Strategic Finance Performance Blueprint Powered by IBM Cognos Express

IBM

Introduction

As the starting and ending point for long-term planning, strategic planning helps establish guidelines for developing operational and financial plans. At the highest level, the board of directors sets goals for maximizing shareholder value and corporate growth. Then, strategic planners develop key objectives, weigh investment alternatives and translate higher order goals into discrete financial targets and performance metrics for the rest of the organization.

Although strategic planning is typically performed by a small group— or even an individual—its outcome has major significance for the entire organization and its stakeholders.

Strategic planning is an iterative process that requires top-down and bottom-up planning, the latest forecast information, and robust workflow and procedures. This is all done so that gap resolution and negotiation can be facilitated. Optimal results are obtained when a uniform planning platform supports the process. Most companies, however, see results that are anything but optimal because their strategic planning process is plagued by multiple areas of dysfunction. These might include:

- **Information access.** Strategic planners have great difficulty finding the information they need, which is typically scattered over disconnected general ledgers, ERP applications or other systems, and is often hidden in spreadsheets or buried in a file folder on someone's desk. The bottom line is that planners can't get a full, accurate view of their businesses.
- **Version control.** A perpetual headache is trying to determine who has the latest information. Spreadsheet-based planning makes effective versioning next to impossible, while managing change or maintaining audit trails are problematic, at best.
- **Cycle time.** It takes so long to create a full strategic enterprise plan that by the time it's complete, conditions have changed and the plan is no longer relevant.
- **Accountability.** Who owns what information? And whose information is accurate? Departments and business groups often spend valuable time debating the numbers rather than actually developing strategic business goals. The tedious process of pulling together myriad spreadsheets leaves too much room for revision, confusion and error— and no one is really accountable.
- **Predictability.** In most companies, the question is, "What predictability?" If the numbers are unreliable and you have based your strategic vision on best guesses and gut instinct, there really is no clear sense of where your business is headed

Figure 1. Strategic planning process

Clearly, a reliable approach to continuous enterprise-wide strategic financial planning is required. *The IBM Cognos® Strategic Finance Performance Blueprint Powered by IBM Cognos Express* provides that approach.

Introducing the Strategic Finance Blueprint

The *Strategic Finance Performance Blueprint Powered by IBM Cognos Express* provides a complete performance management framework that planners can use for clearly identifying, structuring and measuring organizational objectives coherently and logically. It supports a Web-based process for defining long-term objectives, analyzing scenarios, supporting decision-making, and measuring success. And the *Blueprint* facilitates information access, simplifies version control, boosts accountability and increases predictability in the strategic planning process.

Figure 2. Continuous planning process

Blueprint benefits

The *Strategic Finance Blueprint Powered by IBM Cognos Express* is the ideal replacement for unreliable spreadsheet-based approaches to long-term enterprise financial planning. It enables users to evaluate their success in meeting goals over multiple years with reliable, consistent modeling tools. The *Blueprint* also:

- Facilitates long-range strategic planning over a 10-year period
- Evaluates the impact of multiple strategies
- Allows for personalized comparison and analysis of what-if growth scenarios with sandboxes
- Facilitates evaluating internal or external growth opportunities
- Enables merger and acquisition (M&A) planning

- Provides an assessment of your current portfolio for analysis and impact of divestitures
- Includes tax and credit rating impacts
- Provides a full set of consolidated financial statements with distinct views for base growth, acquisitions and divestitures

Blueprint features

The *Strategic Finance Blueprint Powered by IBM Cognos Express* integrates readily with the IBM Cognos performance management platform. It features:

- Integrated workflow and process management
- High-performance planning with IBM Cognos Express
- Web-based deployment of models for data collection and consolidation
- Integrated Cognos 8 Business Intelligence reports, analysis and dashboards
- Functionality for strategic target setting, mergers/acquisitions/ restructures, divestitures and asset management, cash flow management, KPIs and financial/non-financial planning

A closer look at the Strategic Finance Blueprint

The *Strategic Finance Blueprint Powered by IBM Cognos Express* offers strategic planning departments and legal entities or divisions a methodology for long-range strategic planning over a ten-year period. The underlying premise is that cash is generated (or used) by core operations and strategic decisions touching investment and divestiture strategies are largely driven by the cash position of the core operation.

This *Blueprint* addresses multiple aspects of M&A planning which, along with cash management and divestiture functions, represent key decision areas for corporate strategic planners. Along with a full set of financials for acquisition alternatives, the *Blueprint* provides additional what-if scenarios for comparison. The resulting process gives planners insight into various key economic indicators and shareholder results.

Key IBM Cognos Express Benefits

In addition to the benefits specific to this *Blueprint*, IBM Cognos Express offers:

- Flexible Blueprint development
- Web-based deployment of models for data collection and consolidation
- On-demand workflow
- On-demand consolidation
- On-demand browser-based calculations to yield immediate results
- Scalable architecture
- Capability to execute form-based planning using selection boxes to drive application logic and calculations
- Sandboxing to create personal scenarios for what-if analysis

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On-demand workflow visibility

The users of this *Blueprint* most likely constitute a small group, usually corporate strategic planners and legal entities. The corporate planner provides input to internal and external investment responsibility—including mergers and acquisitions— and the legal entity contributors manage the cash and investments for their respective organizational segment. Their views are limited to planning for items such as capital improvements and divestitures. Consequently, they will not see screens for merger and acquisition planning. However, because companies provide varying levels of responsibility for business units, they should consider modifying *Blueprint* views to accommodate specific needs.

Because all workflow status changes, data consolidations, and aggregations occur as information is saved, the total company outcome is immediately available.

Strategic finance portal

Figure 3 shows the Strategic Finance Dashboard. In the upper left, a line graph shows the Income Statement outcomes for various scenarios: best case, most likely and worst case. This graphic is invaluable for making the type of what-if decisions required in most organizations. The top-right graphic —in the form of a "waterfall chart"—shows the incremental impact of acquisitions and divestitures for the Income Statement.

The bottom left graph shows a comparison of debt to equity with a scenario comparison of various metrics, including revenue, volume, cost of goods sold (COGS) and margin dollars.

From the Strategic Finance Portal, users can view financial statements and key metrics, with indicators showing performance against target. Users may select from various what-if scenarios for comparison.

Figure 3. Strategic finance dashboard

Revenue plan

Revenue modeling is the backbone of the strategic planning process. The ability to establish what-if scenarios is critical to providing context for M&A and debit modeling.

To that end, the *Strategic Finance Blueprint Powered by IBM Cognos Express* provides the following industry-leading features:

• Sophisticated modeling, including personalized what-if scenarios
• High-performance revenue and volume growth planning using driver-based principles and top-down outcome drivers
• Easily adaptability with any business model

Figure 4. Revenue plan

KPI review

The key features of the KPI review model include:

- Live KPI updates that show the impact of strategy changes on a range of built-in KPIs and compare them with targets and other benchmarks
- Ability to add new KPIs and make changes to existing ones easily

- Ability to view detailed working calculations, formulas and explanations to make each KPI meaningful
- Covenants are covered to track compliance

Figure 5. KPI review

Mergers and acquisitions feasibility

Mergers and acquisitions are key to growth in today's business environment. The ability of an organization to identify and analyze impacts quickly is critical to executing a long-term strategy. The M&A Feasibility model provides the following key features to facilitate this process:

- Ability to plan for speculative acquisitions, including analysis of deal structure and valuation analysis
- Multiple scenarios and multiple acquisition targets that can be stored and compared, with ability to turn on or off each option
- Detailed synergy analysis for better valuation analysis

Debt modeling and management

A critical process in any corporate strategy, debt modeling and management helps balance revenue expectations with the debt. For debt modeling and management, the *Strategic Finance Blueprint Powered by IBM Cognos Express* provides the following key features:

- Detailed cash flow and debt modeling, including funding options such as share buybacks, debt types and optimization of free cash flow/working capital
- Modeling of debt repayment schedules, interest rate fluctuations and cash flow utilization

Figure 6. Debt modeling and management

KPI dashboard

The *Blueprint* features a KPI dashboard for a long-term impact analysis of your organization's strategy that includes a critical review of M&A, debt management and revenue impact. Using the KPI dashboard, you can monitor these activities and obtain a view of any of these processes:

• Monitor and analyze multiple KPIs
• Compare multiple scenarios and entities
• Flexibility to create and update reports without programming

Figure 7. KPI dashboard

Trend Analysis

The *Strategic Finance Blueprint Powered by IBM Cognos Express* also provides trend analysis that includes:

• Free-format analysis of all information

• Graphic analysis using many built-in chart types
• Drag-and-drop user interface
• Publish any view as a report, share among colleagues, distribute in many document formats, such as PDF
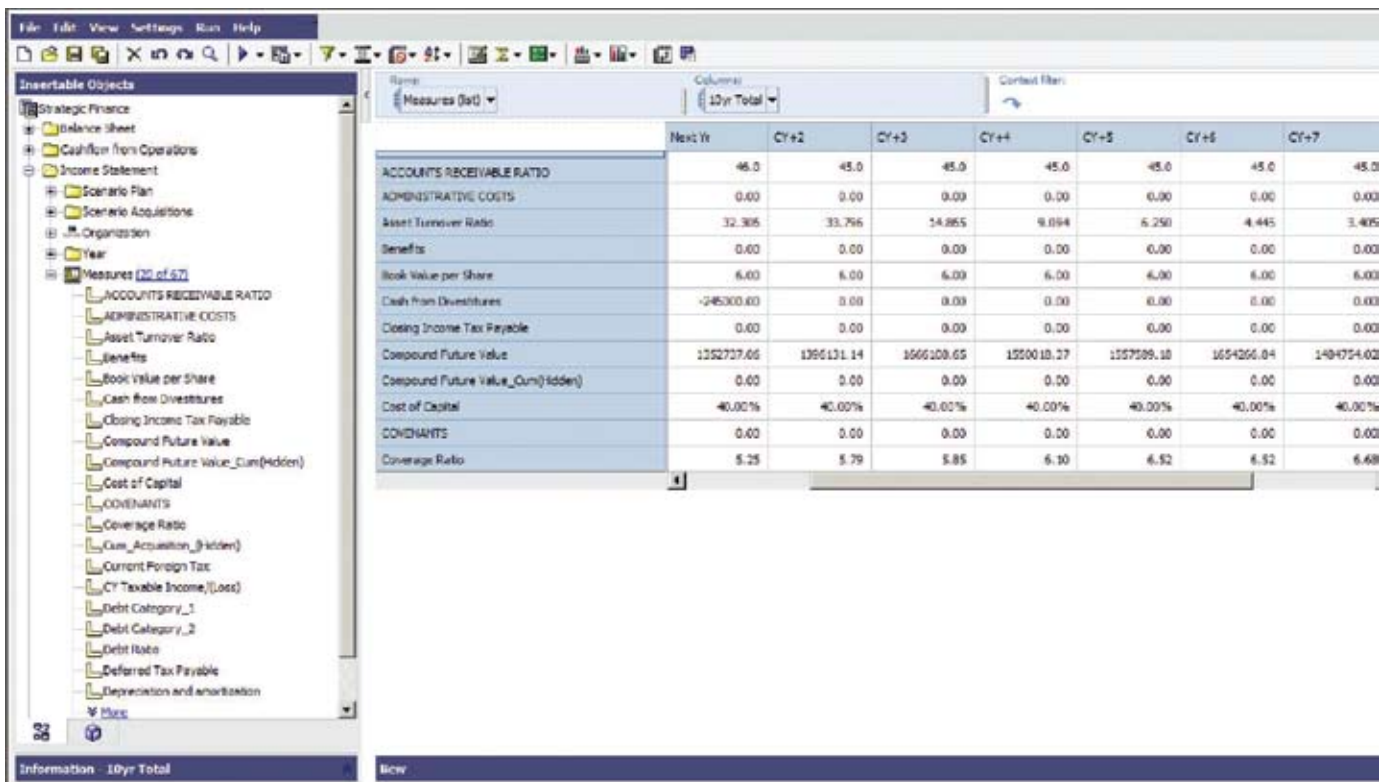

Figure 8. Trend analysis

Summary

The *Strategic Finance Blueprint Powered by IBM Cognos Express* is a fully flexible and scalable integrated set of sophisticated financial models that you can use to collect targets, drive them integrally bottom-up and top-down, and feed information from the rest of IBM Cognos Express. Strategic planners can model enterprise-wide scenarios such as restructures and divestitures. These scenarios can include functions like cash flow, balance sheet, taxation calculations, operating revenue and expenses, along with as divestiture of current assets and acquisition of new assets in the normal course of business.

Strategic Finance Blueprint **advantages**

Functionality:
- Break-back
- Built-in formulas
- Dynamic model changes
- Test changes before commit
- Built in Dev & Test environments

Architecture:
- Spreadsheet integration – both ways
- BI integration
- Data integration
- Web deployment

Proven customer base:
- Designed ground-up for Planning
- Over 3000 customers globally
- A flagship IBM Cognos solution
- Huge R&D dedication

Skills and experience:
- Network of partners
- Usable internal skills
- Large market of experience users
- Standardization acceptance

For more information about how the Cognos Strategic Finance Performance Blueprint can help your organization improve its strategic planning, please visit the Cognos Innovation Center at: **ibm.com/**cognos/innovation-center.

About IBM Business Analytics

IBM Business Analytics software delivers complete, consistent and accurate information that decision-makers trust to improve business performance. A comprehensive portfolio of business intelligence, advanced analytics, financial performance and strategy management and analytic applications gives you clear, immediate and actionable insights into current performance and the ability to predict future outcomes. Combined with rich industry solutions, proven practices and professional services, organizations of every size can drive the highest IT productivity and deliver better results.

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To request a call or to ask a question, go to **ibm.com/c**ognos/contactus. An IBM Cognos representative will respond to your enquiry within two business days.

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