Accelerate finance transformation using SAP S/4HANA

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Introduction
Challenges and evolution of finance and tax function
Challenges that finance and tax function face today

**Reports of yesterdays’ truth** created by batch runs – and reconciliation required since information is spread over multiple tables, with different details, structures and capabilities.

**Planning takes too much time** when non-integrated worksheets are used or done by experts on a line item level with no flexible simulation in place.

**Complex processes and User interface (UIs)** for financial and tax operations and closing activities - time consuming, and requires system experts.

**Analytics** are only for senior level - when preordered - then outdated, inflexible and no drilldown available.

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The evolution of the finance and the tax function
Finance is heavily impacted by disruptive technologies

**Catalyst:** catalyst role will be impacted by predictive and cognitive analytics leading to real time decisions on strategy execution and achieving financial objectives. This will be supported by visualization/augmented reality technologies.

**Steward:** Blockchain in combination with platform technology can automate auditing techniques and allow real time reconciliation of books. Cyber security and privacy policies are of critical importance to protect and preserve the critical assets of the organization.

**Strategist:** amplified intelligence will enable advanced strategic scenario planning that is enriched with real time information. There is the ability to quickly process masses of largely unstructured data using cognitive computing and the opportunity to focus on new markets and providing better products and services through greater insight into product and customer lifecycles.

**Operator:** finance (and tax operation) factories with robotics that are scalable and cost efficient form the solution to high volume and repetitive finance tasks. Process efficiency will be improved by eliminating repetitive tasks and reducing human error.

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S/4HANA
New digital core for finance transformation
Evolution of S/4 HANA

- R1 Mainframe (1972)
- R/2 Client/Server (1979)
- R/3 Mainframe (1992)
- SAP powered by HANA (2011)
- S/4HANA (2016)

- New in memory database platform goes live
- Business warehouse is deployed onto HANA for:
  - Real-time analysis
  - Real-time reporting
- Real-time business
- OLAP and OLTP together
- SAP HANA enterprise cloud for suite on HANA
- Real-time financial insight
- No more aggregates
- Single source of truth
- Simplified data model
- New user experience
- Advanced processing
- Choice of deployment
- Multi-tenancy
- Increased throughput
- Reporting and analysis
- Scalable infrastructure
- User experience

Even though the change in the ERP domain is significant, the underlying HANA database technology has been tested for over five years now.
S/4 HANA - the digital core of future ready enterprise

- Customer payments available
- Credit integration available
- Customer Fact Sheet available
- RealSpend available
- Digital boardroom available

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How S/4HANA is making the digital core real

Unified data model eliminates FI-CO batch reconciliation + Drill down to detail and KPI ‘cockpit’ + Central finance = Continuous soft close

With traditional system
- Close activities that don’t begin until period end
- Multiple batch-run dependencies
- Batch bottlenecks that delay downstream activities
- High error-correction efforts
- Complex issues that are postponed until after close
- Time-pressured resolutions
- Delayed visibility into reporting

With SAP S/4HANA
- Real-time system with key performance indicators (KPIs) instantly refreshed
- Elimination of end-of-period batch bottlenecks
- Continuous intercompany reconciliation
- Continuous financial reporting visibility
- Profitability analysis and line-item detail reconciliation
- Automation for routine tasks
- Full management visibility of close tasks
Simpler data model is driving significant reduction in data footprint and faster processing

Simple and lean data model

**SAP S/4HANA Finance**
SAP Finance with Aggregates and Indices

**SAP S/4HANA Materials Management and Operations**
SAP Logistics with Aggregates and Indices

**Benefits**

**TECHNOLOGY**
- No aggregates or redundant data
- No locking
- Full granularity for all processes

**CAPABILITY**
- Operations in real time
- Elimination of data reconciliation
- More precision
- Basis for simulations and predictions

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SAP Fiori: the user experience of SAP S/4HANA (DEMO)

**Single entry point**

The SAP Fiori launchpad will be the single entry point to access all apps

**Domain specific infos and actions**

Users will quickly get an overview of what needs their attention with overview pages, list reports and work lists, and trigger quick actions or drill down to the next level of detail

**Enter details and explore in-depth**

- Key and differentiating use cases will be re-imagined with the SAP Fiori user experience
- All ‘classic’ applications will have the SAP Fiori visual theme

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SAP S/4HANA core delivers value for accounting and closing operations

**ACCOUNTING**

Use **one single source of truth** for instant insight into **profitability** and all ledgers and sub-ledgers, such as:
- Asset accounting
- Inventory accounting
- Accounts payable
- Accounts receivable
- Revenue and cost accounting

**CLOSING OPS**

Accelerate **company close** through **automation and standardization**. Templates can be used across multiple entities to improve governance, share best practices. Support quick and efficient peer-to-peer reconciliation of intercompany balances and invoices between group subsidiaries.

**REPORTING**

Reduce risk and cost of **real-time financial reporting** and multidimensional data analysis for accounting standards with SAP solutions. Drill down into financial statements and source applications such as materials management or sales and distribution.

**Dynamic planning and analysis**
- M&A and divestitures what-if analysis
- Accelerated group planning cycles
- Predictive forecasts and dynamic simulation
- End-to-end customer and product profitability
- Rapid design of new business models

**Close books in a day**
- ‘Soft close’
- Instant profit-and-loss insights and real-time cost control
- Multidimensional reporting on the fly
- Integrated regulatory and managerial reporting
- Reduced reconciliations
- Centralized finance instance

**Always-on compliance**
- Instant identification and prediction of potential fraud through real time analytical reporting
- Improved compliance and higher audit management efficiency due to reduced reconciliation needs
- Integrated controls in processes

**10% to 20% reduction in budget and forecasting costs***

**10% to 20% reduction in general ledger and financial closing as well as audit costs***

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S/4HANA core improvement - universal journal
Single source of truth

**Benefits**

- **One line item table** with full detail for all applications - for instant insight and easy extensibility
- Data stored only once: **no more reconciliation** needed - by design
- **Reduction of memory footprint** through elimination of redundancy
- **Fast multi-dimensional reporting** without replicating data to business warehouse (BW)
- If a warehouse is in place anyway, only one single extractor needed
- Secondary cost elements are now G/L accounts

A single universal journal entry can have (technically) up to 999,999 line items → less or no need for summarization (depending on data volume)

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S/4HANA core improvement - simpler transfer pricing approach
Single-valuation ledgers or multi-valuation ledger - example

‘Parallel single-valuation ledgers’
• Valuation is assigned to ledger
• Option for new installations
• Easier authorization concept

‘Multi-valuation Ledger’
• Currency types of all valuations can be assigned
• No separate close needed
• Memory footprint optimized
• Default for migration

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S/4HANA core improvement - simplified reporting

SAP S/4HANA Finance provides reporting directly from the source, enabling real-time reporting with more flexibility.

**Legacy SAP**

- Extracts delay reporting
- Data redundancy requires reconciliation
- Aggregates eliminate flexibility of reporting

**Future of finance**

- Real-time reporting down to the detailed level
- Support enhanced user interfaces for reporting like 'SAP Fiori', 'Analysis for Office', 'HANA Live' etc.
- Flexibility in reporting without pre-defined aggregates

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S/4HANA core improvement - simplified reporting

Graphical self-service reporting using Lumira directly on top of S/4HANA Finance

Embedded financial planning - S/4HANA via analysis for office

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Real time consolidation vision within SAP S/4HANA Finance

S/4HANA Finance

- Embedded SAP Business Planning and Consolidation
- SAP Accounting
- SAP Cash Management
- SAP HANA

Central finance real time integration

- The universal journal as the foundation
- Shared master data and actuals
- ‘Real-time’ data access, no replication of data
- Aggregation, planning and consolidation on-the-fly
- Single, integrated environment
- Central finance option available to support real-time posting of financial transactions from external SAP and non-SAP Systems.

BENEFITS

- Minimize/eliminate data replication (direct real time access to universal journal)
- Minimize time to close (minimize consolidation cycle time from posting at source to availability of updated consolidated results)
- Reduce TCO (single environment, eliminate reconciliation...)
- Support real time soft close and analysis
- Optimize performance and scalability (significantly enhanced granularity)
- Support validation and preparation at source
- Address enhancements requested by existing SAP consolidation customers (i.e., COI pre-defined logic, AFD, enhanced support for unrealized profit in inventory and transferred assets)
- Maintain unification of planning and consolidations
- Supports deep integration with core S/4HANA Finance but able to function wholly stand-alone

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S/4HANA is enabling next generation finance transformation framework

**People**
Design and deliver processes with end-consumers in-mind to cultivate an investigative culture and optimize organizational productivity.

**Processes + analytics**
Unlock business value by arming business processes with advanced analytics and pushing insights to the point-of-action.

**Technology**
Lead the business transformation by revitalizing the core of IT assets, and simplify IT architecture to enable business innovation.

**Exponential business processes**
1. **Re-engineer** procedures from the ground-up to enable insights at the point-of-action
2. **Develop** intuitive, ‘smart’ processes that rapidly adapt to user inputs and put the workload on the systems, not the users
3. **Enable** exception-based performance management to improve business reaction times

**User experience**
- System of engagement
- Intuitive design

**Business process management**
- Re-shape existing business processes
- Automate processes for management by exception

**Enterprise science**
- Transactional analytics
- Real time insights

**All data**
- 360 view of data
- Standardize data across sources

**IT modernization and simplification**
- In memory processing
- Adopt enterprise cloud
- Consolidate landscape

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S/4HANA
Transition options

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Potential S/4HANA transition scenarios

**New implementation**
- ERP system
- Non-SAP system
- On-premise
- S/4Cloud

**EXAMPLE:**
new or existing SAP Customer implementing a new SAP S/4HANA system with initial data load

**System conversion**
- ERP system
- On-premise
- SAP S/4HANA

**EXAMPLE:**
complete conversion of an existing SAP Business Suite system or selective

**Landscape transformation**
- ERP system Region A
- ERP system Region B
- ERP system Region C
- On-premise
- S/4Cloud

**EXAMPLE:**
central finance

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Choice of transition scenarios for SAP S/4HANA
Transition approach depends on multiple factors

The appropriate transition approach

- System conversion vs. new implementation
- Number of steps for system conversion or deployment strategy for new implementation is customer-specific and depends on
- How well does the existing solution fit to the business requirements?
  - Is there a strong desire to re-implement and go back to standard (independent of SAP S/4HANA)?
- How well does the SAP ERP landscape fit?
  - Is there a desire to consolidate SAP ERP systems with the SAP S/4HANA conversion?
- What are the expected business benefits and how can they be realized fastest (time to value)?
- What are the transition costs, in particular what is the throwaway effort in case of interim steps?
- What are the system-specific risks of the transition and risk mitigation options?
- ... other dependencies
Client case
End-to-end financial reporting optimization and lessons learnt
End-to-end financial reporting: situation and approach

**Situation**

- No visibility into financial spend
- Lack of availability of detailed financial reports
- Older technology and lack of system knowledge
- Lack of executive trust in the system data

**Solution**

- Process: Implemented new cost flow processes that were not previously achievable due to technology limitations
- Technology: Leverage SAP S/4HANA platform for process innovation
- People: Provided newer insights and enablement opportunity to financial analysts to better manage end to end cost flow

**What we Found**

<table>
<thead>
<tr>
<th>Balance in Millions</th>
<th>Capital Clearing A/C</th>
<th>Intercompany Clearing A/C</th>
<th>Labor Clearing A/C</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,500</td>
<td>$2,000</td>
<td>$1,500</td>
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<td>$2,000</td>
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<td>$500</td>
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</tbody>
</table>

- O&M recording errors: $74M
- CWIP balance: $2B
- Work orders with errors: 35%

**Time**

- 22 days: Time to finalize monthly report
- 200 days: FTE time spend every month for reconciliations
- 3-5 days: Time to fulfill simple executive data request

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End-to-end financial reporting: results delivered

- Improved accountability and gained executive trust
- Insights in end-to-end financial processes
- Improved productivity and reduced reconciliation
- Unlocked financial savings

- Reduced time to finalize report by 60%
- Reduced reconciliation effort by 80%
- Corrected O&M and CWIP errors

Reduced executive request response time to under 2 hours

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## Lessons Learnt from S/4 Implementations

<table>
<thead>
<tr>
<th>Category</th>
<th>Lessons learned</th>
</tr>
</thead>
</table>
| **General**               | **Emphasis on version selection and alignment on intent across all project parties** – need to align on S/4HANA version early on, validate its readiness, completeness and market availability, and lock on a plan and roadmap with SAP. Failing to understand what is available and what not, or not locking a commitment among all parties on the version to move forward, can result on adhoc proposals to delay to adopt future versions leading to project disruption.  
**Collaboration with SAP** – a combination of factors makes it critical to account for SAP support on projects. These factors including new functionality that is not well documented, new immature solutions that require fixes/correction, and on-going releases of patches and fixes. |
| **Fiori – user experience** | **Fiori app set up** – Fiori apps are not all fully mature and require significant effort is to fix/correct bugs. Plan for experienced resources and additional testing time for defect resolution – OSS note delays etc.  
**Fiori app set up** – the effort required to initially set-up a Fiori app with no enhancements was equivalent to a low-complexity ABAP report and requires multiple skill-sets: security, functional, basis, and gateway.  
**Usage statistics** of Fiori apps are not available.  
**Fiori app security** – significant effort required for security role mapping for Fiori app. Resources require experience in ECC, Gateway and, in some cases HANA for the analytical apps as analytical apps read data directly from the HANA DB. |
| **Infrastructure**        | **Database Size** – there is a limit to the size of the database that can be supported when using virtualization.  
**Hosting** – if hosting is being considered, make sure that vendors are certified and have the right skillsets and appropriate number of staff  
**3rd-party performance and security optimization tools** – should be certified to work with HANA databases.  
**Bolt-on applications** – should be certified for the specific SAP S/4 ERP or Enterprise Management version. |
Lessons Learnt from S/4 Implementations (cont.)

<table>
<thead>
<tr>
<th>Category</th>
<th>Lessons learned</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Finance</strong></td>
<td><strong>Universal journal</strong> functionality has driven significant integration of FI and CO functions like COA, parallel ledgers, cost element accounting, planning and CO-PA that require an integrated approach to designing a solution to support business processes and analytics.</td>
</tr>
<tr>
<td></td>
<td><strong>Asset Accounting</strong> – classic asset accounting is transformed into the new asset accounting. Preparations and migration of customizing for asset accounting and relevant check are performed and mandatory application configuration steps related to asset accounting are executed. Few transaction codes are obsolete and the same has been updated in the testing documentation.</td>
</tr>
<tr>
<td></td>
<td><strong>Credit Management</strong> – the FI-AR-CR Credit Management is not available with SAP S/4HANA, on-premise edition 1511. The functional equivalent in SAP S/4HANA is SAP Credit Management (FIN-FSCM-CR).</td>
</tr>
<tr>
<td></td>
<td><strong>Treasury and receivable management</strong> – there were significant changes in these areas. An assessment of the business and technical need is recommended prior to spending time and effort in development the functionality.</td>
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<tr>
<td></td>
<td><strong>Integrated Business Planning</strong> (for finance) – assessment of the business requirements for integrated planning is recommended as significant changes in direction from SAP may impact applications required for it, for instance BPC, IBP or cloud functions. The timing of the implementation may dictate the application available.</td>
</tr>
<tr>
<td></td>
<td><strong>Data conversion</strong> – conversion from a special purpose ledger to new GL functionality was key to the success of the project.</td>
</tr>
<tr>
<td><strong>Development</strong></td>
<td><strong>Development standards</strong> should be updated to conform to HANA-optimized coding standards.</td>
</tr>
<tr>
<td></td>
<td>SAP actively releases new versions, patches and fixes in finance modules and continues to add new functionality periodically. Due diligence is required to constantly reassess new functions to avoid making design decisions that limit future upgrades.</td>
</tr>
</tbody>
</table>
Business case for S/4HANA accelerator
An introduction
Developing the business case for S/4HANA
Moving from technology adoption towards value creation

**S/4HANA scenarios and key drivers for adoption**
- Understand the strategic direction of the company and current key pain points
- Understand the key drivers for adoption of S/4HANA
- Define the scenarios that fit most to support the key drivers

**Analysis of the S/4 opportunity scenarios**
- Understand the opportunities in enough detail to define their value
- Understand the implications of the S/4HANA adoption on the current IT landscape
- Define the case to be made and create the storyline

**IT solution architecture and cost analysis**
- Define the envisioned end-state with S/4HANA adoption with the broader IT landscape
- Define the gaps and actions for moving towards this target architecture
- Align these building blocks with the financial analysis and define value based transition roadmap

**Transition roadmap and deployment planning**
- Planning of the transition steps and near term activities required for moving towards the target IT architecture
- Development of the project charter, including scope and required resources
Developing the business case for S/4HANA

The complete Business Case toolset exists out of 6 main elements

1. Interactive opportunity deck
2. Business case delivery approach
3. Opportunity repository
4. Business case model
5. Use case demonstration
6. Deloitte differentiators
### Finance opportunities overview

#### General Ledger and Financial Reporting

<table>
<thead>
<tr>
<th>Opportunity</th>
<th>Description</th>
<th>Benefit drivers</th>
<th>Impr. Range</th>
<th>Key Metrics Impacted</th>
<th>Enabling S/4HANA capabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce Business &amp; Operations Analysis/Reporting Costs</td>
<td>More flexible reporting via the elimination of totals tables, fixed hierarchies and database indices. Unified finance and controlling information in a single data structure</td>
<td>Improved speed of reporting and reduced reconciliation efforts due to: - Simpler data structure - Reduced data replication - Reduced data warehousing costs</td>
<td>10-20%</td>
<td>Reduction in business operations - Analysis reporting costs - Reduced reconciliation errors</td>
<td>- Universal journal with one simple flat line item structure encompassing most data - Real time reporting based on the underlying HANA DB</td>
</tr>
<tr>
<td>Rapid Financial System Integration</td>
<td>Rapid deployment of Simple Finance as a central financial platform due to pre-built SAP Landscape Transformation (SLT) libraries and data transformation capabilities</td>
<td>Improve speed of integrating multiple systems</td>
<td>10-20%</td>
<td>Reduction in accounting close days and costs - Reduction in manual reconciliations - Reduction in time to integrate to external systems - Reduction in total cost of ownership</td>
<td>- Source FI/CO data from multiple source system and reconcile intercompany balances directly in the S/4HANA system - Fiori apps for intercompany reconciliation providing visibility to all involved parties - Pre-built SLT libraries ready to deploy with minimum configuration effort</td>
</tr>
<tr>
<td>One Accounting Document</td>
<td>One accounting document across Finance, Controlling, and CO-PA simplifies reporting and display of accounting document information</td>
<td>Reduction of reconciliation effort for matching FI/CO modules</td>
<td>10-20%</td>
<td>Reduction in financial costs to close (assuming full close in SAP, else time improvement could vary)</td>
<td>- Integrated asset accounting - Integrated controlling - Integrated material ledger</td>
</tr>
</tbody>
</table>

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* Sources: Deloitte S/4HANA COE, Deloitte Research, SAP SE, Deloitte Projects. Improvement ranges will require to be tailored to your organization.
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