

PROFORMATIVE



TURBO-CHARGE FINANCE FOR GROWTH WITH CLOUD FINANCIALS

Executive Summary
2014

Turbo-charge Finance for Growth with Cloud Financials

Overview

To discover how finance organizations are turbo-charging growth across the enterprise, NetSuite's Ron Gill and Ben Kang engaged several senior finance executives from high-growth companies in a series of discussions on the topic. As their companies gear up for growth, these finance leaders face the dilemma of how to lead aggressive growth initiatives without compromising profitability, customer relationships, and the speed and quality of execution. A lack of visibility across the enterprise impacts the ability of finance leaders to deliver on company growth initiatives that meet key strategic objectives.

Whether pursuing growth through acquisition, international expansion, or by launching new products and services, finance leaders are often forced to try to keep up with increasing demands while using systems that were never designed to accommodate changes quickly and affordably, and often dictate rather than support business practices.

These discussions highlighted how finance leaders leverage the latest in technology solutions to increase visibility and empower their companies to achieve sustainable business growth and productivity at a reasonable cost.

How Companies Prepare for and Achieve Growth

Over the past three years, the roles of CFOs and controllers have changed dramatically.

In preparing companies for and guiding growth, the roles of CFOs and controllers are evolving, as these finance leaders are being expected to take on increasingly important strategic value-added roles. Research from IMA shows that ways in which these roles are evolving include:

CFOs	Controllers
More focus on strategy	More higher value-added activities
Support of more business performance reporting	Support of more strategic outlook
More time away from traditional accounting roles	Driving productivity improvements

In addition to these changes in their roles, financial leaders must also deal with the stress associated with major change initiatives, such as mergers and acquisitions or new IT processes.

However, as these strategic responsibilities increase, financial leaders are still responsible for all of the same financial and accounting tasks as before. To get everything done, finance leaders must either: 1) work harder and longer hours, which may be virtually impossible; 2) add personnel, which is costly; or 3) invest in tools and technologies—which in most instances is a preferable, more scalable solution.

Growing global businesses face numerous challenges.

Growing a global business requires overcoming numerous challenges and distractions, which include:

- Inefficient, time-consuming manual processes, along with inconsistent processes in different regions/countries/offices.

DISCUSSION HOSTS

Ron Gill
CFO, NetSuite

Ben Kang
Senior Product Marketing
Manager, NetSuite

PARTICIPANTS

Michael Borton
Chief Financial Officer, Harmony
Information Systems

Bill Herrick
VP of Finance, Glassdoor.com

Ivan Makarov
Controller, SmugMug

Steven Yeffa
Former CFO, Solar Universe

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- Data in silos, which results in lack of enterprise-wide visibility and lack of confidence in the financial data for reports as well as decision making.
- Delays in consolidating results.
- Difficulties scaling processes across geographies.
- Lack of IT resources in distributed locations.

Financial leaders and other executives often feel frustration when trying to expand and grow if the organization's underlying systems, processes, and technologies don't enable this business growth.

Organizations know what the ideal situation is.

The basics of an ideal situation are simple and clear: to have one updated system that supports the entire company and is used as the company grows.

- **One system.** The ideal is to have one unified system for the entire organization, with as many processes and as much of each process a part of it as possible. This provides company-wide consistency and broad visibility.
- **All locations on this system.** Ideally, as many locations as possible will use the same system, providing consistency in processes, metrics, and data across all subsidiaries and offices of a distributed organization.
- **The system is kept current.** All users are on the same system, which is kept current even as new features become available, as the technology evolves, and as regulations change.
- **The enterprise stays on this system while growing.** Ideally, the system becomes the foundation for growth, with the same system supporting all new offices, geographies, and acquisitions.

The systems and approach used in many enterprises are often far from ideal.

However, while companies often have a vision for one system, this vision is often not realized. Common reasons this vision is not realized are:

- **Implementation takes forever.** An organization gets started on the vision of having one system, but because implementation is so time consuming, it never gets done. That is because implementing an on-premise ERP starts with a rack, ordering machines, installing operating systems, dealing with security—and much more. After those steps occur in one office, they must also take place in the next office, and implementation just never seems to get done.
- **Customization is a chore.** Customization typically adds the most time and expense to ERP implementations, as even a small customization for most ERPs can be a huge effort.
- **Each rollout adds a layer of permanent overhead.** Invariably, people have to be added to manage the ERP, which adds expense. A typical situation might involve having eight people on site for implementation, with two then staying on post-implementation.
- **The organization is often moving faster than the rollout can.** The organization is often growing and expanding faster than the ERP rollout, rendering the need for the rollout obsolete.

To achieve the ideal vision, the cloud offers several benefits that finance leaders should be aware of.

There are several important cloud features and benefits that finance leaders should be aware of. These include:

- **Fostering collaboration through a single source of truth.** Having one system that provides a single version of the truth means that everyone in an enterprise—regardless

“You have to think about the processes you have right now and processes you are going to have [when you become larger]. As finance leaders, you have to think about gaps. That’s planning for growth and scale.”

– Ben Kang

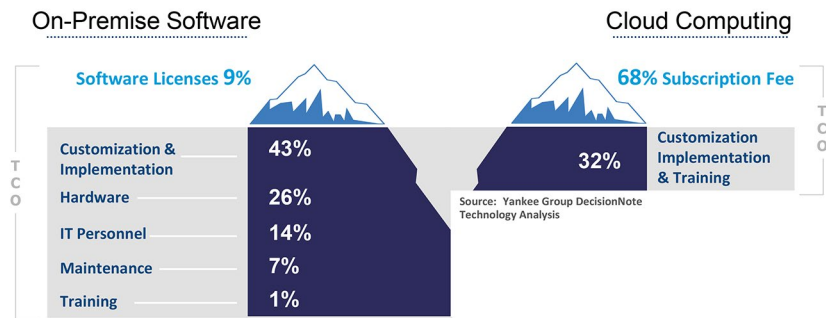
“This is a nice vision, this one solution, but it often doesn’t get realized with an on-premise ERP system because the pace of implementation is so slow.”

– Ron Gill

of function and geography—is looking at the same information. This increases collaboration and productivity. Everyone can focus on growing the business as opposed to getting the right data.



- **Enabling customization at the speed of change.** Most systems will need some form of customization. By having a cloud-based system, any changes are immediately available to the entire organization.
- **Increasing productivity through real-time access to information.** A cloud-based system enables each individual user to become more productive through access to dashboards with important real-time data.
- **Providing easy, convenient availability.** With a cloud-based system, users can access real-time data however and wherever they work, which can be from a desktop computer, via a mobile device, or from any distributed location. The cloud makes access self-service.
- **Lowering the total cost of ownership.** By using the cloud, a company subscribes to a professional IT service as opposed to needing to purchase hardware and deploy software. And, not only is the cost lower, but this lower cost in terms of time and money makes it practical and possible to deploy.



"Customers can spend up to four times the cost of their software license per year to own and manage their applications."

— Gartner
"The End of Software"

"Cloud computing yields substantial economies of scale and skill, and lowers total cost of ownership (TCO)."

— The Hurwitz Group
"The Compelling TCO Case for Cloud Computing"

"Build it once and then share it, and as your company evolves, stay on that one system."

— Ben Kang

"With the cloud, it's cheap enough that you actually do it. Your upgrades are provided for you, your customization is always cared for. Your existing IT resources are able to spend more time on value-added activities."

— Ben Kang

Case Studies

Harmony Information Systems



Harmony, founded in 1998, helps states deliver long-term care solutions. The company helps states manage their aging populations, as well as those with physical and intellectual disabilities. The key is keeping these individuals in community-based living as opposed to nursing homes. Harmony sees 2014 as a threshold year, with the Affordable Care Act having a big impact.

Since its inception, Harmony has grown rapidly. As a result of a merger, Harmony had multiple locations and was using multiple financial systems, including QuickBooks.

Initially, the company's business was a perpetual model, but it has evolved to be more of a SaaS model, though the company has some customers on perpetual maintenance, some on term licenses, and others on a pure SaaS solution. Also, historically Harmony has priced on a per user basis, but is looking to change to "consumers served."

The company needed to consolidate its financials in one system that could handle all of the company's workflow and its complex revenue recognition methodologies, and could project future revenues. Harmony wanted a complete solution that could provide better visibility to all employees (including sales, marketing, and HR); not just a financial package. Also, as a SaaS provider itself, Harmony understood the benefits of the cloud and wanted to work with another focused SaaS provider. Harmony felt that NetSuite best met all of its needs and allowed Harmony's IT staff to focus on customers, instead of its IT infrastructure. NetSuite offered Harmony the ability for customers to log in to the company's case management tools and see the status of their claims and see the status of any tickets or issues.

In Harmony's experience, NetSuite has provided one system, with consolidated reports that help Harmony better understand its revenues and expenses, and make decisions much more quickly. Harmony has found NetSuite to be extremely reliable and has found the NetSuite user community to be helpful in maximizing the value of NetSuite. In addition, while doubling in size since 2010, Harmony has been able to streamline its finance organization.

"The ability to get the whole company on one system allowed us to better understand where the revenue was coming from, what the expenses were on a minute-by-minute basis. It also made it easy to generate all those last-minute reports for our investors."

– Michael Borton, Chief Financial Officer, Harmony Information Systems

NetSuite also has helped Harmony better manage its KPIs. Two critical KPIs are cash and customer retention. Cash data is available and looked at online daily. Executives also use NetSuite to look at customer retention rates in real time, which help the company understand its rate and sources of growth.

"We are making decisions a lot faster because the data is available fast and it is relevant, rather than being two or three months old. Now it's live and we can access it right away when we're making decisions."

Michael Borton, Chief Financial Officer, Harmony Information Systems

Glassdoor.com



Founded in 2007, Glassdoor.com has an online advertising subscription model with complicated revenue recognition schedules. Just a few years ago the company had 30 employees (now 200), with data sitting in disparate silos, making it difficult to do reconciliations. The month-end close process took around 20 days. At the time, the company used Excel spreadsheets and QuickBooks. Any time a customer changed an order midstream was a major hassle, with slow customer service.

Bill Herrick, who had previously used NetSuite at another company, was brought into Glassdoor.com to move the company from QuickBooks to a uniform, scalable system, with uniform processes, that would enable the company to expand internationally and be audited.

Herrick's specific needs in evaluating solutions were scalability, integration from an international consolidation standpoint, and total cost of ownership. Having previously used NetSuite, and knowing the other solutions in the market, Herrick saw NetSuite as best meeting Glassdoor.com's needs.

Since implementing NetSuite, for which Herrick said Glassdoor.com won the 2011 award for fastest implementation in its category (implementation began in June and the system was running in October), Glassdoor.com's transactions have increased six to seven times, and the company has added only three people in accounting. Month-end close time has gone from 20 to 3 days. Importantly, any changes to customer orders can now be made in real time, giving Glassdoor.com the ability to better serve its customers. NetSuite also helps Herrick produce reports desired by the company's investors. Herrick commended NetSuite's in-house professional services staff for their expertise and speed, referring to NetSuite's professional services as a competitive advantage.

Glassdoor.com plans to grow more than 100% in the next year, anticipates expanding to five international locations, doesn't anticipate any increase in the monthly close cycle, and will likely add just one staff person. He is confident that NetSuite can help the company scale to more than \$1 billion.

"I'm really happy with what I see in terms of platform, in terms of scalability with NetSuite."

– Bill Herrick, VP of Finance, Glassdoor.com

SmugMug



This company is a premium photo-sharing service, founded in 2002. The company is owned by the founding family and has about 100 employees, many of whom work remotely from across the country. SmugMug has millions of consumer customers. As SmugMug grew, Ivan Makarov was brought in as the company's first finance officer to think about strategy and revenue policies, and to create a more serious, scalable finance organization. When Makarov joined the company, SmugMug was using QuickBooks, which could be accessed by only one user at a time. SmugMug realized it needed multi-user access in a cloud environment. It also needed centralized and accessible records and data for accounting, finance, tax, HR, and more.

In evaluating several potential solutions, SmugMug wanted a scalable, cloud-based solution that would be able to support the company as it grew. It wanted a solution with an easy-to-use interface, where making changes and adding functionality would be easy.

SmugMug concluded that NetSuite was the best solution because "It is much more than just another accounting system." It is a solution with value to other functions, such as HR, and with automation that has helped SmugMug handle complex revenue recognition challenges related to hundreds of customers renewing or cancelling subscriptions daily.

Implementing NetSuite was easy for SmugMug. NetSuite's team has extensive expertise in making the transition fast and easy.

Now that NetSuite has been implemented, it is easy to access data during a meeting or when traveling, from any device. It has made SmugMug more efficient by enabling the company to grow without having to add more people, and has saved the company money. It has helped streamline financial operations, cut closing times, and makes it easier for SmugMug to scale.

"I hope to keep the headcount the same inside the finance organization, and automate things and invest more into software, which is much more cost efficient for us at this stage."

– Ivan Makarov, Controller, SmugMug

Solar Universe



Solar Universe is a fast-growing five-year-old company engaged in rooftop solar installations with a franchisee type model. Former CFO Steven Yeffa had used NetSuite at two previous companies; his experience with NetSuite and cloud financials dates back to 2001.

Steve recalled that his prior company was growing rapidly and expanding globally—in Europe, Asia Pacific, and Australia—with each geography using disparate legacy systems. He recounted, “We were a truly global company overnight.” That company had a significant need for common language, common processes, common metrics, real-time data, and the ability to consolidate global data.

At Solar Universe, the company was not looking for any specific features or functionality. Solar Universe had developed its own workflow and processes, and wanted a scalable tool that would allow the company to continue using these processes, instead of having to change its processes to fit with some tool or technology. It required a platform to support its international businesses that would preserve capital and minimize headcount.

“Too many companies choose to try and mold their workflow processes to the ERP system, essentially trying to pound a square peg in a round hole . . . ensuring a company’s workflow is completely mapped out before you go to an ERP implementation is of paramount importance.”

– Steven Yeffa, Former CFO, Solar Universe

A key consideration in vendor selection was time. Solar Universe needed to be live with the solution it selected within 90 days in order to perform an audit. NetSuite was able to deliver on this timing. The ability to meet this timing and eliminate legacy systems and duplicative data made this a popular choice with Solar Universe’s management. Implementing NetSuite preserved capital, allowed the company to continue to grow, and helped the company share data in real-time with franchisees, which improved the customer experience.

Yeffa is a big fan of NetSuite’s approach to integrating data within a single system, which provides a single source of data to the organization. This leads to more accurate data and better business results.

Conclusion

Growing companies face significant challenges in having one set of data, having consistent processes across disparate geographies, and minimizing inefficient manual activities. On-premise ERP systems are not a viable solution, as implementation takes forever and customization is a difficult, expensive chore.

For organizations considering a new financial management solution to help drive growth, NetSuite asks a simple question, “How is your company prepared for growth?” There is not some pre-growth staging area that companies occupy before they grow. Companies are in the middle of growth and are trying to manage their growth. NetSuite has lived through this. NetSuite knows that growth touches every aspect of the business and requires processes, metrics, workflows, and scalability.

For more information on how NetSuite helps finance teams facilitate growth in the organization, visit www.netsuite.com/cfo.

About NetSuite

Founded in 1998, NetSuite Inc. (NYSE: N) is the leading provider of cloud computing business management software suites for growing and mid-size businesses. Thousands of customers globally use NetSuite to manage all key business operations—including ERP and finance, inventory, order fulfillment, customer relationship management, e-commerce and product assembly—in a single web-based system.

Biographies

Michael Borton

Chief Financial Officer, Harmony Information Systems

Michael Borton serves as Harmony's chief financial officer and is responsible for the company's finance, accounting, and administrative operations. He joins Harmony from Consul Risk Management, a leading global security company. During his time there he successfully facilitated the sale of the company to IBM. Borton has held senior management positions with several international technology companies: iSKY (acquired by TRG), Invensys, and Landmark Graphics (acquired by Halliburton). Prior to working in technology, Mike held various senior financial roles at Schlumberger, including assignments in London and Paris. Mike holds a bachelor's degree from Valparaiso University and an MBA from Indiana University. Borton is a Certified Management Accountant.

Ron Gill

CFO, NetSuite

Ron Gill is responsible for overseeing the company's global financial strategy and operations. Since joining NetSuite in 2007, he has been responsible for NetSuite's accounting and finance functions, serving as vice president of finance, then as senior vice president of finance. Prior to joining NetSuite, Gill was vice president, finance, at Hyperion Solutions. Previously, he held a variety of financial positions with several of the world's largest technology companies, including SAP, Dell and Sony. Gill holds a Master of International Business Studies degree from the University of South Carolina and a B.A. from Baylor University.

Bill Herrick

VP of Finance, Glassdoor.com

Bill Herrick serves as Vice President of Finance at Glassdoor, Inc. Mr. Herrick has more than 20 years of financial and strategic business management experience. He served as worldwide corporate controller at NComputing, Inc., which develops and delivers products and technology that make network computing affordable to schools, third world, and BRIC countries. Prior to that, he held several financial management positions at BroadVision, Keynote Systems, Zenith Electronics and United Airlines. Mr. Herrick is a licensed CPA in California and Illinois. Mr. Herrick holds a B.A. in Business Economics from Brown University and an MBA degree from Northwestern's Kellogg Graduate School of Management.

Ben Kang

Senior Product Marketing Manager, NetSuite

Ben Kang is a Senior Product Marketing Manager at NetSuite and has prior work experience in both the software industry and professional services. Prior to NetSuite, Ben performed product marketing for Oracle Corporation, supporting software sales of corporate finance modeling and planning products to companies around the world. Prior to working in the software industry, Ben worked as a consultant and accountant at Deloitte, where he earned his CPA while serving the financial services industry. He holds an MBA from Northwestern University and a BS in Business Administration from the University of California, Berkeley.

Ivan Makarov

Controller, SmugMug

Ivan Makarov is the Controller of SmugMug – a photo sharing and e-commerce solution for consumers and professional photographers. Prior to joining SmugMug, Ivan was with the Silicon Valley offices of Ernst & Young and PwC, where he focused on tax planning, assurance and compliance services for high tech companies in the valley. Ivan graduated from Brigham Young University with bachelors and masters degrees in accounting.

Steven Yeffa

Former CFO, Solar Universe

Yeffa has over 30 years of experience in senior financial management leadership, asset management technologies and financial services. Prior to joining Sky Zone, he served as the Chief Financial Officer at Solar Universe Inc., and prior to that he was global CFO for Cartridge World, a 1,600+ unit franchise organization, and later, served as president for the Americas. Previously, as the Executive Vice President and Chief Financial Officer of Leasing Solutions, Inc. he directed the company's IPO and NYSE listing. As Executive Vice President and Chief Financial Officer of Sky Zone, Yeffa will ensure the development of processes, systems and procedures to further assist in franchise partner growth.