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From the Desktop to the Cloud: Transforming Tax — Part 2

By Matt Delaney

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Matt Delaney is in the tax automation services department of Global Tax Management Inc., where he specializes in the implementation and support of tax accounting software, with a focus on fully integrated and automated processes.

In this second article of a two-part series, Delaney highlights best practices for implementing tax collaboration software, using an example of a project at a *Fortune* 200 industrial products company.

Using modern collaboration tools, companies can establish more productive interactions to create efficiencies, provide greater transparency, and achieve more accurate tax calculations. These tools enable greater visibility into every communication stage across the global tax department. They also establish controlled processes for individual and team accountability.

Advanced collaboration solutions connect the tax department from end-to-end around the world to provide far-reaching benefits. The tools can be integrated with other enterprise systems such as enterprise resource planning, consolidation, income tax compliance, and provision software. The result is a strategic tax management department that contributes to the achievement of business goals instead of functioning as just a team of isolated number crunchers.

Below are some best practices to begin your tax department transformation as well as a glimpse at how large organizations are embarking on the journey to success. The concepts are illustrated by showing how PPG, an industrial products company headquartered in Pittsburgh, is transforming its tax department from data hunters and gatherers to a collaborative team that drives strategic value for the overall organization.

Tax Collaboration Software Implementation

Ready to get rid of the excess paper and move to a collaborative tax operation? Consider the following approach to prepare for implementation.

Phase 1 includes three preparatory steps that require communication inside and outside the tax department to identify future collaboration goals. Equally important is finding an executive champion to support the project and to build momentum along the way.

Step 1: Assess current processes, problems, and areas needing improvement.

Step 2: Define goals and create a strategy.

Step 3: Gain executive support to facilitate change management.

Phase 2 includes steps 4 through 6 and is more hands-on. For example, step 4 requires research on what technology platform will work best for the company. Next, determine the budget: What new investments or fees are involved and necessary for success? Step 6 is crucial; it's the ''who, what, and how'' of implementation. The outline will help determine if the IT team, a vendor, or a consultant will lead and execute the project.

Step 4: Research collaboration technology solutions.

Step 5: Budget business costs and requirements.

Step 6: Outline an implementation strategy and timeline.

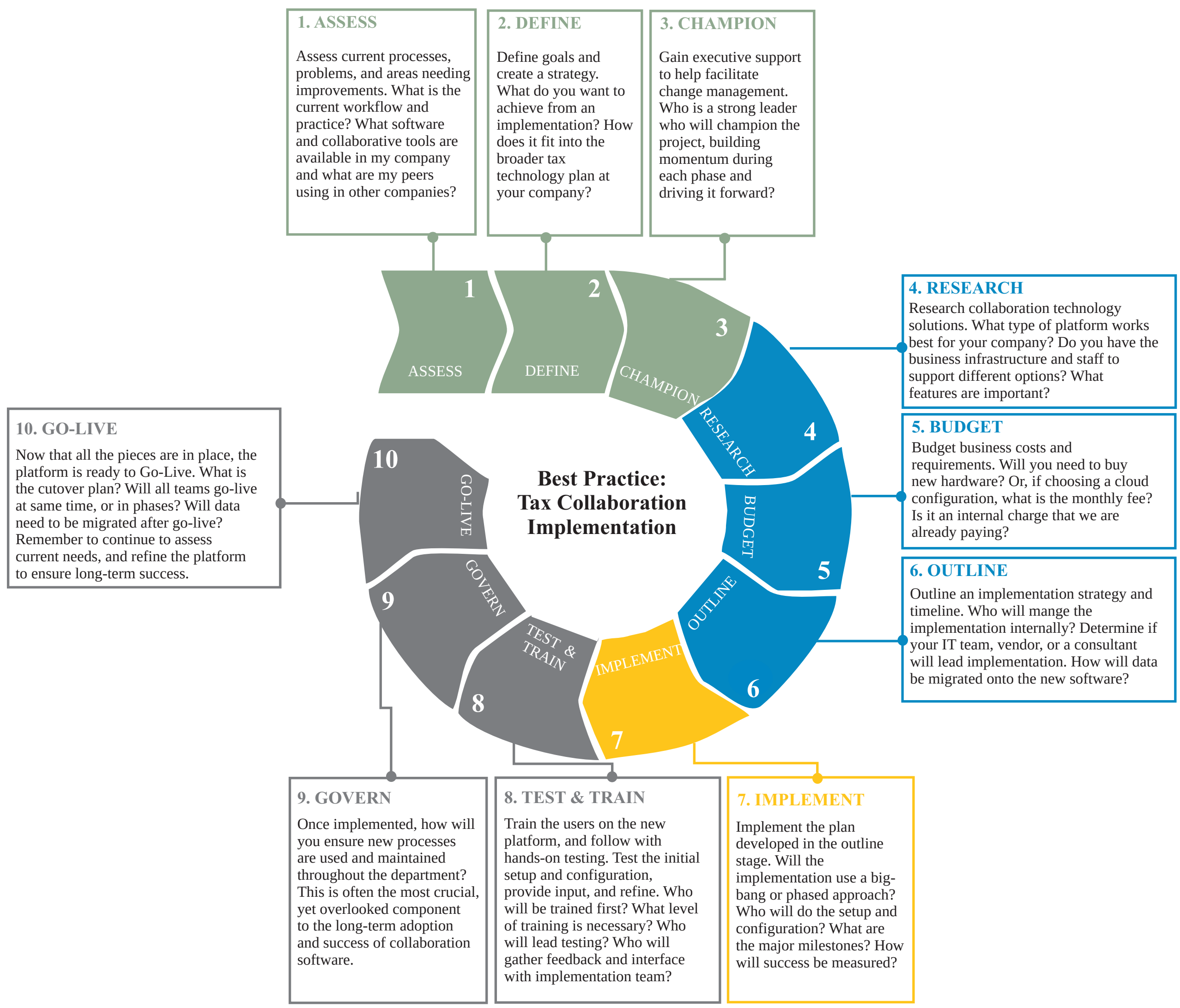
Phase 3 is simply implementation, which should go smoothly if phases 1 and 2 have been completed. This is where the rubber meets the road and defines major milestones as well as how success is measured.

Step 7: Implement the plan developed in the outline stage.

Phase 4, the final phase of the approach, is rollout of the solution to the enterprise (which can be done in stages). Step 8 requires testing of the initial setup and configuration and provides an important opportunity to gather input and make any necessary refinements. Step 9 is governance, which is often overlooked but is key to long-term adoption and success of collaboration software. Finally, it's time to go live with the software. Before executing, consider the timing of the cutover plan and the need for post-go-live data migration. This is also the time to make any additional refinements to the system.

Step 8: Train the users on the new platform and follow with hands-on testing.

Figure 1. Best Practices for Tax Collaboration Software Implementation



Step 9: Govern the new processes to ensure they are being used and maintained through the department.

Step 10: Go live when all of the pieces are in place.

See Figure 1 for a depiction of this best practice phased approach to tax collaboration software implementation.

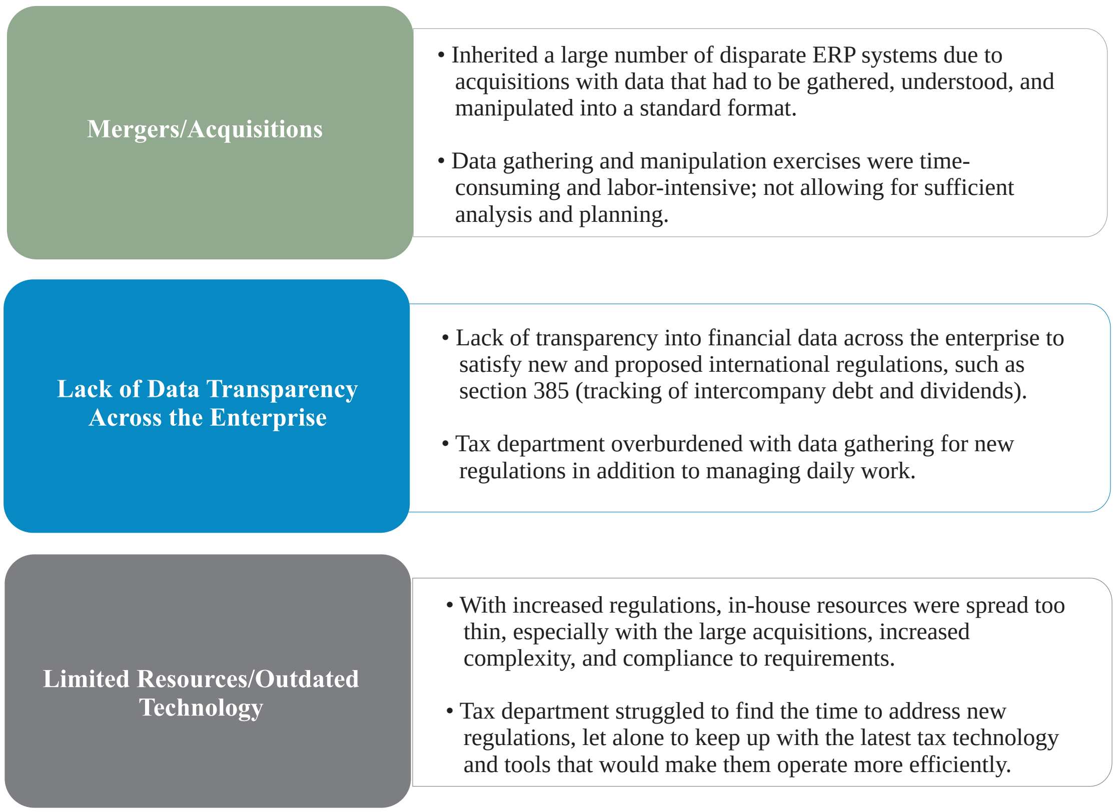
Collaborative Software Transforms Corporations

PPG, a global manufacturer of paints, coatings, and specialty materials with nearly $15 billion in sales in 2015, is using cloud collaboration software to help transform its tax department from a tax compliance department to a strategic operation that affects the entire business.

PPG's existing tax operations posed several time-consuming challenges, including mergers and acquisitions, a lack of data transparency across the enterprise, limited resources, and outdated technology. See Figure 2 for a detailed description of the challenges.

Those challenges had turned PPG's tax department into a reactive operation that was barely able to keep up with the daily workload and allowed little time for strategic analysis and planning. To optimize operations for greater efficiency, while adding capabilities to work more strategically, PPG reevaluated its technology. PPG enlisted the help of an experienced tax technology adviser and consultant because its internal IT department and tax teams were unfamiliar with integrating the latest

Figure 2. PPG: Triggers for Tax Department Change



tax and collaboration technologies. According to Ken Moran, International Tax Manager at PPG, "We knew that there were technology solutions on the market that could help us dramatically improve efficiency and get back to operating more strategically to impact the bottom line, but we didn't have time to stop our daily responsibilities to plan a special project without falling behind. We were overdue for a change but wanted to take our time and transition the right way."

Choosing the Right Technology

An initial assessment of the tax department found that PPG's tax operations were more manual and paper-intensive compared with their peers. With no standardization to file management, users often had difficulty tracking the latest version of a file or sometimes even finding files. If someone left the company, files might be lost in a personal folder on the network drive, email, or an unstructured cloud platform.

The analysis also made it clear that PPG's decentralized operations did not encourage interaction, resulting in departments working in their own silo, focused only on their specific functions. Teams largely shared files by email, creating many back-and-forth communications that slowed down the process and interrupted work flow.

Wanting to gain process efficiency to spend less time on routine transactional and manual data gathering tasks and more time on tax analysis, PPG needed a modern system with security controls, greater transparency, and automation capabilities. While the company was already licensing a collaborative software tool for use globally, functionality was not fully leveraged by the tax department for true collaboration. Initially implemented years ago, users were left on their own to determine how to get the most out of it. So, many users simply housed documents on the platform in the same manner as they would on a network drive, and they used email to exchange files and obtain approvals. Offering no version control, no reminders, and no limitations in file exchange, email proved inefficient and distracting, often requiring paper printouts of large files.

PPG knew it needed to harness the full power of its software to enable document sharing, centralized collaboration, process transparency, the creation of management dashboards, and automated work flows to control processes for compliance and quality. Taking full advantage of software capabilities, PPG could enable employees to interact more strategically, gaining additional insights about tax and enterprise operations and adding increased strategic value to the entire enterprise.

The collaborative tool also offered greater data security, ensuring version control and restricted data access. In the past, a draft of a spreadsheet would circulate throughout the company, potentially exposing information while providing no control over which subsequent version had the most current information.

After talking with executives and evaluating internal resources, the third-party consultant made a list of recommendations and prioritized project implementation. PPG took a phased implementation approach, whereby early success was achieved by building user confidence and adoption. The positive reaction, especially from the skeptics in the tax department, helped the project gain momentum and visibility.

After developing the system architecture, defining the common metadata template for organizing files on the platform, and configuring the initial security settings, the tax technology adviser started loading both old and new files to configure and test the process. PPG started with the compliance group for international, federal, and state and will continue with the rest of the tax department. Requirements differed by operations, but the goals remained the same.

By selecting the proper collaboration platform for PPG's needs, they were able to create a structured site architecture and governance plan for the entire tax department to follow and cater to the unique needs of each group. PPG realized the importance of spending the additional time upfront to assess their needs, research and evaluate the tools available to them, and to receive input from internal and external advisers. They ultimately selected the tool that best fit their needs and allowed them to see early success with the project.

PPG Transforms From Transactional to Strategic

After just the first phase of implementation, the federal tax return was filed earlier than it had been in more than a decade, assisted by the process efficiencies gained from the collaborative technology-driven approach.

While PPG's tax team has started using metadata tagging to effectively manage and retrieve documents, the full benefits won't be realized until the platform is firmly established and the rest of the organization accesses it. When fully functional, the solution will enable PPG to automate routine functions that were done manually in the past. Management will now have dashboards to track the status of processes, key performance indicators to measure progress against standards, and the tax team will no longer waste time chasing, reformatting, or manipulating data. Instead, it will use its expertise for strategic tax planning that affects the bottom line at PPG.

Moran summarized the PPG project, saying, "We are not just a team of number crunchers. PPG's global tax team is now transforming into more of a mission-critical area of the business and will deliver even greater value as we become fully integrated with the rest of the financial organization." ■