Outgrowing QuickBooks (Or Maybe Not)

David F. Carr, 02.22.10, 06:00 PM

How far can the accounting software stretch to support a growing company?

One of the first decisions made by a new business is how to keep its books--which usually means QuickBooks. First released in 1992, the Intuit program now owns about 85% of the market for small business accounting software. For many businesses, the program is the only one they will ever need.

But how do you know if you've outgrown it? A spike in employees or sales might make that obvious. Or, you may need to do some accounting task that is specific to your industry, which this jack-of-all-trades software can't handle. Another important issue involves control. While the simplicity of QuickBooks makes it perfect for a mom-and-pop business, what happens when Mom and Pop start delegating accounting tasks to employees, some of whom may prove untrustworthy?

If you can stretch QuickBooks to meet your needs, you probably should, says Bob Palmer, president of Data Guidance Group in Memphis, which helps businesses make software decisions. "Four or five years ago, it was an easy decision," Palmer says. Back then, QuickBooks was limited to five users, and any business that needed more seats was forced to move on. But the newer QuickBooks Enterprise Solutions supports up to 30 concurrent users.

Have you dropped QuickBooks, or are you trying to figure out how to keep it for your growing business?

That means that a growing firm has to choose between spending about $3,000 on a QuickBooks Enterprise product that's simple enough they can do most of the setup themselves--vs. spending $25,000 to $30,000, at a minimum, for a midrange accounting system.

Usually, that's a no-brainer--stick with QuickBooks unless there is some really important reason to switch. Even if QuickBooks alone doesn't meet your needs, add-on products like **Fishbowl Inventory** may fill the gaps. On the other hand, if your transaction volume or the complexity of your business go beyond what QuickBooks can handle, you may have to bite the bullet and switch.

Jonathan Meltzer, the QuickBooks enterprise product marketing executive at Intuit (INTU - news - people), says that while the software now supports multi-company consolidations, some or-

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ganizations outstrip its capabilities for divisional or departmental accounting. Others become public companies and need better support for compliance with the Sarbanes-Oxley Act requirements.

"The business with a couple of hundred employees is really the sweet spot we're looking to service. Only in a small minority of cases does a business go beyond that, and we're not looking to ride with those folks all the way to the top," Meltzer says.

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In addition to accommodating growth, sometimes QuickBooks expatriates are looking for a better fit with their industry. Dean Daisy was working as chief counsel and chief financial officer at FMHC, a cellphone tower citing and permitting business, when the company began taking on more responsibility for construction. So he moved FMHC off QuickBooks to Sage Timberline Office, a business suite for real estate and construction that includes accounting functions.

Another reason he switched was to improve security and accounting controls. "Yes, QuickBooks has an audit trail, but you can't necessarily stop things from happening," Daisy says.

Performance was better with the new software, and it helped tightening the time to close FMHC's monthly financials from about 20 days to under seven, Daisy says. A CPA and business law attorney, he had actually managed a migration off QuickBooks once before for another employer.

Yet it's not a task to be undertaken lightly. The FMHC migration took about a year, including time invested in reorganizing accounts to reflect all the ways the business had changed.

So when he went into private practice as a partner at Frias & Daisy LLP in Reston, Va., what accounting software did he choose? "Oh, I use QuickBooks now," Daisy says. "It's a great start-up tool."