

The finance organization of the future

How cloud is driving finance transformation

kpmg.com



Streamlined business operations



Building the business case to improve and automate current and future business processes

The shift is on. Business executives now recognize the transformative potential of the cloud. A recent global KPMG survey¹ of nearly 800 technology industry leaders ranked cloud as the technology that will have the greatest impact in driving business transformation for enterprises.

So what's the upshot of such optimistic thinking about software-as-a service (SaaS) technologies? Finance executives must take a direct approach when building a business case to move to the cloud, particularly as it advances beyond its beginnings as an isolated technology deployed mostly for cost cutting and speeding time to market.

The cloud is touted as a true catalyst and enabler of transformative actions, such as the creation of an innovative workforce, ensuring the success of a customer-centric approach and making data analytics possible – all significant opportunities for the business. Such a backdrop adds new scrutiny to finance organizations, which are now expected to contribute more to the overall strategic direction of the companies they serve.

Technology-hindered chief financial officers (CFOs), in particular, find themselves under pressure to seek approvals to invest now to save money later. Building the business case for such contrarian thinking often can be complex and fraught with potential pitfalls about runaway costs, security risks and compatibility. It needn't be that way. The potential benefits clearly outweigh the risks, if the CFO can make a strong enough pitch to transition to the cloud.

¹ KPMG Global Technology Innovation Survey, Fall 2014.

Finance Department of Today	Finance Department of the Future
Just the financial facts, ma'am!	Shares big picture thinking
Passive role	Dynamic decision maker
Merely one of the silos	Active organizational integrator
Also ran	Pace setter
Looking back	Looking ahead
Survives with existing processes	Excels with financials in the cloud
Get out of the way!	Getting it done!
Slow but steady	Nimble and flexible
Low expectations	Empowered to do more
Transactional support	Enterprise-wide strategist
Technology hindered	Technology empowered
Status quo	Transformation of finance function

The complexities – What CFOs are facing

Companies often only seek financial facts from their finance teams, but the finance department is the best equipped to provide a big-picture view of the entire organization's health.

In our experience, CFOs find success when they boil down the complexities of the technology. Taking a simple approach can help advance the business imperative, saving everyone time and effort.

In general, finance organizations have come under pressure to play more strategic roles in their businesses, shifting from a traditional role of merely providing transactional support to instead providing more valuable information and decision making to the organizations they serve. As companies cut costs (people, tools and methods), efficiency is a target to improve the top and bottom lines.

As they develop a plan to transition financials to the cloud, CFOs must consider the complexities their organizations face as a whole: Companies are seeing increasing competition, regulatory complexity and an immediate demand for profitable growth, among others.

Finance is the only functional group with visibility into all organizational data, and it has the ability to identify correlations of data, operational drivers and financial outcomes. With such a big picture view, the CFO is effectively positioned to step up to weigh in on enterprise-wide strategic decisions.

In this new environment, CFOs are expected to widen their capabilities and play a more direct role in planning, forecasting, reporting, managing risk and driving competitive advantage in the marketplace. Better analytics can help equip the CFO to affect enterprise-level decisions, both from financial and operational efficiency perspectives.

Through SaaS-enabled Finance Transformation (SeFT), the finance function can help drive business-enabled technology transformation across the wider enterprise. Yet, the decision to move finance to the cloud is often bigger than the finance – or IT – organization. Leading organizations strive to orchestrate HR, finance and technology transformation capabilities to accelerate the value of cloud applications. This enables companies to focus on both the system implementation and the business implementation – accelerating time to value across the enterprise.



Technology empowers the CFO

Finance has the unique ability to see all the data and bridge silos, and help other departments improve their bottom lines, but the finance team often does not have the right tools or buy-in to make it happen.

The role of finance is evolving from a transaction processing, historical reporting focus to a more active business partner responsible for driving growth and profitability within the organization. The success of the finance function is driven, at least in part, by innovations in cloud-based solutions and by the need to leverage the latest SaaS finance technologies. The cloud presents an opportunity for the finance organization to be more nimble via infrastructure that is scalable, flexible, faster to implement and ultimately more cost effective.

In working with clients of all sizes, at all levels of complexity and across multiple industries, we have found inherent preconceptions about the role of finance within the organization. CFOs must struggle to overcome such general biases to earn their seat at the executive table and secure the resources needed to succeed in the cloud.

While CFOs might already recognize the need to create enterprise analytics and unlock critical business insights from their data, this is often easier said than done. Insights generally are buried in

disconnected, aging enterprise resource planning (ERP) platforms – replete with bolt-on customizations and manual workarounds – struggling to keep pace with the business.

Integration is the new information paradigm. Where silos were the norm, organizations today seek instead to share critical data among business operations to manage costs and unify company strategy.

Leading CFOs recognize that it's time to transform finance by seeking ways to modernize their ERPs, integrate their systems and simplify their organizations. Today's SaaS options range from integrated ERP packages to best-of-breed applications for targeted financial processes, such as revenue recognition and subscription billing.

According to a recent Gartner study³, 84 percent of CFOs surveyed said that half their companies' transactions will be delivered through SaaS in the next four or more years. Simply put, if you are not already thinking about SaaS for your company, you are already lagging behind the competition.

² KPMG Capital, "Going beyond the data: Achieving actionable insights with data and analytics," 2014

³ Gartner, "Financial Executives International (FEI) CFO Technology Study," May 2, 2013

A recent KPMG Capital study² of chief financial and information officers found that more than one-third of executives cited analytics as being among the top five transformative drivers of cloud.

Finance transformation via the cloud

Which came first: The technology or the organizational needs for its transformative power?

In recent years, cloud-based applications have quickly become a viable way to modernize and transform finance. Most providers of financial systems are focusing their investments on the cloud, so that's where CFOs need to look first.

With modern SaaS-based applications, mobile access, streamlined business processes and business intelligence are the design goals – not afterthoughts – which is why cloud technologies are driving more and more finance transformation initiatives today.

And unlike traditional, on-premise financial systems and data warehouses, leading cloud solutions were built from the ground up with today's requirements in mind: to deliver embedded analytics based on leading processes to the end user in real time and in the most suitable format (e.g., mobile).

It's a make or break time for many organizations: Either maintain outdated or inefficient business processes or invest in the future by planning today for the finance operations needs of tomorrow.

Vic Bhagat, chief information officer at EMC Corporation, stresses the need for technology-based transformations for companies that want to stay on the cutting edge.

“ I have never witnessed in my career the trends we are faced with right now, which are changing the fabric of the business. For example, cloud, big data, analytics, social, mobile, digital, security—all of them are converging at the same time, and they have a significant impact on your business performance. And the businesses that are not embracing these trends are going to be the laggards. ”

– **Vic Bhagat**, chief information officer, EMC Corporation

Simplifying finance operations

Now is the time to reinvent the finance department, but organizations often lack the incentive to break the vicious cycle of finance merely meeting expectations.

Simpler is better (read: less expensive). Moving finance to the cloud is not about outsourcing a mess for less. Rather, it's about using cloud technology to transform and simplify finance, going beyond cost reduction to accelerate decision-making, enable access to accurate data, simplify financial processes, and improve agility and precision. Employing SaaS – to either replace or augment ERP – is leading to strategic benefits in the finance function, including:

- Improved agility and precision.** SaaS applications provide access to accurate, real-time data and insights for a more complete picture of the business, helping employees make better, faster decisions and respond to change, and helping organizations forecast with greater precision and potentially close their books faster.
- What you want, when you need it.** SaaS offers a configurable, flexible platform. As the business changes, engage only the capabilities you need.
- Simplified cost structure.** SaaS can potentially replace on-premise systems, creating an opportunity to shift from capital expenditures to operational expenditures. SaaS model automation can potentially reduce finance and information technology labor costs.
- Automated governance, risk and compliance (GRC).** Unlike legacy systems, modern SaaS applications build in key GRC requirements. Taking advantage of vendor-delivered application update management, localized regulatory data tracking and reporting features, and embedded auditing, archiving and security controls offers organizations the opportunity to simultaneously improve compliance, and reduce risk and costs.
- Instant updates.** Always the latest versions, with current features and functionality. No large upgrade is required down the road as you maintain the latest technology.



Five key value opportunities

SaaS can help you build the finance organization of tomorrow.

As you move forward, consider five key value opportunities:

- 1 Marketplace advantage.** Will SaaS-enabled finance enable you to better predict trends? Nimblely respond to change? Tap analytics that answer key questions better and faster than competitors? Also consider whether a SaaS model will help your organization attract the right talent – by creating a culture that values modern technology and empowered, analytical employees.
- 2 Increasing productivity.** How can a SaaS model improve access to accurate, reliable financial information? How can it enable better decisions about the business? Examine the benefits of using the cloud to automate transactional processes, improve the strategic contribution of the finance function, optimize reporting and streamline compliance.
- 3 Enabling human resources (collaboration).** Social, mobile and analytical technologies are revolutionizing communications, and workers expect enterprise applications to offer the same rich, intuitive experience as the applications in their personal lives. So think about how the modernization of your financial systems can position your organization as an employer of choice, support high-potential employees and build leaders.
- 4 Improving business efficiency and quality.** Through automation, consolidation and analytics, a SaaS model can improve the overall performance of finance, while simplifying the complexity and inefficiency of legacy on-premise systems. In your organization, can SaaS applications eliminate fragmented or aging systems? Reduce headcount and overall transactions? Can you use purpose-built SaaS applications to replace the complex business requirements in your current ERP?
- 5 Reducing total cost of ownership.** Similarly, consider the potential of SaaS applications to lower the overall cost of your finance infrastructure. Unlike traditional, on-premise systems, which require support from back-office IT, a cloud model reduces the need for IT support – while streamlining the IT portfolio of hardware and software. SaaS can also help control capital outlays for ERP upgrades and re-implementations, while reducing costs associated with traditional software licensing.

SaaS-based applications offer significant business value drivers and cost take-out opportunities not available with legacy on-premise or hosted ERP systems.

Addressing common cloud concerns: risk, business value, and ROI

After years of on-premise ERP upgrades, finance organizations often are unsure about how to develop a truly modernized enterprise finance application suite and have many real concerns.

As you build momentum to move financials to the cloud, quantify the potential value of SaaS-enabled finance transformation and vet concerns about data security and data integration.

Getting Started

Today's landscape of global competition and near-constant change is challenging finance organizations to integrate their systems, unlock enterprise analytics and drive strategic value. SaaS solutions are emerging as viable opportunities for finance transformation.

Cloud migration requires careful planning, whether you want to replace your ERP or enhance it with best-of-breed applications. Your business case should include a thorough review of pain points, risks, opportunities, organizational strategic direction – along with consideration of leading practices in the market and the emerging workplace of the future. Organizations are coming to realize that this is the right time to make the leap with a cloud-enabled business transformation initiative. With a well-formed business case, finance organizations will be effectively positioned to enable a new finance strategy – and effectively impact the wider organization – through SaaS.

Integration complexity

How will you integrate financial data in the cloud with your on-premise systems, ensuring accuracy and preventing breaks in the data supply chain? Resolve this issue before a cloud migration.

Service level agreements

If your SLAs are not well defined, you could face additional costs for change orders, sending your CapEx-vs.-OpEx analysis out the window. Take care to thoroughly assess business needs up front.

Data security

Cloud providers' security measures are often more rigorous than those within your company walls. Some key considerations remain, such as where your service provider houses your data. Examine the data rules and potential risks with third-party data centers.

Customization & control

You may not have as much freedom in a SaaS environment as before for customizing applications. You must manage the change, especially in understanding that you will lose some control but gain best practices in the software.

About KPMG

KPMG SaaS-enabled enterprise solutions are the harmonization of our human resources, finance and sales optimization capabilities with our market-leading cloud applications deployment experience. The KPMG approach provides a full enterprise suite of cloud services that help further enhance transformation efficiency and meet the growing demands of our clients. This includes cloud integration tools and a cloud integration framework that accelerates business integration and data conversion, as well as our RapidSolutions methodology, which is delivered through our Ignition Centers.

Contact us to discuss how you can realize the returns in your SaaS business case and help accelerate your finance transformation.

John Doel
Principal

jdoel@kpmg.com
+1 503 327 9167

Keith Mattioli
Principal

kmattioli@kpmg.com
+1 650 400 0470

Calvin P. Liu
Managing Director

cliu@kpmg.com
+1 714 478 1817

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates.

© 2015 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name, logo and "cutting through complexity" are registered trademarks or trademarks of KPMG International. Printed in the U.S.A.