

**AFAANZ Grant Outcomes Report
Cloud Accounting Adoption by SMEs: Benefits, Risks, and Implications for
Management
Accounting**

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(2) Project Title

Cloud Accounting Adoption by SMEs: Benefits, Risks, and Implications for Management Accounting

(3) Updated Project Summary (500 words) including any variations between the project undertaken and the original application

Small and medium businesses are increasingly attracted to 'cloud accounting' solutions that offer real-time financial and business data through online software platforms. The research suggests that cloud-based solutions may enhance the provision of decision-relevant information through access to expertise and resources of the provider (Strauss et al., 2015).

Limited research exists about links between cloud-based systems and management accounting. Existing research includes a quantitative study of SMEs by Strauss et al. (2015) which was concerned with the impact of cloud technology on (management) accounting in Germany. The results of that study did not provide an understanding of the techniques/tasks affected by cloud systems or the kinds of services demanded by accounting firms when cloud systems are in operation.

Our research begins to address that gap. Specifically, it identifies potential opportunities, challenges and risks associated with the use of cloud-based accounting in SMEs and the longer-term implications for management accounting information systems. Our findings are based on a series of interviews that we conducted with accountants, bookkeepers, and SMEs (5-199 employees based on the Australian Bureau of Statistics definition) and their respective accountants that use cloud-based accounting solutions. Our participants were limited to those working in Australian SMEs. Within the SME's the senior decision-maker such as the owner or CFO and with the controller/(management) accountant (internal/external) were interviewed.

Participants in the study were chosen based on their usage of Xero, the market leader of cloud-based accounting solutions in Australia to avoid issues related to differences in product set-up, vendor support, implementation methods and licensing structure (Tadros, 2016). In the initial phase of data collection, individuals known to the research team were asked to participate in the study. Following this, a snowball approach was used to identify additional participants. This approach differed from the initial proposal, which was to recruit participants through the vendor (Xero).

Given the exploratory nature of this research project, a cross-sectional field study approach using semi-structured interviews was used to acquire empirical evidence in selected SMEs and the accounting practices that serve them (Lillis and Mundy, 2005). This method allowed us to capture the complexities of the management accounting phenomena within each organisation, while cross-sectional analysis helped to build internal and external validity. The semi-structured interviews allowed the participants to express their views freely and provided us with the opportunity to follow topical trajectories when appropriate for in-depth exploration of the research topics (Crabtree, 1999). An interview guide was developed for the interviews to ensure that sufficient information was sourced to answer the research questions. All of the interviews were transcribed by a transcription service and the transcripts were thematically analysed according to the Corbin and Strauss (2008) coding techniques.

(4) Funds Granted

AUD 5,000 (\$10,000 requested).

(5) Detailed Report on Expenditure of Funds against Budget Items, with variations explained

As per the initial application, the funds were used for employing a Research Assistant and for transcribing the interviews:

	AUD
Research Assistant: 72x\$57.41+on-costs (HEWA7) =	4753
Transcription service:	<u>247</u>
Total	5000

(6) Outcomes, for example, working papers, presentations, and publications (give full details, including abstracts)

The findings of this study will be submitted to AFAANZ or a similar conference in 2020/2021.

(7) Future Intentions for this Project (give full details)

A paper will be written using the data collected in this project and submitted to the journal of Management Accounting Research or Accounting, Auditing and Accountability.

(8) Summary of Outcomes and Benefits

Below is a summary of the findings from the interviews:

- Use of cloud accounting itself does not appear to have lead to the development of more advanced management accounting techniques.
- Consistent with the literature, factors such as owner background/education (financial literacy), interest, and size of organisation help explain what types of cloud-based management accounting practices SMEs use.
- SMEs are of the opinion that cloud accounting has enabled decision making to be more timely.
- Cloud accounting users have not experienced significant disruptions to cloud accounting services, and they perceive the services to be reliable and well supported.
- Accountants believe that cloud accounting has improved their ability to correct errors in their client's books more quickly, instead of at the end of the reporting period.
- Use of cloud accounting has contributed towards accountants increasingly taking on advisory roles and training SMEs in financial literacy.
- Accountants are generally of the opinion that some SMEs have not used cloud accounting because they lack confidence that employees within their organisation possess the necessary skillset to make it work.
- Few participants expressed concerns regarding security and reliability, and most felt the advantages of using cloud computing significantly outweigh these concerns.

The research project:

- Explores the benefits of cloud-based accounting systems for SMEs and their accountants.
- Analyses the perceived improvement in decision making through the use of cloud-based accounting solutions.
- Identifies potential challenges and risks associated with the use of cloud-based accounting in SMEs. The focus of the research is on reliability, privacy, and data security as well as organisational challenges such as implementation challenges and a change in accounting competencies.
- Explores how the use of cloud accounting affects accounting task and techniques, including management accounting.

The benefits of this research project are:

- Extends the current literature on cloud-based solutions – through semi-structured interviews and thematic analysis of the responses, this research project extends current knowledge of how SMEs leverage cloud-based accounting solutions.
- Provides knowledge to SMEs and accountants - the findings of this research project benefit SMEs and accountants as this research project reports on both the benefits and risks of cloud accounting, which may help future adopters of similar innovations.