Choosing accounting software
David Membrey Senior Consultant, Adapta Consulting

Thinking of improving your accounting systems but don't know where to start? David Membrey talks through the key things to consider.

What's almost more important than the accounting package you choose? Knowing when to choose it. There may be nothing wrong with the one you're using now: it might do just what you expect it to do, and be serving you well. But don't wait until the software no longer works for you, or is no longer supported, before you look into what might replace it.

Depending on how long your existing arrangements have been in place, you might notice significant changes in the current marketplace. Replacing like with like, but better, may not be the best solution any more. There has been a clear shift over the last few years for charities to look for and find solutions that are broader and deeper, with functionality that goes way beyond core financials such as procurement, expenses management, billing and budgeting, as well as providing options around access to the system, data and reporting.

Additionally, many of today's packages make it possible (even easy) for teams to generate many of the reports required - so budgeting, forecasting and monitoring can become a seamless process throughout your organisation.

Identifying requirements: how to decide what you need

Giving time and consideration to the choice of a major investment before it turns into a panic buy will clearly produce better dividends in the long run.

As your next three to five year strategic plan is completed, then is the time to start thinking about whether your existing system will be robust enough to deliver the targets. Will it be able to cope with plans for growth and changing organisational structure? Find out from vendors, other charities, consultants or third-party providers what the most recent technological features include and how they could help you become more effective and efficient.

Although it's important to get the right technology, the actual choice of system should be business-driven, rather than technology-led. Issues such as underlying architecture, cloud or package systems are really secondary to getting something that helps drive your organisation forward.

Finance systems are no longer just tools for the finance department, but are an organisational tool

that impacts all parts of the charity. So it follows that all areas of the charity need to be involved in helping to draw up a 'wish list' or requirements specification for the new system to make sure it really does what you want it to.

When you have some idea of what would be useful, have a look around at the available systems. There are a number of places you can go for help. Adapta has produced an up-to-date review of the wide range of software available to all sizes of charities: see the resources section of www.adaptaconsulting.co.uk.

Choosing the right system

Most systems have a range of interesting and potentially useful features. However, not all of these will be relevant for your organisation - hence, it is usually a good idea to focus on those features that best meet your organisation's specific requirements. For example, levels of analysis, multiple budgets/forecasts, multi-company in one ledger, multi-currency, flexibility of reporting, ease of access by non-finance staff. Think about the extent to which you want the system to provide any non-finance functionality such as expenses management or time sheets.

Some systems still have limited project accounting capability. However, increasingly they offer multi-year access that gives the flexibility to produce reports across financial years. Flexibility of reporting is essential in today's organisations. All systems will be set up with standard reporting, but not necessarily the information you need in the format you need it, or may give you too much information so you can't extrapolate the bits you do want. You need to have the right built-in reports and the skills internally to adapt and add to them without having to get expensive external help whenever you need a new one. It is also important to know what kind of analysis you need, the key things you need to analyse by - such as restricted funding. You might need analysis by country, region, funder, project type (children, environment, health), and by the project itself.

Price is always going to be important, but in these times of austerity, budgets are tight and value for money will have an even greater influence over your decision. If you are looking for a solution that will underpin the organisation for a minimum of the next five years (and some organisations are looking at a minimum of 10 years), then you have to be prepared to invest.

Many charities are looking at alternative systems, talking to vendors and reviewing functionality and ease of use first, and then collecting costs to build a likely project budget to present to trustees for agreement. This might be a slightly more time-consuming way of planning, but lessens risk for both purchaser and vendor.

Hosting options and the 'cloud'

Increasingly, finance system providers are offering their software on a 'Software as a Service' basis - often referred to as a 'SaaS' or 'cloud' version. In this model, the service is generally paid for on a 'per user' basis (typically for a set period of time such as a month), which reduces the significant up-front capital cost of a traditional system. However, whilst spreading the cost may be appealing, it is important to consider the longer-term total cost of ownership of such a solution; over a typical five-year life of a finance system this model generally works out more expensive.

If your organisational IT strategy has already made a commitment to move other systems to the cloud, that will give added weight to the choice of a cloud solution. Likewise, if your IT strategy is not in favour of cloud solutions, or if broadband connections are an issue, then you're more likely to look at in-house server-based systems.

As cloud solutions gain foothold, the traditional packages are beginning to offer both privately hosted and 'Software as a Service' options, so the line between the two types of system is blurring.

Implementation considerations

Whichever vendor you choose, they will already have implemented their system with other organisations and should understand your needs. Talk to other charities that have been through similar situations, and find out if there is a support group you can talk to before you make your final decision. In the charity sector, people are very willing to share information and experience, so you can benefit from their advice and ideas.

The choice of vendor will depend on a number of factors: whether you want to buy direct or through a third party, if you feel happier working with a large or small company, a single product company or one with a wide range of systems. Just because a company has a wide range of complementary products doesn't necessarily mean these systems will integrate seamlessly, nor that because their finance system will be a good fit, their payroll system will also meet your requirements. You may decide to look for a product with excellent integration functionality so you can connect it up with a best-of-breed payroll system from another vendor.

Make a list of vendors you think you could work with, review and prioritise your key requirements and discuss how their system would meet those requirements. At this point prototyping could be very useful. Explain those key processes to the vendor(s) and give them some sample data so they can show you exactly how it would work. As well as demonstrating how the system works, this should also give you a good idea of how the vendor approaches implementation, what they are like to work with, and whether there is a good fit with your culture. You need to be able to build a long-

term relationship with your provider that doesn't finish when you go live.

It goes without saying you should carry out due diligence on whichever company you choose. Ask for the last three years of audited accounts. Find out if they keep copies of the code for their system in escrow, which would enable you to access it if the company went into liquidation.

All through the decision-making process, make sure your team is on board. Never underestimate the time it takes to implement a system to your specifications and requirements. Staff often like what they know and have limited experience of other systems, so they may feel wedded to the system you already use, or one they have previously used. Change is always disruptive to a greater or lesser extent, and always brings extra risk and complexity, but you can lessen the disruption by planning, and keeping your staff involved in the selection and implementation from start to finish.

Implementation needs to be right from the start. Get it wrong, and you could be paying for it for years - in time, money and frustration. It may take a little longer to get it absolutely right in the beginning, but it will never be time wasted.

Implementing a new system often enables changes in working practices but staff can find it difficult to adjust to the changes. Provide reassurance, support and encouragement – as well as possible backfilling for key staff during the implementation so that staff have sufficient time to take part in workshops, testing and training.

Good preparation will smooth the transition process, but allow several months after go-live for sorting out outstanding issues and loose ends. You shouldn't sign-off on the project until the vendor has delivered all the functionality that was agreed and made sure it is working well.

Introduce a regular process of review to ensure the system is delivering all the advantages you envisaged. Meet with the supplier regularly to demonstrate you take the relationship seriously and to keep up to date with software developments that could be beneficial. Get to know other users of the system and keep in touch with organisations that have a similar set up. Sharing experiences is invaluable as time goes on.

Conclusions

There are so many options to choose from – from software to hardware to cloud-based solutions, and the groundwork before you make the decision is absolutely key.

Think about where your organisation plans to be in three or five years time. What support is the organisation likely to need from you, and the new finance system, and how you might provide it?

Make a list of your key requirements and discuss them with vendors to make sure you get the best

fit for your organisation – both in terms of the system itself as well as the company and people you will be working with to implement and use it successfully.

David's article was an IT Focus piece recently featured in CFG Finance Focus Magazine.

Adapta Consulting specialise in providing charities, membership organisations and other not-for-profit organisations with tailored advice and practical guidance to develop the three areas key to achieving strategic and operational effectiveness – **processes** – through developing business processes and effective ways of working, **people** – by offering the support people need to manage change, and **technology** – to help select and implement new systems or technology. *See www.adaptaconsulting.co.uk for more details.*