How to Choose an Accounting System

Who should consider choosing a new accounting system?
Do any of these describe you and your organisation?

- You are a fast-growing company and need a system that can grow with you.
- You have international requirements that aren't being properly met.
- Your company has outgrown your current system.
- Your processes have changed the way you do business.
- You want an e-business solution with an integrated financial backend.
- You've got a legacy system—some "old iron" customised for your organisation—which people may not necessarily like, but they understand and can use without much effort.

Many organisations stay with their current accounting system too long. It's comfortable to use something that's known and understood. There's usually fear involved (or at least a strong apprehension) with switching to something new and unknown. Plus, there are significant time and resource issues, including the cost to change and the time needed to learn the new system. But comfortable doesn't always cut it—especially when it comes to the financial health and longterm success of your business.

What a good system delivers

Properly installed and implemented accounting software can contribute many benefits to your organisation, including:

- **Better decision-making capabilities**

Sound accounting software can provide both a snapshot-in-time look at your organisation, as well as the detailed reports and other data necessary for long-term strategic planning.

- **Improved cash flow**

Cash management is essential for all businesses. Integrated billing, inventory, accounts receivable and accounts payable allow you to manage that valuable cash more easily and efficiently. Better cash management provides your organisation with more options for revenue-generating campaigns and long-term growth.

- More accurate information

With fully integrated accounting software, you'll not only have more information at your fingertips, you'll have more accurate information.

- **More control**

Integrated accounting software provides real-time access to your organisation's critical financial information. This provides you with greater control and the ability to more efficiently manage the components of your business.

- **Productivity Improvements**

A good system will stop the need to enter transactions or information more than once. Many companies have to enter some of the results for reports manually into their spreadsheets. They also need to do manual calculations to get all the data from different sources together for say budgeting. A good system will not need that to happen.

- **A foundation for growth**

The right accounting software can help you as your organisation grows: expanding as your business expands, allowing for additional users and offering the kinds of reports and other business intelligence data required.

Do more now

The challenges to successfully choosing, installing and implementing new accounting software are many. But so are the opportunities—to gain greater control of your organisation's financial affairs, to make better decisions, and to improve cash flow, among others. The remainder of this document describes the six steps to successfully selecting accounting software:

1. Involve the right people
2. Define the challenge
3. Choose a consultant
4. Evaluate application performance
5. Choose a software vendor
6. Implement the system

1.Involve the right people

Your accounting software generates information used throughout most of your organisation. That's why choosing new software shouldn't be delegated to a single department or manager. Participation across functional groups will help you select, implement and use the best possible financial software solution. There are, in general, five groups of people who should be involved in the selection process:

System Users

These are the people who will use the software daily. They need the software to be user-friendly, logical and efficient.

System Managers

Managers supervise the system users. These system managers must understand the financial information and reporting needs required by upper management, and then direct system users about how to effectively use the system.

System Customers

Financial information customers can be found throughout the organisation, in every department and at any level. These people rely on the reports, summaries and other data generated by the accounting system to make decisions and otherwise manage their particular group or department. System customers may not necessarily understand accounting fundamentals, but they do require the information supplied by the software.

System Sign-offs

These are the people who must give final approval to acquire the system. Typically this group includes representatives from Information Systems (IS), accounting and the executive management team. The company CEO may play a prominent role in selecting the system, or may delegate this task downward.

IS Staff

Representatives from the organisation's IS staff should be closely involved in the accounting software selection process and typically play key roles in the software's installation and ongoing upkeep.

2. Define the challenge

Understanding your business's financial information capabilities and weaknesses is critical to selecting the appropriate accounting software solution. The more you know about the challenges you expect the software to solve,the more informed decision you'll make.

Questions to ask

What are some of the challenges your organisation currently is experiencing with its accounting system? Questions you might consider include:

- What areas are causing the most pain now?
- How are system problems negatively impacting your organisation?
- What information/reports are being requested that currently cannot be created/delivered?
- How could your accounting solution integrate with your e-business initiatives?

Make a list of the challenges you are currently experiencing. Then create a second list of what you'd like to do but are unable to do now. This information should become your core list of requirements when evaluating new accounting software.

Other questions to ask

What information do I need to make strategic decisions?

This could include results from budgeting and modelling your business. It might include current gross profit by product, customer or salesperson. You probably want to predict which customers and products are growing and which are declining. You may want to use financial ratios to measure your company's performance against competitors. Your general ledger can show key profit and cost centre performance against budget to help you evaluate each group's effectiveness.

What do I need to accurately forecast and control my cash flow?

Because cash is the lifeblood of a business, forecasting cash flow should be a key element of your accounting system. Sales order and purchase order tracking will also be invaluable, since they provide advance information about future cash inflow and outflow. Other elements that effect

cash, which must be accurately monitored, include manufacturing workflow, shipping, receiving workloads and the movement of materials.

What information do I need to manage my assets?

Accounts receivable and inventory are often the principal financial assets of a business. Most of your company's cash is tied up in these assets, so small swings in the amount of either of these two can have a huge impact on your cash flow. Your payback from exerting more control over your assets is easily visible and immediately apparent.

What do I need to change in order to grow?

Many businesses automate for the wrong reasons, or computerise functions that offer little payback. First, apply your resources to the areas with the most benefit to your bottom line. You can determine these areas through careful study and analysis of your accounting system.

How flexible can we be?

It makes sense to consider accounting software that has been created specifically for the general size of your business. Even following that general guideline, however, realise that few organisations use accounting software "as is." Most businesses customise one or more aspects of their accounting software. Those organisations that are most adaptable and attempt to integrate the most customisation and flexibility will receive the most out of their accounting software solution. You shouldn't have to change the way you do business to suit your accounting package. Make sure the accounting solution you choose is flexible enough to adjust to your business requirements.

3. Choose a consultant

It's possible that your organisation has the internal staff to successfully implement your new accounting system. It's more likely, however, that you don't have the people or time resources—or expertise—to devote to analysing, purchasing, installing and maintaining a system. A software consultant can help considerably. Consultants have special expertise—they've been through the purchasing and implementing process many times. And while they charge fees, they can help your organisation in three significant ways:

1. Evaluate and select the best accounting system for your organisation.
2. Save time and money during system installing and subsequent training.
3. Get the most out of your new system based on the system's capabilities and your organisation's requirements.

Some of the best consultants are accounting software resellers. Most accounting software products are purchased through resellers. Therefore, they can focus their complete attention on helping you automate business systems. Software resellers have a valid stake in your organisation's success, as they want to continue servicing your company in the future.

The ideal consultant

The ideal consultant to work with is someone who has reviewed and installed accounting systems at businesses similar in size and scope to yours. To learn what types of organisations a consultant has previously assisted, simply ask. Here are some questions to ask a prospective consultant or reseller.

Can the reseller provide references?

Ask for contact names and phone numbers, then call to learn as much as possible about the customers' working relationship with the reseller.

Can the consultant provide a complete service package?

Critical elements of any software implementation are product training, technical support, and future maintenance and upgrading. Look for a reseller who wants to assist you not only with the immediate sale and installation, but also with longer-term training and service.

Does the reseller listen effectively?

This question separates the true consultant from the person peddling a product. To make the best recommendations for your organisation, a reseller must first learn about your organisation—including its current capabilities and those missing (but required) items or functions. Has the reseller attempted to learn as much as possible about your organisation? Has the reseller spoken to more than one person within your company?

Does the reseller communicate clearly?

Be wary of resellers who spend all their time discussing features—what a program does. Your focus during discussions with a reseller should instead be directed toward what benefits the accounting software can bring to your organisation.

Do you think you can work with the reseller?

While purchasing accounting software is a business transaction, you'll be working closely with the reseller over a period of days, weeks, maybe even months. Hence, it's important to find a consultant who you enjoy working with, who is a good fit with your company's philosophy and culture, and who you feel will provide the necessary expertise and consultation in a professional way.

4. Evaluate application performance

Once you have selected a reseller or consultant to work with, take time to review specific software applications.

Here's a secret most accounting software companies won't tell you: the vast majority of accounting programs perform basically the same functions. Naturally, how they do specific tasks varies greatly. Does this mean you can't go wrong when it comes to choosing accounting software? Not really. There are substantial differences among programs, what kinds of information they deliver, and the companies that create accounting software. Here are several of the key elements to consider when reviewing various accounting software solutions.

The company

Are you familiar with the company that makes the software? Are they a respected name in the accounting software industry? How long have they been in business? What is their vision for the future, both of their own products and the accounting software industry as a whole? Obviously, you don't want a "here today, gone tomorrow" organisation as their software will be unsupported.

Scalability as a product

Scalability is a fancy word for a simple concept: can your software expand as your business grows?

There are two elements to a product's scalability. The first is scaling up—does the software manufacturer have a family of products that your organisation can upgrade to over time in a logical, easy and cost-effective manner? When considering future upgrades, ask these questions:

- How easily/quickly will existing data convert to the new version?
- Will the interface of the different software products remain the same? (The same interface significantly reduces the amount of training needed.)
- What price incentives, if any, are offered to current customers who want to upgrade?
- Will customised reports and other customised features run when the new software is installed, or will these be lost?

The other element to consider is whether the family of software allows for scalability out—can you add elements to enhance the existing software? The best software solutions allow scaling out by offering:

- Numerous optional modules in addition to core modules.
- Third-party products.
- Availability to customise functions, reports, etc.
- Web store and/or e-business capabilities and integration.

Speed of implementation

Implementing a new accounting system is a major undertaking. A key issue to understand is how quickly and efficiently the new software can be up an running. Ask your consultant or software vendor how long it takes for a standard installation and what factors may increase or decrease the amount of time needed.

Ease of use

Business, in general, and accounting in particular, can be complex; you want an accounting solution that's simple, logical and easy-to-use. Consider these questions during your review process:

- How simple and easy-to-use is the software interface, the primary screens where data is entered or otherwise managed?
- How easily does navigation take place between modules of the software?

- What type of software documentation and training will be provided?
- How strong are the software company's technical support and customer satisfaction departments?

What's underneath the iceberg?

Most accounting software solutions include basic components. Review carefully what a program doesn't have as part of its core modules; available options, while nice to have, can also quickly become expensive.

Attempt to discover what each program has "below the water." Are options such as multicurrency conversions, reporting capabilities, or invoicing features, to name a few, included in the core program, or only available as costly add-ons? Ask your reseller for help here; develop a complete understanding of what each program contains and how much each optional function will cost.

E-business capabilities

Within the next ten years almost every business will do business over the Web in one form or another. With this in mind, it's important that your accounting software be robust and versatile enough to:

- Offer e-business capabilities
- Integrate tightly with Web-store software

Building and running a Web store in particular is a huge challenge. So too is maintaining a site that operates 24 hours a day, seven days a week, 365 days a year. The best accounting software solutions are those that link closely with Web-store and other Internet software. These solutions allow your organisation to operate more efficiently and realise greater economies of scale. Again, ask your consultant for guidance. This long-term thinking is critical to choosing the best accounting software solution.

Globalization

With the emergence of the Web, almost all companies will become global companies, in that they will buy and/or sell products in countries around the world. Here are key questions to consider regarding how global the accounting company and software are:

- Can staff login & work from home?
- Are multicurrency options supported?
- Does the company sell and support products in the countries in which you do business?
- Is the software available in languages other than English?
- Can the software deal with the various taxation and reporting requirements of these countries?

Other factors

Other key elements to consider when reviewing accounting software solutions include the following:

Capacity

This refers to the software's limiting characteristics.

What is the maximum number of customers, vendors or inventory items it can handle? How many line items can be included in a single invoice, sales order or purchase order?

Reporting capabilities

Does the software already have the capability to produce the reports that your organisation requires? If not, can customised reports be created with a minimum of time and added effort?

Ease of input

You want a system in which information can be entered quickly and efficiently: full-screen editing, embedded help systems, clear prompts, etc. You also want a system that does not require excessive mouse use, slowing down entry of information by continually forcing the user to switch between keyboard and mouse.

Data validation

How good is the software at preventing mistakes from being entered into the system? The program should test for errors (such as duplicate customers and vendors, incorrect item numbers and unreasonable amounts or dates). A good system also notifies the operator of unusually high quantities or unit prices for certain types of items and offers valid choices along with the notification message.

- **Error handling**

Find out how well each program prevents unbalanced transactions, and how users are stopped from deleting or otherwise losing important data previously in the system. Some systems provide detailed audit trails for errors to track who is making each change.

- **Security**

The degree to which sensitive functions and reports can be protected through passwords will affect how the program rates in security. Ideally, you should be able to specify which operations each user can perform at any given time. For example, a system with strong security would allow you to specify that your accounts payable clerk could only print checks on Thursday afternoons beginning June 1 and ending August 30. Some systems will even provide a report to verify when the check run was performed and by whom. For EFT functions, can you audit who changed vendors bank details with a before and after listing? Can you prevent operators in one cost centre from accessing & entering transactions in other cost centres? Are accounting system passwords integrated to network passwords?

5. Choose a software vendor

Now that you've reviewed the various accounting software possibilities, it's time to make a choice. It's important to realise that you're not only selecting an accounting system—you're choosing a company as well. Previously we'd touched on what to look for in a software company. Here is a more in-depth look at the factors to consider when choosing a software vendor to use.

A large installed base

How many organisations in your area are currently using the company's software? How many organisations around the world are using their software? How many resellers do they have?
If the company you're considering has a large installed base of current users, it's an obvious sign that they're probably doing something right. A popular product is a good sign that a company is stable and customer-friendly.
A large installed base also has a second benefit:
Third-party software manufacturers will be more likely to offer add-on software, worthwhile utilities, product training and other benefits that you can utilise once you install the software.

Frequent updates

Good software suppliers update their software frequently. They also make bug fixes available quickly and easily to resellers and customers via the Internet. Before you make a purchase, find out if the software publisher has a maintenance program in place that gives you access to updates as they become available.

An upgrade path

This is similar to scalability mentioned earlier. A good software company invests heavily in engineering and develops new product features and enhancements regularly. They stay abreast of new technologies and make sure their customers do too, particularly those customers with a quickly growing business.
A software upgrade—where you move to a similar but more powerful product—can give your company flexibility as it grows. Software upgrades also are desirable as they often cost far less than the retail price of the full program. A good software manufacturer, however, will provide product upgrades at reasonable prices or as part of a yearly service agreement.

A good technical support team

Your consultant will be a good resource regarding technical questions or other issues that arise. But you will still, almost certainly, rely on the vendor's technical support team as well. Questions to ask regarding the vendor's support team include the following:
- How many people are in technical support?
- How quickly do they take calls from customers?
- What are their hours of operation?
- What options are available for after-hours questions or concerns?
- What charges or service plans are involved?

6. Implement the system

Once you have chosen the vendor and product, and purchased the software, it's time to install the solution. If you've done your homework, this is an exciting part of the process. Please note, however, it can also be a frustrating time as well! It will take time to adequately and safely install the new software without damaging or otherwise invalidating your existing system. Inevitably, there will also be a few kinks to work out.

What is the best way to make the implementation process a smooth and successful one? Follow these guidelines:

Postpone modifications

One of the most common mistakes companies make is requesting extensive changes to packaged programs before installing and using them. Instead of trying to make a new system work the old way, wait until you understand how the new system works before attempting to change or customise it.

Provide good training

Even the best software can be a nightmare to the organisation if people are not properly trained to use it. People are the key to the success of any accounting software program. Good staff training is essential and provides the information, practice and involvement needed to get the most out of the software. Please note that different people within your organisation will have different skills and levels of experience with computers; one training class will probably not be right for every system user. Ask your consultant or software vendor for a training plan that will get everyone up to speed (at his or her own level) quickly. Ask about online training.

Keep people informed

Frequent review meetings during the implementation phase will also help people become familiar with the new system. Don't surprise users—let them know when changes will occur. As well, keep your management team involved during the implementation process through meetings, attending the training, etc.

Don't go too fast

Rushing the implementation can cause mistakes and unnecessary tension. Time your installation and implementation of the new software as close as possible to your organisation's slow time of year. When you are ready to convert to the new system, attempt to do so during a weekend, to minimise business interruptions. You may even consider converting to the new system on a module-by- module basis or running in parallel with your existing system for verification purposes.

Plan for ongoing review and evaluation

Plan to frequently review and evaluate the system based on desired criteria, such as one month following implementation, three months, six months, etc. Immediately inform your consultant and vendor of any challenges or questions. If staff know that you will be addressing any problems they are more likely to be patient and not sabotage anything new.

For more information on the systems offered by ERP Business Solutions phone +612 99062122 Or email sales@erp.net.au