

Time to Rethink Accounting Software and Switch to an ERP?

*When is it a good time to upgrade from an
Accounting Software to an ERP?*

*Knowing the difference helps you recognize
when to take the upgrade path*

A RheinBrücke Whitepaper



Contents

Introduction.....	1
Difference between ERP and Accounting Software.....	2
What is accounting software?	2
What is an ERP?	2
Should I get an ERP system or Accounting Software?	3
Signs It's Time to Replace your Accounting Software with an ERP.....	4
Are you relying on multiple software products to manage different processes?	4
Slow and tedious accounting processes?	5
Lack of real-time information and detailed reports impacting decision-making?	6
Managing multiple entities accounting getting troublesome?.....	6
Compliance, Reporting and risk monitoring consuming more time or becoming difficult?	7
Unstable systems and slow system performance?	7
Conclusion.....	8
About RheinBrücke.....	10

Introduction

Small to medium-size enterprises often find themselves asking 'Is an ERP necessary?' or can we get away with just a basic accounting software? The short answer for most businesses is yes, ERP still is worth considering even if they are happy with financial management using QuickBooks, Xero or other similar software.

Small businesses often start off with simple accounting software like Tally, QuickBooks, etc. Generally, they are extremely good at handling the financial management needs of start-ups and small businesses and are more cost effective than ERP systems at the smaller end of the market.

In fact, over the past decade many accounting tools have grown in features and capabilities, expanding themselves to include more advanced functionalities such as integrated payroll, invoicing, payments, quotes, purchase orders, and some inventory management – features that previously were the exclusive domain of ERP systems. Moreover, now with the trend of cloud-hosted applications, it's possible to augment the capabilities of an accounting software even more through integrations with third-party programs.

With all these expanded features and integrations available, it can be quite difficult to draw a line between a small business accounting software and a full-blown ERP, leaving the decision makers at sea. However, the question is how comprehensive are the features in an accounting software? And how effectively can the strung together sets of separate apps meet your growing business needs, without generating more overhead for the entire team?

Once businesses start growing, they find themselves dealing with more complexities – like cross-referencing data, managing subsidiaries across various locations and multiple currencies, need to integrate finance with other business processes, and so on, which becomes difficult with small business accounting software.

Moreover, accounting software products tend to be quite generic out of the box solutions with limited scope for configuration and customization. They can probably work well across a multitude of businesses provided that the business is prepared to alter its way of doing things and follow the processes offered by the software.

At some point, small business accounting software and integrations with third-party apps can't do the job anymore. Organizations trying to wrestle with these basic systems and a number of add-ons will be missing a vital piece for fixing the business growth puzzle - a truly integrated system that ties together all parts of the business. Although these accounting software are good enough to take care of the standard accounting functions, banking and limited reporting of small businesses, they often fail to provide businesses' the integrated real-time visibility needed to gain insights for improving business process efficiency. To do your best, you need a fully integrated and overarching solution that can help you control your supply chain, make fast and accurate decisions, and scale quickly and effectively. That's where an ERP comes into play.

In this whitepaper, we will be discussing briefly the capabilities of a simple small business accounting software and an ERP, as well as the top signs to look for to determine if your business has outgrown the capabilities of an accounting software. We hope this will help you assess your business needs and determine the best solution that caters to your present and future needs as you scale and expand your business.

Time to move from Tally, Quickbooks, Xero etc. to ERP?



Difference between ERP and Accounting Software

While an accounting system focuses mostly on financial accounting functions, ERP systems are scalable systems with functionalities that span across the organization. Hence, to directly compare an accounting software against an ERP software wouldn't make sense; it'd be like comparing apples to oranges and asking which is better.

What is accounting software?

As the name implies, the primary purpose of accounting software or a financial accounting package is to record financial transactions. Traditionally, accounting software products have been built to handle the financial or accounting requirements of a small business such as General Ledger, Accounts Payable, Accounts Receivable, Cash Management, Bank Reconciliations and the like and to produce limited financial reporting such as Balance Sheets, Simplistic Cash Flow Reports, Income Statements, Profit & Loss Statements, etc.

In addition, many modern small business accounting software also provide modules that take care of invoicing, payables, and payroll. Some will also provide additional sales and ordering tools such as quotes and purchase orders as well as very simple inventory management. However, these functionalities are very limited compared to an ERP system. For example, inventory management in an accounting software is often manual entries with no manufacturing or assembly capabilities.



What is an ERP?

An ERP (Enterprise Resource Planning) system is a set of integrated applications that collect, store, manage, and interpret data from all your business processes. These activities include finance, sales, customer relationships, purchasing, manufacturing, inventory management, human resource, payroll and more.

Thus, accounting software essentially comprises just a subset of the features available in an ERP system. Basically, an ERP system packs up the whole of your organization into a single suite and equips you with all the information you need to know about your business activities through a common database accessed by all applications in the system. Hence, information added through one business function is instantly available to all other business functions.

Traditionally, ERPs used to be meant for large organizations owing to their huge cost that was literally unaffordable for smaller organizations. However, things have changed a lot in the past few years with the advent of cloud technologies in ERP. Cloud ERPs made ERP systems more accessible for even small to medium-sized enterprises (SMEs) enabling them to leverage the numerous benefits of implementing an ERP system at a very reasonable cost and without having to worry about huge infrastructure requirements that were needed for on-premise deployments.



And, with access to emerging technologies such as AI, smart data management, IoT, etc, modern Cloud ERPs have undergone a complete makeover, delivering data-driven intelligent solutions that fit into every business pocket and deliver extensive flexibility in terms of delivering enterprise solutions with very high scalability. Many ERP vendors today even offer industry specific solutions catering to specific needs of industries which help streamline business processes further. This also reduces the implementation time significantly, enabling businesses to realize even better ROI very quickly.

Should I get an ERP system or Accounting Software?

Rather than asking yourself 'Should we get an ERP software or an accounting software', a better approach would be to ask yourself 'When should we get an ERP software?' Because it often makes good sense to get started with a basic accounting software. The bottom line however is that, you might have to move to a more sophisticated ERP system as your business grows even if you choose to start with a small business accounting software. Here is a summary of the functionalities in Accounting Software and ERP.

Core Capabilities

Accounting Software

- Accounting and Finance
- Budgeting and Planning
- Financial Reporting
- Fixed Assets
- Purchasing
- Limited Inventory Management (In some)



ERP

- Accounting and Finance
- Budgeting and Planning
- Financial Reporting
- Purchasing/Procurement
- Inventory and Warehouse
- Manufacturing & Production
- Sales and Marketing
- Customer Relationship Management
- HR Management
- Payroll
- Business Intelligence and Reporting



Signs It's Time to Replace your Accounting Software with an ERP

The challenge is recognizing the right time to make the switch. With the availability of many essential features to run a small business in an accounting software, decision makers often try to squeeze maximum utilization from their existing package to delay investing in a new system.

When a business pushes an accounting system beyond its limits and avoids investing in a suitable business software at the right time, it in fact might cost the business by being unable to exploit opportunities for business growth and efficiency. So how do you know if you have reached the tipping point of accounting software? Here are some of the red flags to look for to determine if it is time to move to an ERP system.



If you experience these growing pains, it's a clear sign that your business has outgrown the capabilities of an accounting software. This is indeed good news and indicates that your business is moving in the right direction! All you need to do is invest in the right business software that has the functional capabilities, scalability and agility to support your business growth.

1. Are you relying on multiple software products to manage different processes?

Accounting software like Quickbooks, Tally, Xero, etc are great to automate accounting processes while your business is still modest. However, as the business evolves, it's not just about automating accounting processes, but you would need to automate entire business operations to drive efficiencies and scale.

A business using accounting software that wishes to expand beyond the capabilities of the built-in modules will end up depending on other software, add-on apps, or homegrown systems to address the needs of the growing business. Moreover, many of the simple accounting solutions out there in the market are not ideal for multi-branch, multi-country operations and you might have to rely on separate systems for each location.

If you're using multiple systems to run different departments or branches, that do not talk to each other, you will run into productivity, efficiency and coordination issues. Systems that do not integrate well with each other would result in workarounds involving in-house scripts to fill the gaps leading to large and complex application architecture or manual data entry and spreadsheets.



The result is often inconsistent databases, and uncertainty about whether the information is consistent across all systems. At the end of the day, you will end up spending so much time keeping disparate systems running smoothly that you can't focus on running your business.

An ERP solves the problems of data silos and inconsistencies across departments by bringing all your business processes into a single platform, with a single database for storing information across all its modules - Accounting, Inventory, Sales, HR, CRM, etc.



Increase efficiency, streamline processes and promote a culture of collaboration in the organization with Enterprise Resource Planning



2. Slow and tedious accounting processes?

Do your accounting processes rely on manually reconciling the information spread across systems and multiple spreadsheets? If accounting is still dealing with paper or taking an inordinate amount of time manually entering invoices, sales orders and other data into multiple accounting, sales or supply chain management systems, an ERP is for you.

One of the major challenges with small business accounting software is poor integration with other software and lack of real-time data syncing even if the system can be integrated with many third-party applications. Due to inherent limitations of APIs, accounting software vendors usually limit the frequency with which third-party applications sync information. Typically, inventory management applications usually sync no more than once per day, and e-commerce applications may limit the periodic journal entries to once per month. This inconsistent syncing can hugely impact operations due to lack of real-time up-to-date information and your employees might have to create their own tracking systems on spreadsheets and word documents and email them around to keep things working.

Thus, when spreadsheets and workarounds become the norm for your finance department, and it starts eating up your employees' time, it's a clear sign that your existing system no longer meets your present operational needs. By moving onto an ERP system, you get all your business process data within a single database, giving your employees real-time up-to-date information needed anytime. Routine tasks can be automated, freeing your finance team from reconciling data manually from disparate systems and spreadsheets improving productivity.



3. Lack of real-time information and detailed reports impacting decision-making?

When you rely on multiple applications to manage your processes - inventory, payroll, sales, etc along with an accounting system, odds are that those systems don't sync all transaction data to the accounting system in real-time. As a result, information that may be needed for decision makers may not be readily available via accounting reports and they might have to go hunting for information in other applications.

Moreover, reporting capabilities of small business accounting software are nowhere near to an ERP. Most of these software just provide some standard reports to give essential business visibility with limited customization capabilities. But, as your business grows, you might be looking for customized reports with detailed analysis of real-time data to give more accurate actionable insights.

An ERP allows organizations to get a holistic view across departments and all operations by providing access to the true financial and operational status of the business processes in real-time and highly customizable reports and dashboards. In an ERP, it is possible to "drill down" from a high-level view to the original transaction detail to uncover problems and find opportunities to reduce costs, increase profits, and speed up decision making by taking the guesswork away.



4. Is managing multiple entities accounting getting troublesome?

Most accounting software in the market largely focus on single entity, single location businesses. They have limited capabilities to serve the needs of a business with multiple subsidiaries operating from multiple countries. Well, although some of them claim to manage multiple businesses, the process is surprisingly cumbersome because you would most likely spend too much time switching between multiple databases. That waste of time and energy can quickly become a problem for accountants who are already challenged to keep up with the day-to-day operations of multiple entities.

Finding an online accounting solution with the option of multi-business accounting is not easy. Most solutions are just not designed to handle the automated accounting needs of multi-entity companies such as multi-entity distributions, multiple currencies, country specific accounting and auditing regulations. With such a software you will not be able to consolidate financial and business information efficiently—again in multiple currencies and languages and end up wrestling with limited visibility and lack of the right information at your disposal for running the business. Thus, trying to do multi-entity accounting with an entry-level application such as Tally or QuickBooks is not only difficult, it's inefficient as well.

An ERP system like Epicor supports multi-country, multi-entity operations seamlessly on a single database by allowing multi-ledger accounting functions. It tracks transactions by each business entity, instantly consolidates the data and reports on the business as a whole. The real-time consolidation, automatic currency conversion streamlines your closing processes by eliminating manual adjustments like currency conversions and other time-consuming consolidation processes.

Are you hiring more people to manage multiple systems, spreadsheets or paperwork?





5. Compliance, reporting and risk monitoring consuming more time or becoming difficult?

As your business grows, your organization also demands a more comprehensive and agile approach to governance, risk and compliance. Small business accounting software offers only very limited features to ensure compliance and traceability. Lack of audit trails and internal controls such as secure Single Sign-on (SSO) and role-based access, no proper support for general accounting standards are some other challenges in using an accounting software putting your business at risk.

ERPs mostly have the ability to apply multiple accounting standards like GAAP or IFRS, tax rules, country specific functionality etc allowing businesses to ensure compliance to these standards easily. Automated reports with little manual intervention eliminate manual errors and any risks due to the errors. Moreover, additional layers of security features in an ERP such as stringent password policies, user access restrictions, secure databases and IP address restrictions helps protect sensitive business data from cyberattacks or data breach by any unauthorized users.



6. Unstable systems and slow system performance?

As your operational complexity increases and you start dealing with large transaction volume, if you decide to linger to a basic accounting software, system crashes and system lags may become a common affair. If company data is being pulled and consolidated by several systems, including third-party systems, the sheer volume of transactional information being tracked and manipulated may be slowing your overall systems performance. In the complex and competitive business environment, we all agree how time is of essence and how dangerous can these downtimes be. The extent of harm due to operational failure during a downtime may even lead to loss of sales or even compliance risks while dealing with sensitive financial or customer data.

An ERP system can handle huge amounts of data without your system getting bogged down and provide the security and transactional scalability to meet the needs of your growing business always. Cloud based ERP system can offer even better security, scalable performance and higher availability compared to on-premise systems. Enhanced mobility of cloud-based ERPs through anytime anywhere access and mobile apps proves especially valuable for remote and on-the-go employees to access on-demand real-time data and thus speed up business processes.



Your company needs to meet security, regulatory or audit compliance requirements?

Conclusion

Many small to medium size businesses choose to persist with entry level accounting software by pushing them to their limits and using spreadsheet workarounds and third-party applications to meet their business growth. They just shy away from investing in an ERP for the fear of higher costs or hassles of migrating to a new system. But, in fact they might not realize the hidden costs involved in working with these workarounds and multiple applications. The software indeed might be hindering your growth due to several untracked costs like delays in information, errors due to system integration issues and manual work, your employees' time lost switching between systems and tracking spreadsheets and so on.

Top Challenges with Accounting Software

Only transactional and general accounting functionalities.



Integrates all the core processes needed to run a business into a single system.

Lack of visibility - business data is spread across applications and / or spreadsheets.



A single source of truth with data related to all business processes stored in a single database eliminating information silos and giving access to accurate real-time data to users.

Limited support to manage multiple entities, multi-currency transactions, etc.



ERPs offer multi-ledger accounting functions with support for multiple currencies, languages, etc to meet the reporting needs of multiple entities and have the ability to consolidate data in real-time and report on the business as a whole.

Limited configuration and customization capabilities and industry specific features.



ERP systems can be configured and customized to meet your business needs. Some ERP vendors also offer industry specific solutions with features needed to manage the specific industry's business processes.

Very limited features to ensure compliance and security putting the business at serious risk.



ERP offers features like role-based access, compliance to accounting standards, secure database, audit trails, IP address restrictions, etc to ensure compliance and security.

Limitations in handling huge transactional volumes leading to system performance issues.



ERP systems are more scalable and reliable as it is capable of handling huge amounts of data and deliver better performance as businesses grow.

Accounting software solutions are normally suited for small businesses with limited IT support or business complexity. But, as operations increase in complexity, businesses can quickly outgrow the capabilities of the product. ERP systems are perfect for organizations in need of an integrated system that supports expansion.

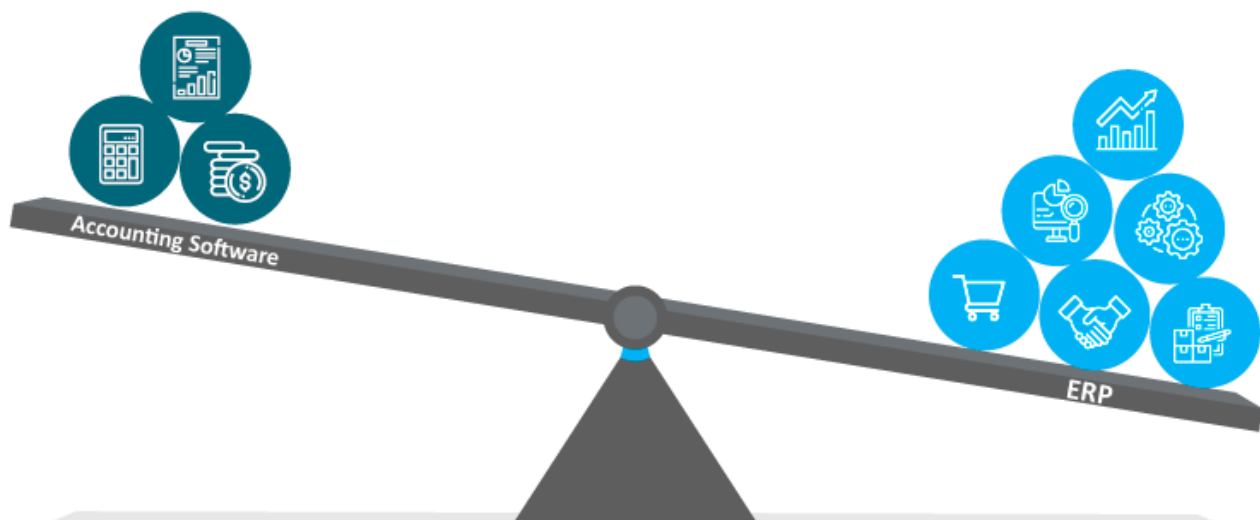
Organizations in the growth path need to ensure that their IT investments can support their growth by incorporating solutions that can automate and streamline their finance and other business processes as well. The advent of Cloud ERPs and rapid implementation programs makes ERPs more affordable for even small businesses, without having to worry about the expenses and complexities associated with setting up the infrastructure. So, it would be worth investing in an ERP offering broader capabilities, scalability and agility after assessing the present and future needs of the business. The implementation cost might be higher, but you would see immediate results in improving efficiencies across your operating areas.

Whether the business is outgrowing entry-level software or replacing a legacy system, choosing an ERP that is a good fit for the company can have a strong impact on future growth and profitability. The design of the software, its user friendliness, technology direction and viability, integrations, the experience of the implementation partner, partner's local presence, support and training offered, all have a vital role to play in maximizing the ROI on your ERP implementation.

RheinBrücke partners with Epicor to provide flexible, industry-specific ERP solutions designed around the needs of various industries including discrete manufacturing, process manufacturing, EPC, oil & gas, distribution, retail, and more. RheinBrücke has also established strategic partnerships with entities like Moro Hub, Ajman Chamber of Commerce, SmartWorld, etc to accelerate digital transformation in the Middle East by delivering Epicor Cloud solutions to businesses in the region.

Epicor ERP has been positioned as a "Visionary" in the Gartner Magic Quadrant for Cloud ERPs consecutively for 2 years. As per Gartner's 2020 report, Epicor, with its strong focus on cloud and a good vision for and understanding of the direction of cloud technology, provides great flexibility in offering various cloud solutions to fit customers' needs.

RheinBrücke believes that a successful ERP implementation is very crucial as it impacts almost every aspect of your business. We help our customers to implement solutions that can enhance operational efficiency and business performance with better control over processes. Here is how we ensure successful and cost-effective ERP implementations that allow our customers to get the most of their ERP and get faster ROI.





Industry Specific Solutions

We offer Industry Vertical Template Solutions for Epicor ERP for various industries like Discrete Manufacturing, Process Manufacturing, Interior Design, EPC, Oil & Gas, Cable Manufacturing, etc, based on proven best practices aggregated from our multiple industry implementations across the world. The industry specific features in these solutions to meet the diverse needs of the industry processes help minimize customizations and accelerate implementation.



RheinBrücke's standardized SCALE implementation methodology driven by industry best practices ensures a successful ERP implementation in a short time span by minimizing risk and maximizing predictability with clearly defined deliverables and processes. It is a scalable approach for implementation that is designed to address your needs based on the foundation elements – Solutioning, Consulting Expertise, Agile Practices, Learning and Enablement.



Learning and Training

We offer a comprehensive Learning Management platform – RheinBrücke Academy to our customers to ensure effective training of end users as well as key users and administrators. The platform provides interactive simulation-based learning content which ensures 100% module coverage for all your users to ensure effective change management, increase user adoption and get the most of your implementation.



Support

Our omnichannel support driven by a robust ticketing system ensures that your business users always have the support and help readily available from our large pool of Epicor certified professional engineers who have worked on multiple complex global ERP implementations.

About RheinBrücke

RheinBrücke is a European company with global mindset and a strong footprint in Europe, Middle East, and India. We have immense experience and expertise in providing Enterprise Business Solutions, Surround IT Solutions, Consulting Services and Product Development Services to clients globally across 34 countries. RheinBrücke's flagship product, MeRLIN is an integrated solution for Direct & Indirect Sourcing with Supplier Relationship Management, Sourcing Automation and Planning augmented by Advanced Analytics. RheinBrücke is also an Epicor Premium Partner and two times winner of International Partner of the Year, as well as Microsoft Gold Partner. Our team of experts with Six Sigma and PMP as well as our proprietary SCALE Methodology certification can deliver robust enterprise solutions and offerings to address the needs of businesses on multiple verticals including Automotive Systems, Oil & Gas / Energy, Discrete & Process Manufacturing, Pharma and Life Science, Engineering, Procurement & Construction, Retail & Distribution, Public Sector, etc. Our strong distribution channel across the globe supported by our robust RheinBrücke Academy based training and omnichannel support ensures seamless delivery of solutions and services. With a deep understanding of what it takes for enterprises to succeed, RheinBrücke helps clients adapt to a changing marketplace by ensuring their IT ecosystems are relevant, efficient, and perfectly tuned.

www.rheincs.com | www.merlinsourcing.com | info@rheincs.com