

CAPITAL PROJECT PLANNING



**PLAN-TO-PERFORM
BLUEPRINT**

**A WEB-BASED PROCESS FOR MANAGING
CAPITAL PROJECT PLANNING DECISIONS**

**A COGNOS INNOVATION CENTER
ENTERPRISE PLANNING
APPLICATION BRIEF**

EXECUTIVE SUMMARY

This application brief illustrates a Web-based planning process for managing major capital expenditure projections requiring corporate justification. By implementing this Cognos Planning *Blueprint*, companies will have forward-looking visibility into major capital project or resource spending decisions at both divisional and corporate levels. Capital projections can be leveraged as an indicator of future treasury needs and their effects on other planning processes within the enterprise. The *Blueprint* and processes described in this document are generic for cost centers in any US industry, but can be configured to support the complexity and requirements of any industry across many countries.



OVERVIEW

The *Capital Project Planning Blueprint* manages capital project requests, their justification, and the capital request approval process.

It is critical that tactical capital project decisions made at the divisional level be aligned with corporate strategy and objectives. When a cost-center manager or project owner makes a capital project request, the requested amount may be adjusted either up or down by management or finance, the request may be rejected in its entirety, or the timing of the request may be adjusted either sooner or later in the planning cycle to meet corporate spending guidelines or facilitate cash flow considerations.

This *Blueprint* facilitates capital project expenditures planning over a two-year cycle. The cycle may be adjusted as needed to meet specific forward-looking client needs.

BLUEPRINT OBJECTIVES

The *Capital Project Planning Blueprint* meets a number of objectives:

- Captures all capital project requests within a single view.
- Consolidates all capital requests to allow for big picture planning.
- Calculates “behind-the-scenes” depreciation for all approved requests using company guidelines.
- Provides management with justification for each capital request.
- Facilitates assessments based on capital request priorities and risk
- Demonstrates the capability to manipulate the timing of capital expenditures

KEY COGNOS PLANNING BENEFITS

- Flexible *Blueprint* development using Cognos Analyst to support any capital project planning *Blueprint*
- Web-based deployment of models for data collection and consolidation
- Real-time workflow
- Real-time consolidation
- Real-time browser-based calculations yield immediate results
- Scalable architecture with proven deployments to thousands of line managers
- Linking functionality to provide collaboration between all areas of the corporation
- Capability to execute form-based planning using selection boxes to drive application logic and calculations

JUSTIFICATION

The first *Blueprint* tab, *Justification*, is where the process of requesting a major capital project or resource begins. After entering a brief description of the expenditure, a user enters information towards justifying the request. There are four points of text data entry and nine selections to be made from drop down boxes.

The four text data entry items are:

- **Describe Problem** A brief description of the need for this expenditure.
- **Primary Benefit** A brief description of the benefits to be realized.
- **Expected Impact** A percentage return on the expenditure.
- **IT Man-hours** The number of estimated IT worker-hours needed.

Justification Capital Requests Capital Planning Approved Requests Consolidated Approved Requests Corporate Guidelines					
					Help
IT	Original Request				
	1	2	3	4	5
Expenditure Description	Computer Racks	35 Hewlett-Packard Pavilions	Back-up Power Supplies	30 Hewlett-Packard Pavilions	Data Center Upgrade
Asset Class	Furniture & Fixtures	Laptop	Computer Equipment	Laptop	Building
Priority	Medium	Medium	Medium	Medium	Medium
Estimated Overall Risk	Medium	Low	Medium	Low	Low
Describe Problem	Enhance data center	Enhance data center	Enhance data center	Enhance data center	Enhance data center
Primary Benefit	increase productivity	increase productivity	increase productivity	increase productivity	increase productivity
Estimated Years of Benefit	2-5 Years	2-5 Years	2-5 Years	2-5 Years	5-10 Years
ROI	Efficiency Gain	Efficiency Gain	Efficiency Gain	Efficiency Gain	Efficiency Gain
Expected Impact	3.0%	5.0%	3.0%	5.0%	4.0%
Month Realized	Mar-05	Mar-05	Mar-05	Mar-05	Mar-05
IT Resources Required?	Yes	Yes	Yes	Yes	Yes
IT Manhours	30	40	5	40	15
Subject Matter Expert	Yes - Both Internal and External	Yes - Internal	Yes - Internal	Yes - Internal	Yes - Both Internal and External
Strategy Map	Technology as an Enabler	Technology as an Enabler	Technology as an Enabler	Technology as an Enabler	Technology as an Enabler

The drop-down selections on this tab are:

<ul style="list-style-type: none"> Furniture & Fixtures Desktop Laptop PC Equipment Other Machinery & Equipment Autos and Trucks Building Land Computer Equipment Computer Software Maintenance Advertising Other Total Capital Exp 	<ul style="list-style-type: none"> 0 1 Year 2-5 Years 5-10 Years > 10 Years 	<ul style="list-style-type: none"> Yes No
	<p>“ROI”</p> <ul style="list-style-type: none"> Efficiency Gain Reduce Fixed Costs Reduce Variable Costs Reduced Payroll Replacement Govt Mandated Growth 	<p>“Subject Matter Expert”</p> <ul style="list-style-type: none"> Yes - Internal Yes - External Yes - Both Internal and External None Required
<p>“Priority”</p> <ul style="list-style-type: none"> High Medium Low Committed 	<p>“Month Realized”</p> <ul style="list-style-type: none"> Sep-04 Oct-04 Nov-04 Dec-04 Jan-05 Feb-05 Mar-05 Apr-05 May-05 Jun-05 Jul-05 Aug-05 Sep-05 Oct-05 	<p>“Strategy Map”</p> <ul style="list-style-type: none"> Grow the Business Profitably Leverage Size and Volume Win Business Intelligence Dominate Enterprise Planning Strategic Account Management Team Building Technology as an Enabler Continuous Cost Reduction Activities Efficiency Play Develop an entrepreneurial culture Virtual Integration with 3rd parties
<p>“Estimated Overall Risk”</p> <ul style="list-style-type: none"> High Medium Low 		

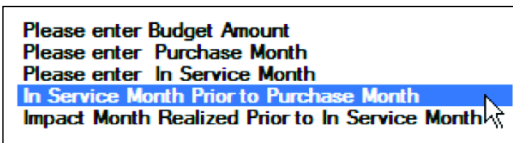
CAPITAL REQUESTS

The *Capital Request* tab is used to enter the Budget Amount, Purchase Month, and In-Service Month.

Fields in gray are non-editable and are linked over from the *Justification* tab. Fields in white are editable and used to request a dollar amount at a specific moment in time.

As changes are made, they are highlighted in **BLUE** along with any cells affected by the change. As table content is altered, Capital impacts are made automatically to subsequent tabs affected by the changes.

The following “warnings” may be received as you work through the *Blueprint*:



Justification Capital Requests Capital Planning Approved Requests Consolidated Approved Requests Corporate Guidelines							
IT Original Request							
	Expenditure Description	Asset Class	Priority	Budget Amount	Purchase Month	In Service Month	Warning
1	Computer Racks	Furniture & Fixtures	Medium	65,000	Jun-04	Aug-04	
2	35 Hewlett-Packard Pavilions	Laptop	Medium	50,000	Feb-04	Feb-04	
3	Back-up Power Supplies	Computer Equipment	Medium	30,000	Jul-04	Jul-04	
4	30 Hewlett-Packard Pavilions	Laptop	Medium	30,000	Jul-04	Jul-04	
5	Data Center Upgrade	Building	Medium	45,000	Apr-04	Apr-04	
6	Printers	PC Equipment Other	Low	25,000	Apr-04	Jun-04	
7	Telecommunications	Computer Equipment	High	100,000	Apr-04	Apr-04	
8	AS/400 Servers	Computer Equipment	High	100,000	Jun-04	Aug-04	
9	Cognos Business Intelligence	Computer Software	Committed	200,000	Feb-05	May-05	
10	Conference Table	Furniture & Fixtures	Low	15,000	Feb-05	Feb-05	
11	20 Hewlett-Packard Pavilions	Laptop	Medium	29,000	May-05	Jun-05	
12	Smart Board	PC Equipment Other	Medium	8,000	Aug-05	Sep-05	
13	Routers/switches	Computer Equipment	Medium	75,000	Sep-05	Oct-05	
14	Tape Backup	Computer Equipment	Medium	25,000	Sep-05	Oct-05	

CAPITAL PROJECT PLANNING

The third tab, *Capital Planning*, manages the timing and budgeted amount adjustments item-by-item.

The manager for this department—or a superior—may make adjustments to the timing of a budgeted amount or change an approved amount. All of the fields that are editable are in white. The fields in gray are either linked over from previous tabs, or are determined based upon the choices made in the white fields. For example, in the above screenshot, Item 1 had its timing adjusted to occur two months earlier than originally requested. At the same time, the amount budgeted was decreased by \$12,500. Look at the pointer in the lower right corner: You will notice that the budgeted amount for another item has been moved two months ahead—from April 2004 to June 2004. By entering a negative amount equal to the original request, you effectively deny the request.

Changes are highlighted in **BLUE**, and as changes are made, capital planning impacts are extended automatically to the subsequent tabs affected by the changes.

Justification Capital Requests Capital Planning Approved Requests Consolidated Approved Requests Corporate Guidelines											
											Help
IT											
	Adjustments	Expenditure Description	Asset Class	Priority	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	
1	Adjust Timing Later (Earlier)	(2)									
	Adjust Amount	(12,500)									
	Original Request		Computer Racks	Furniture & Fixtures	Medium	0	0	0	0	0	65,000
	Adjusted Request				0	0	0	52,500	0	0	0
2	Adjust Timing Later (Earlier)	1									
	Adjust Amount		35 Hewlett-Packard Pavilions	Laptop	Medium	0	50,000	0	0	0	0
	Original Request				0	50,000	0	0	0	0	0
	Adjusted Request				0	0	50,000	0	0	0	0
3	Adjust Timing Later (Earlier)										
	Adjust Amount		Back-up Power Supplies	Computer Equipment	Medium	0	0	0	0	0	0
	Original Request				0	0	0	0	0	0	0
	Adjusted Request				0	0	0	0	0	0	0
4	Adjust Timing Later (Earlier)										
	Adjust Amount		30 Hewlett-Packard Pavilions	Laptop	Medium	0	0	0	0	0	0
	Original Request				0	0	0	0	0	0	0
	Adjusted Request				0	0	0	0	0	0	0
5	Adjust Timing Later (Earlier)	2									
	Adjust Amount		Data Center Upgrade	Building	Medium	0	0	0	45,000	0	0
	Original Request				0	0	0	45,000	0	0	0
	Adjusted Request				0	0	0	0	0	45,000	0
6	Adjust Timing Later (Earlier)										
	Adjust Amount		Printers	PC Equipment Other	Low	0	0	0	25,000	0	0
	Original Request				0	0	0	25,000	0	0	0
	Adjusted Request				0	0	0	25,000	0	0	0
7	Adjust Timing Later (Earlier)	2									
	Adjust Amount		Telecommunications	Computer Equipment	High	0	0	0	100,000	0	0
	Original Request				0	0	0	100,000	0	0	0
	Adjusted Request				0	0	0	0	0	100,000	0
8	Adjust Timing Later (Earlier)	(2)									
	Adjust Amount		AS/400 Servers	Computer Equipment	High	0	0	0	0	0	100,000
	Original Request				0	0	0	0	0	0	100,000
	Adjusted Request				0	0	0	100,000	0	0	0

APPROVED REQUESTS

In the fourth tab, *Approved Requests*, the results of previous planning decisions are consolidated together by asset class.

All fields are in gray are non-editable, having been linked over from the *Capital Planning* tab.

If the *Blueprint* were saved at this point, all cells would appear in BLACK with calculated fields in BOLD BLACK. Changes made to previous tabs would be highlighted in BLUE, along with any cells affected by the change.

Hidden from view in this *Blueprint* is a tab which calculates depreciation on an item-by-item basis for approved requests. This depreciation information can be forwarded to any system or *Blueprint* that would have a need for it. For example, the *Expense Planning and Control Blueprint* would use this as a source for the new depreciation expense. As changes to the *Capital Planning* tab are made, depreciation impacts are made automatically according to company guidelines.

Justification Capital Requests Capital Planning Approved Requests Consolidated Approved Requests Corporate Guidelines													Help	
JUIT														
	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Total 2004	
Original Request	Furniture & Fixtures	0	0	0	0	0	65,000	0	0	0	0	0	65,000	
	Desktop	0	0	0	0	0	0	0	0	0	0	0	0	
	Laptop	0	50,000	0	0	0	0	30,000	0	0	0	0	80,000	
	PC Equipment Other	0	0	0	25,000	0	0	0	0	0	0	0	25,000	
	Machinery & Equipment	0	0	0	0	0	0	0	0	0	0	0	0	
	Autos and Trucks	0	0	0	0	0	0	0	0	0	0	0	0	
	Building	0	0	0	45,000	0	0	0	0	0	0	0	0	45,000
	Land	0	0	0	0	0	0	0	0	0	0	0	0	0
	Computer Equipment	0	0	0	100,000	0	100,000	30,000	0	0	0	0	0	230,000
	Computer Software	0	0	0	0	0	0	0	0	0	0	0	0	0
	Maintenance	0	0	0	0	0	0	0	0	0	0	0	0	0
	Advertising	0	0	0	0	0	0	0	0	0	0	0	0	0
	Other	0	0	0	0	0	0	0	0	0	0	0	0	0
	Total Capital Exp	0	50,000	0	170,000	0	165,000	60,000	0	0	0	0	0	445,000
Approved Amount	Furniture & Fixtures	0	0	0	52,500	0	0	0	0	0	0	0	52,500	
	Desktop	0	0	0	0	0	0	0	0	0	0	0	0	
	Laptop	0	0	50,000	0	0	0	30,000	0	0	0	0	80,000	
	PC Equipment Other	0	0	0	25,000	0	0	0	0	0	0	0	25,000	
	Machinery & Equipment	0	0	0	0	0	0	0	0	0	0	0	0	
	Autos and Trucks	0	0	0	0	0	0	0	0	0	0	0	0	
	Building	0	0	0	0	0	45,000	0	0	0	0	0	45,000	
	Land	0	0	0	0	0	0	0	0	0	0	0	0	
	Computer Equipment	0	0	0	100,000	0	100,000	30,000	0	0	0	0	0	230,000
	Computer Software	0	0	0	0	0	0	0	0	0	0	0	0	
	Maintenance	0	0	0	0	0	0	0	0	0	0	0	0	
	Advertising	0	0	0	0	0	0	0	0	0	0	0	0	
	Other	0	0	0	0	0	0	0	0	0	0	0	0	
	Total Capital Exp	0	0	50,000	177,500	0	145,000	60,000	0	0	0	0	0	432,500

CONSOLIDATED APPROVED REQUESTS

The next tab, *Consolidated Approved Requests*, affords a view of annualized capital expenditures. By comparing *Original Request* and *Approved Amount* with *Corporate Target* and then analyzing Variances, you can return to the *Capital Planning* tab and make any adjustments necessary.

This tab may also be re-oriented to provide a view across multiple departments.

Consolidated Approved Requests										
IT										
	Total 2004					Total 2005				
	Original Request	Approved Amount	Corporate Target	Var \$	Var %	Original Request	Approved Amount	Corporate Target	Var \$	Var %
Furniture & Fixtures	65,000	52,500	50,000	(2,500)	(5%)	15,000	15,000	18,000	3,000	17%
Desktop	0	0	0	0	0%	0	0	0	0	0%
Laptop	80,000	80,000	80,000	0	0%	29,000	29,000	25,000	(4,000)	(16%)
PC Equipment Other	25,000	25,000	25,000	0	0%	8,000	8,000	10,000	2,000	20%
Machinery & Equipment	0	0	0	0	0%	0	0	0	0	0%
Autos and Trucks	0	0	0	0	0%	0	0	0	0	0%
Building	45,000	45,000	45,000	0	0%	0	0	0	0	0%
Land	0	0	0	0	0%	0	0	0	0	0%
Computer Equipment	230,000	230,000	200,000	(30,000)	(15%)	100,000	100,000	125,000	25,000	20%
Computer Software	0	0	50,000	50,000	100%	200,000	225,000	180,000	(45,000)	(25%)
Maintenance	0	0	0	0	0%	0	0	0	0	0%
Advertising	0	0	0	0	0%	0	0	0	0	0%
Other	0	0	0	0	0%	0	0	0	0	0%
Total Capital Exp	445,000	432,500	450,000	17,500	4%	352,000	377,000	358,000	(19,000)	(5%)

Comparing Furniture & Fixtures by Department

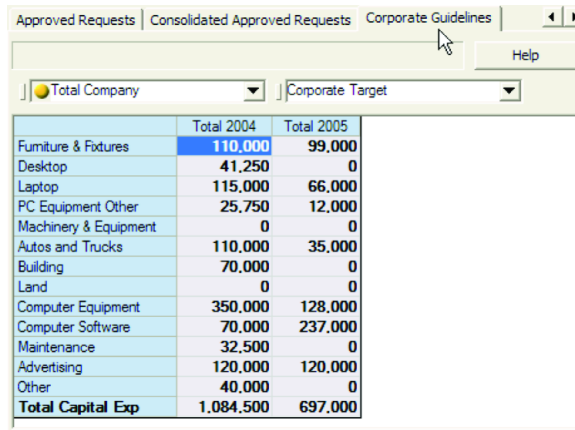
Consolidated Approved Requests										
Furniture & Fixtures										
	Total 2004					Total 2005				
	Original Request	Approved Amount	Corporate Target	Var \$	Var %	Original Request	Approved Amount	Corporate Target	Var \$	Var %
Total Company	126,550	115,800	110,000	(5,800)	(5%)	98,599	97,599	99,000	1,401	1%
Administration	49,550	51,300	50,000	(1,300)	(3%)	35,249	37,249	36,000	(1,249)	(3%)
Finance	12,000	12,000	10,000	(2,000)	(20%)	0	0	0	0	0%
Operations	0	0	0	0	0%	38,850	35,850	35,000	(850)	(2%)

Or *Total Capital Expenses* across departments.

Consolidated Approved Requests										
Total Capital Exp										
	Total 2004					Total 2005				
	Original Request	Approved Amount	Corporate Target	Var \$	Var %	Original Request	Approved Amount	Corporate Target	Var \$	Var %
Total Company	1,078,685	1,063,035	1,084,500	21,465	2%	679,859	707,359	697,000	(10,359)	(1%)
Administration	124,150	125,900	127,000	1,100	1%	92,749	97,249	100,000	2,751	3%
Finance	22,000	22,000	20,000	(2,000)	(10%)	2,400	3,400	3,000	(400)	(13%)
Operations	149,500	143,700	147,500	3,800	3%	100,350	97,350	93,000	(4,350)	(5%)
Sales	159,505	159,505	160,000	495	0%	12,860	12,860	13,000	140	1%
IT	445,000	432,500	450,000	17,500	4%	352,000	377,000	358,000	(19,000)	(5%)
Legal	14,030	14,930	15,000	70	0%	9,500	9,500	10,000	500	5%
HR	164,500	164,500	165,000	500	0%	110,000	110,000	120,000	10,000	8%

CORPORATE GUIDELINES

The next tab in the *Blueprint*, *Corporate Guidelines*, provides a concise, clear view of the corporate guidelines. Information may be hidden in the *Blueprint*, since the same information is used within the *Consolidated Approved Requests* tab.



	Total 2004	Total 2005
Furniture & Fixtures	110,000	99,000
Desktop	41,250	0
Laptop	115,000	66,000
PC Equipment Other	25,750	12,000
Machinery & Equipment	0	0
Autos and Trucks	110,000	35,000
Building	70,000	0
Land	0	0
Computer Equipment	350,000	128,000
Computer Software	70,000	237,000
Maintenance	32,500	0
Advertising	120,000	120,000
Other	40,000	0
Total Capital Exp	1,084,500	697,000

**ABOUT THE COGNOS INNOVATION CENTER
FOR PERFORMANCE MANAGEMENT**

The Cognos Innovation Center is dedicated to transforming routine performance management practices into “next practices” that help cut costs, minimize risk, streamline processes, boost productivity, enable rapid response to opportunity, and increase management visibility.



THE NEXT LEVEL OF PERFORMANCE™