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Dear Colleagues,

FSN's Innovation in the Finance Function Survey 2018 is one of the largest surveys of its kind covering responses from more than 1,000 senior finance professionals worldwide. It is the first time that there has been an in-depth study of attitudes to innovation in the finance function and it reveals startling insights about the appetite for finance innovation, including the impact of culture, attitudes to risk, organizational politics, style of project investment and levels of confidence in measuring return on investment.

The research shows unequivocally a strong link between innovation and performance. Those organizations that are early adopters of technology or invest in innovation in a balanced way across the enterprise outperform organizations that are diffident and risk averse. These leading finance functions close their books faster, produce more accurate financial forecasts and are less tied to legacy systems and traditional ways of working.

Regional differences, especially between economically advanced and developing nations, colors attitudes to where investment is most needed in the finance function. Nevertheless, wherever finance professionals reside and no matter how sophisticated their investment plans, all agree that the number one priority for innovation is around the need for better business insight.

Yet earlier FSN research, (*The Future of the Finance Function 2017*) highlighted that only 6% of CFOs understand the technologies available to them. Only 37% know what solutions are available in the market and only 25% of CFOs have the time to investigate opportunities for technology innovation. Determining the innovations that will help companies achieve better business insights is the first step on their journey.

With this in mind, FSN has created the “Innovation Showcase”, an opportunity to bring to the attention of hard-pressed finance professionals what we consider to be leading innovations in core finance processes that could materially improve the way you work both now and in the future. Our work this year covers ten leading vendors and, in this document, we showcase the work of SAP, one of the foremost providers of financial management, performance management and analytics, risk and compliance management to the office of the CFO.

We hope that you find the innovations set out in this document thought-provoking and interesting. But above all we hope that the contents will inspire you to explore innovation in your own organization and discuss with colleagues how you can leverage these developments to take your finance processes to the next level.

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THE SAP INNOVATION SHOWCASE

SAP has been the world's largest single provider of ERP systems by market share for many years, leading the on-premise market long before the advent of the cloud. In this new cloud era, SAP has maintained their dominance in the face of overwhelming and disruptive technological change through continuous innovation. The software giant has embraced the explosion of data by designing an in-memory database, SAP HANA, from which applications can quickly access and analyze real-time data, and building their Cloud ERP system SAP S/4 HANA Cloud to exploit the advantages of a cloud platform.

At SAP's digital core are the business transactions that form the bedrock of the finance function, and the intelligent insights that can be gleaned from the vast stores of data that flow through corporate systems every day. These systems aren't only finance focused. They include and connect marketing, supply chain, human resources or ecommerce data that provides the operational nuance finance executives need to make informed strategic decisions.

In this innovation showcase we highlight three areas of innovation. We show how SAP transforms ERP by bringing transactions, advanced analytics and planning together into a unified in-memory system for a single source of the truth. Around this digital core, SAP has embedded innovative new technologies that are making finance applications more, "intelligent" and insightful, from machine learning to natural language processing and chatbots, to robotic process automation . These new innovations are designed to make it easier for finance professionals to collaborate across the business in a familiarly social way, ultimately enabling real time interaction and cooperation to run better.

Innovation 1 - An "Uber Unified Environment."

A "Unified Environment" is a frequently over-used expression that means different things to different organizations. The term "Unified", can be applied to applications of very limited scope, say, a financial management system comprising no more than core financials; a best of breed planning, budgeting and forecasting system; or perhaps a corporate performance management (CPM) application replete with financial consolidation and reporting but separate from the system of record. But SAP's innovation is that it brings a breadth and depth of capability that is almost unique and unchallenged in the office of the CFO – a "Uber Unified Environment" that permeates every financial process that impinges on the modern finance function. At its epicenter is the tight integration between SAP's business transaction layer (digital business framework, the SAP S/4 HANA Cloud ERP suite) and its analytical layer dedicated to driving intelligent insight to action. Put bluntly, it's a one-stop-shop for CFOs – a financial management system for core financial functions that integrates seamlessly with SAP's analytical engine within their SAP Analytics Cloud, ultimately providing the foundation for real-time execution, analysis, and planning from the boardroom to the shop-floor in the organization. And weaving its way throughout the entire offering is embedded intelligence and social collaboration capabilities (see below).

However, SAP's solution is not limited to integration in one plane. For example, analytics and transactions are unified vertically through the organization but, seated within this capability, is horizontal integration between predictive analytics, planning and business intelligence. And nested within, is integrated (collaborative) financial planning that unifies, for example, workforce planning, marketing plans, sales and operations planning. It means that FP&A (Financial Planning & Analysis) professionals can plan, model, analyze and report all in one place using embedded predictive analytics and machine learning to enhance their results.

But there has been no compromise in assembling such pervasive capability in one environment. For example, SAP's planning and budgeting functionality would rival many best of breed applications available in the market today and the breadth of its applications covers off workforce management, supply chain, spend management, customer experience and risk management. In fact, SAP Analytics Cloud was designed to be a best-in-class planning and analysis application.

One of the biggest advantages of SAP's unified environment is being able to access and analyze data in real time. With integrated consolidation capabilities, users can generate a soft close at any point during the reporting cycle, breaking free from period-end limitations and providing valuable visibility.

But the environment doesn't end at the ERP and analytics system. As planning and forecasting incorporate more and more non-financial data, both SAP S/4 HANA and SAP Analytics Cloud can be portals to draw data from operational areas of the business to provide greater insights. The connectors that allow this free flow of information are optimized for seamless integration with SAP's own business applications, but are equally able to draw in non-SAP source data.

The speed and agility of such a comprehensive unified environment, coupled with the capabilities of SAP Analytics Cloud, provides the modern finance function (of all sizes, geographies and industries) with all the insight they need to make informed strategic decisions in real-time.

Innovation 2 - Embedded Intelligence

Artificial intelligence (AI) is proliferating faster than Amazon's Alexa can play your favorite song, but the majority of innovations have so far been confined to consumer products. The tide is turning though, and SAP is at the forefront of business-led AI, incorporating various types of artificial intelligence into many of their products to make applications more intelligent. The secret is that nobody needs to know.

Instead of making their customers find and select the smart solutions that AI enables, they are embedding these innovations directly into their financial management system. For example, existing features within SAP's planning application automatically generate predictive forecasts so FP&A professionals don't need to follow a repetitive process to generate them each period.

SAP's embedded predictive capabilities use machine learning for "smart discovery" This means the application will identify variances and then go on to identify the root causes of these variances, enabling finance professionals to elicit insights out of their data that may have gone undetected without the processing power of machine learning. It also enables predictive accounting by intuitively leveraging information already in the accounting system but not necessarily GAAP-relevant, (i.e., Sales Order Entry, inventory movements, PO entry, etc). The embedded intelligence automatically translates these type of transactions into predictive accounting and financial statement values, and language decisions makers can have confidence in.

Another application of artificial intelligence is natural language processing, which recognizes language, contextualizes spoken commands and carries out requests. It is the driving force behind digital personal assistants like Siri and Alexa, as well as SAP CoPilot, their conversational digital assistant. This ultra-smart chatbot is designed to simplify processes, but behind each conversation is a complex process of artificial intelligence, speech recognition, natural language processing, statistical analysis and machine learning. Starting with pre-defined business rules and gradually learning from behavioral data, it provides insights and recommends next best actions to use.

SAP CoPilot brings very welcome relief and productivity in an environment where many finance users spend over a quarter of their day simply looking for information. Indeed, FSN's Future of the Finance Function Survey 2016 found that 42% of finance professionals spend too much time on statutory reporting and 32% spent too much time on management reporting.

But time-poor finance professionals also find themselves mired in transaction processing with 52% saying it swallows up too much time. This is where embedded AI and machine learning can have such a profound effect. Take for example the cash allocation process for accounts receivable, a manually intensive process that can be transformed and accelerated by machine learning. SAP Cash Application intelligently learns how to automatically match cash to invoices based on previous account history and continuously refined matching criteria. It improves productivity and enables much faster clearing of unreconciled items, leaving finance personnel to focus on the more complex and esoteric situations.

Robotic process automation, chatbots, machine learning and the other applications of artificial intelligence are helping to automate the repetitive and time consuming tasks within finance, freeing up professionals to focus on the more fulfilling value added activities that drive the strategic imperative of the modern finance function.

Innovation 3 - Social Collaboration

The ubiquity of the mobile phone and the proliferation of social media has changed the way people communicate in social settings. Organizations are mindful of the ease with which people now expect to be able to communicate digitally and are transferring that into the business context. By their very nature, SAP's finance information management systems need to be collaborative, and the easier it is to discuss, converse and track collaborative decisions, the greater the outcome. To this end, SAP has embedded social collaboration into its key products, including the SAP Digital Boardroom and SAP Analytics Cloud.

Users can see, follow and comment on discussion threads, send messages, add attachments, and even link to other stories, without leaving the application. People engaged in the conversation have shared visibility of screens while they collaborate and importantly, these discussions can be attached to 'objects' such as a project, a customer or a variance, providing a permanent record of discussion and decisions. This immediate and embedded social collaboration speeds up processes and improves efficiency and accountability across the finance function and operations.

SAP Digital Boardroom brings management meetings to life; interactive across devices and geographies, meetings can be remote or centralized, and all users can interact, on screen with the data and the participants. It is designed as a live interface for decision makers, not just a dashboard of stale data, and remote users can join in discussions through social media-type conversations.

The SAP Digital Boardroom draws on real time data and analysis to allow immediate interactive insights, so managers can simulate forward-looking scenarios change the drivers of the data and generate new forecasts or insight right on screen with a graphical value driver tree. This eliminates the 'I'll get back to you with that figure' conversation that typically slows down management decisions as well as removing disagreements over the integrity of the data being presented and discussed. The holy grail of "one version of the truth" is within everyone's grasp.

The SAP Digital Boardroom is a major innovation and significant step forward for the modern finance forum. Previous FSN research points to the importance of data visualization for driving insight and engendering better understanding when collaborating with personnel in other business functions. But the digital boardroom also helps to overcome many of the historic difficulties that surround the traditional manual board pack. FSN's "Future of Financial Reporting 2017" research highlighted that 30 percent of boardrooms delayed decisions over concerns about data quality, 40% complained that they didn't have a complete view of business performance in board meetings and 50% of CFOs complained that ad-hoc questions about performance cannot usually be answered immediately in board meetings. But the 'digital boardroom' is something of a misnomer, since the same technologies can be applied to all types of management meetings and, indeed, other business functions. It's a welcome innovation that can be shared across the entire enterprise.

The generation born into social media is already in the workplace, now they have the tools to work together.

About SAP

[SAP](#) is the world's largest provider of enterprise application software with 378,000 customers in 180 different countries. SAP enables the modern finance function by bringing transactions, advanced analytics and planning together in a unified financial management system for a single source of the truth. SAP embeds innovative new technologies like robotic process automation and machine learning into financial applications making them more, "intelligent", and natural language processing and social collaboration making them easier to use and obtain information from. These innovations allow finance to run more efficiently and better partner with the business to make decisions and outperform the competition.

Contact

For more information about SAP solutions for Finance please visit:

<https://www.sap.com/products/financial-management.html>

To find your local SAP country contacts please visit:

<https://www.sap.com/corporate/en/company/office-locations.html>



Methodology

All of the products which have been showcased by FSN are extremely complex and sophisticated and in all cases have taken many man years of development effort. FSN has independently desk reviewed publicly available information (for example, websites, customer testimonials, videos, demonstrations, technical details and white papers) about the organization and its products. We have then identified independently three areas that we consider to be differentiating and interesting innovations to bring to the attention of the FSN Modern Finance Forum on LinkedIn and discussed their development history, the ideas behind their creation and their direction with senior members of the management team. As such, this document is not a product review, and neither is it an exhaustive list of all the innovative ideas in the product. It simply represents what we consider, in our experience of the market, to be great examples of innovation in finance processes.

About FSN

[FSN](#) is a global publisher of thought leadership, research and “must-have” content for CFOs and senior finance professionals around the world. FSN’s highly popular and active [Modern Finance Forum](#) on LinkedIn has a membership of more than 51,000 readers in more than 23 countries and across every major industry segment. It is also the publisher of the popular www.fsn.co.uk website and regularly holds networking dinners and events for its members.

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