This article addresses a key decision that owners and managers face at least once in their careers and relates to the software that they use to manage their business. The answers to the following questions are meant to assist the reader with their understanding of the balance between available human & monetary resources, overall business strategy and the organization of the firms operations.

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

✓ *What information do I need to make strategic decisions?*

✓ *What information do I need to manage my assets?*

✓ *What should I automate to grow?*

✓ *How flexible can we be?*

How many times have you said, "If it is not broken, then do not try to fix it?" **Why change at all?** Who should consider choosing a new accounting system? Do any of these describe you and your organization?

✓ Your small company has always used manual accounting as a low-cost way to do business.

✓ You are a fast-growing company and need a system that can grow with you.

✓ You have international requirements that are not 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 are using DOS software.

✓ You are using a PC-based spreadsheet (Lotus or Microsoft Excel) or an introductory accounting package (e.g., QuickBooks, Peachtree).

✓ You have a legacy system—some "old iron" customized for your organization—which people may not necessarily like, but they understand and can use without much effort.

Many organizations stay with their current accounting system too long. It is comfortable to use something that is known and understood. There is usually fear involved (or at least a strong apprehension) with switching to something new and unknown. Moreover, there are significant time and resource issues, including the cost to change and the time needed to learn the new system. However, comfortable does not always cut it—especially when it comes to the financial health and long-term success of your business.

What a good system delivers Properly installed and implemented accounting software can contribute many benefits to your organization, including:

- **Better decision-making capabilities** Sound accounting software can provide both a snapshot-in-time look at your organization, 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 organization with more options for revenue-generating campaigns and long-term growth.

- **More accurate information** With fully integrated accounting software, you will not only have more information at your fingertips, you will have information that is more accurate. Unlike a manual accounting system, where a great deal of time is spent cross-checking figures recorded in different ledgers (and where the potential for errors dramatically increases)—in a good computerized accounting system, information is entered only once and is used throughout the system.

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

- **A foundation for growth** The right accounting software can help you as your organization 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. However, so are the opportunities—to gain greater control of your organization's financial affairs, to make better decisions, and to improve cash flow, among others. The remainder of this article 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 organization. That is why choosing new software should not 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 organization, 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 president or CEO

may play a prominent role in selecting the system, or may delegate this task downward.

- **Information Systems Staff** Representatives from the organization'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 will make.

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

- Which manual tasks would benefit the organization by becoming automated?

- Where in the accounting cycle are you experiencing the highest productivity loss and the highest number of errors?

- How are inaccuracies negatively impacting your organization?

- 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 would like to do but are unable to do now. This information should become your core list of requirements when evaluating new accounting software.

Prioritizing your automation

Most organizations automate their business in the following order:

1. Word processing
2. Billing, accounts receivable
3. Accounts payable
4. Inventory control
5. General ledger
6. Sales order entry
7. Payroll
8. Purchase orders
9. Desktop publishing
10. Spreadsheets, forecasting
11. Custom-management reports

Five years after automating, companies were asked to rank applications from most to least beneficial. Here is what they reported:

1. Information for management decision-making (spreadsheets, custom reports)

2. Information for cash flow planning/forecasting (sales orders, purchase orders)

3. Billing and accounts receivable

4. Inventory control

5. General ledger

6. Payroll

7. Word processing

Notice that what most people consider basic accounting (general ledger) is way down the list of desired benefits. Information management, on the other hand, is at the top of the benefits list.

Other questions to ask

What information do I need to make strategic decisions? This could include results from budgeting and modeling 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 center 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 should I automate to grow? Many businesses automate for the wrong reasons, or computerize 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, realize that few organizations use accounting software "as is." Most businesses customize one or more aspects of their accounting software. Those organizations that are most adaptable and attempt to integrate the most customization and flexibility will receive the most out of their accounting software solution. You should not 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 is possible that your organization has the internal staff to successfully implement your new accounting system. It is more likely, however, that you do not have the people or time resources—or expertise—to devote to analyzing, purchasing, installing and maintaining a system.

A software consultant can help considerably. Consultants have special expertise—they have been through the purchasing and implementing process many times. Moreover, while they charge fees, they can help your organization in three significant ways:
1. Evaluate and select the best accounting system for your organization.
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 organization'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 organization's success, as they want to continue servicing your company in the future.

Finding a consultant   There are many ways to find qualified accounting software consultants. Here are a few proven ideas.
- Ask your IS department with whom they have previously worked.
- Ask colleagues for suggestions or recommendations.
- Attend an accounting industry tradeshow or seminar.
- Review accounting publications.
- Talk to your business associates, particularly in your industry.

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 organizations 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 organization, a reseller must first learn about your organization—including its current capabilities and those missing (but required) items or functions. Has the reseller attempted to learn as much as possible about your organization? 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 organization.

Do you think you can work with the reseller?   While purchasing accounting software is a business transaction, you will be working closely with the reseller over a period of days, weeks, maybe even months. Hence, it is 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 is a secret most accounting software companies will not 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 cannot 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? These are just a few of the many questions you should attempt to answer regarding the manufacturer of each accounting program under consideration. Obviously, you do not want a "here today, gone tomorrow" organization.

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 organization 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 customized reports and other customized 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 customize functions, reports, etc.

- Web store and/or e-business capabilities and integration.

Speed of installation Installing new accounting software is a major undertaking. A key issue to understand is how quickly and efficiently the new software can be installed. In general, the longer it takes to install the software, the more costly the installation process becomes—and the more possibility for errors or other interruptions to your core business. 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 is 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 is underneath the iceberg? Most accounting software solutions include basic components. Review carefully what a program does not 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 is 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 organization to operate more efficiently and realize 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:

- 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 organization requires? If not, can customized 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.

5. Choose a software vendor   Now that you have reviewed the various accounting software possibilities, it is time to make a choice. It is important to realize that you are not only selecting an accounting system—you are choosing a company as well. Previously we had 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 organizations throughout North America are currently using the company's software? How many organizations around the world are using their software?   How many resellers do they have? If the company you are considering has a large installed base of current users, it is an obvious sign that they are probably doing something right.   People and organizations vote with their checkbooks; 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 utilize 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. 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. Imagine purchasing a new car a year ago, and then seeing this year's model and wanting some of the new features. You cannot have those new features unless you purchase the new model! 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. Nevertheless, 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 is time to install the solution. If you have 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 customize it.

Provide good training Even the best software can be a nightmare to the organization 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 organization 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.

Keep people informed Frequent review meetings during the implementation phase will also help people become familiar with the new system. Do not 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.

Do not 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 organization's slow time of year. When you are ready to convert to the new system, attempt to do so during a weekend, to minimize 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.

Alter job titles to reflect increased responsibilities The implementation process will almost certainly present one or more employees with a chance to perform exceptionally or exceed what their role has been in the past. Extra work—evenings, weekends—may also be required. Reward these efforts with a spot bonus and/or a promotion.

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. Document all changes and customizations made.

Five Mistakes People Make when Selecting Accounting Software

Mistake 1: Not doing enough homework Analyzing and then selecting accounting software takes time and effort. Information is critical to selecting the most appropriate system for your organization. You are already a step ahead of most people because you are reading this white paper.

Mistake 2: Misunderstanding the benefits of automation Automating accounting and related functions can save your organization considerable time and effort. However, computers can never replace human intelligence, judgment, or hard work.

Mistake 3: Ignoring hard-to-quantify benefits It is difficult to calculate possible future gains in terms of increased productivity, better decision-making, and other factors after a new system has been successfully implemented. The results following the time-consuming selection and implementation of the best accounting solution can dramatically increase your bottom line.

Mistake 4: Passing the buck Top management and other key personnel within the organization must be involved in the selection and implementation process. Never rely solely on a consultant's recommendations or input.

Mistake 5: Thinking accounting software is only for accountants Accounting software will deliver results in the form of critical need-to-know information to every manager in the company. Do not select a system that will not provide detailed reporting and other company-wide information.

Services

COG offers a broad array of administrative and operational services. <u>You can choose which services best fit the needs of your business</u>. COG's professional staff can also perform an efficiency analysis to help identify areas within your organization that need attention.

Technology

Human Resources

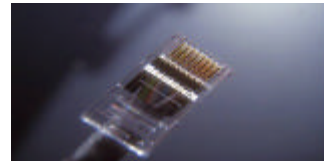**Financial**

Facilities

Consolidated Operations Group, Inc.
247 South State Street Suite 300
Chicago IL 60604

P 866.312.4264
F 312.466.0508
Info@emailcog.com

Visit our website at
www.consolidatedoperationsgroup.com
for additional ideas.