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Pedal to the metal

Accelerating financial insights for
automotive companies

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Disruption is nothing new to the automotive industry. For decades, auto makers and original equipment manufacturers (OEMs) have been innovating and competing vigorously. But the pace of disruption in recent years has increased as new digital technologies and radical business models create new possibilities—and new pressures for car makers.

Technologies such as connected vehicles are not only changing the way that customers interact with their vehicles; they are ultimately creating new streams of subscription-based revenue that did not previously exist. The rise of ride-sharing and pay-per-use vehicles is shifting the way that consumers view vehicles—as a product of

consumption rather than as an asset. And the increasing pressure from society to produce more economical vehicles is leading OEMs to invest more research and development (R&D) dollars in alternative drives. All of these disruptive forces make it increasingly challenging to compete in the automotive industry.

“...the pace of disruption in recent years has increased as new digital technologies and radical business models create new possibilities—and new pressures for car makers. “



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Moving fast

Disruption requires rapid response to maintain market leadership. The CFO is at the center of things— expected to generate insights that drive profitability, reduce costs, and help the organization respond to an ever-changing marketplace, without excessive burden on operations. Pursuing these goals can lead to highly complex homegrown data lakes that do not always produce timely information. The traditional approach—a heavy finance organization that focuses more on after-the-fact data gathering and harmonization than on analysis and insights—simply will no longer suffice.

Answering tomorrow's big questions—both strategic and tactical—will require an ability to see information clearly across your organization and to get insights that can drive decision-making. For many leaders, the journey will start

with finance—with the numbers that tell the story of where your business has been, where it is today, and where it might go.

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Destination known

With a more transparent view of your financials, you can begin to see across your enterprise and across previously siloed systems to identify new opportunities for efficiencies and for growth. But for many organizations, speed of information will become a priority. As the pace of business continues to accelerate, waiting months for something like a vehicle profitability report simply won't suffice. Having a more comprehensive view of financial data can help an auto maker take action—to determine, for example, whether to launch a new hybrid or electric vehicle, or whether to initiate a new marketing campaign.

How can Finance navigate the journey to achieving timely, actionable information and operational efficiencies without launching a full business transformation and disrupting the business? One solution lies with Central Finance from SAP®. Central Finance is a capability of SAP

S/4HANA® that enables the finance function to operate within a modern digital core ERP, without requiring upstream business processes such as manufacturing, procurement, or sales to change their operations.

SAP Central Finance provides real-time integration with SAP and non-SAP source systems, to enable centralized financial and management reporting and shared services operations. With SAP S/4HANA and Central Finance, organizations can begin transforming the finance function to deliver a single technology platform for the finance function, with standardized business processes, shared service efficiencies, and harmonized data. Before moving forward with a finance transformation, here are a few things to know.



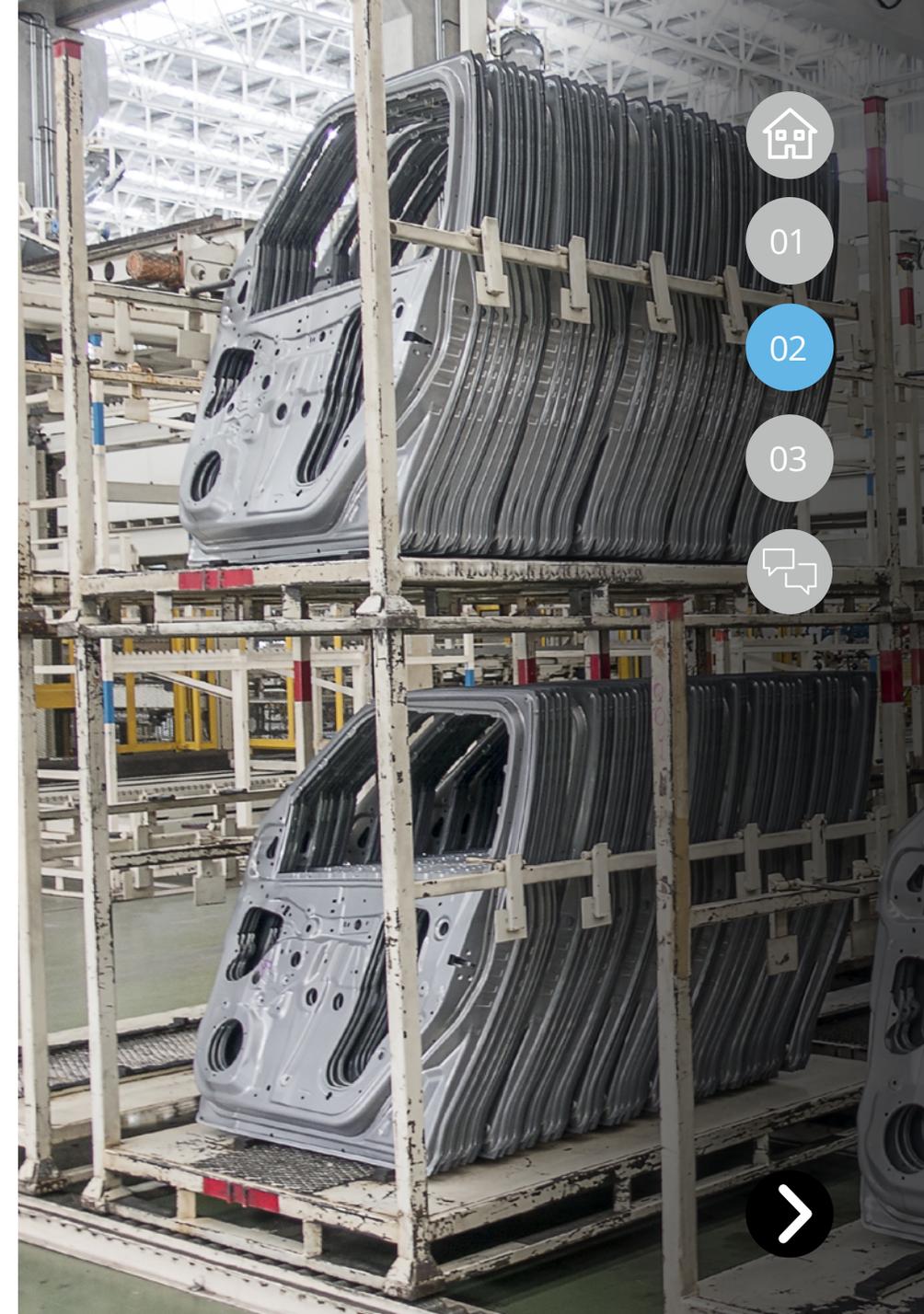
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Achieve vehicle profitability reporting.

SAP S/4HANA has changed the game with the Universal Journal. Finance and management reporting dimensions no longer need to be kept within separate tables requiring complex data warehouses and cubes to put together meaningful analysis. SAP Central Finance takes full advantage of the Universal Journal by providing upstream systems with the ability to post detailed financial transactions into the ledger, without loss of crucial management reporting dimensions. In the automotive industry, that ability can translate into several benefits, including the ability to post financial transactions at the vehicle identification number (VIN) level, with attributes such as models and options. With detailed financial data flowing from manufacturing, sales, and warranty systems, automotive companies can achieve vehicle profitability reporting directly out of the ledger,

allowing the finance organization to focus on data analysis rather than data gathering.

Enable global plant benchmarking. By removing the siloes created by disparate regional financial platforms, Central Finance enables advanced reporting by segment, entity, group, and plant. With a more granular, more accurate, more timely, and centralized view of data, you can begin to set new benchmarks across your organization—for example, you can benchmark process and labor costs globally across plants. (How much does it cost to paint a car model in Michigan versus Mexico?) You can gain visibility into where you are operating less efficiently, and work with plant managers to control costs.



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Streamline shared service operations.

Central Finance enables organizations that previously transacted accounts receivable, accounts payable, and general accounting across multiple systems to operate efficiently within one system, laying the groundwork for more effective financial operations and shared services. With Central Finance, you can gain visibility into customer and vendor activity and balances across the enterprise. With this enhanced visibility, you can increase your leverage over suppliers with a single, enterprise-wide view on spending and open payables for any given supplier. And you can gain process efficiencies by centrally managing and executing key processes such as payments and receivables—including in-house cash management and payment netting, to substantially cut down on bank transfer fees.

Manage growth and respond to business disruption.

Centralizing finance data also can help you address some of the challenges associated with growth—namely the data headaches that can come with mergers and acquisitions. With a common information model, you can keep newly acquired companies on their existing systems and pull data into SAP systems within a common reporting structure. Newly acquired entities can continue to do business as usual, without the need for an intensive systems integration effort. With a more centralized finance infrastructure, you can bring more flexibility to your business and more readily address some of the disruption taking place as business models in the automotive industry evolve.

Begin a bigger transformation—safely. For organizations interested in upping their game on analytics and data-driven insights beyond finance, Central Finance can offer a stepping stone to a broader transformation with SAP S/4HANA. With Central Finance, you get the ability to leverage the latest SAP S/4HANA features without changing your current ERP systems. Cost centers and profit centers from disparate systems can now be mapped to a new, common, standardized reporting structure—with no impact on the existing master data. By mapping legacy data to new structures in SAP S/4HANA, you can minimize the change impact with zero downtime in productivity. With Central Finance as your foundation, all data going forward adheres to a new SAP-centric model, making it easier to add SAP S/4HANA functionality for other needs—whether you start small with one business unit or go big with an enterprise-wide program.



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How can you get started?

Adopting centralized finance capabilities and moving toward a modern digital core ERP can bring a host of potential benefits. But how do you begin putting together the pieces and generate new value for your organization? Here's a look at some things to keep in mind as you get started.



Know where you want to go. Sometimes knowing where you are going requires knowing more about where you are right now. What are the current pain points and challenges you need to address? How many IT systems and platforms are now in use to support financial operations and reporting? With an understanding of what you are trying to solve, develop a clear vision of your future state, the benefits and objectives desired, and how quickly you need to get there. What value are you seeking to achieve, and which groups within the organization need to weigh in? What other planned changes should be factored in? Think hard about what your organization will look like in the future and what kind of scope you will require.



Know your data. Understand what data you have and what data you need to have to make your vision work. Think through how you want to structure your information model to gain maximum flexibility. Managing master data consistently will be key, providing the “view” for your organization for perhaps the next 20 years or longer. Building a model for master data management doesn't have to wait until you adopt a solution such as Central Finance. You can have master data conversations within your organization now.



Know what you don't know. Transforming finance for any automotive company is, at its heart, a business challenge—one focused on your business processes and developing the ability to answer the questions that are most important to your organization. Amid ongoing disruption, you will likely need help determining those questions and aligning your processes to answer them. You also will likely need technical expertise beyond what you have in place today. You might require help with a decades-old legacy system, for example, as well as help understanding how the latest technology can help you meet new needs. Explore the art of the possible through demonstrations and hands-on labs—to see which capabilities might apply to your organization. Car buyers take test drives before they make buying decisions. Why not take a test drive of your own?



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Help along the way

For many organizations, effectively transforming finance will require a business-focused implementation strategy, extensive SAP experience, and a rich set of tools and accelerators that can help you move fast along the digital transformation path. Deloitte can help. With a network of more than 16,000 business and technology professionals focused on SAP solutions around the globe, we can provide a full spectrum of resources you will need for meeting tomorrow's challenges—from business strategy to systems implementation and ongoing support.

Our lab for SAP S/4HANA® Finance can serve as a great starting point—offering finance and technology executives an opportunity to engage with Deloitte problem-solvers to address specific finance issues and start working toward value. Far more than a demo session, our interactive lab focuses on breaking down your challenges and building a path to help you move forward with SAP S/4HANA and Central Finance.

Let's talk

Ready to begin a finance transformation that can help you see more clearly across the entire enterprise and help you get ahead of disruption? We're ready to show you what's possible. Contact us to get the conversation started.

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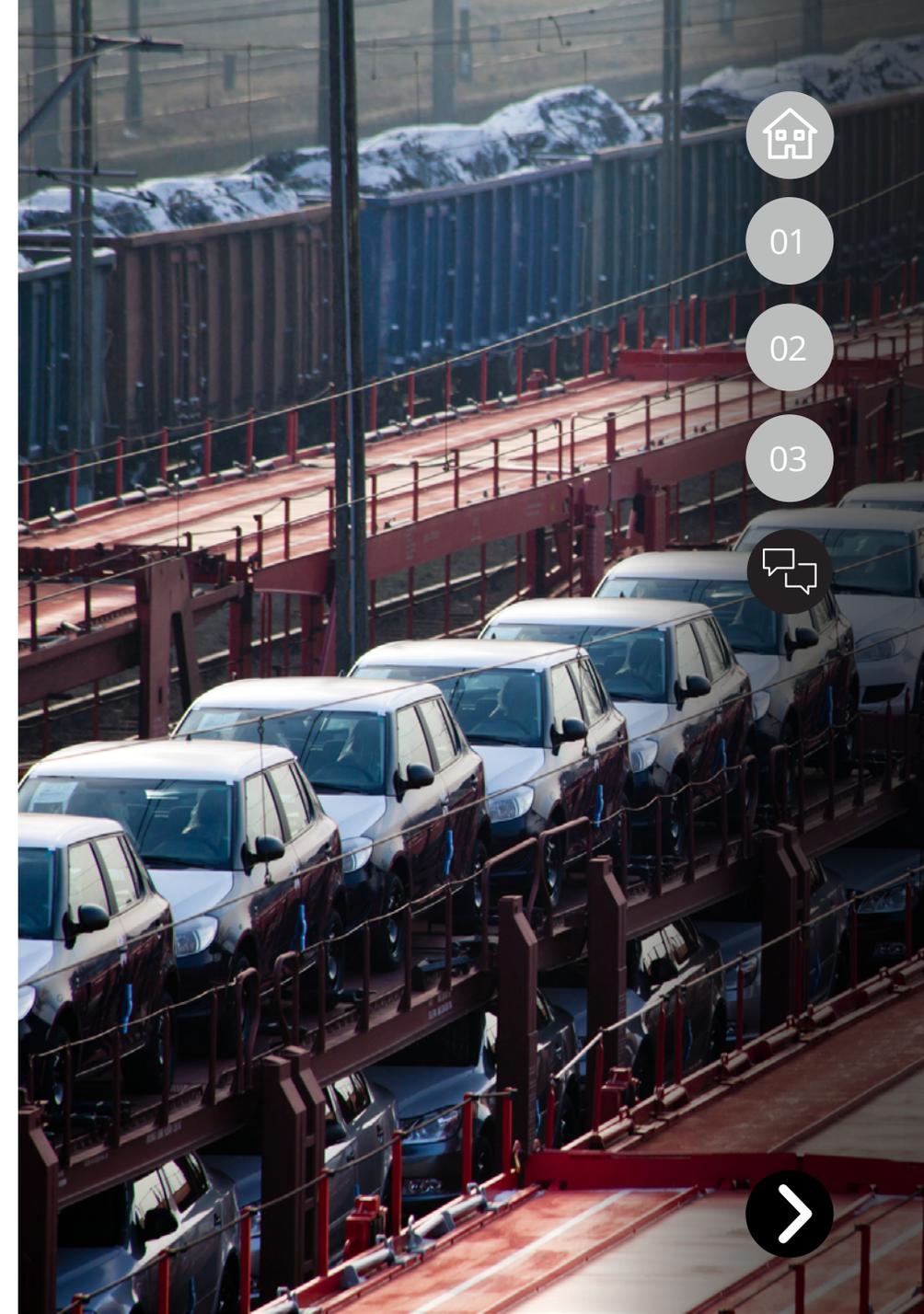
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