

“Cognos 8 Planning has made budget planning faster and simpler for our over 40 subsidiaries worldwide. Acceptance among our people has been excellent. In conjunction with Cognos Controller and now Cognos 8 BI, Cognos 8 Planning is providing extra support as we work toward getting our financial forecasts completely accurate.”

Oliver P. Walker, CFO, Sonova Group (formerly the Phonak Group)



The Sonova Group (formerly the Phonak Group) is a byword for innovative hearing healthcare solutions. The Group specializes in developing, producing, and selling hearing systems that feature leading-edge technology.

The Sonova Group also leads the market in wireless communication systems for audiology applications. Two of the Group’s key strengths are in-depth expertise in hearing technology coupled with a highly effective distribution network. In collaboration with customers and business partners, Sonova makes a significant contribution to a better quality of life for people with hearing impairments. A global market share of around 20 percent positions the Sonova Group as one of the world’s three top providers of hearing systems. In the fiscal year 2006/2007, Group sales broke the one billion Swiss franc barrier for the first time, with both earnings and market share sharply up in all key markets. Committed to operations that span the globe, Sonova is pursuing an ambitious growth strategy in which innovation, customer focus, and proactive cost management all play a pivotal role.

Hitting financial targets precisely is the dream of every CFO – especially those at publicly traded companies. The fact that a mere 18 percent of people with hearing impairments currently wear hearing aids leaves vast potential for a company that is aiming to boost its penetration of the world’s market for hearing systems. Accordingly, Sonova, which has a footprint in more than 90 countries and a global distribution network comprising over 40 subsidiaries, set itself the ambitious goal of earning 69 percent of annual sales with products that have been on the market for less than two years. Meeting this target placed exacting demands on both planning and consolidation, not to mention necessary ongoing adjustments to the Group’s activities along the way.

Industry:

- Medical engineering

Geography:

- Global

Information needs:

- Simplified planning and consolidation at the subsidiaries and at head office

Platforms:

- SAP R/3, SAP BW

Users:

- More than 100 employees worldwide

Solution:

- Cognos Controller
- Cognos 8 Planning
- Cognos 8 BI

“It’s all about living up to what we have told our shareholders and the market about the future course of our business,” explains CFO Oliver P. Walker. “Every planning phase challenges us to advance still further. In practice, that means planning new product launches, marketing activities, gains in market share, sales, and margins, and every ancillary activity on an enterprise-wide basis. And we can only do that if we have the right systems.” To master this challenge as efficiently as possible and ease the burden of planning on its subsidiaries, the Sonova Group decided to deploy Cognos 8 Planning and Cognos Controller.

Challenges faced

Dissatisfied with its legacy solution several years ago, Sonova began looking for ways to make its planning and controlling processes more effective and provide greater support for them.

The main challenge was to simplify planning vastly by implementing an easy-to-use, Web-based tool for the managers of the more than 40 Group companies that had sprung up in just a few short years. The hope was that this approach would also simplify and accelerate enterprise-wide planning at Corporate Finance at the Group's Swiss headquarters.

As a result, the organization decided to install Cognos Controller as its controlling and consolidation tool. Going forward, the Group also wanted to make its planning phases more transparent – and to make planning facilities available over the Web flexibly, especially for the subsidiaries that were distributed around the globe. Recently, Sonova also launched a Cognos business intelligence (BI) solution to optimize the presentation of financial data and the other key performance indicators used throughout the Group.

Strategy followed

Sonova's strategic decision meant that new software would have to be rolled out. Accordingly, the Group evaluated various market players to see which one could best meet its additional planning needs over and above its existing controlling requirements. Walker's deep-seated conviction played a large part in this decision process.

"Wherever possible, I try to adopt a single-source strategy," the CFO notes. "In the case in point, that could have led to us choosing a different supplier than Cognos to provide the controlling, planning, and subsequently the BI solution. But even in the preliminary stages, Cognos already demonstrated the most coherent set of controlling and planning functions."

Sonova still went ahead with a detailed evaluation, and invited several other solution providers to submit proposals. Three factors finally clinched the decision for Cognos:

- The powerful functionality of Cognos Controller for users at Corporate Finance
- The extensive functionality and ease of use of Cognos 8 Planning is for both Corporate Planning and the staff of the Group's worldwide subsidiaries
- A coherent vision and a comprehensive strategy, coupled with Sonova's desire to have controlling, planning, and BI functionality all implemented on the same single-source platform

Sonova planned to introduce SAP R/3 as its ERP solution, SAP BW as its data warehouse, and the Cognos Controller, Cognos 8 Planning, and Cognos 8 BI solutions for its financial and performance monitoring activities.

In addition to the functions described above, Cognos 8 BI was also to be used for reporting purposes, to prepare charts and presentations, and as a management dashboard featuring powerful drill-down options.

Whenever systems are evaluated and launched, it is vitally important to create a prototype to gain a better understanding of the functionality. On this basis, it is possible to identify configuration requirements, the necessary variants, and the flexible reporting options that are needed, and also to draw up a catalog of requirements for the implementation partner. To lend weight to this approach, two staff members were assigned to a Finance System Competence Center, a dedicated hub to field and handle all issues relating to the Group's financial processes and the related tools.

Benefits realized

While research and development, marketing and sales, and general administration account for around 42 percent of the Sonova Group's budget, the cost of goods sold amounts to only something in the region of 32 percent. In light of this situation, the SAP system proved too inflexible to handle overhead planning properly, especially when this was distributed across a large number of subsidiaries.

Walker explains, "Cognos 8 Planning has become an absolutely pivotal tool for our subsidiaries' detailed sales and resource planning. It has been so well accepted that people actually plan in greater detail than HQ prescribes, simply because they themselves are convinced of the benefits. One outstanding feature we have found to be highly practical for our multistage budget planning is the breakback function, which lets us vary the criteria and the weighting factors used to spread changes over entire planning periods."

"Whenever we meet to discuss the coming year's budget," he adds, "we use this function to reallocate new figures to our segments, products, product groups, customer groups, and customer industries, as well as on a seasonal basis. And none of these variations have to be recalculated, traced, and prepared from scratch – even

when all costs of production are factored in. We can walk away from these budget meetings with clear numbers on the table. At present, about 100 staff at head office and at the subsidiaries work with this planning tool.”

Both the roll-out of Cognos Controller and implementation of the planning project with Cognos partner and planning specialist ENTECH Enterprise Technology AG were a resounding success. Acceptance is very strong among the staff of all Sonova’s subsidiaries. Budget planning has been accelerated and simplified as a result.

In the ongoing BI project, Sonova aims to further improve its presentation of both the data from SAP BW and the data from Cognos Controller and Cognos 8 Planning. Its vision is for Cognos 8 BI to present agreed outcomes with even greater clarity and transparency during budget planning runs. This will lay a firm foundation from which the Group aims to hit its financial targets precisely. This BI- and sales-controlling part is being implemented with the experienced partner EIS Business Infocenter AG. The solid, reliable planning and reporting system will be instrumental in boosting the company's credibility in financial markets.

About Cognos

Cognos, the world leader in business intelligence and performance management solutions, provides world-class enterprise planning and BI software and services to help companies plan, understand and manage financial and operational performance.

Cognos brings together technology, analytical applications, best practices, and a broad network of partners to give customers a complete performance system. The Cognos performance system is an open and adaptive solution that leverages an organization’s ERP, packaged applications, and database investments. It gives customers the ability to answer the questions – How are we doing? Why are we on or off track? What should we do about it? – and enables them to understand and monitor current performance while planning future business strategies.

Cognos serves more than 23,000 customers in more than 135 countries, and its top 100 enterprise customers consistently outperform market indexes. Cognos performance management solutions and services are also available from more than 3,000 worldwide partners and resellers. For more information, visit the Cognos website at <http://www.cognos.com>.