

Work smarter. Think clearer.

A small business guide to better understanding your data



How cloud accounting can sharpen your processes and generate powerful insights for growth

As a small business owner, your time is precious. You'll want to use that time for your most important concerns - serving customers, innovating and growing your business. Accounting or bookkeeping are probably not top of the list. But they are important - get your house in order, and you'll have the confidence of a solid financial footing and valuable insights to make better decisions.

After years of working with small businesses all over the world, PwC knows that many business owners struggle to find the time (and energy) to take the first steps. They know their processes are inefficient and outdated, but they don't know how to start fixing them. The thought of change feels more onerous than the process itself.

The good news is, it's now easier than ever. Having advised many small business owners, we can confidently say that technology today makes the process easier. And it's worth the effort. In particular, new cloud technology can have an immediate impact on the way you work, through smarter processes and powerful insights to guide your decisions.

In this short ebook, based on our experience of working with small business owners, we've defined five ways to use accounting technology to get your financial house in order, and generate data to thrive:

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Move your business on to the cloud



02

Use cloud-based apps to start saving time and money



03

Draw on your accountant's experience to reap the benefits faster



Develop better data habits

04



Use insights tools to turn data into actionable guidance

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01.

Move your business on to the cloud

If you're already using the cloud for accounting, you're part of the estimated 20% of businesses¹ who have already made the technological leap. You can take another jump, to the next section. Or, if you aren't sure what we mean by cloud technology, take a look at the resources on this [site](#). Then join the 20%, quickly, as the cloud provides a great opportunity to transform the way you operate.

While cloud accounting is relatively young, it's developing rapidly. In 2017 Global Info Research² estimated the global market for cloud accounting software as US\$2.85 billion. By 2023, this is predicted to be over US\$8 billion. But why?

Cloud accounting is basically made up of many thousands of pieces of software that can help you manage your finances. In the ecosystem you have the big 'do it all' players who can help you with the whole process, from sending and receiving invoices, linking to your bank to reconcile your accounts, and running instant reports on your financial position. At the other end, you have specialised software that manages specific parts of the accounting process, such as cash flow forecasts, automatically processing payroll, and managing timesheets and sales data.



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1. Austin Clark, Xero's Damon Anderson: 'We're at the end of the beginning with cloud accounting', Accountancy Age, 13 December 2019. <https://www.accountancyage.com/2019/12/13/xeros-damon-anderson-were-at-the-end-of-the-beginning-with-cloud-accounting/>
 2. Global Info Research, Global Cloud Accounting Software Market 2018 by Players, Regions, Type and Application. Forecast 2023. Published April 2018.

Off-the-shelf and ready to go

These advances offer huge time savings, 'do-it-yourself' options to save money, and instant information to help you run your business on accurate data. The good news is that the technology is now more affordable, more accessible, easier to use and more powerful than it's ever been. It can take away much of the administrative and bookkeeping pain, as well as giving you incredibly powerful business insights - for less spend.

And it's no longer just for big multinationals with huge budgets and IT teams. It's all available to any business, all packaged up and ready to go. Just as we all use cloud-based technology in our everyday lives - from streaming to online banking - we can now do the same at work.

Cloud accounting gives you the power to simplify and standardise the way you work, as well as gaining powerful insights. It can transform the way you work. No more manual processes, physical documents, slow ways of working, or gems of information hidden from view. It will make finance processes fast - instant, even - and vastly more efficient. It will put information at your fingertips.

First steps

- Investigate the cloud accounting solutions available. Many offer great solutions for small businesses. Best of all, they work - or 'integrate' - with major banks and many specialist tools, so you can do everything you need to do in one package.
- Ask your accountant which packages they use and recommend. Many accountants are embracing cloud accounting as a way to work with their clients, as it makes working together much easier.



02.

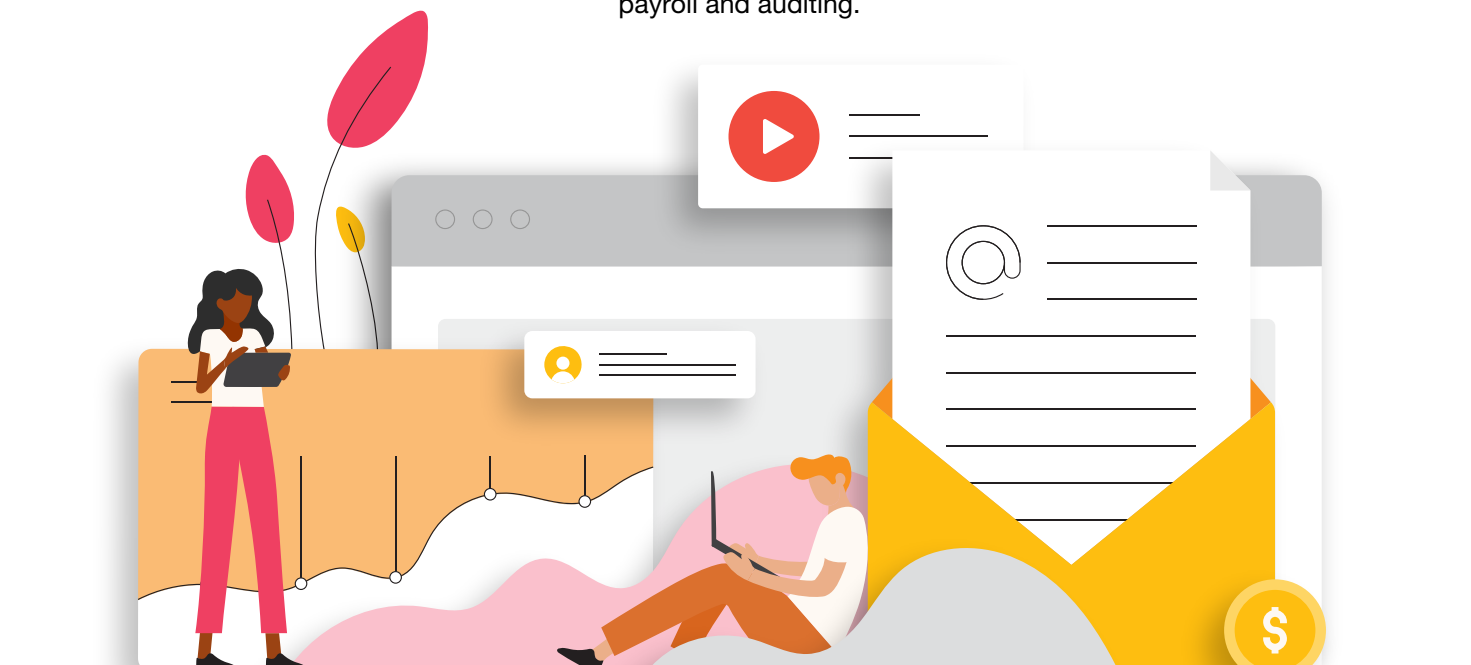
Use cloud-based apps to start saving time and money

Once your business is on the cloud, you open up huge potential to run your business more effectively. This can feel both liberating and scary. There's a good chance that much of what you do today is done manually. It might be quite labour intensive. And it's probably quite slow. But there's comfort in the familiar, so making a change can feel daunting.

Right now you might have people manually entering invoices into a system and setting calendar reminders to pay them. Payroll might take a small team and several days to process each month. Expense receipts might be stapled to a piece of paper, added up on a calculator and processed by a finance team member, taking hours of time to complete.

This kind of inefficiency can be a source of concern for small business owners. From experience, clients often come to PwC to help them solve these kinds of problems. They want to make sure suppliers are paid on time, or that their own invoices are handled quicker, or that payroll happens accurately.

Let's consider some statistics. McKinsey³ estimates that 50% of accounting tasks can be automated through the kinds of technology on the market today. And Forbes⁴ has reported that, by the end of 2020, they expect many labour-intensive processes to be fully automated - including tax preparation, payroll and auditing.



3. McKinsey Global Institute, Jobs lost, jobs gained: What the future of work will mean for jobs, skills, and wages, 28 November 2017
<https://www.mckinsey.com/featured-insights/future-of-work/jobs-lost-jobs-gained-what-the-future-of-work-will-mean-for-jobs-skills-and-wages>

4. Jeb Su, Why Artificial Intelligence Is The Future Of Accounting: Study, 22 January 2018
<https://www.forbes.com/sites/jeanbaptiste/2018/01/22/why-artificial-intelligence-is-the-future-of-accounting-study/#5b17373337bc>



Increasingly, cloud technology is the answer. Using the technology available, invoices can be received by email, read by software, entered into the payment systems, paid on the due date, and reconciled against bank accounts. Payroll processes can be run instantly, with complete accuracy, at the touch of a button. Staff can take photos of receipts on their phones and upload them to a cloud-based system, wherever they are.

In short, what previously took days and a small army of people can now happen in seconds. And that will almost certainly save your staff time to focus on other value adding activities.

Next steps

- Carry out an honest inventory of your current finance processes to see if they resemble the picture we set out above. Where can you save time? What processes are currently manual and inefficient?
- Then get online and start by investigating the accounting tools to see which ones have the functionality to solve the challenges you've identified.
- Explore the 'add-on' apps that come with the big players. Some offer an 'app marketplace' with apps that can do everything from managing bills and expenses to running payroll, and from document storage solutions to inventory management tools.

03.

Draw on your accountant's experience to reap the benefits faster

It's one thing to know you need to make a change, but it's another thing to know where to start. That's where a good accountant comes in.

If we look at the stats, it might appear that cloud technology is bad news for accountants. It does a lot of the work that an accountant can do. According to Xero⁵, 56% of small businesses believe they'll use their advisers for tasks outside accountancy in the future. This reflects a recognition that accountants can be valuable as business advisers in a wider sense.

When it comes to technology, at the simplest level, your accountant will be a great source of insight into adopting the cloud. They're very likely to be using the cloud themselves, with packages like QuickBooks Online, Xero and Sage increasingly forming the link between clients and advisers. They also know your business well, so they can be a good match-maker between you and the technology - guiding you through a rapidly growing marketplace of options. They may even be able to offer discounted subscriptions, or include them as part of their service.

What's more, their experience with other clients has shown them what works and what doesn't. They've seen the pitfalls. Use that experience to learn from those who have gone before you.



5. Xero, State of Accounts, accessed on 23 September 2020
<https://www.xero.com/content/dam/xero/pdf/xero-state-of-accounts.pdf>



Raise your accounting standards

Another advantage to cloud-based accounting is that it's based on industry best-practice - so, when you adopt it yourself, your processes reflect that. Your accountant can help you make the transition and embrace better ways of working.

At PwC, we've been advising small and medium businesses for well over 100 years. This is why many PwC teams across the network take on the role of 'friendly challenger', especially as clients make the leap to the cloud. For example, when clients ask how to use technology to perform certain tasks they do today, or speed up existing processes, we can challenge that thinking - asking "do you really need to do that, or are you doing it because you always have? Is there a better way?". That might mean replacing manual processes with automated systems; adopting the best-practice processes that underpin the technology; or putting in place centralised cloud-based document storage systems.

Or it might mean raising the skill level of your people. If they no longer need to perform time-consuming manual tasks, they could be retrained or coached to take on higher-value jobs, such as financial governance or generating insight.

Where to start

- Use your accountant's knowledge of the market to guide you through the options.
- Learn from others that have gone before you, to give your business a smoother start.
- Embrace your adviser as a coach, using their experience of cloud technology to bring your people and processes up to the standard of industry best-practice.

04.

Develop better data habits

Saving time and money is just the start of the benefits of cloud accounting. It can also help you to easily get a handle on your data and use it to maximum effect.

There's a good chance that, if you're working with manual, paper-based processes, inconsistency and inaccuracy has built up over time. Different people will have different approaches and ways of recording information. They might work with bespoke spreadsheets, set up over years, stored locally on their computers. Or, you might have lots of paper records in piles around the office.

According to Experian⁶, the global credit reporting business, organisations believe that one-third of their data is inaccurate, and around half don't trust their data. The result of this is that it's harder to drive a business forwards - with 66% of new management initiatives negatively affected.

Data you can trust

One major challenge our clients face is that data is simply not reliable and they have to make constant adjustments to monthly figures. This causes big problems for trust, especially when it comes to financing. Banks and investors rely on the data you provide to judge your suitability. When they see numbers that are inaccurate or constantly changing, they'll be asking: are you a financially responsible and trustworthy business?



6. Experian, 2020 Global data management research, accessed on 23 September 2020 <https://www.edq.com/globalassets/white-papers/2020-global-data-management-research.pdf>

Cloud accounting gives you the potential to automatically capture data, at source, from customers, staff, suppliers and authorities. So there's no question that your data is accurate and complete.

We've seen the benefit with the businesses we work with. Rather than everything being stored on people's local files, or in an envelope on a desk, the information is stored centrally in a proper document management system. It's all in one place, stored in a consistent way, for users to access. Records are captured immediately and in a way that's consistent. So the information becomes searchable and usable - whether that's getting the latest records by supplier or payee, or to use as a solid basis on which to run reports.

For many of our clients, putting in place the technology has led to more accurate and rigorous processes, which leads to better data habits.

Next steps

- Work with your accountant or adviser to improve your data practices. It's easy today to ditch paper-based systems and switch to cloud-based systems to capture and store data consistently.
- Look for systems that can automatically capture accurate data at source - such as email-based systems that automate invoicing, or app-based expenses systems.
- Encourage your teams to use these systems to collaborate. And put a ban on saving locally and working inconsistently. Central document storage systems are more effective.



05.

Use insights tools to turn data into actionable guidance

Once you have the tools in place and you're using them consistently, your data will become more accurate, up-to-date and accessible. Now comes the most powerful part: generating the insights that can power your business into the future.

No matter what type of business you run, you'll have some idea of where you want to go. Your business might be young and ambitious, looking to launch cutting-edge products and win clients. Your business might be established, with a strong client list, and looking to strengthen the foundations for future stability. Or your business might be looking for funding or investment. Whatever you're working towards, you'll need insight to help you understand how you're performing today, what your risks and strengths are, and what opportunities lie ahead.

There are two types of insight that cloud accounting can help you generate:

- **Actionable, short term insight.** This tells you how things are today, helping you make decisions about what to do in the here-and-now.
- **Strategic, long term insight.** This is bigger-picture thinking. The kinds of insights that help you plan for future growth.

Insight, for the here-and-now

We've seen many clients around the world use the insights from cloud accounting to manage costs. 'Instant reporting is helping many of our clients to see what they're spending, in real-time, and how they're performing against budgets.



We've also seen this kind of data improving management decisions. Cloud accounting means companies can now get monthly management reports, hours after month-end - not days or weeks. And with predictive cash flow forecasting, they can look three or four weeks ahead. That means they can decide how best to use their money. Do they pay a tax bill now? Or buy more stock and supplies to boost production, confident that the money for the tax bill will be there when they need it?

Insight for future growth

Then, of course, there's the insight that can help with longer-term goals. Thanks to reliable data and real-time reporting, business owners can now visualise their business performance through the use of dashboards and reports. They are able to run them easily themselves, giving them the power to generate board and shareholder reports, faster, and with up-to-date and accurate information. So they're in a stronger position to make informed decisions about the future.

These reports can also be useful if they're going to visit banks or investors to seek funding. For a start, they look more professional, with well-presented and visualised information. It's more trustworthy, because it comes from a reliable data source. And, practically, it's a lot less painful than putting together a PowerPoint presentation, manually gathering information from multiple sources.

Next steps

- Consider using a tool such as [PwC's Next Hub](#), which translates your business data into meaningful, real-time insights. Simply connect it to your online accounting software to get easy-to-digest visual insights, wherever you are - on your laptop, phone or tablet.
- If you choose NextHub, work with your adviser to build a personalised dashboard - from cash flow and 'cash burn', to forward-looking sales. Choose the insights that are most relevant to your business - and get them accurately and in a timely manner, to help you make better decisions and focus on growing your business.

Less pain, huge gain

There's no question that cloud accounting is shaking up finance for the better - especially for small and medium businesses. It saves time and money, and alleviates the worry of whether or not you're running your business on accurate information.

From working with many companies, we know that the pain of change can feel greater than the pain of carrying on as you are today. But the pain really isn't that great anymore - and the gains are well worth the effort. Better working practices, supported by smarter, centralised and up-to-date systems, mean less manual effort to find what you're looking for. You'll also have greater levels of trust in the numbers you use to run your business and powerful insights to make decisions about your future strategy.

But most importantly it will ultimately give you more time to focus on what you do best. And, hopefully, sleep better at night knowing that you're running a business on solid financial foundations.

Get in touch if you'd like to discuss how PwC can help your business



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www.pwc.com/gx/en/services/entrepreneurial-private-business/small-business-solutions.html





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