THE BUYERS' GUIDE TO FINANCIAL MANAGEMENT SOFTWARE

The 10 Essentials of an Effective Financials Solution

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The 10 Essentials of an Effective Financials Solution

Over the years, QuickBooks has become the de facto standard financial software for small businesses, with more than 5 million businesses using it. QuickBooks is the best fit for many businesses on day one, but is it the right choice to enable rapidly growing businesses to sustain and accelerate growth?

In many instances, QuickBooks is inadequate. It lacks many of the capabilities that growing businesses need and provides limited real-time visibility into essential business information. Because of QuickBooks' limitations, companies are often forced to grow by adding more systems or applications for specific purposes—which often aren't integrated with each other—and may revise or attempt to automate certain business processes. This can result in a complex "applications hairball" that's rife with manual tasks and bottlenecks, increases the risks of errors, can hurt the customer experience, and can limit growth.

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 recognised 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.

1. Core Financial Management Capabilities

Accounting Functionality

Every financial management system needs to have basic accounting functions such as general ledger, accounts receivable and accounts payable, 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 bottom line. For example, Hard Dollar, an architecture and design firm, was able to obtain a 278% year-over-year profit growth with NetSuite's cloud financial management system while reducing administrative costs by 20%.

If your company is expanding rapidly, you need your financial management system to allow a virtually unlimited amount of general ledger accounts and sub-accounts to be provisioned. 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. And finally, it must have predefined charts of accounts for a wide range of industries to help with quicker deployment. Without these essential accounting functions, it becomes very hard for your finance staff to monitor the multitude of cost centres within your company and ensure that you are operating within your set budget. For instance, Digital Check, a manufacturer, was able to grow 350% in six years without adding any staff by upgrading to NetSuite's financials solution.

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 to name a few. 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 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.

“With NetSuite, all of our data is 100% accurate, presented in real-time and available at the click of a button. It’s made a huge difference to the way we work.” – Arboricultural Association

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 recognised 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. 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. A financial management system with robust billing capabilities ensures that you are able to manage your subscription based billing plans easily and accurately. It can even turn billing into a competitive differentiator by allowing your customers to change their billing plans and payment options, thus improving customer satisfaction and lowering attrition.

While billing processes greatly aid with revenue recognition, a financial management system should also help you comply with FASB, AICPA and IFRS regulations regarding revenue recognition. Your financial system should feature built-in support for key revenue recognition rules such as SOP 81-1, SAB 101, EITF 00-21, EITF 08-01 and EITF 09-03 to enable you to recognise revenue for multielement sales, and to recognise them at different rates.

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 recognise 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 recognise 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 recognise their revenue a lot earlier. These regulations thus have a material impact on your revenues and consequently are very important to your bottom line.

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 from various systems instead of performing strategic analysis.

Financial reporting for compliance purposes is extremely important in today's highly regulated environment. Regulations such as Sarbanes-Oxley 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 impeccable, in case you are ever audited. 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 producekey financial reports on demand offers a tremendous competitive advantage.

A robust system should also allow your finance staff to drill through from data entry sheets or budget reports directly into underlying 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 customisable dashboards and KPIs.

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 multidimensional 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.

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.

2. Integrated Inventory Management, Fulfilment 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 fulfilment 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. König Wheels saved $120,000 annually by using a financial management system with integrated inventory management capabilities while simultaneously doubling its sales in four years. König was also able to reduce its need for physical inventory by 25% with just-in-time shipments.

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.

“We’ve been able to manage significant growth while maintaining a five-person financial team. That’s really a testament to the power of the NetSuite platform.”

Guzman y Gomez

While having detailed inventory management functionality certainly helps you maintain stringent controls over your margins, it can add even more value when integrated with fulfilment and shipping. With integrated inventory, order fulfilment 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 fulfilment. You can also reduce fulfilment errors by electronically routing orders to suppliers for drop shipping and improve your returns process with integration between order management and return merchandise authorisation.

3. 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 minimise 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 centre 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 realise 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 fact, in a recent 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 savings for a cloud versus an on-premise business application ranges anywhere from 35-55%.

For example, Magellan GPS was able to save 20% on its IT costs by selecting a web-based financial management system like NetSuite—and triple its sales channel productivity at the same time.

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 customisations you make to your system carry over seamlessly during automatic upgrades, and IT does not have to be burdened with reimplementing customisations. 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.

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.

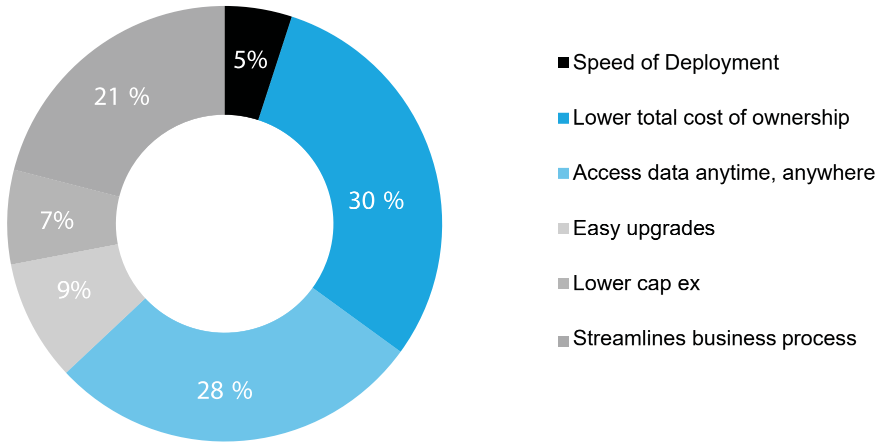
4. A Streamlined Order-to-Cash Process

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 demand 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 fulfilment, 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

“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

Figure 1: Benefits of Moving to the Cloud



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 from improved cash flows, the way Gawker Media did. Gawker Media used NetSuite to integrate its accounts payable and receivable processes and was able to cut bookkeeping costs by 20%. Gawker also integrated its order-to-accounts payable processes to maximise cash on hand.

Another company, Outback Toys, sped up its order-to-cash process by 25% 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%.

5. Procure-to-Pay Processes

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. 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 can also create a complete purchasing audit trail that ensures 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 a certain good 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 authorise 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.

6. HR Process Management

Your employees are your company's most valuable asset—without them, you simply can't achieve your growth objectives. However, there are a lot of infrastructure costs associated with each employee, and it is important to minimise them.

Basic HR management such as onboarding, payroll and expense management can morph into a spreadsheet nightmare when the HR department passes information over to your finance staff. Calculating parameters such as salary, withholdings, deductions, and sick and vacation day accruals can consume several hours each week, with manual, error-prone processes executed primarily through spreadsheets and jumping around various siloed applications.

For your finance staff to accurately ascertain what employees cost the organisation, this information needs to be integrated with the accounting system. Moreover, a payroll system should calculate earnings, deductions, company contributions and taxes automatically. This payroll system also should automate all tax management and tax filing, provide direct deposit options to employees and facilitate paperless payroll. In this manner, all payroll processes are streamlined, manual and duplicate processes eliminated, and money is saved as a result.

A closely-related aspect of payroll is incentive compensation for your sales personnel. Finance staff often spends hours every month calculating and paying commissions, and your sales operations personnel have to spend countless hours resolving sales disputes on commission payment amounts. To avoid these scenarios, you need an incentive compensation system that allows sales operations to configure sophisticated sales commission rules based on quotas, sales, quantity and profitability. This incentive compensation system should integrate with your payroll systems to streamline payment processing, and integrate with your accounting systems so that your finance staff can oversee sales incentive programs.

Another way to trim employee infrastructure expenses is to enable employee self-service within your HR management system and integrate it with your accounting system so that all data changes are automatically captured. A system where employees can enter and track timesheets, expense reports, purchase orders, manage vacation time and W-4s, and view pay-stub details ensures that these processes get completed in a timely manner. Notifications and requests for approvals can be routed automatically to the appropriate managers, and all approvals can instantly be reported to finance and payroll.

Having this self-service functionality in your finance systems allows your staff to analyse the impact of employee activity on the bottom line, not just move data from spreadsheet to spreadsheet.

7. 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 personalised 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, centralised data repository so that the data is real-time and "multiple versions of the truth" are eliminated.

To analyse 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 fulfilment—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 capitalise on opportunities.

8. 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 fulfilment—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.

9. Adaptability to Specific Business Models

Your financial processes need to be robust, auditable and as automated as possible to maximise 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 amortisation schedules to depreciate these assets appropriately. 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 customisation 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 specialised 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 customisation components so that your staff can more easily and rapidly create customisations and custom objects by simply selecting various logic elements.

10. Project Accounting and Contracts Management

For companies with professional services organisations 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 recognised, 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 analysing project costs to determine areas where money can be saved for future projects. For instance, Magnetic, a website design firm, uses NetSuite OpenAir to review how similar projects performed in the past and uses the billing scenarios as a baseline when quoting new work. As a result, unprofitable projects are avoided or fixed before a statement of work (SOW) is signed.

“NetSuite provides instant and accurate information to enable good business decision making. We have detailed insights into our financial performance in terms of revenue and key expenditures like fuel, engineering, pilots and crew, airport, staff and advertising, which are significant cost components for an airline operator.”

Scoot

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 organisational handoffs involved introduce costly errors and project delays, and rob companies of the opportunity to capitalise 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 customise 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.

Conclusion

A financial management system is key to running your operations profitably. You need to have realtime 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 Fulfilment	☐

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	☐
Human Resource Management	
Payroll Management	☐
Integration With Accounting	☐
Automated Tax filing	☐
Employee Travel and Expense	☐
Employee Sick and Vacation Reporting	☐
Incentive Compensation	☐
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	☐

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