

# VIEWPOINT

Transform your Enterprise with SAP's Digital Core



**Vijay Mishra**, AVP and Delivery Head – SAP

**Hemant Ramdas Patel**, Senior Industry Principal

Infosys®

## Executive summary

The traditional enterprise resource planning (ERP) space is under renewed pressure to make itself more flexible, yet remaining robust at the same time. This is a demand that SAP aims to fulfill with its 'Digital Core' approach – the overarching theme of this year's SAPHIRE NOW event. This shift in SAP's approach is aimed at enabling enterprise-wide digital transformation – internally and externally – extending to assets, customers, suppliers, partners, and employees. Going forward, SAP products and platforms will be increasingly geared towards creating easily deployable and responsive solutions that help enterprises unlock business value from digital channels.

Creating the true digital core, for any SAP customer, involves a journey that begins with careful evaluation of fundamental information needs in the context of the digital roadmap while considering existing IT assets – and then identifying the product and process changes that will enable successful transformation. Ease of deployment, an analytics-driven business model, and end-to-end automation will be important drivers for selecting the right products and implementing the right solutions.

This paper offers pointers to existing SAP customers on how they can re-platform existing technologies for digital core transformation. It also lists important criteria to be considered while choosing an implementation partner. The right partner will have the capability to eliminate islands of manual processes across the value chain, while enabling the digital core transformation.

## Evolution from ERP to digital core

Enterprise resource planning (ERP) is well-known within information technology (IT) circles as the foundation of all business software. While ERP software was, and in many cases still is, necessary to streamline an organization's back-office functions, customer service operations, logistics and inventory management, it is not agile enough to meet the ever-increasing demands of today's digital consumer.

Over the past few years, investments to enable digitalization within organizations were focused on peripheral applications while the core of the business was supported by monolithic and rigid ERP software. Without core transformation, enterprises continue to struggle with limited or point solutions that fail to maximize value from digital investments.

To enable agility within the solid foundation of ERP, global ERP providers are repositioning themselves for the global shift to a new 'digital core' that can rapidly adapt and implement innovations across the entire value chain.

Leading this trend, SAP is evolving its products and services to form the digital core of enterprises and enable end-to-end digitization of business. SAP's digital core is based on its SAP HANA® platform and SAP S/4HANA® solution. SAP is focused on providing the digital core by extending the solution to cover external partners such as customers through SAP Hybris®, suppliers

through SAP Ariba®, employees through SAP SuccessFactors®, and equipments through Internet of Things (IoT). These functionalities can be deployed using Agile or on flexible, cloud-based platforms and with next-generation user experience (UX). It differentiates core and non-core processes of enterprises, simplifies them, transforms them to the fullest extent while leveraging various deployment models such as SaaS, on-premise, Cloud etc. Further, the ubiquity of SAP HANA coupled with robust data management, core process execution and near real-time analytics from SAP drives better business decision-making.

With its digital core, SAP provides organizations with a solution that transforms the enterprise core and remains synchronized with digital innovations across the value chain, thereby enabling end-to-end innovation.

## What is a digital core?

A digital core provides more than mere access to the fascinating new array of products and services from SAP. It involves an innovation-led approach that transforms the way enterprises do business. With this approach, existing SAP customers can leverage SAP products and technology platforms to create innovations that deliver greater business value. Further, digital core-enabled products and services will enable real-time and analytics-driven business decision-making along with low risk and quick deployment.



(Image source: <https://blogs.saphana.com/2015/09/29/go-digital-or-die-thoughts-on-the-digital-transformation/>)

Fig 1: How SAP's digital core extends to the entire enterprise ecosystem

To drive this transformation, enterprises must first identify parts of the value chain that resist digital transformation, such as business processes and IT systems requiring significant manual intervention. The successful approach will require enterprises to re-evaluate business priorities in the digital world, create fundamental enablers for the digital core and deliver innovations in short and iterative cycles.

With a digital core, organizations get a holistic view of their end-to-end business processes – within core enterprise groups as well as beyond the enterprise, covering external partners and players. This extended enterprise view and the ability to seamlessly integrate with the external world will drive strategic differentiation for the digital enterprise in the future.

## The digital core as a key differentiator

No industry – digital or otherwise – is immune to disruption. Historically, most companies were built to last (and not change) with constancy and stability being the qualities that shareholders valued. However, the emergence of new digital players that quickly adapt to and on-board new trends is disrupting the position of established and hitherto strong, but unchanging, enterprises.

Enterprises unable to adopt end-to-end innovations owing to rigid core systems risk losing their competitive edge to their digitally agile competitors. The winners of the not-too-distant future will be enterprises that leverage their digital core to create value multipliers through the extended enterprise. The right digital core will enable them to integrate seamlessly with internal and external partners.

To unlock the complete potential of digital innovation, enterprises must look beyond digitizing peripheral processes and transform their core to align with front-end innovations. Such digitization will deliver agility, eliminate manual steps and provide a seamless user experience. Let us illustrate how the digital core can enable aggressive transformation using a few examples.

### **Get a single source of truth for finance:**

Finance departments deal with multiple valuations, various levels of reconciliations

between internal and external reporting as well as controlling and finance, in addition to multiple sources of truth stored in different ledgers. While traditional applications can significantly optimize finance and controlling functions, they cannot create a single source of truth, resulting in islands of data residing for long periods in reconciling ledgers and valuations. The universal ledger in SAP S/4HANA Finance gives enterprises a single source of truth, thereby optimizing a host of activities. With a digitally transformed finance function at the core, enterprises can execute seamless and accelerated closing from unified data models, eliminate reconciliation, improve closing and allocation processes by 10 times, and simulate financials in real-time with endless what-if possibilities. Further, enterprises can conduct near real-time cash flow analysis.

### **Streamline available-to-promise checks:**

Typically, most enterprises can perform available-to-promise checks only at the plant level, compromising their ability to optimize supply chain and inventory on a global scale. With the new digital core of SAP S/4HANA Enterprise Management®, enterprises can digitally transform their available-to-promise checks for all their plants across the globe, allowing them to reduce inventory, optimize procurement and enhance customer satisfaction.

As customers evolve from being passive recipients into active consumers, agility is becoming increasingly critical. Enterprises need solutions that allow them to meet the changing expectations of active consumers – and this is what SAP's digital core provides.

## The roadmap to enabling your digital core

To prepare for a digital core transformation, it is imperative to have an overarching digital strategy along with effective executive leadership. With this in place, enterprises can focus on three key tasks, i.e., re-structuring their organizations, re-platforming their technologies and transforming the culture of the company. Since digital core transformation affects core as well as peripheral assets and technologies, the implementation strategy to re-platform technology must allow them to:

- **Right-fit solutions:** Enterprises with SAP products can move to SAP HANA-based products including SAP S/4HANA and choose the right blend of on-premises/cloud-based products to enable agility during deployment. In doing this, they will be able to customize solutions to the unique needs of their businesses.
- **Collaborate with partners:** Accelerated time-to-market for new innovations can be achieved only with strong collaboration across the partner ecosystem. Further, partner innovations can be leveraged along with data integration to continually deliver value to customers.
- **Optimize the business:** Cognitive analytics help enterprises identify processes that lower value while business process management tools help them optimize these processes to meet customer expectations.

Orchestrating such pervasive digital core transformation requires advanced skill-sets and enterprise-wide scale – a challenge for most organizations. Thus, it becomes critical to find an experienced and trusted partner who can support your journey to implementing your digital core.



## How to find the right service provider

According to a recent Forrester report (1), the new areas of business created by SAP's digital core generate relatively smaller revenues for service providers when compared with established SAP areas. However, as SAP transforms its business model, the ecosystem of products and services will correspondingly change and most of SAP's customers will share similar transition experiences during this transformation. Hence, choosing the right service provider is the key to ensuring an effective, seamless and value-driven implementation for the long run.

Here are some pointers for organizations looking for the right implementation partner:

- **Evaluate their investments:** These investments involve creating new products, designing training modules to empower people and building tools that accelerate the client's journey to the digital core.
- **Look for SAP partnerships:** Strong partnerships with SAP that extend beyond formal alliances can assure organizations that the chosen provider will deliver SAP implementation expertise and continued support while adopting new products.
- **Gauge willingness to collaborate:** The dynamic digital world is governed by unpredictable trends that can result in fast-changing priorities. The chosen partner should be willing to collaborate with the organization to understand their needs / goals and adapt to these changing priorities.
- **Assess implementation expertise:** Transformation initiatives involve digitizing core IT service delivery processes. This requires a DevOps-driven approach that accelerates and eases the transition from solution delivery to service delivery, leveraging risk based testing tools. Besides enabling this, the chosen partner should eliminate or reduce manual tasks in IT services across the spectrum using a broad-based automation framework.
- **Prioritize scale and agility:** While the market for SAP services is dominated by large IT firms, the journey to the digital core hinges on providing scale and agility. The right partner should have the ability to quickly adapt to new products and platforms, thereby helping clients achieve their goal of a digitized core enterprise solution faster.



## Conclusion

Digitizing the core of an enterprise is different from implementing a new SAP product. SAP's digital core is an initiative driven by a digital strategy that enables end-to-end business processes – internal and external – in a new digital paradigm and delivers unprecedented value to enterprises and their customers. To re-platform existing technologies onto a digital core, existing SAP customers must focus on strong partner collaboration, business optimization and customized solutions. Thus, it is critical to choose the right implementation partner – one that prioritizes scale and agility and leverages strong SAP partnerships, strategic investments in SAP products/services, mutual collaboration, and robust implementation expertise. The right solution partner can help companies unlock value from new digital investments and accelerate the journey to becoming a digital enterprise with a true digital core.

1 - Forrester Research, Inc. – *Vendor Landscape: Services Providers For SAP "Digital Core" Technologies*, Liz Herbert, Mar 22, 2016

For more information, contact [askus@infosys.com](mailto:askus@infosys.com)

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