

**NUCLEUS  
RESEARCH**

RESEARCH NOTE B29

ROI ANALYSIS YOU CAN TRUST™

## ROI Profile: Microsoft SharePoint — ARC

### **THE BOTTOM LINE**

Supporting basic document development processes and information organization and access with SharePoint will enable the ARC Advisory group to achieve a rapid ROI without the time and investment needed for a more extensive document management system

**ROI: 179%**

**Payback: 7 months**

### **THE COMPANY**

For large international corporations, global technology and business trends can have a significant impact on their operations, both tactical and strategic. Companies must stay on top of local and global trends and make decisions that enable them to stay competitive and manage strategic growth. Since 1986, ARC Advisory Group has helped corporations by providing strategic planning and technology assessment services. From Global 1000 companies to small start-up firms, ARC provides the strategic knowledge they need to succeed in a technology-driven economy.

With a network of offices around the world, ARC analysts and consultants provide market research with a global view and regional data segmentations. Companies including 3M, Bayer, Chevron, and Anheuser Busch use ARC intelligence to support their strategic decision making.

In addition to global research publications, ARC provides clients with advisory services, strategic consulting, market information services, and learning opportunities through strategy forums.

### **THE CHALLENGE**

A large portion of ARC's work involves delivering research reports and other documents to clients. As the volume of work grew, ARC needed a way to better manage the document development, revision, and delivery process so that analysts could spend more time writing documents and less time managing them.

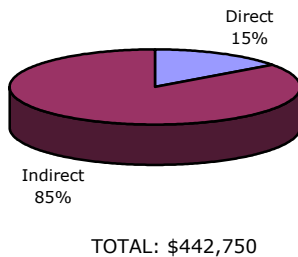
The company also needed a better way to manage its existing documents so that analysts could rapidly identify and use the existing data or content needed. Although it was using the workflow within Microsoft Outlook to manage document processes and a shared drive for central storage of documents, it needed both a more robust workflow system and an easy means to search existing documents and content.

### **THE STRATEGY**

ARC had purchased a Documentum document management system but had not yet deployed it when it started to look at the Microsoft SharePoint technology. The company decided to deploy SharePoint because of its close integration with other Microsoft products ARC was already using and because much of the standard workflow and searching functionality within SharePoint met its needs.

ARC chose Microsoft Consulting to support the development aspects of SharePoint but expects that little development work will be needed to meet its workflow and document management needs. The company is also using SharePoint team services for information sharing and is upgrading to Office XP to support the team environment.

### BENEFITS



### KEY BENEFIT AREAS

Deploying Microsoft SharePoint to support document workflow and access provides the ARC Advisory Group with a number of benefits, including the following:

- Improved process management. Automation of the document development and approval process will reduce the time needed to deliver documents to clients and reduce the staff time needed to track down documents and their status.
- Improved information organization and access. A central, searchable repository of documents will reduce the time analysts spend searching for information and increase the time they can use for other projects.
- Web publishing automation. In the future, ARC will use SharePoint to publish documents directly to its Web site, eliminating the current need for staff to support document translation and Web publishing.

### KEY COST AREAS

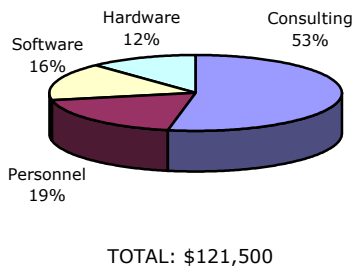
Although moderate, many of ARC’s total SharePoint costs come from its investment in development consulting to build the workflows needed to support its document processes. Other costs in the ROI analysis include software, hardware, and ongoing personnel costs.

### LESSONS LEARNED

For a research company like ARC, key to profitability and customer satisfaction is providing accurate and timely research as promised — and freeing analysts’ time to work with clients instead of manage internal administrative tasks. However, the nature of the documents created didn’t demand a complex document management system.

Simple, usable tools to support basic document development and approval processes and organization of documents for future access could be more easily and cheaply accomplished if the company built on a SharePoint platform rather than invest in deployment of a complex solution. Also important for ARC was the deployment time of the solution; limited customization and development work will mean the company can start using the solution sooner.

### COSTS



### CALCULATING THE ROI

Nucleus quantified both direct benefits — reduction in administrative costs to support processes — and indirect productivity-based benefits in analysis of the return on investment from Microsoft SharePoint for ARC Advisory Group. In the ARC case, a small increase in productivity across a large team of analysts resulted in significant indirect benefits.

## ARC Advisory Group

### Summary

Project:	<b>Microsoft SharePoint</b>
Annual Return On Investment (ROI)	<b>179%</b>
Payback Period (Years)	<b>0.58</b>
Net Present Value (NPV)	<b>112,924</b>
Average Yearly Cost of Ownership	<b>40,500</b>

Annual Benefits	Initial	Year 1	Year 2	Year 3
Direct	0	22,500	22,500	22,500
Indirect	0	120,000	125,000	130,250
<b>Total Benefits Per Period</b>	<b>0</b>	<b>142,500</b>	<b>147,500</b>	<b>152,750</b>

Depreciation Schedule	Initial	Year 1	Year 2	Year 3
Software	0	0	0	0
Hardware	0	0	0	0
<b>Total Per Period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Expensed Costs	Initial	Year 1	Year 2	Year 3
Software	13,500	2,000	2,000	2,000
Hardware	10,000	1,500	1,500	1,500
Consulting	50,000	5,000	5,000	5,000
Personnel	0	7,500	7,500	7,500
Training	0	0	0	0
Other	0	0	0	0
<b>Total Per Period</b>	<b>73,500</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>

Financial Analysis	Results	Year 1	Year 2	Year 3
Net cash flow before taxes		126,500	131,500	136,750
Net cash flow after taxes		63,250	65,750	68,375
<b>Annual ROI - direct and indirect benefits</b>				<b>179%</b>
Annual ROI - direct benefits only				9%
<b>Net Present Value (NPV)</b>				<b>112,924</b>
<b>Payback (Years)</b>	<b>0.58</b>			
Average Cost of Ownership (TCO/Years)		89,500	52,750	40,500
3-Year Cumulative ROI	407%			
3-Year IRR	166%			

### Basic Financial Assumptions

All Government Taxes	50%
Discount Rate	15%

All calculations are based on Nucleus Research's independent analysis of the expected costs and benefits associated with the application profiled in the accompanying case.