

Performance Blueprints from the IBM Cognos Innovation Center for Performance Management accelerate your implementation of performance management capabilities. In this demonstration, you will see how the *Integrated Financial Planning and Forecasting Performance Blueprint Powered by TMI* enables an integrated financial planning process that aligns corporate financial objectives with operational plans and forecasts.

IBM Cognos Performance Blueprints help companies align corporate objectives with operating plans so they can operate more profitably and efficiently. Performance blueprints are pre-defined data, process and policy models developed to help improve planning, budgeting, forecasting, reporting and analysis. A *Blueprint* pre-populates your plan with common operational drivers and business structures, dramatically reducing the time required to deploy a new performance management application.

A financial plan helps companies establish guidelines for developing operational and financial plans. Key corporate objectives are rationalized and Cash Flow impacts are analyzed. Objectives are translated into tangible financial targets. Investment decisions and targets lead to the creation of integrated financial statements that link financial goals to financial metrics. Then the entire organization rallies behind these objectives and targets.

If your company is like most companies, you use ERP systems and spreadsheets for your financial planning, which can create errors and make it difficult to arrive at consensus plans and budgets. Financial ERP systems can handle a large number of transactions very well and spreadsheets offer flexibility with great individual modeling capabilities; however, neither can really provide centralized views of the data and information because of their limited focus.

To boost accuracy in forecasting and improve integrity, a solution with flexible modeling capabilities, personalized analytics and integrated modeling is required. The *IBM Cognos Integrated Financial Planning and Forecasting Blueprint Powered by TMI* is that solution.

The *Integrated Financial Planning and Forecasting Blueprint* enables operations to focus on plans while affording finance and senior management the visibility to ensure that operational plans are in synch with corporate objectives. The *Blueprint* establishes the targets and metrics used to measure organizational success. Response to changing business conditions is usually expressed as an updated forecast. As forecasts change, integrated financial statements can be instantly updated to see the impact on key financial objectives such as Earnings per Share and Return on Assets.

The *Integrated Financial Planning and Forecasting Blueprint Powered by TM1* helps you replace the manual spreadsheet process with flexible modeling capabilities for complex requirements such as profitability analysis, personalized planning and analytics. Its integrated workflows minimize error and boost contribution and accountability and flexible modeling and analysis improve forecast reliability. Changes to accounts payable and accounts receivable Days Outstanding can occur while decreasing revenue and expenditures ripple through integrated financial statements. Modeling “what-if” scenarios using data spreading—the IBM Cognos TM1 multi-dimensional allocation function—to simulate business contingencies is quick and easy. Because financial objectives are easily identified and modeled, financial targets are quickly passed to operations.

Enabled by IBM Cognos TM1, advanced personalization is blended with workflow activities. During the planning process, each contributor can dynamically build his or her own alternatives. Because the planning solution offers real-time calculation, submitted and approved plans are automatically available, saving time and effort. Corporate finance can determine if corporate objectives are in synch with operational plans and can quickly reset details to attach business problems immediately.

Now we will give a brief demonstration of how the *Integrated Financial Planning and Forecasting Blueprint Powered by TM1* can help you streamline and centralize your financial planning and forecasting processes.

As the first step in reviewing my company’s financials for the year, I’m going to look at the Integrated Financial Statement dashboard. I’m acting as the CEO, and at a glance this dashboard gives me all of the information I need to prepare for a discussion on our current forecast with my senior financial analyst. I have a number of graphs and charts. I see Total Assets, Total Liability and Total Equity by month. KPIs are displayed in several formats; the gauge shows Gross Margin percentage, Net Income or Revenue growth. Notice that I can hover the cursor over the metric to see more detail; a bar chart showing Quick Ratio, Current Ratio and Working Capital by quarter; and comparison reports allow me to understand Current Forecast versus Previous Forecast and Budget for a number of KPIs. The trend indicators show me at a glance how each KPI is trending.

Now that I have a general idea about how our forecast looks I want to see some of the numbers that are feeding this dashboard. Starting with the Income Statement I see forecast numbers for sales, expenses, and income by month and in total.

The Income Statement Chart is a graphical representation of the numbers seen in the Income Statement. When I select a measure I see the numbers by month along with a visualization of those numbers.

The Balance Sheet shows Asset and Liability items and totals by month and includes a ‘check’ field to confirm that the assets and liabilities are indeed balanced.

The Cashflow Direct report shows monthly cashflow from operating, investing and financing activities, with net cash for each activity and net total for cash and equivalents.

The Cashflow Indirect report provides an alternative cashflow view showing changes to the Balance Sheet instead of the actual numbers.

Now I'll ask the senior analyst to login to the planning application and make some changes that will improve our cashflow for the 2010 forecast.

As the senior analyst I open the Integrated Financials model in TM1 Contributor. This screen shows the Planning hierarchy with a tree view on the left and details about the items that I have access rights to on the right. On opening the model I see a tabbed workspace in which all of the fields are populated with current, accurate statement data. While this model is a three year top down view, this same data will be used by departments to develop their bottom up plans. With all plans derived from the same data there is a shift in focus from debating numbers to finding ways to achieve goals.

Although the Income Statement in our top down plan contains many fields into which data can be entered directly, most plans would not allow input into these fields. As a rule, most companies import these numbers from other blueprints; Expense Planning, Sales Planning and Capital planning to name a few; or alternatively from an external source such as a data warehouse or spreadsheet.

The Trial Balance is where most of the planning and budgeting takes place. Fields shown in grey are not adjustable, but what drives the forecast are things like Days Sales Outstanding for receivables, Days Raw Materials outstanding for inventory, or Days Purchase Outstanding for payables.

The CEO has asked me to look for ways to improve our cash position, and I have decided to stretch our Days Purchases Outstanding from 60 days to 65 days starting in July and going forward. The change is instantly reflected throughout the plan as shown in blue. We've improved our cash position as shown in Cash Flow Direct; Payables in Cash Flow Indirect; Accounts Payable on the Balance Sheet. This one change has impacted all of the major KPIs in the Financial Summary. After discussing this change with the CEO I save the change, making the updated targets available to rest of the organization.

The *Integrated Financial Planning and Forecasting Blueprint Powered by TM1* is the hub that aligns corporate targets with operational plans. Finance can concentrate on their plans and forecasts while ensuring that these financial plans are in synch with corporate objectives. The *Blueprint* maximizes integration of financial statements, enhances data accuracy, facilitates business modeling, streamlines planning cycles—especially critical during this economic climate—and strengthens links between financial objectives and operational plans.

If conditions change and you need to update your plans, new objectives and financial targets can be distributed in real time throughout your organization. Sales can increase headcount to meet the new forecast, while marketing ramps up marketing campaigns to generate increased leads. Meanwhile, sales forecasts are translated to update production plans. Production can identify an internal resource shortfall and outsource to a third party to fulfill short-term capacity need. Human resources are notified of new headcount plans and begin to contract recruiters and ramp up hiring. New plans are consolidated with financial forecasts and adjusted based on revised sales forecasts.

Within a few weeks, your entire organization is mobilized to meet your revised financial objectives.

For a full list of IBM Cognos Performance Blueprints available for other functional areas in your organization please visit the IBM Cognos Innovation Center at [www.ibm.com/cognos/innovation-center](http://www.ibm.com/cognos/innovation-center).

Thank you for your interest in this *Blueprint*.