

Corporate Finance Portals

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Enterprise Information Portals (EIP) are gaining popularity in the corporate world. Due to the development of the internet as a means to conduct business as well as exchange information, more and more companies are taking advantage of digital technology in order to deploy networks that provide tools for workers to conduct business activities. Corporate intranets have matured, offering services like e-mail, mass storage, databases and computing power. Information can be more readily shared across functional areas such as manufacturing, sales and marketing, finance and accounting, and human resources. In many instances, firms operate more efficiently when certain information is shared between the company and its partners. Thus extranets have been formed to better serve interactions with outside entities like suppliers, service providers and other customers of the business. Many companies maintain a presence on the world wide web in the form of web sites. Two areas that benefit from web sites are technical support and customer relation management.

Portal sites have proliferated on the internet. Examples include Yahoo and MSN. In the case of Yahoo, it grew from being a search engine to offering e-mail, storage and eFinance, in addition to still serving as a spider. Others are not so diverse. At CNN.com, for example, one can access news and financial information. The now defunct Deja.com offered a search engine tied in with product reviews for on-line shopping assistance.

The idea of a portal has begun to be applied to corporate internets. Instead of configuring employee/vendor access to corporate data and information on an individual, need to know basis via software installs and EDI, information can be disseminated through the use of internet-based applications. The user reaches out to the desired function by launching a web browser like Internet Explorer or Netscape. Links to all available resources are included with the web browser install. The IT department no longer needs to manage a changing collection of software and access needs from the numerous PC locations. Software and security are controlled at the server, streamlining logistics and reducing the cost of overhead. The various applications, located on the array of servers running the myriad of operating systems from SunOS to Unix to

Windows 2000 Advanced Server can function in parallel since TCP/IP is an established and universally accepted standard. Thus, the movement of privileged and confidential information is easily restricted without having to configure the desired desktop or laptop computer in the field. The traffic moves across the company controlled web space.

In general, HR tasks have been the best developed area on corporate intranets. Extranets have seen strides in areas like shipping (tie-ins to FedEx and UPS, for example) and manufacturing (plants in distant geographic locations). One area that has been slow to adopt the use of the internet is finance/accounting. There are benefits to making financial and accounting information accessible to employees and outside partners via corporate internets. Traditionally, accounting reporting cycles have been monthly. By using an intranet, accounting information can be analyzed more often, enabling swifter identification of problems with more timely adjustments to correct those problems. The result is an obvious reduction of cost. By sharing selected accounts payable information with suppliers, payments can be better managed. The A/P department will fully know what is due and when, avoiding late payments, and lost or erroneous records. Costs across the organization can also be reduced by allowing employees to see spending trends and the status of budgets. By empowering employees with access to certain financial information, and implementing budget-related policies, a more conscientious effort will be made to reduce minimize expenditures.

Besides providing data and information online, a finance portal can also integrate analytical applications for financial managers. Tools for calculating NPV, ROI, IRR, EVA, MVA, etc. can be placed on the corporate intranet. The portal components can be configured to display alerts for when selected metrics go outside pre-determined limits. Relationships with outside entities can be improved both financially and logistically by providing access to selected information via an extranet extension of the finance portal.

Implementation is another issue. There needs to be a strong IT infrastructure in place to operate and maintain the enterprise network. The portal itself must be designed, set up and configured for use. The finance EIP needs to provide all desired functions, be on-line 24/7 and be scalable to meet the needs of a growing firm. An egg diagram of portal functionality is presented in Figure 1. Fortunately, there are many third party vendors in existence that market financial portals. A partial list of known portal providers appears in Table 1.

As can be imagined, the cost to create and deploy a portal is not trivial. It is also difficult to estimate the ROI for a portal. In a white paper posted at http://www.cioview.com/white/finl_primer.htm the author discusses several finance methods to judge the attractiveness an IT project such as a corporate portal.. Though the white paper mentioned above is presented in general terms, the information can be applied to finance portals. If one considers net present value (NPV), payback period, present value (PV) and internal rate of return (IRR) balanced against return on investment (ROI), a decision can usually be made whether or not to execute a portal project. Factors to consider include: 1) the functionality of the applications to be placed on the portal, 2) data sources to be accessed, 3) complexity of integrating web-based programs with legacy applications, 4) will the portal be hosted on an internal server or by an external service provider, 5) what features will the portal contain, 6) costs of personnel and consultants who will be involved in implementing the portal and 7) the financial and productivity impact the portal will have on the organization. From the seven preceding factors, a yearly monetary benefit can be formulated. The yearly benefit figure can then be plugged into the classic equations for payback period, NPV, PV and IRR. The length of time should be the point at which the technology becomes obsolete. Often, 3 years is used as the period until obsolescence. The most critical metric, however, is ROI. The equation for ROI presented in the CIO View white paper above is:

$$\frac{[\text{benefit yr 1}/(1+\text{discount rate})^1 + \text{benefit yr 2}/(1+\text{discount rate})^2 + \text{benefit yr 3}/(1+\text{discount rate})^3]}{\text{initial cost}}$$

Of course, all five results must be considered before a decision can be made. A major problem in estimating the value of a project like an EIP is that there is no way to gauge the magnitude of the task. In other words, the portal may take more time, more money and more personnel than initially conceived by the time the launch occurs.

Corporate finance portals have the potential to revolutionize the areas of finance and accounting. Being able to easily access information, perform data mining and interact with any desired area of the enterprise allows the financial manager to further maximize the value of the firm. Outside vendors and partners also benefit from the finance EIP because the relationship can be streamlined and better coordinated between the resources of each party. With the choices now available for EIP vendors and service

providers, development and implementation of finance portals can be more easily realized. While it is difficult to estimate the return on a finance portal, as more companies bring their EIP setups on-line, more information will be become available and adjustments to improve metric calculations will be made. Finance portals are an important part of the entire eBusiness picture and provide corporate finance and accounting staffs services analogous in many ways to the what the eFinance sites available on the web offer the individual investor.

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Figure 1.

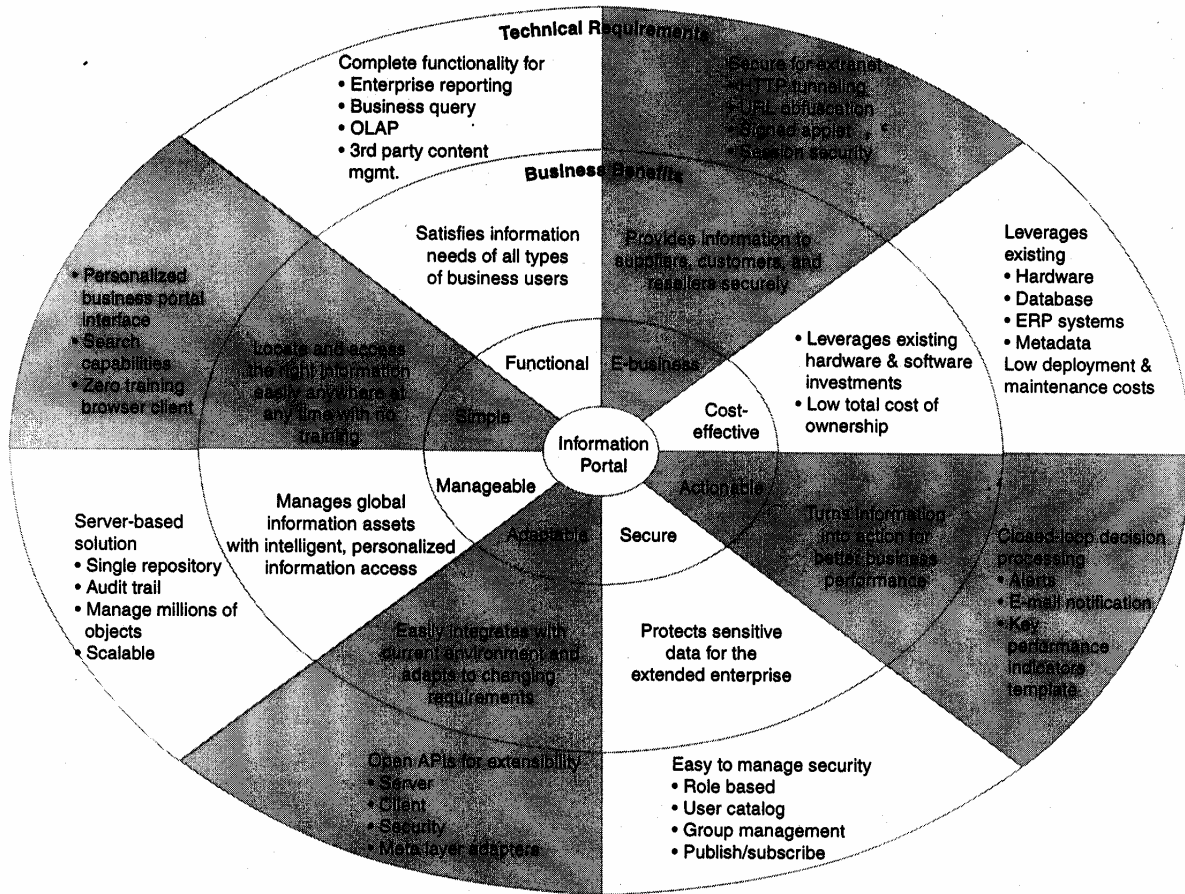


Table 1.

On a Desktop Near You	
<i>Software heavyweights as well as pure portal players are making their presence felt in the portal business.</i>	
Application Vendors with Portal Tools	
Baan	www.baan.com
IBM	www.ibm.com
Oracle	www.oracle.com
PeopleSoft	www.peoplesoft.com
SAP	www.sap.com
Vendors with Decision-Support or Knowledge-Management History	
Brio Technology	www.brio.com
Computer Assocs.	www.ca.com
Hummingbird	www.hummingbird.com
MicroStrategy	www.microstrategy.com
Viador	www.viador.com
Portal Start-Up Vendors	
2Bridge	www.2bridge.com
Corechange	www.corechange.com
CoVia	www.covia.com
DataChannel	www.datachannel.com
divine	www.divine.com
Epicentric	www.epicentric.com
Hyperwave	www.hyperwave.com
InfoImage	www.infoimage.com
Intraspect	www.intraspect.com
KnowledgeTrack	www.knowledgetrack.com
Plumtree	www.plumtree.com
Component Products	
Autonomy	www.autonomy.com
Convera	www.convera.com
Semio	www.semio.com
Verity	www.verity.com

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