

# Has Your Manufacturing Business Outgrown Its Accounting Software?



# Introduction

As your company expands -- especially internally -- it will likely begin to outgrow its systems, requiring upgrades to help it improve and streamline processes, ultimately creating the efficiencies larger operations require. One of the first areas where you might start to feel growing pains is with your accounting system, as the software is generally limited in the size and complexity of the company it can support.

This whitepaper will provide a handy checklist to help you identify whether your business is ready to upgrade your accounting package, the list of things you'll need to consider, and best practices with some success stories to inspire you.

## Do Any of These Sound Familiar?



**Efficiency lags:** This may manifest itself in running out of raw materials in the middle of production, leaving you scrambling to process rush purchase orders through your suppliers.



**Duplicate data entry:** More and more of your employees seem to always be using Excel, first entering data into spreadsheets, and then re-inputting all that data into your accounting software.



**Uncertain financial picture:** Sure, you have a general sense of how well the business is doing financially, and what your margins and profits look like, however, you're not absolutely positive about your true cost of goods sold or margins, or even if they are absolutely accurate.



**Delayed invoicing:** You may find that the invoicing process is taking longer because despite a greater volume to generate, your process remains manual, and it's having an effect on your accounts receivable and cash flow.



**Statement accuracy:** Given all these challenges, are you sure your financial statements are completely accurate?

**If so, you may have outgrown your accounting package.**

# Top 10 Signs That You're Outgrowing Your Accounting Software



## 1. Many operations are still being run manually

Your employees are double entering data into Excel or another system, plus your accounting system. This is especially an issue for those using accounting software without a good inventory module and is both time consuming and prone to inaccuracy.

## 2. Your current system is holding you back from upgrading

If you're starting to consider specialized technology that will improve processes, such as barcoding inventory, tracking labour for projects, mobile capability or a job scheduling system, you may find your current software cannot handle these technologies. So your ability to adopt newer technologies is stunted.

## 3. You're losing profitability and resource hours because of poor financial control

Without full visibility of your expenses and net income, you could be prone to overspending or oblivious to losses on certain product lines or divisions, which will add up until you realize what's going on. This may be limiting your ability to make sound business decisions.

## 4. Complying with industry regulations or tracing additional items is virtually impossible

This could be an issue if you're in food manufacturing, for instance, and need to perform lot tracing, or you need SOX compliance after being purchased by a larger company, but your accounting software is incapable of handling these tasks.

## 5. Visibility is poor

At any given time, you're not getting a trustworthy picture of key items like inventory, cash flow, or margins. You now lack faith in your system's ability to provide accurate numbers.

## 6. You struggle to deliver customer orders accurately and on time

This is manifesting itself in a higher volume of credit notes being processed, complaints about incorrect pricing or shipping errors.

## 7. Your business model has changed (possibly because of merger or acquisition)

This may require functionality (multi-entity, consolidation, multi-currency) that your current software does not support.

## 8. You're struggling with what materials/products you require, how much you need and when it's required

You may find yourself running out of inventory mid-production because your software isn't sophisticated enough to alert you when you need to replenish your supplies.

## 9. You're having issues accurately managing/planning floor shop production

Your current system does not have the ability to manage, plan or schedule production, so your staff is simply operating on experience, which can cause problems with inventory and operational procedures or possibly compliance/code issues.

## 10. You're either falling behind your competitors or are hoping to improve operations to surge ahead of them

You're getting the sense that the competition is better at inventory control and capacity planning and generally seem to be more professional. Something as basic as barcoding can really enhance your professionalism.

# What to Consider When Replacing Your Software

If you've experienced a few of the signs, you need to begin thinking about upgrading to an ERP system. Given the big investment of time and money -- and the serious planning involved -- there are some key things you need to consider. Let's examine four of the most important factors that will go into this process.

## 1. Budget, Resources and Infrastructure

### *What is your budget for software and services?*

While you likely have a rough budget in your mind, it's time to find out how realistic it is. This may be dictated by whether you are considering cloud or on-premise solutions, but either way you need to factor in the total cost of ownership.

Cloud solutions do not require infrastructure upgrades but have more ongoing licensing fees associated with them. With an on-premise project, you must also factor in consulting services costs, as they will generally outweigh the software costs -- approximately 1.5 times for a tier two ERP implementation. Costs can vary greatly from project to project, but consultants suggest it's a good rule of thumb to plan for around 500 hours of consulting fees at \$150-200/hr.

### *Do you have the right resources to support an ERP implementation project?*

It certainly helps to have internal resources with previous experience in such an initiative, but even more important is having someone on board who can act as the project lead. Projects without an internal person accountable for overseeing things are more likely to fail as tasks can easily lose priority. This project champion must ensure assigned tasks are being accomplished.

Another consideration is whether your resources have the capacity -- and commitment -- for such an undertaking. With change management being a big part of this implementation, there's going to need to be some mindset shifting. Communication is key, both with the implementation team and the users, so everyone clearly understands what this change will mean. They need to know what to expect over the course of the implementation and afterwards, so setting and managing expectations is vital for success.

### *Do you have the right network infrastructure to support an ERP?*

If you're choosing an on-premise solution, your network will likely need beefing up and you'll need to determine if your workstations have the power to run an ERP system, while ensuring they have the latest Windows/Office versions to guarantee seamless integration.



## 2. Requirements Gathering

*Begin thinking about your finance, supply chain, manufacturing, reporting and system requirements.*

Each of these departments must submit their respective requirements, ideally broken down into mandatory, important and nice-to-have sections. Requirements will consist of items such as dashboarding functionality, ad-hoc reporting, different inventory costs by warehouse, labour time tracking, etc. This can be a project within itself, so don't take this step lightly. Ultimately, however, it will provide a good picture of the functionality you require within an ERP system.

*You should also think about how much customization you are willing to accept.*

Not every ERP system will meet all your requirements simply because there is no perfect system for any one company. Vendors will all say they can meet your requirements, but in many cases this will involve customization -- which translates into more costs. So, establish a budget for customizations and think about what is acceptable as a customization, and which of your mandatory requirements must be an out of the box function. You should also consider who will maintain those customizations down the road. Do you have someone in-house capable of this task?

### *ERP software considerations*

Mainstream functionality you'll want your ERP system to feature includes: flexibility and user interfaces that can be customized easily; ad-hoc reporting and BI/dashboards that are simple to use; ability to audit/track all items -- in real-time; multiple users from multiple locations should have easy access, with role security clearly defined; and full integration with Office products.

### *ERP Suite vs. Best of Breed (BoB)*

Do you want a system that does everything out of the box (or at least has third-party add-on modules), or do you opt for BoB? For small- to mid-sized manufacturers, an ERP suite will generally accomplish most of your requirements. Where specialized functionality is required (for instance, asset management or container tracking), you may need BoB software, which tends to be a more expensive option because of the integration costs.

## Case Study

### Ace Manufacturing



This Saskatoon-based company designs and fabricates aftermarket accessories for the transportation sector and service vehicles. Previously running QuickBooks, Ace was struggling to get an up-to-date view of its inventory costing, cost of goods sold and WIP costing, while dealing with limited functionality and stuck doing many manual processes in Excel.

Ace wanted EFT, drop costing and fixed assets functionality and hired a consulting firm to vet options. Ultimately, Ace selected their ERP solution based on: features and functions that met its specific requirements; best cultural fit; scalability and modularity to accommodate growth; and a variety of third-party plug-ins to deal with non-core functions.

### **Some of the benefits Ace has experienced include:**

- Improved management and tracking of inventory usage and valuation;
- Enhanced financial reporting;
- An understanding of costing of make-to-order jobs thanks to the Bill of Materials and Work in Progress modules; and
- Additional value such as labour tracking, barcoding and job scheduling will be added if Ace opts to implement other modules.



### 3. What to Consider from a Vendor

#### *Is the software vendor also the implementation partner?*

At times, it can be more efficient to work with a vendor that will also deploy your solution, but it really depends on how seasoned their implementation team is. Finding the right implementation partner is incredibly important.

#### *Select a vendor that has experience with similar companies to yours.*

This is even more important than finding one that will also do the implementation, because not all vendors are created equally. There are some vendors that will have less industry-specific knowledge about your project, while others are vastly more experienced. Beyond finding a partner you're comfortable working with, experience level should be a big factor in your choice.

#### *Is the vendor local?*

It's definitely an asset to have a vendor that's local, from a support perspective, especially if you really need someone to help on-site.

#### *Cost is not always the number one criteria when selecting a vendor.*

The importance of choosing a vendor -- and more importantly an implementation partner -- that you feel comfortable working with cannot be underestimated.

## Case Study

### Atco Wood Products



This B.C.-based firm produces high quality softwood veneers and other products. It was running an outdated Sage system that had reached the end of its life cycle and lacked functionality the company required such as inventory control, EFT, barcoding and fixed assets. Atco had key systems that couldn't integrate with Sage, and lacked detail in its financial reports, while creating them involved manual processes.

Atco chose their ERP vendor based on best responsiveness; most comfortable to work with; and the one that took the initiative to meet with their team on-site.

#### **Since implementing their ERP system, Atco has enjoyed these benefits:**

- Automating the sales order and invoicing processes and providing tighter inventory control through barcoding;
- Processes are timelier and more efficient thanks to much better integration of sales and inventory, accounts receivable and accounts payable;
- Live posting to GL has improved project tracking and expense analysis while providing constant access to up-to-date data results;
- Improved access to data with more detail to analyze has drastically improved staff efficiencies as tasks that took up to half a day are now much less onerous; and
- As a whole the company has more staff bandwidth than it did before to take on new opportunities -- with the same number of employees.



## 4. Data and Training Considerations

### Master data

An ERP implementation represents the best opportunity you'll have to clean up your master data. Consider restructuring items like your GL accounts, inventory item codes and customer/vendor IDs to build in scalability.

### Historical data

History data can be more complex to deal with as importing it into many ERP systems can be onerous, so consider how much of your sales, inventory and G/L data is mission critical. Will opting to not bring any historical data disrupt your users by forcing them to log into your old system to look things up, thereby effecting productivity? In this instance, bringing in one or two years of data makes sense, especially since some systems have issues bringing in too much volume.

### Training

This is an important consideration because if users aren't comfortable with your new system, it will lead to frustration and resistance. Your users need to be fully up to speed so you can hit the ground running when the system goes live, but training should be timed so that it's not too far ahead of launch or else they may forget. Training should be performed a month or two before launch, which should include a user acceptance testing phase, so your stakeholders get a chance to try the system.

## Best Practices

Here are the top four success factors when upgrading to an ERP system:



01.....  
Designate an *internal project champion*



02.....  
Choose the *right implementation partner*



03.....  
Make sure you *employ solid project management methodologies* and tools



04.....  
*Communicate effectively to all stakeholders*  
-- both internal and external -- so that everyone is on the same page, and people know what to expect and when to expect it, to ensure complete buy-in on the project

# Conclusion

Once you've heeded the signs that it's time to upgrade your accounting software, the journey has just begun. There are many considerations and decisions ahead and much work to do to ensure you find the solution that's right for you. But at the end of the day, this process will not go unrewarded, as you arm your company to take advantage of Industry 4.0 while future-proofing it for what's yet to come.

## About SYSPRO

SYSPRO is a global, independent provider of industry-built ERP software designed to simplify business complexity for manufacturers and distributors. Focused on delivering optimized performance and complete business visibility, SYSPRO's strengths lie in a simplified approach to technology, expertise in a range of industries, and a commitment to future-proofing customer and partner success.

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