



Cloud computing aloft for business functions

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There has been a lot of recent talk about outsourcing and cloud computing. Cloud computing generally refers to hardware, software and data hosted at a shared data or co-location center and provided to multiple clients via the Internet. Outsourcing complements cloud computing by combining services such as IT and data processing.

This month I interviewed Bedford Burgher, CEO and founder of NextCorp Capital Management, to learn more about outsourced accounting and cash management services available in.

Bedford believes the combination of outsourcing and cloud computing are the future for small- to medium-sized businesses, especially with respect to accounting and cash management. Because it can be a bit daunting for a small business owner to evaluate the pros and cons of outsourcing when they have a business to run, this often leads to a decision to put off change that might be beneficial.

The advantages of using outsourced, hosted accounting hardware and software are:

Simplification – Hosting technology transforms complex applications into easy-to-use services delivered via public or private networks.

Cost – Data center infrastructure shared among customers provides large corporation systems to small- and medium-size businesses.

Human Resources – IT infrastructure and support services are offloaded to the Application Service Provider, or “ASP,” eliminating or reducing the need for a business to hire, manage or train consultants or in-house IT personnel.

- **Security** – With shared resources, it is economically viable to provide both physical security and cyber security.
- **Deployment** – standardized process for setting up hosted applications removes many issues and risks related to hardware, and networking thus reducing time to “go live.”
- **Focus** – with an ASP handling the hardware and software, the customer can focus on their business, not technology.
- **Upgrades** – Hosted applications are typically maintained on latest versions and upgraded uniformly across customers in an efficient manner.

- Scalability – a good ASP will design the platform for growth so a customer should not be constrained by system limitations.
- Access to ERP applications –Enterprise Resource Planning software is more difficult to set up and maintain than off-the-shelf applications such as QuickBooks. Hosting ERP solutions shifts this responsibility to people who are specialized to handle these tasks.

The advantages of using outsourced accounting personnel include:

- Cost – small- or medium-sized businesses may not need full time personnel for each role required in the accounting process. Therefore, there may be one person performing multiple roles and it is likely that some roles could be performed by a person at a lower skill and pay level.
- Internal Controls – segregation of duties is one of the key ways a business can protect itself against embezzlement or theft. In a small organization, there may not be sufficient personnel available to segregate duties.

When comparing the costs of outsourcing to in-house personnel be sure to consider the following in addition to employee's compensation level:

- Productive time verses vacation, sick, training, administrative, etc.
- Benefits, payroll taxes, and payroll administration
- Management's time required for supervision and training
- Allocable office rent, furniture, and equipment
- Employer liability

Hosting makes ERP software available to small- and medium-sized companies that provide advantages over the easier to use, off-the-shelf applications. Some include:

Cross company reporting – Ability to run reports that cross companies for multi-entity environments.

Intercompany accounting –

- Ability to enter transactions for multiple entities without logging in and out of each entity to record the entry.
- Ability to pay bills and allocate expenses across multiple companies without requiring separate checks to be generated.
- Ability to utilize one bank account for receipts and disbursements of all related entities instead of a separate bank account for each entity.

Statistical accounts - Ability to enter and track statistical information such as volume of oil produced as well as dollars received.

Automation – Ability to interface with and integrate data from other applications. Examples of data that could be imported electronically:

- Well by well oil and gas revenue and expense detail provided by the well operator
- Brokerage activity
- Sales and inventory data from third party point-of-sale equipment
- Ecommerce sales and inventory data

Better internal controls – Ability to separate and assign user access to modules and functions at a granular level. For example, one user might have right to enter payables and a different person authorized to print checks.

Audit compliance – better records and documentation maintained for companies that are required to be audited.

Outsourcing and cloud computing are gaining momentum and offer advantages for the small-to medium-sized company.

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