



# Why smart CFOs are moving to the cloud

Everywhere you look, you'll find analysts' forecasts for the future of cloud computing that are overwhelmingly positive. Organizations are clearly responding to those forecasts. "Global business spending for infrastructure and services related to the cloud will reach an estimated \$174.2 billion this year, up a hefty 20 percent from \$145.2 billion in 2013."<sup>1</sup>

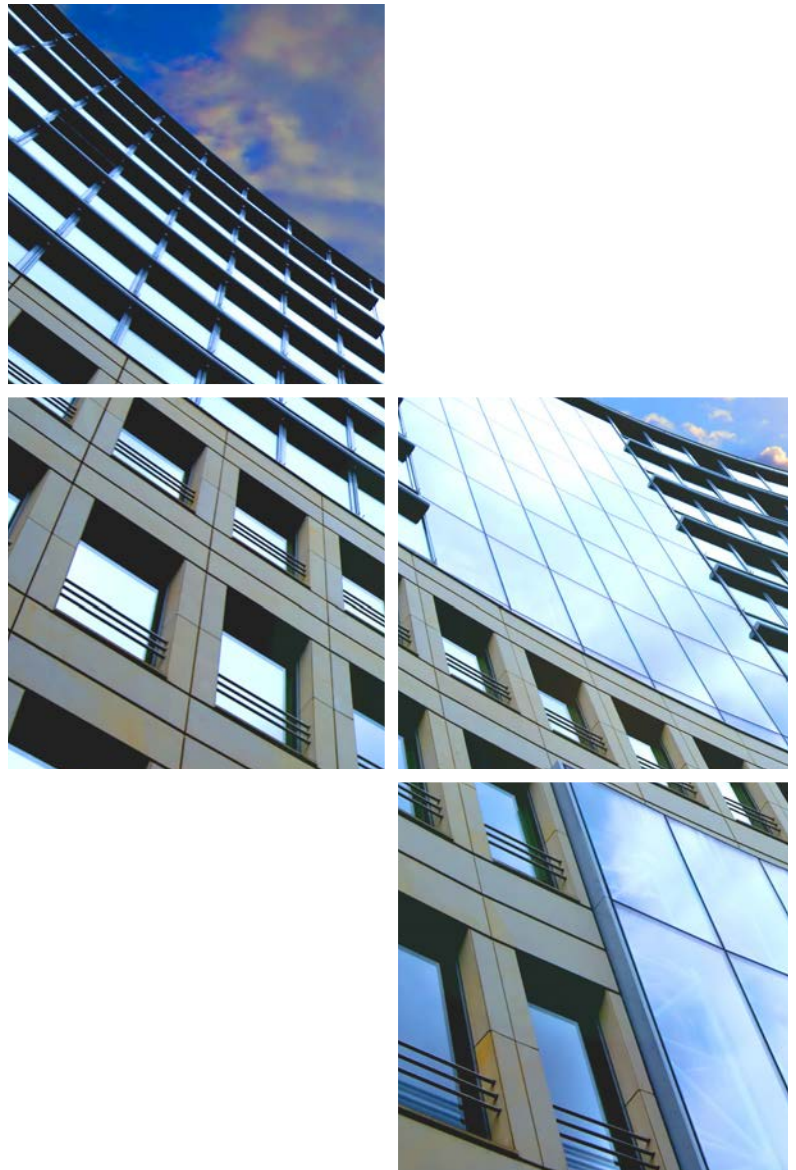
A 2013 Gartner-FEI Study reports that 21% of organizations plan to move their core financial applications to a SaaS (Software as a Service) model within two years.<sup>2</sup> Another online survey of Gartner clients found that a total of 47% of organizations plan to move their core ERP systems to the cloud within five years.<sup>3</sup>

This view is supported by a recent KPMG survey, in which 41% of respondents said that they are already using cloud-enabled services in finance, accounting, and financial management; a further 35% of respondents said they are likely to adopt such services in the next 18 months.<sup>4</sup>

These days, few analysts would deny that cloud computing has become a fixture of the business landscape. For most organizations, it is not a matter of "if" they will transition to the cloud but "when."

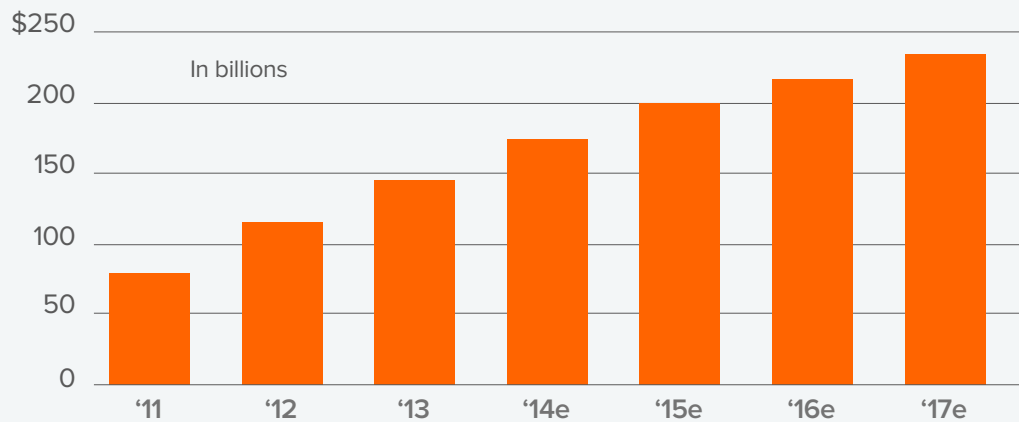
## So why are CFOs turning to the cloud?

1. Efficiency and cost savings
2. Change and choice
3. Flexibility



## Cloud IT Spending Soars

Global spending forecast by enterprises on cloud architecture



Source: IHS

## The cloud delivers efficiency and cost savings

The fundamental advantages of the cloud are well established. Indeed, 70% of respondents to the KPMG survey believe that cloud is already delivering efficiencies and cost savings.<sup>4</sup>

The ability to offload applications to a cloud vendor can be liberating. The host assumes all of the obligations of overseeing, managing, operating, and supporting the computing environment, as well as responsibility for securing the confidentiality and availability of the user's data. Not only does the cloud vendor do all of the heavy lifting, but the cloud subscription model also removes a layer of cost uncertainty, helpfully to shift IT expenditure from CAPEX (capital expenditure) to operational

expenditure, something that is particularly welcome in public sector organizations. The ability to “pay only for what you need” allows organizations to avoid the high upfront costs of on-premise solutions and to align computing costs more sympathetically with growth.

However, it is only now that the dust has settled on the initial wave of cloud deployment that businesses are beginning to appreciate the true breadth of cloud offerings and how the cloud is essential for enabling productivity and competitiveness. Larger organizations, in particular, are seeing advantages well beyond cost containment and convenience.

## A maturing cloud market is enabling change and choice

As the cloud market starts to mature, there are a number of trends that are accelerating cloud adoption, including:

- The increased adoption of hybrid architectures
- The increased availability of new applications, which are encouraging business to consider hybrid approaches
- The rising prominence of traditional vendors with a rich heritage in financial applications

### Hybrid architectures

Initially, the cloud was attractive to smaller and mid-sized organizations but there is now clear evidence of larger organizations transitioning to the cloud. Gartner says that nearly half of large organizations will have hybrid cloud deployments by the end of 2017.<sup>5</sup>

The so-called hybrid approach, which entails selecting new applications in the cloud while maintaining some legacy systems on-premis underlines a paradigm shift in the way that organizations are choosing to renew their systems. Larger businesses are now more likely to pursue a hybrid model rather than entertain total replacement, as they would have done in the past. Motivated by a growing recognition that the cloud can serve more broadly as a springboard for process transformation,

innovation, and increased business agility, CFOs are increasingly anxious not to get left behind.

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A hybrid approach allows businesses to take advantage of the cloud sooner, by allowing them to migrate certain applications to the cloud, while simultaneously winding down other legacy systems. So, for example, an organization may choose to implement a budgeting, planning and forecasting system in the cloud, while continuing to use an on-premise ERP system until such time as a suitable cloud replacement solution can be found.

## Cloud provides a rich source of applications and innovation

The cloud is also where many businesses will find the latest innovations and opportunities for process improvement, since newer applications developed specifically for the cloud are displacing older on-premise applications.

Take for instance consumer-led innovation, which has exposed a yawning gap between customer expectations at the cutting edge and what legacy ERP systems with rigid data models can actually deliver. The trend toward increasing personalization of the customer experience—for example, unique product offers, dynamic pricing, and promotions based on an individual's buying behavior or previous pages visited—is increasing the pressure on aging ERP systems, which have to cope with a wider variety of novel transaction types.

The good news is that cloud solutions supporting core financial applications are becoming more commonplace, fueled by the increasing availability and functional scope of new vendor offerings. More modern cloud-based finance systems can respond more flexibly to change than old-school systems can. For example, the ease with which cloud systems can be deployed allows organizations to more easily test new markets, support changes in organizational structure, and absorb acquisitions.

CFOs are finding that it is easier to consume innovation since the SaaS (software as a service) business model allows all users to take advantage of new functions and capabilities as soon as they become available, without resorting to individual upgrades and migrations as has historically been the case.

## The rising prominence of traditional vendors

In the first phase of cloud deployment, the vendor landscape was dominated by small and inexperienced cloud software vendors, who catered to the needs of the SME (small- and medium-sized enterprise) market. These vendors offered a low cost business model that was often predicated on little direct contact with customers; this model worked for the not terribly demanding SME market. For enterprise-level businesses, this raised justifiable concerns about global service levels, financial stability, track record, domain knowledge, product development plans, security, and confidentiality of data.

In the second wave of cloud deployment, there has been a notable shift toward more dependability, with established vendors introducing new cloud-based applications and redeveloping and re-purposing existing product offerings specifically for the cloud.

And with a deep and proven heritage in business applications that the traditional vendors (as opposed to new SaaS vendors) can provide, many of the initial concerns about moving to the cloud are dissipating. Enterprise-level businesses are already comfortable with these vendors, know their products, the level of service they provide, and trust their ability to provide domain knowledge, ongoing product development, and superior security.

## Cloud enables business flexibility and innovation

But for many organizations, it is the increased business agility of the cloud that is proving crucial. For example, companies expanding into emerging markets in pursuit of growth are able to test the market, rapidly deploy cloud applications into new ventures, and scale them up or down in accordance with market developments. Similarly, cloud-based applications can help businesses to rapidly standardize transaction processing and reporting in new acquisitions or smaller subsidiaries where traditional solutions based around on-premise applications would have taken months to bring to fruition. The accessibility and immediacy of cloud-based solutions means that a newly acquired company could be up and running on, say, a new budgeting application in the cloud within a matter of days, where a comparable on-premise solution requiring investment in infrastructure could take weeks or months.

Cloud is also enabling new insights through advanced analytics and business intelligence deeply embedded in financial applications, along with new social and collaborative tools that promote shared visibility of the process and enhance productivity.

The inception of the cloud has encouraged a new generation of applications written specifically for the cloud, all of which offer significant functional improvements over older legacy applications. Whereas previously, analytics and business intelligence capabilities resided in separate applications, today these applications are now deeply embedded in cloud-based applications. This helps businesses reduce complexity and more easily analyze performance within the same environment. Similarly, deeply embedded social tools help to break down barriers between different functional areas. For example, in the “quote to cash” cycle, users engaged in sales, credit control, warehousing, inventory, and accounting can share information seamlessly and in real-time to resolve customer queries, improve organizational responsiveness, and enhance overall organizational productivity.



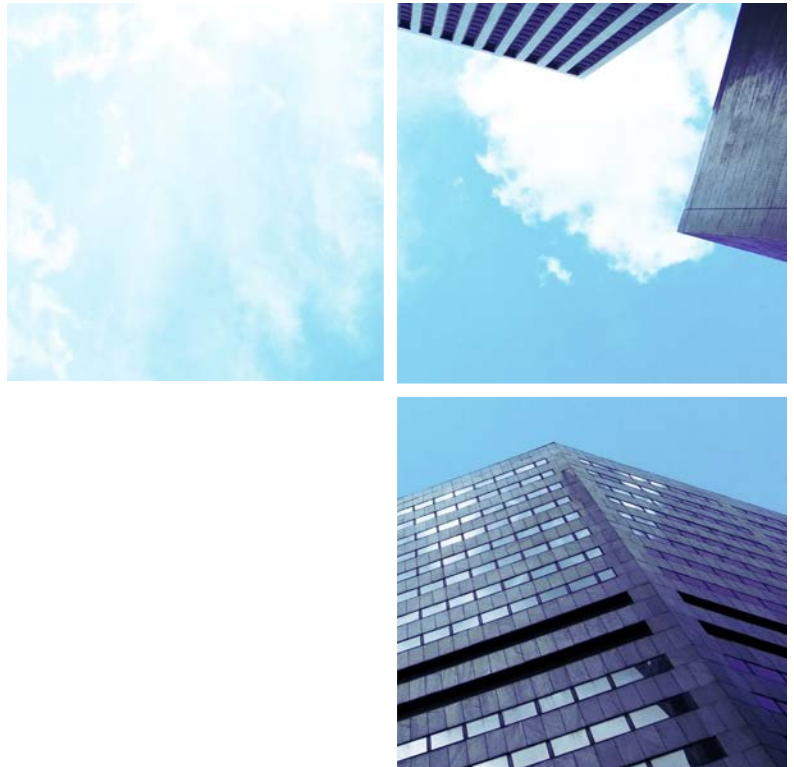
## in summary,

CFOs are moving inexorably to the cloud, but business drivers such as cost containment and convenience, which inspired early adopters, have given way to more profound advantages.

In a digital economy where companies need to constantly re-invent their business models to meet the relentless demand for innovation and growth, the cloud offers:

- The immediate relief of hybrid deployment
- The availability of more innovative applications
- The presence of experienced vendors with a deep heritage in supporting business applications

For larger multi-national organizations, cloud deployment supports business agility in emerging markets, and provides a platform for improved productivity and improved insights fueled by embedded analytical and social tools. And while many businesses are just commencing their journey, analyst research confirms that the longer-term picture looks decidedly cloud-based.



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<sup>1</sup> HIS February 14, 2014 Cloud- Related Spending by Businesses to Triple from 2011 to 2017

<sup>2</sup> Gartner, 2nd May 2013 Survey Analysis: CFOs' Top Imperatives From the 2013 Gartner FEI CFO Technology Study

<sup>3</sup> Gartner Survey Analysis: Adoption of Cloud ERP, 2013 Through 2023 published on January 24, 2014, written by Nigel Rayner, quoted by Louis Columbus blog and Forbes Magazine 7th February 2014

<sup>4</sup> KPMG, February 2013 Insights "The cloud takes shape" Global cloud survey: the implementation challenge

<sup>5</sup> Gartner press release, October 1 2013

<sup>6</sup> Why Cloud ERP Adoption Is Faster Than Gartner Predicts, Forbes Magazine, 7th February 2014, Louis Columbus.

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INFDTPI448081-en-US-0814-1

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