

SAP S/4HANA: Choosing Your Best Journey for Digital Transformation

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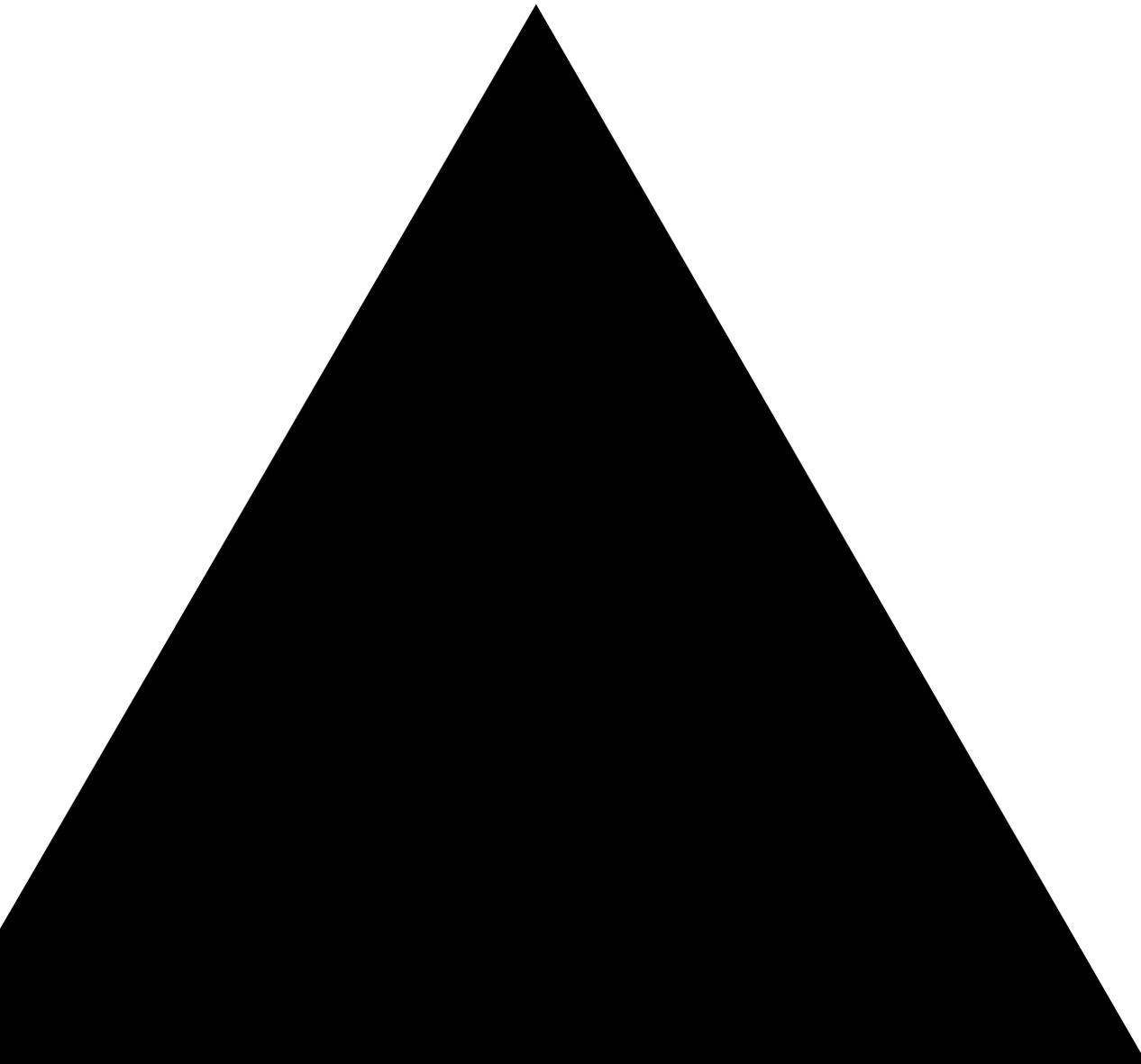


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SAP S/4HANA: Choosing Your Best Journey for Digital Transformation

SAP S/4HANA is on the minds of U.K. manufacturers. So are uncertainties about making the move from their legacy SAP systems to the transformative new business suite. This paper examines a drastically changing manufacturing landscape, migration plans and business drivers of SAP S/4HANA, key technical advantages and business benefits of the enterprise resource planning (ERP) suite, challenges to a successful upgrade and how DXC Technology can help.

What if you could analyze, in real time, how a supplier delay would impair the finishing processes on your manufacturing line? Or how applying digital speeds to your distribution network would ensure on-time deliveries? Would you jump at the chance, even if it meant disruption? Or would you be more measured in your move?

DXC Technology believes that SAP S/4HANA can provide opportunities for UK companies to transform their value chains by advancing existing SAP landscapes and SAP-driven business processes. The new business suite dovetails with the digital transformation that's sweeping across manufacturing operations. It cuts costs, improves planning accuracy, enables faster and better business decisions, optimizes manufacturing performance and improves the user experience. Key benefits include real-time pricing, trade promotion management and real-time information, all of which drive efficiencies and value.

The technical advantages of SAP's S/4HANA are clear. But the move from existing SAP systems will be challenging. You will need to think differently about this migration, focusing on business and IT alignment throughout and keeping your sights not only on operational improvements but also business innovation. With our end-to-end services, long partnership with SAP, experience in application modernization and expertise in digital transformation, DXC can guide you on an S/4HANA journey that's tailor-made for your business.

Manufacturing in the era of Industry 4.0

Like every other industry, manufacturing is in the midst of a disruptive, digital transformation that is changing the way goods are designed, made, sold and distributed. This latest industrial revolution, often referred to as Industry 4.0, is powered by digital technologies such as cloud, big data, artificial intelligence (AI), machine learning and the Internet of things (IoT).

These are driving the evolution from mass markets to markets of one, where customers can get highly customized, high-quality products for the right price, whenever and wherever they want them. A fitting example of this emerging market of one is the direct-to-consumer channel so many manufacturers are adopting. Hyundai

UK, for example, delivered its first batch of cars sold online directly to consumers in early 2017, a process that needed little, if any, intervention from dealers. Automakers around the world are launching similar initiatives that let buyers trade in used cars, check inventories and pick out new cars, as well as pay cash or even finance them — all with a few clicks online.

Industry 4.0 and the emerging direct-to-consumer and market-of-one business models are far too complex and data-centric for legacy ERP. Planning and scheduling systems that have to pull data from multiple, disparate systems and rely on batch runs have become costly to maintain and can't keep up with high-volume operations. Real-time, changing demands can't be reflected, resulting in outdated and inaccurate plans and schedules.

A reason to move

Companies that use SAP applications are evaluating SAP S/4HANA, and a number of these companies already have plans to migrate within the next few years. A new study of companies in the United States, the United Kingdom and Australia found that companies are convinced that SAP S/4HANA is a strategic upgrade that will provide a good basis for business process improvements, and some believe it will even drive innovation. Most have plans to deploy SAP S/4HANA within five years, according to the study, conducted during the spring of 2017 by Pierre Audoin Consultants (PAC), a CXP Group company, and commissioned by DXC.

Among UK companies surveyed, 61% said they have plans to migrate within four years. Leading drivers were usability and performance improvements (87%), renewal of SAP infrastructure hardware (83%) and the harmonization of SAP-driven processes (83%). The UK companies, of which a little more than half were in manufacturing, cited several business drivers, including better support for new business processes and business models, as well as a harmonization of SAP-driven processes.

SAP S/4HANA's real-time value

SAP S/4HANA runs on SAP's own HANA database, a departure from SAP's earlier versions of software, which ran on a range of databases based on client preference. This new, smaller and more powerful database represents a completely overhauled data architecture built using in-memory computing.

SAP S/4HANA can process information and transactions at exponentially faster speeds, and new, simplified table structures drive even greater efficiency, enabling companies to run production applications using real-time data. SAP can now collect and analyze large volumes of data because the structures are able to handle much larger datasets. This is a critical feature, given the large amount of data accumulated from IoT and various other data sources up and down the value chain.

SAP S/4HANA provides seamless integration of master data and transactional data. Material requirements planning (MRP) can be run at any time, results are fast and planners can evaluate the impact of changing circumstances in real time through an MRP cockpit that offers several dashboards. Planners can monitor key performance indicators such as delayed materials deliveries from vendors, delayed shipments

to customers or expected materials shortages. This makes planning and scheduling more efficient, reduces manufacturing cycle times and increases on-time delivery performance, among other improvements.

Not only does SAP S/4HANA enable the use of real-time data, but it also supports real-time analysis. Clients can get immediate insights on planning, execution, prediction and simulation, with granular analysis. SAP S/4HANA improves visibility into production operations via real-time alerts issued if there are bottlenecks, component delays or other snags. As part of the suite's new user experience (UX) and simplified user interface, new apps such as the shop-floor cockpit and SAP Fiori deliver live production visibility as well as dashboard insight and management into operations.

Manufacturers have their choice of running SAP S/4HANA on premises and customizing it to meet their specific needs, or running it in the cloud as software as a service (SaaS). The SaaS implementation is designed to be faster and cheaper by enabling easier configuration and maintenance of common business scenarios. This option may make sense for customers that don't require complex configuration and customization.

Overcoming uncertainties

Despite all the technical and functional improvements in SAP S/4HANA that promise to modernize the factory floor and the supply chain, and ultimately drive real customer value, there's still a fair amount of uncertainty — especially about the effort involved in a migration, realistic expectations for business benefits and return on investment. Companies are bombarded with SAP S/4HANA news, but the reality is that a migration from existing SAP systems will be a challenging and costly capital exercise. Even though manufacturers can use their existing SAP products for many years to come, after 2025 those systems may require special and more expensive support arrangements.

Top challenges to SAP S/4HANA deployments that UK companies cited in the recent survey include identifying a business case (88%) and a lack of skills and internal knowledge (76%). SAP has been championing the business case for S/4HANA. SAP says S/4HANA will deliver tangible business benefits that include reducing manufacturing costs and cycle times by up to 10%, cutting fulfillment lead times by anywhere from 10% to 15% and consolidating systems by 30%.

Overall, the study determined that some companies are concerned about the missing alignment between business and IT. Collaboration across the enterprise, and with business partners, is a key part of leveraging the end-to-end integration SAP S/4HANA can deliver among the various technologies, systems and functions. It's also the best way to capitalize on SAP S/4HANA's benefits.

Measured move or deliberate disruption?

For years, manufacturers have been operating under intense budgetary pressures. Status quo has been the IT strategy. But the changing economic and competitive landscape is opening doors for progress. The way forward, however, is complex. Moving to SAP S/4HANA isn't merely a technical upgrade; it is a watershed upgrade. To make the move, organizations have to accelerate the right strategy and start at the right time.

One DXC client, a multinational defense, security and aerospace company, wrestled with its SAP S/4HANA migration: Do we adopt a measured migration strategy or should we be deliberately disruptive? Choosing the disruptive approach, the company was able to create a template that could be validated and evolved quickly for different parts of the organization, as well as introduce quick wins in business areas such as mobility for service and support engineers, and automated trading checks in procurement and manufacturing — key business areas for the company.

By contrast, a British multinational determined that a phased approach rather than a wholesale upgrade was the best route. Performance issues and slow response times with the company's existing ERP system were impeding business, and much of its existing hardware was reaching end of life. Contracts were also ending, so the time was right to make a move. But the company was wary of changes that might break the business. DXC worked with the client on a successful proof of concept and determined that an end-to-end service for SAP, including Business Suite on HANA and BW/4HANA, would address performance issues in some of the key business areas and also deliver a more agile solution that's better aligned with business outcomes.

Platform for digital transformation

Many ERP suites in use today have limited system flexibility and automation, which impedes the agile manufacturing and fulfillment processes needed to support product customization and market-of-one opportunities. They also aren't well-suited for the increasingly complicated ecosystem of suppliers, partners and customers in a supply chain. Nor do they work well for the increasingly distributed network of fulfillment and logistics operations required to deliver goods directly to customers in as few days, or even hours, as possible

SAP S/4HANA represents a major technical and functional re-architecture. It is designed to serve as the core of a digital transformation, with a more efficient database, reduced storage requirements, faster transaction throughputs and support for real-time analysis, among other improvements. The supporting ecosystem and API platform will help create opportunities for new workflows that link previously isolated functions to streamline processes and boost operational efficiencies.

Upgrading to S/4HANA could be the right foundation for one DXC client currently in the midst of its own digital transformation. The multinational automotive distributor and retailer is running SAP BW/4HANA, SAP's next-generation data warehouse built from the ground up on SAP HANA. This client is particularly interested in moving to S/4HANA so it can take advantage of the real-time data repository, a key functionality that could help accelerate and modernize the processes it uses with dealerships.

DXC shapes value-chain transformations

Business and IT alignment requires the combination of human resource management skills, business competencies and technology that may be beyond the scope of a manufacturer's expertise. DXC can help guide the process of evaluating and implementing SAP S/4HANA by applying our knowledge and experience to help clients identify where the business and IT value exists, and to create an optimized roadmap.

DXC created an advisory service called SHAPE that enables organizations already using SAP software to understand the value of moving to S/4HANA and how it enables digital ambitions, and to determine the best way to transform their enterprise. Clients benefit from SHAPE by developing their ERP strategies and guiding their investment. Our approach is to work in conjunction with SAP to ensure that all aspects of software, business process benefits, hardware/hosting options and the most appropriate method of migration are considered.

SHAPE is most relevant to organizations that are running customized and wide-scope SAP solutions on SAP ECC 6.0 and are unsure whether SAP S/4HANA is the right solution for their future needs, and/or have not yet found a clear business case.

Manufacturers are already active participants in Industry 4.0, and they're implementing cloud, big data, AI, machine learning and IoT at increasing rates. Running these next-generation digital technologies on legacy ERP is increasingly untenable. To succeed, they should begin building the business case for SAP S/4HANA so they're fully ready for a digital transformation. The earlier they start the journey, the better.

Learn more at
www.dxc.technology/sap

About DXC Technology

DXC Technology (DXC: NYSE) is the world's leading independent, end-to-end IT services company, helping clients harness the power of innovation to thrive on change. Created by the merger of CSC and the Enterprise Services business of Hewlett Packard Enterprise, DXC Technology serves nearly 6,000 private and public sector clients across 70 countries. The company's technology independence, global talent and extensive partner network combine to deliver powerful next-generation IT services and solutions. DXC Technology is recognized among the best corporate citizens globally. For more information, visit **www.dxc.technology**.