

SAPinsider

BENCHMARK REPORT

Financial Close Transformation

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October 2022



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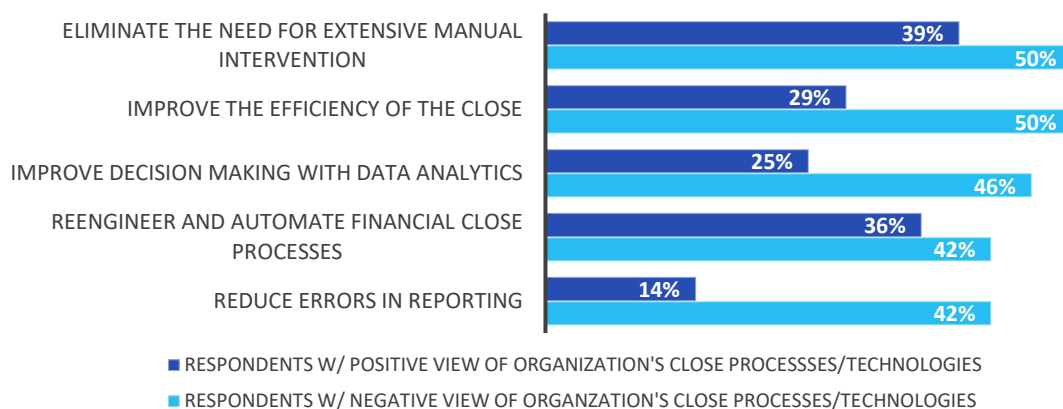
Executive Summary

In today's fast paced business environment, senior management is under increasing pressure to make faster, data-driven decisions and redefine their corporate performance management vision. This puts a premium on timely and accurate financial reporting. However, many finance and accounting (F&A) teams still rely on manual financial close activities that often lead to errors and delays. As a result, executives are often at a disadvantage when making crucial business decisions, which proves to be detrimental to the overall organizational health. To deal with this challenge, organizations are now starting to prioritize technology adoption, automation and implement solutions that can transform the financial close processes and improve efficiency across financial close activities.

From August to October of 2022, SAPinsider surveyed 124 finance community members to learn more about their organization's strategic priorities for financial close transformation. SAPinsiders were asked to describe the current state of their organization's financial close processes/technologies. Less than a third of the respondents expressed a positive sentiment, indicating varying levels of frustration with their current closing cycles. It is important to note that most organizations in the survey are engaged in or planning a phased approach to finance transformation (48% via crawl/walk/run, 36% via rip and replace). Thus, it is not surprising to see that survey respondents prioritized the move to SAP S/4HANA as an opportunity to consolidate financial activities and/or modernize F&A functions which is the top driver of financial close transformation in the study.

The traditional financial close process is manually intensive, prone to errors, and requires significant resources to complete. Our findings and conversations with SAPinsider finance community members echo this sentiment—a majority (61%) of the respondents stated that their current financial close processes and technologies are too reliant on manual methods and legacy tools. Among those who expressed some level of dissatisfaction with their organization's financial close processes/technologies, 88% stated that they are too reliant on manual methods and legacy tools, which is 27% higher than the sentiment expressed by the general audience! This suggests that such organizations are faltering in their approach to reducing manual financial close methods and replacing legacy tools, which are significant contributors to closing inefficiencies. Given such an assessment, it makes sense that such organizations need to prioritize the elimination of extensive manual intervention (50%), and improve the efficiency of the close (50%), as top objectives of financial close transformation (see Figure 1).

Figure 1: Top organizational objectives of financial close transformation



Source: SAPinsider, October 2022

The imperative to improve financial close efficiency also represents the top requirement across financial close transformation strategies for a majority (60%) of survey respondents. This demand for greater efficiency aligns with best practice recommendations from SAP and industry experts. When coupled with the general dissatisfaction of survey respondents, this demand acts as a wake-up call for senior management to invest in technology and enable financial close automation.

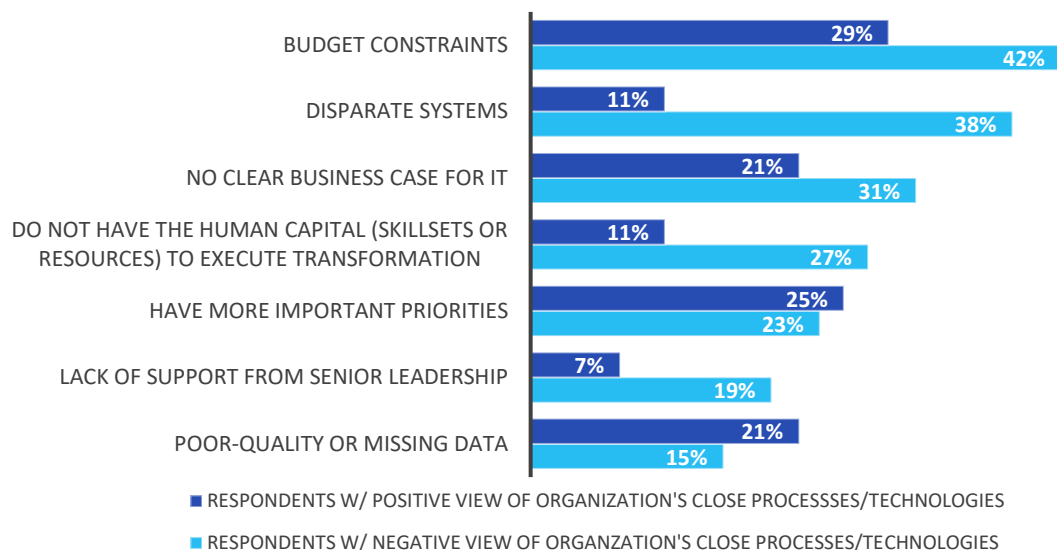
INSIDER PERSPECTIVE

“ SAP S/4HANA is the single source of record and the fact that we are on a single instance globally combined with standardized processes, we are able to get the best possible benefits of managing our financial close processes... we achieve closing efficiency by automating standard and recurring journal entries. Inter-company transactions are also fully automated, so most of the 4-day close process is dedicated to variance explanations, analytics on quarter on quarter, margin walks from prior year and prior quarter, comparison versus budget etc. ”

**Finance Manager,
Medical Device Manufacturer
North America**

However, across the business landscape, SAPinsider organizations are navigating rising costs and falling profitability, which explains that budget constraints feature as the biggest barrier to financial close transformation. For survey respondents with a negative view, budget constraints (42%), disparate systems (38%), and no clear business case (31%) represent clear challenges impacting financial close transformation initiatives (see Figure 2).

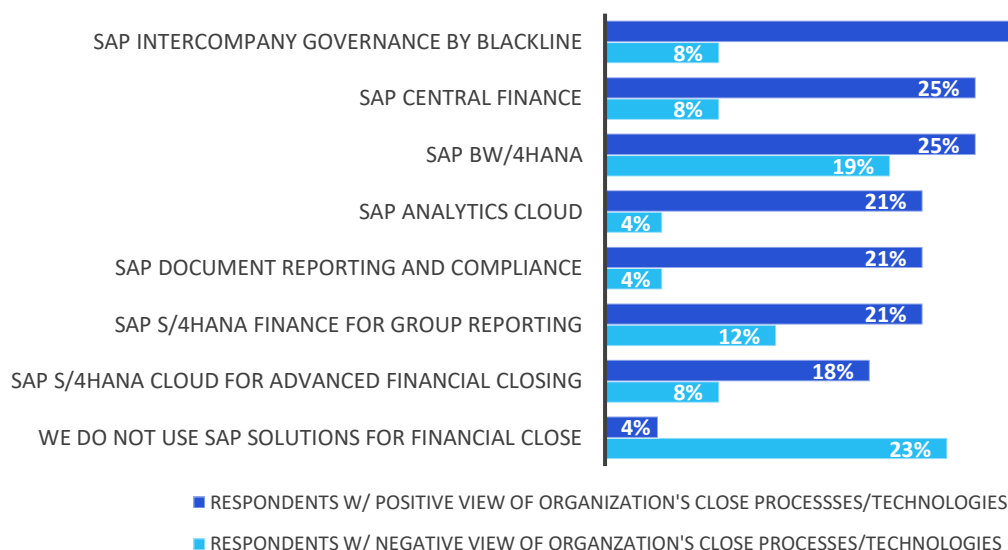
Figure 2: Barriers to financial close process and technology transformation



Source: SAPinsider, October 2022

With fewer barriers to financial close transformation respondent organizations with a positive view appear to be better positioned to implement SAP solutions and solution extensions that enable financial close transformation. We see this across the board, starting with SAP Intercompany Governance by BlackLine (32% of survey respondents with a positive view) as the most popular SAP product (see Figure 3)

Figure 3: SAP products utilization for financial close process



Source: SAPinsider, October 2022

INSIDER PERSPECTIVE

“ With our organization budget is always tight. So, it’s difficult to justify budget to improve our close cycle when our members have more pressing needs. But if we don’t make those improvements, we’ll continue to struggle with an inefficiency spread-sheet heavy process.

”
**Treasurer,
 Public Sector Organization
 North America**

INSIDER PERSPECTIVE

“ The vision was to combine a technology upgrade with process improvements that would better meet the needs of the growing global company, enhance operational efficiency, and lead to a greater return on investment... these [BlackLine] products all have a similar set of functionality and syntax when fully deployed, they will interconnect with each other and the SAP S/4HANA central finance deployment.

”
**John Zimmerman,
 Director of Financial Data Systems
 The Hershey Company**

The move to S/4HANA provides the opportunity to not only consolidate financial activities but also modernize the F&A function. However, it is the tight integration with SAP modules and applications, such as SAP Group Reporting, SAP Document and Reporting Compliance, and SAP S/4HANA for Advanced Compliance Reporting that enables organizations to better address the challenges impacting closing efficiency. Solution extension partners, such as BlackLine, offer a comprehensive approach to organizations to automate financial close processes and realize the benefits. By consolidating F&A activities onto one platform, leveraging experts to develop a strategic roadmap for implementation of financial close solutions, organizations can achieve efficiency and improve visibility into their overall financial picture.

Financial close transformation can help organizations overcome the challenges associated with manual financial close processes, such as inaccurate data, missed deadlines, and lack of visibility into the close process. While there are many financial close transformation initiatives that companies can undertake, one of the most impactful is automating the process. Our member community identified consolidation (44% of survey respondents), intercompany accounting (42%), management/internal reporting (40%), and transaction reconciliation (39%) as financial close activities where they were experiencing the most significant challenges. By automating these critical tasks and leveraging financial data analytics, businesses can free up time and resources that can be better spent on strategic planning and data-driven decision-making.

This study also revealed several key findings regarding how SAPinsider organizations approach strategic priorities around financial close transformation.

- 54% of survey respondents said moving to SAP S/4HANA to consolidate financial activities and/or modernize F&A functions was the top driver impacting their financial close transformation strategies. This is followed by insufficient automation leading to manual work and manual processes (33% of survey respondents). These represent the only two drivers identified by more than three in ten respondent organizations.
- SAPinsider organizations plan to address their core drivers by taking actions that include improving the efficiency of the financial close (60% of respondents), replacing spreadsheet-heavy processes and tasks with best practices automation (47%), consolidating financial operations onto a single instance of SAP S/4HANA (33%), and transitioning from month-end close to continuous financial close (31%).
- Automated and standardized closing processes and alerts (85% of respondents say requirement is important or very important), real-time unified and integrated master data (76%), and automated reconciliations (75%), and fully-documented electronic audit trail (74%) represent the most important requirements that SAPinsider organizations are prioritizing.
- The findings also point to the ongoing distinct waves of technology adoption focused on improving efficiency across financial close processes with a single point of truth for financial data (currently used by 24% of respondents), SOX/compliance tool (22%), and dashboard and visualization tool (20%), the only solutions adopted by at least two in ten survey respondents.
- To better define strategic roadmaps for financial close transformation, SAPinsider organizations are evaluating group reporting (currently evaluated by 39% of respondents), cloud-based financial close solutions (35%), and transaction replication solution (34%).
- The most popular ERP systems in active use included SAP ECC 6.0 (50% of respondents have at least one live instance), SAP S/4HANA (45%), SAP Business Suite (15%), SAP ECC 5.0 or earlier (10%), Oracle ERP Cloud (20%), Workday (19%), Microsoft Dynamics 365 (9%), and JD Edwards EnterpriseOne (8%). All other systems had less than 5% market share among respondents.

Required Actions

Based on the survey responses, organizations should make the following plans around their financial close transformation strategies:

- **Prioritize financial close efficiency in parallel with organization-wide finance transformation efforts to move to SAP S/4HANA.** Most companies today have multiple systems (multiple survey respondents with 25+ ERP instances) that store various types of data, from transactional to master data. This can lead to duplication and inconsistency across disparate systems that a move to SAP S/4HANA and CFIN can help address. However, to improve the efficiency of the close in parallel, organizations should consider embedded solutions such as SAP Group Reporting, SAP Document and Reporting Compliance, and SAP S/4HANA for Advanced Compliance. These embedded solutions, along with solution extensions, such as SAP Intercompany Governance by BlackLine, have demonstrated greater adoption by SAPinsider finance community members with a positive view of their organization's financial close processes and technologies.
- **Prioritize financial close automation to redeploy teams to higher value activities.** Increased automation to replace manual tasks will allow F&A to focus on other strategic priorities and opportunities. Historically, financial close has been a manual process with accountants working long hours to ensure all tasks are completed correctly. However, technological advancements have made it possible to automate many of the financial close tasks which saves significant time and reduces the risk of inaccurate financial data.
- **Explore opportunities to re-engineer repetitive tasks with intelligent technologies.** Financial close transformation goes beyond automating routine, manual tasks. Instead, it looks to re-engineer the entire financial close process (40% of survey respondents)—including how financial data is collected, reviewed, and reported—to unlock new efficiencies and business insights. By leveraging intelligent technologies like Robotic Process Automation (RPA), Machine Learning (ML), and Artificial Intelligence (AI), organizations can enhance capabilities across the financial close process and free up time for more strategic tasks.
- **Determine the need for change management and process standardization to support financial close transformation.** Implementing a new financial close solution is a significant task for any organization. Therefore, it is crucial to clearly communicate the goals and objectives of the transformation across teams, which means mapping out each step of the process and understanding who is responsible for what. Training employees on the new system, updating business processes, and managing data migration is also crucial. This ensures that everyone is on the same page from the beginning. It may also be necessary to hire additional staff or outsource specific tasks. Change management is an essential part of any transformation project, and by investing in it from the beginning, organizations can set themselves up for success.

INSIDER PERSPECTIVE

“
We have full visibility as we are highly automated in AP, AR, consolidation, and reporting, freeing up time for value added analytics. We have multiple machine learning models in the finance area for variance analytics, anomaly detection, fraud prevention, etc.

”
**Finance Manager,
Medical Device Manufacturer
North America**

Chapter One: Key Drivers and Strategies for Financial Close Transformation

Financial consolidation and reporting is more complex than ever. Globalization of businesses has roused the need for quick and efficient financial consolidation and reporting. However, traditional financial consolidation tools are often disparate, difficult to use, and disrupt data integration or report creation. In addition, with constantly changing regulations and disperse financial data, organizations are under pressure to find solutions that can simplify their processes and simultaneously accommodate their needs.

Enabling an integrated financial consolidation and reporting solution can help address such challenges. By consolidating financial data into a single platform, such as SAP S/4HANA, organizations can gain greater visibility into their financial positions and make informed decisions. In addition, an integrated solution can automate many of the tedious and manual tasks associated with financial close, freeing up organization's time to focus on more strategic initiatives. When considering a financial consolidation and reporting solution, it is important to choose one that is future-proof and can be customized to support the organization's future growth.

Best Practices Model – DART

SAPinsider grounds all its research insights in our proprietary DART model. This research model provides practical insights that connect business **Drivers** and **Actions** to supporting **Requirements** and **Technologies**. Drivers represent internal and external pressures that shape organizational direction. Organizations take Actions to address those Drivers and need people, processes, and capabilities as Requirements for those strategies to succeed. Finally, they need enabling Technologies to fulfill their Requirements.

In this report, the top drivers were moving to SAP S/4HANA to consolidate financial activities and/or modernize F&A functions, and insufficient automation leading to manual work and manual processes. To address these drivers, respondents indicated that they are improving the efficiency of their financial close processes, replacing spreadsheet-heavy processes and tasks with best practices automation, consolidating financial operations onto a single instance of SAP S/4HANA, and transitioning from month-end close to continuous financial close.

To support their strategies for financial close transformation, the survey respondents indicated they required the need for automated and standardized closing processes and alerts, real-time unified and integrated master data, automated journal entries, and fully-documented electronic audit trail. Respondents also used or planned to use a wide range of SAP and non-SAP partner tools and technologies to support these requirements.

The responses to the survey and interview questions reveal clear trends that are summarized in **Table 1**.

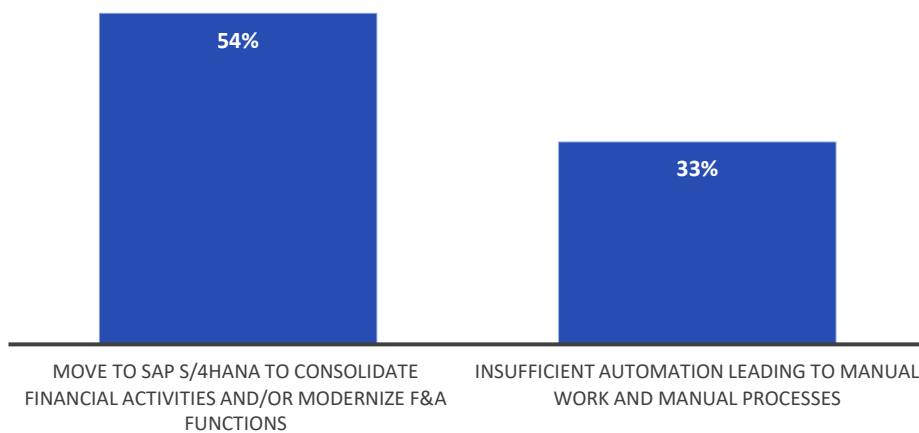
Table 1: DART model framework for financial close transformation strategy

Drivers	Actions	Requirements	Technologies
<ul style="list-style-type: none"> • Move to SAP S/4HANA to consolidate financial activities and/or modernize F&A functions (54%) • Insufficient automation leading to manual work and manual processes (33%) 	<ul style="list-style-type: none"> • Improving the efficiency of the financial close (60%) • Replace spreadsheet-heavy processes and tasks with best practices (45%) • Consolidating financial operations onto a single instance of SAP S/4HANA (33%) • Transitioning from month-end close to continuous financial close (31%) 	<ul style="list-style-type: none"> • Automated and standardized closing processes and alerts (82%) • Real-time unified and integrated master data (76%) • Automated journal entries (75%) • Fully-documented electronic audit trail (74%) 	<ul style="list-style-type: none"> • Single point of truth for financial data (24%) • SOX / compliance tool (22%) • Dashboard and visualization tools (20%) • Intercompany balance sheet reconciliation and automation solution (19%) • Group reporting solution (19%) • Centralized solution to control all financial data and processes (17%) • Master data integration solution (17%) • Disclosure management tool (16%) • Financial close automation tools (15%)

What Factors are Driving Financial Close Transformation?

Financial close has often been cited as a major pain point by SAPinsider organizations, putting pressure on CFOs to streamline this critical business process. The close process includes activities such as recording revenue and expenses, calculating taxes, and reconciling bank accounts. These are not only time-consuming activities, they are also error-prone. In addition, the close process often requires coordination among multiple departments, which takes significant time. Many organizations are now looking for ways to improve their financial close processes. CFOs are increasingly turning to technology to transform their financial close processes, providing context for moving to SAP S/4HANA and consolidate financial activities and/or modernize F&A functions (54%). In addition, organizations are increasingly recognizing the need for real-time data and insights into their financial transactions.

Figure 4: Top drivers for financial close transformation strategy



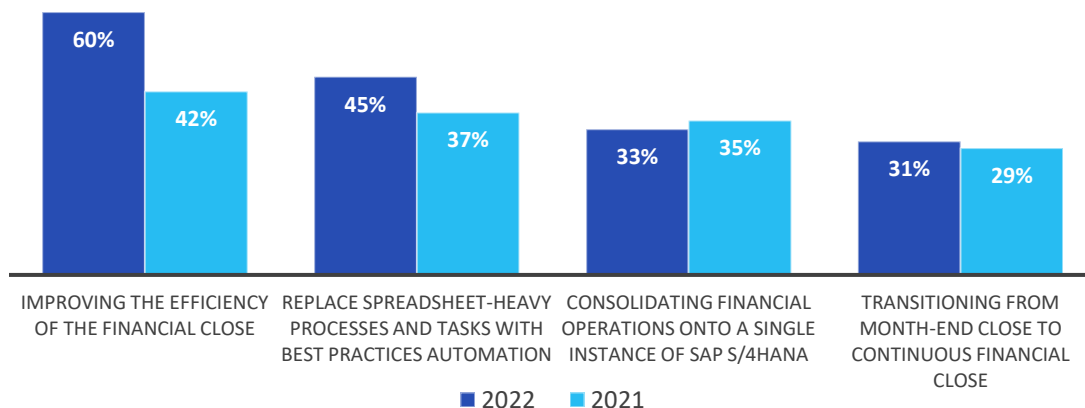
Source: SAPinsider, October 2022

Financial close process is the most critical process for an organization and should be streamlined and automated to reduce errors or delays. One way to do this is to invest in technology that can help speed up and simplify the process. This explains why insufficient automation leading to manual work and manual processes (33%) is another major factor impacting how organizations approach their financial close transformation strategy (Figure 2). This clearly calls for automation of financial close processes for efficiency and optimization.

How Do SAPinsiders Address Their Drivers?

There are many benefits associated with automating the financial close process, including reduced error rates, shorter close cycles, and improved visibility into the overall health of the organization's finances. In addition, automating the close process can free employees to focus on high-value activities, such as variance analysis and strategic planning. As organizations continue to strive for operational excellence, for most F&A leaders, improving the efficiency of the financial close (60% of survey respondents), is the top action to address and the core driver impacting the strategic priorities of financial close transformation. **(Figure 5)**. This action closely aligns with the core drivers of moving to SAP S/4HANA to consolidate financial activities and/or modernize F&A functions, as well as insufficient automation leading to manual work and manual close processes.

Figure 5: Top actions taken to address the top drivers



Source: SAPinsider, October 2022

Respondent organizations also pursue strategies to replace spreadsheet-heavy processes and tasks with best practices automation (45%). This action connects to the driver of insufficient automation leading to manual work and manual close processes. Spreadsheets are often error-prone, difficult to update and share, and can lead to inconsistencies in data. By automating these processes, organizations can improve the quality of their work.

Our findings also show that organizations are taking actions to consolidate financial operations onto a single instance of SAP S/4HANA (33%). This is in response to the growing need to move to SAP S/4HANA to consolidate financial activities and/or modernize F&A functions. Moving to SAP S/4HANA can help organizations improve efficiencies, reduce costs, and improve decision-making.

The fourth and final strategy identified by survey respondents to address core drivers of financial close transformation is to transition from month-end close to continuous financial close (31%). This supports the driver of insufficient automation leading to manual work and manual processes. By transitioning to continuous financial close, organizations can automate tasks associated with the close process, reducing manual work and improving efficiency. Additionally, this transition will help organizations to align financial reporting with business operations, providing timely and accurate information to decision-makers.

INSIDER PERSPECTIVE

For an efficient closing process it was critical to have clearly defined processes, process owners, and process visibility with detailed standard operating procedures that are well understood and periodical training along with continuous improvement philosophy.

**Finance Manager,
Medical Device Manufacturer
North America**

Key Takeaways

Based on our research regarding financial close transformation strategy, the following takeaways are clear:

- **Enhance financial close efficiency.** In recent years, there has been an increased focus on improving the financial close process. This is partly due to the ever-changing regulatory landscape and the need for organizations to be more agile. One way to improve the efficiency of the financial close is to consolidate onto one instance of SAP S/4HANA or deploy SAP S/4HANA for Central Finance. Either of these strategies can help eliminate significant reconciliation work each month.
- **Focus on improving data quality originating from source systems.** Data quality is always a challenge when embarking on a financial close transformation project. From missing data to incorrect formats, cleaning up the data is time-consuming and labor-intensive which can add considerable cost and risk to the project.
- **Establish a long-term goal of continuous and predictive financial close.** A continuous close predicts rather than reacts to changes, providing timing and sequencing that is tied to organizational objectives rather than the traditional calendar. This kind of flexibility and control over the close process creates opportunities for faster and more accurate reporting, which leads to reduced costs and improved operational efficiency. In addition, continuous close provides real-time feedback about the business that can be used to make decisions about strategy, products, services, and processes. The result is a more agile organization that is better able to adapt to change and achieve long-term goals.
- **Build a business case for financial close automation as part of a finance-first digital transformation strategy.** Many organizations need to transform their finance functions to remain competitive. However, F&A teams, challenged by competing priorities (27% of survey respondents), need to secure buy-in from executives to prioritize and invest in finance transformation. One way to make a case for finance transformation is to build a business case for financial close automation. Industry-specific business cases can effectively demonstrate the potential benefits of automating the financial close. By making finance transformation and financial close automation a priority, organizations can take a significant step forward in achieving their digital transformation goals.

INSIDER PERSPECTIVE

“
Data, data, data. It's the number one issue during our financial close transformation. Post-carve out, the data was not ready to move to SAP S/4HANA. Data management and data handling are major challenges increasing cost and scope.”

Finance Controller,
Energy Company
Saudi Arabia

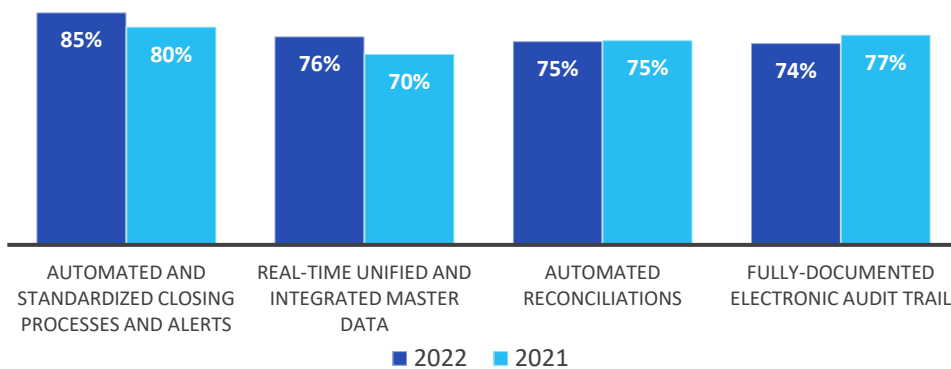
Chapter Two: How Do SAPinsiders Approach Financial Close Transformation?

CFOs are under pressure to deliver operational excellence by improving accuracy, reducing costs, and accelerating decision making amid ongoing economic uncertainty. This section explores how organizations prioritize the specific requirements and capabilities they need for a successful financial close transformation strategy and the tools they have used or plan to use to meet such requirements.

Top Financial Close Transformation Requirements

Most of the survey respondents identified automation and standardized closing processes and alerts (85% of respondents) as the top requirement to support financial close transformation strategies (Figure 6). This requirement supports the action to improve the efficiency of the financial close. Automating manual tasks and incorporating alerts into daily activities allow organizations to improve the efficiency of the financial close by reminding employees of deadlines and identifying potential issues.

Figure 6: Top requirements for financial close transformation



Source: SAPinsider, October 2022

Real-time unified and integrated master data represents the second core requirement, with 76% of respondents saying it was important or very important. This requirement aligns with consolidating financial operations onto a single instance of SAP S/4HANA. In addition, S/4HANA provides the ability to unify data from multiple disparate sources into a consistent format.

Automated reconciliations (75%) represent the third key requirement. This requirement aligns with the action of transitioning from month-end close to continuous financial close. Automated reconciliations can improve accuracy and prevent errors that can delay or disrupt the close process.

Fully-documented electronic audit trail (74%) is the fourth-ranked requirement that was needed to support financial close transformation strategies. This requirement aligns with improving the efficiency of the close, as well as transitioning from month-end close to continuous financial

INSIDER PERSPECTIVE

“ Almost real-time data is facilitated with the help of SAP S/4HANA with more analytics performed leveraging the in-memory database, especially in the treasury function. Anything that is recurring and standard is automated. Where there needs to be some analysis and application of the mind, it's done manually. ”

Finance Manager,
Medical Device Manufacturer
North America

close. The fully-documented electronic audit trail provides transparency and documentation necessary to improve communication between accounting and finance teams. Furthermore, it increases data accuracy, reducing the time needed to review and prepare for financial statements.

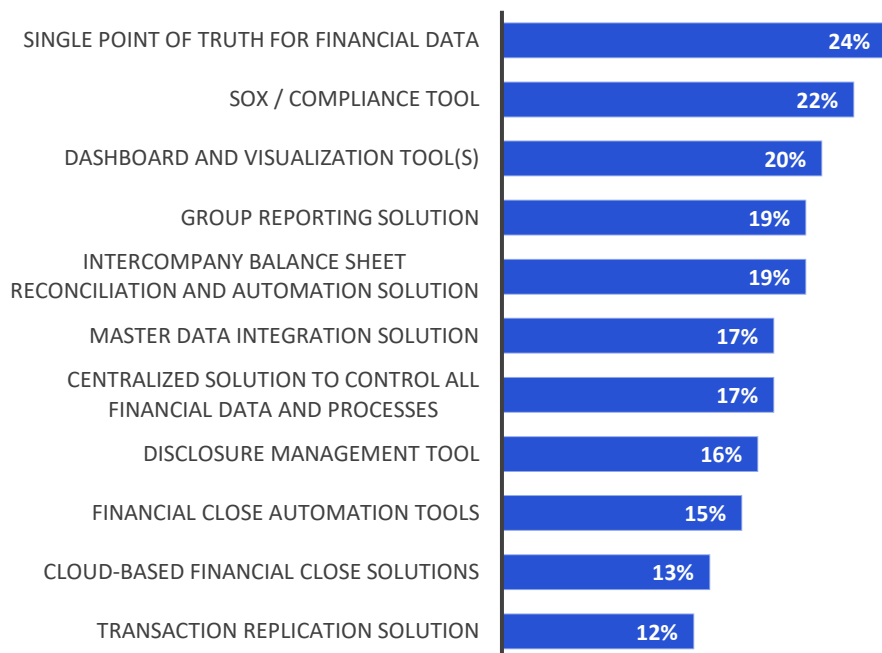
What Technologies Are Organizations Using to Support Requirements?

Amid ongoing economic uncertainty, it is more important than ever for organizations to prioritize the specific requirements and capabilities they need for a successful financial close transformation strategy. The tools they have used or plan to use to meet those requirements is also very important.

Organizations that have successfully transformed their financial close process have implemented best practices and adopted the latest technologies. Through such strategies, they have improved accuracy, reduced costs, and accelerated decision making. Utilizing the latest technology available is one way to operate efficiently and effectively in an evolving business landscape.

For the respondent organizations, it starts with a single point of truth for financial data, as 24% of survey respondents currently leverage technology as a critical element of their financial close transformation strategy (**Figure 7**). By consolidating all financial data into one place, organizations can reduce the risk of errors and improve the accuracy of their data.

Figure 7: Financial close transformation technology adoption



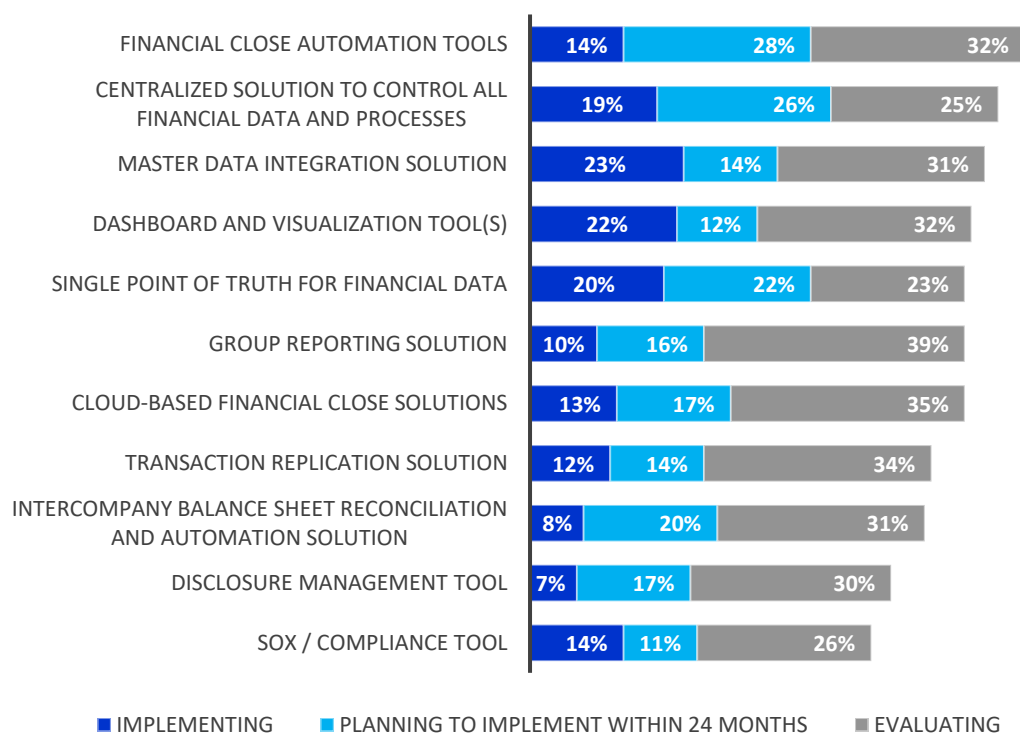
Source: SAPinsider, October 2022

SOX / compliance tool (22%) represents the second most adopted technology in our study, and can help organizations meet their regulatory obligations, ensuring that their financial statements are accurate and reliable.

As organizations strive for greater automation across financial close activities, we also see the adoption of dashboard and visualization tools (20%), group reporting solution (19%), and intercompany balance sheet reconciliation (19%), as popular technologies among SAPinsider organizations. These solutions help organizations improve financial closing efficiency. Dashboard and visualization tools provide real-time visibility into key performance indicators, allowing organizations to identify issues early and take corrective action. Group reporting allows organizations to consolidate financial data from multiple entities into a single report, making it easier to compare results and track progress. Intercompany balance sheet reconciliation solution automates the task of reconciling intercompany accounts and provides a clear audit trail, making it easier to track changes and identify any potential issues. By adopting such solutions, organizations can minimize compliance risk exposure and maximize operational efficiency.

Many organizations are yet to automate their financial close processes and face inefficiencies. But for organizations using and implementing technology to support financial close transformation strategies, the most used are for centralized solution to control all financial data and processes (45% of survey respondents are currently implementing or implementing in 12-24 months), financial close automation tools (42%), and single point of truth for financial data (42%) (Figure 8).

Figure 8: Financial close transformation technologies being implemented and evaluated



Source: SAPinsider, October 2022

As organizations consider opportunities to transform financial close processes, many key technologies are emerging as potential solutions. One is a group reporting solution (39% of respondents currently evaluating technology), followed by cloud-based financial close solutions (35%), and transaction replication solution (33%). By evaluating and potentially adopting these technologies, organizations are aiming to keep pace with their peers in the ever-changing business landscape.

Key Takeaways

When it comes to equipping organizations with capabilities and technologies required to support financial close transformation strategies, consider the following:

- **Consider SOX/compliance tool to help improve close efficiency.** This represents the second most adopted SAP solution to support financial close transformation strategies by survey respondents with a positive view of their organization's current financial close process and technology. Organizations must comply with different compliance requirements including GAAP, IFRS, and revenue recognition—a SOX/compliance tool can serve as an effective foundation for meeting these requirements.
- **Evaluate cloud-based financial close solutions to enable standardization and lower operating costs.** As organizations strive to standardize their financial close processes, many are turning to cloud-based solutions. This is particularly important for financial close transformation initiatives, which often involve several different departments and stakeholders. Cloud-based systems offer many advantages including the ability to scale quickly and efficiently, and the flexibility to adapt to changing needs. Additionally, cloud-based solutions typically come with a low cost of ownership than on-premise solutions. As a result, organizations are increasingly adopting cloud-based solutions to support financial close transformation initiatives.
- **Continue to prioritize group reporting capabilities to reduce manual work.** The group reporting process is essential for large enterprises, but it can take time and effort to manage. Group reporting solutions can eliminate intercompany profits, make adjustments and reconcile between different parts of the organization, all of which can save time and improve efficiency. Survey respondents with a positive view of financial close processes and technology are more likely to implement a group reporting solution.
- **Leverage dashboard and visualization tools for improved reporting and steering to enable collaboration between departments.** Dashboard and visualization tools can provide a bird's eye view of organizational performance, highlighting potential areas of improvement and helping to focus on consolidation efforts. Such tools can save considerable time and resources, while providing more accurate and up-to-date information. In addition, they can help to reveal hidden patterns and trends that can be difficult to detect using traditional methods.

Chapter Three: Impact of Finance Close Transformation on F&A Teams

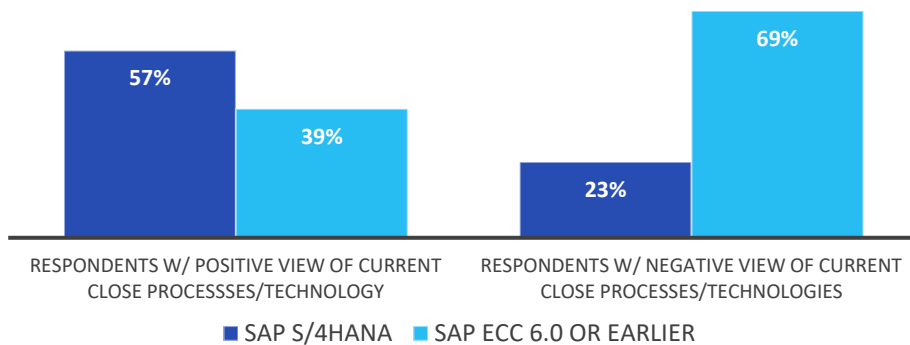
Finance close transformation can be complex and daunting. One of the most pressing issues pertains to understanding the impact of finance transformation on F&A teams. By exploring differences in responses between the respondents with a positive view (31% of respondents rated current financial close processes/technology 4 or 5 out stars of 5 stars) relative to their peers with a negative view (33% of respondents rated current financial close processes/technology 1 or 2 stars out stars of 5 stars), we can surface key insights that can help inform strategic priorities across our SAPinsider community.

Let's first identify the challenges facing respondents with a negative view of their organization's current financial close processes/technology.

- 38% of respondents with a negative view reported disparate systems as a major barrier compared to 11% of respondents with a positive view
- 53% of respondents with a negative view cite financial consolidation as a top pain point compared to 29% of respondents with a positive view.
- 38% of respondents with a negative view cite internal controls/compliance as a top pain point compared to 7% of respondents with a positive view
- 88% of respondents with a negative view of current organizational financial close processes and technologies, also said these systems were reliant on manual methods and legacy tools.

Survey respondents with a positive view of organization's current financial close processes are more likely to run SAP S/4HANA (see Figure 9). This is likely because SAP S/4HANA includes numerous features and enhancements that can improve the efficiency and accuracy of the close process. Additionally, SAP S/4HANA is designed specifically for organizations that want to streamline their financial operations.

Figure 9: Current SAP ERP solution utilization



Source: SAPinsider, October 2022

Survey respondents with a negative view are more likely to run SAP ECC 6 or earlier. This may be because their current processes need to be revised. Also, with budget constraints as the top barrier to financial close transformation, it is possible that the survey respondents cannot justify the cost of upgrading to the latest version of SAP software.

INSIDER PERSPECTIVE

“ The biggest risk to financial close transformation is in not having clearly defined/ documented processes and process owners. The process should survive the person on the job. ”

**Finance Manager,
Medical Device Manufacturer
North America**

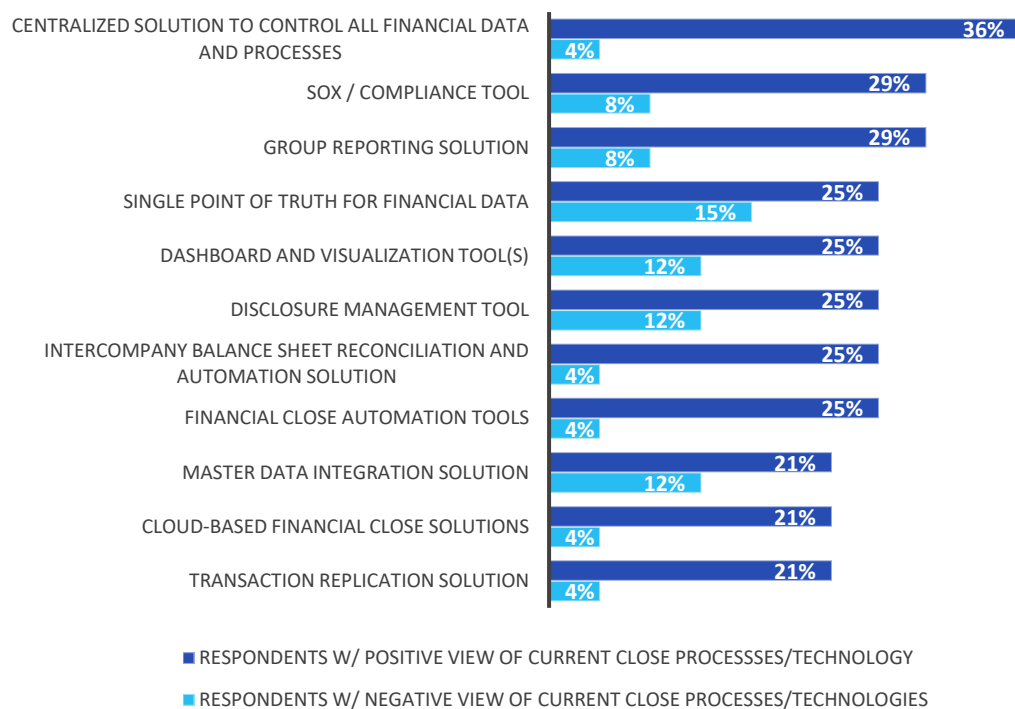
Ultimately, running SAP S/4HANA or an earlier version of SAP ERP depends on the specific needs and objectives of an organization. However, organizations with a positive view of their current close process are likely already reaping the benefits of running SAP S/4HANA.

Financial Close Automation is a Must Have

Financial close automation is no longer a "nice to have" but a "must have" for organizations globally, across industries and size. The benefits of financial close automation are clear—improved accuracy and timeliness of financial reporting, reduced risk of financial errors, and streamlined compliance with regulatory requirements.

It can be noted that respondents with a positive view of the organization’s financial close process are much further ahead in implementing financial close automation solutions across the board than those with a negative view. However, this can be interpreted in a several ways—such organizations are more proactive and see the potential benefits of automation, or understand that there is always room for improvement and are open to new solutions. (Figure 10). It can also be related to costs as 42% of survey respondents with a negative view of current financial close processes/technologies said budget constraints were a barrier to transformation.

Figure 10: Current Financial Close Transformation Technology Utilization



Source: SAPinsider, October 2022

By embarking on a financial close transformation journey, organizations can modernize their financial close process through automating manual tasks, streamlining financial reporting, and integrating disparate systems. This will lead to a more efficient and effective financial close process, and free up time for executives to focus on more strategic initiatives that will help drive the business forward.

Steps to Success

Our research reveals that SAP customers should apply the following key steps to ensure their financial close transformation strategies have the foundation for success:

- **Prioritize integrated finance reporting to enable a data-driven approach to informed decision making.** As more organizations prioritize data analytics, it is no surprise that improving decision making is a top objective for those dissatisfied with their current financial close processes and technologies. Integrated finance reporting brings together financial data, giving decision-makers a comprehensive view of revenue, expenses, assets, liabilities, and cash flow. This information can be used to track performance, identify trends, and assess risk. Furthermore, integrated finance reporting can be used to develop forecasts and budgets. By prioritizing integrated finance reporting during a financial close transformation, organizations can make informed decisions that are based on accurate and up-to-date data.
- **Accelerate finance transformation journey with a centralized solution to control all financial data and processes.** SAP S/4HANA for Central Finance provides an opportunity to transform the finance journey by migrating to SAP S/4HANA over time. It enables organizations to automate their financial processes and reduce costs associated with manual processing. In addition, SAP S/4HANA for Central Finance provides a single platform for all financial data and processes, which makes it easier to manage and control. As a result, Central Finance has become an essential tool for finance transformation journeys.
- **Leverage SAP embedded solutions and solution extensions to help enhance closing performance at the group and entity level.** Best practice recommendations such as S/4HANA Group Reporting (embedded in SAP S/4HANA) help enable real-time (pre-consolidated, intercompany-eliminated) performance at the group level, as well as the entity level with business partners. Organizations can see added business value above typical situations where data ETL into a separate consolidation platform occurs only after month-end. Survey respondents with a negative view of financial close processes and technologies were more likely to not implement SAP products and solution extensions for financial close activities.
- **Move towards a continuous and predictive close model.** To streamline and speed up the close, many companies are moving towards a continuous or predictive close model. Under this model, financial data is updated on a regular basis, allowing for a more accurate and timelier picture of their financial position. This approach has many benefits, including improved decision-making, reduced costs, and increased transparency.

INSIDER PERSPECTIVE

“ Success for us is enhanced efficiency through a combination of technology and process improvements that provides better visibility into our financial process. ”

John Zimmerman,
Director of Financial Data Systems
The Hershey Company

Methodology

Between August 2022 and October 2022, SAPinsider examined the experiences of business and technology professionals about how they are approaching their financial close transformation strategies. Our survey was administered to 124 members of the SAPinsider Community and generated responses from across a wide range of geographies, industries, and company sizes. Respondents completed an online survey and provided feedback in customer interviews that questioned them on topics such as:

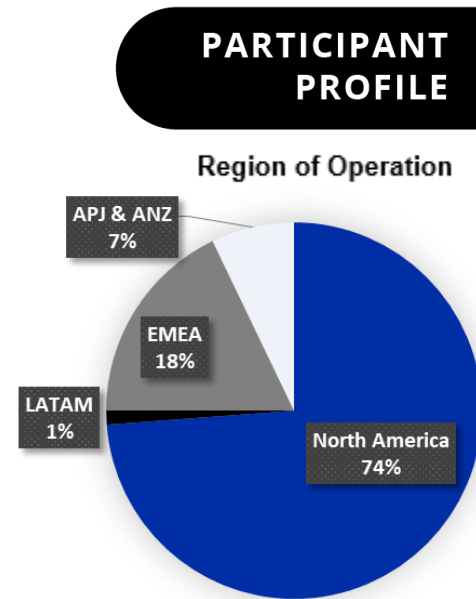
- What are the core drivers of financial close transformation?
- What barriers do you have to financial close processes and technology transformation?
- What financial close complexities are most responsible for current inefficiencies?
- What are the top objectives of your organization’s financial close transformation strategy? Please select at least one.

The demographics of the respondents included the following:

Job function: Functional areas reported by respondents include: Finance, Accounting, Tax (53%); Supply Chain, Manufacturing and Logistics (13%); Research & Development (15%); Business Development/Sales (10%); Product Development/Product Management (6%); GRC/Risk/Internal Controls/Information Security (3%)

Market sector: The survey respondents came from every major economic sector, including: Industrial (35%); Public Services and Health Care (23%); Software and Technology (22%); Retail and Distribution (10%); Financial Services and Insurance (5%); Media and Entertainment (4%); and Hospitality, Transportation, and Travel (1%).

Geography: Regions of operation for our survey respondents: 74% operate in North America; 18% operate in Europe, Middle East and Africa; 7% operate in Asia-Pacific, Japan, and Australia; and 1% operate in Latin America.



Appendix A:

The DART™ Methodology

SAPinsider has rewritten the rules of research to provide actionable deliverables from its fact-based approach. The DART methodology serves as the very foundation on which SAPinsider educates end users to act, creates market awareness, drives demand, empowers sales forces, and validates return on investments. It's no wonder that organizations worldwide turn to SAPinsider for research with results.

The DART methodology provides practical insights, including:

- **Drivers:** These are macro-level events that are affecting an organization. They can be both external and internal and require the implementation of strategic plans, people, processes, and systems.
- **Actions:** These are strategies that companies can implement to address the effects of drivers on the business. These are the integration of people, processes, and technology. These should be business-based actions first, but they should fully leverage technology-enabled solutions to be relevant for our focus.
- **Requirements:** These are business and process-level requirements that support the strategies. These tend to be end-to-end for a business process.
- **Technology:** These are technology and systems-related requirements that enable the business requirements and support the company's overall strategies. The requirements must consider the current technology architecture and provide for the adoption of new and innovative technology-enabled capabilities.



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