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SAP S/4HANA® Rollout Strategies and Best Practices

- ▶ Complete guide to SAP S/4HANA roll-out projects
- ▶ Choosing the right approach for your organization
- ▶ Global template
- ▶ Implementation guidelines

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2 How are you going to do this?

Now that you have a clear vision, TOM, mission, and program principles, you need to work out the complex question of how you are going to implement the changes.

2.1 ERP rollout strategies – your options

When it comes to an ERP deployment across multiple local entities, organizations have three main approaches to choose from. They differ in terms of the degree of flexibility offered and the associated risks and costs.

1. Global template with local rollouts
2. Individual projects
3. Consolidation layer

The first approach, a global template with local rollout, uses a predefined template containing a set of business processes, TOM, application models, as well as project management and Change Management toolkits. This is a common practice among large implementations, as it reduces implementation costs and standardizes business processes across business units. For local entities, rolling out a predefined TOM might mean changing their ways of working. However, it is commonly preferred since the overall implementation costs are low, and it standardizes global operations across the local entities.

! Global template requires a clear TOM

To use the global template with local rollouts approach, it is key that there is a clear Target Operating Model, and the distinction between a global process and what can be modified as a local process is defined (see Section 1.3.2).

The second approach, individual projects, offers more flexibility to account for diversified business processes across geographies and autonomous local entities, where rolling out a rigid template can be highly risky. In this case, companies might opt for more flexible template rollout approaches, in which the initial template is created based on the standard SAP func-

tionality and SAP Best Practices as a starting position and then template adjustments are made based on the needs of local entities as it is rolled out. In this case, each rollout is basically a new deployment where only a starting point (a template) is the same.

The third approach, consolidation layer, is an approach that might be chosen by organizations that successfully operate in an autonomous way with different business models. Due to various reasons, an organization might not want to embark on harmonizing operations down to the country-regional level. Organizations can decide to implement a consolidation layer by consolidating at the general ledger (G/L) level, building and rolling out an enterprise data hub, or implementing SAP S/4HANA consolidation modules, depending on the goals.

SAP S/4HANA Central Finance

Explore SAP S/4HANA Central Finance capabilities which bring financial transactions from legacy ERPs – SAP or third-party systems – into the SAP S/4HANA table with a common data format. Harmonizing the finance data set is often the first step in digital finance transformation journeys. By enabling a phased implementation of SAP S/4HANA, the solution can help you avoid disruption and reduce risk.

Based on our experience, global homogeneous organizations, who either have standardized operations across different local entities or are running as a strong centralized corporation, typically have a low risk and fewer challenges while implementing the global template. Examples of such organizations are Switzerland-based multinational food and drink processing conglomerate, Nestlé; American multinational consumer products company, Colgate-Palmolive Company; and multinational brewing and beverage company, SABMiller (acquired in 2016 by AB Inbev).

On the other hand, organizations that are operating as stand-alone, autonomous local entities (e. g., where the business is grown through acquisitions), will have a challenge adopting company-wide standardized processes and structures. Strong and clear vision and strong business Change Management are extremely important elements in making this implementation a success. There is a key focus on business transformation that requires strong, respected business leadership.

The functional and process scopes of the program are also very important when choosing the right approach. Imagine implementing a global SAP solution in the manufacturing industry, where you have factories operating in

a quite autonomous way. Standardizing processes and data across these entities requires tailoring manufacturing operations and machines, while a rollout of a template in core process areas (likely to be centralized, such as human resources and finance) can be achieved with less risk and impact to country operations.

Now look at some pros and cons of different rollout strategies described.

2.1.1 Rollout strategies – Assessment of Pros and Cons

Below are some features of different rollout strategies:

Global and local templates

Pros

- ▶ Easier to drive best practice, harmonization, common processes, data standards, and system usage after the deployment and has more visibility of the global operations
- ▶ Processes and functions can be copied and transferred
- ▶ Process model forms the basis of the template
- ▶ Only legal requirements are modified in rolling out the template
- ▶ Processes are difficult to change once they have been established, pro in terms of managing governance
- ▶ Best approach for having a “global” instance, and all operations on one system; increased visibility in one place
- ▶ Delivering lower-cost transaction processing with less administration, which enables support functions to partner for commercial value creation
- ▶ Harmonized IT landscape, dealing with fewer IT systems and interfaces; optimization of support model (less cost to maintain)
- ▶ Mergers and acquisitions – more efficient integration of new countries or businesses into existing operating model

Cons

- ▶ Upfront work required to define what is global and local; can be perceived as slowing down the progress, but if done well, will speed up the development and deployment further down the line

- ▶ Clear sequence of build and deployment required to complete the global template first and implement in an appropriate place
- ▶ Strong governance is required to ensure adherence to standards

Comments

- ▶ Global templates are generally used as the standard for global, international SAP rollouts
- ▶ For this type of implementation, it is important that you have a clear and agreed to Target Operating Model

2.1.2 Individual projects

Pros

- ▶ Can be quick to set up
- ▶ Projects can be run in parallel
- ▶ Easy to carve out a business as part of a divestiture

Cons

- ▶ The template is used as a suggestion and can be difficult to ensure the global TOM is being rolled out
- ▶ Functionality cannot be easily copied from one project to another
- ▶ Many discussions with the local entities are necessary during the rollout
- ▶ To avoid the redundancy of business requirements, the local entities are charged for the costs of extra functionality
- ▶ Will not be possible consolidate business results and visibility across the different projects
- ▶ Increased costs and an absence of standardized ways of working

Comments

- ▶ Individual projects should only be done if it is clear that the business units on each project are run independently

- ▶ There is a high risk that each project will take its own path on what the common processes should be
- ▶ It will be difficult to ensure best practices are implemented across the different projects without very strong governance and validation

2.1.3 Consolidation layer

Pros

- ▶ A good addition to individual projects, to allow consolidation of business results and visibility across the different projects
- ▶ See pros of Individual projects

Cons

- ▶ Cost of implementation and management of a consolidation layer
- ▶ See Cons of Individual projects

Obviously, organizations might use a **combination of these strategies** to different degrees. For example, an approach where an initial template is developed at the onset of the project but evolved by minimal adjustments during the project provides a trade-off between the two extremes.

However, the **predefined global template approach still seems to be the most commonly used strategy** since the organizations can benefit from the low cost of implementation and visibility across the local entities after go-live.

🔑 Deciding on the approach

When deciding which approach is best suited for your organization, assess the following factors from the TOM, as they will influence the implementation:

- ▶ How diversified is the organization?
- ▶ How autonomous are local entities?
- ▶ Scope and industry

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