

BUDGETING: Beyond Spreadsheets



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COGNOS, AN IBM COMPANY

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From Obstacles to Competitive Advantage

For most companies, regardless of size or industry, the corporate budgeting, forecasting, and reporting process presents a formidable challenge. Budgeting is most often described as burdensome and time consuming by finance professionals and line managers alike. Yet most believe budgeting is also a crucial element of financial management—and can be a huge contributor to a company’s overall success or failure.

Companies that are able to address budgeting obstacles and improve their process are rewarded with more reliable budgets, more timely re-forecasts, and improved decision-making. This more disciplined financial management culture can and often delivers another result—a true competitive advantage.

How are companies improving budgeting? By applying budgeting and forecasting best practices and leveraging new technologies—like IBM Cognos 8 Planning.

There’s Pain in the Process

For most organizations, the annual budgeting process is fundamentally broken and requires months to complete. Line managers typically see little benefit in the budgeting effort. After a huge investment of time they still lack the information to support their decision process. When finance centralizes the process, line managers typically refuse to buy in and the plan loses credibility. Worse, when the agonizing process is finally complete, the budget is already outdated.

The result is the same in either case—rather than being a useful decision-making tool; the budget is a disconnected document that has little impact on the company’s business.

Compounding these broken processes are the underlying budgeting technologies, which in many companies are simply spreadsheets and email. While these technologies are ubiquitous and appear to be a quick fix, they foster inaccuracies due to broken formulae, bug-ridden macros, manual consolidation, multiple versions that are difficult to track, and outdated communications across key stakeholders.

“Finance executives believe they spend too much time on forecasting, budgeting, and planning. When asked about the most acute problems with their current planning process, more than 60 percent said it “takes too long.” Nearly 43 percent said “not enough time to analyze data,” and more than a third cited “lack of ownership by business units.”

CFO Research Services

Break the Logjam

For many companies facing complex budgets, the solution is simple—IBM Cognos 8 Planning. Designed for companies with even the most complex business models, IBM Cognos 8 Planning is a fully integrated, state-of-the-art, highly scalable solution for budgeting and forecasting. IBM Cognos 8 Planning integrates operational and financial planning in real time for immediate visibility into resource requirements and future business performance. The distributed administration capabilities of IBM Cognos 8 Planning also enable localized responsibility for plan processes across functions, geographies, and business units in a single, unified, secure planning environment. Imagine a completely unified and automated budgeting process—that takes days, not months.

But automation is just the beginning. IBM Cognos 8 Planning also provides unprecedented power and flexibility to create, compare, and evaluate business scenarios, conditions, drivers, rates, and assumptions. With IBM Cognos 8 Planning, you can build consistent, interconnected business models for organizations of any size and access current actual data to assess fiscal performance, and proceed from “what-is” to evaluate the “what-if” scenarios critical to forecasting future performance. And IBM Cognos 8 Planning helps you build enterprise-wide budgets and forecasts faster and more efficiently.

The results: High participation, true predictability and accountability across the enterprise.

“Organizations that eliminate spreadsheet systems and adopt best practices will achieve a positive ROI. Replacing spreadsheet-based systems with dedicated planning and budgeting tools offers many benefits. The most obvious and direct improvement is the significant reduction in time spent on rolling up, checking and correcting the numbers. Yet the real payoff is not the time savings itself. It is using the time saved to do better analysis to optimize the plan, and to use the insights gained to make better decisions – faster – to improve performance.”

Ventana Research

Modeling Built for Business Change

Rather than forcing you into a solution that may not fit your business model, IBM Cognos 8 Planning easily adapts to both your IT and organization’s environment—even as your business grows and changes.

Create your own business rules and structures in the IBM Cognos 8 Planning architecture, and modify your model as the organization evolves—in days, not months. Import data definitions from sources like ERP or general ledger systems to further accelerate the process.

Cross-functional planning processes rely on complex logic and dependencies—enter IBM Cognos 8 Planning’s sophisticated modeling capabilities. Quickly deliver sophisticated linked models that accurately reflect your business in all its complexity and detail, in a finance friendly development environment—giving you more time to focus on actual evaluation of the information instead of worrying about accuracy and timeliness.

Less Process Headaches, More Value-added Analysis

IBM Cognos 8 Planning draws on a proprietary high-speed, bi-directional calculation engine that allows you to evaluate models and test assumptions in minutes to support truly informed business decisions. Eliminate unproductive spreadsheet activities like tracking down numbers, fixing broken links, and debugging macros.

IBM Cognos 8 Planning offers sophisticated features like real-time aggregation, break-back, multidimensional slicing-and-dicing, and drill-down to help you explore data fully and efficiently. IBM Cognos 8 Planning enables real-time information flows for flexible rolling forecasts and greater visibility into future operating performance.

For added flexibility, IBM Cognos 8 Planning offers an Add-in For Excel, a familiar, convenient alternative to its well-known browser interface. The browser offers line managers and staff simple, controlled participation in planning, budgeting, and forecasting with minimal disruption, enabling them to focus on what they do best—running their area of the business.

And the Add-in for Excel offers finance personnel and others with more sophisticated needs the flexibility to integrate greatly detailed personal or “shadow” systems with enterprise plans, budgets, and forecasts.

Streamlined Workflow Management

For complicated processes with many people involved, IBM Cognos 8 Planning also allows users to either save their work to return to later or submit it for review. At any point, designated reviewers can quickly monitor workflow status—not started, in progress, or ready for review—with intuitive, color-coded icons—allowing for easy tracking of participation.

IBM Cognos 8 Planning automatically monitors the entire planning process and gives you the status of every participant, so your planning cycle proceeds at the speed of the fastest plan contributor, not the slowest. It even promotes helpful dialogue among participants, streamlining cycles even further.

Need to take planning on the road? IBM Cognos 8 Planning lets you plan where and when you want to, without a network connection. It intelligently determines when users check out plans to work offline and automatically synchronizes plans and forecasts when users check back in—so planning can happen anytime and anywhere.

Powerful Reporting and Analysis

IBM Cognos 8 Planning also leverages Cognos business intelligence capabilities to turn budgeting data into meaningful information. IBM Cognos 8 BI transforms the volumes of data your organization collects into meaningful information that you can use to make better decisions. Depending on their responsibilities and needs, managers can turn to IBM Cognos 8 BI in the form of reports, analysis, scorecards, graphs, tables, or any combination. Cognos solutions give users the power to publish reports, identify variances and conduct analysis based on critical information such as sales, item movement, labor cost, and advertising spend. Imagine being able to:

- Connect and transform data from financial and operational sources into meaningful reports and analysis. Users can integrate information from multiple data sources into a single report. Reporting capabilities provide a range of report types—

production, managed, and ad hoc reporting as well as dashboards.

- Drill down from summary reports, graphs, and charts to the underlying detail for reporting and analysis.
- Analyze large data sets with powerful functions that simplify information. For example, asymmetrical analysis lets you use different levels of nesting to integrate several rows and columns of data in a single crosstab or report.
- Create dynamic scorecards that communicate the strategic priorities of your plan. Show how metrics connect with each other, and link them with underlying reports and information. Calculated metrics summarization and linkage to scorecards and reports allows users to measure key revenue, margin, and expense performance indicators for operations.

The Bottom Line:

Automating your budgeting process with Cognos creates a faster, more reliable and inclusive budgeting, forecasting and reporting process that yields better results and frees the finance professional to focus on adding business value. Request a hands-on demo today to see what IBM Cognos 8 Planning can do for you.

Finance organizations that adopt dedicated planning tools are better able to support strategic Performance Management initiatives. Ventana Research believes that planning and budgeting will be transformed over the next five years by nearly universal use of software tools dedicated to this purpose.

Ventana Research

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>.

For more information

For more information on Cognos solutions for pharmaceutical and life sciences companies, please visit www.cognos.com/lifesciences or email pharma@cognos.com.

Pharmaceutical organizations worldwide choose Cognos for our unsurpassed expertise in delivering the information and insight they need to reduce costs, streamline processes, and increase profitability. Cognos has delivered solutions to 25 of the top 30 pharmaceutical firms, along with many leading life sciences and biotech companies.

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