

Keys to Success With Cloud Accounting

Part 1: Definition, Context, and Alternatives

Definition of Cloud Accounting

A package of people, process, and technology designed to deliver:

- Great bookkeeping and accounting results for clients
- At reasonable cost
- Via a tech-enabled remote service model
- In a manner that is scalable for a firm to successfully support hundreds of small business clients

Context

A. The market views all firms that provide outsourced remote bookkeeping and accounting services using SAAS products as Cloud Accounting firms. Firms have been able to provide these services in a more or less full-service manner since 2008 when Bill.com was released. Most such firms, however, do not have a successful Cloud Accounting model. In our experience based on working with hundreds of clients, we are too familiar with the lack of quality control in these firms' work and their high client and employee turnover rates.

B. Hiring bookkeepers and accountants and using cloud technology like QuickBooks Online and Bill.com does not make a good Cloud Accounting firm. Using these two products, anyone can call themselves a Cloud Accounting firm.

C. Businesses are looking for successful outcomes when they hire a Cloud Accounting firm. They expect a baseline outcome of getting the core bookkeeping and accounting work done accurately and on time and getting timely responses to inquiries. They may also expect a layer of advice and thought leadership. They may want to roll in tax support as well.

D. Consistent results are a must. Success from the client perspective is whether or not these outcomes are delivered week after week, month after month, and year after year for a reasonable price.



E. Success from the Cloud Accounting firm perspective is delivering successful outcomes for most all of the firm's clients, doing so in a profitable manner, and doing so in a way that scales across 100+ clients all getting successful outcomes. Cloud Accounting firms must scale to having many clients, as each client pays a relatively low price, and the firm needs to employ numerous employees plus cover technology, sales, and management costs. Embedded in all this is operating in a manner consistent with a good work environment for the firm's people, without which the other outcomes cannot be achieved if staff are disengaged or frequently turning over.

F. Three things, working in combination, empower Cloud Accounting firms to deliver successful outcomes for clients and to successfully scale their firms:

1. **Great People**
2. **Great Process**
3. **Great Technology**

Alternatives to Cloud Accounting

A. Traditional "Legacy" Alternatives

These consist of some combination of:

1. On-premise staff and technology.
2. One part-time or full-time employee.
3. Staffing agency-type service providers.

B. Benefits Of Traditional Alternatives

The common denominator is these alternatives are staffing-based, providing a specific person to work under the direction of the business owner. This approach provides the business with more control and flexibility in how the work gets done.

Business owners can:

1. Choose and control technology systems.
2. Work with only one person of their choosing.
3. Have work done onsite in their office.
4. Make whatever support requests are wanted with regard to contracts.
5. Customize processes to fit the work style preferences of the owner and however the business is accustomed to doing things.
6. Avoid changing their accounting operations.



C. Downside Of Traditional Alternatives

There is a trade-off for this control and flexibility that includes:

1. There is a lot for the business owner to manage. The owner needs to manage the people, the processes, and the technology. The owner may not be up to the task, and it may not be a good use of the owner's time.
2. The need to recruit the employee, and recruit replacements periodically when the employees leaves.
3. The need to manage another employee, especially when the business owner tends not to want to manage many employees.
4. The business is limited to the skill and experience of one person.
5. Reporting is very limited, usually with no budgeting or performance metrics or insights.
6. The bookkeeper or accountant does not have payroll or CFO expertise and incurs legal compliance risks and costs for the business.
7. There is no continuity of support during vacation, sickness, or when the employee leaves.
8. There is no quality control and confidence if the person is doing things right.
9. The need to manage local software, security, backups, etc., which is risky and expensive.
10. Inefficient use of technology, with a tendency to throw more hours at work instead of using technology.
11. Disjointed tax support and a lack of tax planning, with filings often done late on extension and with unexpected tax bills.
12. Lack of controls leaves the business vulnerable to theft, with limited ability to recover money once it is gone and spent by the employee or contractor.
13. High indirect costs are suffered for mistakes, management, inefficiency, lack of insightful reporting, and staff turnover.
14. The very high cost of full-time employees when taxes, benefits, and other loaded costs are included.

Introducing Cloud Accounting

A. Components of Modern Cloud Accounting

While certain details vary from firm to firm, all true Cloud Accounting firms provide:



1. Support from a team with redundant staffing for business continuity.
2. Web-based software managed by the Cloud Accounting firm.
3. Proven processes already producing successful results for other similar businesses.
4. A largely self-managed solution.
5. Competitive cost point vs. employing a skilled W-2 employee.

B. There Are Great Benefits To Cloud Accounting

1. The best Cloud Accounting firms guarantee successful outcomes. It is a low risk decision to hire a good Cloud Accounting firm with a guarantee.
2. It is a pre-built solution. Clients don't need to reinvent the wheel to get a great solution. (Or fail trying, because they don't have the time or unique ability in life to build a high-performing finance operation.)
3. The Cloud Accounting firm recruits, trains, manages, and replaces its own people so clients don't have to.
4. While individual accountants may come and go, Cloud Accounting firms provide continuity of service drawing upon a team of accountants as needed.
5. Software is managed for clients, administered by the Cloud Accounting firm and hosted by a Cloud Software firm. Simply log in via a web browser to use it.
6. Good Cloud Accounting firms have internal quality control processes to ensure the work gets done accurately.
7. The best Cloud Accounting firms offer a full stack finance department, from bookkeeping up through CFO.
8. The best Cloud Accounting firms provide insightful reporting beyond basic financial statements that QuickBooks can generate, helping you understand the financial performance of your business.
9. Cloud Accounting firms are regularly researching and testing new technologies, identifying and integrating the best into their client service offerings.
10. Cloud Accounting offers a much lower cost than employing a full-time accountant. By utilizing technology and international staff, pricing can be comparable or lower than a part-time employee while providing all the benefits above and at lower risk.
11. Reputable Cloud Accounting firms carry insurance which reimburses you should one of their employees steal your money.

