HOW CLOUD-BASED EFFICIENCY AND INNOVATION ADDRESS FINANCE CHALLENGES

April 2022

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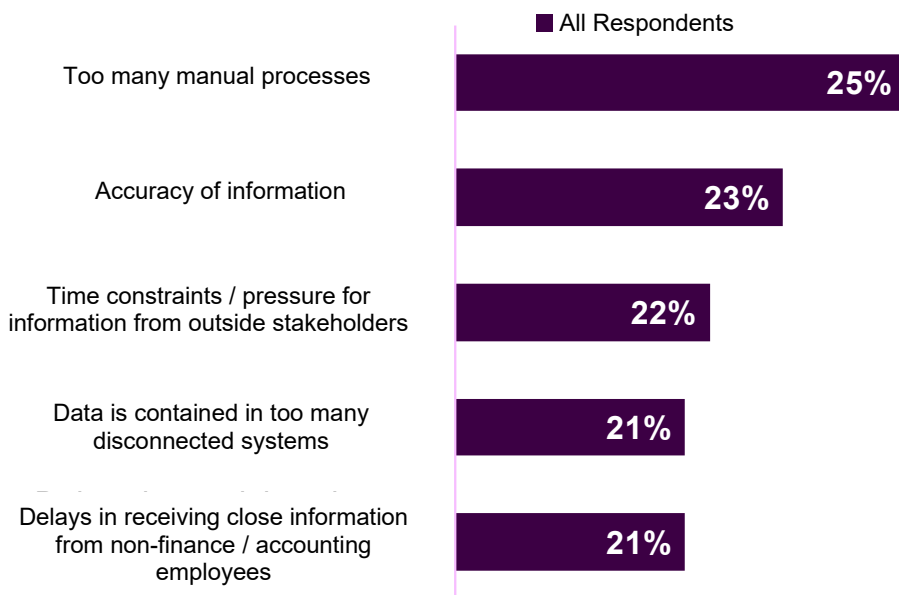
Supply Chain, ERP, GSM, and Finance Practices

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Finance teams are under tremendous amounts of pressure to provide critical financial and operational information at the drop of a hat, particularly in times of uncertainty and turmoil. Many businesses have weathered the pandemic and positioned themselves for growth, but then were immediately hit with several new challenges including supply chain disruptions, inflation, and rising energy costs, bringing them right back to uncertainty. This report examines how Best-in-Class companies and their CFOs are using cloud-based technology to help navigate through this uncertainty, address financial challenges, and improve their business results.

Basic Challenges Finance and Accounting Teams Face

Many of the issues facing finance and accounting teams are tied to fundamental data management processes that are holding them back. Figure 1 shows a ranking of the top challenges by respondents when they were asked to identify the top two challenges that they face in getting their job done.

Figure 1: Foundational Challenges for Finance and Accounting

All Respondents

Challenge	Percentage
Too many manual processes	25%
Accuracy of information	23%
Time constraints / pressure for information from outside stakeholders	22%
Data is contained in too many disconnected systems	21%
Delays in receiving close information from non-finance / accounting employees	21%

n=528, Source: Aberdeen March 2022

Manual processes are top of mind for all respondents, followed by accuracy as the second greatest challenge. When companies are demanding real-time information and confidence in the accuracy of the information they are given, manual processes need to be eliminated. Manual processes have also been proven to be more error prone, so resolving the first challenge can certainly go a long way in helping improve the second challenge of accuracy.

Best-in-Class Definition

(Based on Performance Metrics)

► **Best-in-Class**: Top 20%

► **Industry Average**: Middle 50%

► **Laggards**: Bottom 30%

► **All Others**: The sum of the Industry Average and Laggards, equal to the Bottom 80%

Best-in-Class Maturity Index

Customer Service Levels (On-time and Complete)

Best-in-Class: **94.3%**
All Others: **83.5%**

Productivity % Improvement Over the Last 2 Years

Best-in-Class: **19.6%**
All Others: **-.8%**

Profitability % Improvement Over the Last 2 Years

Best-in-Class: **15.8%**
All Others: **-2.6%**

Internal Schedule Attainment

Best-in-Class: **93.5%**
All Others: **82.3%**

One of the key structural issues to be dealt with is that data is contained in too many disconnected systems. This tends to foster a silo mentality regarding data that must be overcome so that all of the data arrives in concert and on time. The case for automation is part of that discussion. This would also be applicable to resolving the delays in receiving financial *close* data from non-financial / accounting employees, which ultimately causes reporting and summary intelligence delays. Manual processes for gathering non-financial data may also be the root cause for the delays in some instances.

Every organization is subject to interference and interruptions related to external pressures from stakeholders for more information or demands for a higher priority to be assigned to what they are after. There will always be some of that, but it can also be symptomatic of continually late reporting. The issue then becomes of responding to many one-off requests because the normal flow of information does not address the need for stakeholders.

Best-in-Class Performance and Cloud Adoption

The reason why the behavior of Best-in-Class companies is closely examined is driven by their superior business performance (see sidebar on previous page: "Best-in-Class Maturity Index"). Their customer service performance is consistently in the mid-nineties percentage-wise and typically a minimum of ten points higher. Their productivity is 20.4% higher and is positive vs. a negative for All Others and their profitability is 18.4% higher and is positive vs. a negative for All Others. These are significant higher numbers which are critical business measures for all companies. To support their 94% customer service level, they also have "internal schedule attainment" percentage that is over ten points higher than that of All Others. Best-in-Class performance commands attention to the actions they are taking and the capabilities they have in place.

One of the critical actions and investments that the Best-in-Class have taken is the adoption of Cloud-based ERP (see sidebar: Cloud Adoption by Maturity Class). The Best-in-Class are 28% more likely to have adopted a cloud-based ERP solution (50% vs. 36%). To better understand how a cloud-based solution impacts an organization's financial and accounting capabilities, Aberdeen specifically looked at the advantages that companies with cloud-based solutions have in place compared to those that are not cloud based.

How the Cloud Alleviates Top Challenges for Finance

Figure 2 provides a comparison of companies with a cloud-based ERP vs. companies that aren't in the Cloud. The perspective is to look for the capabilities that make a difference in how fast, secure, and automated the movement of data is handled in order to address the fundamental issues of

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Cloud Adoption by Maturity Class

Cloud / Software-as a Service (SaaS)
Best-in-Class: **50%**
All Others: **36%**

ERP Hosted and Managed by Vendor
Best-in-Class: **35%**
All Others: **37%**

ERP Hosted and Managed by Independent Third Party
Best-in-Class: **7%**
All Others: **17%**

Traditional, Licensed On-Premise
Best-in-Class: **6%**
All Others: **5%**

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automation vs. manual, assurance of accuracy and connectivity with other data providers outside of the financial and accounting disciplines.

The first bullet addresses the ability to quickly pull in data from other sources into the budgeting system where cloud users are 33% more likely (65% vs. 49%) to have this capability in place. Two of the top challenges deal with multiple systems where data resided, plus the delay in getting data on time from sources outside of the financial and accounting disciplines.

Automating the data imports addresses several issues by eliminating manual processes for data handoffs, minimizing errors through automation, and accelerating the flow of information. Cloud users are 43% more likely than non-cloud users to automate the data imports than the competition.

Figure 2: Cloud-based Comparison of Management Advantages

n=528, Source: Aberdeen March 2022
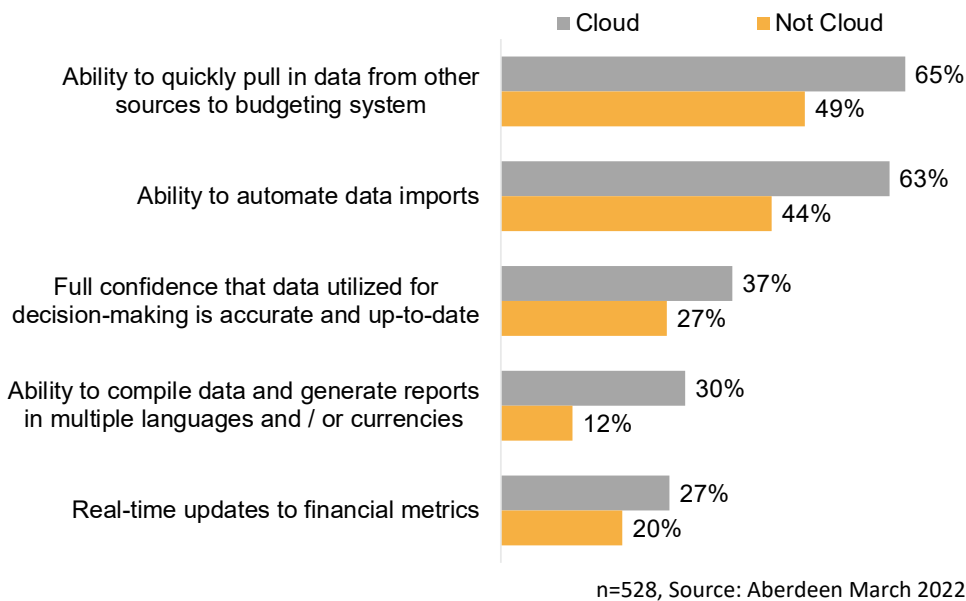
One of the most critical factors is having full confidence that the data utilized for decision making is accurate, which address the second highest challenge of data accuracy. Time constraints and the pressure to satisfy stakeholders in a timely manner are addressed by the ability to compile data and generate reports in many forms as well as the automation of data imports, which eliminates delays in the flow of information. The real-time updates to financial metrics, also silences the stakeholders once they realize that the information they are receiving is as current as possible as well as accurate.

The interference factor also ranked high on the list for stakeholders. Setting high expectations and consistently meeting them minimizes the criticism and elevates the value of the information being provided by the finance and accounting organization. Time-to-decision is heavily dependent on the speed

and accuracy of the data provided and all of the cloud capabilities are factors in improving the time-to decision metric by 2x for cloud users compared to non-cloud users (see sidebar: Financial KPI Improvements). The increased accuracy of financial reports also shows a 12.9% improvement for cloud users vs. a negative one percent for non-cloud users. Overall, cloud users are better equipped from the data management processes that provide a solid foundation, addressing the core challenges for financial and accounting teams, and dramatically improving core KPIs for time-to-decision and accurate financial reporting.

Summary and Key Takeaways

The demand for timely and accurate information to enable insightful business decisions has been a constant pressure given the uncertain business climate, which has moved from one crisis to the next. This has put a tremendous strain on financial and accounting teams to perform. It requires strong data management capabilities and processes as a foundation to build on for the information and insights that management needs. Best-in-Class companies are much more likely to have invested in cloud-based ERP solutions that bring innovation and efficiency to alleviate top challenges for financial teams.

Innovation with cloud infrastructure for data management addresses specific concerns for financial teams as far as data continuity, automation, accuracy, and real-time data for improved decision making. As Aberdeen data shows, the capabilities for cloud users far exceed those for non-cloud users to address the key challenges identified for financial teams on top of the superior business performance metrics and critical KPIs for financial accuracy and time-to-decision improvements

Aberdeen recommends following the lead established by the Best-in-Class to adopt a cloud-based ERP solution. This will provide a strong data management foundation that addresses the core challenges for financial teams in a challenging business climate as well as improved business performance. Cloud users are simply better equipped and prepared.

About Aberdeen Strategy & Research

Aberdeen Strategy & Research, a division of Spiceworks Ziff Davis, with over three decades of experience in independent, credible market research, helps **illuminate** market realities and inform business strategies. Our fact-based, unbiased, and outcome-centric research approach provides insights on technology, customer management, and business operations, to **inspire** critical thinking and **ignite** data-driven business actions.

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Financial KPI Improvements

Time-to-Decision % Improvement Over Last 2 Years

Best-in-Class: **15.6%**
All Others: **7.4%**

Accuracy of Financial Reports % Improvement Over Past Year

Best-in-Class: **1.9%**
All Others: **-1.0%**

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