

White Paper

**THE CENTRAL FINANCE JOURNEY:
WHY PROPER DATA
INTEGRATION IS
ESSENTIAL FOR
DRIVING MORE VALUE
FROM REPORTING TO
SHARED SERVICES**



magnitude.com/SAP

ADOPTING SAP CENTRAL FINANCE AS PART OF YOUR FINANCE TRANSFORMATION STARTS A JOURNEY THAT CAN BRING TREMENDOUS VALUE TO YOUR ORGANIZATION.

SAP promotes Central Finance as a platform that greatly improves financial reporting and visibility across a diverse ERP landscape. And most customers are now moving toward shared service centers, with Central Finance serving as the key enabler to optimize business processes such as intercompany, consolidations, and vendor and customer payments into a single financial application.

However, these promised virtues and desired outcomes can quickly turn into a sobering project planning and budgeting exercise. While CFOs are expecting quick wins and ROI in the project, they also have to grapple with significant technical complexities (a.k.a time and cost) to properly integrate source ERP data, a prerequisite to achieve the true value from the original Central Finance business case. Thus, delivering results while staying on-time and on-budget can quickly become an impossible challenge.

This article will explore the Central Finance journey, where compromise hurts value, and the good news – how to “have your cake and eat it too.” By leveraging prebuilt software solutions and automation that simplify and accelerate key parts of the project, greater value can be achieved sooner. Risk goes down and reward goes up – significantly.

The outcome is usually compromise – project teams will often take time and cost-cutting measures, including a rudimentary approach and scope for data integration. Unfortunately, cutting corners in this area undermines the primary differentiators of Central Finance vs. reporting, planning and consolidation systems: instant access to detailed financial data from all sources, with the ability to centralize financial processes. Even worse, future shared service deployments become much more difficult and disruptive.

THE CENTRAL FINANCE JOURNEY

Central Finance has potential to fully transform an organization’s financial operations and capabilities. A spectrum of use cases exists across several finance functions where Central Finance can provide value:

SAP S/4HANA Finance - delivers functional completeness across all financial roles				Chief Financial Officer
VP of Finance	Head of Corporate Reporting	Corporate Treasurer	Head of Finance Operations	Chief Compliance Officer
Financial Planning & Analysis	Accounting & Financial Close	Treasury Management	Financial Operations	Governance, Risk & Compliance for Finance
Strategy Development and Translation	Accounting	Payments and Bank Communications	Receivables Management	Enterprise Risk Management
Planning, Budgeting, and Forecasting	Entity Close	Cash and Liquidity Management	Invoice Management and Accounts Payable	Controls and Compliance Management
Profitability and Cost Management	Corporate Close	Debt and Investment Management	Real Estate Management	International Trade
Monitoring and Reporting	Reporting and Disclosure	Financial Risk Management	Travel and Expense Management	Fraud Management
	Financial Close Governance	Risk Management for Commodities	Financial Shared Services	Audit Management

For simplicity, let us focus on a sample (and typical) Central Finance customer journey. In this case, the customer plans for three phases, each designed to deliver significant value and increasing levels of financial and digital transformation:

1. **Centralized financial visibility**, reporting and analytics across the enterprise
2. **Consolidations and period-close centralization**, including intercompany reconciliation and eliminations
3. **Optimization of cash and credit** through Central Payments

The transformation journey normally starts in phase one with the goal of enhanced centralized reporting across a heterogeneous landscape of ERPs. This goes far beyond consolidated financial statements – most customers expect Central Finance to enable rich, detailed reporting and analysis. A consolidated view of customers may expose credit risk; vendor spend across ERPs could help buyers negotiate better payment terms and bulk discounts; and having material-level data could help drive product or brand-level profitability improvements. Companies can analyze detailed data within Central Finance in countless ways that were not previously possible. Reporting from Central Finance is positioned as a first-phase quick win in the finance transformation journey.

A CFO expects to achieve great value with each phase in the Central Finance journey.

In phase two, companies can leverage Central Finance to perform period-close activities like inter-company reconciliation/eliminations and consolidations. Having AP and AR transactions from all ERPs together can significantly increase efficiency of the intercompany process, and consolidation via BPC or Group Reporting becomes a natural extension – potentially replacing legacy consolidation systems.

Phase three continues the theme of process centralization with deployment of Central Payments and shared services. Every business unit may use a different ERP to pay vendors, collect and apply cash from customers, manage treasury, and so on. Central Finance can perform these processes in a single ERP, and organizations often create or expand a shared service group to consolidate and reduce the associated resources required. Finance line of business and management can now more efficiently manage cash ins and outs (especially with Leonardo and machine learning), reduce bank fees and employee costs, and more.

KEY DATA INTEGRATION REQUIREMENTS TO DRIVE VALUE

Words like “can” and “could” appear several times in the prior section, representing potential value to be achieved. To deliver tangible results and realize this potential value requires proper data integration from source ERPs into Central Finance.

For example, to produce customer and vendor-level KPIs, customer and vendor master data

(golden records) must be loaded into Central Finance and source-to-target mappings created and maintained. The same is true for material. And to enable detailed, subledger-level reporting, the source ERP transactions must be extracted, transformed and interfaced at the most granular level possible.

Words like “can” and “could” appear several times in the prior section, representing potential value to be achieved. To deliver tangible results and realize this potential value requires proper data integration from source ERPs into Central Finance.

For example, to produce customer and vendor-level KPIs, customer and vendor master data (golden records) must be loaded into Central Finance and source-to-target mappings created and maintained. The same is true for material. And to enable detailed, subledger-level reporting, the source ERP transactions must be extracted, transformed and interfaced at the most granular level possible.

Beyond reporting, centralizing the intercompany processes require the same detailed AP and AR data above. And to implement Central Payments requires the base customer and vendor master data, with additional attributes and configurations – tax codes, bank information, etc. And the transaction interface must properly map document types from source to target such that a customer invoice created in a source ERP will create a customer invoice in Central Finance. In other words, the transactions must become actionable, so the invoices transferred to Central Finance can be paid or receive cash applications.

COMPROMISE CUTS VALUE

Integrating data properly to enable full functionality and value of Central Finance is not a trivial task. Customers, faced with a finite budget and short timelines to prove value, often accept compromise from system integrators during initial Central Finance project phases.

A primary reason for cutting corners lies in the effort and time needed to properly integrate the required master data. Harvesting, profiling, deduplicating, cleansing, loading and mapping all the customers, vendors, materials and other objects from numerous sources into Central Finance is complicated – but as described above, is necessary to interface detailed transactions. This master data work can take many months using typical manual methods.

Some companies opt for the most basic and lowest value integration option: skip the master data phase altogether and interface data at the GL level only. This usually means taking summary journal entries from source ERPs and

creating summary journal entries in Central Finance. Sure, it’s a fast and cheap way to go – requiring little more than a chart of accounts definition and rudimentary source extractions – but delivers very little of the value promised by Central Finance. Being summary GL data, it may not even be enough to replace an existing consolidation or reporting system.

Companies may go one step further by attempting a detailed transaction interface – bringing in subledger data – but again due to master data complexities, will map the transactions to a dummy customer and vendor record in Central Finance.

Three problems occur with this approach:

1. Building an interface of detailed transaction data from multiple ERPs into Central Finance will require critical project resources, skilled expertise in multiple ERPs and ETL, and a long timeline to design, develop, and test.

To drive the value that CFOs and management is looking for from Central Finance, data integration is a critical aspect of the project that must be done right.

2. This extensive collection of custom-built transformation logic must be maintained ongoing – including through source ERP and Central Finance upgrades that will require recoding to accommodate new or updated technical structures.
3. Even if done correctly, Central Finance will contain invoices, payments, etc., but Central Finance will tell you that Dummy Customer owes you \$4B and you owe Dummy Vendor \$5B. The pain of getting detailed transactions into Central Finance usually outweighs any gain in functionality or value.

Let's assume you've chosen one of the two methods above and achieved a limited-success phase one deployment of basic consolidated GL reporting. Most customers adopting Central Finance are planning their phase two to centralize processes like customer and vendor payments. Remember that Central Payments functionality requires 1) a detailed interface of actual invoices into Central Finance, and 2) those invoices must be attached to actual customers and vendors (not dummy records). If corners were cut during phase one, then turning on Central Payments will require extensive re-integration and re-mapping efforts. Translation: significant disruption to the business and technical teams using and supporting an already-live Central Finance system.

Without proper data integration:

- You cannot achieve detailed reporting and KPIs
- You cannot optimize the intercompany processes
- You cannot deploy Central Payments without significant disruption

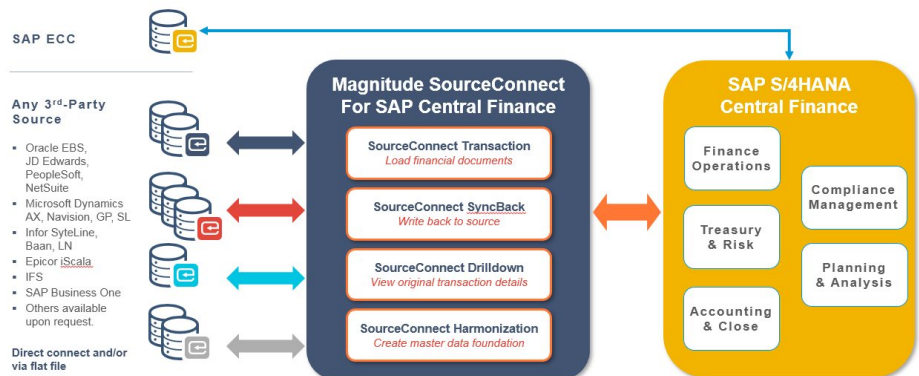
THE GOOD NEWS

Compromising the value of Central Finance and settling for future disruptions is not an ideal path... so take a better path instead! More than three years ago, SAP anticipated the data integration obstacles outlined above, and turned to Magnitude to simplify and accelerate them.

Leveraging 20+ years of expertise using SAP data integration technology against non-SAP ERPs, Magnitude created SourceConnect – a family of products designed specifically to streamline key aspects of the Central Finance data integration process:

- **SourceConnect Harmonization** accelerates the consolidation, initial load, and ongoing interface of master data for both SAP and non-SAP systems into SAP Central Finance.

- **SourceConnect Transaction** brings detailed, non-SAP ERP financial transactions in real-time into the Universal Journal in SAP Central Finance.
- **SourceConnect Drilldown** lets finance users see the non-SAP operational details behind Universal Journals using a native Fiori user experience.
- **SourceConnect SyncBack** closes out the AP and AR transactions in the 3rd-party ERPs for central payments done within SAP Central Finance.



THE SOURCECONNECT DIFFERENCE

SourceConnect replaces complex, lengthy, labor-intensive integration tasks with prebuilt software that onboards master or transaction data from a source ERP into Central Finance in as little as 15 days and minimizes TCO for ongoing operations. Think of SourceConnect as prebuilt source-to-Central Finance adapters with decades of ERP and technical knowledge embedded:

- Predefined initial load and incremental extracts of customers, vendors, materials, and 23 detailed transaction types from more than a dozen ERPs including SAP ECC (for master data only), Oracle (EBS, JD Edwards, PeopleSoft, NetSuite), Microsoft Dynamics (AX, Navision, GP, SL), and several others, including flat files.
- Unique machine learning and advanced algorithms to automatically profile and harmonization master data, drastically reducing human effort in early Central Finance deployment stages.
- Data preparation to transform source ERP data into the format required by Central Finance, and dozens of validations to ensure it interfaces properly into SLT, AIF and the Universal Journal.

- Prebuilt initial load and incremental programs for master and transaction data into Central Finance via SAP MDG Foundation and SLT.

Remember the challenges in the previous section that led to compromise? SourceConnect directly addresses the difficulty and time required to set up master data and eliminates the complexity of interfacing detailed transactions from multiple ERPs. This brings both master data and detailed transactions back into scope for phase one.

The benefits become obvious and appealing:

- Allows the team to deliver the high-value, detailed reporting that was promised
- Provides the detailed AP and AR transactions required to centralize intercompany
- Central Payments deployment becomes smooth and natural since the phase one interface delivered actionable transactions into Central Finance

CONCLUSION

You may not have to cut corners at all. Load your master data properly, interface transactions at a detail level, and deploy shared services and central payments without disruption now or in the future. Stay on-time and on-budget while delivering the full value of Central Finance by using SourceConnect for your key data integration needs.

Let us talk you through how to integrate non-SAP ERP data into your Central Finance implementation, while delivering the full value of your Central Finance solution.

[Request a Demo of Magnitude SourceConnect »](#)



Magnitude's transformative approach to unified application data management delivers vast operational efficiencies to business application data access, management, analytics and reporting for the modern enterprise. Magnitude's portfolio of products includes: simplified application data access to any data source; data management solutions for SAP and commerce verticals; simplified master data harmonization and governance; and packaged application analytics and reporting solutions for SAP and Oracle. The company helps thousands of business users simplify management of their data and deliver on the substantial productivity gains these applications originally promised. For more information about Magnitude SourceConnect, please visit www.magnitude.com/SAP

To learn more, contact: +1 604 633 0008 | SourceConnect@magnitude.com | magnitude.com/SAP