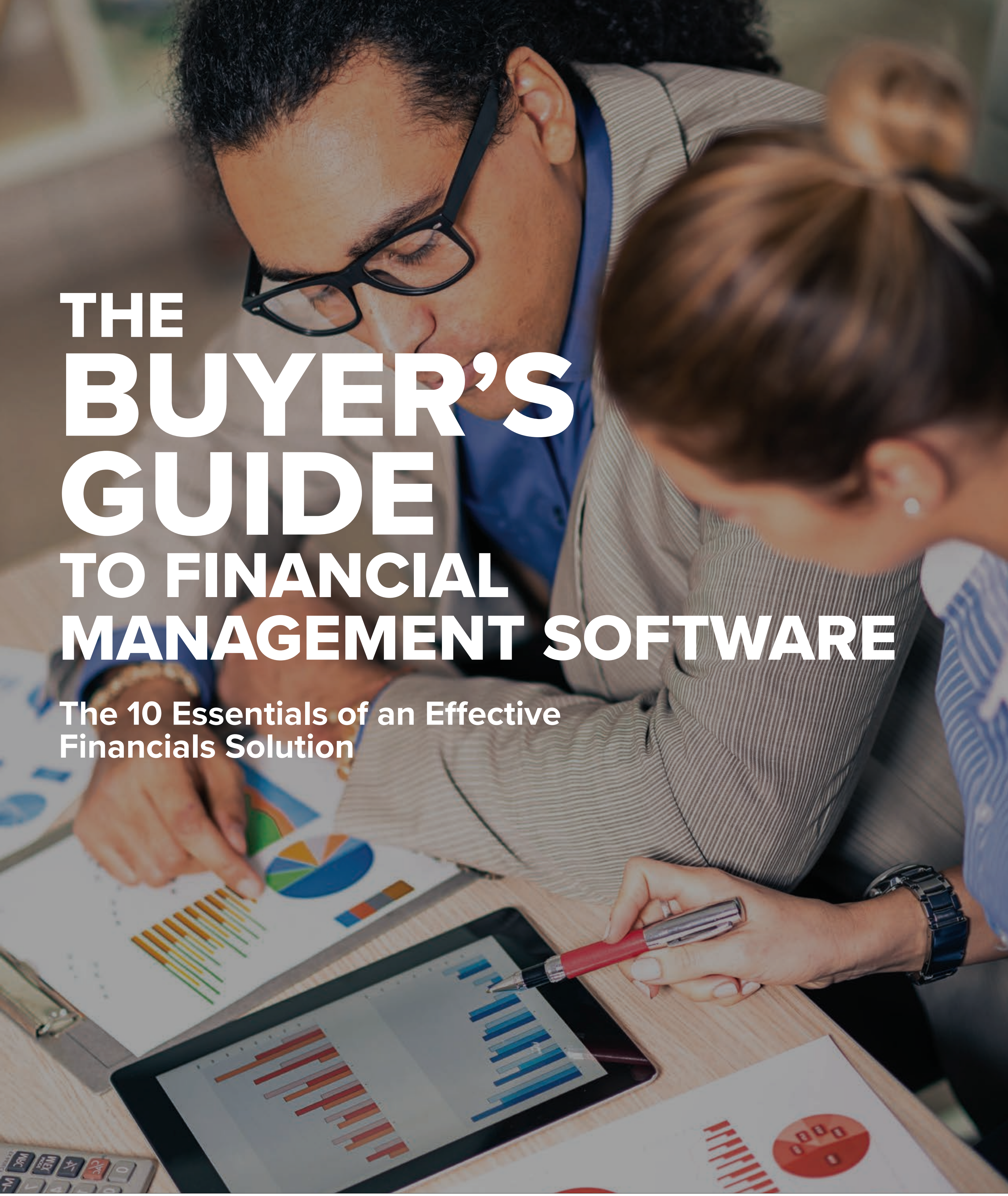

THE BUYER'S GUIDE TO FINANCIAL MANAGEMENT SOFTWARE

The 10 Essentials of an Effective Financials Solution

Grab a seat and enjoy.
Read Time: 30 minutes

THE BUYER'S GUIDE TO FINANCIAL MANAGEMENT SOFTWARE

The 10 Essentials of an Effective Financials Solution

Introduction

Managing your company's financials is the backbone of your business and is vital to the long-term health and viability of your company. Yet attention to your bottom line often takes a back seat during times of increasing revenues and growth. To continue applying the necessary financial rigor to support rapid growth, the accounting department needs the right tools to most efficiently do their job. Without tools to handle the business and regulatory requirements of a high-growth company, accounting staff wastes time on manual and duplicative work while closing the books every month and you may end up hiring extra temporary staff to perform this work.

When spreadsheets and workarounds become the norm for your finance department, you know it's time to upgrade your financial management solution. Your financial close times and audit preparations take too many weeks to complete and sales that occur on the last day of the quarter often do not get entered into the system, thereby not getting recognized as revenue on time. Critical financial processes such as handling financial consolidation, multi-state and country taxation, and reporting based on multiple currencies become a huge productivity drag on your entire department and are plagued with errors.

Add on regulatory requirements such as revenue recognition and constantly changing accounting standards across countries you're operating in, and the pressures get compounded. If any of these scenarios sound familiar, it's time to take a hard look at how your existing business systems may be hurting your bottom line.

This white paper outlines the 10 essentials of a complete financial management system and how the right solution can help you keep up with the rapidly changing business world.

TABLE OF CONTENTS

Chapter **1**

CORE FINANCIAL MANAGEMENT CAPABILITIES

Accounting Functionality

Every financial management system needs to have basic accounting functions such as general ledger, accounts receivable, accounts payable, tax, cash and payment management with an audit trail built in. Beyond basic accounting functionality, your financial management system must be extensible to accommodate future growth while simultaneously allowing you to keep an eye on the operating expenses impacting the bottom line.

Modern General Ledger

The general ledger is the core of every accounting system and must be dynamic, flexible, scalable and unconstrained by rigid code-block structures. It must empower real-time financial intelligence and embed operational efficiencies, such as faster reconciliations and closing of the books.

The GL should be transformative—not a static, one-size-fits-all but a dynamic asset that enables companies to tailor GL processes to meet their unique business needs and changing conditions, a dynamic, 'disruption-ready general ledger' that gives finance professionals new flexibility and visibility, richer reporting functionality, enhanced audit trails and new support for multi-national financial management.

The general ledger must also be capable of handling an unlimited number of accounts and sub-ledgers to power your company's innovation and growth.

It must allow you to define your own accounting periods and let you close individual components separately to match the needs of any new subsidiaries and international divisions that you may introduce.

The globalization of business continues to be driven by several factors, including the growing presence of multi-national corporations, global capital markets, foreign direct investment and economic interdependence. At the same time, investors, bankers, shareholders, customers and other financial statements users exist all over the world, specifically in countries that have their own unique sets of accounting standards. Whenever the same business event requires different

"NetSuite gave us the agility to adapt to change and the scalability that we needed. It's been critical to entering new markets quickly, efficiently and effectively."

— **Avant**

accounting treatment because of industry-specific rules, country-specific rules or both, different reporting outcomes will occur. To report financial results within compliance based on multiple accounting standards concurrently, accounting departments should have Multi-Book capability to comply with any standard. Multi-Book functionality eliminates data entry replication and reduces the need for error-prone manual adjustments from processes due to managing multiple books per accounting standard.

The ability to build automated processes with workflows such as approvals, thresholds, and more checks into the process in order to balance your growing organization would be ideal in a financial management system. As an example, automating the journal entry approval workflow to verify criteria like threshold amount and approval limits before the journal is posted and approvals workflow functionality streamlining approval and review process of transactions such as purchase orders, vendor bills, sales orders, expense reports, journal entry transactions will reduce errors, provide better control and insight into the process. Finally, a modern GL system must have predefined charts of accounts for a wide range of industries to help with quicker deployment.

Without these essential accounting capabilities, finance teams could easily be burdened with tasks that are manual, error-prone and information that is out of date and difficult to get. A modern financial management system can address these challenges by streamlining and automating mission-critical processes, reducing operational costs and delivering unlimited capacity for growth.

Cash Flow Management

One of the keys to managing your financial health is your ability to monitor your cash flow carefully on a regular basis. When your company is growing rapidly, you may face unexpected costs for permits, licenses, raw materials, equipment, extended contract work, and vendor agreements.

These investments often require large upfront payments and smart financial planning to keep cash flow positive. If there isn't enough cash on hand to meet any one of these obligations, it could result in repercussions for your company, threaten its growth and even expose it to legal liabilities.

To avoid these potential pitfalls, it is vital that your cash inflows keep pace with your cash outflows. Your financial management system should allow you to perform cash flow analysis

> "NetSuite gives us meaningful data rather than what we had before which was really guesswork. Now we work less hard but make more money."
>
> — **P3 Medical**

to examine the components of your business that affect cash flow, such as accounts receivable, inventory, accounts payable and credit terms, to name a few. By performing cash flow analysis on these individual components, you'll be able to more easily identify cash flow problems and opportunities for improvement.

Real-time visibility is important in making timely informed decisions. When information can be accessed instantly from almost anywhere, without wasting resources on data extraction and tying data from different sources together, employees can make more accurate, faster decisions. By having greater real-time visibility into your cash flows through detailed dashboards and key performance indicators (KPIs), you'll be alerted to discrepancies and "red flag" situations a lot more rapidly.

Recurring Revenue and Revenue Recognition Management

Running a business with a predictable revenue stream is difficult when you're in nascent stages of growth because there are so many uncertainties related to new customer acquisition. But once you establish a stable customer base, you need to focus efforts on extracting ongoing revenues from these customers and increasing your customers' value to power your next stage of growth. Close coordination between finance, sales, and service is necessary to identify recurring revenue streams, and define the periods of chargeability for services rendered and when revenue can be recognized on your company's balance sheets. Your financial management system needs to be able to handle and report on these varieties of recurring revenue scenarios.

When identifying potential recurring revenue streams, it is imperative to know your company's "cost to serve". Your financial management system should be able to accurately model different chargeability scenarios and get a handle on direct and indirect customer costs—acquisition costs, service costs and product delivery costs, as well as which customer segments drive margin and which do not. The old adage that 20% of your customers generate 80% of your profits is particularly important with recurring revenue, because the remaining 80% of break-even or marginally lossmaking customers may be costing you year after year unless you smooth out profitability across your customer base.

It is also important to have good revenue recognition processes in place—a revenue recognition solution that helps you comply with accounting standards and report financial results in a timely manner. Whether your business conducts sales transactions that consist of products or services, or both, and, whether these transactions occur at a single point in time or across different milestones, your revenue recognition solution should help you schedule, calculate and present revenue on your financial statements accurately. It should support fair values based on Vendor-Specific Objective Evidence (VSOE), best Estimate of Selling Price (ESP), Third Party Evidence (TPE), and other fair value methods your company uses.

DocuSign's newfound flexibility has opened the floodgates to efficiency. In addition to slashing its revenue recognition process from nine days to several hours using NetSuite Financials, the digital transaction management company's finance team has reduced its monthly financial close from 15 days to 10.

Your financial management system should also help you comply with FASB, SEC and AICPA regulations regarding revenue recognition. Your financial system should feature built-in support for key revenue recognition rules such as ASC 606, SOP 81-1, SAB 101, EITF 00-21, EITF 08-01 and EITF 09-03 to enable you to recognize revenue for multi-element sales, and to recognize them at different rates.

The new revenue recognition standard, ASC 606 represents the most sweeping change to revenue accounting rules in years. Your financial management system should be able to handle billing and revenue recognition that supports compliance with revenue recognition rules such as revenue arrangements with multiple elements (ASC 605-25) and percentage-of-completion accounting (ASC 605-35), while providing a foundation to prepare for adopting ASC 606 in the future.

These new revenue recognition rules bring with them a whole set of complicated calculations that your finance staff must perform. A financial management system that incorporates support for flexible revenue recognition will ensure that your staff reduces their dependence on multiple spreadsheets and error-prone manual processes. Such a system also helps ensure that you gain clear visibility and continual monitoring for all aspects of the revenue recognition process, and that you are positioned to manage and recognize different types of revenue such as time-based, percentage of completion and event-based, among others.

Support for these new revenue recognition rules is especially important because new regulations can allow companies to recognize revenue much sooner. Before the advent of these new regulations, if you were unable to determine the fair value of any of the items that were part of a sale, you had to defer the revenue for those items until they were delivered sometime in the future. However, these new regulations allow you to apply an Estimated Selling Price (ESP) for items not yet delivered and recognize their revenue a lot earlier. These regulations thus have a material impact on your revenues and consequently are very important to your bottom line.

Billing Management

Your billing infrastructure needs to be able to handle multiple pricing schemes for different customers. You may be managing different payment terms, whether monthly, quarterly or annually, and may be billing customers in advance, in arrears, or prorating them on partial months. Using spreadsheets can quickly get out of hand, and different or one-off billing arrangements can throw things off and result in billing errors.

You need a financial management system with a billing solution that equips businesses to offer transaction, subscription, usage-based billing, and any hybrid model while managing that revenue accurately and in accordance with the latest revenue recognition standards. An agile and sophisticated solution that offers unparalleled control and flexibility over billing and revenue management processes can be a competitive differentiator by allowing your customers to change their billing plans and payment options, thus improving customer satisfaction. You need an agile and sophisticated solution that offers unparalleled control and flexibility over billing and revenue management processes—a centralized and future-proof framework that supports the universe of monetization models and allows you to be nimble, innovate rapidly and profit in today's marketplace.

Financial Planning and Reporting

To accurately plan and forecast future costs for various initiatives, your financial management system should give you deep visibility into the current state of your company's operations so that you can identify problem areas.

Financial planning involves pulling together data from several departments within your company to gain a comprehensive view of your operations, and then modeling several "what-if" scenarios to assess the impact of different cost structures. Without a financial management system that allows you to easily perform these functions, your finance team will end up wasting time consolidating data as well as projecting results from all of those different scenarios on a regular interval from various systems instead of performing strategic analysis.

When it comes to financial planning, your budgeting and forecasting functionalities rank at the top of the list, especially because of their focal role in controlling costs. Your financial management system needs to enable multi-dimensional data collection and automate the consolidation of plans so that you can clearly look into the costs for personnel, sales, capital equipment and more. Automation also improves accuracy and reduces errors by eliminating broken links and formulas.

A key best practice within financial planning is to compare actual data with plan data. With spreadsheet-based planning, integrating actual data into budgets, forecasts or what-if scenarios is cumbersome, and subsequent variance analysis is nearly impossible.

Financial management systems with best-in-class budgeting and forecasting capabilities seamlessly integrate year-to-date actuals with future expectations and allow you to perform variance analyses to compare actual results against budgets.

Financial reporting for compliance purposes is extremely important in today's highly regulated environment. Regulations such as Sarbanes-Oxley, Dodd-Frank and numerous GAAP standards must be adhered to strictly. In this kind of environment, it is very important that your monthly reports, performance reporting and financial close be built with the appropriate internal controls into the process in an automated fashion leading to reliable and accurate results. This is a major reason why it takes so long for many companies to close out every quarter. A financial management system that can withstand regulatory scrutiny, accelerate financial close and produce key financial reports on demand offers a tremendous competitive advantage.

A robust system should also allow your finance staff to dynamically drill through from data entry sheets or budget reports directly into underlying transactions and the evidence supporting those transactions, providing deep and unparalleled insight into your business. It would also allow your team to monitor any financial measures according to their role—whether controller, finance manager or analyst—through customizable dashboards and KPIs.

Fixed Asset Management

As your company grows, you may acquire a variety of fixed assets such as equipment, land and buildings. You need to be able to maintain and control the complete asset lifecycle of all your fixed assets, from creation to depreciation, revaluation and retirement, so that you can get a better view of how this affects your bottom line. Accordingly, a financial management system must have detailed asset management functionality and support multiple depreciation calculation types. It needs to handle both depreciating and non-depreciating assets, maintenance schedules and insurance. It must also tightly weave your asset acquisition process into your accounting processes to help ensure that no equipment slips through the cracks.

There are several methods of depreciation and each method has a different set of advantages and disadvantages. Your financial management system should allow you to use any of the standard depreciation methods including straight line, fixed declining, sum of years' digits, asset usage and even your own user-defined depreciation methods.

Strong management of your fixed assets can help you benefit from tax deductions related to the depreciation of your assets. These deductions only serve to help shore up your cash flows so that you can reinvest the proceeds into your business and grow further.

“Our move to NetSuite is really about scaling the business. We have much more visibility and accuracy compared to what we were doing before with the real-time accounting capabilities in NetSuite.”

TubeMogul

Chapter **2**

SUPPORT FOR GOVERNANCE, RISK AND COMPLIANCE

Today's business climate is more complex and more challenging than ever before. Even small businesses, nonprofits, and government agencies face issues that historically affected only the large multi-national corporations. Contemporary risks and requirements are numerous, ever changing and fast to impact any organization. New regulations, business decisions, changing workforces and evolving technologies are just a few of the many examples of increasing changes.

Organizations have traditionally struggled with effectively managing risk across the enterprise. Increasing growth and margin expectations as well as changing regulations and technology innovations have further complicated and significantly changed the risk landscape. The traditional approach of managing risk in silos across different functions—internal audit, internal controls, and compliance—and reacting to risks as they occur puts many companies at a competitive disadvantage.

Today's environment demands a more comprehensive, agile, and innovative approach to Governance, Risk and Compliance (GRC). Industry-specific compliance, regulations like the Sarbanes-Oxley Act, and globalization and outsourcing, have led organizations to expect more from the GRC capabilities of their ERP/financial management system.

The key is to understand what your GRC program is trying to achieve and how a solution can support you in meeting the program objectives. A cloud-based GRC solution brings a number of advantages. One of the many advantages of utilizing a cloud-based solution is the reduction of many IT risk mitigation activities typically required for on-premise software, such as running regular backups and establishing data recovery methods, as an example. A cloud-based solution should provide its customers with annual reports on their Statement on Controls, commonly known as SOC reports (SOC1 under SSAE No. 16 and ISAE 34021 and SOC2), for the IT General Controls (ITGC) associated with their customer-facing systems environments.

In addition to compliance with all key accounting standards, the financial management system should have built internal controls and auditability into the system. The system should provide tools for security and controls management with permissions and management approvals all built into the core. In addition, the system must provide flexible workflows that ensures approval, workflow, and routing processes are defined and orchestrated centrally while preserving a complete audit trail of approvals and changes. When examining technical criteria for a GRC solution, upgrade paths and scalability should be a key consideration.

GRC experts point out that typically no single solution will meet 100% of an organization's GRC needs. Many GRC platforms support a wide range of use cases, and some vendors are stronger in certain areas than in others. NetSuite provides a host of options for customers to develop, maintain, and monitor their portion of the control framework from within the NetSuite system. Third party applications are also available that provide additional tools for control environment management. A cloud-based environment doesn't remove the responsibility for good controls, instead it shares the burden to allow firms to focus on their portion of the control framework.

Chapter **3**

MULTI-COMPANY AND GLOBAL BUSINESS MANAGEMENT

At some point in time, your company may grow across multiple geographies, with multiple subsidiaries and international locations. At that stage, you will have to deal with reporting currency, calculating taxation and meeting different legal and compliance requirements for each division. You'll also need to consolidate financial and business information and gain visibility at the regional and global level.

Handling local taxes poses a challenge for many companies. Your financial management system should readily handle local taxes across subsidiaries through an integrated tax engine that allows for multiple tax schedules for everything from GST to VAT, to consumption tax or general sales tax. The system should also handle country-specific accounting standards and deliver multi-currency management in all financial areas including accounts receivable, accounts payable, payroll, billing, invoicing, order management, forecasting, quota management and commissions.

With global currency exchange rates changing on a daily basis, your financial management system needs to be able to automatically update exchange rates. It needs to enable your finance department to maintain the current local currency conversion rate as well as the historical rates used at the time an order was placed or a commission was paid.

While multi-faceted currency conversion capabilities are an important part of running a global business, consolidation of financials and real-time roll-up is critical to achieving a more rapid financial close, as well as to gaining timely visibility into operations. Your financial management system needs to deliver multi-currency consolidation across accounts receivable, accounts payable, payroll, inventory, billing, invoicing and order fulfillment—from local in-country operations to the regional office to global headquarters.

The need for intercompany eliminations is important if you have multiple subsidiaries. Many companies do not have a clear intercompany elimination policy and find themselves struggling with currency, accounting and tax implications. You need to properly revalue foreign currency intercompany assets and liabilities and set currency conversion rates before performing the intercompany eliminations. To do this, your financial management system needs to have local entity and inter-entity reporting, automated management of revenue recognition, tight internal controls, easy-to-follow audit trails and multi-national compliance capabilities.

“As we grow into new countries, all the local requirements in terms of currency, GST and accounting reports have to be met. With NetSuite OneWorld, we actually have instantaneous access to all of the information at our subsidiaries in real-time.”

Chapter **4**

STREAMLINED ORDER-TO-CASH PROCESS

One key to maintaining control over your bottom line is ensuring that your core business processes can scale efficiently as you continue growing. Without doing so, you can compromise your ability to increase profits as your revenues grow. As businesses grow rapidly, the order-to-cash process is one of the first areas to expose these growing pains and an inefficient, manual order-to-cash process can be expensive and cause major revenue recognition and customer service issues.

When sales reps convert a lead into a customer and place an order, that information typically needs to be transferred to other databases to process the order management fulfillment, update the accounting information, populate customer records and calculate and pay commissions. Without efficient order-to-cash systems, you may not be able to capture this information in your accounting systems in time for the close of the quarter, resulting in inaccurate reporting, decreased revenue results and unhappy sales reps because of delayed commission pay-outs. Furthermore, hours of employee time are wasted retyping data from one system to another, and costs only rise as more staff and contractors must be hired and paid overtime to handle order processing demands.

Once an order has been placed into the order management system, you need to ensure that customers provide payment in time and that your Days Sales Outstanding (DSO) number doesn't get to a point where it results in order cancellations or customer dissatisfaction. A system that integrates front- and back-office processes and includes built-in order management allows your business to reduce unnecessary paperwork and costs by enabling personnel to turn closed opportunities into orders with just a few clicks of the mouse. It also provides your finance and executive team with far more accurate and timely insight in to business performance.

By streamlining and accelerating the order-to-cash process your business can benefit by eliminating manual bottlenecks and errors and establishing a smooth flow from sales quote to approved order, successful order to fulfillment, and timely invoicing to payment, the way TubeMogul did. TubeMogul, an enterprise software company for digital branding, used NetSuite to streamline its billing and order-to-cash cycle, with sales orders automatically triggering ad campaign creation and complex revenue accounting and billing processes have been simplified. TubeMogul's multi-currency transactions, 12 in total, move six times faster, and global financial consolidation time has been cut in half.

Another company, Outback Toys, sped up its order-to-cash process significantly while saving $100,000 annually and growing the business by 33% with NetSuite. Nucleus Research found that customers using NetSuite's automated quote-to-cash functionality were typically able to reduce quote-to-cash time by 50%.

It is vital to ensure that your order-to-cash process is streamlined, efficient and secure and incorporates the controls necessary to increase revenue and margins, reduce risk, and improve working capital.

Chapter **5**

INTEGRATED INVENTORY MANAGEMENT, FULFILLMENT AND SHIPPING

A major component of cost control is ensuring that inventories are replenished at the appropriate times. When you have more inventories on hand than required, it increases your cost of goods sold (COGS), which in turn hits the profit margins of your company's various product lines. To manage each product's margins with a clear view into inventory costs, turn rates and inventory profitability, a good financial management system will incorporate strong inventory management controls and provide you with complete real-time visibility into demand, supply, costs and fulfillment trends.

Key capabilities of inventory management include bin and lot management, landed cost, demand based replenishment, customer and volume pricing, and multi-location inventory. Keeping track of performance around these areas will enable your company to gain control over inventory replenishment and ensure that you have enough product on hand to fill anticipated orders, while keeping excess stock and related costs to a minimum.

In this manner, you can slash inventory costs by tightening control of stock levels while increasing operational efficiencies. Big Agnes, a manufacturer of tents, sleeping bags and sleeping pads for backpacking, camping and outdoor adventure has doubled productivity in order and inventory management, fulfillment and accounting; freed up staff resources and avoided hiring additional people; gained real-time visibility into the business; and improved customer support quality. Big Agnes is rolling out NetSuite ERP globally as it expands into 20 countries.

Strong inventory management capabilities also enable you to track the specific cost for each lot as products are bought and sold. As a result, your company gains pricing flexibility by being able to assign different prices to different types of customers and sales channels, such as wholesale, retail or online sales. This strategy helps you increase your customer footprint and extract maximum value, while at the same time controlling your costs. Furthermore, integration with your back-office accounting system allows your finance staff to calculate demand plans leveraging historical data and model how expected sales and purchase orders affect future inventory levels.

While having detailed inventory management functionality certainly helps you maintain stringent controls over your margins, it can add even more value when integrated with fulfillment and shipping. With integrated inventory, order fulfillment management and shipping, you can eliminate manual re-entry, order processing errors, and the costs of reconciling shipping information. In fact, according to independent analyst firm Nucleus Research, companies typically save as much as 35% on annual shipping costs with a single, integrated back-office system for inventory and fulfillment. You can also reduce fulfillment errors by electronically routing orders to suppliers for drop shipping and improve your returns process with integration between order management and return merchandise authorization.

Chapter **6**

COMPLETE PROCURE-TO-PAY PROCESS

All businesses need to purchase services and equipment. Without strict purchasing and approval processes, you run the risk of employees engaging in maverick spending that can hurt your bottom line and potentially open your wallets to the opportunity for fraud. A financial management system that handles the complete procure-to-pay process gives you visibility into all areas of spending to quickly identify and rectify any out-of-control costs and find opportunities for savings. You need a system that has complete purchasing workflows, policies, approvals, and audit trails to provide complete control and ensure accountability.

Another benefit of a streamlined procure-to-pay process is time savings and the elimination of errors through automation of the entire process through purchasing, receiving and account payables. When your finance employees can track the status of purchase requisitions and orders through self-service functionality that eliminates paper-based forms and associated errors, it frees your staff to focus on activities that help grow the business while trimming the bottom line.

A further benefit of automation is that new purchase orders are automatically generated once re-order points have been reached for goods or raw material. Instead of having to pull staff off projects to look up previously-completed purchase orders and order quantities, and generate another purchase order, purchase orders can be automatically triggered by your financial management system.

Once purchase orders have been generated, vendors that provide goods or services to your company need to get paid. Your finance staff will need to confirm with the receivables department whether the services or goods were delivered as promised and only then authorize accounts payable to release payment to the vendor. All these activities consume valuable cycles that your finance staff could spend on other critical financial processes and operations. Integrating receivables with accounts payable ensures that payment can be promptly delivered to vendors.

Chapter **7**

PROJECT ACCOUNTING AND CONTRACTS MANAGEMENT

For companies with professional services organizations and services businesses, project-based accounting and billing is one of the most important and complex areas for finance staff to tackle. Your staff needs to be in constant contact with the appropriate business units in your company to ensure that project deliverables have indeed been completed and that payment can be recognized, collected and released to the contractor. Coordination with accounts payable for payment processing also needs to be performed with detailed line items of the various deliverables the contractor has provided at each stage. The situation gets more complicated when multiple contractors are involved and can take up even more of your finance staff's valuable time.

When the project-to-bill process is integrated with the finance and accounting systems, stakeholders have complete real-time visibility into the relevant aspects of the project and no longer must spend time retrieving this information from other groups. Best-in-class financial management systems can automatically calculate the appropriate proportions of payments to be made at each stage of the project to all parties involved. This reduces the amount of time your finance staff needs to work on complex payment calculations so that they can focus on activities such as analyzing project costs to determine areas where money can be saved for future projects. With its financials, services business and sales operations all running on NetSuite, W2O Group, an independent network of complementary integrated Marketing, PR, and Communications firms, employees can drill down to transaction levels in reports, executives can compare margins across W2O's eight subsidiaries, and project management is more proactive and efficient than ever. Streamlined project management processes have freed staff to devote more time to clients and project execution.

Robust project-based billing capabilities serve as a threshold for complex contracts management. Many companies suffer revenue leakage and customer churn because they rely on cumbersome, inefficient and sluggish manual processes to manage contracts. The many spreadsheets and organizational handoffs involved introduce costly errors and project delays, and rob companies of the opportunity to capitalize on the full potential of their contract-based business. In many cases, companies leave money on the table because they cannot respond quickly enough to expiring customer relationships.

One of the many issues around contracts management is managing the multiple transactions that typically occur with a customer over the course of a year. Some of these may be one-time transactions, while others are annual contract renewals for new users, product and module licenses, or support and maintenance entitlements. A good financial management system simplifies this process for both you and your customer by allowing the co-termination of multiple transactions into a single contract with a single renewal. At the same time, multi-contract support provides for additional flexibility when it may not be appropriate to co-terminate all items under a single contract. This streamlined approach helps ensure maximum revenue during the renewal process. This streamlined approach helps ensure maximum revenue during the renewal process.

Uplift and discounting are critical aspects of the contract management process. As you renew a customer, you may increase pricing based on a pre-defined price book, a standard across-the-board increase, or you might increase pricing for only some of your customers. Similarly, you may extend discounts to select customers. It's important that you have the flexibility to implement and customize uplifts and discounts across any range of customers. However, managing this process with spreadsheets introduces the risk of error, lost revenue and customer dissatisfaction. It's essential that your financial management system supply features that enable uplifts to be managed across the board or on a customer or contract basis, while supporting granular discounting down to the individual transaction level.

Chapter **8**

ACTIONABLE BUSINESS INTELLIGENCE

Getting an accurate view of your company's operations can often be a challenge. Data is frequently fragmented and scattered across several systems, and spreadsheets are often out of date, error-prone and hard to maintain. Traditional add-on analytics tools are expensive to implement, and often lack the key business intelligence components and easy access required to make them pervasive.

What are the key business intelligence components that you need for both a holistic and detailed view of business operations? For a broad overview of the performance of your various divisions, you need role-based dashboards that deliver personalized insights tailored to each finance user's need—be it the controller, financial planning and analysis managers, analysts or the CFO. These dashboards need to extract data from a single, centralized data repository so that the data is real-time and "multiple versions of the truth" are eliminated.

To analyze the performance of your company correctly, you need quantitative metrics and KPIs to evaluate the success or failure of various activities within your company departments. These KPIs enable you to measure performance against benchmarks and goals specific to lines of business, and show key variances and period-on-period trends. Once anomalies have been identified, you should be able to drill down from this summary level to greater detail, all the way to the underlying transaction.

Beyond historical comparisons, the ideal solution will give your finance staffers a real-time view into KPIs and performance metrics that span the full 360 degrees of your operations—across sales, marketing, service and fulfillment—to enable analysis of financial impacts and cross-departmental dynamics. Real-time data, accessible on demand over the web, delivers actionable insights that improve your ability to rapidly address issues as they arise and capitalize on opportunities. For instance, after a rapid, two month implementation of NetSuite OneWorld, alternative finance leader, Avant, can now make data-driven decisions with real-time access to KPIs. Streamlined financial reporting saved the company an estimated $120,000 per year while the SuiteCloud Development Platform lets the business tailor its workflows.

Chapter **9**

ADAPTABILITY TO SPECIFIC BUSINESS MODELS

Your financial processes need to be robust, auditable and as automated as possible to maximize efficiency and provide detailed visibility into your company operations. In re-engineering your processes to meet these goals, you need to be sure that your financial management system is flexible. When your company tries to enter new industry verticals or expand to new sales channels or markets, your financial management systems need to be agile enough to adapt to these new business models.

Your financial management system should be able to address the needs of your unique industry and business model. In industries such as manufacturing, for example, you will want to integrate your financials with your suppliers' manufacturing processes to reduce lag between your customers' demands and your ability to plan your manufacturing resources. When dealing with wholesale and distribution companies, one way to improve your cash flows is to shorten your Days Sales Outstanding (DSO) with automated billing and collections management.

In the software sector, because of the intangible nature of the assets involved, you may need detailed amortization schedules to depreciate these assets appropriately. Revenue recognition requirements in the software industry are complex with a need to be able to easily assess and report on historical fair market value in order to establish and monitor based on Vendor Specific Objective Evidence (VSOE). These examples are only a sampling of the several use cases you may encounter with specific industries.

In addition to industry-specific capabilities, the system should have built-in configurability, ease of customization and flexible workflow management to align with your unique business processes. The workflow engine must be able to rapidly edit the actions and rules that impact a particular financial process and be able to specify conditions for workflow transitions to help with back-office automation. In fact, workflow handling can be a major part of process improvement—in the case of CB Engineering, a specialized equipment provider with complex technology, the time to compile a 100-line custom-order proposal dropped from three hours to thirty minutes with NetSuite. The financial management system should also contain graphical customization components so that your staff can more easily and rapidly create customizations and custom objects by simply selecting various logic elements.

“We sell multi-period engagements and have to manage complicated revenue recognition schedules. Our business was growing and NetSuite was able to render the scalability needed without incurring incremental spend for IT related resources or headcount.”

Glassdoor

Chapter **10**

LOW TOTAL COST OF OWNERSHIP AND SUPERIOR EASE OF USE

A typical finance team has to contend with several applications ranging from accounting to financial planning, business intelligence, inventory management and front-office systems like order management, CRM and ecommerce. Your IT department has to spend valuable time to plan, deploy, manage, integrate and maintain these multiple applications. Capital-intensive hardware infrastructure, servers and software licenses, combined with expensive, time-consuming upgrades, drive up your operating expenses—and those costs can get out of control the faster you grow. Furthermore, your finance staff may be dispersed in multiple locations, and may have to deal with a cumbersome and slow VPN client to access your financial systems.

Your core business management system should not only perform essential finance functions but also minimize overhead and help manage costs. Selecting a cloud-based financial management system is a sure-fire way to reduce the TCO (Total Cost of Ownership) of your solution.

It is only through a cloud-based financial management solution that your staff can easily access data in real-time without having to rely on IT. This type of solution is managed and operated by a provider and all of your transactional and customer data is housed at the provider's data center together with the hardware and software infrastructure to run it.

This kind of financial management system is called multi-tenant, which means that the provider is able to achieve economies of scale by running the application for thousands of customers across a shared infrastructure, with cost efficiencies that are impossible to achieve for an individual department to realize on its own. The result is that a cloud-based multi-tenant financials application can be more than 50% cheaper to run than its on-premise alternative. In an Institute of Management Accountants (IMA) survey, respondents cited lower TCO as the number one benefit of moving to the cloud, followed by anytime, anywhere access. A study by Hurwitz and Associates seems to back this assertion—Hurwitz found that the TCO

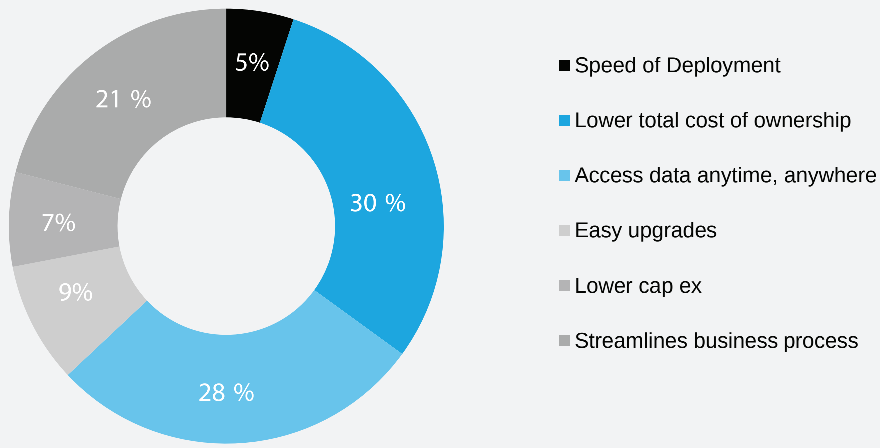

Figure 1: Benefits of Moving to the Cloud

savings for a cloud versus an on-premise business application ranges anywhere from 35-55%.

For example, Roku, the creator of a popular streaming platform for delivering entertainment to the TV, reduced its monthly financial close time by 500%, while not adding personnel in finance, order management or IT.

An added benefit of a cloud-based financial management system is that there is a single version of the application. This means that your finance department receives automated upgrades and functionality (such as support for the latest accounting and regulatory changes) without requiring they undertake a time consuming and painful patching and upgrade process. It also means that customizations you make to your system carry over seamlessly during automatic upgrades, and IT does not have to be burdened with reimplementing customizations. The result is a seamless upgrade process taken care of by your vendor, such that your finance department will always be running on the latest software and hardware.

"We have tripled our productivity, enhanced our risk management and reduced our overall ecommerce IT expenditures by more than 20% by switching to NetSuite."

— **Magellan GPS**

With a cloud-based financial management system, your employees have anytime, anywhere access to their systems through a web browser. This enables your finance staff to always have access to critical information such as cash on hand, cash flows, liabilities, debts, profit margins and more.

A state of the art, modern cloud based financial management system should be built on a robust cloud infrastructure that is scalable with true multi-tenant architecture giving you freedom from the legacy processes of buying and setting up hardware, installing software, building out security models, setting up reporting engines and integrations and defining user access and authentication systems. The infrastructure should include all of the above IT processes as well as fully redundant hardware including third party security and operations audits (such as SSAE 16 Type II, SOC1, ISAE 3402 Type II, US-EU Safe Harbor framework, PCI compliance, NIST 800-30 and ISO 27000 series of standards), housed in multiple failover datacenters—all in a proven, turnkey, guaranteed available service that grows and scales as your business and compute needs change. These performance, compliance and audit levels are very expensive for individual companies to gain and maintain. They represent both comfort for the boards, CFOs, CIOs who are looking for assurance, compliance and reliability.

CONCLUSION

A financial management system is key to running your operations profitably. You need to have real-time insights into numerous financial metrics such as profitability ratios, inventory margins, liabilities, fixed assets and taxes. An integrated financial management system that brings together your order-to-cash and procure-to-pay processes provides you with great business visibility while allowing your staff to perform their jobs much quicker. An adaptable financial management system with rich business planning, comprehensive system integration and solid reporting capabilities that operates in the cloud will position you for the next stage of growth.

FMS Checklist

Core Financial Management	
General Ledger, Accounts Receivable and Accounts Payable	☐
Expense Management	☐
Tax Management	☐
Compliance Management	☐
Asset Acquisition, Depreciation, Disposal and Revaluation	☐
Depreciation Management	☐
Asset Process Accounting Automation	☐
Cash Flow Management	☐
Revenue Recognition	
Support for Key Revenue Recognition Rules	☐
Revenue Recognition Management on Multi-Element Sales	☐
Custom Revenue Recognition Templates	☐
Financial Planning and Reporting	
Budgeting and Forecasting	☐
Modeling and Administration	☐
Inventory Management	
Inventory Cost Management	☐
Product Margin Management	☐
Inventory Control Capabilities	☐
Monitor Inventory Turnover	☐
Demand and Supply Planning	☐
Purchasing and Vendor Management	
Purchasing Audit Trails	☐
Automatic PO Generation	☐
Shipping and Fulfillment	
Integration With Shipping Carriers	☐
Self-Service Viewing of Shipping Status	☐
Monitor Inventory Backorder	☐
Allow Selection of Shipping Priority	☐
Logistics Tracking	☐
Support Multi-Step Fulfillment	☐

Quote, Order and Billing Management	
Electronic Routing for Drop Shipping	☐
Automatic Quote-to-Order Transformation	☐
Automatic Order-to-Invoice Transformation	☐
Integrated Pricing and Discounting with Quote Management	☐
Integrated Order Management and RMA	☐
Automation of Different Payment Terms	☐
Support For One-Time, Partial, Pro-Rated, or Recurring Billing	☐
Monitor DSO and Aging	☐
Governance, Risk and Compliance	
Annual reports on Statement on Controls, SOC reports (SOC1 under SSAE No. 16 and ISAE 34021 , SOC2), for the IT General Controls (ITGC)	☐
Consolidation of commonly siloed GRC processes	☐
Central storage of GRC data and documents	☐
Role-based configurable dashboards/notifications	☐
Common workflow and rules engine, Regulatory Intelligence	☐
Change Management, Revision Management, Audit Management	☐
Comprehensive Reporting, Closed loop process between GRC and Legal	☐
Business Intelligence	
Real-Time Dashboards	☐
Key Performance Indicators	☐
Self-Service Reporting	☐
Multi-Subsidiary Management	
Support for Multiple Currencies and Tax Rates	☐
Local Entity and Inter-Entity Reporting	☐
Real-Time Exchange Rates	☐
Project Accounting and Contracts Management	
Resource Management	☐
Contract Renewal Management	☐
Proportional Payments	☐
Project Costing	☐
Custom Uplifts and Discounting	☐
Multiple Transactions Management	☐

NETSUITE | #1 Cloud ERP

www.netsuite.com

info@netsuite.com

877-638-7848