



A Strategic  
Roadmap

# Migrating Public Sector to S/4HANA

Within the SAP customer base, a substantial number of organizations have not yet migrated from their current ECC 6.0 systems to SAP S/4HANA for a variety of reasons. These reasons may include implementation timelines, budget constraints, and uncertainty about the transition to SAP S/4HANA or its potential benefits.

One important consideration when evaluating a move to either SAP S/4HANA Private Cloud or Public Cloud is the shift in how costs are accounted for financially. Organizations must assess the fiscal impact of moving from a capital expenditure (CAPEX) model, where investments are recorded as balance sheet assets, to an operational expenditure (OPEX) model, where costs are recognized on the profit and loss statement.

Therefore, when planning an SAP S/4HANA migration, organizations should evaluate their projected cloud licensing costs against their current ERP expenditures. They should also identify potential cost-saving opportunities that can help offset the investment, such as reducing technical infrastructure overhead, streamlining support requirements, or leveraging a consumption-based model through an Application Management Services (AMS) provider

## Evaluating the Financial Impact of an SAP S/4HANA Migration



SAP has confirmed that standard support for ECC 6.0 and Business Suite 7 will end in 2027, with only an extended maintenance option available through 2030 at an additional cost. As a result, organizations will soon need to decide whether migrating to SAP S/4HANA is the right path forward.

The purpose of this LSI Insights article is not to convince you that SAP S/4HANA is the right solution for your organization. Instead, it serves as a roadmap to help you evaluate your options and make an informed decision that aligns with your organization's goals, priorities, and long-term strategy.

There is no one-size-fits-all approach. Every organization is different and has unique business, technical, and financial considerations. With that in mind, LSI's team has a long history of delivering SAP S/4HANA projects, including both on-premises and cloud deployments, and we have seen substantial benefits for our clients. These benefits include improved user experiences through SAP Fiori, access to new innovations and capabilities, reduced technical overhead in cloud environments, and significantly faster reporting and analytics powered by the SAP HANA database. The advantages extend far beyond these examples.

## **SAP ECC support ends in 2027— what's your next move?**



So, what does an SAP S/4HANA migration entail? This LSI Insights article provides a real-world perspective on the journey. There are several migration strategies to consider, including Greenfield (a complete reimplementations), Brownfield (a system conversion of your existing environment), and Hybrid approaches that combine elements of both. Organizations must also determine whether they will adopt RISE with SAP and move their landscape to a hyperscaler-hosted environment.

While the Greenfield approach involves starting from scratch and redesigning business processes, this article focuses primarily on the Brownfield approach. A Brownfield migration can often be described as a "lift-and-shift" conversion, where an organization migrates from its existing ECC environment to SAP S/4HANA while minimizing functional changes. One of the key advantages of the Brownfield strategy is that it preserves historical data, which is often a critical requirement for public sector organizations due to regulatory, compliance, and reporting obligations.

**The following chart shows how to evaluate your current state financial environment and process to migrate to S/4HANA**

Current FI Environment in ECC	Document Splitting Used	New GL Migration Required	Migration to S4 Hana Type	Migration Type
<b>Classic with No Special Ledger</b>	No	No	Classic GL to Universal Journal	Brown field
<b>New General Ledger</b>	Yes	No	New GL to Universal Journal	Brown field
<b>Class and Special Purpose Ledger</b>	Yes	Yes	New GL to Universal Journal after the New GL Migration	Brown field
<b>Class and Special Purpose Ledger</b>	No	Yes	New GL to Universal Journal after the New GL Migration New GL to Universal Journal after the New GL Migration  Implementation of Split processing must happen in ECC.  SAP provides comprehensive documentation that makes it easy to compare ECC transaction codes with their SAP S/4HANA equivalents during the migration process.  not support Public Sector Migration of Split Process in S4 Hana	Brown field
<b>Funds Management Implemented</b>	N/A	N/A	No impact (No changes to FM tables)	Brown field
<b>Grants Management Implements</b>	Yes	N/A	No impact (No changes to GM tables)	Brown field

# New General Ledger Requirement

It is important to note that organizations migrating to SAP S/4HANA are required to be on the New General Ledger (New G/L). For organizations still using the Classic General Ledger, SAP provides a New G/L Migration Cockpit that can be used to facilitate the transition.

In a Classic G/L to New G/L migration scenario, organizations should expect to spend time addressing data quality issues and resolving inconsistencies identified during the migration process. Data remediation activities are often necessary to successfully complete the various migration phases and ensure that all financial data is correctly transferred to the leading ledger (OL). Proper planning and testing are essential to avoid delays and minimize risks during the conversion.

## Pre-Checks

As part of the migration planning process, organizations should run the SAP S/4HANA pre-check report for the target release they intend to implement. For example, one of our current clients is preparing to migrate to SAP S/4HANA 2025 FPS01. The pre-check report provides valuable insights into system readiness and identifies areas requiring remediation before the conversion can begin.

Much like an SAP EarlyWatch report, the S/4HANA pre-check report highlights technical, functional, and data-related issues that must be addressed. In many cases, organizations will need to implement applicable SAP Notes and perform corrective actions before proceeding with the migration.

The report also provides an excellent high-level view of data remediation requirements, helping project teams estimate the effort needed to prepare for the move to SAP S/4HANA. Data quality and remediation considerations will be discussed in greater detail later in this article.

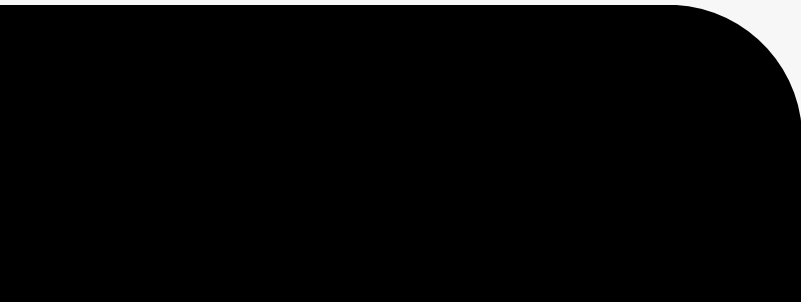
## ECC Preparation Programs

Application	TCODE	Program	Purpose
FI	FIN_CORR_RECONCILE FIN_CORR_DISPLAY	FIN_CORR_RECONCILE FIN_CORR_DISPLAY_ISSUE	Review FI tables Index
MM	NA	FIN_ML_CORR_RECONCILE FIN_ML_CORR_DISPLAY_ISSUE	Review MM data to assist in loading the Material Ledger
FI, CO, AA, MM, BP	NA	/SDF/RC_START_CHECK	Perform precheck in ECC. The process will identify application data and configuration that will need to change. SAP has tools to assist in correcting the data.
AA	AUVA	RAUNVA00	Review Incomplete Assets. This asset will need to be review.

# Custom Code Remediation

Lastly, organizations should review the required changes to their ABAP custom code. For public sector organizations that have been running ECC for many years, this effort can begin early in the pre-check phase and may require a significant amount of time, depending on the number and complexity of custom objects.

SAP provides tools and reports to identify custom code that may be impacted by the move to SAP S/4HANA. Reviewing and remediating these objects early in the project can help reduce risk and avoid delays during the conversion process. To learn more about the activities involved in custom code remediation, SAP has published several excellent resources on the SAP Community website that provide detailed guidance and best practices.



# Data

Data remediation is where much of the heavy lifting occurs during an SAP S/4HANA migration. A major area of focus is master data, particularly the conversion of customers, vendors, and employees to Business Partners (BP), which is a mandatory requirement in SAP S/4HANA.

While the Business Partner conversion process itself is relatively straightforward, organizations should first determine their desired number range strategy. Ideally, Business Partner numbers should align with existing customer and vendor number ranges, but conversions can also be completed when number ranges do not match. One effective way to evaluate the best approach is to perform a trial conversion in an ECC sandbox environment before beginning the actual migration. A sandbox strategy allows organizations to validate the process, identify potential issues, and repeat the conversion using refreshed data if necessary.

However, Business Partner conversion is only one part of the overall data effort. The primary focus should be on identifying and correcting data that is incompatible with either a New General Ledger migration or an SAP S/4HANA conversion. Every open item and historical transaction should be reviewed, regardless of age. Even transactions that are 10, 15, or 20 years old can prevent a successful migration if they contain invalid or inconsistent data.



Organizations often discover legacy data that originated from abandoned projects, inactive company codes, or business processes that were implemented but never fully adopted. In many cases, these records remain in the system long after the original initiative was discontinued. While some data may be archived or deleted prior to the migration, any remaining data must be evaluated to ensure it complies with SAP S/4HANA requirements. An important consideration is that even if functionality was never moved into production, related data may still exist in development or quality assurance systems. As a result, these inconsistencies can appear as errors during the migration process. The silver lining is that the remediation effort provides an opportunity to improve overall data quality across the SAP landscape. Once production data has been corrected, quality assurance systems can be refreshed from production, creating a cleaner and more stable environment for testing and validation.

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that are decades  
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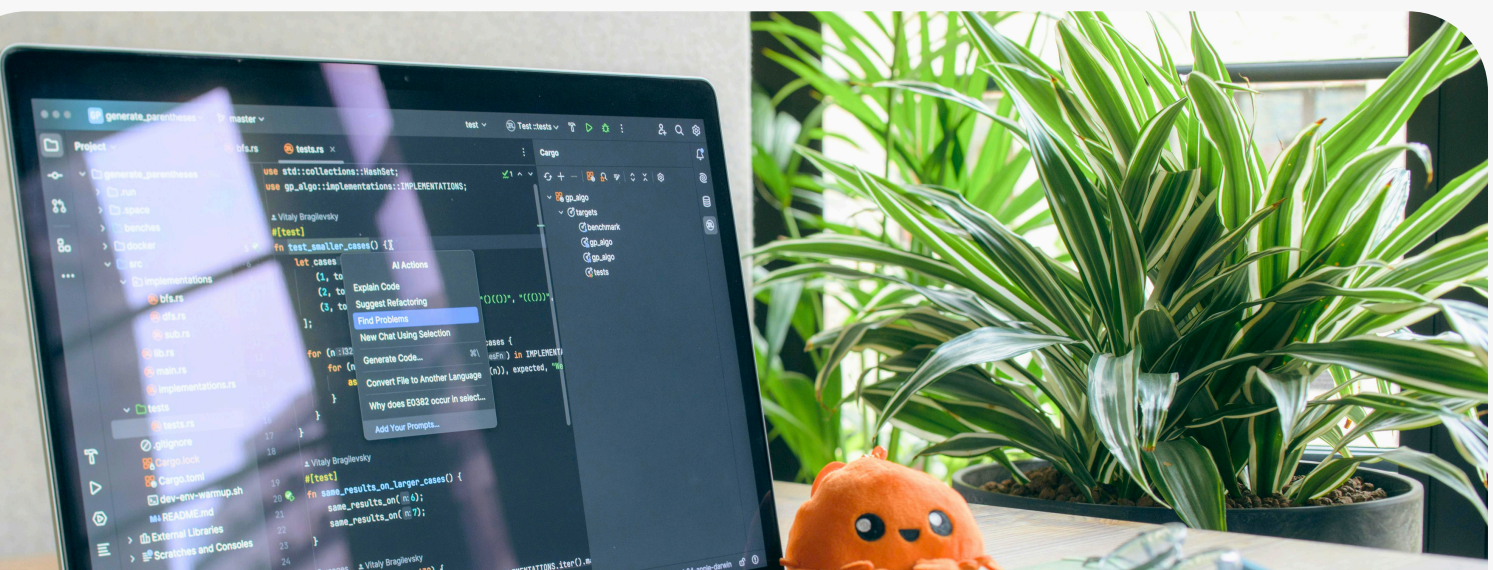
# Business Areas and Data Quality

Another common challenge encountered during both New General Ledger and SAP S/4HANA migrations involves the use of Business Areas (BAs) in ECC. Many organizations that implemented SAP years ago adopted Business Areas to satisfy financial reporting requirements before Profit Centers became the preferred reporting structure.

This scenario is particularly common in public sector organizations that use Business Areas in conjunction with Funds Management, Grants Management, or document-splitting requirements. Over time, however, data inconsistencies often accumulate. For example, bank transactions, clearing documents, and other financial postings may contain blank Business Area values because ECC permitted those postings. In other situations, a Business Area may be populated while the corresponding Fund field is left blank.

These issues must be identified and corrected before a New General Ledger or SAP S/4HANA migration can be completed successfully. Migration tools do not automatically resolve data quality problems, making data remediation one of the most critical components of the project.

This is one reason why working with an experienced consulting partner is so important. Organizations that have successfully completed multiple SAP S/4HANA migrations often have proven methodologies, accelerators, and automated tools that can identify and correct large volumes of data issues far more efficiently than manual processes. Leveraging that experience can significantly reduce project risk, improve timelines, and increase the likelihood of a successful migration.



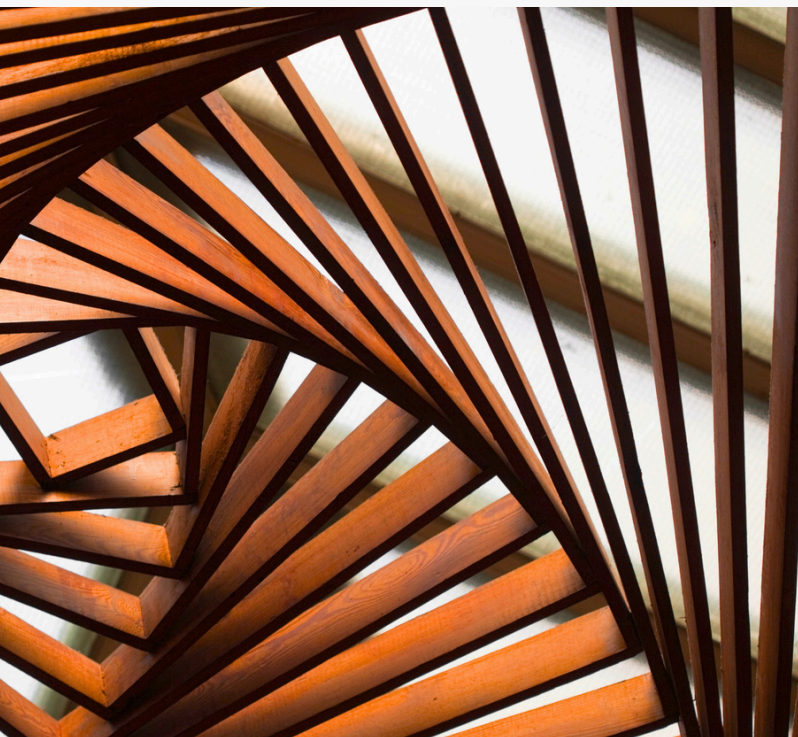
# Architecture

One of the first recommendations is to create a sandbox environment that is a copy of your production system. This environment allows you to run the pre-check reports discussed earlier, analyze and remediate data issues, and perform Business Partner conversion activities. Because the sandbox can be refreshed at any time, it provides a low-risk environment to test and repeat migration activities until all issues have been resolved, and the process is well understood before moving to the Development system.

This approach also provides an opportunity to correct data issues in both Development and Production ahead of time, reducing risk and helping ensure a smoother migration when the Development conversion begins.

Another strategy to consider is building an N+1 landscape. In this model, copies of your Development and Quality systems are created so that ongoing maintenance and support activities can continue while the existing landscape is being migrated to S/4HANA. The N+1 systems remain in place until the converted Development and Quality environments have been fully tested, and Production has gone live.

Organizations moving to a hyperscaler cloud platform have an added advantage. Additional N+1 systems can be provisioned on demand and paid for only as long as they are needed. Once the S/4HANA implementation is complete and Production is live, the temporary N+1 systems can be decommissioned, eliminating the associated infrastructure costs

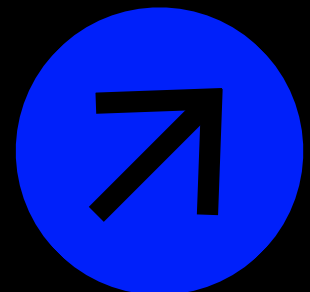




## Asset Technical Clearing Account

One of the first recommendations is to create a sandbox environment that is a copy of your production system. This environment allows you to run the pre-check reports discussed earlier, analyze and remediate data issues, and perform Business Partner conversion activities. Because the sandbox can be refreshed at any time, it provides a low-risk environment to test and repeat migration activities until all issues have been resolved, and the process is well understood before moving to the Development system.

**SAP S/4HANA eliminates  
Asset Accounting  
reconciliation by unifying  
financial and asset data  
in the Universal Journal in  
real time**



# Asset Accounting and the Technical Clearing Account

In SAP S/4HANA, asset acquisitions and retirements are processed through a redesigned posting architecture that leverages a technical clearing account. When an operational asset transaction is entered, the system initially posts an operational entry document. This document validates asset information and records the transaction against the technical clearing account but does not immediately update asset values.

The system then automatically creates one or more accounting-principle-specific documents, depending on the ledgers configured in the environment. These documents:

- Post to the asset reconciliation account
- Offset the technical clearing account
- Update asset values and asset line items
- Record values in the appropriate ledger(s), such as the leading ledger (OL) and non-leading ledgers (for example, NI)
- This architecture provides greater flexibility for organizations managing multiple accounting standards, such as IFRS, GASB, or local GAAP requirements.



If an adjustment is required for a specific accounting principle, transactions such as AB01L can be used to post corrections to a particular ledger valuation.

# Benefits of New Asset Accounting

The redesigned Asset Accounting architecture provides several advantages:



- Flexible parallel valuation using either the ledger approach or G/L account approach
- Simplified support for multiple accounting principles
- Consistent financial reporting across ledgers
- Real-time integration with the Universal Journal
- Perhaps most importantly, reconciliation between Asset Accounting and General Ledger is no longer required.

In SAP ECC, organizations often rely on reconciliation programs such as RAABST01, RAABST02, and FAA\_GL\_RECON to identify differences between the Asset Accounting subledger and the General Ledger. Because all asset postings now update the Universal Journal in real time, Asset Accounting remains continuously reconciled with the General Ledger. As a result, these reconciliation programs are no longer available in SAP S/4HANA.

# Conclusion

Moving to S/4HANA is just not just an upgrade or a routine IT upgrade—it is a foundational modernization that impacts enterprise performance, data strategy, and future innovation using AI. With SAP ECC support ending, it is time to start evaluating the best path forward for your organization.

## Business Value of S/4 Hana

- Real-time decisioning: In-memory processing accelerates analytics and reporting across the enterprise.
- Operational efficiency: Simplified data structures and unified architecture reduce system complexity and maintenance overhead.
- Enhanced user productivity: SAP Fiori delivers a modern, intuitive interface that improves adoption and workflow speed.
- Future Initiatives: Positions the organization for AI, automation, and advanced analytics capabilities native to S/4HANA.

## Risks & Challenges

- High technical complexity: Custom code, integration, and process redesign require deep assessment.
- Resource strain: Migration demands significant IT and business involvement over an extended period.
- Data readiness: Cleansing, harmonization, and restructuring are often the longest critical path.
- Change management: User adoption and process shifts can impact productivity if not managed proactively.

## Critical Success Levers

- A Clear, Executive-Owned Roadmap: Define scope, timeline, budget, and early governance. Aligning migration with broader digital transformation goals.
- Enterprise-Wide Data Strategy: Treat data cleansing and governance as a strategic initiative, not a technical task.
- Investment in People: Training, communication, and change management must be funded and championed at the executive level.
- Expert Partnership: Engage experienced SAP integrators to reduce risk, accelerate delivery, and optimize system design.

# The Bottom Line

Migrating to SAP S/4HANA is a strategic business decision, not simply a technical upgrade. Organizations that approach the initiative as an enterprise-wide transformation will realize the greatest value through improved efficiency, better decision-making, and increased agility.

With thoughtful planning, strong governance, high-quality data, and experienced implementation support, an S/4HANA migration can become a catalyst for operational excellence, innovation, and long-term business success.



## About LSI

LSI is an independent provider of SAP solutions, specifically catering to the Public Sector while also offering specialized skills in the media and entertainment industries. Leveraging deep expertise and cutting-edge technologies, LSI empowers organizations to modernize, allowing them to operate at the pace of today's business landscape.

LSI excels at navigating the intricate challenges faced by public sector organizations. We collaborate with stakeholders to foster change and build the agile organizations of tomorrow, utilizing today's technologies. Our cloud solution enables businesses to scale rapidly, lower overhead costs, and provide the flexibility that both employees and customers require.

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