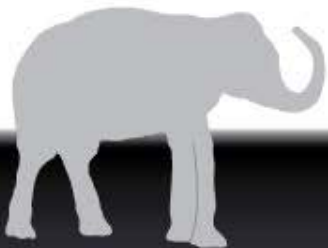


# How to Cost Justify Your Proposal for an EBS Remodeling Project and Avoid a Reimplementation

Helene Abrams, CEO  
eprntise  
habrams@eprntise.com

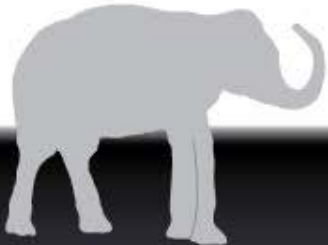
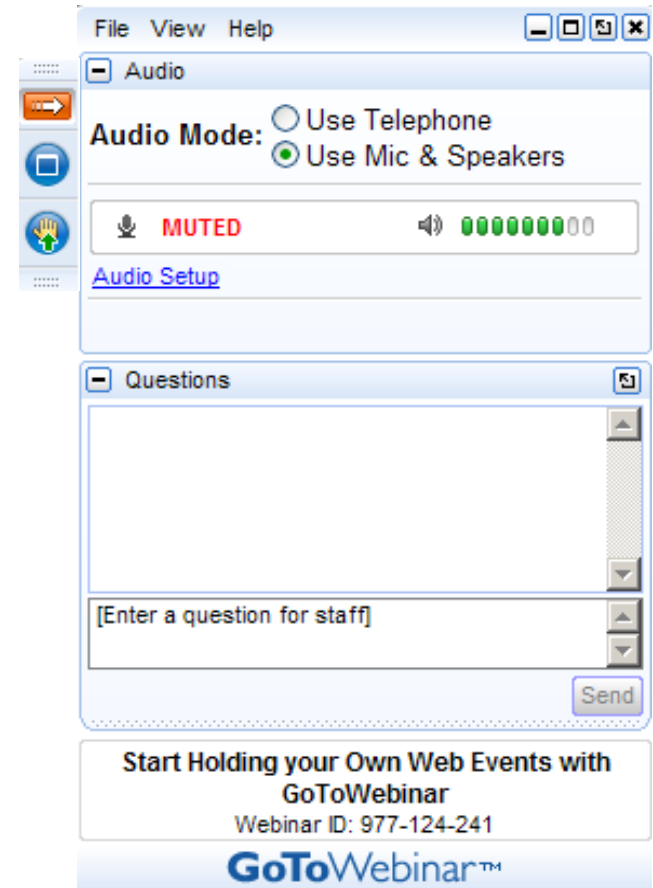


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# Webinar Mechanics

- Open and close your panel.
- View, select, and test your audio.
- Submit text questions.
- Raise your hand.
- Q&A addressed at the end of the session. Answers will be posted within two weeks on our new LinkedIn Group, EBS Answers: <http://www.linkedin.com/groups/EBS-Answers-4683349/about>
- Everyone will receive an email within 24 hours with a link to view a recorded version of today's session.
- Polling questions will be presented during the session. If you want CPE credit for this webinar, you must answer all of the polling questions.



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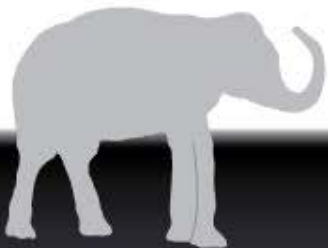
# Learning Objectives

**Objective 1:** Identify the steps and tools to develop a strong cost-benefit analysis.

**Objective 2:** Understand the time/resource/cost/risk model for determining the approach for an IT project.

**Objective 3:** Develop the cost of a reimplementation effort and compare to a remodeling approach example.

Overall, we want to be able to deliver a compelling business case that makes a “*go forward*” decision a reality



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# Agenda



## Introduction

- What is a cost-benefit analysis, and why do you need it?
- How do you build a cost-benefit analysis?



## What are the requirements?

- Single Consolidated Instance
- Shared Services Center



## What are the costs?

- Reimplementation Example
- How do you calculate costs?

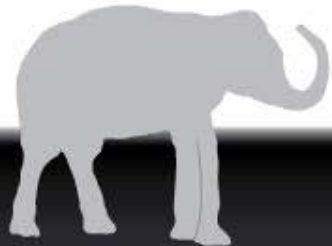


## What are the benefits?

- Comparison of Remodeling to Reimplementation
- How do you measure them?







## What are the risks?



# Introduction: Finished but not Done

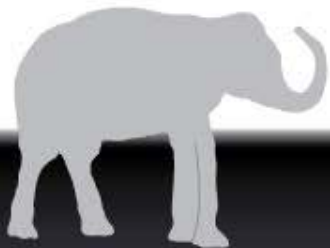
**e**prentise<sup>®</sup>: Transformation Software for E-Business Suite  
*Company Overview: Established 2006 • Helene Abrams, CEO*

## *e*prentise Can...

-  Consolidate Multiple EBS Instances
-  Change Underlying Structures and Configurations
  - Chart of Accounts, Other Flexfields
  - Inventory Organizations
  - Operating Groups, Legal Entities, Ledgers
  - Calendars
  - Costing Methods
-  Resolve Duplicates, Change Sequences, IDs
-  Separate Data

## *...So Our Customers Can:*

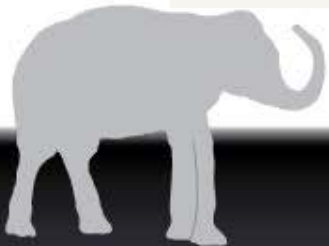
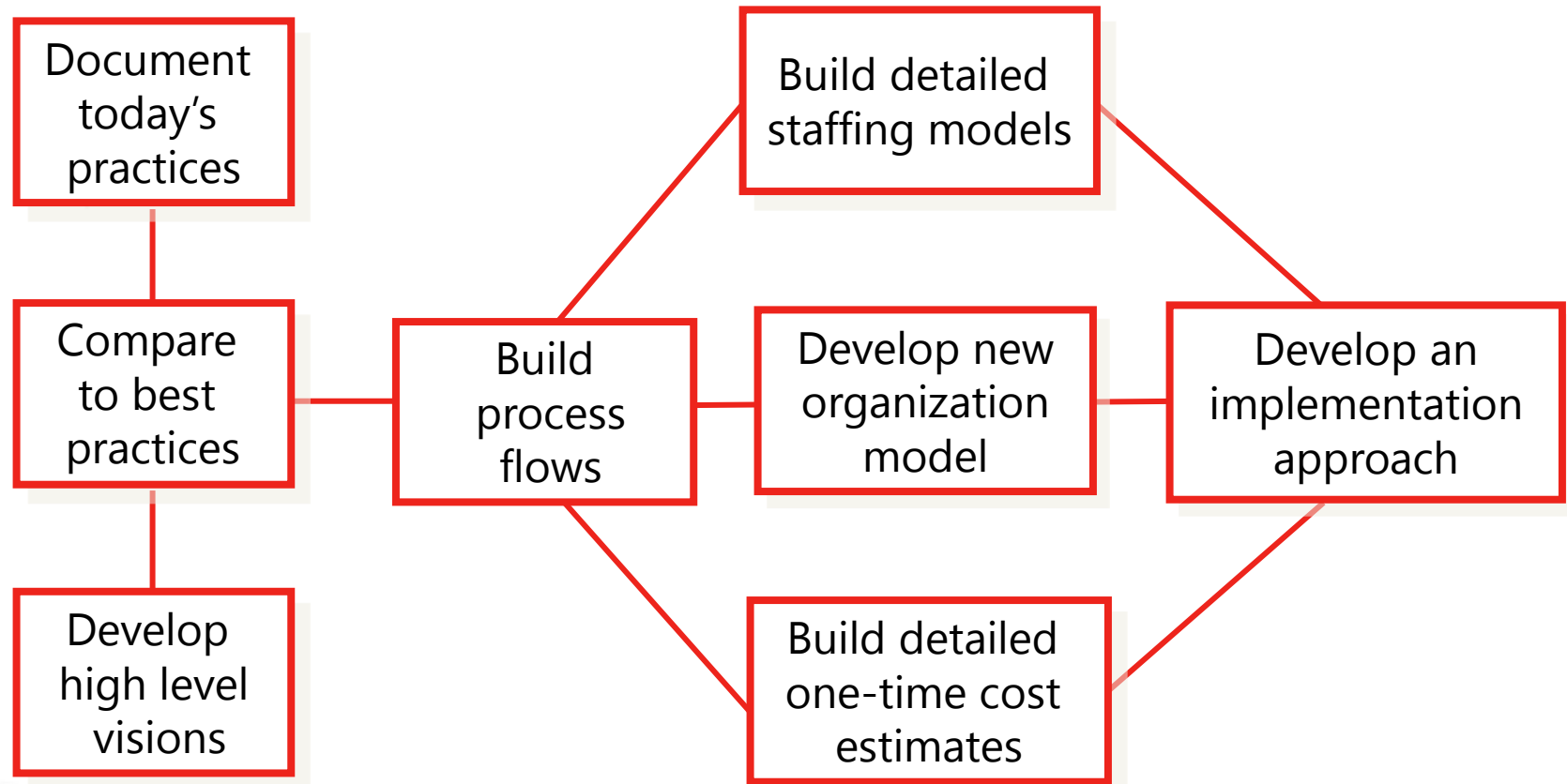
-  Reduce Operating Costs and Increase Efficiencies
  - Shared Services
  - Data Centers
-  Adapt to Change
  - Align with New Business Initiatives
  - Mergers, Acquisitions, Divestitures
  - Pattern-Based Strategies
    - Make ERP an Adaptive Technology
-  Avoid a Reimplementation
-  Reduce Complexity and Control Risk
-  Improve Business Continuity, Service Quality and Compliance
-  Establish Data Quality Standards and a Single Source of Truth



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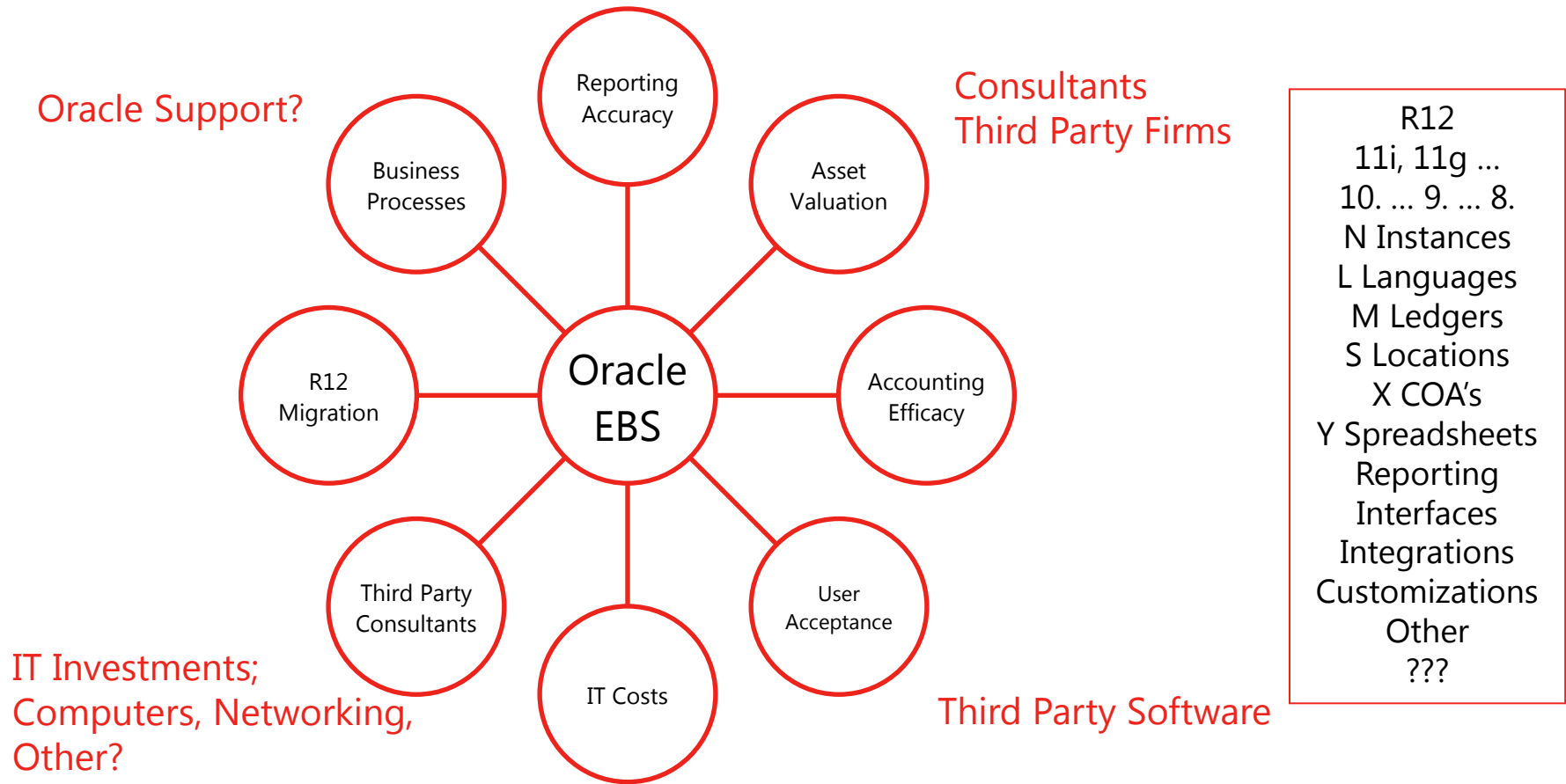
# Employ A Structured Methodology To Develop the Business Case



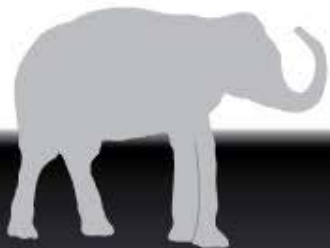
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*eprentise*<sup>®</sup>

# What Troubles You About This?



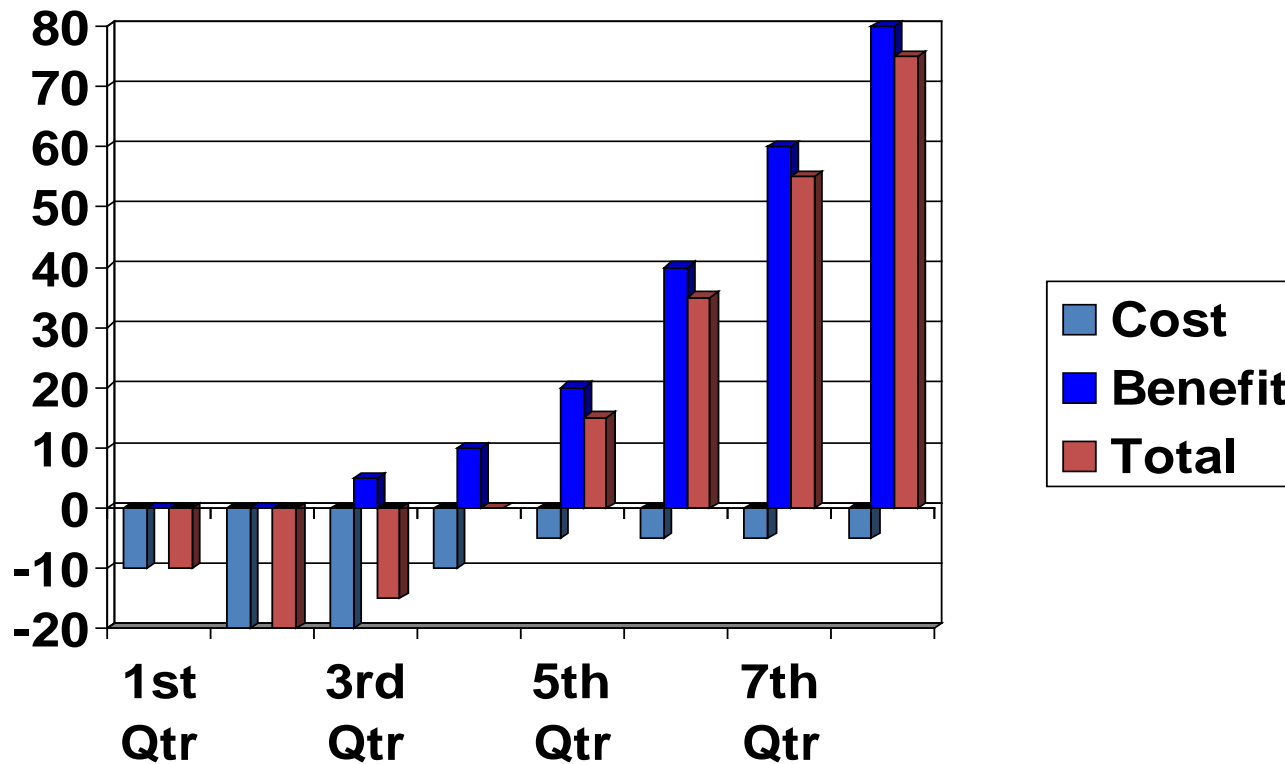
🐘 Times change, companies change, ERP must change.  
 🐘 Transformations are NOT EASY!



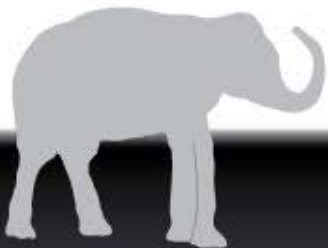
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# Evaluating the Cost-Benefit vs. Time vs. Risk



Projected costs and benefits may miss the mark.  
Project risk assessment? Failure = \_\_\_\_\_?

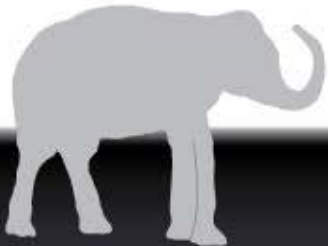
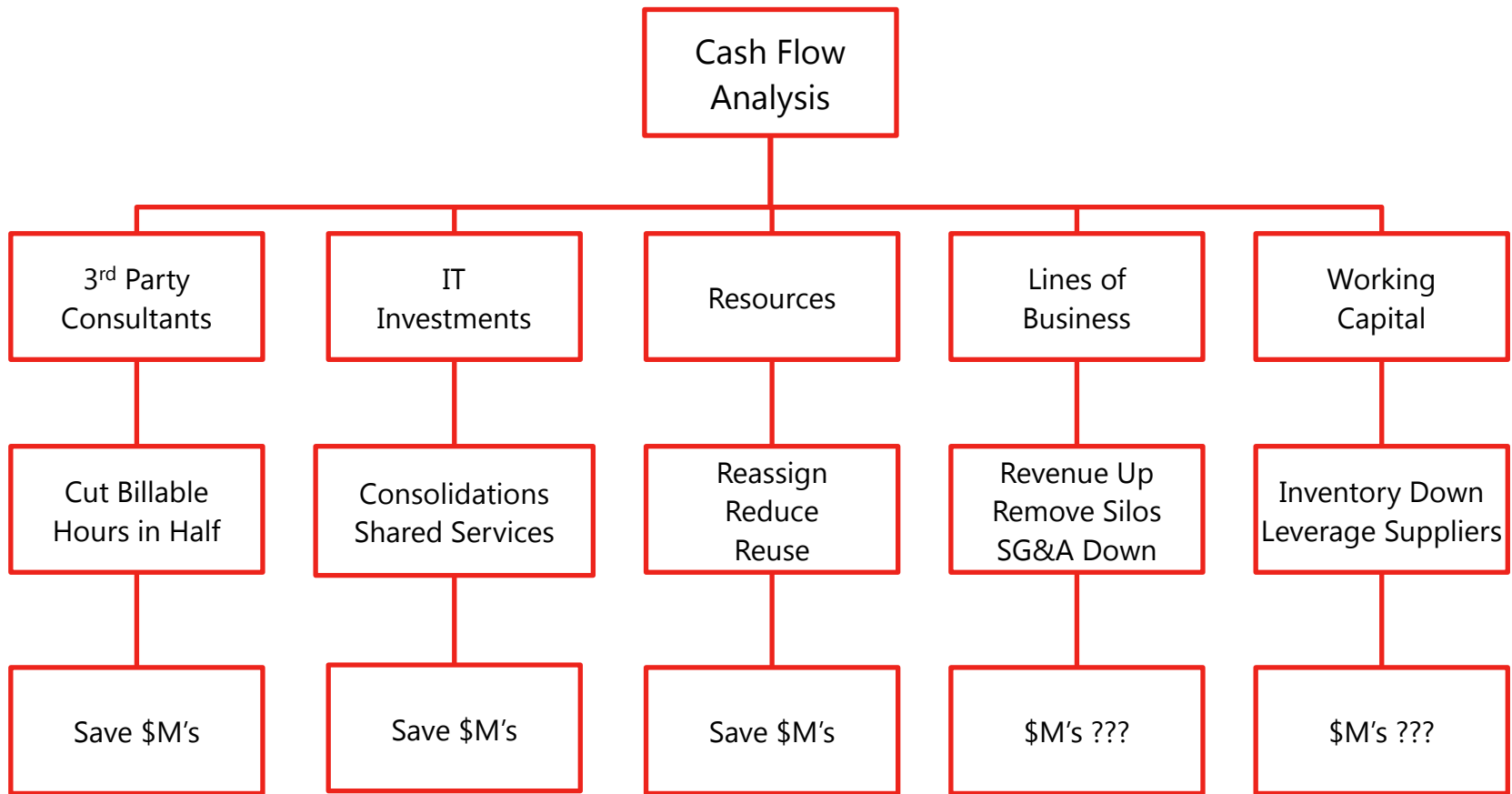


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# ROI of an IT Project



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# Conceptual Worksheet for Initial Scope Analysis

Area or Function Impacted by Multiple Production Instances	Type of Impact				Functional Area?	Who's Responsible?	Key Metric?
	Yes/No?	Money ?	Time ?	Quality ?			
Oracle E-Business Suite licenses & support							
Oracle DB licenses & support							
Non-Oracle software licenses & support - related to EBS environment							
Servers - apps, DB, web							
IT hardware							
IT staff							
Patching							
Change management							
Application Testing							
OLTP performance management							
Disaster backup and recovery							
Network management							
Communications costs							
Business Intelligence & DWH - development & maintenance							
BI & DWH - reporting							
Financial close - month end							
Financial close - year end							
Accounting operations							
Cash management - # of bank accounts							
Cash management - idle cash							
User application support							
Purchasing - vendor discounts							
Purchasing - payment terms							
Purchasing - vendor service levels							
Collections							
Billing							
Sales - global pipeline							
Inventory management							
Standard business processes							
Regulatory compliance							
Data quality - duplicates, inconsistent standards, etc.							
Business agility - identify, evaluate, decide, execute new initiatives							
Customer service							
Mergers and Acquisitions (M&A)							
Divestiture - division, line of business							
Human resources							
Services - Employees (internal)							
Services - Customers (external)							
Payroll							
Data retention policies							
?? ? Other areas?							

**Area or Function Impacted**

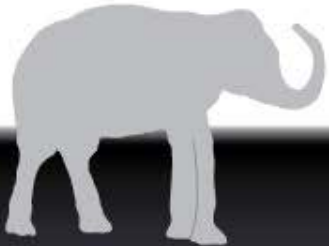
**Type of Impact**  
**Money? Time? Quality? How?**

**Functional Area? Who's Responsible? Key Metric?**






- Identify different related areas
- Look at whether and type of impact
- Organize by functional part of business
- Find who owns the results
- Decide how to measure

# What Are the Requirements?

- 🐘 Start with a vision of what you want to accomplish
- 🐘 Get the business to decide how they will benefit by the change
  - Cost reduction is a factor, but it is the business drivers that will force change
  - Also look at cost avoidance
- 🐘 Analyze the options for the project
- 🐘 Determine the one-time costs
- 🐘 Evaluate the risks and mitigation strategies

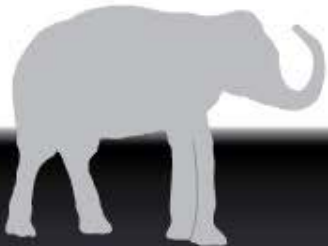


# Overall Finance Vision Summary

-  Standardized processes
-  Common systems
-  Minimal manual intervention
-  Reduced approvals; systems controls
-  Simplified processes



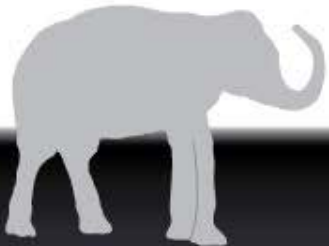
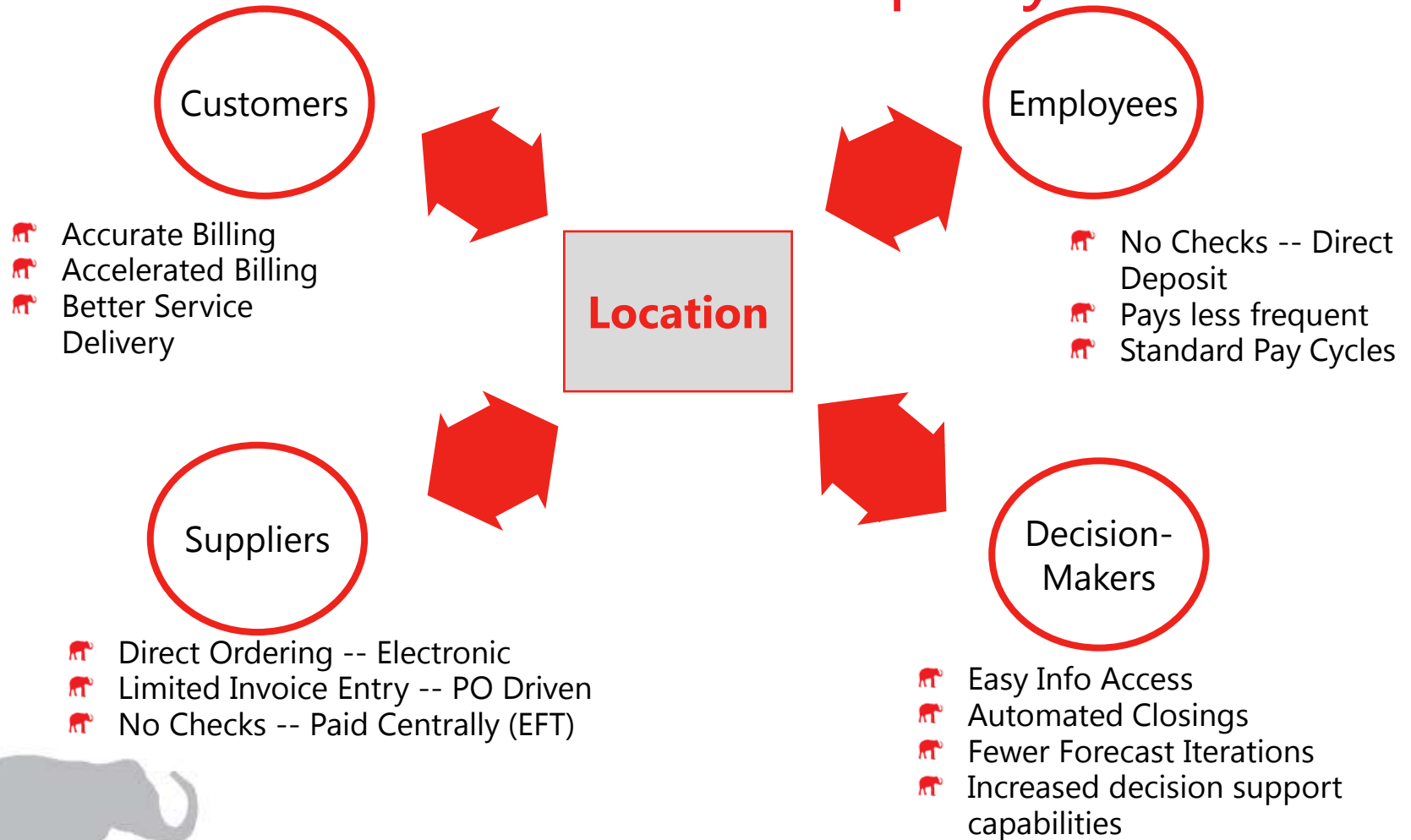
Improved focus on value-added activities



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# The Vision Drives Significant Change Across The Company



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# Develop High-Level Visions For Key Processes

- 🐘 One common system company-wide integrated to manufacturing, purchasing, receiving and the general ledger.
- 🐘 EFT payments covering all currencies with dual automated payments.
- 🐘 Establish company-wide, acceptable tolerance limits and eliminate adjustments below certain amount.
- 🐘 Utilize procurement card or T&E system for small-dollar purchases and sundry items throughout all operating units.
- 🐘 Worldwide database from purchasing to payments as a tool to improve negotiation with supplier.
- 🐘 Generate intercompany A/R and A/P automatically through one single transaction.
- 🐘 Utilize blanket orders and formal purchase orders for large-dollar purchases.
- 🐘 One level of approval for requisitions for each division.

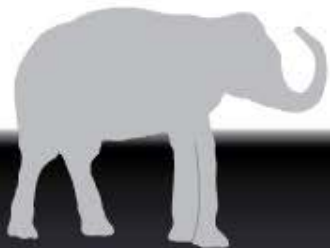
**Accounts Payable  
Example**



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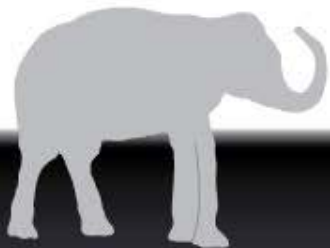
# *Business Case Benefits*



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# *Example – Business Case for Consolidation*



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# Automotive Company – Benefits

*A single instance has strong business benefits*

## ■ Business Benefits

- Single source to retrieve data with efficient and effective decision making with timely and reliable fact-based information.
- Flexibility for global changes – process changes to single environment, no silos within each country, functionality added to Canada. Ability to make significant changes (i.e. adding new products, functionality) for everyone at once.
- Sharing suppliers, control, visibility, forecast across all business units – different tools, people, processes than before.
- Multiple reporting levels.
- Reduced complexity around intercompany movement of products, between legal entities, sets of books.

## ■ Cost and IT Benefits

- Reduced expenditure on hardware and IT personnel (Examples from past history)
- Upgrade of Canadian instance – cost of \$666K, 6,660 hours
- Year-end patches for Canada – cost of \$38,000, 815 hours
- Because they were separate instances, keeping those environments synchronized over 10 years was difficult. Particularly, there were business processes and software functionality that were used in the US, but not in Canada. It was very difficult to reconcile the business gaps.

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# Project ROI – Automotive Supplier

## Post-Project Benefits

Oracle EBS Upgrades  
 HR Global Patches  
 HR Year-End and Family Packs  
 Vertex Updates  
 Demantra ASCP/IO Implementation  
 Managing Separate CA Instance  
 Oracle RDBMS Patches

	2010	2011	2012	2013	2014	2015	Total
Oracle EBS Upgrades	-	666,000	-	-	-	660,000	1,326,000
HR Global Patches	28,800	28,800	28,800	28,800	28,800	28,800	172,800
HR Year-End and Family Packs	13,200	13,200	13,200	13,200	13,200	13,200	79,200
Vertex Updates	1,800	1,800	1,800	1,800	1,800	1,800	10,800
Demantra ASCP/IO Implementation	417,000	-	-	-	-	-	417,000
Managing Separate CA Instance	130,000	130,000	130,000	130,000	130,000	130,000	780,000
Oracle RDBMS Patches	450	450	450	450	450	450	2,700
<b>Total Post Project Benefits</b>	<b>591,250</b>	<b>840,250</b>	<b>174,250</b>	<b>174,250</b>	<b>174,250</b>	<b>834,250</b>	<b>2,788,500</b>

## Annual Net Benefit

	(457,038)	(148,912)	840,250	174,250	174,250	174,250	834,250	1,591,300
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## Cumulative Net Benefit

	(457,038)	(605,950)	234,300	408,550	582,800	757,050	1,591,300	2,511,012
--	-----------	-----------	---------	---------	---------	---------	-----------	-----------

## Return on Investment (ROI)

233% Favorable

## Total Project Cost

1,197,200

## Total Cost of Ownership

1,197,200

## Payback Period

0.72

## Net Present Value (NPV)

846,408 Favorable

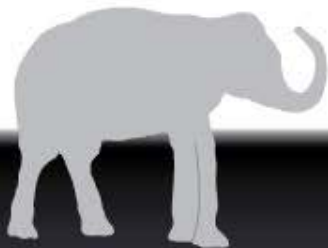
10% WACC

## Internal Rate of Return

50%

## Costs:

- 🐘 eprentise license and support fees under \$500K
- 🐘 Remainder of costs for interfaces, testing resources, project management, DBA

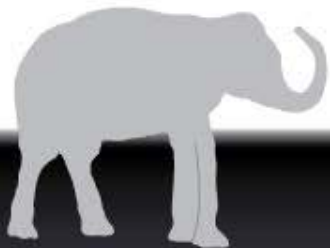


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# Complexity of Business Consolidation

- 🐘 Must maintain all the data in different databases.
- 🐘 There are 3 main processes:
  1. Gap analysis (metadata analysis)
  2. Rationalize all data between source and target systems
    - Brute force approach is too time-consuming and expensive due to the amount of related master data and the extent to which it is related
  3. Business process consolidation



# ROI of Business Consolidation

 A business consolidation effort that retains and integrates all historical data offers ROI in many ways:

- Old systems do not need to be warehoused or archived and then revived to meet the needs of queries against historical data.
- Rapid responses can be generated without the need for an extraordinary expenditure of resources.
- There exists a greater guarantee of accuracy – and therefore compliance – due to the completeness of the data consolidation effort and the resulting simplicity of the query and reporting process.

 2 Ways of Understanding Business Consolidation ROI:

- Relative cost differentials vs. a “brute force” effort
- Business value of certain areas can be enhanced by the new capabilities enabled through a business consolidation



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# Factors that Contribute to the Total Cost of Ownership of Oracle E-Business Suite

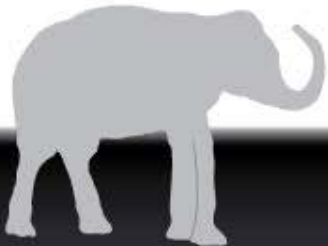
Problem	Results in
Multiple Instances	<ul style="list-style-type: none"><li>▪ Infrastructure Costs</li><li>▪ Resources</li><li>▪ Customizations, Interfaces, Application Integration</li><li>▪ Support, Maintenance, Upgrades</li></ul>
Data Quality	<ul style="list-style-type: none"><li>▪ Ongoing Transformations for Analytics</li><li>▪ Customer, Supplier, Employee Inconsistencies</li><li>▪ Governance</li></ul>
Multiple Charts of Accounts	<ul style="list-style-type: none"><li>▪ Complexity to Reconcile</li><li>▪ Statutory and Regulatory Compliance</li><li>▪ Long Close Cycle</li></ul>
Lack of Common Business Processes	<ul style="list-style-type: none"><li>▪ Training</li><li>▪ Lack of Visibility</li><li>▪ Redundant Processes</li></ul>

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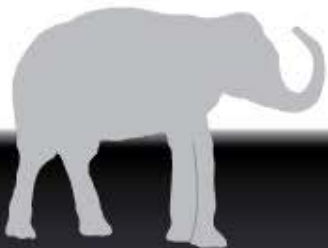
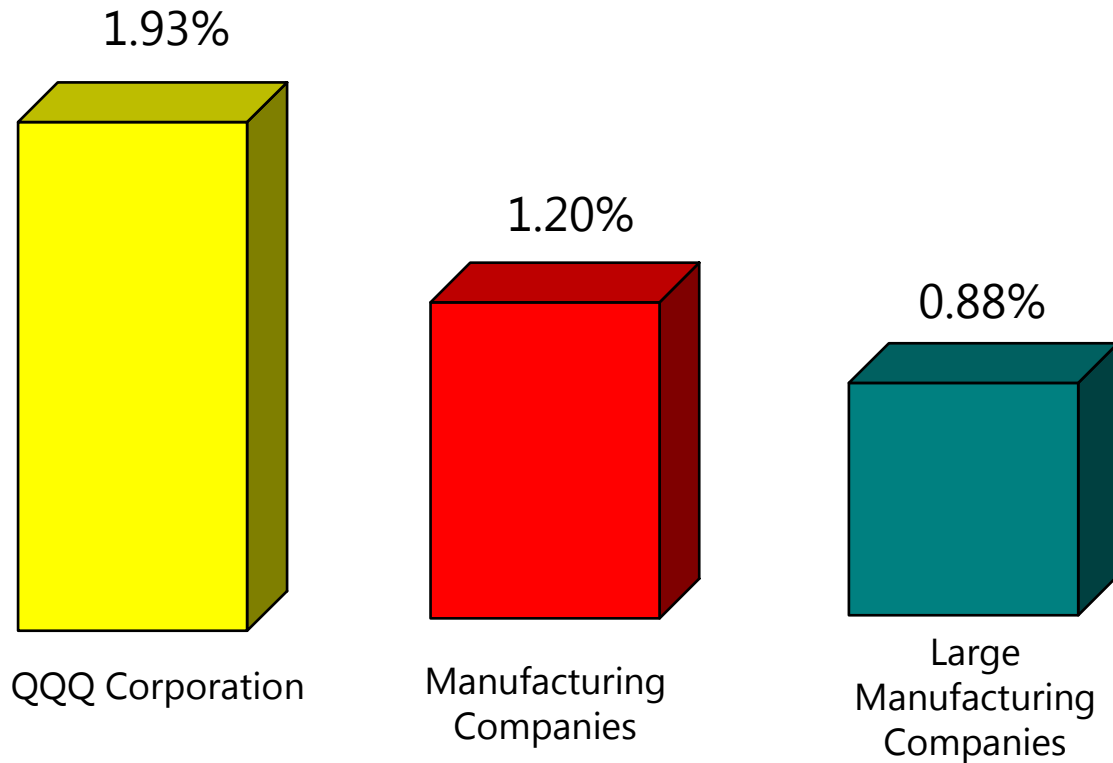
# Benchmarking Example

-  Compare to other similar companies in your industry
-  Analyze how many resources are required to do each business process for each division (how are people currently spending their time?)
-  Determine the cost per full-time equivalent (FTE) for each activity
-  Evaluate the top resource-consuming activities across all organizations
-  Calculate the potential cost-savings that could be recognized by process improvements



# Compare Costs to Other Companies

## Finance Cost As A Percent Of Revenue



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# General Observations

## Summary Report

## All Processes

## By Plant

	Plant	Plant Accountants	Computer Operators	Office Clerks	Secretaries	Receptionis	Payroll Clerks	Cost Acctg. Clerks	A/P Clerks	Receiving Clerks	Invoicing Clerks	Shipping/ BOL Clerks	Knitting Clerks	Cutting Clerks	Bch/Dye Clerks	Total
CMT	Jamestown	2	4		1	2	4	2	2	2		7	1	5	4	36
CMT	Campbells	2	2		2	1	8	1	3	4		4	1	1	1	30
D. C.	Campbellsville D. C.		2		1	1	1		1	3	2	5				16
CMT	Frankfort	1	1			1	1	1	1	2		2				10
CMT	Osceola	1	1			1	4	1	1	1			1	1	1	13
D. C.	Bowling Green D. C.		3		1		1		3	2	4	3				17
CMT	Jeanerette	0.4			1	1	4	1	1	1		4		3		16.4
CMT	Martin Milk	0.4	1		1	2	7	2	2	4	1	5		3		28.4
CMT	Port Barre	0.4				1	2	2		2						7.4
CMT	Abbeville	0.4				1	2	1		9				1		14.4
D. C.	Vidalia D. C.	0.4	1						1	1	1					4.4
CMT	Harlingen	1			4	1	6	2	2	2		4	1		4	27
CMT	Raymondville				1	1	2									4
CMT	Rockingham	2			1	1	3	1	2	1		5				16
D. C.	Sherman		1						1	1		1				4
D. C.	Jacksonville D. C.		1			1	1		1	1	1	1				7
CMT	Greenville	1	1			1	3	1	1	1			1	1	1	12
YARN	Jacksonville	1					1		1		1					4
YARN	Leesburg #					1	2		2	1	2		1			9
YARN	Aliceville #					1	1		2	1	1					6
YARN	Williamston	1	1			1	1		1		1					6
YARN	Fayette #					1	2		2	1	2					8
YARN	Rabun Gap	1			2	1	2	1	2	1	2	1	1	4	4	22
YARN	Winfield #					1	1		2		1					5
YARN	York #					1	1		1	1	1					5
YARN	Whitmire #								1							1
HOS.	Star	1	1				3	1	1							7
HOS.	Fort Payne **				2	1	2		2	1	1					9
HOS.	Whitmire H	1				1										2
HOS.	Clinton Hosiery		1				1			1						3
	TOTALS	17	21	0	17	25	66	17	39	44	21	42	7	19	15	350
** = Fort Payne lists 9 Employees under a "General Clerk" category.																
These were spread based upon approach used by Peter Davids to spread "Office Clerks" at yam mills.																
# = Peter Davids judgementally spread employees categorized as "Office Clerks" (4/16/96).																
* Secretaries and receptionists perform various accounting clerical activities																

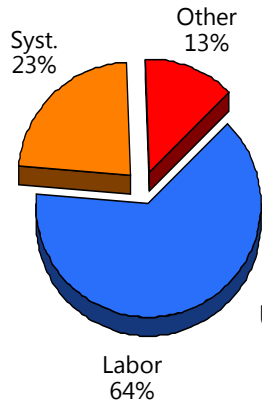
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# General Accounting Scorecard

## Process Profile



	CCI	CWT	CMG	CHW	Total
FTEs	11.3	38.8	35.5	28.6	114.2
Cost (000's)	772	2,177	2,590	1,886	7,425
Cost/FTE (000's)	68.6	56.2	73.0	65.9	65.0

Unit cost per JE	CCI	CWT	CMG	CHW	Total
	94.77	70.45	103.48	52.31	74.16

Benchmark Low-->	10.50
Benchmark Average-->	43.75

## Top Resource Consuming Activities

- 🐘 Perform closing and reporting (22%)
- 🐘 Perform account and other detailed reconciliations (21%)
- 🐘 Other GA activities (18%)
- 🐘 Respond to requests and restatements (15%)

## Business Segment Differences

- 🐘 CCI performs consolidation activities for business units and is the clearing bank for other business units

## Opportunities to Implement Leading Practices

- 🐘 Develop common chart of accounts; reduce the number of accounts
- 🐘 Standardize close process
- 🐘 Provide self-serve access to reports
- 🐘 Reduce allocations

### Potential Annual Savings (000's)\*

	\$ 390
	260
	520
	130
<b>Total</b>	<b>\$ 1,300</b>

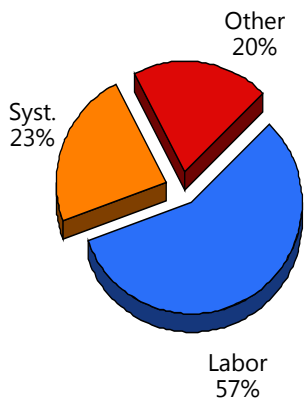
\* Savings are a preliminary estimate . Some savings overlap between opportunities is expected.

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# Accounts Payable Scorecard

## Process Profile



	CCI	CWT	CMG	CHW	Total
FTEs	25.8	7.0	0	16.3	49.1
Cost (000's)	1,761	299	0	1,005	3,065
Cost/FTE (000's)	68.3	42.7	0	61.7	62.4

	CCI	CWT	CMG	CHW	Total
Unit Cost per Invoice	1.35	5.07	0	2.34	1.71
Benchmark Low-->	1.10				
Benchmark Average-->	3.75				

## Top Resource Consuming Activities

- Enter code, match and correct payment documents (53%)
- Respond to vendor and internal inquiries (19%)
- Process manual checks and special payment requests (8%)
- Maintain policies and procedures (7%)

## Business Segment Differences

- CCI processes all of their Accounts Payable in Dallas

## Opportunities to Implement Leading Practices

### Potential Annual Savings (000's)\*

Merge CHW and CWT sets of books	
Consolidate CMG into CCI Operating Group	\$230
Increase use of purchase cards	175
Examine invoice-less processing	100
Implement self-serve access to AP inquiries	165
Total	\$770

### Potential Annual Savings (000's)\*

Consolidate vendor payments	\$ TBD
Net intercompany payments	TBD
Determine feasibility of on-line approval of invoices	TBD
AP outsource provider to external companies	TBD
Implement integrated financial package	

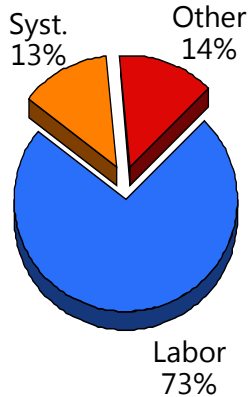
\* Savings are a preliminary estimate . Some savings overlap between opportunities is expected.

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# Accounts Receivable Billing Scorecard

## Process Profile



	CCI	CWT	CMG	CHW	Total
FTEs	0.3	6.0	43.8	8.4	58.5
Cost (000's)	14	724	1,385	372	2,495
Cost/FTE (000's)	54.2	120.7	31.7	44.1	42.6

	CCI	CWT	CMG	CHW	Total
Unit Cost per Invoice	19.46	13.14	46.18	4.34	14.59
Benchmark Low-->	1.83				
Benchmark Average-->	3.13				

## Top Resource Consuming Activities

- Prepare and send customer bills/invoices (24%)
- Record and account for transactions (19%)
- Respond to customer inquiries (8%)

## Business Segment Differences

- CWT all cash transactions treated as A/R; implementing matrix system
- CHW - processes rebills for stores using EDI, EFT and scanning

## Opportunities to Implement Leading Practices

### Potential Annual Savings (000's)\*

- Consolidate transaction-based activities into shared services
- Self-serve access to inquiries
- Automate recurring transactions
- Consolidate customer statements
- Electronic receipt and storage of documentation

}

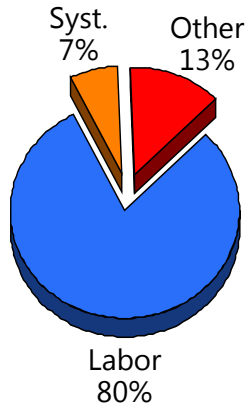
\$1,100

\* Savings are a preliminary estimate . Some savings overlap between opportunities is expected.

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# Accounts Receivable Cash Application Scorecard



## Process Profile

	CCI	CWT	CMG	CHW	Total
FTEs	0.2	9.6	1.7	3.5	15.0
Cost (000's)	11	764	110	165	1,050
Cost/FTE (000's)	54.2	80.0	66.8	47.0	70.0
Unit Cost per payment	22.57	6.20	2.55	6.91	5.50

Benchmark Low--> 2.52  
 Benchmark Average--> 3.97

## Top Resource Consuming Activities

- Post cash to customer account (49%)
- Investigate discrepancies and correction of posting errors (14%)
- Respond to inquiries (9%)

## Business Segment Differences

- CWT cash received not automatically posted

## Opportunities to Implement Leading Practices

- Consolidate transaction-based processes into shared services
- Increase acceptance of credit card payments
- Automate application of cash receipts to account balances
- Increase use of lock boxes

### Potential Annual Savings (000's)\*

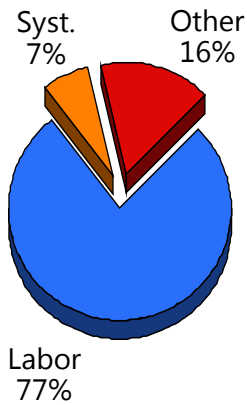
} \$220

\* Savings are a preliminary estimate . Some savings overlap between opportunities is expected.

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# Accounts Receivable Credit & Collections Scorecard



## Process Profile

	CCI	CWT	CMG	CHW	Total
FTEs	0	17.6	2.6	5.0	25.2
Cost (000's)	0	1,161	192	250	1,603
Cost/FTE (000's)	0	66.0	74.0	49.9	63.6

	CCI	CWT	CMG	CHW	Total
Unit Cost per account	0	552.86	96.17	181.79	291.24

Benchmark Low-->	1.72
Benchmark Average-->	103.89

## Top Resource Consuming Activities

- Other A/R activities (45%)
- Address problem customers (16%)
- Provide credit and collection support (13%)

## Business Segment Differences

- CWT processes NSF checks

## Opportunities to Implement Leading Practices

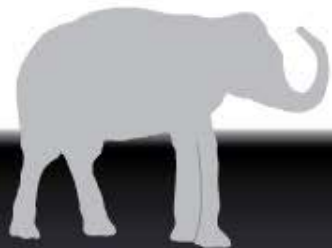
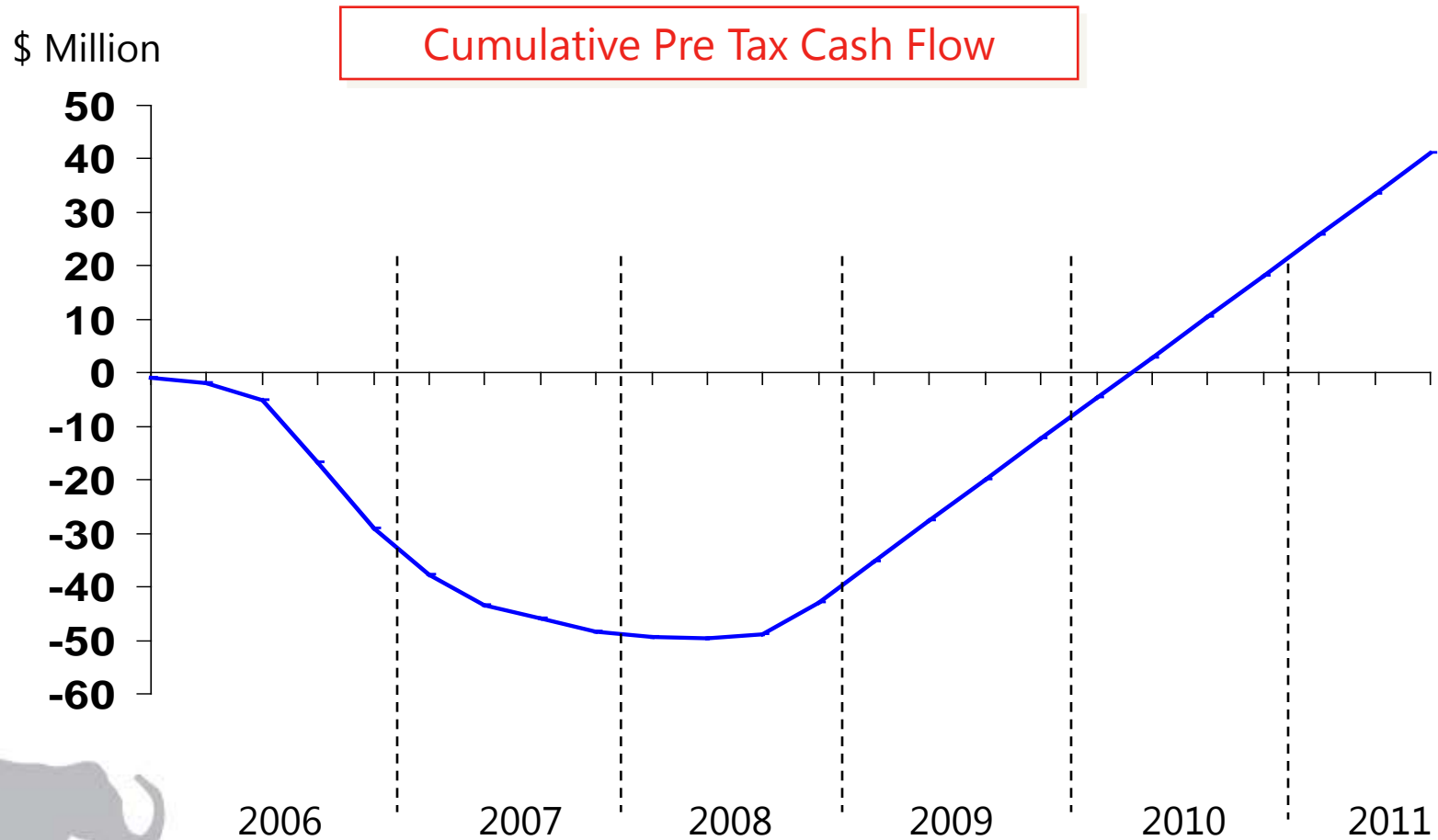
- Utilize imaging for accessing supporting documentation
- Use electronic routing to support document approval
- Automate search for delinquent accounts

### Potential Annual Savings (000's)\*

\$TBD  
TBD  
TBD

\* Savings are a preliminary estimate . Some savings overlap between opportunities is expected.

# Example ROI Graph: The Investment Is Fully Recovered By Early 2010



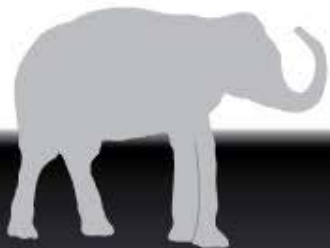
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# ... And Generates A 4% Improvement In Earnings Per Share By 2009

Thousands of Dollars except per share amounts

	2006	2007	2008	2009	2010	2011	2012	2013
Recurring Savings (2004 Dollars)	\$0	(\$67)	\$10,913	\$30,505	\$30,505	\$30,505	\$30,505	\$30,505
Earnings Before Income Tax	(\$5,396)	(\$15,796)	(\$6,883)	\$23,028	\$24,712	\$24,712	\$27,413	\$30,309
Earnings After Income Tax (at 38.5% Tax Rate)	(\$3,319)	(\$9,715)	(\$4,233)	\$14,162	\$15,198	\$15,198	\$16,859	\$18,640
Earnings Per Share (at 77,634,000 Shares)	(\$0.04)	(\$0.13)	(\$0.05)	\$0.18	\$0.20	\$0.20	\$0.22	\$0.24
Capital Expenditures	\$10,873	\$16,114	\$1,971	\$0	\$0	\$0	\$0	\$0



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# Bottom Line: The Project Results In An Attractive Investment ...

## Annual Savings (\$Millions)

Labor	\$25.1
Non - Labor	7.5
Gross Savings	\$32.6

## Costs

One Time	\$61.3
On Going	2.1

## NPV

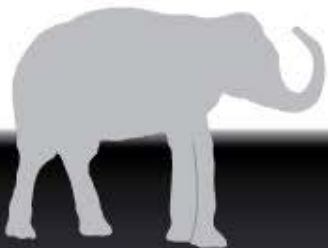
NPV \$: \$66 Million (10 Years @ 11%)

## IRR

36%

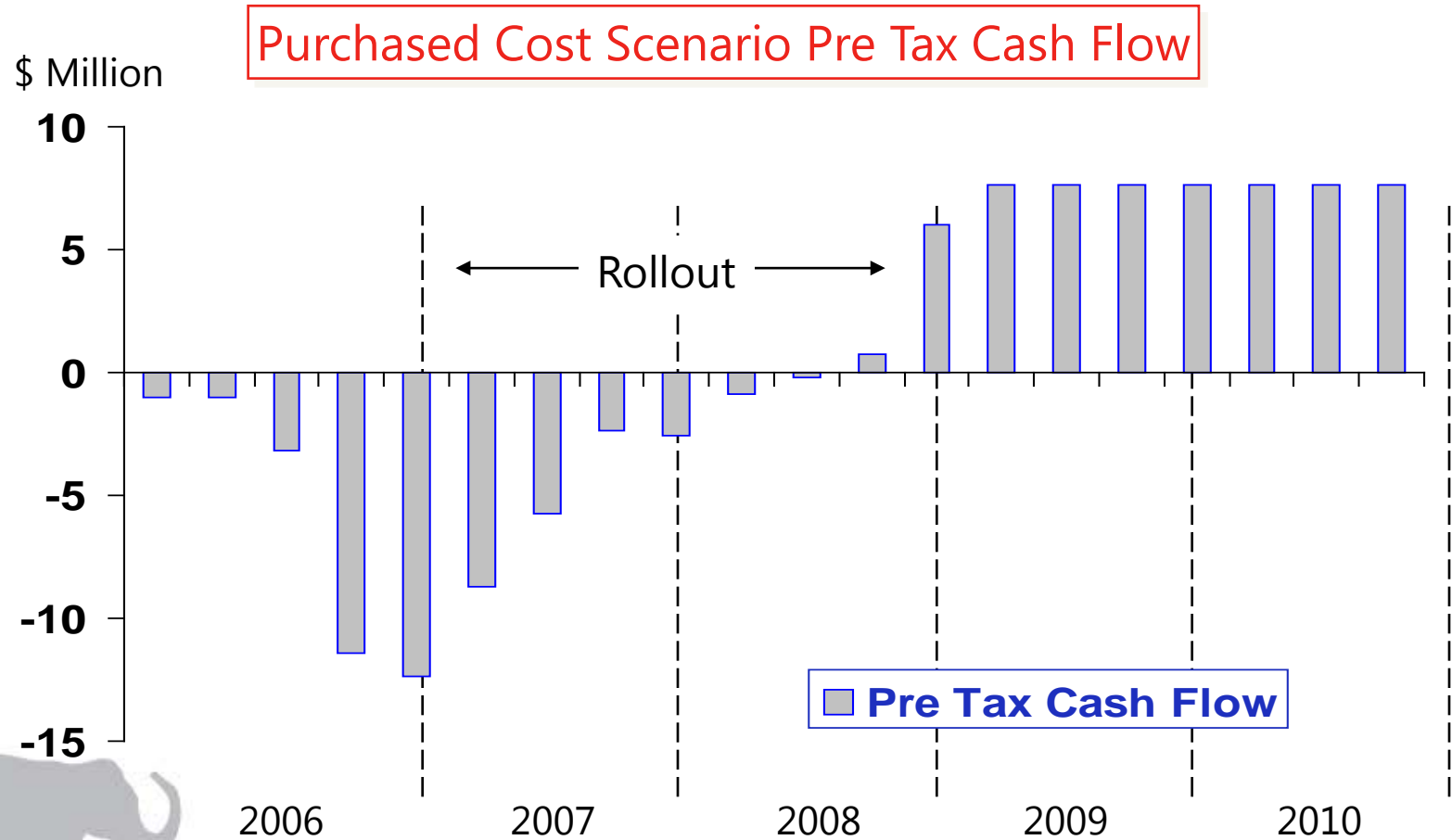
## Pay Back Period

Simple 2.0 Years  
Cumulative 4.3 Years





# Net Cash Flow Turns Positive By Fourth Quarter 2008



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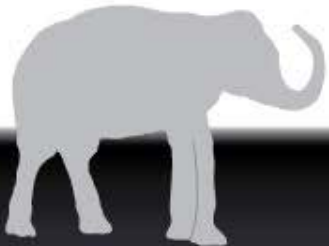
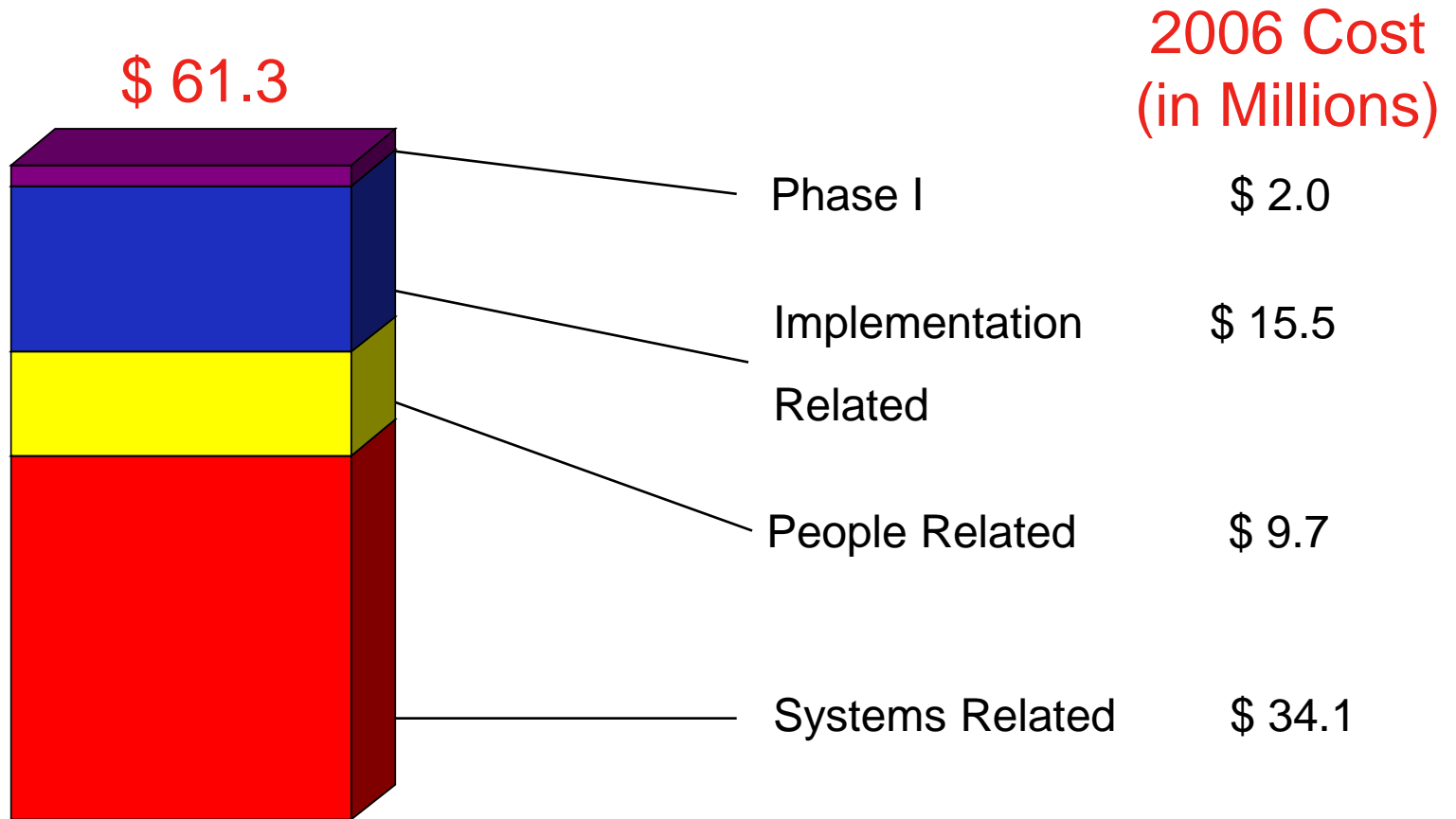
# The Bulk Of The Investment Will Be Made In 2007 And 2008

Cash Outflows (\$000)	2006	2007	2008	2009	Total
Software	\$1,614	\$3,767	\$ -	\$ -	\$5,381
Hardware	3,349	3,349	-	-	6,698
Network	401	401	-	-	802
Conversion	859	1,718	1,718	-	4,295
System Development	5,910	8,998	1,971	-	16,879
Separation, Relocation & Hiring	-	3,086	3,924	1,684	8,694
Training	28	469	502	-	999
Shared Service Center	-	1,500	-	-	1,500
Implementation Team	4,108	5,857	6,059	-	16,024
<b>Total Cash Outflow</b>	<b>\$16,269</b>	<b>\$29,145</b>	<b>\$14,174</b>	<b>\$1,684</b>	<b>\$61,272</b>
Capitalized Costs	10,873	16,114	1,971	-	28,958
Current Amortization	-	2,698	5,593	5,793	14,084
<b>Pretax Impact On P &amp; L</b>	<b>\$5,396</b>	<b>\$15,729</b>	<b>\$17,796</b>	<b>\$7,477</b>	<b>\$46,398</b>

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# One-Time Implementation Costs Are Estimated At \$61 Million



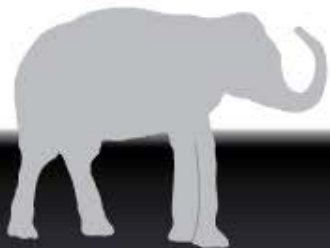
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# Calculating the Cost of a Reimplementation

## Example for a single instance

Reimplementation Tasks	To Implement or Reimplement (person days)	Cost based on \$800/day	Assumptions
Configuration of New Instance	60		3 Business Cycles (purchase-to-pay, order-to-cash, hire-to-retire), One month, 2 functional resources per business cycle
Create Extract Scripts	240		2 technical resources, 2 months per business cycle
Create Transformation Code	180		3 technical resources, 1 month per business cycle
Create Load Scripts	240		2 technical resources, 2 months per business cycle
Unit Test Scripts/Code	180		3 technical resources, 1 month per business cycle
Resolve Exceptions	90		3 technical resources, .5 month per business cycle
Implementation Conference Room Pilot I	60		One month, 2 functional resources per business cycle
Changes for Conference Room Pilot I	30		One month, .5 functional resource per business cycle
Integration Testing	60		One month, 2 functional resources per business cycle
Implementation Conference Room Pilot II	60		One month, 2 functional resources per business cycle
Changes for Conference Room Pilot II	30		One month, .5 functional resource per business cycle
UAT	180		One month, 3 functional resources per business cycle
Production Go Live Cutover	45		3 resources 15 days
<b>Total Person Days</b>	<b>1455</b>	<b>\$1,164,000.00</b>	<b>Duration approximately 14 months</b>



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# Evaluate Results of a Reimplementation Compared to a Technical Upgrade with Remodeling

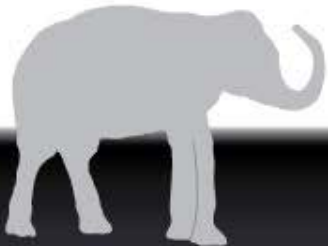
## Reimplementation

- Usually 1 year of history
- Maintain sunset instance
  - Extract, Transform and Load for retrieval for reconciliation, reports, statutory requirements, business intelligence, data warehouse to align with R12 instance
  - Redundant operations, maintenance
- Silos of information with different business processes, inconsistent data
- Standards difficult to enforce

## Technical Upgrade with Remodeling

- All history
- No sunset instance
- Merge like operations
- Transparency from balances to detailed transactions with complete, consistent data
- Common processes and shared data across the enterprise
- Inconsistencies identified and resolved

*A Business Decision not an IT Decision*

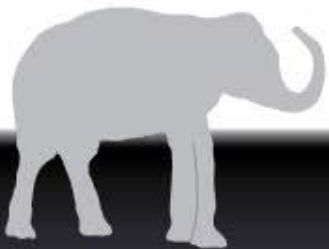


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# Risks

- 🐘 Acceptance of change
- 🐘 Working with new technologies
- 🐘 Cooperation of stakeholders to implement vision
- 🐘 Conflicting business interests may influence priority of project
- 🐘 Cooperation of key suppliers and customers



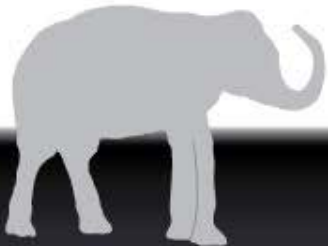
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# ... And Plan To Mitigate Them

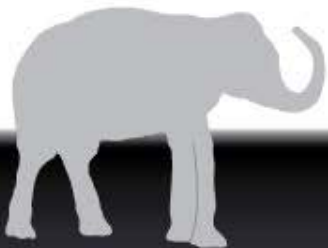
## Mitigation Plans

- 🐘 Provide adequate dedicated resources
- 🐘 Involve users
- 🐘 Identify and use “champions” at implementation sites
- 🐘 Implement standardized policies & procedures
- 🐘 Educate personnel in new processes
- 🐘 Obtain support and commitment of related functional areas



# There Are Compelling Reasons To Move Forward ...

- 🐘 Provides an attractive investment
- 🐘 Minimizes increase in future finance costs
- 🐘 Accelerates and simplifies integration of new acquisitions
- 🐘 Improves focus on value-added activities
- 🐘 Makes better, faster information available for decision-making
- 🐘 Fosters culture of change to meet competitive challenges







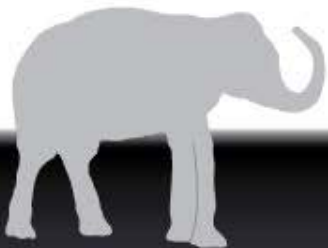
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# ... And There Are Significant Risks Of Delay

-  Hinders ability to provide adequate information for global decision making
-  Decreases ability to respond rapidly to changing conditions and opportunities
-  Impedes ability to create enhanced and streamlined relationships with customers and suppliers
-  Perpetuates duplicative and disjointed improvement initiatives








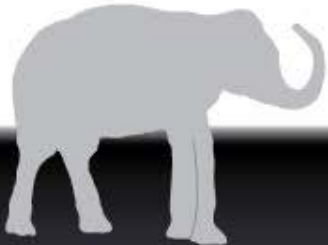
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# Success Hinges Upon These Critical Factors

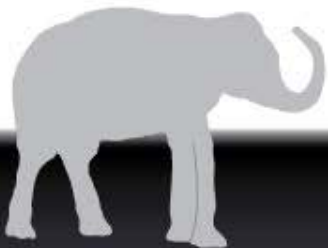
## Critical Success Factors

-  Senior management support with leadership by example
-  Acceptance of standard systems, procedures, data definitions and higher levels of materiality
-  A willingness to embrace change and an openness toward mistakes
-  Sufficient resource allocation and financial support
-  Dissemination and selling of vision



## In Conclusion:

This Is A Compelling Business  
Case That Makes The  
“Go Forward”  
Decision A Reality



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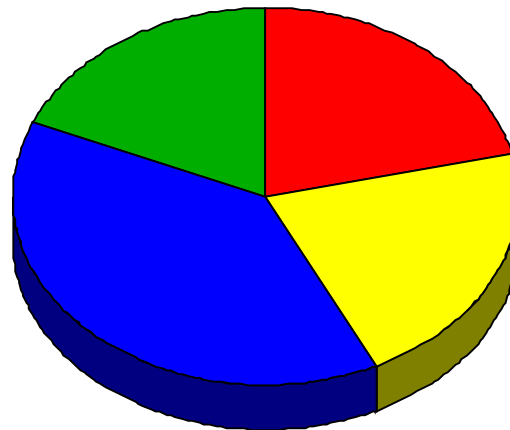
# An Additional \$7.5 Million Of Non-Labor Savings Are Also Expected

## A/P: \$2.0 Million

- 🐘 Improved supplier leverage: \$1,700
- 🐘 Reduce issue of checks: \$145
- 🐘 Rebate from procurement card company: \$112

## Payroll \$2.7 Million

- 🐘 Cash flow savings from standard pay cycles: \$2,546
- 🐘 Reduced bank charges due to fewer checks and accounts: \$43
- 🐘 Reduced mailing costs through direct deposit and fewer pay cycles: \$156



■ A/P      ■ T&E  
■ P/R      ■ Customer

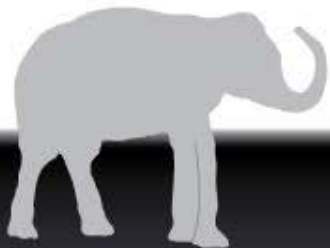
Total: \$7.5 Million

## T&E: \$1.5 Million

- 🐘 Increase leverage with travel supplier: \$848
- 🐘 Additional rebate with travel supplier: \$235
- 🐘 Improved cash flow: \$423

## Billing, A/R, C&C: \$1.3 Million

- 🐘 EDI delivery of invoices: \$515
- 🐘 Reduced Bad Debt expense: \$450
- 🐘 Reduced cost of performing credit checks: \$15
- 🐘 Reduced no. of lockboxes: \$43
- 🐘 Improved cash flow thru alternative remittance methods: \$230



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# Total Projected Net Annual Savings Is \$31 Million

## Total Net Savings (millions)

### Labor Savings

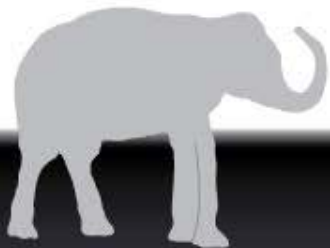
🐘 Net Labor Savings	\$22.6
🐘 Plus Labor-related OH	<u>2.5</u>
▪ Sub-total	\$25.1

### Non Labor Savings

🐘 A/P, T&E	\$ 3.5
🐘 A/R, Billing, Credit/Collections	\$ 1.3
🐘 Payroll	<u>\$ 2.7</u>
▪ Sub-total	<u>\$ 7.5</u>

Gross Labor Savings	\$32.6
Incremental IT Ongoing Costs	(\$ 2.1)

**Total Net Annual Savings      \$30.5**



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# Productivity Will Improve Substantially

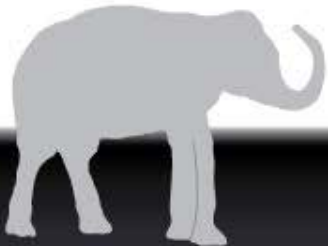
Process	Volume Measure	Productivity			
		Current	Transformed	% Improve.	Quartile Improve.
Accounts Payable	Vendor Invoices/ FTE	10,835	20,395	88	2 ⇨ 1
Travel & Expense	Expense Reports/ FTE	4,371	20,579	371	3 ⇨ 1
Fixed Assets	Assets/ FTE	6,776	16,555	144	3 ⇨ 1
Payroll	Pays/ FTE	14,782	49,914	238	2 ⇨ 1
Accounts Receivable	Remittances/ FTE	5,589	12,231	119	4 ⇨ 2
Billing	Invoices/ FTE	37,920	64,416	70	2 ⇨ 2
Credit & Collections	Invoices/ FTE	36,126	95,432	164	2 ⇨ 1
General Accounting	Staff/ \$Billion Revenue	28.8	8.9	224	3 ⇨ 1
Cost Accounting & Cost Analysis	Staff/ \$Billion Revenue	21.7	12.9	68	3 ⇨ 2
Profit Planning & Forecasting	Staff/ \$Billion Revenue	17.9	4.2	326	3 ⇨ 1
Financial Reporting	Staff/ \$Billion Revenue	8.6	6.9	25	2 ⇨ 2

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# The Project Will Generate Other Significant Benefits

- 🐘 Minimizes the growth of future finance costs
- 🐘 Reduces cost of finance processes at future acquisitions
- 🐘 Eliminates disjointed improvement program costs
- 🐘 Establishes an infrastructure which would be leveraged (Manufacturing, Purchasing, HR, etc.)
- 🐘 Develops a European IT infrastructure
- 🐘 Reduces external/internal audit costs
- 🐘 Foundation for new process roll-outs in other countries
- 🐘 Foundation for migration of other departments to SSC



# Case Study - Dun & Bradstreet: *Accounts Payable*

## Approach

- Prior to reengineering and migrating to a Shared Services Center, Dun & Bradstreet's Accounts Payable operations were decentralized, involved multiple technology platforms, and were manually-intensive. A team was formed to redesign and build the new consolidated processes.

## Leading Practices Implemented

- Centralized Accounts Payable system, at Shared Services Center
- Three-level vendor master-file controls, based on materiality of invoices
- Electronic invoicing to reduce data entry
- Automation of check production and mailing
- Sales/use tax review incorporated into payment system for accurate tax payments
- Imaging of check and invoice documentation
- Automated link to banks, with "positive pay" file transmitted daily
- Signature facsimile and multiple-signature check amounts raised to cost-effective levels

## Savings Realized

- Operating cost reduced by \$3.3 million
- Staff headcount reduction of 48 FTEs
- Receipt of electronic invoices increased by 23%

\* Source: CFO Magazine, November 1996



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# Case Study - Aetna: *Purchasing*

## Approach

- 🐘 The Purchasing activity within Aetna was decentralized, paper-intensive and low value-added. A cross-functional team was formed, composed of Purchasing stakeholders. The objectives were, not only to reduce Purchasing costs and cycle time, but to make it easier for Aetna employees to purchase goods.

## Leading Practices Implemented

- 🐘 Single, company wide purchasing system
- 🐘 Purchasing and Accounts Payable combined into one organization that can focus on the entire procurement process
- 🐘 Purchasing credit card for emergency and small-dollar purchases
- 🐘 Elimination of up-front signatures for purchases under \$750
- 🐘 On-line catalog of 24,000 goods and services and a printed catalog of 5,000 items that account for 98 percent of what Aetna buys
- 🐘 Telephone voice-response system for purchasers who are not computer-enabled
- 🐘 800 number to internal purchasing consultants for assistance or for ordering products not in the catalogs
- 🐘 Approved list of products for companies with Aetna contracts so that employees can order directly
- 🐘 EDI for order placement and invoicing and electronic funds transfer for the top 500 suppliers
- 🐘 Major contracts for commodity items ranging from office supplies to temporary help

## Savings Realized

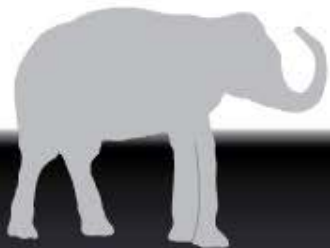
- 🐘 Purchasing organization budget reduced by \$11 million
- 🐘 Average response time reduced by 15 days
- 🐘 Purchase orders transmitted electronically from 0% to 87%
- 🐘 The number of vendors decreased by 14,000
- 🐘 Purchasing staff reduced by 88%
- 🐘 Net material acquisition cost slashed to .016 for each dollar purchased

\* Source: CFO Magazine, November 1996

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# Questions?



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# Thank You!

Helene Abrams, CEO

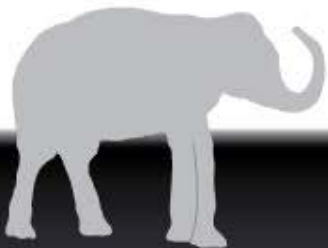
[www.eprentise.com](http://www.eprentise.com)

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Answers from this session will be posted within two weeks on our new LinkedIn Group, EBS Answers: <http://www.linkedin.com/groups/EBS-Answers-4683349/about>



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