

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 and managers 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 these elements into a strategic plan and communicate the plan throughout the rest of the organization.

Employee in all types of organizations need to rely on the strategy to guide their decisions and focus their energies on the areas of highest 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 reveal cause-and-effect relationships and alert companies to problems before they adversely affect the bottom line. For example: declining customer satisfaction can point to an eventual drop in overall revenue or a loss of market share.

Further, companies need to integrate these metrics into a performance management environment that can be applied enterprise-wide. In the example above, many departments have a role to play in managing customer satisfaction. Employees in each need to know their roles and responsibilities and where they fit into the overall plan.

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 – the elusive "single 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, legacy data, 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 and blurs accountability. Decision-makers rely on enterprise data to guide their decisions and manage performance. What they usually discover, however, is that people 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. Metrics may show that a problem exists, but not who is responsible for resolving it.

Without a single, unified and consistently defined view of their performance, executives have difficulty understanding how the company is performing overall, whether the company is going in the right direction, and who is responsible for taking corrective action when problems arise. 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

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 that let people measure their performance.

Establishing ownership and accountability

Companies that struggle with disparate data also find it difficult to establish ownership and accountability. In the absence of a commonly shared store of metrics, managers tend to make up their own. These metrics may measure things related to the corporate strategy, but their relative importance and their relationships to other indicators or processes is not centrally defined.

This usually leads to managers suggesting different priorities or providing conflicting solutions to performance problems. 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.

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

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.

Changing focus – for example, from margins to customer service, or from acquisitions to cost-reductions, requires companies to create new metrics that reflect these new priorities. Business users need immediate access to these new metrics to ensure a smooth transition and to maintain the company's momentum. Unfortunately, this is rarely possible. Creating new metrics directly from an ERP system is usually a time-consuming and resource-intensive process for IT staffs. The longer they spend reconfiguring metrics to reflect new priorities, the more momentum the company 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, for two reasons. First, because many companies still rely on financial metrics. Second, because many companies also use ERP systems to centralize their transactional data collection and storage. These systems are built on proprietary code which is difficult to customize and rarely works with other data sources. Companies need a better way to manage their performance.

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 identifying the value created by the interplay of people, processes, and other intangible assets such as customer relationships, employee skills, and brand. These dynamics would be aligned with the overall strategy and progress against it would be measured with metrics grouped into four interconnected perspectives: financial, customer, internal processes, and learning and growth.

These perspectives help companies answer fundamental questions about their business performance:

Financial: What must we focus on to meet shareholder expectations?

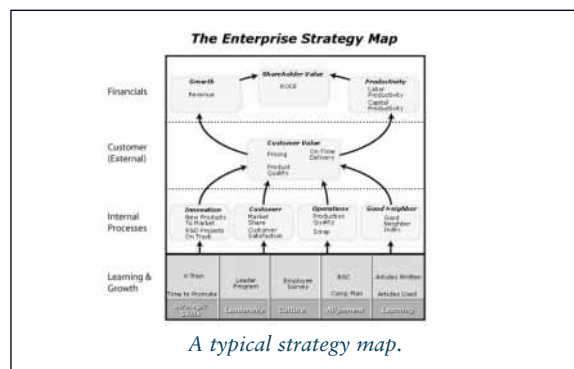
Customer: How should we deliver value to customers in key market segments?

Internal: Which operational processes must we excel at to satisfy shareholders and targeted customers?

Learning and Growth: How will we sustain our ability to change and improve?

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. 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.

The Balanced Scorecard illustrates a company's key value drivers and shows how they interact to create value and competitive advantage. This is done through a strategy map. A strategy map is a visual tool that enables companies to illustrate the cause-and-effect relationships between strategic goals and the processes that companies use to achieve them, and the intangible assets that they need to leverage effectively.



A typical strategy map.

Scorecard Applications

Companies have tried to support their Balanced Scorecard initiatives with a mix of purchased and homegrown software applications. Many 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 a scorecarding application that can be delivered to every employee so they can monitor their performance, and that also provides the necessary analytical 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 a scorecarding application 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 that are directly linked to the organization's strategic goals.

Cognos Metrics Manager increases visibility into your company's key value drivers and the way they interact. Strategy maps help people align their decisions with strategy. 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.

Ownership for each metric is clearly defined, for greater accountability. People can see at a glance which metrics need their immediate attention. They 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.

Decision-makers can access and customize their scorecards and supporting information instantly, without the need for IT intervention. Cognos Metrics Manager lets companies monitor any number of metrics at one time. If a metric 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 a solution.

Cognos Metrics Manager is tightly integrated with Cognos Enterprise Business Intelligence and interoperable with Cognos Enterprise Planning Series. This helps you create a truly collaborative and closed-loop decision-making environment. This integration gives companies the unmatched ability to answer five questions that are central to managing their performance:

- What is happening?
- When is it happening?/When did it happen?
- Where are the areas that need the most attention?/What do I need to do about it?
- Why is it happening?
- Who is responsible?/Who is involved?

The answers to these questions let companies make the decisions and take the actions that build competitive advantage, increase efficiencies, and boost profitability.

HOW COGNOS METRICS MANAGER ADDRESSES THREE CORE BUSINESS PROBLEMS

Intuitive View of the Business

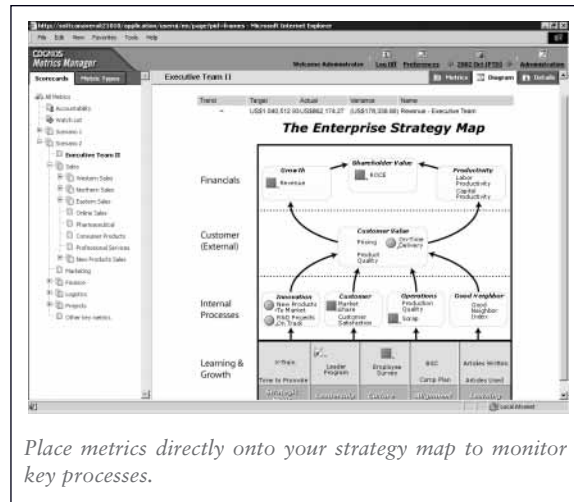
Cognos Metrics Manager provides scorecards that help people understand their role in making the company's strategy happen. Traffic light-style indicators, trend arrows, and other intuitive symbols let people know whether or not they are on track to meet their targets. Ownership and accountability are clearly defined and visible to all.

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, deciding what to do, and taking the appropriate action.

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.

Cognos Metrics Manager 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. Metrics can also be displayed on top of a strategy map to improve alignment and show how key processes are performing.



Place metrics directly onto your strategy map to monitor key processes.

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. For example: ERP and CRM systems, spreadsheets, etc. It 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 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.

Decision-makers at any level can customize their scorecards to present metrics in the way they need to see it to make a decision. They can view metrics alphabetically, by project, by department, by status, or by owner. They can switch between any of these perspectives instantly, and on their own. There is no need to consult IT.

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.

Cognos Metrics Manager is a browser-based, zero-footprint application. This provides benefits to 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.

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 achieving 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 software rests on three integrated capabilities:

Enterprise Planning

Cognos Enterprise Planning Series 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

Business intelligence delivers the information people need to make the best business decisions. Cognos business intelligence transforms your vast stores of operational data into useful information and delivers it at the right time, 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 intelligence 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.

COGNOS® METRICS MANAGER: KEY FEATURES UP CLOSE

The screenshot displays the Cognos Metrics Manager interface. At the top, it shows the browser address bar and the application title. The main content area is divided into several sections:

- Scorecards:** A table showing the 'Discount Percentage - Eastern Sales' scorecard. The table has columns for Status, Trend, Actual (14.10%), Target (2.50%), Variance (11.60%), Owner (Tom Fadal), and Last updated (Dec 1, 2002).
- Report:** A bar chart showing 'Discount' on the y-axis (0 to 40) and 'Sales' on the x-axis (Accounts, ELIS, MISSES). The chart shows data for 2001 and 2002.
- Navigation:** A left-hand menu with categories like 'All Metrics', 'Accountability', 'Scenarios', 'Executive Team II', 'Sales', 'Western Sales', 'Northern Sales', 'Online Sales', 'Pharmaceutical', 'Consumer Products', 'Professional Services', 'New Products Sales', 'Marketing', 'Finance', 'Logistics', 'Projects', and 'Other key metrics'.
- Shortcuts to Understanding:** A section at the bottom with links to 'Cognos Corporate website', 'Excel Discount Model', and 'Impromptu Sales Performance Report'.

Annotations with arrows point to specific features:

- Security:** Ensure that users see only the scorecards and information they're responsible for.
- Critical Metric Data:** Display status and trend, actual, target, and variance values, and ownership for instant understanding.
- Live Embedded Business Intelligence:** Use to analyze performance issues in depth without having to change applications. Click on an under-performing metric to access underlying data.
- Links to Supporting Information:** Use to provide additional context to your scorecards. Include live applications, Web sites, Word documents, or other content.

Dynamic Strategy Maps

View metrics in relation to strategy by placing them on images (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.

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 Metrics 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 Metrics 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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