Innovation in Action Series
May 2009

Innovation roundtable Dallas

Responding to market realities
Staying ahead of change

Information Management

Cognos. software

Crossing the performance gap

If you're doing research into the ways companies manage strategy and performance, there's no shortage of stats to quote or research to cite. There's also a strong theme: the numbers and research paint an unflattering picture. For example:

- Less than 10 percent of strategies are effectively executed. (Fortune)
- Throughout the 90s, more than two-thirds of companies had targets that exceeded 9 percent real growth. Yet less than 1 company in 10 had achieved this goal. (Bain)
- "In the majority of cases—we estimate 70 percent—the real problem isn't bad strategy…It's bad execution."(Bossidy & Charan)

Luckily, this was not the picture painted in Dallas at the Roundtable. More than 25 finance executives from companies including 7-Eleven, Crescent Real Estate, and Neiman Marcus met at the Hotel Crescent Court to discuss new approaches to managing strategy and how, from their positions in the Office of Finance, they could deliver greater value to their organizations.

This event was another in a continuing series of Innovation Roundtables sponsored by the IBM Cognos® Innovation Center for Performance Management™ (CICPM)[1]. Previous Roundtables had focused on the limitations of budgeting and spreadsheets in managing complexity; alternatives to budgeting such as driver-based planning; increasing visibility and agility in Finance, and strategies to manage cultural change.[2]

At this event, the discussion encouraged participants to consider a key question—how does a company cross the performance gap? What systems and structures must a company change? What new information does Finance need to achieve results that exceed those possible through simple continuous improvement?

To lead the discussion the CICPM had assembled an experienced cast of presenters who have helped theirs or other companies answer these questions. From the Balanced Scorecard Collaborative (BSCoL), Executive Vice President Michael Contrada; from Best Buy, Planning Administrator Jean Nitchals; and from the Sonax Group, author, consultant, and CICPM advisor David Axson. Each addressed specific aspects involved in managing strategy to cross the performance gap.

Changing the system: the balanced scorecard

Michael Contrada set the stage by outlining the performance management challenges common to most companies. Performance management is centered on strategy, he said. But implementing a system that enables it is difficult. The entire organization must be engaged in making strategy happen. Yet there many barriers:

- Communication—only 5 percent of the average workforce understands the strategy.
- Management—only 40 percent of organizations link budget targets to strategic goals.
- Measurement—only 15 percent of executive teams discuss strategy for more than an hour each month.
- Alignment—only 25 percent of managers have performance incentives linked to strategy.

In addition, companies are dealing with a "management maze" of uncoordinated processes, asynchronous review cycles, organizational silos, inconsistent definitions, and a chronic lack of accountability.

> *"The value proposition should communicate what the company expects to do for its customers better or differently than its competitors."*
>
> *Robert S. Kaplan and David P. Norton*
> *Strategy Maps*

These, said Contrada, create overlapping problems:

1. People think managing the budget is managing the strategy. It's not.

2. Even if people wanted to manage strategy, they couldn't because the information isn't there.

3. Even if they have the right information, it's not linked to the strategy or there are no common definitions of goals and targets.

At this point it's important to note that these are internal problems. Combine them with external pressures like Sarbanes-Oxley and fierce competition, and the need for a company to change its performance management system becomes that much greater.

Strategy Execution is a Discipline with Core Principles

Luckily, each of these problems can be solved. Managing strategy is not a mystery, said Contrada. It's simply a question of discipline. There are tools to communicate goals. Frameworks to measure performance. And core management processes to master. These, he said, are the five principles of the Strategy-Focused Organization:

1. Mobilize change through executive leadership.

2. Translate strategy into operational terms.

3. Align the organization to the strategy.

4. Make strategy everyone's job.

5. Make strategy execution a continual process.

Contrada drew from Balanced Scorecard Collaborative case studies to illustrate how the Balanced Scorecard, in conjunction with integrated performance management practices including driver-based planning, can enable each principle and help companies cross the gap.

Mobilize Change Through Executive Leadership (Vision & Ownership)

Leaders must identify opportunities and set stretch targets. They must also clearly describe the current situation. In between these two lies the performance gap, and another critical leadership role: rallying the organization to identify the processes, systems, and skills that must be built, changed, or improved.

Once these have been identified, said Contrada, a company can build a strategy map to communicate the strategy and build plans or initiatives to make the changes happen. Leaders use strategy maps to mobilize and sustain change. In using them, leaders achieve four goals:

1. Ensure executive consensus and accountability by eliminating ambiguity and clarifying responsibility for specific aspects of performance.

2. Educate and communicate the workforce about the strategy.

3. Create alignment by linking each part of the organization and each individual to strategic goals.

4. Promote transparency for all stakeholders.

Strategy maps also help companies clarify their customer strategy. Creating a sustainable differentiated value proposition – the Customer Perspective – is the heart of strategy, said Contrada. A company that competes on price (Wal-Mart, for example) needs to optimize different processes and build different strategy maps than a company that competes on quality, like Sony.

Contrada cited Exxon Mobil, whose use of strategy maps clarified a poorly defined customer strategy and drove accountability and alignment though its entire workforce.

> *"If the employees who are closest to customers and who operate processes that create value are unaware of the strategy, they surely cannot help the organization implement it effectively."*
>
> *Robert S. Kaplan and David P. Norton*
> *The Office of Strategy Management*
> *Harvard Business Review*

Leveraging Key Differentiators

Though its main product – gasoline – is a commodity, Exxon Mobil had discovered that people would drive farther and pay more for fill-up experiences they valued, such as speedy purchases, helpful employees, and clean restrooms. Delivering on these differentiators became the core of the customer perspective in the Exxon Mobil strategy map and the company initiated new projects to leverage them. For customers, the company created a "speedpass" that let them pay at the pump quickly via a token connected to their credit card. For station owners, the company introduced non-gas products such as food and drinks that provided added incentive to drivers and brought new revenue streams to each station. Even the transport truck drivers were educated on the importance of clean restrooms. To ensure a high rate of customer service, the company educated its dealers on business skills and dispatched "mystery shoppers" who reported on their experiences at different stations. Performance against targets in each of these areas was measured using Scorecards.

These and other alignment initiatives delivered tremendous results: return on capital increased from 6 to 16 percent; the company saw a billion-dollar swing in cash flow, and moved from last to first in profitability. It also showed continuous improvement in customer service for three consecutive years. Clearly, Exxon Mobil had crossed the gap.

Translate Strategy into Operational Terms (Corporate and Business Unit Scorecards)

With so many moving parts in the typical organization, all departments have a responsibility to understand the cause-and-effect relationships among core processes. At Southwest Airlines (SWA) for example, the stretch goal was to increase profits by having more people fly in fewer planes. This would increase revenue per seat and lower lease costs. Success depended on improving operational efficiencies. Specifically, reducing the time that the planes were on the ground. This necessitated a highly skilled and aligned ground crew.

The SWA strategy map reflected all of these new requirements. For example: within the Customer Perspective was the goal of being number 1 in on-time flights and having the lowest prices. Internal targets included a maximum on-ground time of 30 minutes and on-time departures (as measured by FAA data) 90 percent of the time. To enable its employees to deliver on these goals, Southwest undertook aggressive training programs for its ground crews with targets over one, three, and five years. By year five, 100 percent of the airline's ground crews were to be trained to meet these new targets. Again, Scorecards were used to monitor performance.

Southwest, too, crossed the performance gap. Southwest's leadership clearly identified the opportunity, quantified the stretch goals and created the processes that helped employees deliver.

Align Organization to the Strategy (Shared Service & Functional Scorecards)

Strategy must be connected to the people responsible for making it happen. Otherwise, it's simply an intellectual exercise. This applies whether the company has a centralized management structure or global affiliates and worldwide subsidiaries. This is where cascading Scorecards come into play. A cascading Scorecard makes strategy relevant for the employees beyond the executive tower. Goals are calibrated to ensure that decisions and performance within a department or subsidiary support top-level goals. Results, targets, actuals, and other data is configured to roll up into corporate plans.

DuPont Engineered Polymers used a strategy map and cascading Scorecards to clarify roles and accountability. The company cascaded strategic global themes including operational excellence, customer solutions, and innovative business models across a complex matrix organization of global product groups, regional groups, and global support functions. At each level, Scorecards clearly outlined roles and responsibilities: Global management was to explain the business strategy to the regions and provide direction to regional business teams. Regional management was to adapt the global themes to each region. Functional groups were to establish objectives for functional excellence.

DuPont's corporate leadership described the strategic themes in their strategy map and Scorecards as the "glue" of their organization—the shared "DNA"—that helped the entire organization work together.

Make Strategy Everyone's Job (Communication, Competency, & Compensation)

Leadership can't keep the strategy a secret, said Contrada. Employees must understand how their respective roles and responsibilities fit into and support the corporate strategy. A Strategy-Focused Organization can achieve this goal in two ways: a top-down bridging process to share and communicate strategy; and a bottom-up engagement process that helps employees internalize it. The first, said Contrada, builds employee buy-in to the company mission. The second helps employees make the connection between their individual performance and their compensation. By doing both, companies can break through the communication barrier that contributes to so many failed strategies.

HR processes are essential to driving the change program and transformation that leaders must set in motion, said Contrada. Hilton Hotels is an excellent example of how a company can put all the pieces together.

For Hilton Hotels to cross its performance gap, every property established a process that links individual goals to strategic targets. Hilton's HR department strengthens these links through ongoing communication programs, town halls, and incentive plans that stress the importance of individual performance and its impact on that of the property. Employees who improve their own skills and exceed expectations know they are improving the performance of the property overall. Efforts to improve performance at one hotel improve performance across the chain, Contrada explained, because properties that achieve 100 percent of their goals share in a million-dollar prize.

Make Strategy a Continual Process (Rolling Financial Forecasts & Initiative Management)

Putting strategy maps and Scorecards in place can bring a company close to crossing the gap. But without continual monitoring and testing, even the best-built system will fail to deliver.

"The essence of strategy today is that you don't know if it will work," says Dr. David Norton, co-creator of the Balanced Scorecard, in a recent article on performance management.[3] "Strategy is a theory that you need to test and adapt continually. A good performance measurement system should define the assumptions on which the strategy is based. It should then measure these variables continually, testing whether the assumptions were valid and adapting them as required."

Clearly, these discussions need more time than the one hour per month that most executives currently give to strategy. Management meetings need to focus on strategic learning and operational control, said Contrada.

By focusing on strategic learning, leaders can answer these important questions:

- Are the data consistent with our strategic hypotheses?
- Has the environment changed in a fundamental way?
- Have new strategic options emerged?

A focus on operational control helps leaders questions like these:

- Why did we miss the target?
- What correcting actions should we consider?
- Are initiatives on schedule?
- Do you need more resources?
- Would a multi-functional task force help?

Management must not only answer these questions, said Contrada. They must integrate the answers into the strategy to update assumptions, plans, and targets, then communicate those changes through strategy maps and Scorecards, and start the cycle again. This, he said, is the way to connect strategy, performance management, and operations.

This is precisely the role of the Office of Strategy Management.

Changing the structure: office of strategy management

The Office of Strategy Management (OSM) is an emerging best practice that helps companies not only live the five principles of the Strategy-Focused Organization, but make the vital connection between strategy and planning. An OSM is also a way for companies to addresses a chronic problem outlined by David Axson and fellow CICPM advisor Greg Hackett: companies may manage pockets of the strategy, but no one person or team is responsible for managing its entirety.

An OSM brings together all strategy-related activities into a single functional unit. Early adopter Daimler Chrysler took this approach in the mid 1990s in an attempt to end a dry spell brought on by rising costs, encroaching imports, and a projected $5 billion deficit for 2001.

Daimler Chrysler was already operating with a Balanced Scorecard. Where the company broke new ground, observe Kaplan and Norton,[4] was in the role assumed by the strategy group. Under vice president of business strategy Bill Russo, this group took the lead in preparing Scorecard-related materials to communicate the strategy to more than 90,000 employees. Russo briefed CEO Dieter Zetsche before each management meeting about issues that the Scorecard had revealed and that required his attention. He also followed up after each meeting to ensure that required items were communicated and acted on.

OSM Roles and Responsibilities

Executing strategy usually involves making changes that only a CEO can empower, write Kaplan and Norton.[5] And the OSM will be most effective when it has direct access to the CEO. The simplest solution, they write, is to place the OSM on par with major functions that report directly to the CEO. The OSM can serve as the CEO's chief of staff, with member groups and individuals all having defined roles and responsibilities.

At Daimler Chrysler, for example, the increased responsibilities brought on by Russo's proactive involvement in agenda-setting and follow-up led to the strategy function expanding to include many new cross-functional strategy execution processes and a unit that currently includes 13 people. Not only does this team manage the company strategy; it assists the business units in developing new products.

As a starting point, Contrada outlined nine roles and responsibilities for an OSM:

Core Roles

These roles are key to setting global strategy and must be run by the OSM:

1. Scorecard Management – to design and report on Balanced Scorecard measures.
2. Organizational Alignment – to ensure all businesses and support units are aligned with strategy.
3. Strategy Reviews – to shape the agenda for management reviews and strategic learning meetings.

Desirable Roles

These roles help operationalize the strategy and should be owned by the OSM:

1. Strategic Development – to help the CEO and executive team create and adopt the strategy.
2. Strategy Communication – to educate employees about strategy.
3. Initiative and Process Management – to identify and oversee new initiatives to help meet stretch targets.

Integrative Roles

These roles affect functional managers in HR, IT, sales, and marketing. OSM should identify a specific owner in each.

1. Planning/Budgeting – to link Financial, HR, IT, and marketing to strategy.
2. Workforce Alignment – to ensure all employee goals, incentives, and development plans link to strategy.
3. Best Practice Sharing – facilitate a process to identify and share best practices.

What is the result of all this effort? Daimler Chrysler crossed the performance gap. In a recent year, despite a weak domestic car market, Chrysler generated $1.2 billion in earnings and launched a series of exciting new cars.[6]

An OSM can also function in not-for-profit and public sector organizations. Both Canadian Blood Services and the U.S. Army have implemented an OSM and in each case it has helped these organizations create, communicate, and manage strategy more effectively.[7]

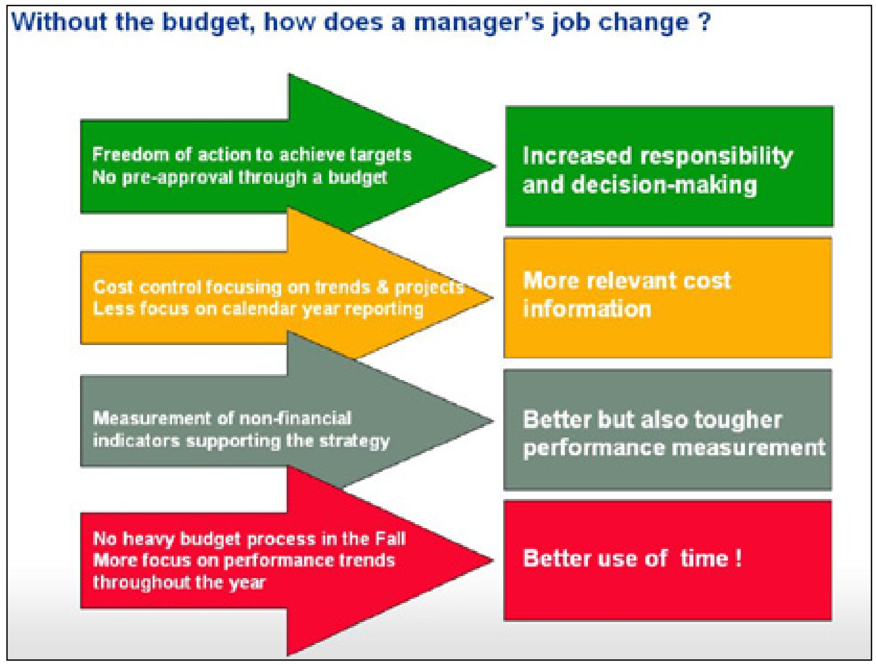
Integrating strategy management and enterprise planning

With a Balanced Scorecard and OSM in place, the second step toward crossing the gap is to replace traditional budgeting with a more responsive driver-based planning process. This, said Contrada, was the approach taken by European specialty chemicals producer Borealis.

Working in a volatile industry where price swings in raw materials are common, Borealis realized its budgets were useless as soon as they were completed. The key to change, said Contrada, was not to simply to make the budgeting process more efficient. The real goal was to find more effective ways to accomplish the same set of purposes.

Borealis replaced its budgets with a performance management system driven by a Balanced Scorecard and driver-based planning. This, said Contrada, improved their ability to forecast and analyze performance. By moving beyond budgets, Borealis was also able to achieve other dramatic improvements, namely:

- Increased responsiveness and decision-making – managers had more freedom in the way they achieved their targets.
- More relevant cost information – driver-based plans changed the focus from calendar dates to trends and projects.
- Better, tougher performance measurement – based on financial and non-financial measures that supported strategy.
- Better use of time – and end to “racking and stacking” numbers and an increased focus on trends.



At no point, said Contrada, did the business "come to a halt" while the company was making this transition. Rather, it crossed the gap.

The stage was set for the first-hand insights from the front lines of performance management, a key feature of Innovation Roundtables.

Up to the microphone stepped Jean Nitchals, Planning Administrator at Best Buy.

Changing the conversation: performance management at Best Buy

The U.S. market leader in consumer electronics, Best Buy is a fast-moving company in a fast-moving industry. Luckily, its Finance department has built a performance management system that keeps everyone across their vast enterprise up to speed.

"Best Buy is a very dynamic organization," said Nitchals. "What I think I need to do on any given day could change the minute I walk in the door. Things are moving all the time."

> *"Many projects list criteria for success. but how many define criteria for abandonment or failure?"*
>
> *~ David Axson*

Constant change comes as often from outside the company as it does from within. On the outside, Best Buy attracts a broad range of customers, from tech-savvy early adopters to people looking for a lowly AA battery. Manufacturers are continually introducing new models. And competition from stores like Wal-Mart and Target is fierce. On the inside, a core focus on rapid-fire decisions and agile operations delivers a constant flow of people, ideas, and information—and Best Buy's competitive advantage.

The Best Buy way to manage strategy

The performance management system described by Nitchals uses many of the best practices outlined by Michael Contrada and advocated by David Axson.

Strong Executive Leadership

Best Buy's leadership clearly communicates strategy and its performance gap. High store performance, increased market share, and expanding from 837 stores to more than 1,000 are strategic goals. "Best Buy is all about transformation," said Nitchals. "We want everyone to be passionate." A focus on commission-based volume selling has given way to in-store boutiques known as Magnolia, in which highly professional technology design consultants display the latest high-end home electronics. Future plans call for multi-channel strategies involving online sales, direct resellers, and in-home service.

Balanced Scorecards to Manage the Strategy

Though Best Buy ranks among the Fortune 100, it's well aware of declining corporate life spans, said Nitchals. "The only way that we can stay around is try to be resilient and adjust our strategy as we go." One way to stay resilient is to encourage an entrepreneurial spirit at the store level. To support this, Best Buy implemented a Balanced Scorecard.

A six-month collaborative process yielded four priority areas: financial performance, customer performance, operating performance, and human capital. Cascading Scorecards were distributed to more than 200 senior executives and key Finance personnel. Targets were based on annual plan requirements and management opinion. The company assigned owners for each indicator and provided monthly reporting against them.

Driver-based Planning to Engage the Company

Once a numbers-driven support function, Best Buy's Finance department is now a passionate agent of change within corporate functions and a business partner to store owners. "We're built on an owner/operator model," said Nitchals. "This demands that Finance be an activist."

Best Buy makes extensive use of a fully integrated planning system. Budgeting—once a top-down, enterprise-wide process—is now a mix of centralized and decentralized processes. Store managers now have direct input into corporate planning and the flexibility to identify and seize new opportunities in their respective areas. Finance provides the support tools and training to bridge the gaps.

Nitchals spends many of her days working directly with store owners and functional managers to help them transform new ideas into workable plans and Scorecards. Finance also plays a key role in educating store owners about core business concepts such as profitability, economic value added (EVA), and ROIC.

Change the Conversation

Nitchals focuses on finding new ways to collaborate, and share and leverage information. "We have 837 stores. We don't want to send out 837 spreadsheets that tell mangers how they're going to run their business," she said. "We want to ask them questions."

To improve supply chain effectiveness, for example, Nitchals engaged in discussions with internal and external call center directors, transportation teams, and other groups. Before the meeting, the group had relied on 30 different spreadsheets to keep the Usher CDs and plasma TVs moving. Afterwards, Nitchals said, she left the meeting with a single, workable financial model that each group could agree on and use. "I walked out of that room understanding their drivers better," said Nitchals. "And they wanted to work with me."

Best Buy Finance also drives more focused conversations about what's really important to performance. "We had people focusing on their cell phone expenses, even though the average monthly costs never changed," said Nitchals. "We're really trying to make sure people clearly understand where the value is."

To do that, Nitchals is helping store owners build models that show the real costs of their operations. Rather than focus on inventory costs, store owners will see the entire cost of shipping a plasma TV, from the time it's ordered to the time the customer turns it on in their home. Rather than focusing on having the biggest billboards, she's helping marketing managers identify the best way to align marketing spend with strategic goals.

Finance function evolution

Skill dimension	Support	Advocate	Partner
Functional Expertise	Data provider Historical focus	Strong business planning function	Fully integrated planning Performance management
Industry Knowledge	Limited knowledge	Understand business objectives, strategies, and key trends	Helps set business objectives and strategies
Business Skills	Functional skills	Consulting Teamwork Influencing others	Strategic thinking Decision-making
Relationships	Factual information No influence	Supportive and evaluative	Co-Owner of results Coaching Facilitation
Leadership	Demonstrates personal mastery	Builds teamwork Anticipates opportunities	Creates a shared vision Achieves competitive advantage

Challenges and lessons learned

There remains much to do, said Nitchals. And the process hasn't always been easy. Finance must deal with many of the barriers common to implementing a Balanced Scorecard outlined by Michael Contrada.

Competing priorities for leaders' time and attention: strategy demands constant attention. It's easy to get distracted.

Determining key metrics, targets and alignment with key strategies: metrics must be meaningful and aligned with strategy. Otherwise they direct efforts away from what matters.

User understanding of metrics: people need to know what the terms and targets mean.

Keeping metrics fresh and actionable: a fast-moving business will fail if its performance management system can't keep up.

Developing tools to allow users to actively interact with metrics: rapid-fire decision-making relies on self-service and instant information.

Changing the information: David Axson and the digital manager

"The great day—when all the information for solving a management problem is only a push button away—is closer than you think."

BusinessWeek made that prediction in 1963. In the day's final presentation, David Axson illustrated why Finance and IT continue to struggle. He also pointed the way forward.

Over the years IT has been a mixed blessing for Finance, said Axson. Among the positives have been faster and cheaper transaction processing, rapid innovation cycles, and a rich stream of data about customers, markets, and products.

Unfortunately, these work equally well as negatives. Finance tends to focus on transactions at the expense of watching for encroaching competitors or emerging trends.[8] Rapid innovation cycles make IT infrastructures more complex. And without a performance management system that provides visibility into performance and control over resources, that rich stream of customer data either goes untapped or simply overwhelms. None of these helps a CFO cross the performance gap. The BusinessWeek promise of digital management, Axson observed, remains unfulfilled.

What is digital management?

Digital Management is a "technology-enabled performance management environment," said Axson, in which dynamic forecasting becomes the central process. Digital Management provides four key performance management capabilities to the Office of Finance:

1. Intelligent Information: It's not enough for a CFO to know there's a volume variance of 12 percent or that yield variance is down by 14 percent. A performance management system must connect the "what" to the "why," because it's knowing why the variance happened that determines the solution.

2. Risk-based Analytics that not only tell the CFO that something is happening, but also whether it's important, its impact on performance, and the consequences of ignoring it.

3. Virtual Collaboration: Finance can eliminate surprises and increase alignment by sharing plans, forecasts, results, and driver information with employees and stakeholders across the value chain.

4. Dynamic Forecasts: Finance needs to match its forecast accuracy with the desire for detail. There's no point in forecasting single-point estimates for the impact of changing demographics. Not only is it a waste of time, it can lead to people making bad decisions now with long-term repercussions.

Each of these capabilities, said Axson, are necessary to manage the complexities of business in the 21st century. So why do so few CFOs possess them?

> *"Do any of you believe you have a less volatile and less competitive business than five years ago? Do any of you have the luxury of more time to make decisions?"*
>
> *David Axson*

Key Aspects of Digital Management

Digital Management is a fully realized deployment of strategy management, business intelligence, and driver-based planning. Key aspects include:

- Automation of all standard reporting.
- Automatic trend and exception-based reporting based upon real-time flow of business activity.
- Personalization of information delivery based upon user and situation.
- Direct access to relevant contextual information to support decision-making.
- Integrated and automated analytical tools relevant to the information delivered.
- Total assurance of data quality.

Digital management requires a fundamental shift in finance

"We used to blame IT. We can't do that any more."

First, the good news. The rapid IT innovation cycles have finally eliminated many of the technological barriers that prevented Finance from having both the visibility into performance and control over the levers that drive it. Through business intelligence, IT can now provide visibility into every aspect of corporate performance at any level of detail. Through driver-based planning, Finance can engage more of the organization in building plans around the key business drivers, and change them quickly in response to changing trends or emerging opportunities.

In the past, said Axson, Finance and IT often engaged in a war of attrition around requirements definitions and delivery. Now, those discussions can focus on empowering each organization to support strategic goals. "That's a very liberating situation to find ourselves in."

Of the barriers that remain, most are cultural. Overcoming them means changing habits, beliefs, and processes. Finance, and the CFO in particular, has a key role to play in making this happen.

One of the most important habits to break, said Axson, is the over-reliance on spreadsheets, which were as effective at boosting personal productivity as they were at destroying dialogue about what is happening with the business. “Dialogue, debate, and discovery are lost skills. Spreadsheets have become an impediment to our ability to move quickly and make fast decisions.”

Formerly head of corporate planning at Bank of America, Axson had seen this problem firsthand. “We had 70 billion in assets and 110,000 employees. But we never spent any time talking to each other,” he recalled. “Our whole week was consumed with data assimilation, validation, verification, formatting, and report creation. The only dialogue we had was when the CFO or CEO asked tough questions. And we usually said it would take a few days to get back to him.”

To remedy the problem, one of Axson’s first moves was to implement daily one-hour meetings of his team to discuss performance—without the aid of their spreadsheets.

Digital management components, guiding principles, and technology

Embracing Digital Management sounds ambitious. And it is. It can also sound complex, which it isn’t. Much like the Balanced Scorecard, it’s simply a question of discipline, said Axson. The necessary components, principles, and technology are as follows:

	Transact	Account	Structure	Synthesize	Use
Components	• Base data	• Clean data	• Available data	• Tools	• Insight
Guiding Principles	• Internal and External perspectives	• By financial account • By time period	• By decision • By responsibility	• Filter • Aggregate • Relate • Extract	• Digest • Assess • Act
Best-in-Class Technology	• Integrated • Automated	• Close • Report • Comply	• Optimized for Speed	• Filter • Aggregate • Relate • Extract	• Digest • Assess • Act
	Best-in-Class ERP		**Best-in-Class Performance Management**		

> *"The way we plan and budget is mismatched with what's important in our business. We need to structure our data by the types of decisions we're making. These rarely match to a single cost center or line item."*
>
> *David Axson*

Over the past 15 years, Finance has focused most of its efforts on the transacting and accounting functions as a way to cut costs, said Axson. But the real value lies in synthesizing information and using it as part of the strategic learning process outlined by Contrada. "We're looking for relationships between information. But we tend to structure our data by an accounting architecture of cost centers and line items."

Much of the power of Digital Management lies in synthesizing information from disparate sources. This helps Finance eliminate the disconnect between the way data is stored and the way people need it to make decisions. The good news is that this technology is available today. What's needed is a CFO with the vision to make the changes happen.

Axson left the audience with simple question—one that revealed the potential of Digital Management—and the importance of adopting its principles now:

"Most companies have a line item for rent. Very few have one for keeping their best customers happy. Does that mean it's not important to your business?"

The CFO must help her company cross the performance gap. Through the ideas and energy of the Innovation Roundtables, making that leap is now more possible than ever.

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

Request a call

To request a call or to ask a question, go to www.ibm.com/cognos/contactus. An IBM Cognos representative will respond to your enquiry within two business days.

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

Produced in Canada
May 2009

Endnotes

1 Cognos, now part of IBM, established the CICPM to advance the understanding of proven planning and performance management techniques, technologies, and practices. Staffed by experts in planning, management, and technology, the Center partners with Cognos customers, academics, industry leaders, and others seeking to accelerate adoption, reduce risk, and maximize the impact of technology-enabled performance management practices.

2 You can download proceedings from previous Roundtables at www.cognos.com/innovationcenter.

3 Solving the Performance Challenge. CFO Special Advertising Supplement.

4 Robert S. Kaplan and David P. Norton, The Office of Strategy Management, Harvard Business Review.

5 ibid

6 ibid

7 ibid

8 See the related paper, Shifting Sands: Focusing Finance in the 21st Century, by David Axson and Greg Hackett, published by the Cognos Innovation Center for Performance Management.

IBM Cognos
Innovation Center
for Performance Management

IML14076CAEN