

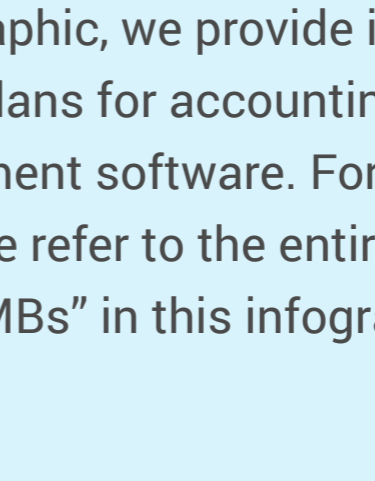
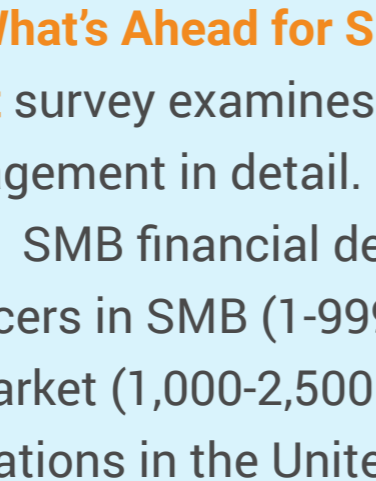
# SMB Accounting and Financial Management Software Trends

## WHAT'S AHEAD FOR SMBs IN FINANCIAL MANAGEMENT SURVEY

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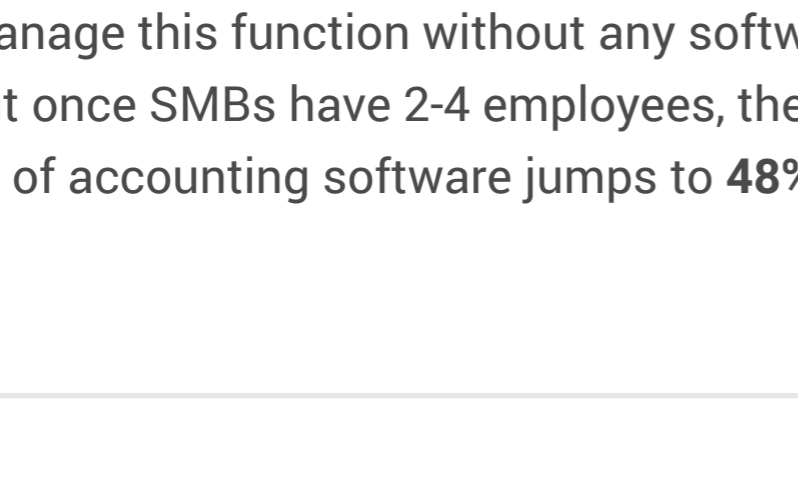
Financials are the backbone of every business, and modern financial solutions and services are essential to power business growth and viability.



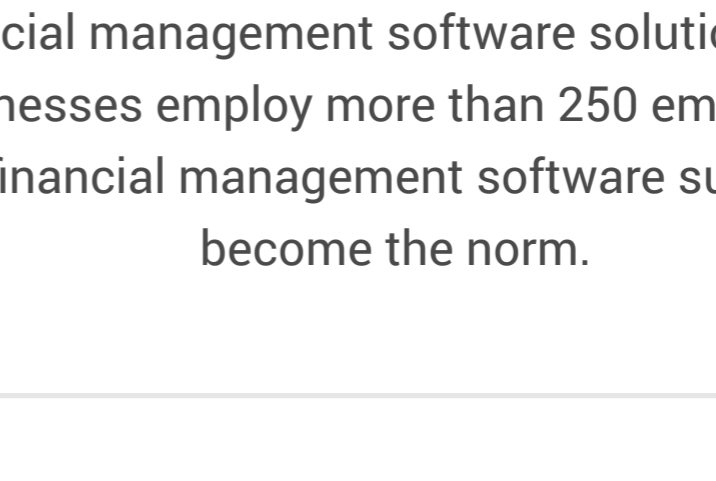
SMB Group's **What's Ahead for SMBs in Financial Management** survey examines trends in SMB financial management in detail. In May 2022, we surveyed 751 SMB financial decision makers and influencers in SMB (1-999 employees) and midmarket (1,000-2,500 employees) organizations in the United States.

In this infographic, we provide insights on SMB use of and plans for accounting and financial management software. For the sake of brevity, we refer to the entire sample as "SMBs" in this infographic.

### The SMB Accounting/Financials Solution Trajectory Has Clear Break Points

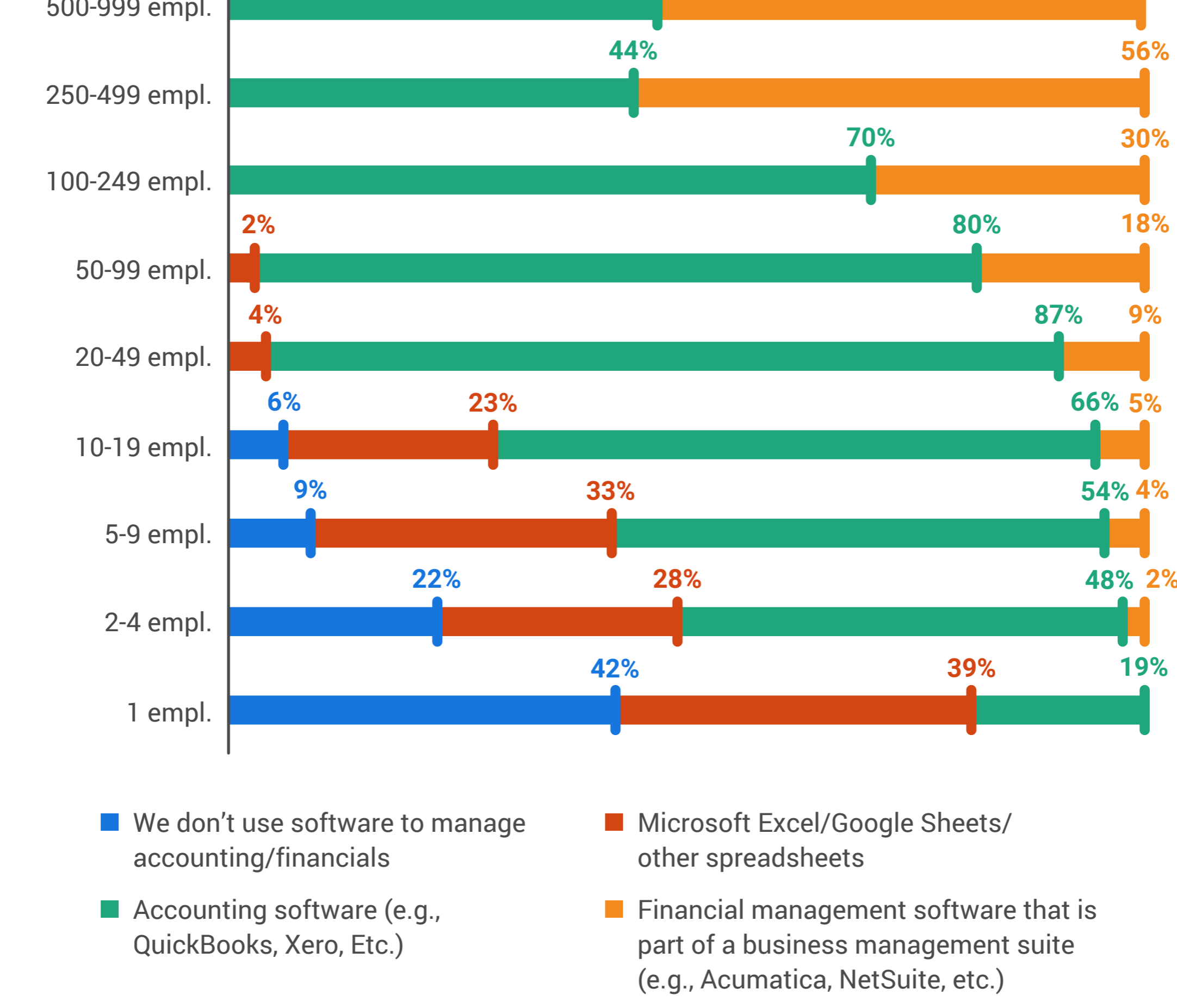
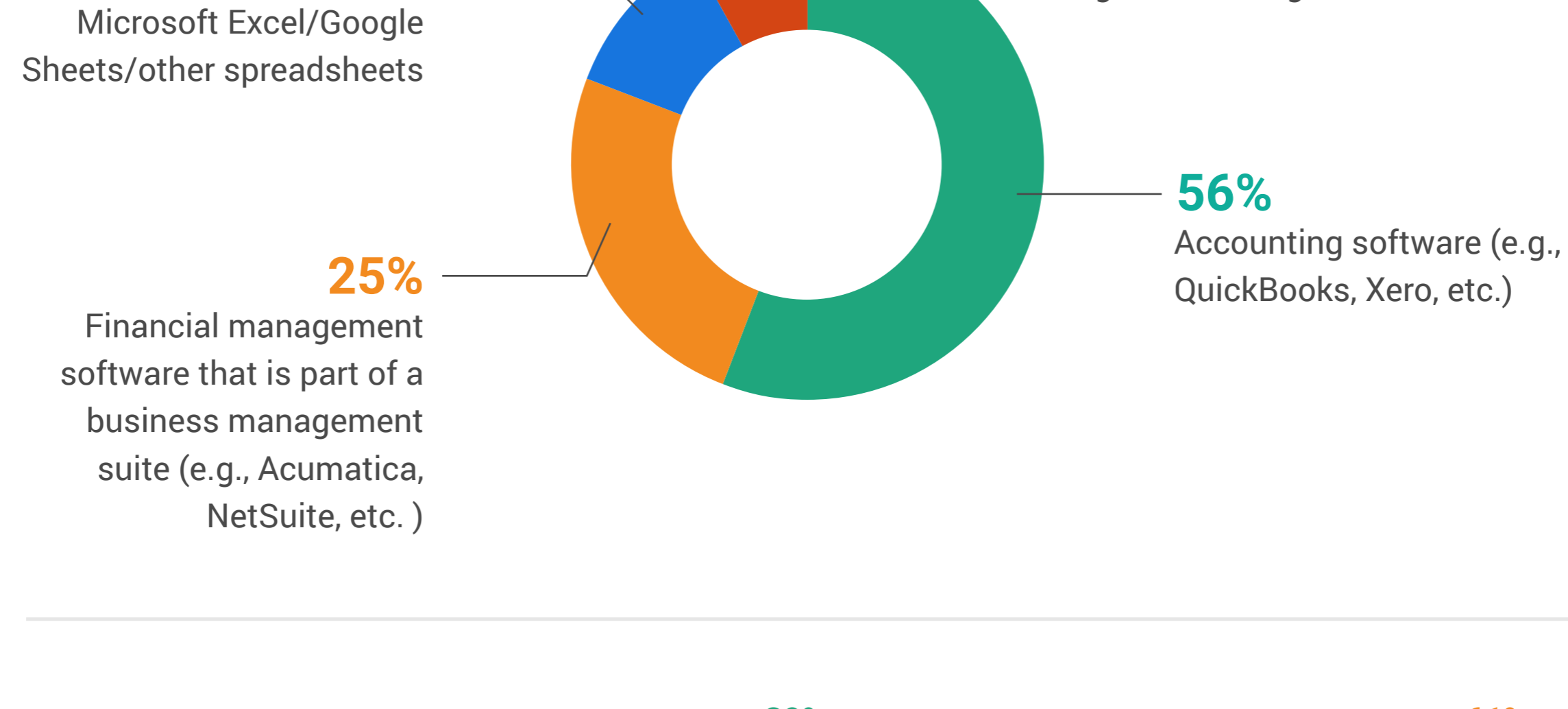


There are clear break points for solutions to manage financials: **42%** of solopreneurs manage this function without any software. But once SMBs have 2-4 employees, the use of accounting software jumps to **48%**.



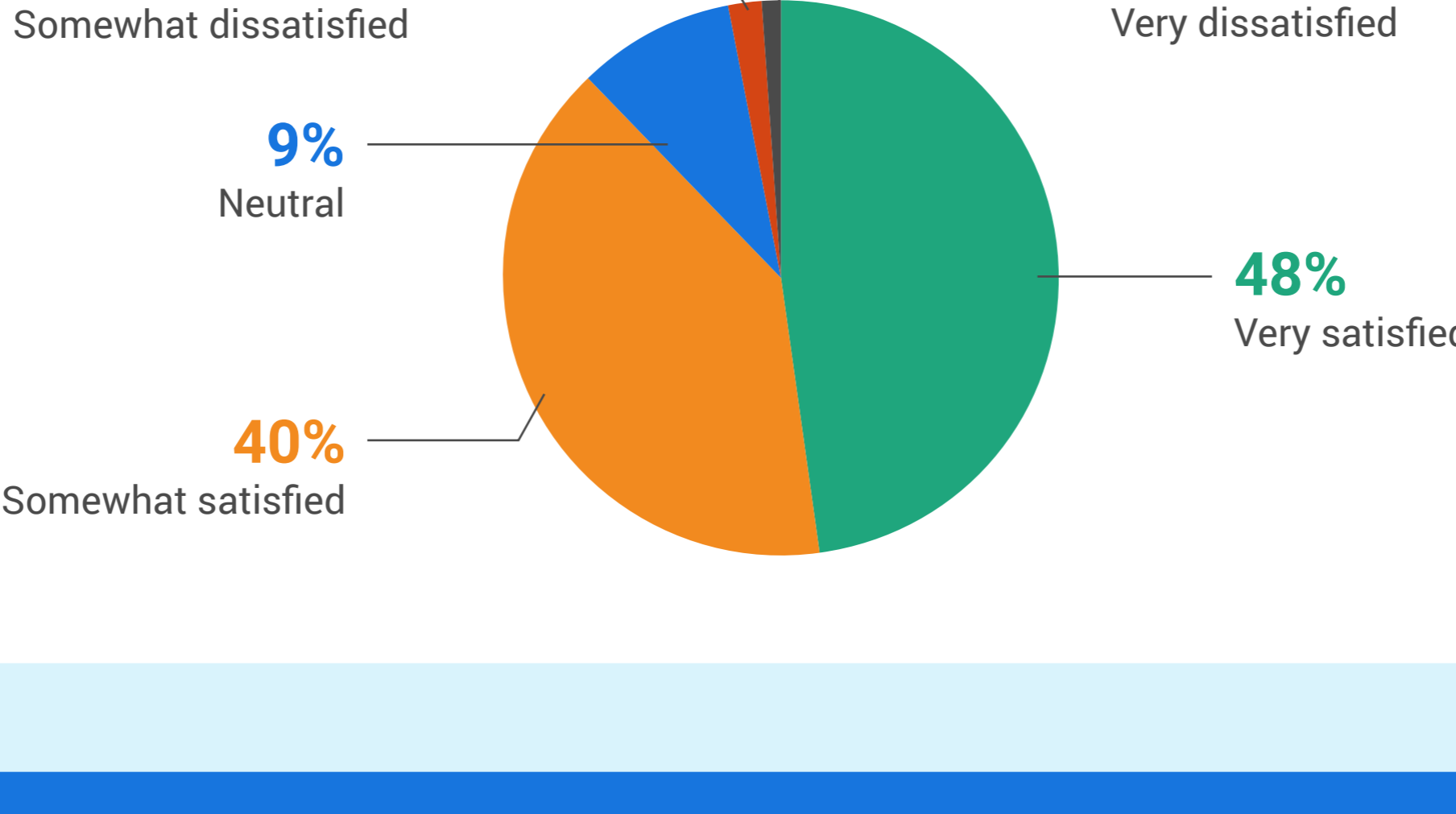
Almost all businesses with 20 or more employees use a dedicated accounting or financial management software solution. Once businesses employ more than 250 employees, financial management software suites become the norm.

#### What is the primary software tool your company relies on to manage accounting/financials at your company? (All SMBs)

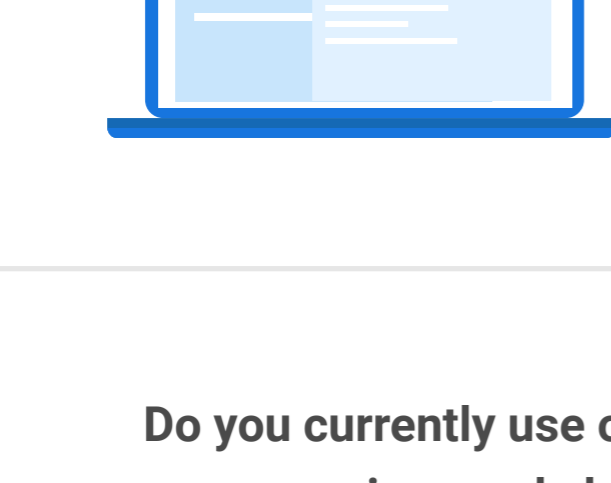


### Most SMBs Are Satisfied with Their Current Accounting/Financial Management Solution

How satisfied are you that your accounting/financial management solution is helping you to meet your financial management goals? (All SMBs)

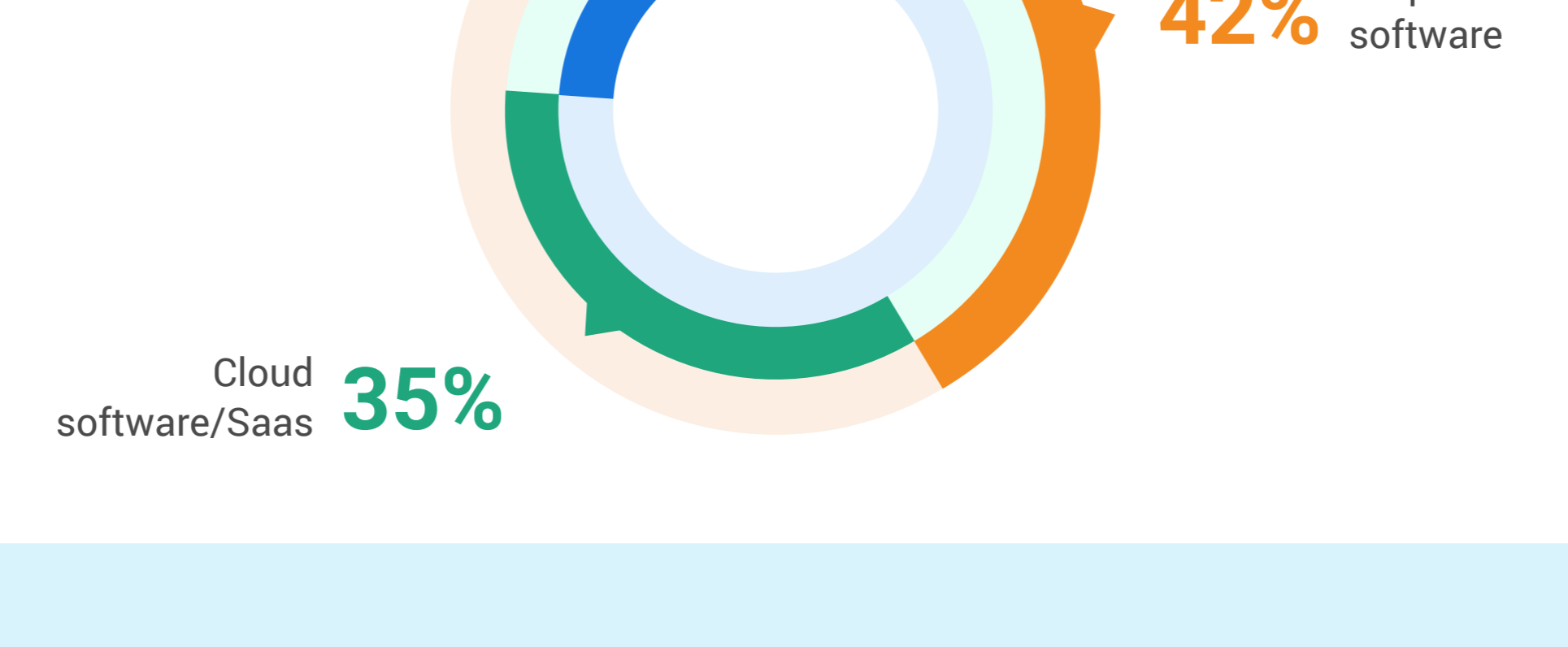


### The Move to the Cloud Is Well Underway



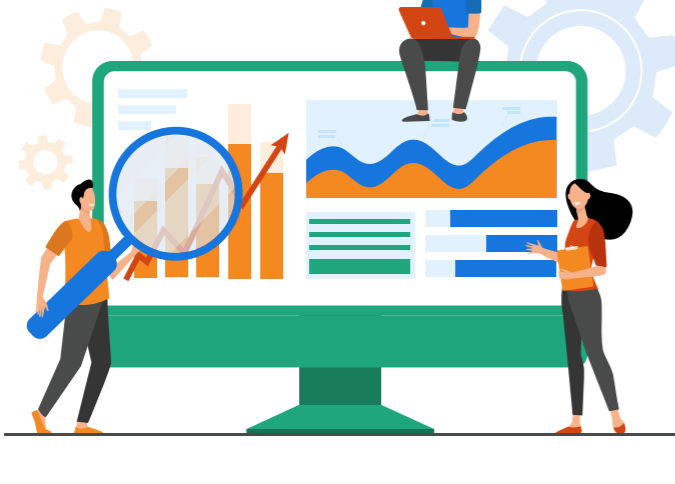
The migration to cloud-based accounting and financial management solutions is well underway. **35%** of SMBs only use cloud-based software, while **24%** use a combination of cloud and on-premises solutions.

#### Do you currently use on-premises software, cloud software, or a combination of on-premises and cloud software to manage financial functions? (All SMBs)



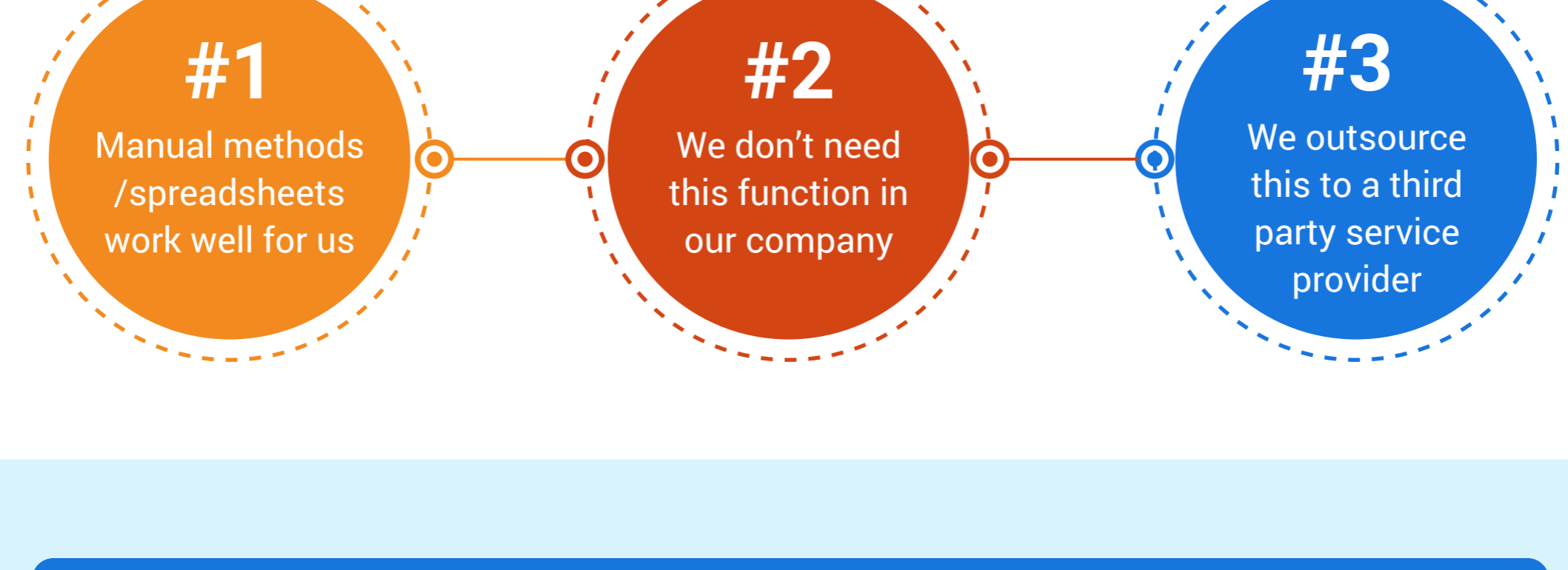
### Use of and Plans for Ancillary Financial Solutions Is High Among SMBs That Use Accounting/Financial Management Software

Does your company currently use, plan to deploy in the next 12 months, or have no plans to use software (EXCLUDING SPREADSHEETS) to automate and manage the following financial functions?\*



SMBs that use a dedicated accounting and financial management solution are also likely to be taking advantage of ancillary financial applications—whether the functionality is part of their core financial solution or purchased as an add-on.

#### Top Reasons for Not Using These Solutions

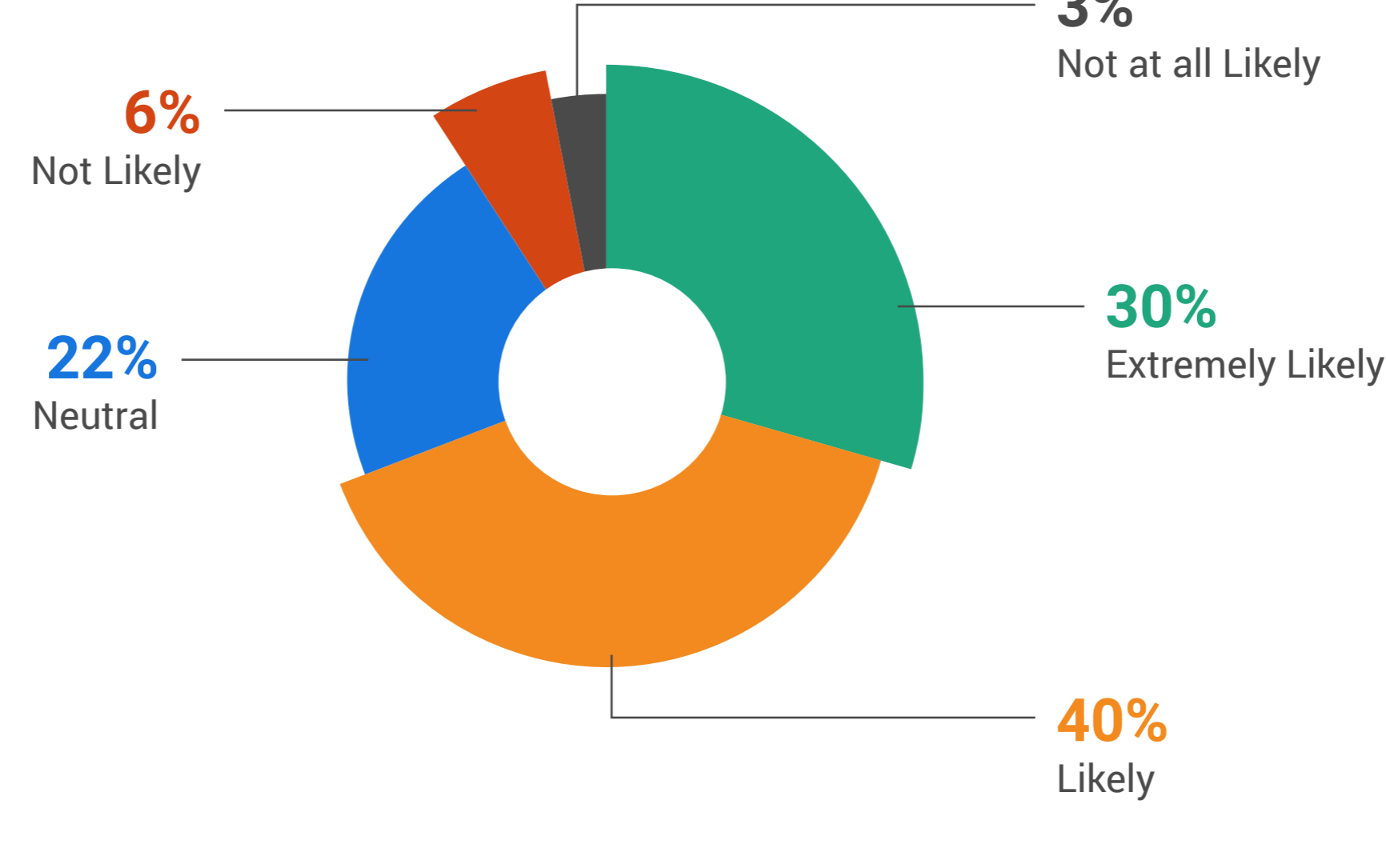


### Most SMBs Are Likely to Choose a Cloud-based Solution for Future Purchases



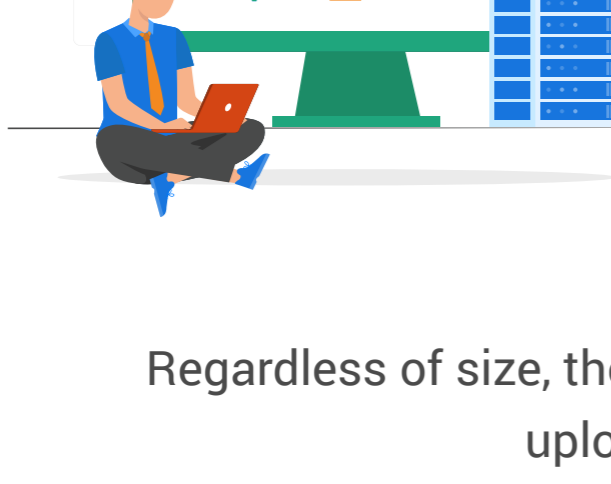
**70%** of SMBs express a preference for cloud solutions the next time they need a new financial application. Larger SMBs are generally more likely to choose a cloud solution than smaller ones.

How likely is your business to select a cloud/SaaS solution the next time you need to buy a new application to help you manage financial functions? (All SMBs)



### SMBs Rely Heavily on Manual Methods and Custom Code to Integrate Financial Management Solutions

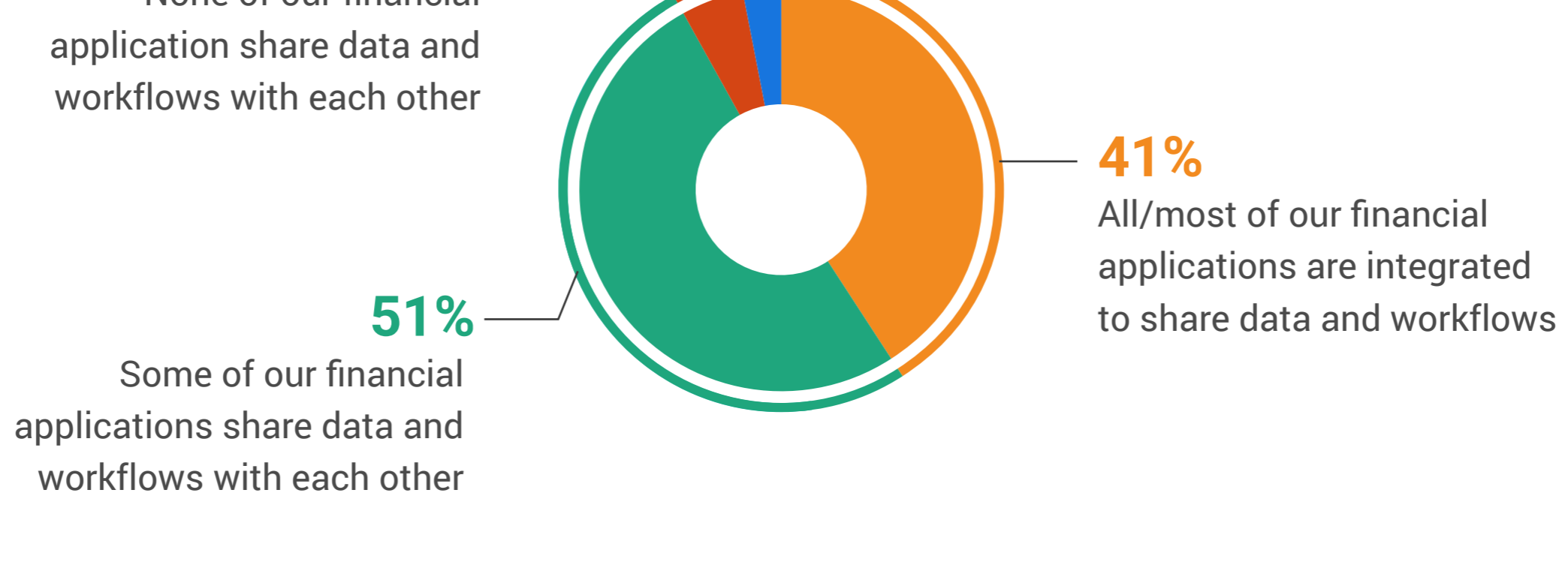
SMBs are very likely to have at least partially integrated the different financial applications that they use. In general, the bigger the SMB, the further along they are in integrating these applications:



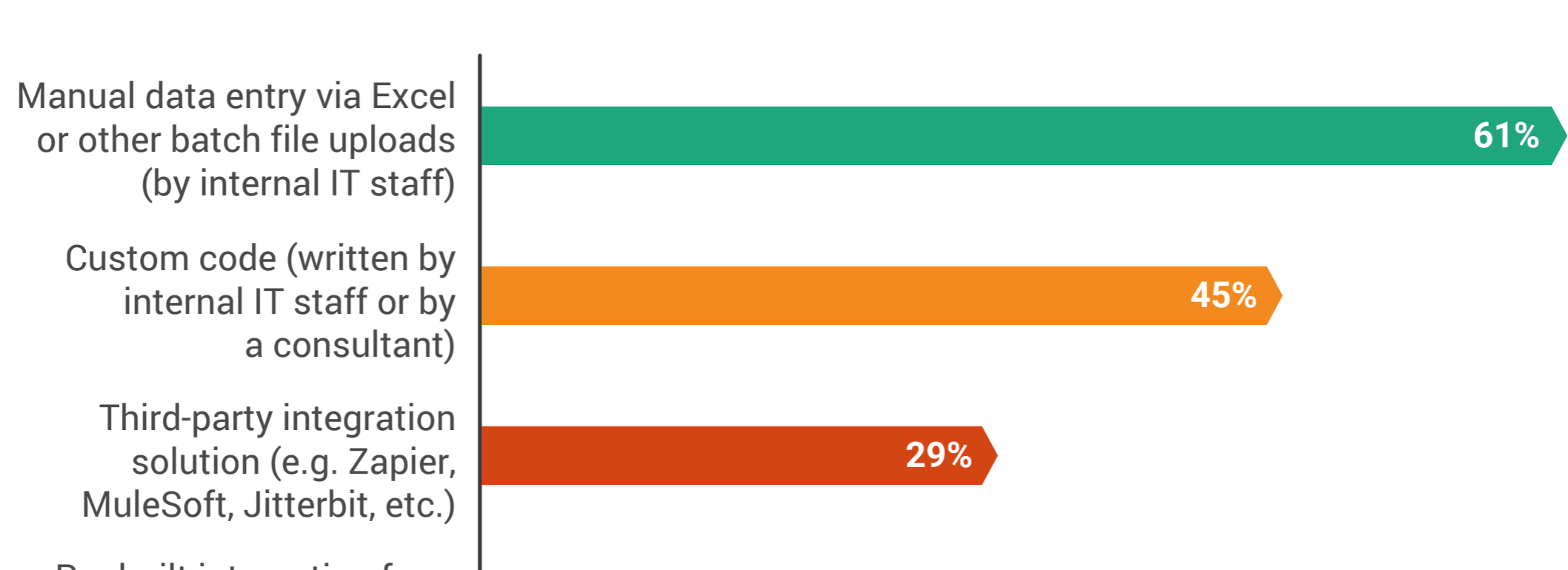
Over **50%** of SMBs with more than 500 employees said almost all of these applications are integrated. Only about one-quarter of SMBs with fewer than 20 employees said almost all of these applications are integrated.

Regardless of size, the majority still depend on manual data entry and batch file uploads and/or custom code for integration.

To what level are the financial management solutions your business uses integrated with each other? (All SMBs)

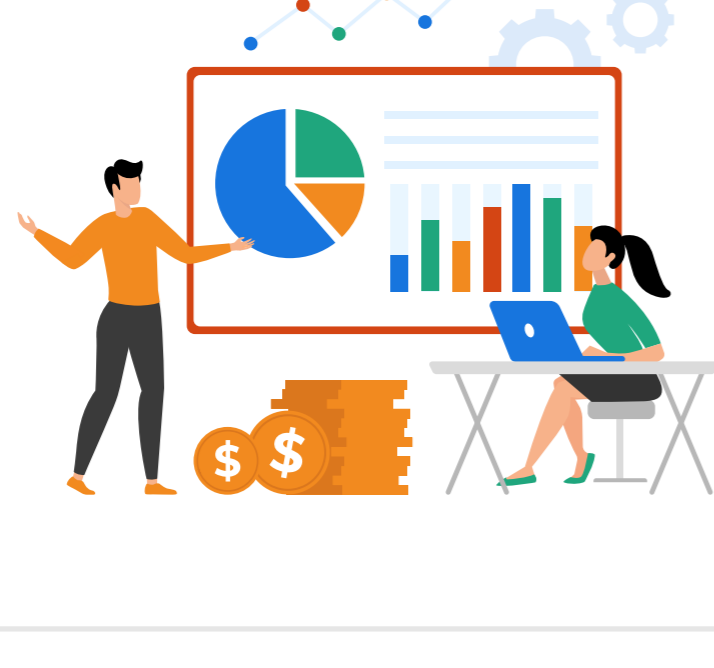


What method(s) do you use to integrate different financial management software solutions? (All SMBs)



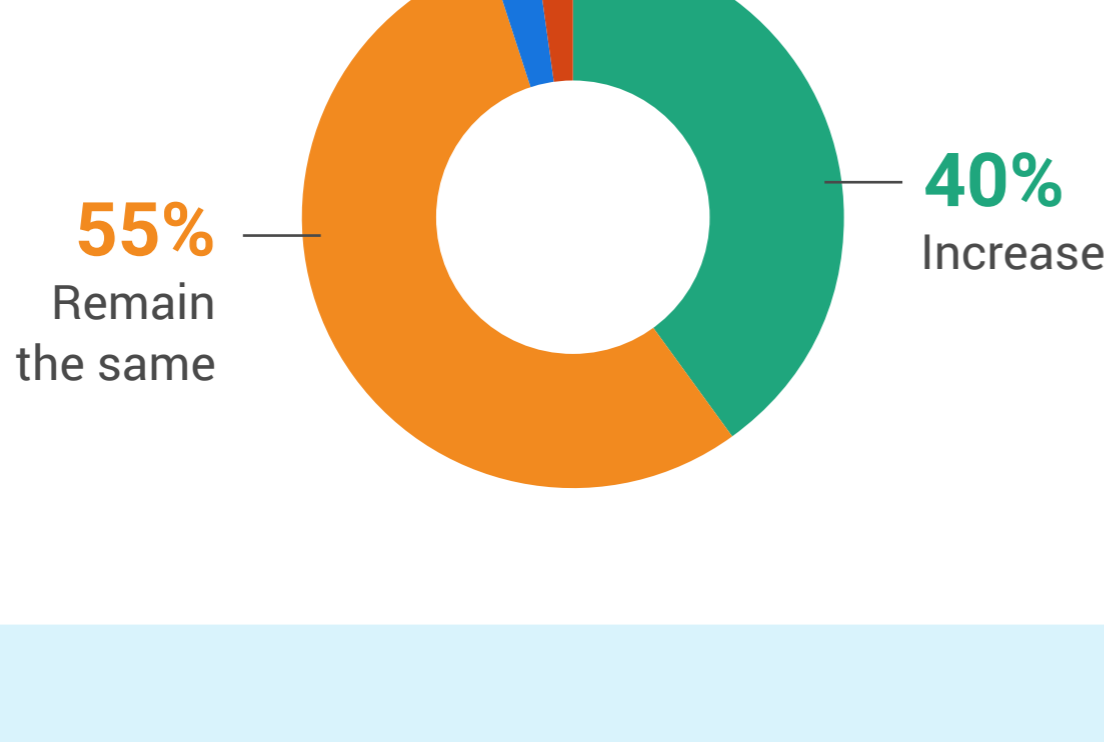


## SMB Budgets for Financial Management Software and Services Will Most Often Remain Flat

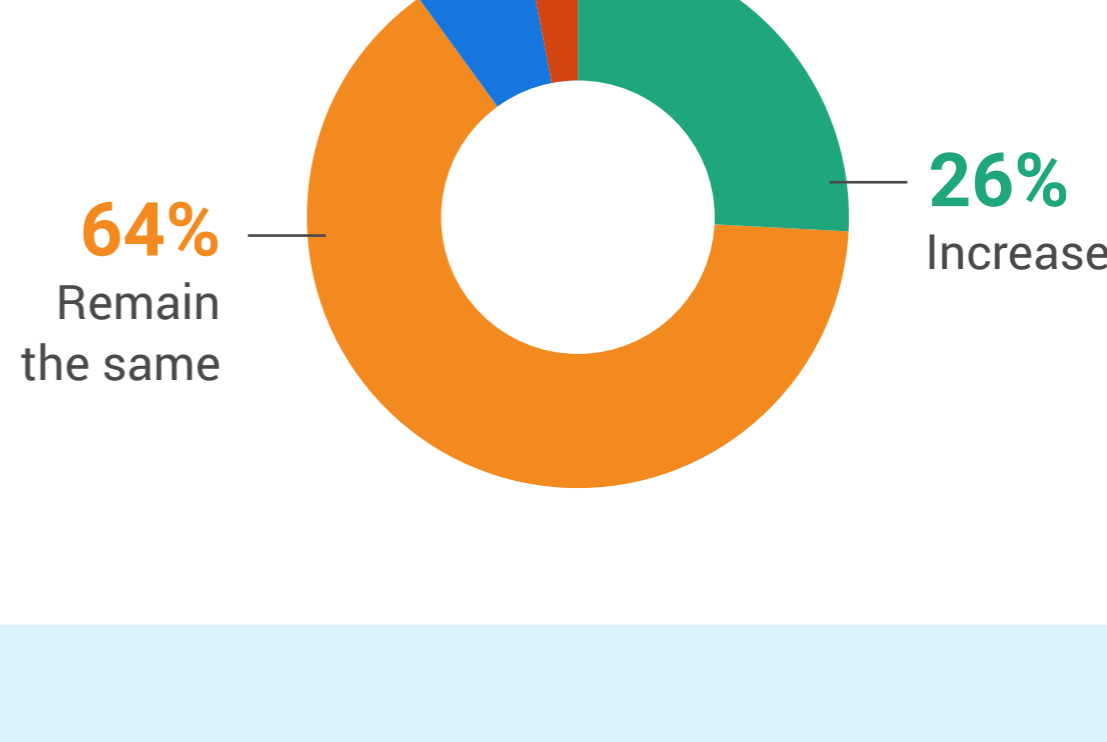


Most SMBs expect that spending for financial management software and outsourced financial management services will remain flat. However, SMBs are more likely to forecast spending increases for software than for services.

Do you expect your company's spending for financial management software to increase, remain the same, or decrease? (All SMBs)



Do you expect your company's spending for outsourced financial management services to increase, remain the same, or decrease? (All SMBs)



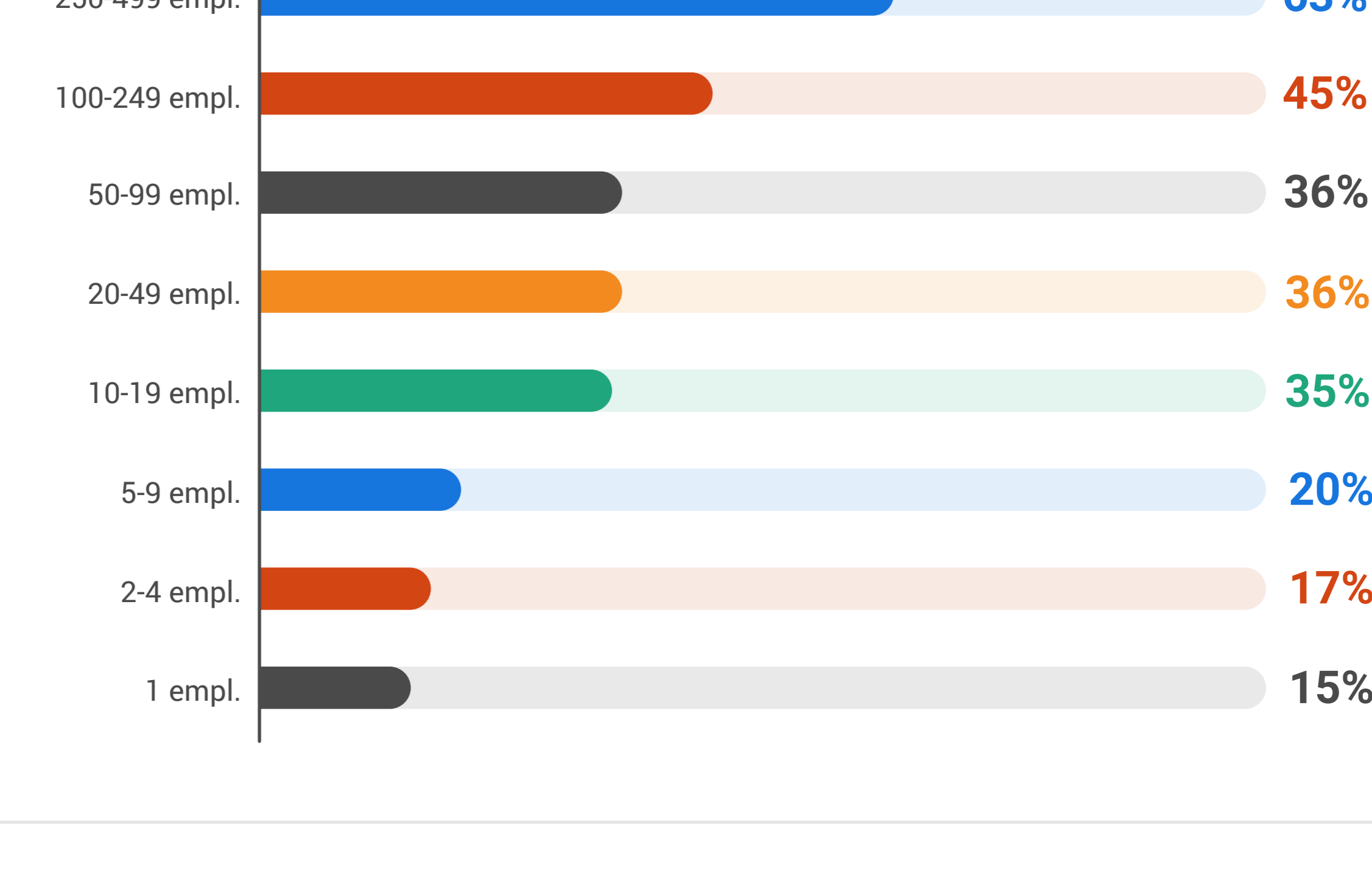
## Larger SMBs Are Much More Likely to Expect to Increase Financial Management Software and Services Spending



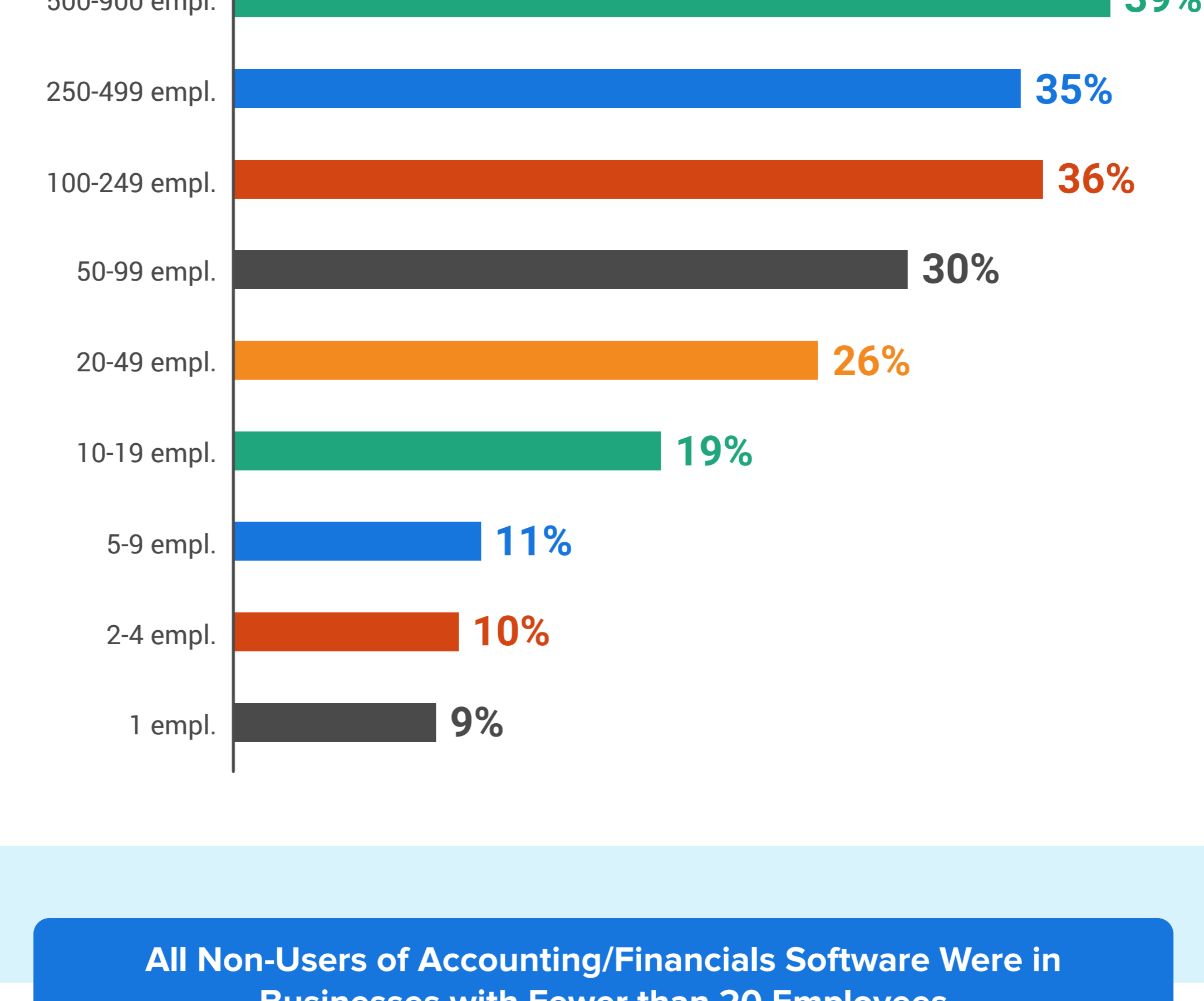
These trends vary significantly by company size: Roughly two-thirds of SMBs with more than 250 employees plan to increase spending for financial management software. This percentage dips below 50% for companies with 100-250 employees and continues to decline with company size.

Spending for outsourced financial management services also correlates with company size.

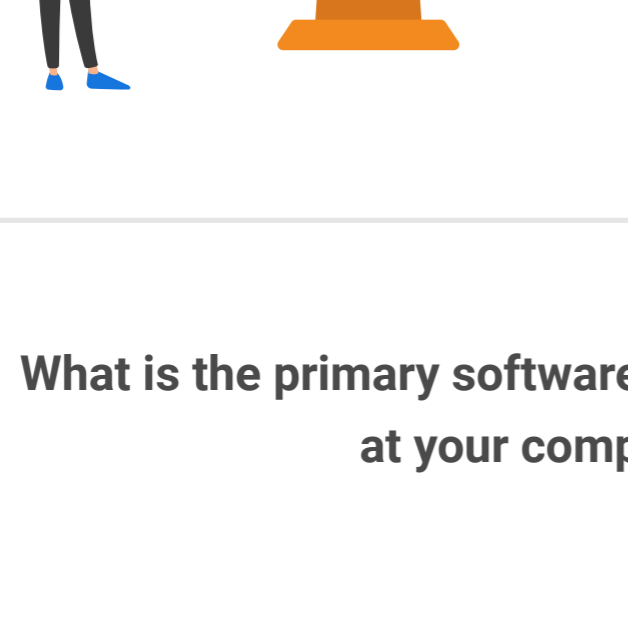
Do you expect your company's spending for financial management software to increase, remain the same, or decrease?



Do you expect your company's spending for outsourced financial management services to increase, remain the same, or decrease?



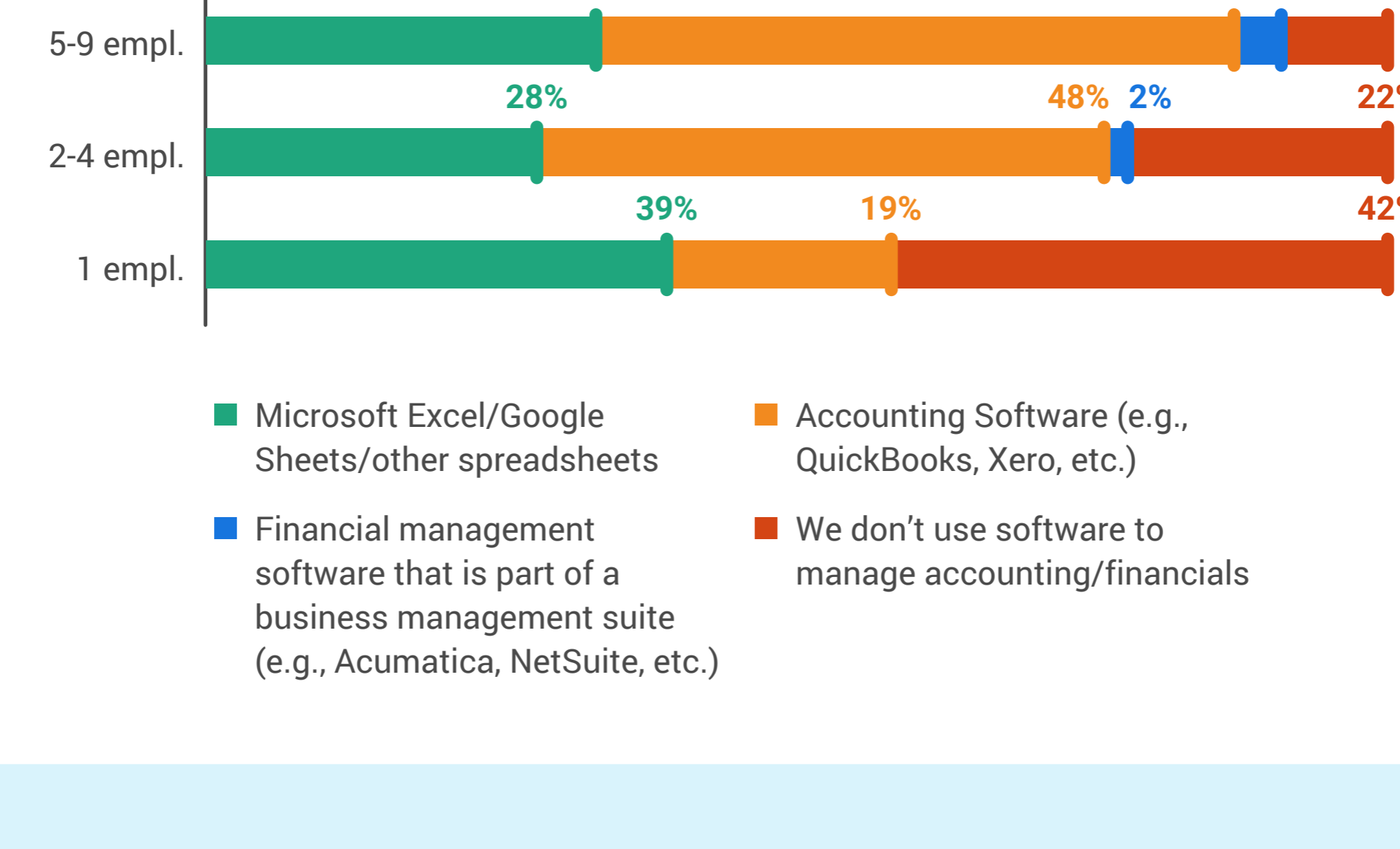
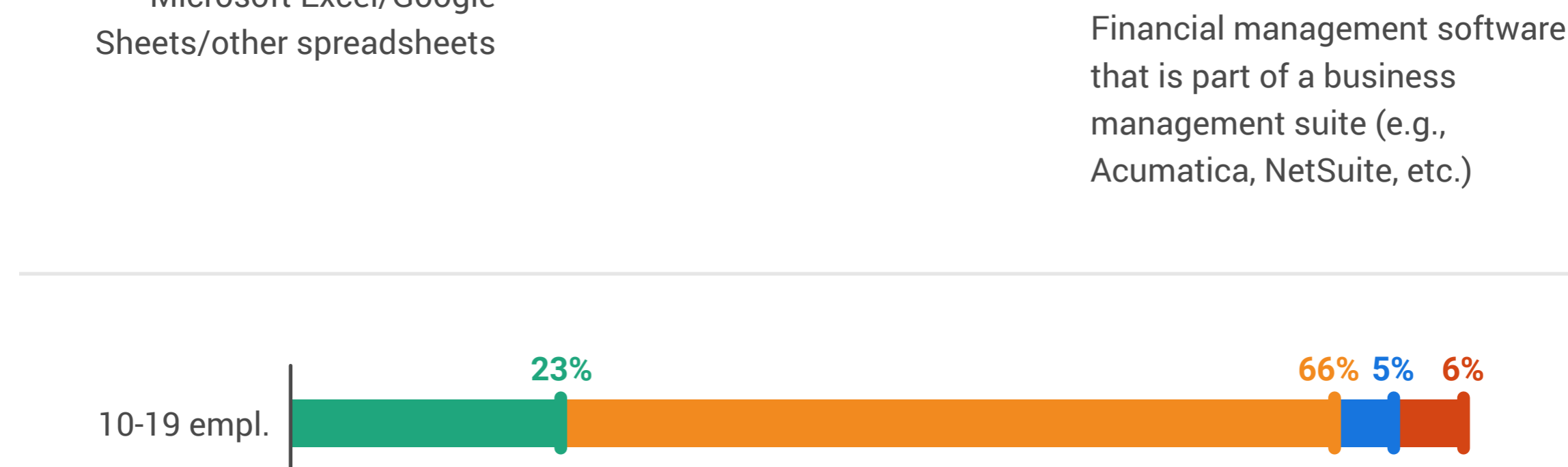
## All Non-Users of Accounting/Financials Software Were in Businesses with Fewer than 20 Employees



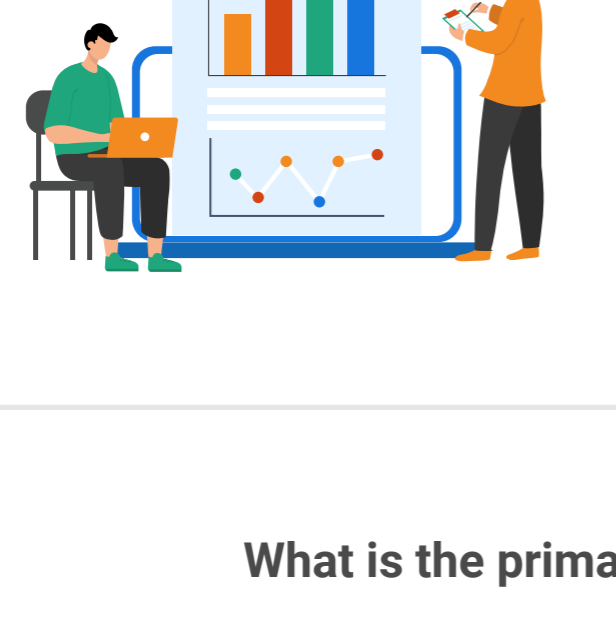
Overall, 19% of survey respondents reported that their companies did not use dedicated accounting/financial management software. All of the non-users were in businesses with fewer than 20 employees.

Among non-users, 30% said they use spreadsheets, and 21% indicated they don't use any software to manage this function.

What is the primary software tool your company relies on to manage accounting/financials at your company? (Small businesses with 1-19 employees)



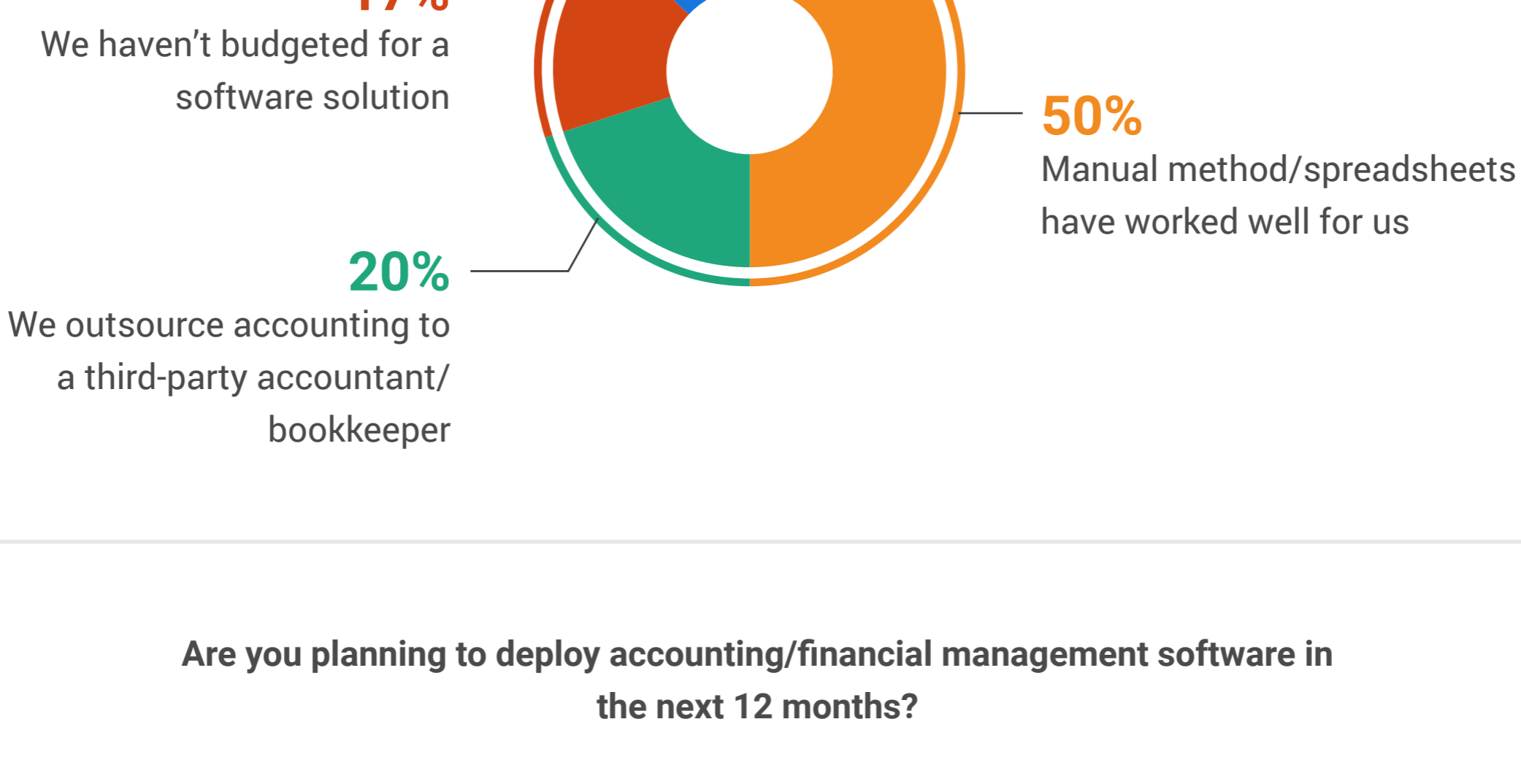
## Why Small Businesses Don't Use Accounting Software and Plans to Deploy It



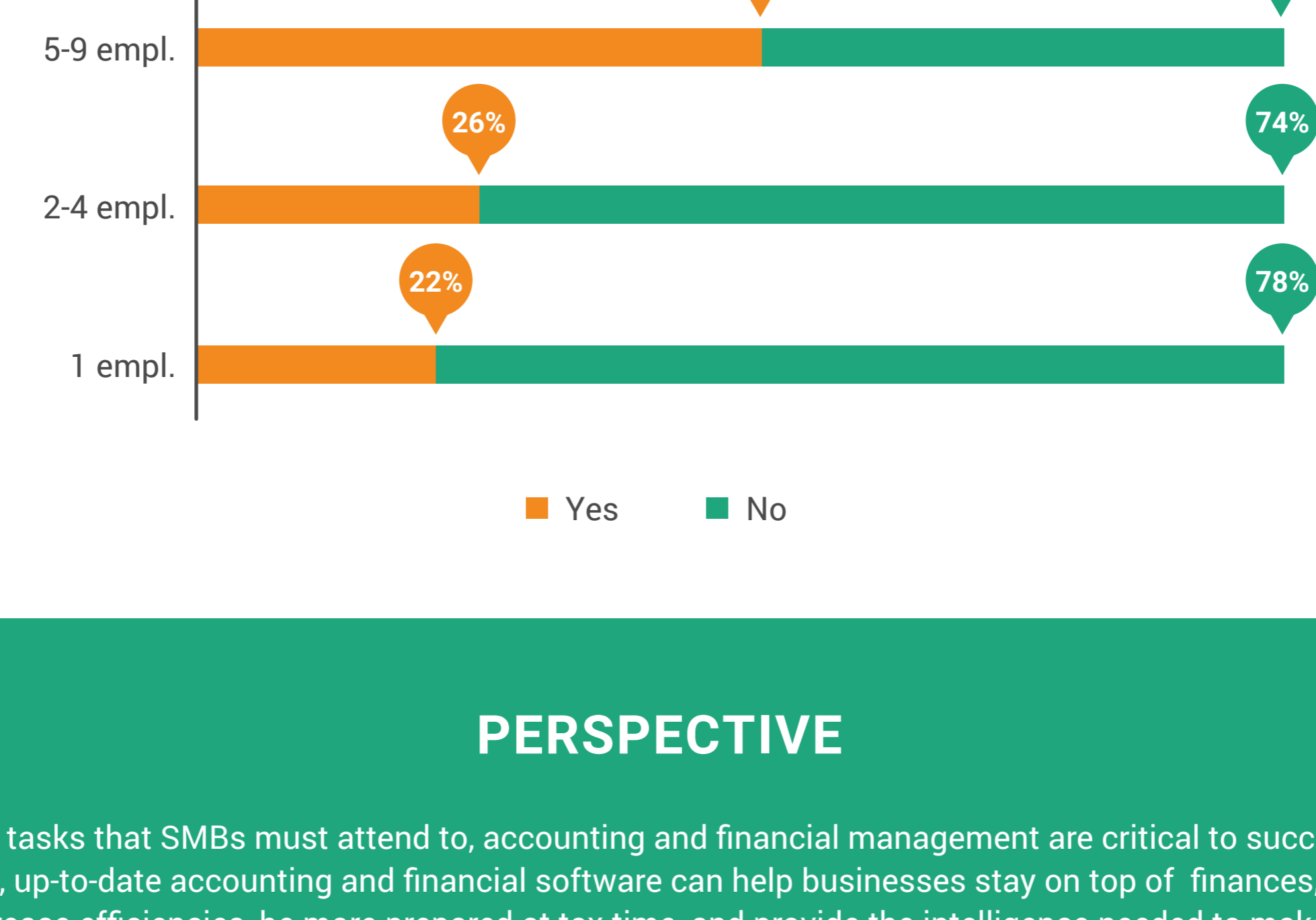
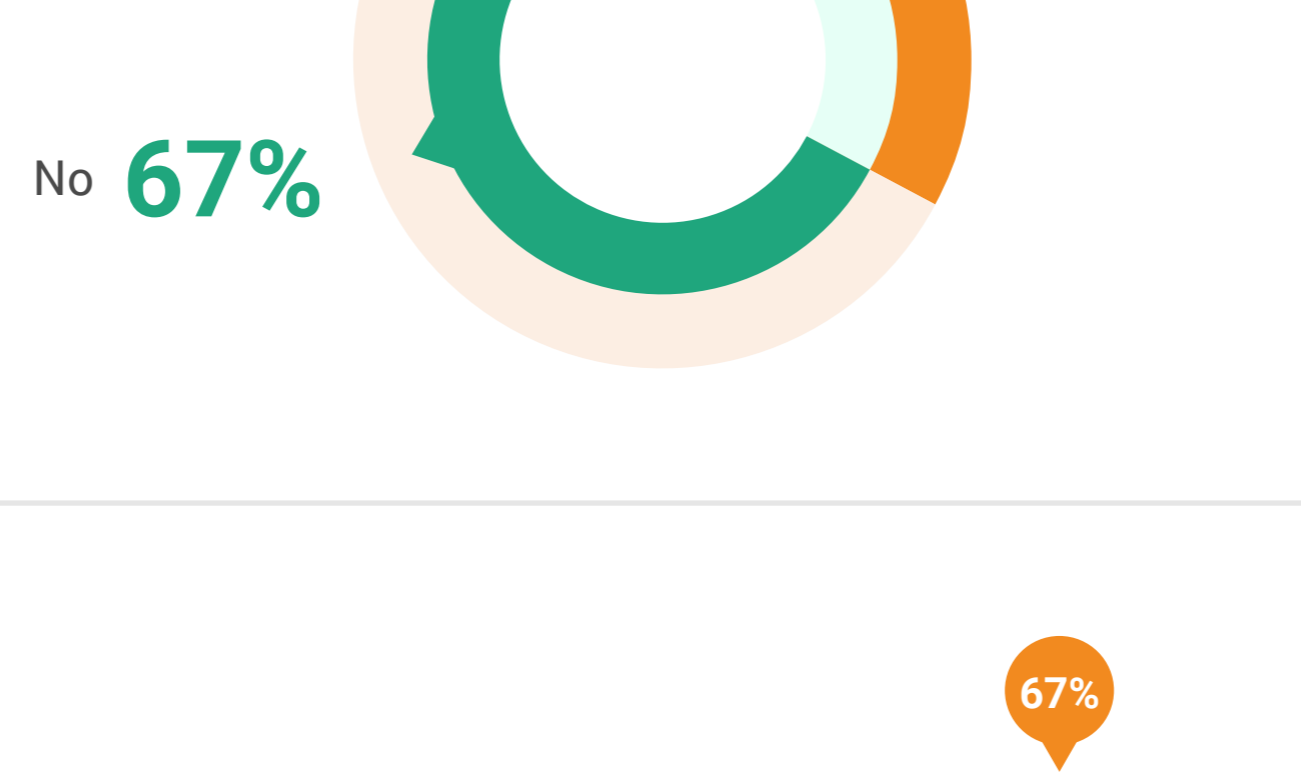
The top reason that small businesses cite for not using dedicated accounting software is that "manual methods/spreadsheets have worked well for us."

One-third of non-users plan to deploy accounting/financial software in the next 12 months. The more employees a business has, the more likely they are to plan to implement a solution.

What is the primary reason that you do not currently use accounting/financial management software?



Are you planning to deploy accounting/financial management software in the next 12 months?



## PERSPECTIVE

- Of all the tasks that SMBs must attend to, accounting and financial management are critical to success. Accurate, up-to-date analysis and financial data can help businesses stay on top of finances, save time, increase efficiencies, be more prepared at tax time, and provide the intelligence needed to make better financial decisions.
- As businesses grow and become more complex, so do their needs and requirements for financial management software. However, these solutions tend to be very sticky. Companies tend to stick with a tried-and-true method to manage these functions until that method can no longer meet critical requirements.
- As a result, SMBs sometimes wait too long to switch to new solutions. Businesses that are experiencing growth, changing business models, merging with or acquiring other companies, or simply spending too much time and energy managing their finances are likely to gain significant advantages by adding new functionality to existing solutions, or moving up from a solution they have outgrown.

## ABOUT THIS INFOGRAPHIC

This infographic provides insights from SMB Group's 2022 *What's Ahead for SMBs in Financial Management* survey. For more highlights from this study, see our companion:

- eBook: *SMB Financial Management Trends*
- Infographic: *The SMB Buying Journey for Financial Management Software and Services*

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