



S/4HANA pre-study

Laying the ideal foundation
for your successful SAP
S/4HANA transformation



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PwC's S/4HANA

pre-study approach

“An ERP transformation to SAP S/4HANA is an important digitalisation initiative, supporting the achievement of strategic business targets in our client organisations across all domains.”

Steffen Drawert, Partner at PwC Germany

Laying the foundation for an intelligent enterprise with a digital ERP core

An ERP transformation supports strategic business goals interlinked to dedicated business benefits. Therefore it is reasonable to invest time and effort to plan what is needed to achieve this most effectively.

That is why ERP experts at PwC Germany use the concept of a structured pre-study that provides answers to the main questions that companies typically raise when thinking about an ERP transformation. These include:

- What are the most important strategic goals and guardrails of an S/4HANA transformation?
- What is the functional and technical scope (heatmap), leveraging a reuse/innovate approach?
- What benefits are expected from the transformation and what investment is required to realise them?
- What is the right approach and timing for an appropriate transformation roadmap?
- How will the overall IT landscape look after the transformation?
- What is needed to get everybody on board?



The desired outcomes of a pre-study encompass strategy, business, organisation and IT domains

An S/4HANA pre-study should result in a clear picture of targeted process and functional scope, underpinned by a benefit case as well as a suitable target architecture, an appropriate transformation roadmap, and a valid project setup and change management concept.

The pre-study should define the business process scope, supporting system landscape and composable ERP architecture – covering the business capabilities and high-level design options the enterprise requires to reach its strategic objectives. This means that at the end of a pre-study an enterprise is fully prepared and all relevant aspects are ready for the company to start its transformation direct to S/4HANA.

Pre-study results

- ✓ Management alignment (bootcamp)
- ✓ Process and functional scope (heatmap)
- ✓ Target architecture
- ✓ Transformation roadmap
- ✓ Project approach
- ✓ Business case
- ✓ Change management concept

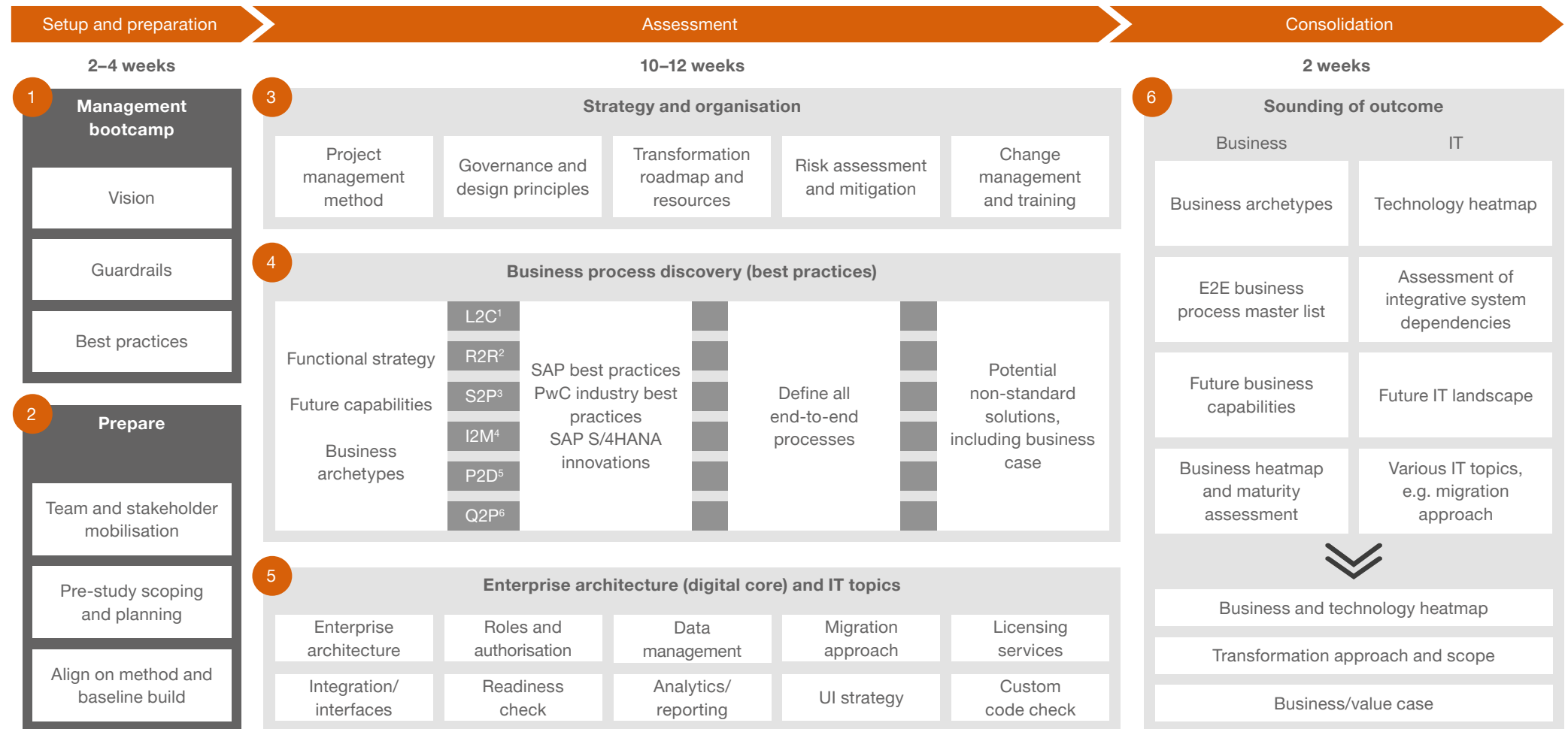


Our S/4HANA pre-study approach

With these outcomes in mind, we have designed a S/4HANA pre-study approach that focuses on:

- Identifying strategic levers (business case, total cost of ownership) for top management (C-level)
- Target vision definition (for business and technology set-up of the S/4HANA solution) with functional leads
- Architecture, technology approach and transformation roadmap alignment with IT
- Cross-topic alignment on data management/migration, system integration or custom code analytics needs

The compact S/4HANA pre-study approach consists of six main parts



¹ Lead-to-cash. ² Record-to-report. ³ Source-to-pay. ⁴ Idea-to-market. ⁵ Plan-to-deliver. ⁶ Quality-to-production.

Transformation vision helps to calibrate the journey ahead and secure the fundamentals in the initial stage

Each S/4HANA-enabled business transformation starts with a clear definition of the vision and objectives of the transformation: what is to be achieved with the transformation and what is it enabling?

Clearly defined and measurable objectives build guardrails for the upcoming transformation planning phase and the transformation itself, while strategic design first principles need to be clarified.

Clarifying the strategic direction of the company also makes transparent which future business processes essential for everyday operations should be empowered or can be reused in future, and which target application stack they need to be supported by.

Additionally it is vital for the implementation partner to understand the long-term business model and organisational structure of the enterprise and incorporate it into the design of the company's new digital core and IT landscape.

PwC's transformation guardrails lay the guiding principles for transformation



Guardrails to stay focused – revisit only if necessary



Strategy

- Platform for growth
- Enablement for further digitalisation
- Design to save money and increase agility



Processes

- Change/transform where business benefit and feasibility allows
- Commit to SAP standardisation
- Differentiate where competitiveness is key
- Fully leverage automation potential



Organisation

- Customer value first
- Change with an integrated end-to-end view at all times
- Lean back office
- Central S/4HANA template governance (e.g. via temporary role of a transformation manager)



Systems

- Establish a single point of truth
- Review satellites
- Combine on-premises with cloud applications

Strategic positioning for transformation



“A preliminary study is the basis for every technically secure and strategically value-creating S/4HANA transformation.”

Sebastian Löffeld, Director at PwC Germany



Our management engagement approach enables full control of transformation levers

We initiate top management engagement through a one-to two-day management bootcamp with specific goals:

- Achieve management understanding of the impact of S/4HANA and draft a project vision
- Gain management buy-in and understanding of the S/4HANA transformation as an opportunity
- Understand current pain points to address the areas to change/transform
- Gain management support for necessary resources and contributions
- Initiate broader communication to areas of the organisation most affected by the transformation
- Conclude a management-level agreement on guidelines, plans and transformation initiation

At the end of the pre-study, we report back findings and outcomes of the assessment to management.

From high-level vision to business processes

After creating the overall transformation vision, functional scoping as well as process and change impact assessment take place. These steps are taken in close collaboration with department heads and existing senior subject-matter experts/key users together with business process and S/4HANA functional consultants.

To reflect the goals and needs of the individual business areas, the high-level transformation objectives and vision for each relevant business model (archetype) need to be broken down and brought to departmental level. This ensures that all business areas are included in transformation planning and can include their perspectives in the roadmap.

This is the moment for involving the business process owners from different areas of the organisation and aligning the vision of each individual department with the overall transformation goals, resulting in an end-to-end business process architecture.

Additionally, the target structure of the overall organisation is taken into consideration. As well as reflecting departmental needs in the transformation roadmap, required local/legal adjustments must also be included in the solution and programme planning.

Programme roadmap and change impact



Our pre-study results in a business process and technology heatmap, including transformation roadmap and change impacts

To assess and document the business process scope and innovation potential, ERP specialists from PwC Germany leverage PwC's Industry Edge reference processes and show-and-tell system with S/4HANA best practices, transformation use cases and industry benchmark experience.

The resulting business heatmap helps to differentiate the business process changes into three categories – migrate, adapt or innovate. All these insights are used to consult the individual business departments during the creation of their transformation targets and roadmap for

a future-ready digital backbone. In addition to business process scoping and roadmap creation, the pre-study also focuses on other key aspects such as simplification, standardisation, harmonisation and cross-topic issues like handling custom code, the migration strategy and the UI concept.

The pre-study is the time to assess the change impacts that will result from realisation of the draft roadmap. This is the basis for a first high-level change management plan to engage all relevant stakeholders during the transformation, and allow for a smooth handover with the go-live of the new ERP system.

We focus on the main process areas of your IT landscape based on an enterprise end-to-end process map, and derive a client-specific S/4HANA transformation heatmap.

E2E business process scoping and heatmap

Jump-start the process discovery phase of the pre-study with **PwC Industry Edge framework for SAP, including end-to-end scenarios**, design documents and accelerators

Forecast-to-plan	Source-to-pay	Idea-to-market
Plan-to-deliver	Quality-to-production	Deliver-to-replace
Lead-to-cash	Budget-to-report	Global trade services

Defining a future-ready S/4HANA solution



Making composable ERP your new normal

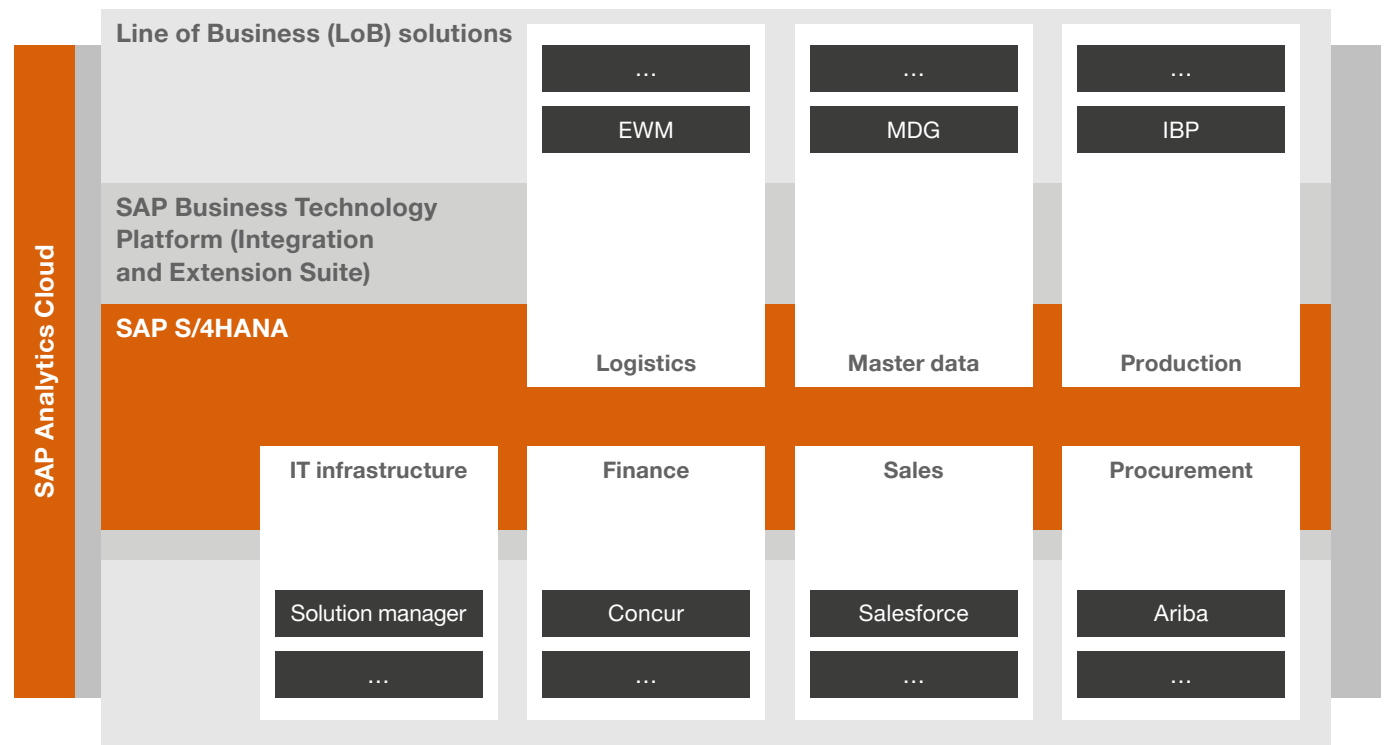
Megatrends like cloud computing and AI mean the system landscape will change. Most ERP software solutions are becoming more modular and need to be integrated into end-to-end business processes.

A composable ERP is an ERP system with a modern, flexible, scalable and robust architecture that can be customised, extended and integrated with other systems according to business requirements. It often involves a mix

of on-premises and cloud hosting. An ERP transformation must seamlessly integrate the new digital core with the existing legacy system/satellite infrastructure.

Implementation guidelines need to be defined to guide successful delivery of the transformation and ensure that the benefits are realised. This is where a strategic integration and extension platform helps to safeguard the creation of a composable ERP and ensure interoperability within the entire IT landscape. Here, it is helpful to use proven methodologies to successfully handle integration and extension requirements.

Composable ERP landscape¹



¹ The landscape is not represented in its entirety.

Our strong focus on architecture concepts safeguards business design

Architecture and business transformations are two sides of the same coin. The success of an S/4HANA transformation is not only measured by the new processes becoming the driving force in the system; success is also measured in terms of benefits such as the level of innovation and operational performance.

In a pre-study, the aim is to design a cutting-edge IT architecture, offering a robust and intelligent platform as a basis for streamlined operations.

PwC's technology and architecture experts help to:

- select the most appropriate S/4HANA design, migration and implementation approach;
- deliver effective options for S/4HANA development (such as smart greenfield vs. pure greenfield) and deployment (such as big bang vs. global rollout) as well as the most appropriate technique to ensure a seamless integration without disrupting business operations;
- ensure user experience (UX) strategy and the SAP Fiori concept are designed to put the business user at the centre of the high-level design of the future frontend; and
- define the new data and governance model as well as the required migration concept (if not pure greenfield).



Tips: what to look out for

- Line-of-business-specific SaaS solutions need to be integrated with core processes in the ERP system.
- Cross-company business processes need to be integrated into a continuous business or industry network.
- Custom extensions of standard solutions need to be incorporated into the composable ERP, driven by cloud-based solutions.

Your PwC S/4HANA pre-study experts

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About us

Our clients face diverse challenges, strive to put new ideas into practice and seek expert advice. They turn to us for comprehensive support and practical solutions that deliver maximum value. Whether for a global player, a family business or a public institution, we leverage all of our assets: experience, industry knowledge, high standards of quality, commitment to innovation and the resources of our expert network in 151 countries. Building a trusting and cooperative relationship with our clients is particularly important to us – the better we know and understand our clients' needs, the more effectively we can support them.

PwC Germany. More than 14,000 dedicated people at 20 locations. €2.93 billion in turnover. The leading auditing and consulting firm in Germany.

