

## Expense Planning and Control Blueprint Online Demo PowerPoint Script

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Performance Blueprints from the IBM Cognos Innovation Center for Performance Management accelerate your implementation of performance management capabilities. In this demonstration, you will see how the *Expense Planning and Control Performance Blueprint* enables an integrated expense planning process that aligns corporate financial objectives with divisional operation decisions.

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IBM Cognos Performance Blueprints help companies align corporate objectives with operating plans so they can operate more profitably and efficiently. Performance blueprints are pre-defined data, process and policy models developed to help improve planning, budgeting, forecasting, reporting and analysis. A *Blueprint* pre-populates your plan with common operational drivers and business structures, dramatically reducing the time required to deploy a new performance management application.

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During the expense planning process, companies must coordinate and establish a consensus expense forecast between sales, finance, human resources, marketing, operations and other functional areas. They also have to understand the critical business metrics that drive expenses and synchronize revised expense forecasts with corporate profit and loss statements. For many companies, expense planning means juggling spreadsheets and existing general ledger applications in a lengthy, error-prone process that can inhibit the creation of an accurate expense plan. Validating and collecting expense plans is labor intensive and leaves little time for planners and management to tie operational plans back to corporate objectives. Opportunities to identify potential resource issues are lost, diminishing accountability and reduce commitment to hitting corporate objectives.

And yet, companies are painfully aware that it is more important than ever in these turbulent economic times to have accurate, driver-based expense plans that can align company-wide decisions and actions with future overhead expenditures. What these companies need are enterprise planning solutions that offer flexible modular modeling, personalized analytics and managed workflow with real-time response to reduce errors, improve control and boost accountability.

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The *Expense Planning and Control Performance Blueprint* blends personalized analytics with workflow for an integrated expense planning process that aligns expense plans with corporate objectives. Using the *Expense Planning and Control Blueprint*, an entire organization can create connected driver-based expense plans with an effective, intuitive and integrated planning process and very responsive analytics. To start, your financial planning manager or administrator assembles the expense plan with its key goals, establishes approvers and uses templates to make the application available to designated employees. During the planning process, other users can not only complete their portions

of the plan, but can also dynamically build their own set of what-if scenarios. For example, you can increase travel costs in a particular territory while reducing it in another, recalculate the numbers, no matter how complex and view impact on expenses instantly. You can share this and several other similar scenarios with your manager or peers for their input and submit the best scenario to the base plan when ready. Such activities facilitate more thoughtful analysis and discussion, especially when management or finance needs to communicate changes throughout an organization.

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Now we will give a brief demonstration of how the *Expense Planning and Control Blueprint* can help you move to best practices in your business segment and product management.

[DEMO]

My IT manager has asked me to look at his forecast of Q1 2010 expenses. The Expense Planning and Control dashboard allows me to select an organization, grouped by function or country, and Time Period. I have four charts showing **Expense Summary**, **Manual Entry Expenses**, **Expense Baseline**, and **Expense Detail Variance**. The dashboard allows me to hover the cursor over a data point for more detail or drill through for an expanded view.

After selecting the appropriate report parameters I see that for **Total IT**, **Legal** and **Membership & Dues** have not changed, but **Charitable Contributions** has been adjusted down, and when I drill into this item I see that the US and UK contributions are where the adjustments occur.

The **Expense Detail Variance** shows our Q1 **Forecast to Budget** comparison between Sales, IT, and Human Resources with the variance shown in red. Below is the same information showing the numbers that feed the graph. Again, I can drill down for a more granular view of the information.

Filtering **Manual Entry Expenses** for the Q1 **Total IT** forecast, I see those expenses graphed by month and by expense item. Here I note that **Travel & Entertainment** increases substantially in March.

Looking at **Drill Through Details** for **United Kingdom IT** in Q1 I see a comprehensive breakout of **Net Expenses** with amounts shown as **Local Currency** (in Pounds), the **Exchange Rate** and **Corporate Standard** (which is US Dollars). I'll ask my IT Manager to explore a reduction in **Travel & Entertainment** expenses.

After logging in IBM Cognos Contributor opens to a workflow screen with a tree view of Contributions and Reviews that I have access to. The frame on the right provides information about the selected item with details shown below. I'll open the **US Production Systems** plan and look into reducing T&E expense. Contributor is laid out with tabs that allow me to easily navigate through the planning process.

**Drivers** are used as a base to populate the model. Fields displayed in grey are either pre-calculated or read-only.

In **Expense Baseline** I have the ability to filter by expense category in the rows, and versions in the columns. By dragging the **Base Amount** dimension into the columns I can see the current forecast for **Base, Adjustments, New Base** and any percentage increase for the **Full Year Budget. Next Years Adjusted Base** is increased by this year's percentage increase and I can further adjust **Next Years Budget** by inputting a positive or negative dollar amount or making a percentage change. I'll adjust Travel & Entertainment down one thousand dollars.

The **Expense Detail** is the heart of the model. Items contained in this view may or may not be **Driver** or **Profile** driven. Any item can be setup within the model to allow **Driver** based input and **Profile** selection. By changing the driver for Overtime from **Headcount** to **Revenue** we can immediately see the impact. This selection lets me choose the driver that most accurately impacts overtime in my area. The **Profile** selection allows me to adjust the distribution of funds over the year. I'll change the Travel & Entertainment profile to **Revenue Cycle** and again the monthly amount is changed as displayed in blue.

**Manual Entry** allows for specific line item adjustments to the budget. These adjustments will be added into the total year expense, depending on the expense item selected, month and amount.

I can see the total impact of my changes on the **Expense Summary** tab.

The model allows users to input amounts in their native currency. The **FxRates** tab shows the exchange rates for any currency used by our organization and calculates the conversion to the corporate standard currency.

In the **Seasonality Curves** tab you can see the defined patterns for the distribution of expenses used in seasonality profiles.

Once I am comfortable with my adjustments I'll save the changes and submit the updated plan for review.

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The *Expense Planning and Control Blueprint* has numerous benefits. First of all, it resolves the twin challenges of lengthy expense planning cycles and disconnected plans between functional areas and corporate objectives. It provides structure for the entire organization to ensure that expense plans are in line with corporate targets. Best-practice models quickly capture expense forecasts "from the front lines" and provide sufficient detail to improve forecast accuracy. New objectives can be passed to operations so that they can quickly revise operating plans if needed. Based on the revisions, expense managers can update drivers in order to revise expense plans.

In addition, new expense plans are immediately consolidated. Because plan consolidation is instantaneous, finance can review and analyze the new forecasts in light of the latest strategic financial objectives.

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For a full list of IBM Cognos Performance Blueprints available for other functional areas in your organization please visit the IBM Cognos Innovation Center at [www.ibm.com/cognos/innovation-center](http://www.ibm.com/cognos/innovation-center).

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Thank you for your interest in this *Blueprint*.