

Cloud Accounting for Fast Growth Start-Ups

Getting it right first time.

ACCOUNTS 

Introduction

According to the Central Statistics Offices of the respective countries, 2014 was a record breaking year with over 580,000 and 18,000 new businesses registered in the UK and Ireland. Whilst many of these new businesses are and will probably always remain as owner-managed SMEs, some of them could be classified as 'high-potential start-ups' (HPSU).

The typical HPSU is one that has a well-funded growth plan in place and a management team that already knows where the key milestones on the road to success are. These milestones might include targets such as turnover, market share, number of customers and so on. In certain cases, the HPSU management team knows that the successful execution of the plan includes the addition of more subsidiaries, offices, distribution centres or sales outlets. There may also be a plan in place for expansion to overseas markets with a multi-currency accounting requirement.

With this knowledge therefore, the team has an opportunity to ensure that the business has an accounting solution from the start that will support that kind of organisational and infrastructural growth.

The following is a quick shortlist of issues to consider when evaluating the options:

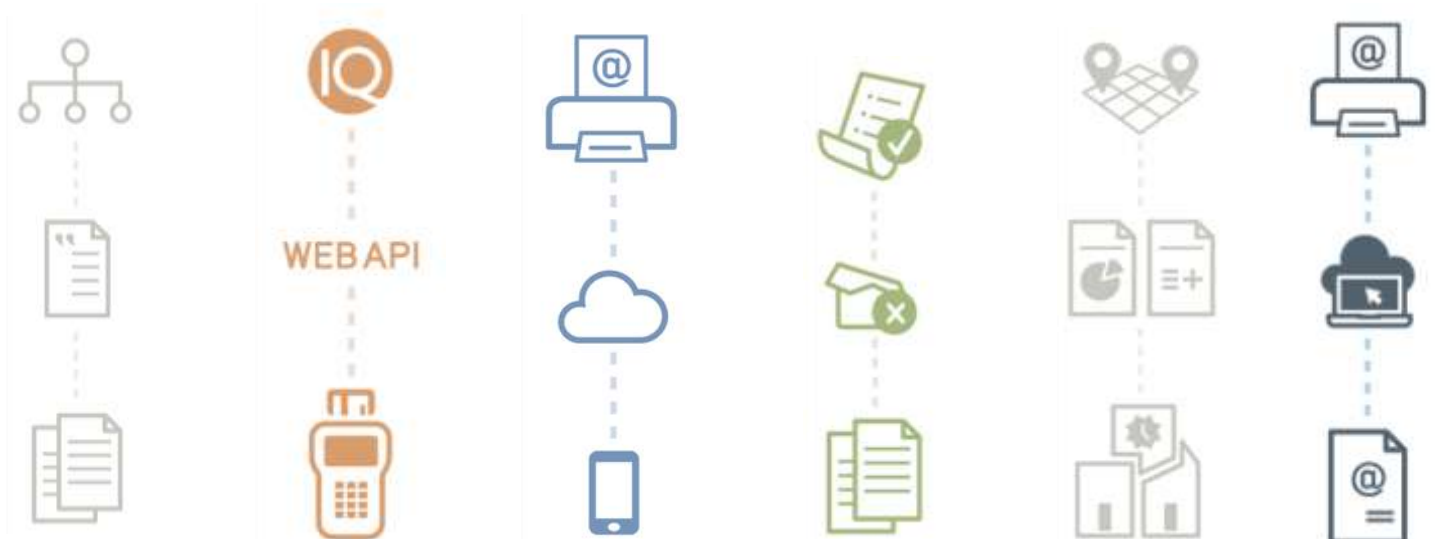
1. Cloud versus installed

Most commentators would argue that in the majority of cases, cloud (or SaaS) solutions are ideal for start-ups. However, the most popular cloud accounting solutions, whilst ideal for the typical SME, can be restrictive for companies falling under the HPSU description described above. The challenge for the HPSU Finance Director is to try to find a cloud solution that combines all the capital cost benefits and flexibility afforded by the SaaS model with the advanced functionality needed to cope with the complexity and scale-ability required by a fast growth business. The good news is that there are cloud solutions available that can provide the kind of robust architecture needed to scale rapidly as well as features that are essential to the financial management team such as consolidation and business intelligence.

2. Multi-Entity Administration and Control

Very often, when considering a new accounting solution, there is not enough thought given to the administration of the system and particularly in the case of a multiple entity scenario. Some of the difficulties in this kind of situation include control of authorisation levels and user permissions. Assessment of any system should include:

- How many different entities need to be managed by the system?
- How many users/concurrent users are required per entity?
- What level of collaboration is required with your accountant or advisor?
- Do you require inter-company transaction management?
- Do you require different levels of user authorisation and permissions?



3. Consolidation

If the HPSU growth plan includes the addition of more organisational infrastructure such as new subsidiaries or sales outlets then clearly it makes sense to ensure that whatever solution is chosen that it provides a consolidation feature. What is also important is the ease with which the consolidation feature works. A few questions to consider:

- Do you require consolidation of different entities based on different percentage ownerships?
- Do you require multiple sub-group structures within a group?
- Do you need automatic elimination of inter-company balances?
- Do you require multi-currency consolidation with central maintenance of all group master currency tables?



Good cloud accounting solutions can offer a really comprehensive range of features that help to future proof the High Potential Start-up business

4. Future Proofing

Correct evaluation and choice of system will ensure that you future-proof your business as it grows and expands. General system considerations, which may not seem important at the early start-up phase, can become critical as the business expands. Multi-currency capabilities are an obvious issue but other issues such as hosting, security and data storage could become important:

- Are there any restrictions on which country your software can be hosted now or in the future?
- Are there any industry specific accounting, legal or tax compliance with which you need to or would like to comply?
- How many multiple subsidiaries or entities do you plan to establish or acquire that will require consolidation?
- Transaction Volume: What is the approximate average number of transactions per day/week/month that you need to process and to what kind of volume do you expect that to grow?
- Data Storage: What is the approximate volume of data storage required now and in the future?
- For how long do you require historic data to be stored?
- If operating in multiple locations what level of localisation of system terminologies is required?
- Do you require Independent period management for A/P, A/R and GL?
- What level of Help and Support is required?
- What kind of user management and control is required if you will be operating across multiple entities or locations?
- What jurisdictions do you operate in for tax processing & reporting (VAT for UK & Ireland, Australia GST, US Sales Tax)?
- Do you require full multi-currency processing for sale, purchase, and bank transactions?
- Are there any restrictions on which country your software can be hosted now or in the future?
- Are there any industry specific accounting, legal or tax compliance with which you need to or would like to comply?



Future proofing your business is essential if you are to avoid the time consuming and possible costly exercise of having to switch from a basic starter accounting system

5. Business Intelligence

The use of Business intelligence data is becoming increasingly important in helping a management team to make better decisions and where the HPSU is concerned could be critical. At early start-up phase, identification of a 1% reduction in the cost of a particular product line in a particular market may not make a significant difference. Identifying that cost reduction opportunity when the product sales have increased one hundred fold however, could provide a huge boost to the bottom line. Again, there are systems that boast in-built business intelligence. It's worth asking the following questions of any potential provider:

- What kind of key performance indicators need to be tracked and managed?
- Who needs to use which data?
- How often does the data need to be reviewed?
- What kinds of data visualisation features are required? (i.e. dashboards)
- What kinds of customisation features do you need? (i.e. by user, by entity)

These are just a couple of pointers on how you might go about future-proofing your high performance Start-up. Clearly there will be a far more extensive range of questions to consider in the correct evaluation of any solution. What is important to remember is that the cloud solutions available today can and do provide much of the critical functionality that a rapidly growing business needs.

About AccountsIQ

This article is brought to you by AccountsIQ, cloud accounting and consolidation software for mid-size companies, particularly those with multi-entity or multi-location needs. Built for the cloud, AccountsIQ is in use in 23 countries and is now the solution-of-choice for many the worlds' leading accounting practices.

For further information on how AccountsIQ might work for your growing business please feel free to contact us and we would be happy to discuss your needs.

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