is being used is a telling result.

Our recommendation is therefore:

When it comes to the agile approach, our recommendation is that despite agile working, there needs to be clear transparency of milestones. This also brings security and structure to the projects.

Point of View

The pitfalls of the agile approach

Innovations have to become marketable in an ever-shorter time. The benefits from digital transformation must also deliver their benefits quickly in order to keep pace. To meet this demand for speed, it requires adapted methods that combine a new type of leadership style and self-organization. This is delivered by agile project management methods, which have their origins in product and software development and take account of the pressure for change in business.

Agility provides particular added value for projects with a high degree of dynamism, in which the concrete target picture for the defined scope is usually only formed in the course of the project. This is only partially true for ERP projects. Although the application of agile methods makes sense here, some considerations and adjustments should be made based on previous experience.

Detailed planning even with agile methods

An ERP project has a clear timeframe and budget that must be adhered to. If, as is usually the case with S/4HANA transformations, the aim is not to go live during the year, a delay in the worst case means a project extension of one year. Likewise, the scope of functionality cannot be designed flexibly in principle, not least due to legal requirements. For this reason, even with an agile project approach, detailed planning for the entire project duration as well as the essential milestones should take place at the beginning of the project. This does not exclude subsequent processing of the content in sprints and mapping in user stories, but it does provide a framework for steering the project.

Driving by sight makes it difficult to see the project status

Without this framework, especially the time frame, the status of the project in terms of goal achievement remains unclear over the course of the project, since the only consequence is driving by sight. This is illustrated in practice by the fact that without overall planning, progress can only be measured by the degree of completion of planned user stories. However, since user stories are only marked as completed after they have been fully processed, this only provides a rough view of the status of the project.

Lack of integrative coordination causes readjustment of planning

The need for overall planning also becomes clear when one considers the dependencies between the sub-projects that need to be taken into account for the process definition. Since the agile teams in the sub-projects plan and work on their tasks independently, the coordination leads to existing dependencies and

thus inevitably to restrictions in the time synchronization. Unclear responsibilities between the teams make readjustment necessary, which usually leads to the goals of the original planning of the sprints not being achieved.

Certain tasks can only be solved agilely to a limited extent

In particular, cross-cutting issues such as migration, testing and training, but also the planning and implementation of the necessary tasks in the area of IT architecture can only be adapted to an agile framework and handled in the defined sprint logic to a limited extent. Separate planning is usually required for this. However, this must also be coordinated with the planning of the more process-oriented sub-projects. This is precisely where a particular challenge lies, as the migration, for example, requires the requirements for the objects from the processes for implementation, selection and data cleansing very early in the project. The agilely developed process requirements and their implementation, however, extend over the entire project duration.

Conclusion: Cultural change as a prerequisite for the use of agile methodology

These are just a few practical examples to illustrate the challenges of planning an agile ERP project. In order to be able to meet these complex and multidimensional requirements, project staff are needed who are willing to break away from the classic project method, which in case of doubt has been established in the company for years. The requirement

is to work independently and self-organized without silo thinking and thus to ensure team success with the agile method. Since this way of working has only been anchored in the corporate culture of a few companies so far, it is important to assess the status quo in this regard and to take it into account when planning and implementing agile ERP projects.

05. Identify and adjust added values - learn from yourself

Another result of the survey gives food for thought: When asked about the realized added values, a total of 58 percent stated that added values of the S/4HANA conversion were either not yet apparent or that the knowledge about the functions of S/4HANA in the company was insufficient.

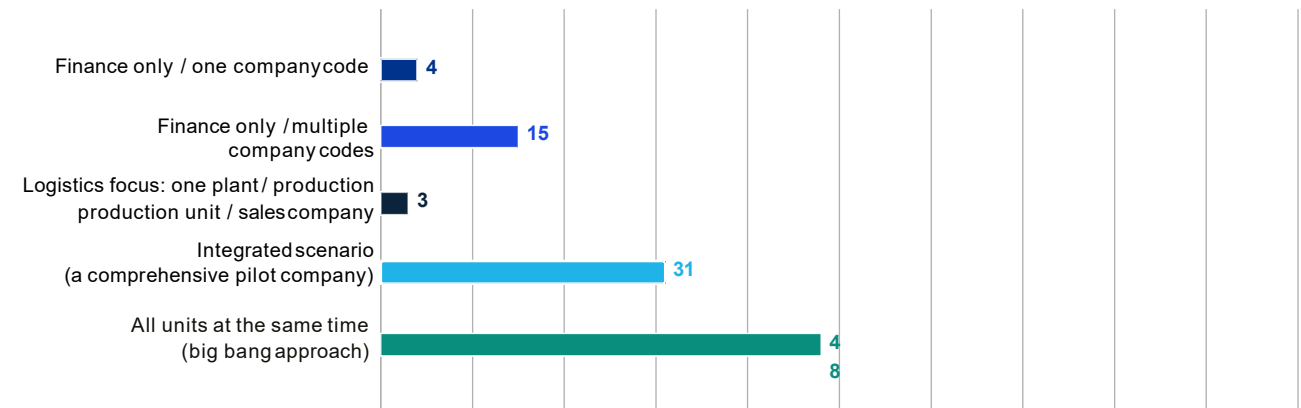
This raises the question: Are the added values really simply lying idle or are the organizations too little focused on the improvements so that they do not perceive or leverage them?

In order to counteract this at an early stage, it is important to start small and gather experience within the framework of preliminary studies. In this way, one gets a starting point from which the approach can be improved and subsequently more values can be realized.

Learning from yourself

Here, a look at the scope of S/4HANA projects is revealing. The majority of respondents say they are pursuing either a comprehensive pilot company (31 per cent) or a big bang approach (48 per cent). A pilot company is particularly suitable for learning from oneself. In this way, added values can be identified and adjusted. Just under a third would be able to learn from their own pilot company. Almost half of the companies, however, focus on the clear step forward. Particularly in the case of brownfield projects, this is obvious - from a purely technical point of view.

Figure 7: What is the scope of your S/4HANA implementation?



Source: KPMG AG Wirtschaftsprüfungsgesellschaft, 2022; figures in percent, multiple answers possible

Learning from oneself: The main advantages of pilot companies

Pilot companies use the experience they have gained to manage risks to the course of the project. They do this, for example, by identifying training needs or pointing out technical dependencies, which creates planning security in management. By going through all aspects of the changeover once in a small way and assessing their risks, the risk for the entire transformation project is reduced.

The pilot companies use the experience gained to manage risks for the course of the project. They do this, for example, by identifying training needs or pointing out technical dependencies, which creates planning security in management. By going through all aspects of the changeover once in a while and assessing their risks, the risk for the entire transformation project is reduced.

Conclusion: Learnings that are used within the group can create security for the stakeholders going through the transformation. Both pilot users and project teams can better understand the impact of processes and ways of working as well as change management.

Our recommendation

Learn from yourself. Pilot companies offer the opportunity to identify added values, recognize mistakes and clean them up.

Point of View

Change management in the S/4HANA transformation - This is what counts

The S/4HANA transformation brings big changes to companies or organizations. That is why it is crucial to work out a clear goal in advance and to involve decision-makers and also key users right from the start. When it comes to setting the right focus in change management, it is important to answer the questions of "what for", "what" and "how" the transformation will take place and to make this a tangible experience on an ongoing basis in the roll-out approach. In the following, we will show what is important to ensure added value from strategy setting to the sustainable use of new solutions.

Why a common goal is important

When it comes to the right focus in change management in the context of the S/4HANA transformation, it is crucial to develop a clear common goal picture and to keep it in mind regularly. In order to realize the full potential of the changeover to S/4HANA as a business transformation, it should be considered from the perspectives of strategy, organization, people, processes and systems. Understanding the S/4HANA transformation as the mere introduction of a new IT tool falls short and leaves the potential to further develop the organization and its employees unrealized.

Motivation depends on embedding in the overall strategy

The clear definition of the target picture also includes the answer to the question of how the transformation project can be linked to the overall strategy of the company. How does the S/4HANA conversion pay off in terms of strategic aspects such as growth and faster alignment with market and customer requirements as well as the changes towards an employee market, to name but a few? Linked to this, there is then the question of the need to digitize and automate processes, replace in-house developments, etc.

This perspective is important in order to motivate decision-makers and employees to live the target image sustainably. Because there must be no doubt about one thing: The S/4HANA conversion is a comprehensive and complex project that must be actively shaped by all participants over a longer period of time with a lot of commitment and will. The latter will only succeed if everyone knows what they are doing it for.

End-to-end thinking and the establishment of a learning culture

For the employees, the (further) development of competences such as process and end-to-end thinking, customer centricity or iterative working comes into play in addition to the application of a new system. The S/4HANA transformation offers the opportunity to re-establish learning in the project and to create a sustainable learning culture in the company. In this way, competences are developed that ensure sustainable further development, especially against the background of a world that is changing ever faster and more radically.

Trying out and establishing methods from agile work, more personal responsibility and continuous discussion and reflection - right from the start - is also part of the learning culture. Employees who are actively involved in shaping a process and have thus penetrated it have a detailed understanding of it at the end. This changes the need for training, where it is no

longer necessary to impart comprehensive knowledge, but only to practice specifically how new applications or interfaces work. Approaches such as these naturally also have an effect on the understanding of and the life of changed leadership, which also needs to be reconsidered and possibly adapted in this course.

A positive culture of mistakes is also part of a learning culture. Here, too, transformation can make a contribution and teach participants how to deal with errors, for example in the context of sprint reviews and testing.

Requirements for pilot companies

In the case of transformation within the framework of pilot companies, it is essential that decision-makers and key users of the roll-out companies are already involved in the design and project work of the pilot company. This is the only way to ensure that the processes are accepted in the roll-out companies, as they already take into account country-specific requirements, for example.

Key factors of a successful transformation

Important for a successful transformation from a change management perspective are:

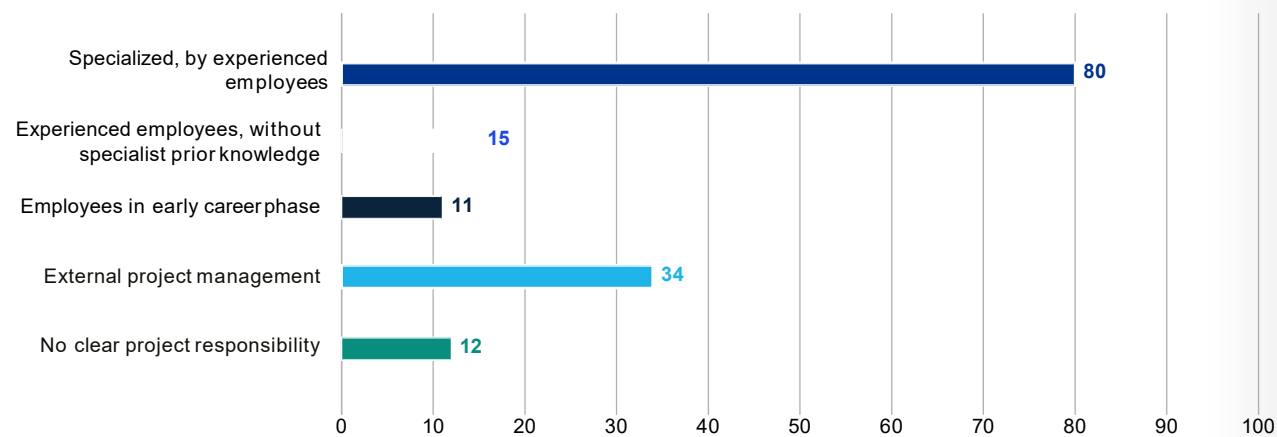
- The active involvement of stakeholders, i.e. decision-makers or key users, from both the pilot and the roll-out companies and this from the beginning permanently throughout the project period.
- The creation of sustainable learning experiences and the establishment of a learning and error culture.
- An ongoing focus on communication with decision-makers and employees
- Dialogue with managers and employees in order to incorporate feedback into the project work.

06. Interaction and organization: External project management works

With projects as comprehensive and complex as the S/4HANA transformation, it is certainly worth considering getting support.

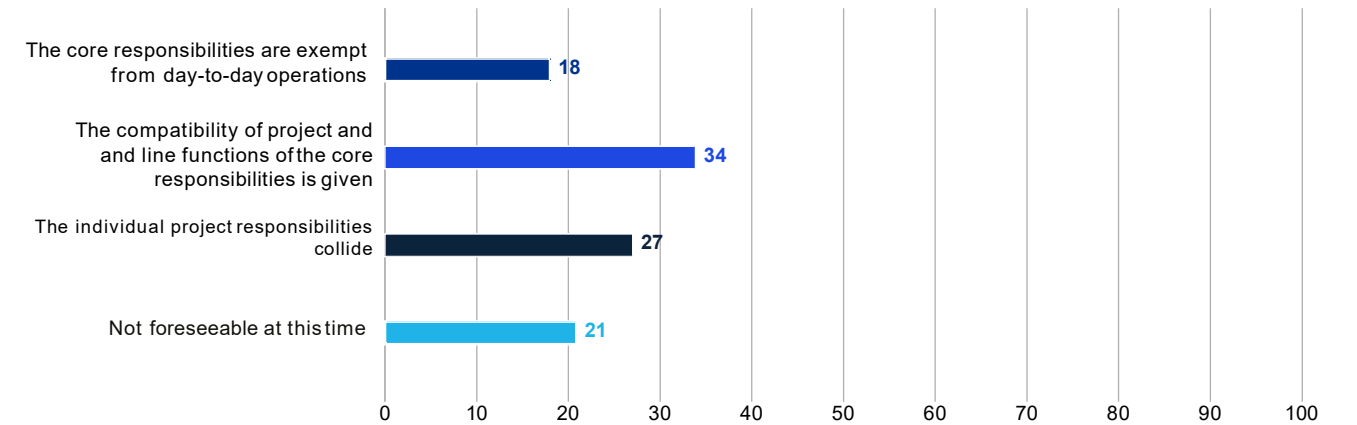
However, concerns often prevail when it comes to external support, first and foremost that they do not understand the company. Often there are also concerns about whether external project management can achieve an equally good result. Reservations like these are reflected in the results of the survey. 80 percent rely on experienced employees for the responsible project roles and "only" 34 percent decide in favor of hiring outsiders.

Figure 8: What is the composition of their responsible project roles?



Source: KPMG AG Wirtschaftsprüfungsgesellschaft, 2022; figures in percent, multiple answers possible

Figure 9: What are the responsibilities of the project team members during implementation?



Source: KPMG AG Wirtschaftsprüfungsgesellschaft, 2022; figures in percent, multiple answers possible

Arguments for re-evaluating external project management

Overall, companies should bear in mind that staffing with experienced employees ties up a lot of resources - only 18 percent are freed up from day-to-day business. In this respect, the arguments for re-evaluating an external project management should be re-examined and considered. From the point of view of our survey, three points in particular speak in favor of outsourcing project management.

Firstly, it became apparent that those companies that rely on external project management are, on balance, better off or at least not worse off. Secondly, a more detailed analysis revealed that there is no correlation between satisfaction with scheduling and external project management, nor with regard to the reasons for lack of improvement. Thirdly, it was found that there is more project management in projects with external project management.

Recognizing and using the advantages of external advice

Independently of the survey results, other reasons can also be listed that speak in favor of external project management. An external consultancy has more of a tendency to uncover something negative and also to address it. Their independent external perspective also ensures that they take a critical look at all areas of the company with an unbiased view. This brings with it the chance of cutting through a knot that might not be seen or addressed by an internal employee.

Our recommendation

External project management works - at least as well as an internal one and with additional potential. For companies that have difficulty releasing dedicated project staff, an external project management is a good option.

Point of View

Resource planning - The importance of clear roles and tasks in projects

In order for complex projects, which include the introduction or conversion to S/4HANA, to be successful, numerous aspects must be ensured. In addition to a clear objective for the project, the key challenge is to organize a large number of people into teams that are capable of working together efficiently. In many ways, this task is similar to that of a coach building a football team. The fine art of resource planning is therefore to ensure that the right people with the required skills are in the right place at the right time.

In a football team there is a clear distribution of roles. A goalkeeper would never think of playing in midfield from the next game on. Therefore, it is of

the necessary characteristics and skills needed to fulfil the project. One of the main problems in project work is the unclear allocation of tasks to roles. If there is a lack of clarity here, certain tasks may be completed more than once or, in the worst case, remain undone.

Lack as a starting point and reason for efficient use of resources

When it comes to the question of resource planning, it must always be considered against the background of the overall market development. The already tense situation on the skilled labor market has been exacerbated by the Corona pandemic. In addition, the number of available experts is steadily going down due to the increasing number of S/4HANA transformation projects. Hardly any company currently has enough experts or free capacities. This shortage therefore represents the initial situation that makes efficient handling of resources necessary.

The exact description of tasks and distribution of roles first ensures that there is a clear demarcation between task areas and that tasks are not carried out twice or not at all. Both of these factors contribute to the goal of using the available resources sparingly. In addition, the use of templates is suitable: instead of discussing issues over and over again, it is worthwhile to rely on standardized procedures.

The pitfalls of team composition

The central challenge of transformation projects of this scale and complexity is also that people have to work together who have not worked together in this constellation before and who are dealing with issues that are in many cases new to them. In addition, there is an implicit expectation on the part of the clients who rely on external providers. It is not uncommon for them to expect that they will also cover and manage such tasks.

One thing is overlooked in the process: Even if companies rely on cooperation with external providers for the S/4HANA conversion, they usually bring a mix of resources with them, either because they hire new employees themselves or because they supplement the skills they lack with other external experts such as freelancers.

A uniform methodology as a common language

A uniform methodology is therefore indispensable for successful cooperation. In a mixed team consisting of internal employees from different departments as well as external experts from solution providers and freelancers, a common, uniform methodology together with its terminology is a basic prerequisite for understanding each other. After all, in the context of such a comprehensive and complex project, there are countless situations in which all participants must agree on what exactly is being talked about. The methodology thus also ensures that the entire team is pulling in the same direction.

Resource planning is a continuous task

Resource planning is a continuous and iterative task that cannot be done only once at the beginning of a project. This is especially true later in the project. Projects often come to a standstill when individual resources are already exhausted, for example when skilled workers have been withdrawn from their traditional areas and are needed there again. Holiday planning also often causes delays and friction. For moments like these, provisions must be made and replacements must be available. Even a substitute does not come on the field right at the beginning of a match, but in the second half of the game, when the strength resources of another player have been used up.

In the end, it's about people and team organization

At the end of the day, the success of transformation projects depends on whether it is possible to organize teams that can work well and efficiently together. Project planning therefore has a decisive role. For this type of project, there is only a limited number of experts who have the necessary skills. It is therefore all the more important to clearly describe who will take on which task. The task is therefore much more like building an organization, with the right mix winning out in the end. A team that consists mainly of lone fighters will be just as unsuccessful as a team in which the majority strives for harmony.

Conclusion: Why a clear distribution of roles and tasks is indispensable

In a well-rehearsed team, everyone knows where the strengths and weaknesses of the others lie and can adjust and behave accordingly. However, in an environment such as the S/4HANA conversion, you cannot afford to simply hope that the collaboration will work. That is why these transformation projects must be clearly structured from the beginning.

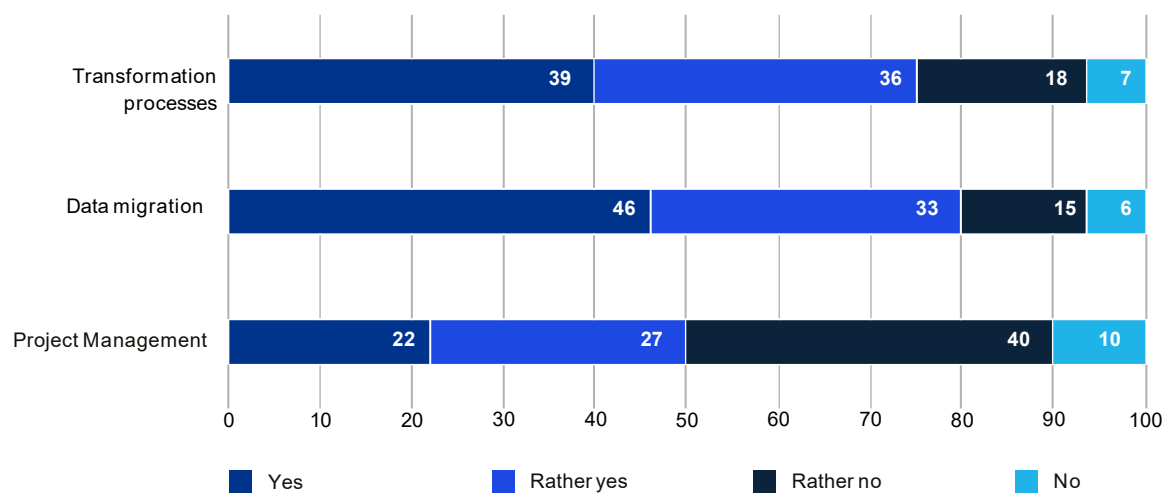
A striker does not belong in goal. In other words, when it comes to resource planning or building teams, the most important goal is to ensure that the right person with the required skills is available in the right place at the right time throughout the project. The distribution of roles and tasks is therefore anything but trivial. Rather, the success of the project stands and falls with it.

07. Conscious use of resources

The planning and use of resources is one of the core challenges in S/4HANA transformation projects. The lack of qualitative resources is cited as a massive challenge by 60 percent of respondents.

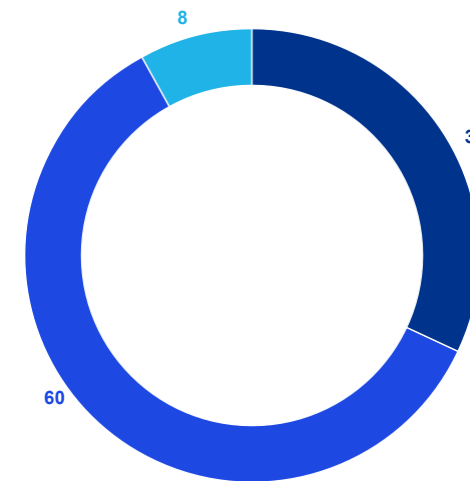
Companies have a particular need for qualitative support in the two areas of "transformation processes" (75 percent combined) and "data migration" (79 percent). Respondents who indicated "Yes" and "Somewhat yes" (49 percent in total), when asked about their need for support regarding their "project management", indicated that they were more likely to have external project management.

Figure 10: Basic questions about the expectation of qualitative support



Source: KPMG AG Wirtschaftsprüfungsgesellschaft, 2022; figures in percent, rounding differences possible

Figure 11: What are the priorities for external support, if you use it?



- Quantitative lack of resources
- Qualitative lack of resources
- We do not use external support

Source: KPMG AG Wirtschaftsprüfungsgesellschaft, 2022; figures in percent

Solution approach: compensate for qualitative lack of resources through methodology

First of all, it can be generally stated that the greatest needs are in the areas of process transformation and data migration. Here it becomes clear that the use of qualitative resources is the real challenge compared to quantitative resources. At the same time, this result once again underlines the idea formulated earlier about the importance of a proper methodology, which can also be helpful in this case.

A strong methodology as well as a strong process knowledge can support qualitative resource planning. This is because a clear definition and distribution of roles and tasks can contribute to a conscious use of resources. Since companies generally suffer from a shortage of skilled workers, the more crucial question, especially in resource-intensive projects, is: Where are they qualitatively lacking?

When the qualitative deficiency is recognized, it is often already too late

Since our survey was relatively narrow in scope, we could only pick out individual facets here. However, in practice we observe time and again that many companies are not necessarily able to formulate exactly where their pain points are. Often, a deficiency is only recognized when seemingly everyone cries out at the same time that they need support. There is then a lack of appropriate metrics here, so it is not easy to highlight where support is actually lacking. Situations like this also often do not occur at the beginning, but later on - usually in connection with holiday planning.

That's why we advise a conscious use of resources, which can be achieved above all with solid planning and the clear distribution of roles and tasks in projects.

Our recommendation

We advise a conscious handling of resources, which can be obtained above all with solid planning as well as the clear distribution of roles and tasks in projects.

Conclusion

Identify risks, create security and secure added value

In conclusion, the findings of the survey and the recommendations for action that can be derived from it should be summarized once again.

First of all, the evaluation of the survey once again underlines the necessity of identifying risks and dealing with them. Particularly in management, it is important to create security in order to be able to take advantage of the opportunities associated with the S/4HANA conversion. In order to counter the seven pitfalls of current transformation projects, the following recommendations for action were derived within the framework of this white paper. These are in a nutshell:



With the S/4HANA transformation, it is not enough to plan only once. It is rather like personal resolutions: Those who set goals should at the same time set times in advance for a review and a choice of focus.

Now is the moment to make a course correction

When it comes to the S/4HANA transformation, it is not enough to plan only once. Rather, it is like making personal resolutions: Those who set goals should at the same time determine times in advance for a review and a choice of focus. Once the guard rails of a project have been set in this way, the project team and external partners must align themselves with them.

At the outset we were able to establish that, on the one hand, the time by which the S/4HANA conversion must be completed is getting closer and closer and, on the other hand, many companies are just at the beginning of their planning or their projects. In other words, this means that now is an ideal time to take a critical look at currently planned or existing transformation projects, to review the guard rails or to get preliminary projects underway. Because improvements in planning also take time.

Recommendations for action in a nutshell:

- 1 Create transparency with preliminary projects:**
The expenditure of time and resources is underestimated by many companies. A preliminary project can create transparency, clarity and thus certainty about the planning and provides the basis for robust decisions.
- 2 Courage to harmonize, standardize and innovate:**
The motivation behind transformation projects is crucial for planning their scope. Since the transformation is also time and resource intensive, one should not waste the opportunity to emerge stronger at the end of it.
- 3 Think radically in the project approach and accept compromises:**
This means going for smart greenfield instead of greenfield in its pure form. The more the awareness that the S/4HANA conversion affects all areas of the company becomes established, the more relevant the customized middle way with its modular structure becomes.
- 4 Agility and security must not be mutually exclusive:**
Projects that rely on an agile approach often underestimate the time required. Therefore: Despite an agile approach, there needs to be a concrete idea of goals, without which projects can run unstructured.
- 5 Learn from yourself:**
Added values of the S/4HANA transformation often fall by the wayside or are not recognized. Despite the prevalence of the big bang approach, pilot companies lend themselves to identifying additional added values, gaining experience with the roll-out on a small scale and readjusting if necessary.
- 6 External project management works:**
Getting support is an obvious choice for complex projects such as the S/4HANA conversion. An external project management is at least as good as an internal one. Furthermore, external consultants offer additional potential that needs to be recognized and used.
- 7 Conscious use of resources:**
The planning and use of resources is one of the core challenges in S/4HANA transformation projects. In order to counter the massive qualitative lack of resources, a strong methodology and a clear definition and distribution of roles and tasks are needed.

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