

# Beyond QuickBooks

## Choosing the right ERP solution for your organization

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Many small to medium-sized businesses utilize QuickBooks or similar software packages to manage their accounting function and maintain financial records. The software is available through many retailers, is simple to install and provides a level of functionality beyond the company checkbook. However, as a company grows, these solutions may cease to meet business needs as the environment changes and stakeholder and regulatory demands increase.

The next step beyond QuickBooks is one of many midmarket enterprise resource planning (ERP) solutions available through certified and experienced implementation firms. An ERP solution serves as a more comprehensive platform to manage all functions of the business and provide more sophisticated accounting features, offering capabilities beyond QuickBooks' narrow focus on the accounting function.

### Limitations of QuickBooks for growing companies

QuickBooks is an excellent solution for early-stage companies, as it is easy to install, flexible and used by non-accountants. However, those benefits at startup often become limitations as businesses outgrow the software's functionality—and QuickBooks does not offer the option of additional modules or features.

From an account structure and reporting perspective, QuickBooks has limited functionality to report based on dimensions, and these are typically built ad hoc and become difficult to manage with growth. Perhaps more importantly, QuickBooks does not enable companies to have a subsidiary as a dimension. This is a common issue that drives organizations to move to a new ERP system that will allow them to manage consolidated financial reporting.

Additionally, QuickBooks does not have the ability to automatically consolidate reporting or process eliminations, functions that consequently need to be performed manually outside of the system. These limitations simply may not be acceptable for a business that is growing or projecting future growth. In such a case, the business should consider a system that allows for more access, capacity and scalability—such as an ERP solution.

QuickBooks software was designed to make it easy to correct mistakes, but this design also makes it easy to modify or remove valid transactions, either accidentally or through fraudulent behavior. Implementing passwords is an option in QuickBooks, but as a company grows and the volume and complexity of transactions increase, a higher level of security is required.

The limited breadth of QuickBooks functionality is a chief concern for growing companies and often results in the evaluation of more robust ERP options. The software is built with the accounting function rather than overall operations in mind, limiting its capabilities for a multifaceted company. For example, metrics such as inventory lot and serial numbering are not enforced. The software is also not capable of some complex revenue recognition calculations, expense allocations, fixed asset management and managing period close tasks. All of these functions often need to be done outside the system, which presents additional issues.

Within QuickBooks, companies simply are not able to customize and build reports and develop robust financial packages. QuickBooks has very basic reporting capabilities, which do not include all meaningful segments (e.g., subsidiary and other custom segments) or statistical measures. QuickBooks also does not have the ability to leverage third-party reporting tools without manual intervention. These are major issues that often lead companies to consider implementing more robust and functional ERP platforms.

Scalability becomes an issue with QuickBooks, with companies simply outgrowing the software as more employees need access to the system. QuickBooks allows for five concurrent users in the Premier version and 30 in the Enterprise version. QuickBooks online allows for three users in the Essentials version, five in the Plus version and 25 in the Advanced version. Companies are limited to 14,500 total master records—combining employees, customers, vendors, units of measure and other categories—in retail versions of QuickBooks.

As businesses grow and begin to increase their number of transactions, the performance of QuickBooks often suffers. Speed begins to degrade with a higher number of requests for inquiries or reports, or simply when multiple people are accessing the system at any given time. The software is not designed for a large number of employees to be accessing it simultaneously and processing transactions concurrently. The system is not able to handle extracting large reports, which would need to be broken down further—an often time-consuming and inefficient task. ERP systems are built to handle more user traffic and a higher volume of data, as well as deliver a consistent level of performance regardless of the level of activity.

### **When should a company consider upgrading to a midmarket ERP system?**

Several situations may lead companies to consider an upgrade over their existing QuickBooks software. When a company starts to outgrow the software, system performance begins to suffer and becomes unstable, and the speed of login, processing and reporting declines. The volume of activity may lead a business to maintain multiple QuickBooks files, store key data in Excel or Access, or reenter information in multiple systems.

Reporting issues often arise that force businesses to find a new solution. Once companies outgrow QuickBooks, they find themselves manually consolidating information or manipulating data outside the systems. These are dangerous activities that could result in costly entry errors and the inability to fulfill requests for information.

Changes in business environment could dictate a migration to a more comprehensive solution. With growth, users will need multidimensional views of live data. In addition, in today's business environment, the ability to efficiently record intercompany transactions, handle multiple currencies and exchange rates, and manage sales tax across states and jurisdictions is vital. New stakeholders may also request more intricate financial data, and an increasingly regulated environment will require implementation of additional controls. QuickBooks is not able to properly manage segregation of duties, record an audit trail or enforce period cutoffs efficiently or effectively. Introducing additional lines of business will also demand the integration of new information into the system, creating increased volume.

## **The ERP selection process**

Once a company decides that a midmarket ERP system is the next logical step, how do they make the best selection? There are a host of products from many well-respected vendors such as Microsoft, Sage Intacct and Oracle NetSuite, and the options can be overwhelming. One size does not fit all, with deployment method, platform features and system functionality being the most common considerations in the selection process.

A software selection consultant can assist in evaluating options and planning ERP strategy. The consultant will gather requirements and conduct a fit analysis to determine the optimal solution. Common questions to address during this process include what the company is tired of doing, what is working and isn't working, and what needs to be integrated into the new system. This will take the needs, wants and processes into consideration and a solution will be recommended based on those factors.

After defining business requirements and expectations for an ERP system, an organization must undergo a gap analysis to determine their current system's performance level and the level actually required. It is also beneficial to detail the features and functionality required from an ERP system to rule out insufficient options.

Any new system must be compatible with the IT infrastructure of the business and integrate with existing systems. It is imperative for company stakeholders to work with their IT department to understand system capabilities as well as limitations and determine where integrations are possible to increase efficiency and visibility. Once the requirements, expectations and technical guidelines have been established, a company can focus on selecting a vendor and product. Since the company will rely on the vendor for ongoing support, comfort level is a significant consideration. Following the selection of a vendor, its products should be evaluated to determine what would fit, or could be modified to fit, the needs of the company.

When evaluating available solutions, companies also must consider the capabilities of their accounting staff. Many companies that run QuickBooks do not have personnel with an accounting background; that knowledge is beneficial, but QuickBooks can perform without it. However, someone needs knowledge of general accounting principles when configuring and supervising an ERP system. Beyond that point, employees typically know their job and can perform transactions without having to truly understand the concepts.

If a company's employees do not possess an accounting background, the selected implementation partner will typically build that education process into the budget. As long as the company partners with a provider with a proven methodology and extensive experience in the discovery and planning process, there should be no surprises.

## Implementation

Companies sometimes attempt to implement an ERP solution on their own, which frequently results in several difficulties. Because implementation is something that companies do not experience very often, estimating timing and cutover dates is problematic and can result in a failure to satisfy expectations. Choosing an experienced implementation partner with a proven methodology can help ensure efficiency, protect against costly errors and keep deployment on schedule.

### ▪ Initiate

The initial step is to establish clear project objectives. Project protocols, team responsibilities and the implementation timeline should be communicated effectively up front to avoid confusion later in the process. Information sources should also be identified in preparation for the next step.

### ▪ Analyze and design

In this phase, an implementation partner will work to understand the business, business processes and pain points to develop system requirements and leverage process experience and system knowledge to design an ultimate solution.

### ▪ Build and validate

During this step, application modifications and product extensions are configured and tested. The company can take advantage of configuration reviews to see the details of the system as it is being built. Data migration from the legacy system is then tested, and system manager /pilot team training and user acceptance testing are conducted, followed by the readiness sign-off for go-live and the plan development for end-user training and cutover.

### ▪ Deploy

As deployment nears, end users are trained on the ERP system functionality and business processes. Final data migration is then completed, followed by the cutover to the new system. Go-live support is provided by the vendor and implementation partner.

### ▪ Operate

A project-close meeting is conducted, with a subsequent transition to the support team. Moving forward, ongoing support is provided as needed for an agreed-upon period. Support can consist of a short-term review after the first month, or a longer-term managed services contract to handle configuration and maintenance to keep up with new demands as the business continues to evolve.

## The benefits of a more extensive ERP solution

Each unique system provides features that may address a company's individual needs, perhaps even before any

customization. With the variety of options available in the marketplace, there likely is a solution that closely fits a company's needs out of the box, resulting in time and financial savings.

For example, both NetSuite and Intacct provide several key benefits to growing companies, including:

- Multidimensional reporting. More confident decision-making and analysis is possible, without hours of manual data manipulation, using live data from any aspect of the business, customizable fields, and role- or task-based dashboards.
- Consolidation of multiple entities. Companies no longer must maintain multiple company files, and can automate activities such as currency conversion, intercompany transactions and tax reporting, drastically reducing the close time and reporting time.
- Enhanced compliance management. Through real-time access to financial data, companies can drill down into specific details and generate statements and disclosures that comply with multiple regulatory requirements.
- Streamlined accounting and budgeting. Comprehensive, automated tools enable cash flow and revenue management, automatic quote-to-order fulfillment, and integrated planning and budgeting.

In addition, these ERP tools provide enhanced capabilities designed to match the needs of evolving organizations. For instance, NetSuite offers a complete suite of business solutions beyond accounting to help companies gain efficiencies in multiple areas, including CRM, e-commerce, human resources management and professional services automation. Intacct includes robust compliance tools, and is the first and only preferred provider of the American Institute of Certified Public Accountants.

## Takeaways

As companies grow—processing more data and increasing their customer numbers—accounting becomes more complex, and entry-level accounting platforms will begin to show their limits. Growing companies should begin evaluating midsize accounting and business management solutions to determine what will meet their needs now and in the long run. The shift from QuickBooks to a more comprehensive ERP system is a significant effort to undertake, but a necessary one for a growing business.

A middle market ERP tool can lower operational costs, automate key business processes, and boost productivity both now and in the future, with enhanced features and functionality that will increase efficiency and be able to scale along with the business. However, making the right platform choice and properly implementing it will make a significant difference in the tool's ultimate success. The help of an experienced implementation partner can ensure that the ERP system selected and implemented can handle current and future expectations and encourage growth within the organization.

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