

# IBM Insights on SAP



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# 01 Foreword

## Welcome to our third edition of IBM Insights on SAP.

As I write this introduction, the road to post-COVID economic recovery is long and, for many, the journey will be an uphill struggle. Global inflation is rising, the talent market is tightening, and supply chains are still disrupted. Rising political tensions in Europe and elsewhere are adding to the uncertainty.

Yet these challenges also create opportunities for companies that are prepared to pivot. Where old business models faltered, new ones are poised to take over. Digital transformation has become a way of life, and the aggressive pursuit of operational agility and flexibility is now a priority for more executives (56%) than any other action.<sup>1</sup> Sustainability and transparency remain urgent priorities, and the “Great Resignation” that started in the US is now picking up pace globally.

We predicted last year that advances in technology would further accelerate enterprises’ efforts to anticipate changes, to exploit AI, and to focus on what they consider core versus non-core to their businesses. Research by the IBM Institute for Business Value (IBV) reveals that 60% of organizations sped up their investments in digital technologies due to COVID-19 and more than half (55%) permanently course-corrected their organizational strategies.<sup>2</sup>

IBM has worked with SAP for 50 years, and we are delighted to be named as the first premium supplier option for RISE with SAP, launched last year to help clients drive business innovation in the cloud. This ebook is based on our experiences with clients in the SAP ecosystem and where they continue to focus their SAP® software investments, particularly the SAP S/4HANA® suite.

We have been here to serve our clients for over a century, through good times and bad. We remain as committed as ever to our clients’ success and look forward to serving them for the next 100 years.

**Keith Costello**  
General Manager, Global SAP Business



# Introduction

The digital transformation of the past decade is entering a new and exciting phase.

The ability to apply exponential technologies such as artificial intelligence (AI), automation, blockchain, the Internet of Things (IoT), 5G, cloud and quantum computing at scale is accelerating the emergence of a new generation of business entity: the “Virtual Enterprise.”

The Virtual Enterprise extends beyond traditional organizational boundaries into ecosystems, digital workflows and networked organizations. Participants are connected by intelligent workflows that multiply the power of these applied technologies to unlock unprecedented levels of efficiency, differentiation and value.

One of the latest drivers of transformation is sustainability’s dramatic emergence onto the mainstream corporate agenda as talk turns into action. Almost half of CEOs say increasing sustainability is one of the highest priorities for their organization in the next two to three years—up from roughly a third in 2021, an [increase of 37%](#) in just a year<sup>3</sup>.

## 80%

Of CEOs now expect sustainability investments to improve business results within five years<sup>3</sup>

However, achieving this next level of transformation remains a challenge for many organizations, particularly those that have focused their digitalization efforts to date on individual parts of the business or specific processes. For some, it will further underline the difficult reality that their current core business systems and processes will be unable to cope with the new technical demands placed upon them. Standardizing business processes, for example, is the top focus area for SAP customers in 2022. However, they also cite integration issues—including incompatibilities between SAP and non-SAP applications—as their biggest challenge.<sup>4</sup>

As a world-leading vendor of enterprise software, SAP provides a reliable business engine that drives thousands of organizations around the world.

In this ebook we examine the impact that the new era will have on the company and its customers, with a particular focus on four key areas:

- The main technology prerequisites for next-level transformation.
- How next-generation SAP ERP software and other applications support this transformation.
- The challenges, opportunities, and business benefits of moving to SAP S/4HANA with BREAKTHROUGH with IBM for RISE with SAP.
- How to accelerate the move and create an effective roadmap to unlock maximum business value from SAP S/4HANA and other SAP software.

Our observations are informed by extensive global research and hands-on experience of advising, planning and executing SAP software implementations for clients around the world.



# 03

## Becoming a Virtual Enterprise

Technology is seen as the most important factor in building the resilience and adaptability that characterizes the Virtual Enterprise.

Research by the IBM Institute for Business Value found that executives rate **IoT (79%)**, **cloud computing (74%)** and **AI (52%)** as the **top three technologies** they expect to deliver business results,<sup>5</sup> and over half of CEOs expect these to become core technologies over the next 2-3 years.<sup>6</sup>

These results are mirrored by SAP clients, who rate **data analytics (67%)**, **cloud (64%)** and **automation (45%)** as having the biggest impact on their transformation efforts.<sup>7</sup>

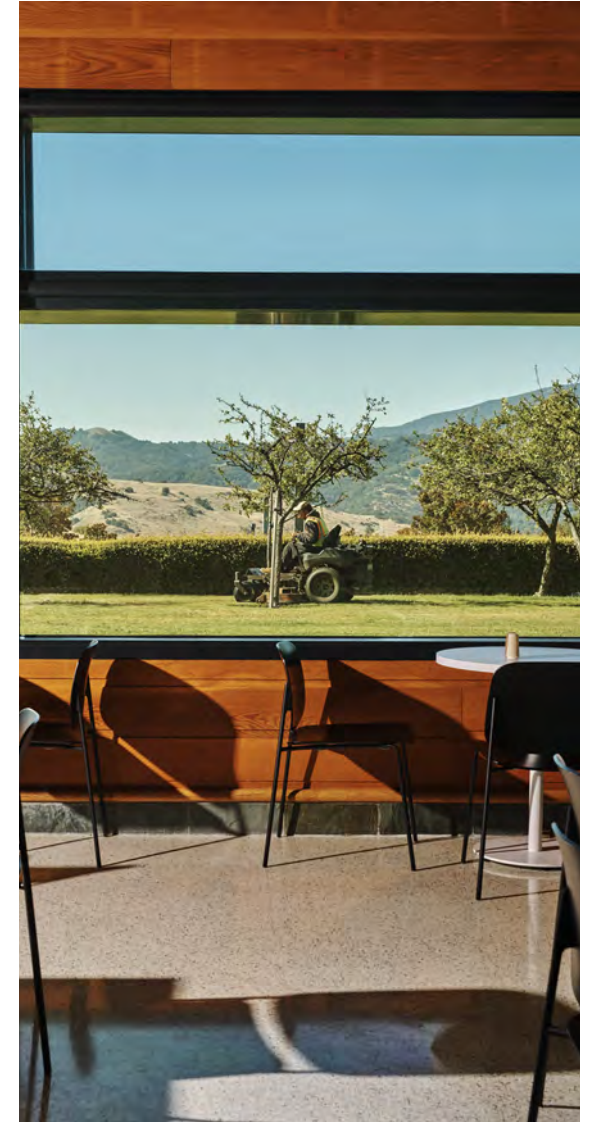
There are three technology prerequisites to becoming a Virtual Enterprise: cloud-based business platforms that leverage data as the new currency; intelligent workflows that infuse business processes with these exponential technologies; and the ability to deliver compelling experiences to build brand trust.

### Moving to hybrid multicloud platform strategies

Cloud is still the key technology driver for digital transformation. It enables new platform-based business models, the orchestration of digital ecosystems, and the delivery of connected customer and employee experiences.

The growth of cloud continues unabated. **62% of US-based executives** said that as part of their organization's transformation in the last two years they have been shifting their on-premises applications to the cloud.<sup>8</sup>

Within the next three years, an enterprise will be using over 10 clouds on average.<sup>9</sup> **80% of the cloud opportunity** will focus on shifting core business applications and workloads to the cloud and optimizing everything from supply chain to sales. This new chapter of cloud evolution requires business executives to invest in hybrid multicloud platform strategies and capabilities that operate across public and private clouds, and on-premises solutions. Executives expect nearly **10% return on investment (ROI)** from investments in cloud over a period of 10 years.<sup>10</sup>



# 74%

Of CEOs say that cloud computing will help them deliver the results they need over the next 2-3 years<sup>11</sup>





When running SAP software environments in the cloud (public or private), more and more organizations are leveraging the cloud infrastructure and services provided by the leading cloud providers. When running SAP software environments in the cloud (public or private), more and more organisations are leveraging the cloud infrastructure and services provided by the leading cloud providers (in alphabetical order) AWS, Google (GCP), IBM (IBM Cloud), and Microsoft (Azure). Larger companies are ramping up their storage and compute needs, and small and medium sized companies are following suit. These hyperscalers can store and process vast amounts of data and provide a fast and reliable way of scaling up to support millions of users.

**Creating intelligent workflows**

Customers expect seamless, personalized experiences across all channels. Intelligent workflows, augmented by AI and infused with other exponential technologies such as automation, blockchain and IoT, will underpin the ability of business platforms to deliver exceptional differentiated outcomes (see Figure 1).

55% of executives agree that embedding technology across intelligent workflows optimizes productivity.<sup>12</sup>

By knitting together end-to-end processes across platforms, organizations will be able to deliver better outcomes in terms of value, cost and experience. AI combined with blockchain can capture information at the source and then route it to ecosystem partners for action. When a customer submits an auto or equipment insurance claim, for example, it could trigger requests across the platform ecosystem. These could include scheduling a repair request and other notifications, and even negotiating and issuing payments.

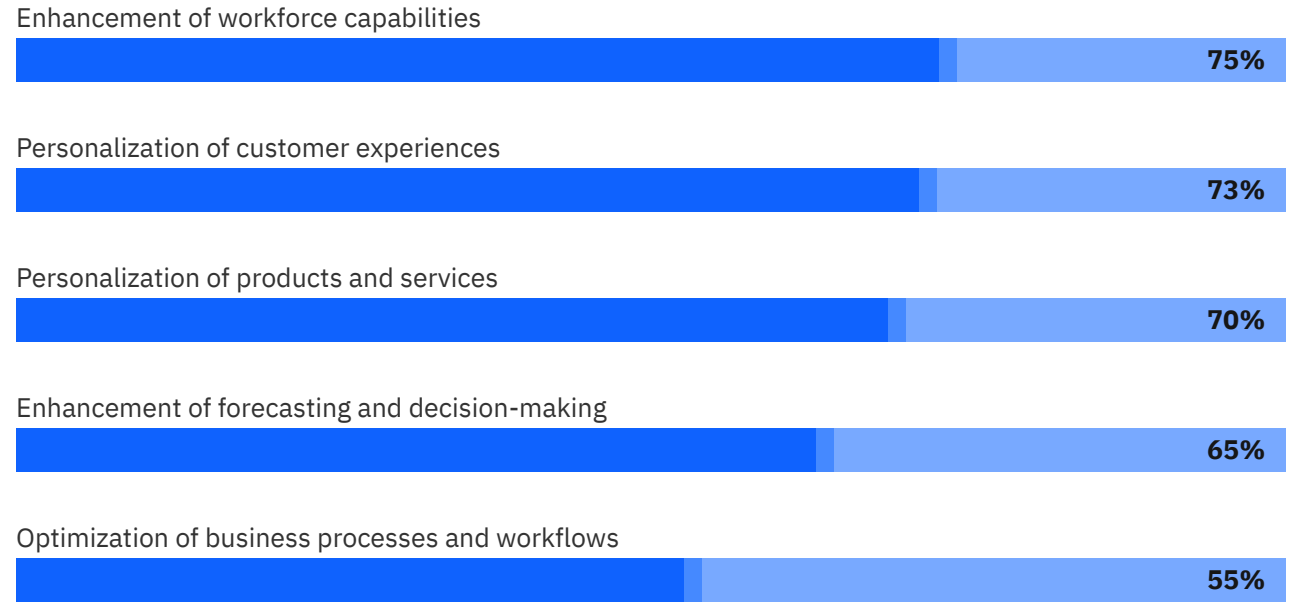
56% of executives expect implementation of intelligent workflows to increase innovation in their organizations<sup>12</sup>. Targeting, shaping and building these intelligent workflows and the skills that surround them will become the core focus of agile teams in organizations as they realize new value and experiences.



8%

Of executives expect their organizations to achieve over 8% annual revenue growth by 2023 by implementing intelligent workflows<sup>13</sup>

Figure 1: Benefits of AI and intelligent automation<sup>14</sup>



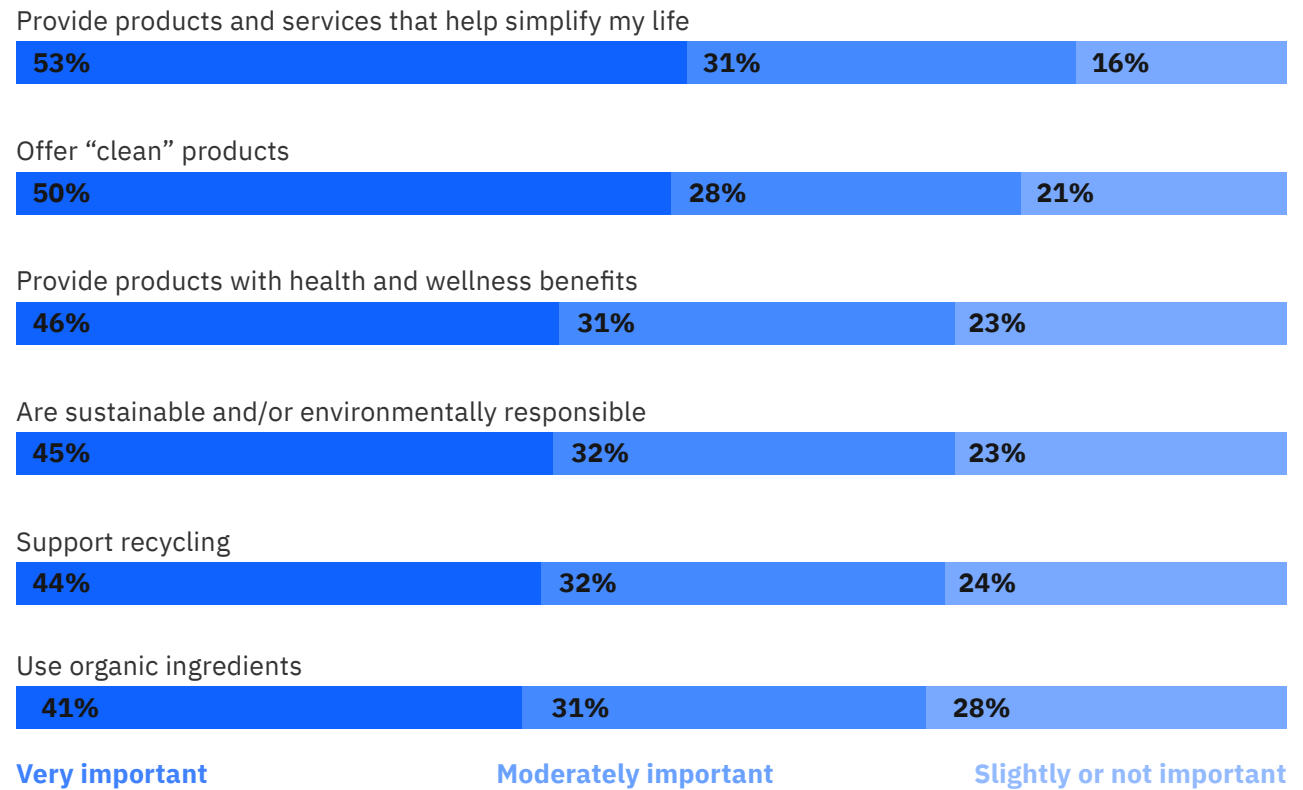
**Reimagining customer and employee experiences**

Today’s consumers are influenced not just by products or services, but by the overall brand experience and reputation. They will happily give their support to brands that share their views on important issues like sustainability, and quickly abandon those brands that do not. This vital trend is recognized by business leaders. In a recent worldwide survey of C-level executives, a remarkable **93% of respondents** cited creating brand reputation as the most critical aspect of their operating models.<sup>14</sup>

In a new world reconfigured by business platforms, this presents a fresh challenge. Business platforms often host competitors, facilitating comparison shopping and potentially diminishing brand loyalty.

Brands can no longer rely on blind loyalty. Leaders understand that they must earn customer trust and earn it again with every transaction (see figure 2). Every touchpoint—from product and service acquisition to delivery and beyond—contributes to the customer experience. **70% of executives** believe that digital initiatives deliver positive to transformational improvements at enterprise scale in performance by improving customer experience.<sup>15</sup> **71% of leading executives** focus on using data to identify unmet customer needs and **69% of them on building processes** to deliver value at every customer touchpoint.<sup>16</sup> Speed and responsiveness are critical across end-to-end operations, and **85% of leaders** are already accessing real-time information to optimize processes and networks for quick actions and results.<sup>17</sup>

Figure 2: What consumers are looking for when choosing a brand<sup>18</sup>





## Learn more

### The Virtual Enterprise is here. Is your organization ready?

Technology is transforming enterprises across the globe, creating new opportunities for growth and fresh benchmarks of cost and efficiency. Discover how a next-generation business model called the Virtual Enterprise will reshape the way organizations innovate.

[Read more](#) →

### The hybrid cloud platform advantage.

More insights on a guiding star to enterprise transformation from the IBM Institute for Business Value.

[Read more](#) →

# 04

## How SAP enables the Virtual Enterprise

SAP’s strategy, “Enable every enterprise to become an intelligent, sustainable enterprise,” fully supports the idea of the Virtual Enterprise and its technology prerequisites.

The strategy aims to help customers thrive in the new economy where being a data-driven enterprise and delivering exceptional experiences are key to their success.

Mirroring the Virtual Enterprise, the SAP Intelligent Enterprise Framework (see Figure 3) comprises three essential components to enable customers to break down data silos and adopt intelligent, dynamic, cross-functional business processes to deliver optimal experiences:

**A business technology platform** which provides unified data management across internal and external data, intelligent technologies to improve analytics and transactional workloads, and application services to simplify extension and integration across the intelligent suite.

**An intelligent suite of applications** to automate day-to-day business processes, share insights across functions, and better interact with customers, suppliers, employees and partners through applications embedded with intelligence.

**Experience management capabilities** to holistically measure and track stakeholder experiences across all touchpoints, prioritize and predict stakeholder needs and trends, drive actions and monitor experience improvement.

The digital core at the heart of the intelligent suite is provided by SAP S/4HANA, the next-generation of integrated, intelligent ERP applications. SAP S/4HANA is the on-premises suite. SAP S/4HANA Cloud is available for cloud deployments, including the bundled RISE with SAP option (see page 18). SAP S/4HANA and SAP S/4HANA Cloud are powered by the in-memory computing technology of the SAP HANA® database. The digital core connects to a series of integrated yet modular cloud applications across key lines of business such as HR, finance, procurement, manufacturing, supply chain, and customer experience.



## How SAP enables the Virtual Enterprise

The intelligent suite also connects to SAP Business Technology Platform that is designed to:

- Enable customers and partners to easily extend the intelligent suite with their own innovative capabilities.
- Integrate with third party solutions with no friction.
- Build new applications that have high impact on their business processes.
- Enable SAP software internally to integrate and embed advanced technologies such as AI and machine learning into the intelligent suite to further enhance customer value.

The overriding aim is to enable enterprises to turn their data into business value in the fastest possible way.

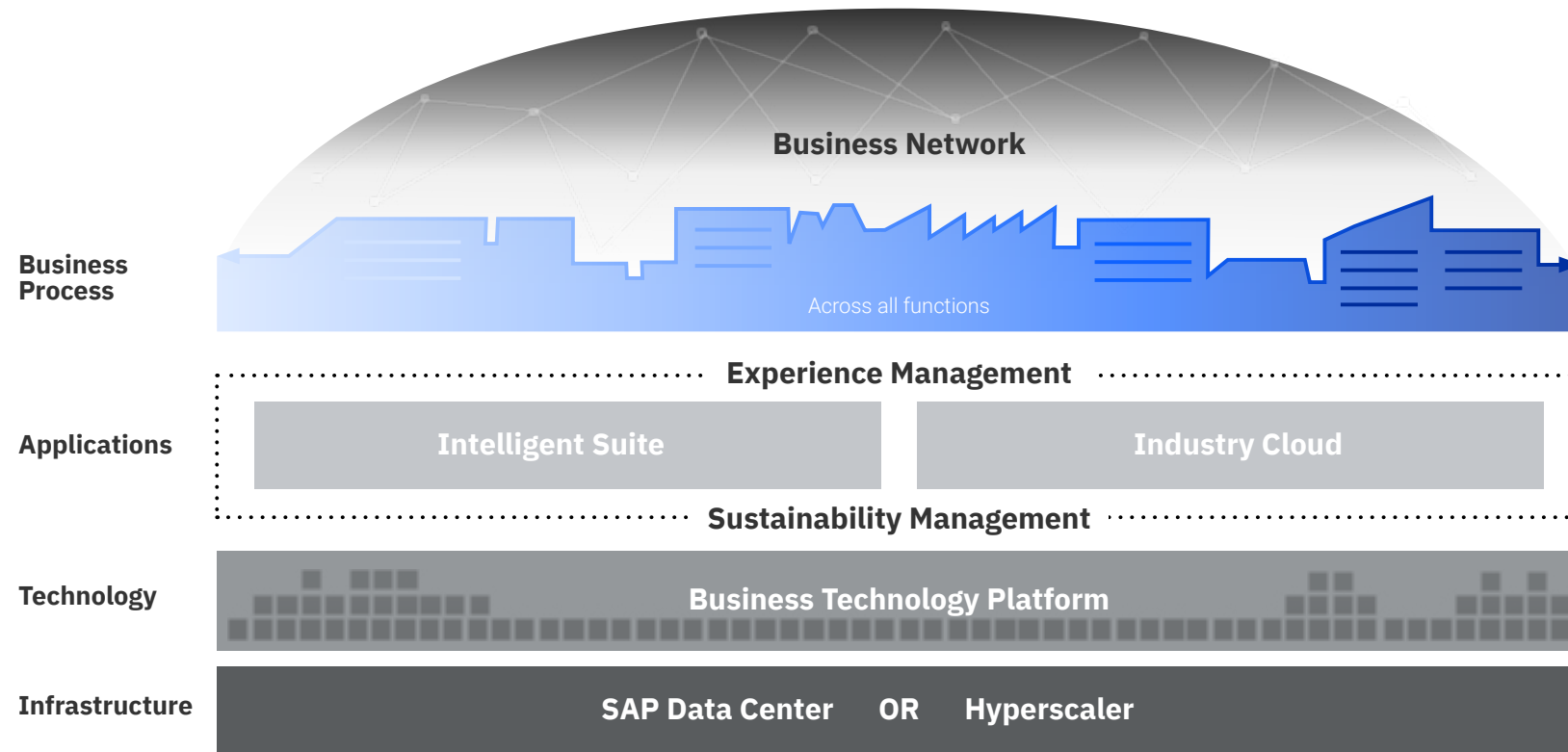


Figure 3: SAP Intelligent Enterprise Framework



# 05

## The challenges facing SAP and its customers

SAP is synonymous with enterprise software and ERP. And despite predictions to the contrary, ERP solutions remain at the heart of many organizations' core capabilities and inextricably linked to their digital transformation strategies.

As SAP's next-generation ERP suite, SAP S/4HANA is the natural evolution for all customers of SAP Business Suite software and SAP ERP Central Component (SAP ECC). As we have seen, SAP S/4HANA provides a modern digital core to connect line-of-business applications into intelligent, end-to-end processes across the enterprise fueled by exponential technologies. For organizations new to SAP, it is a perfect way to skip the previous on-premises iterations and move directly to cloud-based ERP software and other applications from SAP.

To accelerate this move, SAP launched the RISE with SAP offering early last year, providing a simplified pathway for customers to transform their business in the cloud. In the first quarter alone, SAP closed more than 100 transactions for RISE with SAP.

## The challenges facing SAP and its customers

SAP's quarterly statement for Q1 2022 reported that around [500 customers of SAP S/4HANA](#) had been added in the quarter. This takes total adoption to [more than 19,300 customers](#), up [18% year on year](#), of which over [13,900 are live](#).<sup>19</sup> More than [60% of these additional SAP customers](#) were net-new.

A 2022 survey conducted by the Americas' SAP Users' Group (ASUG)<sup>20</sup> showed that [52% of companies are making more investments in SAP](#) and transitions to SAP S/4HANA continue to move forward. Yet we are still seeing adoption rates that are slower than anticipated, and some large-scale

enterprises that have been running SAP software for many years are apparently the most reluctant to make a move. Why is this?

There are several possible reasons. One is that customers know from prior experience that their initial SAP software implementation—undertaken years or even decades ago—involved significant expense and business disruption. Their mission-critical SAP ECC software systems—including many that have evolved from the earlier SAP R/3 ERP software iteration—are solid, reliable, and probably highly customized. These customers see great

value in their SAP systems, and in large part due to the customization, the systems are tailored to their business needs. Even when regarded as a technical upgrade, the journey to SAP S/4HANA is a major IT project with the associated challenges and outlay.

For customers like this, becoming a Virtual Enterprise requires a significant amount of analysis and inevitable change, not only to mission-critical systems but also, to many employee roles and business processes. It is a challenge to make a compelling business

case for such fundamental change when the benefits of the current systems serving the business are still being realized. Not surprisingly, in these circumstances many organizations are deferring the decision or opting for less invasive alternatives.

The announcement<sup>21</sup> in February 2020 of the [extension of support for SAP Business Suite from 2025 to 2027](#) (and even longer for arranged support models) may have swayed the decision in favor of deferral for many risk-averse organizations.



Another reason behind the reluctance to move to SAP S/4HANA is that customers, to one degree or another, are on a journey to move many workloads to the cloud. For some customers, this is their number one IT priority. Many of these workloads are on the periphery of SAP software, and some are major transformational programs themselves. The drive by customers to a hybrid cloud infrastructure is in its early days, but the benefits (both cost savings and technical) are clear. Many customers are successfully running their SAP software workloads on IBM Cloud, and SAP has engaged in a series of global strategic service partnerships—with IBM Cloud (on x86 and IBM Power® environments) being the first premium supplier option for RISE with SAP—to enable SAP S/4HANA Cloud to run on other leading public cloud providers including Amazon Web Services, Microsoft Azure and Google Cloud.

Finally, as we finalize this ebook, we are experiencing a resource constraint throughout the SAP ecosystem unlike anything we have witnessed since the Y2K phenomenon.

How can this impasse be resolved to enable more organizations to plan and execute an effective journey to SAP S/4HANA?

# 40%

## Of SAP customers say they are losing valuable internal expertise<sup>22</sup>



# 06

## BREAKTHROUGH with IBM for RISE with SAP

Launched in January 2021, RISE with SAP is designed to help organizations modernize their ERP and accelerate innovation for the digital era.

It provides a guided path to the Virtual Enterprise for existing and potential SAP clients on their own terms and at their own pace—regardless of their starting point or landscape complexity.

BREAKTHROUGH with IBM is designed to accelerate and amplify the outcome of RISE with SAP and support clients at every stage of their Virtual Enterprise journey. It offers a range of IBM Consulting™ services, solutions and tools to help accelerate the cloud journey, simplify operations, and drive continuous innovation across the whole organization.





BREAKTHROUGH with IBM for RISE with SAP

The premium supplier option with IBM for RISE with SAP S/4HANA Cloud, private edition, enables organizations to plan, execute and support a holistic business transformation in the cloud. It can also help accelerate the journey to SAP S/4HANA Cloud for existing customers of SAP ERP Central Component and SAP S/4HANA, as well as companies new to SAP. The unique combination of SAP software, IBM Cloud (on x86 and Power environments), and IBM’s expertise in industries, architecture and services enables clients to transform in the right way and at the right speed to:

**Redefine processes with proven best practices.**

- Deliver faster time to value and ROI.
- Reduce project complexity.
- Real-time access to data and insights to inform decisions and guide actions needed to drive improved performance

**Simplify operations**

- Increase reliability while reducing the strain on resources.
- Strengthen security and peace of mind.
- Improve regulatory compliance.
- Expand the organization’s cloud footprint across the globe.

**Drive continuous improvement**

- Configure quickly to fit the organization’s needs.
- Differentiate the business among the competition.
- Achieve faster time to innovation.

Learn more



## BREAKTHROUGH with IBM for RISE with SAP

Accelerate SAP cloud ERP deployment,  
simplify operations and drive continuous  
innovation across your organization.

Learn more [→](#)

# 07

## Accelerating the journey to SAP S/4HANA

SAP’s strategy fully supports the idea of the Virtual Enterprise. Instead of being seen as a like-for-like replacement for existing ERP capabilities, SAP S/4HANA should be regarded as a new digital core for the business: a flexible foundation that connects the entire enterprise, upon which next-generation technologies can be built.

Digital transformation on this scale is inevitably disruptive. IBM has great experience in orchestrating large, complex programs with profound consequences for the client’s business. BREAKTHROUGH with IBM is designed to accelerate and amplify the outcome of RISE with SAP and support clients at every stage of their Virtual Enterprise journey.

Most important is the new business value that these exponential technologies can create if harnessed correctly. The combination of research capability, deep industry expertise, and innovative technology that IBM brings to the table can dramatically change the business case, the value delivered, and the time needed for realizing the true benefits of SAP S/4HANA and other SAP solutions.





# For more information

To find out more about IBM as your trusted partner for SAP transformation, please visit

[Services for SAP Solutions](#) →

[BREAKTHROUGH with IBM for RISE with SAP](#) →

IBM Consulting  
Route 100  
Somers, NY 10589

Learn more



### Vodafone: A faster path to SAP S/4HANA

Vodafone accelerates its move to SAP S/4HANA using IBM Rapid Move, with 50% increase in time to value and 90% data footprint reduction, compared to traditional upgrade projects.

Watch the video [→](#)

Learn more



## Virescent Infrastructure embarks on hybrid cloud journey to accelerate sustainable business growth

Virescent Infrastructure, a renewable energy platform, chose RISE with SAP to completely redesign their processes for better business outcomes. IBM Consulting is deploying the solution in record time bringing in automation and improved governance across multiple levels of the organization.

Watch the video [→](#)

Learn more



## PayPal Giving Fund and IBM empower philanthropy with SAP S/4HANA Cloud

PayPal Giving Fund (PPGF) migrated its ERP platform to SAP S/4HANA Cloud. Using a one-team, best practices approach, IBM and SAP delivered a system that can handle over 500,000 donations a day while raising hundreds of millions of dollars for thousands of charitable causes, including Australian wildfire and COVID-19 relief.

Watch the video [→](#)



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