



Achieve Better Budgeting Faster



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arcturus 
REALTY CORPORATION

The Company

Arcturus Realty Corporation is Canada's premier independent manager of real estate assets. As a 100% management owned company, Arcturus is dedicated to superior management of its clients' real estate assets and the delivery of innovative solutions to improve results. The entrepreneurial spirit of the company is totally focused on maximizing the performance of its clients' real estate.

The Toronto-based company has a national presence and services a diverse real estate portfolio of approximately 33 million square feet for a broad cross-section of national clients, including financial institutions, major retailers, insurance companies, public sector and private investors. Arcturus also provides development and advisory services to assist clients in repositioning their real estate assets to enhance long-term value. Third party management business is extremely competitive, so Arcturus must continually control its costs as well as find ways to enhance services to its clients. Planning and budgeting well is critical to achieving these requirements.

Finding a Better Solution

Arcturus provides a comprehensive scope of property management and leasing services to commercial and retail properties throughout Canada. The company employs approximately 400 people.

Until 2004, Arcturus prepared and tracked its annual budgets via Microsoft Excel spreadsheets. Budgeting was extremely complex and time-consuming due to both the volume and fragility of spreadsheets and the manual nature of the process. Complicating matters, the company is organized in a way that it is required to allocate costs and revenues across several businesses.

In response to these challenges, Arcturus purchased Clarity 6, a suite of tightly integrated, highly scalable, web-based applications that support all aspects of corporate performance management that was able to leverage an existing SQL Server and Analysis Services database environment.

Within a month of the purchase, Arcturus was able to roll out the Clarity 6 budget module to approximately 75 users across Canada. Through its use, Arcturus expects to be able to maintain the length of its budget preparation cycles despite considerable additional complexity; simplify the allocation of expenses and revenues across multiple businesses; and improve decision-making based on easy, flexible data access.

Challenges at Arcturus

Complexity of budgeting via spreadsheets

Prior to adopting Clarity 6, property management staff would populate Excel workbooks with budget figures. This process would take a lot of time since each workbook would contain as many as 20 separate worksheets. One of the benefits of implementing Clarity 6 was a significant amount of information that was once manually entered was now pre-populated. Instead of dealing with tedious detail, people could focus on the information with value.

efforts to review and ensure accuracy." Business units would typically be required to re-draft and refine their budgets. Each round of modifications would require personnel to re-link and consolidate the sheets, a time-consuming, manual process.

Through use of the underlying Microsoft Analysis Services cube technology that provided real-time aggregation and maintained the integrity of the relationship between financial and non-financial accounts, Arcturus was able to use the considerable time it saved not having to deal with the mechanics of using spreadsheets and make the process more valuable.

"We didn't have a front end for it," says Black. "We used Visual Basic and Excel as our front end. So when we rolled out our budgeting cube, we were looking for a Web-based front to fill that requirement."

Arcturus also evaluated offerings from its ERP (Enterprise Resource Planning) system provider, but determined that the software was more focused on aggregation and would not adequately support corporate budgeting, allocations, and complex business models. The Clarity 6 budget module, however, had a number of features and qualities that were extremely attractive to Arcturus, including a familiar Excel look and feel, web delivery, and an easy integration with its ERP system.

Arcturus Realty Corporation

Industry

Property management and leasing services

Location

Toronto, Ontario, with regional offices in three major Canadian cities.

Initial Deployment

2004

Applications

Budgeting

Database

Microsoft SQL Server and Microsoft Analysis Services

Business Areas served by Clarity

Internal users, 75 field staff, accountants, department heads

At the end of the process, the completed workbooks would be consolidated and rolled up to an overall budget statement.

While Excel was flexible, it was proving unwieldy for a company as large as Arcturus. "Staff preparing spreadsheets for distribution to the field could write and input freely, as if it was their own language," says Bill Black, Arcturus' CFO. "However, if errors were made to the designed spreadsheets, the links (inter-relationships) that had been built into them didn't work, requiring additional

"Clarity 6 has provided a huge advantage in the new way Finance has been able to think about numbers. Once the department submitted their budgets, we could begin looking at the results and analyzing them immediately, rather than having to wait a week," says Black. "That is a big difference. Finance can now see the results right away without having to worry about whether it all holds together. Now it is more 'What do these numbers mean?' and not, 'Are the numbers right?'"

Expense Allocations

The budgeting process at Arcturus Realty was complicated as it didn't have a system to allocate its expenses by client type.

"Information Technology is a perfect example. We had to take an individual's salary cost and allocate how much of the time should be charged by third-party business," says Black. "We had multiple spreadsheets that needed to be sorted, slice and diced across these various pockets. Using Excel spreadsheets, doubled the workload and could have doubled the normal eight-week budgeting cycle to 16 weeks."

Selecting Clarity

Upon deciding that it needed a better budgeting solution, Arcturus immediately looked to Clarity Systems. Two years earlier, Clarity Systems had designed a leasing statistics cube for use in Arcturus' financial analysis.

Familiar Look and Feel

The Clarity 6 web interface is very similar to Excel. Consequently, the company felt that users would have little trouble making the transition to the application. Also, the application interfaced seamlessly with and inherited all reporting structures and metadata from Arcturus' ERP system.

"One of the big advantages we have is that our ERP system is well structured and the data is clean," says Black. "We were able to model that same structure into Clarity 6. People didn't have to learn something completely new; they saw things the same way they were used to seeing them."

ERP Integration

Clarity 6 is capable of bi-directional integration with Arcturus' Oracle ERP system (i.e., the ability to upload budget data to the ERP system and the ability to download financial "actuals" and metadata in near real time from the ERP system). As a result, Arcturus managers are easily able to match actual expenditures and revenues against their budget figures.

"We could take our information out of the ERP system on a nightly basis, making it easy to trend information and see where we were going," says Black. "This applies to the other way around as well. When we've finalized the budget, we can just upload it to the ERP system. You don't have accountants re-keying all that same information into the ERP system, a

process that is again, prone to error and takes time to re-validate totals which is fantastic!”

Implementation and Rollout

“We started the project on August 1, and we were able to go live on September 1,” says Black. “That’s pretty amazing. It broke down to roughly a two-week development cycle and then two weeks of training and rollout. Training sessions were about three hours. As part of that, we covered what Clarity 6 would do for us and why it was a good choice for Arcturus. Training employees went smoothly and learning curve was short.”

Prior to implementation, a senior developer and support person were trained by Clarity Systems on the application. Clarity Systems assisted Arcturus with the selection of the appropriate server on which to run the application to ensure reliable performance. The company has had to devote only one-quarter of an IT employee to CPM front-line support and development.

While there were a few minor problems, all were typical of any rollout of new technology and have been resolved, Black noted, “The good news is that there haven’t been any huge surprises.”

Business Reach and Benefits

Profitability Management

For Arcturus Realty Corporation, the change in the structure of its business increased the importance of managing profitability by account. Determining how expenses are allocated is a critical part of the process, particularly when a large portion of a company’s total operating expenses are not directly tied to specific products or clients (as it is in the property management business). For Arcturus, it is important to allocate expenses in a way that accurately and consistently reflects the costs in order to make the appropriate management decisions. Companies need to have the flexibility to allocate in ways that reflect their business practices. It is also important to ensure the entire cost “bucket” has

been assigned, something that is difficult to do efficiently with a spreadsheet-based system. Arcturus has been able to use Clarity 6 to ensure that it can assess the profitability of customers and even contracts - past, present or future. Knowing the full costs associated with a particular customer or piece of business enables Arcturus to make better pricing decisions. Clarity 6 enables Arcturus to simplify its cost-allocation tasks. Users simply enter

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Bill Black - CFO, Arcturus

percentages to indicate the amount of a cost that should be charged against a client, and the system automatically allocates budgeted costs. If users want to alter percentages, the changes are reflected throughout the data automatically, with no need for manual intervention.

Flexibility

The company found Clarity 6 gave it a significant increase in flexibility to deal with changes in the business and the budgeting process. As part of its reorganization, Arcturus went from 60 business units to 32 and made other structural changes that had to be reflected in its budgeting system. In the past, this would have required a substantial amount of time and effort,

but with Clarity 6 the company only had to make a single set of changes in a single template, which then applied to all organizational members. The templates themselves leverage the existing metadata found in the underlying OLAP database.

The templates are dynamic and require little or no hands-on maintenance. For example, anytime metadata changes in the cube, alterations are automatically incorporated on each template or report. When Arcturus adds departments to its ERP system, the system creates a template for that department automatically. When it adds new accounts to its accounting system, they are instantly added to the template.

Greater productivity

With Clarity 6, Arcturus’ users were able to carry out budgeting and forecasting in eight weeks, despite added complexities stemming from allocations.

Once all the users in the field had entered their data, Arcturus could view and analyze the data immediately, without the need for the time-consuming and potentially error-riddled process of a manual rollout.

Clarity 6 has reduced the need for Arcturus’ IT staff to perform low value-added tasks. “The benefit from an IT perspective is that the whole report-writing piece is eliminated,” says Black. “Power users can write reports and templates so the users are not coming back to our developers every time they need something.”

Greater profitability

Clarity 6 has the ability to report client data quickly and automatically and to act as a front-end for Arcturus’ Analysis Services database providing the company with improved insight to the profitability of each client. Having this information in an easy-to-digest format will help Arcturus maximize the value of its client portfolio.

“It’s always great to improve revenue, but companies can find themselves in the trap of increasing revenue despite the costs of doing so,” says Black. “At times they’d actually be better off losing some of their clients. Clarity 6 is helping us better understand where

we're making money, how to avoid making mistakes, improve pricing, and making sure that, at the end of the day, we're indeed making money. We can track revenue and expenses right down to the client level, not just to an account level."

The company has been doing this to a degree, but it involved tracking clients in individual Excel spreadsheets, and there was no easy way to transfer the data to Arcturus' ERP system. The mechanics of collecting the information and reporting on it was too daunting to make customer profitability a management focus. Simplifying the process made it feasible and has been an important dividend from deploying Clarity 6.

Timely decision-making

By being able to quickly and efficiently develop and consolidate budgets, Arcturus provides its executives with the tools they need to make timely decisions and meet public reporting requirements.

Future Expansion

Arcturus is considering the use of Clarity 6 to expand the use of its client profitability information.

Currently we have one report that tells us our gross margin by client, but we want to be able to drill down to get more information on things such as revenue per employee and our revenue per square foot," says Black. ●

Summary

Arcturus was able to deploy Clarity 6 rapidly to support its budgeting process and achieve benefits in a short period. By using the software the company was able to:

- Use the time saved on the mechanics of rolling up spreadsheets to analyze the budgets in greater detail
- Implement a complex allocations methodology without increasing the workload
- Begin tracking customer profitability to improve the bottom line

Arcturus was able to integrate Clarity 6 with its ERP system without significant difficulty. The company found training was straightforward and took very little time because the Excel look and feel of the application was familiar to its users.

Benefits

- Ease of use; Since Clarity 6 has an Excel-like interface, users were able to transition to its use with minimal training.
- Accelerated budgeting, because all budget revisions roll across all components of the planning process.
- Enables accurate and timely aggregation and allocation of expenditures across the entire business.
- Improved decision-making through the dissemination of timely, detailed reports and the existence of "one version of the truth," facilitated through one shared central Microsoft Analysis Services database for planning and reporting.
- Speed of deployment; Arcturus was able to deploy the Clarity 6 budgeting module one month after its purchase.

For more information please contact:

Rachel Jordan
(416) 250-5500 ext. 555
rjordan@claritysystems.com



2 Sheppard Ave. East
Suite 800
Toronto, Ontario
M2N 2Y7

www.claritysystems.com