SAP S/4HANA migration: Why making the right choice early is so important

By Kevin Govender

30 Mar 2020

For many CFOs, deciding when and how to implement SAP S/4HANA could be the most significant technology investment choice of their career. It's a big deal.

Kevin Govender, Deloitte Africa ERP Director

With the emergence of SAP S/4HANA as a key finance transformation enabler, CFOs and business leaders are facing several key choices as they consider if and how to implement a new ERP system. We know from experience that central finance is frequently used as a first step – an efficient mechanism for beginning broader ERP deployments. It allows business units to transact in legacy systems uninterrupted during implementation. Central Finance also provides a platform for innovation, with new SAP S/4HANA capabilities built around machine learning and cognitive analytics.

These enhancements can enable organisations to achieve a true “Lights-out Finance” shared services offering, driven by a new data model, greater transparency, and fresh innovations. This means finance is no longer in the dark.

Essentially, companies' visibility into transaction data that would otherwise be masked in aggregated summary data tables or be in a completely different format altogether. Companies committed to SAP will likely find themselves grappling with SAP S/4HANA decisions over the next five years. Making choices earlier – building in time for your teams to influence both the overall vision and the implementation options – should increase the odds of getting things right.

Is this an implementation or a transformation?

SAP HANA is SAP's brand of in-memory computing, a technology that handles massive data sets without breaking a sweat. SAP built its latest next-generation intelligent ERP (SAP S/4HANA) around this technology. The company reports that more than 12,000 customers have committed to SAP S/4HANA. Traditional ERP systems are optimised for transaction processing, with data stored in many different tables. SAP S/4HANA uses its Universal Journal to store all financial transaction details in one table.

It's also a platform for real-time analytics – with no more waiting for separate reporting systems, batch jobs, and long processing times. With SAP S/4HANA Group Reporting, legal consolidations and financial reporting are executed within the core, leveraging data from the general ledger, so consolidations and financial reporting are faster, transparent and more efficient.

What is the best way to deploy the programme?

In-memory processing makes it possible to store and access a higher volume and a broader spectrum of data – supply chain, personnel, sales, distribution, procurement, you name it. But because financial data is foundational to so many business capabilities, many organisations take a finance-first approach, with SAP S/4HANA leveraging Central Finance as a tool for creating their financial system of record. That's why CFOs are often driving the case for change.

The benefits identified for the CFO can be summarised as follows:

- Run financial accounting processes more quickly and accurately due to reduced reconciliation efforts
- Increase accuracy, compliance, efficiency and speed of the closing operations
- High level of automation to record and manage AR/AP, thus lowering operational costs, decreasing days sales outstanding (DSO) and reducing bad debt write-offs
- Integrated plan and forecast more accurately to manage business performance and growth with comprehensive management accounting and controlling
- Perform detailed analysis on forecasted cash flows and daily closing balances
- Gain better understanding of the drivers of cost and the causes of underperformance by achieving a holistic view for cost management.

Careful consideration should be given to a big bang approach vs. phased approach. Taking a phased approach is especially important in an environment with a number of external systems (billings, CRM, HR) and other 3rd party applications. If your future includes more acquisitions, divestitures, and evolving business models, SAP S/4HANA can help make life easier.

ABOUT THE AUTHOR

Kevin Govender, Deloitte Africa ERP Director