

# Keys to Success With Cloud Accounting

## Part 2: Requirements for Success and How to Select a Cloud Accounting Partner

### Requirements for Success

#### A. Successful Cloud Accounting Is A 2-Way Commitment

Simply signing up with a bookkeeping or accounting firm that uses cloud software such as QuickBooks Online and Bill.com does not make for a successful engagement. The business client must commit to working in a way that is compatible with Cloud Accounting. The Cloud Accounting firm must have committed to and developed a scalable solution consisting of people, technology, and process which guarantee successful outcomes for clients.

#### B. For Clients To Be Successful With Cloud Accounting, They Must

1. Embrace the Tech Stack of their Cloud Accounting firm. It's what the firm uses to get the job done for its clients. Asking the firm to use custom technology jeopardizes its ability to get the job done for you, and the best Cloud Accounting firms will explain that to you.
2. Appreciate they hired a Cloud Accounting firm to deliver a set of results (ideally results guaranteed with a money-back guarantee) in a Cloud Accounting model. Adopt business practices consistent with Cloud Accounting and follow the specific SOPs of the Cloud Accounting firm in order to achieve those results.
3. Adopt communications practices, cadence, and response time expectation consistent with the remote, multi-client environment in which Cloud Accountants work. Unless money is being stolen or a bank account is overdrawn, there are rarely accounting emergencies that require urgent attention that cannot wait a few hours or until the next business day.
4. Appreciate that communications and response time expectations are a 2-way Service Level Agreement. In order to deliver successful outcomes, the Cloud Accounting firm needs the same responsiveness from its clients as clients expect of the firm.
5. Take guidance from their Cloud Accounting firm and generally implement its recommendations. They are experts in Cloud Accounting.



While clients may have been able to muddle through processes in an on-premise, staffing-type model in the past, business owners need to acknowledge they are not experts in today's Cloud Accounting.

6. Take advantage of whatever levels of the Finance Stack are offered by the Cloud Accounting firm. If seeking cash flow projections or budgeting or forecasting, ask to speak with a Controller or CFO, and don't expect the regular bookkeeper or accountant to provide those services.
7. Understand they are hiring a firm, not an individual, and accept periodic staff transitions at the firm. Or in the case of some very low priced firms, accept that in exchange for the very low price there is no personal interaction with specific firm staff and the people doing the work communicate with fake names or pretend to be automated bots or software.

## **C. For Accounting Firms To Be Successful With Cloud Accounting, They Must**

1. Have a clearly defined service offering that is understood and followed by clients and by firm employees. This includes a defined scope of service and a process for managing out-of-scope services, which is critical if the firm operates on a fixed price model.
2. Are as skilled if not more so in Process and Technology as they are in technical Accounting. Of course Accounting is important, but most Cloud Accounting clients need basic accrual accounting or modified cash accounting, not full GAAP. Process and Technology are what drive client experience. What separates success from failure is usually Process.
3. Have Standard Operating Procedures (SOPs) and accountability systems that scale across 100+ clients so successful results are being produced for most all clients (>90% at any given time). Do not support deviations from the firm's SOPs, as deviations tend to spiral out of control and firms end up in non-scalable staffing-type engagements failing to meet client commitments.
4. Identify Critical Path and bottlenecks and coach staff.
5. Have a specific Tech Stack fully supported by the Firm, utilized by its clients, that supports the needs of the firm's target market. Do not support components outside the firm's Tech Stack, as the firm cannot take responsibility for systems it does not have broad expertise with and doing so will lead to failed engagements.
6. Pricing and service time per client are consistent with the number of clients or revenue per accountant required to meet the firm's profit targets.
7. Evangelize and coach prospects and clients to appreciate the benefits of adopting Cloud Accounting.



## **D. For Accountants To Be Successful Cloud Accountants, They Must**

1. Appreciate that being a Cloud Accountant is a very different responsibility than being a good bookkeeper or accountant in a single-client environment or in staffing-type engagements where the only objective is for the accountant to personally get work done by any means necessary.
2. View all engagements through the Cloud Accounting lense, designing and performing work in a manner that is repeatable and scalable across many clients and across many different accountants at the firm. To Cloud Accountants, it is not a question of whether they, working in isolation, can follow a customized process or use a new software app. Rather, it is a question of whether any other accountant at the firm could easily take over the work without interruption or problem and continue to meet client expectations.
3. Respect Cloud Accounting principles and the firm's established SOPs and Tech Stack. Compromising Cloud Accounting principles to make a client happy in the short term is a recipe for disaster. Those compromises swell and compound with other compromises, and soon the accountant will be stressed out accommodating custom client work in a staffing-type engagement while unable to meet the needs of other clients. Let alone be able to take a vacation. The accountant may burn out and leave for another job, or be fired by the firm for poor work. Meanwhile the firm is left with several unhappy clients, some of whom may fire the firm, and remaining employees have to pick up the pieces and salvage client relationships. It is ultimately a loss all around when Cloud Accounting principles are not respected.
4. Understand the Critical Paths and bottlenecks to meeting deadlines, and adopt practices to manage the multiple critical paths of their client work.
5. Evangelize the benefits of the firm's SOPs and Tech Stack to clients, especially when requested to deviate from the firm's established solution. Don't say no, or hide behind the firm's policies (saying you would like to but you are not allowed to)-- instead, evangelize the benefits.
6. Document important client-specific processes and policies so you can deliver consistent outcomes, and so that other accountants at the firm can take over and follow them to continue to deliver successful outcomes for the client when you go on vacation, get sick, or transition off the client.
7. Contribute to improving the firm's SOPs and Tech Stack. Cloud Accountants are not robots blindly repeating what has been done in the past. They are curious, looking to learn and grow and improve, while advancing the cause of Cloud Accounting.



8. Utilize technology, not person-hours, whenever possible to support work volumes.
9. Understand the contracted scope of service and manage out-of-scope service requests, engaging colleagues as necessary, so clients get support they need and the firm is able to bill accurately.
10. Take pride in setting up a client so that any other Cloud Accountant in the firm could easily step in and take over the work without problem. This is the ultimate mark of a great Cloud Accountant.
11. Instill confidence in the firm with clients so that clients feel a relationship with the firm, not just with one person at the firm.

## E. Cloud Accounting SOPs

There are dozens of SOPs in good Cloud Accounting firms. Below are some of the more important, general SOPs applicable across Cloud Accounting firms:

### 1. **Well-planned monthly work cycle**

- Weekly accounting and pre-closing work
- Leave as little as possible to be done after month-end
- Define and manage the Critical Path to promptly closing books

### 2. **Internal quality review of Cloud Accountant's work by another Cloud Accountant or a Cloud Accounting Manager**

### 5. **Client documentation standards**

### 6. **Use of Tech Stack**

- Supported scenarios and use case scenarios
- Example: how the accounts payable process is managed using Bill.com

### 7. **Client Communication SLA**

- Supported channels
- Response time
- Volume/frequency standards

### 8. **Online access to bank and credit card accounts**

### 9. **Use of Performance Scorecards**

- Individual
- Team
- Company

## F. Requirements For Successful Cloud Accounting Are Not Negotiable

Not every business owner is ready for Cloud Accounting, or perceives enough value from Cloud Accounting to adopt practices required to be successful with Cloud Accounting.



They may shop around for a firm that will accommodate their custom wants and needs. Or once engaged with a firm in a Cloud Accounting model, they will push the firm to support custom processes and custom tech stacks, seeking more of a staffing-type engagement than a Cloud Accounting solution.

Not every accounting firm is ready for Cloud Accounting. A firm may be stuck in a staffing model or a custom consulting model. It may not have its Cloud Accounting solution ready for prime time. The firm will take on what looks like a Cloud Accounting engagement. However, the firm will overcommit what it can deliver to clients, over-accommodate custom requests from clients, and then fail to deliver committed results.

There is a reality of what it takes for a business to be successful with Cloud Accounting. Neither clients nor accounting firms can change that reality. Whichever firm the client works with, the same reality applies.

If the client and/or a firm tries to “put a lead balloon into the cloud,” and expects to achieve the benefits of Cloud Accounting with the approach of a staffing-type model, a few things can happen:

- 1.If improper client expectations are apparent during the sales process, skilled and experienced Cloud Accounting firms will walk away from the sales opportunity knowing they would not be successful.
- 2.If the client changes course post-sale and tries to push that Cloud Accounting firm into a staffing-type engagement, the Cloud Accounting firm will attempt to coach the client. If the client does not embrace Cloud Accounting, the firm will disengage quickly knowing it cannot otherwise be successful.
- 3.Less experienced firms with less developed Cloud Accounting models will happily win the business, and the client will be happy thinking it chose a good solution.
- 4.The less developed Cloud Accounting firm might produce good results initially. Over time it will burn out its people trying to continue to produce good results and keep the client happy, often cycling through new accountants. Quality will slip and fail to meet client expectations. The firm may increase pricing to compensate for the additional time put in by its people, but the client will never agree to pay enough for the firm to be profitable on the engagement. Eventually both sides will be unhappy and part ways, sometimes with the firm resigning and sometimes with the firm being fired, often blaming each other for the poor outcome.



Business owner clients must not hold Cloud Accounting firms responsible for failing to deliver desired results if the client deviates from the requirements of successful Cloud Accounting. Likewise, a firm cannot call itself a Cloud Accounting firm while deviating from the requirements of successful Cloud Accounting and failing to deliver committed results to clients. Both the client and the firm must respect the integrity of Cloud Accounting, or the engagement is doomed to fail.

## Selecting a Cloud Accounting Firm

- 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 payroll and 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, 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:
  - a. Great People
  - b. Great Process
  - c. Great Technology

