Beyond QuickBooks

Choosing the right ERP solution for your organization

Prepared by:

Matt Kenney, Principal, RSM US LLP
matt.kenney@rsmus.com, +1 303 298 6423

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 higher level of functionality for businesses beyond the company checkbook. However, as companies grow, 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 the many mid-market enterprise resource planning (ERP) solutions that are available through trained implementation firms. These ERP programs represent a more comprehensive platform to run the entire business, instead of a narrower focus on just the accounting function.

Limitations of QuickBooks for growing companies[1]

QuickBooks is an excellent solution for early-stage companies, as it is built to be easy to install, flexible and used by non-accountants. However, those benefits at startup often become limitations as businesses grow out of the functionality that the software provides.

From an account structure and reporting perspective, QuickBooks limits businesses to a single-segment account number. Class designations can be used to provide additional

1   Information on QuickBooks capabilities obtained from the Intuit QuickBooks Support website, http://support.quickbooks.intuit.com/support/

filtering and reporting options, equivalent to two-segment chart of accounts in a mid-market ERP system. This is not sufficient in a situation where multiple dimensions of the company must be separately displayed, such as locations, product lines, departments or cost centers. Companies with these needs require a solution with greater depth.

The QuickBooks audit trail function was created with simplicity in mind, but the measures put in place can affect the integrity of the financial information. The software was designed to make it easy to correct mistakes, but this also results in making 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 increases, a higher level of security is required.

The breadth of the functionality for QuickBooks is a chief concern for growing companies and one that often results in the evaluation of more robust ERP options. The software is built with the accounting function in mind, rather than operations as a whole, limiting its capabilities for a multi-faceted 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, and these often need to be done outside the system.

Scalability becomes an issue with QuickBooks, as companies simply outgrow 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. Companies are limited to 14,500 total master records combining employees, customers, vendors, units of measure and other categories in retail versions of QuickBooks. This simply may not be sufficient for a business that is growing or projects growth in the future. In these cases, businesses need to turn their attention to a system such as ERP that allows for more access and capacity.

As businesses grow and begin to increase the number of transactions, the performance of QuickBooks often suffers. The speed of the system 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 high number of employees to be accessing it simultaneously and processing transactions concurrently. ERP systems are built to handle more traffic and deliver a consistent level of performance regardless of the level of activity.

When should a company consider upgrading to a mid-market ERP system?

There are several situations that emerge that 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 to businesses maintaining multiple QuickBooks files, storing key data in Excel or Access or re-entering 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 potentially result in costly entry errors and the inability to meet requests for information.

Changes in business environment could dictate a migration to a more comprehensive solution. New stakeholders may request more intricate financial data, and often an increased regulatory environment will require further controls to be implemented. 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 mid-market ERP system is the next logical step for their business, how do they make the proper selection? There are a host of products from many well-respected vendors such as Microsoft, Intacct and NetSuite, and the options can be overwhelming. One size does not fit all, and the deployment method, features and functionality are the most common considerations that determine which solution would be optimal for a company's unique situation.

A software selection consultant may be engaged to assist in evaluating options and planning ERP strategy. The selected provider will initiate a requirements gathering process followed by a fit analysis to determine the optimal solution for the company. Common questions to be answered during this process include what is the company tired of doing, what is working and isn't working and what needs to be integrated into the system. This will take the needs, wants and processes into consideration and a solution will be recommended based on those factors.

An organization must first define the business requirements and expectations for an ERP system. Companies should undergo a gap analysis to determine the performance level of their current system and how to reach the production level that is required moving forward. It is also beneficial to detail the features and functionality required from an ERP system prior to evaluations to eliminate insufficient options.

Any new system must be compatible with the IT infrastructure of the business. It is imperative for a company to work with their IT department to understand system capabilities as well as any limitations. The deployment method is also an important factor to consider, whether housing a solution locally or in the cloud. An in-house system would require dedicated servers, but some businesses may not have the internal resources to maintain them. When deploying a system in the cloud, a server is not needed, and an Internet connection is all that is required. The cloud is a very secure ERP hosting method, but if the Internet connection goes down, so does the system.

There are tradeoffs with both solutions. If a company chooses to host their system locally, at least one person is needed internally to maintain the server(s). If the cloud is chosen, it may be wise to invest in a higher level of Internet redundancy to protect against outages.

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, their products should be evaluated to determine what would fit the needs of the company, or could be modified to do so.

Each unique system provides features that may address a company's individual needs, potentially getting close to their requirements upon implementation and 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.

When evaluating available solutions, companies also must consider the capabilities of their accounting staff. Many companies that run QuickBooks do not have an accounting background; it is beneficial to have that knowledge, but the system can perform without it. However, when running an ERP system, someone needs to have knowledge of general accounting principles when configuring and supervising the system. From that point forward, 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 companies partner with a provider with a proven methodology and extensive experience in the discovery and planning process, there should not be any surprises.

Implementation

Companies sometimes attempt to implement an ERP solution on their own, and that frequently results in several difficulties. Because the implementation does not take place very often, it is problematic to estimate timing and cutover dates and, therefore, satisfy expectations. It is beneficial to choose an experienced implementation partner with a proven methodology to help ensure efficiency, protect against costly errors and deploy the new system on schedule.

Initiate
The initial step of the implementation process is to establish a clear vision of the bjectives of the project. The project protocols, team responsibilities and timeline should be effectively communicated up front so that there is no confusion later in the process. During this stage, information sources should also be identified to prepare for the following analysis and design sessions.

Analysis and design
In this phase, several key components of the project's scope are understood, such as the data and process flows, detailed business requirements, required data migration and integration with existing business systems. A determination will also be made related to how the system will best support the business needs previously identified and provide additional value based on best practices. Finally, documentation will be prepared to communicate system requirements, using the blueprint for the configuration and deployment of the new system.

Build and validate
During this step, the application modifications and product extensions are configured and tested. Data migration is then tested from the legacy system. System manager/pilot team training and user acceptance testing is also conducted, followed by the readiness sign-off for go-live and the plan development for end-user training and cutover.

Deploy
When the conclusion of the process nears, end-users are trained on the ERP system functionality and business processes. Once that is completed, the final data migration is completed, followed by the cutover to the new system. Go-live support is provided by the vendor and implementation partner.

Operate
Moving forward, ongoing support is provided as needed for an agreed-upon period of time. A project-close meeting is then conducted, with a subsequent transition to the support team.

Conclusion

The shift from QuickBooks to a more comprehensive ERP system is a significant effort to undertake, but it is a necessary process for growing businesses. Continuing to utilize a software package that does not fit the needs of the company could have several adverse effects, such as constraining growth, the failure of systems, fraud and inaccurate, insufficient business data. The process should be planned and evaluated carefully by company executives and an experienced implementation partner to help ensure that the ERP system selected and implemented can handle current and future expectations and encourage growth within the organization.

+1 800 274 3978
www.rsmus.com

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