



IBM Performance Event 2011

Smarter Decisions. Better Results.



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CFO's Compass: Analytics-led Financial Management in Finance Sector

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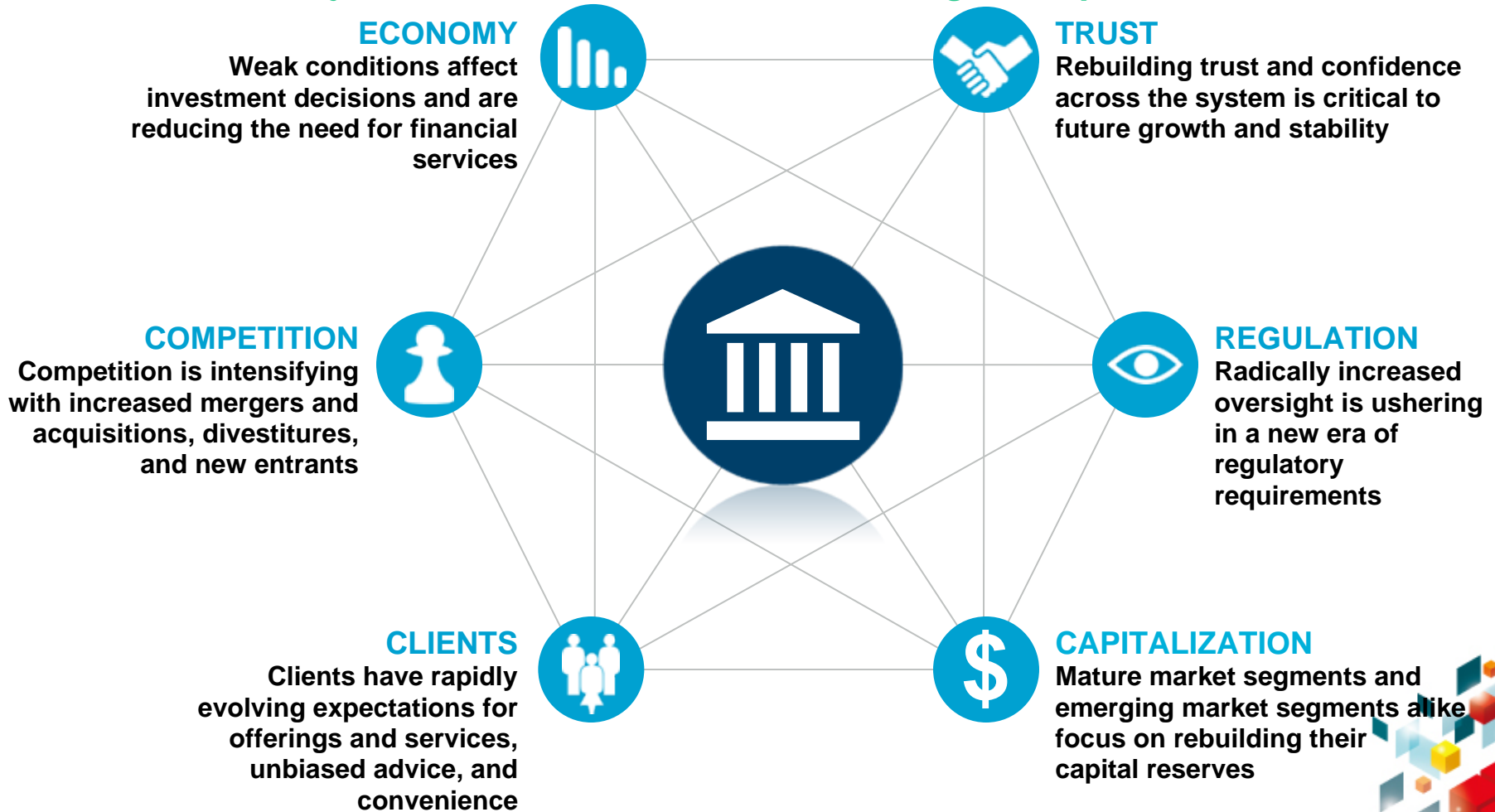
Agenda

- Financial Services Performance Challenges
- Driving a Smarter Enterprise
- Analytics-led Financial Management
- Business Analytics and Optimization in Finance Sector



Banking Industry changes mean 'business as usual' is no longer an option

In a recent survey, close to 90% of bankers said change is required¹

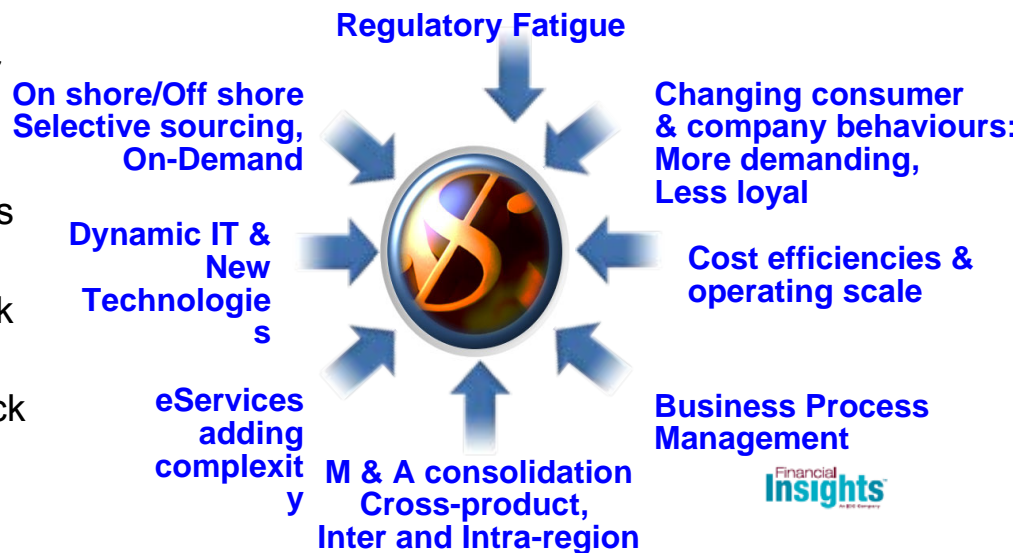


1 – Source: IBM Institute for Business Value/ Economist intelligence unit, business analytics survey 2010



Financial Services Performance Challenges

- A broad range of 'Multi dimensional pressures on Performance'
 - Demand for increased transparency driving Governance, Risk & Compliance agenda
 - Continuing market & shareholder demand for increased capital efficiency
 - Sustainable growth AND margin from increasingly savvy customers across all LOBs
 - Efficient AND effective client servicing AND selling through Multi-channel, agency network etc
 - Improving operational performance in the back and middle office, claims management etc.
 - Increased ROI from Information Technology (est. 70% dedicated to maintenance, rather than innovation.)
- **Sustainable insight & continuously improving performance necessitates alignment of plans, goals, matrixed functions, LOBs, resources and systems.**



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Uncertainty – The New Normal

Velocity and Volatility

“Over 60% of Finance executives believe that when the recovery takes hold, the heightened uncertainty in the business will remain”

CFO Magazine/Duke University Business Outlook, September 2009

“~60% of Finance organizations believe that they have to make major changes to respond [to growing industry/sector pressures]...”

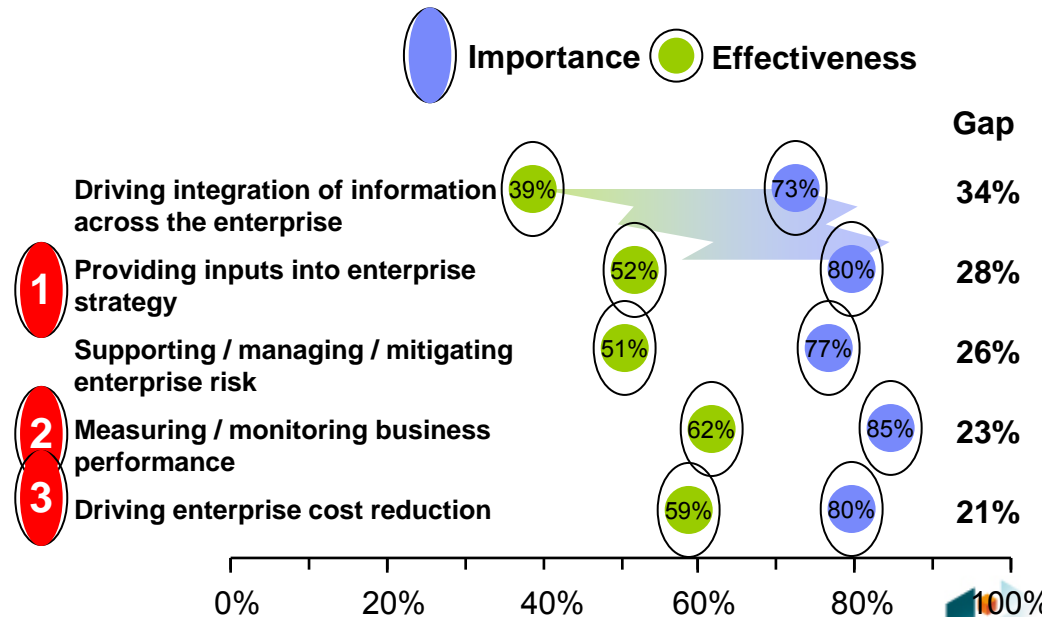
2010 IBM CFO Study



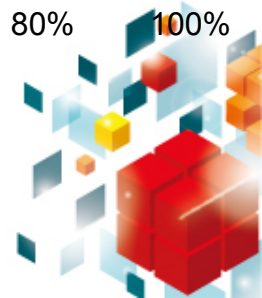
Driving a Smarter Enterprise



- 70% of CFOs believe they have an advisory or decision making role on an Enterprise Agenda
- Finance needs to improve its effectiveness in order to deliver on the Enterprise Agenda



Source: 2010 IBM Global CFO study



The Challenge with Decision-Making Today: Elevated Finance & IT Demands



**Business
Manager**



**Line
Manager**



**Financial
& Business
Analyst**



BI Professional



CIO

FINANCE EXECUTIVES

IT EXECUTIVES

Inform, engage, and align the business user community in PM process to drive better business outcomes

Empower the business users while cost-effectively meeting requirements for performance, conformance scalability and compliance.



Executive



Architect



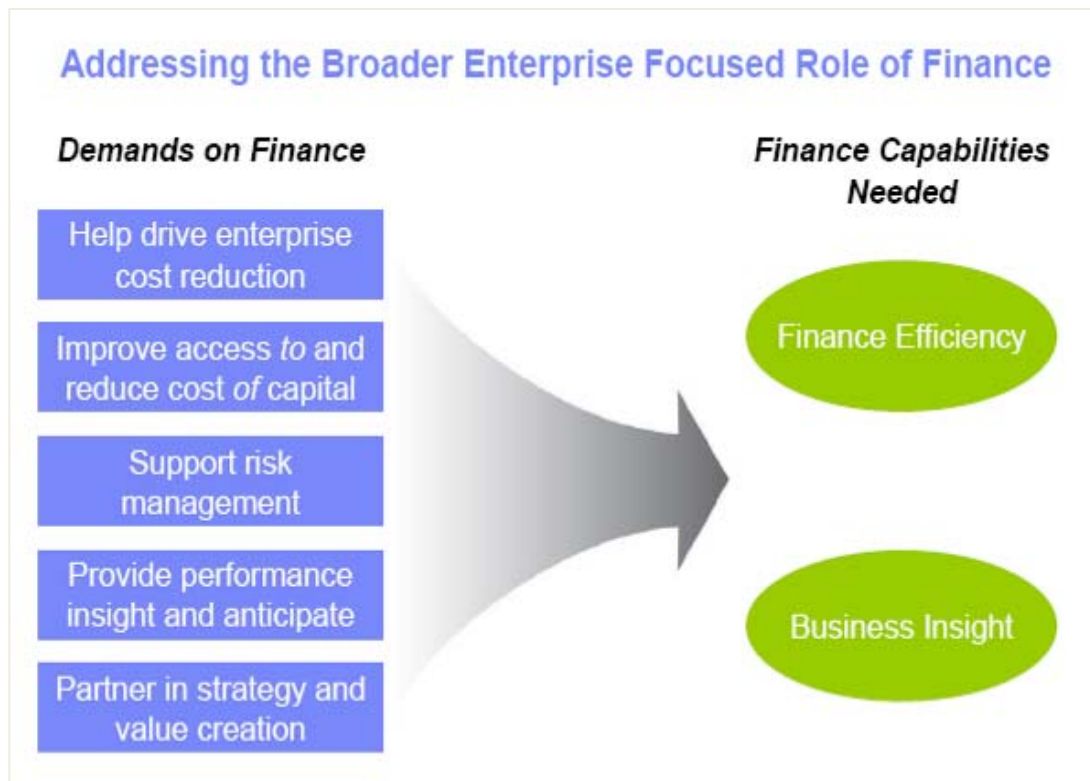
CFO



**Individual
Contributor**



This requires improved finance efficiency and business insight

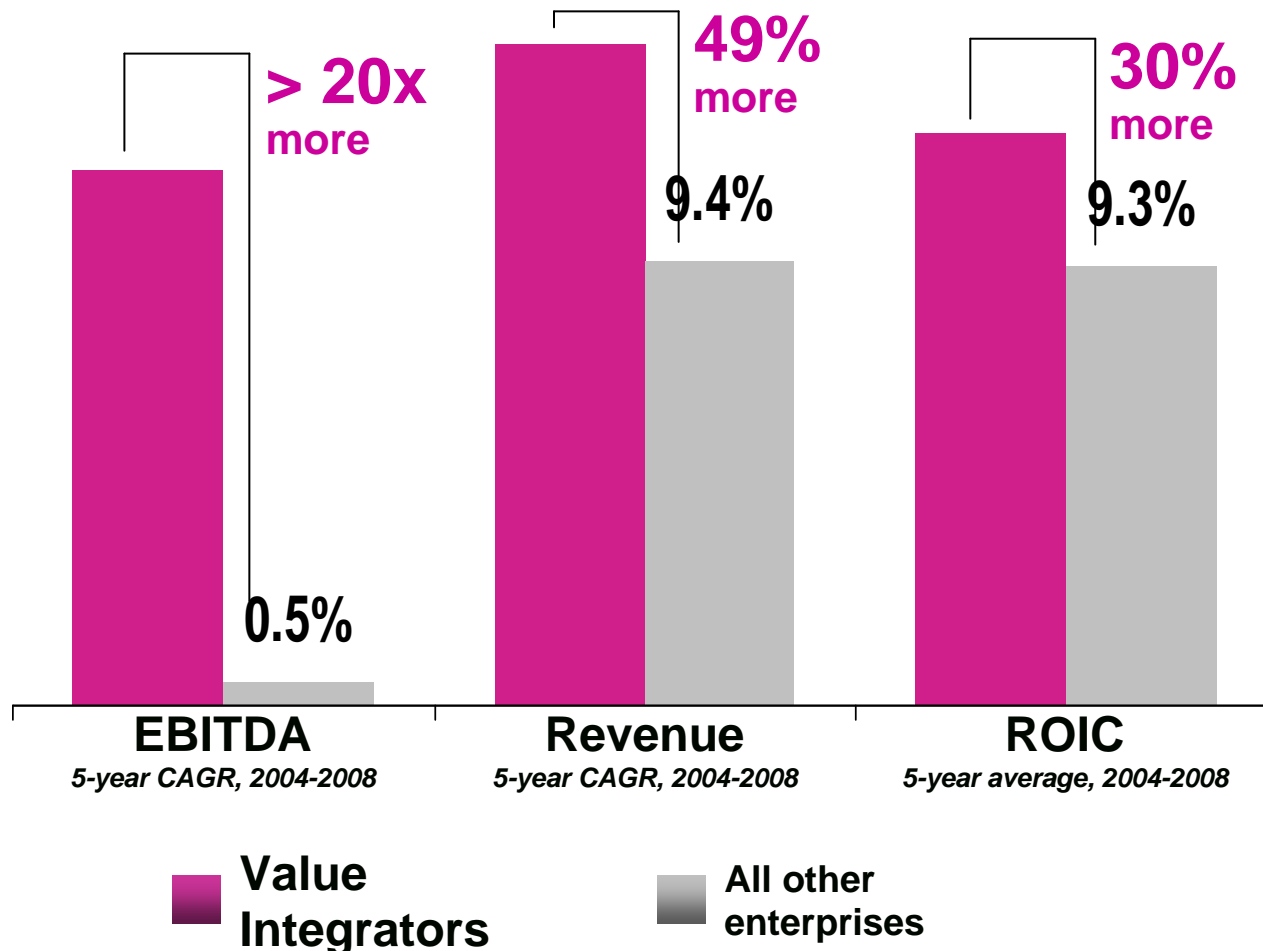


Source: IBM Global 2010 CFO study

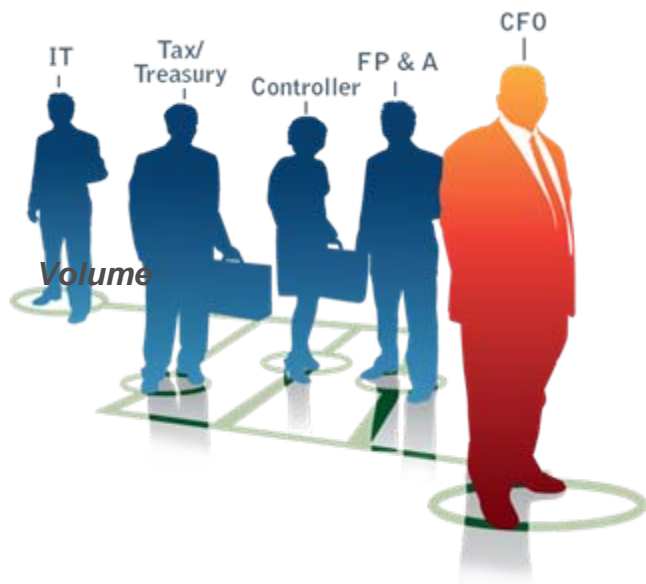


Analytics-Driven Organizations Outperform

Efficiency + Business Insight Contributes to Better Financial Performance



How do we get there? Analytics Led-Transformation



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

Predict and act

Real-time, fact-driven

Everyone

Point of impact

Optimized



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Actionable insights to optimize business outcomes

Line manager



Business user



Business analyst



Financial analyst



Business manager



Executive



How are we doing?

Immediate, visual insight into business performance

Why?

Self-service analysis of trends and patterns

What should we be doing?

Insight to determine strategy, allocate resources and set targets

Develop once, deliver in a variety of formats



Dashboards



Scorecards



Reports



Queries



Analysis



Content analytics



Predictive modeling



Planning/budgeting

IBM Business Analytics platform

Data-agnostic, service-oriented architecture (SOA) platform



Message sources



Relational sources



Application sources



OLAP sources



Modern and legacy sources

Performance Reporting and Scorecarding

**Close,
Consolidate,
and Report**

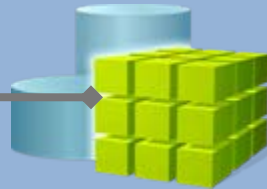
**Profitability Modeling
& Optimization**

**Plan, Forecast,
and Analyze**

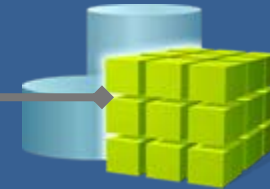
- Account Analysis
- Close Analytics
- Financial Consolidation
- Corporate Reporting



- Financial Analytics
- Spend Analytics
- Profitability Analytics
- Product, Market, Channel Analysis



- Strategic Finance
- Revenue Planning and Forecasting
- Expense Planning & Control
- Workforce Planning
- Capital and Initiative Planning



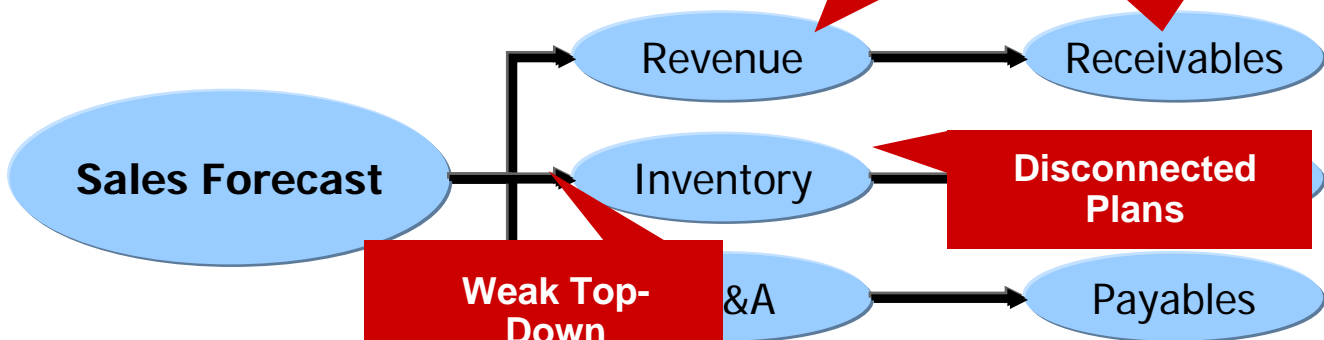
PAIN: Inability to deliver timely, reliable forecasts & plans that align operational tactics with financial targets



Data governance risk of spreadsheet ONLY based systems in Finance

What percentage of receivables are uncollectable?

Increased support compliance-driven Finance initiatives



Weak Top-Down & Bottom-up Coordination

Disconnected Plans

Planning for Visibility & Control

BALANCE SHEET			
	Actual	Plan	Forecast
Assets			
Cash	9.0	9.9	9.4
Receivables	5.4	5.9	5.6
Inventory	2.2	2.3	2.2
Total Assets	16.6	18.1	17.2
Liabilities			
Payables	10.0	10.0	10.0
Other Liabilities	1.0	1.0	1.0
Total Liabilities	11.0	11.0	11.0
Net Worth	5.6	7.1	6.2
Total Liabilities & Stockholder	16.6	18.1	17.2

P&L			
	Actual	Plan	Forecast
Revenue	10.0	10.0	10.0
Cost of Sales	4.0	4.0	4.0
Gross Margin	6.0	6.0	6.0
Expenses	1.0	1.0	1.0
Profit	5.0	6.0	6.0



Planning Challenges

- Process are tedious and time consuming
- Changes are difficult to implement
- Data integrity is questionable
- Explanation of variances is difficult



Origins of Planning Challenges using Spreadsheets

- Business rules (formulas) are mixed with data and prone to corruption
- Files must be sent back and forth, creating version control issues
- Presenting or analyzing data from different perspectives is unwieldy
- The logic behind the spreadsheet is difficult to follow or duplicate
- Data aggregation is difficult, complex and time consuming
- Complex calculations are not supported, and multi-dimensional reporting and analysis are impossible

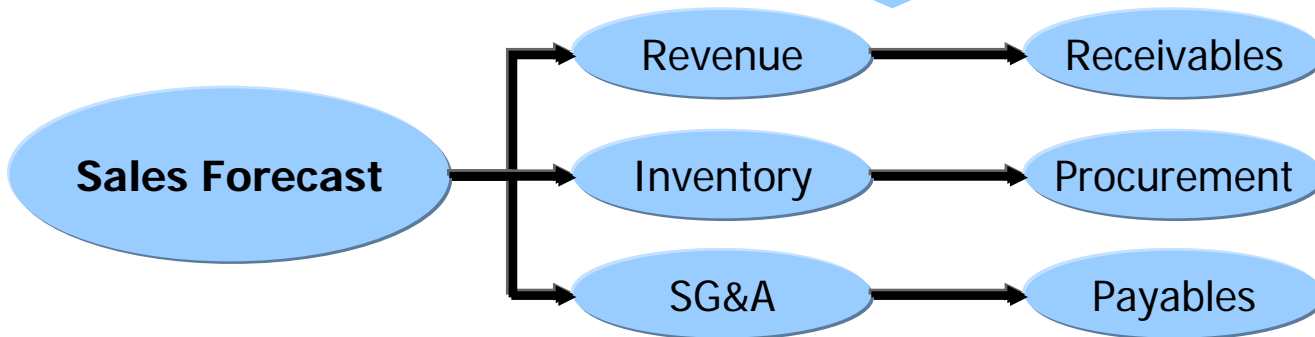


Best Practices

- Align strategic and operating plans
- Start at the top and at the bottom
- Drive collaboration between functions
- Adapt to changing business conditions
- Model business drivers
- Manage content that is material
- Timeliness and reliability



Improve forward view of the business by creating baseline forecasts and linking drivers to enterprise future plans



CASH FLOW			
	Actual	Plan	Forecast
Net Income	3.6	4.0	3.8
Cash Flow from Operations			
Depreciation			
Changes in			
Total			
Cash Flow			
Capital Ex			
Investment			
Total			
Cash Flow			
Change in			

BALANCE SHEET			
	Actual	Plan	Forecast
Assets			
Cash	9.0	9.9	9.4
Receivables	5.4	5.9	5.6
Inventory	2.2	2.2	2.2
Total Assets			
Liabilities			
Payables			
Other Liabilities			
Total Liabilities			
Equity			
Net Worth			
Total Liabilities & Stockholder			

P&L			
	Actual	Plan	Forecast
Revenue	10.0	10.0	10.0
Cost of Sales	6.4	6.0	5.6
Gross Margin	3.6	4.0	4.4
Total Liabilities			
Equity			
Net Worth			
Total Liabilities & Stockholder			

Enterprise Planning for Visibility & Control

IMPACT: Timely, reliable forecasts & plans that align operational tactics with financial targets. Better, confident resource allocation decision-making.



Executive



Tax & Treasury



Risk



FPA Team



Line Manager



Business Manager

Enterprise Planning and Analysis

FROM

- ✗ Limited reach, low speed
- ✗ Financial - only focus
- ✗ Static, long horizons
- ✗ Inconsistent data definition

TO

- ✓ High participation, high frequency
- ✓ Driver-based, connected across finance and ops
- ✓ Rolling, Dynamic horizon
- ✓ Consistent data definitions



Performance Reporting and Scorecarding

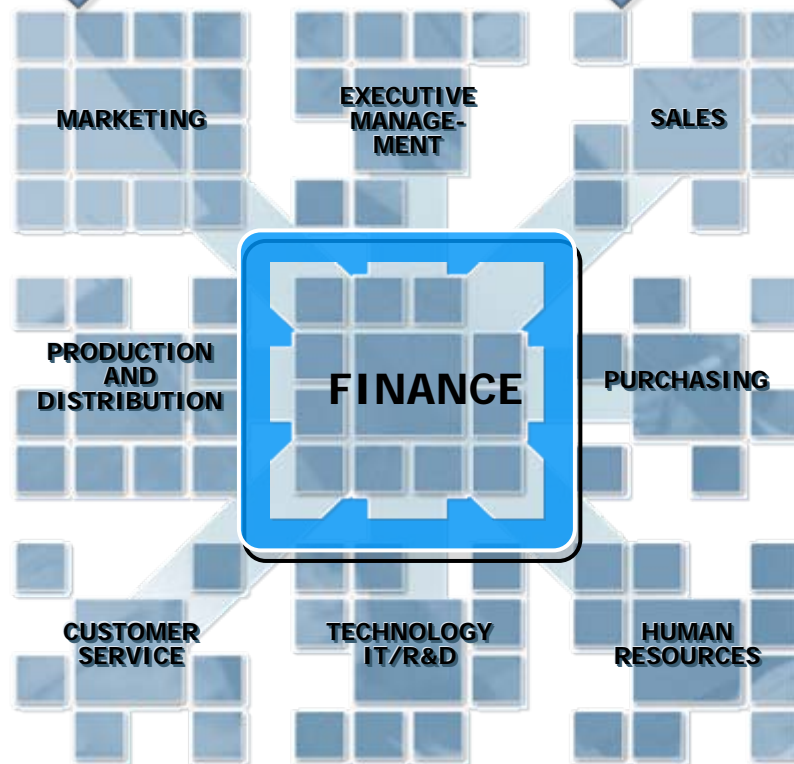
Close,
Consolidate,
and Report

Profitability Modeling
& Optimization

Plan, Forecast,
and Analyze

IBM Advantage

- Connect strategic, financial and operational planning
- Address both high participation and deeply analytic planning
- Over 75 performance blueprints to accelerate success (15 banking related)
- Advanced analytic value
 - Dashboarding/Visualization
 - Scenario Analytics
 - Statistics / Predictive Analytics

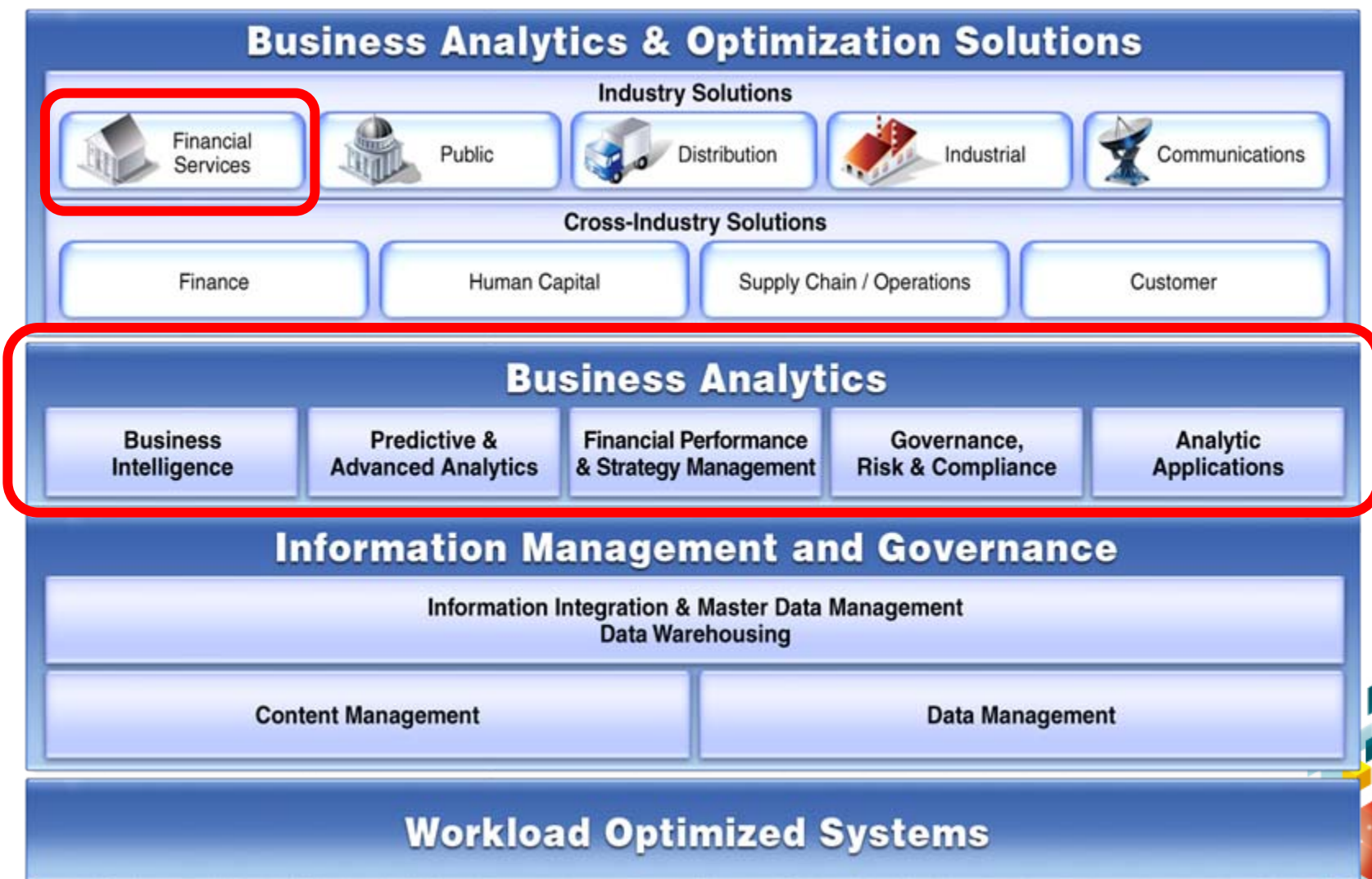


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Business Analytics & Optimization





Business Analytics and Optimization

Actionable insights for better business outcomes

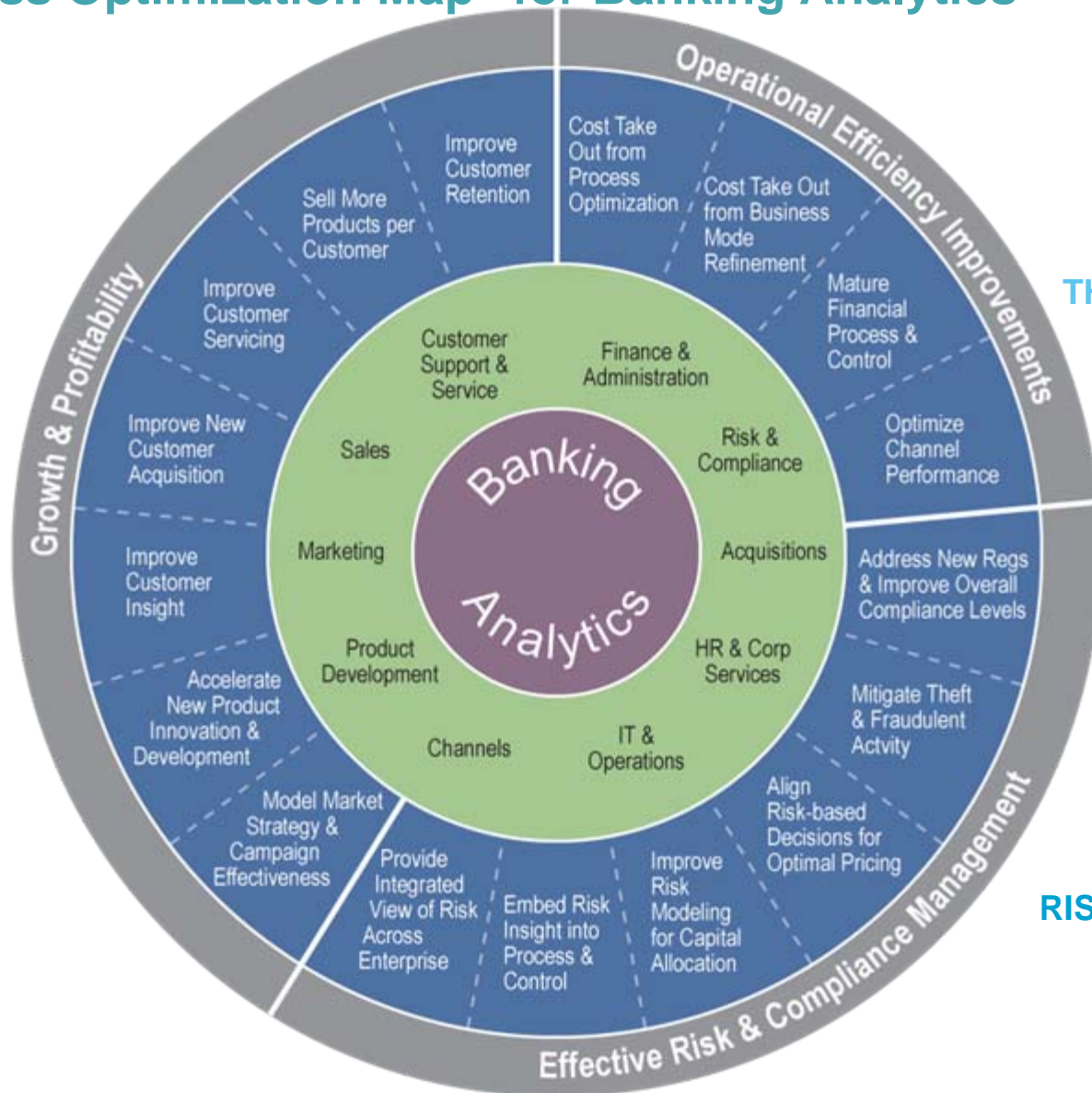
- **Business intelligence**
 - Instant information about how the business is doing and why
 - Built in functionality includes; Dashboards, Scorecards, Reports, Analysis, Ad-hoc, Alerts, Mobile, Office, etc
- **Financial performance and strategy management**
 - Financial and operational planning, budgeting and forecasting to put resources in the right place and set targets
- **Advanced analytics**
 - Predictive modeling and what-if analysis to predict opportunities and threats and confidently take action
- **Governance, risk and compliance**
 - OpenPages and Clarity enhance IBM's capabilities in governance, risk and compliance
- **Analytic applications and Blueprints**
 - Best practice-based industry solutions and accelerators
 - Packaged product applications



IBM "Business Optimization Map" for Banking Analytics



**FOCUS ON
THE CUSTOMER**



**REINVENT
THE BUSINESS
MODEL**



**INTEGRATE
RISK MANAGEMENT**

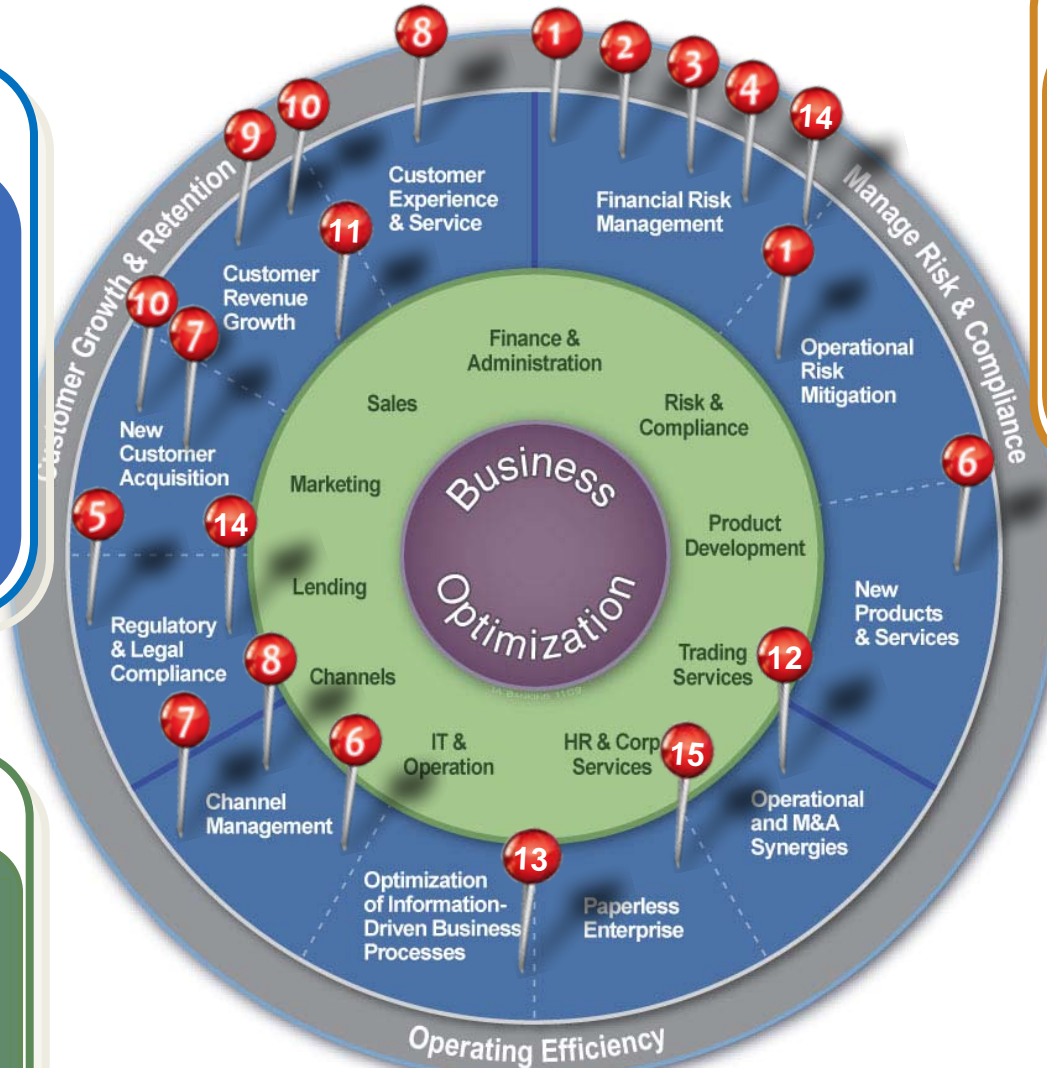
Banking Imperatives & Business Analytics Solutions

Customer Care & Insight

- 6. Relationship Pricing
- 7. Branch Performance
- 8. Client Servicing
- 9. Customer Profitability
- 10. Campaign Insight & Optimization
- 11. *Customer Analytics (in dev)*

Operational Efficiency

- 12. Cost Transparency
- 13. Payments Monitoring
- 14. Financial Performance Mgmt.
- 15. Workforce Performance



Risk Management

- 1. Finance & Integrated Risk Management
- 2. Credit Risk Application
- 3. Risk Scenario Analytics
- 4. Risk Adjusted Profitability
- 5. *Liquidity Risk (in dev)*



**IBM
Business
Analytics
Solutions**



Thank You !

