Most SAP customers will eventually need to move to the SAP S/4HANA® platform. But what is the most effective way of getting there? Taking a full migration approach can be disruptive and invasive to a company. Instead, companies can use SAP Central Finance as a means of gradually evolving toward the SAP S/4HANA world, reaping value at each step along the way.
THE ADVANTAGES OF AN EVOLUTIONARY APPROACH

The majority of large SAP enterprise customers are on versions of SAP that are showing their age. These systems include one-size-fits-all user interfaces and applications that cannot deliver a single source of “truth” for the enterprise. They also fail to take advantage of digital innovations including big data, mobile, cloud and the Internet of Things (IoT). That means companies cannot access on-demand analytics to discover insights and value in the large amounts of data generated by the business. They also cannot deliver intuitive, easy-to-use, go-anywhere, task-specific and action-oriented user interfaces for business users.

What is a company to do in that situation? One answer is SAP Central Finance. Eventually, most SAP customers will need to migrate to the SAP S/4HANA platform. But in the short term, given the time and millions of dollars invested in existing systems, what is a more effective and cost-efficient way to proceed?

In this paper we’ll explore how SAP Central Finance can help companies take an evolutionary approach to SAP S/4HANA rather than engaging in an invasive migration. First we’ll look at how Central Finance improves the overall finance function. Then we’ll provide more detail on using Central Finance as a means of moving in an evolutionary manner toward SAP S/4HANA.
SAP CENTRAL FINANCE: CREATING A WORLD-CLASS FINANCE FUNCTION

Companies today expect the finance organization to be more agile, forward looking and decision centric. For the office of the CFO, this means creating more tangible insights from the volumes of data flowing through the company's ERP systems. Stakeholders are increasingly demanding access to the right information at the right time to make the right decisions. These trends underscore the need for agile information technologies and solutions.

SAP Central Finance allows users to create a global, common reporting structure by mapping accounting entities in upstream systems to one common set of master data in the Central Finance system (for example, general ledger account, profit center or cost center).

The centralized (or global) postings of finance data into the Central Finance system as universal journal postings (a.k.a., single source of truth) allow the office of the CFO to run the complete range of harmonized financial reports efficiently. This provides a solid base for the company's long-term decision-making capabilities and business strategies.

In some cases, accounts payable, accounts receivable and payroll users have to use multiple systems in a heterogeneous landscape to perform their duties. Centralizing financial data into a single global instance with Central Finance provides an improved platform for financial planning, resulting in real-time planning data that facilitates proactive and predictive financial reporting capabilities. The platform also improves the productivity and efficiency of shared services operations.

One global instance of finance data in Central Finance can improve the efficiency and effectiveness of the finance function. The Central Finance instance contains all universal journal postings from upstream ERP systems, making it more effective in managing:

- Financial close tasks
- Cost assessments
- Cash flow management
- Revenue recognition
- Rebate calculations

A Central Finance instance also enables the office of the CFO to be more proactive in managing the finance decision-making process and can lead to reduced time to close the books. Additional benefits include improved process efficiency, reduced total cost of ownership (TCO) and harmonized data to assist the finance team in meeting their stakeholders’ needs.

Central Finance can be implemented on-premise, in the cloud or as a software-as-a-service solution. Each of these implementation methods delivers access on any device, instant insights, and a task-based, action-oriented Fiori interface.
Additional benefits that can be realized by deploying SAP Central Finance

- Global, unified, real-time financial and management reporting
- Enterprise-wide data governance for materials, customers, vendors, banks and general ledger accounts
- Standardization of finance and accounting data and processes to create a full finance template:
  - Global, standardized financial organizational data such as cost centers, profit centers, and segments/business units
  - Intercompany processes and reconciliation
  - Corporate/group allocation
  - Centralized accounts receivable/accounts payable/asset/material ledger
  - Treasury and cash management
  - Budgeting/planning and forecasting

SAP CENTRAL FINANCE AS AN EVOLUTION, NOT A MIGRATION, TO SAP S/4HANA

The Central Finance environment is an SAP S/4HANA Enterprise Management (EM) instance that can be utilized as the initial entry point to a business’s SAP S/4HANA platform. The SAP S/4HANA EM instance has the appropriate finance functionality to enable Central Finance. SAP Landscape Transformation (SLT) technology is leveraged to integrate the upstream ERP system(s). The SAP Central Finance system can then be configured for your organization’s new or global chart and other key master data objects.

SAP S/4HANA is the right destination for your business, but it can’t be reached in a day. By using an evolutionary approach with Central Finance, you are better able to take step migrations to the SAP S/4HANA EM environment. You can plan or develop your SAP S/4HANA migration roadmap as SAP develops the full capabilities needed for your processes and business.

Starting the SAP S/4HANA journey with a Central Finance instance is a non-invasive approach for your organization. The upstream ERP system or systems continue to be operated as they currently are today. You can take advantage of the functionality and associated benefits within the Central Finance instance immediately. You can begin the SAP S/4HANA journey by first reassessing your organizational structure and master data—data elements such as the chart of accounts, cost centers, profit centers and key master data elements such as customers and vendors.

These elements will be redesigned and deployed to your Central Finance instance and mapped to your existing chart and master data elements.
The evolutionary approach to SAP S/4HANA gives your organization the opportunity to rationalize and improve the quality of key system data elements, all while building out your Central Finance instance. Master data elements shared between the new Central Finance instance and the upstream ERP system(s) are kept in sync by using SAP’s Master Data Governance (MDG) module functionality. With the Central Finance approach you are fundamentally designing and building your enterprise system for the future while continuing to operate as you do today with your upstream ERP system(s).

If your company has only one highly customized global instance of SAP ECC, Central Finance can be your deployment path to SAP S/4HANA. Over time, your organization has probably designed and built a number of customization and configuration layers that were needed due to your company’s evolving and changing business model and needs. These configurations and customizations may have also led to a proliferation of master data objects that are now corrupt, non-standard and unusable. By moving first to a Central Finance instance rather than developing a standalone greenfield instance implementation, your organization can take advantage of the SAP S/4HANA technology and its related finance benefits immediately while the full suite of SAP S/4HANA EM matures over time.

With Central Finance, organizations with a single SAP ERP instance and organizations with heterogeneous, multi-ERP system landscapes with little appetite for a large migration or upgrade project can take advantage of SAP’s finance innovations in a non-disruptive fashion while providing for business continuity. This approach offers several important capabilities:

**DIGITAL DATA ARCHITECTURE:** Flexible and extendable coding block to record and report external financial accounting data as well as all business-performance relevant (micro-segment) business dimensionality. Dynamic attributes for enhanced analysis can be acquired through virtual queries. Revenues and cost are brought together to provide margin/profit information on a micro-segment level. All financial transactions are only stored once (single source of truth) in a central financial transaction-level data repository. This provides reporting and analytics on top of a single data set without replication to reporting systems or data warehouses. This means only once, without additional replication and duplication for planning, and only once centrally across the organization in case of heterogeneous SAP and/or non-SAP system landscapes.

**ABILITY TO SUPPORT GROWTH:** Managing change, organic or inorganic growth, and internal business model concepts such as process automation, shared services or even zero-touch/exception-based finance operations. Also supported are modeling and simulation of re-organization activities; automatic adjustments to market segment reporting without (physical) re-alignment of financial postings; and re-statement of key financial reports and the ability to “plug in” entities following a merger or acquisition.

**CAPACITY TO EXTEND BEYOND THE CORE:** In the digital economy, real-time interaction rather than integration is the new standard. Pre-defined plug-ins, add-ons, and digital or cloud connectors have replaced custom integration and, through functional depth, have surpassed traditional custom integration.
When deploying SAP S/4HANA, it is possible to tailor an adoption roadmap—using SAP Central Finance—that addresses the specific areas of need or weakness in the current finance and accounting systems, processes and data. For example, an enterprise can choose to define its own adoption pace, phasing, sequencing and priorities while retaining the option to pause at any defined phase if business circumstances change. The following are alternative deployment options:

1. CENTRAL FINANCE. An enterprise has operational ERP(s) with diverse business processes and/or business models and therefore prefers to retain them as-is while enabling unified, real-time financial and management reporting across the enterprise.

2. CENTRAL FINANCE WITH SYSTEM CONSOLIDATION. In addition to global financial and management reporting, an enterprise chooses to create a full finance global template while retaining the operational ERP(s) for supply chain processes. Based on the appetite for change and business need, an organization can choose to standardize and centralize some or all of its finance and accounting processes. The organization can consolidate its disparate finance and accounting systems into its new finance template and retire them.

3. GREENFIELD. An organization uses consolidation of financial systems as the stepping stone to create a full ERP global template taking a "global redesign" approach to ERP systems, processes and data over time (rather than a big bang approach).

4. BROWNFIELD. This migration option is for an enterprise running a single global ERP instance or in the process of rationalizing its multi-ERP environment. An organization can choose to take a "big-bang" enterprise-wide upgrade path or a "bite-sized or phased" approach beginning with a technical upgrade and then steadily introducing incremental functionality improvements to address specific prioritized business process pain points.

Today the cloud and as-a-service options are becoming increasingly mainstream: infrastructure (IaaS), platform (PaaS), and software (SaaS) can be provisioned and consumed in a matter of hours without making investments or allocating resources to technical and support activities that are not core competencies. Adoption can be fast, standardized and extremely economic.

Central Finance can be deployed in the cloud without (on-premise) provision and infrastructure or application support through SAP and third-party cloud providers.

With the cloud option, production and project-based cloud systems can be provisioned in as little as 24 hours to start an implementation or rollout project.
CONCLUSION: CENTRAL FINANCE AND THE SAP S/4HANA JOURNEY

SAP Central Finance can be the means to launch your organization on the SAP S/4HANA journey. Central Finance provides a non-invasive approach to adopting financial benefits from the SAP S/4HANA platform. Starting the SAP S/4HANA journey with a Central Finance instance can give you the benefits of a greenfield implementation over time with transformational system and process improvements. The initial focus is to standardize the master data and address configuration improvements to take full advantage of SAP S/4HANA functionality. Central Finance can quickly help your organization develop one global instance of financial data.

Central Finance offers the flexibility to begin the SAP S/4HANA journey—taking advantage of its power and functionality first in finance and then using that as the foundation for an organization's next-generation digital SAP solution.
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