



Clarifying the Cloud for Corporate Performance Management

Prophix develops innovative Corporate Performance Management (CPM) software that automates critical financial processes such as budgeting, planning, consolidation, and reporting—improving a company's profitability and minimizing their risk.

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Overview

Corporate Performance Management (CPM) is a category of business software applications that historically has been used by Enterprise level companies (with revenues over \$1 billion). Like many other categories of software, CPM is being offered using new technologies that give users access to remote software. This is marketed using many different terms, such as “Software as a Service” (SaaS), “Hosted Solutions” and “Software on Demand.”

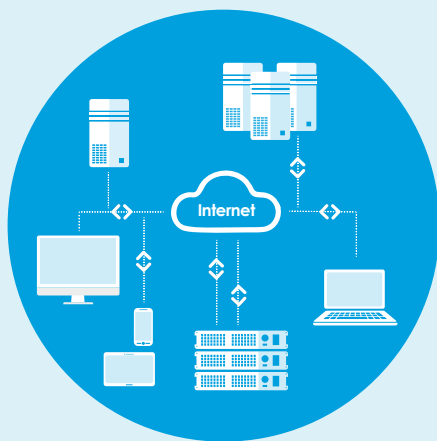
The collective term for these is “Cloud Computing.” But what is the cloud, and is it appropriate for deploying CPM solutions? Sometimes the Cloud seems to obscure reality.

This white paper is designed to be read by Finance professionals. It clarifies what ‘the Cloud’ really means, discusses the pros and cons of Cloud deployments of CPM applications.

What is the Cloud?

One thing is clear – the average person doesn't really know what **"Cloud"** means. As with many terms used in the software industry, it can have different meanings depending on which vendor is defining it. At a very basic level, a user is connected to the Internet and accesses data or applications running in the Cloud.

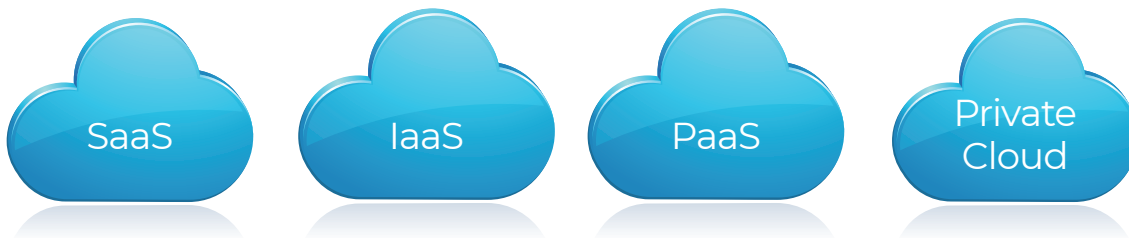
Most people have seen diagrams like this:



Note:

The important thing to note is that this diagram is about technology. It doesn't say anything about what the technology is being used for.

In practice, the more we delve into the technology, the more confusing it becomes for most people. Terms such as Private Cloud, SaaS, IaaS, and PaaS have subtly different meanings.



So what do all the aaSes actually mean?



Software as a Service

(SaaS) is when an application is included. SaaS is what most non-technical people mean when they talk about the cloud. Customers don't need to employ IT support because business users can use the application with no technical training. **Prophix** is a **B2B SaaS vendor**. The most successful B2B SaaS vendor is Salesforce.com; Facebook is probably the most successful B2C business.



Infrastructure as a Service

(IaaS) is where a vendor supplies the most basic cloud physical infrastructure, hardware such as servers, storage and network infrastructure.



Platform as a Service

(PaaS) is one step up from IaaS. As well as infrastructure, it also includes basic software, an operating system or a database or a programming environment. Companies often use PaaS as a development environment.



Private or Public?

The **Public Cloud** is when a software vendor sells licenses to a customer for application software bundled with hosting services; both are used by multiple customers. The hosting services may be managed directly by the vendor or outsourced to a third party such as Amazon or Microsoft. In most cases, users access the application using a web browser. There is no requirement for the customer to install any software on their computers except, potentially, for data integration. Prophix is available as a Public SaaS offering.

The **Private Cloud** is when a company creates its own cloud platform, either with its own resources or by outsourcing to a third party. This enables their employees (and perhaps their vendors or customers) to use their computer applications remotely.

In the context of Corporate Performance Management, Cloud Computing means a company is using an application that is hosted remotely. There are two basic models, called the Private Cloud and the Public Cloud.

2B or not 2B?



Business to consumer

B2C are often social applications like Twitter, LinkedIn and Facebook. They are often free and these companies make money by charging for a 'premium' service, selling advertising or selling data about their users to a third party; this is called 'monetization'.



Business to Business

B2B Cloud Apps are not usually free. They are licensed to companies to perform a specific task that in the past would have been implemented using on-premise technology. These are applications like salesforce.com, Prophix or Concur. They are usually licensed based on the number of users or the resources they consume for a fixed period or term.

People's perception of cloud computing is muddled by the fact that the most talked about Cloud apps are B2C (i.e. used by consumers). These are very different from B2B applications that are used by companies. B2B cloud apps are typically held to a higher level of support, availability/reliability and security, which is part of the reason they are not free.

Hopefully, this explains some basics; but we need to clarify that, for the purposes of this White Paper, **"Cloud App"** means a Public B2B SaaS application like Prophix that:

- Can be accessed from a browser such as Internet Explorer, Safari or Chrome.
- Is hosted in a SaaS environment that is publicly accessible.
- Is paid for on a subscription basis; the application is licensed and used for a fixed period.



Clarity and the Cloud

For some applications, such as salesforce.com automation or expense management, where there are large numbers of remote users, a cloud solution makes sense. However, for others, such as Enterprise Resource Planning (ERP), the movement to the cloud by mid-market companies (i.e. with revenues from \$10 million to \$1 Billion has been slow.

The **“holdouts”** to cloud adoption for CPM are most prevalent in government, healthcare, and financial services.

People gravitate to B2B cloud solutions for a number of reasons. Here are some considerations when evaluating a cloud solution.

32% did not expect to consider the Cloud for BPM (Business Performance Management) in the future.

– 2015, BPM Partners Pulse Survey, Financial Services Organizations



1

Pay-as-you-go

When cloud apps were first marketed, they were promoted as systems that could be turned on or off based on a customer's needs; in this nirvana, customers could change the number of users they bought or the power of the computer resources almost month-by-month. In the B2B world, this is no longer the case (if it ever was). This business model does still apply to some IaaS products, but most B2B SaaS apps expect customers to sign up for a fixed term (usually three years for CPM apps) for a fixed number of users and/or a fixed set of resources and a defined set of software capabilities (e.g. financial reporting).

2

Cost

If a company has a useable on-premise infrastructure in which to install a business application, then the marginal cost of such a system is usually insignificant, especially if the application is procured with a perpetual license. However, cloud apps are rented so if an app is used for many years it can be much more expensive than an on-premise solution. What's more, at the end of the initial term, a vendor can put up the price; when this happens, a customer is at the vendor's mercy because the cost of switching to an alternative can be prohibitive.



3

Technology

Some vendors emphasize issues that are purely technological such as multi-tenant technology or in-memory databases. But these are just industry buzzwords, and vendors often dispute what they actually mean. What is important to a customer is the functionality of the application from a business perspective – whether it does what the customer needs with acceptable cost, performance, and ease of use. The most technologically advanced solution is irrelevant if it is limited in its ability to solve your business problems.



In fact, using computers remotely is not new. In the 1970s mainframe computers were very expensive. To get their hands on the power of these devices, companies could use services provided by Timesharing vendors. Timesharing connected ‘dumb’ terminals to mainframes usually using telephone land lines. The computers were fast, but the connections were slow. Pictures and graphics were extremely slow.

Eventually, Timesharing died because on-premise alternatives such as minicomputers and then client/server solutions became economically viable. Companies could buy their own computing power without too much cost.

But over time on-premise technology has become much more complicated. Computers are connected to the Internet, and this necessitates firewalls, anti-malware software, sophisticated monitoring tools and lots of technology to protect the availability of systems and integrity of data. All this requires time and money; provisioning applications in an on-premise environment can be very challenging for some companies.

This makes cloud applications very attractive. When you use software in the cloud, the vendor ensures the app is always available, and the data is secure from hackers, with appropriate backups and all the other services that would otherwise be performed by an IT department. Applications can also expand; new users added and computing resources enhanced with minimal effort for a customer.

How the Cloud has Changed

The IT business is very fast changing. Cloud computing may seem to be very new but in fact it has been around for some time. At the time of the dot com bubble, the technology was very different than it is today.

Some changes:



The first successful cloud development environment was **Java** and many applications would download Java applets to client computers. But, for technical, licensing and cost reasons these have been largely superseded for client functionality by HTML5 and JavaScript (not the same as Java).



Early cloud companies built their own **server farms and data centers** because there was no alternative; vendors who wanted to sell a cloud product had limited options because the technology and infrastructure was expensive. Now infrastructure suppliers like Microsoft and Amazon make it easier and less costly to deliver highly dependable cloud offerings.



Because of the costs and complexities of running server farms, early cloud companies had to use technologies like **multi-tenanting** (where customers' programs and data are pooled and so cost less for the vendor). But infrastructure providers now supply not only technology at much lower costs but there are also myriad tools available for managing large server farms. Technologies like multi-tenanting are no longer an advantage.

The world of the cloud has changed. The technology has moved on to become more sophisticated and vendors don't need to reinvent the wheel every time they develop a cloud app.

Cloud vs. On-premise

There are pros and cons for both cloud apps and on-premise solutions. The most important considerations should be around the functionality that the organization needs.

It is important to realize that a cloud solution is a service. When you use a B2B cloud product, the vendor is (hopefully) standing by their product by employing cloud operations staff to support you if anything goes wrong.

This includes not only issues like software bugs or 'how do I do this' questions (both of which apply to on-premise software too) but also maintaining the environment in which the cloud solution operates and ensuring the cloud app is available. These are services that in an on-premise environment would be provided by a company's IT department.

Because B2B cloud apps are provided as a service, they charge by the period during which the service is provided.



Two big misconceptions:

1

When people think of an **on-premise** business application, they often assume that what they buy is a toolkit that enables the vendor's staff (or other IT professionals) to develop a solution that is customized to their own particular needs. This takes time, is expensive and not very flexible; making modifications at a later date can be almost impossible.

Many on-premise B2B solutions are like this, but not all. Prophix does not rely on a costly, time-consuming customization approach. Rather, consultants (and our customers' finance staff) configure Prophix to meet their planning and budgeting needs. There is no complex coding or customization; this is why Prophix is available as a cloud app without any degradation in the robustness of the solution.

2

But there are also misconceptions about **cloud** solutions. One assumption that many people make is that they are very simplistic and limited in their business functionality. In some cases, this is true because many companies that develop cloud apps are technology oriented with little knowledge of their customers' business needs. For example, some cloud-based planning systems can plan only by months; their technology-oriented developers didn't realize that some businesses would need to plan weekly or even daily.

Not all cloud apps are like this. Prophix has taken a business user/finance user first approach that meets the needs of companies for planning and reporting.



How the Cloud is Influencing the Computer Industry

Cloud solutions are immensely popular. Their success is influencing the directions that are being taken by the computer industry.

In the 1990s, software vendors came out with Enterprise Resource Planning (ERP) software, suites of integrated applications that applied to many business activities. These were successful because companies had difficulty integrating the data from disparate systems and most ERP software ran on less expensive Unix and Windows servers.

ERPs became even more popular because of the year 2000 scare – this was an opportunity to throw out legacy systems and start afresh; the associated costs were justified because of the risks associated with the Y2K problem. Companies (especially large companies) usually bought all the software required to run their business from single vendors, like SAP and Oracle.

In the 2010s the cloud became a big challenge for ERP vendors because of their general claim to be able to do everything in one big solution. Cloud apps are easy to deploy, easy to use and don't require major IT resources. Consequently, it is much more difficult for ERP companies to 'own' their customers; individual departments can buy best-of-breed cloud services to meet their needs instead of having to depend on IT to implement solutions from a single vendor.

Overall, SaaS and the cloud is a positive initiative for the B2B computer industry. It is shaking out the established software application vendors, and interest has moved away from vendors that claim to do everything for all customers (but don't do anything very well) to best-of-breed vendors like Prophix. Cloud continues to drive innovation in the software industry, with easy to use apps and scalable platforms that can be accessed from anywhere.

The Cloud is also changing the way, from a financial perspective, that companies acquire technology. Instead of a capital cost for a perpetual on-premise software license, when companies buy Cloud services they are essentially renting technology. This is no longer a capital cost but an operating cost that more closely matches the related benefits of using a Cloud app.

B2C cloud apps are also influencing the look and feel of B2B solutions. People are used to easy, attractive user interfaces from Google, Facebook or Twitter, but much B2B software looks old fashioned and tired.

The pressure is on B2B vendors to build "beautiful software that is easy to use, fast, and for everyone."

Conclusion

Automating compliance functions are the first step in building a truly modern finance function. A solid foundation on which to build a more future-ready enterprise.

Automation frees resource and diminishes risk. These benefits alone provide the basis of a sound business case for the centralization of data and the implementation of general purpose financial applications like Corporate Performance Management, which can add value well beyond the compliance function.

Wherever you are on your journey to building a modern finance function, consider how smart your compliance processes are today. Could you reduce risk further? Could you save more time? And if you could, what value could you add elsewhere in the business with the time saved?

About Prophix

Your business is evolving. And the way you plan and report on your business should evolve too. Prophix helps mid-market companies achieve their goals more successfully with innovative, cloud-based Corporate Performance Management (CPM) software. With Prophix, finance leaders improve profitability and minimize risk by automating budgeting, forecasting and reporting and puts the focus back on what matters most – uncovering business opportunities. Prophix supports your future with AI innovation that flexes to meet your strategic realities, today and tomorrow. Over 1,500 global companies rely on Prophix to transform the way they work.

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