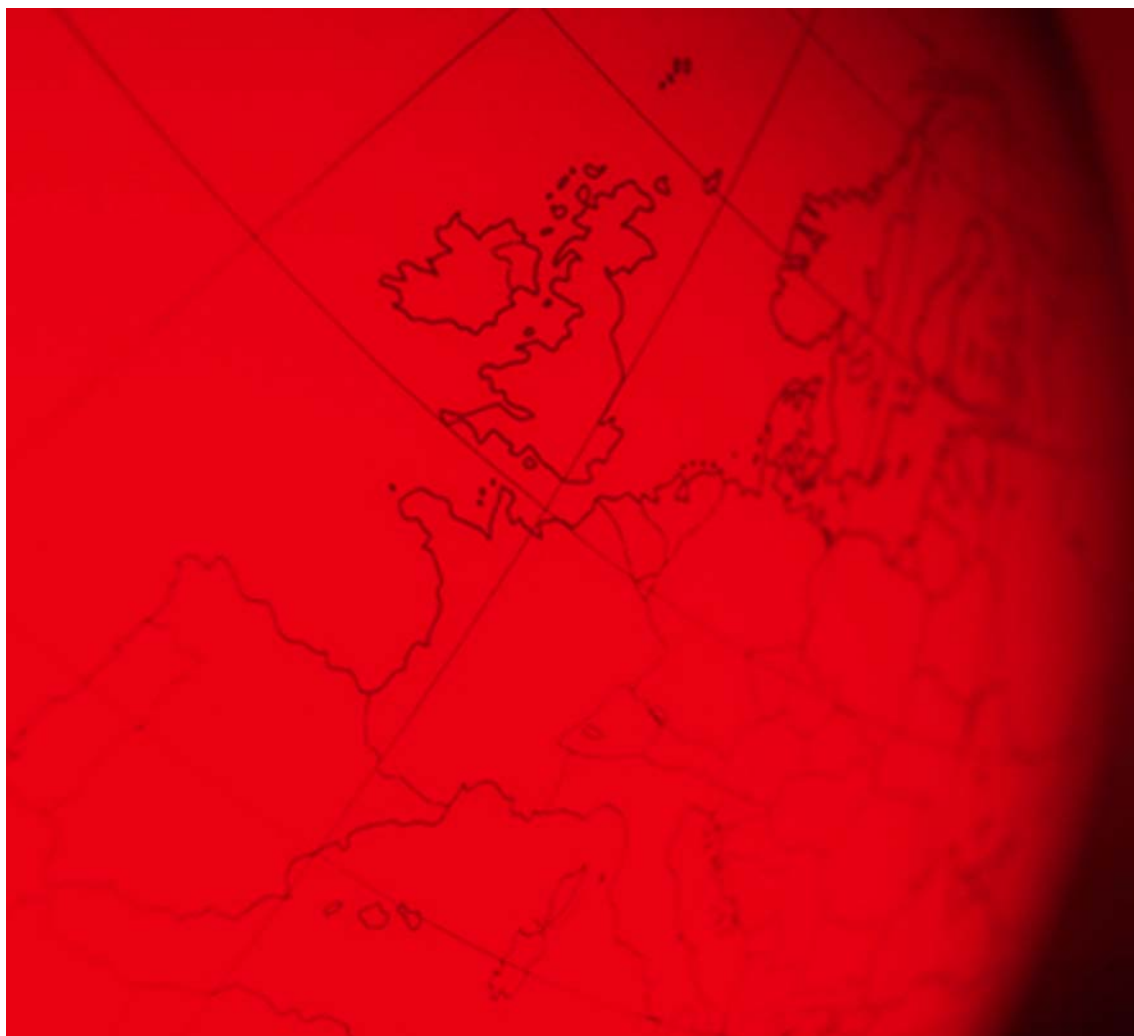


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REAL ROI REPORT MACONOMY



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THE BOTTOM LINE

Nucleus conducted an in-depth investigation of 26 Maconomy deployments and found all customers had either already received a positive ROI or were generating benefits and were on plan to achieve positive ROI. Customers reported Maconomy delivered greater visibility, reporting capabilities, and improved employee productivity. Customers also were better able to manage costs, tie activities to billable hours, and make accounts more profitable.

Maconomy offers an integrated set of ERP, time and expense, project management, and CRM applications geared for professional service organizations that require project management. Maconomy customers include advertising, marketing, and public relations agencies; and audit and tax, engineering, IT, and management consultancies.

Nucleus analysts investigated Maconomy deployments and found 76 percent of Maconomy's customers had already received a full payback on their investment. Another 19 percent were early in their deployment but had measurable benefits and were expected to receive an ROI. One customer was unable to calculate the ROI, but believed it was achieving benefits. As is typical with a major ERP implementation, there were variables affecting deployments, including user adoption rates, consulting costs, and the size of the implementation.

Ninety-five percent of customers achieved or planned to achieve a measurable ROI from their Maconomy installation, with one customer unable to quantify ROI but receiving benefits. The average number of users per deployment was 963 with a low of 40 and a high of 10,000.

Maconomy's suite includes:

- Core ERP, including financials
- Budgeting
- Time registration
- Project planning and resource management (with People Planner)
- Analytics, with an OEM agreement with Business Objects for reporting
- Employee productivity and self service
- Order management and fulfillment
- Inventory management
- CRM, including SFA, marketing, and customer support and service
- E-commerce

As is Nucleus's normal practice for its Real ROI series, analysts independently contacted and interviewed Maconomy customers about their deployments and analyzed the ROI on them. Nucleus originally issued a report on Maconomy in 2005; however, given the pace of change in this market, Nucleus chose to update that report with new research. In all, Nucleus interviewed 26 customers, including executives and project team heads. They shared their experiences about selecting, customizing, integrating, and deploying Maconomy.

TOPICS

Business Intelligence & Analytics

Enterprise Applications

IT / Infrastructure

Customer Relationship Management

In updating this report, Nucleus found customer ROI experiences were similar to those for the original study. This is a positive indicator for Maconomy and one of the main benefits of Maconomy remains its ability to give enterprisewide visibility into critical business processes such as sales pipeline and operations. For instance, one recent 7,000-seat implementation at a professional services firm delivered ROI in 2.5 years. Crucial for ROI was that Maconomy centralized project management data, allowing the company to have better insight into how to measure the projects and costs. *"The way services firms make money or not is driven by batting averages,"* said one executive at the company. *"This is a better way of measuring the projects and the client profitability. The benefits [of Maconomy] have absolutely outweighed the costs."*

WHY MACONOMY

Maconomy won out over high profile applications such as SAP ERP, Oracle's E-Business Suite, and Microsoft Dynamics AX. It also was selected instead of applications from more direct competitors such as Unit 4 Agresso, DDS, Deltek, and BST Global. There were four primary reasons why customers chose Maconomy, including:

- **Features.** A majority went with Maconomy because its functions most suited their particular needs. Many were agencies or consultancies that needed out-of-the-box applications to support specific types of project management or accounting processes. The system can be implemented largely without customization to support the unique time and expense and other special needs of professional services organizations.
- **Ease of use.** Companies cited user friendliness as a deciding factor, particularly when compared with other ERP systems. Ease of use helps employees to more rapidly adopt a technology and become productive on it.
- **Value for money.** Some customers picked Maconomy because it had the rich features of SAP or Oracle but at a lower price than those vendors.
- **Existing implementation.** In some cases, companies turned to Maconomy because of success with it in another part of their business. Some customers also upgraded from a prior version to exploit new features or to expand its use.

Median deployment time for Maconomy was 6 months, with an average of 8 months. Seventy-seven percent of the projects were on time, with 58 percent on or under budget. The companies that went over budget often did so because they installed additional modules or reporting applications.

THE BENEFITS OF MACONOMY

Organizations reported a number of benefits from Maconomy, including:

- Improved reporting and information visibility
- Increased productivity or reduced headcount
- Better staff utilization
- Improved invoicing
- Reduced or avoided IT costs

Improved data visibility and reporting

A majority of customers noted that improved reporting and data visibility were a key benefit. For instance, customers could access detailed information about company operations:

- One user cited "information visibility" as important. *"Before Maconomy, people were running Excel and their data was always wrong or at least partly wrong. We increased profits by better visibility, and part of that visibility was through Maconomy."*
- *"What's important is that everyone is working on Maconomy, and on the same system. There were different systems before and one wasn't communicating with the other."*

Eighty-five percent of customers said Maconomy helped them to improve their reporting and visibility into project planning and management data.

Some customers found taking employee data and mapping it to projects helped them become more profitable. It also helped managing projects through better insight into job lengths and costs:

- *"We were looking for a system able to support the ever-changing nature of our business while maintaining a high level of control and an audit trail. Maconomy met those requirements and even provided new business processes that suited our needs better than our initial processes. Overall, Maconomy improved our internal controls and efficiencies."*
- *"There is better visibility into data and operations. Maconomy has helped project managers have a better overview of projects, and they can do follow-ups with customers. Salespeople can see how many hours they report on each project. We can see how much pre-sales we report each month. Financial reporting has helped us get better and more exact financial data."*
- *"In finance, people have become more analytical. Rather than juggling data, they are now analyzing it looking forwards rather than backwards. It's better for the business. There is more timely information and better decision making."*

Increased productivity and reduced headcount

A number of companies said Maconomy allowed companies to make their staff more productive and improved their ability to generate billable hours. Additionally, the applications can automate manual data entry and other processes. This allowed customers to cut existing headcount or avoid new hires as their companies grew. Sixty-two percent of customers claimed Maconomy had delivered increased productivity and reduced headcount. Some companies saw headcount reductions from 0 to 5 fulltime equivalents, representing up to a 2 percent reduction in workforce for some firms. It also reduced budgeting cycles and improved overall company performance:

- *"As we grew, we didn't need to hire staff to handle more volume for administration. That saved us two hires at \$100,000 each."*
- *"We reduced by three the administrative personnel who manually handled time and expense processes."*
- *"I think Maconomy saved between 30 and 40 percent of the time for the whole accounting team."*

- *"We reduced our accounting staff by roughly 40 percent."*

Companies reported time savings of 15 to 40 percent for impacted employees.

Better staff utilization and more billable hours

Nucleus found companies were better able to use their staff by tracking hours and costs by project or employee in Maconomy. It also helped companies determine which projects would be most successful and who were the most profitable clients. It also allowed them to see if projects were going to be delayed or run over budget, and take action accordingly:

- *"It has improved our utilization of staff, our revenue per head. It's reduced the number of freelancers and contractors we use, making each of our staff at least two hours more billable. It's saved us \$50,000 in not using outside help."*
- *"It's given us some guidance. Our quotation process is better. We've seen a total savings of \$40,000 where we've been informed we're going over budget."*

Fifty-eight percent of customers used Maconomy to increase staff utilization, which delivered more billable hours.

This also resulted in better cost controls. Companies were able to tie expenses to a given project and bill the customer for them. Also, they were able to control employee spending by implementing an automated approvals process:

- *"We work on a project-by-project basis. We've been able to analyze project profitability. The business gets more visibility into the projects and jobs and what's associated with that. We know how to reduce our out-of-pocket expenses. A courier or travel expense has to be mapped to a job."*
- *"There's been a 30 percent decrease in the costs of internal purchasing. We have control over non-billable charges, such as travel expenses. Before, expenses were manually controlled. Now there are controls in place to proactively prevent people from unjustified spending."*

Improved and accelerated invoicing

Some companies using Maconomy for project management reported better and faster invoicing through access to live data. For project management companies, it provided a unique advantage:

- *"At the time we bought it [Maconomy], there were no real [ERP] competitors focusing on consultancies. We can invoice several ways but it's still one product."*
- *"We've expanded so much as a consultancy. Maconomy saved us a lot of man-hours in finance. Before, the invoicing process took us two weeks; now it's five days."*
- *"It usually took us a week to invoice and close the books. Now we cut that in half. We're done with invoicing in a day or two in a normal end-of-month closing and that's dramatic."*

Using Maconomy, 27 percent of companies indicated they accelerated invoicing.

Reduced or avoided IT costs

Maconomy users found that one integrated system saved on maintenance, integrations, and workarounds. The companies no longer needed to maintain multiple parallel accounting applications or databases. They also maintained or expanded their businesses without adding new IT staff or incurring other IT costs.

Twenty-seven percent of customers reduced or avoided IT costs through Maconomy.

- *"We're coming from 20 accounting systems to one, with about 15 percent of the costs that were related to the former accounting systems."*
- *"We have reduced IT costs by 20 percent on the financial software alone."*
- *"If you compare the alternative – to have two separate systems, one project management and one accounting system – we saved money on IT costs and headcount."*

KEY COST AREAS

Key cost areas for companies included software, hardware, consulting, personnel, and training. Included in the sample were companies in Sweden, Norway, Denmark, Germany, Belgium, the United Kingdom, Canada, and the United States. During the interviews all local currencies were converted into dollars to maintain consistency in the calculations. Customer projects ran from small deployments to global phased multi-thousand user projects. It's worth mentioning that two of the implementations that ranged from 7,000 to 10,000 end users contributed to the high average cost of consulting, training, and software costs.

Table 1. The median 3-year cost of a Maconomy deployment

<i>Initial costs</i>		
Software	\$250,000	
Consulting	\$60,000	
Hardware	\$22,000	
Personnel	\$170,000	4.25 FTEs for 6 months @\$80K annual
Training	\$111,534	14.5 hours/user
<i>Ongoing costs</i>		
Software	\$42,500	17% standard annual maintenance
Personnel	\$160,000	2 FTEs
Total 3-year costs	\$1,221,034	

Software

The initial software investment in Maconomy ran from \$25,000 to \$5,000,000, with a median of \$250,000 and an average of \$464,098. Customers reported they usually paid from 15 percent to 17 percent in annual software license maintenance fees, with a median of 15 percent and average of 16 percent. Maconomy generally charges a standard 17 percent for maintenance for new customers.

Consulting

The median consulting expense for a Maconomy deployment was \$60,000, with an average \$ 189,947. Customer consulting costs ranged from a low of 0 to a high of \$1.5 million.

Table 2. The average 3-year cost of a Maconomy deployment

<i>Initial costs</i>		
Software	\$464,098	
Consulting	\$189,947	
Hardware	\$49,762	
Personnel	\$266,666	5 FTES for 8 months
Training	\$666,665	18 hours/user
<i>Ongoing costs</i>		
Software	\$78,896	17% standard annual maintenance
Personnel	\$160,000	2 FTEs
Total 3-year costs	\$2,353,826	

Hardware

Some organizations were able to redeploy existing hardware to support their Maconomy rollout and made no new hardware investment. At the high end, one company spent \$200,000 on hardware. The median hardware spend was \$22,000, and the average was \$49,762.

Personnel

The median project team needed to support a Maconomy deployment was 4.25 FTEs for a period of 6 months. The average was 5 FTEs for 8 months. Nucleus estimates the cost of a full loaded employee is \$80,000 per year.

Ongoing support required companies to devote between a quarter (0.25) of a full time equivalent and five full time equivalents to support Maconomy. The average was 2 and the median was 2.

Training

Although not Windows based, compared with other ERP systems such as SAP, Maconomy is relatively easy to train on and use. However, some applications, such as financials, can require more extensive training than others. On average, users spent 18 hours training to learn how to effectively use Maconomy. The median training time was 14.5 hours with a low of 2 hours.

BEST PRACTICES

In addition to knowing their business needs and specific goals, customers relied on a number of key best practices to keep their projects on time and budget and maximize ROI. Following these best practices can raise ROI and reduce the risk of a Maconomy project.

Match your needs to the consultant

Vendor or partner consultants are key to a successful ERP deployment: they can make it succeed or they can potentially sink it. Errors early on can result in having

to do a re-implementation, which will balloon costs and deadlines. You want to be sure your consultants are a good fit for your particular implementation. Nucleus recommends:

- Spend time vetting the consultants you use. Consultant's relative know-how of Maconomy varies. As with any ERP system, there are new versions coming out and consultants will be at varying stages of competency with them. Make sure the consultants are up to date in all the latest Maconomy applications, technology, and implementation methodologies.
- Get references for the consultants. Take these preferably from companies that are in your industry and have had similar rollouts. If need be, go to Maconomy directly for recommendations.
- Define expectations. Before the project starts, make sure you make it very clear what is expected of consultants and how they can benefit your specific business. Make it clear just what Maconomy's applications are intended to do to make your company more successful.
- Manage the consultants. Once the deployment begins, hold the consultants accountable, and then work very closely with them until completion.

Ensure user adoption

A key reason companies deploy Maconomy is to improve project management and accounting. This involves better management of billable hours, expense control, and making each project as profitable as possible. That means employees are more accountable for time worked and for the resources spent on a given project. Getting the employees prepared for the new system is crucial, and this includes training and giving them incentives to migrate. *"Any business change is a challenge,"* said one user. *"Getting users through the acceptance and testing is a challenge."* Most companies offered different levels of training, depending on what role the user had, if they were a power user or a casual user, and how often they had to touch the system.

Paying attention to the layout of the system and how the workflows were crafted was key to one company. *"The biggest challenge was going through the hard upfront process of determining the configuration, and how to compromise."*

Users also devised various ways to help promote user adoption. They included creating tailor-made manuals for their users instead of relying on just Maconomy materials. Others assigned business users to the project team to keep the technical side of the project aligned with the business needs. Other companies insisted improved communication and documentation would have helped user adoption.

Assign dedicated internal resources

Many deployments were on time and budget and delivered rapid ROI because there were dedicated internal resources on the deployment team. Usually, the group included both IT and business personnel. One user said it was necessary to have *"a manager who is actively managing the specifications and implementation and not just task managing."* Another user noted: *"One thing we underestimated was the amount of time needed by internal people, no matter what solution you select. It's important to dedicate one internal person full time and relieve them of any normal duties."*

One customer also noted having an IT staffer as part of the deployment is desirable. *"What would have been nice would be to have an IT person as part of everything – so we would have had someone here up to speed."*

Clearly define deployment time and scope

Adequate project planning, including clearly defining project scope and time, was a key success factor. Have a realistic go-live deadline and estimate of the amount of consulting assistance needed. This is going to vary depending on your needs, technical capabilities, and the relative computer proficiency of your staff. If your employees are accustomed to using ERP systems, the migration will be easier than if they have been relying only on manual paper-based processes. It will help to pace the rollout to your company's needs. A rushed implementation, particularly if the software is relatively new and there isn't a wide body of knowledge around it, can be extremely risky. One user said if they were re-implementing Maconomy that they'd *"phase it in"* and take more time with the deployment.

Thoroughly assess reporting needs

Users who want to do full scale reporting should closely evaluate Maconomy's out-of-the-box reporting offerings and see if they are a good fit. It also means having a complete data migration strategy and the proper tools to make the project successful. Users must decide how much they want to customize their analysis. Make sure that enough time and money are budgeted to do the reporting implementation correctly. *"We didn't spend nearly enough time looking at the standard reports, and when we rolled out the system, we saw we needed to create custom reports,"* said one user.

CONCLUSION

For most organizations, positive ROI comes from reduced headcount or avoiding new hires. It also comes from improved data access, visibility across the company's departments and operations, and personnel and process efficiency improvements. The ability to access data and create reports in real time or near to it improves decision making and allows a company to be more nimble when reacting to market changes. Customers can also evaluate projects, determine and maintain maximum client profitability, and ensure accountability among internal staffers. The software also helps with cost control and spend analysis. Maconomy also ties expenses and time to a given project or account, which improves billing and invoicing processes. Coupled with a relatively rapid deployment time and low training requirements, these capabilities enable Maconomy to offer positive ROI to customers in the professional services market.

Nucleus Research is a global provider of investigative technology research and advisory services. Building on its unique ROI case study approach, for nearly a decade Nucleus Research has delivered insight and analysis on the true value of technology and strategies for maximizing current investments and exploiting new technology opportunities. For more information or a list of services, visit NucleusResearch.com, call +1-781-416-2900, or e-mail info@NucleusResearch.com.