Demystifying SAP S/4HANA for Finance professionals
An introduction to the digital core of Finance
Digital is the present and future

SAP S/4HANA Timeline

Rebuilding the Finance function

Developing an understanding for SAP S/4HANA
• Financial Planning & Analysis
• Finance Operations
• Business Control
• Data Management
• Financial Accounting
• Specialized Finance

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The tip of the ice-berg

What many business leaders regard as ‘digital’

‘The digital Core’
Digital is the present and future

During every industrial revolution there have been those that have been left behind by progress, those that have managed to hang on and adopt new technologies just in time and those that have actively shaped the “way of doing business”. The next industrial revolution – Industry 4.0 – is ongoing and Digitalization is at the forefront.

Only through digitalization at the core, can organizations move to the next level and take advantage of the newest innovations, such as Robotics and Blockchain. In that regard, the entire value chain has to be addressed, not just the innovative layer.

Therefore this read attempts to provide a broad understanding that is industry agnostic so that organizations can start the digital finance transformation journey. More specifically, it will address the S/4HANA Finance Module and how it will impact finance professionals.

This article is intended to illustrate the opportunities and the challenges you are likely to face when working with SAP’s new product and how you can best proceed in taking full advantage of these.

To do so, we will look at what S/4HANA is, where it comes from and how it applies to the Finance function in an organization.
Integrated Reporting & Analysis
Real-time information and optimized integration thanks to the “embedded” applications

New User Experience
Modern role based user experience based on SAP FIORI and enabled by the rich experiences of HTML5

Application Optimizations
The increased system speed and simplified data model accelerates key processes as batch processing is accelerated tenfold

Optimized Scalable Solution
Optimized systems landscape and the choice between different deployment options offer tailored solutions
The in-Memory characteristics of SAP HANA allows real-time information and accelerates batch processing tenfold.

The SAP S/4HANA takes it further by simplifying its data model, the in-Memory characteristics of SAP HANA reduce the database size dramatically. Meaning:
- No Indices
- No Aggregates
- No Redundancy
- No Locking

S/4HANA 1709*
- Expand coverage of core processes and applications on SAP S/4HANA
- Process integration of new technologies such as Internet of Things on SAP S/4HANA

S/4HANA 1610*
- Integrated finance, sales and logistics version on a single code line
- Additional Fiori Apps
- Process optimizations
- Application simplifications

S/4HANA 1511*
- Simplified data model
- New user experience
- Choice of deployment
- Multi-tenancy

2018
SAP R/3 Expected End-of-Life

2025
2015
S/4 HANA Enterprise Management

2011
SAP Powered by HANA

Traditional DB
593 GB

On HANA
118.6 GB

S/4 HANA
42.4 GB

Data Aging
8.4 GB

593 GB
118.6 GB
42.4 GB
8.4 GB

Traditional DB
On HANA
S/4 HANA
Data Aging

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Rebuilding the Finance function

While reimagining the finance function, the need for improvement is evident. Therefore, a number of key areas have been identified.

First, Financial Planning & Analysis can benefit from improving the ability to predict outcomes through real time scenario analysis, better forecasting and planning. Second, in Finance Operations, the improvement of processes by accessing accurate transaction data from the entire organization’s value chain. Additionally, providing better and faster actionable insights to business partners facilitates better decision making in the Business Control area.

Perhaps most pressingly, the management of information is at the forefront of the rebuilding of the Finance function, mainly through the improvement of big data and analytic capabilities.

Furthermore, Financial Accounting is to be improved by improving consistency, control and traceability by indicating patterns that are indicative of fraud or other concerns. Finally, in Specialized Finance, evolving centers of excellence by further streamlining and centralizing expertise.

Throughout this areas, SAP S/4HANA enables and drives the finance function transformation. The key benefits of using SAP S/4HANA are:

**Siloed Data to Single Source of Truth**
- No latency
- Unrestricted granularity
- Built-in harmonization

**Period Processing to Real-time Processing**
- Continuous processing
- Real-time analytics
- Process intelligence

**Historic Data to Planning, Forecasting and Simulation**
- Integrated planning
- Predictive forecasting
- Embedded simulation

What a CFO has to say about the Digital Finance function:

“Finance biggest challenge is to keep delivering value to the business, from reporting to actionable insights, finance organizations need to rely on a suitable digital platform and tools which enable them to be the best possible business partner.”

– CFO
Developing an understanding of the value of S/4HANA for your business
For FP&A, the opportunities arising from the use of SAP S/4HANA are vast. The Integrated Business Planning for Finance allows for better planning (at the lowest levels of granularity) and act faster with instant insight into all relevant data and real-time planning capabilities and is not limited by application boundaries. Additionally, there is the accelerated group planning cycle with ability to centrally consolidate in real-time, as well as the possibility of performing predictive forecasts regarding business performance based on dynamic simulations and actual postings. The use of S/4HANA intends to reduce budgeting and forecasting costs and report generation time, as well as reuse central master data used for planning throughout the S/4HANA Finance suite.

Technical enablement for FP&A include the replacement of SAP aggregate by compatibility views meaning data is not stored at all enabling seamless top-down and bottom-up planning scenarios. Additionally, Business Planning & Consolidation is embedded and integrated in a Cloud with preconfigured templates, eliminating the need to map data and the new semantic tagging functionality is helpful for business reporting.

Challenges for FP&A during the implementation of S/4HANA may be understanding of the concept of in-memory planning, managing interdependencies with other stakeholders, the need to agree on a level of planning and organizational readiness, and that new reporting tools that may lack perceived flexibility and functionality. Finally, rationalizing existing reporting is a pre-requisite.
Access and Optimization

Finance Operations

Similarly, SAP S/4HANA offers opportunities to finance operations as well. The easy access to detailed transaction data without compromising the integrity of the data or affecting the response time of the transaction processing, the optimized transaction processing leading to faster cash conversion cycles, the advanced visibility of transaction level reporting with a separate view of analytics per process and central payments, reduced payment volume and reduced number of bank accounts offer clear opportunities from improvement are all enabled by S/4HANA.

The technical drivers for SAP S/4HANA in finance operations are the single customer statement and credit management for the entire enterprise, the integrated, cross-system portfolio for credit management, giving a central cash overview, the central location for data that only uses one copy of data for transactions and analysis, thereby providing a single source of truth and the Accounts Payables invoice processing efficiency gained through improved verification and better processing.

When starting with S/4HANA, challenges for finance operations may include the possibility of having different report versions during the transition and the vast operation that is migrating each client and supplier. Additionally, the correct adoption of user roles and the impact on existing KPI’s, metrics and reports are expected challenges.

First steps

- Assess current baseline of KPI/metrics and other types of measurements in order to define necessity (of implementation)
- Clean master data in order to ensure migration readiness transformation
- Create appropriate governance in order to tackle data management (e.g. open items AR/AP) during transition period
Ease of Use

Business Control

The opportunities for the Business Control function include access to real-time information for immediate analyses and scenario planning, reports that are easy to build, eliminating the need to go to BI, improved reaction times, i.e. cash flow and working capital monitoring, daily visibility of revenue and margin reporting, dynamic P&L (actual), including analyses down to the granular posting and role based SAP Fiori mobile apps that enable uninterrupted data flow, effortless execution and better and faster decision making. Moreover, there is a reduction of the memory footprint through the elimination of redundancy.

The technical drivers for the Business Control function are real-time simulations (scenario planning) for P/L during period-end-closing to make more informed and assertive decisions about accruals (highly relevant for Q4) and additional budget approvals without waiting until official P/L report, better and faster analytic functionality capabilities and the simplified data model, making certain error check reports redundant and technical reconciliation no longer necessary.

Possible challenges for the Business Control function may include the understanding of the changed IT capabilities, attention towards internal controls due to changes of data model and transactional changes, align with Finance functions) to support decision making and communicating clearly to stakeholders concerning IT changes and possible changing requirements.

First steps

- Clear driver allocation rules and principles incorporated to the system
- Coordinate with Shared Service Center alignment and clean of master data at SKU, client and customer level to run test for allocation drivers
Simplified and effective

Data Management

The opportunities for data management include the more cost effective and scalable migration to Cloud, the simplified landscape by consolidating systems, reduced report generation time, easier set-up of workflows, reduced master data management by presenting data in a common structure and showing the unconsolidated and consolidated views in real time (ad hoc group reporting).

The technical levers for data management are the simpler development on SAP S/4HANA due to data integration and the simplified data model and the SAP S/4HANA Enterprise Cloud platform that can be used to provide scalable high-performance analytics and number crunching Big Data.

Additionally, data is stored only once, so that reconciliation is not needed anymore, the real-time drill-down - reports are built based on line item data and can drill back down to line item data and there is an embedded journal voucher automation.

Possible challenges may include the effective migration to Cloud which is not necessary, aligning the SAP S/4HANA functionality with the existing configuration and the re-usability check of custom codes in SAP S/4HANA, as well as changing the data governance standards.

First steps

- Define need for additional/advanced capabilities S/4HANA
- Identify quick wins consisting by redefining data structure and queries
- KPI analysis and reporting rationalization in order to realize efficiency gains on add-ons and financial
Identifying and Prioritizing

Financial Accounting

SAP S/4HANA offers a wide array of business opportunities for the function of financial accounting. For example, the reduction in time and effort spent in close processes, processes designed for real-time operations, and availability of reporting on demand enables transition to a continuous (soft) close. Additionally, S/4HANA provides the opportunity for real-time profitability enabling a better understanding of margins incurred by products and services. Certainly, SAP S/4HANA offers a faster and simpler data flow and supports multidimensional analysis, as well as better control and overview of closing processes and opportunities to improve and optimize pain points.

The enablers for SAP S/4HANA in financial accounting are the universal ledger with full detail for all applications supporting multi-currency, one accounting document across Finance and Controlling simplifying reporting and display of accounting document information, the elimination of technical reconciliation tasks, due to the universal journal and intercompany matching which is done on the fly and no longer in batches.

When starting with SAP S/4HANA, challenges for financial accounting may include a significant restructuring of the data when migrating to SAP S/4HANA which can delay necessary reports during transition. Additionally, data granularity has to be considered carefully as well as ensuring reporting compliance during the transitional period.

First steps

- Fully understand in-memory leading practices in order to avoid rework
- Identify and prioritize critical reports in order to establish impact and consequences
- Developing a strong data model as a foundation is a pre-requisite to any real finance transformation
Flexibility and Insight

Specialized Finance

The opportunities for the Specialized Finance function include cash management applications that are supported by two tables next to bank master tables: Exposure (FQM_FLOW) and Memo Records (FDES). Additionally, analysis and reports based on line items offer more flexibility and real-time insight into the current liquidity, forecast and other key figures enables the identification of bank accounts with insufficient funds.

The technical drivers for the Specialized Finance function include one Exposure table handling both, liquidity items and planning level and planning group information, which support both, cash position and actual cash flow analysis.

Additionally, the reconciliation between line item and total is no longer required and root cause analysis is enabled by drill-down capabilities.

Possible challenges for the implementation of SAP S/4HANA for specialized finance may include ensuring traceability of the whole business processes during the migration period and the integration with external systems (e.g. tax authorities and banking). Additionally, it may take time until specialized staff are completely comfortable with S/4HANA’s improved functionalities.

First steps

- Identifying and prioritizing the needs for business-critical treasury activities
- Assess impact on current communication of files to tax authority’s portal
How SAP S/4HANA can leverage CFO’s vision of become a value creation role model for the business?

Finance organizations have been fighting complexity for many years instead of focusing on strategic initiatives, like predicting future outcomes and simulating new business models. With S/4HANA, IT and Finance departments have an unprecedented opportunity to bring simplification and innovation. The benefits and costs involved in adopting S/4HANA Finance will be different for each organization. It’s important to address the following questions:

- 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?
- What are other dependencies?

**How to proceed:**

- Define value drivers: Use design thinking with demonstrations to define the SAP application strategy that suits your business best
- Build the business case: Develop an understanding of the value of S/4HANA for your business – from definition of adoption drivers to P&L impact
- Show Proof of Concept: Deliver a Proof of Concept to review the SAP S/4HANA use cases in detail and identify the impact on your key processes
- Assess the future solution: Execute additional deep dives on SAP S/4HANA to further understand the technical implications and project deployment costs
- Define integrated roadmap: Define your tailored migration strategy (greenfield vs brownfield) and target landscape (on premise vs cloud)
- Deploy the solution: Rapid and agile delivery of the SAP S/4HANA solution, project
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Turn this booklet and start reading

Just take the red pill
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