

SAP S/4HANA Supply Chain Planning and Manufacturing

*Explore digital transformation using
SAP IBP and SAP S/4HANA*

Dr. Ankush Agrawal
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*To every reader who finds a part of themselves
within these chapters*

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Preface

This book will provide an insight into SAP S/4HANA Manufacturing, SAP Integrated Business Planning (IBP) and Digital Manufacturing cloud and also talks about AI, ML, robotic automations in the area. All these tools are an outcome of SAP's journey through lessons learnt in the last 25 years.

This book will start with exploring the concepts in planning and manufacturing, then how to implement these tools as SAP IBP and SAP S/4HANA manufacturing. We will focus on what are the key innovations in Planning and Manufacturing in HANA. In order to make the reader understand why SAP keeps on improvising SAP solutions in the planning and manufacturing area, we will provide the big picture that an industry went through, and SAP's solution had a shortfall to achieve that. That gap again generates lessons learnt for SAP. So, SAP will bring that feature in the next product.

Furthermore, we will deep dive into features and functionalities of current Planning solutions like SAP IBP as well as the manufacturing process that SAP S/4 HANA offers. Followed by a consulting approach. We will discuss the challenges faced in these areas and the best possible solution to address them.

The last section of the book will be the near future of SAP's offering of cloud tools in planning and manufacturing areas. This section will also talk about what parameters are most impacting in deciding to implement these cloud tools. The cherry on the top will be that we will bring Artificial Intelligence and Machine Learning capabilities in these tools with the client's perspective.

Also, readers will find a brief history of SAP's journey providing solutions in supply chain planning and manufacturing to reach the destination of SAP S/4HANA. A reader, if they wish to start a career in SAP consulting, or even started, will find it useful to prepare their own pitch when they encounter a real-life problem and to solve that within the SAP framework. In simple terms, this book will answer the question: why SAP IBP, Or Why S/4HANA, Or why cloud tools OR how to implement them.

Chapter 1: Exploring Planning and Manufacturing in S/4HANA – This chapter introduces our readers to the new age solution of SAP by explaining the innovative way of planning and manufacturing in IBP and S/4HANA (Covering the planners to adopt the new way of planning and consultants to implement the solutions in SAP IBP and SAP S/4HANA). It covers present supply chain challenges and opportunities for new global organizations

using the latest planning tools like SAP IBP and Digital Manufacturing and to achieve value realization.

Chapter 2: Uncovering Inter-connected Business Process through SAP S/4HANA – Business is an accumulation of inter-connected and interdependent defined processes that work together as a whole to fulfill the purpose of the business. We will discuss core business processes in this chapter, which are addressed by SAP S/4HANA. Furthermore, we will deep dive into the inter-dependency of these processes to serve the objective of integration and covering end-to-end business processes, as well as we will highlight the system architecture of SAP S/4HANA for these processes.

Chapter 3: SAP S/4HANA Planning and Manufacturing Capabilities – The chapter explains about the innovations in SAP S/4HANA brought from the well accepted solutions like SAP APO, which combines sophisticated and intelligent planning algorithms, object-oriented data structures, and memory-resident optimization databases to address complex planning problems and optimize the best possible solution. Also, we will talk about how modules of SAP S/4HANA and key functionalities changed the planning world and how these functionalities are connected to the digital supply chain.

Chapter 4: Getting Started with SAP Integrated Business Planning – The chapter provides an overview of SAP IBP and describes detailed instructions for using the SAP IBP system to manage the organization’s supply chain planning. SAP IBP is powered by SAP HANA in-memory technology, the cloud-based solution combines capabilities for sales and operations, supply and demand planning, inventory optimization, and Demand Driven MRP. It takes advantage of powerful supply chain analytics, what-if simulations, alerts, and much more.

Chapter 5: Implementing and Configuring SAP IBP - This chapter will get into the details of the SAP IBP system configuration for all the modules and their associated components. In this chapter, we will illustrate modeling tasks and concepts with examples. It will be easier for readers to follow the examples as they have been based on the current industry problems and how implementation in SAP IBP can solve them.

Chapter 6: Getting Started with SAP S/4HANA Manufacturing – This chapter explains SAP S/4HANA Manufacturing solutions, which provide a gateway to manufacturers while they can provide everyone with the right solution set that would cater to the requirements of the new-age customers. SAP S/4HANA can provide everyone with the most targeted one-stop solution, which would include manufacturing execution, enterprise planning, along with other top-notch services. And how it can enhance the manufacturing processes involved in digitization.

Chapter 7: Configuring SAP S/4HANA Manufacturing – The chapter explains how to set up or configure manufacturing processes in an SAP S/4HANA system. The set-up process starts with the configuration of the SAP system and then maintaining respective master data. The sequence will be master data set-up, then process flow-wise required configuration. It will give a proper understanding of configurations required for the process rather than providing end-to-end configuration ad hoc, helping readers to focus more on SAP S/4HANA. Furthermore, we will highlight the functionalities that originated from SAP ECC and still exist in the SAP S/4HANA system.

Chapter 8: Understanding SAP Digital Manufacturing Cloud – SAP Digital Manufacturing Cloud (SAP DMC) is a cloud-based Manufacturing Execution System (MES) designed to provide the link between production and business in supply chain management. SAP DMC provides global visibility across all plants by connecting top floor business systems to shop floor equipment. The chapter provides details about the features of SAP DMC, how it can be utilized by the organizations, and the benefits and innovations in the space.

Chapter 9: SAP S/4HANA Advance Planning: aATP and ePPDS – This chapter explains the advance planning in SAP S/4HANA, focusing on advance Available To Promise (aATP) for order fulfillment and production, embedded Production Planning and Detailed Scheduling (ePPDS) focusing on constraints based planning to run. The chapter will also explain how these newly introduced modules are integrated with other core modules of SAP S/4HANA or the outside tools.

Chapter 10: Implementing S/4HANA ePPDS and aATP – This chapter explains configuring SAP S/4HANA Embedded Production Planning and Detailed Scheduling (ePPDS) and Advance Available to Promise (aATP). In this section of the book, we will talk about the configuration activities referring to the S/4HANA system. We will cover the basic configuration required to activate and operate the embedded PPDS and Advance ATP within the SAP S/4HANA system.

Chapter 11: SAP S/4HANA Advance Manufacturing Features – This chapter will guide the readers on how to transact to SAP S/4HANA advanced manufacturing features such as predictive MRP, demand-driven MRP, MRP Live, and so on. We picked these features from the latest innovations done by SAP in the manufacturing area. Furthermore, we believe that a detailed step-by-step execution guide is a necessity for developing an understanding of how these innovations work. As SAP is introducing the features with every release, readers and consultants have to skill-up their knowledge, the book will provide guidance on the concept which can be explored further.

Chapter 12: Implementation Methodologies, Assessments, and Tools – Addressing the need to adopt technology transformation, digitization, and changing customer behavior, this chapter talks about how to select the planning tool, implementation approach, timelines by conducting the assessment and so on. SAP is well equipped to optimize organizations’ supply chain planning and manufacturing processes and try to address challenges. We will talk about how to guide clients to adopt implementation methodologies which will be the best fit for the needs.

Chapter 13: Data Integration with SAP IBP and SAP S/4HANA Manufacturing – This chapter explains the integration of supply chain planning and manufacturing, and how SAP IBP and SAP S/4HANA manufacturing are connected with the various tools and provide integration from the shop floor to the top floor. This chapter explains organizations’ scenarios about integrating SAP and non-SAP data with the SAP planning and manufacturing systems. We will also cover the selection of the right tools for the batch jobs driven or real-time data integration between SAP S/4HANA and DMC along with setting up tools for bi-directional data flow.

Chapter 14: AI, ML, Analytics, and Robotics Process Automation – In today’s competitive market, organizations are working in an increasingly complex world disrupted by new-age digital technologies. Agile market and dynamic internal and external supply chain challenges force organizations to rebuild their existing supply chains supported by digitally enabled intelligent supply chains. This chapter explains the intelligence that SAP can bring in planning and manufacturing. It also explains the adoption of these new technologies.

Chapter 15: SAP Best Practices – This chapter covers the SAP best solutions for industry-specific end-to-end planning and manufacturing solutions and benefits by citing a few use cases. We will describe real-world examples and industry challenges to showcase the value proposition of implementing supply chain planning and manufacturing solutions. SAP S/4HANA is possibly worthwhile, or now, we can say, a mandatory investment to address the current industry challenges. It also explains how to combine business process engineering and system-led design process, rapid deployment using predefined best practices made available by SAP.

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Table of Contents

1. Exploring Planning and Manufacturing in S/4HANA.....	1
Introduction	1
Structure	1
Objectives	2
SAP S/4HANA for Industry 4.0	2
Cloud adoption	3
SAP adoption process.....	3
Evolution of SAP S/4HANA	4
Why SAP S/4HANA	4
Computing capability of a database	5
Compressive data modeling.....	5
Web-based or mobility-oriented user experience.....	5
Adopting Cloud solutions.....	5
Rise with SAP.....	6
SAP S/4HANA cloud solutions.....	7
Why integrated business planning.....	8
Why Digital Manufacturing Cloud.....	9
Challenges: Supply chain planning and manufacturing.....	10
Challenges in supply chain planning.....	10
Challenges in planning: Industry-specific	11
Chemicals	11
Automotive.....	12
Consumer product goods	12
Life science	13
Hi-Tech.....	13
OEM	14
Few more industries.....	15
Challenges in SAP APO addressed by IBP.....	15
Challenges in manufacturing.....	16

<i>Agility</i>	16
<i>Productivity</i>	17
<i>Connectivity</i>	17
<i>Sustainability</i>	17
<i>Challenges in manufacturing: Industry-specific</i>	18
<i>Life sciences</i>	18
<i>Consumer products goods</i>	18
<i>Automotive</i>	19
<i>OEM</i>	19
<i>Few other industries</i>	20
<i>Challenges in manufacturing addressed by SAP DMC</i>	20
SAP Applications overview: Planning.....	21
<i>SAP Integrated Business Planning</i>	21
<i>SAP S/4HANA embedded PPDS</i>	23
<i>SAP S/4HANA Advance Available to Promise (AATP)</i>	24
SAP applications overview: Manufacturing	24
<i>SAP Production Planning overview</i>	25
<i>Manufacturing execution by SAP DMC</i>	27
<i>Digital shop floor</i>	28
<i>The journey of digital shop floor</i>	28
<i>What is digital twin</i>	29
Conclusion	29
2. Uncovering Inter-connected Business Process through SAP S/4HANA	31
Introduction	31
Structure	31
Objectives	32
Introduction to the business processes	32
<i>Research and development</i>	33
<i>Sales and distribution</i>	34
<i>Wholesale process</i>	34
<i>Retail process</i>	34
<i>Supply chain planning</i>	35

<i>Sourcing and procurement</i>	35
<i>Direct procurement</i>	35
<i>Indirect procurement</i>	35
<i>Manufacturing</i>	36
<i>Manufacturing as a service</i>	36
<i>Inventory management</i>	37
<i>Warehousing</i>	37
<i>Logistics execution</i>	38
<i>Financial accounting, costing, and reporting</i>	38
R and D through SAP S/4HANA.....	39
<i>SAP PLM solution</i>	40
<i>SAP PPM solution</i>	42
<i>SAP EPD solution</i>	43
Sales and distribution in SAP S/4HANA.....	44
<i>Order to Cash</i>	44
<i>Integration S/4HANA SD and SAP IBP</i>	45
Sourcing and procurement SAP S/4HANA.....	46
<i>Procure to pay</i>	47
<i>SAP Ariba</i>	48
<i>Integration S/4HANA P2P, SAP IBP, and SAP manufacturing</i>	49
<i>Core purchasing and invoice collaboration</i>	49
<i>Forecast collaboration</i>	50
<i>Supply chain execution</i>	50
SAP S/4HANA IM, WM, and TM.....	50
<i>SAP S/4HANA Inventory Management</i>	51
<i>SAP WM and eWM</i>	51
<i>SAP TM</i>	52
SAP S/4HANA FI and product costing.....	53
<i>SAP Record to Report</i>	53
<i>SAP S/4HANA FI integration</i>	54
Conclusion	56

3. SAP S/4HANA Planning and Manufacturing Capabilities	57
Introduction	57
Structure	57
Objectives	58
SAP APO challenges covered by SAP S/4HANA.....	58
<i>SAP APO-based manufacturing cycle moved to SAP S/4HANA</i>	<i>58</i>
<i>Embedded PPDS in SAP S/4HANA.....</i>	<i>59</i>
<i>SAP APO GATP as an ATP in SAP S/4HANA.....</i>	<i>61</i>
<i>When and why we should move to SAP S/4HANA from APO</i>	<i>64</i>
Challenges covered by SAP S/4HANA manufacturing	67
<i>Insight of Innovation: MRP Live</i>	<i>67</i>
<i>Insight of innovation: Predictive MRP and demand-driven MRP</i>	<i>69</i>
<i>Insight of Fiori apps of manufacturing</i>	<i>71</i>
<i>Manage material coverage or material shortage app</i>	<i>73</i>
<i>Manage production order</i>	<i>75</i>
<i>Capacity scheduling table app: The lighthouse app.....</i>	<i>76</i>
Fiori analytical apps.....	76
<i>Planning apps.....</i>	<i>77</i>
<i>Manufacturing apps.....</i>	<i>78</i>
Conclusion	80
4. Getting Started with SAP Integrated Business Planning.....	81
Introduction	81
Structure	81
Objectives	82
SAP IBP overview	82
<i>SAP IBP architecture</i>	<i>84</i>
<i>SAP IBP evaluation journey.....</i>	<i>87</i>
<i>SAP IBP Modules</i>	<i>89</i>
SAP Interface and Integration.....	101
<i>User Interface</i>	<i>101</i>
<i>Data integration</i>	<i>103</i>
Innovations in SAP IBP	106

<i>Futuristics solutions in SAP IBP</i>	107
<i>Analytics</i>	107
Conclusion	109
5. Implementing and Configuring SAP IBP	111
Introduction	111
Structure	111
Objectives	112
Building SAP IBP system	112
<i>Activating SAP IBP instance for the organization</i>	113
<i>IAS for setting up business and technical users</i>	114
Configuring SAP IBP modules.....	114
<i>Implementing SAP IBP demand</i>	116
<i>Implementing SAP IBP S and OP</i>	123
<i>Implementing SAP IBP inventory</i>	130
<i>Implementing SAP IBP R and S</i>	135
<i>Implementing SAP IBP control tower</i>	142
<i>Implementing SAP IBP DDMRP</i>	145
Conclusion	145
6. Getting Started with SAP S/4HANA Manufacturing	147
Introduction	147
Structure	147
Objectives	148
SAP S/4HANA manufacturing	148
Process flow of SAP demand planning.....	153
<i>Process flow of SAP shop-floor control</i>	157
<i>Rework process flow</i>	162
Integrated flow of SAP S/4HANA manufacturing.....	165
Integrating SAP S/4HANA manufacturing with process streams.....	165
Deep dive into SAP S/4HANA manufacturing innovations	167
<i>Time dependent safety stock</i>	168
<i>Embedded production planning and detailed scheduling</i>	169

<i>Demand-driven scheduling: prioritization of buffered and non-buffered materials.....</i>	171
Conclusion	172
7. Configuring SAP S/4HANA Manufacturing.....	173
Introduction	173
Structure	173
Objectives	174
Master data set up.....	174
<i>Configuration of Bill of Material.....</i>	175
<i>Configuration of work center and resource</i>	176
<i>Configuration of routing and master recipe</i>	179
<i>Setting up master data</i>	181
Configuring the planning cycle	183
<i>Planning strategy configuration</i>	184
<i>Requirement class and requirement type configuration.....</i>	186
<i>Plant-specific parameters of MRP.....</i>	189
<i>MRP group configuration</i>	193
<i>Lot sizing procedure configuration</i>	198
<i>Planning file entries for classical MRP.....</i>	200
Baseline configuration of shop floor control.....	201
<i>Configuration of order types.....</i>	201
<i>Configuration of order-types-dependent parameters.....</i>	203
<i>Configuration of production scheduling profile</i>	207
<i>Configuration of availability checks for order types.....</i>	209
<i>Configuration of scheduling parameters for order types.....</i>	211
<i>Configuration of confirmation parameters</i>	212
<i>Configuration of production confirmation entry screen.....</i>	215
Conclusion	216
8. Understanding SAP Digital Manufacturing Cloud.....	217
Introduction	217
Structure	217
Objectives	218

Introduction to SAP Digital Manufacturing Cloud	218
Detailed SAP DMC: Execution.....	220
<i>Master data management</i>	221
<i>Order management</i>	224
<i>Tool management</i>	226
<i>Resource orchestration</i>	229
<i>Production operator dashboard</i>	229
Detailed SAP DMC-insight.....	232
<i>Analytics in SAP DMC insight</i>	232
<i>Alert management</i>	233
<i>Overall Equipment Effectiveness</i>	234
Implementing SAP DMC	236
<i>Track and trace</i>	237
<i>Batch management</i>	238
<i>Packaging</i>	243
<i>Label printing</i>	243
<i>Floor stock management</i>	244
<i>Operational reporting</i>	245
Integrating SAP DMC and SAP S/4HANA.....	246
Conclusion	248
9. SAP S/4HANA Advance Planning: aATP and ePPDS	249
Introduction	249
Structure	249
Objectives	250
Introduction to aATP and ePPDS	250
<i>Architecture movement from APO to S/4HANA</i>	251
<i>Integration with other modules of SAP S/4HANA</i>	252
<i>Harmonized master data</i>	253
<i>Simplified transaction data integration</i>	255
<i>One MRP-Single planning run</i>	256
<i>Constraint-based capacity planning</i>	257
<i>Scheduling and optimization</i>	257

Functionalities of ePPDS	258
<i>Functionalities of aATP</i>	263
Conclusion	270
10. Implementing SAP S/4HANA ePPDS and aATP.....	271
Introduction	271
Structure	271
Objectives	272
Implementing SAP S/4HANA ePPDS.....	272
<i>Maintain strategy profile</i>	272
<i>Maintain work areas</i>	276
<i>Optimization profile</i>	278
<i>Maintain overall profile</i>	282
<i>Maintain alert profile</i>	284
<i>Setting for detailed scheduling planning board</i>	284
<i>Run the planning</i>	288
Implementing SAP S/4HANA aATP	289
Product allocation	289
<i>Product allocation object</i>	292
<i>Product allocation planning data</i>	292
<i>Product allocation sequence</i>	293
Material plan assignment.....	294
<i>Backorder processing</i>	295
<i>Alternative based confirmation</i>	296
<i>Settings in S/4 HANA</i>	296
<i>Settings in S/4 HANA</i>	296
<i>Maintain product hierarchy</i>	297
<i>Maintain partner function and assign to sales order</i>	298
Conclusion	299
11. SAP S/4HANA Advance Manufacturing Features.....	301
Introduction	301
Structure	301

Objectives	302
Step-by-step guide: Predictive MRP.....	302
<i>Step-by-step guide—time-dependent safety stock</i>	315
Step-by-step guide—demand-driven safety stock.....	318
Step-by-step guide—MRP Live.....	325
New stock/ requirement list	327
Conclusion	330
12. Implementation Methodologies, Assessments, and Tools.....	331
Introduction	331
Structure	331
Objectives	332
Best of breed solution selection: The scope	332
<i>Synchronized planning</i>	333
<i>End-to-end supply chain visibility</i>	334
<i>S and OP stages and advance planning</i>	335
<i>SAP S/4HANA manufacturing scope</i>	336
<i>SAP Digital Manufacturing cloud scope</i>	337
Implementation methodology	338
<i>SAP S/4HANA Implementation strategy: green field/brown field/blue field</i>	338
<i>SAP APO decommissioning recommendation</i>	341
<i>SAP ME/MII decommissioning recommendation</i>	342
Approach to make a decision on SAP S/4HANA.....	342
<i>Approach to decide implementation or migration</i>	346
Maturity assessment of DSC	348
<i>Assessment questionnaire framework for SAP S/4HANA</i>	349
Hybrid planning and manufacturing tools approach	350
<i>Cloud application or rise with SAP</i>	351
<i>SAP process management tool: Signavio</i>	352
Conclusion	354
13. Data Integration with SAP IBP and SAP S/4HANA Manufacturing.....	355
Introduction	355

Structure	355
Objectives	356
Overall SAP integrated landscape	356
SAP IBP Integration using CI-DS and RTI.....	357
SAP IBP integration scenarios	358
<i>SAP ARIBA</i>	359
<i>SAP analytics cloud</i>	360
<i>IoT integration</i>	362
Integrated advanced features in planning like simulations and impact analysis	363
SAP S/4HANA manufacturing integration scenarios.....	365
<i>Integration architecture of SAP DMC and SAP S/4HANA manufacturing</i>	366
<i>Integration architecture of SAP DMC and shop floor applications</i>	368
<i>Data integration model between SAP S/4HANA Manufacturing, eWM, and DMC</i>	370
<i>Data integration model between SAP S/4HANA Manufacturing and Ariba</i>	375
<i>Integration with SAP Analytics Cloud for Manufacturing</i>	376
SAP S/4HANA integration with AI chatbot and SAP Co-Pilot.....	376
Conclusion	377
14. AI, ML, Analytics, and Robotic Process Automation.....	379
Introduction	379
Structure	379
Objectives	380
Introducing matured S and OP process.....	380
<i>S and OP Stage 4 Maturity: Profit-driven S and OP collaboration</i>	380
<i>S and OP Stage 5 Maturity: Connect organization with advanced technologies</i>	381
AI/ML-based predictive decision support	382
Advanced demand sensing	384
Intelligent visibility	387
Robotic Process Automation	388
<i>SAP iRPA configuration for SAP S/4HANA</i>	389
<i>RPA tools for manufacturing master data</i>	391
<i>RPA tools for planning</i>	392
<i>RPA tools for shop floor control</i>	393

<i>RPA tools for goods movement</i>	395
<i>Sample RPA input files</i>	395
RPA in KANBAN	398
Conclusion	399
15. SAP Best Practices	401
Introduction	401
Structure	401
Objectives	402
SAP best practices	402
<i>Repository of planning process</i>	403
<i>Repository of manufacturing process</i>	404
SAP business use case	405
<i>Building a business case</i>	406
<i>Case 1: S and OP optimization for profit maximization</i>	406
<i>The challenge</i>	406
<i>Demand planning profit analysis for different customers and regions</i>	407
<i>Case 2: Addressing configurable products with SAP IBP</i>	410
<i>Case 3: Connecting supply to demand through Segmentation</i>	412
<i>Case 4: Clubbing of planned orders and production orders for the fashion industry</i>	417
Industry challenges and potential solutions	419
<i>Key challenges and benefits of SAP IBP</i>	419
<i>Key challenges and benefits of SAP S/4HANA manufacturing</i>	421
Reference	424
Conclusion	424
Index	425-436

CHAPTER 1

Exploring Planning and Manufacturing in S/4HANA

Introduction

As the world is exploring options for adopting Digital Supply Chain and Manufacturing, this chapter describes how the SAP S/4HANA is supporting the digital economy to expand its wings for new standards in supply chain planning and manufacturing. This chapter also describes how SAP, with an innovative mindset, helps organizations to meet global challenges and have agile and resilient end-to-end supply chain solutions.

Structure

This book is structured to help the readers understand about the following topics:

- Evolution of Supply Chain Planning and manufacturing in SAP S/4HANA
- Supply chain planning and manufacturing challenges and complexities and how SAP is addressing these challenges
- SAP S/4HANA integration with subsequent modules such as procurement, asset management, or other cloud components like Ariba and so on
- SAP applications—Planning
 - SAP IBP
 - SAP S/4HANA embedded PPDS (ePPDS)
 - SAP S/4HANA advance ATP (aATP)

- SAP S/4HANA applications—manufacturing
 - SAP S/4 MRP Live
 - SAP digital manufacturing
 - Digital shop floor
- Configuring and implementing SAP S/4HANA solutions in planning and manufacturing
- Adopting intelligence using AI/ML and IOT
- User case and SAP best practices

Objectives

In this chapter, we will learn about SAP with an innovative mindset, which helps organizations to meet global challenges and have agile and resilient end-to-end supply chain solutions.

SAP S/4HANA for Industry 4.0

What is the “Fourth Industrial Revolution?” Whether my organization ready for the changes? What to adopt and how to adopt? Across the organization, these questions are arising, and business and IT jointly explore ways to start and adopt new ways of planning and manufacturing.

Industry 4.0, which revolutionizes the automation, monitoring, and analysis of supply chain planning and manufacturing through smart technologies, is powered by the **Internet of Things (IoT)** and analytics as robotic automation to control operations such as machinery, robots, tracking and tracing, building scenarios using what-if analysis, and so on. Industry 4.0 makes all connected things in the organization “intelligent”—from intelligent planning, intelligent manufacturing, and factories to intelligent warehousing and logistics. Industry 4.0 cannot work on its own; in fact, it requires an ecosystem right from the backend systems, which acts as a backbone of the entire intelligent supply chain management. SAP as **Enterprise Resource Planning (ERP)** helps organizations to achieve their objectives by utilizing the capabilities of S/4HANA as core and integrating it with components such as SAP **Integrated Business Planning (IBP)**, **Digital Manufacturing Cloud (DMC)**, and so on. Here in this book, we will try to learn about the functionalities and features of these components and how they can help you to make a decision to implement it in your organization or to enhance your knowledge as a Solution architect or functional consultant.

SAP S/4HANA acts as a digital core, centralizing core processes and critical competencies. It is a single holistic solution that covers planning, manufacturing execution, and service, and it simplifies the management of digital assets. IoT-enabled intelligence can be customized for specific requirements while keeping track of inventory and sales. With end-to-end visibility, SAP S/4HANA delivers efficiency and transparency and lowers operating costs.

This chapter will provide you with the background of the SAP S/4HANA suite, along with the different applications and functionalities it offers across its solution offerings. We will start

with the background and then move forward to the fundamentals of SAP S/4HANA along with its inter and intra-modular integration. The next part will introduce industry challenges that make SAP solutions worthy in the supply chain planning and manufacturing domain. We will provide a brief introduction to SAP cloud solutions and on-premises solutions with insights into the technology transformation.

Before we start discussing about technology transformation through SAP, let us consider the fact that Industry 4.0 will enable all machines or assets to access with internet. Thus, it can collect and transfer data to a monitoring application. Now, if we plan to put it in an on-premises data center, then it will be a mammoth because application development will require a data center, and integration stacks will require another data center. This will make the upliftment journey to Industry 4.0 standard very hard. This limitation can easily be overcome by cloud platforms as they offer application development and Integration stack. So, let us quickly understand how to make a cloud journey.

Cloud adoption

Business houses are moving from on-premises data centers to private cloud and now to public cloud. Although SAP has published a detailed list of standard services included with the RISE with SAP transformation, it is highly recommended that the business must plan for additional services, specifically around cloud adoption, application management, security, and digital enablement. This includes the following points:

- Business Process Transformation or program management Transformation such as Suite on HANA or SAP S/4HANA conversion and its impacts on the integrated applications which also requires architecture changes.
- Consolidated view of combined management for all business applications and services, including RISE with SAP-enabled services.
- SAP S/4HANA application functionality and configuration management, transports management, integrations setup, certificates management, data archiving management, architecting, management, and maintenance.
- Advanced database management and backup strategies. Also, the availability of the database due to multi-location and multi-time zone access is required.
- SAP Security management, including Fiori front-end, roles, and profiles management.
- Intelligent enterprise or digitally connected equipment.

SAP adoption process

Adopting SAP S/4HANA in the cloud incorporates and addresses most of the methodologies and phases within the Cloud Adoption Framework, as described in the diagram, *Figure 1.1*. Distinct constraints within each phase will require actions specific to SAP migration. The following is the framework for SAP cloud adoption:

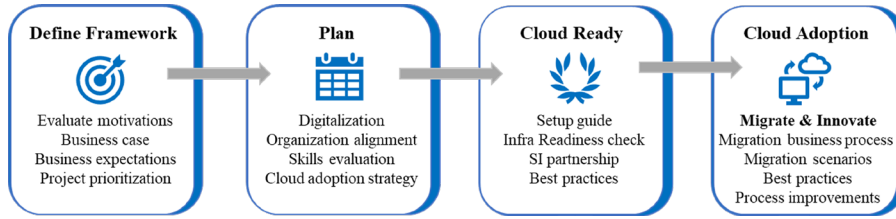


Figure 1.1: Cloud adoption process

Finally, plan for appropriate mitigation strategies for RISE with SAP, migration, and post-go-live support with all stakeholders involved—SAP as a product owner, internal business, and IT users to assess capabilities around the overall transformation path, as well as third-party application providers and managed services partners.

Evolution of SAP S/4HANA

SAP S/4HANA was first introduced on February 3, 2012. It was a core ERP with mobility-powered reporting for near real-time reporting. The next year, SAP S/4HANA powered all ERP solutions by merging **Online Analytical Processing (OLAP)** and **Online Transactional Processing (OLTP)**. This made the SAP S/4HANA unique even 10 years down the line. After the biggest innovation in the database, SAP S/4HANA introduced us to application-based innovations. Simple Finance and Simple Logistics are two major innovations introduced in 2014. These two innovations established the main pillar of SAP S/4HANA—Single Source of Truth. In 2015, SAP S/4HANA came with cloud solutions. Since these both stacks had several releases on product innovations. SAP introduced predictive analysis in 2016, and in early 2017, it introduced industry-specific solutions. The journey of SAP S/4HANA since its introduction is described as follows:

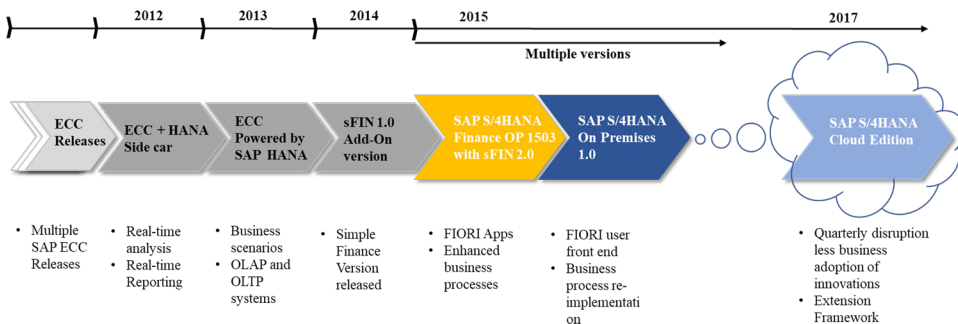


Figure 1.2: SAP S/4HANA evolution

Why SAP S/4HANA

SAP S/4HANA comes with two editions: an on-premises edition and a cloud edition. On-premises edition is configurable and customizable at full scale, whereas the cloud edition is

majorly configurable and very less customizable. However, the **Enterprise Core Component (ECC)** is the fundamental layer of both types of editions.

To understand the SAP S/4HANA concept, we must investigate its evolution journey. It is evident that SAP has faced a certain challenge in scaling the older version of SAP ECC, so they came up with the new idea of SAP S/4HANA. We can take four pointers that SAP ECC could not provide, and eventually, SAP S/4HANA was introduced. These are as follows:

Computing capability of a database

SAP S/4HANA is the name of the application, whereas HANA is the name of the database. SAP ECC is mainly deployed on Oracle or the Sy-Base database. These databases have lots of advantages, but they are not capable of database-level computation. So, the HANA database has this key feature of database-level computation. For example, **Core Data Services (CDS)** views of reporting and MRP Live calculations are done at the HANA database level, not in the application layer. This has made user data management time while reporting or MRP batch job processing decreased to a great extent.

The other most important feature of the HANA database is embedded analytics powered by in-memory computing for real-time reporting and timely decision-making or even predictive decision-making.

Compressive data modeling

SAP ECC database tables are of three types. These are header tables, linking tables, and Item tables. All these tables have key fields as an example of **Bill of Materials (BOM)** tables, the field STLNR (BOM Number) is present in Header Table STKO, linking table STAS and Item Table STOP. It is present in the material, plant, and BOM linking table MAST. So, the repetition of information is evident in this model. While developing the SAP S/4HANA suite, SAP addressed this issue and created flat database tables like MATDOC or ACDOCA. These tables contain all data in a single record and offer a more compressed database.

Web-based or mobility-oriented user experience

SAP signature theme and its GUI are all based on standard desktops or laptops. However, the industry challenges are more on near real-time actions based; hence, SAP came up with Fiori Apps with SAP S/4HANA solution offering. Imagine a company would like to capture, report, and analyze data on a near real-time basis. This makes SAP Fiori provide Apps that are User requirements based. The key Fiori offerings are Transactional Apps for data capture, Factsheet/Lighthouse Apps for Reporting, and Analytical for data visualization. SAP Fiori is now an embedded functionality; hence, analytical Fiori Apps are readily available for users.

Adopting Cloud solutions

Software as a Service (SaaS) products are the new horizon of the ERP world, and scalability is of utmost importance for a sustainable business. SAP S/4HANA comes with cloud solutions,