FinancialForce Spring Release Shows Innovation in Personalization and Collaboration

Inside Constellation’s Series on Innovation in Financial Management Applications in the Cloud

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Purpose and Intent

This report reviews the latest offering in Financial Management applications in the cloud and related Enterprise Resource Planning (ERP) trends. Chief Finance Officers (CFOs) and finance leaders seeking advice on the cloud can take advantage of the ERP user survey and cloud adoption trends to understand how peer organizations have advanced their usage of ERP and financial management applications.

The report offers insights into two of Constellation’s business research themes: the Consumerization of Technology and Technology Optimization and Innovation.

Executive Summary

Constellation’s series on innovation in financial management applications in the cloud identifies finance leaders and technology providers seeking to transform the current legacy on-premises market. As finance leaders venture into the cloud for innovation and renewal of mission-critical financial management applications, they must shatter myths about security, customization, and regulatory compliance.

Nine benefits of the cloud continue to outweigh the risks, including potential vendor lock-in. Those who make the shift to the cloud drive overall innovation in achieving reduction of cost of ownership and complexity, mobile access, and reduction of cost of maintenance or increased value, integration, and self-service business intelligence.

On March 1, 2016, FinancialForce announced the spring 2016 release of its flagship application. The new release focuses on improving the future of work for finance departments. Key highlights include greater end user form personalization, related content panels with social collaboration, and new accounting functionality for intercompany reconciliation and automated elimination entries.
Increasing Cloud Adoption by Finance Leaders Shatters Commonly Held Myths

Financial management applications remain one of the oldest pieces of enterprise software in most organizations. Driven by the ERP boom of the 1990’s and the Y2K scare, CFOs pioneered the adoption of ERP enterprise applications in the on-premises world. These initiatives set forth a productivity and innovation boon for most organizations. Yet, fast forward two decades and many in the office of finance have evolved into the most conservative in replacing aging and legacy financial management applications.

Hesitation in making the shift to the cloud often revolves around risk for such a mission-critical system. No CFO wants to have a quarterly close fail on his watch. Hence, leaders have taken a conservative wait-and-see approach to financial management applications in the cloud. Yet, over the past 16 years of cloud evolution, three common myths about the cloud have mostly been shattered:

1. **Data loss, intellectual property theft, and privacy risks increase.** CFOs initially felt uncomfortable with their data outside of their four walls and security systems. Over time, these security concerns have been proven false. Cloud vendors have invested more in security resources in aggregate than individual organizations have. Today’s cloud vendors have brought in the top talent and technologies at a scale most organizations cannot compete with. Further, Constellation estimates that by 2020, over 60 percent of mission-critical data will be accessed outside of an organization’s four walls.

2. **Customization cannot be achieved.** Organizations used to managing the process of customizing code to meet internal processes may face some hurdles, but in general cloud vendors have provided strong configuration capabilities. For standard functions such as the general ledger, accounts payable, or accounts receivable, there should be no issues. In cases where unique processes for manufacturing, returns, or commerce orders require special approaches, most systems should be able to support configuration. In rare cases, organizations may have to adapt their business processes to the system. As many CFOs have noted, the benefits of reducing customizations lead to a decrease in complexity and cost of managing customizations over time.

3. **Legal and regulatory compliance fail to meet ever-changing standards.** CxOs often fear that cloud vendors would fall behind in providing the much-needed regulatory updates. Many business leaders believed that they had better skill sets and resources to respond to regulations. However, cloud vendors have shown that a centralized approach pays dividends with faster and more complete updates than most organizations were able to deliver in-house.
Cloud Applications Dominate New License Sales Because of Nine Key Benefits

Despite the potential for vendor lock-in, cloud software suppliers in general have demonstrated tremendous customer-centric policies in order to win over business from the traditional on-premises vendors. In fact, overall cloud adoption has increased since 2009 (see Figure 1).

Figure 1. Cloud Adoption by Percentage of Budget since 2009 Shows Growth

Cloud applications offer nine benefits that trump the potential fear of cloud vendor lock-in:

1. **Rapid IT implementation improves the quality of deployment.** The duration of the technical implementation phase moves from months to weeks. Customers can demonstrate a product, move to “sandbox” and train in days. Instead of spending time and resources in setting up infrastructure, organizations have the option to redirect their budgets and resources to improve business processes and invest in change management. Teams can focus on configuration instead of struggling with integration and deployment quagmires. True multi-tenant SaaS solutions do not require individual installations; instead, they leverage the SaaS environment for quicker and easier configuration. Other flavors of cloud may require a bit more customization.
2. **More frequent cycles of innovation result in competitive advantage.** Cloud vendors update their solutions typically between two to four times a year. With current agile development methodologies, some vendors iterate in months. Customers gain access to the latest features, bug fixes and regulatory updates at a quicker pace. In many cases, organizations turn to the cloud to access innovation and capabilities not provided by incumbent on-premises vendors.

3. **Minimal upgrade hassles free up time for innovation.** While on-premises deployments may provide frequent upgrades, the process of consumption and adoption can be cumbersome. Cloud users no longer have to worry about a flurry of bug patches, fixes and endless testing cycles required to validate changes. Business processes heavily affected by regulatory changes, such as financial closing and hire to retire, benefit the most from easier consumption of updates. However, cloud users do have to take responsibility for consuming updates as not all vendors require you to take all the upgrades and bug fixes.

4. **Subscription pricing frees up capital expenses.** Cloud solutions have adopted subscription or utility pricing to spread out payments over time. The shift from capital expenditure to operational expenditure frees up funds for other projects. Capital is not tied up in expensive investments that risk failure. Business users can swipe and buy without going through complicated procurement processes. During recessionary times, subscribers only buy what they consume, stretching their investment. Many contract terms have also moved from yearly to monthly increments.

5. **Anytime scalability and dynamic capacity ensure flexibility and a level playing field for smaller organizations.** Scalability that comes with pay-as-you-go subscription pricing enables customers to streamline cost per additional user. Clients can flex up or flex down on usage without incurring spikes in variable costs for hardware, staffing and licensing. Users can gain unimaginable computing scale, in effect democratizing computing and enabling smaller organizations to better compete with larger organizations that historically have had access to many more resources to develop innovations.

6. **Lower cost of support reduces headcount.** SaaS customers can reduce their need for on-site support staff, training and larger IT teams. Organizations benefit with a shift from human resource costs to technology costs. Headcount is freed up to focus on business value.

7. **Users benefit from cloud vendors’ infrastructure investments at scale.** Cloud vendors can keep improving their infrastructure while users of on-premises deployments must rely on investments by their own IT departments. From security to performance and infrastructure optimization, cloud vendors can apply large-scale investments in ways that on-premises IT departments could not.

8. **Richer user experience leads to greater adoption and immediate productivity.** Cloud vendors have focused on user experience since inception. Newer technologies enable more engaging and easy-to-use interfaces that support not only mobile, but emerging touch interfaces. Solutions often start with a role-based design
point that requires minimal training. These solutions provide a better, more intuitive context for the user’s interactions, decisions and actions.

9. Always-on access enables real-time usage and collaboration. Office workers gain access to cloud tools anytime and anywhere they go. These consumer-friendly tools often have rich mobile experiences – often far ahead of on-premises applications. Always-on access enables new collaboration and social networking opportunities that on-premises deployments often fail to deliver due to their siloed architecture.

Adoption of Cloud Drives Innovation in Finance Management Applications

Constellation’s recent survey on what ERP customers seek shows how early adopters have already made the shift to the cloud. In fact, market leaders and fast followers overwhelmingly prioritize the reduction of cost of ownership and complexity (97.0 percent), mobile access (89.2 percent), and reduction of cost of maintenance or increased value (86.6 percent) (see Figure 2).

Figure 2. ERP Buyers Want Simplicity and Ease of Use

Source: Annual ERP Buyers Survey 2012 – 2016, Constellation Research

On March 1, 2016, FinancialForce, the San Francisco-based cloud startup native to Salesforce App Cloud since 2009, announced its spring 2016 release. FinancialForce’s rapid rise in the market includes 1,000+ customers in 34 countries, 700 employees in seven offices, and 60 percent year-over-year subscription revenue growth. Marquee customers include Akamai, Blackbaud, Hewlett Packard Enterprise, Lexmark, and Seagate. Just last March, the company raised $110 million in funding for its financial management, professional services automation, and human capital management solutions.

The new release of FinancialForce brings three distinct capabilities to finance leaders:

- **Self-service personalized form creation improves data entry:** Using the new input form manager, finance teams can fully configure and build their own user forms. The result – finance personnel can optimize user interfaces for rapid data entry. (see Figure 3)

  **Point of View (POV):** The new input form manager is a substantial improvement from the classic Salesforce type forms. Early adopters will find the ability to create forms without programming a single line of code to be a productivity enabler.

  **Figure 3. New Personalized User Form Simplifies Customization**

- **Related content panels and social collaboration improve the future of work:** Related content panels allow users to bring any object on the Salesforce App Cloud into their work panes (see Figure 4). Accounting transactions, accounts and balances, and customer history can be combined into a single view and then enabled...
for social collaboration and task management (see Figure 5). Users can also create role-based views and bring a complete view of the customer into their content panels.

**Point of View (POV):** The flexibility in designing panels will improve productivity. Constellation suggests that users design role-based views to expedite adoption and enable template modification.

**Figure 4. Related Content Panels Bring Contextual Relevancy**

Source: FinancialForce

- **Deeper accounting capabilities improve finance operation efficiency.** New capabilities include automatic transaction reconciliation, automatic intercompany elimination, and real-time global exchange rates. The global exchange rates function helps with resolving concerns from early customers who have to support multi-currency operations.

**Point of View (POV):** Organizations gain the ability to rapidly close books. These automation capabilities reduce manual errors and have been part of more expensive legacy packages. More importantly, these capabilities reflect requests made by earlier customers to improve the product.
The Bottom Line: Financial Management Application Innovation Improves Future of Work

FinancialForce’s spring 2016 release shows how cloud vendors can continue to improve personalization capabilities and improve the future of work. Providing personalized user forms and related content panels will improve not only productivity inside organizations, but also enable organizations to collaborate with speed. More importantly, finance teams seeking to improve customer experience, drive improved analytics, and reduce inefficiency in the finance process can now take advantage without having to wait for an upgrade window or a patch to be applied.

Disclosures

Your trust is important to us, and as such, we believe in being open and transparent about our financial relationships. With our clients’ permission, we publish their names on our website.
Analyst Bio: R “Ray” Wang

Business Strategist and Disruptive Technologies Expert

R "Ray" Wang is Founder, Chairman, and Principal Analyst of Silicon Valley-based Constellation Research, Inc. and the author of the popular enterprise software blog, "A Software Insider’s Point of View." He previously was a founding partner and research analyst for enterprise strategy at Altimeter Group.

With viewership in the millions of page views a year, his blog provides insight into how disruptive technologies and new business models affect the enterprise. A background in emerging business and technology trends, enterprise apps strategy, technology selection, and contract negotiations enables Ray to provide clients and readers with the bridge between business leadership and technology adoption.


Expertise

Buyers seek Ray’s research in disruptive technologies and their impact on business processes, business models and organizational design. Business topics focus on harnessing innovation, creating next-generation business and IT leadership and applying the new rules of business. Technology topics include Social, Mobile, Cloud, Big Data, Next-Generation ERP and apps, business analytics, business process transformation, Project-Based Solutions, Order Management, Master Data Management and middleware technologies.

For technology sellers, Ray provides strategic guidance in go-to-market strategies, reviews and designs software licensing, pricing, support and maintenance policies, delivers competitive assessments, evaluates software partner ecosystems and researches business processes such as the perfect order and customer experience for the enterprise and SMB markets.

Media Influence

News organizations such as The Wall Street Journal, Bloomberg, Business Week, Fortune, The Associated Press, CIO Magazine, Information Week, ComputerWorld, Financial Times, eWeek, CRM Magazine, IDG News, ZDNet, TechTarget and Tech Crunch frequently seek his point of view. Ray is an energetic and passionate keynote speaker and has also been featured on major TV news outlets such as CNBC.

Industry Recognition

In 2008, 2009 and 2014, Ray was recognized by the prestigious Institute of Industry Analyst Relations (IIAR) as the Analyst of the Year, and in 2009, he was recognized as one of the most important analysts for Enterprise, SMB, and Software. In 2009, A Software Insider’s POV was listed in the top 20 of Jonny Bentwood’s Technobabble 2.0 Top Industry Analyst Blogs. In 2010, Ray was listed as one of the Top 5 Analyst Tweeters in Edelman’s TweetLevel.
Index, recorded as part of the ARInsights Power 100 List Of Industry Analysts, and named one of the top Influential Leaders in the CRM Magazine 2010 Market Awards.

Education

Ray graduated from the Johns Hopkins University with a B.A. in natural sciences and public health. His graduate training includes a master’s degree from the Johns Hopkins University in health policy and management, and health finance and management. He is also certified in SAP FI/CO modules, facilitation techniques and program management office.

Ray currently serves on the Board of Advisors for the University of Toronto’s Rotman School of Management’s Centre for CRM Excellence.

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About Constellation Research

Constellation Research is an award-winning, Silicon Valley-based research and advisory firm that helps organizations navigate the challenges of digital disruption through business models transformation and the judicious application of disruptive technologies. This renowned group of experienced analysts, led by R “Ray” Wang, focuses on business-themed research, including Digital Marketing Transformation; Future of Work; Next-Generation Customer Experience; Data to Decisions; Matrix Commerce; Safety and Privacy; Technology Optimization and Innovation; and Consumerization of IT and the New C-Suite.

Unlike legacy analyst firms, Constellation Research is disrupting how research is accessed, what topics are covered and how clients can partner with a research firm to achieve success. More than 350 clients have joined our ecosystem of buyers, solution providers, C-suite execs, boards and vendor clients. Our mission is to identify, validate and share insights with our clients, who share a passion for learning, innovating and delivering impactful results.

Organizational Highlights

- Founded and headquartered in the San Francisco Bay Area in 2010.
- Serving over 350 buy-side and sell-side clients around the globe.
- Experienced research team with an average of 25 years of practitioner, management and industry experience.
- Creators of the Constellation Supernova Awards – the industry’s first and largest recognition of innovators, pioneers and teams who apply emerging and disruptive technology to drive business value.
- Organizers of the Constellation Connected Enterprise – an innovation summit and best practices knowledge-sharing retreat for business leaders.
- Founders of Constellation Executive Network, a membership organization for digital leaders seeking to learn from market leaders and fast followers.

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