



Cognos.  
software

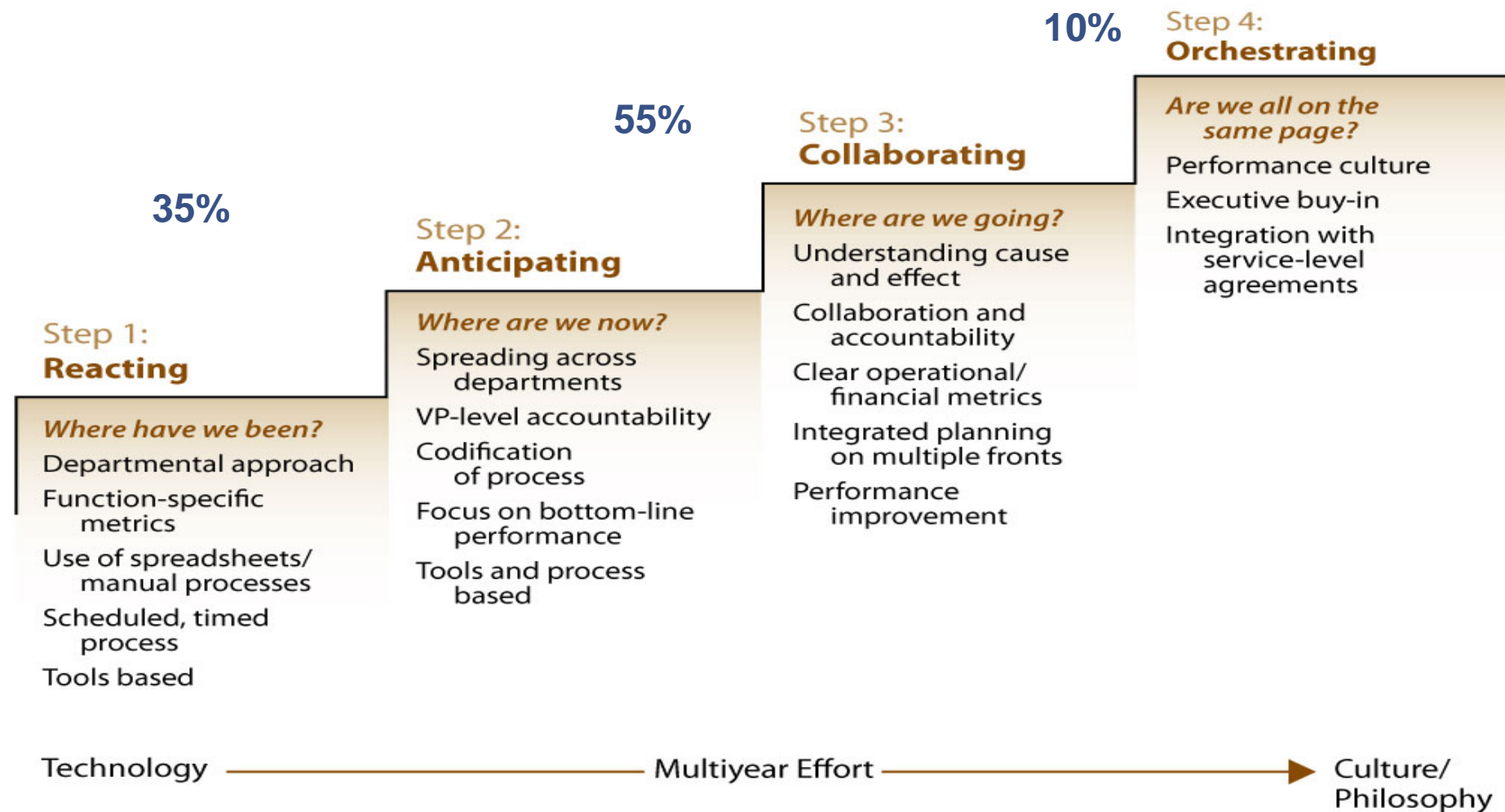
# IBM Cognos Beyond Budgeting Seminar

7 July 2009

Peter de Geus – Solution Architect

Gautam Jain - Managing Consultant - Performance Management

# Performance Management - Beyond Budgeting



Source: AMR Research, 2007

## ***Driver-based forecasting is often missing in many organizations, but can substantially reduce the cycle time and level of detail in forecasts***

### Technology

- *Usage of driver-based forecast models that are automated wherever possible.*
- *Ability for all users (including users inputting operational data) to submit and retrieve data electronically.*
- *Forecasting system integrated with the appropriate financial, manufacturing and market/demand planning systems, preferably through an integrated information architecture and business intelligence platform.*

### People / Organization

- *Corporate and business unit modelers work collaboratively to maintain simplicity and consistency in drivers and driver values.*
- *Mathematical skills to perform/understand basic regression analysis and modeling techniques.*
- *Business and finance associates understand key driver relationships and the external market drivers.*

### Information

- *History on all identified internal drivers, external drivers and related financial information.*
- *Keen understanding of key business driver relationships and impact on financials.*

### Process

- *Adopt corporate data standards that enable cross-system and cross-organization comparisons of the same data.*
- *Forecast of drivers of financial performance.*
- *Capture of actual driver values.*
- *Collection of financial results.*

**Source: The Hackett Group**

# Elements of a successful forecast





Time Horizon &  
Update Frequency

Agile Models

Process  
Management

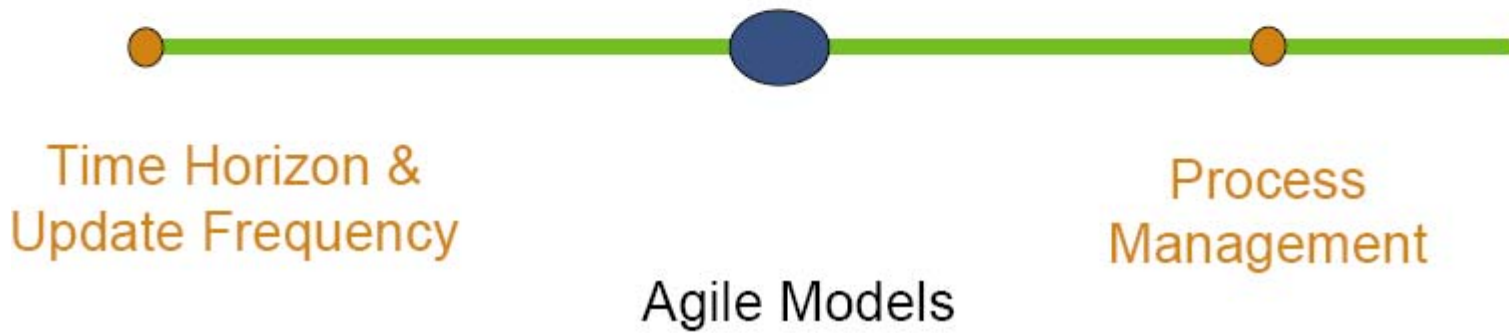




## *Match horizon and refresh to the rhythm of your business*

Industry	Rolling forecast horizon and update frequency
Airline	Rolling 2 quarters; monthly
Semiconductor	Rolling 2 quarters; twice per quarter
Automotive	Rolling 2 quarters; quarterly
Chemical	Rolling 4 quarters; monthly
Telecom	Rolling 4 quarters; monthly
Technology	Rolling 4 quarters; quarterly
Engineering	Rolling 6 quarters; quarterly
Consumer Goods	Rolling 6 quarters; monthly
Pharmaceutical	Rolling 6 quarters; quarterly

***Source: 2008 Book of Numbers, "Aligning Forecasting Practices with Market Dynamics," The Hackett Group***



# A traditional model

	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL	YTD Actuals Variance	YTD Act Var %	Total Variance	Total Var %
	Actuals	Actuals	Actuals	Actuals	Actuals	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast					
Revenue	143.00	150.00	176.00	166.00	200.00	180.00	181.00	190.00	200.00	200.00	210.00	260.00	2256.00	-65.00	-7%	256.00	13%
COS	92.95	97.00	114.00	108.00	131.00	117.00	117.00	125.00	131.00	132.00	140.00	180.00	1484.95	-957.05	-64%	84.95	6%
Margin	50.05	53.00	62.00	58.00	69.00	63.00	64.00	65.00	69.00	68.00	70.00	80.00	771.05	-22.95	-7%	71.05	10%
Margin %	35.00%	35.33%	35.23%	34.94%	34.50%	35.00%	35.36%	34.21%	34.50%	34.00%	33.33%	30.77%	34.35%	0%		-0.65%	
Salaries	19.00	19.00	19.00	19.00	19.00	19.00	19.00	22.00	22.00	22.00	22.00	22.00	243.00	-1.00	-1%	-3.00	-1%
Bonus	1.43	1.50	1.76	1.66	2.00	1.80	1.81	1.90	2.00	2.00	2.10	2.60	22.56	-2.35	-39%	2.56	13%
Benefits	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.22	0.22	0.22	0.22	0.22	2.43	1.35	59%	-0.07	-3%
Insurance	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	1.80	0.00	0%	-0.10	-6%
Rent	2.90	2.90	2.90	2.90	2.90	2.90	2.90	2.90	2.90	2.90	2.90	2.90	34.80	0.00	0%	-1.20	-3%
.....																	
.....																	
.....																	
Utilities	3.00	2.00	2.50	1.50	1.00	1.00	1.20	1.40	1.59	2.00	2.50	3.00	22.77	0.92	8%	-1.23	-5%
Office Supplies	0.11	0.20	0.16	0.20	0.07	0.37	0.14	0.42	0.49	0.34	0.38	0.43	3.30	0.07	9%	1.00	43%
Travel - Air	7.15	7.50	8.80	9.00	15.00	9.00	9.05	9.50	10.00	10.00	10.50	13.00	118.50	-17.45	-58%	13.50	13%
Travel - Hotels	1.43	1.50	1.76	1.66	2.00	1.80	1.81	1.90	2.00	2.00	2.10	2.60	22.56	-3.35	-67%	-7.44	-26%
Travel - Car	0.72	0.75	0.88	0.83	1.00	0.90	0.91	0.95	1.00	1.00	1.05	1.30	11.28	-2.68	-178%	6.28	126%
Travel - Train	1.30	1.00	1.50	1.00	1.20	1.00	1.00	3.00	2.00	2.00	2.00	3.00	20.00	-1.50	-33%	9.00	82%
Gifts & Misc	0.50	0.00	0.00	0.50	0.00	0.00	0.00	0.00	5.00	0.00	0.00	0.00	6.00	0.00	0%	-1.00	-14%
Maintenance & Repair	0.35	0.14	0.06	0.43	0.30	0.36	0.31	0.42	0.03	0.41	0.09	0.13	3.04	0.02	1%	0.04	1%
Marketing	2.00	0.00	8.00	9.00	4.00	7.00	8.00	4.00	5.00	2.00	9.00	1.00	59.00	-3.00	-15%	5.00	9%
Net Income	9.83	16.17	14.35	9.90	20.18	17.53	17.53	16.24	14.62	20.98	15.01	27.66	200.01	15.43	28%	0.01	0%



## *Utilize drivers – the language of business*



**Opportunities**  
**Pipeline**  
**Number of employees**  
**Customer Satisfaction**

**VS.**



634172 - Revenue (New Accts)  
665891 - Office Supplies (Paper)  
665892 - Office Supplies (Pens)  
677199 - Gifts, Misc.

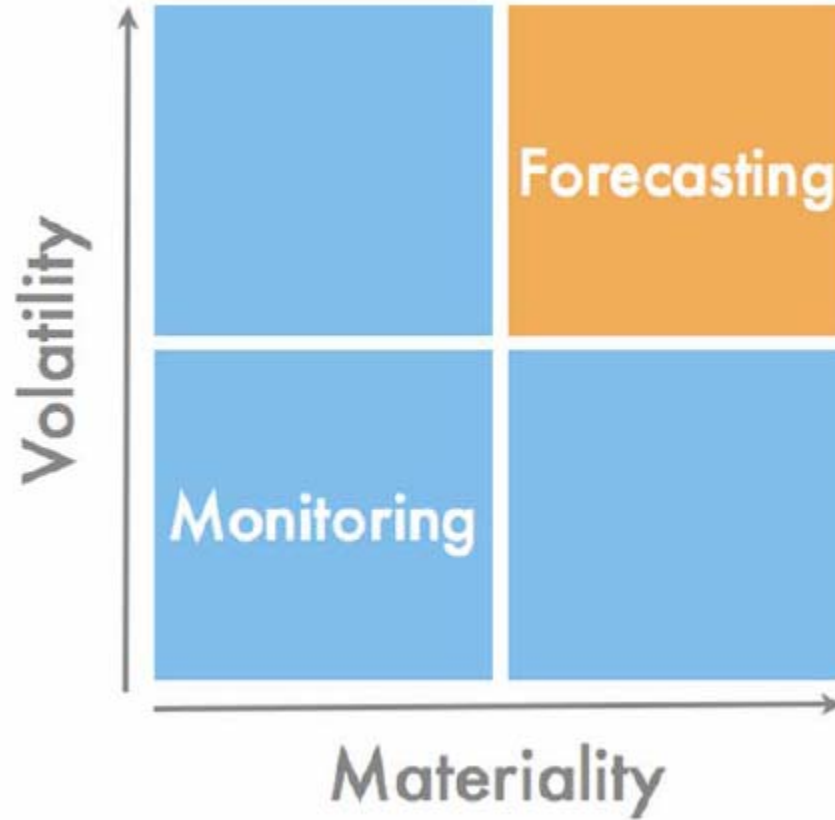
# Revenue planning - Telesales professional



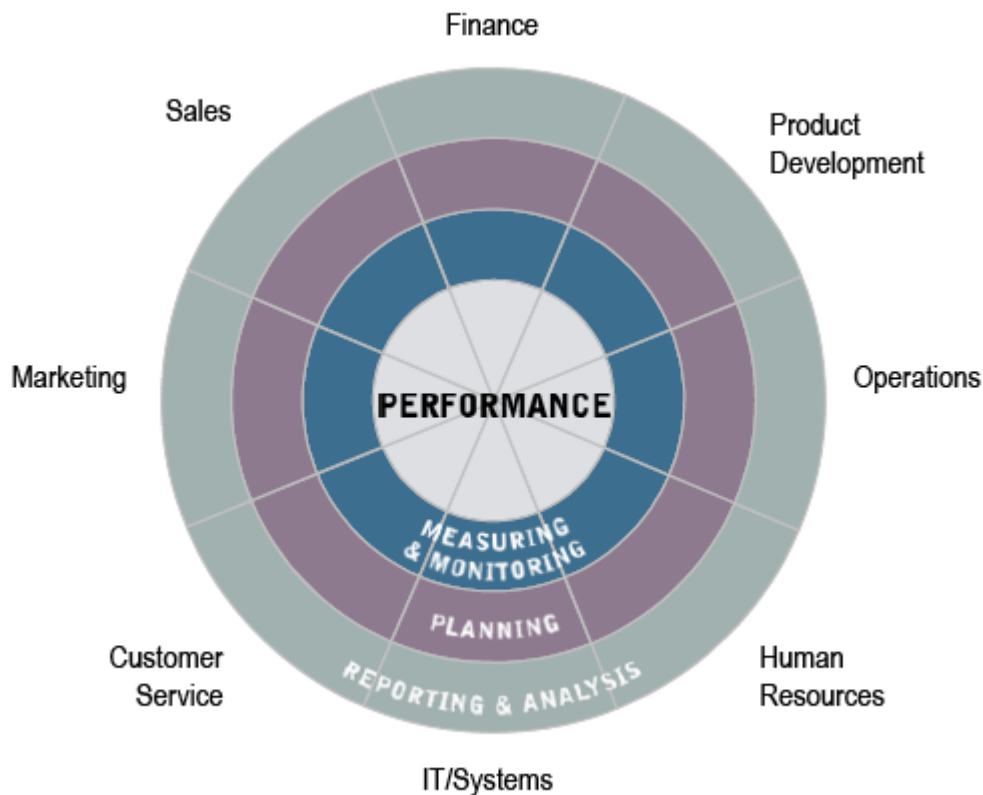
Revenue?

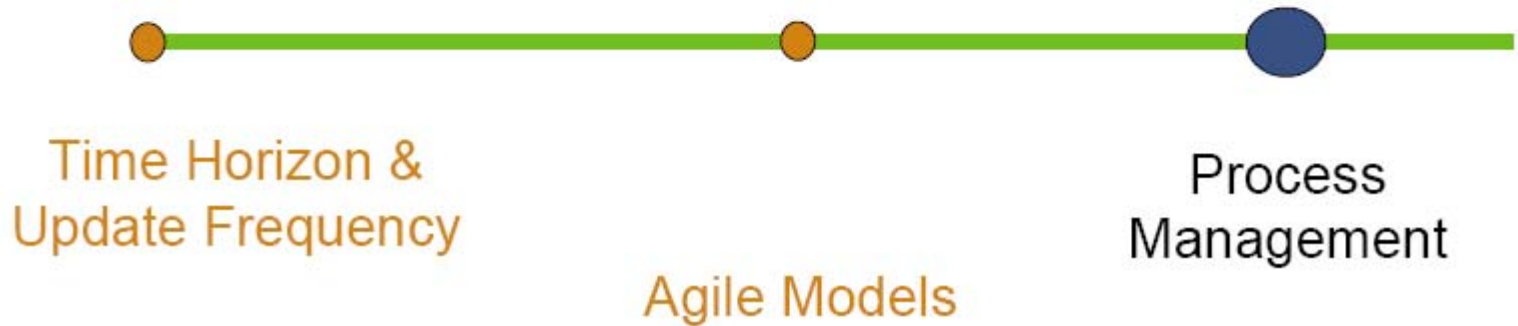


# *Less is more! Simplify your models*



# Link forecasting with operational planning







\ May Forecast / \ June Forecast / **July Forecast** /



New  
version

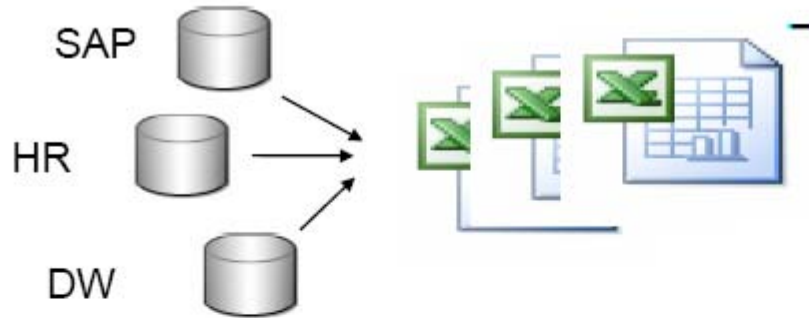


=\f0805p3\share\CorpFP&A\Rich Corp FPA\CAPEX>Status of Funds\FY05\Capital Plans\[05-03 capital plan 2005-07 - June Capex Mtg_April.xls]Fac0 US!M104+\f0805p3\share\CorpFP&A\Rich Corp FPA\CAPEX>Status of Funds\FY05\Capital Plans\[05-03 capital plan 2005-07 - June Cape					
0.0	0.0	0.0	0.0	0.0	C
0.0	0.0	0.0	0.0	0.0	C
0.0	0.0	0.0	0.0	0.0	C
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0.0	0.0	0.0	0.0	0.0	C

Update Models

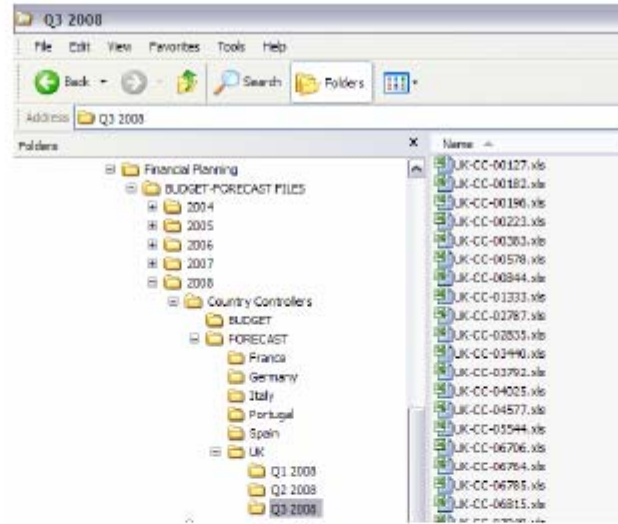


New version



Update  
Models

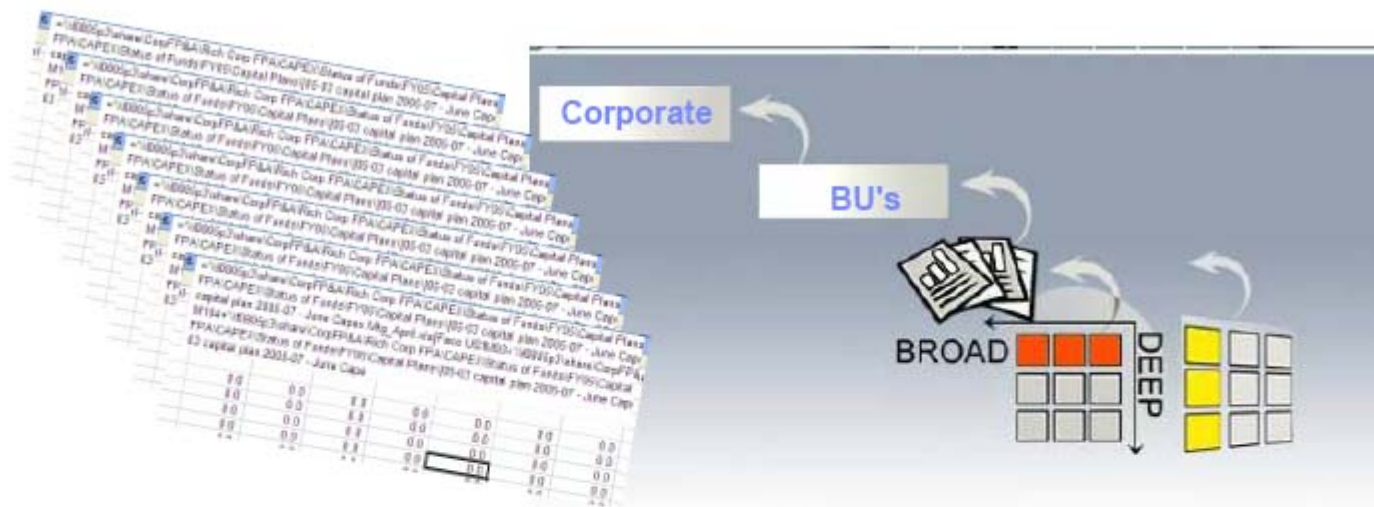




Update  
Models

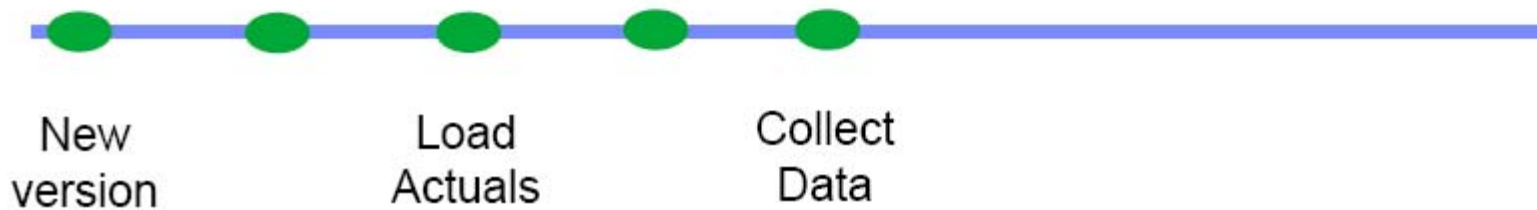
Distribute  
Models



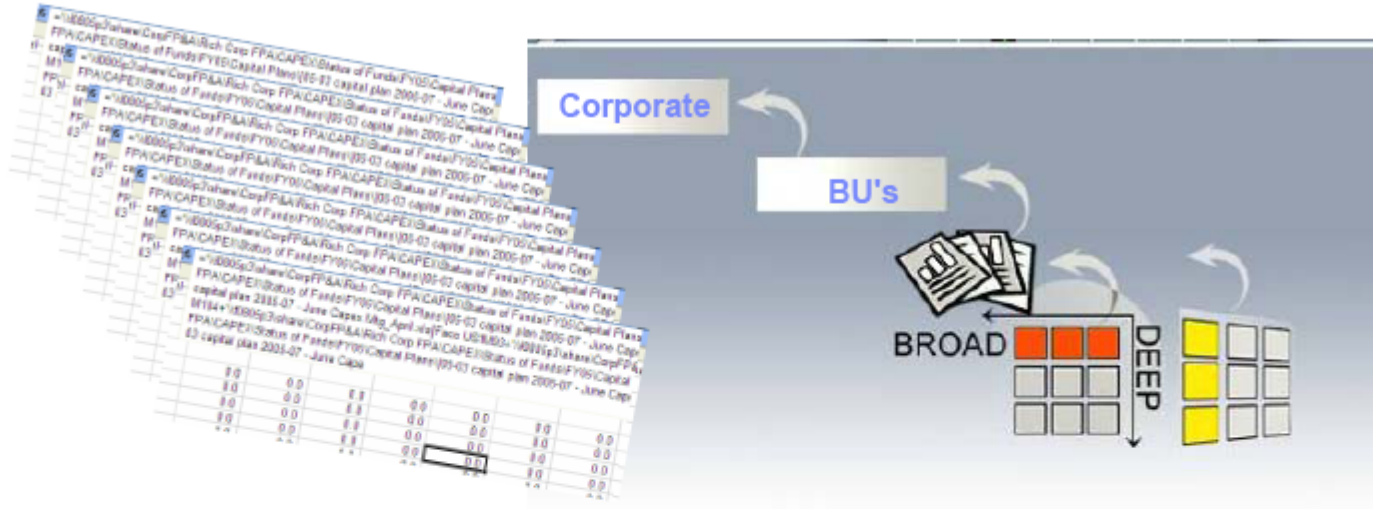


Update Models

Distribute Models







Update Models

Distribute Models

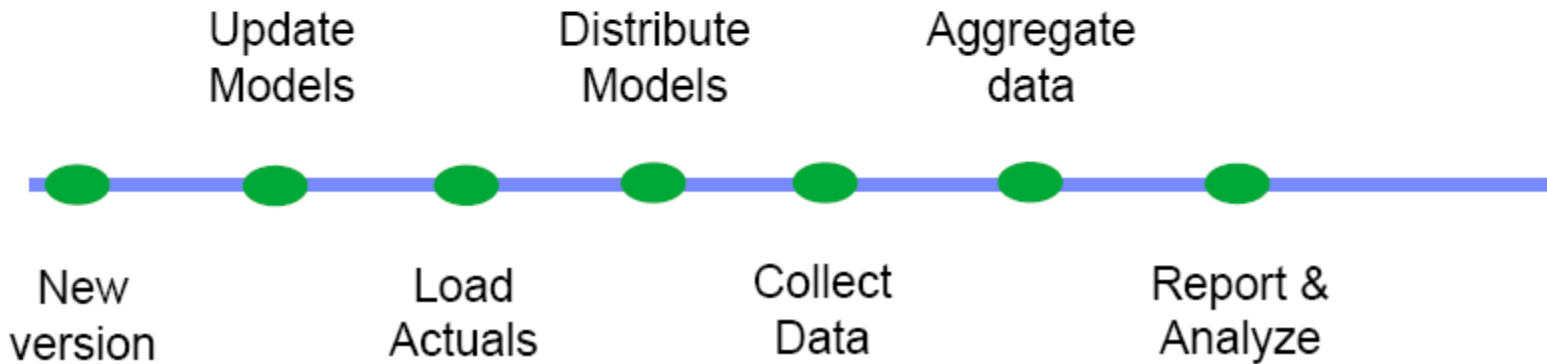
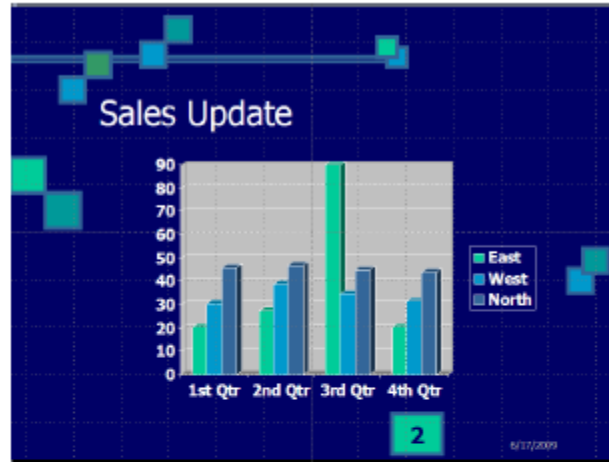
Aggregate data

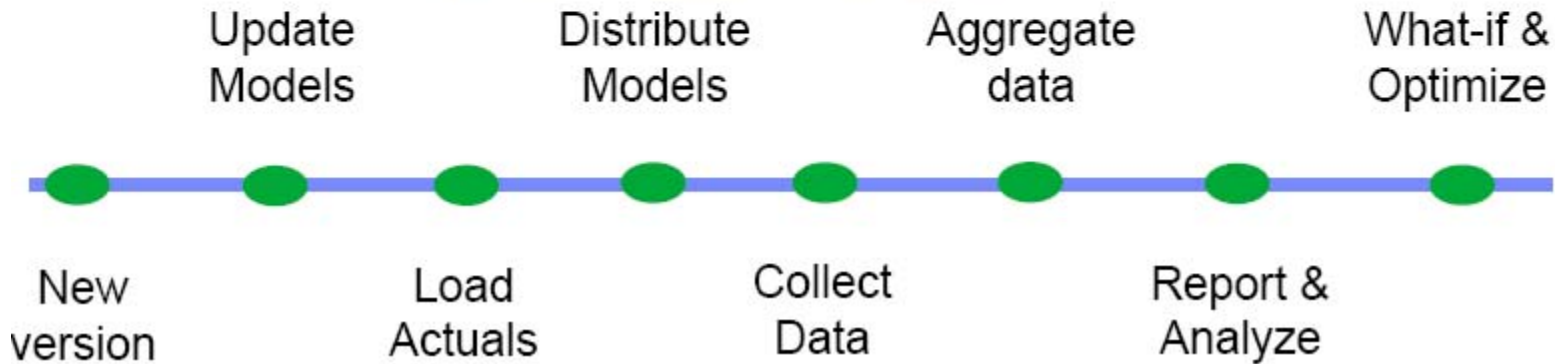


New version

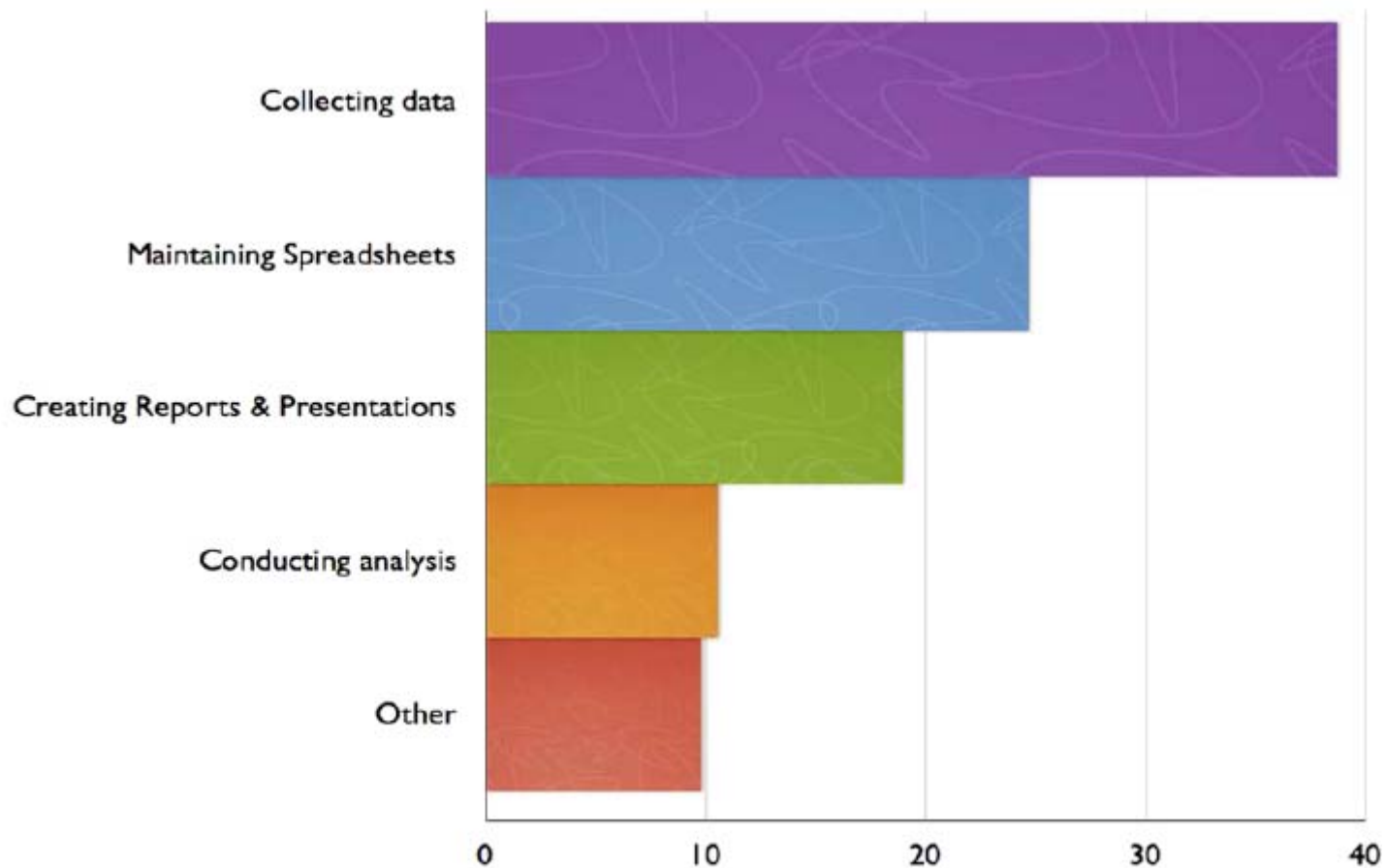
Load Actuals

Collect Data





# How do we spend our time?



IBM Forecast Survey 2008

# Organizations are wasting valuable time

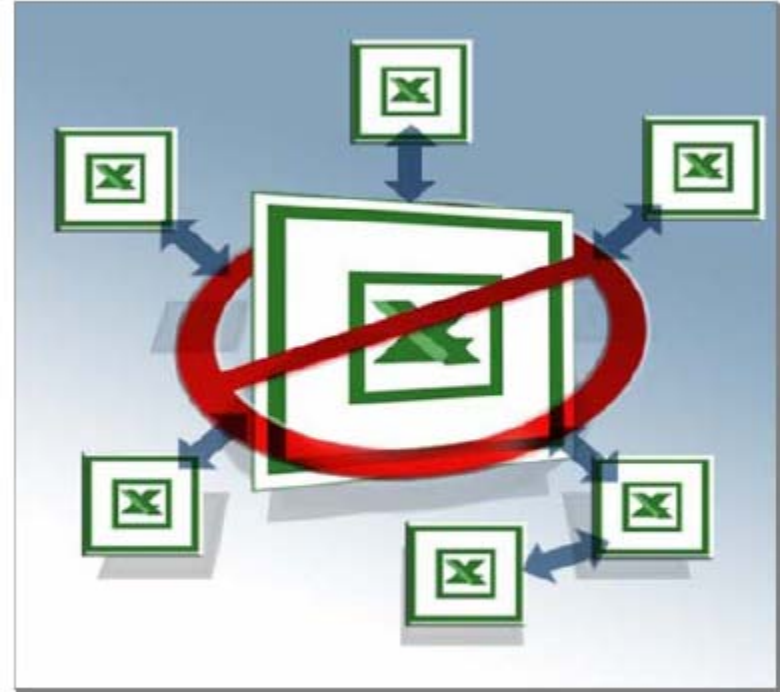




*Is there a better way*



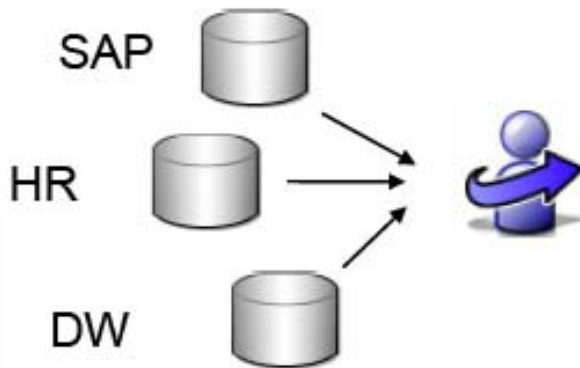
## *Leave the spreadsheets behind*



# More time on Monday

Collecting Data

Performing Analysis



## Automated Interfaces

**Reviews**

- [-] Total Demand
  - [-] Regional Accounts
    - [-] Eastern Region
      - [-] New York
      - [-] Orlando
      - [-] Atlanta
    - [-] Central Region
    - [-] Western Region

Workflow State	Count	%
Submitted	1	4%
Work in Progress	2	8%
Incomplete	4	17%
Not Started	17	71%

## Workflow & Right Participation



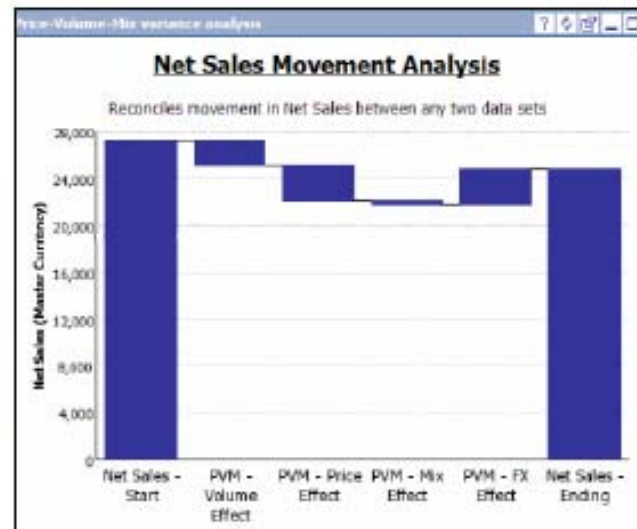
## Centralized model maintenance

# Tuesday looks better as well

*Performing Analysis*



**Automated reporting**



**Dynamic What if Analysis**

# More time for discussion





# IBM COGNOS 8 v4

IBM COGNOS 8 v4



Update Models

Distribute Models

Aggregate data

What-if & Optimize



New version

Load Actuals

Collect Data

Report & Analyze



Management Meetings

Decision Making!



## Create timely, reliable Driver-based Forecasts

- Reduce cycle time by 50-70%
- Re-allocate analyst time
  - from 65% validating/chasing data
  - to 65% creating value added analysis
- Sustain best-practices
  - Driver-based
  - Rolling forecasts
  - Right participation
  - Right frequency
- Improve accountability
- Improve forecast accuracy



# *Extend Enterprise Wide Continued Investment in Industry Blueprints*

## **Manufacturing**

- Trade Promotion Management
- S&OP Executive Review
- Sales & Operations Planning
- Transportation and Logistics Performance

## **Public Sector**

- Program Objective Memorandum (POM)
- Grant Thornton & Cognos Federal Budget Planning & Performance Framework – Business Partner
- BearingPoint POM Budget Planning – Business Partner
- Higher Ed Performance
- Mayor's Scorecard

## **Retail**

- Store Operations
- Store Development
- Promotion Planning
- Merchandising Performance Management
- Retail Financial Workbench

## **Pharmaceuticals & Life Sciences**

- Clinical Trial Planning
- Samples Optimization (Joint w/ TM1)
- Clinical Trial Enrollment Forecasting
- Sales Quota Allocations

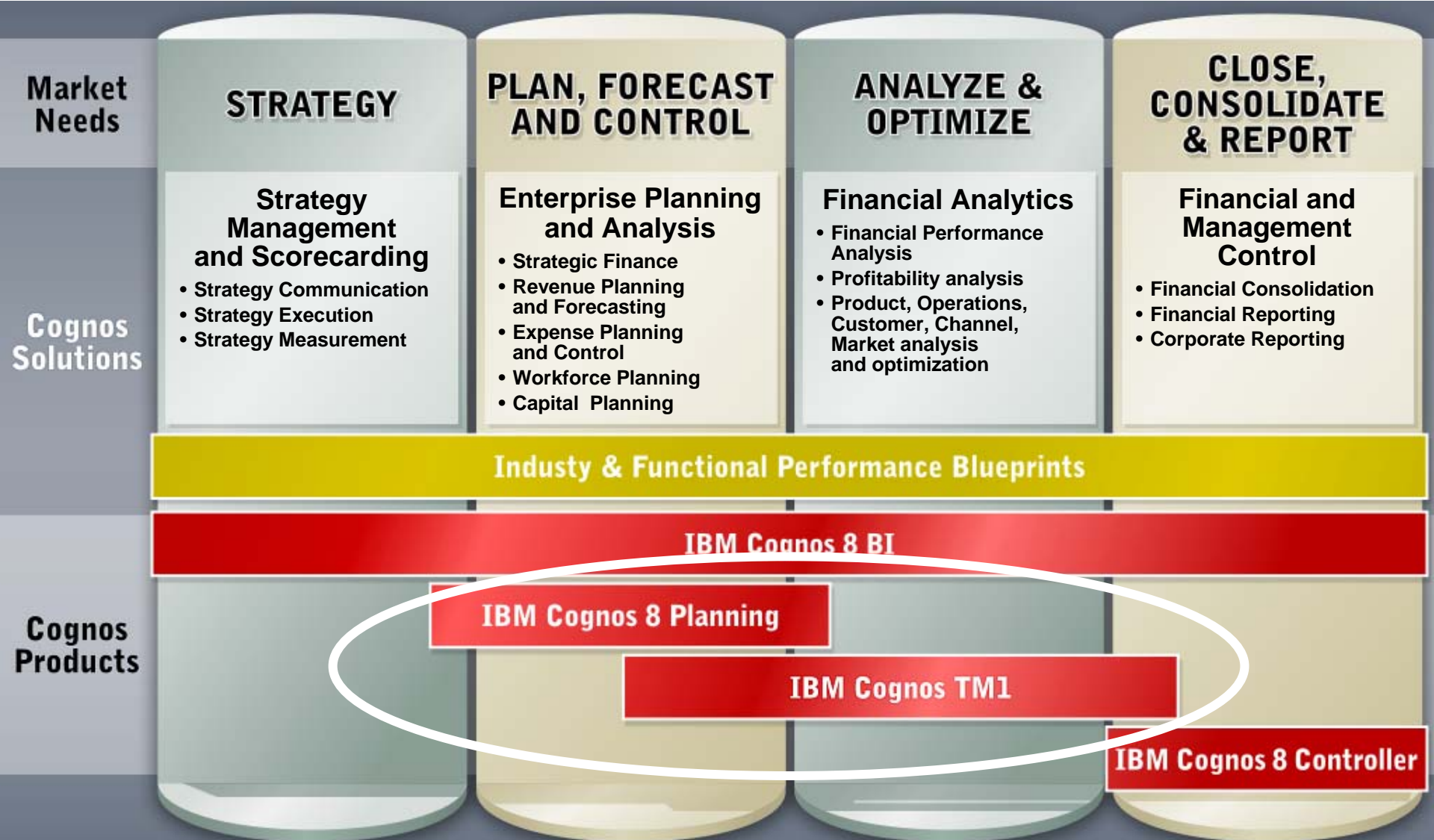
## **Banking & Financial Services**

- Retail Branch Performance
- Retail Banking Customer Segment Performance
- Corporate Banking Customer Segment Performance
- Insurance Product Profitability
- Cognos & IBM Risk Adjusted Profitability for Banking – Business Partner BP
- Loan Pricing

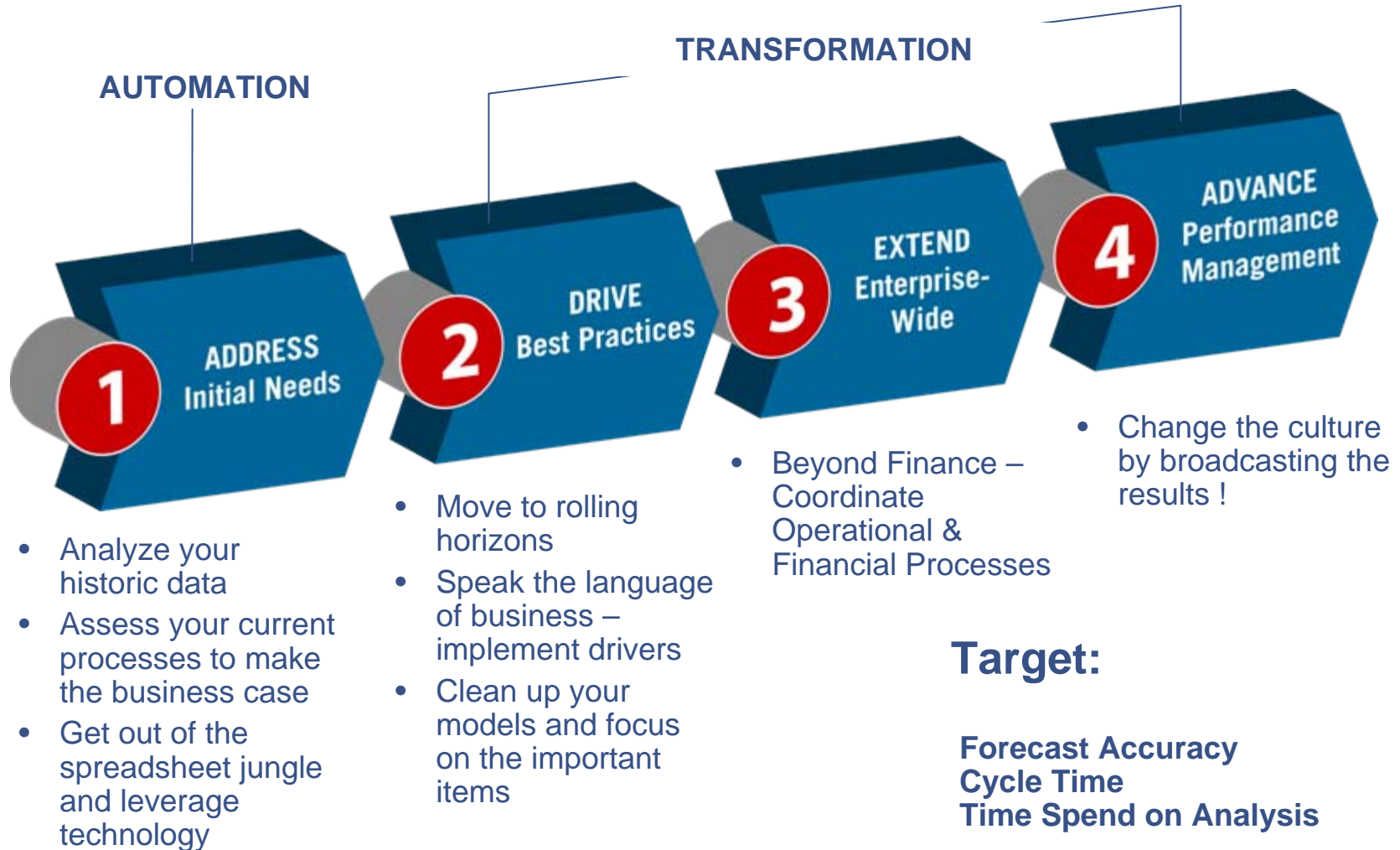
<http://www-01.ibm.com/software/data/cognos/innovation-center/>



# Financial Performance Management



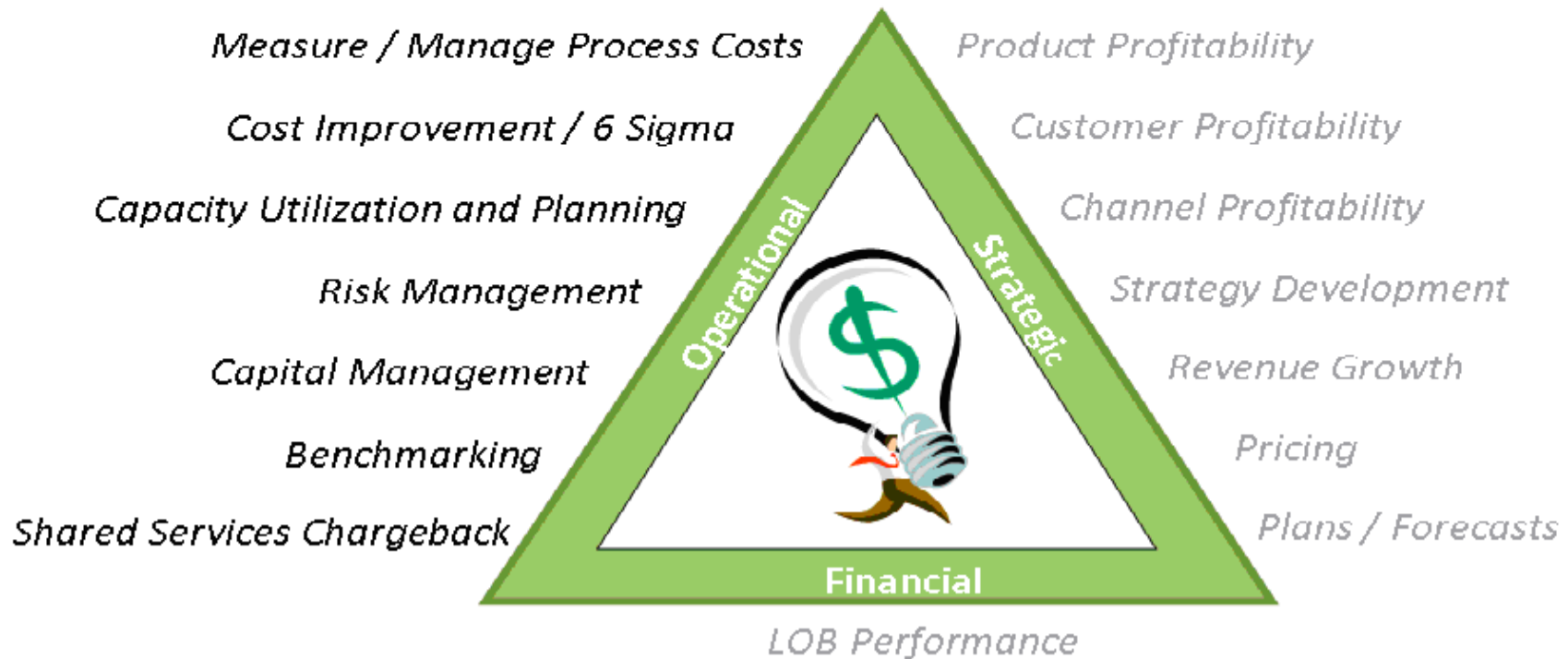
# Performance Management Journey





# MEASURING PERFORMANCE AND PROFITABILITY

When looking to assess and prioritize uses of information, the key question to be addressed is, *“How will you use information to make better business decisions?”*



## Components EP Model

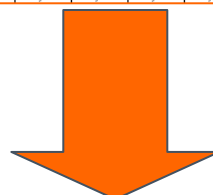
## D-list (dimensions)

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
1		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Full Year
2	Informa GPS-1090	161	646	738	600	593	745	573	580	719	595	581	708	7,290
3	Informa GPS-4000	160	160	156	333	683	531	338	344	263	377	383	366	4,195
4	Informa GPS-5000	963	400	769	5,373	646	2,951	695	5,282	1,742	4,764	3,066	1,230	28,480
5	Locator GPS	700	745	807	884	973	1,070	1,177	1,295	1,424	1,567	1,723	1,896	14,262
6	Locator GPS Extreme	269	371	220	120	82	435	2,228	590	1,478	1,071	382	1,046	8,490
7	<b>GPS</b>	<b>2,252</b>	<b>2,523</b>	<b>2,750</b>	<b>7,910</b>	<b>2,966</b>	<b>5,732</b>	<b>5,011</b>	<b>8,090</b>	<b>5,726</b>	<b>8,373</b>	<b>6,136</b>	<b>5,245</b>	<b>62,716</b>
8	Colossal MP3 XR128	79	668	1,200	1,287	904	772	895	17	963	1,208	895	574	10,162
9	Colossal MP3 JT32	851	707	745	885	1,734	1,429	849	470	662	1,071	211	484	10,098
10	Surf Force MP3 XR32	248	490	2,743	202	1,724	3,012	1,884	3,243	52	1,362	2,134	1,742	18,837
11	Surf Force MP3 XR64	867	783	432	462	477	501	526	552	579	608	639	671	7,098
12	UnderTow MP3 TR16	932	1,139	248	63	45	437	358	162	645	215	1,542	148	5,935
13	<b>MP3 Players</b>	<b>3,677</b>	<b>3,787</b>	<b>5,368</b>	<b>2,900</b>	<b>4,884</b>	<b>6,151</b>	<b>4,512</b>	<b>4,443</b>	<b>2,901</b>	<b>4,465</b>	<b>5,422</b>	<b>3,619</b>	<b>52,129</b>
14	Alphamicon PDA-7000	380	41	181	136	115	279	278	361	199	146	297	186	2,599
15	Alphamicon PDA-8000	305	58	195	35	242	44	242	78	268	263	346	285	2,361
16	Gamma PDA-2010	240	363	157	185	88	295	198	20	311	224	6	214	2,300
17	Gamma PDA-2090	235	176	97	280	604	283	78	251	41	1	453	307	2,807
18	Gamma PDA-3001	312	71	170	220	175	191	53	164	23	56	209	128	1,770
19	<b>PDA's</b>	<b>1,472</b>	<b>709</b>	<b>806</b>	<b>857</b>	<b>1,224</b>	<b>1,092</b>	<b>849</b>	<b>875</b>	<b>841</b>	<b>691</b>	<b>1,210</b>	<b>1,118</b>	<b>11,838</b>
20	<b>E-LINK</b>	<b>7,402</b>	<b>7,020</b>	<b>8,918</b>	<b>11,667</b>	<b>9,874</b>	<b>12,975</b>	<b>10,372</b>	<b>13,408</b>	<b>9,468</b>	<b>13,329</b>	<b>12,867</b>	<b>9,982</b>	<b>126,683</b>

## D-Cube (kubus)

# Components EP Model

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
1	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Full Year	
2	161	648	798	600	583	745	573	580	719	595	581	708	7,290	
3	160	160	156	333	683	531	338	344	363	377	383	366	4,195	
4	963	400	769	5,973	646	2,951	695	5,282	1,742	4,764	3,066	1,230	28,480	
5	700	745	807	884	973	1,070	1,177	1,295	1,424	1,567	1,723	1,896	14,262	
6	269	571	220	120	82	435	2,228	590	1,478	1,071	382	1,046	8,490	
7	<b>GPS</b>	<b>2,253</b>	<b>2,523</b>	<b>2,750</b>	<b>7,910</b>	<b>2,966</b>	<b>5,732</b>	<b>5,011</b>	<b>8,090</b>	<b>5,726</b>	<b>8,373</b>	<b>6,136</b>	<b>5,245</b>	<b>62,716</b>
8	Colossal MP3 XR128	779	668	1,200	1,287	904	772	895	17	963	1,208	895	574	10,162
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11	Surf Force MP3 XR64	867	783	432	462	477	501	526	552	579	608	639	671	7,098
12	UnderTow MP3 TR16	932	1,139	248	63	45	437	358	162	645	215	1,542	148	5,935
13	<b>MP3 Players</b>	<b>3,677</b>	<b>3,787</b>	<b>5,368</b>	<b>2,900</b>	<b>4,884</b>	<b>6,151</b>	<b>4,512</b>	<b>4,443</b>	<b>2,901</b>	<b>4,465</b>	<b>5,422</b>	<b>3,619</b>	<b>52,129</b>
14	Alphamicon PDA-7000	380	41	181	136	115	279	278	361	199	146	297	186	2,599
15	Alphamicon PDA-8000	305	58	195	35	242	44	242	78	268	263	346	285	2,361
16	Gamma PDA-2010	240	363	157	185	88	295	198	20	311	224	6	214	2,300
17	Gamma PDA-2090	235	176	97	280	604	283	78	251	41	1	453	307	2,807
18	Gamma PDA-3001	312	71	170	220	175	191	53	164	23	56	209	126	1,770
19	<b>PDA's</b>	<b>1,472</b>	<b>709</b>	<b>800</b>	<b>857</b>	<b>1,224</b>	<b>1,092</b>	<b>849</b>	<b>875</b>	<b>841</b>	<b>691</b>	<b>1,310</b>	<b>1,118</b>	<b>11,838</b>
20	<b>E-LINK</b>	<b>7,402</b>	<b>7,020</b>	<b>8,918</b>	<b>11,667</b>	<b>9,074</b>	<b>12,975</b>	<b>10,372</b>	<b>13,408</b>	<b>9,468</b>	<b>13,529</b>	<b>12,867</b>	<b>9,982</b>	<b>126,683</b>



D-Link

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
1	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Full Year	
2	Revenue	694,602	667,960	889,516	908,985	797,270	1,086,034	882,070	1,085,998	834,421	986,369	1,044,283	880,300	10,757,808
3	Cost of Sales	224,065	215,471	286,941	293,221	257,184	350,333	284,539	350,322	269,168	318,183	336,865	283,968	3,470,261
4	<b>Gross Profit</b>	<b>470,537</b>	<b>452,489</b>	<b>602,576</b>	<b>615,764</b>	<b>540,086</b>	<b>735,700</b>	<b>597,532</b>	<b>735,676</b>	<b>565,253</b>	<b>668,185</b>	<b>707,417</b>	<b>596,332</b>	<b>7,287,548</b>
5	<b>Margin %</b>	<b>67.7%</b>	<b>67.7%</b>	<b>67.7%</b>	<b>67.7%</b>	<b>67.7%</b>	<b>67.7%</b>	<b>67.7%</b>	<b>67.7%</b>	<b>67.7%</b>	<b>67.7%</b>	<b>67.7%</b>	<b>67.7%</b>	<b>67.7%</b>
6	Salary	51,250	51,250	51,250	53,646	53,813	53,813	53,813	53,813	53,813	53,813	53,813	53,813	637,896
7	Payroll Tax	5,638	5,638	5,638	6,438	6,458	6,458	6,458	6,458	6,458	6,458	6,458	6,458	75,010
8	Pension	2,563	2,563	2,563	3,219	3,229	3,229	3,229	3,229	3,229	3,229	3,229	3,229	36,736
9	<b>Payroll Costs</b>	<b>59,450</b>	<b>59,450</b>	<b>59,450</b>	<b>63,302</b>	<b>63,499</b>	<b>63,499</b>	<b>63,499</b>	<b>63,499</b>	<b>63,499</b>	<b>63,499</b>	<b>63,499</b>	<b>63,499</b>	<b>749,642</b>
10	Rent	10,638	10,638	10,638	10,638	10,638	10,638	10,638	10,638	10,638	10,638	10,638	10,638	127,660
11	Rates	12,275	12,275	15,344	12,275	12,275	15,344	12,275	12,275	15,344	12,275	12,275	15,344	159,574
12	Utilities	35,461	26,596	17,730	8,865	8,865	8,865	8,865	8,865	8,865	17,730	26,596	35,461	212,766
13	<b>Property Costs</b>	<b>58,374</b>	<b>49,509</b>	<b>43,712</b>	<b>31,779</b>	<b>31,779</b>	<b>34,847</b>	<b>31,779</b>	<b>31,779</b>	<b>34,847</b>	<b>40,644</b>	<b>49,509</b>	<b>61,443</b>	<b>500,000</b>
14	Travel	0	0	0	0	0	0	5,000	0	0	90,000	0	0	95,000
15	Marketing	0	0	0	100,000	20,000	250,000	0	0	150,000	0	0	0	520,000
16	Training	12,600	10,500	16,800	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500	134,400
17	<b>Other Overheads</b>	<b>12,600</b>	<b>10,500</b>	<b>16,800</b>	<b>110,500</b>	<b>30,500</b>	<b>260,500</b>	<b>15,500</b>	<b>10,500</b>	<b>160,500</b>	<b>100,500</b>	<b>10,500</b>	<b>10,500</b>	<b>749,400</b>
18	<b>Net Profit</b>	<b>340,113</b>	<b>333,030</b>	<b>482,613</b>	<b>410,183</b>	<b>414,309</b>	<b>376,854</b>	<b>486,754</b>	<b>629,899</b>	<b>306,407</b>	<b>463,543</b>	<b>583,910</b>	<b>460,890</b>	<b>5,288,505</b>



# CUSTOMERS ENTERPRISE PLANNING

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SNS REAAL



## PROFESSIONAL SERVICES



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## ENERGY & UTILITIES



A WPS Resources Company



## CONSUMER GOODS



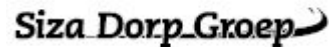
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# CUSTOMERS ENTERPRISE PLANNING

## MANUFACTURING



## HEALTHCARE



## TELECOM

