



Adaptive Planning Advances Finance via SaaS

Powerful, economical alternative to spreadsheet-based approach

by Robert D. Kugel CFA | 7/20/2007 | Article ID: M07-41 | Article Type: VentanaMonitor | © 2007 Ventana Research

Summary

Ventana Research expects finance organizations to increase steadily their adoption of software as a service (SaaS). One of the more promising uses will be in supporting planning for midsize companies (and some larger ones as well). Adaptive Planning offers SaaS versions of its Express and Enterprise planning and budgeting software, as well as the option of on-premises licensing. Companies can try an SaaS version for free for an unlimited amount of time without even having to install it. (Those that decide to implement it on their premises have that option at any time.) We believe Adaptive Planning's software can be an attractive choice for midsize companies that want to transition from spreadsheet budgeting but do not want to invest in more IT infrastructure and software. There are, however, two instances that require payment. One is that to make it a truly useful enterprise tool, a company will need to buy capabilities such as reporting. Another is that if you want help in setting up and configuring the system, the company sells professional services to speed the transition.

Assessment

Ventana Research believes that small and midsize companies ought to look at Adaptive Planning Express Edition for several reasons. First, it moves the organization off spreadsheets for executing its budgeting and planning process. Particularly for companies that have started to outgrow spreadsheet budgeting (which typically begins at 50 employees or full-time equivalents), this product can make the planning process more productive and useful. Because it is available as a hosted solution, companies that are small but spread out will find that working collaboratively over the Internet can be much more productive than e-mailing spreadsheets back and forth. Second, Adaptive Planning Express Edition is free and relatively easy to set up and use. You do not have to install or implement any software. If you are used to spreadsheets, you will have to make some adjustments in how you think about doing things, but once past this hump we think you will appreciate not having to work within the constraints of spreadsheets. Third, Adaptive Planning's try-before-you-buy marketing approach is designed from the start to be extensible and scalable. You can try working with it for free, but the company is hoping you will want to do more and so take advantage of its professional services and purchase additional capabilities such as reporting.

With the Express Edition, you create an account and then configure it. Configuration can be as simple or complex as the user organization wants it to be. The administrator of the account can define to any degree of granularity the company's organizational structure and chart of accounts (either a summary level or every account). The admin can use the available headcount planning sheet (with named employees and/or by role) or simply import a spreadsheet with this information. The administrator also can configure standard worksheets for budgeting expenses and for how the forecast income statements and balance sheets are set up. You can maintain custom formulas for people to use and post assumptions (such as average prices or salaries by grade by month) for use in their budgets. Basic security is built in. In configuring the system, you can define which departments or cost centers have access to specific sets of data. The Express Edition does not have the same degree of configurability of access rights as higher-end applications, but the setup is easy, the software is free, and the process works better than hassling with spreadsheets.

Why is Adaptive Planning offering all of this for free? The company wants to up-sell you. Adaptive anticipates that at some point you will want to create and distribute reports or that you may find your organization is too large or complex to fit well with the Express Edition. Meanwhile, you can try all of the reporting and dashboard features to see how well they work for your organization. Your company also may want to pay for professional services to help speed the implementation process. Once configured, however, we expect most customers will find maintaining the application straightforward.

That noted, we expect spreadsheet whizzes to find the early going a bit frustrating as they transition from their familiar software to a new application. To ease this process, Adaptive Planning offers online training, both recorded and live, that keeps spreadsheet users firmly in mind. Once past this hurdle, we believe that almost all will find the upfront investment in time and effort will pay off in hours saved. For example, there is no tedious consolidation of spreadsheets, since this is automated. When the first month is over, importing actuals is a straightforward process rather than the usual extensive copy-and-paste effort, and the Month 2 reforecast is a simple new version, not once again the process of duplicating and re consolidating multiple files. Formulas initially may seem more cumbersome to create, but in many ways they are more powerful and flexible, as well as more intuitive and far less fragile, than those created in a spreadsheet. From a CFO's or controller's perspective, an added benefit in investing the time to make the transition is that the software will be the same year after year, not a new spreadsheet template that may change every time the person running the budget changes.

Market Impact

The strongest competitor of any dedicated planning and budgeting application is the desktop spreadsheets most companies rely on to manage this process. These applications first appeared a couple of decades ago, but it wasn't until recently that software with this sophistication met the total cost of ownership requirements of midsize companies. Partly for this reason, vendors of the dedicated applications have not made significant inroads; our research found that only about one-third of midsize companies (those with 100 to 9,999 employees) use it. While spreadsheets appear to be inexpensive or even free, they waste people's time and prevent companies from using the planning process more effectively. We expect more midsize companies to adopt dedicated applications as they realize the disadvantages of spreadsheets and more alternatives to them become available.

Adaptive Planning is up against a long list of vendors whose planning and budgeting software is aimed at midsize companies. Those that offer an SaaS solution include Host Analytics and NetSuite. Those that have on-premises software include Alight, Centage, Clarity Systems, Lawson, Microsoft FRx and Prophix. Microsoft is slowly rolling out its PerformancePoint offering, which will enable companies to have the benefits of Excel while eliminating some of the desktop problems. Hyperion which now officially is Oracle, offers a hosted version of its planning software aimed at midsize companies (companies must purchase the software, but another company implements it and manages it).

Recommendation

We advise all midsize and large companies to replace desktop spreadsheet-based budgeting and planning with a process that uses dedicated software. In our judgment, companies that use dedicated applications are better able to transform a low-value exercise into a more effective process that can improve corporate performance and agility. One of the barriers midsize companies confront in transitioning from spreadsheets is their limited IT resources and IT budget. Adaptive Planning has a product that meets the requirements of midsize companies that want to plan more effectively on shoestring budgets.

About Ventana Research

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Ventana Research Corporate Headquarters

1900 S. Norfolk Street, Suite 280
San Mateo, CA 94403

info@ventanaresearch.com
(650) 931-0880

Ventana Research Europe

2nd floor, Berkeley Square House
Berkeley Square, W1J 6BD London

europe@ventanaresearch.com
Phone: +44 (0) 20 7887 6012