

ROI of Adaptive Planning CPM Solution

Dyer, Riddle, Mills & Precourt, Inc. (DRMP)

Executive Summary

By implementing [Adaptive Planning's](#) software-a-service (SaaS) corporate performance management (CPM) system, DRMP was able to improve productivity, avoid adding incremental IT resources, eliminate capital expenditures related to hardware and software acquisition costs, and create high quality, accurate budgets and forecasts. These improvements in organization and efficiency allowed DRMP more time for analysis and the ability to make budgeting and business decisions based on more accurate information.

DRMP achieved an ROI of 237% on their investment in Adaptive Planning's CPM solution and achieved a payback in less than half a year.

The Company

[Dyer, Riddle, Mills & Precourt Inc. \(DRMP\)](#) is a 300 employee multi-discipline firm that has been in business for 31 years. The corporation, which earns approximately \$40 million in annual revenue, operates at 16 locations spread throughout Florida, with its headquarters in Orlando. DRMP's engineers, surveyors, planners and scientists provide clients in all sectors with survey, design, and development of infrastructure. DRMP uses non-traditional, innovative, and flexible approaches in response to the rapidly shifting global market, and is ranked in the *Engineering News-Record* (ENR) Top 500 Design Firms in the U.S.

The Business Challenge

Prior to the current fiscal year (2009), DRMP used Excel spreadsheets as its primary method for planning, forecasting, and budgeting consolidation. However, DRMP encountered and had to overcome many problems with this spreadsheet-based reporting, including:

- *Inaccuracy.* The manual and repetitive nature inherent in entering data into Excel spreadsheets often resulted in error prone reports as inaccurate data appeared through mistakes in re-keying or calculations. Without an audit trail, such errors often went undetected, causing DRMP to make decisions relying on imprecise information.

- *Inefficiency.* Due to the rigidity of the existing Excel-based model, most of DRMP's budgeting reports relied on the labor-intensive keying in of data, a process that was very frustrating and time-consuming.
- *Lack of Detail.* Because of the labor and time intensive requirements of managing spreadsheets, DRMP's budgeting became a high level top-down activity. This caused the reports to be very general and of less detail than the firm could achieve using a more bottom-up approach that involved more people.
- *Lack of Collaboration and Visibility.* The method of business and finance reporting through disjointed spreadsheets made assembling data into a unified, meaningful balance sheet or fiscal system very difficult and disorganized. Furthermore, the Excel-based method prevented access to regular and/or real-time updates on performance. Such updates could have alerted the company to critical deviations from business goals and altered decision making to correct for them.

The Solution

In March of 2009, DRMP began to look for a new solution for corporate performance management to ease the issues they had been struggling with using Excel for this function. The company investigated several applications from vendors including Clarity Systems, Longview, IBM Cognos, Oracle Hyperion, and Adaptive Planning that promised to help streamline the budgeting process and reduce costs. After careful consideration, DRMP chose Adaptive Planning for the following reasons:

- Adaptive Planning was very straightforward for the planner and users to understand, requiring little user training and relatively less time for full implementation than some of the alternative solutions.
- DRMP preferred the SaaS (hosted) solution because it not only eliminated the need for ongoing IT support, but also the need to acquire more servers and IT resources. By offloading ongoing support and maintenance to Adaptive Planning, DRMP's IT staff could devote their time to managing the network infrastructure and develop and support engineering software programs that provide it advantages in the marketplace.
- Ongoing expenses for Adaptive Planning were predictable and containable relative to alternative on-premise solutions, which would have required ongoing management and upgrading expenses.
- The application had a sufficient, but not overwhelming, degree of customization capabilities, specifically in the arenas necessary to develop the revenue and sales models that DRMP needed.

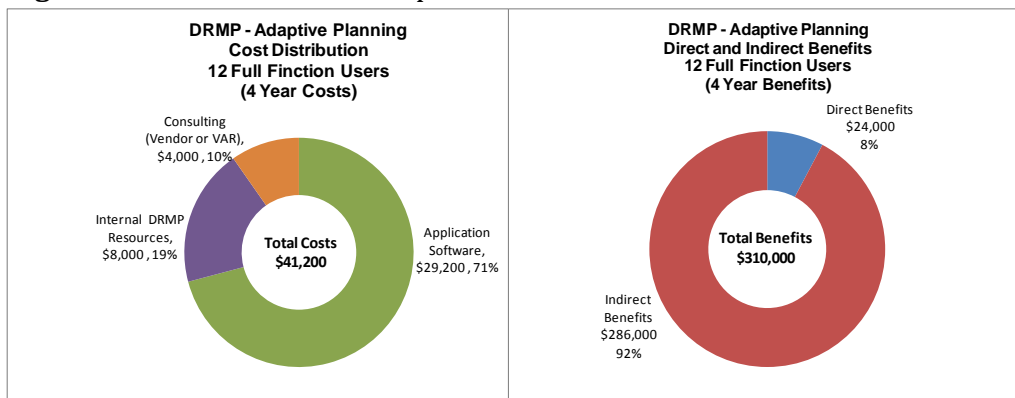
After approximately two months of research, DRMP began its conversion to the Adaptive Planning solution in June, 2009. After 130 - hours spread over a 9-week period, DRMP fully deployed the application to full production use for 12 full-function employees (including an administrator) for the tasks of developing budgets and managing financial reports.

DRMP took advantage of [Adaptive Planning's QuickStart package](#), which provides training and initial professional services to support self-service implementations. As part of QuickStart, an implementation assistant reviewed DRMP's existing planning model, and made best practice recommendations for budgeting, forecasting, and reporting processes. QuickStart also provided DRMP with ongoing project management, and consulting to help with key activities such as creating users and roles, and setting up financial statements. The implementation went smoothly, and users found the interface simple and intuitive to operate.

Direct and Indirect Benefits Achieved by DRMP

Adaptive Planning simplifies and improves the efficiency of financial management and the budgeting process for DRMP by providing robust levels of detail and more accurate data in reports. As indicated in Figure 1 right side, DRMP achieved both direct and indirect business benefits with the Adaptive Planning solution.

Figure 1 – Cost and Benefit Components



Source: SMB Group, 2010

Key benefits from the implementation of Adaptive Planning include:

- *Avoided additional IT headcount for managing CPM.* DRMP used Adaptive Planning's SaaS-based CPM as an alternative to their previous Excel-based methods. By opting for a SaaS solution instead of on-premise CPM alternatives, the company avoided any additional initial and ongoing on-site systems management chores, which would have necessitate hiring more IT staff.
- *Improved Productivity.* Adaptive Planning has been effective in helping create detailed and high fidelity financial and income statements as well as budgeting reports for DRMP. The CPM solution replaced labor-intensive method of rekeying data into spreadsheets that DRMP previously employed. With Adaptive Planning, the company has been able to validate its top line to optimize efficiency, while reducing the time spent maintaining models by up to 20% (a direct benefit from

implementing Adaptive Planning).

- *Reduced time for budget cycles.* Since implementing Adaptive Planning, DRMO has cut 3 weeks out of its annual budget process. For the first time, it can also roll out quarterly forecasts, which it can develop in 2-3 weeks per quarter. Overall, the indirect benefit resulting from adoption of the Adaptive Planning solution resulted in the increased productivity of the 12 person financial planning staff by at least 5%.
- *Better accuracy.* Adaptive Planning has enabled DRMP to create budgeting reports with much more robust levels of detail, reducing variance and eliminating any errors in projects caused by mistakes in data entry or calculations.
- *Avoided and reduced additional hardware costs.* Because DRMP used Adaptive Planning, a SaaS delivered CPM solution, they were able to eliminate the need for any additional hardware and IT costs.

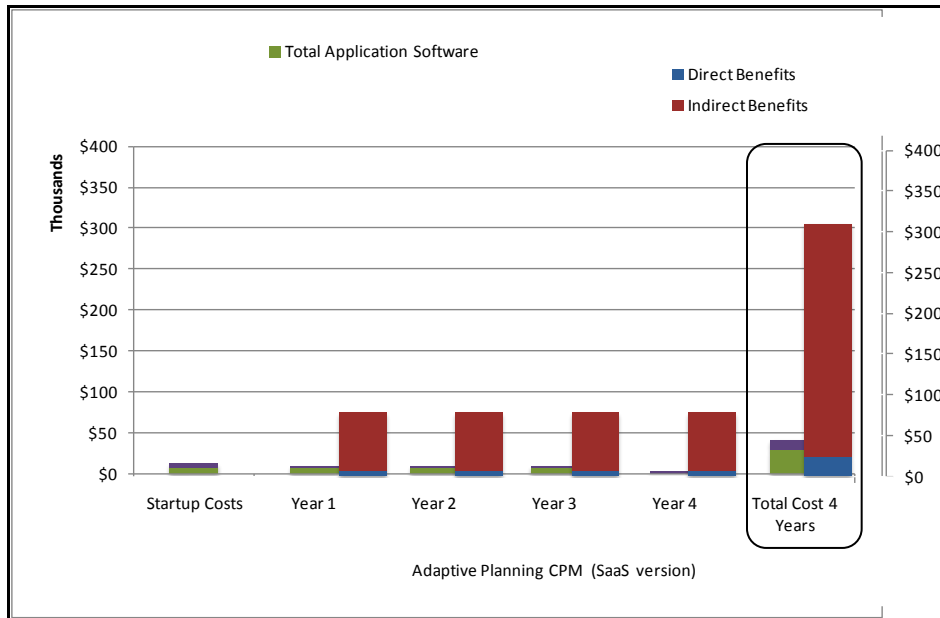
Adaptive Planning Deployment Cost Areas

Key cost areas for DRMP's deployment of Adaptive Planning included SaaS delivered application costs, consulting from Adaptive Planning, and DRMP personnel costs. Figure 1 left side shows the different cost components related to the Adaptive Planning solution. Up front consulting costs were minimal because of the QuickStart program and much of the pre-implementation research was web and trial-based. The cost of training users was negligible. The vast majority of the cost came from the annual application software subscription costs, which is an annual operational expense of \$7,300.

Conclusion

DRMP achieved an ROI of 237% on their investment in Adaptive Planning solution and achieved a payback in less than half a year. As can be seen in Figure 2, in each of the 4 years the Adaptive Planning solution is planned to be used, the benefits (direct and indirect) far outweigh the associated costs of implementation and annual usage charges.

Figure 2 – Annual Cost and Benefit Summary



Source: SMB Group, 2010

Methodology

This study was conducted by SMB Group in December 2009 through an in-depth interview of key financial department personnel at DRMP and the marketing group at Adaptive Planning. The analysis for costs and benefits has been done over a four year period, which is the average useful life of most business-class software solutions.

All costs related to implementing the Adaptive Planning CPM solution and annual usage charges were provided by DRMP. The direct and indirect benefits were calculated based on reduction in staff time needed to maintain financial models, and improvements in financial staff productivity because the software enabled them to do more than they could do previously and with higher accuracy.

SUMMARY OF COST BENEFIT ANALYSIS

12 Full Users	Adaptive Planning CPM (SaaS version)					
	Startup Costs	Year 1	Year 2	Year 3	Year 4	Total Cost 4 Years
BENEFITS FROM SOLUTION						
Direct Benefits	0	6,000	6,000	6,000	6,000	\$ 24,000
Indirect Benefits	0	71,500	71,500	71,500	71,500	\$ 286,000
Total Benefits	\$ -	\$ 77,500	\$ 77,500	\$ 77,500	\$ 77,500	\$ 310,000
ASSETS AND DEPRICIATION						
Capitalized Assets						
Application Software						\$ -
IT Infrastructure						\$ -
Consulting	10,000					\$ 10,000
Total Capitalized Assets	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ 10,000
Depreciation						
Application Software						\$ -
IT Infrastructure						\$ -
Consulting		2,000	2,000	2,000	2,000	\$ 8,000
Total Depreciation	\$ -	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 8,000
COSTS						
Total IT Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total CPM Application Software	\$ 7,300	\$ 7,300	\$ 7,300	\$ 7,300	\$ -	29,200
Total Applications Implementation & support	\$ 4,000	\$ -	\$ -	\$ -	\$ -	\$ 4,000
Total User Training	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Costs	\$ 11,300	\$ 9,300	\$ 9,300	\$ 9,300	\$ 2,000	\$ 41,200
Total Costs NPV (@15.0% cost of capital)	\$ 11,300	\$ 9,300	\$ 8,087	\$ 7,032	\$ 1,315	\$ 37,034
Cumulative TCO	\$ 11,300	\$ 20,600	\$ 28,687	\$ 35,719	\$ 37,034	
Cash Flow Anslsysis						
Cash Flow before Taxes	\$ (21,300)	\$ 70,200	\$ 70,200	\$ 70,200	\$ 77,500	
Cash Flow after Taxes (@50%)	\$ (15,650.0)	\$ 36,100.0	\$ 36,100.0	\$ 36,100.0	\$ 39,750.0	
Annual ROI		231%	231%	231%	237%	
Payback Period (years)		0.43				



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