

SCALEFREE



Selection, Integration and Customizing of a Management Accounting Application for Startups

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Contents

SPERRVERMERK / RESTRICTION NOTE	I
CONTENTS	II
LIST OF FIGURES	IV
LIST OF TABLES	V
LIST OF ABBREVIATIONS	VI
ABSTRACT	VII
1 INTRODUCTION	- 1 -
2. LITERATURE OVERVIEW	- 3 -
2.1 SOFTWARE IMPLEMENTATION	- 4 -
2.2 SOFTWARE REQUIREMENTS	- 4 -
2.3 SOFTWARE EVALUATION	- 4 -
2.4 ACCOUNTING STRUCTURE	- 5 -
2.5 CUSTOMIZING SOFTWARE	- 5 -
2.6 MANAGEMENT ACCOUNTING IN STARTUPS	- 5 -
2.7 ESTABLISH KPI SET	- 6 -
2.8 RESEARCH QUESTIONS	- 9 -
3 COMPANY OVERVIEW	10
3.1 COMPANY ENVIRONMENT	10
3.2 IT ENVIRONMENT	10
3.2.1 SALESFORCE.COM	10
3.2.2 GOOGLE DRIVE	13
3.2.3 DATA WAREHOUSE	14
3.2.4 DATEV	14
3.3 COMPANY SPECIFIC REQUIREMENTS	14
3.3.1 P&L STATEMENT	14
3.3.2 COMBINED REPORTING	15
3.3.3 FINANCIAL AND NON-FINANCIAL VALUES COMBINATION	16
3.3.4 LIQUIDITY FORECASTING	16
3.3.5 AUTOMATION	17
3.3.6 INVOICING AS A SERVICE FOR PARTNER	18
3.3.7 PROJECT ACCOUNTING	18
3.3.8 OTHER REQUIREMENTS	18
3.4 APPLICATION REQUIREMENTS	19
4 CHOOSING AN APPLICATION	20
4.1 AVAILABLE APPLICATIONS	20
4.3 INTRODUCTION ACCOUNTING SEED	23
5 CONCEPTION	27

5.1 ORGANIZATIONAL STRUCTURE	27
5.2 COST CENTER STRUCTURE	30
5.3 ACCOUNTING SEED	32
5.3.1 CASH IN AND CASH OUT	32
5.3.2 BANKING	32
5.3.3 PRODUCTS & INVENTORY	32
5.3.4 PROJECTS	32
5.3.5 REPORTING	33
5.3.6 MASTER DATA SETUP	33
5.3.7 GENERAL LEDGER ENTRIES	34
5.4 GENERAL LEDGER SETUP	35
5.4.1 GENERAL LEDGER ACCOUNTS	35
5.4.2 GL ACCOUNT STRUCTURE	36
5.4.3 GL ACCOUNT VARIABLES	37
5.4.4 ACCOUNTING PERIODS	38
5.4.5 ACCOUNTING SETTINGS	38
5.4.6 DATA ADJUSTMENTS AND ALLOCATIONS	38
5.5 MULTI-TENANCY	40
5.6 KPIs	42
5.6.1 BASIC KPIs	42
5.6.2 COMPANY SPECIFIC KPIs	52
5.6.3 KPI DOCUMENTATION	59
5.6.4 ASSIGN KPI	61
5.7 LIQUIDITY FORECASTING	64
5.8 OVERVIEW AND DATA FLOW	65
6 LIMITATIONS	69
7 SCIENTIFIC AND PRACTICAL ACHIEVEMENTS	70
8 CONCLUSION	72
8.1 SUMMARY AND CONCLUDING THOUGHTS	72
8.2 FUTURE VIEW	72
REFERENCES	74
APPENDIX	79
COS P&L STATEMENT TRANSLATED AFTER HGB	79
COST CENTER ALLOCATION HGB	79
ESTABLISHED SUBTYPES FOR ACCOUNTING SEED	80
MAPPING EXTERNAL ACCOUNTING TO INTERNAL ACCOUNTING	83

1 Introduction

Most startups fail. While there is dissent on how many startups fail exactly (Wagner, 2013); (Cawley, 2016) there is an abundance of reasons why so many fail (Barba, 2015). Among other factors a lack of management accounting is critical to the survival of startups in Germany (Egelin, et al., 2010, p. 51) and internationally (Davilia & Oyon, 2009, p. 278). Management accounting provides management with financial and statistical information to decide on day-to-day and short- to mid- and long-term matters in their organization (Kaplan & Atkinson, 1998, p. 13). The provided information must be timely and accurate and typically reports on sales revenue, available cash, accounts payable and receivable and other figures relevant to the organization's performance (Ewert & Wagenhofer, 2008, p. 20) (Chapman, et al., 2007, pp. ix-xi) (Bhimani, et al., 2008). A functional management accounting is of particular importance to startups which are about to enter a phase of growth as uncontrolled growth is a major reason for failures of new businesses (Egelin, et al., 2010, p. 31) (Vesper, 1990, p. 2).

Scalefree is a German-based startup about to enter the expansion phase after its formation in 2016 according to the Gabler compact-lexicon (Kollmann, 2009, p. 21). To manage the upcoming growth and ensure the survival of the company, management has decided to establish a management accounting based on a software solution. The purpose of this paper is to document the process of selecting, integrating and customizing a suitable management accounting solution at Scalefree. A software solution has to fit the business model of Scalefree which acts in the business consulting service industry and integrate seamlessly into the existing software architecture. Other major conditions of satisfaction for the application are scalability, economic efficiency and pooling of data from different sources to meet the management's information needs.

First, an overview over the relevant literature is given. In the third chapter Scalefree, its IT environment and its specific requirements to a management accounting are introduced. Based on this introduction application requirements are defined. In the next chapter, available applications are presented and evaluated based on the defined software requirements. The fifth chapter describes the establishment of a concept what and how it should get implemented. First, the concept of the customization of the chosen application is stated. After, KPIs get established which analyse the business and which are calculated based on the current system and the new application. The last part of the fifth chapter explains and visualizes how and where in the IT environment all management needs, which were presented in chapter three, are

satisfied. The last chapters explain limitations, conclude this thesis and give a view to a potential future.

8 Conclusion

8.1 Summary and concluding thoughts

Setting up management accounting is an extensive but needed step for startups to gain control of the daily chaos and taking pressure off the shoulders of management. The implementation of a management accounting solution, respectively the conception, is established in this thesis. It starts with displaying the need of research regarding concepts of establishing management accounting in startups which already passed first steps and is about to enter the growth phase. After explaining the company's IT landscape and the needs of management, a fitting software application were chosen using a scorecard. The conception starts with the basics organization and cost center structure which are needed to set up management accounting solutions. A huge difficulty is to come up with a finance structure, CoA and cost centers, and processes how to implement and maintain it. The extensive subject of how to allocate and adjust finance data for different purposes is explained after. Yet, just the basic thoughts and data flows connected to it. How to make an application multi-tenant on the Salesforce platform is presented as well. The controlling view on the company is designed by establishing basic KPIs and company specific KPIs. The last question answered, is the for startups critical issue of liquidity observation and forecasting. All together a comprehensive conception of establishing management accounting for a startup is presented.

8.2 Future view

The goal of creating a KPI dashboard and automated financial statements for external and internal sources should be finished by the end of 2017. The priority for the next months is to setup Accounting Seed and customize it after the established concept. As soon as it is running, dashboards will be created with the necessary KPIs for each branch of the company. The last step in 2017 is creating rules for adjustments of postings in the DWH to create P&L statements and balance sheets after the IFRS and internal valuation principles. Furthermore, tools for auto completion must be integrated to improve efficiency regarding financial postings in Accounting Seed. Every step will be fully documented and best practices for future projects will be established to optimize the implementation and research processes inside the company. In 2018, Scalefree should have a profound controlling and accounting area and is able to oversee and manage a fast-growing business.

The thesis broached many subjects which should be more precisely researched. For example, best fit KPIs for startups on different markets according to their

development stage. In general, more research is needed regarding management accounting solutions for different kind of startups due to the high value of startups for the economy (Acs, 1999, p. 11) (Acs & Armington, 2006, p. 143) (David B. Audretsch, et al., 2006, p. 78), and the shortage of literature towards startups in this matter.