



## **Measuring Return on Investment Mission Impossible? Not Really!**

### **Introduction**

In the current challenging economic climate, return on investment (ROI) cannot simply be assumed. Technology vendors must prove that ROI delivers bankable business benefits.

ROI is generally calculated based on the total cost of ownership and business benefit, which in most organizations is extremely difficult to measure. Why is this? Key Performance Indicators (KPI's) and balanced scorecards along with financial measures such as Net Present Value (NPV) and Internal Rate of Return (IRR) are often used as collective measures for ROI and ultimately play a crucial role in shaping a purchasing decision. However, such techniques are limiting and don't necessarily consider the associated intangible soft benefits. This combined with the general imprecise nature of ROI, uncertainty of regulatory and compliance requirements, and the pressure to move beyond the familiar concept of "its better than it used to be" present challenges in linking certain business improvements to technology investments.

In order to mitigate risk, set adequate expectations, and maximize success with IT systems, vendors must work with and enhance their current technologies. They must acknowledge and address the moving goalposts of governance, risk, and compliance in order to deliver demonstrated hard and soft ROI benefits across the business.

### **Quantitative ROI versus Qualitative ROI**

This document examines ROI considerations for financial governance, risk, and compliance (GRC) solutions, discusses the influencing factors when implementing a software solution, and highlights proven results from Trintech customers.

Quantitative or hard ROI includes factors such as reduced personnel; fewer hours spent on particular activities, and decreased fees to external auditors and consultants. This type of ROI is clear and measureable provided the business chooses to evaluate and track these results. An often overlooked aspect of quantitative ROI relates to significant supplementary expenses being incurred when regulatory requirements and reporting deadlines are not met, such as triggered debt covenants and additional costs of obtaining capital.

Qualitative or soft ROI, by its definition, encompasses factors such as improved visibility and process management, and reduced risks of negative consequences such as a material weaknesses or financial restatements. An often overlooked aspect of qualitative benefits is the lost productivity amongst the finance team when the proper tools are not in place to support process efficiency.

The following chart provides an illustrative view of quantitative ROI versus qualitative ROI.

	QUANTITATIVE	QUALITATIVE
DIRECT IMPACTS	<p><b>Hard Return</b></p> <ul style="list-style-type: none"> <li>• Increased Productivity</li> <li>• Shortened Cycle Time</li> <li>• Reduced Write-offs</li> <li>• Lower Audit &amp; Professional Services Fees</li> <li>• Reduced Paper &amp; Storage Costs</li> </ul>	<p><b>Soft Return</b></p> <ul style="list-style-type: none"> <li>• Improved Confidence</li> <li>• Increased Visibility</li> <li>• Better Decisions</li> <li>• Lowered Risk</li> <li>• Enhanced Employee Satisfaction</li> </ul>
INDIRECT IMPACTS	<p><b>Costs of Error</b></p> <ul style="list-style-type: none"> <li>• Stock Devaluation</li> <li>• Higher Operational Costs</li> <li>• Loss of Government Contracts</li> <li>• Increased Cost of Capital</li> <li>• Shorter Loan Terms</li> <li>• Additional Assets Required To Be Secured As Part of a Loan</li> <li>• Loan and Other Covenants Triggered</li> </ul>	<p><b>Opportunity Loss</b></p> <ul style="list-style-type: none"> <li>• Inability to Retain Key Employees</li> <li>• Inability to Participate in Key Company Initiatives</li> <li>• Loss of Decision Making Time</li> <li>• Management Distraction</li> </ul>

### Return on Investment Examples

While estimated and actual results vary by the individual company and depend upon size and experience, industry studies predict that typical businesses can expect to realize significant ROI when implementing an integrated financial governance solution. Key statistics are listed below and include examples of returns from actual Trintech customers, some of whose names are not disclosed in order to protect their confidentiality:

#### Personnel cost reductions ranging from \$200,000 to \$1,000,000 per year

“We saved \$1.5M annually in personnel costs alone, excluding other savings. Additionally, Bank to Book reconciliation efforts reduced from 1 month to 3 days with 85% of the reconciliations now requiring no further intervention.”

- Major Consumer Products Company

#### Cycle time efficiency gains ranging from 10% to 75%

“By driving a top-down, risk-based approach, Trintech’s Unity reduced our client’s key controls from 1,600 to 500 and streamlined our close from 22 to 5 days.”

- Global Chemical Manufacturer

## Reduction of audit fees by a minimum of 10%

“By implementing Trintech’s solutions, we realized 25% reduction in costs to service internal management reporting and external auditors, 25% reduction in external audit fees for an annual savings of over \$600,000, and 25% reduction in ongoing compliance expenses (including 1,500 hours and \$90,000).”

- *Financial Services Company*

## Decrease in time spent on routine compliance / governance tasks by more than 20%

“Prior to implementing Trintech’s ReconNET, our 200 stores required a staff of 33 full-time employees to support reconciliation activities. After utilizing ReconNET, only 5 fulltime employees are now required to handle the sales audit process (an impressive 85% improvement in operational efficiencies!)”

- *Sports Authority*

## Automating Best Practice Processes

Trintech helps over 600 leading organizations to maximize the most value from their personnel. By providing solutions that motivate staff, drive their performance, and allow for the adoption of best practices across key financial processes, our customers are inspired to prove ROI every day.

“We have decreased 13 FTE’s – a 37% cost reduction – while increasing the number of locations by 20% (150 additional stores and expanding every month). We have reduced our over and short expenses by over \$800,000 (85% reduction in write-offs) within the first year, thanks to Trintech’s ReconNET solution! The general ledger group achieved a 50% time reduction required to perform bank reconciliations. The efficiencies that we’ve gained in time reduction is immeasurable. ReconNET has allowed us to centralize our account reconciliation processes that were once managed individually by each branch (250 branches).”

- *Donna Palmer, Accounting Manager, Bancorp South*

## Conclusion

The above examples illustrate the tangible return on investment realized by Trintech’s customers. With implementation timelines ranging from one to three months, Trintech’s solutions offer immediate and quantifiable return on investment. They also provide reduced risk of material weakness and financial restatements through enhanced and more complete management of the critical processes within finance including reconciliations, financial close, compliance, and enterprise risk management.

For more information on how Trintech’s solutions can help your organization increase confidence in business performance, please visit [www.trintech.com](http://www.trintech.com).