15 Red Flags

Is Your Accounting Software Hurting Your Business?

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15 Red Flags: Is Your Accounting Software Hurting Your Business?

For most businesses, it makes good sense to get started with basic accounting software. Then, as financial and customer service requirements demand, you can move to more sophisticated business systems. A logical approach.

The challenge is in recognizing the right time to make the switch. When you are immersed in the day to day operations, it's easy to ignore the red flags of trouble ahead. We wrote this white paper to help you. The stories that follow are based on real companies. Real people, just like you who were having problems because they kept their entry or legacy accounting system a little too long.

We work with customers every day who wish they had made the move to a modern ERP system earlier. We hope these stories will help you identify issues early and avoid those mistakes. Stories like:

- The retailer losing sales because their inventory wasn't connected to their online store.
- The manufacturer with 320 spreadsheets tracking everything from bills of material to customer shipping addresses.
- The nonprofit that couldn't get a grant because they didn't have basic accounting controls in place.

As your business grows, you need to build on technology that supports your business model and delivers the levels of service that your customers expect. Just as you planned from the start.

Read on to see what inspired these companies to take the next step.

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The **ERP Software Blog** is proud to bring you The ERP PANEL PAPERS. A straightforward series of white papers from an international panel of ERP software experts.

#1 Unstable system and slow performance

A boat accessory manufacturer and distributor was using an entry level accounting solution to manage the business. As the company grew, so did the transaction volume and amount of data housed in the accounting database. Slowly but surely they were maxing out the system.

Challenges from the accounting system

A common problem for companies that have outgrown their accounting system is instability. The system will slow down or freeze up, which is frustrating for users and compromises the integrity of the data. Some of the signs that you may be coming close to the limitations of your system include:

- Reports run slowly
- The system locks up
- The "Not Responding" message appears more frequently

How ERP solves the challenge

Microsoft Dynamics ERP is built on the robust, stable SQL database, that even the largest enterprises trust to support their transaction volumes. All that power is affordable for small and midsize businesses. After implementing Microsoft Dynamics ERP, the manufacturer is sailing along with no performance issues.

Industry:
Boat accessory manufacturer and distributor

#2 Growing paper problem

A financial institution had experienced rapid growth, expanding to support more than 30 banking centers across multiple states. Purchasing supplies and reimbursing expenses through paper invoices and expense sheets for a geographically dispersed company was becoming a logistical nightmare.

Challenges from the accounting system

With an accounting system that doesn't support electronic accounts payable (AP) management, the time spent pushing papers grew with each new location. The bank was spending far too much time:

- Manually entering invoice data in the system
- Tracking down and matching up invoices
- Searching for previous orders and payment history

How ERP solves the challenge

Through an automated AP system integrated with Microsoft Dynamics ERP, the bank has eliminated paper from their corporate office. The AP team isn't spending long hours entering data from invoices and searching for lost documents.

In addition, invoices can either be coded intelligently by the system or by the approvers during the approval process. Accurate coding saves even more time, reducing adjusting entries needed to apply expenditures to the correct cost center within the bank.

Industry:
Banking and finance

#3 Production schedule delays

Even though an automotive parts manufacturer had the systems in place to receive EDI (Electronic Data Interchange) orders, there was no integration to push the orders into the production schedule.

Challenges from the accounting system

Like many functions of your business, order management is a process — orders enter the business and flow through multiple departments. If you don't have integrated systems that support that flow, your company has to overcome the disconnect. For the automotive parts manufacturer, manual entry of orders caused:

- Production schedule delays
- Production schedule inaccuracies which led to short builds
- Rush orders that incurred premium freight and overtime
- Loss of confidence from customers and suppliers, and even the loss of a very important contract

How ERP solves the challenge

Full automation of EDI with Microsoft Dynamics ERP allows the auto parts manufacturer to route orders directly into the production schedule using demand management logic. With timely production schedules and the errors caused by human data handling eliminated, premium freight costs have become a headache of the past.

Industry:
Automotive parts: repetitive manufacturing

#4 Inaccurate cost calculations

Preparing to negotiate a new contract with a large retailer, a pet food manufacturer had to spend a huge amount of time trying to calculate the actual costs of production.

Challenges from the accounting system

Many process manufacturers are making do with a software solution that was originally designed for discrete manufacturers. There's a big difference between costing in process and discrete manufacturing. Density, physical property changes, and other variations cause changes to yields during production which aren't supported in entry level accounting and discrete manufacturing systems. Inaccurate costing leads to:

- Lost contracts due to pricing "with a cushion"
- High raw material costs due to poor inventory tracking
- Manual, time consuming reporting

How ERP solves the challenge

With Microsoft Dynamics ERP, the pet food manufacturer has achieved automated standard costing, finally providing real insight into individual product profitability. Now they can concentrate on selling their more profitable products, and can shift the product mix over time in response to current and projected demand.

Industry:

Pet food manufacturer

#5 Employees building reports manually

While all healthcare providers have to allocate considerable time to reporting, one physicians' organization had to dedicate additional resources just to create monthly financial statements.

Challenges from the accounting system

The healthcare provider's legacy financial management system provided no way of adjusting the statement formats or manipulating data within the reports. To create the financial statements manually, employees had to:

- Compile data from more than four sources to consolidate information across business units
- Wait for each department to contribute their piece and then cross-reference the data
- Double check the formulas and numbers in Excel spreadsheets to ensure that the reports were accurate

How ERP solves the challenge

After their switch to Microsoft Dynamics ERP, the healthcare provider was able to easily and quickly run financials—formatting them just the way they wanted. Using automated workflows, the accounting team could route the reports to both internal and external reviewers, and track approvals. With more confidence in the numbers, everyone now has more time to spend on productive tasks.

Industry:

Healthcare

#6 Selling out-of-stock products

With disconnected accounting and ecommerce solutions, an office supply distributor had to manage product SKU's in both systems. Unsurprisingly, variations in quantities and pricing were common, causing customer service issues when out-of-stock items were listed as available.

Challenges from the accounting system

Trying to maintain duplicate data in separate systems is a time-consuming, error-prone process that frustrates employees and customers alike. The office supply distributor was experiencing serious service issues because customers:

- Were buying out-of-stock products for the wrong price
- Had no visibility of historic account information including order history, open invoices or quotes
- Had to call the office to place orders if they had special pricing arrangements

How ERP solves the challenge

Upgrading to Microsoft Dynamics ERP allowed the office supply distributor to connect their financial management and online wholesale portal. All their products, including pricing and availability, are now managed from one database with real-time updates. With an easy way to place orders online, including full visibility into their previous purchases and pricing, customer satisfaction is higher than ever.

Industry:

Office supplies distributor

#7 Errors tracking time and equipment

Most of the employees of an oil and gas service company work in the field. A paper-based system of tracking time and equipment meant that payroll errors were common and no one knew the actual availability or condition of equipment.

Challenges from the accounting system

As they had done when the company was just a few engineers, field-based employees filled out their time and equipment sheet by hand. As the company grew and data was transcribed into two separate systems—an outsourced payroll system and the accounting system, the time investment had become untenable. With the disparate systems, the oil and gas company had:

- Time-consuming, manual entry for multiple teams
- No insight into time use and performance
- Ballooning equipment costs, due to missing assets

How ERP solves the challenge

Now Microsoft Dynamics ERP provides remote employees with web-based time entry and materials tracking. Payroll is made on time, without the complexity of correcting entries and adjusted paychecks. Equipment is tracked in real time, so assets can be routed to locations as they are needed. All without a bit of paper.

Industry:

Oil and gas

#8 Document delays slow month-end close

A fast growing multi-company, multi-location healthcare organization using an entry level accounting system was struggling to close the books within two weeks of month end. Without timely information, managers did not know where they stood on budgets or key performance indicators.

Challenges from the accounting system

Using the existing accounting system since they opened the first office, everyone in the accounting team was familiar with the application and reluctant to move to a more functional system. Managers, frustrated with the lack of insight, were using spreadsheets to track their own results. With multiple locations, processes were breaking down, causing:

- Increased processing times due to higher transaction volumes
- Long lead time to route, approve, and retrieve documents such as vendor invoices
- Financial statements that were outdated the day they were released

How ERP solves the challenge

By implementing Microsoft Dynamics ERP with automated workflows and centralized document management, the healthcare organization was able to close the month out in hours instead of weeks. Managers now have enterprise-wide insight to make decisions based on real-time information.

Industry:

Healthcare

#9 Service and warranty confusion

A company that provides machinery maintenance services to hospitals was unable to deliver parts or warranty information to the field. Service management software cobbled together with an outdated accounting package provided no mobile support.

Challenges from the accounting system

In the old system, service calls were entered into software which created paper work orders that techs took to the field. The service company was challenged with:

- Inaccurate and delayed billing for service work
- Lack of up to date inventory information which led to service trucks being dispatched without the parts they needed
- Poor warranty tracking, so that techs could not tell customers if the work was covered or not

How ERP solves the challenge

Implementing a fully integrated service solution through Microsoft Dynamics ERP, service techs now use tablets in the field to record service work, materials consumption, and update warranty information. Invoicing is initiated the minute the service call is complete to accelerate cash flow. Service truck inventories can be refreshed daily using consumption and work order data.

Industry:

Field service delivery

#10 Excessive overhead costs

A financial services company, realizing net profits that were lower than industry standards, looked to cut internal overhead costs. Through process analysis, the company determined that their legacy financial management system was incurring unnecessary costs. The large, clunky system required significant IT support for high volume integrations and users worked around the system because it could not handle complex consolidation structures.

Challenges from the accounting system

In addition to the excessive overhead costs, the legacy system was causing:

- Lack of transparency for shareholders and board members
- Difficulty in creating reports and audit trails that would comply with government requirements
- Extensive hours spent manually computing multi-currency adjustments and multi-company consolidations

How ERP solves the challenge

With Microsoft Dynamics ERP, the financial services company now has a platform for rapid deployment and lower cost of ownership. The improved functionality, configurable workflows, and enhanced reporting capabilities have improved productivity and cut overhead costs.

Industry:

Financial services

#11 Inaccurate inventory levels

A multi-location retail hardware store used different systems to track financials and inventory, leading to major discrepancies in stock levels. Only one computer at each store location had the ability to search for inventory at other locations and couldn't provide specifics about the item such as size or color.

Challenges from the accounting system

Common stock outs led to high freight-in costs and overstocking. In addition the hardware store was dealing with:

- Glitches and errors during month-end closing forcing employees to monitor the process, even working overnight
- No way to track bulk weighted items such as nuts and bolts that were sold by the pound
- No insight into store to store inventory transfers

How ERP solves the challenge

Using Microsoft Dynamics ERP, the store implemented an RFID system to scan items and lots as they were delivered and track exact location, whether that be in the warehouse or in store. As items are purchased, that information is shared across the organization, allowing employees to see real-time information on their sales and inventory levels. Hand-held scanners allow employees to locate items available in other stores and arrange for direct shipment or pickup.

Industry:

Retail hardware store

#12 Cash flow and project profits

A professional services company was experiencing cash flow issues because invoices for consultants' time didn't go out to clients until weeks after projects were complete.

Challenges from the accounting system

When professional services companies use accounting software that is not designed for the specialized needs of project-based work, they have to deal with:

- Cash flow slowdowns due to revenue sitting in WIP accounts — delays even before the client receives the invoice
- Excessive write-offs because you can't provide backup on time spent on a project two months ago
- Inability to track project performance at any level, from milestone achievement to profitability.

How ERP solves the challenge

With Microsoft Dynamics ERP, the professional services company was able to collect time and expense data from consultants in the field, accelerating invoicing and providing detailed documentation. With far less time spent on answering client invoice questions, the accounting team was able to measure the profitability of each project.

Industry:

Professional services

#13 Disconnected Point of Sale system

A growing sporting goods retail company, with 20 locations, needed a streamlined and easy-to-use system to reconcile their books and Point of Sale (POS) system.

Challenges from the accounting system

Spending four hours each day reconciling the previous day's transactions, the finance team was:

- Dealing with exceptions and discrepancies between the POS system, the bank and their entry level accounting system
- Using numerous Microsoft Excel spreadsheets to track everything from inter-company allocations to inventory
- Unable to spend time analyzing data to monitor store performance

How ERP solves the challenge

After implementing Microsoft Dynamics ERP, the sporting goods retailer achieved a 90% matching rate for bank statements through automation, cutting research on exceptions dramatically. By replacing spreadsheets with centralized data, the finance team can provide management with comparative store performance reports that identify problems early and lead to shared best practices.

Industry:

Retail sporting goods

#14 Unsupported inventory practices

A manufacturer producing cutting edge emissions reduction systems used FIFO (First-In-First-Out) inventory accounting practices. Since they were using an entry level accounting system that doesn't support the practice, inventory was managed in spreadsheets.

Challenges from the accounting system

Manufacturers who build-to-order and build-for-stock need flexibility to manage processes and inventory unique to their product lines. The constraints of an inadequate accounting system were causing the manufacturer headaches like:

- Lack of visibility into company-wide inventory, production capacity, and order status
- Long days spent on every month-end close
- Unreliable inventory control and financial reporting

How ERP solves the challenge

With Microsoft Dynamics ERP, the manufacturer was able to consolidate data to synchronize build-to-order and build-for-stock operations. Automated FIFO inventory control and dynamically updated financial reports have cut the time spent closing their books at month end in half.

Industry:

Discrete manufacturer of emissions reduction systems

#15 Not in compliance with GAAP principles

As a non-profit organization was preparing to apply for several grants, they found that their accounting system was not fully GAAP compliant. Funding organizations need to have full confidence in the financial governance and transparency of the non-profits they support.

Challenges from the accounting system

As the non-profit learned, their accounting system did not provide controls on posted transactions which meant that changes could be made to the accounting system with no audit trail. Transactions could be voided and accounts could be changed meaning that dishonest people could hide their activity. Without proper audit trails and security controls, the non-profit could not:

- Produce the reports needed for government compliance
- Meet grant requirements
- Assure the board of directors of fiscal responsibility

How ERP solves the challenge

With Microsoft Dynamics ERP, the non-profit implemented the controls that support good governance and full transparency. User access, limited down to the screen level in various parts of the system, ensures that employees only have access to the information that they should. Audit trails track the of steps and document the "who, what, when and why" for each transaction.

Industry:

Non-profit organization

Next steps

As you've read through these stories, you've probably recognized some of these challenges in your own company. Organizations often face the limitations of their starter accounting system as they grow. The question is not if, but when to move to the business solution that will help your company achieve the success you've planned.

There has never been a better time to move

More affordable and easier to implement than ever before, a business solution from Microsoft can help you:

- Gain real-time insight into business performance.
- Keep up with increasing demand without adding headcount.
- Automate and secure processes to reduce data entry and risk.
- Manage multiple lines of business or multi-site locations.
- Scale operations to support new business.

Where do you go next?

At Logan Consulting we work with companies like yours that are transitioning from packages like QuickBooks to Microsoft Dynamics GP.

To start, let's schedule a call so we can learn more about your current system and your goals to help you determine if Microsoft Dynamics GP is a fit for you. Contact us at 312-345-8800 or info@loganconsulting.com.

- Visit www.loganconsulting.com to learn more about your options.
- Tune into our blog: http://www.loganconsulting.com/Blog
- Request a Microsoft Dynamics ERP Quote

About Logan Consulting

Logan Consulting is a Chicago based Microsoft Gold Certified Partner focused on Microsoft Dynamics ERP and CRM solutions. We provide business and software solutions by leveraging Microsoft applications and a process driven methodology.

We utilize Microsoft products and platforms to help companies solve real business problems so they can grow their company. We have delivered results for many companies by providing software solutions and deep business knowledge.

If you have a business or system issue we would love to hear about it and share our experiences with you. Please contact us online or call us at our Chicago office at (312) 345-8800 to discuss how we may be able to solve your business challenge.

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