

Research Agenda 2021

Finance Practice

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Companies have benefitted from rapid deployment of cloud-based ERP.

“Customization” once delayed legacy implementations, but now “Low/No Code” environments enable personalization and better adaptation to unique business requirements. As AI, IoT, and other acronym-rich trends increase the pace of change, rapid system updates and increased leverage of available capabilities become more and more valuable. Putting predictive, intelligent, and mobile capabilities into the hands of front-line resources will further increase the payoff. The Financials and ERP practice at 3Sixty Insights plans to explore these and other themes over the next 12 months:

Concrete vs. Abstract Finance: A New Way for Organizations to Look at ERP

Finance systems grew from their ease at tabulating structured accounting data. The office of the CFO rose in importance alongside these internal “ERP” systems by providing the information used to make decisions. This “concrete” information, however, has always been limited in its ability to conceptualize and manage the entire business. “Abstract” concepts such as core differentiators, lifetime value of supplier and customer relationships, innovation, and speed to market, etc. are often absent in financial reports. However, this is rapidly changing.

3Sixty Insights Hypothesis: Finance organizations have long enjoyed a central role in tabulating and presenting concrete financial and management data. As technology evolves, demands are growing for Finance to better integrate abstract insights into their analyses. The synthesis of concrete and abstract information is both an opportunity, and a threat. Finance remains in a unique position to pull information together from across the enterprise. However, as non-financial systems (CRM, HCM, etc.) mature and grow in proximity to sources of abstract value, these areas will offer companies evolving choices on where to invest.

3Sixty Insights Assumption: In this research, 3Sixty Insights will explore how leaders can synthesize and integrate concrete and abstract value to build a fuller picture of their organization. From business cases, practitioner interviews, and insights from groundbreaking implementations, the research will endeavor to better understand the fundamental benefits, efficiencies, and return on investment achieved by merging concrete and abstract understanding.

Suite vs Point Solutions vs Specialized Systems: Where Should Finance Draw their Lines?

Getting to the iceberg of abstract value hidden behind concrete figures is critical to decide when to centralize, when to decentralize, and when to employ specialized systems. Will “lowest common denominators” extinguish value greater than they create? Do certain compelling value opportunities necessitate “one-off” solutions, or should departments be discouraged from heading off on their own?

3Sixty Insights Hypothesis: Centralization vs decentralization swings like a pendulum in financial automation. “Concrete” concepts often enable a “suite” approach. But even straight computations like payroll taxes can force decentralization as complexity overwhelms standardization. Whenever opportunities are compelling, there is temptation to pursue them via whatever means might be available. Then, as these decentralized efforts mature, cost savings and efficiencies lead them back inside the centralization fence, and the cycle repeats.

3Sixty Insights Assumption: In this research, 3Sixty Insights will study various centralized, decentralized, and specialized approaches. As Finance organizations evaluate their technology landscape, they will find a variety of value opportunities available to them—sometimes these will be just doing a better job at what is already automated and gaining economies of scale and standardization via centralization. Sometimes these will be acquiring new capabilities and/or technology that is best realized via point solutions not yet available in standard suite form, or in specialized solutions that achieve value and ROI that other options cannot.

Seeing Through the Haze: Where is Real Value in the Cloud?

“Software-as-a-Service” is anything but new—IBM opened its first “Service Bureau” in 1932. But System/360 mainframes convinced companies that running their own data centers could make sense, and Moore’s Law has ensured that retail processing power only gets more affordable. Software innovators have rushed to fill this ever-growing marketplace by licensing their wares as lucratively as possible—most often via “on-premises” contracts. But has this model stifled opportunities to redesign systems better suited to subscription delivery?

3Sixty Insights Hypothesis: Cloud delivery and subscription billing are reemerging as the preferred standard. Customers benefit from faster deployments and relief from capitalization burdens. However, in many cases, the software itself hasn’t changed, and this raises some key questions. “Legacy” ERP designs often remain stubbornly embedded within cloud

offerings: Batch interfaces still necessitate reconciliation and manual error correction; Proprietary technology still requires complicated interfaces, and yet more reconciliation and error correction; external reference systems remain distant and inaccessible. Cloud-optimized designs can radically change the way ERP systems function, and should yield compound benefits that make a real difference.

3Sixty Insights Assumption: This research will target distinctions between cloud licensing and delivery advantages, and true design innovation. By quantifying the consequences of “batch” processes, reconciliations, and consistency errors, an understanding of the burdens of “legacy” system design can be better understood. Though marginal advantages in deployment speed and capitalization savings are likely measurable in most cloud installations, a significant leap in value should follow from better, cloud-leveraged system designs.

Data vs Information: The Rise of Analytics

Often, the difference between abstract and concrete is interpretive. For example, product quality can be measured in different ways, from defect rates to review ratings. When correlations between financial and non-financial measurements can be drawn, monetary value can be applied to abstract concepts, and better decisions made.

3Sixty Insights Hypothesis: The synthesis of concrete and abstract information used to rely heavily on human intuition and interpretation. As analytics mature within standard software, the foundation upon which intuition and interpretation can be applied is improved, and so do the judgments made as a result. Artificial intelligence and machine learning will accelerate the pace at which actionable metrics are discovered and driven back into business automation. Business leaders will spend less time recording and compiling data, and more time understanding its implication and taking action. The phenomenon is taking root not just in ERP and finance. In HCM, for example, predictive and prescriptive analytics drawn from workforce data have evolved for several years in helping guide leaders' actions.

3Sixty Insights Assumption: This research will study the evolution of business reporting from concrete, structured financial data, to more abstract and insightful information and analysis. It is anticipated that finance organizations making more relevant connections to abstract value from their concrete financial information will play an increased role in management decision-making. In organizations where financial reports remain isolated from richer information about the business, other departments will play an increased role in

planning and analysis. These factors at once pose risks to the influence of finance departments and opportunities for other domains of the enterprise, such as HCM and CRM.

Enterprise Structure vs Line-of-Business Initiatives: Achieving Balance in Location of Power

Companies frequently need to make decisions on whether a strong, central enterprise structure aids or inhibits initiatives within lines of business. You can often tell which way an organization leans by the background of its chief executive. (Did he or she rise from the ranks within operations, or sales, or from a regional office, or is power concentrated more heavily within enterprise corporate functions like Finance and bequeathed accordingly?)

3Sixty Insights Hypothesis: Whether centralized, decentralized, or specialized, it is important for a company's automation to support the way the business operates. Centralized functions need to accommodate line of business and/or regional concerns. Distributed functions need to be coordinated and effectively consolidated to aid central executive decision-making and record-keeping. Specialized automation needs to be continuously evaluated for its ultimate return on investment to know when it is best to bring back into suite or point solution landscapes.

3Sixty Insights Assumption: Companies that best align their automation landscapes to their unique business needs will find it easiest to answer the enterprise vs line-of-business control question. Though system decisions are generally driven by the structures in which they are made, structures often grow as much from their automation landscape as they do from business goals and needs. Companies that adapt their automation to their structures will reap greater rewards than those that allow their internal structures to dictate their behavior.

By the Glass or By the Bottle? It's Not Just What You Buy, But Also How You Buy It

SaaS does not just change how companies automate, but also what and where companies automate. Fewer infrastructure and resource requirements enable smaller departments to evaluate specialized automation that would have been beyond their consideration only a few short years ago. This puts a strain on central management, which must keep up with those departmental interests or risk being bypassed. Even the change to monthly subscriptions enables an end-run around entrenched IT and Finance evaluation teams that previously used the capital expenditure approval process to ensure their ultimate control.

3Sixty Insights Hypothesis: Eliminating capital expenditure approvals for automation projects fundamentally changes the way companies make decisions. The emergence of easily acquired and easily deployed software presents oft-irresistible opportunities to create specialized islands of automation within an organization. This complicates efforts to achieve optimal balance between centralized functions, and decentralized capabilities. Maintaining visibility to hidden icebergs of implementation, training, and integration expenses is essential for judging the true cost and return on software investments.

3Sixty Insights Assumption: This research examines how companies are making system decisions. Hidden costs beyond subscriptions—like implementation, training, and integration—are not always well understood, despite their significant impact. Organizations that maintain an effective handle on this iceberg of ~~abstract~~ obscured cost and value will make more effective long-term choices and achieve the best returns on their system investments.

By the Glass or By the Bottle Continued: Subscriptions Change Sellers As Much As Buyers

Vendors are traditionally valued via “on premises” metrics: 1/3, 1/3, 1/3 for licenses, maintenance, and services. (With Cost of Sales at 25 percent of licenses). But subscription revenue timing ironically causes vendors to skimp on sales expertise and customer service to get their expense numbers back into that arbitrary historic line in the short term. Buyers encountering these organizations will experience the consequences: An absence of knowledgeable salespeople makes selecting the right solution more difficult. A dearth of customer service resources promotes expensive “churn” which damages customers as much as vendors. Consultants pressured to make up revenue gaps no longer maintain their customers’ best interest as their number one motivation.

3Sixty Insights Hypothesis: Vendors need to better manage their business based on the future value of expected cash flows, and not short-term revenue. This will enable proper investments in knowledgeable and experienced salespeople that can best help prospects evaluate and select the right solution for them. Likewise, enhanced support resources will better promote customer success and reduce expensive churn. Services need to be directed again to focus on customer success as the foundation of any successful subscription-based business.

3Sixty Insights Assumption: This research will look closely at vendors. It will identify the metrics that are used by the most successful SaaS vendors to right-size their sales, support,

and service organizations, and judge their performance related to customers success. It will establish a clear link between “stickiness” and customer loyalty and quarter-to-quarter business results. And it will undoubtedly show that the most successful vendors are the ones that enjoy the most successful customers.

How Technology Is Changing: ERP is Dead – Long Live ERP

It is easiest to evaluate a vendor by looking at their product rather than their website. Batch interfaces, anachronistic technology silos, and even antiquated address entry techniques, can reveal important details. (Even the USPS offers API's these days to validate addresses in real time). Understanding the difference between cloud deployment and cloud design is the difference between subscribing to the same old legacy ERP, or stepping into a new world where technology once again enables, and not restricts, pursuit of strategic business goals.

3Sixty Insights Hypothesis: Cloud-enabled design advantages will fundamentally change the way companies operate. Monitoring, diagnosing, reconciling, and correcting batch interface errors will cease. Finance departments will be relieved of the clerical overhead to enter, maintain, and correct information necessary to do business with suppliers and customers as collaborative business models evolve, and grow. Finance departments will be able to redirect resources to higher-value activities that can seek, cultivate, and optimize abstract value, driving concrete monetary benefits to the bottom line.

3Sixty Insights Assumption: This research will study the impact of streamlining the finance function as enabled by better cloud system design. It is expected that finance organizations will be able to incorporate increasing amounts of non-traditional “abstract,” or qualitative, data into their financial analyses. Advanced analytics will drive better understanding of the concrete monetary value of these abstract concepts, and hard numbers will empower business leaders to drive change into their organizations at greater and greater speeds, while enhancing both growth and profitability.

Transformation via Integration: It's All Connected

There is a world of difference between interface and integration. File-based communication techniques carry intrinsic weaknesses, and whole categories of software have grown up to address the shortcomings: ETL (Extract, Transfer, Load) utilities just to get data from one system to another; reconciliation tools that aid but never eliminate the need to manually identify, diagnose, and correct consistency errors; reporting environments that are vulnerable

to conflicting versions of executive “truth.” Cloud services offer opportunity to seek a better way.

3Sixty Insights Hypothesis: “Live” API’s offer opportunity to expand transactional “units of work” to encompass fuller business impact. Resources previously burdened with attempting to achieve data consistency are now free to pursue higher-value activities. Information that is provided in context is immediately more valuable.

3Sixty Insights Assumption: This research will investigate ways different organizations are pursuing integration between their disparate system investments. It is expected that even without additional capabilities, the relief from interface operation and reconciliation will free substantial resources for higher-value tasks. The end result should be an increase in the total value of system investments.

Other Topics for Consideration

Over the course of the coming year, 3Sixty Insights expects to touch on these additional subjects that are experiencing significant discussion in the finance space:

- **Digital Transformation – what it is, and how it is being achieved**
- **Blockchain – how distributed ledgers can improve collaborative commerce and aid distribution**
- **Rapid Updates – how receiving new capabilities sooner can impact staffing strategy**
- **Personalization – how low/no code environments and mobile technology are changing who uses ERP**
- **Shortening disruption cycles – how the appearance and impact of competitive threats are changing**
- **The Internet of Things is not just for logistics – how intelligent assets and inventory impact finance**
- **Beyond Automation: What’s the Next Game-Changer for Finance Technology?**