

# When On-Demand Financials Make Sense

**A viable alternative for  
growing midsize companies**

White Paper

sponsored by



**V E N T A N A**  
R E S E A R C H

*Aligning Business and IT To Improve Performance*

**Ventana Research**

1900 South Norfolk Street, Suite 280

San Mateo, CA 94403

[info@ventanaresearch.com](mailto:info@ventanaresearch.com)

(650) 931-0880

[www.ventanaresearch.com](http://www.ventanaresearch.com)

## Table of Contents

<b>Finance in a Bind .....</b>	<b>3</b>
<b>The On-Demand Model.....</b>	<b>3</b>
<b>Key Capabilities .....</b>	<b>4</b>
<b>Is SaaS a Fit for You?.....</b>	<b>5</b>
Are you in transition? .....	5
Is growth putting pressure on how effectively you execute finance functions? ...	6
Do your current systems provide everything you need?.....	6
Does software on premises really suit you?.....	6
<b>Cases in Point .....</b>	<b>6</b>
Ingres Corporation .....	7
Memjet Home and Office .....	7
JasperSoft Corporation .....	7
<b>What To Do Next.....</b>	<b>7</b>
<b>About Ventana Research.....</b>	<b>8</b>

## Finance in a Bind

Midsize companies, which Ventana Research categorizes as those that have 100 to 1,000 employees, face unique challenges. They are no longer small and nimble, and they need many of the same capabilities larger companies have. Yet they lack the resources (money and people) of big businesses.

Too often, this leads to operational challenges. For example, they find the actions of the key parts of the business are not as well coordinated as they might be because people do not get enough of the right information soon enough, or their exposure to business or compliance risk has increased because their systems are designed for a much smaller company. Caught in this bind, they must find new or different ways of meeting their operational needs.

This is true across the organization, yet some functional units seem more ready to consider alternatives than others. Sales, for example, typically is more open to new approaches that will support its activities cost-effectively. Finance, on the other hand, typically is among the least likely to think about looking for innovative solutions. Famously averse to risk and subject these days to closer oversight and stricter regulation than ever, finance professionals are understandably cautious; to them, “creative” can be a dangerous word. Ironically, the more cautious approach may be the most risky option because it may result in inadequate control of costs and higher operational and regulatory risk.

Advances in information technology can help finance groups meet their challenges, but here as in other aspects of business they are likely to proceed carefully, which often also means slowly. In recent benchmark research on financial management in midsize companies, Ventana Research found that most midsize companies do not rate highly when measured by the maturity of their technology, both absolutely and relative to larger companies. Finance executives at these companies believe information technology can help, the research found, but they are constrained by lack of resources and resistance to change.

To persuade most finance leaders to adopt new approaches to technology requires a compelling set of benefits, cost-effectiveness and minimal risk among them. An emerging option now finally capturing their attention is on-demand software, also known as software as a service (SaaS). It’s an option that some finance professionals may recognize, since that’s increasingly the delivery medium for payroll and human resources services from leading companies such as ADP and Paychex, for customer relationship management tools from salesforce.com and business conferencing tools such as Webex.

## The On-Demand Model

Until recently, companies and their various divisions have acquired enterprise software almost exclusively in a single way: by purchasing a license for the product, installing and managing it on their own network and periodically

paying for upgrades or extensions of it. This “on-premises” model requires significant capital outlay and IT staff to maintain and perhaps customize the software for the organization’s needs.

On-premises is no longer the only way to buy and deploy business software. Software on-demand, like that provided by ADP, Paychex, salesforce.com and Webex, has emerged as a viable alternative. It frees the customer from having to own and operate the hardware on which the software runs and to implement, maintain or update the software. The provider, usually the software developer, provides network-based access – almost always on the Internet – to the software and typically charges a monthly fee covered under a contract whose length is negotiated at the time of the agreement. Essentially, the customer rents rather than buys the product and receives a full solution, including support, ongoing software management and automatic maintenance and updates.

Using SaaS-delivered business applications enables customer companies to lower their implementation costs and ongoing overhead and to devote more of their resources to the business. They often can deploy it rapidly as well because there is no on-site installation process.

To date, SaaS has been most successful in customer relationship management (CRM), sales force automation (SFA) and some human resources uses, mainly payroll services. Salesforce.com, for example, offers both CRM and SFA on-demand and claims more than 30,000 customer organizations for the former.

The question, then, is whether finance departments will accept this model as a fit for their business functions.

## **Key Capabilities**

The best way to answer this question is to look at practical uses. For the finance function, offerings available now address all or most of the daily accounting and reporting requirements of midsize companies. Among them are the abilities to manage business processes for selling, purchasing and inventory management and to handle payments, refunds and other disbursements.

As companies transition from small to midsize organizations, they find their enterprise software needs moving beyond the straightforward general ledger and accounts payable/receivable capabilities. They need reporting and business and financial analytics that enable them to measure and manage performance. Their inventory, payroll, purchasing and contract management requirements become that much more demanding. Moreover, depending on which industry they are in, managing contracts, projects and revenue recognition becomes much more challenging.

Most small businesses use spreadsheets to handle these functions, and think nothing of continuing this approach as they grow. While spreadsheets may be adequate for small businesses, they become increasingly unwieldy and

pose significant business (and even legal and compliance) risks when the organization grows and becomes a midsize company.

Since the value of an enterprise resource planning (ERP) system lies not just in accurately recording transactions but in being able to use that information, the best SaaS systems also offer executive dashboards, extensive libraries of ready-to-use reports and a range of business analytics applications to support effective decision-making. They thus provide midsize companies with more of their most precious commodity, time, by eliminating bottlenecks and automating rote functions such as bank reconciliations, handling multiple currencies and consolidating results for companies with multiple entities.

SaaS-delivered accounting applications are aimed at companies that are becoming too large to use Intuit's QuickBooks or Sage's Peachtree, but are small enough not to have – or want – an on-premises application. Many companies consider this transition too big a step for them to take and wind up using a small-business accounting application far longer than they should. As a result, they find themselves in a double bind: needing their ERP system to do more and not having all the resources to be able to accomplish this.

Companies that have a part-time CFO or operate multiple geographically dispersed sites that must interact with the central ERP system (for example, midsize retailers) are another set of potential users of SaaS financials. For them, having the software available on the Web is handy and a better match for their business. A SaaS-based accounting system also may be the best choice if a company wants to obtain a broad range of best-of-breed enterprise software capabilities– to, for example, connect its salesforce.com CRM to the accounting system. Indeed, for companies using such a CRM system and wanting to integrate customer-facing processes back into the accounting and administrative functions, a SaaS approach is likely the most practical.

## **Is SaaS a Fit for You?**

The pressures and pace of business today combine with the potential benefits SaaS can offer to give finance organizations good reasons to look into this option. In determining whether financials on-demand can provide an advantage, Ventana Research advises decision-makers first to conduct a self-assessment of their organization that includes the following questions.

### **Are you in transition?**

Some midsize companies find themselves “in the gap” between a small business program such as QuickBooks and a traditional on-premises midsize package, or between midsize and enterprise-scale on-premises packages. SaaS can provide a way to make the change without having to decommission the old and install the new. In addition, emerging special requirements such as SOP 97-2 accounting that can be expensive to address with specialized on-premises alternatives may be addressable as a cost-effective option in an existing SaaS system.

## **Is growth putting pressure on how effectively you execute finance functions?**

Successful midsize companies are about growth, and their finance people see firsthand the effects of it, both gratifying and challenging. As the company grows, more people use its information systems and data increases in volume and complexity. Finance has to respond quickly and adapt its processes to keep up; it may not have time for a full-scale IT upgrade project. Further, as it grows the organization needs to do new things, which could include budgeting and planning, sales and operations planning, revenue recognition, international expansion or the use of multiple currencies. It may wish to move to multiple operating companies that have to be consolidated, want a distributed finance function or even want to outsource the finance function. Considering these options requires flexible information systems that typically have to be up and running on short notice.

## **Do your current systems provide everything you need?**

Ask, for example, whether your current enterprise accounting software provides all capabilities your business needs to manage transactions and provide information and analysis. Midsize organizations often find gaps in their ERP systems. There also may be gaps created by sales and finance departments being on different systems – say, one an isolated on-premises system and the other SaaS – which negatively impacts, for instance, Finance’s ability to track order-to-cash or Sales’ ability to keep up with customers’ financial status. Midsize companies often find this is one area where their small business software falls short and where an integrated SaaS solution can improve their responsiveness to customers and give people in finance and accounting more time to devote to other pressing needs.

## **Does software on-premises really suit you?**

Another issue is whether your operations are centralized in only one or a few locations served by a single corporate network or dispersed so that employees need access from various locations or while on the go. In the latter case, Web access through hosted SaaS may serve better. The size of your company also is a consideration here.

If your users often need applications customized in ways particular to your business or industry, and you have a large, capable IT staff, on-premises management may be necessary; the same may be true if you need to integrate data from specialized systems your company already owns. If your needs are more generic and can be served mostly by a package, the savings in staff and system ownership from SaaS may be substantial.

## **Cases in Point**

As examples of how some companies handle their financial tasks more effectively by deploying SaaS, we offer the following summaries of three that use on-demand financial software from Intacct in combination with on-demand CRM applications from salesforce.com. These companies all have found that adopting a SaaS approach that integrates multiple business applications has had a positive impact on their on their operations. Ventana

Research offers these case summaries as information about the product choices these organizations made; this presentation does not imply that we recommend the same choices to other organizations or that they are guaranteed success by replicating them.

### ***Ingres Corporation***

This open source information management company based in Redwood City, California had outgrown QuickBooks and needed revenue recognition capabilities that that it could integrate with sales force automation, billing and collections. It also wanted to better manage its rapidly growing international operations. Ingres chose Intacct to provide on-demand access to financial applications tightly integrated with salesforce.com. Now its sales and finance departments are able to share information in real time. The company says the new application has helped it increase the productivity of its sales team and is expected to help reduce audit expenses by an amount in five figures. Intacct also supports Ingres' multinational, multicurrency operations and revenue recognition efforts.

### ***Memjet Home and Office***

This independent supplier of printing technologies, based in Eagle, Idaho, needed to streamline order entry and increase access to information for both Sales and Finance. In particular it wanted to automate the sales order-to-invoice process across both departments. Memjet deployed Intacct's on-demand financials and went live with integration with salesforce.com in less than one month. Its sales representatives now create complete and accurate sales orders from within the salesforce application, and the finance team tracks orders, whether created by Finance or Sales, using Intacct's tracking system for sales orders. Memjet says the solution has helped lower its per-order cost, reduce errors by improving cross-departmental visibility and cut IT support costs.

### ***JasperSoft Corporation***

The business of this open source business intelligence software company, based in San Francisco, had outgrown the capabilities of QuickBooks. JasperSoft wanted to increase access to customer information for both its finance and sales departments to expedite order approvals and improve sales efficiency. The company also required revenue recognition features and integration with its existing systems and, in particular, salesforce.com. JasperSoft chose to replace QuickBooks with Intacct. Integration between Intacct and salesforce provides to users customer financial information stored in the salesforce application. JasperSoft says this saves time by allowing quotes and sales orders to automatically populate invoice forms. In addition, it streamlines customer order processing by improving communication between the sales and finance teams.

## **What To Do Next**

If it appears that the on-demand model might suit your needs, Ventana Research recommends that prospective adopters conduct their evaluation through the following steps.

- Determine whether your business is not achieving its full potential because of constraints in its current accounting system. Ask yourself if there are important capabilities that are missing (an automated order-to-cash process, for example, or revenue recognition management) that would have a strategic impact on your company.
- If you have concluded that your existing accounting software is holding your company back, create reliable estimates of the costs of SaaS vs. on-premises, both now and in the future. Don't stop with the immediate savings; rather, project the total lifecycle cost, including the ongoing costs of operating and managing an on-premises application.
- Inventory the in-house systems from which you need to access data. Assess how much flexibility you will need from a new application to work with these various sources and note any likely requirements for integration with existing applications and other customization.
- Verify that companies like yours are deriving benefit from the switch.
- Decide whether SaaS financials meet your requirements for security features and performance.
- Construct a list of vendors of SaaS financials that meet the requirements you have identified.
- Compare capabilities and costs for offered by those vendors.

On-demand financials do not suit every situation. But in today's business climate, where IT investments are scrutinized more closely than ever for features, interoperability with established systems and the demands they make on resources of both people and money, it is a true alternative that is worth serious consideration.

## About Ventana Research

Ventana Research is the leading Performance Management research and advisory services firm. By providing expert insight and detailed guidance, Ventana Research helps clients operate their companies more efficiently and effectively. We deliver these business improvements through a top-down approach that connects people, processes, information and technology. What makes Ventana Research different from other analyst firms is our focus on Performance Management for finance, operations and IT. This focus, plus research as a foundation and reach into a community of more than 2 million corporate executives through extensive media partnerships, allows Ventana Research to deliver a high-value, low-risk method for achieving optimal business performance. To learn how Ventana Research Performance Management workshops, assessments and advisory services can impact your bottom line, visit [www.ventanaresearch.com](http://www.ventanaresearch.com).