

Research Study: Cloud-Based Business Solutions Suite Delivers Key Performance Improvements to Software Companies



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Executive Summary

Many firms—including those in the software industry sector—have achieved more efficient and agile business operations by using cloud-based ERP.

The pace of change in the software business is virtually unmatched, and cutthroat competition is the norm. Companies in this sector need to ensure that their own business operations are as agile and dynamic as the industry in which they compete. Achieving a high level of business functionality and efficiency depends, in part, on identifying, measuring and

improving critical business processes, or key performance indicators (KPIs). For software companies, those processes include everything from financial measures, such as the time required to close the books, to sales productivity, service effectiveness and customer satisfaction metrics.

Dynamic Software Industry Poses Many Challenges

It's hard to identify a business sector more dynamic and challenging than the software industry. Everything from how software is created, sold, delivered and utilized for business is in flux, driven in part by the shift from on-premises to cloud-based solutions. Among the many variables at play in this sector:

Business Challenges

- **Changing business models:** Competition and the shift to a services-oriented deployment model have put pressure on profit margins.
- **Changing expectations:** Customer satisfaction and retention are high priorities with pay-as-you-go models.
- **Changing regulatory compliance:** Software must conform to industry-specific regulatory requirements.

Technology Challenges

- **Version lock:** Rapid product evolution and near-continuous revisions make it difficult to have the latest version.

- **Multi-device support:** A decentralized workforce and the rise of smartphones and tablets create a need to support multiple platforms.

Go-to-Market Challenges

- **Growing ecosystem:** Software vendors must boost collaboration with partners and enable real-time information flow.

In addition to their software licensing and cloud-based subscription and usage revenue, many software firms depend heavily on two internal services departments: professional services and support services. Consulting and other professional services often come into play when capturing customers and helping them most effectively deploy software solutions. Support services can be a crucial factor in keeping existing customers satisfied and loyal.

KPIs That Matter

Software companies continue to invest in cloud applications because of their low upfront costs and faster time to deployment and highly efficient and flexible functionality, which today's agile business environments require. Many software companies have been able to measure and improve their KPIs after adopting NetSuite's cloud-based business solutions suite.

By interviewing and surveying representative

NetSuite customers in the software sector, market research firm SL Associates identified which KPIs these companies track as well as the improvements they've realized by basing their core operations on NetSuite's multifaceted business suite.

Deploying the common NetSuite platform as the foundation for their core business processes generated a range of impressive KPI improvements, as illustrated in **Figure 1**.

Figure 1: Typical Software Company KPI Improvements

Category	KPI	Results
Business Visibility	360° Visibility & Actionable Insights	Increase 50% - 80%
Financial Management	Revenue Recognition Management	Improve 40% - 65%
	Time required for Compliance Support	Decrease 25% - 45%
	Audit Support Time	Reduce 30% - 40%
	Reporting Time and Resources	Reduction 60% - 90%
	Time to Close Financial Books	Reduce 40% - 70%
	Accounting Staff Productivity	Increase 20% - 50%
	General Ledger Consolidation Time	Reduction 20% - 35%
Sales and Marketing	Order Processing Efficiency	Improved 45% - 75%
Professional Services and Customer Support	Professional Services Productivity	Improve 40% - 65%
	Invoice Management	Improved 45% - 75%
	Customer Support Capacity	Increase 25% - 60%
IT Management	IT Support Resource Costs	Reduction 45% - 70%
	Cost to Purchase and Maintain Servers	Reduction 100%
	Business Continuity/Disaster Recovery Costs	Reduce 35% - 50%

Source: SL Associates, 2014

Conclusion

The different types of KPIs shown in Figure 1 represent just a tiny slice of the business processes and measurements that can help software companies determine how well they're performing. Many of the improvements shown spring from both the integrated, multi-function nature of the NetSuite solution, and its delivery as a cloud-based service.

Finding a business solution suite sold as a cloud service has become a highly desired, and increasingly required, purchasing consideration. After all, cloud vendors buy and deploy the servers, storage and other IT infrastructure; acquire and configure the buildings needed to house this equipment; provide data backup and disaster recovery services; and take responsibility for managing, updating and securing the solutions that run in the cloud.

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Having a reputable cloud provider handle these and other critical business processes frees the customer from performing these tasks, which are often outside of the customer's areas of core competency. And, as shown by the following examples of representative NetSuite customers, having a comprehensive and fully integrated business solution suite foundation on which to conduct a wide range of business operations can greatly improve the efficiency and effectiveness of many critical KPIs.

For additional information about NetSuite's cloud-based solutions, visit www.netatwork.com.

NetSuite Customer Experiences

Hortonworks

Founded in 2011, this private firm has grown rapidly to more than 300 employees and has annual revenues approaching \$100 million. Hortonworks sells big-data software solutions and services based on the Hadoop open source codebase. In addition to supporting operations in about 20 states, the company also has a presence in several countries.

The company's rapid growth and its international operations outpaced the capabilities of its former QuickBooks-based financials, leading Hortonworks to acquire a NetSuite OneWorld solution. The Director, Finance Operations at Hortonworks, succinctly summarizes the overarching benefit of the KPI improvements that NetSuite has delivered: "It's the agility," she says. "NetSuite is so scalable that it has been able to keep pace with our growth and, with OneWorld, gives us the international capabilities we need, such as managing exchange rates and consolidating financials," she says.

"Our ability to scale, tweak and grow with the business is just amazing," she continues. "It's so hard, as is the case with other platforms, when you need other people to make changes."

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— Director, Finance Operations

At Hortonworks, the ability to do "effortless" consolidated roll up across its multiple countries and currencies allows her to keep the department relatively small. To accomplish what NetSuite OneWorld does automatically, "we'd need to double or triple our accounting staff," she says.

"I have no internal IT resources, which is one of my favorite things about NetSuite."

— Director, Finance Operations

The fact that the NetSuite solution is cloud-based has also helped the company on the IT front. "I have no internal IT resources, which is one of my favorite things about NetSuite," says the Director.

Among the KPIs that Hortonworks tracks, "our financial close has gone from about three weeks to three to four days," she says. "That time reduction is especially impressive given that the volume of our transactions has been doubling each quarter."

Invoicing is also much more efficient since Hortonworks has integrated NetSuite with the Salesforce.com CRM cloud service it also uses. "If everything upstream in Salesforce is done, we can send out an invoice using NetSuite in about two minutes," she says. "That just couldn't have been done in QuickBooks at the volumes we're now handling."

NetSuite Customer Experiences

Viewpoint Construction Software

Viewpoint Construction Software sells ERP and project management software tailored to the needs of the construction industry. The company has about 600 employees, and has operations in the United Kingdom, Canada and Australia in addition to the United States. Some of the key benefits Viewpoint has realized are based on the robust CRM capability that is part of the NetSuite business solution suite.

“With the CRM capabilities part of NetSuite, we can move from a proposal all the way through to an invoice without performing all of the manual steps we used to do,” says Viewpoint’s Corporate Controller. The Controller, who explains that the company’s earlier financial software (Sage’s MAS 200) couldn’t adequately support the company’s growing needs, also says the “access-anywhere” nature of the cloud-based NetSuite solution was another major selling point.

As with all software firms, “leads and opportunities and managing our sales pipeline are crucial to us,” he says. “With NetSuite CRM, we categorize the opportunities as qualified registered leads, then move them to specific salespeople as sales-aligned leads. We’re able to easily track whether our sales pipeline is shrinking or growing [as well as the effectiveness of our individual sales reps].”

The NetSuite services have also helped Viewpoint achieve faster financial closes. “It took us about 15 days to close our books in the past, while we’re now able to accomplish this in five to six business days,” he says. The cloud-based suite is also helping the company’s professional services operation. “Our ability to track employee utilization with NetSuite has been a definite benefit that has probably helped our profitability.”

Callidus Software

Callidus Software sells CallidusCloud sales performance, marketing and other sales effectiveness software. Previously, the company ran its internal operations on a diverse collection of distinct software products. By consolidating its fragmented software environment with a multi-faceted NetSuite OneWorld solution, the company is saving about \$250,000 each year on software licenses alone, estimates CIO at Callidus.

The company performed an ROI and time-savings analysis of how its migration to NetSuite OneWorld affected nine core accounting processes, and found that it reduced the time required to complete six of the processes by 15–50 percent. The biggest time savings came in its financial close activity, where OneWorld’s automation reduced the process from 8 to 10 days to about four days. Two other processes, audit and quote-to-cash, each saw time savings of about 35 percent.

Frontline Technologies

Frontline provides web-based workforce management solutions, particularly for K–12 schools in the United States and several other countries. Since deploying a NetSuite solution, “we’re better at aligning and reporting our data, since you can report against metrics that are in one system versus in various systems,” says the Business Systems Analyst at Frontline. “Having CRM and ERP together has allowed more actuals reporting.”

Likewise, he says, “We’ve seen a lot of improvement in sales productivity by sales rep. NetSuite lets us get consolidated data so we’re able to marry sales and financial numbers for the first time. That saves us time in consolidation and also lets us make strategic decisions faster.”

NetSuite Customer Experiences

Icon Enterprises

Icon Enterprises is the parent company of CivicPlus, a developer of government websites and community engagement systems, and Networks Plus, a provider of network consulting, design, installation and other related services. Icon's two lines of business were using a variety of finance and business operations software, including Peachtree and several distinct Act! databases, and the company wanted to standardize on a common business suite solution. The company first implemented elements of NetSuite in Networks Plus in 2010. Today, Icon has nearly 210 users of NetSuite ERP, CRM, SuiteAnalytics and other NetSuite modules across both of its business units.

With NetSuite, Icon's monthly financial close has dropped to 3.5 days, down from the 25 required with Peachtree, says Icon's Business Process Analyst and NetSuite administrator. She attributes much of the increased efficiency to the use of NetSuite's revenue recognition schedules on each sales order. "Now, revenue can be recognized at month end with a single click, rather than having to go into an Excel spreadsheet to get the data," she says. "It's like going from a Model T to a Lexus."

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— Business Process Analyst and NetSuite Administrator

In setting up NetSuite's contract renewals module, Icon reviewed its prior year's sales orders as part of the contract conversion process. The company found several contract errors that, combined, allowed it to capture \$100,000 in missed billings. With NetSuite deployed, "we now do revenue audits to compare previous month's revenues to the current month, and have much tighter control and visibility into where there may be gaps," she says.

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Icon has realized a variety of other benefits from its use of NetSuite, she says, including better financial forecasting, higher sales productivity and more accurate revenue recognition. "Before, we had three accountants who were the only ones who could understand our reports, and everything was backward looking," she says. "Now the data is available to more people, and we can more confidently do forecasting, defer revenue over time and hire more confidently based on our business forecasts."