

The Journey to SAP S/4HANA:

Key lessons from PwC research



Understanding the benefits and challenges of the S/4HANA migration

As emerging technologies like artificial intelligence, augmented reality, and high-speed mobile tech continue to rise in prominence and importance, it's becoming increasingly critical that the enterprise comes to terms with the impact of digital disruption on business operations and strategy. As such, digital transformation has bloomed into a reality, and all organizations will need to embrace this transformation in order to remain competitive in the coming years.

One of the key enablers for the realization of business transformation and the reimagining of your operating model is SAP S/4HANA, the latest generation of the SAP Business Suite. S/4HANA was designed to be the digital core, giving businesses the tools needed to realize their strategic goals in a digital context, and to fully evolve their processes, data and organization to meet those goals.

SAP has been migrating customers to S/4HANA and announced a deadline for anyone remaining on older versions of its software, with support for all older SAP iterations ending in 2027. The message is clear: Make the shift to S/4HANA soon, or be left behind.

The challenge is that transformation with S/4HANA is more than just flipping a switch. It's a complex undertaking that requires planning and forethought before the first tactical steps are taken. Organizations must begin by evaluating the health of their current operating model and their readiness to make the move. Key questions must be answered, including: What are your strategic goals for your business? How might S/4HANA potentially enable those goals? What are potential barriers to your success, and associated mitigating actions you can take? How prepared are you to transform? Do you understand the best practices involved with this migration? How fully do you understand the benefits of making the move to S/4HANA? (All of these questions are critical whether you're building upon an existing SAP ecosystem or installing S/4HANA from scratch—or some combination of the two.)

To help understand the context of these questions, PwC developed the S/4 Journey Guide, a survey-based assessment that helps clients quickly determine how they can use S/4HANA to reimagine their business's operating model and drive value creation. We polled hundreds of clients to determine and analyze the likely outcomes, barriers, and operating model component readiness work involved with this transformation with S/4HANA. A selection of the most critical findings generated from this process are presented in the pages that follow.

Key findings from our respondents:

25%

Organizations that have already completed their S/4HANA migration.

52%

Organizations that upgraded to S/4 HANA utilizing a "Greenfield" strategy, completely removing and replacing their old system.

68%

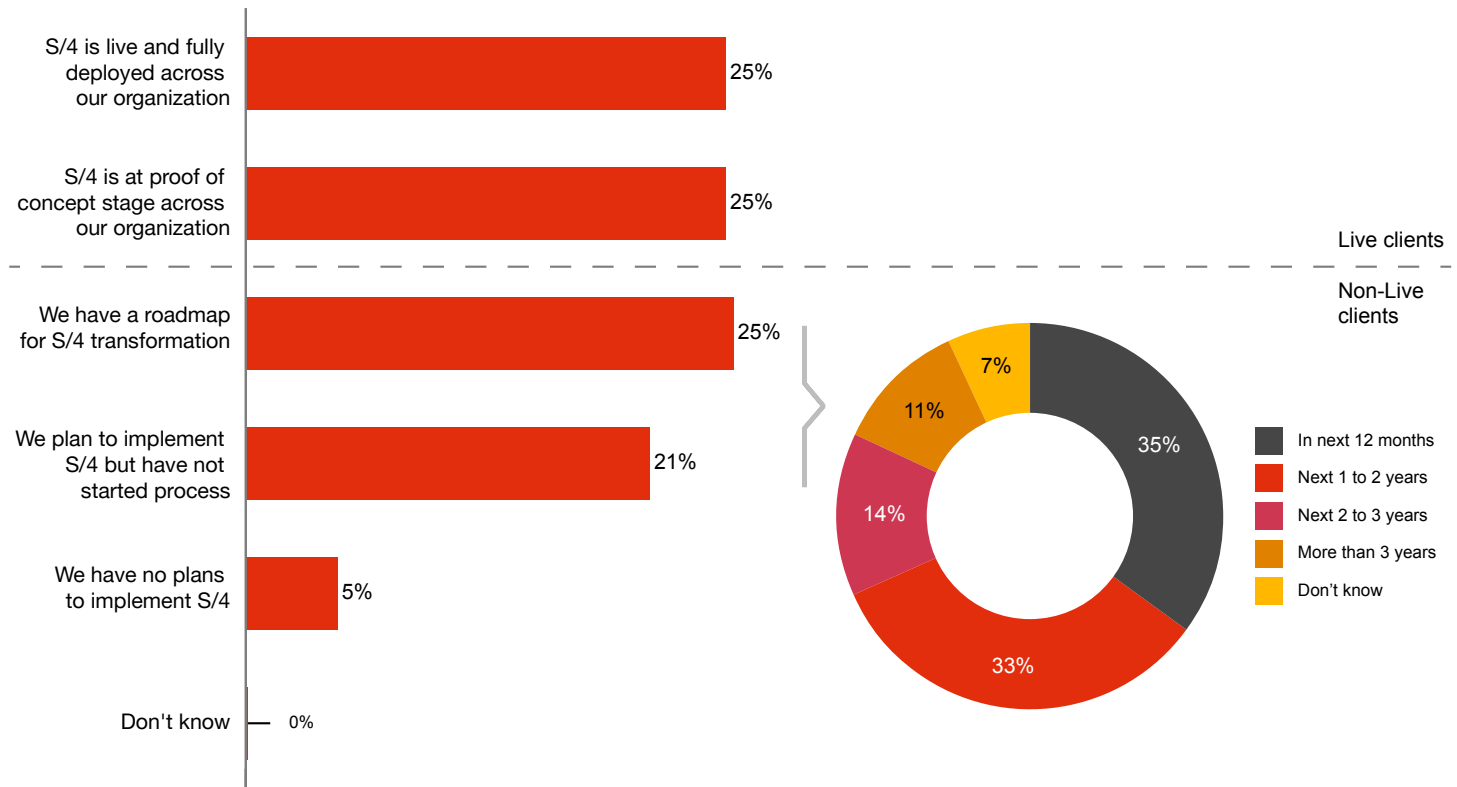
Organizations that have selected a Cloud platform for their implementation.

98%

Organizations that report they're satisfied with the new platform.

SAP clients are further along in migration than expected

A quarter of SAP clients surveyed are already at the proof of concept stage in their migration to S/4HANA and another quarter already have the system live and fully deployed. Another 35 percent of SAP clients say they expect to have S/4HANA live in the next year. Less than 20 percent of all SAP clients report that they are due to complete their migration in 2022 or beyond.



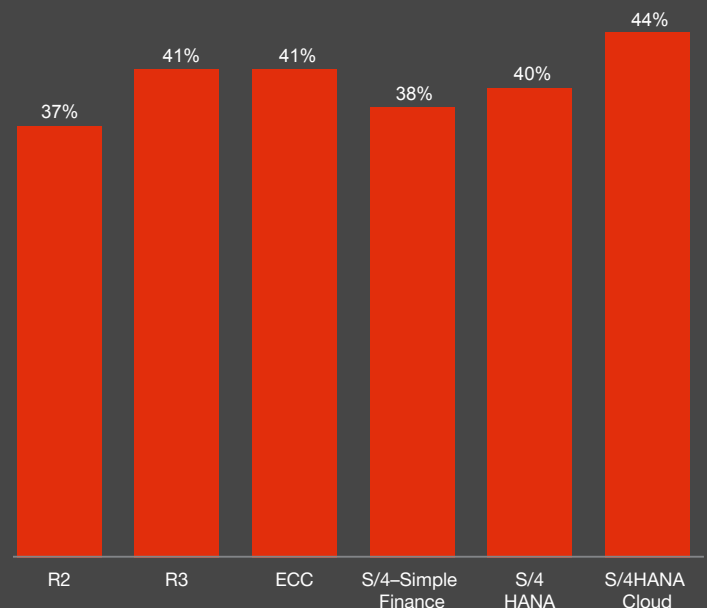
Q9. Has your organization begun the transformation journey to SAP S/4? Base: 256

Q17. When does your organization plan to go live with SAP S/4? Base: 117 (Non-live clients who have a roadmap for S/4 transformation, or plan to implement S/4 but have not started process)

Where are those undertaking the migration coming from, and where are they going?

- A surprisingly large proportion of respondents are still using older systems like SAP R3—and even R2, which was originally released in 1979. Many are using multiple versions of SAP in their enterprise solution ecosystem.
- Survey respondents are evolving to S/4HANA from a wide range of starting points, with roughly equal legacy system representation of SAP R2, R3, and ECC.
- S/4HANA Cloud is the most popular flavor of SAP currently in use among enterprises which are live and fully deployed, potentially driven by the relatively shorter time to implement SaaS, as well as the business model and implementation complexities of companies choosing other versions of S/4HANA.

S/4HANA cloud is the most utilized and current version of SAP amongst fully live organizations

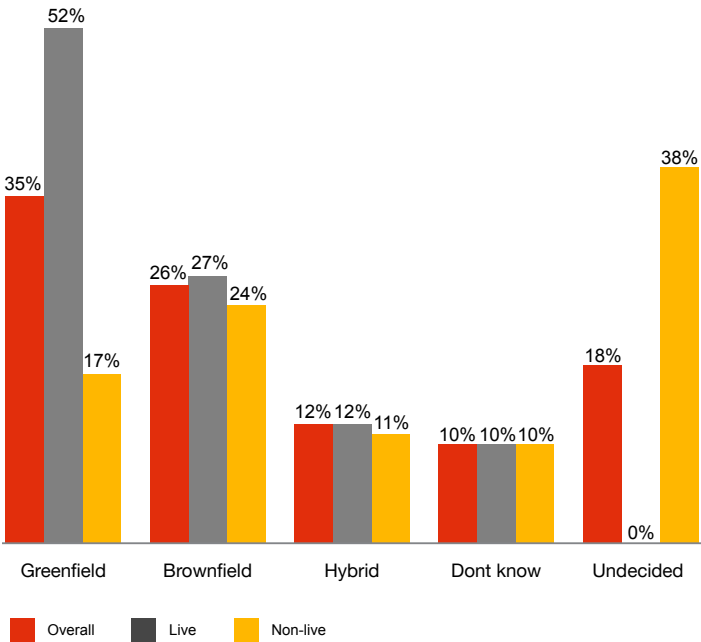


Q10. What version of SAP is your organization currently using?
Base: Live and fully deployed, 63. Multi response question.

A majority of those upgrading are starting to reimagine their operating model

While it might seem intuitive that existing SAP users would choose to upgrade their existing solutions, in reality, a majority are instead choosing “Greenfield” implementations, wherein the old system solutions, data models, and overly complex processes is retired and completely replaced with the new ones. Only 27 percent of those who’ve gone live have chosen a more traditional “Brownfield” upgrade path, while 12 percent are currently opting for a hybrid of the two. As migration tools and approaches become robust, we anticipate hybrid approaches will be explored more and more by companies looking to transform while maintaining differentiated capabilities.

Half of live S/4 clients opted for a Greenfield method of migration

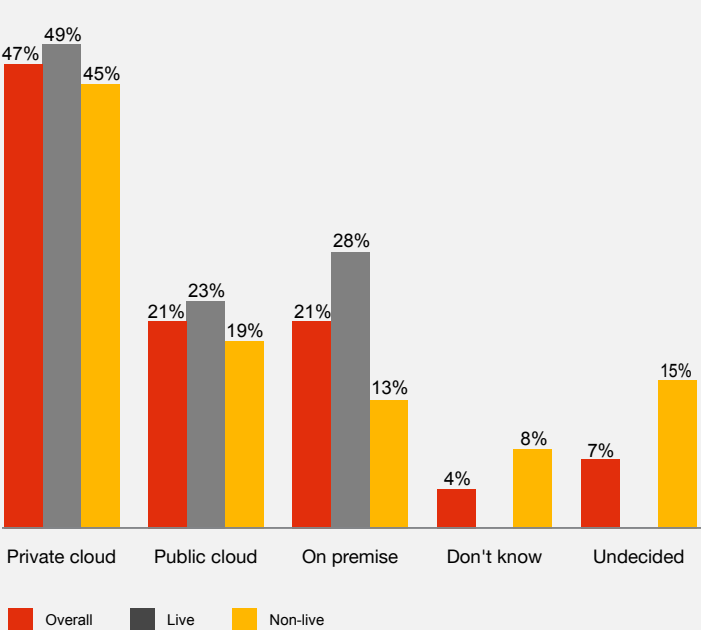


Q11. What migration method did your organization use for SAP S/4 transformation? (Live)
Q18. What migration method does your organization plan to use for SAP S/4 transformation? (Non-live)
Base: Overall, 243; Live, 126; Non-live, 117 NB 'Undecided' option asked only to non-live respondents

The cloud is positioned to dominate the SAP ecosystem

Whether clients' SAP implementation is live or in the planning stages, the vast majority of them (68 percent) are choosing cloud infrastructures as their operational, hosting platform. Of those that choose the cloud, roughly 31 percent are implementing their SAP system on a public cloud platform; the other 69 percent are choosing a more insulated private cloud infrastructure.

Private cloud is the preferred hosting method regardless of the stage of the S/4 transformation



Q13. How is your organization hosting S/4?
Q20. How does your organization plan to host S/4?
Base: Overall, 243; Live, 126; Non-live, 117 NB: 'Undecided' option only asked to non-live respondents

49% of live S/4HANA implementations are run on a private cloud platform.

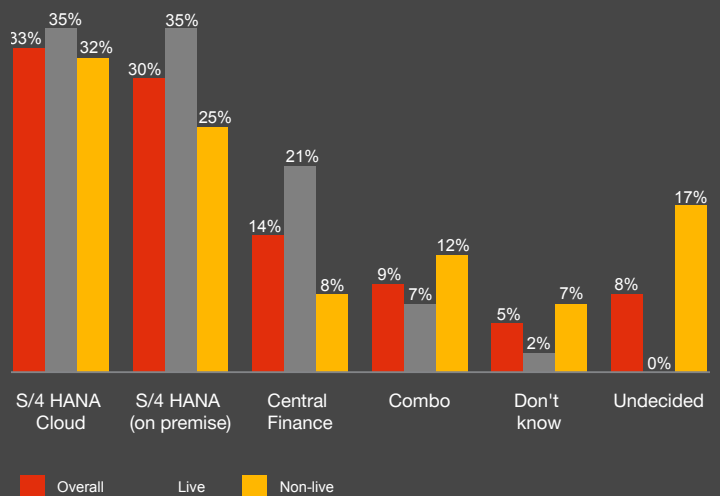


Why is the cloud dominating S/4HANA implementations? Many enterprises say that leveraging the cloud is part of their corporate strategy, and as such it's a natural fit for the business to run SAP on a cloud platform, too. There's also a prevailing opinion that a cloud-based platform allows for a more modern and progressive operating environment, one which allows for easier access to future upgrades, faster performance, and more flexibility.

Digging a bit deeper, those numbers line up with the specific flavor of S/4HANA that organizations are using or are planning to use. 30 percent of all enterprises say they are using the “on-premise” version of S/4HANA, with the remainder using the S/4HANA Cloud or SaaS product, S/4HANA Central Finance, or some combination of the above.

On the other hand, on-premise hosting still has its supporters. Enterprises in these environments cited some familiar arguments as to why they were not implementing SAP on the cloud, including the lower Total Cost of Ownership of on-premise implementations as well as the improved security and compliance abilities offered by a closed computing environment.

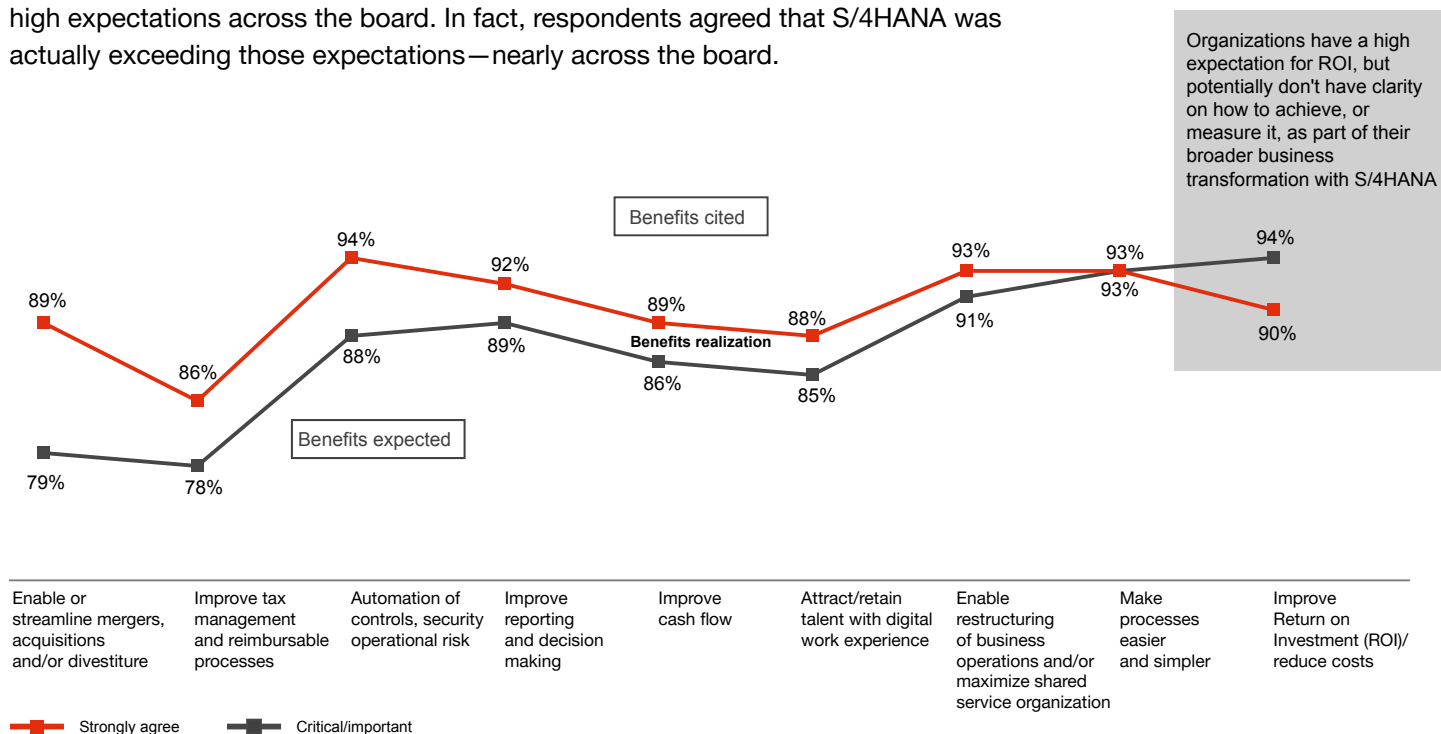
S/4HANA Cloud is the favored solution overall; however, live users are split between Cloud and S/4HANA on premise



Q15. Which SAP S/4 solution did your organization choose?
 Q22. Which SAP S/4 solution does your organization plan to use?
 Base: Overall, 243; Live, 126; Non-live, 117 NB: 'Undecided' option only asked to non-live respondents

Enterprises have extremely high expectations of the benefits of S/4HANA—and S/4HANA is providing them

Our survey also asked respondents what they expected to gain from their migration to S/4HANA, and for those businesses which had completed their migrations, whether those benefits had been realized. The overall results showed exceptionally high expectations across the board. In fact, respondents agreed that S/4HANA was actually exceeding those expectations—nearly across the board.



Q37. How important were each of the following factors in influencing your organization's decision to begin the transformation journey to SAP S/4?
 Q39. Now that you are live with S/4, to what extent would you agree or disagree that your organization has achieved the following benefits as a result of moving to S4?
 Base: 126 (Live clients)

Key findings

- Respondents cited an extremely high level of satisfaction with S4/HANA. The most popular benefits cited include improved automation of controls and better security, the ability to more easily restructure business operations, and the simplification and streamlining of various business processes. More than 90 percent of respondents cited benefits in each of these categories.
- By and large, respondents reported that their expectations had been exceeded no matter what the criteria was. For example, while 78 percent of respondents said that improving tax functions was important, 86 percent said they were indeed achieving benefits in the tax function. This enhanced realization of benefits was felt across nearly all criteria.
- Only one category found realized benefits falling slightly short of expectations: 94 percent of organizations said it was important to see improvements in ROI and lower costs, but only 90 percent of those polled said they had achieved an improved ROI.
- While the ROI statistics may indicate clients are experiencing higher costs than expected, it's also possible that businesses simply may not have a reliable way to measure the ROI of their S/4HANA implementation and more importantly KPIs for their new operating models—or may simply need a better strategy for measuring ROI accurately. This also suggests organizations may not have a reliable Value Realization effort in place before, during and after the implementation.



Despite challenges, overall satisfaction is extremely high. 98% of organizations surveyed, reported being satisfied or highly satisfied with the impact the SAP S/4 transformation has had on their organization.

... but challenges remain

Organizations which have not yet completed their migration to S/4HANA can learn from the lessons of those who have. Nearly all respondents reported some measure of challenges in moving to the new platform. The most common issues: The transition took longer than expected, required a higher level of training, and cost more than originally budgeted.

Many of these concerns are echoed by those who have yet to make the move to S/4HANA. Nearly half say that those across their organizations aren't fully aware of S/4's benefits, and nearly as many say that resource constraints—in the form of both time and people—are likely to impact their journey.

Around a third of live clients underestimated the time, training, costs and customization involved in the S/4 transformation



Q41. We want to understand what challenges, if any, your organization experienced during the S/4 transformation journey?
Base: 126 (Live clients)

Almost half of non-live clients believe that their organization is not fully aware of the benefits of S/4



Q42. Thinking about the transformation journey to SAP S/4, which of the following challenges do you expect to face?
Base: 117 (Non-live clients)

The bottom line

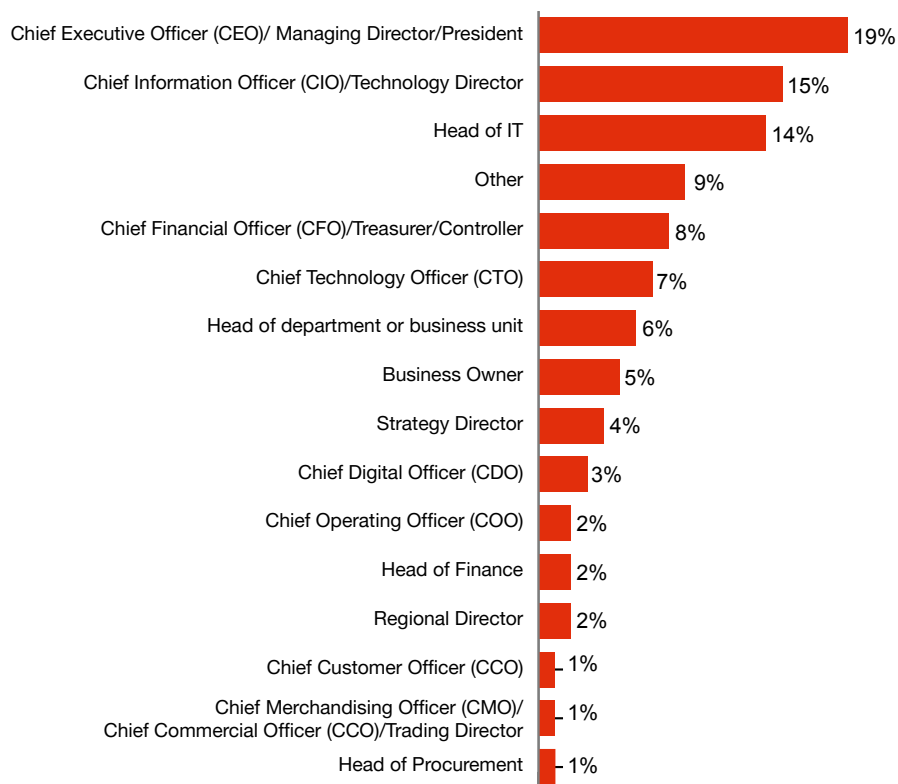
The road to S/4HANA may appear difficult and daunting, but in general those who've completed the journey note that it isn't as difficult as expected. More importantly, real benefits await those who make the move to the latest generation of SAP—in the form of improved and more modernized processes, better operational control, and more streamlined reporting operation, among other advantages. All of this can be put to work in your organization, too. With a few years left to make the transition before SAP's 2027 deadline arrives, there's plenty of time to complete the job, even if you haven't taken the first step.

Methodology

PwC Research, PwC's global Centre of Excellence for market research and insight, conducted an online survey of 264 participants between April 10 and May 30, 2019. The participants were all SAP users based in the U.S. (58%), Canada (17%), and the UK (20%), and respondents spanned a range of job titles, ranging from CEO (19%) to CIO (15%) to Head of IT (14%). 73% of respondents worked in companies of larger than 1000 employees, representing companies from a range of industry sectors.

Ready to get started on your journey to S/4HANA? Our S/4 Journey Guide can help you navigate. Reach out to our subject matter experts to gain access to the tool and transform your business.

Profile of survey respondents



Q1. Which of the following best describes your role in your organization?
Q3. How many employees are in your organization globally?
Base: 264

For more information, please contact:



Chip Sherrill
Partner
chip.sherrill@pwc.com



Michael Langner
Director
michael.langner@pwc.com

Special thanks to Katey Armstrong for her important contributions to this report.

www.pwc.com/sap

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