

Dan Potter: Hello and welcome to smarter spreadsheets, survival strategies for mid-sized companies. My name is Dan Potter, and I am part of the IBM Cognos mid market business unit. In today's session, I will provide a pragmatic approach to embracing and transforming your use of spreadsheets for more effective financial and operational performance management. So, let's get going. Has there ever been a more challenging time for mid-sized companies? Looking outward, you have to be nimble and react to market shifts at a moment's notice. Your decisions have to be informed, quick, and effective and you have to get it right the first time because there are a few if any second chances. Looking inward, you need to have confidence in the information on which you are basing critical decisions. You need to have the right information in the hands of the right people. In an ideal world, you would like your limited staff to spend less time on data collection and more time on business analysis. You know you need a better solution for financial performance management, but during the current economic downturn, cost cutting measures and making the most of existing resources has become the order of the day. In these turbulent economic times, the pressure is even greater on the finance team. Senior management is expecting recommendations to help chart a safe course for the company. You are looking for ways to identify and maximize revenue opportunities and you are asking questions like how do we know who our most profitable customers or products are and you are also looking for ways to reduce costs and to understand the impact that it will have on your company. So, you are asking questions like, which marketing programs can we cut that won't have an impact on building our sales pipeline and you are also feeling pressure on the time it takes to issue revised forecasts and budgets based on the analysis and optimization recommendations. We are talking about a finance driven performance management program and the stakes are very high. Performance management has quickly emerged as the strategic imperative in mid-sized organizations and for good reason. Getting the right information to decision makers so that they can effectively drive the business will have a direct impact on your performance and optimal performance occurs when decision makers understand what is happening, why, and what to do about it. Ideally, you want your users to make sound, data driven decisions at every level across every function of your business and that's why IBM Cognos developed the performance management framework, a unifying map that helps you quickly understand the critical decision areas that are needed by each department. This framework helps you efficiently deliver the right reports, the right dashboards, the right information to suit the different needs of the business. In the office of finance, these questions take on special significance. It's the finance department that communicates how we are doing to external stake holders and must do that with the utmost speed, integrity, and confidence to comply with regulatory requirements and investor expectations. It's also the finance department that analyzes aggregate and business segment performance as well as the profit contribution of products, customers, channels, assets and other aspects of the business to understand why the business is on or off track and finally, the finance department is a catalyst for better performance by ensuring the alignment of plans, budgets, and forecasts with company objectives. So, how is performance management done today in most mid size organizations? Well, there is a variety of data sources from ERP systems, general ledger systems, you may or may not have a data warehouse system, and data typically gets imported into spreadsheets and this happens at infrequent or irregular time intervals. This information is siloed away in the

spreadsheets, it's modified with custom formulas and calculations, hidden away in different workbooks, often times this information gets sent to different people within the organization and that data again gets modified with these custom calculations and formulas. So, how does this impact you? You probably have hundreds, if not thousands, of information silos embedded into spreadsheets throughout your organization today. Have you ever been to a meeting where everyone seems to have their own analysis with different outcomes and they have got spreadsheets to back it up and when there is a problem with data accuracy, senior management looks to finance to solve it even though the data was out of your control, because it resides primarily in different versions of spreadsheets held by different people who modify with different calculations and their own custom formulas. It has significant impact on your organization. The Gartner Group came out with some interesting new research talking about the impact that spreadsheets have to organizations and here is a quote. "Spreadsheet proliferation for performance management tasks exposes many organizations to significant levels of risk. By establishing strategies for managing or replacing spreadsheets, the IT organization can deliver solutions with greater accuracy, transparency, and rigor while enabling users to operate in a familiar environment." This is a very interesting research that was done by the Gartner Group and at the end of this session, I will show you where you can go to download this research compliments of IBM Cognos. Running your business on spreadsheets alone can be hazardous to the health of your business. There are variety of risks and issues with spreadsheets alone. They include things like design and development issues, where you have got complex workbooks and inconsistent macros and formulas that are used to manipulate and derive calculations. You have got data integration and quality issues. People may be pulling data from the wrong data source or they may be importing data at the wrong time. For example, if you are pulling financial information before the close of a financial period, you are going to be analyzing incomplete data. The process of collecting information from spreadsheets is manually intensive and it is slow, especially in planning and financial consolidation processes. You have got people manually doing this data integration and manually doing the error checking and the aggregation. It's going to be filled with all kinds of errors and finally, spreadsheet introduces significant risk around fraud and compliance. You have got limited security and auditing and control capability with spreadsheets only. Problems with spreadsheets happen to the best of us. For example, the US Navy's most recent 30 year shipbuilding plan estimated it would cost an average of about 27 billion dollars a year. Soon after releasing this report, the Navy discovered a spreadsheet calculation error that caused the cost initially reported in the plan to be about 10% higher than the Navy now expects them to be. That's 10% of a 27 billion dollar number. Problems with spreadsheets also happen to the worst of us. Because of the limited security and auditing controls, spreadsheets are prone to fraudulent usage. Last year the SEC brought charges against a CFO who was accused of artificially inflating financial figures by altering spreadsheets within rows and entries in white text on a white background so it would not be detected when they were printed and reviewed by auditors. This alleged accounting fraud cost the company to overstate its pretax earnings by about a 129 million over a four year period. Now, spreadsheets aren't bad. Sometimes people are bad, but spreadsheets themselves aren't bad. One of the realities we have seen is that midsized organizations rely more heavily than large companies on spreadsheets. Spreadsheets have a high

comfort factor with users. They are pervasive, the vast majority of users have access to spreadsheets, they are powerful, they are personal, people love working on their own spreadsheets and having control and autonomy with the data, they are familiar, most people coming out of school know how to use spreadsheets, and they are very flexible, there is a lot that you can do and applications that you can build using spreadsheets and spreadsheets have become the equivalent of a swiss army knife in midsized companies doing everything from budgeting to reporting, but not doing any one task particularly well. The challenge here is that spreadsheet proliferation when used for performance management exposes many organizations to significant levels of risk. Despite these known risks, spreadsheets are here to stay. They provide a sense of control and independence from IT. They are familiar, flexible, and accessible throughout the organization. The challenge then for organizations is to employ a performance management strategy that integrates easily with spreadsheets, minimizes spreadsheet risks and delivers greater business efficiencies. So, what's the best way to remove the risks and limitations of spreadsheet only analysis and business processes? I would like to introduce you to IBM Cognos TM1 mid market edition. This is a pragmatic solution to meet a wide range of financial performance management requirements across your company. It leverages Excel or a web interface that makes it easy for all users. It provides a multidimensional server for data management and analysis and it provides the performance and versatility required for midsized companies. Let's take a look at how it can solve some of your issues. Spreadsheet proliferation is eliminated with TM1. TM1 stores all of your data in an in-memory OLAP structure that eliminates the silos of data, adds security and collaboration across your company. It has an Excel interface that's familiar to the user and it provides a multidimensional view of information. So, this reduces the amount of training needed. Dynamic what if scenario modeling and on the fly calculations can be performed and Excel based reports can easily be enhanced and published to the web by the business user. It also supports more sophisticated graphics for better visualization for executives and it links the analysis and the planning process and strategy allowing you to identify and respond faster to changing business and market conditions. The benefits? It's IT controlled, yet business owned. It provides a controlled way to empower business users and with users being more self sufficient, it reduces the backlog of requests to IT. It also eliminates the silos of data and it provides the much needed security and auditability. It's easy for IT and for business because it is simple to use, install, deploy, and manage. The IBM Cognos TM1 database manages your data. It provides real time responsiveness and is especially well suited for large and complex models. It allows you to easily create interactive stimulations to test business scenarios and it includes write back capability. You can structure and store any business data in a natural, multidimensional way and express complex business rules with simple calculation statements and finally, you have easy access to data from any corporate source and you have a lot of flexibility in how you want to work with the data in TM1. TM1 Server Explorer is the primary developer interface. This is where you design your multidimensional cubes, the dimensions, and the business rules. TM1 Excel enables business users to author reports and even entire applications using Excel as the authoring medium. TM1 Web takes those Excel authored reports and applications and it instantly converts them to a format that can be accessed through a web browser with zero coding skills required and finally, TM1 Executive Viewer is a sophisticated analysis and

visualization environment that lets end users conduct self service analytics. It does not rely on Excel and it does everything from within a web browser. You will quickly realize that IBM Cognos TM1 is a versatile solution perfect for midsized companies. With this one product, you will be able to define and track high level metrics that drive your business. Quickly identify and understand any performance issues. Analyze and drill down to truly understand the nature and magnitude of problems and conduct what if scenario modeling and make the appropriate changes to forecasts, plans, and budgets. Problems get resolved quickly and everything is continuously monitored. Cognos TM1 enables to start small and expand in any direction that you desire. A TM1 application is a *[Inaudible]*. Most of our customers start in the upper left in a finance function and work on things like traditional budgeting or reporting applications and then they quickly realize that the same TM1 technology can be leveraged to solve a limitless number of performance management issues across many functional areas. The business hierarchies and data cubes that you started with in your initial application can easily be referred to in subsequent models similar to how you use formulas to refer to cells from other worksheets or a workbook in Excel. Taken together the entire TM1 server shares a common set of fact data, reference data, security and workflow and all users who are already familiar with one model will almost instantly be able to use all of the models. The message here, start small, pick a project, deliver immediate value, and expand over time. I would like to share an example of a midsized company and their experience with IBM Cognos TM1. Blue Mountain Resorts is a diversified year round resort located in Northern Ontario. It is the third busiest ski resort in Canada and sells on average 700000 skier visits per year. In addition to ski slopes, the resort has golf courses, mountain bike trails, gondolas, tennis courts, conference facilities, but they had a number of challenges. They needed to import and analyze data across 13 business units from a variety of back end systems. They needed to update their existing inflexible and slow budgeting system and improve the ease of maintenance for a thinly stretched IT staff. Their solution is Cognos TM1. It provides their users with quick and easy access to information, a faster, more simplified budgeting process, and analytics to identify proper staffing levels, and the success of marketing campaigns and their results have been truly impressive. Their return on investment 1822% and a pay back of one month. Total savings in the first year, 1.2 million dollars. Adopting IBM Cognos TM1 enabled Blue Mountain to improve reporting, avoid head count additions, reduce labor costs, and decrease inventory levels. So, in summary, Cognos TM1 mid market edition is a pragmatic solution for performance management. It enables midsized organizations to transform common spreadsheets to manage risk and drive better performance and as your business grows, it grows with you as all our solutions do. This is a versatile solution that evolves and extends to cover your expanding needs. It allows you to leverage existing business and IT skills so that more time can be spent on growing the business and increasing profitability and competitive advantage and it is all delivered with competitively priced packages tailored for the budgets and constraints of midsized companies. The IBM Cognos TM1 mid market edition is also interoperable and extensible with all the Cognos 8 products including reporting, analysis, scorecarding, and driver based planning. As a midsized organization, you should also ask about the new mid market reporting packages that provide great capabilities at a low entry price. IBM Cognos today delivers results for thousands of midsized companies. The time to get started with performance management

is now. Start small with a particular project or initiative anywhere in your company. You will be amazed how quickly you will see returns, just like the example of Blue Mountain Resorts and you being to branch out and solve more problems throughout your company. With IBM Cognos, you will be supported at every step of your journey. To help you get started, we have licensed a new issue paper from the Gartner Group entitled Embrace or Replace Your Spreadsheets for Performance Management. You will hear more about the approach for transforming your spreadsheets from Gartner analyst Neil Chandler as well as more information about how IBM Cognos TM1 can help. This new paper is available today at ibm.com/software/data/cognos/solutions/small-medium-business. You will also find additional information designed specifically for mid-sized companies. Thank you for attending today's session and I wish you well in your performance management journey.