10 Key Factors Driving Rapid Cloud Accounting Systems Adoption

A Charity & Not for Profit Finance Directors Guide

EXECUTIVE SUMMARY

Today, as the role of finance becomes ever more strategic, there is a significant and growing demand to improve the department's ability to provide information and insight to the wider Charity or Not for Profit.

Charities running outdated and disparate on-premise accounting systems, largely dependent on manual processes, make it difficult for finance professionals to rise to the challenge of managing and analysing their financial data.

Such an outdated or non-integrated accounting systems landscape can also mean that a Charity is operating at a sub-optimal level.

A recent survey by Deloitte found that nearly 50% of FDs reported that their accounting systems did not adapt well to changes in strategy, tactics or scale.

Only about 40% felt positively about their ability to provide information in ways that reveal relevant insights and facilitate decision-making.

To cope with this change modern FDs are adopting new and emerging technologies to meet demand.

With the benefits of cloud computing well established, FD scepticism about data privacy and security has now given way to the rapid adoption of cloud accounting systems due to their lower ownership costs and more rapidly realised benefits.

In fact, according to a study by Longitude Research 24% of FDs have already implemented a cloud accounting system, and a further 45% are planning to do so in the next 12 months.

Furthermore, the total cost of ownership of a cloud accounting system is considered to be 50% less than that of an on-premise system.

With lower total costs, return on investment (ROI) can often exceed triple-digit percentages, while payback timing is typically a fraction of on-premise, averaging only 3-6 months according to a recent study.

This whitepaper takes a closer look at what's driving this rapid adoption and provides an overview of the 10 key factors that are tempting more and more Charity & Not for Profit FDs into the cloud for accounting and financial management.

1. Lower costs & higher ROI
2. Automated upgrades
3. Quicker implementation
4. Improved scalability
5. Improved flexibility
6. Increased operational efficiencies
7. Simpler financial systems landscape
8. Value-added integration
9. Complete future-proofing
10. Better MI & reporting

MODERN CLOUD Vs TRADITIONAL ON-PREMISE

Before we go any further let's look at the key differences between traditional on-premise and cloud accounting systems.

Cloud Accounting Systems

Hosted externally by the vendor and provided to your Charity as a service – hence the term Software as a Service (SaaS). With cloud deployments the software, and financial data within, are managed centrally by the vendor and accessed by the Charity via the web.

- Procured via OpEx budget.
- Monthly subscription model.
- Local IT infrastructure needs reduced.
- Local IT support and administration needs reduced.
- Data and system moved offsite.
- Upgrades managed by vendor.
- Systems and processes are more standardised.

Traditional On-premise Accounting Systems

Installed locally on your Charity's servers and then managed and supported by your own IT staff.

- Procured via CapEx budget.
- Perpetual licence model.
- Requires local IT infrastructure.
- Requires internal IT support and administration.
- Data and system are local.
- Requires self-managed upgrades.
- Requires local management of integrations to other applications.
- Systems and processes are evolving and complex.
- Requires local licencing of supporting software.

LOWER COSTS & HIGHER ROI

When procuring a new finance system the ability to transform a potentially significant IT capital expenditure into a lower overall cost operating expenditure will be highly attractive to the vast majority of Charities considering a system move.

This applies to both the upfront cost of on-boarding a new IT system and the ongoing, sometimes hidden, costs of maintenance and support.

The total cost of ownership of a cloud accounting system, for example, is considered to be 50% less than that of an on-premise system.

With lower total costs, return on investment can often exceed triple-digit percentages, while payback timing is typically a fraction of on-premise, averaging only 3-6 months according to a recent study.

On-premise finance systems usually require a large upfront CapEx investment in product licenses and a large commitment in time and resources for implementation before any benefits are realised.

In addition, we also have the significant ongoing cost in time and money to maintain and support the system internally. Other internal costs come in the form of hardware, servers, databases and training.

Finally, we have the substantial costs of upgrades. Upgrading to the latest release of an on-premise system interrupts day to day operations and costs you time and money when IT staff have to redeploy the new version.

Any customisations you've made to the system need to be identified, tested, potentially rewritten and then re-installed. The same goes for any integrations you've made with other systems like fundraising, CRM and payroll systems.

For cloud-based systems the cost scenario changes completely. The initial CapEx cost for product licences is replaced by a lower OpEx cost for a subscription given you are likely to be subscribing to use the system on a monthly basis.

The cloud vendor also hosts and maintains the system for you negating the need for an internal IT infrastructure and IT staff to provide support.

The vendor will also ensure your data is secure and that any upgrades are rolled out painlessly behind the scenes.

Choose the right cloud accounting system and you may also be able to avoid signing long-term contracts.

At Xledger our customers pay as you go on a monthly basis and are able to walk away by giving only 30 days' notice.

The cost of a monthly subscription with Xledger is also dependent on usage so, if you use Xledger less than normal, you pay less in that month.

AUTOMATED UPGRADES

Upgrading a key back office system like finance can cause significant disruption. Not only do you have to factor in the overall cost, in time and resource, but also the impact of downtime on the Charity itself.

The disadvantages of on-premise system upgrades were covered earlier in this document, however, it's vital to note that the complexity and hassle of the process has far more sinister side effects.

A study by the Aberdeen Group found that just 28% of organisations are using the latest release of their chosen accounting system.

As for the rest, 31% are 1 release behind, 13% are 2 releases behind, and another 13% are 3 or more behind.

A grand total of 78% of companies, by declining to upgrade, are running their organisations in a suboptimal manner on ageing out of date software.

Not only does this mean an organisation is not maximising its initial CapEx investment, it also means the organisation ceases to benefit from any future developments or improvements.

Software companies pour millions into ensuring their systems remain at the cutting edge.

By not upgrading an organisation is, in effect, actively opting out of future improvements in functionality, processes, automation and cost savings whilst still paying for the privilege via maintenance and support – typically 20% of your original product licence cost.

By comparison, cloud accounting systems like Xledger are constantly enhanced and upgraded in the background - with no impact on your Charity other than the occasional new release announcement detailing improvements.

Day to day Charity operations continue as usual without interruption and your organisation instantly benefits from any functional improvements like enhanced automation or those developed in response to high priority user requests.

QUICKER IMPLEMENTATION

A key part of an on-premise implementation is the installation of essential supporting IT infrastructure.

For those of us working in Charities with multiples sites this can be multiplied by the number of additional locations. This requires time, lots of it, and will significantly swell the cost of deployment as well as slowing it.

On-premise deployments can take between 6-12 months depending upon the complexity of your Charity.

Cloud deployments, on the other hand, do not require a supporting infrastructure so your Charity does not have to dedicate time and money to this process. All you need is access to the internet via a browser.

Your Charity can be up and running on a new cloud accounting system in only 1-4 months.

Again, for those of us with multiple sites the story remains positive.

Once configured to your Charity a cloud accounting system like Xledger can be rolled out to new sites, whether in the UK or globally, in a matter of hours using powerful hierarchical inheritance templates.

This capability ensures you avoid the additional hardware and software costs at those locations.

IMPROVED SCALABILITY

Growth or change are often the key factors in a finance team deciding to review what systems they have in place. Most commonly this is down to a lack of functionality due to change or a lack of scalability due to growth.

The ability for your Charity to remain agile throughout whatever changes the market dictates is key to sustained growth and financial health.

Cloud systems are easier to scale, giving you the flexibility to add more users or locations as your Charity changes. On-premise systems don't offer the same freedom—to give more staff access to the system it's often necessary to provision additional hardware.

To bring new sites or locations into play a new implementation and product licences are required.

With systems like Xledger the benefits of cloud reach even further. Charities that use Xledger only pay for what they use. If you need to scale back the number of users the amount you pay per month decreases – that's only fair after all.

Conversely, if you experience major growth you can bring new sites or locations online in a matter of hours. Any demands for increased hardware or processing capacity are met by Xledger. This ensures a high level of service availability is maintained.

IMPROVED FLEXIBILITY

Our 24/7 mobile world has caused many Charities with on-premise accounting systems to opt for client or terminal server technology.

This will, to a certain extent, enable staff to gain limited out of office hour's access to an on-premise accounting system.

Whilst not yet outmoded, these technologies still need to be acquired, implemented and supported and will significantly add to the overall cost of ownership of your accounts system.

Cloud accounting systems, on the other hand, do not require that additional technology or spend. They are built, from the ground up, as web-based systems.

Xledger, for example, can be accessed from anywhere in the world, whenever you want, from any device whether desktop or mobile. All you need is a browser to access the internet.

Cloud accessibility also brings with it far wider benefits.

Xledger provide real-time dashboards at management level enabling your senior team to review management information and KPI's on the go, at meetings or from home.

Accessibility is particularly important for Charities with multiple sites or international operations where staff switch between locations and time zones.

INCREASED OPERATIONAL EFFICIENCIES

Any system, whether on-premise or cloud, that automates an otherwise manual administrative or financial process will enable you to deliver efficiency gains.

Traditional on-premise accounting systems can help you to streamline many core financial processes but struggle if a process involves more than one location and if the people involved in the process are not firmly tethered to their desks.

Cloud accounting systems enable Charities to leverage that inherent accessibility and take automation to the next level.

Multi-entity consolidation, real-time MI and full purchase to pay are key examples of processes that on-premise system struggle to deliver without additional spreadsheet workarounds.

Cloud accounting systems like Xledger enable you to consolidate Charity wide, in real-time, leading to an instantaneous close.

Collating spreadsheets from multiple sites and uploading them to a central accounting system is a thing of the past.

The same applies to the purchase to pay process. Charities that use Xledger are able to post and pay supplier invoices within 3 clicks of a mouse from any location at any time.

SIMPLER FINANCIAL SYSTEMS LANDSCAPE

According to a report by Longitude Research the average accounting systems landscape within organisations is highly fragmented.

By mid-2014 only 19% of organisations had managed to standardise on just one accounting system. In fact, 32% had between 2-5, 24% between 6-10, 17% between 11-20 and 8% had even more.

Few Charity FD's, if any, would dispute that this has been driven by the inflexibility of on-premise accounting systems that require a standalone implementation at individual locations.

Again, even fewer would dispute the advantages of standardising all these systems onto a common platform across their entire Charity.

The advantages are both crystal clear and compelling:

- Standardisation drives huge efficiency and productivity gains as Charities are able to streamline key financial processes.
- It is also costly to maintain disparate systems and to provide bespoke interfaces between them.

Cloud accounting systems remove this complexity. They enable your entire Charity – regardless of location – to adopt the same solution and the same processes organisation wide.

With Xledger, Charities can have new sites up and running on the system in hours. No need for a costly separate implementation and the splintering of your financial systems landscape.

VALUE-ADDED INTEGRATION

Integrating an on-premise accounting system with other systems within your Charity can be challenging.

Not only do you require costly in-house expertise to achieve this but also the time to commit to the process.

These days it's common for Charity finance systems to be integrated with Fundraising and CRM systems to improve the quality of management information you can extract.

Moving to a cloud accounting system negates the cost, time and expertise require to do this. The cloud vendor often takes responsibility for these projects.

Integration programmes developed for one Charity are available to all. This can include integrations with recognised Fundraising and CRM applications like Raiser's Edge, all major Banks for live reconciliation, and well known HR and Payroll systems.

Not only does this mean you can swiftly and seamlessly integrate with other Charity critical systems it also means you benefit from wider third party integrations.

Xledger provide live integration with most banks enabling you to benefit from automatic bank reconciliation and live visibility of your balance sheet and cashflow forecast.

COMPLETE FUTURE PROOFING

A recent study by Thomson Reuters highlighted that 63% of finance teams had failed to update or upgrade their on-premise accounts systems for 5 years or more.

They key reasons for this?

The effort required and costs associated with a full upgrade and worries that customisations wouldn't translate into the new release.

Many Charities, then, are making do with technology 10+ years old to run their organisations.

Herein lies one of the fundamental differences between on-premise and cloud systems.

Had these finance teams been using cloud accounting systems they would have automatically been using the most up to date version of the software. No upgrades required.

At Xledger we update our system 4 times a year. This happens in the background, with no impact on our 6,700 customers.

With each update we provide information and training on new and improved functionality. The result, our system remains at the forefront of technology and is fully future proof.

IMPROVED MI & REPORTING

Advisory firm PwC revealed, in their recent benchmark report, that the best finance professionals today are producing actionable information - not circulating numbers that are likely to be out of date as soon as they are released.

These top performing teams are spending far more time analysing information, sometimes up to 40% more time, than gathering it. The actionable intelligence this provides is invaluable to those responsible for making decisions.

There are 2 key principles to the provision of this kind of insightful management information. The first is that it's accurate and the second is that it's up-to-date and immediately accessible for use. On-premise solutions struggle on both these counts due to their inflexibility.

The need to use spreadsheet workarounds to bolster the gathering and analysis of information within an on-premise system leads to both inaccuracies (due to double and, sometimes, triple data entry) and major time lags slowing the process and, in the end, providing out of date information.

Then there's accessibility. With many senior professionals now out on the road, or hopping from meeting to meeting, vital information needs to be available on the go from anywhere on any device – not only via your desktop in the office.

These on-premise issues are supported by findings in a recent benchmark study by Deloitte. Deloitte found that 60% of organisations agreed their finance team's management information was not sufficiently insightful.

One of the key reasons identified for this were the limitations of traditional on-premise accounting systems.

Cloud systems solve this issue instantly with access to information assured instantaneously from anywhere with a browser.

In Xledger data is communicated via real-time online dashboards tailored at role level to the individual i.e. Trustees, Head of Fundraising etc.

Because Xledger is accessible to everyone in an organisation, via any device at all times, there are none of the inaccuracy issues associated with double keying and all data entered is available for immediate analysis.

Xledger
empowering ambition™

ABOUT XLEDGER

Xledger is a leading supplier of 'True Cloud' Accounting and Financial Management systems to over 7,000 organisations in 40 countries. With operations in the UK, US, Norway and Sweden, and via a global network of 80 Partners, Xledger is designed to meet the financial management needs of forward thinking organisations.

The solution is proven to help Charities & Not for Profits like The Salvation Army, The Church of England, CURE International and the South West Heritage Trust to run leaner, more efficient finance departments in the Cloud.

Xledger empowers Charity & Not for Profits to prosper through:

- Innovative Process Automation - Simplify day to day financial operations through process automation for efficiency gains, cost reduction and increased productivity.
- Real-time Insight - Improve financial control through real-time business insight and reporting for improved decision-making.
- Strategic Partner - Step back from the immersion of day to day financial operations and gain the freedom to support organisational strategy and growth.

Xledger is available to Charity and Not for Profit organisations on a monthly subscription which means no vendor lock-in, no upfront capital investment, no IT headaches like upgrades and access for users from any device anywhere anytime.

Available in over 22 languages, with multi-currency and multi-entity capability, Xledger is a great choice for both UK and International organisations

Learn more about Xledger Cloud Accounting for Charity & Not for Profit here