

**NUCLEUS
RESEARCH**

CASE STUDY E113
October 2004

ROI ANALYSIS YOU CAN TRUST™

ROI Case Study: Microsoft Business Solutions-Solomon Omicron Consulting

THE BOTTOM LINE

With Microsoft Business Solutions-Solomon Omicron Consulting has improved its cash flow, increased the productivity of its project managers, and streamlined its project reporting and accounting operations.

ROI: 375%

Payback: 3 months

THE COMPANY

Omicron Consulting is an IT solution provider of software development and network services based in Philadelphia, Pennsylvania. With a staff of more than 150, Omicron specializes in application development, software product development, network infrastructure design and deployment, portal and CRM implementations, and enterprise application integration. Omicron is a Microsoft Certified Gold Partner, a "Best in Class, Master Level" Hewlett Packard partner, and the nation's eighth largest reseller of Hewlett Packard hardware.

THE CHALLENGE

Omicron was using an ERP application to run its accounting activities and Timeslips software to track and manage time sheet information for its projects. Generating client invoices was a manual process that involved the intermediary step of building a Microsoft access database to download time sheet data from Timeslips, and then upload the data to the ERP application.

In 1999 Omicron was faced with quickly finding a replacement system that would meet the needs of the entire enterprise, including the growing demands of the finance department, so it took the opportunity to evaluate and select a single application that could streamline its processes and centralize its accounting and project management data.

THE STRATEGY

Omicron evaluated a few alternatives including upgrading its existing application, but as it did not offer a project management module Omicron also evaluated Best Software's MAS 90 and Microsoft Business Solutions-Solomon. Solomon was selected as it provided the functionality Omicron needed for accounting, project management, and time sheet management.

In September of 1999, an internal project team of five people, along with consultants from ePartners, began work to install the system. Accounting staff worked to set up the accounts payable and general ledger system to handle billing codes and build in the company-specific process requirements. Time was also spent

customizing the system and changing Omicron's internal project methodology to take advantage of the system's capabilities.

As Omicron was facing a tight deadline for deployment, training was conducted for employees while the system was being tested. The deployment was completed in November 1999, but to ensure a smooth transition, Omicron ran it in parallel with its existing system for a month before making the final switchover in December 1999.

In spring 2001, Omicron used Crystal Reports to build customized reports that are accessible to all project managers via the Web. It also rolled out a Web-based time sheet in fall 2002 that enables team members to record project time online and have that data immediately available to project managers. Real-time access to project data changed the way the project managers run their projects, and allowed Omicron to develop a standard methodology for project management.

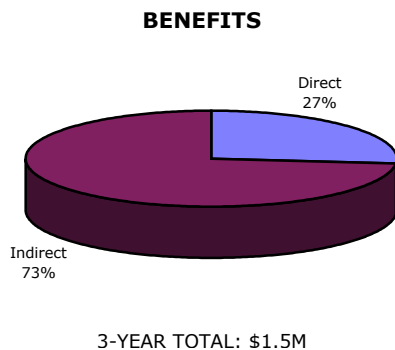
In 2004, Omicron purchased Microsoft Solomon modules for distribution and order management to extend the benefits to its hardware reselling operations. The system went live in July 2004.

KEY BENEFIT AREAS

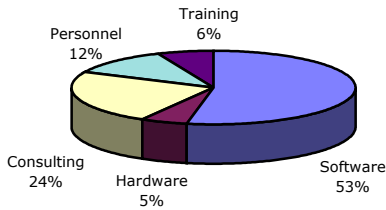
Using Microsoft Solomon has enabled Omicron to centralize its project management and accounting data, and refine its project methodology and processes to gain additional operational efficiencies. Key benefits of the solution include the following:

- Improved credit collections. Better visibility and control over its collection process has improved Omicron's cash flow by \$100,000 a year. This proved especially beneficial during the "dotcom" era as Omicron could stop projects if outstanding invoices got out of hand, and reduce the risks of incurring losses.
- Reduction of accounting staff. Efficiencies gained in its accounting processes have allowed Omicron to run its operations with 25 percent less staff. As the company runs both a consulting business and a hardware reselling business, the Microsoft Solomon system enables Omicron to consolidate information from both businesses. Previously, reconciliation of data involved a time-consuming manual process.
- Increased project manager productivity. With the old system, project managers spent an average of three hours a week collecting data from multiple sources to reconcile project account information. With the improved reporting capabilities delivered with the system's Crystal Reports integration, and the ability for project managers to see timesheet information as soon as it's posted, project managers can transfer time previously spent on administrative tasks to billable activities.

Omicron is also benefiting from the ability to generate invoices with accurate and detailed information for clients. This clarity eliminates questions that can slow the accounts receivable process.



COSTS



3-YEAR TOTAL: \$169,800

KEY COST AREAS

Key costs included software, consulting, personnel, training and hardware. Software, including Microsoft Business Solutions-Solomon licenses and maintenance, and Crystal Reports developer licenses to build customized reports, was the largest cost category at 53 percent of total project costs. Consulting costs for system implementation and training were 24 percent. Personnel costs for system setup and ongoing support totaled 12 percent, while training costs for employees were 6 percent of the overall budget. Hardware costs for the purchase of a new server were the lowest cost category at 5 percent.

LESSONS LEARNED

Omicron had a very smooth implementation given a very tight deadline to get the system deployed in three months. During the deployment it found that the Microsoft Solomon system delivered good project information with the integrated Crystal Reports technology, but Omicron needed to customize the reports to better align with its project methodology. The company purchased a developer version of Crystal initially to build accounting reports, but soon project managers had ideas for building customized project reports. The improvements in reporting, especially the capability to access reports and timesheet data via the Web while on the road, has fundamentally changed the way Omicron's project managers run their projects.

CALCULATING THE ROI

Nucleus calculated the costs of software, consulting, personnel, training, and hardware over a 3-year period to quantify Omicron's total investment in Microsoft Business Solutions-Solomon. Direct benefits calculated included improved credit collections, and the reduction of accounting staff. The indirect benefit of improved productivity of project managers was calculated based on the average fully loaded cost of employees. Time savings associated with the benefit were multiplied by a productivity correction factor to account for the inefficient transfer of time from time saved to additional time worked.

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SUMMARY

Project:	Microsoft Business Solutions-Solomon
Annual return on investment (ROI)	375%
Payback period (years)	0.27
Net present value (NPV)	489,555
Average yearly cost of ownership	56,600

ANNUAL BENEFITS	Pre-start	Year 1	Year 2	Year 3
Direct	0	133,333	133,333	133,333
Indirect	0	365,625	365,625	365,625
Total Benefits Per Period	0	498,958	498,958	498,958

DEPRECIATED ASSETS	Pre-start	Year 1	Year 2	Year 3
Software	0	0	0	0
Hardware	0	0	0	0
Total Per Period	0	0	0	0

DEPRECIATION SCHEDULE	Pre-start	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	Pre-start	Year 1	Year 2	Year 3
Software	57,500	10,900	10,900	10,900
Hardware	9,000	0	0	0
Consulting	40,000	0	0	0
Personnel	12,000	2,600	2,600	2,600
Training	10,800	0	0	0
Other	0	0	0	0
Total Per Period	129,300	13,500	13,500	13,500

FINANCIAL ANALYSIS	Results	Year 1	Year 2	Year 3
Net cash flow before taxes		485,458	485,458	485,458
Net cash flow after taxes		242,729	242,729	242,729
Annual ROI - direct and indirect benefits				375%
Annual ROI - direct benefits only				93%
Net present value (NPV)				489,555
Payback (years)	0.27			
Average annual cost of ownership		142,800	78,150	56,600
3-year cumulative ROI	757%			
3-year IRR	372%			

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. Financial modeling tool, format, and methodology copyright Nucleus Research Inc., all rights reserved.