Paradigm Shifts in Accounting Technology

By Doug Sleeter and CA Varun Nirmal

Amazing new opportunities are on the horizon and they're about to change nearly everything for accounting and tax consultants! However, these new opportunities are only available to those who are willing to rethink, retool and lead clients into a new world of "Chunkification," "Zero-entry" and connected applications.

I'll define these terms below, but first let's discuss how innovation impacts our world, and how the pace of change today is faster than ever.

Although new innovations disrupt how we live and work, they are an inevitable characteristic of our evolving business environment. And, it's smart business to seize opportunities created by these new innovations.

Twenty-five years ago, it was a revolutionary idea for a small business owner to purchase a computer and software to manage his own accounting records. New products in the 1980s provided freedom for clients and were adopted by millions of businesses. But, new technologies often come with some unintended drawbacks. For example, with the new "distributed" computing model, accountants started to lose control of the general ledger because they could no longer be the gatekeepers of entries to the general ledger. As client-based accounting software has flourished, tax preparers continue to receive even bigger messes from clients than in traditional days.
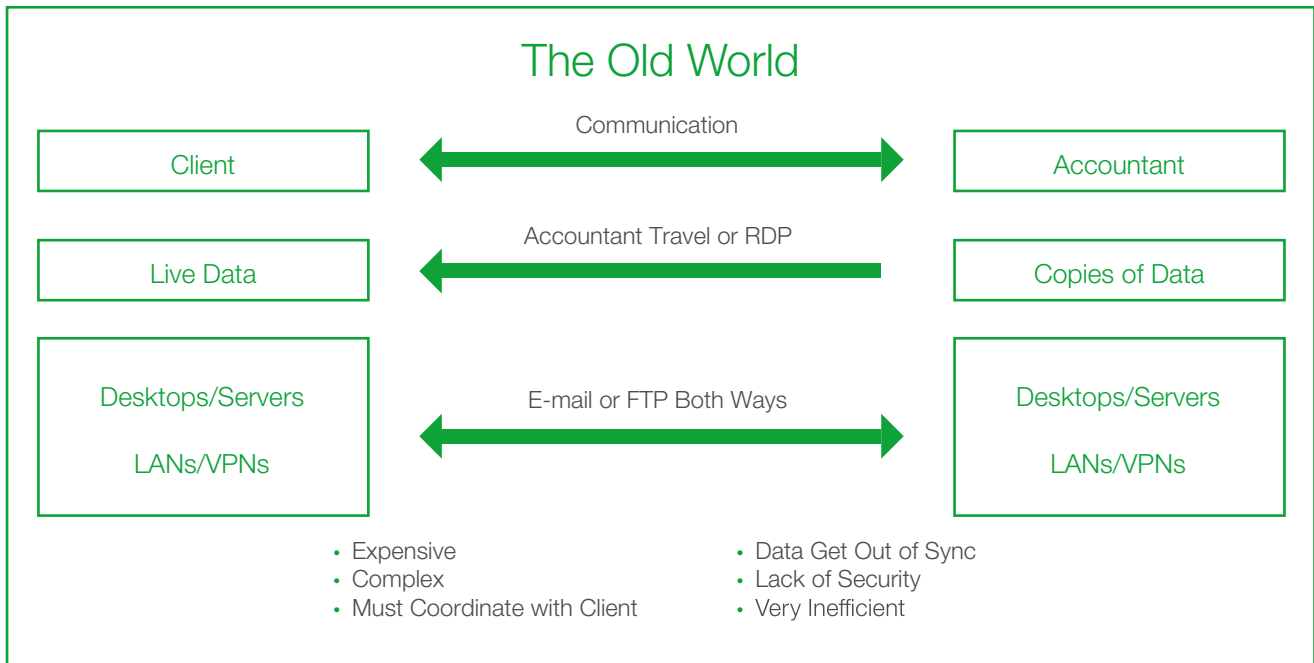
This "bigger messes from clients" issue is a good example of how innovative, technological revolutions present us with useful and productive new tools, but at the same time, disrupt our tried-and-true business processes, often in ways that seem to produce the opposite results they intend to produce. These experiences lead many accountants to resist new technologies "until they work the bugs out." To add fuel to the fire, we all know that implementing new systems often causes painful organizational changes, forcing everyone to rethink and modify their processes. It means installing new systems, retraining staff, shutting down old systems and "opting in" to the new ways of working.

In the past few years, a new world has emerged that forces us to rethink our standard ways of working. It's no surprise that this new world centers on cloud computing and Web-based software and services. Of course, some, or perhaps many people, resist these new innovations, seeing no need for changing systems and processes that "work just fine."

So, let's take a look at just what's wrong with the old world, and why the new world is so compelling for accountants and their business owners.

Prepare Your Firm for the Future of Client Accounting

Since the rise of personal computers, state-of-the-art technologies have been dominated by desktop, premise-based accounting packages, where clients and accountants purchased their own LANs, desktops, and servers. You can see below how the special nature of the accountant/client relationship is not well-served by this architecture.
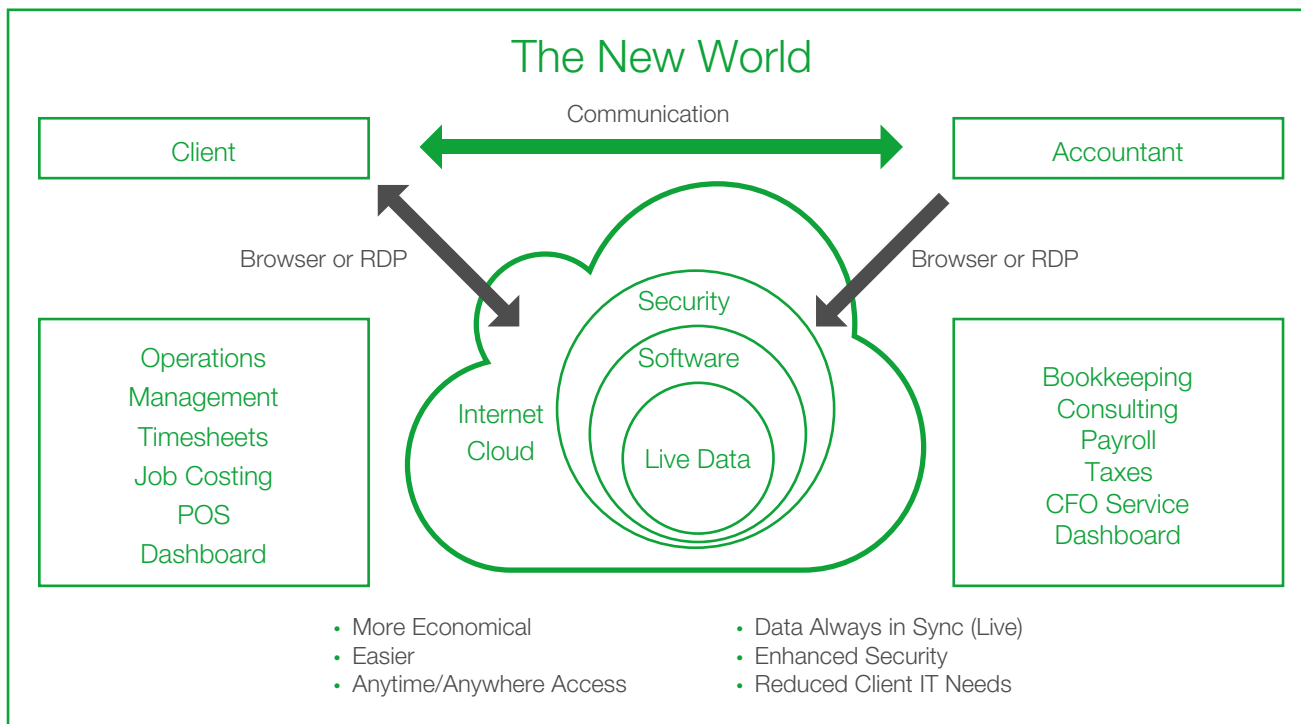
The Old World

Client	← Communication →	Accountant
Live Data	← Accountant Travel or RDP	Copies of Data
Desktops/Servers LANs/VPNs	← E-mail or FTP Both Ways →	Desktops/Servers LANs/VPNs

- Expensive
- Complex
- Must Coordinate with Client
- Data Get Out of Sync
- Lack of Security
- Very Inefficient

The key issue is that accountants and clients need to "collaborate" in order to work effectively together. The client has a business in which transactions occur, data is captured, management decisions are made, and budgets are set and monitored. But, when the accountant needs access to these records in order to provide consulting services, issue financial statements and prepare tax returns, there is a problem.

In the old world, "collaboration" meant taking copies of the data and travelling to the client site, or remotely logging in to the client's computers (thereby taking over one of the computers at the client site). All of these options are suboptimal at best, but, for sure, they are expensive, complex, inefficient and full of security risks.

Today, powerful Web-based services create entirely new ways of thinking about capturing financial data, managing workflow, storing documents, presenting invoices, paying bills, and even how products are ordered and delivered.

In this new world, cloud computing provides the perfect platform for accountants and clients to "collaboratively" work on the same data at the same time from anywhere in the world. By centralizing the client's data in the cloud, surrounded by robust security measures (both physical and network security), we can provide clients with the same features and capabilities they used to get from their premise-based systems. In addition, clients can work collaboratively with their accountant and other consultants to manage their business information.

The New World

Communication

Client ←→ Accountant

Browser or RDP | Browser or RDP

Security
Software
Live Data

Internet Cloud

Operations
Management
Timesheets
Job Costing
POS
Dashboard

Bookkeeping
Consulting
Payroll
Taxes
CFO Service
Dashboard

- More Economical
- Easier
- Anytime/Anywhere Access

- Data Always in Sync (Live)
- Enhanced Security
- Reduced Client IT Needs

Chunkification

In the past 30 years or so, the accounting software market was dominated by large desktop software products which includes General Ledger, AR, AP, Payroll, Inventory and most of the functions needed by small- and medium-sized businesses. While these products were built to solve the horizontal needs of clients by providing basic features common to all businesses, most do not provide the vertical, industry-specific customizations needed by nearly every client.

The new crop of products and technologies, nearly all of which are cloud-based applications, are "chunkifying" those large systems into specific business processes to provide more specific functionality and verticalization. This is a double-edged sword. It's great because we can now find the best match for each business process for each client, but on the other hand, we now have to worry more about how each of the chunks will fit together into a unified accounting system.

Even with these new challenges, chunkification is compelling for accountants and clients, and especially good for software developers. With such broad adoption of cloud and mobile devices, developers can now focus on deep functionality and integration customers demand. And, by focusing on smaller chunks, providers can develop more profitable business models that allow them to continually improve, update and customize their solutions to meet the evolving demands of the market. Clients gain incredible benefits from this chunkification because they can pick the best match for individual parts of their accounting system instead of having to compromise with the warts in some areas of whichever product they choose.

Zero Entry

For several years now, we've been using systems whereby customers and suppliers can enter accounting data for us when they place orders on our web stores or when they send us electronic invoices. Compared with our old world of faxes and paper documents (both sales orders and supplier invoices) in which data is manually entered by the Accountant, this is a significant leap ahead for efficiency, accuracy and reduction in the cost of accounting. This is the trend that is at the core of what I mean by "zero entry."

The key to zero entry is that it moves us away from data entry toward connecting business processes with the accounting system via software connections and data flows. We realize the goal of zero data entry by connecting customer-entered data, supplier-entered data, employee-entered data and automated recurring entries that free the "Accountant" from entering data. Although we'll never actually reach zero entry, the dramatic reduction of data entry from this trend is compelling and revolutionary.

Lego Mastery

By combining the concepts of chunkification and zero entry, we will see a dramatic change for the role of the Accountant. Although the Accountant role won't completely disappear, the role will change from being the expert on how to enter transactions efficiently to how to manage transactions and other "data flows" from several cloud-based "chunks" of the system.

Think about what it takes to become a "Lego Master." You know, those artists who excel at building the most ornate and complex Lego masterpieces. They can quickly identify the right Lego pieces from thousands of shapes, sizes, colors and textures, and assemble them using the right connections in order to create the most complex and interesting structures. These skills are a perfect analogy for what we must develop to succeed with clients in the new world of cloud-based, chunkified accounting software. We will still use all the knowledge and experience we acquired as accountants, but now we'll apply that knowledge, combined with expertise in various software chunks to connect and integrate data for each client to create a customized, efficient, accounting system. This is very much like fitting together different Lego parts into a complete Lego masterpiece.

Collaborative Accounting Services

We also must focus on how to collaborate with and serve clients in ways that were simply impossible just a few years ago.

In this new world, cloud computing provides the perfect platform for accountants and clients to work collaboratively on the same data, at the same time, from anywhere in the world. By centralizing the client's data in the cloud, surrounded by robust security measures (physical and network security), we can provide clients with the same features and capabilities they used to get from their premise-based systems. We can also work collaboratively with clients and manage their business information.

The Payoff for You and Your Clients

Although the process of getting from today's world to this new, cloud-based, collaborative world may be disruptive to your practice and to your existing clients, in the end, the payoffs will be huge. The key payoff is that by focusing less on teaching clients to enter data – and more on helping them implement zero data entry systems – everyone becomes more efficient. Your clients can focus more on growing and managing their business, while you can move up the value chain and provide high-value business consulting services, such as including business analytics, real-time dashboards and management consulting services.

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