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**SMALL BUSINESS**

# How small businesses benefit from cloud accounting systems

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In its 2013 SMB Cloud Insights Market Outlook report, hosting services provider [Parallels](#) estimates the worldwide market for cloud services aimed at small and medium-sized businesses (SMBs) has reached \$45 billion – up 30 percent relative to the prior year. Parallels further projects the SMB cloud services market will hit \$95 billion through 2016.

While SMBs have embraced the Cloud for email, HR and other business functions, the transition to the Cloud for accounting and financial management has been

slower to evolve. Some cite concerns with security and compliance, or a hesitation to wipe out investments in existing back office systems that would be a consequence of transitioning to the Cloud.

But as cloud-based financial accounting solutions that are delivered ‘as-a-Service’ continue to generate tangible efficiency gains and cost savings, hesitations are beginning to fade. As a result, SMBs transitioning to a cloud-based financial accounting service are experiencing several key benefits to their businesses.

### **‘Software-as-a-Service’ delivery model ensures seamless transition**

While SMBs are not running in-house financial systems on the scale of large organizations, many do have entrenched systems in place. Financial and IT decision makers may assume that migrating to a cloud-based financial accounting service will be prolonged, costly, and disruptive to existing system users.

In reality, cloud accounting services eliminate the need to choose between “rip-and-replace” (turning off an old system and moving to the new system) or “co-exist” (running two systems in parallel). The ‘Software-as-a-Service’ (SaaS) delivery model allows the accounting service to be woven into business operations as needed, in order to smooth the transition to the Cloud and leads to accelerated deployment. For SMBs, this translates into an ability to shift to a pre-built, pre-configured system that is operational from ‘Day One’ rather than waiting months for an in-house system to be built, or configured/re-configured from scratch.

### **Provides access to real-time data analytics**

The scalability, capacity, and speed of cloud computing provides software solutions that can deliver state-of-the-art data analytics. Effective budgeting and forecasting requires that financial decision makers look forward and backwards in order to solve financial challenges there is a need to access data, analyze it, and then take action. Ideally, improvements in analytical capabilities free financial managers from transaction processing to focus more fully on data analysis.

Data analytics tools embedded in some cloud accounting services provide greater range and depth of reporting, connecting financial data to HR, CRM, overseas operations, etc., while real-time reporting allows Business Intelligence (BI) to be obtained up-to-the-minute and acted upon with confidence.

### **Delivers enhanced controls and security**

Security is always top priority for the Cloud, but service providers have addressed the issue by ensuring a secure environment for customers that can provide a distinct competitive advantage. For example, users of cloud accounting services delivered ‘Software-as-a-Service’ have access to much faster deployment of patches and security upgrades, and also experience a reduced need to store data on their own site, which minimizes previous storage costs. Finally, these updates keep in line with evolving financial and regulatory requirements.

Implementing a SaaS solution rather than owning and maintaining company hardware and software upgrades involves a shift in mindset—particularly for managers accustomed to using self-contained, in-house systems. Specifically, CFOs worry about whether their data will remain intact, recognizable and secure.

The idea of purchasing a service, rather than managing it internally also requires new thinking. CFOs can mitigate risk and loss of direct control by using Service Level Agreements (SLAs) and Quality Assurance Surveillance Programs (QASPs) with detailed performance metrics. What might seem like a loss of control can actually obscure a newfound freedom gained by pursuing higher value activities, from automation of manual transaction processing to more advanced forms of financial and performance analysis.

### **Provides increased scalability and flexibility, while reducing costs**

Robust, end-to-end systems deliver the productivity, and analytical and core accounting tools that meet the needs of users – from decision makers focused on financial analytics to transactional users using the system on a day-to-day basis.

Cloud services also scale to meet current and future requirements, with a framework to meet future demands for transaction volume and additional functionality. SMBs also have the flexibility to not only benefit from end-to-end financial management, but also the ability to tap into any back office tool “as-a-Service,” including accounting, labor management, customer service and even human resources.

While cloud-based, SaaS solutions offer businesses the chance to reduce operating costs upfront by eliminating the need for initial storage, hardware, and software investments, the real promise of the Cloud comes from the longer-term savings associated with achieving significant economies of scale and lower per-user costs. Disaster recovery and security can be provided at a significantly lower cost per user as a result of multiple customers using the same infrastructure and shared services.

## Automates and speeds business processes

Automation of routine, yet time-intensive, manual business processes eliminates decision-making bottlenecks and lengthy approval times. Moreover, automating key processes prevents duplication of entries and other errors, further enhancing productivity and accuracy by saving time and labor for both routine and complex tasks.

As is the case with any technology implementation, experiencing the full benefits requires a strategic approach and a commitment to identifying the right cloud-based financial accounting service. The effort is worth the reward for SMBs who can benefit greatly from the enhanced capabilities and savings that SaaS can deliver.

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