



How should CFOs respond to the era of 'postmodern ERP'?

After decades in which business applications have coalesced, the world now seems to be shifting into reverse gear, accelerated by the gradual demise of large ERP suites, the complexity of multi-vendor environments in the cloud and the fragmenting influence of the so called 'Internet of Things'. At the same time there is unrelenting pressure on CFOs to reduce 'time to insight', hasten decision-making and add value to reporting. **So how should CFOs respond to and resolve these seemingly competing demands?**

Gartner, the analyst firm famously said¹ that by "2018, the notion of an ERP suite will have become redundant" as organisations eschew the bloated and cumbersome ERP suites of the past in favour of something that can more easily keep pace with business change. The analyst firm predicts that by "2020, less than 20% of multinational organizations will continue to plan and adopt an ERP strategy based on a single-instance megasuite."

In this new world order, it is envisaged that organisations will move to ERP suites of more limited scope with core financial processes at the centre, supplemented by a variety of Best of Breed applications in the cloud or on-premise. There are signs that businesses are already moving in this direction, impatient to leverage point solutions in the cloud that can solve a specific problem and deliver business benefit more quickly. A 2014 study by IDG (quoted in Forbes), confirms that the ability to get up and running quickly with cloud-based applications is the most popular reason why enterprises are transitioning to the cloud.

But this raises the spectre of more complex systems architectures in which transaction data and metadata (data about data, for example, organisational hierarchy, chart of accounts, currencies) is scattered across multiple applications, vendors and cloud platforms. Clearly, the task of integrating processes and data is set to become a formidable challenge.

Adding to this convoluted picture is the growing influence of the 'Internet of Things' – in which different sensory devices embedded in equipment and machinery send commercially valuable data to the organisation at the centre. For example, insurers are already leveraging telematics in cars to set insurance premiums for young drivers based on driving patterns and aircraft engine manufacturers are using sensory technologies as the foundation of charging for usage and guaranteed service levels (rather than selling an engine).

McKinsey forecasts that the market for connected devices will reach 20 billion or 30 billion units by 2020.² Even if this is only partially true, CFOs in all industries seem certain to be confronted by increasingly diverse and voluminous data sets.

So the old 'rule of thumb' that approximately 80 percent of reporting data comes from the general ledger no longer applies. As a consequence, CFOs are going to have to leave the 'comfort' of the general ledger and look at unifying technologies that can help them harness the data they need.

Many CFOs are turning to a new generation of specialist financial software, such as [Aptitude Software's](#) Accounting Hub to tip the balance in their favour and help them regain control over diverse and scattered data. The Accounting Hub uniquely complements general ledgers by capturing accounting and non-

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financial data sources at a very granular level and, by applying unique business rules, transforming and enriching the data into dependable financial information which can be used to drive decision-making and reporting.

It is a commonly held view that hybrid environments are set to become the norm as organisations transition to the cloud over the next decade. For instance, Gartner says nearly half of large enterprises will have hybrid cloud deployments by the end of 2017.³ But for the unwary this presents a significant risk to data integrity and reporting.

Smart CFOs know that unifying technology such as the [Aptitude Accounting Hub](#) will be essential component in taming the sprawling architectures of the hybrid world.

About the Author

Gary Simon, is rated by LinkedIn as one of the UK's top 10 business leaders in 2015 and is leader of the FSN Modern Finance Forum on LinkedIn with more than 44,500 members. He is a graduate of London University, a Fellow of the Institute of Chartered Accountants in England and Wales and a Fellow of the British Computer Society with more than 30 years' experience of implementing management and financial reporting systems. He is the author of four books, many product reviews and whitepapers and as a leading authority on the financial systems market is a popular and independent speaker on market developments. Formerly a partner in Deloitte for more than 16 years, he has led some of the most complex information management assignments for global enterprises in the private and public sector.

Note¹ *Strategic Road Map for Postmodern ERP* by Alexander Drobik, Nigel Rayner, Gartner 25 February 2015

Note² *The Internet of Things: Sizing up the opportunity* by Harald Bauer, Mark Patel, and Jan Veira, McKinsey 2014

Note³ Press release *Gartner Special Report Examines the Outlook for Hybrid Cloud*, Gartner October 2013

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