

CFO Study 2021
Focus topic SAP S/4HANA

“SAP S/4HANA –
Enabler for transforming
corporate processes”

Preface

Dear readers,

In this study, we examine the key objectives and expectations of financial organizations due to the technical ERP conversion from SAP R/3 to S/4 about the potential for improving corporate performance management processes. The technological paradigm shift with S/4HANA towards standardization of external and internal accounting and better integration of actual, planning, and consolidation processes makes it possible to rethink and realign management structures and thus realize comprehensive benefit potentials.

The study focuses on the expectations of companies' financial organizations that are about to or have already started the S/4HANA conversion with regards to the functional and process-related benefits. In addition, an analysis of companies that have already completed the transformation is conducted, and the potential benefits that have been realized are examined.

Since at least March 2020, the Covid-19 pandemic has also dominated the agenda of financial organizations. Transformation programs are being critically scrutinized, and priorities adjusted according to the respective implications for the company's situation. It is apparent that ERP innovations have not lost importance since the beginning of the pandemic and have even gained speed in many organizations to be able to realize the opportunities for efficiency increases associated with digitalization at an early stage.

We would like to take this opportunity to thank the participants of the study. With your answers, you enabled us to provide a comprehensive insight into the functional objectives and expectations for the migration to S/4HANA and highlight the potential benefits that can be realized for improved corporate performance management.

We wish you an insightful reading!

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Management Summary

The results of our 2021 S/4HANA study reveal that the system migration to the latest version of SAP AG's ERP technology is currently a central topic in the digitalization initiatives of the participants surveyed. Most companies that have planned a system migration are presently in preliminary projects shortly before implementation or have already begun the transformation. The innovations in S/4HANA in the finance function resemble a paradigm shift and offer the opportunity to rethink corporate performance management and realize significant efficiency gains.

S/4HANA transformation is the key focus for finance functions and a driver of digitalization

The outcome of the study indicates that S/4HANA transformations are much more than a solely technical migration. In finance, system migration is an essential building block for the transformation of financial organizations to meet the increasing requirements resulting from digitalization. At the same time, digitalization offers opportunities to realize potential benefits in terms of transparency and efficiency through better integration of actual, planning, and consolidation processes.

Significant expansion of the finance value chain

The potential benefits of S/4HANA can be fully leveraged and utilized if the end-to-end concept is pursued across all business processes and functional areas. As a result of an S/4HANA implementation, companies will seize the opportunity to initiate the momentum of a comprehensive digital business transformation and significantly expand the value chain of the finance function. The merging of external and internal accounting and the greater integration of operative processes prompt finance to substantially increase the scope of its influence in the value creation areas.

Accelerator for process changes in corporate performance management

The implementation of S/4HANA is seen as an opportunity for holistic business transformation. Cross-functional integration, harmonization of data, and organizational structures are key drivers for further developing corporate performance management. Many companies focus on the further development and conceptual extension of performance management processes to implement process changes. To improve decision-making within the organization, companies also rely on scenario modeling or simulations as part of forward-looking management.

Change in the role of finance as a success factor

The core philosophy of an S4/HANA transformation is the integration and harmonization of business processes across functional areas, which gradually dismantles the original function-based silo thinking. Governance that creates clear structures concerning roles and responsibilities beyond the systems and data models is required to ensure the sustainable establishment of new processes and structures. Governance must not only be established initially but also be anchored and lived out sustainably in the organization. The need to establish governance structures is recognized by almost all companies surveyed and consequently must be considered at an early stage in the transformation programs.

In summary, it can be concluded that the S/4HANA transformation, as one of the core drivers of digitalization in finance, is also a focus topic during the Covid-19 pandemic. High expectations are placed on the new system regarding standardization, optimization, and acceleration, and are ideally formulated in clearly defined goals at the beginning of the transformation project to realize potential benefits in the long term.

Result Report

Market expectations for the S/4HANA transformation

Based on our survey of more than 60 companies, S/4HANA, as part of a digitalization program, is currently at the top of the CFO agenda across all industries. More than two-thirds of the participants are planning to introduce S/4HANA, are in the pre-study phase, or are already involved in an ongoing introduction project.

The S/4HANA transformation is associated with various market expectations that often go far beyond a strictly technical migration. The development and definition of goals, scope, and need for changes resulting from the system migration is, therefore, an essential first step on the

way to a successful transformation. Many companies give great importance to this step and thus take time to plan the implementation and conduct a pre-study. 43 percent of the companies surveyed are currently in the planning or pre-study phase for the S/4HANA implementation, and one quarter is in an ongoing implementation project. In contrast, only about 9 percent have already completed these implementation phases and are using a productive S/4HANA system (see fig. 1).

For companies that want to continue using SAP's ERP solution in the future, the question is no longer "if" S/4HANA should be implemented, but "when". The extension of the SAP R/3 maintenance period gives time to identify the goals, expectations, and challenges of the S/4HANA transformation in a pre-study.

A large proportion of companies are in a pre-study phase or are already in the middle of the S/4HANA transformation

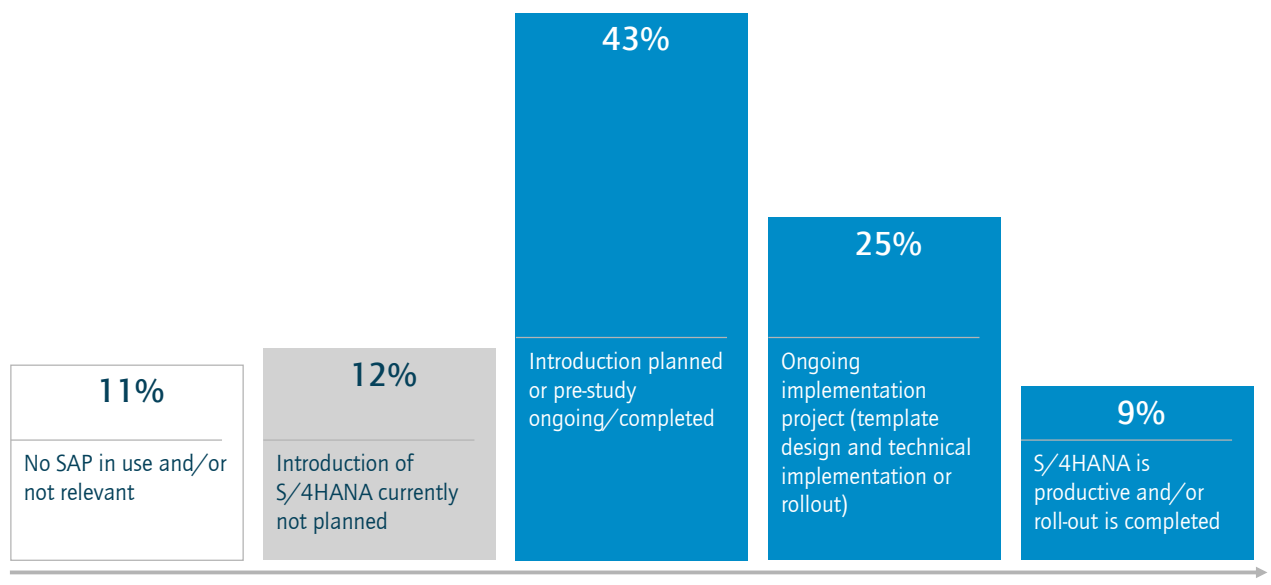


Fig. 1: Progress of S/4HANA transformations

Pre-studies on strategic alignment as a key to success in achieving potential benefits

Transforming business processes is usually a complex, time-consuming, and expensive undertaking, and business and technical advantages must be considered in the profitability analysis. Pre-studies are recommended to help companies understand what the introduction of S/4HANA means for them and what benefits and challenges exist. Therefore, the "where to" and "what for" are crucial and must be clarified at the beginning of any S/4HANA transformation. A target picture clarifies the strategy and goals throughout the entire transformation journey with simultaneous control and assurance over budget and scope.

Thus, an S/4HANA pre-study essentially comprises the topic of "strategy and target image" with the following aspects:

- Project scope and module selection
- Effort estimation and benefit consideration
- Top management alignment
- Stakeholder identification and change management strategy

Secondly, the pre-study contains the alignment of the strategy and the Target Operating Model (TOM) with the topics:

- Future corporate strategy
- Current and future business models
- Strategic guidelines, targets, and KPIs
- Implications for the TOM
- Digitalization roadmap and IT strategy
- Change roadmap and communication plan

In the context of an SAP S/4HANA pre-study, it is important to break down entrenched thought patterns, promote holistic thinking, and jointly and consensually define the guiding principles for the entire project.

ERP strategy follows the management approach of the company

More than half of the companies surveyed (55 percent) see a uniform, group-wide S/4HANA in the form of a one-ERP concept as their preferred ERP strategy (see fig. 2). This approach offers the optimal environment for companies with a high demand for steering down to the operational level of the legal entities. Corporate performance management is conducted on a uniform data model that can be used in detail down to the posting document level for decision-making. A mixed ERP landscape as the target image is favored by 45 percent of those surveyed. Of these, 32 percent pursue this strategy combined with the aggregated group reporting in a group data warehouse, and 13 percent seek a mixed ERP landscape (e.g., S/4, R/3 and non-SAP), supported by an S/4HANA Central Finance solution.

Building a uniform S/4HANA template across the group is the leading strategy, followed by group reporting approaches

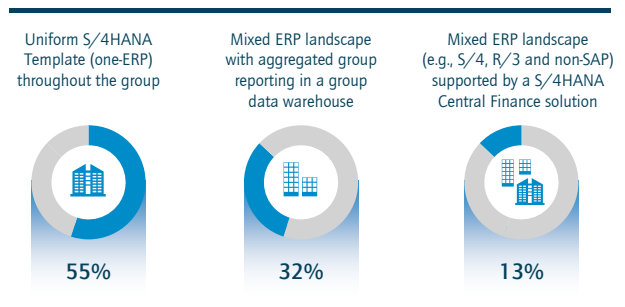


Fig. 2: ERP strategies pursued

There are various transformation scenarios of how today's SAP world can be transferred to the future S/4HANA landscape. In this context, there is often talk of the so-called greenfield or brownfield approach. According to the study results, a quarter of the participants see the brownfield, and another quarter see the greenfield implementation approach as the favored approach for the introduction of S/4HANA.

The greenfield approach is favored predominantly by companies with an ERP system landscape that has grown historically and has a very high number of modifications and a high potential for optimization of the (business) processes and data structures. There are heterogeneous process structures that have only been standardized or harmonized to a limited extent in the past. Under these conditions, the transfer of existing data structures and processes and in-house developments with subsequent optimization in the new system is a complex and resource-intensive undertaking. Consequently, the greenfield approach is an efficient way to design the S/4HANA system with newly setup and optimized data structures and processes and to achieve overall optimization.

The brownfield approach has a high technical standard of the ERP setup due to the continuous harmonization and standardization of (business) processes and data structures. It is characterized by a low number of ERP instances and has a disruptive character, which is less pronounced than a fundamental redesign in the greenfield approach. Thus, the brownfield approach represents an upgrade of the existing system with partial structural optimization.

Half of the survey participants see a mixture of brownfield and greenfield approaches as the favored migration strategy (see fig. 3). The so-called selective or bluefield approach allows for adopting structures and processes that are also classified as future-proof in the defined S/4HANA setup from an overarching process perspective. Individual components of the system feature a significant need for optimization and, on the other hand, are not adopted but are redesigned and implemented from scratch.

The focus is on the hybrid approach: processes and structures that are already standardized and optimized are transferred efficiently

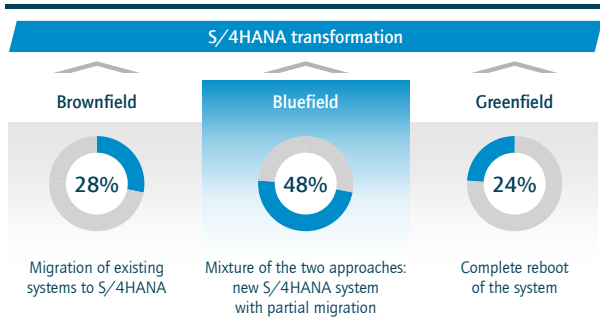


Fig. 3: Choice of migration approach

Transformation goes beyond purely technical migration

The potential benefits of S/4HANA can be fully utilized and leveraged if the end-to-end concept is pursued across all business processes and functional areas. As a result, an S/4HANA implementation is much more than just a pure IT conversion. Implementing S/4HANA is an opportunity to initiate the momentum of a holistic digital business transformation and to rethink, standardize, harmonize or remodel historically evolved processes and structures. An S/4HANA transformation should therefore not be reduced to a purely technical migration. This view is shared by the majority (80 percent) of the companies surveyed, who see the introduction of S/4HANA as a further development of overall corporate performance management and optimization of operational (financial) processes (see fig. 4).

Most participants use the S/4HANA transformation to further develop corporate performance management. The more complex and larger the company, the more likely it is that the S/4HANA transformation will be used for a holistic business transformation. A key driver of the level of complexity is the historical development of ERP systems. Here, the focus is on the following questions, among others:

- Does the current system have many custom developments and if so, how far are they from the ERP standard?
- How high is the number of heterogeneous processes (e.g., due to inorganic growth and acquisitions) that have never been integrated holistically in terms of systems or processes?
- Are there a high number of interfaces in the current ERP setup?
- Were intermediate technological steps taken in the current ERP system, such as through the new general ledger (New GL)?

An end-to-end process analysis can be used to determine the status of the ERP system, considering the aspects mentioned above. This brings transparency to the historically grown ERP architecture by showing the current technological status and the potential fields of action. Companies can thus make changes to the historically evolved processes, for example, by eliminating modifications or replacing current workarounds with new solutions and technologies.

This view is also reflected in the results of our study. The S/4HANA implementation offers the opportunity to go beyond a purely technical migration and tackle a holistic business transformation across all functional areas (e.g., finance, logistics, production, sales).

80 percent of the companies surveyed see transformation as much more than a purely technical migration

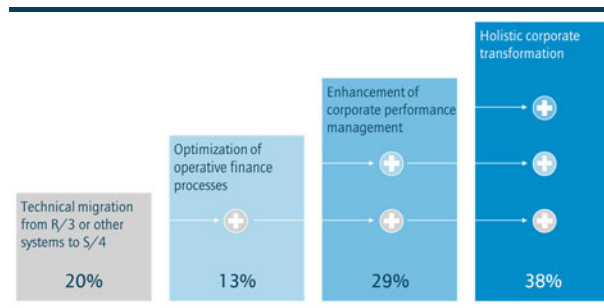


Fig. 4: Primary objectives of the implementation

Enhancement of corporate performance management and optimization of operational (financial) processes are key objectives

Most financial organizations perceive the S/4HANA transformation as much more than a pure technical migration and therefore have high expectations for the transformation project and the new ERP system. The enhancement of the corporate performance management and the optimization of processes and data structures are the focus for finance organizations.

Half of the participants in the survey aim to conceptually realign corporate performance management in the context of the transformation. Cross-functional integration and redesign of organizational structures can further harmonize and standardize management levels. On this basis, information requirements for the relevant stakeholders within the company can be redesigned in a targeted and consistent manner. Furthermore, this forms the basis for automation potentials that support the entire corporate performance management processes. In addition, around 40 percent of the companies surveyed state that the introduction of S/4HANA offers an opportunity to make greater use of scenario modeling and applying artificial intelligence and machine learning in management in the sense of a decision-support function. The goal is to reduce the manual effort of recurring and past-oriented activities to focus on forward-looking corporate performance management.

Finance organizations expect a high impact on the harmonization of management levels and process flows

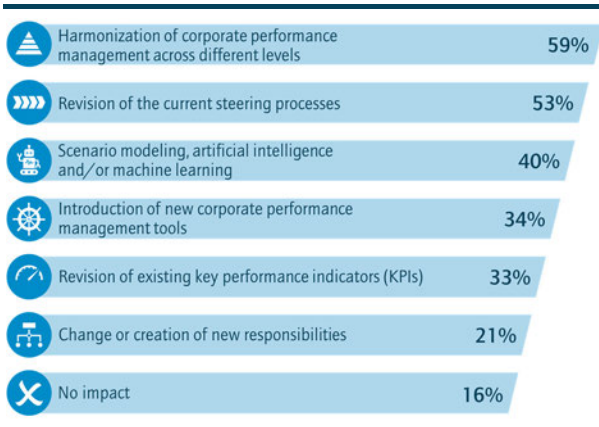


Fig. 5: Effects on corporate performance management (Multiple answers possible)

Focus on process standardization, quality, and acceleration

In most financial organizations, the realignment of the ERP system is seen as an opportunity to unify and standardize processes and data structures to define a stable ERP core as an essential building block for the company's digitalization initiatives.

Historically grown processes and data structures and individual system developments are critically evaluated in the preliminary stages of the transformations to set up the new S/4HANA system on cleaned-up, harmonized, and standardized processes and data structures. As a result of the increase in data and process quality, 63 percent of the participants expect the process flows to speed up and the supply of information to be improved. The high importance of process and data quality is reflected in the study results in designing the transformation programs. Almost all participants surveyed see the need to establish a governance structure at an early stage, enabling the rules and guidelines for designing processes and systems to be defined early on at the start of the transformation to ensure the expected quality in the long term.

The study results make it clear that the S/4HANA transformation is expected to bring about standardization, harmonization, and improvements in a wide range of areas. On the other hand, if we look at the expectations of the companies regarding cost reduction, it becomes apparent that in the fewest cases a decrease in IT costs is expected (24 percent). Instead, the migration is expected to realize potential benefits in terms of processing time and the degree of automation (73 percent). A consistent reduction in the complexity of the accounting principles and a reduction in the number of accounting cases are being pursued by many financial organizations (59 percent, see fig. 7). A related decrease in the depth of information in operational processes is accepted by over 90 percent of the organizations.

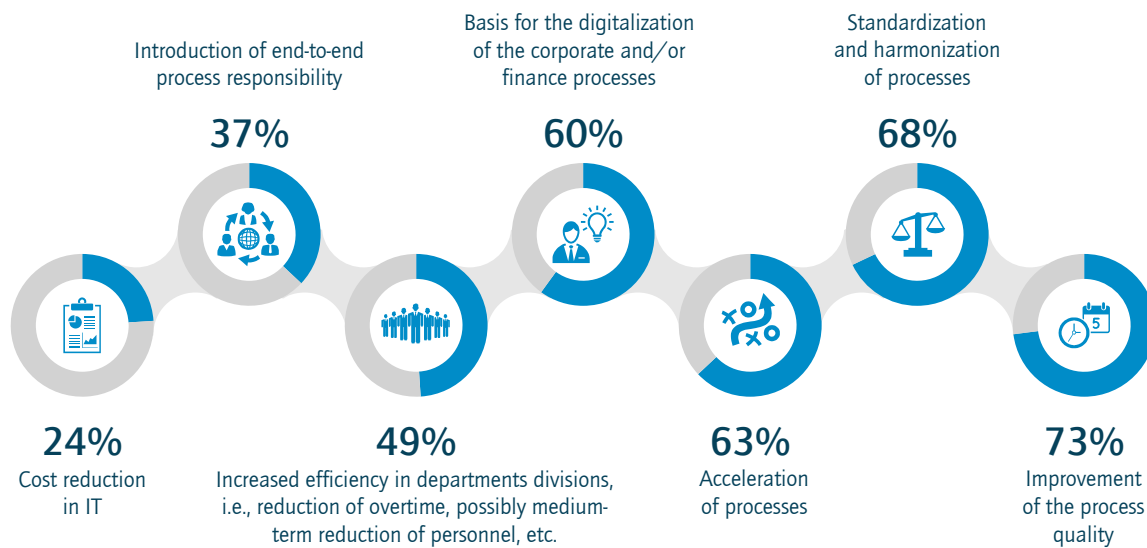


Fig. 6: Expectations of an S/4HANA implementation (multiple answers possible)

Significant diversification of the value chain of financial organizations

Standardization of financial and managerial accounting structures is the basis for end-to-end process integration

The transition to a single-circuit system that combines data structures of external and internal accounting is one of the central innovations of the S/4HANA systems. The finance organization can benefit significantly from this change within the S/4HANA implementation. At first glance, the harmonization of data in a combined data table may seem like a strictly technical (data model) innovation, but from a business perspective, it results in a paradigm shift with extensive potential benefits. The merging of financial and managerial accounting data in a combined table (Universal Journal) represents a starting point for the finance organization to meet the expectations of the S/4HANA transformation. More than half of the companies surveyed want to take advantage of the opportunities presented by the transformation to further harmonize the data structures in financial and managerial accounting in terms of their functions and methods and optimize the integration of value creation. The Universal Journal represents the central data table in which all relevant data of the finance value chain are brought together to analyze financial information relevant for corporate performance management.

With the migration to S/4HANA and a unified database, there is the opportunity to represent and evaluate financially relevant data end-to-end in different views (e.g., management view, legal view, functional view). To be able to make optimal use of this opportunity for multidimensional evaluation of financial data, it is necessary to harmonize and standardize the financial and managerial accounting data model.

In addition to standardization and harmonization, 59 percent of the companies surveyed strive to simplify their financial and managerial accounting concepts (see fig. 7). However, the current market view shows that companies based in the DACH region tend to use complex cost accounting logic and concepts that require a high level of detail in financial information. Our survey reveals a trend reversal: regardless of the decision on whether to use the S/4HANA transformation for a redesign of the financial data model, most of the participants strive for a simplification of the accounting concepts. To achieve the desired reduction in complexity and to ensure it in the long term, it is necessary to define guidelines at an early stage of the functional concept design. General guiding principles provide the finance function with specific and binding guidelines that help to keep in mind the overarching goals throughout the entire S/4HANA transformation process: the integration and conceptual harmonization of financial and managerial accounting.

The automation of booking and billing processes is most frequently targeted as part of the S/4HANA transformation

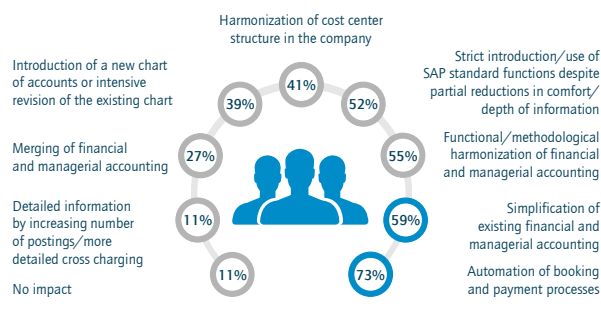


Fig. 7: Intended changes (multiple answers possible)

Integrated quantity and value flows enable significant efficiency gains

The efficiency and effectiveness of corporate performance management are mainly dependent on the decision-oriented and reliable supply of information to decision-makers. The prerequisite for this is a continuous and consistent corporate performance management concept that defines the information requirements for steering and anchors these consistently in the quantity and value flows in the system.

By standardizing the data structures of financial and managerial accounting in S/4HANA, it is possible to capture the information relevant to corporate performance management as early as the creation of the posting document within the operational processes of sales, materials management, logistics, and production, and thus to define the information requirements of accounting in a central document (universal journal). The main posting document in S/4HANA thus includes the information relevant for financial accounting, but also the information relevant for managerial accounting, e.g., market segment, business unit, customer, material, etc. This ensures that the information supply across the company's various functional areas is based on the same data, which eliminates discrepancies between the accounting material on the system side and enables efficiency gains by eliminating the need for reconciliation.

The study results show that companies are striving for or have already achieved significant efficiency gains in the areas of financial and managerial accounting through the S/4HANA conversion. The key lever for this lies in the consistent harmonization of data structures and the end-to-end integration of information structures, eliminating the need for reconciliation between financial and managerial accounting, which in practice often involves a tremendous effort, right through to reporting. The closing process can be performed without friction losses due to reconciliation requirements – while at the same time increasing the transparency and acceptance of the accounting data.

In addition to the standardization of the accounting data structures to a single-circuit system through the Universal Journal, the core of the change through S/4HANA for financial organizations lies within Profitability Analysis (CO-PA). Although the SAP module has always been a central component of the managerial accounting solution, financial organizations must decide which type of profitability analysis to use during the future S/4HANA implementation.

Significant efficiency gains are expected in reporting, financial accounting, and managerial accounting processes

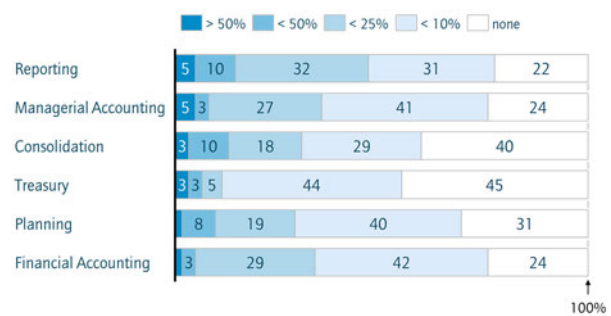


Fig. 8: Expected efficiency gains (in percent)

The study results reflect our project experience that during S/4HANA transformations, a change is frequently made from cost-based to accounting-based types of earnings accounting. This development results from the fundamental realignment and expansion of the accounting-based earnings statement in S/4HANA. The previous accounting-based form of profitability analysis had elementary restrictions in the structure of a multi-level contribution margin accounting. The restriction on separating the cost of sales into fixed and variable components and the restriction on showing production deviations in detail in the result prompted manufacturing companies in particular to use the imputed form of profitability analysis. Due to the assigned values in this form of profit and loss accounting, the reconciliation within the closing processes and with external accounting in particular posed recurring challenges for the financial organizations, which in many cases could only be mastered with a high expenditure of resources and manual reconciliations.

The fundamental changes to the accounting-based profitability analysis in S/4HANA overcome the accompanying restrictions in R/3. A split of the cost of sales analogous to the cost component structure and a cost split of the production variances takes place in S/4HANA through the account assignment to additional accounts. This makes it possible to design a multi-level contribution margin accounting based on a data model in managerial accounting that is coordinated with financial accounting. As a result, internal profitability accounting is consistently coordinated with external accounting, enabling efficiency gains to be realized in the closing process and significantly improving the supply of information across functions.

Accelerator for process changes in corporate performance management

Corporate performance management is highly integrated and detailed

Companies expect to leverage on many success potentials through the introduction of S/4HANA. These primarily include improved and accelerated process quality, standardization, and harmonization of processes.

The technical enhancements such as new interfaces and tools introduced by the implementation of S/4HANA only partially cover the comprehensive transformation of the overall corporate performance management processes. The focus of conceptual considerations is a holistic enhancement or realignment of processes. Thus, the full potential for an optimized form of corporate performance management lies in the combination of these aspects.

The S/4HANA transformation is ideally used to further develop corporate performance management, which often requires far-reaching adjustments to methods and processes. For example, historically grown processes and data structures are critically reviewed to harmonize the new S/4HANA system.

The opportunity of initial process optimization promotes the achievement of expectations regarding the introduction of S/4HANA. Most of the companies surveyed also follow this approach. In about 65 percent of the cases, the implementation of S/4HANA is also used to further develop systems and processes before or during the introduction. In around 35 percent of cases, this S/4HANA-driven further development of corporate performance management takes place as a separate initiative (see fig. 9).

It is nevertheless striking that just about a third of the companies surveyed are not taking up the further development of corporate performance management processes in the S/4HANA implementation or are doing so only at a later stage. This shows that the efficiency gains from the interplay of technical innovations and conceptual rethinking of structures are not yet transparent enough for every company to recognize. The opportunities to reduce functional boundaries and silo thinking in advance and to base the new IT on an optimized structure remain unused.

There must be a strong focus on implementing holistic and thus conceptual and technical transformation to achieve a full increase in benefits.

Most companies are further developing their corporate performance management processes before or in parallel with the S/4HANA implementation

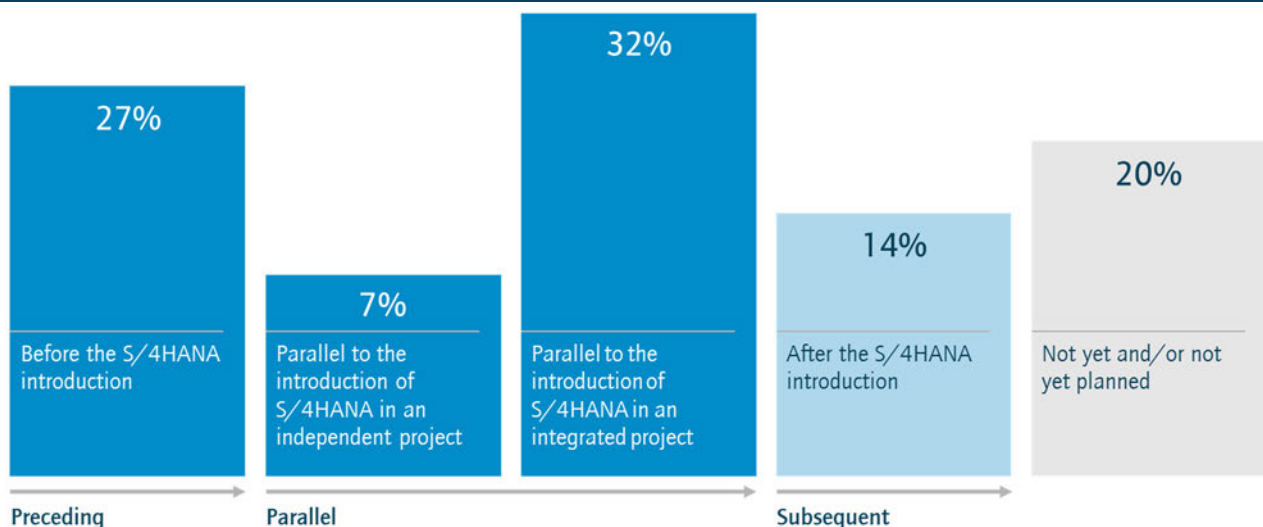


Fig. 9: Approach to the further development of corporate performance management processes in the context of S/4HANA

S/4HANA drives the functional expansion of planning

The achievement of expected optimization potentials through the implementation of S/4HANA is enforced by several extended functions within corporate performance management.

Holistic harmonization and standardization of the data landscape through the introduction of S/4HANA provide the basis for functional and conceptual changes in planning. In terms of a holistic view of corporate performance management with S/4HANA, isolated planning of functional sub-planning areas gives way to more integrated planning based on cross-functional models or planning platforms. Planning itself gets more consistent and aligned by breaking down so-called planning silos. In addition, a uniform and standardized data model facilitates basic planning-supporting activities in the sense of generating default or suggested values. More than half of the companies surveyed consider greater integration of functional sub plans to be a significant change in planning (57 percent), and 43 percent are already taking this into account as part of the S/4HANA transformation (see fig. 10). 75 percent of respondents also see the provision of planning-supporting functionalities as a significant efficiency driver (see fig. 11).

A technical enhancement is also reflected in the increased performance provided by S/4HANA. In the context of corporate performance management, this is reflected in the possible depiction of a higher granularity in planning, similar to the granularity of the actuals, as well as a possible expansion of the scope of planning. In the survey, it emerged that comparatively little importance is attached to this functional expansion. Although more than 40 percent attach significance to an increase in granularity, only one third of the companies address a high coverage of this functional change (see fig. 10).

At this point, it should be noted that a certain data granularity forms the backbone for a process-related and content-related integration and thus represents a significant component.

Based on the integrated planning platform, complex simulations and scenario modeling can also be carried out, which serve as a central element for decision support and increasingly represent a discipline of their own in corporate performance management. With minimal effort, different scenarios can be considered, (counter)measures can be initiated at an early stage, and decisions can be better secured. About 70 percent of the companies surveyed consider this advantage to be a significant functional change in planning.

Functional changes in planning, reporting, and consolidation are addressed differently

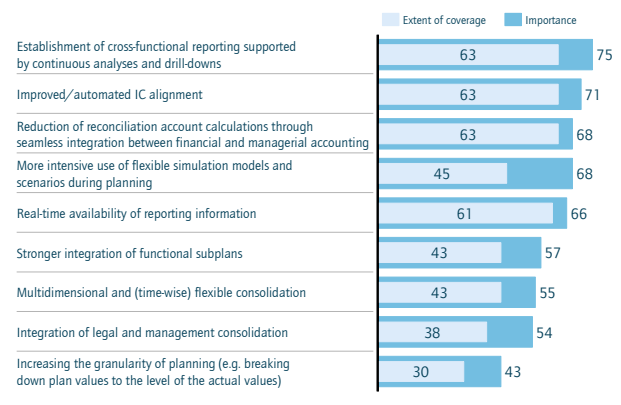


Fig. 10: Changes in planning, reporting and consolidation (in percent, multiple answers possible)

Cross-functional reporting for more transparency

The new functions are also accompanied by a significant increase in transparency in corporate performance management – seamless functional integration between financial and managerial accounting supports end-to-end analysis. Thanks to the data integration of FI and CO postings in the ACDOCA universal ledger (actual values), information is automatically available in both views so that it can be reported and analyzed without manual reconciliations. Almost 70 percent of those surveyed rated this function as highly important – and it is also being addressed with a similarly high tendency as part of the S/4HANA implementation (see fig. 10). The relevance of this integration and the associated data consistency is also evident in assessing the associated efficiency potential: 85 percent see this as a significant innovation (see fig. 11).

The company-wide linkage of data enables data analysis from the consolidated result back to individual ERP modules. As part of such a drill-down, key figures can be viewed at the top reporting level down to their operational structures and individual document level. This means, for example, that deviations from planned/actual figures can be traced back to the specific underlying drivers within the scope of the analysis. This advantage is also considered necessary by 75 percent of the companies surveyed, which is why they are giving it a high priority during the S/4HANA implementation (see fig. 10).

Another significant advantage is the real-time availability of reporting information, which is due to the performance of the S/4HANA technology. Reporting can thus provide decision-relevant information at the earliest possible time and make a significant contribution to decision support. Two-thirds of the companies surveyed see a decisive change in this area, and a large proportion of them are already taking this into account when implementing S/4HANA (see fig. 10). In addition to the real-time availability of data, the automation potential in report generation is rated as an important efficiency lever (91 percent, see fig. 11).

Multidimensional and integrated – consolidating with new possibilities

S/4HANA significantly increases the degree of automation not only in reporting. More than 70 percent of the companies surveyed also see this as a significant opportunity, as it provides reports based on consolidated data independent from time constraints (see fig. 10) and eliminates the need for manual preparation and time-consuming reconciliation of data.

The full range of data from the ACDOCU table can be used for consolidation and becomes the central element of group reporting. Different purpose-oriented financial statements can be consolidated side by side, united in a uniform multidimensional consolidation model. Flexibility in terms of time within the scope of consolidation is still maintained. More than 50 percent see this as a significant functional change within the scope of consolidation, of which around 80 percent address this change directly (see fig. 10). The integration of the legal and management view and their merge – for example, with a product- and market-oriented view – takes place without any further reconciliation or adaptation requirements. Despite the estimated relevance (54 percent), only about 40 percent of the respondents address this aspect in their transformation program (see fig. 10).

Improved intercompany reconciliation is considered important by over 70 percent and addressed by over 60 percent during the S/4HANA implementation (see fig. 10). Automated IC reconciliation can already be performed during the posting period and thus simplifies the closing process at all levels. As a result, just over 70 percent of companies see the potential for automation in IC reconciliation as a key efficiency lever (see fig. 11).

Efficiency levers for planning, reporting, and consolidation are considered with different importance and coverage

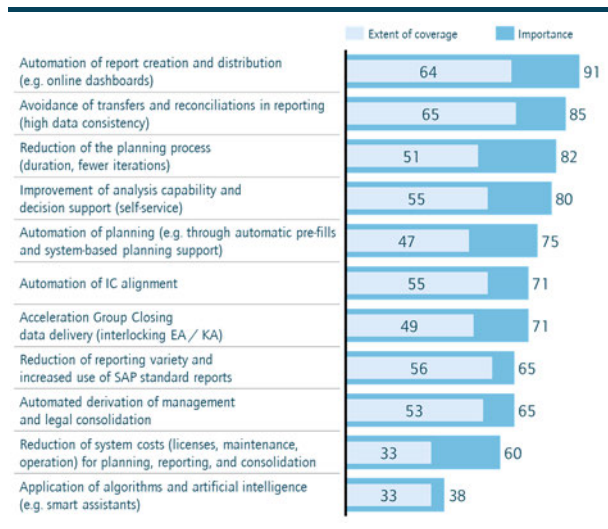


Fig. 11: Significance and extent of the implementation of efficiency levers through S/4HANA (in percent, multiple answers possible)

Change in the role of the finance function as a success factor

The core philosophy of an S/4HANA transformation is the dovetailing and integration of business processes across functional areas. This successively dismantles the original function-based silo thinking. The approach of an integrated end-to-end view mainly affects the finance function, which has points of contact with all other end-to-end processes due to its characteristic as a "data collector". As a result of the even higher integration of the finance function into the operational areas and processes in the future, its role will change so that the value chain will be significantly expanded. As a result, the finance organization will assume greater responsibility for processes and data. This development is also reflected in the expectations of the study participants, who essentially associate the following with the introduction of S/4HANA (see fig. 6):

- Improvement in process quality (73 percent)
- Standardization and harmonization of processes (68 percent)
- Acceleration of processes (63 percent)
- Basis for digitalization of the corporate or financial processes (60 percent)

The need to establish governance structures is seen at almost all companies surveyed

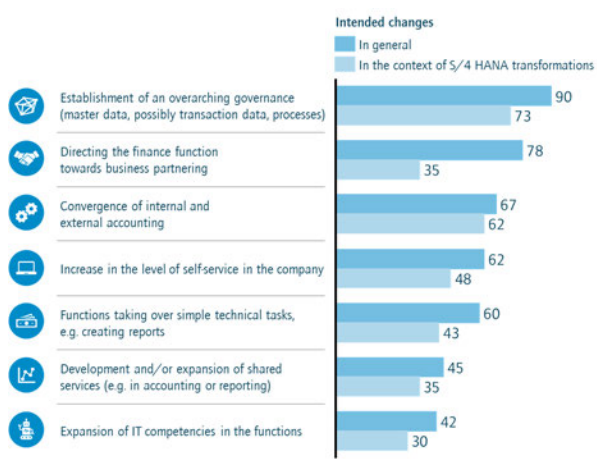


Fig. 12: Intended changes and interaction with S/4HANA (in percent, multiple answers possible)

This also reflects a positive correlation to the objective of high process and data quality. However, to ensure the sustainable establishment of the new processes and structures, governance is required that creates clear structures within the organization beyond the systems and data models regarding roles and responsibilities. Governance must not only be initially established but also sustainably anchored and lived in the organization. The need to establish governance structures is seen in almost all the companies surveyed (90 percent) and is predominantly considered in the S/4HANA transformations (see fig. 12). Therefore, successful and sustainable integration of the end-to-end idea requires strong process governance and a clear delineation of responsibilities, tasks, and granted competencies. It is essential to clearly define and create new role models resulting from cross-functional end-to-end processes through governance. Otherwise, there is a risk that governance structures cannot be established and sustainably consolidated in the company. Rules and structures must be created at an early stage for regular operation after the introduction of S/4HANA to be able to meet the high expectations for data and process quality in the long term.

Since the S/4HANA transformation represents a tour de force and a change for the entire organization, it is essential – apart from the understanding and the will of the employees – to establish the end-to-end mindset within the organization and targeted change management to support the change process. For this end-to-end way of thinking to establish itself sustainably within the company, competence profiles and institutions are needed that enforce end-to-end integration by exercising their role (e.g., governance). The goal is to move from reactive action to active management of process and data quality.

However, the fact that the S/4HANA transformation can only be used in part to optimize the role of the finance organization is again shown by the study results on the alignment of the finance function as a business partner. In this context, 78 percent of respondents see the S/4HANA transformation as an opportunity to strengthen the finance organization as a business partner increasingly. However, only 35 percent of the S/4HANA transformation program takes organizational development into account, which means that insufficient attention is being paid to role development (see fig. 12). To do justice to the integration and deepening of the value chain within the finance function in the future, new role models also need to be established within the finance organization. Both the technical competence and the IT competence of the employees must be expanded. Important topics from the study that contribute to the role-based financial organization are the following:

- Assumption of simple technical tasks by the business department, e.g., create and further develop reports and more responsibility for BI tools
- Increase the level of self-service in the company
- Expansion (if necessary, development) of IT competence in the specialist departments

In the first step, an S/4HANA transformation serves as an enabler to meet the new challenges within the finance organization:

- Change to a more intensive virtual way of working
- The introduction of new models and tools for collaboration
- Derivation of suitable measures to safeguard the company (e.g., securing liquidity, customer credit management)

When implementing these and other changes to structures, processes, and competence profiles, a high level of willingness and ability to change is required in the organization. Even if the S/4HANA implementation and the organizational transformation occur at different times, they must be coordinated in the best possible way. The S/4HANA transformation should claim to be a central enabler in this context. New, improved functionalities and processes should at best make the need for new role models, and responsibilities in the organization appear to be without alternative.

Methodology and Study Design

The results of the study are based on an international online survey. The survey was primarily targeted at CFOs and senior finance executives. The survey aims to provide a critical appraisal of the Corona pandemic and its implications for the CFO agenda. Insights are provided into what is currently happening in finance functions concerning finance transformation. The study provides a concise illustration of how current challenges and drivers are being addressed and creates transparency regarding current CFO actions. The study report entitled "[Beyond the Crisis – What is on the CFO-Agenda post-Corona?](#)" is available on the Horváth & Partners website.

Overall, the sample includes companies from various industries and of different sizes. Statements and conclusions thus paint a holistic picture of the current CFO agenda in the finance function. They do not refer to individual industries or only large corporations. The participating companies can be divided into 15 different industry segments, with financial services, automotive, mechanical and plant engineering, and pharmaceuticals being the most frequently represented. Just under a quarter of the participating companies had more than 5,000 employees and over 1 billion euros in sales in the previous fiscal year.

For this study report, companies were asked about current trends in SAP S/4HANA in a focus section. Of the total of around 200 participants, 63 answered the more detailed questions. 87 percent were from the DACH region. Most of them are CFOs and commercial directors. Senior executives from financial and managerial accounting also took part.

The study participants come from companies in diverse industries and of varying sizes

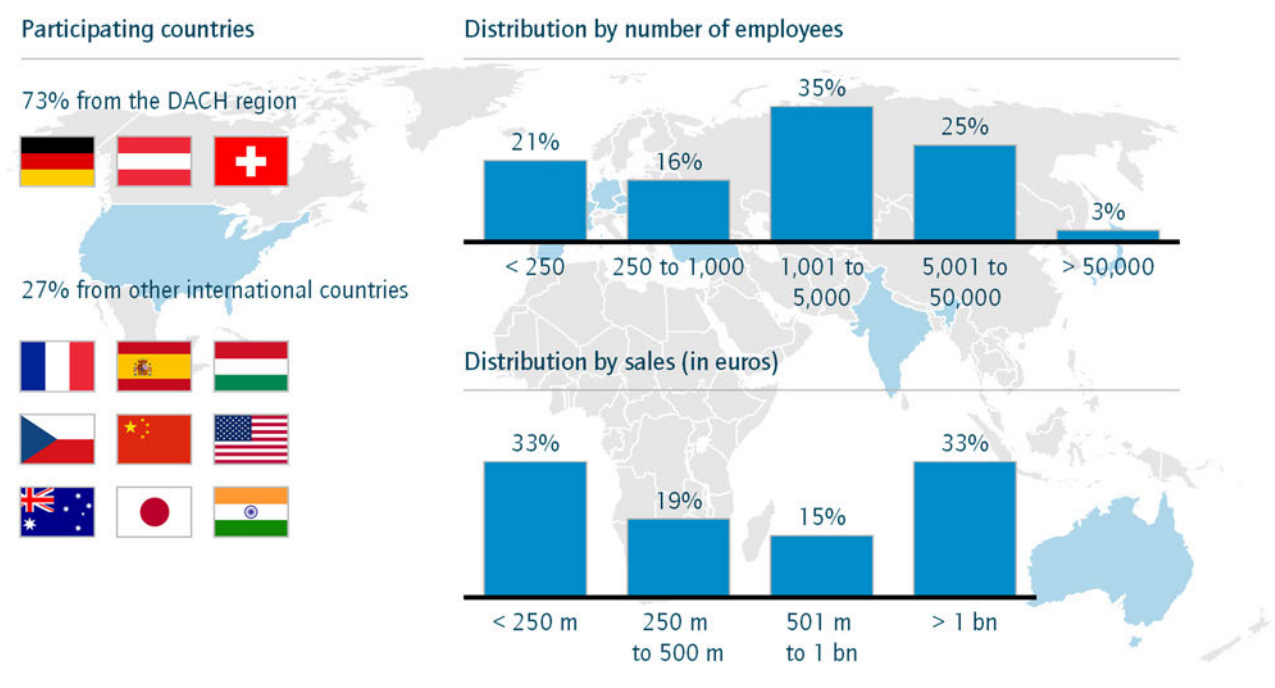


Fig. 13: Participants for the focus topic SAP S/4HANA



Conclusion and Recommendation

The introduction of S/4HANA is leading many companies to reconsider their existing management processes, operational financial processes, organizational structures, competencies, and system landscapes. Here, the finance function in particular is in demand and has the opportunity to redefine its own value chain.

However, before companies jump straight into redesigning processes, the basic recommendation is to conduct a pre-study. Only during this can the possible implications for processes, structures, content, organization and systems be adequately illuminated. They help to develop a clear picture of the benefits of an S/4HANA implementation and to clarify the challenges that need to be overcome during this implementation.

Such a transformation also provides the space to rethink corporate performance management processes and align them with the respective management aspirations. This credo should serve as a guideline for realignment. The realignment of management processes requires the breaking up of old structures. Exactly this basic condition is created, almost provoked, by an S/4HANA transformation project. The associated new processes and structures do not necessarily lead to greater efficiency, but to a significant increase in process quality, standardization, and harmonization, which essentially also goes hand in hand with the objective of an S/4HANA implementation. For corporate performance management processes in the narrower sense, this means greater integration and process acceleration within the finance value chain.

An S/4HANA transformation offers many opportunities for the further development of the finance function. However, the following aspects are decisive:



A well-prepared project approach including a pre-study



The knowledge of potentials



Awareness of challenges



Understanding the S/4HANA transformation not only as a technical project

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