

*Cloud for Finance Value and Performance:  
Consolidation, Analytics and Planning*

A research report prepared by:



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<b>TABLE OF CONTENTS</b>	<b>Introduction: Making the Cloud Case for Finance</b>	<b>1</b>
	<b>Where the Problems Lie</b>	<b>2</b>
	<b>How Cloud Improves Finance Performance and Management</b>	<b>4</b>
	<b>“Must Haves” from Solutions – and Providers</b>	<b>6</b>
	<b>Conclusion: Improving the Business Value of Finance</b>	<b>7</b>
	<b>Sponsor Perspective: Adaptive Insights, Finance, and the Cloud</b>	<b>8</b>
<b>TABLE OF FIGURES</b>	<b>Figure 1: Most-cited Challenges with Existing Finance Systems, 2008 - 2013</b>	<b>2</b>
	<b>Figure 2: Business Improvements from Cloud-based Systems</b>	<b>4</b>
	<b>SIDEBAR: Q&amp;A - Improving Consolidation and Reporting with Cloud</b>	<b>5</b>

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### **About This Report**

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The research and analysis presented in this report includes research from a dedicated survey and interview program with ongoing Saugatuck Technology research programs, including our global survey and interview work with user enterprise business and IT leaders, briefings with providers, and analysis of publicly-available market information from multiple sources.

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### **About Saugatuck Technology Inc.**

Saugatuck Technology, Inc., provides subscription research and management consulting services focused on key market trends and disruptive technologies driving change in enterprise IT, including Cloud, Mobility, Social and Collaborative IT, and Advanced Analytics. Founded in 1999, Saugatuck is headquartered in Westport, CT, with offices in Falmouth, MA, Santa Clara, CA and Frankfurt, Germany. For more information, please visit [www.saugatucktechnology.com](http://www.saugatucktechnology.com) or call +1.203.454.3900.

**INTRODUCTION: MAKING THE CLOUD CASE FOR FINANCE**

*“Cloud-based consolidation and FP&A was a good fit for us right out of the gate. Our organization is not overtly cutting edge when it comes to technology. We were able to start with basic functionality that could grow easily, and as needed.” – CFO, ARC Thrift Stores, Lakewood, CO*

Since 2003, research consultancy Saugatuck Technology Inc. has worked with more than 500 CFOs, controllers, and other senior Finance executives worldwide to understand their changing management needs, and to help them translate those needs into IT investments that improve the value of Finance to the enterprise.

Our latest research, including interviews with CFOs, senior FP&A managers, Controllers and other Finance leaders exclusive to this report, indicates a powerful and growing challenge for these executives:

We have not previously seen a time when corporate Finance groups and leaders have been asked to be more adaptive, act faster, provide better data, and do so with less resources.

This has always been a challenge for Finance, but a confluence of rapid and accelerating marketplace changes, including the fast-paced evolution and improvement Cloud-based solutions, has accelerated the pace of business and the pace of business change. This maximizes the need for Finance to be adaptive, agile, and responsive, while being able to plan more comprehensively and accurately – and while still operating with minimal resources. Finance leaders are looking for ways to improve core operations today, and build strategic business value for the future.

One key enabler of this is Cloud-based solutions for consolidation, analytics, reporting and planning – Finance functions that have traditionally required significant time and effort due to a variety of factors, from disparate data types to functional limitations of traditional systems. Saugatuck research indicates major improvements in these areas from Cloud-based solutions, including considerable reductions in time requirements, and improvements in data quality and availability, both of which enable substantial improvement in the ability of Finance organizations to operate – and to increase the value of Finance to the company.

This paper uses Saugatuck’s research to:

- Introduce the top challenges reported by Finance executives
- Explain how these challenges are met and overcome by Cloud-based solutions
- Identify the most significant business improvements experienced by Finance groups
- Lay the groundwork for future use of Cloud-based solutions for Finance, and
- Provide guidance regarding what Cloud solutions, and providers, must deliver to increase the tactical and strategic value of Finance to the enterprise.

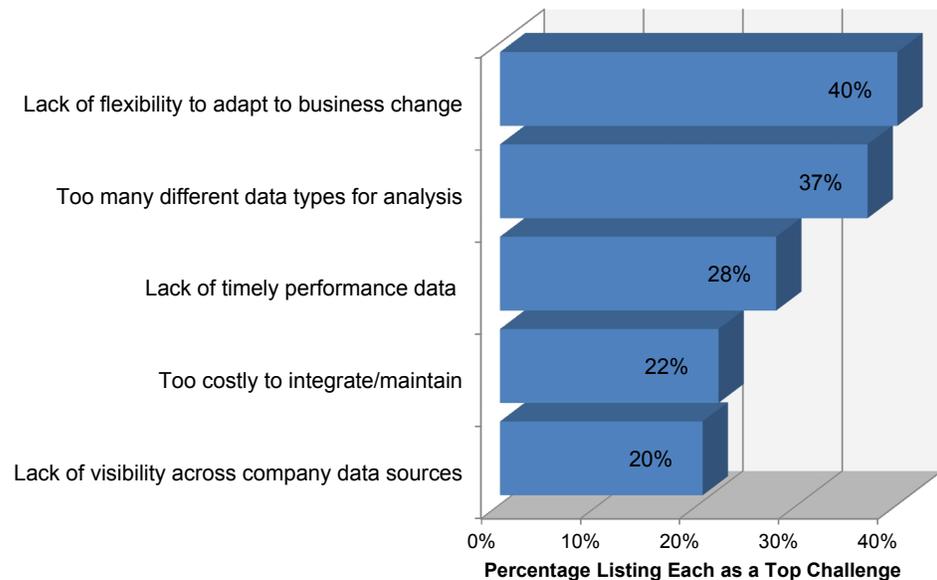
Throughout the paper, we use insights gleaned from interviews with Finance executives to illustrate typical challenges and their Cloud-based resolutions.



### WHERE THE PROBLEMS LIE

Saugatuck research shows that the most important challenges to Finance from typical existing systems as being very consistent over the years – and eminently addressable by Cloud-based solutions. Figure 1 summarizes Saugatuck’s research data regarding the top five Finance system issues from 2008 through 2013.

**Figure 1: Most-cited Challenges with Existing Finance Systems, 2008 - 2013**



*Source: Saugatuck Technology Inc., global Finance executive surveys, 2008 - 2013*

1. **Lack of flexibility.** Most existing, traditional Finance systems – especially in such core management areas as FP&A and consolidation – either can’t adapt as the business changes, or cost too much to adapt. While most traditional systems were and are engineered to do specific things well, they have not been engineered to change what they do, how they do it, or what the Finance group can do with them. “It’s like having a monorail where we need a fleet of buses. They are very efficient systems that work efficiently from point to point, but where we need to go in different directions, we can’t,” states the CFO for a large regional retailer.
2. **Too many different types of data for analysis.** Because traditional, legacy Finance systems tended to be developed for specific sets of tasks or operations, they tend to generate data types and formats generic to those tasks and operations. So – for example – in consolidation and analysis, data from multiple systems typically must often be reduced “down” to a “lowest common denominator” format, typically into spreadsheet format. This tends to reduce the timeliness of the data, and remove much of the context and relevance. “To say the least, the formulation of Excel data needs work and some really big improvement for efficiency in any of our processes,” declares the director of FP&A for a \$100M global web research services provider.



3. **Lack of timely performance data.** System and data disparities add significant amounts of time to the process of gathering, cleansing, and reporting performance data. Even when a system reports for a specific process in real time – as many do – Finance executives and managers tell Saugatuck that it is still a substantial time challenge to integrate that data with data from associated, relevant processes. Performance data, for example, can become stale very soon, losing relevance and value, and diminishing the ability to make timely business decisions. “The massive data that we have available is great for improving our ability to do business. Adaptive Insights’ Cloud-based solution was instrumental in helping organize it, analyze and act on it,” the Director of Operations/Finance for Bridgestone Industrial Products tells Saugatuck.
4. **Too costly to integrate and/or maintain.** The combination of typical technology and data disparities makes it expensive and inconvenient to integrate, and therefore upgrade many Finance systems to improve reporting and analysis capabilities. Meanwhile, the same disparities add to the increasing costs of maintaining and upgrading the systems, many of which are reaching (or have reached) the end of their useful lives, but cannot be replaced due to a lack of IT investment capital. “We had too many systems that had been tweaked and patched, to the point where we simply could not add to them or upgrade any more without significant investment in maintenance,” explains the controller for a large, global electronics manufacturing firm, adding “It was simply a poor use of resources to keep fixing the old systems. Cloud-based solutions offered us the most cost-effective alternative.”
5. **Lack of visibility across company operations.** There is more financial data available within most firms than ever before. However, the ability to find and see it, much less consolidate it, analyze it, and use it to improve performance, is often severely constricted by disparate interfaces and data formats. This is compounded by the time required to find and gather the data. Saugatuck’s work with Finance executives shows us that Cloud-based solutions engineered to improve consolidation, reporting, and analysis can provide total visibility across company systems and processes, enabling improvements in performance management by orders of magnitude.

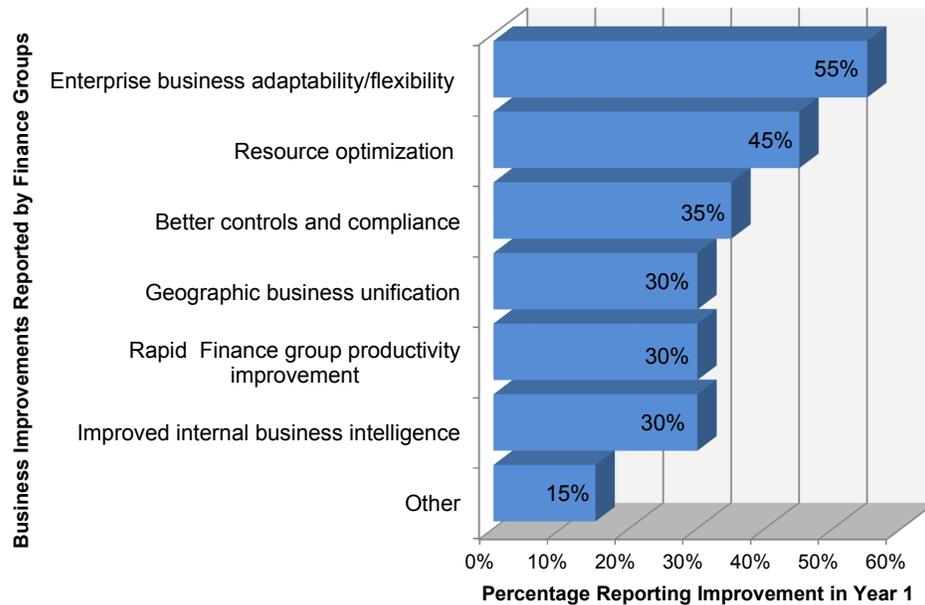
*“The core advantage for us is the ability to have same application, UI, software interfaces, and data everywhere, when needed. Everyone can work together more efficiently and effectively; we can find better solutions faster; and we get our core work done sooner and more accurately.” – Director, FP&A, \$100M global web research services provider.*



**HOW CLOUD IMPROVES FINANCE PERFORMANCE AND MANAGEMENT**

Saugatuck’s survey work among CFOs and other Finance leaders clearly shows Cloud-based solutions for Finance, from CPM to FP&A to GL. Figure 2 summarizes our aggregated survey data from 2008 through 2012 to illustrate the business improvements enjoyed within the first year of Cloud solution use, as reported by Finance leaders.

**Figure 2: Business Improvements from Cloud-based Systems**



*Source: Saugatuck Technology Inc., global Finance executive surveys, 2008 - 2013*

Not all benefits accrue immediately in all cases, of course. The number and value of benefits varies based on the enterprise, the Finance group and its leadership, and of course on the Finance management solution(s) implemented. The best will allow either a “big bang” implementation that delivers a range of significant improvement – and change – practically immediately, or will enable the deployment and introduction of features, functionality, and benefits over time in an incremental fashion. In Saugatuck’s experience, most Finance groups land somewhere in the middle, deploying a significant, core mass of the solution in a “medium bang” implementation, followed by a phased rollout of additional functions that allow minimal business disruption.

*“Our overall costs have declined; we have fewer people, with fewer hours required, while the time needed for planning has declined from 4 months to a few hours over a few days.” - Senior Finance Analyst, \$8B US-based healthcare services provider*

**Q&A : IMPROVING CONSOLIDATION AND REPORTING WITH CLOUD**

One of the Finance leaders interviewed for this paper is Robert Scrimshaw, Senior Finance Analyst for Mayo Clinic Health Solutions. Scrimshaw is responsible accounting and financial planning for the clinic's outpatient pharmacies, medical supply stores, mail-order business, and other for-profit aspects of the enterprise. He discusses his organization's journey to Cloud as follows:

***Q: What is the extent of your Cloud Finance solution use today?***

A: We do all of our budgeting, planning, reporting, and analyzing with the Adaptive solutions. In fact, we have 5 or 6 departments converting to Adaptive for all these areas.

***Q: What drove your group's move to introduce Cloud-based solutions for Finance?***

A: The Finance department really drove this. Frankly, our IT group had no knowledge of our efforts at first. Over time, we had built up lots of layered and disjointed financial planning. Cloud-based solutions were seen as a simple and affordable means of uniting these.

***Q: Were you looking for Cloud?***

A: We originally just wanted something that would not have to include a lot of resources, IT and otherwise. We were not necessarily looking for Cloud. Some of our folks didn't even know what "Cloud-based" meant.

***Q: Your group is using solutions from Adaptive Insights. How were they selected?***

A: We had been trying to get good budgeting and forecasting solutions for years, and frankly we couldn't find a good one until we found Adaptive. Adaptive came to the attention of our supervisory leaders. We did a lot of due diligence on them regarding security, compliance, standardization, adaptability, and everything we could think of. We went through audits – the whole nine yards. Adaptive met all of our requirements.

***Q: What are the advantages of the solutions you have in place today?***

A: First of all, consolidation of data. It's much easier, and faster. Our operations with Adaptive's Cloud-based consolidation and performance management are much easier, faster, and provide us with better data.

Another advantage is the updates. If we needed to update software or add features, there was disruption across systems and operations; we had to get IT involved; and everything took time. Now, the applications get updates of features and functions across all the systems simultaneously. The stuff gets updated on a weekend – sometimes, we don't even know it's happened.

***Q: What about performance improvements?***

A: The time for planning has declined from about four months to hours or days. Actual financial results now come in within 2 or 3% of our monthly forecast, and our statements get out much faster.

Like many, we had been using Excel, resulting in multiple spreadsheets with different versions, expectations, and assumptions. Change management was painful. Now, we can enter assumption changes at the top level, and "boom" it's applied uniformly across all of our planning areas. Instantly. And we no longer have to have Excel expertise in all ranks.

***Q: Any other areas of improvement? Are there more strategic improvements being realized?***

A: There's a greatly improved ease of adding new pharmacies and other new businesses. And now, we can take on new projects, and grow the business. We have the same applications, user interface, and data everywhere when needed.



### “MUST HAVES” FROM SOLUTIONS – AND PROVIDERS

*“We just knew it was the right thing to do because the company was growing and Excel was becoming unwieldy. We could have kept running Excel, but we knew it was far more efficient to move to the Adaptive solution over the long run and the time was right to make the change.” - CFO, ARC Thrift Stores, Lakewood, CO*

Of course, experiencing the benefits of Cloud-based Finance management systems is not quite as easy as buying, implementing, and letting it happen. These are critical enterprise business systems that must be chosen, implemented, and managed in the same manner as would any other system.

Working with CFOs and other Finance leaders for the past decade, Saugatuck has put together the following list of “must haves” for Cloud-based Finance solutions that improve/remove the challenges noted earlier. Such systems must:

- **...integrate easily with multiple processes and data types, within and outside of Finance.** Being able to see and utilize the same data sets and formats across multiple applications and operations not only enables all of the business improvements noted in the previous section. Such ability also delivers immediate improvements in consolidation, planning, analysis, and performance management. In consolidation and reporting operations, Saugatuck has seen Cloud-enabled time reductions from weeks to days.
- **...have robust reporting and analytic capabilities.** Having the same data types and formats is only a beginning. To improve performance management, address flexibility needs, and enable integration of Finance into enterprise business planning, the solution must provide reliable, adaptable, scalable, and repeatable analytics and reporting across all linked systems and processes.
- **...balance significant cost improvement with high functionality.** There are no hard-and-fast metrics, but in Saugatuck’s experience, most Cloud-based solutions cost between 10% and 20% of the acquisition cost and license cost of relevant traditional systems for equivalent functionality. Saugatuck research suggests that ongoing Cloud solution costs tend to average between 25% and 40% of comparable traditional on-premises software.
- **...provide functional benefits over current systems.** Cost alone cannot be the reason for considering or acquiring Cloud-based systems. If a solution under consideration does not enable significant operational improvements in the key areas required, look for another solution – and for another provider. That provider is either not investing enough in solution R&D, or is not selling and marketing the solution appropriately. Both are warning flags for savvy buyers.
- **...facilitate easy upgrades.** With almost any Cloud-based software solution, the actual software upgrades take place on servers within the provider’s Cloud/data center. But how those upgrades are rolled out to customers, and how those upgrades affect other aspects of the customer’s environment (e.g., related data stores, connected systems, user abilities and familiarity) need to be managed in ways that minimize any type of disruption to the systems and to how the Finance group operates.



- **...be a proven solution, efficient and stable.** Industry and professional associations, and solution/provider user groups, are some of the best and most objective sources for relevant information and insight regarding any Finance solution and provider under consideration.
- **...be able to address security concerns.** Year after year, the top-ranked concerns regarding any type of IT for any application, but especially for Finance systems, center on data security and privacy. The top concern for Cloud is no different. What often gets overlooked, however, is that Cloud-based systems tend to be among the most secure solution available. Cloud delivery platforms are designed, engineered and constructed to not only be secure, but with security itself engineered to be tightly integrated throughout all aspects of all connected systems. This differs from most traditional data centers, where security tends to be solution-specific first, then linked and layered with other systems, creating more potential breach and failure points.

*“We can access, consolidate, and analyze any data or application anywhere, at any time, and the automated backup and updates are great. There’s consistency everywhere. It’s been a great investment.” - Corporate accounting manager, DayMen Group, Markham ON*

### CONCLUSION: IMPROVING THE BUSINESS VALUE OF FINANCE

The core engineering of today’s leading Cloud-based Finance solutions – especially solutions addressing core consolidation, reporting, analysis and planning – enables massive scalability and adaptability to specific Finance needs, while offering reliability, availability, and security beyond the cost-effective limits of almost any traditional data center. This enables the tactical improvements delivered via Cloud Finance solutions today (e.g., improved productivity, reporting, consolidation, agility, scalability, collaboration) to become strategic improvements for years to come (e.g., increased Finance involvement in enterprise business planning).

Simply put, today’s top Cloud-based Finance solutions provide what are typically the most cost-effective, flexible, and powerful solutions to the everyday challenges facing Finance leaders and their organizations. The best available are enterprise-grade data collection, reporting, and analytical solutions that exceed the capabilities of most traditional on-premise software used for the same functions.

These solutions can deliver the tactical improvement required to resolve current needs, while enabling the strategic, long-term flexibility and adaptability that traditional systems were incapable of delivering at reasonable cost.

They also remove or reduce most cost- and resource-related barriers to the acquisition and implementation of these new, more powerful, and more capable systems – systems which, when Cloud-based, can automatically upgrade and adapt as needed or as desired. In Saugatuck’s view, such solutions effectively “future proof” not just these solutions but their associated Finance operations, by using the providers’ powerful and scalable IT platforms to deliver reliable, secure Finance management functionality, to which additional functionality can be added without disrupting the business or integrity of Finance.

*“We didn’t go looking for Cloud, we went looking for the best solution from the right provider to fit our long-term plans.” - Director, FP&A, \$100M global web research services provider*



### SPONSOR PERSPECTIVE: ADAPTIVE INSIGHTS

Adaptive Insights is the worldwide leader in cloud-based business analytics solutions for companies and nonprofits of all sizes, with nearly 2,000 customers in 100 countries.

Adaptive Insights' cloud platform provides finance and management teams with agile and robust real-time capabilities for consolidating, planning, analyzing, and reporting. Adaptive's solutions help finance, sales, and help business leaders manage business performance amongst fast-paced business and market changes. Adaptive is used by companies like AAA, Boston Scientific, Concur, DocuSign, NBC News, NetSuite, and Stanford University.

#### VOCUS CHOOSES ADAPTIVE TO DRIVE PERFORMANCE AMIDST EXPLOSIVE GROWTH

Vocus (NASDAQ: VOCS) is a leading marketing cloud provider that enables businesses to attract, engage and retain customers. Vocus software is used by more than 120,000 organizations worldwide and is available in seven languages. The company has revenue of over \$170 million, with more than 1,000 employees, and has offices in North America, Europe and Asia.

#### Rapid Growth Required Stronger Performance Management

Since its founding in 1992, the company has undergone explosive growth, with an IPO in 2005. That same year, Vocus was ranked number 50 on Washington Business Journal's list of the fastest growing companies. The company has continued to expand through multiple acquisitions, most recently acquiring iContact in 2012. As a result, Vocus required a performance management solution that could help them manage expansion, without requiring a lot of administration or heavy IT investment. They sought a business partner who could deliver a performance management application that aligned with their metrics-driven enterprise.

#### Cloud and Agility Front and Center

To help them manage future growth, they selected Adaptive because of its strong reporting, easy and intuitive self-service, and the ability to change structure and assumptions seamlessly in real-time. In addition to these product features, Adaptive's cloud solution mirrored its own software delivery strategy, making it a strong business fit.

“Adaptive is a mission-critical application for us, and the business impact is huge. Adaptive helps us to understand what key business factors drive revenue growth; this data is critical to measuring and monitoring key performance objectives for the business. Adaptive is the performance management tool we use to adjust to dynamic market conditions.” - *Derek Malagrín, Director, Business Intelligence & Analysis*

#### One View for Everyone

Now, actual results, forecasts, and multiple scenario analyses comprising both financial and operational data are all available in one unified application. The improved reporting from the application makes it possible to easily push data and analysis out to senior managers and executives, so they can see how their numbers affect the overall health of the business.

“Adaptive Insights has become the most important data source for financial and operational information in our company.” - *Derek Malagrín, Director, Business Intelligence & Analysis*





## SAUGATUCK OFFERINGS AND SERVICES

Saugatuck Technology provides subscription research / advisory and consulting services to senior business and IT executives, technology and software vendors, business / IT services providers, and investors.

Our Mission is to help our clients make better business decisions and create new business value through trusted and objective insights into the key market trends and emerging technologies driving real change.

Over the last few years, this has included a major focus on Software-as-a-Service (SaaS), Cloud Infrastructure, and Social Computing, among other key trends.

### *CONTINUOUS RESEARCH SERVICES (CRS)*

- Subscription research / advisory services that provide independent / unbiased analysis, insights and guidance into the most important emerging technologies driving change in business computing.
- We are experts in *Cloud Business* and *Cloud IT*, among other key market trends / technologies - with a balanced view that is valued by both providers and consumers of technology-enabled products / services.

### *USER STRATEGIC CONSULTING SERVICES*

- Leadership and Planning Workshops
- Strategy and Program Assessments
- Vendor Selection / Evaluations
- Cloud Transition / Migration and Best Practices

### *VENDOR STRATEGIC CONSULTING SERVICES*

- Market Assessment
- Strategy Validation
- Opportunity Analysis
- Positioning / Messaging / Go-to-Market Strategies
- Competitive Analysis

### *THOUGHT-LEADERSHIP PROGRAMS*

- Custom research programs targeting key technology and business/IT investment decisions of CIOs, CFOs and senior business executives, delivered as research reports, position papers or executive presentations.

### *VALUE-ADDED SERVICES*

- Competitive and market intelligence
- Investment advisory services (M&A support, due diligence)
- Primary and Secondary market research.

To learn more about Saugatuck consulting and research offerings, go to [www.saugatucktechnology.com/](http://www.saugatucktechnology.com/) or email [Chris MacGregor](mailto:Chris.MacGregor@saugatucktechnology.com). While there, register for our complimentary [Research Alerts](#), which are published on a weekly basis, or visit our [Lens360 blog](#).

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