Has Your Business Outgrown Xero?

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Since its launch in 2006, Xero has become the default accounting platform for many small businesses, but can its platform support the development of your business?

If you subscribe to Xero's cloud-based accounting platform, that's a question you should ask yourself before it's too late. While being in the cloud brings benefits like accessibility, it does not necessarily mean it will be able to support the levels of business complexity that come with success.

Xero's capabilities focus squarely on the small business market. While it often supports the needs of early-stage or single entity businesses, many business owners find that they need something more sophisticated as they increase their workforce, enter new markets and add to their product offerings. They are fearful that if they stress their existing business applications any further, "something will break." So how can you know if, and when, it's time to consider an alternative to Xero?

Drawing on Oracle NetSuite's experience, as one of the leading cloud-based, enterprise resource planning providers, this white paper will help to identify five common pain points that may indicate your business is outgrowing Xero's capabilities.

We've distilled these pain points from years of conversations with our customers, many of whom have successfully made the transition from small businesses thriving organisations in multiple markets—often with major changes to their financial and accounting platforms in the process. We hope this insight will help you assess your own company's present and future business application needs as you pursue your aspirations, here and abroad.

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You've Outgrown Accounting

As small businesses expand, so too does their business model and processes. They might have more products and complex inventory needs, more employees, more channels, more customers and customer types.

At some point, accounting software's limited configuration capability will be unable to deliver the functionality required by a complex business. In order to deliver that functionality, organisations turn to departmental, third party applications and spreadsheets until most of functionality is performed outside of core accounting software. If you find yourself in this situation, ask yourself this: How hard will it be to adapt your accounting software and associated applications when your business requirements change? Is your business becoming error prone? How much effort is spent maintaining workarounds by your finance team?

Accounting is often the first software package small businesses purchase. It is a substantial improvement from running a business on spreadsheets. As small businesses scale, they need to address industry-specific challenges beyond accounting. For example, a business in retail or manufacturing might want to open a new ecommerce channel, a business that has stock may need to consider comprehensive inventory, warehouse and distribution management; or a manufacturer may need to manage and automate their core shopfloor manual processes to support their development. To what degree does your accounting software support your industry-specific functional requirements? Do you still have challenges managing your inventory, manufacturing or services? If you have had to incorporate third party industry solutions, have they provided you with leading practices to successfully support your advancement?

Accounting software, designed for small businesses, simply cannot deliver the financial management requirements of larger businesses.

Financial capabilities such as multi-location, multi-entity/multi-books, consolidation, support for multiple forms of depreciation, budget roll-ups and total-organisational budgets, subscription billing, credit limits for customers/suppliers are all examples of where traditional accounting software falls short. Is your business at a point where the amount of exceptions, workarounds and manual interventions you have put in place to help your accounting software are restricting flexibility and scalability? Is accounting creating unnecessary overhead and introducing errors and unpredictability?

You Don't Have the Necessary Visibility to Make Informed Decisions

Business scalability rarely proves a linear journey. Charting that path involves ongoing trial and error, analysis of data and adapting how you run the business. When small businesses begin their journey, using standard reports from an accounting system such as Xero, once a month probably provides sufficient business insight, but as businesses expand, there are three points to note:

The business model and process complexity increases. As business models become more complex, leaders need customised reports by role and quality data to deliver deep and detailed analysis. Business owners also want to see reports more often so that they can have the necessary insight at the right time.

The business entity complexity increases. Accounting software such as Xero is a geared towards single entity businesses. As a business adds more stores, outlets or other entities, each will receive a separate instance of Xero. Delivering real-time insight across the business using unintegrated accounting reports is near impossible.

The data complexity increases. As the number of applications integrated into accounting software increases, so does the potential to form data islands, which prevent a unified view of the business.

As the delta increases between the reporting that is provided by accounting software and the insight that a business needs, it is faced with a decision to continue plugging the gaps with third party business intelligence tools, spreadsheets, workarounds or even reconsidering the business application strategy entirely. How long can your business continue with reporting that does not deliver the depth of insight you need, is not easily accessible and is likely inaccurate?
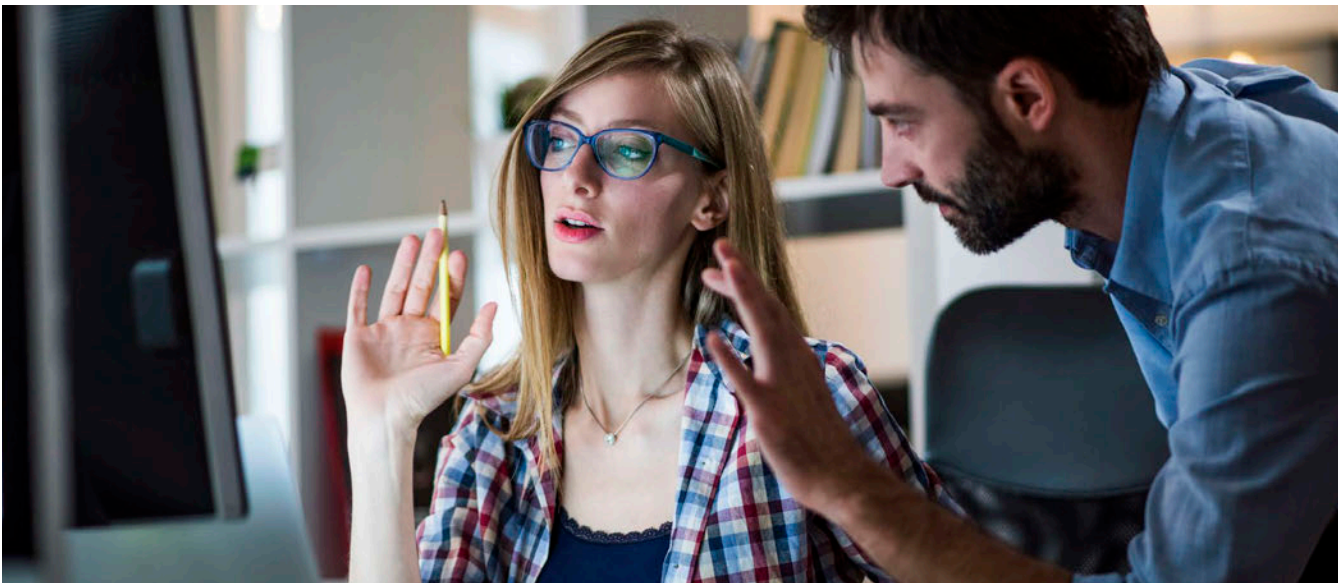
You Spend Too Much Time Just Keeping Systems Running

Business scalability will impact operations in many ways. The development across transactions, departments, channels and customers can strain an accounting platform to the point where performance is degraded or workarounds are designed to circumvent the limitations of the software. Is your accounting package keeping up with your performance requirements, or are you forced to change your operations or build process exceptions to shield it? Is all that effort worth it?

IT architectures within thriving businesses evolve based on changing requirements often without sufficient foresight into how it will affect operations. For example, a move to an accounting package such as Xero probably resolved the data nightmares, manual processes and compliancy issues associated with running a business on spreadsheets. But, at some point a business might want to manage stock more effectively (and across multiple sites and warehouses), or optimise their human resources operations, or improve their customer relations and associated sales, or extend into ecommerce. To respond to such requirements, many businesses buy and integrate bespoke applications to meet the new functional requirements. This continual application acquisition and integration creates a hairball that is difficult to maintain, keep stable and performing.

The more applications that are added beyond the base accounting package exacerbates the situation until a dead end is reached whereby either the application architecture breaks or degrades to a point that is unsustainable for the business to operate and scale. Have you invested in other applications to compliment Xero, and is that application architecture meeting your functional and non-functional requirements? Is your application and integration architecture forcing you to spend an abnormal amount of time and effort just to keep the environment stable? How quick can you make changes across your applications and integrations to respond to your evolving business?

Application architectures that scale in complexity due to successful business expansion introduce application integration mismatches. Businesses are faced with either living with the imperfect integration, employing developers to address the integration deficiencies through code or introduce workarounds which could be manual. So, does your business and your applications get the right data when it is needed it, in the format that is digestible? Or are you spending too much time reconciling data between systems?

You Want to Expand to New Markets

For many small businesses, opportunities lie in new markets. To unlock these opportunities, whether through opening new locations, establishing a foreign presence, selling to intermediaries or directly to customers via channels like ecommerce, businesses need to understand, support and comply with the unique needs and requirements of each market.

From managing different currencies to abiding by foreign regulations, these needs can quickly overwhelm small businesses. How is your accounting software, that is designed for a small business, supporting your development? What kind of operational friction are you experiencing and what workarounds have you developed or applications have you have acquired to fill the gaps? So, what do you need to look out for?

Multi-language
For your employees to be as effective as possible, they should be able to work in their native language. Does your platform/system support all the languages in the locations where you want to do business?

Multi-currency
Are the currencies of customers and vendors you do business with supported? Is multi-currency management available throughout the accounting software you are using, or just parts, such as expense management? Are currencies converted in real-time?

Multi-entity
Does your accounting software support the creation of multiple entities and the consolidation and reporting of those entities? How easy is it to set up, manage and report? Or have you deployed a fresh instance of accounting software for each of your entities because of the limitations of multi-entity management? What impact do multiple instances have on the operations and insight of your business?

Tax and Accounting Regulation Support
Does your accounting software support tax, financial and accounting regulations in the states/provinces and countries that you want to expand to? Is the capability comprehensive and reliable?

You Need a Reliable Software Support

Time is of the essence for all businesses, but especially so for smaller businesses. What small businesses lack in size they can make up for in agility, responding to new opportunities or customer demands much faster than their larger competitors. To do so effectively, however, means that small business need equally responsive, accessible and detailed service when they encounter issues—particularly with the business-critical processes that keep their operations running.

As your business becomes more reliant on your business applications, you become more reliant on support for those applications. Support is often overlooked during the software purchasing decision, but is often the catalyst for replacing the software.

Market-leading small business software accounting firms, including Xero, face criticism over their availability, accessibility, responsiveness and depth of support. These firms often rely on user guides, community forums, their partners, or some form of email support. Support bound by service level agreements tied to customer escalations, and 24/7 telephone support is often limited or non-existent.

Conclusion

Many small businesses in Australia and New Zealand start off using Xero for their accounting needs, but successful, expanding businesses can outgrow the capabilities of the platform. When that happens the frequently asked question is: What next? Some thriving businesses choose to persist with Xero by using spreadsheet workarounds and other applications to meet their new business requirements. This approach creates greater application and integration complexity that will inhibit the business scaling further.

Oracle NetSuite, as an alternative, is the perfect platform for small, successful businesses to use as a catalyst for their development.

Its platform delivers financials, customer relationship management, inventory and warehouse management, professional services automation and ecommerce capabilities in a single solution. This approach supports small businesses interacting with their customers in new ways, it contains the integration complexity associated with additional applications and provides unsurpassed insight across all functional capabilities through a unified data model and search and reporting.

With more than 20 years of experience serving small businesses, NetSuite provides the industry depth and leading practices to support their evolution, from automating accounting to running their core operations. It provides the necessary functional depth to support complex business models and processes, and the configuration ability to allow customers to perform deep levels of tailoring to their business requirements.

Many of the world's successful global companies turn to NetSuite as the number 1 ranked cloud ERP for the midmarket.

If you are looking to scale your small business, consider proactively investing in a platform that will seamlessly support your success. While low-cost, entry-level accounting software like Xero may fit your current needs, investing in an integrated and functionally rich platform will put your small business on the fast track from local to legendary.

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