Flexible and future-proof with S/4HANA

Get more out of your S/4HANA migration with KPMG Powered Enterprise

April 2023

Many organizations are facing an important choice.
Do we migrate to SAP S/4HANA and if so, when? From a technical perspective, the support deadline for SAP ECC has been postponed to 2027 (and under certain conditions even until 2030), but this deadline should not be the main reason for migrating.
From a business perspective, there are also transformation opportunities. And when you do transform, how do you make sure that you as a company get the most out of your SAP investments?

S/4HANA is not a regular update of SAP ECC, but is an updated ERP solution based on a much-improved IT architecture. In addition, the S/4HANA solution is ready to use various innovative technological developments such as the Internet of Things (IoT), blockchain, advanced analytics and artificial intelligence (AI). It gives organizations greater flexibility, independence and faster time-to-market.

How do we actually realize this added value? To start with, by looking at a S/4HANA migration (like any ERP migration) not just as an IT project, but as a dialog between IT and business. In the transition to S/4HANA, the opportunity to harmonize, standardize and simplify business processes should be seized as far as possible.

The arrival of S/4HANA therefore offers an excellent opportunity to stop using an often fragmented ERP landscape, with dozens of different software solutions and complex customization. In addition to the focus on business transformation, a structured approach based on best practice content is important – and we at KPMG offer the Powered Enterprise solution to help with this.

In this white paper, we will explain our vision of business transformation during an ERP migration and how KPMG Powered Enterprise can help.

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From information system to strategic tool

ERP systems have been the most important backbone of organizations for over 25 years. They support the business processes and agility essential for rapid acquisitions, reorganizations, and autonomous growth. ERP has evolved from a financial information system into a strategic tool that enables organizations to gain competitive advantages. And especially now that S/4HANA has entered the market.

S/4HANA: A new engine

One supplier of ERP software is SAP, mainly used by larger and international companies. The original financial reporting program grew into a software package that brings all business processes together. In 2004, SAP released ERP Central Component (ECC), which has been the standard ERP software in a large number of companies for many years. More recently, SAP has released new updates and extensions. Although they have increased functionality over and over again, the technology behind the ERP system, ‚the engine block‘, has remained unchanged since 2004.

More flexible

In 2015, SAP launched its latest generation of ERP software: S/4HANA, based on new (database) technology. Dominique Moons: "The biggest difference compared to the previous software generation is that S/4HANA is much more flexible. Data is stored, managed and made accessible differently. This not only makes S/4HANA significantly faster than older ERP solutions, but also gives organizations better control over the management information that exists within the organization."

Nowadays, creating reports often takes so much time that they need to be generated at night. With S/4HANA, reports are available in real-time in principle. As an example, if an organization wanted to know its CO_2 emissions by component,

the organization used to have to build a new application for this purpose. Now, however, S/4HANA retrieves any information directly from the database.

Digital revolutions

Another added value of S/4HANA is that the IT architecture is based on the latest technological insights. This means the ERP package is ready for the Internet of Things (IoT), artificial intelligence (AI), machine learning and blockchain. The digital revolution is sure to revolutionize companies and work processes over the coming years, and SAP has developed S/4HANA with that idea in mind. The ERP system enables future developments to be incorporated into processes and reports with ease and is, much more so than older versions, built to be the digital heart of organizations. This means, among other things, that communication with other (cloud) applications runs smoothly. Connections to customer and supplier systems are also easier to achieve.

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The ERP system enables future developments to be incorporated into processes and reports with ease.

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When should you switch to S/4HANA?

SAP states that support for the SAP Business Suite, which also includes SAP ECC, will stop from 2027 (though it will continue until 2030 under certain conditions). This means that organizations must determine what they want to do with their current SAP system before that time. This deadline seems far away, but our advice is not to wait too long to opt for S/4HANA. Making the switch sooner could potentially bring many (cost) benefits.

As ERP migrations are always far-reaching, it is highly recommended not to delay the decision on what to do with the current SAP package for too long. A migration takes months, but can also take several years, depending on the complexity of the organization. However, there is a stronger argument than just the IT aspect and the approaching deadline to switch to S/4HANA.

By making business transformation part of the migration, there is often a very positive business case to be achieved, which is reflected in more efficient business processes, much lower (management) costs and more. In addition, a business transformation contributes to the organization's agility, time-to-market and independence.

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The ERP system enables future developments to be incorporated into processes and reports with ease.

Three choices

As an SAP user, you have three choices:

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As an organization, you can opt for a simple software migration. The company will then migrate to S/4HANA without saying goodbye to older, customized ERP solutions. This seems to be a relatively inexpensive solution, but the ERP patchwork remains in place and there are few benefits to be gained from S/4HANA (such as speed). The management costs also remain high. For most organizations, this business case will therefore not be positive. Depending on the current status of the processes, optimization will still have to take place at a later date. This makes the migration an intermediate step rather than an end station.

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Organizations can also decide to say goodbye to SAP and choose another supplier, such as Oracle or Microsoft. There may be several reasons for making this choice – people may be dissatisfied with SAP, or the organization may have already started working with an ERP system from another supplier through takeovers and wishes to switch to a single ERP supplier. This means that you, as an organization, are embarking on a far-reaching process in which the new ERP package needs to be reinstalled and adapted.

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The third option is a migration from the current SAP package to S/4HANA, but in combination with streamlining and simplifying working methods and business processes. This not only reduces management costs, but also ensures more efficient use of ERP within the organization. You do away with all old versions and customized solutions in exchange for a uniform and unambiguous ERP landscape. This paper continues with the third option, where the switch to S4/HANA is seen as a process improvement and an investment in the future.

When should you switch to S/4HANA?

SAP is due to maintain the current SAP Business Suite until 2027 and, under certain conditions, even until 2030. After that, only S/4HANA will be updated and technical issues concerning ECC will no longer be supported. In order to remain compliant, a decision therefore needs to be made on the current ERP systems. When choosing to make the switch to S/4HANA, the time of migration currently depends less on the deadline mentioned, but much more on the business case that can be created and the need and feasibility of a faster migration.

For many organizations it is, in principle, easy to determine what they need to invest in a migration to S/4HANA and what this solution will then bring in terms of (financial) benefits (including lower management costs, greater efficiency, and easier integration of new business opportunities). Depending on the further context surrounding necessity (such as developments and competition in the industry, or complexity of current systems) and feasibility (such as other projects, available resources, and change capacity), it is then necessary to determine the best time to switch to S/4HANA. Postponing the switch may well be the best option. In practice, however, we see that if the business case turns out to be positive, there are usually good reasons to carry out the migration earlier based on content. The sooner S/4HANA is operational, the sooner the organization will be able to reap the expected benefits. The 2027 deadline will also put less pressure on the organization.

A few of the key benefits of a quick migration to S/4HANA:

- Streamlining and harmonizing ways of working and business processes across the organization – less need for customized solutions
- Simplification of the ERP landscape
- Lower management costs and greater flexibility
- Better equipped for digital innovations such as IoT, AI, machine learning and blockchain

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ERP and the OneCompany mindset

A migration to S/4HANA involves more than implementing new software. By also harmonizing, standardizing and simplifying business processes, we ensure that the new solution actually adds value to the organization.

In practice, we see that many organizations work with local, historically growing business processes and applications that rarely go hand in hand. As different branches and countries have their own working methods and corporate culture, organizations often fail to present a single face to the outside world. There is an international trend towards harmonization, in the form of the OneCompany mindest. "At the heart of this approach is the fact that processes are standardized and simplified (on an international level), with the aim of adding value and shortening the

time-to-market of new products and services," says Dominique Moons. "By harmonizing processes, employees can collaborate more easily and processes are more cost-efficient. In addition, ERP systems work better and faster. This applies in particular to S/4HANA. This software has been specially developed to work in a harmonized environment. The implementation of S/4HANA is therefore an important driver for pursuing a OneCompany profile".

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The OneCompany mindset aims to add value and shorten the time-to-market of new products and services.

Complex process

The stories about difficult ERP projects are well known. The media regularly reports on software implementations that are far more expensive than budgeted, that do not deliver the desired efficiency benefits, that struggle with infancy problems for a long time or that sometimes even lead to an organization going bankrupt.

ERP processes are complex by definition. The actual integration and connection to other systems is often more time-consuming and difficult than expected. In this light, would it be wise to streamline and simplify business or business processes for consistency in the switch to S/4HANA? Isn't that asking for trouble? Most IT and business managers have little to no experience with implementing an ERP transformation.

As an organization, don't let negative stories put you off. S/4HANA offers an excellent opportunity to simplify business processes. Implementing this new ERP package and harmonizing business processes is a great match, with the major advantage that things work both ways. On the one hand, value is added from the streamlined business or operational processes, while on the other, more value is gained from the ERP system and the organization can get ready for the future at lower costs.

Standardizing and simplifying processes

KPMG developed Powered Enterprise to keep implementation and transformation manageable. A tried-and-tested solution, Powered Enterprise means the implementation of S/4HANA is linked to the standardization and simplification of business processes. These are set up using best practices from the relevant industry. It is all about finding a balance between applying these best

practices and allowing specific customization for the organization. We will discuss Powered Enterprise in more detail in the next chapter.

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KPMG Powered Enterprise

To successfully execute a S/4HANA implementation while achieving the desired business transformation, a structured, proven approach is needed, supported by in-depth knowledge of better practices. In doing so, the focus should not only be on content (including processes and technology), but also on change management and strong project governance. And that is exactly what KPMG Powered Enterprise for SAP offers.

Powered Enterprise for SAP is a result-oriented transformation solution that combines our years of global knowledge and experience with SAP ECC and S/4HANA implementations and business transformations. We make this available for your S/4HANA project through Powered. Dominique Moons: "The Powered Enterprise solution increases the predictability of results, reduces risks and creates better insight during the execution of SAP transformation projects where quality and implementation speed are key. With Powered Enterprise, the transformation is in many cases 25% faster, while organizations remain much closer to the standard solution".

Better practices

The primary strength of Powered Enterprise for SAP is the availability of our better practices for all layers of the target operating model. First of all, this includes all relevant business processes and associated SAP set-up, including questionnaires that help you to make the right design choices. But Powered Enterprise goes one step further.

The corresponding roles, reports and internal controls are also included for all processes, meaning that a complete, integrated solution is put in place straight away. This applies to all relevant functional domains and markets.

An important part of business transformation is increasing efficiency and achieving innovation. Powered Enterprise also provides various better practices for doing so, such as through the extensive RPA database ('robot process automation'). The better practices are the backbone of your S/4HANA project, where the objective should be to follow the standard as far as possible ('stick-to-standard procedure'), and only to deviate from the standard where value is added. Powered Enterprise helps you to make the relevant choices.

Structured approach

The Powered Enterprise methodology consists of five phases, in which the Validate phase is crucial for achieving standardization and simplification. In this phase, the Powered better practices are reviewed and the extent to which they meet the standard is assessed.
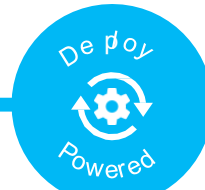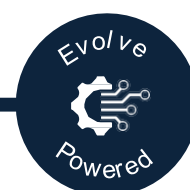

Vision   Validate   Construct   Deploy   Evolve

It is precisely by using the best practices that you can save a lot of time compared to taking a traditional blueprint approach. It also allows us to focus much more on things that are truly distinctive and add value to your organization.

In all phases of the project, Powered Enterprise provides templates and accelerators to ensure the project is completed effectively and efficiently. These are included in the Powered Execution Suite. Examples include predefined test scripts, data migration tools and a cutover cockpit. The Powered Execution Suite also includes a complete project governance toolkit to guide and manage the project.

Change management

An S/4HANA implementation is rarely just an IT project, but much more a business transformation where process standardization and simplification are key. In practice, this generally means a major change for users that shouldn't be overestimated.
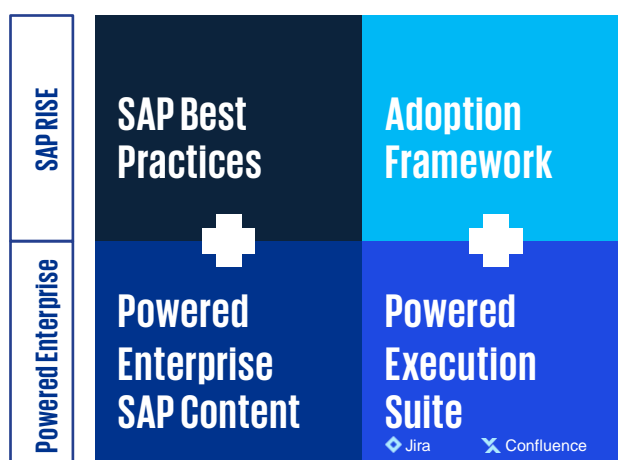
KPMG Powered Enterprise offers a fully integrated change methodology. First of all, this means that materials and methodologies are provided with regard to training, communication and change impact. More importantly, within Powered Enterprise, managing change is an integral part of all phases of the project.

During the Validate phase, for example, a complete walk-through is carried out with a live S/4HANA system to allow users to familiarize themselves with the new environment, while knowledge transfer is an integral part of the test activities.

Powered Enterprise and SAP RISE

We are increasingly seeing that S/4HANA projects are based on SAP RISE. Here, we're not just talking about the IaaS service model needed to run S/4HANA in the private cloud via the SAP data center or a hyperscaler, but much more so about the use of SAP best practices and the RISE Adoption Framework as the guiding principle for the implementation. So, how do Powered Enterprise and SAP RISE work together?

In short, Powered Enterprise's better practices are an extension of SAP best practices, which makes them fully compatible and enriching. Extensions include a broader view of the operating model (including controls, governance, localization), as well as the depth of certain processes and the associated set-up. The Powered methodology is also compatible with the RISE Adoption Framework (and underlying SAP Activate). In addition to the activities, it also offers the broader toolset for carrying out the project. It is down to the organization to let Powered take the lead or to see Powered as an addition to RISE by making smart use of Powered better practices, tooling and accelerators throughout the project.

SAP RISE	SAP Best Practices	Adoption Framework
Powered Enterprise	Powered Enterprise SAP Content	Powered Execution Suite ◆ Jira ✕ Confluence

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KPMG Powered Enterprise's five phases increase the certainty of results and reduce the risks typically associated with change.

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Points of interest and pitfalls

KPMG is helping to make the migration to S/4HANA as quick and smooth as possible. However, business transformations and IT projects are always complex and far-reaching. That is why it's important to keep an eye out for the pitfalls and points of interest.

▶ **Stakeholder management – moving in the same direction**

There is often resistance to change processes, and the transition to S/4HANA is no different. This is the case in organizations with several (international) branches, in particular, as employees are accustomed to their own working methods and processes. It is crucial to make sure all stakeholders are an integral part of the migration at an early stage. Rolling out S/4HANA with success is only possible if everyone sees and recognizes the benefit of standardization, simplification and harmonization.

▶ **Know where you want to go with the organization**

A business transformation can only be done using a clear, strategic vision, based on the organization's knowledge as it is today and the goals for the near and distant future. That's why it is important to be aware of the current IT infrastructure when migrating to S/4HANA: knowing which systems are being used and where problems occur in mutual collaboration.

The same applies to the business processes: what's working to your satisfaction and what isn't, and where complex issues lie. KPMG provides insight into what works well and where improvements can – and must – be made. Specific improvement proposals for where S/4HANA can add value can then be made.

▶ **Avoid unnecessary complexity**

ERP systems lose much of their power due to unnecessary complexity. Different ways of working and unnecessarily cumbersome business processes have grown historically and are interwoven with culture. While differences in processes are purely based on emotion, it is often better to replace them with standardized best practices that have proven their added value in specific sectors or industries.

▶ **Focus on the right information**

One of the key objectives of ERP systems is to generate valid data, correct information and business analytics. This also applies to S/4HANA. During implementation, we always focus on delivering real-time reports that can be used by management to make decisions in no time.

▶ **Keep track with a manageable migration**

One pitfall in change processes is that you want to change too much at once. By diving deeper and deeper into the organization, more and more opportunities for improvement are discovered. Keep a migration to S/4HANA manageable by only opting for changes that directly contribute to efficiency and value creation. Make each business case specific and based on facts. Take a step-by-step approach.

Why KPMG?

KPMG has more than 20 years of international experience in strategic consulting, ERP transformations and change processes. We are independent, organization-oriented and take an objective look at what is best for each organization. With our international reach, we can support customers both locally and globally, and our range of specialists are ready to provide decisive support and advice.

Our SAP specialists have in-depth knowledge of the latest technology trends and all relevant SAP domains, both for the SAP Business Suite and for SAP S/4HANA.

In order to achieve your ambitions and be ready for the future, you need in-depth insights translated into specific actions. Leading the way forward is doing something now. Our SAP and business experts and specialists, thinkers and doers, have the strategic knowledge and practical experience to be able to identify complex issues and provide relevant insights. Supported by cutting-edge technology, together we are shaping (digital) transformation and sustainability.

Organizations work with KPMG for one simple reason:

We get it done

We take on the biggest, most complex challenges and help organizations find the right answers, tackle the implementation and achieve the desired benefits.

We understand better than anyone how everything is interconnected within an organization, what this means for a business transformation and how to actively work on this.

This means we work together to determine what is relevant for your organization, ask critical questions and, above all, deliver added value.

The benefits of opting for KPMG

1 Our multidisciplinary activities. We are an independent partner of our customers, we provide advice in line with the highest ethical standards and bring proven knowledge to the table. Our experience in technology consulting, legal, compliance, tax, financial services and audit makes all the difference during technology transformations. We can improve business performance while reducing risk and ensuring compliance.

2 KPMG has SAP and related technology experts. We are known for our ECC and S/4HANA expertise. We have proven methods developed specifically for S/4HANA transformations. This ensures that organizations get more value from their S/4HANA investments by having the right balance between business and IT.

3 KPMG has a strong global presence in a range of sectors. We can provide local expertise where needed and support our customers with best-in-class industry knowledge, benchmarks and best practices.

4 We invest heavily in innovations to improve process quality, transparency and forecast accuracy. We have developed leading tools and use cases. This is reflected in a shorter migration time, proven Powered Enterprise methodology, pre-configured solutions and more, with everything completed on time.

5 Better control over migration and no unpleasant, unforeseen costs thanks to greater predictability and fewer risks.

6 We have an SAP landscape available that will help at an early stage in the fit-to-standard approach ('adopt versus adapt'). This creates an early understanding of the future ERP solution.

Contact

If you would like to know what KPMG can do for you when switching to S/4HANA and/or if you would like to know more about KPMG Powered Enterprise, contact our specialists:

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