

# *The future starts now*

Transforming finance functions using cloud based technologies

*Start the transition to your future finance organisation with Workday Financial Management*

*November 2015*





*‘Megatrends’ such as the rise in digital technology, rapid urbanisation and shifts in global economic power are creating an unprecedented level of disruption that is significantly reshaping organisations across the world.*

As a result, finance needs to change dramatically to remain relevant in addressing the heightened expectations of business leaders for data, increasing legislation and regulation, and changing business models.

The latest Software as a Service (SaaS) solutions provide finance with a significant opportunity to respond to these demands.

The provision of real-time data, enhanced accountability and adaptability are fast becoming expectations of the finance function. However, traditional on-premise ERPs struggle to supply the tools necessary for finance to respond quickly or effectively.

Recognising technology as a key enabler for transformation, we look at how finance leaders can start delivering change now, by leveraging cloud based technologies.

SaaS solutions are fast becoming the default deployment option for enterprise applications from Customer Relationship Management (CRM) and Human Resources (HR) to expenses. With growing momentum and interest in SaaS solutions, we explore a market leading SaaS provider, Workday, and understand how its finance solution can enable the transformation of the finance role; what it can deliver and why it is different.

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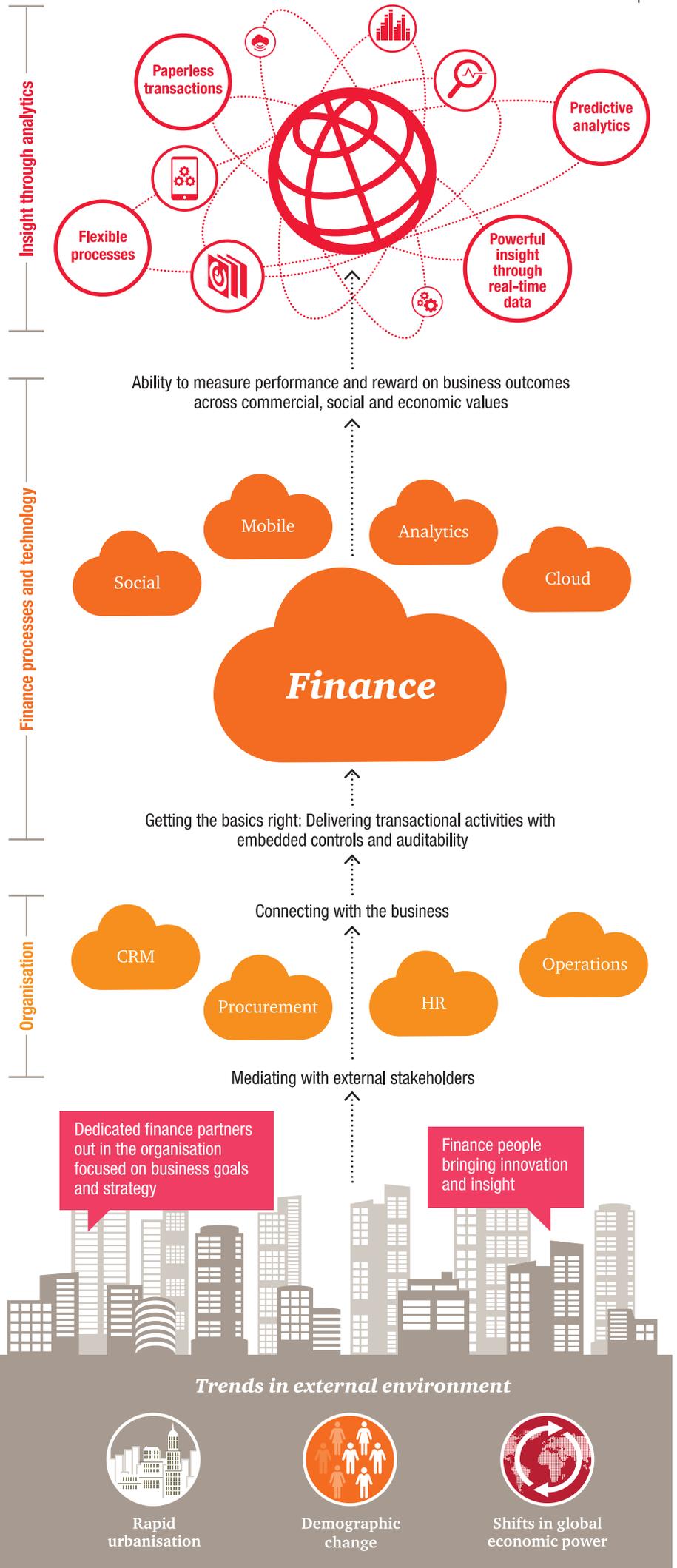
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# The future for finance

The landscape in which organisations operate in is being constantly reshaped by “megatrends” such as rapid urbanisation, demographic changes and shifts in global economic powers. These are driving increased competition, new technologies and evolving customer expectations.

Businesses are transforming their people, processes, organisation and technology to stay competitive. The growing trend of SaaS applications will become the norm across finance, HR, CRM and procurement as organisations seek to leverage social, mobile, analytics and cloud technology. This will enable finance to connect and collaborate with the business and get the basics right by delivering paperless transactions with embedded controls and auditability.

The key focus for finance will be on providing innovation and insight through real-time data and predictive analytics. Performance and reward will be measured on business outcomes across commercial, social and economic values. Finance will play a critical role in partnering with the business to drive revenue growth, operational effectiveness and profitability.



# Why transform?

*Megatrends are causing macro-economic challenges which are reshaping organisations, the way they operate and the way they do business. We outline below what impact this has for finance.*



**Rapid urbanisation**

A shift to city-life and population concentration is forming megacities.

Megacities increase the rate of information access and social media. This creates the need for instantaneous information across all aspects of life – including business.

Finance need to be able to provide **real-time analytics** and deliver valuable **business insight** to their customers.



**Demographic change**

Generation Y and ‘Digital Natives’ will dominate economic activity. They have an expectation to always be connected; whether as an end customer or a business user.

**Flexible processes and systems** are required to respond to greater customer-centricity.

Business users will expect collaborative tools and a simplified, consumer web-enabled **user experience** and any-time **mobile access**.



**Shifts in global economic power**

New geographies and sources are significantly increasing marketplace competition. Organisations are focussing more on operational efficiencies and opportunities for revenue growth.

This comes with increased accountability for political, economic, social, technological, legal and environmental impacts.

Finance requires the process, technology and skills to drive **business decisions** and support organisations in **revenue growth, operational effectiveness and profitability enablement**.

**A recent benchmarking study (PwC Finance Effectiveness Benchmark Report, 2015) shows that:**

**Market relevance:**

Companies are struggling to survive in an increasingly competitive landscape

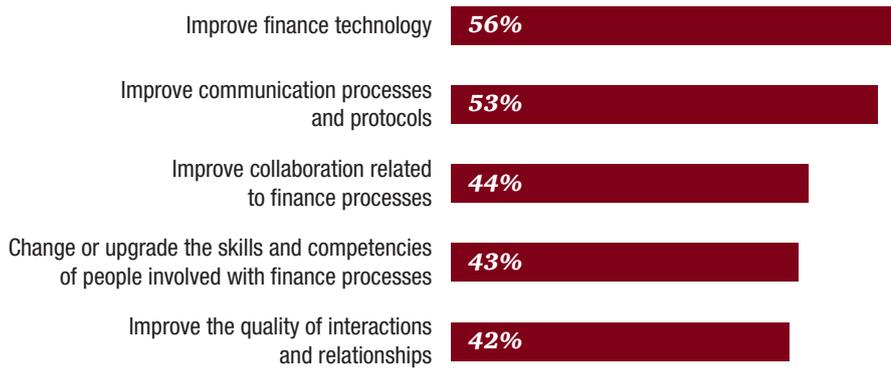


**Business insights:**

Insufficient time is devoted to providing business insight



Top 5 priorities for making finance more effective



Source: PwC finance benchmark data, performance to be decapitalised surveys – finance feedback 2015

These findings support the view that finance needs to change dramatically to remain relevant in addressing the market challenges and help their organisations understand the implications of megatrends.

Finance leaders should start to rapidly predict and assess the changes that will present most opportunity for businesses.

New technology, improved communication and more collaborative processes are recognised as key enablers to help finance functions keep ahead of the accelerating pace of change.

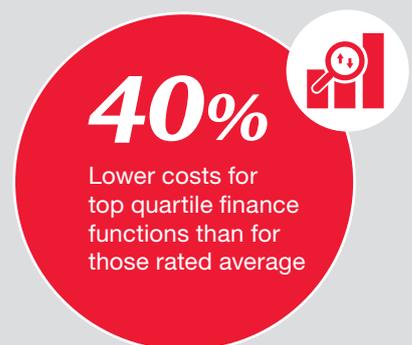
**Leading finance functions are already challenging themselves.**

Processes are taking too long



**Top performers:**

Leading finance functions are focussing on providing more business analysis and reducing their cost base



# Navigating the new business landscape

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*In this evolving market, modern finance leaders need to be more knowledgeable about the business, to challenge decision making processes and to actively participate in areas such as investment, profitability and margins.*

Finance should adopt a more dynamic and facilitative role; moving from static, rigid processes and controls to adaptive, agile and resilient finance models. Here we outline the finance services that are required by the business alongside the characteristics which will differentiate effective finance teams and how technology can be utilised as an enabler.

## **Finance services:**



### **Navigation**

More flexible systems with adaptive processes and near real-time reporting, rapidly produced analytics and dynamic and integrated forecasting

**Supporting growth strategies**



### **Connectivity**

Advanced technology and pooled resources to more efficiently, provide connectivity between different functional silos, systems and processes

**Connecting the organisation**



### **Mediation**

External representation, engaging with a broader set of stakeholders facilitating an interactive business environment

**Effectively sharing business performance and impacts on the wider stakeholder groups**



### **Resilience**

Increased adaptive capacity of the organisation, including qualitative planning for unforeseen shocks, use of predictive analytics and risk mitigation plans

**Driving the business and finance towards greater resilience**

## Utilising technology as an enabler:

Companies can find new value in this evolving market place by bringing together the four key aspects of digital:



*Social*



*Mobile*



*Analytics*



*Cloud*

It will no longer be enough for companies to form a digital strategy to succeed; a business strategy fit for the digital age is essential.

Traditional on-premise Enterprise Resource Planning (ERP) solutions struggle to supply the tools necessary for finance to respond quickly or effectively to the market demands. By comparison, cloud technologies provide the opportunity for enhanced business agility, usability and insight.

The digital disruption of SaaS is progressively transforming the ERP software landscape. Momentum in SaaS adoption is accelerating rapidly and we are seeing cloud technologies provide credible alternatives to legacy ERPs. All major software vendors are now focused on investing in their enterprise cloud solutions, so it is only a matter of time before legacy ERPs will become unsupported.

## Characteristics of finance:

The differentiating focus areas that will define leading finance functions are:



Getting the basics right – delivering transactional activities efficiently and effectively with embedded controls and auditability

Providing dedicated business partners focused on real business insight and advisory services not operational duties



Investing in finance people with diverse approaches and ideas to bring fresh insight and innovation

Excellence at seeing the future, using real time data analysis and visualisation tools, turning information into competitive intelligence



Measuring performance and reward largely on business outcomes across commercial, social and economic values

# How technology enables finance transformation

*By using the latest technology, organisations can start the transformation to the future state finance function.*

We have taken Workday, a market leading SaaS provider as an example to understand:

- 1. How** it can enable finance transformation
- 2. What** it delivers
- 3. Why** it is different

By reviewing Workday against the key technology enablers we understand what is available today to support transformation.



## Social

Workday designs and develops enterprise software with a consumer internet experience and latest web technologies. This makes it intuitive and easy to learn.

The use of typeahead search and faceted navigation enables users to easily explore information.

Usability is enhanced through the configurable user interface. The concept of business events and actionable analytics allows users to interact with the application as opposed to simply process transactions.

Workday provides a platform where people, functions and organisations can work collaboratively within key business processes and share information across relevant parties.



## Mobile

Workday was built from the ground up, for the mobile workforce. All Workday applications are inherently mobile with no additional software needed or licenses charged.

Any device with a web browser and internet connection can access real-time data in Workday. It does not require an additional mobile technology platform.

Workday naturally extends the modern user interface to the mobile experience for today's technology-savvy users and applies easily to smaller, handheld devices such as smartphones and tablets.



## Analytics

With Workday's in-memory architecture, the analytics engine is built directly into the system, not bolted on. That makes drill-down and analytics pervasive on every single screen.

Workday effectively captures business events and provides business insight.

Not only do you have a robust base of information, you can access it more quickly – even at the point of decision-making – to empower and enlighten your business decisions to the benefit of your organisation.

Real-time and actionable analytics provide the mechanisms to improve customer relationships, interactions and the overall customer experience.



## Cloud

Workday has been delivered as a cloud solution from inception.

Cloud solutions are easier, quicker and less costly to implement. They eliminate hardware costs and reduce operating expenses so the total cost of ownership is lower than on-premise solutions.

Workday's automated update process ensures all customers are on the latest version and allows Workday's developers to focus on continuous innovation rather than supporting older versions.

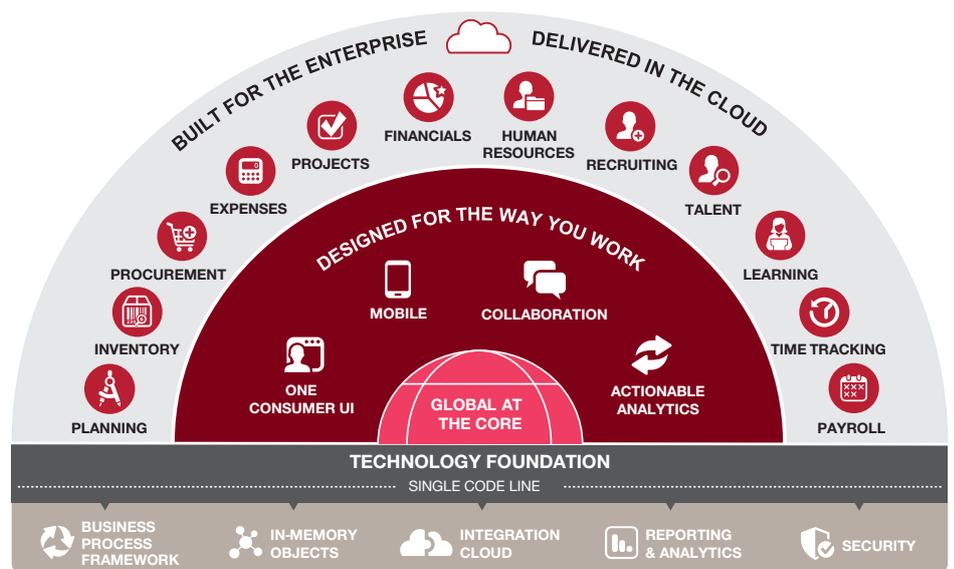


# Workday Enterprise Management

*Workday is a unified platform: with functionality for finance, procurement, expenses, HR and payroll in a single application, on a single line of code with a consistent user interface. Embedded within this are controls for governance, risk and compliance.*

What is available today to support transformation:

- Provides **real-time analytics** across the enterprise back office
- Supports a **mobile** and **distributed finance organisation**
- Embeds **governance, risk** and **compliance**
- Puts **finance skills** into the business
- Deliver **best practice standard processes** to drive standardisation across your organisation
- Collaborative **innovation** and automated **upgrades**
- **100% in the cloud** and pure Software as a Service
- Enables CFOs to move to **becoming Chief Performance Officers**
- **Adaptive** processes and **flexible** technology
- Takes **design cues from the consumer web**, resulting in a familiar feeling which is easy to learn
- **Enhanced customer community** supported by a single, common platform
- A **single source of data** for finance and HR



*“Workday has helped us evolve from just reporting the numbers to being able to analyse the numbers and provide value back to the business.”*

Travel website company headquartered in the United States | Revenues of £800 million\* | 2700 employees\* | Operate in 47 countries

\*As of Dec 2014

## Why Workday is different

*Workday financial management is built on an adaptive, global foundation that is unified with HR and payroll.*

### **A single platform**

The opportunity of adopting a single, unified platform offers compelling advantages. Workday Financial Management is built on an adaptive, global foundation that is unified with HR and payroll. It gives organisations enhanced visibility, control, and consistency across the back office functions:

- A global system for people and financial information provides a common and single view
- Delivers value back to the business with built-in analytics and reporting which enables real-time and actionable drill-down across finance and HR data
- One source of data enables increased data accuracy and eliminates timing errors
- A single and consistent security model, data dictionary and simplified organisation model design
- Ability to link financial performance, operational performance and workforce performance
- Simplified technology landscape; facilitating ease and speed of implementation with no integrations between HR, finance and payroll
- Greater purchasing power and reduced IT operating expenses across the back office
- Unified front end provides a consistent user experience and lower training costs
- Shared support model and tools across a multi functional support model reduces response times and increases grade of service



*“The benefits that a SaaS solution had were clear from the start: speed and cost of implementation, lower running costs, mobile connectivity and reporting flexibility.”*

Property management company headquartered in the United States | Revenues of £1.73 billion\* | 16,000 employees\* | Operate in 60 countries

\*As of Dec 2013

## Case study

### ***Property management company***

Headquartered in the United States | Revenues of £1.73 billion\* | 16,000 employees\* | Operate in 60 countries

#### **What were your business challenges and reasons for moving to a SaaS solution?**

We operate in 60 countries, using different financial systems in many of these. Considerable time, effort and resources are spent consolidating the monthly results and Management Information (MI) is restricted to retrospective, geographic profit and loss reviews. This reporting capability was inconsistent with our aims of enabling a flexible, engaged and connected workforce, to focus exclusively on clients and benefitting from improved client-centric reporting. Implementing Workday will enable us to meet these aims, provide real time MI and improve financial control, whilst, at the same time, reducing the operating cost base.

#### **Did you have any barriers to change and how did you overcome these?**

Very few. Our legacy systems were incapable of producing the MI and analytical data required by management, so many of the barriers to change were absent. Once the decision was taken to invest in a change of system, the question we had to answer was SaaS or traditional ERP.

The benefits that a SaaS solution had were clear from the start: speed and cost of implementation, lower running costs, mobile connectivity and reporting flexibility. Once we had determined a fit with our business and the global reach of the product, it was possible to quickly produce a compelling business case for the adoption of Workday.

#### **What do you see as the major impacts to your finance organisation and roles, that will be enabled by the underlying technology?**

Workday will fundamentally change the finance organisation. There will be a distinct shift away from transactional processing and a migration towards interpretation of data. Increased analytical capability will better inform and equip our managers and enable our business to develop faster and with more agility than would have been possible using a traditional ERP solution.

\*As of Dec 2013



# Providing financial insight in business terms

*Traditional systems are typically centred around an accounting code block. This code block is rigid and captures standard information on every accounting transaction that occurs.*

Code blocks can be restrictive as there is a lot of relevant business information to some transactions and not to others. This information, in many cases, is left out. Business Intelligence (BI) systems were developed to try to backfill the information gap and provide more comprehensive business-relevant reporting.



## **Workday uses an innovative concept of “Worktags”**

These allow transactions to be labelled (tagged) with information specific to the needs of the organisation and relevant to the business event that is being undertaken.

Flexibility on how data is labelled, enables organisations to identify and track information on who/what/why/where/when for each event and transaction.

### **Business events and associated worktags**

**Example 1:**

Purchase item: IT



Finance and accounting

**Example 2:**

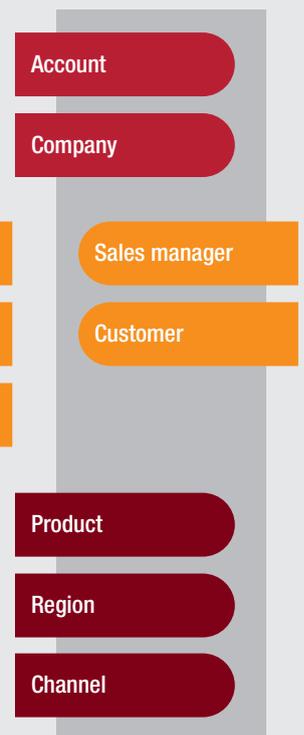
Purchase item: marketing



Sales and marketing

**Example 3:**

Sell item



Procurement and operations

## Case study

**Digital Entertainment Company**

Headquartered in Ireland | Revenues of £1.4 billion\* | 1,400 employees\* |  
Operating in 11 countries

**What were your business challenges and reasons for moving to a SaaS solution?**

At the time we were looking for a new ERP solution, we were hosting our legacy accounting system on a server in London, while teams from our other offices accessed it remotely with pretty dreadful service latency. Our main priority was to improve the functionality of our accounting system to address many of the limitations of the legacy system we had outgrown. However, the speed and ease of connection from remote locations were important factors.

We looked at three tiers of solution: self-hosted, vendor hosted and cloud hosted. The difference between the last two could be considered semantics but it really comes down to whether the software has been designed to be cloud based from the start or has somehow been adapted to become so.

Given our experience with our legacy system, we were not keen to self-host another ERP solution and so focused on the vendor-hosted and cloud based solutions. As a technology business ourselves we were not afraid to try out something new.

Our HR department had implemented Workday as their HCM tool a year beforehand. However, that was only ever a consideration and not the clincher for our eventual decision.

All the solutions we were looking at were an improvement over what we had. The factors that led us to choose Workday's cloud solution over the others were a lot about the underlying technology. Connectivity would be the same from all office, and indeed home, locations. The upgrade path would be regular and incremental rather than irregular and disruptive.

**Did you have any barriers to change and how did you overcome these?**

The main adoption issues we've had have arisen from quite how different Workday is from a traditional accounting package, given it is built around search rather than having a traditional menu structure and is entirely mouse, not keyboard, driven. It's taken a few months for people to get used to it as well as get comfortable with a system that is configured rather than customised.

**What do you see as the major impacts to your finance organisation and roles, that will be enabled by the underlying technology?**

So far so good. Staff in remote offices appreciate the faster performance and improved functionality. We have just been through the first upgrade which has not been a big draw on our time.

The benefits so far include:

- We now run a paperless PO and AP processes on the cloud allowing transactions to be approved on the go by managers on their mobiles while the system keeps a robust audit trail. Gone are the days of seeking approvals by email.
- Since HR maintain our organisation structure in the same system we in finance use for approvals we don't have to worry that approval pathways are out of sync with reality.

*\*As of Dec 2014*



# Dispelling the myths

## Barriers to change

*Change always brings risk, and uncertainty. When moving to any new system there are often a lot of stories and myths that may make the transition seem like more of a challenge than it really is.*

We have looked at the common barriers and challenged these against Workday, to dispel the myths.

### Barrier

***Cloud won't give me the security and governance I need***

- Workday has built and continually update rigorous safeguards into every product and process. They frequently undertake and pass rigorous third-party compliance audits of their security, confidentiality, availability, and privacy controls. They hold ISO 27001 certification and the TrustE Trusted Cloud certification
- Compliance standards are built into the core of Workday's solutions. Workday delivers a complete audit trail of every transaction in the system, tracking who made the change, what change was made, and when it was made – with in-built role-based internal controls enabling support for segregation of duties and regulatory reporting

***There is not enough maturity in cloud based solutions in relation to financial requirements. We need to have confidence that the basics can be delivered***

- Workday can provide the same financial accounting and reporting that a traditional general ledger delivers, without the limitations of a rigid code block
- Workday delivers financial and business information by capturing and storing described business events
- Nominal account and legal entity are set as mandatory with rules for additional descriptors defined and driven by information requirements relevant to the specific business event
- Global requirements, including multi-currency, multi-language, multi-book, and the other "multi" functions are built into the core of the system to support global organisations

***Legacy ERP financial systems were designed with transactions stored in one database and analytics (data warehouses, cubes, etc.) in another. I won't be able to meet my complex reporting needs using cloud based technology***

- Workday has architected its core financial application from inception to leverage in-memory computing concepts in its technical architecture. With Workday there is no need to have a separate data warehouse – all data is available for reporting
- As a single unified platform reporting and analytics can be carried out across the full enterprise back office – finance, procurement, projects, human resources and payroll

***Previous finance ERP systems were designed and built for accounting and to produce financial reporting. Surely traditional ERP is more reliable because it's been around longer?***

- Workday maintains the key data fields for financial and statutory reporting and enables full enterprise accounting, but...
- Organisations are not restricted by a 'code-block' which makes reporting and changes to reporting much easier and more powerful

## Barrier

**Regular upgrades are likely to be prohibitively expensive and I would lose my ability to choose when I upgrade to plan for the associated efforts and costs**

- SaaS solutions are designed to keep all customers current on the latest version through a non-disruptive process of continuous innovation and updating which allows customers to take advantage of new innovation, features, and capabilities without the hurdle of a time-consuming upgrades
- It also allows you to spend more time and resources focused on supporting the business and less on patching, fixing, and upgrading customised code
- As Workday only maintains a single version, development resources are focused on innovation rather than maintaining older versions
- In the event of an issue, Workday only needs to fix it once to fix it everywhere

**Cloud based application are rigid and don't allow for change**

- Within Workday organisations, business processes and reports are highly configurable and dynamically linked
- The Workday configuration approach provides flexibility for individual customers' needs whilst also keeping each customer up to date on the same release. By contrast, customisations in legacy ERPs can make upgrades complex and costly
- A large number of maintenance activities do not require specialist IT skills. For example, changes to workflows can be performed by teams with functional skillsets

**Cloud based applications are immature and do not have the localisations required for global deployment**

- Workday provides the necessary data, flexible workflows and reporting capabilities to enable organisations to configure local statutory requirements
- Workday Financials is in use internationally (live in more than 30 countries across America, Europe and Asia Pacific)
- Their global footprint is expanding and requirements to support localisations are being continuously developed and released in the standard upgrade cycle

**Switching to a new system will be costly**

- When assessing a move to Workday the Total Cost of Ownership (TCO) should be compared to the legacy applications. Savings will be accrued in multiple areas however this should not be considered in isolation from the impact on efficiency and increased value:
  - Fewer IT staff will be needed to maintain hardware and program/develop software
  - Upgrading is simpler and less expensive without the need to constantly reapply customisations

*“We now run a paperless PO and AP processes on the cloud allowing transactions to be approved on the go by managers on their mobiles while the system keeps a robust audit trail.”*

Digital entertainment company headquartered in Ireland | Revenues of £1.4 billion\* | 1,400 employees\* | Operating in 11 countries

\*As of Dec 2014

# Strategy through to execution

*At a time when new technology, globalisation and evolving customer expectations are shaping the landscape organisations operate in, finance functions need to be fast at predicting the changes that will present the most opportunity.*

*Is your finance strategy fit for the digital age?*

*Do you know the length of time your current ERP will continue to be supported by your existing vendor?*

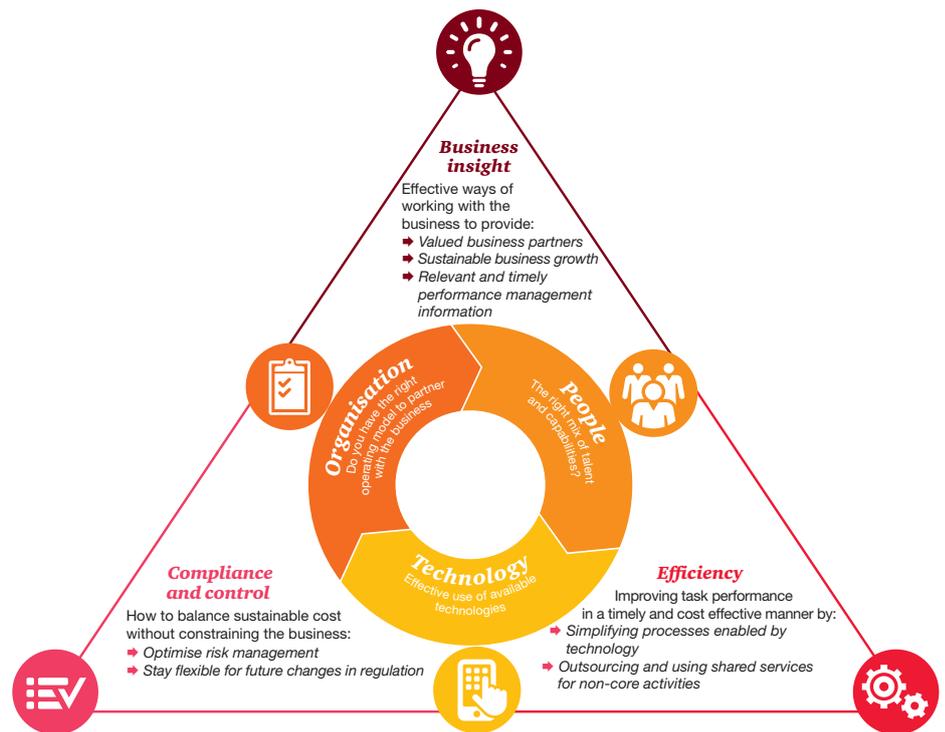
*Have you assessed how efficient your back-office function is against peer companies?*

*Are you able to provide your business leaders with the data they need in real-time and on the mobile?*

PwC supports clients from developing back-office strategies through to execution. We have a global alliance with Workday and provide the full breadth of service in relation to this innovative SaaS technology.

The shift to SaaS is gaining momentum and there are clear business benefits that can be derived. To optimise success, transformation strategies need to encompass all elements of people, processes, technology and organisational design. Adopting SaaS technologies drives significant change to the way organisations operate – from business processes to support model design and company culture. The implications of cloud adoption and technical challenges such as integrations, data migration and configuration must be fully understood and addressed from the outset.

To maximise the benefits and opportunities that cloud can deliver, a strategic approach to insight, efficiency and control from planning through to execution is key.



## PwC’s standard finance processes

### Business insight

- Strategy and planning
- Budgeting and forecasting
- Business analysis
- Performance improvement projects
- Tax planning

### Transactional efficiency

- Accounts payable
- Travel and expenses
- Credit management
- Customer billing
- Accounts receivable
- General accounting
- Financial/external reporting
- Management reporting

### Compliance and control

- Treasury
- Internal audit
- Process controls and compliance
- Tax accounting and compliance



*“In the classic ERP environment, to make a change, we would need to call for a consultant, which would cost £200 an hour and take 14 days. With Workday, someone can say, ‘Please go and change this process’, and we are live with the new process in half an hour.”*

Engineering consultancy headquartered in Denmark | Revenues of £960 million\* | 12,000 employees\* | Operating in 20 countries

\*As of Dec 2014

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