

Chris Ilacqua: Welcome and thank you for joining me. My name is Chris Ilacqua, a member of the financial performance management product marketing team and for the next 45 minutes or so, I will be reviewing some of the key capabilities of enterprise planning solutions powered by Cognos 8. Our approach will be to review these capabilities in the context of the challenging business environment we all operate in and do a deeper dive in the planning analysis agenda that you saw in the FPM overview session earlier. This deeper dive will link the current business challenges to how our enterprise planning solutions help meet organization goals more than ever. So, with that, let's get started. Our agenda will start with the review of the challenges faced by both finance and IT professionals in our current business environment. This will provide a context for reviewing IBM Cognos financial performance management product portfolio. Within that portfolio, there are a number of components that can meet the diverse requirements of your planning and analysis needs. This will be followed with a short demo and summary. So, let's begin with the challenges of finance and information technology professionals. There are two converging trends that are driving the interest in financial performance management now. The increased pressures of regulatory and compliance has exposed process and capability gaps. That must be addressed to ensure timely, complete, and accurate reporting to external stake holders. It is also essential to drive business optimization to stay ahead of changing external marketing realities and competitive dynamics and *insatiable[Phonetic]* investors ensuring the highest levels of predictable operational and financial performance. Financial professionals need to inform, engage, and align the business user community in performance management processes to drive better business outcomes. IT professionals are required to empower the business users while cost effectively meeting requirements for performance, conformance, scalability, and compliance, but the status quo is found in the office of finance. Under intense compliance and performance pressures, the dimensions of that mandate is optional. Excellence is expected around both and the tools that finance relies on mostly spreadsheet only systems have proven difficult to deploy collaborative and analytical processes. Disparate financial systems often limit accessibility of data and make one version of decision making truth elusive. Business risks abound. These risks put financial systems and processes to the test. Plans and forecasts are unreliable. Analysis to drive growth and profits is sparse and response to business challenges is slow. These are tough odds, but the profession, the function of finance is resilient as we see. The finance function is leading customers stepping up to the challenge. Nearly 70% of financial execs surveyed anticipate serving as the performance management expert for the rest of the company. As we know from our friends at Hackett who serve as thought leaders, *advisories[Phonetic]* to our very own innovation center for the performance management, that the rewards for doing performance management well are considerable. Done well performance management means outperforming peers by a 2.4% and when we look still harder, we find that delivering core performance is more reliable and inextricably linked with senior finance executives achieving the next *[Inaudible]*. Good news for your teams *[Inaudible]* and a fine reward for a job well done, the finance function and our customers are stepping up to this challenge. In the face of these challenges, IBM provides a rich solution set of technologies and best practices, specifically designed for financial professionals to meet these challenges and become the performance management champion within our organization. Let us start with IBM

Cognos performance management platform. Our mission is to help finance drive performance management process excellence and better business outcomes, report with confidence, accelerate alignment of resources with opportunity. To facilitate this process, IBM has created a performance management platform to meet the specific requirements of finance and in our case in this session, enterprise planning and analysis solution. Let us take a look at these components that drive our planning solutions. When we look at the Cognos 8 performance platform through the lens of enterprise planning, there are a number of components that jump out. These include Cognos 8 planning, the high participation planning, TM1 for rich analysis and operational planning, Cognos 8 BI for all forms of analysis and reporting through the enterprise, business viewpoint for massive data management and finally performance blueprints, which help customers establish best practices and planning and analysis. Each of these components share the same information service foundation and provide the broadest planning and analysis capabilities in the market. Now, let's take a look at these components in the context of your solution requirements. Driving performance in turbulent times requires whole companies to assess the performance gaps with enough time to make course corrections that will help and meet the requirements of your organization. It means answering three basic questions. How are you doing, are we off track, why or why am I off track, and what should we be doing? In this session, we will focus primarily on what we should be doing. This is really about how we plan to get where we want to go. How do we get back on track? When people are trying to answer these questions, they are looking for the ability to set new or revise objectives and performance targets for where they want to go and communicate them reliably to course correct when changes occur. It is the process of allocating company resources to wide goals and planning, budgeting, and forecasting. This includes the need to make corrections when things change, we allocate resources, recalibrating performance targets, in most companies, those answers come from thousands of individually managed spreadsheets. Let's take a look at some of these ways that financial department is a catalyst for better business outcomes in these turbulent times. IBM Cognos helps companies struggling with the annual budgeting, quarterly forecasts, and other financial planning processes that take too long and require too much staff effort to update and maintain. The process of reallocating resources in response to changing business conditions is slow and ineffective. When we speak about financial performance management, it really is the alignment driven by finance across the organization to meet the requirements of sales, marketing, customer service, finance, product development, operations, human resources, and IT. Finance plays a key role in aligning these resources, but increasingly enterprise planning demands connected financial and operational planning and performance management processes together in a connected and dynamic planning and forecast *nervous[Phonetic]* system. The best forecasting incorporates the latest beliefs, forecasts and commitments from unit volume forecasts originating from business managers in company *facing[Phonetic]* departments like sales and marketing. These demands forecasts are validated by capacity, production, and inventory plans by business managers in operations and only then is the financial consequence of this top line forecasting process in the hands of finance, they turn bookings into revenue allowing for accounting conventions on revenue recognition and if revenue forecasts is seen as a downtrend, *drift[Phonetic]* versus targets or latest plans, the enterprise may require a recalibration of expense and capital expenditures. The signal

needs to propagate out to the business managers in some, many, maybe all departments to realign with new targets of course workforce plans, investment *funnels[Phonetic]* and initiative plans. The time to align the organization will determine who wins and loses as conditions change material and often in uncertain economic climates, improve visibility, penetrating insights, and complete control. Companies struggle with annual budgeting and forecastings that take too long and require too much effort. Spreadsheet based plans for revenue, expenses, and capital expenditures are disconnected. The roll up of P&L and balance sheet and cash flow projections are error prone and require too much staff effort. Forecasts are infrequent and not linked to the drivers of the business. Topdown financial targets are decoupled from bottom-up plans and so the reconciliation process is difficult. Bottom-up participation is often sparse at best and therefore accountability wanes as the usability of a system overburdens the contributors to the operational planning process. The process of reallocating resource in response to changing business condition is slow and ineffective. The result is in the *inability[Phonetic]* to deliver timely, reliable forecasts and plans that align with operational tactics with the organization's financial targets. Fortunately, IBM Cognos has a rich history of proven leadership in helping companies meet the requirements of both Cognos planning and TM1. Let's take a look at two examples. *IAP[Phonetic]* Worldwide is an excellent example of a customer that is unable to meet the demands of enterprise planning with one of our competitor products. As mentioned earlier, a common problem with spreadsheet *hell[Phonetic]* which left little time for high value analysis, with the use of Cognos TM1, *IAP[Phonetic]* was able to reduce the budgeting process to just six weeks and make project managers more responsive. Now, let's take a look at a Cognos Planning testimony. One of my favorite, The Cheesecake Factory, is an excellent example of customers who derive measurable value from Cognos Planning. As mentioned earlier, a common problem was spreadsheet *hell[Phonetic]*, which left little time for high value analysis. In this case they were using Cognos Planning, The Cheesecake Factory was able to save millions in labor hours and improve company schedule. This resulted in a two million dollar savings. So, let's look at this in the context of enterprise planning values. Enterprise planning solutions from IBM give companies dynamic control over this vital performance driving process. Plans and forecasts dynamically link to corporate P&L, balance sheet, and cash flow projections. Forecasts are refreshed on a quarterly or monthly or even event driven basis. Topdown financial targets are aligned with bottom-up plans with confidence, therefore ensuring financial plans are linked and synched with operational goals beyond finance. Some of the benefits really center around timely, reliable forecasts and plans that align operational tactics with financial targets. In the end, there are better, confident resource allocation and decision making. So, *is that[Phonetic]* we summarize the impact of Cognos Planning solutions on the customer's enterprise processes. It allows you to migrate from limited reach, low speed to high participation, high frequency, move from financial only planning processes to driver base that connect across financial and operations, move from static, long horizon processes to rolling, dynamic horizons and provide from inconsistent data definitions to consistent data definitions across your organization. Again, these processes are owned by finance, *but to[Phonetic]* IT standards. Let's take a quick look at our performance management journey. It starts with automation through the transformation stage of your planning and analysis processes. Step #1 is addressing initial needs. Once that is addressed, we drive

best practices through our technology and process improvement. Once that is done, we can now transform to enterprise wide planning standardization that allow you to link operational and financial planning processes together and then finally the often elusive advanced performance management throughout your organization. Let's take a look at this in a little more detail. Let's start with the automating the planning processes. Step #1, addressing your initial needs, whether that be through expense planning or revenue planning or a whole host of financial and operational planning processes. We start with the ability to analyze your current performance. From there, based on that analysis, we are able to move to a model based approach via planning process, based on the facts that are derived from the analysis process. We build rich models around the future assumptions of your organization. Once that's completed, the ability to now share those assumptions and collaborate across your organization. Let's take a look at each of these capabilities in more detail. First with analysis, when we look at analysis phase of the planning process, it centers on the ability to explore performance gaps. It validates your corporate drivers and assumptions. Based on those drivers and assumptions, we are able to define what if scenarios. What happens if your organization changes? Or your product family makes changes? Or your product *channel[Phonetic]* makes changes. We are able to in real time be able to move and shift those assumptions based on current information, your latest forecasts or history and then validate your go forward planning assumptions. The benefit is the ability to meet dynamic needs of your organization and most importantly provide a fact based approached to your planning processes. Let's now move on to the Cognos 8 modeling capability. A model based approach to planning is the secret ingredient to our ability to meet the diverse needs of planning across your organization. Through our modeling approach that is owned by finance we centralize metadata and data and business rule definitions, extend your ERP investment through certified *connectors built in[Phonetic]* SAPBW and R3 and facilitate the adoption of best practices around driver based planning and rolling forecasts and finally, let's talk about some collaborative capabilities once your model is set and your assumptions are set for the next planning or forecasting cycle. Regardless of which product Cognos 8 planning or TM1, we provide a broad range of user experiences that are only limited by your imagination and requirements. We provide a familiar web and Excel deployment, rich workflow, as we all know the planning process requires not only capturing information, but also knowing what stage of development is that plan in, where our rich workflow allows us to monitor not only the data capture process, who is engaged in the process, who signed off on the appropriate information, but what were the assumptions associated with that workflow and how much *sure[Phonetic]* that information is. We also provide application which allows you to start small and expand enterprise wide and finally it is a component of Cognos 8 performance management platform, which allows you to create rich planning applications around analysis, modeling, collaboration. Some of the benefits of this all result in timeframe and appropriate plans, high participation in data volumes, a wider and deeper view of your organization and increased accuracy. As we all know as financial professionals meeting the dynamic needs of our organization requires more than just technology, but this technology requires context in best practices from leading organizations like yourself. Let's now look at what's new in terms of best practices in our performance management journey. Enterprise planning solutions powered by Cognos 8 encapsulates best practices such as driver based planning, rolling forecasts, timeframe

and appropriate plans, higher participation in data volumes and a wider, deeper view of your organization. This combined with IBM Cognos innovation center provides a forum of leading organizations like yourself to share best practices. One of the outputs of this process are the shared experiences are performance blueprints, which will be reviewed shortly. In an effort to facilitate our customers' best practices, we at IBM, fund research by key thought leaders in our industry. These include David Axson of The Sonax Group, Jeremy Hope of Beyond Budgeting Round Table, and Bryan Hall of The Hackett Group, just to name a few. Now, let's take a deeper look at the performance blueprints that I mentioned earlier. The performance blueprints are a combination of customer experiences and thought leader research into solution templates we call blueprints. These blueprints are free to our customers and include three components, a business value guide that centers around best practices surrounding a particular planning process, for example, expense planning and control. The second asset is a specific model that is built in Cognos 8 that mirrors these practices and finally an application *brief[Phonetic]* that brings the *former[Phonetic]* two documents together, documenting the models and how they meet your requirements. To summarize, blueprints are predefined data process and policy models developed by the Cognos innovation center in conjunction with leading customers. They enable best practices around driver based, high participation, high frequency planning processes and enable rapid time to value, reducing project implementation time and risk. Today, customers benefit for over 12 plus solutions to help them adopt best practices within their organization. They include sales compensation planning, workforce planning, *expense[Phonetic]* planning and control, allocations, capital planning, just to name a few. In this next phase, phase 3, extending enterprise wide, customers start to link pain in other functional areas with the overall financial plans. Sales forecasts need to be improved and linked to revise P&Ls. Head count plans need to be improved and linked to revised plans. Assets or labor intensive projects need to be managed and linked to cash flow, balance sheet, and P&L as well. The solution map helps companies understand how the underlying processes across the enterprise need to be enhanced and linked to the overall financial picture. To facilitate this process, the innovation center in conjunction with our leading customers had developed industry specific blueprints that meet needs of planning processes across five industries. They include manufacturing, public sector, retail, pharmaceutical and life sciences, and banking and financial services. We at IBM realize that to truly meet the demand for enterprise planning across the organization, we need to empower financial professionals to model their assumptions based on current business reality. With the release of Business Viewpoint, planning solutions can manage data definitions and business rules across your organization. This extends our *modern[Phonetic]* capability through the ability to create and maintain metadata across your organization, govern and collaborate on planning definitions that arise from analysis and the ability to share and synchronize planning metadata definitions across your organization, again providing one version of the truth to both analysis, modeling, and collaboration. In the final step, advanced performance management, companies start to link strategy execution with resource allocation processes and the planning process through a consistent reporting, analysis, scorecarding environment. Cognos 8 performance management platform allows to set goals, make plans, measure progress, report across multiple time horizons, eliminate fragmentation, eliminate latency in your organization, provide information you

can rely on through high participation all through reduced costs of ownership and position finance as a business partner. The IBM Cognos 8 performance management platform provides world class financial and management reporting, consolidation, information management across all these solutions, analysis, scorecarding and event management. Now, let's take a look at Cognos 8 enterprise planning solutions in action. Let's start off with an analysis of our current performance through a variance analysis. This was *thought[Phonetic]* as our catalyst for setting new goals, collaborating with our stake holders across the organization, and finally reporting the results to the entire organization. Here we can see we have net profits, we are drilling down to expenses to get a greater view of this where the variance lies. This was all done through an Excel template. Here we can see a variance, but I want to be able to change and look at more interesting information. See I am taking a look at a new view, I am reformatting this variance report; again, you can see this is all done with an Excel and I am able to now publish this through the web, again, all through a financial *[Inaudible]*. This is now published. We are also able to do version control. So, let's take a look at this from our portal. A simple refreshable portal, we can see that our format has changed and we still see we have a net profit problem. Let's create a new version based on feedback from our CFO. So, we are creating a new CFO version based on our current version, which will set our goals to our next planning cycle. So, here you can see we have a new CFO version. We are also able to add explanation around with this version. Now, let's modify the CFO version based on the new assumptions from senior management. Let's drill in and take a look at our P&L for the total *[Inaudible]*. Here let's *hold[Phonetic]* our cost of sales and *hold[Phonetic]* our payroll expenses. Let's now increase our profits by a percentage change of 5% and apply that. This is done across all the latest forecast and we will set our goals for a collaboration process. Now, let's take a look at the impact on our report. Here we can see the CFO version, now *that's out[Phonetic]* to six million dollars and we are adding an explanation to provide context for our collaborators in the planning process as they start their bottoms-up planning processes. So, here we are creating the CFO adjustments based on senior management goals. Now, let's refresh our report and see the impact of this. Here we can see our net profit and our explanation is available to the rest of the organization. So, now we have set our latest goals, let's take a look at the collaboration process and our bottoms-up process. Now that we set our new goals, let's start our bottoms-up collaboration with our original sales team. Here you can see Contributor, which allows you to *[Inaudible]* a view through our workflow that I mentioned earlier in our presentation. Here you see the eastern region specifically Georgia and we are going to start our collaboration process as the regional manager for Georgia. Let's take a quick look at our interface here. You can see here that we used a tab based approach, very similar to Excel for all our various *[Inaudible]*. We also support hierarchies and be able to build a custom view. So, let's take a look at our P&L. We drag our P&L down, we provide context for expense and revenue, we are going to increase by 10% while *holding our computers[Phonetic]*. So, here you can see I am going to add some commentary as well. We expect to increase total electronics for this year by 10% mainly driven by increased PDA and mp3 players. Note an important part of a planning process is not only collecting information in terms of your forecast numbers, but also what are the assumptions of the field so you can better allocate resources across the organization. Now that we have done revenue, let's take a look at

our expense side of that, which centers around head count. We do a descending sort on this. We can immediately see that payroll is one of our highest. So, let's take a look at our employee plan. To meet the requirements in these new sales, we will need to hire somebody. So, here we are going to create a new hire again using driver based planning processes, when that person will be hired, what grade they will be hired at, will they need a cellphone, and what their starting month is. Each of these drivers will automatically then calculate what the salary is and when the salary will impact, be *phased[Phonetic]* into my P&L. Also, part of this is that we will also add the resume of this person. So, we have context of who we are hiring throughout the organization. Here we are able to attach a document in the planning process and that will be *stored[Phonetic]* with this particular version and is available through hyperlinks. Let's now create a customized view and do a variance report before I submit. It appears I am... my variance report is okay, now, let's submit this. One of the key attributes of our planning processes is that we have the ability to validate before submission of your plan. Here we can see that based on our assumptions that were established in our goal setting through analysis, we find that I am not meeting the requirements for submission. Here we can see that I am... I have increased my expenses greater than last planning process. So, that is not permitted. So, I need to now using a hyperlink go back to that area and resubmit. So, here I can see where I am in violation. I downgrade the position based on our guidance and here I should be able to submit at this point our plan. Notice that it immediately becomes grayed out, meaning that this is in read only mode now, to be evaluated *in my[Phonetic]* process. So, here we can quickly see as a regional manager, Georgia, I have submitted, it automatically will kickoff e-mails that allow all the people in the eastern region to know that I have submitted as well as it shows any documents that are attached with this in terms of *assumptions[Phonetic]*. At this point, let's now take a look at the eastern region. As the eastern regional manager, I am responsible for all the planning processes for the eastern region that includes Georgia, Maryland, and Massachusetts. So, let's take a look at my regional sales manager's plans for this year in this planning cycle. So, let me build a customized view and again these views are persistent and now I look at my P&L, I am going to look at and let's move this over a little bit, there is some room to work here, here I can see my full P&L for all my territories that I am responsible for and let me take a look at all my channels. Second of all, I want to take a look at my organization. So, what is organization's selling product mix by region? I want to *freeze paint[Phonetic]* so I can now scroll and keep context for my analysis within this process. Now, I am able to take a look at all my submissions and commentary. As I mentioned earlier, one of the key attributes of our collaboration is not only to capture information and valid information through validation, but also to see what are the assumptions here, whether that be commentary that's entered or documents that are submitted. We have the ability now to sort, who submitted and where and I am able to now to actually do a hyperlink directly to that area that's done the submission. I can see here that there was an increase in head count. Let's take a look at expenses a little deeper across all of my organization. So, here I am looking at three views, P&L, my expenses, and my revenue. I am taking a look at my total eastern region; let's take a look at the total for the year. Let's also take a look at my revenue so I can get an instant snapshot of all these. Next step is I need to select all the appropriate notes. This allows me now to modify. I am going to *hold[Phonetic]* the total expenses, but then ask across

all our regions to increase our revenue by 5%, again, based on the submission from my regional managers. I also want to add now my business plan for this region. Here you see I am attaching a document and adding my business plan. This will be submitted to and be reviewed by senior management team and here you can see the Word document that was attached. This provides context for the numbers and the plans that we are submitting and finally, I will submit and here you can see that the total eastern region has also submitted an *alliance[Phonetic]*. So, most importantly we are able to collaborate across at a detail level both Georgia, Maryland, and Massachusetts. This then was reviewed by the eastern region manager, which then took the guidance and modified it slightly and then submitted it back to the *total company[Phonetic]*. So, there are multiple levels that can be managed in this collaboration process and finally, in our demonstration, let's now take a look at this within the context after the submission to see how we are aligned from a management reporting perspective. So, here we are taking a look at the new adjustments. You can see we are still aligned in terms of our latest forecast, bottoms-up as well as topdown and let's take a look at some of the reporting options we have available too. One of the richness of our Cognos 8 platform is... as a single platform is we support rich formatting of reports and briefing books across the organization that can be *burst[Phonetic]* in multiple formats. This also can be linked to dashboard capabilities because we all know that the planning process feeds an overall dashboard. So, here our executive management team is aligned with our planning process. You can see our net profit has been realigned based on our forecast and changing business conditions. I hope this demonstration was helpful for you. So, after this demo, now let's summarize our key points here. Enterprise planning analysis solutions powered by Cognos 8 empowers office of financial professionals without compromising IT's high standard for conformance, compliance, and cross effective scalability while driving planning and analysis processes excellence and better business outcomes for your organization. So, thanks again for your attention. We are thrilled that you have joined us today and we look forward to being of service in 2009.