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Guest Column

RoseRyan Roadmap Series Article 4 of 4:
A ROADMAP FOR GROWTH: *Right Resources, Right Systems, Right Time*

This four-part series is intended to prepare companies to meet milestones and expectations.

By Kathy Ryan

Business Information Systems: Get the Right Support for Growth

Putting the right business information systems in place as you grow is key to supporting a scalable finance architecture (discussed earlier in **this article**) that lets you avoid expensive messes, keep a handle on costs, and ensure that you're prepared for opportunities of all kinds: funding, mergers and acquisitions, IPOs, and so on.
Your accounting system is core to your business's financial help, and is most likely the first information system you'll put in place, so we'll start with that. As you grow, you'll eventually need forecasting, human resources, and stock administration systems as well.

Your Initial System

Conserve your precious early-stage cash by tackling must-do finance tasks with right-sized tools and systems.
A simple accounting system with a scalable chart of accounts and department structures will support subsequent systems and growth. You'll need to stop stuffing a shoebox with receipts or running expenses out of the founder's checkbook (we've seen start-ups do this—you know who you are) and get some software.
Accounting programs are designed to serve the needs of a particular business size: small, medium, or large. When you shop for software, make sure you're comparing packages geared toward your needs. For an early-stage company, ease of use, proper tracking of expenses, and price are typically the most important (though not the only) considerations. Most start-up companies implement a small-business accounting program such as Quickbooks or Peachtree. There are nearly a hundred of these systems on the market—to help you narrow the field, ask a trusted advisor to recommend two or three that would suit you best.
These systems are relatively inexpensive and easy to set up and maintain. Many even have "bolt-on" systems developed by third parties to serve particular needs. For example, a number of RoseRyan clients in the technology and life sciences sectors started with Quickbooks for basic accounting functions, then as they grew added a time-tracking system to track costs by project and later an inventory system.

When It's Time to Move Up

When should you move to the next level in business information systems? There's no single trigger point—it depends on your particular situation. A mid- or large-tier system can bring greater efficiencies; better productivity, controls, and management reporting; more real-time data; and the ability to handle a significantly higher number of transactions. It will also cost far more to implement, in terms of dollars and time, than your small-scale system and will be much more costly to maintain. We advise companies to anticipate points in their lifecycle when they should consider a new system so that they can prepare for these needs.
Beware of upgrading too soon—this is a common and expensive mistake. We've worked with a couple of clients that implemented large ERP systems (Oracle, SAP) on the basis of unproven sales forecasts. Not only were the hardware, software, and implementation costs high (and the companies wished they had that cash back when sales fell short), but system maintenance was beyond the capabilities of one or two accounting people. Additional time and staff were needed to record transactions, obtain reports, and provide timely financial information to management.
Some general signs that it is time to move up include any of these situations:

- Increasingly complex revenue transactions: accounting systems for small businesses can't handle anything but simple revenue recognition for example, so companies often end up using Excel for that. If you have multiple-element agreements, you have a lot more complexity due to rev rec, and if you have a lot of transactions, Excel's not going to do the job.
- A complex manufacturing process: if you manufacture in-house, have many stages in your product manufacturing, have a large bill of materials, or track manufacturing progress, you need something more than a bolt-on for Quickbooks.
- A large number of transactions: sheer volume can overwhelm your system.
- A need to report real-time data.
- An IPO on the near horizon.
- A need to integrate systems from outside the accounting function, such as a CRM system.
- A need to prepare consolidations (domestic or foreign subsidiaries).
- Too many bolt-on systems: maintaining a system with too many bolt-ons gets cumbersome; you're better off upgrading to one system that does everything.

Tips for Purchasing and Implementing a New System

Determine your priorities. No system solves all problems or provides all the information your company may want. Do perform a needs analysis that includes all affected departments—not just the finance team. An ERP system, for example, has a huge impact on operations, and a CRM system has to include sales and marketing. But don't plan for every conceivable scenario— you want a system that handles the norms, not the exceptions. If you try to cover everything, you'll end up with a bloated, inefficient system.

Consider performance and features as well as price. Placing undue emphasis on price can lead to a purchase that ultimately fails to deliver the benefits you expect.

Be sure you know the complete cost. There may be a number of hidden costs in a software system. Make sure to ask about fees for consulting and installation, upgrades, annual maintenance, customization, and training. Any of these items can significantly affect the total price, as can fees for administrator licenses, user licenses, and server licenses.

Look outside the box. You might look into cloud computing (also known as software-as-a –service) when purchasing. A hot tech trend, cloud computing provides applications and services over the Internet rather than storing them on a server. Just be sure to evaluate the total price and performance of these kinds of solutions as you would any other system.

Go vanilla. A highly customized software package can take a lot of time and money to implement and is difficult to maintain. Control the scope creep.

Plan your implementation cycle. Set a reasonable "go live" date, and make sure you have the right resources, whether you bring in a consultant to do the implementation or to backfill the day-to-day job while your employees implement.

Other Must-Have Business Information Systems

Most companies start with just an accounting system - but eventually you'll need additional specialized software to support finance functions and other business needs. Key systems include:

Financial forecasting. Almost every company starts out with Excel and develops a budget and forecasting tool to meet their needs. As your company grows in people and complexity, however, you will need a more sophisticated system such as Budget Maestro, Adaptive Planning, or Cognos.

Human Resource Information System (HRIS). An effective HRIS lets a company track and analyze just about anything related to employees, former employees, and applicants. While many companies start out with Excel, they quickly move to a more robust system that often is supported through an outside payroll service provider.

Stock administration. Knowing who owns your company and having an up-to-date cap table is important for a CEO and CFO. Consider carefully whether this information should be maintained internally or externally. In the early stages, many companies have their legal firm maintain equity records. But eventually, as equity plans become more complicated and accounting for them more sophisticated, it will make sense to bring stock administration in-house. To ensure that this happens smoothly and correctly, you may want to tap into experts who regularly handle stock administration, especially given the ever-increasing complexity within this area.

More Resources

For a more in-depth look at what systems you need to support your business's growth, check out the **RoseRyan Scalable Finance Architecture**, also available as a poster.

The rest of the roadmap series is available on the **RoseRyan site**; links to individual articles previously published are below:

Roadmap for growth: right resources, right systems, right time (scalable finance architecture) (10.09.09)
Roadmap for growth: finance infrastructure nuts and bolts for start-ups (11.11.09)
Roadmap for growth: right resources, right systems, right time (deploying the right talent at the tight time) (12.14.09)

- Kathy Ryan is a founder of the RoseRyan (www.roseryan.com) finance dream team and leads the firm as CEO & CFO. Contact her at kryan@roseryan.com or 510-456-3056 x102 to learn more about the RoseRyan Scalable Finance Infrastructure and how you can access the right accounting and finance talent at the right time.

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