

Selecting Accounting Software

A Primer

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Abstract

Notwithstanding all of the marketing literature to the contrary, the selection, installation and operation of accounting software is not easy. In fact, it can be one of the most frustrating experiences any company will ever undertake.

Introduction

Notwithstanding all of the marketing literature to the contrary, the selection, installation and operation of accounting software is not easy. In fact, it can be one of the most frustrating experiences any company will ever undertake. The time wasted in the selection of a system that will be replaced is of minor consequence when compared with the staggering loss of productivity and profitability growing out of the chaos precipitated by an ill-suited accounting system.

The road to a successful software selection project requires a solid foundation, detailed information gathering and analysis, a step-by-step approach to selection, installation and implementation, patience, cooperation, dedicated and constant management and finally a little bit of luck. The key to all of these activities is a plan built upon a realistic assessment of your organization's strengths and weaknesses, including your ability to organize and manage what could become a lengthy and complex undertaking.

The selection process itself can be divided into any number of specific tasks and more detailed activities. Given the limited nature of this article we will discuss only the most significant steps.

- Educate yourself
- Define your objectives
- Justify the decision
- Organize yourself for success
- Organizational analysis
- Preliminary needs definition
- Preliminary needs analysis
- Detailed needs definition
- Detailed needs analysis
- Evaluate finalists
- Final purchase decision
- Installation and implementation
- Post implementation management

Educate Yourself

Any project of this magnitude and critical importance can fail simply because you get off on the wrong foot. If your objectives are not based upon what's practical for you as a unique group of individual people, everything that follows can carry with it a fatal flaw. If the benefits you attribute to the project are unattainable under any set of circumstances, it's very likely the project will fail to achieve its objectives, and might fail altogether.

Your first task is to take no direct action. Instead, spend some time educating yourself so that the decisions you make as you proceed will be based upon realistic facts, not dreams or the marketing hype of industry leaders. There are any number of articles that discuss accounting software and software selection. You should try to read and assimilate as much of this

information as possible. The more you read and learn about the potentials that can be released through an effectively deployed management information system, the greater will be your chances of achieving your objectives. In the end, the decisions you make, and the way this project is organized, should be yours and yours alone.

Significant advantages can be gained by using outside partners. Consultants, specializing in the selection and implementation of accounting software, possess a knowledge base that will be impossible for you to acquire, simply because this is their specialty. They have both the time and knowledge you do not. You don't necessarily have to involve outside consultants for the entire project, but the returns on even this investment may be worth it. You could utilize a consultant to help you analyze your current business practices and suggest improvements, both software and non-software related. You could utilize a consultant to help you define your requirements, or comment once your initial needs definition has been completed. Outside business partners can bring value to this process, possibly even more value than you might pay in terms of fees. Don't ignore this valuable resource simply because you want to save money.

Define Your Objectives

Define your objectives in detail before proceeding further. These objectives could be quite simple or they could become quite complex depending upon the need for changes in the organizational structures, processes and personnel that will surround the new system. Remember one very important truth. Accounting systems accomplish nothing by themselves. They require people to operate them efficiently, and organizational, operational and strategic plans that support them and which they in turn support. If your company isn't organized for success, nothing will happen, no matter how much you pay for software.

Justify the Decision

Just because you define a set of lofty objectives, doesn't mean these objectives make sense in the first place. The investment in a new accounting system, no matter whether it costs \$295 or \$295,000, must generate some measurable return, just as the investment in any other capital asset. The decision to switch accounting systems has the potential to increase productivity and profitability, but only if the system selected fits within the context of the organization's goals, objectives and abilities. If the system doesn't support the organization's strategic or operational objectives, or proves to be far too difficult to install, implement or use on a daily basis, then it isn't the right system.

When people use the term "justify" they think in terms of a monetary return and that certainly is important. However there is an equally important question you must answer and that is "Are you ready to undertake this project?" Before you proceed further perhaps you should consider the following readiness criteria.

- Recognize the need to change. As you look at your organization and its performance, you might want to segregate your analysis into two broad categories of strengths and weaknesses and opportunities for improvement. While specific problems are relatively easy to identify, that isn't the end of your analysis, just one of the starting points. You have to look deeper, and determine where you are, where you want to be, the most effective methods to get to where you want to be, and finally the cost/benefit relationship of each alternative. As you proceed with your analysis, please give your current system the same opportunities to improve. Before you make the decision to scrap your current system, ask yourself if it's possible to modify it, and achieve the same results.
- Accept the limitations of automation. While increased automation or switching from one system to another may stimulate improved efficiency or effectiveness, it's not the complete answer to improving profitability. The people operating the system, not the system itself, are your single most important asset. If they don't understand how to work efficiently, are not motivated to serve internal and external customers effectively, if they are not given

proper training and incentives and respect, the system you are about to purchase will have little or no effect.

- **Assess commitment to change.** Before any project of this magnitude can be undertaken people have to buy into it first before they will be willing to support it, much less take an active role. There is no doubt you have already assembled a core group of people who are keenly interested in this project and the benefits that will accrue to them or the organization. The problem is that this core group isn't enough. If you are going to maximize the benefits of the product you are about to purchase, no matter whether it's an entry level system or one serving 1,000 users, the success of the project will depend upon a vast majority of users standing behind the selection process itself. If they don't believe in the need to change; if they are not asked what they need individually; if they don't feel as though they have any influence on the purchase decision; if they see that no changes will be made to business processes or management attitudes, why should they do anything to support the system, much less help shoulder the increased workload as the system is being installed?
- **Assess your ability to change.** Even though you may have recognized the need to change, and have identified specific areas of the business or accounting system that need to be changed and to what degree, if you cannot manage effectively such a project, or your management and employees are not ready to change to the same degree you believe is required, the project's basic foundation will be compromised. There are two different potential problems you must examine and avoid. While people may be willing to support this project and participate fully, they may not, and probably won't, possess the skills to understand fully exactly what they need to do. In addition, you may not understand how to manage this process effectively, not because you lack the basic knowledge or ability to learn, but because you have never been asked to organize such a large project. In the end it all comes back to skills. Do you have the skills necessary to organize and manage this project, and do your employees have the skills necessary to participate in the process?
- **Accept reorganization as a given.** The selection of a new financial management system is but the means to some other end. The investment in technology is only one of the foundations for success, but will have little or no effect upon customer satisfaction or profitability if there are no corresponding changes in the skills of the people using this technology, or the supporting business processes that will surround and complement the new system. While your objective may not be the complete reorganization of your enterprise, some form of adjustments will have to be made to accommodate the new system. In fact, the problems you may be experiencing may not be caused by you current system at all.

Organize Yourself for Success

Although it may be possible for a bookkeeper or accountant in a small company to select an accounting package with no assistance from any other person other than the owner of the business, this isn't possible in larger organizations. People need to be involved in each stage of the project. Users should have the right to critique the current system, and define what they need to do their jobs well. People need to be involved so they will feel comfortable with the ultimate purchase decision. This is going to become a very complex project, requiring significant thought and, of greater concern, time on the part of a large number of people. Since each of these people has a regular job to do as well, coordinating their participation and input will require some form of plan. The larger the organization, the more complex the plan will become.

The selection plan itself will vary depending upon the size of the organization and the complexity of the system being installed. The following template is one plan that includes all of the significant issues that need to be addressed.

1. Solicit and receive complete support of all parties involved.
 - a. Owner/Manager/Executive: Once the decision has been made to automate, the project must be allowed to proceed to its natural conclusion. This means that executives must approve of the project and its objectives, participate fully and make sure that everyone understands that this project is critically important.
 - b. The Owner/Manager/Executive Must Be Willing To Change: While tacit support for automation might insure that the project is completed, the inability or unwillingness to change the way a company operates will impede or cancel any positive impact that automation may generate. The owner/manager/executive must accept the fact that automation may require changes throughout the company, not just in the accounting department. The fact that these people may not trust the figures produced or refuse to modify certain business strategies will dampen everyone's enthusiasm for the project, if not kill it completely.
 - c. Everyone Is Involved In The Process: Remember that new technology may be frightening to some people, and that new work methods cannot be imposed on people without there being some resistance. The project will not end with the installation of the chosen product. Those people who will use the system must be involved in the decision making process right from the start. If a system is imposed on them, there is a greater likelihood that they will consciously or unconsciously fight the system once installed. Their active participation in the process might even bring to light opportunities or problems which might be missed otherwise.
 - d. A Single Person Must Lead The Project: While the involvement of each person is critically important, this doesn't mean the project should be managed by a committee. The appointment of one person as coordinator will insure that the project doesn't stray from the most effective path. Committees are effective at oversight and making the final purchase decision, but committees are lousy when it comes to management of projects on a daily basis.
 - e. The Project Manager Has Everyone's Support: The project manager must be given the authority to direct everyone's activities. At the same time the project manager must realize that there is a significant difference between leading a project and becoming a general. Both factors must be present. Decisions must be made, and tasks assigned. The project manager (with the active support of the owner/manager/executive) must have the authority to delegate responsibility and make events happen. The efficiency with which these tasks are carried out will be greater if people respect the decisions of the project manager.
 - f. The Manual Accounting System Must Be Efficient: Analyzing and improving the manual side of the accounting system should be your first task. Automation will not fix an inefficient or ineffective information processing system, whether it's manual or automated. Automated accounting systems will not achieve their ideal potential, if the underlying methods by which information is processed are inefficient. As a matter of fact, many companies could improve their profitability just by improving the way they manage their business affairs. This has nothing to do with automation, nor will automation affect in any way the efficiency of a company that isn't properly organized.
 - g. The Company Itself Must Be Well Organized: The methods by which you choose to operate your business are more critical than any one accounting system. You must understand what your company must do well to succeed, organize it to achieve that goal, and provide your employees an environment in which they can achieve success on a personal level. Your employees must be given the tools, the environment, and the motivation to succeed. Without these being present, the accounting system stands little chance of having any impact.

- h. Prepare a Realistic Budget: Automated accounting is an asset whose purchase must be justified by some financial return. You must determine very accurately what the total cost of this investment will be. The cost of the hardware and software is but one part of the total investment in automation. The budget you establish must be realistic. One very significant hidden cost is time. Most people do not realize how much time is required to analyze needs in detail, study various products, test them, develop internal control systems, install the chosen product, and train people to use that product effectively. The process is long, but that's the only method of insuring the system will be successful.

2. Identify all Critical Elements

If the selection process is to achieve maximum success, all of the critical issues which have any impact on profitability must be identified. The only way this is going to happen is if you ask the right questions of the right people. The following list of questions may help you identify these critical issues.

- What does the company need to do well in order to succeed?
- How should each of the factors listed contribute to the overall success of the organization?
- To what extent does the accounting system affect each of the factors listed?
- What are the strengths and weaknesses of each of the success factors listed?
- What non-accounting system related improvements need to be made?
- What accounting system related improvements need to be made?
- Do certain aspects of the organization need to be changed because they might have a negative impact on the accounting system?

In addition to asking the right questions, you have to make sure you ask these questions of the right people. Each area of the business has different success factors and you must make sure you analyze every area such as

- Strategic Management
- Sales and Marketing
- Customer Service
- Production Management
- Production Efficiency
- Personnel Efficiency
- Financial Management

3. Develop Management Plan

As the selection project proceeds, a significant amount of information will be generated, meetings held, questions asked and decisions required and made. All of these tasks, people and information need to be managed effectively. Before you launch yourself into the project, make sure that you have created an effective management plan that will allow you to coordinate everything.

4. Form Project Team

It will not be possible for one person to shoulder the responsibility for every step in what could become a very complex project. Other people must be brought into the plan to assist either directly or indirectly. If your organization is large, you will need to appoint several people to a formal selection team to carry out some responsibilities directly as well as help make the final purchase decision.

There are no hard and fast rules with respect to who should be chosen to be a member of the project team, but one suggestion may help. Select a cross section from all levels in the organization from the executive level right the way down to clerical and operational people. In essence these people will represent everyone else at their level, report back to the people they represent and help ensure that the project has everyone's support throughout.

Other people will be involved indirectly in that their input (opinions) will be solicited but they will not be a member of the actual project team. The fact that these people will not be asked to make the formal purchase decision does not mean that they should be left out of the final decision making process. The success of this project will rest upon your ability to make sure that everyone really does feel as though they have been included. That's why your management skills will be critical.

5. Develop Operational Plan

The operational plan ensures that every detail of the project is accomplished successfully. This is the day-to-day plan that lists every task and person assigned to carry out that task, tracks each task and makes sure that the task is completed on time and correctly.

Organizational Analysis

Regardless of whether you might be purchasing no more than an entry level accounting system or one costing several hundreds of thousands of dollars, some degree of internal reorganization will be required. The selection process will give you the ability to ask yourself the very simple question "*What do we need to do very well in order to succeed in this market?*" Since the process of acquiring a new financial management system will require that you at least partially reorganize your accounting processes in order to either meet the requirements of the new system or take advantage of features and functions not previously available (and therefore not assigned to any one individual or work group), this is an ideal opportunity to expand your internal analysis to others areas of the business.

At a minimum you should look at the accounting processes, personnel and organizational structure of the accounting department itself. Depending upon the size and complexity of your organization, you might have to expand your analysis to all work groups and departments that will be using the new system. However, rather than just making sure the new system "*fits*", maybe you should at least look at how all of these people serve each other and your customers. Maybe you could be doing a bit better? Maybe you could be doing a lot better? Maybe your current accounting system isn't really that bad? Maybe the real problem is the way everything is organized? If you don't know, then you have already fallen into a trap.

Preliminary Needs Definition

The selection process shouldn't start by having you launch right into a detailed definition of required features, functions and reports. While you will reach that point, you have to begin by building a solid foundation for that detailed needs definition. You might want to start by asking each person open ended questions that give them the ability and the right to critique the present accounting system, suggest improvements, and of equal importance critique the organizational structure and processes that will surround the new system. In essence, this first step is an assessment of your organization as well as your accounting system. Since the structure and processes of your accounting system are just as important as the software itself, you should begin your project by asking people to critique everything. By doing so, you will be able to develop a generalized picture of accounting software related requirements, as well as learn how the organization itself might need to be changed.

The process of selecting a new financial management system isn't just about software. It's about creating a stronger foundation for success that forces you to look inward, and create a process that takes into consideration all of the factors which contribute to your success as a unique business entity. The following list may serve as an outline for these discussions.

- Build a sense of teamwork by giving each person, not just the right to participate, but the right to be heard and taken seriously.
- Begin to build a consensus of what needs to be done by holding open-ended meetings with all groups that will eventually participate.
- Identify the most important factors affecting your success as a unique business, whether they have anything to do with the accounting system or not.
- Determine what your customers want.
- Critique current system (software and business processes).
- Determine if specific business processes will require substantial improvement.
- Build a picture of the most important functional requirements.
- Build a picture of the most important reporting requirements.
- Consolidate software requirements into a high-level needs definition document that can be used to review potential candidates.

Preliminary Needs Analysis

It isn't practical to evaluate every accounting product in detail. Somehow you will have to pare your list of potential candidates from all possible choices to a more manageable number; say three or maybe a few more. This can be accomplished by selecting specific products because they come highly recommended, and/or by using one of several needs analysis programs available today or by comparing your Preliminary Needs Definition against the products you have previously identified as being likely candidates.

This is what could be called a high level analysis, concentrating only on the features which are of greatest importance to you. The objective here is to eliminate those products which clearly do not meet your most critical requirements or which do not meet nearly as many as other products. All you are doing is reducing your list of candidates to a number you can examine in detail without the process becoming burdensome.

Detailed Needs Definition

Once the preliminary analysis has been completed, you can begin to build a more comprehensive needs definition and it is this needs definition which will form the basis upon which you will make a final purchase decision. Start with the Preliminary Needs Definition. It should have listed your most important requirements. Now fill in the gaps, describing in detail every feature you will need. In essence this document will describe exactly how the new accounting system will operate from a functional, reporting and strategic perspective.

As you are working on this detailed list of requirements, please remember that the accounting system must serve the strategic needs of the organization as well as the informational needs of each employee or workgroup. Strategic needs imply that the accounting system must be able to help the organization complete in its existing markets as well as move into new markets.

Reporting needs imply that the system must give people the information they require to do their jobs better. It would probably be an excellent idea if you were to describe every report you require, its purpose, when it should be printed, what information should be included and in what order.

Finally, do not forget your numerical requirements. By this we mean account sizes and account descriptions. In the case of the chart of accounts this will also mean the number of segments you need (both now and more particularly in the future) and the size of each segment.

Detailed Needs Analysis

While the objective of the Preliminary Analysis is to reject products that clearly should not be carried forward, this detailed analysis is designed to identify a product's strengths as well as its weaknesses and therefore you can approach this task from both perspectives. If one product really does not compare favorably against your requirements while other products do compare favorably, then that product should be eliminated from further consideration. If you really like one product even though it may not compare quite as favorably as other products, it is perfectly acceptable to keep that product in the mix.

The analysis which will follow may become quite complex and certainly very detailed, particularly if your organization is of any size. Given this, you should create some form of scoring system using weights that lets you determine which products are best-suited. Requirements that are more important should be assigned a higher weight than other needs and by doing so the product that meets these needs will receive a higher score for that one requirement. Then you simply add the individual scores to determine a total score for the entire product.

It does not matter how many products you carry forward to the final evaluation. Three seems to be a good number but it could be two or five. If there is no compelling reason to eliminate a product, then it should be carried forward. Remember that this is just a functional analysis. The final evaluation will include a whole host of objective as well as subjective criteria and it would be a shame to eliminate a product that in the end most people in your organization really like.

Evaluate Finalists

Now you must evaluate the system itself from a practical basis, as well as evaluate the relationship you might establish with the software provider and/or reseller. Once all of the selection factors have been analyzed, a final selection can be made. This isn't a totally objective process, particularly for smaller companies where the single most important selection factor is the degree to which people *fall in love* with a particular product. For these users, functionality is less important than their ability to use the product. Rather than setting a single selection objective based upon functionality, smaller companies should look for a product people actually looking forward to using.

Since there are more selection criteria than we could possibly describe in a relatively limited article, perhaps some of the following questions could form the framework for this final analysis.

- *What are our present needs, and how well does the product meet these needs?*
- *What are our future needs, and how well does the product meet these needs?*
- *How well does the program function?*
- *Does the menu structure make sense?*
- *Will the product's operating procedures help us do what we need to do well as a business?*
- *Do the input screens make sense?*
- *Are the speed and performance of the product adequate?*
- *Is the product too complex for us?*
- *Is the product easy to use, not just for computer and accounting oriented people, but each class of employee who will have to use the system?*
- *Can the product be of immediate benefit?*

- *What modifications may be necessary to meet our most basic requirements?*
- *What modifications may be necessary as we grow?*
- *How comfortable do I and other users feel?*
- *What do current users say about the product?*
- *Has the product been reviewed in a trade publication, and what was the impression of the reviewers?*
- *How well does the product protect data?*
- *What level of support do I need, and can the vendor give me that support?*
- *How good is the documentation?*
- *What is my impression of the system the first time I see it operating?*
- *What is my impression of the system after I have experimented with it?*
- *How useful are the reports?*
- *How would I rate the vendor itself?*
- *How would I rate the VAR?*

As you evaluate each finalist keep in mind the fact that you must evaluate the vendor and more particularly the reseller in addition to the product itself. The reseller will be your business partner and as such you must feel comfortable with this organization in areas such as response and attitude, corporate stability, industry specific knowledge, abilities (hardware and software), common business vision, development plans, customer service, technical support, training programs, installation and implementation support and day to day support.

Final Purchase Decision

There is no *right* answer when it comes to selecting accounting software. If you are extremely lucky, one product will have moved to the forefront and impressed everyone throughout your organization. Even if that product may not be the top candidate from a strictly unbiased point of view, the fact that everyone likes the product and feels comfortable with it and the reseller with whom you will be working indicates that this product is the best one in this unique situation.

If no product falls into this ideal category, the final purchase decision may be a negotiated one where everyone accepts the results of the decision making process, even though they may not have rated the product as their first choice. The key in this situation is the development of a consensus with which everyone can live and one which preserves the integrity of the decision making process. If there are substantial objections to one product, those objections must be addressed otherwise you run the very grave risk of opposition to the new system and that must be avoided at all costs.

Installation and Implementation

Installation and implementation is no more than a series of physical tasks, carried out in a precise order, and managed by a precise in-depth plan. The enemy here is time. All normal accounting functions have to be carried out while the new system is being installed and data transferred. In addition, people have to be trained so that when they first start processing information they will be almost as proficient as they were on the old system.

Post Implementation Management

It won't be possible to complete all system and process modifications prior to going live with the new system. In fact it isn't advisable that you try to do so. Some modifications will have to wait until the core applications have been installed. Time may not permit some adjustments to the system until after it has been installed. New or modified reports may have to be designed. Some

adjustments to work flow patterns and job responsibilities may have to be made once daily processing has reached a stable level. The real underlying truth here is that no system is static. Business demands, personnel, product functionality and hardware options will change over time. Therefore, the system itself must change to meet these new opportunities and demands. If you accept the status quo, system performance, either actual or theoretical, will decrease. The only way to avoid this danger is to institute a continuous cycle of analysis and change. This isn't change for the sake of change, but real change that leads to greater service, efficiency and effectiveness, and therefore profitability.