



# **Making performance everyone's business**

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## Abstract

This white paper provides an overview of the IBM Cognos® 8 Planning platform as a solution to new demands of business performance monitoring. It briefly outlines the new challenges to performance management and explains the many helpful solutions provided by IBM Cognos 8 Planning, which tailors planning and reporting capabilities to companies' particular needs – providing an inclusive, integrated solution to performance monitoring and business intelligence.

## Overview

In the wake of an economic downturn that caught many companies off guard, business leaders have taken steps to manage costs and drive greater efficiencies throughout their organizations. As they wait to experience the full impact of these measures, their businesses compete in market conditions that continue to be volatile.

Against this backdrop they must also respond to new regulatory pressures, which demand unprecedented levels of transparency into performance and performance drivers.

Business performance today is under intense scrutiny from all sides, internally and externally. Under this pressure, weaknesses in entrenched approaches to managing business performance are making themselves felt: Established activities for managing performance are inflexible and disconnected; corporate strategy is not well understood throughout the ranks; and, as a result, execution suffers.

To overcome these challenges, companies around the globe are turning to IBM Cognos 8 Planning.

## Business problems

Business leaders are feeling the pain and are coming to a critical realization: whole-company, *corporate* performance management (CPM), as a business process, is largely unsupported in a consistent way across their organizations. Rather, performance is managed in disparate pockets of planning, budgeting, reporting, and other often rigid management activities. Unlike transactional and other systemic processes like order-entry or accounts receivable that are automated and connected with one another, CPM processes are under-equipped, leaving businesses vulnerable to *under*performance.

In response, essential changes are under way. Performance-driven organizations are seeking ways to be more flexible so they can respond quickly and effectively to changing business conditions.

- Planning is extending beyond the domain of Finance to enlist the input of other functions that are closer to the action.
- Annual budgets – essentially fixed performance contracts – are giving way to rolling forecasts that enable faster responsiveness and more effective deployment of resources.
- Performance measures are being communicated more deeply throughout the organization with scorecards and other means of monitoring performance that make strategy directly relevant to each employee.
- And, the ability to understand and assess what's driving performance every step of the way is available to all through business intelligence reporting and analysis.

All of these changes demand technology that will help businesses reach the next level, in which corporate performance is everyone's business.

## Business drivers

### Measuring up

The need for performance management solutions has multiple business drivers. Some of the most common challenges businesses face in this new climate include:

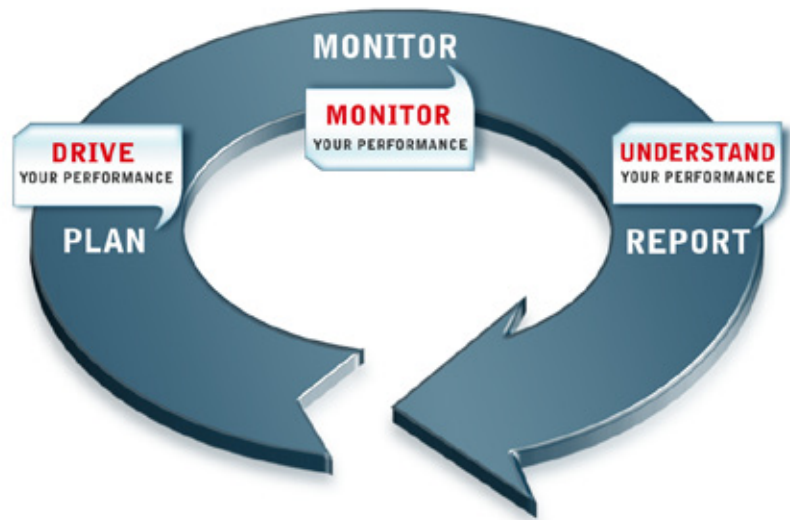
- **Predictability:** Drive sustainable and consistent performance outcomes.
- **Visibility:** Establish a clear sightline into what's impacting performance.
- **Accountability:** Equip people with strategy-wired information that lets them effectively take charge of specific performance outcomes.
- **Agility:** Respond on-the-fly to changing market opportunities.
- **Confidence:** Manage and make decisions from a common set of numbers and assumptions.
- **Alignment:** Ensure that all parts of the business are on-strategy and pulling in the same direction.

## The solution

### Corporate Performance Management: The need for enterprise software

Strategy and execution are the ultimate drivers of business performance. While technology does not actually deliver business strategy, it enables alignment and solid execution. As business leaders pursue best-in-class performance with renewed vigor, they are looking to enterprise information technology solutions to help them establish processes for managing repeatable and predictable performance.

For the first time, all of the building blocks – the software, the infrastructure, the data – are in place to fully equip and enable performance management as a coordinated, closed-loop enterprise process.



*The management cycle*

*By linking the core functions of the management cycle – planning, monitoring, and reporting – IBM Cognos solutions, enable a closed-loop co-ordinated approach to managing performance.*

*If you cannot change a plan, you cannot effectively manage performance*

Performance-oriented enterprise planning activities require a degree of flexibility that enables an organization to be responsive to changes in customer demand, competitors' new offerings, margin-friendly supply opportunities, or other important shifts that occur during the course of business. But a pre-set plan that is wholly focused on financial drivers runs the risk of deterring courses of action that are actually good for business, because they're viewed as deviations from plan.

Ironically, planning can dampen performance-driving initiative at the point of execution. While plans must be linked to financial performance, the fact remains they are enacted throughout the organization. Therefore, performance management activities are greatly enriched when participation in the planning process is extended deeper into the organization to engage the people at the front lines of the business.

*The planning process today lives and dies on speed, accuracy, and well-placed accountability.*

The planning process today lives and dies on speed, accuracy, and well-placed accountability. The traditional planning process, involving annual budgets and infrequent adjustments, does not easily accommodate performance-oriented behavior. All too often it promotes the opposite: managers focus on protecting their turf rather than creating value. Guesswork takes the place of certainty. And budgets alone, instead of key performance indicators that are linked to strategy, are the focal point for accountability.

Likewise, traditional planning and budgeting tools, like spreadsheets and other single point solutions, do little to foster collaboration, let alone deliver adequate support for accelerated planning cycles.

What's required is a planning solution that empowers organizations to replace a fragmented, top-down process with continuous, collaborative planning that also delivers up-to-date insight into operating performance. This is exactly what IBM Cognos 8 Planning, our enterprise planning software suite, was designed to do. It ensures planning is always highly relevant to actual business performance by reconnecting strategy to plans, targets, and operational objectives. It incorporates flexibility in planning activities and by extension, in the company's overall CPM process.

IBM Cognos 8 Planning is a boon to business leaders who, over the past several quarters, have experienced this performance fundamental first-hand: if you cannot readily change a plan, you cannot effectively manage performance.

*Relevance and reliability. Yes, you can have it all.*

Informed by broader perspectives of the business, plans can be adjusted to be more relevant within the day-today context of what's driving performance. But what's informing these broader perspectives?

Like successful strategies, good plans are driven by good data. Consistent, reliable information across the enterprise is essential – not only for linking performance planning, monitoring, and reporting activities in the management cycle, but for accurately aligning execution with strategy.

What's required is a business intelligence system of reliable, current information about the business. Thus equipped, people throughout the enterprise can identify changing business conditions and new opportunities as they relate to their part of the business. And they can make decisions and take action that is on-strategy.

Business intelligence takes vast amounts of corporate data and turns it into meaningful understanding about the business. It's about infusing reliability into the planning process and, through solid metrics management, taking the risk out of a company's ability to execute.

With IBM Cognos 8 Business Intelligence, management gains visibility into key drivers and levers of performance, which helps them quickly identify and address disparities between current conditions and strategic plans. Incorporating reliable and timely information into the planning process leads to more accurate financial forecasts, and expands the business performance horizon.

*While words inspire, metrics communicate strategy and targets and provide the clarity people need to really drive performance.*

*Measure where you're going, not where you've been.*

Performance monitoring and measurement is central to keeping execution aligned with strategy. While words inspire, metrics communicate strategy and targets and provide the clarity people need to really drive performance. Since what gets measured gets done, it's paramount that people are monitoring the right metrics—those that drive value, rather than monitoring lagging measures that reflect simply what's happened.

With IBM Cognos 8 Business Intelligence, plans and strategies can be defined and communicated as a set of interconnected performance indicators that are presented as dynamic scorecards that people can “drill into” to analyze what's behind a result that's not performing as it should. This not only gives each employee access to information that connects the company's strategic priorities to their own. It provides visibility into what needs to be fixed. And it fosters accountability that places day-to-day activities within the right performance context.

Informed by broader perspectives of the business, plans can be adjusted to be more relevant within the day-to-day context of what's driving performance. But what's informing these broader perspectives? Like successful strategies, good plans are driven by good data. Consistent, reliable information across the enterprise is essential—not only for linking performance planning, monitoring, and reporting activities in the management cycle, but for accurately aligning execution with strategy.

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## Vendor hype: Get above the noise

Performance management, as a business practice, may be as old as the first transaction. But as a technology-enabled process, it's a whole new order of business. The corporate performance management market is nascent and CPM solutions are seen to be young and untested. ERP vendors, infrastructure players, and BI companies are all making big promises. Business leaders need to know where to place their bets.

With the integrated technologies available today, for the first time, aligning execution with corporate strategy and enabling an effective process for managing performance is possible. Now, corporations find themselves at the tipping point for achieving the next level of performance.

The good news is that corporate data is in great shape. Organizations have invested in a variety of ERP systems to capture transaction data and streamline key operational processes like order processing, human resources administration, and finance. In some companies, ERP software has become the number-one line item on their IT budgets—an investment that has delivered its return in the form of transaction excellence and efficiency.

But today everyone is efficient. That particular competitive playing field has leveled off. The new arena assigns winners based on the quality of their performance management processes. And today, there is a reason that performance management lags transactional excellence in most organizations. Performance management is about people processes—understanding and decision-making; it's not about data processes—capturing and organizing operational data.

Solid data from all enterprise systems is absolutely fundamental to feed the performance management process, but it is not the end game. It's how people use information to plan, monitor, and understand the business that enables corporate performance management.

Addressing these needs is a natural evolution of business intelligence, a market that IBM Cognos solutions have led for many years. To do CPM well, organizations need a solution that is data neutral, meaning it leverages all corporate data, regardless of what system it sits in. But that's just the price of admission. To get down to managing performance, a CPM solution has to give every employee ready access to reliable, consistent information; let people assess how their part of the business is measuring up against set targets; and it must provide the means to make adjustments and feed lessons learned back into the strategic planning process.

Only the IBM Cognos business management strategy addresses all of these requirements through a complete system of solutions: enterprise planning that's integrated with metrics management as well as the business intelligence reporting and analytic capabilities to enable the entire management cycle.

**Fair value:**

**Tangible, cumulative return on investment**

The strategic objective of corporate performance management is to create a stable environment for continuous value creation. As organizations take a long, hard look at what they must change or simply learn to do better to drive performance at all levels throughout the company, they are also carefully weighing return on investment from enabling technologies. No one ever sets out to waste IT dollars. But the ROI lessons of Y2K, ERP, and CRM are top-of-mind along with the well-intentioned promises that accompanied these multimillion-dollar IT investments. Today, the "go big or go home" approach to IT investment is not easily justified.

While it's true that taking on CPM requires top-down, long-term commitment, thinking big does not have to equal starting big. In fact, when it comes to CPM, thinking big, but starting small is the key to success. There are many levels of corporate performance management that need to be aligned and balanced—long-term objectives and short-term goals; corporate strategies and line of business plans; planning cycles and day-to-day execution. By starting small, tangible return on investment can be had quickly, and that success can be radiated incrementally to other parts of the organization.

**Putting hard numbers on soft benefits**

Today most IT systems represent a better way of operating. A better way to process invoices or log customer complaints; a better way to schedule production runs or track inventory levels. Payback is gauged in terms of operational benefits that reduce costs, increase profit margin, and so on. This is the kind of traditional ROI that people are looking for. But how is a company to correlate investment in technology to actual corporate performance?

The real issue is nailing down where the ROI comes from when dealing with management processes, versus the more familiar territory of operational processes. No one ever says, "If I could just squeeze three percent more effectiveness out of my management process..." But today that's exactly the kind of thinking that will help organizations make the connection between their CPM initiatives and the bottom line.

Managing performance is part of the DNA of doing business. When it's enabled by software solutions that strengthen the whole management process systemically throughout the company, the implications are enormous. Planning, budgeting, reporting, analysis, and other management activities become connected to each other and to corporate strategy. People on the front lines not only understand the strategy, but have clear sight into how their day-to-day activities are affecting business performance and know what to change in order to improve it.

## Conclusion

### IBM: A single strategic supplier

IBM is the world leader in corporate performance management software for the enterprise. We measure success in terms of our customers' success. Our people are dedicated to that end, and the organization and our business model support this through a commitment to product quality, expertise, and service. Specifically, we employ the largest and most experienced research & development team in the industry; we demonstrate deep expertise across a broad spectrum of industries; and we provide award-winning services and support.

When you champion your organization's performance with IBM Cognos solutions, you're engaging a single strategic supplier that's distinguished by

- **Breadth and depth:** enterprise planning that's integrated with metrics management as well as the broadest and deepest set of business intelligence reporting and analytic capabilities to enable your entire management cycle.
- **Flexibility:** a solution that supports planning, monitoring, and reporting and analysis based on your model, not our software.
- **Data neutrality:** software that leverages and integrates data from all of your corporate systems and puts it to work as part of a complete solution that's focused on driving business performance.
- **Scalability:** an architecture that scales to thousands of users across the enterprise.
- **Enterprise view:** a solution that is not limited to the Finance department, but links the enterprise in a system of performance management.



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IBM Canada  
3755 Riverside Drive  
Ottawa, ON, Canada K1G 4K9

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## About IBM Cognos BI and Performance Management

IBM Cognos business intelligence (BI) and performance management solutions deliver world-leading enterprise planning, consolidation and BI software, support and services to help companies plan, understand and manage financial and operational performance. IBM Cognos solutions bring together technology, analytical applications, best practices, and a broad network of partners to give customers an open, adaptive and complete performance solution. Over 23,000 customers in more than 135 countries around the world choose IBM Cognos solutions.

For further information or to reach a representative: [www.ibm.com/cognos](http://www.ibm.com/cognos)

## Request a call

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