

IBM Cognos Finance Forum 2010

Anticipate and Shape Business Outcomes

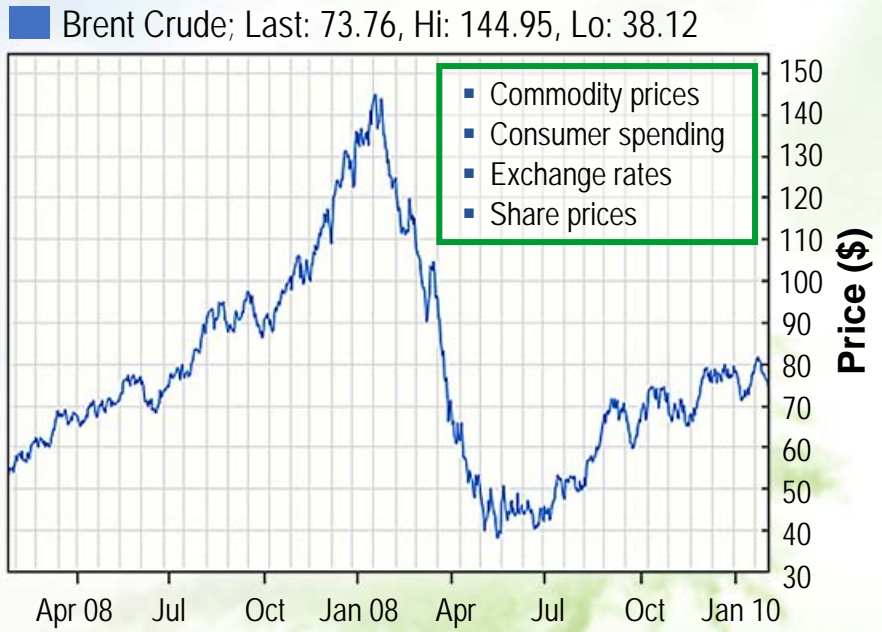
Driving a Smarter Enterprise





Heightened Uncertainty – the New Normal

Oil Prices: Last 2 Years (Brent Crude)



2010 IBM Global CFO Study: *how can the CFO drive a smarter enterprise in uncertain times?*

- ! The impact of the New Economic Environment on the **CFO's Role**
- ? What Finance model achieves the **optimal mix of capabilities** needed to outperform?
- ? What can CFOs do to enable **timely and informed decision-making**?
- ? How can the CFO help the enterprise **anticipate and shape** its environment?

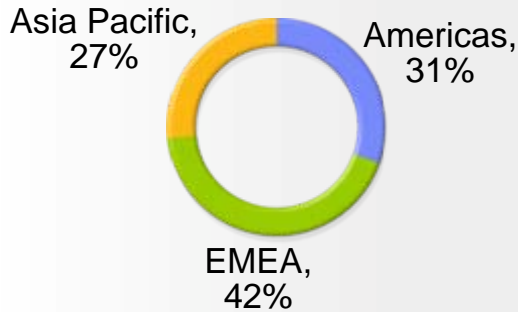




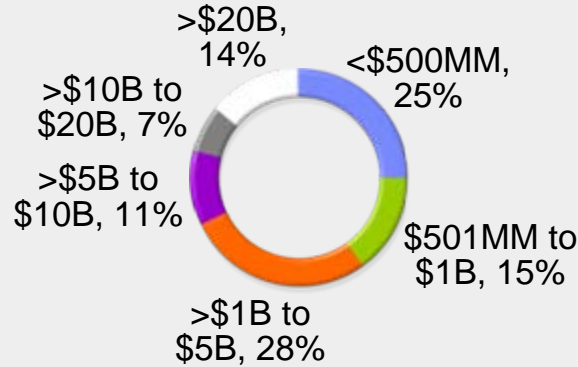
The Global CFO Study 2010 is the largest CFO-level study of its kind with over 1,900 participants

CFO Study 2010 Firmographics

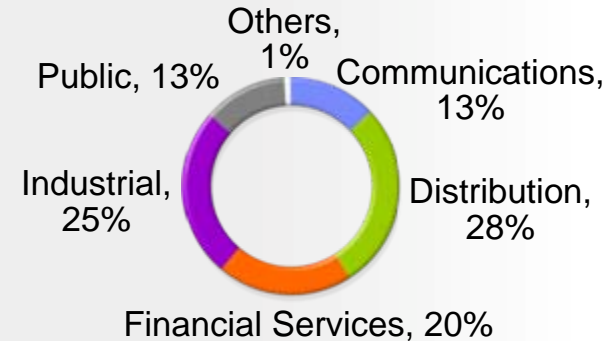
Geography



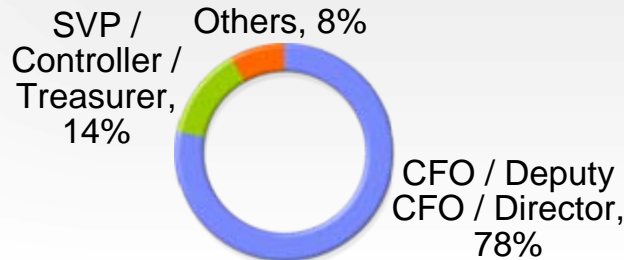
Enterprise Size



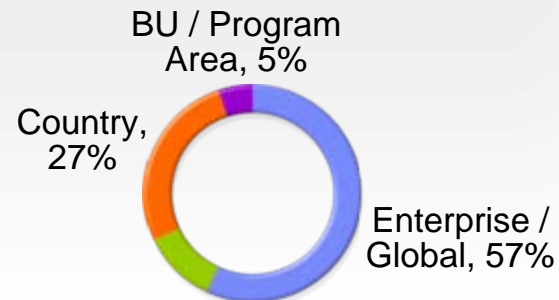
Sector



Title



Scope of Role

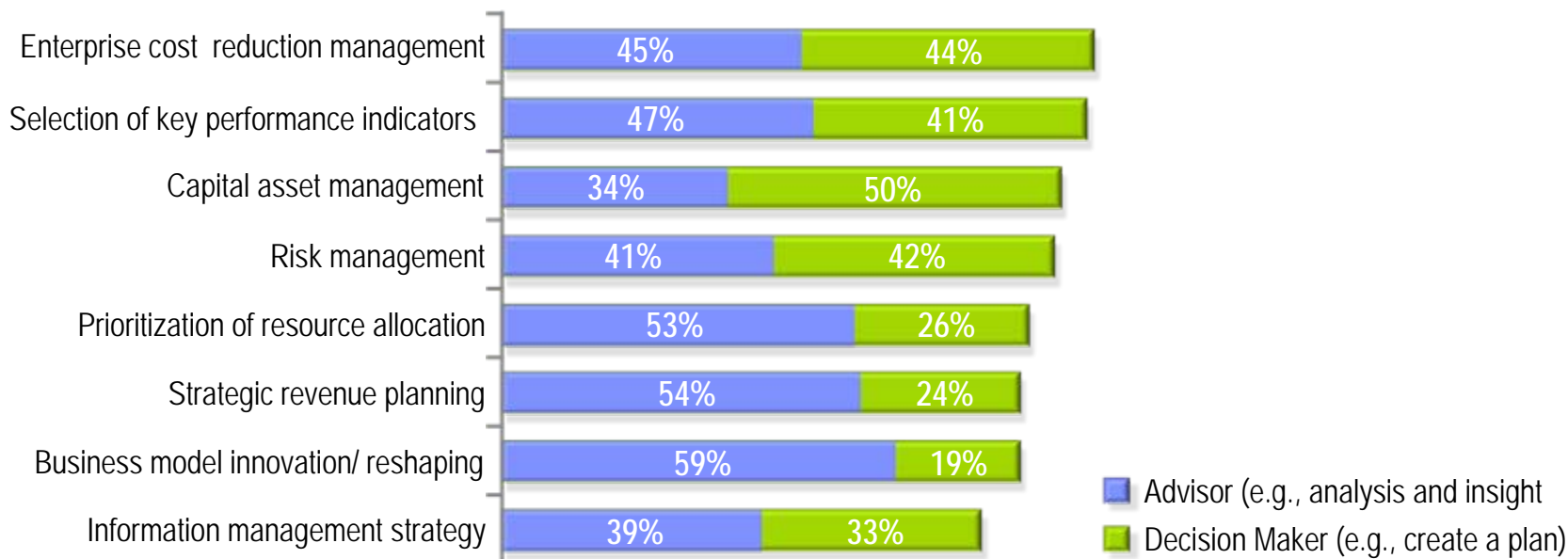




CFO's are taking a more prominent role in enterprise decision making

Elevated Role of Finance

Role of Finance in Driving Decisions Across the Enterprise



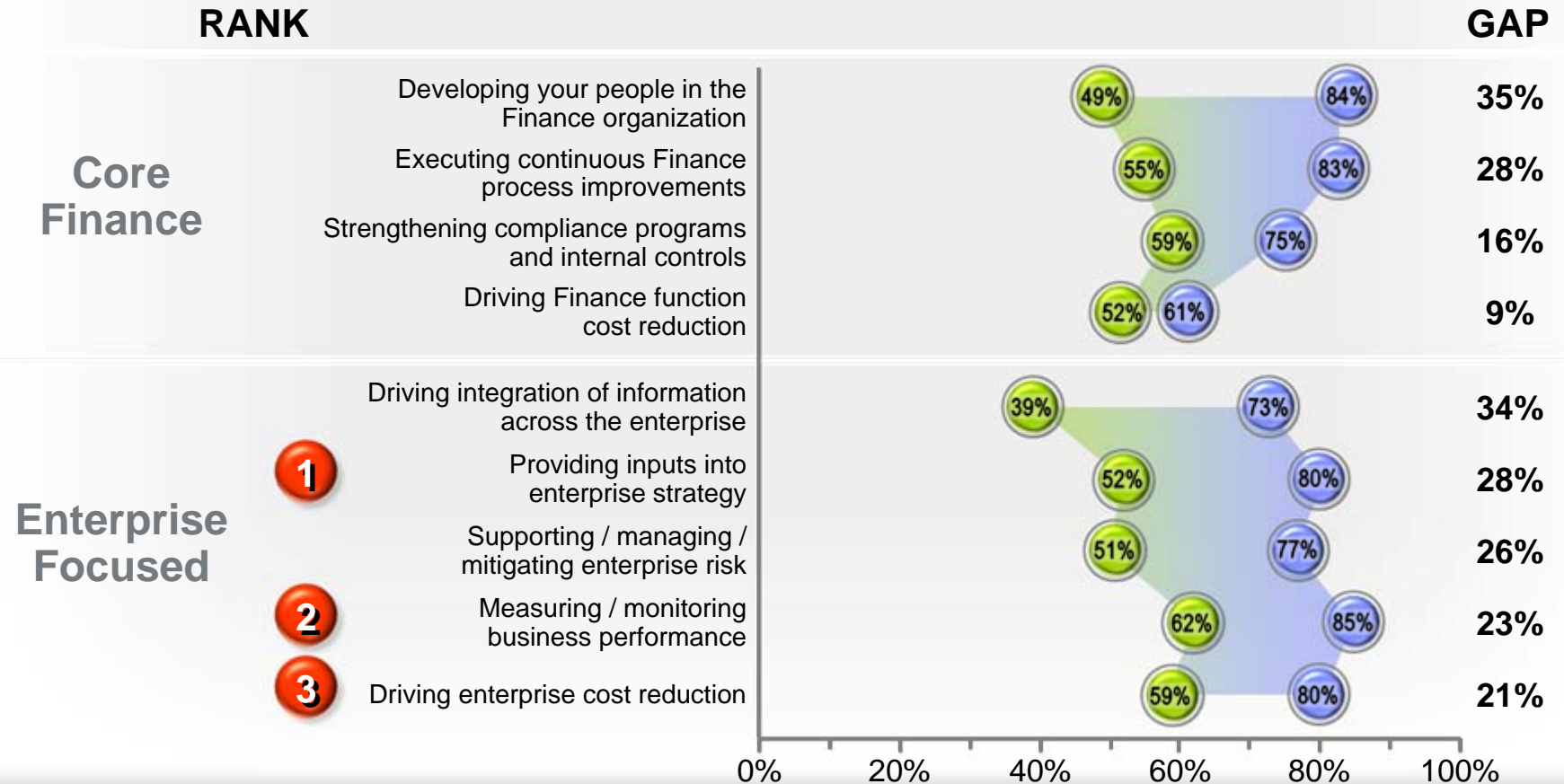
Over 70% of CFOs believe they have an advisory or decision making role on the Enterprise agenda.



However, Finance needs to improve effectiveness on the enterprise agenda

CFO Agenda: Importance vs. Effectiveness

● Importance
● Effectiveness





Finance continues to struggle with structural complexity due to issues related to automation and standards

Efficiency Challenges

Nearly 40% of enterprises produce financial metrics manually

Over 35% lack a common reporting platform

Finance continues to spend nearly 50% of time on transactional activities

Over 25% lack the necessary common data definitions and processes



The majority of enterprises are not able to effectively deliver business insights

Business Insight Challenges

Nearly 50% lack a common planning platform

Over 50% manually producing operational metrics

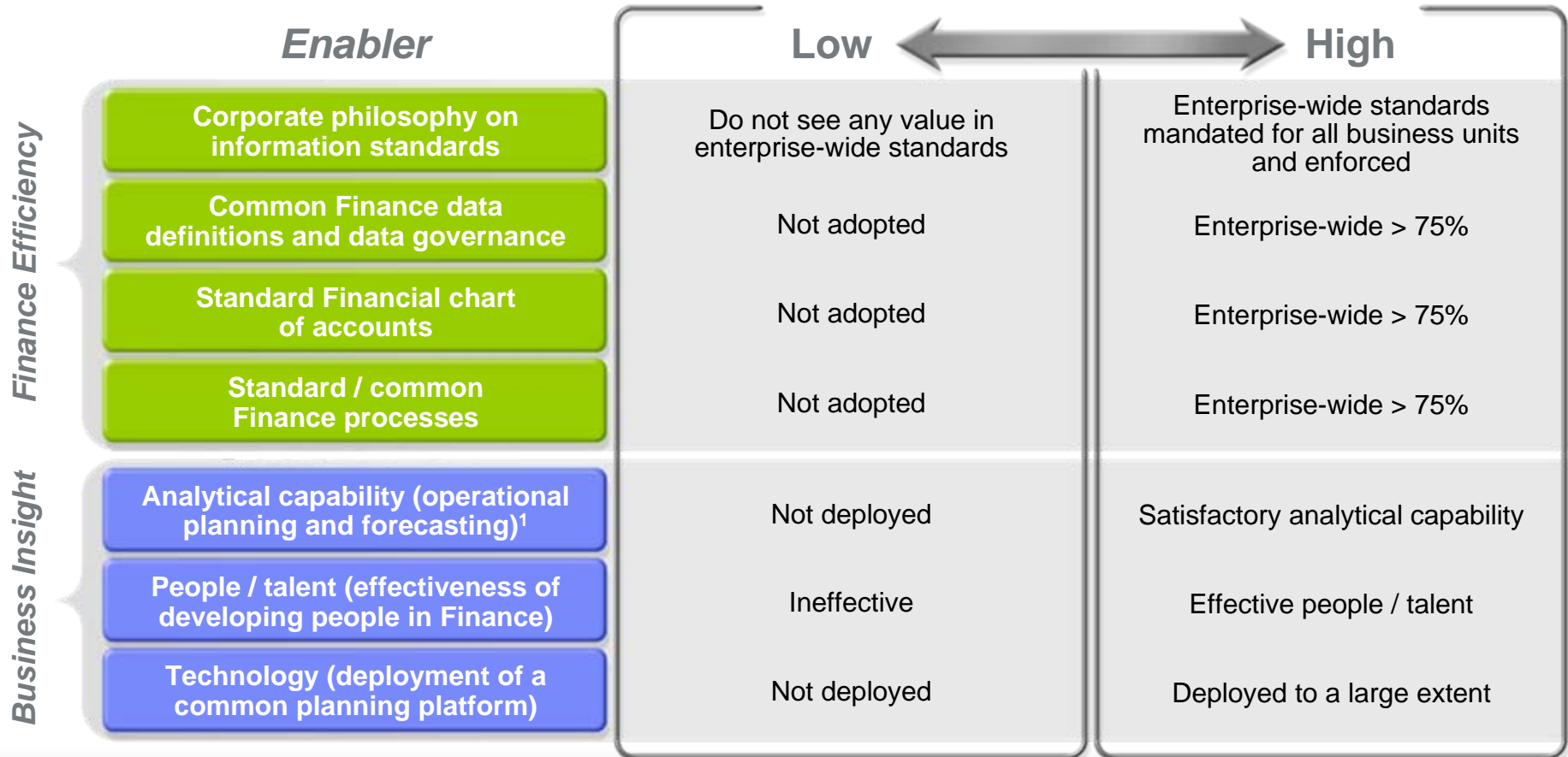
55% not satisfied with their operational planning and forecasting analytical capability

44% are poor to average at anticipating external forces



Analysis of CFO responses and objective enterprise financial measures identified enablers to deliver efficiency and insight

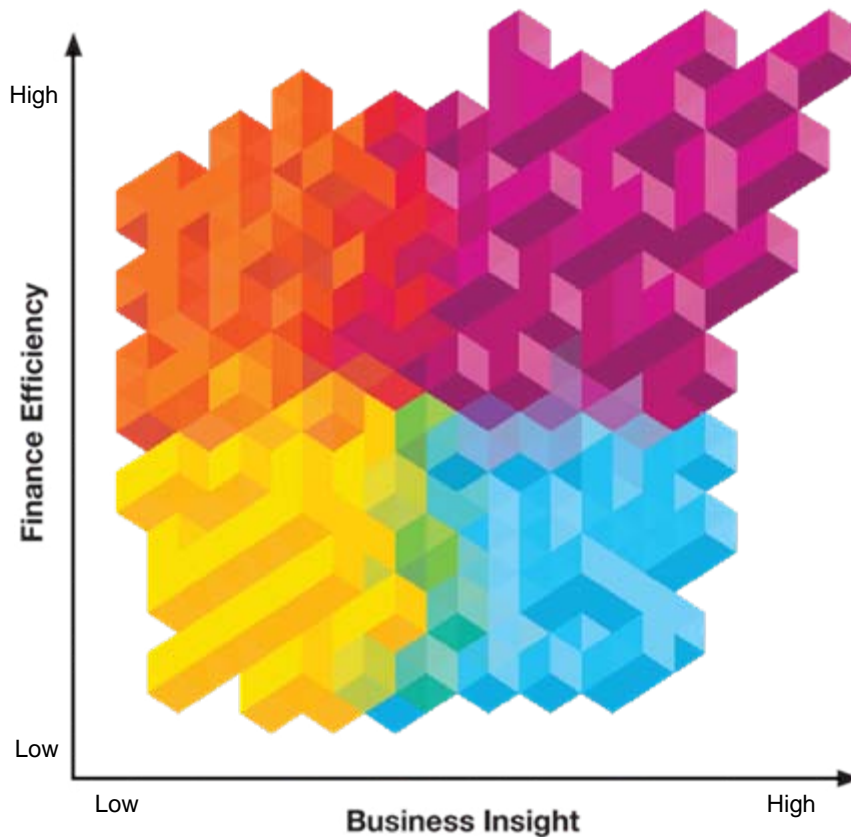
Finance Efficiency and Business Insight Enablers





The new goal of finance - Value Integrator

Finance Profiles

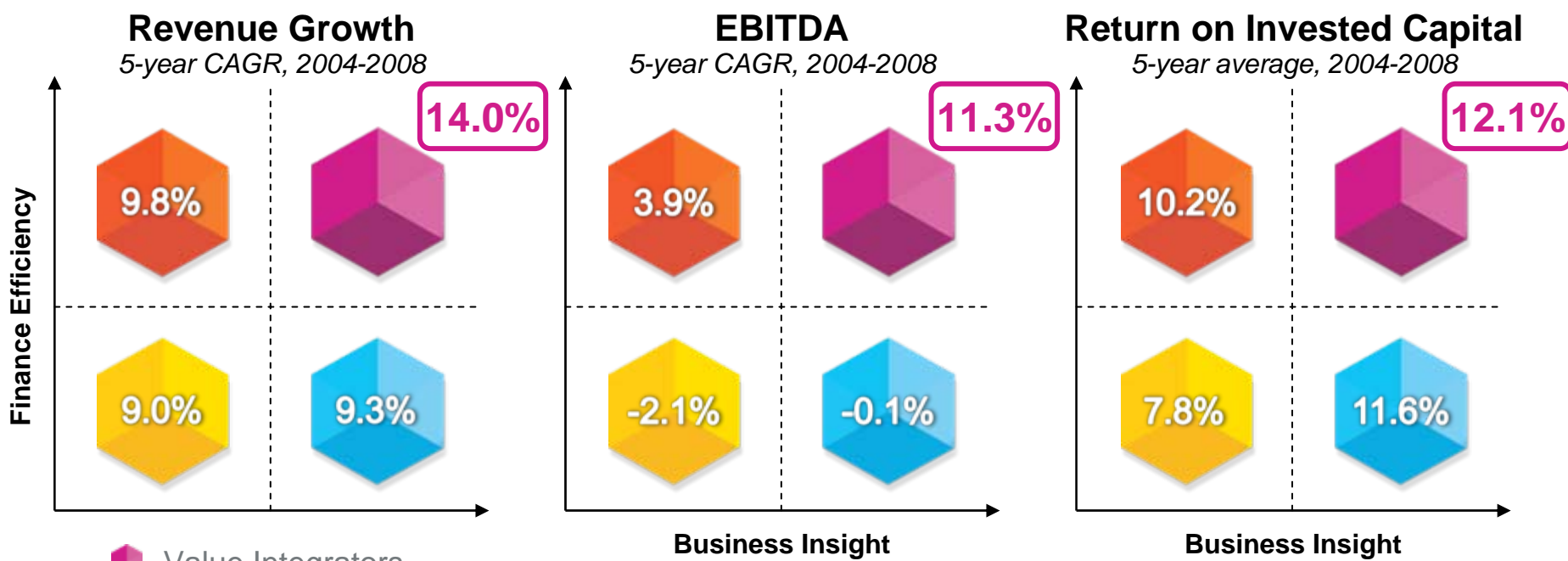


- Scorekeepers**
 - Data recording
 - Controllership
 - Multiple versions of the “truth”
- Disciplined Operators**
 - Finance operations focused
 - Information provision
 - Performance interpretation
- Constrained Advisors**
 - Analytics focused
 - Sub-optimal execution
 - Fragmented data
- Value Integrators**
 - Performance Optimization
 - Predictive insights
 - Enterprise risk management
 - Business decision making



Value Integrators excel in both efficiency and business insight, contributing to financial outperformance

Efficiency + Business Insight Contributes to Outperformance



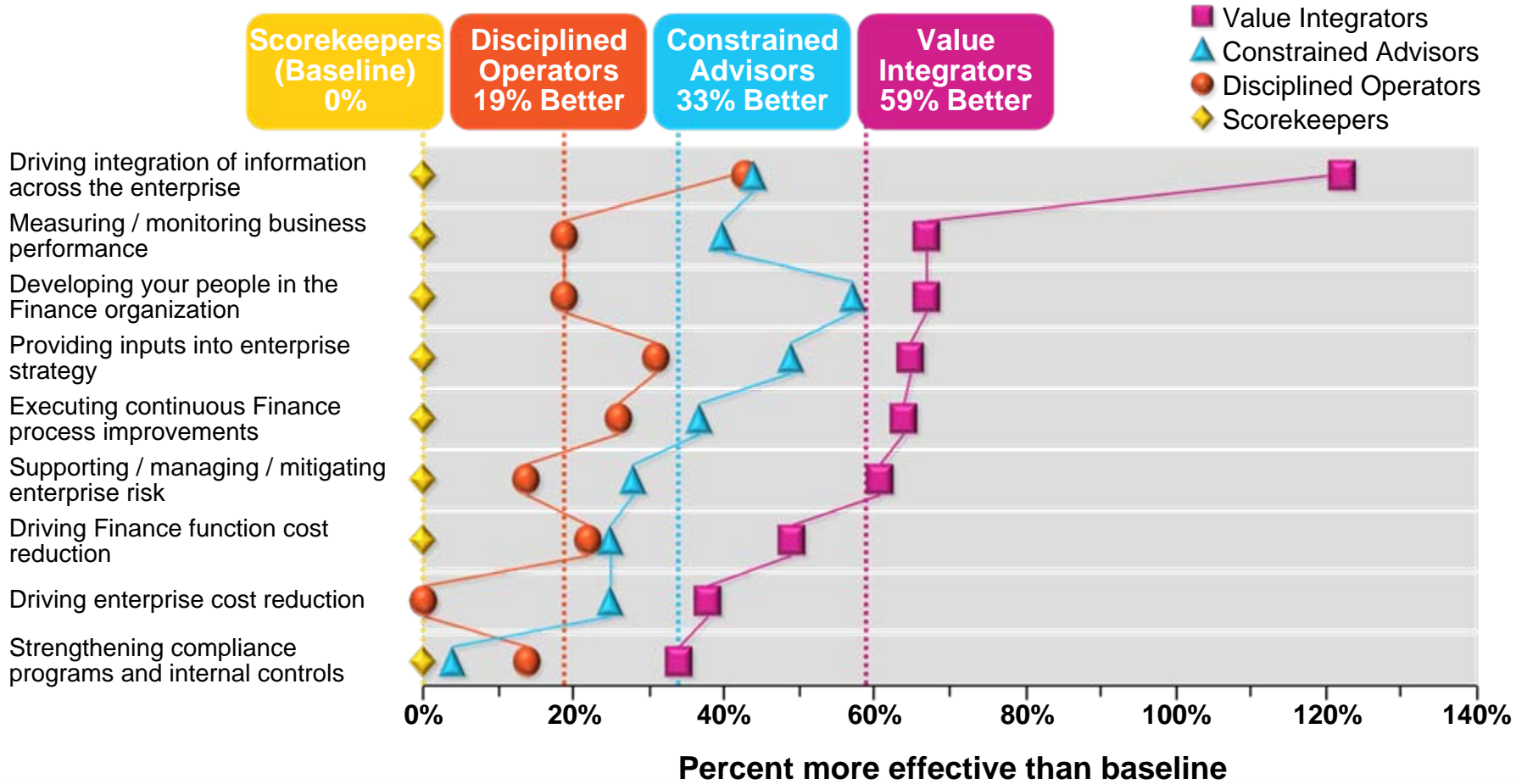
- Value Integrators
- Constrained Advisors
- Disciplined Operators
- Scorekeepers

Value Integrators also have an almost 20% better operating efficiency ratio than all other companies examined.



Value Integrators are more effective on enterprise agenda

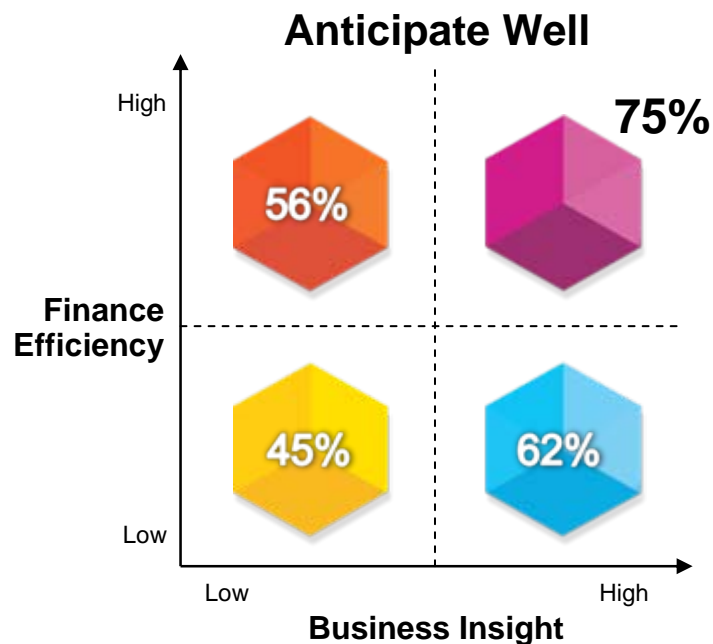
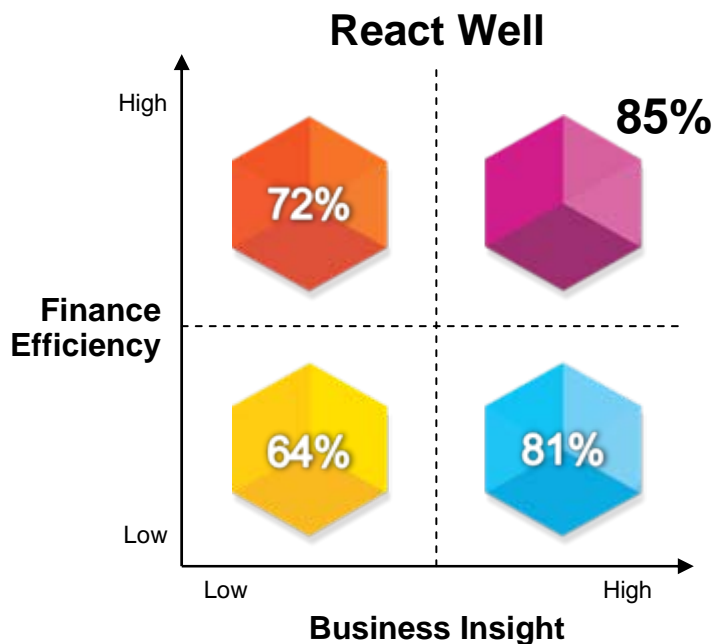
Effectiveness Across the Full CFO Agenda





Value Integrators lead their enterprise to anticipate and react to external forces

Helping the Enterprise Respond to External Forces



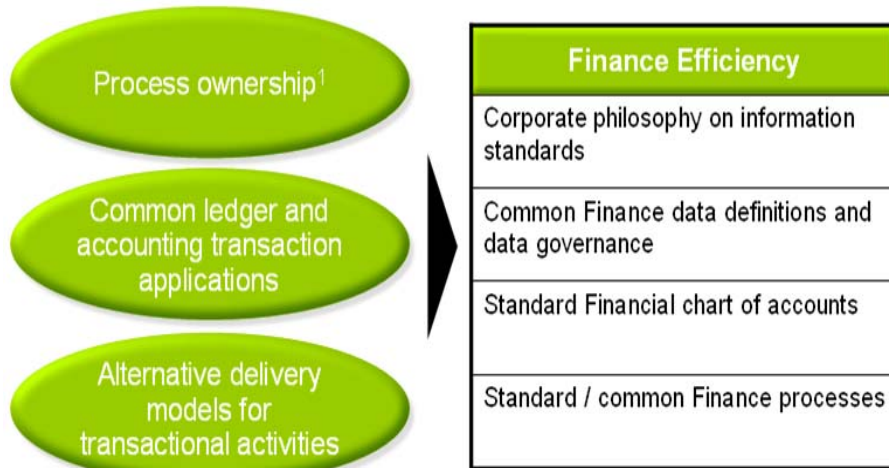
- Value Integrators
- Constrained Advisors

- Disciplined Operators
- Scorekeepers

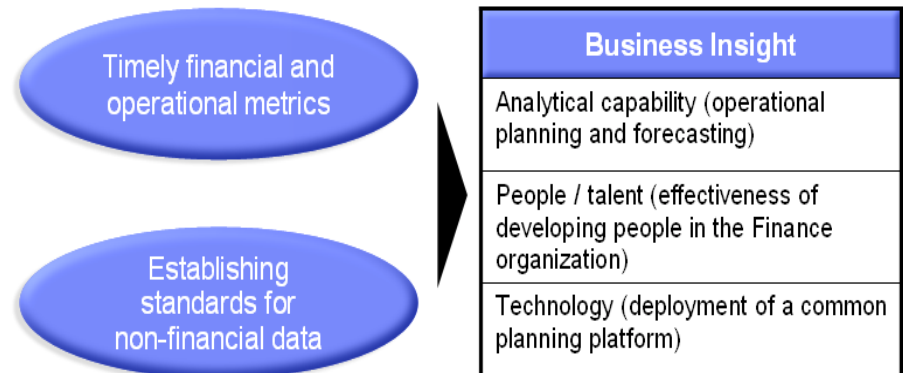


They accelerate efficiency and business insight

Finance Efficiency Accelerators



Business Insight Accelerators



1) Process ownership establishes responsibility and accountability for the consistent design and deployment of a given process.



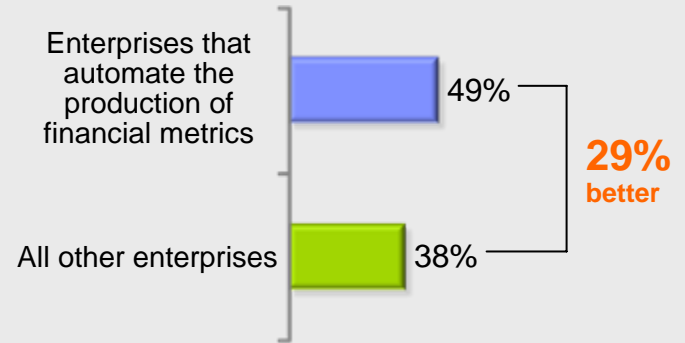
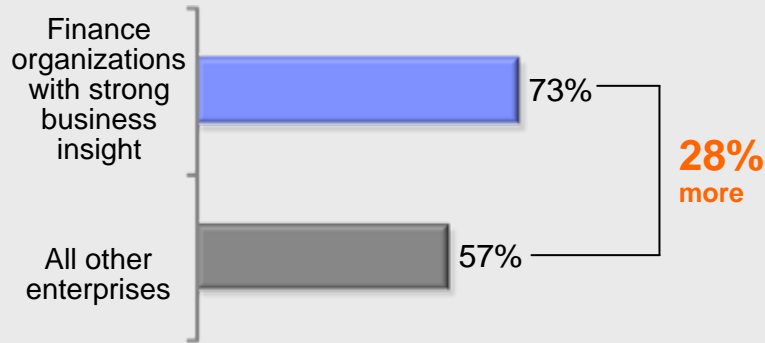
Finance organizations with business insight automate production of metrics

Accelerator: Timely Metrics

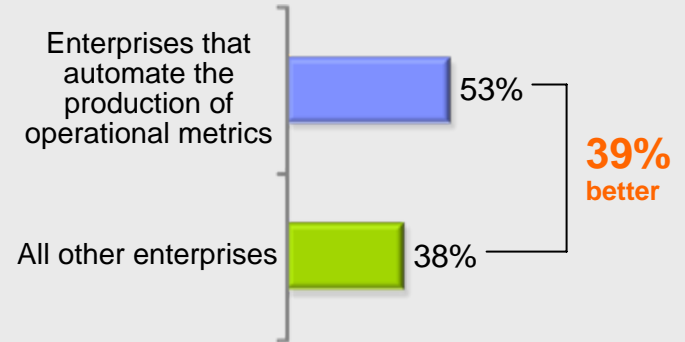
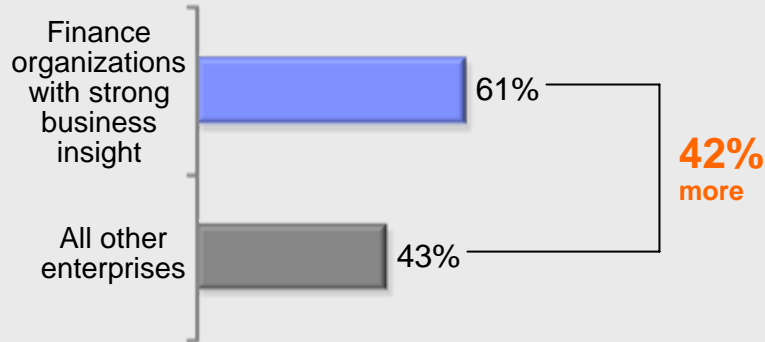
High Automation

Impact on Analytics Satisfaction

Financial Metrics



Operational Metrics

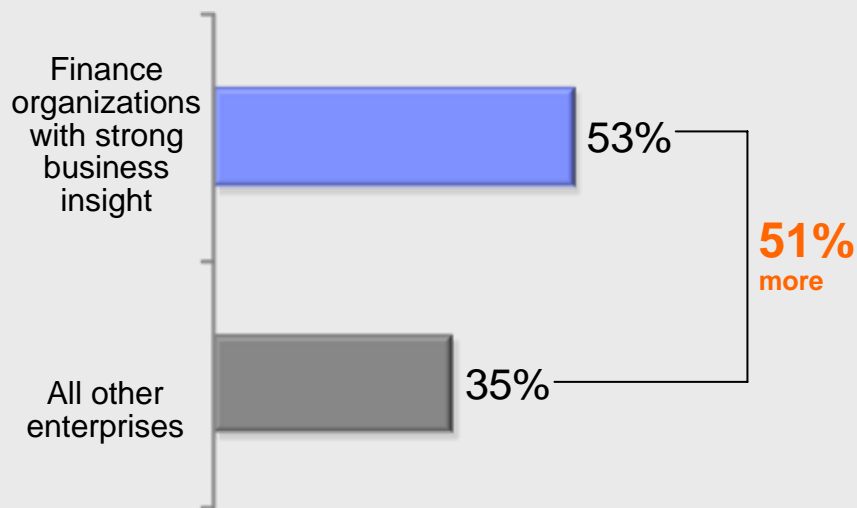




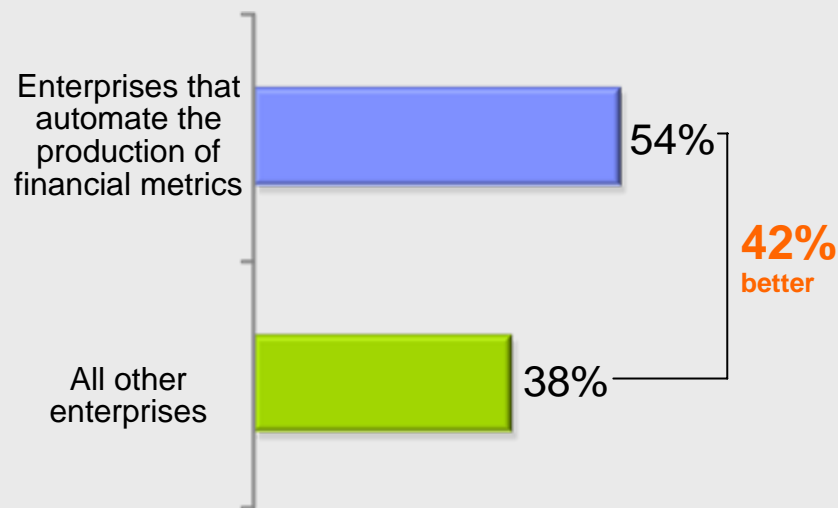
Finance organizations with business insight establish operational data standards

Accelerator: Establishment of Non-Financial Data Standards

High Adoption



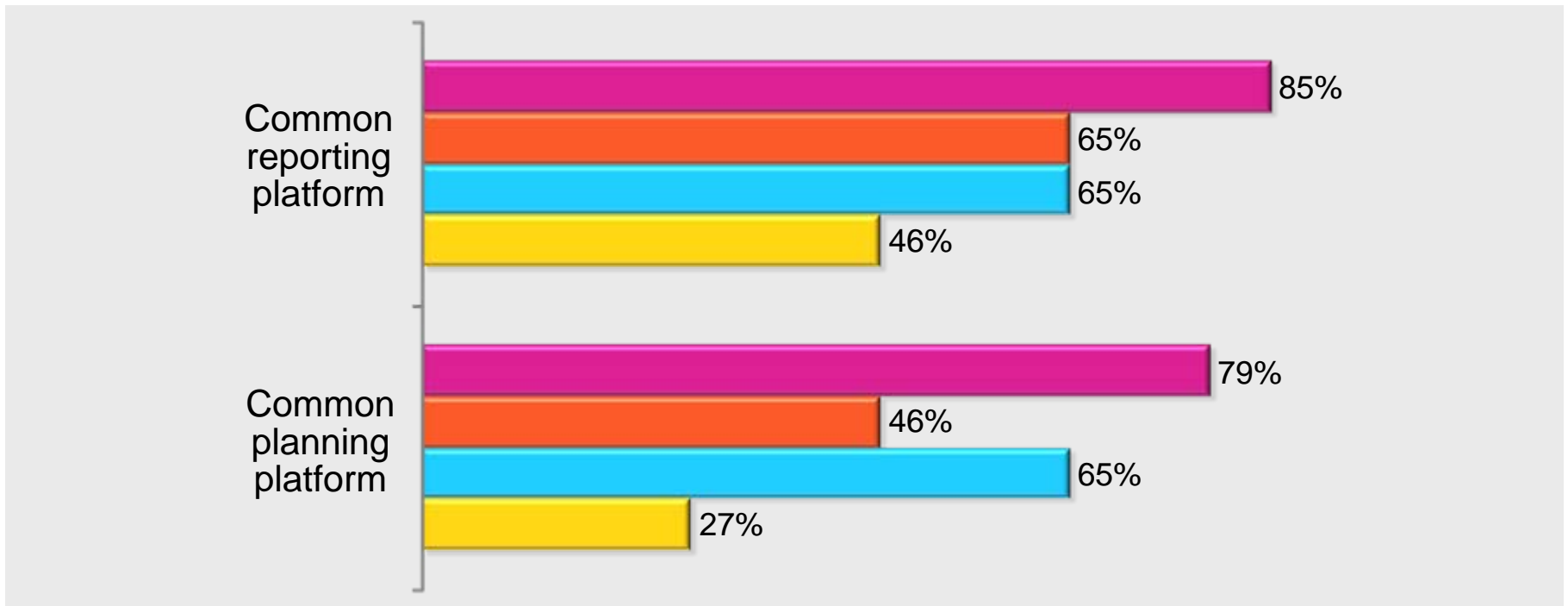
Impact on Analytics Satisfaction





Value Integrators implement a common reporting platform and a common planning platform to a greater extent

Technology: Applications Rationalization



■ Value Integrator ■ Disciplined Operator ■ Constrained Advisor ■ Scorekeeper



Advancing analytical capabilities improve the Value Integrator's effectiveness against the CFO agenda even further

Evolution of Analytics and Enterprise Value

Integrator's Effectiveness against the Full CFO Agenda





Summary: execute core finance activities efficiently and drive business insight across the enterprise

Finance execution excellence matters more than ever. CFOs that have more efficient finance organizations are more successful at driving organizational excellence.

Finance organizations must also deliver value through analytics and business insight. Those that have cracked the code on business insight are helping drive greater value across the Enterprise.

By doing both well – executing core finance activities efficiently and providing the insight their businesses need – Leading Finance Organizations are helping their enterprises make smarter decisions.

IBM Cognos Finance Forum 2010

Anticipate and Shape Business Outcomes



ROI

MAX

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search: enter search terms here **GO!** **1,822%** **BLUE MOUNTAIN**

HOME WINTER GREEN SEASON LODGING THE VILLAGE THINGS TO DO CONFERENCES & GROUPS GALLERIES

U.S. LUMBER **3,623%** **personalized service.**

U.S. LUMBER GROUP is a \$250M distributor of building materials headquartered in Atlanta, GA. We currently sell and ship out of 8 distribution centers. We provide highly personalized service to the pro-contractor lumberyard and millwork houses and shops throughout 14 Southeastern and Mid-Atlantic states.

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Source: Nucleus Research 2008, 2009



- Systematic access to strategy, procurement, engineering, and financial planning data
- Web-based data capture and reporting
- Centralized data store, consolidation of information and assumptions

***“ We believe in the integrity of the data.
The data is more trusted.”***

*Robert Loreto, Senior Director of IT,
Qualcomm*

Performance Pain

- Need for more dynamic, reliable collaborative planning, analysis and reporting system
- Too much time spent validating data, rather than providing value-added analysis to support the business.

IBM Cognos software Impact

- More timely, reliable decision information
- More time spent analyzing key business metrics
- Improved data ownership



- Improved ability to identify drivers of top-line revenue growth, analyze expense constraints, identify risk and address SOX compliance issues.
- Centralized planning reduced the footprint for financial planning by retiring 20 disparate applications
- Able to preserve analytics and reporting flexibility while driving more standardization.

“Finance can focus on providing value-add analytics to drive the business.”

*Marc Berson, Director Business Analytics,
IBM Corporation*

Performance Pain

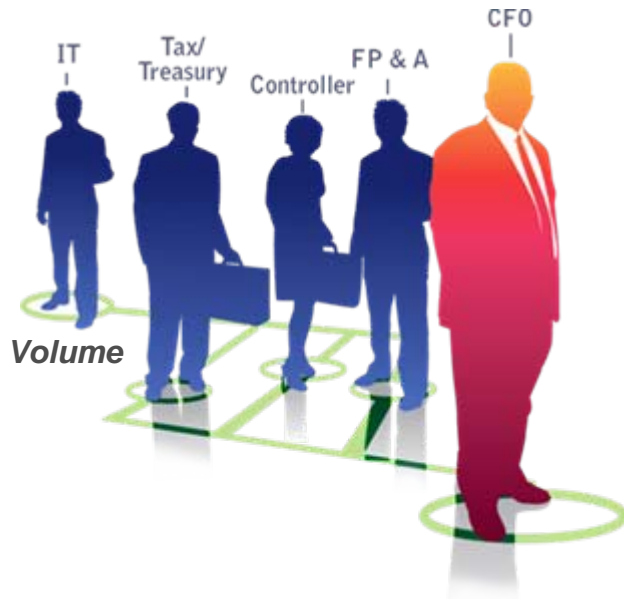
- Need for greater accountability, deeper in the organization
- Need to centralize expense planning
- Need for more consistent views of data

IBM Cognos software Impact

- Provide centrally managed data to analyst communities so they can focus on providing the value-added analysis to drive business;
- Reduce its application footprint;
- Reduce the IT delivery expense associated with supporting the finance function;
- Focus on end-user productivity by streamlining data delivery, providing the right metrics to individuals based on their roles.



Driving a smarter enterprise

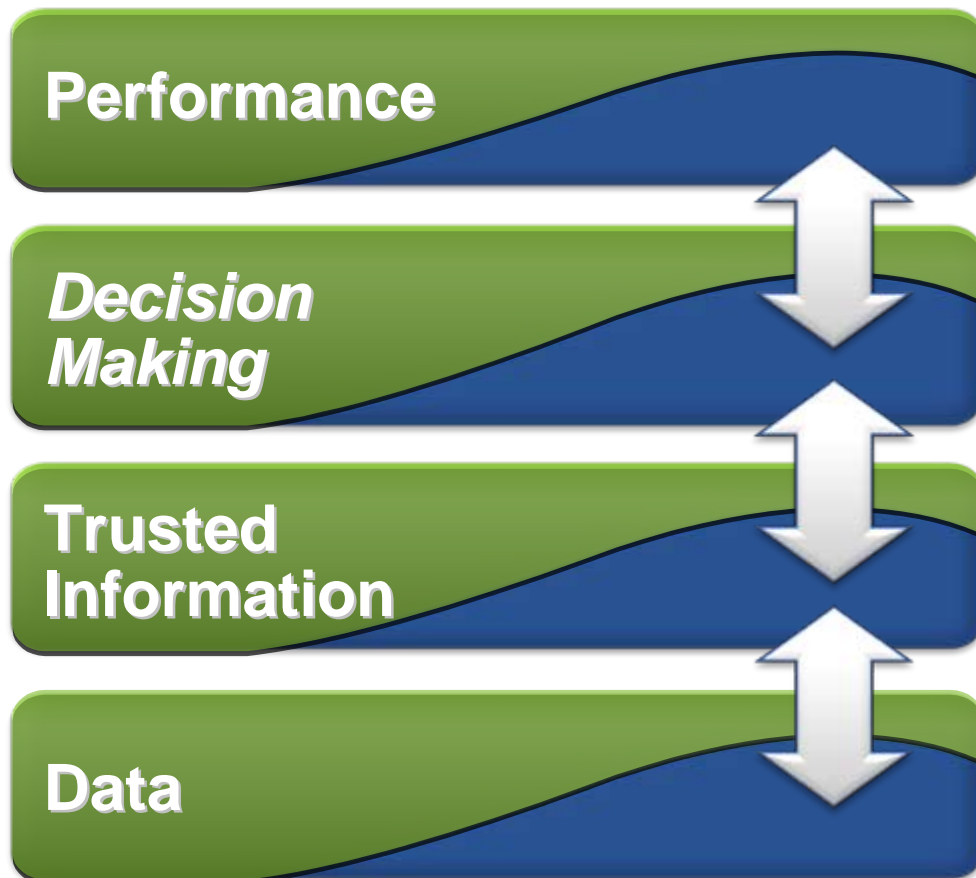


- Sense and respond
- Instinct and intuition
- Skilled analytics experts
- Back office
- Automated

- Predict and act
- Real-time, fact-driven
- Everyone
- Point of impact
- Optimized



Five key investment opportunities



1. Automate performance monitoring
2. Deliver fast & reliable reporting
3. Link drivers to enterprise plans
4. Improve operational insight
5. Manage Risk

1. Automate performance monitoring

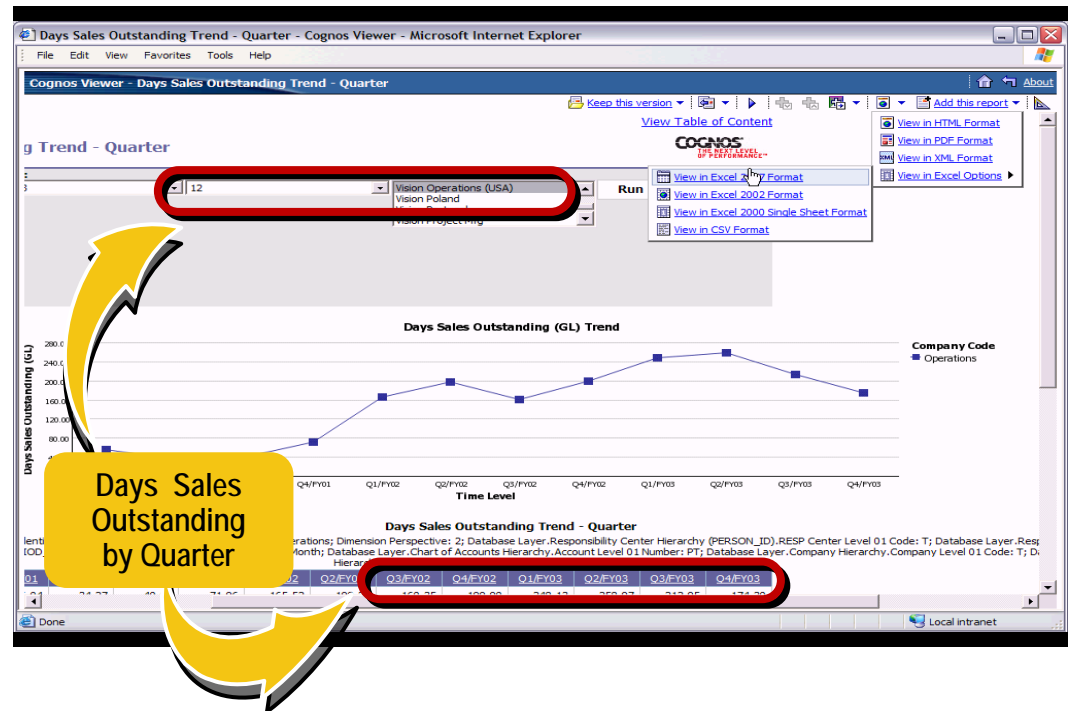
- Automate production of metrics
- Connect financial & operational KPIs
- Link to corporate objectives
- Cascade to all departments
- Enable collaborative reviews

The screenshot displays the IBM Cognos Metric Studio interface. The left sidebar shows a tree view of folders including 'My Folders', 'Scorecards', 'Metric Types', and 'Groups'. The main area shows a scorecard for 'Mueller' with a navigation pane for '2007 Q3'. The scorecard is organized into four sections: Financial, Customer, Internal Process, and Learning and Growth. Each section contains a table of metrics with columns for Name, Actual, Target, Variance, and Variance %.

Section	Name	Actual	Target	Variance	Variance %
Financial	MUE-Maximize Sales Growth	54,423,404	61,123,233	(6,699,829)	10.96%
	MUE-Maximize RDA	18.09%	25.00%	(6.91%)	27.64%
Customer	MUE-Provide Assurance	93.96%	97.00%	(3.04%)	3.13%
	MUE-Provide Total Solution Options	96.27%	97.00%	(0.73%)	0.75%
	MUE-Meet Customer Commitments	90.88%	91.60%	(0.72%)	0.79%
	MUE-Understand and Interpret Project Requirements (Salesman)	91.89%	93.53%	(1.64%)	1.75%
	MUE-Improve Order Management-Inv. Adj.	0.40%	0.50%	(0.10%)	20.60%
Internal Process	MUE-Ensure Quality of Products and Services (Credit Memos)	6.51%	6.06%	0.45%	7.49%
	MUE-Improve Order Management and Scheduling Processes (OTD)	93.20%	94.25%	(1.05%)	1.11%
	MUE-Improve Order Management and Scheduling Processes (OTD)	93.20%	94.25%	(1.05%)	1.11%
	MUE-Ensure Quality of Products and Services (Credit Memos)	6.51%	6.06%	0.45%	7.49%
Learning and Growth	MUE-Develop Accessibility	87.91%	91.00%	(3.09%)	3.40%
	MUE-Sales Close Rate	16.65%	14.88%	1.77%	11.90%
	MUE-Maximize Employee Productivity	348,742	350,000	(1,258)	0.36%
	MUE-Leverage ICT Capabilities	18.70%	20.00%	(1.30%)	6.50%

2. Deliver fast and reliable reporting

- Reach all information reliably and timely
- Deliver a complete, consistent view of the business
- Adopt infrastructure and adapt to change
- Cost-effectively scale as user communities grow
- Drive standardization



3. Links drivers to enterprise plans

- Connect organization to planning

- More frequent cycles

- Incorporate financial & operational drivers

- Set multiple time horizons (30, 90, 180 days)

- Develop What-If Scenarios

- Integrate into reporting system

IBM Cognos TM1 Web

COGNOS AN IBM COMPANY

Entity: Medical Mfg Inc | Fiscal Year: 2008 | Scenario: Version 1 | Currency: Local

Subset Editor - Windows Internet Explorer

Organization > Divs and Total *

Subset: Divs and Total

Budgeted Cash Flow Indirect Method

	Feb	Mar	Apr	May	Jun	Jul	Aug
Total Manufacturing	4,236,475	4,104,723	4,093,776	4,129,446	4,128,849	4,113,464	4,115,734
Quality Control							
01-5612 Quality Engineering	0	0	0	0	0	0	0
01-5615 Reliability	238	349	349	349	349	349	349
External Mfg							
01-5130 External Pump Manufacturing	-2,710,773	1,868,056	-466,046	446,800	-482,447	454,385	13,628
01-5321 Disposable Manufacturing	-1,348,139	958,743	-235,470	229,696	-240,390	231,972	4,089
Total R & D							
Development							
01-6320 Disposable R&D	46,229	-95,360	66,141	-98,594	56,964	-3,582	-15,296
01-6770 External Pump R&D	0	0	0	0	0	0	0
Research							
01-6505 Clinical Programs	-4,012,445	2,731,788	-635,026	578,251	-665,523	683,123	2,771
01-6510 Regulatory	224,030	6,836,511	3,458,749	4,707,697	3,463,326	4,796,588	4,118,504
Net Cash from Investing Activities	0	-20,000	-4,000	0	0	0	0
Cash Flow from Financing Activities	0	0	0	0	0	0	0
Receipts/(Payments) of Short-Term Debt	0	0	0	0	0	0	0
Receipts/(Payments) of Long-Term Debt	0	0	0	0	0	0	0

4. Improve operational insight

- Build dimensional views of the business: **Division, Region, Product, Customer**
- Model business outcomes & perform sensitivity analysis
- Identify operational improvements
- Evaluate financial impact
- Model risk adjusted views of the business

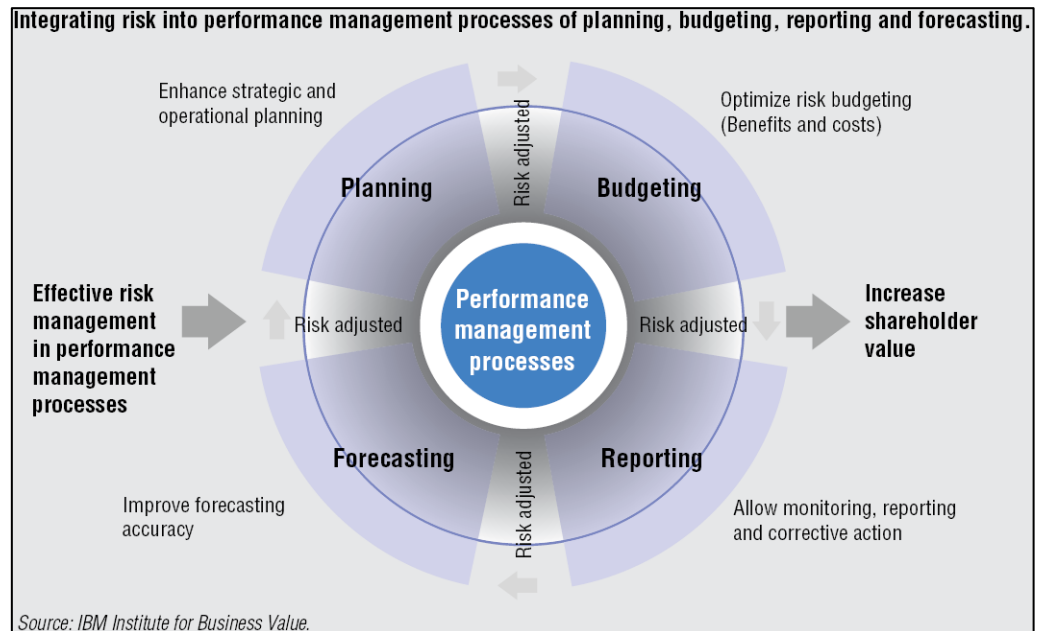
The screenshot displays the IBM Cognos TM1 Web interface. The main content area shows a 'Budgeted Cash Flow Indirect Method' report for 'Medical Mfg Inc' for the fiscal year 2008, Scenario 'Version 1', and Currency 'Local'. The report is presented as a table with columns for months (Jan through Aug) and rows for various financial activities. The data is as follows:

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Cash Flows from Operating Activities								
Net Income	3,778,061	4,236,475	4,104,723	4,093,776	4,129,446	4,128,849	4,113,464	4,115,734
Adjustments to Net Income	0	0	0	0	0	0	0	0
Depreciation & Amortization	0	238	349	349	349	349	349	349
Changes in Assets & Liabilities	0	0	0	0	0	0	0	0
(Inc)/Dec in Receivables	5,465,595	-2,710,773	1,868,056	-466,046	446,800	-482,447	454,385	13,628
(Inc)/Dec in Inventory	-393,661	-1,348,139	958,743	-235,470	229,696	-240,390	231,972	4,089
(Inc)/Dec in Other Current Assets	0	0	0	0	0	0	0	0
(Inc)/Dec in Prepaid Expenses	0	0	0	0	0	0	0	0
Inc/(Dec) in Payables	-211	46,229	-95,360	66,141	-98,594	56,964	-3,582	-15,296
Inc/(Dec) in Accrued Expenses	0	0	0	0	0	0	0	0
Inc/(Dec) in Taxes Payable	0	0	0	0	0	0	0	0
Total Adjustments	5,071,723	-4,012,445	2,731,788	-635,026	578,251	-665,523	683,123	2,771
Net Cash Provided by Operating Activities	8,849,784	224,030	6,836,511	3,458,749	4,707,697	3,463,326	4,796,588	4,118,504
Cash Flow from Investing Activities								
Sales/(Purchases) of Plant & Equipment	0	-20,000	-4,000	0	0	0	0	0
Net Cash from Investing Activities	0	-20,000	-4,000	0	0	0	0	0
Cash Flow from Financing Activities								
Receipts/(Payments) of Short-Term Debt	0	0	0	0	0	0	0	0
Receipts/(Payments) of Long-Term Debt	0	0	0	0	0	0	0	0



5. Manage Risk – Act before you **NEED** to!

- Expand reporting and planning metrics to include Risk Variables
- Actively capture operational risk items
- Extend operational risk analysis to strategic customers/suppliers
- Model external risk factors into forecasts
- Leverage performance management to automate internal controls





IBM Cognos Software and Analytic Applications

Scorecarding & Strategy Management

Planning & Forecasting

Financial Analytics

Consolidation & Corporate Reporting

Financial Performance Management Solutions

Financial **Workforce** **Supplier / Procurement** **Customer / Sales**

Analytic Applications

Management System & Business Controls





Accelerate Information-Led Transformation

Solutions

6,000 dedicated Consultants,
Industry specific solutions/expertise

Software

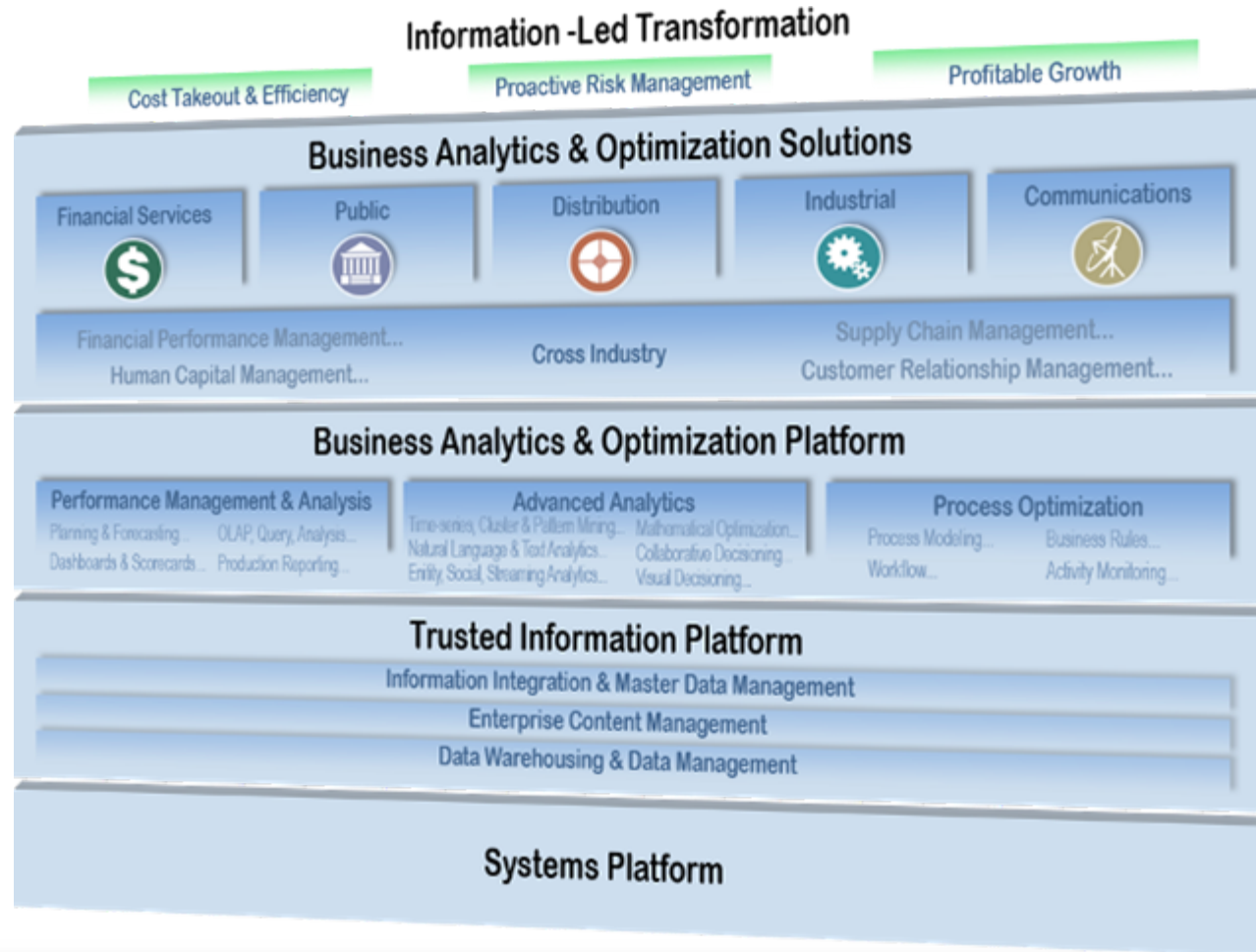
Over \$10B Software Investments in the past 5 years

Systems

Over \$6B invested in Systems R&D; e.g., Smart Analytics System

Research

10 Years Research in Services; largest math department in Private Industry; leading advanced analytics/optimization experts





GET STARTED

- 2010 IBM Global CFO Study
- 2010 IBM Global CFO Study Assessment
- Innovation Center for Performance Management
- IBM Cognos Business Value Assessment



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Anticipate and Shape Business Outcomes



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