CPA Practice Advisor

ACCOUNTING & AUDIT

Fact or Friction: Technology's Barrier to Accounting Efficiency

One big problem is that technology from one vendor isn't built to work with technology from another vendor.

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By *Peter Horadan*.

Technology has had a massive impact on business over the last 30 years. The transformation in how business is done impacts each and every one of us. However, despite the incredible tools available to us, business owners still face tremendous friction when trying to acquire the only things that matter to the bottom line: customers and capital.

Most technology you buy usually works well on its own terms. It does what it says it will do and delivers what it promised. But the big problem is that technology from one vendor isn't built to work with technology from another vendor. The typical "Office of the CFO" stack consists of a set of balkanized applications that barely work together, if they do at all, requiring a team of specialists to manually shuffle data between them, often with spreadsheets of flat file imports/exports.

The thing about today's accounting software is it treats every business as if it lives on an island. Applications focus on just one business at a time, and then just one area of that business (payroll, expenses, etc.). And this makes sense, to an extent – it's how we learned to do accounting way back in school. You make a balance sheet for one single business at a time, and you don't really think about how different businesses work together.

But in the real world, business doesn't work like that. Business is a multi-player sport. All businesses work with other businesses — we buy and sell from each other, borrow and lend to each other, comply with each other, and so on. And our businesses are complex – our varied systems need to work together to achieve a combined result. It's not enough to focus on just one business or one area of that business. We need systems that work together to produce a total result, just like our companies do.

You see, accounting systems *are* the business. There is almost no activity that happens in a business that does not show up in the accounting system. Hire someone? Go on a business trip? Take a vacation day? Make a deal? Sell something? Buy something? Ship something? Use something?

All of those activities show up in the accounting system ledgers in some way. If you don't have an accounting system, you don't have a business. And so, when our accounting systems don't reflect the actual way our business operates, we run into a lot of problems to make it fit.

It's time that CFOs demand a better way. No longer should we accept balkanized applications that handle one part of our business well, but don't work with the rest of it. Or moreover we should not accept applications that may work within our business but are oblivious to the fact that our company works with many other companies, and we expect our systems to work with their systems too, without relying on our humans to shuttle data back and forth between systems that don't work across companies.

It's time for a complete rethink of the workflow between companies. Our current systems were designed in the time before computers, when we sent paperwork back and forth to each other in the mail. That paperwork may have moved from mail to email, but it's still handled manually and not really automated. What happens if we rethink how business systems should work together if they were connected to each other?

A great place to start this transformation is to focus on the way that we set up relations with other customers and other vendors.

A typical vendor or customer onboarding process today looks like sending a PDF form in email to our new vendors and customers, asking them to fill it out so we can work together. The vendor/customer receiving this form's reaction is typically:

"*Yuck, I get to fill out yet another form with the same information I keep giving over and over in different formats."* This is not a great introduction for our new partners.

In 2023, can't we do better? What if there was an electronic system where companies could fill out their system just once. Then, when it came time to share, they could just refer to that information, and provide it electronically to new partners so they could read it in automatically.

This would be one small and important step from systems that don't work together toward a better way where our systems start to talk to each other. Then, from that simple starting point, we can expand the digital relationship to more and more of what our businesses do together. Over time, we can replace all that email we send back and forth with automated interactions.

We're well past the day that our staff should be wasting their time as the manual glue between systems that don't talk to each other. It's time CFOs demand a better way.

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