

BUSINESS OR ACCOUNTING SOFTWARE SELECTION: THE FUNDAMENTALS

By Lissa Eilers Johnsen, CMC, CITP.CPA

Making the right accounting software choice can mean the difference between being the hero in your company / firm or losing the trust of management. One thing I know for sure is that in today's rapidly changing environment, it can be difficult to keep up with what's happening in the world of accounting software. That's why I thought I'd share what I see as *the fundamentals* to accounting software selection.

First, I wanted to touch briefly on the actual steps in the software selection process. This is the process that I suggest our clients utilize for the software selection process. Most typical processes should include:

1. Selecting the person or team of people to handle the needs assessment and software selection project.
2. Identifying your company or your client's key needs and issues with current system.
3. Determining which needs are required and which are optional.
4. Narrowing options to solutions that are the most likely fit.
5. Identifying vendors who implement and support the products.
6. Meeting with vendors to review solutions in detail and have them guide you through key differentiators.
7. Evaluating proposals.
8. Making selection.

One of the biggest challenges in the software selection process is the steps of identifying the key needs and issues, plus the step to narrow the initial solution options. At Business Technology Solutions, we think the easiest way to look at accounting software is by "solution qualifiers." Here's our view on how your identified needs (or your clients') can help you narrow your selection:

- **Size your system.** Accounting software solutions are designed for different sized companies. And size doesn't necessarily mean annual revenue or number of employees. Instead, we recommend that you explore the volume of transactions you expect to process – for each operating entity and physical location – and then see how your accounting software choices fulfill against that planned volume. Most software publishers market their products by size and many offer benchmarks showing product performance at different transaction volume levels, under different system configurations. If they aren't able to supply these specific characteristics, request client references that match your company's size.
- **Industry is a factor.** If you (or your client) are in a specialized industry, or need a very specific application to run your business, you'll need to make these unique industry requirements your primary criteria. Many software solutions offer "niche" solutions to

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address certain specialized industries, although sometimes this is just marketing positioning, versus true functional support for your industry's unique needs. If you need a particular industry solution, this is likely to quickly skinny your options.

- **System flexibility is a critical criterion.** You are likely to use your next accounting software solution for 3 to 7 years. So, you don't want to find out during that time period that your system cannot support a capability that is crucial to your success. There are at least five things to consider in this area:
- **Simple customizing**—You may need the ability to customize reports, add user-defined fields and change or modify fields within screens. Not all systems support this functionality today, so it is important to know what level of "user" customization the system you're considering can support "out of the box."
- **Data access** – You may need the ability to integrate your accounting software data with other data from other applications, including Microsoft Office or industry-specific applications. This can frequently be supported by accounting software solutions, but the ease of integration and the amount of technical expertise it requires may vary. Be sure to know what file formats and platforms are supported for data sharing for any software you're considering.
- **Integration to other applications** -- Today, many software solutions are sold as suites, with a range of integrated applications that can be "mixed and matched" to meet your particular needs. The ready availability of add-on applications, such as fixed assets, human resources, contact management and other solutions should be considered when you evaluate your choices.
- **Custom development** – Some systems allow you to modify the underlying software development programs, or source code, to create custom modifications to the system. While doing so does require some trade offs in terms of ease of upgrading and support, it is sometimes warranted. If this is a requirement, you'll need to consider only those solutions that offer development tools and/or license their source code to developers. In addition, those solutions that do offer this ability frequently have developer networks established that can supply custom applications "off the shelf." This should be another consideration.
- **Migration upward** – It is important to note that some software solutions are sold in product "families," where the software publisher offers users an upward migration path from one solution to another as they outgrow the smaller-company solutions. These migration paths ideally offer you the ability to gain pricing concessions for staying within the product family and a data migration capability between the solutions, too.
- **Unique Requirements.** One thing most folks do remember to consider when trying to select software are their unique needs. These are a list of your unique functional and technological requirements that you think are important factors to consider in your decision. You need to have a listing of these requirements and also indicate which are "nice-to-have"

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and which are “must-have” requirements. This final listing will allow you to be sure that your selected software can meet all your “must-haves” to be sure it can work for your business and processes. When compiling your requirements listing, make sure to be open-minded. Just because you are doing things a certain way now does not mean that this is the only way or even the best way to do things. You need to be open to changing processes and also remembering that some trade-offs can still produce an overall process improvement. A good rule of thumb for getting the requirements that you desire is using the 80% rule. If your solution has an “out of the box” expected fit or match to required capabilities of 80%, then you generally have a great fit. There is rarely a situation in software selection that will have a 100% fit.

- **The way the software is sold should be considered.** Software publishers sell their solutions via several different methods, including retail outlets, value-added consulting firms (VARs) or directly themselves. These different “outlets” to access the software result in different ranges of service. Qualifying the level of service you’ll receive in the selection, implementation, training and ongoing support of the system is important to explore. In addition, whether that service will be delivered locally, or through an 800 number is also an important decision factor. It is critical to know not only the capabilities of the solution, but also what services will be delivered and by who.
- **Price should be the last consideration.** While it is important to be fiscally responsible and stay within your budget, it is also critical that your current and future system requirements dictate the system you purchase, with price being the natural follow-on to the decision. And, be sure you’re aware that price has three aspects – the price of the software itself, the price of the implementation and training (start-up services) and then ongoing costs in maintenance and support.

Having helped hundreds of clients choose accounting software solutions, we realize that there is no way to identify every single need that you might have before you choose the solution that’s right for you. We do believe that considering the issues outlined above will bring you a long way, though, in narrowing your options. Then, your unique needs will help you get the rest of the way to your final decision.

Best of luck!

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