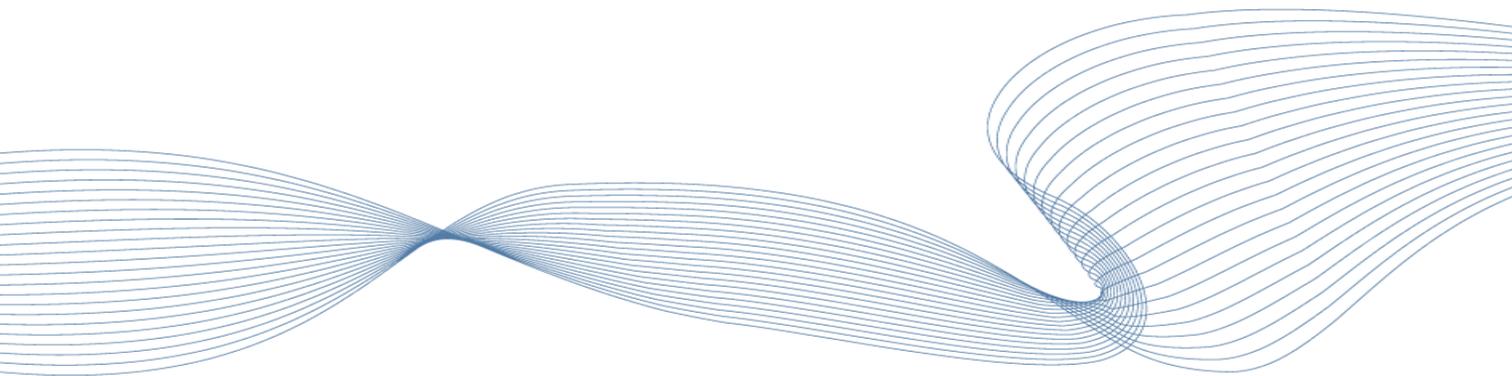


PAC Q&A

SAP S/4HANA transformation: Spotlight on HPE's approach and capabilities

Joerg Tischler and Rob Fletcher, HPE,
in an interview with Frank Niemann, PAC

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Background

Rob Fletcher is the head of HPE's SAP division in EMEA (Europe, the Middle East, and Africa) and Joerg Tischler leads the division in the DACH region (Germany, Switzerland, and Austria). They are responsible for the entire end-to-end SAP-related services business at HPE in these regions. One major focus topic at the moment is the client migration journey to SAP HANA and SAP S/4HANA.



Rob Fletcher, HPE



Joerg Tischler, HPE



Frank Niemann, PAC

In the following interview, PAC analyst, Frank Niemann talks with HPE's Rob Fletcher and Joerg Tischler about the opportunities and challenges that a migration to SAP S/4HANA presents for HPE customers and how HPE is supporting them in planning and executing their S/4HANA-related journeys.

The migration to SAP S/4HANA is one major topic that SAP users are currently discussing. In this early phase of market adoption, the demand for information is quite high and many companies are looking for advice and support in order to plan and execute their journeys. Rob and Joerg, from a business and technology perspective, what do you see as the main challenges facing companies that want to move to SAP S/4HANA?

Business and technology are precisely the two major areas where companies are struggling. With regard to technology, the main challenge certainly lies in moving from the current environment to the new S/4HANA-related solution. Existing environments can be quite old. Moving to S/4HANA means moving systems and processes to a new product and a new database, which means that many different interfaces, applications, and connected environments need to change at the same time. The SAP HANA Cloud Platform helps solve these issues because it comes with a new development environment for extensions, custom code, interfacing, and linking. However, customers need a roadmap as well as a defined plan for adopting this new technology. This presents a big challenge for most of our customers. Additionally, SAP users need to define what kind of technical preparation is needed prior to moving to SAP S/4HANA. This may include cleaning up systems, updating software, and converting to unicode.

We have found that having a solid business case is the single best indicator for success for those of our clients who have chosen to move to SAP S/4HANA. IT business cases are usually biased toward the total cost of ownership, license costs, or platform costs. This IT-focused evaluation may ignore the compelling value pools that exist from changing processes and making transactions and reporting more efficient for

the business. We recommend that our customers take a holistic view of the impact a move to SAP S/4HANA may have on both their processes and operating costs, as well as their ability to better serve their customers. Once a client has a solid business case, they can then move forward with a roadmap.

Taking into account all of HPE's customers and industries served, do you think that business and technology challenges are equally high in both areas or do technology-related challenges prevail?

This depends on with whom I am speaking. If you look at the final roadmap for a customer, the challenges related to business and technology are spread fairly evenly because technology impacts the business case and vice versa. However, any aggregate technology decision in a business is ultimately driven by a business imperative and an economic challenge to growth.

Let's take a closer look into manufacturing companies as one of HPE's main target groups. From your perspective, what are the new SAP S/4HANA-related opportunities available to them via real-time business?

The answer in the manufacturing industry is twofold. On the one hand, manufacturers are looking for ways to execute business operations more quickly and with greater efficiency. There are plenty of use cases in this area, such as speeding up scenario planning. What took hours in the past can now be run in minutes. As a result, more scenarios can be run to achieve higher quality and reduce inventory levels or to improve delivery to customers, and so on. All of those reasons are very valid and some of our customers are using these business benefits as a principal argument to justify the business case for SAP S/4HANA.

On the other hand, companies should also look through the other end of the telescope. What about a company that not only wants to increase the pace of its current business but also want to move into a brand new industry? What about a manufacturer, for instance, that no longer wants to be a manufacturer? What about an automotive company that is thinking less about making cars and more about making a collaborative Internet of Things ecosystem that is part of the experience of driving cars? This means that there are two sets of business opportunities. SAP S/4HANA provides a platform for companies that are considering entirely new business operating models.

How does HPE support its customers in identifying possible use cases for SAP S/4HANA? Are you following a specific approach to support your clients in this area, any specific methodology?

Companies facing a required upgrade of their applications, whether technical or functional, are evaluating their choices based on the changes inherent in SAP S/4HANA. They are asking themselves: What are the functions and new processes? What can be done quicker or better? And so on. However, when it comes to different business models, companies are evaluating whether to choose SAP S/4HANA or find a different IT solution that supports their business models. A well-known example where HPE was involved was Kaeser. The client made a transformational shift from selling products, compressors to be exact, to becoming a service-based business selling compressed air. This was enabled through real-time data processing in combination with the ability to gain deep insights into the business. That is only one example

of being able to change a business model with a solution such as SAP S/4HANA that provides capabilities for real-time processing of transactions and analytics. The roadmap needs to be planned accordingly, always depending on what a company is looking to achieve as a business outcome. This roadmap building is part of our SHAPE program and takes into account the various economic and technical drivers that companies might face, built upon a robust set of benchmarks from companies that have made similar changes in the same industry as a result of their SAP S/4HANA adoption.

Speaking of use cases, is it important to involve both IT and lines of business in roadmap building? How does HPE ensure the involvement of both, and what are the critical aspects in this context?

We believe that involving the business is crucial. It is important to listen to key business stakeholders and help line-of-business leaders understand which improvements they can achieve, and that their business requirements are critical to the roadmap definition. A complete SAP S/4HANA roadmap will cover all business areas and functions, including the IT and production departments, procurement, finance, and sales. The underlying principle of our SHAPE methodology is to always start with the business process. Together with our clients, we evaluate what types of business processes are required and covered in current and future SAP S/4HANA standards. We then define where there is potential for significant business and operational improvements and what this means for the company's future IT and operations architecture. The value of this diagnostics-driven approach is that it spans the company, linking both lines of business and IT.

What are the specific questions your customers ask you with regard to a SAP S/4HANA migration and what role does the SHAPE program play in this context?

SAP is bringing more of the SAP S/4HANA core suite to the market, and as a result, an increasing number of companies want to know when they should move. Should they move now, within the next year, or even in ten years' time just before SAP Business Suite maintenance runs out? Additionally, they are asking themselves how to manage the risks and whether they should migrate an existing environment or start from scratch. Last but not least, the deployment mode is important. On premise or in the cloud – which one suits their needs best?

The SHAPE methodology, with its accelerators and education program, is aimed at helping our customers answer two compelling key questions: When should a company move and how should the company make this move? SHAPE is designed to help our customers arrive at the right answer for them. SHAPE comprises assets, methodology, and an approach. There is no off-the-shelf answer that fits all customers in all industries, geographies, or countries. SHAPE comprises four phases, advise, transform, manage, and optimize. It covers everything from an advisory and consultancy phase, including the roadmap and business case, as well as a transformation phase. Additionally, SHAPE looks at a company's IT operation with the end state in mind. This also includes a possible cloud deployment.

S/4HANA is still quite young, in which of these four phases are your customers today?

Most clients are in the advisory phase. This initial phase is split into workshop modes to answer the initial questions on mapping the business value, potential roadmaps, and potential inputs into a business case. The next phase is about defining a journey.

The advisory phase consists of 32 pre-defined building blocks that are applied to the customer's individual situation. These building blocks address four different levels, including strategy & value, business architecture, application & data, and technology, in order to develop all the components of the roadmap. Together with the client, we explore their requirements and map potential future models, leveraging HPE's experience with designing complete roadmaps that link the business view and the platform view.

We work from the presumption that every company has a different reason for moving to a modern digital platform. First, it makes a difference whether the driver is TCO reduction or a company's digital journey because they require two different starting points. Second, we consider what customers want to achieve. Do they just want to improve the functions of a business unit, or transform their core business models? The imperative of some of the clients we are seeing is to change their core processes as part of a digital transformation, where we help bring industry best practices and benchmarks to the table in order to create the building blocks for their respective roadmaps. Each customer has their own unique starting point and we apply a unique set of tools and software building blocks to apply to their situation. They finish with a unique outcome, specific to their business.

What do customers have in their hands after their roadmaps have been defined? What is the SHAPE deliverable prior to the actual implementation?

Each building block has a defined deliverable. These deliverables come together to make a roadmap that includes business and technical process documentation, for example. We use HPE tool sets, such as 'Enterprise Maps', in order to define the future model and leverage SAP assets for process mapping and documentation, such as SAP Solution Explorer and the SAP Activate methodology. Among others, these tools support the decision-making process from different angles so that there is an outcome suitable for the IT department and for the business overall. The roadmap includes a view of the company's current state and its future state, as well as what happens in between. Success is measured at the end, keeping the end state and the business outcomes in mind, as well as early-defined underlying business service level agreements (SLAs).

As time goes by, S/4HANA is evolving and the divergence between the new solution and the SAP Business Suite is getting bigger. How does SHAPE take this into account?

SHAPE helps analyze which new functionalities are bringing business value. It also helps estimate the cost for closing the gap between what is not yet available in SAP S/4HANA but currently present in the SAP Business Suite. In addition, SHAPE supports companies in determining which SAP customizations are still necessary and which can be replaced by SAP S/4HANA.

How does HPE see the role of the HANA Cloud Platform (HCP) in terms of customizing S/4HANA and in terms of creating extensions?

Context is key to any discussion regarding the HANA Cloud Platform. Similar to other platforms, it is often presented as SAP's singular answer to cloud development. At HPE, we use HCP as one of a number of cloud platforms. HCP, with its various build-in features, can help extend the functional footprint, as well as the business value, of an SAP environment. Therefore, HPE supports HCP and it is part of SHAPE.

HPE embraces the fact that HCP has SAP S/4HANA at the center of a cloud strategy that is surrounded by other SAP and non-SAP applications, including other cloud platforms. The new world is definitely going to be a collaborative one. HCP can be part of the business case to move a non-SAP application into the SAP world. HPE covers the majority of applications on the market and we are a leading cloud platform provider. As a result, we are also able to support our customers in making decisions around how, where, and why they should use HCP.

Taking into account landscape complexity, the SAP roadmap, costs and efforts to migrate, and the increasing divergence between Business Suite 7 and S/4HANA: What do you think is the right time for customers to move to SAP S/4HANA?

We do not think that every company should move as soon as possible. However, those companies that want to take advantage of new paradigms in digital business should start evaluating a move now. The decision is about choosing the right time. If a company has not yet thought about the overall business case, it seems wise to start reflecting on it now. They should also start designing a roadmap, even if it is a multi-year roadmap.

And finally, from your perspective, what are the three key pieces of advice that you would like to give to all SAP customers?

1. The link between the IT department and the business is critical for this change.
2. SAP S/4HANA projects are complex activities, which means that companies should choose a partner that is able to deal with complexity involving business value, technology, and operations.
3. Always have the end result in mind, i.e. the goal of the program.

About PAC

Founded in 1976, Pierre Audoin Consultants (PAC) is part of CXP Group, the leading independent European research and consulting firm for the software, IT services and digital transformation industry.

CXP Group offers its customers comprehensive support services for the evaluation, selection and optimization of their software solutions and for the evaluation and selection of IT services providers, and accompanies them in optimizing their sourcing and investment strategies. As such, CXP Group supports ICT decision makers in their digital transformation journey.

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Capitalizing on 40 years of experience, based in 8 countries (with 17 offices worldwide) and with 140 employees, CXP Group provides its expertise every year to more than 1,500 ICT decision makers and the operational divisions of large enterprises as well as mid-market companies and their providers. CXP Group consists of three branches: Le CXP, BARC (Business Application Research Center) and Pierre Audoin Consultants (PAC).

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