Bridging the Gap from QuickBooks to ERP

QuickBooks is the go-to for many small businesses. But as a company grows and the limitations of QuickBooks become more problematic, you may begin to question if it is the appropriate financial system for you going forward. The right software solution can undoubtedly improve your business operations; however, one dilemma many companies face is to choose whether to add on to their existing system or to replace it entirely. This is a guide to help you determine if you need an ERP system, what you should and shouldn't expect from one, the financial and time considerations, and how FinJinni can bridge the gap between QuickBooks and ERP.

1. QuickBooks limitations

Most people starting out in business choose QuickBooks for their accounting software. The reason is that it is simple, easy to use and integrates with many other systems. For some types of businesses, it is all they will ever need regardless of how much they grow. For most people though, as their business grows and the demands on their software increase, they may find that QuickBooks is unable to meet those demands. There is a litany of problems with QuickBooks, but the ones that become most problematic for growing companies are:

Lack of scalability – These problems includes slow-downs when multiple users are logged in across your network, sluggishness due to the size of your company file, lack of support for a large number of user licenses and consolidation of multiple company files.

Narrow visibility – Your system doesn't track unique data, thus leading to much of your data and information about your business processes to be stored on spreadsheets or in the heads of your staff. Creating reports on disparate data requires enormous amounts of time being wasted by cutting and pasting. Real time data and information details from consolidated and operational sources are unavailable.

Limited functionality – QuickBooks doesn't have the ability to track and report robustly on multi-currency, inventory, job costing, budgets and non-standard fiscal years.

Lack of deep industry capabilities – Although QuickBooks offers some limited functionality for the construction, manufacturing, and distribution industries, it doesn't provide for things such as different costing methods and quality control that are essential to these businesses.

2. Do you need an ERP system?

When your system is causing increased costs and reduced profits, you need to begin to look for an alternative. Problems to look for are:

- Time spent on doing manual tasks and data having to be entered multiple times
- Time spent searching for information and identifying problems
- Lack of information on costs and levels of inventory
- Teams can't easily collaborate or share information

- Trouble keeping up with regulatory compliance
- Losing customers for any reason associated with your software

It's easy to determine when your current system isn't working for you. The difficult part is deciding what to do about it. The cost of an ERP system and the length of time it takes to implement one are extraordinary. Before you jump on the ERP bandwagon, there are a couple steps that you can take that are much easier and cost effective.

Review or hire someone to review the use of your current accounting system. It is possible that all you need are better procedures or training. You need to determine whether your problems are due to your software or the way you run your business.

Talk to your accountant about the problems you are having. They can tell you about functions available in your current version of QuickBooks that you may not be aware of. If your current version doesn't provide what you need, it may be a simple matter of switching to another version. Lastly, they can advise you on the many third-party applications that can solve your problems or at least fill the gap until you need to move to an ERP system.

3. What you should and shouldn't expect ERP to do for you

You can expect an ERP system to tie all your business processes together into one integrated system. By using a shared database, everyone will be using the same information regardless of which department they are in. It provides real-time reporting and automation. This allows employees to directly pull information from one system, instead of maintaining separate spreadsheets or software. This minimizes data loss and inconsistencies. Your system should allow your company to grow while keeping down overhead costs. It should also help employees make better informed decisions, increase productivity and improve morale.

What an ERP system won't do for you is improve poor processes and time-wasting methods. It will require the total examination and reworking of key processes and production lines in your business. If you don't, you will have the same operational inefficiencies as before and a fancy new software system that gives you meaningless reports and recommendations. According to Pemeco Consulting, you should look at your ERP project according to the 80/20 rule: 80% of the benefits are driven by business process improvements and 20% by the software.

4. Costs and ROI

Migrating to an ERP system requires a *huge* commitment of time and money. In the majority of cases, you can also expect cost overruns and time delays. Additionally, with the large number of complete failures, you must be certain that the ROI is worth the risk.

Cost

Here is an estimate of the cost by business size:

- Small businesses: $10,000 - $150,000

- Mid-sized businesses: $150,000 - $750,000
- Large enterprises: $1 million - $10+ million

Time

Generally, you can expect anywhere from *6 months to 2 years*. Factors such as the size of the company, complexity of the new system and transfer of data from legacy systems can slow things down immensely. Trying to rush can lead to a complete failure of the project. Since the failure rate of ERP implementation is 75% you don't want to do anything to increase your odds of failure.

ROI

The bottom line on this can be a bit murky. Not all the expenses are clear cut and the returns can be hard to quantify. However, it is necessary so that you can determine if it is worth the time and effort. This is especially true if you need to convince others to take on this huge endeavor.

The starting point for determining costs is when you begin to do the research. This will take a considerable amount of time for yourself, your staff or a hired expert. Then you need to add in the cost of the software and the implementation. Training your employees takes a great deal of time and effort. Even after implementation there are additional costs in the form of licensing, maintenance and development fees.

There are less visible costs you also need to consider. You can expect productivity and output to drop as people will need time to get up to speed on the new software. Once they are proficient with the software, improved efficiency may lead you to reduce the number of staff needed which may result in severance expenses. Also, keep in mind that the majority of ERP projects experience cost overruns.

Quantifying the return on your investment is equally difficult. There are ROI calculators, spreadsheets and guides that can help you determine the benefits both measurable and abstract. The biggest decision is how long your payoff period will be. This is critical because it drastically affects your numbers.

An Alternative: What FinJinni can do for you

The key to an ERP system is that it ties all your business processes together into one shared database, thus allowing everyone to use the same information. FinJinni does that by taking all your data out of QuickBooks and putting it into a database outside of QuickBooks. Referring back to the limitations of QuickBooks which are most problematic for growing companies, here is how FinJinni solves those issues:

Scalability

Company file too big

You can "close out" your old company file data and start fresh. Using FinJinni's consolidated reporting you can report on old and new data combined. (E.g. year over year comparisons.)

Multiple company files or legal entities

There is no limit to the number of company files that can be downloaded and stored in a common database. If you have multiple legal entities, each can have its own company file and FinJinni can produce consolidated and comparative reports.

Lack of visibility

There is data that isn't stored in your system but on spreadsheets and in people's heads.

If you use spreadsheets for processes that aren't available in QuickBooks, FinJinni can create those reports for you. Calculated fields can be added as well. All the reports you create can be saved as a template and are accessible to everyone.

Creating reports on disparate data requires enormous amounts of time being wasted by cutting and pasting.

FinJinni can combine data from multiple sources both within QuickBooks and external data from Excel. Entire workbooks (such as month end reports) can all be updated in seconds with the push of one button.

Real time data and information details from consolidated and operational sources are unavailable.

This relates mostly to reports not being visible due to having to create them manually. All FinJinni reports are available in seconds with the push of a button. Updating the database with the most current data can be scheduled as often as every 5 minutes.

Limited functionality to track and report on the following:

Multi-currency

Some of the problems with QuickBooks multi-currency are:

- You can only assign one currency to each account or contact name.
- Once you turn multi-currency on, your Home currency is set and cannot be changed.
- QuickBooks exchange rates don't have enough decimal places

FinJinni has none of those problems and also has additional options for applying exchange rates, such as different rates for the P&L vs. the Balance Sheet and different rates for specific accounts. Proper multi-currency accounting requires this.

Inventory

This is another area where QuickBooks is woefully deficient. FinJinni can provide reporting by site and lot in ways that QuickBooks can't. It can provide past sales data and can show you what is needed to fulfill orders so that you can predict what inventory will be needed in the future.

Job costing

If you are using QuickBooks Online, there are numerous problems involving Estimates, Dates, Job Types, and Reporting etc. Even if you are using Desktop, pulling unique data to create reports specific to your business, is a manual process. FinJinni can provide additional job-cost data, such as Purchase Orders, and can provide calculations for commissions by job, revenue by hour, etc. It can then combine all that data together to create the reports you need at the push of a button. If you need a report unique to your business, our custom reporting service can create a report built to your specifications.

Budgets

There is no other way of putting it, budgeting in QuickBooks is painful. FinJinni solves this problem in a couple ways. First, if your budget is in QuickBooks, it can automatically create reports that aren't otherwise available. Secondly, if your budget is in Excel, you can use the FinJinni Importer add-on to import the data into the database allowing you to compare budget vs actuals. It also lets you budget in more ways, such as by sales rep or department.

Non-standard fiscal years (13 week and 4-4-5 accounting)

The available reporting in QuickBooks for non-standard fiscal years is so limited as to be almost nonexistent. Also, if you are in the food service business, you need additional reporting on things like COGS, labor and inventory. FinJinni lets you create reports outside of QuickBooks so you can report to the IRS based on the calendar year data in QuickBooks, but view your data in FinJinni in a way that is more meaningful to you.

Lack of deep industry capabilities

Although QuickBooks offers some limited functionality for the construction, manufacturing, and distribution industries, it doesn't provide in depth reporting. FinJinni's custom reporting service can create reports built to your specifications.

In summary, if you are considering moving to an ERP system,

- Determine whether your problems are due to your software or the way you run your business.
- Talk to your accountant about your current QuickBooks functions, other versions of QuickBooks that could solve your problems and third-party applications that can stretch QuickBooks.
- Consider the financial costs and time needed to implement an ERP system.

- See what FinJinni can do for you. To learn more you can see our reviews at the Intuit Marketplace [here](#) or visit our website www.gypsybi.com.