



Building tomorrow's agile finance function enabled by SAP S/4HANA Finance

To meet the growing demands placed on them, and to prepare their businesses for an increasingly volatile future, CFOs must make the most of the revolutionary new technology now available. But to do so requires a new way of thinking that goes far beyond implementing the latest tools.



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By helping the finance function to deliver insight more quickly on emerging risks, new technology enables businesses to react to them more effectively.

Faced with an increasingly volatile environment, businesses are calling on their CFOs to do far more than ever before – to serve as advisors and as providers of data-driven insight, and to act as a spokesperson to external stakeholders – all while keeping costs down and maintaining quality in core activities.



To meet these challenges, CFOs must make the most of new technologies. But this requires a transformation of the finance function that goes far beyond merely process and technology changes. It requires a transformation of the finance operating model including function's structures, processes and how it manages its people.

In order to help CFOs transform their functions in the multiple ways required,

EY has brought together professionals from across its global organization, from many different disciplines, to create a new offering – EY Agile Business Finance.

New technology creates new challenges

The cloud, blockchain, in-memory computing, robotics, artificial intelligence: a transformation in enterprise technology is underway, changing the way businesses operate. And this is putting CFOs under growing pressure:

- ▶ Managing the **financial implications of technology change** is in itself a challenge. CFOs must guide their organizations to make the right investments and to make the best use of new technology. "CFOs are now having to become much more technology-savvy," says Michael Yadgar, Americas SAP Leader, Ernst & Young LLP (EY US). "They can no longer simply rely on their IT departments for this."
- ▶ Technology is also creating a **people and skills challenge** for CFOs. As many low-level finance positions are being sent offshore to captive centers, outsourced or automated, CFOs must manage entirely new career paths and succession planning to ensure the finance function maintains access to key skills.

New technology and broader trends also pose more fundamental questions for CFOs. As Samir Jaipati, EY US Agile

Finance Leader says, "The impact of new technology and globalization is driving a lot of business model changes. CFOs need to be asking: what will be our new business model and revenue streams? And how should I understand them and position my organization to succeed?"

A difficult time for CFOs

However, it is not just within businesses that change is happening. The world has entered a period of increased social, political and economic volatility, leading to a wave of new regulatory challenges, changes to long-accepted norms within finance and increased scrutiny for businesses.

Faced with such volatility and uncertainty, businesses and their stakeholders are asking their CFOs to deliver **relevant and timely insights at a lower cost**.

Greater complexity is also the norm now for CFOs. Tony Klimas, EY Global Performance Improvement Finance Leader, suggests that the combination of external strategic and internal operational factors CFOs face, along with technology challenges, may be making the role too complex for one person. "It is very important that CFOs have the right people reporting to them," he says, "and that they surround themselves with the right people who have complementary skills." CFOs are now having to interact with a far **broader range of stakeholders**, including activist investors and community stakeholders, along with traditional investors and regulators. This has pushed CFOs into more

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of a “diplomatic” role. “Many CFOs now feel they are becoming the secretary of state for the organization,” says Tony Klimas. “Instead of just worrying about financial numbers, financial performance and raising capital from the financial markets, they are spending time interacting with the media, politicians and other external stakeholders.”

A new approach for a fast-changing world

The growing rapidity of change means CFOs must prepare for an increasingly unpredictable future. For Samir Jaipati, this means they need to focus on building the capabilities their organizations will need in the future. “I tell my clients that it’s like being an athlete who doesn’t know whether in six months’ time they’ll be running 200m or a marathon,” he says. “And so, they must prepare themselves to be flexible, to be agile and to have enough stamina for whatever challenges the future presents.”

As an example of this, he suggests that CFOs should now consider zero-based budgeting – where budgets are based on the potential benefits of spending rather than on adjustments to historical spending – value-based capital allocation, and driver-based planning and forecasting.

A transformation of more than just technology

Among the key questions facing CFOs are:

- ▶ What are available and emerging technologies that are relevant for my industry and organization?



- ▶ How can I help my organization understand and evaluate threats and opportunities of these technologies?
- ▶ How can I help my business succeed with new operating models taking advantage of the latest technology?

These are not really just financial or technology questions – they affect the whole business. So to succeed with this challenge, CFOs need to embrace an overarching transformation. And that is



why EY has drawn on the skills and in-depth knowledge of its global organization to develop a broad new transformational package – EY Agile Business Finance.

EY and SAP working together

EY is working closely with SAP on developing new approaches to help clients face real problems. While SAP is not the only provider of enterprise

solutions, SAP applications are already used by a majority of EY clients, and the implementation of SAP S/4HANA Finance is a key element of the EY Agile Finance Transformation program.

As Tony Klimas explains, SAP's latest applications have an intuitive user interface design that empowers finance users. "Earlier this year at a meeting at SAP's headquarters, a team sat us down in front of a PC and, with little coaching, we quickly built a very capable reporting application using SAP cloud analytics," he says.

"I'm a finance person, not a technology person. But it was easy, in a short time, to connect to the data sources, get the information how I wanted, and to quickly build visual representations of the relevant and useful data. As someone who is often jaded about the promise of new technology, it was really quite amazing."

What EY Agile Business Finance can help finance functions achieve:

- ▶ Reduced pressure on resources through automation, elimination and better use of the business's global organization
- ▶ Relevant and timely insights and analytics to increase revenue and margin
- ▶ Greater focus on higher-value services – less time spent on data collection and cleaning, and more on providing the insights stakeholders need
- ▶ Reduced work required to maintain compliance

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- ▶ Greater agility, allowing the finance function – and the business as a whole – to respond faster, and in a more efficient way, to new challenges

A transformation in data

To help CFOs get to grips with increasing complexity and growing demands, the EY Agile Business Finance streamlines and integrates the processes by which data is collected, processed, displayed and shared.

It used to be that data was gathered from a source system, which would then send it on to the Enterprise Resource Planning applications (ERP). The ERPs would then send the data to a data warehouse, and then to planning, consolidation and



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reporting applications which would process the data, preparing it for display on the organization's dashboards. As companies grew, this process tended to become more complex, with various different systems becoming involved, often leading to a reduction in data quality.

Following the implementation of SAP S/4HANA Finance, the source of the data – such as a point of sale device – can send the data straight to the ERP, which now is the reporting layer. With access to detailed line items, the ERP can process data in real time and can provide dashboard and graphical tools to generate and share insights. The SAP S/4HANA Finance layer will also host processes for planning, consolidation, treasury, reporting and other finance processes.

Tony Klimas describes how important a shift this has been: "In 2006, I worked on a large project for a retail company that wanted analytics at the store level, in terms of items and inventory. But because it was such a big enterprise, this meant dealing with millions of lines of data, which the technology of the time simply wasn't capable of handling. Now, not only can that data be provided at store level, it can also be delivered through the cloud to mobile devices, via SAP's Fiori interface."

The ease of processing data saves CFOs time and enables them to generate new insights. But it also presents new difficulties. There is a risk that organizations will start to feel that they must analyze all the data they have, simply because they can. CFOs must help focus analytics on solving the specific business challenges.

Transforming risk management and compliance

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Traditional financial risk management was based on checking a sample of transactions. But how these risks are monitored and rectified is increasingly being automated. In the future, there will be no need to check a sample of purchase orders and invoices, because the system will check them all. And not relying on samples means the quality of risk management goes up, timelines improve and the cost of compliance goes down.

But as Michael Yadgar points out, greater use of data and technology presents its own risks, such as cyber risk. And compliance and best practice in these fast-changing fields can be something of a gray area. But thanks to its large global client base, EY can help organizations identify and implement best practice. "We are helping to 'paint the lines' more clearly, so that organizations don't need to define this for themselves," he says. "They just need to execute."

Improving CFOs' relationships with external stakeholders

By reducing the time and resources required for routine operations, a transformed finance function can allow CFOs to dedicate more time and effort to building relationships with both internal and external stakeholders. CFOs will be able to get hold of the information stakeholders

want, more quickly. And the streamlining of systems and the automation of processes will mean that that information is of a higher quality and available near real time.

New technologies, such as **blockchain**, can transform the way finance functions disclose, validate and secure both internal and external data. This can provide new opportunities to engage external stakeholders, resulting in better relationships with investors, banks, regulatory bodies, suppliers and customers, and can also be applied to back office functions such as intercompany accounting.

On the **supplier side**, blockchain can enable a more integrated network, giving suppliers secure access to the information they need – e.g., regarding invoices, purchase orders and payments. And, for the customer-facing aspects, a single system can offer customers the information they need on products, and can bill them in a timely fashion. Improvement can also be made in managing quality issues quickly increasing customer satisfaction and reducing the burden on the finance function to provide these services.

Solving the talent and people challenges

Robotics, artificial intelligence and automation tools are together disrupting traditional finance career paths, presenting CFOs with serious long-term challenges regarding people and talent. And technology is also disrupting the traditional outsourcing model. The cost advantages of outsourcing routine work are being undercut by automation, while, at the



same time, new technology is making it easier and more efficient to work across borders than ever before.

The ongoing technological revolution is reinventing the work people do: how they do it, where they do it and who does it. The CFO cannot take full advantage of new technologies without addressing the people issues these technologies help to create. So EY Agile Business Finance includes an Organizational Capability Excellence (OCX) offering – an approach that draws on the skills of EY People Advisory Services teams to help CFOs address current and future people and talent challenges, essentially the human capital agenda for Finance.

Step by step, into the future

The new capabilities to be had by fully harnessing SAP technologies and EY insight have great potential. But every organization is different, and each finance function faces unique challenges. So EY Agile Business Finance has been designed to be flexible enough to address the specific requirements of each client.

EY Agile Business Finance is focused on improving the investment an organization makes in its technology platform. And it is designed to offer value incrementally throughout the transformation process – unlike a “big-bang” approach, which only delivers value only on completion. But while it works at improving the value of the technology organizations have today, EY Agile Business Finance is also very much future-focused, designed to prepare organizations for the new technology and new challenges awaiting them tomorrow. ■

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