

E-book

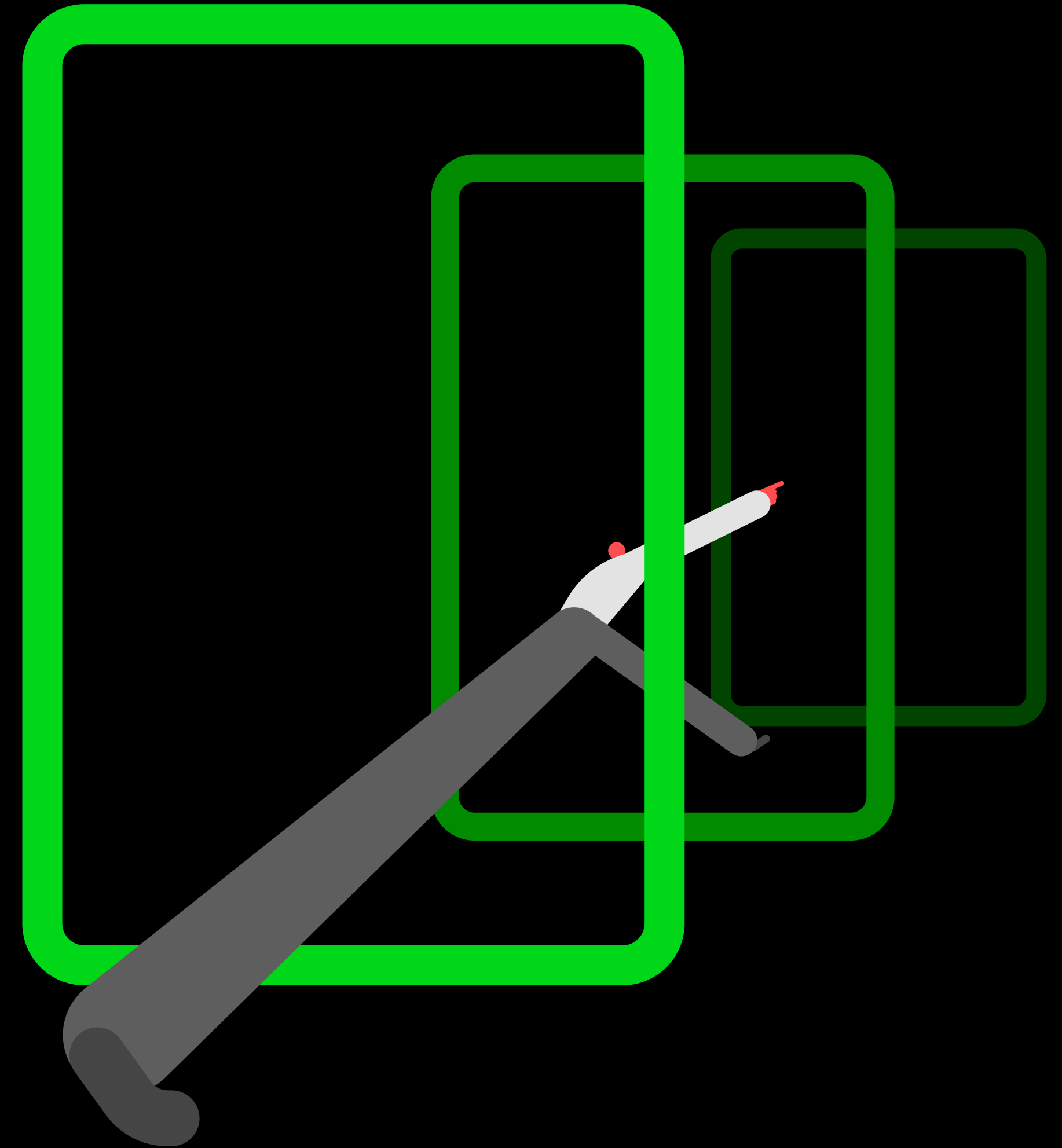
How Cloud-Native Financial Management Systems Power Growth and Digital Transformation for SaaS Companies

Sage



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Introduction

Cloud-native financial management systems are business technologies that help companies and organizations manage their cash flow, assets, and investments to support business planning and decision making. These platforms capture transactional data, automate business processes, and streamline reporting so business leaders can make real-time data-driven decisions for greater business agility.

Growth-oriented businesses are moving to digital solutions to support their development and build out an integrated digital ecosystem with finance at the core. Without an integrated digital financial management system, businesses have a limited potential to act. And in a competitive environment where other companies are fully leveraging their systems, this limit can inhibit growth.

Software-as-a service purveyors can especially benefit from digital transformation initiatives as catalysts to improve businesses performance, achieve scale and continually innovate to grow. More



than most, finance leaders at these companies should know the value of cloud-native platforms.

In this eBook, you'll find practical information about cloud-native financial management systems and how these integrate with other business system. We'll show you how digitizing your core financials can drive digital transformation throughout the organization, reducing business friction and improving customer experiences, business relationships, and financial results.

How cloud-native financial management systems streamline your business

When it comes to cloud applications, there are two main types—cloud enabled and cloud native. Cloud-enabled applications are made in an onpremises environment then connected to the cloud—essentially these are reengineered software applications. Cloud-native applications are designed and built in the cloud and have distinct advantages, such as scalability, faster implementations, and more robust integrations with other software.



Financial processes are at the heart of any cloud-native financial management system. These processes include general ledger, accounts payable and receivable, order entry, purchasing, cash management, and reporting. These may be done by different individuals or a single individual in your organization—but behind the scenes, the processes depend on each other, and delays in any one process can hold up the entire cycle.

Cloud-native financial management systems support the digitalization of these and other processes. Rather than relying on manual entry, paper-based processes or a hodgepodge of bookkeeping software and

spreadsheets, these systems enable end-to-end digitalization. By making these processes electronic, you can reduce friction within the business and with trading partners (vendors and customers), run more efficiently, and embrace agility.

The value proposition of a cloud-native financial management system is simple: It helps you manage the financial heartbeat of the business smoothly and efficiently, reducing friction so these processes flow smoothly. Also, it gives you the real-time information you and other business leaders need to make data-driven decisions.

Cloud enabled



Cloud native



Key advantages of cloud-native financial management systems

Cost savings

- Reduce inventory costs
- Minimize data entry errors
- Avoid duplicate payments
- Increase customers satisfaction with automated information

Enhanced accuracy

- Avoid data duplication
- Reduce manual entry and spreadsheet dependency
- Strengthen trading partner relationship

Efficiency and speed

- Cut close time by as much as 99%
- Streamline business processes and workflows
- Minimize human intervention for transactions and other processes

Increased security

- Safely exchange critical financial information through encrypted protocols

- Standardized digital data decreases the risk of a data breach

- Multifactor authentication and role-based permissions prevent unauthorized data access

Heightened visibility

- Share reports and dashboards across the organization, using real-time data
- Share transactional data, inventory status, orders, invoices, and more with trading partners
- Visibility allows you to respond to supply-chain constraints and prepare orders of all sizes

Actionable data management

- Easily mine and access financial and operational data to track the health of the organization
- Improve cash forecasting
- Share real-time information to make data-driven decisions

“Organizations recognize that moving to more modern and modular applications can significantly reshape their businesses for the better. Measuring the success of modern, modular, and cloud-based applications is being done by reducing employee clicks within an application, streamlining workflows, automating manual processes, and ultimately saving time for the employee. IDC finds metrics and key performance indicators (KPIs) are also improving because of more actionable insights that lead to better business performance regardless of the employees’ location and devices used. The interactions with these modern, cloud-based modular applications are changing organizations for the better.”

~ IDC—The business Value of Sage Intacct for Optimizing Small and Medium-Sized Business Accounting and Finance

Cloud-native financial management systems enable digital transformation and business growth

How are cloud-native financial management systems related to digital transformation? They play a critical role in driving business growth and help your company take steps toward implementing more digital solutions.

How cloud-native financial management systems drives digital transformation

You need to have cloud-native financial management system capabilities to automate your operations. Until you can digitally exchange data with other businesses, you don't have the functionality to adopt digital transformation in other areas of your business. When you move away from manual and

traditional-based processes, you can unlock more potential across your organization.

Digital transformation impacts all areas of your business from interactions with customers and partners to how employees function. Digital transformation vastly reduces friction across all parts of your organization. Your company can be in a better position to manage cash flow, inventory, budgets, accounts payable, accounts receivables, days sales outstanding, and order metrics, while lowering your operating expenses.



How digital transformation drives growth for your business

Before implementing digital solutions, your entire organization needs to consider the impact of technology on supply chain, partners, customers, and employees.

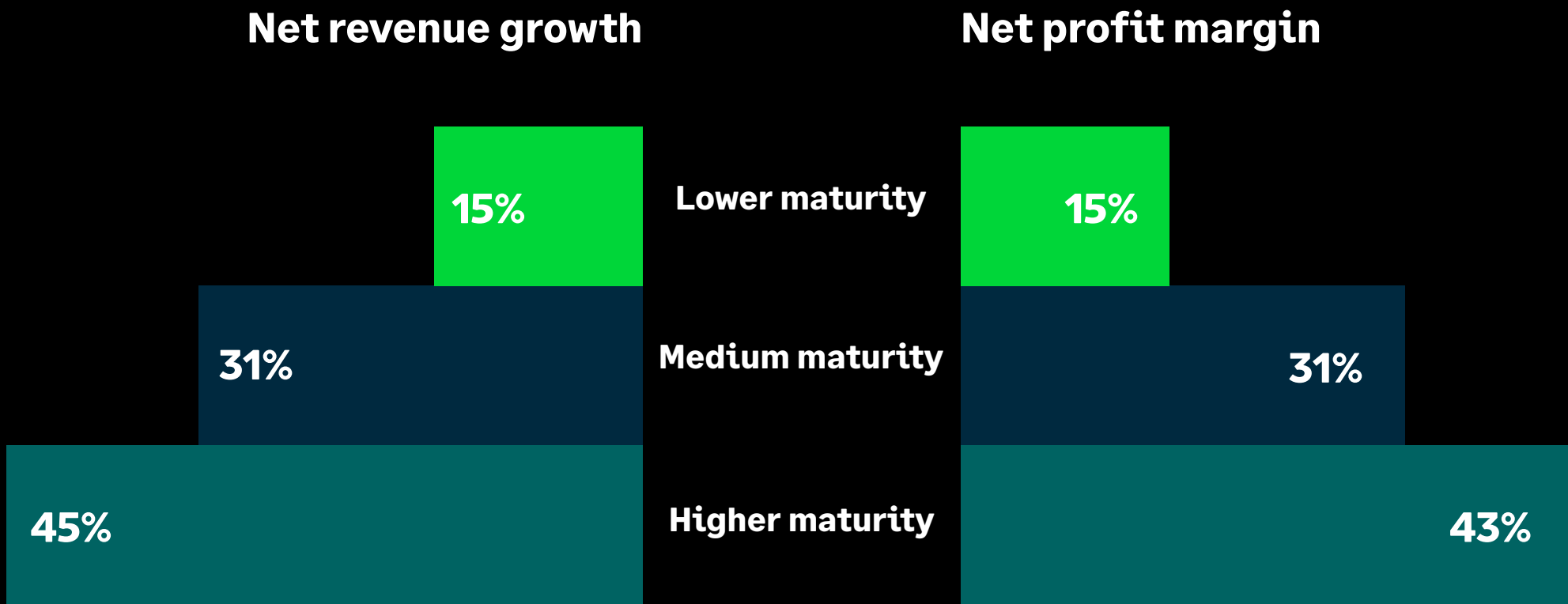
A recent study, conducted by Deloitte, found that organizations with mature digital transformation initiatives have better financial performance than others. Deloitte reported “higher-maturity organizations surveyed were far more likely than lowermaturity ones to significantly outperform their industry average on key financial metrics.... Digital maturity’s impact on financial performance comes from enabling improvements in efficiency, revenue growth, product/service quality, customer satisfaction, and employee engagement—as well as by prompting a greater focus on growth and innovation.”¹ Among organizations with higher digital maturity, 45% reported net

revenue growth as compared with 15% of those with lower digital transformation maturation, and 43% reported higher net profit margins, again as compared with 15% of those with lower digital transformation maturation. These are not the only benefits. As Joe Weinman, author of the book Cloudonomics, puts it, “The real value of cloud or hybrid cloud architecture comes in the form of agility, decreased time to market, accelerated innovation, better and richer user experiences, and inherently cloud-native or cloud-centric business models.”

The goal of digital transformation is to make processes and tasks cheaper and faster, giving you more time to focus on business innovation and growth. When you simplify how your business operates and reduce friction, your organization also creates more value for your employees and customers.

Higher-maturity companies reported industry-leading revenue growth and profit margins

Percentage of respondents reporting metrics significantly above industry average, by level of digital maturity



Note: Comparisons to industry averages were self-reported by the respondents.

Source: Deloitte

1. “Uncovering the connection between digital maturity and financial performance.” Deloitte Insights, May 26, 2020

How to build your digital transformation plan

Companies need to focus on:

- 1. Technology:** The key is understanding how to effectively solve challenges that may prevent your business from driving change. Cloud-native financial management systems improve information quality and efficiency at measurable rates.
- 2. Data:** This is the basic standard to evaluate large numbers and use them to communicate what improvements are needed. Integrating cloud-native financial management systems increases data visibility.
- 3. Process:** A well-planned strategy is crucial to creating a system that focuses on improving operational processes and engaging customer experiences.
- 4. Organizational structure:** Create a balance between welcoming technology advances and how leaders and employees manage the pace of change.

To facilitate successful digital transformation, your workplace needs to support change and evaluate what solutions solve your company's biggest needs and challenges. Deploying a cloud-native financial management system allows your team to adapt to digital change and set up your business for future success. One effective strategy is to start with a proof of concept. First, identify a process with workflows that would benefit from digitization—for example, many organizations use manual or document-based processes for accounts payable, where manual processes include invoice entry, verification, and payment. According to a recent report from Levvel Research, 74% of organizations surveyed receive invoices on paper or via email and fax. They found that the most prominent challenges in AP are manual data entry, invoice-to-payment matching, lost and duplicate invoices, and an inconsistent organizational AP process.²

Using a cloud-native financial management system, the AP process can be completely digitized. Once a stakeholder team is identified and C-level buy-in to the process change is assured, look at the current process and identify the workflows, assign timelines and resources to make the switch to an all-digital process, and set the criteria for success. Your success parameters should include ease of migration, scale and agility, and cost benefits. With these KPIs set, you can measure the impact of digitization and use the results as a benchmark for future digital transformation initiatives.

2. 2021 Payables Insight Report, Levvel Research

How SaaS companies use cloudnative financial management systems



Among the strategic challenges that SaaS companies face are improving business performance, achieving scale, and driving innovation and growth. These companies can use modern, cloud-native platforms to meet these tests in areas that include:

- Creating frictionless billing across multiple revenue types, including subscriptions, SaaS, perpetual licensing, channel revenue and professional services
- End-to-end revenue recognition to achieve ASC 606/IFRS 15 compliance
- Integration to automate accounts payables, consolidations, expenses, reconciliations and consolidations
- Understanding trends, identifying issues and finding opportunities with real-time reporting and forecasting while providing predictability to stakeholders
- Scaling with multitenancy, elastic infrastructure, high configurability, selfservice expansion, and integration APIs
- Achieving organizational agility with an open and configurable true-cloud solution that reduces dependencies on scarce IT resources

Cloud-native financial management systems benefits

The fundamental benefit of a financial management system is digitization to simplify financial processes. Rather than relying on manual processes or simple bookkeeping software supplemented with spreadsheets, a cloudbased financial management system enables the flow of information within the organization and easily connects with other cloud-native applications, including ecommerce portals, sales management, payroll, tax, etc. to streamline operations, improve efficiency, and enable business agility.

Additional benefits of a cloud-native financial management system include

better security, compliance, automation, reporting and forecasting, integration, ease of implementation, and ease of use.

Security

Modern cloud-native platforms look at security from multiple angles: physical, network, application, and data. External audits and other thirdparty certifications ensure that a cloud-native financial management system protects vital information in a highly secure environment.

Compliance

Several standards are in place for services that deal with sensitive data.



Compliance with these standards depends on the kind of data found in the cloudnative financial management system. Each standard also has a regulatory body that ensures compliance. Providers perform various types of internal and third-party audits to validate compliance with applicable requirements. These standards may include:

- | | |
|---------------------------|-----------------------|
| • SSAE 18 SOC 1 Type II | • PCI-DCC Level 1 |
| • SCO 2 Type II | • HIPAA |
| • ISAE 3402 and ISAE 3000 | • Privacy Shield/GDPR |

Automation

Business-process automation reduces errors and improves accuracy, cutting costs and saving time.

Integration with other business applications and business partners allows for the bidirectional sharing of information so you can better manage your supply chain and transactions with trading partners.

When it comes to AP and AR, you can automate up to 90% of these processes. Through automation, you can potentially cut hours down to minutes. Your team can dedicate the additional time in their

schedules to helping the business reach its larger goals and planning for the future. Business-process automations, using workflows for routing, approvals, and distributions, are greatly simplified when all data is digital. As well, digital data enables easier:

- | | |
|-----------------------------|---|
| • Consolidations | • Allocations and accruals for expenses |
| • Currency conversions | • Depreciations |
| • Intercompany eliminations | • Amortizations |
| • Revenue recognition | • Adjustments |

Reporting and forecasting

Data-driven decisions that transform organizations require broad and deep visibility into financial and operational data. Where other systems rely on external tools for visibility, cloud-native financial management systems provide built-in tools to display real-time, drillable source data. By approaching data from multiple directions, through multiple tools, finance leaders can pull and analyze information from the general ledger, subledgers, and supporting data objects. Information can be shared through a variety of means such as customizable dashboards.

Integration

Complex processes unique to your business often require extracting data for processing, then posting results. Technology advancements, such as software developer toolkits (SDKs) and approved resource lists, make integrations between systems quick, secure, and reliable. Robust cloud-native financial management systems use agnostic APIs and rely on XML requests and responses, which enable integration with other best-in-class solutions so organizations can build a digital ecosystem as part of their transformation initiatives.



Ease of implementation

While thorough, the process for implementing a cloud-native financial management system is routine. And since mature systems use APIs and other integration points, connecting these systems to either proprietary software or other business systems is also routine. Implementation is driven by configuration, not customization—the functionality (or code) of the system is not changed, and the configuration tools are part of the system, making it much easier to set the preferences based on the requirements of your organization. This reduces friction between the financial management system and other systems, since the functionality remains unchanged, and the system can be easily updated with new revisions from the provider without causing rifts in the digital ecosystem.

Typically, implementation services follow a four-stage process:

- 1. Configuration of core financial system components
- 2. Expansion of configuration to other business systems
- 3. System readiness
- 4. Success assurance

The length of the implementation process varies with the number of business systems involved.

Ease of use

Cloud-native financial management systems are easy to use, and the user adoption and learning curves are low as compared with on-premises or cloud-enabled software. Intuitive design makes navigation simple. For example, it only takes a few clicks to build information-rich reports and dashboards.

More compelling are the business benefits. In its study³ on the business value of Sage Intaact, IDC found:

- Average three-year ROI of 178%
- 23% lower three-year cost of accounting/financial operations
- 28% improvement in accounting/finance team efficiencies
- 36% decrease in errors
- 48% faster time to resolve errors
- 23% faster time to complete accounting/financial cycles
- 52% faster time to deploy for a new user

3. The business Value of Sage Intaact for Optimizing Small and Medium-Sized Business Accounting and Finance – IDC, August 2021



How to drive growth with cloud-native financial management systems

Cloud-native financial management systems offer a variety of modern resources to grow and magnify your business to new customers. In this section, we look at what your business needs in a cloud-native financial management system, how these improve profit margins, and how these help your organization's resiliency with internal team members and trading partners.

What to look for in a modern solution

As you assess your needs and narrow down the list of providers, consider these factors:

- **Functionality beyond core financials**—There is more to consider than the core financial functions of general ledger, AP, AR,

and order entry. Your financial management system needs to have a robust set of features to support those accounting processes and accommodate your everchanging business. For organizations with more than one entity, multientity support and fast consolidations help simplify monthly reporting. A single chart of accounts helps to unite the business into a unified view and gives full visibility into where things are happening across the board. And for reporting, being able to tag each financial transaction with key dimensions, such as customer, geography, or even user created dimensions—creates better transparency when it comes to looking at the big picture.

- **An understanding of your business**—When it comes to selecting a cloud-native financial management system, how the vendor responds to your business needs is just as important as the solutions they offer you. It's important to do your homework on the vendor. What is their reputation in the marketplace? Are they known for their customer satisfaction? Name recognition alone does not mean a vendor has your best interests at heart—bigger isn't always better. As you talk to vendors, look at their sales process. Do they really take the time to see your business needs, or are they aggressive in their interactions? How do they talk about the competition? Do they discredit them or talk fairly? These are all telling indicators of how they will treat you as a customer. Beyond the interactions, look at their company culture. Do they have finance and accounting employees in other roles throughout the company? Having finance professionals on staff in other functions within the company ensures that the vendor not only “speaks finance” but also understands how to build solutions for your requirements. Do they have any workplace awards? A good company culture shows they care just as much about their employees as their customers. How about endorsements? Third-party organizations are an unbiased way to evaluate vendors. If a company has endorsements, odds are their customers are

satisfied with the service—which should help give you peace of mind.

- **Cloud native**—A recent survey found that 63% of organizations use some sort of cloud-based financial platform,⁴ but not all clouds are built the same. Cloud-enabled applications are made in an on-premises environment and are typically legacy software connected to the cloud. Cloud-native applications were designed and built in the cloud and have distinct advantages, such as scalability, faster implementations, and more robust integrations with other software. As an example, Sage Intacct leverages the native cloud to connect directly to Salesforce with no third-party tools required.
- **A partner ecosystem**—When choosing a vendor, look at their partner offerings and consider the following:
 - Do they have a network of implementation partners, maybe even someone you're already working with?
 - Is their software used and endorsed by CPA firms?
 - How well do they work with third-party software?

4. *Close the Books 2020 – Sage Intacct*

- Is there an existing marketplace of vendors that have already been vetted and will work seamlessly with their platform?

The answers to these questions will give you a better idea of how the system will work with others you may have in your organization, and in the case of using a partner, the types of support you can expect to receive.

- **A strategic focus on AI**—When evaluating vendors, it's important to look at their AI strategy. Do they have AI in their product? What types of intelligent features do they have? As an example, outlier detection, where transactions that are outside “normal” are identified and flagged, is made possible by the inclusion of AI. But AI offers so much more—the ability to continuously monitor transactions, automate routine tasks, and even make recommendations based on the data. Forward-thinking companies are embracing AI and making investments to integrate it into their products. These features will benefit your organization and are seamless, working in the background while you focus on what matters most—your business

Cloud-native financial management systems improve profit margins

Cloud-native financial management systems reduce friction and speed up the flow of information shared with customers, vendors, and other trading partners. As noted earlier, Deloitte reported 45% of organizations with higher digital maturity reported net revenue growth as compared with 15% of those with lower digital transformation maturation, and 43% reported higher net profit margins, again as compared with 15% of those with lower digital transformation maturation. While a cloud-native financial management system is just one piece of a digital transformation effort, efficient core financial processes are essential to the overall profitability of a business.

Cloud-native financial management systems help your business be more resilient

You don't have to look much further past the impacts of COVID-19 to understand the importance of resiliency. A recent report from McKinsey & Company⁵ found that the CFOs who feel significantly more prepared for changing conditions report greater use of digital and automated technologies within the finance function. They cite significantly improved predictive maintenance and pricing, audit forensics, analytics for cost, budgeting, and working capital management as benefits.

“A transformation initiated by the CFO is just as likely to succeed as one started by the CEO, even though it is much more common for the CEO to initiate such an effort. What's more, finance leaders view their own role and contribution in a transformation more expansively than do their fellow executives. CFOs say that their time on transformations would be best spent on rolemodeling new mindsets and behaviors, setting highlevel goals, and communicating the transformation's results—when, in practice, they are most often charged with traditional finance-oriented responsibilities.”

~ McKinsey & Company—Mastering Change: The New CFO Mandate

5. *Mastering Change: The New CFO Mandate – McKinsey & Company*

Financial management systems compared

Of the many available accounting software packages and financial management systems, some are now offered in the cloud in addition to onpremises. Here's a look at some of the solutions available.

QuickBooks Desktop, various versions

QuickBooks Desktop is not a cloud-native financial management system. It is bookkeeping software, designed to be installed on a server or PC. Users can access the software in the cloud by paying an additional fee. While QuickBooks Desktop has some of the same functionality as modern cloudbased financial management systems, it does not stack up well in areas such as compliance, performance, scalability, and reporting.

QuickBooks Online

QuickBooks Online is a slimmed-down version of QuickBooks Desktop available in the cloud. As such, it's not cloud-native and lacks much of the functionality found in QuickBooks Desktop—for example, revenue recognition, sales order creation, order fulfillment, payroll and labor cost calculation, statement writing, and undeposited funds management.

Sage Intacct

For finance executives at growing companies who want to make datadriven decisions, Sage Intacct provides real-time financial insights. Sage Intacct is a true cloud-native financial management system, built in the cloud for the cloud. It offers functionality not found in the various versions of QuickBooks Desktop or QuickBooks Online in areas that include core accounting, data entry, inventory management, job costing, and reporting. Unlike QuickBooks, Sage Intacct easily handles multiple entities and currencies; simplifies reporting, closing, and audit preparation; and helps finance executives share the data needed to make strategic business decisions.

The most recent Gartner Magic Quadrant for cloud core financial management suites rated Sage Intacct in the Visionary quadrant. None of the QuickBooks offerings were ranked.



Summary

According to McKinsey, CFOs can also take on a bigger role in executing transformations, beyond just traditional financial tasks, since they control most of the key business levers that determine a transformation's success.

As your business grows, it's critical for you to invest in innovative technology that offers a seamless flow of business information with customers and trading partners. SaaS finance teams need to create frictionless billing, comprehensive reporting, and deferred revenue from start-up to IPO. Automating key processes of prospect-to-disclosure and procure-to-pay to produce data for decision making is paramount to winning in SaaS markets.

A cloud-native financial management system thrusts your business forward so you can stay ahead. It helps unlock the ability to adopt digital transformation across your organization. Modern data exchange also helps you increase revenue and optimizes your business's capabilities. Deploying a cloud-native financial management system prepares your business for the future by giving you more control and visibility into your operations and the ability to meet new demands.



Learn how a cloud-native financial management system can streamline your business. Visit:
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