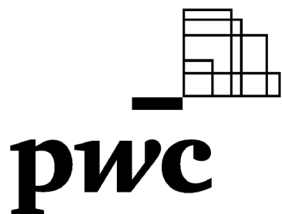




# COVID-19: SAP consulting perspective

Impact of the COVID-19 crisis on S/4 transformation



# The COVID-19 crisis, and what it can teach businesses

## Businesses are facing a unprecedented crisis

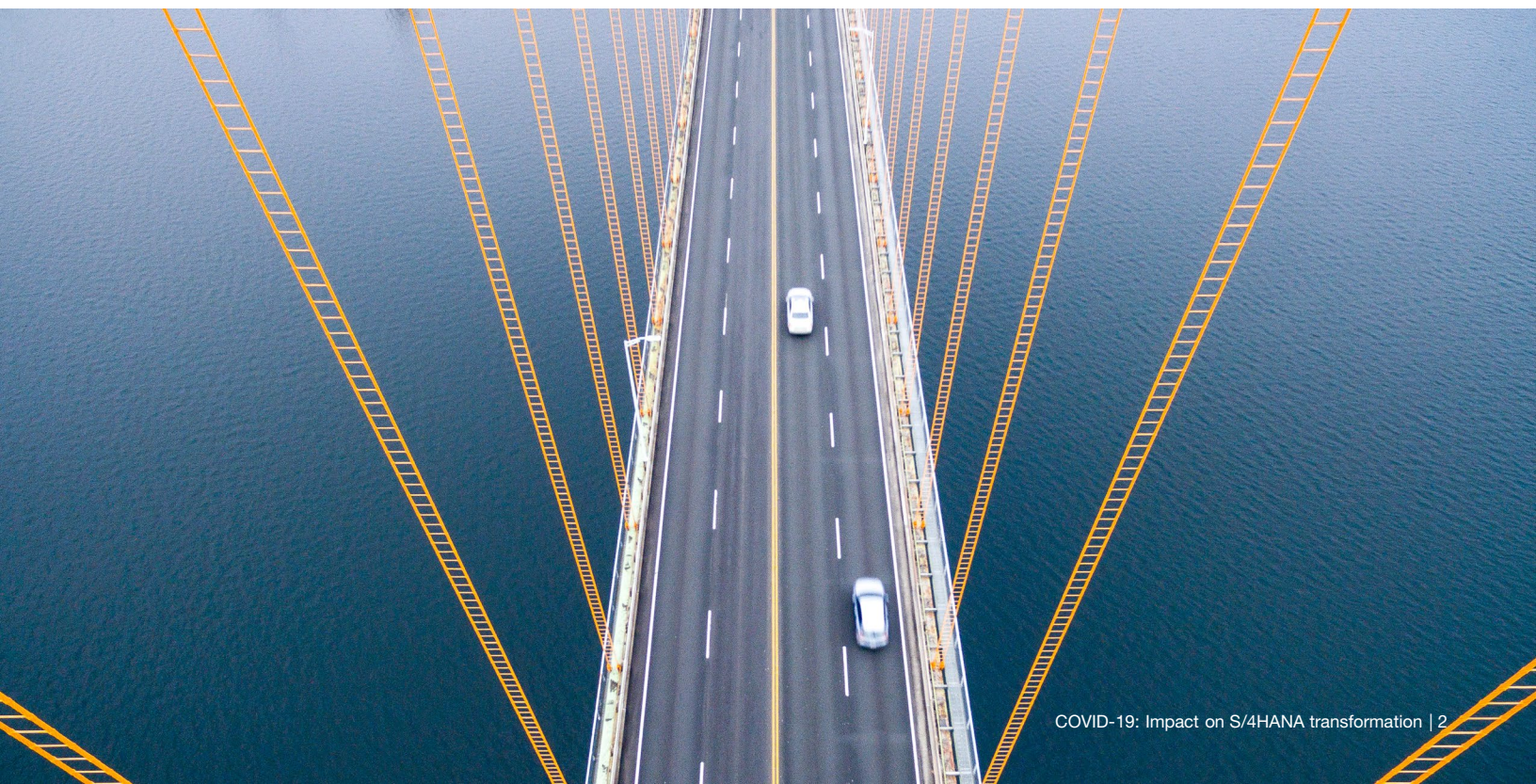
The COVID-19 pandemic demonstrated to companies how enormous challenges can emerge rapidly and unexpectedly. While ever increasing globalisation is counted on to drive growth and efficiency in today's economy, it is now more clear than ever that it also makes our world ever more vulnerable to the rapid spread of local epidemics to other countries and continents. The resulting external and internal challenges – ranging from social uncertainty and economic instability to interruption of supply chains – have made crisis management a top priority now for nearly all companies worldwide.

However, most companies are not sure where to start. Such crises impact companies without warning, leaving little time to take protective measures. On one hand, near term issues must immediately be addressed, evaluating a chain reaction already in progress across areas customer demand, delivery logistics, liquidity and supplier network sustainability. On the other hand, a longer term view must be taken considering the uncertainty and unpredictability of the long-term economic development in the global context.

## Constraints and opportunities

In order to best position their business to address these challenges, PwC observes a few key aspects that leaders should emphasise:

- **Operations must consider workforce bandwidth constraints.** Seamless and smooth business processes running independently of virtual or short staff working modes will require practical and flexible approaches to ways of working.
- **Business partner network disruptions should be minimised.** Measures should be taken to sustain the existing supplier network and strengthen customer relations, while also identifying alternative channels and markets.
- **Consolidated insights to the business are required to optimise mitigation measures.** For example, qualitative real-time data availability dramatically improves decision-making to reduce costs and secure liquidity.
- **Detected deficits should be eliminated on a short- and mid-term horizon.** Acceleration of priority solutions will maximise the opportunity to improve competitive position in the near-term and also mitigate risk in the future.





# Focus and accelerate – adjusting the S/4 approach

## What does this mean for my S/4 transformation?

Pre-COVID-19, many companies were already underway with their SAP S/4HANA driven business transformation program, or considering when to start. Some companies will now consider putting off or delaying these programs until the economic situation has stabilised. However, PwC SAP Consulting believes the ideal approach is rather to make specific adjustments to optimise and accelerate the transformation, focusing on areas to most effectively position the company to come out of this period and also be better prepared for future crises.

It can be seen that there are potential recurring savings through the optimised system landscape and process improvements that are realised with a modernised ERP system. Targeting the right efficiencies up-front can provide relatively rapid returns, reduce TCO and increase confidence with key stakeholders in times of uncertainty.

Additionally, a modern IT landscape is required as the future-proof platform for the business to leverage emerging technologies, which have the potential to bring cost savings and new business channels.




## Focus and accelerate the approach

Despite these clear opportunities to achieve competitive advantage, many companies will encounter the dilemma that there is a lower scope for investments. For that reason, a focused and accelerated transformation strategy is required, with an approach for a fast S/4HANA implementation. In the following pages, we will look at four key recommendations that can be taken into the preparation phase to put the right approach in place:

- Identify high-potential value levers
- Perform risk and disruption analysis
- Define design principles reflecting an accelerated approach and need for process flexibility
- Assess fit-to-conversion to select the right migration strategy

## Adjusting the S/4HANA transformation approach

An optimised approach should consider opportunities and constraints highlighted by the COVID-19 crisis

 Lessons learned from COVID-19 crisis	 ERP perspective	 Key adjustments in preparation process
<ul style="list-style-type: none"><li>• Consider workforce bandwidth constraints</li><li>• Minimise business partner network disruptions</li><li>• Optimise measures based on consolidated business insights</li><li>• Address gaps in an accelerated way and focus on rapid returns within budget constraints</li></ul>	<ul style="list-style-type: none"><li>• Target big ticket process efficiencies and IT TCO</li><li>• Leverage emerging technologies to achieve cost savings and new business channels</li><li>• Improve data quality</li><li>• Design processes and system to ensure agility</li></ul>	<ul style="list-style-type: none"><li>• Identify high-potential value levers</li><li>• Perform risk and disruption analysis</li><li>• Define design principles reflecting an accelerated approach</li><li>• Fit-to-conversion approach to select the right migration strategy</li></ul>

# Identify big ticket sources of value in the preparation phase

## Success is where opportunity and preparation meet

The preparation phase is crucial for defining the strategic direction by identifying high-potential value levers, creating design principles and selecting the right migration strategy for the subsequent exploration phase to maximise the total investments. The starting point for the company's S/4 transformation is a profound analysis of business value and end-to-end opportunities in a structured way through harmonisation, simplification/standardisation via S/4 and innovation via technology:

- For **process harmonisation**, it is important to define the degree of harmonisation and (plant-specific) process variations.
- For **standardisation via S/4**, it is recommended to conduct an assessment including customer specific definition of standard, e.g. using SAP model company, industry solutions, best practices, enhancements, add-ons.
- For **innovation** opportunities, an assessment should be performed of specific emerging and advanced technologies.

S/4HANA-driven business transformation promises recurring savings in terms of operational, support and IT costs, including:

- ✓ Decommissioning of legacy systems, simplifying and reducing customisation and reducing maintenance and support
- ✓ Improved business processes
- ✓ Increased asset effectiveness
- ✓ New business models that enable increased market share, profit, and new customer and sales channels
- ✓ Automation of labour-intensive business processes
- ✓ Real-time available data to enhance decision-making

To leverage these potentials under the investment constraints faced as a result of the COVID-19 crisis, strategic adjustments especially in the preparation phase of the S/4 transformation project, need to be reflected.

## Value lever analysis to identify high-potential opportunities

Value levers vary by end-to-end process and typically are addressed in a structured way through harmonisation, standard and innovation

Business value	E2E opportunity	Process harmonisation		Simplify/standardise via S/4		Innovate via technology	
Transparency and decision speed	Master data	• Data standard setting • Single source	↑	• Simplify process steps • Transparency	↑		Prediction
	Book to report	• Legally defined • Regional derivations low	↑	• Simplify process steps • Advanced analytics	↑		
Cost and spend	Procure to pay	• Contract optimisation • Spent transparency	↑	• Reduction of variants • Fiori dashboards	↑		Integration machines
Asset effectiveness	Engineering and maintenance	• Operational efficiency • Seek for synergies	↗	• Advanced functionality • Transparency	↗		Advanced analysis
	Planning	• Integrated supply chain • Supply optimisation	↗	• Real time visibility • Advanced integration	↗		Automation
Customer satisfaction	Market to order	• Marketing effectiveness • Sales/deal transparency	⇒	• Diverted software market • Integration reality	⇒		Customer interaction
	Order to cash	• Best customer service • Response time/quality	⇒	• Reduction of variants • Fiori dashboards	⇒		
QUOTIF (Quality on time in full)	Logistics/ manufacturing	• Best site fit • Operational efficiency	⇒	• Advanced functionality • Integration	↗		
	Transport management	• Regional synergies • Cost optimisation	⇒	• Advanced functionality • Transparency	↗		
Time to market	R&D	• Research intelligence • Product/service specifics	⇒	• Diverted software market • Integration reality	⇒		

Potential High Low

# Taking the right migration approach is more important than ever

## Defining design principles and priorities

Based on the results of the value lever analysis, priorities for an accelerated and cost efficient S/4 transformation are identified to reduce time-to-value and costs on a short/mid-term horizon.

Design principles can now be defined for the derived priorities and typically cover aspects such as the master data concept, the target modularity of the solution, governance of the core, proportion of standard solutions and customisation, as well as the differentiation factors.

For an accelerated S/4 transformation, a strong governance model will also need to be in place. An empowered change advisory board can monitor and control the compliance of the defined principles, time and cost, in the context of the current business realities.

## Risk and disruption analysis

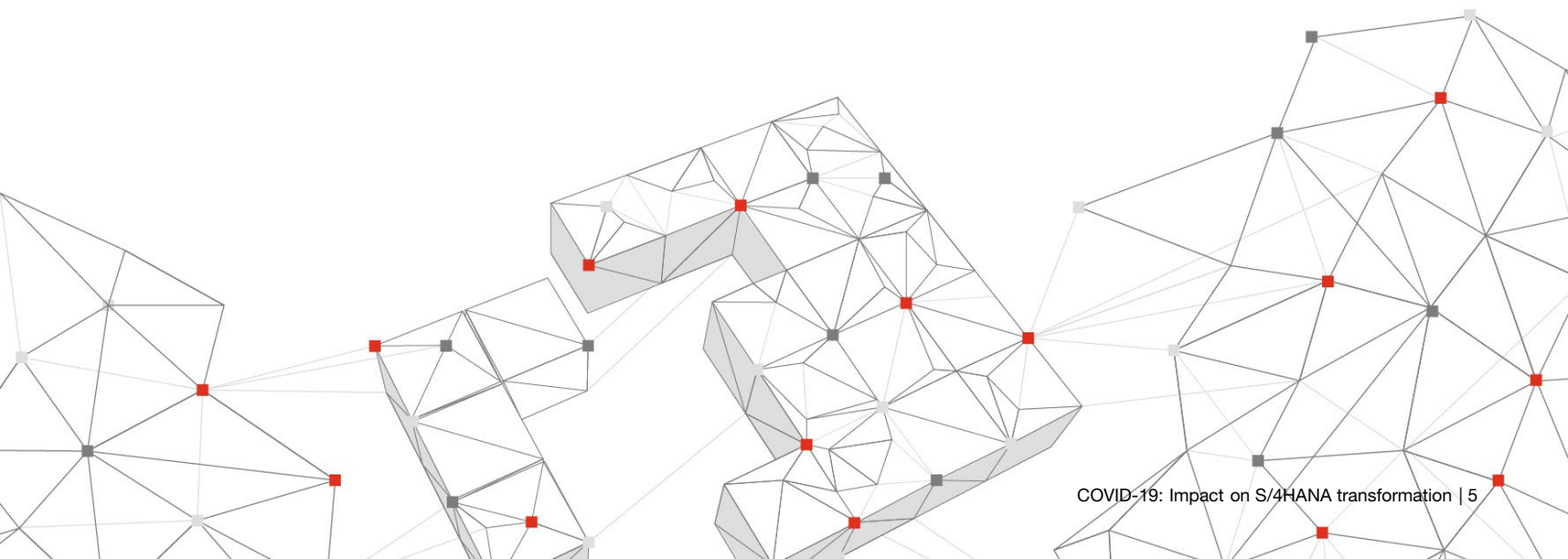
A key adjustment for defining design principles and governance as a learning from COVID-19 is to include a risk and disruption analysis that reflects scenarios like pandemics or trade restrictions. This allows a company to evaluate its business processes and process steps, master data set-up and functionalities to react flexibly to any kind of business disruption. On page 6, we share a more detailed example of how to conduct this analysis.

## Selecting the right migration strategy

As a next step, the overall accelerated S/4 transformation program approach and migration strategy should be assessed in a fit-to-conversion approach check. In such an assessment, the primary underlying parameters determining the selection of a suitable program approach are:

- Time and investment constraints due to COVID-19 / economic uncertainty
- Design principles resulting from the design potential and lever analysis such as harmonisation, standardisation and innovation
- Technical assessment and SAP readiness check of the existing SAP environment

Taking the outcomes of this check into account, a detailed program set-up and migration strategy can be defined. In many cases, a brownfield approach will provide the optimal speed of implementation and time horizon of investment, while safeguarding existing competitive advantage. However, there are also legitimate cases for a greenfield (or bluefield) approach, for example where a company is not already running SAP on a broad scale or is looking to bring disparate business organisations together on a single standard.



Example approach

Products/ areas	Sales			Supply			Category	Root cause	Impact description		Derived SAP measures
	Market	Market	Market	Country	Country	Country					
Product / product family 1							Supply	Supply cancellation/delay	(Potential) production down time or increasing production order backlog due to cancelled/delayed supply	➤	Activate supply and usage of alternative components (alternative BOMs/items)
Product / product family 1								Delivery cancellation/delay	Supplier is producing components, but transportation chain is disrupted		Create alternative material for in-house production
Product / product family 1											Reduce waste/scrab by optimising material usage
Product / product family 1							Demand	Decreasing demand/ order cancellations	Customers are cancelling orders due to market situation	➤	Review planning strategy
Product / product family 1								Delivery cancellation/ delay	Goods are ready for shipment, but transportation chain is disrupted		Demand-driven MRP
Product / product family 1							Manu- facturing	Unavailable work force	Work force partially quarantined, therefore not available	➤	Review available certified employees for resource allocation / process automation
								Plant shut down	Plant is shut down due to quarantine/unavailable work force		Replicate work center modules/production lines to alternative plants
								Idle capacity due to cancelled orders	Cancelled orders are causing idle capacity		Review planning strategy
											Implement decoupling points with demand-driven MRP
											Utilise idle capacity to produce alternative products

Business as usual

Medium disruption

Critical disruption

Not relevant

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# Ensure your transformation is on track during the crisis, starting with our PwC S/4HANA risk and disruption analysis



**Based on PwC best practices and experience,  
tailored to each client**

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