



*A Whitepaper for Financial Executives*

# Graduating from QuickBooks to Cloud Financials and Accounting



Preferred Provider of  
Financial Applications for  
**AICPA** business solutions

## Table of Contents

|   |    |
|---|----|
| Executive Summary-----  | 3  |
| Introduction-----   | 4  |
| Trends Reshaping Financial Management Needs-----              | 5  |
| Evolving Business Requirements -----                          | 8  |
| Making the Choice Between SaaS vs. On-Premise Solutions ----- | 9  |
| Summary and Conclusions-----                                  | 10 |
| About Intacct-----  | 10 |

## Executive Summary

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A series of market trends are reshaping the financial management needs of companies of all sizes, especially small and mid-size businesses.

As they grow, these companies are faced with the same business and legal requirements as larger enterprises. At the same time, the growth of the Internet has created an increasingly dispersed workforce that must submit key data to a company's financial system and be able to access this corporate information from anywhere, at anytime to do their jobs.

These requirements are driving some growing firms to investigate alternatives to packaged software such as Intuit's QuickBooks® which many young companies rely upon in their initial stages. These companies are often seeking an accounting system that:

- Automates complex revenue management, including support for deferred revenue management and multi-element arrangements
- Supports multiple business entities and on-demand financial consolidation
- Delivers real-time financial and operational visibility
- Provides auditability that satisfies regulatory and compliance requirements
- Seamlessly integrates with other applications in your ecosystem
- Provides anytime, anywhere access

In the past, graduating from QuickBooks meant acquiring a costly and complex on-premise software application. These applications entailed a significant upfront investment, long deployment cycles, and cumbersome business processes.

Today, a new breed of cloud computing or Software-as-a-Service (SaaS) solutions has emerged to address businesses' real-time financial management needs. This report is based on findings from THINKstrategies' research which shows that these powerful and flexible SaaS solutions are gaining widespread adoption across nearly every application category, including financial management.

This whitepaper will discuss these trends and examine how cloud-based financial management solutions are responding to the growing needs of small and mid-sized organizations.

## Introduction

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*Today's growing businesses are facing unprecedented challenges and opportunities.*

On the positive side, they have the opportunity to capitalize on global markets and resources by virtue of today's telecommunications networks, electronic commerce outlets and lower international trade restrictions. As a result, companies of all sizes are leveraging lower cost materials and skills abroad, and selling to new markets worldwide. On the other hand, companies must also contend with escalating competition and more complex operating requirements. Differentiating a company's products and services is becoming more difficult in an increasingly commoditized marketplace. Therefore, gaining a competitive advantage and maintaining a loyal customer base is also harder.

At the same time, many businesses are increasingly reliant on a dispersed workforce of remote or mobile employees. They must also communicate more effectively with an expanding network of global suppliers, channel partners and customers.

In order to manage these escalating challenges and fully capitalize upon today's expanding market opportunities, an increasing number of growing businesses are recognizing that they must adopt more sophisticated financial management systems to properly support their businesses.

Some young companies have used Intuit's QuickBooks to track their finances, but now need a more robust financial management system to handle their increasingly complicated transactions. They need to better forecast and track their revenue flows, keep a closer eye on their cost structures and adhere to tighter accounting and regulatory compliance standards.

In the past, when companies graduated from QuickBooks, they would have to make significant investments in costly and complex on-premise, financial management software to meet their needs. These premise-based applications often required long deployment cycles, added hardware to support the applications, and dedicated in-house information technology staff time to keep the software up and running.

THINKstrategies' research found that companies of all sizes are adopting a new generation of cloud-based, Software-as-a-Service (SaaS) solutions to satisfy their business requirements. This trend began with the adoption of customer relationship management, payroll and conferencing solutions from SaaS vendors such as Salesforce.com, ADP and Webex/Cisco. The success of these SaaS deployments has led to companies adopting comparable SaaS solutions to satisfy their financial management software needs as well.

## Trends Reshaping Financial Management Needs

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Companies of all sizes are facing a combination of market trends which are forcing them to more effectively manage their businesses. These trends include globalization, competition, worker dispersion, and a growing acceptance of web-based, on-demand services.

Globalization has created new market opportunities, but has also opened the door to new market competition. It has given companies access to new markets and cheaper offshore resources. It has lowered the barriers to entry for a growing assortment of competitors who are increasingly competing on price rather than product features.

Thomas Friedman in his book, [The World is Flat](#), chronicled the globalization process and captured the double-edged nature of this trend when he stated,

*“One of the unintended consequences of the flat world is...individuals from every corner of the flat world are being empowered. Globalization 3.0 makes it possible for so many more people to plug and play.”*

Global expansion has meant that companies must more effectively record global sales and coordinate their global resources. They must also contend with multinational currency and tax requirements. Companies must also accommodate increasingly dispersed workers who must perform their job functions remotely or even on the run. They must also communicate with an expanding array of suppliers and channel partners located worldwide. As a result, companies must adopt new methods to give these remote workers and business partners easy access to centralized and sensitive corporate data in a fast and secure fashion.

Small and mid-sized businesses are particularly affected by these new trends because they have more limited financial resources to invest in traditional enterprise applications to manage their business operations and they lack the in-house staff to administer this software. They are seeking business applications which can meet their needs without the deployment and maintenance complexities and costs which plagued traditional, on-premise applications. These on-premise applications were often designed to comply with a company's IT environment rather than respond to its business needs, and have been inflexible and unable to provide the real-time access which today's workers need to perform their jobs.

The growing popularity of cloud-based services—such as Amazon, iTunes, and YouTube—in the consumer market has set the standard for similar easy to use, economical, software solutions to meet various corporate requirements. As consumers become comfortable using cloud-based applications in their personal lives, they increasingly want to take advantage of comparable solutions in their professional lives and work environments. These trends are fueling the rapid growth of a new generation of web-based, Software-as-a-Service (SaaS) solutions.

Just as in the case of consumer-oriented cloud-based services, SaaS solutions aimed at business users can be acquired on a subscription basis. This allows companies to acquire the functionality they need incrementally without the risks historically associated with on-premise applications. They also avoid the upfront deployment and ongoing support costs and hassles associated with on-premise applications.

THINKstrategies' survey research, in conjunction with Cutter Consortium, has found growing interest and adoption of SaaS alternatives to traditional on-premise software. Although many early adopters of SaaS deployed CRM and SFA solutions from companies such as Salesforce.com, there is a rapidly expanding pool of solutions available. In fact, THINKstrategies' Software-as-a-Service Showplace ([www.saas-showplace.com](http://www.saas-showplace.com)), an online directory of SaaS solutions, includes over 1600 offerings in over eighty (80) application and industry categories.

Research found that SaaS appeals to companies that have been unable to acquire the sophisticated applications of the past, those who have grown tired of the complexities and costs of premise-based applications, and others who have outgrown the capabilities of their existing applications. [See Figure 1]

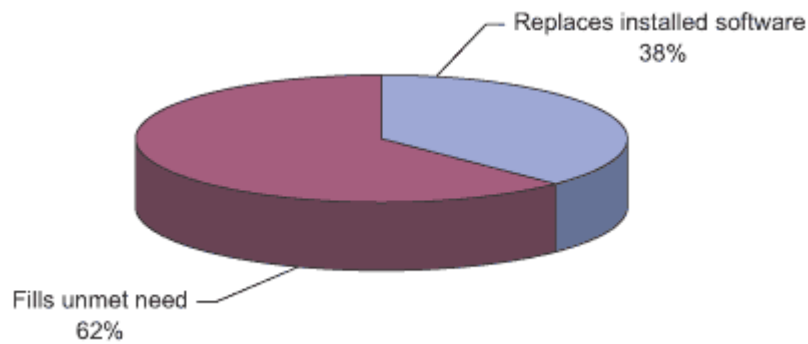
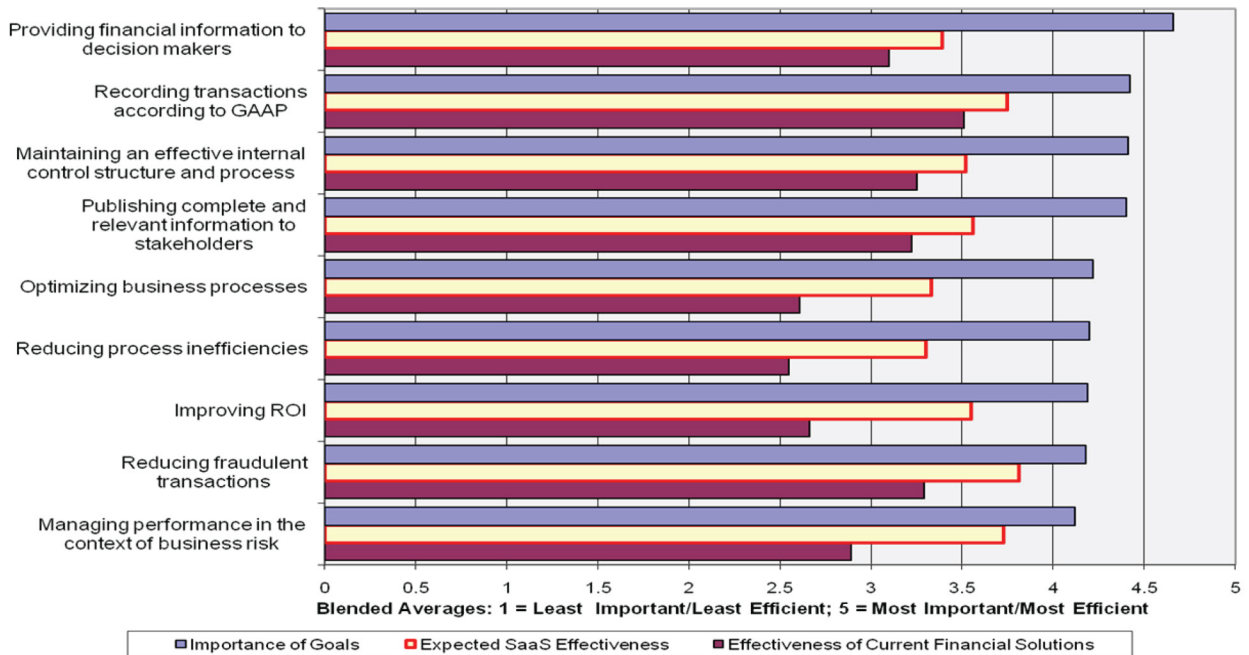


Figure 1  
SaaS Appeals to New Software Users and Companies Migrating from Existing Applications

Many SaaS offerings have been specifically designed to scale to meet the needs of both small and large enterprises.

THINKstrategies' survey research has found that over 80% of users are satisfied with their SaaS solutions, plan to expand their use of SaaS and would recommend SaaS to others. A growing number of market research firms have also recognized this trend. Research from Saugatuck Technology indicates that finance executives already see SaaS as a way to bridge many of their effectiveness gaps, increasing significantly the ability of finance to deliver on its goals, particularly those goals related to operational improvements, ROI and managing risk.

Consider how finance executives view SaaS financial solutions today- the yellow (*SaaS Effectiveness*) bars reveal that finance executives hold SaaS solutions in much higher regard than their traditional, on-premise financial solutions (See Figure 2- SaaS Fills in the Gaps).



Source: Saugatuck Technology, *Cloud Financials Come of Age*, 2008

Figure 2  
SaaS Fills the Gap

As a result, Gartner expects over 25% of all software sales to be via an on-demand model by 2010 and to show consistent growth through 2013 when worldwide SaaS revenue will total \$16 billion for the enterprise application markets. In contrast, Forrester Research is forecasting that traditional enterprise applications will only grow 4% per year during the same period.

According to a survey conducted by Goldman Sachs, in Feb 2010, we are currently experiencing an “unstoppable” shift to SaaS. In their Small and Mid Sized Business survey, 58% of respondents always consider Software-as-a-Service (SaaS) when making an application purchase and 39% prefer a SaaS solution. In addition, the weaker economy appears to be benefiting SaaS and Cloud adoption with 40% of respondents indicating that they are more likely to use SaaS, given a lower total cost of ownership.

Even more interesting, their February survey data showed a shift in applications used, with accounting and billing moving up to third on the list of most-used SaaS applications (49% of respondents are users). This underscores that even in the most mission-critical areas, SaaS acceptance has reached an inflection point.

The macro downturn has likely accelerated SaaS and Cloud adoption, as customers are forced to look for lower-cost solutions to mission critical business problems. A total of 40% of their survey respondents indicated that they would be more likely to use SaaS solutions in a weaker economy, due to perceived cost-saving benefits, while only 4% said they were less likely to use a SaaS solution.

## Evolving Business Requirements

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While companies of all sizes must employ increasingly sophisticated financial management to control their corporate operations, small and mid-sized companies are particularly challenged to contend with these issues. Many of these companies are either young or too small to be able to justify the cost and complexities of traditional mid-market on-premise applications. Many have initially relied on Intuit's QuickBooks to meet their revenue and expense tracking needs but their business requirements have evolved. These companies need:

**Automation of Complex Revenue Management:** As products and services become more complex, so do revenue management and billing requirements. Companies today also need to comply with increasingly complex revenue recognition guidelines. Most traditional mid-market accounting systems are not designed to handle this increased complexity and many organizations are forced to use manual spreadsheets to manage their revenue recognition and billing processes. By leveraging a financial management system that enables you to automate these processes, companies benefit significantly in higher finance productivity, faster close processes, and simplified compliance.

**Multi-Entity Focus:** As companies grow, they often need to track revenues, expenses and profitability across multiple business units. Rather than create multiple instances of financial information for each entity which must be consolidated manually into a Microsoft Excel™ spreadsheet, many companies seek an integrated, financial view of a company's end-to-end operations.

**Real-Time Financial and Operational Visibility:** Many companies are looking to gain better real-time visibility into their business and more effectively distribute a consistent set of information to all stakeholders. Often, Excel or a costly 3rd party reporting solution seem to be the only options. By leveraging a financial system that incorporates both a multi-dimensional General Ledger and an embedded reporting and analytics engine, companies can more easily analyze real-time consolidated and local financial and operating metrics across their business with the ability to drill down in real time to supporting details.

**Auditability:** Increasing regulatory and compliance requirements, such as Sarbanes-Oxley and tightening GAAP guidelines, are forcing many businesses to demonstrate greater 'auditability' and 'traceability'. These requirements become increasingly important when companies consider public offerings or mergers with publicly held companies. Companies need to be able to make prior period adjustments and easily view the change history to appease financial auditors concerned about today's stricter regulations.

**Software Integration Capabilities:** Savvy companies have adopted customer relationship management (CRM), salesforce automation (SFA), project management, and other powerful applications to automate and closely track their customer interactions. Rather than having to input or access important customer data into or from multiple business applications, these companies are seeking to tie together the applications to give their end-users and executives a 'holistic' view of their customer relationships.



**Anywhere/Anytime Access:** Many companies seek to give their workers remote access to their financial management systems. These companies may also want to share their financial management reports with their suppliers or other business partners. This means real-time input into their financial management system and access to centralized business data, in a controlled manner that complies with common business processes and practices, and offers robust security to protect sensitive financial data.

## Making the Choice Between SaaS vs. On-Premise Solutions

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Companies who are graduating from QuickBooks have many options, but they primarily fall into two categories— selecting another on-premise software package or shifting to a SaaS alternative.

On-premise solutions from vendors like Microsoft, Oracle and Sage require that customers purchase a perpetual license, as well as the hardware to support the software upfront. In addition to these significant capital investments, on-premise applications also place the burden of deploying and managing the software on the user, potentially increasing IT resource needs.

The new breed of SaaS offerings from companies like Intacct, permit users to pay on a subscription basis and relieves them of the added hardware costs, as well as the deployment and management hassles. This allows users to focus on leveraging the software functionality rather than worrying about the application availability. The SaaS model also makes it easier for growing companies to add more user licenses as they need them rather than having to purchase them upfront regardless of need. Unlike on-premise applications which might be hosted by a software vendor, today's SaaS solutions have been built to fully leverage the web and permit end-users to utilize the online applications anytime from anywhere.

Working online may raise security concerns for some companies, but the fact is that major SaaS vendors, such as Intacct, are certified with higher level security procedures than most businesses. While many are challenged to keep pace with the escalating security threats facing their companies, it would require a significant investment and would not be feasible for most companies to achieve the same level of security for on-premise applications. SaaS vendors offer the same high-level security to all of their customers so they can be confident that their applications and data are secure. On-premise application vendors are not required to take the same precautions.

While some on-premise application vendors now offer hosting options, these simply shift their applications offsite but don't deliver the added benefits of SaaS solutions. For instance, SaaS vendors are continuously updating their applications in a fashion which does not disrupt their customers' day-to-day operations the way periodic on-premise application upgrades historically have done.

Some of the on-premise application vendors are promising to move to a SaaS platform but face significant challenges making this transition. Moving from on-premise to a SaaS model requires that they re-architect their applications, restructure their licensing models and reorient their corporate cultures from being technology-centric to being services-oriented. It is for these reasons that 'net-native' SaaS vendors have a big lead in the market over the legacy premise-based application.

## Summary and Conclusions

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Globalization, mobility and other mega-trends are rapidly changing the competitive landscape and how businesses of all sizes must operate to succeed. Even relatively modestly sized companies are facing challenges in managing their business operations, in terms of data entry and reporting, auditing capabilities for tracking revenues and managing costs across multiple geographies, and managing various product pricing schedules to serve differing target markets.

These needs are driving a growing number of companies to cloud based computing solutions, such as Intacct's financial management and accounting system which can be deployed quickly and offers a wealth of functionality in an easy-to-use solution.

## About Intacct

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Intacct is the market and technology leader in web-based financial management and accounting applications for businesses and CPA firms. Bringing cloud computing to finance and accounting, Intacct's award-winning applications are the preferred financial applications for AICPA business solutions. Intacct applications are used by thousands of businesses from startups to public companies and are designed to improve company performance and make finance more productive. The Intacct system includes accounting, contract management, revenue recognition, inventory, purchasing, vendor management, financial consolidation and financial reporting applications, all delivered over the Internet via Software as a Service (SaaS).

Intacct is headquartered in San Jose, California. For more information, please visit [www.intacct.com](http://www.intacct.com) or call 866-204-0287.



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