How to Access and Buy Business Management Software

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sage software

TABLE OF CONTENTS

Introduction:
Preparation is a Major Element in Making the Right Decision

For most companies, changing accounting software is a daunting challenge. Not only is transitioning the accounting function to a new software package tricky in itself, but it is usually catalyzed by one or more business challenges that are (hopefully) solved by the new system. As a result, most companies wait until problems have become (or are obviously becoming) insurmountable before initiating a project to replace the core system. There is nothing particularly wrong with a last-minute approach, although it may lead to inadvisable haste when selecting and implementing the new package. In an ideal world, replacing a core system should be approached with as much flexibility as possible in terms of schedule—allowing at least six months for the time to review options, select a partner and implement the software without undue haste.

Getting Started: An Analysis of Your Company's Needs

The first, and most important, step for any company embarking on this project is to agree upon the specific goals for the project. This may sound trivial, but many companies change systems as a result of growth, and that growth may have led to significantly diverging views as to what is broken and what needs fixing. For example, the CEO (and often both founder and owner) may be hoping to implement a system that will provide a foundation for significant future growth, perhaps involving a strategic technology choice. However, the CFO/Controller may be looking for a system that provides a higher level of security and control within the accounting function. Both of these goals are valid, but the two viewpoints may pose differing priorities when selecting a replacement system. Discussing these priorities in advance will allow the system choice to be made more effectively, and could lead to other strategic planning decisions for the business outside the question of software. This discussion will also generate the key questions to ask of potential vendors and implementers when analyzing the software choices available.

Staying Within Your Budget

Another important element for consideration at the strategic planning stage is the question of budget. The range of prices quoted by vendors is almost infinite, with products designed for the "just above Peachtree by Sage" space costing as little as $4,000 (plus implementation services) and tier one implementations running into tens of millions of dollars! Each product has its place, and it is important for companies to consider carefully their budget framework to avoid analysis of options that are simply unaffordable. It is much better to discover after some initial research that your budget is unrealistic, than to spend significant time and effort reviewing products ranging from Sage BusinessWorks to SAP to "see what you get for your money."

As a general rule, companies with annual revenue under $10 million will spend between $10,000 and $25,000 for software and implementation of an accounting system—in most cases split evenly between software and implementation services.

Software at this level of the market will handle multi-user scenarios easily, and be functionally more appropriate for a company that has a full-time accounting department. Customization and reporting options in these products will be more powerful than those available at the retail level, giving greater value but also requiring additional training for certain employees.

Larger companies ranging up to $500 million in revenue require even more high-end accounting functionality, more stringent security options and particularly strong scalability and performance profile. Very often, larger companies will be acquiring accounting software as part of a larger ERP implementation. For these more complex scenarios, a cost of almost $100,000 is typical for software and implementation of the accounting system, with appropriate employee training (and again, split 50:50 between software and implementation). Obviously, these numbers can vary significantly, depending on a wide variety of factors, but should provide some framework to start. Remember that when inventory, manufacturing, CRM or other parts of a complete ERP system are included, the costs for a full implementation will be higher.

Picking the Maintenance Plan that's Right for You

Another point to remember is the ongoing maintenance and support options available from the implementation partner and software vendor. An annual budget of 10-20% of the initial cost provides the ability to move the system forward on to the latest software and technology platforms, as well as updates and patches to handle minor usability enhancements, legal and tax changes. In addition, most vendors release major enhancements every 12-18 months; these releases provide significant benefits in terms of new functionality, but will also require careful planning and implementation to ensure day-to-day business is not disrupted.

Additional Considerations Critical to Success

Other factors to evaluate are "intangibles" such as vendor size and financial health. Like insurance, these factors don't matter until they become an issue, and their importance to a given company will depend on risk appetite and the overall goals behind the transition. For instance, smaller organizations could be significantly disrupted if their accounting system suddenly stopped working – it could even cause bankruptcy in extreme cases.

Are Your Technology Requirements Being Met

Technology requirements should also be discussed, if only to agree that in your specific situation there are no particular technology requirements. Of course, PC-based software is a common requirement, given that IBM host-based systems are declining in popularity and are increasingly hard to support. Beyond the platform, particular database packages may or may not be important for a given situation.

A useful data point is a Yankee Group survey that showed that the most important three purchase criteria (for companies with less than 1000 employees) were:

- Vendor customer service,
- Ability to customize the software, and
- Overall cost vs. budget.

This research is backed up by discussions with Sage Software VARs (Value Added Reseller) who reported key factors that include:

- Vendor leadership and financial strength,
- Product flexibility and fit to business requirements, including integration to industry-specific systems, and
- Likelihood of long-term vendor support for the product.

A Good Reputation Can Increase Value

One experienced implementation partner, Alicia Anderson from MacDonald Consulting, reports, "The market presence of the software publisher has become very important as customers see a few large players emerging as the result of recent vendor consolidation. They want a publisher with a strong, stable reputation."

With a strategic framework in place, it becomes much easier to review potential solutions and narrow the list of options to a manageable number. Most vendors present relatively detailed information on their website regarding product functionality and overall business profile. Budgetary fit can be established with a phone call to the vendor, which can also help determine which specific product from that vendor might be most appropriate.

The Road to Implementation: Selecting a Trusted Partner

With a shortlist of two or three products, a more detailed assessment can be made. This is where implementation partners can provide valuable services. Their knowledge of one (or more) products on the shortlist, combined with expertise implementing this kind of software, allows companies to leverage experience to maximize the chances of a successful project.

The Importance of the Right Partner

Given the importance of a local resource in a successful outcome, careful consideration is required when selecting a partner. Often the vendor will refer a local partner to a prospective customer, but it is important to take the time to establish a rapport and a level of trust with the implementation partner. It is perfectly acceptable at this stage to request another referral from the vendor, if the partner does not appear to have the skills or experience that you feel appropriate.

"Prospects are generally looking for an implementation partner that really understands the issues that make their business different, while also having demonstrable experience on their preferred software package," says Rick Wilson, with Martin &

Associates. “Our extensive customer base allows us to handle both requirements effectively.”

Since the selected partner will be working as a partner with your organization for some time, it is important that the relationship be a positive one; once the project is underway, changing partners will be a costly process and is best avoided. The partner’s business history, implementation methodologies and employee biographies are all reasonable topics for discussion in the context of a preliminary evaluation, and should be considered carefully before making a decision.

Similarly, the initial meetings will be used by the partner to ensure a thorough understanding of the business and key strategic objectives for the new system. As a result, don’t expect a demonstration of the software in the first meeting—a product review will be more useful and constructive once the partner has a deeper understanding of the issues involved.

“IIG works closely with our prospects during the evaluation phase,” says Michael Russell of IIG, a VAR based in Los Angeles, CA. “Initial qualification is followed by a complete survey of all of their processes. With the feedback received, IIG is then able to formulate a demonstration that is more closely tied to the needs of the client.”

While these initial meetings are usually free with a view to gaining long-term business, it might be appropriate in some cases to engage the partner (on a chargeable basis) for a more detailed review. This has several advantages: first, it allows the partner to spend more time understanding the nuances of the business before making a product recommendation. Second, it allows both sides to evaluate each other in the context of a small consulting engagement, making the larger purchase and implementation investment less risky overall.

Feedback from Sage Software’s partners suggest that some kind of chargeable “needs analysis” is performed in roughly half of the opportunities pursued, and is usually between one and three days of chargeable time. In most cases, the approach works well and helps ensure the overall project is successful. Obviously, this approach is most appropriate where the issues are more complex, and the systems larger; a straightforward implementation into a smaller organization may not require this additional step.

Overall, the selection of software is always a careful decision that involves consideration of many disparate factors. Product, implementation partner, and internal circumstances are all vital in making the choice between the various offerings and the exact trade-offs are unique to any given circumstance.

Putting it All Together

Once the purchase decision has been made, implementation then becomes the focus of activity. If the purchase process has been conducted appropriately, many aspects of the implementation will have already been discussed in detail. Implementation times, for example, can vary widely depending on the range of software purchased and the amount of data that must be converted from the old system to the new. A survey of VARs reports implementation times for accounting software range from two weeks to four months; the wide variance indicating just how unique each implementation is.

Company Involvement is One Key Factor

One important success factor that crops up repeatedly in the context of successful implementations is the involvement of the company buying the software. Given the pressures of daily business life, it is all too easy to make the decision and then continue as if nothing had happened, assuming that the implementation consultants will move forward behind the scenes. In reality, however, the implementation will always require significant involvement from all levels of the organization; reviewing implementation assumptions, testing the new system, undergoing training, and so on. Employee time must be budgeted throughout the implementation process if the project is to be successful (and completed on time). As mentioned before, the implementation methodology and likely organizational impact is something every VAR should be able to discuss during the selection process and doing so will make the implementation itself proceed much more smoothly.

Scope of the Project Can Have Major Impact

Another common issue that can impact project success is the scope of the implementation. Sometimes the goals of the implementation project are too ambitious, making success very difficult to achieve. For example, a common request is to have large amounts of historical data converted from the old system into the new. While obviously desirable, it is often costly and time-consuming (unless a data conversion tool exists, such as that between Peachtree by Sage and Sage MAS 90). Another (simpler) approach would be to leave the old system available for reporting purposes, while the new system is used for current and future periods. Similarly, making the software exactly match the current business processes seems appealing, but the costs of doing so can be extremely high (however “customizable” the product claims to be!). Better to focus on one or two areas of most critical need, and leave other changes until after the system has been used for a while. In each case, the costs and benefits of the various approaches can be evaluated as part of an implementation planning project, or even discussed during the product evaluation process.

Rather than trying to tackle all the goals in one large project, it is usually much better to break the implementation into distinct phases—with the ability to declare victory at the conclusion of each phase. This keeps morale high and project goals manageable, and also allows plans to change should business conditions dictate.

Even after implementation, the VAR relationship does not end. Business requirements change and the software vendor is usually providing regular updates and enhancements. Given the complexity of a typical installation, any modifications need to be carefully planned and implemented to avoid unpleasant surprises. As a result, ongoing costs of operation are to be expected with the associated benefits of new features and upgraded performance characteristics. Update frequencies will depend on a variety of factors, but minor updates can be expected quarterly and major updates expected every one to two years. If tax-related functionality is involved (such as payroll or fixed asset management), updates will be governed by a political timetable outside everyone’s control! Once again, however, this underscores the importance of selecting a trusted partner in the context of ongoing business.

Conclusion

As with any complex project, achieving success is an art as much as a science, and experience counts. Determining the strategic parameters up front and then selecting the best partner for the project are probably the two single biggest steps for success. In summary, here are some things to consider before beginning your project:

1. Approach the process with as much schedule flexibility as possible. You don't want to be rushed and make unnecessary errors as a result.
2. Agree on the objectives for the project before doing anything else. Changing the goalposts in the middle of the game confuses all the players.
3. Set a budget and focus on product selection within that budget range.
4. Carefully determine what other parameters will impact your decision, such as technology, vendor profile, and anything else important to the organization.
5. Select a partner that you trust. It is not a one-off engagement, but the start of an important business relationship that often lasts for years.
6. Expect your own employees to spend a lot of time on the project. Outside consultants can manage the project, but they can't do all the work themselves.
7. Use a phased approach for implementation. Smaller steps, successfully accomplished, create momentum and a feeling of progress.

With these guidelines in mind, selecting and implementing a new accounting system has a much greater chance of success—even if not entirely painless. As a result, the new system will deliver value to your business, both now and in the future, and the investment will be more than justified.

About Sage Software (formerly Best Software)

Sage Software offers leading business management software and services that support the needs, challenges and dreams of more than 2.4 million small and mid-sized business customers in North America. Its parent company, The Sage Group plc (London: SGE.L), supports 4.5 million customers worldwide. For more than 25 years, Sage Software has delivered easy-to-use, scalable and customizable software for accounting, customer relationship management, human resources, time tracking and the specialized needs of accounting practices and the construction, distribution, manufacturing, nonprofit and real estate industries. For more information about Sage's products and to find a VAR dealer near you, please visit the Web site at www.sagesoftware.com/moreinfo or call (866) 390-3646.

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