



**NUCLEUS**  
RESEARCH

# THE BENEFITS OF SAP S/4HANA

ANALYST

Seth Lippincott

## THE BOTTOM LINE

Nucleus engaged with SAP S/4HANA customers to determine the benefits and value they are deriving from the enterprise resource planning (ERP) platform. Despite having a wide variety of business cases that led to implementing S/4HANA, customers needed better centralization and increased efficiency of many processes. The new capabilities being delivered by SAP's software were a driving motivation for many customers, who were looking for increased mobility, improved data storage and management, and advanced planning and process optimization. Nucleus found that customers were positioning their organizations for future growth by deploying S/4HANA with the expectation that the product will deliver continual value in the coming years.

## OVERVIEW

Over the past year, Nucleus researched the experiences of customers who have made the move to SAP S/4HANA. As SAP's flagship enterprise resource planning (ERP) solution, S/4HANA encompasses cloud, hybrid, and on-premises deployments and serves 25 industry verticals. Positioned as a Leader in the 2018 ERP Technology Value Matrix, S/4HANA is the platform on which SAP delivers its latest technology innovations in the ERP space enabled by SAP Leonardo, such as machine learning and predictive analytics (Nucleus Research, *s141 – ERP Technology Value Matrix*, September 2018). Nucleus sought to investigate the benefits of the latest capabilities SAP is delivering. The research shows that S/4HANA's functionality has positioned companies to be more flexible moving forward and enabled business processes that were impossible on legacy technology.

For every customer with whom Nucleus engaged, the business case that was driving their implementation was a need to centralize and eliminate silos among areas of the organization. Maximizing the return on investment (ROI) was not the motivating factor behind the move to S/4HANA by the customers. Instead, Nucleus found that customers were looking to transform many parts of their businesses to run more efficiently and operate with expanded capacity to facilitate their organizations' growth plans.

## THE COMPANIES

The companies with whom Nucleus worked on this research ranged in size and complexity, with some operating globally and others domestically. Organizations had varied reasons for moving off the legacy technology they were using. The primary driving factors were:

- Reporting and compliance. With older technology underpinning their business processes, companies were facing significant challenges producing the reports and filings required by compliance regulations. For several organizations, a slow and labor-intensive financial close at the end of each financial period was a challenge that they looked to alleviate with S/4HANA.
- Integration and mobility. Before deploying S/4HANA, companies were unable to extend their legacy solutions to take advantage of recent software developments. In addition to lacking extensibility to other applications, companies could not extend their enterprise capabilities to employees in the field.
- Platform for growth. For some organizations, their legacy technology was adequately serving their needs; however, the ability of the company to grow beyond its current state was limited. In addition to increasing the efficiency of existing processes, companies deployed S/4HANA pursue adding new lines of business or transforming their strategies to access new markets and increase revenues.

## RECOGNIZING TECHNOLOGY AS STRATEGY

Although each company was different, a common thread they shared was the recognition that refreshing their technology could enable them to shift away from the traditional way of doing things. In some instances, their business processes weren't broken and even served the organizations well. However, in each case, customers determined that moving to S/4HANA would help them further their business goals.

For many businesses, understanding how they can use technology to improve the business is a significant hurdle, since it requires an understanding and visibility into all the parts of the business that will be affected. Reviewing business needs and measuring them against what vendors could deliver was a crucial part of the strategies that led customers to select S/4HANA as their next enterprise technology project.

## THE BENEFITS

The benefits S/4HANA customers realized after going live on the platform depended heavily on their industry and the business objectives they were looking to achieve. Some of the notable consistent benefits experienced across organizations include:

- **Accounting and finance efficiency.** Before deploying S/4HANA, companies were operating in siloed departments that required manual, time-consuming consolidation at the end of each financial period. Frequently, reporting capabilities that were performed in the legacy ERP systems were heavily supplemented with a third-party reporting tool or Microsoft Excel. S/4HANA allowed customers to centralize their entire accounting and finance operation. For example, one customer moved from 11 instances of its legacy system to one unified global general ledger instance. Customers were also able to democratize reporting, so users could build their own ad hoc reports rather than needing IT to build reports for them.
- **Improved planning.** With the prior systems customers had been using, planning was disjointed across departments and moved between Excel and the legacy ERP software. Additionally, for some organizations, production would have to stop for the planning system to run, which took multiple hours to complete, thereby costing time and productivity. Once live on SAP S/4HANA, customers could perform a planning cycle in a matter of minutes instead of hours and without needing to shut down production in the process. Because their data are centralized, organizations can stop planning in silos and coordinate operational plans across departments. Instead of each product line carrying out its own pricing and inventory strategy, companies gained visibility over their entire operations. Organizations benefited through improved logistics and pricing due to consolidated inventory of all their stock keeping units (SKUs).

- Reduced information technology costs. For organizations that had been on legacy versions of ERP software, IT was a significant cost center. Maintaining the existing customizations to their solutions and building extensions required many hours and resources each year. When customers updated their systems to S/4HANA, they eliminated many customizations and often outsourced much of the maintenance and management of their environments, resulting in significant time savings that could be redirected to more value-add tasks. Additionally, with the SAP Fiori user experience, in-house developers can build applications for their users more quickly, accelerating the value end-users are able to extract from the new capabilities.
- Better cross-functional coordination. The benefits from centralized data extend beyond the ability to plan across silos. On the production side, visibility into quality control and manufacturing execution results in identifying possible issues faster and improving overall performance. The mobile capabilities of the platform allow users, whether remote or on the production floor, to input data and track the progress of a job. As a result, organizations can operate closer to real-time, improving the speed at which issues are resolved and reducing inefficiencies caused by information lags.

## CONCLUSION

Nucleus found that the driving factor which prompted each organization to move to SAP S/4HANA was a desire to transform parts of the company and position those parts for future growth. For many organizations, the decision to implement S/4HANA was a key facet of their overall process review, prompting them to remove information silos and inefficient business process. Rather than having to rearchitect parts of the business on legacy technology, the customers were able to take advantage of the latest capabilities SAP is delivering with its software, such as AI-informed pricing optimization and supply chain logistics optimization. Additionally, the mobile and application development capabilities ensure that users have the tools they need when and where they need them.

Achieving a high ROI was not the primary motivation for most organizations moving to S/4HANA. Rather, modernizing their operations and removing costly, disjointed legacy systems was the central goal for customers. Nucleus found that customers are using the platform to enable their organizations to grow and change as their business needs change. The customers estimate that S/4HANA will be able to deliver benefits beyond the foreseeable future based on the flexibility of the platform and the technologies SAP is delivering on it.