OASIS SOLUTIONS

NEXT STOP: THE CLOUD

Once a haven for bold pioneers, the online world is growing more and more mainstream as accountants realize the opportunities it offers

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Moving into the mainstream

Accountants are finding security, reliability and opportunity in the cloud

By Antoinette Alexander

The accounting profession is on a high-speed train to change. The next stop: The cloud.

"The cloud has become mainstream for the profession," said Erik Asgeirsson, president and CEO of CPA.com. "We are in a very, very exciting time where firms deliver upon their trusted advisor role through the continuing evolution of these great capabilities."

Accounting Today's 2018 "Year Ahead" survey found that just over half of firms (53 percent) are already using cloud-based accounting software, with a further 13 percent planning to implement it in 2018. At the same time, 56 percent of firms are leveraging online client portals, with 18 percent planning to add them in 2018.

The new world

"We actually think 2018 will be a pivotal year where many of the firms will actually move over ... into some sort of cloud software," said Herman Man, vice president of product and partnerships at Xero, a provider of cloud-based accounting software. In fact, a 2017 survey by B2B ratings and reviews firm Clutch found that nearly 70 percent of U.S. businesses said that they planned to increase spending on cloud computing in 2017. And one in five of those businesses reported that their cloud spending would likely increase by more than 30 percent.

Firms that underestimate the importance of innovative technology like the cloud risk losing their competitive advantage as more and more clients shift their perspective. And firms that have already migrated to the cloud are not only benefiting from improved workflows and efficiencies, but also from greater scalability and the opportunity to offer more value-added client services.

One example is James Management Group, a Frisco, Texas-based professional services organization. The firm has been operating in the cloud for about three years, a move that has resulted in the ability to deliver more consulting services. Today, in addition to bookkeeping and tax, the firm offers anti-money laundering compliance services and forensics.

"It has just expanded our bandwidth to where we can take on more and take on more effectively. Now, we use cloud-based technology for those [AML compliance and forensics] engagements too, and instead of being able to only take one at a time, now we can take two or three. It has allowed us to scale ourselves as individuals," said general counsel Christopher James. "There's always

going to be some work that requires an expert or requires professional judgement and the machines can't do that for you. But what the machines can do is get the information into a form where we can understand it more efficiently."

There's also Long Island, N.Y.-based Emmerman, Boyle and Associates. Its journey to the cloud ties back to 2006, when it acquired a company that offered live payroll solutions, and began researching how it could benefit from the cloud. Today, the firm offers fully outsourced bookkeeping and virtual CFO services via the cloud. "Because of the tools and because we have access to data in real time, we are no longer chasing after things. We are able to get out and be proactive with our clients, instead of being reactive," said firm partner David Emmerman. "If you think about it from a workflow perspective, if you can change how you actually interact with your clients, you get rid of a lot of the negative pressures that you feel as a practitioner that is being reactive, where you are not necessarily able to drive after the true value prop."

James and Emmerman are just a snapshot of the growing number of practitioners who are investing in and benefiting from more client services fueled by the cloud.

In late 2017, Xero's annual benchmarking study of accounting and bookkeeping practices found that those providing advisory services generated 69 percent more revenue per employee than firms offering only accounting and bookkeeping. Furthermore, 76 percent of all firms said that they will be investing more time and resources to ramp up advisory services in the next one to two years.

Frank Balestreri, a partner at Pleasanton, Calif.-based firm Sensiba San Filippo, said that he sees value in not only being able to serve clients virtually, but also in the ability to customize data. "Being able to customize information for people and still have that one source of truth, that's a key element to all of this. Everything resides in the same system — it's just that we can now pick things apart in different ways to provide information that is useful to different levels of management," he said.

Measure twice, cut once

There's no one-size-fits-all approach when moving to the cloud. It will vary depending on such factors as a firm's size and stage of life (i.e., startup versus established firm

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with legacy systems). But overall, a measured approach that first takes into account firm goals and objectives, new workflow processes, and integration with other applications is bound to prove more successful.

"They should not be moving just for the purpose of moving to the cloud. They should be moving because they have some objectives around how they want to change their practice, either though efficiency or better access to data," said John Barnes, vice president of product management at Wolters Kluwer Tax & Accounting North America. "And that should drive how they do it as well."

For some that are looking to dip their toe into the waters, a client interaction tool like a portal may be a good place to start. It is also advisable to first test the waters by launching a pilot with a small handful of clients. Xero recommends that firms consider pilot programs among clients that meet the following criteria:

▸ Less than two years of operation, tech-savvy and fewer than 10 employees.

▸ Are already leveraging mobile technology.

▸ Are in the following industries: professional services, creative agencies, online companies, building trades and owners/drivers.

"You want to start easy and then graduate," said Man. "We found that clients like the self-employed segment are typically really good for cloud pilot programs because the migration process is just so simple."

Emmerman of Emmerman Boyle agreed, and said that his firm is adamant about testing. "Whether it is internal or external with clients, I will always pilot what we're doing. We create workflows or we create processes and then we try it out. We'll try it out on a small team or we'll try it out on a small group of clients, but we test it and then we figure out, 'Is this going to work for everybody?' Then we bring it out to everyone else."

Added Emmerman, "The other thing that I personally really focus on is I make sure we get the key stakeholders in the process involved with the key decision-making."

Scott Fleszar, vice president of product management for Thomson Reuters, echoed that, "I think the key is making sure everyone in the firm, all of the staff, understand what the interface is that the client is going to be using, how to use the … standardized system for how there is going to be interaction between the firm and client."

When moving to the cloud, James Management Group started with QuickBooks Online. Before deployment, associates attended conferences to get a high-level introduction to the benefits of the solution and being in the cloud, earned their certification, and then launched a pilot among a small group of clients.

"That's really probably the easiest thing to do in order to really immerse yourself in new technology is go through the certifications. So, that's what we did," said James. "We [then] took a handful of our clients that we figured would make a very easy transition, some of our smaller client files that didn't have as much complexity."

As the QBO platform became more robust in the months that followed, the firm migrated more and more of its clients to the platform. Today, its entire client base is on QBO. The firm then migrated to ProConnect Tax Online for its tax preparation services.

Will Yapp, vice president of sales, marketing and business development for cloud solutions provider Right Networks, said, "In moving to the cloud, you first need to understand what problems you're trying to solve and where those problems differ." For example, some firms are focused on moving to the cloud the core application stack that they use to serve their client base in an effort to boost advisory services and drive recurring revenue, while others are more heavily focused on shifting their entire IT infrastructure to the cloud.

When evaluating cloud-based solutions, firms need to do their due diligence. Does that vendor have an extensive API library? Can the vendor work with the firm, if needed, to ensure proper integration with other business applications? Firms need to do their research and, if available, take advantage of free trial versions.

"Research always helps. Go understand, one, what is the customer's needs, what tools are out there? … If you're looking to adopt or integrate different solutions, talk to your peers. There's a variety of forums out there, whether there's LinkedIn groups or even some accountant groups that we have at Intuit. It is important that they seek the advice of people who have already gone through that transition," said Jorge Olavarrieta, vice president of product management at Intuit.

Managing client relationships

Experts agree that the efficiencies gained with the cloud are, in many cases, enabling firms to significantly enhance client collaboration and be more efficient in managing client relationships. They can spend more time serving clients, are able to serve a greater number of clients, and can better serve clients in remote locations.

"I think there are some trends in the marketplace that are occurring," said Michael Crincoli, president of The Neat Company. "That collaboration, or a platform that enables collaboration, is going to help, in some cases, bridge the communication gap, as opposed to making it a distance from each other." Neat provides small businesses and sole proprietors with a cloud-based expense and document management system.

Added Taylor Macdonald, senior vice president of channel sales for Sage Intacct, "I think that it's table stakes today to have your clients using these cloud applications with you, having customer portals, being

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able to pay electronically. If a CPA firm is using Intacct to provide financial statements and I [the client] am working at 10 o'clock at night, and my CPA isn't, I want to be able to access that. I want to be able to pay electronically. I'd like to look at the status of my tax return. … We have conditioned people to immediate response, to being able to self-service."

Enjoying the benefits firsthand is Paul Gerry, partner at Canton, Mass.-based accounting firm Gray, Gray and Gray. The firm leverages cloud technology to provide outsourcing services for nearly 100 clients.

"When we're doing the outsourcing work for the clients, and it's cloud-based, you are actually taking on a different role with the clients. You are having more opportunities to consult with your clients. My clients appreciate that. … They have the ability, because of this relationship, to really leverage my skill set to help them work on their tomorrow. Though it's cloud-based and when we're communicating we are not spending all of our time together, I feel the time is actually more valuable because we're talking more often and we're talking about specific things directly related to their business," Gerry said — though he also acknowledged that because clients have been conditioned to getting things faster in today's "always-on" society, there may be instances when boundaries need to be set with clients and expectations need to be managed.

When your clients are using cloud applications, it is also important that they can easily navigate them and have a positive experience. Therefore, developing an onboarding strategy for your clients that involves small, workable steps may prove beneficial. This can also help your firm better manage client relationships.

The intangibles of ROI

One of the biggest mistakes that firms can make when evaluating the cost of moving to the cloud is fixating on surface dollars. To properly measure the ROI, there are many intangibles that must be considered.

"Your ROI on cloud-based app subscription pricing versus purchasing should be better because of your ability to monetize the clients on a recurring basis, but in order to do the appropriate analysis, you have to factor in your total cost of ownership, looking at all the intangibles," said Yapp of Right Networks.

There are obvious costs, like hardware and software (whether it's the purchase price of a desktop solution or the monthly subscription of a SaaS product), but there are also many soft costs and intangibles that need to be weighed. What efficiencies are you gaining? How much time are you saving? What's the impact on client satisfaction and retention? What's your potential on

return? What's the impact on your firm's value and its ability to attract and retain top talent?

The answers to these questions and their level of importance will vary by firm. Emmerman of Emmerman Boyle, for instance, looks at ROI in terms of improved efficiencies and reduced labor costs. "All I needed to do was save my team at least one hour per month, per client. If I was able to do that, then it was paying for the application. We look at ROI, in respect to a subscription model, based upon how much labor cost I'm saving and, therefore, can have that person who was doing that task doing two or three other things as well within that same time frame," he said. Since moving to the cloud, the firm has typically been able to save nearly 50 percent of its labor costs.

Security and reliability

"I think the fear of uptime and security in the cloud, that as an objection to moving to the cloud, is at the lowest point it's ever been," said Craig West, vice president of alliances and channels at Oracle NetSuite.

Both individual clients and businesses alike are becoming less skeptical of the cloud and more confident in the security. And the message for accounting professionals that data housed within a reputable cloud-based solution is significantly safer than it is sitting on a server in your office is resonating.

That's not to say, however, that you shouldn't do your due diligence when selecting a vendor. Doing your homework and asking the right questions can help ensure you select a solution that provides the level of security you need to protect client data. "Any reputable public SaaS company is going to have an uptime commitment, is going to have [a service-level agreement] and they are likely going to have governance around remedy if those things aren't met. … Those are great questions that I think sophisticated buyers absolutely are asking," West said.

Fleszar of Thomson Reuters suggests that firms ask potential cloud providers the following questions:

▶ **Longevity:** Does the cloud provider have a strong history of cloud management?

▶ **Privacy:** Does the cloud provider have a privacy statement explaining how data is handled in the cloud?

▶ **Security:** Has the cloud provider undergone internal and/or external auditing on their cloud security (i.e., SOC 2 audits, third-party penetration testing, etc.)? Do they have any other documentation on how they protect customer data?

▶ **Investment:** Does the cloud provider have a clear strategy for their future operations in the cloud, including managing growth, usage spikes (like tax season), redundancy to ensure up-time, etc.?

It's clearly a transformational time for the profession. Leveraging the cloud can not only benefit your practice today, but can also position you to benefit from the technology innovations of tomorrow.

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