Digital Finance
Transforming Finance for the Digital Economy
Dear customers,

Over the last year, I have had the privilege of meeting with hundreds of senior finance executives from around the world. The number one topic on their minds is transformation. Almost without exception, finance professionals are seeking to respond to the challenges of the digital economy, coupled with the most volatile economic and regulatory environment in decades. While many perceive the current environment as a threat, just as many perceive it as an opportunity and are moving to turn the current market reality to their advantage.

For centuries, finance professionals have been the trusted advisors that shareholders have turned to in times of turbulence. The digital economy is certainly causing a lot of turbulence, so once again, finance is being called upon to find solutions. Study after study shows finance’s boardroom influence increasing, job scope expanding, and salaries rising, but finance is going to have to undergo its most fundamental transformation since ERP was invented if it is to stay relevant to boardrooms and business leaders.

Why? Because the processes and working methods that finance has developed over the last decades are the equivalent of digital antimatter: they were designed to support the analog era of business – monthly close processes, annual budget cycles, and the year-end close and audit as the seminal events of the year.

How is digital different? Digital is about cycle time. It reacts to events as they occur. It innovates constantly. It’s a whole new paradigm. To survive in the digital economy, the cycle time of finance will have to change dramatically.

At SAP, we are using breakthrough new technologies to provide finance organizations with the platform and tools to allow them to completely reinvent how they work in the digital era. We see a future in which finance organizations focus their efforts on developing and executing the organization’s strategy, where the expertise of finance professionals is focused on solving business challenges and driving performance – a future in which all members of the organization, from the boardroom to the front lines, have the information they need to make decisions at the speed of thought.

While this may sound like a futuristic vision, evolution in technology is making it a reality today. Pioneering finance organizations around the world are moving boldly to transform themselves and to turn the digital revolution to their advantage. In the next pages, we will explore what the future looks like for these finance organizations, their initial successes, and the underlying technology changes that are empowering them.

The evidence will show that, for the dynamic and innovative finance professionals who are embracing digital business, the future for themselves, their companies, and their shareholders looks very bright indeed!

Thack Brown  
GM, Global Head of LoB Finance
# Executive Summary

Top 5 Technology Trends

**Reimaging**
- Reimagine Strategy
- Reimagine Business Performance
- Reimagine Efficiency and Compliance
- Complexity is the Biggest Obstacle to Digital Finance

**Digital Business Framework**
- The Digital Core for the Modern Office of the CFO

**Transforming Finance, One Department at a Time**

Why SAP?
- SAP S/4HANA Finance

The Journey to Digital Finance Begins with:
- Digital Leaders Move Decisively, Enabling Vision Through Latest Technology
- Flexible Options Available for Deployment of SAP S/4HANA Finance
- Experience SAP’s Journey Map
- Digital Finance Proof Points
EXECUTIVE SUMMARY

Big picture: Finance is at the heart of the digital business

Business in changing. The world is changing

Across all industries, traditional boundaries are disappearing and leaders are emerging from unexpected places. Companies like Apple, Under Armour, and Uber are remaking industries, and it’s not limited to “technology” companies – 90% of CEOs say their businesses will change because of digital technologies.1

At the same time, we are living in an unprecedented era of economic and regulatory volatility. A market rumor in China immediately hits stock markets in the United States and Europe. Commodity and currency prices change rapidly, heavily impacting corporate results. Consumer sentiment could swing wildly on the basis of a single tweet. In this environment, the agile are rewarded.

It’s time to rethink finance

The bad news is that the finance processes and technology platforms of the last decades are wrong for the digital economy. New business models can’t be held back by disconnected processes and legacy technologies, and enterprises can’t wait until the end of the month to see results, or for the annual budget cycle to make investment decisions.

Five technology trends have matured and are radically changing finance

Hyperconnectivity; supercomputing; cloud computing; a smarter world using embedded sensors, robotics, and artificial intelligence; and cyber-security with live fraud detection and holistic views into real-time business exposures are the trends shaping the digital economy. These technologies are breaking down the traditional boundaries that have held finance back and allowing a complete reinvention of the profession.

Pioneering finance organizations are leading the transformation

As digital shakes up the business world, leading finance organizations are stepping up and driving the transformation. Taking advantage of the latest technologies, they are literally rethinking everything about the way they work – and in the processes are simplifying their businesses and increasing their value to the organization.

Digital strategies are disrupting business and processes

- **A Fortune 100 life insurance leader** has transformed its finance function by creating a single source of the truth for finance from over 120 existing systems, reducing the G/L from 14,000 to 3,000 accounts, providing near real-time data for analysis, creating new insights, while also significantly reducing cycle times. By providing information in context and at the moment of decision, this company has experienced dramatic improvements in performance, higher usage, while also reducing TCO.

- **Freeing resources to lead.** Swiss Re, a leading wholesale provider of reinsurance, is digitizing its business around a single source of the truth. Utilizing highly automated and standardized processes, multi-currency valuations, integrated cost accounting, and multidimensional on-the-fly analysis, its finance team is now focused on addressing true value-add business activities.2

- **52% of the Fortune 500 have been merged, acquired, gone bankrupt, or fallen off the list since 2000.** The impact of digital disruption is real. However, it’s not the technologies that drive this change; it’s a shift in how new business models are created. We’re moving at a massive scale from systems of transaction (record) to achieving mass personalization at scale (digital).3

Businesses moving to a digitized shared services framework experience a 30–67% improvement in efficiency, increased agility to adapt to changing markets, and significant improvement in working capital.4
EXECUTIVE SUMMARY
Big picture: Finance 2020

Finance organizations are evolving quickly to acquire new capabilities to meet the future. As they do so, the strategic capabilities that need to be developed include:

Agility in a changing business environment
New business models
Finance organizations are building flexible platforms to support new revenue and expense models, rapid internal reorganization, and greater process automation.

Accelerated M&A
High levels of M&A will continue. New platforms allow for accelerated integration of acquired entities into the digital fabric of the organization.

Managing risk
Internally and in your ecosystem
Powerful new tools are providing increased levels of transparency into internal activities, while business networks bring visibility to supplier and credit risk in the ecosystem.

Management of volatility
Real-time management of currency and country risk allows for optimization of exposures and hedging. New systems provide proactive management of cash flows and accurate liquidity forecasts.

Continuous monitoring of operations
Embedded compliance
To keep pace with real-time transaction processing, finance organizations are embedding compliance monitoring directly into their transactional systems, allowing 24x7 monitoring to keep their organizations safe.

Digital business models are disruptive. The rules have changed.

- Regulation Increased scrutiny on transfer pricing (e.g., BEPS), new IFRS revenue recognition standards, and myriad local tax and compliance changes are forcing new legal entity strategies and the need for granular detail to support legal filings.
- Instant insight In-memory technology is providing everyone from the C-suite to the front office with the financial information they need, when they need it. Finance is now shifting from data preparation to insightful analysis.
- Radical automation Back-office processes like procure-to-pay, order-to-cash, and record-to-report are being radically automated as business networks eliminate work. New capabilities in robotics and machine learning are further accelerating automation.
- Dynamic planning and modeling Planning is moving from an annual to a quarterly or more frequent process. At the same time, powerful new modelling and predictive capabilities are improving accuracy and simulation.
- Ease of use To attract and retain talent, systems are being upgraded to be mobile and feel “consumer grade,” while low-value-add processes are being eliminated or automated to focus on the value-add activities users crave.

AL-FUTTAIM AUTOMOTIVE GROUP brought transparency to contracts and maverick spend through digitization while encouraging competitive pricing and online bidding. To date, the company has realized savings of USD $16 million.5

UNISYS is realizing greater visibility and compliance in travel. Booking fees were reduced by more than 40% and costs were avoided through utilization of lower airfares. Sustained adoption rates exceeded 90%, and utilization of preferred suppliers and negotiated rates is at an all-time high.6
EXECUTIVE SUMMARY
Big picture: Finance 2020

Broad application of technology allows for an inverting of the “effort pyramid.” Eliminating confusion, delays, and inefficiencies across all areas and allowing for proactive management.

**Inflexible and complex business models**, proactive pattern identification and scenario modeling not possible

**Information delays** results in reactive reporting and analytics.
**Manual processes** reduce the effectiveness of Finance.

**Incomplete results due to disconnects** between finance and operations.
**Data redundancy** leads to inconsistencies between transactional and analytical systems.

As basic tasks are eliminated, effort is focused on optimizing business performance and strategic financial management of the organization.

**Architecting new business Models**
Flexible modeling, deep analysis, and rapid implementation of new business models

**Run simply**
- Open and adaptable platform
- Flexible financial modeling
- Model-driven system configuration

**Insight in the hands of the business**
Instant insight-to-action anytime, anywhere, enabled by a single source of the truth

**Run nimbly**
- Self-service, real-time analytics
- Flexible segmentation and drill down
- Prediction and simulation

**“Lights-out” finance processes**
Automated and networked processes, event-driven, and inherently compliant

**Run lean**
- End-to-end process efficiency
- Business networks
- Real-time processes
EXECUTIVE SUMMARY

Big picture: Finance is at the heart of the digital business

REIMAGINE
STRATEGY AND GROWTH

New business models, accelerated M&A, dynamic planning and modeling, and enterprise risk management will demand investment and the skill of the finance organization. Companies are making hard decisions on build, buy, or sell, and then managing the risk associated with those decisions. Finance will have to bring clarity across several dimensions: the performance of the business’s portfolio, by modeling future investment scenarios, through rapid integration of acquired entities, and through a holistic view of enterprise and ecosystem risk to prevent critical failures.

The transformation of finance

All teams within the finance organization will be impacted by the transformation and will have to rethink how they perform their functions. Working from a single source of the truth will allow for greater integration and collaboration among teams.

Financial planning and analysis

The primary focus will be on strategic modeling and analysis to take advantage of predictive capabilities and real-time analytics. Finance will move from historically cumbersome annual budget cycles to rapid investment review cycles.

Accounting and tax

Enable “soft close” and real-time financial analysis through continuous monthly processes. Enterprise-wide visibility allows for optimization of tax payments and regulatory compliance.

Treasury

Proactive cash flow management, aided by business networks, is standard. Real-time views of currency, country, and commodity risk are managed as holistic enterprise exposure.

Finance operations

After automating the majority of finance processes, the rapid development and automation of new processes to support evolving business models becomes key. Highly specialized skills required for exception handling and complex topics.

Risk and compliance

With core compliance automated, focus turns to protecting the brand. Enterprise risk topics become a focus while business networks provide visibility into supplier and credit risk.

REIMAGINE
BUSINESS PERFORMANCE

Instant insight and volatility will accelerate the cycle time of finance and the business. Today, too many members of the organization, from senior executives to front-line employees, lack visibility into the results they drive. Insight needs to occur at the speed of thought. To achieve this, finance will need to provide flexible, personalized, and on-time information to every member of the organization so that every employee can become a profit manager.

REIMAGINE
EFFICIENCY AND COMPLIANCE

Radical automation, regulation, and embedded compliance – the time has come for “lights-out” finance. Business networks, coupled with faster deployment models in the cloud, are allowing for dramatic leaps forward in process automation. The rewards are nimble organizations, operational cost reductions of 40% or more, and, most importantly, access to information for timely decision making.
EXECUTIVE SUMMARY

Perfect storm: Five technology trends changing everything for CFOs

We are witnessing an unmatched era of true business innovation. Breakthrough technologies have matured and hit scale together, enabling five defining trends:

1. HYPERCONNECTIVITY
   Every consumer, every supplier, every partner is connected, disrupting all the established processes and rules around Finance. Connectivity is creating opportunity and eliminating work across finance.

2. SUPER COMPUTING
   The limits of the 20th century finance systems are gone. Networking and in-memory computing allow for on-the-fly analysis, dynamic planning and simulation, real-time situational and risk awareness, and infinite new business models.

3. CLOUD COMPUTING
   Cloud computing allows for rapid technology adoption at reduced cost. Business-to-business (B2B) transactions are moving to new cloud-based collaboration platforms, where millions of businesses and users are connected. The lowering of barriers to entry results in faster innovation times for finance and business.

4. SMARTER WORLD
   The digital economy is replacing products and services with outcomes. For finance, managing profitability and working capital becomes extremely precise. With embedded sensors, robotics (automation), and artificial intelligence, today’s finance has the tools to eliminate the mundane and focus on the highest value-add outcomes.

5. CYBER SECURITY
   Trust remains the ultimate currency, giving security-focused businesses a significant advantage in brand reputation. Cyber criminals have expansive new capabilities to attack, undermine, and disrupt businesses. Today’s fraud detection capabilities manage this risk and provide holistic views into real-time business exposures.
Decades of finance processes designed for the batch world have tied the hands for finance professionals. Now, it’s about running in real time and understanding the impact of decisions before they are made. It’s time to reimagine everything, so we can do anything.
REIMAGINE EVERYTHING

Road map to digital finance: Steps to transform your business

Do you have the right strategy? The starting point to the transformation journey is to reimagine with business outcomes with customers at the center.

REIMAGINE STRATEGY

Growth in the digital world often requires rethinking established business models.

- Agile development and financial analysis of new growth strategies based on scenario simulations
- Flexible modeling and implementation of new organization structures
- Rapid rebalancing of the portfolio, integrating mergers and acquisitions, separating divested entities
- Rapid implementation of new business models

REIMAGINE BUSINESS PERFORMANCE

Faster and better business decisions in the digital world require:

- Real-time results and soft close – break the barrier of the month-end close
- Instant availability of real-time insight-to-action, including prediction from the board to the front line
- Fully integrated and dynamic actual-to-plan to liquidity cycle
- Detailed and real-time visibility of customer profitability and product cost along the entire value chain

REIMAGINE EFFICIENCY AND COMPLIANCE

Efficiency gains and better compliance will be realized in the digital world by radical automation of back-office processes and networking with business partners.

- Elimination of manual transaction processing through digital process integration and automation
- Small shared teams of finance experts focused on process exceptions
- Integration of business process with buyers and suppliers across the ecosystem
- Active management of working capital through insight into detailed positions in real time

SAP Digital Boardroom is a next-generation digital solution that contextualizes the boardroom experience across people, places, and devices into a real-time enterprise experience. Built on SAP Cloud for Analytics, the SAP Digital Boardroom integrates with SAP S/4HANA Lines of Business data and other applications and data sources, to provide a single source of truth about a company’s most important business metrics to monitor, simulate, and drive change in the digital economy.
DIGITAL COMPETENCIES

Architecting new business models: Flexible modeling, deep analysis, and rapid implementation of new business models

Growth in the digital world requires companies to think beyond established business models
Like in nature, only the most agile continue to thrive. In the digital economy, established organizational and business models need to be constantly reevaluated to capture new growth opportunities.

Innovators attack and outgrow incumbents by creating entirely new markets. They create flexible digital businesses, free from existing structures, that are changing the dynamics of entire industries.

The abundance of cheap capital in many countries is forcing companies to look for new ways to invest surplus funds beyond organic growth.

New business models require agility, adaptability, and rapid integration of acquired businesses
To keep pace with rapidly changing business models, innovative finance organizations are using real-time planning and modeling capabilities to design, analyze, and simulate planned new business models and the resulting organizational changes. As new structures are identified, these organizations are using more flexible, modern platforms to rapidly implement new organizational structures and processes directly from their design model.

Planning demands more flexibility resulting from the pace of change, breaking from the traditional annual budget and performance review cycles. With an increased focus on mergers, acquisitions, and divestitures, innovative finance organizations are learning to rapidly integrate these new businesses into the “digital fabric” of the organization, dramatically accelerating the value of the transactions.

In a constantly changing environment, companies need to strike a careful balance between how rapidly and how tightly they integrate new businesses. Traditionally, there is a trade-off between both choices. In a digital world, there is a growing need to achieve both simultaneously.

Need for an open and adaptable finance platform
In a rapidly changing digital world, companies must also move quickly to integrate new businesses and business models into the existing fabric of the organization. This requires an open finance platform.

In a central finance scenario, SAP’s latest digital finance capabilities are made available through a dedicated SAP S/4HANA Finance instance in which financial transactions from SAP and non-SAP ERP systems are harmonized into a central ledger without needing to change in source systems. In this scenario, group-level processes for financial or managerial reporting, global cash management, or global compliance management can be run in one place and on the lowest level of detail available in any system. This unlimited transparency is necessary for a more profound financial analysis of the new business model as well as for planning and simulating future business model changes.

This approach quickly provides huge benefits due to the fact that detailed process integrations are no longer required. The data integration efforts are significantly accelerated, and costs are a fraction of that for previous full systems integration efforts.

REAL-TIME INSIGHT, SIMULATION, AND MODELING TO ENABLE GROWTH
A high tech investor is using SAP S/4HANA Finance real-time insights to significantly alter its ability to drive improved performance while also closely managing risk across its investment portfolio. Using SAP’s S/4HANA Finance, this company is assessing potential investments, simulating and modeling outcomes, increasing smart incremental investment in its existing portfolio, and using real-time insights to reduce its overall cost of capital.
Superior business performance requires accurate, detailed, and complete information to be available from the board to the front line for fact-based decisions. Companies with access to critical information at the moment of decision have a clear competitive advantage that can positively impact business outcomes. For finance leadership, this advantage allows CFOs to quickly assess opportunities and risks, react decisively and effectively, and become drivers of results instead of just reporters of performance.

Real-time results – Breaking the barrier of the month-end close
Most companies close the financial books only once per month. This process typically takes from one to four weeks to complete, even before statutory reporting. Leading companies have reduced month-end close to one or two days through radical process automation and near real-time analytics.

Given today’s volatility, even this timing is unacceptable with executives often flying blind until results are finally published (from a week to a month later). A daily soft close is within reach through additional closing automation, process optimization, and predictive or rolling execution of activities not needing accurate daily execution, such as accruals.

Instant insight – The end of “I’ll get back to you”
Instant insight is available to business executives with decision-relevant information on their personal devices in real time. Customizable views allow for drill down to line-item detail for root-cause analysis. All this is possible without the time-consuming loop-back to a financial analyst.

The basis is a harmonized up-to-date single source of the truth with no manual reconciliation needed. All finance solutions access the same data in real time and at full granularity meaning less effort is needed to align data and prepare reports.

For CFOs, this means detailed information is available to optimize transfer pricing, tax, cost allocations, or working capital, as well as to drive business results through real-time insights into customer and product profitability.

Fully integrated actual-to-plan-to-liquidity cycles
With real-time integration, soft closes, and embedded planning tools, not only can you see results today, but you also have unprecedented foresight into the potential of the business. Both will help further accelerate the cycle time of the business.

Dynamic planning is enabled through integrated business planning, linking operational and financial plans in real time. Treasury and finance teams can work on unified finance data, including AR and AP, with limitless detail and new, intuitive user interfaces. Everyone can now play a role in working capital management, whether you’re the CFO or a salesperson analyzing unpaid invoices on your way to a customer meeting.

Instant foresight – prediction and simulation
New digital systems autonomously identify critical deviations from plans, unusual trends, and provide smart alerts to key decision makers. They also provide predictive forecasts of future performance. Predictive analysis will help to better identify credit risks and adjust credit ratings.

Embedded simulation allows end users to evaluate “what if” scenarios without impacting the audit trail.

**Higher profitability with instant insight**

**Spirit Aerosystems, Inc.**
Reduced complexity and increased process automation resulted in reducing analytics cycle times from 6-8 hours to 30 seconds. Real-time visibility into production allowed for a multi-million-dollar inventory reduction while reducing flow time by several days. Optimized manufacturing schedules reduced overtime up to 40% and lowered work-in-progress inventory. Spirit expects to see additional reductions of 25% in production flow times and 30% in assembly inventory levels.  

**Travel expense efficiency with Concur**

**General Mills**
This international consumer brand deployed the latest cloud-based technologies, including Concur Mobile, Concur Expense, Concur Travel, and Concur Service Administration. The company saved $1.4 million in costs within three years of implementation. It standardized T&E processes across the globe and increased policy compliance and employee satisfaction with mobile for T&E.

"Lights-out" finance processes: Automated and networked processes, event-driven, and inherently compliant

For more than a decade we have seen an evolution of finance operations from the classic “do my mess for less” with offshore shared service centers spanning business units, regions, and even disciplines (finance, HR, IT, procurement), to a vision of optimizing end-to-end processes to reduce cost.

The next phase of finance transformation will be radical automation of end-to-end processes. Digitization and business networks eliminate manual processes. Together with robotics and intelligent process automation, they enable “lights-out” processes that reduce human intervention largely to exception handling and process oversight.

Global business services create harmonized end-to-end processes
An important prerequisite for automation is rationalizing true harmonized end-to-end processes (source-to-pay, sell-to-cash, record-to-report). Key aspects that are changing include:
• Finance operations moving from transaction steward to a partner to the business
• Shared service leaders driving process excellence through process ownership and stewardship
• Process owners transforming business processes end-to-end, instead of only improving the efficiency of individual back-end activities

Digitization and business networks radically automate end-to-end processes
Leading companies are changing focus. No longer can companies just automate existing, manual processes in the context of an end-to-end process. They need to completely rethink whether that process is even needed.
• Breakage between buyers and suppliers is being eliminated through extension of business networks and removing the need for manual data capture and reconciliation. Extended finance networks are being used for procurement, invoicing, payment, as well as travel and expense automation
• Comprehensive digitization on a single finance platform removes complexity, intra-company reconciliation, and manual efforts originating from siloed IT systems
• Rules-based and intelligent automation will largely eliminate manual data processing
• Robotic process automation will address many exceptions that cannot be eliminated by digitization or business network
• Embedded controls and real-time transaction monitoring are providing built-in compliance

Human interaction is largely reduced to exception handling and process oversight
Radical end-to-end automation transforms the nature of finance processes and the role of finance experts. Repeatable manual tasks give way to value generation for the business.
• Finance processes will be more event-driven and continuous rather than sequenced and periodic as they are today
• Business partners and employees engage in finance processes and provide data capture through self-services
• Shared services turn into centers of excellence with true experts handling a small share of transaction exceptions and advising stakeholders
• Embedded process intelligence enables process owners to perform real-time oversight to focus on process optimization

The benefits of automation go beyond cost savings and better compliance
Cost savings of 40%+ are being realized by leading finance organizations. Equally important, automated processes are contributing to significantly accelerated finance cycle times.

Vodafone
This global telecommunications company with over 450 million subscribers deployed SAP Fraud Management powered by SAP HANA to increase compliance reviews from a 10% sample to 100% coverage for hundreds of thousands of expense claims annually.
SAP HANA: THE GREAT SIMPLIFIER

A burning platform: Complexity is the obstacle to digital finance

Do you have the right platform?
For many finance organizations, the primary barriers to transformation are legacy and disconnected finance systems, which create unnecessary complexity, drive up costs, and hamper agility.

THE ANSWER IS SIMPLE
In-memory computing is a revolutionary concept brought to life by the breakthrough SAP HANA platform. The SAP HANA platform is at the heart of the most modern finance system available, SAP S/4HANA. SAP S/4HANA simplifies the core of finance through:

1. **A single source of the truth:** All transactional and planning data stored one time only, in one place only – the universal journal. No more reconciliation, no more replication, no more aggregation. Instead, the SAP HANA platform provides a single source of the truth, which allows for a whole new level of visibility and operational efficiency across finance and the enterprise.

2. **Transactions and analytics in one real-time system:** The power of in-memory allows finance to perform at the speed of digital – that is, real time. No more batch jobs, no more rigid system hierarchies, no more waiting for IT to deliver your reports. Instead, a single system provides immediate visibility to all transactions and allows users to perform dynamic and personalized analysis straight from the transactional data. SAP S/4HANA brings business process and business intelligence together into a single, smooth, digital motion.

Central finance: Flexible deployment without disruption
For companies with very complex legacy system landscapes, there is a path to digital without disruption. SAP S/4HANA Finance, central finance foundation, can provide consolidated financial and management reporting, central process execution and transaction, planning, and reporting based on the same (single source of the truth) data set. Adoption is non-disruptive, and migration and transformation over time is possible. This option allows you to:

- Quickly adapt to changing business environments (strategy and execution)
- Integrate, automate, anticipate (speed and efficiency)
- Realize cross-entity market potential, segment profitability (revenue and margin)
- Establish a single source of the truth (transparency and accountability)
- Improve cash management, collections, receivables (working capital)
- Minimize manual processes and administration, standardize work (operating cost)

Because central finance can be established without impacting existing systems and processes, it can bring high value in a much shorter time and much lower cost than a traditional ERP consolidation program. For more information, see page 11.

SMARTER DECISIONS + SMARTER TRANSACTIONS = SMARTER BUSINESS
DIGITAL BUSINESS FRAMEWORK

WHAT ARE THE PILLARS OF THE DIGITAL FINANCE ORGANIZATION AND HOW WILL TECHNOLOGY TRENDS HELP CFOS REIMAGINE THEIR ORGANIZATIONS AND BUSINESS?
Advanced in-memory computing signals an end to running the business in batch mode and eliminates complex financial close cycles for any office of the CFO. You can run simply and use the full power of the digital core available from SAP.

**Real time**
Real-time KPIs to line-item level, instant root-cause analysis, and optimization of business-based changes will have massive implications on how we work, how we do business, and how we organize.

**Power of prediction and simulation**
Every line manager and employee can gain real business insights with the help of simulation and predictive tools to drive smarter decisions and improve reliability and the impact of the office of the CFO across the enterprise.

**Agility**
The ability to rapidly adapt to new business models, mergers and acquisitions, and the changing business networks in one-tenth of the time it takes with today’s systems will yield the agility required to succeed in the digital economy.

**Deployment choice and lower TCO**
Accessing solutions to run the core has to be simple. Offices of the CFO now have the choice to deploy in-house or in the cloud. In-memory computing also has a significant impact on TCO, allowing internal budgets to stretch further.

**Consumer-grade user experience**
User experience is key to accepting digital change. It drives adoption and user engagement and improves productivity.

### Simplify with SAP
SAP S/4HANA is the only end-to-end solution that covers all business processes and is running in-memory. It helps any office of the CFO to run in real time for fundamentally better performance. For instance:
- Single, real-time view of business performance at any level of summary or detail
- Optimized financial close cycles allow less effort to be spent on “keeping the lights on” activities so that more time can be spent on high-value forecasts and simulations
- 360-degree view of any portion of the business to improve the overall customer experience

In addition, the SAP HANA Cloud Platform can be the single enterprise data source for SAP S/4HANA and the rest of your solution landscape.

### A New Connected Finance
By 2020, the world is expected to have 21 billion connected devices with a population nearing 8 billion people. The networks that connect these devices and people together are here today and will see exponential growth. Managing this digital economy will be critical to any business now and in the future. SAP S/4HANA Finance was built to keep up with the current and future digital economy.
TRANSFORMING FINANCE

ONE DEPARTMENT AT A TIME
A transition away from labor-intensive, transaction-based activities to value-added business partnering is underway and inevitable. Agility, interconnectivity, digitization, automation, simplification, process harmonization, and transformation will be the new skills needed to meet the increasing user demands for simpler, more “consumerized” experiences, self-service insight, and higher-value service delivery.

Finance has the opportunity to be the central hub for the digital business, but this demands a different mind-set. A “lights-out” finance mentality that questions everything – Why are the AR and AP departments even needed?

Why are we spending so much time rolling up numbers? Why do we need to wait until month-end to understand our results? Why can’t we understand the impact on the fly of changes to my business? – is needed to make change happen. Finance organizations will have to define and drive a transformation agenda for each of their departments. A networked, real-time finance platform will be a key prerequisite. However, value capture will require specific process changes. The impact of digital finance will be different for each department and thereby require a specific approach.

### Digital finance: Value of a networked, real-time platform

<table>
<thead>
<tr>
<th>Financial planning and analysis</th>
<th>Accounting and financial close</th>
<th>Treasury and financial risk management</th>
<th>Collaborative finance operations</th>
<th>Enterprise risk and compliance management</th>
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<tr>
<td>• Provide advice on M&amp;A and divestitures with unlimited simulations and “what if” analysis</td>
<td>• Enable “soft close” via continuous processing throughout the month</td>
<td>• Enable instant visibility into cash and working capital to support real-time liquidity planning</td>
<td>• Drive radical automation, reducing operating costs by 40% or more</td>
<td>• Provide group-wide transparency on strategic and operational risks</td>
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<tr>
<td>• Accelerate the business cycle time with dynamic planning, breaking the limits of annual budget cycles</td>
<td>• Provide flexible, real-time reporting to decision makers, with unlimited drill-down for root-cause analysis</td>
<td>• Manage bank counterparty risk effectively and in real time</td>
<td>• Manage receivables and payables in real time for proactive management of working capital</td>
<td>• Manage supplier credit risk through business networks</td>
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<td>• Provide real-time customer and product profitability</td>
<td>• Leverage integrated managerial and financial accounting to reduce reconciliation</td>
<td>• Automate and centralize payments to reduce cost and accelerate closing activities</td>
<td>• Eliminate work through end-to-end integration of buyer and supplier processes via business networks</td>
<td>• Automate fraud detection and compliance for 24x7 coverage</td>
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<td>• Use predictive analytics to provide insight into future business outcomes</td>
<td>• Integrate into business planning cycles for comprehensive business and liquidity plans</td>
<td>• Use highly specialized centers of expertise for exception handling</td>
<td>• Ensure compliance and improve audit management efficiency</td>
<td>• Effectively define and enforce controls in key processes</td>
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WHY SAP?

BUSINESS DIGITIZATION IS A NATURAL NEXT STEP FOR THE #1 BUSINESS APPLICATION COMPANY.

It took years of innovation, strategic investment, and the forging of new strategic relationships to build the end-to-end digital business platform.
SAP S/4HANA FINANCE

SAP S/4HANA Finance: The solution that CFOs trust

- The entire finance value chain is digitized to enable end-to-end processes in real time to manage finance
- Finance in the digital enterprise interconnects all aspects of the value chain to drive and anticipate business outcomes in real time.
- Enterprises across industries can lead the finance transformation by completely reimagining business models, business processes, and work
- Instant insight, and “lights-out” finance operations make finance the epicenter of sustainable growth amidst uncertainty

SAP provides a fully integrated platform, based on the latest technology trends, to allow finance to lead the transformation to digital business

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<th>VP of Finance</th>
<th>Head of Corporate Reporting</th>
<th>Corporate Treasurer</th>
<th>Head of Finance Operations</th>
<th>Chief Compliance Officer</th>
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THE JOURNEY TO DIGITAL FINANCE BEGINS WITH....
CREATE COMPETITIVE ADVANTAGE THROUGH INNOVATION

Digital leaders move decisively, enabling their vision through the latest technology.

What makes leading companies successful in a digital world?
• A clear vision focused on the customer and not constrained by either technology or process
• Insight into opportunity and agility to adapt, creating the right culture and conditions to be first movers in the market
• Partners, who are there with you to assist in enabling your vision with leading-edge digital capabilities and flexible support options

The key to accelerate and simplify digitization: SAP Activate


Companies today have to move quickly. They adopt leading practices where it makes sense and focus efforts and additional investment only in areas that truly add value and differentiate their brand.

SAP offers a three-part innovation framework, allowing you to adopt ready-to-run digitized business and technical processes, guided configuration tools, and next-generation methodology. This gives you the freedom to start quickly and flexibly, whatever your current configuration and system landscape is like today.

SAP Best Practices
• Delivery of a reference solution in the cloud for a fast start
• Integration and migration
• Extensibility to enhance SAP processes or create your own processes

Methodology
• Start with SAP Best Practices for any implementation
• One methodology for any deployment mode – cloud, hybrid, on premise, mobile
• Designed for partner extensions and SAP’s Premium Engagements

Guided configuration
• Tools for an assisted implementation and continuous innovation
• Empowers through user assistance and business process affinity
• Know content context and what has been configured
Flexible options available for deployment of SAP S/4HANA Finance

Every company is different with different goals, processes, and systems, and a differing vision of where they are going and how best to get there. With this in mind, the adoption of SAP S/4HANA Finance allows for maximum flexibility through non-disruptive, incremental, and greenfield adoption options:

**New implementation/revert to standard**
- Standardize and simplify your existing landscape to reduce TCO and use latest innovations
- Retire old landscape

**Incremental adoption**
- Reduce system landscape complexity and lower TCO
- Selectively target existing complexity and transform business processes

**Leverage existing processes**
- Non-disruptive technical conversion allows you to start transforming at your own pace

SAP helps you ensure a successful adoption

Managing a successful transition to a digital company requires that risk is controlled and informed decisions are made throughout the journey. SAP provides simple choices through four different levels of SAP transition support. The support and duration are flexible based on your company’s individual needs.
Ready to learn more? Experience SAP’s journey map

Journey map for SAP S/4HANA Finance: http://s4hanafinance.sapjourneymap.com/
How to embark on the digitization journey may be the single most important decision a company makes in today’s turbulent market. With the average company lifecycle being cut by 70% over the past 50 years, companies need to adapt more quickly as the pace of change only increases.

Key questions that need answers include: Will we be able to adapt to new-generation competition and grow the business? Do I have the right information at the point of decision (within business context)? How do I move from legacy processes to continuous business model innovation while also proactively managing risk?

As a CFO, the decisions you make today will ripple through the entire organization. Real-time insight into performance will lead to better planning and management, solution agility will enable quick integration of acquisitions and efficiency, flexible analytics will allow for performance improvement across the organization, and new processes will fundamentally change your organizational skills profile.

Take these five steps to learn more about SAP S/4HANA Finance. This journey can fundamentally impact the way you view your systems and lead you to greater profitability, agility, and flexibility, and set the stage for the future finance organization today.

FIVE EASY STEPS TO ADOPT SAP S/4HANA FINANCE

1. Explore
2. Identify
3. Try
4. Deploy
5. Experience
DIGITAL FINANCE PROOF POINTS

1. Leading in transportation
This transportation leader is utilizing SAP S/4HANA Finance to meet both sophisticated and complex analysis, but with an enhanced user experience.

With dozens of legacy systems and legal entities, integration, simplification, and elimination of batch processing was required to enable the real-time insights and the one version of the truth the business demanded.

In addition, major capital-intensive projects are continually running in parallel, so visibility to real-time analysis was vital. SAP S/4HANA Finance with SAP Fiori is delivering value by providing:
- On-the-fly reporting and analysis on any device
- Real-time actionable reporting to executives for timely decisions and insight into growth opportunities
- Simplification, integration, and reduction of the overall cost of operations by eliminating redundant tasks

2. Accelerating mergers
The merger of two major healthcare companies provided an opportunity for accelerated integration, enablement of additional operational synergies, and increased ROI through disciplined capital allocation.

With SAP S/4HANA, this new company is establishing itself as a digital leader in ways not previously possible.
- Seamless integration to simplify the current landscape that included thousands of existing ERP’s and supporting systems
- Accelerated and sustained growth across the portfolio and in key markets
- Operational excellence through leaner, more efficient sales, distribution, and manufacturing operations
- Insight needed for the global span of control and risk assessment and management

3. Expense efficiency with Concur
American Red Cross
The American Red Cross is a humanitarian organization that provides emergency assistance, disaster relief, and lifesaving education. Formed in 1881, the American Red Cross is comprised of a powerful network of generous donors, volunteers, and employees. Their common purpose is to offer help and hope whenever someone urgently needs it. They have deployed technology into their spend management system to empower their ability to prevent and relieve suffering at home, in the United States, and around the world.

Before turning to enhanced technology, the American Red Cross finance department was “drowning in paperwork.” Its previous expense management process was very manual and paper-heavy. Auditing tasks required a tedious process of shifting through hundreds of paper files. The average invoice processing time took 30 days from the invoice date to when the accounts payable team would receive it. “We’ve reduced the processing time from an average of 35 days to below five days from submission to payment,” says Michael Harris, Executive Director of Procure-to-Pay.

By automating, having expenses and invoices sent directly into its system, Red Cross staff has the ability to process and approve payment requests on a perpetual cycle (demand-driven), thereby increasing the amount of time that can be used to focus on front-end business processes. Michael Harris appreciates the increased visibility into spend and control his staff now has using invoice imaging, giving his team a full view of the financial big picture. “The automated approval routing and built-in business rules take the guesswork out of account string coding and who needs to approve. This tightens approval and coding controls,”

4. Fast close, reduced complexity, and increased agility
This major reinsurance company has experienced increasingly complex external and internal reporting resulting from the as-is environment no longer meeting regulatory requirements. The majority of finance’s time is spent on creating and validating the statements. Manual workarounds are required to address frequent regulatory changes, and little time left to perform in-depth analysis and business intelligence.

With SAP S/4HANA Finance, the current closing cycle will be reduced from 55 days to five days, all relevant valuations will be embedded into an integrated reporting architecture and a common SAP platform, IT development and maintenance costs will be reduced through simplification, and data will be harmonized, reducing reconciliation and increasing auditability across all valuations.

The resulting actionable analytics will allow the operating model to be completely rethought with increased process integration and automation and a standardized solution based on a simplified digital core, allowing the company to adapt to changing market and regulatory needs in real time.
5. Speed to value, increased efficiency, and industry solutions

One of the largest mutual life insurance companies in North America was challenged with changing external regulatory requirements and a competitive need to leverage Big Data, marketing analytics, and business intelligence to support improved decision making.

Too much time and effort was being spent on the mechanics of day-to-day operations. Automation of repetitive tasks was needed to increase the speed of execution in cross-departmental functions.

This company’s finance transformation initiative will free resources for strategic efforts to drive significant additional value. Using the advanced planning features within embedded business planning and consolidation, this company is able to plan to a totally different level of granularity, thereby increasing insight into its business.

Leveraging new innovations, like SAP S/4HANA Finance, SAP Insurance Analyzer, SAP Fiori, and SAP HANA hosted on the cloud, this company is not only enabling its innovation, but also providing greater integration of its business at a much lower cost.

6. Efficiencies in spend management

Air France-KLM

Every month, millions of travelers rely on this Air France-KLM to get them around the world safely and on time. To deliver the best, most affordable travel experience, it constantly seeks operational efficiencies. One way to achieve this was to simplify and standardize strategic sourcing across the organization.

This company’s procurement group implemented SAP Ariba solutions to increase spend coverage under sourcing, gain transparency into contracts, and manage suppliers efficiently. Using the Ariba Sourcing, Ariba Contract Management, and Ariba Supplier Information and Performance Management solutions, the company consolidated disparate processes for over 3,000 suppliers and 7,500 contracts, representing over €6 billion in annual spend. Now the company is increasing productivity and visibility while lowering costs.

7. Internal systems extended to ecosystem for supplier collaboration

Quad/Graphics

A leading global provider of print and multichannel solutions for consumer magazines, special interest publications, catalogs, retail inserts/circulars, direct mail, books, directories, and commercial and specialty products with 70-plus production facilities on three continents, Quad/Graphics is pushing the boundaries of business commerce collaboration with help from SAP Ariba solutions. By extending its internal procurement and finance systems to the Ariba Network for PO and invoice automation, Quad/Graphics is achieving new business potential. Amidst an aggressive acquisition strategy that has increased PO and invoice volume over the past several years, the company has reduced invoice processing time by nearly 33% – achieving a five-year productivity goal in year two.
ADDITIONAL RESOURCES

Outlined below is additional external research that was used as supporting material for this white paper.

4. “Transforming Your Finance Function into a Shared Service with SAP”, August 2014, page 10 https://dam.sap.com/mac/preview/a/67/H0w/PxAmwHggfXXigJrUISEAAJXmwxKupUnPXI0JaPxJywv/03_34836_GB_SSF%20Factbook%20Final%20Aug%202014.htm

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