

IBM Cognos 8 Financial Performance Analytics

Faster Insight, Smarter Financial Decisions

Overview

Effective management of cash flow and working capital is an essential capability for finance organizations, especially in times of tight credit and unpredictable business change.

IBM Cognos® 8 Financial Performance Analytics gives finance organizations the tools to analyze and manage their general ledger, accounts receivable and accounts payable processes, drawing information from diverse databases using packaged, easily configurable reports and analysis.

In challenging economic times, effectively managing an organization's working capital and cash flow is perhaps the most important task facing the CFO and the finance department.

Research by benchmarking firm APQC found that a *Fortune* Global 500 company with top-performing management of working capital could enjoy a liquidity advantage of \$1.3 billion over its peers.¹ APQC noted that a strong cash position not only allows a company to borrow money at more favorable terms, but also enables that company to make “counter-cyclical moves to build competitive advantage.”

While the benefits of a strong cash position are greater in a slow economy, so is the difficulty of achieving and sustaining that position. The basic mechanics of improving cash management are fairly straightforward. As APQC put it, “Increasing a

company's cash advantage simply requires adjusting the relationship between its short-term assets (cash, A/R, and inventories) and short-term liabilities (A/P and short-term loan payments).”

Ideally, a company would like to collect receivables as quickly as possible, while delaying payables as long as possible. But every business, of course, occupies both sides of the receivables/payables equation. The challenge is to strike a balance that achieves the best possible cash position while preserving the business relationships that ensure sustainable long-term growth.

Enter IBM Cognos 8 Financial Performance Analytics (FPA), an integrated, modular solution that enables you to perform general ledger, accounts payable and accounts receivable analytics using data from J.D. Edwards, Oracle E-Business Suite and other best-of-breed systems.

IBM Cognos 8 Financial Performance Analytics

This solution enables your finance department to pull data from diverse data systems using packaged, user configurable reporting tools that:

- Eliminate inaccurate and costly manual internal controls to gain actionable cross-functional insight from multiple transactional data sources
- Generate standard reports quickly, to validate financial information and accelerate decision making to support a faster close process
- Improve the efficiency of finance and operations with standard, self-serve management and operational reports for general ledger, payables and receivables
- Ensure alignment of performance goals using standard financial reports and analysis enterprise wide.

The result is a real-time, in-depth view of your performance that enables your finance team—from controllers to business managers—to create more accurate forecasts, make smarter financial decisions and respond more quickly to new opportunities.

One Solution, Three Modules

IBM Cognos 8 Financial Performance Analytics consists of three modules: General Ledger, Receivables Analytics, and Payables Analytics.

IBM Cognos 8 General Ledger Analytics

The General Ledger Analytics module enables you to answer critical questions on revenue generation, cash flow, and assets. It helps you identify the source of business problems and evaluate opportunities quickly. This module enables you to:

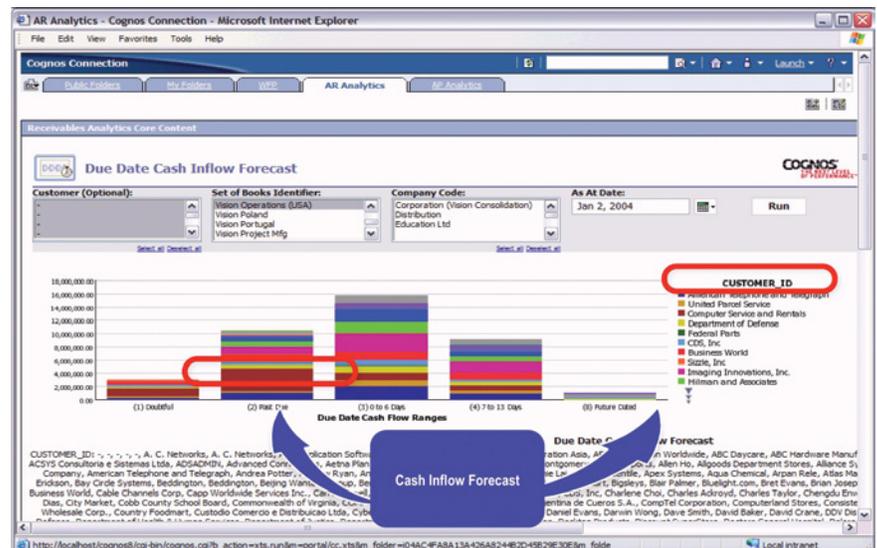
- Analyze and report on key financial ratios for current and past financial performance, comparing metrics affecting leverage, liquidity, and profitability/effectiveness.
- Monitor, manage and communicate information about your financial performance by analyzing income statements, balance sheets and cash flow.
- Perform budget analysis that helps business units and functions stay on budget and on plan for projected revenues and expenses.

- Compare performance for legal and management entities such as subsidiaries and profit and cost centers.
- Reduce quarterly close processes with detailed transactional information including trial balances, income and cash flow analysis, and ratio comparisons.

IBM Cognos 8 Receivables Analytics

The Receivables Analytics module helps you maximize the contribution of your accounts receivable to overall corporate performance and cash position. This module enables you to:

- Forecast cash inflow on the basis of existing credit items and related terms of payment to provide a real-time picture of available cash.
- Measure and improve efficiency by reducing cash operating cycle times.



IBM Cognos 8 Receivables Analytics cash inflow forecast

IBM Cognos 8 Financial Performance Analytics

- Track customer payment patterns and analyze the risk of nonpayment to support more efficient customer relationship management, credit analysis, and risk management.
- Segment customers based on size, strategic value and risk.
- Detect patterns of ongoing payment adjustments to correct billing errors, reduce process costs and enhance customer satisfaction.

IBM Cognos 8 Payables Analytics

The Payables Analytics module helps you access data on your suppliers and analyze supplier relationships. This module enables you to:

- Forecast cash outflow based on existing invoices, related terms of payment and discount trends.
- Report on the ongoing status of payables, including upcoming due dates and deviations in vendor payments.
- Determine the most efficient use of available cash to pay the most important bills first.
- Identify suppliers positioned to allow extended payment terms or discounts for prompt payment.

Lessening the Burden on IT

IBM Cognos 8 Financial Performance Analytics snaps into your existing technology environment, simplifying the delivery of relevant, reliable financial information without putting a burden on your IT resources. It requires very little programming to modify or change reports, and allows users to define and create their own reports through an easy-to-use interface. It does this by streamlining the configuration of reports, while adding new content quickly to meet changing business requirements cost-effectively.

This adaptive approach takes into account the unique way that each organization operates, enabling information to be added or modified automatically. New reports can be created quickly to reflect sudden business changes, and Finance can add dimensions, subject areas, and fact tables for use with ERP or non-ERP data sources.

As a result, organizations have a standard, integrated management and operational view of financial

performance that can be simply configured to meet rapidly changing business needs. It ensures continuously relevant reporting content that is capable of adapting to changing business and market conditions for analysis.

Powered by IBM Cognos 8

IBM Cognos 8 Financial Performance Analytics adds instant business value to your existing IT assets. And, thanks to the solution's seamless integration with the IBM Cognos 8 platform, users can extend the value of those information assets further by capitalizing on the rich spectrum of IBM Cognos performance management capabilities – including scorecarding, dashboarding and multi-dimensional planning.

IBM Cognos 8 Financial Performance Analytics helps you answer key business questions facing your finance organization. Whether it's senior management, a VP of a business unit, or accounts payable, it provides the tools you need to care for your cash position and build a competitive edge in these turbulent times.

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.

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Endnotes

- 1 Lisa Higgins, Put Working Capital Back to Work, APQC Open Standards Benchmarking Collaborative, 2008 (\$1.3 billion cash advantage is based on 15 fewer days of sales outstanding in accounts receivable: 30 days for the top quartile vs. 45 days for the median and 55 days for the bottom quartile.)