

Male Speaker: Hello again. We are delighted to see so much activity during the breaks, the pavilion and communications lounge have been bustling. Thanks for returning to hear our next speaker, Doug Barton. Doug leads the financial performance management product marketing initiative at IBM and here is to share with you how to drive performance in these turbulent times. Now, as vice president performance management at IBM, Doug is the driving force behind the global, go-to-market strategy for the IBM Cognos performance management solutions. Mr. Barton is also responsible for communicating the firm's value proposition to finance organizations as a core entry point for its comprehensive performance management offering. As a key member of the global management team, he helps build visibility and awareness for IBM Cognos solutions in the marketplace. It's my pleasure now to introduce Doug Barton, Doug, let me pass the microphone to you.

Doug Barton: Hello and welcome to the Virtual Finance Forum 2009. It's a real pleasure to be with you and to join our other presenters on this action packed agenda today. On behalf of all my colleagues of Cognos Software and IBM, let me say that we are all very excited to be back here with our latest annual installment of the IBM Cognos Finance Forum. My name is Doug Barton and I will be your host today for this Cognos keynote presentation. You know the Virtual Finance Forum is really just one sign of our commitment to driving performance for enterprises and over the next several months, we will expect to reach tens of thousands of your colleagues both in online forums like this and in over 60 cities globally with our finance forum series. We are all thrilled you have chosen to spend some time with us today and we are confident your time will be valuable. Now, I know many of you have been Cognos customers for many years and perhaps are using our solutions in several performance management processes within your organization right now and yet there might be still others of you that are hearing about Cognos for virtually the first time. You know for those of you who are Cognos customers today, I really do want to thank you once again for the trust you placed in our company and our solutions and to those of you who are new to Cognos, a very special welcome. Thanks again for joining us. Our session objectives today are simply to discuss the role of financial performance management in turbulent times. As you are likely to agree that it's a real busy time for finance in the current environment, we would like to tackle that head on. We will actually also share some thoughts about some effective actions for improving your organization's performance amid this economic turbulence and finally we hope also to share a little bit about the value of IBM Cognos Software Solutions. There is no doubt that the clouds of economic recession have gathered, but there is also little doubt that our world is flatter or interdependent, even more dynamic than it used to be. So, while it is fashionable for many of us perhaps even commonplace to remark about turbulent times, whether you are at your kitchen table, at the water cooler or even in the boardroom, what is really of interest to us today is not why we are here, but what we can do to best compare ourselves, our departments, our professions, and our companies to best respond to become smarter and even thrive in these times. Now, there are characteristics of this challenging climate that are worth of special note. For instance insight that's going to help us prepare companies for a new reality, let me illustrate quickly. First off, demand is in a dramatic and uncertain decline. You know whether you believe it precipitated by the sudden decline of a *dead*

field[Phonetic] consumer economy, perhaps a declining net worth of individuals, their homes, and the like or even changing consumer preferences or deterioration of healthy international trade. What is clear is that visibility to demand for products and services is essential if our businesses are going to steer through this fog with speed and precision. Secondly, companies are facing constraints on credit and capital and this is somewhat unprecedented in modern times. The banks have been hit hard by losses, they have limited appetite for new corporate and consumer lending, share prices have fallen sharply therefore making new issues of equity very unattractive and investor preference is now seemingly for low risk government debt and you know limited appetite for new debt issues of higher yield corporate debt. So, these are all trends that put a clear premium on operating within capital boundaries; perhaps letting your company you know control its own destiny rather than being held hostage by these other sources and what could help in such a world? Well, perhaps it is an integrated understanding of cash flow and the tools that might support decision making at both the strategic and operational level. It maybe an integrated understanding of the portfolio of initiatives, the strategies, the capital programs that have to be managed closely to ensure that deficits can be funded and surpluses are plugged back into highest impact initiatives. It may also be projecting growth oriented investments while starving less essential *bets*[Phonetic] or even at an operational level, it maybe the thoughtful application of business intelligence to speed up collections on receivables or assess supplier risk. Now, nothing can be more punitive in these times like these as carrying say the cost of *90 x%* [Phonetic] of an end product in inventory and having a critical supplier belly up. These are the fundamentals that must be managed with great care and if you doubt it at all that you know... that there is a lot on the line in times like these, research finds that industry structure can change significantly in prices. In fact, recent research by the corporate executive board published an executive guidance for 2009 outlines a finding that is really striking. Downturns more than double the likelihood that a firm significantly changes its industry ranking. Firms that make it into the top quartile during a downturn also sustain that market premium, the market capitalization to sales ratio for an average of three years. These times do indeed matter more than others. It was IBM's Chairman Sam Palmisano that echos both this new reality and our best response as profession. He notes that new leaders will win not by just surviving the storm, but infusing intelligence into our decision making and management systems. I think you will agree with me that these times sharpen and renew our focus and discipline finance is always champion within their enterprise, namely they manage risk, improve cost discipline, improve profits, and drive cash flow and we are going to do that through the strategic application of business intelligence and performance management software on a truly enterprise scale. Indeed now more than ever, companies need the better business outcomes that performance management tools and disciplines deliver and many more have the resolve to see it through. IBM Cognos is not a newcomer here. You know we have developed sophisticated software, but have also invested in useful frameworks to help customers like you and your colleagues working throughout your company on behalf of profitable growth to identify the business impact of improved performance management decision making. One such simple framework is thinking about the three questions that drive performance. The decision makers are looking to financiers, they ask questions in three fundamental areas; how are we doing, are we on or off track, why, how did we get here, and what should we be doing, how do we get back

on track? Finding answers to these three questions is relevant in every functional area of an organization in every industry and to find answers to these three questions requires three basic capabilities. To answer how are we doing, decision makers have to be able to measure and monitor the business. To dig down and determine why the situation is what it is, you need reporting and analysis capabilities. They will give you the ability to look at historical data and trends; to understand these trends, to look at anomalies, to understand why, planning is the lynchpin between the other two. Planning takes the understanding of what's going on in sense of forward looking view of the business which you will ultimately measure and monitor against actual performance. Planning answers the question what should we be doing. Measuring and monitoring, reporting and analysis, planning, these are the three fundamental capabilities that in combination make it possible to optimize business performance. When you have all these capabilities, you can deliver targeted information to decision makers in the organization whenever and wherever they need it. You can now put people across the organization regardless of where they sit with the specific information they need in order to have an impact on performance. Companies have the resulting visibility, insight, and control to make the inevitable course corrections when performance drifts below potential, recalibrate performance targets, reallocate resources and optimize performance. Let's take a look at just some of the ways the finance department is a catalyst for better performance, better business outcomes in turbulent times. Our experience with customers both through our global market presence and our innovation center for performance management tells us that finance is acting. Finance is acting in their own office to drive out cost tied up with excessively manual processes like spreadsheet based planning, forecasting, and analytic processes. These improvement projects help drive dynamic and sustainable enterprise wide and deep FPM processes that are cheaper, simpler, stronger, and more standard, but have the more vital benefit of making these processes more dynamic fundamentally improving the agility of the resource allocation decision making and still others of our customers at Cognos are modernizing their *close[Phonetic]* consolidating reporting processes and they are doing so in anticipation of better transparency and more confident compliance with regulations such as Sarbanes-Oxley, other similar regulatory requirements globally and new international accounting standards, but that's not all of course. Finance is also at the center of plans, forecast, and analytics and supporting new intelligence that helps protect profitable customers and manage the unprofitable ones that helps engineer out nonvalue added activities that contribute to unprofitable products and supplier actions that leverage your best suppliers and knock up a strong high performance supply chain to manage away your risks that maybe introduced by lean economic times. Indeed the influence and reach of the CFO's office increases in these turbulent times and technology enabled solutions are appropriate interventions in tough times and have a performance dividend over the long haul. So, the office of finance is not just for finance processes anymore, but an entryway that offers sponsorship into many cross enterprise initiatives. In fact, there is a new vitality in bridging the financial and operational divide. The financial effect of any operational variance is often the last of a long series of interactions. Connecting performance management process is essential to managing risk, maximizing lead time, and accelerating the realignment of enterprise resources. For example, improving sales forecasting promises to improve our organization's management of *pipeline[Phonetic]* risk and improves the forecasting of revenues and

receivables, purchases and payables, inventory and cost of sales. Workforce plans, forecast, and analytics can help you retain the best, retrain or eliminate the rest to trim out *laze[Phonetic]* as required and finally, in partnership with the CIO, enterprises can more surgically intervene to eliminate or consolidate redundant projects, focus on quick pay back, and high impact. You know nearly two thirds of the solutions our customers of Cognos Software deployed serve to connect operational and financial domains like this. What do they gain? I tends to be visibility, lead time, degrees of freedom to respond that companies that are slow to embrace this link between operations and finance frankly don't have. It's not the large that eat the small as someone once said, it's the fast that eat the slow. So, let us examine more closely just a few of these key and targeted interventions and examine the nature of the challenge, the impact, and the Cognos Software advantage that delivers the unique client values so important in today's environment. We will look at finance, customer, and front office areas. According to a study by Pricewaterhouse Coopers 90% of spreadsheets contain significant errors. It remains typical for customers to focus on replacing spreadsheet only processes where spreadsheets are being overtaxed in the middle of collaboration intensive or calculation intensive performance management process. Spreadsheets are great productivity tools; however, they were never designed for demand typical today. Key to maximizing the impact of these first steps is concentrating on the benefits to your process experts of simple, strong, and standard processes. By freeing up their time, on the manual effort associated with the regular collection of planning our performance management data, you eliminate the low value added work of re-keying data, you eliminate key controls that are *[Inaudible]* document, test, assess on a recurring basis and you give the process key person insight into the state of key work flows and the quality completeness and timeliness of the data. In short, introducing new confidence in the performance management decision making system, a more dynamic, confident set of performance management process awaits. Cognos advantages for driving these simple, strong, and standard performance management processes include an ability to address all key financial performance management processes that range from strategy management and scorecarding to enterprise planning and analytics, financial reporting and profitability analytics, consolidation, and corporate reporting, finance operations reporting like data from the general ledger AR and AP systems and all general purpose performance reporting that might include managed reports, dashboards or analysis and to do so with software that's designed to keep the process owners in the driver's seat, not an analyst *looped[Phonetic]* with IT staffers remaking and remapping solution customizations. Our second focal point is on the customer actions. You know turbulent times require companies to discriminate with new insights and a new intelligence that appreciates the fundamental contribution to profit of every customer and every product. Customer profitability analysis will answer the question about how profitable a customer is or can be. Not every customer is equally profitable to another. In fact, it is not uncommon in fact to find that 20% of the customers are responsible for sometimes over 200% of the total profit. Now, does that imply that we can only focus on the 20% of those high profit customers? Well, you can rest assured that your competitors will focus on them, but of course not. The question we need to be asking is how will we retain them and frankly, how will we rethink the way we serve the other 80%. Cognos advantages lie in the scale, the interactivity, the sophistication in calculation and responsive tools that will help you

assess, test, and employ profitability information to unlock this new value analytic power that delivers new intelligence, that spans the domains across finance and operations. Now, to showcase this impact of this new insight, this new intelligence, we have launched our own Fresh Foods Company. Fresh Foods is a distributor and manufacturer of high end packaged and prepared meals with operations in both US and UK. The company has retail and wholesale operations and perhaps like many of your companies, it faced challenging times in 2008. Let's take a look. So, to do this, let's welcome now to the stage RK Paleru. RK is our retail analyst and he is going to show us how he can use Cognos tools to help uncover and respond to a major challenge to profit.

RK Paleru: Thank you Doug. My name is RK Paleru, the retail profitability analyst with Fresh Food Company. My personal business goals are to manage the firm's profitability within exactable limits of delegation. I do this by typically first surgically dissecting and intervening in the problem to understand the cause of the problem and thereby form my initial hypothesis. Go ahead and test the hypothesis and second, based on past experiences, try to understand how such problems have been dissolved and use a sandbox environment to test this to fix the problem and #3, finally, surfacing this up to the executive management to seek approvals for necessary change that could fix this problem. Fresh Foods has a complex set of operations typically not manageable within a spreadsheet environment. Complex hierarchies in terms of store locations in the US and in the United Kingdom, complex sets of products of prepared meals including prepared organic meals, and finally a complex set of revenue and margin information on a historical basis. Fresh Foods has recently actualized results for January '08 and of the 980000 gross margin variance to plan for the quarter one forecast, over 50% almost, \$445000 has been due to the January actuals of gross margin variance to plan. Of the 445000, \$235000 pertain to prepared organics and we see it is not across one product, but over a mix. I now note what is called as the direct product profitability information that measures retail profitability at a store level by dividing the product profitability to the unit shelf space available. What we understand from here is that a complex set of metric that is calculated in operational terms and stored at the lowest level of granularity and I start now forming my initial hypothesis that these tough economic times have actually forced people or consumers from not accessing organic products on the shelf. Equipped with this information of product profitability, I now load locational information to see if there is any locational peculiarity with respect to gross margin variance and here I see that region 2 with \$257000 has contributed to more than 50% of the \$445000 gross margin variance to plan in January and this makes me believe that my original hypothesis about tough economic times may not be true, given the fact that I see this problem only in region 2. This type of multidimensional analysis and drill down is not easily possible within spreadsheets. I now further validate this information by loading both these dimensions together, both regions and products to see within my sandboxed environment whether region 2 has actually contributed to this gross margin variance to sales through prepared organics and what we see here is of the \$235000, \$225000 pertain to prepared organics in region 2. I now call my area sales manager in region 2 who confirms that there is a new organic retailer opening up in region 2 offering point of sale discounts on organic foods, that is affecting Fresh Food Company sales of prepared organic foods. Now, I revisit my hypothesis and correct it that it is not tough economic times and

consumers not shopping, but in reality it is about competition in region 2 that's affecting sales. So, I need to undertake a point of sale promotion for which I need to load the quantity and the price information to apply this within the sandbox environment before seeking approvals. I now plan to apply the price and quantity information in my sandbox environment to see the effect of the point of sale discount. To do this, I load the past price quantity fluctuation information right here within the Cognos 8 business intelligence environment which graphically depicts how quantity has fluctuated with respect to price over the last two years and I see this in February '07 when there was a store wide offer, there was a substantial spike in prepared organics that is reflected in this particular environment. Now, I am convinced that there is a possibility of action and for that possibility of action there is a corresponding increase in quantity. Based on validated hypothesis and knowledge from past experience, I decide to give a 15% point of sale discount or test it within this environment by applying it *right and down in a subtract[Phonetic]* to this very same price list. See those changes instantaneously reflected on this complex data set not possible within a spreadsheet environment and apply that within the sandbox environment to see the revenue has actually deteriorated due to the price discount. This has to be corrected with a corresponding increase in volume or quantity. We now increase the corresponding quantity based on past experience and talking to area sales manager to reflect the new revenue based on revised pricing and quantity, which has resulted in the gross margin variance to plan dropping to \$86000 well within my limits. So, we have gone ahead and surgically dissected and intervened on this problem to understand where the problem was, understood based on past experience that there was corrective action possible, tested that within the environment before we now finally seek the approval without management. We now surface all this information through the Cognos 8 BI dashboards and see to the top left the gross margin variance to plan both before and after and just by the click of a button, we are able to see both for region and product level profitability variance both before and after those actions are taken. Our executive management is interested in what was the problem, what action needs to be taken and how it needs to be fixed. Without really having the need to go through the level of detail that is exhibited in a spreadsheet environment, the power of IBM Cognos to integrate both the spreadsheet paradigm and the powerful Cognos 8 BI capabilities has made this solution something that we can never be without. Thank you.

Doug Barton: RK, thanks for sharing the case of Fresh Foods with us and now we turn to our final installment, specifically on front office actions. As this quote here so aptly puts it, the future or more precisely perhaps the seeds of our future are already sown in many ways. Our challenge is to find them and to do so with such reliability and lead time as to put that information to work. You know, if you were driving a car that had a 100 foot safe stopping requirement, but alerts that gave you about eight feet, now would really be a little late. You know the key to reliably maximizing the lead time available to respond in a coordinated way is to extend the visibility of our finance performance out into operations. Companies benefit substantially by linking their financial processes with the predictable leading indicators of performance and are captured in operational plans, metrics, and analytics. Ultimately, a more dynamic, confident set of performance processes emerge. The more continuous reliable pulse of the sales forecast, related risk

metrics, and modeling is a leading indicator of revenue. Cost of sales, inventory, purchases and payables, related receivables all contribute to a forecast of total sources and uses of cash and the ability to fund discretionary investments. Seeing deeper into the fog of this recessionary times improves the lead time available to act and react in the event of shortfall. Cognos' advantages for enterprise planning and the visibility and control that connect financial and operational processes *[Inaudible]* include #1, the ability to easily model and link operational plans, analytics, and metrics with drivers. Driver based planning is more intuitive, requires less detail, creates more accountability as it engages managers with operational metrics that they relate to rather than abstract financial figures. Ultimately, this leads to improved forecast accuracy. Cognos Software supports higher participation and dynamic rolling horizons. This allows people closest to the business to translate operational metrics or measures into those financial effects and regular cycles of update. You know marketing might think in terms of expense dollars per lead, sales VP might think in terms of revenue per sales rep, in retail they might think of revenue or expenses per square foot. With rolling forecasts, companies are better able to manage end of quarter or perhaps end of year forecast *[Inaudible]*. This is particularly important in business with high demand variability and you know in times like these that's probably *old[Phonetic]* business and finally, our systems, Cognos Software systems supports rapid prototyping and *iterative[Phonetic]* development with great ease and last, but certainly not least, Cognos Software and its innovation center for performance management can provide the know how and resources to support your transformation. There is no need to go it alone. Instead, let's stand on the shoulders of other forward thinking companies and share their insight and best practices for you to learn from and benefit from. So, as you can see, our customers are acting fast to both, #1, intervene in meaningful ways in the short term, driving rapid and significant pay back in these turbulent times, but in doing so, they are creating momentum for a sustainable transformation of their company's ability to compete for all times in this new economic reality, in short, driving smarter decisions that are the hallmark of smarter companies. 2009 is a time like no other. IBM's Institute for Business Values summed it up like this. They said, "CFOs have an opportunity to enhance their role as a trusted advisor help protect the enterprise's franchise, improve the enterprise response to turbulent times and help the enterprise reprioritize" yet if done well, the finance function will not do it alone, but they will do it with a willing IT partner. In fact, while the IT as a function, as a budget will come under intense scrutiny, we should be clear that targeted investment can generate savings and revenues that far exceed the savings through cost cutting. Indeed the *awkward tie[Phonetic]* of finance and IT is a corporate odd couple of sorts should give way to the dynamic duo once and for all and Cognos software expects to be at the center of this partnership. We have built our software from the ground up to appeal not only to business users that may range from top executives to line managers to business analysts that can now get information they need to be fully informed, engaged, and aligned in the performance management process, but also to IT managers that are appropriately concerning themselves with fit and conformance with existing IT investments in systems, who worry about cost effective scale. Cognos 8 version 4 ensures that you can deliver trusted information to your business users, but provide the power and flexibility that you need and finally for finance professionals, the software provides you with the tools you need to drive your stewardship over performance

management process better than ever before. Here is a quick reminder of the key new capabilities that we have introduced in Cognos 8 version 4, capabilities at every layer of the performance management system. For example, in the area of strategy management and scorecarding there are new ways to incorporate cause and effect diagrams, other key metrics into simple views to ensure that authentic, performance management data is available to everyone who needs it. We have introduced IBM Cognos TM1 as a planning and analytic engine and that's powering a new level of scalability and participation in the area of enterprise planning and analytics. This is a cross enterprise discipline. We have introduced a new streamlined planning interface that allows for more personalization and eases deployment. In the area of financial and operational reporting, we have introduced new financial performance analytic application, which is now available to input the transparency to finance operations data. For example, reporting off from general ledgers, accounts receivable and accounts payable, this helps accelerate the accounting and control cycle as well as drive new insight in the cash to cash cycle and finally, at least for now, we have *[Inaudible]* new business intelligence capabilities; they include personalized Flash based dashboards, charting enhancements, annotations that improve collaboration, write on reports and analysis, data lineage and business cost integration to raise confidence in the data, *search assist in [Phonetic]* exploration and reporting location *[Inaudible]* mobile access, this all extends the reach, the relevance and timeliness of performance management data to the end users and last, but surely not least is the availability of Cognos Business Viewpoint for dimension management; when added to the data integration and other IBM synergies, it's really easy to see why IBM's vision for business optimization is so compelling. Cognos softwares behind performance management capabilities is the capstone of the IBM information on demand strategy dedicated to driving business optimization. It's IBM's conviction that the performance optimized business is the next big thing powering competitive advantage. It's above and beyond the automation value of ERP, CRM, supply chain management investments of the recent past and by its nature spans across functions and heterogenous IT and other systems' investments. Only IBM can lay claim to leadership positions across a full range of information management, business intelligence, and performance management assessments by industry analysts, and while we are part of this recognition, we are also proud of our work with folks like you. So, why Cognos? Well, we have a long history of firsts that prepare us to be your partner in your performance management journey. We have market leading products across the business intelligence and performance management domain that work together as one cohesive decision making platform. We were the first to introduce a global innovation center for performance management and partner with forward thinking customers, industry thought leaders, and ensure that this interaction accelerated the realization of your ambitions. We have invested in bringing you a rich set of functional and industry specific resources and blueprints. These all help speed the design, the build, the deployment, and the operation of performance management process and for your initial projects and finally our software and innovation center is supported by an extensive global services, support, and partner network that can help you be successful. Quite simply, we are best positioned to help you succeed with your performance management initiative. I leave you just about where we began with a quote from our Chairman Sam Palmisano. He says, "You can retrench, pull in your horns, protect the balance sheet and preserve cash or perhaps you can realize that this is

about humanity screaming for change. These are global issues and huge opportunities." We hope to help you thrive in turbulent times, making your company smarter, one smart decision at a time is what it might take and who could be better to lead than all of you and our final thought is this, first, let's get smart before you get started. A few ways to do this is to leverage the resources Cognos and her partners have made available. Here are just a few - take advantage of today's Virtual Finance Forum breakout sessions. They are going to offer actionable insights and much information to help you get started, join in the resource rich innovation center for performance management, talk with your solution teams about a Cognos discovery and validation workshop, and finally take advantage of the performance management book as a ready reference. These are proven techniques for turbulent times and all times and let me again share my thanks, my special thanks to all of you. You know we are really thrilled you have chosen to stay a while with us and we look forward to being of service in the future.