Quick Answer: How to Implement a Composable Finance Applications Strategy

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By Analysts John Van Decker

Initiatives: Finance Applications

A composable finance applications strategy is vital for organizations looking to become future-proof, integrated, effective and transformative organizations. This research outlines the top approaches that application leaders can take to select applications that fit into a composable strategy.

Quick Answer

How do we implement a composable financial applications strategy?

1. Select finance applications based on their ability to best meet financial management needs.

2. Ensure that the application can use APIs for interfacing with other enterprise finance solutions as required.

3. Evaluate your application vendor’s partner ecosystem for future application extensions.

4. Extend applications through PaaS if you need specific custom functionality.

5. Use low-code and no-code application development platforms when additional functionality is needed.

6. Look for opportunities to use planning applications for use cases in other disciplines.

7. Extend usage of the solution to other components in a suite.

8. Conceptualize finance models as plug-and-play components.

9. Where possible, use common analytical platforms as a view into finance applications. This will avoid redundancy. However, only do this if it provides superior capabilities.

10. Choose primarily cloud solutions for your finance applications.

More Detail
Organizations are trying to select applications that will be critical parts of the application portfolio for years, exceed functional requirements and fit into a composable financial applications architecture. Application leaders must consider a composable strategy when developing a financial applications architecture and design. Many composable approaches will be rolled-out over a period of many years. Following some basic principles, a cohesive composable financial applications architecture can be achieved (see Shift to a Composable Architecture to Transform Your Financial Management Systems).

Select finance applications based on their ability to best meet financial management needs: The primary selection criteria for a finance application is its ability to meet business requirements. Ideally, there should be no trade-offs — pick the best solution to meet your requirements. A detailed request for proposal (RFP) should include all major finance business functions to be addressed, while focusing mainly on any requirements that may be nonstandard for a typical financial component. Finance should be the primary decision maker when selecting these solutions.

Ensure that the application can use APIs for interfacing with other enterprise finance solutions as required: Few finance business applications can stand alone without integration to other enterprise solutions. You need to make sure that your selected application can integrate with all required enterprise solutions — either with prebuilt reusable APIs or those enabled through an integration service provider. This will support the “plug-and-play” capabilities mentioned below. Also for integration, consider the level of application-to-application user interface capabilities. See Gartner’s API Strategy Maturity Model.

Evaluate your application vendor’s partner ecosystem for future application extensions: Most solutions today have partnerships with other independent software vendors (ISVs) that offer prebuilt integration to the application. The vendor’s partner ecosystem will enable extensions to the core applications through integration with new applications. There may also be potential vertical overlays and models that can extend your application in the future. You must ensure the integration for ISV-ware supports modern APIs as opposed to traditional connections. It should use the modern platform capabilities of the vendor’s platform rather than legacy on-premises integrations.

Extend applications through PaaS if you need specific custom functionality: Most cloud applications do not allow customization. Organizations should use the product configuration only. If additional customization is necessary, consider building this capability in a PaaS platform enabled by the vendor. However, organizations should not use the availability of PaaS as an excuse to avoid reengineering business processes to industry-standard best practices.

Use low-code and no-code application development platforms when additional functionality is needed: To move to a best-in-class finance organization model, finance needs to be more IT-independent. This includes deploying low-code and no-code environments when additional functionality is required — ideally set-up and managed by the finance end user.

Look for opportunities to use planning applications for use cases in other disciplines: As a result of customer demand, many planning applications that were originally focused on a financial planning and analysis (FP&A) have been extended by the vendor to other enterprise planning areas. This extended
planning and analysis (xP&A) approach is transforming the planning solution market — allowing a solution initially purchased to meet one function to be used across multiple functions (e.g., capital planning, sales and operations planning [S&OP], human resources planning and project planning). See Innovation Insight for Extended Planning and Analysis (xP&A).

**Extend usage of the solution to other components in a suite:** While the fit to function must be the primary selection criteria, also consider the other components of a suite that are built on the same technology platform. These might be used for native data integration or to provide a common user interface. Suites can provide a superior integrated set of applications (e.g., a general ledger with subledgers for accounts payable, accounts receivable and fixed assets). Application leaders can capitalize on additional components of a financial close suite or core financials. It would be rare that you would split up these highly-coupled solutions. The same would be true with a financial close suite, where you would want to use close task management with reconciliations management. Lately, core financials and FP&A are becoming highly interdependent and when sourced from the same vendor can provide superior integration. Using the same vendor’s offerings for core financials, financial close and FP&A can provide substantial benefits.

**Conceptualize finance models as plug-and-play components:** Suites may be your best option in financial application product selection, and may appear to have a distinct advantage now. However, in the future this may not be the case. Many organizations that select a combined solution for FP&A and financial consolidation later split these apart to go with separate vendor products. This is typically due to improvements in fit-to-function that were not available initially. The finance applications markets will continue to advance as we see innovations in AI, machine learning and analytics. You may benefit by replacing certain components if the vendor does not keep up with technology and functional improvements. You should always consider each finance module as being replaceable if a superior functional product becomes available.

**Use common analytical platforms as a view into finance systems of record where possible, to avoid redundancy:** If your organization has selected a common reporting and analytics platform, you should consider it for use in financial analytics. This enables more economies of scale in IT for common solutions. Evaluate the differences and weigh the advantages of using a common analytical platform over using a platform that has functional superiority. This could be a critical component of your composable approach across business applications.

**Choose primarily cloud solutions for your finance applications:** To properly enable a composite financial application architecture, you should favor cloud solutions. On-premises solutions are quickly falling behind their cloud replacements. Vendors are able to bring to market cloud applications and new releases of the solution much faster than prior license-based, on-premises solutions. You will be able to keep up to date with cloud releases, giving you access to the latest capabilities available and extending the life of the financial application — potentially indefinitely. On-premises solutions will not keep up with functionality. Most financial applications vendors have a cloud-first — and often a “cloud-only” — go to market strategy.
Recommended by the Authors

Innovation Insight for Extended Planning and Analysis (xP&A)

Gartner’s API Strategy Maturity Model

Deliver Finance First to Transform ERP With Purpose

Shift to a Composable Architecture to Transform Your Financial Management Systems.

Composable Analytics Shapes the Future of Analytics Applications