

HCLTech | Supercharging
Progress™

Converting legacy ERP assets to SAP S/4HANA

Elevate to a digital core in the cloud with
RISE with SAP and HCLTech





Table of contents

The SAP S/4HANA conundrum	3
The investment challenge	4
What's the starting point for most customer's SAP ERP solutions?	5
Think lower-cost, low risk SAP S/4HANA conversion, not greenfield	7
Funding licenses and infrastructure - Introducing the benefits of PCE	9
The bottom line	11
About HCLTech's SAP Practice	11

The SAP S/4HANA conundrum

The problem facing enterprises that have invested significantly in SAP ERP-enabled transformation is how to approach SAP S/4HANA and what is the best path forward, given years of SAP investments. Should they remain on functioning ECC systems and sweat out their assets until budget can be justified for another large ERP transformation program? Or explore other new digital ERP options – facing the risks of reinvention, business disruption, and the same investment challenges?

SAP's positioning of SAP S/4HANA has certainly done little to alleviate this confusion. SAP requires existing ECC customers to procure new licenses and the provision of additional costly infrastructure. Unfortunately, SAP's early decision to focus on end-of-support as a driver to adoption – rather than on the business case for a move to digital ERP – left even loyal SAP customers in a difficult position, trying to build a case to invest in a new system when their current ECC investments could still support most business requirements.

While there is much to justify SAP's position – SAP S/4HANA does reinvent ERP for a digital economy, and legacy ECC technology is rapidly becoming outdated. The reality is that a move to SAP S/4HANA does not require a new, 'greenfield' implementation, significant capital investment, or even disruptive business change.

Early in 2021 SAP launched "RISE with SAP," which enables businesses to implement SAP S/4HANA on cloud infrastructure on a subscription basis with a bundle of applications to drive adoption of SAP's business networks and business technology platform. "RISE with SAP" has options for both greenfield public cloud versions and also the Private Cloud Edition, which provides organizations with an option for brownfield conversion of legacy ECC to SAP S/4HANA.



So how do you protect your legacy investment and give the business access to SAP innovations and the competitive advantages that come with implementing a new intelligent ERP solution?

This paper is intended to provide clarity over the options available to you, so that where required, you can protect historic ERP investments while moving into an SAP S/4HANA-based future.

The investment challenge

SAP's view is that the reason your previous SAP ECC project was so expensive is because you and your chosen system integrator customized the solution too much, rather than adopt SAP's best practice processes. One of the stated benefits for moving to SAP S/4HANA is that it can help companies drive a clean digital core – driving down future upgrade and support costs. This may leave those responsible for determining the roadmap for SAP in their organizations struggling to determine the optimal path forward for SAP ERP. Many are frustrated with having to return to their management team for further SAP investment for a major transformation project to either re- implement SAP or make extensive changes to return it to a more standard solution.

The HCLTech SAP practice recently ran a series of SAP S/4HANA round table events with participation from both our existing customer base and new customers invited by SAP. As part of these events, we questioned attendees throughout the day to understand their SAP situation and get an insight into the challenges of moving to SAP S/4HANA. In most cases, attendees had not started on the journey to SAP S/4HANA. Their responses provided interesting insight into the challenges facing customers and resonated with our own leadership team's experience.





What's the starting point for most customer's SAP ERP solutions?

Aging SAP systems

Our survey results showed that 81% of the SAP ERP systems were 10 years old or more, with 16% being between 3 and 9 years old. Many older SAP ERP systems were implemented as part of a business transformation initiative, often including global or regional instances to integrate global supply chains or establish shared services for finance and back office functions. Anyone who has been involved in one of these programs will recognize the effort and cost required to deliver a successful transformation solution with harmonized processes, data, and a common operating model. Indeed, many of our participants identified this cost as a blocker to initiating a new transformation program.

Extensive enhancements and bespoke development

The next main driver of the complexity of an SAP system is to consider how much bespoke development exists. Many ECC systems were designed with extensive enhancements, a feature of SAP's product that provided a variety of mechanisms to modify the functionality or add new functions through supportable enhancement methods. Many of these systems have been continuously updated and evolved – adding further bespoke development with varying degrees of governance.

For an objective measure of bespoke development, we recommend looking at the number of development objects being used in the production system and categorizing each one based on the object complexity. We have developed our own tools to do this. However, standard tools from SAP also

exist to analyze the bespoke objects and the actual usage based on the system logs. We typically find a high number of objects that are no longer used that can easily be removed from the SAP system. For the round table events, we looked at a more subjective categorization. 44% of the participant organizations described their SAP ERP systems as containing a "high level" of custom code, and 14% categorized their systems as "unique and almost unrecognizable as SAP." Again, many participants identified this customization as a significant hurdle to moving to SAP S/4HANA.



The enduring value of ECC

SAP's rhetoric of the past few years has been to suggest that customers leave the legacy behind and instead adopt a greenfield cloud SAP S/4HANA solution. Based on our analysis, many organizations have invested significantly in developing SAP solutions that support their specific business processes and ways of working. And for the large part, participants thought that these systems worked well for their businesses. The suggestion to replace these multi-region systems with a greenfield implementation underestimates the business disruption, IT department time and business effort required. To this end, many customers have opted instead to continue with ECC – either facing down the end-of-support deadline, or even jumping from the SAP train and moving to third parties for product support.

If you are in this position – where your organization considers its legacy ERP investment to be of value – what are your best options?

Think lower-cost, low-risk SAP S/4HANA conversion, not greenfield

While SAP has positioned SAP S/4HANA as a new solution, there is a clear, tested path to convert an ECC6 system to SAP S/4HANA, rather like a complex upgrade project. In fact, many SAP customers we have spoken to were not aware that this upgrade path existed. Conversion to SAP S/4HANA brings the agility, scalability, access to SAP innovations, and competitive advantage that comes with implementing a new intelligent ERP at a significantly lower-cost and risk than implementing a new system.

The process of converting ECC6 into SAP S/4HANA is like a more complex upgrade project. The code base itself is updated, but it also includes a database conversion to a new HANA database, and new hardware or cloud infrastructure that can run the HANA in-memory database. There are also application changes, as SAP has taken the opportunity to make extensive functional changes, and some new data conversion processes, for example all customers and vendors become business partners. Functional changes are called "Simplification Items" by SAP and detail the old ECC functionality that is retired or replaced. In some cases, a functionality is retired from the ERP solution and its replacement is another SAP application entirely, such as GTS.

The move to a HANA in-memory database, combined with the removal or deprecation of some business functions and hence their associated code, requires adjustments to be made to any bespoke code on your system. This is typically referred to as "code remediation." Almost 100% of bespoke code will require some level of remediation, as even simple database selects require a syntax change. This sounds like a daunting task, however, a large proportion of code remediation analysis and execution can be automated with SAP tools. HCLTech has even developed its own HANASmart™ tool to maximize the proportion of code that can be automatically remediated or identified for migration to SAP BTP to remove it entirely from the ERP code.

A conversion project is therefore a combination of technical tasks, functional analysis to determine the impact of the simplifications, code remediation, and data conversion followed by extensive testing of the end solution.



Funding licenses and infrastructure through RISE with SAP

The final major piece of the puzzle is funding the requisite licenses and infrastructure for the new SAP S/4HANA system.

If you want to follow the brownfield conversion route, you should consider SAP's "RISE with SAP," a bundled offering that includes SAP S/4HANA cloud private edition, Business Technology Platform (BTP) and access to a suite of tools for process analysis and conversion. Customers can convert an SAP ECC system to SAP S/4HANA with hosting provided by SAP, with a subscription license model. This greatly simplifies the vendor landscape for provision of the SAP system, but critically reduces the need for an ROI case that covers an upfront perpetual license.



The conversion spectrum

Once you have your SAP S/4HANA digital core, it's important to plan out the follow-on projects that are going to deliver the business value and benefits. Our survey indicated that:



38% of customers were looking for business performance improvements in supply chain and manufacturing using new capabilities such as MRP Live



21% were seeking improvements from back office and finance functions



31% were looking to drive "digital innovation" the using new capabilities an SAP S/4HANA digital core unlocks.

The latter primarily comes from the ability to use new SAP solutions such as SAP Business Technology Platform's ML/AI, Robotic Process Automation and IoT capabilities, SAP Analytics Cloud and the ever-increasing library of Fiori apps, or SAP's growing business networks which provides enterprise level integration through the Ariba business network, logistics business network, and asset intelligence network.

It's critical that the value-delivery projects are planned with the business to ensure they deliver real business value by identifying tangible business changes that yield benefits.

Yet, only 7% of our participants had a robust bottom up approach to benefits analysis and business-case planning, and 65% had no formal business case methodology or used just a high-level PowerPoint presentation.



A project without a clear objective, a business case linked to specific changes to the way the business operates, is likely to fail to deliver. This is not unique to SAP S/4HANA conversion projects. In a business environment where projects compete against other initiatives for funding, developing a robust business case and ROI for your SAP S/4HANA conversion will be critical.

We also found that 14% of our participants were using high-level top down metrics or benchmarks, like those that are provided in the SAP Value Life Cycle Management tools. In our experience, this is an excellent approach for initial scoping, initiative definition and prioritization based on potential value, but it is critical to augment this with a detailed benefits analysis that is specific to your business.

HCLTech's approach is to use detailed benefits cards to plan out the changes that proposed solutions will deliver in terms of tangible business benefits. A typical project has between 5 and 20 benefits cards that detail specific changes to be made to yield tangible results that can be converted into financial savings, working capital reduction, or revenue growth. Critically, the benefits cards are signed off by the business managers responsible for implementing the solutions and making business changes.

The bottom line

If you have an SAP ERP that is still well aligned to the business structure and operating model, and you are looking for a path to SAP S/4HANA, then there is light at the end of the tunnel. SAP's new Private Cloud Edition and "RISE with SAP" commercial offer, combined with HCLTech's Elevate assessment framework, and Migrate+ conversion factory, will enable you to protect your legacy investment, while optimizing your new SAP S/4HANA digital core. If your existing ECC system is heavily customized, a conversion using HCLTech's Migrate+ with its automated code-remediation toolset will be the most cost-effective and lowest-risk way to move to SAP S/4HANA.

Once you are on SAP S/4HANA, you can then focus on developing a business benefits-prioritized agile transformation roadmap to tap into the potential of SAP's new solutions and innovations. Wherever you are on the SAP S/4HANA journey, if you would like to discuss with us and benefit from our experience, then please connect.



About HCLTech's SAP practice

To get the best return on your digital investments, you need a partner that doesn't just do SAP right, but does it better. Our SAP practice works seamlessly with HCLTech's digital consulting, engineering services, IoT WoRKST[™], and cloud infrastructure practices to design, implement, and support tomorrow's integrated, intelligent solutions today. As an SAP Global Strategic Services Partner, our 10,000+ consultant base leverages insights, advanced accelerators, and industry-acclaimed frameworks to deliver award-winning services from local offices across Europe, Africa, Asia, and the Americas.

<https://www.hcltech.com/sap>

HCLTech | Supercharging Progress™

HCLTech is a global technology company, home to more than 223,400 people across 60 countries, delivering industry-leading capabilities centered around digital, engineering, cloud and AI, powered by a broad portfolio of technology services and products. We work with clients across all major verticals, providing industry solutions for Financial Services, Manufacturing, Life Sciences and Healthcare, Technology and Services, Telecom and Media, Retail and CPG, and Public Services. Consolidated revenues as of 12 months ending June 2023 totaled \$12.8 billion. To learn how we can supercharge progress for you, visit hcltech.com.

hcltech.com



WE-104216779781-EN00GL