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A Tale of Two Firms:

Identifying the Rules for Rolling Out
a Successful Paperless Tax Workflow

By comparing and contrasting the implementation processes of two Northeast firms, five rules to ensure an optimal paperless tax workflow implementation were uncovered.

Paperless doesn't happen overnight, especially considering tax workflow, which is a paper-intensive process that involves people throughout the firm. A successful transition takes planning, dedicated effort, and an educated firm.

To show the importance of planning and preparation during rollout, we compared the implementation experiences of two real-life firms, complete with practical examples. This provides an excellent comparative case study that highlights disparities in approach and two very different outcomes.

As a result of this comparison, we identified five rules for developing a successful paperless workflow. To protect the innocent, aliases have been applied. We will call the first firm Progressive & Progressive, LLC (P&P); the second will be referred to as Old, School & Thinking CPA Group (OST).

On paper, the firms are comparable. Both are similarly sized, Top-50 firms with multiple locations. They are based in the Northeast, have similar individual tax clientele, and utilize the same tax solutions, including GoSystemTax RS and GoFileRoom. Both firms were implementing the same scan-and-fill technology to support a full paperless tax workflow—automating tax data entry at the beginning of the process.

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Despite broad similarities, both firms experienced dramatically different results with their paperless tax workflow initiative. P&P reported great success, indicating a profound, positive effect on workflow and overall efficiency. Although pleased with the results, OST's deployment remains stuck in the pilot phase with low probability of full implementation across the firm.

By taking you through each firm's rollout, what will become evident is that successes or failures had little to do with firm demographics or technology. It was all in the approach each firm took in rolling out the paperless tax workflow. By examining each case in detail, certain steps and tactics required for a successful implementation, as well as the pitfalls and mistakes to avoid, are revealed.

Rollout Details for P&P and OST

P&P

Progressive & Progressive, LLC experienced rapid progress during the initial rollout, moving from 300 returns pushed through the paperless system in year one to 3,000 returns in year two. P&P is planning a 6,000-return push for year three.

P&P processed both simple and complex returns through the paperless system, experiencing an average time savings of two hours per return. Costs associated with implementation were passed through to the client, offering the firm an ROI ten times the initial investment. P&P also understood the limitations of the scan and populate technology, but continued to embrace the technology based on quantified results data.

OST

Old, School & Thinking CPA Group pushed an average of 100 returns through the system in both year one and year two, respectively. Only complex returns were processed. The firm did report significant time savings by automating the tax workflow; however, there has been no adoption of the technology beyond a single partner. The firm's seasonal staffing policies have remained the same, which involve running all simple returns through temporary staff using manual data entry in order to "keep them busy."

P&P Versus OST — The Rules for Successful Implementation

Through careful, detailed analysis of each firm's implementation process, we found that successfully implementing a streamlined, automated tax workflow requires that you follow certain rules. By comparing and contrasting these differences to each firm's final result, we were able to identify and define five unique rules to ensure a successful rollout.

1 Appoint a "Chief Paperless Officer" (CPO)

When rolling out a new process that impacts a major service area, like tax, it requires a designated champion at the partner level. Because change is messy and can quickly turn chaotic if not properly managed, P&P identified a Chief Paperless Officer (CPO) at the partner level. The partner was not only an expert in tax, but also adept with current technology. Clearly, CPO is a novelty title, which P&P enacted to foster engagement and capture attention for the adoption process.

P&P

"We realized that transitioning to a paperless tax workflow was a massive undertaking. The tax workflow is ubiquitous, affecting multiple departments and disciplines, including tax preparation, review, administration, IT, and others—not to mention touching all our remote offices. As such, the initiative required a key point of contact at the partner level (a chief) that had the power and status to direct implementation and identify and assign the resources required to ensure long- term success."

2 Follow an Incremental Approach

No single implementation plan is fool proof. To some degree, it's a matter of gradual refinement to adapt to the specific needs of a firm, which is why rolling out a major workflow transition in small chunks is ideal. Through a phased approach, a firm is able to identify and correct issues prior to a full-scale rollout. Lessons learned early on can be applied as a firm moves forward to ensure a smoother adoption and mitigate disruption among staff. In other words, you don't have to "bet the entire firm" to get the best end result. Small steps are recommended.

A secondary benefit of an incremental approach is that results are quantified at each step and supporters are created throughout the firm. Down the line when a full-scale rollout is being evaluated, quantified results and a strong support base make for a solid business case.

In the first year, both firms adopted a paperless tax workflow limited to a single partner, pushing 300 (P&P) and 100 (OST) returns respectively through the new process and technology. At the end of year one, however, the firms' implementation plans diverged dramatically.

P&P

During the first-year pilot period, P&P's Chief Paperless Officer consistently evaluated the new process and supporting technology in order to assess areas in need of improvement. Results of the analysis were reported back to the firm's partners.

Armed with data from year one, the firm was able to improve the process before moving forward with subsequent rollout phases. In year two, the firm expanded implementation to include a select group of staff and partners and increased the level of returns processed through the new system tenfold to 3,000, which P&P deemed a reasonable threshold of risk.

A phased implementation allowed P&P ample time to evaluate the process and make corrections before launching to a larger population in year two. The firm did not try to convince all staff in every office to adopt the new workflow following the year-one pilot period. P&P understood that more problems were likely to arise and that resolving issues was much easier within a beta group than within a broader population. The phased approach also helped to mitigate negative criticism and resistance while building a base of support across multiple partners and offices.

OST

OST, on the other hand, espoused an "all-or-nothing" approach. The message to partners and staff was that it was the whole firm or nothing. At that point, only the single partner had tested the system with a few hundred returns. Nonetheless, the firm's paperless advocate continued to "sell" full adoption, relying only on results from the single partner as "proof" of success. Without qualifying data and obtaining reliable evidence of value, partners viewed full implementation as too great a risk and denied total adoption. While the original partner continues to leverage the new paperless technology and workflow, the rest of the firm has missed the opportunity for firm-wide realization of productivity improvements.

The incremental adoption approach has proven successful in many firms. Consider these additional facts:

- **Pilot Versions for Phased Implementation -** Today's SaaS solutions offer small-scale pilot versions that support a phased implementation. Solutions can be used on a trial basis while firms test the technology to ensure usability and support of a highly efficient workflow.

- **Test Different Types of Returns -** Firms can test different types of returns as each phase rolls out.

P&P

For example, P&P initially only considered paperless tax workflow technology for form-driven, complex returns (i.e., returns with multiple brokerage statements, W-2's, K-1's, etc.). In subsequent phases, the firm found that simple returns pushed through the system followed the same standardized process. Automating simple returns further increased realization rates because fewer tax professionals were needed to support the new workflow process.

Through a phased approach, a firm is able to identify and correct issues prior to a full-scale rollout.

3 Make it Mandatory

Change is never easily accepted. When you ask staff to change the way they work by using new technology, you can always expect significant push back. If given the choice, most will reject change and continue to work with the technology and process that is familiar to them, no matter how inefficient. This is especially true for a process as complex and intensely seasonal as tax preparation. Most firms are very traditional in how they approach tax—following a long-standing process is always viewed as safer than risking a change that may disrupt an already stressful tax season. And you can bet the firm that if incremental adoption is NOT made mandatory, once the pressure of tax season hits, staff will revert back to what they know. For this reason, incremental adoption must be made mandatory.

To be clear, during the pilot period, it's recommended to approach partners on a voluntary basis. However, once you've gained the support of your executive leaders, you must mandate incremental adoption going forward. Getting mandatory and complete adoption for a smaller number of partners or offices will yield better quantification of results, enable the firm to identify areas for future improvement, and build a base of support. There are key advantages with this approach:

- **Moves Staff Past the Learning Curve Quickly -** When staff are not allowed to move backward, they are forced to dig into the technology and learn how it works through practical application. When this happens, it is much easier to get over the learning curve and the fear of the new and unknown.

- **Accelerates Motivation and Momentum of the Implementation -** When staff members move past the learning curve and can truly see the value of the paperless tax workflow and supporting technology, they talk about it. This boosts staff motivation and starts to get the positive word out—preparing future adoption groups for the value to come.

P&P

In year two, P&P made participation voluntary for partners. Those who agreed and used the system were sold. These partners made using the system mandatory for their respective staff members—including preparers, reviewers, and administrative employees. The firm's partners lead by example, continuing to use the new system, which motivated their staff to learn the technology and embrace the paperless workflow. For staffers innately resistant to change, it pushed them to dive in and challenge themselves.

"Once the partners were on board, we knew that mandating the paperless process was necessary. I called my staff in on a Saturday morning to address them as a group. My method was aggressive and straightforward. I told them this was the new process; everyone had to follow it, and there would be no reverting back. I made sure of this by using the Cortez approach. I burned the ships, assuring that my staff could not move backward and return to the "old world." The "new world" was where our firm needed to be. I took my team through the technology and the process from start to finish, and we followed up with thorough training. I was also consistently available for questions along the way. It worked! It was all about staying firm and not allowing staff to give into their fear of change."

OST

OST maintained a voluntary approach during year two as the firm's designated advocate continued to "sell" partners and staff on the transition. A few partners said they would try the new approach, but most never found the time to do so. Those who did never made the process mandatory for their staff. At the end of year two, only a few partners, and even fewer staff, had tested the system. With no extended exposure to or training on the process, all reverted back to the "old way of doing business" when the pressure of busy season rolled around. At the same time, any issue with the technology or process was used as "proof positive" that the new paperless workflow didn't make sense for OST. Instead of a process of learning, modifying, and improving, OST threw in the towel.

4 Manage Expectations

A typical mistake when rolling out any new technology or process is the "oversell." To get people engaged and motivated, advocates tend to overpromise the benefits of a system, while under-emphasizing the pain of implementing large-scale change.

The first thing to remember is that technology is just technology; it's not magic. A paperless tax workflow system is a tool that reduces the time consuming tasks of gathering, organizing, bookmarking, and populating tax source data into tax preparation software. It is not a single, all-inclusive resource that eliminates the tax review process entirely. There is still work to be done on the firm's end.

Too often, firms expect perfection from these systems—that is, 100% error-free data capture. When a firm expects perfection, this same expectation is passed down to staff. The end result, typically, is total abandonment of the system at the first sign of data error. It needs to be made clear up front that leading tax automation systems deliver 90% or greater data capture accuracy rates, which dramatically improves productivity rates, but still requires a firm to maintain a dedicated review process.

P&P P&P's approach was to not oversell the value of the technology and keep expectations realistic. In fact, P&P maintained a focus on the value of time savings and consistency of the process. Throughout the trial period, the firm consistently compared system error rates with the cost of hiring seasonal staff to manually input tax data. Because results consistently surpassed 90% accuracy and productivity went through the roof, P&P recognized the value and continued use of the system.

"During the year-one trial period, we detected a few errors in data captured by the scan and populate solution. However, they were few. We understood that errors are a given with manual data entry, meaning that review is a standard part of the tax process. Like humans, technology is not perfect, so we also knew that we would not abandon the traditional review process. Tax returns are complex, so review will ALWAYS be part of the process. We kept our focus in the right place regarding the technology—time savings. By automating the client document organization and data entry portion of the process, we were saving significant time. The value associated with time saved was phenomenal."

OST OST viewed the technology in a different way, setting an expectation of complete accuracy and assuming that the tax review stage could be eliminated. After one partner tested the system by running a return with several hundred source documents, his review detected some entries deemed "questionable." The reaction was that the entire return had to be reviewed, which was considered a "waste of time." In reality, the firm's traditional tax process required two full reviews where each entry was ticked and tied. The partner failed to recognize that by using the automated system, not only was the data entry process automated and the time savings of great value, but the firm was able to eliminate one full round of review. In this case, the expectations were simply unrealistic, hindering implementation.

5 Proper Training is Critical

A planned, structured training program is an absolute when rolling out any new technology and process. With proper education, staff members are far more likely to accept change without a fight. No one likes to enter unknown territory, especially during busy season. However, by providing staff with the appropriate level of knowledge and practical experience they will be less apprehensive about moving forward.

P&P P&P leveraged the training tools provided by the technology vendor to educate their staff as the process rolled out. Proper technical documentation, sample scenarios, and web-based and on-site training were all part of the firm's training strategy. The firm also developed and documented internal best practices and cheat sheets that detailed tips and tactics for successful use of the system. Initial users of the system took advantage of the vendor's support program to ensure they were up to speed and could answer staff questions that came up as staff worked up the learning curve.

OST OST did not use vendor training options. In fact, the firm's advocate elected to create her own training program on how to use the technology. The firm also did not document internal processes for training purposes. During year one, the firm was silent about the process and did not reveal intelligence gathered during the initial trial period. The few other partners that ran returns during year two also remained silent, failing to document workflow or mentor others in adoption of the system. It was later identified that partners experienced issues with the system that caused great frustration and eventually abandonment of the new process. Many of the frustrations were user errors or known issues that could have been easily overcome with training and best practice techniques. Had the firm taken advantage of available training and support options, issues could have been resolved quickly and helped users move up the learning curve to recognize the value of the system.

Successful Implementation Takes Dedicated Effort

Transformational change takes time and dedication. Most would agree that adopting a paperless tax process is certainly a transformational initiative. More firms are moving toward the convenience and time savings an automated tax system offers, but real value can only be realized if adoption is successful. To ensure that you are successfully rolling out your paperless tax workflow, consider the rules:

Appoint a "Chief Paperless Officer"

By naming a champion to your cause, you are more likely to see implementation through to full adoption. A champion at the partner level provides credibility to the cause and ensures follow through.

Follow an Incremental Approach

By implementing in phases, a firm is better equipped to makes changes and correct issues along the way before full rollout occurs. Incremental adoption also builds a broad-base support across the firm.

Make it Mandatory

A phased approach is ideal in order to slowly introduce staff to the new process and allow firm leaders to get up to speed. However, it must be a mandated approach. If given the choice, your staff will most often reject change and revert to familiar, comfortable processes.

Manage Expectations

Don't oversell the technology to yourself or your staff. Be sure to express the benefits of the technology in a realistic manner. Make staff aware that there will be a learning curve and that the technology is not meant to replace all human interaction, but rather to streamline the tax process and increase time savings.

Proper Training is Critical

People don't learn through osmosis; they require dedicated and structured training to get up the learning curve. Firms should be prepared to train staff on new technology and workflow — and expect a lot of questions along the way.

The paperless tax process is the way the profession is moving, and it will require some changes within firms to achieve.

P&P — Progressive & Progressive, LLC represents a firm that really got it right—dedicating the right people to ensure full adoption and aggressively sticking to the plan. P&P understood that the technology and firm demographics alone would not make a successful transition to a paperless workflow. It was also critical to get the approach right. The firm's implementation plan was well thought out and received the support it required to be successful, ultimately saving the firm an average of two hours per tax return.

OST — Old, School & Thinking CPA Group failed for the same reason P&P succeeded: the approach. OST did not think through a proper implementation process, naming the wrong person to lead the fight and focusing on the limitations of the technology instead of the value. OST failed to see the bigger picture: time savings and increased efficiency. Additionally, failure was inevitable because the firm did not phase implementation in small digestible chunks, but rather forced the firm to make a high-risk, go-big-or-go-home implementation decision before they had enough proof of value or support. In the end, implementation was abandoned and the firm returned to the old way of doing business.

The technology and support to fully adopt a paperless tax workflow are available. By following the example of P&P and avoiding the issues identified with OST, you can experience a smooth implementation in your progressive firm.

| *Transformational change takes time and dedication*