SAP S/4HANA Finance: State of the Market

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Contents

Executive Summary .............................................................................................................1
Competitive Maturity Assessment .............................................................................1
Required Actions .............................................................................................................2
Chapter One: Where Are Customers in Their Journey to SAP S/4HANA Finance? .............................................................................................................4
What Drives Customers' Finance and Accounting Strategies? .................................6
Close and Core Accounting Represent Key Finance and Accounting Pain Points .............................................................................................................7
Top Business Strategies Focus on Visibility and Automation ...................................8
Challenges to SAP S/4HANA Finance Adoption? .....................................................9
Key Takeaways ...............................................................................................................10
Chapter Two: How Do Customers Approach the Move to SAP S/4HANA Finance? .....................................................................................................................12
Top Requirements for Implementing SAP S/4HANA Finance .................................12
Leaders Establish Technology Priorities in Core Accounting, Planning, and Analytics .................................................................................................................13
Many Consider SAP S/4HANA Finance Greenfield Deployment ..................................16
Nearly Half of Respondents Plan for Central Finance ..............................................17
Key Takeaways ................................................................................................................19
Chapter Three: Project Outcomes and Required Actions ........................................21
What to Expect from an SAP S/4HANA Finance Deployment? ................................21
Leader Steps to Success ..............................................................................................22
Industry Average Steps to Success ...........................................................................23
Laggard Steps to Success ............................................................................................24
Key Takeaways ...............................................................................................................25
Methodology ....................................................................................................................26
Appendix A: The DART™ Methodology .....................................................................27
Executive Summary

SAP’s finance and accounting functionality has been the most widely adopted solution areas of its flagship ERP system. Most SAP customers have utilized SAP’s general ledger (G/L), accounts receivable (A/R), accounts payable (A/P), cost accounting, and planning capabilities as foundations for operating their companies. The creation and release of SAP S/4HANA has placed an in-memory database as the core of the new ERP system, with implications for transformation and implementation. With the looming 2025 deadline ending support for the traditional SAP ERP suite, customers are actively exploring their options for making the move to SAP S/4HANA and its core finance and accounting capabilities that are known as SAP S/4HANA Finance.

In April 2019, SAPinsider surveyed over 400 of our members from 146 customer companies to understand the progress SAP customers have made in adopting SAP S/4HANA Finance and found that 73% of respondents are actively evaluating or implementing this solution. This report takes an in-depth look into the data behind this finding, including how and why companies are making the move to SAP S/4HANA Finance, the outcomes customers have seen thus far, and the actions that SAPinsiders can take to ensure successful results going forward.

Competitive Maturity Assessment

Based on the answers of these survey respondents and our in-depth conversations with them, SAPinsider identified three categories of SAP customers when it comes to their plans for SAP S/4HANA Finance:

- **Leaders:** These are early adopters who have implemented or are at some stage of the process of migrating to SAP S/4HANA Finance. This group represents 29% of the survey respondents.

- **Industry average:** These are companies are in various stages of evaluating SAP S/4HANA Finance. This group represents 45% of the survey respondents.

- **Laggards:** These are companies that have indicated that they currently have no plans for SAP S/4HANA Finance. This group represents 27% of the survey respondents.

Survey results show that leaders in the move to SAP S/4HANA Finance share several common characteristics:

- More than half of the leaders (54%) have chosen the Central Finance deployment option to start to simplify and integrate their complex...
solution landscapes. They see this as a near-term step to gain experience with SAP S/4HANA Finance and to streamline current processes.

- 39% of leaders have completed or are in the process of completing greenfield implementations of SAP S/4HANA Finance to embrace process standardization and limit customization and legacy inefficiencies.

- 87% of leaders are prioritizing data cleansing as a key requirement around the SAP S/4HANA Finance upgrade. 82% of leaders are focused on control and compliance performance and also view investments in security and data protection as top-priority investments.

- A higher percentage of leaders are targeting a wide array of technology investments and are putting more focus than the industry average and laggards are into areas such as purchasing (39%) and asset management (39%).

- Leaders are focused on improving visibility and financial reporting — with 49% reporting this as a key financial challenge they are looking to solve. Leaders also cite this as a major benefit area of making the move to SAP S/4HANA Finance.

Required Actions

In addition to the actions outlined in detail later in this report, to ensure a successful transition to SAP S/4HANA Finance, SAPinsiders must:

- **Understand that they need to start at least the evaluation journey now.** Early adopters are reporting projects of over a year, and that does not factor in the planning and evaluation phase. Implementing SAP S/4HANA Finance is a very different SAP project than most customers have ever encountered.

- **Identify SAP S/4HANA Finance functionality to solve pain points and support strategic finance objectives around core finance and visibility.** Most respondents commonly assert that the majority of the current pain related to finance and accounting comes from complexity and a lack of integration and visibility. Learn where and how SAP S/4HANA Finance can solve these challenges and use this knowledge to underpin your business case.
• **Keep an open mind toward new deployment options.** A good percentage of early adopters of SAP S/4HANA Finance are choosing greenfield and Central Finance deployment options. Fully explore these scenarios to see if they are right for your organization.

• **Dig into key SAP S/4HANA Finance concepts such as the Universal Journal.** A significant potential benefit of moving to SAP S/4HANA Finance lies in the Universal Journal, which seeks to simplify and centralize the storage and processing of important financial information. Understand this and other features, such as group reporting, so you not only prepare for the value, but understand what it will take to fully utilize this functionality.
Chapter One: Where Are Customers in Their Journey to SAP S/4HANA Finance?

Not surprisingly, the patterns in the activity around SAP S/4HANA Finance reflect the trends uncovered in a previous SAPinsider study on overall SAP S/4HANA migration, "SAP S/4HANA State of the Market," which was conducted in March 2019. We see that a large majority of SAP customers (73%) are at some point of exploring, testing, or implementing the solution. Almost half (45%) of our respondents are in the evaluation or pilot testing phase, while 27% are holding off their migration plans.

When comparing the current adoption rates between this report and the previous benchmark report from March (see Figure 1) you can see from the data, our finance-focused sample has progressed further on the adoption curve — with 29% of these respondents having already migrated or in the process of migrating vs. 19% of those from the March study.

The current survey results combined with our interviews of respondents and experts revealed some notable trends that illuminated both similarities and clear differences between our leader, industry average, and laggard respondent groups. Figure 2 summarizes these trends, which we will examine more closely over the course of this report.

"I'm seeing a lot more evaluation and assessment activity. There's no longer a question about whether this solution is real or ready. The credibility is there, and the product is solid. However, with an SAP S/4HANA Finance project, the whole organization is potentially impacted. This is not just a simple technical upgrade."

~ Mitresh Kundalia, SAP Expert and President, Quality Software & Systems
Figure 2: DART model framework for SAP S/4HANA Finance adoption

<table>
<thead>
<tr>
<th>Drivers</th>
<th>Actions</th>
<th>Requirements</th>
<th>Technologies</th>
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<tbody>
<tr>
<td>• Leaders are driven by a broader set of factors</td>
<td>• Leaders are focused on three key strategies: modernizing reporting and business intelligence; providing a single view of the customer, and centralizing and automating finance and accounting</td>
<td>• Leaders are more focused on most requirements related to the move to SAP S/4HANA Finance</td>
<td>• Leaders match their peers in planning to invest in core finance, analytics, and planning capabilities</td>
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<td>• This group like the others is very focused on providing better access to financial data and gaining greater efficiency in finance and accounting processes</td>
<td>• This group is particularly focused on data cleansing and data governance activities</td>
<td>• Leaders are more active than other peer groups in their exploration of the Central Finance deployment option and compliance and control performance</td>
<td>• Leaders will also broaden technology investments to support related areas such as purchasing and asset management</td>
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<td>• Leaders are driven more than their peers by globalization pressures and the need for more sophisticated planning, and are not as concerned about resource scarcity</td>
<td>• Leaders are more likely than the other groups to explore cloud and hybrid deployment strategies</td>
<td>• Laggards are still trying to solve basic requirements related to data cleansing and establishing clear financial KPIs</td>
<td>• Leaders are more invested than their peers in security and data protection-focused technologies</td>
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<td>• This group is driven more than leader and laggard groups by demands and pressures to increase efficiency and lower the costs of finance and accounting</td>
<td>• The industry average group sees understanding the Universal Ledger as a key requirement for the evaluation of SAP S/4HANA Finance</td>
<td>• Laggards will stay relatively put on technology investment for the next two years</td>
<td>• Over the next few years, leaders will focus more on automation</td>
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<td>• Laggards are very focused on efficiency and doing more with fewer resources</td>
<td>• This group also prioritizes clean data models and the establishment of key financial KPIs</td>
<td>• Laggards are ready to explore requirements related to the move to SAP S/4HANA Finance</td>
<td>• In 24 months, nearly half of laggards will set plans for in-memory technology, advanced analytics, and planning solutions, as well as automation</td>
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<td>• Laggards are also more driven than their peers by regulatory pressures</td>
<td>• Based on regulatory drivers, laggards are more focused on controls and compliance strategies</td>
<td>• Laggards share the other group’s focus on business intelligence modernization as a top strategy</td>
<td>• The majority of laggards are not yet ready to explore requirements related to the move to SAP S/4HANA Finance</td>
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Source: SAPinsider, July 2019
SAP S/4HANA FINANCE: STATE OF THE MARKET

The next chapter looks at where customers are now with SAP S/4HANA Finance and what’s driving their overall investment in finance over the coming year.

What Drives Customers' Finance and Accounting Strategies?

Enterprise companies are facing the challenge of increasing organizational complexity, expanded regulation, and rapid globalization of their markets and partner networks. Sustaining financial and operational efficiency with existing and sometimes fewer resources, while providing visibility into their business, has become more of a challenge — and yet — a key priority, our findings report. Survey respondents overall identified three main drivers for their finance and accounting investments: Pressure to improve efficiency and lower cost of finance and accounting (49%), demand from the business for better access to data (43%), and pressure to deliver more with fewer resources (34%).

A closer look at the top drivers by respondent group revealed both similarities and variations between our audiences (see Figure 3). All three groups prioritized better access to data and improved efficiency. Leaders, however, were more secure in their access to resources. Only 28% indicated that doing more with less was a top priority vs. 36% for the industry average and 35% for laggards. The leader group was more driven by the pressures of globalization — with 26% rating globalization as a top driver, compared to 16% for the industry average and 10% for laggards.

The industry average group’s top priority was finance and accounting efficiency, and they rated this driver far more significantly than the other groups with 57% — the highest percentage chosen by any group for any driver — vs. 41% for both leaders and laggards.

Laggards are more driven than the other groups by regulatory pressures. While it’s not a top priority across the board for any group, 16% of laggards report that compliance and regulatory pressures are a top driver compared to 13% of leaders and 8% of the industry average group.

“We’re a large global business with a heterogeneous landscape undergoing major organizational change through mergers and divestitures. We are trying to build tighter integration within our financial processes to simplify consolidations and reporting.”

~ Director of Financial Information Services and Systems, Large Pharmaceutical Company
Close and Core Accounting Represent Key Finance and Accounting Pain Points

Our analysis of respondents’ key finance and accounting pain points shed additional light on how complexity and inefficiency are driving organizations to alter their business strategies and overall investment in key solutions such as SAP S/4HANA Finance.

When asked about their largest sources of pain in finance and accounting, over half of respondents point to two key areas: budgeting and financial planning (54%) and financial closing (52%) (see Figure 4). Drilling down into this topic through our conversations and data, we uncovered some common explanations for the sources of these challenges. Respondents across the board described the difficulty of integrating a wide variety of different finance and accounting systems, applications, and data. Many expressed they felt tied to a mix of legacy systems and highly manual integration and reconciliation processes. These complex and inefficient environments can make activities such as financial closing, planning, and reporting extremely resource-intensive tasks that are prone to errors and latency — two conditions that business leaders and executives are unwilling to endure.

Upon analyzing answers from the different respondent groups regarding pain points, we did find similarities in responses around challenge areas, such as financial close and visibility around data; however, some groups struggled more in certain areas than others.
Leaders are more focused than the other groups on visibility and financial reporting — with nearly half of the leader group (49%) citing this challenge as the top pain point. With the adoption of SAP S/4HANA Finance and other technologies, leaders are making more progress on solving core financial integration and closing challenges than the other respondent groups, but now they want to ensure complete visibility into finance and other parts of their business.

**Figure 4: Top finance and accounting pain points**

![Bar chart showing top finance and accounting pain points](source)

**Top Business Strategies Focus on Visibility and Automation**

Overall, respondents are embracing business and technology strategies that seek to deliver faster and more granular visibility into their business and streamline core financial processes. The link between the previously identified drivers and pain points is quite clear as all respondents gravitated toward the following three strategies: modernizing reporting and business intelligence strategy to provide faster access to business insights (62%), providing a single view of finance and accounting data with drill-down capabilities (55%), and centralizing and automating accounting and reconciliation activities (49%) (see **Figure 5**).

Leaders were more evenly split between the aforementioned strategies — with more than half of the respondents selecting each of the three. Leaders are also more actively exploring cloud deployment strategies than the other groups. A third of leaders (33%) are looking at deploying low-cost cloud and hybrid deployment scenarios to support finance vs. 27% of the industry average group and 24% of laggards.
Laggards' top strategy focused on business intelligence (65%), but this group was not as likely as the other groups to cite centralization and automation of the finance activities as a top choice — only 38% of laggards chose this strategy vs. 56% of leaders and 54% of the industry average. Laggards, however, did prioritize control monitoring and compliance higher than the other groups. Of these respondents, 41% selected controls and compliance as a top strategy vs. only 30% of the industry average and 31% of leaders.

**Figure 5: Top strategies prioritized to address the top drivers of change**

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**Challenges to SAP S/4HANA Finance Adoption?**

When laggards were asked why they have not moved forward yet with any plans to deploy SAP S/4HANA Finance, they cited expense and competing priorities as the top reasons (see **Figure 6**). These results are closely in line with the findings from the March benchmark report on general SAP S/4HANA adoption, which cited the same top challenges. Laggards are still quite focused on improving core finance and compliance processes and generally have fewer resources at their disposal to both support the system and plan for its future.

Upon drilling down into the reasoning for holding off plans, a few themes came to the surface. Many laggards found the perceived scope and required effort to support the move to SAP S/4HANA Finance intimidating, and they could not justify the expense, time, and resources they would have to expend on the project.

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*~ Project Manager, Large Transportation Company*
Key Takeaways

Based on our research, when it comes to the progress SAPinsiders have made on their journey to SAP S/4HANA Finance, the following takeaways are clear:

- **Those SAP customers that have not yet made plans for SAP S/4HANA Finance are falling behind.** Most companies in our research study (73%) are already on the move either evaluating or implementing SAP S/4HANA Finance. The project will take time and resources. You need to get a jump on at least educating yourself and your teams so that you can adequately prepare.

- **Build your business case for SAP S/4HANA Finance around your organizational pain points in core accounting and financial closing.** Simplifying and streamlining the financial close was seen as one of the top challenges of SAP customers in our study, followed closely by budgeting and planning as well as reporting and business intelligence. These areas are logical places to start when constructing your business case.

- **Broaden your view of SAP S/4HANA Finance to include a wide variety of finance and accounting practices.** While core accounting and financial reporting are obvious areas where SAP S/4HANA Finance can deliver value, leaders are also investing in and looking at other drivers and strategies related to budgeting, treasury, and purchasing processes as well.
• **Explore centralization and automation strategies to deploy SAP S/4HANA Finance.** Most organizations in our study are dealing with poor integration and manual reconciliation of their disparate processes and data. SAP S/4HANA Finance and the Central Finance deployment option can support activities to consolidate and centralize some or all of your financial processes. This option should be well defined and explored at the start of your project.
Chapter Two: How Do Customers Approach the Move to SAP S/4HANA Finance

The transition to SAP S/4HANA Finance carries with it several business and technical challenges and requirements that SAP customers must clearly prepare for. The underlying technical implications of migrating data, working with custom code, and selecting deployment options are significant. Many survey respondents are using this migration project to rethink and retool their existing IT infrastructure and business processes. The Central Finance deployment option offers companies a unique way to gradually migrate to SAP S/4HANA Finance while exploring the benefits and challenges of the solution.

Next, we examine how survey respondents are approaching these migration and implementation decisions and strategies and delve into the requirements and technologies that are integral to their overall project plans and success.

Top Requirements for Implementing SAP S/4HANA Finance

Survey respondents identified several requirements for making the move to SAP S/4HANA Finance with a few emerging as the highest priority. Data validation and cleansing are at the top of respondents’ lists as they move and evaluate their path to SAP S/4HANA Finance. Two of the most cited requirements across the board are related to data management and data cleanliness (see Figure 7). Of all respondents, 78% selected both ‘strong data cleansing, data modeling, and data management’ as well as ‘clean financial data with solid organizational structures and metadata models’ as relevant or very relevant.

Creating and consolidating finance into ‘a universal ledger and core accounting functions’ was also referred to as a relevant or very relevant requirement by 78% of survey respondents. Customers are challenged by having all their financial data and processes within different modules and systems distributed across the organization. Much of the value of SAP S/4HANA Finance relates to one of its key features — the Universal Journal, which consolidates data and tables into one location providing a single version of the truth and a simplified financial and data landscape.

Our leader group was emphatically more focused on several requirements in comparison to the industry average and laggard groups. Of leaders, 87% cited...
data cleansing as relevant or very relevant — compared to 77% of the industry average group and 68% of the laggards. Leaders similarly were significantly ahead of the other groups regarding 'analysis and modeling of the Central Finance deployment option': 82% of leaders rated this requirement as relevant or very relevant — compared to 75% of the industry average group and 70% of the laggard group. Leaders also are focused on control and compliance performance with 82% rating this priority as relevant or very relevant — compared to 67% of the industry average and 62% of laggards.

**Figure 7: Top requirements for migrating to SAP S/4HANA Finance (by respondent group)**

The following section will look at how respondents rated the various technological priorities and what investments in technology they are making regarding solutions being used or evaluated for use in finance and accounting.

**Leaders Establish Technology Priorities in Core Accounting, Planning, and Analytics**

Over the next year, our survey respondents are investing in technology to support four key areas of their finance and accounting organization. Our research showed that nearly half of all respondents (44%) plan to put money and resources into financial business intelligence and analytics as well as basic accounting functionality, such as G/L, A/R, and A/P, in the coming year (see **Figure 8**). The other two most popular technologies that respondents cited

“We have added SAP HANA to help us improve our reporting and we're investing in a number of solutions in the near future to improve and automate our accounts receivable processes.”

~ Functional Architect, Industrial Equipment Retailer

Source: SAPinsider, July 2019
as priorities include financial close (42%) and budgeting and financial planning (38%).

These areas for technology investments are closely aligned with the drivers, pain points, and strategies that are top priorities for our research audience. Our conversations with respondents revealed that most of the enabling technologies that underlie these investments revolve around SAP S/4HANA Finance, automation technologies, and advanced planning and analytics solutions.

Leaders were more likely than the industry average and laggards to target investment beyond the top four areas mentioned above. Leaders also plan to focus resources next year in both asset management and purchasing — with 39% reporting that they will invest in both these solutions over the coming year. In contrast, only 20% of the industry average group and 27% of the laggard group will focus on asset management. On the purchasing front, 25% of the industry average group and 16% of laggards say they plan to invest in this solution.

Figure 8: Top finance and accounting investments for the coming year

Not surprisingly, a higher percentage of the leader group currently uses SAP S/4HANA-related technologies, such as modern financial applications based on in-memory solutions that offer real-time access to data and high-end infrastructure — both of which are currently utilized by 41% of leaders (see Figure 9). Leaders are also investing in security and data protection — with nearly half of the leader group (46%) having implemented tools that provide 24x7 security.

We are trying to rebuild and redesign some of the processes we’re running because they are very labor intensive and it’s hard to do our analysis. A greenfield deployment may give us the opportunity to organize and harmonize our processes a bit more intelligently.

~ Program Manager, Large Oil and Gas Company
In the next 12 months, financial automation solutions will be one of the key areas of investment — with 40% of leaders and 33% of industry average survey respondents citing plans to implement automation solutions in the coming year. In the coming year, the industry average group will also start exploring and using SAP S/4HANA Finance migration tools (28%), advanced analytics (30%), and budgeting and planning offerings (28%). In a two-year timeframe, this group will accelerate their SAP S/4HANA Finance migration as we see adoption build for the Central Finance deployment option (56%) and migration tools (54%).

The laggard group stays relatively quiet on SAP HANA-related technology adoption until the 24-month time horizon, which is when our data shows that laggards will start jumping into the SAP S/4HANA Finance mix and explore tools, infrastructure, and deployment options for the latest finance solutions. Laggard adoption rates for most technologies stays in the teens this year and the next, but in two years, we see 57% of laggards starting their investment in SAP S/4HANA Finance migration tools. Nearly half of laggards also plan to use a variety of financial automation, advanced analytics, and budgeting and planning solutions, as well as modern financial solutions that offer real-time access to data and are built on in-memory technologies.

Now that we reviewed the technological priorities each group has and the investments they are making in the finance and accounting area, let’s move to the next decisions they need to make regarding the various deployment options.
Many Consider SAP S/4HANA Finance Greenfield Deployment

Many survey respondents who have implemented or are considering SAP S/4HANA Finance are selecting either a greenfield (re-implementation) or brownfield (lift-and-shift) approach for their migration project (see Figure 10).

Greenfield is a popular option for both newer customers and those very old customers that carry a lot of legacy code, customizations, and integrations. Many SAP customers choose to take a fresh start with the greenfield approach to sunset unnecessary custom programs, to shed ineffective practices and technologies from the past, and to embrace more industry best practices. Of those respondents with plans for SAP S/4HANA Finance, 28% say that they will choose greenfield, and 39% of leaders completed their migrations with a greenfield approach.

Overall, nearly a third of respondents (30%) will choose the brownfield migration option. These customers are looking to preserve some of their custom environments and see this option as an easier and less-expensive path.

Source: SAPinsider, July 2019
forward. Many of these organizations do not want to part with custom processes and fear the change management challenges associated with greenfield migrations.

In addition to the greenfield and brownfield deployment options for SAP S/4HANA Finance, next we’ll look at yet another deployment option available to SAP customers.

**Figure 10: Greenfield vs. brownfield deployment plans**

![Greenfield vs. brownfield deployment plans](image)

According to our interview with respondents and industry experts, the Central Finance deployment option enables companies to explore the benefits of and gain experience with SAP S/4HANA Finance — without having to move their entire landscape.

The Central Finance deployment option gives companies the opportunity to experience the value of SAP S/4HANA Finance without major disruption. Customers are tired of three- to five-year projects with a hundred plus people. With this deployment option, they can take an iterative approach and explore the benefits of centralizing their financial processes.

> ~ Carsten Hilker, Product Manager, Enterprise Software/ Central Finance, SAP

**Nearly Half of Respondents Plan for Central Finance**

Unique to SAP S/4HANA Finance is the Central Finance deployment option, which allows companies to deploy a single instance of SAP S/4HANA Finance and then integrate some or all their financial processes through that instance. In this scenario, customers’ other SAP and non-SAP financial systems need not be converted to SAP S/4HANA Finance and can remain in their existing environments.

According to our interview with respondents and industry experts, the Central Finance deployment option enables companies to explore the benefits of and gain experience with SAP S/4HANA Finance — without having to move their entire landscape.
It's for this reason — and others we're seeing — that nearly half (47%) of respondents who have made the move already or have plans for SAP S/4HANA Finance are choosing the Central Finance deployment option (see Figure 11). A slightly higher percentage of early adopters from the leader group (54%) are going with Central Finance. Over a quarter (26%) of customers are selecting this deployment option for some finance processes, while another 21% are choosing to rely on Central Finance for centralizing all their financial processes.

Most customers who are choosing the Central Finance deployment option see this as a gradual path to exploring the benefits of SAP S/4HANA Finance and are leveraging this option to support their overall business strategy for simplification and integration. They also believe it allows them to move forward without committing as many resources as a full deployment might take.

The top reason respondents gave for selecting Central Finance was that it was the most efficient solution based on their current level of resources (55%). Of respondents who chose Central Finance, 43% claimed its embodied finance and accounting improvements met their current needs today, while another 43% said they will continue to explore a full implementation of SAP S/4HANA Finance in the future. The leader group and those who have already implemented SAP S/4HANA Finance are more likely to see Central Finance as a longer-term solution for them, with 71% citing the deployment option meets their needs today — compared with 43% of those who were in the evaluation stage. And only 24% of leaders say that they will explore a full SAP S/4HANA Finance installation in the near future.

In our conversations with both SAP and our customers, we see that many of the companies choosing Central Finance have larger, more complex finance and accounting environments that are comprised of many different systems. Central Finance provides the first step for consolidation and a more immediate path for modernization and consolidation.

Over half (52%) of respondents who have moved to SAP S/4HANA Finance or who are considering the move will follow the traditional route of moving to full SAP S/4HANA and SAP S/4HANA Finance and will not use the Central Finance deployment option. These respondents want to upgrade or reimplement their existing systems using the full environment of SAP S/4HANA and tend to have simpler finance and accounting environments.
Figure 11: How are customers planning to deploy SAP S/4HANA Finance

Key Takeaways

Our findings reveal the following takeaways when it comes to how SAP customers are approaching their SAP S/4HANA Finance migrations:

- **Don't underestimate the importance of data quality and data governance in preparing for your project.** 87% of leaders and early adopters in our study made data quality and data governance a top requirement and a priority. This reflects the importance of not only cleaning data before your implementation but of maintaining data quality following the implementation. Clean data is critical to being able to deliver accurate insights to the business and throughout critical close and reconciliation processes.

- **Develop a strong understanding of the benefits and capabilities of SAP S/4HANA Finance's Universal Journal feature.** The Universal Journal is the foundation of SAP S/4HANA Finance's core capabilities and is also recognized as a key requirement that needs to be understood by all SAP customers. The Universal Journal represents the ability to consolidate financial data from multiple modules and applications in a central place, facilitating closing, account reconciliations, and reporting.

- **Consider greenfield reimplementation as a way to adopt best practices and reduce reliance on customization.** Of survey respondents who are early adopters of SAP S/4HANA Finance, 39%
followed the greenfield reimplementation approach. They selected this method to adopt SAP and industry best practices for processes that do not differentiate their business. They also saw this project as a chance to clean up data and configuration as well as eliminate unnecessary customization and older technology.

- **Evaluate the Central Finance deployment option as a way to build skills, experience, and expose organizations to initial benefits of SAP S/4HANA Finance.** Nearly half (47%) of those who have implemented or have plans to implement SAP S/4HANA Finance plan to use the Central Finance deployment option as a way to integrate their complex finance environments and learn from a phased approach to the migration. Of early adopters, 54% are using the Central Finance deployment option and are reporting that it meets their immediate needs and allows them to learn as they go.

- **Understand how SAP S/4HANA Finance and other tools can enable intelligent automation of financial close and other processes.** Most respondents across the board see opportunities to better automate their financial close and other processes as a strategic imperative. They are actively looking at both SAP S/4HANA Finance and third-party tools to support these efforts. There are many solutions from both SAP and the partner community that facilitate automation. You need to start now to understand what's the right mix of solutions for your organization.
Chapter Three: Project Outcomes and Required Actions

Our research and conversations with leaders and early adopters revealed many lessons learned and key areas to watch when preparing for and executing an SAP S/4HANA Finance project. These insights include key factors that affect the length and success of the overall project and what to watch out for as customers begin their journey.

What to Expect from an SAP S/4HANA Finance Deployment?

Our leader group of early adopters shared with us some of the following results and observations from their project experiences:

- **SAP S/4HANA Finance delivers concrete benefits to many early adopters.** Of the survey respondents who had completed their SAP S/4HANA Finance project, 87% said that the project met or exceeded their expectations, while 74% reported that the project delivered clear benefits to their company.

- **Financial reporting and core accounting are the key benefactors of the SAP S/4HANA Finance project.** We asked early adopters to specifically identify the areas within their finance and accounting environment that derived the most benefit from their SAP S/4HANA Finance deployment. Reporting and business intelligence came out on top — as 61% of leaders said that financial reporting benefited the most, and 44% said that general business intelligence and analytics prospered. Also cracking the top three was core accounting, which was cited by 50% of early adopters as seeing the largest value from the SAP S/4HANA Finance project.

- **Speed, integration, and visibility were among the top benefits described.** We asked survey respondents to characterize the overall benefits delivered to the areas described above, and the leading responses from early adopters included better tools for data integration (67%), improved reporting (67%), and faster transaction processing (50%).

- **Expect at least a year — if not more — to complete your SAP S/4HANA Finance project.** Most of our early movers are reporting at least a seven-month timeframe for completing their project — and for

> The move to SAP S/4HANA Finance provided us with a lot of business benefits. We now have faster access to information and can generate reports much more quickly. We also have a single source of information and have significantly reduced our duplicate data.

~ IT Architect, Large Services Company
others, the journey took a bit longer. Of the leader group, 37% said their projects lasted seven to 12 months. This was the second most-selected timeframe recorded by our data — with about half (47%) of those that completed their project said the initiative took longer than a year.

- **Custom code migration and project planning are top challenges.** We asked our early adopters to describe the top challenges for their project, and custom code was at the top of the list, cited by 57% of respondents. Project planning was mentioned by 52% of respondents, and integrating third-party software was cited by 48% of those who had completed the project. This issue was of particular concern for those using the Central Finance deployment option, and who faced having to perform a lot of manual integration.

- **Understand the key nuances and prerequisites for your migration.** Depending on your source release and what version of the G/L you are on, there may be extra steps you need to take. For example, if you are on the classic G/L, you can migrate before or after your move to SAP S/4HANA Finance; but if you move to the new G/L, after you are there, there may be a background step you need to take, and you may not get access to new G/L features, such as document splitting.

- **Do not underestimate change management and "mindset" challenges.** Customers and experts both stressed the importance of truly understanding the potential impact this technology can bring to the business. If you approach the project and functionality with a narrow or traditional focus, you will not reap the full rewards of your investment. Make sure your users fully understand the complete scope and power of the solution that they have and its ability to analyze, automate, and improve the user experience.

Leader Steps to Success

Our research revealed that leaders should follow several key steps to ensure a successful migration to SAP S/4HANA Finance:

- **Expand the use of SAP S/4HANA Finance to support other critical financial areas.** Leaders need to continue to expand their scope of focus when it comes leveraging SAP S/4HANA Finance technology. While performance benefits to reporting and reconciliation offer a good start, you need to continue to learn how SAP S/4HANA Finance can support other areas, such as purchasing, treasury, and compliance.
• **Build on your existing skillsets in the areas of integration, the Universal Journal, and SAP Fiori.** SAP S/4HANA Finance leaders report that they have had to undergo learning curves when it came to new capabilities, such as the Universal Journal, SAP Fiori, and integrating non-SAP data and applications. You need to continue to build your skillsets around this functionality as this will be the foundation of SAP S/4HANA Finance for the immediate future.

• **Develop an understanding of how to leverage the machine learning and artificial intelligence capabilities within SAP S/4HANA Finance and how they can benefit the organization.** SAP continues to invest in building around the foundation of SAP S/4HANA’s in-memory technology. There are features and applications related to SAP S/4HANA Finance that use machine learning to generate predictive insights on everything from core accounting to cash and vendor management as well as intelligently automate processes, such as exception handling. You need to understand these capabilities and how to enable them.

**Industry Average Steps to Success**

Based on what we’ve learned from leaders, the following guidelines can help those in the industry average group take their SAP S/4HANA Finance migration plans to the next level:

• **Explore the Central Finance deployment option.** Over half of leaders have utilized the Central Finance deployment option for a reason. Particularly, if you have a complex finance and accounting landscape and have more limited resources, this option might be the answer for you.

• **Expand your organizational mindset on how SAP S/4HANA Finance can help your business.** To build a strong business case around SAP S/4HANA Finance, you need to understand how this solution can enable strategic insights to critical business questions that your company is prioritizing. We talked to several leader companies that are justifying the move to SAP S/4HANA Finance by providing unique visibility into questions they never thought they could answer before, such as presenting a granular view of profitability by product or part used.

• **Do a thorough investigation of custom code and processes to find the right deployment option for you.** Of early adopters, 38% have chosen to move to SAP S/4HANA Finance using the greenfield approach to the project. As you continue to evaluate this project, you
should thoroughly evaluate your existing customization, configuration, and technology to see which option is right for you. To succeed with this approach, you need to focus on change management and getting the business teams on board to more closely embrace standard processes.

- **Understand key pre-requisites and pathways for SAP S/4HANA Finance.** As with any upgrade, migration, or implementation, SAP S/4HANA Finance comes with pre-requisites and other factors to consider for the move that could affect your upgrade plans, such as whether you are on the classic G/L or the new G/L, what ERP release you’re using, and whether you’re using the material ledger.

**Laggard Steps to Success**

Laggards can set themselves on a path toward success by following the example of those who have already moved forward:

- **Start educating yourself now.** There are more customers and case studies going public every month. Start educating yourself about the potential business value and technical hurdles that you will encounter as part of your project. Even if you do not plan to move forward for a while, you need to understand your options and the resources that are required for your project.

- **Look for opportunities to link SAP S/4HANA Finance to solve existing pain points and align with strategic objectives.** Understand where and how SAP S/4HANA Finance functionality can be used to improve your closing, planning, and reporting processes. These connection points can serve as a foundation for starting your business case.

- **Become familiar with key SAP S/4HANA Finance functionality, such as the Universal Journal, group reporting, the material ledger, and the Central Finance deployment option.** These features support some of the core benefits of SAP S/4HANA Finance. You and your teams need to understand what they are and how they can drive simplicity, innovation, and automation into your current processes and strategy.

- **Build relationships with partners, and SAP experts with SAP S/4HANA Finance today.** Even if you don’t plan on hiring a service or software partner right away, these are the experts that are completing early projects and building up experience with SAP S/4HANA Finance. You need to start engaging with them today to understand what you’re
up against and start to select partners that can support your journey. If you wait too long, those resources will be otherwise committed.

Key Takeaways

Going forward, leaders, industry average organizations, and laggards should keep the following in mind:

- **Leaders need to expand their scope.** Using the early lessons learned and benefits gained from taking tangible steps to implement and experiment with SAP S/4HANA Finance, leaders need to continue to explore. Expand the scope of your focus beyond core accounting and reporting to support treasury, spend management, cash management, and integrated planning. Learn how you can build financial pictures of operational processes using the speed and flexibility of the solution.

- **Industry average organizations should upend the status quo in their evaluation process.** Industry average respondents need to keep in mind that this project is very different from all the other upgrades and enhancements that they’ve done in the past. Keep an open mind and at least evaluate different approaches that were not open to you before, such as greenfield, cloud, and the Central Finance deployment option.

- **Laggards need to ensure that they are connected with business and leadership on finance priorities.** The only way to justify the move to SAP S/4HANA Finance is to truly understand the business value and benefit it can bring to your organization. Laggards need to eliminate the "technical upgrade" mentality from this evaluation and really explore the possibilities of SAP S/4HANA Finance with a focus on how it can support your key finance and accounting strategies.
Methodology

In May and June of 2019, SAPinsider examined the issues, intentions, and experiences of business and technology professionals related to their plans for SAP S/4HANA Finance. Our survey generated over 400 responses and included 146 customer companies.

Responding professionals completed online surveys that questioned them on topics such as the following:

- When it comes to the move to SAP S/4HANA Finance, where are SAPinsiders in their journey?
- What are the enterprise’s main pain points when it came to finance and accounting?
- What finance and accounting technologies are they investing the most time and resources in over the coming year?
- How do they plan to deploy SAP S/4HANA Finance?

SAPinsider supplemented the online survey responses with in-depth telephone and in-person conversations so that we could better understand the context and reasoning behind the responses, trends, and patterns within the survey data.

Demographic information on the respondents included the following:

- **Job title:** The job titles of the survey respondents included CXO (2%), VPs and Directors (13%), Managers (27%), Consultants (17%), Architects (13%), Analysts (18%), Developers and Administrators (6%), Project Managers (8%), and Other (13%).

- **Industry:** The survey respondents represented a range of industries, with Industrial manufacturing representing the highest percentage of respondents. The top industries represented were Industrial manufacturing (12%), government (12%), healthcare (8%), consumer goods (8%), high tech (6%), energy and natural resources (6%), chemicals (5%), high tech (5%), retail (5%), and energy (5%).

- **Geography:** Of our survey respondents, 53% were from North America, 25% hailed from Europe, 15% were from the Asia-Pacific region, 3% came from Africa and the Middle East, 2% come from Central and South America, and 2% were from Australia.
Appendix A: The DART™ Methodology

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

The DART methodology provides practical insights, including:

**Drivers:** These are macro-level events that are affecting an organization. They can be both external and internal and require the implementation of strategic plans, people, processes, and systems.

**Actions:** These are strategies that companies can implement to address the effects of drivers on the business. These are the integration of people, processes, and technology. These should be business-based actions first, but they should fully leverage technology-enabled solutions to be relevant for our focus.

**Requirements:** These are business and process-level requirements that support the strategies. These tend to be end-to-end for a business process.

**Technology:** These are technology and systems-related requirements that enable the business requirements and support the company’s overall strategies. The requirements must consider the current technology architecture and provide for the adoption of new and innovative technology-enabled capabilities.
Enable Intelligent Data Integration for Central Finance

Did you know over 90% of companies have non-SAP data sources? To realize the full value out of SAP Central Finance, all data must be integrated. Enable faster, better, and more cost-effective finance implementations by eliminating complex data integrations with SAP Central Finance Transaction Replication by Magnitude for SAP S/4HANA.

SAP Central Finance Transaction Replication by Magnitude for SAP S/4HANA

Facilitate data integration for Central Finance
Enable agile, intelligent finance operations
Reduce integration cost, risk, and effort

Connect SAP S/4HANA Central Finance with Any Third-Party Data Source

Transaction Replication
Load financial documents

Drilldown
View original transaction details

SyncBack
Write back to source

Reconciliation Reporting
Track, audit, compare postings

For more information about this SAP Solution Extension offering, contact your SAP representative or visit:
www.magnitude.com/SAP
TRANSACTION REPLICATION

Allows rapid connection to any source system, whether through a direct connection or through flat file import.

- Pre-built “source connectors” are available for an expanding library of systems, covering key vendors including Oracle, Microsoft, Infor and many others
- On-demand development for additional source connectors in as little as 4-6 weeks each
- Bring new sources online in typically 2-3 weeks each
- Flat file connector for non-standard ERPs, or where access to source ERP is not available

Each source connector supports up to 23 transaction types (depending on the source system) which are extracted from the source, mapped into the required format for Central Finance, and loaded into the Universal Journal via the SAP-recommended SLT interface.

DRILLDOWN TO DETAIL

Provides seamless drilldown from Universal Journal entries in Central Finance to operational detail from source ERPs. While the key financial information is loaded to the Central Finance Universal Journal, accounting users often require the original complete transaction details for confirmation or reconciliation. SourceConnect Drilldown loads transaction detail information into HANA and allows for fast and seamless access to the data via Fiori apps, thus avoiding the need to train end users in the use of multiple systems.

- View original transaction detail for non-SAP sources
- Enable complementary reporting on non-financial data (or combination of financial and non-financial data)
- Maintain persistent transaction history even when source systems are not available kept in sync with Central Finance

SYNCBACK TO SOURCE

Enables clearing of customer and vendor invoices in source ERPs as payments are executed in Central Finance. This capability supports what many view as the ultimate goal of Central Finance, which is to become a central shared services platform. In this case, Central Finance provides not only central visibility, but also allows management actions such as allowing payment processing, Cash Applications and AP Payments to be performed in Central Finance instead of source ERPs. This in turn requires that incoming and outgoing payment transactions are written back to source ERPs, associated with the original invoice and balance is cleared out. In this way, the source systems are kept in sync with Central Finance.

- Close AP/AR open items for Central Payment transactions
- Keep customer and vendor balances in sync between sources and Central Finance
- Maintain continuity of source system operational processes

RECONCILIATION REPORTING

Delivers complete visibility of the replication process. Comprehensive reconciliation reporting lets you track, audit, and compare postings between source ERP systems and Central Finance. To identify any possible discrepancies, the application allows you to make summary and detailed, transaction-level comparisons at five levels through the transaction replication process. Reconciliation reports available in Fiori and Analysis for Office show information including document exceptions, unposted records, and customer, vendor, and general ledger balances.

- Includes five levels of reconciliation through data replication process
- Provides interactivity within Fiori and Analysis for Office and robust reconciliation data model
- Retains audit trail to track every data change during replication

Magnitude SourceConnect is available globally through SAP as a Solution Extension, under the name SAP Central Finance Transaction Replication by Magnitude for SAP S/4HANA.

For more information about this SAP Solution Extension offering - contact your SAP representative or visit: www.magnitude.com/SAP

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