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When to Make the Switch from Accounting Software to a Cloud ERP Solution.

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In the rapidly evolving world of business technology, the line between Enterprise Resource Planning (ERP) software and traditional accounting software is becoming increasingly blurred. Small businesses have the option to connect third-party cloud applications to their accounting software, replicating many functions of a Cloud ERP.

However, despite these surface-level similarities, Cloud ERP systems offer several distinct advantages over conventional accounting software. In this article, we'll explore the key differences between ERP and accounting software and help you to determine when it's the right time for a business to transition from the latter to the former.

1

Legacy Software vs. Cloud Technology

Small businesses often cling to outdated desktop software due to familiarity, reluctance to invest in new software, or concerns about recurring costs. However, the advent of cloud computing has transformed software delivery, making cloud-based ERP systems an accessible and cost-effective alternative that offers numerous benefits, including remote accessibility and automatic updates.

2

Multiple Interfaces vs. Single Interface

One of the fundamental distinctions between Cloud ERPs and accounting software is the interfaces they offer. Accounting software primarily focuses on financial transactions, leaving non-financial data like customer relationship management notes stored elsewhere. This necessitates users to access multiple systems to retrieve necessary information, leading to decreased efficiency. In contrast, ERPs consolidate all key information within a single interface, making it a more streamlined and effective option.

3

Multiple Sync vs. Single Database

Accounting software frequently needs to integrate with third-party applications for added functionality, resulting in multiple databases. The challenge lies in ensuring that information flows seamlessly among these disparate applications. In contrast, Cloud ERPs are designed to handle all aspects of the business, offering the advantage of a single database, ensuring real-time and up-to-date information across all functions.

4

Full Access vs. Role-Based Permissions

Cloud ERP systems excel in customising approval workflows, offering fine-grained control over access permissions. Accounting software tailored for small organisations often lacks robust approval features. Users of accounting software typically have either full access or none, with limited scope for customisation. ERPs, on the other hand, empower businesses to implement sophisticated role-based permissions, enhancing control and security.

5

Incomplete Syncing, Slow Periodic Sync, and Lack of Detail

Accounting software often suffers from incomplete syncing, slow periodic sync, and a lack of detailed information. When integrated with inventory, e-commerce, or payroll systems, it may only provide a summary of transactions, making it challenging for decision-makers to access detailed data. Cloud ERPs solve this issue by allowing users to drill down to the original transaction detail, providing a comprehensive view of the business's financial activities.

6

Tracking Multiple Entities

Most accounting software is designed to track the finances of a single entity, making it cumbersome for businesses with multiple legal entities. Cloud ERPs resolve this issue by offering multi-ledger accounting functions that track transactions separately for each legal entity and consolidate the data for comprehensive reporting.

When to make the switch?

Transitioning from accounting software to a Cloud ERP system is a crucial decision for businesses. Knowing when to make this transition is essential for efficiency and growth. Here are some key indicators that signal it might be the right time to make the switch:

Business Growth

Rapid business growth often strains the capabilities of accounting software. As transaction volumes increase, and the need for more complex financial and operational controls arises, ERP systems can provide the scalability and efficiency required.

Integration Challenges

If your business struggles with data inconsistencies and incomplete syncing between various applications, this could be a sign to consider an ERP. ERPs consolidate data in a single database, ensuring real-time synchronisation and accuracy.

Data Access and Reporting

When your business demands more detailed and real-time reporting, especially from various departments or entities, accounting software may not be sufficient. ERPs can offer in-depth reporting by tracking data down to the transaction level, facilitating better decision-making.

Customisation and Control

Businesses evolve, as do processes and workflows. Accounting software often has limited customisation options. If you need more control over your business processes and approval workflows, ERPs can be tailored to your specific requirements.

Cloud Adoption

The shift to cloud-based systems can benefit businesses significantly by providing flexibility, accessibility, and reduced IT infrastructure costs. Transitioning to a cloud-based ERP system can be more cost-effective and future-proof than maintaining legacy desktop systems.

Training Efficiency

Training employees on multiple, disparate applications can be time-consuming and less efficient. ERPs offer a consistent user interface and navigation structure across all modules, simplifying training and improving the user experience.

Multi-Entity Operations

If your business operates with multiple regions or subsidiaries, accounting software's limitations in handling multiple entities can become a hindrance. ERPs with multi-ledger and multi-currency functionality can help manage transactions for each entity while consolidating data for comprehensive reporting.

Hidden Costs

Consider the hidden costs associated with using multiple applications, including information delays, troubleshooting issues, and training expenses. These often outweigh the initial investment in an ERP, making it a cost-effective and efficient long-term solution.

Conclusion

The decision to transition from accounting software to a Cloud ERP system is a pivotal one for growing businesses. Small businesses often delay this transition, trying to maximise the performance of their existing systems. However, the hidden costs of working with multiple applications, such as delays in information, troubleshooting issues, higher training costs, and time lost switching between systems, can outweigh the initial expense of an ERP.

Cloud ERP systems, customised to a company's specific business processes, provide a solid platform for sustainable growth, ensuring that a business can adapt and thrive in an ever-changing technological landscape.

Jcurve

Australia

T. (+61) 2 9037 7200
E. info@jcurvesolutions.com
A. 8/9 Help St, Chatswood NSW 2067

New Zealand

T. (+64) 9871 5580
E. info@jcurvesolutions.com