

MANAGE WHAT MATTERS.

COGNOS METRICS
MANAGER: THE NEXT
GENERATION OF
SCORECARDING
TECHNOLOGY



COGNOS®
THE NEXT LEVEL OF PERFORMANCE™



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INTRODUCTION

Companies juggle a variety of priorities: driving innovation, launching products, improving quality, creating value for customers, developing new markets, managing human capital, and ultimately, increasing shareholder value.

These priorities make up the basic elements of any company's strategy. Executives must determine the value each one creates for their particular situation, their relative importance, and the interaction among the processes that drive them. Once these have been determined, executives can integrate them into a strategic plan and communicate it throughout the rest of the organization.

Employees need to make decisions that support the strategy and focus their energies on the areas of highest strategic priority.

Historically, companies have relied on financial metrics to support these decisions. But this approach is proving increasingly ineffective. Financial metrics only reveal the effect of decisions made in the past. In a complex and challenging economy, companies need forward-looking, or "leading" metrics that are tied to the company's value drivers. Leading metrics (for example, customer satisfaction) can show cause-and-effect relationships and predict future performance. Further, companies need to integrate these metrics into a comprehensive performance management environment.

Until now, this has been easier said than done. One of the biggest challenges companies face has been consolidating performance data from disparate sources into a coherent metrics system that people can trust—one version of the "truth." Companies usually rely on a raft

of performance data drawn from many different systems: ERP, CRM, financial spreadsheets, flat data files, data marts, presentation software, and other sources. Each system provides important information about a particular aspect of the company's performance, but each collects, defines, and displays the information in a different way.

Disparate data creates confusion and inefficiencies. Decision-makers rely on enterprise data to guide their decisions and manage performance. What they usually discover, however, is that their peers consolidate the data in different ways, each according to their own interpretation of the strategy. This leads to metrics being incomplete, conflicting, or limited to a particular department or function. Sometimes they are all three. A common problem among managers is spending more time discussing the validity of the data than using it to manage performance.

Without a single, unified and consistently defined view of their performance, executives have difficulty understanding how the company is performing overall. Managers have no way of monitoring their department's performance relative to the strategy and have little opportunity to collaborate for effective decision-making. Employees may feel lost. So despite an abundance of performance data, companies still make many key decisions based on gut feel and best guesses.

THREE CORE BUSINESS PROBLEMS

Aligning company strategy and behavior (communication)

A successful strategy is one that executives can make relevant to everyone in the company—at all levels and in all departments. Employees should be able to rely on the strategy to guide their decisions, prioritize their actions, and focus their energies. Clear strategic goals and the metrics that measure performance against them communicate what the company is trying to achieve and what is expected of each employee. This rarely happens, because many companies have difficulty creating the necessary linkages between strategy, people, and performance. The problem can also occur when a company has a workable strategy and clearly defined goals, but lacks the metrics around which people can measure their performance.

Driving company communication, integration, and alignment (technology)

Disparate, scattered data is a daily reality for most companies. Executives base their decisions on Key Performance Indicators (KPIs) that draw data from different sources. Not only do these sources usually report on performance in different areas, the data they collect may not be collected, shared or defined in a consistent way across the company.

This often leads each department to suggest different priorities or provide different answers to the same question. For example: falling revenue from a particular vertical market may lead to widely divergent views on the best course of action: better training for the sales team, hiring more sales people; improving marketing, developing a new product, or discounting the current product.

Also, different managers may use different metrics. These metrics may measure things related to the corporate strategy, but their relative importance and their relationship to other indicators is not centrally defined. The company is unable to measure its effectiveness against the overall strategy and there is no alignment of tactics with strategy.

Even if a company uses the same metrics across the company, different managers may calculate them in different ways using different data. In *Using the Balanced Scorecard as a Strategic Management System*, for example, Kaplan and Norton describe how the 25 executives at a then-recently merged bank agreed “to provide superior service to targeted customers,” only to find out later that each executive had a different definition of “superior service” and a different image of “targeted customers.”¹

¹ *Using the Balanced Scorecard as a Strategic Management System*, Kaplan and Norton, Harvard Business Review, January-February 1996.

Responding to Changes in Performance (process)

A third problem occurs primarily when companies try to respond to unexpected changes in market conditions using scorecard applications that are hard-wired to an ERP system or some other data source that requires extensive programming intervention to change. This is where financial metrics prove particularly ineffective.

Changing focus—for example, from margins to customer service, or from acquisitions to cost-reductions, requires making process changes within and across each functional area. To do this, the company need to quickly understand how its processes operate and how they need to be altered. It also needs to create new metrics to monitor performance against new targets.

The longer the company spends figuring out how its key processes work, the more momentum it loses, the more serious the problem becomes, and the more difficult it becomes to take corrective action.

Each of these problems should be familiar to most companies. It's not uncommon for companies to be dealing with each one, to varying degrees. Each scenario illustrates a different aspect of the deficiencies of legacy scorecards and traditional financial metrics in responding to performance challenges.

MANAGING PERFORMANCE WITH THE BALANCED SCORECARD

In their seminal 1992 *Harvard Business Review* article, Drs. Robert Kaplan and David Norton introduced the Balanced Scorecard.² Kaplan and Norton asserted that a company's financial metrics reflected the effects of only a small proportion of the decisions made within that company, and that its true value could be more accurately evaluated and increased by measuring the value created by the interplay of people, processes, and other intangible assets. These dynamics would be aligned with the overall strategy and progress against it would be measured with metrics grouped around four interconnected perspectives: financial, customer, internal processes, and learning and growth.

The Balanced Scorecard proved immensely successful, helping some companies move from last to first in their industry. It is now the most popular and dominant management methodology in the Global 3500. This is because it helps companies translate strategy into specific, measurable objectives that can be consistently defined, applied, understood, and communicated to everyone. It also enables companies to identify value drivers throughout the company and leverage them into greater competitive advantage.

The Balanced Scorecard provides people with a common understanding of the processes and actions that drive the company. It also provides a single source of metrics and targets that let people monitor their performance against strategic goals and objectives. Many companies use scorecards to support a broader performance management or quality control methodology within specific departments, across a specific process, or across the entire company.

Scorecard Applications

Companies have tried to support their Balanced Scorecard initiatives with a mix of purchased and home-grown software applications, usually with limited success. Most purchased or proprietary scorecarding solutions are hard-wired to ERP systems and require extensive coding to change. This makes them more of a burden than a benefit when a company needs to change priorities in response to changing market conditions and monitor its performance against new benchmarks. Home-grown applications rarely deliver the functionality or analysis required to resolve performance issues. They consist primarily of static HTML pages and usually offer only limited business intelligence or analytical capabilities. They may show that performance is off track, but they don't provide any insight into why this might be.

Companies need scorecarding software that can be delivered to every employee so they can monitor their performance, and that also provides the necessary analytic capabilities that managers can use to understand why performance is on- or off-track.

² Harvard Business Review. *The Balanced Scorecard: Measures that Drive Performance*, January-February 1992.



ACHIEVING PERFORMANCE MANAGEMENT WITH COGNOS METRICS MANAGER

Cognos Metrics Manager is scorecarding software technology for creating, managing, and presenting your company's critical metrics. It lets you create an effective performance management system that links decisions, tactics, and accountability to goals and strategy.

Cognos Metrics Manager provides individual employees, managers, and executives with a single source of current and past enterprise performance metrics, measures, and information that they can use to manage and collaborate on performance issues. Employees at any level of the company can monitor, analyze, manage, and report key performance metrics.

Cognos Metrics Manager increases visibility into your company's key value drivers and the way they interact. This helps people understand how their decisions affect corporate performance and how their everyday decisions support strategic goals. They can use scorecards to focus their energies on corporate priorities and monitor their performance against targets.

Cognos Metrics Manager displays a company's progress against its corporate strategy in easy-to-understand formats such as traffic light indicators, directional arrows, or numerical scores. This lets people see at a glance which metrics need their immediate attention. People across the organization can quickly see which key areas are performing well and which ones are not so they can focus their time and energy where it matters most. They become self-sufficient, able to access the metrics they are accountable for.

Cognos Metrics Manager lets companies monitor any number of KPIs at one time. If one of the KPIs goes outside the defined range, then people can take immediate action. They can access related business intelligence sources and reports to analyze the underlying causes, and link up with others to collaborate on the performance issue.

Cognos Metrics Manager is tightly integrated with Cognos Enterprise BI and interoperable with Cognos Enterprise Planning. This helps you create a truly collaborative and closed-loop decision-making environment that enables both the effective sharing and rapid distribution of information tied to key corporate performance indicators.

Cognos Metrics Manager is also a browser-based, zero-footprint application. This provides benefits to both end-users and to IT departments because end-users don't need to download or install additional software, and IT departments can deploy it easily across an enterprise without needing to devote large numbers of resources to keep it running smoothly.



HOW COGNOS METRICS MANAGER ADDRESSES THREE CORE BUSINESS PROBLEMS

Intuitive View of the Business

Cognos Metrics Manager provides intuitive scorecards that help people understand their role in making the company's strategy happen. Traffic light-style indicators let people know whether or not they are on track to meet their targets. Optional five-state indicators show them how close they are with increased granularity. For individual employees, this takes the guesswork out of their decisions and performance. They can see at any time what their priorities are, where they should be focusing their energies, and how well they are performing. This helps them be more productive and more prepared when discussing their performance with their managers.

Metrics for individual employees can be rolled up into scorecards at the managerial level. Managers can see how each employee under their responsibility is performing and how the department is performing overall. The software also reveals key linkages and value drivers so that managers can understand how their department's performance affects outcomes in other parts of the company. Executives can use Cognos Metrics Manager to see at a glance how the entire company is performing in relation to strategic goals.

Centralized Business Content

Cognos Metrics Manager can integrate disparate performance data sources into a single, coherent pool of metrics that delivers a single version of the truth. It can take data from any source: ERP and CRM systems, spreadsheets, etc. and works with leading application servers to provide a consistent view of the business. Cognos Metrics Manager can handle the data volumes and processing needs of Fortune 1000-sized companies. Metrics, their owners, thresholds, sources, and targets can be created once and used multiple times in different scorecards. History is stored and relationships between metrics are visible.

Guided Decision-making

Cognos Metrics Manager helps people understand how their company works. It has been certified by the Balanced Scorecard Collaborative and includes strategy maps and other Kaplan and Norton best practices that reveal the key processes that create value and competitive advantage.

Cognos Metrics Manager also includes guided analysis tools that put performance metrics in greater context and that guide people through the decision-making process. Integrated business intelligence capabilities and links to supporting information provide greater insight into the factors that are affecting performance. Cognos Metrics Manager also features built-in collaboration tools that people can use to collaborate on cross-functional issues. Actions taken and decisions made are stored for review.

CREATING A HIGH-PERFORMANCE ENTERPRISE

Scorecarding is an essential component in building a high-performance enterprise—one in which every employee at every level is focused on the company's strategic goals. Companies can build a performance culture through corporate performance management (CPM)—a practice that involves aligning tactics with strategy at every level of the organization.

CPM helps companies leverage their substantial investments in IT and their vast amounts of corporate data into better decision-making and greater competitive advantage. It provides companies with a single version of the truth around which to drive, monitor, and understand their performance. It gives them a clear sightline into what's affecting performance in any area. And it enables them to react quickly to changing conditions or to take advantage of new opportunities.

CPM rests on three integrated capabilities:

Enterprise Planning

Cognos Enterprise Planning is an integrated solution for planning, budgeting, forecasting, modeling, consolidation, and financial reporting. It helps you articulate what you want to achieve—and how you will achieve it—using a hierarchy of plans, measures, and reports that flow from broad strategic objectives to tactical plans across departments, divisions, and locations. It relies on the input and commitment of hundreds or thousands of people who must execute against changing performance goals.

Enterprise Scorecarding

Cognos Enterprise Scorecarding gives everyone a precise understanding of where they stand in relation to strategic goals. Personal scorecards reveal how each employee's decisions affect overall corporate performance. Green light indicators show where performance is on track; red lights reveal where success is at risk. Cause-and-effect diagrams show how performance in one area affects outcomes in another. And strategy maps let people follow the corporate strategy from the boardroom to the shop floor.

Enterprise Business Intelligence

People make the best decisions when they have the best information in front of them. This is what business intelligence delivers. Cognos business intelligence transforms your vast stores of operational data into useful information and delivers it using the terms and formats that your employees can understand. It also gives them the power to analyze data on their own with simple mouse clicks, then share their findings with colleagues to improve collaboration.

COGNOS METRICS MANAGER KEY FEATURES AND FUNCTIONALITY

Cognos Metrics Manager is easy to deploy and use. Its features and functionality deliver Kaplan and Norton best practices and have been enhanced by feedback from Cognos customers.

Built for Business

Flexible, open methodology support

The flexibility of the software lets you model metrics and their relationship to each other based on any standard or proprietary scorecarding and management methodology you already use.

Summary views from an easy-to-use interface

Cognos Metrics Manager displays summary views based on the Balanced Scorecard and other methodologies, and users can easily explore detailed metrics results and history.

Analyze issues to the required depth

The rich Cognos scorecarding environment, through integration with Cognos Enterprise Business Intelligence lets you analyze performance issues to understand what drives a metric's change in order to make better decisions.

Consolidated views of cross-functional metrics

Cognos Metrics Manager uniquely combines disparate metrics from different functional areas and data sources to create a single repository of the metrics that your company can agree on to create scorecards and thereby monitor their performance against targets and objectives.

Embedded business analysis tools

Business user tools simplify cross-impact analysis of metrics. Easy-to-use multidimensional analysis tools let them uncover the root cause of performance issues.

Dynamic Diagrams

Dynamic diagrams give users the capability to view metrics in context overlaid on images, such as JPEG and GIF files (e.g., revenue maps, corporate strategy maps, floor diagrams, or process maps). These diagrams can be easily created using the drag-and-drop administration interface to place metrics on top of pre-defined images.

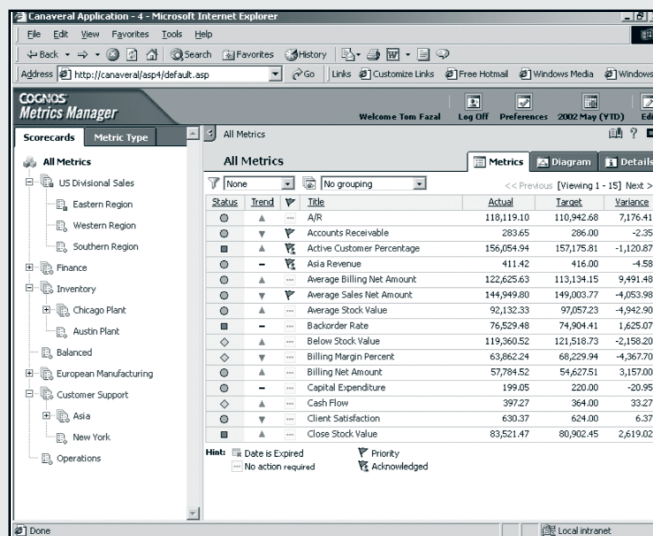


Figure 1:
Scorecard View

Built for IT

Metrics definition from disparate data sources

Cognos Metrics Manager can import and provide data to populate and support your scorecard from any source, including Cognos BI sources, Excel spreadsheets, flat files, user-entered values, and third-party databases. The Cognos Metrics Designer component vastly simplifies the creation of scorecarding applications from existing data. It simplifies the building, automation, and deployment of large scorecarding implementations. Users can design and load their Cognos Metrics Manager application from a relational or dimensional source via IQDs, data cubes, and Cognos Framework Manager models.

Browser-based interface

Users do not require software installed on their desktop, making global intranet or extranet use and deployment easier.

Simplified metrics creation

Administrators can define a metric once for use in any scorecard in their organization. Centrally defined KPIs ensure a consistent version of the truth and priority for all users. Administrator menus let you define all aspects of a metric: threshold ranges, benchmarks, data source definition, contact names, and URL links for contextual information in any format.

Flexible metrics building

Cognos Metrics Manager lets you control the specific metrics or KPIs you wish to track, how they are combined, criteria for good and poor performance for each indicator, and set links to supporting reports of any format, which can provide additional analysis and context for users.

Central metrics store

Cognos Metrics Manager historical data, as well as scorecard, diagrams, and metric definitions are maintained in an industry-standard relational database.

Cognos product interoperability

Cognos Metrics Manager is integrated with Cognos Enterprise BI and Enterprise Planning software, as well as with Cognos Web Services.

Application access and security

Integration with Cognos BI and Planning means users are easily assigned to classes. These classes determine the scorecards and metrics they can access through a simple and single sign-on dialogue box.

Metrics relationship auto-diagrams

Automatically generated HTML displays of the relationship between metrics reduces implementation effort.

Balanced Scorecard Collaborative-certified

Certified by the Balanced Scorecard Collaborative, Cognos Metrics Manager includes Strategy Maps and other Kaplan & Norton Balanced Scorecard best practices that can be easily and quickly modeled through menu-based administrator functions.

Utilization monitoring and analysis

Cognos Metrics Manager can track its own performance. It allows administrators to analyze how the application is being utilized throughout the organization.

Cognos Metrics Manager Technical Specifications

- Multiple Operating Systems (Microsoft Windows, Sun Solaris, HP-UX, IBM AiX),
- Enterprise RDBMS Repository (IBM DB2, MS-SQL Server, Oracle),
- J2EE Application Servers, Browser IE V5.5 and higher (for users or administrators), or Netscape 6.2 (for users).



ABOUT COGNOS

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

For more information, visit www.cognos.com.

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PRINTED IN CANADA
(05/04)