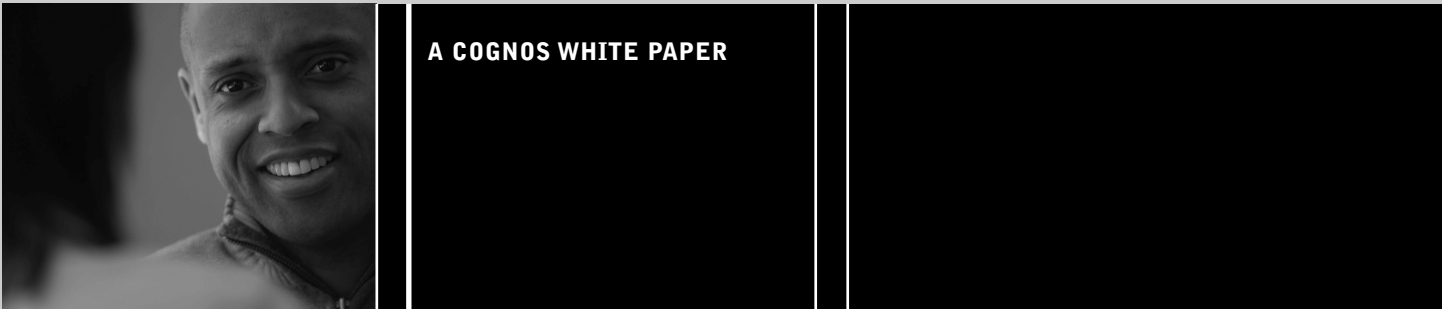


Performance Management Spells “RELIEF”



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Introduction

Business performance management is all about aligning strategy with resources and execution to generate optimal results. It's not a particularly new concept: The goal of maximizing performance has always been a hallmark of the most successful businesses. New however, are the powerful tools now available to help companies ensure financial and operational effectiveness.

Information technology has made it possible for executives to gain unprecedented insight into business performance in near real time. This on-demand ability to “take the temperature” of any aspect of your business, and to model possible outcomes of a business decision means that executives can respond to conditions more quickly and more effectively. Better information fuels better decisions, which lead to better execution and, ultimately, better business performance. Whether your business is small, large, or in-between, a strategic approach to performance management, fueled by cutting-edge technology, can empower you and your company’s executives with the information needed to make better decisions. In the following pages, we’ll take a look at a number of trends are steering global adoption of performance management as standard operating procedure.

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New demands on finance managers and analysts

Just as spreadsheets changed the nature of “number-crunching,” the demand for always-accessible information is drastically changing the role of financial managers. No longer is the spreadsheet just the domain of the finance department. From line-of-business managers to executives, people throughout the company need to view, understand, and manipulate raw business data. As more team members touch the information, financial managers need to change the tools with which they work.

While spreadsheets are useful for presentation information, they do not always offer the depth and breadth needed for a full understanding of the data. The burden falls on financial managers: If not spreadsheets, what tools *can* you use to facilitate planning, budgeting, and analysis across the organization? Here is where performance management carries the day. By integrating a back-end analytics solution with operational information, stakeholders across the enterprise can understand the data, then plan, analyze, and adapt, with the end-result of optimal business performance.

For example, a large hospice company has a complex system for number-crunching, performing *what-if* analyses, scenario planning for start-up sites, labor management, and drug formularies. Rather than “hard-code” custom reports for each LOB executive, the company is using a performance management system that puts easy-to-use analysis tools in the hands of executives. This means they can access the information they need faster, in a format they understand, so they can make better and more timely business decisions.

The need for more information, more quickly

Over the past few years, many companies have turned to transactional systems like ERP or G/L solutions to gain insight into their business performance. Transactional systems — whether turnkey or homegrown — can provide information on everything from customer purchasing and satisfaction trends to product development cycles. The goal is to gain an understanding of how your business behaves, what its strengths are, and what it needs to improve. All things needed for a smart business, right? The challenge here is that transactional systems only offer you a historical view of your business. By the time the information is compiled and analyzed, it's likely out of date. Thus, you are managing your business based on events and conditions that have long since changed. This may have been acceptable a decade ago, but today companies need to make decisions based on near real-time information so they can plan more accurately and react more quickly to changing conditions. This raises some significant questions.

- How can you evolve your transactional system to support today's real-time needs?
- And once you do, how do you change your planning so it is based on monthly operational, revenue, and expense data, rather than quarterly?
- Are you and your team prepared to act on new information on a daily basis? After all, information in the absence of action adds up to nothing.

Consider the case of a cellular phone company. This is a business notorious for poor customer retention, as customers frequently switch carriers and plans. Furthermore, the more successful a cellular provider becomes, the more difficult it is to analyze on a daily basis the call data reports for millions of subscribers. A performance management system solution can help eliminate “growing pains” by providing real-time information on customer usage data, so the company can anticipate trends before they happen. Decisions can be made on a daily basis, rather than quarterly, when the trends are already well under way and it is too late to take advantage of them.

A BPM Solution can help eliminate “growing pains” by providing real-time information on customer usage data, so the company can anticipate trends before they happen.

Accountability

As the adage goes, “Ignorance is no excuse for the law.” Whether your executives say it explicitly or implicitly, they do not want to be the next Ken Lay or Bernard Ebbers. Now that executives — and board members — can be held criminally responsible for accounting “inaccuracies,” they are demanding more control over their companies' finances. In order to control the finances, however, they need to understand them. To make changes quickly — and prevent small problems from becoming extremely large (and public) ones — executives need to see more numbers, in more detail, more often.

These demands are falling on you and your team. Whenever an executive needs financial information, your team has to drop what they're doing and run the reports. Wouldn't it be better if there were systems and processes in place so the executives could access this information themselves? This is exactly what today's performance management solutions can do. They put powerful planning, analysis, and business intelligence tools and process tools in your hands, while providing a simple way for “non-power users” to access critical business performance data in a user-friendly way.

Such advanced analytical capabilities not only let you do your job better, they radically reduce the number of interruptions you experience in a typical week. Imagine that you're a senior financial analyst with a worldwide airline. One of your jobs is to collect data and draft content for the executive team. Whether reports are weekly or monthly, the volume of data — from customer information, to scheduling and cargo details — is immense. Add to this the fact that you need to process reports based on differing user requests, and that speed is critical due to the volatile nature of the airline industry, and the job becomes enormous. By implementing a modern performance management solution, this type of analysis and reporting can be done in a matter of days, not weeks. More importantly, your executives can make decisions based on up-to-date information that is still relevant to the current business climate. The result: a far more nimble organization that can anticipate trends before they happen, and take the appropriate action.

Post-bubble blues

With consumer confidence continually in flux, nearly all businesses are suffering the effects of an uncertain economy. The trends of the late 1990s — astronomical expenses, unbelievable company perks, and a focus on stock value over profits — are long gone, and today's businesses are reeling under the effects of this bubble hangover.

Whether you are a global business impacted by international instability or a local resort suffering declining revenue due to bad weather, chances are very strong that events outside of your control are seriously affecting your ability to be profitable, successful, and competitive. For example, a hotel chain might want to use a performance management solution to understand — and adapt to — external market forces. Through the use of the solution, they can get a daily view of all operational data — including room occupancies by property, geography and other criteria — and financial information, right down to revenue and expenses by restaurant by property. The hotel business in general is significantly impacted by events completely beyond its control. According to a study by PricewaterhouseCoopers, hotel occupancies decrease by 3.5% each time the US Office of Homeland Security issues a terrorism alert. Since this particular hotel chain makes daily financial and operational information accessible to key executives over a secure intranet, it can react more quickly to these types of events and minimize their impact. Executives can gain an on-demand

understanding of how current occupancy rates compare to historical averages, and proactively combat any decreases through marketing promotions and other activities. Or, if there appears to be more a pronounced decrease in business, they can make appropriate staffing changes to control expenses. Likewise, if they see unusual upticks in business, they can staff up locations so each property can handle the increase in business without compromising customer service levels.

Is your business nimble enough to adapt to external forces before they impact the bottom line? If not, then it would be a good idea to start evaluating performance management solutions that can enable this type of business agility.

Performance management spells “RELIEF”

A financial analyst's job in today's market is incredibly demanding. Executives want more information faster than ever before. Decades-old tools for financial analysis simply cannot meet the need. Thus, it would be a mistake to dismiss performance management as just another business fad. In reality, when you consider the ever-increasing demands of your job, the benefits of a performance management solution are compelling. You can put more information, and more timely information, in the hands of key executives, while simultaneously saving yourself an enormous amount of time and effort. Just as the spreadsheet improved the life of a financial analyst 20 years ago, performance management solutions are having a similar impact today.

In reality, when you consider the new demands on your job, the benefits of BPM are compelling. You can put more information, and more timely information, in the hands of key executives, while simultaneously saving yourself an enormous amount of time and effort.

About Cognos, an IBM company

Cognos, an IBM company, is the world leader in business intelligence and performance management solutions. It provides world-class enterprise planning and BI software and services to help companies plan, understand and

manage financial and operational performance. Cognos was acquired by IBM in February 2008. For more information, visit <http://www.cognos.com>.

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