



From Fear to Fortune:  
Lessons from Leveraging the Cloud

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**About Tom Kelly**  
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Tom Kelly has more than 26 years of strategic and tactical business experience. As a CFO and CIO, he was a pioneer in using cloud technologies beginning in the late 1990s and has helped spearhead cloud implementations at more than 25 companies. He now serves as Managing Director at T-Edward, Inc., a strategic and operational SaaS consultancy, providing cloud expertise and services to Fortune 500 and private equity-backed companies.

I took a look at the fear and myths surrounding the cloud in a previous paper for NetSuite, *“Running A Business in the Cloud...A CFO’s/CIO’s Journey.”* In this new paper, I focus on a series of examples, lessons and triumphs at organizations that have embraced the cloud to run their business. I also draw on my own 26-year journey from on-premise lemming to cloud user/advocate.

I began my career in finance, eventually becoming CFO for several Fortune 500 and private equity-backed companies. Over my career, I became keenly aware of the importance of a functional finance and IT relationship. Initially, IT became a hobby for me that eventually resulted in developing a skill set that allowed me to be a CIO, in addition to a CFO for many companies.

One vital lesson I’ve learned is that ensuring a strong functional relationship between finance and IT is critical to improving business processes and ultimately transforming a company. The ability to link business strategy to key business drivers is one of the best predictors of company success—and the cloud allows companies to ensure strong execution on their strategy.

To see what has been accomplished by leveraging the cloud in the real world, read on!

## Nephophobia: The Fear of Clouds

Nephophobia is the scientific term for a fear of clouds. The origin of the word is Greek—nephro meaning clouds and phobia meaning fear. People suffering from Nephophobia are afraid of clouds in the sky and even cloud photos can cause extreme anxiety.

The fear of leveraging cloud computing may not be quite the same as Nephophobia, but suffice it to say many traditional on-premise vendors have been putting a lot of marketing effort into generating fear of the cloud, which with each passing day is becoming less and less successful. A good example of fear marketing would be the old Michelin tire commercials. The commercials depicted a baby, usually in a tire with the tag line, “Because so much is riding on your tires.” After seeing this commercial, parents ran out to buy Michelin tires, because if you did not have Michelin tires on your automobile you were not adequately protecting your children and thus a bad parent!



Figure 1.1



Those application providers that have not been able to figure out how to develop a cloud solution and instead simply cling to their outdated on-premise models rely on this type of fear marketing. However, fear marketing has lost its audience and appeal and businesses are rapidly accelerating their adoption of cloud technologies to run their business more efficiently.

For instance, Gartner projects the global SaaS market will grow at a steady compound annual growth rate (CAGR) of 19.5% through 2016, reaching \$32.8 billion.<sup>1</sup> To provide some perspective on how cloud adoption has increased, Amazon, which provides cloud-based servers and services to companies, adds the same equivalent server capacity on a daily basis to keep up with demand that it took to power Amazon.com, the retail website, in 2003 (when it was a \$5 billion business, compared to \$64 billion today).

So fast forward to today—the costs associated with leveraging, accessing and maintaining cloud applications is minimal. New cloud applications are being born every day from established providers to newbies, and with the stability of internet connectivity the risk of using cloud is as close to zero as it has ever been. I think the creators of the various fear tactics regarding the cloud have now gone into hiding, disappointed and now realizing how misguided they were. The acceptance of the cloud has provided the ability for just about anyone to truly leverage the power of applications anywhere, anytime without worrying about the unfounded dangers that were attributed to sabotaging stability, scalability and security.

My area of interest is the cloud and leveraging cloud applications to drive business improvement. Over the last few years I have had great success in helping companies improve a single business process or their entire organization by leveraging what the cloud offers. My previous white paper *“Running A Business in the Cloud...A CFO’s/CIO’s Journey”* focused on de-mystifying the cloud. In this paper I want to show that leveraging the cloud to drive business improvement need not be feared, nor does it have to be an enormous, never-ending project, it is truly a way to improve your existing business and/or processes. Actually this isn’t really a white paper as much as it is a detailing of real world cloud examples that I have experienced firsthand. As you read on, I will provide insight on several of these cases to illustrate the point that the cloud should not be feared but rather embraced to allow an effective pathway to improve your business.

## Common Pain Points

Whenever I talk to current and potential clients, I always ask, “What are the pain points in your business or process?” A pain point is a problem, real or perceived. In many instances, companies can implement cloud solutions to solve their pain points, improve profits, enable growth, and add value to customers in the process.

Many organizations have endured the never-ending on-premise applications journey—start with an accounting system, add Excel for analytics and order management, then a CRM solution and a homegrown website. The journey is inevitably detoured by custom-built integrations, application upgrades that lose customizations, and the use of spreadsheets as a dumping ground for information that resides in multiple silos.

<sup>1</sup> Gartner, “Forecast Overview: Public Cloud Services, Worldwide, 2011-2016, 4Q12 Update,” February 8, 2013.

Over time, more money, more resources and more integration are required to keep this “system” going as the company grows, until it becomes the primary bottleneck to growth. At that moment, companies often realize that their fragmented infrastructures are inflicting much pain in the form of business delays, high costs, poor visibility, lost productivity and limited opportunity for growth.

More and more, companies are solving their pain points by upgrading to the cloud. In this paper, I examine some of the characteristics and benefits of moving to the cloud, with real world examples, including:

- Real-time Visibility to Accurate Information Anytime, Anywhere, Any Device
- Financial Close Process 24/7/365
- Workshifting
- Efficient Data Flow
- The Cloud Transforms the CFO Role
- One Size Fits-All, at Least 80% of the Time
- Global Business Management/Consolidations
- Planning, Budgeting and Forecasting

## **Real-Time Visibility to Accurate Information Anytime, Anywhere, Any Device**

One of the key benefits of moving to the cloud is the ability to enable access to accurate information for all employees at anytime, from any place.

Information is a great thing as long as it is accurate, timely, accessible and actionable. Organizations of all sizes have been able to do amazing things leveraging the cloud, using systems like NetSuite, to aggregate the most critical information in one central database. The mindset should be to look beyond core financials to ensure that the entire organization has improved visibility for better, faster, fact-based decision-making.

For example, by integrating opportunity-to-cash and procure-to-pay processes, an organization can process its bills and invoices with greater speed and accuracy while eliminating the need for spreadsheets and strengthening approval processes and accountability.

Probably the most important concept of an integrated cloud suite is having one universal view of the customer across all interactions and transactions. This combined with being able to access customer information anytime, anywhere from practically any device can be transformative to an organization and to the customer experience.

With rising customer expectations and global competition, access to real-time information is extremely important to short and long-term success. Mobility is the key as the workforce is becoming more distributed, outsourcing is prevalent and many companies are increasing their use of contingent workers. In these scenarios, it is very important that you provide a cost-effective way for your staff to connect to critical information they need, regardless of location or time of day.

## REAL WORLD EXAMPLE

### Mobile Workforce Management

The service department at a specialty retailer's main objective is to ensure that customers receive the services, repair, and set-up they ordered on time and on budget. To do this, they rely on a team of over 25 service techs around the country. There is frequent communication to keep up with the steady flow of transactions and service requests.

NetSuite has helped the company transition from paper-based process to a paperless process (including electronic signature capture) leveraging mobile devices. This gives the company and its key stakeholders real-time capabilities for customer and service updates. The company leverages mobile devices to collect pertinent service data at each stop a service tech makes, which is then streamed wirelessly to NetSuite in real-time. When customers call for service status, follow-up calls, etc., the company's service department can provide customers with an accurate estimated time of arrival of a service tech, the work that will be performed, the work that was completed, advice on improving the experience with the products the customer has purchased, and in many cases upsell the existing customer to a 1, 2 or 3-year service plan offering.

NetSuite saves the company time and money as well as positively impacts customer satisfaction. With key service/customer information at the fingertips of anyone in the service department or customer support, one customer remarked that the operation acts like a band of "Service Ninjas" when it comes to supporting and servicing their account. This capability has improved customer confidence and satisfaction significantly. Another key upside of leveraging the paperless real-time strength of NetSuite has been the ability to effectively and efficiently leverage temporary service techs when full-time resources are being fully utilized. NetSuite provides an easy and secure platform to allow temporary help to be instantly in tune with the process, procedures and requirements set forth by the company.

### Financial Close Process 24/7/365

The mere mention of the phrase "financial close" conjures fear and loathing among business executives and finance professionals (*Figure 1.2*) over the chore the business endures each month—closing the books! The term "process" implies that the monthly close has a defined beginning, middle and end. You know what? That is the problem with the "financial close process." A process is a series of actions or steps taken to achieve an end. Here is a suggestion—never let the financial close process end! Why not always be closing the books, never stop, do it 24/7/365!

Taking the 24/7/365 approach to closing the books has many benefits beyond lowering a finance professional's fear and stress levels. In the current business environment it is imperative that companies gain faster access to the financial information at the heart of their decision-making. The purpose of taking a 24/7/365 orientation to the close process should not be solely focused on doing it faster; the objective is to design a process for continually monitoring critical business information; and where applicable on a real-time basis.

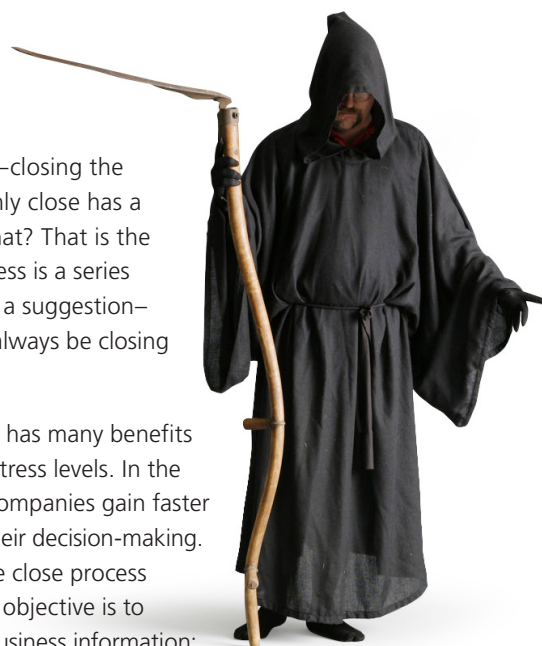


Figure 1.2

The role that technology plays can't be overstated—the 24/7/365 close process requires the ability to generate and compile a huge volume of financial and non-financial (i.e. units of measure) information quickly and efficiently in order to provide that information to the company's key stakeholders. Leveraging the NetSuite cloud allows for all information from the front office to the back office to reside on one platform. The ability to push that data to decision makers and stakeholders via the NetSuite dashboards and automated reporting is a godsend. There is no need to have middleware pulling from several databases, parsing, merging, compiling data—the information simply falls out of the process.

More and more these days an additional important area that must be addressed is the need to satisfy the various compliance requirements, including but not limited to Sarbanes-Oxley and XBRL (extensible business reporting language). Rather than have finance staff in each organization submit disparate financial analyses as spreadsheets, emails or presentations, the ability to post them to a file cabinet in NetSuite and attach them to the appropriate records and/or transactions in NetSuite allows internal stakeholders, as well as external stakeholders (such as auditors and regulators questioning a figure) to need only click to see the documentation behind them and hopefully answer the question for themselves.

Dealing with multiple entities, especially international locations, can introduce many challenges when it comes to efficiently closing the books. Constant reinforcement of the 24/7/365 close process to the international locations is important because of a variety of factors, including but not limited to: meeting statutory reporting deadlines, misinterpretation of the message due to language and/or cultural differences, ever-changing emerging markets and international laws, problems with power outages and telecommunications downtime, international workforce experience, etc. Distributing a 24/7/365 close process work plan and/or checklist helps; embedding this in the system configuration ensures it is continually addressed as part of an organization's daily operations and the individual's daily activities.

I have always questioned the rationale of closing procedures taking center stage at a specific time of the month. If a company clearly understands its requirements for information and embeds the 24/7/365 close process mindset into its processes, then a daily close is realistic. We all know that extraordinary situations arise like sudden market reversals, M&A, change of ownership, new products cost/pricing determination, major currency fluctuation, etc. In my opinion, these types of events require rigor and dedicated resources, but they do not have to impact your ability to close the books if you have a solid close process embedded within the configuration of the system ([Figure 1.3](#)).

### Traits of a Solid Close Process

Trait	Business Benefit
Easy to Integrate	Connect with Suppliers and Channels
Self Service Analytics	Reduce Time Spent in Spreadsheets
Workflow & Approvals	Strong and Efficient Approval Processes
Easy to customize	Customizations: Don't "Version Lock" Application
Plug in Ecosystem	Reduce Risk of Quickly Outgrowing

Figure 1.3

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## REAL WORLD EXAMPLE

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### 24/7/365 Financial Close

Throughout my career journey in almost all situations I have found myself in as a full-time CFO or as Managing Director of T > Edward supporting companies in the CFO role—it has taken these companies an inordinate amount of time to close the books and report information to key stakeholders in a timely and accurate manner. From an elapsed time standpoint these companies have taken anywhere from 4 weeks to dare I say...8 weeks, and in a few cases even longer to “close the books.”

I will share with you the example of 2nd Wind Exercise Equipment that had several entities, locations, and stakeholders that not only included employees, but investors, auditors, tax accountants, banks and in a few cases vendors, landlords and customers. It took the company a minimum of 3 weeks, and in some cases 6 weeks or longer to close their financial records each month.

Embracing the fact that NetSuite is a real-time system and the mindset that the close process is a 24/7/365 thing, the team oriented itself to addressing the key data that not only would expedite the closing process, but also as important, provide key stakeholders with accurate, timely and in some cases real-time data. The approach, beyond the goal of closing in 5 days or less, was broken down as follows:

1. Identify the key stakeholders both internal and external to the company.
2. Identify key performance indicators (KPIs) of the stakeholders.
3. Identify must haves versus nice to haves as it pertains to stakeholders' requirements.
4. Scope out the key areas of each process and the impact it has on closing the financials on a monthly basis.

The mantra of the team became, “Where do we get it, what can we get, when can we get it?” When the mantra was applied to key information such as banking data, vendor data, expense data, payroll data, compliance data, etc. almost everything fell into place. This real world example in itself could be its own white paper but for the sake of brevity let's look at some areas which will shed light on how the 24/7/365 mindset was applied to the close process:

- Bank reconciliations/cash position are now done on a daily basis leveraging the automated bank reconciliation NetSuite provides, combined with the automated flow and the receipt of banking data, merchant data, etc. on an hourly basis from the respective bank and merchant websites.
- Payroll data is highly automated for salary based employees, hourly employee data is generated from the payroll time and attendance system and imported into NetSuite, and commissions are calculated via the commissions module in NetSuite. Yes, as a payroll is generated there is some clean up required, but the impact is minimal from a financial perspective. The ability to have payroll information at the employee level to look at and compare to each payroll is very helpful in identifying issues even before the payroll is submitted. An interesting outcome regarding payroll... employees now rarely have issues with their paychecks as accuracy has been vastly improved.
- Travel and expense data was previously not very timely. To get this data on a timely basis was just about impossible. The team took a step back, considered the mantra of “Where do we get it, what can we get, when can we get it?” as it pertained to travel and expense reporting and determined that Excel spreadsheets were not going to cut it. In order to expedite the entire process the team selected Concur, travel and expense management solution, to effectively automate the entire process from compiling, approving, recording and paying travel and expense reports. When an employee uses a company credit card the process is almost 100% automated. Now the process that once proved impossible to get data on a timely and accurate basis is one of the most automated in the company!



So where does the company stand today with regards to closing the books? It now takes the company 3 days or less to close the books. When considering it took a minimum of 3 weeks to close the books previously—the company has improved its closing process 86%!

On a daily basis the key stakeholders within the company leverage their respective NetSuite dashboard to monitor the pulse for the areas they are responsible for. Key stakeholders outside the company are provided with the information they require such as satisfying bank covenant requirements, auditors can access the system at any time and not only get insight to the transactions but also see the detailed financial analyses associated with the transaction as they are now linked to the transaction and posted in the file cabinet. This allows finance and management, as well as auditors questioning a figure, to need only click to see the documentation behind them.

What 2nd Wind wanted was a way to quickly and easily see, manage, and report on information and metrics regarding business performance, operations, and sales data.

The company wanted visibility into such things as how quickly vendors are paid, what days-sales-outstanding are and how many times inventory turns on a real-time actionable basis. Before adopting NetSuite and a 24/7/365 close mindset, bringing this information together was a time-consuming manual exercise, from the journal entry right through to the generation of reports. The original on-premise software had no automated analytics or reporting capabilities whatsoever—and the company needed this kind of functionality in order to survive and prosper in a tough economy.

## Workshifting

Work is not a place. Work is a thing you do! From office designs that encourage collaboration to cloud technologies that allow individuals to connect when they desire or work outside the office, today's workplace is anywhere with an Internet connection (Figure 1.4).

The cloud is helping to make “workshifting” more readily achievable than years ago, when companies needed to rely on problematic and costly VPN connectivity for personnel to access internal systems. A quality cloud app can allow the entire workforce to do the same work they do in the office from anywhere. So why should a company workshift?

Workshifting improves the productivity of a company's most important asset—its people. A study by the Telework Research Network found that flexible work programs reduce unscheduled absences by 63% (unscheduled absences cost \$1,800 per employee, per absence). In terms of performance and productivity, workshifting employees are 55% more likely to go the extra mile for their employers, while 90% of workshiffters indicate lower stress levels than employees who do not workshift.<sup>2</sup>

<sup>2</sup> Telework Research Network.  
“Workshifting: The Bottom Line,” 2010.



Figure 1.4

Moreover, the turnover rate for workshiffters is half that of employees who don't workshift, the Telework Research Network found. In situations where a potential candidate's decision comes down to a company offering workshifting, the candidate will choose the company with a workshifting option 72% of the time. 80% of companies that offer workshifting have documented cost benefits; while employees gain on average 2½ weeks of additional time normally lost commuting to and from the office. For the employee, this can amount to almost \$4,500 per year in savings.

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## REAL WORLD EXAMPLE

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### Workshifting in the Real World

In my personal experience with workshifting I have experienced a big increase in loyalty. Not necessarily loyalty to the company but loyalty to the person who has enabled a colleague to take advantage of workshifting. I have witnessed first-hand that more gets done but also that the quality of what is accomplished improves too. I attribute the improvement to having the option to choose where you are going to get a task done. If the task requires significant concentration a colleague can seek out a quiet place where they will not be disturbed. Or they may need noise and commotion so perhaps a bustling coffee shop is more appropriate. Seems like quite a contrast! But think about what you have read regarding how people learn—the concept is termed “Learning Style.” It is widely understood that the learning style concept implies that individuals differ in how they learn. So I would argue that individuals differ in how they approach certain tasks. When you can provide the individual various options on where and how they complete a task they will migrate to the option/setting that will result in the best environment for the task to be accomplished, thus enabling the optimum outcome.

I have also noticed that there is an increase in morale, as colleagues now have a schedule that from a time-lapse standpoint expands beyond the 9 to 5 scenario. The paradigm that compresses a workday into 8 hours or working dedicated overtime from 5:01pm until who knows when is broken. Now colleagues look at their workday that does not have a dedicated start or end time or the stress that comes with trying to cram everything into an 8-hour day only to be penalized with overtime if you do not cross the finish line at the end of 8 hours. Now you can have that workout time when you want it, dinner with the family, putting your children to bed, etc., and still ensure that you “fit-in” your work related activities as well!

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## Efficient Data Flow

With the cloud, companies can not only improve and streamline their processes but also deliver information in an efficient and actionable manner. And in many cases when a company goes from a myriad of on-premise systems to a single cloud business management platform, like NetSuite, long held beliefs about a company's key metrics can be challenged. NetSuite provides a way for companies to leverage the native infrastructure (i.e. no customization, use out-of-the-box capabilities), that in many cases offers the correct way to capture data versus what an accounting only system can do.

For example, one client, a distributor and ecommerce company with over \$100m in revenues, was adamant that their net margin was 50% of revenues. When they switched to NetSuite from an on-premise accounting system, they realized that their margins were actually coming in at 35%! It turns out, the company lacked the rigor required for capturing the landed cost of inventory, leading to an inaccurate margin calculation. With NetSuite, the company gained real-time access to key performance indicators and the ability to drill down on metrics and transaction level details that were not easily accessible beforehand. Ultimately, this company increased pricing, negotiated new contracts with material and shipping vendors, and improved its margins from 35% to 45%.

A recent article in Information Week indicated:

“That a lack of efficient business processes makes executing strategies more difficult, but when you align processes and strategy everyone wins. The research firm Gallup recently analyzed nearly 200 studies spanning 152 organizations and 44 industries in 26 countries. The results showed an uplift of every business performance indicator when employees felt engaged through good processes. Profitability was up 16%, productivity was up 18%, quality was up 60%, and customer loyalty rose 12%, among other findings. It is equally important to be able to deliver the information in a manner that is accurate and actionable. It's very clear from this research that when solid workflows are in place, organizations can accelerate results and focus on what matters, becoming faster, more fluid, and nimble.”

When the decision is made to adopt the NetSuite cloud a company is not merely replacing the current accounting system with another accounting system. The decision results in the adoption of a single platform that requires interaction across all processes by all company stakeholders. From shipping and receiving to recording journal entries, each interaction with the NetSuite cloud provides the organization with real-time information that can reveal what truly drives company performance.

It is imperative that everyone intimately understands the role they are assigned within the NetSuite cloud. Reason being, the data they are entering adds to the completeness of a holistic view of the company, from EBITDA to the transaction level such as individual items on an invoice. So focusing on what each stakeholder is responsible for is key to ensuring that the impact each has on company information is accurate and timely. The ability to leverage the user roles defined or customized in NetSuite, combined with the capability to design your own dashboard, ensures that stakeholders are engaged, that they feel good about their impact on the organization and ultimately, positively impact profitability, customer satisfaction and the like.

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## REAL WORLD EXAMPLE

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### The CEO of Accounts Payable and the NCAA Tournament

Interesting title: The CEO of Accounts Payable. But that is actually what the dashboard is called for the Manager of Accounts Payable at a client company. This person also administers the company's annual NCAA (National Collegiate Athletic Association) Basketball Tournament office pool, and has been doing so for over 15 years!

The CEO of Accounts Payable dashboard has been customized to allow the manager to log into NetSuite and immediately see the key information, metrics, tasks to be performed, etc. This results in ensuring that the CEO of Accounts Payable is locked-in and focused on all things accounts payable. Information such as DPO, metrics that make sure bills are paid to take advantage of discounts, or in some cases vendor history that indicates a bill can be paid by 45 or even 60 days even though the invoice indicates payment is due in 30 days, ensures the CEO of Accounts Payable can positively impact cash flow by holding funds without jeopardizing the vendor relationship. The CEO of Accounts Payable dashboard is a microcosm of what can be done to focus the individual on what matters most, applying this concept to all stakeholders essentially ensures that the entire organization is focused on what is most important.

So what about that NCAA Tournament office pool? A recent study published by Challenger, Gray & Christmas indicated that:

“On average, NCAA Tournament coverage could attract more than 2.5 million unique visitors per day, each spending an average of 90 minutes getting updates on games and checking their standing in the office pool. With private-sector workers earning an average of \$23.29 per hour, Challenger estimates that employers will end up paying distracted workers about \$175 million over the first two full days of the tournament.”

Fact is, this company views their NCAA Tournament office pool as a company tradition so it is going to happen no matter what. So how did they manage to keep employees focused on their dashboard and satisfy their need for updates on the games and the current office pool standings? The company initially leveraged the custom RSS/Atom feed and custom portlet scripts so that the information is available on each user's dashboard in real-time! How's that for focus!

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## The Cloud Transforms the CFO Role

The cloud helps transform the CFO role from merely providing historical/backward-looking information to delivering forward-looking analyses of business threats and opportunities that better positions a company for success. Gone are the days when the finance department simply collected, paid and reported. However, while the main goal of CFOs today may be to evolve the finance function into a center of strategic value, it does not release the finance department from its day-to-day tactical duties.

Without flawless execution of core finance services (transactional, closing the books, etc.), many CFOs will find it difficult or impossible to gain the level of trust and confidence from the organization required to successfully undertake more value added and strategic activities. Leveraging the cloud can provide a framework to automate and execute day-to-day transactions and the financial close process, thus providing the runway to achieve true “business partner” status, not unlike the CFO progression depicted in *(Figure 1.5)*.

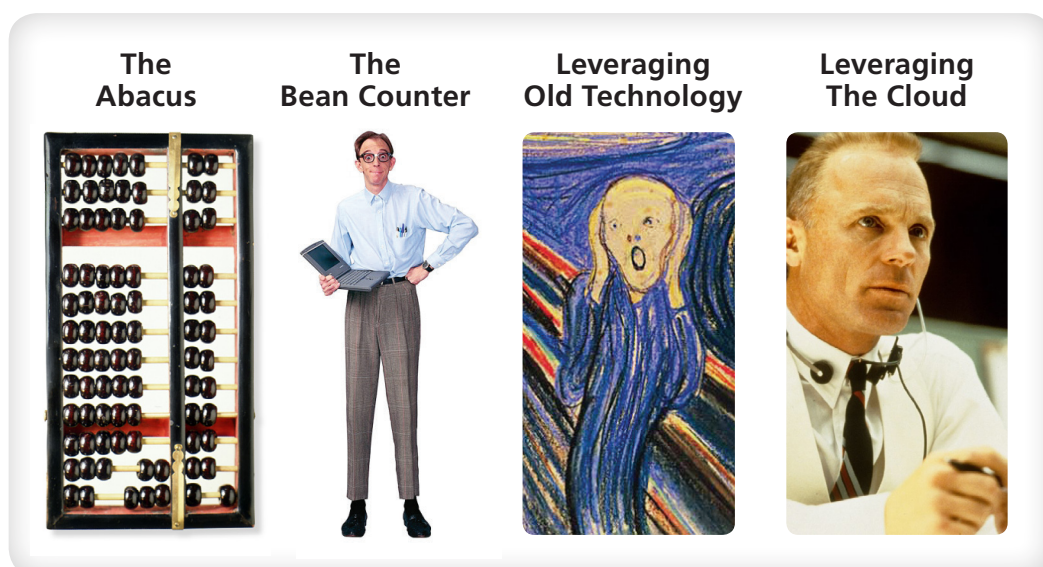


Figure 1.5

There is an old standing joke about accountants:

“A man takes a balloon ride at a local country fair. A fierce wind suddenly kicks up, causing the balloon to violently leave the fair and carry its occupant out into the countryside. Landing in a farmer’s field, the man is left with no clue how far he has flown or to where. Seeing a man walking down the street, he cries out: “Excuse me, sir, can you tell me where I am?” Eyeing the man in the balloon the passer by says: “You are in a downed balloon in a farmer’s field.” “You must be an accountant, sir,” replied the balloon’s unhappy resident. “How could you possibly know that?” asked the passer-by. “Because what you have told me is absolutely correct, but of absolutely no use to me now,” answered the balloonist.”

Funny, but sadly in too many cases this is true about accountants, finance and CFOs. It is one thing to report information in a timely and accurate manner, but if the data is not in a format that can be easily interpreted and acted upon by the decision maker than it is not of value to the company.

What NetSuite can do for the CFO is similar to the systems NASA had in place for the Apollo program. During the famous Apollo 13 space mission in 1970, the astronauts on board the ship and Mission Control personnel on the ground at NASA were faced with one of their worst nightmares. An explosion had left the crew with a dwindling oxygen supply and failing power, making it not only impossible for the crew to complete their mission to walk on the moon, but also very unlikely that they would survive the trip back home on their crippled spacecraft. When astronaut Jim Lovell spoke the famous words, "Houston, we have a problem," the scientists and engineers at Mission Control did not form committees, hire outside consultants or schedule off-site meetings to discuss the situation. The team utilized the systems and infrastructure to stay on top of all of the data/information in real-time about the spacecraft and its inhabitants. When a company leverages the NetSuite cloud, it too has real-time information, and when called upon, the CFO and his team can provide this information to help make key decisions in a way that is very similar to Mission Control.

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## REAL WORLD EXAMPLE

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### **Finance = Mission Control When it Comes to Board of Directors Information**

Many of you know the drill...the quarterly (or in some cases more frequently) board meeting is fast approaching, and in addition to the many responsibilities finance already has to address it usually falls upon your shoulders to prepare the board package. So you fire up your presentation software and begin to build the presentation and the various components that will provide the board of directors with the financial information they require to prepare for the meeting. Then when the meeting begins much of the meeting centers around looking backward, discussing and asking questions on the past performance of the company. Unfortunately very little time is actually spent on looking forward and discussing strategy. Frankly, board members normally have great perspectives and insight into how to move a company forward and they can add much more value preparing a company for the future versus re-living the past.

One client company, TriPrima Inc, took this to heart. They wanted to keep the board engaged from the end of the last board meeting to the beginning of the next board, but they did not want to have to spend non-value added time compiling special reports and updates for the board. The decision was made to leverage the NetSuite cloud and build a Board of Directors dashboard that would satisfy the requirement of continuous board of director engagement without having to devote time and effort to an entirely separate process of building a board of directors presentation/package. Now the board can review information on their terms and when their schedules allow. They can ask questions on anything and in some cases they drill down to answer their own questions (I love these types of board members) or give a heads up to the CFO if they see something in the data that they want the CFO to be aware of. Now when the board meeting begins, after the administrative items are addressed, when the CEO asks if there are any questions on the financials, normally there isn't any...and the meeting immediately moves to strategy and the focus is on looking forward versus re-living the past.

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## One Size Fits-All, at Least 80% of the Time

The Pareto principle is named after an Italian economist named Vilfredo Pareto (*Figure 1.6*). In 1906, he discovered that 80% of Italy's land was owned by 20% of the population. He also observed that 20% of the pea pods in his garden were producing 80% of his peas. After conducting several surveys, he found that his 80/20 observations held up. This principle has since been shown to be applicable to a wide variety of situations (and was named after Pareto after the fact). Wikipedia defines it like this: for many events, roughly 80% of the effects come from 20% of the causes.



Figure 1.6

Now what about selecting the right ERP or business management software offering for your company? Almost every company I've worked with says, "We are different, and we need a solution that will support the unique nature of our business." True, there are certain aspects that make companies different from one another—industry, company size, business model, sales channels, etc. But in my travels, I usually find that the key processes within a company are not all that unique. In fact, processes are usually very similar, from how a company pays its vendors and employees, to how revenue is recognized or customers are invoiced.

## REAL WORLD EXAMPLE

### Very Different Companies but Very Similar Companies

Here is an example of two companies that on the surface couldn't be more different but have more in common than you would think when it comes to business operations. Feedlogic Corporation is a world leader in intelligent feeding systems and data management for livestock. The other is WAND Corporation, a restaurant technology solution company, which integrates point of sale and back office systems, digital menu boards, analytics, enterprise management and support. Both of these organizations did a search for a new ERP system. They wanted one that would fit their business now and in the future.

Now you can imagine that the corporate offices of each client are not very similar, but surprisingly how they operate in the back office and front office is in many ways very similar. My point here is that if you truly look for an option that will meet 100% of what your company does you will always be searching. Ultimately both organizations determined that NetSuite would be the best fit for their requirements. Despite being two very different companies in two very different industries, the way they pay their vendors and employees, invoice their customers and recognize revenue is the same. The point here is to challenge your assumptions that your company is vastly different from others and that you need an ERP that is completely unique or, dare I say, customized to what you do.

Another reason the NetSuite cloud was chosen was to "not" take a "customize first" approach. What the NetSuite cloud provided these companies with is the ability to quickly implement a complex solution but configure the components to meet the requirements that at a minimum are the "must haves" for a company to operate. Or what I call the first phase of the "Crawl, Walk, Run" approach. The first phase or the "Crawl" approach in its simplest sense was to upload data via the import templates that NetSuite provides. Information like payroll data was loaded into the system using Excel based VLOOKUP functions to map it to the general ledger. After we felt comfortable we implemented a script that now automates the upload. So in this case I guess we went from "Crawl" to "Run."

It is important to note that most mature ERP systems have very strong customization capabilities built in to them. But to take advantage of them usually results in additional cost, and in some cases significant additional cost! And it requires you to customize first before going live versus waiting until after you go live. What I have witnessed with several companies that took this approach is that almost always the company required additional customization after they went live on their new ERP system, and unfortunately in some cases the customization was not even needed and scrapped—talk about non-value added.

The NetSuite cloud allows you to customize as you need it, when you need it for the business need and not have going live on the system be the key driver determining when you do the customization. If you combine the “Crawl, Walk, Run” approach with your requirements encompassing the 80/20 rule mindset, you will be pleasantly surprised more times than not with the outcome. You can get more adventurous (automated and/or customized) at a pace that is appropriate for your organization.

## Global Business Management/Consolidations

Just how does one handle global business management, accelerate financial consolidation and achieve transparency across the enterprise?

It takes a lot to support a global business. Your customers and employees are spread around the globe, and you’re confronted by complex currency translation and revaluation. Depending on the size of the organization, there are a large number of intercompany and minority interest eliminations, not to mention complex local tax compliance (sales tax, GST/PST, VAT, etc.)

As if there weren’t enough things to consider in the financial close process, as a global company you also need to factor in how to consolidate numerous legal entities in different

countries, and with different languages and currencies. Many multinational organizations face challenges in dealing with their international subsidiaries. Using an on-premise accounting system, you can expect a lengthy cycle to roll up financial results, as well as poor visibility into a subsidiary’s financials and overall corporate performance (*Figure 1.7*).

### Cloud vs On-premise

	Global On-Premise	Global Cloud ERP
Subsidiary IT resources required	✗ Yes	✓ No
Distributed finance team collaboration	✗ Spreadsheets	✓ Real time
Corporate to subsidiary detail	✗ Spreadsheets	✓ Real time
Local tax and regulatory changes	✗ Patch / Upgrade	✓ Automatic
“Push” subsidiary financials	✗ IT required	✓ Built-in
Subsidiary customization	✗ Separate ERP instance	✓ Single instance

Figure 1.7



Leveraging the right cloud solution and taking into account the 24/7/365 financial close process discussed earlier, you can gain the efficiency of real-time financial consolidation and transparency at the subsidiary level. You will be able to provide easy web access to all parent and subsidiary data without local IT resources. Leveraging an advanced cloud ERP system like NetSuite gives you:

- Multi-dimensional reporting at the worldwide, regional and country level
- Country-specific financial and regulatory compliance
- Calculation and payment of local taxes in the local currency
- Single chart of accounts or custom per subsidiary
- Intercompany journal entries posted from a single screen
- Automated cumulative translation adjustments
- Ability to drill down to each account for audit
- Automated period-end revaluation
- Simplified accounting close process and complete audit trail

## Planning, Budgeting and Forecasting

Last, but certainly not least is our old friend the planning, budgeting and forecasting process. My first career experience with planning, budgeting and forecasting came during my tenure with a division of PepsiCo, which is known today as The Pepsi Bottling Group, Inc. the world's largest bottler of Pepsi-Cola beverages. We used Excel in ways it was not intended to be used and we "pushed the envelope" if you will. Trying to compile everything from managing the workflow, version control, and entering the information in the ERP system was more than a full time job for several people. Don't get me wrong, there was plenty of rigor around the process but the amount of manual interaction and man hours attributed to the administrative aspect was significant, not to mention that the possibility of collaboration from all the stakeholders was not possible.

There are plenty of articles and surveys that indicate that the planning, budgeting and forecasting process is broken, and there are reasons given including (but not limited to):

- The planning, budgeting and forecasting process is traditionally top-down driven, coming from corporate finance units and being pushed, and in some cases forced, onto the lower levels of the business.
- The tools to help with the planning, budgeting and forecasting process are not effective and as a result the input into the process is slow, limited and cumbersome.
- The people in the company who have both the detailed understanding of the business and the accountability for making the numbers are not included. Corporate vertical knowledge is lost. Plans are out-of-date as fast as they can be distributed and key plan numbers have low predictability.

Which leads me to a funny, but in many ways realistic overview of the planning, budgeting and forecasting process that has existed in many forms over the years on the Internet:

## The Plan

In the beginning there was a Plan.  
 And then came the Assumptions.  
 And the Assumptions were without form.  
 And the Plan was without substance  
 And Darkness was upon the faces of the Workers.  
 And they spoke among themselves, sayings,  
 "The Plan is a crock of #"%!&, and it stinks!"

And the workers went unto their Supervisors saying  
 "It is a pail of dung, and none may abide by the odor thereof."  
 And the Supervisors went unto their Managers, saying,  
 "It is a container of excrement and it is very strong,  
 such that none may abide the odor thereof."

And the Managers went unto their Directors, saying,  
 "It is a vessel of fertilizer, such that none may abide its' strength."  
 And the Directors then went unto the Vice Presidents, saying,  
 "It promotes growth, and it is very powerful."

And the Vice Presidents went unto the President, saying unto him,  
 "This new plan will actively promote the growth and vigor  
 of the company, with powerful effect."

Then, the President looked upon the Plan, and saw that it was good.  
 And the Plan became Policy.

“The cloud provides a pathway that aids in the mechanics of the planning, budgeting and forecasting process by maintaining the integrity of the information and allowing more time for analysis of business results and acting upon current, accurate real-time data.”

Probably enough said, but taking "The Plan" into account, how can the cloud help improve the planning, budgeting and forecasting process? Many companies are re-vamping the planning, budgeting and forecasting process to adapt to the ever-changing needs of their businesses. Consider the example of Amazon.com. Initially, Amazon.com was a book retailer. Today, they sell everything—more like a virtual Wal-Mart...but without the greeters! The point is, that they are adding new product lines every month, week and in some cases every day. What value could a plan have to a company like Amazon.com that fundamentally changes its business with such frequency? So in traditional planning, the frequency of the planning process—annual, does not mesh with today's tighter business or planning cycles. So a company may philosophically know what it wants to do to embrace a real-time, collaborative planning, budgeting and forecasting process but without leveraging the cloud it is at best only a theory.

The cloud can make the theoretical planning, budgeting and forecasting process a realistic process that can be embedded in the daily, weekly and monthly processes of an organization. First, the cloud increases the frequency of forecasts, aligning planning cycles with operating cycles. Second, the cloud enables collaborative planning, involving the hundred or thousands of people with the detailed vertical knowledge of the business. The collaborative platform that the cloud provides is resulting in companies moving beyond their corporate walls to customers, suppliers, and partners-contributors who may have an even deeper understanding of what is happening in specific, important parts of the business. Imagine trying to accomplish all this with Excel, or a static, on-premise based platform with limited engagement!

“By leveraging the cloud, they implemented a flexible process that took them from an annual budget mindset to an effective and efficient rolling forecast.”

## REAL WORLD EXAMPLE

### Taking the Pain Out of the Planning, Budgeting and Forecasting Process

A good, well documented example of leveraging the cloud to improve the planning, budgeting and forecasting process would be the situation of a well-established company 2nd Wind Exercise Equipment. At the time, 2nd Wind had doubled its business over an 18-month period. They were already running NetSuite and needed to protect profit margins, despite a weak retail sales environment. It was obvious that spreadsheets were not going to be able to accommodate their detailed business analysis needs combined with the constant change that they were experiencing in the business environment. Furthermore, the old adage of sticking to a one-year plan and budget was not realistic.

Their requirements were pretty straightforward: they wanted the solution to be cloud based, have a solid integration with NetSuite, unlimited what-if analysis capabilities, allow for rolling forecasts, collaboration with stakeholders who had detailed vertical knowledge of the business, and of course something to manage the administrative workflow associated with a rolling planning, budgeting and forecasting process. They selected the NetSuite Financial Planning module allowing them the ability to automate the planning, budgeting and forecasting process and as a result gained the business agility desired. By leveraging the cloud, they implemented a flexible process that took them from an annual budget mindset to an effective and efficient rolling forecast. The result was increased overall accuracy of their projections, driven by more accurate sales forecasts, as sales managers were now able to collaborate by inputting and updating information that was meaningful as they gained a clear view into how their performance impacted the bottom line. What proved to be a key outcome was the ability to analyze multi-dimensional what-if scenarios and the impact they had on margins. They determined that as a result of improving the planning, budgeting and forecasting process they were able to avoid a 20% revenue decline in their retail business, which was common among retailers in the slow economic period in which they were operating.

## Conclusion

I chose to make the last pain point about the planning, budgeting and forecasting process because I think it conveys the most important concept. Simply put, you need to be able to engage the entire organization to make things happen. If you cannot provide an environment whereby you can engage an individual at their respective level with timely, accurate information that is easily accessible, actionable and understood, then you better be prepared to settle for lackluster performance. Lackluster performance may be acceptable when the economy, or your industry is experiencing good times—a rising tide raises all boats. However, when the business environment tightens I can assure you that only those companies with reliable, secure, nimble and efficient operating environments will survive and in some cases thrive.

If you are like most businesses in the world you are a small to mid-sized company, and your resources are limited. If you are striving to get to the next level you have to choose wisely when deciding on the infrastructure that will be backbone of your information delivery system. That said, the last thing I would recommend is for a small to mid-sized company to hire a team of IT resources to maintain an on-premise system or build a proprietary application. I would only recommend that you leverage the cloud, in order to deliver your message to each of your individual resources be they full time employees, partners, vendors, etc.

Nephophobia is the scientific term for a fear of clouds. In this article I have noted several examples of companies that overcame their fears and embraced the cloud. The company examples give credence that the cloud is adaptable for companies across several industries and of various sizes and complexity. I am always happy to see corroboration of my belief that the cloud should not be feared but embraced, and I found this when I read a recent study by a company you may have heard of...Microsoft!

“ In a recent study by Microsoft looking at how small and medium-sized businesses viewed security, privacy, and reliability in the cloud, 94% of US businesses said their security had improved after adopting cloud applications. However there was a clear gap between the perceptions of those not using the cloud, with the real experiences of those already invested in a cloud service. Nearly 60% of SMBs not using cloud applications were concerned about data security. About 42% of SMBs who haven’t moved to the cloud said they were concerned about reliability. The study looked at businesses in four geographic areas, Germany, the United Kingdom, France, and the United States. The responses across geographies were surprisingly consistent.”

*Security Week, June 11, 2013*

Notice that word “perception” as it is related to companies that were not cloud adopters in the study. Normally the comment “perception is reality” rings true in most situations, but certainly not when considering the cloud. Companies that fail to overcome their fears to take advantage of the cloud will miss a fact-based opportunity to improve their organizations and transcend their businesses to the next level and beyond.