SAPinsider

SAP S/4HANA Finance: Revolutionizing and Modernizing Your Financial Processes

Paul Ovigele— Dec 1-2, 2021

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SAP S/4HANA Finance: Revolutionizing and Modernizing Your Financial Processes

Presented by Paul Ovigele - ERPfixers

Paul Ovigele

Paul Ovigele has worked as an ERP financials consultant since 1997 in both North America and Europe, specializing in implementing the FI and CO modules along with their integrated areas for companies in various industries.

Paul speaks at numerous SAP conferences, offers strategic and functional-level trainings to companies, and is considered one the leading experts on Material Ledger. Paul is the author of:

100 Things You Should Know About Financial Accounting

Reconciling CO-PA to the General Ledger

Introducing the Material Ledger in S/4 HANA,

Material Ledger in S/4HANA

What is ERPfixers?

ERPfixers connects you with SAP experts to obtain quality immediate solutions for your SAP system.

ERPfixers consists of thousands of SAP Freelancers globally in all SAP Modules who are ready to help and assist with their knowledge in SAP.

ERPfixers Offerings:

Online Platform

SAP Optimization Assessment

Material Ledger

S/4 HANA Transitional Roadmap

Cost Transparency Reports

For more information go to www.erpfixers.com

What We'll Cover

- **Overview of finance in SAP S/4HANA**

- **Drivers for S/4HANA Finance**

- **Considerations for undergoing an S/4HANA Finance migration**

- **Wrap-up**

- Hear the key business and technology-related drivers that are pushing finance organizations to adopt next generation ERP and cloud-based solutions such as SAP S/4HANA Finance

- Understand where customers are on the road to SAP S/4HANA Finance and what kind of a role Central Finance plays in that journey

- Look at the overall impact of an SAP S/4HANA Finance migration on IT infrastructure and business intelligence

- Explore the experiences, lessons learned, and best practices of SAP S/4HANA Finance early adopters, as well as those choosing to hold off on implementation

Overview of finance in SAP S/4HANA
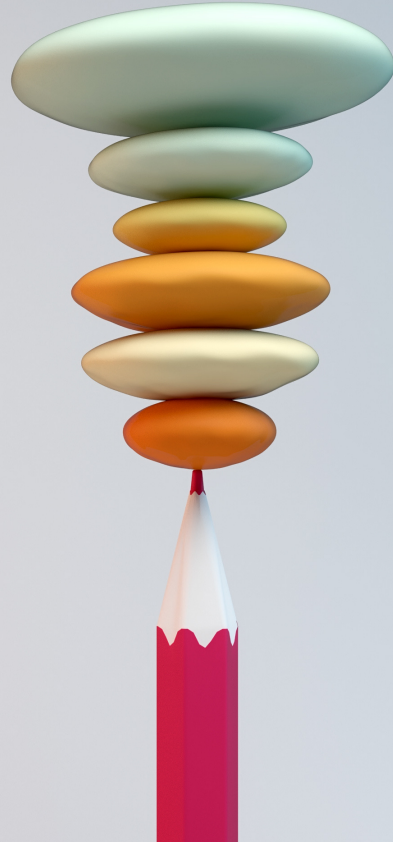
SAP S/4HANA

An intelligent ERP solution that enables companies to capture every opportunity in today's digital world, SAP S/4HANA removes common obstacles associated with legacy ERP applications, such as batch latency, complex landscapes, and manually-driven processes.

S/4 HANA offers a completely different user experience for the Digital Age across the entire Organization. Its key benefits include:

- Empowering employees through process automation
- Automate complex processes – such as invoice and payment matching, approvals, and more – to free up employee time and empower them to do more meaningful work.
- Anticipating and proactively responding to customer needs
- Create personalized and unique customer experiences using AI, Chabot and voice technologies. Anticipate needs – and deliver best-in-class customer service.
- Inventing new business models and revenue streams
- Create new business models that generate new revenue streams. Monetize data-driven capabilities and apply your core business competencies in innovative way
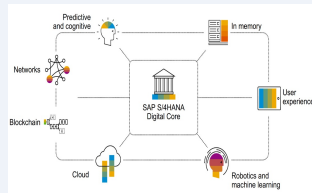
SAP S/4HANA Capabilities

The most comprehensive, intelligent, ERP suite

Procurement
- Overview Page & Analytics
- Procurement Hub
- Predictive Contract Consumption
- GR/IR Reconciliation

Sales
- Order Fulfillment & Delivery Performance
- One Single Invoice
- International Trade
- Predictive Quote-2-Order

Supply Chain
- Realtime Inventory
- Embedded TM
- Embedded EWM
- Advanced ATP
- Predictive Stock in Transit

Manufacturing
- MRP live
- Detailed Scheduling Optimizing with PPDS
- Demand Driven MRP
- Complex Manufacturing

R&D
- Commercial Project Mgmt.
- Project & Portfolio Mgmt.
- Variant Configuration
- Recipe Management

········· SAP S/4HANA ·········

Finance
- Realtime Finance (UGL)
- Closing Cockpit
- Commodity Mgmt.
- Compliance Framework
- ML Cash App
- Bus. Integrity Screening

Service
- New Customer Management, Service Core Option
- Multi-Channel Interaction Center

Asset Mgmt.
- New Geographical Enablement
- Report & Repair Malfunction
- Asset Mgmt. for Resource Scheduling

Cross Functions
- Legal Content Management
- GDPR Tools
- Co-Pilot as Digital Assistant

25 Industries
- Key Industry function embedded inside (e.g. Automotive, Consumer, Retail, Mill...)
- Re-architecture & improved functions (e.g. Chemicals, A&D, Oil Gas...)

8

Finance Transformation

- From daily routine to supporting growth and new business models

- Steering the Business

- Freeing up time for Value-Added Activities

- Reducing the cost of Finance

- Reducing the Cost of Compliance

- Managing Risk
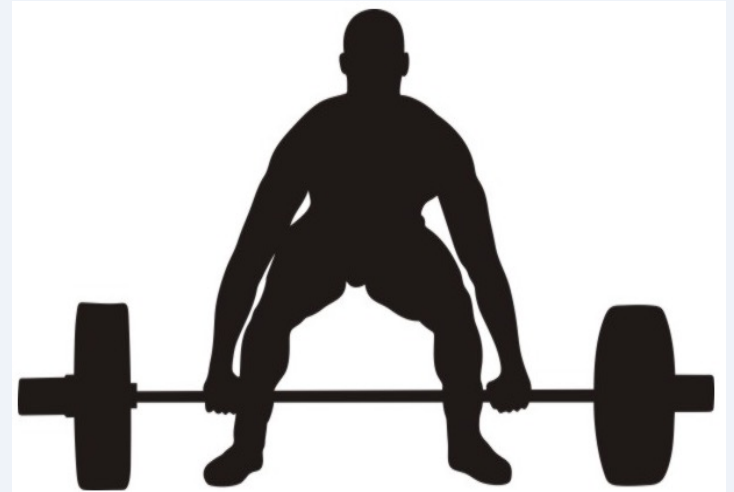
Finance

Financials Optimization is not just a way to align business processes with standard SAP functionality, it represents:

- ❑ A strategic mindset across the business
- ❑ An integral part of business–wide strategy
- ❑ An undertaking to bring improvement and increased efficiency throughout the enterprise
- ❑ A clean path to leverage new functionalities going forward

SAP S/4HANA Finance

Accounting & Financial Close

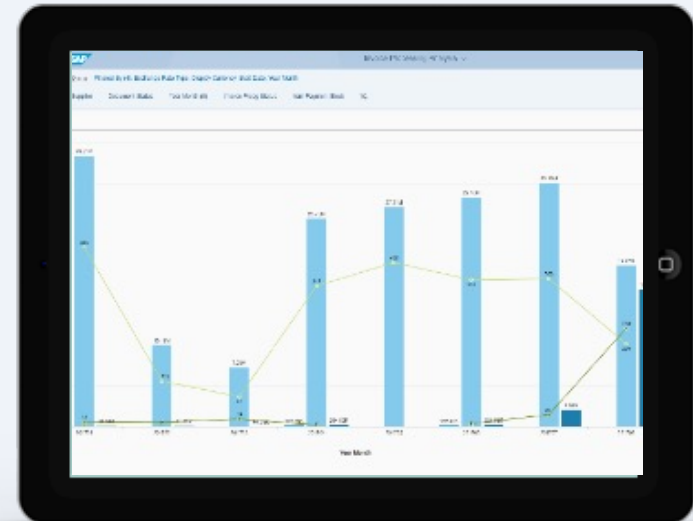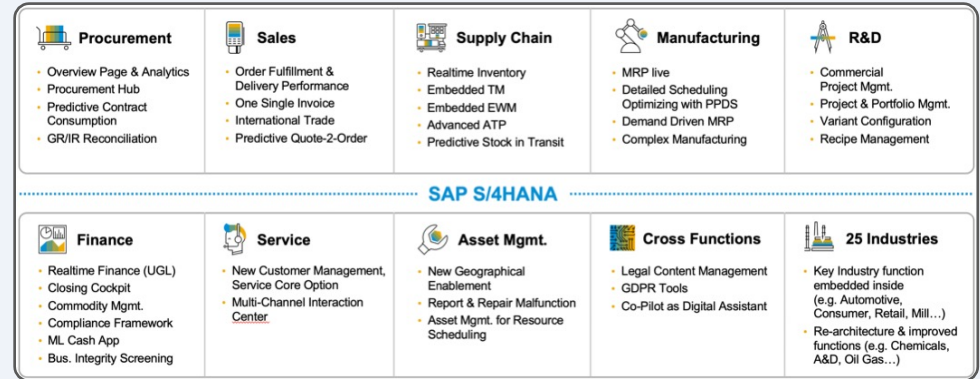- Financial Accounting
- Entity Close
- Financial Reporting

Financial Operations

- Accounts Payable & Receivable
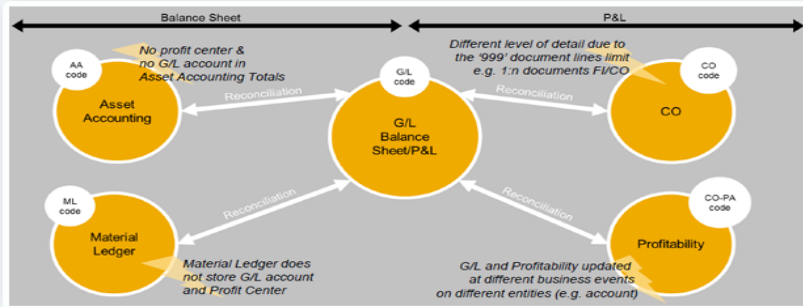- Electronic Bill Presentment And Payment
- Cash & Settlement Mgmt

**Cost Management & Profitability Analysis**

- Overhead Cost Management
- Product Costing
- Profitability Analysis

Financial Accounting Architecture change in S/4HANA

- Multiple sources of truth
- Reconciliation between modules
- Different level of detail stored in different tables
- Multiple BI extractors needed
- Real-time reporting across all dimensions unavailable
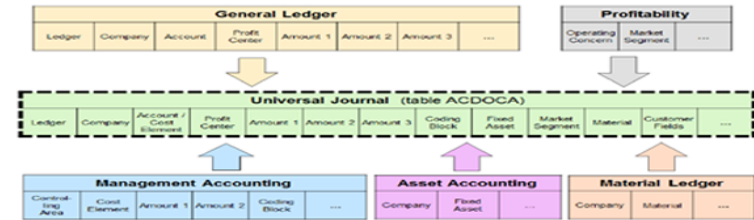
- Single source of truth
- No reconciliation necessary
- Single BI extractors needed
- Real-time reporting possible across all dimensions without BI
- Improved speed and content of reporting
- Memory footprint reduction

Drivers for S/4HANA Finance
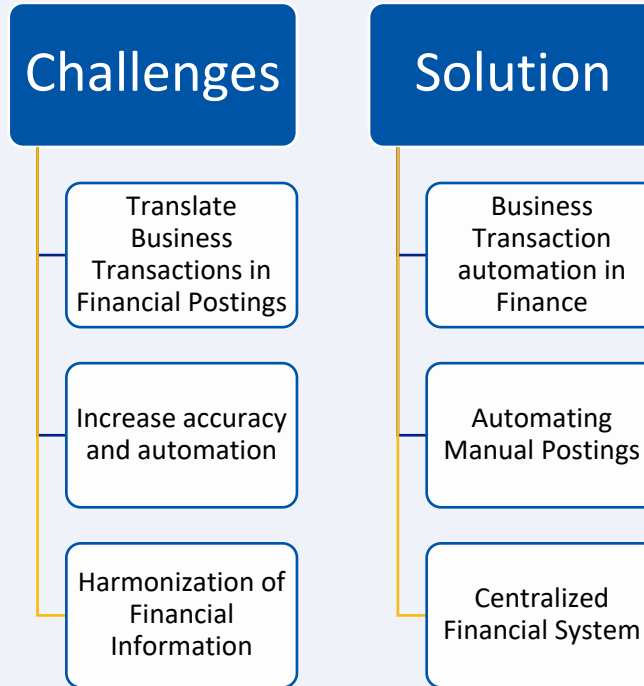
Drivers for cloud based solution

- **Implementation** – Cloud ERP takes relatively less time to Implementation than On premise

- **Resources** - Since ERP hosted on the cloud, the regular maintenance is handled offsite and automatically. It frees up IT resources to work on critical area of projects

- **Scalability** - Ability to easily scale up (or down) as a company's needs change is one of the most appealing feature of Cloud base ERP. For an On-premise system, it is a time and labor-intensive process to scale capabilities, however cloud-based ERP can easily be scaled to a larger & more capable system immediately, affordably, and without limits. While on other hand if required to change downward, it is easy to scale back.

- **Security** - Cloud-based ERP provides an extra level of security. Apart from in-house IT team, cloud provider is also watching out for the security of the system. Customer can also go for 3rd party Audit of cloud vendor for further security

- **Expense** - Cloud-based systems are considered an operating expenditure as they priced under a monthly or annual subscription. Further you to plan, customize, and implement your system. As a result, the implementation is faster resulting in a smaller investment in company time and resources.
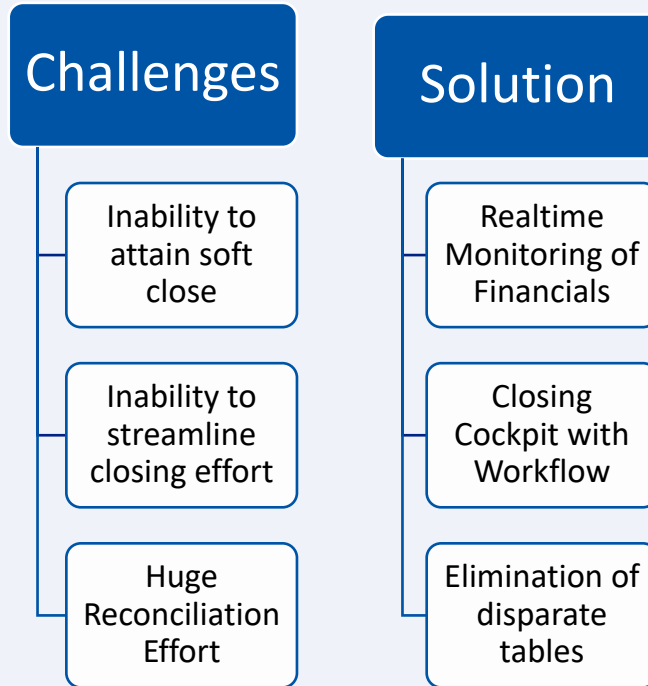
Financial Functions

Function	Plan to Optimize	Record to report
Planning	Plan and Predict	Record
Accounting	Management Accounting	Financial Accounting
Closing	Margin Analysis	Financial Close
Reporting	Simulate and Optimize	Financial reporting

System Process Integration

Challenges	Solution
Translate Business Transactions in Financial Postings	Business Transaction automation in Finance
Increase accuracy and automation	Automating Manual Postings
Harmonization of Financial Information	Centralized Financial System

Financial Close

Challenges	Solution
Inability to attain soft close	Realtime Monitoring of Financials
Inability to streamline closing effort	Closing Cockpit with Workflow
Huge Reconciliation Effort	Elimination of disparate tables

Imagine: Anytime financial close

Prior System

- Time-consuming, error prone consolidation process
- Delayed strategic decisions due to lack of financial visibility
- Limited financial analysis capability

Intelligent System

- Timely insights
- Soft-close, on-the-fly financial reporting
- Real-time decision-making

SAP S/4HANA Solution

- Dramatically reduced reconciliation
- Real-time consolidation
- Single source of financial truth

Benefits (customer: Horizon)

- 75% reduction in days to close
- 25% reduction in G/L and financial closing costs
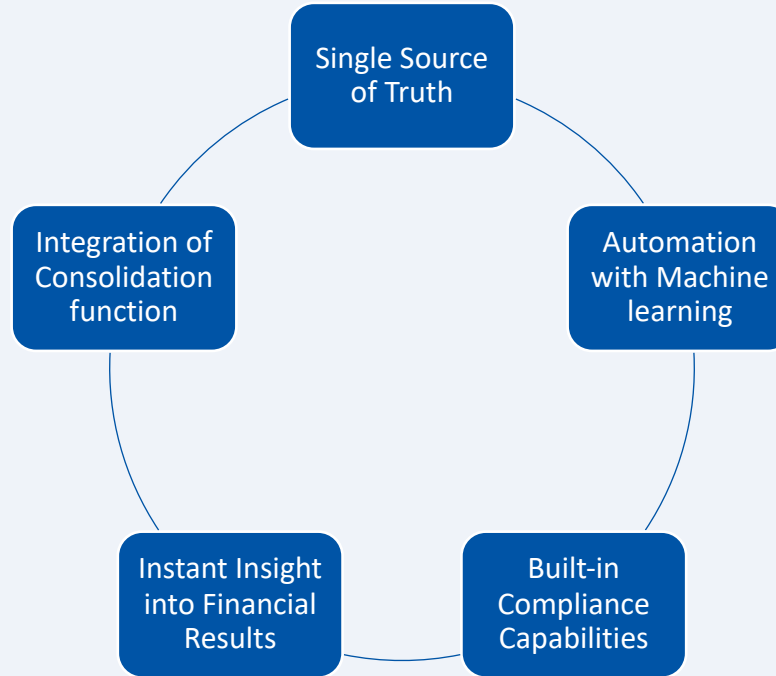- New self-service approach with less reliance on IT to get financial reports

Discover your value: http://impact.s4value.com

Companies who reduced their financial close time:

AIRBUS DEFENCE & SPACE   CEITEC S.A   FaRYS

New Features with S/4HANA Finance

Single Source of Truth

Automation with Machine learning

Built-in Compliance Capabilities
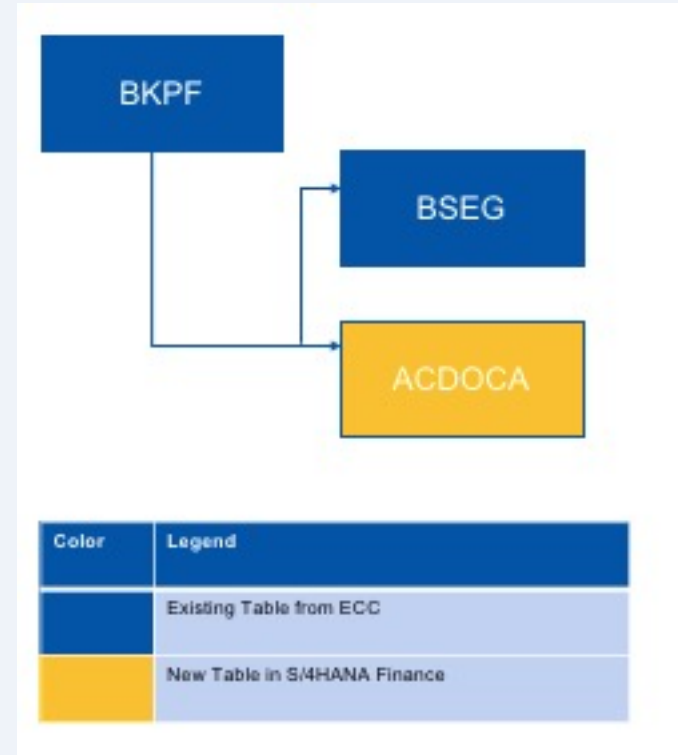
Instant Insight into Financial Results

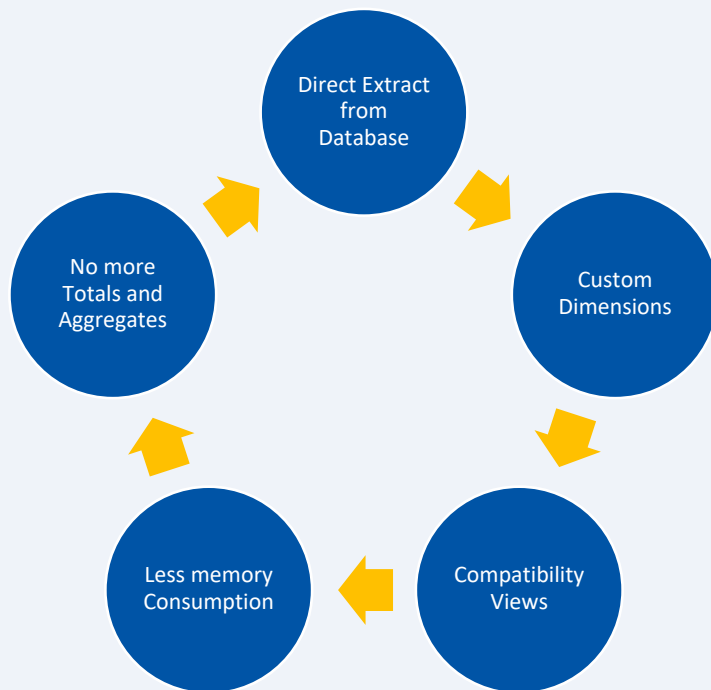Integration of Consolidation function

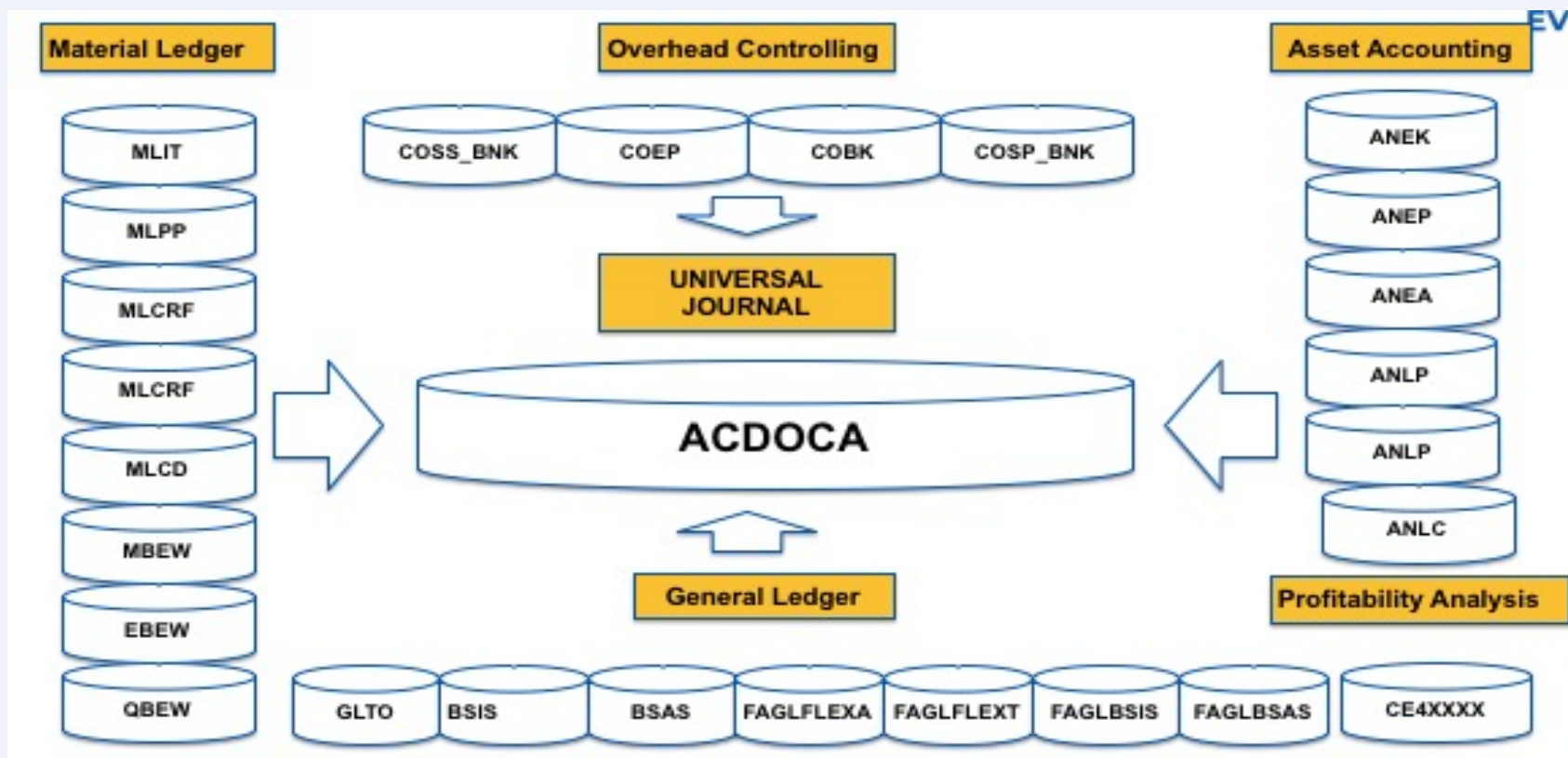# Universal Journal: The New Journal Entry (Actual)

- The New Journal entry consists of Header Table (**BKPF**) and the respective items (**ACDOCA**)

- Universal Journal will have same FI document number.

- The line item table contains all the data fields needed for G/L, CO, AA, ML and Profitability Analysis

- The line item table **ACDOCA** also stores information for Multi GAAP Reporting

- Simplified data structures removes requirement for reconciliation and data loads in multiple systems

- Custom Fields can be added in **ACDOCA** through coding blocks

Color	Legend
	Existing Table from ECC
	New Table in S/4HANA Finance

Data Improvements

Direct Extract from Database

Custom Dimensions

Compatibility Views

Less memory Consumption

No more Totals and Aggregates

Table Integration

Reporting in S/4HANA Finance

Analyze results across any combination of dimensions

Centralize Financial Tax and management reporting

Comprehensive Analytics for Different Finance requirements

Full Visibility and Auditability

Drilldown from Highest to Lowest Level of Detail

Planning in S/4HANA

Benefits

- **High responsiveness to changing business environment through agile, driver-based planning**

- **Increased accuracy through automated planning models, including predictive capabilities**

- **More transparent and flexible process through collaborative planning**

|	
Driver Based modeling	Full Integration of Different Planning Models
Multi Scenario Planning	Predictive Modeling

Process Monitoring and Collaboration

Management Accounting

Challenges

- How to use information to support decisions
- Reconciling Financial and Management Information
- Full Transparency by Responsibility Area

Capabilities

- Realtime and Predictive Analysis
- Merging of FI and CO tables
- Transparent Cost and profit modeling
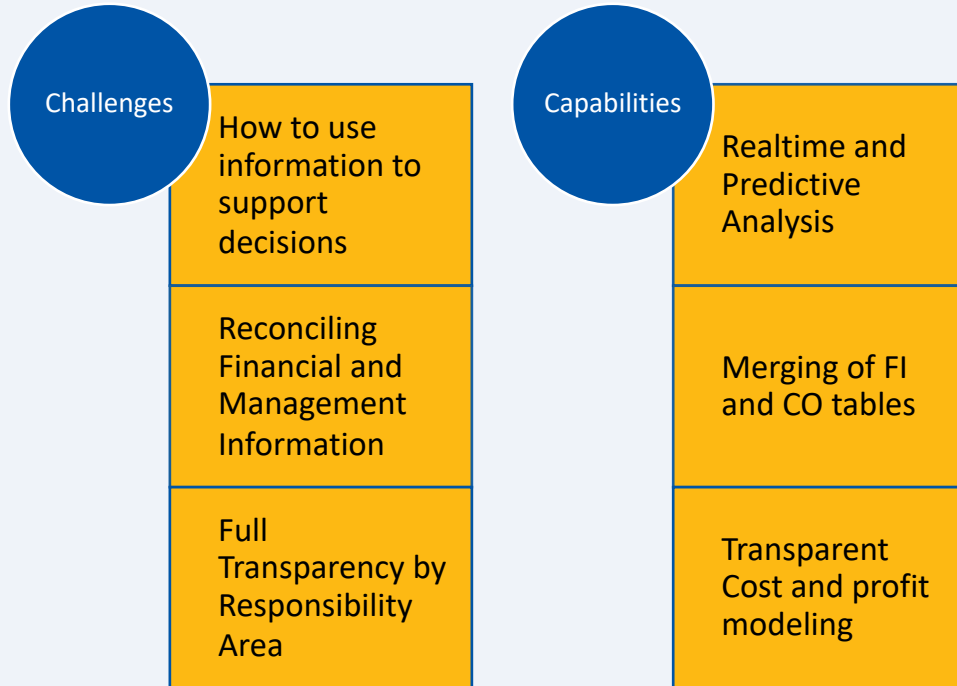
Considerations for Undergoing an S/4HANA Finance Migration

Consider your strategic choices

**Match your business objectives to possible transition paths and destinations**
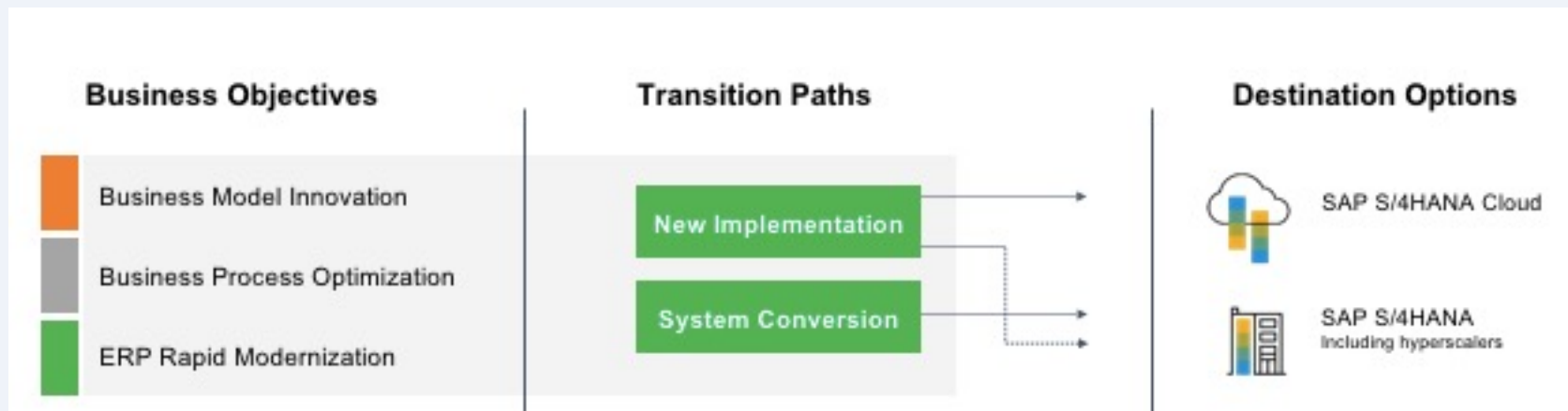
Typical Reasons to Convert to S/4HANA

- The original ERP blueprint was not well thought-out and did not allow for the expansion of your business

- Acquisitions don't fit the original "one-size fits all" model

- Replace Custom with improved standard functionality

- Take advantage of new functionality e.g. the New Asset Accounting

- Prohibitive costs of maintaining a sub-optimal system

Typical Reasons to Convert to S/4HANA cont.

- Organization drowning in processes full of manual intervention and checking

- Lot of time spent maintaining awkward master data structures

- Custom programs holding you back when regression testing new functionality
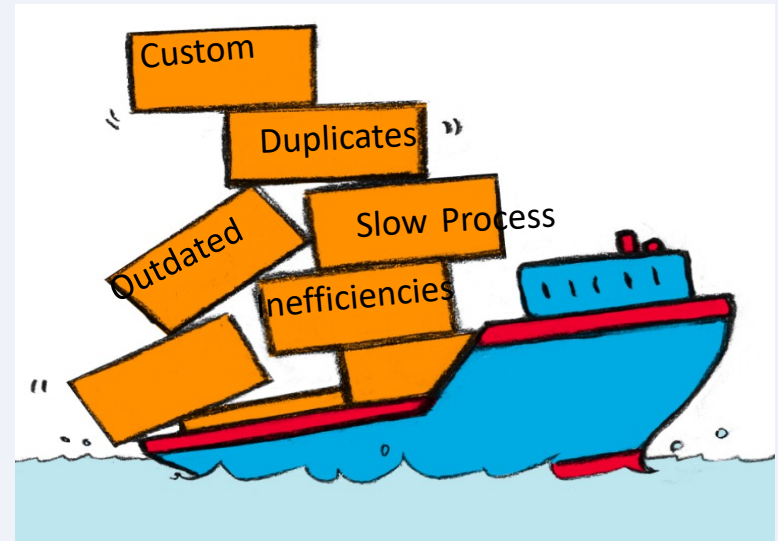
Considerations for moving to S/4 HANA

- S/4HANA Cloud is preconfigured with Best Practice processes
- Custom programs may not work even on On-premise S/4HANA
- Will your master data setup be compatible with merge of Finance & Controlling in S/4HANA?
- What can be done in advance to smooth the transition and reduce costs?
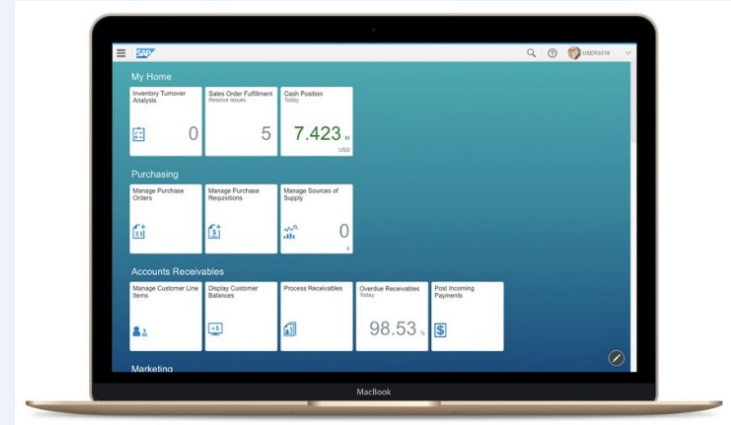
Garbage In -> Garbage Out

- "GIGO" = Garbage In -> Garbage Out

- If you are considering a move to S/4HANA you need to bring across cleansed and tidy data to ensure a smooth and accurate transfer

- Take the time to do it right and set yourself up correctly for the future
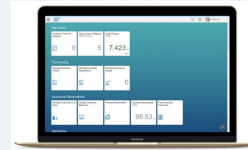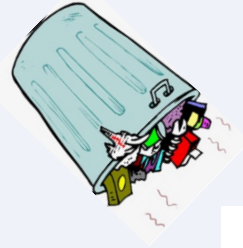
Making the Business Case

- The business case can include greater efficiencies from improved morale as well as financial benefits

- Increased Productivity

- Better and consistent reporting/analysis

- Transparency of information

- Fewer adjustments and faster time to close

- Reduced TCO

Make the case

Three free tools, personalized guidance for IT and the line-of-business Second level text

S/4HANA Business Scenario Recommendations — Identify the **business processes** you can improve and discover new business capabilities.

Customers new to SAP can use Business Value Advisor: http://impact.s4value.com

SAP Transformation Navigator — See the **S/4HANA roadmap** for each component in your current landscape.

Based on current SAP product usage or capabilities your organization wants.

Source: SAP

SAP Readiness Check — Learn **the technical requirements and actions** for a system conversion to S/4HANA.

Based on configuration and usage data for customers already on SAP ECC 6.x.

Determining the Best Route
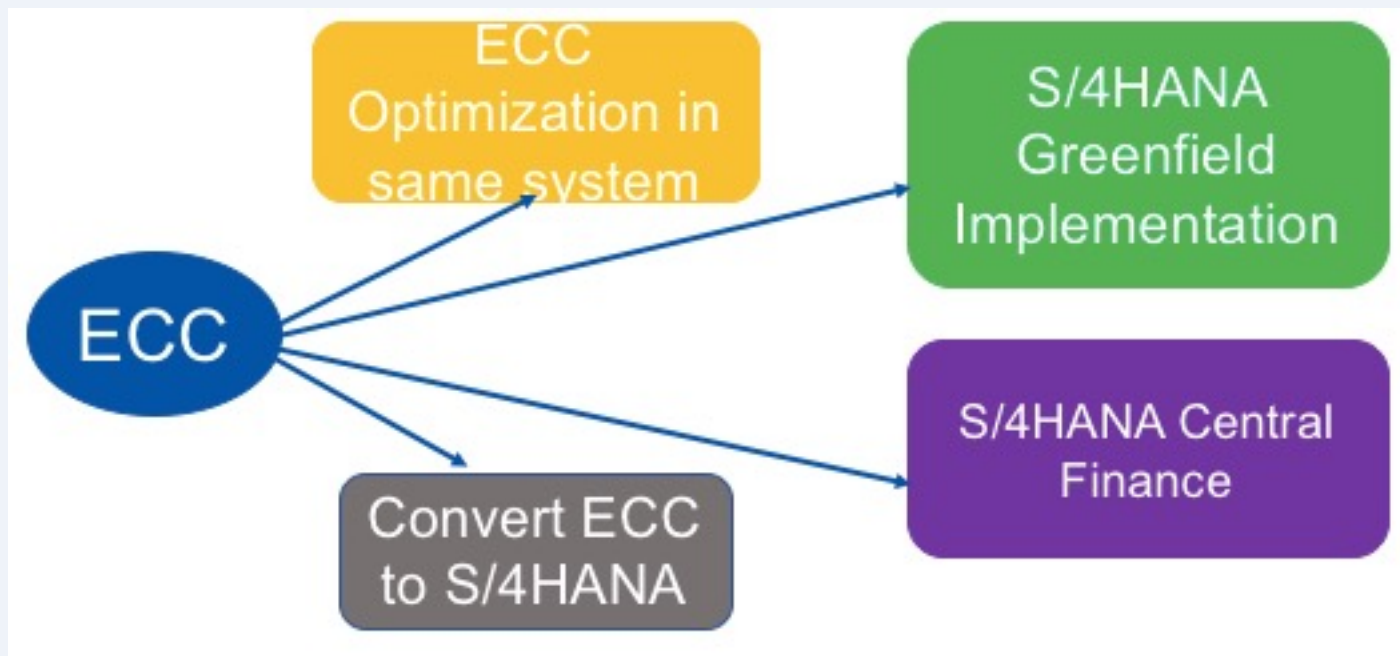
Greenfield Implementation

- Best way for clean ready-to run processes
- Leave any "mess" behind
- S/4HANA cloud if good fit for standardization
- On-premise or private cloud for more freedom
- But difficult to transfer a lot of historical data

Brownfield Implementation

- Sometimes called "Brownfield implementation"
- Migrating existing system to for example S/4HANA
- Keeps history but also keeps bad practices and sometimes messy master data
- Difficult to cleanse system and data in situ
- Only an option if not going to S/4HANA Cloud

Central Finance

- Quick Central Finance ly set up S/4HANA Finance for many companies
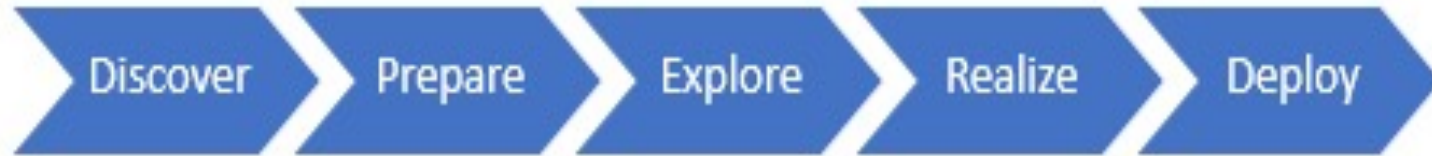- Prioritize key companies to fully migrate first
- Phased approach for rest
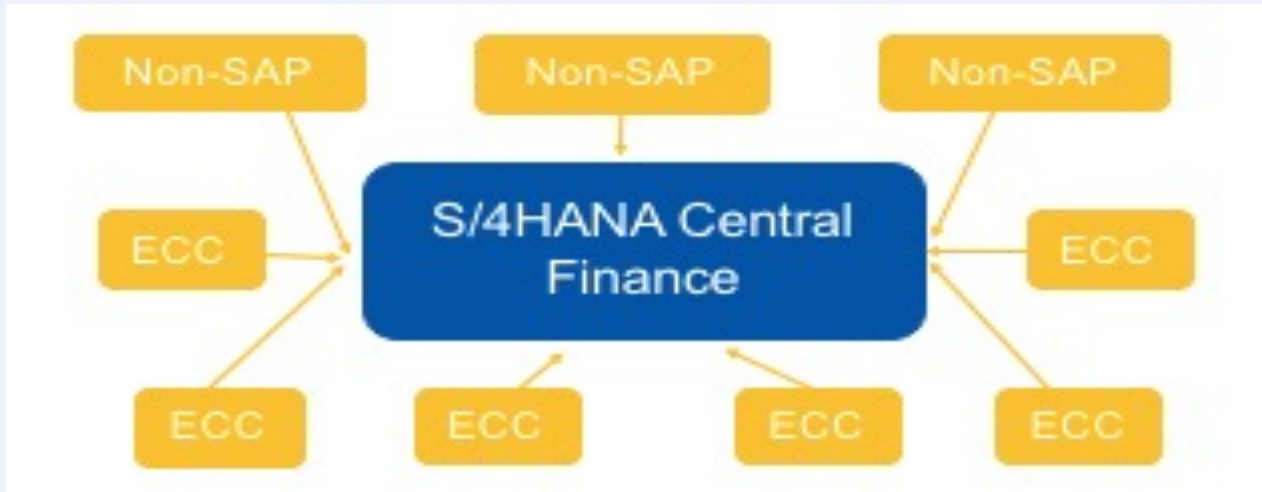
Methodologies

- S/4HANA Cloud's boasts a reduced time to implement because
- You activate the required building blocks for a ready made-system, rather than design from scratch
- Activate consists of 3 pillars, SAP Best Practices, Guided Configuration and Activate Methodology
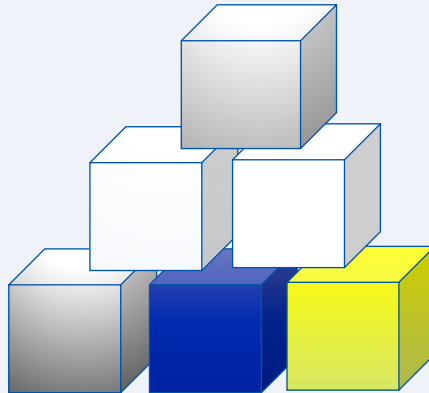
ACTIVATE

- **Discover: Try a standard Best Practice SAP system**

- **Prepare: Set up implementation plan and resources**

- **Explore: Carry out fit-gap analysis and verify scope**

- **Realize: Build solution based on requirements from Explore**

- **Deploy: Transport to production and go-live**

Critical Success Factors

Involve the right stakeholders early

Agree on group policies

Avoid scope creep and manage expectations

Keep modifications to a minimum

Don't necessarily replicate what you have now

Wrap Up

Reason for Companies holding off Implementation

- **Complexity of Conversion:** Most of the established SAP ECC customers especially large and global organizations are having challenges in adoption of S/4 from a business case & time perspective considering the cost & complexity required by the migration project.

- **Realizing the Tangible Benefit :** SAP has so far failed to justify the real tangible benefit of moving to S/4 HANA if companies are happy with current version and does not require to modernize the system with perspective to their future expansion

- **Cost Benefit Analysis:** Cost incurred on system conversion to S/4 HANA still outweigh the benefit reaped by the customer. Upgrading the current system to simply S/4 HANA does provide all the intelligent ERP functionalities like BPA (Business Process Automation), Machine Learning, etc. Customer need to buy additional license SAP Leonardo to utilize them.

- **System Stability & Version realization:** Most of the ECC customer would like to wait till 2025 – the year announced by SAP for end of current ECC support before moving to S/4 HANA. This would also mean stable S4 system and latest release. Current S4 HANA customer would need to again migrate to latest version of s4 to achieve full blown functionalities which are in SAP roadmap currently.

Where to Find More Information

- **https://www.erpfixers.com/blog-series**

  - ERPfixers Resources Page - Various blogs and articles including new Fiori Apps such as Flexible Hierarchies

- **https://www.winshuttle.com/assets/webinar-planning-your-finance-migration-to-sap-s-4hana/**

  - ERPfixers - Planning your Finance Migration to SAP S/4HANA

- **https://help.sap.com/doc/2b87656c4eee4284a5eb8976c0fe88fc/1909.000/en-US/CONV_OP1909.pdf**

  - Conversion Guide for SAP S/4 HANA 1909

Unlock the potential of the Material Ledger in SAP S/4HANA!

- Configure and run actual costing with SAP S/4HANA

- Master parallel valuation: group valuation, profit center valuation, balance sheet valuation, and more

- Analyze your results with SAP S/4HANA reporting tools

https://www.sap-press.com/material-ledger-in-sap-s4HANA_4863/

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THANK YOU

Paul Ovigele

ERPfixers

info@erpfixers.com

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