

## White Paper

# Moving to an Intelligent Enterprise Streamlined by RISE with SAP

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## IN THIS WHITE PAPER

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For the thousands of SAP customers that run on-premises ERP, the RISE with SAP announcement offers a welcomed change to what is often a lengthy, fragmented, and complex journey to a modern cloud ERP like SAP S/4HANA Cloud. RISE with SAP is a recently announced offering that seamlessly combines business process redesign, technical migration to modern and modular architecture, and the needed data to deliver predictable business outcomes. RISE with SAP enables customers to start the migration journey on their own terms and establish a timeline that is right for them.

RISE with SAP is a subscription-based offering that runs as a utility with a single contract to manage SLAs, operations, and issue management. SAP refers to this as business transformation as a service. The new offering underscores SAP's unrelenting focus on helping customers transform into an intelligent future-ready enterprise.

## SITUATION OVERVIEW

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Successful migration to a modern cloud ERP is an integral step toward business transformation. If data has become the lifeblood of an organization, one might argue that ERP is the heart. Organizations can no longer relegate data management to later stages of the transformation journey. Transformations will only succeed when efforts are process led and data driven with fact-based decisioning. Just as ships need coordinates to find the destination, businesses need data to navigate a desired future state. Findings from IDC's *Industry CloudPath 2020 Survey* highlight the number 1 reason organizations move to the cloud is to manage the volume and velocity of data that have exceeded the business' ability to ingest and analyze.

The future enterprise leverages digital technologies to adapt as conditions change and create new sources of value and economic prosperity. In IDC's November 2020 *COVID-19 Impact on IT Spending Survey*, organizations told IDC that they had five key areas on which they needed to focus and in which they had to demonstrate the business value of digital projects so they can ensure growth and business resilience:

- Adapt to existing business models.
- Create new digital products and services.
- Enhance organizational transparency.
- Digitalize operations for greater transparency and organizational visibility and insight.
- Deliver digital-first experiences.

Digital business requires digital metrics to show the value derived. In the same IDC survey, organizations also recognized challenges to deriving digital business value. Changing from an on-premises inward-facing enterprise to a digital business requires KPIs that quantify business value, processes connected to measurable outcomes, scalable technology, enterprise budgets, and an enterprise technology road map.

On-premises systems are still in use by 60% of global enterprises. The added costs to manage the applications and infrastructure and the constant updating of customized business processes are hurting organization productivity and profitability. The COVID-19 pandemic became the tipping point for organizations of all sizes and industries to begin the journey toward modern, modular cloud ERP and financial systems.

The journey to the cloud is not easy. Moving from an on-premises ERP system to the cloud can be fraught with years of planning, mapping of business processes, technology integrations and data cleansing, and quality concerns. Movement requires careful considerations, including a third party to analyze, clean, and help throughout the whole project, typically years in the making.

Modern modular systems are a digital standard. Modular enterprise applications are a collection of business capabilities focused on delivering use cases that are constructed to be fluid and quickly consume data, logic, intelligence, and workflows. Modular enterprise applications can be built into any configuration such that the outcome achieved from them is significantly better than the sum of their components. Innovation-enabling technologies such as RPA, artificial intelligence (AI), machine learning, predictive analytics, and natural language processing make the applications more streamlined and intelligent. Configuration is prized over customization as is the consumption and use of required workflows and data.

## CONSIDERING SAP

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RISE with SAP brings together SAP's broad portfolio, including SAP S/4HANA Cloud, SAP Business Technology Platform, SAP Experience Management, and SAP Business Network Starter Pack, enabling the rapid conversion of an existing ECC environment, including the seamless integration between the front office and back office, to optimize end-to-end business processes along the entire value chain. SAP Business Network connects groups of organizations working together to accomplish a set of strategic and operational objectives. The ecosystem includes the suppliers, contract manufacturers, maintenance providers, logistics services providers (carriers and shippers), distributors, customers, competitors, government agencies, and logistics – all of which tie the value chain together with the business for the delivery of goods and services. Each business entity in the ecosystem affects and is affected by the others – referred to as network effects – to create a continuously evolving relationship. Each entity must be flexible and adaptable to thrive as part of an interconnected digital ecosystem.

SAP Experience Management is available as an option. The integration extends beyond the technical point to point, focusing on business process integration utilizing the SAP Business Technology Network, which features business process intelligence. SAP S/4HANA Cloud supports multicloud scenarios, enabling the customer to move from its current ECC designs to the more modern and modular in-memory ERP solution quickly. RISE with SAP enables customers to have the flexibility to choose deployment options including SAP hosted, public cloud infrastructure provider of choice, or a hybrid model.

Business process redesign is the first of three steps defined in the offering. The process-led and fact-based approach to business transformation enabled by RISE with SAP substantially increases the achievement of desired outcomes. RISE with SAP manifests the software company's nearly 50 years of delivery experience engaging with enterprise customers in business transformation to increase agility, resiliency, and innovation. RISE with SAP private edition enables businesses to retain customized processes that produce competitive advantage. Business process standardization is a priority because it frees the company to focus on where it wants to innovate and differentiate. As one chief transformation officer explained, "When you standardize business processes, the whole structure becomes standardized; people learn from each other; you can do internal benchmarking and focus on what lies ahead." Process standardization combined with intelligent automation helps make the desired change a reality of actionable insights. RISE with SAP provides clear analysis of processes to give customers extra insight into what they are doing now and how to make improvements. The analysis reveals how processes are performing, the number of human interactions, and the results.

## Move to a Modular IT Landscape

RISE with SAP is for customers at any stage of the transformation journey, regardless of size and industry, independent of private and public cloud deployments. The future of work is made possible by well-connected cloud architectures that span different deployments including public cloud, private cloud, and edge. Organizations increasingly favor a modular cloud-native architecture for increased portability across connected clouds, enabling speed, agility, and innovation.

Migrating traditional monolithic systems of record to the cloud can create significant disruption over many months and years, as the business wrestles with a complex web of integrations and customizations. Legacy business processes are suboptimized because rigid systems create substantial inefficiencies, degrade customer experience, and destroy value, not to mention the many tens of thousands of customized workflows developed and purchased to reduce the rigidity. Many companies postpone moving to a cloud ERP because they lack the knowledge and skills, have too many customizations they cannot reconcile or, ironically, fear disrupting these failing systems and processes given a "if it isn't broke, don't fix it" stance. This fear of disruption along with the need for investment in the future can stymie an organization by negatively impacting customer loyalty, employee morale, and profitable growth. RISE with SAP stands apart from other offerings because of its holistic, integrated, and process-first approach to cloud modernization and business transformation. SAP S/4HANA and the SAP Business Technology Platform join with SAP Industry Cloud to deliver differentiated functionality while moving to a more standardized and stable foundation as part of a managed transformation.

Customizations are performed on the SAP Technology Platform, allowing the SAP S/4HANA core to remain clean, unencumbered, and optimized for running on hyperscaler infrastructure. Customers and ecosystem partners use RISE with SAP embedded tools and products to create differentiated capabilities that accelerate business value. Among the features are:

- Custom Code Analyzer allows SAP to go into an ECC environment and examine where the customization lies and determine if the code is used. SAP estimates that nearly two-thirds of ECC customizations lie dormant. A clean core means moving to a business standard with minimal changes to common processes and should only include configurations and purposeful customizations. The cleaner the core, the easier it is for businesses to move to the cloud with greater speed and agility and significantly lower total cost of ownership (TCO). Custom Code Analyzer also enables the company to examine the justification for customizations since the

same customizations are now standard in SAP S/4HANA Cloud. Customizations that enable differentiated value are shifted to the SAP Technology Platform with a standard interface.

- Readiness Check helps customers identify the most feasible way to set up a road map for SAP S/4HANA Cloud and assess the impact on the customer's business model. The tool provides a detailed analysis of the conversion impact for any environment, including business process improvements. Readiness Check 2.0 features a modern and intuitive UI based on SAP Fiori 3.0 and an interactive dashboard.
- Business Process Intelligence Discovery Reports help companies perform a holistic business transformation that delivers increased agility and resiliency. The recent acquisition by SAP of Signavio's cloud-native process management suite enhances SAP's existing business process intelligence capabilities to provide end-to-end process redesign, including benchmarking, gap analysis, and process change management and monitoring.

The increasing velocity of change requires a continuous improvement mindset and capabilities that bring together standardized process KPIs, benchmarking data, behavioral mining, and customer experience analysis. The digital economy has created many new touch points and opportunities to deliver value, provided the business can sense and respond during those critical moments in real time. The intelligent enterprise prioritizes the democratization of data and insights that workers apply to create superior customer experiences.

## BENEFITS

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Businesses are moving to the more modern and modular cloud ERP system to realize faster time to value. The benefits are substantial and numerous:

- Significantly lower total cost of ownership because customers no longer bear the burden of managing the new ERP system in their own datacenter (Infrastructure costs, including servers, storage, networking, and facilities, are virtually eliminated when moving to the new cloud ERP.)
- Reduced migration-related costs to move from ECC to SAP S/4HANA Cloud, including IT staff costs and third-party services – both of which are lowered with a faster migration using RISE with SAP
- The reduced business risk from disruption of critical operations caused by unplanned system downtime and the resulting lost user productivity
- The elimination of redundant, unused legacy processes through standardization with SAP S/4HANA Cloud
- Easier integration with SAP Business Technology Platform to quickly connect the existing systems and the entire application portfolio to SAP S/4HANA Cloud
- Streamlined, flexible, and portable licensing along with simplified contracts
- Embedded innovation accelerators like AI and machine learning, advanced analytics, and IoT that can be applied quickly to create opportunities to drive improvement in business performance
- Real-time access to data and insights to inform decisions and guide actions needed to drive improved performance

## CHALLENGES/OPPORTUNITIES

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SAP has 30% of the ERP market share, with most of that revenue tied to on-premises applications. While many of the SAP products are SaaS and cloud enabled, the customer switch from on-premises license models to first subscription models is far from over. The transition to the cloud for an enterprise application software vendor is not easy since it requires the client base to move from on-premises capital expenditure models to cloud operating expense models. SAP's focus on RISE with SAP brings together all the elements to make it a palatable change for clients, including process intelligence, conversion tools, contract simplification, and services that facilitate transformation; this approach is a great shortened step for SAP.

Organizations with legacy applications have been faced with a choice between core migration or transformation. For many, they are upgrading to modernize but still want on-premises deployment, while others have migrated their on-premises legacy applications to the cloud for total cost of ownership purposes. Generally, the transformers plan to migrate and migrators plan to transform; however, the scope, complexity, and cost dictate a sequential plan. RISE with SAP brings the two steps closer together.

Digitally transforming an enterprise isn't easy. The global pandemic showed that organizations that were more digitally transformed were more resilient, while those that were lacking digital business processes spent more money enabling business continuity programs for the short term. Organizations have found the COVID-19 pandemic a tipping point toward digital transformation requiring further investment by them.

While RISE with SAP is great for the SAP ECC customers, it could also be shifted to clients using on-premises applications with other competitors. The ability for SAP to provide the same or similar opportunity for other on-premises software providers' products could be a real boon to SAP in not only keeping its current market share but also capitalizing on other vendors' market share, particularly in the deep manufacturing and supply chain domains.

## CONCLUSION

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Organizations need digital transformation, and RISE with SAP provides that opportunity to leverage the best of all worlds – cloud, process intelligence, conversion tools, contract simplification, transformation services, SAP Business Technology Platform, and SAP Business Network.

For organizations that have already chosen migration, a lot of barriers to transformation have been addressed. For those organizations that haven't taken either step, RISE with SAP can enable prioritizing transformation and enjoying the benefits of migration sooner. RISE with SAP programmatically encapsulates digital transformation and offers enterprise customers unprecedented flexibility and fast time to value as they strive to become an intelligent enterprise.

One point is for certain: It is definitely worth a conversation with an SAP customer success team to understand the potential benefits from RISE with SAP.

## About IDC

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