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BUYER'S GUIDE

CLOUD-BASED FINANCIAL MANAGEMENT

How to choose the right delivery model for your business

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CHOOSING THE RIGHT
DELIVERY MODEL

SPOILER ALERT: IT'S CLOUD!

When considering a new financial management system, there's one decision you need to make early on: which delivery model will provide the highest ROI for your organisation?

Until relatively recently, this decision centred around the merits of on premise systems versus their cloud counterparts. However, the pandemic-induced need for remote working shone a spotlight on the benefits of cloud, exposing the risk, inefficiencies and complexities associated with legacy systems, and since then, adoption rates have soared.

The conversation has evolved from discussion around the merits of cloud versus on-premise, to a more detailed analysis of the different types of cloud, from SaaS to cloud-native applications. To help you understand the pros and cons of each cloud model, this guide provides a high-level overview, followed by a more detailed chart.

WORK SMARTER

So many companies are trapped in the past, struggling with old-fashioned, outdated **financial management and accounting software packages**.

CLOUD NATIVE (MULTI-TENANT)

Just like Google, Amazon and online banking, cloud-based financial applications were built for the Internet age. Cloud deployments of financial management software offer direct, always-on access to your solution, typically paid for on a per-user/per-month subscription basis. They are multi-tenant, which means you work from a shared system (with a single set of resources, application infrastructure and database) but can only unlock your own data. There are no upfront fees, capital investments or long-term commitments because you do not buy, license or manage the underlying hardware, software or networking infrastructure.

Upgrades are performed at no cost to you. And, even if you make extensive changes to the system, your customisations 'roll over' to work with the new upgrade.

Compared with Software-as-a-Service (SaaS) deployments, which involve a third party hosting an application built for an on premise model, a cloud native model delivers on the full premise of the proposition. In the same way that the apps on our phones work, and are updated regularly without us really even noticing, so does true cloud software.

Because pure cloud always sees the latest version of software in the hands of users, there is no risk, and no resource required for upgrades. This not only minimises the need for expensive and disruptive upgrades, but takes the pressure off an already squeezed labour pool, because updates are undertaken and delivered by the provider.

SOFTWARE-AS-A-SERVICE (SAAS)

Certain applications are not suited to a multi-tenant cloud model, and expenditure is better channelled into a hosted approach to avoid cloud costs getting out of control. In a hosted environment, the software physically resides at a remote data centre operated by an expert third-party hosting provider. Your team would usually use a product like Citrix to access the software over the Internet and see the screens being generated at the hosting provider.

Known as 'software as a service' (SaaS), this model eliminates the responsibility of maintaining hardware infrastructure, helping to avoid large upfront capital expenditures. However, because it works by providing you with a unique "instance" of your financial system on a dedicated server, you would still face the same costs for customisations, upgrades, integration, and support.

AT A GLANCE:
DELIVERY SOFTWARE MODELS

When it comes to financial applications, cloud offers compelling and unmatched advantages for deploying business software. Rather than continuing to invest in antiquated on-premise systems, leading digital transformation businesses have turned their focus to cloud-enabled software, recognising the need for flexible and agile financial applications that are easy to implement, configure and update.

Demand for cloud-based financial applications continues apace because of their ability to not only access but also analyse massive amounts of data in real-time. When it comes to winning business globally, speed is of the essence. Organisations need faster insight from their finance systems than ever before.

THE CORE PILLARS
OF THE CLOUD

1. REMOTE WORKING

Anytime, anywhere accessibility is a key benefit of moving to the cloud. The whole finance team can work anywhere, using only a standard and secure web browser with an internet connection, without any extra security hardware or software, or a VPN connection.

2. ACCELERATED FINANCIAL PROCESSES

High ROI and rapid payback are common with cloud applications. In a recent study by Nucleus Research, cloud-based implementations were found to deliver 4.01x more ROI than on-premise software.

Not only do cloud systems drive higher ROI through time and process efficiencies, considerable cost savings come from avoiding the capital investments and operating expenses associated with an on-premise system.

Since cloud systems are inherently web-based, live and real-time, they accelerate crucial financial processes like collections, consolidations and period closes, as well as delivering extensive automation and integration capabilities, helping to eliminate time-consuming and error-prone activities such as manual data entry, paper-based processes and spreadsheet maintenance.

3. SELF-SERVICE KPIS

Real-time visibility is a hallmark of today's cloud systems, providing access not only to other traditional finance department users, but also to other key stakeholders across the business. For instance, you can provide real-time dashboards for your entire management team, giving everyone access to the KPIs that apply to their departments.

Take this even further and you can grant access to a wider range of employees too, enabling them to view relevant dashboards, manage expenses and create purchase orders. Lenders, auditors, CPAs and board members can be given access to key, real-time information too, helping to nurture trusted, transparent relationships.

4. INTEGRATION

Easy integration is part and parcel of the cloud. APIs and Web services enable cloud systems to easily integrate with one another so you can use the best applications for each area of the business. That means no more costly custom programming and maintenance.

5. EFFICIENCY

Business-wide operational efficiencies are a key benefit of a move to the cloud. You can streamline classic finance processes, such as consolidations and closes, and also leverage the power of the internet to tie in other company functions and processes, as well as your customers and suppliers.

For example, you can coordinate purchasing workflows that involve all stakeholders; you can deliver a 360° order-to-cash process that connects finance and sales, and you can increase operational alignment by creating budget dashboards for department managers.

A cloud approach facilitates the crucial merging of financial and operational data, allowing your business to leave behind 'management by spreadsheet', side-stepping the limitations of single-user systems like QuickBooks that so often trap information in desktop silos.

6. CREATING A LEVEL PLAYING FIELD

With a cloud-based financial system, you tap into a world-class infrastructure. Your vendor delivers cloud solutions for multiple customers so is able to provide you with a robust infrastructure, 24x7x365 operations, continuous backups, disaster recovery and superior security. What this means is unparalleled performance, reliability and security, going above and beyond what you could ever provide at an enterprise level.

Plus, cloud applications can be provisioned immediately, able to scale and flex in-line with your specific business needs. So, you can hit the ground running, adapting quickly and effectively as and when requirements change.

EVALUATING SOLUTIONS

IT'S ALL ABOUT BEST PRACTICE

Ultimately, whichever cloud model you choose, you're still investing in a sophisticated software application. So, what steps do you need to take when considering which solution is the best fit for your business?

Determine what exactly you need
Carefully define and document your needs. Ensure input and gain consensus from key users in finance and related departments. Talk to sales, talk to accounts payable. Do you need to integrate with CRM systems? Do you need to deploy new purchase requisition processes? It's vital to take a business-wide approach.

Prioritise carefully
No system meets all the needs of all the users. Determine which functionalities and requirements are 'must haves' and rank them so that you can select the system which best fits your team's unique set of requirements.

Focus on product fit
Functional excellence is key. Regardless of deployment model, you need a financial system that offers the comprehensive, up-to-date features that modern organisations require, seamlessly amalgamating financial and operational data. For example, many businesses find that multiple entity consolidation and project-based accounting are as essential as real-time reporting, process customisation, automated approvals and integration with other software products. You want a solution that delivers the right functionality for your particular business needs.

Demo or trial from shortlist
No amount of customer testimonials or case studies can take the place of a careful evaluation of the user experience. Make sure you understand how things work at the administrative level too.

Create an RFP
Once you know what you need, you should list your requirements, expectations and parameters in a clear, comprehensive Request for Proposal (RFP) form to send to a shortlist of vendors. Using the same form for all vendors allows you to carry out a like-for-like comparison of solutions.

Check references, score, and select
Carefully screen vendor references. Of course, vendors can provide access to happy, successful customers, but online forums can represent a great source of honest, unscreened and unfiltered feedback about actual vendor performance.

Research your options
Make the most of independent research and reviews to sift through competing offerings and develop a shortlist of vendors. Social networks such as LinkedIn and Twitter can help connect you with real-life users of the solutions you're considering. Similarly, have a look through our customer success stories on percipient.co.uk

THE RIGHT
CLOUD PARTNER

WHAT TO LOOK FOR IN A CLOUD SOFTWARE PROVIDER

When you move finance to the cloud, it's your vendor, not your IT team, that will operate the financial system for you. It's not like in the past when you licensed software from the vendor and then were on your own. With the cloud, you form a long-term partnership with your vendor, making it crucial that you choose the right partner for the job.

Before signing on the dotted line, you need to be sure that your vendor of choice can do a better job of running your system than you can – and that it will keep up the good work, month after month, year after year.

5 STEPS TO CHOOSING
THE BEST SUPPORT PARTNER

1
Check for experience
How experienced is the potential partner? Not only in terms of your chosen solution but with regards to experience and expertise in your particular market sector?

2
Find the right level of support
Don't scrimp on areas which are crucial to operational performance and profitability, but don't blow your budget on more than you need.

3
It's all about long-term value
Look beyond initial up-front costs to consider the overall value delivered – if support is limited, how will this impact your business?

4
Set expectations from the outset
Is the scope of support clearly set out and can the level of support flex in-line with changing business demands?

5
Establish relationships
Find out exactly who you'll be dealing with and make sure there's a good fit in terms of collaborative partnership working.

7 QUALITIES TO LOOK FOR
IN A CLOUD VENDOR

1 **Implementation success**
The ideal cloud financial management solution is designed from the ground-up as a cloud application, backed by a vendor and partners with extensive experience. Make sure your vendor can demonstrate a proven track record of successful implementations.

2 **Operational track record**
Your chosen vendor isn't merely developing and licensing software - they're managing the core financial systems that run your business, making it very much a strategic partnership. Find out how your vendor conducts business. What's the cultural fit with your company? What standards do they pursue? Where are the applications physically being run?

3 **Data ownership**
Get it in writing that you own your own data and can obtain a copy of it (for an appropriate fee) if your relationship ends. You also need an agreement for appropriate assistance in migrating away from the vendor should you ever decide to leave.
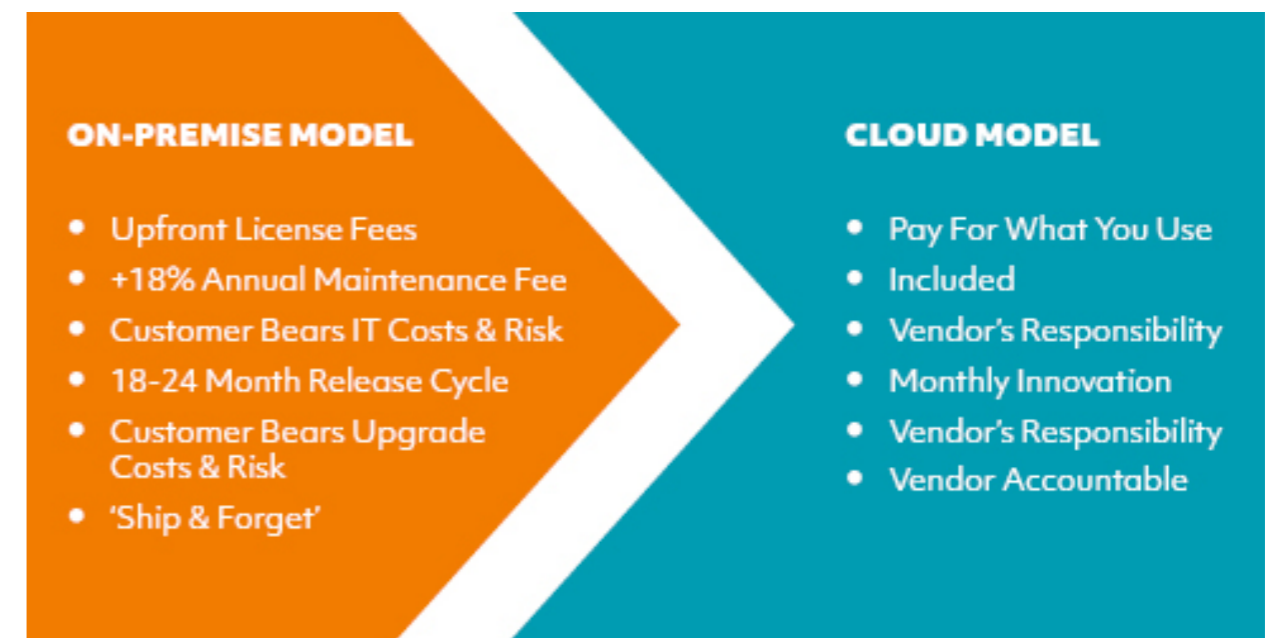
4 **ROI/TCO**
Although financial models can vary significantly, the total cost of ownership is typically far lower for cloud-computing systems than it is for on-premise and hosted systems. Make sure you carefully structure proper ROI scenarios and timelines to determine the investments and payback periods.

The only ongoing costs should be monthly fees for software subscription, training and configuration. When comparing cloud to on-premise, it's important to remember that software licensing for an on-premise solution actually makes up a very small percentage of its total cost.

Additional ongoing costs may include customisation, hardware, IT personnel, maintenance, training, tuning, customisations, network maintenance and much more, which translate into a far more difficult investment to swallow. Also, cloud computing costs are taken entirely from OPEX, whereas on-premise deployments typically include even larger OPEX plus significant CAPEX investments.

Cloud computing turns CAPEX into OPEX:

ON-PREMISE MODEL
- Upfront License Fees
- +18% Annual Maintenance Fee
- Customer Bears IT Costs & Risk
- 18-24 Month Release Cycle
- Customer Bears Upgrade Costs & Risk
- 'Ship & Forget'

CLOUD MODEL
- Pay For What You Use
- Included
- Vendor's Responsibility
- Monthly Innovation
- Vendor's Responsibility
- Vendor Accountable

5 **Infrastructure & security**

Most cloud-computing vendors partner with elite data centre providers to deliver the backbone to their offerings. You need to know exactly who these partners are.

Where are their data centres located? What are their business-continuity contingencies? What security standards have they adopted? Can they deliver guaranteed and appropriate levels of uptime? How do they prevent, detect and remediate physical and network security breaches? It's vital to thoroughly evaluate each vendor's network operations centre and technology infrastructure.

6 **Support agreement**

A good support agreement will specify what level of support comes as standard, as well as offering several levels of additional support. If it is important to you to have access to UK-based experts, find out where your vendor's support team is located. It's also a good idea to inquire about the people who make up your support team: will there be accounting experts and seasoned representatives available to you if needed?

7 **Service level agreement**

A world-class service level agreement (SLA) is a non-negotiable when dealing with a loud-computing vendor. With the cloud, you rely more heavily on your vendor for support and so it's vital that your vendor has the appropriate infrastructure to offer optimum levels of expertise and responsiveness. This must all be defined in a comprehensive, ironclad SLA. As the basis of your relationship, this document can be enforced for many years and is essential to setting expectations and insulating your organisation from risks.

Look for SLA transparency from vendors who are unafraid to publish two-month histories and current system statuses on their public websites. If a vendor does not have a public system status website, it should be a major red flag that perhaps it doesn't have a complete handle on its operations.

7 SLA
MUST-HAVES

Your vendor's SLA should specify incentives and penalties for defined performance metrics. Make sure you've got the following areas covered, in writing.

1. **System availability**
   Look for a vendor that can commit to 99% availability or higher.

2. **Disaster recovery**
   If there's a data centre disaster, make sure that you'll be back up in 24 hours, and that you'll lose no more than two hours of data.

3. **Data integrity & ownership**
   If you decide to leave your cloud vendor in the future, you must be able to get your data out of the vendor's system.

4. **Support response**
   Your vendor should be transparent about what constitutes a high-priority, medium priority and lower priority issue, with the ability to respond to high priority requests within one to two hours.

5. **Escalation procedures**
   If you have a support case that you feel should be escalated, you need a clear escalation path and the contact information of at least three people who can help.

6. **Maintenance communication**
   Your vendor is obliged to let you know when regular recurring maintenance activities take place, and should post a special notification if any maintenance activity is expected to take longer than normal.

7. **Product communication**
   Your vendor should commit to providing regular updates on new product features and product release notes.

BUYER BEWARE

HOW TO BE AN INFORMED BUYER

Remember, you're in control. Cloud vendors must earn your business every month and so should look past the initial sales transaction, focussing on building a productive, long-term relationship. Once you've put in all the hard work of defining your requirements, drawing up your shortlist, and selecting the right vendor for your business, make sure you know what you are going to be paying for and when.

TWO THINGS TO REMEMBER

1. Be wary of steep upfront discounts and protect yourself by ensuring your agreement includes caps on price increases over time. If not, you could find yourself with a nasty surprise at the end of your first year of service.

2. Pricing models for cloud applications vary widely – some vendors charge an all-in-one fee, others might break out various components like maintenance, support or training and then add more charges based on the number of users or number of transactions. Factor in all the variables to avoid surprises.

CONCLUSION

MAKING AN INFORMED DECISION

With so many options for financial applications, finance leaders must ensure they understand the respective merits of different cloud models.

While SaaS brings substantial benefits, the full potential of cloud can only be realised via a cloud-native/multi-tenant model. As well as flexibility via virtual seamless upgrades which improve operating efficiency, it can maximise the potential of teams, improving collaboration and productivity, and fostering better access to talent, and better use of talent acquisition.

Of course, all of this results in a better proposition to the market, and expands the opportunity to scale, both now and as future dynamics dictate.

The remote access enabled by a cloud model also supports skills acquisition by facilitating access to a larger pool of talent, both from a diversity and geographical perspective. For many industries, the days of being confined to candidates in and around the physical office simply no longer exist. And in turn this means less of a need to expand office space when scaling, and a lighter, more cost effective infrastructure from which to pursue strategies.

When it comes to scaling a business, a cloud native model means that there is no additional cost and complexity associated with bringing new entities on board, or launching in new regions, or shifting a business model to reflect a change in direction. The software is always on the latest version, easy to use, delivering modern functionality.

Ultimately, cloud computing is about capitalising on a software delivery model that accelerates a larger ROI, while better aligning the financial organisation with the new dynamics of a growing business in an unpredictable economic climate.

In today's financial management software market, the buyer has the power. No matter what solution you choose, you should expect faster financial closes, easier regulatory compliance, less manual work, real-time visibility and reporting, and an outstanding service level agreement. If not, it's time to make a change.

Good luck with your buying journey. If you'd like to know more about Percipient and how we can help your business, please don't hesitate to get in touch.

AWARD-WINNING
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We're proud to be acknowledged as one of the most-respected Sage Business Partners in the UK. We specialise in the implementation of Sage Intacct across a wide range of sectors, helping businesses to work smarter and embrace opportunities for growth.

If you would like to know more about Percipient and how we can help you to invest in the right finance technology for your business, email us at **info@percipient.co.uk** or call us on **01606 871332**.

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