



BEST PRACTICES:

Ten Steps to Selecting the Right Accounting Software

The Ten Steps for Accounting Software Selection

In this brief guide, we'll review a ten-step process that will help you select the right accounting software. Each step includes five critical tasks. If you follow this process, you'll be far more effective in your new software search.



Research the Accounting Software Market

The research phase is one of the more enjoyable steps in the software selection process. You can surf the net, read blogs and download white papers - all in an effort to “get smart” on the state of the accounting software market. If you already know a fair bit about accounting software, use this step to learn what’s new. If not, don’t worry about becoming a software expert, but work to gain context for the evaluations you will be performing. You’ll need to learn what functions these systems perform, understand the various deployment models (e.g. web-based vs. on-premise) and learn industry terminology. It’s also important to imagine the possibilities for improving your business with a new system. You are making a big new investment, so use it as an opportunity to leapfrog to vastly improved levels of efficiency. Finally, get a sense of what these systems cost.

CRITICAL TASKS

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- ☐ Understand basic accounting software functionality
- ☐ Research the newer, more advanced software capabilities
- ☐ Learn the difference between “web-based” and “on-premise”
- ☐ Identify ten ways that software will make you more efficient
- ☐ Get a sense of what a new software system will cost

Prioritize Your Software Requirements

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Now it's time to get focused on identifying and prioritizing your software requirements - the key capabilities you need from new software. This critical research process serves as the foundation of the software selection process. By knowing what you need, you'll be in a better position to control the selection process, rather than let software vendors dictate your needs.

Start at a high level by identifying what challenges you want to solve and what your current system isn't doing for you. Then create an Excel spreadsheet to list all of the software capabilities you need to address those challenges and shortcomings. Involve your co-workers to get their input as well. Finally, when your exhaustive list is complete, you need to prioritize it into "must-have" features and those that are just "nice-to-have."

CRITICAL TASKS

- ☐ Identify the challenges that you want software to solve
- ☐ Identify the shortcomings of your current system(s)
- ☐ In Excel, list the capabilities you want in an ideal system
- ☐ Review your list with co-workers to gather feedback
- ☐ Prioritize the list into "must-haves" and "nice-to-haves"

Make the Case to Management

At this point, you have a good sense of “what’s out there” and what capabilities you need. You are probably getting excited about the prospect of implementing a new system.

Hold on! If you are not the ultimate decision maker for this purchase, you need to get management bought into the idea before you go any further. Earning that buy-in takes some work.

When making your case to management, you need to present a compelling case that the benefits of new software vastly outweigh the costs. Benefits include increased collections, improved patient care, fewer mistakes, and governmental compliance. Costs should include software licenses, service, training and the indirect costs of organizational change.

CRITICAL TASKS

- ☐ Identify the decision makers whose approval you need
- ☐ Present the existing challenges and inefficiencies
- ☐ Detail how new software will solve those problems
- ☐ Summarize the budget required for new software
- ☐ Get approval to proceed with your software search

Build a Short List of Software Vendors

Building a short list of software vendors is one of the more challenging steps in software selection. It isn't feasible to evaluate more than five products in great depth, so narrowing down the field to five or fewer is a critical step. The challenge is that there are literally hundreds of accounting software companies and only a small subset of those are right for your business. Often, this Step 4 can take weeks of work.

There are, however, some very straightforward criteria you can use to narrow down your short list. Start with a long list of products and then eliminate systems that don't serve your specialty, size of business or high-level functional requirements. Next, request rough pricing information to eliminate systems far outside your budget. Once you have a short list, engage those software vendors in the sales process.

CRITICAL TASKS

- ☐ Determine which systems serve your accounting specialty
- ☐ Determine which systems serve your business size
- ☐ Determine which systems meet your high-level requirements
- ☐ Determine which systems fall within your budget
- ☐ Contact a short list of up to five software vendors

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Free 15 minute telephone consultation

Educate the Vendors on Your Project

The best sales people are focused on helping their prospects and customers solve business challenges. Help these people do their jobs by educating them on your business needs and your software selection process.

The more the software vendors know about your needs, the better they can communicate how their software can help. For example, if you highlight which functional capabilities are most important to your organization, the software vendors can spend more time demonstrating those capabilities in their software.

Meanwhile, educating the sales people on your selection process will help them be more responsive. If they know what you need and when you need it, they are in a better position to deliver what you need.

CRITICAL TASKS

- ☐ Explain to software vendors how they will be evaluated
- ☐ Share your prioritized feature requirements list with vendors
- ☐ Tell the vendors what other systems you are evaluating
- ☐ Detail your selection process and timeline
- ☐ Explain what you expect from vendors during the process

Reviewing demos is perhaps the most critical step in the software selection process. This is where you see the systems in action and really learn what they can do for you. You can certainly do more than one demo, but this is likely the only opportunity that you will get to see the system in great detail (i.e. trial periods are rare).

To make the most of demos, you should provide each vendor with a few “demo scripts” to detail specific workflows (e.g. pick, pack, order management) that you want to see in the demo. The more detail you provide, the more you will remain in the control of the demo process. Be sure to set a specific date and time for each demo and include the right people from your organization. During the demo, keep track of your impressions using a “demo scorecard” and compare notes with colleagues afterwards.

CRITICAL TASKS

- ☐ Prepare brief demo scripts and share them with the vendors
- ☐ Set a date and time to demo each software system
- ☐ Invite the right people from your business to the demo
- ☐ Use a “demo scorecard” to track your opinion of products
- ☐ Meet with your team after each demo to gather feedback

Score and Rank the Software Systems

After the demos, you should have a sense for which vendor, or vendors, you think offer the best product for your business. However, don't make a decision until you have thoroughly scored and ranked the systems you have evaluated. You'll want to tick down your requirements to ensure that the front runners offer all of your "must-have" capabilities and most of your "nice-to-haves."

Meanwhile, consolidate all of your demo scorecards to calculate which systems addressed your scripts most efficiently. Gather the opinions of your team, especially as it relates to ease-of-use. If the jury is still out, Software vendors will be happy to provide a second, deep-dive demo. Conversely, if you think you have a winner, hold off on communicating the decision. There are still a few more critical steps before we're done.

CRITICAL TASKS

- ☐ Eliminate vendors that don't offer must-have capabilities
- ☐ Rank the remaining vendors based on functional fit
- ☐ Then rank the vendors based on perceived ease-of-use
- ☐ Consider how well vendors handled the sales process
- ☐ Call back two to three vendors for another "deep-dive" demo

Now it's time to get detailed pricing quotes from each of the software vendors that remain in the hunt. While we don't think that price should be your primary decision criteria, it can be an important tie breaker. Moreover, having two to three vendors compete for your business may create a more competitive pricing dynamic.

Ask the vendors to provide a detailed price quote, inclusive of all costs associated with the system. This includes software licenses, customization, support, training, and other fees. Also ask them to specify any third-party hardware or networking equipment needed to run the system. Realize that there are many pricing models (e.g. up-front license, monthly subscriptions), so you'll need to "normalize" the quotes to compare them on an "apples-to-apples" basis.

CRITICAL TASKS

- ☐ Request a detailed price quote from the remaining vendors
- ☐ Provide necessary data for a price quote (e.g. user count)
- ☐ Ensure quotes are complete - software, service, training, etc.
- ☐ Compare all quotes on an apples-to-apples basis
- ☐ Request the vendors' software license agreement (SLA)

Verify References and Vendor Viability

You should now be ready to move forward with one vendor. You know that the system can meet your needs. You like the look and feel of the system. The price is right (or at least digestible).

One critical remaining task is to verify that the software company and its product are what they have claimed to be. Tell the front runner that you have decided to move forward, and ask them to provide one or more customer references that share your specialty and business size. When you talk to these references, dig in deep: ask what challenges they faced with the system; ask how the vendor responded; and, ask what they would change about the software if they could.

Finally, make sure the company will stick around. Feel comfortable asking the vendor to provide evidence of their financial and strategic viability.

CRITICAL TASKS

- ☐ Explain to the front runner that you are leaning toward them
- ☐ Ask for two references that share your specialty and size
- ☐ Ask each reference what they don't like about the system
- ☐ Ask references how the vendor responded to any problems
- ☐ Assess the vendor's financial and strategic viability

Review the Software License Agreement

One more step. You're ready to buy. Before you write a check, you need to review the software license agreement and negotiate the best deal possible.

Historically software companies have provided discounts that increase based on the size of the deal (e.g. bigger deals = bigger discounts). There are, of course, some vendors that don't discount; they charge one standard price for all customers. Regardless, it doesn't hurt to ask for a discount.

The terms and conditions of the deal are every bit as important. Make sure you are purchasing enough licenses for the entire organization, be careful of automatic renewal clauses and make sure you have some recourse if the vendor doesn't hold up their end of the bargain (e.g. an "out clause" at three months).

CRITICAL TASKS

- ☐ Ask for a discount in-line with industry standards
- ☐ Ensure you are buying licenses for all full and partial users
- ☐ Assess up-front versus ongoing license costs
- ☐ Look out for "auto-renew" (aka "evergreen") clauses
- ☐ Ensure some sort of "out clause" if things go wrong

Jumpstart Your Software Search

Software Advice - the website and the people behind it - is dedicated to helping software buyers find the right software for their organization. Our expertise, in-depth research and easy-to-use website are made available free through the sponsorship of hundreds of software vendors.

Our **FastStart Consultation** will jump start your software search, saving you weeks of research. A 15-minute phone conversation will get you headed in the right direction and there is no obligation.

"We couldn't afford to overspend on new job cost accounting software. After talking with the guys at Software Advice, I had confidence that my short list included the right software at the right price. It's great to have a service such as yours for people in my position."

Daniel Yemm
Turnkey Services

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brains & research**

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