

FKS Consulting

FINANCE | KNOWLEDGE | SOLUTIONS

The Economics of Refactoring

Why „never touch a running system“ can become an expensive bias



Executive Summary

Most organizations manage implementation, but not retirement

- Custom developments are not the problem.
- The problem is that most organizations manage their implementation, but not their retirement.
- Over time, SAP standard evolves while historical developments remain untouched. Complexity accumulates silently until the next major transformation exposes it.
- The result is predictable: larger project scope, higher costs and longer implementation timelines.

Organizations that continuously review custom developments against evolving SAP capabilities turn refactoring into a permanent cost-control mechanism.

Stable Systems Can Still Age

Operational stability often hides structural complexity

Many SAP systems operate successfully and reliable for years without major incidents.

- The absence of problems creates a perception of health.
- Meanwhile, custom developments, interfaces and workarounds continue to accumulate.
- The system architecture gradually becomes more difficult to understand, maintain and modify.

The challenge is **not technical instability**. The challenge is **structural aging**. And structural aging usually becomes **visible only** when the **next major transformation** begins.

Every Custom Development Has a Lifecycle

The value of a solution can change over time

- Most custom developments were built for valid business reasons at the time, SAP standard often could not support the requirement.
- But SAP continuously evolves.
- Many developments are never reviewed again.
- Aging of developments emerges years later.

A solution that created value ten years ago may no longer create value today.

The challenge is knowing when that point has been reached.

Complexity Accumulates Silently

Historical decisions become future project scope

Development depending on other developments over time accumulating complexity.

- Organizations rarely remove custom developments.
- They remain part of the system landscape year after year.
- Each additional enhancement increases dependencies, testing effort and maintenance effort.
- The impact remains largely invisible.
- Until the next major transformation begins.
- The question is: “**Does it still create value**”? and not “Does it still work”?

The objective is structural simplification and not technical change.

Why Transformation Costs Escalate

Projects inherit the full complexity of the past

- Every custom development that remains untouched today becomes part of tomorrow's transformation scope.
- Large SAP programs rarely start with a clean slate.
- They inherit decades of structural decisions.
- That's why the largest cost drivers are frequently not the SAP technologies themselves.
- The result is predictable: larger projects, longer timelines and higher costs.

Refactoring therefore creates value long before the next transformation starts.

Refactoring Is a Management Process

Not a one-time project activity

Many organizations treat refactoring as part of a migration project, turning into a quantitative question:

- How much custom code do we have?

and subsequently forcing:

- Let's replace everything with SAP standard.

A real evaluation requires understanding business processes, valuation models, costing structures and system architecture as one connected system.

Custom developments should be periodically challenged against evolving SAP capabilities.

The objective is proactive simplification rather than reactive cleanup.

Take Away

Complexity should be managed before projects expose it

The most expensive complexity is often the complexity nobody questions anymore.

- Custom developments are not the problem.
- Unmanaged complexity is.
- Organizations that actively manage the lifecycle of custom developments reduce future transformation effort before the next project starts.
- Refactoring is not technical housekeeping.
- It is long-term cost control.

Organizations that continuously simplify today reduce transformation costs tomorrow.

FKS Consulting Perspective

At FKS Consulting, we help organizations distinguish value-creating complexity from historical complexity

At FKS Consulting, we help organizations create transparency across processes, system architecture and finance structures.

- We design finance processes that preserve business context and traceability.
- Modernization start with understanding which complexity still creates business value.
- With automated activities, accelerated execution and trust in financials, the goal is sustainable simplicity.

Turning complexity into transparency.

