System Migration Report

11 strategy-defining stats for
S/4HANA, Salesforce, and more

Introduction

For any big enterprise, continuous business transformation is a must. Companies merge or acquire other companies. Processes get more complex. Technology evolves. Inevitably, the systems underpinning your business will struggle to meet your needs.

To stay agile and remain competitive, you'll have to upgrade or replace existing systems by migrating their business processes to a new system landscape. And you don't need us to tell you that system migrations are challenging (especially the one to S/4HANA).

That's why we've sifted through dozens of benchmark studies, customer surveys, and independent vendor reports so that you don't have to.

The result?
11 strategy-defining stats you should know that all system migrations have in common, plus a few about S/4HANA in specific — highlighting the risks, costs, and challenges many IT leaders are sure to face. But, you'll also learn about the incredible opportunities that evolving your IT landscape can unlock. Learn about:

→   The common pitfalls businesses face in starting the journey
→   Why many system migrations fail
→   The key ingredients for a successful migration
→   And the business value successful system migrations can create

Let's get started.

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Section 1

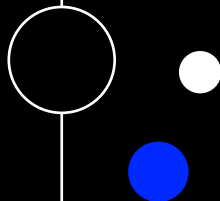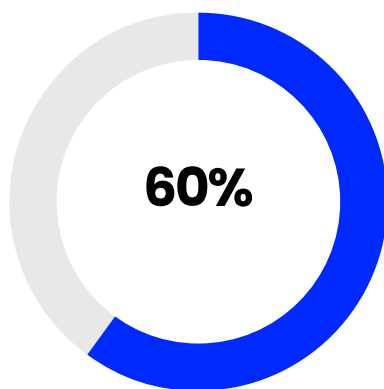# 6 stats you should know about system migrations

01

More than half of system migrations fail

IT migrations are like a house of cards. One wrong move can bring the whole thing down — whether it's poorly defined processes, the wrong business users in a workshop, or inflexible employees clinging to old workflows.

60%

Gartner estimates that **60% of ERP investments** are perceived as having failed because they are believed to have compromised the business in some way.

The reasons for this can be as diverse as the systems themselves. Maybe the new ERP has poor usability, the project had the wrong scope, your data is corrupted, your technical integrations don't work, or your users just don't know how to use the new system. The list is endless. But it all comes down to the following core problems companies face these days:

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Source: Gartner, **2019 Strategic Roadmap for Postmodern ERP**, Paul Saunders, et al, 31 May 2019

1. **System migrations are the "ugly duckling" no one wants to do**
   On the business side, system migrations are often seen as a necessary evil (or a technical upgrade at best) — when they're actually a great opportunity for strategic improvement. On the IT side, leaders struggle to demonstrate the business value a system migration can bring. But when expectations and roadmaps aren't aligned, how do you expect to keep your migration on track?

2. **Low process visibility makes it hard to really improve operations**
   Process complexity is at an all-time high. According to a recent Forrester study commissioned by Celonis, 71% of employees use 10 or more applications to execute a single business process. And yet, only 16% of leaders say they have complete process visibility. But without end-to-end process visibility across systems, businesses often end up migrating inefficient processes to their new system.

| Process complexity | Lack of visibility | Disconnect between IT and business | Lots of challenges |
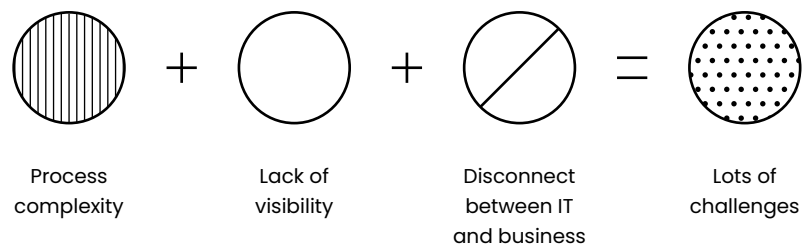
Sounds like you should throw in the towel? Not quite. Yes, there are costs and risks. But a system migration can and should — if executed well — deliver real business outcomes: **improved agility, better process visibility, higher productivity, and lower costs**.

02

Majority of system migrations struggle with ballooning scope

Moving your business from one system to another is like building an airport. It requires extensive planning, timing, and most importantly, budgeting. If you don't get it right from the start, your transformation project can easily end up like the infamous Berlin Brandenburg (BER) airport. The German airport turned out to be catastrophic in every aspect, running billions over budget and 8 (!) years behind schedule. So why do so many migration initiatives face the same faith?
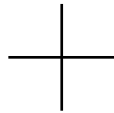
60%

of ERP programs suffer **delays**
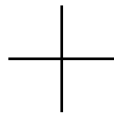
Although aware of the risks and teething problems that come with a project of this scope, both IT departments and system integrators often lack a detailed plan for challenges that can hit the company's bottom line. The result: More than half of ERP migrations fail to stay on schedule. "A major reason being that system integrators sometimes take a cookie-cutter approach to program management, using point-in-time information", criticizes Boston Consulting Group.

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You wouldn't build an airport without a highly detailed blueprint and timeline. Same goes for system transformations. That includes vital preparation steps like:

→ Identifying all cross-functional interdependencies (How do your process changes in Order Management affect Accounts Receivable?)

→ Defining change management (How can you ensure successful adoption?)

→ Developing testing scenarios before go-live

→ Accounting for potential challenges (security challenges, slow data migrations, longer downtimes) and laying out how you plan to resolve them

→ Including some leeway (in terms of schedule and finances) for additional requirements that may crop up unexpectedly.

In a nutshell: If you want to avoid ballooning timelines (and costs), you need an airtight back-up plan for any worst-case scenario — and, better yet, 100% objective process insights to guide your decisions along the way.

03

Few system migrations generate ROI

System migration is a means to an end. You don't re-engineer your technology landscape just for fun, you're striving for a better customer experience, new functionalities, agile processes, and greater business value. You simply can't afford to spend hundreds of millions of dollars into a project that doesn't recoup your investment.

Unfortunately, that's a fate many companies share. They either struggle to measure whether the project delivered on their business case or, in the worst cases, don't see any ROI at all.

Two-thirds of ERP transformations have a **negative return on investment**.
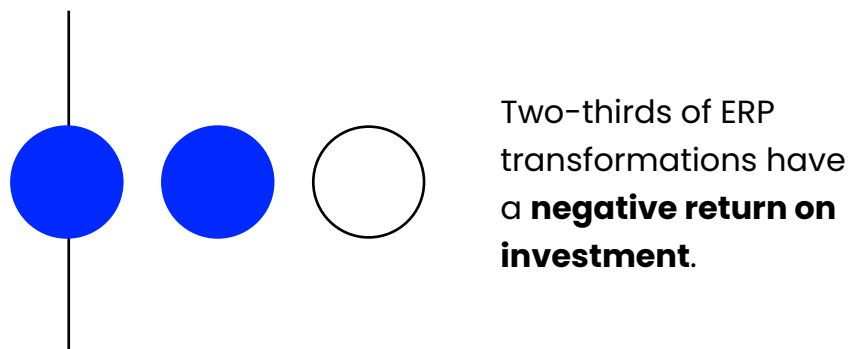
But if system migrations have little to no guarantee of delivering on the business value they promise, why do it? In our experience, the problem of low value realization is rooted in the early requirement phase.

All too often, companies are desperate to address their immediate IT pain points or rush the migration process in order to sunset legacy tools. IT teams, on the other hand, struggle to get or keep management buy-in because they can't tie process and system improvements to business outcomes.

Source: McKinsey, **Agile in enterprise resource planning: A myth no more**, 2019

"It's not just the ERP migration. If your processes aren't optimized, you will have a problem with whatever ERP you're using."

— Markus Ochsner, CFO at ABB

The thing is: Understanding processes and their impact on business outcomes is easier said than done. IT landscapes are complex, with processes spanning across multiple systems — some SAP, many non-SAP.

To keep business goals in focus, a data-driven approach is essential. Not only when assessing your current process landscape to build a strong business case, but throughout the entire migration cycle.

Only if you measure the business impact of optimizations at every stage of the migration, from assessing the value of current customizations to designing the right solution during fit-gap analysis to driving adoption after go-live, will you be able to ensure value realization and ROI.

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04

Demand for experts is rising fast

Whether you're upgrading, consolidating, harmonizing, or switching vendors, system migration is a huge strategic project that comes with major business implications, and therefore requires extensive expert attention.

More and more companies are acknowledging the urgency of optimizing their system landscape. They also realize they need to get the right people on board sooner rather than later, because the demand for experts is rising fast.

In 2021, ERP cloud enterprise application implementation labor rates increased by 60% due to **high demand and a lack of skilled resources**.

A poorly executed system transformation project without clear guidance from experts can cause a cascade of problems — from extended downtime to data loss, budget overruns, and subpar performance. In the worst cases, it can disrupt entire operations and affect your bottom line.

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05

Integration is key

Imagine a company where no one speaks the same language. No one knows what the other departments are doing, even though they're working on the very same project. To make matters worse, each department is using a different system, and even within those departments, everyone has their own way of doing things — because there's no communication.

Sadly, this is a reality for a lot of companies. Why? Because they underestimate the interdependencies between their processes and departments.
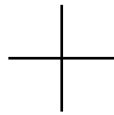
40%

Through 2025, 40% of ERP implementations will **underachieve** as a result of underinvestment in integration.
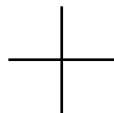
As a result, their systems are too often disconnected from each other, causing process inefficiencies like manual rework, increasing error rates, and communication blocks. What should have helped them speed up actually ends up slowing them down.

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06

Ignoring SaaS leaves value on the table

In the digital era, your ERP needs to perform faster, handle more data, and support new capabilities like AI, bots, or machine learning. All while staying 100% reliable and agile.

As a result, a growing number of companies are considering migrating or have already moved their ERP to the cloud. This move can not only save implementation costs — but also bring greater business value in the long run.
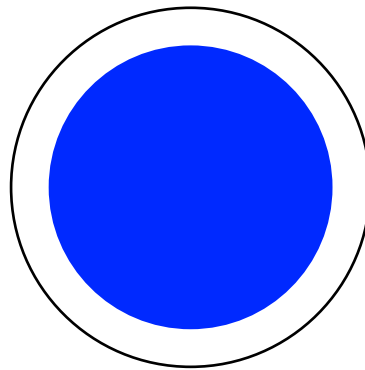
By 2022, organizations that continually improve their SaaS ERP will realize **60%** more business value through adopting the latest best practices in frequent vendor releases.

The benefits go far beyond quicker implementation: It future-proofs your IT landscape to be flexible, scalable, and cost-efficient. Rather than waiting for an update every few years, companies with an ERP in the cloud can be sure to always be up to date with new releases.

Source: Gartner, **2019 Strategic Roadmap for Postmodern ERP**, Paul Sanders, et al, 31 May 2019

Section 2

5 stats you should know about S/4HANA migrations
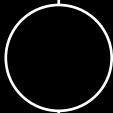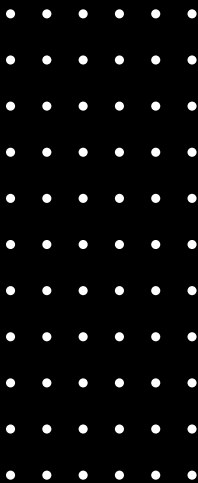
01

Businesses embrace digital transformation — will their ERP follow?

To drive digital transformation and better business outcomes, upgrading or replacing your legacy software will become inevitable at some point. After al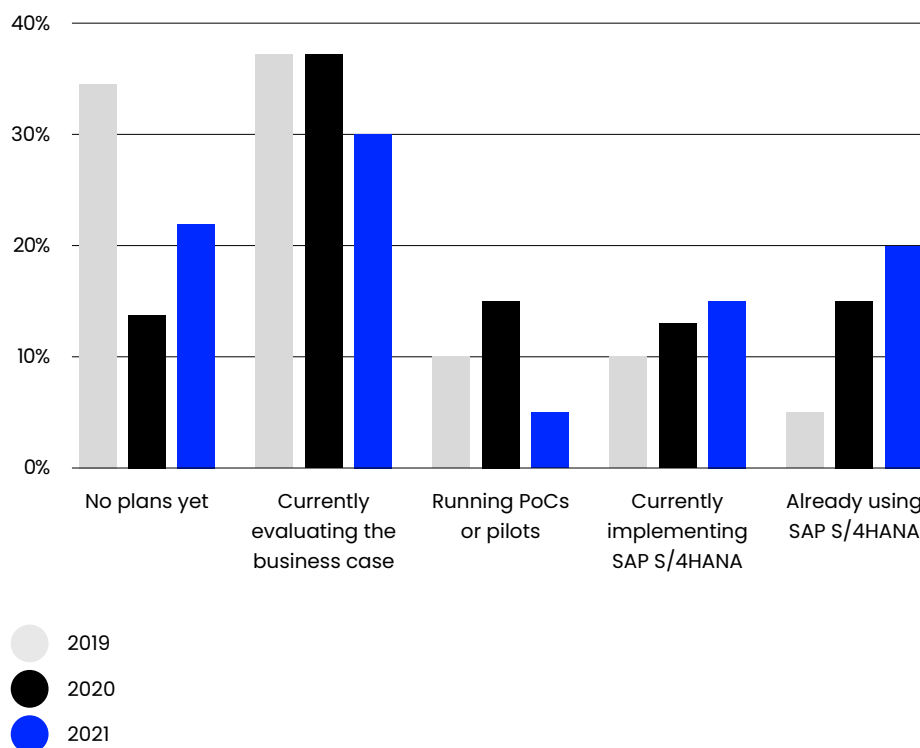l, you can't support the business models of tomorrow — on-demand, digital, mobile-first, global — with yesterday's technology.

So will every company running on SAP move to SAP S/4HANA? Maybe not *every* company. But this *is* a watershed moment for SAP customers. Many of them are haunted by the same doubts and questions: Can they stay competitive with their current SAP ERP system? And if not, will the ROI outweigh the risks and efforts coming along with the move to S/4? If they decide to migrate, when is the best moment to start?

In a recent survey of nearly 150 companies using SAP, SAPinsider asked about their plans to migrate to SAP S/4HANA. This is where they stand.

Chart: Plans to migrate to SAP S/4HANA (% of companies)

Category	2019	2020	2021
No plans yet	34.5%	13.5%	22%
Currently evaluating the business case	37%	37%	30%
Running PoCs or pilots	10%	15%	5%
Currently implementing SAP S/4HANA	10%	13%	15%
Already using SAP S/4HANA	5%	15%	20%

Legend:
- 2019
- 2020
- 2021

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02

The entire business needs to be on board with your migration process

No IT leader, CFO, or CIO will jump for joy when they embark on a system migration initiative. Complex projects like an S/4Hana migration come with a hefty price tag and serious risks. Some never get off the ground at all, like Lidl. The German retailer spent €500M ($580M) and seven years migrating to a new company-wide inventory management system, before giving up and reverting back to their old ERP.
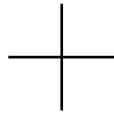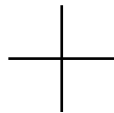
61%

61% of IT decision-makers say that they struggle to gain or retain management support for SAF migration to the cloud

Since horror stories like these are not uncommon, it's no wonder that 61% of IT leaders in a 2019 Frost & Sullivan Global Cloud User Survey said that they struggle to gain or retain management support for an SAP migration to the cloud. At the same time, 62% said that they don't have sufficient budget to complete their cloud implementation plans.

The problem: These initiatives often arise out of necessity rather than strategy, be it new vendor requirements, changing business needs, or mergers and acquisitions. As a result, both IT and business leaders often treat them as a tactical IT project rather than an enterprise-wide strategic initiative, resulting in under-planning and then missing out on significant opportunities to deliver business value.

Using the data in your source systems to get an end-to-end view of your processes across all systems, is therefore the first step to success. Only with an objective understanding of the status quo can you start defining your IT requirements for a system transformation, build a compelling business case for migration, and draft a clear roadmap that both IT and the business side can get (and stay) behind.

03

Most companies can't — and shouldn't — do it alone

There's no doubt that migrating to S/4HANA comes with a host of IT- and process-related challenges. Since companies often lack the right migration expertise in-house, a large number of businesses will decide to engage with expert partners. They usually offer support at several stages throughout the migration, from workload assessment to putting together a migration plan, to process mapping, deployment, and ongoing management.
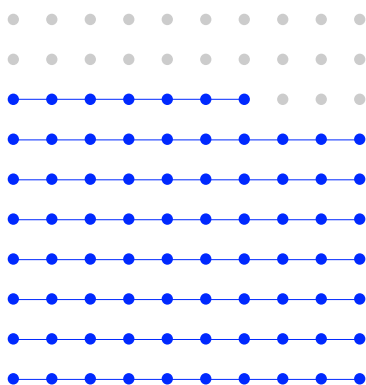
77% of SAP customers will **rely on a partner** for their S/4HANA migration

Getting support for your IT team is a great idea. But greater business value is not a given, even if you bring in a team of external consultants. Why? Because typical methods of process mapping — like workshops, surveys, or time studies — are often subjective and incomplete.

That's why the most forward-thinking companies and consultants themselves often draw on additional technologies to get a data-driven picture of their processes. Only with 100% visibility across your process landscape, can you fully understand the downstream impact of changes.

04

Most companies configure S/4HANA from scratch

When switching from ECC to S/4HANA, SAP-run businesses have to decide on their approach very early on. Should they rip and replace all their systems (greenfield)? Should they "lift and shift" their legacy system's configuration onto the new system (brownfield)? Or should they cherry-pick what they migrate and where they stick to the standard (bluefield)?

According to Gartner, the greenfield implementation still continues to be the approach of choice for more than half of the market. However, Gartner expects brownfield conversion and bluefield migrations to flourish in the next few years, when SAP clients who still "watch and wait" will eventually migrate from SAP ECC to S/4HANA ahead of the end-of-support deadline in 2027.
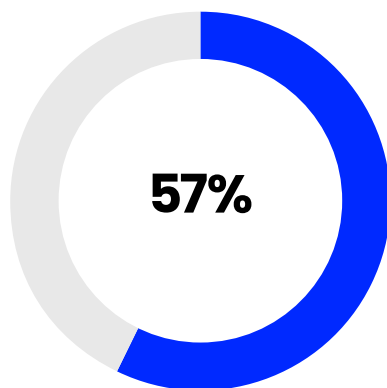
57% of current S/4HANA projects deploy a **"greenfield"** approach

At first sight, it seems only logical that companies want to preserve their existing investment and the customization of their processes. And sure, it looks like the easiest, least disruptive path forward. But a net-new S/4HANA implementation gives you the opportunity to free your existing systems and processes from the baggage accumulated over the years (or even decades).

Source: **Magic Quadrant for SAP S/4HANA Application Services, Worldwide**
Allan Wilkins et al., June 2021

It's a complex operation, yes, but a more standardized, connected, and modern landscape can boost your business efficiency and flexibility in the future. On the other hand, those kinds of implementations require bigger organizational and structural changes, since you'll have to work without internal best practices and might struggle with slow user adoption.

Every strategy has its pros and cons, and what works for your organization heavily depends on what your processes look like today. That's why data-driven insight into your as-is process performance is so crucial for revealing the complexities and best practices that will inform your roll-out strategy.
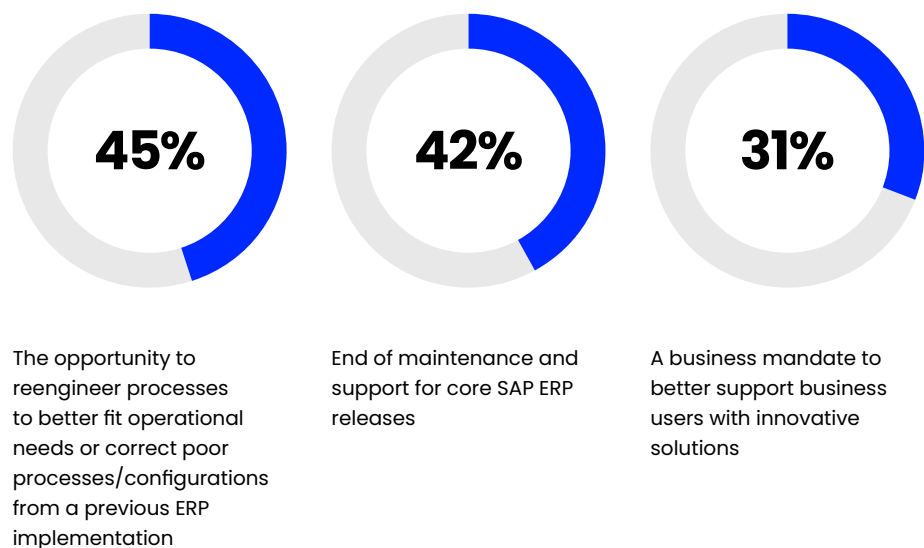
05

The top drivers behind S/4HANA migrations

Every company's process landscape is unique. It may encompass everything from highly-customized applications essential to your business to decades-old processes and a bunch of homegrown, disparate systems that don't play well together. Some of them you need, some of them you don't.

Indiscriminately heaving all of your processes into your new IT landscape is like moving into a new house without decluttering your attic and cellar first. Especially when moving to S/4HANA, you should think about which customizations you actually need and which are just inherited. Highly customized processes and code can hinder adoption and your ability to take full advantage of the latest SAP functionalities.

Consequently, in SAP Insiders's 2021 Migration Benchmark Report, respondents name reengineering or correcting poor processes and configurations from a previous ERP implementation as the top driver for their S/4HANA migration.

Top drivers for SAP customers to migrate to S/4HANA

45%

42%

31%

The opportunity to reengineer processes to better fit operational needs or correct poor processes/configurations from a previous ERP implementation

End of maintenance and support for core SAP ERP releases

A business mandate to better support business users with innovative solutions

Section 3

Next steps for accelerating your system migration
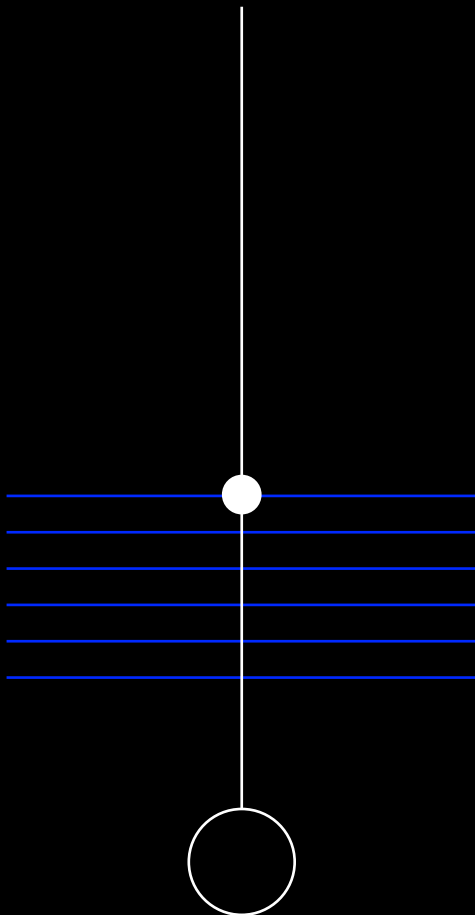
5 steps to ensure success

This report focused on stats and numbers that can be strategy-defining for your own system migration. To complete the picture and get you inspired for your own migration initiative, we've created this ERP migration checklist.

1. **Get your stakeholders on board.**

   For the longest time, system migrations have been primarily the province of the IT department. But system migrations often touch every line of business. That's why it's only logical that they should be a strategic priority, championed by both IT and Line of Business executives. With a long project timeline and far-off ROI, you need a champion in every corner, be it in production, sales, accounting, IT, or supply chain.

   But it's not only your management who needs to understand what's in it for them — your users do too. It may sound simple, but if your users don't see the value in your new systems, either through increased sales, or more efficiency in their day-to-day, they just won't make the switch.

2. **Start with a clear picture of your as-is processes.**

   Knowing exactly what your IT ecosystem looks like before you decide on which elements to migrate is key. Traditional process mapping techniques, like workshops or surveys, can be a helpful tool to get valuable input from your business users, but shouldn't be your single source of truth. Why? Because they are often based on subjective opinions and idealized process models, rather than on how users actually behave. Only with a data-driven approach to process mapping will you be able to re-engineer them for the better.

   This goes for both greenfield and brownfield migrations — even if you are implementing from scratch, you need to fully understand your business requirements before you can design something better.

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3. Set timelines for key milestones.

Hold your stakeholders accountable for the success of each migration phase by setting timelines and KPIs for key milestones. Creating a structured roadmap will not only help each member understand what tasks are expected and in which sequence, but will identify gaps where the necessary skills or budgets are lacking.

4. Leverage technology.

Choose the right technology to plan and execute migration projects but also monitor their success. Powerful technologies like process mining, artificial intelligence, machine learning, and automation (or an Execution Management System that brings all of them together) can support you in mapping your processes objectively, identifying process deviations, testing your new processes, proactively solving inefficiencies, and monitoring user adoption.

5. Monitor success and communicate regularly

All too often, system migration initiatives are a black box to both business leaders and end-users. That's why establishing check-ins during key phases of the migration and tracking progress towards business outcomes is critical to managing expectations and maintaining leadership buy-in.

Use process performance metrics to compare legacy and new systems and measure the impact of your optimizations. Regular status reports, fireside chats, FAQs, newsletters and user workshops can keep your employees engaged along the way.

System migration benefits everyone, not just IT

We understand why you would be hesitant to embark on a system migration initiative. You've made significant investments in your legacy systems. You might even feel the pressure of cutting costs.

But, if planned and executed properly, system migrations can bring tremendous business value.

→ **Drive better business outcomes.**
Optimize key KPIs like working capital, customer satisfaction, and on-time delivery.

→ **Achieve millions of dollars in savings each year.**
Improve your bottom line by eradicating inefficiencies and boosting productivity.

→ **Deliver better customer experiences.**
Breed loyalty, and realize growth opportunities.

The prerequisite for all that is to understand that a system migration is about more than just updating your legacy software. It's an opportunity to consolidate your IT landscape and harmonize legacy processes, modernize the business, and create continuous value far beyond go-live. This is how you turn a system migration into a system transformation.

What are you waiting for?

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Want to learn more about system transformation?

Knowing about the costs, challenges, and benefits that come with a system migration is key to success. But that's just the beginning.

With the right resources, helpful tips from other IT experts, and valuable learnings from world-class transformation projects, you're ready for your own transformation journey:

Learn from our customers
Learn how Sysmex used Celonis to gain 100% visibility into their S/4HANA requirements, discover process variants even their consultants didn't find, and prioritize initiatives based on data and outcomes.

Watch their success story

Read the Road to Go-Live Handbook
Read in detail about some of the major challenges experienced by IT leaders throughout their system migration and how the Celonis Execution Management System can help at every step of the way.

Download the free eBook

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Celonis helps businesses everywhere run a data-driven system transformation — see how an Execution Management System can help you too at every step of the way.

For more information **get in touch**.