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# Digital Finance & Controlling

## How Modern Companies Benefit From the Cloud

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## Current challenges in finance and controlling

Most companies were unprepared for the crisis situation of the last 12 to 18 months. From one day to the next, the effects of uncertainty on the market can no longer be ignored. Rapid global development and the effects of the pandemic have been unpredictable and thus, more drastic for many organizations. Finance and controlling departments in all companies have been under great pressure during this time to ensure the necessary liquidity to remain in business, as well as continuously provide management with up-to-date information to make fact-based decisions.

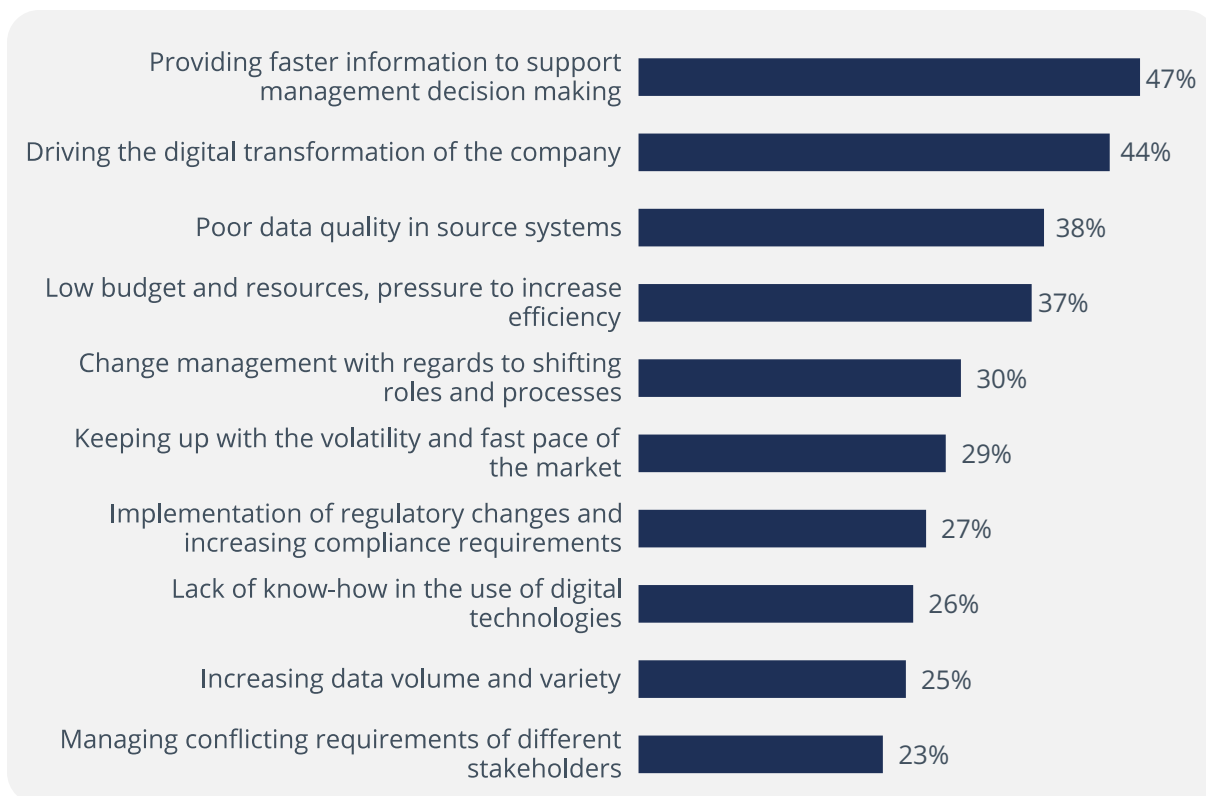
Increasing uncertainty and complexity is changing the demands of corporate management and managing this change requires appropriate strategies and measures. High-performance, adaptable software is needed to support the core processes in finance and controlling so that the flow of information does not get bogged down and essential decisions are not delayed. These processes include planning, forecasting, analyses and simulations. The same applies to the consolidation of financial results, financial reporting and the preparation of financial statements.

As business partners for executive leaders, finance and controlling departments must provide decision-makers with comprehensive support—and keeping pace with the dynamics of the market and the competition means accelerating the provision of this information (see Figure 1). At the same time, the pressure to increase the efficiency of finance and controlling processes is high because additional resources are scarce. Driving digital transformation requires the continuous optimization of the technology used and the automation of processes through software.

High-performance, adaptable software is needed to cope with increasing uncertainty and complexity.

Accelerate the provision of information for decision support to keep pace with the dynamics of the market and the competition.

Driving digital transformation requires the continuous optimization of technology and the thorough automation of performance management processes.



**Figure 1: What are the biggest challenges your company's finance and controlling department is currently facing? (Source: BARC "Integrated and Predictive – The Future of Corporate Planning", n=424)**

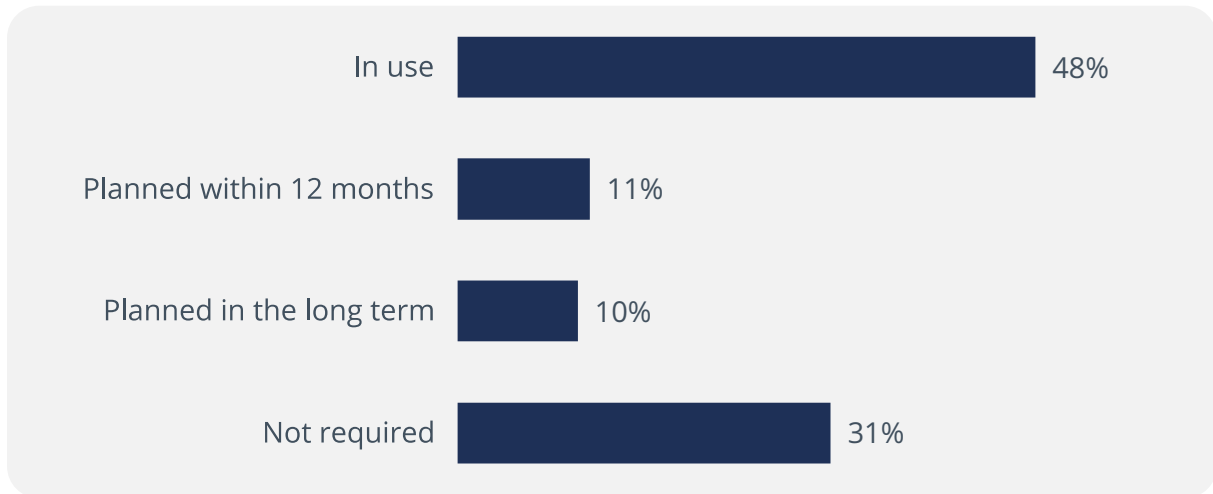
As described above, the use of finance and controlling solutions or corporate performance management (CPM) via the cloud is becoming massively important. Increasing cost pressure, the high-performance and scalable processing of large volumes of data, increasing requirements for flexibility and elasticity, and a lack of IT resources are key reasons for organizations to take an interest in cloud-based finance and controlling solutions (see also Figure 4). In particular, companies with a globally distributed user base and the need for worldwide and simultaneous accessibility (for example, from home offices) can greatly benefit from cloud-based software solutions.

The need to fulfill requirements to increase cost efficiency and at the same time improve flexibility without substantial IT resources to support them are key reasons why organizations consider cloud-based solutions for finance and controlling.

### “Cloudification” in finance and controlling – a continuing trend

The use of cloud-based finance and controlling software has increased significantly in the last few years. Based on BARC's observations, the trend will continue even after the pandemic as part of the further digitalization of finance and controlling. At the same time, skepticism in companies (see the “Not required” in Figure 3) is also decreasing in this discipline. Today, new implementations are already being realized to a large extent in the cloud (see Figure 2), indicative of a broad shift in thinking. Organizations are increasingly recognizing the opportunities that the cloud offers and are trying to use them to their advantage.

New implementations are already being realized in the cloud to a large extent, indicative of a shift in thinking.



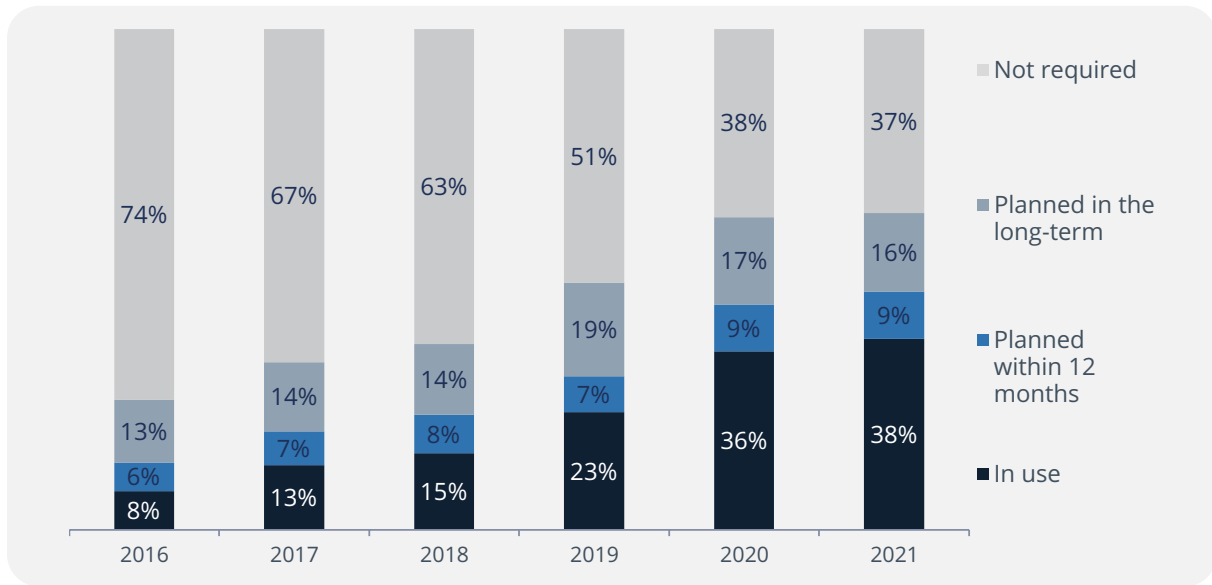
**Figure 2: Use of the cloud in the implementation of BI and analytics in the last two years**  
 (Source: BARC “The BI & Analytics Survey 22”, n=205)

Using the example of cloud-based planning and forecasting, the pro-cloud trend can be demonstrated empirically. Figure 3 from The Planning Survey, the world’s largest study on the use of planning solutions, shows that the use of cloud-based solutions has increased from just eight percent in 2016 to 38 percent in 2021. BARC has observed strong growth in the last two years, which is most likely due to increasing momentum as a result of the global pandemic. Especially during uncertain times, cloud-based finance and controlling solutions can quickly provide business departments with added value, thanks to their fast “time-to-value” and low resource requirements, with no lengthy installation required. As shown above, providing decision-makers with up-to-date information is the top priority for finance and controlling departments, and modern software helps achieve this efficiently.

Thanks to their fast “time-to-value” and low resource requirements cloud-based solutions can quickly provide added value.

Regardless of the strong growth of new implementations in the cloud, BARC believes that cloud-based finance and controlling software will not be the only solution in the medium term. Many companies remain satisfied with their existing on-premises solutions and have built up their own resources, so there is little pressure to change or migrate. In the future, new implementations will also take place on-premises and not only in the cloud. There may be many reasons for this, such as the need to protect confidential and sensitive data from being stored outside the company’s own premises or poor network connectivity. On the other hand, the cloud offers a wide range of advantages and opportunities, making it a worthwhile consideration for companies when modernizing their software solutions or implementing new requirements.

The cloud offers a wide range of advantages and opportunities for modernizing existing software support or extending them to cover new requirements.



**Figure 3: Time series on the actual and planned use of cloud-based CPM solutions, 2016-2021**  
 (Source: BARC "The Planning Survey 21", n=various)

## Advantages of cloud-based finance and controlling solutions

Cloud-based software offerings for finance and controlling have now become well established in the market. The basis is often a Software as a Service (SaaS) model, in which the infrastructure and the application are provided, installed and maintained. This usually enables significantly faster deployment as technical operation of the solution is carried out by the provider.

While some software providers offer their solutions exclusively via the cloud, the majority currently offer a hybrid approach, allowing customers the choice of obtaining the solution via the cloud or implementing it on premises to operate themselves. Figure 4 shows the main reasons why organizations choose cloud-based software solutions.

### Flexibility and elasticity

Flexibility and elasticity are key reasons for interest in cloud solutions (see Figure 4). Organizations with a globally distributed user base may find cloud solutions particularly advantageous, not only for the web-based ability to access the solution from anywhere in the world, but also for the easier and more flexible coverage of seasonal load peaks with many simultaneous user accesses. For example, hardware resources (CPU, memory, etc.) can be flexibly increased (elasticity) during month-end or year-end closing or during planning. In addition, the processing of large data volumes and the execution of compute-intensive operations can be supported by flexible cloud resources. This is

Cloud-based offerings for finance and controlling have already become well established in the market.

Increasing flexibility and elasticity is key when choosing cloud over on-premises solutions.

an essential prerequisite for the use of statistical methods and machine learning (ML), for example, in the context of detailed, automated projections in planning and forecasting.

### **Reduction of operating expenses**

The provider takes care of updates and the provision, operation and maintenance of cloud-based solutions. This makes the cloud particularly attractive for companies with few IT resources of their own.

In addition, BARC's experience shows that many companies increasingly want to outsource the operation and maintenance of hardware and software. The low demand for – and the relief of – internal IT resources are further advantages of the cloud. These advantages are seen by business departments as a way of realizing speed benefits in implementation and reducing dependence on their own IT (self-service).

An important aspect of cloud-based software is that the solution is always at the latest release level. Customers always have access to the latest functionality, because the provider continuously updates the solution as part of its regular maintenance.

### **Speed**

Cloud-based solutions can usually be deployed immediately and thus, go live faster than on-premises solutions. Lengthy hardware procurement or installation times are eliminated, which accelerates implementation. Faster implementation has a positive impact on the overall cost of a project and is usually accompanied by greater benefits due to overall less effort spent and a faster "time-to-value".

### **Cost**

BARC studies have shown that cost is a key consideration for companies when deciding for or against the cloud. If the cost for a cloud-based solution were to be lower than the on-premises solutions, three quarters of companies would prefer the cloud and use it more intensively. The decision for or against the cloud today is primarily a business decision and not a political one. This is because most companies are already using the cloud in some form when they decide on better support for finance and controlling.

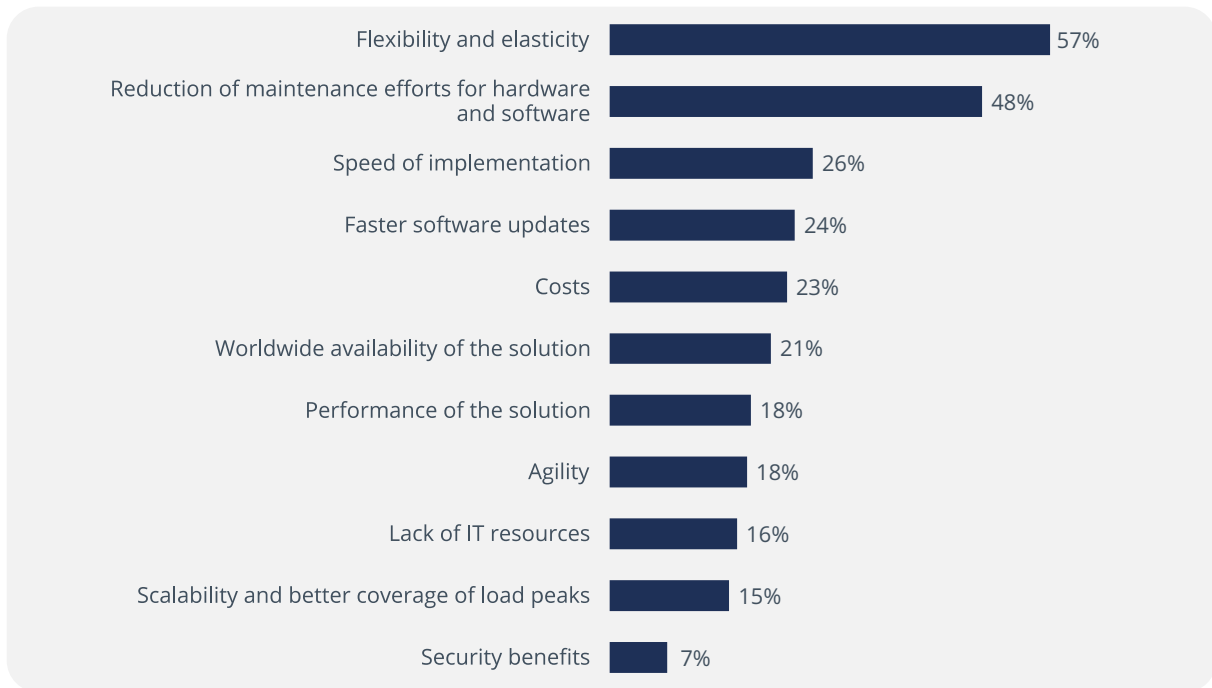
The advantage of using cloud-based finance and controlling solutions is that getting started does not usually require a large initial investment (CAPEX) nor additional annual maintenance fees, as with on premises solutions. Billing is usually usage-based and demand-driven via a monthly rental model (OPEX), making it easy to plan ahead. Moreover, hardware or infrastructure costs can be significantly reduced or even eliminated by using the cloud.

The cloud is particularly attractive for companies with limited IT resources to operate and modernize solutions and support users.

Cloud-based solutions typically go live faster than on-premises solutions what is often crucial to companies navigating rough waters.

Today, the decision for or against the cloud is primarily a business decision and not a political one making costs a major influencer.

Billing is mostly usage-based and demand-driven via a monthly rental model, making cost easy to plan.



**Figure 4: What are the main reasons for using or wanting to use a cloud-based planning solution?**  
 (Source: BARC "The Planning Survey 21", n=389)

## Challenges of on-premises finance and controlling solutions

True to the adage "never change a running system," many companies continue to trust their existing on premises solutions. The main reasons are security concerns when dealing with sensitive (financial) data, as well as the general corporate policy and IT strategy of these organizations. However, the use of on premises solutions brings its own challenges, especially when companies lack their own IT resources (see Figure 5).

### IT resources

The cloud is particularly attractive for companies with few in-house IT resources who have to contend with rapidly changing requirements and providing an adequate response speed. Sourcing software via the cloud could enable business departments to act more independently and alleviate the workload of IT departments.

BARC studies have shown that companies with sufficient in-house IT resources are more likely to decide against the cloud, as many of its advantages are less compelling with adequate IT support.

### Availability of the solution

Many large and medium-sized organizations have requirements for the worldwide availability and use of their solutions. These not only concern decentralized, global access ("anywhere"), but

Sourcing software via the cloud often enables business departments to act faster as they become more independent from IT and external resources.

also access and support around the clock (“anytime”). Cloud-based solutions often have an advantage in this respect, as they guarantee very high availability (uptime) and short recovery times in the event of system failures via service level agreements (SLAs). They can be used flexibly via browser-based user interfaces. In principle, access is possible from any device with an internet connection (“any device”). In contrast, on-premises solutions use their own hardware resources. In this case, companies must use their own resources to ensure availability, reliability and maintenance, as well as global access to the solution.

Cloud-based solutions often guarantee very high availability (uptime) and short recovery times in the event of system failures.

### **Performance and scalability**

Ensuring performance and scalability is generally one of the biggest challenges for the use of software solutions. Poor performance and scalability lead to acceptance problems among users and, in the worst case, to a boycott of solutions.

The use of modern finance and controlling software is interactive and collaborative. It requires the simultaneous participation of many users and the processing of large amounts of data. In this context, it is important to ensure the required performance level and scalability. This is a particular challenge for applications operated on premises, as they are typically based on fixed hardware resources (CPU, memory, etc.) that cannot be expanded on short notice without an additional cost during seasonal load peaks. BARC studies have shown that cloud users are significantly more satisfied with their solutions in terms of performance and scalability.

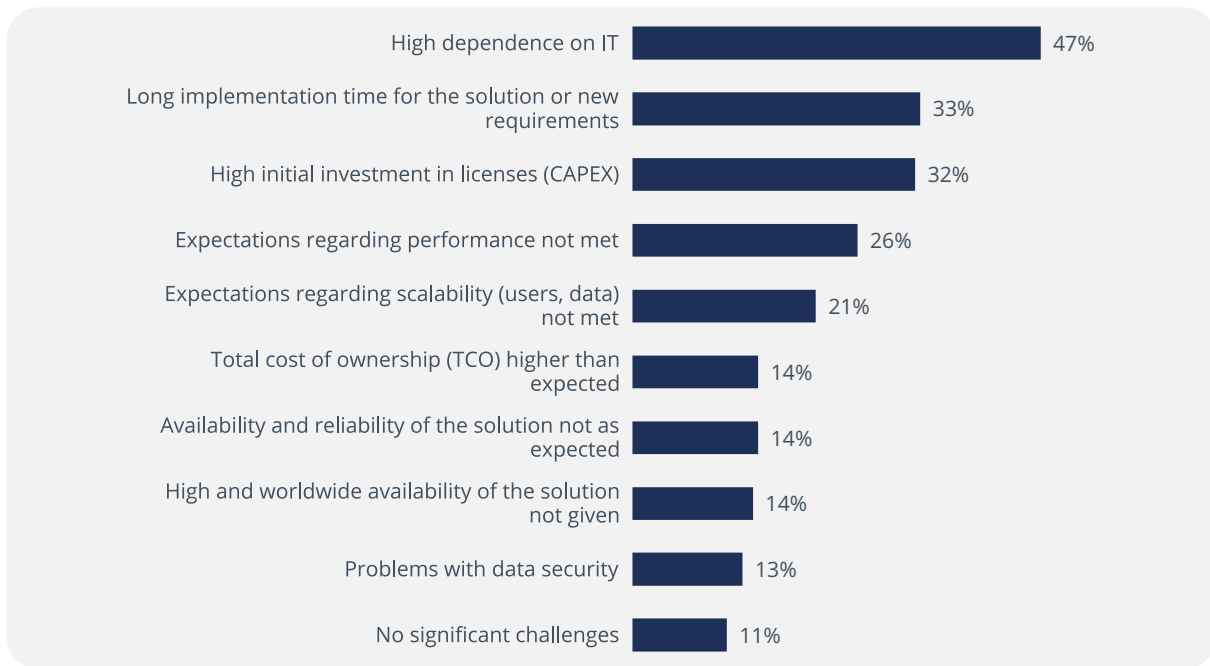
Cloud users are significantly more satisfied with their solutions in terms of performance and scalability as BARC studies show.

### **Security**

Data security concerns are still the key reason for deciding against a cloud-based finance and controlling solution. Using private cloud solutions or hosting offerings in specific regions or in one’s own country can alleviate concerns about data security but could also reduce cost advantages. Cloud data centers are usually certified high-security facilities. This applies to building security, fire protection, access control, availability, data protection, data security and incident management. Cloud services are typically much more secure than in-house IT services, especially those of smaller companies. As the number of cyber-attacks have increased significantly in the past 12 to 18 months, many companies have been made painfully aware of how vulnerable their own systems are during the pandemic.

The cloud data centers used for leading finance and controlling solutions are certified high-security facilities.





**Figure 5: What are the biggest challenges when using an on-premises CPM solution?**  
 (Source: BARC “Modern Planning and CPM – How Companies Benefit From the Cloud”, n=167)

## Migration to the cloud – an opportunity for modernization

The increasing uncertainty of the market demand increased modernization, acceleration and efficiency for finance and controlling. Modernizing software support via the cloud, for example, offers companies the ideal opportunity to revise finance and controlling processes from a business process perspective. This is not just about a purely technical migration. Companies can maximize benefits if they take the technical realignment as an opportunity for business process-related modernization as well. The cloud facilitates operations and can thus create scope for business process improvements and the implementation of a more modern approach.

However, modernizing technical software support via the cloud does not require the immediate migration of a company's entire operational (ERP, financial accounting, CRM, etc.) and dispositive system landscape (data warehouse, analytics, BI, CPM, etc.) to the cloud. Improvements can be selective and can prioritize specific use cases and processes. Cloud-based finance and controlling solutions can effectively communicate and exchange data with other cloud and on-premises solutions using the appropriate interfaces. The import and export of data is usually highly automated and allows for error-free exchange.

Growing uncertainty demands modernization to speed up and streamline software support for finance and controlling.

Companies maximize benefits by realigning processes alongside the technical modernization.

## Summary and conclusion

Cloud-based tools for finance and controlling have reached a level of maturity that allows for many advantages. At the same time, many on-premises solutions are aging and may no longer adequately support the requirements of a modern finance and controlling organization.

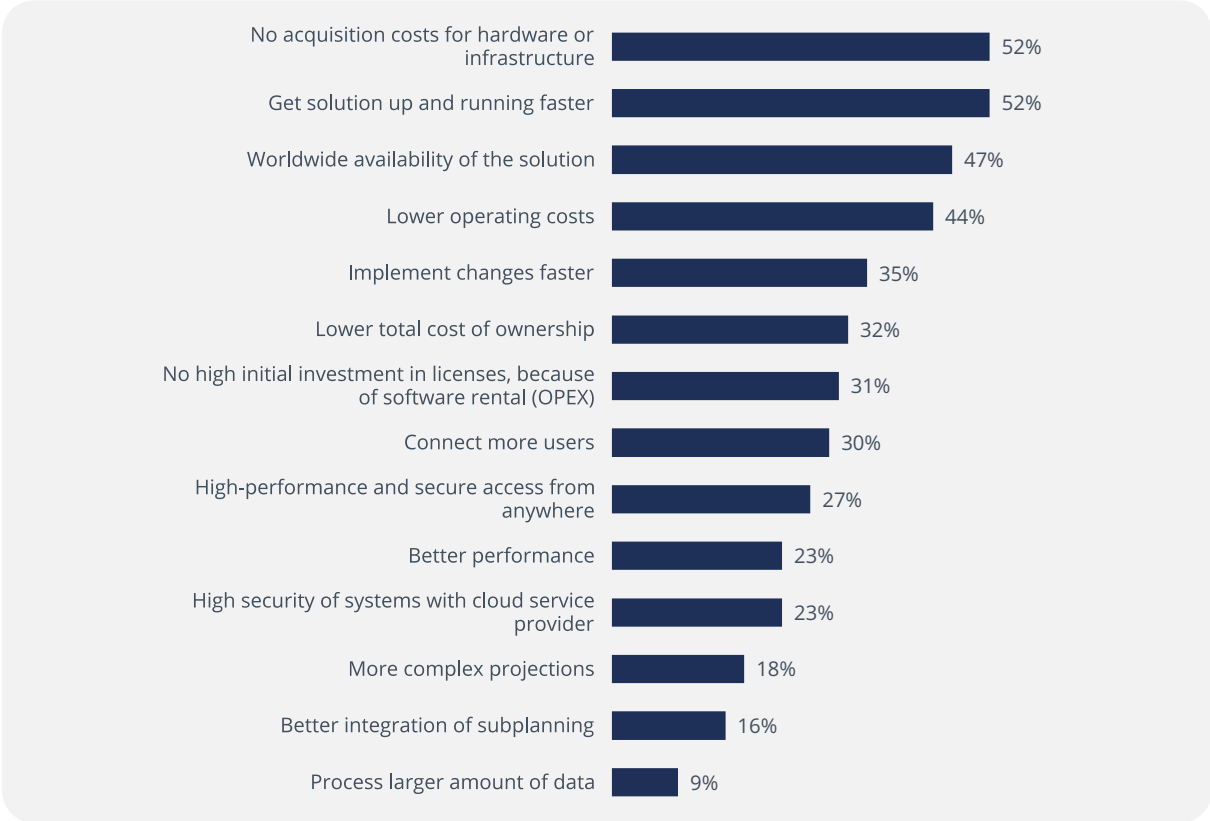
The use of cloud-based finance and controlling software, which has been increasing over the years, is clearly gaining momentum and will pick up speed as the growing maturity of the solutions makes the cloud attractive for more companies. Companies should therefore carefully examine whether the use of finance and controlling solutions in the cloud might be an advantageous alternative to on-premises solutions, particularly for the implementation of new applications and major changes.

Rising cost pressure, the high-performance and scalable processing of large volumes of data, increasing requirements for flexibility and elasticity, and a lack of IT resources are key reasons to investigate cloud-based solutions. The use of the cloud offers many advantages for companies: it facilitates the use of software solutions, accelerates their deployment, relieves the burden on in-house IT resources, and thus creates scope for modernizing finance and controlling processes. Figure 6 shows the main benefits companies have achieved using cloud-based finance and controlling solutions.

Cloud-based finance and controlling solutions have reached a level of maturity that offers a plethora of advantages.

When implementing new solutions or rearchitecting existing ones, building them in or migrating them to the cloud must be carefully examined.

The use of the cloud opens room for modernizing finance and controlling processes by enhancing flexibility and relieving internal resources of operating burden.



**Figure 6: What is the greatest benefit of a cloud-based solution for your company?**  
 (Source: BARC "Modern Planning and CPM – How Companies Benefit From the Cloud", n=77)

## Checklist for deciding on a cloud-based finance and controlling solution

The decision between a finance and controlling solution in the cloud or on-premises presents you with important questions. The following checklist shows points to consider during the selection process:

Question	Use the cloud	Stay on-premises
Does your company have a cloud strategy and if so, what does it look like?	All new solutions should be provided in the cloud.	Solutions should be provided in the cloud only in exceptional cases.
What is your vision for the future in terms of your IT landscape and the most important applications (target architecture)?	Most of our systems are to run in the cloud in the future.	We want to continue operating our systems predominantly ourselves.
Does your company already use cloud solutions?	Yes, we already use cloud solutions.	No, a cloud-based solution for finance and controlling would be our first.
Do you already have experience with cloud-based systems in terms of security, access and data connection?	Yes, as we already use cloud services that are connected to our systems.	No, we do not have any experience with cloud services.
How would you assess the need for and availability of IT resources to operate on premises software solutions?	We have too few IT resources to be able to operate and further develop additional solutions satisfactorily.	We have sufficient IT resources (personnel and hardware) to ensure operation (e.g., installing updates) and further development.
How important is the rapid deployment of the solution for you?	We need to deploy the solution quickly and cannot wait for a lengthy procurement and installation process.	We currently have no time pressure on the implementation.
How important is the scalability of the solution?	We want to serve many users with the solution, use large amounts of data and complex algorithms, and grow continuously.	We only have a few users and a manageable, stable amount of data.
How important is it to you to use a uniform platform for all requirements relating to corporate performance management?	We want to expand the scope of the solution step by step without having to carry out complex, technical integration projects.	We can easily cover additional functions with other tools that are already in place.
Is it a zero-footprint solution or do some components need to be installed locally (e.g., a design environment)?	We do not want to distribute local components to all users and keep them up to date.	We can easily distribute and install local components in an automated way.
Do you want to buy or rent your finance and controlling solution?	We don't want to make a large initial investment and would prefer the option to flexibly adjust usage as needed.	We want to buy the software. We prefer a higher initial investment and lower running costs.
Do you expect strong peaks in the use of your solution?	Yes, we expect strong variation in usage. For example, higher demand during planning cycles and month-end closing.	No, usage will be stable and predictable.

# BARC – Business Application Research Center



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BARC (Business Application Research Center) is one of Europe's leading analyst firms for business software, focusing on the areas of data, business intelligence (BI) and analytics, enterprise content management (ECM), customer relationship management (CRM) and enterprise resource planning (ERP).

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