ima®

The Association of Accountants and Financial Professionals in Business

# Current Use of and Future Desires for Accounting Systems

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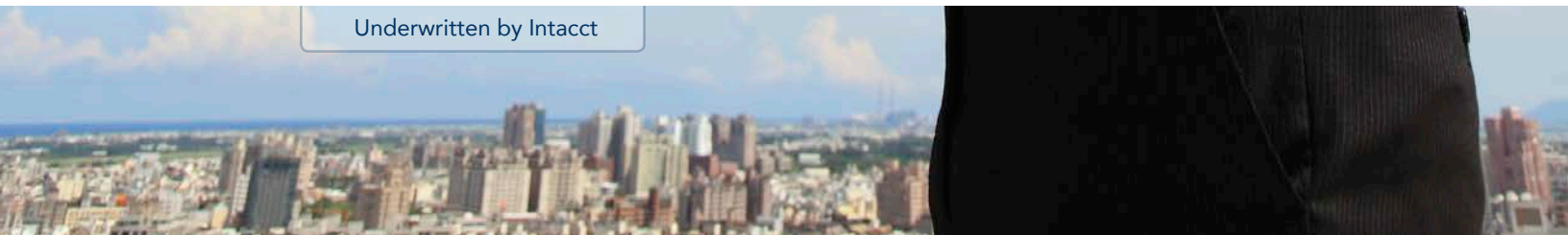

# About IMA®

IMA, the association of accountants and financial professionals in business, is one of the largest and most respected associations focused exclusively on advancing the management accounting profession.

Globally, IMA supports the profession through research, the CMA® (Certified Management Accountant) program, continuing education, networking, and advocacy of the highest ethical business practices. IMA has a global network more than 70,000 members in 120 countries and 300 professional and student chapters. Headquartered in Montvale, N.J., IMA provides localized services through its four global regions: The Americas, Asia/Pacific, Europe and Middle East/Africa. For more information about IMA, please visit www.imanet.org.

### Research Partner: Intacct

Intacct is the cloud financial management company bringing cloud computing to finance and accounting. Intacct's award-winning applications, in use by more than 7,300 organizations from startups to public companies, are designed to improve company performance and make finance more productive. The Intacct system includes accounting, contract management, revenue management, project and fund accounting, inventory management, purchasing, vendor management, financial consolidation, and financial reporting applications, all delivered over the Internet via cloud computing. Intacct is headquartered in San Jose, California.


Institute of Management Accountants
10 Paragon Drive, Suite 1
Montvale, NJ, 07645
www.imanet.org/thought_leadership

# About the Author


### Denis Desroches

Denis Desroches is director of research for IMA® (Institute of Management Accountants). Prior to joining IMA, he spent 20 years supporting organizations with the selection, implementation, and knowledge acquisition of enterprise performance management systems. He also was a professor of mathematics and business systems for 11 years at Seneca College of Applied Arts and Technology in Toronto, Ontario. You can reach Denis at ddesroches@imanet.org or (201) 474-1711.


# IMA Research

### Management Control Systems

This research area focuses on how organizations align employee actions with their strategic goals. It includes operational control systems that focus on measures that enable front-line employees to achieve continuous process improvement. It also includes management control systems that enable managers to align their actions with the company's overall strategic goals.

# Current Use of and Future Desires for Accounting Systems

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# Introduction

For a two-week period ending on April 4, 2014, IMA members were invited to respond to a survey intended to help identify trends and perceptions pertaining to various accounting system architectures, notably accounting systems that are:

- Housed in the **cloud and shared** with other customers (e.g., Intacct, NetSuite, Workday, Xero).
- Housed in a **private cloud** that is exclusively for their use (e.g., hosted version of on-premises application, such as Microsoft Dynamics).
- **Multi-tiered, client-server applications** (e.g., Oracle, SAP) installed on client-owned servers.
- **Stand-alone, single applications** (e.g., QuickBooks) installed on a client computer.
- **Homegrown applications.**

This report presents results of the survey:

- What Does the Accounting System Architecture Look Like?" discusses accounting system architectures and the usage rates for these architectures.
- "Who Is Happy with Their Accounting System?" outlines the level of happiness with the various accounting system architectures.
- Perceptions of the ease of use, availability of data, and the need for IT support for the various architectures are presented in "What Do You Think of Your Accounting System?"
- The influences considered for changing accounting systems is introduced and considered in "Why Change Your Accounting System?"
- "Concerns about Upgrading" offers a view of concerns identified before an upgrade and whether these concerns are founded.

# Key Findings

Respondents identify that the use of multi-tiered, client-server applications installed on their own servers is the most commonly used accounting system, but the adoption of cloud technology (private and shared) is increasing.

Those using shared cloud technology are the most likely to report that they are happy with their accounting system. Those who have moved to a shared cloud technology within the last 12 months are more likely than those who have moved to other architecture types to declare greater improvements in 10 of 11 system attributes (when compared to their previous accounting system).

Respondents rank stand-alone and shared cloud accounting systems highest for ease of use, provision of data, and for the least dependence on IT. Shared cloud architecture and stand-alone accounting systems are very pervasive in small organizations. As a smaller organization begins to outgrow its stand-alone accounting system, a move to a shared cloud architecture appears to be a logical step. It is interesting to note that the most common influence for changing an accounting system is to support an organization's growth.

Respondents identified a number of the concerns that they originally had as they considered their most recent upgrade. For those moving to the cloud, these fears turned out to be unfounded for most of the respondents.

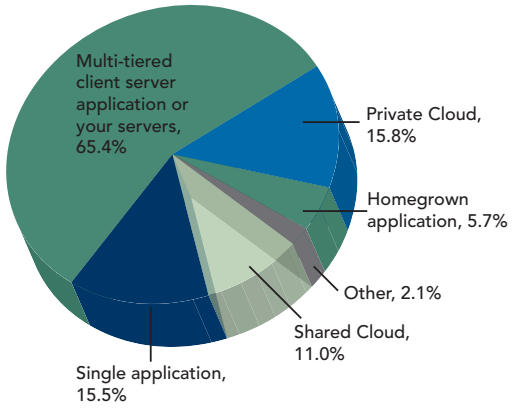
## What Does the Accounting System Architecture Look Like?

Respondents were asked to identify the architectural characteristics of their current accounting system. They were asked to select all that apply from these options:

- Housed in the shared cloud;
- Housed in a private cloud;
- Multi-tiered, client-server application(s) installed on their own servers;
- Stand-alone, single applications installed on their own computer;
- Homegrown applications; and
- Other.

Exhibit 1 summarizes the breakdown of the architecture of the respondents' current accounting system(s). A majority (65.4%) are using multi-tiered, client server applications. About 27% of respondents indicated that they are using cloud technology as part of their accounting system—11% in the shared cloud and 15.8% in private cloud technology.

**Exhibit 1. Current Accounting System Architecture**




Note: The total is not 100% because some respondents indicated that they use multiple architectures.

Although multi-tiered, client-server applications are used by the largest segment of the respondents, the survey results suggest an increase in the adoption of cloud technology (e.g., of survey respondents who indicate that they are in the process of replacing their accounting system, 23% are introducing cloud technology, while only 9% are leaving cloud technology).

**Exhibit 2. Technology Use by Company Size**

| Headcount | Shared cloud | Private cloud | Multi-tiered, client-server | Single application | Homegrown application | Other |
|---|---|---|---|---|---|---|
| Fewer than 50 | 16.7% | 11.5% | 35.9% | 37.2% | 2.6% | 1.3% |
| 50-99 | 14.6% | 14.6% | 51.2% | 24.4% | 2.4% | 2.4% |
| 100-199 | 3.2% | 12.9% | 67.7% | 12.9% | 3.2% | 6.5% |
| 200-999 | 11.1% | 17.3% | 72.8% | 7.4% | 3.7% | 0.0% |
| 1,000-1,999 | 4.2% | 16.7% | 66.7% | 0.0% | 4.2% | 0.0% |
| 2,000-10,000 | 2.3% | 15.9% | 86.4% | 4.5% | 13.6% | 2.3% |
| More than 10,000 | 15.0% | 22.5% | 87.5% | 2.5% | 12.5% | 5.0% |

Exhibit 2 shows a table that itemizes accounting system architecture by company size. From this table, we see that:

• Homegrown applications are more commonly found in larger organizations—13.6% of organizations with between 2,000 and 10,000 employees and 12.5% of organizations with more than 10,000 employees use homegrown accounting applications.

• Stand-alone, single desktop applications are commonly found in smaller organizations (fewer than 200 employees).

• The use of shared cloud technology is more common with very small (fewer than 100 employees) and very large (more than 10,000 employees) organizations.

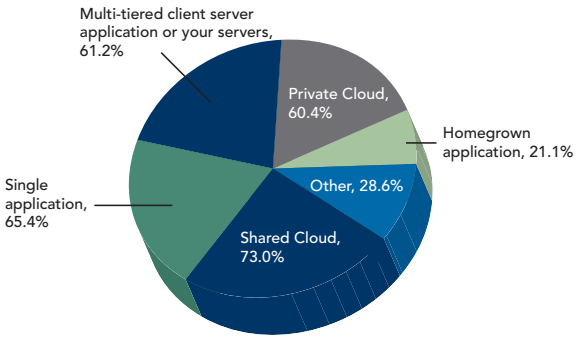
## Who Is Happy with Their Accounting System?

Exhibit 3 summarizes, by architecture, the percentage of respondents who are happy with their current accounting system. Those whose current accounting system includes a shared cloud environment are most likely to report that they are happy with their accounting system (73%).

Those with homegrown systems are least likely to be happy with their accounting system (only 21% said they were happy), and respondents also noted in more than 68% of cases that homegrown accounting systems are being replaced.

Respondents who had indicated they are happy with their current accounting system were asked to compare capabilities of their current and previous accounting systems. Responses are summarized in Exhibit 4.

Exhibit 3. Happy with Current Accounting System



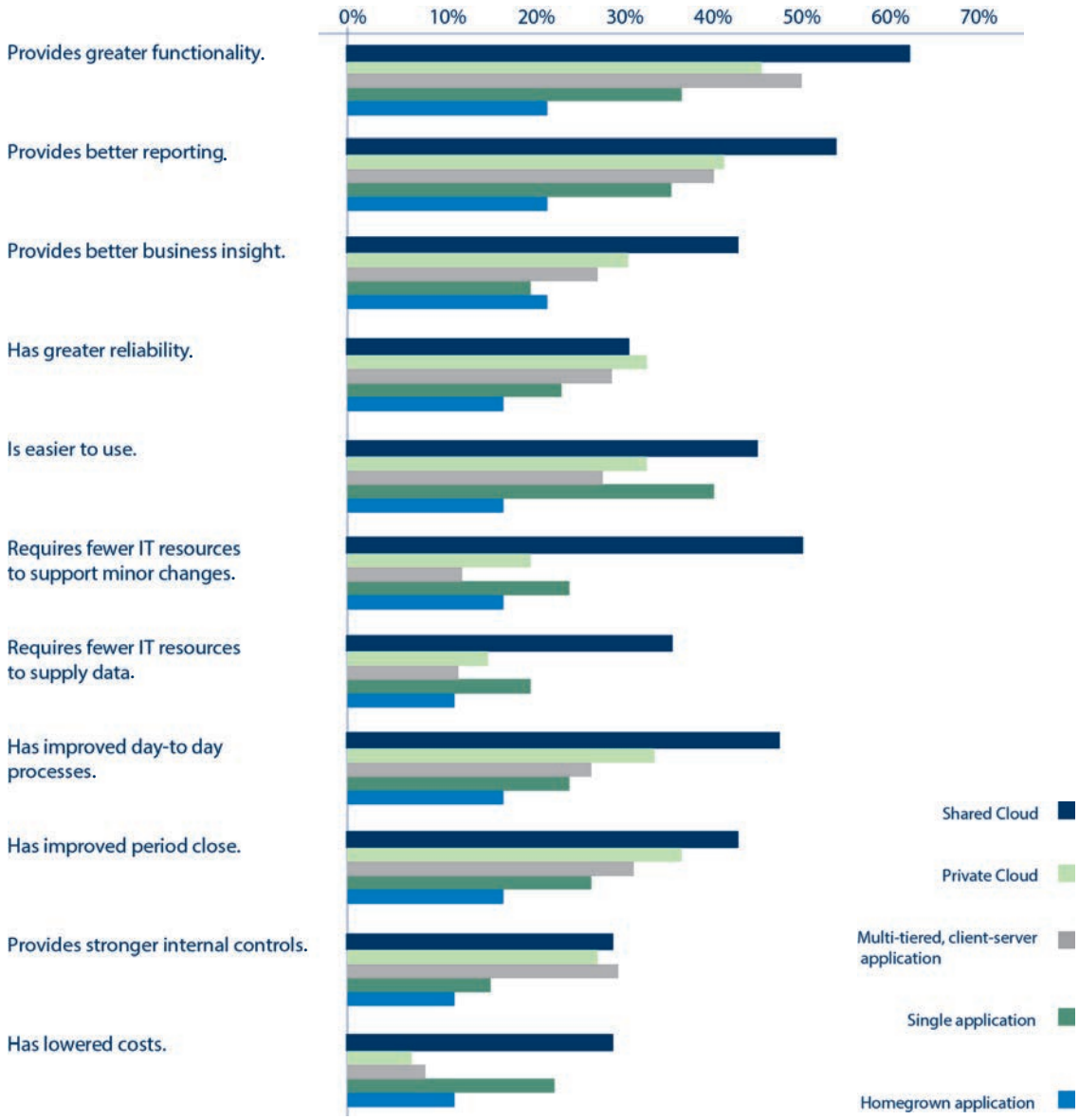

For those who are happy, the results for shared cloud accounting systems stand out above all others in almost all areas of capability. Those using a shared cloud accounting system are more likely to say the shared cloud accounting system provides greater functionality, better reporting, and better business insight than their previous accounting system. They also state that they are less likely to be dependent on IT for data and customizations.

## What Do You Think of Your Accounting System?

All respondents were asked to state their relative agreement or disagreement with a series of statements about various attributes of their current accounting system (e.g., ease of use, ease of providing information, and effort required to support). Responses indicate that using shared cloud technology and standalone desktop applications have consistently high approval ratings in most categories.

This section presents the findings for specific attributes.

Exhibit 4. Compared to Our Previous Accounting System, the Current Accounting System…




## Ease of Use by Finance Team

Exhibit 5 shows that shared cloud technology and stand-alone applications received the highest agreement ratings for ease of use by finance team. For each of these architectures, more than 80% of respondents agreed or strongly agreed that their accounting system is easy for the finance team to use.

Homegrown applications are not highly regarded for their ease of use. A high percentage of respondents using homegrown applications (58%) disagreed or strongly disagreed with the statement that their accounting system is easy to use.

Exhibit 5. AGREE and STRONGLY AGREE:
Our accounting system is easy for our finance team to use.

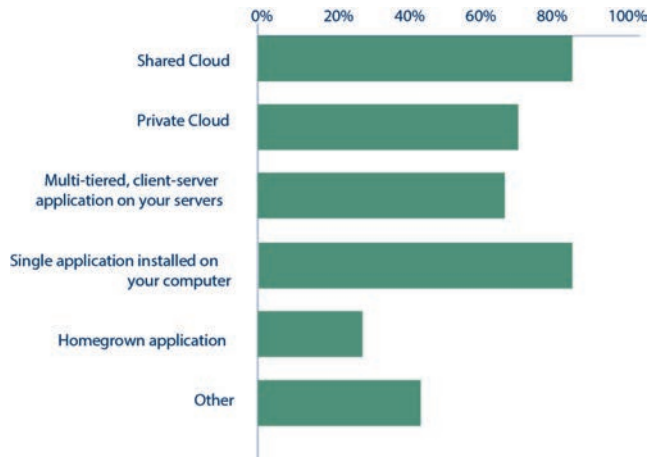
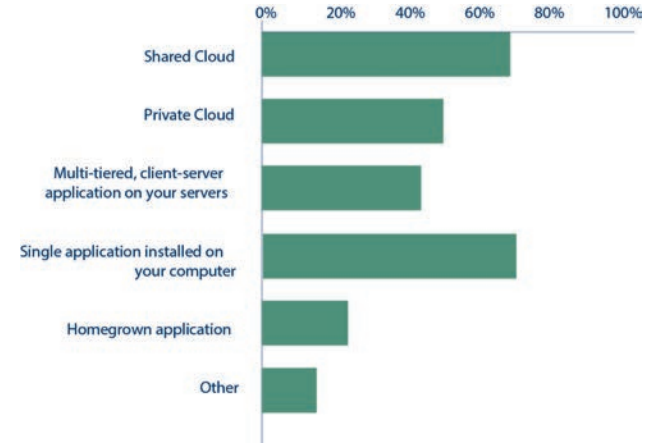



Exhibit 6. AGREE and STRONGLY AGREE:
Our accounting system can be configured by our finance team.




## Ease of Configuration by Finance Team

In regard to ease of configuration by the finance team, shared cloud technology and stand-alone applications once again received the highest agreement ratings. Exhibit 6 shows that more than 60% of respondents using these architectures agreed or strongly agreed that their accounting system can be configured by their finance team.

Again, homegrown applications are not highly regarded for configurability by end-users. And a high percentage of respondents using homegrown applications (58%) disagreed or strongly disagreed with the statement.

## Provision of Information

Exhibit 7 shows that those using either stand-alone applications or shared cloud technology had the highest agreement ratings for ease of providing information needed to support financial and accounting activities. More than half of those employing either of these technologies agreed or strongly agreed.

## Accounting System Flexibility

Users of stand-alone and shared cloud systems were more likely to agree or strongly agree that their accounting system is flexible and easily changes to match business process changes. Exhibit 8 shows that the agreement rate of business process flexibility for stand-alone and shared cloud architecture is at least double the agreement rate for all other architectures.

## IT Resources to Maintain

Respondents with stand-alone applications and shared cloud technology are least likely to agree that their accounting system requires highly-skilled IT resources to maintain them. Exhibit 9 shows that less

than a quarter of respondents with these types of accounting systems agree with the need for highly-skilled IT resources for maintenance.

## IT Resources to Provide Data

Most respondents do not believe they require highly-skilled IT resources to provide users with required data. In fact, slightly more than one-quarter of all respondents agreed that they required highly-skilled IT resources to provide users with required data. Exhibit 10 illustrates, by accounting system architecture, the breakdown of those who agreed or strongly agreed that their accounting system requires highly-skilled IT resources to provide users with required data.

Those with stand-alone accounting systems are the least likely to agree that they require highly-skilled IT resources to provide users with required data.

Exhibit 7. AGREE and STRONGLY AGREE:
Our accounting system easily provides all the information we need to support financial and accounting activities.

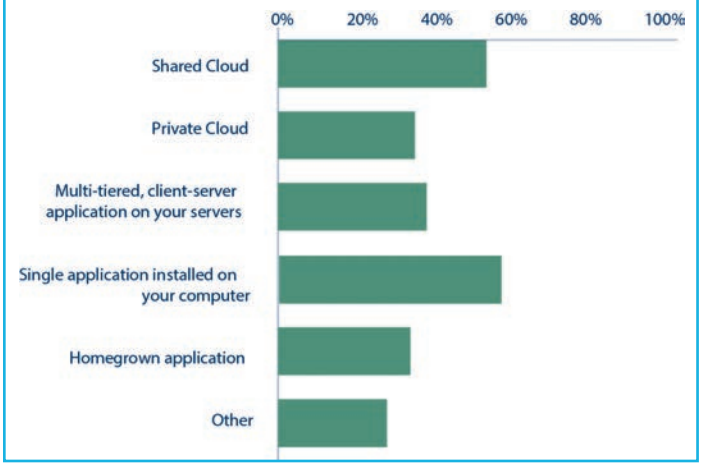
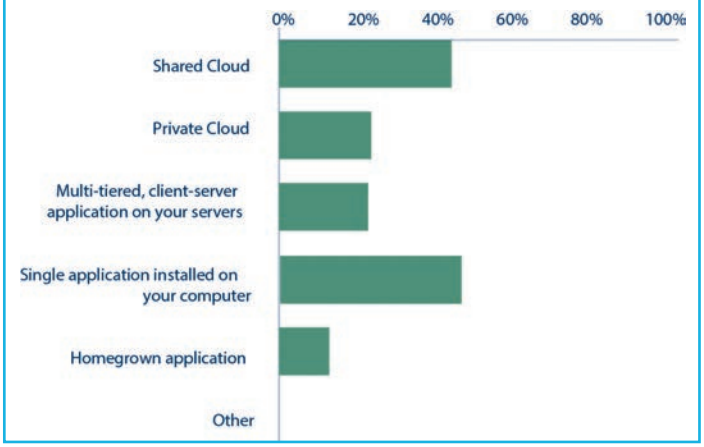



Exhibit 8. AGREE and STRONGLY AGREE:
Our accounting system is very flexible–it easily changes to match our business process changes.




## Manual Interventions and Use of Spreadsheets

Most respondents declare a reliance on manual interventions and/or an expanding use of spreadsheets to provide information in usable formats. Almost three-quarters of all respondents agree or strongly agree that their accounting system relies on manual interventions and/or an expanding use of spreadsheets. Exhibit 11 demonstrates, by accounting system architecture, the breakdown of those who agreed or strongly agreed that their accounting system relies on manual interventions and/or an expanding use of spreadsheets to provide information in usable formats.

There is still a general reliance on spreadsheets and manual procedures, but users of shared cloud architecture declare a lesser reliance on spreadsheets and manual procedures than users of all other architectures.

Exhibit 9. AGREE and STRONGLY AGREE:
Our accounting system requires highly-skilled IT resources to maintain.

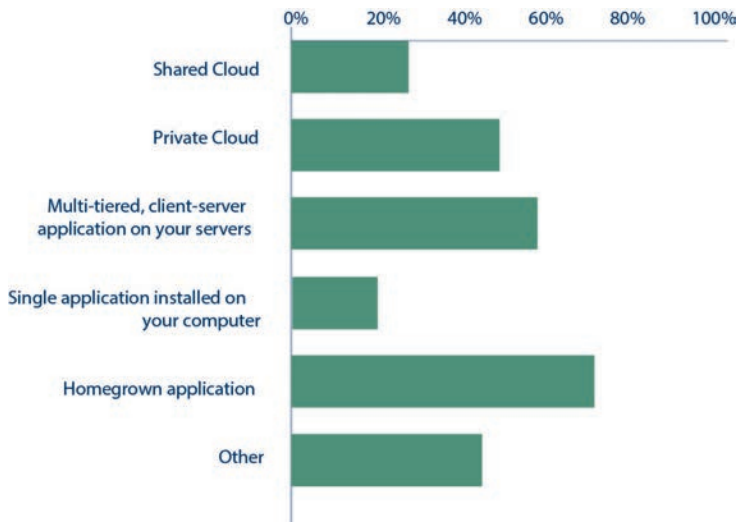
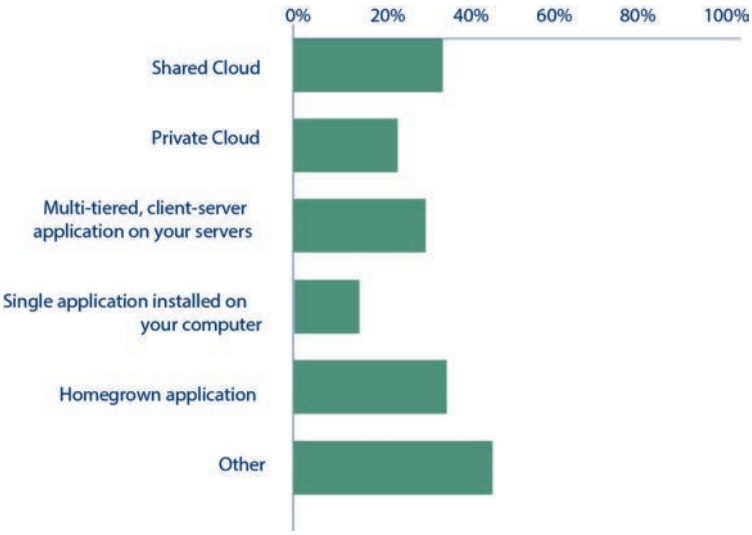



Exhibit 10. AGREE and STRONGLY AGREE:
Our accounting system requires highly-skilled IT resources to provide users with required data.




## Why Change Your Accounting System?

In the survey, respondents who were happy with their current accounting system and those in the process of updating their accounting system were asked to select influences to their decision to replace their accounting system, and respondents who were unhappy with their current accounting system were asked to identify influences they would consider before replacing their accounting system. The combined results are presented in Exhibit 12.

It is interesting that lower costs and consultant recommendations were not considered major influences (18% and 9%, respectively).

The most common influence to change the accounting system is to support an organization's growth (57% of respondents). It makes sense that growing companies need a system that is robust and flexible enough to support their changing and growing business—Exhibit 8 shows us that respondents are most likely to see the use of a stand-alone, desktop system, or a shared cloud architecture as providing most flexibility to change with the business. But any move in the accounting system must also provide greater functionality and benefit.

Exhibit 13 shows the percentage of respondents who cited improvements in various characteristics after they had moved their accounting system from a stand-alone to cloud architecture. As a company (and demand on its accounting system) grows, the need for better reporting, greater functionality, and improved processes is necessary. Most companies moving to the cloud from stand-alone accounting systems are experiencing that.

## Concerns about Upgrading

Respondents who are happy with their current system were asked to identify concerns that they originally had as they considered their most recent upgrade. Exhibit 14 shows the concerns respondents had about switching to a new system.

Exhibit 15 shows the percentage of concerns expressed that turned out to be unfounded (in order of height of concern from Exhibit 14). In almost all cases, the concern was more likely to turn out to be unfounded for those moving their accounting system to a cloud environment.

Exhibit 11. AGREE and STRONGLY AGREE:
Our accounting system relies on manual interventions and/or an expanding use of spreadsheets to provide information in usable formats.

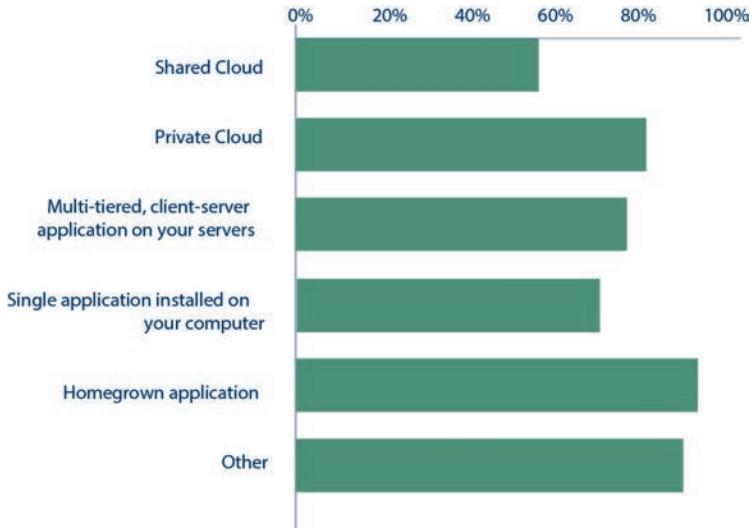


Exhibit 12. Influences for Updating the Accounting System formats.

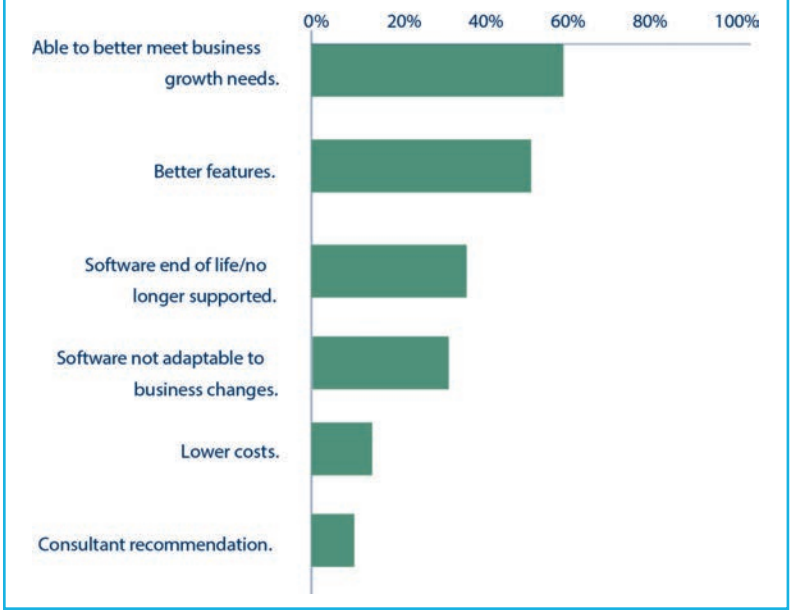
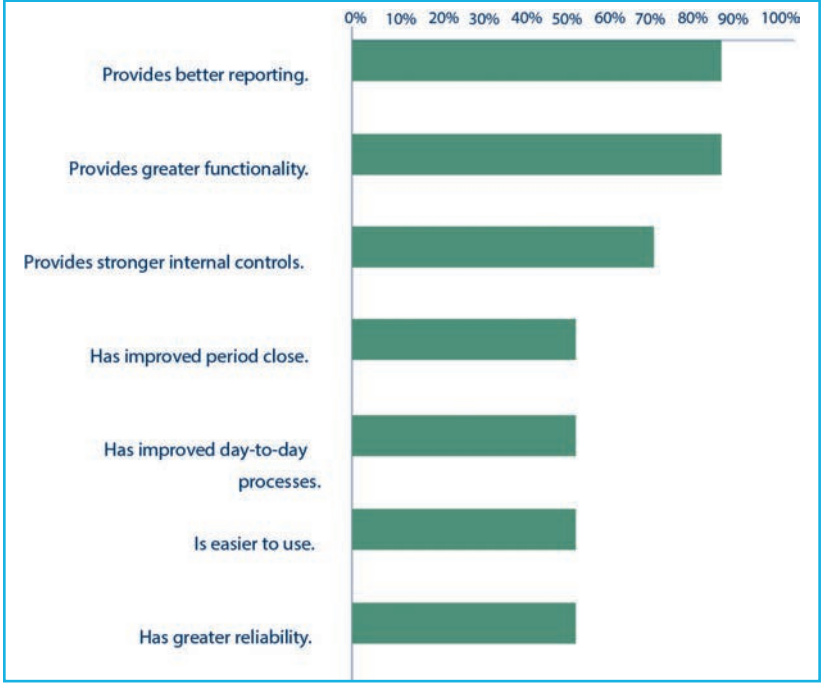
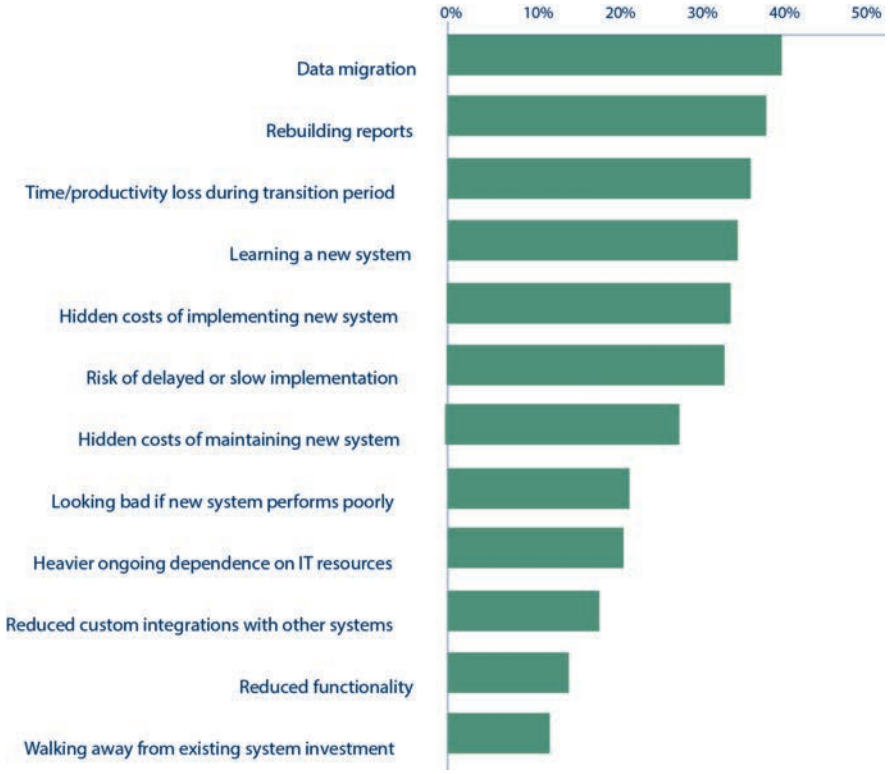



Exhibit 13. Improvements Cited When Moving Accounting System from Stand-Alone to Cloud Technology



## Exhibit 14. Percentage of Happy Respondents Who Held These Concerns Before the Latest Accounting System Implementation

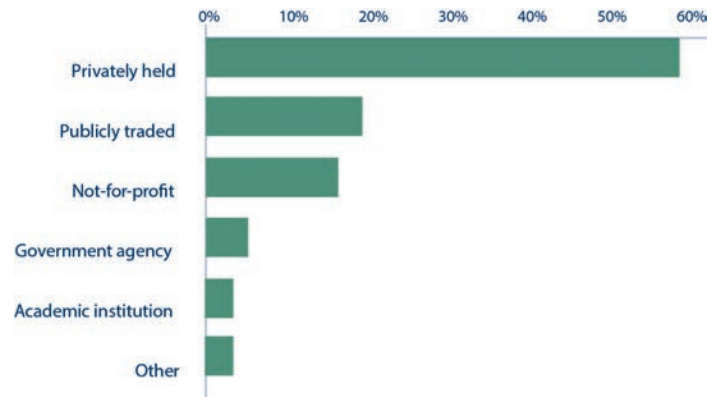



## Exhibit 15. Percent Reporting Concern and Discovered It Was Unfounded

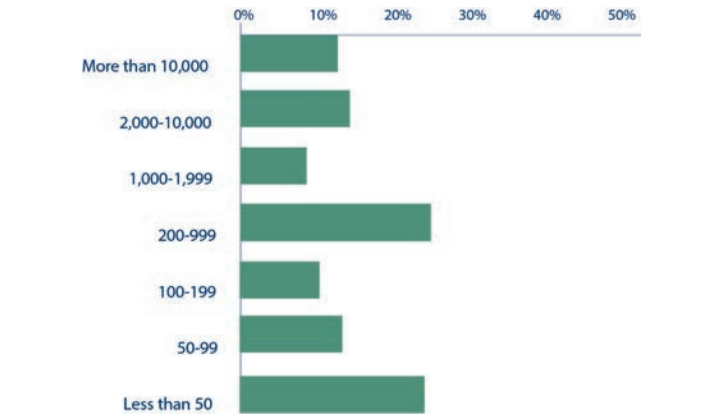
| | Cloud | Multi-tiered |
|---|---|---|
| Data migration | 68% | 42% |
| Rebuilding reports | 54% | 40% |
| Time/productivity loss during transition period | 50% | 31% |
| Learning a new system | 50% | 36% |
| Hidden costs of implementing new system | 45% | 23% |
| Risk of delayed or slow implementation | 56% | 44% |
| Hidden costs of maintaining new system | 50% | 37% |
| Looking bad if new system performs poorly | 89% | 73% |
| Heavier ongoing dependence on IT resources | 47% | 22% |
| Reduced custom integrations with other systems | 74% | 44% |
| Reduced functionality | 68% | 56% |
| Walking away from existing system investment | 85% | 44% |

## Exhibit 16. Respondent Job Classifications


## Exhibit 17. Respondent Workplace




## Exhibit 18. Headcount of Respondents' Firms



# Appendix: Survey Demographics and Process

Survey responses were collected during a two-week period ending on April 4, 2014. Invitations to complete the survey were sent to 27,928 IMA members, and 340 responses were received, for a response rate of 1.2%. This section presents a summary of the respondent demographics.

### Job Classifications

Controllers represented the largest group of respondents (35%). In addition, 18% of respondents were middle managers (such as managers and supervisors), 15% were executive management (such as executive officers, corporate officers, and vice presidents), and 9% were directors (see Exhibit 16).

## Workplace

Exhibit 17 shows that most of the respondents (57%) were from privately held organizations, and 19% were from publicly traded companies.

## Company Size

Exhibit 18 shows that 44% of the respondents were from companies with fewer than 200 employees, and 24% were from companies with between 200 and 999 employees.