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SAP implementations in the banking sector

Navigating the complexities of SAP transformation projects

INSIGHT

Banks need
to upgrade to
SAP S/4HANA
for continued
success

Introduction

In today's fast-paced banking environment, a robust SAP implementation can be a game-changer. However, without a proper set-up, these projects are often plagued by common pitfalls such as budget overruns, delayed timelines, and unmet expectations.

This article offers valuable insights into effectively navigating the challenges of SAP S/4HANA implementation projects. We highlight the complexities involved and emphasise the critical importance of a meticulous, well-structured methodology.

Leveraging our expertise and best practices, Implement Consulting Group ensures your SAP implementation not only meets but exceeds your strategic goals. From strategy and planning to seamless execution and optimisation, we guide you through every phase of your project, ensuring a successful transformation for your bank.

Table of content

The need for transformation

Enhancing operational efficiency

Upgrading to SAP S/4HANA streamlines banking operations further by offering an advanced, integrated platform that enhances the existing SAP environment. The system's in-memory computing capabilities and simplified data model significantly boost processing speeds and reduce operational complexities.

Example: Faster processing times for end-of-day financial reconciliations can drastically improve efficiency and reduce operational bottlenecks.

Regulatory compliance

SAP S/4HANA offers enhanced compliance features that are essential in the ever-evolving regulatory landscape. Its real-time analytics and reporting capabilities ensure banks can stay ahead of compliance requirements and mitigate risks more effectively.

Example: Real-time monitoring and automated compliance reporting help banks quickly adapt to new regulations while maintaining accurate, up-to-date records.

Improved customer service

The upgrade to SAP S/4HANA enables banks to leverage cutting-edge technologies such as artificial intelligence and machine learning, providing deeper insights into customer behaviour and preferences. This enables more personalised and efficient customer service.

Example: AI-driven customer support can significantly reduce response times and improve service accuracy, thereby enhancing overall customer satisfaction.

Advanced data management

SAP S/4HANA's advanced data management capabilities centralise and streamline data across all banking functions. This ensures better data accuracy, security, and accessibility – all vital for informed decision-making and strategic planning.

Example: Real-time data analytics can provide actionable insights into market trends and customer needs, helping banks proactively address opportunities and threats.

Future-proofing the bank

Upgrading to SAP S/4HANA ensures your bank is well-equipped to handle future technological advancements and market changes. The platform's scalability and flexibility support continuous innovation and digital transformation efforts.

Example: Seamless integration with emerging technologies such as blockchain and the Internet of Things (IoT) allows banks to remain competitive and innovative in a rapidly evolving industry.

SAP transformations differ from other IT, digital, and technical implementations due to their integrated complexity and the need for commitment across core business functions
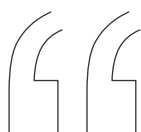
SAP transformations are not just magnified versions of smaller projects they are a completely different species in terms of their:

Level of aspiration

SAP implementations aim for broad transformation across the organisation, driving strategic change and re-engineering core processes.

Unlike other IT projects, which focus on more isolated implementations benefiting a single business function or process, SAP projects seek to overhaul the entire operational landscape.

Complexity

SAP implementations are inherently more complex, as they impact multiple functions such as finance, human resources, compliance, and risk management.

This requires seamless integration, data consistency, regulatory adherence, and careful management of extensive interdependencies.

Timeline

SAP projects in the banking sector often have longer timelines, frequently extending beyond a year.

This is due to the need for extensive planning, configuration, integration, training, and stabilisation phases – unlike other IT projects, which may have shorter durations.

Stakeholder involvement

Successful SAP implementations require active participation from a wide range of stakeholders – from executives to end users, across all banking functions.

This contrasts with other IT projects, which may involve more limited stakeholder engagement.

Project models and methodologies

The fundamental project model for SAP implementation projects – explained

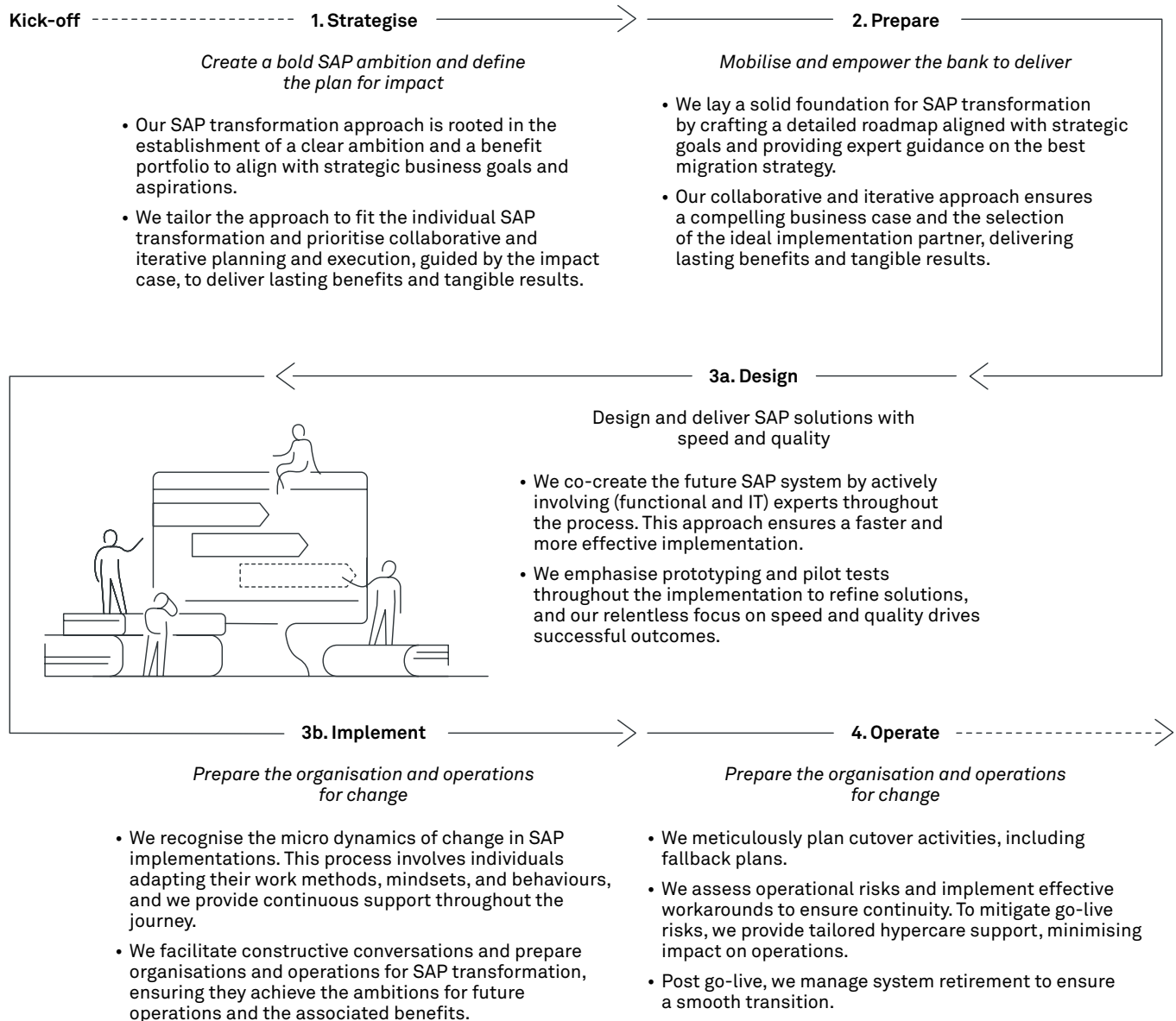To effectively manage SAP transformation projects, it is essential to establish a project model that outlines the various stages and their transitions. This model acts as a governance tool, ensuring continuous justification for the project's progress.

From our experience, all SAP projects follow a fundamental project model that includes four central stages, three key transitions, and a continuous focus on benefit mapping and realisation, as shown below.

With this shared understanding and common language around project stages and transitions, each project can then tailor the project model to its specific needs.

B
Decision
to initiate

C
Decision
to execute

D
Handover
date

1
Strategise

2
Prepare (Phase Zero)

3
Implement

4
Operate

A ──────────────── Benefit mapping and realisation ────────────────▶

1

Define the overall strategy for the SAP implementation, ensuring it aligns with the bank's vision and ambition. This includes assessing current capabilities, setting strategic priorities, and establishing an impact case that supports the bank's long-term goals.

2

Develop a detailed implementation roadmap for the SAP project, including a comprehensive migration strategy. This phase involves meticulous planning, defining key milestones, and selecting potential implementation partners/vendors.

3

Execute the detailed plan and carry out the SAP implementation. This phase involves adhering to the predefined roadmap, managing the integration of SAP systems, and ensuring that all necessary steps are taken to achieve the project's objectives and realise its benefits.

4

Ensure the smooth operation of the SAP system and focus on continuous improvement. This phase involves monitoring the system's performance, addressing any issues that arise, and ensuring that the realised benefits align with the initial expectations.

A

Benefit mapping and realisation is the process of ensuring that the expected benefits of the project are identified, planned for, and ultimately achieved. It involves aligning project activities with strategic objectives to maximise value creation.

B

To decide whether to initiate the SAP implementation or not, the decision should be based on factors such as the initial business case, the feasibility study, and the plan and budget for the preparation phase.

C

To decide whether to execute the SAP implementation or not, the decision should be based on factors such as the updated or final business case, roadmap, and the final negotiated bid from the selected supplier(s).

D

To hand over the SAP project to the operating organisation (run the bank), which will take responsibility for operating and maintaining the system from this date, the deliverables often include operation and maintenance agreements

Our methods help banking clients complete large-scale SAP transformations successfully

Kick-off - **1. Strategise** ⟶ **2. Prepare**

Create a bold SAP ambition and define the plan for impact

- Our SAP transformation approach is rooted in the establishment of a clear ambition and a benefit portfolio to align with strategic business goals and aspirations.
- We tailor the approach to fit the individual SAP transformation and prioritise collaborative and iterative planning and execution, guided by the impact case, to deliver lasting benefits and tangible results.

Mobilise and empower the bank to deliver

- We lay a solid foundation for SAP transformation by crafting a detailed roadmap aligned with strategic goals and providing expert guidance on the best migration strategy.
- Our collaborative and iterative approach ensures a compelling business case and the selection of the ideal implementation partner, delivering lasting benefits and tangible results.

3a. Design

Design and deliver SAP solutions with speed and quality

- We co-create the future SAP system by actively involving (functional and IT) experts throughout the process. This approach ensures a faster and more effective implementation.
- We emphasise prototyping and pilot tests throughout the implementation to refine solutions, and our relentless focus on speed and quality drives successful outcomes.

3b. Implement ⟶ **4. Operate** - - - - - - - - - - - - - - - - - ⟶

Prepare the organisation and operations for change

- We recognise the micro dynamics of change in SAP implementations. This process involves individuals adapting their work methods, mindsets, and behaviours, and we provide continuous support throughout the journey.
- We facilitate constructive conversations and prepare organisations and operations for SAP transformation, ensuring they achieve the ambitions for future operations and the associated benefits.

Prepare the organisation and operations for change

- We meticulously plan cutover activities, including fallback plans.
- We assess operational risks and implement effective workarounds to ensure continuity. To mitigate go-live risks, we provide tailored hypercare support, minimising impact on operations.
- Post go-live, we manage system retirement to ensure a smooth transition.
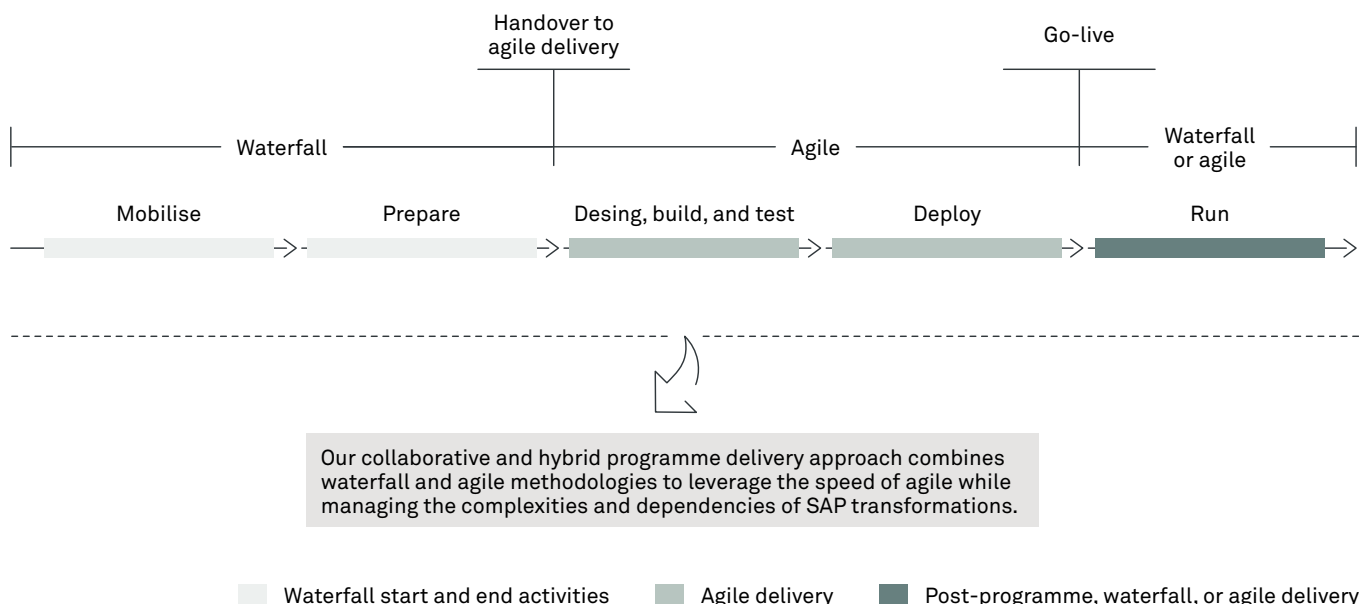
Implement proposes a collaborative and hybrid project methodology, combining waterfall and agile, to ensure continuous progress and end-to-end testing

Typically, SAP transformations start by assessing the gap between existing business processes and standard functionalities/out-of-the-box processes from SAP. We find that 20% of business processes consume 80% of the implementation effort due to their misalignment with standard features. Therefore, the primary focus of an SAP transformation should be to prioritise these complex processes and develop a Minimum Viable Product (MVP) for the initial go-live, followed by iterative improvements in subsequent deliveries.

Despite prioritising these efforts, an MVP for an SAP project generally remains substantial, intricate, and time-consuming. Thus, it is crucial to explore additional methods to reduce complexity and accelerate time to market. Research indicates that the success of a project is more influenced by the duration between releases or go-lives rather than the project's overall size. Longer projects result in delayed impact and greater threat to success.

To enable an effective SAP delivery, **we recommend adopting a hybrid delivery approach**. This approach combines the structured, phase-based methodology of traditional waterfall models with the iterative design-build-test cycles of agile methodologies, leveraging the strengths of both to manage complexity and enhance project outcomes.

Our collaborative and hybrid programme delivery approach combines waterfall and agile methodologies to leverage the speed of agile while managing the complexities and dependencies of SAP transformations.

- Waterfall start and end activities
- Agile delivery
- Post-programme, waterfall, or agile delivery

Pitfalls and challenges

Three key areas where *common pitfalls* occur in SAP transformation projects

1. Rushing the start

2. Aiming at an unfit target

3. Underinvesting in project organisation

Rushing the start

When the funding is in place, perhaps a programme organisation has been set up, contracts with both a vendor and a system integrator are signed, it is tempting to just get going and start developing the future solution. But rushing the start often leads to three common pitfalls:

1
Lacking definition of what needs to be true for success. Beginning a project without clearly defined success criteria almost inevitably leads it off track over time. Once that happens, it becomes increasingly difficult to steer the project back on course. That is why these defined "needs" serve as essential guardrails for the programme, helping it stay aligned despite inevitable disruptions.

2
Underestimating the full effort, leading to unrealistic expectations of both timeline and cost. Typical issues include a lack of references and benchmarks from similar endeavours, incorrect assumptions, underestimating complexity, and insufficient contingency. An overly optimistic mix of internal vs external or onshore vs offshore resources can also pose challenges. A realistic outset helps guide the right decisions along the way.

3
Starting without management commitment and alignment. In all SAP projects, resistance will occur, especially if the new solution changes established ways of working in a restrictive or cumbersome manner. Management can help by visualising the greater vision and purpose, placing changes within the context of a broader business shift. Additionally, decisions may be required, such as whether to adopt SAP's standard functionality or adapt SAP to support existing processes. Without upfront alignment between executive and functional managers on business direction, there is a risk that the future solution will cater to the silo of one business area. When cross-business processes are implemented, this misalignment may require a redesign.
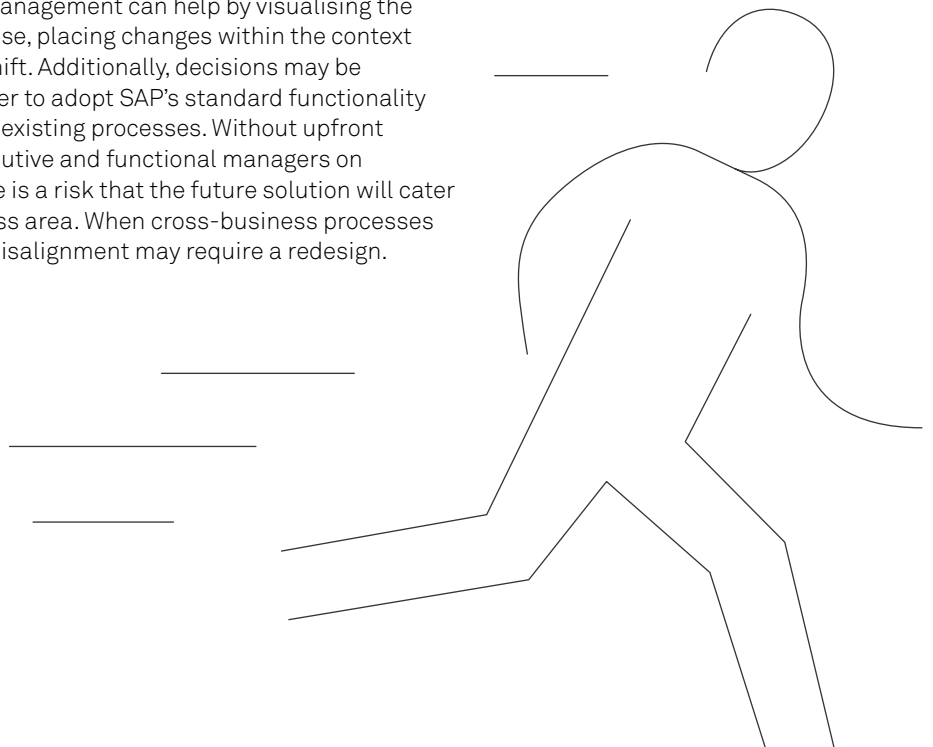
Aiming at an unfit target

The target will be the North Star in daily project work, making it crucial that it
is well thought through and suitable for guiding the project. It must be realistic,
considering the starting point, the maturity of the organisation, technology,
and the programme. It needs to be a natural step on the journey ahead. Three
common pitfalls of having an unfit target are:

1

Under the radar. When current operations are prioritised and the
changes brought by the new SAP system seem annoying, it can be
a tempting target to adapt the new system to the existing ways
of working and processes. But even if a business process feels
smooth in daily work, it is often shaped by restrictions and a lack
of options in the supporting technology. Attempting to force the
new technology to support these outdated processes can lead to
poor outcomes or require customisations that complicate future
upgrades. This equation helps to remember this: OO+NT=EOO[1].

2

On the other hand, an overly ambitious target for harmonising and
integrating[2] across business units, regions, acquisitions etc. can
drastically extend the project's timeline and cost. If the current
level of integration and harmonisation in the current business is
low, the complexity of this journey can easily be underestimated.
In many cases, even minor business design discussions can drag
on, requiring multiple workshops instead of quick decisions. This
can result in overall fatigue over time, ultimately causing the
project to fail.

Additionally, aiming for too much unexplored territory, excessive
complexity, or overly large-scale changes often stems from
sponsors' high performance-aspirations. These ambitious
goals may be unrealistic, whereas more modest aims could
have a far greater chance of success.

3

If the target is to get to an end-solution as quickly as
possible – even as an MVP[3] – there is a risk of it not being
fit for how the business works or wants to work. The
end-solution, even in the format of an MVP, needs to be fit
into the big picture, so this understanding needs to be part
of the starting point.
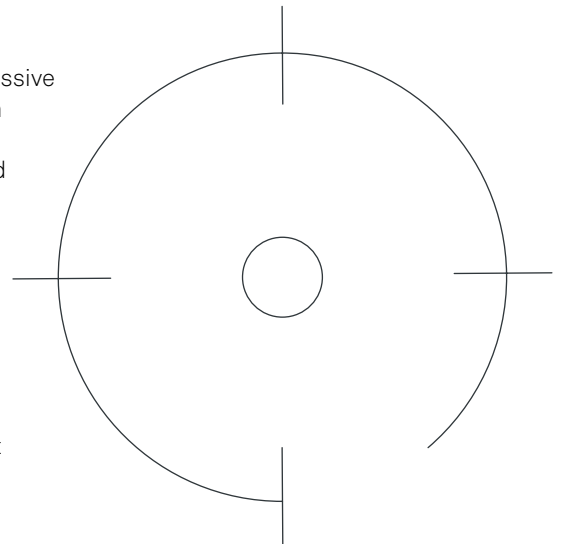
[1] Old Organisation + New Technology equals Expensive Old Organisation
[2] Often referred to as the Ross diagramme
[3] MVP: Minimum Viable Product – a term often used in agile development

Underinvesting in project organisation

The project organisation oversees business and functional expertise, system integrator deliveries, IT infrastructure, operations, and security services. It also connects with business management to ensure timely decisions and involves various internal and external parties. Common pitfalls are:

1
There is a ramp-up of the newly established project organisation and a mobilisation phase through forming, storming, norming, and performing. But if certain competency gaps (e.g., within technology, business, architecture, or management) continue to exist, it can be expensive, cause delays, and require rework.

2
The same applies if, for example, the framework or ways of working (such as risk/issue management, status reporting, estimate to complete), or the structure with silos in the project organisation, are unfit.

3
There are numerous and widespread stakeholders in SAP transformations. Managing executional difficulties is challenging and time-consuming; therefore, keeping stakeholders informed can be down-prioritised or simply forgotten. Consequently, important input and options for re-prioritising may be missed, and parallel efforts that later require complicated re-alignment might be initiated due to impatience with the SAP project. This applies to internal stakeholders and perhaps even more so to external ones, such as customers and vendors.

4
Contracts with external partners for SAP transformations are large for the organisation. It is therefore tempting to manage fixed deliveries in a customer-supplier type relationship. As a lot of complexity comes with SAP transformations, this can create unwanted tension and disagreements that both cause delays and cost overruns; therefore, a partnering-type relationship is most often more efficient.
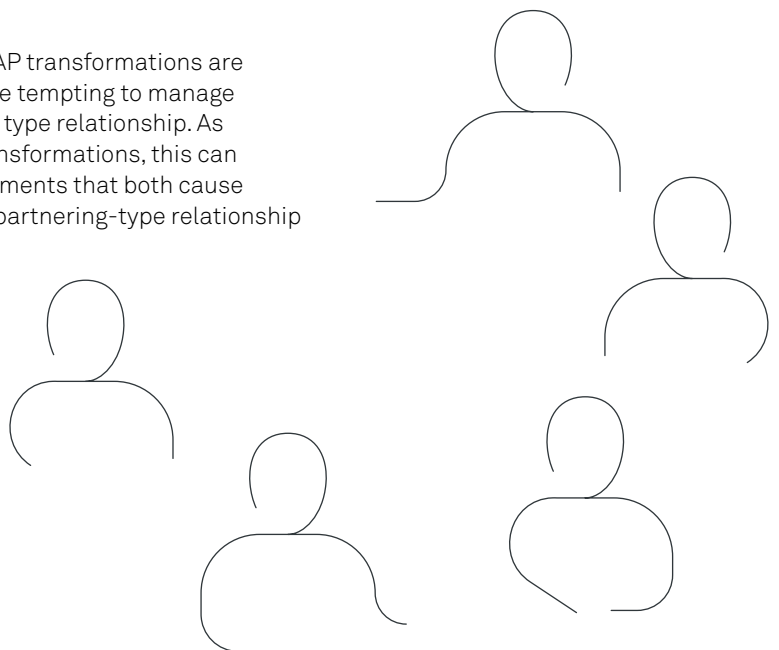
Strategies for success

Strategies to overcome the challenges of SAP transformations

Managing SAP transformations goes beyond traditional project management and requires a more comprehensive approach.

This approach is essential for effectively handling the increasing complexity, multifaceted challenges and scale of SAP transformations, ultimately ensuring their successful delivery.

Drawing from our experience at Implement, we find that four primary challenges in SAP transformations must be addressed clearly and consistently prioritised and managed.

1. Realise your benefits and business objectives

We must ensure that SAP transformations deliver benefits that align with the organisation's strategic goals. We must also identify, track, and realise tangible benefits and measurable business objectives during and after the project's duration.

2. Setup your governance framework and manage your project

We must establish a solid governance framework to support robust decision-making and accountability. We must also implement efficient project management and control mechanisms to manage SAP transformation projects effectively and efficiently.

3. Design your solutions to be resilient and ensure quality

We must design robust, adaptable, and resilient technical solutions to address changing circumstances and set precise requirements to ensure high-quality project outcomes. Through continuous monitoring and rigorous testing, we must maintain high-quality standards to meet necessary specifications and achieve technical and functional objectives.

4. Optimise your processes, not just upgrade your system

We must seize this opportunity not only to upgrade to a new system but also to redesign and optimise outdated business processes. This includes harmonising and standardising processes and data to ensure greater efficiency and consistency across the bank.

Why SAP transformations in banking are so complex

SAP transformations in the banking sector are inherently complex due to the integrated nature of banking operations, which span multiple functions and processes.

These transformations require a comprehensive overhaul of existing systems to integrate seamlessly with various banking functions such as financial management, risk management, compliance, and customer relationship management.

The need for meticulous coordination across different departments and alignment with regulatory requirements further adds to the complexity. Additionally, banks handle vast amounts of sensitive data, necessitating stringent data governance and security measures throughout the transformation process.

This intricate web of interdependencies and the high stakes involved make SAP transformations in banking a formidable challenge.

How to master the complexity of SAP transformations

Mastering the complexity of SAP transformations in banking involves a strategic approach that encompasses leadership alignment, stakeholder engagement, and meticulous planning.

It starts with securing strong executive sponsorship and establishing a clear vision that aligns with the bank's strategic objectives. Engaging stakeholders early and continuously throughout the transformation process is crucial for managing expectations and fostering buy-in.

A phased deployment approach, supported by a detailed implementation roadmap, helps manage risks and allows for iterative improvements.

Ensuring robust data governance practices and a comprehensive data migration strategy are essential to maintain data integrity and security.

Additionally, harmonising and standardising business processes across the organisation enhances efficiency and reduces complexity.
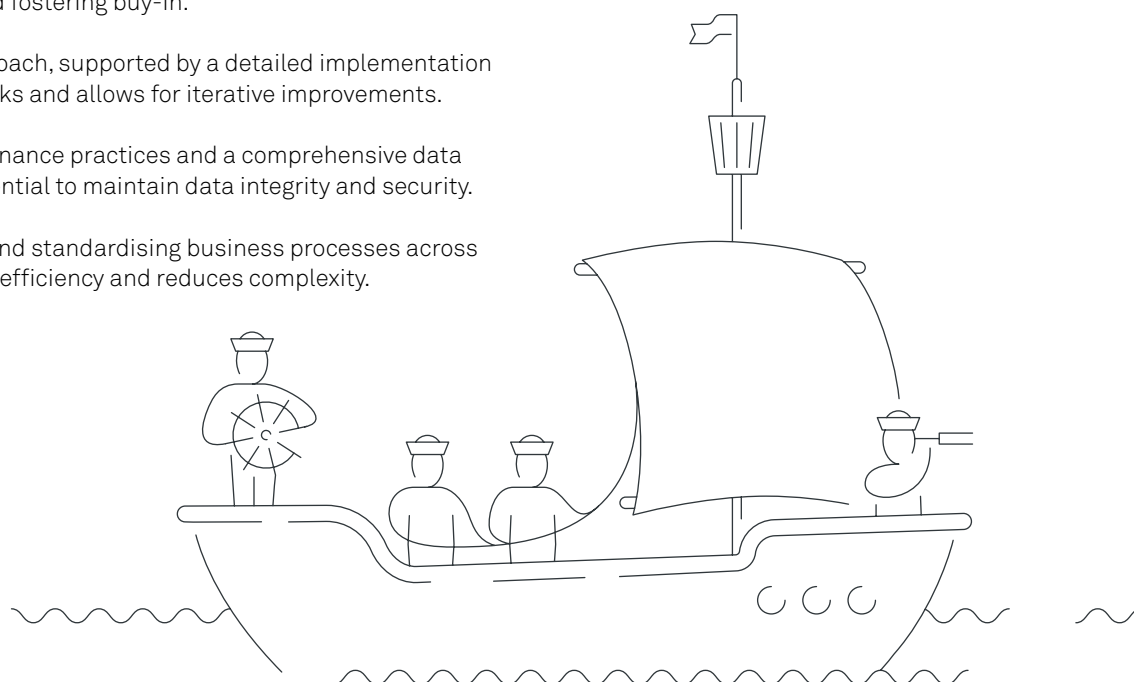
Our services and case studies

A top-tier international transformation consultancy

Born in Denmark, with offices in Copenhagen, Aarhus, Stockholm, Malmö, Gothenburg, Oslo, Zurich, Munich, Hamburg, Düsseldorf, and Raleigh, NC. With 1,800+ employees, multinational clients, and worldwide projects, we offer expertise with a global perspective.

We believe that great organisational impact leads to great impact for humanity. Implement was created to help turn true expertise into real change.
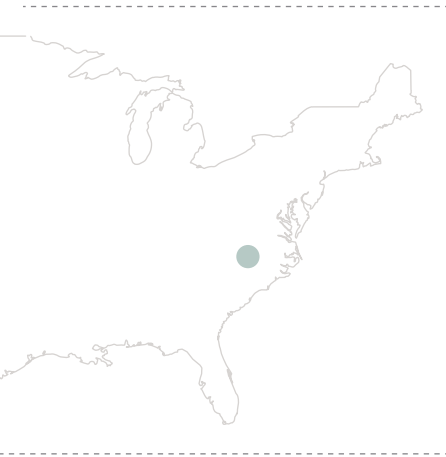
Founded in **1996**

Average CAGR of **20%**

Employee-owned, employees: +1,800

Working **globally**

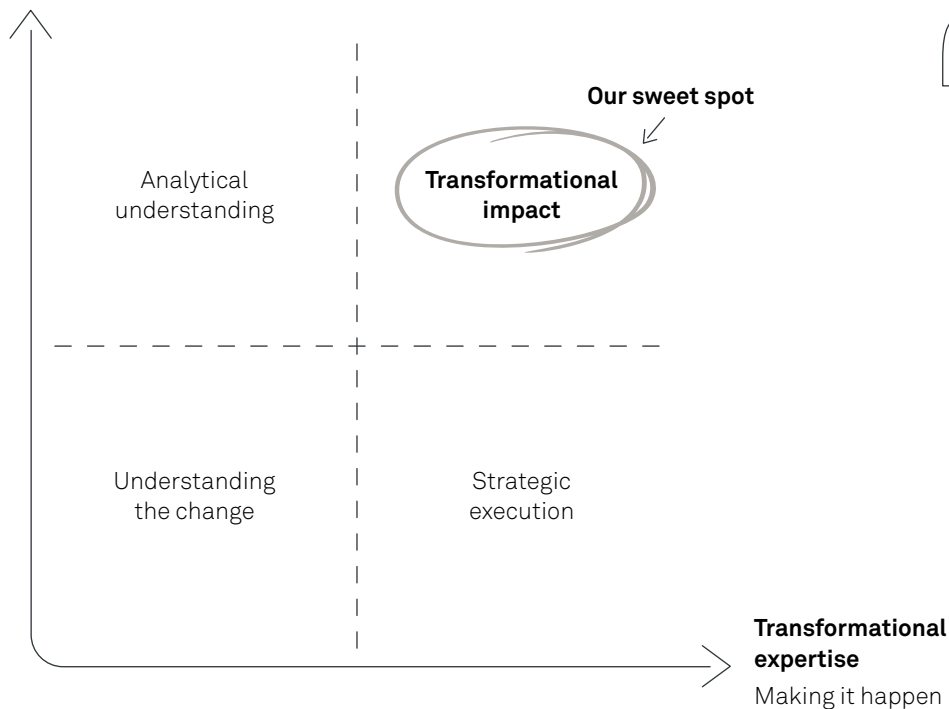## We are dedicated to collaborative consulting

Our ambition has implications. It is not enough to point to a solution
and deliver a strategy and a plan for how to get there.

In every encounter, we try to engage in a way that leverages the wisdom
of the crowd and makes the organisation own the change for real.

We do so by interacting in a way that engages the hearts and minds
and makes the change-makers shine and grow in the process – to co-create
sustainable impact fast.

**Subject matter
expertise**

Solving the problem

Analytical
understanding

Our sweet spot

**Transformational
impact**

Understanding
the change

Strategic
execution

**Transformational
expertise**

Making it happen

We are on an
important mission
to turn plans and
ambitions into
reality – to move
something forward,
to improve,
and create change
with impact.

An overview of our SAP transformation advisory services

We help clients succeed with their SAP transformation as a client-side advisor, assisting banks in making the right decisions and performing the various roles throughout the entire SAP transformation lifecycle.

Strategy: We develop an SAP strategy that aligns with the business strategy, evaluating options such as best of breed vs. suite, cloud vs. on-premise, and global vs. local systems. We also create a comprehensive roadmap for implementation, upgrades, maintenance, and sunsetting of SAP systems and applications.

Project definition: We define the business and IT benefits of a new SAP system and outline the process, technical, and organisational scope of the project. Additionally, we prepare a high-level plan, budget estimate, and project charter to guide decision-making.

Sourcing and mobilisation: We identify potential implementation partners by creating long and short lists based on selection criteria and demo cases. We develop contracts for implementation, operations, support, and maintenance, and manage the selection process from the initial listing to contract award.

Client-side implementation support: We offer independent SAP advisory services throughout the project lifecycle, providing programme and project management, PMO, SME, and workstream leads. We support change, vendor, test, and training management, design the business transformation, define future business processes, and manage change, training, and benefit realisation.

Our transformation advisory services
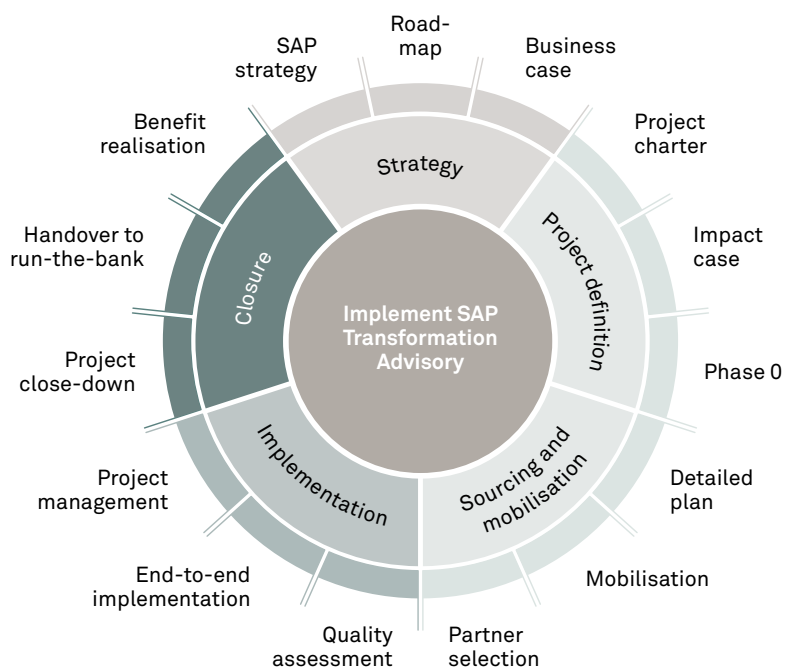
Case studies

SAP Phase 0: Banking

Provided advisory services to the CFO and CIO for an upcoming S/4HANA transformation project. Assessed existing processes and systems, developed a comprehensive project plan, and facilitated communication between IT and business teams.

SAP transformation review: Banking

Conducted a quality review of an ongoing SAP S/4HANA transformation project. Assessed progress, identified concerns, and provided recommendations to mitigate risks and enhance outcomes.

SAP transformation strategy: Insurance

Designed the system strategy and target landscape, creating a comprehensive transformation roadmap. Defined project scope, identified key improvement areas, and developed detailed plans and timelines.

SAP strategy: Private equity

Designed a modern finance landscape for an S/4HANA transformation project. Provided a clear digital transformation roadmap by analysing existing finance processes and systems, identifying optimisation opportunities, and facilitating collaboration between IT and business teams.

S/4 HANA transformation: Insurance

Transformed the finance landscape, implementing new IFRS 9/17 regulatory requirements. Standardised the finance target landscape and developed a cloud-based data harmonisation layer.
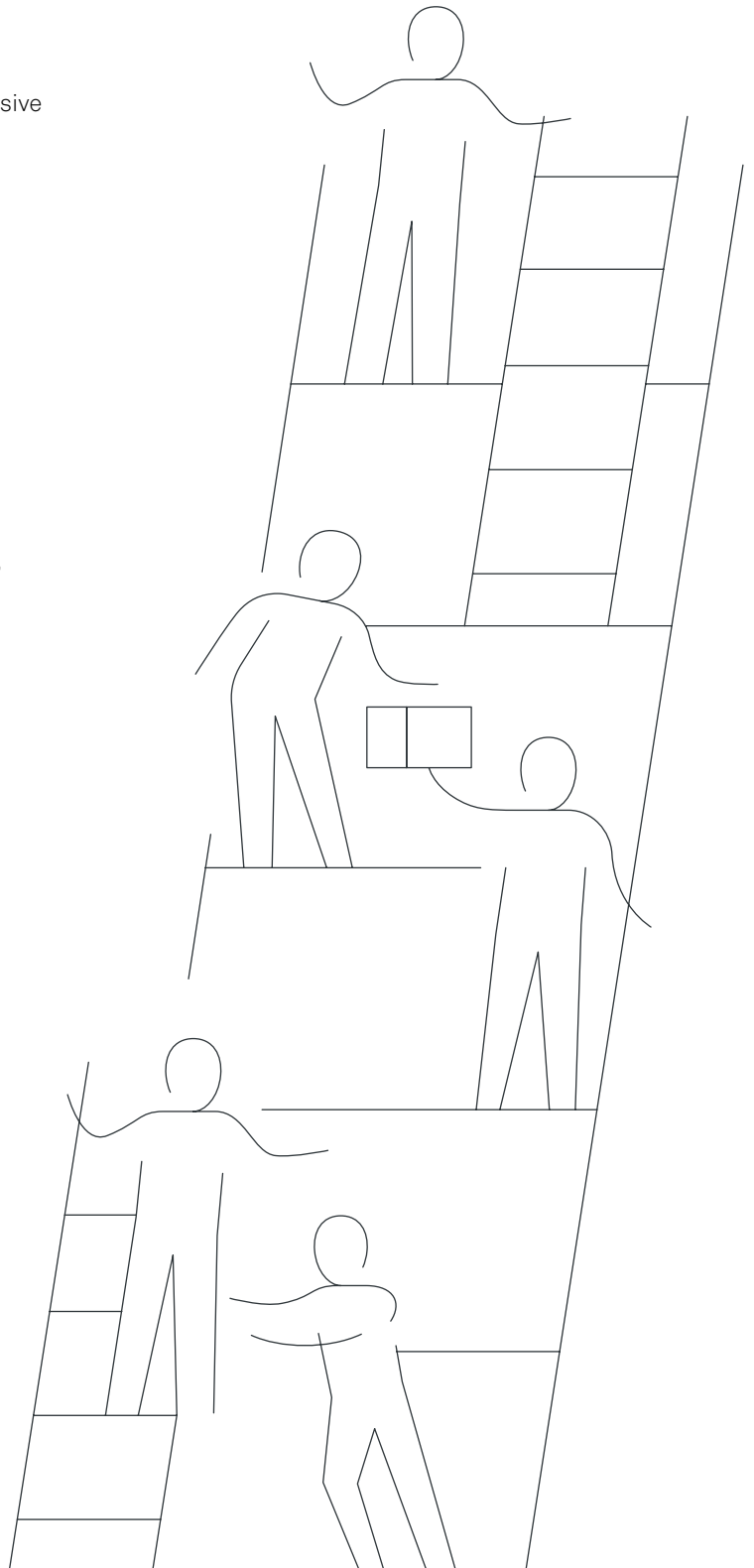
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