



CEA Global Education Solutions

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Competing in the global business environment can be complex, and the complications increase as your business grows. A company that can't monitor its revenue and spending for planning purposes will find it difficult to manage international activities.

That was the case for Cultural Experiences Abroad (CEA), which specializes in study abroad programs for college students from the United States and Canada. Since its founding in 1996, CEA has helped educate more than 15,000 students and annually enrolls about 4,000 students at campuses worldwide, including 1,750 in its primary network in Barcelona, Madrid, Seville, Paris, Florence and Rome.

When it came to basic financial management, the company had many challenges. “Spending had presented a management challenge in the past,” says Cliff Marnick, operations controller based at CEA headquarters in Tempe, Ariz. “We were unable to measure results against plan or hold department heads accountable for spending.” Deciding where to allocate resources among their 25 international locations and how to price services at each location was inconsistent because corporate planners had no reliable information about actual costs.

Data in Chaos

At the heart of the problem was the way CEA managed the planning process. Each office drove its own spending and managed its own budget using Microsoft Excel spreadsheets. The corporate marketing group in Tempe forecasted enrollment and set pricing for all locations. On-site directors often didn't agree with corporate marketing's numbers and would produce their own budgets that seemingly supported their view but in reality were not accurate. The sources of data in the various spreadsheets were suspect, and the data's accuracy was questionable.

Not only were the offices located in 15 countries with their own regulations and currencies, they often used different versions of Excel, which created compatibility issues between Excel versions and individual spreadsheets. Because Excel lacks audit capabilities, there were constant questions about who had made changes to a file and whether a person was authorized to do so. The process relied on the company e-mail system to transmit the files. This made both tracking who had or had not submitted their budgets and version control nearly impossible as spreadsheets crisscrossed the globe. For all these reasons, the process of consolidating the budget data into a single corporate budget was difficult and time-consuming.

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Conflicting data made budgeting a hit-and-miss process, which caused CEA to lose money by funding unprofitable programs and failing to fund growth opportunities in other areas. At headquarters, analysts would develop budget templates in Excel, but the actual results that area directors input often conflicted with those in the company's Great Plains general ledger software. The various spreadsheets might categorize data differently than the Great Plains common chart of accounts. Trying to resolve these conflicts was a time-consuming process with no guarantee that the outcome would be correct. "We didn't know what our cost of goods sold was, for example," Marnick says, "because we didn't have the same metrics across budget vs. actuals."

Because there was no certainty about the budget numbers, they had to be revised repeatedly as real expenses surfaced. Many times, budgets were created at a different level of detail than in Great Plains. The result was a budgeting process that was never up to date and never ended. "We'd be still working on the last version of the budget when the next cycle came along, and nobody knew where the first budget ended and the new one began," Marnick recalls.

People Problems

Obviously this situation affected the company's profitability and had a negative impact on relations between corporate management and employees in the field. Management grew weary of the lack of accountability from site and area directors, whose spending could not be tied to results. Conversely, many directors did not trust the performance evaluations from their supervisors, feeling that their appraisals were based on subjective feelings. Without numbers to back them up, managers could not explain convincingly why they rated people as they did.

"We had trouble measuring which locations were doing well and which were not," Marnick says. As a result, management didn't know what corrective action to take for those that were struggling, nor could they identify best practices in the actions of those that were successful.

On a positive note, these financial issues were a direct result of CEA's success. The company has had strong growth in the last few years – enrollment increased more than 30 percent in the 2006-7 academic year – and solidified new partnerships with many universities. As this expansion occurred, the company outgrew its ad-hoc budgeting approach and tool. "When we were small, it was easy to pull together an Excel spreadsheet, send it to a few people and be able to control it," Marnick notes. But now CEA has 25 offices in 15 countries, and budgeting on spreadsheets is not scalable.

Getting Right To Work

In July 2008, Virland Johnson, CEA's vice president of finance, hired Marnick, who had coordinated global budgeting and spending process for an international company. His first assignment was to fix the budget, and soon he began to evaluate tools to help do that. Marnick searched for software that could enforce consistency in budget formats, consolidate data from disparate systems and facilitate comparisons of budgets from the various offices. He and CEA stakeholders compared vendors through demos and conference calls. The Host Budget and Host Consolidator modules of the Host Analytics Corporate Performance Management (CPM) suite met all their needs, but the deal clincher was a specific feature CEA wanted: Host's ability to handle multiple currencies in financial processes.

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Culture is a critical aspect of CEA's business – both in the experience it sells to students and in the complexities it must deal with to provide that experience. This is especially true for finance. Currency exchange rates and the timing of currency hedges have an important effect on the company's bottom line. “We have to be able to properly hedge our use of foreign currency because we collect revenue in U.S. dollars but 90 percent of our expenses – salaries, overhead, student housing costs and tuition to universities – are in the foreign currency of each location,” Marnick explains. Therefore CEA runs a report in Host identifying spending by currency and month and then predicts and locks in favorable exchange rates. The other vendors being considered, he reports, could handle only two currency rate types like End of Month and Average Rate, but Host places no limit on the number of rate types. It enables users to create models that forecast effects on the budget of various shifts in exchange rates.

Everyone involved knew there was no time to waste. “When I got here, we were so far behind the curve we had to do a high-speed implementation,” he says. Marnick received approval to purchase Host CPM at the end of July, worked with Host consultants in August to design templates and on September 15 deployed Host Budget to all sites worldwide. Such rapid deployment would be next to impossible in a traditional IT environment, but Host's Web-based delivery model of software as a service (SaaS) let the team get the software up and running fast. CEA pays a subscription fee to Host to maintain the software and provide ongoing support services rather than burden its in-house IT resources. It is equally important that SaaS gives users scattered across global time zones round-the-clock access; they can log on during their own business hours, and Web access eliminates the time lag in waiting for others elsewhere to respond to e-mail. The Host environment is secure, and Marnick's team can add, subtract or move users in minutes. The Host Budget workflow provides an audit trail to track which users make changes to the local budgets as well as a way to track the budget approval process.

Host's Excel-like user interface provided a smooth transition for the users, while the Host database behind it assured management that everyone would be working with the same consistent data. “It looks like what they used before, but there's a lot more control for us,” says Marnick.

A Big Win

The switch to Host swiftly produced benefits for CEA. Using Host Budget for the first time, Marnick reports, “What used to take us three months was done in three weeks.” By the end of 2008 the team had completed a second, updated budget based on timely new information and building on the previous one. Implementation is still a work in progress; the first iteration had some weaknesses, particularly in design of the templates, but Marnick expresses confidence in the new process. Each iteration provides CEA with the ability to improve its budget process as well as incorporate new software enhancements from Host. CEA also has access to Host's subject-matter experts and user community for ideas on further implementation. “Each budget will get better, based on learnings and feedback we get from users,” he says.

In the past, finance personnel would discover after the fact whether the budget was accurate, and there was no hope of being able to look ahead. Now, having better information and a flexible tool for analyzing, they are moving to forecast the future, identify trends and model what-if scenarios, all of which could improve profitability. For example, instead of continuing to set one rate for all housing in Paris despite different costs for the units, CEA can match what it charges to the cost and desirability of each. “The flexibility to slice up the data has been a huge ‘win’ for my department,” Marnick insists.

CEA employees at all levels have benefited from the implementation of Host Budget. "The entire staff bought into it because they could see we were creating a system that would help them," says Marnick. At the top, executives have reliable, current information to assist them in running the company and making decisions. "We don't run Great Plains reports for management any more," he explains. "We populate Host with actual results and create reports with data from Host." He emphasizes that this process is automated, which saves time getting the information into the hands of executives. Host's single data repository ensures that all the information they need is available. "Host is our database of record," Marnick adds. In the past, Finance would have to create reports out of Great Plains and email them in Excel to the various levels of management within CEA. Now the same users can access their data in Host Reporting, thus freeing Finance to focus on strategic financial issues. The company can be sure its budget has the same information as its general ledger, AP and AR systems.

Site directors who used to be left on their own now can collaborate and learn from each other because uniformity of budget reports enables them to share information about their situations. The Web-based system also makes them more self-sufficient, which is critical in the dispersed structure of the company, and potentially more productive. "Our users are able to pull reports directly out of Host," Marnick notes. CEA now has about 50 Host users, half of them in the foreign offices.

As issues of accountability and trust are being resolved, the finance department is making the budget process transparent. Finance is working with directors for their input on decisions that affect their operations, rather than imposing decisions on them. Supervisors can show employees the basis for their performance evaluations: a group of "vital factors" (similar to key performance indicators) tracked in Host and compared objectively. "Now we can show them what the numbers say," Marnick notes, so the issue of fairness in evaluations has gone away.

New Horizons

CEA started by deploying Host to satisfy the pressing need for stable budgeting, but Marnick soon realized it could help do things that were not possible before. "I saw that we could grow with Host and be able to do all kinds of reporting," he recalls. Late in 2008, he says, they reached a milestone: "For the first time, through Host we presented to senior management the actual results vs. the budget."

Looking ahead, CEA plans to adopt Host Scorecard early in 2009 so users and managers can track their performance and provide high-level summaries to help executives make strategic business decisions. Further on, management intends to tie directors' skill in budgeting to their compensation.

In less than four months, CEA has gone from endless attempts at budgeting to an orderly process that uses reliable data to create and present accurate, actionable budgets that everyone can trust and from which senior management can make informed decisions.

About Host Analytics, Inc.

Host Analytics is the leading provider of on-demand corporate performance management. Host Analytics' solutions help financial and departmental executives improve their budgeting, forecasting, financial consolidations, dashboarding, scorecarding, reporting and analysis. Founded in 2000, Host Analytics delivers its suite of corporate performance management solutions using Software as a Service on-demand delivery. Host Analytics serves the enterprise, large and midsize company and public sector markets. Host Analytics was included in JMP Securities' prestigious *"Hot 100: The Best Privately Held Software Companies."*

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