



Building a Digital Platform to unleash the power of SAP S/4HANA

in Germany, Austria and Switzerland

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Navigating this InfoBrief

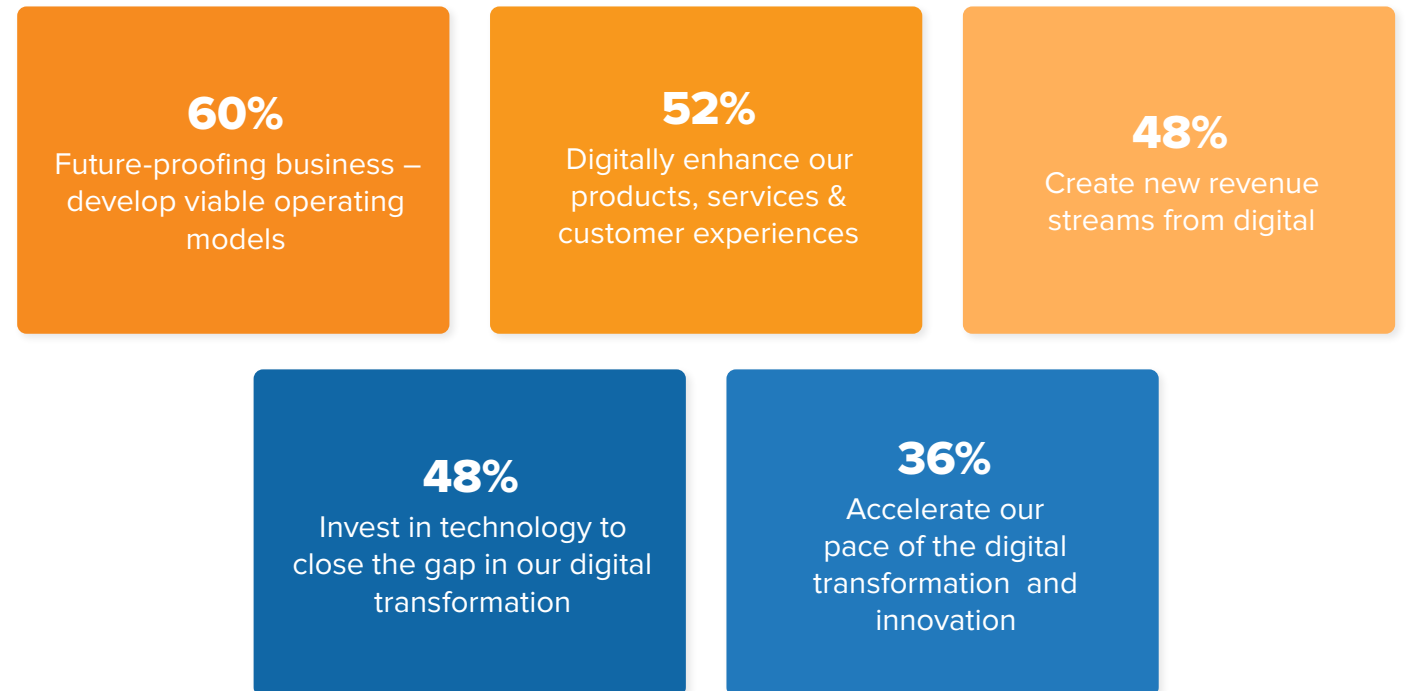
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2021: Returning to Growth Through Accelerated Digital Transformation

In **72%** of German organizations, the CEO has made digital transformation an integral part of the business strategy and 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 accelerate the pace of innovation.



! ERP Modernization is a key element of digital transformation in 2021!

Source: European IT Buyer Sentiment Survey – Wave 13, October 2020, n = 50 Germany, Wave 15, Dec 2020, n = 50 Germany

Digital Transformation and the Value of Enterprise Resource Planning Modernization

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

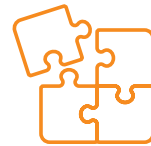
To achieve digital transformation at scale, organizations need to modernize their ERP systems, which in Germany, Austria and Switzerland (DACH) in many cases is from SAP.

SAP customers must standardize their SAP landscapes on Linux as SAP S/4HANA is a Linux-only database and SAP S/4HANA is based exclusively on it. 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 151 businesses in Germany, Austria and Switzerland (DACH) to determine what businesses' current ERP state is, what their aspirations are, their challenges, and what role the Linux operating system and open source play in the transformation of their SAP ERP landscape.

 **SAP modernization means standardizing on Linux and open source.**

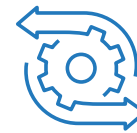
Can Your Technology and Solutions Keep up with the Business Requirements?



Fragmentation

Multiple ERP instances and lack of integration hamper business performance:

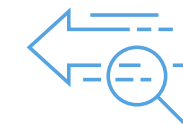
- High technical debt prevents enhancements
- Inability to support end to end processes
- Inability to provide an instant business wide view of key data



Static Processes

Static IT processes limit IT automation:

- No real-time data orchestration
- Slow execution of business processes
- Constricted workload operations



Historic Data

Infrequent updates of multiple data sources:

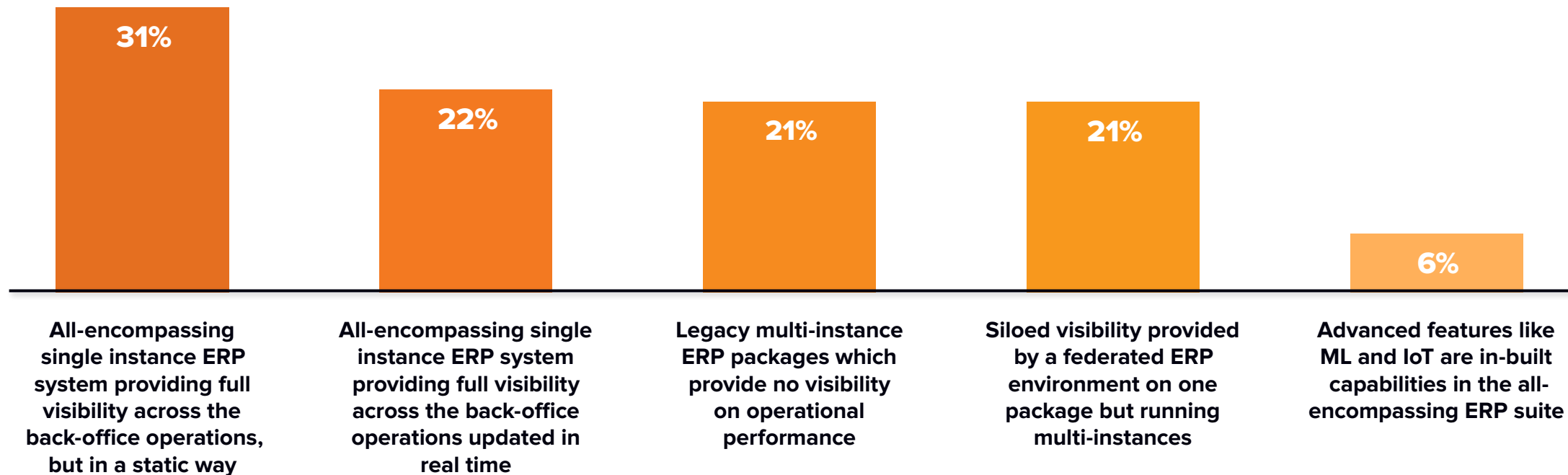
- Delayed or underinformed decision making
- Difficulty in building forward views and forecasts

Enabling agile end-to-end processes is key, but removing silos and fragmentation are important objectives of ERP modernization.

Current ERP Estate Shows Space for Improvement

Organizations must ensure that silos do not recur in their SAP S/4HANA ecosystems

What does your current ERP estate look like?



Source: IDC's SAP Infrastructure Survey, sponsored by Red Hat, 2020; n = 1,212; Germany, Austria, Switzerland n = 151

Modernizing SAP Systems: Agile End-to-End Processes Enable Operational Efficiency and Digital Transformation

Digital Transformation Goals

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

- **53%** wants to consolidate the SAP application landscape to streamline the application portfolio
- **42%** want to create a better customer experience

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.

- **37%** want to drive operational efficiency:
 - Efficiency in business operations
 - Efficiency in IT operations

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

- 53%** We want to consolidate our SAP application landscape
- 42%** We want to create a better customer experience
- 42%** We want to be ready for SAP's 2027 deadline
- 37%** We want to drive operational efficiency
- 26%** We need access to real-time data to adapt to changing market conditions
- 21%** Core modernization is key to our digital transformation strategy

Source: IDC's SAP Infrastructure Survey, sponsored by Red Hat, 2020; n = 1,212; Germany, Austria, Switzerland n = 151

The Business Case for SAP Modernization

Add value to processes by connecting to SAP, deliver on business promise from beyond SAP

The business case for SAP S/4 HANA is still based on standard metrics:

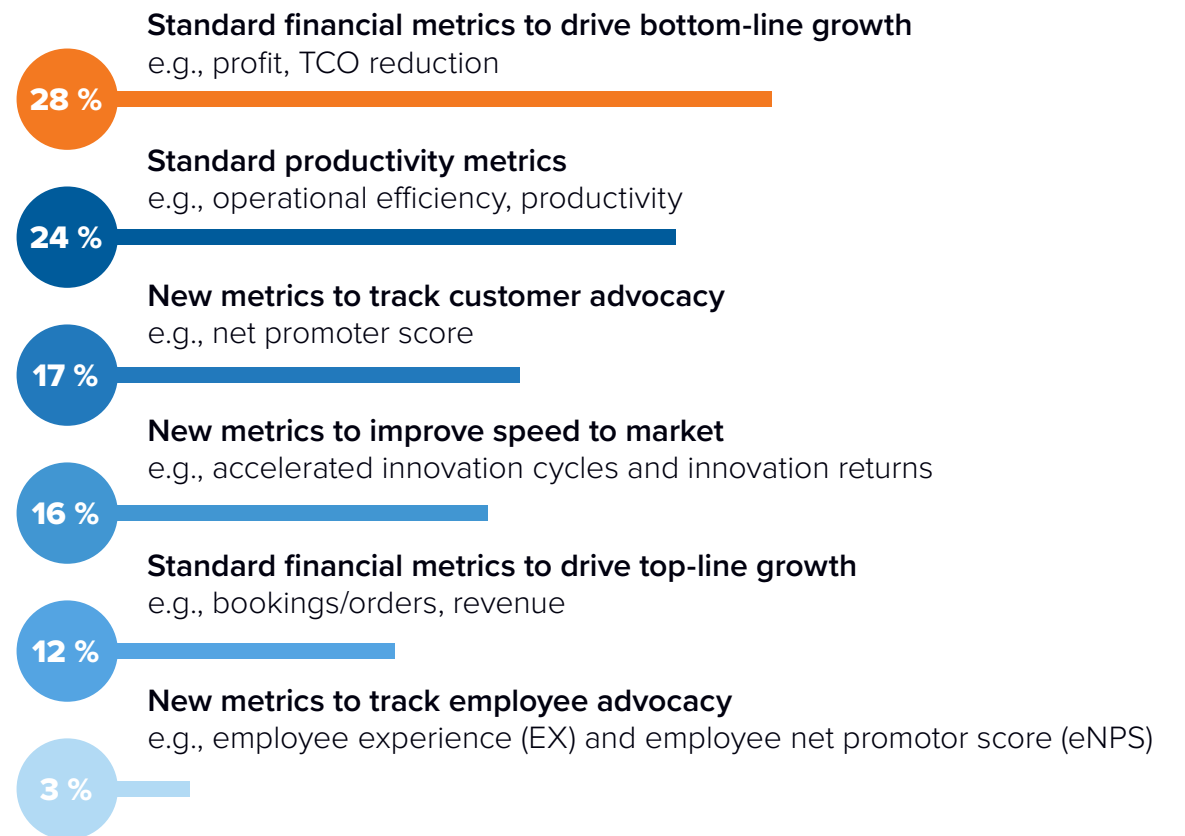
- Revenue growth
- Productivity based on standard metrics

Newer digital transformation-related KPIs are less adopted

- Speed & Innovation
- Customer advocacy

! DACH companies are building their business cases around optimizing the business and/or innovating the business, which can only put into action with a modern ERP landscape.

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



Source: IDC's SAP Infrastructure Survey, sponsored by Red Hat, 2020; n = 1,212; Germany, Austria, Switzerland n = 151

A Modern, Integrated Full-Stack Ecosystem is a “Must Have”

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

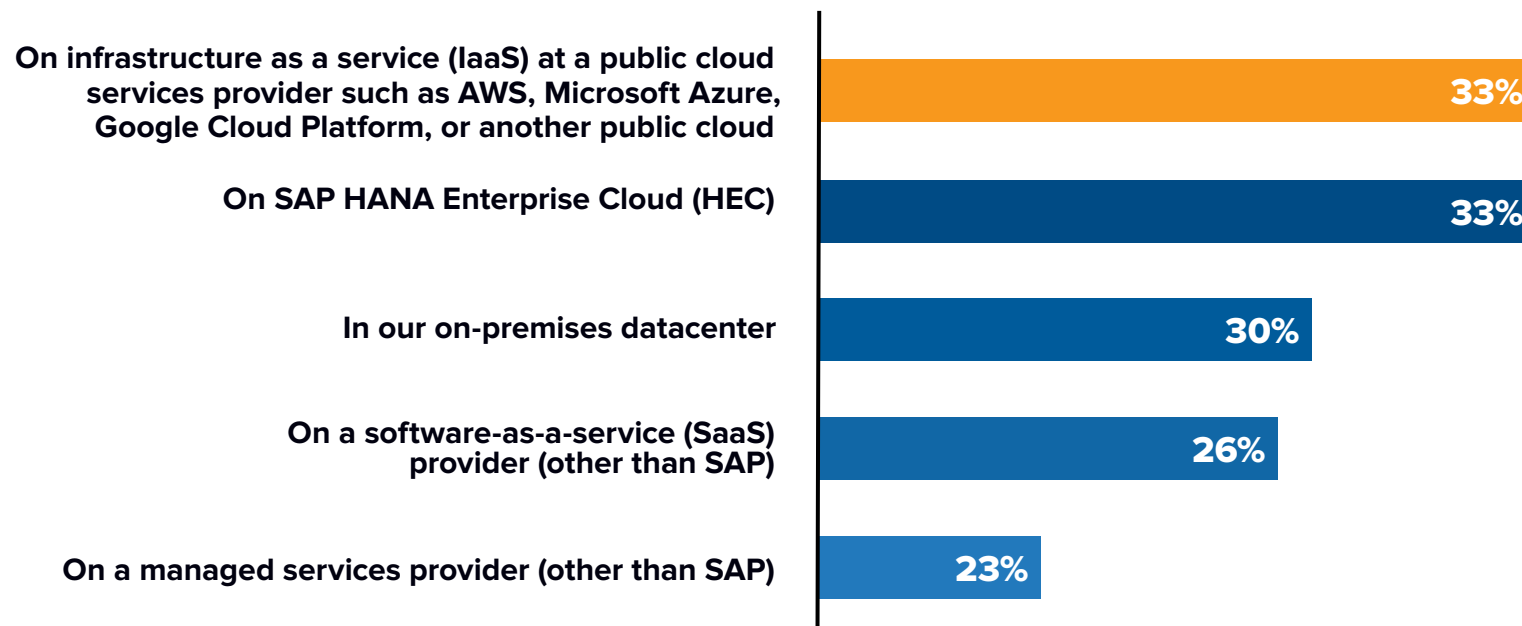
Integration

Infrastructure

Source: IDC's FutureScape: Worldwide Future of Digital Infrastructure 2021 Predictions

Innovation, Flexibility, and Control Matter Regardless of Workload Destination

Where is (or will) your organization's SAP ERP, SAP business suite on HANA, or SAP S/4HANA running?



36% of the respondents also use the SAP Cloud platform.

Source: IDC's SAP Infrastructure Survey, sponsored by Red Hat, 2020; n = 1,212; Germany, Austria, Switzerland n = 151

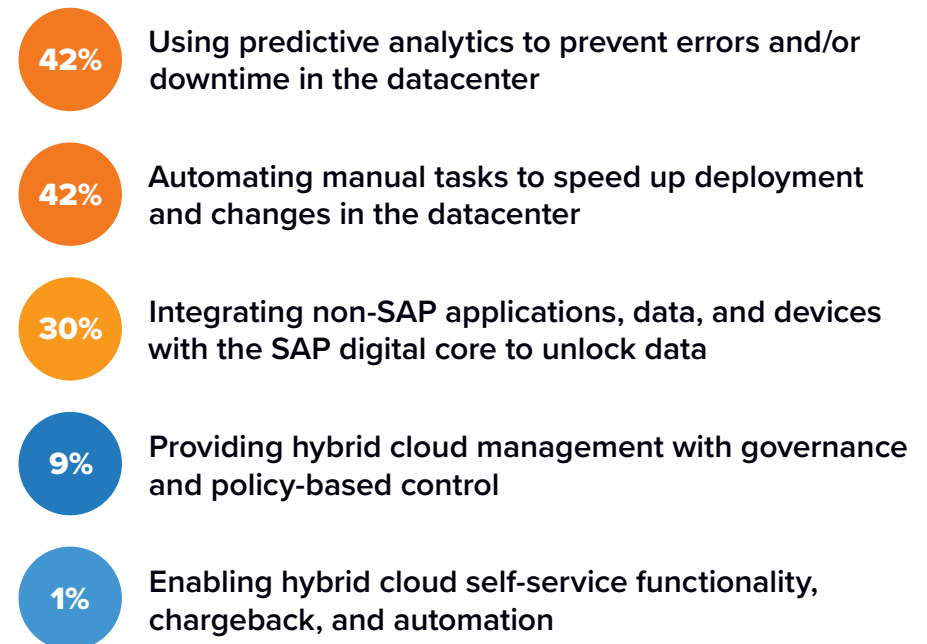
The Operating Ecosystem Enables Platform and Innovation Capabilities

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 within SAP and beyond.

! The operating ecosystem drives business outcomes through automation and standards and delivers efficiency and reliability through analytics, integration and extension.

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



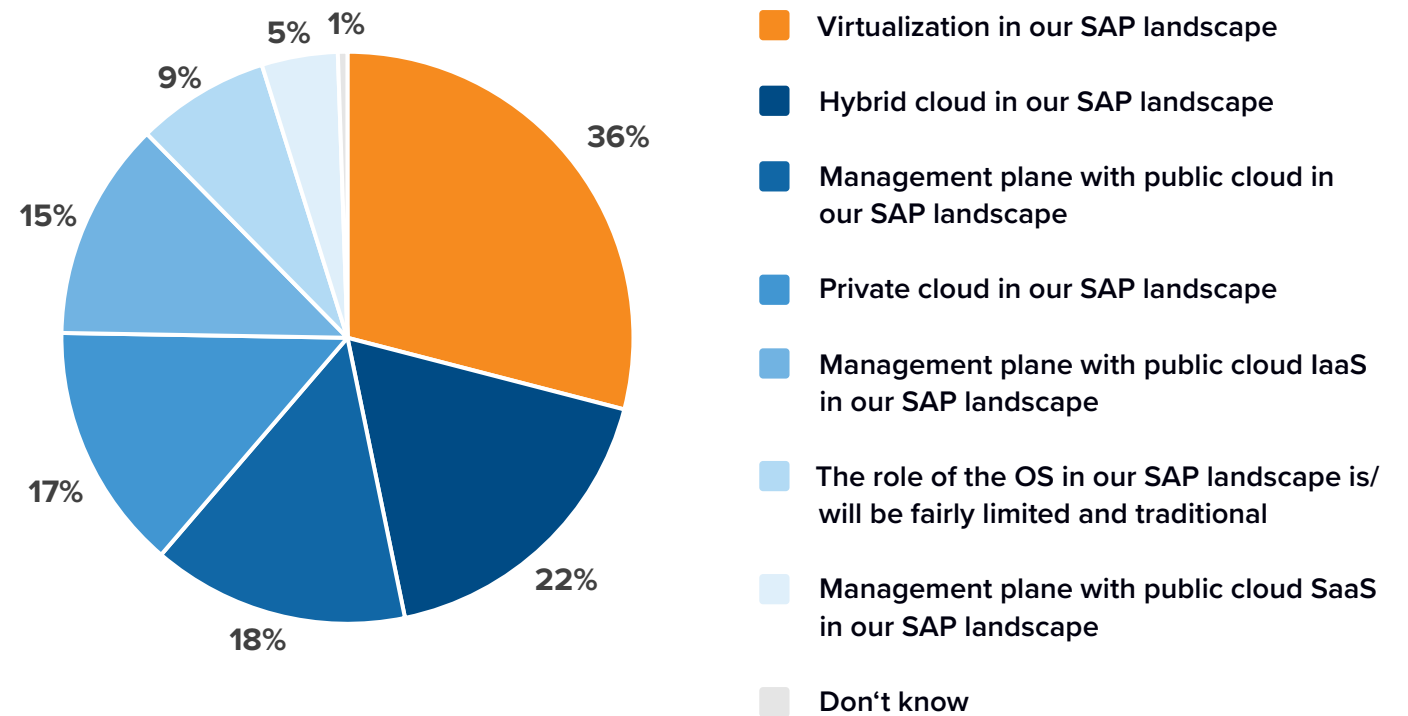
Source: IDC's SAP Infrastructure Survey, sponsored by Red Hat, 2020; n = 1,212; Germany, Austria, Switzerland n = 151

Digital Transformation Requires an Open Operating Ecosystem

72% of respondents recognize that choosing a certain operating system dictates the IT ecosystem that will be the foundation for a digital platform.

! The operating systems need to enable infrastructure capabilities like, public cloud management, private cloud, hybrid cloud.

The operating system is (currently or in the future) part of an open source ecosystem that also fulfils the following functions:



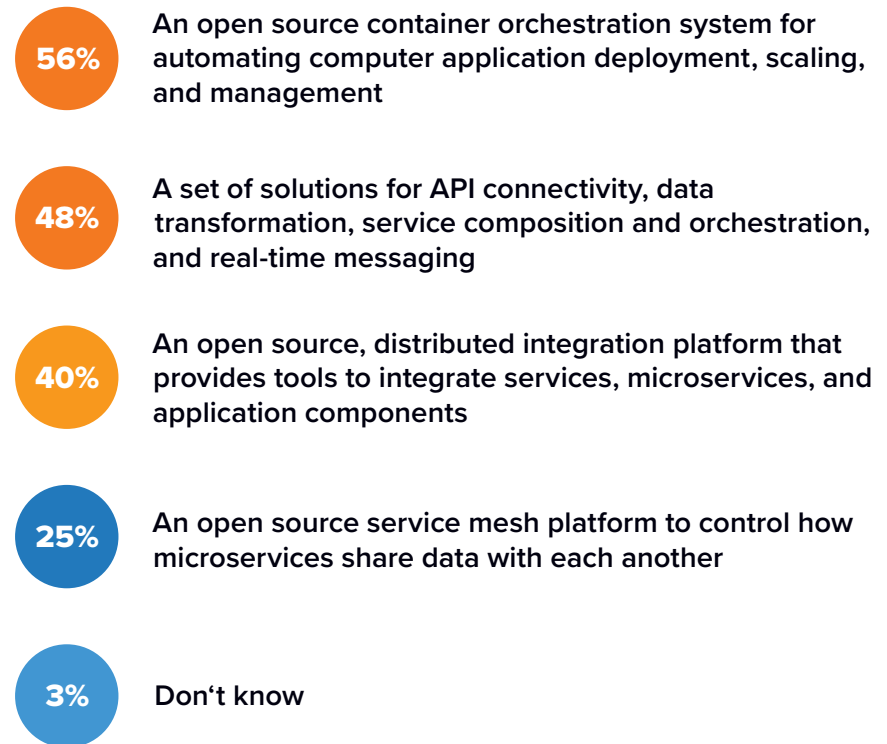
Source: IDC's SAP Infrastructure Survey, sponsored by Red Hat, 2020; n = 1,212; Germany, Austria, Switzerland n = 151

Hybrid Integration is a Standard Approach in Enterprises

- 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 is an important next step.

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

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?



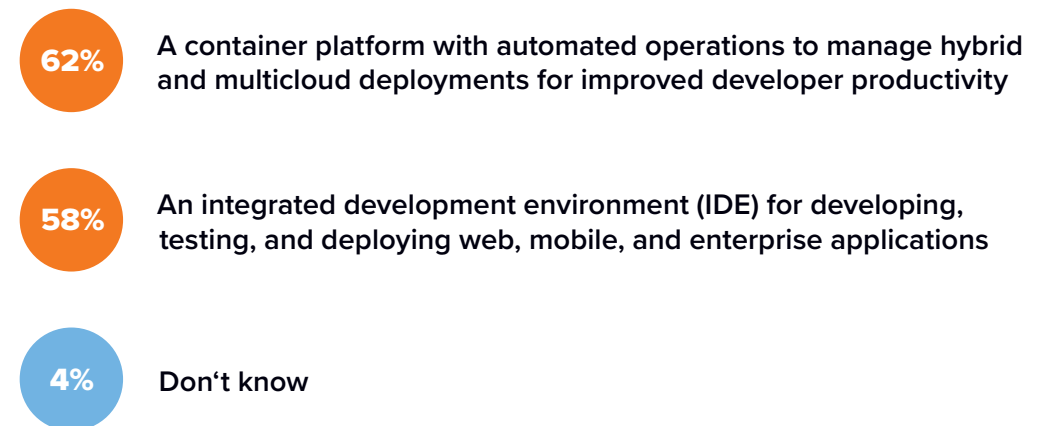
Source: IDC's SAP Infrastructure Survey, sponsored by Red Hat, 2020; n = 1,212; Germany, Austria, Switzerland n = 151

The True Benefits of SAP S/4HANA will only be Realized with Portable Containerized Applications and Agile, Cloud-native Development

- Adopting SAP S/4HANA is the beginning of the development of a platform enabling the future enterprise, not the end.
- Organizations look to the operating environment to provide a platform on which a new portable generation of apps and microservices can be developed.
- There is a need to enable agile development methods at the fringes of S/4HANA to allow technology to keep up with the pace of business innovation.

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

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



Source: IDC's SAP Infrastructure Survey, sponsored by Red Hat, 2020; n = 1,212; Germany, Austria, Switzerland n = 151

Key Factors for Choosing the Right Operating Environment for More Business Value

Top 3 attributes that are decisive when selecting an operating system for the SAP system landscape:

1

Security features

2

A platform for predictive data centre analytics,
-monitoring and failure prevention

3

Performance optimisation

When building an integrated multi-layer hybrid architecture, decision-makers should pay urgent attention to the following points:

- End-to-end security across all layers: Open source is now considered more secure than closed source.
- Cost control: The integration of SAP and non-SAP applications must not be limited by cost barriers or processes that only work in silos.
- Develop once, use everywhere - that must be standard.

Source: IDC's SAP Infrastructure Survey, sponsored by Red Hat, 2020; n = 1,212; Germany, Austria, Switzerland n = 151

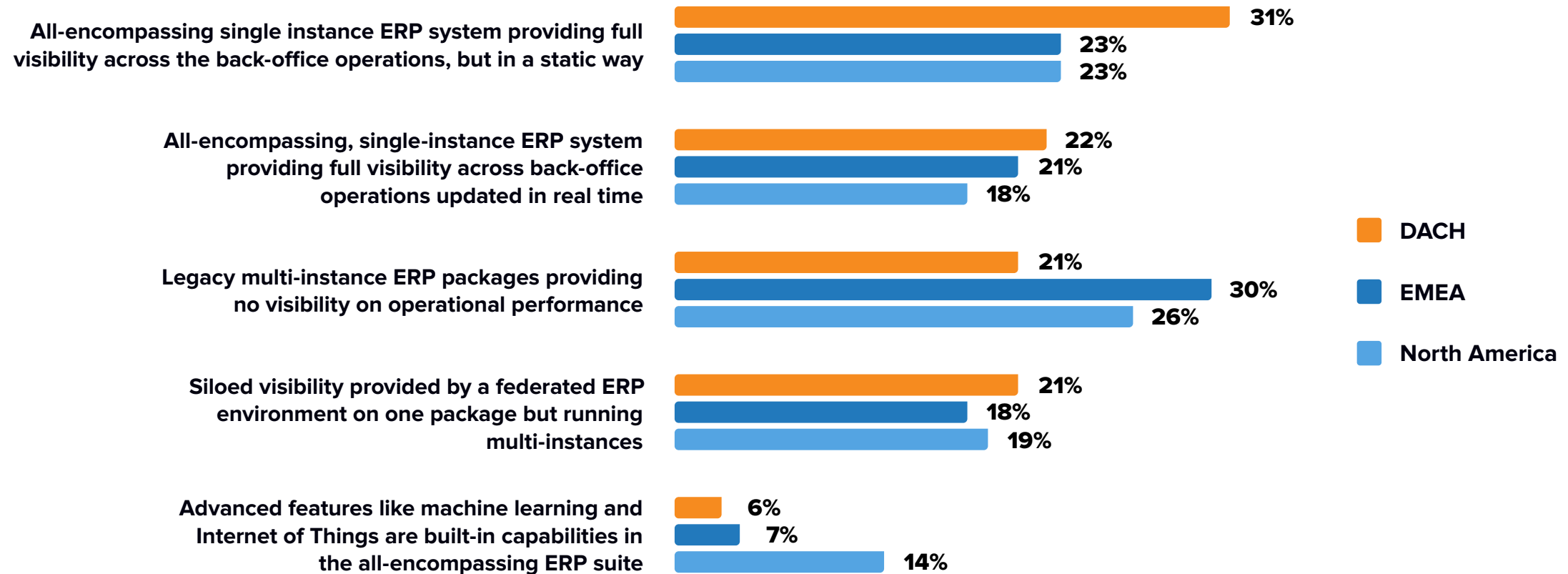
Taking SAP Modernization to the Next Level

To successfully build a modern agile 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 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.

How do DACH Organizations Compare to EMEA and North American Organizations?

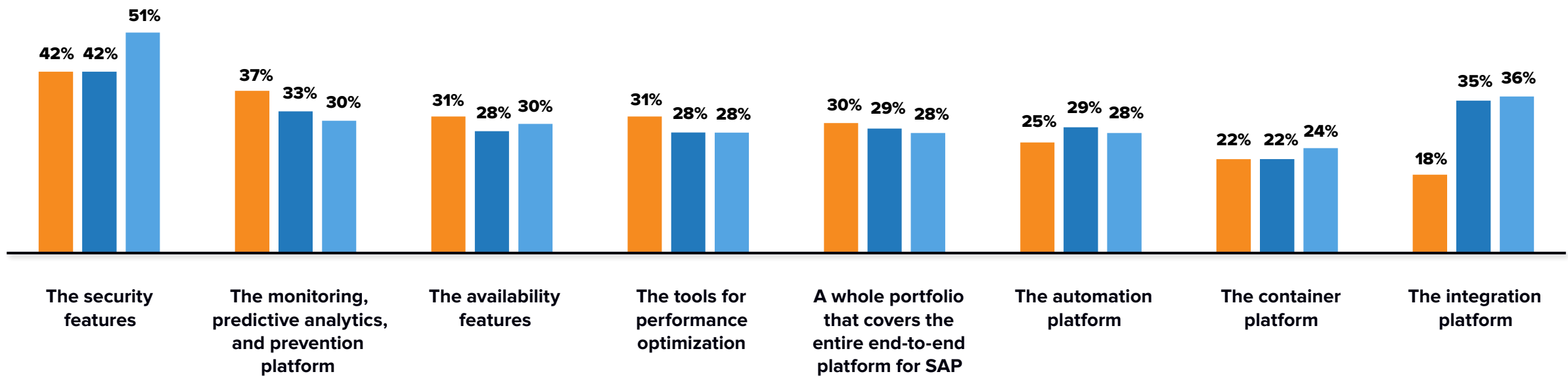
What does your current ERP estate look like?



Source: IDC's SAP Infrastructure Survey, sponsored by Red Hat, 2020; n = 1,212; Germany, Austria, Switzerland n = 151

How do DACH organizations compare to EMEA and North American organizations?

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



Source: IDC's SAP Infrastructure Survey, sponsored by Red Hat, 2020; n = 1,212; Germany, Austria, Switzerland n = 151

About the Analyst



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Matthias Zacher has been with IDC since 2011. In his role as Senior Consulting Manager, he is responsible for client-specific consulting projects and writes market studies.

Mr Zacher focuses on the German and Swiss markets for enterprise business and infrastructure software as well as cloud computing, DevOps, IT security, artificial intelligence and also on the channel and partner business of IT manufacturers. He works on these topics in close exchange with providers, partners and end users of telecommunications technology and services, as well as IDC's global network of analysts.

The proven expert has more than 18 years of experience in the analysis and evaluation of the IT market, including as a Senior Advisor to the Experton Group and IT Services Consultant at the international IT analyst Meta Group. Mr. Zacher has published numerous studies and reports in his career to date, regularly writes articles for the relevant trade press and is a respected and widely quoted expert in the media.

Mr. Zacher holds a Master's degree from the Humboldt University of Berlin in the subjects Information Science and Modern History.

Message from the Sponsor

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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