



**Managing  
Your Global  
Business  
With  
Cloud  
Technology**

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Cloud computing changes the economics from a capital investment to a pay-as-you-go model and it's becoming more ingrained in businesses today. It's the benefits of efficiency, speed and cost savings that resonate with chief financial officers.

Cloud computing is becoming more ingrained in business today. The buzz from colleagues and the media about this emerging technology indicates that this new way of computing can have a significant impact on the way business is run. But the question many are asking is: "How can I harness the cloud to impact my business?"

A good place to begin is with a clear definition. Wikipedia defines cloud computing as "a style of computing in which dynamically scalable and often-virtualized resources are provided as a service over the Internet. Users need not have knowledge of, expertise in or control over the technology infrastructure 'in the cloud' that supports them."

So what does this mean for business? For one thing, it changes the economics of computing from a capital investment to a pay-as-you-go

model. Major software investments are replaced with significantly smaller fees based on usage. Another significant shift is the removal of major infrastructure-related tasks such as system backup, disaster recovery and system management. The cloud model eliminates these headaches and costs for the user by shifting the responsibility to the cloud provider.

Where in an organization might cloud computing have an impact?

It's critical that chief financial officers understand how the technology can be used and the potential benefits around cost savings and efficiency, along with potential risks involved.

One example of a business area where cloud is a great fit is in global transactions and the supply chain. This model can connect entire networks of suppliers, banks, partners

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and service providers with minimal costs and resources. Many of the major risks and headaches experienced in the last 20 years from massive enterprise resource planning systems and other forms of on-premise software can be significantly reduced or removed by cloud technology.

As organizations become increasingly global in their business, supply chains and transaction management becomes more complex. For most businesses, growth is tied to ability to operate both domestically and overseas with the addition of each location increasing complexity.

### Driving Growth More Efficiently

Global transactions and sourcing are becoming increasingly important and in this area cloud solutions have a significant impact on efficiency and cost savings. The major benefit of cloud technology versus typical on-premise software is the elimination of overseas staff and support.

Transacting with new global partners is significantly easier and less expensive using cloud, thereby allowing businesses more flexibility to transact with multiple business partners in different regions.

For example, consider a sporting goods retailer that sources a large amount of overseas product. Business demands for this company can vary from one day to the next due to seasonal changes, trends in apparel or footwear, the state of the economy and even weather patterns. Now consider all of the other moving variables taking place overseas — changes in duties, new trade regulations, shifts in currencies, cost of capital and other factors.

In today's environment, it's evident that businesses require an adoption methodology for flexibility and responsiveness to changing dynamics. The sporting goods retailer referred to earlier deals with, say, about 200 to 500 suppliers and trading partners throughout the year and incurs substantial cost to simply connect with one of these parties. Set-up and transaction costs hinder agility,



**Business Areas Suited For The Cloud**

Cloud computing can impact areas of business that change rapidly and require flexibility. Areas that need increased capacity or new capabilities include:

- Email, filesharing and areas of collaborating and communicating;
- Business applications that reach across the enterprise, such as CRM, ERP, HR and finance and accounting; and
- Workflows and transactions that reach beyond the four walls of the organization, such as sourcing, procurement, trade finance and supply chain.

making it difficult to shift suppliers as business conditions change.

This is a perfect environment for a cloud model. If all of the factories or suppliers require just an Internet connection to access a hosted transaction platform, the whole barrier to agility is eliminated. If capital costs rise in one region where many of the suppliers are located, it doesn't cost much to switch to another supplier, or group of parties in another area or country.

This type of flexible technology opens the door to a new way of conducting agile business without being limited by technology infrastructure.

### A Better Handle on Global Transactions

Today's CFOs struggle to manage risk as business becomes increasingly dependent on layers of global partners and suppliers. A massive amount of risk exists in:

■ **Trading Partner Risk:** With whom am I working? Are there hidden suppliers that could put my brand and business at risk?

■ **Compliance Risk:** Do I have visibility into documents and data to file and comply with Sarbanes-Oxley and other regulations in a timely manner?

■ **Finance-related Risk:** Is credit or liquidity an issue that will hinder my suppliers, and hence my own business? Am I actually making money and benefiting in the supply chain? Are rising costs in China going to impact my margins?

Cloud technology provides a standard platform that generates visibility into transaction parties, payments and documents. Visibility, agility and a collaborative environment can mitigate the risks associated with trading partners, compliance and credit.

The average consumer product transaction can involve anywhere from five to 20 different parties in the steps leading from product manufacture to the store shelf. Each of the parties involved in a supply chain poses several elements of risk.

Although it's impossible to be inside every factory and warehouse in say, a Vietnam or India, it is possible to monitor risk at the lowest level by obtaining visibility into the events and milestones that occur along the transaction to ensure accountability.

Visualize a virtual network — or a network of networks, all connected through one hub or platform. If all of the suppliers an organization works with throughout the year are on that cloud system and transactions such as orders, invoices and payments flow through that system, it's essentially structured a dashboard of its global transactions to mitigate risk.

One of the major drawbacks of traditional software systems has been the hassle to upgrade or add applications. This drawback is exacerbated by concerns in today's world of growing regulations surrounding trade and consumer product safety. Purchasing applications or software patches each time Sarbanes-Oxley or homeland security rules change is costly and inefficient.

Cloud technology offers the possibility of delivering upgrades or new applications to an entire network of thousands of users at once, without the maintenance fees or implementation costs of prior applications. An entire network of global business partners can be updated simultaneously to handle a new regulation or restriction.

For example, to allow the sporting goods retailer to fulfill new consumer product safety certification requirements, a system upgrade is made at the core of its network infrastructure — the cloud platform — by its cloud provider. At that point, all of its suppliers and trading partners are simultaneously updated.

The new data fields required for consumer product safety will automatically appear in the appropriate documents delivered on the system to all suppliers and other necessary parties, such as freight forwarders and agents.

### **One Place to Transact**

Cloud computing provides flexibility to reach across internal functional departments, for example, procurement, finance, sourcing and information technology. Use of the cloud enables work in a collaborative environment that cuts out manual processes and visibility gaps that previously existed. In the supply chain, a collaborative cloud environment residing outside the four walls of an organization allows suppliers and partners to collaborate in the same manner as a company's internal staff.

Cloud computing provides an opportunity to connect all of the organization's outside parties in one place. The potential benefits are significant. Among the benefits are:

- Supply chain visibility;
- Procurement automation;
- Shorter cycle times;
- Lower transaction costs;
- Access to online financial services and other services;
- A single place to manage all suppliers;
- Ability to monitor risk;
- Auto-compliance engines;
- Automated document and data workflows; and
- Agility to reassign resources.

Many of the cloud success stories reported in the media are likely to

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include marketing jargon about "doing more with less" and "enabling innovation for a competitive advantage." That doesn't mean much to the average CFO.

What does resonate are concepts such as efficiency, speed and cost savings. Things like fewer order processing or accounts payable full-time employees required. Less spreadsheets and manual data keying and more automation and straight-through processing. Having a centralized dashboard of global transactions to make better decisions that will save money, improve cash flow, working capital and margins. Such benefits are achievable via cloud technology.

### **Cloud Security and Accessibility**

The first question that often comes to mind when considering confidential data, transaction data or financial information being transmitted in the cloud is "How safe is this?" Cloud computing does pose security risks, but with the right precautions one needn't have to sacrifice security for efficiency and savings.

Security for cloud computing should focus on five key areas: Authentication, authorization, confidentiality, integrity and non-repudiation. These building blocks work together to provide a comprehensive data security infrastructure.

Before investing in any cloud solution for a business, be sure to ask the provider for a detailed description of the system architecture and its

security measures.

Cloud computing is a unique computing model that brings innovative new ways of doing business. A computing hub in the cloud allows organizations to be more agile and shift resources and partners. The model eliminates technology costs and internal IT resources. It delivers a new level of accessibility. The system can be accessed by staff, customers or suppliers anywhere there's a Web browser.

Multi-tenancy allows collaboration and sharing of resources among multiple parties.

An August 2010 Gartner study, *Emerging Technology Analysis: Cloud Management Platforms*, summarizes the following major benefits for users:

"Reducing costs — price is an important underlying motivation for exploring cloud computing, so service management tools will help organizations ensure that the external infrastructure is cost-effective by including functionality that deals with metering, chargeback and reporting.

"Reduced capital expenditure and staffing — budgetary constraints, particularly in the current economy — can favor pricing models that spread out expenses over time, or favor operational expenses over capital expenses. Additionally, because service providers manage cloud infrastructure, companies don't require local head count, which is an important consideration in times of hiring freezes."

Every organization is unique, with different models, needs and strategies. But all companies have the same goals of achieving savings and efficiency. As organizations continue to explore all paths to reach their goals, cloud computing is one worth discovering.

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