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# THE FINANCE DILEMMA

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Rising Expectations, Diminishing Returns



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## Executive Summary

Financial services firms are intently focused on the challenges of competing in fast-changing, competitive markets. At these firms, finance executives and managers are expected to play a pivotal role by supplying visibility into financial performance and helping to shape strategic direction.

Yet many finance executives are bogged down by inefficient legacy financial management systems that lack flexibility and provide limited insight into the business. Labor-intensive manual processes and data silos are undercutting the ability of finance executives to innovate, help drive growth and achieve business objectives.

A new study conducted for NetSuite by research consultancy Gatepoint Research examines key challenges, trends and opportunities in financial management. The survey polled more than 100 finance professionals, including CFOs, VPs and directors of finance, and controllers working predominantly in the financial services industry, including brokerage firms, insurers and credit unions.

This report summarizes the findings of the survey and outlines:

- Top pressures facing finance executives.
- Opportunities for high-impact improvement.
- Inflexible legacy financial management software.
- Limited automation in key financial processes.
- Characteristics of the ideal financial management solution.
- The benefits of cloud-based financial management.

## **Top Pressures Facing Finance Executives**

By a sizable margin, improving operations and production is the top pressure facing finance executives and their teams over the next 18 months, cited by 58% of respondents. The digital economy, globalization and the accelerating speed of business are some of the factors that have made greater operational and production efficiency in finance a top objective in order to achieve competitive advantage.

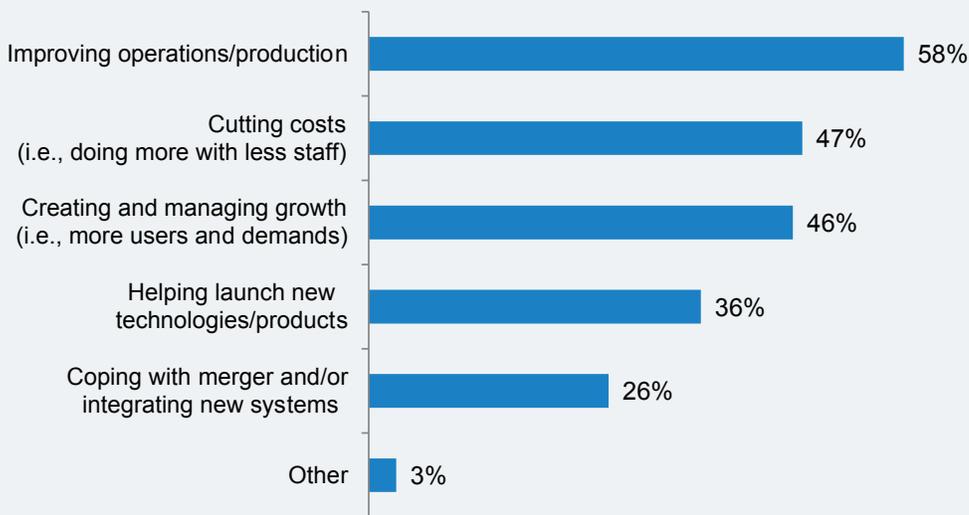
For many finance departments, improving operations means handling more data and transactions, speeding delivery of key reports, improving cross-department collaboration and better serving customers with flexible billing options and online visibility into accounts and transactions. Such initiatives have traditionally required additional resource allocations, but that would be at odds with the second top pressure facing finance execs—cost reduction.

Nearly half (47%) of respondents say they are under pressure to cut costs—to do more with less staff. But as substantiated in a subsequent survey question, legacy enterprise resource planning (ERP) and financial management environments make cost cutting difficult because of system inflexibility, poor visibility and lack of an integration (see Figure 3). Legacy systems typically grow more complex over time as new applications and data sources are introduced without adequate integration. That means more manual work, reduced visibility and diminished returns from ERP investments, even as business pressures grow.

The third top pressure (46%) is creating and managing growth (meaning more users and demands), while the fourth top pressure is helping to launch new technologies and products (36%). These pressures align with rising expectations among the CEO, board of directors, investors and other stakeholders for the CFO and other finance executives to step up and play a greater role in innovation and driving organizational strategy and growth.

Many finance executives find it difficult to meet those expectations. In fact, a separate study of 338 finance executives for NetSuite by the research firm Loudhouse found that 68% of them were too consumed by tactical day-to-day activities in legacy software environments to innovate and increase the level of strategic corporate contributions.<sup>1</sup>

**Figure 1: Top pressures facing finance teams over the next 18 months**



Improving operations while cutting costs are the top two pressures facing finance teams.

## Opportunities for High-Impact Improvement

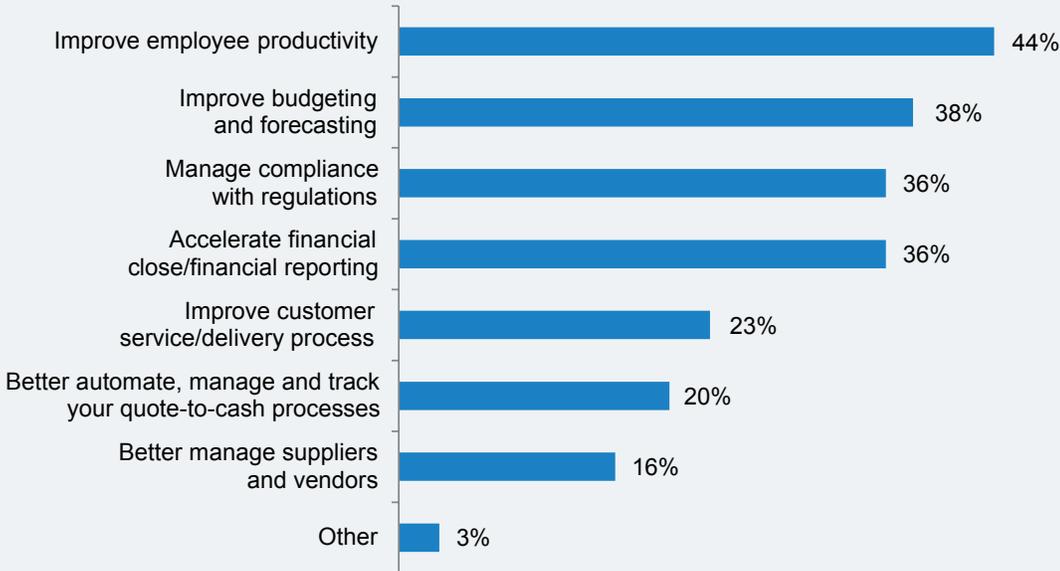
Finance executives view improving employee productivity as the area that could generate the greatest impact on operational performance, cited by 44% of respondents. This high ranking is unsurprising given that accounting teams often spend inordinate amounts of time on laborintensive data work, often with multiple Excel spreadsheets and even paper printouts.

It's not uncommon for finance team members to have to manually enter or reconcile sales orders between a financial application and a separate customer relationship management (CRM) system, or fetch data from several front- and back-office systems to run reports in Excel. These time-consuming and error-prone processes not only hurt personnel productivity—they can degrade overall performance through delays, poor visibility and contradictory data in multiple systems.

Better budgeting and forecasting is another area (38%) for high-impact operational improvement. Because many ERP systems lack built-in budgeting and forecasting, finance teams typically export data into Excel for analysis. Though effective, Excel can't supply the robust reporting and analytics possible in a dedicated tool.

Finance executives also see ample room for improvement in managing regulatory compliance (36%) and accelerating financial close and reporting times (36%). Ever-changing accounting standards can be difficult to track and manage manually, and drawn-out financial close times are not uncommon, particularly when accountants need to round up, check and consolidate numbers from several different systems.

**Figure 2: Where could operations be improved for the biggest impact?**



Improving employee productivity and improving budgeting and forecasting are top areas to achieve better operational performance.

## **Inflexible Legacy Financial Management Software**

Inflexibility is the top pain point that finance professionals face with legacy ERP and financial management software. More than one third (35%) of respondents see inflexibility and the inability to readily change workflows and business processes as key impediments to realizing more effective and efficient financial management.

In effect, these companies are straitjacketed by the rigidity of their legacy technology. They are often forced to adapt business processes within the constraints of the software rather than adapting the software to the needs of their business. As an alternative, companies may engage specialized software developers to try to customize their system to their particular needs, but those efforts can require significant investment over many weeks, if not months, and are not always guaranteed to be successful.

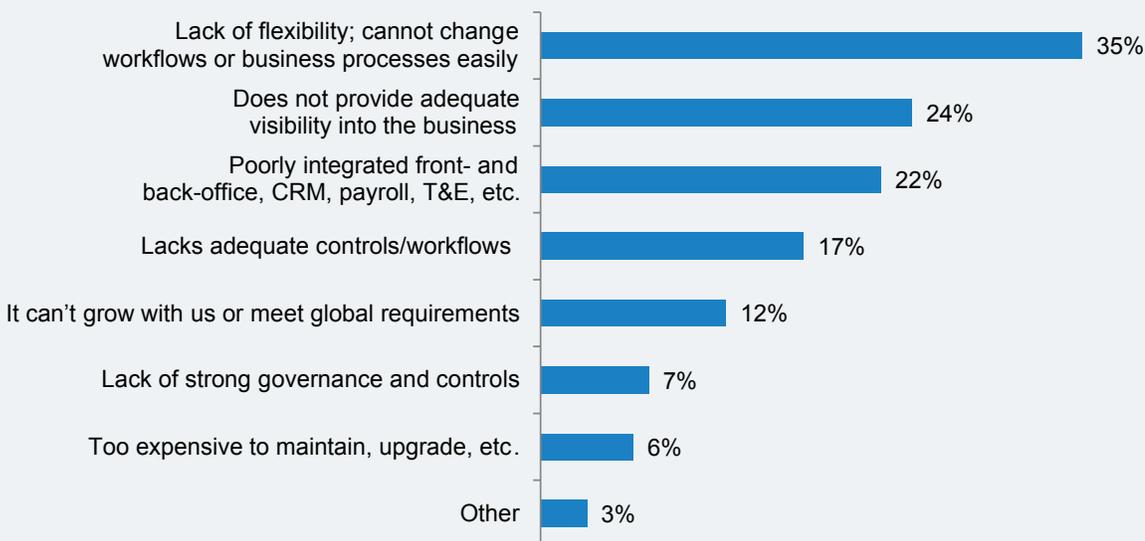
If customizations are implemented, they don't carry over if the company wants to upgrade to the latest version of its vendor's legacy software. As a result, many companies choose to make do with the status quo, effectively 'version-locked' within an outdated application. According to Forrester Research, "approximately half of ERP customers are on releases that are two versions behind the current release, which may be four years old or more."<sup>2</sup>

Moreover, various analyst firms that track IT spending estimate that maintenance fees and support costs for legacy software can range from 50% to more than 90% of a typical IT budget. In addition, legacy software runs on on-premise servers that require ongoing IT maintenance and troubleshooting. In-house storage, backup systems and network infrastructure all add to IT cost and complexity, sapping an organization's ability to invest in innovation that could help meet business goals.

Inadequate visibility into the business is another top concern, cited by 24% of respondents. This is the inevitable result of the third top pain point—poor integration between front- and back-office systems (22%). Finance teams frequently grapple with information silos that sprouted from tactical deployments by departments or as a result of mergers and acquisitions. Teams may also have to contend with rogue applications deployed in a business unit without IT oversight.

These poorly integrated and decentralized environments leave companies ill equipped to adapt to fierce competition, regulatory reform and evolving customer needs. Finance professionals are often locked into inefficient manual processes, while executive management expects them to deliver accurate, timely information to provide a basis for informed decision-making.

**Figure 3: What bugs you about your current ERP/financial management system?**



Inflexibility is the top pain point that finance professionals face with legacy software.

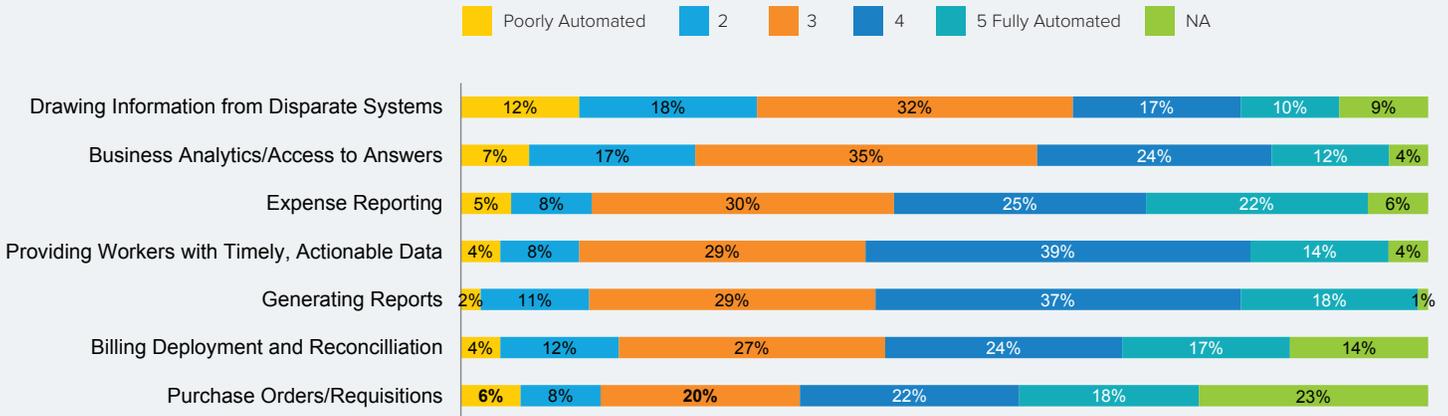
## Limited Automation in Key Financial Processes

Automation is a critical element in achieving effective financial management. Automated functions and workflow-driven processes help the finance team focus on innovation and high-value activities as opposed to manual work that drives up costs and introduces delays. Yet automation is lacking in several key finance functions, according to the Gatepoint survey.

Just 27% of finance teams surveyed have mostly or fully automated the processes needed to draw information from disparate systems. At the other end, 30% are poorly or somewhat automated in data-gathering. As a result, finance team members may have to become 'Excel jockeys' who focus on copying and pasting data from multiple systems and then reconciling that information to make it actionable for the business rather than working at a higher level to interpret that data.

Business analytics is another area in which automation is lacking at many organizations. Nearly one-quarter (24%) of respondents report that business analytics is poorly or somewhat automated, which indicates those organizations don't have access to timely, accurate on-demand insights on which to base decision-making. Just more than a third (36%) of those surveyed have mostly or fully automated business analytics, despite the crucial role that analytics should play in enabling finance teams to track and analyze key metrics in near-real time.

**Figure 4: How well automated are the following tasks?**



Data gathering and business analytics are the least automated of tasks in the typical financial management environment.

## Characteristics of the Ideal Financial Management Solution

Finance executives have a long wish list of characteristics they would like to see in an ideal financial management solution. The ability to integrate well with other systems tops the list, cited by 75% of respondents. With better integration, finance executives could significantly improve employee productivity—the top focus area for increasing operational performance (see Figure 2).

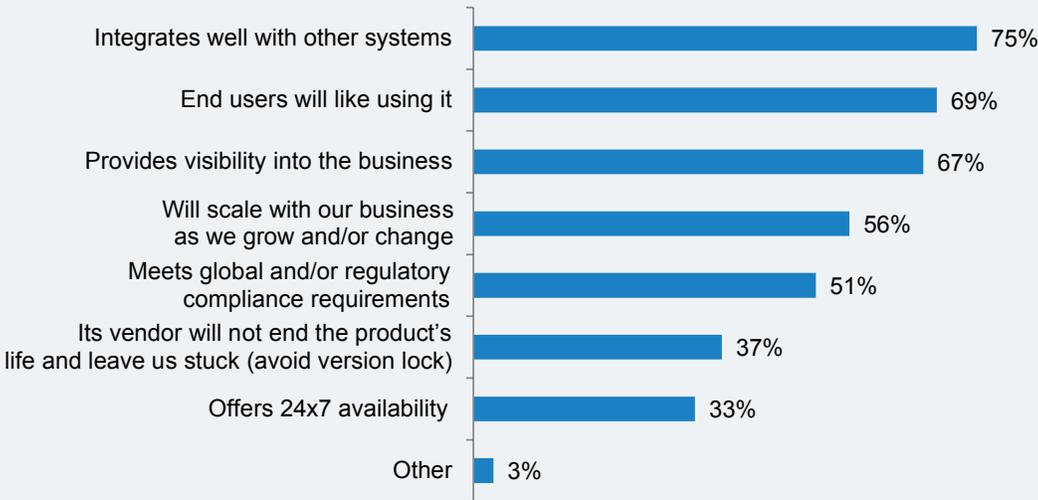
Good integration would also allow finance teams to minimize the manual work needed to draw information from disparate systems, ranked in our survey as the least automated of common finance functions (see Figure 4). As it is, the lack of integration across siloed systems is create one or more bottlenecks that hold many finance teams back from meeting rising corporate expectations for greater visibility and efficiency.

Ease of use is another top characteristic on the wish list cited by 69% of respondents. This high ranking reflects the poor usability of many legacy financial management systems, particularly aging versions that have not been updated for years. Without an intuitive interface and functionality that users embrace, adoption will be limited and users will resort to familiar spreadsheets and workarounds, introducing yet more data silos.

Visibility into the business is also seen as an essential characteristic of an ideal financial management solution. Like ease of use, its high ranking (cited by 67% of respondents) indicates that finance teams do not have adequate visibility with their current legacy systems. Poor visibility is not a mere inconvenience—it can lead to misinformed decisions that hurt the business simply because executives lack access to vital information.

Also highly ranked are scalability for growth (56%) and capabilities to support compliance (51%). The ideal solution should be able to accommodate growth dynamics, such as increasing transaction volumes, growing numbers of customers and suppliers, entering new international markets and introducing new lines of business. The latter two growth dynamics, in particular, can be difficult to achieve with inflexible systems that can be extended only with considerable time and investment.

**Figure 5: What are the essential characteristics of the ideal financial management solution?**



Integration, ease of use and visibility are top three characteristics of the ideal financial management system.

## The Benefits of Cloud-Based Financial Management

A growing number of organizations are turning to cloud-based financial management solutions to help them transform the finance function with greater visibility, efficiency and control. Cloud-based financial management delivers real-time data, process automation and role-based dashboards and controls while enabling organizations to eliminate the cost and complexity of running and maintaining on-premise software and servers.

NetSuite is the cloud financial management solution of choice for many companies. Used by more than 24,000 organizations, NetSuite is ranked by Gartner as the world's fastest-growing financial management solution within the top 10 by market share.

In addition, the NetSuite OneWorld global business solution was named winner of the 2015 CODiE Award for ‘Best Financial Management Solution’ by the Software and Information Industry Association (SIIA).

Organizations that run NetSuite:

- Free themselves from expensive and disruptive upgrades.
- Opportunities for high-impact improvement.
- Deploy across divisions and subsidiaries with unprecedented speed and efficiency.
- Transform their IT operations—reducing cost and driving business results.
- Gain a business platform that is flexible and scalable and can change and grow with the needs of the business.

**Figure 6: NetSuite Cloud Business Management Delivers Key Performance Improvements**

Category	KPI	Results
<b>Business Viability</b>	360° Visibility and Actionable Insights	Increased <b>55%-80%</b>
	Reporting Time and Resources	Reduced <b>40%-55%</b>
<b>Financial Management</b>	Time to Close Financial Books	Reduced <b>45%-70%</b>
	Audit Completion and Support Time	Reduced <b>25%-40%</b>
	Time Required to Support Compliance	Reduced <b>25%-45%</b>
	Accounting Staff Productivity	Improved <b>25%-50%</b>
	Collection Time for Accounts Receivables	Reduced <b>30%-50%</b>
	Order Process Efficiency and Costs	Improved <b>40%-60%</b>
	Billing Efficiency	Improved <b>15%-25%</b>
<b>IT Management and Resources</b>	IT Support Resource Costs	Reduced <b>40%-65%</b>
	Business Continuity/Disaster Recovery Costs	Reduced <b>45%-65%</b>

Source: SL Associates 2015 Research Study, “NetSuite Cloud Business Management Delivers Key Performance Improvements.”

As shown in Figure 6, companies that deploy NetSuite typically realize significant improvements in key performance areas. Key NetSuite capabilities for finance professionals include:

**One single, integrated system.** NetSuite's unified solution eliminates data silos in a standardized environment that can cover ERP/financial management, CRM, ecommerce, HR and professional services automation (PSA).

**Built-in automation and compliance.** Prebuilt and customizable workflows enable finance teams to automate routine tasks; finance can also leverage built-in support for such accounting standards as SOP 97-2, EITF 08-01 and ASU 2014-09.

**On-demand visibility into real-time data.** Finance teams have real-time data at their fingertips, either in a small or mid-size deployment or a global enterprise spanning dozens of international subsidiaries.

**Robust reporting, budgeting and forecasting.** Finance professionals can easily run customized reports, while the NetSuite Financial Planning module delivers sophisticated budgeting, forecasting and planning.

**Rich customization and integrations.** Finance teams can readily customize NetSuite to meet their unique business needs. They can also leverage native integration with leading third-party applications.

**Automatic upgrades twice a year.** Finance teams always use the most recent NetSuite version with twice-annual upgrades that are delivered automatically and leave any customizations intact.

For more information, please visit [www.netsuite.com/erp](http://www.netsuite.com/erp).



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