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REGION FOCUS: EUROPE, THE MIDDLE EAST, AND AFRICA

Building a Digital Platform to Unleash the Power of SAP S/4HANA in Europe, the Middle East, and Africa

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Navigating this InfoBrief

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Enterprise Resource Planning Modernization Is Key to Digital Transformation

In 65% of European organizations, the CEO has made digital transformation (DX) an integral part of the business strategy that will continue to drive digital initiatives forward in 2021.

The top goals for 2021 and beyond are focused on accelerating digital transformation at all levels of the organization, ranging from developing operating models to investing in IT systems and ecosystems.

To achieve digital transformation at scale, organizations need to modernize their enterprise resource planning (ERP) systems, which for many in Europe are from SAP.

Return to growth in 2021 through accelerated digital transformation.

What are your organization's top goals for 2021–2022?

57%
Future-proofing business to develop viable operating models

49%
Digitally enhance our products, services, and customer experiences

46%
Create new revenue streams from digital

45%
Invest in technology to close the gap in our digital transformation

41%
Expand our partner ecosystems to reach new customer segments
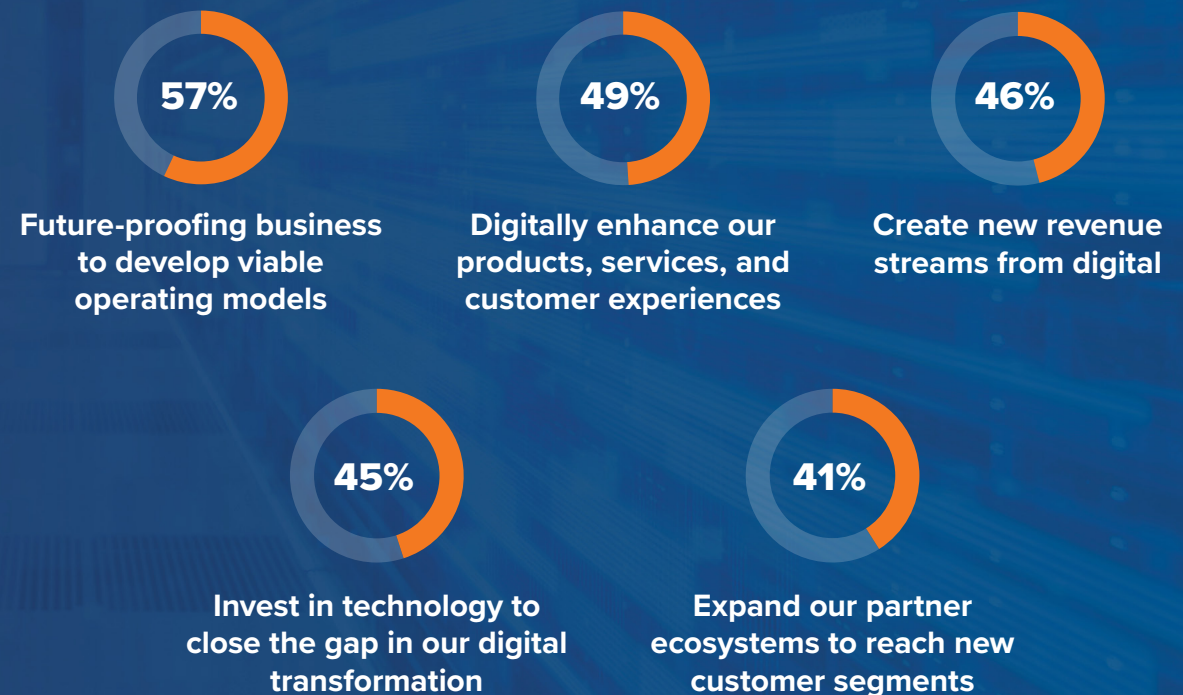
Sources: IDC's *European IT Buyer Sentiment Survey, Wave 13,* October 2020; EMEA n = 350 and Wave 15, December 2020; EMEA n = 430

SAP Modernization Means Linux and Open Source

Digital transformation activities over the past five years have moved many enterprises to a new level. Organizations that are digitally determined typically have a multiyear strategy, an integrated road map of use cases, and investment in a digital platform.

SAP customers must standardize their SAP landscapes on Linux as SAP HANA is a Linux-only database and SAP S/4HANA runs solely on SAP HANA. The Linux operating system in an SAP landscape is part of a larger open source technology portfolio that plays a critical role in managing the landscape.

IDC conducted a large (n = 1,212) international survey among businesses that are on an SAP modernization journey, including 552 businesses in Europe, the Middle East, and Africa (EMEA), of which 151 were in Germany, Austria, and Switzerland (DACH) to determine businesses' current ERP state, their aspirations and challenges, and what role the Linux operating system plays in the transformation of their SAP ERP landscape.

Learn from 552 EMEA businesses about their DX strategies and the value of ERP modernization.

Removing Silos and Fragmentation Are Key Objectives

Typical challenges with legacy ERP systems:

Fragmentation

Multiple ERP instances and lack of integration that hamper business performance:

- ▷ **High technical debt that prevents enhancements**

- ▷ **Inability to support end-to-end processes**

- ▷ **Inability to provide an instant businesswide view of key data**

Historic Data

Infrequent updates of multiple data sources:

- ▷ **Delayed or underinformed decision making**

- ▷ **Difficulty in building forward views and forecasts**

Static Processes

Static IT processes that limit IT automation:

- ▷ **No real-time data orchestration**

- ▷ **Slow execution of business processes**

- ▷ **Constricted workload operations**

Organizations can't succeed in modern business with the deficiencies of the generation of technology.

Source: IDC's *SAP Infrastructure Survey, sponsored by Red Hat,* 2020; EMEA including DACH n = 552

Current Enterprise Resource Planning Estates Are Ripe for Modernization

EMEA: What does your current ERP estate look like?

30%	23%	21%	18%	7%
Legacy multi-instance ERP packagesproviding no visibility on operational performance	All-encompassing, single-instance ERP system providing full visibility across back-office operations, but in a static way	All-encompassing, single-instance ERP system providing full visibility across back-office operations updated in real time	Siloed visibility provided by a federated ERP environment on one package but running multi-instances	Advanced features like machine learning and Internet of Things are built-in capabilities in the all-encompassing ERP suite

▶ European organizations need to modernize their aging ERP estates to succeed in the digital era.

▶ Nearly half (48%) of European organizations are still running multi-instance ERP packages that provide limited to no visibility on operational performance.

▶ European organizations must ensure that silos do not recur in their SAP S/4HANA ecosystems.

Source: IDC's *SAP Infrastructure Survey, sponsored by Red Hat,* 2020; EMEA including DACH n = 552

Organizations Seek Digital Transformation and Operational Efficiency

In 2021, European organizations will need agile, end-to-end processes and access to real-time data. They must balance operational efficiency with innovation and customer experience in order to achieve their goals for digital transformation and IT operations efficiency.

Digital Transformation Goals

A major investment such as ERP modernization must be directly linked to digital transformation and customer benefits.

▷ **Gain access to real-time data to adapt to changing market conditions (45%)**

▷ **Create a better customer experience (37%)**

Efficiency Goals

A key role of the ERP system is to enable efficient operations; moving to SAP S/4HANA must deliver a step change in efficiency. Almost half (46%) want to drive efficiency in:

▷ **Business operations**

▷ **IT operations**

EMEA: Why are you considering moving to SAP S/4HANA?

46% 45% 37% 28% 27% 24%

■ We want to drive operational efficiency.
■ We need access to real-time data to adapt to changing market conditions.
■ We want to create a better customer experience.
■ We want to consolidate our SAP application landscape.
■ We want to be ready for SAP's 2027 deadline.
■ Core modernization is key to our digital transformation strategy.
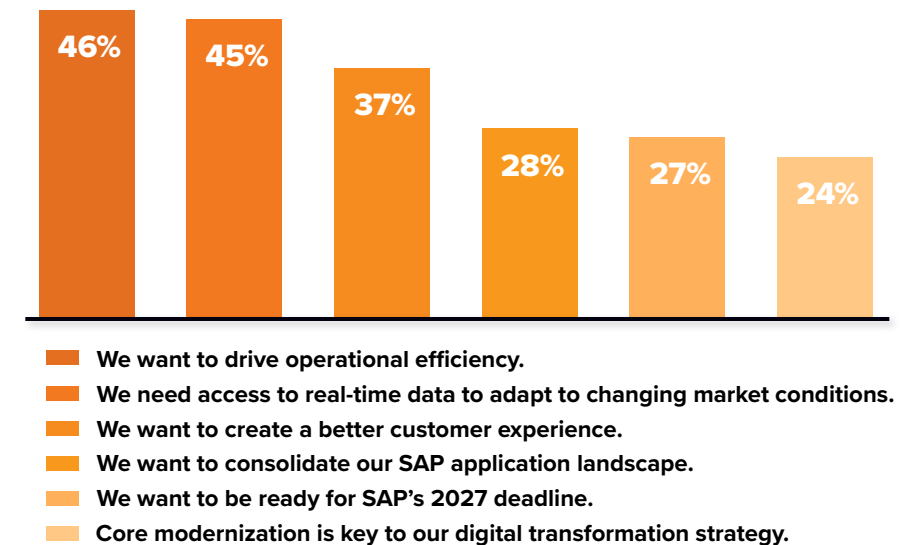
The case for SAP S/4HANA is based on achieving business outcomes.

Source: IDC's *SAP Infrastructure Survey, sponsored by Red Hat,* 2020; EMEA including DACH n = 552

SAP Modernization Is Based on Business Outcomes

EMEA: What are your metrics for building the business case for ERP modernization?

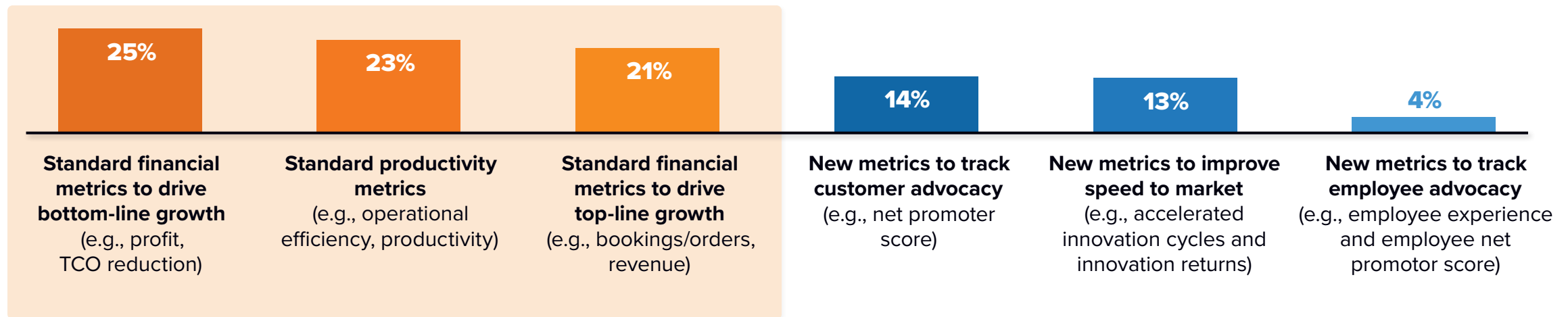| 25%	23%	21%	14%	13%	4%
Standard financial metrics to drive bottom-line growth (e.g., profit, TCO reduction)	**Standard productivity metrics** (e.g., operational efficiency, productivity)	**Standard financial metrics to drive top-line growth** (e.g., bookings/orders, revenue)	**New metrics to track customer advocacy** (e.g., net promoter score)	**New metrics to improve speed to market** (e.g., accelerated innovation cycles and innovation returns)	**New metrics to track employee advocacy** (e.g., employee experience and employee net promotor score)

The business case for SAP S/4HANA is still based on standard metrics:
→ Financial metrics to drive bottom-line growth (profit)
→ Productivity metrics
→ Financial metrics to drive top-line growth (revenues)

Newer digital transformation-related KPIs are less adopted:
→ Customer advocacy
→ Speed to market
→ Employee advocacy

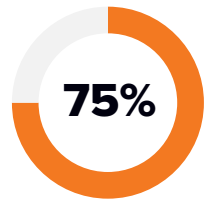## Business outcomes are achieved by tightly integrating SAP into key business processes.

A Modern, Full-Stack Ecosystem is a "Must Have"

A digital platform is the foundation for core apps and cloud-native apps.

By 2024

75% of enterprises will prioritize infrastructure agility and operational efficiency, leading to an increase of five times in the adoption of cloud-native architectures for core business applications.

Digital platforms and open ecosystems prevent infrastructure restrictions limiting the power of their SAP S/4HANA platform.

Cloud-Native Architectures Are Based on Open Source & Open Standards

Management

Applications and services

Integration
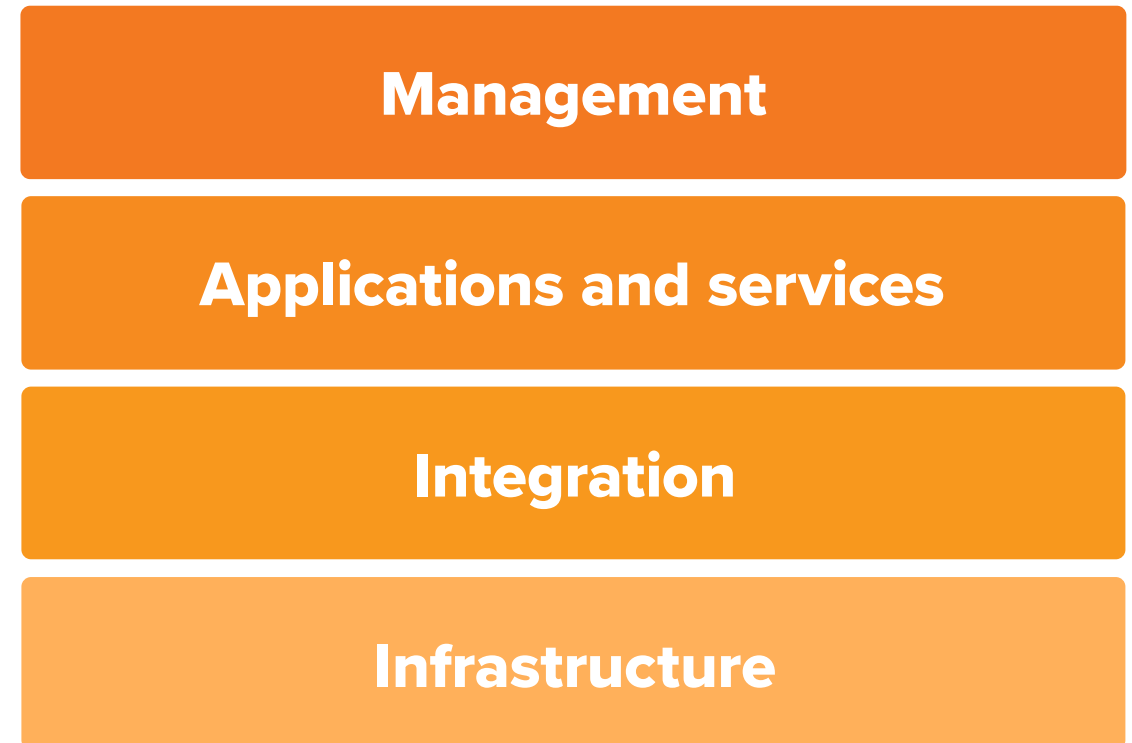
Infrastructure

Source: IDC's *FutureScape: Worldwide Future of Digital Infrastructure 2021 Predictions*, October 2020

Innovation, Flexibility, and Control Regardless of Workload Destination

Cloud is a key enabler for ERP infrastructure modernization, and European organizations have a strong preference for the various cloud options.

The digital platform approach enables European organizations to run their SAP S/4HANA environment efficiently wherever they want.
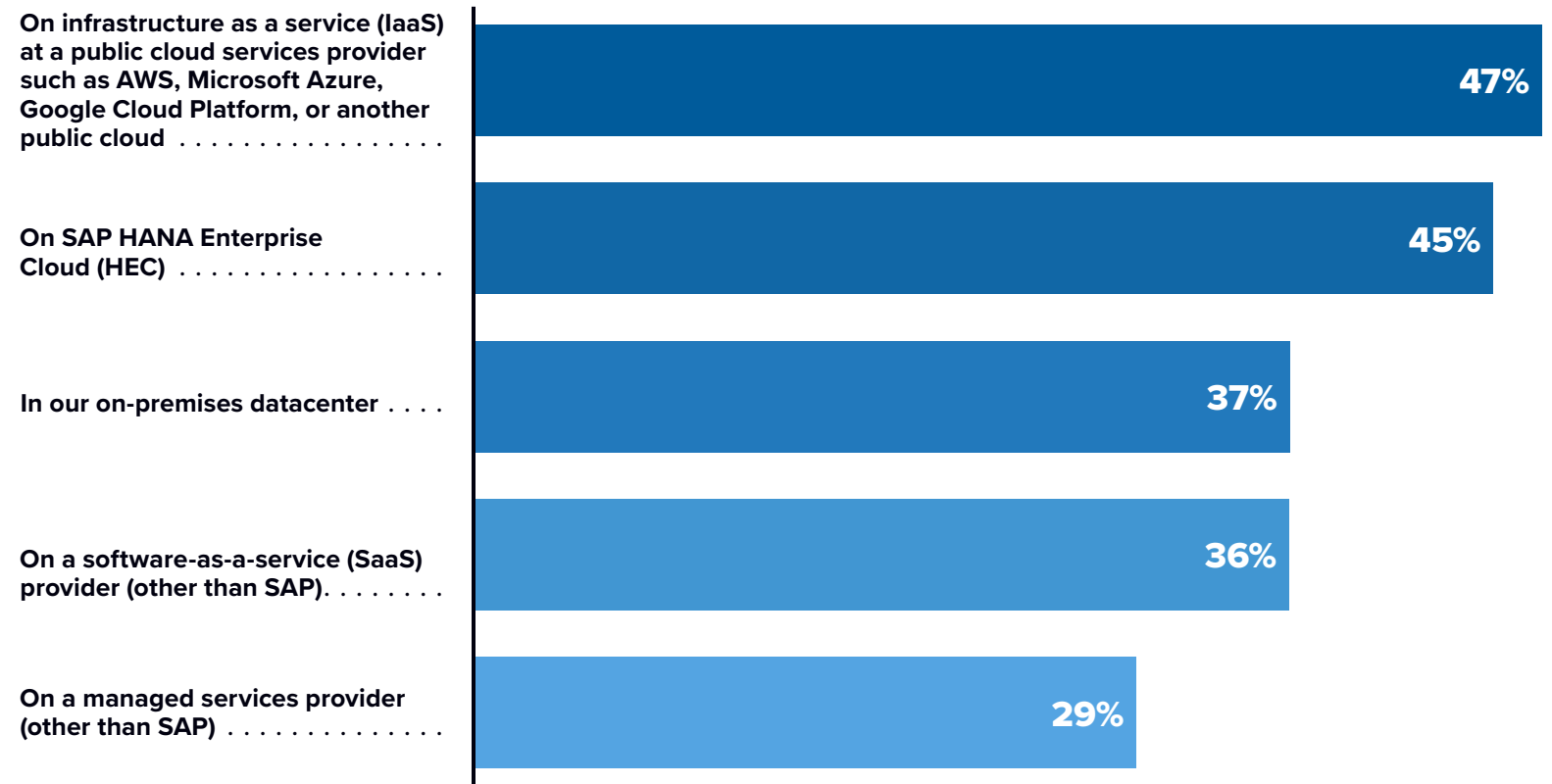
Almost half (47%) of European organizations are also using SAP cloud platform to integrate with and run SAP business applications.

There is a demand for technology that enables SAP S/4HANA to reach its potential on whichever infrastructure it resides.

EMEA: Where is (or will) your organization's SAP ERP, SAP Business Suite powered by SAP HANA, or SAP S/4HANA running?

On infrastructure as a service (IaaS) at a public cloud services provider such as AWS, Microsoft Azure, Google Cloud Platform, or another public cloud **47%**

On SAP HANA Enterprise Cloud (HEC) **45%**

In our on-premises datacenter **37%**

On a software-as-a-service (SaaS) provider (other than SAP) **36%**

On a managed services provider (other than SAP) **29%**

Source: IDC's *SAP Infrastructure Survey, sponsored by Red Hat,* 2020; EMEA including DACH n = 552

The Operating Ecosystem Enables Platform and Innovation Capabilities

EMEA: Which of the following general operating ecosystem capabilities is your organization using (or will use) to support the SAP landscape?

45%	43%	38%	11%	3%
Using predictive analytics to prevent errors and/or downtime in the datacenter	Automating manual tasks to speed up deployment and changes in the datacenter	Integrating non-SAP applications, data, and devices with the SAP digital core to unlock data	Providing hybrid cloud management with governance and policy-based control	Enabling hybrid cloud self-service functionality, chargeback, and automation

Organizations see the operating ecosystem as key to managing and extending their SAP landscape:

→ Enable cloud-native development environment
→ Automate and optimize infrastructure management
→ Integrate applications and operate a hybrid cloud model

The operating ecosystem drives business outcomes through integration and extension and delivers efficiency and reliability through automation.
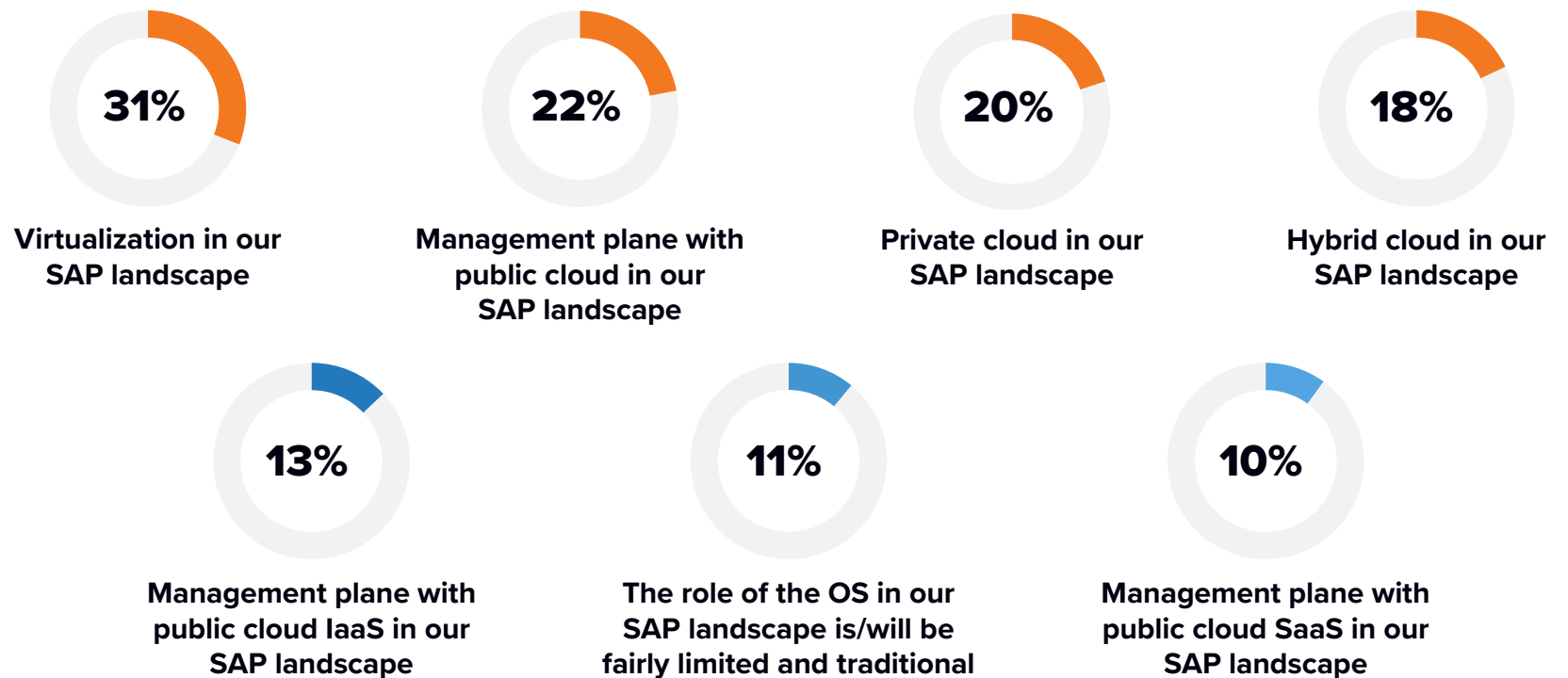
Source: IDC's *SAP Infrastructure Survey, sponsored by Red Hat,* 2020; EMEA including DACH n = 552

Digital Transformation Requires an Open Operating Ecosystem

The operating systems needs to enable infrastructure capabilities such as:

→ Virtualization

→ Public cloud management

→ Private cloud management

→ Hybrid cloud management

EMEA: Please indicate how your organization considers (or expects to consider) the operating system for the SAP ERP applications?

31%
Virtualization in our SAP landscape

22%
Management plane with public cloud in our SAP landscape

20%
Private cloud in our SAP landscape

18%
Hybrid cloud in our SAP landscape

13%
Management plane with public cloud IaaS in our SAP landscape

11%
The role of the OS in our SAP landscape is/will be fairly limited and traditional

10%
Management plane with public cloud SaaS in our SAP landscape

Source: IDC's *SAP Infrastructure Survey, sponsored by Red Hat,* 2020; EMEA including DACH n = 552

Hybrid Integration is Essential for Enterprises

EMEA: Which of the following capabilities for integration with SAP S/4HANA to connect applications across hybrid architectures are (or will be) part of your SAP landscape?

61%	55%	51%	20%
An open source container-orchestration system for automating computer application deployment, scaling, and management	A set of solutions for API connectivity, data transformation, service composition and orchestration, and real-time messaging	An open source, distributed integration platform that provides tools to integrate services, microservices, and application components	An open source service mesh platform to control how microservices share data with each another

- ▷ European organizations recognize that they will operate a hybrid architecture.

- ▷ They must prevent disconnected silos from re-emerging, as occurred with the previous generation of technology.

- ▷ Application integration with SAP S/4HANA starts with an open source container orchestration system for application deployment, scaling, and management.

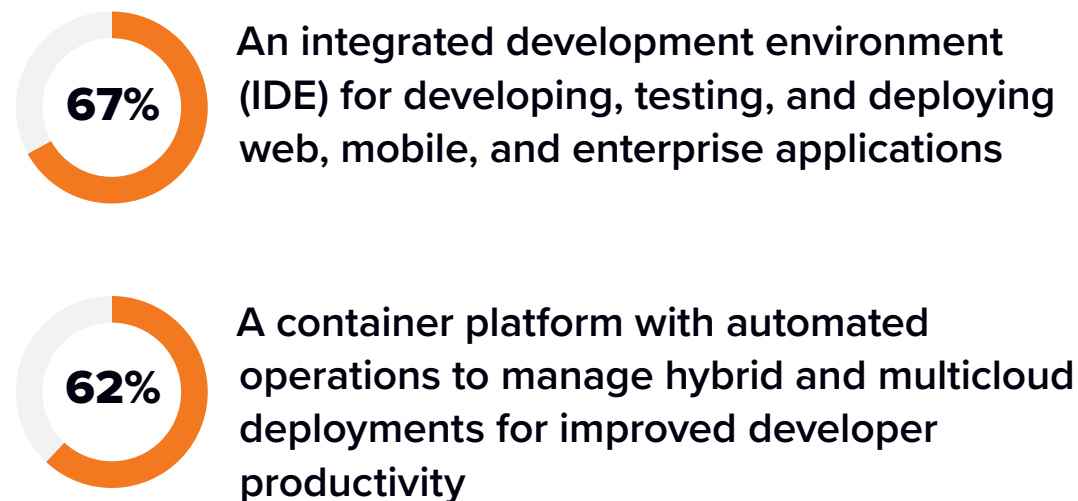- ▷ API connectivity, data transformation, and service orchestration are important next steps.

SAP S/4HANA will co-exist with and benefit from cloud-native applications.

Source: IDC's *SAP Infrastructure Survey, sponsored by Red Hat,* 2020; EMEA including DACH n = 552

Containerized Applications and Cloud-Native Development Maximizes SAP S/4HANA

Adopting SAP S/4HANA is the beginning of the development of a digital platform for the future enterprise.

EMEA: Which of the following capabilities for custom application development are (or will be) part of your SAP landscape?

67% An integrated development environment (IDE) for developing, testing, and deploying web, mobile, and enterprise applications

62% A container platform with automated operations to manage hybrid and multicloud deployments for improved developer productivity

Organizations look to the operating environment to provide a platform on which a new generation of apps can be developed.

There is a need to enable agile development methods at the fringes of SAP S/4HANA to allow technology to keep up with the pace of business innovation.

Containerization enables the porting of applications across secure, heterogeneous environments.

Source: IDC's *SAP Infrastructure Survey, sponsored by Red Hat,* 2020; EMEA including DACH n = 552

The Right Operating Environment Boosts Business Value

1
Security features
are most important for European organizations when choosing the best operating environment for SAP workloads.

2
Integration platform
is the second most important factor, as SAP workloads will run in the context of cloud-native applications and need to be well integrated with the broader application landscape.
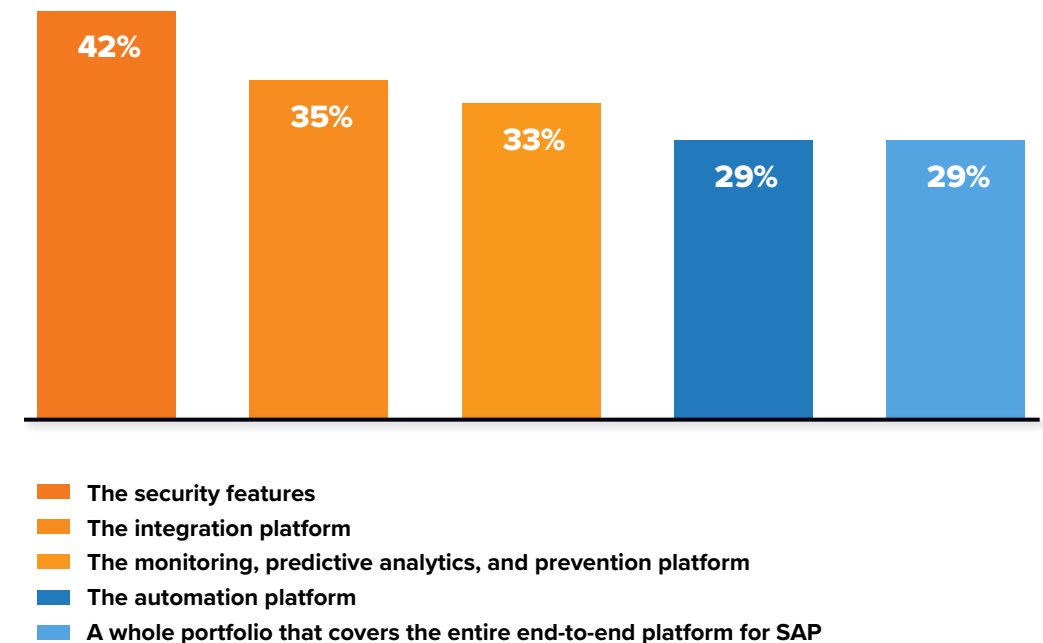
3
Tools for performance optimization
are the third most important feature to provide a great user experience and to achieve operational efficiency of the digital platform.

Beyond security, the role of the platform in integration is a decisive factor.

EMEA including DACH: Which of the following features were decisive for you to select that operating environment for your organization's SAP landscape?

42%	The security features
35%	The integration platform
33%	The monitoring, predictive analytics, and prevention platform
29%	The automation platform
29%	A whole portfolio that covers the entire end-to-end platform for SAP

Source: IDC's *SAP Infrastructure Survey, sponsored by Red Hat,* 2020; EMEA including DACH n = 552

Taking SAP Modernization to the Next Level

To successfully build a modern infrastructure for SAP workloads, IDC recommends the following:

Plan your SAP modernization journey in the context of cloud-native application innovation to facilitate the commercial benefits of no lock-in and greater flexibility.
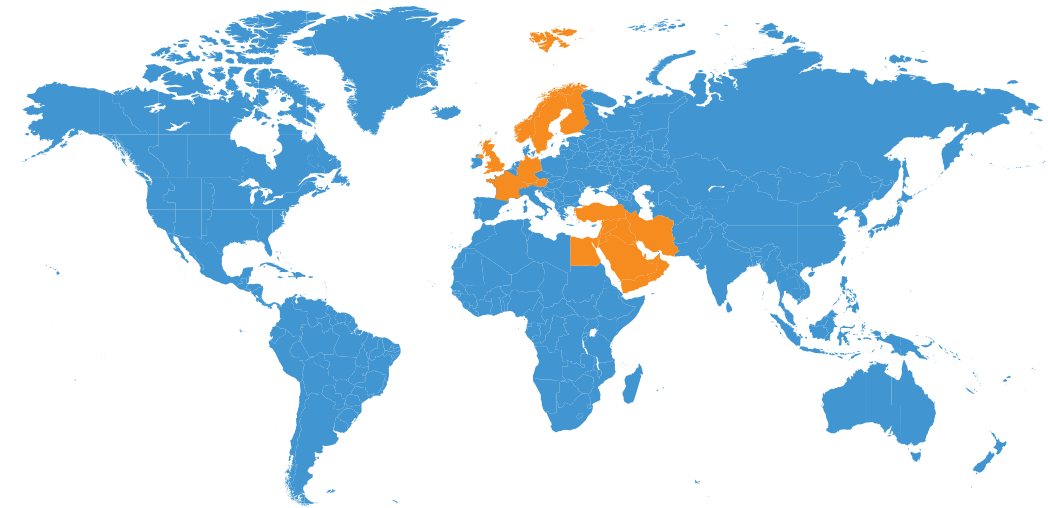
Choose a consistent platform to seamlessly migrate the SAP environment from bare metal or virtualized servers to private, hybrid, or public cloud.
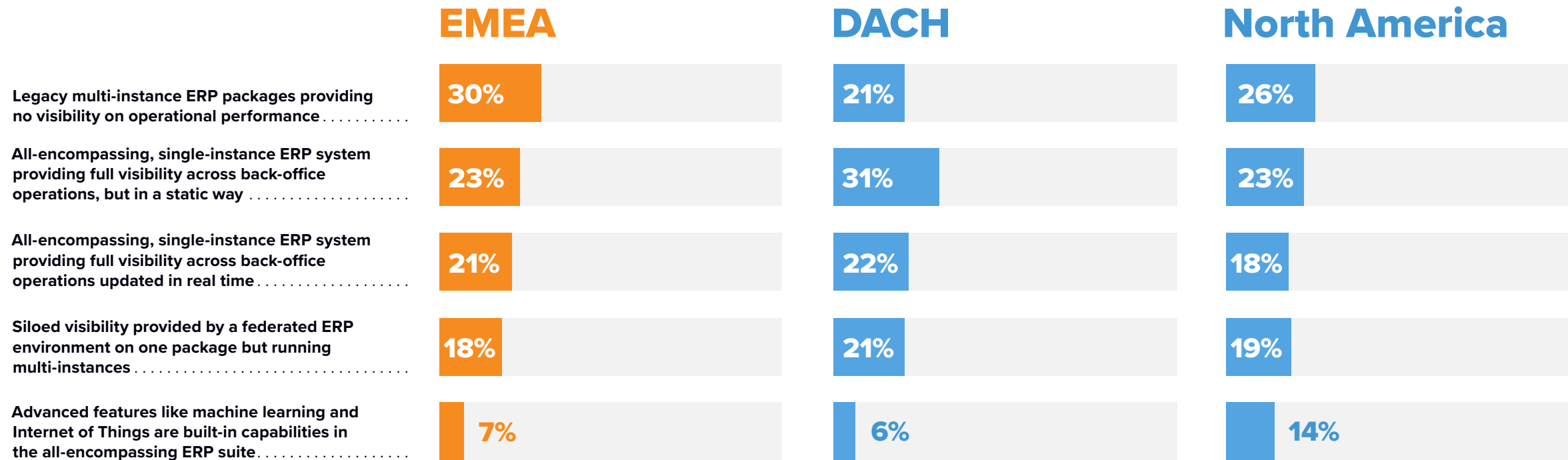
Add the strategic advantage of an open source operating ecosystem to achieve end-to-end security, cost optimization through full abstraction, and long-term investment protection.

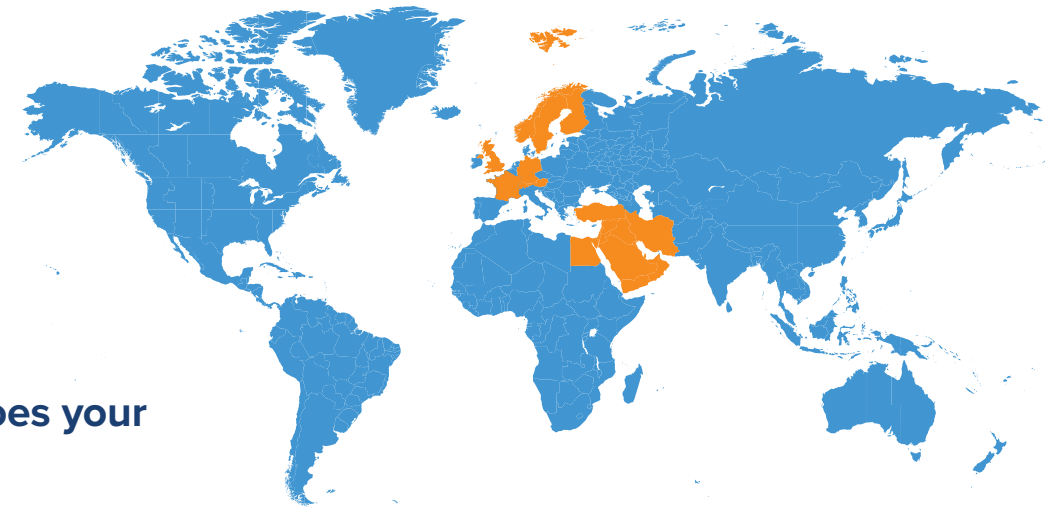# Comparing Organizations in EMEA, DACH, and North America

What does your current ERP estate look like?

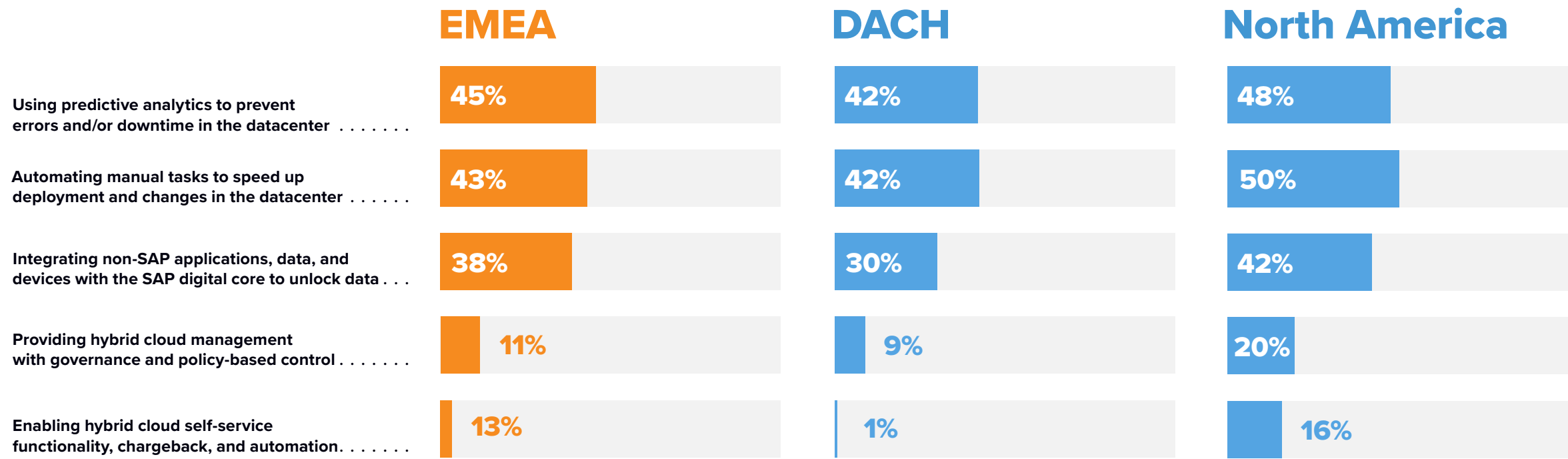|	EMEA	DACH	North America
Legacy multi-instance ERP packages providing no visibility on operational performance	30%	21%	26%
All-encompassing, single-instance ERP system providing full visibility across back-office operations, but in a static way	23%	31%	23%
All-encompassing, single-instance ERP system providing full visibility across back-office operations updated in real time	21%	22%	18%
Siloed visibility provided by a federated ERP environment on one package but running multi-instances	18%	21%	19%
Advanced features like machine learning and Internet of Things are built-in capabilities in the all-encompassing ERP suite	7%	6%	14%

Source: IDC's *SAP Infrastructure Survey, sponsored by Red Hat,* 2020; North America n = 203, EMEA including DACH n = 552, DACH n = 151

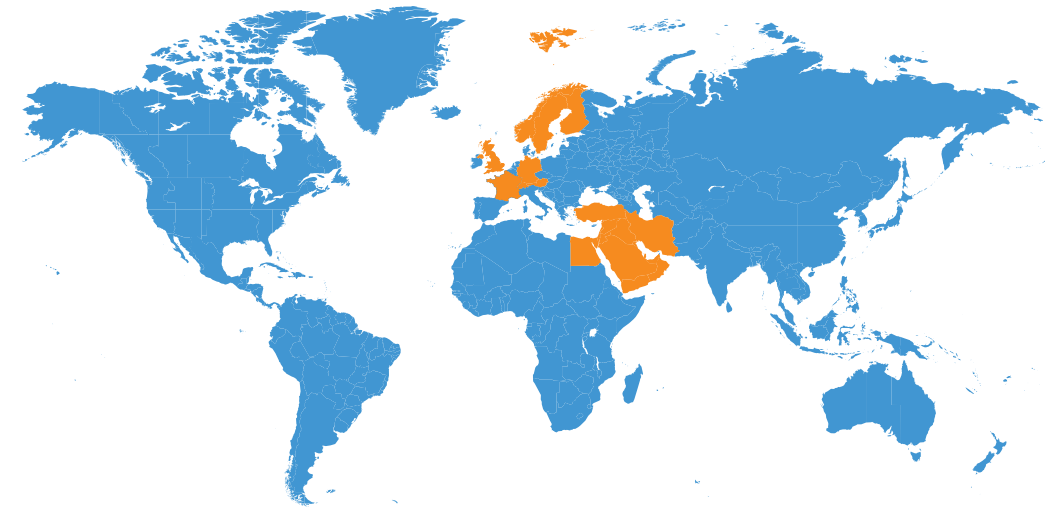# Comparing Organizations in EMEA, DACH, and North America (continued)

Which of the following general operating ecosystem capabilities does your organization use (or will use) to support the SAP landscape?

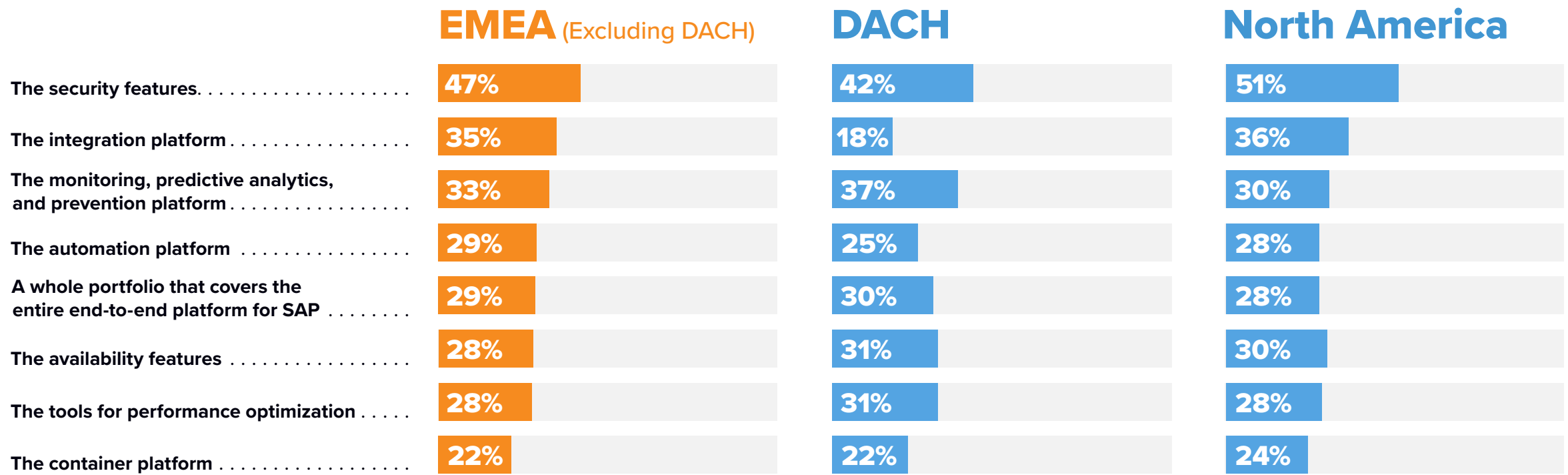|	EMEA	DACH	North America
Using predictive analytics to prevent errors and/or downtime in the datacenter	45%	42%	48%
Automating manual tasks to speed up deployment and changes in the datacenter	43%	42%	50%
Integrating non-SAP applications, data, and devices with the SAP digital core to unlock data . . .	38%	30%	42%
Providing hybrid cloud management with governance and policy-based control	11%	9%	20%
Enabling hybrid cloud self-service functionality, chargeback, and automation.	13%	1%	16%

Source: IDC's *SAP Infrastructure Survey, sponsored by Red Hat,* 2020; North America n = 203, EMEA including DACH n = 552, DACH n = 151

Comparing Organizations in EMEA, DACH, and North America (continued)

Which of the following features were decisive for you to select that operating environment for your organization's SAP landscape?

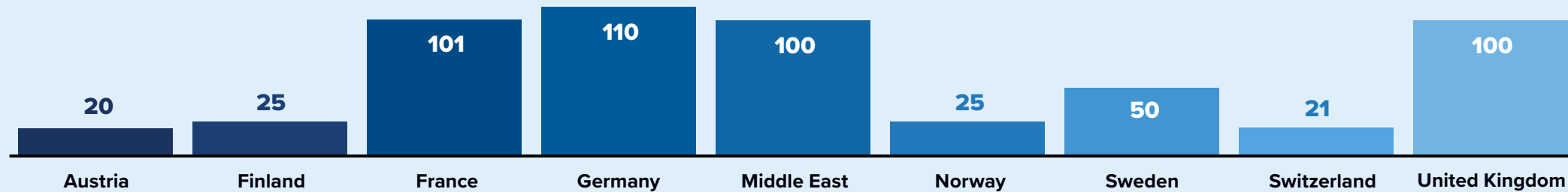|	EMEA (Excluding DACH)	DACH	North America
The security features	47%	42%	51%
The integration platform	35%	18%	36%
The monitoring, predictive analytics, and prevention platform	33%	37%	30%
The automation platform	29%	25%	28%
A whole portfolio that covers the entire end-to-end platform for SAP	29%	30%	28%
The availability features	28%	31%	30%
The tools for performance optimization	28%	31%	28%
The container platform	22%	22%	24%

Source: IDC's *SAP Infrastructure Survey, sponsored by Red Hat,* 2020; North America n = 203, EMEA including DACH n = 552, DACH n = 151
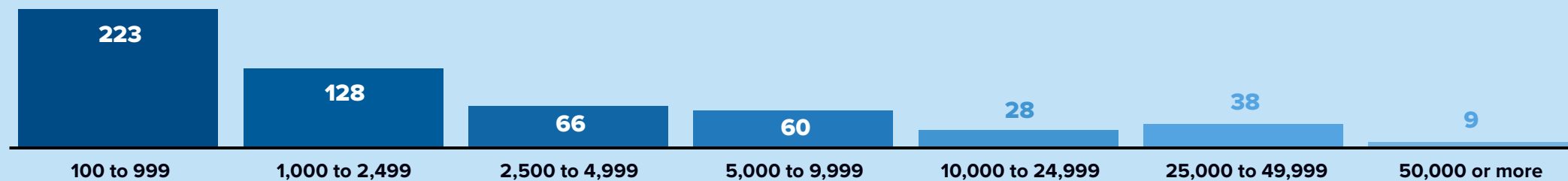
Methodology

IDC conducted a large (n = 1,212) international survey among businesses that are on an SAP modernization journey, including 552 businesses that have more than 100 employees, are located across EMEA, and come from various industries. The survey was to determine what businesses' current ERP state is, their aspirations and challenges, and what role the Linux operating system plays in the transformation of their SAP ERP landscape.

COUNTRIES

Country	Value
Austria	20
Finland	25
France	101
Germany	110
Middle East	100
Norway	25
Sweden	50
Switzerland	21
United Kingdom	100

COMPANY SIZE (employees)

Size	Value
100 to 999	223
1,000 to 2,499	128
2,500 to 4,999	66
5,000 to 9,999	60
10,000 to 24,999	28
25,000 to 49,999	38
50,000 or more	9

Source: IDC's *SAP Infrastructure Survey, sponsored by Red Hat,* 2020; global n = 1,212, Europe, the Middle East, and Africa (EMEA) n = 552, Germany, Austria, and Switzerland (DACH) n = 151

About the Analysts

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Cloud in Europe, IDC

Carla Arend is a senior program director with the European Software and Infrastructure research team and heads up IDC's European cloud research. Carla provides industry clients with key insight into market dynamics, vendor activities, and end-user adoption trends in the European cloud market. As part of her research, she covers topics such as how European organizations are adopting cloud, how cloud drivers and inhibitors are evolving, cloud management, cloud security, data management in the cloud, IoT and cloud, AI and cloud, Devops and cloud, as well as GDPR impact on cloud and cloud code of conduct.

More about Carla Arend

Tom Seal
Senior Research Director,
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Tom Seal is a senior research director in IDCs European enterprise applications team and has over 20 years experience as an analyst, consultant, and technology procurement manager. He focuses on the ERP market and the future of the finance function. Current research includes investigating the business case for ERP modernization and the economics of cloud technology. In addition, he is part of IDC's Intelligent Business Operations and Augmented Humanity practices.

More about Tom Seal

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Red Hat helps SAP enterprises standardize on a single, open platform and build on a foundation that sets them up for a future of innovation with a rich portfolio of flexible solutions. From standards-based solutions for automation, management, and integration, to app containerization and open hybrid cloud, Red Hat's SAP portfolio supports any on-premises or cloud environment with freedom from vendor lock-in. Not just an operating system, Red Hat solutions are driving intelligent enterprises through optimized stability, scalability, and security for SAP deployments. Red Hat is a market leader in Linux, multicloud container development, and infrastructure automation, with a rich history in the open source community.

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