

A CASE STUDY - THE HOME DEPOT'S CENTRAL FINANCE IMPLEMENTATION AS A FOUNDATIONAL STEP IN ITS FINANCE TRANSFORMATION JOURNEY

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In This Session

Discover how Home Depot is leveraging SAP S/4HANA Central Finance to initiate its Finance Transformation journey.

What We'll Cover

- The Home Depot's S/4HANA transformation journey and key highlights of journey
- How The Home Depot is using Central Finance to accelerate its adoption of SAP S/4HANA
- How The Home Depot implemented Central Payments to bring all payments into a centralized system
- Key lessons learned when adopting and implementing new SAP solutions such as Central Finance
- Wrap-Up

S/4HANA Transformation Journey

Background, Journey, Benefits



The Home Depot's S/4 Transformation Journey

- One Finance Program Overview
 - Vision, Values, Prioritization Framework and Roadmap
- Key Program Initiatives
 - Building the Foundation
 - Central Finance and One Ledger
 - Consolidations and External Reporting
 - Centralized Payments

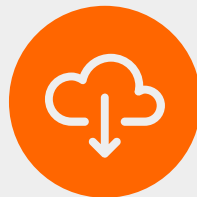
The Need For Transformation

The decision to embark on a transformation journey is due to 3 primary drivers:



Aging technology

- 40+ Legacy Financial Systems
- Aged programming languages
- Hardwired to support old business models



The need to adopt Cloud Based SAP S/4 HANA and to retire SAP ECC



Ability to Support Enterprise Priorities

- Significant investment in Supply Chain Network
- New customer types

Finance Vision

Supporting the success of **One Home Depot** and **Enterprise Priorities** through:

01

Simplified Processes and Systems

- Finance as a business enabler
- Process Standardization and Simplification

02

Accurate and Timely Information

- Critical Business Insights for Decision Making

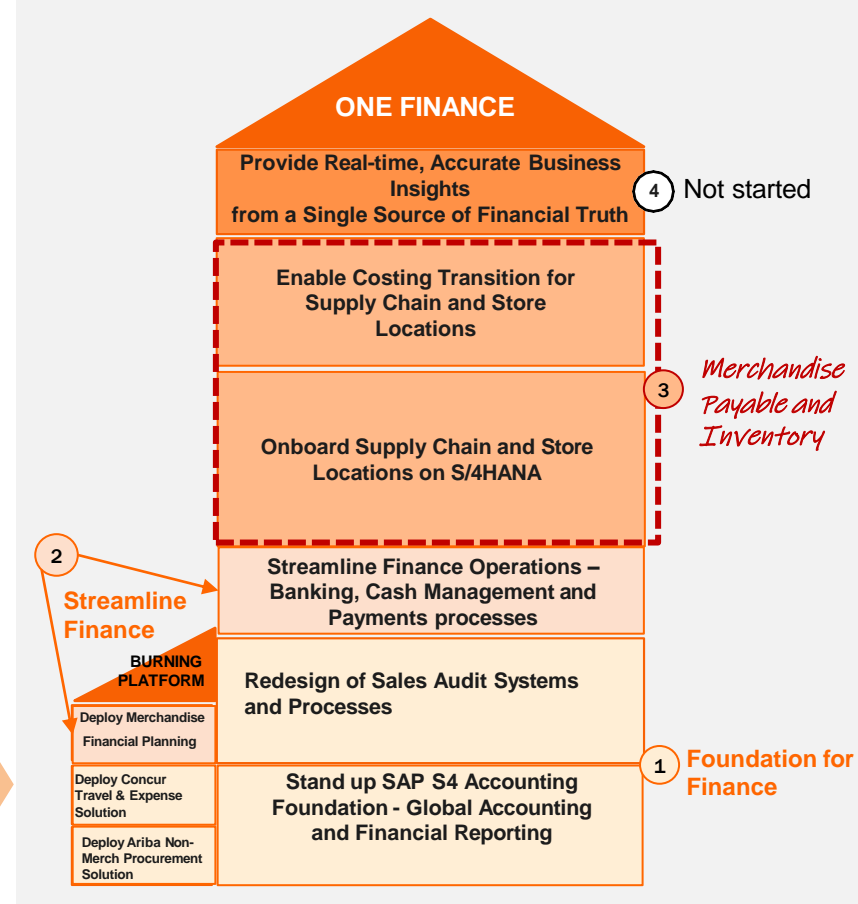
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Lower Cost of Service

- Retire aging systems / technologies
- Cloud adoption

One Finance is foundational for delivering an Interconnected Retail experience

Transformation Journey Objectives

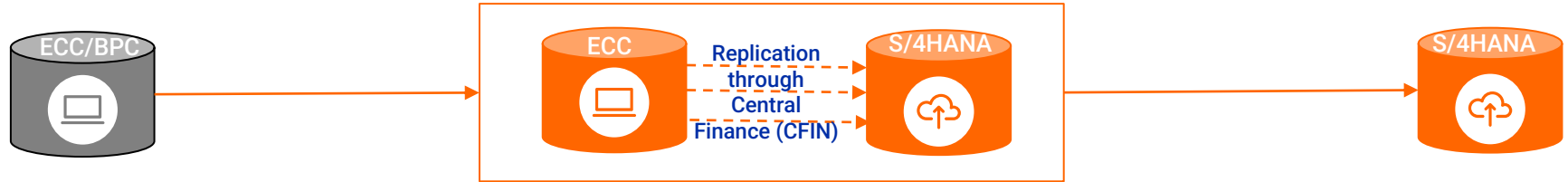


Building the S/4 Foundation (Central Finance/One Ledger)

Central Finance



Finance Transformation Journey



Legacy Processes

- Master Data Management
- General Ledger Accounting
- Accounts Payable – Payment
- Accounts Receivable
- Treasury
- Fixed Asset Accounting
- Project and WBS
- Cost Allocation
- Period-end Close
- Consolidation
- Financial Reporting

Release 1: CFIN & Group Reporting

- Accounts Payable – Payment
- Accounts Receivable
- Treasury
- Fixed Asset Accounting
- Project and WBS

- Master Data Management
- General Ledger Accounting
- Period-end close
- Allocation
- Consolidation
- Financial Reporting

Release 2: Central Payment

- Accounts Receivable
- Treasury
- Fixed Asset Accounting
- Project and WBS

- Master Data Management
- Accounts Payable – Central Payment
- General Ledger Accounting
- Period-end close
- Allocation
- Consolidation
- Financial Reporting

Release 3: Treasury & Receivables

- Fixed Asset Accounting
- Project and WBS
- Subsidiary Accounting

- Master Data Management
- Accounts Payable – Central Payment
- Accounts Receivable
- Treasury
- General Ledger Accounting
- Period-end close
- Allocation
- Consolidation
- Financial Reporting








Release X: Legacy ECC Retirement

- Master Data Management
- General Ledger Accounting
- Accounts Payable – Payment
- Accounts Receivable
- Treasury
- Fixed Asset Accounting
- Project and WBS
- Cost Allocation
- Period-end Close
- Consolidation
- Financial Reporting






Central Finance & Group Reporting

The Central Finance/One Ledger initiative will implement SAP's Central Finance platform which replicates general and sub ledger data from SAP ECC to SAP S/4HANA. Additionally, The Home Depot "One Ledger" will now be activated and users will execute general ledger transactions in S/4HANA.

Scope

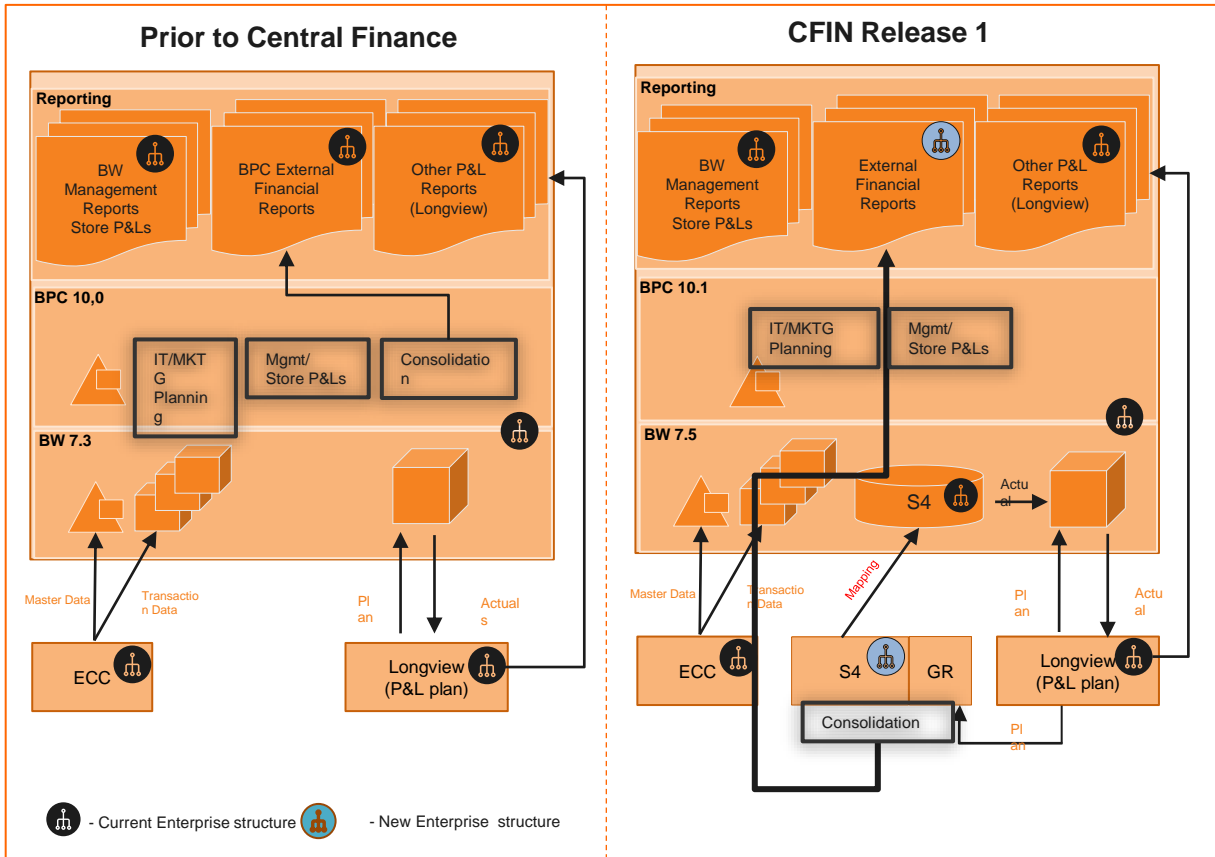
-  Harmonized Enterprise Structure/Common Information Model
-  Replication for accounting transactions originating in ECC and/or legacy systems
-  General Ledger Accounting (e.g., manual journal entries)
-  Allocation using Universal Allocation and SAP PAM
-  Period end close activities (accruals, reconciliation, etc.)
-  Streamlined and accelerated consolidation process
-  Integrated financial reporting

Key Benefits

- **Simplification of Systems**
New systems will help streamline and consolidate the number of existing systems needed to complete tasks and will offer more user-friendly interfaces
- **Standardization of Processes**
Processes will be standardized across the enterprise to allow more consistent reporting and use of data
- **Time Saving**
New capabilities will allow for time-saving opportunities
- **Automation of Manual Processes**
Increased automation to replace manual tasks will allow associates to focus on other strategic opportunities
- **Better Informed Decisions**
Access to real-time data will allow for enhanced data-driven decision making



Accelerated Transformation Value with Central Finance

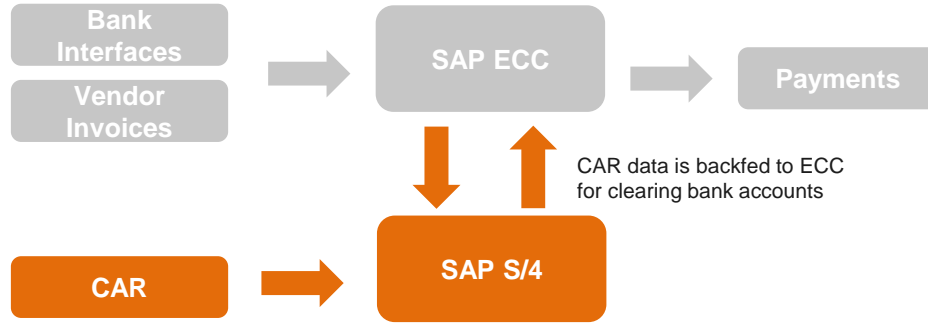


Value Delivered:

- “One Ledger” - end users will execute general ledger transactions in S/4HANA.
- Single Source of Truth with new Enterprise Structure Design: Fully aligned with SAP S/4HANA key concepts of near real-time data access and minimizing data replication (transactional and master data)
- “Automation of previously manual accounting processes” – transaction processing are seamless and simplified utilizing standard SAP functionalities
- Improved Reporting: Easy to use UI for consolidation users to navigate across the different steps in the consolidation process. Since the UI is based on Fiori, you can easily create and link some of the processes from the core finance areas within S/4 HANA.

Central Payments Scope

August 2020

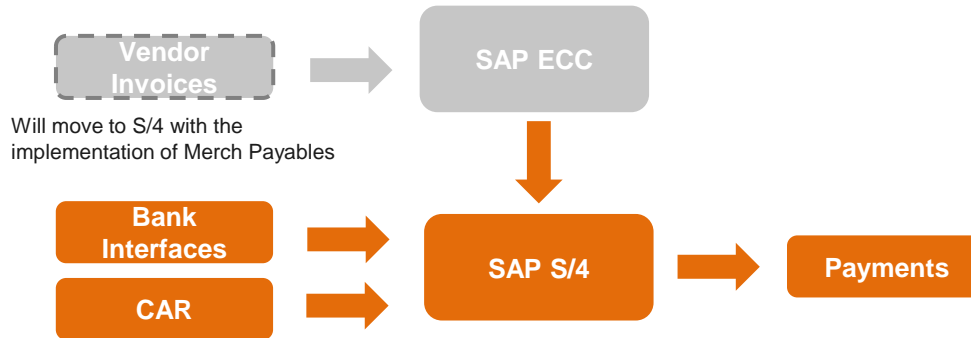


After Central Finance is implemented, several functions will still occur in SAP ECC:

- Bank interfaces
- Payments
- Certain legacy system interfaces
- Real Estate accounting
- B2B gift card sales

Without the ability to make payments in SAP S/4, we cannot retire the legacy Merch Payables system

August 2021



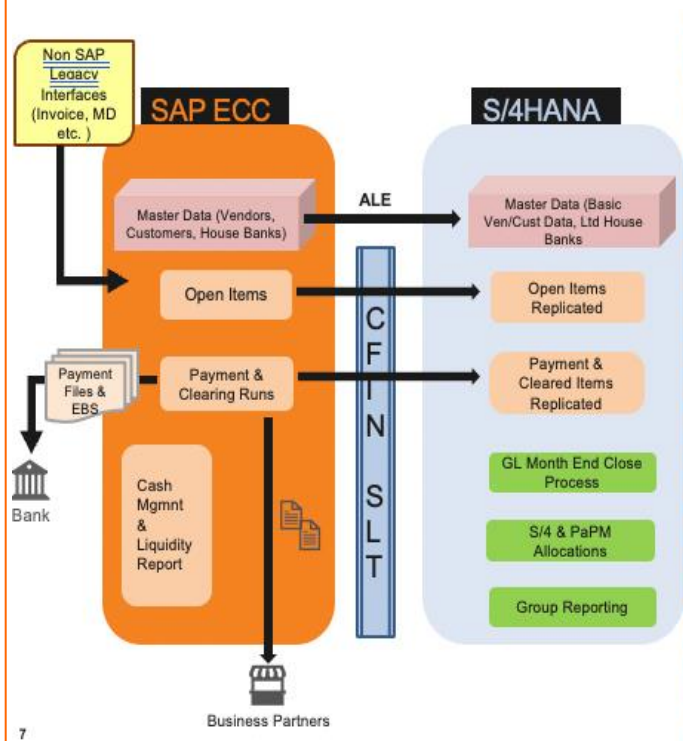
With the implementation of Central Payments, all banking and payment activity transitioned to SAP S/4.

Users in SAP ECC will be reduced substantially

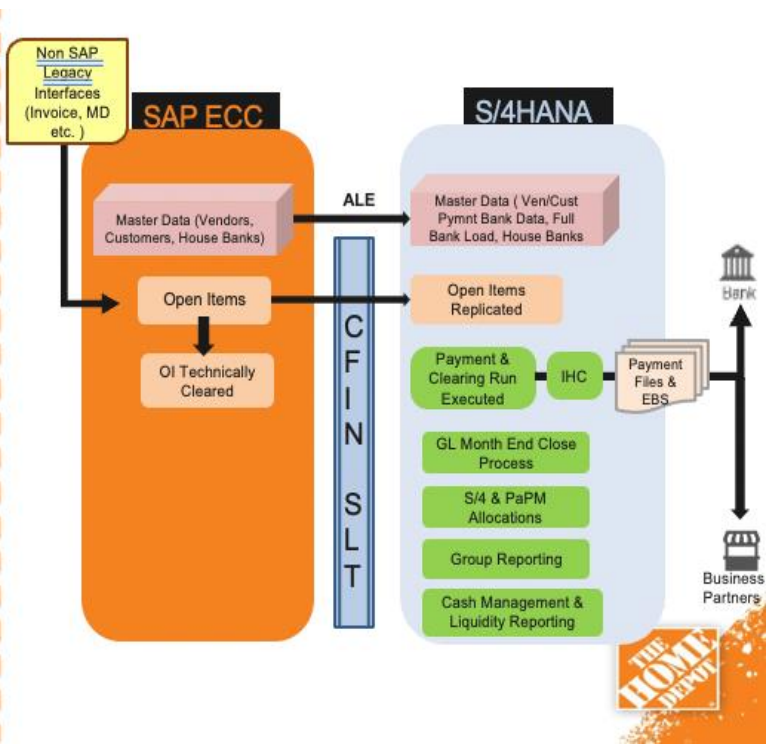
Ability to make payments out of SAP S/4 must be enabled to transition Merch Payables to S/4 and to retire legacy SAP ECC.

Central Payment Legacy and S/4HANA Process View

Legacy Process



S/4HANA Process



Value Delivered:

- Centralized and harmonized payment processing
- Centralized cash management and bank account
- In-House Cash - reduction of intercompany reconciliation on payments
- Transitioned end-users to SAP S/4HANA

Key Lessons Learned when adopting new SAP solutions

- **Clearly defined vision** established by the Business Process Owners
- Make sure to have **strong support from Business and IT sponsors** along with SAP sponsors from Max Attention and Product Development
- Provided **certain level of decision-making capability and authority** on behalf of the Business Process Owners
- **Clear role and active participation** in the Transformation Management Office
- **Strong Program Governance and project management** to ensure program are running on track, on budget and on-point (for value to be delivered)
- **Tight integration structure** with other functional teams (“**cross-functional/scrum integration**”) to discuss, align and solve for interdependencies
- **Engage and align with SAP Product Development, Max Attention Services** early on preferably during the early stages of the project prior to starting build
- Plan for at least **2 cycles of Volume and Performance** testing with project timeline and identify creative ways to **generate enough volume** in the testing environments and **to mimic production processes**
- **Perform practice cutover often** (for Central Finance, we had 7 full mock cutovers) and **utilize production like and production data** in mock cutovers
- **Engage and align with Enterprise Cloud Architects, HANA Architects and BASIS Architects** to identify and implement performance tuning opportunities in all areas including infrastructure and
- Develop a strong **change management and communication plan** that starts on day 1 of the transformation. Bring stakeholders in for the journey through constant and open communication

Wrap Up



Key Points to Take Home

- **Central Finance provides an opportunity to migrate to SAP S/4HANA over time**
- **Adequate time must be invested to ensure your Enterprise Structure will meet the needs of your business users**
- **Central Payments allows for the moving all payment activity to a centralized system**
- **A significant investment in Change Management is a key to the success of the program**

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