Digital Finance in practice
Marc Mertens – Frederik D’heer
May 18th, 2018
WARM-UP
Let’s start with a quiz...

LIVE QUIZ

Visit www.menti.com and use the code 274284 to participate
The Pace Layer Model

Three systems to visualize a target landscape: Record, Differentiation, Innovation

- **System of record**
  - Stable
  - Compliant
  - Standardized

- **System of differentiation**
  - Unique processes
  - Industry-specific
  - Competitive advantage

- **System of innovation**
  - Ad-hoc build
  - Next competitive advantage
  - Not stable yet

Clean ERP is a path to the Pace Layer Model architecture
Technical debt can be a hindrance to pursuing it

Existing model

- Outdated requirements
- "Misused" Configuration
- Modifications
- Standard Enhancements
- Custom Screens
- Custom Tables
- Custom Forms
- Custom Reports
- Custom Fields
- Years of break-fix
- Nice to have customization

Pace Layer Model Architecture (Platform-driven Ecosystem)

- Eliminate unnecessary customization
- Transition dynamic, complex leading practices to the system of innovation platform
- Reduction of Core Footprint
- Adopt and optimize core-specific leading practices in/on top of the baseline ERP

Baseline ERP

Baseline ERP = Agile, lower TCO

Existing ERP Investments

Heavy technical debt = high TCO

Existing model

Baseline ERP

Standard Configuration

System of innovation

System of differentiation

System of record

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What is SAP S/4HANA?

SAP S/4HANA is the latest ERP solution of SAP.

- S stands for simple
- 4 stands for fourth generation
- HANA stands for In-Memory Real Time
Introducing S/4HANA

The HANA solution evolved from an in-memory database to a simplified data model including an improved user-interface and easier deployments.

- In-memory platform
- Real-time analysis
- Real-time reporting
- Real-time business
- OLAP and OLTP together
- SAP HANA Enterprise Cloud for SAP Business Suite on SAP HANA
- Instant financial insight
- No aggregate
- Single source of truth
- Simplified data model
- New user experience
- Advanced processing
- Choice of deployment
Introducing S/4HANA
Speed, efficiency, simplicity and transparency are some of the core values of S/4HANA
Introducing S/4HANA
The below picture shows a typical SAP landscape.
Demo 2 - TBD

Carrousel warm-up - Fiori examples
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S/4HANA in combination with Robotics becomes even more powerful

Robotics Process Automation (RPA), can greatly improve the speed and efficiency of repetitive tasks.

**RPA is...**

- Computer-coded software
- Programs that replace humans performing repetitive rules-based tasks
- Cross-functional and cross-application macros

**RPA is not...**

- Walking, talking auto-bots
- Physically existing machines processing paper
- Artificial intelligence or voice recognition and reply software

**What it can do**

- Opening email and attachments
- Logging into web/enterprise applications
- Moving files and folders
- Copying and pasting
- Filling in forms
- Reading and writing to databases
- Scraping data from the web
- Connecting to system APIs
- Making calculations
- Extracting structured data from documents
- Collecting social media statistics
- Following “if/then” decisions/rules
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The Deloitte ReimaginePlatform

Deloitte ReimaginePlatform is a collaboration between Deloitte and SAP to serve the best of what SAP and Deloitte have to offer in terms of next generation technologies.
Many applications are not quite as farfetched as you imagined them...

We currently have more than 50 digital innovation use cases in different business lines.

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<th>UP NEXT</th>
<th>LOOKING FORWARD</th>
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<td>ML4C – Sentiment Analysis</td>
<td>Machine Learning for Customer (ML4C)</td>
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<td>Machine Learning for SAP® Hybris® (ML4H) - Product Recommendations</td>
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<td><strong>Finance</strong></td>
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<td>Lights Out Finance - GR/IR Clearing</td>
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<td>Smart Top – Real Time Analytics</td>
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<td>Use Cases</td>
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<td>© Deloitte 2018</td>
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For more Information, please visit [www.deloitte.com/sap/drp](http://www.deloitte.com/sap/drp)
**Business Driver**

- Finance teams are under tremendous pressure to clear GRIR at month or quarter end to ensure correct representation of liability and this may mean potentially time consuming analysis governed by a manual clearing process. If goods receipts are not consumed by invoices, liabilities are overstated resulting in incorrect cash position.
- This process of backing out and re-posting / manually clearing can be time-consuming. The objective here would therefore be to develop a mechanism to automate the clearing process, thereby reducing the time to close at period end and enable faster close.

**Solution Overview**

- Provide real time insights to GR/IR variances caused due to vendor behavior patterns, 3-way matching discrepancies.
- Suggest next steps based on materiality of variances, criticality of Vendor, PO value, material and other criteria.
- Automatically write-off or write-up based on historical age thresholds and vendor invoicing patterns.

**Features**

- Understand the subtle delivery and invoicing behaviors of vendors, and the triggers for matching discrepancies.
- Provide instant feedback to vendors on short deliveries, inflated invoices and other discrepancies.
- Automated resolution to discrepancies based on past user behaviors.
- Automated debit memo creation when an invoice is booked outside of tolerance.
- Communicate GR/IR discrepancies to purchasing teams immediately after occurrence.
- Collect insights based on patterns – types of differences, locations, vendors, materials etc.

**Value Levers:**

**Accounts Payable Organization:**

- Faster and easier prioritization of high value variances with high impact to margin or inventory.
- Minimizing the time required for analysing open GR/IR items, writing off or writing up high volume PO line variances.
- Improve housekeeping of clearing account and minimizes potential fraud.
- Increased visibility to repeat offenders, short receipts, inflated invoice price.
- Faster close cycles.
- Real-time GRIR Aging.

**Treasury Organization:**

- Improved cash flow.
- More current accrued liabilities.

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**Lights Out Finance – GR/IR Clearing**

**Cross-Industry**

**Planned Launch Date:** Q4 2017

**Integrated Market Solution:** Lights Out Finance

**Function:** Finance

**Processes:** GRIR

**Demographic:** Cross-industry with primary focus on C&IP, Retail, Wholesale Distribution, Manufacturing

**PMD Sponsor:** John Steele

**Use Case Owner:** Smitha Chowdavarapu

Member firms and DTTL: Insert appropriate copyright

[To edit, click View > Slide Master > Slide Master]
Compare the standard way of working...

Overview of the initial process for GR/IR clearing.

Month End Closing → Accountant Runs MR11 → Analyze the MR11 Output → Clear the line items based on user defined business rules

- Line Items for further analysis
  - YES → Investigate the high value line items
  - NO → Resume other month end closing tasks

- Perform other required checks in System/Outside
- Check with warehouse team on packing list/GR details
- Check with AP team for missing invoices - Error EDI Idocs/Parked Invoices etc.

Continuous Iterative Process
To the machine learning enabled way of working
And the scenario when applying machine learning to the process.

Month End Closing → Daily Auto Run ZMR11 → Pass open GR/IR to ML model → Get ML’s decision and confidence

Train ML model on historical data of GRIR clearance → ML Model deployed on SAP HANA

Confidence of clearing GRIR

YES → > 80% Auto clear

NO → 70 - 80% Request approval

Carry out Month end process for AP

User approves/ rejects based on ML categories

Manual
Automated
GR/IR clearing demo
Closing aspects in SAP S/4HANA
Accelerated hard close, soft close and predictive close

**Hard → Fast Close**

- Faster Insight on the basis of certain improvements
  - Elimination
  - Real-time Execution
  - Continuous Execution
  - Acceleration (automatic tasks)
  - Automation (manual tasks)
  - Higher efficiency (manual tasks)
- Enable Faster Close with less effort

**Soft Close**

- Continuously be able to close the books
  - Continuous Closing – enabling to run all tasks fast and easy in an automated series and eliminating period-end tasks
  - Profitability characteristics are derived automatically during the posting so management information is available already during the period – no need to wait until month-end settlement is done.

**Predicted Close (upcoming)**

- Analysis on the basis of “Predicted Actuals”
  - Information of processes in progress, previous period data, manual adjustments, statistical methods
  - “Predicted Actuals” are derived from these processes to already be able to predict and analyze the results at period end during the period

Live Insight is provided automatically

Prediction on a stable ground
WRAP-UP
And what about your company?

LIVE POLL
Visit [www.menti.com](http://www.menti.com) and use the code 274284 to participate