

## A Small Financial Advisory & Accountancy Business with 20 employees

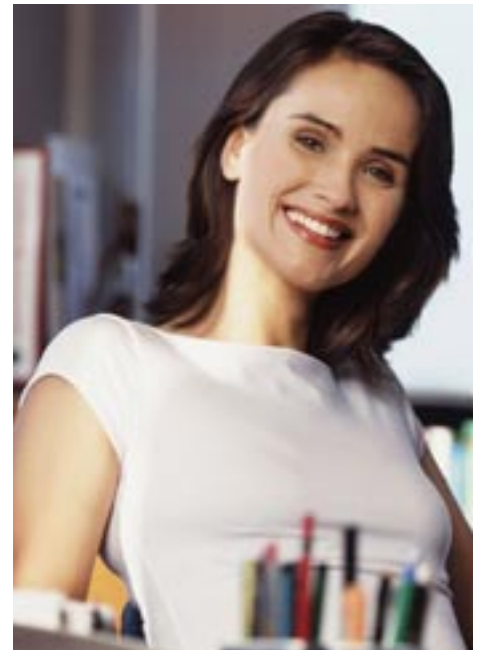
### The Company

The following case study is based on an Adviser/Accountants business with 20 staff, one main office and one small satellite office with staff requiring remote access. For confidentiality reasons the company is named "Company ABC".

The Business is made up of:

- 4 Financial advisers
- 5 Accountants
- 6 Support staff
- 3 Administration staff
- 1 Para-Planner
- 1 Legal person

Some Para-planning services are also outsourced.



### The IT Requirements

IT is an integral component of running a Financial Advisory/Accountancy business. The amount of software required, back office hardware to run the software and compliance necessary is escalating. Technology systems are constantly changing and advisers are forced to keep up, simply to stay compliant and receive support.

Company ABC has grown since they first began using their core financial planning software, subsequently they have reached the limits of a MSDE database and are required to move to a full version on Microsoft SQL. This means that Company ABC will need to acquire more back-end servers & systems. Furthermore, greater skills are required to implement and manage a Microsoft-SQL server.

Additional software requirements include the general Microsoft Office applications, email, ACT!, MYOB, tax software and various calculators. Above and beyond the basic requirements of an IT system, businesses today want more. They require access to their files securely from outside their office, many have external devices that they would like synchronize, and many also would like to have access to innovative new software.

### How Company ABC managed their IT with an in-house model

The growing demands of technology have become a burden that began to hinder Company ABC's overall efficiency, productivity and profitability. Below are some of the things Company ABC experienced when they maintained their systems internally.

- Either Company ABC used capital funds or leasing options to purchase equipment i.e. servers, Backup drives, high-spec PC's.
- External consultants installed the equipment and loaded software on the relevant machines, at a per hour cost.
- External consultant showed more IT savvy staff how to perform daily tasks such as backup, updates, often rebooting etc.
- An in-house staff member performed all daily updates, general support to other users and changing of backup tapes.

- If there were any computer problems, the most IT savvy person would usually stop what they were doing and deal with the issue as the first level of support.
- If the issue could not be resolved internally, the external IT support company was called – if the issue could not be resolved over the phone then consultant came to the relevant office or person's PC to 'fix' issue. Charges were incurred for both call out fee and time.
- For any upgrades, the external consultant was once again engaged to perform the task.
- There was no easy means of deleting old staff or adding new staff to the system with changing access to data and applications.
- No resource was responsible for any or all strategic planning around technology and how it should serve the business requirements.
- Many emergencies existed (such as virus issues, backup issues and server crashes) that caused impact-full inconvenience to staff and high unexpected fees to rectify. The financial impact of all the services, consultants and time taken to implement and manage the above cannot be fully determined. *Company ABC* was only reactive to IT/Technology expenses, it was not proactively managed.

### Company ABC's current hosted IT system

#### Why would a business like Company ABC choose an OBT Solution?

*Company ABC* required access to their network remotely and also wanted to share the information across its satellite office, therefore needing a centralised system.

This simple matter became a logistical nightmare. To facilitate this without OBT, *Company ABC* would have had to set up a remote access network system, direct communication links between the offices, potentially have more servers, communications routers at each site, firewalls and internet connections. An external IT company would have implemented all this and provided ongoing maintenance & support; fees would not have been predictable or stable.

If they expanded any further they would then need a full time IT person to look after the in-house IT system – this would result in more being spent on wages, office space, and travel between sites. In addition, a full time IT person would still need the services of an external IT company for specific technical problems.

After looking at various options and carrying out a thorough cost analysis for all types of solutions (Setting up WAN/VPN, own Data Centre with Citrix etc.), *Company ABC* found that by using an OBT solution they could focus on and expand their operations quickly and easily without having to factor in IT as an obstacle.

Another advantage was that they were clearly able to set the budget for IT expenditure and stick to it. Normally it is very difficult to predict IT costs – for example, a server could break

down tomorrow and need to be replaced or repaired.

With an OBT solution, *Company ABC's* IT cost is a predictable and fully tax-deductible monthly expense. They can show the true cost of IT for each staff member, which is very difficult to quantify when using traditional IT systems, as there are many hidden expenses that have to be factored such as support costs, emergency repairs, network maintenance, access and cabling, telecommunications costs, not to mention loss of productivity during down time.

The OBT solution enabled *Company ABC* to run their network with a centralised database over the two sites and remote staff with minimal expense. Most importantly, the responsibility of the entire IT system lies with OBT – in most cases, this is the biggest aspect that seizes time and expense.

### Why did Company ABC choose OBT?

At the time when *Company ABC* was evaluating various outsourcing alternatives, they felt OBT helped them understand what they really needed from an IT system.



The main determining factors for their choice were:

- a) the number of years of experience OBT has in delivering hosting solutions to real clients,
- b) the fact that OBT understands and focuses on the financial services market, and
- c) the high levels of customer service provided by OBT.

**How has using OBT affected the business's operations?**

Since moving to OBT, the staff at *Company ABC* have been able to focus on what they were employed to do.

If there are any problems with the system the administration department just has to call OBT's 24-hour support line to have the problem dealt with. This saves *Company ABC* spending valuable time trying to sort it out internally. With the use of highly sophisticated troubleshooting methods, OBT technical support are able to immediately assist even those with the most basic computer knowledge.

As *Company ABC* has expanded and added new staff, the administrator only has to log onto OBT's UMS (User Management System) enter the new user details, the access and software they require and that person is set up within 24-hours. No one has to come out on site, eliminating the long and drawn-out process of adding (or removing) users to the network system.

*Company ABC* now subscribes to Microsoft licensing - this includes Word, Excel, PowerPoint, Outlook, Exchange and Microsoft SQL. Instead of having to purchase their licensing in advance with capital funds they can license it through simple monthly payments.

*Company ABC* no longer needs to perform the daily updates, patches, and upgrades for their core financial planning software – that is all taken care of centrally at OBT.

Since OBT also manage *Company ABC's* email system they feel peace of mind that their critical business information is protected from the many viruses around today.

**Other benefits experienced after switching to OBT?**

OBT gives *Company ABC* access to new technology as it becomes available. They no longer have to allocate time for future resource planning, research and then implement the technology, it can be as simple as sending an email to OBT.

*Company ABC* also has the benefit of not having to upgrade their PCs as frequently and when purchasing a PC for new staff they only require the most basic model. All the processing is performed within OBT's system so *Company ABC* receive the benefits of fast processing power without the high expense for new equipment.

*Company ABC* no longer has to allocate someone to back up data daily, which theoretically would only take a few minutes but is a continual responsibility and hassle (especially if they are diligent and ensure that it is stored off site as well).

Furthermore, *Company ABC* staff can work on their own files and database from home and at any of their offices.



**Analysis of IT setup costs using Company ABC current requirements of 20 Staff**

<b>HARDWARE</b>		<b>Start date</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Upgrade (approx. month 24 to 26)</b>	<b>Year 3</b>
	Server for file storage, backup system, email system, corporate database system & marketing database system. Includes power UPS, tape backup system & tapes	\$10,665			\$4,266	
	Application server for remote offices to access 'common' set of company data	\$11,620			\$4,648	
	Two Routers for linking two offices	\$2,500				
	Additional expense relating to higher powered PCs	\$5,400			\$4,200	
<b>SOFTWARE</b>						
	MS-Windows Server, client licenses for 20 users & remote application software	\$15,300			\$3,154	
	Email software	\$4,241			\$2,175	
	Anti-Virus software	\$1,750				
	MS-Word, MS-Office Standard & MS-Office Professional software	\$14,605			\$5,160	
<b>IMPLEMENTATION SERVICES</b>						
	Servers	\$4,800			\$3,840	
	Routers	\$600				
	Internet access	\$600				
	Workstations	\$3,600			\$1,800	
<b>COMMUNICATIONS</b>						
	ADSL Package	\$800	\$3,660	\$3,660		\$3,660
	Two ISDN Links	\$590	\$5,650	\$5,650		\$5,650
<b>MAINTENANCE SERVICES</b>						
	Router maintenance	\$350		\$350		\$350
	Anti-Virus software	\$400		\$400		\$400
	Regular maintenance on servers		\$7,200	\$7,200		\$7,200
<b>SUPPORT SERVICES</b>						
	Estimate of 4 hrs per month in general support		\$7,200	\$7,200		\$7,200
		<b>\$77,821</b>	<b>\$23,710</b>	<b>\$24,460</b>	<b>\$29,243</b>	<b>\$24,460</b>

(includes upgrade cost)

**Total: \$179,694**

**Notes for analysis of a traditional system**

- The above model assumes a term of 36 months and is repeated each term.
- The above model assumes an upgrade will be carried out around month 24 to further increase the life expectancy of the infrastructure.
- The traditional system does not include any allowances for the installation/upgrade of software applications.
- Only one remote application server is included. This means that if any problem occurs with that server, all users using it will be impacted immediately.
- No allowance for training has been included.
- Only a nominal amount of time has been allowed for support for the 20 staff.
- No allowance for “quick-to-recover” services if servers fail.
- No allowance for anti-virus & spamming problems has been included.
- No allowance for high-end firewall protection & security of network included.
- No off-site backup or Disaster Recovery Systems have been included.
- No option for secure remote access has been included.
- If staff at the southern office require access, then STD call rates will apply for the duration of access (which has not been included). Otherwise, an authentication system will be required for Internet access.
- No scalable allowance for support personnel or external support company if technical or staff numbers increase.
- No allowance for CPI or rate change has been included in both models.



**Peace of mind and Responsibility - Who looks after the system?**

Cost and efficiency are both crucial, but responsibility for system set-ups are equally important

	<b>Traditional</b>	<b>With OBT</b>
Recovery Time	Unknown	OBT
Overall maintenance service	Staff / IT Consultant	OBT
Maintenance of back-up server & information	Staff / IT Consultant	OBT
Configuration & maintenance of router	Staff / IT Consultant	OBT
Data storage in-house	Your Staff	OBT
Data storage off-site	Management	OBT
Email server	Staff / IT Consultant	OBT
Application upgrades	Staff / IT Consultant	OBT
Internet Link	ISP	OBT/ISP
Firewall maintenance & upgrade	Staff / IT Consultant	OBT
Virus checking	Staff / IT Consultant	OBT
Security	Staff / IT Consultant	OBT
Database recovery	Staff / IT Consultant	OBT
PC Upgrades	Staff / IT Consultant	OBT Partners (No upgrades necessary unless PCs are faulty)
General IT support & application questions	Unknown	OBT

## How OBT compares financially (direct costs only)

### 1. Where the traditional model is a Capital Expense:

		Traditional model - using capital Full amount			OBT model	
<b>End of year 1</b>						
Total Capital Expense		\$77,821				
Total Cash flow Expense		\$23,710			\$60,828	
Tax benefit (30%)	see table 1 below	(\$16,451)			\$18,248	
Total nett cash flow expense			\$85,080		\$42,580	
Accumulated total				\$85,080		\$42,580
<b>End of year 2</b>						
Total Cash flow Expense		\$24,460				
Tax benefit (30%)	See table 1 below	(\$12,941)				
Total nett cash flow expense			\$11,519		\$42,580	
Accumulated total				\$96,599		\$85,159
<b>End of year 3 – assumes upgrade allowance</b>						
Total (new) Capital Expense		\$29,243				
Total Cash flow Expense		\$24,460				
Tax benefit (30%)	See table 1 below	(\$14,209)				
Total nett cash flow expense			\$39,494		\$42,580	
Accumulated total				\$136,093		\$127,739
<b>Assumptions:</b>						
Assumed a full 12 months in year one						

Table 1

<u>Tax Benefit Calculations</u>	Year 1	Year 2	Year 3
Depreciation	\$31,128	\$18,677	\$22,904
Expenses	\$23,710	\$24,460	\$24,460
Tax Deduction	\$54,838	\$43,137	\$47,364
Tax Rebate @ 30%	\$16,451	\$12,941	\$14,209
<b>Depreciation Calculation</b>			
Opening Balance		\$46,693	\$28,016
Plant & Equipment Purchased	\$77,821		\$29,243
Depreciation - 40%	\$31,128	\$18,677	\$22,904
Written down value	\$46,693	\$28,016	\$34,355

**2. Where the Traditional model is a leased expense:**

	Traditional model – using lease Full Amount			OBT model	
<b>End of year 1</b>					
Leased amount (full 12 months)	\$77,821				
Total lease payments (full 12 months)	\$29,171				
Other cash flow expense	\$23,710			\$60,828	
Total deduction	\$52,881				
Tax benefit (30%)	(\$15,864)			\$18,248	
Total nett cash flow expense		\$37,016		\$42,580	
Accumulated total			\$37,016		\$42,580
<b>End of year 2</b>					
Total lease payments (full 12 months)	\$29,171				
Other cash flow expense	\$24,460				
Total deduction	\$53,631				
Tax benefit (30%)	(\$16,089)				
Total nett cash flow expense		\$37,541		\$42,580	
Accumulated total			\$74,558		\$85,159
<b>End of year 3</b>					
Total lease payments (full 12 months)	\$29,171				
Total lease payment for upgrade (12 of 24 months)	\$15,802				
Other cash flow expense	\$24,460				
Tax benefit (30%)	(\$20,830)				
Total nett cash flow expense		\$48,603		\$42,580	
Accumulated total			\$123,161		\$127,739
<b>Assumptions:</b>					

Assumed a full 12 months in year one. Interest was calculated at 8.25%

Assumed a term of 36 months with no residual

As noted, both the above analysis ignores the indirect savings that will result from outsourcing to OBT, such as:

- The responsibility for ensuring the IT system operates no longer vested with client,
- The ability to forecast a major proportion of IT expenses directly against the number of staff,
- The peace of mind in protection by enterprise grade security systems & policies, and
- Total mobility for accessing the entire hosted network.