

# Navigating the Future of ERP

*SAP customers are at the crossroads of innovating now or taking a leap of faith on S/4HANA.*

Customers face a critical inflection as SAP pushes its client base to the new S/4HANA platform. Yet rather than make dramatic changes to their existing ERP profile, customers are looking for ways to extend the lifespan and business value of their current systems as they navigate their optimal path towards next-generation ERP.

Despite SAP's emphasis on S/4HANA migration, customers don't want to be pressured to make a move just for adhering to SAP's timetable. According to a new IDG global survey, an overwhelming majority (85%) of SAP shops plan to keep running existing SAP applications until 2025 or beyond, despite it being the prior end of the ECC 6 maintenance date.

The IDG survey respondents who were noncommittal about a pending S/4HANA migration cited their

desire to maximize their current ERP investment (42%) as their primary reason, followed by concerns over vendor lock-in (38%). Respondents were likely to be running ECC6 more than any other SAP ERP system, according to the research.

In addition, it's far too early in the lifecycle to predict how the new platform will stack up competitively with other next-generation ERP platforms and related SaaS-based systems. S/4HANA is built on new underlying in-memory database technology, which raises the possibility of potential risks and added costs.

For example, organizations will need to assess and rewrite customizations to be compatible with the new platform, and the migration effort is likely to require additional budget to cover system implementation and integration, new hardware and future



upgrades. Another potential hurdle associated with S/4HANA migration is the shortage of internal and system integrator talent. As of now, there is a shortage of experts who are well versed in new S/4HANA technologies and competencies, which makes it difficult to staff sufficiently for implementations as well as to deliver ongoing support as the new environment gains traction.

"The deadline is a line in the sand with all kinds of associated risks and tremendous costs bundled into the process," says David Rowe, CMO of Rimini Street. "The challenge is, you end up with a system that has largely the same functionality with some new plumbing after spending what could be millions of dollars and who knows how many years [on migration]. S/4HANA may someday be the right choice for your company, but is it the right risk/reward choice now?"

## Not Happy with the Status Quo

Although not looking to make a leap just yet, SAP customers are not wholly satisfied with the status quo and are reticent about their existing systems stagnating. More than a quarter (28%) of the IDG survey respondents expect their ERP profile to remain exclusively SAP, but twice as many (56%) plan to transition to some sort of hybrid ERP environment that combines SAP functionality with best-in-class cloud solutions.

Customers with complaints about their legacy SAP investments are more likely to be undecided about their ERP profile, the survey found, and many said they don't see enough value from SAP's current application portfolio. Moreover, many said SAP's maintenance and support fees aren't reasonable—specifically, they made the case that SAP's costs are not commensurate with the number of new innovations and enhancements that are delivered. Respondents also took issue with limited support for customizations, lengthy problem-resolution times, the lack of expertise among personnel and the dearth of innovation. Because standard SAP support doesn't cover custom code, SAP shops are often forced to utilize full-time employees or outside consultants, in addition to paying maintenance fees, which compounds the overall cost of ownership for the system.

Customers skeptical of the value they're getting from their current SAP investments are open to alterna-

tives: The IDG survey found 9% of the respondents are planning to move to a non-SAP solution, primarily because they'd discovered a comparable or more robust SaaS offering.

## Inertia Isn't the Answer

As they plan a long-term ERP roadmap, SAP customers hoping to avoid inertia, are looking for ways to improve on existing ERP environments. Sticking with the status quo is not an option because it undercuts companies' ability to foster innovation and remain competitive in an increasingly digital-first business climate.



In fact, digital transformation is the No. 1 mission-critical priority overall this year, cited by 38% of the IDG survey respondents, and organizations are looking to tune their core ERP platforms for competitive advantage. As a result, 36% of the respondents cited demand for innovation is a key consideration for making ERP profile decisions balanced by 35% citing the need to manage risk.

Customers are willing to invest in technologies and services to bolster existing SAP investments: The IDG research found respondents are open to best practices (42%), access to better customization options (40%), extended support availability (38%), and the ability to reduce the burden on their internal IT departments (38%) as aspects of augmenting

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existing environments. Respondents who are on the front lines, managing SAP environments, were more likely to want to invest in better support availability (48%, versus 28% of the others) to increase the value of existing SAP ERP profiles.

### Third-Party Support: A Pragmatic Solution to the Upgrade Dilemma

One way around the difficult decision between standing still and moving too quickly is choosing third-party support, which can serve as a bridge between existing and next-generation ERP environments at a much better value compared to continuing with support from SAP. Third-party support delivers support options beyond SAP's planned 2027 end-of-maintenance target date, so customers can take back control of their own ERP roadmap and plan a strategy that meets their business objectives and works within their time frame and resource constraints—not SAP's. Third-party support enables companies to defer the migration decision, delay a transition until they are ready, cut the cord on SAP altogether and move to a more modern alternative platform or simply stay the course with their existing SAP releases as they prudently investigate and assess their options while S/4HANA matures.

With a third-party support option, annual support fees are cut in half and enterprises are no longer on

the SAP upgrade treadmill, which dramatically reduces overall costs. As a result, third-party support frees up funds and resources, enabling enterprises to invest in innovation today, not sometime in the future when their migration to a new, still unproven platform is fully complete. In this way, companies are able to stay ahead of their competition and can take the time they need in order to determine whether S/4HANA is the right platform for their business needs.

In fact, one of the biggest upsides to third-party support is having the means to fund innovation today. All the savings, resources and extra capacity enabled through third-party support can be redirected to innovation efforts and best-in-class technologies to meet current digital business needs. Companies are freed from the limbo and risk of waiting for SAP to finalize its roadmap and stabilize new enterprise offerings.

"The last thing most CIOs want to do is go into the black hole of migration for three or more years," Rowe adds. "There are so many ways to turn on innovation today without having to take a three-year detour. While you are sitting still migrating, your competitors are winning. [All CIOs have] a long list of projects the business wants that they can't get to."

Most importantly, organizations are provided the flexibility to move forward with new SAP platforms

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when and if they are ready, essentially future-proofing their ERP environment and strategy. Third-party support ensures that organizations can move to S/4HANA when and if they determine that it meets their needs; if not, they are free to transition to a more modern alternative ERP choice if a better-fit solution is available.

"You may decide to come back to S/4HANA and deploy it once it's mature and the market has decided it's a viable solution," Rowe says. "You don't have to let SAP arbitrarily dictate your actions prematurely."

Instead of blindly following SAP's recommended upgrade path to S/4HANA, companies will be well

served to develop a Business-Driven Roadmap that aligns core strategy and objectives with the optimal technology, all while doing the due diligence of a formal ROI analysis. Given the fast-paced climate and focus on digital innovation, companies may find third-party support a far more pragmatic and compelling strategy for pursuing innovation and business growth than following the migration path dictated by SAP.

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