

# Next-generation ERP Platforms

The clock is ticking. What does the SAP R/3 ECC 6.0 end-of-life announcement mean for your business?



**coeus**  
consulting

# Contents:

Introduction	p2
A little background	p3
What are the options?	p4
What are others doing?	p5
How do you make the business case work?	p6
Why Coeus Consulting?	p7
Our experts	p8

# Introduction

SAP's recent declaration of its intention to definitively end mainstream maintenance for its legacy R/3 and ECC 6.0 platforms has created both a headache and an opportunity for its extensive customer base.

The relatively short timeframes being proposed by SAP has caught many of its customers somewhat on the back foot, as current S/4 uptake and planning surveys indicate that many were expecting a longer window for transition.

SAP is also insisting that the S/4 suite is a new product, not simply the legal successor to ECC 6.0 and must therefore be subject to new licence metrics and controls, thus treating the S/4 transition as a platform migration rather than an upgrade which will incur additional licence expenditure, not least for HANA itself.

Given the cost and risk involved in migrating, not to mention the potential business change required to shift to a SaaS platform, what are the potential options and what are others doing in industries such as Consumer Products, Manufacturing, Oil & Gas, Utilities and Transport?

**If you have not started to plan your migration, then the clock is ticking...after all, 5 years is a short time in the world of ERP.**

# A little background

There is no shortage of publicity material and success stories being pushed to both existing and target clients by all major ERP vendors as they bet their futures heavily on Cloud. This is partly in response to niche competitors, partly to expand their product and service base, but primarily to protect their client base and to expand and secure revenue for the future.

What this means to clients though, is that choice is being limited. Whether it is ERP, or any of the specialist providers such as Salesforce or Workday, Cloud is often the only option offered. Some exceptions exist, most notably SAP's S/4 Private Edition, although Cloud will most likely still be the 'first choice' offered by any of the major providers. Even if an alternative is offered it almost always comes linked to a hosting commitment requirement from the same provider's Cloud stack. Locking the client in a vertical stack blocks out competitors, secures future footprint, and reduces the clients negotiating position.

SAP has an additional incentive. Previous versions of SAP were not only limited in functionality to the commonly available 3rd party database features, but this also caused a significant revenue gap; revenue most often 'gifted' to competitors. HANA is SAP's answer to this gap. It not only allows the application layer to fully leverage the power of the database, but it also plugs that revenue hole.

It also enables SAP to launch into the Cloud space with a Software as a Service (SaaS) offering alongside their Infrastructure as a Service (IaaS) compatible Private Edition. By entering the SaaS market, SAP can also continue its expansion in the small to mid-size enterprise sector.

# What are the options?

So far so good, but within this plan lies a potential risk.

While treating S/4 as a new application and introducing the HANA platform, SAP opens up the possibility customers can consider alternatives to the 'wall to wall' SAP ecosystems of the past.

In evaluating their future ERP solution, organisations need to examine options that include:

1. Do nothing (remain on R/3 ECC 6.0 until business conditions change or when cloud is more mature)
2. SAP S/4 HANA Cloud Edition
3. SAP S/4 Private Edition
4. Combination of SAP S/4 HANA Cloud Edition and Private Edition depending on size and complexity
5. Another product at the core e.g. Oracle / MS Dynamics
6. Any combination of best of suite products as part of the ecosystem e.g. Salesforce (CRM), Workday (HR), Manhattan (SCM), Ellipse (EAM)

Obviously, each of these options will have its benefits and risks. Choosing the right solution for the organisation will depend on a number of factors.

Doing nothing and waiting, for example may well backload all the effort in migration and timing as there may never be a 'right' time or event that triggers the decision to start.

Moving to a Cloud based ERP offering (with any vendor) has an impact on the skill-sets required of the IT support organisation. For those heavily dependent on external resources for support, moving to Cloud ERP may indeed be an attractive option.

Again, organisational culture and existing IT capability will be a determining factor in deciding between Private Edition and a combination approach. Integration considerations also play a part here.

Finally, if the organisation is looking to change its whole approach to that of a lean ERP core, supported by best of suite products, careful planning and impact analysis needs to be done. It is also recommended that a mature and stable IT function exists within the organisation in order to smooth the integration, roll-out, support, and adoption of fundamentally different ways of working.

# What are others doing?

Market belief is that it will take until at least 2025 for the default delivery model for any ERP to be only SaaS in the public cloud, but this encompasses the whole market so again Cloud may be right for your organisation today.

Software as a Service (SaaS) offerings currently only account for 15-20% of SAP's revenues, so even if it is growing at the publicised 32% Year on Year, it does also mean that there is either a lot of Private Edition S/4 or legacy R/3 & ECC 6.0 systems still out there.

When looking at current trends, it is difficult to find solid examples of organisations larger than 75k employees with a running and referenceable full Cloud solution. Oracle will, or course, point to itself as a reference, although it is hard to imagine them running anything else.

When looking at SAP deployments of a similar scale, the early adopters of larger systems are heavily skewed to Private Edition (using IaaS).

A number of larger organisations have already taken their first steps into the world of HANA and S/4 and many more are currently exploring their options.

Obviously, the larger the organisation, the more complex the issue, including considerations around consolidation of systems acquired or deployed over an extended period. Confronting many of these organisations is also the decision of brownfield, greenfield, or even bluefield (somewhere between brown & green) migration.

Some tools exist for brownfield HANA migration, but given the lack of customisation available in S/4, it is difficult to imagine that brownfield will be an option for many S/4 projects.

Any organisation, when analysing options for its ERP migration, should therefore choose reference examples carefully.

References should reflect size, complexity, company culture and, most importantly, starting point. Good references from early adopters do exist and are very useful and insightful, but then again, there are also disaster stories.

# How do you make the business case work?

Key to all of this, of course, is the business case. Many of the efficiencies and cost savings have been realised as part of the first round of ERP deployments.

The marketing messages from the ERP vendors promote the value of moving to the next generation of ERP, including moving to 'in memory' transactions, but these gains need to be balanced by each organisation against its starting point.

Moving from ECC 6.0 to S/4 may involve a move to HANA data structures if not already done, increasing effort, cost and risk. If the move has already been made, then the project may not yet have had time to achieve pay-back prior to the start of the application migration.

Adding to the complexity, especially if moving to SaaS, is the requirement to map business processes to those defined in the software, as the degree of customisation available in SaaS ERP solutions is more than an order of magnitude lower than earlier versions.

Whist this may make future upgrades more efficient as customisations don't need to be carried across (as

opposed to previous incarnations), it adds considerably to the initial move.

Business process re-engineering is also a significant factor to consider when moving between vendors.

For example, while there is a degree of code and process commonality between ECC 6.0 and S/4 which can help smooth the migration (especially if the organisation has already started a move from SAPGUI to Fiori), there is a significant difference in reporting and processing between SAP and Oracle. For example – the changes to ways of working, report formats, and data structures have the potential to cause severe disruption during the migration.

Finally, when starting any migration plan, it will be necessary to have an overall outline business case but this will initially, necessarily, be based on many assumptions.

It is vital that the project is tracked, monitored, and the business case updated and reviewed as facts and factors become clearer. Vital to the process is a retrospective on completed deployments to examine the validity of the assumptions and incorporate lessons learned.

# Why Coeus Consulting?



Coeus has worked with a number of clients on their ERP strategy and architectures across multiple industries.

- Key to the success of the engagements has been to help our clients cut through the vendor messaging and understand how the technology can benefit their business.
- Provide structured key analysis and market insight and facilitated executive decision making to ensure approval and funding.
- Identification of significant savings and reductions in programme timelines, including:
  - Identification of programme savings of around 25% based on FTE and development work
  - Reduction in ERP vendor platform selection process timeline from 12 months to 6 months
  - Reduction in timeline to first production system of 12 months (based on a four-year programme).
- Wider benefits have included architectural design outlining a reduction in number of ERP cores by a factor of 5 and identification of Cloud readiness and lean ERP principles as they mapped to the client's Cloud strategy.
- SaaS 'best of breed' design process to facilitate implementation of lean ERP.

**Start planning now...5 years is a short time in the world of ERP.**

# Our Experts



## Ben Barry

Ben is a founder and Director of Coeus and has worked on numerous ERP projects across the whole lifecycle, from strategy and architecture, product selection and systems integrator sourcing, programme mobilisation and competency centre design through to execution and benefits delivery. Industry experience includes energy and utilities, consumer products, manufacturing, retail, transport and public services.



## James Cockroft

James is an IT Sourcing and Transformational professional and Director at Coeus. He has previously held senior positions in a number of leading European consultancies. James has successfully advised global organisations on complex ERP package selection, contract negotiations and renewals. He also provides support on S.I. selection & execution; including system consolidation to support acquisitions or cost savings, major technical upgrades, transition & divestments.



## Ian Foster

Ian specialises in IT Technology, Architecture and Strategy, including application development, commercial, technology and product architecture roles. He has extensive enterprise experience through active participation in industry advisory forums and key senior roles across multiple sectors, including Retail, Entertainment, Recruitment, Logistics, Broadcast, Mobile & Fixed Communications; including architecture and design roles for large programmes on both SAP/ERP and HANA platforms.



## Graeme Trevayne

Graeme's career has covered application development, global outsourcing deals, IT strategy and Professional Services. Based in the Coeus German office, he has previously worked as a senior consultant with global companies in the telecom, FMCG and technology industries, as well as running his own consulting business. He has supported a number of major companies in negotiations with major ERP vendors for global roll-outs.

# Contact Us

## UK Office

28-30 Cornhill, London, EC3V 3NF

- **P:** +44 (0)207 127 4321
- **E:** [info@coeus.consulting](mailto:info@coeus.consulting)

## German Office

Bleichstraße 8 - 10, 40211 Düsseldorf

- **P:** +49 (0)211 9319 0898
- **E:** [info@coeus.consulting](mailto:info@coeus.consulting)

**in** [linkedin.com/company/coeus-consulting-ltd](https://linkedin.com/company/coeus-consulting-ltd)  
 [@CoeusITadvisory](https://twitter.com/CoeusITadvisory)  
 [xing.com/companies/coeusconsultingltd](https://xing.com/companies/coeusconsultingltd)  
 [www.coeus.consulting](https://www.coeus.consulting)