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For Cloud Professionals, part of the On Cloud Podcast

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Title: **SaaS is the future of software, and that future is now**

Description: On-premise software acquisitions and updates can be costly and time-consuming—especially for ERP systems. With software-as-a-service (SaaS), that model is upended. In this episode, David Linthicum and guests, Oracle's Rondy Ng and Deloitte's Varun Dhir, explain how SaaS changes the game. It removes complexity by giving organizations access to the most up-to-date, secure versions of critical software, without the need to install, maintain, or update it. Ng and Dhir take a "cloud-first, cloud-only" posture, and they believe SaaS is the shortest path to agility, continuous innovation, and ongoing operational improvement. They also give advice on getting started-- rethink everything, but start small with core processes, capture value, and leverage success to build out.

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Operator:
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David Linthicum:
Welcome back to the On Cloud podcast, your one place to find out how to make cloud computing work for your enterprise. This is an objective discussion with industry thought leaders who provide their own unique perspective around the pragmatic use of cloud-based technology. Today on the show, we are pleased to welcome Rondy Ng and Varun Dhir. Rondy is a Senior Vice President of ERP Applications Development at Oracle, with responsibility for leading all aspects of product strategy, product development, and product delivery for Oracle's ERP applications and cloud services. Varun Dhir is principal at Deloitte.

He is a digital finance transformation leader with 20 years of consulting experience advancing innovation that can drive value for finance organizations beyond traditional strategies. Man, you guys have a lot of experience between you. So, Rondy, we'll start with you. What's a typical week like for you at Oracle?

Rondy Ng:
Now, like everybody else, we are working from home, but we've been really busy working with many of our customers deploying their cloud solution. Many of the customers are really busy in terms of adopting cloud transformation projects and, currently, the go-lives have been super active, especially over the past few weeks, over the year-end.

David Linthicum:
Varun, what's a week like at Deloitte for you?

Varun Dhir:
Well, it is quite like Rondy's, but in this case, helping clients think through how they adjust to the new normal, especially in the finance organizations and finance departments. What started out with COVID as a bit of a scare, in terms of what is next, quickly transformed into an opportunity for everybody to think about the future, and that is the core theme of most of my discussions with my clients these days.

David Linthicum:
One of the things that I'm finding as I'm making my way throughout the marketplace is that people aren't typically aware of the software-as-a-service capabilities of some of the ERP systems that are out there, and accounting systems, and CRM systems that are there. And as we're moving into cloud and COVID's kind of accelerated that, people are hitting the eject button on some of their on-premise systems and, in essence, moving them into the cloud, not necessarily by migrating the systems in the cloud, but by migrating from an enterprise version that typically sits on-premise to a software-as-a-service version that typically sits within a cloud. So, why are customers moving in this direction, and Rondy, I'm going to start with you. What's motivating them to make this transformation right now?

Rondy Ng:
Yes, that's a great question. Many times, when we talk to customers before COVID, a lot of our customers are thinking, "Hey, an ERP is good enough. It can close the books. It can process transactions, and so on and so forth." But, as you know, when we started this new normal, everybody's working from home. Expectation to support the remote workers is a big challenge for many of our customers running old systems, and now people are starting to really recognize that they will have to do something quick. Now, when we look at cloud, generally there are two big areas that our customers are looking for, especially during COVID and post-COVID. One is agility. Clearly supporting remote workers, but also many of our customers, whether you were hit by COVID hard or not, it could positively or negatively your corporate processes and your company objectives usually change.

For example, some big logistics companies that are working with us, clearly their workflow has increased significantly. Or people who are in the retail business, or some of the other traditional brick and mortar, they are really pivoting into online businesses. Can your ERP systems, can your backend processes support that kind of scalability, some change in scale as well as the change in business model? So, the ability to adapt to these changes is really, actually sometimes slowed down by the lack of agility in your traditional on-premise ERP. So, that's why people go into the cloud.

Now, the other thing there is around futureproofing. A lot of our customers understand that it's really hard to predict what their future competition is going to look like, how, post-COVID, the business modeling and environments are going to look like, and also the fact that a lot of the new user experiences that the younger generation of their users are looking for, whether it is going into a collaborative mod el or all the types of digital assistance. And this is way above and beyond just actually being able to do things remotely and mobile So, a lot of the future proofing is what people are looking for going to cloud, where you can expect the cloud vendors are going to continue to push the boundary of the software capabilities, always keep it current, always keep it secure, and always keep it modern for the user base.

David Linthicum:
Yes, going forward, I think this is something that organizations aren't looking forward to struggling with, but I don't think they need to struggle. As you start making this transformation, it's a very different world than it was 20, 30 years ago, when even just updating from one version of an ERP system to another was a huge ordeal and took years and years and years and cost millions and millions of dollars. But, moving forward, I think some of those frustrations are going to be a thing of the past. So, Varun, what do you think?

Varun Dhir:
I think the idea of not having to do a major finance transformation ERP type project is really attractive to finance executives, meaning being on a platform that is constantly innovated on with updates, that sort of compound innovation, and can be adopted at will, without shaking up the system, is a very attractive idea. If you go back in time and think about what finance organizations have gone through, every five to seven years they've had to take on a major technology project—a major upgrade, commit resources, take people away from the business, and then stabilize the system, only to learn that in a few years they have to do it again. And the idea of going away from that is highly attractive. If you think about what CFOs do mostly, they work on efficient capital allocation, and this model allows for more efficient human capital allocation for both their teams, meaning the finance teams, and also for their supporting technology teams.

David Linthicum:
Moving forward, we're continuously improving as we move things into the cloud, and one of the things I love about the cloud, and certainly software-as-a-service, is every time you log into the thing, you're getting to a new version. Improvements have been made. They're constantly looking to update the user interface, to update the way the database is structured to, in essence, create a more valuable user experience, and therefore a better experience for the business. What should customers expect from the Oracle cloud as we look at it today, and also what's coming down the line?

Rondy Ng:
Yeah, so tons of new innovations. Now, clearly, Oracle has been very focused on investing in new capabilities based on customers' input. As a matter of fact, just looking at the last 12 months, over four quarterly releases, we delivered about 1,700 new features. Now, think about going to the on-premise world

where you uptake a new solution, a new update maybe once every ten years, and many times our customers are telling us because the complexity and cost is so high that they don't really have time to explore the new capabilities. So, many times, it's just keeping the lights on to make sure that they are current with the support contract. Versus in the cloud, not just can we deliver 1,700 new features yearly, or maybe more going forward, our customers are able to voice their opinion about these capabilities that are relevant to them.

As a matter of fact, half of the features and capabilities came from direct customer input. So, wherever people actually have a new idea, something they're struggling with, certain areas in implementation, or maybe have some good ideas in the post go-live and, of course, monitor completely as to where we actually have customers using the capabilities. We invest more on improving those. Things that are less often used, we probably are not investing as much. So, clearly, it's a customer-driven roadmap. It's clearly a lot of innovations coming very quickly. But at the same time, you as a customer can control the fate as to what is relevant to you, as far as how you'd like to adopt that.

Now, that said, in terms of the technologies, clearly being a very functional, complete, and broad and deep suite actually gives us a lot of advantages for supporting any kind of customers, any size, any industry, any country deployments—we have the bases covered. Now, people are asking me all the time, "Hey, you've got a very complete suite. What is next?" Now, I can tell you that we are reimagining almost everything that we're doing in the core capabilities. We're looking at how we improve the ability for people to use less and less human judgment on performing transactional activities and processes. So, we actually leverage things like machine learning to automate a lot of that manual work that people do, or basically use machine learning to recommend different ways to improve the productivity, or basically auditing any potential fraud and errors and so on in advance or during the transaction processing. They're all trying to make the solution operationally more and more touchless, leveraging these technologies.

Now, the other thing that especially we look at a audience, like FP&A or the CFO, CIO. Our audience, clearly, they are looking more and more into information and insights of the systems, but not just actually coming out with a bunch of reports. They want the system to be able to generate the most up-to-date view of the business and using that, to drive a much more predictive forecasting of their business, not actually after the quarter is closed, but every single day of the business. Leveraging machine learning and AI methodology, data science methodology to generate prediction models to help people steer the business.

And last but not least, a lot of things that people expecting is collaboration. How do you actually leverage, for example, technologies like video collaboration in a contextual manner that you can actually drive cross-discipline, cross-organizational collaboration with the latest and greatest information. Digital assistants are in the play. The new user experience in a remote world. So, all in all, we are applying this new generation of technologies to improve what people actually have been driving in the last 24 years, procure to pay, or cash, record to report, to forecast, and so on and so forth. Very exciting.

David Linthicum:
Varun, one of the things that I think people are interested in as they're moving into these on-demand ERP base systems, your software-as-a-service systems, is the ability to provide feedback directly to the developers, and to the people who are deploying the product, and improve the product ongoing. Can you enlighten me a bit on how that process would work?

Varun Dhir:
Yeah, if you think about leveraging cloud software, one of the unique things about it is that you have new rules. We often say cloud world, new rules. It is the new word of partnerships and collaboration. Relationships are more long-term partnerships than one-time transactions. So, to draw a contrast, previously organizations would buy software, make it their own, do whatever they wanted with it, and end up with lots of customizations and aspects that were harder to maintain, which really was the root cause of a lot of complexity. Now, by contrast, in the cloud world, you implemented largely vanilla, and because you implemented largely vanilla, all the updates that you get from the software provider are basically rather easily switched on without disrupting the transaction flow. And then for the capabilities that you desire, that are not there, you work with the product development organization over time to get them on the roadmap to get them then enabled for your own business. So, that is the aspect of sort of compounding innovation, without customizing the system, that keeps the complexity low and the innovation rate high.

David Linthicum:
Moving forward, I think a lot of organizations are looking to move down this path. The big concern they have is around security, is around support of employees, and certainly around the pandemic. We're a year into it now, but the ability to support remote workers and have security around remote workers, things like that. So, Rondy, how do you respond to that when those kinds of issues are asked?

Rondy Ng:
Frankly, those kind of issues probably are even more difficult to address for any given organization in their own IT infrastructure. On premise, try to keep up with all the security patches and security infrastructure, data center complexity. Yes, you can do that. It's a lot of cost, there's a lot of people, versus Oracle, this is our DNA. We do security from day one, and everything actually is revolving around a very scalable system. We constantly get our system maintain up to date. Many times, throughout all these quarterly release update processes that we have, we actually bring our customers' IT infrastructure to the latest and greatest versions. As a matter of fact, we are in the middle of moving our customers from Gen One of the data center infrastructure to basically a Gen Two of our Oracle Cloud Infrastructure, and we've applied numerous technology updates. Every single layer of the stack, we've applied numerous security patches without even our customers knowing they're happening. So, the fact that you may be questioning that the cloud is less secure, I would actually first ask, "Can I actually maintain my on-premise system even more secure than a professional company like Oracle would be able to do?"

David Linthicum:
So moving forward, are we looking at security models are going to be more enhanced and more effective in the cloud, Rondy?

Rondy Ng:
Absolutely. So, I do believe that Oracle, because of the exposure of security to our thousands of customers, many of these Fortune 100, Fortune 50 companies operating their core finance and ERP applications on the cloud, we have to make sure that our security posture is higher than anybody else. Clearly, we have professional teams of people constantly investing in different ways of detecting security loopholes, as well as other types of potential problems, much more proactive than any particular organization would be able to do. And, clearly, we know that sophistication of the hacker community

out there is not going to change. It's going to be even more and more events, and being able to have a professional organization with all the technologies constantly improve in our cloud infrastructure, cloud applications, is a very important aspect of our business and for our customers, of course.

David Linthicum:
So, Varun, one of the things I keep getting is a question—I've got this for years, ever since cloud started to move in. In this case, we're moving to a software-as-a-service system with some infrastructure-as-a-service capabilities that are really around, but, in essence, we're taking some of the business processes that exist in the on-premise systems, and we're moving them into the cloud, into an infrastructure that I will never see, and I can't touch the servers, and those sorts of things. And the biggest confusion I see out there is, stepwise, how do we make this move in an effective way? Even though 25, 30 percent of existing processes and workloads are in the cloud at this particular time, that still seems to be a mystery. How would you answer that question to a client?

Varun Dhir:
Yeah so as you think about finance organizations, obviously value capture from such an initiative is always top of mind, meaning if a client is thinking of investing in a SaaS software, redefining their processes for the future, they want to see value come out of it. And how does the value come out of it? It is really through standardized processes, accounting data models, analytics, compliance, governance, ultimately allowing them to capture value through next-generation service delivery models. Ultimately, finance organizations provide service to the larger organization, and how they deliver it, the models that they use are a driver of cost to serve.

So, optimizing or capturing value through an adoption model that expedites the delivery of value for the finance organization and the larger company is top of mind. And to address that, what we have seen is that clients will begin with getting their FP&A and core corporate accounting capabilities for the entire organization homogenized on the new cloud platform first. That is the right size lift without disrupting all the upstream processes, applications, and organizations.

It also allows you to get the financial data in a manner to run the next-generation analytics and get the compliance, the processes, etc., in place for a smaller portfolio of your overall business processes. From then on, David, we're seeing expanding upstream into sub-ledger processes that support the more end-to-end transactional processes over time, but in steps, in a more agile manner, so that you can adopt incremental capability without disrupting business processes, capture the value, and then invest in the next one. Kind of goes along with the whole thinking behind cloud around taking sort of smaller agile steps to capture more value without taking on too much risk.

David Linthicum:
Back to you, Varun. Who makes this decision? At the end of the day, we have technical considerations, we have financial considerations, how much it's going to cost. We have value considerations, how much value's going to come back to the business. We have customer considerations, stockholder considerations, investor considerations, all these sorts of things. Who, at the end of the day, pulls the trigger on moving to a software-as-a-service cloud?

Varun Dhir:
It is a joint CFO and a CIO decision in all cases, and this is from experience over the last sort of seven or eight years, as it pertains to moving finance to cloud. And there's good reason for that. There has to be a buy-in from both organizations to live within the rules and tenets of a cloud-based operating model in the future, meaning from an IT operations perspective, the CIO can't tap the shoulders of a developer and change things overnight because a business unit head urgently asked for changes. On the CFO side, the organization has to adopt the standard next-gen processes and minimize variability and variations. If those two organizations abide by the principles of the right way to move to cloud, that's when you have the coalition to be able to pull the trigger on this decision and move forward on sure footing.

David Linthicum:
Rondy, you're at a cocktail party. Someone comes up and they're looking for insider advice on how to be successful in migrating to the cloud, in this case migrating to the Oracle software-as-a-service cloud, or maybe even aspects of infrastructure-as-a-service, things like that. What are the secret things that they should know before they start making the migration effort, and how would you guide them for the first couple steps?

Rondy Ng:
Yes, that's a very good question. I think Varun has alluded to a number of key points in there. People have to understand that adopting ERP on the cloud, via SaaS, is very different from what people have been used to over the past 20 or 30 years where the high risk as well as like a big—really big bang approach is no longer appropriate.

Our cloud adoption strategy, the vast majority of those cases are all based on a digital finance transformation model in mind, so you have to actually think about a modern generation cloud SaaS ERP environment, the latest and greatest technology, analytics, productivity. You almost actually have to really rethink how you actually have been doing things in a new system, in a new generation, and many of the things that you used to do are no longer actually as effective and productive compared with the new ways of doing that. So, standardization, simplification, and automation are the themes that our customers are adhering to as part of the digital finance transformation.

But at the same time, don't do a big bang. Do it in small steps. Varun mentioned that, hey, start with the core finance, getting your analytics, getting your prediction, getting your forecasting, and all those insights part, so you can get basically a value of the data. But we also have a lot of customers starting with, for example, small subsidiaries, smaller organizations, really dialing in the process and making sure that you're comfortable with that, getting the value out of that and continue to evolve. Continue to actually improve as you're rolling to bigger and bigger organizations.

I think a couple of key things. One, really, actually have a digital financial transformation mindset: simplify, standardize, automate, is one trick that I actually always talk about. The second trick there is, do it in an agile manner. Prove it with smaller settings, get the understanding of the process, get an understanding of the value that you're going to get, and continue to evolve, continue to improve, continue to grow bigger and bigger, and do it for multiple different phases. Those are the two tricks that I've seen again, again with many of the very large organizations adopting. I know that Deloitte has been practicing that on a regular basis with large customers, as well.

And I really, actually want to encourage whoever has listened to this still on the sideline thinking about not just the value of all the things that Varun and I talked about today, but also think about the risk for you delaying the decision of starting this journey. What does that mean to your organization by delaying the decision? We truly believe at Oracle—I'm sure at Deloitte as well—it's not about whether it's cloud or not. I think cloud-first, cloud-only mentality is the new standard. The question there is, how fast? When should I start? If I don't start right now, what does that mean to my organization competitively, as well as being able to survive the new normal?

David Linthicum:
So, where can we find out more about Oracle ERP on the web, Rondy?

Rondy Ng:
It's very simple. Oracle.com. There's plenty of information there.

David Linthicum:
Great. Let's leave it there. So, if you enjoyed this podcast, make sure to like and subscribe on iTunes or wherever you get your podcasts. Also don't forget to rate us. Also check out our past episodes, including the On Cloud podcast hosted by my good friend, Mike Kavis, and his show Architecting the Cloud. If you'd like to learn more about Deloitte's cloud capabilities, check out deloittecloudpodcast.com, and if you'd like to contact me directly, you can reach me at dlinthicum@deloitte.com. So, until next time, best of luck with your cloud projects. We'll talk again real soon. You guys take good care. Stay safe.

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