

A complex network diagram with numerous nodes (squares) and connecting lines. The nodes are colored in red, dark grey, and light grey. The connections are thin lines, some solid and some dashed, creating a web-like structure.

COVID-19: Impact on your SAP strategy

Adjust your S/4HANA transformation strategy to the new business reality



The COVID-19 crisis, and what it can teach businesses

Businesses are facing an unprecedented crisis

The COVID-19 pandemic has made companies aware how huge challenges can emerge rapidly and unexpectedly. In this context, two things are paramount: (i) the need for knowing your cash position to ensure business continuity in the supply chain network in order to keep being able to service your customers and (ii) the optimization of your business processes - from one day to the next.

While ever-increasing globalization is counted on to drive growth and efficiency in today's economy, due to the rapid spread of local epidemics to other countries and continents, it is now more clear than ever that globalization also makes our world more vulnerable. The resulting external and internal challenges – ranging from social uncertainty and economic instability to interruption of supply chains – have made crisis management a top priority for nearly all companies worldwide.

However, most companies are not sure where to start. Such crises impact companies without warning, leaving little time to take protective measures. On the one hand, near-term issues must be addressed immediately by assessing a chain reaction already in progress across areas including customer demand, delivery logistics, liquidity and supplier network sustainability. On the other hand, a longer-term view must be taken considering the uncertainty and unpredictability of the long-term economic development in the global context.



Constraints and opportunities

In order to best position their business to address these challenges, PwC observes a few key aspects that leaders should emphasize:

- **Operations must consider workforce bandwidth constraints.** Seamless and smooth business processes running independently of virtual or short staff working modes will require practical and flexible approaches to ways of working.
- **Business partner network disruptions should be minimized.** Measures should be taken to sustain the existing supplier network and strengthen customer relations, while also identifying alternative channels and markets.
- **Consolidated insights into the business are required to optimize mitigation measures.** For example, qualitative and real-time data availability dramatically improves decision-making to reduce costs and secure liquidity.
- **Detected deficits should be eliminated on a short-term and mid-term horizon.** Acceleration of priority solutions will maximize the opportunity to improve competitive position in the near term and also mitigate risk in the future.

Focus and accelerate – adjusting the S/4 approach

What does this mean for my S/4 transformation?

Pre-COVID-19, many companies were already underway with their SAP S/4HANA driven business transformation program, or considering when to start. Simultaneously with COVID-19, SAP announced that it would extend the maintenance of the existing sub-ERP solution until end 2027 with the possibility to make use of an extended maintenance period of another 3 years. Some companies will now consider putting off or delaying these programs until the economic situation has stabilized. The pressure is out. Is it though?

PwC SAP Consulting believes that the ideal approach is rather to make specific adjustments to optimize and accelerate the transformation, focusing on areas to most effectively position the company to come out of this period and also be better prepared for future crises.

Many customers are struggling to integrate their current implementation into the new digital world (making use of AI and ML, state-of-the-art reporting, etc.), which will increase in urgency over the next few years. The finding that, in 2026, companies may find themselves operating their current SAP installation in an even more digitalized world is worrisome as it would undermine their competitiveness.

Recurring savings can be seen to be achieved through the optimized system landscape and process improvements that are realized with a modernized ERP system. Targeting the right efficiencies upfront can provide relatively rapid returns, reduce TCO and increase confidence with key stakeholders in times of uncertainty.

Additionally, a modern IT landscape is required as the future-proof platform for the business to leverage emerging technologies, which have the potential to bring cost savings and new business channels.

Focus and accelerate the approach

Despite these clear opportunities to achieve competitive advantage, many companies will encounter the dilemma that there is a lower scope for investments. For that reason, a focused and accelerated transformation strategy is required, with an approach for a fast and risk-minimized S/4HANA implementation. In the following pages, we will look at 4 key recommendations that can be taken in the Prepare phase to put the right approach in place:

- Identify high potential value levers
- Perform risk & disruption analysis
- Define design principles reflecting an accelerated approach and need for process flexibility
- Assess the fit-to-conversion status to select the right migration strategy

Adjusting the S/4HANA transformation approach

An optimized approach should consider opportunities and constraints highlighted by the COVID-19 crisis.



Lessons learned from COVID-19 crisis

- Consider workforce bandwidth constraints
- Minimize business partner network disruptions
- Optimize measures based on consolidated business insights
- Address gaps in an accelerated way and focus on rapid returns within budget constraints



ERP perspective

- Target big ticket process efficiencies and IT TCO
- Leverage emerging technologies to achieve cost savings and find new business channels
- Improve data quality
- Design processes and systems to ensure agility



Key adjustments in Prepare phase

- Identify high-potential value levers
- Perform risk & disruption analysis
- Define design principles reflecting an accelerated approach
- Adopt a fit-to-conversion approach to select the right migration strategy

Identify big ticket sources of value in the Prepare phase

Success is where opportunity and preparation meet

The Prepare phase is crucial for defining the strategic direction by identifying high-potential value levers, creating design principles and selecting the right migration strategy for the subsequent Explore phase to maximize the total investments. The starting point for the company's S/4 transformation is a profound analysis of business value and end-to-end opportunities in a structured way through harmonization, simplification/standardization via S/4, and innovation via technology:

- For **process harmonization**, it is important to define the degree of harmonization and (plant-specific) process variations, e.g. accounts payable operates in the same way across business units/countries.
- For **standardization via S/4**, it is recommended to conduct an assessment including a customer-specific definition of standards, e.g. using SAP Model Company, Industry Solutions, Best Practices, Enhancements or Add-Ons.
- For **innovation** opportunities, an assessment should be performed of specific emerging and advanced technologies, e.g. machine learning and AI used in automatic payment clearing to ease workforce shortage during the COVID-19 crisis, and to reduce process costs.

S/4HANA-driven business transformation promises recurring savings in terms of operational, support and IT costs, including:

- ✓ decommissioning of legacy systems, simplifying and reducing customization, and reducing maintenance and support
- ✓ improved business processes
- ✓ increased asset effectiveness
- ✓ new business models enabling increased market share and profit as well as new customer and sales channels
- ✓ automation of labor intensive business processes
- ✓ real-time available data to enhance decision-making

To leverage these potentials under the investment constraints faced as a result of the COVID-19 crisis, strategic adjustments especially in the Prepare phase of the S/4 transformation project need to be reflected.

Value Lever Analysis to identify high-potential opportunities

Value levers vary by end-to-end process and are typically addressed in a structured way through harmonization, standardization and innovation.

Business Value	E2E Opportunity	Process Harmonization	Simplify/ Standardize via S/4	Innovate via Technology
Transparency & Decision speed	Master Data	<ul style="list-style-type: none"> Data standard setting Single source 	<ul style="list-style-type: none"> Simplify process steps Transparency 	
Cost & Spend	Book to Report	<ul style="list-style-type: none"> Legally defined Regional derivations low 	<ul style="list-style-type: none"> Simplify process steps Advanced analytics 	
Asset effectiveness	Procure to Pay	<ul style="list-style-type: none"> Contract optimization Spent transparency 	<ul style="list-style-type: none"> Reduction of variants Fiori dashboards 	
	Engineering & Maintenance	<ul style="list-style-type: none"> Operational efficiency Seek for synergies 	<ul style="list-style-type: none"> Advanced functionality Transparency 	
	Planning	<ul style="list-style-type: none"> Integrated Supply Chain Supply Optimization 	<ul style="list-style-type: none"> Real Time visibility Advanced integration 	
Customer Satisfaction	Market to Order	<ul style="list-style-type: none"> Marketing Effectiveness Sales/Deal Transparency 	<ul style="list-style-type: none"> Diverted software market Integration Reality 	
	Order to Cash	<ul style="list-style-type: none"> Best Customer Service Response Time /Quality 	<ul style="list-style-type: none"> Reduction of variants Fiori Dashboards 	
QUOTIF (Quality on time in full)	Logistics/ Manufacturing	<ul style="list-style-type: none"> Best Site Fit Operational Efficiency 	<ul style="list-style-type: none"> Advanced functionality Integration 	
	Transport Management	<ul style="list-style-type: none"> Regional Synergies Cost Optimization 	<ul style="list-style-type: none"> Advanced functionality Transparency 	
Time to Market	R&D	<ul style="list-style-type: none"> Research Intelligence Product/Service Specifics 	<ul style="list-style-type: none"> Diverted software market Integration reality 	

Potential High ↑ ↗ ↘ Low ↓

Taking the right migration approach is more important than ever

Defining design principles and priorities

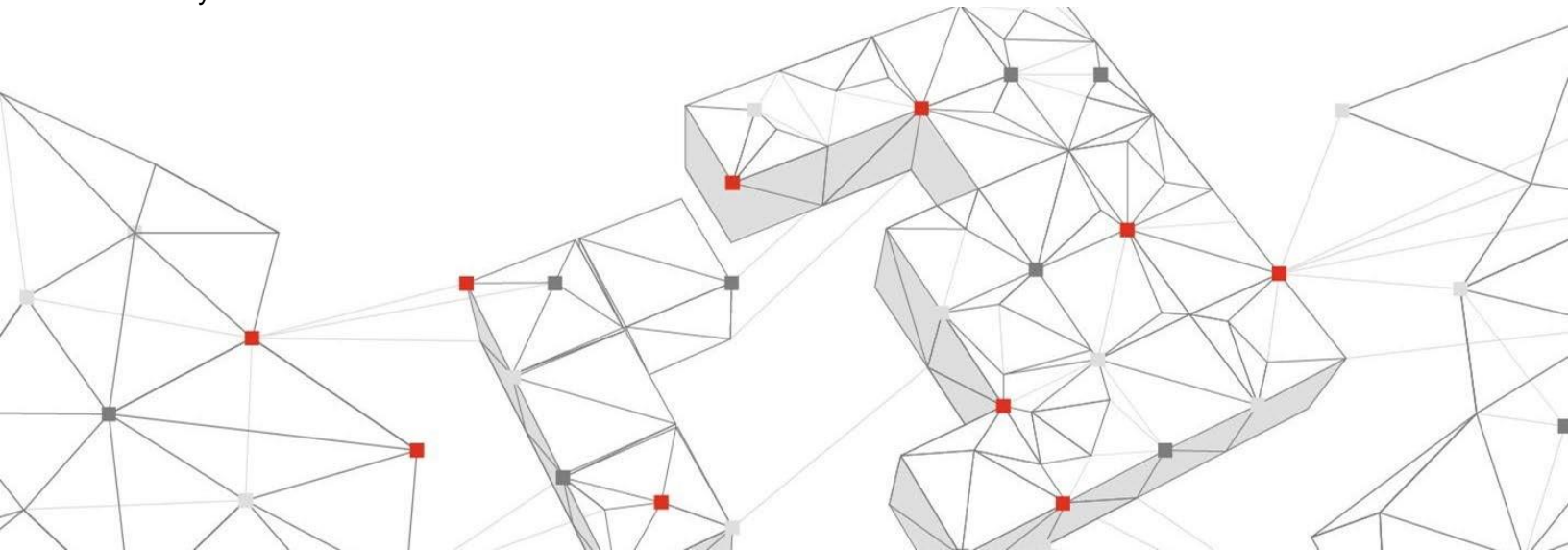
Based on the results of the value lever analysis, priorities for an accelerated and cost-efficient S/4 transformation are identified to reduce time-to-value and costs in a short/mid-term horizon.

Design principles can now be defined for the derived priorities and typically cover aspects such as the master data concept, the target modularity of the solution, governance of the core, proportion of standard solutions and customization, as well as the differentiation factors.

For an accelerated S/4 transformation, a strong governance model will also need to be in place. An empowered change advisory board can monitor and control the compliance of the defined principles, time and cost, in the context of the current business realities.

Risk & disruption analysis

A key adjustment for defining design principles and governance as a learning from COVID-19 is to include a risk & disruption analysis that reflects scenarios like pandemics or trade restrictions. This allows a company to evaluate its business processes and process steps, master data set-up and functionalities in order to react flexibly to any kind of business disruption. On page 6, we share a more detailed example of how to conduct this analysis.



Selecting the right migration strategy

As a next step, the overall accelerated S/4 transformation program approach and migration strategy should be assessed in a fit-to-conversion approach check. In such an assessment, the primary underlying parameters determining the selection of a suitable program approach are:

- time and investment constraints due to COVID-19/economic uncertainty;
- design principles resulting from the design potential and lever analysis, such as harmonization, standardization and innovation;
- technical assessment and SAP readiness check of the existing SAP environment.

Taking into account the outcomes of this check, a detailed program set-up and migration strategy can be defined. In many cases, a brownfield approach will provide the optimal speed of implementation and time horizon of investment, while safeguarding existing competitive advantage. However, there are also legitimate cases for a greenfield (or bluefield) approach, for example where a company is not already running SAP on a broad scale or is looking to bring disparate business organizations together on a single standard.

Deep Dive Risk & Disruption Analysis for SCM / Manufacturing

Example Approach

Risk & disruption analysis – walking through a Manufacturing example

A powerful approach for deriving SAP measures is to structure the company's business by products/product families and functional areas (sales, manufacturing, supply, etc.). In the case of major business disruptions, for example caused by a pandemic, the root cause is analyzed. The analysis itself is conducted in a structured way including the consideration of all possible disruptions.

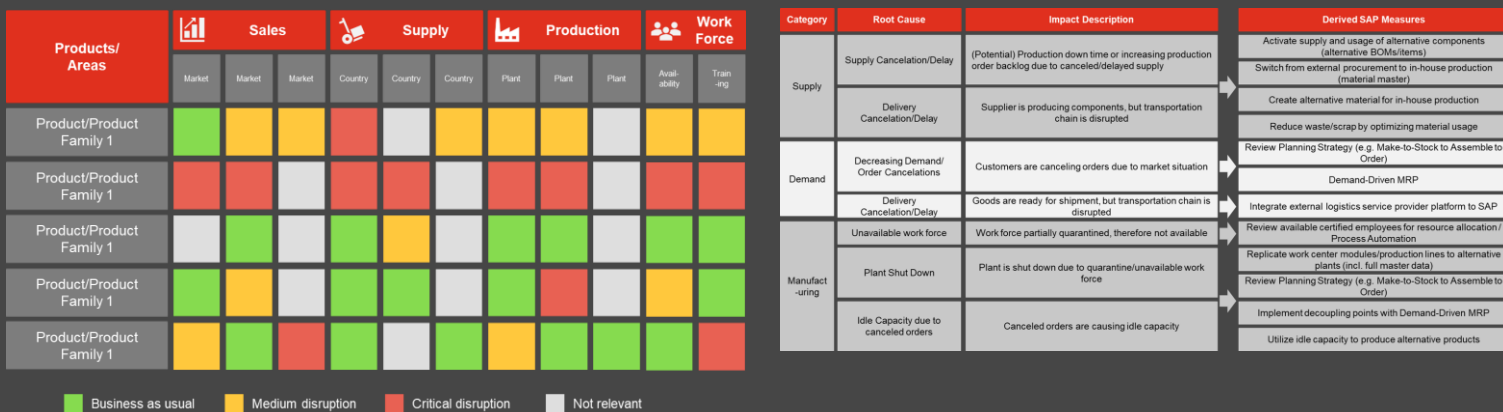
The results of the root cause analysis are consolidated in a heatmap to provide a comprehensive overview of all affected product-area combinations with their degrees of severity. This heatmap is then the basis for effective decision making to set focus areas for operational measures.

Derived SAP measures

On the basis of the root causes analyzed from the emerged and identified business disruption scenarios and their impact on overall business, company-specific operational measures in SAP are derived. The identified potential business disruptions are translated into system requirements, which will then be reflected in the Design phase.

For example, in the scenario of decreasing demand caused by order cancelations, the review of planning strategies, for example a switch from make-to-stock to assemble-to-order, or the activation of demand-driven replenishment, can be initiated (in both cases based on a short-term ABC/XYZ analysis to categorize products).

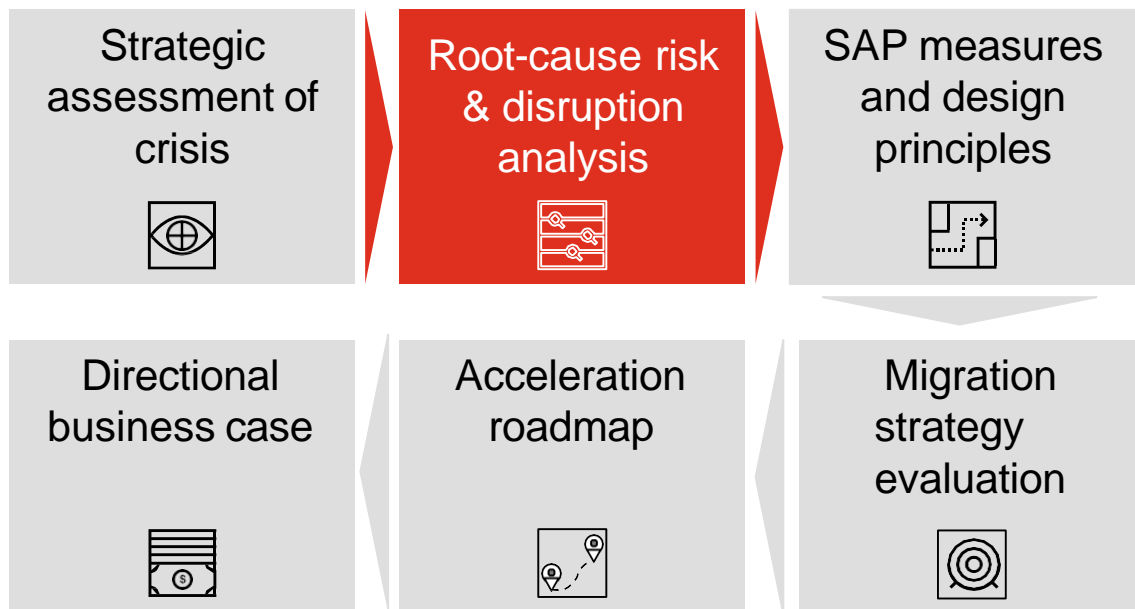
Similarly, in the scenario of supply cancelations or massive supply delays with increasing production downtime or production order backlog, an alternative bill of materials or one with alternative items can be activated and the sourcing strategy can be switched from external procurement to in-house production if case master data is set up accordingly.



Using the analysis to shape the design principles and transformation approach

As seen previously, the results of the risk & disruption analysis are key inputs for defining design principles, the governance framework and the overall transformation approach and migration strategy to be followed. In our example here, the assessment highlights necessary action points and SAP measures in terms of master data management, integration, customization and configuration.

Ensure that your transformation is on track during the crisis, starting with our PwC S/4HANA risk & disruption analysis



Based on PwC best practices and experience, tailored for each client

Contact

Torsten Hübsch

Director SAP

+32 492 74 58 50

Torsten.Huebsch@pwc.com

Xavier Verhaeghe

Partner Technology Consulting

+32 495 59 08 40

Xavier.Verhaeghe@pwc.com

pwc.be/covid-19

© 2020 PwC. All rights reserved. "PwC" refers to PricewaterhouseCoopers Belgium bv/srl, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.
For firm-specific legal information, click [here](#).