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Salesforce.com: What Your CFO Needs to Know

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Finance departments must be involved in major procurement decisions, to make sure the business case is done properly. They need to set aside CAPEX allocations and understand the ongoing consequences for OPEX budgets. They need to know what the new system can do for them (if anything), and how the new system will integrate with existing systems of record in the company.

Whether your finance department is a one-man band or a big organization, they need to understand how SaaS applications (and particularly Salesforce CRM) change a lot of the financial assumptions. What issues do you need to think about? What new decisions will you have to make? How should you measure success? Here are some CFO guidelines for making better decisions. While much of this article applies to any SaaS CRM system, we've focused here on the specifics of Salesforce.com.



Making the Business Case

There are two sides to every business case: costs and benefits. While analyzing the SFDC investment is way beyond the scope of this article, here are the three main factors that come into play.

TCO comprises three major elements: procurement, implementation, and operations. Let's look at them in turn:

Procurement: These are monthly fees that vary by the number and type of users, product version, length of contractual commitment, and willingness to prepay. Do not expect SFDC or any other SaaS vendor to discount as aggressively as enterprise software vendors do.

Implementation: You will almost certainly need consulting and other services to configure the system, convert legacy data, integrate with other systems, write custom code, test the system, deploy it, and train users.

The biggest cost of implementation will not be system customization: it'll be data and integration. Don't be surprised if cleaning up data and integrating with your existing systems costs more than your first-year license fees.

Do not neglect support fees during the implementation period. You'll need speed of access and in-depth expertise that is available only through premium support.

Ongoing Costs: Beyond the monthly subscription fees discussed above, the ongoing costs for SaaS are typically one-time costs for things like data recovery or purchase of an add-on (such as a data deduping tool).

The most interesting ongoing costs are related to people: follow-on implementation or expansion work, training costs for new users or administrators, travel and fees for "power users" attending technical

conferences (a good investment), and consulting time for cleaning up data pollution problems that are almost inevitable in large systems.

On the benefits side, it's important to evaluate both the hard and soft elements of cost and revenue impact. Lowered costs should include hardware and software cost avoidance, decreases in labor, waste avoidance, and efficiency improvements. Revenue improvement should include the impact of: shortening the sales cycle by 5 percent, preventing a lost sale, or achieving a couple of more upsells per quarter. Obviously, these are "soft revenues," but ask your sales VP what would be the impact of hot prospects never "falling through the cracks." You'll never get him to raise his quota, but the whole point of a CRM system is to achieve growth more profitably.

The Goldilocks Investment: Behavior Change Needed

Traditional Enterprise software was a "bet the farm model:" make a big investment, have a monolithic deployment, and see a monumental payoff. All too often, though, the results were high costs, delayed deployments, or even outright failure.

SFDC is a game-changer not because of individual features, but because it's a "by-the-drink" model. SFDC is best implemented using an Agile deployment style where you invest just enough to make a business impact quickly. After you put a minimalist system into production, you can measure its initial results. You'll rapidly discover where some additional functionality will make a business difference. More importantly, you'll discover the areas where you don't need to invest further—features that would have been part of the enterprise software implementation but aren't of sufficient value to you.

However, this "Goldilocks investment" requires some behavioral changes on your part:

Investment isn't a one-shot, fire-and-forget-it deal. You need to be more attentive over time to project management and incremental investment needs. Expect to be making little improvements every couple of quarters throughout the life of the system.

Traditional Enterprise Software business cases assume a system life of 5 to 10 years, and this works for some application categories. But it doesn't hold true for CRM: system life (and therefore your business case horizon) is typically 3 to 5 years. This is not the fault of the software vendors—system obsolescence is caused by the rapidity of change of your business environment, executive policies, and the marketplace you face.

Benefits for Finance Teams

You may think of Salesforce.com as just an SFA system, but there are hundreds of add-on products that extend it in several ways. Many customers configure it as a full-fledged CRM system, tightly integrated with the rest of the business.

Since SFDC has a significant amount of data that's relevant to finance, it's key to understand what it can do for that department.

Forecasting: SFDC's forecasting system is focused on bookings, and it has sophisticated access controls to prevent unauthorized viewing and meddling. SFDC's forecast should be used as the input for your revenue forecasting system.

The Quote to Cash cycle: SFDC already holds detailed information about the product and services pipeline, and can be easily extended to produce fully itemized quotes. These quotes should be "locked down" so that the ones that aren't "automatic yes'es" can't be printed or emailed until approved by sales management, finance, and legal. Once the deal is closed, the order and contract can be automatically generated from SFDC data.

Accounting: Once the order is closed, the order and invoicing information can be transferred from SFDC to your accounting system. Although SFDC won't be the system of record for accounting data, it is secure enough to be the source for updates and triggers.

Analytics: SFDC can hold millions of records regarding customer contact, quoting patterns, and deals—the ones you won and the ones you lost. This data supports analysis of profitability, product-line discounting, sales territory performance, or marketing effectiveness. Built in the system is an easy to use set of reports, but sophisticated analysts quickly outgrow them. SFDC plugs into standard reporting, analytics, and data warehousing tools.

Process controls and compliance: SFDC has role-based privileges that can enforce access controls down to a very fine level, and its workflows allow for locking down data depending on the state of

transactions. The system can aid in Sarbanes-Oxley compliance, particularly regarding forecasting and deal-close processes.

To understand better what a CRM system can do for the finance, legal, and related teams, check out Chapter 12 of my book.

David Taber is the author of the new Prentice Hall book, "[Salesforce.com Secrets of Success](#)" and is the CEO of [SalesLogistix](#), a certified Salesforce.com consultancy focused on business process improvement through use of CRM systems. SalesLogistix clients are in North America, Europe, Israel, and India, and David has over 25 years experience in high tech, including 10 years at the VP level or above.

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