



# When Is It Time to Replace Your Accounting System?

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Many companies do not recognize when they have outgrown their accounting system or what benefits can be achieved by implementing a more advanced system. Two basic types of systems exist:

- Accounting: Also known as Back Office, an accounting system includes general ledger, receivables, payables, inventory, and fixed assets. The size can range from a single user, shrink-wrapped bookkeeping package costing less than \$300 to a custom implementation costing several thousands of dollars per user.
- ERP (Enterprise Resource Planning): In addition to a Back Office, the ERP may include such functions as Front Office (sales and service), engineering and shop floor control for manufacturers, project management, and more advanced inventory functions for distributors and retailers.

Other specialty solutions may be integrated such as CRM (Customer Relationship Management), enrollments, memberships, scheduling, equipment rentals, and recipes/menus.

## Obsolete or Fragmented Systems

Frequent downtime or slow response time is a sign of inadequate technology. Architectural limitations such as a low-end database, a single server (2-tier) network configuration, or lack of Internet (browser) access may not easily serve a growing number of users or transactions. Users who travel, whether they are business owners, attorneys, or service technicians, may need to access the system via a wireless device, which may be impractical or expensive to adopt with the current system.

Regardless of industry, having separate systems creates data redundancy while making it difficult to create reports that combine operational and financial data. In manufacturing, when the production system is separate from the Back Office, inefficiencies can result with cost accounting and inventory valuation. For a non-profit, having a separate fundraising system (donor database) can require rekeying of pledges receivable. Similarly, a restaurant that does not have Point-of-Sale (POS) integrated with accounting may have to rekey daily sales and cash deposit data.

## Functional Limitations

A company may outgrow its system because it acquired another location, introduced new products or services, or extended its manufacturing or distribution chain (e.g. bought a supplier or added a fleet of delivery vehicles). Emerging requirements could include a purchasing approval process, inventory lot/serial number tracking, multi-site inventory management, equipment maintenance management, or multi-entity accounting (for companies, funds, or partnerships).

Operationally, a legacy system may not be able to handle the complexities of POS touch screen set-up (including discounts and coupons), medical billings, service dispatch, professional time and billing, or automated cost allocations.

For companies in distribution, inflexible pick list creation, lack of integration with freight systems, and the inability to calculate complex sales commissions can create inefficiency while possibly increasing the risk of orders being fulfilled incorrectly or untimely. Further, if the legacy system vendor does not support eCommerce, such as a web storefront to allow customers to submit orders and check on their status around the clock, that limitation can create a competitive disadvantage.

#### Gaps or Delays in Performance Feedback

Reporting and analytical limitations are other signs that an ERP should be replaced. Newer systems have numerous pre-written reports integrated with a powerful report writer such as Crystal <sup>TM</sup>. Systems often allow the user to enter parameters to customize available reports, such as the manner in which past due client receivables are selected and sorted. Automated workflow is a functionality found in more sophisticated ERP systems that sends an e-mail alert when a certain event occurs, such as when an order is taken that exceeds a certain dollar amount. Business intelligence is a sophisticated tool that allows users to create special data cubes for analysis or use in executive dashboard presentations.

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