

**NUCLEUS
RESEARCH**

RESEARCH NOTE B30

ROI ANALYSIS YOU CAN TRUST™

ROI Profile: Microsoft SharePoint — Anderson Power Products

THE BOTTOM LINE

Anderson Power Products achieved benefits by supporting increased user productivity at the organizational and team level. SharePoint supported both improved information organization and access and improved tactical collaboration.

ROI: 267%

Payback: 5 months

THE COMPANY

In the late 1800s, Anderson Power Products (APP) was founded to support the mining and railway industries. Today, the company has evolved to be an industry leader in the design and manufacture of high-power interconnects and accessories, supplying components to the back-up power, telecommunications and data communications, and materials handling industries. Electric vehicles, power stations, personal and network computers, and telecommunications and data communications switches often integrate APP components.

With facilities in the United States and Ireland, APP is an ISO 9001-certified company designing and manufacturing versatile high-power interconnection products and components. The company works with a worldwide network of sales representatives and distributors to ensure high-quality products, on-time deliveries, and a high level of customer service.

THE CHALLENGE

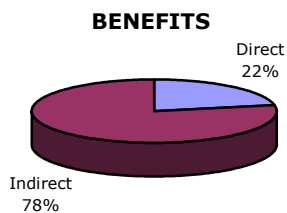
Like many large distributed organizations, APP needed both a means for small tactical teams to share information and collaborate on specific deals and projects and a broader platform for enterprisewide sharing of product and customer information. Also like many companies, APP had addressed its needs with two different solutions.

The company had a document-management system for document versioning and approval and an intranet portal for information access, but both had limitations. The document-management system was not very intuitive for users, and its maintenance requirements were putting a significant burden on the IT staff. Although the intranet was relatively intuitive, its directory structure and lack of a central searching tool made it difficult for users to find the information they needed. Thus, as the number of documents on the intranet grew, so did the replication and versioning problems — and the cost of adequate storage space for files.

APP began looking for a system that would enable it to better organize its intranet information and better support the needs of small teams to collaborate and share information.

THE STRATEGY

The company became aware of Microsoft SharePoint and was interested because of its ability to support both enterprisewide document organization and team collaboration through SharePoint team services. The company was already using Microsoft Project for product development, and SharePoint could support the diverse engineering and other documents associated with projects.



TOTAL: \$1.2M

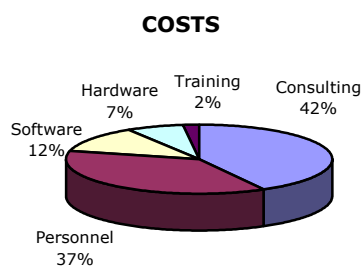
APP worked with Microsoft Consulting to help integrate SharePoint and SharePoint team services with its current project database and to customize the SharePoint environment to meet its requirements. It plans to use Active Server Pages, Microsoft Front Page, and Web Parts to develop and customize the application.

Training is also planned to introduce users to the application and rapidly address any usability issues.

KEY BENEFIT AREAS

Nucleus Research identified a number of key benefits of APP's SharePoint deployment, including the following:

- Improved information organization and access. The searchable central document repository and intuitive Web-based interface of SharePoint provide APP employees with an easy and efficient way to access information, reducing the time they spend searching for and re-creating documents and increasing productivity.
- Improved tactical collaboration. Supporting teamwork with SharePoint will give APP an easy and informal way for teams to centralize and share project and team information — and keep that information for future use by different teams pursuing similar efforts.
- Reduced IT management costs. Elimination of a costly document-management system and high-maintenance intranet environment will enable APP to focus some of those resources on SharePoint and the rest on other strategic IT projects.



TOTAL: \$255,159

KEY COST AREAS

Key cost areas calculated in APP's deployment of SharePoint include software, hardware, consulting, personnel, and training. Consulting in the initial years of the project included both Microsoft and internal consulting and drove much of the early project costs; however, the company expects a knowledge transfer from Microsoft Consulting during the first phases of the project will enable it to manage future SharePoint development and customization needs independently.

LESSONS LEARNED

APP recognized that its business had two different and unique information-sharing needs: one for tactical team-based work and one for larger enterprise information access. Part of its deployment of SharePoint includes providing appropriate security at both levels to ensure appropriate access to information. It also plans to train employees on the use of both systems to ensure that human barriers do not slow the adoption and realization of benefits from SharePoint.

CALCULATING THE ROI

Nucleus Research found that productivity increases on the part of team members made up the largest portion of benefits quantified. Returns were calculated based on a time savings estimate adjusted by a correction factor to account for the inefficient transfer of time and multiplied by the fully loaded hourly cost of an employee.

Costs and benefits were calculated on a three-year time horizon. Other benefit areas included in the calculation were a savings in the time needed to manage the old system along with hardware and support costs associated with that system.

Not included in the calculation is the expected benefit from the use of current documents. Under the old system, employees often printed and saved documents, increasing the likelihood that an out-of-date document would be used. The company expects the greater ease of use provided by SharePoint will reduce this tendency and therefore decrease the potential for mistakes or rework.

Anderson Power Products

Summary

Project:	Microsoft SharePoint
Annual Return On Investment (ROI)	267%
Payback Period (Years)	0.43
Net Present Value (NPV)	343,383
Average Yearly Cost of Ownership	85,053

Annual Benefits	Initial	Year 1	Year 2	Year 3
Direct	0	88,000	88,060	88,121
Indirect	0	307,700	315,435	323,557
Total Benefits Per Period	0	395,700	403,495	411,678

Depreciation Schedule	Initial	Year 1	Year 2	Year 3
Software	0	0	0	0
Hardware	0	0	0	0
Total Per Period	0	0	0	0

Expensed Costs	Initial	Year 1	Year 2	Year 3
Software	26,500	1,450	1,450	1,450
Hardware	12,000	1,800	1,800	1,800
Consulting	76,875	31,875	0	0
Personnel	21,250	38,250	17,000	17,000
Training	0	4,659	0	0
Other	0	0	0	0
Total Per Period	136,625	78,034	20,250	20,250

Financial Analysis	Results	Year 1	Year 2	Year 3
Net cash flow before taxes		317,666	383,245	391,428
Net cash flow after taxes		158,833	191,623	195,714
Annual ROI - direct and indirect benefits				267%
Annual ROI - direct benefits only				36%
Net Present Value (NPV)				343,383
Payback (Years)	0.43			
Average Cost of Ownership (TCO/Years)		214,659	117,454	85,053
3-Year Cumulative ROI	603%			
3-Year IRR	240%			

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.