

The Definitive Guide to a Successful SAP S/4HANA Digital Transformation

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Implementing SAP S/4HANA is no easy feat. With its robust and broad capability, it has the power to transform your business. On the other hand, it is easy to be overwhelmed by the complexity of the software and fail to translate the technology into a successful transformation.

In our years of helping our clients through their SAP and ERP implementations, we have identified the key best practices that are most likely to result in SAP digital transformation or failure. These lessons are meant to provide unbiased and unfiltered guidance for those about to embark on an SAP S/4HANA implementation. Not coincidentally, most of these lessons also apply to organizations about to embark on digital transformations involving technology other than SAP.

These lessons are intended to provide a strong foundation for a successful SAP S/4HANA digital transformation.

THE THIRD STAGE OF SAP IMPLEMENTATION SUCCESS

An unfortunate aspect of SAP S/4HANA initiatives is the failure of so many organizations (and their consultants) to reach that ideal state of a complex digital transformation. These initiatives are peppered with landmines and risks, yet few seem to know how to navigate them well – despite decades of history and lessons to draw from.

The answers aren't that complicated, and they certainly aren't rocket science. There are distinct things that make certain projects succeed and fail.

THE THREE STAGES OF SAP DIGITAL TRANSFORMATION

There are three distinct stages of an SAP digital transformation. Unfortunately, most don't ever reach get past the first two:

»» 1st STAGE

Project inception. The software is selected and an implementation begins. The project either never goes live with the new technology, or it is an unmitigated failure.

»» 2nd STAGE

The implementation is completed – but usually just for a fraction of the expected technical functionality, scope, and benefits.

»» 3rd STAGE

A full digital and business transformation is complete. Full technical capabilities are realized, business processes are optimized, and the organization is aligned with the future-state. Most importantly, business benefits and a positive return on investment are realized.

Much like a space rocket launch, the first two stages are important to get to the third, but optimal heights and speed aren't possible until the third stage launch of the fastest and last-remaining rocket. The third stage booster can't be bogged down by the inefficiencies and dead weight. Clear best practices and expertise are required to overcome the gravitational pull of the current state.

THE BASICS OF A SUCCESSFUL SAP S/4HANA IMPLEMENTATION

Like most ERP deployments, a successful SAP S/4HANA implementation requires a great deal of discipline. SAP's technological advancements make complete business transformation possible, but not without risk.

For better or for worse, SAP has a reputation for troubled implementations. Though many have implemented the product successfully, news of challenged implementations among its Fortune 1,000 customer base tend to overshadow the successes. These distressed deployments are not a result of bad luck or broken software. Instead, they are a result of the failure to leverage SAP implementation best practices.

Unfortunately, SAP's ASAP methodology and Solution Manager don't provide all of the answers. They provide a solid foundation as a starting point, but more is required to enable a complete digital transformation.



Below are some of the ways to ensure a successful SAP S/4HANA implementation:

PREPARE TO LEVERAGE THE CAPABILITIES OF SAP S/4HANA

SAP has invested heavily in its cloud solution and the HANA framework. With its in-memory performance and robust functionality, the software provides truly transformational game-changing possibilities for many organizations.

But fully understanding the breadth of functionality can be challenging. Many customers require more fundamental cultural changes to their organization prior to embracing the functional possibilities. For example, SAP tends to enable a certain degree of standardization, scale, and efficiency, but that may not align with your current state culture. Be sure your organization is ready to embrace these changes before trying to implement them.



ADEQUATELY INVEST IN YOUR BUSINESS PROCESS MANAGEMENT WORKSTREAM

Because of its vast functional capabilities, mapping future state business processes early on is critical to a successful SAP S/4HANA implementation. Many SAP customers bypass this important business process management workstream, which typically leads to trouble later on.

Despite its leading market share and broad functionality, SAP software is not perfect. It has deficiencies and some functions will not align well with your needs. It is important to map your business processes prior to implementation, while identifying gaps between what you want and what SAP can provide. This will help you prioritize where you might need to change your business processes, customize the software, or change your people.

MAKE THE BUSINESS PROCESS AND ORGANIZATIONAL CHANGES REQUIRED OF AN SAP S/4HANA IMPLEMENTATION

Your business process management activities will identify necessary operational and organizational changes. There will inevitably be significant opportunities for business process improvements and changes to employee roles and responsibilities – many which can even be implemented prior to the SAP rollout.

This requires a commitment to effective organizational change management, communications, training, and cultural change. This workstream should go well beyond traditional end-user training. You will need to define gaps between your current- and future-state business processes, begin implementing the cultural changes required to fully embrace the new software, and other key organizational change activities.

IMPLEMENT A STRONG THIRD-PARTY QUALITY ASSURANCE AND RISK MITIGATION FRAMEWORK

When left unattended, SAP implementations tend to get off track. Loss of focus, project delays, and budget overruns are all too common. A strong quality assurance and risk mitigation framework will provide the guardrails that your project needs to stay on track.

Most importantly, an effective QA and risk framework identifies potential issues before they ever become problems. Much like a “canary in a coalmine,” this process ensures that risks are identified and mitigated before they kill a project.

For example, we recently worked on a large global SAP implementation for a large company undergoing significant cultural changes. Their lack of investment in organizational or cultural change didn’t feel like a problem to the project team, but our experience to the contrary allowed them to remediate employee resistance bubbling below the surface. Had they not detected this risk when they did, it would have been too late to resolve.

BUILD YOUR INTERNAL SAP S/4HANA COMPETENCY VIA A CENTER OF EXCELLENCE

If your intent is to continuously optimize your processes and systems into the future, you will need to build your internal competencies accordingly. Your IT and business support resources will need to be retrained, refocused, and prepared to own the SAP solution well after the consultants are gone.

More importantly, an SAP center of excellence allows you to look for ways to constantly improve your processes and the way people are trained internally. It also enables you to leverage new S/4HANA functionality as deployed via upgrades.

SAP's technology has come a long way in recent years. The question isn't whether or not the software is good enough. The only question is whether or not you are ready to invest in a complete digital and business transformation.

HOW TO PLAN FOR AN SAP S/4HANA IMPLEMENTATION PROJECT



The decision to move forward with an SAP S/4HANA implementation project is a big one. The stakes are high, potential business benefits are even higher, and there are significant risks to be mitigated.

One of the biggest challenges with S/4HANA implementations is that they can be expensive. Even more so if you don't have a solid plan and structure in place. Every extra day it takes your company to make decisions can be very costly when the meter is running on dozens (or in some cases, hundreds, if you're a larger organization) of consultants from your SAP system integrator.

To avoid these pitfalls and to ensure a successful SAP S/4HANA implementation, your team should keep the following in mind:

DEVELOP A REALISTIC VIEW OF TIME AND COST

Unrealistic expectations are some of the biggest mistakes you can make early on. If your expectations are misaligned, you will end up making poor decisions later on. For example, organizational change management is one of the first things to be eliminated from scope – even though it is one of the most critical success factors you can invest in.

I've studied several hundred SAP implementations over the last 10 years. Here are a few benchmark metrics to determine if your estimated time and cost is realistic:

- *The average SAP implementation costs 3-5 times the investment in software, and*
- *The average SAP implementation costs 3-4% of a company's annual revenue*

These metrics might go up or down based on a number of complexity factors. This initial implementation time and cost estimate should be refined based on the factors below.

DEFINE A PHASING STRATEGY THAT ALIGNS WITH YOUR CULTURE

Some companies intend for changes to happen quickly, but then they end up phasing the transformation in a way that dilutes that intent. Things like availability of internal resources, willingness to push team members to do whatever it takes to meet timelines (or not), and risk tolerance all factor into how appropriate your implementation strategy might be.

Your phasing strategy should ultimately align with your culture. This alignment is more important than any decision you make. Make sure that the phasing strategy you put in place

UNDERSTAND THE MAGNITUDE OF PROCESS CHANGE YOU'RE WILLING TO TAKE

There's no doubt that S/4HANA will enable business transformations beyond your wildest expectations. But, that doesn't mean you should tackle too big of a change all at once. Instead, it makes sense to:

- 1 *Define how much you're really willing to change – in actuality, not just what sounds good in theory*
- 2 *Ensure that this project vision is consistent with your corporate strategy and vision*
- 3 *Define an effective global change management strategy to manage that change*
- 4 *Adjust your phasing strategy and project scope as needed*

Once you have addressed this component, you can shift to executing, managing change, and ensuring overall alignment.

DEVELOP YOUR INTERNAL AND EXTERNAL RESOURCE PLAN

Offering up sufficient internal resource support is one of the biggest challenges you will face on your SAP S/4HANA implementation. Most companies we work with are fairly resource constrained, so pulling the best ones out of daily operations is a real challenge.

These steps will help you accomplish these things:

- 1** *Define clear roles and responsibilities between your organization, your SAP system integrator, and other third parties*
- 2** *Define the gaps between the resources you need and the ones you currently have*
- 3** *Define the appropriate mix between internal and external roles (including onshore vs offshore development resources)*
- 4** *Hire the internal and external resources you need to support the project*
- 5** *Adjust your project strategy and plan accordingly*
- 6** *Hire resources to backfill your project team as needed*

If anything is going to slow you down and cause budgetary overruns, lack of resources is one of the most likely. Your effective resource plan will help mitigate this risk.

DEVELOP AN ORGANIZATIONAL CHANGE MANAGEMENT PLAN

The organizational changes required to enable an S/4HANA implementation will be great. The technology will be much easier to change than the people or business processes. With this in mind, you will need to define an effective global organizational change management strategy to enable the overall transformation.

Your change strategy should include:

- *Organizational readiness*
- *Communications*
- *Organizational design*
- *Training*
- *Executive and stakeholder alignment*
- *Benefits realization*
- *Workforce transition*
- *Cultural transformation*

An effective organizational change and operational transition plan is the most important thing you can do to ensure project success.





DEFINE YOUR IT TRANSITION STRATEGY AND PLAN

Don't forget about your IT department. Even though this should be a business initiative rather than an IT-driven one, your IT department will be as impacted as anyone. They will require new skills, physical architectures, and training to effectively support the project in the long- and short-term.

Here are some of the things that should be addressed as part of your IT transition plan:

- *System architecture and integration points*
- *Application decommissioning plan*
- *Skills migration and training*
- *Reporting roles and responsibilities*
- *Project and post-go-live support processes (help desk support)*
- *Longer-term Center of Excellence plans*

Remember that this is group that will manage the environment long after the SAP consultants and project team members are gone.

BUILD FOR SAP S/4HANA SUSTAINABILITY WITHIN YOUR ORGANIZATION

Your transformation to S/4HANA is a journey, not just a one-off project with a definitive start and end date. You need to plan and act accordingly. This should be addressed as part of your SAP S/4HANA project quality assurance work stream.

Address this risk by developing and executing an SAP S/4HANA center of excellence strategy. This will ensure that you have the appropriate factors in place:

- *SAP S/4HANA knowledge transfer between your system integrator and your internal project resources*
- *A clear support plan going forward*
- *Better integration between your business operations and IT staff*
- *A clear transition plan for your IT staff*
- *A clear upgrade strategy and plan in the future*

If you're in this SAP transformation for the long-haul, then you'll need to build a sustainable organization to support that vision.

HOW TO ESTIMATE SAP S/4HANA IMPLEMENTATION TIME AND COST



Creating an ERP implementation plan and budget is a difficult undertaking. Not many people know how to estimate the implementation time and cost for an SAP S/4HANA project.

THE CHALLENGE OF ESTIMATING IMPLEMENTATION TIME AND COST

Bias and lack of independence are two the biggest reasons why companies struggle to create accurate estimates for their SAP S/4HANA implementation. CIOs and CFOs too often rely too much on sales proposals to determine their “final” implementation time and budgets.

There are a number of problems with this over-dependence on sales proposals in determining the implementation time and cost:

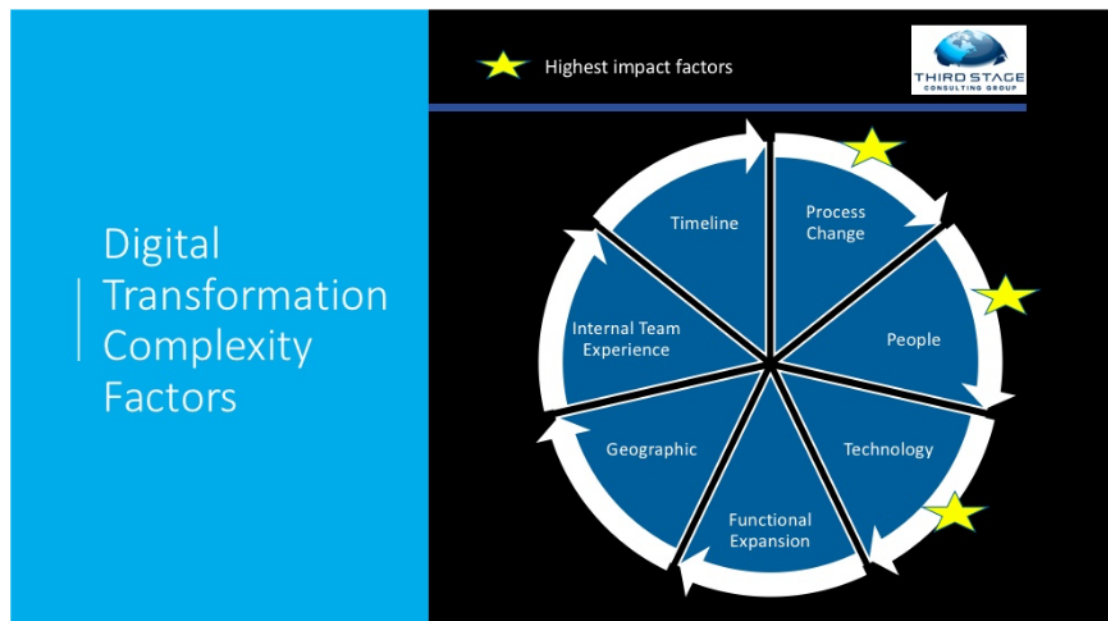
- *Vendor and system integrator sales reps typically assume best case scenarios in creating their estimates*
- *Sales reps have no financial incentive to give you a realistic estimate, but they do have an incentive to err on the side of lowballing the estimate*
- *Implementation assumptions are often flawed or incomplete*
- *Estimates often don't take critical complexity factors into account*

This last point is perhaps the most important. Not enough system integrators, consultants, or project teams accurately take these factors into account when planning their projects. This is one of the major reasons why so many projects take more time and money than expected. This planning and estimation process is even more than important than your decision to choose SAP as your software vendor.

LEVERAGING THE COMPLEXITY FACTORS IN YOUR SAP S/4HANA IMPLEMENTATION TIME AND COST ESTIMATE

Your implementation time and cost will largely be driven by factors outside the realm of your technology. Instead, time and cost are more a factor of your own internal situation and competencies than it is the software itself.

Below are the factors most likely to impact your implementation time and cost:



Magnitude of business process change

The magnitude of change between your current and future state business processes will have a significant impact on your implementation time and cost. It also has a large impact on your implementation risk profile. The larger the change, the more time and money it will take.

It is important to assess the maturity of your current business processes and compare to the level of maturity required in the future. Be sure to ask, "how much change are we really willing to tackle?" when scoping and planning for your project.



Impact on people

Similarly, the magnitude of change on people will have a significant impact. The more cultural and organizational change required, the more time and money it will take. For example, a company moving from a loose confederation of independent business units to a highly coordinated, standardized business will spend more time and money than on making more incremental changes.

For this reason, an effective organizational change management plan needs to be factored into your overall implementation strategy and plan. This will help determine how much time and money your project will ultimately end up costing.



Technology

Technology has an impact, but not in the way you might think. The real impact is more centered around your internal technical competencies now versus what you will need in the future.

For example, an organization migrating from a legacy AS/400 system to SAP S/4HANA or Microsoft Dynamics will spend more time and money than one migrating from a Y2K ERP system to a more incremental improvement. Conversely, simpler ERP upgrades will take less time and money than the larger, rip-and-replace projects.



Functional expansion

If you are simply automating functional processes already automated by your current legacy system, then your implementation time and cost will be less than one adding new functionality. The more extended functionality you wish to add to your scope, the more time and money you will spend.

For example, implementing core financials and accounting will be much less complex than implementing advanced planning, machine learning, and other functionality that you do not currently have. These extended functions will also increase your implementation time and cost.



Geographic considerations

Simply put, the more geographically diversified your end-users will be, the more time and money you will spend on your project. Implementations spanning multiple countries and diverse cultures are the most complex, followed by multi-site domestic implementations. Single-site implementations are the least complex from a geography perspective.



Internal team experience

If your internal team lacks past implementation experience, then you will probably spend more time and money on your deployment. You need not have the qualifications of an outside consulting firm, but some past experience among team members always helps. This is a qualitative factor that can be assessed by independent consultants such as those at Third Stage.



FINDING THE BEST SAP SYSTEM INTEGRATOR

Choosing the right implementation partners is arguably even more important than your choice of ERP software. If you are considering SAP S/4HANA for your organization, then you may be trying to determine the best SAP system integrator. You may be considering Deloitte, Capgemini, Accenture, or another system integrator.

A successful SAP S/4HANA implementation is largely a result of the system integrator you choose, so this is an important decision. With all that's on the line in a complex digital transformation like this, this isn't a decision that you will want to take lightly.

Here are a few things to consider as you explore the best SAP system integrator for your organization:

EVALUATE SAP SYSTEM INTEGRATORS BASED ON COMPETENCIES AND SCALE

First, you will want to evaluate your options based on the competencies of the system integrator team members. You will want to vet resources for criteria such as:

- *Global footprint consistent with your organization's*
- *Individual competencies of team members*
- *Experience with S/4HANA, as opposed to older versions of SAP*
- *Industry experience*
- *Cultural fit with your organization*

You will likely spend a good deal of money and time with your chosen system integrator, so it is important that they bring the right competencies to the table.

CONSIDER ALL OF YOUR SAP SYSTEM INTEGRATOR OPTIONS

I have seen too many organizations limit their options to Deloitte, Capgemini, Accenture, and other big system integrators. But there are plenty of other good options out there in the market. You can source SAP S/4HANA consultants from alternative system integrators, resellers, and independent third parties. And, there is no need to put all your eggs in one basket with one integrator.





REMEMBER WHO IS IN CHARGE OF YOUR SAP S/4HANA IMPLEMENTATION (Hint: it's not your system integrator)

I have seen too many organizations entirely outsource their SAP implementations with a hands-off approach. Based on my experience as an SAP expert witness, this is often a recipe for failure. It is important that you and your team take ownership of the transformation. There is no one-size-fits-all answer to how to deploy SAP, so remember that you are in charge of your system integrator and other SAP consultants – not the other way around.

UNDERSTAND YOUR SYSTEM INTEGRATOR'S STRENGTHS – BUT ALSO RECOGNIZE THEIR WEAKNESSES

Deloitte, Capgemini, and Accenture are good examples of system integrators with very deep competencies in SAP. It is hard to find resources with as much functional and technical depth and quality.

But like every organization, these system integrators have weaknesses as well. For example, the big system integrators are typically not as good at things like:

- *SAP implementation readiness, to ensure you have a foundation in place to make the most effective use of your system integrator*
- *Organizational change management, especially strategic items like organizational design and executive alignment*
- *Data migration strategy and mapping*
- *Establishing your internal SAP center of excellence*
- *Building your internal IT organization to support SAP in the long-term*
- *Knowledge transfer and documentation*

Be sure to identify your system integrator's weaknesses and augment with competent third parties. Third Stage Consulting is one such example.

MITIGATE RISK VIA INDEPENDENT SAP PROJECT QUALITY ASSURANCE

SAP transformations rarely go as planned. While your system integrator is knee deep in SAP configuration, testing, and training, someone needs to focus on keeping an eye on the overall project. This includes identifying and mitigating risks as they arise. This helps mitigate risk, hold your system integrator accountable, and augment the project voids left by your system integrator. Companies such as Third Stage Consulting are good options to provide this independent SAP project quality assurance.

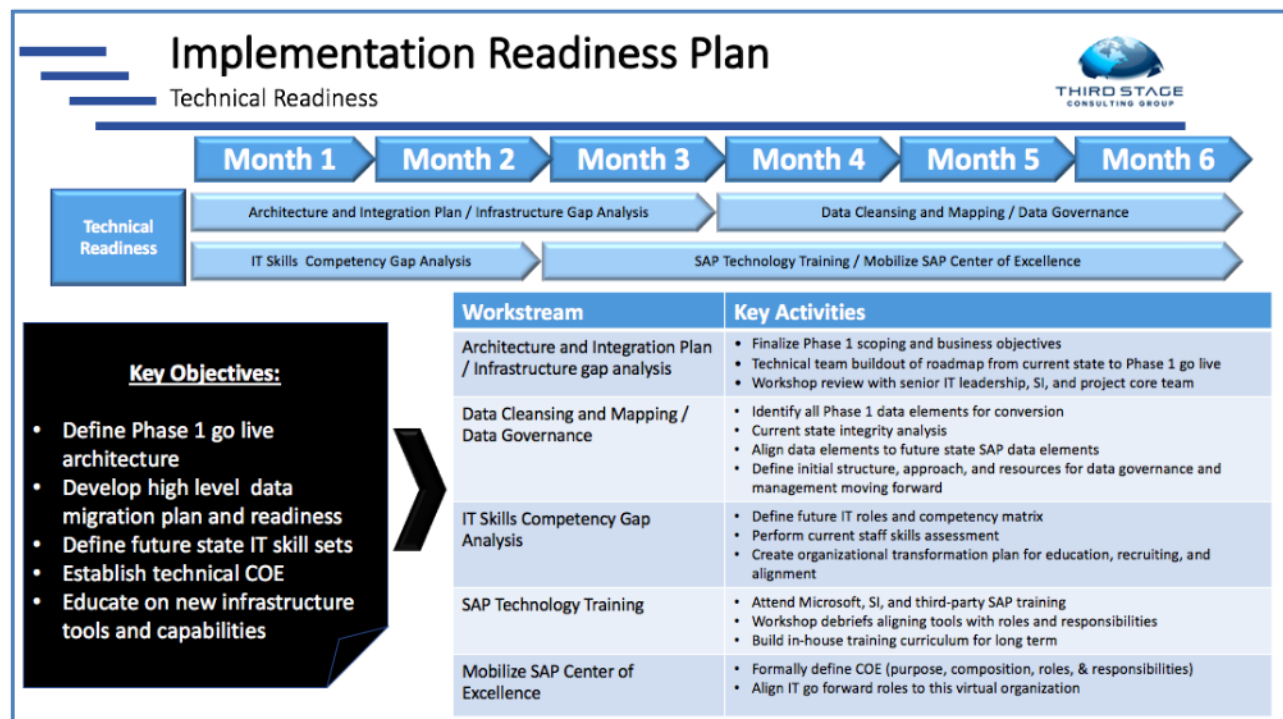
WHY YOUR SAP SYSTEM INTEGRATOR ISN'T THE SILVER BULLET YOU'RE LOOKING FOR

While choosing the right SAP system integrator is as important – if not more important – than the choice to deploy S/4HANA in the first place. Unfortunately, the right choice here doesn't solve all of your problems, either.

We work with plenty of clients who spend considerable time evaluating Deloitte vs. Capgemini vs. Accenture and other SAP system integrators. This is indeed an important activity, but even these best SAP system integrators have competency gaps to be filled.

This is an important aspect of ensuring a successful SAP S/4HANA implementation. Your system integrator is an important piece of the puzzle, but it's up to you to put together the puzzle and fill in the missing pieces. Recognizing this early on will help you develop a more complete, realistic, and effective implementation plan to start.

Here are some of the areas where SAP system integrators typically need help:



PROGRAM MANAGEMENT AND GOVERNANCE

SAP system integrators are typically strong at managing their own project teams and activities, but those are part of a broader program that needs to be managed. Internal resources, risk mitigation, and non-technology related activities all need to be integrated into a single program. It is up to you, the implementing organization, to create an overarching program governance structure and plan that pulls together various workstreams and resources.

INDEPENDENT PROJECT QUALITY ASSURANCE

SAP S4/HANA projects can get off track pretty quickly. As good as your system integrator may be, they are too entrenched in the functional and technical details of your program to recognize risks percolating along the way. And, they are only as good as their last few S/4HANA implementations. For this reason, it is important to have a third-party provide SAP project quality assurance to act as an extension of your program management office to keep your project on track. Independent experts such as Third Stage Consulting can help in this area.

STRATEGIC ORGANIZATIONAL CHANGE MANAGEMENT

We find that Deloitte, Capgemini, Accenture, and other SAP system integrators are fairly good at tactical organizational change management, but not at the more strategic aspects. For example, you will need to address organizational design and job descriptions as part of your digital transformation – something that falls outside the realm of SAP organizational change management. This is especially true for organizational change on global SAP implementations.

Also, it is important to recognize that system integrators are typically very good at what they do (functional and technical SAP consulting), but not so good at what they don't do (organizational change management). This is where independent, third-party expertise can help. Companies such as Third Stage Consulting can help provide organizational change competencies required for success.

DATA CLEANSING AND MIGRATION

SAP system integrators often treat data conversion as an afterthought. As long as the software works, what difference does the data make anyway, right? Not really. Data is a key component for keeping your business running smoothly during the transition. It is also the key to taking advantage of predictive analytics, machine learning, business intelligence, and other advantages of the software.

Dedicated focus on data cleansing and migration will be key. Your legacy data probably needs some TLC, so ensure that you have someone helping you through the process. Data is typically on the project critical path, so delays in this area are more likely to delay the overall transformation program. There are independent third parties specializing in data migration that can help address this critical component better than your system integrator. Third Stage Consulting's data team, for example, can help.



BUILDING INTERNAL SAP S/4HANA COMPETENCIES

Overdependence on SAP consultants is a problem that many face. Another common problem is deferring too much to your SAP system integrator because you don't know enough about S/4HANA. Both challenges can be mitigated by better building your internal competencies to become self-sufficient sooner.

Taking time to build these internal competencies early on will help ensure success in the long-term. Knowledge transfer from your system integrator won't occur through osmosis, so you will need something more deliberate. Below is an example of some of the activities we helped a recent client through as they ramped up their S/4HANA implementation.

These are some of the things required to augment your SAP system integrator's deficiencies and make the best use of their strengths. This also helps ensure that you are being as effective and deliberate as possible with your system integrator.

THE MISSING PIECES OF YOUR SAP ORGANIZATIONAL CHANGE MANAGEMENT STRATEGY

The term "organizational change management" has many meanings. Some understand it. Most don't. And most SAP implementations fail because of it. Most digital transformation initiatives lack a solid SAP organizational change management strategy.

We find that most project teams and systems integrators recognize the need for the basics. Employee training and basic communications are two of the most common activities. These two things unfortunately barely scratch the surface of what is required to effect real and lasting change. Much more is required to make digital transformations successful.

Here are a handful of things that are probably missing from your organizational change management strategy. They should be integrated into your transformation if you want it to be successful.

SKILLS ASSESSMENT AND ORGANIZATIONAL DESIGN

System integrators such as Deloitte, Capgemini, and Deloitte view organizational impact at the software / transactional level. However, there are broader changes to job descriptions and required skills that extend well beyond software workflows.

For example, customer service reps may not have access to much more customer history and predictive analytics. How should they be using this information to perform their jobs more effectively? What will they do with the time they save from not having to manually search for information? These questions need to be clearly defined so the organization is aligned with the implementation, and vice versa.

IMPLEMENTING ORGANIZATIONAL CHANGES PRIOR TO YOUR SAP IMPLEMENTATION

Contrary to popular belief, there is no need to wait until for new software to go-live before implementing some process and organizational changes. Chances are, some operating procedures can be effectively implemented even before the software. The benefits of this proactive approach are numerous. The primary advantage is that you are able to phase changes over time rather than overloading the organization with mass changes on the day of go-live.

CULTURAL TRANSFORMATION OF YOUR ORGANIZATION

Most people don't equate digital transformation to culture. But, the changes to your culture are a lot more significant than you think. We have written about how culture is the most overlooked component of organizational change strategies. This is especially true for global digital transformations.

Think about a retailer embarking on a digital transformation or SAP

implementation. A recent client of mine decided to leverage technology to help them better compete with Amazon via an integrated omni-channel strategy. This required different ways of thinking and acting – not just a new way of using a back-office ERP system. It is important that your organizational change strategy include dedicated strategies to help transform the culture of your company.

IT TRANSFORMATION AND CENTER OF EXCELLENCE

SAP digital transformations have significant impacts on your IT department. Your IT organization needs to develop new skills and competencies to support this new technology going forward.

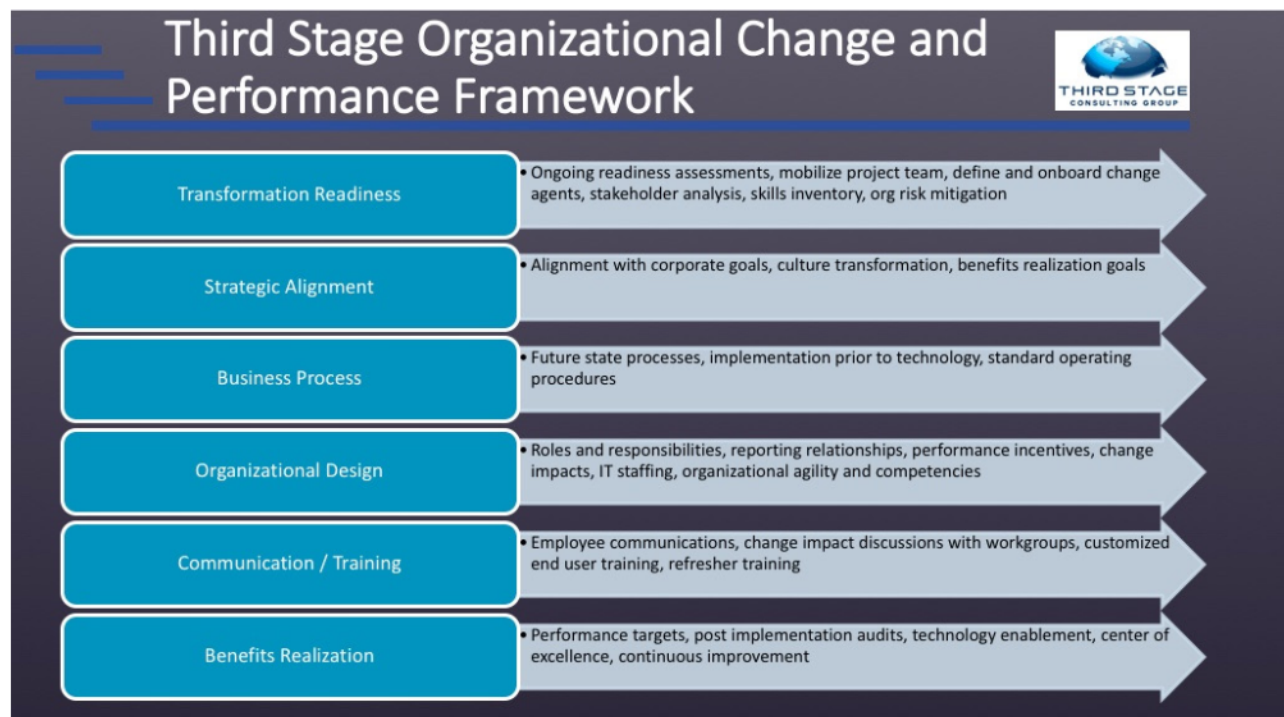
This is where organizational change management can help. It is important to identify the skills required in the future, and in some cases, which jobs may need to be created to build the necessary competencies. In addition, effective organizational change management strategies will ensure that the IT group is part of a cross-functional center of excellence that supports ongoing improvements to the company's operations going forward.



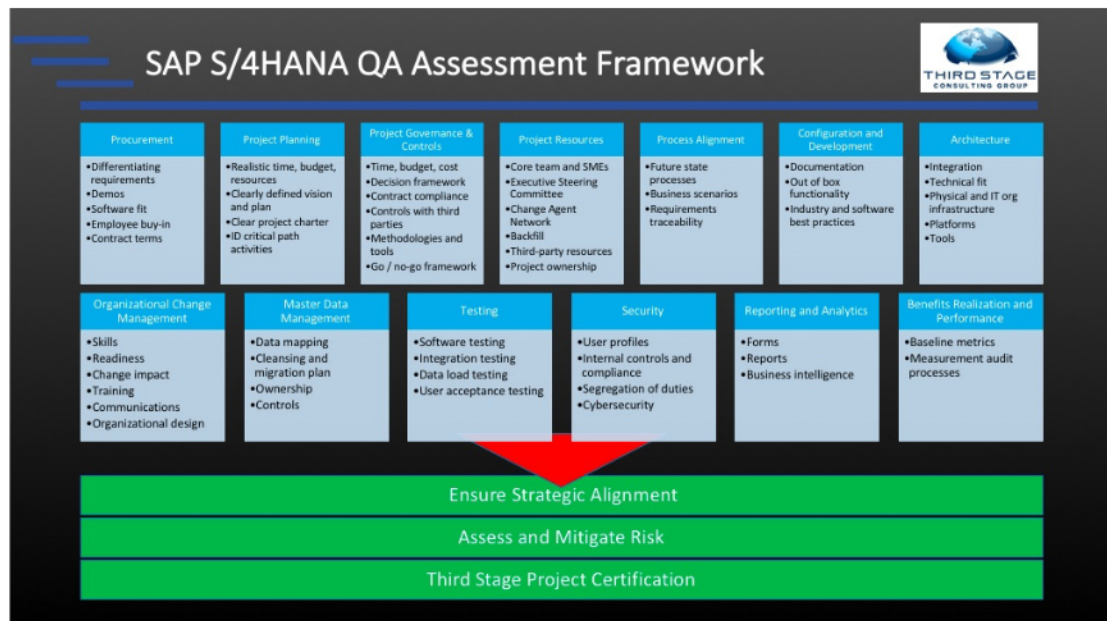
BENEFITS REALIZATION

Organizational change management is often viewed as a “soft” competency that isn’t really required. This is one of the biggest misconceptions of this critical domain.

Organizational change is one thing that has a material impact on tangible business results. Moreover, you can’t achieve what you don’t measure. The goal of your organizational change management strategy should be to bridge the gap between the intangible side of human change and measurable business benefits. This is where a robust benefits realization plan can help keep your team focused on the highest-value improvements that will transform your business as part of your SAP implementation.



HOW TO ENSURE SAP S/4HANA PROJECT QUALITY ASSURANCE



SAP S/4HANA implementations are big and complex. With its in-memory architecture and other functionality, the technology can provide potential quantum leap improvements to businesses.

But, many companies have trouble stomaching the transformation from their legacy systems to something so robust and complex. Employees resist the massive changes. Customizations break the system to create problems. Business processes aren't in sync. Or, project management doesn't keep the project on track. The pitfalls for these types of projects are endless.

SAP provides the SAP MaxAttention quality assurance project, but this is more focused on the QA for the software. Unfortunately, most problems with SAP implementations extend well beyond technology issues.

In order to address the more common – but harder to solve – problems associated with people and processes, many of our clients hire us to help keep their projects on track. We help provide the guardrails to mitigate risk and to ensure that momentum isn't lost along the way. It's a sort of insurance policy for companies that spend millions, tens of millions, or even hundreds of millions on these initiatives.

In our experience providing SAP S/4HANA project quality assurance, we have learned a number of lessons. Many of these lessons also apply to companies about to embark on an implementation of other types of ERP software as well.

Here are five ways to ensure SAP S/4HANA project quality assurance for your organization:

1 SPEND PLENTY OF TIME PREPARING FOR YOUR SAP S/4HANA IMPLEMENTATION

The decision to move forward with an S/4HANA implementation can be exciting. Momentum is strong, employees are excited, and the possibilities are endless. Don't let those positive aspects of your situation cause you to jump prematurely into implementation without proper preparation. The more time you spend preparing early on, the smoother the implementation will go.

2 MAP YOUR BUSINESS PROCESSES AND DEFINE BUSINESS PROCESS IMPROVEMENTS

Most SAP system integrators have a fairly robust process for mapping your business processes to standard software functionality. The problem is that they typically don't take the time to define how your business processes can or should improve. Instead, they tend to focus on how software will be used to automate current processes. Be sure to take the time to map out business process improvements you expect to see during implementation. This will help with system design, configuration, training, and communication.

3 DEVELOP A STRONG SAP ORGANIZATIONAL CHANGE MANAGEMENT STRATEGY AND PLAN

More than any other work stream, organizational change management will make or break your implementation. Your people need to understand how their jobs will change. They need to understand how they're going to leverage that sophisticated machine learning or predictive analytics functionality. They need to understand what they are going to do with all the time they currently spend collecting data and massaging spreadsheets. A robust organizational change management strategy and plan has a direct correlation on your level of SAP implementation success.



4 DON'T FORGET ABOUT YOUR CULTURE

Most SAP clients I've worked with over the last 20 years implement the software because they want to standardize their operations. They've grown up with disparate systems, processes, and data, so they view their SAP project as a catalyst for adopting a more standard operating model across their international operations. This is a massive cultural shift for most. Be sure that you incorporate this important work stream into your S/4HANA implementation plan.

5 ASK FOR OUTSIDE HELP

Chances are that your organization doesn't implement SAP or enterprise software very often. With each mistake potentially costing millions on projects of this size and magnitude, you don't have a lot of room for error. Be sure to hire outside third parties that do this every day and have the battle scars to prove it. Third Stage Consulting Group is an independent consulting firm that does exactly that.

These are just a few of the things you can do to ensure your S/4HANA project is successful. A robust project quality assurance framework will provide more detail and mitigate more risk as well.

LESSONS FROM A CURRENT SAP S/4HANA IMPLEMENTATION

There is no better way to learn from an implementation than from others who are currently learning from their own successes and mistakes. With this in mind, I recently spoke with a client to discuss their lessons from a current SAP S/4HANA implementation.

I have written several blogs about how to ensure a successful SAP S/4HANA implementation. Learning from a specific client case study provides some unique lessons to augment more general lessons learned.

This particular organization is a \$2B beverage manufacturing and distribution company on the west coast. They had been using JD Edwards and, in addition to S/4HANA, are deploying Ariba, SuccessFactors, and JDA.

Here are the key lessons from this client's recent SAP S/4HANA implementation:

UNDERSTAND THE COMPLEXITY OF SAP S/4HANA

The person I spoke with was a very senior IT guy – and a very technically savvy one at that. Even someone as technically sophisticated as he commented on how complex S/4HANA is. As a consultant that learned an older version of SAP straight out of college early in his career, I can attest to that as well. This is especially true if you are also deploying SuccessFactors, Ariba, or other integrated systems.

It is important to recognize that SAP S/4HANA is more complex than most ERP systems – which can be a good thing – but that comes at a price. It is important to budget the time and effort required to fully define and test your integrated processes. SAP's integration of business processes is a strength of the software, but it can also complicate and slow down your overall digital transformation.



ENSURE KNOWLEDGE TRANSFER FROM YOUR SAP SYSTEM INTEGRATOR

Many assume that they will learn from their SAP system integrator through osmosis. However, as this client is finding in the midst of his implementation, this just isn't the case. His advice? Find ways other than “osmosis” to build internal SAP S/4HANA competencies.

Whether you are working with Deloitte, Capgemini, Accenture, or any other SAP system integrator, it is important that you take the time to learn the software. This will allow you and your project team to be more self-sufficient and to work more collaboratively in defining how the technology can improve your business.

TAKE OWNERSHIP OF AND ACCOUNTABILITY FOR YOUR SAP S/4HANA IMPLEMENTATION

In addition to transferring knowledge from your SAP system integrator, it is also important to take control of your project. Regardless of your integrator's competence, your internal team should own and direct the project. This is what the client did here. They used their SAP system integrator as a staff augmentation rather than to lead project. The company took ownership of the project plan and budget – not the system integrator.

This may be easier said than done. It's difficult enough to find enough internal resources to support the project without building internal competencies. It's also difficult to do when you don't already have internal SAP competencies. But, the more successful you are in this arena, the more likely you will be to build for long-term success.



UNDERSTAND THE FACTORS THAT WILL DETERMINE YOUR SAP S/4HANA IMPLEMENTATION TIME AND COST

Most SAP S/4HANA implementations take more time and money than expected. This makes the estimation, implementation planning, and implementation readiness processes very important. Companies that have a good handle on these variables are much more likely to be successful. The client in this case was no exception.

Several factors are most likely to determine how much time and money your implementation will take. There is a direct correlation between how your organization rates in these areas and overall implementation time and cost. Be sure to get an independent, outside view from SAP consultants who can help develop a realistic plan and budget for your SAP S/4HANA transformation.

BUILD YOUR SAP S/4HANA IMPLEMENTATION PROJECT FOR LONG-TERM SUSTAINABILITY

There are two components to consider here. First, you want to ensure the overall project quality assurance of your SAP S/4HANA implementation. This will help ensure that your project stays on track, is aligned with your organization, and delivers the benefits you expect.

The second component of sustainability should focus on establishing a longer-term SAP center of excellence. This will ensure that your business and IT groups own the SAP solution and are proactively improving your team's adoption of the technology over time. As the client in this case study found, long-term sustainability is one of the areas for immediate and long-term benefits. In his case, building internal SAP competencies is very different than the ones his team had built in JD Edwards.

LESSONS

FROM AN SAP EXPERT WITNESS

I've been involved with SAP implementations for over 20 years now. In that time, I've seen the good, the bad, and the ugly sides of these large transformation projects. My experience as an SAP expert witness has taught me a lot.

In my experience as an SAP expert witness and SAP implementation consultant, SAP S/4HANA, ECC, R/3, and Business One are all capable of delivering game-changing business benefits. On the flip side, they can also lead to unmitigated disaster if not managed properly.

Just as is the case with Oracle Cloud ERP, Microsoft Dynamics 365, and other digital transformations, SAP projects have their fair share of troubled initiatives. The causes of these problems typically go well beyond or are completely unrelated to technology issues.

I have had to analyze, write expert opinions, and/or testify in over a dozen SAP lawsuits over the years. Here are some of the biggest lessons I've learned from those cases:

SAP IS OFTEN A CULTURAL SHOCK TO ORGANIZATIONS

Most focus on technology when they think of SAP. However, companies shouldn't underestimate the potential cultural shock that an SAP transformation can cause. This is typically a much larger problem than anything to do with the technology.

For example, one of SAP's strengths is standardizing global and common business processes across disparate operations. This can be a good thing. But, if you are beginning with highly disparate and independently operating business units, changing your culture and people to fit this new model can be extremely painful.

Effective organizational change management is the most effective way to mitigate this risk. Not change as in training to learn SAP transactions, but instead, activities that help drive the massive cultural change required. Independent organizational change management experts like the ones at Third Stage Consulting are good ways to help facilitate these changes.





BE SURE YOU'RE READY FOR SAP

Just as companies often aren't ready for the cultural shifts required for a successful SAP implementation, they are often also not ready for a number of activities required to make the projects successful. There are a number of things that companies should do well before their implementations even begin.

For example, companies should:

- *Create a well-defined implementation plan that covers not just your system integrator activities, but those to be addressed by your internal team and other third-party consultants*
- *Ensure that your future state business processes are fairly well defined and agreed upon, so your system integrator has a clear blueprint to build from*
- *Mobilize your internal resources to support the project*
- *Get a handle on your current data so you can begin data cleansing*

Getting a head start on these activities can save considerable time and money later on. Even before you complete these activities, you should ensure that you have completed a careful comparison of SAP S/4HANA, Oracle Cloud ERP, Microsoft Dynamics 365 and other viable technology options.

DEVELOP A PLAN TO DEVELOP YOUR INTERNAL SAP COMPETENCIES

Supporting SAP typically requires an upgrade to your IT skill set. Establishing an internal SAP center of excellence early on is critical to building internal competencies and ownership. This helps reduce costs and over-dependency on system integrators and outside consultants.

The first step is to define the gaps between the competencies you have now and the ones you will need to support an SAP environment. From there, you will need to build an IT skills transition plan. Then, you will need to execute on that plan. This takes time and is often the critical path of a successful implementation.

PROJECT GOVERNANCE AND QUALITY ASSURANCE IS A KEY TO SUCCESS

If yours is like many SAP S/4HANA implementations, your monthly project costs will be high. This means that every delayed decision and missed deadline will cost money. If you have an army of consultants with the hourly meters running, these costs can add up very quickly.

Project governance is a key mitigating factor to this risk. Ensure that you have solid project governance with clearly defined roles, responsibilities, and decision processes. It is also helpful to enlist the help of independent SAP project quality assurance assistance – a service that Third Stage Consulting provides to its clients.

CHOOSE AND MANAGE YOUR SYSTEM INTEGRATOR WISELY

Your SAP system integrator is one of the most important decisions you can make. When assessing potential integrators, you should consider things like:

- *Global reach and capabilities*
- *Quality of the team*
- *Onshore vs offshore development model*
- *Cultural fit with your organization*
- *Experience in your industry*
- *Estimated costs*

Once you have selected the right system integrator, you will also want to make sure that they are properly managed – just as you would any other project resource. At the end of the day, this is your project, so it is important that your team control the tempo of the project rather than your system integrator.



CONCLUSION

In our years of helping our clients implement SAP S/4HANA and other ERP systems, we find that most mistakes can be avoided. A proper SAP implementation strategy, execution, and best practices will make your transformation successful. The difference between success and failure isn't due to luck, so we hope these lessons help you chart a course to a more successful initiative.



About Eric Kimberling

Eric Kimberling is the most recognized and respected independent ERP systems expert in the world, giving 100% unbiased advice to clients for over 20 years. Eric has dedicated himself to giving keynote speeches at industry conferences and universities worldwide, and has been quoted in thousands of articles in newspapers, magazines, and books, including the Wall Street Journal, CIO Magazine, and Fortune. He has served as the expert witness in the industry's highest-profile legal cases, representing both government and private companies across the globe. He is also the author of the acclaimed books, "An Expert's Guide to ERP Success" and "Lessons from Over 1,000 ERP Implementations."

Eric is an expert in organizational change management, project management, implementation, and evaluations of ERP systems. His extensive experience includes ERP software selection, organizational change management, implementation project management, and benefits realization. In addition to his extensive ERP experience, Eric has also helped clients with merger and acquisition business integration, via strategic planning, business process reengineering, and Six Sigma. He further demonstrates his innovative and unparalleled industry experience as the lead facilitator of a weekly webinar series.

Throughout his career, Eric has helped hundreds of high-profile enterprises worldwide with their ERP initiatives, including Nucor Steel, Fisher and Paykel Healthcare, Kodak, Samsonite, Coors, Boeing, Duke Energy, Filson, and Lucent Technologies, to name a few. He has helped manage ERP implementations and reengineer global supply chains in countries as diverse as China, India, Singapore, Hong Kong, New Zealand, South Africa, and the United States. He has won numerous industry awards for his experience and contributions, including Supply Chain Pro to Know and Best Independent ERP Blog award from ERP Focus.








About Third Stage Consulting

Founded by industry thought leader Eric Kimberling and supported by the industry's leading consultants, Third Stage brings our clients an unparalleled wealth of experience. Comprised of senior business and technology advisors, project managers, process engineers and change innovators, our team has led some of the most complex and well-known technology initiatives over the past 20+ years.

Our consulting approach and methodologies stem from the core objective of improving businesses operational efficiencies and profitability through optimizing the use of technology. Technology, in one way or another, influences every single aspect of business today. With the immense amount of technologies available, it is rarely easy to determine the best technology strategy. Expertise is needed to help determine when, where and how to implement new systems, to make use of emerging technologies and to map technology investment to a positive ROI. This is where Third Stage Consulting thrives.

Our Services



 ERP Software and Digital Transformation Strategy	 ERP Software Selection and Validation	 Organizational Change Management	 Business Process Management
 ERP Implementation Project Management	 ERP Expert Witness	 SAP, Oracle, Microsoft Dynamics, and ERP Staffing	 ERP Software Industry Research, Analysis, and Market Positioning

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