

C A S E S T U D Y

Revenue Recognition Critical for Re-Engineering Company

daptiv[™]



FAST FACTS

INDUSTRY: **Software**

LOCATION: **Seattle, WA**

REVENUE: **Private**

EMPLOYEES: **150**

ERP SYSTEM: **Softrax**

Daptiv, formerly eProject, designs and sells on-demand collaborative business software that simplifies complex project management, and streamlines daily operations and product development tasks. The venture capital-backed company has experienced meteoric growth in recent years with revenue up by 155% and staff increasing by 275%. The company serves more than 700 customers worldwide including Honeywell, Merrill Lynch, Sprint/Nextel and McDonald's.

Business Challenge: Finding Time to Create Value

Daptiv software is designed to give executives extreme visibility into the inner workings of their projects, programs and portfolios; and the ability to benchmark progress against key business priorities. Ironically, the company lacked these advanced capabilities in their own budgeting and finance area.

CFO Nancy Ordway was spending inordinate amounts of time on the basics, and not enough time creating value with financial strategy. "Trying to put together an Income Statement, Balance Sheet and Cash Flow Statement in Excel is really pretty difficult and time-consuming," she explained. Equally frustrating was the difficulty in modeling Daptiv's subscription-based revenue in Excel.

When Ordway upgraded to Budget Maestro, she solved both problems. Budget Maestro automatically builds the Balance Sheet and Cash Flow statements based off P&L transactions, using built-in financial logic. "I don't have to struggle to generate the statements individually or add 'plugs' like I did with spreadsheets. To change any receivables or payables

schedules, I simply pick from the built-in menu choices and the system automatically recalculates the impact of these changes on the Balance Sheet. It's really that easy," Ordway said.

Recognizing Revenue

Also freeing up time was Budget Maestro's revenue recognition capability. Daptiv's revenue streams are new subscriptions, renewals, expansion of subscriptions within the existing customer base, and professional services.

Budget Maestro allows Ordway to build custom revenue recognition schedules that accommodate these varying revenue streams and calculate when the revenue

"Budget Maestro definitely makes my life easier so I can help make the company stronger."

Nancy Ordway, CFO

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will be recognized. “As a relatively small business, revenue fluctuations significantly impact our balance sheet and cash flow and, therefore, our ability to run the business. Having a system that recognizes revenue variables and provides an accurate cash flow picture is critical to our success and growth.”

A Better Way

The time saved on the basic finances freed up Ordway to focus on value-adding activities including:

Forecasting

Ordway now builds detailed forecasts to guide the business. For example: “If we project sales will grow this much in these areas, we know we need to add X sales people, who will need six months to get ramped up, and we need Y technical support staff.”

Personnel Planning

Planning for existing staff is also easier with Budget Maestro’s built-in financial logic. With staff expenses representing the biggest slice of Daptiv’s budget, accuracy is important. Ordway forecasts personnel costs right down to increases in benefit costs for an accurate view of the future impact on the business. This informs cash flow planning and headcount planning.

Reforecasting

Ordway easily reforecasts monthly, updating the budget based on the past month’s results. “This lets us quickly adapt to any change in our financial situation before it becomes a problem,” she said.

What-if Planning

Ordway measures the impact of decisions on resources before actually making them. “We run our numbers several different ways, starting with a base plan and adding on various scenarios based on certain outcomes. If we find we’re ahead of the numbers, we can quickly switch gears and implement one of our other scenarios, and then we can adapt that one if we need to.

She added: “Our president likes to tinker with the business on paper. When he asks about the impact of certain changes, I can be back to him in less than 30 minutes with a report explaining the impacts on income and cash. I could never do anything like that in Excel.”

These new capabilities add up to two important things for Ordway: “We’ve become the “nimble, fleet-of-foot” company you read about,” Ordway said, “and I have the time to focus on financial strategy. Budget Maestro definitely makes my life easier so I can help make the company stronger.”

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