CPA Practice Advisor

7 and Office 2016 implementation. Part of my purpose in writing this column month ...

Randy Johnston • Jul. 12, 2016

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For some of your organizations, this is the time you are upgrading to Windows 10

tactics. However, a harder number to come by is an accurate Return on Investment (ROI) since the ROI can include soft, intangible numbers. Some would argue that only "hard" numbers should be included, and these certainly should take the forefront in your ROI model. If the hard ROI numbers exceed the costs, and the IT project fits your strategy, then it generally makes sense to proceed if you have the people resources, time and training plan to succeed.

What should be considered in the calculations made?

Remember that there are a few key ideas behind what we are going to discuss:

1. That you have a technology plan and budget. Our latest National CPA Firm Survey data indicates that only 14% of CPA firms have an IT budget. Firms "spend what is needed" which may or may not be true.
2. That each project should have an estimated return. Understand that some projects are dependent on other projects. For example, it is hard to implement eSignature if you don't have your paperless project pretty far along.
3. That you don't have to implement the latest technology to be successful. However, you won't gain significant competitive advantage if you are a technology laggard.
4. That not every technology is for you.

However, you need to have an open mind to consider if something can work. I'd illustrate this with the belief that SaaS products like QuickBooks Online won't work for your clients. Is it you, or is it your clients that you are worried about? Are the features sufficient to get the job done? What about QuickBooks Online annual costs versus QuickBooks Desktop hosting annual recurring costs?

Finally, your ROI model should have not only the hard costs but the soft costs illustrated. Just as important, when the project is completed, you should have a post project review to see how accurate your estimates were and learn why there are any discrepancies. This exercise should help make you more accurate at forecasting in the

and assigning a potential savings to the reduction of errors. You must be cautious not to overestimate. Most important, doing the ROI exercise helps you think more about **why** you are implementing the technology.

What should a project ROI model look like?

Complex ROI models are available, but for most projects, you can make simple estimations in a spreadsheet. You may have very complex configurations or quotes supporting these numbers. These can be summarized from supporting sheets or simply plugged into your model. We suggest the following components always exist:

- Hardware costs
- Software costs
- Training costs
- Initial implementation fees
- Recurring annual hard costs
- Recurring annual soft benefits

The replacement of two scanners is illustrated in the table below. We are happy to provide this template to you.

Project ROI Calculation	6/28/2016
Name of Project	Scanner upgrade
Projected benefit	$ 22,754.25
Number of Users	9
Loaded Partner/manager rate	$ 166.25

Loaded Admin rate	$

Expected benefits:
Reduced time used in the scanning process
Cleaner, more usable scans

Initial Expenditures	
Hardware	$ 2,200.00
Software	1,500.00
Training	1,000.00
Time lost during implementation	299.25
Implementation fees	800.00
Total Initial Outlay	$ 5,799.25
Hard Cost Reductions (Annual)	
Labor no longer needed	$ 8,645.00
Maintenance reduction	1,000.00
Total Reduced Costs	$

	9,645.00

	500.00
Software Licensing	–
Total Recurring Annual costs	$ 1,000.00
Costs over project life	$ 7,000.00
Soft Benefits (Annual)	
Client Value	$ 1,000.00
Time savings/year	2,600.00
Error reductions	1,200.00
Total Soft Benefits Annually	$ 4,800.00
Benefits over project life	$ 33,600.00
Estimated Project ROI	$ 22,754.25

Note that there are subtotals that show total hard costs, soft costs and an overall project ROI. If there were multiple ways to solve a technical problem, you could have multiple ROI models or have a model that compares these numbers side by side. For example, if you are considering Microsoft Office 365 versus an Open License model, you would want the costs and benefits of each approach. You may want to portray the costs of in-house IT, managed services and hosted options.

Some cautions and common errors

Another common error is over estimating the soft ROI. Be realistic in your estimates. You may learn over time that you have a tendency to overestimate or underestimate. After doing the post project analysis, look at the numbers and actual results, assuming that the factors can be measured. As an example here, there has been a trend to "throw away the time sheet". If you did that, how much time was saved by not keeping time? How was this time used? Some of these types of analysis are impossible with the financial information of many firms.

Flat rate value billing may simply be a pricing strategy that had little to do with wasted time during firm operations and you won't be able to do an accurate post project ROI analysis. We frequently see overly optimistic benefits of working anywhere, anytime, any device (AAA) without factoring in the issue of running more slowly. We also see too much or too little value placed on working remotely. However, remember that these estimates are yours, and you need to objectively review these numbers after implementation.

One last common error: never believe a vendor's ROI model. You can and should adapt their numbers to your model, but we recommend consistency year after year so you know your estimates are correct. We believe a number of technology initiatives have been implemented with false ROI expectations. You can use this model to estimate the ROI on any existing recurring IT cost and have a pretty good idea where you are getting a reasonable return and where you are not. However, be prepared if you do this exercise, because some of the numbers may not be too pleasant.

On the other hand, it may be hard for you to see the soft benefits of a deployed technology because you are used to the way it works. We frequently see perceived cloud benefits because local implementation was done so poorly. Likewise, we frequently see perceived local installation benefits because recurring costs tend to be lower.

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