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Slow on the Uptake

By Sarah Fister Gale, July 27, 2010



Using online financial-management software is less expensive and complicated than buying and maintaining applications in-house, yet CFOs at mid-sized companies have been slow to adopt it.

Unlike in-house software that requires servers and on-site IT staff to oversee installation, upgrades and maintenance, programs provided as software-as-a-service, or SaaS (pronounced "sass"), are maintained and managed off-site by a vendor. Instead of buying a license, companies pay a monthly or yearly subscription fee for applications accessed via the Internet. The price is often a fraction of the cost of licensed software.

Despite the benefits, CFOs in mid-sized companies have taken their time warming up to it due largely to legal and regulatory issues surrounding financial data management.

Before flipping the "on" switch, CFOs must be confident that their SaaS vendor stores, manages and interprets financial data in ways that meets legal, corporate and customer needs, and that it also will accommodate future growth and changes in operations.

"SaaS may be a sexy and innovative business model, but when anything concerns financial management, companies need to move with caution," says Nasreen Quibria, senior analyst for [Aberdeen Group](#), a Boston technology market researcher.

Starting from Scratch

Still, CFOs are making the transition, and for smaller companies especially, SaaS is an easy choice.

One company that's made the switch is, [Steute Meditech](#), a \$5 million Ridgefield, Connecticut, designer of controls used by medical personnel to adjust equipment with the touch of a foot.

Three years ago, when Steute split off from former parent company [Schmeusal Group](#), a global machine safety products manufacturer, the new business' management team opted to use SaaS for financial management, among other applications. They partnered with [EasyOffice](#), a SaaS provider offering a variety of hosted software for small to mid-sized companies. Steute uses the firm's Sage MAS90 enterprise resource management (ERP) program for accounting, time tracking, billing and payroll.

For Steute, one reason for choosing SaaS was that it didn't require an in-house IT person to manage, according to Mario Tucci, the company's CFO. "We only have five employees on our team and none of them have IT knowledge. With SaaS, if anything goes wrong, we just call the vendor," Tucci says.

Tucci visited EasyOffice's data center to make sure it would be secure and reliable enough to control his company's financial data. "It was actually much better than what we have internally," he says.

In the end, though, the decision came down to money. When Tucci added the cost of buying a server to the time and expertise required to do back-ups, upgrades, and maintenance, an in-house system was out of his budget range.

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What to Look for in a SaaS Provider

Choosing an online financial management software vendor requires due diligence. Choose a provider with enough experience, security and flexibility to meet your needs and keep your data safe.

Make a list of requirements.

Include legal, regulatory and compliance issues, as well as requirements for reporting, budgeting and other financial management tasks. Use it to ask potential vendors how they handle compliance changes, if they can accommodate global currencies and whether their system can produce reports you need. Demand detailed answers.

Be sure software can grow with you. Determine whether programs can expand with your business, including what the cost is to add users. Ask how you'd be upgraded to a new system if you outgrow the current one.

Talk to customers. Don't rely on contacts provided by the vendor. Seek references from within your own network and ask what their experiences have been.

Visit the data center where your application will be hosted. If possible, evaluate the facility and staff. Determine whether there's 24/7 support, what the back-up plan is in case of an outage, how many people manage the center and the expertise of people running software maintenance and updates.

Ask for the vendor's Statement on Auditing Standards (SAS) 70. This American Institute of Certified Public Accountants auditing standard shows that a service provider has adequate controls and safeguards over data it stores for customers. SAS 70 offers a high degree of assurance a data center is secure.

Test the application. Once you've narrowed the search to a short list of candidates, install demos and try each solution for a few weeks to see if the software works for your processes and procedures.

"It was the difference between buying a \$25,000 server and hiring an IT person versus a monthly fee that was comparable to our electricity bill," he says.

Letting Go of Legacies

Choosing web-based software is easier for a startup with no infrastructure than it is for a company with existing in-house systems, says Joel Chaplin, CIO and Vice President of IT for [Virtuoso](#), a Seattle-based travel network with 300 agency members.

The degree of difficulty depends on how engrained the legacy system is, Chaplin says. "If your financial management system is an isolated application, it's easier to move. But if it's tied into a lot of processes and applications and you already have the expertise in house to manage it, it takes a lot more effort to move it out."

Chaplin has been in both situations. Before joining his current employer, he was a senior vice president of IT at [Motricity](#), a Bellevue, Washington, mobile data-services company, where he oversaw the switch to SaaS financial management software from [Apptio](#).

Motricity made the change in 2007 after a period of rapid growth that was spurred by the acquisition of multiple smaller companies. Prior to that, the company had no financial management software in place and relied on simple spreadsheets to track budgets and forecasting. For a nominal monthly fee, Apptio's SaaS programs gave the company features such as pre-built templates, and helped it more easily track financial tasks across the business.

Chaplin also liked the access to a more advanced system without having to worry about disaster recovery, or keeping people on staff to manage the technology. "It made sense for our company," he says.

"We only have five employees and none of them have IT knowledge. With SaaS, if anything goes wrong, we just call the vendor."

Mario Tucci, CFO, Steute Meditech

All that ended in 2008 when he joined his current employer, which has an in-house ERP system and has no immediate plans to switch. Chaplin urges other business owners to consider SaaS before they get tied into an in-house system. "SaaS is the way everything is going to go in the future, so when you are evaluating solutions you should look at them first," he says.

Look carefully before you choose, Chaplin adds. Select a vendor that can prove it'll be around in 10 years, one with security and backup systems to protect clients' most valuable data, Chaplin says. "Choosing the right SaaS vendor requires serious due diligence."

Do Your Homework

Deirdre Aubuchon is taking that kind of advice to heart in her search for a SaaS partner.

As CFO of [GenomeQuest](#), a \$20 million genome sequence data management company in Westboro, Massachusetts, Aubuchon is sold on the model because it's easy to use and secure, and upgrades are painless. But to win her over, SaaS programs also have to accommodate the nuances of how she performs tasks. Aubuchon evaluated several SaaS systems that worked well enough but didn't accommodate for the way her team handles budgets and sales projections. "It's not that the vendors tried to mislead me," Aubuchon says. "It's just a matter of finding a system that fits our needs."

Before choosing a vendor, Aubuchon encourages companies to do reference checks, find out what peers are using and ask pointed questions about the service provided and how it will meet their current and growing financial management needs.

She also recommends delegating the task of picking the program to someone with the time and technical expertise to make the best decision. "CFOs already have enough on their plate. Give the task to someone who's eager to get the system in place – otherwise you'll never get it done."

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