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Essentials to Building a Winning Business Case for Tax Technology

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The complexity of the tax function continues to evolve beyond manual and time-consuming processes. Technology has been essential in managing the tax function with the increased complexity of tax, escalating level of risk, electronic audit trail requirements, the need for greater transparency to ensure adequate review and control, and the need for accurate tax results quickly.

The right technology for Tax has the ability to catapult an organization to the next level of cost reduction, automation, and overall operational efficiency. Conversely, the wrong technology poses risks and can produce the opposite effect. As tax departments continue to embrace this reality, there is an uptick in the number of companies engaged in proactive planning for their tax technology needs and new leading practices are emerging.

The development of formal and informal business cases to support tax technology investments is an area receiving growing attention inside companies and throughout the broader marketplace. Business cases have been in use for a long time and serve as the basis to capture reasoning for starting a project or initiative, including the purpose, scope, estimated cost, and expected benefit.

Until recently, tax departments were not required to submit business cases because either the bulk of their needs were driven by regulatory requirements, or they self-funded technology purchases through general budget dollars approved for the tax department. This is quickly changing as organizations require Tax to participate in centralized technology management and compete with other areas of the business for funding. Tax must make an organized and compelling argument to obtain the necessary investment to evolve and automate tax operations.

Tax professionals must be equipped with the knowledge and skills to build and win their case for investments. This practice aid outlines a handful of essential elements to get you started on the path to success.

WHAT ARE THE REQUIREMENTS?

Let's face it, everyone has plenty to do. You cannot afford to waste time headed in the wrong direction. While every investment in tax technology should have a defined purpose and clear rationale, the format of your business case is driven by your organization's requirements. Ask yourself:

- Who (or what business unit) requires the case?
  - ***Tax Leadership, IT, Finance, Procurement?***
- What is the format?
  - ***Written? Verbal? Is there a template? Is it formal?***
- What elements must be included?
  - ***Scope of implementation? License fees?***
- What is the need / problem being addressed?
  - ***What is the scope of the project?***
  - ***What are the marketplace options?***
- Who is the audience for the document?
  - ***Does it cross multiple business units and levels of responsibility?***
- What is the timing and frequency?
  - ***Does it align to annual budget cycles? How many times per year are requests considered?***
- How will changes in circumstances be evaluated?

A business case is written to persuade and is directed at a main audience of key decision makers. Understanding what they are looking for is a critical first step.

ALIGN TO YOUR TAX TECHNOLOGY STRATEGIC PLAN AND ROADMAP

It would seem common sense to suggest that Tax must ensure that all investment in technology has a purpose. After all, why would we invest in technology that doesn't have a purpose? More precisely, Tax must ensure that the investment in technology is planned in a comprehensive fashion and aligned to Tax's strategy. Your business case is really just the culmination of an extensive effort to determine the direction for tax technology.

Oftentimes, Tax identifies a gap in planning when they prepare a business case and realize that an exercise to document the strategic plan and approach for future tax systems has not been performed. By taking steps "toward a stronger and more comprehensive approach to planning for future tax systems before decisions are made...your team will be empowered to influence a more efficient operation and align more effectively with the broader objectives of tax operations as a whole." [1]

Tax cannot rely solely on tax acumen when organizing an approach to persuade the organization to invest in tax

[1] Thomson Reuters Tax & Accounting. Kovar, Lauren B. 4 Steps to Evaluating Tax Technology. 2014. tax.thomsonreuters.com/taxologist/

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technology. By aligning your business case to a holistic tax technology strategy and objectives, decision makers will join in your discussions toward a bigger picture result and have better information when prioritizing funding for each individual project request. Depending on the requirements, consider writing your business case to cover multiple related projects slotted in the tax roadmap.

UNDERSTAND ORGANIZATIONAL DRIVERS AND CONSTRAINTS

Every area of your business has a different set of priorities, and organizational drivers will play a large role in defining which projects receive funding. Examples of these drivers include:

- Short financial statement close windows
- Transformation initiatives
- Disparate Enterprise Resource Planning (ERP) landscapes
- Shared service centers / centers of excellence
- Heavy acquisitions
- Overall risk adversity

These drivers are distinguishable from environmental drivers, which may include economic factors, increased regulatory scrutiny, or the impact of globalization. Organizational drivers provide insight into the culture, attitudes, and priorities of leadership. They often tell of the current strategy and will ultimately influence where the money goes.

Work to align Tax's needs with those of the organization as indicated by the drivers. Clearly illustrate those connections in your business case and how the investment in Tax's initiative supports or leverages opportunity produced by broader business goals.

THE 3 **D**s – **D**UE **D**ILIGENCE AND **D**OCUMENTATION

It is always easy to distinguish a business case that is thrown together quickly and one that has followed a rigorous process of due diligence. The strongest business cases win. If you have done work to understand the requirements and aligned to Tax's strategy and organizational objectives, then you can now turn your attention to the information you need and how to present it.

Your business case must include quantitative and qualitative information and cover both the dollar value of the request and detailed aspects of the expected spend, as well as the return on that investment, or ROI.

Quantitative data must be reliable and consistent to the standards of the organization. For example, when developing your metrics around employee time spent, ensure you use the same values for "work hours per year" and "average hourly rate" that are used in other reporting and modeling. It is expected that estimates will be used – especially when quantifying risk or efficiency. Methods used and assumptions made in all estimates should be included or available to support upon request.

Numbers without a story will not make the case. A well-articulated discussion that builds from the beginning and supports your technology preference is necessary to provide context. If your technology request is associated with a specific pain point in the tax department, document the challenges in terms non-Tax readers can understand and describe how your technology recommendation addresses the issue. Layer quantitative statements in your narrative to add validity.

A distinct business case for technology investment includes the estimated cost (often as determined by effort) for the full scope of the project—from planning and project management through design, implementation, deployment, and post-project phases. Technology license fees, maintenance fees, and future phase costs should also be incorporated.

In addition to the costs of the investment, metrics supporting the business need and ROI are expected. To determine these, ask yourself:

- What am I trying to measure?
- How do I measure it?
- How do I measure the cost associated with NOT making the investment?
- What information do I need to compute the answer?

Let's say your organization is receiving information from 10 different sources and takes an average of 16 employee hours to gather, compile, and analyze the data. This process occurs 12 times per year for a total of 192 hours (16 x 12), or nearly 10 percent of that employee's time annually. By automating this process, you can repurpose that time to value-added activities and reduce the risk inherent in the manual task of manipulating the data.

Consider incorporating the following sample metrics into your business case:

- Employee hours to complete a specific task (e.g. tax close)
- Number of system errors
- Number of IT support calls made
- Amount of time to train a new employee on the system
- Estimated fees and penalties
- Opportunity cost
- Spend on a la carte systems
- Expense on outside services

A WORD ABOUT RISK

Finance has often built their business case around technology and process improvement from the position of risk mitigation. While risk will continue to remain a key driver for any tax transformation, Tax has an opportunity to evaluate and position themselves to provide value via improvement. There are costs associated with being inefficient or using more than one system to perform the same activity. In addition, many companies have successfully identified direct tax savings opportunities from their efforts to streamline and reform. Incorporate quantifiable data using estimates where needed.[2]

Identifying risks comes naturally to tax professionals. Your business case for technology must articulate the risks you expect to mitigate with the solution. Risk can be measured in different ways, from estimates of expected penalties and fees to an increased potential for errors when moving data between systems. If you are unsure how to quantify a particular risk, seek input from your colleagues or trusted advisor to suggest an approach.

Reduced risk is a component of ROI but will not likely have a direct P&L impact unless there are costs being incurred that are specifically related to that risk. The focus is avoiding future costs associated with failing to mitigate risk.

LEVERAGE OPPORTUNITIES

Strategic and proactive planning for tax technology is about opportunities, not just problem solving. Throughout your strategic planning process, you will have identified multiple technology initiatives being proposed by business units outside of Tax. These initiatives represent opportunities for change that could "open the door for the tax function to integrate itself better with the business and improve its data management and collection processes — in turn enhancing performance in areas such as global provision, compliance, and tax planning."[3]

Examples include:

- ERP implementations, consolidations, upgrades, migrations
- Finance Transformation
- Shared Services Centers and COEs
- Supply-chain initiatives
- Capital expenditure planning
- Post-merger integration

Building a business case is necessary to receive an allocation of the overall project funding toward Tax's specific requirements and resource needs on an enterprise initiative. Assemble the key project stakeholders and owners of the initiative to gather the inputs needed and begin the verbal process of championing them to your cause. Learn more about the effort and educate them on its importance to Tax. Be prepared to show them why how your results impact them.

BUILDING UPON SUCCESSES

Your request has been approved! But don't stop there. What about the next request? Start planning right away by leveraging your successes.

By tracking and validating the success of your current project and measuring against the metrics developed in your business case, you add an additional dimension to your story. Facts speak for themselves and testimonials are powerful tools. Build credibility for your overall strategy and planned approach to technology. When it is time to lobby for Tax's next purchase, you'll be able to better support your claims, persuade your stakeholders, and grab their attention more quickly.

[2] Thomson Reuters Tax & Accounting. Kovar, Lauren B. 4 Steps to Evaluating Tax Technology. 2014. tax.thomsonreuters.com/taxologist/

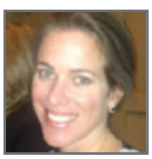
[3] Deloitte LLP. Tax and Business Transformation: Using Technology to Elevate the Tax Department's Role. 2011. deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/us_tax_TaxBusTransformation_051011.pdf

Remember these tips:

- Everyone impacted by your current initiatives are potential advocates for your next project
- Seek new technology that is aligned to your strategy
- Develop sound bites to share your successes on a moment's notice
- Define and measure incremental benefits throughout your projects

IN CONCLUSION

Tax professionals must be equipped with the knowledge and skills to build and win their case for investment in technology. To move from the whiteboard to an actionable plan forward requires a proactive and methodical approach to building a compelling business case. Using these essentials, you give your project its best chance for success.



ABOUT THE EXPERT

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Lauren is an expert in accounting transformation, tax technology strategy and finance improvement. Lauren advises Fortune 500 companies on leading practices for tax operations and technology. Her expertise covers the broad landscape of tax and beyond to areas of general process automation and data management.

Prior to joining Thomson Reuters, Lauren developed and led the Global Tax Technology function for General Motors where she designed and implemented the long-term strategic technology and process improvement vision for the global tax function. In the past she has managed M&A work, Finance and ERP systems, general ledger accounting and reporting. She started her career at KPMG, where she led audit engagements.

In 2012, Lauren received the AICPA's Women to Watch – Emerging Leader Award. She is currently the Chair of the AICPA's Tax Information and Operations Task Force, and a member of the AICPA's Information Management and Technology Assurance (IMTA) Task Force and the CITP Credential Committee. Lauren was recently profiled for her work as a Chartered Global Management Accountant.

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