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Crunch time series

The CFO guide to SAP S/4HANA®

What SAP® says:

“With the looming deadline ending support for the traditional SAP ERP, customers are actively exploring their options for making the move to SAP S/4HANA and its core finance and accounting capabilities.”¹

Customer translation:

Here we go again.

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A short quiz to get you started.

What are you currently thinking about SAP S/4HANA?

- (A) S/4 what?**
- (B) My people and SAP are telling me we need it. But nobody's made an effective case for why.**
- (C) We need it because we can't trust our current systems, data, and processes. Something's got to give.**
- (D) We need it. We're struggling to integrate acquisitions and open new businesses.**
- (E) We need it. We're making too many decisions on the fly with limited facts.**
- (F) We need it. Current solutions are holding us back. We have to adopt new business models and move faster.**
- (G) Our last big implementation hurt a lot. We're not ready to go through that again.**
- (H) We'll wait. SAP works fine just like it is. And we don't think SAP's 2027 deadline will stick.**
- (I) What 2027 deadline?**

No matter what you're thinking today, it's a safe bet you and your finance organization will eventually be up to your elbows in SAP S/4HANA. This is a good thing.

First things

A quick overview of the SAP S/4HANA Finance solution. Make sure your finance leadership team—and your IT leadership team—know what’s what.

① What is SAP HANA®?

SAP HANA is SAP’s brand of in-memory computing, a technology that handles massive data sets without breaking a sweat. SAP built its latest next-generation intelligent ERP (SAP S/4HANA) around this technology. SAP launched SAP S/4HANA in 2015 and plans to stop supporting older ERP versions on December 31, 2027. SAP reports that more than 12,000 customers have committed to SAP S/4HANA.²

② Why is SAP S/4HANA better than “old” SAP?

Traditional ERP systems are optimized 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. Availability and access to all that data can happen with near-zero latency. The new system also brings a simplified data model that lets you record once, use many times, and create a single source of truth. So analytics and insights that were historically unfeasible or very time consuming can now process quickly.



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③ What can you do with SAP S/4HANA that would be hard to do without it?

SAP S/4HANA enables more speed and better insights in almost every area of Finance. It's also a platform for real-time analytics—with no more waiting for separate reporting systems, batch jobs, and long processing times. 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. Yes, it can be expensive, and yes, there may be implementation risks, but defining a digital transformation roadmap upfront, driven by prioritized capabilities that drive value for the business, can help address both cost and risk in a positive way.

Here are some things to consider:

- **Do you have a reconciliation process that seems to go forever at the end of each month?** SAP S/4HANA provides an additional level of detail through its Universal Journal capabilities, allowing 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.
- **Can you look at true product cost without the noise of messy intercompany transactions and markups?** SAP S/4HANA's valuation process allows you to “see through” your cost to the underlying components.
- **Does your team struggle with time-consuming forecasting that is out of touch with actuals—and which leaves little time for analysis?** SAP S/4HANA's embedded planning offers a unified information model with prebuilt forecasting methods.
- **Do you have one source of record to support consolidated, management, and statutory reporting?** SAP S/4HANA lets you drill down from your consolidated financial statements to the business transaction.

④ How are companies using SAP S/4HANA?

In-memory processing makes it possible to store and access a higher volume and broader spectrum of data—supply chain, personnel, sales, distribution, procurement, you name it. But because financial data is foundational to so many business capabilities, many organizations take a finance-first approach, with SAP S/4HANA leveraging Central Finance as a tool for creating their financial system of record. That's why CFOs are often driving the case for change.



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How to speak SAP



SAP HANA

With traditional systems, data was placed in storage and accessed upon request. That takes time. With SAP HANA, data is stored “in-memory” and can be accessed instantaneously.



Universal Journal

Provides the basis of an integrated accounting system where financial accounting and management accounting data are recorded in a single chart of accounts. SAP’s Universal Journal concept facilitates synchronization of all financial data and stores it in one place, automating reconciliation between financial and management accounting.



SAP Fiori®

Delivers an intuitive, role-based user experience across all lines of business, tasks, and devices. SAP Fiori technology presents financial information that is logical, accessible, and visualized in a manner that supports improved job performance, allowing users to transact and report all from one application, simplifying the user experience. It’s consumer-grade technology—like an app on your smart phone—and is fully baked into SAP S/4HANA. SAP Fiori lets people transact and execute analytics within a single screen—the perfect blend of insight and action.



SAP Central Finance

Also known as CFIN, this part of SAP S/4HANA brings financial transactions from legacy ERPs—SAP or non-SAP systems—into the SAP S/4HANA table with a common data format. Harmonizing the finance data set is often a first step in digital finance transformation journeys.



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Are you ready for this?

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 organizations sticking with SAP, four 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 the quality of your current SAP installation and other enterprise systems.

Companies that have their SAP house in order and their systems fully integrated may not feel immediate pressure to get on board the SAP S/4HANA train.

A fourth 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.



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Who's doing what?

In a recent survey of nearly 150 companies using SAP, *SAPinsider* asked about their plans to migrate to SAP S/4HANA.

29%

**Implemented or
in process of migrating**

Priorities among those moving ahead are:



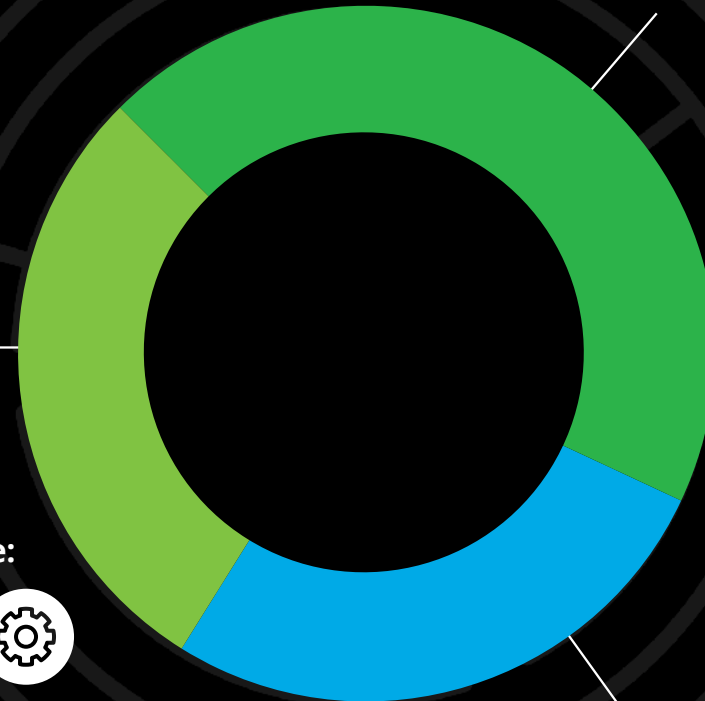
Modernizing reporting and business intelligence



Providing a single view of finance and accounting data



Automating accounting and reconciliation activities



45% Evaluating or piloting

27% No plans to implement



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SAP S/4HANA deployment options



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SAPinsider says that a little more than half of SAP customers planning SAP S/4HANA investments are opting for either new implementation or system conversion.³

New implementation

Those choosing a new implementation typically want to eliminate custom programs, shed ineffective practices, and drive more standardization around best practices. Organizations that implemented SAP when they had simpler business models, different competitors, and a less-demanding customer base find this approach allows for remodeling to support productivity and growth. It also lets them start afresh and keep their ERP clean.

System conversion

Those choosing system conversion usually want to preserve some of their custom environments and have business models that have not evolved. They see this as a lower-cost path, one that could require less change management. This approach is often used by companies that completed an SAP implementation within the last five to seven years. These companies don't need to transform, but they want to take advantage of the SAP S/4HANA digital platform.

SAP Central Finance

For many SAP customers, a new implementation or system conversion migration can be combined with a third implementation option: leveraging SAP Central Finance.

SAP Central Finance allows companies to deploy a single instance of SAP S/4HANA Finance and then integrate some or all their financial and operational processes back through that instance. A company's current SAP or non-SAP financial systems don't need to be converted and can remain in their existing environments.

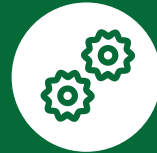
SAP Central Finance

Deloitte has more than 110 SAP S/4HANA implementations currently underway, with a significant portion of clients leveraging Central Finance as a low-risk, high-value path forward. With more than 30,000 hours of co-innovation partnering with SAP on SAP S/4HANA, here's what we know from our experience:



Stepping stone

Central Finance is frequently used as a first step—an efficient mechanism for beginning broader ERP deployments. It allows business units to transact in legacy systems uninterrupted during implementation.



Centralized services

Central Finance enables centralized service delivery models to report, model, and analyze data within a single system and across a common information model, further driving value from the shared service center.

Central Finance also provides a platform for innovation, with new SAP S/4HANA capabilities built around machine learning and cognitive analytics. These enhancements can enable organizations to achieve a true “Lights-out Finance” shared services offering, driven by a new data model, greater transparency, and fresh innovations. Finance is no longer in the dark!



Data bridge

Central Finance is frequently thought of as the least invasive hub to bring data together in a common information model across multiple ERPs. This gives companies visibility into transaction data that would otherwise be masked in aggregated summary data tables or be in a completely different format altogether.



Accelerator

Central Finance acts as a hub to accelerate merger integration or separation by allowing companies to continue to transact in legacy systems.



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SAP Central Finance lessons learned

✓ Aligning master data is still necessary

Figuring out the appropriate data relationships and building agreement can take time, but it's a critical step to successful implementation. Don't wait to start profiling, cleansing, and transforming data; it's a prerequisite for effective transformation.

✓ Executive buy-in is critical

No surprise here. Visible executive leadership helps navigate roadblocks and maintain momentum throughout the project.

✓ Define and communicate the path forward

Clarity about which processes will continue in legacy systems versus performed in Central Finance is critical. Identify nuances in legacy processes early so you can define the transformation roadmap and prioritize the roll out of key business priorities.

✓ Check compatibility of legacy systems with SAP S/4HANA

Confirm which versions (including latest patches) are being used across ERPs to prevent surprises with the ability to transfer data.

✓ Central Finance isn't a silver bullet for all finance data

There are limitations on what data Central Finance can support, so perform diligence on what is critical to ensure fit.

✓ Focus on value and outcomes

Understand the opportunity that Central Finance and SAP S/4HANA will bring for your organization and track throughout the transformation journey.



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Implementation scenarios

Here are the three main implementation scenarios we've observed. They vary by the degree of financial processes being centralized.



Reporting and planning

- Deployed for financial reporting, planning, and analytics with all actuals replicated from source systems
- Enterprise-wide financial reporting
- Harmonized data with line item drill down
- Embedded planning and consolidation capability



Central process orchestration

- Deployed for central management of all financial processes
- Central orchestration of collections, credit, and disputes
- Central reconciliation of intercompany transfers
- Source systems perform all transactional processing



Transaction processing

- Deployed for central payments, cash application, and core accounting
- Perform central payment, cash application, or period-end close
- One source of truth, for vendors and customers
- Financial transactions processing performed in SAP Central Finance
- SAP S/4HANA becomes financial system of record



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Making SAP S/4HANA real

One way to get a feel for the benefits of SAP S/4HANA implementation is to look at what early adopters have done and why. Here are four examples of SAP S/4HANA in action.

Objective:

Relieve pain and improve visibility



A global oil and gas company had multiple ERP platforms, each with a different chart of accounts and data structures. Getting even a simple enterprise metric required time-consuming and error-prone manual calculations.

SAP S/4HANA in action

The project team implemented SAP S/4HANA with a priority focus on getting accurate, flexible, and real-time financial reports. Central Finance was used to pull in transaction data from multiple ERPs and map the data into the new chart of accounts, creating a single enterprise view of finance, customers, vendors, and more. This set the stage for retiring legacy systems.

Objective:

Prepare for growth



A national retailer owned several businesses with different ledgers and outdated SAP and Peoplesoft ERPs. Enterprise reporting was a mostly manual process—and with additional acquisitions on the horizon, reporting problems would only get worse.

SAP S/4HANA in action

This company implemented SAP S/4HANA on-premise using Central Finance and mapped the SAP and Peoplesoft ledgers into Central Finance. Over 11 months, they consolidated every transaction from separate business units in one place—with all the granularity of the original transactions.

Objective:

Enable business partnering



An insurer had completed integrating its financial processes into SAP S/4HANA on-premise. The business was eager to use the analytics capabilities to gain operational insights to reduce claims costs and improve underwriting.

SAP S/4HANA in action

The company pulled claims data into the SAP HANA data platform, allowing underwriters to see real-time trends to improve operations and contract negotiations. Business users got an intuitive and easy-to-use analytics platform that helped them reduce claims costs and improve underwriting accuracy.

Objective:

Support new business models



A leading beverage manufacturer had a history of growth through acquisitions, with plans for continued diversification. The company realized it couldn't sustain its growth strategy with its current slow and error-prone systems. It needed a system that could accurately and quickly model various scenarios using transaction details to uncover insights into product-line performance drivers.

SAP S/4HANA in action

The company redesigned its financial processes and analytics to fit SAP standards—and implemented SAP S/4HANA using a new implementation approach. This approach gave them greater visibility into cost and revenue drivers, reduced manual journal entries, and enabled real-time analytics and modeling.



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Things you can do now

Some companies implement SAP S/4HANA to relieve operational pain from too much complexity. Others see it as more transformational—an opportunity to make a broader impact on business decision making. How you define the scope will drive your results. But whatever path you choose, make sure your leadership team is aligned and engaged.

① Start building the business case

SAP S/4HANA is a great solution to many finance challenges, but a business case based only on cost reduction may not be enough. Ask yourself, what's possible with all this power? How could SAP S/4HANA improve business partnering? What other innovations will it enable? Automation, robotics, machine learning, advanced analytics? A true "Lights-out Finance" organization? Who outside of Finance has the most to gain? Get those people involved in building the business case.

② Plan ahead

SAP S/4HANA implementation and configuration processes are complex and time consuming. Your top talent could be tied up for years. Plus, you'll need specialized integration knowledge that you may have to go outside for. As 2027 approaches, the best people will be in high demand.

③ Stay focused

SAP S/4HANA is designed to support integrated financial and management reporting. While it can also support other kinds of operational reports—for example, tracking social media or IoT sensor data—the additional storage requirements for massive non-transactional data can get costly. Some companies are using other reporting warehouse systems for those kinds of needs and reserving SAP S/4HANA system performance where it's needed most.

④ Know your options

Large enterprise clients currently tend to choose on-premise technology for their SAP S/4HANA implementations, an approach that lets them use existing infrastructure investments while maintaining the option for a cloud migration in the future. A cloud-first deployment, on the other hand, could allow a faster implementation, but may not provide the flexibility to adapt the technology to your needs.

SAP S/4HANA was released as an on-premise, licensed application in 2015. In 2017, SAP released a cloud version, with the same capabilities as the on-premise version. The cloud version is managed and delivered by SAP and paid for on a subscription basis.



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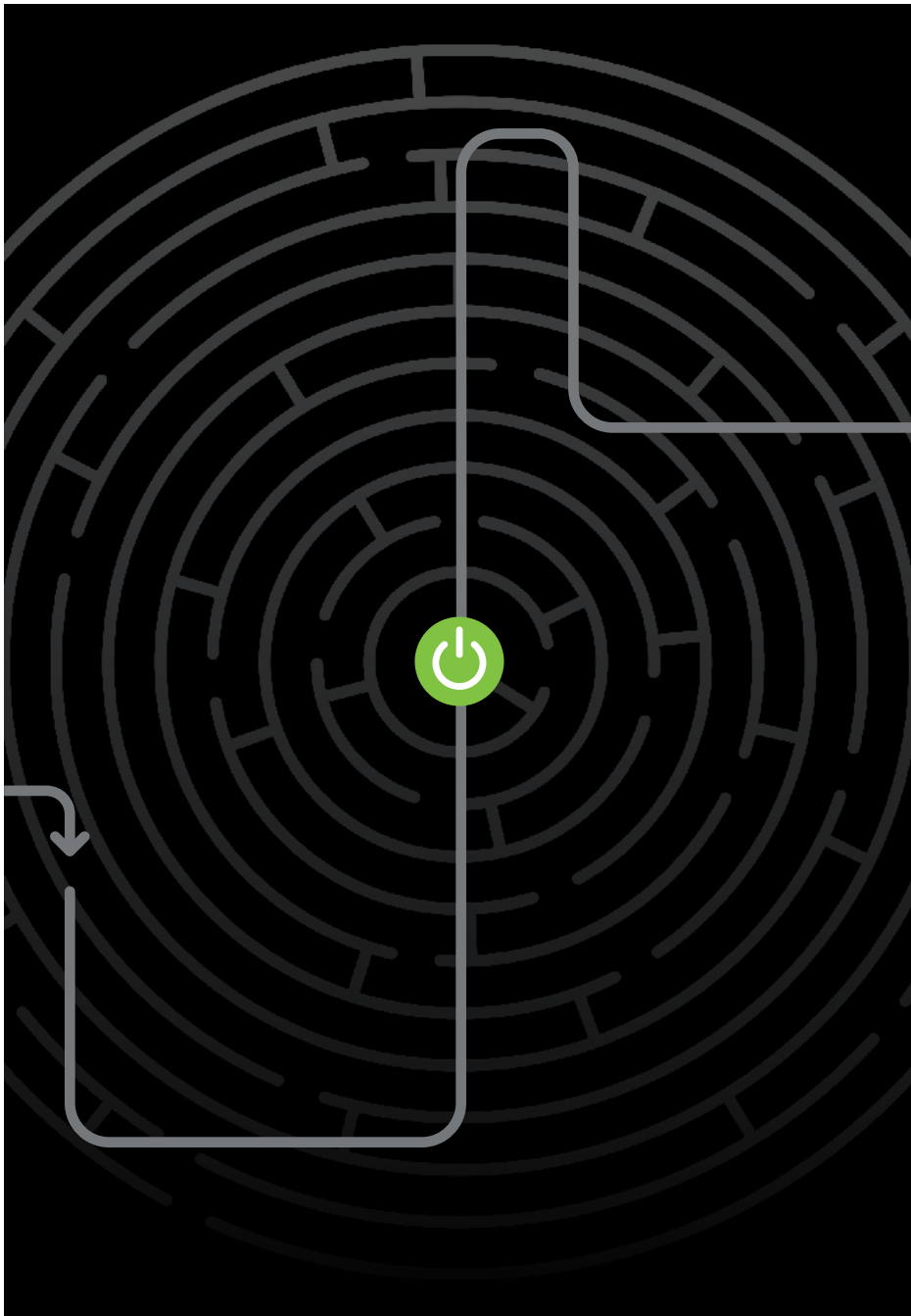
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Final thoughts

Companies committed to SAP will likely find themselves grappling with SAP S/4HANA decisions over the next five years. Making choices earlier—building in time for your teams to influence both the overall vision and the implementation options—should increase the odds of getting things right.

For many CFOs, deciding when and how to implement SAP S/4HANA could be the most significant technology investment choices of their career. It's a big deal.



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Endnotes

1. *SAPinsider* Benchmark Report, SAP S/4HANA Finance: State of the Market, 2019.
2. SAP press release, October 2019.
3. *SAPinsider* Benchmark Report, SAP S/4HANA Finance: State of the Market, 2019.

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