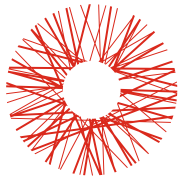




ROI CASE STUDY

PROGRAM: CORPORATE PERFORMANCE MANAGEMENT

DOCUMENT NUMBER: S126 AUGUST 2018



NUCLEUS
RESEARCH

ROI: 95%

Payback: 1.4 Years

PROPHIX

LOCHMUELLER GROUP

ANALYST

Seth Lippincott

THE BOTTOM LINE

Lochmueller Group deployed Prophix to improve the efficiency and accuracy of its financial budgeting. By leveraging the flexibility of Prophix's corporate performance management (CPM) solution, Lochmueller Group fits the software to its business needs. In addition to reduced time spent on year-end budgeting, the company has experienced increased productivity from its branch managers and discipline leads with Prophix making the budgeting process more collaborative.

THE COMPANY

Lochmueller Group is an engineering firm that specializes in providing transportation, planning, and environmental services, in addition to data collection and modeling. Headquartered in Evansville, Indiana, Lochmueller Group has been in business since 1980. The company has about 180 employees and built a name for itself by balancing its planning and engineering efforts with a concern for the environment and the ability to provide clients with practical and cost-effective designs.

THE CHALLENGE

As its business grew, Lochmueller Group started to buy and sell labor internally by moving assets between locations, which was difficult to manage using Microsoft Excel. The company was using BST Global for enterprise resource planning (ERP); however, the solution had very little functionality when it came to general ledger budgeting. None of the budgeting processes were automated, with users having to manually enter data, and only having the ability to compare and report on actuals. As a result, Lochmueller relied on Microsoft Excel to perform many of its corporate performance management processes to fill the gaps left by its ERP solution. Continued management with Excel had become more difficult as the needs of the business changed, prompting a search for an alternative.

**Cost : Benefit
Ratio**

1 : 2.2

THE STRATEGY

Stemming from a series of budgeting and utilization discussions, Lochmueller Group considered the possibility of switching to a new CPM solution in January 2017. The search began in earnest in May of that year, with management attending multiple demos and considering several solutions.

Adaptive Insights was one of those that were considered. However, Lochmueller Group found the solution matched Microsoft Excel too closely in functionality as well as lacking with its user experience. Given Lochmueller Group's previous experience with Microsoft Excel, the organization attempted to find a solution that did not mirror it.

The company ultimately selected Prophix due to its flexibility and potential to be customized. The solution enabled Lochmueller to build out Prophix based on the needs of the business. Lochmueller was confident that Prophix could be easily modified as the business expands and its needs change.

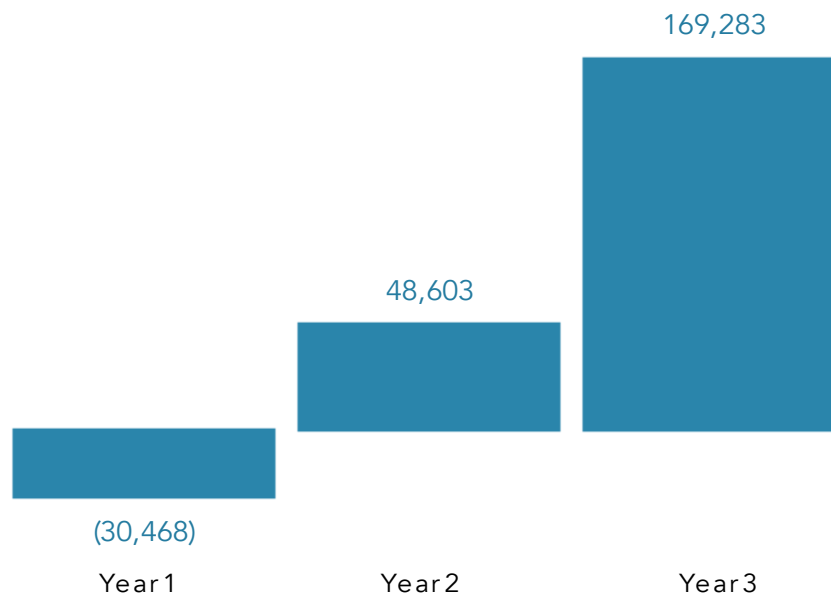
Lochmueller started to deploy Prophix in September 2017 and were up and running in time to perform budgeting in October. The company tested to ensure the formulas were built to correctly account for cross-departmental allocation. The setup was streamlined by being able to import employment data from Lochmueller's human capital management (HCM) solution and avoid the need to manually calculate personnel costs. Prophix consultants helped Lochmueller build the report templates and interface dashboards, enabling all financial reporting to be through Prophix. Lochmueller plans to expand its use of Prophix to forecasting as well as pushing for its board of directors to use the tool.

KEY BENEFIT AREAS

Deploying Prophix improved Lochmueller Group's financial budgeting processes and reduced the amount of time necessary to complete them. Key benefits of this project include:

- Reduced time spent on year-end budgeting and analysis. Lochmueller Group branch managers and discipline leaders can complete their year-end processes and data analysis more quickly with Prophix.

CUMULATIVE NET BENEFIT

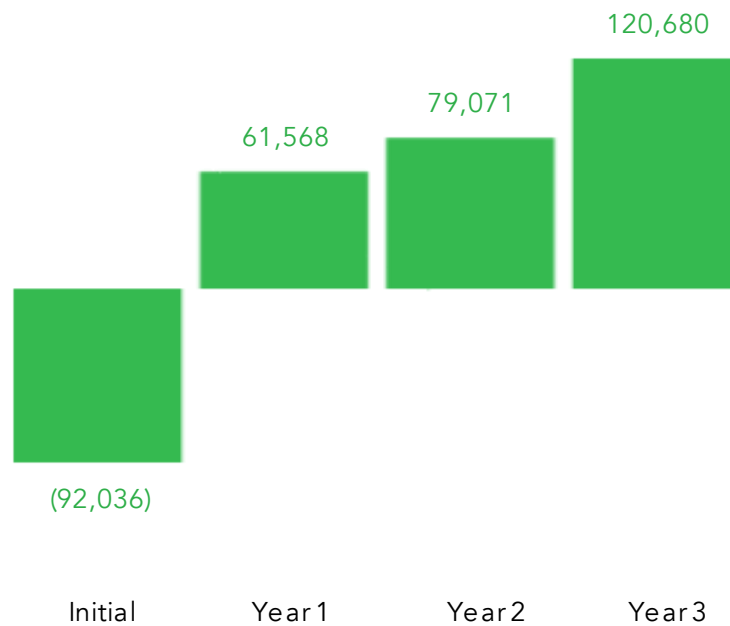


- Increased management productivity. With better access to the data they need, management is more productive and can spend less time on budgeting, quarterly forecasts, and monthly reporting.
- Reduced report creation and distribution time. Employees are able to more efficiently create and distribute reports at month- and year-end.

KEY COST AREAS

Lochmueller's investment in Prophix consisted of software subscription costs, consulting fees, personnel time spent implementing and getting trained on the solution, as well as some miscellaneous costs such as airfare. Since Prophix was deployed to the cloud, Lochmueller incurred no hardware costs. Additionally, any time spent on the solution since going live has been a value-add to the organization, ensuring that Prophix produces the correct results, resulting in no ongoing personnel costs to maintain the software.

NET CASH FLOWS



LESSONS LEARNED

Lochmueller learned from its experience configuring Prophix to handle the complexity of its interoffice transactions that the solution's flexibility is one of its primary differentiators. The company knows it can rely on Prophix being able to adjust to changes in its budgeting and forecasting needs. Lochmueller has already identified ways in which it will build out Prophix's capabilities and derive more value from the solution moving forward.

The company leveraged the functionality of Prophix to make the budgeting process more collaborative between the budget owners and the accounting department. With better access to information, managers can improve their decision-making when creating their budgets and adding resources.

CALCULATING THE ROI

Nucleus quantified the initial and ongoing costs of software subscription fees, implementation consulting, personnel time, time spent training, and miscellaneous costs to quantify Lochmueller Group's total investment in Prophix.

This implementation did not result in any direct benefits since Lochmueller had no prior system that it was replacing. Indirect benefits quantified included the reduction of year-end budgeting and analytics time for branch managers and discipline leaders, enhanced management productivity, and the reduction of report creation and distribution time for employees. Each of these benefits was quantified based on the average fully loaded cost of employees using a productivity factor to account for the inefficient transfer of time between time saved and additional time worked.

Benefits not quantified included improved collaboration among budget owners due to their ability to edit data and automatically see the resulting changes within the system.

FINANCIAL ANALYSIS

Annual ROI: 95%

Payback period: 1.4 years

BENEFITS	Pre-start	Year 1	Year 2	Year 3
Direct	0	0	0	0
Indirect	0	87,112	105,960	120,680
Total per period	0	87,112	105,960	120,680

COSTS - CAPITALIZED ASSETS	Pre-start	Year 1	Year 2	Year 3
Software	0	0	0	0
Hardware	0	0	0	0
Project consulting and personnel	0	0	0	0
Total per period	0	0	0	0

COSTS - DEPRECIATION	Pre-start	Year 1	Year 2	Year 3
Software	0	0	0	0
Hardware	0	0	0	0
Project consulting and personnel	0	0	0	0
Total per period	0	0	0	0

COSTS - EXPENSED	Pre-start	Year 1	Year 2	Year 3
Software	24,200	25,544	26,889	0
Hardware	0	0	0	0
Consulting	37,700	0	0	0
Personnel	27,130	0	0	0
Training	1,506	0	0	0
Other	1,500	0	0	0
Total per period	92,036	25,544	26,889	0

FINANCIAL ANALYSIS	Results	Year 1	Year 2	Year 3
All government taxes	45%			
Cost of capital	7.0%			
Net cash flow before taxes	(92,036)	61,568	79,071	120,680
Net cash flow after taxes	(50,620)	33,862	43,489	66,374
Annual ROI - direct and indirect benefits				95%
Annual ROI - direct benefits only				-19%
Net Present Value (NPV)				73,193
Payback period				1.4 years
Average Annual Cost of Ownership				48,156
3-Year IRR				66%

All calculations are based on Nucleus Research's independent analysis of the expected costs and benefits associated with the solution.