



Automated Computer Solutions

Assisting our business partners on their journey to become world class manufacturers.

Solutions for SMBs That Outgrow Their QuickBooks System

Are You A Discrete Lot, or Job Shop
Manufacturer
Outgrowing Your QuickBooks System?

Automated Computer Solutions

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Executive Summary

Are you a Discrete Lot Manufacturer, or Job Shop Outgrowing Your QuickBooks System?

Those who start a small business often find once the business starts to grow that:

- Accounting for expenses on paper records or in a spreadsheet takes too much time away from productive work;
- Hiring an accounting or bookkeeping service represents a significant increase in G&A expenses, and makes access to management information more difficult.
- Daily cash flow management using the checkbook register is a constant nightmare.
- Hiring a payroll service is costly, but doing it manually for more than a few employees is a risky chore -- no one wants the IRS consuming their resources (or auditing them!) because of withholding tax errors.



QuickBooks (QB) is an excellent software choice for many very small business enterprises. It's a easy-to-learn system for its typical user, and (when correctly set up) performs payroll with the latest IRS tables.

While QB is the only system some of these businesses will ever need, some grow quickly beyond its capabilities and most manufacturing entrepreneurs are totally uninformed regarding production and inventory management practices (P&IC), crucial to choosing the right tools to meet current and future needs. Even older established firms often choose and attempt to implement "solutions" (kanban, work-cells, etc.) that could be inappropriate to their business realities.

- Discrete build-to-order manufacturers need resource planning for thousands of purchased items, bills-of-materials for numerous product models, shop floor order tracking and control, production cost accounting, cost estimating for quotations, a sales order product configurator, and more.
- Job Shops need integration between capacity and materials
- Others need more than five concurrent users, the current QB limit.
- For some, transaction volumes overwhelm the QB database or they need ad-hoc reporting/data-mining capability.

Manufacturers using QuickBooks suffer sticker-shock when they start shopping for an ERP (MRP-II) system. From QuickBooks software and a

personal computer (PC) for less than \$1,500, they are looking at an ERP investment of from \$20,000 to over \$100,000 for:

1. Hardware

- Server
- Netware
- Client PCs

2. Software

- Database license
- Network license
- ERP application license

3. Education

- P&IC body of knowledge
- Database administration

4. Consulting

- Choice and documentation of the administrative processes that will be used to achieve the available benefits of an ERP solution.
- ERP system configuration setup to implement the processes.
- Documentation of work instructions to implement the processes

5. Training

- Basic computer literacy (for some) including Windows navigation (mousing), since most software vendors have adapted to the market demand for Windows-based applications.
- ERP system hands-on use, guided by work instructions.

6. Maintenance contracts

- Hardware
- Netware
- Database software
- ERP application software

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This level of investment and additional overhead cost is often beyond the cash flow available, typically leading to serious delay of action to meet a growing company's needs. There are options available on the marketplace like the SAAS (Software As A Service) model where for a modest monthly fee a small business can gain access to ERP functionality without the upfront costs associated with the acquisition and maintenance of the associated application, hardware and support staff.

The dilemma is that the situation only gets worse as the company grows without a proper solution in place, and often leads to business failure:

- People are added in an attempt to meet growing sales volume -- overhead costs rise faster than sales volume.
- Manual inventory and bill of material records for this growing volume make "kitting" the only way of identifying shortages for parts replenishment.
- Parts having been hard-allocated to orders, physically in kit boxes, wait for the shortages to be filled -- inventory investment grows -- orders are delivered late.
- Cannibalization of kits with shortages to allow other orders to be built grows -- reallocation of parts is both a waste of human capital and fails to achieve on-time deliveries -- customers and sales are lost -- sales growth stops, then falls...

We believe that the best solution to this dilemma is to:

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1. Include these business needs in the business plan at the earliest possible date.
2. Obtain a small business ERP system, preferably as soon as the first production order is received. There are a few vendors willing to work with very small start-up manufacturers.
3. Establish sound manufacturing processes, utilizing the best practice framework associated with the ERP system selected, do this when you have two employees, rather than twenty, before they have worked out twenty different, and often conflicting, ways to perform their pieces of the processes. But if you already have twenty, bite the bullet now, before you have forty!
4. Begin with the basic manufacturing support system functionality, continuing the accounting functions on QuickBooks by posting monthly journal entries of general ledger totals from ERP system reports to QB:
 - Bills of material
 - Materials Requirement Planning
 - Sales order
 - Inventory
 - Purchase order
 - Shop Orders
 - Cost Accounting
 - Estimating

5. Transition to the ERP system's accounting functionality as soon as practical:
 - General ledger
 - Accounts Payable
 - Invoicing
 - Accounts Receivable
 - Fixed Assets
 - HR & Payroll
6. Fully employ the additional ERP manufacturing functionality when it is needed:
 - Capacity Requirements Planning
 - Sales Order Configurator
 - Shop Order Tracking

Some hints about the transition from QB to another computer system:

When transitioning from QB take advantage of the move to evaluate the data to be transferred eliminating old unnecessary data and use simple tools like EXCEL to aid in the evaluation and formatting of the larger system files being transferred.

1. If you are considering having files converted, we suggest using the 500 rule, if the number of records in the file are greater than 500 consider using a tool like EXCEL to format the data into a format that is able to be imported into the new system, for smaller files we have found that keyboard entry of these files is an excellent hands-on training tool for all affected staff, including management (if they can type!).
 - Item Masters: It is amazing to observe the quantity of junk and duplication that builds up in an item masterfile. Take the transition opportunity to eliminate these errors, with a view toward reducing the number of discrete components used across products. Consider only entry of active parts. Adopt a Preferred Parts List for components that are specified in all new product designs.
 - Customers: Eliminate the duplicates and companies no longer in business. Consider only entry of active customers; others can be added when a new order is received.
 - Suppliers (Vendors): Eliminate the duplicates and companies no longer in business. Consider only entry of active suppliers; others can be added when a new order is received. Use this review as a starting point toward reducing the number of, and improving the quality of suppliers.

- Bills of materials: These don't exist in QB as a practical matter (each item can have only one parent). Consider only entry of active bills; others can be added when a new order is received.
 - Employees: Consider only entry of current employees; others can be added when hired.
 - Chart of accounts: Consider entry of only accounts used in the past year; others can be added as needed.
2. Obtain hands-on software training from the ERP system vendor, preferably at your company site, then IMMEDIATELY load files, with the trainer present. This can shorten your implementation time-line from months to a few weeks (days?) and immediately solve any data-mapping or system configuration problems. It is far better to have a few orders deliver late, while getting over the transition hump, than not getting over it for weeks (or months).
 3. The greatest obstacle to the implementation process is management fear. It is best overcome by documenting all administrative processes by charting the flow for each activity from one step to the next, setting up a test database, and performing a conference-room pilot test, with all affected employees present. Allowing the project to stretch out beyond a few months can, and often is, deadly.

ProMan ASP is a Software as a Service (SaaS) Enterprise system, scaled for the small business, easily implemented and affordably priced for SMBs.

Please contact us we want to help you grow!



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