

Waste of time – time well used

S/4HANA transformation is also a business task



"May you live in interesting times" is an old Chinese curse which makes you think that there is such a thing as good times and bad times with good years and bad years. Of course, there are these phenomena, which in the past were mainly attributed to the weather. But unlike the past, the resignation to fate that is sometimes derived from them makes little sense to us. For we have learned that evolution knows an even stronger factor than known and unusual environmental influences – namely innovation.

By Dr. Volker Bätz*

A Another Chinese wisdom says: "When the wind of change blows, some people build walls, other windmills. And that's exactly what digital transformation is all about – dealing with change in a positive way. The omnipresent global competitive pressure is mixed with unpredictable market changes, restrictions at the capacity level, rising energy prices and surprising procurement and sales barriers.

Real changes require changes in information processing.

As if that were not more than enough constraints, there is also the technical paradigm shift from traditional client-server-based ERP systems to the cloud. An evolutionary step that has a clear name for SAP users – S/4HANA – and is somewhere between a panacea and a ghost. Because there is one thing that will certainly accompany the transition to S/4-HANA: profound uncertainty.

Windmills of digital transformation

The fundamental point is that every challenge holds potential, and with S/4HANA in particular, this potential is immense.

The cloud capabilities to use the central enterprise systems, the storage of mass data, analyses & planning in real time, and the ergonomic orientation of the applications to the user are important arguments that ultimately determine the work of the functional departments. In addition to the many technically oriented advantages, there are even more significant ones – the business implications. Experience from decades of working with SAP systems

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has shown that many companies have focused on technical upgrades and have tended to give lower priority to economic "what-if" thinking. This strategy should be put to the test now at the latest. The quick fix was not always the best and is becoming less so.

Of course, an upgrade also involves answering basic technical questions. There is more than enough work for IT departments, but not only for them. After all, implementing business requirements is more than just a compulsory task; it sets the course today for value creation and growth tomorrow.

The question of what the transformation means for the people who will ultimately have to work with the new solution should be at the heart of a transformation. After all, the support options, especially in their central tasks, will completely change a company, and in a positive sense.

Every man for himself

The first thing to realize is that a company is anything but a homogeneous group of individuals. There are numerous stakeholders of various kinds and their interests are usually anything but compatible. Internal conflicts of objectives can be extremely damaging from the management's point of view, and are almost always accompanied by asymmetric information sharing.

Their effect not only slows down the efficiency of value creation, but also prevents growth and innovation. Obviously, the only way to escape this loop is through comprehensive strategy alignment – among the business departments and together with the supporting IT.

The synchronization of individual goals can result in common targets that conform to what is obviously best for the company as a whole. Synergy then emerges from mere integration. But this requires a comprehensive inventory of the existing world and its processes in order to project these onto the future possibilities in a further step.

Always with a view to the common denominator – improving the value creation processes and enabling growth.

Dr. Volker Bätz, SAP project manager at IBIS Prof. Thome:

"Actively shaping interesting times"



The new possibilities for material requirements planning are just one example of comprehensive business impacts that should be considered in the course of S/4HANA transformation preparation. A large number of business innovations can be found here, which must be closely examined in addition to the mandatory - primarily technical – innovations. The potentials contained there can be decisive for the medium- to long-term success of a company, especially when it comes to so-called low hanging fruit or lighthouse functionalities. And thus we can decide for ourselves whether we merely want to live in interesting times or actively shape them.

Digital transformation offers particularly tangible examples for this. In the transition to cloud technology, there is a need to leave behind stubbornness about tradition and escapism about change. Technological and economic innovations orientations are the result, which calls into question the learned work processes.

From periodic estimates to real-time planning

One example can help to clarify this Material Requirements Planning. The calculation and planning of material requirements represent a critical value creation process for many companies. The correct planning and provision of production- and delivery-relevant materials and their individual components are above all one thing – business- critical. And even though the scope and quality of materials planning are success factors, incorrect estimates and decisions are not uncommon.

This activity involves a variety of challenges, such as complex procurement structures, differing priorities, and processes with many variants in internal and external procurement. Furthermore, the question arises as to how many processes and users are dependent on the results and which organizational units or regions are involved, especially with regard to their special features. In addition, the master data quality is a decisive factor for planning reliability, because what is the point of reserving inventories

against the background of inaccurate bills of material? As if that were not enough, the dependency on current and future market demand with its possible fluctuations and uncertainties affect the results. These influencing factors make simplification in favor of technical feasibility and performance indispensable, specifically in the form of weekly or, at best, daily planning cycles. This is more than enough reason to pay special attention to Material Requirements Planning.

Business innovations

S/4HANA's answer to this challenge is an operational innovation in addition to the availability of extremely increased transactional performance: with MRP Live, S/4HANA offers current stock and demand data in real time, improved performance, shorter cycles for the planning run, and the possibility of multiple daily planning runs.

In addition, new planning procedures are available – such as demand-driven replenishment. In contrast to conventional MRP processes, this enables efficient planning and management of supply chains based on customer demand, with the effect of ensuring a stable supply that is less susceptible to disruptions. This may well be a means of mitigating the dreaded "bullwhip" effect – the exponential amplification of demand fluctuations along a multi-stage supply chain. (ch) ☺

Translated by IBIS Prof. Thome AG