



Approaching S/4HANA for Central Finance

**Improving your finance data quality and
transactional efficiency without disruption.**

What is S/4HANA for Central Finance?

S/4HANA for Central Finance (also Central Finance or simply CFIN) provides a vehicle to align and transform data from single or multiple **SAP** and **non-SAP** systems without having to make widespread changes on the source systems.

It provides a **harmonised data environment** that supports financial reporting, planning and standardised processes.

This is the stepping stone to full S/4 migration or future **process activation** within S/4 with continued mapping and replication of the disparate source systems.

With **S/4HANA** at its heart, it makes use of the functionality and content of the **Universal Journal**, updated processes and improved technology and **cloud solutions**.

With Central Finance, customers can connect their distributed system landscape to a centralised SAP S/4HANA Finance system.

Financial Accounting (FI) and Management Accounting (CO) postings can be replicated in this Central Finance system.

Central Finance lets you create a common reporting structure to feed consolidation and management reporting tools.

When should a company consider SAP S/4Hana Central Finance?

Multiple ERP platforms, aggressive M&A activities, the journey to S/4 HANA and solving complex business problems have been identified as main use cases for CFIN

Catalysts	 <p>Case 1: Companies with multiple ERP platforms or instances that do not want to embark on a process and systems consolidation project</p>	 <p>Case 2: Companies with aggressive merger and acquisition (M&A) activities, inorganic growth model or evolving business model</p>
CFIN enablers	<ul style="list-style-type: none"> • Replication of enterprise financial data including intercompany attributes, transaction type, etc. • Real-time replication, allows for interim views of data as well as central processing scalability. 	<ul style="list-style-type: none"> • Rapid integration of acquisitions. • Rapid unwinding of changing and evolving business models. • Allows time for acquisitions to go through their incubation period. • Allows independence of business unit but provides a central finance view and, as a result, control.
Catalysts	 <p>Case 3: Companies on a journey to S/4HANA want to see what S/4HANA can do first</p>	 <p>Case 4: Solving complex business problems with the help of enterprise financial data</p>
CFIN enablers	<ul style="list-style-type: none"> • Low-risk entry point to the S/4HANA journey. • Finance goes digital first, providing value and confidence in S/4HANA capabilities. • Gold tenet of finance data model. • Stepping stone to future waves, decouples risk to deploy the full platform. • Stabilise financial and management reporting to support downstream application and reporting stands. 	<ul style="list-style-type: none"> • Making the best use of financial data to deal with the cost of sales, including eliminations. • Global allocations. • Intercompany reconciliation and netting. • Assortment planning.



Improvement areas with Central Finance



A typical client journey is based on key financial and IT benefits which need to be achieved by implementing Central Finance

Data transparency

- Clear visibility in the intercompany flows
- Reduce time spent on manual data tasks

Potential savings: 5% – 10%

Tax management

- Ability to capture sales and use tax opportunities
- Visibility of property tax status and payment requirements
- Visibility of asset tracking and refund opportunities

Potential savings: 10% – 20%

EPM enablement

- Single integrated planning process
- Real-time data extraction and consolidation
- Foundation for a common information model for actuals and plan data

Potential savings: 10% – 20%

Statutory reporting

- Increased expense data granularity and transparency
- Reduction in money left on the table for withholding tax
- Real-time updates to billing system that reflect tax changes

Potential savings: 15% – 30%

Cash management

- Reduction in manual cash planning and reconciliation
- Increase visibility of overall cash position

Potential savings: 10% – 20%

Process optimisation

- Run compliant, real-time financial accounting processes
- Real-time intercompany reconciliation
- Increase automation and eliminate manual tasks

Potential savings: 10% – 20%

**Exponential value drivers: M&A accelerator,
new business model enabler,
robotic process automation, innovation**

Key innovation and value proposition

Time, process improvements and increased productivity are key aspects of the value proposition on a Central Finance journey

Value proposition

- Improved productivity & reduced reconciliation
- Improved time and effort required in close process
- Centralise consolidation of information
- End-to-end traceability
- Achieve value earlier with a centralised reporting solution implemented in a shorter timeframe
- Reduced risk and ability to implement specific business units at specific periods of time instead of 'Big Bang'

Key S/4HANA innovations

- Enhanced UX with Fiori dashboards and applications
- Harmonised financial reporting across disparate (SAP and non-SAP) financial systems
- Consolidated entity and management reporting based on a common chart of accounts, with full data mapping, error handling and document drill-back
- Monitoring of financial close tasks across multiple systems from a central plan
- Embedded reporting and analytics allow cross-system and cross-organisational reporting for peer-to-peer entity level benchmarking
- Optimised SLT capabilities

Global finance data model and embedded reporting and analytics that allows cross-business and system reporting are two of the key innovation aspects of S/4 HANA

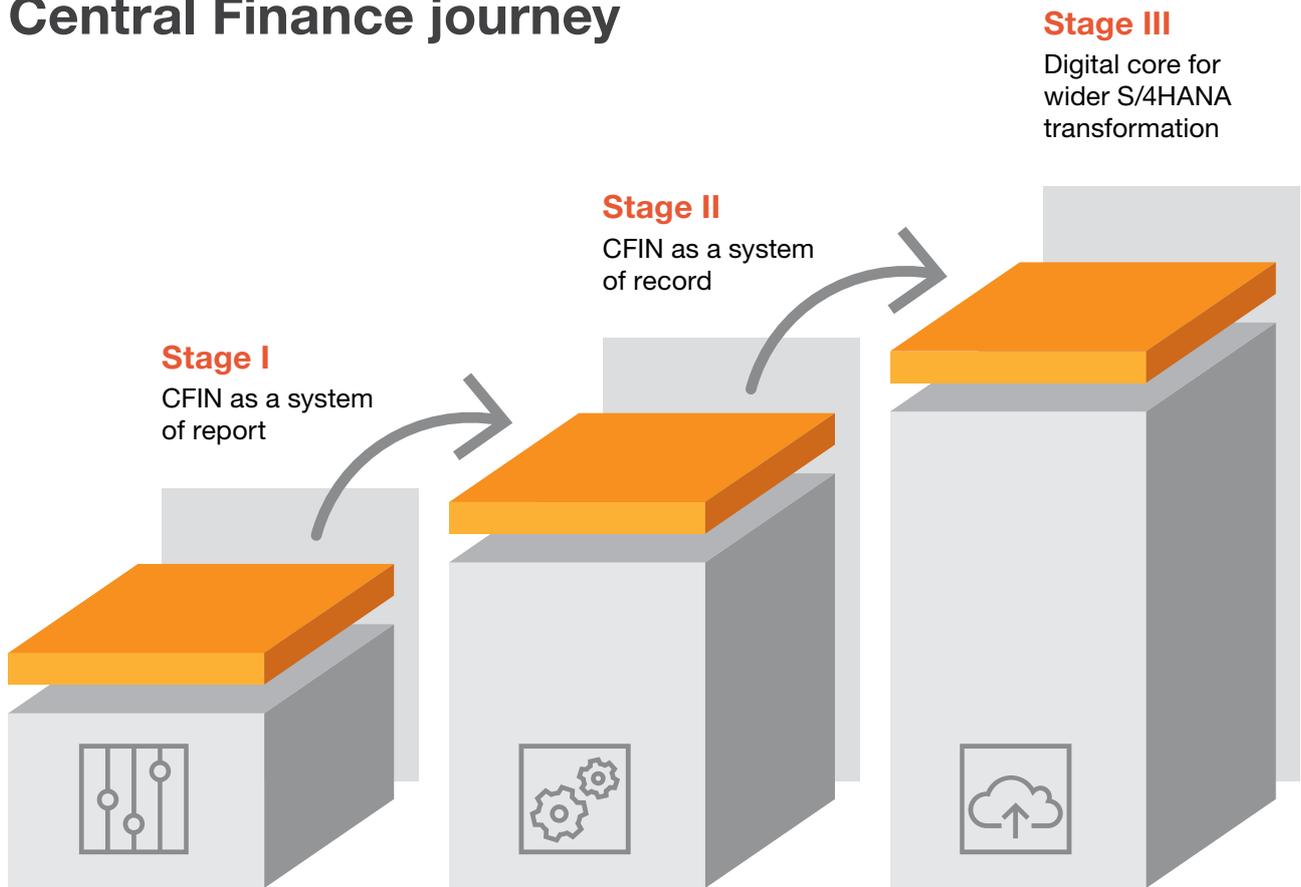
Value Delivered	Revenue uptick 	Operating margins 	Asset efficiency 	Shareholder expectations 
	Sale volume, price realisation	SG&A	External reporting, analytics	Company strengths
Value Source	N/A	<ul style="list-style-type: none"> • Reduce effort of manual reconciliation • Reduce close time • Reduce manual journal entries • Centralise reporting 	<ul style="list-style-type: none"> • Centralised controls and governance • Drill-back capability in reporting 	<ul style="list-style-type: none"> • Improved internal control frameworks and policies • Increased focus on key performance metrics • Increased integration of business processes • Improve transparency and auditability • Achieve value faster with less risk

Selected benefits achieved by implementing Central Finance



Value source	Driver	Enabling S4 EM capabilities	Improvement ranges ¹	Key metrics impacted
Improve close efficiency and quality	<ul style="list-style-type: none"> • Manage close centrally across disparate systems • Increase automation and eliminate manual tasks • Provide greater data visibility, reduce cost of audits • Ease of reconciliation 	<ul style="list-style-type: none"> • S/4HANA Finance provides real-time processing of period-end tasks, including inter-period execution such as intercompany reconciliation. • Provides self-service analytics with real-time reporting, removing the dependency on extract reports • FCA Fiori app provides dashboard reporting and status of period close 	10%–20%	<ul style="list-style-type: none"> ✓ Reductions in days to close ✓ Reduction in financial costs to close ✓ Reduction in audit fees ✓ Reduction in manual journal entries
Improve daily financial reporting and analysis	<ul style="list-style-type: none"> • Flexible reporting for analysis • Elimination of extract reports • All jobs executed in real-time providing real-time daily figures • Efficient reconciliations 	<ul style="list-style-type: none"> • Self-service reporting and various analytical apps which provide real-time data and drill-down capability on any dimension • Dedicated central reporting instance for consolidated entity and management reporting – reduces time for M&A consolidation and verification processes • Real-time reporting by any dimension down to detailed postings allows cross-system and cross-organisational reporting and benchmarking • Fiori apps provide intuitive user experience for increased productivity of business users 	15–30%	<ul style="list-style-type: none"> ✓ Reduction in business operations and analysis Reporting costs
Embedded	<ul style="list-style-type: none"> • Real-time intercompany reconciliation, no longer a period-end activity • Centralised data for ease of consolidation 	<ul style="list-style-type: none"> • S/4HANA Finance provides the ability to reconcile at any time due to the availability of real-time data and reduces the amount of reconciliation at period end 	10%–20%	<ul style="list-style-type: none"> ✓ Reduction in business operations and analysis Reporting costs ✓ Reduction in manual reconciliations

The main steps in a Central Finance journey



- Harmonised finance data model (e.g. margin calculation and reporting); this provides a basis for common reporting and analysis across the business in real time

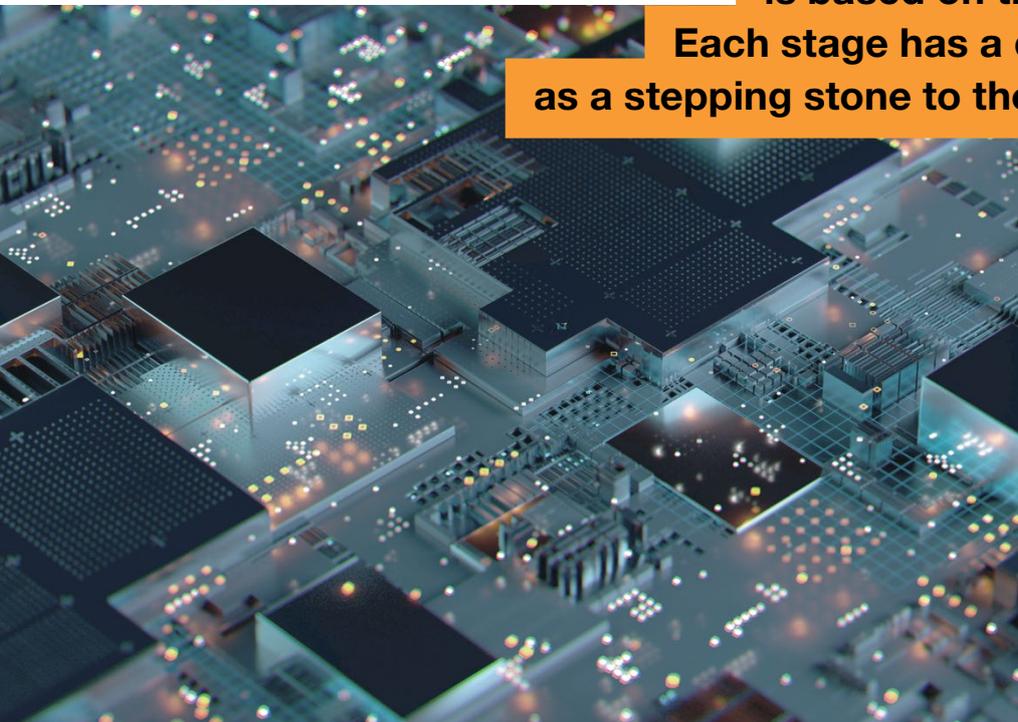
- CFIN for executing finance processes for all central processes (e.g. payments, cash, disputes, FP&A, tax)
- Reduction of systems and interfaces

- S4HANA as the backbone for a wider ERP system transformation for business areas; a small number of thinner ERPs integrated through a CFIN layer on top

A typical roadmap in a CFIN journey

is based on three stages.

Each stage has a defined goal and acts as a stepping stone to the following phase.



Foundational design elements in a Central Finance journey



Key decisions must be taken during a Central Finance journey that will safeguard the success of your adventure

Target state architecture



- System of report, record or entry?
- Does the 'target state core architecture' refer to finance + orchestration, or is it broader?

Roadmap & business area ERP strategy



- How does the scope of the CFIN impact the business area ERP strategies?
- How do 'end to end' business processes such as 'order to cash' or 'procure to pay' flow through the landscape?

Application scope



- Financial planning? Consolidation?
- Management/financial reporting
- Central processing?
- RPA for key processes?

Key design decisions



- Multi GAAP reporting
- Cost allocations
- Legal entity structure in S/4 vs. consolidation entity Back-posting?
- Reporting platform for combining finance and non-finance data
- Project accounting – reporting only?
- Fixed assets – where?
- Vendor invoice entry

Data model



- Unified (finance) data model – what's in/out?
- Extent to which the data model is harmonised (such as profit centre/cost centre structures) in the underlying ERPs
- Data Governance approach / tooling

S/4 Central Finance leadership with 20+ CFIN projects

PwC's experience and expertise in S/4 and Central Finance projects is recognised by Gartner for our vision of business-led transformation and benefits. We take a business-oriented approach to engagements and bring strategy, industry, financial effectiveness, tax and SAP experience to bear on a programme.

Our approach goes beyond technical implementation. We focus on outcomes – emphasising the alignment of business with IT and adding value in differentiated processes, which makes us a clear fit for SAP-enabled transformations.

Recognised by IDC, Kennedy and Gartner as the leaders in Accounting and Finance transformation, S/4 Central Finance Leadership with 20+ CFIN projects deploys the first and largest global SAP CFIN solution.

Gartner SAP Service Providers' Magic Quadrant Report 2018 – with more than 5400+ S4HANA professionals, we are ahead of all large SAP system integrator organisations.



Our client experiences

Global Finance System of report issued by Central Finance,
Global agro-chemical major HQ in Switzerland

Client challenge

The Client was focused on increasing productivity in finance and real-time visibility on top of their complex ERP (SAP and non-SAP) landscape, as well as improving the adaptability of their changing target operating model (decentralisation) and organisational changes (e.g. M&A and internal changes). They were constrained by a low global process standardisation at operations level, a complex data model that lacks standardisation and a fragmented reporting solution and lack of analytics capabilities.

Scope of work

We are supporting the Client on their journey towards S/4HANA Central Finance. The first step on this journey is to establish a financial data backbone by implementing CFIN as a system of report.

PwC established the Global Finance & Non-finance (customer, vendor) master data governance organisation and realised this by leveraging SAP MDG. With 'show home' approach to create buy-in.

PwC led and managed KPI finance design for the future of management reporting. It created an analytics layer (SAP cloud analytics) based on a data layer housed on a new SAP BW4 data warehouse, aligned and integrated with consolidation reporting. It also adopted a user/human-centric design to embed permanent change behaviours so that benefits are realised sustainably by self-service capability.

PwC is currently in the process of centralising finance processes to this CFIN platform, with an ambition of establishing this as a system of record.

Benefits

- Efficiencies gained through simplified processes, with a high utilisation of centralisation, automation and self-service
- Better decision-making support based on real-time insights, data drill-down and advanced analytics on a single platform
- Issued one version of truth, with a global chart of accounts and general ledger with harmonised finance data model (across 70+ countries) and dimensions to support a new global management reporting
- Data as a strategic asset with global standardisation and right level governance





Client challenge

A major German multinational retail company and market leader aimed to carry out an overhaul of processes and systems while retaining simplicity, growth and a strong market position.

The Client has embarked on a vast IT transformation programme aimed at increasing the visibility and operational efficiency of its activities.

Scope of work

We supported the Client in the business architecture area, defining the controlling model and programme governance for:

- IT Transformation programme, with a global landscape composed of more than 100 applications
- Definition of a core data model for the SAP S4 HANA solution (including golden rules representing best practices)
- Activation of Central Finance and replication of finance data for all the entities (1 SAP source)
- BPC activation
- Redefinition of finance target processes (Accounting, Controlling, Managerial Reporting, Legal and Statutory Reporting, Real Estate)
- Harmonisation of finance master data (chart of account, KPIs, reporting dimension)
- Deployment/change management: deployment strategy, gap analysis versus the target data model, iterative method, management of functional arbitrations and process optimisation

Benefits

- Central Finance activation at the beginning of 2018
- This global go-live has covered more than 10 countries and 100 legal entities. The operational finance reporting is made possible thanks to a single source of truth. This project has covered all the business unit and client business.
- Centralised budgeting and planning processes availability
- Global target model for the future SAP S4 HANA activation

Contacts

If you want to know more about how to make the most of your complex Central Finance project to drive forward the finance business and transformation, please contact us:



Albert Faessler
Partner, Technology Consulting
PwC Switzerland
+41 79 352 52 21
albert.faessler@pwc.ch



Muruganath Chockalingam
Partner, Advisory
PwC Switzerland
+41 79 947 64 71
muruganath.chockalingam@pwc.ch



Jean-Pierre Manfredi
Director, Advisory
PwC Switzerland
+41 79 311 47 10
jean-pierre.manfredi@pwc.ch



Jozsef Csoka
Director, Advisory
PwC Switzerland
+41 79 386 60 75
jozsef.csoka@pwc.ch



John Collins
Senior Manager, Advisory
PwC Switzerland
+41 79 819 31 86
john.x.collins@pwc.ch

PwC, Birchstrasse 160, 8050 Zurich, +41 58 792 44 00