



TOOL-BASED GOVERNANCE FRAMEWORK FOR S/4HANA TRANSFORMATION

Abstract

As enterprises increasingly adopt S/4HANA transformation to modernize their legacy ERP applications, there remains considerable lack of clarity on how transformation KPIs must be measured. This is a critical but often overlooked aspect that could result in diminished business outcomes as well as the loss of momentum on the transformation program.

This paper discusses the challenges of KPI measurement and the importance of strong governance to track S/4HANA transformation KPIs. It also outlines how a tool-based governance framework can help reap greater benefits during S/4HANA transformation programs.

Introduction

Organizations that embark on S/4HANA transformation often evaluate different implementation approaches. The greenfield approach is the preferred path due to high return on investment through operational efficiencies gained from harmonized processes and standardized solutions. Together with this, large-scale S/4HANA transformation programs are becoming increasingly complex as businesses aim to consolidate multi-country business units and ERP applications into a single centralized and harmonized ERP application.

When approving the use case of such large-scale transformation activities, program sponsors look at certain aspirational key performance indicators (KPIs). For example, a scatter of 70:20:10 outcome should be achieved in business process harmonization across global, regional, and market segments or an 80:20 ratio of technical standardization should be enabled for standard and custom applications. Such metrics help calculate the degree of operational efficiency and return on investment (RoI) of the transformation. Thus, the true success of any S/4HANA transformation program is to achieve these KPIs, rather than just going live.

Challenges with Harmonization and Standardization

Before delving into the challenges, it helps to understand what harmonization and standardization mean:

- Process harmonization refers to unifying the processes used by different business units or countries of operations and reducing the number of variants.
- Standardization, from an S/4HANA perspective, refers to adopting pre-configured or personalized processes based on SAP-recommended configuration standards (IMG).

The harmonization and standardization requirement of a program is unique to an organization. There is no universal indicator – in terms of the degree of harmonization or standardization to be achieved – to deem the transformation successful. Rather, businesses must determine it based on their own competitive advantage.

Today, most S/4HANA solutions are meant to replace legacy ERP applications that have supported organizations for decades. However, as older processes get retired, organizations face resistance to change from the legacy application users. This can hinder adoption of the new S/4HANA processes. Further, most of these large-scale programs span several years where different departments aim to harmonize or standardize their ways of working. Thus, alignment between all these stakeholders across a long period becomes critical, yet challenging.

There are several factors that can skew the efficacy of standardization and harmonization in the program, resulting in greenfield implementations that do not deliver the expected results (see Figure 1). In such scenarios, which are often the case, irrespective of whether the organization has chosen a template-first or pilot-first approach, the enthusiasm for standardization gets further diluted as the rollouts increase.

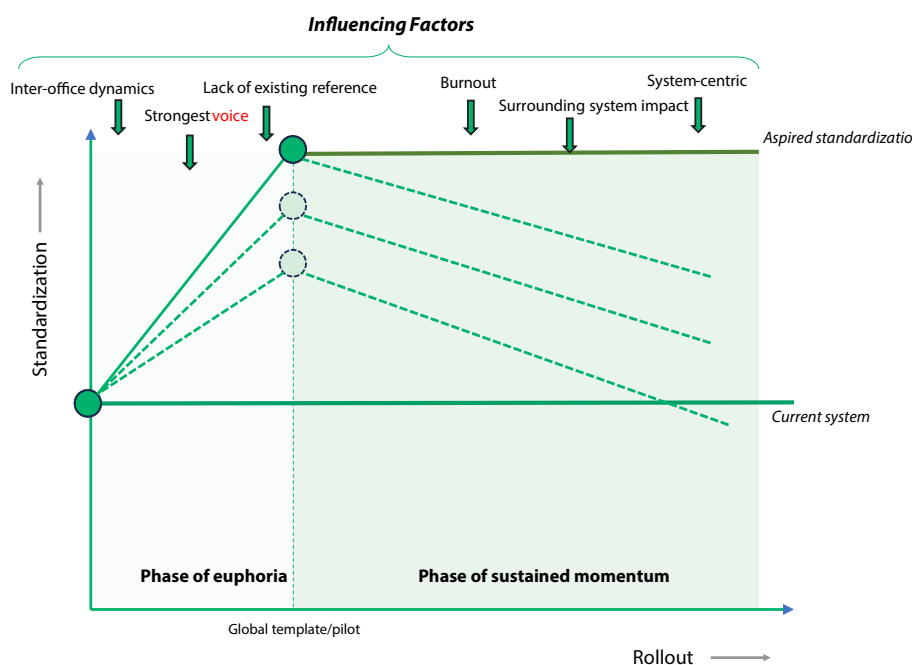


Figure 1 – Factors that influence the success of S/4HANA transformation

Thus, it becomes paramount to have a strong governance mechanism that enables multi-year, large-scale transformation programs to retain their momentum, and achieve the desired outcomes.

Governance Boards in S/4HANA

S/4HANA transformation programs have different governance mechanisms to measure the impact of the factors shown in Fig 1, with each adapted to enterprise needs. Some of the common metrics measured are deviation at the process level, customization at the code level, etc.

Governance in an S/4HANA transformation program comprises several governance domains such as process governance, data governance, solution governance, and architecture governance. While each of these governance areas has its own purpose and activities we have captured those that are relevant for measurement of KPIs in Table 1. Depending on how the organization or the program is structured, the parameters could change.

Table 1 – Overview of process, solution, and architecture governance areas in an S/4HANA program

Areas of Governance	Process	Solution	Architecture
Purpose	Ensures that different business units or markets adopt similar processes that are aligned with the strategic goals, values, and policies of the organization	Ensures that the customized and integrated solution is compliant enough to enable high-level of process standardization and simplification	Ensures the adoption of best practices and longevity of the solution by using modern technologies while minimizing the technical debt
Composition	Business Process owners from Global /Regional /Local levels who can provide strategic direction and oversight.	Solution architects from different work streams	Enterprise Architects, Technical architects, integration specialists
Key activities	<ul style="list-style-type: none"> Business objectives and business requirements alignment Define the process governance principles and establish policies and standards of governance Ensure alignment and integration of processes across the organization Review and prioritize process improvement projects 	<ul style="list-style-type: none"> Global Solution Concept – Templatization Evaluate, review, approve, or reject requests by project work streams (finance, logistics, warehouse management, etc.) for architectural and cross-team design decisions Ensure documentation of all deviations – business reasoning and functional and technical decisions Establish and maintain a list of business processes that do not adhere to standardization with explanation and links to documents 	<ul style="list-style-type: none"> Ensure IT strategy is aligned with business objectives. Mapping of business capabilities to application components Derive SAP development standards, guidelines, and frameworks to be adopted based on the organization's standards Evaluate and finalize delta requirements that need to be addressed through developments Ensure modern integration and extension techniques are adapted during the 'realize' phase Establish and maintain documentation of all extensions
Sample KPIs Captured		Adherence to Standards / Best practices. Number of automated test scripts	Compliance to clean core principles
Key phases	Prepare and explore phases	Explore and realize phases	Realize and deploy phases
Frequently used Tools	<ul style="list-style-type: none"> SAP Signavio BIC Platform Microsoft Visio ARIS Mavim 	<ul style="list-style-type: none"> SAP Cloud ALM Atlassian JIRA Atlassian Confluence Tricentis ServiceNow 	<ul style="list-style-type: none"> SAP LeanIX SAP Integration Assessment SonarQube

The success of any transformation program is to achieve enhanced business operation for which data is the key. By definition, ERP is seen as system of records. Hence data governance certainly transcends beyond ERP transformation and needs specialized focus in terms of establishing global data owner organization within business that will work in tandem with Global business process owner organization. If ERP consolidation is part of the S/4HANA program, then we suggest data governance is included as key areas of governance together with process, solution and architecture.

Challenges in Tracking KPIs

The different KPIs for process harmonization, solution standardization, etc., can be governed by the specific board

established for that purpose. However, when the KPIs are measured independently, it is important to see whether they are achieving the overall goals. For instance, if we consider the 80:20 goal of standardization, it is possible that the total standardization for custom solutions exceeds 20%, which in turn decreases the amount of process harmonization. Similarly, if global processes are measured to be 70%, then this should be applicable to all global objects in the system. If not, the 70:20:10 split remains just a number and not a true KPI.

It is crucial to track the various KPIs across different phases during the implementation of S/4HANA transformation program to ensure that they are meeting the defined goals. To do this, governance boards must be embedded within the transformation journey (Fig 2).

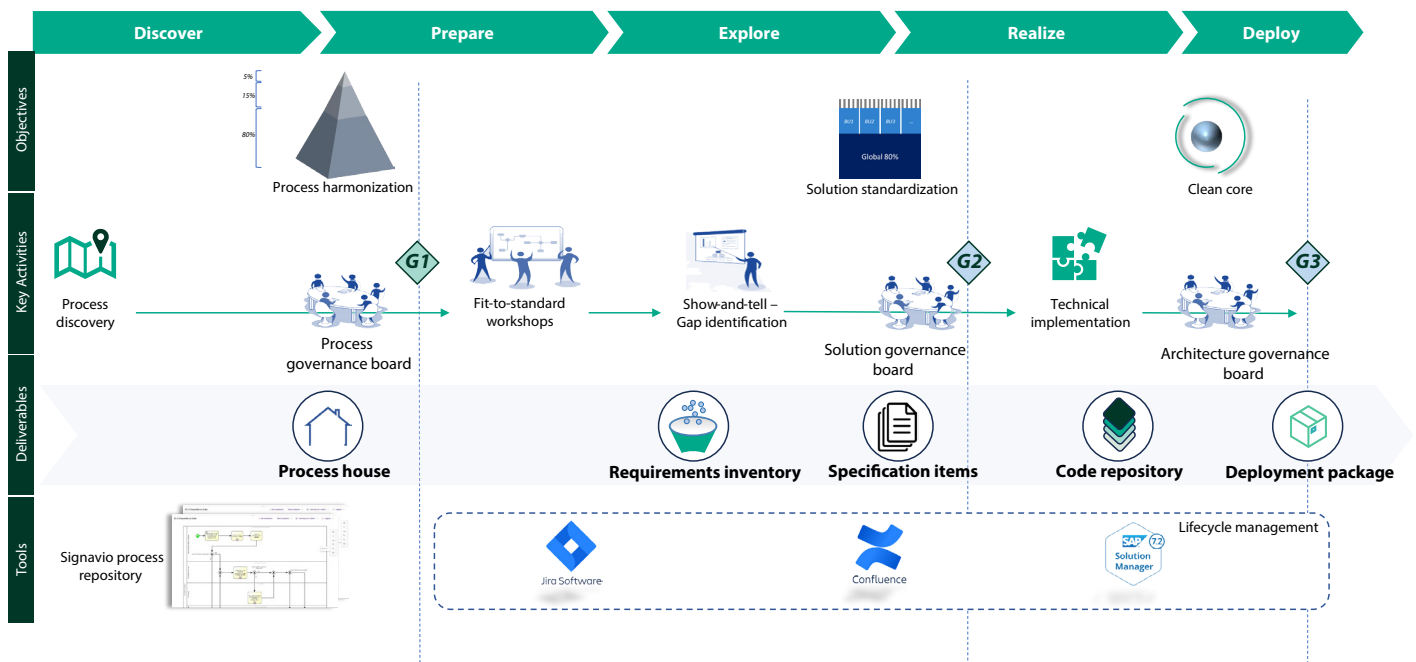


Figure 2 – Indicative (not exhaustive) placement of governance boards within S/4HANA transformation



Nevertheless, despite having all the above mechanisms in place, a common and recurring challenge is that the stakeholders in each governance board possess different skills and belong to different teams such as business, process, and technology. Thus, tracking the KPIs, achieving synergy, and ensuring true performance becomes complex.

The Infosys Solution – A Tool-Based Governance Framework

The solution, built upon the Infosys IDEA-Activate methodology, ties together all the governance boards, ensuring there is no

leakage when measuring KPIs of S/4HANA transformation programs. The approach emphasizes KPI measurement across the entire program journey, thereby allowing program sponsors and users to take remedial actions early.

Infosys IDEA-Activate methodology leverages this framework of tool-based governance for measuring KPIs to provide a holistic picture across different phases of the program. The tool allows users to build a dashboard to specifically measure the required KPIs. The dashboard can be then used to continuously monitor these KPIs and provide remediation actions during the program implementation.

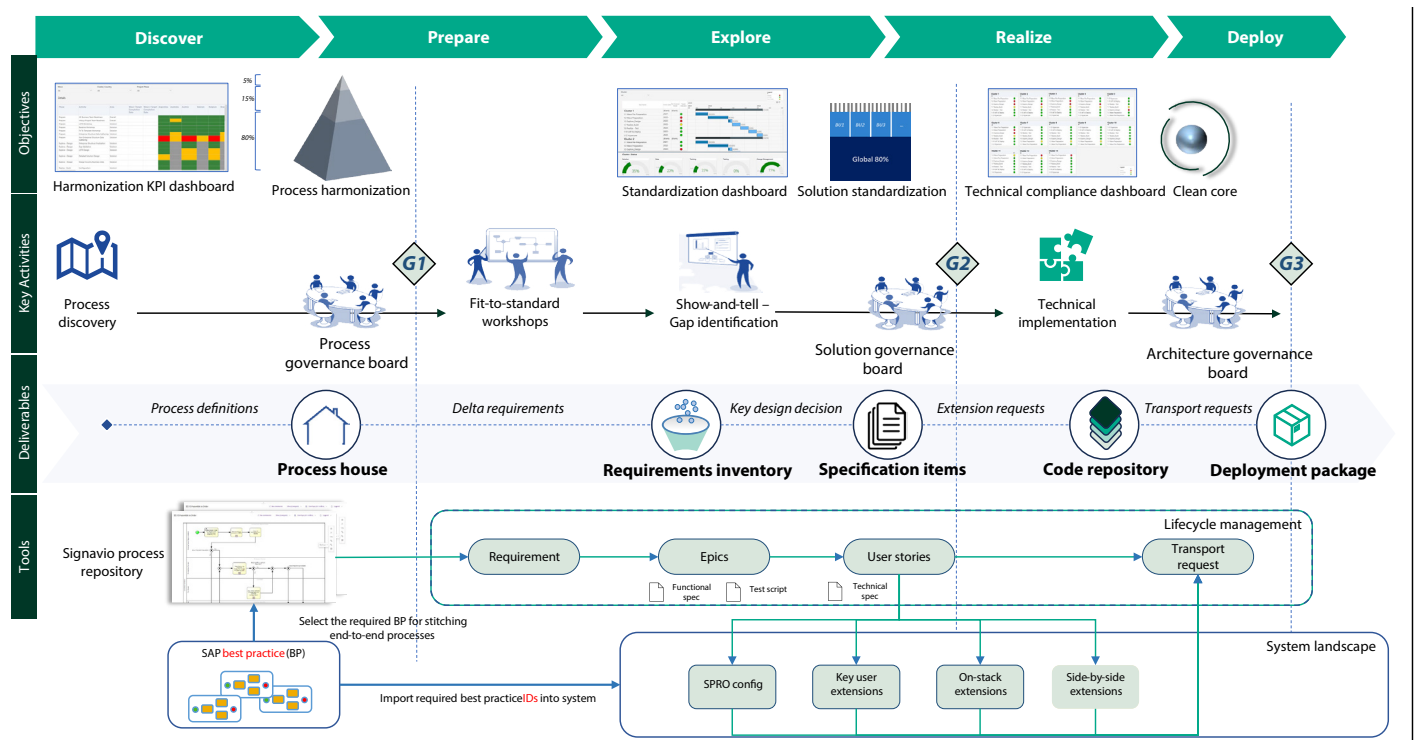


Figure 3 – Representative toolchain for the governance framework



Once the process harmonization is successful and Process House in SAP Signavio contains the harmonized business processes, how do organizations use this information for the solution governance? As per the SAP Activate methodology, the harmonized processes are further mapped to SAP business capabilities, which are used to identify the SAP best practices relevant for the implementation. These also serve as a base for conducting Type A and Type B fit-to-standard workshops during the “explore” phase of the program. Thus, Process House stored in Signavio is the starting point of the Infosys framework.

During the fit-to-standard workshops, each of these processes is converted to requirements and drilled down into epics and user stories. Irrespective of which project management tool is used (JIRA, Focused Build, etc.), it is important to link the processes in Signavio with the requirements. These user stories and tasks are mapped to either a configuration item or a code package to be implemented in the system. The ratio of requirements converted to configuration items and code packages provides the level of standardization achieved in the system. This framework can further be extended to include solution validation by linking the proposed toolchain with the test suite used in the program to measure the completeness of the process coverage.

The architecture governance board can visualize all this information in real-time during a decision-making process, allowing stakeholders to know the amount of customization brought in by the requirements and course-correct accordingly. The technical architecture board reviews each code package that is delivered. Further, to ensure that the developed code conforms to modern integration techniques such as ISA-M and SAP BTP for integration and extension technologies, the board uses key-user extensibility, on-stack developer extensibility, and side-by-side extensibility before considering other classic extensions.

A final consideration to note is that all the governance board quality gates – right from Prepare to Deploy – are documented appropriately and completely. The key lies in:

- Identifying the right candidate to play the role of Enterprise Architect to implement the framework.
- Ensuring that the process in the BPM tool has end-to-end traceability by
- Linking development objects to the corresponding solution gaps.

This will support the tool-based approach for governance of S/4HANA transformation activities, allowing enterprises to measure the ‘true success’ of such programs.



Conclusion

Greenfield S/4HANA transformation programs are gaining traction for the potential of process harmonization and standardization. However, without a traceable and continuous method to track KPIs, such large-scale and multi-year transformation programs may veer off-track, leading to diluted outcomes. S/4HANA provides governance mechanisms, such as a process, solution, and architecture governance boards, that assist organizations in tracking KPIs. Once KPIs are measured, it is then vital to see

that the metrics are, in reality, aligned to the overall goals of the program. A tool-based governance framework provides a dashboard to track the various KPIs of S/4HANA transformation programs with real-time insights into what each KPI measures and its interpretation. This allows program sponsors and system users to take decisions and course-correct early, keeping transformation programs on track and aligned to the stated goals.



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