

## ROI CASE STUDY

# ADAPTIVE INSIGHTS ANONYMOUS MANUFACTURER



### THE BOTTOM LINE

A major medical device manufacturer, chose to adopt Adaptive Insights' Adaptive Planning for forecasting, planning, and accounting across many of its manufacturing sites. Nucleus found that by adopting Adaptive Planning, the company was able to improve visibility, increase trust in financial forecasts and analysis, provide greater auditability, and increase finance and non-finance employee productivity.

ROI: **299%**

Payback: **4.8 months**

Average annual benefit: **\$165,198**

### THE COMPANY

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This major medical device manufacturer transforms lives through innovative medical solutions that improve the health of patients around the world. The company has more than 24,000 employees, in nearly 100 countries.

### THE CHALLENGE

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The company needed a way to perform financial planning and analysis (FP&A) in a consistent, and reliable way across the operations of its plants. The organization was using SAP and Hyperion for global consolidation, but lacked a common tool to perform planning and analysis at the local level. Therefore, the local finance and value stream management teams in the plants were defaulting to spreadsheets for their financial planning and analysis work:

- Without a standardized financial planning and analysis (FP&A) solution, finance was spending significant amount of time reconciling spreadsheets and data in each of the plants, and consolidating the information for loading into Hyperion.
- Value stream managers did not have a standard process for FP&A and as a result, had to allocate time to verifying results because they had no ability to track changes or

audit formulas and calculations. They didn't completely understand the budgeting process and had difficulty taking ownership.

- The variable performance of the existing Hyperion system meant the planning process was often delayed, and processing time was lengthy. The results were not always trusted, and manual calculations had to be performed to verify results.

To improve the process of FP&A, reduce the silos of information between finance and manufacturing, as well as implementing a reliable and trusted source of information, the company needed a low-cost, high-performing financial planning and analysis solution for local manufacturing sites.

## THE STRATEGY

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In the spring of 2011, the company discovered Adaptive Planning, part of the Adaptive Suite from Adaptive Insights. A senior manager in finance, evaluated Adaptive Planning, and knew it would meet their needs. The price was right, as the company had estimated extending the Hyperion system would cost in excess of 10 times the Adaptive Planning solution. Adaptive Planning was competitive, and matched the capabilities of the larger ERP systems. In May of 2011, Adaptive Planning was implemented, and deployed at one manufacturing site.

*"At the time we had an older Hyperion tool that was being sunset, and we had moved budgeting and forecasting to spreadsheets as a result. We did have a tool for corporate consolidation but needed something to build the nuts and bolts of budgets and forecasts."*

- Senior Manager, Finance

The initial implementation took about eight weeks with one FTE dedicated. The team developed its own training materials, customized to the application. The 10 users required only a couple of one hour training sessions to use the application. In 2012, the solution was implemented to three additional plants, followed by four more plants in 2013. Over the three years, the rollout quickly ramped up to 343 users. These users required minimal training to become proficient with the application.

## KEY BENEFIT AREAS

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Moving to a reliable, transparent, and trusted financial planning and analysis (FP&A) solution has enabled the company's manufacturing sites to support their FP&A needs by making budgeting, forecasting, and planning quicker, more collaborative, and easier for its plant leadership and finance teams. The key benefits of the project include:

- Reduction in staffing requirements at some sites. At most plants, there were multiple value streams manufacturing different types of products. Adaptive Planning provided better visibility, and the ability to analyze and understand value stream performance.

The value stream managers are able to be “mini CEOs” of their value streams. Without Adaptive Planning, they would either have to have an additional business analyst or finance would have to have a larger team to meet the needs of growing diversifying plants. Now the managers are able to perform their own forecasting, budgeting and analysis without the need for additional staff.

*“We can make changes to our model on the fly. When adding new products to our plant, we are able to work with managers to structure how we put them into Adaptive Planning, and do it in real time next to our customers. This has provided us with a huge productivity gain in terms of being able to get it right the first time, or if we need to adjust, we can do it sitting next to the person who knows.”*

- Senior Manager, Finance

- Increased productivity. Data is now more transparent to the entire organization and due to Adaptive Planning’s formula traceability, finance and manufacturing managers are able to look at the budget and understand how it’s calculated. The solution is providing much greater reliability, speed, and an audit trail with timestamp to track changes. Time that was spent previously verifying calculations and tracing activity is now saved. In addition to increased productivity, the formula tracing and audit tracking capabilities helped improve collaboration, and a sense of joint ownership over budgets and forecasts between finance and other functions in the plants.
- Greater flexibility. Finance is able to quickly adjust models, structures, and add new products with the value stream managers, resulting in significant productivity gains.
- Continuous improvement. Because Adaptive Insights updates the system once per quarter, all customers remain on the cutting edge of SaaS-based FP&A capabilities.

**Types of Benefits**



**KEY COST AREAS**

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Costs of the project included the subscription fees, implementation consulting, time spent in the pilot period, and ongoing support, training, and the development of the training materials.

**Cost : Benefit Ratio | 1 : 1.4**

## BEST PRACTICES

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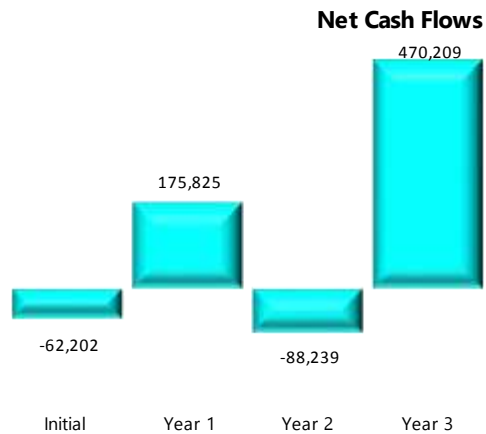
Enabling the value stream managers with the Adaptive Planning solution allowed these managers to create more concise, and accurate budgets and forecasts, as they had much greater visibility into the entire planning process. One of the company's biggest challenges was the siloed nature of its financial information. By implementing Adaptive Planning at some plants, the company was able to improve visibility and trust in the planning process for the value stream managers, was successful in increasing ownership and collaboration on the FP&A process, and was able to greatly improve the relationship between finance and the value stream managers.

The company's financial environment at each plant is reflective of the organizational structure of the company itself- a set of manufacturing plants. Each plant operates on its own, and supplies financial data to local customers and Global Operations as required. One opportunity for improvement on how Adaptive Planning was rolled out would be to create a coordinated and standardized approach between the plants. This operations-wide standardized structure would allow for individual plant instances to be automatically consolidated together, while also leveraging Adaptive's unique ability to develop specific capabilities at the local level. It would also greatly reduce the time spent on consolidating actual results versus the manual process followed today. That being said, Adaptive Planning's ease of use has made the task of coordinating the data for consolidation very simple, and not time consuming.

## CALCULATING THE ROI

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Nucleus calculated the costs of software subscription, consulting, personnel, training, and ongoing support over a 3-year period to quantify the company's investment in its deployment of Adaptive Planning.



Direct benefits were realized through either staff reductions or staff avoidance in the plant finance teams.

The indirect benefits realized were of increased general employee productivity, and increased productivity during budgeting and forecasting periods. Nucleus found that during budgeting and forecasting periods, the company was saving about four hours per day, per plant, in an 11-week period. For the rest of the year, half an hour per day per analyst was saved. These productivity savings were quantified based on the average annual fully loaded cost of an employee using a correction factor to account for the inefficient transfer between time saved and additional time worked. Additional significant financial benefits not accounted for here include the reduced consulting fees over the course of subsequent implementations as the internal skills were developed.

Because a second wave of Adaptive Planning implementations occurred in the second year of this study, the company expects to reap additional direct and indirect benefits in coming years. These benefits would further enhance the ROI, average annual benefit, and cost-to-benefit ratio of the company's implementation of Adaptive Planning.

## FINANCIAL ANALYSIS

### Adaptive Planning

Annual ROI: 299%

Payback period: 0.4 years

<b>ANNUAL BENEFITS</b>	<b>Pre-start</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Direct	0	310,000	501,625	626,625
Indirect	0	13,750	55,000	276,250
<b>Total per period</b>	0	323,750	556,625	902,875

<b>CAPITALIZED ASSETS</b>	<b>Pre-start</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Software	0	0	0	0
Hardware	0	0	0	0
Project consulting and personnel	0	0	0	0
<b>Total per period</b>	0	0	0	0

<b>DEPRECIATION SCHEDULE</b>	<b>Pre-start</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Software	0	0	0	0
Hardware	0	0	0	0
Project consulting and personnel	0	0	0	0
<b>Total per period</b>	0	0	0	0

<b>EXPENSED COSTS</b>	<b>Pre-start</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Software	22,000	98,446	287,623	0
Hardware	0	0	0	0
Consulting	18,000	0	36,000	117,964
Personnel	20,000	49,479	307,500	312,500
Training	2,202	0	2,202	2,202
Other	0	0	11,539	0
<b>Total per period</b>	62,202	147,925	644,864	432,666

<b>FINANCIAL ANALYSIS</b>	<b>Results</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Net cash flow before taxes	-62,202	175,825	-88,239	470,209
Net cash flow after taxes	-34,211	96,704	-48,532	258,615
<b>Annual ROI - direct and indirect benefits</b>				<b>299%</b>
Annual ROI - direct benefits only				114%
Net Present Value (NPV)				224,884
<b>Payback period</b>				<b>0.4 years</b>
Average Annual Cost of Ownership				429,219
3-Year IRR				214%

### FINANCIAL ASSUMPTIONS

All government taxes	45%
Cost of capital	7.0%



NUCLEUS  
RESEARCH

# By the Numbers

Medical device manufacturer's Adaptive Planning project



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Annual Return  
on Investment **299%**

**4.8** months  
The total time to value, or  
**payback** period, for the project

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Cost : Benefit  
Ratio **1 : 1.4**

**\$165,198**  
Average annual benefit

## THE PROJECT

A medical device manufacturer chose to adopt Adaptive Insights' Adaptive Planning for forecasting, planning and accounting across its manufacturing sites. Nucleus found that by adopting Adaptive Planning, the company was able to improve visibility, increase trust in financial forecasts and analysis, and increase employee productivity.

## THE RESULTS

Improved visibility  
Increased trust in financial forecasts and analysis  
Increased employee productivity

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Number of **users: 343**

**2** Months  
Total time for the company to  
deploy Adaptive Planning

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*"We can make changes to our model on the fly. When adding new products to our plant, we work in real time with managers to structure how they are entered into Adaptive Planning."*

- Senior Manager, Finance