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## Podcast Inside SAP S/4HANA - Transcription

Inside SAP S/4HANA Special 'Cloud ERP Close-Up':  
Cloud ERP for Product-Centric Companies - Interview  
with Axel Herrmann



**Markus:** Hello and welcome to our podcast Inside SAP S/4HANA. There is no customer success without product success and project success. My name is Marcus Oertelt and today we have a special episode. This is part of our Cloud ERP Close-Up series. This series is designed to share product highlights and project insights based on hands-on experience. And for that I have with me today Axel Herrmann, Product Management Lead for Product Centric Cloud ERP at SAP. In this podcast, you will get insights about who is Axel, how is transition into his new role is going, what RISE and GROW with SAP means from product management perspective and, of course, his strategy for the future. Welcome Axel and it's good having you!

**Axel:** Markus, thanks for having me and giving me the chance to speak to you today.

**Markus:** Uh, let's see. What do I know about you, Axel? You're a former leader for SAP S/4HANA Cloud Services MEE at SAP. Also a former basketball player. Is it okay if I tell the secret Axel here?

**Axel:** Yes, Yes, of course. Go ahead.

**Markus:** If my understanding is correct, we played for the same basketball club in our youth. I think so, yeah.

**Axel:** Yes. But for full disclosure, you were playing the first team and I was in the fifth team, so that's okay.

**Markus:** I don't remember that. But you also wrote biking enthusiast, you're Berliner, like myself. If I would meet you at the bus stop somewhere in the world, what else would you tell me about yourself?

**Axel:** Good question. Let me start with saying I think it would actually be quite likely we would meet at a bus stop because I'm a great fan of public transport. People always wonder why I say that, because I think public transport is a nice and standardized way to get from A to B. Obviously there is the last mile topic, but I'm not so concerned about that. But for the last mile you have a bus or sometimes a road bike or a bike. So yes, I think that's most important. I like standardization. And the other day there was a blog post by Bert Schulze about comparing the S/4HANA Public Cloud with public transport map. And seldomly has a blog post spoken closer to my heart than that one, it is just terrific spot on. And yeah, so we would speak. Hopefully you would join the bus ride with me because that would be a nice time that we could spend together.

**Markus:** Brilliant, Axel. Yes, I would like to join. If you stay on the topic of describing, can you maybe describe your new role? How did you experience your first two months in the new job and maybe what was very positive? Maybe also something challenging for you?

**Axel:** First of all, product management is a pretty wide area. And I want to start with saying I had the absolute joy and pleasure to get the chance to work and meet so many fantastic new people. I always thought I had a big network within SAP and lo and behold, it's growing by the day. So this is really great. And with this, the first two months have passed and no time. I was trying to spend as much listen and learn quality time with many people still continuing that. And this is just a pleasure to work with so many nice people and the people

are so knowledgeable. It's absolutely fantastic and super motivating. Now the role itself is actually also quite exciting. My team is responsible for all product related processes within S/4HANA Cloud, whether it's planning, producing, storing, transporting, quality management, all those things. Anything that has to do with a product in an ERP, those are the processes and areas that my team are responsible. And as for the challenging, yes, it is challenging. I think time is the most challenging thing. I'm super eager to try to meet as many people. If I meet people, I also want to understand what they're doing, where their challenges lie, better understand what motivates people, and that takes time. And time is something that I currently don't have the time as much as I would like to, but that's something that will grow out over time. So nothing that is unsurmountable as a challenge.

**Markus:** Thanks, Axel. I wish I could give you more time, but unfortunately, I'm not in that position. You already mentioned it or we mentioned it, you're coming from the implementation side, which in my opinion, is a big advantage because you bring a lot of customer feedback with you into this new role. Yeah. Now the question is: what are you doing with all this implementation feedback?

**Axel:** That's a good question. Well, let me answer it pretty simple. What I've learned in the implementation that everything we as a solution provider, as SAP is being a solution provider in the SaaS environment, we have to keep the customer in every decision we take. We have to put them at the center of our decisions, which features to develop, which UI to adopt next, even which meeting I prioritize. Or is there a certain activity I do or maybe also don't do? If you ask yourself does that have a direct impact on customer satisfaction, on being able to solve customer issues that they have? And I mean, we're all aware of the ever changing environment in which our customers are currently acting. That should be your guiding measure on all the activities you do. And what I take from my experience is I mentioned earlier that I'm grateful to work now with so many new people. Obviously, in the last years I've had the chance to meet so many great customers that went on the journey, that went together with SAP on the journey into the cloud. They transformed their businesses. They standardize their businesses, which is hard work, and they reap from the benefits now. And that's something that I will always have close to my heart. And this is something that also motivates me to push the product management side even further, to say, listen, we have so many customers that put their trust in us. Let's try to make the product even better. In essence, I want to remain a customer advocate while I'm in product management.

**Markus:** Great to hear, Axel. Let's move from the requirements engineering implementation side in product management more to the commercial side and product management. RISE with SAP was launched I think, in 2021 by us. And yeah, so like as a business transformation, as a service solution and we just recently launched GROW with SAP, with the goal that any size company can successfully adopt Cloud ERP. What is your understanding of GROW with SAP? Maybe from product management side and maybe you can explain that a little bit more in detail as well.

**Axel:** Yeah, I'd love to. Thanks. Good question. Before I go to GROW, let me just say that we have RISE, as you rightly put, RISE with SAP and GROW with SAP. Those are very strong commercial models and both of them feature public cloud. That's important. RISE was naturally focused because of the addressable market, was more focused on the private cloud, and we still have many customer use cases where we can also position public cloud in rise for existing companies. That's why this especially for the existing market and existing

customer base, the model that we call two tier. We can discuss this a little bit later, but just in short, have headquarter on an S4, whether it's on premise or private cloud edition. And then we have subsidiaries on public cloud. That's a model that works under RISE and I think a great model to help customers and companies to partially transition into the cloud where possible or where needed. And then GROW clearly for me describes our valuable offering for mid-market and net new customers, which is maybe a different starting point if you compare that to the existing customer base, when it comes to SAP ERP systems. And funnily enough, they have the similar changes in the market that we see with the existing installed base. So when we see this, RISE is actually targeting a dedicated customer segment and we will be solving most of the same problems, not all of them, but most of the same. And that's why for this net new mid-market we developed GROW to allow them to start their cloud transformation with the latest and greatest state of the art Cloud ERP, which we have with public cloud. And that's where we want to help them grow in their journey. And that's why actually really also like the name GROW, because we commit to the growth of our customers. When they're successful, we as a solution provider are successful. That's the clear commitment from our side.

**Markus:** Yeah I think RISE and GROW with SAP sounds like a very good initiative or commercial offering for me. If I would be a customer, I would call you up and ask, Hey, what does it take for me to have the right cloud mindset? What are the recommended steps? You suggest if I want to implement SAP S/4HANA Cloud, public edition, what would you tell me?

**Axel:** You're asking a former consultant so you can already imagine the answer it would be: It depends. But obviously, I want to give you some more insight. But again, there is no one size fits all answer for that question. You really have to take case by case depends on where you are as a customer knowledge wise, what is your business like? So all the influencing factors, but customers and partners will be aware of those. I think what holds true for pretty much all the customers are a couple of things and I'll just mention them and that probably 98 to 99 times out of 100 would be applicable. Number one is starting with the scope, definition and understanding also the basic fit of a public cloud solution, because there are some areas where we also as a provider would recommend to customers maybe look into a private cloud option. But as providers, we're there and we have developed from our side a tool based guided procedure which is called digital Discovery assessment. It's part of the discovery phase from SAP Activate being our implementation and transformation methodology, if you will. And this digital discovery assessment is really, really important for customers to understand what is the actual scope of my transformation project. And besides the scope, you can also validate if features and functions coverage match your requirements from a business perspective. That's number one. Number two, as much as I like to talk about it and it processes and architecture, etcetera, this always comes second. Those projects that when you engage in a cloud project, it is first and foremost a business transformation project. Moving the core business processes of a company into a predefined standard works. It works. We've shown this for several hundred of customers. It works and it still requires a lot of work. Not so much. That's new thing in the cloud with standardization, not so much on the IT side, but businesses have to adjust. Maybe even some organizations have to morph into future organizations. And that's why it is first and foremost more than ever, a business project. Then next to that, it is really important on how you start the project. Understanding again, this is a business project. We recommend typically to do a three in a box model; Three in a box model means you have one person dedicated per area and you define as a customer how big that area is. But typically, I don't know, finance or controlling

would be one depending on the size. You have three people or three main areas that should work together and generate the success of the project. Area number one business. You need someone or a group of people who are able to take decisions and they need to understand the current business processes and need to be able to assess how to transform into the new ones, new standardized processes. Second pillar in this three in a box model would be IT, you need IT support. I mentioned it's first and foremost a business project, but still it is also, there are some IT aspects that you should be aware of, whether it's interfaces, whether it's a data management, whether it's roles and authorizations, reporting, etc. So there is a full list of topics that are relevant for the IT department. And then thirdly, this being a transformation project, we would highly recommend you ask for help from an integrator as the subject matter expert for certain areas to really guide you along the journey and be available for detailed questions. So I mentioned scope definition. Secondly, I mentioned the business project. I mentioned the three in a box model. And then the one thing that above and beyond everything else stands out is training and enablement. Take the time, give enough space for those three in a box that I mentioned earlier to be properly trained and enabled. If you go into a fit to standard mode, you need everyone to understand how the new standard works and then to analyze the delta between where are you currently and how you need to transform into the future. If people go in a project and are not properly enabled on how the standard looks like, the quality of the project is less than it has to be. So that's why enablement, giving time for enablement, for all the different resources is absolutely key. Then you get the right decisions to have the right setup going forward and you don't have to worry about the future.

**Markus:** Thanks, Axel, for those great recommendations. The last couple of years, SAP focused on Professional Service and Finance Led Cloud ERP scenarios. This has changed, as I can also confirm. Now on product centric industries, they have a stronger focus now at SAP. And where do you see the strength of SAP S/4HANA Cloud, public edition for customers in your area, in the product centric industries?

**Axel:** You're absolutely right on the service industries. I think that is an industry where we've seen much earlier. The industry itself is willing to transform into more standardized processes and hence the desire of customers and the wider market to move into a standardized SaaS product like S/4HANA Public Cloud was there. Discussions were much easier. There was more of a pull, and this pull gradually is growing on the more product and operational led companies, which is great to see. We see a huge demand coming from these companies and from the market. And you know that more traditional industries like component manufacturing, mill products, just to name a few. And when you ask about the benefits from product centric, I think here comes into play that we as SAP have been in this market for decades. We have a very strong experience in industries. We have been working with more manufacturing and product and operational led focused companies over decades and we are in excellent position to help them move into the cloud. We have the breadth and depth in many areas to address their business needs. We have the experience again, especially also with the industries, and we can really help them transform where needed and where beneficial for them into a standardized SaaS environment and transform into the cloud. So why and how we do that is pretty simple. We combine two flavors. One is obviously we have the depth in a lot of functional areas. We have capabilities that are, you know, above and beyond what the competition has. And we mix this now with a very broad end-to-end process view, where we bring end-to-end processes into the mix to really guide customers and say, we understand your business, here's how you deal with those

businesses and end-to-end view. And we bring together the various functionalities in the right sequence. And I think that's what we see resonating very, very well, both with partners and customers.

**Markus:** Well, you mentioned already the robust end-to-end processes. Yeah, we already have or support end-to-end best practices like Sell from Stock, Lot Size 1, and Engineer-to-Order scenarios. So what kind of efforts are you taking as a leader of putting it or to streamline our current best practice approach to be able to deliver end to end business processes or scenarios to our customers in the future?

**Axel:** I think it's a natural next evolution. To be perfectly honest, I think this is almost a no brainer that we do this. We have, quite naturally during the last couple of years focused on making sure that solution S/4HANA Public Cloud is very robust from a functional coverage. And now we're trying to bring those functionalities into really an end-to-end value adding, value chain, value adding view. So it's bringing the various scope items that we see are necessary to achieve a certain end-to-end process into a logical flow, making sure that there is the right handshake and handover from one functionality to the other, that if there are any gaps, that we close those gaps. And then also very important, this is also our messaging, how we approach customers, because my saying is an end-to-end process gets us a seat at the table and the functional coverage, the depth ensures that we stay invited to that table. So that's really how we want to develop those end-to-end scenarios. And it's really about allowing a holistic view on the overall value chain, as I mentioned. And then wherever we need, we do a deep dive. So if you do, let's say a cell from stock, very comprehensive end-to-end scenario. And then if there are specific questions on how do we do warehousing in that particular scenario, we then have the depth to go in and describe our capabilities and help customers solve their issues in that area with the functional depth.

**Markus:** If we move to another scenario, Axel, if companies want to start their transformation journey, would you suggest a Two-Tier ERP strategy, starting with subsidiaries with SAP S/4HANA Cloud, public edition, first to drive innovations and then transformation respectively change management to the whole organization?

**Axel:** But the whole organization, I'm not so sure. But let me just pick up what I said earlier, Markus, on the Two-Tier. You're right. Two-Tier for us is integrating a speedboat the Public Cloud into an overall company architecture where we believe the headquarter, for example, in that example headquarter runs on an S/4HANA on prem or Private Cloud edition, and we integrate certain subsidiaries or certain business units in and we use the Public Cloud to map their business processes into a system. Now, Two-Tier, as I mentioned earlier, is core of our RISE offering for the installed base. And we just recently had a survey among customers who already have or are planning to embark on their two tier strategy. And top reasons for them were agility, also lower TCO, higher degree of standardization and these benefits, all those you get a tick in the box when you look at the Public Cloud and the SaaS model. And that's why I think this is a really nice endeavor for companies. Then you ask about the whole organization. One aspect is the change management. We have to understand that some of those customers possibly will never move their main headquarter businesses into a public, in a highly standardized public domain. But others are quite relevant. And to manage that both a very traditional on prem mindset plus a very. The standard focused Public Cloud mindset also requires some effort on the organizations, on the businesses, on the IT departments, on the internal governance models, etcetera. So

starting with smaller subsidiaries can actually be quite beneficial because it's also a learning curve for the whole company, how to deal with standardization and more, let's say, historically grown on premise solutions.

**Markus:** Let's move from end-to-end and Two-Tier, more maybe on the SAP partner side. And here I see that more and more SAP partners are actually getting certified, which is a nice thing to sell and implement SAP S/4HANA Cloud, public edition. We also see that more and more developer extensibility possibilities are shaped, meaning we release more and more RAP BOs, so ABAP Restful Application Programming Models, which are really stable of course. And do you or your team have a strategic plan which you might can share for SAP partners to be able to develop release independent in the core in the future or starting right now?

**Axel:** Great question. First of all, I think it's important that partners know that we count on them going forward. And this is from two angles. Obviously, on the product side, very well. You mentioned the extensibility. I've seen that in recent projects that I've done in my previous job. We discussed about the the bus stop and the public transport. It's really for customers, the last mile, if you will. So if 98% are standard filling, the remaining 2% getting on a bus or maybe a taxi, and that if you use that and then getting to your final destination, that's where we see the extensibility kick in. And then really, I'm super, super grateful that we were able to ship that as a new feature with the 3-System Landscape, which is essential for being able to address even more customers. As it comes for, when we talk about, you know, developing on top of that, I think right now we're fully focusing on the extensibility and going forward. Something that is close to my heart as well is that we discuss strategic areas where partners can also develop their own products and sell their own products to complement what we deliver in the public cloud. Those could be a specific niche area topics in an industry or also in certain functionality. So it's definitely something we'll be looking into. But I want to mention is in the Public Cloud more than ever, we also need a large and scalable number of partners to help us meet the customer demand. We see the proverbial hockey stick now kicking in, so the market demand has significantly grown over the past two quarters. The question is who helps those customers to be successful? We cannot as a solution provider, SAP cannot do all the projects on ourselves. It would be impossible. That's why we need experienced and pragmatic partners to help customers on their transformation journey into the cloud. And this is more than ever important. At this moment in time, I think it's even more important to have the implementation partner side than the product partner side. I'm not ruling out that the partner on the product side is not important. I think that's clear. But the implementation part is that where we this year and next year have to really shift gears and be even more scalable. Otherwise we will possibly lose customers because we cannot help them transform. So this is really a call to action. If partners are listening, we need you to help us get the product out into the market. And successful adoption can only be done with a lot of partners.

**Markus:** Like Axel said, if you listen to this, reach out to us. Please come with your questions. Let's stay on the topic of strategy. What are your most important strategic topics that you want to focus on this year?

**Axel:** Everything at once. No, that was a joke. No, let's stick with two things. One thing we discussed earlier. GROW has been launched. There are still some countries where we're launching GROW as we speak, and I think as a product management unit, we need to help

the field and partners convey the message and be there as a trusted advisor for field and partners, but also for customers, if there are certain questions. Again, we from a product management perspective, we are very convinced that we have a very competitive product that has a lot of breadth, end-to-end scenarios and depth, the different functionalities. And we are convinced that this is capable of solving many, many customer issues and that's why we just want to reach our helping hand to everyone involved and help them come to the same conclusions we've done. So that would be the market focus growing with GROW. And then internally, obviously it's about doing the right things right. That's easier said than done. I think as a SaaS provider, we always have to find the right balance between quality and functional growth and this is where we need to find a good balance. It'll be always finite resources. How much do we invest in quality? How much do we invest in functional innovations? That's a very interesting topic that probably will keep us busy for much more than only this year.

**Markus:** Awesome. Very good. If you had one wish from SAP, what would that be?

**Axel:** That's a good question. Well, continue to transform is one because we are as a company also in the middle of a transformation. And for a 50-year-old company, this is quite, quite something. If we are not able to adjust to changing market trends, then that is an issue for our customers. So we need to continue to transform. And one thing that has made SAP a great company and will be of essence remaining a great company is the empathy for customers. So as I mentioned earlier, anything we do start with the customer in mind: which meeting do I go to? Which decision do I take? Which investment do I plan? Which investment do I also maybe stop? Those are all things that decisions should be always made with the customer in mind.

**Markus:** Unfortunately, we are already at the end. I could talk with you forever, but... maybe one more question which just came to my mind. Do you have a special quote or something which keeps you going?

**Axel:** Yes, it is something that is a quote that everyone knows. And unfortunately, only a few people really take up and live accordingly. And it's love it, change it or leave it. Keep that in mind. Every decision, every customer situation, every life situation, you always have those three decisions that you can take. I always try to love it, the change it and leave it should come second and third.

**Markus:** I like that, Axel. I like that. Thank you so much again. And, yeah, all the best in your role. And hope to see you in Walldorf for Zurich.

**Axel:** Thank you. Thank you, Markus, for having me. Good luck!

**Markus:** As always, feel free to drop us an email via [insides4@sap.com](mailto:insides4@sap.com) and let us know which topics are of your interest. Tune in next time and be Inside SAP S/4HANA.

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