
Making finance more than just a scorekeeper

PwC Consulting Services

***An overview of PwC's SAP Finance
Transformation solution***



SAP Finance Transformation

Finance organizations have been evolving from the traditional role of back-office scorekeeper to a more strategic role, helping to set direction and contribute to the business as a partner. The quest to transform finance into a proactive, strategic business collaborator and redefine it as a service-oriented business focused on providing value-adding, cost-effective services, however, is fraught with challenge. Today's finance organizations are faced with balancing conflicting demands and priorities in three areas:

Efficiency: Changing business models, mergers, organizational restructurings, and fragmented system architectures have increased the complexities of back-office finance organizational structures, management reporting, and processes. This has led to higher costs, slower cycle times, inconsistent reporting, and an overall perception of finance as being unable to respond to business needs with agility.

Insight: Expectations of finance from internal and external stakeholders are growing exponentially, but data and information environments remain siloed, processes are nonstandard, and too much time is spent on manual intervention. Organizations need more timely and relevant management and financial information to provide value to the business and give a more complete perspective view.

Compliance and control: Businesses must plan for new regulatory reporting requirements while maintaining continued internal control effectiveness. Finance will be the driver to lead the business through pending IFRS and accounting convergence financial reporting changes, which may have a significant impact on business processes and systems. The finance function will once again have to move from a business support role to a regulatory compliance support role, which could inhibit finance from supporting the organizations growth objectives.

With operating models and competitive challenges continuously evolving, to leverage the potential value of their finance functions, companies must:

- Ensure finance has the right skills and capabilities to support the business operating model and satisfy the needs of the organization
- Ensure the delivery of consistent, accurate, timely, and relevant management information to support business-wide decision making and risk management
- Standardize and simplify processes, and support technology to curb costs and enhance efficiency and flexibility

Solutions from an experienced leader

At PwC, we understand the CFO organization and what it takes to transform your finance function into a flexible operation that supports management decision making and corporate strategy. Through comprehensive accounting, tax, and organizational expertise, as well as extensive knowledge of SAP offerings from a technology perspective, we've developed leading finance processes and structures we use to help clients increase

SAP Enterprise Resource Planning (ERP) and Enterprise Performance Management (EPM) capabilities. Plus, our global reach in understanding regulatory and compliance issues helps achieve efficient solutions fast.

Regardless of the reason for setting out on a finance transformation journey, many companies fail to achieve their goals because of poorly designed implementation strategies. Our research tells us that successful companies that are able to operate at much lower cost while sustaining high levels of efficiency, insight, compliance and control have the following key attributes in common:

- Transfer much of the routine transactional activity to consolidated service centers and achieve faster close times through active standardization and simplification
- Better use of high-value specialists' time achieved through standardization of data models across markets and within business units, and investment in sophisticated business information and analytical tools
- Combine financial and nonfinancial management information and develop simple and transparent metrics to align financial performance with the delivery of strategic objectives
- Strategic approach to cost management, distinguishing savings opportunities from spending required to sustain the delivery of business objectives
- Greater investment in business partnering with a clear focus on providing business insight (a greater proportion of resources engaged in insight activity)

Renew your finance organization with a roadmap for efficiency and success

PwC's SAP Finance Transformation service offering helps clients redefine their organizations with a roadmap for efficiency and success across their entire finance operation – from transaction through decision support – so they can deliver greater value to their customers and do it in a cost-effective, controlled manner. Critical goals include: standardize and simplify financial processes; develop a common financial language to promote governance, include standard accounting policies and procedures and a common Chart of Accounts; minimize divergent practices (e.g., eliminate "workaround" processes); improve management reporting by monitoring key performance indicators (KPIs) and key risk indicators (KRIs) to improve processes (e.g., measure to focus effort). Our service offering focuses on three solution areas:

Transactional Efficiency

- Financial and management accounting: SAP ERP with New General Ledger (GL)

Business Insight

- EPM: SAP Planning and Consolidation (BPC)
- Management reporting : SAP Profitability and Cost Management (PCM)
- Dashboards and scorecards: SAP Strategy Management, Xcelcius

Compliance and Controls

- Accounting change: SAP application alternatives and options
- GRC: SAP Access Control, Process Control, Risk Management

Improving transactional efficiency

Streamlining operations and standardizing processes are essential to reducing costs, enhancing efficiency, and freeing up more resources for insight and analysis. By consolidating transaction processes as well as financial reporting and project accounting, organizations not only gain cost savings and release time for value-add activities, but they also gain a finance function that's more robust and scalable to support business growth.

Today, however, businesses are often unable to attain this level of efficiency because of financial and management accounting challenges such as:

- Lack of standardization of business processes
- An existing organizational structure that doesn't align with current and future reporting needs
- Inconsistencies in the current setup and use of Chart of Accounts
- No standard way to achieve balanced reporting by dimensions other than company code
- Cumbersome multi-GAAP reporting options
- No standard way to achieve balanced segment reporting for SEC/IFRS
- Time-consuming month-end close and other support activities

Addressing ledger challenges with New GL

PwC can help you address these challenges by implementing SAP ERP with New GL to enable unified reporting for financial and management accounting. Building on PwC's proven expertise from a finance perspective, we bring in a process-oriented team along with a technology solutions team to provide a holistic view of results-producing changes you can make, taking the three pillars of people, process, and technology into consideration.

Using our proven methodology customized to SAP solutions, we will assess and understand your current-state environment, map it to industry-leading practices, benchmark and do a gap analysis, and then determine how you can align your future-state processes with the gaps identified. Through this process, we can help you achieve a global, standardized chart of accounts structure; standardize the master data, removing errors and redundancies; and reduce customization of tools to leverage standard capabilities and make the system more flexible and agile for future enhancements and upgrades. With our solution in place, you can achieve the following benefits:

- A standardized global chart of accounts structure with clear descriptions
- Clear guidelines and common procedures for intercompany transactions

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- Minimal manual processing of journals
 - Cost accounting managed through a standardized technology platform
 - Automated, standardized expense capture
 - A fully integrated, single fixed-asset system, including intangibles
 - Highly automated reporting that is easily accessible to the appropriate stakeholders
 - A timely financial close process (and/or virtual close process)
 - Few reallocations or corrections required and performed in a timely manner at month end
 - GAAPs aligned with finance systems flexible to report in different GAAPs if required
 - An up-to-date and widely available policy and procedures manual that provides guidelines on how to apply GAAP-compliant accounting policies and other external reporting requirements
 - Standardized master data (removing redundancies and duplicates)
 - Reduced customization of tools to leverage more standard capabilities of the tool, making the system more flexible and more agile for future enhancements and upgrades

Improving business insight

Finance organizations that develop genuine internal business partnerships will be the ones providing their businesses with a real competitive edge. To deliver a leading finance function, your organization must not only address efficiency, control, and compliance, but also provide the business insight that's critical to decision making.

Current roadblocks to delivering that insight include:

- Long planning and budgeting cycles due to lack of integration
- Lack of rolling forecasting capabilities to respond more quickly to business needs
- Long close cycles with a lack of trust in data, extensive reconciliation efforts, multiple user interfaces, and highly customized reporting efforts
- Multiple versions of truth, since data is not integrated between planning and consolidation systems
- Poor reporting capabilities related to customer and product profitability analysis
- No single source of dashboard and scorecarding capabilities to link the strategy to execution

An integrated Enterprise Performance Management framework

PwC can help you develop a systematic, integrated approach to performance management that links enterprise strategy to core processes and activities, with planning, budgeting, analysis, and reporting that provides measurements to empower management decisions. We use a phased approach to implement: SAP BPC for a unified planning and consolidation system, reducing reconciliation, and ensuring a single version of the truth across your enterprise; SAP PCM to help you achieve better cost management and profitability analysis; and SAP Strategy Management and Xcelsius for dashboards and scorecards to help decision makers visualize complex data, translating strategy into sustainable performance and enabling an agile enterprise. Our solution will help you achieve benefits such as:

- Clear and comprehensive budgeting and forecasting guidelines
- Reduced time spent on budgeting (with an annual budgeting cycle that takes under two months)
- Driver-based budgeting process with a clear distinction between review mechanisms and cycles for strategic growth plans and routine operating plans
- Organization-wide standard formats for assumptions, data collection, and timetable
- Budget to include financial (profit) and non-financial (customer satisfaction), internal (gross margin) and external (market share) measures
- The right information, at the right time, in the right place to support business needs
- Real-time customer and product profitability analysis available to the business
- Governance in place to ensure ownership and integrity of management information
- One source of the truth—consistent and accurate information across reports and functions
- Balanced scorecard designed with financial and non-financial measures to give a holistic approach to performance management
- Standard reports are proactively used by management to aid decision making

Improving compliance and controls

In addition to improving transactional efficiency and enabling business insight, businesses also need their finance function to manage compliance and financial control. With CFOs accountable to both the business and to the financial community, finance organizations must consider how to design and implement frameworks that integrate the different control requirements to manage risk efficiently and cost effectively, while maintaining the flexibility to respond to future regulatory change.

The next several years will bring major changes to U.S. financial reporting and the effect on U.S. businesses will be considerable. To position themselves for success, finance organizations must consider three critical issues:

- **IFRS:** Plan for large-scale accounting changes driven by anticipated incorporation of IFRS into U.S. domestic reporting system
- **Convergence:** Making changes to address ongoing convergence between US GAAP accounting and IFRS
- **Controls optimization and governance:** Creating an integrated, automated internal control environment that is linked to an efficient testing and compliance process

To accomplish these goals, organizations need greater transparency and accountability, an embedded culture of controls awareness, better management of risk and technology leveraged to drive compliance.

How PwC can help

At PwC, we understand that implementing new accounting standards is not just an accounting matter, but a business-transformation project impacting people, processes, systems and tax. Convergence and an eventual conversion take time and require careful planning to avoid surprises that are costly to address after the fact. With our extensive background in tax, assurance and controls, combined with industry-specific process knowledge and deep technical understanding of SAP solutions, we can help evaluate your IFRS conversion readiness. We will then develop a roadmap tailored to your specific needs that addresses future goals as well as current convergence and controls optimization requirements.

Our methodology provides a framework for the complete lifecycle of transition to IFRS and accounting changes. Whether you need to take advantage of new functionality and finance applications (such as New GL to enable parallel ledgers or BPC for enhanced and Multi-GAAP reporting) or completely redesign your processes and SAP systems to handle your organization's resulting impact of accounting change, we help you through the change and develop cost-effective alternatives and options that meet your objectives.

As a result of the recent financial environment and pending accounting changes, we also recognize this is an opportunity to optimize, automate, or reign in your internal control compliance processes and requirements. Utilizing the latest SAP GRC security and process tools, such as SAP Access Controls, Process Controls, and Risk Management, we can help finance find the right balance among risk-based internal controls, cost, and time spent on your compliance process and requirements.

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Our methodologies and solutions can help you realize the following benefits:

- Finance function seen as a center of excellence for control across all businesses
- A roadmap for US GAAP convergence and IFRS conversion— with key business milestones — that gets reviewed and refreshed frequently
- Phased embedding of detailed IFRS/accounting change requirements into the general ledger and subsystems, thus avoiding the need for IFRS to be achieved only through manual adjustment in the consolidation and reporting system
- Systems that are flexible enough to support the ongoing need for reporting in US GAAP, IFRS, and other reporting standards, minimizing the need for ongoing technology changes.
- Key risks and controls identified and documented for all significant processes
- Real-time controls improvement in place with long-term cost-effectiveness strategies
- Centralized control rationalization program
- Automated/standardized controls and processes monitored for continuous improvement
- Controls and assurance/attestation fully integrated through technology
- All risk and control compliance initiatives are integrated

About PwC

PwC provides industry-focused assurance, tax, and advisory services to build public trust and enhance value for our clients and their stakeholders. More than 161,000 people in 154 countries across our network share their thinking, experience, and solutions to develop fresh perspectives and practical advice.