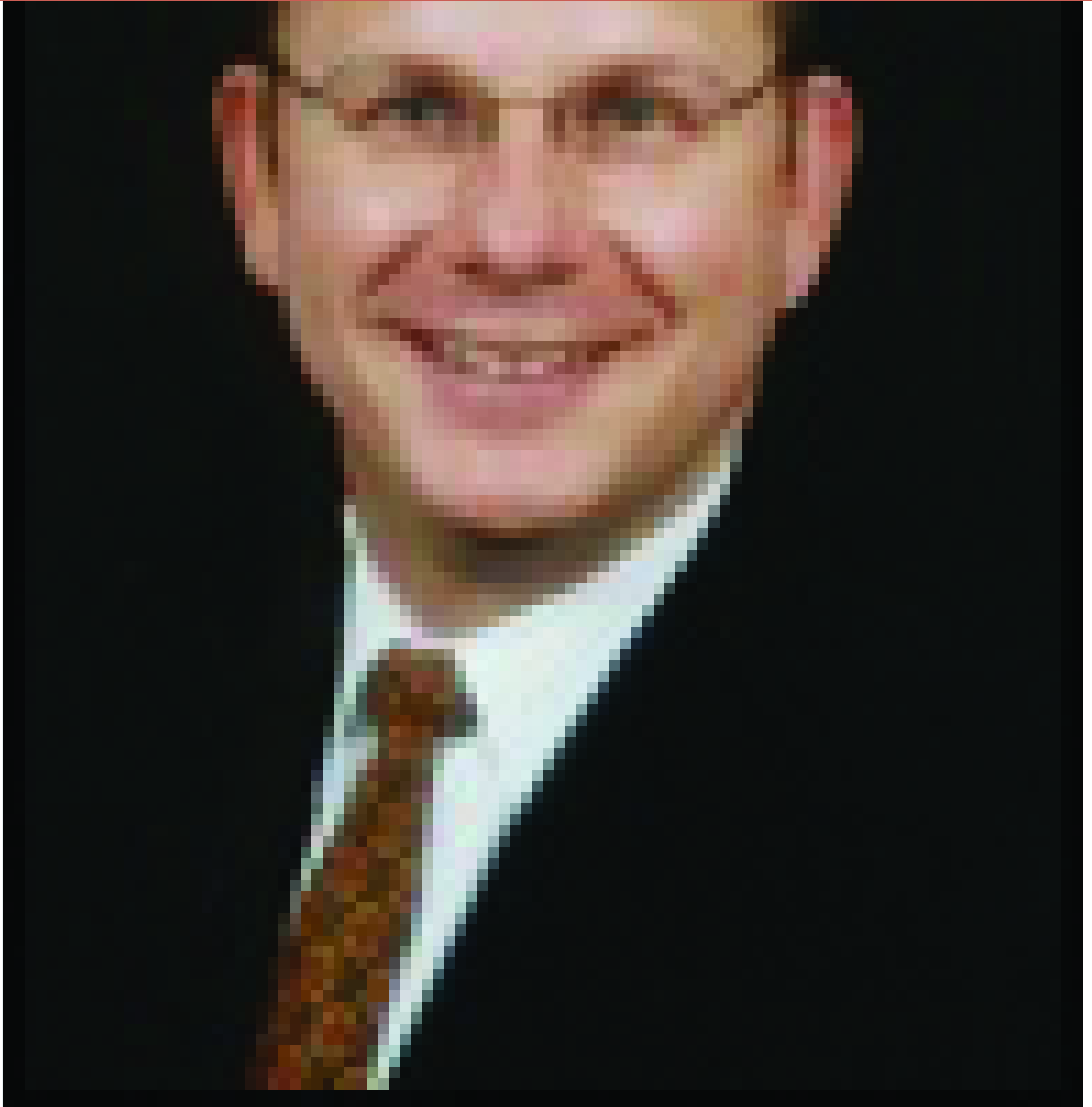


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**Column: Technology in Practice**

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number of which were pushed into the sales cycle before they were really ready for actual use in firms. However, with two years of conservative adoption, we are seeing that firms have pushed their hardware to the limit, so we anticipate firms immediately investing in necessary hardware prior to busy season and then re-evaluating their applications after April 15 to implement those “less paper” tools that have proven themselves in the firms of their peers.

Accordingly, here is a summary of how we fared with our 2010 predictions, as well as our best guesses on 2011.

**1. Cloud Computing Grows (WIN):** This past year, we expanded the SaaS (Software as a Service) definition to include any application that is hosted outside of the firm by a third party. This would include firms outsourcing their IT infrastructure to a network integrator in addition to SaaS applications hosted by the larger providers. We saw an increase in the use of web-based workflow tools, portals, document management and tax applications from Thomson Reuters, CCH, a Wolters Kluwer business, and Xpitax, so we will take a WIN on this one.

***Prediction 1 – Secure Data Transfer:** For 2011, we expect a significant increase in the number of firms using portals and third-party email for secure data transfer of tax returns, financial statements and even organizers for early adopters.*

**2. Windows 7 Success (WIN):** This was an easy WIN in that early adopters found success with the 32-bit version replacing Microsoft Vista and Windows XP, and later adopters found that the 64-bit version could be just as stable, which firms are acquiring as they buy new machines.

***Prediction 2 – 64-Bit Windows 7 Standard:** The majority of tax workstations purchased by firms in 2011 will be Windows 7 64-bit with at least 6GB of RAM to take advantage of*

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to Office 2010 because they did not see enough new features to warrant the significant cost to switch, so our prediction was a WIN, but for a different reason. We predict that this year Office 2010 will clearly dominate the groupware implementations in tax & accounting firms, but this one is so easy that we can't count it as a prediction!

**4. Google Continues Being a Thorn for Microsoft (WIN):** This was an easy WIN as Google owns the lucrative and profitable SEARCH space and has been on an impressive buying spree of technologies that compete with many of Microsoft's future directions. While utilization of Google's Apps, Postini and other competing Business Solutions products will continue to expand in industry and startups, accounting firms will stick with Microsoft Office because we know the products and the makers of our tax and audit software only link to Microsoft. While Microsoft will lose various market share to Apple, Google, Android and VMWare, the accounting profession will not really take notice until the tax and accounting vendors promote something else.

**5. iPhones Make inroads but Macintosh Doesn't (WIN):** Last year, we thought that Macintosh adoption would grow outside the profession but not inside of firms, which has held true since none of the major vendors have rolled out a Macintosh version of their tax or audit applications, and running everything in emulation mode in a more expensive computer doesn't make economic sense to most accountants.

***Prediction 3 – iPads are Cool Enough:*** *This year, we expect to see firms buy iPads for owners when they are traveling because they are “really cool” and, honestly, those users don't really do much work beyond email when they are on the road!*

**6. Virtualization Becomes Standard (WIN):** The vast majority of firms that are installing more than one server during an upgrade are transitioning to a virtualized environment as stability of running accounting SQL applications in individual

server instances just makes sense. In addition, the network integrators have become

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and “hot” disaster recovery site.

***Prediction 4 – Standalone SaaS Thrive:** Standalone cloud applications like data backup, disaster recovery, and even hosted email (Exchange) will thrive in firms in 2011, giving cloud computing credibility, which will set the groundwork for future adoption.*

**8. Portal Standard (DRAW):** While we saw significant adoption of portals in the majority of our firms, we also saw firms investing in secured email solutions, and using BOTH solutions, so we will have to call this one a DRAW. We expect this trend to continue with firms using the portal for larger volumes of files that require collaboration between multiple parties, while the “one-shot” delivery of a single document will go to the email solution.

***Prediction 5 – Digital Delivery Finally Outpaces Manual Delivery:** Firms will finally get it — that it is easier to send a document electronically once they get over the security concerns and experience the cost/efficiency gains of digital delivery. So we believe there will be more electronic delivery than snail mail in 2011.*

**9. Nationwide Digital Cellular Reliability (LOSS):** We expected to see more firms use the digital cellular network for accessing their firm’s IT infrastructure, and the reality was that there was much less adoption than we predicted, so we really missed this one. In some regions where Clear, Verizon/Sprint 4G, and other wireless broadband solutions have rolled out, we see this happening. But the majority of firms are still synchronizing their audit data to local workstations before going out into the field.

**10. Front-End Scanning Grows, but Automatic Input is a Bust (WIN):** Early adopters of automatic input tools spent a lot of time being pioneers, and while it worked in some cases, the majority of our clients reverted to just using the scanning

and bookmarking software, which proved to be solid when the right scanner and

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out” after 2009’s five wins, two losses and three draws for predictions. So for our last four predictions, we can afford to push the envelope some.

**Prediction 7 – Android Becomes King (after BlackBerry):** iPhones are currently the coolest device around, but my friends with AT&T service know all the places they will drop service, which creates enough frustration to want to go back to another service. While those firms that are on BlackBerry will continue to support them, those looking to upgrade will shed their older RIM devices, HP/Palms, Microsoft Mobiles (now Microsoft Phone), and we predict the Android devices in accounting firms will overcome the number of iPhones to be number two on the smartphone list this year.

**Prediction 8 – Tablet Application Developed:** Tablets have been around but not adopted in firms beyond consultants looking for a cool tool to make them look on the bleeding edge (me included). While some applications like OneNote are phenomenal, the reality is that we don’t see firms use tablets for tax returns and audits because the software just isn’t there yet. Windows 7 adds touch capability natively so our prediction is that accounting application vendors will finally take notice and at least one will roll out a tablet/touch-capable application or announce plans to do so in 2011.

**Prediction 9 – Green Will Be Cool to Accountants:** I think we can finally start seeing the “greening” of the accounting profession taken to heart. This will promote the use of digital vs. paper delivery and more sustainable practices because studies will show it is good for business (and becoming more cost effective, which always catches our ear).

**Prediction 10 – Security Breach Freaks Out Profession:** It’s bound to happen, and I am guessing that 2011 will be the year. A major security problem will occur and create National legislation that protects privacy, forcing a security response for firms that will have to scramble to implement a solution. This will drive firms to outsource more of their IT support or to move applications to secure “cloud” platforms that can be managed by teams of security professionals.

With the busy season looming, we wish you all the best for 2011 and hope that your

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