



Reevaluate



Redesign



Reinvest

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Why SAP Finance Teams Need to Adapt to a New Dynamic

Q&A with PwC Principal Rich Sernyak

In this recurring column, specialists at PwC explore how companies drive innovation by leveraging new technology. Here, a PwC Principal discusses how emerging technology demands that CFOs and finance teams adopt more forward-looking strategies.

Q: How is the role of the CFO changing specifically?

New technologies are driving a rapid pace of business innovation, and are affecting the traditional roles of CFOs and finance teams. Historically, a CFO's responsibility was to make decisions based on past activity. The troves of historical data was enough for a finance organization to make informed decisions, because of the commonly accepted mindset that what happened last week, month, or year will dictate what is likely to happen tomorrow. That is no longer the case. The traditional model for how to run a finance organization has and will continue to evolve by a convergence of emerging technologies — namely mobility, cloud, in-memory, and social media — as well as by business and consumer expectations that decisions should be based on an almost unlimited access to real-time information.



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Q: What does an organization need to do to ensure that its decision makers in finance have access to this all-important real-time data?

Gathering information is no longer enough. To thrive, top-performing finance organizations not only expect real-time information, they also assume it will help paint a picture that can drive action. Simply put, information must enable actionable insight. This is a major shift, and it's difficult to overstate its importance. CFOs have come to embrace the idea that shaping their organizations to meet this changing dynamic adds tremendous strategic value. And it's not just about changing an organization's technology landscape to enable this proactive approach; a shift like this means that everyone from within the accounting and finance functions needs to adopt this mentality and become an advocate for organizational change/strategic value.

Q: Are there any specific technology solutions you are seeing organizations turn to as they adopt this mentality?

At PwC, we are seeing this changing dynamic aided by powerful solutions that give unified views of financial operations — particularly within the SAP landscape. SAP solutions for enterprise performance management include business planning features that, when

powered by the SAP HANA in-memory platform, provide a consolidated and real-time view of plans, forecasts, and budgets. This is an example of a technology solution that allows for iterative, up-to-the-minute planning revisions and gets close to true predictive modeling. Users who see the strategic value that these types of forward-looking tools provide can help finance organizations capitalize on this new business model and become a strategic advisor to the business

Q: Do you see in-memory analytics, provided by solutions like SAP HANA, as a buzzword that will have some serious staying power?

The value of real-time analytics increases when one considers that most finance organizations have to operate in a global business environment. This global environment adds complexity with predictive financial models, currency management, transfer pricing, and global supply chains — to name a few. With in-memory technology, information a CFO may need at various times throughout the day from all corners of the globe is available without having to wait on an overnight batch run.

Q: Today's executives don't seem satisfied with waiting for answers. Do you see more and more CFOs expecting immediate responses on their mobile or tablet devices?

Most enterprise-level CFOs will agree that the historical work-week pattern has disappeared. The global business environment now requires an "unplugged" workforce prepared to make decisions whenever, wherever. Mobility is the delivery mechanism chiefly responsible for this paradigm shift. Just as mobility enables insightful business decisions based on real-time analytics, it also enables instant responses to social sentiment, with decisions being made away from the office based on up-to-the-minute analysis of social media data. This is, of course, more pertinent for some industries — consumer products, for example — than others, but it's nevertheless another factor to consider in the rapidly

changing dynamics of a finance organization. It's all part of being immediately responsive to an array of input, which empowers better decision-making within a finance organization, from the CFO, to a controller, to analysts.

Q: As customers prepare for these technical changes, how big of a concern is security?

At PwC, our background and experience in finance functions, and the business processes that support them, means we are uniquely qualified to help clients make this transformation without sacrificing the security that has been, and always will be, of critical importance. In many ways, security is even more challenging today due to concerns over the cloud, mobility, and an ever-increasing global business.

Of the more mainstream cloud vendors, very few provide platforms for mission-critical financial solutions. For the most part, CFOs and CIOs are comfortable putting certain components of their system architecture — such as technology for customer relationship management (CRM) — in the cloud, but are far less comfortable moving sensitive financial data into what might be considered an unsecure environment. This is changing over time, but it is still a reality of today.

For example, manufacturers that supply components or products to military alliance organizations have to protect their data. Information that may be compromised regarding their bill of materials and other sensitive data could result in significant fines. Understanding which data is sensitive often drives a strategy for what an organization is willing to move off-premise or determine methods to restrict access to this information. There's a balance right now between giving finance teams the tools they need to be effective, whether that's through the cloud or mobility, while still minimizing risk.

Q: What challenges do finance organizations need to consider as they prepare for a shift in strategy?

Top-performing finance functions need to be able to demonstrate agility to support an organization's shift in strategy. Positioning an organization to better address the changing environment will always entail

making sure that the organization's technology can support the strategic shift. One major consideration for finance organizations is how effectively they meet the challenges of a rapidly changing global tax landscape. For example, the finance minister of Ireland recently announced plans to introduce a bill to change how multinational corporations utilize the current tax structure. This type of change may affect an organization's tax strategy. In our experience, implementing a strategy that minimizes the effective tax rate is not enough — the technology underlying the business process must also support a wave of significant changes, such as the creation of new legal entities, for instance, and the attendant business process and personnel changes that this entails. This is globalization at work, and speaks to PwC's experience in first formulating a strategy, and then executing on that strategy by using the latest technologies to an organization's advantage and enabling compliance throughout the transition.

Q: How can PwC help these finance organizations position themselves for success?

As a global organization with proven experience in finance and security, PwC is uniquely qualified to help companies execute strategies around the changing financial role of the CFO and key members of a finance team. Whether we are working with a client on pricing and profitability analysis, enabling better planning and forecasting, or assisting with evolving tax regulations, we start the conversation with the business challenge; every conversation we have with clients like these involves them asking how they can extract better information to enable proactive, strategic decision-making. Whether the answer is an optimization of their SAP landscape or leveraging new technology, the discussion must begin with the business imperative.

Today, most finance organizations recognize they risk being at a competitive disadvantage if they fail to embrace business process transformation opportunities enabled by emerging technologies. As companies move to a real-time, in-memory reporting structure, the business that manages on a day-to-day, hour-by-hour basis is quite simply in a much better position to outperform the competition. ■