

Financial Management Software: **Evaluation Guide**



Inside:

- Find out if you've outgrown your current accounting software.
- Get insight into your business performance.
- Learn how to avoid challenges associated with implementing a new solution.
- Tips on how to choose the right IT consultant.
- Plus, much more.

Financial Management Software: **Evaluation Guide**

Flexible Solutions for Growing Companies with up to 100 Employees

Microsoft® Small Business Center

Microsoft Small Business Center is an online resource designed specifically to address the needs of small businesses by demystifying technology and helping small business owners get the most out of their software. To learn more, visit www.microsoft.com/smallbusiness

A Message from Microsoft

Dear Small Business Owner:

We are in an era that many call the “Small Business Technology Revolution.” Solutions that a decade ago were only available to the largest companies for millions of dollars are now available to the smallest companies at affordable prices and with easy to use interfaces. Research shows that small businesses that embrace technology solutions as a core part of their strategy are growing at twice the annual rate of those who do not.

However, selecting the right business software can be a challenging task. There are more and more options available for software every year and the overwhelming number of vendors often make confusing claims about the products and services they offer.

This guide has been put together to take the mystery out of the process of selecting business software; addressing what you need to know to select the right software for your growing organization—even if it isn’t from Microsoft. We have included insight and suggestions from some of the country’s leading business writers and software reviewers, providing you with valuable, street-smart information about the factors to consider as you evaluate software and implementation partners.

When you invest in a business software solution, you are buying a relationship, not just a commodity. From the information offered in this guide, you will be able to define the decision criteria that are important to your organization. This in turn will empower your team to make a confident final decision about the optimal business software solution.

I’m optimistic that this guide will help you select business software to position your company to grow and thrive.

Sincerely,



Cindy Bates
General Manager, US Small Business
Microsoft Corporation





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Preface

Financial management applications are the backbone of any organization. They help manage and provide insight into the most important parts of the business. They streamline processes to improve business-critical functions such as accounting, project management, payroll, and human resources. So when financial management software fails an organization for whatever reason—because the organization has outgrown it, or simply because the application breaks—the impact on the success and profitability of that organization can be serious.

Evaluating financial management software can be an overwhelming task as there are many factors to consider. You will want to take a look at everything from data entry efficiencies to reporting features, determining whether they are adequate to meet your latest business challenges. Based on an evaluation of these and many other factors, most of which are touched on in this guide, you may determine it is time to make a change to your financial management software.

The goal of this guide is to help you through this process with guidance from financial experts. The following articles, written by independent researchers, strategists, educators, and small business owners, walk through some of the challenges faced when selecting the financial accounting software that is best for your business.

Once you have reviewed this guide, see Appendix B in the back for a quick snapshot of some of Microsoft's financial management software options available to you. The product that's best for your business will depend on your company's industry, location, size, and unique needs; and as you will see, there is a wide array of options to fit your singular business requirements.



25-Step Blueprint for Selecting the Right Accounting Software

By J. Carlton Collins, CPA

If you are like most people, you may be a little confused or even intimidated by the process of selecting an appropriate accounting software solution to meet your needs. There are thousands of products in the marketplace to choose from, ranging in price from pocket change to millions of dollars. Mr. Collins presents his 25-step blueprint for selecting the right accounting software ideally suited to your current and future needs. See page 5.

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Why Accounting Software Is a Must-Have for Most Businesses

By Joseph Anthony

If you keep track of your business expenses and revenues yourself, and you use a PC in your business, then you should be using an accounting software application to make your life easier. Basic small-business software programs have gotten relatively inexpensive and easy to use that there's really no question that you need accounting software in your business today. Learn the basics from this article. See page 19.

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Beyond Bookkeeping: Software Strategies for Small Business Growth

By Dr. Katherine Jones, Aberdeen Group

For many small businesses, purchasing their accounting software is often done with very little thought to the future. Even that very first decision should be strategic—the software should not be a throw-away. Follow simple steps to help prevent acquiring a disposable business solution. See page 23.

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Why an IT Partner Might be Your Company's Best Friend

By Philipp Harper

Learn about the merits of a solid IT partner from Philipp Harper who discusses the benefits of taking a long-term approach to IT, why smaller companies face challenges securing IT partners, how to be a good IT client, and what to look for in an IT partner. See page 33.

Finding the Right IT Partner

By Kay Ewbank

Finding the right technology consultant to advise you can be trying, but it is important to get it right. Good support makes technology easier to manage and ensures that you get the best possible advice and implementation. Learn how choosing the right partner can minimize the inherent risks of investing in new business management software. See page 39.



Practical Advice for Companies That Have Outgrown QuickBooks

By J. Carlton Collins, CPA

Accounting industry expert, J. Carlton Collins, describes the limitations of QuickBooks and offers practical advice for squeezing the most from the product. Mr. Collins also suggests ways you can ultimately replace QuickBooks and the steps you should take as you embark on a full evaluation and selection process. See page 41.



The ABCs of ERP: an Executive Primer

By Dr. Katherine Jones, Aberdeen Group

Enterprise Resource Planning, or ERP, relates to the software infrastructure that holds the entire company together internally, on the one hand, and supports the external business processes the company engages in, on the other. Learn from Dr. Jones the basics of ERP, challenges for small and medium-sized businesses, and knowing when it's time to consider investing in a new solution. See page 47.

25-Step Blueprint for Selecting the Right Accounting Software

By J. Carlton Collins, CPA

Selecting the wrong accounting software can be a complete disaster. You could even lose your job or your business by making a poor choice—it has certainly happened many times before. Exactly where can you go to get the information you need to make the right decision? There are trade shows, seminars, and magazine articles on selecting accounting software, but they typically just tell you the good stuff. The accounting software publishers at conferences and other similar shows will provide you with a fancy brochure and show you what they have to offer, but the truth is that it is almost impossible to tell what's missing or what's wrong with the product. The value-added resellers (VARs) will come to your office to demonstrate the product, but they usually skip over the negative points and weaknesses as well. The magazine articles all seem to gloss over the bad stuff in fear of chasing away advertising dollars.

Too often it takes a complete installation of the system and at least a month of operations to tell if the product will meet your needs—and by then, it is too late. There seems to be no independent place to go to get good help with avoiding the wrong package. This is a problem that everyone faces when selecting accounting software. The good news is that almost all accounting software packages have gotten better over the past decade, and it is now easier to end up with a fairly good product than it used to be. But still, here are some important steps you should follow when selecting accounting software.

25 Steps for Choosing the Right Accounting Software Package

1. Steering Committee (Optional).

For larger companies, it may be important to establish a steering committee to oversee the evaluation and selection process. Your committee should have 5 to 7 people—no more. This committee may not actually do any of the work—they may simply oversee the evaluation and selection process and “steer” the people who are doing the work. In other companies, these 5 to 7 people may conduct some or all of the evaluation and selection work.

2. Budget.

The steering committee should prepare the budget range and provide those parameters to the people actually performing the evaluation and selection. Without a budget range, the people performing the evaluation and selection process may waste time evaluating products that are outside the scope of the budget. At a minimum, the budget should include the following:

1. Budgeted cost for new software.
2. Budgeted cost for new hardware.
3. Budgeted cost for implementation and training.
4. Budgeted cost for ongoing support costs and product upgrades.

3. Time Schedule.

The steering committee should prepare a time schedule with targeted milestones and should provide those parameters to the people actually performing the evaluation and selection. At a minimum, the time schedule should reflect target dates for the following:

1. Date to begin evaluation process.
2. Periodic reporting dates in which the steering committee is apprised of progress.
3. Date by which the options are to be narrowed down to 4 or 5 potential solutions.
4. Date range for scheduling product demonstrations.
5. Deadline for receiving all proposals from accounting software publishers or resellers.
6. Date by which the selection should be made.
7. Date in which the product and services are ordered (contracted for).
8. Date by which the implementation and training process should begin.
9. Date by which the new system should be fully implemented and running properly.



4. Identify the Current Problems.

If you are at this stage, it can be safely assumed that a) you already have a current accounting system, and b) your current accounting system is not adequately meeting your needs—or else you would not be



considering a new system. The first step is to define the problems with your current system—after all, if you are unable to come up with a compelling list of shortcomings, weaknesses, or issues, then perhaps you should reconsider the need to replace your current system. To identify the current problems and issues, it may be helpful to use e-mail to solicit feedback from each and every person who uses the accounting system. Assuming you are able to identify enough issues to warrant replacement of the current systems, you are now ready to move forward.

5. Give Your Current Reseller a Chance.

It is a good idea to share your problems with your current value-added reseller (VAR) and give them an opportunity to submit a recommendation for solving your problems and issues. If this is an option, keeping your current system is almost always cheaper, easier, and less disruptive to your organization. If the problem IS your VAR, then consider replacing your VAR with a new VAR that works with your product. In more than half the cases, a lousy VAR is the primary problem. If you don't like your VAR, then replace your VAR—I find that doing business only with people you like is the best policy.

6. Hire an Independent Consultant (Optional).

If you plan on using a third-party consultant to help you evaluate your needs and help you select the proper replacement system, now would be a good time to get them involved. Depending on the size of your company, the scope of the solution needed, your knowledge, and your and your staff's available time, hiring an independent consultant can be a good move. You might be better served to narrow down the selection first on your own, and then bring in consultants for each product. And yes, it is possible for you to conduct your own evaluation and selection process without the assistance of an independent consultant.



7. Involve Your Information Technology Staff.

Before you make another move, meet with your internal information technology (IT) staff and obtain their advice regarding the technologies and platforms that are best suited for your company, based on the current equipment and skill sets of the IT department. This may be a good opportunity to migrate to a better platform based on more current technologies. Your IT staff will be able to give you guidance on which technologies to look for in your search. For this reason, you may want to ask your IT staff to justify their recommendations in the event that they recommend a higher-end, more expensive technology platform.

8. Ignore Your Current Hardware and Technology Platform.

Too often many companies seek to find an accounting software solution that will run on their current computer equipment, such as an IBM AS/400. The problem with this approach is that it is backwards—it puts the cart in front of the horse. The best way to proceed is to find the accounting software product that best meets your needs, and only then find the best hardware to run it. If your current hardware can be utilized, that's great. If your current hardware is inadequate, then you should purchase new hardware—the hardware is by far the least expensive component when it comes to implementing a new accounting system. Chances are very good that if you need to replace your accounting system, then it is also time to replace your hardware anyway.

9. Become Knowledgeable.

To get started, it is always helpful to first educate yourself about the accounting software packages that are out there. (We know that the reality is that nobody has enough time to fully do this.) The Internet can help by making it faster and easier to locate information. But you may also choose to attend independent seminars, vendor sponsored seminars, and trade show exhibition booths; and read newspaper and magazine articles.



10. Compile a List of Potential Solutions.

Make a list of all of the products you are aware of that might meet your needs. Include products that you are aware of, products you read about,



products you hear about, products listed on the Internet, etc. If possible, talk to your competitors and ask them what they use and add these to the list as well. So that you can evaluate the products side-by-side, you may consider preparing a more elaborate list—a spreadsheet listing key information for each product. For example, your spreadsheet might include information for modules, pricing, platform, customization capabilities, certified payroll, retainage, time

and billing solution, and bar coding—or whatever you determine is most important to your company. The objective here is to focus on only the most important issues and not be blinded by small insignificant shortcomings. This matrix will also be helpful in sharing information with others who may have input into the ultimate decision. For each product you are evaluating, begin tabulating a list of the features and facts that impress you about the company, the product, and the reseller. For example, you may list key awards received by the product, the fact that the company provides great support, or describe a great feature that you think your company would really benefit from. Continue to add to this list as your evaluation continues.

11. Eliminate the Obvious Poor Choices.

Start to eliminate potential products due to missing modules, missing key features, or because they are simply too expensive. Cross them off your list and notate why you did. Selecting the right package is mostly a process of eliminating the wrong packages. Generally, you can eliminate many products at this stage. Continue to eliminate products throughout the entire evaluation process.

12. Evaluate Product Features.

Next, make a complete listing of the unique features that your company requires and compare this list to the features provided by each product. There are several good software programs that aid you in this process. See Appendix D for a list of helpful resources.

13. Visit Internet Sites.

Next, visit the Internet sites for each accounting software product remaining on your list. If your list is still lengthy, pick your best four or five options and concentrate on them for now. Print out the information, organize it in a binder, and study it in detail. Use a highlighter to highlight the key points you identify, as it is likely that someone in your organization will probably review your documentation at some point in the future.



14. Request Brochures and Evaluation Code.

Next, call each accounting software publisher and request their latest brochure information and an evaluation copy of the software. Watch out, this will trigger accounting software sales representatives to come calling on you.

15. Feature Requirements.

At this point, use all of the knowledge and insight you have gained so far to prepare a list of requirements that the new system should provide. Actually, you should have been preparing this list all along and adding to it continually as new features and capabilities are identified. This should be a short list, only one or two pages long, listing the most crucial of needs. For example, multi-currency support, consolidation capabilities, serialized inventory, and e-commerce capabilities might be listed here.

16. RFP Stage (Optional).

An RFP is a “request for a proposal.” Typically this means that you supply accounting software publishers and resellers with a list of the feature requirements you need and questions you have concerning their product. They respond back with an exhaustive report/proposal explaining whether they do, or do not, provide those features. Their proposal will also contain detailed pricing, time lines, and methodologies for accomplishing the implementation and training process. The publishers and/or resellers may spend a great deal of time evaluating your organization and interviewing your personnel in preparation of the RFP. For most companies, RFPs are not a necessary step. However some organizations don’t see it that way. Some management officials are from the old school, and believe that RFPs are an absolute necessity. Further, government agencies are required to undergo the RFP process. To be on the safe side, find out whether management expects you to go through the RFP process before deciding to forgo this step.

Warning! Many of today’s accounting software publishers are not equipped to respond to RFP’s—they simply do not allocate resources to this function. Therefore if you do decide to issue an RFP, often the only accounting software publishers who respond represent the more expensive tier 1 solutions. Those accounting software publishers who represent the newer, leaner, meaner, less-expensive solutions are less likely to respond. In other words, the RFP process virtually assures that you will be selecting a more expensive tier 1 solution. You should be aware of this possibility.

17. Identify Top Resellers.

By far, the number one complaint in the accounting software industry is of “poor resellers.” Because this is the single-most important element in the successful implementation of an accounting system, you need to take extra care to make sure that you identify the best resellers and consultants. If you call the company and ask for a referral, the accounting software publisher will typically pass you off to the next reseller on their list, and you may get stuck with a less experienced installer. Don’t make this error.

18. Product Demonstration.

By this point, hopefully you have identified the best resellers in your area for the products you are considering. Next, you should arrange for these resellers to demonstrate their products to you. They should take time up front to ask you extensive questions about your company and your needs. This will help them better understand what you are looking for and they can then tailor their demonstration to your particular needs. (If they don’t take time to talk to you up front, watch out—you are probably dealing with an inexperienced person.) Allow them to make their pitch—they all have a canned sales pitch, and by damned, they will all make you endure it. Hopefully the reseller will use live software to demonstrate the product to you, but sometimes slides and overheads are used as well. Take the demo for what it is: a sales pitch. Before it is over, hit them with your toughest questions.

Make sure to ask them about their available time, their installation methodology, their track record for getting the systems up and running properly on time, and a list of 3 to 5 references whom you can call to check up on their work. You may even ask them to install an evaluation copy of the product on your computer so you can further evaluate the product on your own time.



19. Hands-on Testing.

Some resellers will provide you with evaluation access to their accounting solution, either through a loaner computer, Citrix access to their servers, or by installing the accounting system on your computers. If you have access to the prospective accounting software system, this would be a good time to evaluate it hands-on. Keep in mind that you will be testing software that you do not know how to use. If you are unable to make something work the way you want it to work, don't assume that it won't do it. (Most software publishers receive thousands of suggestions to add features that are already present in the system.) Simply write down the problem and address it with your reseller the next chance you get. Make sure to update your list of good and bad points for each product. Include subjective points about performance, look and feel, ease of use, etc.

20. Legal Issues.

Before making any final decisions, you should have your legal department or your company's attorney review all documents and contracts, including the ongoing support agreement. I know this seems obvious, but often it is overlooked. Check to see how much in maintenance costs you are required to pay on an ongoing basis; what measures you can legally take in case the software does not work; find out who owns your data (a sly trick that some nasty publishers have employed to keep you married to them); etc.



21. Consider Hosting.

Consider having the file server system hosted instead of purchasing the system outright. Hosting is a proven solution that results in significant costs savings, faster implementation, tighter security, and other benefits.

Many companies will host your computer system at their location—their staff usually includes experts who are Oracle and SQL Server™ certified, experts in security issues, and experts in wide area networking and remote computing.



22. Consider Financing.

There are many financing companies available who specialize in financing accounting software and computer systems. With these companies, it is possible to spread the purchase costs over many years

through lease payments—resulting in a better matching of cash flow and benefits received. There may be tax advantages as well, depending on your circumstances (for example, if your company has already maximized its section 179 depreciation deductions through the purchase of other equipment, then leasing may result in larger deductions on your tax return).

23. Visit the VAR & Vendor (Optional).

Next consider traveling to the headquarters of the accounting software publishers and tour the company. Attend the executive briefing and satisfy yourself that the company has the resources and strength to meet your ongoing needs. Do the same for your reseller (if you have not already done so). This may seem like an unnecessary step, however your solution may cost hundreds of thousands of dollars. A little due diligence may go a long way towards helping you avoid a costly mistake.

24. VAR Bandwidth Availability.

Before making a final decision, find out how much bandwidth and availability your reseller has related to implementing the proposed solution. If you plan to implement the system in fifty different locations, request a Gantt chart depicting the time line for implementing each location and the personnel who will be used in each location. Force the reseller to think this process through before you make a final decision—or else they may not be aware of availability issues that will ultimately affect you. In some cases it may also be important to find out the names of the staff the reseller plans to use to implement your system. In this manner, you can check up on them and make sure that they are indeed highly qualified before you sign the dotted line.

25. Call References.

The most important step you can take is to call references. Presented below are a few simple questions that you may want to ask of previous customers:

1. Do you use XXXXX software?
2. When did you install it?
3. How long did it take from start to finish?
4. Who performed the installation (reseller and names of consultants)?
5. Did they do a good job and install the system in a timely manner?
6. Are you satisfied with the product?
7. What problems have you had with the product?

These seven questions are usually all you need, as they will flush out any problems with the resellers or the product. Be careful to make sure that the reference is being honest with you. Some references will not say anything bad in fear of a lawsuit. Others may not really be valid references; instead it may be a brother-in-law or close friend on the other end of the line. Therefore, be on the look out for suspiciously short responses or people who are not able to describe specific details of the engagement. If you reach three consecutive good references that you are comfortable with, then in our opinion, that product and installer have passed the final test. Also, if you receive negative feedback, it may be helpful to try to distinguish between a “good product/bad reseller” versus a “bad product/good reseller” situation.

Decision Time

At this time, you should be in a good position to select an accounting software package. If you have more than one package left on your list, make a decision based on guts or instincts. If you still can't decide, choose the product that is easiest to use on a day-to-day basis, the product that is built on top of the most promising technology, or the product that offers the strongest reporting. Otherwise, flip a coin. We believe that the actual price of the software is not really relevant (within 200% or so). The real cost of accounting software is the time required to get it up and going and the time required each day to implement manual work-around procedures to compensate for missing features and reports.

Conclusion

The reality is that the apparent winner may reveal itself long before you complete all the steps described above. Still, it is a good idea to run through all of these steps just to be on the safe side. Some companies can make this decision easily in just a few months with the assistance of a consultant. Other companies must endure a much longer ordeal to arrive at the best choice. You alone must make the determination as to how much effort is warranted to select the best accounting software package to meet your current and future needs.





Why Accounting Software Is a Must-Have for Most Businesses

By Joseph Anthony

In my business as a tax professional, I've seen only one business client in the past six years who has come to me with all of her income and expense statements written out by hand. To be honest, I was stunned when I first saw these statements. But I was even more stunned to see that they had been done correctly.

I asked this business owner why she kept her books manually. Her response: "I just like doing it this way. Can you work with me even though I don't do this on a computer?" The answer was yes, absolutely. This client understood what she was doing, kept meticulous records—and had fabulous penmanship.

But just the rarity of seeing handwritten financial information drives home for me the logical preference that most small businesses have for turning to software for help with their basic record-keeping needs. If you keep track of your business expenses and revenues yourself and you use a PC in your business, then you should be using an accounting software application to make your life easier.

Accounting Software Today Is Better, Easier

That's a pretty strong statement, especially in the area of accounting and taxes, where the answer to a question so often is, "It depends." But basic small-business software programs have gotten relatively inexpensive and easy to use so there's really no question that you need accounting software in your business today. The question today is what kind of solution should you be using?



Software Can Handle Basic Bookkeeping Duties

Most tax pros are set up to handle client bookkeeping needs with the client's own staff or on-contract bookkeepers. But most tax pros also can



easily work with clients who use accounting software for their basic bookkeeping. The tax pro will still take care of tax returns and such matters as consolidated statements for banks, while you'll handle the basic inputting of financial data. Instead of literal hands-on data input, your tax pro will be more of an overseer for the work you're handling in-house.

With your accounting software, you could handle some bookkeeping tasks that you might otherwise outsource. That can save you money, especially if you don't have significant bookkeeping needs and if you have someone who can handle bookkeeping tasks in addition to other duties. Most businesses, however, will still ultimately end up hiring someone to handle their bookkeeping.

But Don't Skimp On Training

A key to doing your own bookkeeping with an accounting software application is, of course, learning to use the software properly. For example, most business accounting programs will create balance sheets for you that always balance. That's the nice thing about them. The problem, in fact the danger, is that the balance sheets will balance whether or not the information recorded by the user makes any sense. I've seen accounting-program balance sheets that showed negative depreciable assets and negative loans from shareholders. I've seen a cash-basis taxpayer with accounts receivable on the balance sheet—something you only have with accrual-basis taxpayers.

In short, accounting software programs, like most financial management software, run on the GIGO concept (garbage in, garbage out). They can be tremendous time-savers, and we benefit enormously from them. But you have to take the time to learn to use them properly, and to teach your employees to use them. You'll want an expert to review your work periodically.



Working with an accounting program in-house can reduce the amount of time and number of tasks for which you need a tax pro. It probably does not reduce the desire most businesses have for a tax pro who can deal with higher-level financial issues, such as your tax returns and overall planning.

It Tracks Money Matters and More

Accounting software programs can be used for a lot more than just tracking a business's annual receipts and expenses.

They also can:

- Generate payrolls, track and pay corporate tax and employer tax liabilities, print out employee W-2s and contractor Form 1099s, and track overdue bills.
- Link to online banking services and accounts, so that banking information is automatically incorporated into the software program.
- Integrate with Microsoft Office and other business applications, and can ideally be used to do things such as keep track of your inventory, track your project expenses, assemble job bids, break down profits or losses by client or category, and bill clients.

And if you're keeping your books on your computer, giving them to your tax pro for review can typically be done by sending an e-mail with your company data file—which your tax pro will then load into the same software program that he has on his computer. Ideally, both you and your tax pro will save time and money.

By Dr. Katherine Jones, Aberdeen Group

Generally an accounting solution is the first business software package a small business buys; often, unfortunately with very little thought to the future. Even that very first decision should be strategic—the software should not be a throw-away. And there are some simple steps that can prevent acquiring a disposable business solution. What do small companies need to know about their software choices to plan for the future?

Executive Summary: Why Software Selection Is Important

Selecting software for a small business can prove a major headache—and selecting the wrong software can be even worse. A small business owner has enough to worry about without the migraine of application mismatch, a syndrome that plagues many in this vital part of the world economy. Application mismatch may not be easily diagnosed, but the symptoms are recognizable: growing pains, migration nightmares, blocked access to data, integration impairment, and often a general malaise stemming from knowledge that managing the software for your small business shouldn't be so difficult.



Will My Business Application Support My Growth?

First, can the software grow with you? A poor solution choice may not stunt your growth, but it can sure make it harder. Let's look at some questions to ask as you look for your business solution:

Questions to ask your solution provider:

- How easily can I add more users as my staff increases?
- What are the economic implications of adding more users?
- How will the software handle increased volume over time?
- Can I greatly expand the number of transactions and still have good performance?
- Will the software alert me if it has reached its capacity?

Did you know...?

The U.S. has 4,678,371 small businesses with 1-50 employees. The importance of these small firms is reflected in the fact that they account for the employment of 26,547,222 people.

In 2002, 50.1% of the U.S.'s 112.4 private-sector workers were employed in small firms. The only private sector employers that added jobs in 2001-2002 were those with fewer than five employees. They added 67,000 jobs to the economy.

There are 19 million of these small businesses in Europe, providing jobs for 140 million people.

Migration: It's Not Just for the Birds

Migration and transition are two issues that can impact access to business processes that rely on automation and the potential downtime of the systems that the applications run on. Migration refers to the result of a product upgrade; transition refers to the move to another product all together. In both cases, you need to know that your data will survive intact and that after either the new revision or the new product is installed, you can access and use the data and it is still accurate. Even if you seek to dispose of your current business application, don't even consider disposing of your data.

Questions to Ask Your Solution Provider:

- How will the solution provider ensure continual access to the data I already have?
- How long does an upgrade process or a software conversion take?
- When can I access my computers during a migration or transition?
- Does the supplier charge extra to convert my existing data into the new product?
- Will any customizations I've made migrate or transition with my data easily?
- Is there an articulated product life-cycle growth path to support my planned (or unplanned!) growth?

A small southeastern manufacturer of cable assemblies learned a painful lesson as it moved from one financial application to a second—the first years of the company's financials would have to stay behind; the new product would only allow for data entered at the time of installation and beyond, unless a very expensive conversion and data re-entry project was undertaken. Inquire about migration and transition costs before you are even close to outgrowing your solutions!

Integration: Getting It Together

When a business, large or small, has a hodgepodge of disparate solutions, predictable problems can arise. But even small companies can acquire software with fairly seamless mobility between different applications that manage employees, accounting, or operations. There are two issues to be alert to: first, the time you spend switching between various applications to get the full picture of your business, and second, the labor cost and loss of productivity associated with re-entry of data. The first issue may just be inconvenient and a waste of time, but the second increases the risk

of errors and inconsistencies. This risk stems from the manual entry and re-entry of data, as re-entry increases the risk of error.

Thus, a key selection criterion for application purchasers in small business is the ability to access and transfer data across business applications without repetitive data entry and without expensive maintenance and support costs. Alleviating any redundant data entry will save administrative time, decrease the likelihood of errors, and, overall, reduce costs.

Questions to Ask Your Solution Provider:

Because of a lack of product integration, an upstate New York Headstart agency manager of 12 child development centers manually enters most employees' human resource data three times, which is both a productivity drain and increases the risk of error. To add insult to injury, two of the three unintegrated applications used by the manager are from the same vendor. If you are planning for a growing business, avoid entering information anywhere more than once!

- How easily can I move data between applications?
- Do I have to pay a lot for product customization or integration to support automatic integration so I can update data in one place and have it automatically change wherever that data is used in the business applications?
- Do I need to batch data between one application and another?
- Can I easily access and use the data in the tools I use every day?

You Decide: Vote for Decision Support

Not only do you need to provide employees easy access to data, you need the tools to make that data meaningful and actionable. Business decisions impact your future and they must be based on accurate and timely data. Fortunately, today's solution suppliers include decision support applications which allow analysis and reporting in almost all business applications. When applications are integrated you can anticipate that the results of analysis are consistent as well.



Questions to Ask Your Solution Provider:

- Does the solution provide the reporting tools I need to thrive and grow?
- How will I see the data I need daily on my dashboard?
- Can I easily change my view of the data displayed?
- What reports are included with the solutions? Do they meet my needs now? How does the application accommodate future reporting or analytic requirements?
- How hard is it to use?

Flexibility: How Adaptable Is Your Solution?



Your growth trajectory means change—the business processes you set in place when the company was founded may be holding you back. Whether you grow organically, through mergers, through the acquisition of another company, or if your company is acquired, your processes will change. Thus, the software you use needs to be flexible enough to support those changes. The ability to be flexible doesn't mean you should be rewriting code; it does mean

that there should be user-selectable choices for screen presentation, workflow, sizes of data fields, and the like that can accommodate change. How you conduct your business today may not be at all like you will conduct it tomorrow, so ensure that you have the facility to change—and to change without a team of those proverbial rocket scientists.

Questions to Ask Your Solution Provider:

- Will this software dictate how I run my business?
- Is it flexible enough to allow me to change and grow as I want?
- Can I change it myself or do I need to hire someone to do it?

Accountability Matters

Good corporate governance begins at the inception of your company. You want to manage your company with good business practices and provide your customers and your employees the assurance that you are fiscally accountable. Solid business applications that support Generally Accepted Accounting Principles (GAAP) and Financial Accounting Standards Board (FASB) guidelines support accountability across the business and reduce your risk, both now and as you grow. If you expand to become a publicly traded company, you will need to comply with Sarbanes-Oxley and other rules. It is far easier to plan for compliance rather than band-aid it on at a later date. Seek applications that support GAAP and provide a foundation for auditable record keeping.

Questions to Ask Your Solution Provider:

- Does my financial software support audit trails?
- Is it designed around GAAP practices?
- Can it alert me to overspends or irregularities?

Instilling sound governance procedures from the beginning will prove imperative if you are seeking to become publicly traded, become a candidate for acquisition or are acquiring a company yourself. You have no idea where the future may take your business, but your early planning and care in your investments in technology can insure that you have solid underpinnings for the long haul.



The Life-Long View of Solution Acquisition

A small business life cycle has a concomitant technology life cycle. Generally a company's business solution requirements change over time, becoming more complex, more sophisticated, more robust, or broader in scope and functionality. Your requirements may also change—you need functionality you didn't need before—or new technologies that increase your competitive potential arrive on the market.



Points to consider:

- **Vendor Viability.** You want your solution provider to be here tomorrow. While you cannot control that, at least do your homework and look for a reliable provider with a healthy balance sheet.
- **Solid Support.** Look for the support you need where you need it at an affordable price-point. If you work with a channel partner that supports your organization, check references to find one you can really trust with your business.
- **Global Presence.** You may be small, but you may have a global business presence quicker than you think. Select solutions that will support small business globalization!

Your technology solutions should have a growth path that is clearly defined in terms of its future ramifications on your business. Some companies, though they are small, have very complex business processes—the business applications then need to support complexity from the get-go. Plateaus should be



defined so you recognize the next step or the next application. In addition, the ramifications of the transition should be articulated, with cost, time and risk factors clearly delineated. The solution should address your specific requirements as a small business (rather than present a watered-down version of big-business software) and should be flexible enough to allow you to conduct your business the way you want to. Wherever you are in your business life cycle today, seek out a solutions portfolio that will not only allow you to grow the way you want to, but will provide the technical foundation for that growth—and will support that growth for the entire future of your business.

Calls to Action

- Take a long-term view of your business applications.
- Look for good metrics early—you cannot improve what you cannot measure.
- Make financial accountability inherent in your company's DNA.
- Consider carefully the ramifications of integration, product migration, and solution flexibility as you consider purchases.
- Plan for the future—not just the present.

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Why an IT Partner Might be Your Company's Best Friend

By Philipp Harper

Donna Varnum knows firsthand how important a good information-technology consultant can be for a small business.

Varnum, chief executive of Varnum & Associates, a Tallahassee, Florida-based civil engineering firm, also knows well the pitfalls of a bad IT partner relationship.

She experienced the downside in September 2004 when the server in her firm's satellite office lost one of its three drives. An audit of the system revealed that the other two drives were running at only 7% of capacity. At that point, she recalls, the office's ability to back up data was at best "iffy."

Since the satellite office was responsible for handling millions of dollars in contracts with Florida's State Department of Transportation, fixing the computer problem quickly was an absolute necessity, Varnum says.

Her company, which has 20 employees and annual sales of around \$2 million, turned first to the consultant who six years earlier had designed the system. The consultant, a lone operator, had custom built the network of five servers and a dozen or so workstations to run Linux, the operating system he was most familiar with.



Time for a Change

For the upgrade, however, Varnum wanted to go with a Microsoft operating system, in part because it would be compatible with the new peripherals—a Hewlett-Packard 9000 printer and a Kyocera 2530 copier—she planned to install.

But the consultant had other ideas. He once again built a Linux-based server, and then, Varnum says, “tried to make Linux mimic Microsoft to get the new hardware to work with it. And he couldn’t.”

With the problem still unresolved in December of that year, Varnum, who describes herself at that point as being “very upset,” decided to make a change.

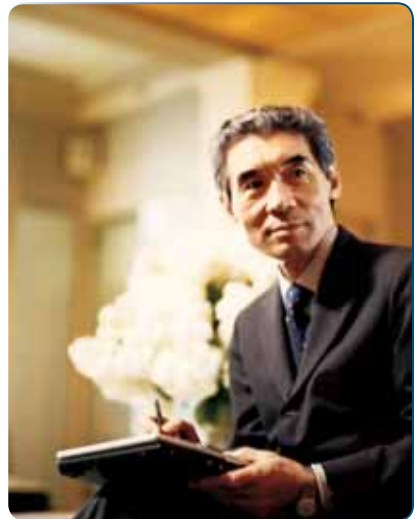
After soliciting bids from a handful of IT consulting firms, Varnum settled on Aegis Computer Services, also based in Tallahassee. Varnum says she selected Aegis for two primary reasons: The consultants were willing to do the work in the time-frame demanded by Varnum & Associates and, more importantly, they effectively communicated what they thought needed to be done and how they intended to do it.

Communication Is Key

“They came up with a game plan and laid it out for me,” Varnum says. “I guess that’s what won it for them.” She adds: “I can talk to them. Some of these guys just talk down to you.”

Aegis CEO Pam Butler says it was obvious that Varnum relished the attention and the straight talk. “The whole idea of putting her in the driver’s seat really appealed to Donna,” Butler says. “You could tell she’d been burned.”

Varnum was so comfortable with the new relationship that she quickly expanded the scope of the contract to include replacing the firm’s entire network, not just the server at the satellite office. By January 2005, the new network—three Dell servers running Windows Server™ 2003 instead of the five “white boxes” that ran Linux—was



up and running. Aegis also changed out about half of the workstations, replacing them with more powerful Acer 1000s that are better able to handle the firm's AutoCAD needs.



Varnum also entered into a monthly service contract under which she's billed about \$100 an hour for assistance. So far, she says, the company requires about 20 hours of service a month and she has been impressed by the promptness with which Aegis responds to service requests.

Develop a High-Level Perspective

For her part, Butler credits Varnum with having a high-level view of technology's role in her business. Says Butler: "You have to think about your business and how it can best employ technology and then hold the technology accountable to deliver what it's supposed to."

More than just farsighted, such an attitude is becoming necessary for business owners and managers who seek to line up competent IT help. Many small and mid-sized businesses find it more efficient to partner with an IT provider than to hire an in-house technology staff. Such a partnership can be formed in several ways: (1) working with a vendor who provides the business system and software; (2) contracting with a third-party IT consultant; or, in some cases, (3) both.

In any case, the bottom line is this: A good IT partnership, like a good marriage, depends on both sides meeting the expectations of the other. This is especially so for companies that, because of their small size or limited resources, aren't considered preferred clients by larger IT consulting firms.

Why Smaller Companies Face Challenges Securing IT Partners

The problem, says Janet Shaver, founder and co-owner of San Francisco-based Synergy Business Solutions, a business-process design and analysis firm that has gotten out of IT consulting, is that the revenue potential isn't as high when working with smaller businesses. Not only do such companies often lack resources to devote to their IT problems, but they're unwilling to commit to an ongoing relationship with a consulting firm.



"The overhead is the same" when working with small companies, Shaver says, "but the potential for profit is less." Consequently, consulting firms tend to focus on a better-heeled clientele.

Mark Roberts, chief executive of the National Association of Computer Consultant Businesses (NACCB), an Alexandria, Virginia-based organization representing nearly 300 member firms, says the vast majority of members work with larger companies. Typical services provided include custom software development or help-desk staffing.

As for smaller businesses that need assistance with a hardware or software problem, if they can find help at all, it usually comes from a sole operator.

How to Be a Good IT Client

Still, by adopting the kind of mindset displayed by the owners of Varnum & Associates, a smaller company can find comprehensive and ongoing IT support. What's required on the part of management, Butler says, is a willingness to:

- **Budget for IT.** While cash flow is extremely important to small and midsized businesses, keep in mind that money spent to prevent technology problems will, in the long run, result in an improved bottom line.
- **Make Fundamental Changes.** Don't apply a tech band-aid to a flawed process. It might solve a problem temporarily, but a more cost-effective approach may be to replace the process entirely.
- **Fund Employee Training.** Obviously, workers who aren't getting the most from their IT tools aren't contributing as much as they could to company profitability. Again, a short-term investment in training can result in a long-term payoff when you train employees up front.
- **Pay for Prevention.** It's usually less expensive to pay for the kind of maintenance required to head off problems than it is to address problems after the fact.

What to Look for in an IT Partner

A business owner who's willing to do what's necessary to be a good client deserves quality, effective IT services in return. Knowing what to look for in an IT consultant can dramatically improve the odds of receiving good service.

Roberts of the NACCB says the following criteria should be applied in the search for a consultant:

- **Experience.** Everyone has to start somewhere, but you probably don't want you and your business to be the consultant's first client. So make certain the individual consultant or firm has experience doing what you need done.
- **Standards of Practice.** Firms that belong to the NACCB (www.naccb.org) subscribe to a statement of business principles that defines ethical behavior regarding clients, their proprietary information, and competitors. If you're considering a firm that doesn't belong to an association, ask if they've promulgated their own standards, and be sure to ask for references.
- **Focus of Practice.** Some IT firms provide general consulting, while others specialize in specific areas. Make sure your needs match the consultant's expertise.
- **Method of Services Delivery.** Businesses with an in-house structure for managing the IT process may simply need to augment their human resources by "renting" a body or two, with management provided by your business in-house. On the other hand, smaller companies probably will want the consultant to oversee and deliver a project.

Ultimately there's nothing mysterious about a good IT partnership. Like those between two people, a strong partnership is characterized by mutual understanding.

Finding the Right IT Partner

By Kay Ewbank

Finding the Right IT Partner Can Minimize Risks

Choosing a business solution can be daunting. Get it right and efficiency will rise; get it wrong and your business will suffer. When you're trying to identify the right business solution, it's vital that you find the right partner. The most important points to consider are the partner's reputation, coverage in your region, and stability.



First of all, an established reputation means you can be sure of the partner's credentials and track record with customers. On the other hand, a partner might offer great advice, but if they have no experience in your regional market, it might not be applicable. But the last thing you want is an unstable partner who goes out of business and leaves you with no back-up.

No Unpleasant Surprises

Predicting ROI is another area where the help of a good partner can be invaluable.

First, the partner should be able to predict the overall cost of the software. Then, they need to accurately and honestly predict the business value that the solution will bring to the business.

Some of this is very simple, but it's easy to forget some aspects or to underestimate other costs, resulting in an ROI figure that will

come back to haunt you. For example, do you really have the expertise to work out the realistic costs associated with developing or customizing the software, and then administering it?

If you have an existing system that you want to replace, you will know instinctively how the system can be improved, and what the likely cost-benefit of those improvements will be. If you can pass this concise information on to the right partner, they'll be in a much better position to predict the likely cost of the system, and maybe even give you a precise cost quotation.

As Gary Barnett, research director at the IT analyst group Ovum, puts it, "We sometimes see relatively small companies developing their own in-house solutions, and they could nearly always get something much more suitable, more quickly, and more cheaply by going to an experienced partner." The first merely offers a "utility" function; like electricity, you need it to carry out your operations, but it isn't something your customers will notice about you.

That said, a partner who really knows your industry sector will almost certainly have done similar things for other people. They'll know the hidden pitfalls in particular solutions and will be able to highlight plus points you wouldn't otherwise have noticed.

Summary of What to Look for in an IT Partner

- A trusted heritage who will be around for the long haul and can assure you of ongoing high-quality service.
- Ability to predict the likely cost of the system.
- Can work with you to pinpoint and leverage what differentiates your business.

Practical Advice for Companies That Have Outgrown QuickBooks

By J. Carlton Collins, CPA

Limitations of QuickBooks

QuickBooks has two basic limitations:

- Limited accounting system features.
- Limited database performance.

If you run a smaller operation, these product characteristics are actually appealing. For one thing, having fewer features makes Intuit QuickBooks easier to use. If hundreds of new features were added to the product, users would have more difficulty mastering it. In addition, if QuickBooks incorporated a more robust database, its price would increase.

If your organization is rapidly expanding, however, you will eventually outgrow the QuickBooks feature set and database performance, as the rest of this section helps to illustrate.

QuickBooks Feature Set Limitations

For example, QuickBooks does not support serial number tracking, multiple warehouse locations, or customer-specific pricing. In 2004, I conducted an extensive survey of 25 popular accounting software products.

In my survey, I ranked the products in order of most robust to least, based on the number of features provided out of the box and the number of additional features provided by customizing the product or by purchasing add-on solutions. QuickBooks Premier ranked last in the group, with 731 features provided out of the box and 79 features provided through customizations or add-ons. The top performer in this



group of 25 products, SAP R/3, weighed in at 3,151 features provided out of the box and 187 features provided through customizations or add-ons.

Note: Remember that Intuit limited the QuickBooks feature set to make the product more affordable and easier to use. Up to a point, you can overcome feature shortcomings in any accounting software product by using manual workaround procedures or add-on solutions.

QuickBooks Database Limitations

According to Intuit, QuickBooks can theoretically handle up to a billion transactions. The company claims the maximum number of transactions is limited more by your computer's hard disk space and memory than by QuickBooks. However, it has been widely documented by Intuit that after a certain number of transactions, the product's performance declines. Ultimately, as a company's number of transactions continues to increase, the performance of QuickBooks will decline to unacceptable levels. Intuit reports that the total number of employees, customers, vendors, products, and other names you can enter into QuickBooks is limited to 14,500. Likewise, you cannot enter more than 10,000 account numbers. However, performance can decline to an unacceptable level long before your company reaches these thresholds.



Determine When You've Outgrown QuickBooks

You know you're beginning to outgrow QuickBooks when you notice unacceptable menu and screen delays occurring as you navigate through the product. Another clear indication you're outgrowing QuickBooks occurs when your reports begin taking an unacceptable amount of time to print.

For a more scientific approach, you can estimate the size of your QuickBooks database like this:

- Multiply the number of annual transactions by 2 KB.
- Add up the total number of items in your lists.
- Multiply the total from step 2 by 5 KB.
- Add the total kilobytes from step 3 to the total kilobytes arrived at in step 1.

If you're not sure what constitutes a "transaction" or an "item," let me explain: An invoice, a payment, and a deposit would count as three separate transactions. A bill and bill payment would count as two transactions. And an employee, a customer, and a vendor would count as three separate items in your lists.

Let's look at an example.

Suppose your company enters an average of 300 transactions per month. This means the data file would grow by approximately 600 KB per month ($300 \times 2 \text{ KB}$) or 7200 KB per year ($600 \text{ KB} \times 12$). Now add to the total 5 KB for every vendor, item, employee, customer, and account number in your database.



If the resulting data file is smaller than 15,000 KB, QuickBooks performance should be acceptable. (You can check the size of your QuickBooks file by pressing CTRL+1 on the keyboard.)

Note: This is a rough estimate. Complex transactions eat up exponentially more memory than simple transactions. For instance, a user who enters 500 one-line invoices per month will find that his or her data file is smaller than that of a user who enters 100 five-line invoices per month.



Squeeze the Last Few Drops from QuickBooks

What if you determine that you are indeed outgrowing QuickBooks? There are several measures you can take to temporarily relieve the problem until your company can select, purchase, and install a new accounting system. I have listed the following measures in order from least to most drastic:

- Defragment the computer's hard drive.
- Archive and condense the QuickBooks data file using the built-in File Utilities command. (Remember to first make a copy of your QuickBooks data on your hard drive so you can access it later, if necessary.)
- Turn off QuickBooks preferences, such as alerts, reminders, and auto-refresh reports to gain a little more speed.
- Run QuickBooks in single user mode, or if necessary, run the program in single user mode during certain times of the day.
- Purchase a faster computer with a faster hard drive and faster RAM.

- Add more RAM to your computer, or replace its RAM with faster RAM.
- Install faster 100 MB cards, hubs, and cables. (Such hardware should be installed properly and tested for 100 MB performance.)
- Turn off the QuickBooks Audit Trail. Note that this measure will leave you with no audit trail, which, of course, can lead to other problems.

Replace QuickBooks

Once you've determined your company needs a new accounting software system, you should embark on a full evaluation and selection process.



Getting to Know GAP Accounting Solutions

As you start your evaluation process, you will undoubtedly come across GAP accounting products, a class of products designed to meet the needs of companies that have outgrown QuickBooks. GAP products, which range in price from \$2,000 to \$5,000, earned their name for filling the gap between entry-level solutions priced at around \$500 and higher-end solutions starting at \$15,000.

Because of their price, GAP products often are not as well known as their entry-level or

higher-end counterparts; they're priced too high to sell on retail shelves and too low to be frequently recommended by resellers. As a result, the distribution channel for GAP products is limited, even though they may offer the best value of all accounting software.

Many GAP accounting systems crowd the market today. In my opinion, the following three solutions are the top performers in the accounting industry:

Microsoft Small Business Financials

(For a more detailed comparison between QuickBooks and Microsoft Small Business Financials, see Appendix C at the back of this guide.)

Best Software BusinessVision 32

Netledger NetSuite

In my opinion, these other GAP products also deserve mention:

BusinessWorks

Cougar Mountain

ACCPAC Discovery Series

Peachtree Edition of MAS 90

UA Corporate Accounting

Flexware

Agresso

Adagio

Appgen

So, if you have indeed outgrown QuickBooks, you can see that there are many alternatives available—one of which is sure to suit your particular business needs.

To learn more about Microsoft's financial management solutions for growing businesses, please see Appendix B.

Kay Ewbank's 10 Signs You've Outgrown Your Business Software

1. *The level of user complaints has risen significantly.*
2. *Employees ask to add non-authorized software to the system.*
3. *You can't fulfill requests for information from partners or customers in their preferred format and timeframe.*
4. *You're still not making full use of the Internet.*
5. *You have gaps between front-end and back-end systems that are plugged by unsatisfactory customized solutions.*
6. *The software inhibits users from completing tasks.*
7. *You have multiple, non-integrated information stores.*
8. *You find yourself contemplating hiring contractors to write add-ons.*
9. *Support costs have risen.*
10. *You don't have enough support resources.*

The ABCs of ERP: an Executive Primer

By Dr. Katherine Jones, Aberdeen Group

What Is ERP Today?

What exactly is ERP? When “ERP” (enterprise resource planning) is discussed today, it is rarely in the context of planning how resources are to be expended. Rather, it refers to an enterprise view of the business—in other words, a view of a company and all its parts as a connected whole, rather than small silos of activity.

ERP relates to the software infrastructure that holds the entire company together internally, on the one hand, and supports the external business processes the company engages in, on the other.



- ERP applications address a business process.
- ERP applications are modular.
- ERP applications are integrated.
- ERP applications include a company’s reach beyond its walls—to its suppliers, customers, and partners.
- The entire ERP suite will address all areas (or the great majority) of a company’s business functions.

Answers to 5 Common Questions About ERP

Some common questions about ERP include the following:

1. Is a “Business Process” a Department or a Particular Function?

A business process crosses multiple functions in an enterprise.

For example, you may have a department called “accounting,” or you

may have a function called “payroll.” Although each function involves business processes, these functions themselves are not process based.



A business process is broader—for example, “order to cash” means everything in the path from the customer order until you have the money in the bank. It is a more efficient way to think about linkages and how they work in your organization.

2. Is a Modular ERP Application any Different Than My Current Stand-Alone Applications Today?

The beauty of an ERP application is that it is a suite of applications that all work together—without this capability, you can’t have seamless business processes.

Modularity comes to play mainly in how you purchase and implement your ERP system. You may not need all applications at once, or you may want to deploy one application at a time. They are different from separate applications in that when more than one is implemented, they fit together like Legos and work automatically.

3. Why Do I Care if My Applications Are Integrated?

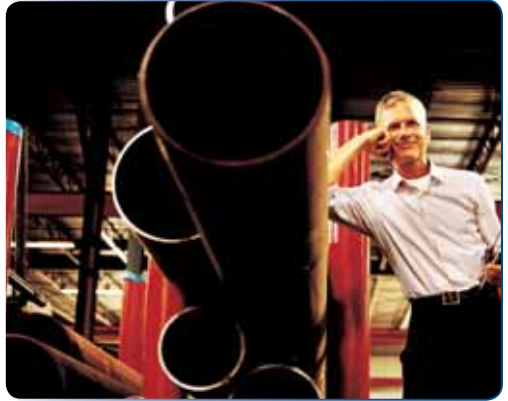
Stand-alone applications—sometimes referred to as “silos”—can’t easily talk to one another. A series of silos does not make a barn.

Aberdeen research shows that small and middle-market companies spend a great deal of time doing the same task over and over—entering the same data in different programs. There are some identifiable problems with this:

- It is a waste of time to re-enter data over again.
- It is very likely to be entered incorrectly.
- It may look different in different programs (Why do I have two companies in my vendor list—one is International Business Machines and one is IBM? Why do I have two versions of the same customer—Robert Smith and Bob Smith—with the same address?)
- Data that results from very different disconnected applications is inconsistent, so attempts to analyze it yields the proverbial “apples and oranges”—a decision-support fruit salad.
- With an integrated ERP suite, there is a “single version of the truth” that only needs to be entered once to be propagated to all parts of the business that need it. All business processes, all employees who touch the application, and all the executives who make decisions for the company see the same version of reality, in real time, all the time.

4. Why Should My ERP Application Suite Reach Beyond My Internal Operations?

Your business is more than internal operations: to be successful, you need to efficiently manage your own purchases of goods, services, and raw materials; foster and control your relationships with your suppliers and your business partners; and create, manage, and retain your customer base. All these relationships are more efficiently and economically managed with business-wide applications. Look at that “order-to-cash” example; there are many steps that involve the customer, external delivery services, and the bank—all external to your organization.



5. Is There an Advantage in Having One ERP Suite That Addresses All Areas of My Business?

In addition to the issues of disparate, unintegrated solutions (the third point cited above), there are some clear benefits to the “suite” approach to business management:

- **Scalability.** ERP solutions are designed to grow with your company. Unlike some stand-alone applications, they do not “top out” without transition paths to other solutions, leaving you to start over from scratch with a new and different application.
- **Vendor Management.** Face it, managing a plethora of vendors with multiple 800 numbers for customer service is not easy. An integrated suite gives you one solution supplier to work with.

- **Functionality.** Access to the functionality required to run the business over time—at an affordable price point. It may not be the cheapest choice at first—but it will usually be the most economical in the long run as your business needs grow and change.
- **Reliable Service and Support.** The ability to access affordable service and support is critical. It is easier to support an integrated ERP environment than a hodgepodge of different applications.

Challenges for Small and Midsize Businesses (SMBs)

Smaller enterprises ducked the ERP wave of the mid 1990s and did not succumb to the cost structures or the risks that their larger brethren undertook. Now, these firms often have outdated or overloaded applications and need to invest in new technology to achieve or retain competitiveness in their markets; they require a rapid time-to-implement any software applications, and demand a rapid return on their application investments. Today, many SMBs are in need of upgrades; more or different software applications, more current or robust technology; and often more sophisticated business solutions.

SMB strategies today:

- *Improve existing methods for customer acquisition and retention.*
- *Enhance research and development (R&D) capabilities.*
- *Improve ability to hire and retain key talent.*

It's Time to Reevaluate ERP

Today, Aberdeen research shows that small and midsize businesses are primarily driven by operating cost pressures, perceived as the biggest challenge—and state that the greatest impediment to their strategies is insufficient funding. (For more information, see *ERP in Small and Midsize Business: The 2004 Benchmark Report* on www.aberdeen.com). But they are also concerned about customer growth and retention—getting and keeping a loyal customer base. In addition, these smaller companies

express worry about the potential for commoditization of their products or services.

SMBs reported their key challenges; let's look at what links to ERP solutions today:

- Insufficient funding for corporate strategies and initiatives.
- Lack of clearly defined corporate vision and goals.
- Ineffective communication of corporate strategies and initiatives.
- Metrics that do not sufficiently incent employees to support/achieve corporate goals.
- Inability to accurately determine and plan for customer demand.

Funding aside, issues of goal definition and its communication throughout the organization speak to improvements in employee relationship management (ERM), which can be assisted through technology such as portals and employee self-service solutions.

Further, issues of goal-based incentive propagation can be mitigated through employee incentive management (EIM), improved talent acquisition solutions through e-recruiting, and demand management through electronic demand and forecasting solutions. The middle market has been slower than the large enterprise at adopting such solutions; yet, now they are articulating their need—all areas touched on by ERP.



Aberdeen Conclusions

The SMBs see technology as the enablers of their strategies. Specifically cited are the increased availability of advanced analytics, decision support, and reporting tools, as well as the availability of process-specific business applications. In addition, the SMBs issued a mandate to the ERP suppliers: improve business functionality within the ERP applications. Customer relationship management (CRM) is the largest area of intended new expenditure.

The immense variability in how SMB companies conduct business still predominates. Reducing operational costs reigns supreme, and while overall investment is conservative, the SMBs will be looking to technology to address both business growth and cost containment.

Recommendations

Aberdeen Group offers the following recommendations:

- Evaluate your business goals and requirements today.
- Evaluate potential solutions, suppliers, and value-add reselling partners (VARs) diligently.
- Plan for the future—not just the present.

For more details on solution selection see the *Buyer's Guide for Middle Market Enterprises: Criteria for Vendor Selection* on the Aberdeen Group Web site (www.aberdeens.com).

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Conclusion

By reading this guide, you have completed the first step towards selecting software that is right for your organization. We hope that you have found this guide helpful and that you are now ready to move to the next phase of your review process. See Appendix B for more detailed product information on Microsoft's financial management software solutions.

Armed with the essential fundamentals, take the top three options you are considering for your business software and list them at the top of Appendix F to evaluate your current and future financial management solutions. Once the form is complete you can use it as a discussion document to assist with your final decision making process.

Best wishes in your software selection endeavor.



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Kay Ewbank

Kay Ewbank is a consultant and editor of *Server Management Magazine*. She has a degree in Computer Science, and has worked in the IT industry as a consultant for the past 25 years, specializing in database design and analysis in the finance industry. She has written a number of books and is a regular contributor to a number of magazines including *Back Office Magazine*, *Visual Systems Journal*, *FYI*, and *Server Management Magazine*.

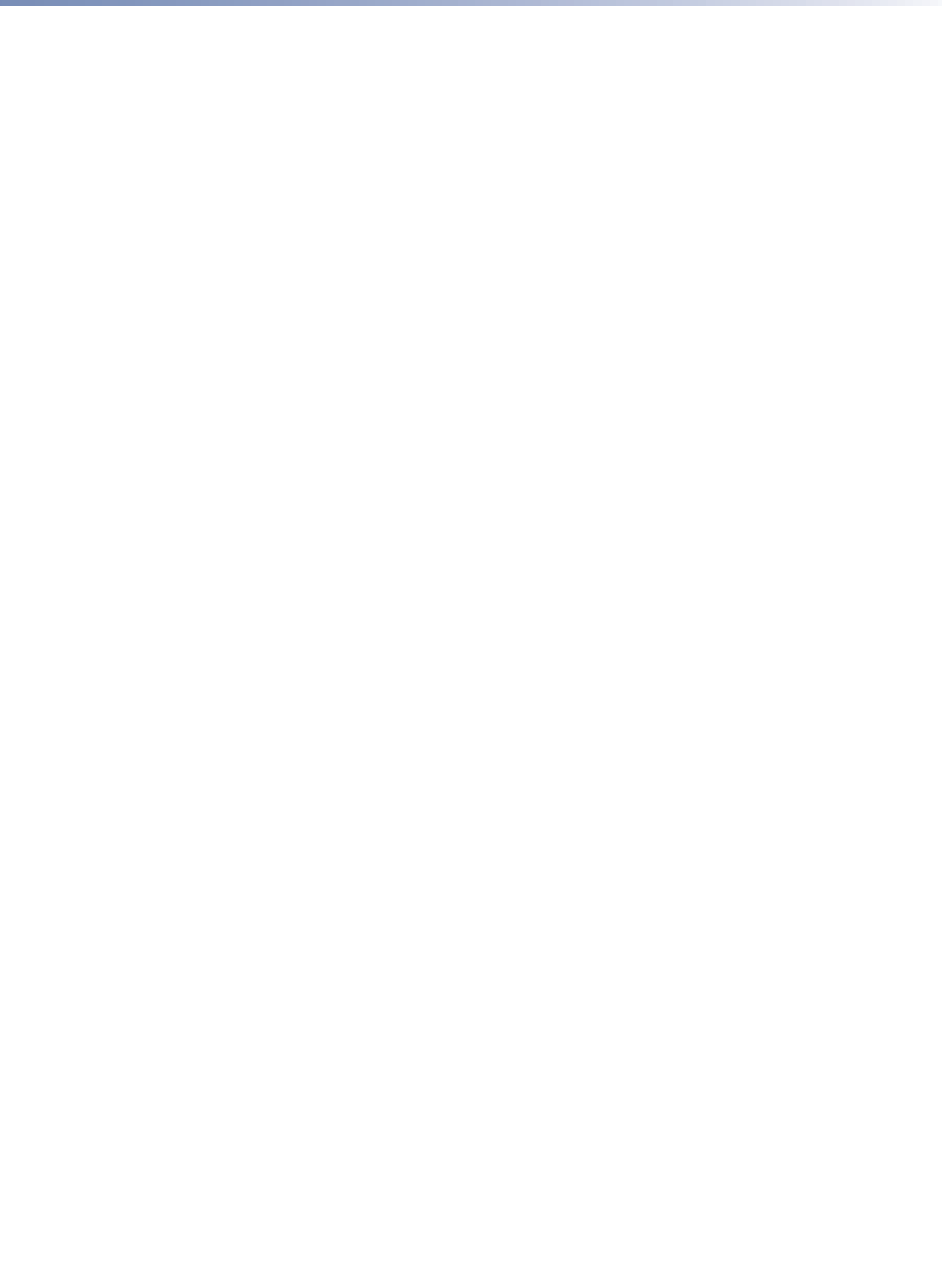
Philipp Harper

Philipp Harper is a veteran of more than 25 years in print and Internet journalism. Over the past decade he has played key management and editorial roles in a series of publishing startups, ranging from *Biz Magazine*, a Dow Jones-funded national print monthly aimed at the small-business market, to MSNBC.com, where he was the founding Opinions editor. He routinely writes about politics, the economy and social and cultural issues, attracting a wide and enthusiastic Internet audience. Mr. Harper has written for the *Times Herald* and the *San Jose Mercury News*. Harper currently works as a free-lance writer for business and general-interest publications.



Dr. Katherine Jones, Aberdeen Group

Dr. Katherine Jones is a research director within Aberdeen's Empower the Enterprise practice. A veteran in enterprise applications, she has been responsible for technical product marketing and strategic alliance management in several computer companies since 1984. Before pursuing a high-technology career, Jones was a university dean, involved in academic administration, research, and teaching. Jones is a frequent speaker and is widely published in the U.S. and abroad. Jones has a B.S. degree from the University of Minnesota, and an M.A. and Ph.D. from Cornell University.



Appendix A: Microsoft Solutions Comparison Chart

	Microsoft Office Small Business Accounting 2006	Microsoft Business Solutions-Small Business Financials	Microsoft Business Solutions-Great Plains® Standard	Microsoft Business Solutions-Great Plains Professional
Target Business Size	Partnerships and corporations; 1-25 employees	Partnerships and corporations; 10-49 employees	Partnerships and corporations; 25-100 employees	Partnerships, corporations, and divisions of global enterprise businesses; 100-1000 employees
System				
Concurrent users	1-5	Supports an unlimited number of users, with a maximum of 10 concurrent users accessing the data at the same time	Supports an unlimited number of users, with a maximum of 10 concurrent users accessing the data at the same time	Supports an unlimited number of users accessing the data at the same time
User-level security and views	✓	✓	✓	✓
Advanced field level security				✓
Supports an unlimited database	✓	✓	✓	✓
Import data wizard	From Intuit QuickBooks and Microsoft Office Excel®	From Intuit QuickBooks, PeachTree, RealWorld, Great Plains Accounting, Small Business Accounting, Microsoft Office Excel, any tab or comma delimited file format	Import data from multiple applications and sources	Import data from multiple applications and sources
Easy backup and restore	✓	✓	✓	✓
Core Accounting				
Accounting methods	Cash and accrual	Cash and accrual	Cash and accrual	Cash and accrual
Complete general ledger	✓	✓	✓	✓
Audit trail	✓	✓	✓	✓
Closing periods	✓	✓	✓	✓
Business Process				
Business dashboard/Company home page	✓		✓	✓
Reminders window	✓	✓	✓	✓
Business task flowcharts	✓			
Track and age accounts receivable	✓	✓	✓	✓
Track and age accounts payable	✓	✓	✓	✓
Job tracking	✓		✓	✓
Scheduled payments			✓	✓
Memorized transactions	✓	✓	✓	✓
Online banking service	✓			
Online merchant card processing service	✓			
Project accounting			✓	✓
Multi-currency			✓	✓
Drop ship purchase orders		✓	✓	✓
Human resources			✓	✓
Fixed assets		✓	✓	✓
Payroll	In-house or fully outsourced	In-house	In-house	In-house
Advanced distribution				✓
Expense reporting/management				✓
Extensive manufacturing capabilities				✓
Manage complex field service operations				✓

	Microsoft Office Small Business Accounting 2006	Microsoft Business Solutions-Small Business Financials	Microsoft Business Solutions-Great Plains Standard	Microsoft Business Solutions-Great Plains Professional
Target Business Size	Partnerships and corporations; 1-25 employees	Partnerships and corporations; 10-49 employees	Partnerships and corporations; 25-100 employees	Partnerships, corporations, and divisions of global enterprise businesses; 100-1000 employees
Customize Business Forms				
Invoices	✓	✓	✓	✓
Sales quotes	✓	✓	✓	✓
Statements	✓	✓	✓	✓
Purchase orders	✓	✓	✓	✓
Customer letters	✓	✓	✓	✓
Inventory				
Price levels	At purchase	By inventory item	By inventory item	By inventory item
Inventory valuation method	FIFO	FIFO, LIFO, and Average Cost	FIFO, LIFO, Average Cost, and Periodic Cost	FIFO, LIFO, Average Cost, and Periodic Cost
Multiple warehouse locations			✓	✓
Assembly tracking		✓	✓	✓
Multi-bin			✓	✓
Landed cost			✓	✓
Create and track inventory kits	✓	✓	✓	✓
Reporting				
Reports available	60+	150+	150+	150+
Crystal Reports		✓	✓	✓
FRx		✓	✓	✓
W-2 generation	✓	✓	✓	✓
1099 generation	✓	✓	✓	✓
Advanced analytics				✓
Integration with Microsoft Products				
Access customer financial information through Microsoft Office Outlook® 2003 with Business Contact Manager Update	✓			
Access addresses of vendors/customers through MapPoint®		✓	✓	✓
SmartTags			✓	✓
Integration with Microsoft RMS		✓	✓	✓
Integration with Microsoft CRM			✓	✓
MSN® Messenger		✓	✓	✓
Pricing				
Suggested retail and average selling price	\$179	\$995 (2 Users)	\$7,500 (ASP)	\$24,000 (ASP)

Microsoft Office Small Business Accounting 2006

Microsoft Office Small Business Accounting 2006 is full-featured, out-of-the box financial management software designed for companies with up to 25 employees. It allows small business owners and office managers to manage their business financials using software that is easy to set up and has the familiar look and feel of Microsoft Office 2003. Small business owners will be able to get a complete view of their business to help them manage their business finances, save time and minimize errors, build stronger customer relationships by delivering better customer service and capturing sales opportunities, and provide employees with the tools they need to be successful.

Small Business Accounting 2006 performs all the functions of financial management programs such as QuickBooks and Peachtree, but also brings the additional power and ease of use of the Microsoft Office System. The benefit is that when used with Office programs, business owners and managers can easily manage finances, save time and reduce errors, strengthen customer connections, and give employees tools and information to be more productive—all in one place using a familiar interface. Additionally, Small Business Accounting 2006 enables payroll management through ADP2, an industry-leading payroll services provider. When used with Outlook 2003 with Business Contact Manager, Small Business Accounting 2006 offers strong customer management capabilities, connecting customer communications and documents to each account within the familiar Outlook 2003 interface. Small business managers, owners, and authorized employees can then access the data, giving them the dynamic account information they need to service customers quickly and effectively.

Small Business Accounting 2006 can be purchased as a stand-alone program for those who already have Microsoft Office 2003, or as an integrated component of Microsoft Office Small Business Management Edition 2006.

www.microsoft.com/sba

Microsoft Small Business Financials (North America Edition)

Microsoft Small Business Financials is ideal for small businesses that have grown to the point where they need expanded financial management capabilities that go beyond basic accounting functions, but they don't yet require the complexity that comes with more sophisticated—and more expensive—solutions.

Built for power and affordability, Microsoft Small Business Financials provides easy set up, customization, and use. It offers a tightly integrated set of essential business features including financial management, fixed asset management, sales, purchasing, inventory, payroll, and reporting capabilities through modules that let you add the particular tools to meet your business needs. With Microsoft Small Business Financials, you can take advantage of enhanced functionality that will enable you to locate information more intuitively, produce reports more effectively, process sales orders more quickly, and manage payroll more easily.

Microsoft Small Business Financials was developed to provide a financial management solution that will grow to meet your needs for the life of your company. Built on the same code base as Microsoft Business Solutions-Great Plains, it enables you to add functionality and capacity as you add employees, expand your customer base, and increase revenue. For the small business that has outgrown its first set of financial tools, Microsoft Small Business Financials provides the foundation for driving long-term business success.

www.microsoft.com/sbf

Microsoft Business Solutions-Great Plains

Microsoft Business Solutions-Great Plains is a fully integrated world-class financial and business management solution that enables small businesses to improve the way they record, track, and access key business information so they can achieve new levels of business success. A comprehensive financial, analytics, and business management system, Microsoft Business Solutions-Great Plains unifies data and processes across your business and connects employees, customers, and suppliers no matter where they are located or what technology platform they use.

Microsoft Business Solutions-Great Plains provides the tools and infrastructure to enable your company to sharply reduce the time and effort required to complete key accounting tasks, and it delivers the flexibility needed to enable you to manage financials in the way that is best suited to the specific requirements of your business. Its comprehensive capabilities can streamline financial activity across your entire business—from general ledger to intercompany postings, purchasing, project management, expense management, and electronic banking.

Packaged for affordability and ease of implementation and use, Microsoft Business Solutions-Great Plains provides the broad-based capabilities that a growing company needs to manage a more intricate web of connection that can include customers, supply chain partners, field service representatives, customer service employees, and more. With modules for financial management, business analytics, e-commerce, supply chain management, manufacturing, project accounting, field service, customer relationship management, retail management, and human resource management, Microsoft Business Solutions-Great Plains offers resources that were once reserved for the largest enterprises in a package that is both manageable and affordable.

www.microsoft.com/great-plains

Microsoft Business Solutions-Navision

Microsoft Business Solutions-Navision® is designed for businesses that operate in industries where higher levels of customization and more complex business management functionality are essential ingredients for success. Ideal for small companies whose operations or customers span international borders, or whose business require the ability to track intricate processes, Microsoft Business Solutions-Navision integrates critical financial, manufacturing, distribution, customer relationship management, and e-commerce functionality into a comprehensive solution that will streamline processes, increase productivity, and improve decision making.

Used by more than 45,000 companies in more than 50 countries, Microsoft Business Solutions-Navision enables businesses in highly competitive industries including manufacturing, business services and consulting, warehouse distribution, and technology to reap the benefits

of leading-edge information technologies with a single solution that they can implement rapidly, learn and use easily, and customize and maintain with minimal disruption to their business.

Microsoft Business Solutions-Navision provides a highly flexible, highly granular set of components and modules for implementing business-specific functionality, making it an extremely affordable way to address complex business requirements. Supported by a global network of certified technical partners, Microsoft Business Solutions-Navision offers rapid access to a broad range of existing customizations for specific industries, along with an extensive library of language and country localization features so you can connect to employees, partners, and customers in markets around the world.

www.microsoft.com/sbnavision

Microsoft Business Solutions-Solomon

Microsoft Business Solutions-Solomon is a full-featured business management solution that delivers the functionality needed to manage complex operations in an affordable package. Microsoft Business Solutions-Solomon is a powerful solution for small companies whose lifeblood is customer-focused projects that are multi-layered and process-intensive. It offers an ideal option for small professional services providers, construction companies and speciality contractors, project-driven manufacturers, and small companies with complex payroll needs or an off-site workforce.

Designed for growing, dynamic organizations, Microsoft Business Solutions-Solomon provides the deep functionality and flexible control that a fast-evolving company needs to meet specialized business requirements and reap the full benefits of the creativity and talent of its employees. With its built-in customization, reporting, and integration tools, Microsoft Business Solutions-Solomon adapts easily to the way your company prefers to work, while providing easy access to the information you need to keep every project on track, no matter how complex.

With Microsoft Business Solutions-Solomon and Microsoft Office Project Professional, project-driven small businesses can combine the power of integrated project accounting and best-of-breed project management,

providing deep visibility into project financial and schedule data and virtually eliminating data re-entry. Project stakeholders can make lightning-fast interventions, allocate and manage resources from a centralized source, and analyze project stages and outcomes with complete confidence.

Microsoft Business Solutions-Solomon also offers integrated and automated workflow tools that streamline processes and enable your company to do more with fewer resources. And it includes the functionality to enable you to accelerate growth by harnessing the power of the Web to extend information, applications, and processes to employees, customers, and suppliers no matter where they are located.

www.microsoft.com/sbsolomon

**For more information about
Microsoft financial management solutions,
please call: (800) 704-5729**

Appendix C: QuickBooks Comparison Chart

This table is reprinted with the permission of J. Carlton Collins, CPA.

The following table summarizes some of the key differences between QuickBooks Premier and Microsoft Small Business Financials.

Product Feature	Microsoft Small Business Financials	QuickBooks Premier
Pricing for five users	\$2,600	\$2,500
Maximum number of users	10	5
Supports true networking with record locking	✓	
Supports allocations	✓	
Supports statistical accounts	✓	
Supports multiple segments in account number for departments, divisions, profit centers, and cost centers	Yes; supports up to six segments	Supports only one segment
Allows you to attach supporting documents to transactions	✓	
Supports multiple ship-to addresses	✓	
Supports multilevel bills of materials (BOMs)	✓	
Supports item pictures	✓	
Tracks serial numbers	✓	
Supports commissions calculated based on payments received	✓	
Has an ODBC-compliant database	✓	

Appendix D: Helpful Online Resources

Accounting Software Advisor

This online resource delivers useful information about technology and accounting systems to the CPA community and business community through lectures and online content. The Accounting Software Advisor provides up to date and accurate information regarding the top accounting software products and technologies in an unbiased manner—allowing you to properly evaluate accounting and financial management software to select the best products for your business.

www.accountingsoftwareadvisor.com

2020 Software

Simplify your search for business software. 2020software.com provides a select “short-list” of business software products that are developed by fiscally stable corporations that provide excellent support and long-term development strategies. This site offers a number of free services including: free demos, selection assistance, pricing information, and software comparisons.

www.2020software.com

Aberdeen Group

Aberdeen Group is the trusted advisor to small and medium-sized businesses for value chain strategies and technology advice. Through its continued benchmarking and analysis of value chain practices, Aberdeen offers a unique mix of research, tools, and services to help executives assess their value chain performance, develop improvement strategies, and select solution partners.

www.aberdeen.com

National Association of Computer Consultant Businesses (NACCB)

The NACCB is a national trade association representing and developing relationships between companies that specialize in providing highly skilled computer professionals to clients in need of technical support and/or IT services/solutions.

www.naccb.org

Appendix E: Microsoft Online Resources

Microsoft Small Business Center

Microsoft Small Business Center is an online resource designed specifically to address the needs of small businesses by demystifying technology and helping small business owners get the most out of their software.

www.microsoft.com/smallbusiness

Microsoft Business Solutions Events

Whether you're a customer, a Microsoft Certified Partner, or an industry expert, our conferences and events are created specifically to bring together the business community to share knowledge, exchange ideas, and realize their full potential. Find the events to help you improve your business skills and success here.

www.microsoft.com/businesssolutions/events.mspix

Microsoft Partner Finder

Search for a qualified Microsoft partner in your area.

www.microsoft.com/partnerfinder

Microsoft Business Solutions Customer Stories

See how growing companies are using Microsoft products to innovate and improve processes.

www.microsoft.com/businesssolutions/casestudies_mbs.mspix

Microsoft Newsletters

Microsoft invites you to stay informed with the latest news, information, and resources about Microsoft products, services, and technologies for business professionals. Each of these online newsletters addresses a specific business community. Subscribe today so you can get the type of information you need, delivered right to your inbox.

www.microsoft.com/business/newsletters.mspix

Small Business Newsletter

Join the mailing list for the Microsoft Small Business Newsletter. Why subscribe? You'll receive tips, advice, product information and special offers on everything about owning and running your small business.

www.microsoft.com/smallbusiness/resources/events/newsletter.mspix

Microsoft Financing Options

Total Solution Financing from Microsoft Business Solutions and Microsoft Financing is designed to ease the economic burden associated with acquiring and implementing software and hardware, as well as related consulting services. With the total end-to-end solution you need, made affordable now, your business can maintain both its competitive edge and cash reserves.

www.microsoft.com/tsf

Appendix F: Evaluation Checklist

This table is reprinted with the permission of SoftResources LLC:
www.softresources.com

Use this checklist to evaluate your current and future financial management solution. Insert the following rankings for each category during your evaluation:

1. Does not meet expectations.
2. Adequately meets expectations.
3. Exceeds expectations.

Checklist				
Reporting	Current	Option A	Option B	Option C
1. Data resides in multiple systems				
2. Data is difficult to extract				
3. Tools to support charts and graphs				
4. Report writing tool is difficult to use				
5. Limited what-if analysis				
6. Ability to support change in business model				
7. Reporting has to be too detailed				
8. Does not support regulatory reporting				
Business Processes				
1. Processes adopted to fit the software				
2. Processes are inefficient				
3. Extensive paper volume manually routed				
4. Multiple manual approvals				
5. Processes not standardized				
Modules and Functionality				
1. Functionality not available				
2. Limited functionality within each module				
3. Third party applications required				
4. Does not support business model change				
5. Incomplete training on modules and functionality				
System Integration				
1. Applications installed on disparate platforms				
2. Users enter data into multiple systems				
3. Islands of data created and maintained				
4. Strategy for best of breed applications				
Total Cost of Ownership				
1. Software				
2. Implementation				
3. Hardware				
4. Maintenance				
5. Operational				



