

We believe S/4
HANA's value case
is in effectiveness
and not efficiency

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EY

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Background

With aging and disparate ERP landscapes, many businesses are embarking on the journey to S/4 HANA. This journey is not without its perils, but we believe the only way to make it worth the while is having a laser focus on the insights you want to drive and therefore the value you want to capture. A move to S/4 HANA will not pay in efficiency gains alone.

The world is going through an unprecedented level of change. Macro-economic factors like inflation, trade-wars, and political changes; industry level changes such as digitisation, changing consumer demands and sensitive supply chains; and regulatory changes such as ESG and tax regimes are impacting businesses like never before.

Against the backdrop of all this change, businesses are looking to navigate the instability whilst also driving growth. Insights, that are timely, accurate and relevant, have never been more critical.

Within a business, we believe finance is the right place to drive these insights, but they cannot do it alone. Over the past years, finance has become increasingly automated, particularly in the realms of operational finance – accounts receivable, accounts payable, etc. This leaves finance with a choice – continue to slim down and be a controlling only function or take up the insights mantle and drive value across the business.

An S/4 HANA transformation is the perfect opportunity for Finance to add value through data and insights. Whether it's a pharma company looking to understand more about indication or value based health, or a CPG wanting to set up pricing structures to view profitability across retailers and direct to consumer; its critical to understand the insights you want to drive, right at the start of your S4 journey so the data model and other components can be configured with this in mind. If you miss the chance, it becomes increasingly difficult to retrofit once the transformation is complete.

We have devised the data to insights approach that put finance at the heart of value-based insight generation using S/4 HANA as an enabler and an accelerator. In this article we will cover what this means, how you go about it and what are some of the wider benefits. We will follow this up in a series of articles covering some of the common challenges that must be overcome as well as the relevance on an industry-by-industry basis.

Laying the groundworks

Affecting business change by delivering the insights is a journey, and one that doesn't necessarily ever end. Firstly, it is critical to identify and have a laser focus on your priority strategic areas which can unlock the most value. Next up you must decide the types of insights that are needed to drive value in this area – these are the key inputs into your S4 and wider system design and to build out a roadmap that can deliver value in the most optimally phased way.

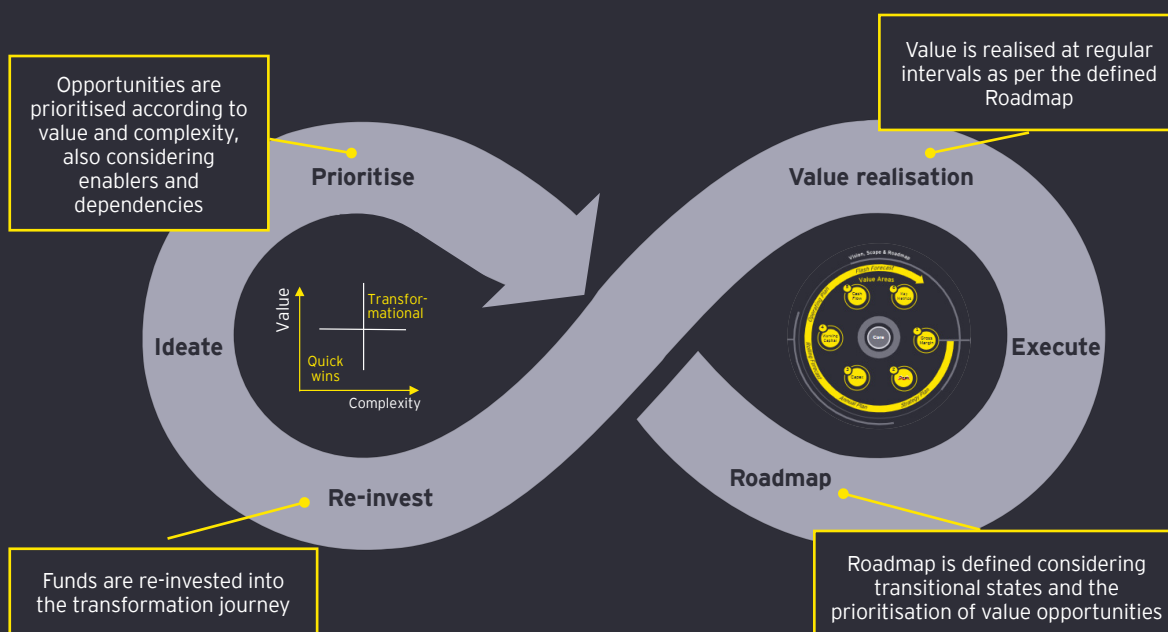
Setting yourself up for success needs clarity about your long-term vision. Understanding, at least at a high-level, the future data structures required to support performance management and Management Reporting will ensure regret spend is minimised and it will also be a key input into the ERP design as you go about modernising your finance core.

How to go about realising value

To create a long-lasting capability, we recommend funding your data transformation journey through a venture capital approach. This entails periodic value realisation: at regular intervals, the value the programme has unlocked is quantified and then used as a re-investment into further progressing the journey, essentially becoming a self-funded model. This ensures the project is always focusing on value and does not get bogged down in long project timelines that ultimately underperform versus their stated aims and are often out of date by the time they are delivered. You don't need to wait for your S4 journey to start to commence a data to insight journey, everything you do will be an input to the design and value can be realised ahead of time. One example would be in a consumer business looking to drive margin improvement; tactical solutions can be put in place to report on price volume mix through data consolidated in SAP Analytics Cloud or by driving visibility of full product profitability using PaPM. This has the benefit of driving business value but also starting to uncover underlying data issues that need to be fixed.

To deliver against this methodology in an agile way we recommend:

1. Opportunities are prioritised according to value and complexity, also considering enablers and dependencies.
2. A roadmap is defined considering transitional states, the prioritisation of value opportunities and the S4 journey.
3. Value is realised at regular intervals as per the defined roadmap.
4. Funds are re-invested into the transformation journey, taking you back around to the first step where you consider the opportunity backlog, potentially adding new items based on any changes to business conditions or overall strategy.



Why do it

Unlocking value in strategic priority areas should be enough of a reason for leadership to sign-up to an agile data to insights transformation but there are also many other compelling reasons to go on the journey:

People

People are at the heart of any transformation. Embarking on a data to insight journey will help to invigorate your existing workforce, whilst also making you a beacon for talent in the industry. By removing manual tasks through automated data collection and cleansing, there will be more time to train your employees on the agile mindset and data specific skills that are needed to derive insights, and also ultimately more time for decision support. With insights at their fingertips, finance business partners will become truly strategic counterparts to the business – helping to make decisions across the value chain.

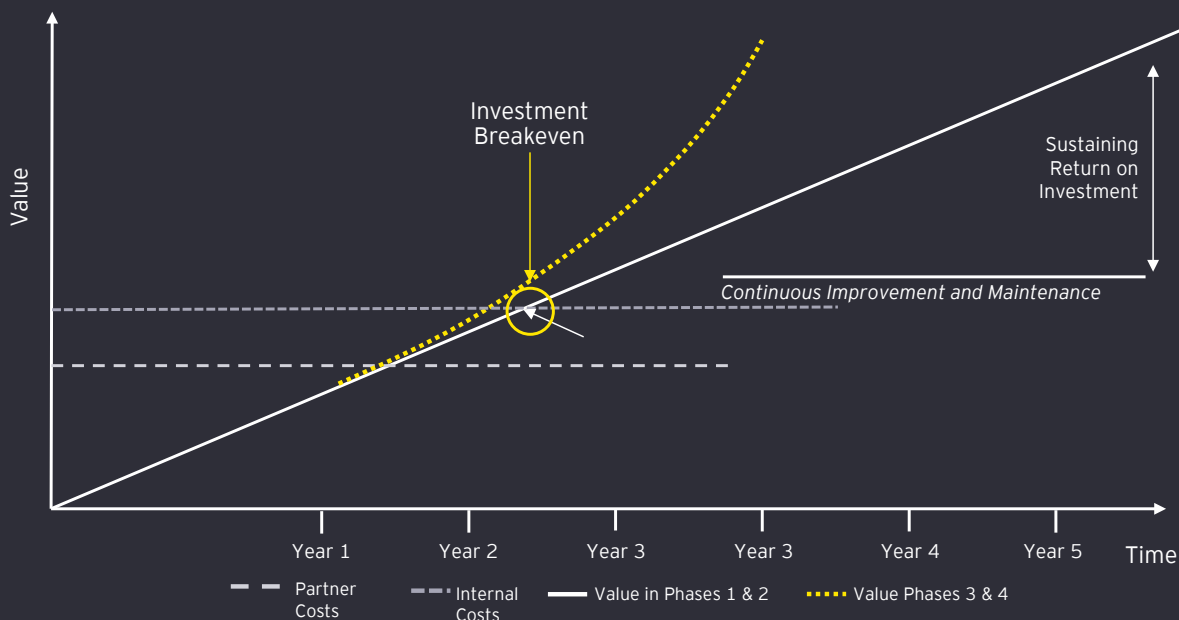
Holistic transformation

A data to insights programme cannot be undertaken in isolation. By working in conjunction with other projects, synergistic benefits can be achieved. Data is a critical component of almost all programmes, be it a supply chain transformation or a commercial system implementation. A data to insight project can support, either directly or by providing the framework and operating model, with data cleansing and aligned data hierarchies and in breaking down any functional silos that exist.

Control & Transparency

Having finance at the heart of a data to insights programme will naturally bring the rigour and control that Finance is known for. By having better control and transparency of data through defined data lineage from source to insight, the confidence in organisations information & insight can be increased. When conversations about a data's source or its accuracy become a thing of a past, you can focus on using the insights and making decisions.

Indicative Insight capability Return on Investment



Summary

We believe finance is at a turning point – it must choose whether to progress against an automation priority and reduce its influence across the business, or whether to become the heart of data driven decision making, realising value aligned with company strategy. Whilst investing significant amounts in an S4 transformation, we believe that the only way to make it pay is to do the latter and there is no better way to go about it than to apply our data to insights approach. If you agree with us and want to kick start the next phase of your finance function, please do get in touch.

Contacts



James McElhone

Partner
Business Consulting

T: +44 (0) 12 2339 4766

james.mcelhone@uk.ey.com



Alex Robinson-Sandhu

Director
Business Consulting

T: +44 (0) 20 7951 9318

alex.robinson-sandhu@uk.ey.com

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