CPA IN INDUSTRY

RE-ENGINEERING ACCOUNTING-SYSTEM OPERATIONS

By Skip Reardon

Re-engineering is a dominant theme in today's business environment, and for good reason. Significant, tangible benefits result when managers apply the concepts of business re-engineering to their organizations. According to Michael Hammer and James Champy, who defined the concept in their landmark book, *Re-engineering the Corporation,* business re-engineering is a fundamental "rethinking and radical redesign" of business processes.

Most managers agree that as we move into a postindustrial society, a new approach to business management is needed for several reasons. These include the need—

1. to accommodate the rapid and accelerating pace of change in today's business environment;

2. to survive and to grow in a new, global economy; and

3. to generate the kinds of performance improvements desired and even necessitated by these and other trends.

According to Hammer and Champy, the critical organizing factor of the industrial era was that work should be broken down into its simplest and most basic tasks, in other words, the specialization of labor. As we move into the post-industrial age, there is an understanding that to continue to achieve improved performance, tasks must be unified into coherent business processes that take advantage of new technology and empower employees to contribute their ideas and make decisions.

Perhaps nowhere is the truth of this concept more evident than in the area of information technology, and in particular, accounting technology. In his book, *The Global Paradox,* John Naisbitt postulates that information technology will drive productivity advances and reshape the world economy in the next century. Since accounting is the back-

Editor:
Michael Goldstein, CPA
The CPA Journal

bone of any business, it's easy to see that the implications of businesses re-engineering their accounting systems operations are enormous.

A Case Study

The benefits of accounting system re-engineering include—

■ increased productivity through improved operational and personal productivity;

■ increased efficiencies through the automatic handling of tasks and through the sharing of business data among software systems;

■ improved profitability through improved cash flow management;

■ improved access to business information by supporting management with useful, timely, flexible reports;

■ improved business decision-making through access to better business data; and

■ increased ability to react to change through the use of new, open, industry-standard architecture that allows the creation of more flexible accounting systems that can be easily upgraded and molded to provide industry-specific and business-specific solutions.

For a major operator of resort hotels, re-engineering offered many of these benefits. The company was undergoing rapid expansion and operated various size resorts, many located in Caribbean and Latin American countries, which, although in close proximity, utilize different currencies and have different tax structures. The company also recognized that it needed to develop new, more efficient business processes that were flexible enough to meet these various needs and capable of growing with the expanding operation.

A key objective of the re-engineering project was to automate annual accounting procedures and to implement a system that would allow for automatic data exchange with other software programs, eliminating time-consuming and repetitive data entry at both the resort and regional level. Another objective was to keep the accounting system operating at peak efficiency at all times.

After researching various alternatives, the company chose to implement the general ledger, payroll, and external systems interface modules from a high-end general accounting package. Its strategy was to make the modules the backbone of a highly efficient integrated business operations system. According to the controller, the system, which seamlessly integrates with spreadsheets, currency conversion software, property management systems, and, in some locations, time/attendance software, proved to offer many benefits.

According to the company controller, "front office activities are recorded into the property management system and automatically imported into the accounting package. This allows the property management system to rapidly handle front office functions, while the spreadsheet and general ledger accounting package quickly process back office information."
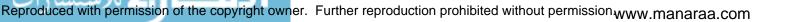
Month-end reports for all locations are standard, enabling easier consolidation of information into meaningful reports for regional executives. Since controllers are rotated every two years to prevent "island fever," a standardized system helps to prevent mistakes and shorten the learning curve.

The payroll module also helps to meet the hotel chain's multi-national accounting needs. In the words of the controller, "It is extremely important for our software package to be able to track the progress of hotels in local currencies as well as in U.S. dollars; the payroll module allows us to track mandatory quarterly and year-end government reports for the individual hotels and their countries, as well as for the U.S. government."

Another advantage of the hotel chain's accounting system is the way it adapts for use by both small and large resorts. At the smaller resorts, time sheets are recorded manually. Employee hours worked, sick time, and vacation time are input on a spreadsheet, which the small hotels find easy to use.

The information is fed into the payroll module using an interface, which allows hundreds of files to be transferred in a matter of minutes. For example, it takes about 15 minutes to input information on the more than 700 workers employed

at the smaller hotels in the region.

At many larger hotels, a timekeeper package is used to total and interpret employee wage and hours data. Categories tracked include regular time, overtime, holidays, sick days, and vacation days. The information also is converted into an ASCII transaction file and entered into the payroll module using the interface, while the timekeeper package provides real-time labor management information used for efficient employee scheduling and labor-cost controls.

The new accounting system allows for hardware upgrades and system networking—already taking place—with no need to change software. This allows for an increase in processing productivity without changing reporting procedures.

To keep the system operating at peak efficiency, all the local controllers in the region are required to attend a one-day seminar annually. All locations are trained by a single organization for the sake of consistency and coordination. The sessions facilitate ideas and suggestions from the controllers on how to improve reporting procedures and build strong relationships among them.

Technology Advancements

Recent changes in accounting system technology are making it easier for managers to accomplish the goals of re-engineering. For example, accounting systems are becoming more open and easy to customize. Where in the past extensive changes to source code were required each time an accounting system upgrade was implemented, today's accounting products are source-code independent and utilize industry-standard database tools.

Another important development is the advent of *Windows*-based general accounting packages. The use of *Windows* for accounting offers significant benefits over character-based accounting, particularly if the rest of the office is using other *Windows* applications.

Advantages of *Windows*-based accounting products include—

■ a shortened learning curve for experienced *Windows* users, which can result in reduced training costs;

■ easy access to a variety of applications that can be loaded to provide access through the same easy-to-use interface;

■ increased productivity with the mouse.

■ multiple session support that enables the typical accounting system user to have an order-entry screen, a customer-inquiry screen, word processing, a spreadsheet, and e-mail all active at the same time, making it easy to move from one to another instantly as work flow dictates;

■ easier data sharing among applications; and

■ the creation of more feature-rich products, because *Windows* allows for larger programs, multi-tasking and better interfaces to printers and other devices.

How to Begin

The purpose of technology is to liberate. The key difference, then, in the utilization of accounting software in a re-engineered business environment is that software no longer dictates business procedures: it enables them. How can managers make this happen within their own organizations?

■ Let the goals for re-engineering an accounting system flow from the corporate objectives.

■ Adopt a macro view.

■ Think "outside the box" of current perceived limitations.

■ Abandon the functional or specialty approach to defining and accomplishing processes.

■ Develop a wish list. Describe and document desired outcomes.

■ Identify requirements to meet those outcomes.

■ Start with a blank sheet of paper, don't automate existing processes.

■ Find ways to streamline processes.

■ Document goals, strategies, and needs analysis.

■ Use technology to accomplish these new goals and processes.

■ Seek assistance from outside the organization to gain objective, expert advice and learn from other organizations.

■ Consider open accounting software systems that are source-code independent, easy to customize and that will adapt to future needs.

■ Solicit the support of key users and upper management during the project.

■ Assign specific milestones with realistic deadlines.

For those who dislike change, the re-engineering of accounting system operations is something likely to be resisted. For those willing to embrace progress and the new information technologies available to facilitate it, the benefits to be derived from re-engineering accounting processes are striking.   ❑

Skip Reardon is senior marketing manager of Solomon Software (Findlay, Ohio), a developer of accounting software for Windows, Windows NT, NetWare, and DOS.

Soon you'll be able to