15 Tell-Tale Signs You Should Replace Your ERP Accounting Software

SHOULD YOU REPLACE YOUR ERP ACCOUNTING SOFTWARE?

INTRODUCTION

We've been around more than quarter of a century and we've seen thousands of companies struggle with technology seeking their next strategic business system. We've seen companies pick the right product and we've seen them make huge mistakes leaving them with a tangled mess, bad data, and crippling debt only to have to go through the process again. Replacing your business software isn't easy. It can (and should) take many months to evaluate vendors and products and to eventually select a business system. And it'll take you at least another couple months to implement the basic system which is where most companies stop and become complacent – never returning to setup the advanced features available to them in their application. It's no wonder why most companies keep their business software for at least 10 years (about 12-15 years for mid-market companies).

In her July 18, 2017 story, [The Real Cost of Aging IT Systems](#) on Excella.com, Stephanie Vineyard writes, "Data creation is exploding, but legacy systems remain ubiquitous and continue to power the business world. It is estimated that close to $3 trillion in daily commerce continues to run through 60-plus year-old COBOL systems. Just two years ago, it was reported that the banking and insurance industries spend close to 75% of IT budgets maintaining workhorse systems, such as these COBOL systems." This is just one of hundreds of accounts showing how reliant businesses are on technology and how difficult it can be to move to new platforms.

The big question is this: When is the right time to switch software and what are the tell-tale signs that the time is now and not later? This white paper is based on our years of experience working with thousands of companies that were faced with this same question. Our goal is to help you and your team to understand what to look for and to put some hard data to the inefficiencies caused by staying with the wrong software for too long.

Total Cost of Ownership of Business Software

First, we must understand the cost of replacing a complex, midmarket This can be difficult to standardize as different vendors have so many variations of their pricing models based on user counts, transactions, types of users, and deployment method.

Business software vendors traditionally sold their software as a perpetual license meaning that the company purchased it as they would any other business asset and wholly owned the software. They were then charged an annual maintenance and support fee to provide access to new versions, bug fixes, and support. Maintenance and support contracts were typically 15% to 30% of the cost of the perpetual software license.

Most accounting and ERP software is now sold as a subscription which may be referred to as software as a service (SaaS). In a SaaS model, most vendors charge a flat fee for a subscription to the software for various configurations or modules. The maintenance and support is rolled into the subscription price. Few vendors offer monthly subscriptions with the majority offering annual subscriptions by default and discounts for payment up-front for multi-year contracts.

Note that the cost of any business system will depend greatly on the number of modules you need. All estimates provided below are for an accounting-only system with typical modules such as General Ledger, Accounts Payable, Accounts Receivable, Bank Reconciliation, and Purchase Order. You can expect to double all cost estimates below if you are a distributor and require sales orders, inventory management, and warehouse or barcoding modules or if you're a professional service firm and require project accounting and time entry. Triple the cost estimates below if you're a manufacturer and need bills of materials or recipes/formulas, work orders, material requirement planning, scheduling, and other manufacturing modules. Again, these multiples apply across all cost elements – the license fees, maintenance and support, and the required professional services.

Purchased Perpetual Licenses

Companies outgrowing entry-level accounting systems like Intuit QuickBook should expect to spend an average of about $1,500 per concurrent user (the number of users in the software at any given point in time) for a purchased perpetual license where you own the software. Annual maintenance and support contracts for perpetual licenses are typically 20% of the list price. And the cost for a consultant to install, configure, implement, and train you how to use the software is roughly the same as your investment in the license itself. Do not make the mistake of trying to implement the software yourself. These systems are too complex and you will cost yourself more in the end trying to self-implement.

Concurrent Users	Perpetual License Cost (One-Time Cost)	Maintenance & Support (Annual Cost)	Professional Services (One Time Cost)	Total Cost (Initial Investment)
3	$4,500	$900	$4,500	$9,900
5	$7,500	$1,500	$7,500	$16,500
10	$15,000	$3,000	$15,000	$33,000
15	$22,500	$4,500	$22,500	$49,500
20	$30,000	$6,000	$30,000	$66,000
25	$37,500	$7,500	$37,500	$82,500
30	$45,000	$9,000	$45,000	$99,000
40	$60,000	$12,000	$60,000	$132,000
50	$75,000	$15,000	$75,000	$165,000
75	$112,500	$22,500	$112,500	$247,500
100	$150,000	$30,000	$150,000	$330,000
150	$225,000	$45,000	$225,000	$495,000
200	$300,000	$60,000	$300,000	$660,000
250	$375,000	$75,000	$375,000	$825,000

Subscription SaaS Licenses

The cost for the base accounting system in an annual subscription model is typically around $800 per concurrent user per year ($65 to $70 per month). Maintenance and support is most often included in the subscription and the professional services to configure and train you on the software can be slightly lower (by about 10%) if the application is hosted since this eliminates some of the installation that is inherent with premise-based applications typically sold under perpetual license models. The table below provides an estimate for subscriptions for a midmarket accounting-only system. Keep in mind to double the estimates if you are a distributor or professional service firm and triple the estimates if you are a manufacturer.

Concurrent Users	Subscription License (Annual Cost)	Maintenance & Support (Annual Cost)	Professional Services (One Time Cost)	Total Cost (Initial Investment)
3	$2,400	Included	$2,160	$4,560
5	$4,000	Included	$3,600	$7,600
10	$8,000	Included	$7,200	$15,200
15	$12,000	Included	$10,800	$22,800
20	$16,000	Included	$14,400	$30,400
25	$20,000	Included	$18,000	$38,000
30	$24,000	Included	$21,600	$45,600

40	$32,000	Included	$28,800	$60,800
50	$40,000	Included	$36,000	$76,000
75	$60,000	Included	$54,000	$114,000
100	$80,000	Included	$72,000	$152,000
150	$120,000	Included	$108,000	$228,000
200	$160,000	Included	$144,000	$304,000
250	$200,000	Included	$180,000	$380,000

TCO Considerations

The total cost of ownership estimates previously provided are estimates only. You can expect vendors to vary by as much as 10% to 50% below or above these estimates but be wary of vendors or products that are too far off from each other in respect to cost. It's likely that the product that costs less has less functionality and that may be ok for you but you need to understand what your missing that the more expensive application has to offer.

There are other costs that you will undoubtedly incur by switching – you may need to upgrade servers, purchase additional licenses for virtualization, and there is of course the cost of the database license and operation system licensing for installed applications (perpetual licenses).

You will also likely lose some productivity as you spend time on the new system setup and training. Expect to spend at least as much time as your consultant on the implementation project. Consider that you will need to rethink your chart of accounts and someone will have to review the data to ensure that you aren't simply moving bad data from the old system to the new one. Expect to spend at least 40 hours at a bare minimum for a very small accounting implementation. Your consultant should provide you with a project plan including the total hours needed for the implementation. Use than number and multiply it by an hourly rate for your average employee cost to understand the softer costs associated with productivity loss for the project.

Now that you have a fundamental understanding of the costs associated with purchasing, maintaining, and implementing a new system we can move on to discuss each of the 15 tell-tale signs that you may be ready to make the switch to a new system.

Functional Gaps in Business Software

No accounting or ERP system will do everything you need it to do out of the box. At best, most systems will provide between 80% to 90% of the overall functionality you need to manage your business. So, don't worry that you have some functional gaps. The fact is that you may be using a great application for your business and you simply need to round out the edges with some small customizations or integration to third party applications. Here are a few tips to identify functional gaps.

Take inventory of all software applications in use in your business and document whether they are integrated with your core business accounting system. Every company uses a variety of business applications which vary widely from industry to industry. A medical business will likely have separate systems for staffing while a distributor may have a separate system for managing their routes and truck maintenance, and manufacturers may have separate systems for production scheduling. The more applications you use – the more likely that you are simply filling gaps that your accounting system doesn't support.

It's vital that you understand if the applications are integrated or should be integrated to get a real perspective on the inefficiencies they're causing in your business. For example, you may be just fine using a stand-alone application for things like preventative maintenance if there is no impact on schedules for machines or trucks or employees which are maintained in other systems.

It's also important to understand the level of integration that each application provides with your accounting or ERP system. For example, some systems are very tightly integrated with a bidirectional flow of data from one system to another and behave more like an integrated module than a third-party application. Other applications may have very limited integration and none will be completely integrated. Consider that almost every business application you use has an employee or user master file. It may integrate to data in other systems but you almost always have to setup users and employees in multiple systems.

Even products from the same vendor may not be entirely integrated. Take for example many of the human resources applications available from accounting and ERP vendors. They probably integrate to the general ledger for accounting-based transactions but do they also integrate to the operational modules such as shipping, inventory and warehouse management, or production where the skillsets and required training to operate forklifts and machines or the required OSHA training is integrated to prevent unauthorized and untrained employees from being scheduled on jobs or tasks that require the use of these types of equipment? Probably not.

Once you document the various business applications in use at your company you should then ask each department to document the name and purpose of each spreadsheet that they use to manage their daily, weekly, and monthly tasks. Don't worry about spreadsheets used for data analysis. Rather, you're looking to identify spreadsheets that are used to manage critical business functions that your accounting or ERP software doesn't support. For example, many companies use spreadsheets for customer quotes and estimates since the native features of their software can't handle the complexity of their pricing models. Other common examples of spreadsheet use for critical business functions include budgeting, sales analysis, inventory management, material planning, purchase order requisitions, time sheets, expense management, demand forecasting, scheduling, project or job management, invoicing and billing, quality control, contracts, organizational charts and human resource records, and similar functions.

Most people will be surprised to find that they have so many spreadsheets in use in their company and almost every business is using at least one spreadsheet that overlaps with features that already exist in their core business software that could (should) be used if they only knew that the features existed or understood how to use it properly. The key is to document what's going on outside your core system and then find out what modules and features are available through your accounting or ERP vendor (or through third parties) to fill those gaps to replace disparate spreadsheets which rely on manual data entry and are almost always out of date.

One other way to identify functional gaps is to talk to your employees. Ask them what your current business software does well and what features they'd like to have in the software. You'll often find that employees have found creative work-arounds to fill functional gaps that you weren't aware of. You may discover that your accounts receivable department is exporting data to a spreadsheet to manage collection calls where they would be better served with a commercially available accounts receivable collections module. You may find out that customer service is manually importing orders received via EDI or an ecommerce website where integration could automate this daily or weekly task saving hundreds of hours annually.

Functional gaps happen every day but they can be magnified if you picked the wrong accounting or ERP system to begin with. Functional gaps will also be magnified as your business grows and changes. For example, you should conduct an audit of your business software annually to understand if you're outgrowing its capabilities. If you're experiencing rapid growth, you've expanded internationally, added additional sites, changed your business model such as adding services or manufacturing, added new product lines, or if you've recently acquired or divested of a business. All of these things will bring functional gaps to the forefront and will create the need for more and more stand-alone systems and spreadsheets.

In some cases you may be able to fill these gaps by purchasing additional modules, changing the setup in a module you already use, or by purchasing and implementing an integrated third party application. Or you may be able to spend a little bit on custom programming to tweak your system or to integrate other systems to fill the gap. But in the end, every business changes and your business software is unlikely to meet your needs over time.

Try to identify and quantify the cost functional gaps have on your business. This will include the cost of purchasing, maintaining, and customizing all of the applications that are outside of your core accounting or ERP system. The cost will also include the time spent by employees working outside the system in spreadsheets or on manual processes. It will take some time and attention to truly understand these costs. Some accounting and ERP software consultants can assist you with a detailed business process review. This typically takes a couple of days to a week to complete and will cost you somewhere in the neighborhood of $2,000 to $4,000 for a high-level review but it can save you a lot more than that in the long-run if you can identify inefficiencies and fill those gaps or understand the need to move to a better system.

The time has come to move to a new system if you're spending too much on ancillary applications and you are too reliant on spreadsheets. Often, the functional gaps may be enough to cost-justify moving to a more robust system or a system that is a better functional fit for your industry. In other cases, functional limitations will be one of many factors that lead you to the decision to replace your business software. Either way, you must understand these costs to develop a business case to justify the move.

How Technology Shifts Affect Business Applications

Greek philosopher Heraclitus said, "Everything changes and nothing remains still." He definitely could have been talking about technology with that statement. Consider that businesses used paper and manual processes before computers were introduced in the 1960s. Businesses adopted mainframe computers in the 1970s and we witnessed the birth of the personal computer (or microcomputer) in the 1980s. We've seen operating systems change from Unix to Windows and databases from proprietary platforms to SQL. And we're currently in the transition from the desktop to the cloud. Yes, technology changes and it changes dramatically about every ten years. Consider how the Internet changed business needs and how cell phones and mobility continue to change the needs of our businesses today.

If you purchased your business software more than ten years ago it is very likely that you are on older technology. The advantage is that older technology is much more stable and likely has a lot more features. The downside to older technology is that it can become costlier to maintain and more difficult to integrate with some of the newer technologies available on the market today.

In a worst-case scenario – you could be using software that runs on unsupported technology that can, and eventually will, cease to function properly. This can pose serious risk to your business if you are unable to access historical data for analysis or compliance or if you cannot conduct business if your system goes down and no one knows how to fix the problem. Some very old applications are also reliant on specific hardware platforms that may be discontinued. Consider some of the popular applications used in the 1980s and 1990s that ran exclusively on the HP3000 platform which HP discontinued a few years ago. Granted, another company stepped up to continue making parts for the hardware platform but do you really want to run your business on a platform that is one step away from becoming extinct?

Technology is vital not just for the inside of your organization but also for everything your business touches – your customers, your vendors, investors, and your partners. It can make it easier to communicate and collaborate with the outside world or it can severely hinder your ability to meet the needs of people outside your four walls. Customers are demanding more and more visibility into projects, jobs, orders, and inventory availability than ever before. Vendors are demanding more access to your data to improve their internal forecasting and planning. And everyone involved in the supply chain expects that they can use technology to collaborate better and to self-serve without human interaction.

Fail to keep up with technology and you will eventually lose to competitors who can provide a better experience for customers and vendors alike. Stay at the front of technology and you can use that as a competitive weapon to win more business, retain customers, and lower your costs.

Technology can be very difficult to evaluate. Sometimes (often) it's a matter of personal preference and experience. If you have an IT staff that is proficient on a database or operating system then it's unlikely that they will want to move to something else. People are naturally resistant to change. Further, moving to a new technology platform could jeopardize their job – they may not have the skillset to learn something new or a move to a hosted platform may make their job obsolete as the vendor may provide the hosting, maintenance, and support that they were hired to perform for you.

There's an old saying – There's more than one way to skin a cat. And there certainly are more than one technology platforms and technology approaches that will provide the same results. If you're not technically inclined then you should consult with a technology firm to do an assessment of your current system. Make sure that you find a firm that has a great reputation and stays at the forefront of technology with as little bias as possible to technology platforms. A good place to start is by asking your accounting firm for references. They work across a lot of different companies and will probably know which IT companies are best to perform an unbiased assessment and some of the larger accounting firms provide IT assessments themselves.

Some larger software publishers like Sage, Microsoft, Epicor, and others do invest considerable research and development to move their products to new technologies. Sage 100cloud has moved from a proprietary database to Microsoft SQL. Microsoft recently introduced Microsoft Dynamics 365 moving its core ERP platforms to the cloud. And Epicor completely re-wrote Epicor ERP on Microsoft technologies to replace decades-old Progress code. Conversely, most smaller software vendors lack the customer base and revenue to cost-justify major investments in the core technology and will likely never make the leap to newer platforms. Others may make the move from one platform to another but at a cost as they port or adapt their applications to work with the newer technologies without rewriting them to optimize the new features available inside of them.

When's the right time to replace your software to take advantage of the next technology shift? Never. It's never a good time or the right time to base your decision to move on what's available or what's coming in the next few years as technology constantly changes and there's no way to know for sure what's coming next. With that said, companies on older technology platforms (10+ years old) should understand what they're missing in today's technologies and how that could impact their business.

It's very difficult to identify technology costs but you may start by documenting the costs for your current technology licenses – operating systems, databases, servers, etc. and getting a

quote for newer technologies in these areas. Consider that in a SaaS environment these costs are often eliminated completely as they are rolled into the overall cost of the hosted cloud application. Also consider how much you spend today on employee salaries or third-party technology services to maintain, upgrade, and support your existing technologies. In some cases these costs can be eliminated if you move to the cloud as the vendor takes on the responsibility for maintaining servers and most SaaS systems are updated automatically or at least by request with no additional cost to your organization.

Compliance & Legal Impact on Business Software

We've seen companies get in a lot of trouble by failing to understand how their business software can keep them in compliance with federal and industry mandates and we've seen firsthand how business applications can expose companies legally to expensive litigation.

Some compliance mandates relate only to larger companies, such as Sarbanes-Oxley financial reporting requirements but there are compliance requirements for small companies as well. We often don't think about all of them but here's a short list: FDA nutritional labeling, allergens, and recall management; FAA aircraft maintenance and repair records and safety plans; OSHA, FMLA, FLSA, and other labor regulations; drug-free workplace initiatives; ISO quality control procedures and documentation; HIPAA employee human resource confidentiality; 21 CFR Part 11 compliance for medical device manufacturers; CAN-SPAM Act for email marketing; Affordable Care Act (aka Obamacare), IRS sales tax and revenue reporting compliance, and a whole lot more.

Did you know that there are more than 60 federal agencies that issue about 4,000 new federal regulations every year? And this is in addition to regulations that are already on the books and those that are modified or adapted every year. In fact, the rules in the Code of Federal Regulations (CFR) have grown to more than 130,000 pages? Do you have time to read all of that and to understand what impact these rules and regulations have on your business? Do you realize that non-compliance can result in a warning or slap on the wrist or could result in thousands of dollars in fines or imprisonment?

Compliance mandates will also come from your customers and vendors. For example, you may be required to conduct business with vendors via electronic data interchange (EDI) with standards or you may be required to provide certificates of analysis (COA) for products provided to certain customers. You may also be required to maintain ISO or other accreditations just to do business with certain industries or customers.

It is probably impossible for you to understand the legal ramifications that could result from being on the wrong business application but you probably won't know until it happens to you. Just imagine the worst-case scenarios: a food manufacturer can't trace an issue to a specific lot – they must recall everything costing thousands or face an onslaught of legal cases from consumers who are sick or die from consuming the product. Or an aircraft maintenance and

report station is sued for using a torque wrench that is out of calibration on an aircraft engine which crashes, killing everyone aboard. Or a medical firm is hacked and confidential patient information is lost resulting in thousands of lawsuits. Compliance and legal requirements on businesses is greater than it ever has been and it's only going to get harder to remain in compliance.

Your business software can make your life easier or worse. Many larger software publishers hire employees to specifically monitor changes to federal regulations so that their users remain in compliance. Take for example a developer of sales tax software which provides updates for federal, state, and local sales tax laws.

It's easy to justify switching to a new business system if you're spending a lot of money to remain in compliance, you're constantly hit with fees and fines for non-compliance, or you spend a lot of money defending yourself in court.

It may be time to replace your business software if you find that you are not able to get reports or data out of the software required for compliance reporting or if you are not confident in data security or accuracy related to compliance mandates. It may also be time to consider changing if you've been hit with (or threatened with) a lawsuit related to a compliance issue or if you are continually fined by government regulators, customers, or vendors for failing to remain in compliance. And it should become apparent that your current business system is failing you if are continually having to work outside of it to remain in compliance.

It's probably impossible to quantify the cost savings for compliance and legal since much of this lies in unknown risk but there may be cases where you can put some real numbers to this area by estimating a percentage reduction in your overall compliance and/or legal costs annually.

Identifying Maintenance & Support Costs for Business Applications

The costs for maintaining and supporting your business software may be enough to justify a move to a new application. Many older products are kept on life support by the vendor but they are not receiving significant research and development investment in new features putting a burden on the user to make those investments in customizations and integration to fill out the gaps.

Further, the costs for maintenance and support of a business system go well beyond the simple contract costs for contracts with the vendor or your support agency. Rather, they also include the cost (or a portion of the cost) of internal IT resources and other users who are called upon to apply updates, troubleshoot issues, or re-enter lost data. Consider for a moment a modest 10% cost savings in lost labor by switching to a system that requires less maintenance and support. If you're paying an IT resource $100,000 annually then you're saving

at least $10,000 and likely a lot more because there are certainly efficiencies to be gained by other employees and users as well.

One of the major costs for maintaining software is directly related to upgrades – especially upgrades that include customizations. We know this because it's something we do all the time for our customers. Let's take a step back for a moment – there's a time and place for customizations but there's also a right and wrong way to customize software.

A minor update to your business software without modifications can take a little as an hour (or less in some circumstances). Most annual upgrades take a few hours to a day since it's best practice to upgrade a separate test environment before proceeding on your live system. Major upgrades typically come every 5 to 10 years and reflect a major shift in technology or functionality from the publisher. These may require much more investment in time or money to upgrade to the latest release and in some cases, could mean that you're reimplementing specific components of the software from scratch.

Costs to upgrade moderately or heavily customized applications will be dramatically higher as the company that performed the customizations (or your internally modified code) should not only be upgraded but also tested thoroughly prior to the live upgrade. Upgrades for customizations we've performed through the years for moderately modified systems have averaged about $5,000 to $10,000 for a major upgrade. For heavily modified systems we've seen costs upwards of $20,000 for a major upgrade. As a general rule, the cost to maintain customizations are approximately 20% to 30% of the original project cost for each upgrade. As such, a customization that cost $10,000 will cost about $2,000 to $3,000 to maintain for each major upgrade.

It should be relatively easy to identify upgrade costs if you're using an outside firm to manage upgrades or if you're recording your time against upgrades in a project system. Either way, you should definitely understand the maintenance costs associated with on-going service to your business systems.

Companies that switch from premise-based systems to hosted applications may see a significant decrease in maintenance and support costs. There is inherently a large investment in upgrades that require staff or outsource resources to install and test new releases and to ensure that custom code is compatible with the latest changes made by the software vendor. Conversely, most hosted business applications do not require installation. Rather, the vendor applies the updates automatically and support costs are minimal since they are typically included in the annual subscription and support is much easier because the vendor (with permission) has direct access to your application and database without having to rely on your staff to setup a connection, to share their screens during a support session, or to upload a database to the vendor's support department for troubleshooting.

How Changes in Business Affect Your Business Systems

Any change in business has the potential to impact your business system and your business requirements. For example, products and services have a direct impact on your business system. Some applications are great at handling inventory such as distribution or manufacturing ERP applications but may not have a module to handle your service requirements if you start to expand to offer more services to customers. Likewise, a system designed for job shop and make to order manufacturers will quickly fall down if the company starts to manufacturer standard products where there is a strong requirement for demand forecasting and tighter supply chain integration with suppliers.

Likewise, your requirements may change if you discontinue products or services or even the source of those products or services. For example, years ago we had a customer in the rental industry. They manufactured the products they rented so they had a major need for manufacturing software. A few years later they decided to discontinue manufacturing and instead purchased their rental products from another company. Their business requirements changed drastically. They no longer needed the manufacturing modules which opened them up to evaluate much stronger rental business applications that were a better fit for their needs.

Expansion of any kind is also a tell-tale sign that your existing software may be coming to an end. Some systems don't handle multiple companies well and others aren't available in different languages or support multiple currencies or international accounting laws which will be a major limitation if you expand internationally through internal efforts or through acquisition.

Every business changes – it grows, it shrinks, it morphs over time into new markets, new products, and new services. It's unreasonable to expect that your business system will automatically adapt to those changes over time. Conduct an annual review of your business to understand recent changes and planned changes and how they affect your existing business software. You should conduct a major audit of your business requirements and systems every 3-5 years to ensure that you are running the best possible systems to meet your current and future needs.

Identify the costs associated with adjusting your systems to meet these needs. You may need to buy additional modules, integrate additional third party systems, or pay for customizations to support your needs. You may not be in a position to win business from a major new account given your current system's lack of functionality so there is also a cost of lost opportunity that should be factored into any ROI analysis that you conduct. And you could lose customers if your business application can't support their needs as they switch to competitors who have everything they need supported by a system to improve their customer experience.

Cost justification for business changes can be quantified or in most cases estimated. You should have a good idea if it's realistic to grow sales by 10% or 20% (or more) if your business system had additional features and you probably have a good idea how much revenue you're losing through customer attrition due to limitations in your business software. They key is to spend the time to understand what's changed (or what's going to change) in your business and how that could adversely affect your ability to service your customers and grow your business.

Customer & Vendor Demands Impact Technology Requirements

Business requirements will also change depending on your customers and vendors and the markets you serve. For example, a business that sells products through a distribution channel may have a great business application for their needs today but may not be the right product if they start to sell direct to consumer via a retail storefront or online.

Likewise, business requirements will change dramatically when a company starts to sell to larger customers such as tier one automotive manufacturers or big box retailers like Wal-Mart or Lowes or others who have considerable technology requirements for their vendors including things like labeling, returns management, and electronic data interchange.

A few years ago we worked with a supplier to the heavy truck industry. They were a key parts supplier but the customer decided they wanted to consolidate their supply chain to fewer vendors. They asked our customer if they would be willing to provide a more complete product essentially managing the main assembly of a product with their downstream suppliers. Our customer was on a very old system at the time and the software was simply unable to handle the data exchange required with the downstream suppliers. They ended up losing a multi-million dollar contract and were in jeopardy of losing all of the business from their top customer.

Fast-forward a few years and our customer replaced their antiquated system with a new business application. They proved they were able to manage the downstream suppliers effectively and won back the original contact they initially lost. They also grew the account by winning two additional multi-million-dollar contracts that they otherwise would not have won simply because they had made an investment in their business systems.

Many vendors have specific requirements for their customers as well. These can range from quality assurance and reporting to collaboration on product design and transparency into product demand so they can better manage their own internal resources. Most small business applications have minimal capabilities to extend beyond the organization's four walls making it difficult if not impossible to work with some vendors – often vendors who have the best products or the lowest prices.

Customers these days expect self-service. They expect that it's easy to play orders, to check on the status of a shipment, to place a reorder, to process a return, to pay their bills online, or to

report quality issues without human intervention. Chances are that your business software has some customer self-service features but it's unlikely that it has everything you need to provide a truly exceptional customer experience. Evaluate what impact that has on your ability to retain customers and to win new customers and grow market share from competitors.

In many cases you and your sales team know of the key accounts that are in jeopardy of moving to a competitor and they may also know what you could do to help fortify your position in the account. In some cases it may be a minimal investment in technology and in others it could mean a major shift including a move to a new business system.

The Financial Impact of Poor Performance in Business Applications

System performance is more than an inconvenience. It can be a very costly proposition for all areas of the business. Consider the impact of improving system performance by just a few seconds per transaction or retrieval of data from the application or the time it takes for a screen to load. Multiply that times hundreds of software interactions per person daily times every user in the system over the course of a year's time and you may be able to cost-justify switching to a faster system in no time.

Poor system performance has other negative effects on the business. It can cause critical deadlocks where records are locked and unavailable to other users or other system processes. It can in some cases cause data corruption which is impossible or very difficult to fix.

Poor performance may also mean that you're overstaffing in certain departments. If you have 10 customer service or sales representatives and you could improve system performance by just 10% you are essentially negating the need for a full time employee potentially saving $30,000 or more annually. The larger your organization – the more critical it is that you can access and enter data fast.

Performance should be evaluated carefully including the time it takes for the software to load (or login), the time it takes for data to be entered, the time it takes to retrieve data, and the time it takes for transactions to process and post. This is one area that very few companies evaluate when looking at new software. They fail to understand the poor performance of their software and they almost never evaluate the new software to ensure that they are making an improvement over what they have today.

Performance can also impact critical business operations. Take for example material planning or production scheduling in a manufacturing environment. Some older systems may take many hours to run an MRP generation or hours to reschedule operations. During that time life goes on – inventory levels are depleted producing stock-outs which can delay customer shipments (and payments or potentially the loss of business); excess inventory could be purchased when demand has shifted resulting in increased carrying costs and potential write-offs from obsolete inventory that no one wants; and customer shipments can be delayed because the jobs

weren't scheduled effectively or the materials required were used in to fill less critical orders. Time is of the essence in many industries and even small improvements in performance can make huge differences in the business.

Performance issues may be inherent in the software you use due to poor design, incompatibility with other systems or platforms, or it could be related to the setup or configuration of the software or the environment including database or server settings. It's important to identify the source of the performance issues as many issues can be resolved with little effort by someone who is experienced with the platform and the systems involved.

One benefit of switching to a cloud-based application is scalability. The majority of accounting and ERP systems are used at peak times on business days during normal work hours. Your servers may slow down during the mid to late morning and into the afternoon as more users and processes are occurring. Many of the hosted SaaS applications today automatically scale based on usage with additional CPU (central processing unit) resources added to maintain a consistent level of performance despite spikes or fluctuations in usage.

Another problem with performance is that it can result in unplanned downtime as IT troubleshoots the issues and reboots servers causing systems to be unavailable for a period of time. This can range from a matter of minutes in a best-case scenario to hours or days if the problems are more difficult to identify.

Performance issues are one thing inside the organization but they are an entirely different animal when it affects customers and vendors. Consider the potential risk to your company when a customer order can't be processed or when a vendor can't receive a payment and puts your account on hold – all due to performance issues with your business software. The more connected businesses become – the more performance will become a focus to improve inter-business experiences.

Numerous surveys show that performance is vital to system users. For example, SolarWinds conducted a survey and found that 62% of respondents said that system performance is absolutely critical to their ability to do their job effectively.

In some (albeit rare) cases, system performance may not be due to the vendor or the software you use but rather, it could be due to incompatibilities of the hardware or underlying or integrated technologies supporting it. And in extremely rare cases is could be due to physical defects in servers, routers, or even issues with internet service providers.

At the end of the day, system performance matters. It may seem like it's just an inconvenience but poor performance can deteriorate employee morale, frustrate customers, and have a significant negative impact on your business.

[The Changing Technology Demands of Business Growth or Shrinkage](#)

Every change to your business will have some impact on the requirements of your critical business systems. None is more severe than growth or shrinkage. Most small companies start out with entry-level accounting software like Intuit QuickBooks. It's a great product for an incredibly low price. But you get what you pay for. Intuit QuickBooks does not scale well when it comes to additional users (typically 10 or more for most versions and no more than 30 users for QuickBooks Enterprise) and the database does not handle large volumes of transactions very well which can result in data corruption or data loss. We've seen it far too often with companies managing $50 million businesses on a $1,000 QuickBooks license – it simply doesn't work well in the end.

In our experience, QuickBooks and other entry-level accounting products generally perform very well for companies with less than $5 million to perhaps as much as $10 million in revenue. It's not the revenue number that's the problem. Rather, it's what makes up that revenue – the number of transactions and the level of detail that is required to manage that amount of money to keep the company profitable. It takes more employees, more users, and more insight into the financials, sales analytics, and more robust operational features to manage a business of this size. If your company is using an entry-level accounting system and you're growing fast or expect to exceed the $5 million to $10 million-dollar mark soon then you should start to evaluate a midmarket business system which will not only help you manage your current business better – but will position you for continued growth well into the future.

Growth and planned growth can cripple a company's ability to grow. You can have the best products or services, the brightest employees, and all the money in the world backing you but you will not be successful and your growth will stagnate if you don't have the right business technologies to act, react, and make critical business decisions in real-time.

With growth comes increased transactions which can degrade system performance. With growth comes the separation of duties within an organization and the increased need for collaboration, alerts, and reporting to keep everyone updated on how their small piece of the business affects other departments, customers, and vendors.

With growth also comes increased compliance and reporting requirements which can be unmanageable when you're on the wrong business application.

And with growth you are likely to have increasing needs to access more and more data in more and more ways – through alerts, on mobile devices, inside other applications, and in perspective of data inside other applications such as analysis of sales results from your accounting system compared with opportunity data in your CRM system.

Conversely, companies that are shrinking or have recently divested (or plan to divest) part of their business may no longer need the large accounting or ERP system they're using today and may be better served by replacing it with a midmarket application or even moving down to a simpler application like QuickBooks. The current system will probably do what you need but

the cost and complexity are overkill and will eventually cost you more in the long run than simply downsizing to a product that is better suited to your needs.

Remember that we mentioned that companies typically keep their software for about 10 years (or more)? This is important for companies with a high projected growth rate. If you expect to go from zero to $10 million in a few years then you probably shouldn't start with a product like QuickBooks because you'll need to slow down during this incredible growth spurt to replace your systems.

Even if you're projecting modest growth of 10% to 20% annually you will quickly come to a point where you're outgrowing the features of entry-level systems. A $3 million company today with 20% growth over a 5 year period will more than double. This kind of growth not only means that you may need a new system in a few years – it also means that you are relying on an inexpensive and less robust business system to help you maintain the 20% growth to begin with – something that may be challenging without the right system and information in place during your most critical point in the history of your business.

How Lack of Investment in Technology Affects Your Business

Technology is changing – faster than ever before. For most businesses, they don't have time or money or the knowledge to keep up with everything and rely on their technology and software vendors to make the investments to ensure their systems continue to work and are compatible with newer technologies. However, some vendors invest very little into technology products – either because they don't have a substantial customer base to make those investment or they are working on their next-generation product and not investing in their legacy applications that are planned for sunset in the coming years.

If you find yourself on a business application where there are infrequent updates and the updates are getting smaller and smaller with each release then you are safe to assume that the product is not going to be around for the long-term. This means that you either need to find a replacement product or you need to make the necessary investments yourself to protect, grow, and extend your business applications.

Some companies like having the ability to build their own systems. They buy source code licenses, hire a team of developers, and they can do whatever they want to with the software. But ask yourself if this is in the best interest of your company.

If you're a medical company or a distributor, or a manufacturer – do you really want to also be a software developer? Or would you rather do what you do best and leave the software development to someone else. Think about it another way – would you construct your own building if you weren't a general contractor and had no experience in construction? Would you fill your own cavities if you weren't a dentist? It's relatively absurd to think that most companies are better equipped to develop their own software when their core business is anything but

software or technology. Granted, you might be able to figure it out and yes – there could be situations where there is nothing available and internal development makes the most sense. But in most cases, companies are best served by leaving software development to the experts and seeking out the right products and the right vendors from the open market.

If your software vendor is not making a major investment in the products you depend on then you really have no choice but to look for alternatives. Most software companies provide at least one major release of their software every one to two years with smaller releases in between. SaaS companies tend to have more frequent release schedules with smaller feature sets since it's much easier for them to deploy changes in smaller releases to get features to the market faster.

It's not out of the question for companies evaluating new platforms to ask vendors how much they're investing in research and development. And make sure to ask specifically how much is being invested in the product you're evaluating. Just because they spend 20% of revenue on R&D doesn't mean it's going to the product they're trying to sell you – it could be going toward the development of a replacement product instead.

Intel, Amazon, Google, and Microsoft historically invest between 15% to 20% of revenues into research and development. Apple invests about 10% and Facebook just under 5%. Most ERP and business software companies invest between 10% to 15% of revenue on research and development annually. Those with larger product portfolios tend to spend more on their strategic products and less on legacy products that are nearing the end of their life.

A lack of investment on the part of the vendor puts the burden on your organization to ensure that the software will continue to run on newer platforms, to invest more in integration and custom development because it's unlikely that you'll get new modules or features down the road unless you do it yourself.

The Real Problem with Business Software Glitches & Bugs

Every software on the planet has bugs and small glitches here and there. These can be annoying or crippling depending on the severity of the bug and the process for fixing it. We've seen this far too often in the industry. For example, we worked with a software vendor once who published a relatively minor update to their software.

Despite internal quality assurance testing, a bug was released causing a major problem with a company's inventory valuation if they were using a specific costing method and under specific circumstances (upgrading from one earlier version to the new release). This bug caused a lot of grief for our customers because inventory valuation is vital to financial reporting and once the bug was introduced – there was absolutely no easy way to fix the problem without a highly skilled software engineer working some magic in the back-end of the database.

We fixed a lot of issues for customers after this bug was introduced and while they were happy that we could fix it (most other consultants couldn't) – it came at a cost upwards of $5,000 to $10,000 which most just accepted as the cost of doing business.

The fact is that bugs happen and they will continue to happen probably forever. Humans make mistakes and even computer-generated code can occasionally include a bug or two.

But sometimes glitches and bugs are more prevalent and can have much more severe consequences on your business. These are considerations you need to make when evaluating new business applications and weighing the pros and cons of switching off your current software.

Most of the older more established applications on the market are pretty solid. Unless the vendor is porting them to new technologies – they likely have few bugs. This may also be due in part to the lack of research and development made to the products as they are no longer strategic to the vendor. After all, the less code you change, the fewer bugs you'll create.

On the other hand, newer business applications are more likely to have bugs since they haven't been in the market as long and there are fewer customers using them or pushing the limits of the software capabilities. Further, fewer customers means that the applications may not be deployed on as many iterations or combinations of technology platforms which are often the source of bugs and glitches. Lastly, newer products are often in rapid R&D mode where the publishers are trying to put as much functionality in as fast as they can to catch up to more established competitors. In order to do this, they have no choice but to cut out some of their quality control and this inevitably will result in increased bugs.

So, what do you do? You may not be happy knowing your current system is about to ride off into the sunset but you also know that it's a safe bet. It works and if it's not broke – don't fix it. But on the other hand, you know that you're not going to be able to continue growing if you stay on the old software.

Our recommended approach for customers is to stay ahead of the technology curve. You should be fine being on newer technology so long as you're not on the bleeding edge – the absolutely new technology that is riskier due to relatively low adoption.

Instead, we recommend that our customers select products that have been on the market for a few years and even then – we recommend that they are slower to adopt new releases – especially major releases that have a higher likelihood of having bugs. Let other users adopt the latest versions and let them suffer through the issues inherent with new releases. You can adopt them later on once the major issues have been resolved.

This is an especially good strategy for installed software where you have a lot more control over updates and upgrades to your system. A few years ago, one of our software vendors

released a major upgrade to their software. It was pretty amazing – chock full of new features that everyone wanted. But the initial release was horribly buggy and everyone that was on it couldn't get their hands on the patches and bug fixes fast enough. Customers were not happy. Some of our customers waited until our partner released the next release and they experienced considerably less pain having allowed others to do the hard work ahead of them.

You may not have this option with SaaS applications since updates are most often published and pushed out to customers on-demand automatically. Some cloud accounting and business applications allow you to deploy the software in a single-tenant or dedicated environment where you can decide when you want updates and upgrades to be applied. These tend to be a little more costly than multi-tenant or shared environments but they do provide some level of control and a bit more security that some companies prefer.

A study released by tricentis.com in 2016 indicated that software bugs, glitches, and other failures had an estimated economic impact of $1.1 trillion dollars on the US economy. The study went on to explain that the bugs affected more than 360 companies trickling down to more than 4.4 billion customers causing a loss of more than 315 years to fix the issues. Now that's a big problem!

There is no doubt that bugs negatively effect your business every day. The challenge is to find the least buggy software available and to mitigate the risk of introducing bugs when you upgrade to new versions.

In general, it's almost impossible to know if a product is buggy or if it will eventually be buggy. Your best bet is to talk to existing customers using the software and when in doubt – go with larger vendors and products that have been on the market for a longer period of time as they will likely be much more stable and safer overall bet for your organization.

If you're existing system is riddled with bugs you can wait it out which could be very painful and costly or you can jump ship and find a replacement product. No one can tell you when to move. It's a matter of preference and only you know how much you and your business can tolerate a buggy system.

How to Consolidate Business Systems Effectively

In the 1990s the technology world fell in love with the term "Best of Breed." The term was coined to represent an approach to business technology where you pick the best possible products and then integrate them to each other to form a holistic business application. Best of breed (in theory) was a great approach back then but the software wasn't quite ready given the available technology. Best of breed put too much emphasis on the integration which was often custom and non-standard varying widely from company to company. This made it costly to develop, difficult to maintain, and introduced too many incompatibilities as various applications required different versions of the underpinning platform. For example, application A requires

application B to be at the 7.0 or higher release but application C is not compatible with 7.0 or higher. So, what do you do?

In the years that followed most accounting and ERP software vendors tried to fix best of breed issues by either building or acquiring the most popular third party applications and then ensuring that they worked well with the core system or they focused on building closer relationships with strategic third party software vendors to ensure that their applications were compatible with their latest releases and other strategic applications.

Today companies live in a plug-and-play world. Like an app for our mobile phones, we expect that it's easy to just download a business application and have it work without too much hassle. This is certainly becoming more and more the case but we still have a long way to go before we can truly say that business software is that easy to deploy.

So here's the dilemma – the best features are often not available from our accounting or ERP vendor. But we don't want to introduce too many third party products and we don't want to spend too much on customization or integration because we now understand the costs to maintain custom code and the problems associated with code lock that prevent us from upgrading to new versions that have more functionality. So what's the best approach?

First, companies should try to work with as few software vendors as possible if they can still meet their goals. The vendors they choose should be heavily vetted to ensure that they are reputable (proven track record), stable (unlikely to go out of business in the next few years), and strategic to the core business application. For example, it's probably a better move to buy a document management system that has been integrated for the past ten years with hundreds of customers in tandem with your accounting or ERP software rather than to buy the best document management system on the market and then pay someone to integrate it with your accounting or ERP system. What you give up in functionality will likely be returned ten-fold in stability.

One way to consolidate to a fewer number of business applications is to look for creative ways to utilize some of the applications you already own or could potentially purchase. For example, we represent Solver BI360 which is a really good business intelligence and reporting platform. It's up there with the best of the midmarket BI tools. But (and this is important) – it also handles budgeting – something none of the other BI applications can manage so you're essentially getting two products in one. Another example is to use your document management software to automate accounts payable invoices which is a common practice among document management vendors. If you look hard enough and think long enough you're going to find new and creative ways to streamline your business application portfolio.

If you're running more than a half dozen critical business applications then you're probably at the point where you should re-evaluate your core system and look for a replacement. It's not uncommon to have a separate system for CRM, human resources and payroll, and some other

parts of the business but when you start to see invoices from a dozen software vendors you need to start asking some serious questions.

Replace Costly Business Software Customizations

Customized business software was very prevalent since the dawn of the computer age and continues to be a popular option despite multiple ways to build integrations between products. ODBC was one of the first ways to share data between business applications and today's cloud computing applications leverage APIs and web hooks to pass encrypted data between them.

The time has come where more and more companies are building custom software and processes outside the software development kit (SDK) of their core accounting or ERP system and instead, leveraging integration tools to minimize the amount of customized code that has to be upgraded with each new release.

Customizing business applications is often times much easier because all of the code and processes are contained in the main application and work seamlessly with other native processes. And despite the ability to leverage hooks or APIs, there are still some reasons to modify the core business system if it's too difficult to modify the behavior or the core system simply through integration points.

With that said, a good software developer who understands the core system's processes and underlying technology, the business processes and use-cases for the desired modifications, and the options available on the open market or through externally-developed applications that can plug-in or integrate via generic interfaces can help eliminate a lot of custom code which will streamline upgrades saving the company a lot of money annually.

Customizations come in many different forms. They can include report customizations that are inevitable since almost no one uses the canned reports out of the box with their accounting or ERP software without some modifications or changes. But these report-level modifications are often easy to manage and relatively simple to upgrade. The next level of modifications requires simple changes to screens and the underlying database such as adding new fields and simple processes. These are followed by much more intrusive modifications that fundamentally change the business logic within the accounting or ERP software. The final category of customization is where completely new modules and applications are built within the application framework and integrated within the existing business logic.

The more customizations you have – the more it's going to cost to upgrade to new versions of your business software. By our estimates, the cost of upgrading customizations is somewhere between 35% to 40% of the original cost of the modification cost for each time you upgrade. For example, a customization that cost $10,000 will cost approximately $3,500 to $4,000 to upgrade to a new version. This cost includes the time to review the modified objects and code

for the new release of the core business application and match that against the modified code in the customization. The developer must then create or upgrade test environments, modify program code to ensure compatibility, deploy it and test it thoroughly, fix any bugs that may occur, and then package and deploy the changes. This process can be relatively simple for less intrusive customizations or it can be much more difficult for larger customizations.

In our experience, most midmarket companies have at least some modifications to the core business software representing about 40 hours of customizations with an estimated cost of about $3,000 per upgrade.

Companies that have more than 200 hours in customizations that spend $15,000 or more on upgrades for customized software should carefully evaluate if they are on the right business software or consider having the customizations rewritten in a way that they function outside of the core business application and can be upgraded in a more cost-effective manner. Most businesses upgrade their software annually or at minimum every other year. The upgrade costs alone could easily be as much as or more than the cost of the core business software itself.

While there may be a good business case for customized software, businesses must weigh the pros and cons of custom code – both the initial investment and the on-going costs to maintain and support the customizations for each new upgrade from the software publisher.

In some cases, the custom software was developed to support a business case that is no longer relevant to the business and should be discontinued. In other cases, there is now software available on the open market that can do what the customization was intended to do and can be replaced by an option that is much less expensive to support. For example, even just a few years ago there were very few good options available on the market to extend the accounts receivable software with credit and collections. Many companies customized their software to handle these functions. Meanwhile, the market has changed and there are now many great options (and much less expensive options) available that simply connect to the core accounts receivable software and provide the same (if not more) functionality than the customized module the company was continuing to maintain and support.

We built our business on custom-tailored business applications here at e2b teknologies and we've performed literally tens of thousands of hours of software customizations so we truly understand the business case for modifying your business software. With that said, there is a time a place for customizations which are costly. Today's technology provides a lot more options – instead of modifying the core system you can often integrate to something outside the system with very little impact to the process or the data and with a substantial savings in time and money. The trick is to find the right partner who understands the technology and your business to guide you on the right path.

Gain New Efficiencies Through Integration

Every company uses stand-alone systems that do not integrate to any other system in their business. There are really good reasons for this and not every application needs to be fully integrated. However, in most cases there are several (if not dozens) of business applications that are utilized as stand-alone systems that should be integrated with other applications because they are dependent on data in those systems or the other systems are reliant on data from the other application which must be manually entered or manually uploaded. Any manual process is prone to human error and will not be completely reliable or up-to-date. This may be acceptable in some scenarios but is generally not a good business practice.

The first step to understand how much of a problem you may have is to take an inventory of every business application used in every department in your business or organization. Next, spend some time to ask employees how they use the software and where they get the data. Ask them if they have to re-key data or how often they need to upload data or export data from the systems. Ask them which systems they wish were integrated? Next, dig in and ask how much time is spent on duplicate data entry and the upload or export processes. Quantify this by documenting how often these processes occur.

For example, an export of orders from an EDI system may only take 5 minutes to complete and 5 more minutes to upload the orders into an ERP accounting system but if this happens two-times per day – every business day – you're looking at an investment upwards of 80 man-hours per year if everything goes as planned and there are no errors or issues that need to be resolved. A very low burdened salary rate of $20 per hour shows that this process alone is costing a $2,500. What if this process could be integrated and automated for even double that cost at $5,000? You'd have a much more reliable process and you'd recoup your investment in just two years? Now consider the impact if you identify 10 different systems that have similar data issues – that's $25,000 in wasted labor and inefficiencies that are preventing you from growing and providing better services to your customers, vendors, and internal employees.

What you're going to find is that you have a lot more stand-alone software than you knew about. One more test is to review every major system on your list and write down how many of them have a record for a system user or an employee (most do). You're likely to find that you're maintaining employee and user information and security in dozens of applications. When employees leave the company you're wasting a lot of time making changes to multiple systems to ensure that the user or employee records are updated not to mention adding new users or employees for that person's replacement.

The more disparate systems you have – the less efficient you are, the more errors you'll experience, and the more problems you'll have internally with employees and departments and externally with customers and vendors. Take stock of what you own and the various system dependencies. In the end you may be better off moving to a stronger accounting or business application that has more features inside the box or at least has more integrated

third-party applications available than the software you're using today. You can also consider custom integration to bridge the gap in some circumstances.

The Financial Impact of Business Insights & Analysis

It can be difficult, if not impossible to weight the value of having relevant information to manage your business and how the lack of this information could have serious negative effects on your profitability. Many older systems have very poor reporting and alerting capabilities forcing companies to utilize third party applications to try to make sense of the information. Sometimes this can be done with relative ease while other times it can be accomplished with a lot of time, effort, and money but even then things can be missed.

Low-end accounting systems are notorious for having poor reporting and alerting capabilities. That's why there are so many apps written around reporting for these types of entry-level accounting systems. Even midmarket products have their limitations. Most come with some out-of-the-box reporting, some basic dashboards, and some canned alerts but these are generalized and often do not apply to every business without serious thought and some minor (or major) changes to the report or the alert.

Consider that many business applications provide sales analysis reports. These are good in that they can provide a picture of what's been sold compared to last month, last period, or even to last year at this time for seasonal products and services. However, they normally won't tell you which products specifically are starting to trend up (or down) or if those changes were impacted by a promotion, increased marketing, attendance at a trade show, or if they were simply a result of a bluebird order from one customer.

There are many ways that poor business insights and analytics can affect your business. Here are just a few:

- Historically strong customer starting to buy less product or service from you.
- Inventory levels for critical components will be exhausted causing shortages for planned production or customer shipments.
- Increase in customer returns for a product or products shipped via a specific carrier.
- Lost sales due to consistently late shipments to customers.
- Continual overruns on project estimates for service projects.

Another problem with business analytics may have nothing at all to do with reporting or alerts but rather the data itself. Companies that don't have good data or access to the data in disparate, stand-alone systems, may not be able to react in time to correct big problems from happening. It could be something as simple as a manufacturing system adding a third shift to meet demand without updating the human resource system to add another shift for that day or period of time. It's hard to do the work if there's no one there to do it. Likewise, you may have missed setting up a single field of data in your software that is used to calculate things

like forecasted demand. Without this simple information you have no insight into what your demand really looks like and you have to overstock and overload resources to ensure you can get the work done in time or face the harsh reality of stock-outs and late shipments.

Companies invest thousands of dollars on some types of analytics – such as the ROI for a trade show or the ROI for optimizing their website for search engine results. But then they spend so little time or money understanding why they're losing customers, why orders are wrong, why there is so much rework or scrap, or why costs are so high.

Good analytics and real-time business alerts based on good data can give you the information you need to take your business to the next level. Poor analytics based on bad or outdated information can turn your balance sheet from black to red in a hurry. It's vital that you understand all the options available to you within your current business applications and determine if they have the capacity to provide what you need or if there are other options available on the market. In a worst-case scenario you may even need to replace your software with a new application that has more functionality around business intelligence.

Some of the leaders in the accounting and ERP market are providing cutting edge insights into the data. For example, Sage Intacct has an absolutely amazing dashboard that is updated in real-time and can be tailored easily with drill-downs to get at the underlying detail. Sage 100cloud has an optional module called Sage Alerts which allows you to build your own custom alerts on any of the data in the application. And Epicor ERP has similar features with the bonus of what they call Social Enterprise – a way for any user to follow and be updated when things happen to transactions in the system. For example, a salesperson can "follow" their order once it's booked in the accounting system. They will then be notified automatically when the order is invoiced, when the product is shipped, if the order has been placed on backorder, if the account has been placed on credit hold, and when the commission for the order has been calculated and added to their paycheck. This is all stuff we've been dreaming about and it's finally a reality in most modern-day systems.

Again, figuring out the lost revenue and true cost of poor business intelligence can be difficult or impossible to determine but there is no doubt that every business has room to improve on analytics being careful not to go too far as to get lost in a sea of overwhelming data but far enough that they can reap the benefits by reducing costs, increasing profits, and improving the overall customer experience.

Automate Manual Processes with New Business Technologies <Blog #16>

Every business has yet to automate some part of their business. These tend to be less critical but still have an impact on the business – if only in the fact that it takes more time than it should. Some of the more common manual processes include:

- Time sheets and expense reimbursement

- Sales commission calculations
- Product and service quotes and estimates
- Non-stock inventory management
- Purchase Order requisitions
- Vacation or time off requests and approvals
- Maintenance and help desk requests Budgeting and business planning
- Forecasting and demand planning
- Asset tracking and depreciation
- Employee and resource scheduling

A good way to identify manual processes that haven't been automated is to look for spreadsheets. They're a tell-tale sign that you're managing something manually. Sometimes the data in the spreadsheet comes from a live business application (which is great) and other times the spreadsheet is simply used to analyze the results of data from a live business application

(which can also be acceptable). The problem is where you have spreadsheets or documents that are static – they aren't connected to any other data source and the information in them is entered manually and never imported into another system.

There could very good reasons for managing a process manually rather than through an automated system. It could be cost-prohibitive or there may not be enough downside to continuing with the manual process. This is fine and very acceptable as we don't have to automate everything in our lives or in our businesses – only those things that make sense. But there will be some processes that could easily be automated given the technologies you already own or products available on the market that cost very little to acquire and to use.

For example, there are many very good applications on the market for expense management. Some of these applications cost as little as pennies per transaction and integrate directly to your accounting software. They allow employees to take photos of receipts, add notes, and upload the receipts directly via their smart phones to your accounting software for review. Seems like a nice way to automate manual processes – especially for companies with a lot of employees or a lot of reimbursable employee expenses.

Another great example is in the area of accounts payable. There again are several systems on the market that cost very little to setup and then a small fee for every vendor invoice that is processed through the application. These systems capture the incoming vendor invoice, code them to the correct general ledger account, and route them for internal approval for vouchering and payment inside your accounting software. This is one area where many companies really need to automate the process since payables is such a paper-intensive process.

One last example is for accounts receivable. Many small companies rely on their accounting systems to create invoices but still print and mail invoices to customers via the mail (or

potentially via email). This lengthens the time it takes for customers to receive their bill and forces them to enter the information into their system to process it for payment – typically via check which prolongs the process even further. There are many great automation products on the market today like Anytime Collect (www.anytimecollect.com) which sync invoices from your accounting system, send them automatically to customers, and include a link that the customer can click to pay their bills online safely and securely via ACH or credit card. Some can even send out reminders when invoices are coming due as well as late notices and prioritized call lists for accounts receivable professionals when invoices start to age.

Technology is moving faster than ever. If you don't think there's a way to automate something and there wasn't just a few years ago – there probably is a better way today. You may have a hard time finding it but talk to your software vendors and ask peers in your industry and you're going to find a lot of new technologies that can make your life so much easier.

Establishing an ROI for Replacing Your Business Applications

Earlier in the white paper we discussed how to calculate your total cost of ownership for replacing your current business system. This was crucial to determine if you can realize a tangible return on investment from changing to a different business application considering the 15 signs that we've outlined.

It's difficult to pinpoint some cost savings but if you carefully review the tips provided in this document you will undoubtedly find ways to isolate some costs savings – either hard costs in terms of increased efficiencies and salaries or soft costs from hidden opportunities to cut costs or increase profits. Add these up as part of an annual software audit and you may be able to quickly cost-justify a move to a new system. Also consider the intangibles such as your vendor's position in the market and the overall position of their product in its lifecycle. You could be using a product that is nearing the end of its life and relying on the vendor to continue adding new features that simply aren't going to happen.

A summary of some of the areas where you can potentially realize some hard and soft savings are provided below.

- You're paying too much for maintenance and support for your current software.
- You're paying too much for the hardware, operating systems, infrastructure, or internal resources to host and maintain your existing business software.
- You spend too much time managing processes outside the software due to lack of features in your core accounting or ERP business software.
- The technology within your current aging business system is costing too much to maintain or it cannot be easily integrated with today's business applications increasing costs across your organization and restricting growth.

- You face increased costs and potential legal risk because your current business software doesn't handle newer compliance regulations.
- You are paying too much to maintain customizations for system upgrades.
- You're paying for modules, users, or features you don't need or no longer need.
- You're wasting time using a system that too big (or too small, or designed for the wrong industry).
- You are unable to meet customer or vendor needs with your existing business system.

- Your software is slow or buggy creating data issues or significant down-time or wait time.
- You're getting less and less value for the cost of annual maintenance and support contracts.
- What is the cost of your time, effort, and money to fix bugs in your business software?
- You're using way too many applications from too many vendors in your business.
- Too many business systems are not integrated causing duplicate or manual data entry.

- There are too many manual processes that take time and could/should be automated.
- You don't have the insights you need in a timely manner to make critical business decisions.

Again, it can be difficult to put numbers to some of these points but most businesses can identify some of these costs and can make assumptions regarding other areas where they know they are not operating efficiently or where they have seen previous problems that could likely come back in the future (such as lost customers due to poor visibility into quality control or shipping issues). It's up to you to take the time to assess your situation and don't be afraid to ask for help if you need it. Companies like e2b teknologies offer basic and thorough business process reviews and system audits to help you make sense of your true costs and where you can potential save through automation or the potential replacement of your existing business applications.

Make the First Move Toward A New Accounting ERP System

If you've decided that it's time to replace your business software, then you face many new challenges. It's unlikely that you are up-to-date on all the changes in the accounting or ERP market that have occurred in the past few years (and there's been a lot of changes). Some vendors no longer exist. Other vendors have been acquired. Some products have been sunset and others reinvigorated. And it's likely the vendor and/or the product names have changed and there is a whole new world of vendors and products available that you have never heard of. Taking that first step toward replacing your software can be a very daunting task.

You can do it alone but face the risk of selecting the wrong product, the wrong vendor, the wrong consultant, or the wrong platform and then have to do it all over again. Or you try to be safe and hire a consultant to help you make the tough decisions. This is often the safe bet if

you are very careful to select a consultant that is unbiased and has a proven track record of helping similar-sized companies in your particular industry. Be very cautious of smaller consultants, consultants who provide services for similar business applications, or companies with no experience in your industry. When in doubt – consult with your accountant or CPA firm. They tend to know who's who in the industry and they work with a decent cross-section of companies from small to large and across industry segments. They can often point you in the right direction to find a reputable consultant and sometimes they may also provide these services directly.

The evaluation process is not something that will happen overnight. A thorough evaluation for a midmarket business application for companies replacing legacy systems or moving up from entry-level accounting software should take no less than three months with an average of about four to six months for the evaluation.

The process should include all the following major components:

- Business Process Review (of your business system and processes)
- Creation of an Internal Project Leader and Inter-Departmental Evaluation Team with Executive Sponsorship
- Documentation of Departmental Business Requirements & Prioritization
- A Long-List of Approximately 16 Potential Vendors & Applications
- Creation of a Request for Information (RFI) Helping Vendors Understand Your Business Requirements and Background
- A Short-List of Approximately 8 Potential Vendors & Applications for Overview Demos (Selected from the Long-List)
- A List of the Four Finalists for Detailed Product Demonstrations
- Creation and Review of a Request for Proposal (RFP) for the Four Finalists Containing Proposed System Configurations & Prices
- Detailed Project Plan Including Installation, Configuration, Data Migration, Consulting, Project Management, and Training
- A Total Cost of Ownership (Existing system and Potential Systems) from the Finalists
- Cost Savings & ROI Estimates (Current System and Potential Systems) from the Finalists

More information on evaluating new business software contact one of our experts. We can also help you find an unbiased consultant to assist in your evaluation and we can help you with the business process review since this is something that is generic and will have no bearing on the products you evaluate. Contact us today at 440.352.4700 if you would like to talk more or you simply need to talk through some concerns or questions regarding your existing system or your evaluation process.