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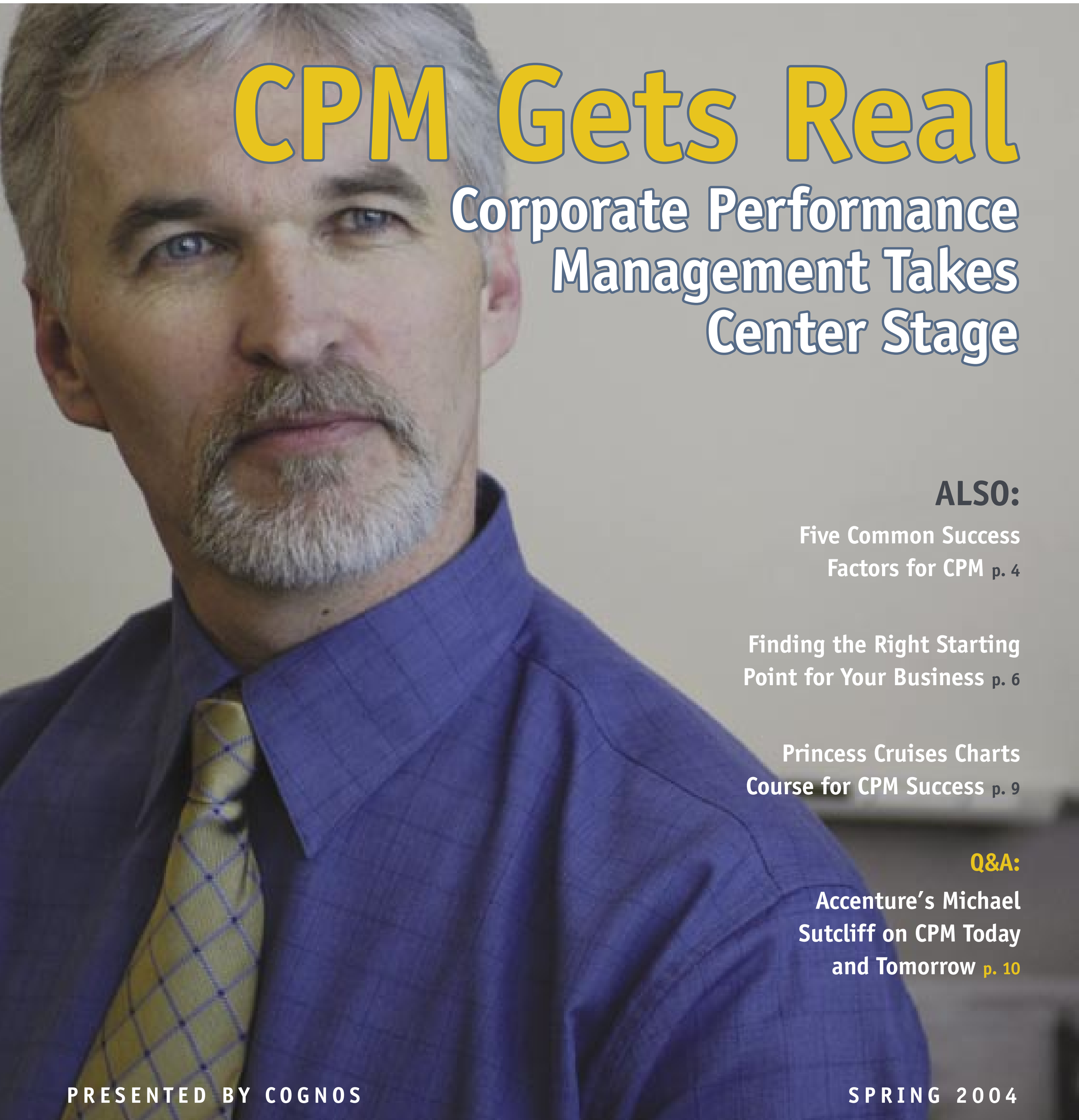
The Visionary CFO

Leadership in Corporate Performance Management



CPM Gets Real

Corporate Performance Management Takes Center Stage

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Corporate Performance Management TAKES CENTER STAGE

ENABLING VISIONARY CFOs TO SEE AND UNDERSTAND YESTERDAY, TODAY, AND TOMORROW

Customer turnover. Cross-selling challenges. Product profitability pressures. Customer dissatisfaction. Cash flow challenges. Sales forecasting difficulties. Inventory shortages. Regulatory compliance.

The polished CFO calls them "opportunities." The more candid CFO looks at the same issues and more accurately labels them "pain points." Regardless of the term, the indisputable truth is that these drags on performance exist in various forms in virtually every company. Though they can often seem unrelated, these impediments to optimal performance ultimately stem from three overarching sources:

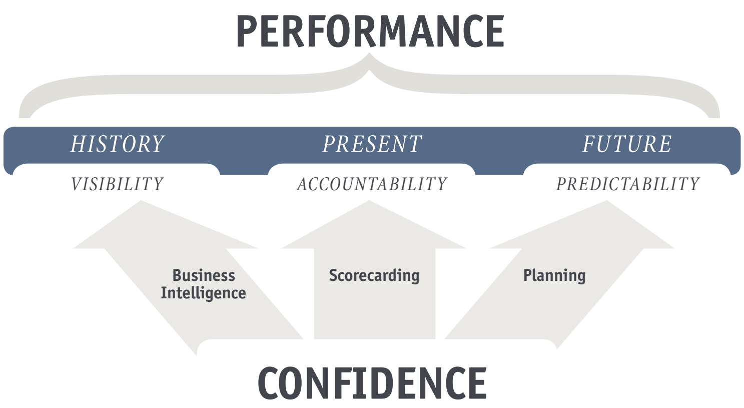
> LACK OF PREDICTABILITY. Setting and achieving realistic performance goals requires the ability to accurately assess what is likely to happen in the market and in your business. Without predictability, it's difficult to confidently discern the future of your business.

> LACK OF ACCOUNTABILITY. You need the ability to reliably cascade ownership of performance indicators to the people closest to the business and to monitor how the entire team is performing.

> LACK OF VISIBILITY. Can you access all of the information you need to not only understand your company's past performance but also craft an appropriate response in strategy and execution? Without visibility, you have a limited view into the drivers of your results.

HOW DO ORGANIZATIONS RESPOND?

The pain points aren't new. Unfortunately, neither are most of the typical processes for responding to and managing them. If yours is like most



Fully implemented corporate performance management provides a complete line of sight into past, present, and future operating performance—giving CFOs more confidence when reporting actuals and projecting future results.

organizations, chances are you address these challenges with a variety of different systems. Even when a company has made large investments in enterprise systems like ERP and CRM, much of the business's actionable information resides in spreadsheets, presentations, and other such files. Sales administrators receive e-mails from regional managers and manually compile monthly forecasts. Finance managers construct delicate and intricate spreadsheets to consolidate sales figures from different locations. Product managers pull sales and inventory figures from several systems to get a truer picture of product profitability. Regardless, these "shadow systems" carry many drawbacks.

> They perpetuate manual, labor-intensive processes.

> They leave no useful audit trail, creating regulatory compliance vulnerabilities.

> The information they contain is difficult to verify, leading to debates about the data, not discussions about the issues.

> They are not integrated, making the useful data they produce impossible to feasibly share across the company.

"Ultimately, the issues for visionary CFOs revolve around the company's ability to create value, reduce risk, and respond to the growth imperative," says Herman Heyns, partner in Accenture's Finance and Performance Management service. "And the fact is, 80 percent of companies are dissatisfied with their performance management processes—typically restricted to basic budgeting—because they're too costly, it's not accurate, and it lacks a connection to strategy and value. By integrating the plan-monitor-control cycle, companies can accelerate and increase the value they derive."

WHAT'S NEEDED TODAY: CORPORATE PERFORMANCE MANAGEMENT

The shortcomings of these approaches do not warrant serious analysis or discussion; they are self-evident to any CFO. Instead, the debate swirls around how to better respond to business pain points. For many industry analysts and forward-thinking enterprises, the answer increasingly lies in the emerging discipline called corporate performance management (CPM).

As a business practice, the concept of corporate performance management (or "business performance management" or "enterprise performance management"—the terms are largely synonymous) stretches back to the days of the first transaction systems. As data volumes grew, executives intuitively understood that data contains answers and insights. The unsolved problem: how to unlock that asset to gain a complete line of sight—into the past, present, and future—eliminate performance impediments, and take the organization to a new level of performance.

So what is CPM? It's a unique combination of methodologies, metrics, and technologies that align business strategy with business execution. The three primary elements of CPM are:

> Understanding your performance through business intelligence. Ranging from basic reporting to sophisticated analyses, visualizations, and proactive alerts, business intelligence provides the missing visibility you need to gain insight into your operations, processes, and performance. Through a rich combination of information synthesized from multiple sources, you can see what's off-track—and why—and make informed decisions about corrective action.

> Monitoring your performance through scorecarding. Through on-screen scorecards—visual, intuitive representations of key metrics—you can actively monitor, analyze, and manage current performance and instantly focus on shifting priorities.

> Driving your performance through enterprise planning. To create a forward-looking enterprise, you want to align your planning cycles with evolving market conditions. That means moving beyond a static annual budgeting process toward more collaborative planning and more frequent forecasting.

"Over the last 18 months, the CPM market has seen tremendous momentum," says Nick Smith, publisher with

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—Herman Heyns, Accenture

The CFO Project, an industry research consortium specializing in competitive financial operations. "Much as CRM, ERP and supply chain solutions have transformed sales and manufacturing, CPM is addressing the office of finance. Today, CFO leaders are using CPM as the impetus for assuming a greater strategic role in the enterprise because they're able to manage financial resources in real time. They have useful visibility into three, six, or nine months down the road. That's a major transformation for CFOs."

WITH CPM, YOU CHOOSE THE ENTRY POINT

In the past 10 years, CFOs have had to swallow hard when signing off on the implementation of systems that required multi-year, sequential implementations (and tens of millions of dollars). With CPM, it's different. The processes and technologies that comprise CPM enable you to choose the entry point that makes the most sense for your organization—it's not an all-or-nothing proposition, where you only achieve value after every deployment milestone has been completed months or years later.

With CPM, once you've improved performance and demonstrated ROI in one area—in weeks or months, not years—you can expand the value proposition as your needs dictate. For one company, financial planning might be the logical starting point. Another company might find greater and faster value in implementing a business intelligence initiative to improve sales reporting or product profitability analysis.

It's a similar proposition in choosing what performance areas to focus on. After all, each company's performance challenges will differ. In sales and marketing, the challenges may lie in forecasting, lead qualification, or analyzing the impact of discounting rules. In HR, the goal may be to improve headcount planning or reduce attrition. Finance might want to model its receivables cycle or reduce DSO. Operations may need to better forecast demand to avert stock outs. With CPM, you aren't boxed into a rigid deployment path. Instead, let your value be your guide.

"There's no one-size-fits-all CPM solution," notes Lee Geishecker, research vice president at Gartner. "CPM implementations vary based on the company's industry, geography, business model and its unique pain points. But the common characteristic is that CPM addresses those pain points in a holistic manner—with methodologies, metrics, processes, and systems. For CFOs, CPM offers the opportunity to evolve from 'how did we do?', to 'how are we doing?', to 'how will we do and why?'."

The articles that follow provide greater detail on the various facets of corporate performance management—a discipline that is helping visionary CFOs understand, monitor, and drive their performance.

Five Common Success Factors for Effective CPM

1 Seamlessly Cross All Time Horizons

The inherent interconnectedness of planning, execution, and analysis argues for a CPM vision that is borderless with respect to time horizon.

This tenet is an important corollary to CPM's "find your own entry point" nature. Because you can start anywhere, it's important that you have the freedom to go anywhere. The business model that defines your planning process should be the same business model that you use to monitor and analyze performance today and tomorrow. Metrics and dimensions must be consistent to create the seamless continuum that characterizes best-practices CPM.

2 Enable High Participation

CPM complements traditional top-down planning and analysis by fostering collaborative processes that leverage the knowledge that exists at the periphery of the enterprise, eliciting more granular input from those closest to business processes.

That's because line managers at lower levels are more in tune with the details and nuances of the business (hence their input is likely to be more accurate) and because once they supply their input, they are more likely to "own" their performance. They're empowered because they've contributed to their "performance contract" and are more personally accountable.

High participation also spreads out CPM responsibilities and shortens planning cycles. Instead of a few finance pros and IT specialists enduring a full-time burden, hundreds or thousands of participants can enter planning inputs and generate their own reports and analyses. This broad, deep adoption—driven by standardized tools—drives down costs and increases the value of CPM.

3 Capture and Elevate Shadow Systems

Every company has sub-optimal reporting and planning structures that individuals have built and relied on to semi-automate crucial processes. It's the fragile consolidation spreadsheet that your assistant controller uses (and that no one else understands). It's the Microsoft® Access® database with cryptic fields that requires data from another report to be manually keyed in. It's even the e-mailed forecasts that the sales administrator prints out and enters into a presentation for a monthly executive meeting.

These systems leave the company vulnerable as they degrade visibility and the ability to respond quickly and in a coordinated way. They further rob finance of the opportunity to be catalysts for better performance, as energy is diverted to the lower-value-added task of maintaining these systems.

By contrast, CPM captures these rogue systems and processes, elevating their visibility and value. CPM lets users easily share data, assumptions, models, and metrics to align their activities and leverage the value and contributions that other participants can add.

4 Serve as a Peer Enterprise System

While transactional systems increase the efficiency of an organization—they help accelerate manual processes such as billing—they don't necessarily increase the *effectiveness* of the organization. If you talk to a vendor of ERP or CRM solutions, you might get the impression that CPM is little more than an optional add-on—a companion feature to their enterprise-class software systems. This view is inversely skewed to the relative value of each system. After all, an ERP system can certainly accelerate business processes, but CPM can identify opportunities, forestall threats, direct corporate strategy, and align that ERP-optimized execution with the right goals.

"By 2005, 40 percent of Fortune 500 companies will have implemented CPM."

—Gartner

For these reasons alone, CPM technologies should be viewed as every bit as important and strategic to your company as the large transactional systems.

5 Leverage Enterprise Applications

One of the premises of CPM is that it connects disparate people and processes in a unified, aligned whole. That interdependence is fostered, of course, by the ability to synthesize data from the broadest range of enterprise applications and data sources—whether structured or unstructured—leveraging your existing and future technology investments. It's not one data store—it's any data you need. Since most ERP reporting and planning functions use only one data source—the ERP system itself—these functions are usually pale substitutes for true CPM. Not only does that limit your view of the business and its drivers, it limits your ability to expand on your successes as well.

THE CPM REVOLUTION

Traditional Approach & Mindset		Evolving Approach & Mindset
Forecasts/budgets not linked to strategy	→	Integration of strategic plan with planning, forecasting, and performance reporting
Annual periodic process	→	Rolling forecasts
Last year budget/forecast plus uplift	→	Driver-based budgeting and forecasting
Period End + X days/weeks forecasting	→	Fast actuals and trend forecasts
Comfort in detail	→	Detail linked to accountability, value, and variability
Management/finance ownership	→	Collective ownership, increased accountability, and participation
Fragmented process and system	→	Common planning platform
Standard reports distributed by finance	→	End-user analysis and tools

SOURCE: ACCENTURE

Your Journey, Your Roadmap

With multiple entry points, CPM offers radically different deployment options from its enterprise software predecessors

One of the benefits of the evolving approach to corporate performance management is that it foregoes the massive time and resource requirements of previous generations of enterprise-class information systems. That's because CPM lets you deploy tactically while retaining an overall strategic vision for the long-term. While it benefits from a thoughtful, well-planned strategy for development and deployment across the enterprise, CPM also allows you to define the ideal "entry points"—those areas within or outside of finance that will benefit fastest from the application of streamlined processes and technologies. That accelerates return and minimizes risk.

As the cover story states, the many entry points to CPM can generally be grouped into three broad areas: planning, scorecarding, and business intelligence.

PLANNING: Keeping the Enterprise Aligned

One of the core truths of well-executed corporate performance management (CPM) is that it aligns the activities and processes of the enterprise to create a vivid and holistic picture of business results, current execution, and future opportunities and threats. But what does CPM align activities *with*? The alignment that is so central to CPM is predicated on having an enterprise plan that's well-communicated, connected to the real business drivers, and highly adaptable.

But that requires a steady flow of continually refreshed plans embodying a triangulation of historical data, top-down financial plans, and continual signals that arrive in bottom-up, real-time data. Without an overall enterprise plan, a company's performance is vulnerable to unfolding events, buffeted by unforeseen factors, and lacking the predictability that investors demand.

Unfortunately, for too many companies, planning is synonymous with a term that inspires fear and loathing: the annual budget. There's good reason for the widespread shudders. Too often, budgeting is a productivity-draining "million-spreadsheet march" that quickly becomes untethered from realistic, thoughtful business strategy. Sandbagging and gamesmanship undermine its validity. Top-down budgeting that dictates parameters can create resentment and reduce individual accountability. And the length of the planning cycle can result in budgets and plans that are out of date the moment they're finalized.

"The fact is, a lot of planning takes place in today's enterprises that simply isn't relevant," says Steve Player, North American program director for the Beyond Budgeting Round Table. "It becomes merely a theoretical exercise without much of a payoff. When you make it relevant to the organization's goals, you've gone a long way to improving the credibility and value of the plan."

THE MANDATE TO IMPROVE PLANNING

Successful CPM-centric planning is predicated on finance's ability to make the process relevant, efficient, frequent, and collaborative. How can you improve planning and make it a linchpin of a CPM strategy?

> Identify and resolve your planning pain. Depending on the specifics in your organization, you might encounter any number of pain points. Visibility of information locked in spreadsheets can prevent you from getting a complete picture. Control and versioning of information is very difficult in ad hoc planning processes, making change and audit trails virtually impossible. Manual planning processes leave too many opportunities for exceptions to established controls—removing accountability from participants. Cycle times render finished plans irrelevant. And the overall predictability of the plan is low.

> Create a streamlined continuum from target setting to planning to budgeting so that contributors can align their individual operating plans with corporate objectives. Avoid the default reality where the finance department is the data manager and consolidator.

> Quickly incorporate market disruptions—say the bankruptcy of a major customer or supplier—into your plan at all levels in real-time. That provides agility.

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> Let participants contribute in their own terms—like the number of units sold, number of new hires, or number of tradeshows. Don't expect—or require—them to formulate their own assumptions about underlying dollar amounts behind the drivers, or ask them to become experts in complex calculations or finance jargon.

> Foster easier collaboration to create a culture of distributed (and appropriate) accountability. By involving lower-level managers and front-line personnel, enterprise planning captures granular input on a regular, frequent basis, creating more ownership.

> Move planning beyond finance. Visionary CFOs take the lead in radiating best-in-class planning throughout the organization and becoming the lead business partner for planners in manufacturing, sales, purchasing, R&D, and other areas of the company. This enables, for example, sales to develop a product margin plan that finance can align with other P&Ls. It gets passed on to R&D, which can assess the impact of the plan on its area. Purchasing proactively structures the supply chain to optimally support the new plan, and so on. This is truly coordinated enterprise planning.

SCORECARDING: Do Things Better, Find Better Things to Do

Since the publication of Robert Kaplan and David Norton's seminal work, *The Balanced Scorecard: Translating Strategy into Action* (Harvard Business School Press, 1996), businesses are increasingly interested in the concept of scorecarding. That dovetails neatly with CPM initiatives.

That's because scorecarding has become an important way for companies to align everyone—from the boardroom to the shop floor, as the saying goes—around an agreed-upon strategy and measurable goals. At the core of scorecarding lies a single, central, and shared system of metrics.

By integrating planning and analysis with scorecarding, CPM enables companies to improve their performance by strengthening the alignment, focus, and communication of performance against agreed-upon plans. In short, carefully and accurately "keeping score" helps the company evolve beyond the tactical measurement of its performance to an engaged and timely management of that performance. And that includes not only doing things better, but finding better things to do.

WHAT IS SCORECARDING?

Visionary CFOs use a well-designed scorecard to distill business strategy into a set of appropriate, relevant metrics—often fewer than one might expect. Scorecarding then presents them in a series of simple, intuitive displays—stoplight (green/yellow/red) indicators, bar charts, strategy maps, and others. But, most important, well-implemented CPM brings added power and intelligence behind those displays with sophisticated analysis—you see not just what needs your attention, but also why.

> SCORECARD VIEW. To empower wide numbers of users, you need wide adoption. Like a plan or forecast, a scorecard should relate only those metrics that are relevant to individual managers. The scorecard has to be easy to interpret and navigate with simple scales and metrics. The details are saved for later.

> CENTRALIZED METRICS. Scorecarding leverages a centralized repository of historical data and preset thresholds (perhaps drawn from enterprise plans). As each team in the enterprise defines and shares its metrics, those teams begin to better understand their interdependencies. And scorecarding retains flexibility as business conditions change during cyclical shifts and volatile events. That keeps it relevant—an important prerequisite.

> INFORMATION MANAGEMENT. The best scorecarding applications let you know *why*. By linking to a business intelligence layer, scorecarding can provide "guided analysis" that quickly leads the user to root causes and underlying issues that affect the metrics in question. Scorecarding is more than a pretty face on the data—it's backed by sophisticated analytics that users can explore.

A thoughtful, successful scorecarding strategy pays benefits at several levels. For the individual, scorecarding increases accountability. A manager who has responsibility for a specific metric is far more likely to ensure that metric meets or exceeds prescribed thresholds. Just as important, he is empowered to take the actions necessary to make sure that metric stays healthy. What's more, scorecarding unleashes strong instincts to innovate. By managing a measurement instead of a process, scorecarding encourages your managers to find the most creative, productive, and cost-effective solutions to problems.

For the team, scorecarding ensures greater alignment with documented goals and objectives. Team members can communicate their progress more easily. They can see whose metrics affect their own—and whose metrics their performance affects downstream. And, since employees work with the same assumptions, models, and data, scorecarding delivers an excellent combination of consistency, visibility, and predictability.

BUSINESS INTELLIGENCE: The Visibility to Understand Your Performance

How can you manage the future unless you understand the past?

At first it sounds like some inscrutable Zen aphorism. But for many visionary CFOs, it's plain-spoken common wisdom, a useful way to explain their choice of business intelligence (BI) as the entry point for corporate performance management. In this context, BI is the "first step" that lets you analyze data from multiple perspectives—to understand what happened and why—as a prelude for defining a go-forward strategy, developing comprehensive plans, and monitoring execution.

Business intelligence transforms the vast amounts of information your organization collects and stores into meaningful information that managers, executives, and other decision makers can use to better understand all aspects of the business. With a BI solution delivering reliable information, people throughout the enterprise can identify changing business conditions and new opportunities as they relate to their part of the business. And they can make decisions and take action that is on-strategy.

Of course, different people with different roles have different information requirements, ranging from power-users and report authors to knowledge workers and report consumers. Although specifics can vary, many best-practices implementations of BI include:

> REPORTING. BI provides a base level of enterprise reporting and querying that delivers all types of classic reports—batch, production, managed, or ad hoc query—in a self-service model that fosters broad adoption.

> ANALYSIS. BI is largely synonymous with the ability to analyze your business from multiple dimensions with sub-second response times.

> DATA VISUALIZATION AND DASHBOARDING. Transforming complex data into intuitive visual displays is another BI hallmark.

> EVENT MANAGEMENT. More recently, BI has grown to encompass the ability to monitor and automatically notify key people of events as they occur.

THE REPORTING–ANALYSIS CONTINUUM

In many companies today, the finance department becomes the no-win, de facto report factory—the place where line-of-business managers go to obtain performance reports and analyses—creating a shadow burden that limits finance's ability to do their own jobs fully and efficiently. Worse, it's often a highly repetitive cycle driven by the need for revisions or alternate views. The result: a custom-report chasm of inefficiency, delay, and lost opportunity.

Another common dynamic: the force-fitting of common personal-productivity tools for reporting and analysis. Spreadsheets and presentation programs deliver irreplaceable value: they're familiar, reliable, and easy-to-use. However, they trap data in two-dimensional, unstructured environments and lack important requirements such as sophisticated analysis and multi-user architectures. BI attacks these challenges by providing a continuum of reporting and analyses largely predicated on self-service.

> STATIC REPORTS. These "glance-and-go" reports are typically authored—once—by a knowledgeable user and electronically published in a central location where other users, often novices or managers with fixed information needs, can quickly retrieve the information.

> PROMPTED REPORTS. These on-screen reports offer light interactivity. For example, a user could change a time period by clicking on a drop-down menu. They eliminate some of the "round-trip" requests to finance for similar reports and give users faster access to different views.

> MULTIDIMENSIONAL ANALYSIS. This is a richer, more interactive way of navigating through information to view it from an almost unlimited number of perspectives. It combines the simplicity of "drilling down" to details and the power of changing display types, formats, dimensions, and more.

> CUSTOM ANALYSIS AUTHORING. For power users, BI offers the opportunity to create reports that reflect their own requirements. Those reports can be published and shared with other users to extend their value.

For most companies, a BI deployment is designed to address a specific performance issue. Through the right combination of reports and analyses, businesses can gain the visibility they need to identify the unexpected and dig deeper to understand the root causes—to know not simply "what," but "why" as well. Beyond these inherent benefits, the value derived also lays the foundation for future, broader CPM efforts as well.

Case Study:
Princess Cruises Charts Course for CPM Success

THE GLEAMING WHITE FLEET carries more than 800,000 passengers each year to nearly 260 ports around the world, offering first-class food, entertainment, accommodations, and service. While it may appear to be fun and relaxation for Princess Cruises, a dedicated finance team is working behind the scenes to manage the company's performance to ensure top service for customers and value for shareholders and employees.

For one of the world's largest global cruise and tour companies, nothing but the most powerful and flexible performance management solution will suffice. Princess Cruises replaced its spreadsheet-centric planning system with the Cognos Enterprise Planning Series, enabling the company to more effectively manage planning processes of hotel operations (which includes food-and-beverage, guest rooms, retail boutiques, casinos, and art auctions), human resources, and finance.

"With Cognos, we have replaced the Excel-spreadsheet consolidation and gathering process with one centralized tool that provides immediate flexibility and visibility to both finance and operations while allowing us to drive accountability throughout all levels of the organization," said Greg Bozigian, director of financial planning for Princess Cruises.

Clint Allen, manager of financial planning for Princess Cruises, agrees. "Not only is aggregating information a much easier process, but we can deliver information to senior management in a timely manner, effectively enabling them to make the decisions that guide our company," he said.

Cognos Enterprise Planning Series eliminates the need for the finance department to waste valuable time summarizing spreadsheets. Now, the team can focus on value-added analysis and deep evaluations that help provide the right information to the right people, and contribute to the company's success.

"The deeper visibility gained with Cognos allows for more qualitative discussions between management and the operations managers about forecasts, risks, and opportunities, which leads to a more thorough review and a more accurate plan," said Bozigian. "For a public company, this is invaluable."

"We've also seen the benefit of the Cognos solution beyond the finance department," said Allen. "Human resources and hotel operations have implemented the software to streamline business planning, which will further benefit the company."

"Once the tool was made available, and people in other parts of the business saw what it could do, they decided to implement it to gain more flexibility, power, accuracy, and accountability," explained Bozigian. For example, the Princess Cruises retail boutiques use the software for inventory control and product planning. Bozigian and Allen attribute the rapid spread of Cognos to the software's ease of use and deployment. Business managers can develop and maintain the planning systems without needing to rely on IT. This flexibility not only speeds deployment, but also enables business managers to maintain a high level of confidentiality around sensitive data, such as HR records.

"With the distinct, yet intertwined aspects of our business that must be planned and managed separately, Cognos Enterprise Planning Series delivers diverse modeling capabilities without requiring heavy IT support, and a powerful tool that enables us to more easily and accurately manage our corporate performance," said Bozigian. "Now our business can focus on delivering the best vacation experience for our customers with the confidence that we are charting the company's course for success."

accenture

Visionary CFOs and Corporate Performance Management:

Driving Value for Today's Needs and Tomorrow's Aspirations

During a recent interview, Michael Sutcliff, global managing partner for Accenture's Finance and Performance Management practice, outlined the business value of corporate performance management and the specific role of the visionary CFO in making a difference—through CPM—on a company's bottom line.

Q: What is the business value of the emerging performance management practices and technologies?

SUTCLIFF: Corporate performance management as people increasingly understand the term offers companies two different types of value. First, CPM generates immense value by aligning employees and the decisions they make with corporate strategies as quickly as changes occur in the business. This enables companies to change direction and pursue opportunities based on a constantly refreshed view of where they are and the gaps that exist between their ultimate goals.

The second value CPM delivers is through applied business analytics broad enough to cross the organizational boundaries, but focused specifically around business results tied to business processes. Business analytics are designed to support a very deep understanding of business results, and offer a path to translate that understanding into action for better net profitability for the firm.

For example, analytics about customer acquisition, retention, profits, and life cycle can provide a wealth of insight to product design or marketing teams.

CPM delivers the most value when the business analytics are developed at the process or departmental level, but are determined and measured with a broader focus that considers how they can be rolled up to provide a higher-level executive view. The intersection of the bottom-up and top-down analytics ensures each employee has the right information to pursue business opportunities or, if necessary, change strategies at the enterprise level.

Q: There's no single CPM "application," in the traditional sense. So where do companies start?

SUTCLIFF: Many companies initiate CPM through a particular application, such as planning, budgeting, or forecasting. Or through a business need, such as information management via scorecards and portals. Or through a business process, such as consolidation across legal entities and business units for financial reporting. So-called packaged applications can speed the path to CPM through any of these routes because they are so easy to procure and implement.

The key, though, is to consider a packaged application for CPM as part of a complete IT approach. You've got to ensure the applications work together and can make use of your existing technology investments, like your ERP platform. They also have to be able to capture all the relevant internal and external information on customers, operations, supply chain, and finance. I think by taking a holistic approach to selecting the ideal packaged application as the entry point, companies can meet both short-term needs through best-of-breed applications, and ensure long-term success through a system of well-architected tools that can be supported and maintained over time.

Q: How do CFOs specifically benefit from CPM?

SUTCLIFF: CFOs are currently dealing with short-term issues around regulatory and reporting requirements. These issues add a lot of stress for CFOs who are striving for a faster close cycle, greater transparency into their financials, and a set of controls that have been reviewed and tested with enough detail to ensure a comfort level necessary to sign off on financial results. So CFOs are looking at the entire financial reporting cycle and making substantial changes to meet these regulatory requirements.

However, this is only the first step to achieving broader capabilities that are much more important to the investment community. Ultimately, CFOs will benefit from CPM by gaining the ability to describe the key drivers impacting the bottom line as they report actual financials in depth and project future results under multiple scenarios with increased confidence. The ability to provide a comprehensive view of key financial and non-financial drivers, both inside and outside of the organization, will help CFOs educate the investment community on the impact of different business scenarios on corporate results. This is going to result in a higher degree of confidence about a business's ability to create economic value.

Q: How does performance management increase a company's economic value?

SUTCLIFF: Performance management is ultimately about delivering the optimal mix of results for both the current value of the company—say, the next five quarters—and the future value of the organization—say, the next five years. Creating economic value is not the same as creating net income, which CFOs worry about on a one-year cycle. Economic value derives from maximizing the current value of the enterprise and sustaining it through multiple changes in the competitive environment. Many companies focus too much on measuring and reporting on the current value of the business and are not good enough at thinking about where and when capital investments should be made to get the right return to positively impact the future value of the organization.

Accenture's 2003 Future Value Analysis study demonstrated this point by comparing the ratio of current value from operations against the future value for each company to understand the key drivers for market capitalization across industries. Companies with the highest stock ratings and positive future projections are those that demonstrate the ability to consistently deliver results from current operations *and* communicate the highest probability of delivering future value.

Q: Can you tie that back to the CPM technologies that CFOs are evaluating today?

SUTCLIFF: Sure. By using a suite of corporate performance management tools, organizations can gain insight into current performance and, based on deep visibility into key metrics and the flexibility to quickly respond to changing market climates, more accurately predict future results. The end result will be a greater and sustainable economic value.

While a number of companies have been measuring economic profit through financial metrics on a balance sheet, CFOs now have the technology available to tie these results to the drivers that create economic value. This allows the management team to distribute responsibility for components of the balance sheet to individuals, and help them decide what to do to ensure the most growth for the company. By coupling historical financial reporting with the new contextual and driver-based information, CFOs gain the unique ability to understand *why* results are what they are, and what decisions need to be made to create more economic value.

Q: How would you describe the "visionary CFO"? What are his or her characteristics or strengths?

SUTCLIFF: Accenture's research on high-performance businesses has uncovered three basic building blocks. First, a high-performance business possesses a deep understanding of the critical value drivers in the competitive space and the value metrics required to manage performance. Second, it has mastered the core business process competencies and prioritized them according to the impact on competitive advantage. Third, it benefits from a unique combination of management practices and talent that enables it to create and sustain the high performance over time.

Within this context, the visionary CFO plays a large role in helping high-performance businesses gain insight in order to create value in operations, supply chains, or networks. They also work with the management team to determine where they can improve their competitive position or create a new one to maximize value over time.

Finance can be a catalyst for creating a culture that focuses on highly disciplined, fact-based decisions and uses the intelligence available to them to turn insight into action. For example, finance professionals should interact with business managers on a regular basis to analyze and deliver value-creating opportunities.

The visionary CFO sees beyond external financial reporting to the performance analytics required to help create a value-centered culture, to understand how to use information to drive improved decisions, and to enable others to take action which creates competitive advantage—which is the end goal of a performance management system.

"CPM GENERATES IMMENSE VALUE BY ALIGNING EMPLOYEES AND THE DECISIONS THEY MAKE WITH CORPORATE STRATEGIES AS QUICKLY AS CHANGES OCCUR IN THE BUSINESS."

CPM RESOURCES FOR THE VISIONARY CFO

For more information on solutions for corporate performance management, visit www.cognos.com.

About Cognos

Cognos is the world leader in corporate performance management software. Founded in 1969, Cognos today serves more than 22,000 customers in over 135 countries. Cognos software and services are also available from more than 3,000 worldwide partners and resellers.

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