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A people view:

Three steps Senior Executives should take to unleash the value of their SAP transformation

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Meet the authors

John Erik Eikland
Senior Manager
Human Capital,
Japan/Denmark

joeikland@tohmatsu.co.jp
LinkedIn

Tom Verstraete
Director – Specialist Leader
Human Capital,
Belgium

toverstraete@deloitte.com
LinkedIn

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Introduction

Moving the needle from technology implementation to a business transformation through strategic change management levers by executives.

Digital transformation has become the buzzword of the decade and is often used in conjunction with large-scale SAP transformation. It is a term used widely but seldom understood to its fullest extent. Rest assured; we will not seek to set the definition straight, but rather to illuminate a side of this word that is often underinvested – **the people side; when left out of your digital transformation, even while your digital strategy and tech investments are aligned, you risk as much as 9% erosion of enterprise value**. [1]

Those who have experienced a full-scale ERP transformation can attest to the complexity and business span of such a digital transformation. It is not something one does on the side and requires full executive attention. A study by Deloitte looks at what top-performing companies are doing differently from the rest to increase their return on investment more broadly in digital transformations. It found that "the link between strategy and action is the determining factor in a company's ability to derive the most value from its digital transformation" [2]. The most positive combination is what Deloitte calls the **digital trifecta**: "the presence of an articulated digital strategy, where specific technology investments are aligned and set, and the organization is mobilized and ready to manage the change." [3].

In this article, we look at digital transformations in the context of SAP transformations and zoom in on the role of the executives and how they can mobilize and lead on a strategic change level. The [Deloitte 2023 Global Human Capital Trends [4]](#) survey results underpin that **transformational leadership skills are more important than ever, yet increasingly difficult to find.** Ninety-four percent of the survey respondents believe that leadership capabilities and effectiveness are important or very important to their organization's success, but only 23% believe their organization's leaders currently have the capabilities necessary to manage in a disrupted, boundaryless world.

The boldest SAP implementation, which we define as "Tech-enabled business transformations" aim to go beyond the technology itself and aims to accelerate the realization of the organization's strategy. They are often related to changes in either the business model (new products, services, or markets) or the operating and enterprise model (simplifying IT landscape, streamlining Master Data setup, harmonizing processes, etc.,). Nevertheless, we see that **SAP implementations, coined as business transformations, often leave value on the table** by expecting business transformation value magically happening by implementing a new core SAP with some updated and automated processes. **The "business transformation" is not solved by the "change, communication and training" workstream,** which often comes in later in the project, but is solved amongst the senior executives who have invested millions in the technology.

3

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The role of the executive in the spotlight – as individuals, team members and leaders

Fortunately, there are several examples of organizations that went through successful SAP implementations that delivered business value far beyond the technology itself.

It often starts with A business-led approach to maximise value of digital transformations, and after observing these types of SAP transformations all over the world we have a deliberate view of the role of the executives; How they could approach the investments, as an aligned leadership team and as empowered individuals, to unleash the people potential. All with the intention to move the needle from technology implementation to a real business transformation.

Although we do not prescribe to solve all leadership challenges in SAP transformations, **our experience shows that three crucial steps need to be delivered with precision and clarity to re-think leadership involvement in SAP transformations and obtain a 'triple A'-result:**

Three steps to unleash the value of SAP transformations:

1, Defining the ambition:
Humanizing the business case

2. Fostering alignment:
Intense leadership alignment of the C-suite team

3. Creating Leadership ability:
Flexing between "Transformational Leadership" and "Line Leadership"

*"[...] after observing these types of SAP transformation all over the world, we have a deliberate view of the role of the executives; How leaders can approach the investments as an **aligned leadership team and as empowered individuals, to unleash the people potential**."*

Humanizing the business case – it's the people who enable the technology

In the past, the business case for SAP transformations was often owned by IT and the CIO/CTO. And for good reasons.

The organizational impact of simplifying the IT landscape, reducing license costs, and having future-proof systems are for many organizations a giant leap from their legacy and often form the core pillars in any IT strategy. Nevertheless, IT and business are inextricably linked, and the CIO/CTO is required to involve with other C-suite executives as core operational processes will be re-wired by a SAP solution. The cross-domain impact causes a need to humanize the SAP business case to find the common change ambition.

The CFO, Head of Supply Chain or Head of Procurement all need to buy into cross functional changes. These often include standardized functional processes and significant process changes for the workforce across the organisation to increase operational excellence, data quality and visibility. Tech-enabled investments, exemplified through SAP projects, are often referred to as business transformations as it touches the entire organization, from Finance and Procurement to Supply Chain and Sales.

The HR processes, however, are often out of scope or dealt with separately. On average, the HR department is mainly involved quite late in the transformation for resource or backfill management, communication and/or training. This might be OK if the ambition is solely to replace one SAP system with another, but this is rarely the case.

By marginalising HR's role, one strategically differentiating factor of a business transformation business case is overlooked: the people ambition. How the SAP implementation can be the facilitator and enabler for how the workforce needs to be re-organized, what skills are needed and how to get work done across functions in the "post transformation state" to "Make work better for humans and humans better at work©". Only by understanding the decisions and tradeoffs through setting a clear direction on this topic, you can realize the full potential of the tech-enabled business transformation. It is critical that the entire C-suite actively determines the human factor in SAP the business case, collectively and for their own area.

Although it sounds like a natural extension of the business case to include the human factors, it is not a walk in the park. As mentioned in the [Deloitte 2023 Global Human Capital Trends](#) survey, more than 90% of surveyed business leaders believe that using technology to improve work outcomes and team performance is important or very important to their organization's success. Yet only 22% believe their organizations are very ready to use technology to improve work outcomes and team performance. The human questions are not easy questions to answer upfront, but by having the ambitions already embedded in the business case, you ensure the right guiding direction for both leadership discussions and program members to focus effort on the SAP transformational goal.

*"It is critical that the entire **C-suite actively determines the human factor in the SAP business case**, collectively and for their own area."*

Our experience shows that there are certain questions that - as a minimum - should be answered in the business case to **"humanize the business case":**

- What is the ambition for how the SAP technology/technologies will impact **processes, policies, and roles & responsibilities?**

- What are the **future talent capabilities** expected from the workforce as a consequence of the process changes and automation the SAP transformation is expected to deliver across Finance, Supply Chain, Manufacturing, Sales etc.?

- What is the **organizational design** needed to allow technology and subsequent process changes to realize the overall transformation ambition and "Make work better for humans and humans better at work ©"? Will they be implemented before, during or after the new technology?

- How will our **workforce** look like in the post-transformation state? Where do we need to hire, retain, contract, develop or reduce due to core capability changes?

- Does our **culture** support the ambitions of the transformation? How should leadership behaviors change and **performance management** frameworks be updated to realize our goals?

*"[...] by having the ambitions already embedded in the business case, you **ensure the right guiding direction for both leadership discussions and program members** to focus effort on the SAP transformational goal."*

2. Fostering alignment:
Intense leadership alignment
of the C-suite team

Intense leadership alignment of the C-suite team – going beyond the buzzwords

Initiating SAP transformations should be resource intensive for leadership.

We hope that the days when the project sponsor presents for the first 15 minutes of the project kick-off and then leaves, is something of the past in all organizations. When conducting 1:1 interviews with executive leadership teams at the initiation of large-scale SAP transformations, we often experience that project sponsors and executives have differing perspectives on the transformation's ambitions, let alone on the people elements.

This observation goes across industries. Oftentimes, we see that the definitions of key words and terms (like the word "Transformation") are understood in very different ways. This naturally makes it difficult to communicate to the project team (not to mention the broader organization) what the goal of the SAP system will be for each function and the organization.

In the 2018 Human Capital trends, we introduced the notion of the "Symphonic C-suite" that **"Sings from the same song sheet".** Ensuring that the C-suite speaks the same language and hits the same notes is critical to work together as a leadership team during a SAP transformation. For this, brutal honesty is often needed.

A High impact Session (HiS) is a Deloitte concept to foster this alignment and consequently create buy-in from your executive leadership team. With 200+ sessions on the record, Deloitte specializes in HiS that are specifically designed to support senior executives make the best possible human decisions and address the underlying misalignments around SAP, identified through interviews.

Whether or not your C-suite consists of seasoned executives or new profiles, **a structured plan with an aligned group of leaders is critical to success in a multi-year SAP transformation**. During a HiS, we encourage brutal honesty and leverage the mantra *"If you are not going to tell your honest opinion now, when are you?"*.

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Why a High impact Session works

Imagine this example: A company with multiple plants in different countries is about to embark on a large, full-scope SAP transformation.

Talking to the executive sponsors of the project, the ambition is clear: using the SAP standard processes to the fullest will help the company to realize its strategic goals and future ambitions (e.g. operational excellence, be ready for future acquisitions, etc.). Still, interviews with the other members of the executive team reveals that there are different views on level of standardization, the approach, the timing and some pre-requisites (e.g. enterprise model).

A classical approach here would be to have a lot of bilateral meetings with key people and a couple of Steerco meetings to try to decide. On top of this approach being very time consuming and slowing down the transformation initiation, the risk of having parallel conversations is that leaders will not push the "all-in" button. In the best case, they have a neutral, wait-and-see mindset but in the worst case they are opposed and are pushing back the transformation already before it even starts.

This is where a High impact Session comes in. **We bring together both project and business leaders in a compelling environment for a very interactive full day session**. After making sure all participants have the same understanding of what it is all about (e.g., demystifying some of the buzz words, upskilling of the leadership on SAP Business transformations), the focus is on co-creation.

Participants co-create the ambition of the program and make it tangible (e.g., do we need 1 single Order-to-Cash process for the entire organization or where do we allow localization?). Furthermore, they align on potential challenges to realize the ambition, they co-create responses to these challenges and agree on the timeline to execute them. As a closing they practice their storytelling to ensure they sing from the same song sheet.

Our experience is that this approach works because we put the people factor first. In line with Daniel Kahneman's 'Thinking Fast and Slow', we translate complex transformation challenges into thinking frameworks using psychology and design thinking. **The session is intense, disruptive, confrontational, time boxed and tailored to the specific needs, challenges, and context of the transformation program.**

To ensure alignment over the duration of the transformation, we recommend having at least one HiS during each phase of the transformation, to look back on the lessons learned from the previous phase and to align on how to proceed with the next one (think of it as a brutally honest strategic level "retrospective" and priority re-confirmation for the executive leadership). This will make sure that the leadership team continues the symphony of "singing from the same song sheet" as internal and external factors can rock the boat.

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*"**Ensuring that the C-suite speaks the same language and hits the same notes is critical** to work together as a leadership team during the entire journey of a SAP transformation."*
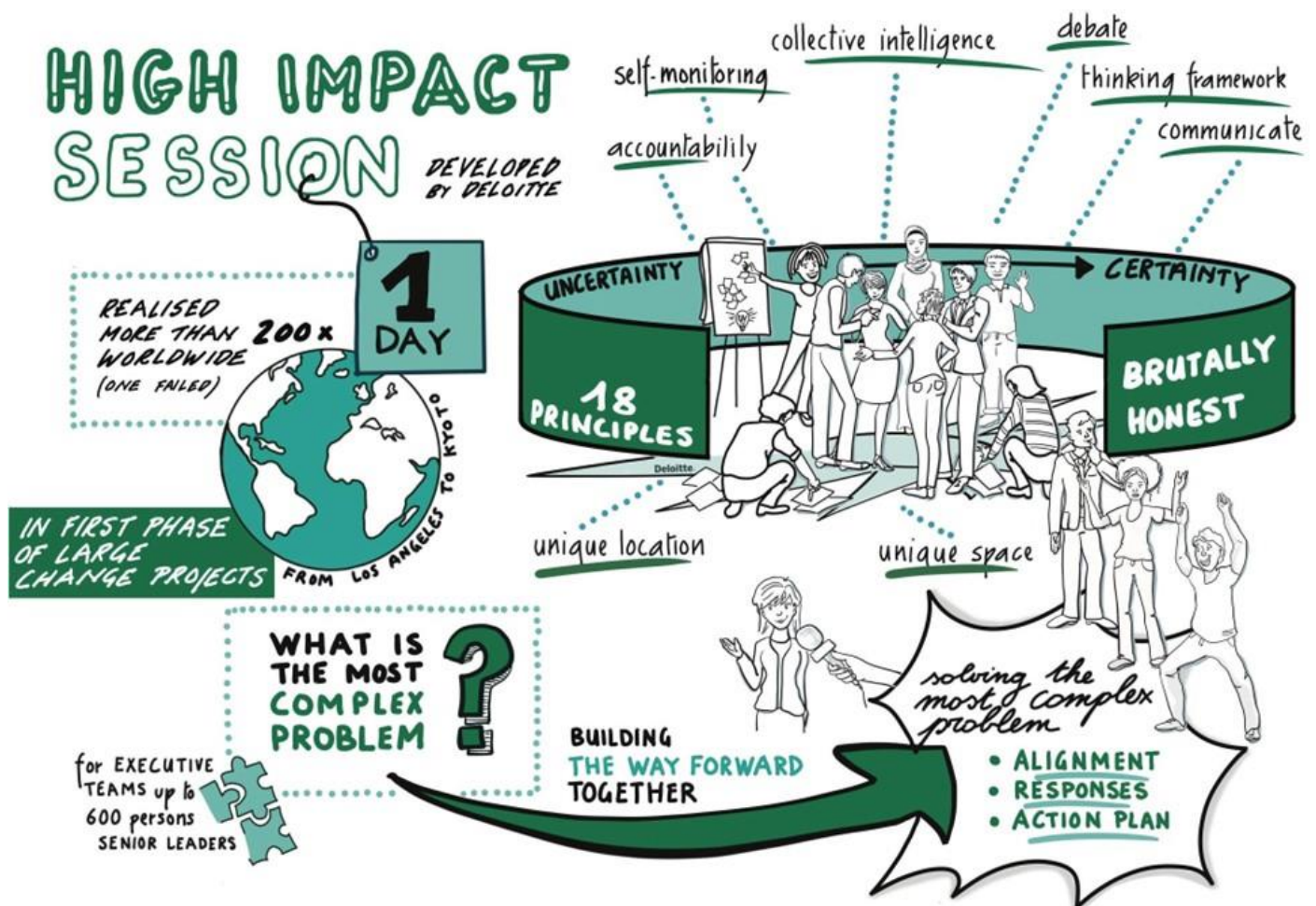
*"The session is **intense, disruptive, confrontational, time boxed and tailored to the specific needs, challenges, and context** of the transformation program."*

Flexing between "Transformational leadership" and "Line leadership" – invest more time than you think

As an executive team, being aligned on a humanized business case is unfortunately not enough.

Committing meaningful executive time is a critical success factor for complex SAP transformations. The Deloitte 2022 Chief Transformation Officer study states that "on average, executives who successfully realized their transformation ambition spent 18% of their time guiding and shaping the program". [1]

A lot has been written about what it means to be a good leader – and even leading transformations- and we will not contest that here. Nevertheless, we see that the combination of leading a corporate unit and a SAP transformation in parallel causes conundrums that are approached in very different ways. Where to focus and what to prioritize when the domain leadership of Finance, Sales, Supply Chain etc. by itself requires a full agenda, accountability of KPI's and leading leaders? Taking on the additional responsibility of leading a SAP transformation with both complex functional and cross-functional decisions to be made and implications to be understood, next to the 'day job' requires a specific set of capabilities which cannot be bought externally.

One of the key challenges for leadership in these situations is finding the balance between ensuring you have a good view as a leader on the solution that is being built versus empowering people.

As a leader, it is often a struggle between: 'the team is building our company of the future, so I need to have a detailed view on what the new Order-to-Cash process is about' versus 'I have my business as usual to run together with multiple equally important strategic programs in parallel, so I must trust my people in their decisions'. Using an agile way of working in many of these programs increase the spread for leaders. They need time to be able to decide while the program is pushing for quick decisions.

In Deloitte's transformational leadership assessments, we assess leaders on various key competencies – from "building strategic relations" to "creating mental clarity" and "inspiring change ready teams" - identified through empirical organisational psychology research and years of observation of large-scale business transformations. Many of these competencies are also needed from their direct reports who will be 'leading leaders', so the Sponsor should additionally focus on the development of their entire leadership team who will have significant resources directly allocated to the transformation.

Bring the leadership conversations as close and involving as possible

Leadership conversations should build trust and improve decision making.

Often, the desired capabilities are fostered through external sessions, and organizations opt for a traditional approach with off-site learning seminars and standard coaching sessions on 'agile decision taking' or 'team empowerment'. This change of scenery has its benefits as it can provide a unique perspective and foster their network. Nevertheless, **learning research suggests we learn best in the context of our real work setting.**

As an alternative to, or addition to, external coaching, we have implemented the [Bring Your Own Challenge](#) (BYOC) approach at several organizations with senior executives leading a business transformation. **The BYOC approach enables leaders and their respective teams to harness a continuous learning environment and culture, rooted in addressing real problems and achieving sustainable change.**

It can be done with an external facilitator or run by the senior executives themselves, paired up against each other. Example challenges could range from how to centralize/de-centralize the new Master data steward setup required, to when to re-design Procurement teams as a consequence of new process handoffs and automation.

Together with an individual development plan, the BYOC approach ultimately enables leaders to collectively address individual challenges and conundrums and helps leaders in how to prioritize in the context of the duality of their role as corporate unit leaders and SAP transformational leaders.

Combined, a transformation leadership assessment, a development plan and the Bring Your Own Challenge approach becomes a powerful tool for senior executives and their teams.

Actively sharing their development areas with their peers and reports together with sharing real-life, in-the-moment transformation and leadership challenges has several benefits. First, you build trust across your leadership team as they must be open and honest (and vulnerable) to each other in a way that is rarely shared at that level. Second, you get input to your challenge from a different angle than your own but still within the same organizational context. In some cases, this requires "match making" of the right profiles to share their challenges, but we believe that all executives can provide valuable input to each other's challenges.

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Get people elements right from the start

Leading SAP transformations will always require a considerable effort from executives.

With this, we want to lift the conversation and encourage the tough discussion around the SAP ambition across executive areas, how transformational it should be and how to bring the people implication of your investment upfront and continue to bring it up along the transformation journey. We see that actively managing the implications of the technical and functional ambitions across culture, talent, organizational design and workforce planning will help unleash the people potential and raise the ROI of your SAP transformation investment.

As a senior executive embarking on, or in the middle of a SAP transformation we therefore recommend that your involvement is proportional to the financial investment you are making. As a minimum, you should ask yourself 3 fundamental questions:

1) Does my leadership team have a clear and aligned view of the SAP transformation ambition beyond the buzzwords and into the people dimensions? If yes, how is it documented?

2) Do we have the necessary forums in place to speak brutally honestly to each other and take the though "win-lose" discussions as a cross-functional leadership team for the better of our company? If yes, how do you ensure a constructive friction that brings you closer as a team and not further away?

3) How do I as a senior leader deliberately balance my time and solve the challenges of line and transformation leadership? And how do my reporting lines experience this?

The hidden call out on this topic is to the CHRO's. **We encourage CHRO's to step up and take ownership of the people discussions and deliberately commit the executive leaders from transformation initiation** to 1) Define the ambition across business and IT 2) Foster alignment and 3) Create Leadership ability. When these actions succeed, we see the executives are more determined in their choices and stronger leaders of the transformation. Only by addressing these as a symphonic C-suite, you can move the needle of your investment from a technology implementation to a real tech-enabled SAP business transformation with a "triple A" result.

[1] Monitor Deloitte's 2022 Chief Transformation Officer Study – Designing Successful Transformations
[2] Smith, Bottke, Dost, Kearns-Manolatos, Unleashing value form digital transformations - Deloitte insights Magazine 3, 2023
[3] Smith, Bottke, Dost, Kearns-Manolatos, Unleashing value form digital transformations - Deloitte insights Magazine 3, 2023
[4] Deloitte. (2023). Human Capital Trends https://www2.deloitte.com/content/dam/Deloitte/global/Documents/HumanCapital/hc-2023-global-human-capital-trends.pdf

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Meet the authors

John Erik Eikland
Senior Manager
Human Capital,
Japan/Denmark

joeikland@tohmatsu.co.jp
LinkedIn

Tom Verstraete
Director – Specialist
Leader
Human Capital, Belgium

toverstraete@deloitte.com
LinkedIn

Deloitte Human Capital points of contact

Christina Burgwald
Partner, Denmark
cburgwald@deloitte.dk

Peter Van Dorpe
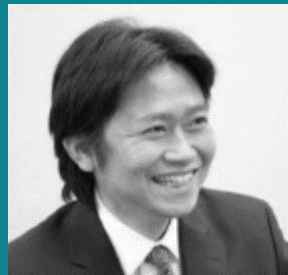Director, Belgium
pvandorpe@deloitte.com

Josefine Heldeborn
Partner, Sweden
jliljeqvist@deloitte.se

Sammie Ying Shum
Partner, China/HK
sashum@deloitte.com.hk

Tetsuya Furusawa
Partner, Japan
tetfurusawa@tohmatsu.co.jp

Uling Hu
Partner, Netherlands
uhu@deloitte.nl

Mark Nicolas Teoh
Partner, Indonesia
marteoh@deloitte.com

Amarjeet Singh
Senior Manager, Malaysia
amarjeetsingh@deloitte.com

Stephanie Masseth
Specialist Lead, US
smasseth@deloitte.com

Lee Merovitz
Managing Director, US
lmerovitz@deloitte.com

Jeffrey Goodwin
Partner, Canada
jegoodwin@deloitte.ca

Janne Jalava
Director, Finland
janne.jalava@deloitte.fi
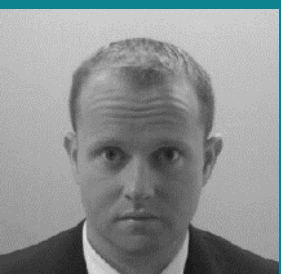
Fabien Richard
Partner, France
frichard@deloitte.fr

Sonia Storr
Partner, United Kingdom
sstorr@deloitte.co.uk

Victoria Yeo
Partner, New Zealand
vyeo@deloitte.co.nz

Ben Fish
Partner, Australia
bfish@deloitte.com.au

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