FROM QUICKBOOKS TO CLOUD FINANCIALS

Why fast-growing companies leave QuickBooks and adopt cloud financials to accelerate growth

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Introduction

Over the years, QuickBooks has become the de facto standard financial software for small businesses, with more than 5 million businesses using it. QuickBooks is the best fit for many businesses on day one, but is it the right choice to enable rapidly growing businesses to sustain and accelerate growth?

In many instances, QuickBooks is inadequate. It lacks many of the capabilities that growing businesses need and provides limited real-time visibility into essential business information. Because of QuickBooks' limitations, companies are often forced to grow by adding more systems or applications for specific purposes—which often aren't integrated with each other—and may revise or attempt to automate certain business processes. This can result in a complex "applications hairball" that's rife with manual tasks and bottlenecks, increases the risks of errors, can hurt the customer experience, and can limit growth.

“Splunk is a growing, global company. We are running on one application [NetSuite], which allows us to spend our time drilling down into and analyzing data, and maximizing performance, insteadof copying and combining data from different sources and systems. I have no idea how we would do this with QuickBooks and spreadsheets.” — **Doug Harr,** CIO, Splunk

For years NetSuite has worked with growing businesses in all industries and geographies, and with thousands of finance and IT professions who are guiding their companies through different phases of development. While these businesses are diverse, their challenges in dealing with reaching the limits of QuickBooks are often similar.

Following is a summary of many of the issues that growing companies using QuickBooks typically face, and why so many have decided to move to NetSuite—a modern, integrated, cloud-based solution that enables accelerated business growth. Case studies and quotes from those who have adopted NetSuite describe why enterprises have made this decision, how they have implemented NetSuite, and the benefits they are experiencing.

If you lead a growing business that is currently using QuickBooks, and are concerned that the pain and complexity imposed by QuickBooks is limiting your business, read on to discover that you are not alone—and that there is a better way.

An integrated cloud-based system overcomes business limitations both familiar and still unknown.

Five triggers that indicate QuickBooks is failing our business

Running complex business processes across areas such as financial management, revenue management, fixed assets, procurement, order management, billing, inventory management, services delivery and more is not possible with QuickBooks, which is a simple general ledger solution that does not support your entire company and business processes.

Moving to a single, integrated cloud-based system is a better solution (as the quotes that follow indicate), but companies may not recognize signs that QuickBooks is limiting the business due to manual processes, errors, and lack of real-time data and visibility to make important business decisions. Here are five triggers that serve as red flags:

1

It's difficult to find out what's really happening across the business in real-time

QuickBooks was designed for an era when companies could wait until the end of the month to get the data they need. That's not the case today—consolidated views and up-to-the minute reporting can make the difference between thriving and barely surviving.

Small teams at a single location can sometimes get by without a fully automated system because they are close enough to the action. But as soon as a company expands or takes on new locations, the information that has to be exchanged quickly increases out of control.

In addition, data is buried in QuickBooks, as well as in other places like the sales force automation system, inventory management applications, and customer service systems.

Here are several symptoms that your QuickBooks management reporting isn't meeting the organization's needs:

- **Team members waste time playing "Hunt for the Spreadsheet."** Growing businesses that run QuickBooks inevitably reach a stage where employees rely on spreadsheets to fill the information gap, since data lives in so many disparate systems. People end up spending more time hunting for data than actually analyzing it and making decisions.

- **Management reports are error prone and out of date.** As businesses grow, they have to use multiple manual processes to augment QuickBooks. They may rekey sales orders into QuickBooks, reconcile customer information manually, or manage SKUs across multiple systems. Errors in reporting are almost inevitable and decisions are often made based on out-of-date, incomplete, or inaccurate information.

- **QuickBooks reports take too long to run.** With QuickBooks, it's easy to hit performance bottlenecks, but solving them is more difficult. When reports take too long to run in QuickBooks, it's a sign that the amount of data the business has amassed has grown too large for QuickBooks to report on it.

- **It is impossible to get a comprehensive view across all business units.** As businesses grow over time, they usually have one set of financials in QuickBooks, while financial data for newer geographic locations or divisions ends up in other installations or financial products. Moving data between systems is usually manual and can result in errors. In addition, management teams lack insight into how the business is performing holistically.

2

Manual processes are used to entering and reconciling data across systems

In today's networked world, it is frustrating for suppliers, customers, and business managers to wait for answers while information is manually transferred between systems. Incompatibilities between systems and imperfect integration have left employees copying data between systems. These symptoms are a sign that it may be time for your business to transition away from QuickBooks:

- **Sales orders, order entry, and invoicing are paper-based.** Your employees may spend hours every week manually entering order information into the invoicing system, while someone else copies invoice details into a sales compensation spreadsheet. Data entry errors lead to invoice queries that must be resolved, and month-end crises are on the rise.

- **Incorrect customer information results in customer dissatisfaction.** When some customer information resides in sales spreadsheets, while some is stored in QuickBooks and other systems, there is no way to know which data is most current, accurate, and reliable. Bills may be sent to the wrong customer address or contact information may be out of date.

- **Approval processes are slow and disjointed.** When people have to pass paperwork around or match it up to information stored in separate software applications, simple processes like expense claim approvals or routine contract signatures can take days or weeks to finalize. Employees may spend time hunting for lost documents or late approvals, since no single record exists with the stage that processes have reached.

- **Financial consolidation takes ages.** Cross-posting transactional data between systems is time-consuming and the finance team works late every month to consolidate financial reports. Yet as hard as they work, managers are still unhappy because their weekly and monthly reports are delayed.

- **Sales forecasting and budgeting processes rely on guesswork, rather than facts.** Since it is difficult to get historic information in the right format in a timely manner to do trend analysis, employees put figures in spreadsheets based on guesswork. Even though the actual data exists somewhere, it's too hard to find and extract.

3

Sales are lost because employees can't get information where it is needed fast enough

Ecommerce has set the standard for customers these days. They expect to see real-time stock levels, confirm delivery schedules at the same time they place their order, and call customer service minutes after placing an order to add an extra line item. But this level of real-time responsiveness is impossible with limited desktop systems like QuickBooks. Growing businesses can't expect to creak along, while others fly at on-demand speed.

Here are some warning signs that reliance on QuickBooks may be costing you sales:

- **Customer service fails because agents don't have up-to-date information.** When customers call to place orders or check order status, it is frustrating to be kept on hold or called back with an answer. This often happens when information has to be retrieved from someone in another department or location. Customers may not file direct complaints, but churn and abandonment figures rise as customers find other vendors that don't waste their time.

- **Stock levels are never where customers want them.** Common symptoms are running out of stock at some outlets, while the same SKU sits on shelves elsewhere. It is impossible to pre-empt outages because it takes too long to update and consolidate point-of-sales data. In addition, real-time access to trend analysis by SKU and outlet isn't available.

- **Customers and vendors don't have access to self-service information on your website.** Customers have asked for the ability to look up stock, place orders, and check status on the web, but you can't justify the required investment of time and money. In addition, your current business system wasn't designed to operate 24x7 and it's not clear it could be kept secure against online threats.

- **Customer information can't be easily collected or filtered for sales campaigns.** Even though the company is sending out regular email campaigns, the sales team has no information about responses when they call prospects, and conversion rates are low. Unsold inventory is a problem because there just isn't time to organize a sales push or mailshot to clear the excess products.

4

More accounting is done outside QuickBooks than in it

QuickBooks was designed to automate a limited set of core accounting functions. As a result, it limits how companies run operations. As businesses grow, companies must adapt their processes to fit the application, rather than vice versa. It is easy to run out of headroom when companies have more customers, vendors, or inventory items than QuickBooks can practically handle.

The key to business growth and success is greater transaction volumes and speed, but it's hard for QuickBooks to handle this kind of pressure. Full audit trails, rich business planning and reporting, or automated processes mean having to add systems and constantly engineer short-term quick fixes. QuickBooks simply can't handle stronger financial controls, better SKU management, or support for more complex financial processes, such as recurring billing and invoicing.

Here are some signals that your organization has reached QuickBooks' limits:

- **Finance staff members must use several different applications to do their jobs.** As the firm's finance needs have become more complex, the gaps have been filled with other software packages, Excel spreadsheets, or homegrown applications.

The finance staff must pay attention to as many as half a dozen different applications and the risk exists for errors, especially when relying on custom-built spreadsheets and software.

- **It is too difficult to add new sales channels, product lines, or locations.** Every time there is a change in the business, staff must work overtime or be added to figure out workarounds to accommodate it. QuickBooks doesn't have built-in support for everyday functions like making simple changes across matrix SKUs, adding new sales tax rates, or handing bills of materials or kits and assemblies for manufacturing inventory. Processes that cry out for automation have to be done manually or from spreadsheets.

- **It is impossible to adapt quickly enough to changing business conditions.** Your company may want to modernize operations or react to market opportunities and competitive threats. However, QuickBooks' lack of advanced and specialized functions is holding you back. Specialized or industry-specific requirements like contracts and prepayments, manufacturing inventory, or warehouse distribution can only be handled in standalone external packages that have little or no integration back to QuickBooks.

5

The business spends too much time worrying about technology instead of focusing on business results

Every time a company adds a new layer of business software, the underlying systems infrastructure becomes more complicated and inflexible. Earlier investments in hardware and software are costly to maintain and fail to keep pace with technology innovation.

The latest generation of cloud-based, on-demand business systems is built from the ground up for flexibility and agility, without the overhead of maintaining the underlying technology layer. These products are designed to stay up-to-date with the state of the art in business automation, giving companies the tools needed to stay ahead of the competition and to seize new opportunities as they emerge.

For more information on how NetSuite helps organizations accelerate growth, visit http://www.netsuite.com/portal/customer-testimonials.shtml#quickbooks.

Stay connected to your data anytime, anywhere.

When is it time to consider cloud financial management?

Here are a few signs that indicate that a business is ready to switch from QuickBooks to a cloud-based, on-demand service like NetSuite:

- **System upgrades and improvements are pushed to the back burner, due to the associated cost and disruption.** All too often, companies realize that their current business systems fall short of what the organization desperately needs to accelerate growth, but no one can face the thought of the disruption and expense of upgrading to the latest versions or adding more people. The business may also be falling behind on giving employees and customers the ability to access information over the web and from mobile devices because there aren't adequate internal resources to implement and manage the required technology.

- **Backups, server failures, malware, and data security are constant worries.** It is a major business risk when financial data is concentrated in a single QuickBooks system, while ancillary information is scattered around in other software systems and spreadsheets. Business continuity would be disrupted if one of the machines suffered a serious failure or there were a fire or natural disaster. The company is overly reliant on fallible backup routines. Other major concerns are malware attacks and data theft. A sobering question is how quickly the business could recover if a server went down and the company had to revert to a backup.

- **A major deterrent to investing in new technology is the time required to see a return on investment.** Funding new applications or technology upgrades requires significant working capital, but it can be many months before the organization sees a return. Even then, there is no guarantee that the new technology will deliver the expected results. When this is the situation, it often feels safer to just muddle along with existing systems and processes, even if everyone recognizes that they are holding the organization back.

“We wanted to invest in streamlining operations and growing our business, not expanding our IT infrastructure.
By replacing QuickBooks and other peripheral systems with NetSuite’s cloud ERP applications, we increased our transaction volume 5x without adding staff, and reduced our monthly close cycle from twenty days to five days.”

William Herrick
VP of Finance, Glassdoor

Let the transition be your opportunity, not your obstacle.

Best practices for transitioning away from QuickBooks

As small businesses grow, it is clear that alternatives to QuickBooks are needed, but the path forward isn't always well-defined. Here are several best practices that can smooth the path to a better solution:

- **Adopt a cloud-based solution.** Cloud momentum is accelerating and the cloud is becoming ubiquitous in the consumer and business worlds. The cloud represents a tremendous opportunity because it enables business leaders to deliver outcomes faster, cheaper, and with fewer resources. Cloud solutions are now the de facto standard for doing business:
  - Gartner reports that the cloud is the number one technology affecting IT.
  - Forrester has found that over 50% of companies plan to increase their cloud spending over the next 12 months.
  - In 2013, the Cloud Accounting Institute conducted a national survey of financial and accounting professionals. It revealed that three quarters of respondents currently use cloud solutions, technologies, or Software-as-a-Service, and 82% intend to use cloud or Software-as-a-Service for accounting solutions in the future.
  - A study by the Institute of Management Accountants (IMA) found that the most critical challenges faced by accounting and finance teams today are integrating disparate business systems, adding business intelligence software, and replacing siloed business systems with a single business suite and database.

Growing companies typically have limited IT resources. Cloud solutions eliminate the need to maintain on-premises hardware and software. Cloud systems also enable mobility, since workers can access the application from any computer or device with Internet access and a web browser. Cloud solutions are also highly scalable, enabling growing companies to accelerate growth without needing to invest capital in technology or add people.

Your optimal business solution rests in the clouds.

- **Consider a suite.** Rather than perpetuating the "applications hairball" when replacing QuickBooks, many companies decide to adopt an integrated product suite. A suite platform eliminates the need to piece together different solutions. An integrated suite makes managing data much easier. Dual data entry is eliminated, since all information is stored in a single, centralized data repository. A suite solution enables companies to start with the basics and add complexity over time.

- **Take time to understand the business needs and key business requirements.** Before selecting a solution to replace QuickBooks, be sure the organization understands its business and key business processes. Growing companies often believe they are saving money by not spending the time needed to understand and capture the business requirements. Unfortunately, this can lead to building the wrong solution.

- **Hire a partner to help with data migration.** Regardless of what platform a company adopts, it can be helpful to find a suitable partner who can help migrate data and perform checks and balances before the system goes live. This approach will ensure that the transition to a new system is consistent with business processes and objectives.

Conclusion

If your growing enterprise is experiencing any of the pains discussed where QuickBooks may be limiting your business growth, it may be time to consider the cloud-based products and services that NetSuite offers. Moving your company to NetSuite's integrated suite of cloud-based solutions allows for more efficient and effective business operations—essential for growing an organization and enabling employees to react to client and organizational needs in real time.

Case Studies

Four growing businesses in different geographies and industries—TandemSeven, AidaPak Services, DC Dental, and Imagine Learning—shared case studies, summarized herein, discussing why their organizations transitioned away from QuickBooks, why they selected NetSuite, and how NetSuite has helped improve their effectiveness and efficiency.

TANDEMSEVEN, A SOFTWARE COMPANY

TandemSeven is a user experience company that provides design and development services and market-leading user experience products. The firm was founded in 2003 and its 75 employees work in the Boston headquarters, as well as in offices in New York, Chicago, and London.

Before adopting NetSuite, TandemSeven's accounting and finance teams used a single instance of QuickBooks. Challenges for the business included:

- **Access to financial information.** It was very difficult for the team to generate financial reports in a timely manner.
- **QuickBooks' inability to handle software revenue recognition rules.** The result was cumbersome manual processes.
- **Manual integration with the OpenAir project management system.** This process was error prone, time consuming, and created data reliability and availability problems.

A cloud-based alternative to QuickBooks was a natural choice for TandemSeven, due to the virtual nature of the company. NetSuite's cloud solution enabled TandemSeven to integrate Salesforce.com and offered seamless integration with the OpenAir project management system. The integrated, complete solution reduced cycle times, created efficiencies, and provided more reliable staff resource planning.

Since implementing NetSuite, TandemSeven has seen improvements in their financial processes, as well as broader business benefits:

- **Information is accessible in real-time, as soon as it's entered into the system.** Teams are no longer reliant on multiple sets of Excel spreadsheets produced centrally and dispersed in the organization. With real-time information, it is possible to analyze projects and take action immediately.

"Our decision came down to two solutions: NetSuite and a cloud-based accounting system that would require other integrations. The choice was clear, since we wanted to avoid multiple points of integration." — **Jason Cunio,** VP of Finance, TandemSeven

- **Employees can access the system and the data in it anywhere, anytime.** As a professional services firm, TandemSeven has found NetSuite's cloud-based solution very helpful. It enables a broad spectrum of people to do their jobs anywhere; all they need is an Internet connection.

- **Better budget information and reporting supports business growth.** During a period of strong growth, TandemSeven made investments in internal infrastructure to support additional long-term growth. The finance side of the company became a focus, including budgeting, forecasting, and comparing budget numbers to actuals. With NetSuite, top management can easily access budget to actual reporting and trending. This is an important resource for monthly shareholder meetings.

AIDAPACK SERVICES, A MANUFACTURING COMPANY

AidaPak Services is a custom pharmaceutical repackager that serves hospitals, medical clinics, and long-term health care facilities. The company, founded in 2009, is headquartered in Vancouver, Washington, and has 30 employees.

When the company began, it started with simple manual processes and tracked information in Excel spreadsheets, Word documents, and SharePoint. Over time, AidaPak Services implemented Microsoft Dynamics for inventory management, QuickBooks for financials, and numerous applications for creating labels. The result was great inefficiency:

- The applications hairball was managed in a manual, “swivel chair”-type interface environment with little integration.
- With data entry occurring across multiple systems, error rates ranged between 15% and 20%. It was impossible to prevent mistakes.
- There were employees whose sole job was data checking to make sure what was packaged was accurate.

All these factors motivated AidaPak Services to look for an alternative to QuickBooks. As AidaPak Services considered different solutions, the team knew they wanted a product that would not require significant in-house resources to manage the technology infrastructure. The goal was to maintain the new system without reliance on expensive, third-party consulting services. The company’s decision to implement NetSuite has generated significant benefits, both for finance and the company as a whole:

- **The integration between NetSuite and the inventory management system allows the company to close its books much sooner.** The reconciliation work that used to be required between Microsoft Dynamics and QuickBooks has been eliminated.

“When we moved to NetSuite’s integrated cloud-based solution, we streamlined our processes and cut costs by close to 50 percent.”

— **Sean Kerr,** VP of Operations, AidaPak Services LLC

- **Better manufacturing information is available internally and for customers.** AidaPak Services’ sales team is now able to access manufacturing information and customers can view data directly through the customer portal. NetSuite has dramatically changed the nature of communication across the organization and with customers.
- **Improved integration has reduced costs.** Moving to NetSuite has allowed AidaPak Services to streamline its processes and dramatically reduce costs.

DC DENTAL, A WHOLESALE DISTRIBUTION COMPANY

DC Dental is a distributor of dental products with offices in Maryland, New York, and Ohio. The company was established in 2002 and is headquartered in Baltimore, Maryland. Between 2007 and 2013, DC Dental's revenue grew from $10 million to $45 million. For the past three years, it has been named an Inc. 500|5000® company and in 2003, DC Dental was a Future50 Award winner. The company has 100 employees, 8,000 clients, and 20,000 products.

As DC Dental grew, the company began to encounter problems with QuickBooks:

- **The 30-user limit on QuickBooks Enterprise.** As a short-term fix, DC Dental eased the problem by creating a second QuickBooks file for the same tax ID and entity.
- **Performance issues due to large file sizes.** As DC Dental's QuickBooks file reached three gigabytes, it began to encounter performance problems. According to QuickBooks customer service, the recommended file size should never exceed one gigabyte. Despite trying to optimize the system, DC Dentals' QuickBooks system repeatedly froze and crashed.
- **Functionality was inadequate.** Although QuickBooks was sufficient when DC Dental first adopted it, over time the company needed more advanced functionality. QuickBooks had no way to accommodate user controls, integration with third-party platforms, or basic customizations to handle the company's workflow.

DC Dental recognized that it needed to purchase a midmarket ERP system to address these issues and support additional growth. The team debated between an on-premise solution that would require additional hardware and people to manage and a cloud solution that would eliminate those needs. The debate was short-lived, since moving to the cloud seemed like an obvious choice. The team also wanted an integrated suite, because having everything on one platform made managing data much easier. After evaluating around 30 different systems, DC Dental settled on NetSuite. There were several deciding factors:

“Overall, NetSuite is head and shoulders above QuickBooks. Every part of our company is better after switching to NetSuite and cloud-based software.” — **Howie Friedman,** CFO, DC Dental

- **A modern look and feel.** Many of the other products that DC Dental considered had a dated feel. According to CFO Howie Friedman, several systems looked like they had been written in the 1980s. As a young company, DC Dental wanted a solution that had a modern look and feel on the front and back ends.

- **Robust reporting.** NetSuite's integrated reporting was appealing to DC Dental. Now anyone in the company can run reports based on the information they are allowed to access, and employees can build reports on their own.

- **Cost-effective cloud solution.** After NetSuite, Great Plains was the runner up for DC Dental. However, the upfront costs of implementing Great Plains were very high—on the order of $500,000. Also, despite this cost, Great Plains isn't a true cloud-based solution. NetSuite was the clear winner based on its architecture and required investment.

DC Dental worked with a partner in implementing NetSuite, which made the implementation very smooth. The team was impressed with NetSuite's flexibility. The system was implemented in a way that conformed to the company's business requirements, rather than NetSuite dictating how the company's workflows would have to change. The company has seen many benefits after moving away from QuickBooks and implementing NetSuite:

- **Greater data accuracy and data access.** With NetSuite, DC Dental has greater confidence that what is posted to its financials is accurate. In addition, it is possible to easily create alerts that go to all appropriate parties. Using NetSuite alerts has improved the company's financial reporting processes.

- **Advanced reporting.** Financial reports can be run quickly. At the CFO level, that adds significant value. Rather than struggling with the system, time can be spent on other more strategic activities.

- **Fast, easy data imports.** Imports are done in seconds rather than hours. With QuickBooks, imports were a full-time job for one to two people. Those processes have been reduced to about one hour a week.

IMAGINE LEARNING, AN EDUCATIONAL SOFTWARE COMPANY

Imagine Learning is a fast-growing educational software company in Provo, Utah. Between 2010 and 2013, the organization experienced revenue growth from $16 million to $46 million and employee growth from 80 to 250. More than 300,000 people worldwide benefit from Imagine Learning's educational software.

One of the company's primary challenges with QuickBooks was its lack of support for software revenue recognition rules. As a band-aid fix, the company used spreadsheets that quickly became massive. A limitation faced by Imagine Learning was the inability to customize QuickBooks reports.

A cloud solution was attractive because employees would be able to access it from any computer or device. In addition, a suite solution made sense because Imagine Learning wanted everything in one place. The team was impressed by NetSuite. They liked the user controls which provide each employee with a role that defines access to different data and reports. Those roles are easily edited and it is easy to add new roles.

Imagine Learning implemented NetSuite in mid-2013 and the company has seen several benefits:

“The number one reason we implemented NetSuite was to handle software revenue recognition. Software revenue recognition rules can get complex. With QuickBooks, we maintained massive spreadsheets which were too unwieldy.”

— **David Southwick,** Manager, Tax and Accounting, Imagine Learning

- **Easy reporting.** It is simple to generate reports in NetSuite that can then be sent to the management team.
- **Fast data imports.** With QuickBooks, it could take hours to enter journal entries manually. Now CSV files with data can be imported into NetSuite in minutes.
- **Efficient month-end close processes.** Now the CFO approves journal entries in the NetSuite system, the information is posted, and month-end close is completed. This process has saved significant time.

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