FSN Product Review
Clarity 6
"A Single Unified Solution for all Corporate Performance Management Applications"

Clarity Systems
Performance Management Software

FSN

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INTRODUCTION

The corporate performance management (CPM) market is a crowded space and potential purchasers face a bewildering choice of software solutions all seemingly offering similar capability in planning, budgeting and forecasting, consolidation and reporting. But scrape away the marketing 'veneer' and underneath is revealed great differences, in systems architecture, ease of build and migration, scalability, cost of ownership and functionality to name but a few, which all have a deep bearing on the effectiveness and longevity of a solution.

It's a familiar situation to Clarity Systems, a successful CPM software provider headquartered in Toronto Canada which, after several uninterrupted years of profitable growth is breaking out of its home territory in North America and embarking on significant expansion in Europe, commencing with the UK.

But the break-out strategy is not limited to geographical considerations. This review examines how Clarity Systems is also breaking away from the CPM pack because of a broader capability rooted in successful large scale implementations, a differentiated solutions architecture, a rich set of applications (Clarity 6) and a consultative performance management culture.

Clarity Systems' Heritage

Performance management is a relatively new science. Up until the new millennium most businesses and software houses were focussed on discrete solutions for planning, budgeting and forecasting, consolidation and reporting, - the so called, "best of breed" approach. It is only in recent times, that the software industry and end users have realised the benefits of combining this capability in a single CPM environment.

However, there are marked differences in the way that suppliers have assembled their portfolio of CPM solutions. Some started in the field of business intelligence (BI), providing toolsets for reporting and on-line analytical processing (OLAP) so that companies could 'slice and dice' information multi-dimensionally, and then acquired companies that provided business applications such as budgeting and consolidations. Other suppliers started life as providers of best of breed business applications and, through acquisitions, bolted on BI capability for advanced reporting and analytics.

On the other hand Clarity Systems has a very different pedigree. Founded in 1995, it started as a consultancy practice specialising in the implementation of business applications leveraging other organisations' technology, most notably Essbase a very popular OLAP tool throughout the last decade. But why is this important?

The answer lies mainly in the fact that CPM is not a technology but a unique blend of methodology, management practice, software applications and processes which do not conform to a consistent business model and are not particularly easy to codify. For example, budgeting and forecasting practices can vary significantly from organisation to

organisation – even within the same sector. In these circumstances, rich functionality and technology alone do not guarantee success. Successful outcomes are heavily reliant on a deep understanding of business processes.

It is this store of experience gained from working on complex implementations in the mid-nineties, which has shaped Clarity Systems' product development and business model. Its founders, who 'cut their teeth' on these early projects are still active in the business and around half of the 150 employees are specialist consultants – many with a business or accounting background. It means that Clarity's professional services group can quickly understand the business problems specific to each organisation and quickly implement an appropriate solution.

Perhaps most importantly, Clarity's consulting heritage meant that the founders were completely unencumbered by technology ties and loyalties when they decided to 'product-ise' their knowledge and transition from a consultancy to a software house. The organisation has not looked back. Turnover for 2006 was US $26 million and the business which has 150 employees and 22,500 end users located around the world has enjoyed average annual sales growth of 35% for the last 5 years.

APPLICATION ARCHITECTURE

The technical architecture of Clarity 6 is technically elegant, simple and effective. It's built on four main principles, namely;

1. **Web/Excel Interface** – to minimise training, speed user adoption and for ease of deployment
2. **Single Centralised Data Model** – to provide one 'version of the truth'
3. **Unified Solution** – to provide a single user interface for all applications
4. **Open Architecture** – to let users leverage their existing database standards and their existing data models

The Web/Excel Interface

The role of Excel spreadsheets in the CPM space is hotly debated. Undeniably, the unfettered use of spreadsheets in a financial setting creates significant risks. The very strength of the spreadsheet, for example, its infinite flexibility, is also its downfall. Unauthorised changes or calculation errors can quickly undermine the integrity of a spreadsheet based budget or consolidation process. But what if a spreadsheet can be 'tamed' so that the very best aspects of spreadsheet capability can be harnessed whilst eliminating control risks?

In effect this is what Clarity Systems has done. By harnessing the broad capabilities of Excel, it allows organisations to leverage the high investment that they have already made in spreadsheet bound processes. Clarity 6 takes this concept one step further by deploying the look and feel of Excel but over the web. This Web/Excel interface helps to accelerate the adoption of Clarity 6 and minimise training costs because the templates

and reports can look like any spreadsheet. Furthermore it simplifies deployment of the application, since all users access the system via a browser which is already on their desktop.

The commercial advantage of using Web/Excel as the primary user interface should not be underestimated. Excel, more than any other application is a universal 'language' and it is common practice for organisations to use spreadsheets within their business processes. Clarity 6's Web/Excel interface provides the right balance between flexibility, ease-of-use, deployment and control.

Single Centralised Data Model

Integration is absolutely key to the integrity of CPM processes. In fact CPM is often described as a closed loop process in which performance measures derived from strategic objectives and long term plans are embedded in operational budgets which are monitored, analysed and reported on against actual results. The business insights gained are subsequently used to refine the long term strategy – closing the loop.

In this dynamic environment it is important that information is shared by all of the relevant applications and processes so that there is no duplication of data and the integrity of information can be guaranteed. For example, "actual sales revenue in month 2" is the same number whether it is being viewed in a portal, a budget data entry screen or a consolidation report. But just as importantly, the definition of metadata (structural information) such as cost centre, account or product group also needs to be consistent wherever it is viewed in the CPM application suite.

Clarity System 6 can easily deliver this capability via its single centralised data model. This is in marked contrast to other suppliers that frequently have to 'stage' metadata in complex systems architectures in order to establish consistency across the CPM solution. Inefficiencies such as these impose unwelcome complexity and inevitably invite higher costs of maintenance.

Unified Solution

Clarity 6 provides a unified solution in that all users interact with the system via a consistent web-based interface and all CPM applications can be accessed via Clarity 6's easy-to-use menu system. Clarity 6's security services module controls which templates and which reports each user has access to.

Clarity 6 provides a single solution to address all Corporate Performance Management applications. For example, a single instance of Clarity 6 can be used for: budgeting, planning, forecasting, reporting, scorecarding, consolidations, profitability analysis, sales analysis and much more. Once an end-user is licensed to access Clarity 6, they have the ability to run any of these applications – provided they have been granted the appropriate security access. It means that customers can start with a single 'point solution', say,

budgeting or consolidations but, over time can rollout further applications to their users without the expense of purchasing additional software from Clarity Systems.

Open Architecture

Clarity Systems' offering works with the leading OLAP and relational databases such as Essbase, Microsoft Analysis Services, SQL Server, Oracle and DB2. As a result, Clarity 6 leverages the investments that users have already been made in technology and people skills.

Furthermore, if an organisation has already deployed OLAP cubes using Essbase or Analysis Services, then Clarity 6 can plug directly into these cubes – without any material changes required to the cubes or the existing back-end processes that create them. This support for existing data models means that organisations with existing data models can deploy Clarity 6 more quickly and with less effort.

Where Clarity 6 is also remarkably different is that it can read and write data from both a relational database and an OLAP database, using a single template or report. This capability confers profound advantages on Clarity 6. CPM applications design is a constant balancing act between holding too much information in an OLAP cube and not holding enough. The ability to choose the underlying database technology liberates Clarity 6 from the constraints of a supplier's fixed data model. With Clarity 6, organisations can model their business applications using the type of database that is best suited for each business problem – as opposed to trying to fit a given business problem into a vendor's restrictive data model.

Human Resources planning provides a good example of when it is useful to be able to read & write to both OLAP and relational databases at the same time. It is often useful to budget detailed headcount information within a relational table, where it is easy to add and remove rows of information and where relationships between the data can easily be maintained. Clarity 6 provides these capabilities, plus Clarity 6 provides the ability to also simultaneously update the relevant salary related account level information in the OLAP cube.

THE CLARITY 6 APPLICATIONS SET

Getting started with Clarity 6 is easy. The process to design a template or report starts with Excel. Users create the format of the data entry form or report in Excel and then use the Clarity Template Builder to publish the template or report to the web. Clarity 6 automatically inherits all of the Excel formatting and formulas into the web form. Further time is saved because input templates can double as reports as well.

However, once the input schedules are completed the true similarity with Excel disappears in the sense that a Clarity 6 bound template is imbued with

multidimensionality, drill down capability and layers of validation and control not possible in a pure spreadsheet environment. Clarity 6 leverages multidimensional analysis in the usual way by allowing users to explore variances and roam through the database to reveal more insight or even drill down into the detail of relational databases and other source systems.

In common with most budgeting applications users can enter detail into specified areas of the data entry template, using a range of 'spreading' techniques, such as "increase the total by 10%, spreading by last year's actuals" to each cell, to help populate future periods' cells quickly. However, Clarity 6 has a number of distinct and specialised features which help to create a very controlled environment.

On-line validation, allows business rules to be created which govern data entry, guiding users within prescribed limits and ensuring that templates are completed accurately. For example, "top-down" targets set by management, such as limiting increases in an expense line to no more than 15% of the previous years actual can be specified as a rule and validated during data entry. A green tick alongside the data entry row shows that the user has complied with the rule whereas a red cross denotes a failed validation check. If desired, users can be prevented from submitting input until they have passed all of the validation checks or have entered commentary to explain the data.

The rows displayed for data entry can also be driven by business logic. For example, rows not used in the past for budget data entry by a particular department can be automatically suppressed. Clarity 6 also goes further than many other applications in that users can be given the ability to easily add back some or all of those accounts that have been suppressed, if they are required for a specific department's budget.

Clarity 6 provides ample opportunity to record commentary alongside cells. Commentary options supported by Clarity 6 include cell notes, row notes and template notes – plus users can attach any number of documents (of any file type) to a note, to provide greater clarification of the comment. Helpfully these notes are stored away in the relational database and instantly become amenable to search for anyone with the appropriate security permissions. The presence of a note is signified in every relevant report affected.

As mentioned earlier, the ability in Clarity 6 to simultaneously maintain detail and summary level information in a relational database and OLAP cube respectively is a valuable and distinctive capability that resolves many design issues when organisations want to retain different levels of detail in their budgeting, forecasting and consolidation processes. The type and amount of detailed information is virtually unlimited.

Clarity 6 also provides the ability to support complex allocations via Clarity Business Rules. This functionality is often used to spread head office expenses across the operating divisions. Generally, Clarity 6 allows multiple allocations to be written and cascaded down through structures in any user defined order.

Clarity 6 has embedded workflow

Keeping abreast of all of the changes in a dynamic and rapidly moving budgeting or forecasting round can be challenging. Clarity 6 has embedded workflow that manages the routing of budget reviews and approvals between successive line managers. Status reporting gives the system's administrator visibility of the progress of the entire process. The application also supports versioning of budgets so that the organisation can 'freeze' different snapshots of say a budget or long term plan and compare scenarios (versions) against each other or earlier budget and actual results as needed. Clarity 6 also allows alerts to be established according to user defined business rules.
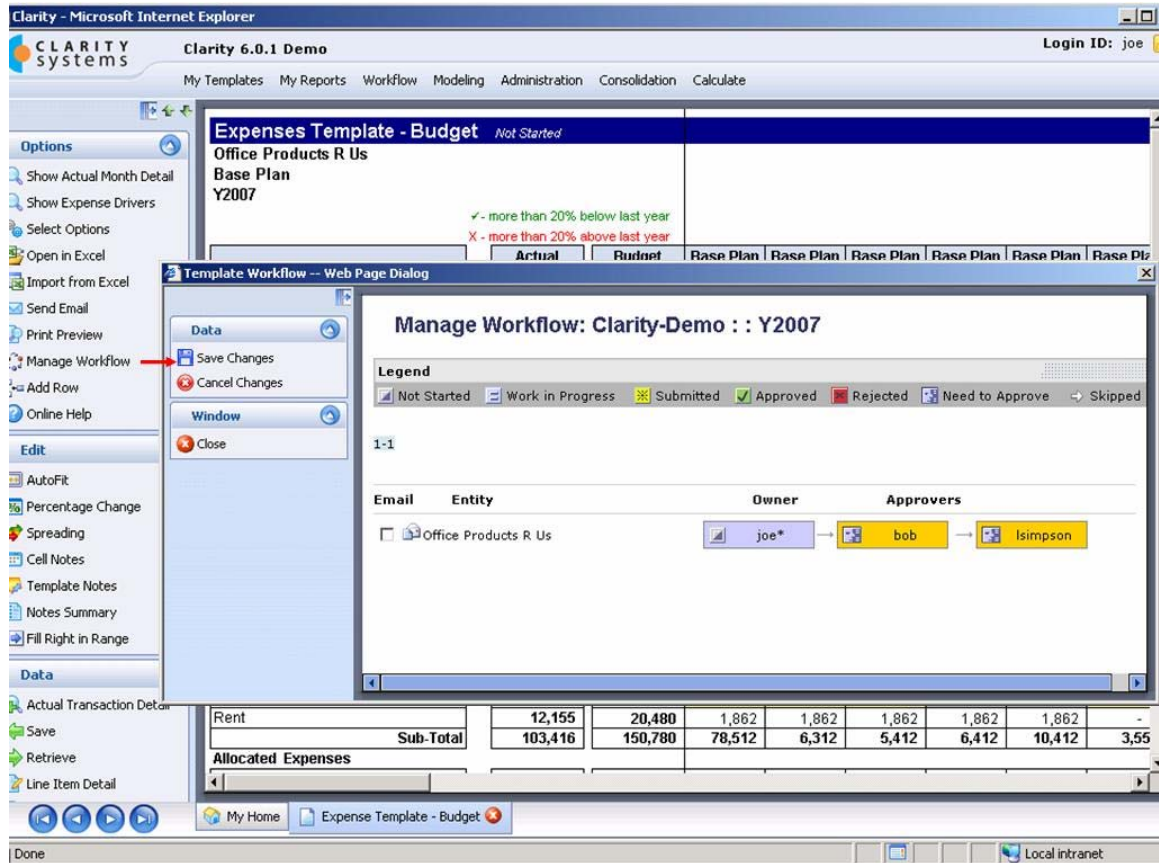
Clarity 6.0 highlights end-user changes in its audit trail

Significantly, Clarity's approach to audit trail provides management with complete visibility to all changes made in the system. Clarity 6 holds a complete history of changes so that it is possible to view the audit trail between specified date ranges, and /or for nominated input templates and users. The system retrieves, not only the exact state of the template at that time, but also highlighted within it, the changes made since the last saved audit trail. If required, plans and budgets can then be "rolled back" to prior versions using this facility. This highly visual approach makes it much easier to appreciate the exact changes than paper based audit trails favoured by competing

products. The facility, which is part of the standard Clarity 6 offering, also eliminates the need for additional spreadsheet audit tools which are sold separately by specialised vendors.

Audit Trail Details - Microsoft Internet Explorer

Options
- Print
- Print Preview
- Open in Excel
- Highlight Changes

Window
- Close

Expenses Template - Budget *Work in Progress*
Office Products R Us
Base Plan
Y2007

✓ - more than 20% below last year
X - more than 20% above last year

| ACCOUNT	Actual Y2006 Total	Budget Y2007 Total	Base Plan Y2007 Jan	Base Plan Y2007 Feb	Base Plan Y2007 Mar	Ba
Compensation						
# Employees	-	8	4	4	4	
Salary	343,671	518,815	27,453	27,453	27,453	
Benefits, Bonus, Merit & 401k	80,353	150,375	8,436	8,436	8,436	
Payroll Taxes	37,151	57,681	3,319	3,319	3,319	
Sub-Total	461,174	726,871	39,209	39,209	39,209	
Other Employee Expenses						
Employee Computer Cost	20,510	6,375	340	340	340	
Employee Office Supplies	1,251	4,125	220	220	220	
Sub-Total	21,761	10,500	560	560	560	
Operating Expenses						
Advertising	18,372	12,300	1,050	1,050	1,050	
Public Relations	6,443	70,000	70,000	-	-	
Promotional Goods	12,356	-	-	-	-	
Promotional Materials	8,498	-	-	-	-	
Computer Supplies	10,224	-	-	-	-	
Consulting	29,067	-	-	-	-	
Phones	6,301	-	-	-	-	
Rent	12,155	20,480	1,862	1,862	1,862	
Sub-Total	103,416	102,780	72,912	2,912	2,912	
Allocated Expenses						
Allocated Finance Expense	398,375	246,000	20,500	20,500	20,500	
Allocated Manufacturing Expense	525,585	175,005	30,707	13,809	16,330	

Done.   Local intranet

Clarity 6 Visualiser provides a graphical view of the data

Clarity 6 provides a "Visualiser" module to present a graphical view of the data. Visualiser lets users create dashboards with charts, graphs, gauges and various dials for imaginative presentations of information.
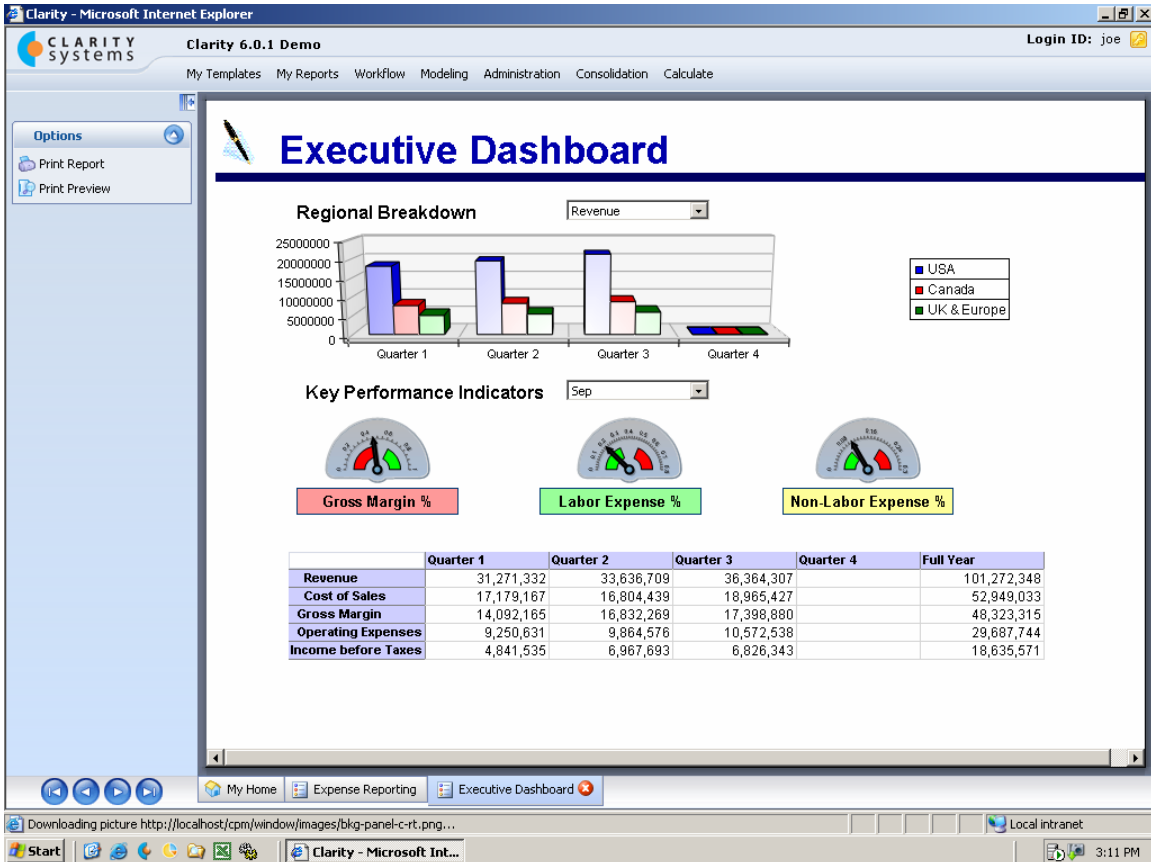
Report distribution is easy with Clarity 6 Report Books

Report distribution is a highly automated process, allowing collections of reports and templates to be assembled into Report Books to suit particular user groups and functional areas. Usefully they can be distributed in Adobe pdf format as well as Excel, HTML and other file formats. The mechanism is very effective and for example, one banking customer's "Branch Reporting and Analysis" application generates and distributes approximately 20,000 reports overnight to around 1800 locations.
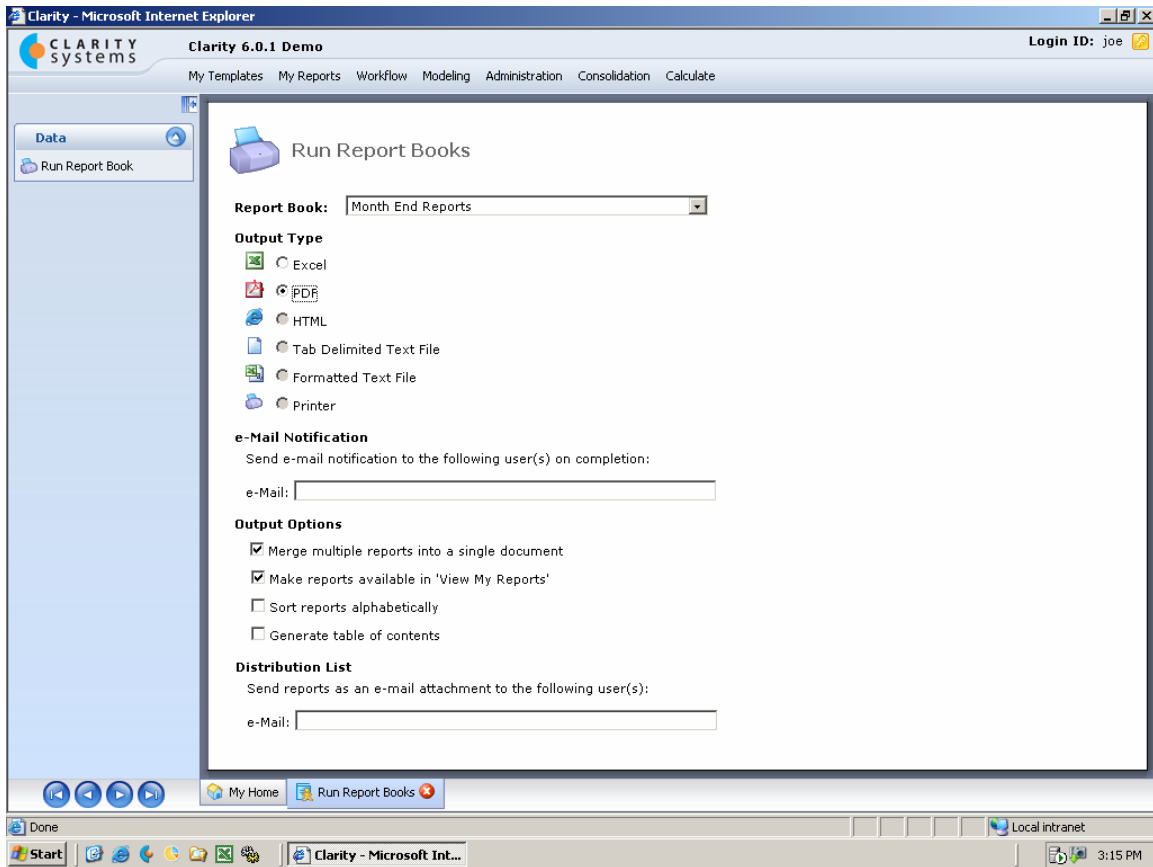
Clarity 6 provides rich functionality for financial consolidations

As one would expect in a unified CPM environment, the Clarity 6 financial consolidations capability completely mirrors the user interface, data entry, validation logic, business rules, workflow and reporting that is used in the budgeting and forecasting application. It means that users waste no time in getting to grips with the system which apart from specialised functionality around inter-company eliminations, journal entry and minority interest is identical across the CPM environment.

SUMMARY

Clarity 6 provides a technically elegant and robust solution to the challenges of CPM . Existing spreadsheet based budgeting, consolidation and reporting systems can be migrated to a web based environment which leverages the simplicity of the Excel interface whilst imbuing the application with valuable additional capabilities, such as validation logic, business rules, multidimensionality, workflow, drill down, alerting and sophisticated reporting.

Similarly the ability of the solution to work with the most popular relational and OLAP databases allows organisations to leverage their investment in existing data whilst providing faultless integration and consistency of metadata within and around CPM processes.

The 'simplicity' of the architecture – a familiar user interface, a unified source of metadata and an ability to work with existing databases - pays off handsomely in terms of speed to implement, cost effectiveness of deployment and the performance (responsiveness) of the applications using the minimum of servers and infrastructure. Organisations will undoubtedly welcome the reduced learning curve associated with migrating existing applications and the obvious economies of building on existing 'know how' and skills.

"Clarity" is indeed a fitting name for an organisation that provides an uncluttered architecture, a clean-cut user interface, consistent management of data and transparency of organisational performance.

About FSN

FSN Publishing Limited is an independent research, news and publishing organisation catering for the needs of the finance function. The report is written by Gary Simon, Group Publisher of FSN and Managing Editor of FSN Newswire. He is a graduate of London University, a Chartered Accountant and a Fellow of the British Computer Society with more than 23 years experience of implementing management and financial reporting systems. Formerly a partner in Deloitte for more than 16 years, he has led some of the most complex information management assignments for global enterprises in the private and public sector.

Gary.simon@fsn.co,.uk

www.fsn.co.uk

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