INITIATIVE PLANNING



AN IBM COGNOS
PERFORMANCE BLUEPRINT

A WEB-BASED PROCESS FOR MANAGING LABOR- OR CAPITAL-INTENSIVE PROJECT PLANNING

VERSION 4.0





INTRODUCTION

This application brief demonstrates best practices for managing labor- or capital-intensive project expenditures using IBM Cognos 8 Planning. Implementing this Blueprint will enable forward-looking visibility into expense decisions at both divisional level and corporate levels. The IBM Cognos Initiative Planning Blueprint uses projections from other Blueprints or planning systems as well as actual history to drive labor or capital expense planning processes. The Blueprint and processes described in this document are generic for expenses in any US industry and can be readily configured to support the complexity of labor and capital expense requirements for any industry across many countries.



OVERVIEW

Expenses associated with a labor- or capital-intensive initiative or project can form a large part of a company's expense and capital expenditure base.

The *IBM Cognos Initiative Planning Blueprint* allows project managers to plan from a financial perspective by selecting resources required, determining other project expenses, and forecasting capital expenditures.

For example, a project manager in charge of a Corporate Performance Management (CPM) software implementation can select resources from a dropdown list by function, by resource type (for determining the cost and time spent on the project), and by time period. The *Blueprint* calculates the cost of these resources over the appropriate timeframe. The project manager also determines by year other project costs, which are allocated based on headcount profile. The ability to adjust these costs monthly is provided. Capital expenditures associated with the project can also be input. These in turn feed the *IBM Cognos Capital Project Planning Blueprint* in order to determine depreciation and cash impact. Non-capital expenses such as rentals feed the *IBM Cognos Expense Planning and Control Blueprint*.

The *IBM Cognos Initiative Planning Blueprint* allows for the inclusion of financial benefits like revenue generation or expense reduction along with the month such benefits start. The *Blueprint* calculates the project's Net Present Value and Payback Period. Financial benefits feed the *IBM Cognos Strategic Long Range Planning Blueprint*, enabling executive management to see the impact on revenue and profits over a five-year horizon.

The *IBM Cognos Initiative Planning Blueprint* requires very little input from the user, yet returns a great deal of information.

BLUEPRINT OBJECTIVES

The IBM Cognos Initiative Planning Blueprint achieves the following planning objectives:

- Manage resources by assigning them to projects.
- Allocate expenses and capital expenditure to projects.
- Consolidate projects to provide a total company view.

KEY COGNOS PLANNING BENEFITS

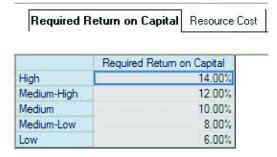
- Flexible and powerful model development. The Analyst component of IBM Cognos 8 Planning supports any business planning or customizing of the *IBM Cognos Initiative Planning Blueprint*.
- Web-based deployment of models for process workflow, data collection, and consolidation:
 - Real-time workflow.
 - Real-time consolidation.
 - Real-time browser-based calculations for immediate results.
 - Industry-leading what-if features for the most accurate plans, budgets, and forecasts.
- Scalable architecture with proven deployments to thousands of users.
- Easy links to financial and operational plans facilitating cross-enterprise collaboration.
- Ensured accuracy of plans using form-based planning with selection boxes to drive application logic and calculations.

REPRESENTATIVE WORKFLOW

The *IBM Cognos Initiative Planning Blueprint* is designed for use by project managers as they plan for and evaluate the financial impact of major projects or initiatives. This section of the *Application Brief* describes the basic workflow in which a project manager selects and allocates project resources, allocates other project and capital expenditures, consolidates overall expenses, and monitors return-on-investment projections.

Required Return on Capital

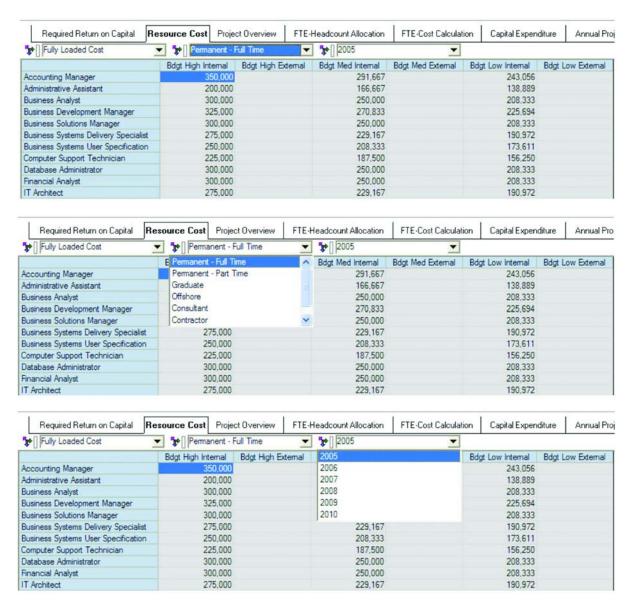
Controlled by the system administrator, this tab allows the project manager to review the corporate return on capital requirements.



Best practice is to require a higher return as project risk increases.

Resource Cost

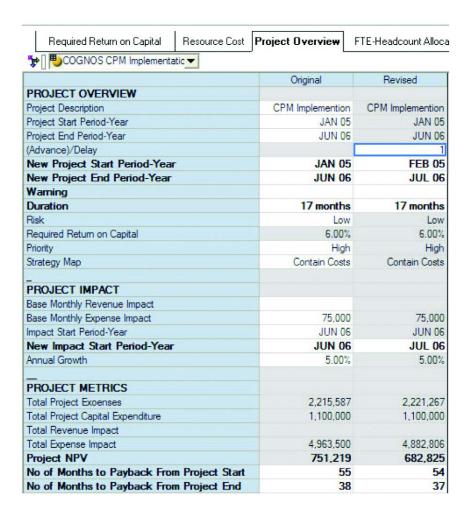
In this tab, the project manager can review fully loaded resource costs that can be assigned to a given project. The tab covers both internal and external resources for high, medium, and low costs through 2010.



Controlled by the system administrator, resource costs are displayed as read-only information to the project manager.

Project Overview

This tab is the starting point for project data entry. It also displays summary results from project details entered on other tabs in the *Blueprint*. From this tab, the project manager is able to define and revise key project parameters such as start- and end-milestones, project delays, risk levels, linkage to corporate strategy, and financial goals.



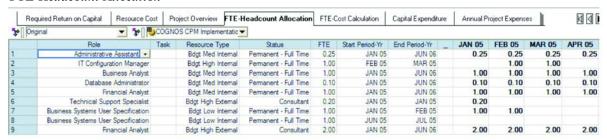
The project manager enters the following data elements in order to start the project:

- Project description.
- Project start period.
- Project end period.
- Risk.
- Priority.
- Strategy map: Addresses the question, "Where does the project fit within company strategy?"
- Base monthly revenue impact: If project is revenue-related, the amount of revenue in today's dollars generated if the project were currently in place.
- Base monthly expense impact: If project is cost-related the amount in today's dollars that would be saved if the project were currently in place.
- Delay: Allows project manager to advance or delay project (all inputs in the application will be changed accordingly) and see impact. A warning is issued if project delay moves end-period beyond December 2010.

Data elements derived from inputs in the Blueprint are:

- Total project expenses.
- Total project capital expenditure.
- Total revenue impact or total expense impact through 2010.
- Project Net Present Value.
- Number of months to payback from project start.
- Number of months to payback from project end.

FTE-Headcount Allocation



The project manager enters from the dropdown selections Role, Resource Type, Status, FTE (the amount of time to be spent for this particular activity), Start Period, and End Period. The project manager can also enter Task as freeform text.

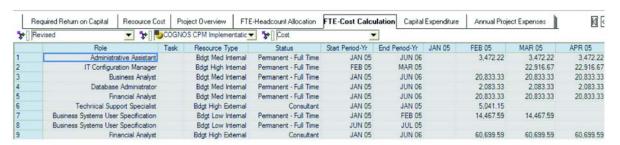
From this information, the application assigns the FTE allocation to appropriate months. Warnings are issued if the Start Period or End Period are not within the project time frame set in the Project Overview tab. The effect of project Delay on the Project Overview tab may be viewed.



FTE-Cost Calculation



From the information entered in the previous tab, the *Blueprint* calculates the fully loaded monthly resource cost.

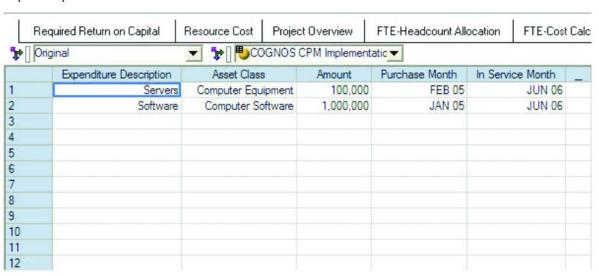


The effect of the project Delay from the Project Overview tab can be seen (not shown).

Capital Expenditure

There are two views of capital expenditure. One is used for labor-intensive projects like a software implementation and the other for capital-intensive projects like construction.

Capital Expenditure 1



The first view allows the project manager to enter freeform text for Expenditure Description, Asset Class, Amount, Purchase Month, and In-Service Month from dropdown boxes. In-Service Month can precede the project's end in phased projects. However—warnings are issued if Purchase Month or In-Service Month exceed the project time frame set within Project Overview.

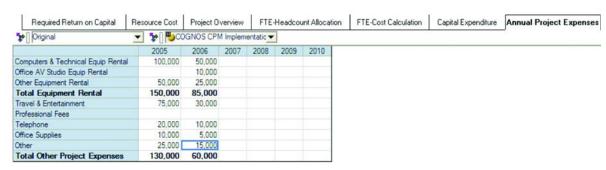
The effect of the Delay entered on the Project Overview tab can be viewed (not shown).

Capital Expenditure 2



The second view is similar, in that it allows for the same data inputs, but is intended for capital projects—such as construction—where all the investment comes into service at project's end. In this case, the In-Service Period is defined by the Project End Period from the Project Overview tab. The effect of any Delay entered in the Project Overview tab can be viewed (not shown). Warning messages are issued if the Purchase Month precedes Project Start Date or follows Project End Date.

Annual Project Expenses



This tab allows the project manager to input annual direct project costs, which are then prorated across the project timeframe based on FTE Allocation.

Expense Adjustment



This tab allows the project manager to make monthly expense adjustments.

Project Expense/Capital Summary

FTE-Cost Calculation Capital Exp	The state of the s			Expense Adjustment Project Expense/Capital Summary				Net Impact Calculation				
" Priginal ▼				" COGNOS CPM Implementatic ▼			-				200000	
	JAN 05	FEB 05	MAR 05	APR 05	MAY 05	JUN 05	JUL 05	AUG 05	SEP 05	OCT 05	NOV 05	DEC 05
PROJECT EXPENSES												
Permanent - Full Time	61,690	84,606	70,139	47,222	47,22	2 61,690	61,690	47,222	47,222	47,222	47,222	47,222
Permanent - Part Time												
Graduate												
Offshore												
Consultant	65,741	60,700	60,700	60,700	60,70	0 60,700	60,700	60,700	60,700	60,700	60,700	60,700
Contractor												
Temporary												
Total Labor Costs	127,431	145,306	130,838	107,922	107,92	2 122,389	122,389	107,922	107,922	107,922	107,922	107,922
Computers & Technical Equip Rental	9,503	10,873	9,161	7,449	7,44	9 9,161	9.161	7,449	7,449	7,449	7,449	7,449
Office AV Studio Equip Rental												
Other Equipment Rental	4,752	5,437	14,580	3,724	3,72	4 4,580	4,580	3,724	3,724	3,724	3,724	3,724
Total Equipment Rental	14,255	16,310	23,741	11,173	11,17	3 13,741	13,741	11,173	11,173	11,173	11,173	11,173
Travel & Entertainment	7,128	8,155	6,871	10,586	5,58	6 6,871	6,871	5,586	5,586	5,586	5,586	5,586
Professional Fees												
Telephone	1,901	2,175	1,832	1,490	1,49	0 1,832	1,832	1,490	1,490	1,490	1,490	1,490
Office Supplies	950	1,087	916	745	74	5 916	916	745	745	745	745	745
Legal	6	6	5	4		4 5	5	4	4	4	4	4
Patents	6	6	5	4		4 5	5	4	4	4	4	4
Other	2,376	2,718	2,290	1,862	1,86	2 2,290	2,290	1,862	1,862	1,862	1,862	1,862
Total Other Project Expenses	12,366	14,148	11,920	14,692	9,69	2 11,920	11,920	9,692	9,692	9,692	9,692	9,692
TOTAL PROJECT EXPENSES	154,051	175,764	166,500	133,787	128,78	7 148,051	148,051	128,787	128,787	128,787	128,787	128,787
CAPITAL EXPENDITURE												
Land												
Building												
Machinery & Equipment - 20 Years												
Machinery & Equipment - 15 Years												
Machinery & Equipment - 10 Years												
Machinery & Equipment - 05 Years												
Computer Equipment		100,000										
Computer Software	1,000,000											
Furniture & Fixtures												
Autos/Trucks/Forklifts												

This tab summarizes the financial impact of the data entered.

Net Impact Calculation

FTE-Cost Calculation	Capital Expenditure	Annual Project Expenses Ex		xpense Adjustment Projec		ense/Capital Sum	mary Net Im	pact Calculation				
"♣ Onginal												
	JAN 06	FEB 06	MAR 06	APR 06	MAY 06	JUN 06	JUL 06	AUG 06	SEP 06			
Base Revenue Impact												
Base Expense Impact						75,000						
Revenue Including Growt	h											
Expense Including Growth	h					80,695	81,023	81,354	81,685			
Project Expense	137,777	137,777	137,777	137,777	137,777	157,777						
Capital Expense												
Net Cash Flow	(137,777)	(137,777)	(137,777)	(137,777)	(137,777)	(77,083)	81,023	81,354	81,685			
Cumulative Net Cash Flow	v (2,936,701)	(3,074,478)	(3,212,255)	(3,350,032)	(3,487,810)	(3,564,892)	(3,483,869)	(3,402,515)	(3,320,830)			
Net Present Value	(129, 128)	(128,485)	(127,846)	(127,210)	(126,577)	(70,464)	73,698	73,630	73,562			
Payback Period						14.000.000.000.00						

In this tab, the project manager evaluates the project's financial impact based on the latest revisions to the project plan. Here, Expense Impact and Growth have been taken from the Project Overview tab and used to calculate the new expense for the period savings start and all subsequent periods. It also calculates the Present Values of cash flows to determine Net Present Value and calculates cumulative project costs and expense impact to calculate in turn the Payback period.

About Cognos, an IBM company

Cognos, an IBM company, is the world leader in business intelligence and performance management solutions. It provides world-class enterprise planning and BI software and services to help companies plan, understand and manage financial and operational performance. Cognos was acquired by IBM in February 2008. For more information, visit http://www.cognos.com.



? For more information

Visit the Cognos Web site at www.cognos.com



🚺 Request a call

To request a call or ask a question, go to www.cognos.com/contactme. A Cognos representative will respond to your enquiry within two business days.

ABOUT THE COGNOS INNOVATION CENTER FOR PERFORMANCE MANAGEMENT The Cognos Innovation Center is dedicated to transforming routine performance management practices into "next practices" that help cut costs, minimize risk, streamline processes, boost productivity, enable rapid response to opportunity, and increase management visibility.

