



Changing for the right reasons

4 Steps to a Successful SAP Landscape Transformation

Every year, organizations spend millions of dollars investing in SAP technology initiatives in the hopes that the new solutions will allow them to improve key areas of the business.

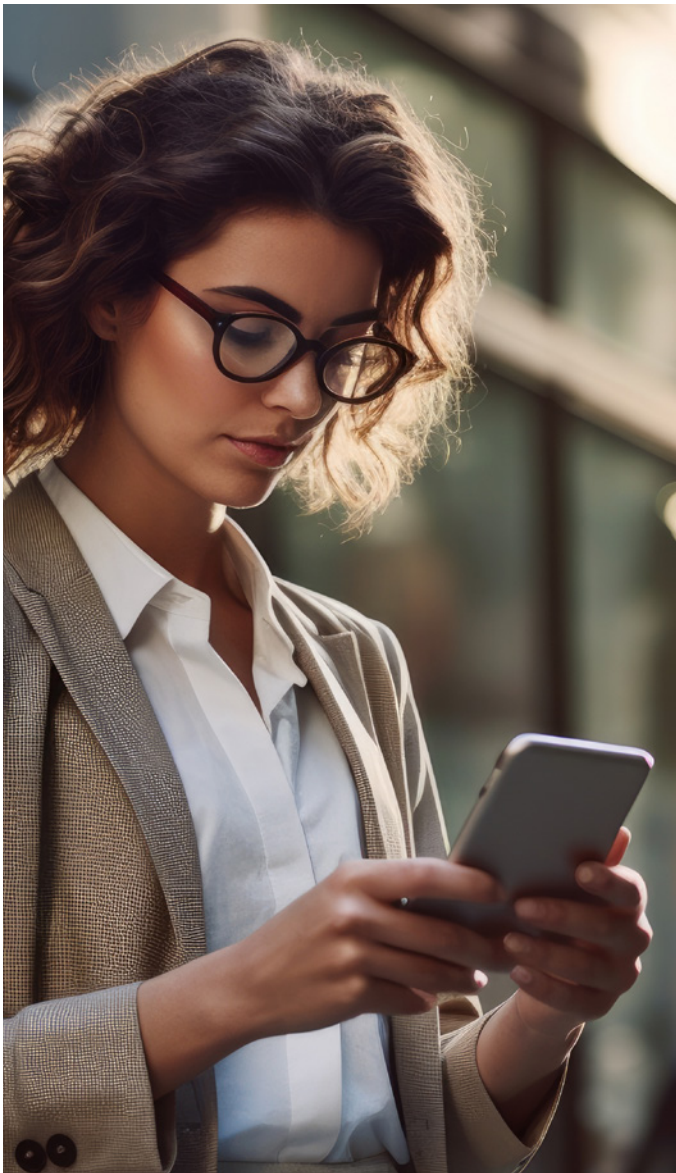
In retrospect, very few companies can tangibly say what has improved after their new SAP S/4HANA system has been running for several months or even years. In fact, many feel that their new system inherited many of the elements (good and bad) from their old system, making it feel like they're running "Legacy on S/4".

This paper proposes a series of ideas and disciplines that when used early and often, help key stakeholders define and stay the course of true benefits from their SAP Transformation investments.



Making the right choice

In order to ensure that a new SAP initiative is right for an organization it's imperative to take a measured, rational approach to the overall process.



Through our work with a broad range of enterprises, we've developed a four-step approach to help realize the value of an SAP transformation initiative. These steps help determine and communicate **why** the proposed changes matter, identify **what** capabilities will be required over time to support the desired outcomes, and **how** resources should be deployed over time to deliver the change. This approach not only applies to those currently on an SAP landscape but also to those who may be considering implementing a new ERP system into their landscape. Following our approach enables organizations to achieve their desired outcomes with their SAP investment.

- 1 Assess why a change is necessary**
Make a decision as to whether a specific change is the right action to take and the reasons why.
- 2 Determine what needs to change**
Identify the scope of the elements that must change and the expected impact.
- 3 Contextualize scope**
Determine what elements of scope are at risk and which are differentiating.
- 4 Define how to change**
Develop a roadmap for change based on knowledge of capabilities, impacts, and the most effective sequencing of change activities.

Step 1

Assessing why change is necessary

To change or not to change, that is the question.

In his 1984 bestselling book, “The Goal”, Dr. Eli Goldratt reminded us that change is a pre-requisite for improvement, yet not all changes result in improvement. Although some organizations have an abundance of resources (time, money, talent), for most, these are constrained. So, making our investment in change *count* is a priority.

Companies that take the time to define a strong “why” (benefits case) give themselves a navigational beacon to strive for as well as a critical driving force to help propel them through what can be a lengthy and complex change process.

Without a strong “why”, companies usually get bogged down by challenges and issues experienced during the transformation. The result – an over-engineered scope, unnecessarily increasing cost, resource requirements, and risk. Others swing the other way, reducing the scope and scale of identified changes to mitigate risks – thereby delivering less capability than needed in order to achieve the desired outcomes.

The most important question associated with any major change (such as a potential SAP transformation project) is: “Why change?” Answering this question, however, is not easy.



The Change Matrix

The Change Matrix is an innovative way to assess the case for change.

Like many others, my thinking was profoundly impacted after reading Eli Goldratt's "The Goal" early in my career. I was fortunate to establish relationships with leaders in the Theory of Constraints (TOC) community and work directly with Eli Goldratt in the mid 2000's. During this time, in several workshops and 1:1 discussions, Eli shared an innovative construct for managing change called "The Change Matrix". The Change Matrix is best described using a parable:



Once upon a time, there was a man who lived on a rock near a pond. Far in the distance was a tall mountain with treacherous cliffs. One day, the man declared to his friends that he was going to climb to the top of the mountain. His friends were surprised and asked him "Why"? He said that he found out that there was a pot of gold at the top of the mountain. This gold was very desirable, and he wanted to get his hands on it.

His friends warned him that it was known to be a very difficult, resource-consuming, treacherous climb. Many have been known to have tried and failed. In fact, many had spent much of their resources only to fall and break their legs. The idea of limping around on crutches made the man nervous and the whole idea seemed less attractive.

But then he thought about the alligators in his pond that were getting larger, scarier, more numerous, and were closer to his comfortable rock. He was afraid that if he didn't do something, it would only be a matter of time before the alligators would bite his head off. This further motivated him to go on his expedition.

However, he realized that if he left his rock, he would also need to leave his beloved mermaid because she had to stay in the pond. He really loved the mermaid, and the thought of giving her up made the decision to go much more difficult.

Making the Case for Change

These are the four forces within the Change Matrix that influence every change decision we face, no matter how big or small.

When completing the Change Matrix exercise, it is important to capture the elements of the solution (in this case, the capabilities of SAP) in each quadrant – and ALSO the expected consequences to business outcomes. E.g. improved reporting capabilities (technology capability) would result in improved decision making for customer service representatives (business capability) which would, in turn be a pre-requisite to increased revenue per sale by 20% (business outcome).

The Pot of Gold

Represents the desired outcomes, benefits and capabilities that a company wants but does not currently have i.e. their "wish-list". While companies often define anticipated benefits by the access to new technological features (e.g. GenAI) the real value is derived from the quantitative outcomes a company can achieve by using the new capabilities (e.g. increased revenue, increased margins, increased market share, etc.).

The Alligators

Represent the current (or potential near term) pain points or risks associated with a company's current state. Current pain points might include technical system instability, general operation errors, failure to meet customer needs, the need to use manual workarounds to conduct important functions, etc. Key risks might include the inability to adhere to changing compliance regulations, lack of availability for system support, etc.

Together, the alligators and the pot of gold represent the "case for change". The more quantitative and substantive they are, the stronger the case. It's not uncommon for organizations to confuse issues that should be "alligators" as "pots of gold". For example, improving reporting performance may look like a desired pot of gold, or the elimination of an alligator. In my experience, it doesn't really matter which quadrant the item falls into, as long as it is captured and not double counted.

The Crutches

Represent obstacles, headwinds, concerns, or potential negative ramifications. This could include direct or indirect negative experiences (horror stories), scarce resources that are unavailable, business conditions, concerns about change management, etc. Often, these fears and concerns are deep-rooted based on previous negative experiences with similar initiatives, or from hearing about high-profile failures occurring at other companies. Furthermore, there may be negative ramifications that would result from a successful project. For instance, key users may fear that a new ERP could result in a loss of autonomy or they may fear they will become redundant if a system successfully automates their processes.

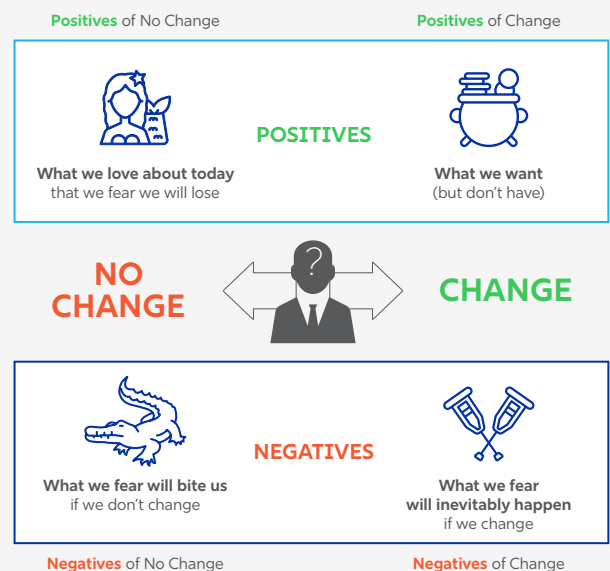
The Mermaid

Represents everything an organization's stakeholders love and hold sacred about their current state, and what they fear they will lose if they make a big change. These may be good or bad elements of the current reality – regardless, it's something key stakeholders cherish. For organizations that have been using the same ERP solution for many years, this could include their customizations, user interface or reports that have been tailored over time. It is often also their dependence on spreadsheets and outside-the-system elements that they don't want to give up.

In my experience, the mermaid plays less of a role in blocking change at the decision point but if ignored, is amplified to a huge problem later in the transformation journey.

Regardless, recognizing the anticipated negatives of the change or positives of the current state (mermaid + crutches, i.e. case for NO change) is critical to understanding how to proactively deal with them (including recognizing that the case for NO change is so big that it makes sense to either NOT change or pursue a different change strategy – one that exceeds the case for NO change).

The 4 forces of change



The Change Matrix is part of the Theory of Constraints body of knowledge

Benefits of the Change Matrix

Large-scale ERP implementations often fail to deliver meaningful business outcomes because organizations fail to consider the key factors of change. The impact of each factor on an organization's readiness to change can't be understated. Due to inertia, it's very easy for stakeholders to cling to their current state if they don't have strong motivation to change. At the same time, leaping into change without fully understanding what the change must accomplish or the potential barriers associated with achieving success could result in a company wasting a lot of scarce resources and failing to achieve meaningful results.

It's useful to conduct the Change Matrix analysis several times with the executive team, middle management, and frontline staff. This iterative process can help build a more complete

picture of the current state and anticipated future state. I also find that repeating the exercise during the journey is helpful to either confirm that we are on the right track and reinforce our mission or to suggest course correction.

As mentioned previously, it's critical to use real, quantifiable information as part of this assessment to help drive decision-making. For historical pain and gain elements, (alligator, mermaid) please be prepared with actual examples containing real data. If you cannot completely quantify specific variables for each quadrant, then assess the level of magnitude of their importance.

By the end of Step 1, you should have the information you need to assess whether you have the impetus to forge ahead with the implementation of a new ERP system – or not.



Step 2

Determine what needs to change - Minimal Viable Scope

Assuming the case for change is a net-positive, pursuing the pot of gold and eliminating the alligators now becomes the “north star” of the project. All scope elements needed to support this are desirable and those that are not supportive, should be deferred or de-scoped.

During this step, many companies try to do too much. Once they've decided they need to change, they often assume that the best thing to do is to change as much as possible – for two main reasons:

1. Many fear, usually from experience, that they will only have “one bite at the apple”. Given that an SAP license typically includes a wide range of functionality options, it makes sense for them to include the “big bang” functionality they may need in the future.
2. Many companies assume that since they are disrupting the company with a change, they may as well take on as much as possible to avoid future pain. This “Go big or go home” approach is unfortunately quite common.

Too often, companies make the decision to implement the many options available to them, rather than critically considering what needs to change on a systematic basis.

Although more scope does not necessarily mean more benefit, added scope in an ERP implementation almost always results in higher costs, more time, and greater project (and organizational) risks. Organizations should be selective when determining what to change.

Any unnecessary variables can easily evolve into barriers that will keep an organization from achieving desired benefits. Remember: The objective isn't to implement as much of the ERP as possible. It's to realize specific business outcomes!



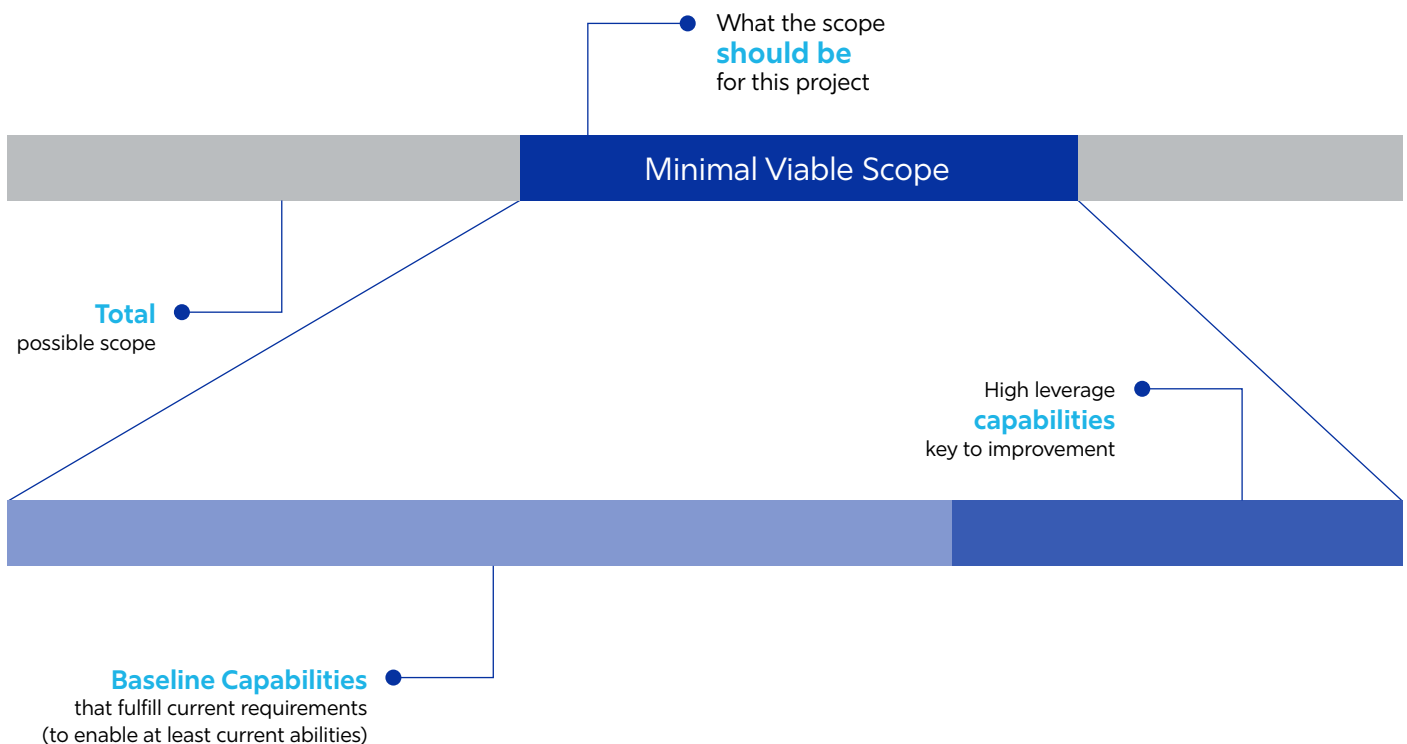
To determine the scope of “what” needs to change, organizations need to determine which business capabilities are necessary and sufficient in order to make the desired outcomes (from the previous step) viable. A good practice is to perform a simple necessity check: “In order to achieve this outcome, which capability MUST we have?” or the corollary, “If this capability is not in place, which outcome would be compromised or not possible?”.

In our experience, the number of business capabilities in scope is generally in the order of 10-12 per functional area (generally 50-60 for a comprehensive functional scope). This is a fairly high-level assessment, but it provides a good view to the stewards of the initiative.

Viability

While all changes do not lead to improvement, all improvement requires change.

Focused Simplicity: The ability to separate from the MANY things that CAN change, the FEW that MUST change in order to achieve our objective.



We propose defining a minimal viable scope (MVS) – the minimum solution needed to achieve a viable benefit. By focusing on the minimal viable scope, organizations can design a solution focused on achieving their desired outcomes quickly while reducing the risks associated with implementing a bigger and more complex scope.

The MVS is made up of two main areas of scope:

- 1. The high-leverage scope elements.** These have a clear causal impact on the benefits case elements in the Change Matrix. For instance, we need to implement Transportation Management functionality to improve the lead time and on-time delivery of the company products.
- 2. Baseline capabilities.** These are necessary to establish the pre-requisite elements of high leverage capabilities as well as normal functionality and basic current capabilities (i.e. ensure that the new environment has at least the same capabilities as the existing one – i.e. no regression or loss of capability – these are typically NOT represented on the Change Matrix except, in some cases elements of the mermaid).

Step 3

Contextualize Scope

Each capability now gets classified into a quadrant of the “Differentiation Risk Matrix”. This matrix allows us to visualize how each capability impacts the organization within two dimensions:

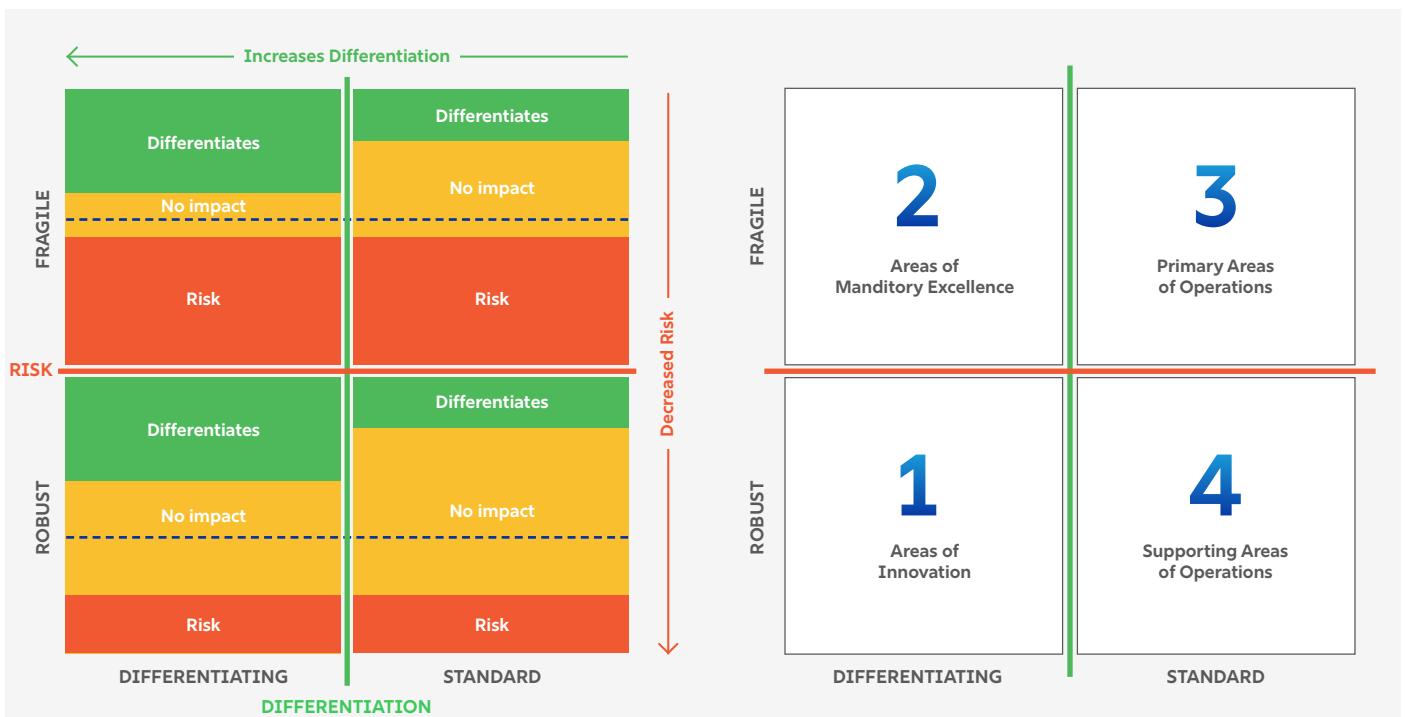
- 1 Differentiation**
Does an improvement in the performance of this capability differentiate the organization to the extent that the market will either buy more or be prepared to pay a premium for the company’s products or services?
- 2 Risk**
Does a degradation in the performance of this capability expose the company to significant risk of loss?

On the diagram below, assume dotted line represents current level of performance. On the Risk (vertical) axis we have the Fragile and Robust categories. Fragile represents the capabilities whose current performance is at or below the “Red Line”. The red line is the level where if the performance dips below, the company will be exposed to significant risk. In other words, a decline in the performance of a capability that would be damaging to the company as a whole (e.g. Payroll – a failure could have significant damaging impact on the company).

Robust represents the capabilities whose performance is far enough away from the red line to warrant them to be lower risk. Any decline in their performance is sustained and not damaging to the company as a whole (e.g. General Ledger processing – a typical error is not immediately damaging, it’s usually detected during the period-end close process and can be fixed).

On the Differentiation (horizontal) axis we have Differentiating and Standard categories. Differentiating represents those ‘secret sauce’ capabilities that differentiate the company and whose performance increases results in significant differentiation and competitive edge.

Anything that’s not differentiating is by default Standard (or table stakes). These capabilities should be assumed to be the same as those of other similar companies or industry players. Any innovation or special customisation in these capabilities would not result in material improvement or impact the outcome.



By classifying both the impact of the Risk of a capability (Fragile or Robust) and the impact on Differentiation (Differentiating or Standard), and then determining how much each capability's performance would be improved from its current performance, companies can determine whether enabling the change is worthwhile from a cost, risk, and reward perspective.

For instance, if procurement is in quadrant 4, it would make more sense to implement standard model processes rather than drive innovation (customization) in that area.

Moreover, if users try to advocate for a custom solution, this objective tool acts as a mechanism for pragmatic push back.

During this step, companies should prioritize performance improvements that either move them out of the zone of risk or move them into a place where performance becomes differentiated as these shifts will lead to higher value for the organization.

Organizations should also reduce their attention to capabilities where improvements only move them incrementally within the "no impact" zone.

Once all the capabilities are classified, we can then determine our approach to delivering them – defaulting standard capabilities to leverage our proven industry templates or standard SAP; while developing potential “guard rails” and “safety nets” (workflows, standard controls, exception reporting, etc.) for the fragile capabilities. Capabilities in the Differentiating column represent viable candidates for customization and deviation from standard best practices, however, it should not be assumed that customizations would be the default. Our industry templates already have these innovations built into them so in effect, they are leveraging out-of-the-box functionality.

By prioritizing capabilities for implementation, companies can better manage costs and risks associated with ERP implementation while focusing on making performance improvements that will have the biggest impact overall.



Step 4

Define how to change

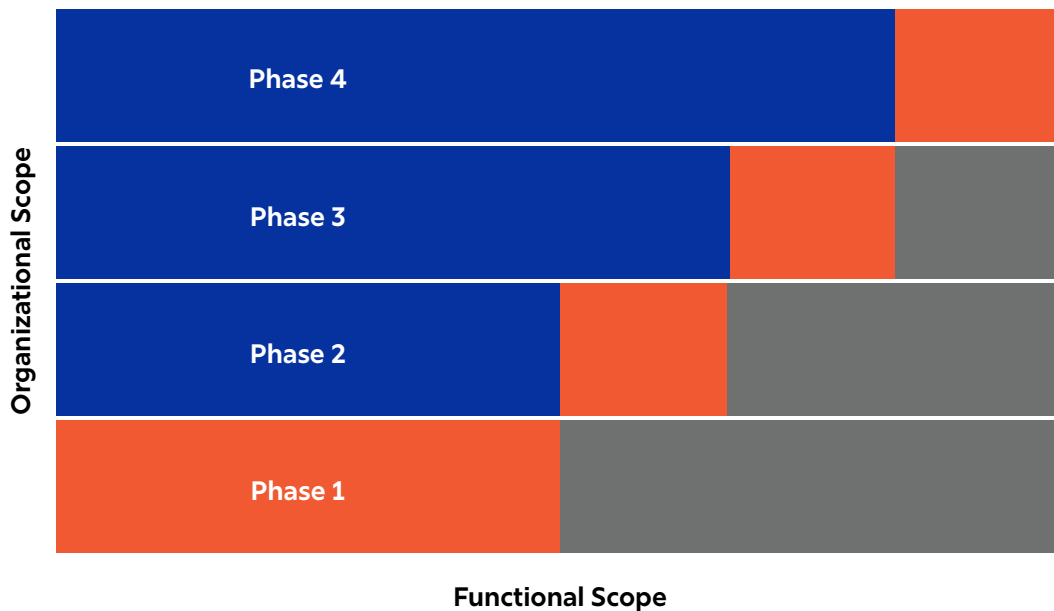
The Capability Roadmap: defining the key milestones along the road to the desired outcomes.

We have now completed 3 key steps:

1. We defined a case for change (including the desired outcomes and the likely headwinds and inertia).
2. We have a general capability scope needed to achieve the benefits case – in its simplest form: Minimal Viable Scope.
3. We contextualized the scope and identified the elements of the “secret sauce”—those that differentiate us. These elements can be innovated or customized beyond the standard industry best practices. Additionally, we delineated which elements are standard and should be adopted as the new company best practices, as they embody our identity. There is no value in adapting the system to fit legacy processes.

Even in the rare cases where these three steps (and their culmination in a single transformation project) are adequate to deliver the total value expected, there is always more we can do to actualize the true potential of the organization and its ability to capitalize on the enormous power of the ERP. The company continues to evolve, market pressures shift, M&A activities expand offerings and geographies. It is important to remember that the company should see itself in a cycle of continuous improvement.

Generally subsequent phases are a representation of an increase in functional scope, organizational scope, or both.



Note that on the diagram above, each phase has a “high risk” (red) element where we are adding net new functional scope, and a blue – where we are leveraging existing capability in a new organizational unit (which could be a new division within a country or region, a regional expansion, or both). In the example above, we deliver the full functional scope of the desired program in 4 steps, but we minimize the risk into small, manageable elements as opposed to taking on too much too soon. Once the functionality is implemented, it’s much easier to roll it out to other parts of the organization as opposed to doing it for the first time.

Conclusion

Achieving successful change

ERP solutions can be incredibly transformative and lead to real, quantifiable, value, but only if you take the time up front to assess your change rationale, clearly define what needs to change, focus on identifying the minimum viable scope for the change, and create a roadmap that can help you achieve change in a way that reduces risks and maximizes your value.

By using our ERP implementation planning approach, you can evaluate your ERP implementation from a holistic point of view to make sure you are creating the most stable path to conduct your transformation and achieve the full benefits you desire.

About the Author



Larry Perlov is the President and Chief Operating Officer of the SAP Business Unit at Syntax. Larry joined Illumiti, a Syntax company, in 2007 as co-founder, President and Managing Partner prior to becoming CEO in 2021. For more than 17 years, he's worked closely with Syntax partners and clients to find the right SAP solutions and has a proven track record in leading and managing a global SAP business.

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Before Syntax, he served in leadership roles at IMG Americas, Intuit, and Dell-EMC. He has an Executive MBA (OPM50) from Harvard Business School, an MBA in Finance from Heriot-Watt University, a Master of Science in Artificial Intelligence and a Bachelor's in Electrical Engineering from the University of the Witwatersrand.



Why Syntax

Syntax provides comprehensive technology solutions and trusted professional, advisory, and application management services to power businesses' mission-critical applications in the cloud. With 50 years of experience, 700+ customers, and over 2,700 employees around the world, Syntax has deep expertise in implementing and

managing multi-ERP deployments in secure private, public, or hybrid environments. Syntax partners with SAP, Oracle, AWS, Microsoft and other global technology leaders to ensure customers' applications are seamless, secure and at the forefront of enterprise technology innovation.

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