

"STRUCTURE FOLLOWS STRATEGY"

The introduction of SAP S/4HANA: its implications and opportunities for corporate strategy

Interview with Prof. Dr. Andreas Pasckert and Prof. Dr. Peter Gordon Rötzel, professors at the Aschaffenburg University of Applied Sciences

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DIALOG: According to a survey by the German IT-Onlinemagazin, 76 percent of companies are currently investing in S/4HANA because SAP technology fits in with their corporate strategy. However, only half this many businesses see specific economic benefits from this move. What's your opinion? Is SAP migration a necessity or an advantage?

PROF. PASCKERT: This question is typical of the disconnect between strategic and operative management. Traditionally, strategic investments are used to establish long-term blueprints for success and competitive advantages – and this is also true of the new possibilities offered by S/4HANA. In terms of operative management, on the other hand, the key challenge lies in finding actual economic benefits.

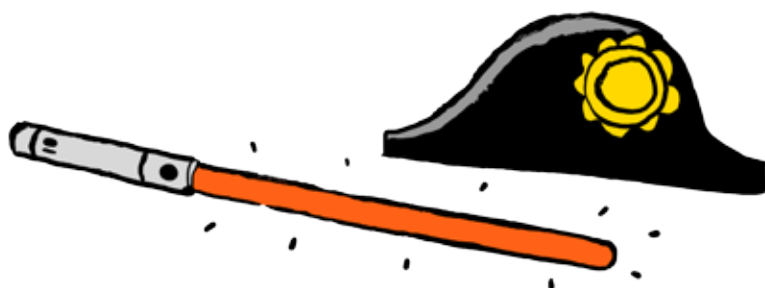
PROF. RÖTZEL: The actual opportunities and risks of S/4HANA migration for every company can only be assessed on an individual basis, and only outlined, at best, for whole industries. SAP S/4HANA offers very many opportunities for long-term success blueprints and com-



petitive advantages. However, to achieve this, senior management needs to firmly incorporate it in long-term corporate strategy, and in a digitization strategy based on this. I see a trade-off here between early migration – with the resulting advantages of being a first mover – and later migration. This decision may be driven by possible competitive disadvantages through not having S/4HANA, for example. However, it is clearly up to senior management to find a solution to this trade-off.

DIALOG: Companies hope digitization will bring many improvements, making them more flexible, more independent, more decentralized, more individual and more efficient. How can a change to SAP S/4HANA help meet these expectations?

PROF. RÖTZEL: The backbone of digitization is a successful digitization strategy combined with state-of-the-art information technology. What the above aspirations all have in common is that they demand a great deal from the appliance. Operational implementation typically demands greatly increased efficiency, particularly in terms of data analysis and back-end processes.



PROF. PASCKERT: S/4HANA can provide the fundamental information infrastructure for a digitization strategy, enabling huge quantities of data to be processed in a very short time. It works by online analytical processing (OLAP) and online transaction processing (OLTP) taking place simultaneously on an in-memory database. In an ideal scenario, this enables real-time data analysis of customer requirements, with immediate implementation in the form of individualized products. Market trends can therefore be predicted at an early stage, and customers' wishes made reality straight away.

PROF. RÖTZEL: User requirements of this kind did not just emerge with digitization or the market launch of S/4HANA. Typical IT challenges, such as increasing process efficiency, reducing operating costs and lowering complexity over the long term, while simultaneously improving handling, have long been burning issues for CIOs and IT managers. And we must not forget the general environment in the company or that compatibility problems can rapidly arise between machines and the new IT platform.

"Migration to S/4HANA offers strategic opportunities to rethink entire business processes and whole areas of business."

DIALOG: *What mistakes do companies make when implementing or migrating to SAP S/4HANA and how can they be nipped in the bud?*

PROF. RÖTZEL: Regarding S/4HANA primarily as a technical means to further automate production processes is to think in the extreme short term, far removed from a long-term digitization strategy. Rather, migration to S/4HANA offers strategic opportunities to rethink entire business processes and whole areas of business. It is vital to choose the right service provider, who will provide meaningful support for the migration strategy and often contribute expertise that can be lacking, particularly in small to medium-sized companies.

PROF. PASCKERT: In view of the high cost, the huge organizational upheaval, and introductory and transition periods that can last months or even years, being tied to a service provider who does not fit the company's specific requirements can even jeopardize its entire existence. We need to bear in mind that a large number of companies discontinue migration projects before they are completed. In addition, a significant percentage of migration projects end up costing considerably more time and money than was initially calculated. To shed light on this, we are researching the success factors in our current survey (see www.surveymonkey.de/r/SAP-2017R). We aim to find out exactly what these specific requirements for IT service providers are where HANA and S/4HANA are concerned. Based on this knowledge, we can then help companies to find and select a suitable service provider.

DIALOG: *How do companies avoid failing to exploit the full capabilities of SAP S/4HANA – in the development of new business models, for instance?*

PROF. RÖTZEL: In many companies, the fundamental structure behind their processes has existed for decades. They are successful in these areas, and this is where the profit margins are achieved for future developments. This brings them advantages in terms of learning and specialization. When introducing SAP S/4HANA, companies need to base their digitization strategy on their long-term corporate strategy. The principle of "structure follows strategy" applies here, and SAP S/4HANA should also be regarded as part of this "structure". →



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When introducing S/4HANA, a company also needs to consider future areas of development or business models that are entirely new to them. There is a clear trade-off between the flexibility to continue developing new business models, on the one hand, and the efficiency of the SAP system, on the other. Briefly, we recommend that the Management Board, in particular, keeps an eye on possible strategic options, and examines how they would be impacted by the introduction of SAP S/4HANA.

DIALOG: *In the manufacturing industry and logistics, cyber-physical systems (CPS) are the "ideal goal" of Industry 4.0 strategies. How does SAP S/4HANA support the integration of "intelligent" machines, and how can they be managed in combination with the human workforce?*

"Collaboration between humans and machines offers greater opportunities for creating jobs than scrapping them."

PROF. PASCKERT: Combining OLAP and OLPT on an in-memory platform can provide a basis for a cyber-physical system. OLAP enables large volumes of data from the internet, customer systems and other data sources to be analyzed. Ideally, this allows companies to determine demand and (imminent) customer requirements in real time.

On the other hand, OLPT enables a link between the appliance and the person, and with intelligent, informational, mechanical, electronic and software components, to be subsequently created. This can then be used to flag up new market requirements in real time, for example, and to satisfy them through individualized products.

PROF. RÖTZEL: However, employee acceptance and motivation are an essential but often overlooked issue here. As is the case

when migrations happen too quickly, "internal resistance" can quickly form. Meaningful communication and good change management are important for countering this, as collaboration between humans and machines offers greater opportunities for creating jobs than scrapping them.

About the interviewees

Prof. Dr. Pasckert and Prof. Dr. Rötzel, LL.M., lecture and conduct research in the field of management information systems, with a particular focus on the successful migration of ERP systems and enhanced efficiency through the digitization of processes. Prof. Dr. Pasckert specializes in the design of business processes, while Prof. Dr. Rötzel concentrates his research on the efficient design of management information systems against the background of big data and information overload.