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# Whitepaper

## SAP Central Finance: Deployment Strategies and the Benefits of a Finance First Approach

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# Table of Contents

What Deployment Strategies are Available for SAP Central Finance?

What are the Benefits of SAP Central Finance, a Finance First Deployment Approach for SAP S/4HANA?

- Unified Reporting
- Single Source of Truth
- Financial Consolidation
- Central Receivables and Payables
- Shared Services Enablement
- Fast M&A and Divestiture
- Clean / Harmonized Master Data
- Adaptable Data Mapping
- Iterative and Reloadable
- Leading Practice
- Quicker Value Drops

Recap

Additional Information

- Resources
- Next Steps
- About the Authors



# What Deployment Strategies are Available for SAP Central Finance?

SAP Central Finance is a minimally disruptive, Finance First approach to SAP S/4HANA that can also be a stepping stone to a full scope SAP S/4HANA system (see [“How to Use SAP Central Finance as a Stepping Stone to SAP S/4HANA”](#)). With SAP Central Finance there are a myriad of permutations to enable transformation (Figure 1). Establishing the strategy and vision of an SAP S/4HANA enabled transformation must be a priority prior to, or early in, the transformation journey. Most clients will start with Central Reporting and standardizing transactional and master data while leaving finance operations for a subsequent phase since it may involve other process owners and teams, such as Procure to Pay or Order to Cash. A careful evaluation of business processes integration with other non-financial functions, source system release and design, need for master data harmonization, and executive alignment are critical for success before committing to a deployment strategy (see [“SAP Central Finance: Key Design Decisions for Reporting Deployments”](#)).

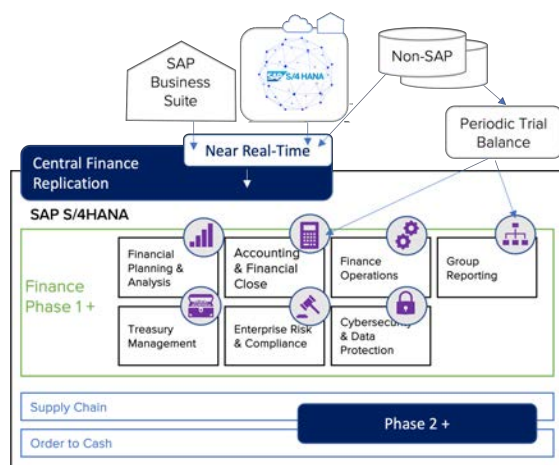


Figure 1. Illustrative approach for SAP Central Finance as a stepping stone to a Full Scope SAP S/4HANA System

While the replication and mapping of financial data to a new financial data model has its challenges, that doesn't restrict the migration of essential operations in the first go live (see “Identify What Building Blocks to Adopt” in [“How to Use SAP Central Finance as a Stepping Stone to SAP S/4HANA”](#)).

As outlined in the other whitepapers in this series, Central Reporting is the foundational, first step of SAP Central Finance implementations and may be combined with a deployment of other capabilities. As a leading practice, projects should devote enough time to align master data to the new financial data model and stabilize the new SAP Central Finance system for a short period of time to validate the outcomes before adding additional process scope as part of an additional deployment. For that reason, scoping the master data effort, such as the need for a new Chart of Accounts or large-scale change to finance master data to support changes to financial reporting, is a critical factor for an on time go live.

As a part of a Central Reporting project, many clients find significant value in deploying the financial consolidation capabilities of SAP Group Reporting – the SAP roadmap capability for Financial Consolidation within SAP S/4HANA that leverages the universal journal data model (Universal Consolidation Journal Entries table ACDOCU) and replaces SAP Business Planning and Consolidation (BPC).

# What Deployment Strategies are Available for SAP Central Finance?

Clients often pair Central Reporting with Financial Planning and Analysis (FP&A) and financial close automation to further derive significant business value in initial SAP Central Finance deployments. Depending on the current Financial Planning capabilities, clients find upgraded capabilities in this space yield improved insights and more accurate forecasting that leads to better revenue and operating margin attainment and overall financial performance. Clients considering Financial Close automation as part of their SAP Central Finance journey should expect to improve governance and efficacy of their period end (month-end and year-end) close, leading to enhanced control and reduced time to publish financial statements.

Adding additional scope for Phase 1 should be done based on careful analysis for other components, which may include Central Processing and Treasury operations, as these require a mature environment and limit the capacity to reload SAP Central Finance without complications that result in:

- Incorrect mapping
- Changing the original design
- Invalidating transformation rules
- Missing external and internal reporting objectives set at the beginning of the project

When you develop your Finance Transformation roadmap, avoid common mistakes, such as quick wins from replicating data and accelerating scope to adopt in Phase 1 at the expense of optionality needed for subsequent phases or a system that is less viable as a potential stepping stone to a full scope SAP S/4HANA system.

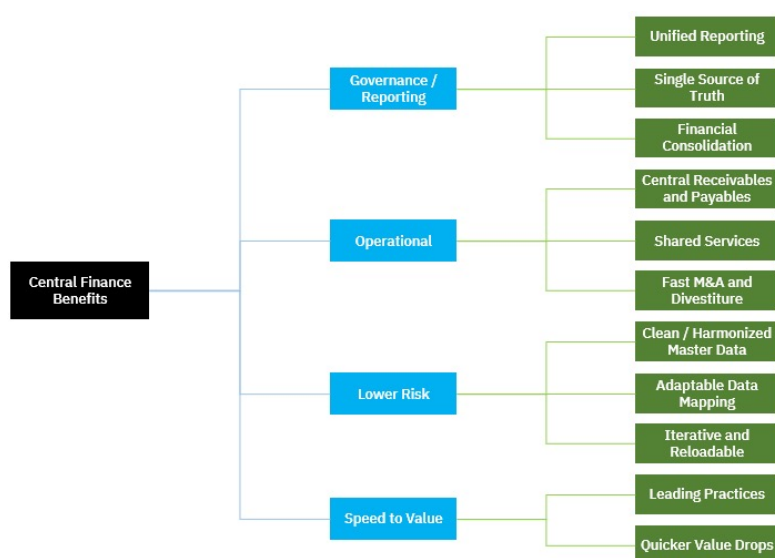
Careful planning in Phase 1 leads to Phase 2 options of transitioning operations from SAP Central Finance source systems into SAP Central Finance through controlled integration for Supply Chain and Order to Cash. Lessons learned from industry experience says that losing sight of Phase 2 goals result in limits to options or requires additional effort or cost:

- A focus on quick wins by replicating master data as is vs implementing a data cleansing and harmonizing strategy for optimal long-term outcomes
- A tax engine strategy recreating the existing strategy when future deployments require data harmonization and recalculation
- A validation strategy using only the standard out-of-the-box SAP Central Finance reporting

# What are the Benefits of SAP Central Finance, a Finance First Deployment Approach for SAP S/4HANA?

Clients' desire for Finance Transformation, big or small, over time is limited by accumulated history and technical debt in their SAP ERP systems. This is due in part to consistency related restrictions that limit structural changes. Examples of these restrictions include the inability to modify or change Finance objects such as Company Codes, Segments, Fiscal Year, or the limited ability to modify long lived objects in Controlling, such as Profit Centers and Cost centers, without impacting reporting and user experience. Clients constantly identify new ways of designing, building, measuring, and transforming their businesses and these restrictions prevent making changes effortlessly or being made at all. A Finance First approach lets a client implement their vision without a complete overhaul of all their operations, such as Supply Chain and Order to Cash.

Leveraging the stepping stone approach framework is essential to ensuring optionality for the future state SAP Central Finance environment. Finance First should be undertaken with a fresh perspective, while simultaneously being guided by existing technical and process capabilities and deficiencies from the current ERPs that will serve as sources for SAP Central Finance. After an initial deployment laying the foundation with Central Reporting, a building block approach to enable quick and periodic value drops for additional business processes and capabilities based on the business value can be achieved. See "[How to Use SAP Central Finance as a Stepping Stone to SAP S/4HANA.](#)"



The benefits of SAP Central Finance as a Finance First approach to SAP S/4HANA can be grouped into the following themes (Figure 2) that we will explore:

- Governance / Reporting
- Operational
- Lower risk than alternatives
- Speed to value compared to alternatives

Figure 2. Benefits of a Finance First Approach

# What are the Benefits of SAP Central Finance, a Finance First Deployment Approach for SAP S/4HANA?

## Governance / Reporting

### #1 Unified Reporting

As a result of a Central Reporting go live of SAP Central Finance, you can leverage the new SAP S/4HANA, SAP Fiori, and related reporting technology stack for unified, real-time reporting based on line item level detail from the source ERPs. Clients often find this as an improvement over what is often a batch updated reporting solution based on a mix of SAP ERP, other ERP, SAP BW, and business intelligence solutions. The new unified SAP Central Finance Chart of Accounts (COA) can report in near real time at the document line-item level using the data mapped from all the existing source system COAs that ensures a uniform answer across the organization and provides easy access to financial information without having to wait on a specific period end or batch jobs. The new SAP Central Finance reporting capabilities are available seamlessly in strategic reporting tools, whether it be SAP Fiori with ready to use reports, the ability to create new reports/KPIs without the for IT or support, and Analysis for Office.



### #2 Single Source of Truth

Taking a Finance First approach to SAP S/4HANA allows clients to view and focus on their financial data across all source systems without impacting day to day operations across the organization in the source ERPs. Combining the finance data across all source systems allows for a single source of truth and simplification with standardization of data and uniform reporting. Furthermore, by aggregating the financial data in the SAP S/4HANA the universal journal (table ACDOCA) alleviates reconciliation necessary in SAP ECC across Finance and subledgers and Managerial Accounting and provides an increased level of visibility and efficiency.

### #3 Financial Consolidation

Expanding Central Reporting to include financial consolidation capabilities, utilizing SAP Group Reporting, in the initial SAP Central Finance implementation scope significantly improves the consolidation capabilities due to the tight integration between SAP S/4HANA and SAP Group Reporting. Transactional data natively transfers from the Universal Journal (table ACDOCA) to Universal Consolidation Journal (table ACDOCU). The validation rules in SAP Group Reporting are very flexible, can be defined by users, and easily be created to ensure data quality and integrity. In addition, each validation run generates detailed logs that can be reviewed and analyzed in case of any error.

# What are the Benefits of SAP Central Finance, a Finance First deployment approach for SAP S/4HANA?

## Operational

### #4 Central Receivables and Payables

After Central Reporting, the next typical use case clients adopt to achieve significant business benefit with SAP Central Finance is central transaction processing (Central Processing) with Central Receivables, Central Payables, Banking, and related capabilities. Central Processing eliminates difficulties for some clients with multiple ERPs in answering questions such as:

- Where should I focus my collections efforts to be most impactful in improving working capital?
- What is my credit risk across all my business?
- Who are my top ten suppliers by volume?

Benefits also include reducing transaction cost with banking partners by reducing data feeds, more easily consolidating banking relationships and accounts, and reducing efforts to manage payables and service receivables from a single business model. Central Credit Management and Dispute Management provides a consolidated view of credit creditworthiness, commitments, and risks, as well as enable unified collection strategies to focus on most impactful activities. Moreover, these changes may reduce labor cost for those functions and/or allow that labor to focus on those functions, but on higher value activities like giving guidance to business based on better, real-time information.

### #5 Shared Service Enablement

One benefit many clients achieve with a Finance First approach is establishing or improving finance shared services with standardized operations across the enterprise. SAP Central Finance eases the establishment of shared services models for clients with multiple ERPs by bringing together the master data and transactional data to manage Accounts Receivable, Accounts Payable, and banking in one system with one business model, or multiple if necessary. Additional shared services related capabilities and related building blocks may be incorporated at the same time or subsequently, such as treasury, compliance and risk management, fixed assets, and internal banking.



# What are the Benefits of SAP Central Finance, a Finance First Deployment Approach for SAP S/4HANA?

## #6 Fast M&A and Divestiture

In today's current economic climate, mergers, acquisitions, and divestitures are ever more prevalent. In addition to those companies whose corporate strategies traditionally rely on M&A and Divestitures, many more companies are taking advantage of undervalued businesses and business units through acquisition. Finance First and SAP Central Finance accelerate post acquisition benefits. SAP Central Finance based integration allows the acquiring company a detailed, standardized, full view of the acquisition's financials within months, whereas tradition full ERP integration may take nearly a year. Financial consolidation-based integrations may take weeks to months yet provide only high-level financial reporting without direct access to detailed financials and unadulterated, operational key performance indicators (KPIs) and don't accelerate the benefits of acquisition, such as the adoption of shared services from the acquiring company. As a note, Financial Consolidation can be a step in a Finance First and SAP Central Finance implementation.

In a similar fashion, companies are taking an introspective view at divesting businesses and business units that are underperforming or are no longer part of a company's core strategy. In this case, businesses Integrated by acquiring companies through SAP Central Finance can be divested with minimal effort. After acquisition agreement, the divesting company can turn off the interfaces from the divested business and transition the divested assets to the acquiring company.





# What are the Benefits of SAP Central Finance, a Finance First Deployment Approach for SAP S/4HANA?

## Lower Risk

### #7 Clean / Harmonized Master Data

As outlined in [“How to Use SAP Central Finance as a Stepping Stone to SAP S/4HANA,”](#) the majority of SAP Central Finance implementations have been net new SAP S/4HANA systems. Clients have taken this approach to achieve Finance Transformation without risk of disrupting other business operations and unencumbered by the technical debt in their existing systems that were no longer valuable. Similar to the accumulated development and configuration that could be left behind, clients choosing SAP Central Finance also take the opportunity to redesign, cleanse, and harmonize their master data, including financial organization elements, cost object design, and customer and vendors (business partners in SAP S/4HANA). The cleansing and harmonizing process is easier and less risky with the net new SAP Central Finance environment as the target, rather than attempting the same in a source system with the impacts to in process transactional data (e.g. customer quotes to accounts receivable, purchase requisitions to accounts payable, etc.). Clean and harmonized master data is achievable with many tools – from IBM EnterpriseHub to other third-party tools from consultancies that focus on data.

### #8 Adaptable Data Mapping

Standard SAP Central Finance capabilities enable mapping from the source system to the new financial data model in SAP S/4HANA. As soon as a baseline financial design is configured, connectivity to the sources established, master data created, and initial mapping entered, data can be replicated into the new financial data model and viewed in standard SAP S/4HANA Fiori apps, custom reports, and downstream reporting. The mapping developed during the implementation from Explore to Realize is refined through the phases of the project and each round of testing. The source to S/4HANA mapping is adaptable over time – during the implementation project and after go-live – to support future financial reporting needs.

### #9 Iterative and Reloadable

Standard SAP Central Finance capabilities enable mapping from the source system to the new financial data model in SAP S/4HANA. As soon as a baseline financial design is configured, connectivity to the sources established, master data created, and initial mapping entered, data can be replicated into the new financial data model and viewed in standard SAP S/4HANA Fiori apps, custom reports, and downstream reporting. The mapping developed during the implementation from Explore to Realize is refined through the phases of the project and each round of testing. The source to S/4HANA mapping is adaptable over time – during the implementation project and after go-live – to support future financial reporting needs.

# What are the Benefits of SAP Central Finance, a Finance First Deployment Approach for SAP S/4HANA?

## Speed to Value

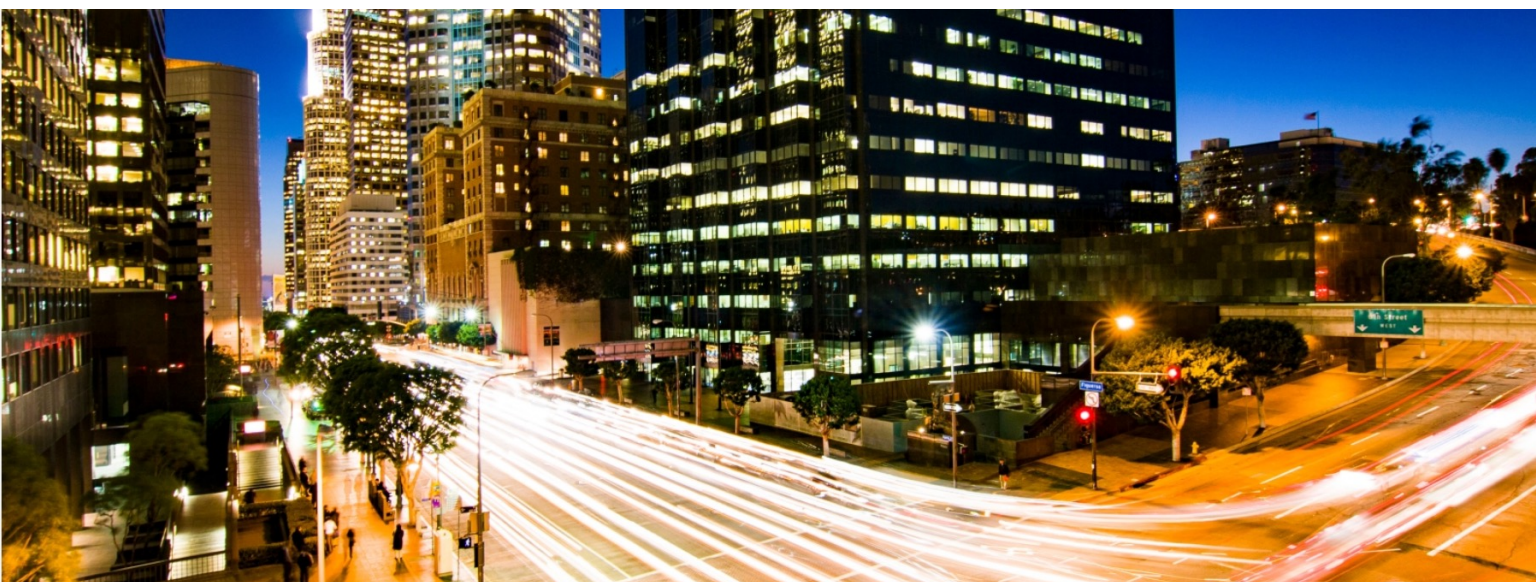
### #10 Leading Practice

With the majority of SAP Central Finance implementations being net new SAP S/4HANA environments, clients have taken this approach to reimagine their financial data model, cleanse and harmonize master data, and shed, what in some cases is decades of, highly customized business processes that don't leverage the newest capabilities and functional enhancements. To that end, clients are simultaneously adopting SAP Central Finance and current leading practices, which speeds the value clients derive from SAP S/4HANA by shortening the time to go live.

With IBM, our clients adopt leading practices built on SAP Best Practices and enhanced by IBM SAP S/4HANA project and industry experience for cross-industry or industry specific models, known as IBM IMPACT. IBM IMPACT is a pre-configured system, assets, work products, and accelerators that allow increased adoption of standard processes, shift building and testing earlier in the program, and optimize overall effort and cost.

### #11 Quicker Value Drops

SAP Central Finance provides speed to value for Finance Transformation for many clients by focusing the SAP S/4HANA deployment on Finance without enterprise-wide commitment, or the cost for the same, and adopting a net new SAP S/4HANA environment based on a pre-configured system, assets, work products, and accelerators. After an initial deployment laying the foundation with Central Reporting, a building block approach to enable quick and periodic value drops for additional business processes and capabilities based on the business value can be achieved.

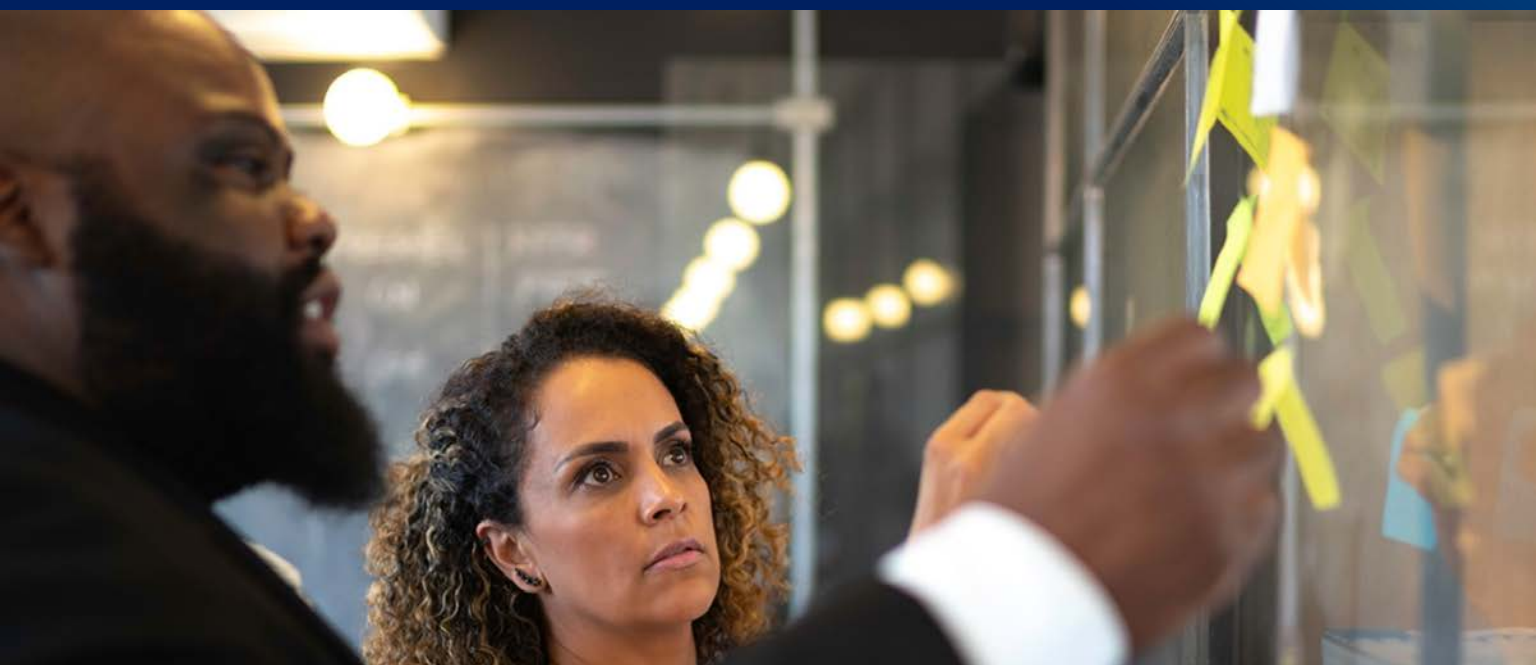


# Recap

The first whitepaper in this series, [“How to Use SAP Central Finance as a Stepping Stone to SAP S/4HANA,”](#) began by briefly covering “What is SAP Central Finance” and introduced the stepping stone approach framework. We explained the approaches to SAP S/4HANA and SAP Central Finance building blocks. We described why design should not be developed in a vacuum and must come together by assembling those building blocks. We clarified why some believe that SAP Central Finance can’t be a stepping stone to S/4HANA and counterpoint where experience and careful planning make all the difference for achieving the desired business outcomes.

The second whitepaper, [“SAP Central Finance: Key Design Decisions for Reporting Deployments,”](#) starts with Key Design Decisions and questions that need to be addressed at the beginning of the implementation for a Central Reporting Deployment. Embedded within these Key Design Decisions are areas of criticality such as Currency and Ledger design, Tax Harmonization, and Configuration considerations. Another area of prioritization is development of a clear master data strategy from the onset of the project that will support Finance Transformation and its desired business outcomes.

Finally, in this whitepaper, the third in the series, we outline SAP Central Finance deployment strategies for Finance Transformation and common mistakes to avoid limiting optionality for subsequent phases or implementing a system that is less viable as a potential stepping stone to a full scope SAP S/4HANA system. We cover the benefits of SAP Central Finance as a Finance First approach to SAP S/4HANA that can be grouped into the themes of: Governance / Reporting, Operational, Lower risk than alternatives, and Speed to value compared to alternatives.



# Additional Information/Resources

## **TruQua Blog Post**

[Top 10 Things to Know About SAP Central Finance](#)

## **LinkedIn Article**

[Demystifying SAP Central Finance in 400 Words or Less](#)

## **SAP Press Book**

[Central Finance and SAP S/4HANA](#)

## **Additional Whitepapers in this SAP Central Finance Whitepaper Series**

[How to use SAP Central Finance as a Stepping Stone to SAP S/4HANA](#)

[SAP Central Finance: Key Design Decisions for Reporting Deployments](#)

## Next Steps

Interested in learning more on what your organization can achieve with SAP Central Finance? [Contact us today](#) for a complimentary 60-minute discovery session to explore what type of value your organization can realize with an SAP Central Finance deployment.

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Gilberto Perez is a skilled SAP Consultant and Project Manager with over 20 years of project experience, delivering SAP solutions for a wide variety of industries. He has completed global projects with multisite execution in the U.S, Mexico, Brazil and Peru. Gil is well known for a high level of customer satisfaction guarding scope and delivering on time. Gil has been actively engaged on SAP Central Finance projects for the past 4+ years working in the area of finance transformation.

**HOWARD A. LA KIER****Finance Transformation Go To Market Leader, TruQua, an IBM Company**

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