

# Finance System Strategy as part of Post Modern ERP Strategy

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## Defining Post Modern ERP Strategy

Suite-centric ERPs lack agility in dynamic market scenarios. This makes it imperative for businesses to quickly adapt to changing business use cases. The technology environment becomes too complex with limited flexibility. A postmodern ERP strategy helps strike a balance between security and agility by deconstructing ERP in loosely coupled applications - some of which are legacy modules while others are specialized smaller non-ERP modules more suitable for optimizing operational processes in the organization, as they offer agility over architectural rigor and stability of ERP architecture.



## Moving Financial System to Cloud – Bimodal approach

Strategic corporate performance and financial corporate performance management (CPM) applications have originally been on premise applications. However, the current market trend shows rapid movement of CPM applications to the cloud by organizations, owing to IT and operational cost benefits. While administrative domains like procurement and human resources have been the fastest in cloud adoption, finance has been slow to adopt the same as it is central to many mission critical applications which require high security, robustness and control. Replacing on premise financial management systems with new generation cloud applications can help finance transform and innovate financial processes. However, a one-size-fits-all approach does not seem ideal for financial systems since some financial processes require more stability while others need more agility. So the strategy to move CPM applications to cloud needs to balance both the aspects by deploying two modes of IT delivery of systems on cloud - one focused on stability and the other focused on agility. This requires a 2-mode delivery model. Mode 1 can include all financial applications which need more stability, robustness and control. These include critical financial modules which need stronger audibility at transitional level and whose business requirement does not change much over time. Hence its transition and delivery can be planned more cautiously and slowly depending on the maturity and stability of the cloud provider. Mode 2 can be used to include applications which add incremental value to core and critical financial modules. This would encompass less critical and more operational transactions which have fast changing business requirements like accounts payable invoicing automation, purchase or expense management systems.



## Relevancy of Post Modern ERP Strategy to Finance

Finance has traditionally treated all financial applications as one and adopted a Mode 1 approach, instead of differentiating and breaking it based on IT business objectives. Breaking the modules into 2 modes not only enables finance to accelerate cloud deployment of non-critical financial applications, but also gives finance leaders and CFOs the opportunity to explore value-adding, innovative, specialized modules which integrate with the core systems to help improve the current financial processes. These specialized modules may add value by automating accounts payable invoicing, improving financial control, audibility & global tax compliance and automating expense management. As per the current financial goals and priorities of the organization, budget pertaining to these incremental technologies can be prioritized by finance. Since Mode 2 is more tactical in nature, technology adopted and deployed under mode 2 can be reversed or updated as per changing business needs and requirements. This financial strategy can be viewed as an innovative extension of postmodern ERP approach.

Any cloud adoption irrespective of the function in which it originates needs to be aligned across all functions of the organization. For example, in procurement focused organizations like those in manufacturing, healthcare or retail industry, finance would need to collaborate with procurement to adopt organization wide complementary technology such that any change in financial compliance or taxation regulations can reflect across departments in the respective procure-to-pay systems being used by procurement.



## Hidden Opportunity to Innovate Financial Processes

The postmodern finance strategy opens doors to vast opportunities to adopt incremental applications which integrate with traditional financial systems to improve overall business value and optimize the financial process. These specialized systems may be submodules which cater to small but important business cases like need to maximize compliance, to strengthen invoice processing audit, to get a single view of cash flow to tap opportunities to strategically save more through payment terms in contract or by leveraging early payment discounts given by suppliers. If these individual systems are complementary and integrated seamlessly to core financial systems, they provide the following benefits:



### Single Source of Truth

Disconnected systems result in out-of-sync functions and lack of centralized integrated view of data across organizations. This makes data difficult to manage and breaks the continuity of the work streams across functions, thereby resulting in process inefficiencies and unnecessary costs. An integrated, single view of data across the organization due to seamlessly integrated core financial modules with other administrative and operational modules like procurement, invoicing etc., results in improved cost savings through better operational efficiencies. Improved visibility has other implicit benefits for finance. Single data view helps finance discover more hidden opportunities in reporting dashboards to strategically save more to help optimize working capital. It gives visibility in cash flow, if the financial modules are integrated into accounts payable automation modules, allowing finance to control and monitor processes better and find avenues to save more per transaction. These strategic savings can be redirected by finance towards investment options for their organizations.



### Faster adoption to changing market dynamics

In this approach, there is scope of continuous improvement of financial processes as update release cycle on on-cloud applications is easier and more frequent than in case of on premise systems. This is very important from a financial perspective as they have to keep financial systems up to date as per the changing regional regulations, mandates and internal policies from the view of compliance. The finance team can also choose to deploy specialized systems for procurement and invoicing on top of financial systems and ERPs, which are up to date with current regulations and sync in with the core ERP modules to maximize compliance in the business processes. This ensures automated compliance and improved audibility and takes the burden off finance teams.



### Process Improvement

Moving less critical processes to mode 2 enables Finance to adopt incremental financial modules which can help them improve their financial business processes. For example, invoice management systems which help process payments to suppliers by accounts payable need to be more flexible and agile as they need to be as dynamic as changing market conditions and business focus. When integrated with core financial modules, it lends visibility to financial team on potential savings. At the same time, it improves process efficiencies. Similarly, financial objectives of reducing cost can be achieved by automating tactical and operational systems like procurement and connecting it to the financial reporting modules.



### Faster scaling of business

A dynamic business needs to respond quickly to market changes and has to be equipped to scale rapidly as a new business opportunity presents itself. A bi-modal strategy enables less critical and more operational modules like procurement, invoicing etc. to be deployed quickly on cloud. These specialized modules have the ability to scale up transactional and operational volumes quickly as the business grows in size.



## Role of IT and Finance Collaboration

Integration strategy between various business applications should not be the sole responsibility of IT. Finance plays a critical role in defining the delivery model requirements for various types of financial applications. While integration is more complex for on premise applications, integration of cloud applications is relatively easier and quicker. However, it is the role of finance to define the parameters to make effective integrations. For example, a cloud accounts payable automation solution integrating with an on premise financial system may just need a batch file of approved invoices from former system to latter. Here's where the role of finance in integration becomes critical in defining the style of integration as it is solely based on business process flow than anything else.

Most specialized applications in the market are built in such a way that they can seamlessly integrate with underlying financial management system, making IT integration easy and effortless.



## Summary

Moving financial systems to cloud is the undisputed current market trend as on premise systems are not able to dynamically adapt to changing business requirements and increased costs and have limited scalability. However, as critical finance modules require a stable delivery plan, it makes sense to separate them from less critical administrative and operational focused modules like procurement, accounts payable invoicing automation etc. which can be quickly deployed and are easy to integrate with existing core financial modules. This deconstruction of modules in line with postmodern ERP strategy is the need of the hour as it customizes deployment keeping the underlying business needs in mind. At the same time, while finance teams can adopt a slow, cautious approach to moving on-premises system to cloud, the incremental specialized modules can already start showing value in the form of improved process efficiency, visibility and control for finance.

## About us

Zycus is a leading global provider of complete Source-to-Pay suite of procurement performance solutions. Our comprehensive product portfolio includes applications for both the strategic and the operational aspects of procurement - eProcurement, eInvoicing, Spend Analysis, eSourcing, Contract Management, Supplier Management, Financial Savings Management, Project Management and Request Management. Our spirit of innovation and our passion to help procurement create greater business impact are reflected among the hundreds of procurement solution deployments that we have undertaken over the years. We are proud to have as our clients, some of the best-of-breed companies across verticals like Manufacturing, Automotives, Banking and Finance, Oil and Gas, Food Processing, Electronics, Telecommunications, Chemicals, Health and Pharma, Education and more.



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