

DETAILED FINDINGS FROM
THE BENCHMARK REPORT

By Ogo Nwanyanwu November 2023

FINANCIAL CLOSE TRANSFORMATION

DETAILED FINDINGS



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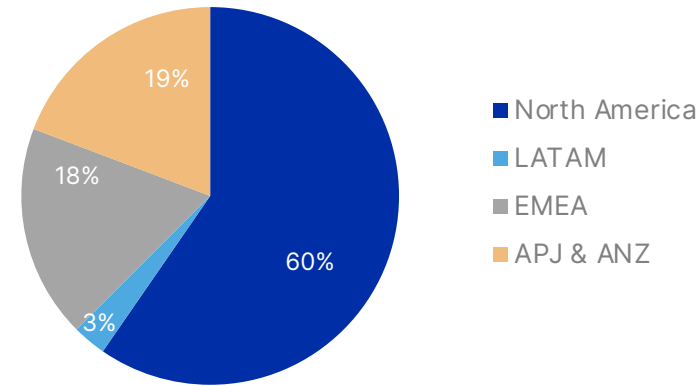
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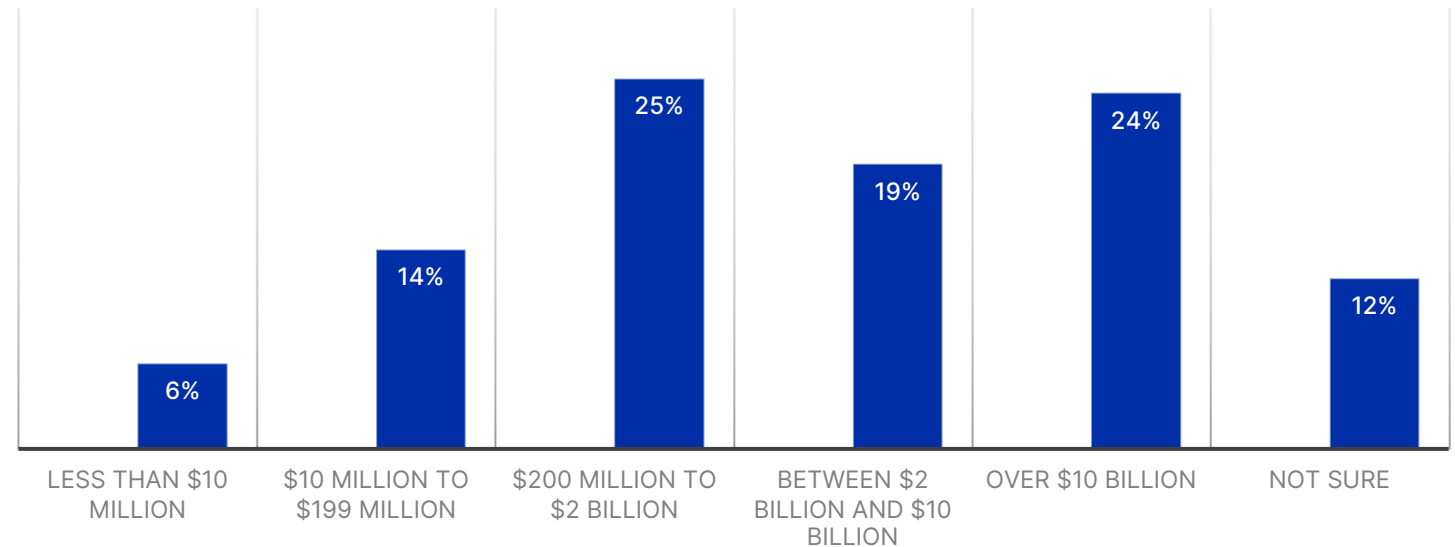
Between June and July 2023, SAPinsider surveyed 145 of its community members to understand the drivers, challenges, barriers, and technology utilization of multinational organizations regarding their approach to financial close transformation.

The survey participants came from various geographical regions worldwide and represented diverse organization sizes, contributing to a comprehensive dataset.

Region



Annual Revenues



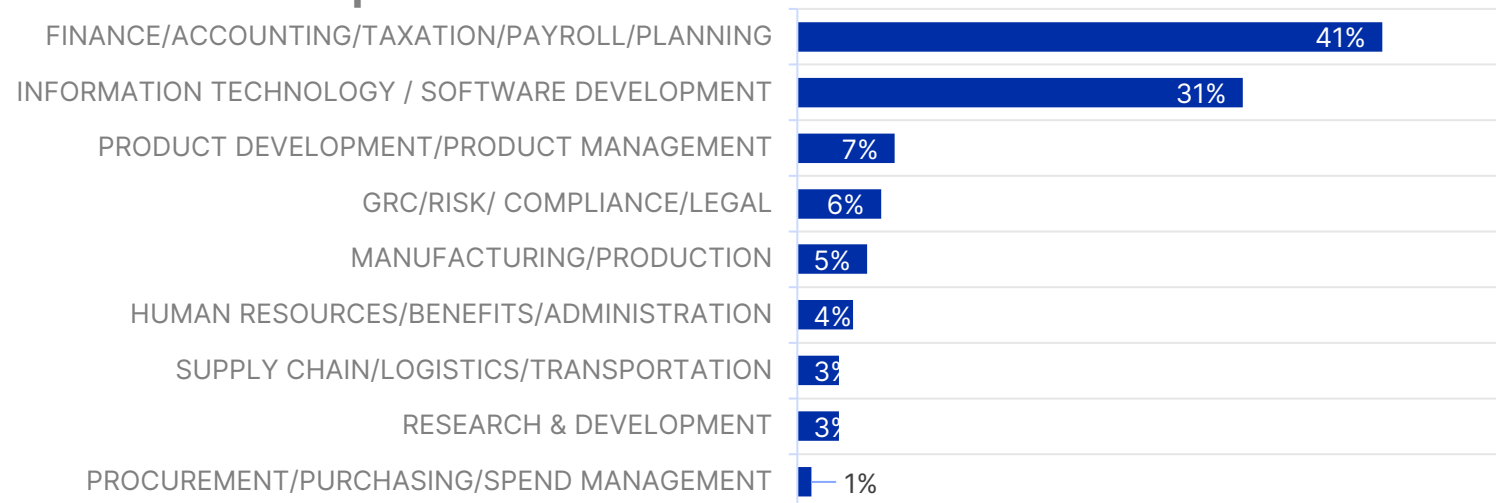
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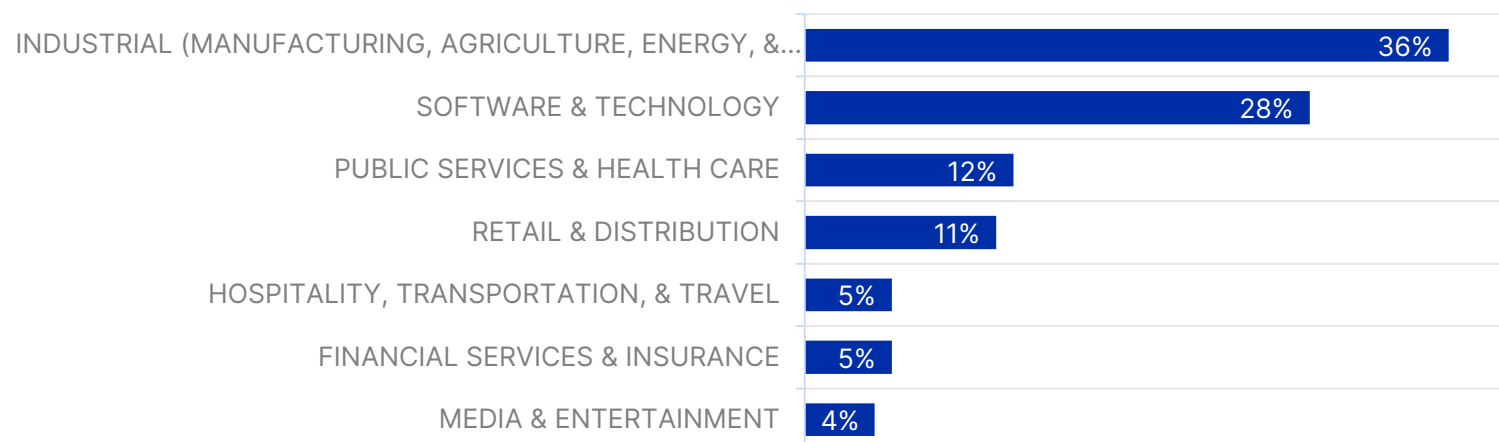
The survey primarily targeted individuals who held positions in Finance lines of business, information technology, or hybrid roles responsible for making decisions within their respective organizations.

The survey aimed to understand the specific roles that the respondents carried out within their organizations and the industry sectors in which their organizations functioned.

Department or Functional Areas



Industries

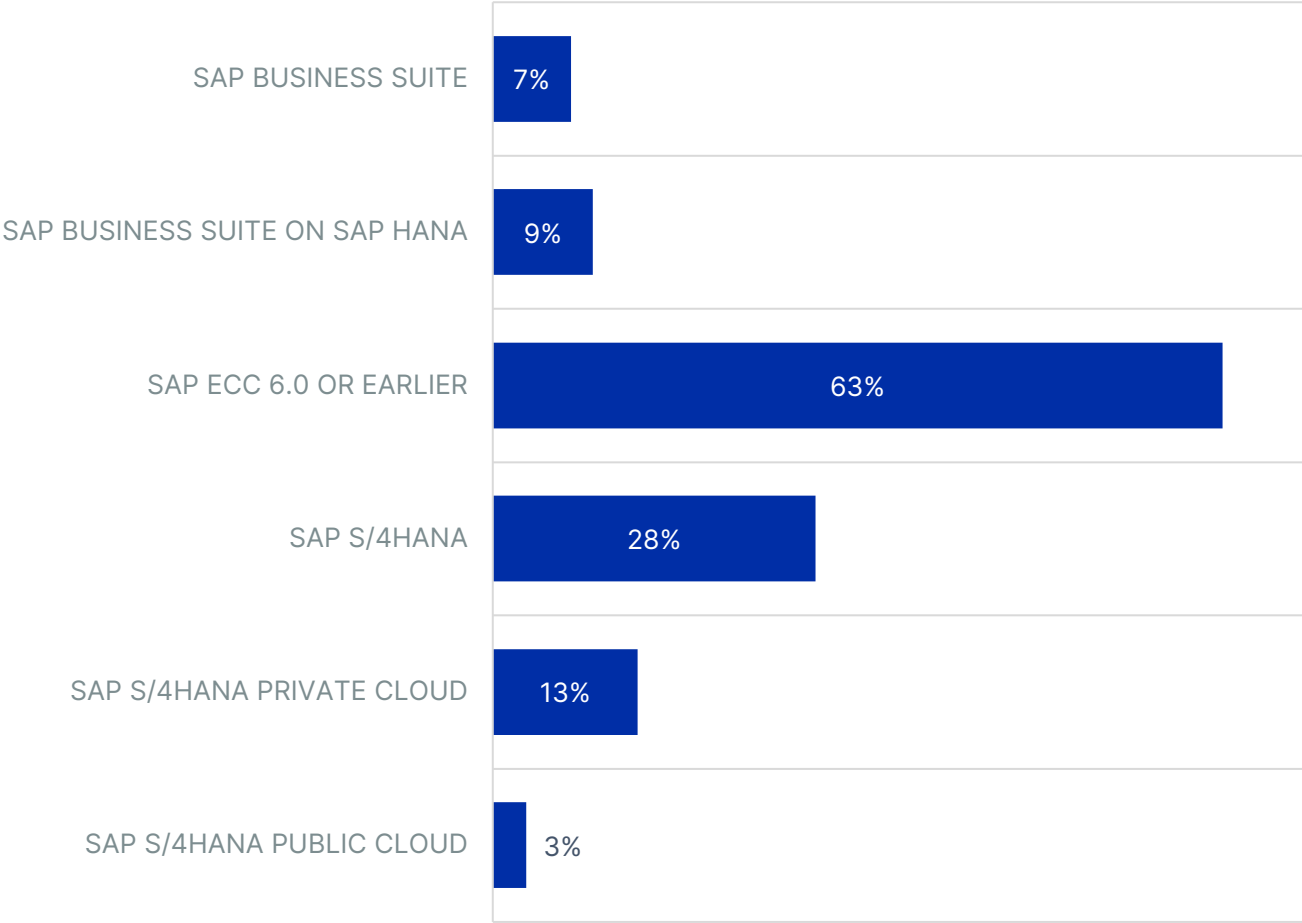


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A significant 63% of organizations continue using legacy SAP ECC systems, while 28% have transitioned to SAP S/4HANA, reflecting varying stages of financial close transformation. The adoption of SAP S/4HANA Cloud solutions indicates a strategic move towards agile, cloud-based environments. This trend suggests that finance leaders are increasingly recognizing the need for advanced ERP solutions to enhance efficiency, integrate reporting, and support real-time data analytics for improved financial close processes. Leaders are encouraged to evaluate their ERP systems and consider adopting more sophisticated technologies that can drive their financial transformation forward.

Current SAP ERP Landscape



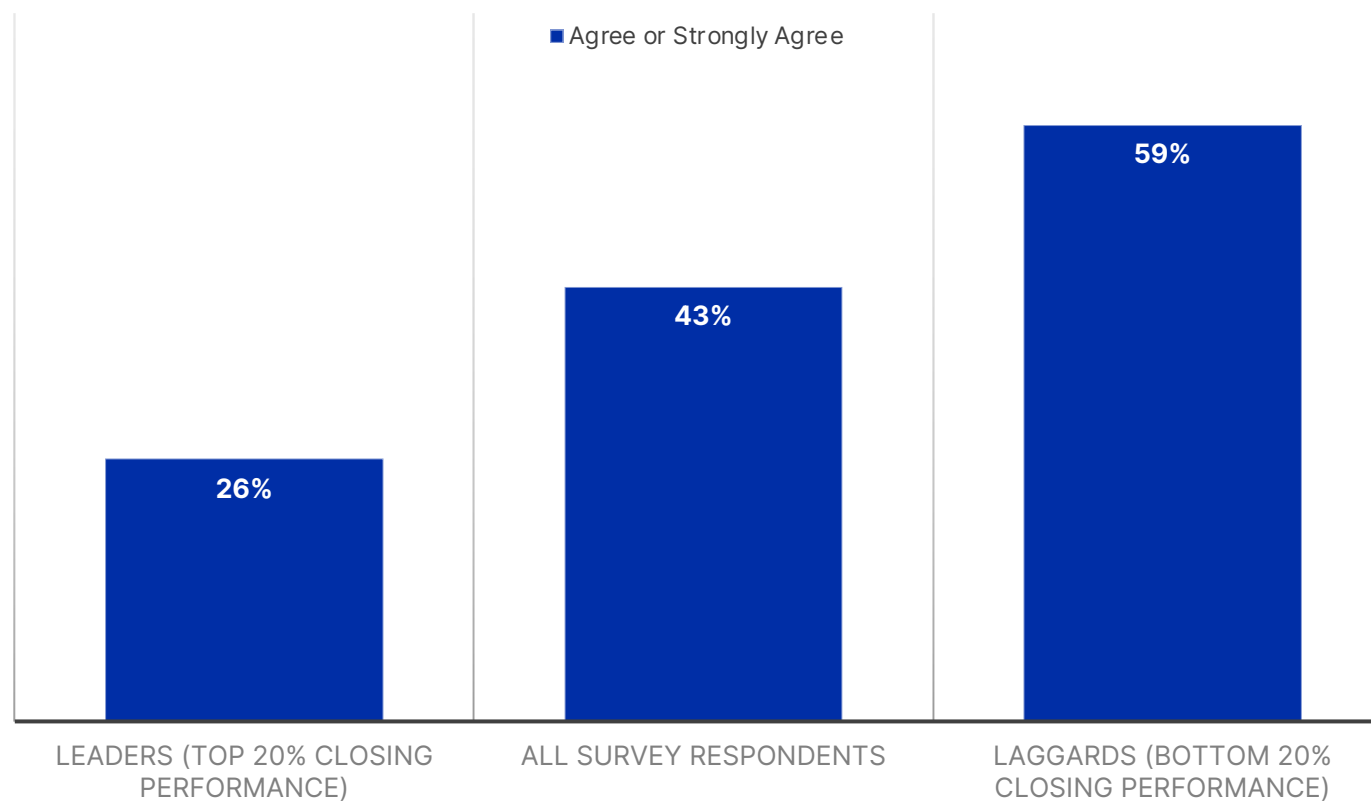
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There is a notable trend showing that many organizations still depend on manual methods and outdated tools for their financial close processes. The top 20% of performers in closing efficiency report this reliance at a rate of 26%, while the average across all respondents is higher at 43%.

This concern is even more acute among the bottom 20% of performers, where a striking 59% agree or strongly agree that their processes are heavily manual and reliant on legacy systems, underscoring the need for modernization and automation.

Organization's Financial Close Approach is Too Reliant on Manual Methods and Legacy Technology

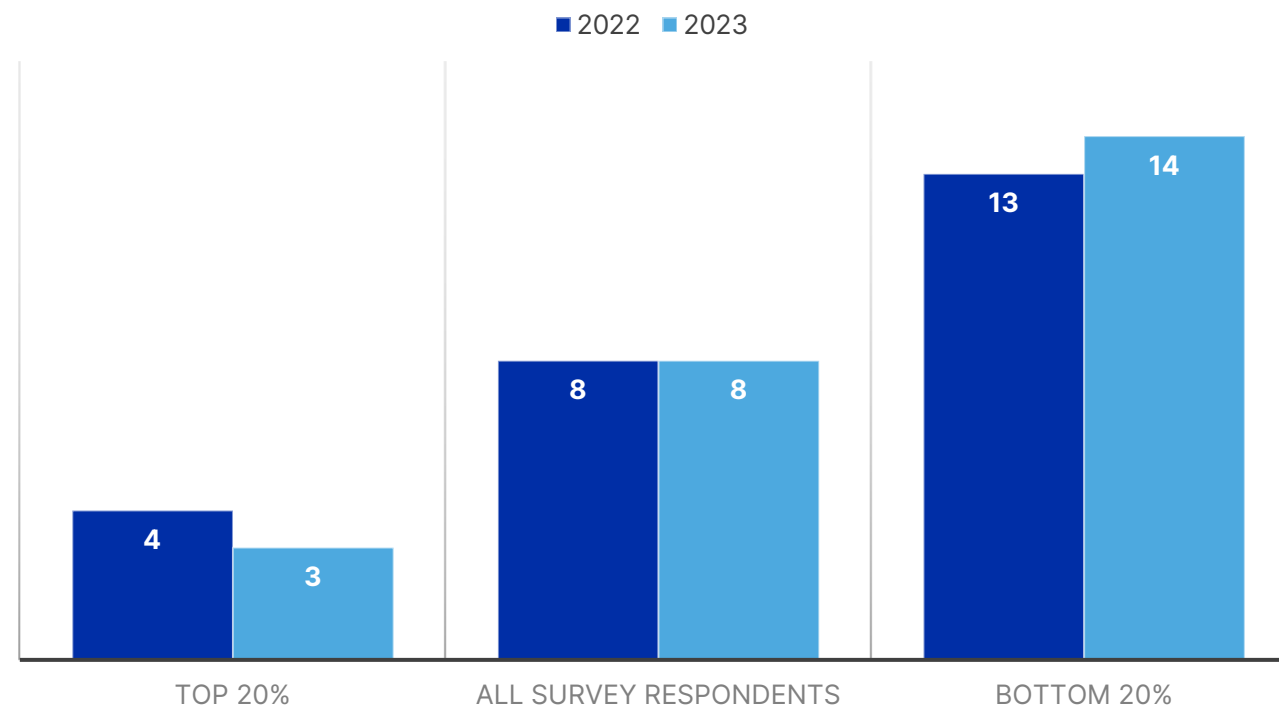


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The 2023 findings indicate that while the overall average for completing the financial close cycle holds steady at 8 days, there are clear disparities in performance. The top 20% of organizations are streamlining their processes, likely leveraging automation and advanced technologies, to achieve a faster close. In contrast, the bottom 20% are experiencing longer cycles, which may indicate challenges such as lower technology adoption, lack of automation, or process inefficiencies. This growing gap underscores the importance of continuous process improvement and investment in technology to remain competitive in financial operations.

Average Days to Complete Monthly Closing Period Including Management Adjustments



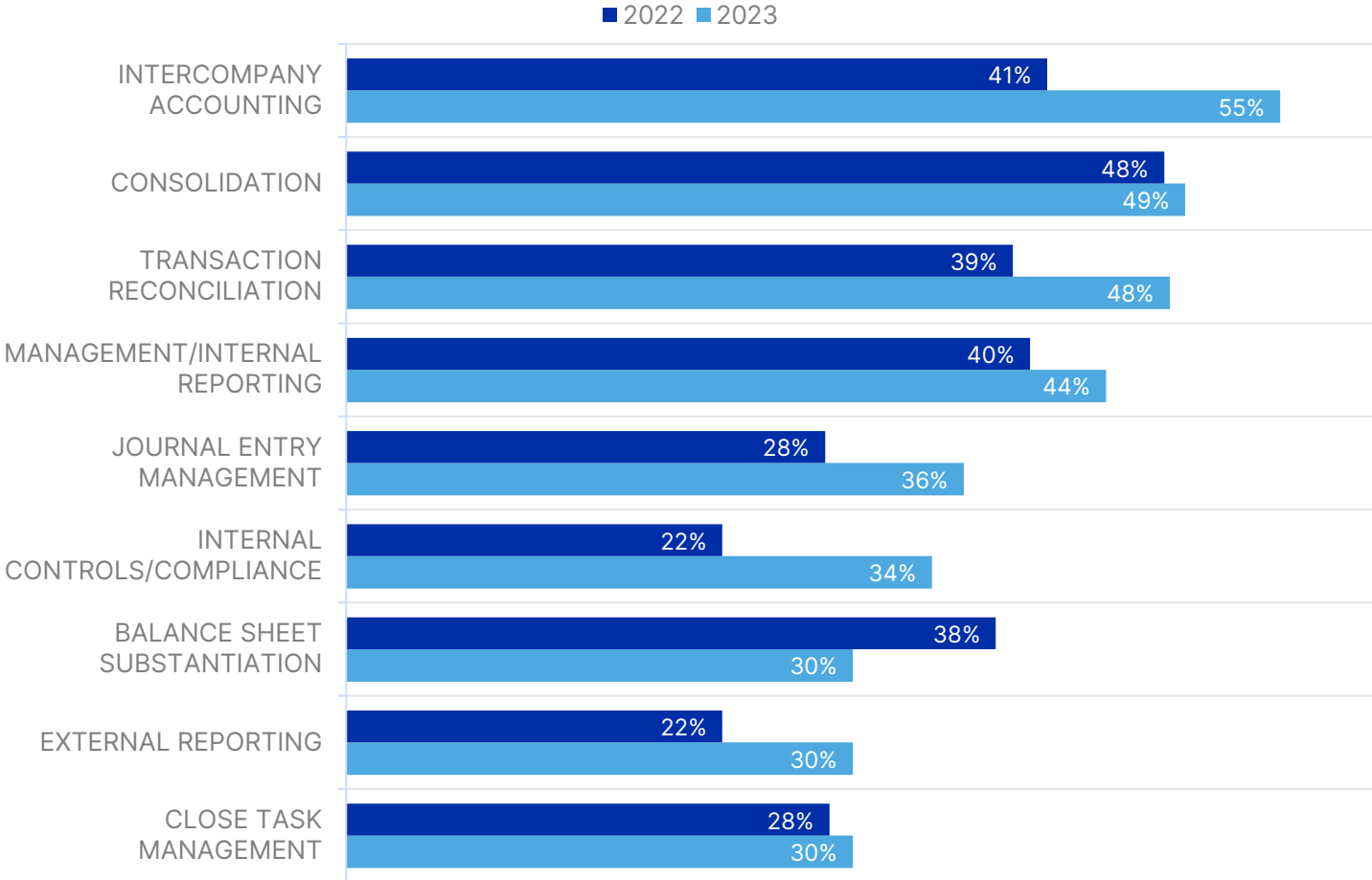
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Deficient processes anywhere in the intercompany chain cause delays in controllership and impact a company’s monthly, quarterly, or annual close. A significant year-over-year increase in intercompany challenges indicates escalating complexity within global operations, often due to factors such as increased volume of transactions, entry into new markets, or changes in regulatory environments.

This trend demonstrates an urgent need for companies to invest in more robust, automated solutions for intercompany reconciliation to improve accuracy, efficiency, and compliance.

Most Significant Challenges Across Financial Close and R2R



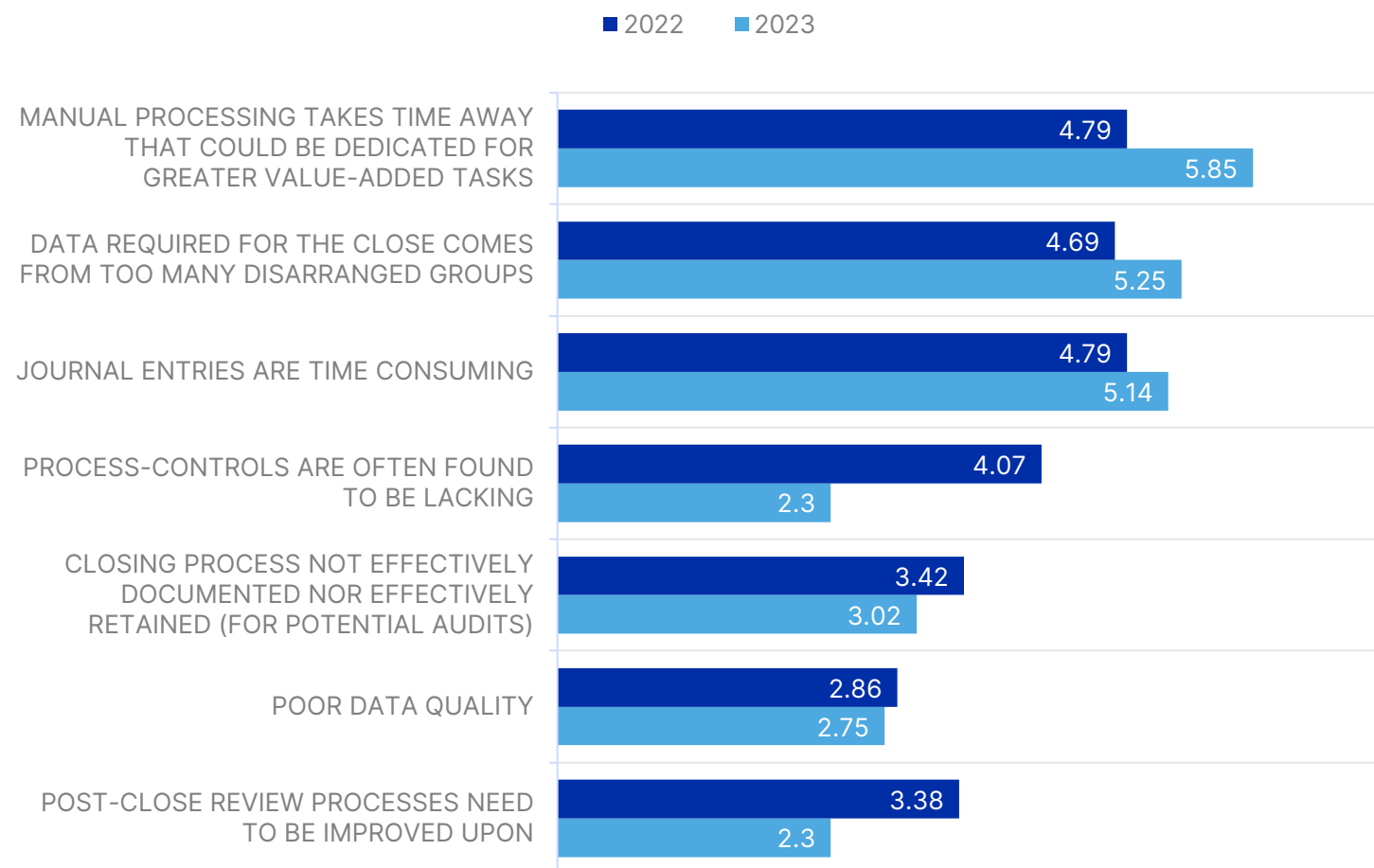
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The trends from 2022 to 2023 indicate a rise in the top financial close complexities, with manual processing seeing the most significant increase, followed by data from disarranged groups and time-consuming journal entries also denote escalating challenges in these areas.

For finance leaders, addressing these growing complexities necessitates prioritizing the integration of automation technologies to alleviate manual processing burdens, implementing solutions for better data consolidation and organization, and optimizing journal entry processes.

Complexities Most Responsible for Current Financial Close and R2R Challenges





Financial Close Transformation



DRIVERS

- Insufficient automation leading to manual work and manual processes (36%)
- F&A transformation /modernization initiatives (migration to SAP S/4HANA, automation, use of RPA, AI/ML, etc.) (35%)
- Business growth and evolution create need for more agile financial close solutions (32%)



ACTIONS

- Improving the efficiency of the financial close (55%)
- Replace spreadsheet-heavy processes and tasks with best practices automation (46%)
- Consolidating financial operations onto a single instance of SAP S/4HANA (36%)
- Transitioning from month-end close to continuous financial close (32%)



REQUIREMENTS

- Real-time unified and integrated master data (83%)
- Harmonized financial reporting in a single system (82%)
- Automated reconciliations (82%)
- Automated and standardized closing processes and alerts (82%)
- Fully-documented electronic audit trail (80%)



TECHNOLOGIES

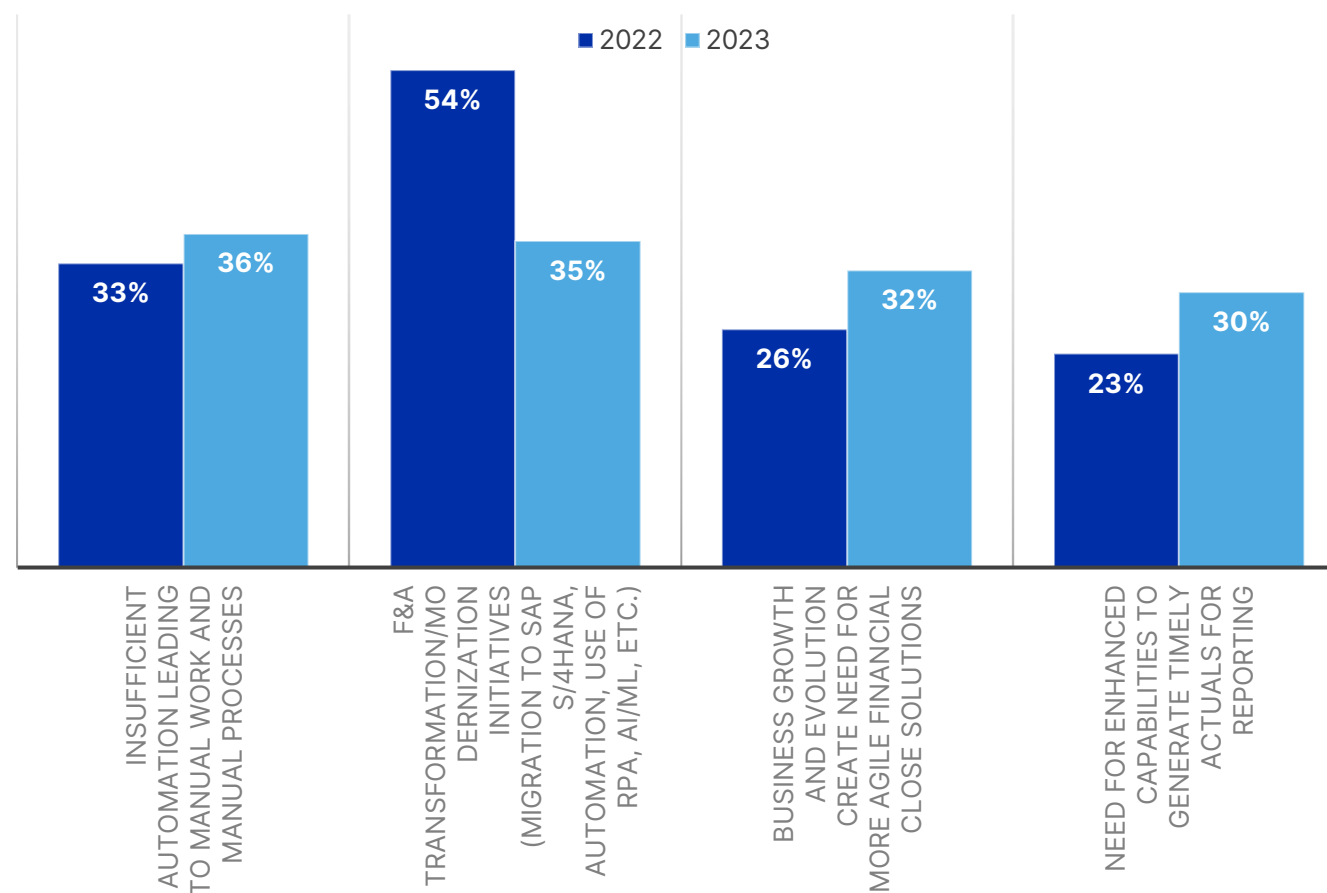
- Single point of truth for financial data (30%)
- Dashboard and visualization tool(s) (29%)
- Group reporting solution (26%)
- SOX / compliance tool (24%)
- Centralized solution to control all financial data and processes (23%)
- Intercompany balance sheet reconciliation and automation solution (22%)
- Financial close automation tools (21%)
- Master data integration solution (19%)

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In 2023, the primary drivers for financial close transformation among organizations have slightly shifted. The leading issue now is insufficient automation, which has increased in concern from 33% to 36%, pointing to a growing recognition of the inefficiencies caused by manual processes. The focus on F&A transformation and modernization initiatives, such as migrating to SAP S/4HANA and implementing RPA, AI, and ML, remains significant but has decreased from 54% to 35%. Additionally, there's an increased demand for agility in financial close solutions due to business growth, up from 26% to 32%, and a heightened need for capabilities that enable the generation of timely actuals for reporting, rising from 23% to 30%. These trends indicate a balancing act between adopting new technologies and enhancing process agility and reporting capabilities.

Top Factor Impacting Financial Close Transformation



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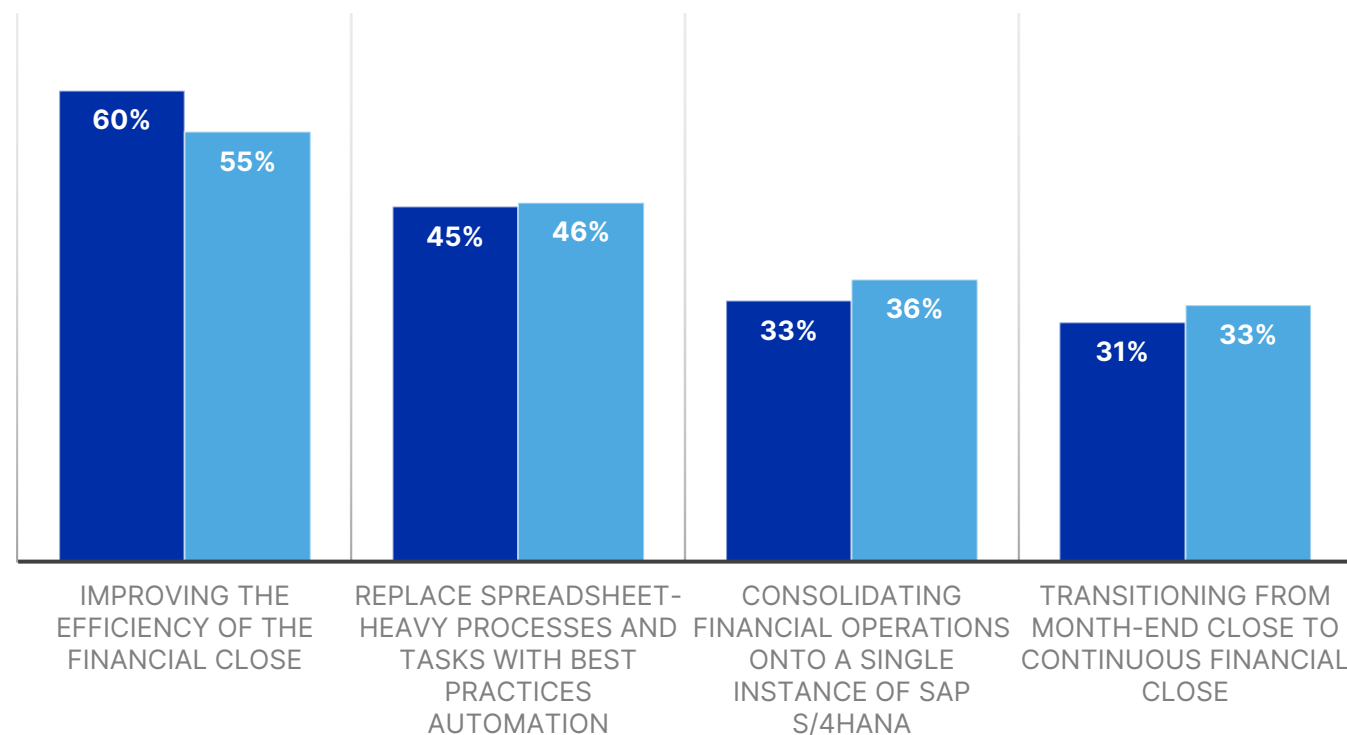
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In 2023, the strategies for financial close transformation focus on improving efficiency, which remains the top priority for 55% of organizations, slightly down from 60% in 2022. There's a small increase, from 45% to 46%, in organizations looking to replace spreadsheet-heavy processes with automated best practices. Consolidating financial operations onto a single instance of SAP S/4HANA is also gaining traction, with a rise from 33% to 36%. Additionally, the move from a traditional month-end close to a continuous close process has seen a slight uptick in adoption, increasing from 31% to 33%.

These trends highlight a continued investment in efficiency and the modernization of financial processes through automation and ERP landscape consolidation.

Top Strategies Employed for Financial Close Transformation

■ 2022 ■ 2023



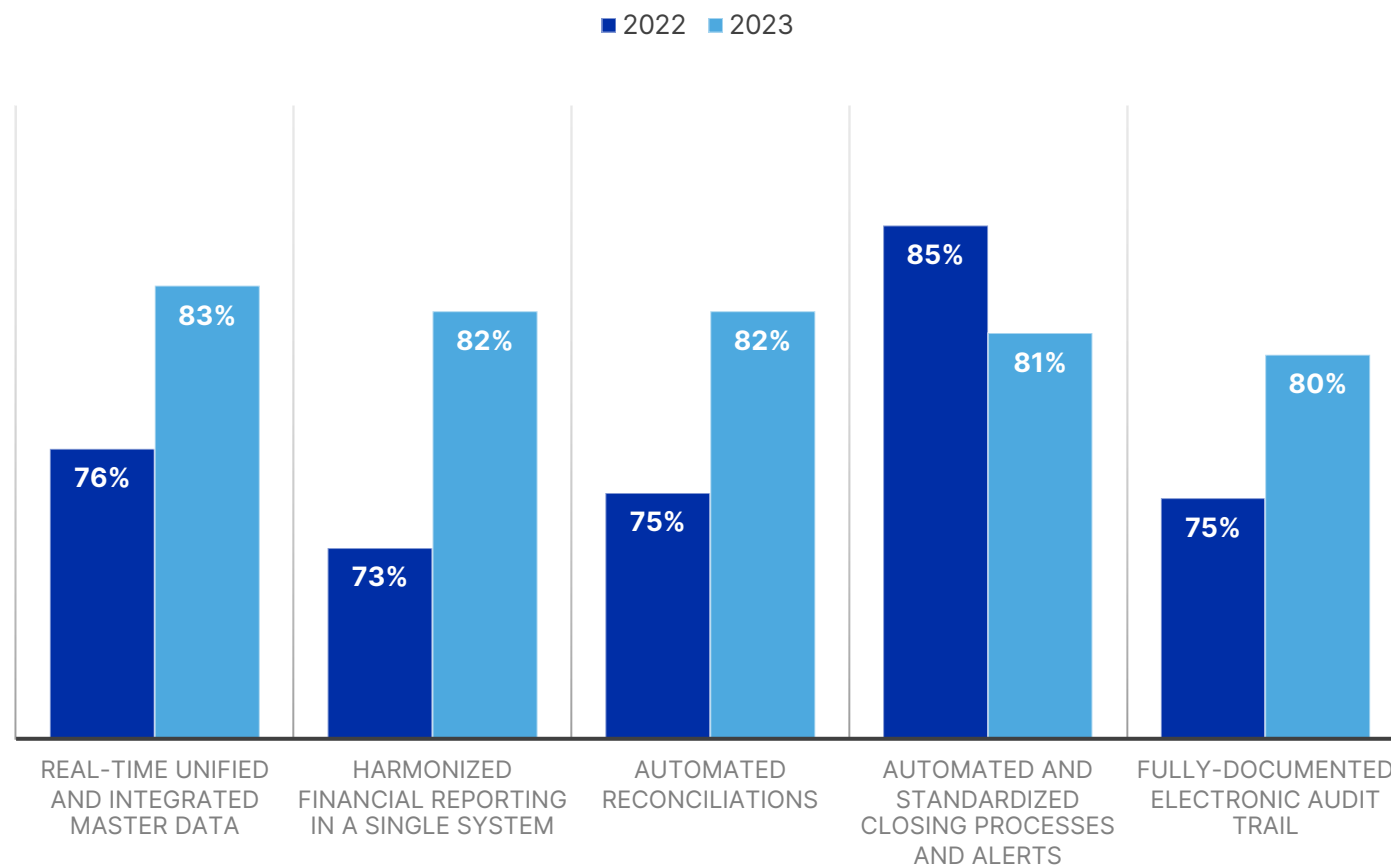
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In 2023, the importance of various capabilities in financial close transformation strategies is clear, with all areas seeing strong interest. Real-time unified and integrated master data is considered important by 83% of organizations, up from 76% in 2022, making it the capability with the most significant increase in importance. Harmonized financial reporting in a single system and automated reconciliations both saw a jump to 82% from 73% and 75% respectively.

The emphasis on a fully-documented electronic audit trail also remains strong, with 80% of respondents in 2023 considering it important, only slightly down from 75% in 2022. These priorities reflect a focus on integration, automation, and compliance in financial close strategies.

Requirements for Financial Close Transformation



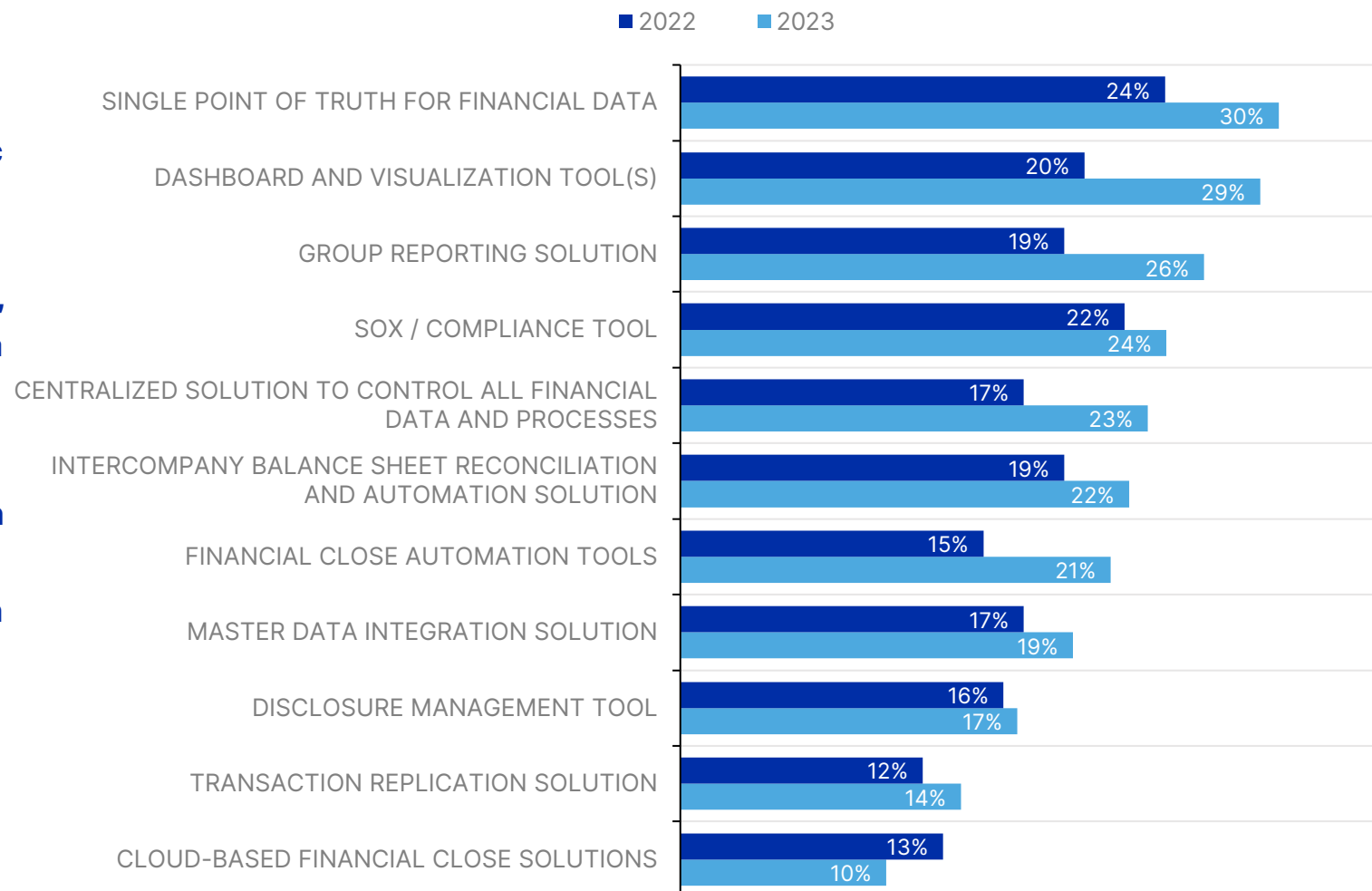
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Findings reflect a strategic pivot by organizations towards more sophisticated tools to support their financial close strategies. There's a clear trend of increasing reliance on technologies that provide a holistic view of financial data and enhance reporting capabilities. Dashboard and visualization tools have seen the most significant uptick in usage, growing to 29% from 20% in 2022, indicating a strong preference for tools that offer clear, actionable insights into financial performance.

Similarly, the pursuit of a single source of truth for financial data is gaining momentum, with usage rising from 24% to 30%. This aligns with the broader shift towards data accuracy and real-time financial visibility that modern finance functions require.

Current Technology Utilization

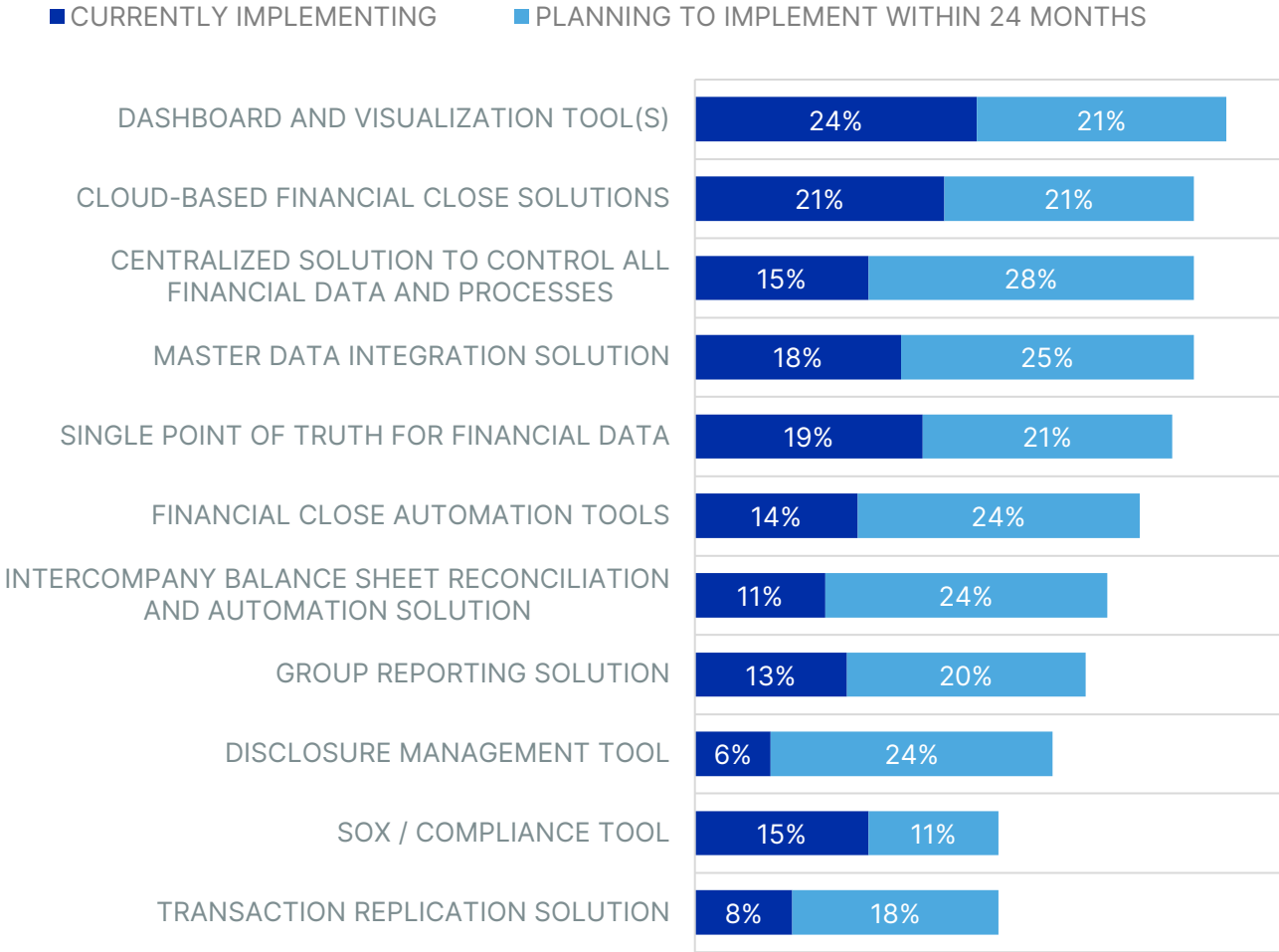


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Organizations are prioritizing a variety of technologies for financial close strategy, with 21% both implementing and planning to implement cloud-based financial close solutions shortly. Centralized control of financial data like SAP Central Finance is a future goal for 28%, while 24% are currently implementing dashboard and visualization tools, likely using platforms like SAP Analytics Cloud. Upcoming implementations also include financial close automation and reconciliation solutions, indicating a shift towards automation and compliance. Additionally, there is a notable interest in financial close automation tools, intercompany reconciliation solutions, and disclosure management tools, with around 24% planning to implement these, indicating a trend towards comprehensive, automated, and compliant financial reporting.

Technology Implementation Plans to Support Financial Close Transformation

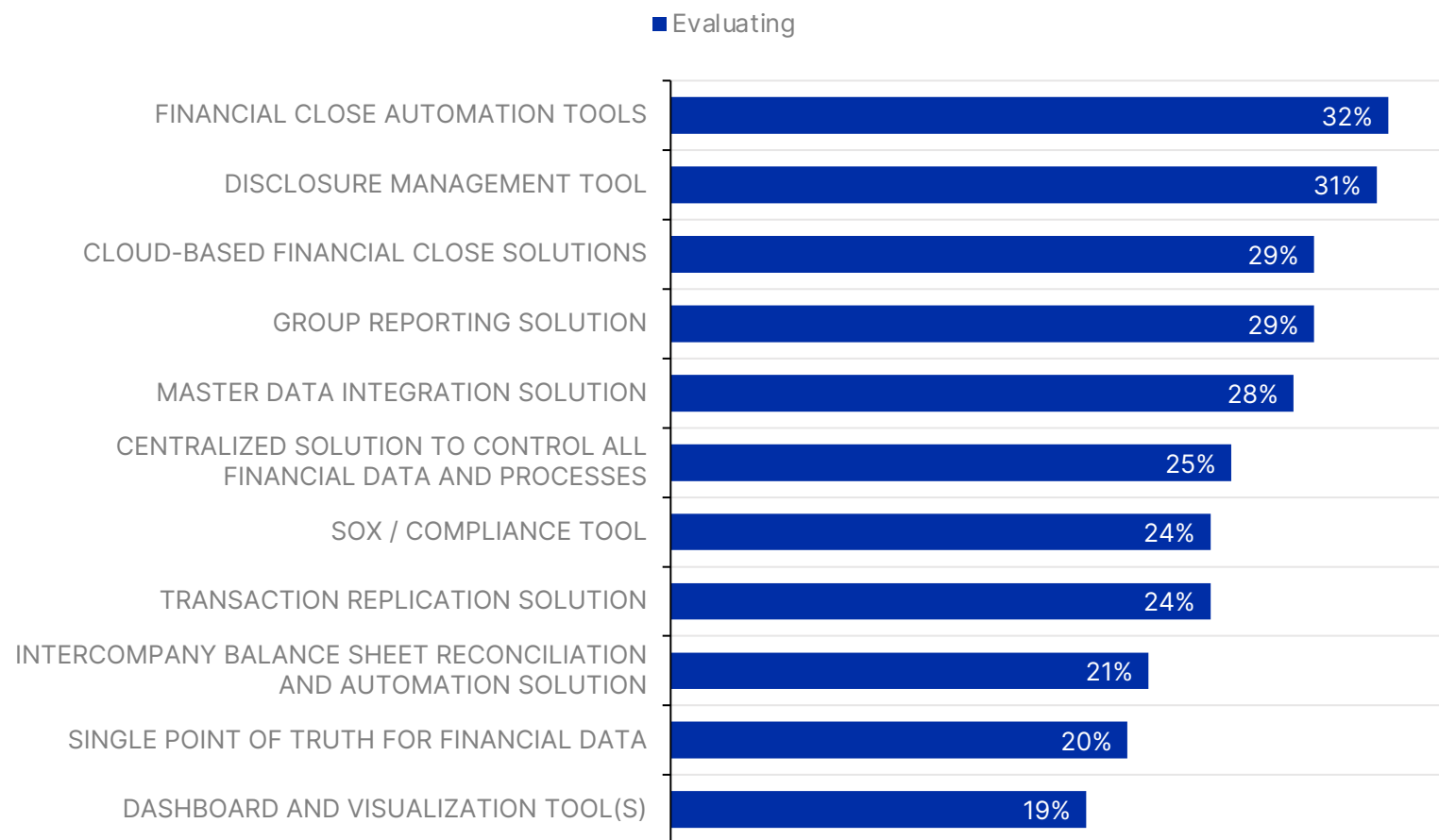


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Organizations are evaluating various technologies to enhance their financial close strategies, with financial close automation tools being assessed by 32% of respondents. This is closely followed by disclosure management tools at 31%, indicating a focus on transparency and regulatory compliance. Cloud-based financial close solutions and group reporting solutions are each being considered by 29% of organizations, highlighting a trend towards scalable and comprehensive reporting platforms.

Technology Evaluation Plans to Support Financial Close Transformation



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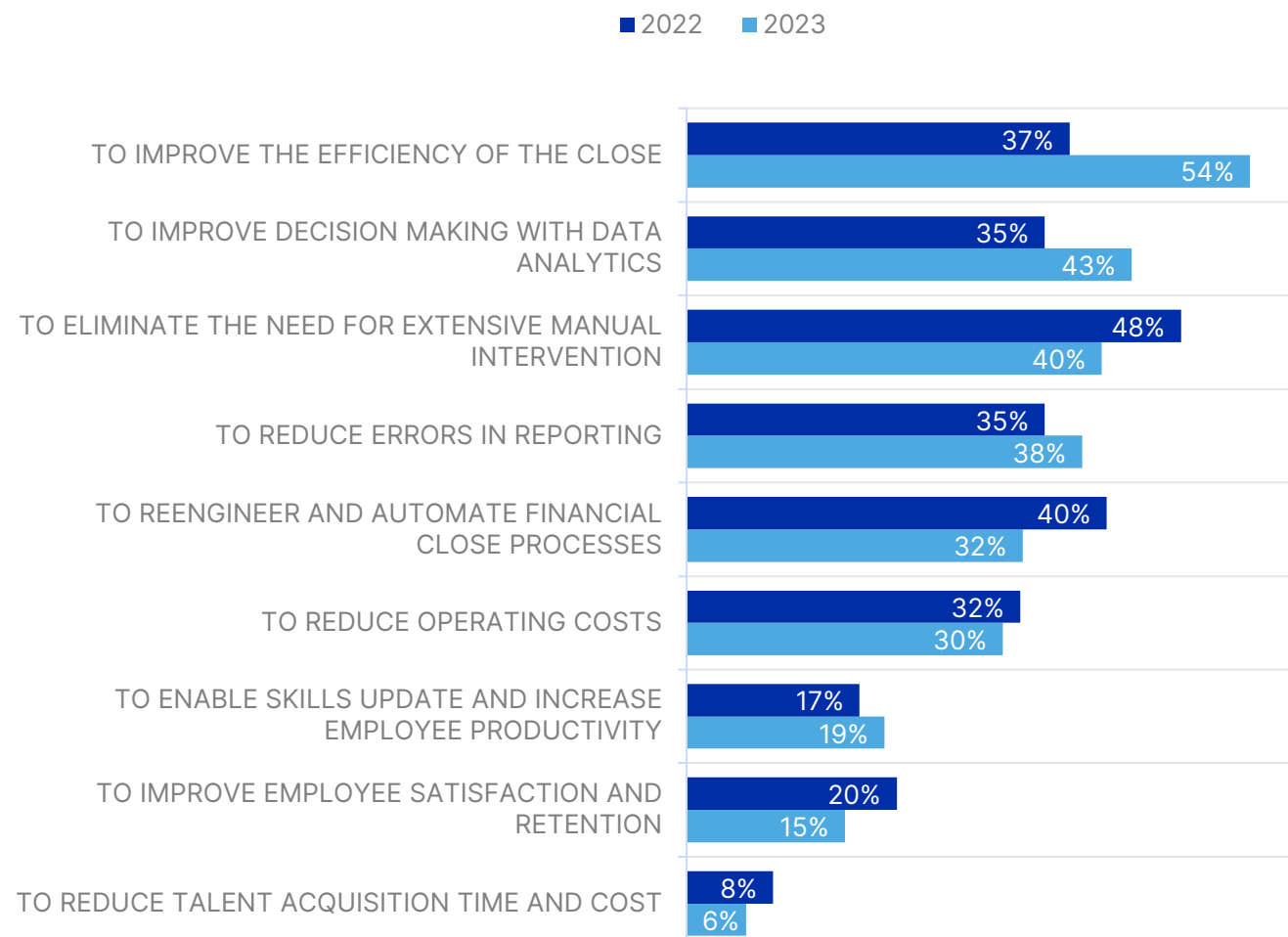
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In 2023, the top objective has become 'To improve the efficiency of the close' with 54%, seeing a notable increase from 37% in 2022. Meanwhile, 'To eliminate the need for extensive manual intervention' remains a significant focus but has slightly decreased from 48% to 40%.

This suggests that while organizations continue to value minimizing manual intervention, there is a clear, growing emphasis to streamline and optimize the processes involved in closing the books.

Increasing the efficiency of the close is about doing more with less – less time, less manual effort, and less risk of error, while producing timely, accurate, and compliant financial statements.

Top Goals for Financial Close Transformation



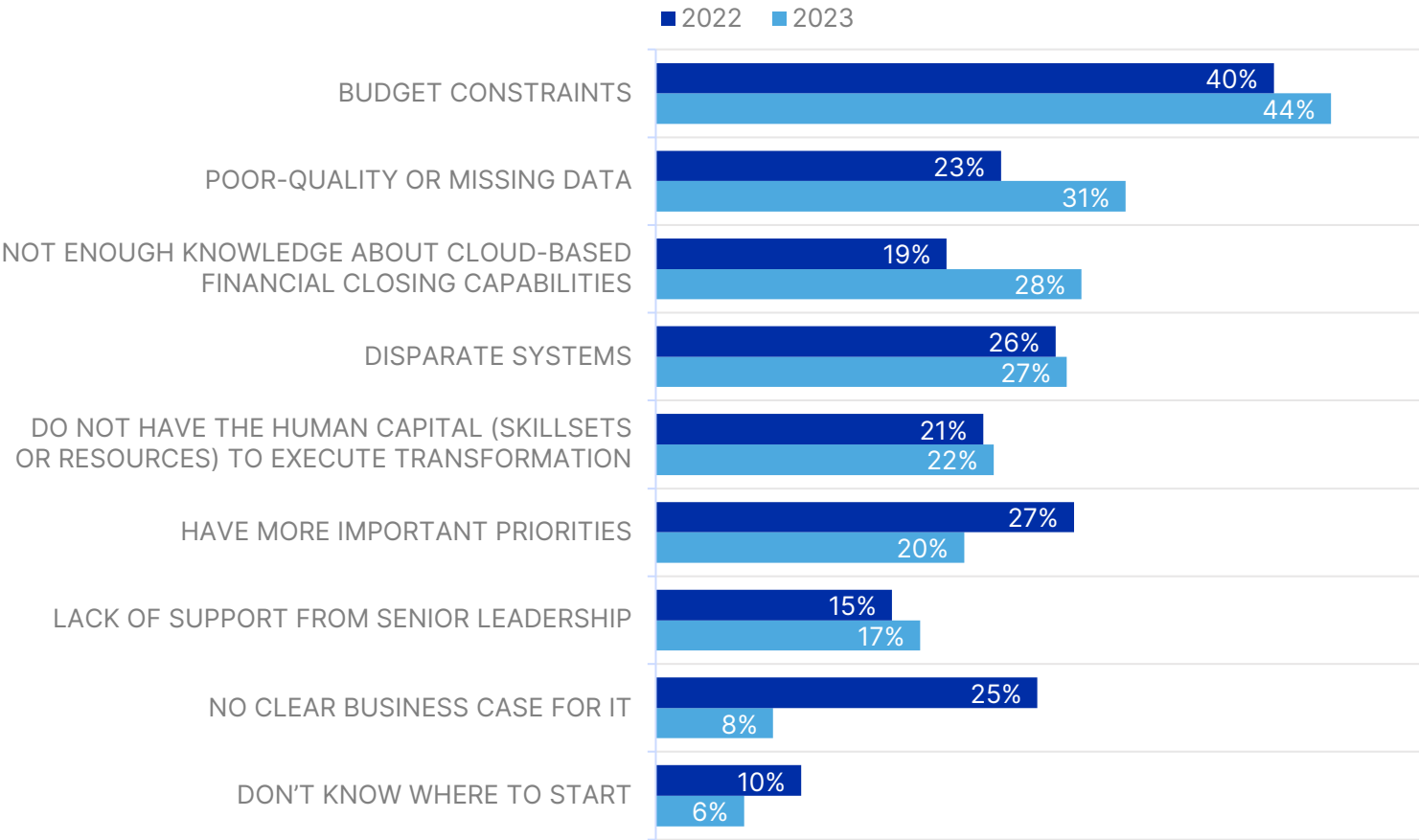
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In 2023, organizations identify budget constraints (44%) and poor-quality or missing data (31%) as the top barriers to financial close transformation, both increasing from 2022. Finance leaders face rising costs to fund projects, and thus should prioritize investments that offer the highest return on efficiency and data accuracy.

Given the 31% who report poor-quality or missing data as an issue, a focus on data governance and quality frameworks is essential. The 28% who are challenged by a lack of knowledge about cloud capabilities should consider targeted training and partnerships with SAP-certified providers to bridge this gap.

Barriers to Financial Close Transformation

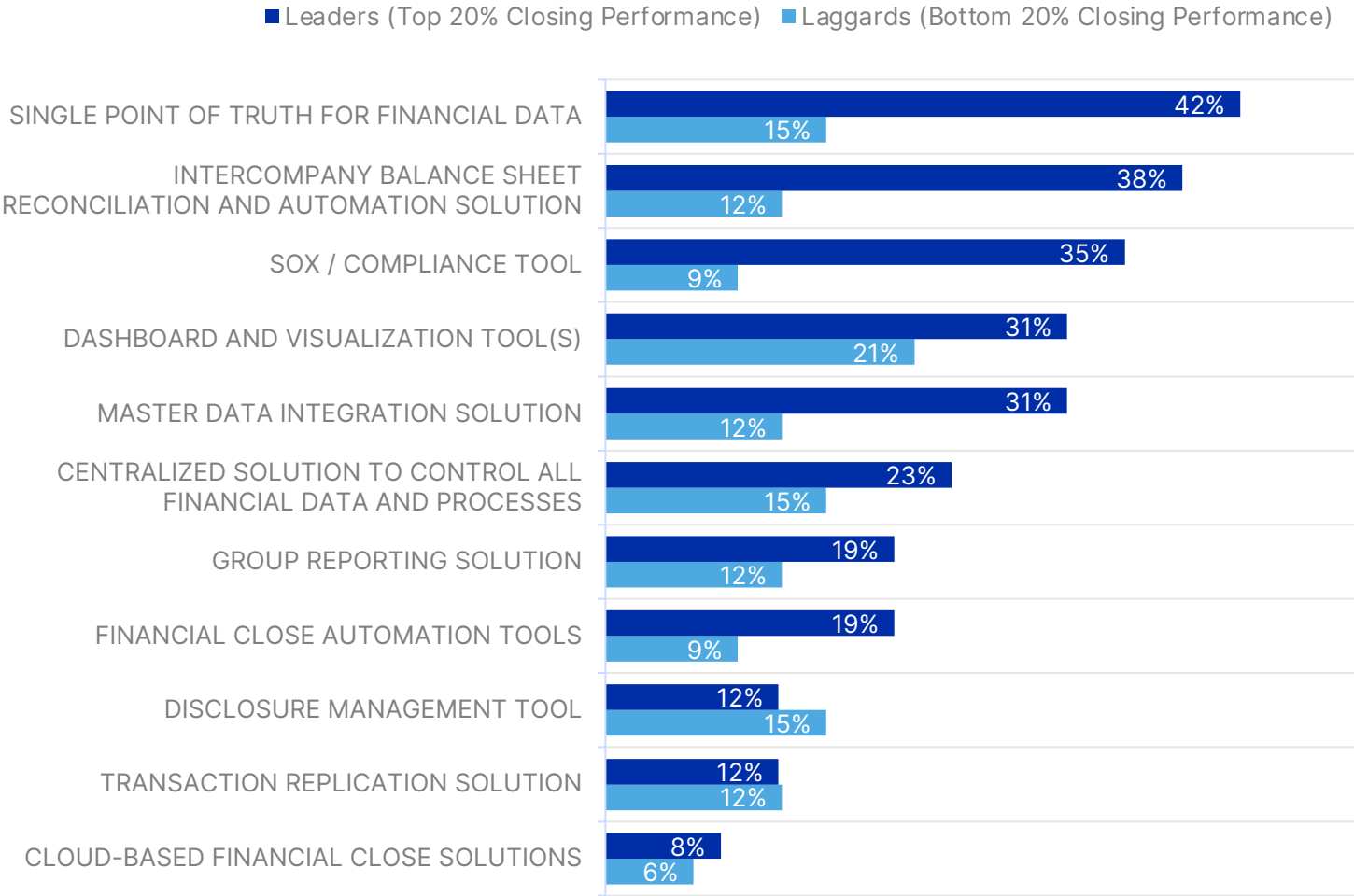


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Top performers in financial closing are leveraging technologies more extensively than their lagging counterparts, with 42% using a single source for financial data and 38% employing intercompany reconciliation solutions. They also make significant use of dashboard and visualization tools as well as master data integration solutions (both at 31%), underscoring the value placed on data accuracy and actionable insights. Laggards, however, show lower adoption across the board, with the highest usage for disclosure management tools at 15%, suggesting room for improvement in technology adoption to enhance their financial close processes.

Financial Close Technology Utilization (Leaders vs. Laggards)



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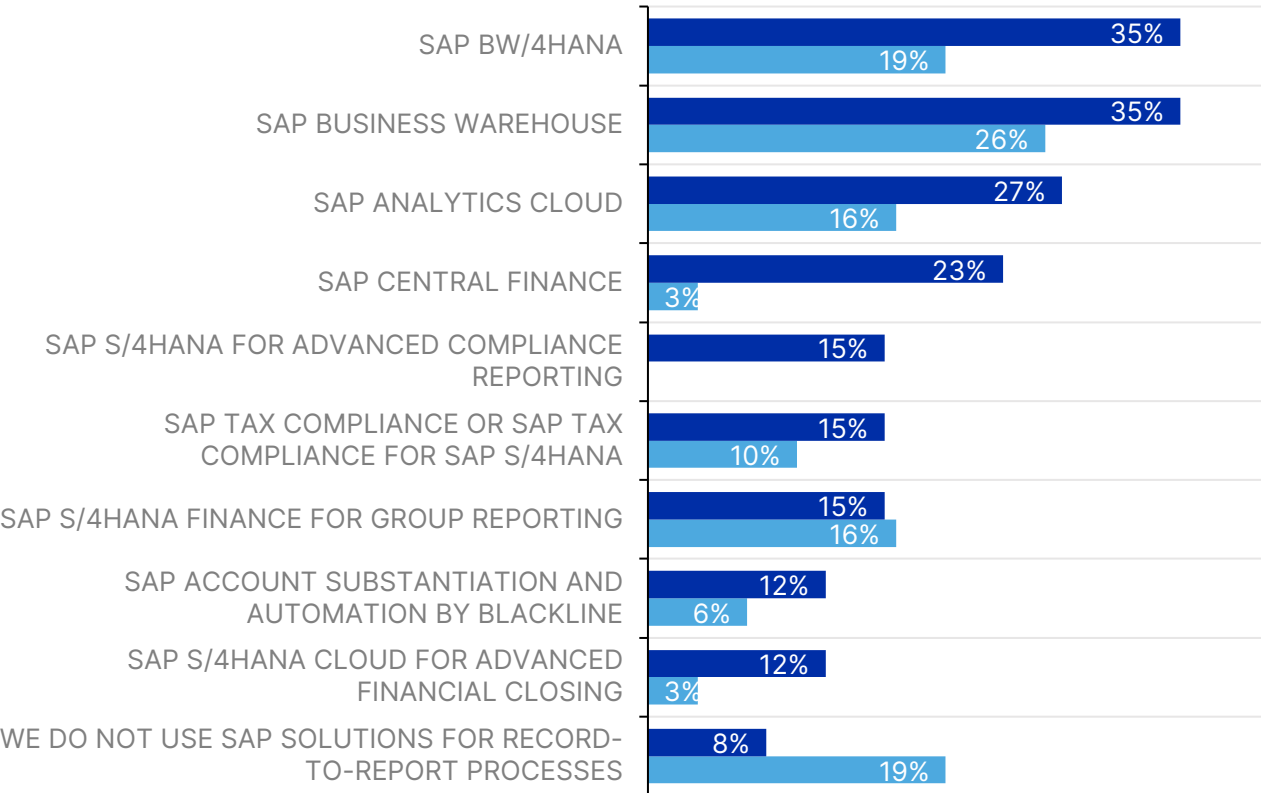
Leaders in financial close performance frequently use SAP Analytics Cloud and SAP BW/4HANA, each at a rate of 35%, indicating a strong preference for robust data processing and analytics capabilities. They also significantly utilize SAP Central Finance, with 23% adoption, suggesting its importance in financial consolidation.

Conversely, laggards in closing performance show lower usage across most SAP products. Notably, only 3% use SAP S/4HANA Cloud for advanced financial closing and SAP Central Finance, indicating potential areas for improvement. There's a notable gap in adopting SAP S/4HANA for Advanced Compliance Reporting.

This data implies that the adoption of integrated and advanced SAP solutions correlates with better closing performance, highlighting potential areas for investment for those looking to improve their processes.

SAP Product Utilization for Financial Close and R2R

■ Leaders (Top 20% Closing Performance)



THANK YOU

Ogo Nwanyanwu

Research Director, Finance/GRC

Ogo.Nwanyanwu@sapinsider.org

SAPinsider



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