

# Best Practices for ERP Cloud Migrations

A CFO Guidebook



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# ERP in the Cloud is Critical for Digital Transformation

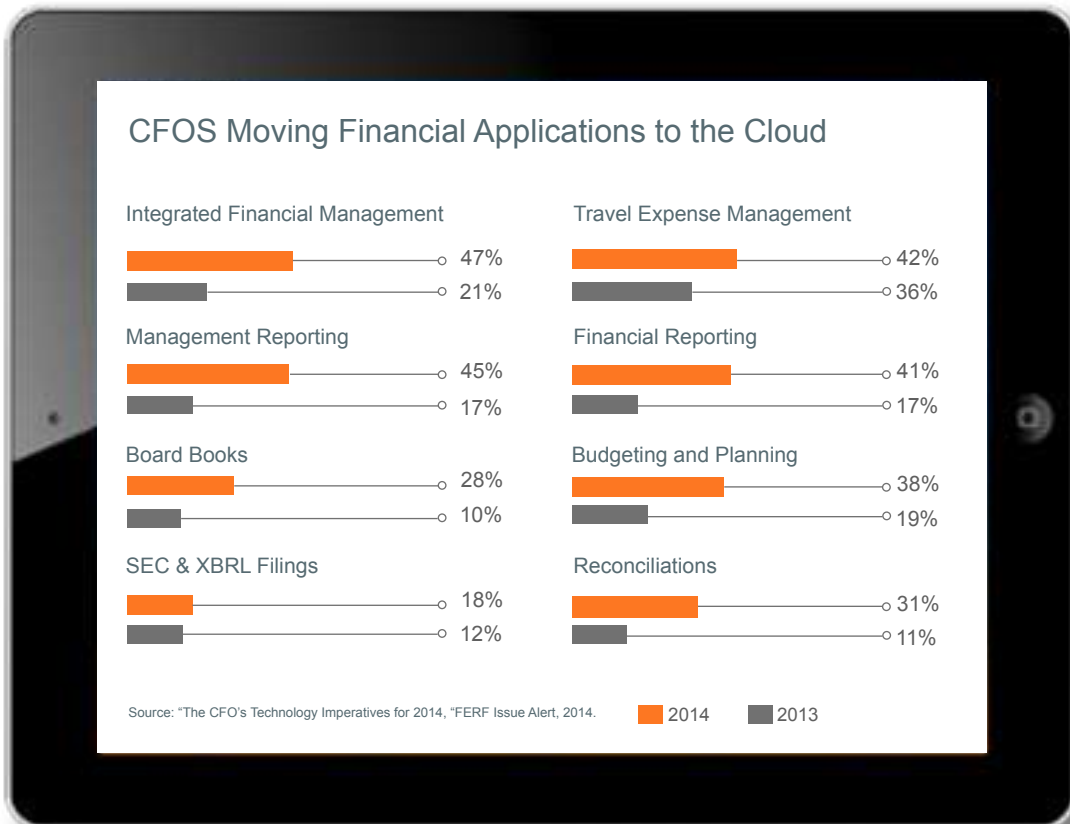
In a survey of 2015 business priorities, digital transformation of the business topped the list (*Inside the 2015 Boardroom Priorities*, Constellation Research, December 2014). Digital opportunities span every function of the business. Customer- and talent-facing functions tend to get the most attention, but in fact, digitizing core operations can have a greater impact on operational efficiency and cost-reductions than anywhere else (*Finding Your Digital Sweet Spot*, McKinsey & Company, 2013).

It's little wonder, then, that more and more CFOs are looking to the cloud for their enterprise resource planning (ERP) needs. The Financial Executives Research Foundation (FERF) found that CFOs made a significant

jump in moving their financial applications to the cloud in 2014 (Figure 1). Cloud applications of choice include financial management, travel expense management, reporting, budgeting and planning, procurement and more.

While ERP in the cloud is seen as more mainstream and less risky than it used to be, there are still pitfalls along the path to the cloud. In this guide, we'll discuss best practices to migrate safely to the cloud, and get the most value out of your cloud implementation.

Figure 1  
Year-over-year comparison of the number of CFOs surveyed who are moving financial applications to the cloud  
(“The CFO’s Technology Imperatives for 2014,” Financial Executives Research Foundation)



# Smooth Flying Ahead?

You understand the benefits, you've made the business case, and you've selected a vendor. You're ready to start your journey to ERP in the cloud. Now what?

While it's true that CFOs are *embracing the cloud* in growing numbers, the move carries its own challenges. According to Deloitte Consulting, it's important to understand how cloud implementations are different from traditional, on-premise projects (Figure 2).

ERP cloud can help you achieve measurable business value, but realizing this value isn't a given, and safe passage to the cloud is not guaranteed. Accordingly, we recommend the following best practices to get the most out of your cloud migration:

1. Understand up front the business value that the cloud can deliver to your organization.
2. Take an incremental, iterative approach to cloud deployment.
3. Configure, don't customize.

RE/MAX Holdings Inc., the familiar real estate franchisor, needed an upgrade from its aging ERP systems. As a result of the company's IPO in 2013, "our financial information has become transparent," said Karri Callahan, acting CFO and corporate controller. In addition, the company's growth plans required embedded controls and extensive reporting capabilities. RE/MAX signed up for Oracle ERP and EPM Cloud to help meet the company's planning and reporting demands. "Oracle offered us pre-integrated, state-of-the-art cloud services," Callahan added. The online applications also addressed another corporate imperative: supporting its franchisees. "This was a compelling value, since we prefer to invest in technology innovations for our brokers and agents rather than maintaining separate systems," Callahan concluded. ("*CFOs Jump to ERP Cloud to Accelerate and Integrate*," Forbes.com, Jan. 30, 2015)

Figure 2  
Key Differences between Cloud and On-Premise Implementations (*Smooth Flying Ahead: Safe Passage to Oracle ERP in the Cloud, Deloitte, 2015.*)

- The design process in a cloud implementation is typically more agile—more like prototyping. This allows the business to rapidly see the results of design decisions, which often boosts the rate of adoption and sign-off.
- The cloud by nature means configuration rather than customization. Because few changes can be made to the system, business processes need to be streamlined and standardized, a discipline that often leads to efficiency gains and productivity improvements.
- In a cloud implementation, providers continuously improve their systems, practically eliminating the need to wait for the "next release cycle" to address deficiencies or add new capabilities. This enables quicker fixes and updates, allowing customers to fully utilize the most current functionality.



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Evaluating the cloud is about more than just TCO [total cost of ownership]; it should really be about creating business value. You can start with shareholder value: what are the opportunities for your company to be more competitive, to differentiate yourself? It could be that you need to free up working capital, in which case Oracle ERP Cloud enables significant improvements in operations like procure to pay, project to close, tax deductions and so on. Whatever the business driver is, you need to make sure your ERP cloud solution has the capabilities to deliver on it.”

**Mike Brown,**  
Principal, Deloitte Consulting LLP

# Best Practice No. 1: Understand Up Front the Business Value that the Cloud can Deliver to your Organization

Many companies think of the cloud in terms of cost savings alone, and don't often take the time to map their unique processes to the value they can gain from a move to ERP cloud. As a result, many don't get the business value they had hoped from their cloud deployments. Before you begin your migration, take the time to understand your unique business model and where the cloud fits in.

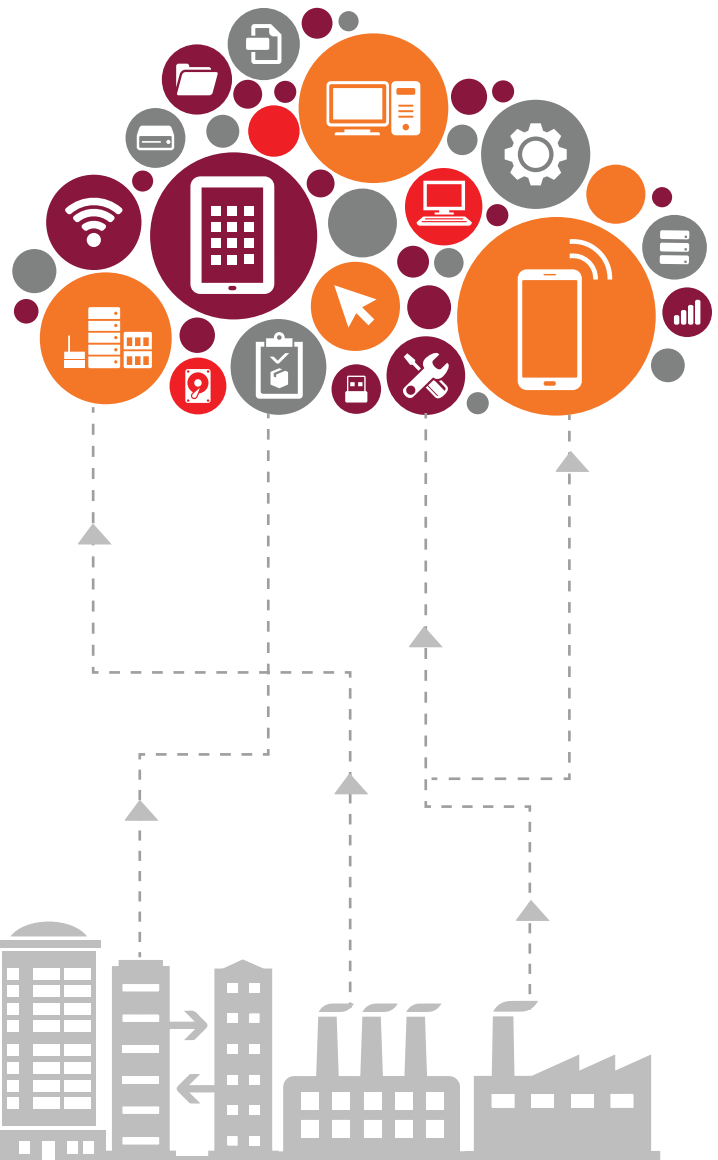
For example, a change in business model often comes with an acquisition or divestiture. Delaware Life Insurance Company emerged in 2013— with no IT infrastructure— from a divestiture by Sun Life Financial. To avoid a big IT investment, the company looked to the cloud. It implemented *Oracle Enterprise Resource Planning Cloud* to standardize processes and support the new company's insurance business, which includes 400,000 policyholders and US\$40 billion in assets. This eliminated the up-front costs of purchasing and setting up hardware, thus improving Delaware Life's bottom line.

There are a number of reasons why a company might be considering a move to cloud financial systems:

- A midsize business may have grown faster than anticipated, and its accounting software can no longer handle all the employees, cost centers, and multiple charts of accounts the company needs—especially when expanding into new territories.
- A larger, more mature company might have multiple ERP systems absorbed through acquisitions, or an aging on-premise system that requires an upgrade.
- A company with subsidiary offices in different countries might have a two-tier ERP approach, with different systems and data centers in each region, in order to comply with government restrictions governing the storage and security of customer data.

When looking at a possible cloud migration, assess the key factors of your own operating model and examine how an ERP cloud can benefit the business. For example, if your company has a subsidiary model, an ERP cloud can give you the advantage of using the same software globally, while storing customer data in the vendor's regional data centers—thus remaining compliant with government restrictions.

Similarly, if you're a mature company in need of an ERP system upgrade, you can bypass the long (and often arduous) process of an on-premise rollout in favor of a move to the cloud. And if your midsize company has plans for even more growth and expansion, you might want to bypass the mid-tier ERP systems and leapfrog from QuickBooks into an enterprise-class ERP that you won't outgrow. Such a choice is much easier and more affordable in a cloud model than with traditional, on-premise options.





Once you've aligned your cloud model with your business model, you can start assessing, which business functions should move to the cloud. Discuss the current state of your business, identify the IT challenges that are holding you back, and compare those challenges to the capabilities of the cloud applications you're considering.

"With our clients, we do what we call an Enterprise Value Map," said Mike Brown, Principal, Deloitte Consulting LLP. "We look at all the company's operational drivers and link them to bottom-line value. Then we examine each one of those drivers—such as receivable days, payable days, income tax, etc.—and figure out, how a shift to ERP in the cloud could impact those numbers. If you can simply reduce your average payables by a couple of days by moving ERP to the cloud, that's a big impact on business value."

Whether the business benefits of the cloud come from reduced days payable, a faster close period, or other improvements, it's important to identify those drivers before you begin your migration to the cloud. If you begin your migration project without knowing where the cloud will have the biggest business impact, you're likely to be disappointed in the results.



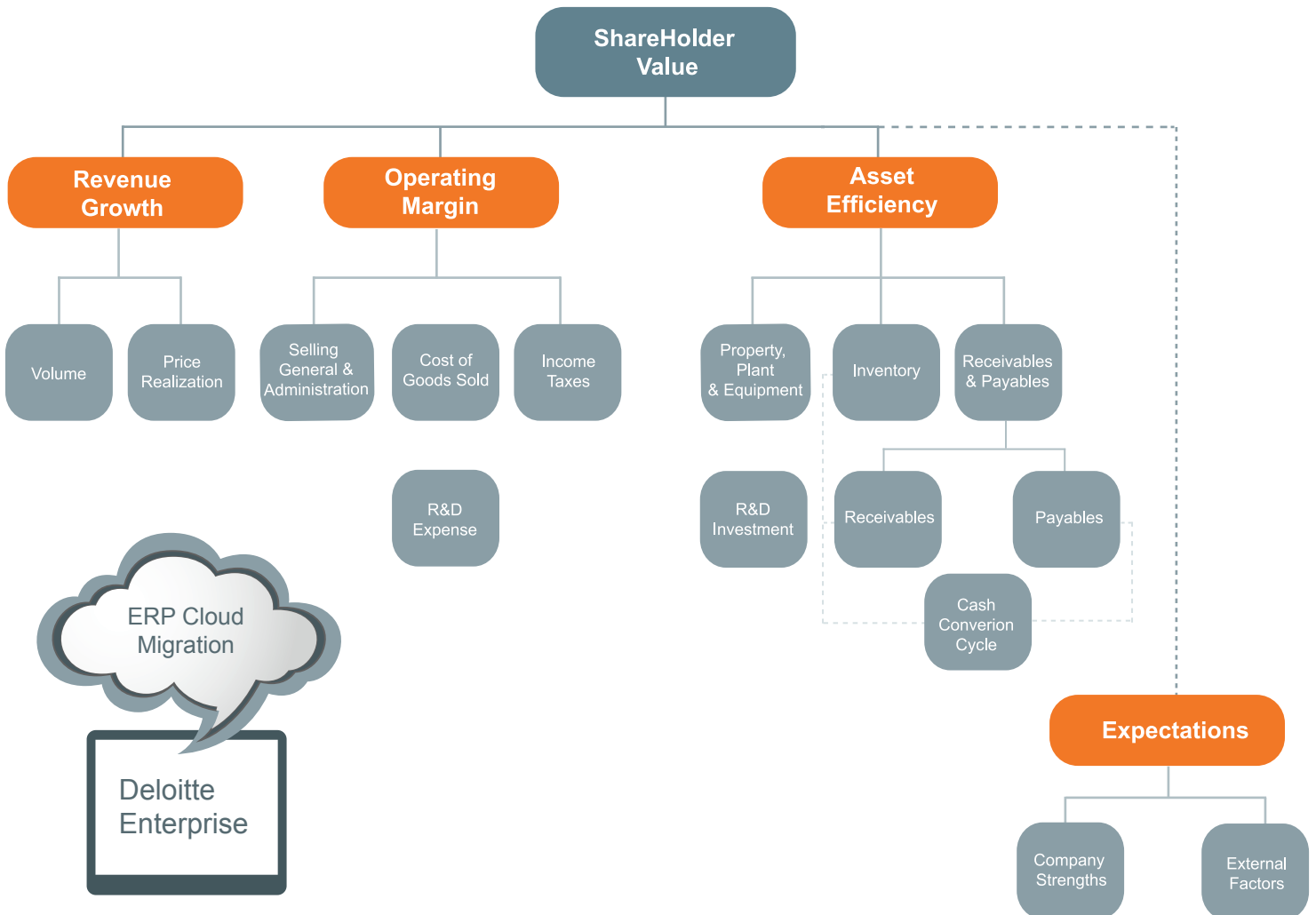
We planned our journey to the cloud in phases. The phased, incremental approach mitigated that risk, making it easier to manage business change. We defined and proved out the solution, built skills and expertise, provided feedback to development about the user experience, and incrementally added new functionality."

**Corey West**

*Executive Vice President, Corporate Controller & Chief Accounting Officer, Oracle*

Example of Deloitte Enterprise Value Map™

(Safe Passage to the Cloud: ERP Cloud Migration Best Practices, 2015).



## Best Practice No. 2: Take an Iterative, Incremental Approach to Cloud Deployment

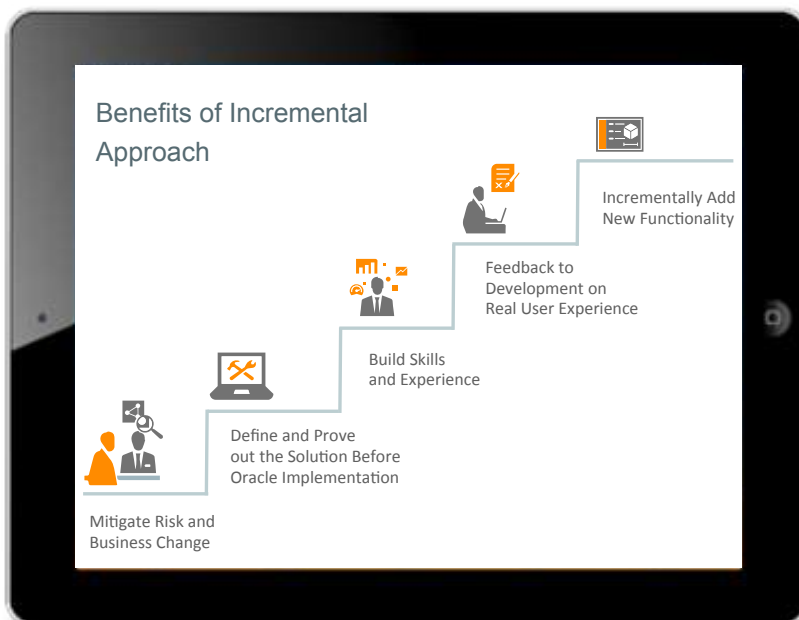
One of the obvious benefits of the cloud is that you don't need to install anything, so you can get your system up and running faster. An agile approach to bringing the new system online can help you take advantage of this speed.

Start with small teams piloting small units of work, to establish whether the new cloud ERP meets your main business requirements. "We do what we call a 'conference room pilot' approach," said John Doel, Principal, KPMG. "We sit down with the end users and ask them to perform typical processes that they need to do on a regular basis. From this, we can validate the design or look at configuring the system a little differently."

Additionally, don't migrate your ERP history: limit the migration to open GL balances, projects and employees. This will reduce the amount of time and work required for the project.

"Data migration is a key consideration," said Scott Curry, vice president at Emtec Inc. "There's more to it than importing and exporting spreadsheets." Curry explained that the most common challenge is dirty data. "Give your team enough runway to clean the data," he advised.

### Overview of Oracle's approach to ERP cloud migration (*Safe Passage to the Cloud: ERP Cloud Migration Best Practices, 2015*)



"Every company has multiple sources of data, which inevitably leads to duplication and inconsistencies. You don't want to migrate information that you don't need."

Oracle itself followed this advice when moving its finance operations to the cloud. Always ahead of the technology curve, Oracle began its migration in 2012, when ERP cloud was still seen as a huge risk.

Oracle chose to begin with its Indian subsidiary, which was running on a separate instance of the company's on-premise ERP. This two-tiered approach to ERP is commonly found among companies with regional subsidiaries, which need the ability to comply with country-specific regulations; yet it leads to disparate data, integration challenges, and a lack of visibility and oversight from head office. By migrating ERP to the cloud in India first, head office gained the ability to create a global general ledger, chart of accounts, and reporting hub. Oracle's Indian subsidiary, meanwhile, maintained its ability to meet local requirements to store customer data in country.

"ERP cloud has helped our business in a number of ways," said Corey West, Oracle Executive Vice President and Corporate Controller. "It has improved the user experience, giving us functionality that never existed before. The social and mobile capabilities really impact how people do their jobs, including how we communicate during the close process. We've enhanced data security, streamlined consolidation, improved insight and reporting—and we've reduced the close cycle by one day."

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When we looked at how to integrate our business processes with the Oracle ERP Cloud we really found two things. One was that there was flexibility within the system to adapt to our business processes. But in addition, when we looked at the core functionality that was built into Oracle ERP Cloud, there were cases where we thought, 'Hey, that's better than the way we do it.' And so we made the decision to change our business process because we felt that the way that the Oracle ERP Cloud handled it was better than the process that we had designed ourselves."

**Steve Van Houten**  
CFO, The Rancon Group

## Best Practice No. 3: Configure, Don't Customize

One of the advantages of the cloud is that it enforces standardization across the business. There's no point in ten offices performing the same task in ten different ways out of habit. However, if you want to create competitive advantage in the digital age, you need to do some things differently from the way your competitors do them.

An ERP cloud solution should make it easy for you to configure your business processes to deliver that all-important competitive advantage.

**Tip 1: Select a cloud vendor with a platform that enables you to configure, and ensures that your configurations are upgradeable.**

With some cloud providers, if you want to extend the software a little differently to suit your unique business needs, you have to do it using the vendor's proprietary languages—which very few developers are familiar with, and which only allow designs within strict limitations. This is where standards-based platform as a service (PaaS) becomes critical.

When it comes time to extend and enrich your applications for the way you run your business, you want to take advantage of a widely available talent pool. This means using industry-standard development languages such as Java, and readily available connections to your databases, other clouds, and systems. And it means cloud-based documentation: Whenever you make changes to your applications, connections and processes, those changes can be tracked and stored in the cloud. No more hunting for documentation when the time comes to make changes to mappings, and no more reliance on integration specialists who may have left the company long ago.

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Oracle allows a much broader range of configurations than other ERP cloud software we've worked with. Many cloud ERP software vendors force a set of pre-defined structures on clients that do not offer flexibility long term as the business grows and/or evolves requiring the software to evolve with the business. With Oracle, you have the ability to leverage embedded leading practices while providing configuration flexibility. For example, when you create a field, it's tied to a functional area, so other parts of the system know how the new piece of information relates to them. This isn't true with many other cloud vendors. And, the embedded Oracle reporting and analytics capabilities are stronger.”

**Scott Curry**  
Vice President, EMTEC INC.

**Tip 2: Whenever possible, embrace the standard best practices already in the application.**

If all you want is to migrate your old, on-premises processes to the cloud, then you're not really getting all the benefits of a modern ERP cloud. Of course every company will have some unique processes, but if you start by focusing on the small percentage of business processes that make up the exceptions, you run the risk of kicking off your project with delays, objections, and frustrations.

Instead, start with the best practices that a modern ERP delivers. This will get you to the cloud faster, establish some early wins, and in the long run, will help make your business more efficient by streamlining some old processes that likely haven't kept up with your business anyway.

Configurations depend on your industry, growth pattern, personnel and business requirements. Emtec's Scott Curry gives the example of two companies that are similar in size and industry yet have different sized accounting teams—one with double the accounting staff. “The company with fewer accounting people runs its businesses very efficiently and has leveraged the software to standardize and automate business functions, while the other company built in process complexity and leveraged people instead of software.”



**Tip 3: Limit configurations to those that enhance your unique competitive advantage.**

Solairus Aviation is a company that manages private jets for large corporations and wealthy individuals. The company has a unique business process that sets it apart from the competition: it manages every aircraft as a project.

“We’re a turnkey company that provides our clients with flight department management,” explained Mark Dennen, Solairus Aviation’s CFO. “We manage all aspects of their airplane, including finding them hangar space, buying fuel, assigning pilots—we take care of everything. We’re not a transportation company, we’re a service business. And part of that is providing our clients with a monthly financial summary of the cost of operating their aircraft.” (*Oracle Customer Reference Forum with Solairus Aviation, April 15, 2015*)

When Solairus began operations in 2009, it was running on QuickBooks and spreadsheets. Five years later, it had outgrown those systems. “When we started kind of trying to figure out what we needed, having a project module was important to us,” Dennen said. “We treat every aircraft as a project, and we treat every trip the aircraft flies as a task. We’re reporting expenses on a trip-by-trip basis to our customers. We needed a flexible billing module that would let us take all of the costs accumulated in that project, and be able to turn it into a customized invoice.” (*Ibid.*)

One of the advantages that Solairus offers over competitors is its ability to track every expense associated with a particular aircraft, right down to the pilot’s hotel bill on a given date, during a given trip. “Right now, we provide a PDF or an Excel version of this invoice and we e-mail it to the client,” Dennen explained. “But by the end of this year, we want to put the invoices on a portal where clients can log in to view their bill. And if a client looks at a transaction and says, ‘Hey, wait a second, what is this aircraft part you bought that cost \$12,000?’—they’ll be able to click a hyperlink and see the invoice for that part, and they’ll be able to see that it was approved by their maintenance supervisor, and that it was installed on their specific aircraft, not somebody else’s.

“That capability is absolutely going to set us apart from any one of our competitors because no one is doing that. I don’t think anyone is even thinking about doing that.” (*Ibid.*)

This is the kind of business process that is worth configuring in your ERP cloud, because it provides a distinct competitive advantage. Other, less valuable processes can be discarded in favor of the standards available in the ERP cloud application.

**Tip 4: Before implementing, work closely with your implementation partner to understand what’s available in the system and how it can deliver the reports and analytics you need.**

One of the greatest benefits of a modern ERP cloud is that it provides powerful and easy-to-use reporting and analytics capabilities for a variety of users, whether they’re senior executives, line managers, employees, or frontline process experts. In the past, teams may have had to wait for reports to come out of a separate data warehouse, or wrestled with spreadsheets or Access databases that proliferated across different departments and showed conflicting data.

Today you can understand your business in real time directly from your ERP cloud, with advanced multidimensional analysis and data visualization that show you relevant insights quickly. To that end, look at reporting and analytics early in the implementation plan. Decide which information you need, how you want your reports to look, and who will have access to what level of information. Providing early reports to line-of-business managers is a great way to turn skeptics into fans.

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For CFOs or other executives in my position, the key takeaways are to be actively involved early and, if you can, throughout the entire process. Get the team involved. Make sure that they’re as excited about the product as you are. Keep the energy going, because your team will start to get burned out, they’ll be working overtime, they’ll run into obstacles and frustrations. Be a cheerleader and support for those folks as they start to get a little weary. Doing things to make them feel appreciated will go a long way. If you can build the excitement and stay involved and show them that the project is important to you, as well as to the organization, then the chances of success are great.”

**Mark Dennen,**  
CFO, Solairus Aviation  
(*Oracle Customer Reference Forum with Solairus Aviation, April 15, 2015*)





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## Conclusion

In order to make all of the above happen, you need strong executive support and stakeholder buy-in. It might seem obvious for any IT project, yet it remains the most frequently cited best practice among our clients: no matter the size of the company, executive sponsorship is critical.





Employees throughout the company must see and hear from the C-suite frequently, so that they understand that the project is a strategic priority for senior management. Without this constant communication, it can be difficult for employees and front-line managers to embrace the change. They may think there's nothing wrong with the way they're doing things now, or they may be uncertain about the implications of the change.

The people who use your ERP systems every day are the most important people on your team; if they don't buy into it, the solution won't be a success. Show them the new applications early on, so they can get comfortable with the user experience. Involve them in the small, incremental conversions discussed above, so that they are part of the early successes. Consult with them about the reports they want to see coming out of the system. By the time your ERP cloud project goes live, users will have already adjusted to the new processes, and change management will be minimal.





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