

The 6 Costly Mistakes that Managers Make When Selecting an Accounting Package and How to Avoid Them!

White Paper



Welcome

Thank you for downloading this invaluable industry white paper.

It summarises the many years of experience we've had in providing independent help and objective advice to businesses of all sizes and industries who are selecting new accounting systems.

Although we've focussed on accounting systems, the principles outlined apply to almost any business software selection project that affects a large number of users with different interests and priorities.

In the pages that follow, you'll find details of 6 common, costly mistakes that we've encountered, plus advice on how to avoid these pitfalls.

We encourage you to share this white paper with your colleagues and pass it on to anyone you know who may be thinking about selecting some new business software.

By avoiding the problems we've noted below, your selection process will be so much easier, and you could save an awful lot of time and money!

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Learn from the mistakes of others. You won't live long enough to make them all yourself!

-- Martin Vanbee

We do not sell any accounting software, and do not accept any commissions or other payments from accounting system vendors.

As such, we act in your best interests and our advice is completely independent.

-- Jeff Robson, Mailbarrow

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Not all accounting packages are equal!

The term “accounting software” really is a misnomer once you move beyond low-end packages such as MYOB and Quickbooks because mid/high end accounting software packages can do so much more than just manage your debits and credits!

In medium-large companies, accounting software usually forms the core information system that is responsible for managing the entire company’s key information.

Financial data is just one component of a system that may include customer contact and relationship management, sales force management, resource scheduling, document management, workflow, supplier portals, web-based shopping carts, service schedules, quality assurance monitoring and much more.

By integrating all your islands of information, the right accounting system makes a significant positive contribution to your bottom line by providing a substantial competitive advantage. **It is literally the platform that takes your business to the next level!**

Conversely, if you select an accounting system that just doesn’t work in your business, it can cost tens or even hundreds of thousands of dollars in lost time, productivity, and additional software costs.

Since accounting software is such a major investment and such an important business platform, it’s worth spending a little time and money to go through the proper processes and avoid any costly mistakes.

If you don’t have information that is accurate, reliable, complete, and timely, how can you and your staff make the best decisions for your business?

The most meaningful way to differentiate your company from your competition is to do an outstanding job with information.

-- Bill Gates

The greatest businesspeople I’ve met are determined to get it right no matter what the cost.

-- Michael E Gerber

The 6 Costly Mistakes That Managers Make When Selecting an Accounting Package

Costly Mistake 1: Buying an Accounting package without due process to consider the available alternatives

Many people rush the process of choosing new accounting software.

They'd rather get on with the "real" work of implementing a new system than do some planning to ensure they get the right system first.

Unfortunately, some people leave out vital planning steps such as working out what the various users need, documenting everyone's requirements, taking an inventory of the company's current hardware and software, and examining the range of suitable alternative packages available.

By failing to plan properly, they inevitably end up with a solution that is less than optimum (at best), or a total disaster (at worst).

Both scenarios lead to wasted time and money.

To avoid these situations and comply with shareholder and board expectations for due process, you need to spend some time planning, assessing, and analysing both your company's requirements and the available alternatives.

An objective, industry expert may be useful in guiding you through this process.

The cautious seldom err.

-- Confucius

We were looking for an industry specific solution and Mailbarrow were fantastic in supporting us through the process, asking the suppliers the hard questions, and making sure all the bases were covered.

Thanks guys!

-- Services client

Costly Mistake 2: Not comparing “apples with apples”

There are more costs involved than just the software itself. A package that looks less expensive than another may actually end up being more expensive when you consider all the costs!

- What if your hardware or existing infrastructure needs upgrading?
- How long will it take to implement?
- What are the ongoing maintenance and support costs?
- How many licences have been included? How much do extra licences cost? Can they only be purchased in lots of 5 (for example)?
- Have some costs been left out because some features you need (which are included in one package) are only available as an additional module in another package?
- How much customisation will be required and what will that cost?
- Will the vendor need to write new modules specifically for your company? What will the cost of those be? Given that it's effectively a new piece of software, how will it be tested? Who will pay for this? If you pay for it, who owns it? Can the vendor sell it to a competitor?

If you only get some of the information, you can't really compare “apples with apples”. You need to ensure that as much as possible, you're comparing like with like.

There will always be some extra costs once the full scope of the project is documented in detail but if you can accurately specify what you need up-front, you should be able to minimise the unpleasant surprises.

People who are exceptionally good in business aren't so because of what they know but because of their insatiable need to know more.

-- Michael E Gerber

We initially decided not to use a consultant when upgrading our accounting system, but quickly found that the huge range of different packages was a totally overwhelming.

We had one supplier telling us we needed their system, while another was telling us we needed theirs which cost more than 10 times as much as the first!

Mailbarrow were incredibly useful in sorting everything out for us. We now have a great system - and one that is the right fit!

-- Retail/Wholesale client

Costly Mistake 3: Buying an Accounting package on the basis of a friend's recommendation, or because another company in your industry uses it

When a business is small, often the biggest consideration in selecting accounting software is "What does my accountant like?"

Because the needs of a small business are quite simple, a generic low-end package will normally provide sufficient functionality for most requirements so it's usually just a matter of personal (or accountant) preference.

More than likely, a small business can make do with whatever system they've purchased and use spreadsheets, other software, or even manual systems to handle any missing functions. It may not be fully integrated or entirely automated but the additional overhead will be small enough that the system will still be adequate for their purposes.

Medium/large businesses however often have very specific requirements for their own particular processes and procedures, and no two businesses are exactly the same.

Two companies could be in the same industry, yet the way they do business is quite different and hence the software they need to support their business is also different.

For this reason, it can be a very risky approach to simply select an accounting package based on the recommendation of a friend or another similar company.

If there are packages that have been recommended by a trusted source, those recommendations should certainly be taken into account when compiling the list of potential vendors.

However, there is a significant risk if the selection process is blindly limited to only those packages.

When a man has not a good reason for doing a thing, he has one good reason for letting it alone.

-- Sir Walter Scott

Costly Mistake 4: Buying too much and paying for features you don't need

When companies purchase accounting software, there is often a tendency to over-specify the features they require.

It's like purchasing that extended warranty on your refrigerator – at the time, it seemed like something you should have, but do you know anyone who has actually used it?

The challenge with documenting accounting system requirements is to distinguish between what is actually a requirement and those features that are really just nice-to-haves.

There are a lot of requirements that are similar between businesses – but there are also a number that distinguish one business from the next, and those are the key requirements to document.

If your requirements include “everything under the sun”, you'll probably pay too much because you'll purchase features that you either don't really need or won't fully utilise (or both).

An experienced consultant will help you discern which features you need, which are unique to your company, and which are non-essential.

Waste neither time nor money,
but make the best use of both.

-- Benjamin Franklin

Costly Mistake 5: Buying software to solve an immediate problem without considering the long term needs of the business

As illustrated in our white paper “The 8 Key Phases of the Accounting Software Lifecycle” (available at www.mailbarrow.com), one of the phases a company often goes through is declining satisfaction with their existing accounting system.

Maybe you’ve outgrown your existing systems and the manual, non-integrated systems that are used to cover deficiencies in the existing accounting software are really struggling to cope with your company’s present size.

Maybe your business has gone in a new direction; purchased another company; or merged operations; and so what was once a very useful accounting system is no longer adequate.

Possibly the accounting software itself just hasn’t kept up, or the local vendor is no longer suitable.

Whatever the reason for deciding that you need new accounting software, there is often an immediate problem that must be solved as quickly as possible.

Whilst an immediate problem may be the primary driving force behind the decision to change accounting systems, if that’s the only consideration you have, you could be looking at changing your software again relatively shortly.

An immediate problem is a great catalyst but it’s too short-term – you need to try to imagine where the business will be five years from now and anticipate what some of the requirements will be at that point.

With that in mind, your decision could be quite different compared to searching for something that simply solves the immediate issues.

Business is going to change more in the next ten years than it has in the last fifty.

-- Bill Gates

Costly Mistake 6: Buying a package that's outdated, not well-supported, or based on dying technology

If you aren't a technical person, you probably won't have much interest in all the "geek-speak" about what technology the software uses or requires.

However, the technicalities are vital because there is software available that's based on outdated technology, and purchasing this can be a very costly mistake.

For example, what if ...

- you're not able to integrate your other systems with it;
- you're locked into a very small selection of companies who charge high fees yet provide poor service;
- the technology isn't sufficiently scalable or robust to grow with your business;
- you want to use modern software tools to access or manage your data and find that they don't work with your technology.

Any or all of these scenarios could occur if you don't have an understanding of the software's technology.

Be not the first by whom the new is tried, Nor the last to lay the old aside.

-- Alexander Pope

I really like the fact that you've been with us all the way through our selection and implementation process.

It's been incredibly helpful to have someone independent to talk to as the different issues have come up.

I really appreciate your help on this one. Thank you.

-- Manufacturing client

Similarly, if you're purchasing a package, you also need to ensure you can get adequate support when you need it.

- Is there local support for the product you're considering? If not, what additional costs and time delays might this cause?
- How many other clients does the vendor have? Are there any that are similar to your business (ideally, located nearby)?
- How long has the local vendor been in business? Are there other alternatives if that company is no longer able or willing to support you?
- What track record does the local vendor have with the software package or modules you'll be using? If you're going to be their "guinea pig", you need to be aware of that, ensure you're happy with it, and negotiate some discounts for effectively training them.

Knowing your numbers is more than balancing your books each month. It's being able to use data for marketing and sales as well as for financial purposes.

-- Bill Gates

How to avoid the 6 costly mistakes managers make when selecting an accounting package

The keys to avoiding the costly mistakes that are often associated with selecting accounting packages are the *adequate allocation of properly skilled resources and the use of a best practice approach.*

When companies attempt to cut corners to save dollars in the short-term, it often ends up costing far more in the longer term.

It just isn't worth it.

You're far better off doing the project properly from the start.

Systems Selection Objectives

Your objectives in selecting a new accounting package may be:

- Obtain a package that solves the problems created by the existing system and bridges the gaps that exist.
- Obtain a package that has the capacity and flexibility to provide a solid platform future growth.
- Obtain a solution that provides maximum relevant features yet also meets time and budget constraints.
- Arrive at a suitable solution as efficiently as possible.

To achieve your objectives, you can either handle everything using your in-house resources, or you can use a suitably experienced consultant.

A bad beginning makes a bad ending.

-- Euripides

In-house or Consultant?

The use of in-house resources works well if you have staff who are experienced in accounting software selection and have sufficient time available to ensure the project is completed successfully within the desired timeframe.

If this is not the case, the use of a suitably experienced consultant has a number of advantages:

- The Consultant has been through the process many times before and you can leverage this experience in your business.
- Because the Consultant doesn't have any other roles within your company, he/she can cut across divisional borders, focus solely on the project, and ensure that it is completed to your requirements.
- Projects that are allocated to staff who already have many other responsibilities will often take much longer than expected. Using a consultant is a useful way to make sure the work gets done as quickly as possible.
- It's unfortunate, but often the recommendations of a Consultant are taken more seriously by senior management than those of internal managers. You can use this to your advantage however by having the Consultant involve senior management in the project and make recommendations to them.

Plans fail for lack of counsel, but with many advisers they succeed.

-- Proverbs

Where to now?

Purchasing and installing a new accounting system isn't the same as installing Microsoft Office ... because an accounting system effectively underpins almost every aspect of your business, there are so many more issues to consider.

Selecting and implementing a new accounting system also takes a lot longer and costs much more!

If you're involved in an accounting systems selection project or even considering embarking on this process, make sure you get a copy of our free white paper "**The 8 Key Phases of Selecting an Accounting Package**" by downloading from our website <http://www.mailbarrow.com/whitepapers.php> e-mailing consulting@mailbarrow.com or calling us on +61 8 9321 9355.

Given that it's such an important foundation of your business plus it consumes so many resources, it makes sense to spend some time in the planning phases to make sure you get the best possible solution for your business.

If you have suitably experienced staff in-house who also have sufficient time available to devote to the project, that's great.

If not, then an experienced Consultant may a better option.

Contact Mailbarrow

If you're considering the advantages of using independent, experienced Consultants to assist you select new accounting software, contact Jeff Robson and the team of Accounting Systems Specialists at Mailbarrow.

The first opinion that is formed of a ruler's intelligence is based on the quality of the men he has around him.

-- Niccolo Machiavelli

We have many years of experience in providing independent help and objective advice about accounting systems to businesses of all sizes and industries.

It's all about finding the package that's best for your unique situation – something that isn't too big and complex, yet still has sufficient functionality to allow you to run your business properly both today and in the future.

So why not use our expertise and leverage our Consultants' experience to ensure you get the package that fits your business best.

Contact Jeff Robson to arrange a confidential discussion of your needs and transform your selection process!

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The best is the cheapest in the end.

-- Unknown

About the author

Jeff Robson

B.Comm (Accounting & Information Systems), CISA, AIMM, Excel Expert

Jeff Robson is the Principal Consultant of Mailbarrow, a Perth-based IT consulting company that specialises in helping clients select the best possible accounting system for their business.



- Jeff holds a Certified Information Systems Auditor qualification from the Information Systems Audit and Control Association.
- He has 10 years experience with financial systems development, 6 years experience in Information Systems Audit, and worked for 4 years in external financial auditing.
- He has been involved in many software selection projects for clients from a wide variety of industries.
- His skills encompass the full range of selection processes including software assessment, business analysis, requirements definition, business process review, establishment of key performance indicator systems and financial reporting.

About Mailbarrow

Mailbarrow provides IT Management Consulting services to help businesses gain a competitive advantage by applying the strengths of Information Technology.

mailbarrow IT management consulting			
roles	1. review (clarity & direction)		
	2. strategy (decision & planning)		
	3. implementation (action)		
products & services	management reporting & decision tools e.g. excel, access, business intelligence	new & replacement systems e.g. accounting & ERP/MRP, business software	risk management & assurance e.g. IS audit, risk management, IT review, litigation support

Our key skill is the ability to bridge the gap between business and information technology, thereby providing value through our understanding of both areas.

We translate complex technology issues into simple business terms, and business objectives into IT systems, procedures, and processes.

Additional resources

Here is some additional information that you may find useful as you consider selecting your new accounting software.

Area	Suggested Resources
Additional White Papers	<p>“The 8 Key Phases of Selecting an Accounting Package” essential reading for anyone involved in the process of selecting a new accounting package! It provides details about what's involved in each phase, issues to consider, and useful information about how to avoid the pitfalls.</p> <p>To obtain your copy, download from our website http://www.mailbarrow.com/whitepapers.php e-mail consulting@mailbarrow.com or call +61 8 9321 9355.</p>
Accounting Systems Selection Consulting	<p>We provide a comprehensive consulting service to companies considering a new accounting system, providing expert advice and assistance through each step of the process.</p> <p>To see how we could help with your accounting systems selection project, call us on +61 8 9321 9355, e-mail consulting@mailbarrow.com or visit http://www.mailbarrow.com/services_accounting.php</p>
Excel Consulting	<p>Spreadsheets are often a large part of a new accounting system eg reporting, budgeting, planning, analysis etc. We provide Excel consulting services to companies all over the world to help them get more out of Excel, improve their business systems, and save time and money in the process!</p> <p>To see how we could help with your Excel project or issue, call us on +61 8 9321 9355, e-mail consulting@mailbarrow.com or visit http://www.mailbarrow.com/services_excel_web.php</p>
Excel & Microsoft Office Training	<p>Your staff may need additional skills in Excel and other Microsoft Office products in order to prepare for the transition or to fully utilise your new accounting system.</p> <p>Unlimited access to a complete online training library for one low annual fee. All the training you need, all in one place!</p> <ul style="list-style-type: none"> • http://training.mailbarrow.com