

# The Issue

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## Growing Pains and Desktop Software

*Is it Time to move to the Cloud?*

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The role of CFOs and senior finance leaders is becoming more strategic and with it the need to provide greater insights and information; not simply “keeping the books”. As companies grow they need to be more agile and competitive and the environment has grown in its expectation as well. As you move from using a simple accounting system to financial management, you may be looking at your current set up. If you’re operating on Quickbooks (or other desktop software) and you’ve heard about the benefits of cloud computing, you may be asking yourself, “is it time to move to the cloud?” And, if so, how to make the move.

These were questions one of my clients came to me with earlier this year. He was rapidly expanding through multiple locations, and became concerned that his current desktop accounting system might not serve his interests any longer. There were a number of objectives he had for his business in the coming year:

- to delegate more management authority to the branches,
- to incent these managers to achieve greater profitability,
- to hold them accountable for business decisions, and
- to push transaction processing down to the lowest possible level.

At the same time, he wanted to be able to keep track of the entire operation in real time, drilling down into details at each location, and to access this information regardless of where he was, either at the home office or on the road.

A number of his competitors had recently moved to the cloud, yet he was hesitant, wondering whether it had matured and was robust enough as well as

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secure. He had hopes that by moving to the cloud he could streamline his operations beyond just accounting and finance but wondered what it would take and how much it would cost.

I had good news for him!

## The Cloud has Matured

The cloud has rapidly matured, particularly over the last three years, and so have the systems. Forrester in its "Predictions 2015: The Days of Fighting the Cloud Are Over," described an explosion of industry-specific SaaS tools. SaaS (Software as a Service) in particular has opened opportunities for sophisticated tools not previously available to SMBs due to either cost or the resources required to purchase and implement. More and more companies are adopting cloud computing either in the form of SaaS, or with private or hybrid cloud solutions that incorporate on-premise solutions into the mix. A 2014 IBM study of CISO (Chief Information Security Officers) showed that 86% of CISO's say their organizations are moving to the cloud.

The question of whether or not to move into the cloud is quickly become one of "when and how?" The driver is moving from just simple cost-reductions to the innovations and increased agility that can be achieved.

Financial management solutions have been the last to come into the cloud fold given concerns over functionality, data privacy and security, but many of those apprehensions have been addressed. The backbone of financial planning, Enterprise Resource Planning (ERP) systems, have become more robust, boasting many features that were "extra's" just a few years back. They either have their own Customer Relationship Management (CRM) functionality, or directly link to cloud-based CRM systems, such as Salesforce. Most are built on an open architecture with application programming interfaces (API's) that facilitate program development by independent programmers that then plug into the master platform. This opens up the possibility that if your ERP / CRM system does not contain the functionality you desire, you can obtain the functionality through a third party that will plug right into your system.

We will cover some of the more widespread cloud-based solutions in a future edition of The Issue.

## Reasons to move to the Cloud

Small businesses and midsize players stand to benefit the most from the promise of cloud-computing technologies.

## SaaS Considerations

Here are some things to consider as you contemplate a move from on-premise to the cloud:

- Has your business grown from a simple, monolithic vertical structure with perhaps, one or a few location(s) to a distributed profit model (such as branches, divisions, retail locations, etc.)?
- Is your company acquiring subsidiaries?
- Is the business entering foreign markets that have their own statutory filing requirements and transact in foreign currencies?
- Is the company creating self-motivated business units, where results are measured for each business unit, or discrete operation, and individual managers and executives held accountable for results?
- Does your company have a need for remote transaction processing?
- Does management need access to real-time information for decision-making purposes on a 24 x 7 basis, anywhere in the world?
- Have you outgrown you existing IT infrastructure or have a major IT expenditure pending?

If the answer to any of these questions is "Yes," then on-premise solutions don't cut it any longer.

“Cloud computing offers SMBs access to reliable and scalable infrastructure resources (for example, computing and storage), configurable platforms that allow for integration between the business and vendors or customers, and rich application functionalities that can be paid for on an ongoing basis. Consequently, cloud computing offers SMBs the opportunity to enhance or improve IT capabilities in a way they previously could not.<sup>i</sup>”

Moving into the cloud affords SMBs numerous advantages. While cost reduction is often the initial reason, there is a significant shift to looking at a more customer- and data-driven mindset, and cloud computing enables that shift.

There are many advantages for moving to the cloud:

- Lower Total Cost of Ownership. First and foremost, there are significant cost savings. 82% of the companies surveyed saved money moving into the cloud.<sup>ii</sup> Cloud-based systems are sold on a subscription model, you, in essence, “rent” the system. Renting entitles you to automatic upgrades, new features, and maintenance for a single monthly or annual subscription cost. There are no servers to buy, no need to obtain space in a data center, nor specialized IT personnel to hire.
- Rapid deployment. Organizations can typically deploy SaaS solutions much more quickly than on-premise solutions. By tapping solutions that are already running “in the cloud,” organizations can quickly access them and be up and running, sometimes in a matter of days or weeks. Cloud solutions avoid expensive installation and implementation of on-premise ERP projects that can often take many months.
- One Truth. With centralized data in the cloud, everyone is dealing with the same set of numbers. You eliminate duplicate entries and increase data accuracy. You have one set of results, with no conflicting data. No more, “Why do Sales’ numbers differ from Accounting’s numbers?”
- Accessibility of information throughout the team. System Administrators can configure and establish roles and responsibilities to each user, allowing access to just those parts of the system to persons with a “need-to-know.”
- Real-time. Always “On.” Having access to the most current data so that decisions are based on real-time data increases the effectiveness of executives and the team in making critical decisions. Most of the systems boast 99.9% uptime, 24 hour / 7 days a week access, and have redundant facilities and are more reliable than many on-premise solutions given that dedicated IT are monitoring the systems. In addition, your data is secure and current with backups automatic.
- Scalability. The automation of manual processes through SaaS-based solutions allows a company to expand and contract as needed with their changing business and functional requirements. You can add services easily without system downtime. The system grows as you do.
- Access anywhere. As business becomes more global and mobile, so too do the needs of the users to be able to access their information in a variety of settings. With cloud computing, most systems can be accessed now on mobile devices anywhere there is internet access.
- Reduction of paper. The advent of true paperless processing is upon us. Digitally signed contracts, digital invoices, digital payments, digital document storage and retrieval, file sharing and collaboration where paper is replaced by bits-and-bytes stored electronically, and accessed or passed seamlessly over the Internet are becoming widely accepted.
- Security. Many of the cloud-based solution providers serve the largest publicly-traded and privately-held businesses in the world offering commercial grade security on all their applications. Many of

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these solution providers are, themselves, large publicly-traded companies that simply could not afford to stay in business were there to be a breach in their security protocols. Virtually all of the well-publicized, recent security breaches occurred with enterprise on-premises systems, or through the actions of disgruntled employees or contractors.

### **What's my ROI?**

There are many factors that contribute to return-on-investment, some of which are fairly straight-forward and easy to measure, such as the bullets itemized above, some of them less so, such as increased productivity through the use of technology.

The decision to move to the cloud often becomes one of business necessity, not necessarily by highly defined economic metrics. It seems simple, but the first thing to ask is what your business objectives are. Determine what you want and need to accomplish from a business perspective and then work backward to look at the factors that will get you there. Determine where and how cloud can and cannot help you and the cost as well as the investment of time and people to get you there. If you really want to maximize your return-on-investment, hire an expert.

### **How do I get there?**

Before contacting any SaaS-provider, you need to assess your existing business processes. You can do this in any number of ways:

- You can make the assessment and contact the service providers yourself. This requires having a certain amount of in-house expertise, and being able to coordinate the roles of Finance, IT, Human Resources, Production, Logistics, Facilities, Administration and Management. In house personnel inevitably have their normal responsibilities, and the added responsibility of assessing a major systems implementation may prove too much of a burden.
- You can hire a consultant to perform the initial assessment. The assessment will examine existing business processes, investigate required infrastructure, and survey the functionality of major solution providers, saving the company a great deal of time. The consultant produces a report which will assist management in determining which systems to employ and the approximate cost of licensing, implementation, and training.
- You can engage a consultant to implement the systems. Many solution providers have their own implementation teams. However, many of those teams are over-burdened due to their success, and getting a system implemented on a timely and near-term basis may require additional implementation resources available to the consultant. And if you're implementing multiple systems at the same time, you will need a consultant to coordinate the implementation and ensure that the systems work together.

Finally, systems upgrades often reveal the need to re-evaluate, train, and sometimes replace staff. The Quickbooks bookkeeper often does not have the accounting foundation to operate in a SaaS ERP environment.

## Summary

If you decide to hire outside expertise, consider a consultant that has the ability to address all your requirements, be it Finance, Information Technology, Infrastructure, Telecommunications and Staffing. Can the consultant serve to assist you to assess the system choices, design effective solutions within each system, interface with the vendor's technical personnel to ensure a successful implementation, create meaningful reports to provide the metrics necessary to drive the profitability of the enterprise, and provide the necessary resources to identify and recruit key operational personnel? This is the CFOs2Go model. We allow our clients to run their business, while we handle the assessment, project management and implementation of the total solution.

Contact our Financial Systems and Reporting Group Leader, Chris Chillingworth, at (408) 309-1343, with any questions you may have.



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*He leads our financial systems, technical accounting, equity crowdfunding, and corporate governance practice groups.*

<http://www.2gocompanies.com/cfos2go/team/practice-groups/technical-accounting-practice-group/>

<sup>i</sup> McKinsey article:

[http://www.mckinsey.com/client\\_service/high\\_tech/latest\\_thinking/winning\\_in\\_the\\_smb\\_cloud](http://www.mckinsey.com/client_service/high_tech/latest_thinking/winning_in_the_smb_cloud)

<sup>ii</sup> (source: <http://blog.nskinc.com/IT-Services-Boston/bid/118077/7-Statistics-You-Didnt-Know-About-Cloud-Computing>)

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