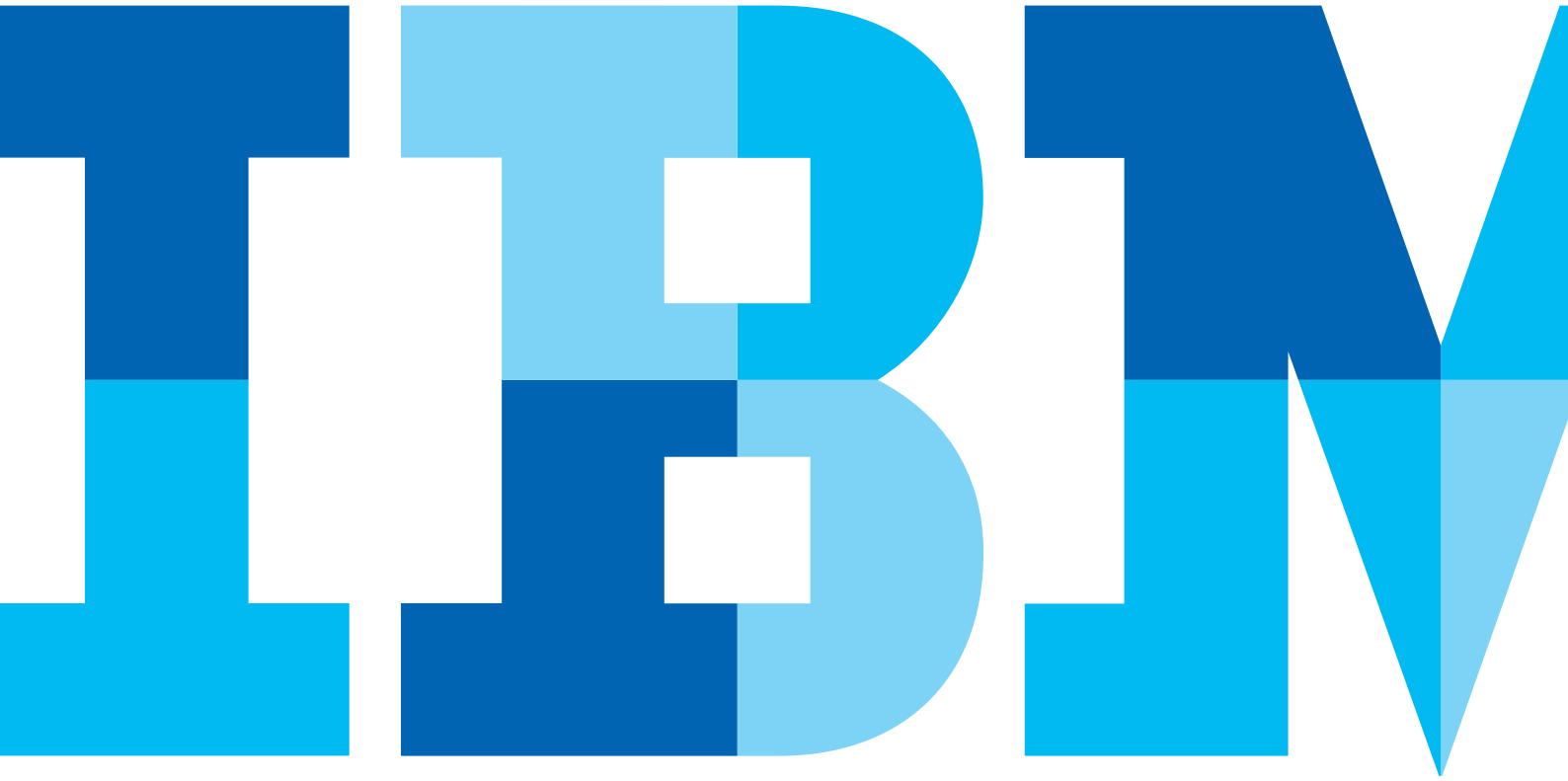


## Three Capabilities to Fuel Today's Dynamic Planning and Forecasting

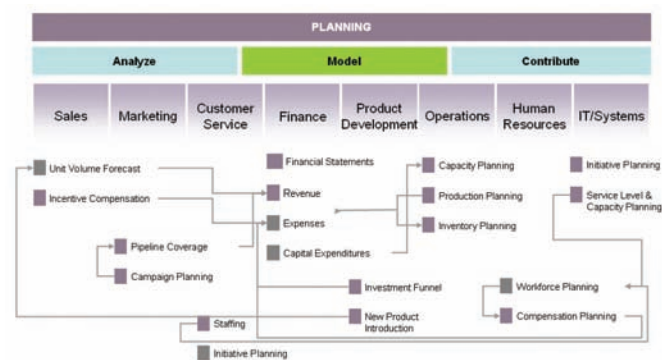


## Introduction

The current business environment is still characterized by skittishness, tenuous demand and sporadic growth. It is no surprise then, that 60% of CFOs plan to make major changes to critical finance practices and processes, according to the 2010 IBM Global CFO Study.<sup>1</sup> In fact, 70% of CFOs claim to be taking a more prominent role in enterprise decision making beyond the traditional role of finance.

Yet CFOs admit to significant gaps in their ability to deliver on this expanded agenda, particularly in their ability to measure and monitor business performance. The IBM study found that companies that invest in capabilities to expand their business insight are better able to anticipate and react to external forces in the economy. These capabilities include analytical capabilities, the effectiveness of their people and the deployment of common analytical platforms, such as a common planning system.

Enterprise planning and analysis solutions powered by IBM Cognos 10 are uniquely suited to support timely, reliable forecasts and plans with key analysis, modeling and participation (or contribution) capabilities, paving the way to intelligent choices and optimized business outcomes.



*The dynamic planning solution today includes analytics to validate plan assumptions, modeling to facilitate rapid adoption of best practices such as driver-based planning and rolling forecasts, and collaborative capabilities provided in familiar interfaces to develop timeframe-appropriate plans with high participation.*

## Analyze

With robust analytics, companies can validate their planning assumptions and provide a fact-based approach to the planning process before setting planning assumptions. This environment also provides a more dynamic approach to forecasting and re-forecasting. Prior to forecasting (or re-forecasting), your core planning team can explore performance gaps at various granular levels, validate the company's drivers or define what-if scenarios across different dimensions such as organization, product family and channel mix. This facilitates, for example, the comparison of targets among teams and individuals with current and historical actuals and with external benchmarks.

Faster analysis cycles translate into more opportunities to identify and assess strategic alternatives for the organization. By spending less time on laborious tasks such as cross-checking data, companies can devote more of their energy and intelligence to evaluating alternative scenarios, performing what-if analysis, identifying the best choices for action and driving superior execution of strategies.

By running special planning sessions with management, key thinkers in your enterprise can test numbers to build a set of "best case" through "worst case" scenarios, which may be a critical activity these days. McKinsey & Company describes the expanding role of alternative plans at some leading companies:

"Executives at some forward-thinking companies... have not only formally developed concrete macroeconomic and business scenarios, including some considered extreme, but also modeled the implications of each scenario for their own businesses and customers, as well as for competitors. At the end of the process, these companies adopted a single budget, but they supplemented it with concrete alternative financial statements and business plans based on plausible future scenarios."<sup>2</sup>

<sup>1</sup> IBM Institute for Business Value, *The New Value Integrator: Insights from the Global Chief Financial Officer Study*, March 2010

<sup>2</sup> Mahmut Akten, Massimo Giordano, and Mari A. Scheiffele, "Just in Time Budgeting for a Volatile Economy," McKinsey & Company, Spring, 2009.

Let's look at the key facets of analysis available with enterprise planning and analysis solutions powered by IBM Cognos 10:

- **Multidimensional analysis.** A planning team can compare and manipulate data across multiple dimensions and perspectives. View historical actuals with current targets and external benchmarks to quickly establish the targets' viability and consistency.
- **On-demand scenario planning.** Flexibility in analytics allows users to examine scenarios from best to worst cases, perform sensitivity analysis, identify risks and then immediately share the impact with key team members. Planners can perform these what-if activities during planning cycles or ad hoc, with these capabilities from enterprise planning solutions powered by Cognos 10:
  - Comprehensive modeling enabled by flexible business rules and dimensions
  - Efficient data management to access, change and store source data, drivers and assumptions as well as provide data integrity across business models
  - An easy-to-use interface to allow customization of scenarios, reports, and analysis, and
  - Access for multiple users, providing development and ownership of the scenarios from within various business units, product groups or process owners, and input into the larger plan.

Multiple users can interact (and own) the pieces of the model

"Sandboxing" allows users to maintain their own version

Organization	Year	Budget	Local
4999 Gross Revenue	2,593,722	2,228,241	2,221,471
5999 Cost of Sales	1,653,990	1,415,963	1,467,963
Gross Margin	939,732	822,278	853,508
6999 PAYROLL	34,000	35,093	35,663
6999 OFFICE EXPENSE	19,350	19,650	23,650
6299 TRAVEL	43,249	42,639	48,639
6399 OCCUPANCY	18,462	18,462	38,077
6499 MARKETING	650	650	650
6599 DEPRECIATION	8,571	8,571	10,714
6699 IT SERVICES	0	0	0
6799 ALLOCATIONS	0	0	0
Total Operating Expense	124,502	125,065	155,250
Net Profit	815,230	697,213	698,258

Scenario planning represents different versions of inputs and outputs from an integrated business and financial model. Users can create and test models in "sandboxes" and submit to team members for consideration.

- **Drill down into operational and financial data.** Explore actual data fully and efficiently to test assumptions in minutes. Drill down through increasing levels of detail and view by dimensions such as sales per region or by product.
- **Predictive analytics with IBM Cognos SPSS.** Improve the thoroughness of your plans and their revisions and your competitive positioning by pre-populating plans with statistically significant forecasts for a baseline guide. Triangulate your bottom-up plans, top-down objectives and statistical forecasts to create risk-adjusted forecasts.

### Planning Recommendations for Today's Economy

APQC recommends that companies think like the mayor of a city about to be hit by a major storm with these imperatives:<sup>3</sup>

- Move into adaptive mode in an emergency
- Track and communicate the likely trajectory of the threat
- Take down preconceived scenario analyses
- Activate contingency plans to minimize risk of damage
- Transform finance into a "danger control center"

### Model

With modeling via enterprise planning and analysis, an enterprise can facilitate rapid adoption of best practices such as driver-based planning and rolling forecasts by building and revising models in days, not months. Business units and Finance adapt the solution to their company's planning and forecasting processes so they can meet diverse forecasting needs across the organization. The all-important business drivers are tied to forecasts and are visible to all stakeholders, not hidden away in a drawer somewhere.

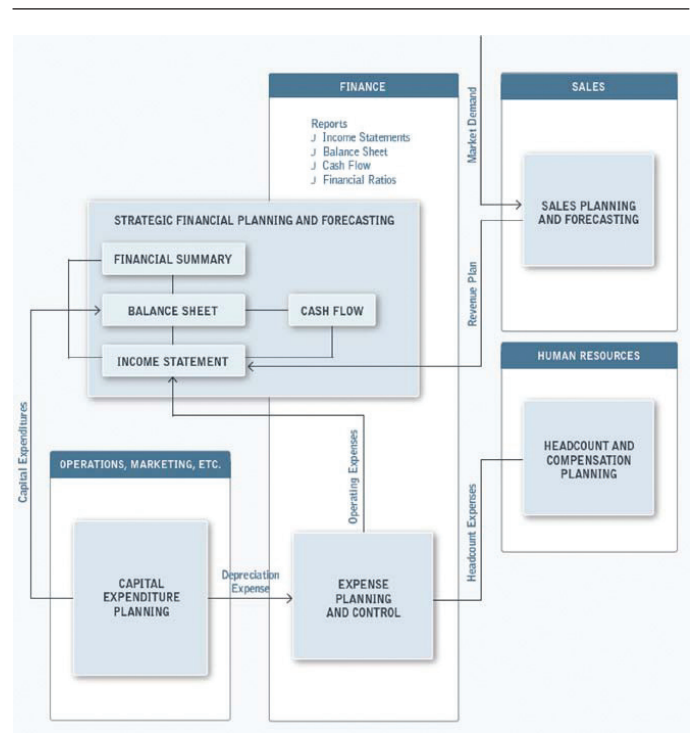
<sup>3</sup> "Relevance Revealed: How Are CFO's Coping with Turbulent Times?" APQC, 2009.

Cross-functional planning processes rely on complex logic and dependencies. Enter the Cognos solution and its advanced modeling capabilities. With these capabilities, you can quickly deliver sophisticated linked models that accurately reflect your business in all its complexity and detail, in a finance-friendly development environment. You then have more time to focus your skills on actually evaluating information instead of worrying about accuracy and timeliness.

Rather than forcing you into a solution that might not fit your business model, the Cognos planning solution easily adapts to your organization's environment—even as your business grows and changes. You can create your own business rules and structures and modify your model as your organization evolves—in minutes or hours, not months.

In addition, you can import data definitions from sources such as enterprise resource planning (ERP) and general ledger systems to accelerate the process further. Powerful modeling capabilities in the IBM Cognos solutions give planners the ability to balance all of the organization's resources and initiatives – by providing the flexibility to build, link and assess alternative business scenarios and assumptions:

- **Expressive, linked models.** Cross-functional planning processes rely on complex logic and dependencies. Built-in modeling capabilities let you speed development of sophisticated models that “express” or reflect the uniqueness of your business. All plans from across the enterprise can be developed by each department individually, and then linked to model the entire company's plans. This approach also enables a company to start with the planning solution in one or two units and then expand enterprise wide, according to drivers and initiative priorities.



*Enterprise planning requires connecting Financial and operational planning processes together in a connected, dynamic nervous system. With enterprise planning and analysis solutions powered by IBM Cognos 10, users can connect strategy execution to the resource allocation and planning process via linked models that readily share dimensions and data.*

- **Rapid development and consolidation.** Enterprise planning and analysis solutions powered by IBM Cognos 10 enable companies to build a model in days—not months. And with a keystroke, you can consolidate the plan. Planners can import data definitions from other systems to further accelerate the process. Sample cubes and plans speed planning, forecasting, and reporting. Users have immediate access to the changed model and the ability to understand the lineage of such model changes, using IBM Cognos Business Viewpoint.

- **Spreading (or “breakback”).** This unique capability automatically spreads high-level targets across any profile — previous-period actuals or projected seasonality, for example — and across multiple dimensions, such as products, customers, territories or time periods, without the need to define special business rules.
- **Administration.** Work efficiently because you can easily administer models, data and business rules with utilities and tools.
- **Ownership by Finance.** Planning and analytics solutions powered by IBM Cognos 10 do not require mastery of a sophisticated programming language. Control of the application remains with Finance and planning professionals — not IT technicians.
- **Data management.** Central management of your business models, hierarchies, rules, calculations, and data means that data between all the departments is consistent and linked. Dependences between operational and financial data are then not tacit or hidden, but recorded and visible for all necessary users.
- **Metadata management.** IBM Cognos planning and analytics solutions offer centralized metadata management that provides a common platform of consistent information that can be shared on an enterprise scale for your planning and forecasting models as well as for all performance management and business intelligence processes. The IBM Cognos 10 Framework Manager metadata model is able to represent both relational and dimensional data, as well as create a dimensional representation for relational data sources. Rather than updating information in several places, you make the change once and the new data automatically populates all cubes that refer to that component.
- **Dimension management.** IBM Cognos Business Viewpoint extends modeling capabilities across your organization. Via a centralized “store,” users can capture and manage multiple hierarchies, structures and definitions for use in planning and forecasting.
- **Importing data.** To help you rapidly access valuable information locked away in transactional or back-office applications, you can use data connectors that are shared with IBM Cognos 10 to streamline the loading of disparate data into your models. Users can also create their own processes to automate data importation, manage metadata and perform other tasks.

### Contribute

With capabilities for contribution, you can develop timeframe-appropriate plans and ensure high participation while working with high data volumes. Enterprise planning and analysis solutions powered by IBM Cognos 10 offer the familiar Web and Microsoft® Excel®, and Managed Contribution interfaces for a broad range of users, which include:

- **Rich workflow.** To manage key planning processes effectively, leverage IBM Cognos solutions’ workflow with features such as version tracking, email alerts and real-time responsiveness — across all your territories, business functions, and units.
- **Role-based interfaces for basic and advanced users.** Assign functional responsibilities to individuals or groups and provide tailored templates:
  - Power users can manage and maintain dimensions and cubes.
  - Departmental users may choose to work in Excel.
  - Consumers across the enterprise work via a Web interface.
- **Managerial reporting.** To help further align Finance with business units, IBM Cognos planning solutions provide a high performance environment with many choices for formatting. All planners and managers can view and share template-based or ad hoc reports, from those with complex measure dimensions (such as Balance Sheet, Cash Flow, Statement of Earnings) to alternative scenarios for forecasts to financial intelligence such as the results of profitability analysis.

- **Annotation support.** Readily enhance your analysis and active contribution with commentary appended to data.

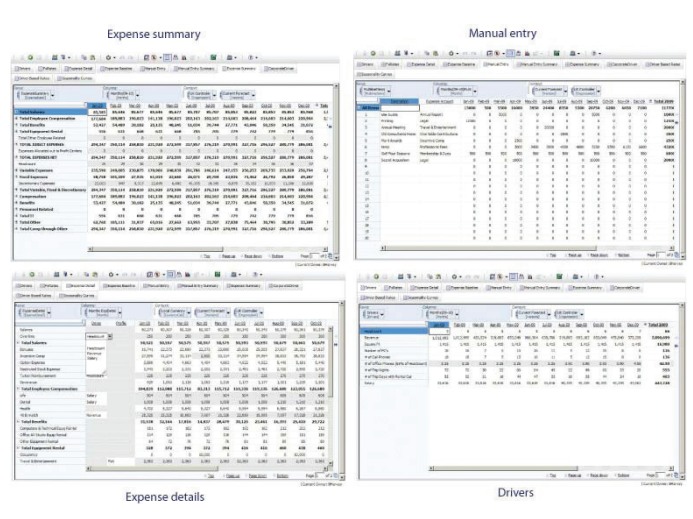
Instead of frenetic activity by a few people to create a monolithic plan or reforecast, best practices center on smaller but more frequent contributions from a broader group of stakeholders. Keep in mind that a few minutes each month from hundreds of contributors creates a far more holistic, rolling business plan and forecasts that offer greater accuracy and speed.

### Best Practices and Faster Implementations with IBM Cognos Performance Blueprints

IBM Cognos customers also receive free Performance Blueprints—pre-defined data, process and policy models based on proven best practices in enterprise planning, financial management and control. By structuring and automating the planning and forecasting processes and thus reducing project implementation time, Blueprints for planning and financial analysis enable companies to jump-start deployments in key planning processes and minimize risk:

- **Integrated financial planning and forecasting:** Assists an enterprise in connecting operational tactics and financial plans; provides a basis for determining financial objectives and validating bottom-up plans against those objectives.
- **Profitability analysis:** Uncovers product-level profitability in the context of operational business decisions, moving profitability management from your CFO's office to the front lines where decisions affecting profitability are really made.
- **Expense planning and control:** Steers a company through establishing a consensus expense forecast; understanding critical business metrics that drive expenses; and synchronizing the revised expense forecast with the corporate profit and loss statement.

- **Capital planning:** Helps align capital planning, depreciation expense projections and other capital spending requirements like dedicated IT time. The Blueprint enables decision makers to reach consensus on a capital plan, while understanding the financial impact of their decisions on both income and cash flow.
- **Workforce planning:** Aids in managing headcount for existing, new, and sales employees; managing compensation, benefits and tax expenses, and links salary and headcount projections as drivers for other items on an expense plan.



Financial Blueprint models developed with input from leading IBM Cognos customers.

## Tactics and Strategies to Improve Your Planning and Analytics Processes

In addition to Blueprints, customers can work toward greater business impact and increase the effectiveness of their planning initiatives with the IBM Cognos Planning & Analytics Champions Kit, a Web-based self-service resource and activity center.

As an organization looks to deploying and connecting planning solutions throughout the company – and connecting analytics to their planning ecosystem – it might require change in many areas: change in behavior, in culture, in process and in technology. Or perhaps the planning team has recognized that they should strategically augment their planning process: to more deeply connect operational plans to your financial plans; to identify areas of investment and growth; or to more effectively mesh profitability analysis with its planning process.

The IBM Cognos Planning & Analytics Champions Kit provides assessment tools to:

- Better understand the gaps and needed growth initiatives in [planning](#) and [analytics](#);
- Document the state of your current planning solution with [the current state self-assessment tool](#)
- Build a business case for extended planning and analytics with an ROI modeler.

## Summary: Ready to be More Dynamic?

To thrive in today's business climate – or even to just survive – you can't afford not to improve the allocation of your resources through better planning, forecasting and reporting. Simply put, planning must be a core competence up, down and across the enterprise.

And when it comes to choosing software for those tasks, enterprise planning and analysis solutions powered by the IBM Cognos 10 platform, with the unique combination of analysis, modeling, and collaboration, will empower your employees with the most dynamic, effective solution to make intelligent choices and win in this highly challenging economy.



## 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.

## For more information

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