

SAP NEW GENERAL LEDGER

**AND YOUR JOURNEY
TO SAP S/4HANA®**

DON'T JUST UPGRADE— TRANSFORM

Many companies realize that SAP Classic General Ledger (G/L) has had its day and are looking to perform a technical upgrade. But is that enough? Accenture believes more is needed. A mere technical upgrade means a company will end up with processes that may fail to advance its digital business when it eventually migrates to SAP S/4HANA®. It's important to reengineer processes while performing the migration to New G/L—or even after.

THE IMPORTANCE OF GENERAL LEDGER CAPABILITIES

Across all industries, the finance function faces extraordinary pressures to find an answer to disruptive business models and relentless competition. Finance is expected to collaborate across the organization as a true business partner for strategic and financial planning, analysis and strategic advice. As a result, finance needs to adapt its leadership, talent, business processes, capabilities and supporting systems to a continuously changing business environment.

New technologies such as robotic process automation, machine learning, artificial intelligence, in-memory computing and advanced analytics enable finance to build new intelligent capabilities: touchless processing in real time, smart financial reporting, proactive planning and forecasting, and accelerated close. These capabilities depend on reliable data to drive value across the business.

General Ledger capabilities in particular frequently suffer. For example, following a merger or acquisition, a company is likely to end up with multiple finance systems. This discord affects the efficiency and effectiveness of the finance organization and makes it difficult to obtain a single view of the enterprise's financial status.

The pace of the digital business environment also increasingly requires more intelligence based on real-time data and analytics. The business needs more flexible and ad-hoc reports, predictive analyses and timely close. But current G/L capabilities at many companies produce only highly summarized numbers long after month-end.

The effect of all this is that the finance organization struggles to keep up. It's often 15 days or more after month-end that a report can be produced. Anything that occurred at the beginning of the prior month may not be visible for six weeks. Then, if an executive wants more information about a particular set of numbers on the report, it may take days if not longer to drill down and produce meaningful insights.

New technologies underpinning and embedded in the latest finance systems such as SAP S/4HANA, can most certainly help. Because of time pressure and cost, however, the focus often lies on performing technical finance system upgrades without real attention to the changing finance function that these systems should enable. As business complexity grows, the existing G/L structures are not scalable enough and processes are not streamlined enough to support a digital business.

This paper will discuss different strategies and keys to G/L success depending on the present maturity of an organization's G/L capabilities and what its business and technical goals are. But whatever these are, the key to success is to reengineer your finance processes while upgrading to SAP S/4HANA because of its ability to produce a single G/L view.

With SAP S/4HANA gaining momentum, now is the time to take a broader perspective and prepare for your intelligent finance future, upgrading while tackling the grander business transformation at the same time.

SAP NEW G/L AS A “WAY STATION”

We believe that SAP New G/L can be seen as an important “way station” on the journey to SAP S/4HANA—only, however, if the upgrade is accompanied by a business transformation or focused efforts at process reengineering (see sidebar).

If companies do not take a transformational approach, they will continue to be out of alignment with New G/L. They will miss New G/L’s real value and won’t address the finance function’s longer-term issues.

WHAT’S WRONG WITH CLASSIC G/L?

Classic G/L—the predecessor of New G/L— is on an older implementation of SAP® ERP Central Component (ECC). At most companies, its system—often 10 to 15 years old—has most likely been highly customized to meet the business’s specific, ongoing needs. Most likely, numerous other issues lurk in the shadows that need to be addressed in ways other than just through G/L.

In this environment, it’s not enough to merely perform a technical upgrade. Think of it using the analogy of home remodeling. You can put new siding on the house so it looks great on the outside. Inside, however, it will still have the same old furniture, the same plumbing and the same electrical system.

Similarly, companies can do a technical upgrade restructuring tables and addressing customizations. Great. But all they did was make the system continue working just like it did before.

Certainly it may be true that a company has leading practices in areas like order-to-cash, or in its manufacturing processes, or in a myriad other areas, that they wish to retain. A company may have a particular “secret sauce” that makes it more competitive. But what good is that if it all sits on a crumbling foundation—the old financial structure? If that happens, the company still will not be able to perform timely reporting, faster close or real-time analysis.

With a proper approach to a New G/L upgrade (or even for companies already on New G/L), the leading-practice processes that a company has built and fine-tuned for its business can be retained—but shifted into a new, redesigned and refurbished house.

MORE ABOUT PROCESS REENGINEERING

Process reengineering involves a radical redesign of core business processes to improve speed, productivity and quality. In the context of upgrading to SAP New G/L (and eventually SAP S/4HANA), companies usually work to reengineer their processes for one or more of several reasons:

- There are things they are doing manually today that could be automated through standard SAP software functionality.
- Some capabilities are customized in their existing system because the functionality did not exist. Today, however, in newer SAP software versions, there is now a solid, integrated function for those capabilities.
- Companies might previously have been organized by region, product line or business unit, and structured their ERP system accordingly. Now, however, their organization structure has changed and they need different processes embedded in their system.
- Companies may wish to have different or additional capabilities and measures. For example, they might not have performed product costing in their old world. In the new world, they want to introduce standards and measure performance of manufacturing against those standards to improve productivity.
- Organizations may wish to change how they do reporting. For example, they may need to generate higher-level and more strategic views of performance. Or, on the other hand, their reports might have been too high level and now they want to get more granular.
- A company may have been through one or more M&As and never had the opportunity to harmonize processes of the acquired business. Process reengineering is an opportunity to streamline.

Whatever the reason, one of the benefits of process reengineering is that a company can focus just on what they need to change. For example, they may be fine with their supply chain processes but not happy with the way they perform financial management reporting. They can focus on what needs changing and leave the rest alone as long as there is no case for change, which can improve speed to value.

ADVANTAGES OF NEW G/L

Many executives are often not fully aware of the new capabilities and functionality offered by New G/L (and, eventually, SAP S/4HANA). These include:

Flexible code block:

User-defined fields in G/L

Segment reporting:

Increased built-in reporting capabilities

Parallel accounting:

Improved GAAP/IFRS and local statutory capabilities

Document splitting:

Real-time Accounts Payable/Accounts Receivable splitting

With reengineering of finance processes and structures, companies achieve several important benefits:

- Real-time integration between Financial Accounting (FI) and CO (Controlling)
- Parallel ledgers for local statutory reporting
- Parallel ledger for tax books
- The ability to have a central G/L even in a heterogeneous ERP environment

The goal of an integrated solution¹ is to drive a migration from the traditional General Ledger, which was meant to meet external reporting only, to a more comprehensive code block to meet additional requirements.

With an integrated General Ledger, key stakeholders and decision makers have easy, quick and accurate access to information, which leads to management action and value-minded business decisions.

Regulatory reforms and an increased focus on the quality and timeliness of an organization's financial results heavily influence the General Ledger design that supports the shift to a centralized repository that provides a single version of the truth for management and statutory reporting. Organizations are migrating to the leading practice of a single chart of accounts, to ensure that financial data can be expressed and analyzed consistently. A single chart of accounts reduces the manual work required to consolidate results, perform cross-business unit reporting and minimize account reconciliations.

The General Ledger, when constructed properly, can be used not only to automate and shorten an organization's closing cycle, but also to serve as a strategic application that improves efficiency and generates value-added reporting capabilities.

Although the capabilities exist, few organizations have transformed the General Ledger from a repository of financial transactions and account balances into a strategic application that improves employee efficiency and generates value-added information.

ADDITIONAL ADVANTAGES OF SAP S/4HANA

As companies look ahead to SAP S/4HANA, they can anticipate a number of additional benefits. SAP's Classic G/L required the reconciliation of multiple applications such as the Cost-of-Sales Ledger, Profit Center Accounting and Consolidation Staging Ledger. By contrast, SAP S/4HANA provides a unified structure. Thus, it speeds reconciliation, ensures transparency and the ability to conduct audits, and enables an organization to meet both internal and external reporting requirements.

The General Ledger capabilities within SAP S/4HANA are based on a broader unified database. For instance, company code, segment and profit center are all contained in a single data record, which can easily be extended to include other fields. This functionality increases data quality, eliminates reconciliation measures and allows faster execution of period-end closing.

A simplified table structure is another advantage of SAP S/4HANA. This new structure considerably reduces the number of tables from SAP ECC, accompanied by a new, universal code block, dramatically simplifying the reconciliation process. With the old approach, finance had to make sure each

month that the FI table matched the CO table; that the CO table matched the profitability table; and that the AP and AR sub-ledger matched the main ledger. All these tables had to be reconciled. With SAP S/4HANA, these reconciliations are no longer needed.

With SAP S/4HANA, companies also gain the hardware benefits of in-memory computing, which drives the ability to do real-time reporting and reduces the data size because data is stored more efficiently. Finance can "slice and dice" and drill down on real-time data in-memory without the need for maintaining and storing summary tables.

Legal consolidation is another benefit. In a traditional standalone environment, reconciliation needs to happen between the standalone ERP environment versus the external legal consolidation system. SAP S/4HANA is bringing that all together with an embedded solution that eliminates the need to transfer the data from one system to another—a solution that can reconcile and adjust the different levels of aggregation. Now, everything uses the same set of source data across the board and therefore it's easier to get to that legal consolidation.

DIFFERENT JOURNEYS, DIFFERENT ANSWERS

The question finance organizations want answered is, “What can I do about migrating to New G/L and SAP S/4HANA, given my existing situation, in a way that does not impede future decisions?” The following are some important considerations (see figure 1):

IF ON CLASSIC G/L, COMPANIES CAN:

Implement Central Finance

as a way to get immediate benefits, then take an evolutionary approach to SAP S/4HANA.

Perform only a technical upgrade to New G/L. However, as discussed, this approach comes with the drawbacks of failing to reengineer processes and structures, ultimately preventing the company from reaping the benefits of both New G/L and SAP S/4HANA.

Reengineer processes from a business point of view, followed by a technical upgrade to New G/L.

Leap over New G/L to do a full SAP S/4HANA implementation from the start and reengineer processes to get the full benefits.

IF ALREADY ON NEW G/L, COMPANIES HAVE SEVERAL OPTIONS:

If only a technical upgrade was done, a company should look at reengineering relevant business processes before moving to SAP S/4HANA. Central Finance could be an option if the company has multiple SAP instances and is looking to consolidate. One business unit/SAP instance could become the foundational client moved to SAP S/4HANA, with other SAP instances replicating their data into the foundational client via Central Finance.

If process reengineering was done along with the technical upgrade to New G/L, there are most likely additional optimizations that need to be done, given the functionality SAP S/4HANA offers. For example, SAP S/4HANA provides additional simplifications via SAP Fiori® applications that streamline various processes.

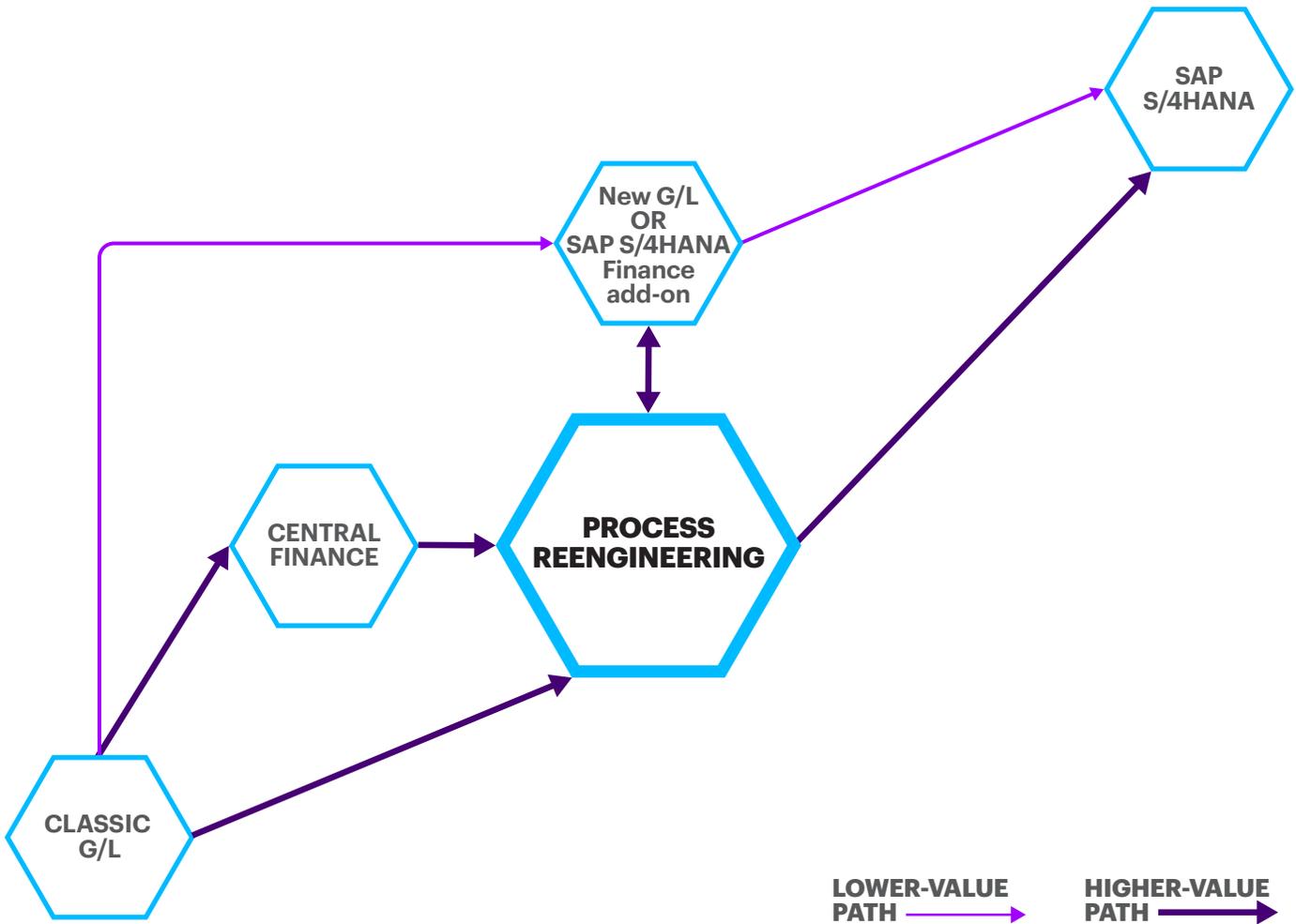


FIGURE 1: Different paths to SAP S/4HANA

WHY ACCENTURE

Our approach to helping clients on their intelligent finance transformation journey is grounded in our leading industry experience, finance process knowledge and SAP capabilities so we can tailor to every client's unique situation, industry, risk profile and business case.

We help finance organizations to rapidly gain the transformational benefits of rich and innovative solutions, deployed in months rather than years. To enable agile, iterative and accelerated delivery with lower cost and effort and reduced risk, we deploy proprietary assets, methods, tools and accelerators that are built on our deep and wide industry and business process skills, implementation experience and understanding of SAP solutions and technologies.

ACCELERATE YOUR JOURNEY TO INTELLIGENT FINANCE

Many organizations have tended to meet the increased volatility, speed and competition they face not with agility but by developing ever more complex operating models. That complexity forms a major barrier to both top- and bottom-line growth. To respond effectively, find new sources of value and mitigate risk, organizations need to become more agile. The finance function must take initiative and drive process and system transformation within the organization, and the CFO organization needs to lead the design and pursuit of proactive strategic responses for effective change.

Accenture myConcerto helps address business challenges while enabling new capabilities with new technologies.

This insight-driven, digitally integrated platform powers enterprise transformation from business case to roadmap to delivery and continuous improvement. The platform captures the most advanced and disruptive Accenture thinking around industry, innovation and technology to help companies reinvent themselves as intelligent enterprises.

Integrated with SAP Model Company, Accenture myConcerto has ready-to-deploy, modular, pre-configured solutions built on industry-leading practices and continuously refreshed with technology innovations.

UNPRECEDENTED COLLABORATION WITH SAP

Accenture is SAP's leading business partner and the first to be working with SAP end-to-end from product innovation, to co-development and delivery of SAP S/4HANA and new industry solutions. Working directly with SAP gives us unique insights and deep understanding of SAP's products and roadmaps.

We apply this knowledge, combined with our insights in industry and technology trends and the guidance from SAP Transformation Navigator, to client projects through Accenture myConcerto, our unique digital platform to orchestrate enterprise transformation.

To deliver value faster, we deploy our agile delivery methods that are aligned with SAP Activate and use SAP Solution Manager at the core of our highly-automated delivery. Our joint services delivery model with SAP includes SAP Value Assurance services across all project phases.

INNOVATION AT SPEED

The Accenture myConcerto comes with new applications that are based on SAP Leonardo and intelligent technologies. These end-to-end applications infuse innovation and enable advanced, intelligent capabilities across finance with technologies such as AI, machine learning, extended reality, IoT, blockchain, advanced analytics, and big data and extend the capabilities and usability of SAP S/4HANA.

Our finance applications such as Payables Optimizer and Intelligent Collections apply predictive analytics to real-time data to help optimize working capital by improving cash usage for expenses and reducing uncollectible account receivables.

HOW TO GET STARTED

From transformation planning through implementation to run, Accenture and SAP have combined their best assets, capabilities and knowledge to accelerate time to value for new solutions. We help clients:

- Drive digital transformation with SAP and ecosystem solutions
- Guide investment in industry and core solutions
- Define an end-to end technology strategy and implementation roadmap
- Support the right technology investments

The time is NOW to become an intelligent finance organization. The market is moving, technology is enabling, and new business processes and models are essential to lead in the era of intelligence.

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ABOUT ACCENTURE

Accenture is a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations. Combining unmatched experience and specialized skills across more than 40 industries and all business functions—underpinned by the world’s largest delivery network—Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value for their stakeholders. With 469,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives. Visit us at www.accenture.com.

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