



TECHNOLOGY AUDIT

FinancialForce Accounting

FinancialForce.com

SUMMARY

CATALYST

FinancialForce Accounting is a cloud-only accounting application from FinancialForce.com that has undergone steady development so it now has many of the features of a high-end application like multi-country and multi-company support, but is accessible by small and medium-sized organizations and large enterprise divisions or local operations.

- As a native of the Salesforce.com platform it can utilize all the Salesforce.com technology and innovations.
- There are no integration issues for customers needing a functional combination between accounting and CRM.

KEY FINDINGS

Strengths:	<ul style="list-style-type: none">✓ One of the few established back-office applications available on the cloud, and as a native of the Salesforce.com cloud it is able to leverage the Salesforce.com infrastructure and innovations.✓ The single ledger architecture means realtime operation and automation of many manual processes associated with period close, making it significantly faster and more accurate.
Weaknesses:	<ul style="list-style-type: none">✗ Would benefit from more industry-specific editions, and partners to help cater for country-specific requirements.
Key Facts:	<ul style="list-style-type: none">i Creates a direct link between sales and accounting functionality.i It is a horizontal accounting solution, but a new professional services automation offering has opened up a vertical market.



OVUM VIEW

One of FinancialForce.com's challenges is that it is a specialist financial management application operating in a world of multi-function integrated suites. One of Salesforce.com's shortcomings is that at the application level it only provides CRM and closely related functionality. However, when used in combination, FinancialForce Accounting and Salesforce CRM strengthen each other's offerings, enabling both front- and some back-office needs to be addressed, although still not matching the breadth of an ERP suite. As a financial management solution FinancialForce Accounting is well featured and its unified ledger is innovative. It is not simply looking to replicate traditional on-premise financial management applications but develop according to the needs of customers who have bought into the SaaS concept, and utilize the capabilities enabled by Salesforce.com and the Force.com cloud platform. This is taking it in new directions such as emphasizing the link between front-office sales and back-office accounting, realtime operation, and a deeper focus on receivables and revenue recognition.

Recommendations

- Mid-sized organizations in high-growth mode or those moving towards more complex operations will benefit from the multi-currency, multi-company capabilities.
- Organizations making a strategic decision to move business applications in the cloud will benefit from being able to run multiple integrated applications on the same platform.
- It is not suitable for use yet as the corporate system for large multinationals, although it can operate as a spoke on a central hub.

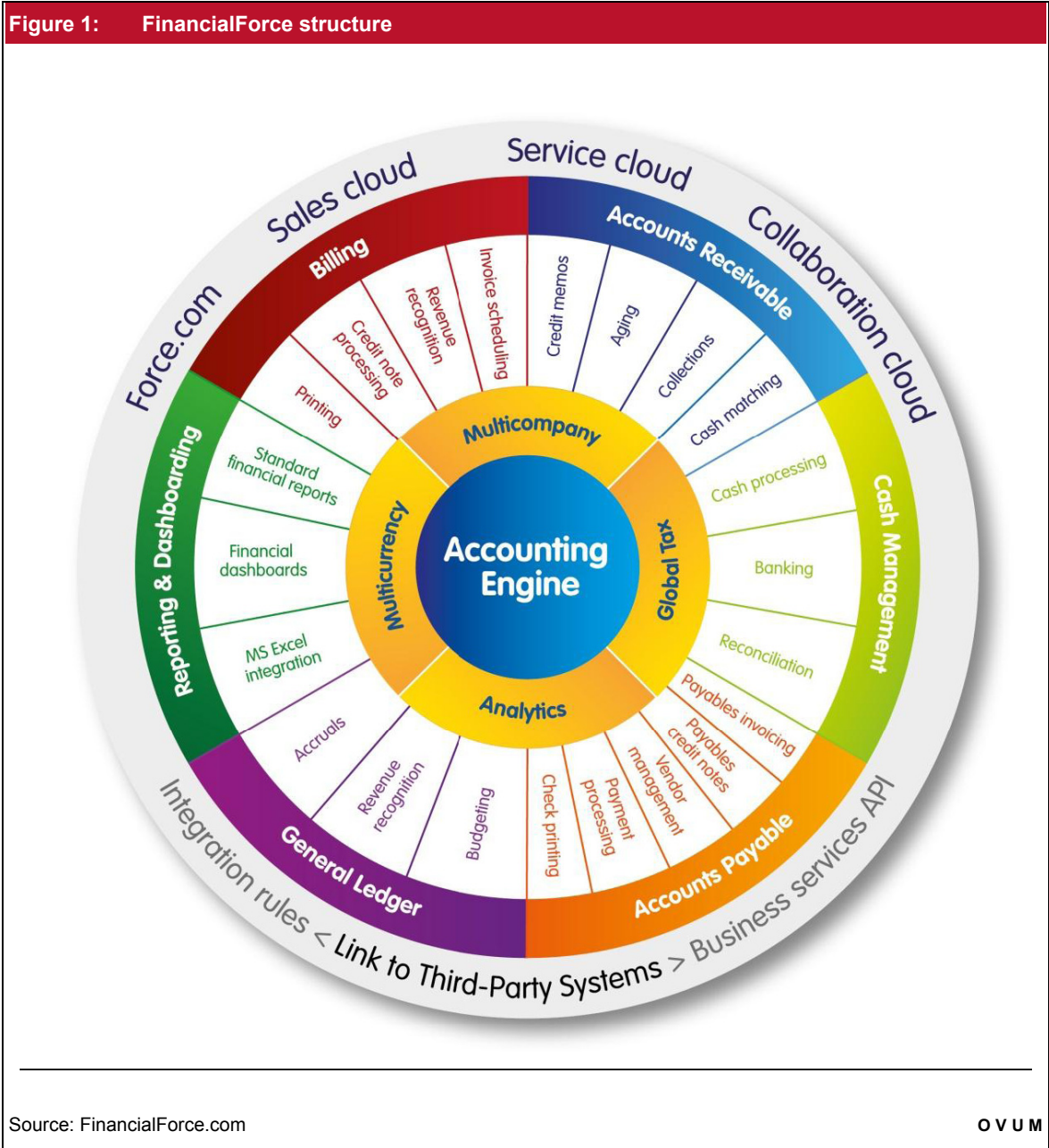
FUNCTIONALITY

SOLUTION OVERVIEW

FinancialForce Accounting is one of the most well known SaaS accountancy applications, having been the poster child and virtually the first back-office application on the Salesforce.com cloud and AppExchange when it was launched under the Coda 2go name by UK financial management software specialist Coda. It was spun out as an independent company in October 2009, with investment from ERP provider Unit4 (which acquired Coda) and Salesforce.com.

The application is built on and run on Salesforce.com's Force.com platform so uses its cloud-based infrastructure and related services, which ensures it looks and feels like the Salesforce.com applications, and operation and integration is seamless. Although there is no requirement to use the Salesforce.com applications, Ovum believes customers will gain much more value by combining FinancialForce.com's financial management with Salesforce.com's sales, service, and Chatter applications (which are referred to as clouds).

The core component of FinancialForce Accounting is the Accounting Engine – a central unit that powers a set of applications providing essential accounting functionality. The engine is based on a single unified ledger, and supports multiple companies, multiple currencies, global tax requirements, and analytics. It powers the general ledger, accounts payable, accounts receivable, and cash management capabilities that are standard components of FinancialForce Accounting.



A range of optional modules are available, including:

- Ordering and Billing – a set of two modules designed to extend the Salesforce.com system by adding sales order creation and billing capabilities.
- Reports and Dashboards – for analysis and reporting, and covering Excel integration too.



- Mobile Accounting – allows access to the system using mobile devices.
- Collaboration – derived from the Salesforce.com Chatter offering.
- Professional Services Enterprise – acquired from Appirio in December 2010, this is a professional services automation solution for professional services teams to manage people, projects, customers, and transactions.

In Ovum's view, the SaaS delivery model puts a sophisticated financial management solution into the hands of every type of company. There is value in using just FinancialForce Accounting or FinancialForce Accounting plus Salesforce CRM, but organizations looking to overhaul their IT delivery model could also use this combination as a base platform to which other cloud-delivered applications could be attached. Alternatively, the open integration of the Salesforce.com platform will support hybrid environments of cloud and on-premise applications.

SOLUTION ANALYSIS

Accounting Engine

Most accountancy applications replicate traditional paper-based systems and function-based organizational structures, with the result that there are separate modules for different parts of the accounting process, a good deal of manual processing, and a requirement for data to be moved between modules giving rise to the need for tasks like reconciliation. This contributes to inefficient and error-prone operations, with limited visibility.

FinancialForce Accounting is different because instead of having separate modules for different functions (accounts payables, accounts receivables, general ledger for example), which need to pass information waterfall style from one to another, it is built on a single ledger architecture. All the core functions are contained in a single, self-balancing realtime set of books. This design eliminates time lags, sub-ledgers, data fragmentation, and the need for reconciliation between books.

Other benefits enabled by the unified architecture include the ability to use the payment system to pay refunds without having to set up redundant records in accounts payable, which is useful where companies have trading relationships with both a receivables and payables dimension.

The design creates a perpetually closed environment. The advantage of this is that there is no need to perform a module update and reconciliation month-end process because everything is balanced in realtime. It also means up-to-date cash balances are always available.

Supporting closely related functions from the same base is a logical move, and one that is being adopted within the ERP environment in general, but is difficult to achieve because enabling it requires rearchitecting of the application. As FinancialForce Accounting is a new application, FinancialForce.com did not have legacy technology or customer base to contend with so was able to build to the new architecture. The design need not signal a new end-user training program however, because FinancialForce Accounting can be configured to represent different ledgers so users can work in their standard way.

Architecture and integration

Within the Salesforce.com hierarchy, FinancialForce.com is on the same level as the Salesforce Sales, Service and Force applications, which are referred to as clouds. It is a multi-tenant application that looks like the Salesforce.com applications, and uses the same logic. By using the Salesforce.com stack in its entirety FinancialForce.com can concentrate on building the application functionality. It is no different to on-premise application vendors building on top of the technology stacks of IBM, Oracle, or Microsoft. This approach means FinancialForce.com can make use of all Salesforce.com's developments, such as using Chatter as the basis for its own Chatterbox application.

Integration options include the native language FinancialForce API that contains relevant business rules, or its Web Services API. The Salesforce.com native language, Web Services and REST API's can also be utilized. Paypal integration is also supported.

Customization can be carried out at the UI layout level to change workspaces and list views, or add custom fields. Customized email templates allow enterprises to define the way emailed invoices are displayed. Custom objects can be created using the Force.com tools.

The application also makes use of the Salesforce.com workflow, alerting and approvals engine which provides a visual process manager for defining workflows.

Analytics

Analytics capability is derived from the Salesforce.com capability but the vendor has added financial-specific reports. Any data with the environment can be reported on and it is possible to drill down into transactions, down to line items, in a few clicks. A Crystal-based option is currently being rolled out, and enterprises also have the option of a third-party solution. An Excel add-in is available as part of the broader FinancialForce.com portfolio that will pull data into Excel in a secure way.

Extended functionality

The footprint is also broadening, which Ovum views as a positive move because it starts to break down the barriers between business functions. With the acquisition of Professional Services Enterprise from Appirio in December 2010, FinancialForce.com is moving into what it describes as the Services Resource Planning area – providing an application to manage people, resources and projects across the sales, resourcing and delivery phases of a project. Its extensions are designed to take advantage of the Force.com environment. Like FinancialForce Accounting, PS Enterprise is a native Force.com application and able to use the resources provided by the Salesforce.com cloud, from the infrastructure to the applications. Consequently there is a link between Salesforce CRM, PS Enterprise, and Salesforce.com's Chatter (plus Google Apps), which means services processes can flow across all applications – for example, projects sold within Salesforce.com, resources managed within PS Enterprise, and delivery aided by collaboration achieved using Chatter and Google Apps rather than existing as isolated tasks within separate systems.



The vendor is also making overt connections between accountancy and sales processes, which again is a good move and aligns with the awareness of the importance of utilizing financial information during customer sales and service interactions. As a native Force.com application FinancialForce Accounting – and therefore its users – share a common language, common processes, and common data set, which means sales orders and invoices can be created directly from Salesforce opportunities or quotes, eliminating manual re-keying and data discrepancies. It is possible to drill down and drill back into Salesforce.com. The shared base means financial information can be made available to sales and service teams which helps them provide the appropriate service (especially if there are credit issues for example) and means they can help with collections. Collection agents can be aware of outstanding opportunities or sensitive service situations while making collection calls. The ability to use the Chatter collaboration platform via the FinancialForce Chatterbox application also brings teams together and can be valuably used for more formal communications such as issuing alerts when customer payments are past due. It demonstrates an innovative way of using the Chatter platform to improve accountancy processes and reduce risk to the company.

PRODUCT STRATEGY

As the application was derived from the Coda financial management system, the original design concepts and functionality were closely aligned, but over time the systems have diverged. FinancialForce Accounting should thus not be viewed as either an online duplicate or a light version of Coda. The SaaS customer base is demanding more functionality around sales and the accounts receivable areas, and deeper revenue recognition capabilities, which is taking FinancialForce Accounting in a subtly different direction.

MARKET OPPORTUNITY

The vendor only provides cloud-based applications and only develops for the Salesforce.com platform so its primary target markets are clearly identifiable. Target customers include those that have outgrown entry-level accounts applications (i.e. they need an application capable of handling more companies, currencies or more complex company structures). Another type of ideal customer is one who is growing and has embraced the cloud concept at a strategic level and is looking for a single cloud platform on which to run multiple applications. Franchises are a particular area of opportunity.

Customers range from small (with the smallest company having a minimum of 30 employees) to large. The current customer base includes University of Houston, Den-Mat, Nimbus, CyberSafe, and The Compliance Team.

Extensive use of the Salesforce.com platform is a core part of the overall strategy because this way the vendor gets access to additional facilities. It also aims to bring CRM and accounting together, which has obvious value for enterprises and goes some way to addressing the limitations of both Salesforce and FinancialForce applications, which each have specific and narrow areas of focus. FinancialForce.com's recently announced acquisition of Appirio PSE Enterprise, a professional services automation application, does give it a full solution for services firms that need CRM, Accounting, and PSA. But even when the FinancialForce and Salesforce.com applications are combined they still have limited scope compared to an integrated on-premises ERP suite that can add SCM, PLM, HR, e-commerce, and extensive analytics platforms to the mix.



FinancialForce.com maintains that these capabilities can be added via other Force.com and AppExchange applications and this gives enterprises the freedom to construct their own ERP suites using compatible components built on a single platform, while staying free from single vendor lock-in, particularly at the application level. However, in Ovum's view the Salesforce.com platform creates its own level of vendor dependency at the platform level where applications share the same metadata and platform services. The cloud-based construction approach has its advantages, but is not so different in effect from on-premise ERP vendors which are essentially taking a construction approach by using SOA to provide loosely coupled applications supported by a process management, middleware and data management stack, but maintain the single vendor lock-in. So in the end, it is a matter of choosing which platform you want to be dependent on.

Ovum notes enterprises are still showing a preference for pre-integrated suites from single vendors because of the comfort factor, and believes vendors such as FinancialForce.com who are backing the construct-your-own-suite approach need to work together to prove the efficacy and certify Force.com application combinations from technical and support perspectives. Changes in the attitude of enterprises to this approach will take time.

Another strategic focus is to play in hub and spoke style deployment, where FinancialForce Accounting is used at the local level and plugs into a corporate ERP system and headquarters.

GO TO MARKET STRATEGY

The applications are not industry-specific, though there are plans to develop for the media, professional services, and not-for-profit sectors. Customers are spread across 20 countries but the applications are only available in English and are thus mainly proactively marketed in the US and UK. Obviously its most important business and technology partner is Salesforce.com, which is one of its joint venture backers, along with Unit4.

The sales channel is 100% direct and delivery is via the cloud. True to the original SaaS model, payment is on a per-user annual subscription basis. An entry-level project would cost in the region of \$13,000 for an annual subscription with a 60/40 software/services split. The largest would be in the region of \$300,000 with a 70/30 split.

Three major versions are released per year.

IMPLEMENTATION

The SaaS model does not eliminate implementation effort but does shift the emphasis from the infrastructure to integration and application configuration. The prime skill requirements are for those with accountancy expertise and knowledge of company financial processes, and Salesforce.com platform experience. The average time to implement General Ledger, Accounts Payable, and Accounts Receivable with no modifications is estimated at four days and requires accounting process and transaction skills. Creating a bridge between Salesforce.com opportunity management and FinancialForce Accounting should take a few days and the key skill requirement is Salesforce.com expertise. A non-customized deployment but one that caters for more complex processes and sales involvement based on custom objects is achievable in approximately six days, with up to four FTEs. Customers can engage the FinancialForce.com professional services team for implementation support and training.



Basic and Premier technical support is available in conjunction with Salesforce.com from support centers around the world, and online. Responses are provided within 48 hours under the Basic program. Premier support gives customers access to a dedicated team and fast-track two-business-hour responses.

Three levels of training are offered, covering standard and bespoke. The goal is to provide as much training online as possible, supported by telephone assistance.

DEPLOYMENT EXAMPLES

Cogent

Having already made a strategic commitment to cloud-run business applications, digital marketing firm Cogent's strategic vision was for a cloud-based financial system with good integration (particularly to the existing Salesforce.com system) and the ability to scale to support a flexible, international workforce. FinancialForce Accounting met these requirements and also enabled anyone in the business to log in from anywhere and access realtime financial data. Cogent has used Chatter to add another dimension to customer relations: integrated accounts and sales capability plus Chatter allows conversations to happen in a social media context, enabling them to be channeled to the appropriate people. It is adding value to the customer relationship through quality of service and joined-up, transparent financial management. Since implementation, the business has tripled in size without the financial management workload increasing. The billing cycle, which typically involves reconciliation between Cogent and some of their major clients and partners, has shrunk from three weeks to approximately ten days. A consistent benefit is the realtime nature of reporting and dashboards.

THE COMPLIANCE TEAM

The most immediate benefit professional services firm The Compliance Team experienced was savings from eliminating process inefficiencies that had previously led to avoidable errors. Overall the application has helped it grow 125% in the past year with just a 20% workforce increase. Key features of the application are that it presents the company with insight into outstanding invoices and with a better view of finances, so it is better equipped to gauge the performance of the company. The invoicing process has become a streamlined activity not a monthly chore. The Compliance Team can see a realtime financial picture from anywhere.

WHITE SPRINGS

This sales training and enablement company demonstrates the business value of CRM-to-accounts integration. Within the 25-strong employee organization, sales and finance executives can see which customers have been billed, what for, and what has been collected. Prior to FinancialForce Accounting, debt collection had been isolated from the rest of the business. Users can see opportunities in the pipeline and support cases that might influence a customer's willingness to settle up. The company also benefits from FinancialForce Accounting's multi-currency and multi-company capabilities.



Another need that is met is the requirement to account for revenue on a monthly basis. Previously this was done manually using spreadsheets but highly accessible monthly management reports (prepared in one day instead of two) have eliminated them. The time spent on posting invoices has been reduced by 20% because everything is automated, from an opportunity being closed to the invoice going out.

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