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# SAP CFO Luka Mucic: Driving Insight with In-memory Technology

With the growing interconnectivity and complexity of global business, CFOs and the finance organization are increasingly expected to act as their company's nerve center and navigator, communicating and collaborating with a wide range of business partners, each of which brings its own issues, systems and ways of doing business. New finance tools using cloud computing and in-memory database technology can help finance leaders simplify their operating environment, and access and deliver data in real-time, according to Luka Mucic, CFO and chief operating officer of SAP SE. Mr. Mucic describes his experience migrating to new finance systems based on HANA, SAP's in-memory data platform in this discussion with John Steele, Deloitte Consulting LLP principal and leader of the U.S. SAP Finance Transformation practice. He explains how it has speeded finance operations and enhanced finance's ability to deliver insights throughout the SAP organization, which operates in nearly 200 countries, serving 260,000-plus customers worldwide.

**John Steele**: How has migrating to a finance system and applications based on in-memory database technology impacted your ability to improve the finance organization's performance?

Luka Mucic

**Luka Mucic**: The finance applications that SAP has developed around in-memory technology have been disruptive for my finance organization in the best sense: The systems are allowing us to simplify finance processes, make them operate faster and smarter, and enhance our ability to be partners to the business. The great power of in-memory technology is that it rationalizes and analyzes huge amounts of data assets and records in a matter of seconds, while at the same time facilitating big-data management.

Since implementing SAP HANA, we've reduced the close process by five business days. Reconciliation used to be an extremely cumbersome process that ran for more than 26 hours. Now, that process takes less than four hours, leaving the finance organization much more time for analytical validation.

The faster close means we are able to start our next forecast that much earlier. The net result is we're getting better and quicker insights out to the business, and that makes us much more valuable—and valued—business partners. Our new capability to do simplified real-time reporting has enabled us to transfer many reporting duties in a self-service manner to the lines of business. Previously, we had to be heavily involved in gathering this data for the business users and providing it to them in offline reports. By reducing the time our people in FP&A spend on producing reports, they have a higher capacity to analyze the data and advise the businesses on ways to improve their performance.

**John Steele:** What insights can you provide the business that you couldn't before with your previous finance systems?

**Luka Mucic**: In-memory technology makes data available in real time for real-time analysis. Thereby it opens the door to many new collaborative processes between finance and the business. For example, for managing working capital, we can generate real-time insight into cash collection patterns that may pose a risk, and our account executives can use the insight to make different payment arrangements with customers.

Think about what that means for doing business in volatile business environments. We proactively track the performance of our receivables profile to detect risks early, which we can then mitigate through the tightening of payment terms or revenue cycles and sometimes even through delivery blocks of certain customers if they go above certain overdue levels. That's a collaborative process that wouldn't have been thinkable before because the groups overseeing these processes had been working in siloed worlds.

With in-memory technology, finance organizations also can play a larger role in supporting the operational side of the business and identifying opportunities to improve margin. Take, for example, the supply chain for manufacturing companies, where the number of datasets typically far outweighs the information that is residing in the core financial systems. Using in-memory technology, planning the daily production can be done in real-time fashion, and daily production can be adjusted real-time for a change order.

**John Steele**: You mentioned that the new system gives your FP&A team more time and opportunity for business partnering. Can you elaborate?

**Luka Mucic**: Our FP&A cycle has become much more proactive and predictive, as opposed to reactive and data entry-oriented as it was pre-HANA. In the past, we entered the planning and forecasting information in a static repository. With the real-time data gathering and analytical capabilities, we can now let systems apply built-in logic to simulate possible outcomes and detect potential issues at an early stage. With this information, finance can provide predictive insights and recommendations to the business, which are immensely valuable to their decision-making. We can quickly simulate various outcomes of pricing decisions, for example, to detect possible issues, and provide recommendations to the business lines on how to counteract or mitigate those issues. Having that capability has changed how the role of finance is perceived by the business: from being accountants to serving as key partners and co-navigators to the business.

**John Steele**: What challenges should CFOs expect in transitioning to a finance system based on in-memory technology?

**Luka Mucic**: From my experience, the migration has posed little in the way of risk or challenges to my finance organization's ability to serve the business units. The beauty of this technology and the applications developed around it is that while it's disruptive in the sense of producing an entirely new level of business value, it is nondisruptive in terms of implementation and adoption. With the Simple Finance applications, for example, nothing is changing at the functional layer. Instead of asking what are the functionality risks and change management challenges that typically come with the implementation of a new system, the key question we found ourselves asking is, "What can we do in a completely new and

improved way?" Answering that question required a significant shift in our thinking. That's not necessarily an easier task than focusing on risk and change management, but it can bring a lot more value to the organization.

We brought people from the IT, finance and development groups together and told them to think about a system that allows them to do an intercompany reconciliation in real-time, a system that provides the revenue allocations in real-time, or a reporting outcome that previously would have timed out in seconds, and then ask, "What would that allow you to do differently and better?"

For us, the answer lay in the ability to work collaboratively across functions and with the business in ways that simply weren't possible before. We are now able to integrate end-to-end processes to a far greater extent because we do not have the latency that comes with cumbersome transfers of information and the detours of manually generated reports.

**John Steele**: CFOs are often challenged to assess how IT creates business value for finance. How can they make the case for investing in an in-memory-based system?

**Luka Mucic:** I wouldn't restrict the conversation to the business value for finance because I think CFOs should also advocate for overall business transformation. One argument is how much an in-memory-based system lowers the total cost of data ownership through dramatic simplification of the IT architecture—higher data compression rates, lower data redundancy, data residing in a smaller footprint, which together can lower storage costs considerably.

Second, there are the value and benefits to be reaped from the real-time capabilities. As I mentioned, we've been able to redesign many business processes to allow for greater self-service reporting. That has allowed us to reduce capacity in reporting areas and shift that capacity to generating more value for the business.

Third, an in-memory-based system offers the opportunity to radically rethink the way business processes are run. As I've detailed, my finance team now can generate insights not only for collection clerks, but also for the account managers in real-time about the development of overdues in their accounts, which gives them the ability to present this information to customers on their tablets and document their payment agreements. The account managers can funnel their actions directly back to us, enabling finance to calculate and make assumptions about what that might mean for improving our cash collection cycle.

**John Steele:** What are some important aspects of the roadmap?

**Luka Mucic:** First, it's important to bring the stakeholders together. We had a series of Design-Thinking workshops in our regions in the Americas, Asia and Europe and brought together people from the IT organization, different finance departments and development. Those working in the field who depend on finance for information should have a voice in the planning and migration, and so should the sales, services and development organizations. It's critical to understand their analytical, capacity-planning and reporting needs.

The workshops did not impose constraints from a technology perspective, but rather encouraged stakeholders to think about a system that allows them to do things in real time and without being boxed into the present. The exercise was extremely insightful. After the workshops, we consolidated the results and presented them to the board and top management in the different lines of business. We also created value scenarios and prioritized them to build the roadmap.

In my personal view, it works best if you bring cross-functional stakeholders together in Design-Thinking workshops without the constraint of looking at technologies and their current constraints. That way, you get new ideas about how to redesign processes and then can figure out how the technology should support those. My goal in the closing process, for example, is to gain a double-digit amount of capacity relief because of the automation potential and redeploy resources into value-adding activities on the business partnering side of the house.

*Editor's note: This article is part of an ongoing series of interviews with CEOs, CFOs and other executives. Mr. Mucic's participation in this article is solely for educational purposes based on his knowledge of the subject, and the views expressed by him are solely his own. This article should not be deemed or construed to be for the purpose of soliciting business for SAP SE.*