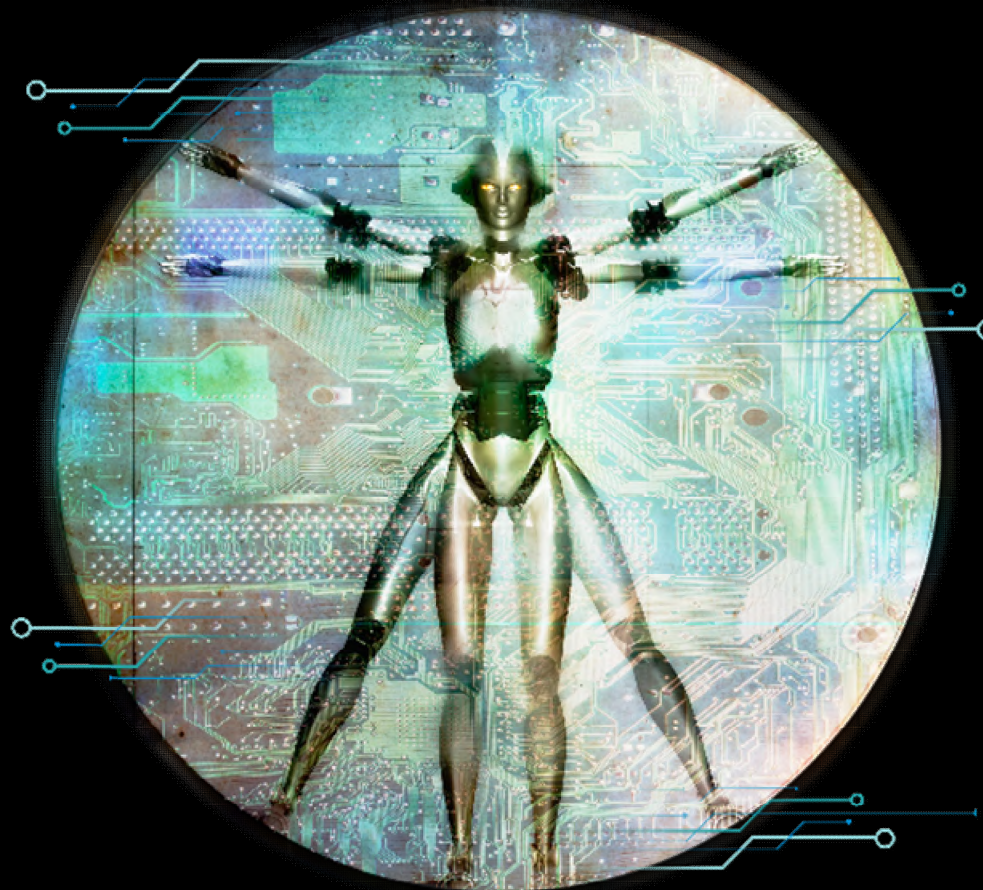# Deloitte.

Managing tax
Balancing current challenge with future promise
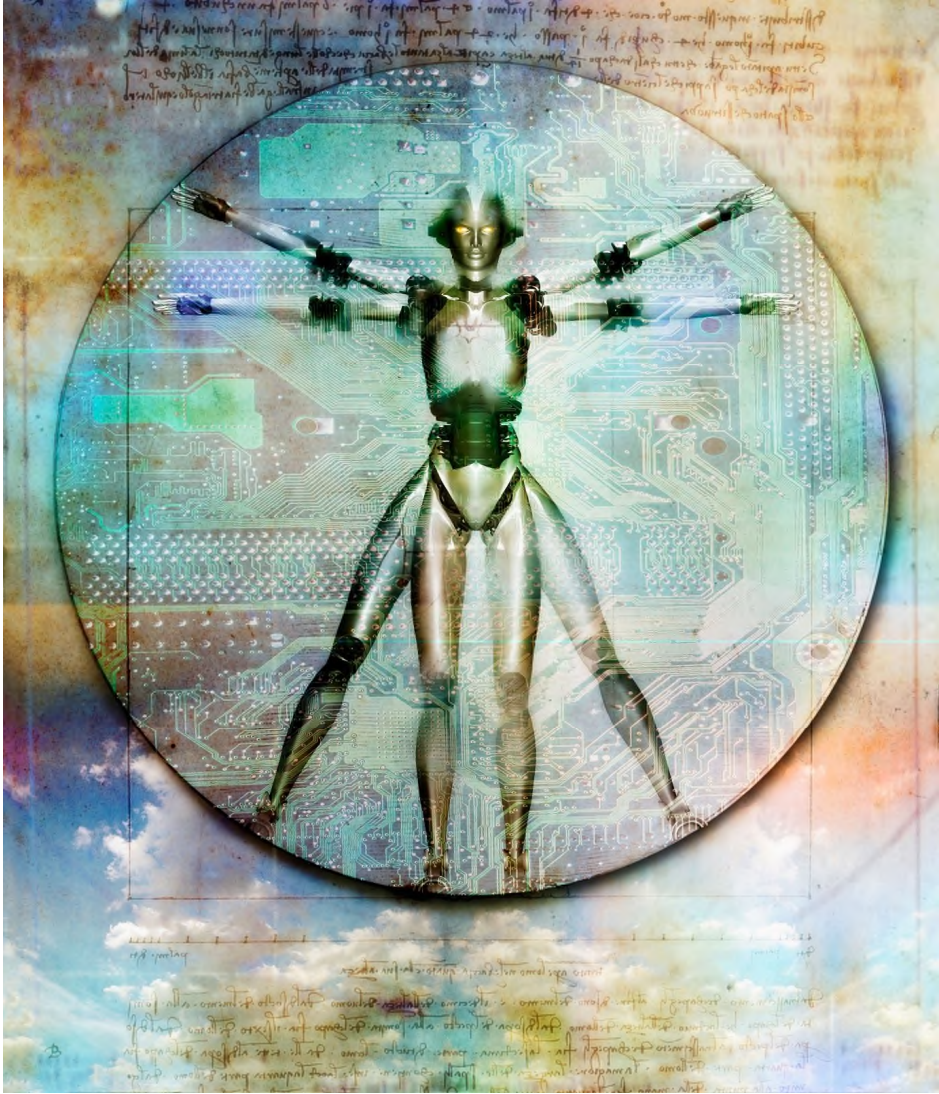The EYE, Amsterdam, 30 November - 1 December 2016

Deloitte.

Accelerate finance transformation using SAP S/4HANA

Jan de Clercq, Deloitte Netherlands
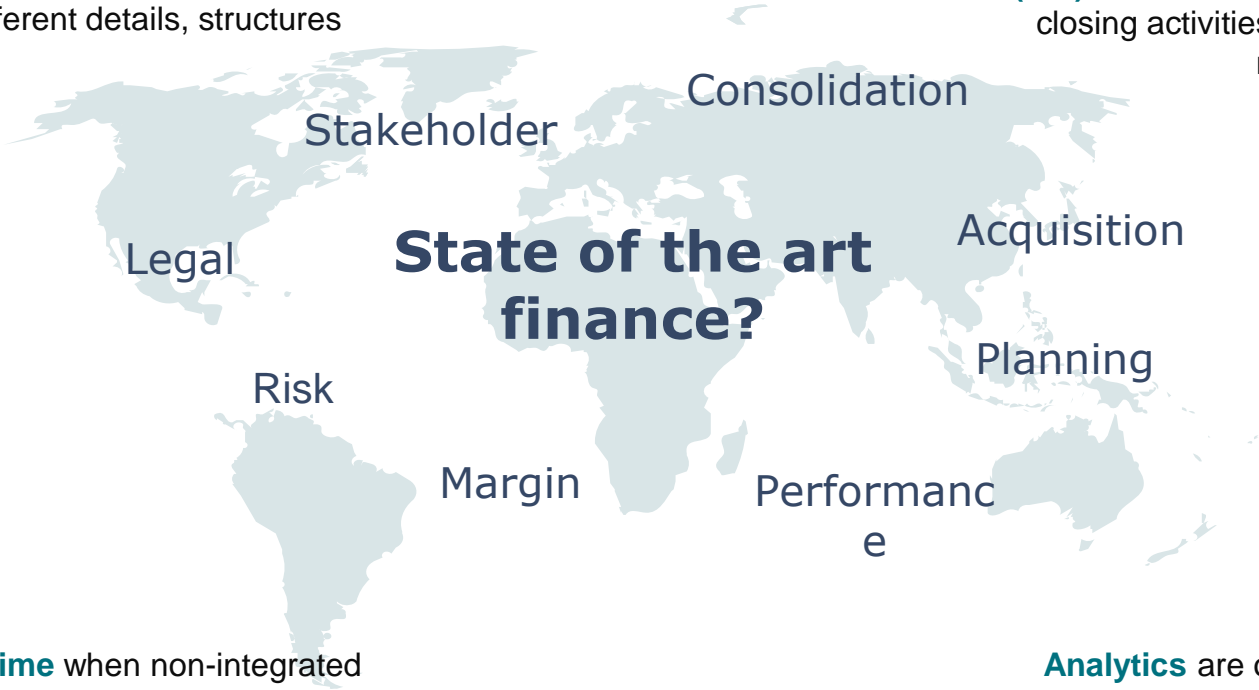Berry Schulte, Deloitte Netherlands

Contents

Introduction
Challenges and evolution of finance and tax function

Challenges that finance and tax function face today

Reports of yesterdays' truth created by batch runs – and reconciliation required since information is spread over multiple tables, with different details, structures and capabilities

Complex processes and User interface (UIs) for financial and tax operations and closing activities - time consuming, and requires system experts

Consolidation

Stakeholder

State of the art finance?

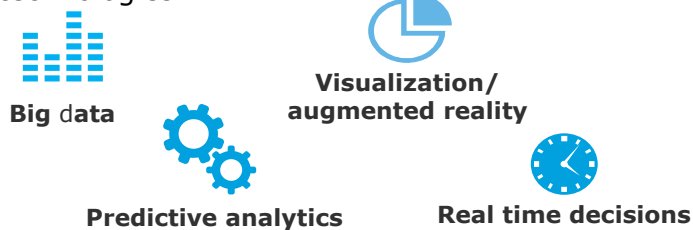Acquisition

Legal

Planning

Risk

Margin

Performance

Planning takes too much time when non-integrated worksheets are used or done by experts on a line item level with no flexible simulation in place

Analytics are only for senior level - when preordered - then outdated, inflexible and no drilldown available
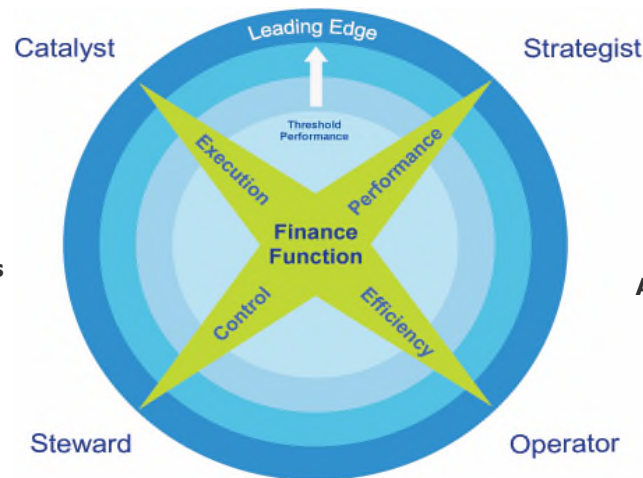
The evolution of the finance and the tax function
Finance is heavily impacted by disruptive technologies
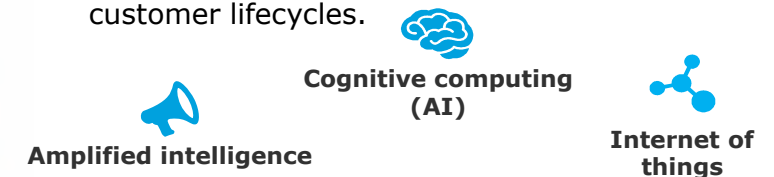
Catalyst: catalyst role will be impacted by predictive and cognitive analytics leading to real time decisions on strategy execution and achieving financial objectives. This will be supported by visualization/augmented reality technologies.

Big data

Visualization/ augmented reality

Predictive analytics

Real time decisions

Strategist: amplified intelligence will enable advanced strategic scenario planning that is enriched with real time information. There is the ability to quickly process masses of largely unstructured data using cognitive computing and the opportunity to focus on new markets and providing better products and services through greater insight into product and customer lifecycles.

Cognitive computing (AI)

Amplified intelligence

Internet of things

Leading Edge

Catalyst

Strategist

Threshold Performance

Execution

Performance

Finance Function

Control

Efficiency

Steward

Operator

Steward: Blockchain in combination with platform technology can automate auditing techniques and allow real time reconciliation of books. Cyber security and privacy policies are of critical importance to protect and preserve the critical assets of the organization

Cyber security and privacy
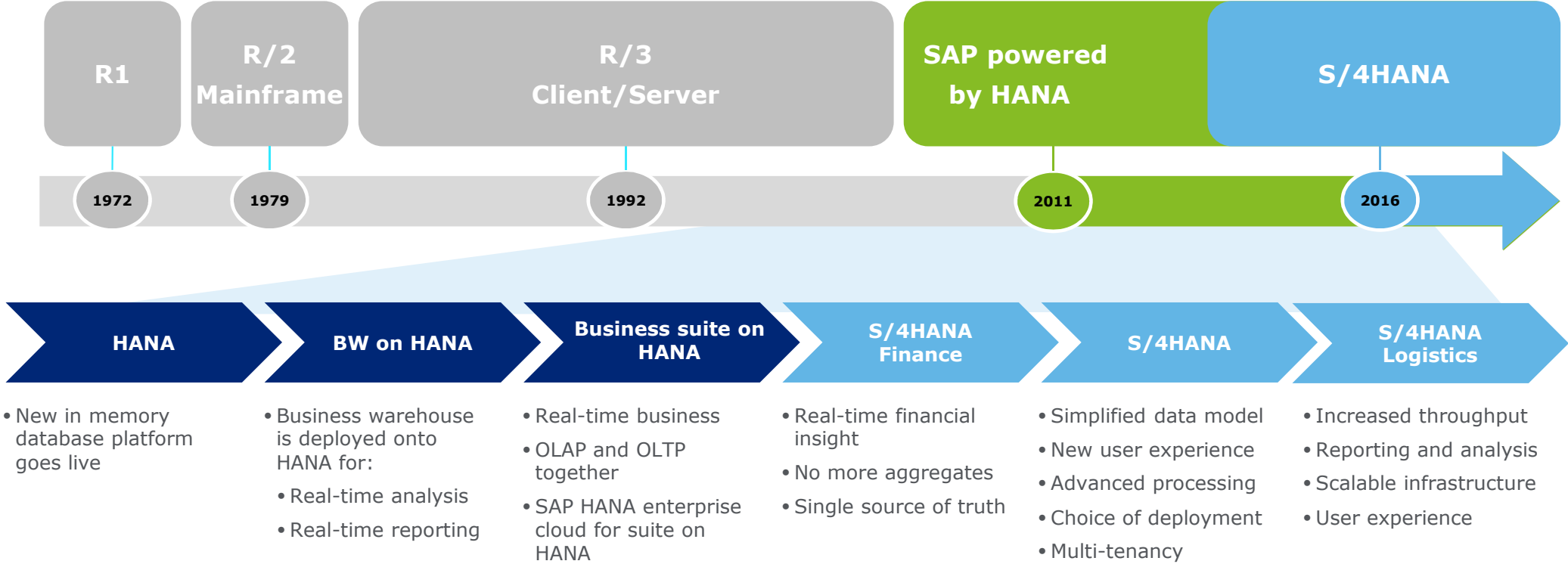
Blockchain

Platform technology

Operator: finance (and tax operation) factories with robotics that are scalable and cost efficient form the solution to high volume and repetitive finance tasks. Process efficiency will be improved by eliminating repetitive tasks and reducing human error.

Cloud

Robotics

In memory

S/4HANA
New digital core for finance transformation

Evolution of S/4 HANA

R1	R/2 Mainframe	R/3 Client/Server	SAP powered by HANA	S/4HANA
1972	**1979**	**1992**	**2011**	**2016**

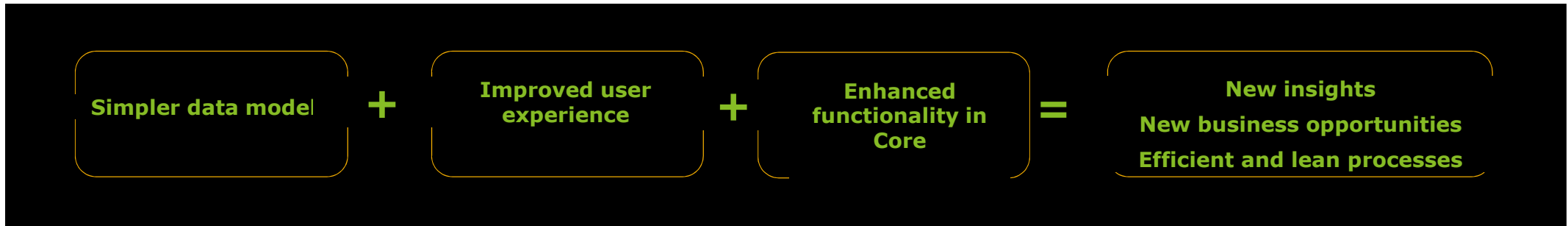| HANA	BW on HANA	Business suite on HANA	S/4HANA Finance	S/4HANA	S/4HANA Logistics
• New in memory database platform goes live	• Business warehouse is deployed onto HANA for: • Real-time analysis • Real-time reporting	• Real-time business • OLAP and OLTP together • SAP HANA enterprise cloud for suite on HANA	• Real-time financial insight • No more aggregates • Single source of truth	• Simplified data model • New user experience • Advanced processing • Choice of deployment • Multi-tenancy	• Increased throughput • Reporting and analysis • Scalable infrastructure • User experience

Even though the change in the ERP domain is significant, the underlying HANA database technology has been tested for over five years now

S/4 HANA - the digital core of future ready enterprise

Finance

Finance

- S/4HANA Finance
- S4/HANA
- SAP HANA

Workforce Engagement

FIELDGLASS
successfactors
An SAP Company
SAP FIORI

HANA CLOUD PLATFORM

Assets & Internet of Things

Digital Core SAP S/4 HANA

Supplier Collaboration Business Networks

ARIBA
C. CONCUR
FIELDGLASS

Customer Experience Omni-Channel

C4C hybris

SAP HANA PLATFORM

BUILD New Cloud Apps

EXTEND Business Apps

INTEGRATE Everything

HANA Cloud platform Business Apps

- Customer payments — available
- Credit integration — available
- Customer Fact Sheet — available
- RealSpend — available
- Digital boardroom — available

How S/4HANA is making the digital core real

Simpler data model **+** Improved user experience **+** Enhanced functionality in Core **=** New insights
New business opportunities
Efficient and lean processes

Example

Unified data model eliminates FI-CO batch reconciliation **+** Drill down to detail and KPI 'cockpit' **+** Central finance **=** Continuous soft close

With traditional system

- Close activities that don't begin until period end
- Multiple batch-run dependencies
- Batch bottlenecks that delay downstream activities
- High error-correction efforts
- Complex issues that are postponed until after close
- Time-pressured resolutions
- Delayed visibility into reporting

User interaction **Adhoc**

Traditional   With SAP S/4HANA

Process Excellence

With SAP S/4HANA

- Real-time system with key performance indicators (KPIs) instantly refreshed
- Elimination of end-of-period batch bottlenecks
- Continuous intercompany reconciliation
- Continuous financial reporting visibility
- Profitability analysis and line-item detail reconciliation
- Automation for routine tasks
- Full management visibility of close tasks

Simpler data model is driving significant reduction in data footprint and faster processing

Simple and lean data model   =   Benefits

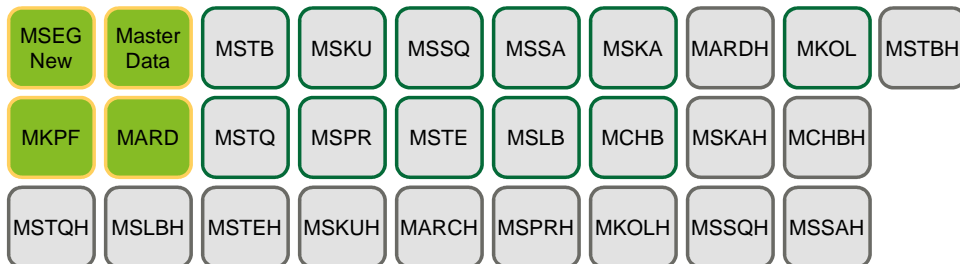### SAP S/4HANA Finance
SAP Finance with Aggregates and Indices

AC DOCA	BKPF	BSEG	BSET	BSIS	BSIS	BSIK	BSET
LFC1	GLT0	GLT0	GLT0	COBK	COEP	COSP	

SAP S/4HANA Materials Management and Operations
SAP Logistics with Aggregates and Indices

MSEG New	Master Data	MSTB	MSKU	MSSQ	MSSA	MSKA	MARDH	MKOL	MSTBH
MKPF	MARD	MSTQ	MSPR	MSTE	MSLB	MCHB	MSKAH	MCHBH	
MSTQH	MSLBH	MSTEH	MSKUH	MARCH	MSPRH	MKOLH	MSSQH	MSSAH	

TECHNOLOGY

- No aggregates or redundant data
- No locking
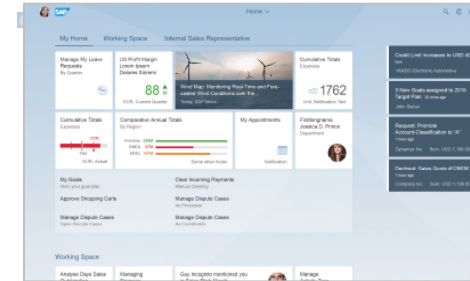- Full granularity for all processes

CAPABILITY

- Operations in real time
- Elimination of data reconciliation
- More precision
- Basis for simulations and predictions

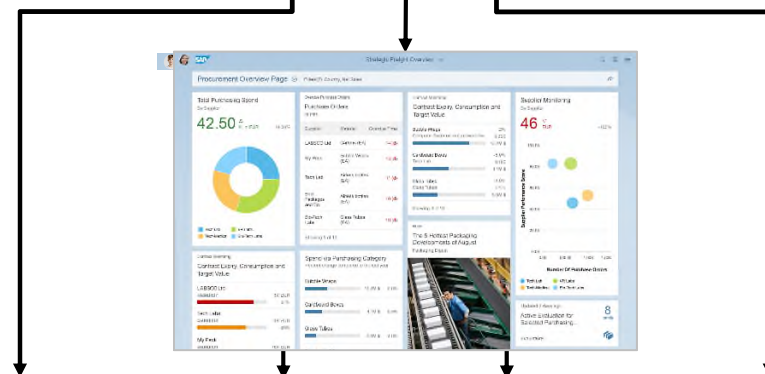# SAP Fiori: the user experience of SAP S/4HANA (DEMO)

Single entry point

The SAP Fiori launchpad will be the single entry point to access all apps

Domain specific infos and actions

Users will quickly get an *overview* of what needs their attention with overview pages, list reports and work lists, and trigger *quick actions* or drill down to the next level of detail

Enter details and explore in-depth

- Key and differentiating use cases will be re-imagined with the SAP Fiori user experience
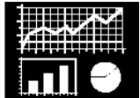- All 'classic' applications will have the SAP Fiori visual theme
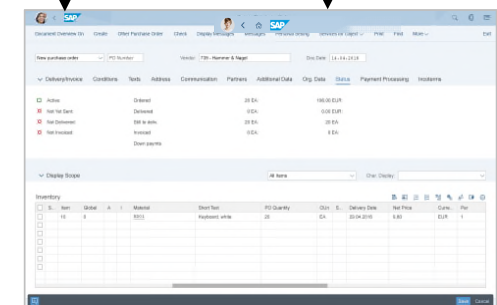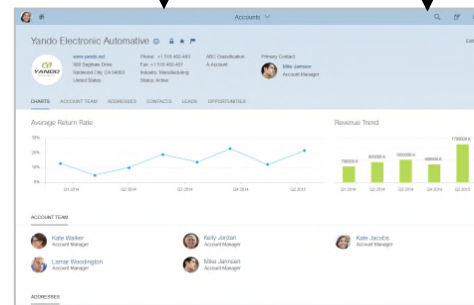
Watch Demo on Fiori

SAP S/4HANA core delivers value for accounting and closing operations

ACCOUNTING

Use **one single source of truth** for instant insight into **profitability** and all ledgers and sub-ledgers, such as:

- Asset accounting
- Inventory accounting
- Accounts payable
- Accounts receivable
- Revenue and cost accounting

CLOSING OPS

Accelerate **company close** through **automation and standardization**. Templates can be used across multiple entities to improve governance, share best practices. Support quick and efficient peer-to-peer reconciliation of intercompany balances and invoices between group subsidiaries

REPORTING

Reduce risk and cost of **real-time financial reporting** and **multidimensional data analysis** for accounting standards with SAP solutions. Drill down into financial statements and source applications such as materials management or sales and distribution

Dynamic planning and analysis

- M&A and divestitures what-if analysis
- Accelerated group planning cycles
- Predictive forecasts and dynamic simulation
- End-to-end customer and product profitability
- Rapid design of new business models

10% to 20% reduction in budget and forecasting costs*

Close books in a day

- 'Soft close'
- Instant profit-and-loss insights and real-time cost control
- Multidimensional reporting on the fly
- Integrated regulatory and managerial reporting
- Reduced reconciliations
- Centralized finance instance

10% to 20% reduction in general ledger and financial closing as well as audit costs*
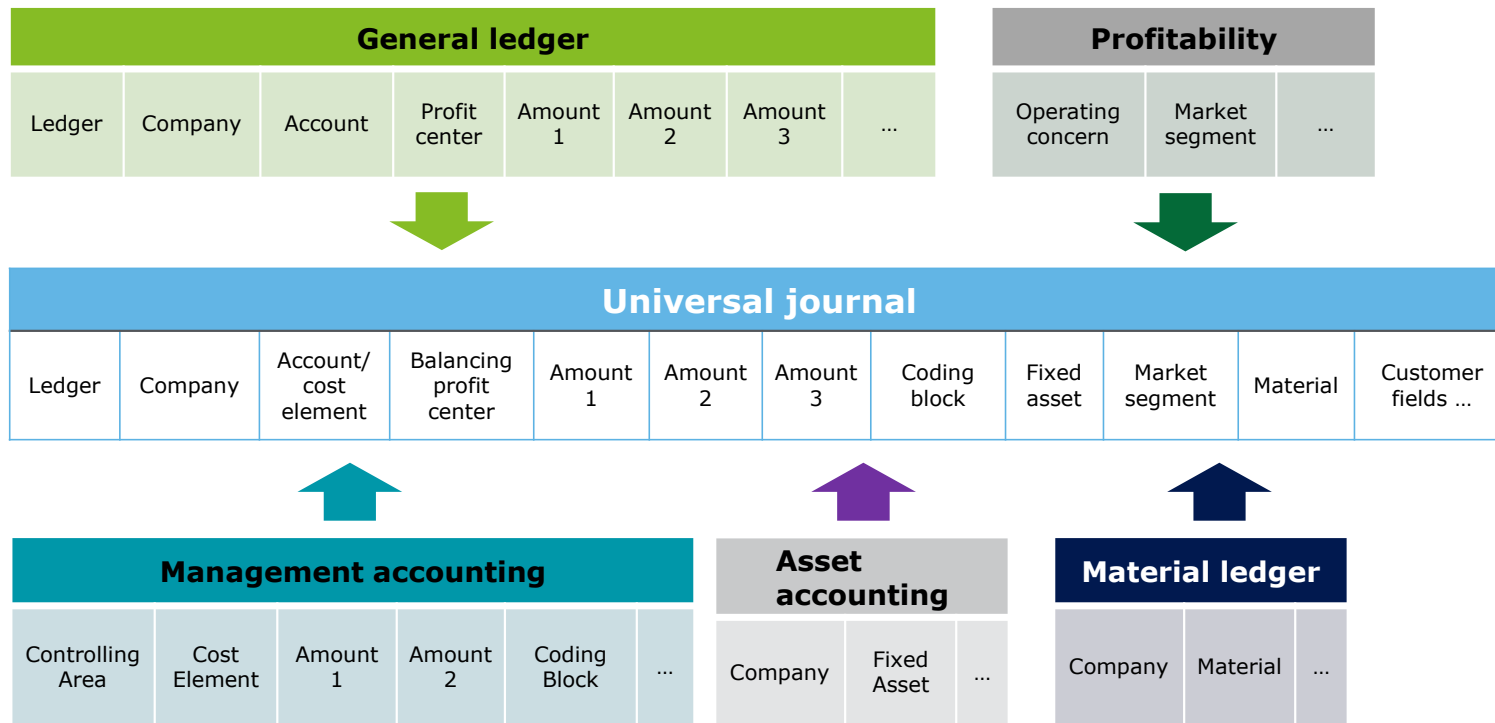
Always-on compliance

- Instant identification and prediction of potential fraud through real time analytical reporting
- Improved compliance and higher audit management efficiency due to reduced reconciliation needs
- Integrated controls in processes

Reduction of audit cost and elapsed time from audit start to report*

* SAP Estimates

S/4HANA core improvement - universal journal
Single source of truth

General ledger							
Ledger	Company	Account	Profit center	Amount 1	Amount 2	Amount 3	...

Profitability		
Operating concern	Market segment	...

Universal journal											
Ledger	Company	Account/ cost element	Balancing profit center	Amount 1	Amount 2	Amount 3	Coding block	Fixed asset	Market segment	Material	Customer fields ...

Management accounting					
Controlling Area	Cost Element	Amount 1	Amount 2	Coding Block	...

Asset accounting		
Company	Fixed Asset	...

Material ledger		
Company	Material	...

A single universal journal entry can have (technically) up to 999,999 line items
→ less or no need for summarization (depending on data volume)

Benefits

- **One line item table** with full detail for all applications - for **instant insight and easy extensibility**
- Data stored only once: **no more reconciliation** needed - by design
- **Reduction of memory footprint** through elimination of redundancy
- **Fast multi-dimensional reporting** without replicating data to business warehouse (BW)
- If a warehouse is in place anyway, only one single extractor needed
- Secondary cost elements are now G/L accounts

S/4HANA core improvement - simpler transfer pricing approach
Single-valuation ledgers or multi-valuation ledger - example

'Parallel single-valuation ledgers'

- Valuation is assigned to ledger

- Option for new installations

- Easier authorization concept

'Multi-valuation Ledger'

- Currency types of all valuations can be assigned

- No separate close needed

- Memory footprint optimized

- Default for migration

Ledger	Company	CURTP (local)	CURTP (global)	CURTP1	CURTP2	
0L	1000	10	30	...	...	Legal view
GR	1000	11	31	...	...	Group view
PC	1000	12	32	...	...	Profit center view

Ledger	Company	CURTP (local)	CURTP (global)	CURTP1	CURTP2	CURTP3	CURTP4
0L	1000	10	30	11	31	12	32

Legal view   Group view   Profit center view

Change View "Ledger": Overview

New Entries   All Table Views

Dialog Structure
- Currency Types
- Global Currency Conversi
- Currency Conversion Set
- ▼ Ledger
  - ▼ Company Code Setti
    - Accounting Princ

Ledger	Ledger Name	Leading	Ledger Type	Extens. Ledger...	Underlying Ledger	Valuation View	
L1	Multiple Valuation Ledger	☑	Standard Ledger ▼				▼
L2	Legal Valuation	☐	Standard Ledger ▼			Legal Valuation ▼	
L3	Group Valuation	☐	Standard Ledger ▼			Group Valuation ▼	
L4	Profit Center Valuation	☐	Standard Ledger ▼			Profit Center Val... ▼	

S/4HANA core improvement - simplified reporting
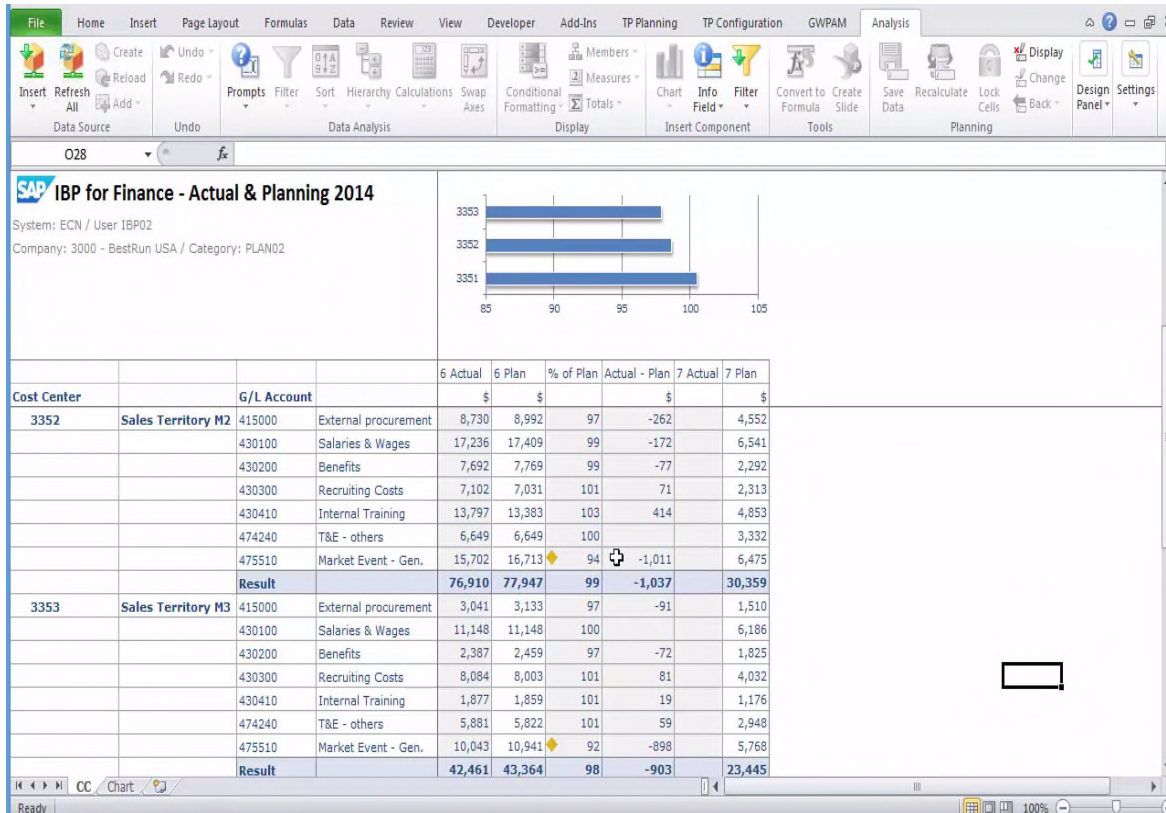
SAP S/4HANA Finance provides reporting directly from the source, enabling real-time reporting with more flexibility

Legacy SAP	Future of finance

Reporting

SAP BW

Aggregation

Information cubes

Data extracts

Traditional DB

Reporting directly from the source

SAP Fiori   Analysis for Office   HANA Live

S/4 HANA Finance
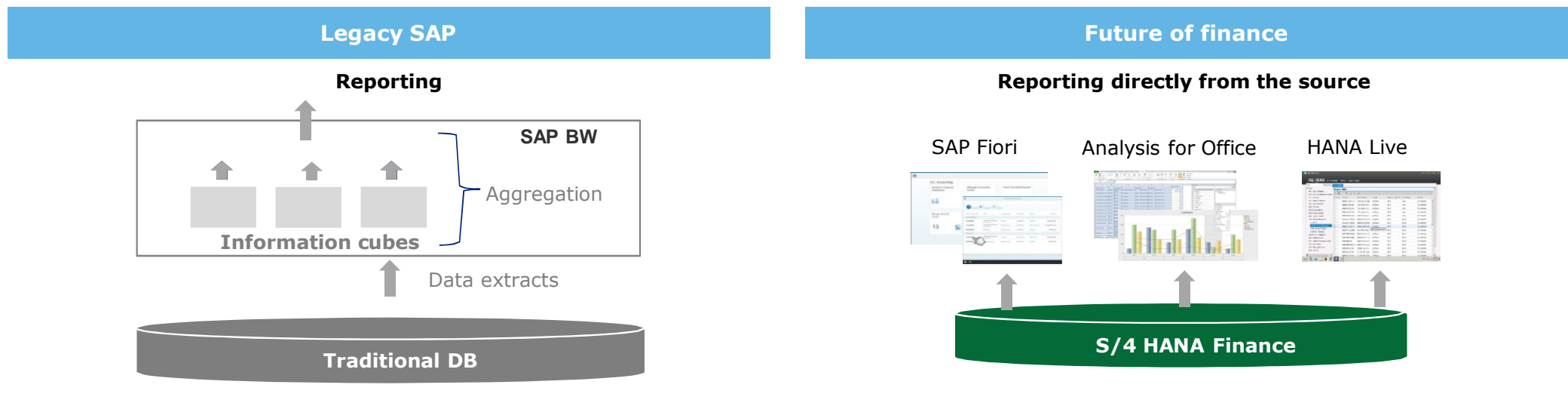
- Extracts delay reporting
- Data redundancy requires reconciliation
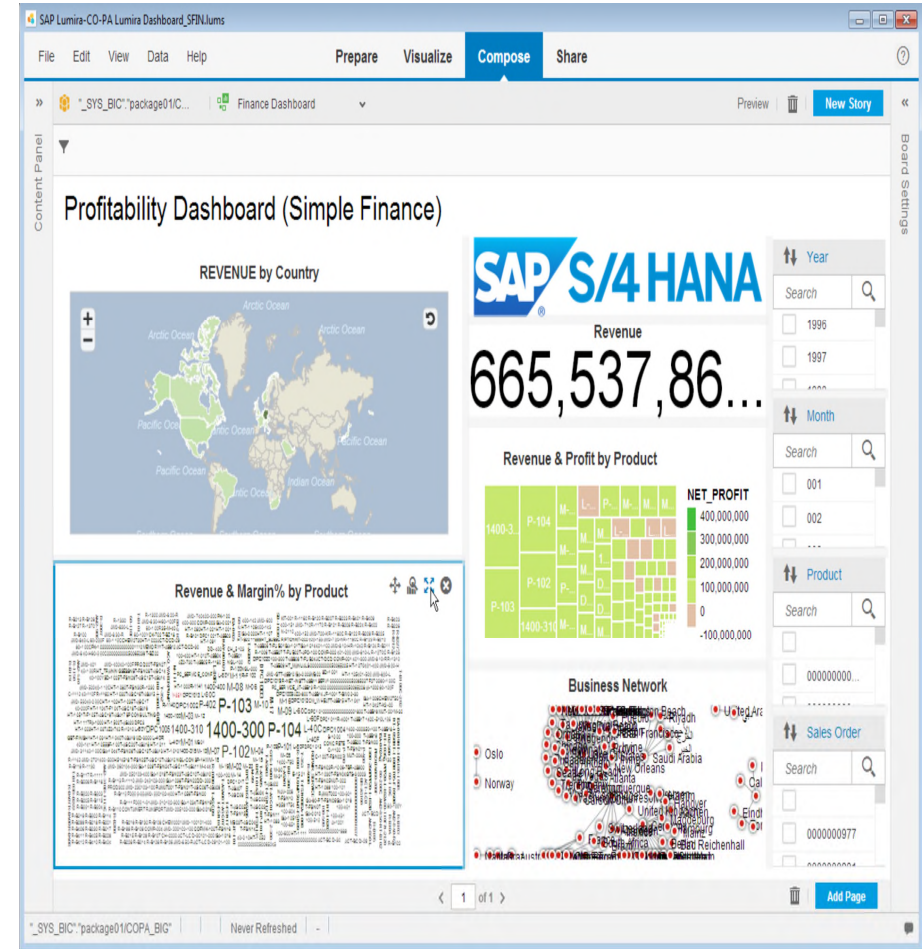- Aggregates **eliminate flexibility** of reporting

- Real-time reporting down to the detailed level
- Support enhanced user interfaces for reporting like 'SAP Fiori', 'Analysis for Office', 'HANA Live' etc.
- Flexibility in reporting **without pre-defined aggregates**

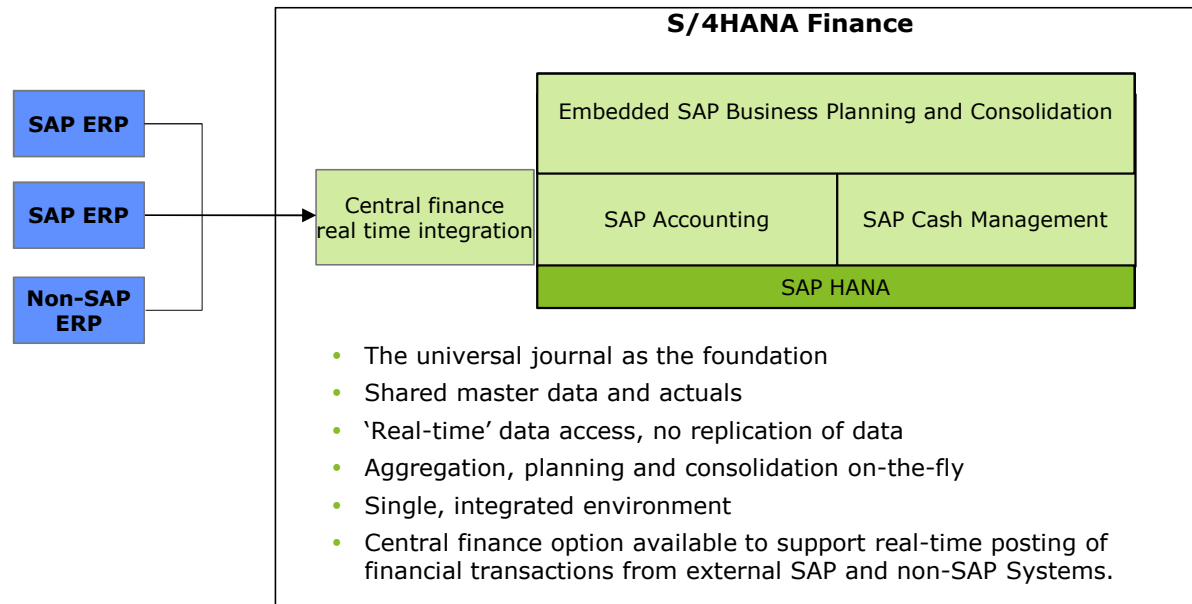# S/4HANA core improvement - simplified reporting

Embedded financial planning -
S/4HANA via analysis for office

Graphical self-service reporting using
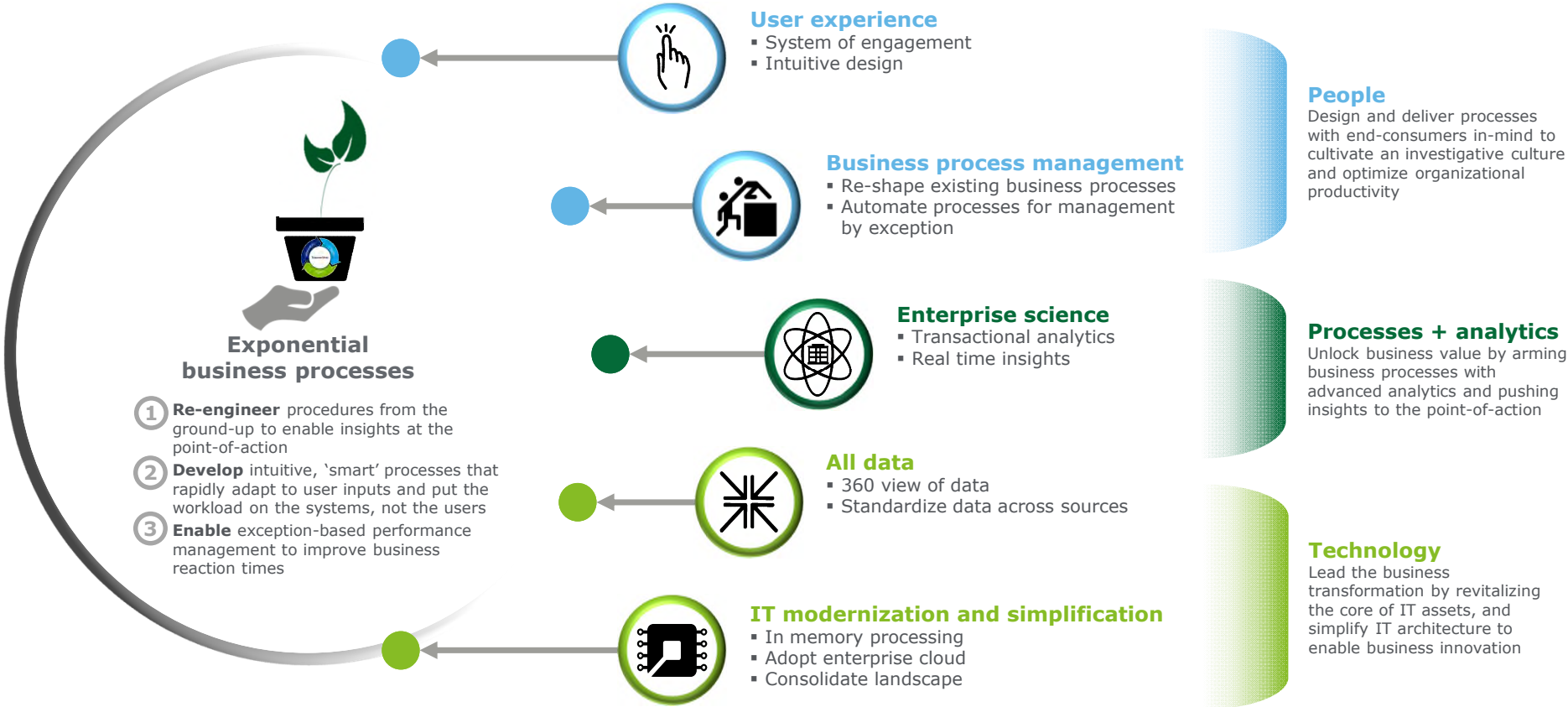Lumira directly on top of S/4HANA
Finance

Real time consolidation vision within SAP S/4HANA Finance

BENEFITS

S/4HANA Finance

SAP ERP

SAP ERP

Non-SAP ERP

Central finance real time integration

Embedded SAP Business Planning and Consolidation

SAP Accounting

SAP Cash Management

SAP HANA

- The universal journal as the foundation
- Shared master data and actuals
- 'Real-time' data access, no replication of data
- Aggregation, planning and consolidation on-the-fly
- Single, integrated environment
- Central finance option available to support real-time posting of financial transactions from external SAP and non-SAP Systems.

- Minimize/eliminate data replication (direct real time access to universal journal)
- Minimize time to close (minimize consolidation cycle time from posting at source to availability of updated consolidated results)
- Reduce TCO (single environment, eliminate reconciliation…)
- Support real time soft close and analysis
- Optimize performance and scalability (significantly enhanced granularity)
- Support validation and preparation at source
- Address enhancements requested by existing SAP consolidation customers (i.e., COI pre-defined logic, AFD, enhanced support for unrealized profit in inventory and transferred assets)
- Maintain unification of planning and consolidations
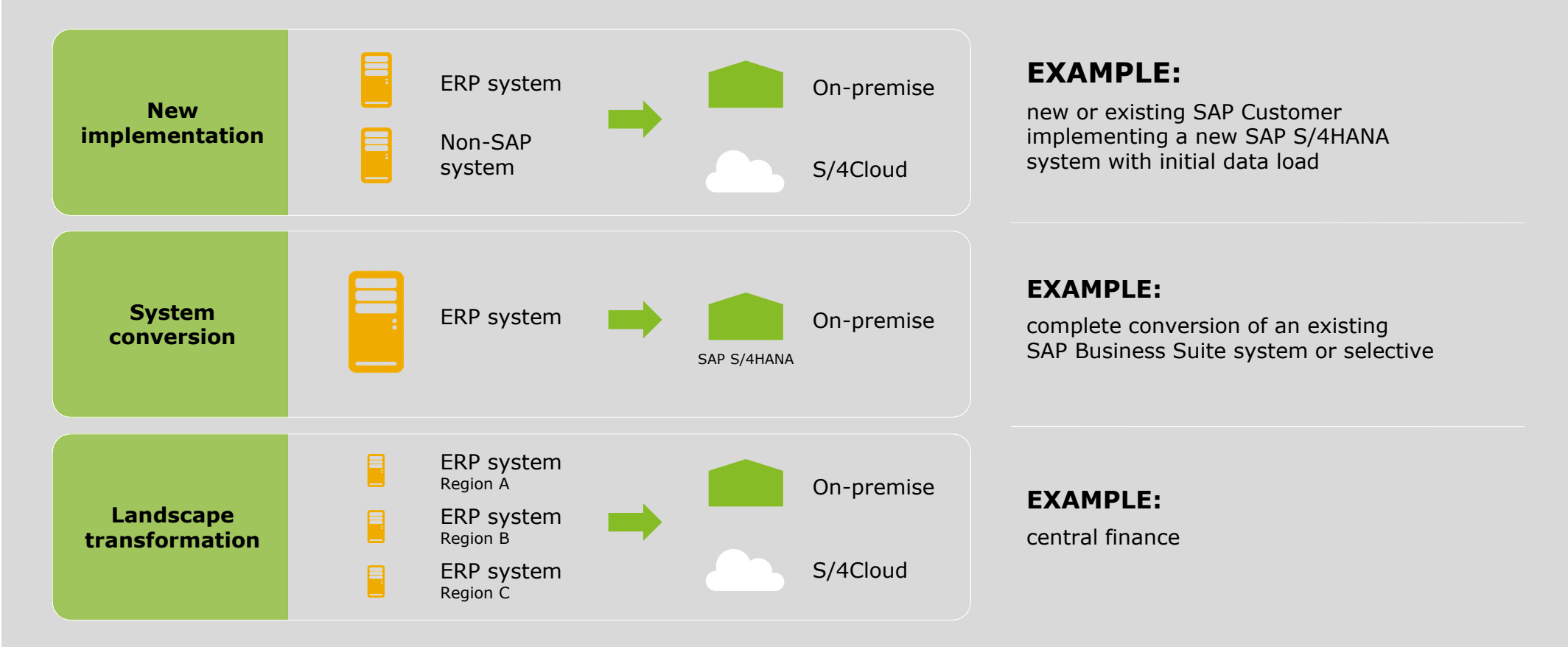- Supports deep integration with core S/4HANA Finance but able to function wholly stand-alone

S/4HANA is enabling next generation finance transformation framework

User experience
- System of engagement
- Intuitive design

Business process management
- Re-shape existing business processes
- Automate processes for management by exception

Enterprise science
- Transactional analytics
- Real time insights

All data
- 360 view of data
- Standardize data across sources

IT modernization and simplification
- In memory processing
- Adopt enterprise cloud
- Consolidate landscape

Exponential business processes

1. **Re-engineer** procedures from the ground-up to enable insights at the point-of-action
2. **Develop** intuitive, 'smart' processes that rapidly adapt to user inputs and put the workload on the systems, not the users
3. **Enable** exception-based performance management to improve business reaction times

People
Design and deliver processes with end-consumers in-mind to cultivate an investigative culture and optimize organizational productivity

Processes + analytics
Unlock business value by arming business processes with advanced analytics and pushing insights to the point-of-action

Technology
Lead the business transformation by revitalizing the core of IT assets, and simplify IT architecture to enable business innovation

S/4HANA
Transition options

Potential S/4HANA transition scenarios

New implementation	ERP system Non-SAP system	→	On-premise S/4Cloud	**EXAMPLE:** new or existing SAP Customer implementing a new SAP S/4HANA system with initial data load
System conversion	ERP system	→	On-premise SAP S/4HANA	**EXAMPLE:** complete conversion of an existing SAP Business Suite system or selective
Landscape transformation	ERP system Region A ERP system Region B ERP system Region C	→	On-premise S/4Cloud	**EXAMPLE:** central finance

Choice of transition scenarios for SAP S/4HANA
Transition approach depends on multiple factors

The appropriate transition approach

- System conversion vs. new implementation

- Number of steps for system conversion or deployment strategy for new implementation

is customer-specific and depends on

- How well does the existing **solution fit** to the business requirements?

  - Is there a strong desire to re-implement and go back to standard (independent of SAP S/4HANA)?

- How well does the SAP ERP **landscape fit**?

  - Is there a desire to consolidate SAP ERP systems with the SAP S/4HANA conversion?

- What are the expected **business benefits** and how can they be realized fastest (**time to value**)?

- What are the **transition costs**, in particular what is the throwaway effort in case of interim steps?

- What are the system-specific **risks of the transition** and risk mitigation options?

- … other dependencies

Client case

End-to-end financial reporting optimization and lessons learnt

End-to-end financial reporting: situation and approach

Situation

- No visibility into financial spend
- Lack of availability of detailed financial reports
- Older technology and lack of system knowledge

+

- Lack of executive trust in the system data

=

- Inaccurate capital – Operations & Management reporting
- Lack of accurate management reporting
- Significant reconciliation effort
- Lack of accountability

Solution

Process: **Implemented new cost flow processes that were not previously achievable due to technology limitations**	Technology: **Leverage SAP S/4HANA platform for process innovation**	People: **Provided newer insights and enablement opportunity to financial analysts to better manage end to end cost flow**

What we Found

- **$74M** O&M recording errors
- **$2B** CWIP balance
- **35%** Work orders with errors

Balance in Millions

	Capital Clearing A/C	Intercompany Clearing A/C	Labor Clearing A/C
$2,500			
$2,000	▮		
$1,500	▮	▮	
$1,000	▮	▮	
$500	▮	▮	
$-	▮	▮	▮
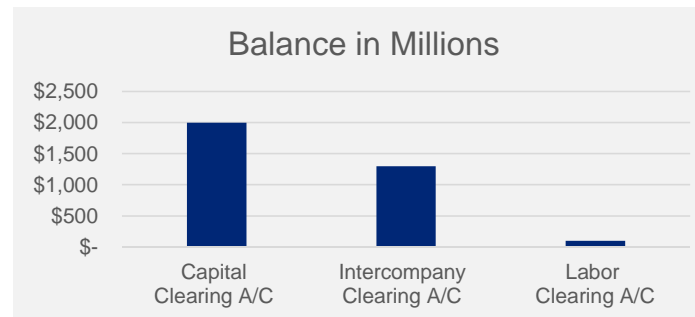
Huge accumulated balances

- **22 days** Time to finalize monthly report
- **200 days** FTE time spend every month for reconciliations
- **3-5 days** Time to fulfill simple executive data request

End-to-end financial reporting: results delivered

| | Improved accountability and gained executive trust | | Insights in end-to-end financial | | Improved productivity and reduced reconciliation | | Unlocked financial savings |

Reduced time to finalize report by 60% | Reduced reconciliation effort by 80% | Corrected O&M and CWIP errors
Reduced executive request response time to under 2 hours

Lessons Learnt from S/4 Implementations

Category	Lessons learned
General	• **Emphasis on version selection and alignment on intent across all project parties** – need to align on S/4HANA version early on, validate its readiness, completeness and market availability, and lock on a plan and roadmap with SAP. Failing to understand what is available and what not, or not locking a commitment among all parties on the version to move forward, can result on adhoc proposals to delay to adopt future versions leading to project disruption. • **Collaboration with SAP** – a combination of factors makes it critical to account for SAP support on projects. These factors including new functionality that is not well documented, new immature solutions that require fixes/correction, and on-going releases of patches and fixes.
Fiori – user experience	• **Fiori app set up** – Fiori apps are not all fully mature and require significant effort is to fix/correct bugs. Plan for experienced resources and additional testing time for defect resolution – OSS note delays etc. • **Fiori app set up** – the effort required to initially set-up a Fiori app with no enhancements was equivalent to a low-complexity ABAP report and requires multiple skill-sets: security, functional, basis, and gateway. • **Usage statistics** of Fiori apps are not available. • **Fiori app security** – significant effort required for security role mapping for Fiori app. Resources require experience in ECC, Gateway and, in some cases HANA for the analytical apps as analytical apps read data directly from the HANA DB.
Infrastructure	• **Database Size** – there is a limit to the size of the database that can be supported when using virtualization. • **Hosting** – if hosting is being considered, make sure that vendors are certified and have the right skillsets and appropriate number of staff • **3rd-party performance and security optimization tools** – should be certified to work with HANA databases. • **Bolt-on applications** – should be certified for the specific SAP S/4 ERP or Enterprise Management version.

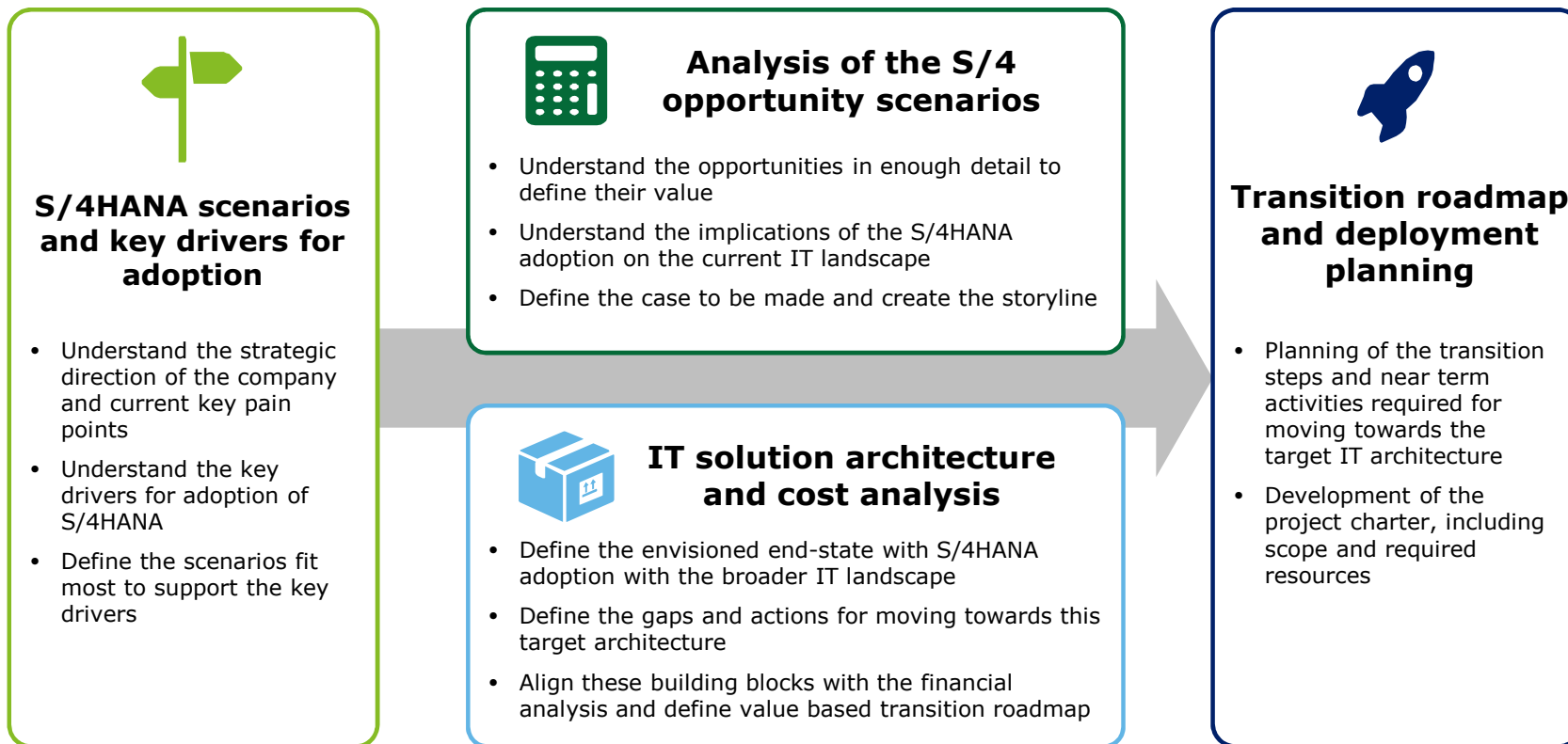# Lessons Learnt from S/4 Implementations (cont.)

Category	Lessons learned
Finance	**Universal journal** functionality has driven significant integration of FI and CO functions like COA, parallel ledgers, cost element accounting, planning and CO-PA that require an integrated approach to designing a solution to support business processes and analytics **Asset Accounting** – classic asset accounting is transformed into the new asset accounting. Preparations and migration of customizing for asset accounting and relevant check are performed and mandatory application configuration steps related to asset accounting are executed. Few transaction codes are obsolete and the same has been updated in the testing documentation. **Credit Management** – the FI-AR-CR Credit Management is not available with SAP S/4HANA, on-premise edition 1511. The functional equivalent in SAP S/4HANA is SAP Credit Management (FIN-FSCM-CR). **Treasury and receivable management** – there were significant changes in these areas. An assessment of the business and technical need is recommended prior to spending time and effort in development the functionality. **Integrated Business Planning** (for finance) – assessment of the business requirements for integrated planning is recommended as significant changes in direction from SAP may impact applications required for it, for instance BPC, IBP or cloud functions. The timing of the implementation may dictate the application available **Data conversion** – conversion from a special purpose ledger to new GL functionality was key to the success of the project
Development	**Development standards** should be updated to conform to HANA-optimized coding standards. - SAP actively releases new versions, patches and fixes in finance modules and continues to add new functionality periodically. Due diligence is required to constantly reassess new functions to avoid making design decisions that limit future upgrades.

Business case for S/4HANA accelerator
An introduction

Developing the business case for S/4HANA
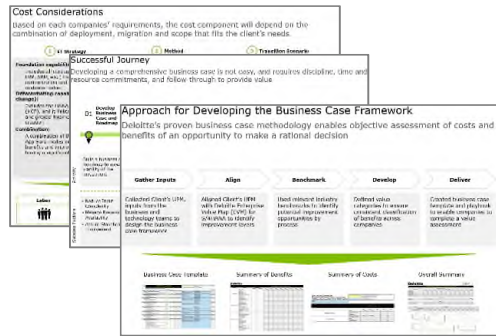Moving from technology adoption towards value creation

S/4HANA scenarios and key drivers for adoption

- Understand the strategic direction of the company and current key pain points
- Understand the key drivers for adoption of S/4HANA
- Define the scenarios fit most to support the key drivers

Analysis of the S/4 opportunity scenarios

- Understand the opportunities in enough detail to define their value
- Understand the implications of the S/4HANA adoption on the current IT landscape
- Define the case to be made and create the storyline

IT solution architecture and cost analysis

- Define the envisioned end-state with S/4HANA adoption with the broader IT landscape
- Define the gaps and actions for moving towards this target architecture
- Align these building blocks with the financial analysis and define value based transition roadmap

Transition roadmap and deployment planning

- Planning of the transition steps and near term activities required for moving towards the target IT architecture
- Development of the project charter, including scope and required resources

Developing the business case for S/4HANA

The complete Business Case toolset exists out of 6 main elements

1. Interactive opportunity deck

2. Business case delivery approach

3. Opportunity repository

4. Business case model

5. Use case demonstration
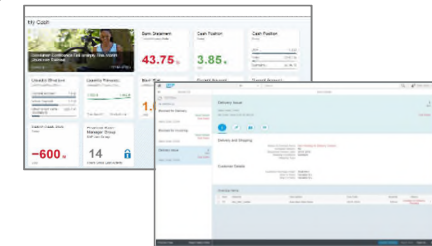
6. Deloitte differentiators

S/4HANA business case framework

Finance opportunities overview
General ledger and financial reporting ① ②

Revenue Growth				Operating Margin						Asset Efficiency			Expectations	
Sales Volume			Price Realization	Selling, General & Administrative (SG&A)		Costs of Goods Sold (COGS), incl. services			Improve Taxes	Property, Plant & Equipment	Inventory	Receivables & Payables	Company Strengths	External Factors
Acquire New Customers	Retain and Grow Current Customers	Leverage Income-Generating Assets	Strengthen Pricing	Improve Customer Interaction Efficiency	Improve Corporate / Shared Service Efficiency	Improve Development & Production Efficiency	Improve Logistics & Service Provision Efficiency		Improve Income Tax Efficiency	Improve PP&E Efficiency	Improve Inventory Efficiency	Improve Receivables & Payables Efficiency	Improve Mgmt. & Governance Effectiveness	Improve Execution Capabilities

General Ledger and Financial Reporting

General Ledger and Financial Reporting

Opportunity	Description	Benefit drivers	Impr. Range[1]	Key Metrics Impacted	Enabling S/4HANA capabilities	Integrated Reporting & Analysis	New User Experience	Application Optimization	Optimized and Scalable Solution
Reduce Business & Operations Analysis/Reporting Costs	More flexible reporting via the elimination of totals tables, fixed hierarchies and database indices. Unified finance and controlling information in a single data structure	Improved speed of reporting and reduced reconciliation efforts due to: - Simpler data structure - Reduced data replication - Reduced data warehousing costs	10-20%	- Reduction in business operations - Analysis reporting costs - Reduced reconciliation errors	- Universal journal with one simple flat line item structure encompassing most data - Real time reporting based on the underlying HANA DB	✅		✅	✅
Rapid Financial System Integration	Rapid deployment of Simple Finance as a central financial platform due to pre-built SAP Landscape Transformation (SLT) libraries and data transformation capabilities	Improve speed of integrating multiple systems	10-20%	- Reduction in accounting close days and costs - Reduction in manual reconciliations - Reduction in time to integrate to external systems - Reduction in total cost of ownership	- Source FI/CO data from multiple source system and reconcile intercompany balances directly in the S/4HANA system - Fiori apps for intercompany reconciliation providing visibility to all involved parties - Pre-built SLT libraries ready to deploy with minimum configuration effort	✅		✅	✅
One Accounting Document	One accounting document across Finance, Controlling, and CO-PA simplifies reporting and display of accounting document information	Reduction of reconciliation effort for matching FI/CO modules	10-20%	- Reduction in financial costs to close (assuming full close in SAP, else time improvement could vary)	- Integrated asset accounting - Integrated controlling - Integrated material ledger	✅	✅		

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[1] Sources: Deloitte S/4HANA COE, Deloitte Research, SAP SE, Deloitte Projects. Improvement ranges will require to be tailored to your organization.

Questions?

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