

# Solid solutions on the cloud

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Many financial institutions have been slow to adopt cloud solutions, held back by regulatory restrictions and security fears. However, now that regulators have issued their qualified approval, banks can entrust more mission-critical back-office functions to the cloud. And if banks can move over, surely anyone can.

Over the last few years, cloud-based computing systems have surged in popularity. While still a relatively new industry, the cloud is fast becoming the go-to platform for many companies' enterprise applications and data. With a keen eye on their future needs, businesses from all sectors are now migrating at least some of their legacy systems.

This trend stems in part from a change in attitude. Once approached with scepticism, the cloud has now proved that it can be a flexible, low-cost solution, well equipped to keep businesses' data safe.

Like co-location data centres, many cloud providers focus far more firepower on security than all but the biggest organisations. This means past fears over data breaches have been largely put to rest. Even financial institutions are now comfortable that security in the cloud is on a par with security around customer access to bank accounts.

Justified or not, fear has been a major roadblock to cloud adoption. Regulation has been another. In the past, many organisations that might otherwise have migrated to the cloud were held back by compliance restrictions. Nowhere was this truer than in financial services, where compliance assurance is critical and data protection requirements are complex.

A major hurdle to cloud adoption for UK banks was cleared when the Financial Conduct Authority gave its recommendations on outsourcing to the cloud in November 2015, updated to final guidance in July 2016. According to the regulator, there is "no fundamental reason why cloud services (including public cloud services) cannot be implemented, with appropriate consideration, in a manner that complies with our rules"

**This paves the way for widespread migration.**

## Less tangled, more web

This means that the days of installing new on-site ERP systems, for example, are over. Any major enterprise IT project used to be a multi-year, hugely expensive and never-ending programme that often didn't deliver against its original specifications. Updates would require shutdowns that often disrupted operations. And typically new projects were bolted on top of legacy hardware and software to create hard-to-figure tangles of inter-related systems.

Companies opting for a cloud solution can get a product that is up and running from day one. "The moment of realisation for some clients is when they realise there is an existing solution and can see how it cuts through many of the complexities that an on-site roll-out can entail," says KPMG Partner Lisa Fernihough.

Financial Management Director Maurice Lips adds: "Clients say that bringing in a pre-configured working solution helps to reduce the risks to their change programme significantly, as it brings the date of the first working version back from multiple years (of investment/effort) to day one."

## Don't sweat the details, aim to transform

Different cloud solutions offer different levels of standardisation. While some companies are happy to stick with out-of-the-box functionality, others prefer at least some degree of bespoke configuration, giving them the flexibility to meet their individual needs.

It's tempting to think that more is better when it comes to customisation. Certainly, if an organisation's requirements are very specific, a rigid or generic solution will not suffice. In reality, bespoke solutions come with their own pitfalls, not least unnecessary complexity and high maintenance costs. In cloud implementations, organisations find that

the requirement to use the standards solution delivers a more stable, reliable outcome.

This is particularly true of financial services. Within such a complex, highly regulated industry, there is a considerable degree of crossover in what firms are trying to achieve. They need cloud solutions that meet these industry-wide requirements, and are easy to upgrade and maintain.

As a result, many firms tend to opt for close to 90% standardisation. It's faster to roll out an out-of-the-box implementation, of course – but it also forces an organisation to ask why it believes it needs a customised process in the first place.

"The answer is usually because 'we've always done it that way,'" says Financial Services Partner Peter Luscombe. "But the logic doesn't stand up when you start to question it."

Once companies embrace these industry best practices, they can often start to change their mindset about the cloud, too, from thinking about the possible problems to focusing on the opportunities. The cloud isn't just another outsourcing contract. It's a platform on which to build new services or scale existing ones.

"People see that cloud solutions have the potential to offer more consistent ways of working; that it's easier to get controls and reporting in place; and simpler to adapt the ways of doing things across different divisions" says Lips. "They no longer have to think about the definition of processes, but can instead focus on the things that are needed to make the change happen."

### Clarity, transparency, transformation

Companies often start by moving one department, such as finance, to the cloud. They can then choose to bolt on other solutions – such as procurement, expenses and human resources – when they're ready, giving them a more integrated solution.

In that sense, the cloud is a transformation in its own right, as well as facilitating change within the organisation. It fundamentally changes the role of IT, of course, particularly around systems support.

Cloud-based solutions can be doubly advantageous for banks, says Fernihough: "Internally, they need to find a way to save costs. Externally, regulators are pushing for ever more granular information. This is hard to get if you don't have the standard processes. Cloud-based solutions can address both these problems."

Moving the back office to the cloud can help businesses meet customer experience needs and fight off challengers without having to deal with legacy IT. "Speed of deployment, standardisation and lower costs," says Luscombe. "That's quite a list of potential benefits."

- **On your reading list:** [\*The Sooner Finance ERP Moves to the Cloud, the Better\*](#) – Patrick Fenton makes the case for finance leading the way on cloud in CFO Magazine.
- **On your board agenda:** How do we align our process around potential cloud implementations to maximise our flexibility? Stripping out "customised" processes and proprietary systems that add no value compared to best-of-breed solutions is an essential preparatory step.
- **Anticipate tomorrow...:** With a cloud platform, the business instantly becomes more scalable and flexible – freeing up opportunities to grow without artificial constraints from a system's capacity. How could your business exploit that?
- **...deliver today:** Cloud does not need to be a big bang. Picking discrete processes – or even whole functions, such as HR or finance – to migrate gives organisations valuable experience.



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