



JOURNEY TO THE CLOUD 2013 REPORT

This AccountingWEB and Thomson Reuters report for practitioners explains the latest Cloud technology trend and how the Cloud can enhance your practice's competitive advantage.

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Introduction

During the spring of 2013, Thomson Reuters and AccountingWEB surveyed 1,300 accountants to analyse the extent to which they were using web-based applications, referred to by the industry as cloud computing, or “cloud”.

We discussed some of the findings with two practitioners in an interactive webinar with a live audience of more than 300 accountants. Drawing on their comments as well as the survey data, this report acknowledges the concerns raised by practitioners and presents a realistic summary of what “cloud” currently means to accountants.

This report will seek to answer the following questions:

- What is the cloud?
- Why should it matter to practitioners?
- What are the benefits of the cloud?
- What are the cost implications – will it cost more or less?
- What are the technology requirements?
- What are the potential pitfalls?
- How do you know if your practice is ready?
- What are the impacts of more flexible working methods?

What is the cloud?

“Cloud computing” is metaphor for accessing software applications via the web. Your software, previously supported locally in your office, is run on a remote server accessed via an internet connection. Only the data needed to populate the application screen is delivered to your browser, while the processing takes place on remote servers in specialist data centres.

Practitioner comments:

- *“There is no clear definition to “cloud”, it is a buzz word covering a lot of things. It isn't well defined.”*
- *“Can someone succinctly explain what the cloud means to accountants? There is no clear and precise guidance as to what the cloud means to practitioners.”*

These comments are representative of both the survey responses and webinar participants. When asked about their attitude to cloud, 30% answered “don’t know” and another 14% of the audience described themselves as “agnostic”, while 6% were sceptics. The rest, representing exactly half of those who took part in the straw poll, confirmed they were cloud “enthusiasts”.

While cloud technology has the potential to bring far-reaching productivity improvements to the tax and accounting profession, it will not do so until the concept is more widely understood.

With a fully hosted service, such as Digita Virtual Office from Thomson Reuters, a user can log in from a variety of devices but still access all their office software. Each program appears as an icon on the screen that activates the program’s full functionality; the administration, maintenance and support is all carried out behind the scenes by the hosting provider.

The cloud is not an all or nothing proposition. Firms that have invested heavily in their own IT services often take a stepped or hybrid approach, where some programs are moved to the cloud, but others are kept in-house under the firm’s direct control.

Elements of cloud accounting

Cloud accounting - Aside from consumer services such as Google Drive, Hotmail or Dropbox, the profession’s most common experience with cloud applications is through online bookkeeping programs such as KashFlow or Xero. Small clients and start-ups will often ask specifically for the accountant to support them on a particular application, most of which also offer a practice log-in or management view that lets them access and extract the live accounts data.

Practice tools - Until recently, tax software, accounts production and practice management systems have been less common in the cloud, but that doesn’t mean they aren’t around. Burton Sweet, for

example, has been using a hosted practice management system to serve its nine offices around the West Country for many years.

Websites - A website is also a cloud application. To attract traffic, websites need to be fed with dynamic, up-to-date content; interactive tools can make them even more useful in retaining and servicing clients. Having a secure mechanism such as a web portal to share and collaborate with clients on electronic documents will become increasingly important, as the European Union is proposing rules that will increase the penalties for sending unencrypted confidential documents via email. Clients may find dealing with a big package of papers as tedious as it is for your team to compile it and may well prefer to receive them in a digital format they can retrieve when they need it.

Why should it matter to practitioners?

Webinar comments:

- *“Do you use iPads and/or other tablet devices to communicate data/information with your clients? Or do you still produce paper reports?”*
- *“Flexible working benefits for practice and client will be greater for multi-site practices, less so for my sole practice.”*

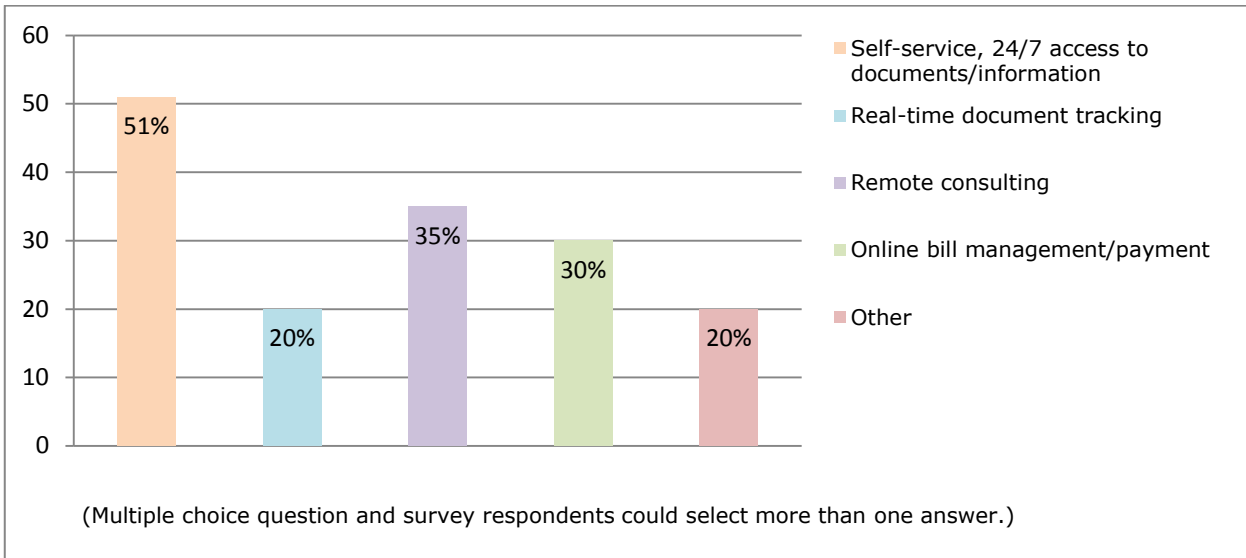
Overall, the Thomson Reuters-AccountingWEB survey found that cloud adoption within the profession has been slow; around a quarter of respondents were using adopting cloud services compared to an estimated 50-60% among the wider business population. But practices are starting to embrace the cloud, with 11% of survey respondents already there and 21% planning to make their move in the next 12 months.

For accountants, the cloud has been a long time in coming, but it is getting to the point where practitioners are comfortable with their internet infrastructure. Within the AIMS Accountants in Business network, for example, firms are being pushed into the cloud by their clients.

Both Burton Sweet and AIMS firms use cloud applications and document portals and find that work can be carried out at any time, with faster turnaround and filing times.

Online portals help clients access their documents and correspondence when they need it - and make it more difficult for them to claim they didn't receive a document or bill from you. Only 18% of accountants in the survey highlighted portal facilities and client retention as objectives for their firms' websites. Yet when they were asked about the future needs of their clients, 51% mentioned "self-service, 24/7 access to documents/information".

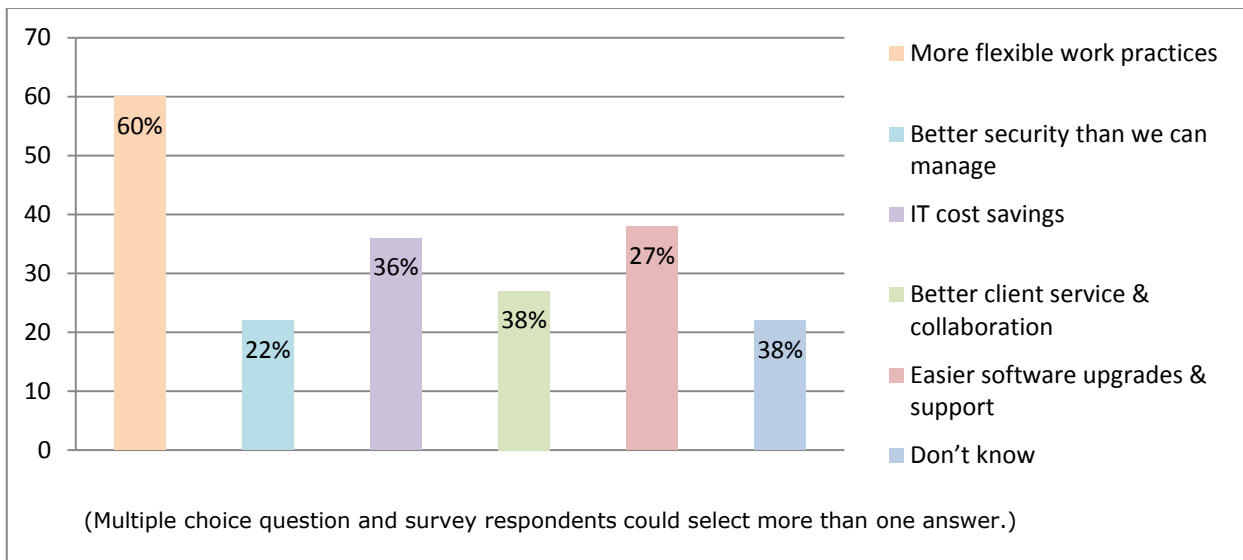
What do you perceive to be the future needs of your clients?



What are the benefits of the cloud?

Practitioner comments:

- “One of the single biggest advantages that clients like with cloud bookkeeping is the ability to log in from anywhere. Especially where the bookkeeping may be performed in one location and the client moves around a lot or is based in a different location.”
- “If clients want us to do their bookkeeping it has to be on a cloud package. It is so much easier.”



The cloud can make working life more flexible for accountants. Being able to get hold of information while you're on the move and answer client queries quickly will certainly make your life easier, but more importantly it will improve the client's impression of the service you provide and support a more dynamic relationship.

From an administrative point of view, cloud computing removes many IT housekeeping chores such as security arrangements, software upgrades and nightly back-ups. Professional data centres, such as those of Thomson Reuters, benefit from economies of scale and expertise. All of the hardware upgrades and maintenance happens behind the scenes and is handled by specialists. For Burton Sweet, the benefits of having a third party host who maintain its application servers outweigh the cost savings.

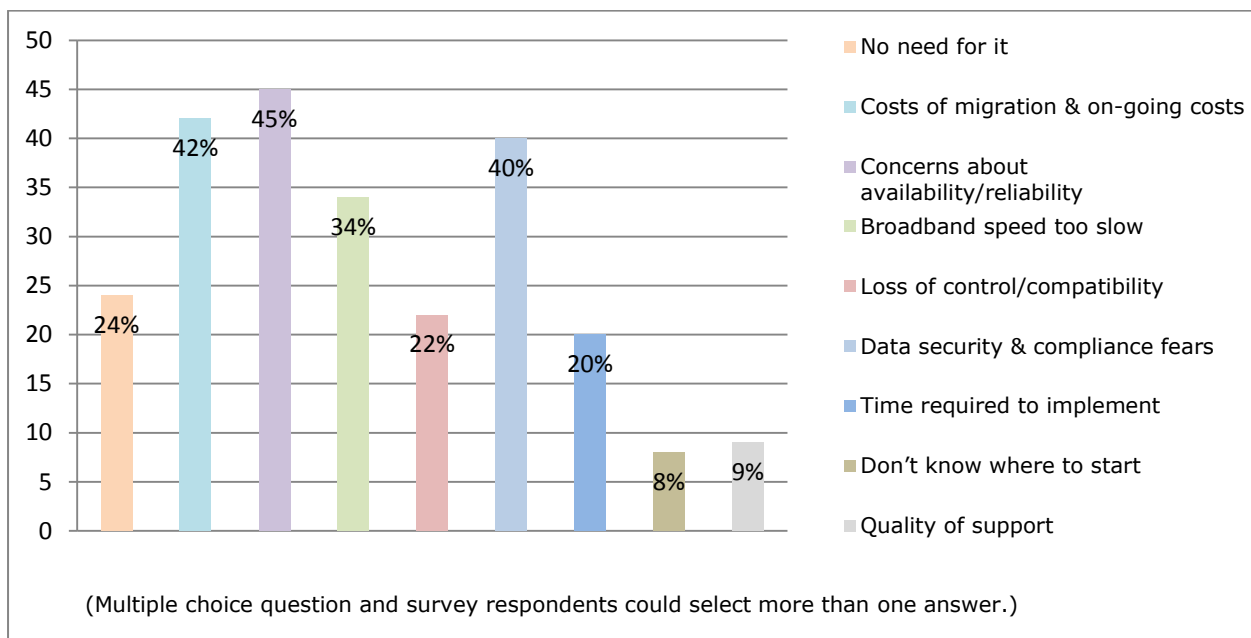
Also consider how long it would take to restore operations if you lost access to data on your server-based systems, and compare that to the similar recovery time quoted by cloud service providers.

What are the potential pitfalls?

Practitioner comments

- “Security and data continuity concerns have not been sufficiently addressed to yet convince me.”
- “Would cloud solutions lock in clients to a particular service provider if a client wishes to move between providers? Would this be more difficult than between desktop or server-based applications?”
- “Have customers experienced access issues in the event of a dispute between the customer and the host company? What if the host company goes bust?”

What do you see at the impediments to adopting hosted or cloud solutions?



Data security

The idea of moving to cloud-based solutions can make some organisations a little nervous - and the survey confirmed that internet speed, reliability and data security were concerns for large numbers of respondents.

Confidentiality is central to the services accountants offer and practitioners are right to press potential suppliers on the measures they have in place to protect client data. Because their servers are located in professional data centres rather than a back room in your office, cloud service providers can often deliver better physical and electronic security.

There are many different levels of security. Accountancy firms are vulnerable to staff leaving laptops on trains or losing back-up media. Storing data in the cloud means no information is stored on your local device. If you lose a laptop on the train, you would not lose client data.

Lock-in is a common concern, but if anything is less of a concern online, where the higher degree of connectivity makes it easier to link applications. "It's a bit of a false argument," commented Nigel Harris. "It's a major issue when you try to migrate from desktop such as Pegasus to QuickBooks. I don't think it's any better or worse with cloud software."

What are the cost implications – will it cost more or less?

In terms of survey responses, concerns about the costs of migrating to the cloud and on-going costs (42%) outweighed cost savings (36%). In Burton Sweet's experience, there wasn't a huge cost saving from moving online, but nor was there any extra to pay.

"It's a very cost-effective way to set up an accounting system," explained Nigel Harris. "The cost is competitive and the ability to add extra users is a bonus. If you want a multiple Sage license it really ramps up. In the cloud, you just add another user."

The predictability of monthly software usage fees is also an advantage. If the long term cost of ownership concerns you, compare the on-going fees over a period of three to five years with the projected hardware, software and administration costs of a traditional software licensing arrangement.

Ironically, Kingsley Sansom has found that accounting firms don't look at return on investment. "It's no more expensive than having server in the office and comes back to improved service and interaction with the client. The prices are not prohibitive. And are they worth it? Yes."

What are the technology requirements?

Practitioner comments:

- *“Our biggest concern, being in a relatively rural area, is the quality and reliability of our broadband connection.”*
- *“What do you do to deal with broadband failure - do you need mobile broadband to cover such emergencies?”*

When considering moving software and data to a cloud environment, just over a third (34%) of accountants expressed concern that broadband speeds are too slow in their part of the country. By 2015, however, broadband speeds will have tripled since 2010 and mobile broadband will be widespread.

One of the most common myths surrounding the Cloud is that broadband throughput speeds need to be superfast. Online applications impose a relatively light traffic load - you're not downloading multimedia files and all that goes down the wire at a particular time is the data string to and from the server. In-house tests on Thomson Reuters' application servers found that users often didn't notice a difference between onsite and offsite functionality.

With the basic infrastructure taken care of by the cloud provider, customer service becomes a more important consideration - as acknowledged by 9% of survey respondents.

For accountants Kingsley Sansom and Nigel Harris, a “willingness to work with you” was paramount. “We ask the same of our desktop suppliers as our online ones. Be responsive and provide the features we want. The great thing about getting involved with the cloud is that developers are looking to add new suggestions - and because they're online they can add new features daily,” said Harris.

What are the impacts of adopting a more flexible approach to accountancy work?

Practitioner comments:

- “Location doesn’t matter anymore. Can work at net café, on clients’ computers. Anywhere. If you’re a small practice with part time staff, you don’t have to have them sitting in the office with you. They can work from home.
- “With real-time accounting, it will require real time support from us as accountants”

The Thomson Reuters research project and webinar found parallels between the pros and cons that were raised; the benefits and negatives of cloud computing are almost the same thing. Users are concerned about security, but cloud providers offer road-tested systems with certified reliability. Where users are concerned about cost, there are potentially big savings in hardware and IT support costs.

“Get rid of all those Exchange servers and expensive boxes and get someone else to look after them for you,” advised Nigel Harris. And you don’t have to commit everything to the cloud in one go: “Go away and try it. When you, your staff or clients respond, you’ve got something to work your processes around.”

Being a connected practitioner does have a downside. “I will pick up messages over weekend and deal with client queries if they send me an email,” Harris said. For a client working on their books out of office hours, that might be an advantage. But Burton Sweet has also trained clients “to do their business in business hours”.

How do you know if your practice is ready?

Practitioner comments:

- *“Flexible working benefits for practice and client will be greater for multi-site practices, less so for my sole practice.*
- *“The conclusion is we don’t know where to start.”*

Are you and your team familiar and comfortable with using the web and do you already have experience of online bookkeeping, web-based practice tools or client portals?

Would you and your team benefit by being able to access client data over the internet when you’re away from the office? And would clients benefit from a secure way to exchange documents without relying on email?

Answers to questions such as these will help calibrate your readiness for moving to the cloud. More importantly, talk to your clients about what they want from you and whether they would be comfortable if you dealt with their accounts and tax returns online. As they realise the potential benefits, you may need to make the move to keep them as clients.

For all the time and verbiage devoted to the technicalities of cloud computing, most people probably already use Google, Hotmail or Dropbox and don’t think twice about it. The lines between online, offline and mobile applications will continue to blur at an accelerating pace - so the time for accountants’ traditional prudence and caution may have passed.

Consider your next step

This report has illustrated that the cloud has the potential to help the profession respond faster to client needs. Properly deployed, the cloud can reduce capital expenditure and IT management headaches and will allow firms to support flexible working on mobile devices such as smartphones and tablets.

“Within 10 years everything will be cloud-driven,” predicted Nigel Harris in our webinar. “We’ll look back at laptops and PCs and wonder why we ever looked at those.”

Thomson Reuters has over 20 years’ history of developing desktop software by listening to customers and crafting products that reflect their business processes. Cloud technology will continue to deliver those facilities, but with the added benefit of flexible access, increased security, instant software version updates and freedom of choice for the hardware you use. It has been a slow march for the profession, but more and more accountants are now considering their next move.

All you really need to know is that you don’t have to sacrifice your principles and professional legacy when making it.

For further advice and technical guidance on these issues, download the Thomson Reuters practice guide, ‘Top Tips for Managing the Journey to the Cloud’.

<http://www.digita.com/pro2011/account/default.aspx>

Contributors

This report was written by AccountingWEB Editor John Stokdyk and Max Thomas, Professional Product Strategy Director at Thomson Reuters. Along with all of the survey and webinar participants, we would like to thank Nigel Harris, a partner at the South West firm Burton Sweet, and Kingsley Sansom, head of operations at AIMS Accountants for Business, for their contributions to this report.

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