

WHITE PAPER

Accelerate your finance transformation by choosing the right S/4HANA Finance product and deployment option



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Abstract

SAP S/4HANA Finance solution has revolutionized the way finance functions are performed in an organization while addressing today's business trends and setting a new trend towards simplification. However, with various SAP S/4HANA products, their various versions, deployment options, and jargons, organizations are confused to choose the option that is the best fit for their business needs. Also, they are unsure about the business benefits, risks, and costs for each option. The end result is that while they are eager to migrate to S/4HANA Finance, they are unsure of how to migrate to the best and most relevant product as well as the deployment option for S/4HANA Finance, which helps them accelerate their transformation and innovation in finance to maximize their return on investment (ROI). This paper compares the various available SAP S/4HANA Finance on-premise products and deployment options and evaluates the key criteria to provide a decision matrix which organizations should consider in making the right choice to accelerate their finance transformation.

New financial regulations across the globe are necessitating change. This, coupled with the need for fast financial reporting, has created an enormous opportunity for savvy enterprises. The traditional siloed finance accountant who is out of touch with the day-to-day operations of a large-scale organization is a thing of the past. The future is the connected enterprise with enterprise-wide information available at the finance department's fingertips. The world of data is changing swiftly, and financial operations must deal with enormous amounts of data processed at higher speeds, the granularity of the data,

and the flexibility required in reporting. Against this backdrop, the entire set of processes that deal with closing financial transactions have necessitated faster closing and reporting.

SAP S/4HANA Finance solution addresses today's business trends and sets a new trend towards simplification. With features like real-time reporting, single source of truth, highest granularity, dynamic and predictive planning, and accelerated financial closing, it provides a finance organizations a future-proofed solution with consumer-grade user experience.



Figure 1: S/4HANA Finance business and IT benefits

However, with various SAP S/4HANA versions, deployment options, and jargons, organizations find it challenging to choose the option that is the best fit for their business needs. Also, they are unsure about the impact of each of these options on an overall business, infrastructure, and IT. The end result is that while they are eager to migrate to S/4HANA Finance, they are unsure of how to migrate to the best and most relevant product as well as the deployment option for S/4HANA Finance adoption.

While a detailed technical and functional assessment is a pre-requisite to choose the right S/4HANA Finance adoption option, in this article, I have highlighted some of the key criteria which should be considered while deciding each of these options. This article includes the evaluation of only on-premise versions/options for S/4HANA Finance and does not include cloud-based SAAS solution options for S/4HANA. However, most of these drivers for the selection of the right product and deployment option for S/4HANA Finance remain common across on-premise and cloud solutions.



Finance product options with S/4HANA

Let us look at various product options available for clients with S/4HANA Finance:

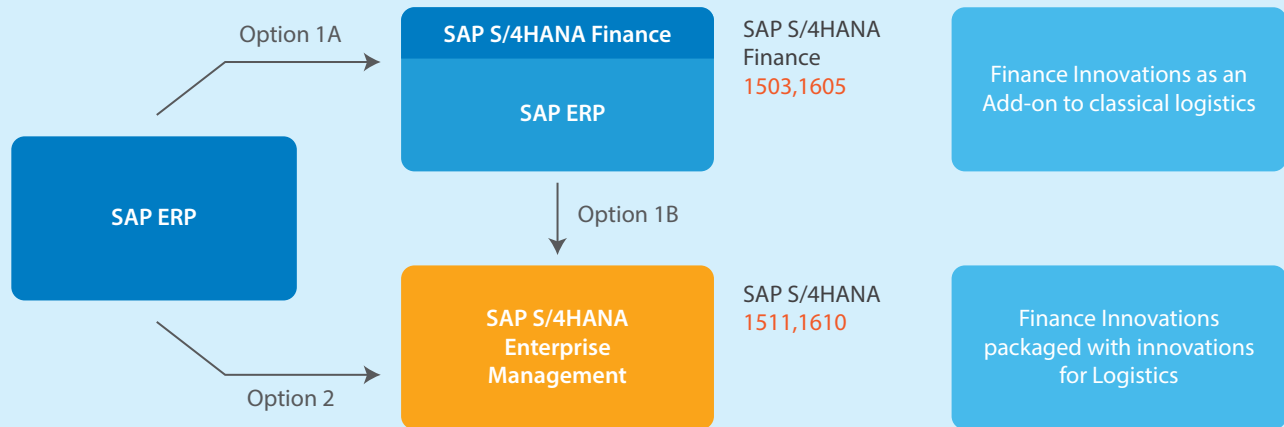


Figure 2: S/4HANA Finance On-Premise Product Options

Option I : S/4HANA Finance Add-on: S/4HANA Finance can be installed as a technical add-on on an existing ECC (ERP Central Component) 6.0 system. With this option, all the innovation available only with Finance in S/4HANA can be leveraged. Logistics functionalities continue to work in a classical way. The last released on-premise version is S/4HANA Finance 1605

Option II : S/4HANA Enterprise Management: In this option, the finance innovations are packaged along with innovations for logistics. S/4HANA Enterprise Management is a suite of simplified solutions for all tracks. The last released on-premise version is S/4HANA Enterprise Management 1610

While the right product option needs to be determined by clients as the outcome of the detailed assessment, below are some of the key factors which should be considered in making this decision:

S.No	Criteria	Option I: S/4HANA Finance Add-On	Option II: S/4HANA EM
1	Product maturity	<ul style="list-style-type: none"> Relatively more mature product for finance innovations 	<ul style="list-style-type: none"> Relatively less mature product, especially for logistics innovation
2	Short term vs. long term	<ul style="list-style-type: none"> Short-term or medium-term solution as a quick win. Also, the official SAP product support for ECC 6.0 ends by 2025 	<ul style="list-style-type: none"> Long-term solution as a full business suite with innovations for all tracks including finance
3	Costs, risks, and complexity	<ul style="list-style-type: none"> Relatively lower license and implementation costs. Lower complexity, risks, and change management efforts 	<ul style="list-style-type: none"> Relatively higher license and implementation costs with higher complexity, risks, and change management efforts
4	Maturity of business processes and solutions	<ul style="list-style-type: none"> More suitable for clients with high maturity of finance processes and solutions as compared to logistics 	<ul style="list-style-type: none"> More suitable for clients with high maturity of logistics processes and solutions as compared to finance
5	Innovations in finance	<ul style="list-style-type: none"> Relatively less innovation in finance as compared to S/4HANA EM 	<ul style="list-style-type: none"> All innovations in finance including those in S/4HANA Finance Add-on plus additional ones are part of S/4HANA EM

Table 1: Key criteria for decision on S/4HANA Finance Add-on Vs S/4HANA EM

Let us look at a comparison of the key finance functionalities/innovations available with S/4HANA Finance 1605 (add-on to ECC) vs. S/4HANA EM 1610. The relevance of these functionalities to clients is also a key driver in the selection of the right product option:

Area of innovation	S/4HANA Finance 1605	S/4HANA EM 1610
Material inventory valuation	<ul style="list-style-type: none"> Material ledger is not mandatory 	<ul style="list-style-type: none"> Material ledger is mandatory
Business partner for customer vendor integration	<ul style="list-style-type: none"> Business partner functionality is not mandatory 	<ul style="list-style-type: none"> Business partner is mandatory
Credit management	<ul style="list-style-type: none"> SAP Credit Management (FIN-FSCM-CR) is not mandatory, and clients can continue with accounts receivable-credit management (FI-AR-CR) 	<ul style="list-style-type: none"> SAP Credit Management (FIN-FSCM-CR) is mandatory, and accounts receivable credit management (FI-AR-CR) is not supported
Revenue recognition	<ul style="list-style-type: none"> Both SD Revenue Recognition and SAP Revenue Accounting and Reporting (RAR) solutions are supported 	<ul style="list-style-type: none"> SD Revenue Recognition not supported. Only SAP Revenue Accounting and Reporting (RAR) solution is supported
Financial consolidation	<ul style="list-style-type: none"> Real-time consolidation functionality in Embedded BPC is not available 	<ul style="list-style-type: none"> Real-time consolidation functionality available with Embedded BPC
Parallel ledgers	<ul style="list-style-type: none"> Subsequent introduction of parallel ledgers in S/4HANA conversion project is not supported 	<ul style="list-style-type: none"> Subsequent introduction of parallel ledgers in S/4HANA conversion project is supported
Bank account management	<ul style="list-style-type: none"> Centralized bank account management with IDOCs is not supported 	<ul style="list-style-type: none"> Centralized bank account management with IDOCs is not supported
Planning	<ul style="list-style-type: none"> Infocubes as the basis for planning in Embedded BPC 	<ul style="list-style-type: none"> New table ACDOCP for planning. Both planning persistencies — Infocube and ACDOCP can be used
Central finance	<ul style="list-style-type: none"> Mass upload for mapping maintenance and reconciliation reports are not available 	<ul style="list-style-type: none"> Mass upload for mapping maintenance and reconciliation reports available as new innovations

Table 2: Comparison of finance innovations in S/4HANA Finance 1605 vs. S/4HANA EM 1610

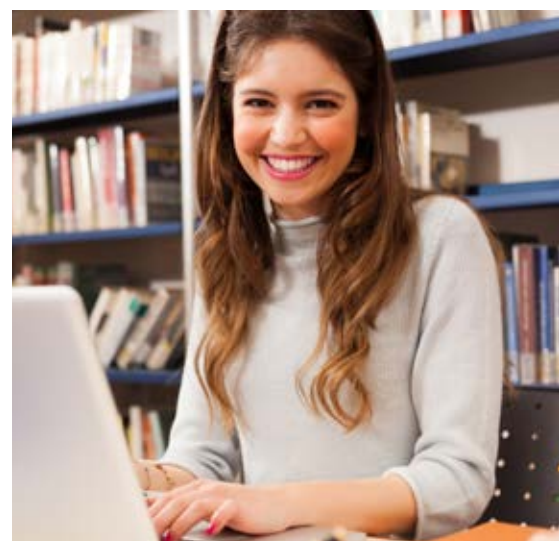
Another key factor to be considered while finalizing the right product option is the output of technical assessment based on automated and manual pre-checks to analyze the impact on below areas:

- Mandatory functionalities. E.g. material ledger and SAP Credit Management are mandatory in S/4HANA EM 1610 but not in S/4HANA Finance 1605 Add-on
- Business functions and IS solution supported. This varies for S/4HANA Finance Add-on and S/4HANA EM
- Compatibility with third party products, adapters, satellite systems, and integration points
- Impact on custom code

Based on the evaluation of all the above criteria, clients can look for adoption of either of the two approaches below:

- Adoption of S/4HANA in two steps with
 - The first step of S/4HANA Finance add on top of ECC 6.0 as a quick win to leverage finance innovations and prove the business case for S/4HANA based on relatively stable and matured product of S/4HANA at lower cost, complexity, and risk
 - Subsequent step of conversion from S/4HANA Finance to S/4HANA EM on a long-term basis to leverage additional innovations in finance along with all innovations in logistics

- Adoption of S/4HANA in a single step with migration to S/4HANA EM, leveraging the latest innovations in finance and logistics



Deployment options for S/4HANA Finance:

Let us now look at the various landscape deployment options for S/4HANA Finance applicable for both product options S/4HANA Finance add-on or S/4HANA Enterprise Management.

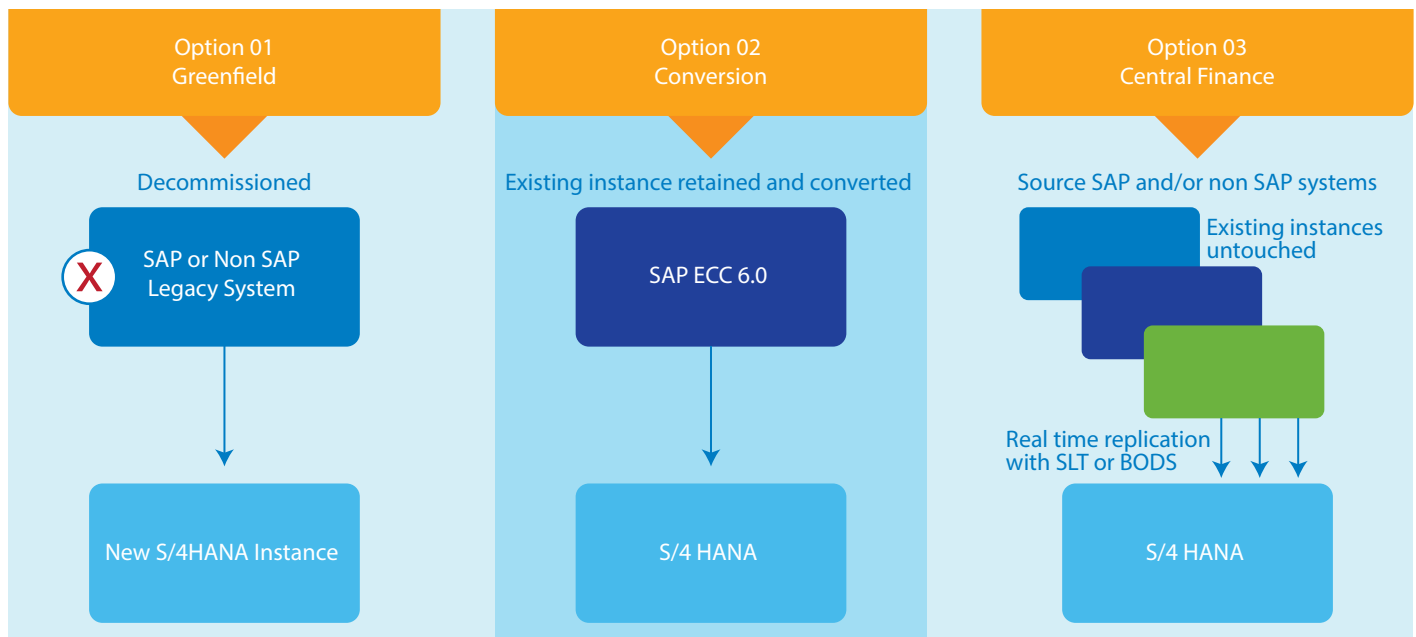


Figure 3: S/4HANA Finance deployment options

Option 1: Greenfield implementation: In this option, the existing SAP or non-SAP instances for finance are decommissioned and replaced with a new instance of S/4HANA. The greenfield approach is primarily suitable for clients looking for opportunities to reinvent their business models and redesign their existing finance business processes and solutions in legacy SAP or non-SAP systems. Also, this option is suitable for clients embarking on a major business transformation program to design a new global template with harmonization of finance master data, enterprise structures, and processes across legal entities in one or multiple instances as a key driver. The degree of complexity, change management, risks, and data migration efforts are usually high in this option with a longer payback period for return on investment. At the same time, this option provides the flexibility to leverage all the innovations available with S/4HANA Finance. Greenfield option is preferred when clients are looking to consolidate their multiple SAP Finance instances into a single global instance.

Option 2: System conversion: This is a relatively less disruptive option for S/4HANA Finance adoption. In this existing SAP, ECC instance is retained and converted to either S/4HANA Finance Add-on with only finance innovations or S/4HANA Enterprise Management with both logistics and finance innovations. This option is suitable for clients with relatively harmonized and optimized finance business processes, master data, enterprise structure, and key design elements like a new general ledger (GL), profitability reporting etc. in their existing ECC system. In such a scenario, clients are looking for a pure technical conversion to S/4HANA by implementing the minimal mandatory technical prerequisites and leverage new innovations with S/4HANA Finance only for selected processes areas or defer their adoption to a future date. The degree of complexity, change management, risks, and data migration efforts are usually medium to low in this option with a relatively lower payback period for ROI. The system conversion option is preferred for clients with a single instance landscape of ECC 6.0.

Option 3: Central finance: This is the least disruptive option for S/4HANA Finance adoption. It's primarily suitable for clients with a distributed heterogeneous landscape with multiple SAP and non-SAP instances for financial transaction processing. In this option, the existing SAP and non-SAP instances are untouched, and the financial postings (financial accounting and controlling documents) in the existing instances are replicated in real time through SLT-R (System Landscape Transformation Replication Server) or BODS (Business Objects Data Services) to a separate S/4HANA Central Finance instance. Central finance is preferred as an option for clients with multiple distributed finance instances looking for a quick win with a centralized real-time enterprise-level financial reporting at a granular level. Also, clients looking for a solution for quick and easy integration of mergers and acquisitions with their legacy systems to a centralized financial reporting instance can leverage Central Finance. Central Finance instance can be either a S/4HANA Finance Add-on installed on an existing

ECC system or a new S/4HANA instance with S/4HANA EM. It also acts as a lever for harmonization of financial structures and finance master data in a single instance and is the first step in the roadmap towards a single finance instance for transaction processing to leverage the benefits of shared accounting services. It is a de-

risk approach of S/4HANA adoption for financial reporting in a shorter time frame, mitigating some of the risks associated with the long-term S/4HANA template rollout program. The degree of complexity, change management, and risks are lowest with this option.

Let us now look at a comparative view of the impact of key finance drivers which influence the selection of each of these options:

S.No	Key Finance Drivers	Greenfield	Conversion	Central Finance
1	Need to redesign and standardize Finance processes with a new template and minimal reuse	High	Low	Medium
2	Harmonization of Finance Master Data, Chart of Accounts and reporting structures in a single instance landscape	High	Low	Low
3	Harmonization of Finance Master Data, Chart of Accounts and reporting structures in a multi Finance instances landscape	Medium	Low	High
4	Reuse existing mature Finance process template, Master data and enterprise structure with minimal changes	Low	High	Medium
5	High degree of client specific custom development most of which needs to be retained	Medium	High	Low
6	Activate New GL document splitting and parallel ledgers functionality not existing in current landscape and decommission Special Purpose Ledgers	High	Low	Medium
7	Distributed Finance landscape with a need for unified enterprise level operational reporting as a quick win replacing SAP BI	Low	Low	High
8	Need to continue high number of satellite systems in integration with Finance transaction processing system	Medium	High	Low
9	Leverage functionality of real time consolidation and planning with embedded BPC in a distributed Finance landscape	Medium	Low	High
10	High number of existing Add-On, Business Functions active in ECC which prevent conversion to S/4HANA Finance	High	Low	Medium
11	Continue with classic logistics functionality and adopt only innovations in S/4HANA for Finance	Low	High	Medium
12	Quick and easy integration of new acquisitions/mergers for Financial reporting with minimal disruption	Low	Low	High

Impact of driver for adoption of options  High  Medium  Low

Figure 4: Decision matrix for evaluation of S/4HANA Finance deployment options



Conclusion

Choosing the best fit S/4HANA product and deployment option is key to the success of the S/4HANA-enabled digital transformation of finance business functions and landscapes. Some of the key aspects which organizations should consider to make this decision include S/4HANA Finance product maturity and innovations, business priorities, costs and risks, finance process harmonization, custom development, and existing technology landscape in finance with satellite and add-ons. By understanding how each of these key criteria influences the choice of S/4HANA Finance product and deployment option, organizations will be better equipped to make a right decision while embarking on the S/4HANA-enabled finance transformation journey.

About the author



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Kedar Muzumdar is a finance expert with more than 13 years of consulting experience. He currently leads the S/4HANA Finance function in the Infosys Transformation center of expertise (CoE). His key responsibilities include providing consultations to digitize the core business operations of enterprises through S/4HANA Finance, build internal capabilities, and develop new Infosys tools and differentiators. Consequently, he works closely with clients to identify and quantify value drivers while creating business cases and project roadmaps with S/4HANA Finance. At the same time, his other responsibilities include creating scenario-based proof of concepts to engage with clients better, demonstrate new functionalities with S/4HANA, and provide expert guidance to ongoing Infosys projects in S/4HANA Finance. In the past, he has collaborated with SAP product development experts for co-innovation of new solutions with S/4HANA.

Kedar is a certified consultant for SAP S/4HANA Finance and FICO with strong accounting, costing, finance, and taxation expertise. Having worked in multiple finance transformation programs for global corporations, he is passionate about building innovative solutions that amplify the effectiveness of business processes. His primary areas of expertise in SAP FICO include new general ledger (GL), account receivables (AR), account payables (AP), banking, fixed assets, profitability analysis, product costing, and material ledger. Over the years, he has lead geographically distributed teams in finance implementation, support, rollout, and upgrade assignments. What's more, he has also authored four white papers in SAP Financials Expert from Wellesley Publications.



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