

SELECTING THE RIGHT ENTERPRISE PLANNING SOLUTION

CONSIDERATIONS FOR
SOFTWARE EVALUATORS



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INTRODUCTION

As global competitive threats increase, new markets emerge, and new regulatory pressures for financial clarity and accuracy arise, businesses face unprecedented requirements for speed and accuracy in plans, budgets, and forecasts. With stakeholders counting on you for credible guidance on future operating performance, it's difficult to name a more important process for managing that performance than enterprise planning.

That reality is leading many forward-thinking organizations to carefully evaluate the merits of available software solutions. The best enterprise planning solutions leverage the natural link between planning and analysis to manage corporate performance. Unfortunately, many software vendors focus on only half of the planning and

performance management equation—analyzing yesterday's performance. By comparison, solutions from Cognos offer unique and complementary capabilities for predicting, planning, and managing tomorrow's performance; assessing alternatives and scenarios; monitoring actuals; and analyzing results from multiple perspectives. Cognos also provides the platform for quickly communicating changing goals and expectations to the organization, helping close the loop between business measures and business action.

This software selection guide provides a list of key factors to consider as you evaluate competing enterprise planning solutions.

INTELLIGENT ARCHITECTURE FOR MAXIMUM COLLABORATION

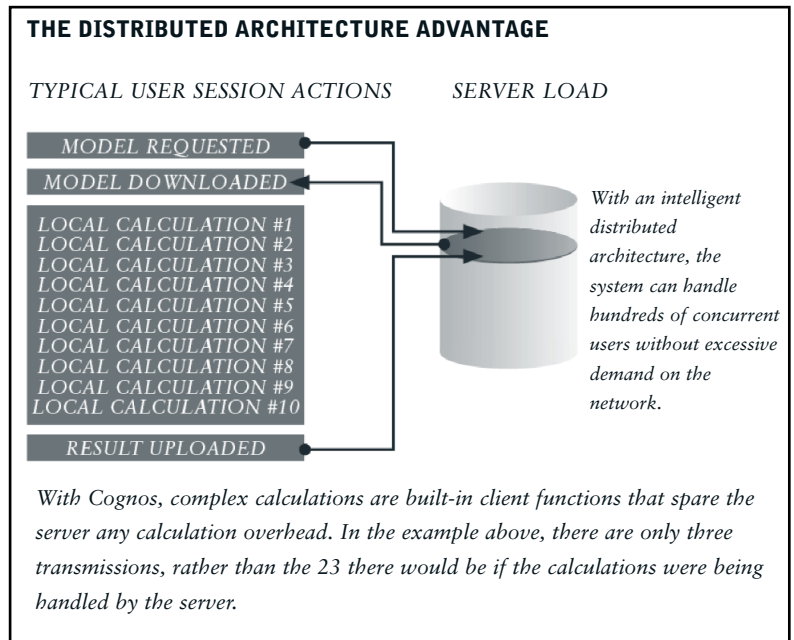
In the past, business planning was a lengthy, rigidly centralized process—done by the few for the many. In the high-participation enterprise planning paradigm however, companies seek input, expertise, and commitment from managers, directors, and executives up, down, and across the enterprise.

In a spreadsheet-based planning paradigm, broad participation and collaboration would have been unthinkable. But with the advent of Cognos Planning, broad and rapid participation in the enterprise planning process has become a given. Instead of a few corporate planners or controllers laboring for months over an annual plan, you can receive—quickly and easily—small contributions from hundreds or thousands. That gives your plans, budgets, and forecasts accuracy and granularity that only the line-of-business people “closest to the action” can provide.

In terms of system architecture, some vendors try raise a red flag with the question: thick client or thin? In reality, the red flag is more of a red herring: Insisting on the need for thin clients or flogging the supposed disadvantages of a client footprint are actually attempts to distract you with factors that aren't relevant.

Cognos Planning uses intelligent distributed processing, based on a Web Services-style architecture utilizing XML. It downloads a small calculation engine onto users' PCs the first time they access the system via a Web browser. That's a one-time download that the system manages and maintains automatically.

Microsoft and Sun, among others, are vigorously pursuing and promoting this style of architecture because they understand that zero-footprint clients using pure



HTML are underpowered for the intensive challenges of enterprise planning. This approach also recognizes that Java components require instantiation at the start of every session—a pointless waste of bandwidth and processing.

By contrast, a persistent local calculation engine harnesses processing power in the desktop browser for local calculations. This distributed architecture provides unprecedented, unbeatable scalability to thousands of users. It judiciously consumes precious bandwidth and doesn't bring a server to its knees when 250 plan contributors simultaneously scramble to meet a 5 p.m. Friday deadline.

THE BOTTOM LINE: Cognos Planning is the only proven, scalable planning solution to provide sensible client processing, proper bandwidth consumption, and appropriate server-resource usage.

REAL-TIME AGGREGATION, REAL-TIME INSIGHT

Over the past few years, the concept of the “real-time enterprise” has drawn enthusiastic attention from many business leaders. That attention has intensified as companies face new regulatory requirements such as those in Sarbanes-Oxley, which demand fast, complete, and accurate disclosure of information.

Delays in business plans have a rippling, multiplicative effect on tactics and execution. An enterprise planning system must not only reflect and support the real-time nature of today’s business operations, it must actually drive real-time operations.

That’s one of the reasons Cognos Planning presents a significant advantage through its real-time aggregation. Again, thanks to its intelligent distributed architecture, Cognos Planning can instantly update an entire model after it receives an individual contribution. There are no nightly batch consolidation processes. Consider two alternatives:

- With competing solutions, once a contributor changes a plan or forecast and submits it, a manager won’t be able to review those changes until after the next batch consolidation is complete—a process that typically takes several hours overnight. There’s no real-time consolidation, no real-time decision-making.
- With Cognos Planning, a contributor can make changes locally and submit results. In real-time, contributions roll up and are available for a manager to review, approve, or reject.

With real-time aggregation, everything proceeds at the pace of the quickest participant, rather than the slowest. There’s no waiting for the last person to submit information before consolidating: Visibility to changes is immediate.

THE BOTTOM LINE: Real-time aggregation and consolidation facilitates the pursuit of the “real-time enterprise.” It’s the difference between updates in seconds and updates in hours.

MODULAR DESIGN FOR ULTIMATE FLEXIBILITY

Planning is an inherently multi-dimensional discipline. That is, you want and need to set goals and analyze performance from multiple perspectives—products, regions, time periods, and so forth. That’s why most leading solutions build on a multidimensional data foundation.

However, it’s important to understand that there are vast differences in how that foundation is implemented. Consider the following straightforward and typical scenario, a profit-and-loss model involving:

- 200 products
- 100 expense line items
- 100 divisions
- A 12-month plan
- 50 cost centers
- 50 sales representatives
- 12 P&L items
- Three versions
- 50 employees (best, worst, and likely)

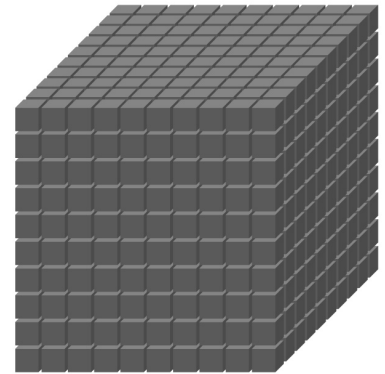
Some solutions will force you to jam all of these dimensions into a massive, monolithic cube—one that can take so long to update you’d likely have to do it overnight—regardless of the relevance of each dimension to the planning process. The model size grows exponentially with each added dimension, potentially mushrooming to insupportably large sizes. In this example, a fully populated cube with these dimensions would be 108 trillion cells. Maintaining such a model would require an unreasonable amount of server overhead and divert your IT staff from more important work.

Even with effective sparsity management, such an unwieldy structure could force severe compromises in how you model and view your business. Instead of 50 products, you might be forced to choose just 10 product groups. You delete the 50 cost centers (eliminating multiple hierarchies and therefore richer analysis). You eliminate line-item detail by deleting the employee dimension. Maybe you eliminate scenarios. With enough cutting, you can perhaps make your multidimensional foundation somewhat more manageable. You do this not to improve your analysis—in fact, quite the opposite happens. You’re handicapping your efforts simply to conform to the limitations and restrictions of the technology.

COMPETING SOLUTIONS

Single cube model

- Products
- Sales representatives
- Divisions
- Employees
- Cost centers
- Expense line items
- P & L items
- Balance sheet items
- Capital expenditure projects
- A 12-month plan
- Three versions



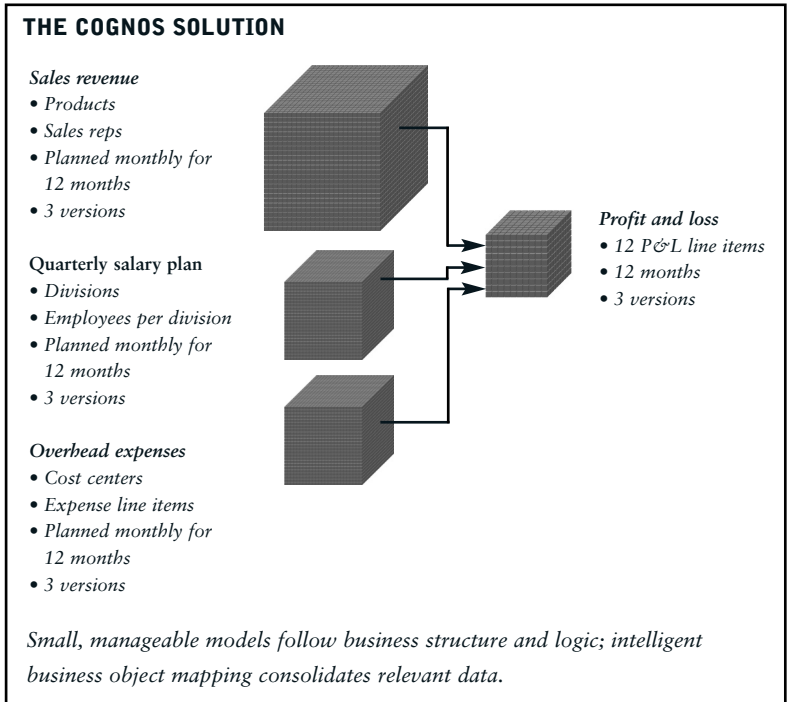
Single, monolithic cube encompassing profit-and-loss, sales forecasts, salary planning, and expense budgeting defies business logic and strains IT resources.

Just as bad, think about what happens when you change your business—and changing conditions are the heart of a nimble, thriving enterprise. You'd have to rebuild that monolithic cube model—usually with the assistance of highly trained, highly sought IT personnel.

Consider a different way—the Cognos way. Cognos Planning uses a series of manageable, modular cubes, connecting them with intelligent links that you create with point-and-click commands.

The benefits of a multi-cube architecture are many. First, managing complex business problems is easier—from both a human and technical standpoint—if you can break them into logical, more manageable components. With Cognos Planning, several individuals or teams can more easily collaborate in developing the model across functional areas, using common definitions where appropriate.

Beyond that obvious benefit, business modeling and analysis with Cognos Planning is further optimized by the use of common metadata components. Imagine that a staffing increase requires you to adjust portions of your model. Rather than updating headcount information in several places, you make the change once and the new data automatically populates all cubes that refer to headcount.



What's more, the modular architecture makes it easier to update your model with information from external business systems. For example, if headcount information is updated in your HR system, Cognos Planning can automatically reflect those changes throughout the model. It all adds up to easy system maintenance and fast, nimble model changes.

THE BOTTOM LINE: Monolithic cubes that force all dimensions into a single structure are unmanageable and inflexible, actually hindering planning and analysis.

SOPHISTICATED ANALYSIS WITH BREAKBACK

Breakback—the ability to declare a total and force the software to “break it back” across members of the dimension—is a signature feature of Cognos Planning, an innovation we pioneered more than 10 years ago.

For example, if you’re planning travel expenses, you might have a fixed amount to work with, say \$600,000. It’s easy to break back that number evenly across 12 months—that’s \$50,000 a month. But suppose you have a major trade show in August and you anticipate at least \$150,000 in travel expenses that month. With the sophisticated breakback in Cognos Enterprise Planning, you plug in the \$600,000 total and \$150,000 in August. Click a button, and the software automatically spreads out the remainder, \$450,000, across the other 11 months, populating in \$40,909 for those months. Then, play with the number by changing either the annual \$600,000, the August \$150,000, or “hold” an amount in a different month. Cognos Planning gives you interactive, what-if analysis for any line item in your plan with the same spreadsheet-caliber, instantaneous response time.

But our breakback doesn’t stop there. Cognos Planning can perform multiple-line-item breakback across multiple dimensions. For example, you might want to assess different scenarios in the sales/margin mix by package size and brand across different time periods. To achieve a particular gross margin, you might “hold” prices and break back cost increases to see the impact on gross margin. With Cognos Planning, you see it all in a couple of seconds. With competing products, that kind of analysis can take several hours, if possible at all.

THE BOTTOM LINE: Just because other vendors call it “breakback” doesn’t mean they have the same power and sophistication you need for enterprise-class planning and analysis.

INTEGRATION THAT LEVERAGES EXISTING (AND FUTURE) INVESTMENTS

It goes without saying that mission-critical business processes must be supported by systems that can share data and metadata easily—systems that ensure consistency and minimize the time and effort spent on maintenance.

If you select a one-size-fits-all solution from a vendor whose expertise traditionally lies outside enterprise planning, you should be prepared to miss out on many potential benefits. On the other hand, when choosing a so-called “best-of-breed” solution, you need to be sure that the software integrates smoothly with existing IT assets, such as your ERP and CRM systems.

That’s why we’ve made sure that Cognos Planning can automatically synchronize data and metadata (for example, charts of accounts, product hierarchies, cost center hierarchies, or employee lists) with other systems. Where possible, we avoid moving data around at all.

What’s more, Cognos Planning leverages the complete range of reporting and analysis capabilities of Cognos Business Intelligence solutions to turn planning data into even more meaningful information. Cognos users can select reports, customize them, analyze and share information with the ease of using the Web. In addition, Cognos Planning complements Cognos Metrics Manager, which lets you create and distribute driver-based scorecards with clear metrics that are easy to navigate and understand. Cognos Metrics Manager expresses company strategy in concrete terms, shows how one indicator affects another, and creates a trail from high-level indicators to those that underpin it.

THE BOTTOM LINE: Solutions built with open architecture, and an emphasis on seamless integration, help you capitalize on the technology investments you’ve already made and allow you to expand with confidence.

ACCESSIBILITY TO DRIVE USER ADOPTION

In the age of globalization, frequent travel, and telecommuting, you're open for business around the world, around the clock. These business realities dictate some basic system requirements: constant availability, support for offline use, and a user-friendly interface. If you can't offer these capabilities to your users, your enterprise planning efforts will be severely handicapped.

Cognos Planning provides a number of unique features that promote the highest levels of user adoption:

- Cognos Planning provides 24x7 system availability, even during maintenance or changes to the system.
 - Offline capabilities mean Cognos Planning users can work on plans and forecasts anytime, anywhere. When they reconnect, the system is immediately updated.
 - Cognos Planning provides the responsiveness of a spreadsheet, the performance standard for usability. Users get instant feedback as they submit and change data.
 - Only Cognos lets users model highly complex business environments and create and change models without relying on IT. That puts the power where it belongs—in the hands of the users.
- Cognos offers true internationalization, letting you display menus and file names in any local language or currency and present data in a local context. It also supports the double-byte character sets needed for deployment in several Asian countries.
 - Cognos empowers multiple administrators across the organization or around the globe to control their part of the plan and change data structures, user access rights, or model parameters to ensure timely and accurate plan creation.
 - With its Add-in for Excel, Cognos Planning offers a convenient alternative to its well-known browser interface, enabling both everyday users and spreadsheet power users to work in the environments most familiar to them.

THE BOTTOM LINE: Companies require the ability to support global implementations and offline use. By ensuring that your solution supports contributors' work styles—anywhere, anytime—you'll increase user adoption.

REFINED AND TESTED IN THE COGNOS INNOVATION CENTER

At Cognos, we invest considerable resources in researching the best possible approaches to enterprise planning. The Cognos Innovation Center™ for Performance Management* is a global forum dedicated to the advancement of next-generation performance management best practices. While sponsored by Cognos, its activities are directed by its members—a consortium of thought leaders, forward-thinking executives, and finance practitioners.

This consortium offers new ideas and ways to implement them for finance and performance management issues:

- Company-wide collaboration in planning
- Driver-based plans that drive greater predictability of results
- Applying scorecards and metrics for focus and accountability
- Rolling forecast for quicker response to opportunities or threats
- Linking plans, scorecards, and reports for greater breadth and depth of understanding

In the Cognos Innovation Center for Performance Management, we apply what we've learned in successful implementations and establish performance benchmarks to help clients accurately assess and drive their performance. By maintaining a library of proven models developed for specific industries and business processes, we're able to recommend ideas that can be adopted, embraced, and delivered rapidly.

Clients can visit the Innovation Center to review and learn from the best practices we've developed implementing solutions in the most demanding corporate and public sector environments. We've retained the knowledge gained from implementations in diverse businesses ranging from manufacturing to retailing to pharmaceutical research, which means you don't have to waste time and money reinventing the wheel.

THE BOTTOM LINE: With Cognos you get more than software. You also get the expertise developed over more than a decade of planning for some of the largest, most successful global organizations.

* Visit the Cognos Innovation Center at www.cognos.com/innovationcenter

READY FOR CORPORATE PERFORMANCE MANAGEMENT

Enterprise planning is one of several key steps in the management cycle that closes the loop between strategy and action—and a logical place for many organizations to start. However, planning is only the beginning.

The Gartner Group calls this cycle corporate performance management (CPM), a rich blend of modeling, planning, forecasting, budgeting, consolidation, scorecarding, analysis, and reporting. CPM aligns tactical execution with boardroom strategy, as company plans, metrics, and information drive better decisions enterprise-wide. Though CPM has enterprise-scale potential, it doesn't require enterprise-scale investment. In fact, a winning approach to CPM—one for which Cognos is widely known and acclaimed—is incremental: think big, start small, be strategic.

Far ahead of any business intelligence or ERP vendor, Cognos embraced Gartner's vision of CPM early-on. In 2002, Cognos announced, "The next level of competitive advantage—and the next breakthrough in productivity—will come from companies better connecting their people to the business, its vision, its strategy, and its performance. In that way, the organization as a whole can focus on a single outcome: winning the race." This statement captures the essence of CPM. It comes from the Foreword to one of the first books written on CPM—*Smooth Sailing on Rough Seas*—written by Rob Rose, Cognos Chief Strategy Officer.

Like CRM, corporate performance management's vision has a small business cognate. CPM promises the world's largest companies the agility and responsiveness of small companies.

Cognos President and CEO Rob Ashe describes CPM like this: "It's a way I can make my priorities the same as someone four layers down in the organization. CPM preserves the direction and intent of senior management and lets operations provide constructive feedback. In a small business, the shop owner tells the floor staff what needs to happen, and can see the results in the real world. The president and CEO of any Global 3500 organization needs the same thing. Can he or she construct a virtual means to make that happen? That's the simple idea and appealing promise of CPM.

"Think of a world where performance systems work like email," says Rob Ashe. "It's a fluid, dynamic environment of performance management. People come to meetings with a shared understanding of what happened, why it happened, and what needs to be done. Divisions and departments don't go off track because of lack of alignment. Reliable, timely information prioritized by strategy drives better decisions. And better decisions drive improved performance."

While you may have any number of decisions to make during your business day, they depend on answers to these fundamental questions:

- How are we doing?
- Why?
- What should we be doing?

Scorecarding, business intelligence, and financial reporting, and planning technologies answer these questions. CPM's value is found in the seamless way you can move among them. Knowing what happened without the facility to find out why is of limited use. Similarly, knowing why something happened—but being unable to project future plans—is of limited value. The practical definition of CPM is the integration and automation of scorecarding, business intelligence, and planning.

Given our product breadth, technical sophistication, and years of experience helping companies plan, monitor, and report their performance, Cognos has—not surprisingly—assumed a leadership position in CPM. Our comprehensive solution offers a proven, low-risk choice for sourcing from a single vendor.

THE BOTTOM LINE: For evaluators of enterprise planning solutions, a key consideration is the ability to incrementally expand the application into a larger solution with integrated CPM functionality.

THE CASE FOR COGNOS

Today there is no area of your business whose performance—that is, contribution to plan—you can afford to ignore. Simply put, planning must be a core competence up, down, and across the enterprise. And in choosing enterprise planning software, the only proofs that count are the solutions already deployed. Be sure your chosen solution provider isn't talking about futures or theories or customers using products unrelated to mission-critical functions.

Only Cognos can document deployments involving hundreds, even thousands, of users distributed around the world. And only Cognos has a solution—both the technology and the intellectual property—engineered specifically to drive best-in-class performance. Cognos Planning:

- Coordinates all the planning processes across the organization—different time cycles, geographies, operations
- Provides a powerful modeling environment that helps determine appropriate goals and targets

- Offers a platform that connects business drivers and logic to business measures
- Has the proven scalability that's required for engaging a wide audience
- Lets you plan and forecast frequently so you can manage the unexpected
- Closes the loop between how you plan and forecast, how you measure and report, and how you take action
- Provides a sensible path to the full value of CPM

THE BOTTOM LINE: Cognos people, technology, and domain expertise in enterprise planning, budgeting, forecasting, modeling, analytics, consolidation, and reporting are unrivaled. We know where the future of planning and performance management lies. It's not in hype and gamesmanship, but in the successful deployment of proven technology by leading companies.



ABOUT COGNOS

Cognos delivers integrated, scalable corporate performance management solutions that let organizations drive performance with enterprise planning and budgeting, monitor it with scorecarding, and understand it with business intelligence reporting and analysis. Founded in 1969, Cognos serves more than 22,000 customers in over 135 countries.



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