



## Integrated Performance Planning for Manufacturers

Cognos announces blueprint for executive sales and operations planning

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### Summary

Adding to its growing number of performance blueprints, Cognos announced in October the release of its S&OP Executive Review Blueprint. Cognos creates Performance Blueprints, which combine predefined data, process and policy models, to help organizations speed their software deployments of Cognos Planning and achieve faster returns on investment. This new blueprint adds detail to the previous Sales and Operations Planning Blueprint and offers manufacturers a unified view of sales, the supply chain and pro-forma financial statements so executives can find the right balance between operational strategy and financial goals. It also builds on and integrates with previously developed models – such as the Strategic Financial Planning and Forecasting Blueprint – so companies can monitor and analyze changes in their operational assumptions. Ventana Research believes that, particularly in light of its integrated planning, business intelligence (BI) and performance management capabilities, Cognos has a lead in the operational performance management market.

### Assessment

For years, manufacturers have struggled to integrate operational and financial planning. They've struggled mostly because they use separate systems for the two. Progressive manufacturers have tried to bring them together by building on either a dedicated financial planning and budgeting product from a financial performance management vendor or a dedicated sales and operations planning (S&OP) application from a supply chain management vendor. Their success has been limited by the nature of the applications. While most S&OP applications provide flexible views, they can only summarize the key activities and budget items found in detailed departmental plans. On the other hand, most financial planning applications can't model the detailed assumptions needed for operational plans. In the end, model creation often is a complex and time-consuming exercise, and top-level financial plans aren't integrated with underlying sales, inventory and operations planning assumptions or business intelligence analysis and reporting. As a result, neither type of application provides full management of the key performance objectives in the corporate scorecard or top-down views of financial decisions such the ripple effect that each asset-financing scenario has on the cost of goods sold, inventory, customer delivery metrics and gross margins.

The Cognos S&OP Executive Review Blueprint is designed to fill this gap. It can help manufacturing executives regularly review their S&OP plan, identify changes in customer demand and supply plans, and simulate the impacts of demand, supply, inventory and operating cost performance on financial statements. It includes various operating and financial metrics that can be tracked graphically to monitor actual performance and identify the potential impacts of simulated changes to the S&OP plan. The planning model is both well-defined and configurable, so users can define the structure and content of their models, which typically span business functions. Integration of relevant data and metadata from most enterprise resource planning (ERP) and functional planning systems is also predefined yet configurable. As typically is the case with Cognos Performance Blueprints, this one interacts with the other Cognos planning models – such as Sales and Operations Planning, Workforce Planning and Strategic Financial Planning and Forecasting – to perform what-if scenario analysis and business impact assessment, and to provide input for decisions on plan revisions. Business users can push plan revisions and assumption changes back into a functional planning system and have the flexibility to revise model elements as business needs and planning assumptions evolve over time.

### Market Impact

Strategic operational planning and integrated business planning tools that support performance management are attracting interest in both finance and operations departments. Many organizations would prefer to base their operational and financial planning and BI on a common enterprise planning platform, but because of recent market consolidation, only a handful of vendors now provide such capabilities: Business Objects, Cognos, Infor-Extensity/Systems Union, Oracle-Hyperion, SAP-OutlookSoft and Symphony-Metreo. With the release of another industry-specific planning blueprint, Cognos is trying to step ahead of these vendors and also differentiate itself from the traditional S&OP vendors such as Adexa, Demand Solutions, i2 Technologies, Interlace, John Galt Solutions, Logility, Oracle-Demantra and Steelwedge; all of them have mature S&OP solutions but lack serious financial planning and budgeting capabilities. The challenge for Cognos continues to be to move beyond its traditional customers in finance and IT groups and convince the operations side to adopt its planning applications.

### Recommendation

Successful financial performance planning requires a two-way flow of simulations. Both operations and finance need to understand the effects of various what-if S&OP scenarios on balance sheet and P&L performance and how financial statement targets affect sales and operating plans. Successful planning also involves being able to replan quickly and uniformly across functional silos to respond effectively to changes in market, demand and supply. Ventana Research believes Cognos' Planning and Performance Blueprints can support this requirement by providing a common planning framework for both finance and operations. We continue to recommend that larger companies use dedicated planning applications instead of stand-alone spreadsheets. Dedicated software enables both finance and operations departments to increase their effectiveness in handling these important enterprise tasks, to reduce the time needed to complete them, to improve accuracy and visibility and to reduce audit and compliance costs. Manufacturers seeking improved business performance capabilities in these areas should consider this new Cognos offering.

### About Ventana Research

Ventana Research is the leading Performance Management research and advisory services firm. By providing expert insight and detailed guidance, Ventana Research helps clients operate their companies more efficiently and effectively. These business improvements are delivered through a top-down approach that connects people, process, information and technology. What makes Ventana Research different from other analyst firms is a focus on Performance Management for finance, operations and IT. This focus, plus research as a foundation and reach into a community of over two million corporate executives through extensive media partnerships, allows Ventana Research to deliver a high-value, low-risk method for achieving optimal business performance. Learn how Ventana Research workshops, assessments and advisory services can impact your bottom line, visit [www.ventanaresearch.com](http://www.ventanaresearch.com).

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