USU

Switch to SAP S/4HANA

Better license migration with USU managed services

Content

Introduction

SAP S/4HANA is considered an innovative next-generation real-time ERP system. As SaaS (Software-as-a-Service), SAP S/4HANA wants to make the step into digitalization appealing to its customers through modern technologies. However, because the migration to a new ERP system is not a standard IT project, but a far-reaching system change, the implementation is associated with several challenges.

A complex IT landscape, poor quality master data or missing system requirements (no Unicode system, combined ABAP and Java stack) can turn into major barriers. Furthermore, non-uniform company processes must first be harmonized before migration. In change management in particular there is often a lack of the necessary expertise to develop the right strategy.

Before migrating to SAP S/4HANA, companies need to make some important decisions that affect the entire migration process. The switch to the SAP S/4HANA cloud system requires a different approach than the switch to on-prem SAP S/4HANA. A few questions must be clarified beforehand:

→ Should the existing SAP ECC system with its data and settings just be simply converted?

→ When is it more practical to set up a new ERP system that may be better equipped for the future?

A migration requires structured preparation and a transparent strategy that is comprehensible to all company departments and stakeholders.

What are the Different Migration Approaches?

Greenfield approach

If you decide on the greenfield strategy, you are abandoning your existing ERP system. The advantage of this is that you are able to implement a new system that contains only actually relevant data and processes. When you redefine the enterprise architecture, it is easier to integrate innovation and achieve high levels of functionality.

For customers who have accumulated a lot of shelfware over the years for which the term of the compatibility packs is insufficient, or who plan to implement a lot of new SAP license products, contract conversion may be the better way to go. This must be examined and worked out on an individual basis. Tools can help here. Experienced, reliable SAP licensing and contract consultants can give companies efficient advice on licensing SAP S/4HANA to avoid bad investments with high follow-up costs.

With contract conversion, the existing SAP customer loses all former rights and switches to the current and often less favorable license model. Supplementary agreements under the old provisions usually cannot be enforced, or only to a limited extent. The value of the new S/4HANA contract must be at least two per cent higher than the previous list price of the included licenses.

Brownfield approach

With the brownfield approach, a system conversion is performed. Existing business processes are thus adopted and, if necessary, optimized. Many companies do not want to completely abandon their custom ERP system and so prefer this migration path.

Previously, customers were able to convert existing licenses for each product to the corresponding S/4 solutions on a step-by-step basis during a product changeover (one-to-one conversion). This gave companies the chance to maintain their existing contracts and framework agreements as ECC 6.0 and S/4HANA solutions can be operated in parallel. However: only those products that are also owned at the time of transformation can be converted to the respective S/4 equivalents under the product conversion. This is limited to solutions that also already exist in S/4HANA.

A combined variant of greenfield and brownfield is also possible. To ensure a smooth transition, the conversion is usually divided into phases. Additionally, existing processes should be reviewed to ensure that redundancies and complexity are not carried over. Compared to the greenfield approach, the brownfield approach is particularly characterized by its shorter project duration.

Expert tip

In July 2023, SAP removed the 'SAP S/4 HANA Enterprise Management for ERP Customers' flat rate from the price and conditions list. This was an option that did not have to be used immediately. It was possible to evaluate in parallel – or even at a later date – whether contract conversion or Rise with SAP was the better option. If you don't already have this flat rate in your current Bill of Material, then please be aware that product conversion is no longer an option.

SAP Cloud – only or first?

SAP sales have been focusing on the cloud for some time and have significantly reduced the sales commission of established SAP on-prem products, making negotiations more difficult. The current increase in the cost of switching to S/4HANA is adding further pressure on on-prem customers.

During the pandemic, SAP often dispensed with surveying. Now, it is not uncommon for them to play hardball when it comes to surveying and auditing. The focus: "misuse" of the HANA runtime database, developer licenses, and indirect usage. As a way of "healing" SAP license deficits, SAP sometimes also offers larger SAP cloud contracts, especially Rise with SAP.

"Rise and Grow" with SAP

With the complete package "Rise with SAP", SAP is offering – as with "Grow with SAP" for the public cloud – a new form of cloud transformation. Investments already made in on-prem software are not taken into account. The subscription model is designed for long-term SAP customer retention. The Digital Access Adoption Program does not apply to Rise/Grow with SAP.

HANA database

Previously, SAP customers could use databases from various providers. With the mandatory HANA database, not only is the cost block now growing (by around 15 per cent), but also the dependency on SAP. The value of the previous non-SAP database licenses will not be credited by SAP and will be forfeit. During the current transition phase, maintenance costs will also arise for both database models in parallel operation.
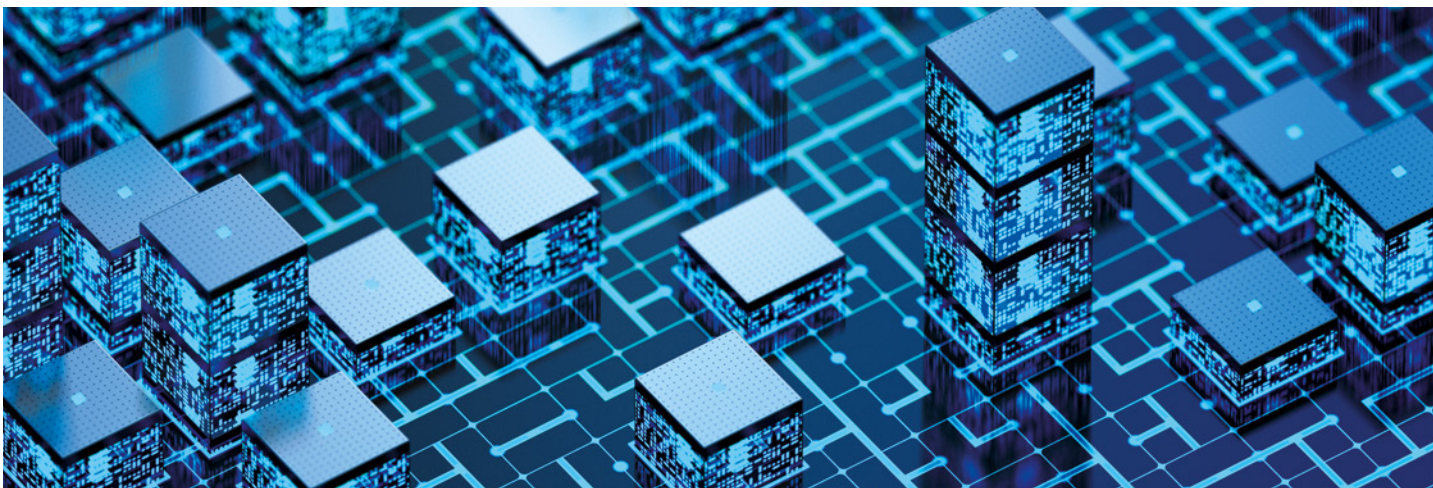
Potential Problems During the Migration to S/4HANA

Wrong data migration strategy

A transformation gives rise to new opportunities – especially depending on the choice of data model. However, sufficient attention should be paid to which approach is the more appropriate. Gut decisions have no place here, precisely because they can lead to major problems later on. If the process landscape is sufficiently well thought out and structured, then a data migration using the brownfield approach will function perfectly. However, if you are running a complex legacy system based on a variety of in-house developments, then a new process landscape based on the greenfield approach makes sense.

What USU's Managed Services can do for SAP customers

01 | Licensing support for the conversion from ECC to S/4HANA.

02 | Optimize ECC licenses to ensure customers have proper understanding of existing license positions and what is actually being used and what is authorized for use.

03 | This information is important in determining what needs to be purchased for the new S/4HANA environment.

04 | Identification of all shelfware to create appropriate packages for new S/4HANA product exchanges.

05 | Decision support in selecting the appropriate SAP S/4HANA strategy.

06 | Ensure sustainable cost savings by minimizing investments while guaranteeing compliance and optimization.

07 | Simulation of the most cost-effective variant and analysis of existing entitlements to match license costs with usage patterns.

08 | As part of post-upgrade work, analysis of how the S/4 system is used for optimal license allocation.

Wrong operating model chosen

SAP offers a variety of operating models in which the infrastructure, platform and software applications are set up differently. The following operating models are available:

- S/4HANA on Premise
- S/4HANA on Cloud
- Rise with SAP (Private Cloud Edition)
- Grow with SAP (Public Cloud Edition)

It is often the case that internal company structures or business factors are insufficiently taken into account when deciding on the operating model, leading to problems as early as the planning phase or during the changeover. Choosing the wrong cloud partner with whom the selected operating model can no longer be adequately realized can also be problematic. Targeted SAP advice helps clarify these issues in good time.

What USU's Managed Services can do for SAP customers

01 | Analysis and simulation of the most favorable operating model.

02 | Provide arguments for contract negotiations and show customers the best way to achieve their goals.

Transparency across SAP systems and users
USU Software Asset Management
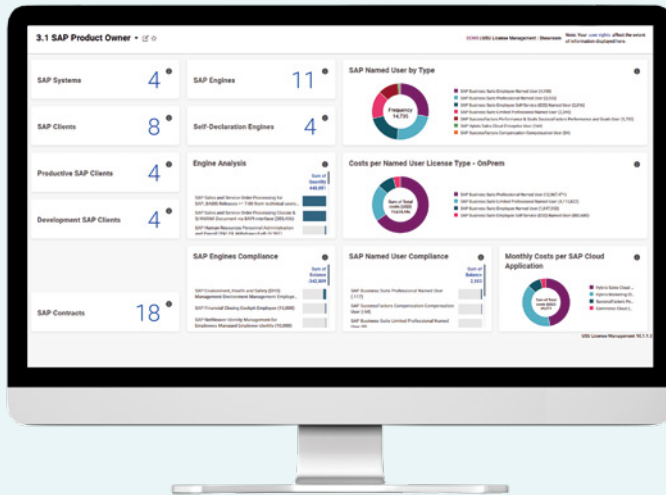
SAP migration takes longer than planned

A S/4HANA migration is a medium to long-term project that takes a great deal of preparation. Depending on the size of the business and the existing SAP infrastructure, between 6 and 18 months need to be allowed. In our experience, most companies allow insufficient time and are surprised by the amount of work they actually have to do. Time pressure can lead to errors and unanticipated cost increases. To avoid these problems, we recommend working with experienced SAP experts who are familiar with the respective pitfalls with SAP and have experience with these migration projects.

What USU's Managed Services can do for SAP customers

01 | Ensure that contracts are only valid from the start of the term.

02 | Cost savings by minimizing investments while guaranteeing compliance and optimization.

03 | Advice on contracts and conditions, analysis of requirements, and support during contract negotiations.

No sustainable change management

Implementing S/4HANA in an IT landscape is a complex process. Additionally, while SAP Fiori does offer some intuitive new user interfaces, many employees find it difficult to break away from familiar ways of working. It is a change process that must be actively managed. In the case of SAP, this means identifying problems in processes before they arise.

What USU's Managed Services can do for SAP customers

01 | There are usually no direct services here.

02 | Ideally, specialized internal employees will proactively accompany the change in order to make the transition a success and improve acceptance.

Migration Service in 4 Stages

A precise inventory and requirements analysis is essential before deciding on a product or contract conversion, or a public or private cloud. The elementary process of correctly determining software assets and calculating their value can be divided into four steps:

Check-up

- the collection of all contracts, addenda and permits
- the corresponding price and conditions list (PCL) of the quarter in which the contract is signed
- a true contract analysis (inventory and compliance)
- a basic assessment of all users and licenses within the SAP environment
- a tool-based needs analysis (which user rights and licenses does the customer need for S/4HANA?)

Clean-up

- the initial value of the software assets is calculated
- inactive or duplicate user licenses are released
- the right size of user licenses is defined
- existing license requirements based on actual usage are optimized

True-up

- a permission concept based on license metrics is introduced
- permissions are adjusted based on usage

Size-up

- Review which transition model (product conversion or contract conversion) provides the greatest savings or cost avoidance.

Conclusion

Many SAP users rely on efficient SAM tools such as **USU Software Asset Management** for a current inventory of SAP licenses in use, as well planning the target inventory. In order to successfully manage and optimize SAP software and migration projects, using a tool is usually insufficient – services that are precisely tailored to customer needs are also required.

This is where the advice of experienced consultants is required to ensure that customers use their current and future SAP systems in the best way possible to achieve their goals. **USU's Managed Services** cover complex tasks that customers cannot or don't want to handle themselves due to a lack of resources, time or knowledge. USU is the only SAM provider on the market to offer a services platform that takes care of all key operational SAM tasks.

" Taken together, our SAP Software Asset Management projects with USU have resulted in cost savings and cost avoidance of more than 37 million dollars, especially during the migration to S/4HANA.

Senior SAP license manager at a large international pharmaceutical company

" USU offers a Services Platform that makes SAM operations more efficient and vendor management more effective. The SAP®-certified USU SAM tool can be easily integrated into SAP Solution Manager and creates transparency across complex ERP landscapes.

Myrja Schumacher, Senior Product Manager, USU

About USU

USU sets standards for an improved service world with its software solutions for IT
& customer service management. We have successfully demonstrated our excellent
consulting services and practice-oriented approach with more than 1,200 customers –
across all industries and disciplines. USU Software Asset Management simplifies
license management complexity and enables you to control and lower your software
expenses. For over 40 years, we have been supporting SAP customers with their
compliance requirements, audit preparations, license optimizations, and assistance
with large-scale transformation projects such as migration to S/4HANA.

**Get in touch for
further information.**

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