



# Technology for Accounting

## A review

An F2X White Paper  
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## Introduction

The benefits of today's internet technology for professional services firms are, in many ways, an extension of the benefits available to the man on the street. Modern-day internet users expect instant access to information and to their networks. They blog or tweet to share their points of view; they visit Wikipedia for knowledge; they make arrangements with friends on Facebook and keep themselves constantly up to date using mobile devices to check where they are and how they're doing. Taken together over the last half-decade, these activities have transformed the way individuals use technology.

The world of business moves more slowly than the fickle world of technology for fun; after all, companies must behave more responsibly than the teenagers and twenty-somethings who drive the popularity of so many new products. Still, many of these new technologies have an equivalent in the business world, and the potential for change is just as great.

## Differentiation in a crowded market

In 2011 an American research company, Bay Street Group, surveyed the attitudes of nearly three hundred accountants in the USA<sup>1</sup>. First it asked respondents to declare whether or not they had achieved their goals for the year, success and failure being defined entirely by the respondent. Then it divided the group of respondents into two: those who had been broadly successful in achieving their goals, and those who had failed to do so.

The results were striking. High-performing firms were ten times more likely to view technology as a competitive advantage. 3% of respondents at firms not meeting their goals stated that they were always "encouraged to explore new technologies and better ways of doing things"; for firms meeting their goals, the figure was 32%. High performers were five times more likely always or usually to invest in best-of-breed software for any given function, and while just under half of high performers claimed that they always or usually received thorough training on a new piece of technology, no respondents from low-performing firms felt that they could say the same.

The accounting industry is not known for its capriciousness. It is cautious in its adoption of new technologies: 64% of UK firms responding to another survey<sup>2</sup> in early 2011 claimed that they were unlikely to move towards cloud computing. However, technology can provide a very real competitive advantage for accounting firms, with direct benefits to client service. This paper will attempt to describe some of the products and services on the market, and identify some of the benefits that they can provide.

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<sup>1</sup> Reported in "Seven Habits of Highly Successful Firms", 26/10/11.

[http://media.cygnus.com/files/cygnus/whitepaper/CSN/2011/OCT/7habitshighlysuccessfulfirms\\_10442432.pdf](http://media.cygnus.com/files/cygnus/whitepaper/CSN/2011/OCT/7habitshighlysuccessfulfirms_10442432.pdf)

<sup>2</sup> Reported in "Accountants Shun Social Media When Attracting New Clients", 24/5/11.

<http://www.accountancyage.com/aa/news/2073249/accountants-shun-social-media-attracting-clients#ixzz1cdNXByKw>

## The paperless office, at last

Business users of technology can be forgiven for treating technology writing with a certain cynicism. The internet is awash with technology blogs and news reports that are breathlessly excited about the latest breakthrough – the one that will surely make everything different, the game-changer, the next big thing. Often the breakthrough never arrives, or serves only to disappoint when it does. The paperless office is a fine example: those workplaces that were supposed to be paper-free by around 1999 still hold forests' worth of printed material.

Things may be changing, however. HMRC initiatives such as last year's introduction of electronic P60s or the Real Time Information project due for arrival in 2013 can only help to nudge the accounting profession away from paper-based ways of working, and technology is ready to support the transition.

## Document management

The problem with replacing printed material with electronic storage was that while there is very little paper in most offices that couldn't be stored more efficiently in electronic form, mere storage was never enough. Information had to be easy to find, easily accessible to those who needed it and inaccessible to those who did not. Such functionality is now at the heart of document management software such as SharePoint.

The web was always a collaborative medium, first designed for physicists at CERN who needed a means to share data, and SharePoint's major selling point is its ability to make a company's knowledge base accessible to all of its employees. Its users can "easily find the right business information," says Microsoft, "regardless of who created it, what format it's in, or where it lives."

The benefits are not abstract: clients' queries can be answered more quickly since documents are more easily searchable, and callers are less likely to get passed between departments since the information they require can be accessed from anywhere. One disadvantage of implementing a document management solution is that you set higher client expectations – they get used to a faster response! Microsoft has a case study of a small accounting firm which converted forty-six thousand documents (filling six hundred feet of shelf space) into electronic copy using a high-speed scanner. Once SharePoint had finished indexing the documents and the staff had adapted to the new ways of working, the firm found that its accountants were each saving several hours a week – time they used to spend searching for information on bits of paper.

## New ways of working

Document management is a good first step, but the potential for change extends much further than a new way of storing files. A survey reported in *Accountancy Age*<sup>3</sup> in October 2011 found that 73% of SMEs

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<sup>3</sup> Reported in "SMEs Want Accountants to Work Online", 24/10/11.

<http://www.accountancyage.com/aa/news/2119427/sme-s-accountants-online>

wanted their accountants to accept most of their documents in electronic form. This is where portals come in.

A portal is a generic term for a private entry point through which an organisation allows access to (some of) its files and data. It is accessed over the internet via a web browser and can be used by accounting firms to provide clients with secure, self-service access to their information. This information can be anything the firm chooses to provide, be it a simple repository of static data such as financial statements and tax returns or access to the full suite of client-specific accounting software, real-time account balances and key performance indicators. The portal ensures that any given client is able to view only the systems and files for which they have permission.

The most basic model of a portal as a repository for static data is a natural enough extension of the data management systems already described. Clients can be given access to SharePoint, for example, which then acts as a portal in this sense. Better, it can act as a 'two-way' portal, allowing clients to upload documents as well as downloading.

The two-way portal has been around for years in the form of the FTP (file transfer protocol) site, but recent improvements in the technology have allowed user-friendly versions to be built that can be accessed in the same way as a normal web page. Where large documents once had to be physically moved from the client to the accountant - credit card statements delivered on paper, for example, or QuickBooks files too large to email and transported on a CD or memory stick – can now be uploaded as easily as attaching a file to an email. A two-way portal can also be used to obtain a client's 'written' consent for a course of action, in place of a signature which again needs to be physically moved from client to accountant.

Writing in AccountingWeb<sup>4</sup>, one accountant described his firm's use of a client portal. "One recent job came in on a Thursday, and the client wanted it done quickly. His accounts and tax return were uploaded to the portal the same week and he electronically approved them on Tuesday. We billed him on Wednesday and emailed him a reminder about his tax return. Within 10mins of getting his approval, the return had been filed online. A portal saves time, cost and hassle - it's part of our ability to offer quicker and more efficient service."

The third and most advanced type of portal is the real-time portal, which can integrate to your specialist accounting applications and draw data from these; this is the technology that will be required if you want to offer self-updating KPI and other information. Many IT firms now offer portal software specifically designed for accountancy firms; this software is generally cloud-based and extremely quick to implement.

It's worth emphasising here the extent to which the account remains in control. Clients with no in-house accounting skills can have their access limited, allowing only basic functions such as writing checks. Meanwhile, clients with a professional bookkeeper on their staff can use more advanced functions through the portal, such accounts payable and accounts receivable or bank reconciliation. Different users within the same organisation can be given different levels of access, and individual users' permissions can easily be changed by the portal's administrators. Either way, the client benefits from easy, 24-hour

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<sup>4</sup> "Paperless practice: the client service view." 16/9/11

<http://www.accountingweb.co.uk/article/paperless-practice-client-service-view/518722>

access to the information they need, and the firm benefits by saving time once spent following up client queries.

## Coping with disaster

There is one major advantage to this technology that was not discussed above, and that is the extra resilience provided when things go wrong. Some accountants<sup>5</sup>, early adopters of the modern paper-free practice, believe that the greatest advantage of the change is not in day-to-day client service but in risk management. As users update documents in SharePoint, the system automatically retains a copy of all previous versions, with details of who made any changes and when. It creates an effortless audit trail, and demonstrates commitment to good practice in the event of regulatory audits or professional indemnity disputes. Even at the most basic level, a well-organised archive of files creates a good impression.

Disaster readiness is, of course, at the heart of good service – clients may be sympathetic if some misfortune severely disrupts their suppliers, but their sympathy will quickly wear thin when supplier problems start to impact their own operations. And this counts double if the misfortune was not planned for.

Many early adopters are moving their entire operations into the cloud, not saving anything onto any individual machine. One accounting technology blogger<sup>6</sup>, formerly of Vantis, recommends Dropbox, a cloud-based filing system which allows users to sync their work for access from any machine. Less formal than SharePoint, the software is also recommended by AccountingWeb<sup>7</sup> as “a generously sized – and invaluable – virtual briefcase” ideal for “anyone who’s ever emailed a document to themselves to work on later.”

Still, simply moving to the cloud should not be taken as full insurance against disaster. Multiply backed-up on servers in numerous locations, information in the cloud is – theoretically – entirely safe, but the new medium is not infallible and should not be treated as such.

A crucial element of any disaster contingency plan is staff awareness. If your data is safe but your staff can no longer find it, then it is useless. For this reason, Deloitte have developed a mobile phone app called Bamboo that aims to ensure all staff know what to do in the event of an incident that leaves them without internet connection. The firm has rolled out the app to all of its staff worldwide and has made it available on various smartphones to other businesses. “During an incident,” says the Deloitte head of resilience testing<sup>8</sup>, “the majority of employees take only their personal belongings with them, such as wallets, keys and, of course, their mobile phones. With Bamboo, staff will now be able to access their individual action plans, regardless of location or mobile network connectivity.”

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<sup>5</sup> *Ibid.*

<sup>6</sup> “The Virtual Office – Part 2”, 2/2/11. <http://rfmassociates.com/blog/?p=388>

<sup>7</sup> “Accountants Catch Apps Fever”, 29/3/11. <http://www.accountingweb.co.uk/topic/technology/accountants-catch-apps-fever/490307>

<sup>8</sup> *Ibid.*

## Business intelligence

So far, this paper has focussed mainly on the ways in which the latest technology can provide access to the information held by your company. Equally significant, however, is the assistance technology can provide in using your information to make decisions.

The Economist Intelligence Unit conducted a survey in 2007 which found that nine out of ten corporate executives admitted to making decisions based on incomplete or inadequate data<sup>9</sup>. Part of the problem is filtering out what is relevant from the vast amounts of input available to a company, when each employee may have dozens of gigabytes of files saved and the internet provides external information of wildly varying credibility.

At the risk of repetition, part of the problem is cultural and can be mitigated by effective document management: users making their data available to others rather than storing it locally, and a shared file structure through which the relevant files can be found more easily. Even with good practice in place, however, it's still common for management information to come via a long-winded process staffed by specialist data analysts.

There is no technological silver bullet for the problem, but it is increasingly possible for decision-makers to access real-time views of their MI using so-called 'agile' business intelligence tools. Inspired by the versatility of the Excel spreadsheet, these tools aim to be more user-friendly, offering templates and assistance in the display and manipulation of data. Genuine agile business intelligence is in its infancy but can be expected to become far more prevalent over the next couple of years.

## Social networks

At this point, after remaining optimistic for most of its length, this report will sound a note of caution.

The case in favour of social networking as a business tool is, for companies selling primarily to the public, a compelling one. For Coca-Cola, which receives eighty times more visits to its Facebook page than it does to its corporate site<sup>10</sup>, the medium is an invaluable way of talking to its customers. "On the new Web," notes Gartner<sup>11</sup>, "[firms] have to go where the users are."

Are the users of accounting services on social networks such as Facebook, Twitter or LinkedIn? Some are, undoubtedly, and the industry is full of marketing consultants who claim that accountants must embrace these sites or suffer the consequences. However, the evidence in favour of this position is far from clear. According to a poll commissioned by the IT company CCH<sup>12</sup>, only 9% of accounting firms polled believed that social media was a significant tool for bringing in new clients. By contrast, 40% pointed to

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<sup>9</sup> Quoted in "Seeing the Big Picture: A Corporate Guide to Better Decisions Through IT."  
[http://media.cygnus.com/files/cygnus/whitepaper/CSN/2011/MAY/tec\\_seei\\_10276711.pdf](http://media.cygnus.com/files/cygnus/whitepaper/CSN/2011/MAY/tec_seei_10276711.pdf)

<sup>10</sup> Gartner, "Portals for Mortals: Eight Keys to People-Centric Portal Strategies", 20/6/11.  
<http://my.gartner.com/portal/server.pt?open=512&objID=256&mode=2&PageID=2350940&resId=1727938&ref=QuickSearch&stkw=portals+for+mortals>

<sup>11</sup> *Ibid.*

<sup>12</sup> "Accountants Shun Social Media When Attracting Clients", 24/5/11.  
<http://www.accountancyage.com/aa/news/2073249/accountants-shun-social-media-attracting-clients#ixzz1cdNXByKw>

traditional, face-to-face networking and 78% used word-of-mouth recommendations. More significantly, 80% of clients said that they stick to traditional methods such as recommendations when selecting accountants.

There are exceptions to any rule and certainly some accountants are embracing Twitter for sales purposes. One advocate<sup>13</sup>, chief executive of a rapidly-growing accounting firm, gave a presentation at a recent accounting technology conference. “For me,” she said, “social media is a tool that allows you to interact with people. What you’re doing is networking with people, but on a much larger scale; it gives you access to a much larger audience. People need to lift this mystique: they’re just tools.”

This is undoubtedly true, but even many Twitter enthusiasts believe that its business development function is minimal. Though it’s a fine means of publicising ideas, blogs and other varieties of information-as-product, it’s simply too time-consuming a method of networking. You can build a presence and win a following, with luck and a fair wind, but traditional methods will yield far greater results in the same amount of time. LinkedIn, meanwhile, has some function as a database of potential clients but in the vast majority of cases it serves only as a first step in the sales process, which then has to be followed by more traditional networking.

## An alternative view

For all its inefficacy as a sales tool, social networking as a trend should not entirely be ignored by professional services firms. Much of the modern technology currently being marketed to the general public is sold in terms of “bringing people together” and for businesses, this represents a desirable outcome. The many-hands approach helps staff to share expertise and experience, minimising the risks associated with single points of failure, and some firms have embraced it. Accenture<sup>14</sup>, for example, has gone so far as to describe its Collaboration 2.0 initiative as the company’s own Industrial Revolution: “it has changed the way we work, learn, collaborate and communicate.”

The consulting giant has created Accenture People, a Facebook-like site upon which its initiative was based. It encouraged users to add bios, expertise and work-related interests and helped its employees to find and connect subject matter experts anywhere in the world. And while any firm would understandably be nervous giving its employees free reign to post about work on Facebook, Accenture dismisses the possibility that its tool could be used inappropriately. “Because the tools are internal, voluntary and provide no anonymity, our business sponsors were confident that Collaboration 2.0 wouldn’t introduce risks to the business.”

Accenture may use an in-house tool but similar private social networking systems are on the market. F2X uses Yammer, another Facebook-like site which allows us to share and discuss ideas, projects and documents in real time. Both less formal and easier to follow than email, Yammer was implemented within the company within an hour of the decision being taken and has become the primary means of

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<sup>13</sup> “Why Accountants Should Be A-Twitter”, 25/5/11. <http://www.accountingweb.co.uk/topic/technology/why-accountants-should-be-twitter/502033>

<sup>14</sup> “Collaboration 2.0 – A Game-Changing 'Social Strategy' That Radically Evolved Our Employee-Client Ecosystem”. <http://www.accenture.com/us-en/Pages/service-collaboration.aspx>

general internal communication. For professional services firms, perhaps such internal tools will be the lasting legacy of the social networking craze.