IS YOUR ERP READY FOR AN
EVOLUTION OR A REVOLUTION?

As legacy ERP data structures and technology begin winding down, they are making way for a whole new generation of technology that brings exponential performance and dramatically new problem-solving capabilities.

SAP S/4HANA
Sven Denecken
Peter Russo

What Do ERP and the iPhone Have in Common?

When ERP found its way into mainstream business some 25 years ago, it was hard for companies to wrap their heads around how transformative it could be. Many of these businesses were highly profitable industry leaders. So why would they believe that ERP could have such a dramatic impact? Truth is, they didn't know what they didn't know.

Transformative leaps in technology are typically slow to gain favor, while incremental advances are much easier to accept. With every breakthrough, we go back to not knowing what we don't know. And sometimes it seems safer to stay with the familiar than to adopt an entirely new paradigm.

But in today's world, the safe strategy can actually be the dangerous strategy.

"S" Cycles vs. "Numbered" Cycles

An analogy can be found in how the iPhone's revision cycles work.

Every other revision cycle for the Apple iPhone is revolutionary, while every revision in between is evolutionary. We have all grown accustomed to the "S" cycle (5S, 6S, etc.) of every iPhone, where they make it a little faster, squeeze out better performance, and add some new features that make it incrementally better than the "numbered" (5, 6, etc.) version. However, each numbered version holds the promise of a transformative innovation that can potentially change the way we live. And once it's released it becomes hard for us to imagine ever being content with the older version.

While you may not realize it, ERP has been in an "S" cycle of incremental improvements to performance, speed, and efficiency for way too long. It was ripe for a revolution. And SAP provided one.

Transformative leaps in technology are typically slow to gain favor, while incremental advances are much easier to accept.

The SAP S/4HANA Revolution

Having recognized that the technology and architecture of ERP were reaching a tipping point in their ability to sustain further growth, we embarked on the development of a totally different approach. This approach leverages in-memory computing in the cloud, along with a dramatically simplified structure that takes advantage of the latest technology – enabling companies to run "live" with real-time data.

The result is SAP S/4HANA and SAP S4/HANA Cloud, a breakthrough technology and simplified data architecture that is being embraced by thousands of businesses worldwide.

SAP embarked on the development of a totally different approach that would leverage in-memory computing in the cloud and a dramatically simplified structure so that companies can run "live" with real-time data.

What SAP saw nearly eight years ago was that perpetuating the "S" cycle mentality wouldn't allow customers to solve their most basic problems – and that a new, game-changing technology and a simplified structure would allow companies to be more predictive and find new revenue opportunities in real-time.

SAP S/4HANA's combination of technology and simplicity provides improved performance in orders of magnitude, and has set an extremely high bar for competitors to follow. It forces other software vendors to face the prospect of a major technological and structural overhaul of their solutions – or continue with limited incremental improvements over time.

And when you add SAP's unparalleled experience across 10 lines of business, its infinite flexibility with on-premise vs. cloud offerings, and incomparable performance using in-memory computing, you have to ask whether the competition will ever catch up.

A Blast from the Past

Those software companies who produce ERP solutions that employ legacy databases need to look themselves in the mirror and wonder if the market is passing them by. Because most ERP solutions – even those based in the cloud – represent a step back in time with their use of a decades-old relational database technology and complex data structures. And while cloud-based solutions may eke out some incremental performance and add some new features, it won't change the fact that hanging on to a legacy approach simply won't be enough to compete.

This is legacy ERP's "S" cycle moment, and with it comes the proverbial fork in the road.

As for customers who use legacy ERP, they need to ask themselves a simple question: When is the right time to make the move? Or should I just stay with what I have?

For most companies, risk and reward are huge factors in migrating to radically new technologies. But when you look under the hood and see what is possible in a "live" business environment, it's like comparing cell phones from the 1990's to today's smartphones.

By itself, in-memory computing can process information and transactions at exponentially faster speeds. And when you add a dramatically simplified structure that eliminates over 75% of previous data layers, you have a paradigm-shifting change to ERP.

Unlocking new business potential

Beyond the underlying changes in technologies powering this new wave of ERP with SAP S/4HANA, are new business capabilities that simply weren't possible before. As you will see, these are not merely incremental improvements based on processes that have existed before, but transformation change delivered to each department, unlocking new value to the business.

Here are four such real-world business scenarios:

1. Supply Chain

Legacy: In a legacy ERP solution, inventory information is distributed among multiple database tables. That may be fine when counting inventory at night in the warehouse. But a financial task called a Post Goods Issue (PGI) requires locking the tables so that the transactions can post. In a high volume environment, this locking means that everyone must wait in order to proceed. That can mean that truck drivers at a logistics center may be asked to wait several hours for the legacy database to complete a batch update.

S/4HANA: In SAP S/4HANA, the underlying data model is simplified and accelerated so that inventory data is processed in real-time – and truck drivers can get back on the road. The S/4HANA solution also has the intelligence to propose solutions to supply chain problems – and then implement them automatically.

2. Sales & Marketing

Legacy: With legacy ERP, there is no way to monitor social media feeds without add-on solutions that wend their way through the system. As a result, sales and marketing professionals can't follow their customers in real-time.

S/4HANA: With SAP S/4HANA, your sales and marketing professionals can pull data directly from social media channels and analyze it in real-time. So they can identify trends, respond immediately to customers, and create targeted promotions. And they can market to an audience of one.

3. Forecasting

Legacy: With legacy ERP, forecasts can take days to produce – by which time they are stale.

S/4HANA: With SAP S/4HANA, you can run infinite what-if simulations that combine internal and external data in real-time – and evaluate the impact of each scenario. As a result, you can be better positioned to capitalize on opportunities – and mitigate risk.

4. Finance

Legacy: With legacy ERP, closing the books on the quarter or the year can be a weeks-long process with dozens of tables required to manage financial data from business units, headquarters, and regions. The process can be prone to errors and delays.

S/4HANA: With SAP S/4HANA, all business units and regions are consolidated into a single table that can be viewed in real-time – any time. That presents the opportunity to generate an anytime, "soft close" that issues financial statements immediately so that the accounting department can focus more on business outcomes, then reporting.

Long live ERP

You can begin to see a pattern. The radical simplification that is made possible through powerful, in-memory and cloud technologies has enabled SAP to think in a totally new way. SAP is no longer bound by the legacy database software that was necessary in the past, and continues to hold other vendors back today.

You can't blame other ERP vendors for acquiring cloud-based companies as a means to improve their solutions. It will certainly seem to add nominal improvements. But it's a superficial fix, at best. For these vendors, creating a totally new, simplified architecture and integrating all the leading edge technology the market has to offer would be close to a decade-long endeavor.

What does all this mean to the future of ERP? It means that once you experience how to run your business "live" with access to real-time information, you'll never go back

to anything else. You'll be able to make in-the-moment decisions, predict challenges and find new revenue sources you never thought existed.

Just imagine trying to invest your money with an online brokerage with a 30-minute delay on stock quotes. Seems unimaginable, doesn't it? Once you've experienced real-time business, there is no turning back.

Seldom in business is the path to the future so clear. Join the over 3,700 customers who have made the move to S/4 HANA and S/4HANA Cloud in just over one year. To learn more about their incredible stories, click here.

...Once you experience how to run your business "live" and have access to real-time information, you'll never go back to anything else.

SAP