



Five ways to transform Finance using SAP S/4HANA®

As part of a broader 'Kinetic Enterprise' transformation, SAP S/4HANA® can help finance functions operate in a more agile manner. The key ingredients are a clean digital core, built-in intelligence and a cloud-enabled responsiveness for moving at the pace of disruption.

Anyone working with finance transformation knows that it is a double-edged sword: On one hand, it can have a significant positive impact on business results. On the other, it can require a considerable amount of key talent and resources for an extended period of time. That's why no organisation takes finance transformation initiatives lightly – it's important to get them right.

For us at Deloitte, the essence of SAP S/4HANA® is that it provides a core digital platform for a much more responsive, intelligent 'Kinetic Enterprise', with data that is available in real-time to manage the business in a more timely manner.

For the finance department, specifically, SAP S/4HANA® enables more speed and better insights in almost every area of finance.

At the same time, it is a platform for real-time embedded analytics – with no more waiting for separate reporting systems, batch jobs and long processing times.



SAP S/4HANA's in-memory processing makes it possible to store and access a higher volume and broader spectrum of data – from supply chain, personnel and sales to distribution and procurement – all provided from a single source of truth in the centralised universal ledger. But because financial data is foundational to so many business capabilities, many organisations take a finance-first approach in which the CFO is driving the case for change.

Here are just five ways in which SAP S/4HANA® could prove to be a financial game-changer:

1. Forecasting and scenario planning through real-time insights

Companies today invest significant resources and time in developing financial plans to communicate business strategy, measure performance and form the basis of the forward-looking guidance provided to investors and the market in general. Whether developing top-down targets or building bottom-up budgets, however, the planning process is often complex and fraught with inefficiencies and a lack of transparency. The business drivers and key performance indicators used as the foundation of financial forecasts generally lack a cohesive governance strategy and data is not integrated across all areas of the business. Lack of data is not an issue; rather, having the ability to discern which data is most relevant is key.

SAP Analytics Cloud (SAC) is specifically developed to target these challenges with a state-of-the-art planning technology built on the principles of Core Data Services (CDS) in which data models are defined and consumed on the database server rather than on the application server. What this does is enable a single source of truth as data from SAP S/4HANA® are automatically updated in SAC through a live connection, just as SAC also supports ECC as well as other systems in order to reach a maximum level of flexibility.

The results are significant: The SAP Analytics Cloud (SAC) not only enhances the planning process to create more

extensive and responsive financial plans aligned with strategic priorities, but also enables the organisation to better anticipate, analyse and respond to changes in business performance and market conditions. Looking proactively, predictive insights and scenario analytics help expose and shape new opportunities ahead of the competition, using financial, operational and market data to feed powerful business intelligence that yields value-driven results.

2. Finally, one source of truth in SAP S/4HANA® Financials

Witnessing the large ERP implementations of the 90s and 00s, there were always mixed feelings when robust processes governing the supply chain were built up, structuring and organising operational data across the business into a single system. Due to limitations in database performance and reporting, it was necessary for SAP (and all of its competitors in the ERP space) to organise data into multiple tables, modules and analysis cubes. This meant that, despite having a single source of the truth in the solution, finance professionals had to go to multiple tables and multiple modules to assemble the truth from a finance perspective.

With S/4 HANA® Financials, all finance-relevant data is finally structured in a single table with multiple dimensions and logic that enables simple distinction between group, legal, statutory, tax and other potential consumers of such data. Equally, it allows industries that need additional data to manage increasing regulatory compliance, such as the combination of risk and accounting data in the Financial Services industry, to define additional fields as standard in the overall accounting string to ensure that data is captured with all relevant dimensions.

This may sound trivial, but for companies with millions of transactions every month, captured on hundreds of relevant dimensions, this gives a mind-blowing number of possibilities to control, evaluate and report data, in real time.

This functionality can be likened to the advent of pivot tables in spreadsheets. The finance application in SAP is like having the

entire company sliced and diced in excel and the opportunities for this both for control and for prediction are infinite.

3. Getting real-time profitability insights directly out of SAP S/4HANA®

Needless to say, analysing margins and root causes for profitability is key to understanding a company's financial performance. This is where the Margin Analysis functionality of SAP S/4HANA® comes into the picture – a vast improvement from earlier versions of profitability analysis.

With Margin Analysis it is much easier to gain real insight into the company's margins, revenues and costs, including detecting and correcting cost anomalies through drilling down on any desired characteristic. At the same time, information about cost and revenue is always 100 percent current and reconciled with the income statement, thus ensuring both transparency and ease of use.

Deployed effectively, Margin Analysis could be a game-changer for companies – or at least a significant competitive advantage over competitors who are failing to invest in this kind of intelligence.

For the first time, companies can get the full picture net margin and indirect cost across customers, products, channels and sales territories. This not only allows for improvements in the product/channel mix, but also the identification of strategic initiatives to boost profitability, more effective negotiations and ultimately terminating customers that are consistently destroying profit and focusing on those that are not.

4. Consolidation embedded in the very core of SAP S/4HANA®

Does your company also have a reconciliation process that seems to go forever at the end of each month? Are you also tired of waiting for separate reporting systems, batch jobs and long processing times?

The SAP S/4HANA® Group Reporting solution it is the next-generation consolidation solution that also acts as

group financial data platform and offers native integration with accounting, planning and reporting. With SAP S/4HANA® Group Reporting, legal consolidations and financial reporting are executed within the core, leveraging data from the general ledger, so consolidations and financial reporting are faster, transparent and more efficient.

All this is due to the so-called Universal Journal. Whereas traditional ERP systems were typically optimised for transaction processing, with data stored in many different tables, SAP S/4HANA® uses its Universal Journal to store all financial transaction details in one table.

The SAP S/4HANA® Group Reporting thus combines all financial accounting data into a single Universal Journal, enabling real-time consolidation with near-zero latency and no offset between accounting, analysis and consolidation. The result is complete transparency to a reconciled ledger that enables accounting and corporate shared services to manage an 'anytime' close and possibly eradicate the need for a month-end close altogether.

5. Putting the finance function back in the driver's seat

SAP's graphical user interface has traditionally had the reputation for being dull, grim and uninviting. For companies, this has led to high costs of training new employees and challenges in ensuring adoption of solutions running on SAP. The fact that it did not run on every device simply meant that it did not support flexible working, just as usability was very low.

With the launch of SAP's HTML5 user interface, Fiori, and SAP's digital platform as a service, SAP Cloud Platform, SAP's screens have actually become simplified, user-centric and much easier to use in SAP S/4HANA®.

But more than visuals and usability, the Fiori device-agnostic user interface also allows finance leaders to take full control of the transformational journey with a much greater ability to control processes, define own reports as well as the freedom to decide which apps are relevant for

certain roles. As a consequence, many improvements and innovations can be made within finance itself – without necessarily having to go through strenuous development processes with the IT department.

Ready for change?

The above-mentioned features of SAP S/4HANA® are just few of the ways in which finance executives can begin to conquer complexity, focus resources on more value-added activities and support the organisation's ability to use real-time insight – to operate as a built-to-evolve 'Kinetic Enterprise', enabled by a clean core, intelligent technologies, cloud solutions and an inclusive ecosystem of capabilities and services.

Through a clean, intuitive user interface, SAP S/4HANA® provides a single, real-time version of the truth – supporting greater data transparency and giving users the ability to drill down to line-item detail and to access real-time reporting. Executed effectively via the cloud or on premise, the S/4HANA suite can ultimately help finance leaders enhance productivity, accelerate business processes and respond rapidly to disruption and new business demands.

Will every company using SAP today step up to SAP S/4HANA®? Probably not every company, but this is a watershed moment for SAP customers. Among the organisations that have already started their S/4HANA® journey, three factors seem to be shaping their decisions.

The first factor is competitive risk. Companies already moving to SAP S/4HANA® will get the benefits sooner, and those benefits can be substantial. There also are some risks in waiting. SAP will end support of legacy versions at the end of 2027. As that date approaches, expect growing competition for implementation talent.

A second factor is the degree of growth and business complexity companies foresee. If your future includes more acquisitions, divestitures and evolving business models, SAP S/4HANA® can help make life easier.

A third factor is data quality. Many companies are still struggling to get their data acts together. For those with multiple instances of SAP or other ERP systems, SAP S/4HANA® is an opportunity to pull the entire enterprise into financial alignment around a tested set of simplified processes.

Yes, it can be complex, and yes, there may be implementation risks, but defining a digital transformation roadmap upfront, driven by prioritised capabilities that drive value for the business, can help address both cost and risk in a positive way.

Whatever the arguments, now is definitely the time to stop thinking about core systems and finance as enablers of stability and efficiency, but rather as drivers of innovation and change.

Learn more about Deloitte's SAP and finance capabilities

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Moving forward confidently with a finance transformation starts with insights. Deloitte can help you sort facts from fiction. No matter where you are on your finance journey, we can show you the art of the possible with SAP S/4HANA® solutions and help you reimagine everything required for an effective transformation. Contact us to get the conversation started.

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