

This IDC Technology Spotlight examines how using SAP transformation services helps enterprises modernize their SAP application estates as well as unlock a modern cloud platform that can power innovation and business resiliency for the future.

Accelerating and Simplifying the SAP Transformation Journey

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Introduction

Priorities for application modernization have elevated as enterprises step up business resiliency by improving customer satisfaction, operational efficiency, and resource productivity. However, a lack of customer insights, agility, and a common platform from which to support business transformation has led organizations that run SAP environments to devise ways to modernize their application estates to S/4HANA and harness the benefits of cloud. Yet transforming SAP environments is not without its challenges. While transformation drivers revolve around business and technology factors — like improved cash flow management and expiration dates for SAP mainstream maintenance — many organizations are short of the proper resources, skills, and strategies to modernize their SAP landscape. Lacking the appropriate talent and tools to execute SAP modernization can not only jeopardize critical systems integration and dependent application functionality but also create business process inefficiencies and lead to operational disruption. To relieve the pressure from the support window mandates and harness the innovation benefits that modern SAP architectures can enable, organizations need to tap into partner ecosystems to support transformation journeys and maximize the benefits of SAP modernization.

AT A GLANCE

WHAT'S IMPORTANT

SAP will provide mainstream maintenance until the end of 2027 for SAP Business Suite 7 core applications, and that announcement has triggered enterprises to rethink their SAP modernization postures.

SAP Modernization Is a Vehicle for Creating the Smart Enterprise

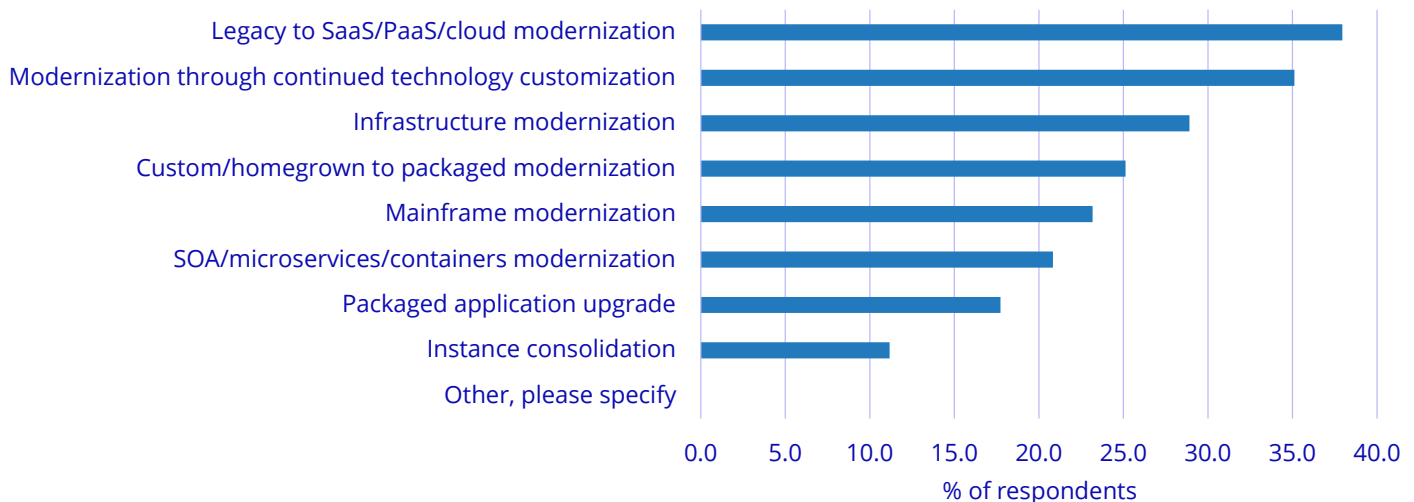
As enterprises aim to establish stronger foundations for business resiliency, they're looking at restructuring internal processes, infrastructure environments, and SAP applications that support those business processes. A dearth of real-time customer and operational data, combined with fragile supply chain operations, has prevented many organizations from managing cash flow as effectively as they would have liked throughout the COVID-19 pandemic. Maintaining older systems environments creates barriers to building innovative capabilities that can help enterprises better manage cash flow. In addition, SAP has announced it will provide mainstream maintenance until the end of 2027 for SAP Business Suite 7 core applications, and that announcement has triggered enterprises to rethink their SAP modernization postures. As a result, businesses are looking toward SAP modernization to boost cash flow while simultaneously increasing organizational flexibility, agility, and resiliency while staying within SAP support.

Along these lines, IDC research has discovered that:

- » **Overall priorities for application modernization have surged.** Organizations are dedicating more of their application development and management budgets to modernization. Previously, cost savings and efficiency gains were the drivers for cloud migration and application modernization. Drivers have now evolved to increasing speed, agility, innovation, and performance, especially after the pandemic negatively affected many businesses. In fact, IDC data shows that more than 57% of organizations view application modernization as a very high or top priority today, with 81% rating modernization as a very high or top priority within the next three years.
- » **Modernization tactics favor cloud transformation.** Foundational to obtaining the benefits of modernized application estates is the process and tactics by which enterprises go about their modernization objectives. According to IDC data, organizations aim to achieve their modernization goals through a variety of tactics. Most notably, enterprises rate legacy to cloud modernization and modernization through continued technology customization as the top 2 tactics they intend to pursue to achieve their modernization objectives in the next 12–24 months (see Figure 1).

FIGURE 1: *Top Application Modernization Tactics*

Q Which two of the following application modernization initiatives would your company most likely pursue in the next 12–24 months to accomplish its application modernization goals?



n = 1,022 (all respondents)

Note: Data is weighted by GDP.

Source: IDC's Worldwide Application Services Survey, 4Q21

- » **Modernization has moved from being a one-time initiative to being continuous.** As organizations seek to modernize their applications, they also face a new dilemma regarding long-term, strategic choices for application modernization. IDC has found that nearly 40% of the applications in a portfolio require modernization today, with approximately 50% requiring modernization in the future. Increased numbers of applications requiring modernization over time means that enterprises must embed continuous application modernization into their ongoing application operations, instead of approaching modernization as an initiative undertaken every few years.

- » **Organizations seek to utilize robust and mixed methods for transformation.** Modular and standardized methods for modernization help, but enterprises require more for highly complex SAP environments. Organizations estimate, on average, that roughly 50% of their applications can be modernized through a standardized and modularized approach. The remaining portion must be tailored to the unique needs that enterprises have. The takeaway is that modernization journeys require a mix of standardized processes as well as tailored, customized solutions for organizations to reap the full benefits from advanced SAP environments.
- » **Enterprises lean more on third-party service providers to support modernization and transformation.** The availability of talent within enterprises to modernize applications has become scarcer. In addition, it is cost prohibitive for enterprises to maintain resources on staff to cover all modernization needs. IDC has found that 47% of organizations use application modernization and transformation services today. In five years, 48% of organizations expect to use third parties for application modernization and transformation.

SAP Modernization Imperatives Come with Challenges

The primary SAP modernization challenges stem from strategy, people, and process. IDC interviews with organizations undertaking SAP transformation journeys have found that core modernization challenges revolve around:

- » **Development and execution of the right SAP transformation strategy.** Today's SAP environments are more complex. High degrees of integration between SAP and other disparate applications, as well as growth in application portfolio sizes and increased application hosting environment complexities, have made developing a sound SAP transformation strategy more critical. With the variety of options available for SAP transformation, such as migrating SAP to cloud or RISE with SAP, it is becoming difficult for organizations to choose the right operating model that best fits their organization's vision, culture, and goals.
- » **High modernization costs and ability to capture value from SAP transformation.** Modernizing the existing SAP estate typically means updating other applications and infrastructure environments that are dependent on SAP processes and data. In this regard, the cost of S/4 transformation can be significant. Moreover, organizations often underestimate the management costs of migration and lack enough resources to oversee and shepherd change management and process change. Without the right tools and talent, organizations are less likely to capture value from modernizing their SAP environments.
- » **Properly understanding the risks associated with SAP transformation.** Transforming and modernizing SAP applications and data to the cloud introduces complexity and associated risks around data availability and portability. Application performance can become compromised if the wrong cloud solution is implemented, and that can, in turn, cause business impact and impair migration timelines. These factors (collectively) can impact business performance and operational cash flow if the transformation program is not planned and executed well.

SAP Transformation Benefits Hinge on Insights, Automation, and Innovation

Organizations can overcome modernization impediments with the right strategy, process, change and cultural management, and partner ecosystem. The benefits of SAP transformation include:

- » **Establishing a platform for innovation, business intelligence, and enhanced customer intimacy.** A core benefit of modernizing SAP to S/4HANA is to leverage a technology platform for innovation. The modern technology architecture of S/4 aligned with SAP's vision of intelligent enterprise enables organizations to utilize the automation, analytics, intelligence, and next-generation security underlying technologies like Internet of Things (IoT), artificial intelligence and machine learning (AI/ML), and edge computing. Cloud, equipped with services like scale and compute and a pay-per-use consumption model, becomes a bridge to new technology adoption, reducing the risk for business-critical ERP applications like SAP.
- » **Boosting cash flow through cost savings and new revenue sources.** Enterprises that have transformed their SAP applications to S/4HANA can leverage analytics to better understand existing customers, as well as reach new ones. Enhanced customer analytics can help organizations profile customers and better tune offerings to their needs. IDC has found that enterprises, irrespective of their position on the SAP modernization journey, have started increasing their use of cloud as an accelerator for future modernization initiatives. This, in turn, can lead businesses to reduce costs and serve existing customers more efficiently, as well as create new offerings that reach new customers.
- » **Streamlining operations through intelligent automation.** Modernized SAP environments demand new digitally enabled operational capabilities. Once on S/4HANA, enterprises can harness automation capabilities to drive efficiency, reduce complexity, and increase responsiveness of the business. Cloud platforms with built-in agility, scale, and automation help streamline operational resilience. These characteristics simplify and standardize processes at scale, helping to enable consistent experiences for customers.

Considering HCL Cloud Smart for SAP Services

HCL has more than 10,500 SAP experts to support customers' SAP modernization journeys. Its practice is built upon a partnership with SAP that spans over 20 years. Through more than 1,400 engagements, HCL has helped more than 650 clients with their SAP needs. Coupled with its SAP-specific experience, HCL possesses thousands of certifications across Azure, AWS, GCP, and IBM Cloud to help enterprises transform their SAP landscape to the cloud that best fits their needs.

HCL Cloud Smart provides businesses with the capability to build, run, and manage their SAP digital core. It helps bridge the gap between the physical and digital needs of an organization by selecting the right cloud portfolio, agile processes, services, and design thinking approaches, powered by AI/ML-led automation and agile delivery. Through HCL Cloud Smart, the cloud becomes a foundation for business innovation and helps maximize returns based on market conditions, business objectives, and the custom needs of an organization.

HCL Cloud Smart for SAP is a full stack offering spanning infrastructure, application, and business process layers that accelerate enterprise SAP transformation journeys. It's built upon a framework that reduces risk and increases value in three key phases:

1. **Simplify:** HCL securely migrates workloads onto a cloud platform that best fits the enterprise's needs. HCL leverages a consistent approach, intellectual property, and solutions to reduce complexity and mitigate risk.

2. **Accelerate:** Upon migrating SAP workloads to the appropriate cloud, HCL helps enterprises become agile through modernizing SAP assets to SAP S/4HANA on cloud. HCL leverages proprietary assets developed and hardened through previous SAP transformations with clients to accelerate modernization time frames and enable automation of routine processes.
3. **Innovate:** HCL helps clients transform outdated applications and services by modernizing existing technical architectures to microservices. Through re-architecting via microservices, enterprises can better reap the benefits of cloud migration by establishing a modularized foundation to support cloud-native applications.

HCL provides a complete set of SAP modernization and migration services that span advisory, implementation, and ongoing application management. Core offerings for HCL services span three major areas:

- » **Platform transformation.** Within this area, HCL provides services like assessments, consulting and advisory, business case development and road maps, strategy and planning, proofs of concepts, instance consolidation and datacenter exit, disaster recovery and business continuity planning, architecture design and blueprints, business value demonstrations, security and performance testing, solution implementations and migrations, and foundation build, network, storage, and backup design.
- » **Run solutions.** HCL provides services in this area like cloud managed services, SAP Basis services, SAP functional services, security design and managed services, DevOps for SAP, and SAP Basis automation services.
- » **Digital and business transformation.** Services within this area include SAP S/4HANA greenfield/brownfield implementation; operations change management and governance; transformation health check and strategy, functional validation, and system integration; UX and Fiori services; enhancements and customization; SAP digital architecture; communication training and stakeholder management; and organizational design and process innovation.

Accelerators and Industry Assets

HCL taps into over 100 assets geared specifically for SAP transformation. Within those assets, HCL offers prepackaged industry solutions across:

- » Manufacturing
- » Aerospace and defense
- » Life sciences
- » Retail and consumer packaged goods
- » Oil and gas
- » Utilities

Differentiation

What differentiates HCL is the collective set of services it offers clients for SAP transformation, based on the following framework:

- » **Innovation labs and centers of excellence.** HCL's investments in SAP cloud-native labs help clients reimagine business processes and supporting technologies, create a path for mitigating technology adoption and modernization risk, and achieve desired business outcomes. The labs are also augmented with more than 40 technology labs supporting other technology domains to help enterprises modernize SAP estates with interdependent applications and IT assets.
- » **Singular vendor accountability.** Through its Partner Managed Cloud (PMC), HCL offers a single-contract and single-ownership commercial construct to customers that consists of SAP licenses, infrastructure, and operations. PMC, which also includes RISE with SAP, enables enterprises to select the cloud of their choice and consolidate software, hosting, and services contracts into a single agreement.
- » **Business-level KPIs.** HCL's services focus on providing business-level KPIs that encapsulate end-to-end, real-time visibility on business processes across SAP and other technology landscapes leveraging HCL's CARE model.
- » **Operational cost reductions via AI and automation.** HCL's use of AI-based extreme automation leverages the zero touch automation capabilities of HCL's owned products and partner solutions to deliver enhanced productivity and efficiencies in day-to-day operations across SAP managed services, IT operations, and business processes. The approach also focuses on enabling enterprises to resolve their own end-user problems without help desk intervention using natural language processing solutions.
- » **Flexible services packages.** HCL possesses an array of business-aligned commercial models to support varied client needs including no-cost migration to cloud to help clients mitigate costs.
- » **Zero downtime migration methodologies.** HCL services employ zero business downtime migration methodologies, helping enterprises create and execute consulting-led modernization road maps. The combination of HCL's assets and solution approach for SAP transformation helps organizations establish compliant and cost-optimized SAP estates.

HCL's SAP transformation services are designed to help organizations achieve SAP transformation faster. Core to how its services expedite the transformation process are pre-packaged industry solutions forged from best practices developed through previous engagements. These prepackaged templates, combined with the use of accelerators, intellectual property, and templated and automated deployments, enable organizations to swiftly migrate and modernize their SAP applications, quickly stand up SAP configurations, and easily onboard users.

HCL also brings more relevance between the application and business KPIs. It achieves this through integrated delivery teaming SAP consultants and process experts together to ensure SAP configurations match business process needs. Additional benefits include smarter approaches to SAP transformation, which in turn yield higher efficiencies brought forth by HCL IP; factory migration capabilities; and single-vendor accountability for ERP, infrastructure, and operations.

Challenges

Frequent and swift changes in business and technology environments are imposing greater pressures on service providers to perform exceptional service delivery. Similarly, client expectation levels on application services performance have elevated. IDC research has found that application environments for development, testing, and production are growing more complex. They are becoming highly federated infrastructure environments and are extending from on premises to host based to hybrid clouds and edge computing. These dynamics have created new challenges for services providers to address.

HCL must not only ensure application functionality and performance amid varied hosting and infrastructure environments. It must also be prepared to help clients protect against cyberthreats and security threats as well as address security weaknesses that more complex infrastructure and hosting environments may pose.

Application services providers like HCL that continually invest in their solution offerings to span a wide range of application development and management disciplines stand to build and gain competitive advantages against their rivals.

Conclusion

IDC research has found that organizations expect to lean upon their SAP applications more in the future as key engines to power enterprise operations, customer intimacy, and innovation. Through transforming and modernizing SAP applications, enterprises can be better positioned to achieve business imperatives and enhance competitiveness. IDC expects that application modernization will continue to grow in importance over the next several years as organizations seek to drive higher levels of business value and business agility from their IT investments and tools. Lessons learned from SAP modernization initiatives indicate that organizations should:

» **Ensure there's a rigorous business case behind SAP modernization.**

Organizations must accurately evaluate how technology transformation will impact business users and business processes. Quite often, technology change has effects on how business operations execute. Enterprises need to carefully understand how technology change impacts activity costs as well as productivity. From measured assessments of business impact, organizations can better predict anticipated outcomes from SAP transformation to understand cash flow impacts that modernization efforts are likely to generate.

- » **Spend more time addressing management areas like process, strategy, and people.** In more than two dozen buyer interviews, IDC found that application modernization success doesn't rely largely on technology deployment and replacement. Rather, successful organizations had to develop comprehensive modernization initiatives that linked technology upgrades to business value as well as process, change management, and cultural transformation. Interview feedback indicated that technology change was the easy part. Devising long-term application strategies, ensuring modernized applications-generated business value, evolving IT and business culture, and implementing communication plans and effective change management were where organizations placed more time and attention for management.

Through transforming and modernizing SAP applications, enterprises can be better positioned to achieve business imperatives and enhance competitiveness.

- » **Perform regular modernization postmortems.** Reviewing the strengths and weaknesses of each modernization effort surfaces key lessons that could be applied to future initiatives and to enhance management techniques. Organizations need to establish a mechanism for capturing and applying lessons learned to tune approaches for future transformation efforts.
- » **Leverage change management best practices to backstop application modernization initiatives.** Change management is extremely important to navigate modernization risks and ensure smooth transitions. Consider establishing formal change management programs, led by PMOs and supported by C-level executives, to drive modernization programs and projects and provide accountability.

About the Analyst



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Pete Marston is Research Director for IDC, responsible for the Worldwide Intelligent Application Services practice. He develops research focused on modern application delivery and the life cycle of application services markets which include Custom Application Development (CAD); testing; Application Management (AM), also referred to as ADM (Application Development and Maintenance); and Hosted Application Management (HAM). Key areas of Peter's research investigate the impact that DevOps and agile application delivery services have on enterprises, as well as how service providers help enterprises transform their business through application modernization and migration services.

MESSAGE FROM THE SPONSOR

HCL Technologies is a next-generation global technology company that helps enterprises reimagine their businesses for the digital age and offers an integrated portfolio of products and services through three business units:

1. IT and Business Services (ITBS)
2. Engineering and R&D Services (ERS)
3. Products and Platforms (P&P)

Being a SAP Global Strategic Services Partner for over 20 years with a comprehensive partner ecosystem, HCL has experience leading complex SAP transformation programs and believes in relationships beyond the contract engagement model. HCL continuously invests in project accelerators, industry applications, and innovative delivery models to deliver award-winning services, receiving more than 200 leadership recognitions by multiple analysts in fiscal year 2021. Through HCL Cloud Smart, HCL helps enterprises make intelligent choices for a resilient and sustainable business, and promises to maximize business value through its comprehensive services.



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