

Enterprise planning solutions powered by IBM Cognos TM1

TRANSCRIPT

Comprehensive planning is essential for success in a changing business world. Yet companies often struggle with delivering timely, reliable forecasts and plans that align operational tactics with financial targets.

This demonstration shows how enterprise planning solutions powered by IBM Cognos TM1 can eliminate the barriers to effective planning and engage the entire organization in collaborative decision-making for better business outcomes.

When spreadsheets are used for planning and forecasting, they have serious limitations. They are labor-intensive, error-prone and cannot be integrated easily with other systems.

IBM Cognos TM1 replaces these spreadsheet-only processes with one fully integrated and dynamic planning and forecasting system that connects operations with planning. With IBM Cognos TM1, companies can:

- Link plans and forecasts to financial processes and reports, such as balance sheets or cash flow projections;
- Refresh forecasts quarterly, monthly, or on demand; and
- Align top-down financial targets with bottom-up plans to ensure that financial plans are synchronized with operational goals.

As part of the IBM Cognos 8 performance management platform, IBM Cognos TM1 delivers enterprise planning accuracy through a fusion of analysis and planning capabilities. A patented, in-memory OLAP engine provides exceptionally fast performance and compact storage. An intuitive interface presents information in a familiar format – with no need for IT or programming skills.

Now we'll see a demonstration of how IBM Cognos TM1 can improve your enterprise planning processes for more informed decision-making.

First we'll review a dashboard to gain some context for our planning strategy. We'll see that our fictitious company – a manufacturer of media and entertainment equipment – is falling short of its revenue, expense and net profit goals.

Given this poor performance, we'll initiate a new contribution process to reforecast product revenue and expenses.

We'll start by taking a look at current forecasts. IBM Cognos TM1 provides the collaborative tools necessary to analyze, model and communicate forecasts throughout the organization. This screen shows who has submitted their forecast by location, and when.

We'll focus on the current forecast for the Massachusetts sales region.

Next we'll create a number of possible forecasted outcomes, using an innovative IBM Cognos TM1 feature called sandboxes.

With the sandbox feature, you can create an unlimited number of personal scenarios and then submit only the one that best meets your organization's goals.

Let's create a baseline scenario by analyzing current revenue.

All of your data changes will be saved in this baseline scenario until you create a new one. We'll start our baseline forecast by analyzing revenue over time.

Then we'll view revenue by product family. Here we see categories for Media, Electronics and Theatre products.

We are particularly interested in the Internet channel and units sold, so we change the context to focus on that data. IBM Cognos TM1 supports best practices such as driver-based planning, so you can plan by units sold or revenue.

Now that we have the product view we want, we can start to create our baseline scenario. Because this forecast is focused on the second quarter and beyond, we'll hold our current first-quarter commitment to all products.

IBM Cognos TM1 provides an infinite number of possibilities for holding and spreading data to reduce the amount of data entry.

After reviewing theater products, we decide to hold them for August, September and October too.

With no change in revenue for the first quarter and no change in theater revenue from August through October, we'll increase units sold by five percent. The impact of this increase is displayed in blue.

The "held cells" remain constant and are noted with red triangles.

Now, let's compare this new scenario to our previous scenario.

With IBM Cognos TM1 you can fuse analysis with the planning process to create more context. Using a simple drag and drop, we see a trended variance analysis of revenue and a breakdown of all forecasted units sold by product family.

IBM Cognos TM1 also offers undo and redo features, so you can toggle back and forth, simulating a before and after view of a forecast, increasing context every step of the way in the planning and analysis cycle.

Now, let's continue to tweak the forecast for Massachusetts.

Given increased interest in the electronics product family, we'll increase Total Electronics by 6,000 units starting in August, continuing through the rest of the year.

To save data entry time, we can use a shortcut by typing 6K and the "greater than" symbol. 6,000 units will be repeated until the last cell for August through December.

With the integrated analysis and planning capabilities of IBM Cognos TM1, you can immediately see the impact on total revenue for the year in both the graph and the spreadsheet interface.

Given these revenue increases, the company will need to hire a new sales representative. So, we'll review the employee plan.

Because IBM Cognos TM1 supports driver-based planning, forecasting the expense of a new headcount is easy.

You enter the position and then select the grade, the start month and any miscellaneous expenses and watch as the expense is automatically calculated.

These changes, like all changes in TM1, are calculated in real time with the impact shown in blue.

You can make similar adjustments to rent, utilities and maintenance costs; marketing and promotion costs; or capital expenses. You can also add revenue assumptions, for example, to assume increased revenue based on a better economy.

Then see how all of these changes impact the company's income statement.

Now that you have created a baseline scenario, you can play with it to see what an upside may look like.

We'll create a new sandbox by copying from an existing one and open the income statement with the upside scenario we just created.

Now we'll make changes based on different revenue projections. We decide to change total electronic units sold to 10K starting in May...

... all the way through December. The impact displays on our income statement with gross revenue increased to more than \$114 million.

With these changes, we want to submit this plan for corporate review.

After the plan is submitted, it is locked in read-only mode and time and date-stamped, ready for review.

Now that our forecast is complete, we can communicate the results with IBM Cognos 8 Business Intelligence using a wide variety of report types and report formats.

Finally, we'll view our dashboard again based on our latest plans. We can see that our planning process has impacted our target metrics, improving revenue, gross margin, and net profit.

IBM Cognos TM1 provides an integrated, dynamic planning process to help companies meet the needs of a changing business world. It replaces limited spreadsheet-only processes and rigid, annual budgeting methods. A single interconnected system links forecasts and plans with operational tactics and financial goals. This continuous planning and analysis process enables higher responsiveness and more informed decision-making for improved business outcomes.

Find out more about IBM Cognos TM1 at www.ibm.com/cognos.

Thank you.