Defining the Business Case for CPM - The Value Equation

A unique perspective on developing a business case for Corporate Performance Management

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Four Key Methods for Preparing a CPM Business Case

Business Case Core Themes
Client's pick one and use the other for support
Visualize your data model and dependencies within OneStream
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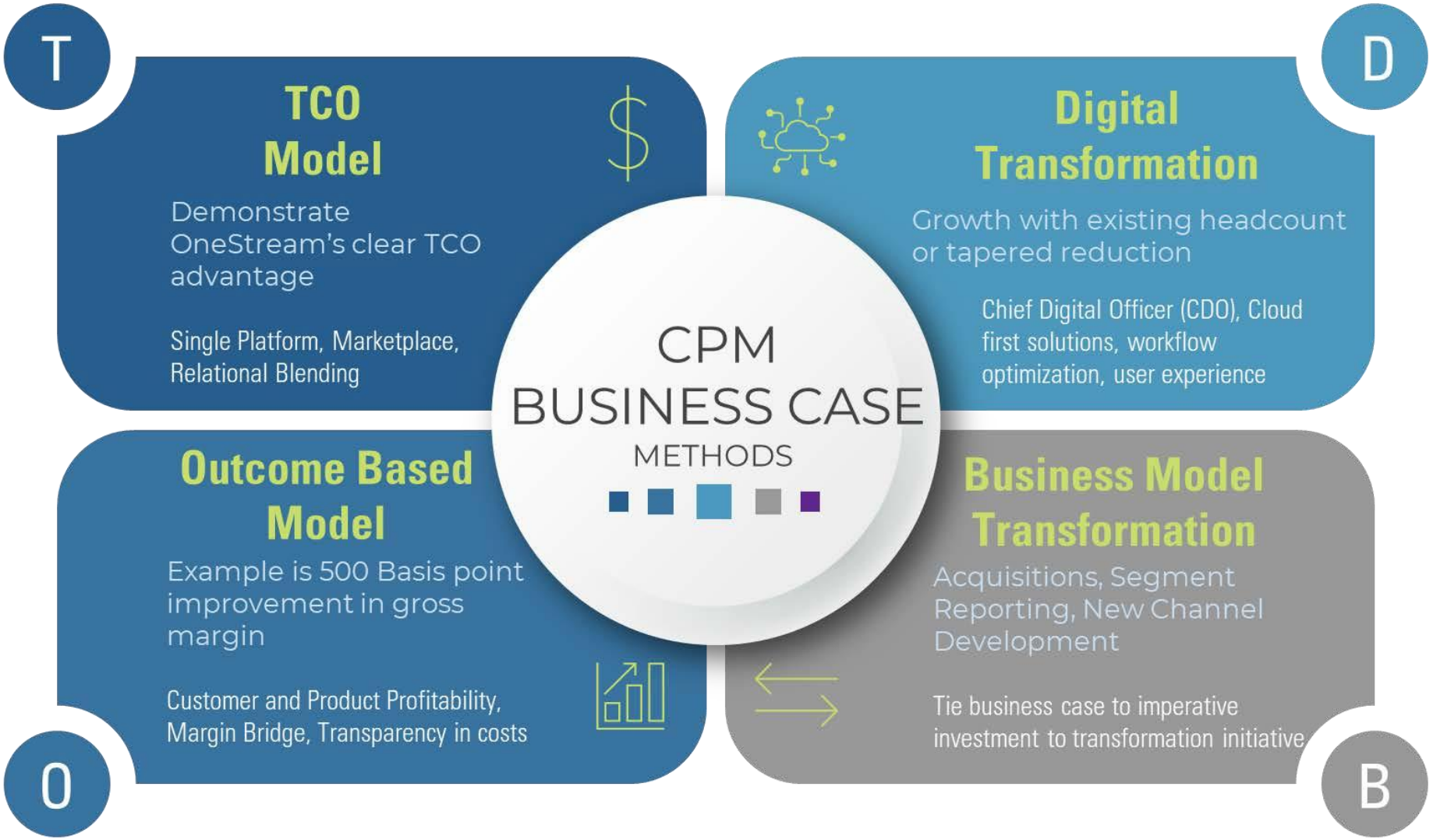

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CPM ROI Equation – How should it be measured?

$$\text{EPM ROI} = \frac{(R^e + R^i)^{AE}}{(I^1 + I^2 + I^3 \ldots I^n) \times {}^1/_{AE}}$$

Return on Saved Expenses (R^e) – Are we really going to save those expenses?

The downfall of most EPM projects is that the people that are tasked with working 'overtime' to implement a particular project, are not sure whether their jobs are on the line - so some don't put their best forward (not out of spite, rather out of **fear/self-defense**). The consequences are that EPM projects aren't fully baked, the software doesn't fully perform, the people costs don't go down (or worse, even more people are required). In essence R^e never gets achieved, and we have undermined our own return - and worse than that - the poor execution of first project can easily compromise future investments in the program!

Return from Better Revenues (R^i) – Do we really know the returns?

There is a lot of benefit that can be realized by just having better information in order to make the investment decisions. A lot of the decisions we make have emotional drivers and this is good as we need a positive drive, but we also must do good business, and to know what that looks like means we must have **good financial information**. The returns on EPM are not just limited to the investment in EPM, it is also increasing the returns on all the other investments that EPM informs us on - for example, the expansion into a new market, development of a new product, buy out of a competitor - and doing this all in such way that increases the bottom line.

Investment (I^n) - Do we know what we want to spend and when

Program estimates are dangerous. They can scare off the whole investment, meaning we never get started; they can look too good, meaning we must take shortcuts or stop part-way; they can be uncertain, meaning they can be diverted. We must be purposeful, clear and concise, and goal orientated. It is about the EPM function, not just about the project. Good financial information.

Active Engagement (AE) is the key multiplier:

The ability to maximize your investments' value comes from having the constant attention of your **EPM Provider**, using the capabilities (new ideas every day) of the Platform (OS) to help find the new R^i; and rather than just pretending to reduce R^e on a given project, allocating the finite resources to the best investment; and finally, nurturing and looking after the ΣI^n, so that it isn't just an EPM project, but an EPM program that really maximizes and captures TRUE VALUE

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Client ROI for Corporate Performance Management

New Methods to Target and Realize ROI

.

Fixed “I”

Reduced “I”

Negative Contributions to “R”

Cost determinant (Fixed “I” or reduced “I”)	Negative contribution to “R” above
Fixed start and end date (Fixed “I”)	Even in perfect projects where budget is set and timelines are followed, the full value is rarely implemented, because somewhere a gap exists: • Maybe the scope is not fully executed • Not all users adopt, and the tool isn’t used effectively • Expectations are missed
Specific projects rarely venture beyond first phase of a program (Reduced “I”)	The investment returns value when the program is implemented (i.e. the IT roadmap is fully executed).
Cheaper “bolt-ons” alternatives (Reduced “I”)	Rather than the investment being nurtured or grown, “bolt-on” solutions that create inefficiencies (that appear cheaper investment choices) are added to the first project. This not only derails the overall program, but it also reduces the ability to grow the returns (even the cost savings expectations, if those were the only ones identified to begin with)

Decisions to invest (in C/EPM) are informed by ROI or NPV calculations, and back office projects normally do a terrible job in **first** targeting and **then** realizing ROI.

The first reason is because the focus is always on Cost Reduction – rather than total possible returns:

- Often half-baked cost saving estimates are crafted just to push through the business case for the project, examples include:
  - One or two headcount reductions into perpetuity
  - Software license costs saved by implementing a new application
- The returns are normally not tied into the overall objectives and strategies of implementing in C/EPM
- The cost savings are normally not carried through properly
- Total possible returns are almost always ignored as the argument made is almost always because “they can’t be measured”

The second reason is because it is rarely understood what the investment is and how it contributes to the total possible returns.

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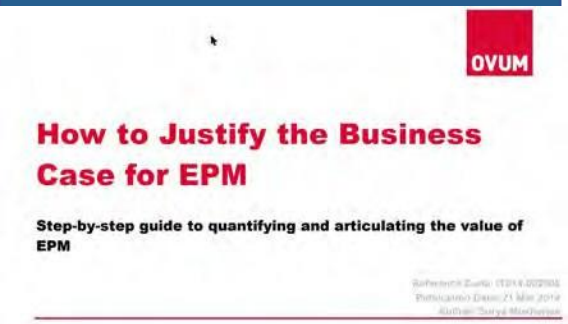
Understanding Direct CPM Benefits

Great Resource
Expert Article



UNDERSTANDING DIRECT BENEFITS

Increasing finance efficiency remains the key focus for EPM

Direct benefits, similar to direct costs, refers to quantifiable benefits that can be completely attributed to the use of EPM. Direct benefits are principally realized from efficiency in finance teams, which translates into time/man-hour savings for companies. With additional time at their disposal, finance professionals are freed of the burden of mundane data quality tasks and instead can focus on high-value-added financing decisions, which are key to the company's core business.

Time savings on financial tasks benefits (TSFB): close, planning, budgeting, forecasting

One of the most important benefits of deploying EPM is realizing time savings from various finance activities. Time saved can be directly counted as a tangible benefit by converting it to man-hours and salaries saved. Some enterprises also choose to engage in headcount reduction (especially after intercompany reconciliation and consolidation), which again counts as a direct benefit.

Most enterprises that we have spoken with find planning and financial close to be the most affected by EPM deployment. Capturing the effort and time savings from monthly, quarterly, and yearly close and planning should be considered low-hanging fruit for any EPM evaluation exercise, as these are most likely to record positive returns in the shortest time.

Table 6: Calculating time-saving benefits

Number of planning users	100	Yearly average salary of finance user	$120,000
Yearly close time taken before EPM	30 days	Yearly close time taken after EPM	15 days
Quarterly close time taken before EPM	7 days	Quarterly close time taken after EPM	4 days
Monthly close time taken before EPM	2 days	Monthly close time taken after EPM	1 day
Total ongoing time savings every year	= 100 * (15 days) + 100 * (3 days) * 4 + 100 * 1 day * 12 = 3,900 days per year		
Total ongoing dollar savings every year (TSFn)	= 3,900/365 * $120,000 = $1.28m		

Note: Numbers are for demonstration purposes only and do not reflect real planning windows.

Source: Ovum

Similarly, reduction in time taken for financial reporting and disclosure, strategic planning, forecasting, simulation/optimization (what-if analysis), and management reporting should also be considered a direct benefit. Enterprises estimating the value of these activities should follow the same approach as in Table 6.

Time savings on IT tasks benefits (TSIB): data quality, maintenance, management

In addition to financial efficiencies, organizations deploying EPM solutions realize time savings from IT tasks such as data management, management reporting, and application development. Using EPM, many of these activities can be automated; time saved in IT can be directly counted as a tangible benefit by converting it to man-hours and salaries saved. Some enterprises also choose to engage in headcount reduction in IT, which again counts as a direct benefit.

Direct impact on revenue and costs (DRB and DCB)

While directly attributing revenue growth or cost reduction to EPM deployment is difficult, in rare cases enterprises may be able to identify specific impacts to revenue and costs due to EPM. This is usually the case with greenfield customers that have migrated from "Excel hell" and gain improved

- revenue recognition practices, realizing revenue faster
- pipeline management to easily translate prospects to customers and subsequently revenue
- cost structures by consolidating multiple entities
- reconciliation processes and approval pyramids, which are often error-prone (in some cases, these processes are completely automated or eliminated).

Direct impacts to revenue and costs can both be considered direct benefits and be added to the cash flows from the EPM project.

Source: http://www.brittenford.com/wp-content/uploads/2015/07/Business-Case-for-EPM.pdf

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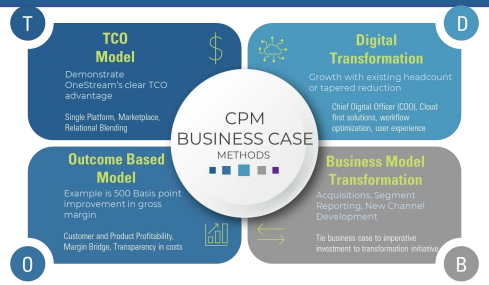
Four Key Methods for CPM Business Case



Number 1 (T): Total Cost of Ownership (TCO) Model

Model comparing existing platform costs with the new investment in OneStream.

Total Cost of Ownership (TCO) Model

Seven Year Ownership Cost - OneStream Software vs {Current State}

OneStream Savings over 7 Years: $ 8,130,759

	2020 Year 1	2021 Year 2	2022 Year 3	2023 Year 4	2024 Year 5	2025 Year 6	2026 Year 7	TOTAL
{Current State} Examples**								
Current Oracle Perpetual Software (HFM, PLNG, FDM, Essbase, DRM)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Current Oracle Support (22%+) assume 5% annual increase	$ 650,000	$ 682,500	$ 716,625	$ 752,456	$ 790,079	$ 829,583	$ 871,062	$ 5,292,305
Current Blackline Support (assume 5% annual increase)	$ 250,000	$ 262,500	$ 275,625	$ 289,406	$ 303,877	$ 319,070	$ 335,024	$ 2,035,502
Current "Other" Support	$ 120,000	$ 126,000	$ 132,300	$ 138,915	$ 145,861	$ 153,154	$ 160,811	$ 977,041
New Oracle Software? *Will add'l licenses be needed to move from OnPrem to Cloud?* TBD	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Implementation/Upgrades (combined)	$ 450,000		$ 500,000		$ 1,300,000			$ 2,250,000
Application Managed Services - Juron	$ 144,000	$ 144,000	$ 144,000	$ 144,000	$ 144,000	$ 144,000	$ 144,000	$ 1,008,000
IBM Hosting	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 1,750,000
Total	**$ 1,864,000**	**$ 1,465,000**	**$ 2,018,550**	**$ 1,574,778**	**$ 2,933,816**	**$ 1,695,807**	**$ 1,760,898**	**$ 13,312,849**
Cumulative Spend	**$ 1,864,000**	**$ 3,329,000**	**$ 5,347,550**	**$ 6,922,328**	**$ 9,856,144**	**$ 11,551,951**	**$ 13,312,849**	
OneStream **								
Software Subscription(138 Interactive/137 View)	$ 408,870	$ 408,870	$ 408,870	$ 408,870	$ 408,870	$ 408,870	$ 408,870	$ 2,862,090
Support - Included in Subscription								$ -
Azure Cloud Fees	$ 159,600	$ 159,600	$ 159,600	$ 159,600	$ 159,600	$ 159,600	$ 159,600	
Oracle Support (1 year transition to OS)	$ 650,000							$ 650,000
Blackline Support (run in parallel until replaced with OS)	$ 250,000							$ 250,000
Other Support (run in parallel until replaced with OS)	$ 120,000							$ 120,000
Implementation/Upgrades	$ 1,000,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 1,300,000
Managed Services - Included w/ OneStream								
Hardware - Included w/ OneStream	$ -				$ -			$ -
Total	**$ 2,588,470**	**$ 618,470**	**$ 618,470**	**$ 618,470**	**$ 618,470**	**$ 618,470**	**$ 618,470**	**$ 5,182,090**
Cumulative Spend	**$ 2,588,470**	**$ 3,206,940**	**$ 3,825,410**	**$ 4,443,880**	**$ 5,062,350**	**$ 5,680,820**	**$ 6,299,290**	

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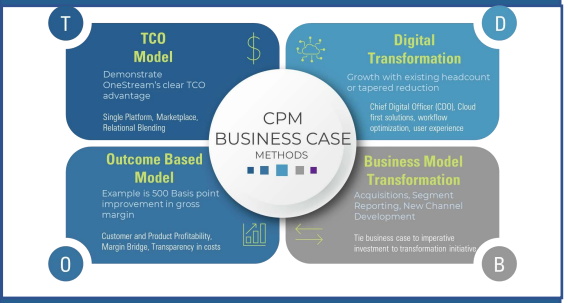


Number 2 (D): Digital Transformation

Growth with existing headcount or tapered reduction –

Chief Digital Officer (CDO), Cloud first solutions, workflow optimization, user experience

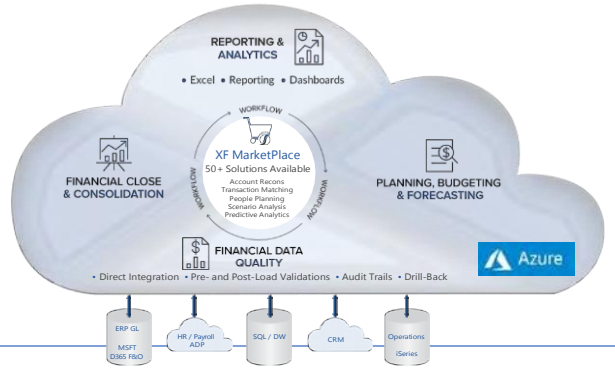
Digital Transformation Example

Shifting to strategic plan and digital reporting structure

Competitive Advantage

1. Driver Based Forecast
2. KPI-driven mindset
3. Commitment to digital strategic planning process

Increase visibility and margin improvement



Sustainable Culture

Accountability (Control)	Process (Accuracy)
Structure	Drivers / KPI
Governance	Empowerment
Performance	Talent Management

Balance of Execution

Understand → Accept → Optimize

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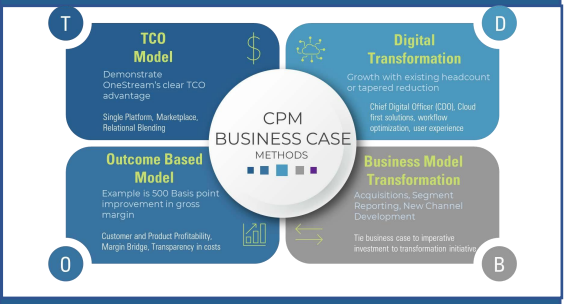
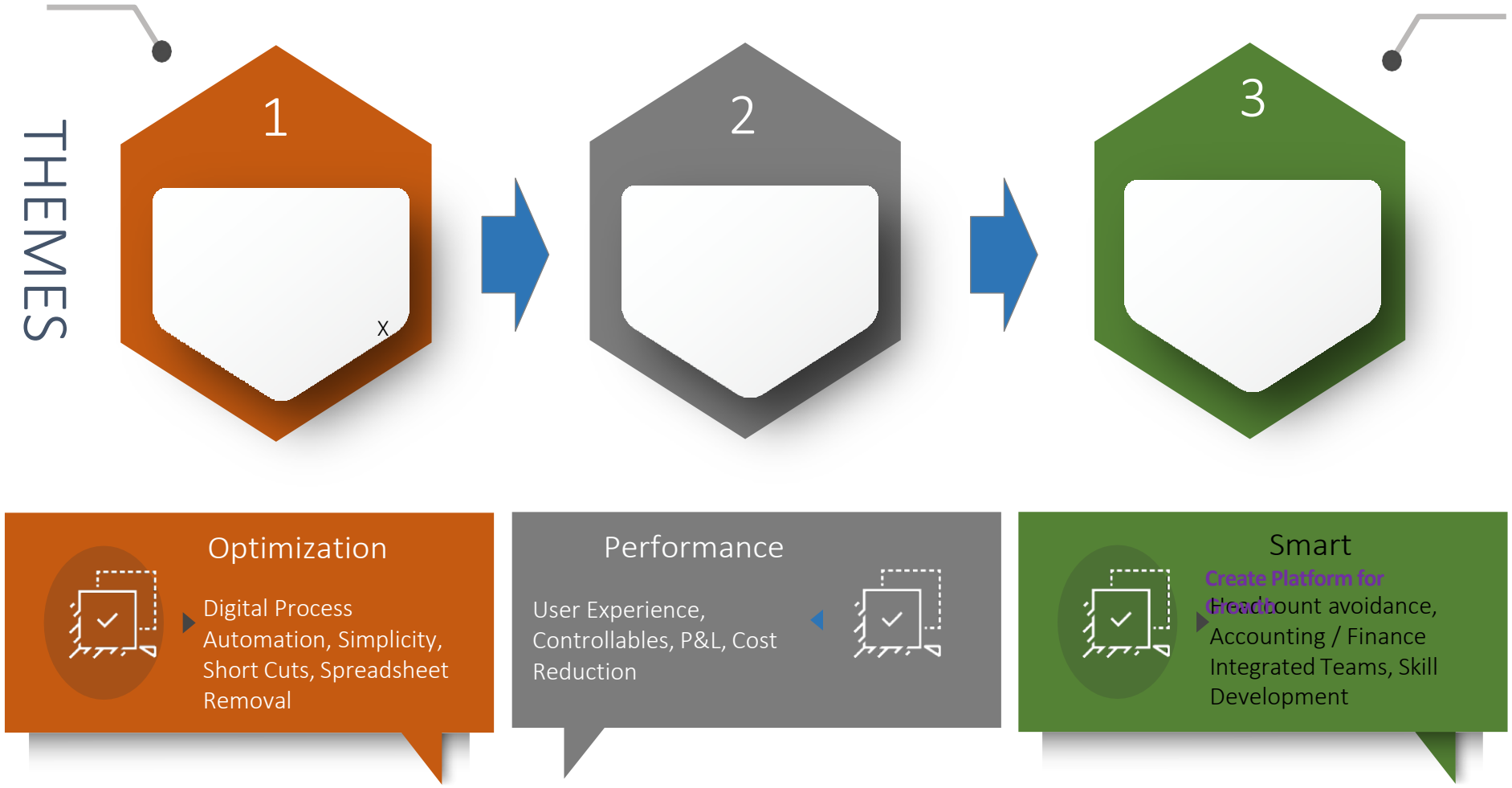


Number 3 (O): Outcome Based Model

Example is 500 Basis point improvement in gross margin

Customer and Product Profitability, Margin Bridge, Transparency in costs

Outcome Based Model



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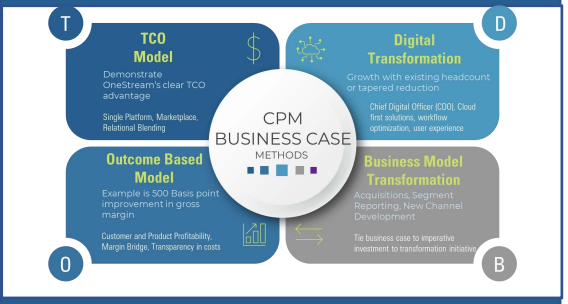
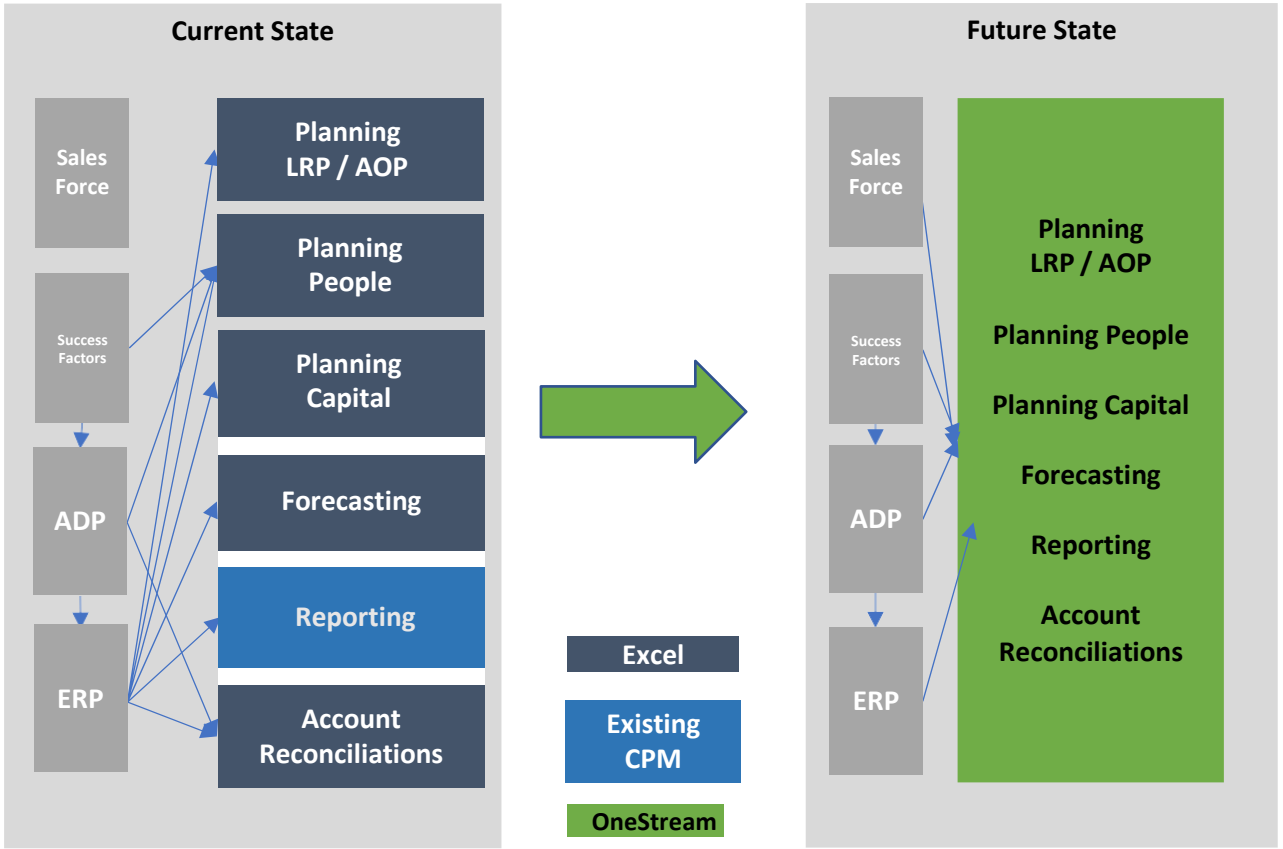


Number 4 (B): Business Transformation Model

Acquisitions, Segment Reporting, New Channel Development –

Tie business case to imperative investment to transformation initiative

Business Transformation Model



OneStream has made significant investments in its financial planning capabilities resulting in dramatically improved functionality to support driver-based plans and scenario models and provide a compelling opportunity to completely change the work for accounting and finance while materially improving the quality and speed of financial plans and forecasts.

We are in the process of fully evaluating the capabilities of OneStream and plan to make a compelling business case to invest in the new functionality.

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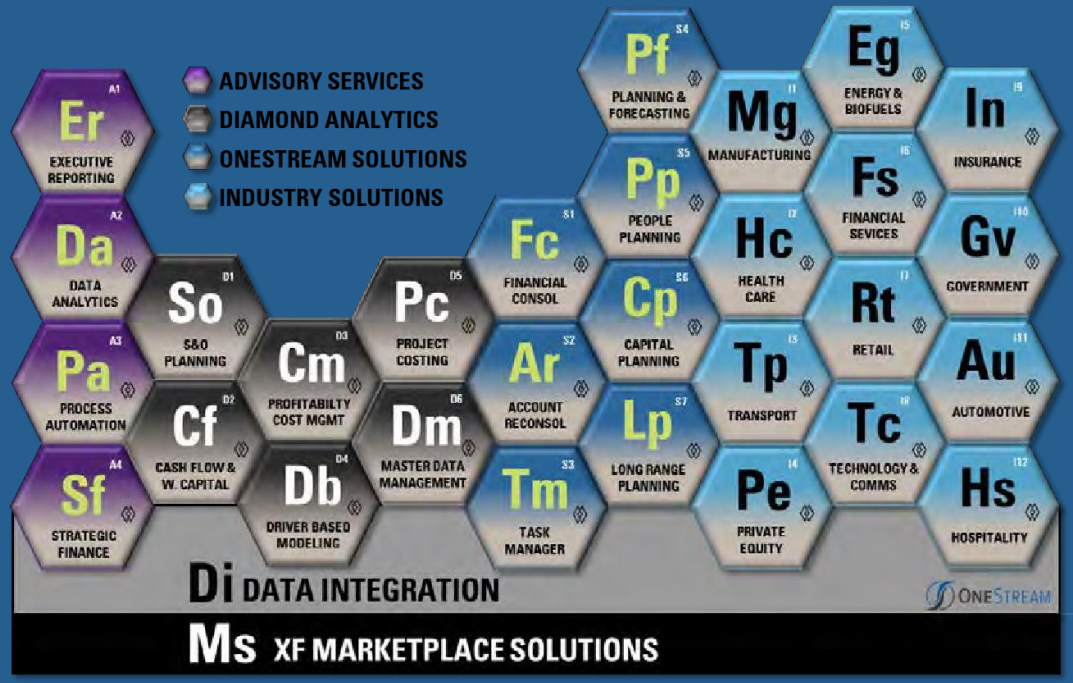
Conclusion

Asset Recovery Partners has developed many different methods for defining the value of a Corporate Performance Management investment in OneStream Software.

We are uniquely positioned to help clients define and ultimately realize value in their technology investments and process transformation. Active Engagement (AE) is ultimately the determinant of long-term value creation.



About Asset Recovery Partners

ARP employs an “Experts Only” approach. The company was founded from a consortium of five of the largest, most respected One Stream partners (Andersen, MarketSphere, Grant Thornton, Ranzal/Edgewater, and Ascend). These teams joined forces to create a powerhouse of the deepest technical & functional skills in the industry. ARP is a Diamond level OneStream partner.

There is one leader in the OneStream partner space that creates value by combining process and business innovation thinking with the power of the platform that allows you to become Best in Class. ARP has established a framework of OneStream solutions to accelerate your implementation.

We would love to have the opportunity to hear how we can help you transition to or grow your existing OneStream implementation.

Please visit our Linked In site to connect with any of our Experts.

Or directly at

Assetrecoverymgmt.com

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