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Using Smarter Analytics for Reshaping the Office of Finance

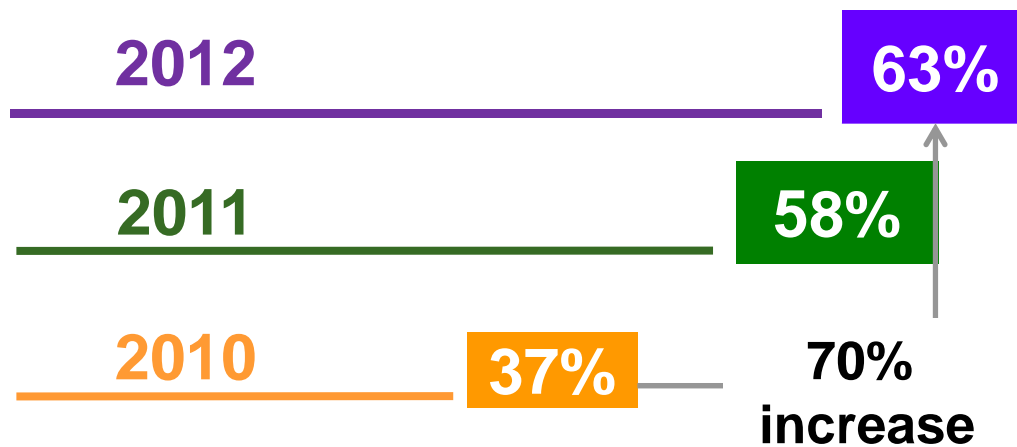


Agenda

- How Finance is Reshaping itself
- Challenges for Office of Finance and IBM Offerings
- It's All About Measuring Performance for Business Operations

Analytics has evolved from Business Initiative to Business Imperative

Percentage of respondents who cited a competitive advantage from the use of information and analytics^{1,2}



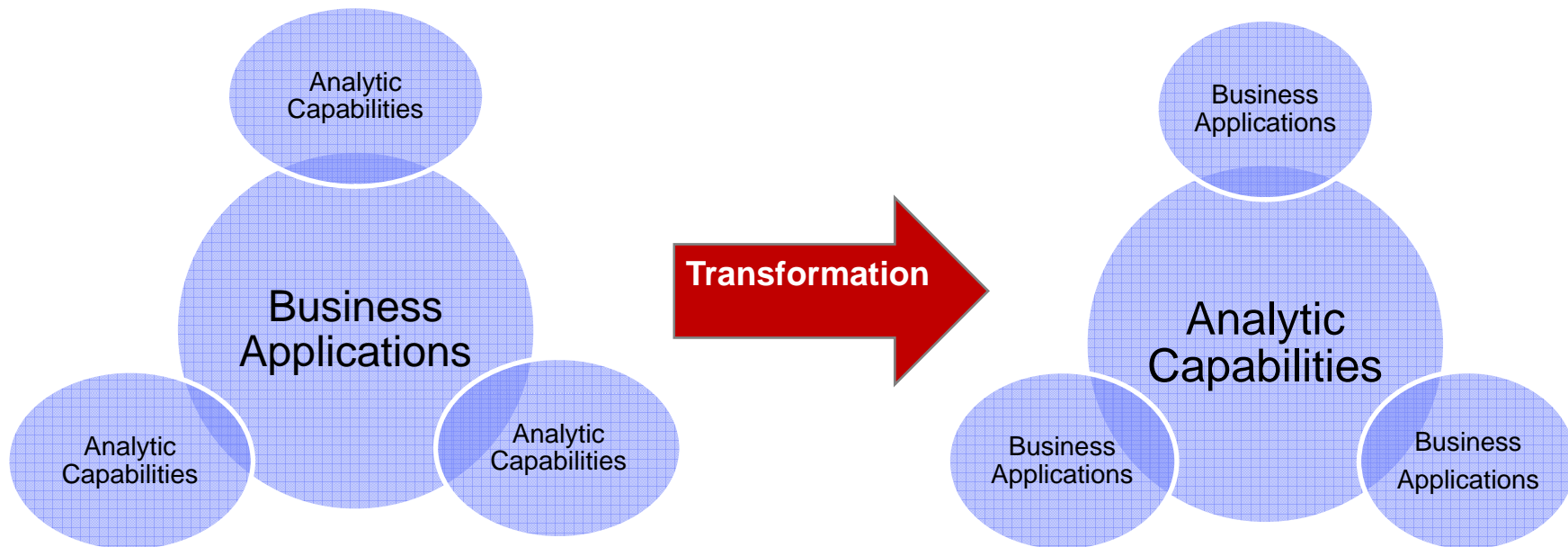
Likelihood of organizations competing on analytics to outperform their peers²



Moving to a New Paradigm

Application-Centered Today

Business Analytics- Centered Tomorrow



Source: Gartner, 2012

New market dynamics force enterprises to transform



Emerging Market Growth

Emerging markets, led by China fuels 2.6x the growth rate of developed markets, contributing over 50% of all new growth²



Cloud Computing

2011 spending on private cloud services is \$13B....growth over next four years will exceed 26% annual growth²



Security

Security remains robust for supporting regulatory and policy compliance needs²



Mobile Enterprise

By 2013, 80% of businesses will support a workforce using tablets¹



Compliance

The cost of non-compliance—fines, legal fees, and disrupted services—was almost 3x the cost of compliance³

**CFOs' Opportunity:
Be the agent of innovation & growth as the trusted advisor who leads the transformation for your enterprise**



Big Data

'Digital universe' will grow to 1.8ZB in 2011, up 47% from 2010, and rocketing toward over 7ZB by 2015²



Social Business

By 2015, 40% of large enterprises will have a corporate "Facebook," for circulating both business and personal data¹

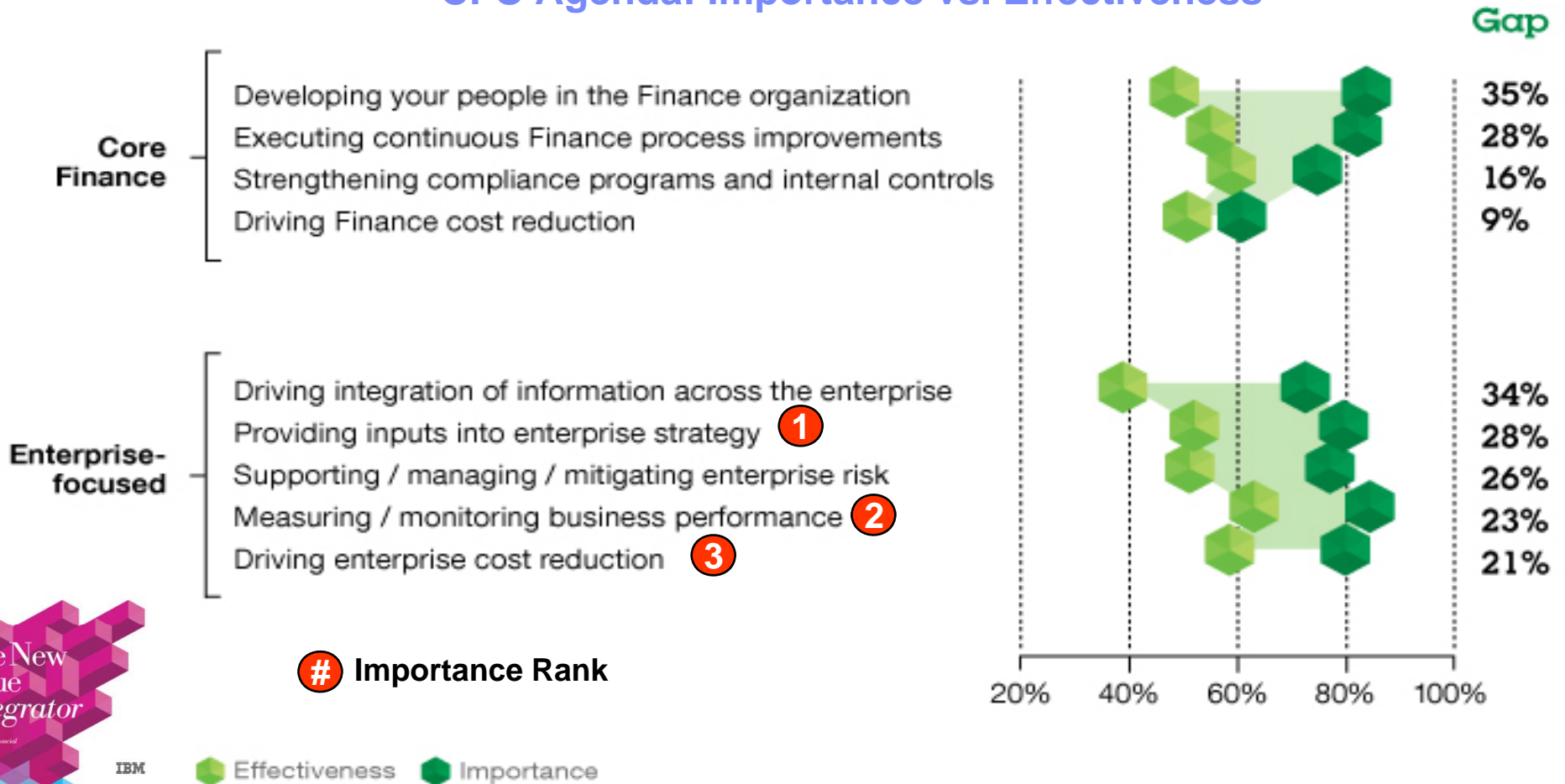


Next-generation analytics

80% data growth is unstructured¹

How should CFOs lead?

CFO Agenda: Importance vs. Effectiveness



Source: IBM Institute for Business Value, The Global CFO Study 2010

CFOs must invest in Efficiency and Business Insight....

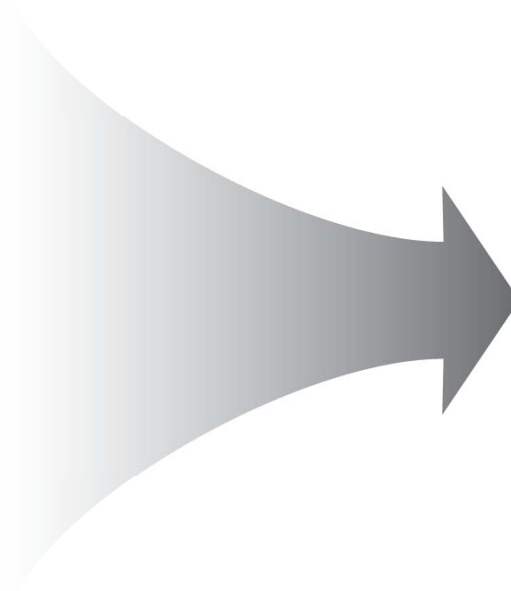
Addressing the Broader Enterprise Focused Role of Finance

Demands on Finance

- Help drive enterprise cost reduction
- Improve access *to* and reduce cost *of* capital
- Support risk management
- Provide performance insight and anticipate
- Partner in strategy and value creation

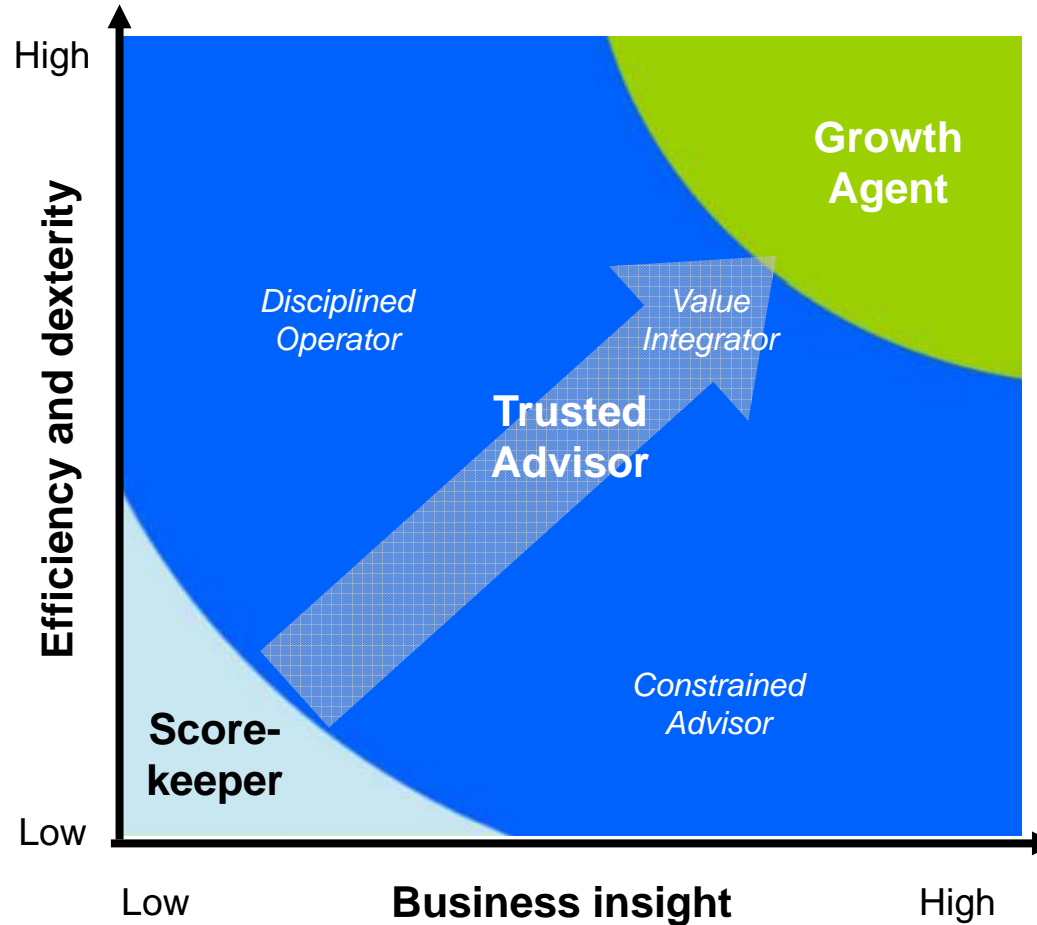
Finance Capabilities Needed

- Finance Efficiency
- Business Insight



...and drive innovation and growth as trusted advisors for enterprise transformation

Accelerate enterprise performance: CFOs have always optimized Finance processes for transparency, efficiency and effectiveness. Now they must instill their end-to-end approach to processes and a seamless operational model to enhance the agility of the enterprise.



Innovation and growth

Drive a discipline of growth: CFOs have always managed risk, protected enterprise investments and preserved the bottom line. Now they must align resources to profitable growth opportunities.

Anticipate the future: CFOs have always been driven to make decision based on facts. Now they must drive an enterprisewide culture of fact-based decisions, contextual data and analytics

The role of the CFO is evolving into the realm of Enterprise Transformation – becoming a Growth Agent

	Scorekeeper	Trusted Advisor		Innovation & Growth Agent
		<i>Disciplined Operator</i>	<i>Value Integrator</i>	
Function	Report the history	Drive efficient performance and preserve cash	Drive and optimize investment and business outcomes	Instill innovation to spur profitable growth
Approach	Focused on finance – running the back office	Focused on operational agility (transactional processes)	Strategic, consultative approach	Focused on the enterprise – linking strategy and execution
Business insight	Protect, gather and record information Produce reports	Respond to requests Provide data	Forward looking analysis Provide judgment	Capture higher value by providing actionable insight

***Heightened volatility, uncertainty and risk
solid balance sheets, stabilizing economy, fierce competition, Big
Data, globalization, growth agenda***

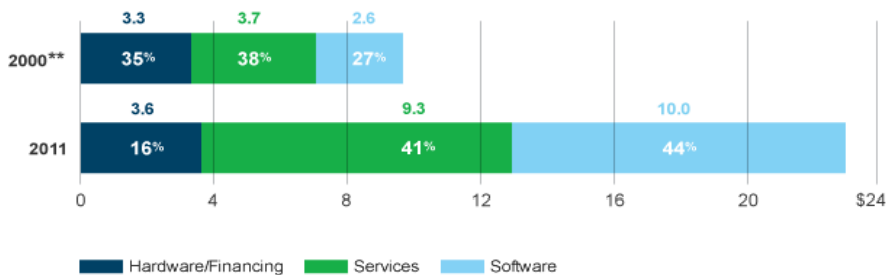


Drive Innovation and Growth

IBM changed its business mix toward high-value, more profitable technologies and market opportunities...

- Exited commoditized businesses:
 - PCs/ hard disk drives/ printing systems
- Strengthened position in:
 - business consulting/ analytics/ cloud computing
- Mergers & acquisitions:
 - 60 companies over the last 5 years/ \$18B invested
- Global shared services:
 - business process excellence/ IT simplification & integration
- Growth market leadership:
 - 22% of revenue (30% by 2015)

Segment Pre-Tax Income*
(\$ in billions)



* Sum of external segment pre-tax income not equal to IBM pre-tax income.

** Excludes Enterprise Investments and not restated for stock-based compensation. 2000 Segment PTI is reclassified to conform with 2011 presentation.

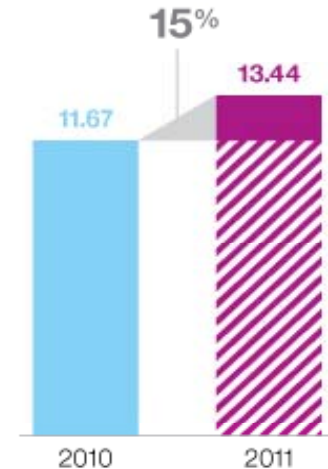
2011 a record year...

\$13.44

operating earnings per share*

up 15 percent, the ninth consecutive year of double-digit growth

*non-GAAP



\$107 billion
revenue

up 7 percent from 2010

\$16.6 billion
free cash flow

up for the ninth consecutive year

\$16.3 billion
operating net income*

up 9 percent from 2010

*non-GAAP

\$18.5 billion
returned

in share repurchases and dividends

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Imagine if you had all the answers you need...



Which customers are thinking of leaving?



Which transactions are fraudulent?



Which new product has the greatest chance of success?

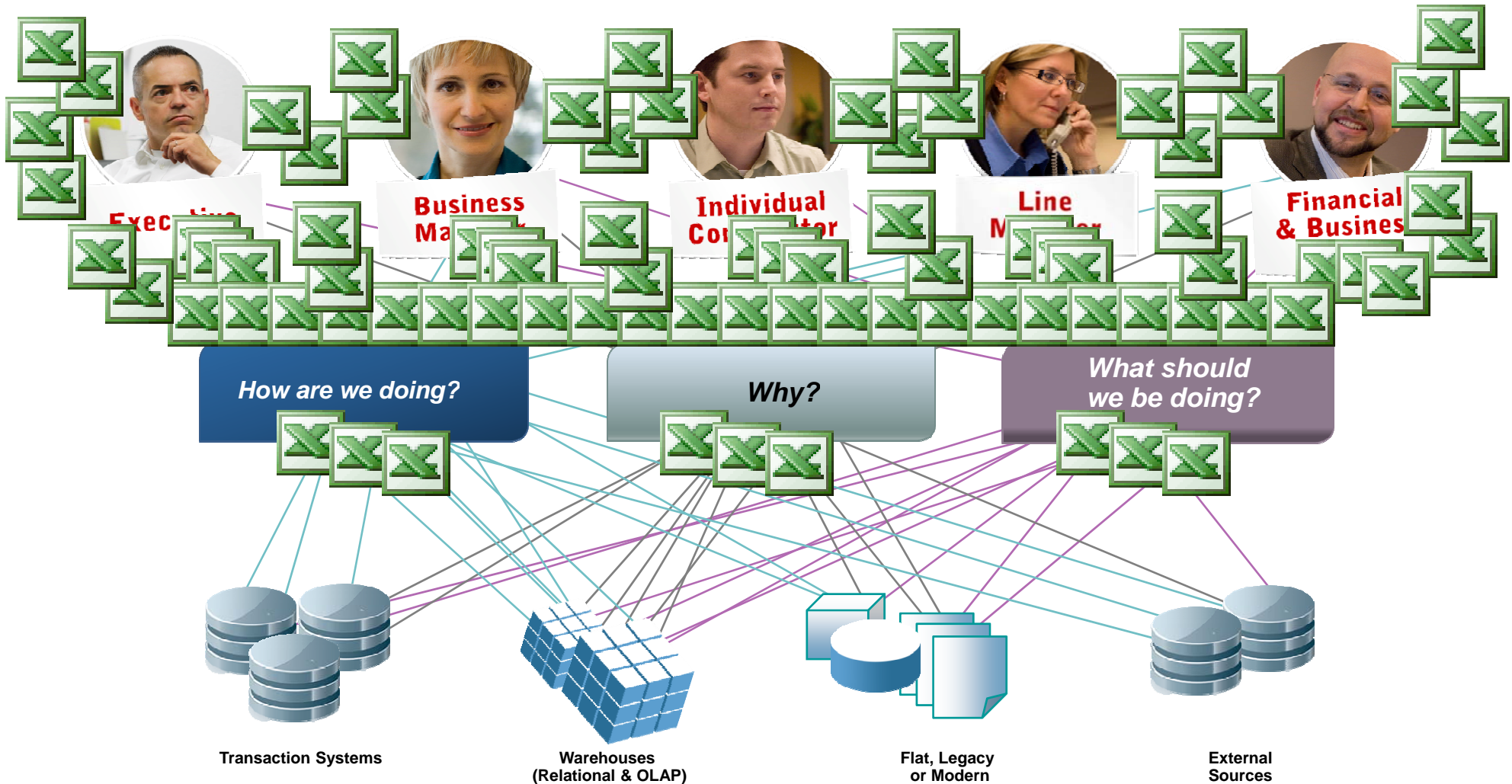


How can I extract insight from all of my information?

The ultimate differentiator today...

...is being able to make more informed choices with confidence, to anticipate and shape business outcomes.

How we are **actually** making decisions...

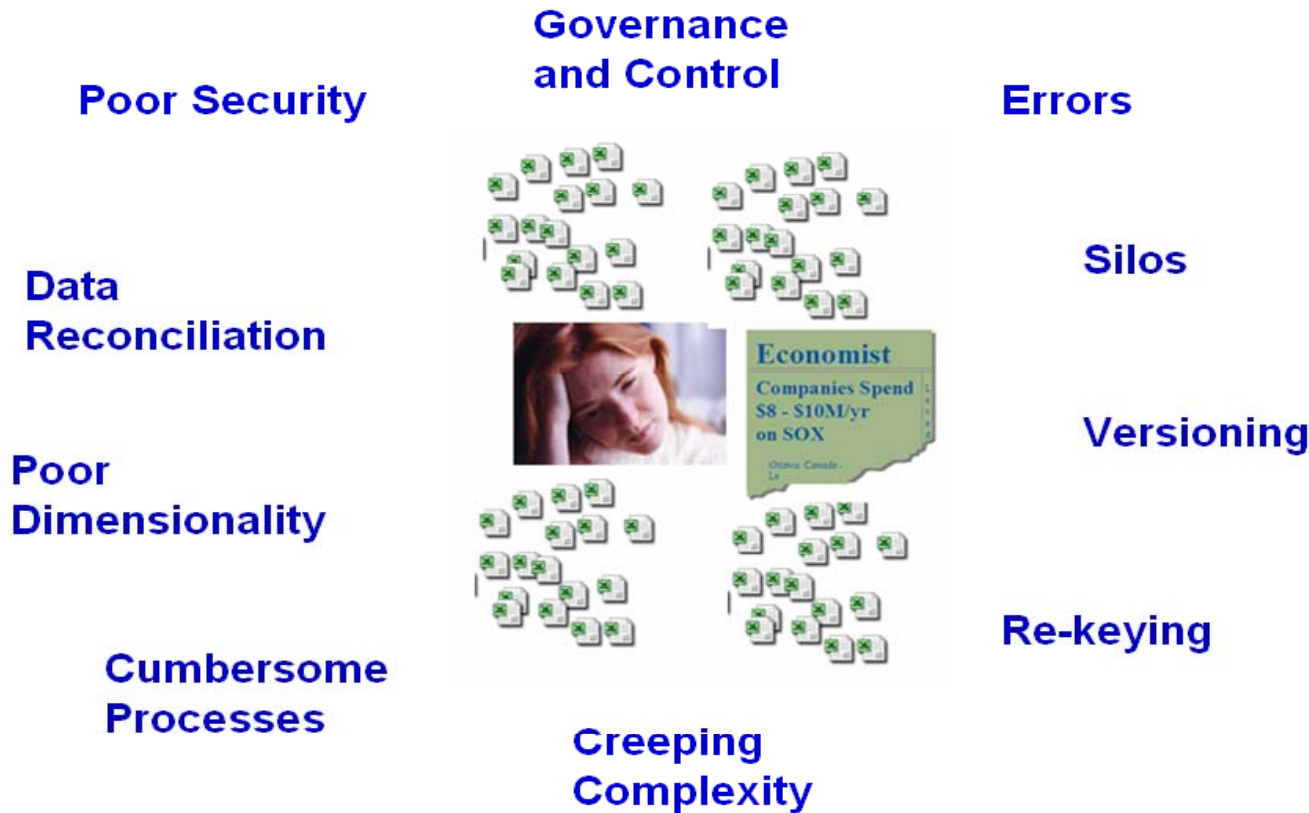


Spreadsheets have been keeping us very busy since 1980s!

A Valuable Personal Productivity Tool but **NOT** an Enterprise Platform

Typical Spreadsheet Pain

Limitations



- Dimensionality
- Data volume
- Versions “File Save As”
- Fragility – Errors
- Change/Maintenance
- Multi-user support
- Views welded to structure

Consolidation & Financial Reporting - What organizations Struggle With *Lack Of Time, Limited Control, Lower Confidence*

Long time to complete process

- Manual or inflexible processes are difficult to manage
- Cannot troubleshoot business accounting rules

Little to no time to perform analysis and improve performance of the organization

Challenges with process management

- Multiple systems
- Reliant on 3rd parties
- Limited visibility in to status of whole process

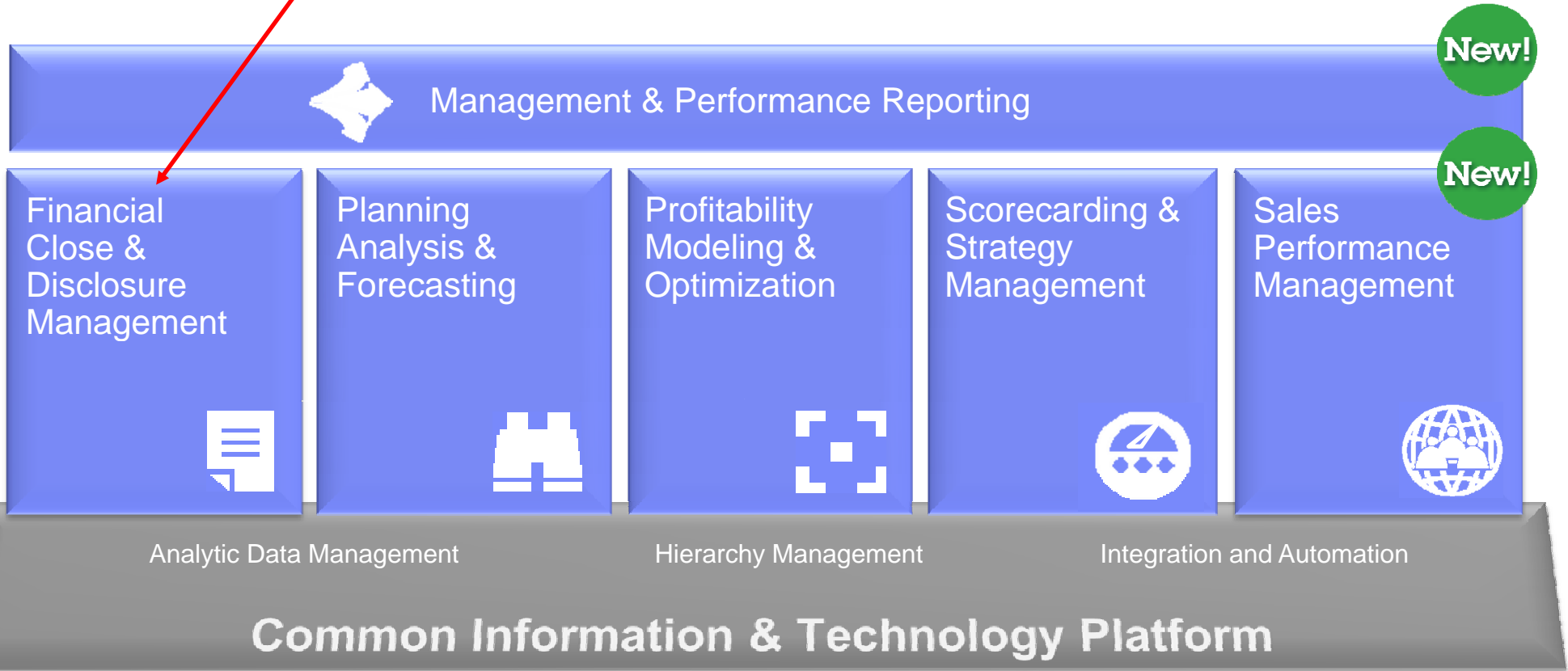
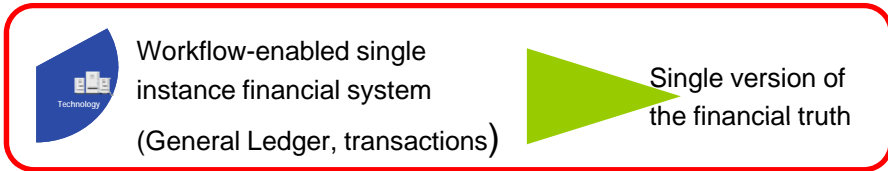
Slow response to changing requirements

Prone to inaccuracy

- People can make mistakes
- Auditing is difficult
- Lack of ownership/accountability

Requires faith that current systems will keep working

IBM Delivers for Performance Management



How does IBM Solution Help?

A Comprehensive, Unified Financial Close Management (FCM) Solution

Gain Time

- Streamline the FCM process, through automation and improved workflow
- Application approach allows process to be quickly and easily built, refined and maintained

Gain control

- A finance solution owned by the Office Of Finance.
- Visibility in to the progress of process.

Gain confidence

- Ensure data accuracy at all times throughout the entire process, with robust audit trail reporting
- Reduce risk of errors, late filings, non-compliance and insider leaks.

Planning & Budgeting - What Organizations Struggle With *Lack Of Time, Limited Control, Lower Confidence*

Long time to complete planning / analysis / forecast cycles

- Delays to create & maintain planning models
- Reliant on batch/script process for decisions that impact multiple dimensions/plans.
- Limited visibility in to the progress of planning activity

Little to no time to perform analysis and improve performance of the organisation

Challenges with data & process management

- Multiple versions of the truth
- Slow response to changing requirements (mergers/acquisitions/new strategy)
- Difficult to handle large volumes of data efficiently

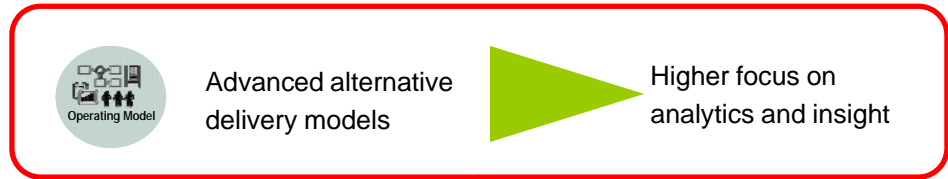
Have to compromise on business models

Prone to inaccuracy

- People can make mistakes
- People are disconnected and unable to easily work together
- Lack of ownership/accountability

Decisions are made on incorrect data

IBM Delivers for Performance Management



Management & Performance Reporting New!

<p>Financial Close & Disclosure Management</p>	<p>Planning Analysis & Forecasting</p>	<p>Profitability Modeling & Optimization</p>	<p>Scorecarding & Strategy Management</p>	<p>Sales Performance Management New!</p>
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Analytic Data Management

Hierarchy Management

Integration and Automation

Common Information & Technology Platform

What Values Do IBM Solution bring to it's Customers?

Efficiency And Business Insight

Gain Time

- Planning process is automated, reducing effort and the time to complete
- Finance professionals can create and maintain models easily with the ability to react quickly to changes

Gain Control

- A finance solution owned by Finance
- Finance has visibility into the progress of the planning process

Gain Confidence

- Integrated financial and operational planning
- Increasing frequency of updates improves value of information
- The business is able to make decisions based on consistent, accurate data

Analysis & Performance Measurement - What Customers Struggle With *Lack Of Time, Limited Control, Lower Confidence*

Manual processes dominate reporting process

- Extensive use of MS-Word and MS-Excel, shared via e-mail
- Inefficient and time consuming
- Repetitive process each reporting period

Distracted from performing value-adding activities

Challenges with data & process management

- Multiple versions of the truth
- Disparate data sources which are not integrated
- Difficult to handle large volumes of data efficiently

Have to compromise on decision making based on incomplete data

Lack of ownership, accountability & visibility

- People are disconnected and unable to easily work together
- Multiple versions of the truth
- Security of sensitive information

Significant effort to manage process

IBM Delivers for Performance Management



Management & Performance Reporting New!

Financial Close & Disclosure Management 	Planning Analysis & Forecasting 	Profitability Modeling & Optimization 	Scorecarding & Strategy Management 	Sales Performance Management 
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New!

Analytic Data Management

Hierarchy Management

Integration and Automation

Common Information & Technology Platform

What Values Do IBM Provide Our Customers?

Efficiency And Business Insight

Gain Time

- Process is automated, reducing effort and the time to complete
- Easily create and maintain narrative reports

Gain Control

- A solution owned by the business
- Visibility into the progress of the process

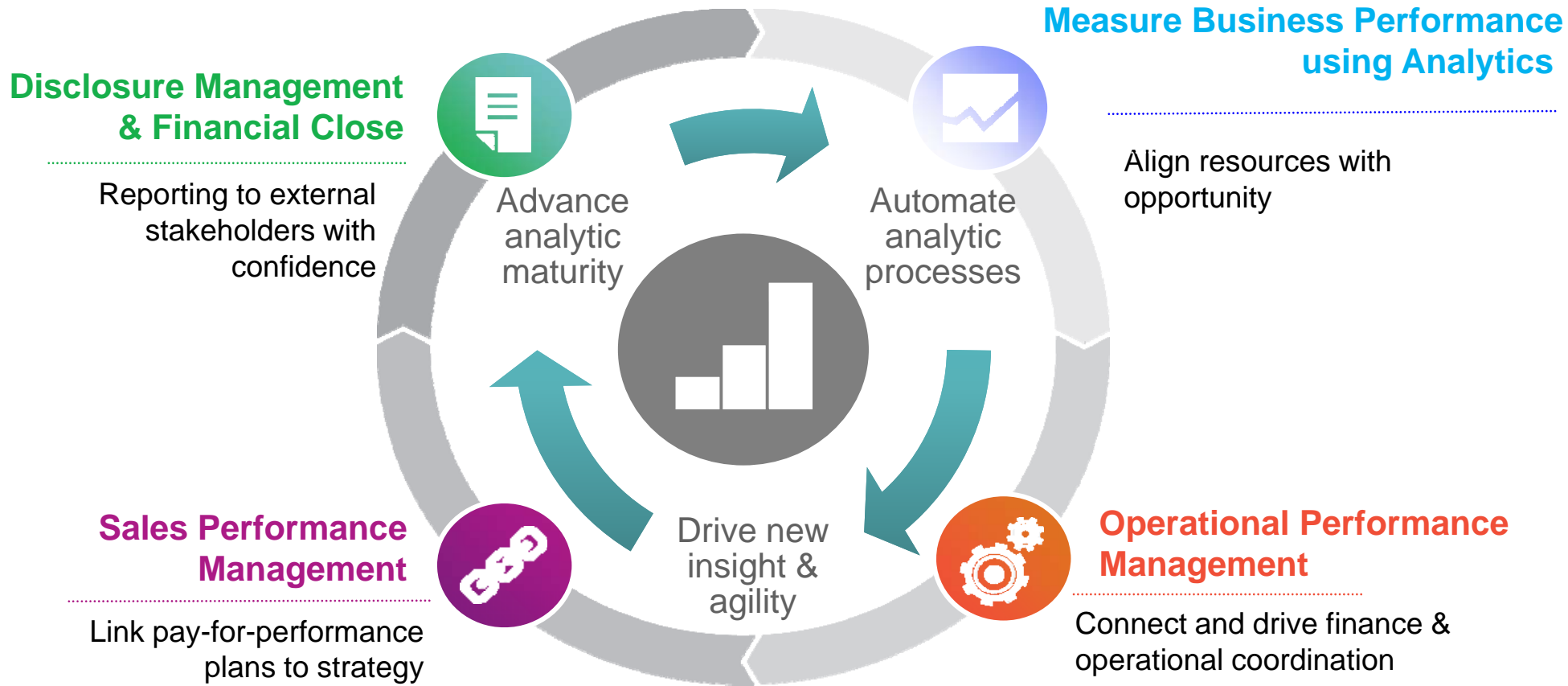
Gain Confidence

- Integrated financial and operational performance reporting
- The business is able to make decisions based on comprehensive, accurate data
- Ensure accuracy at all times throughout the entire process

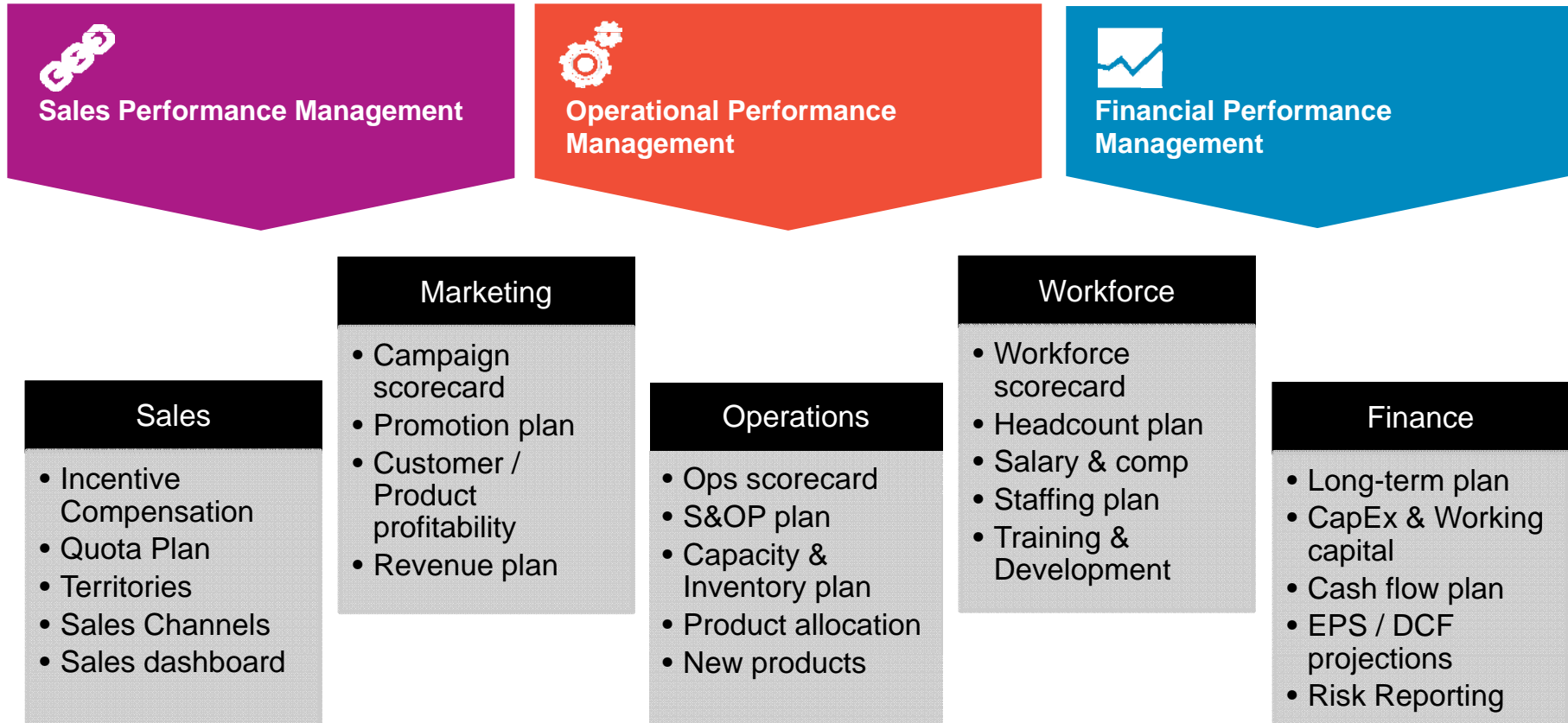
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The Smarter Organization: Driving Performance Achievement



Drive insight and agility by linking performance management across domains



Only IBM delivers **one comprehensive, analytic and planning platform** for performance achievement

Measure Business Performance using Analytics

Align Resources with Opportunity



What makes IBM different:

- One, in-memory analytic and planning architecture to span performance management processes
- Scale to large user communities and data sets
- Easily link operational and financial performance management
- Support advanced analytic techniques (e.g., scenario and predictive)

Profitability
Modeling &
Optimization



Scorecarding
& Strategy
Management



Management &
Performance
Reporting





What if you could increase productivity and reduce costs?

Challenge

- Identify areas to boost financial performance as part of a best in class, corporate-wide productivity initiative.

Solution

- Integrated **planning cycle** reduced data mining activities by up to 80%.
- Conducted **sensitivity and scenario analyses** enhancing visibility, generated insights and increased productivity savings.

Results

- Accelerated **productivity savings** to 4% of cost of goods, approximately \$100 million per year.
- Enhanced integrated planning cycle through better **risk and sensitivity analysis**.
- Reduced **transportation costs** through optimization resulting in savings of over 40 million miles
- Delivered 80% savings in **supply planning** efforts – moving from 5 days to one.



Del Monte Foods is a well-known producer and distributor of premium quality, branded food and pet products for the U.S. retail market, generating approximately \$3.7 billion in net sales in fiscal 2010. The business is split 50:50 consumer packaged goods and pet products.

Operational Performance Management

Connect and drive finance & operational coordination



What makes IBM different:

- One, in-memory analytic and planning architecture to span performance management processes
- Scale to large user communities and data sets
- Easily link operational and financial performance management
- Support advanced analytic techniques (e.g., scenario and predictive)

Planning
Analysis &
Forecasting



Profitability
Modeling &
Optimization



Scorecarding
& Strategy
Management



Management &
Performance
Reporting



Operational Performance Management

Could you measure profit contributions of each ingredient?



Challenge

- Significantly reduce the cycle time of their financial budgeting process.

Solution

- Streamlined budgets and planning processes
- Collect and analyze sales plan data by customer and across over 30,000 SKUs and evaluate the resulting profit contribution of product input in the “bill of material”

Results

- Diagnose profit improvement moves ahead of time; commodity price increases can be passed on to consumers or renegotiated with industrial customers. Maybe even reformulate some of our favorite flavors using commodities from different regions and suppliers.



McCormick is a global leader in flavor. With more than \$3.5 billion in annual sales, the Company manufactures, markets and distributes spices, seasoning mixes, condiments and other flavorful products to the entire food industry—retail outlets, food manufactures and food service businesses in more than 110 countries.

Disclosure Management & Financial Close

Reporting to external stakeholders with confidence



What makes IBM different:

- A single, reliable, dynamic reporting and analysis system
- Parameter-driven financial consolidation
- Innovative narrative and collaborative intensive disclosure management
- Integrated tagging for multiple purposes (XBRL, Solvency II, etc.)

Account
Analysis &
Close



Consolidation
Reporting
& Analysis



Compliance,
Regulatory,
& Tax



Disclosure
Management



Disclosure Management & Financial Close

What if you eliminate wasted effort and streamline close?



Challenge

- Spreadsheet-based reporting processes were no longer providing the degree of insight that the business needed to maintain a rapid rate of growth

Solution

- IBM Cognos Controller offered a much simpler, automated consolidation process, and eliminated the need for spreadsheets
- Optimize the quality of the data-feeds into TM1, and the solution provides a single repository of information with one version of the truth

Results

- Provides insight for finance enabling a more proactive response to business challenges
- Reduces the monthly financial close from 12 days to just eight – a 33 percent improvement
- Enables self-service analytics, reducing the reporting requirements of the finance teams by 70 to 80 percent



Jabil is a supply chain management and electronic manufacturing partner providing customers with intelligently designed global supply chains and product manufacture and development in the healthcare, aerospace, industrial, clean tech, storage, telecommunications and consumer industries.

With over 130,000 employees at more than 60 facilities across the globe, the company generated revenues of \$17.1 billion in 2012.

Sales Performance Management

Automate the processes and functions for making salespeople more efficient and effective



What makes IBM different:

- Purpose-built to support range of compensation approaches and sales operations processes across industries
- Scalable to high volume data sets, complex hierarchies and enterprise-wide program requirements
- Flexible data model for reduced data transformation
- Visual flow approach for configuration by business users

Incentive
Compensation
Management



Territory
Management



Quota
Planning



Channel
Management



Sales Performance Management

Increase incentive compensation effectiveness and efficiency



Challenge

- Reduce the cycle time associated with incentive compensation processing and eliminate manual spreadsheets

Solution

- Automate payment calculations, including hundreds of millions of transactions
- Provide accurate and timely reports to plan participants
- Improve management visibility and flexibility

Results

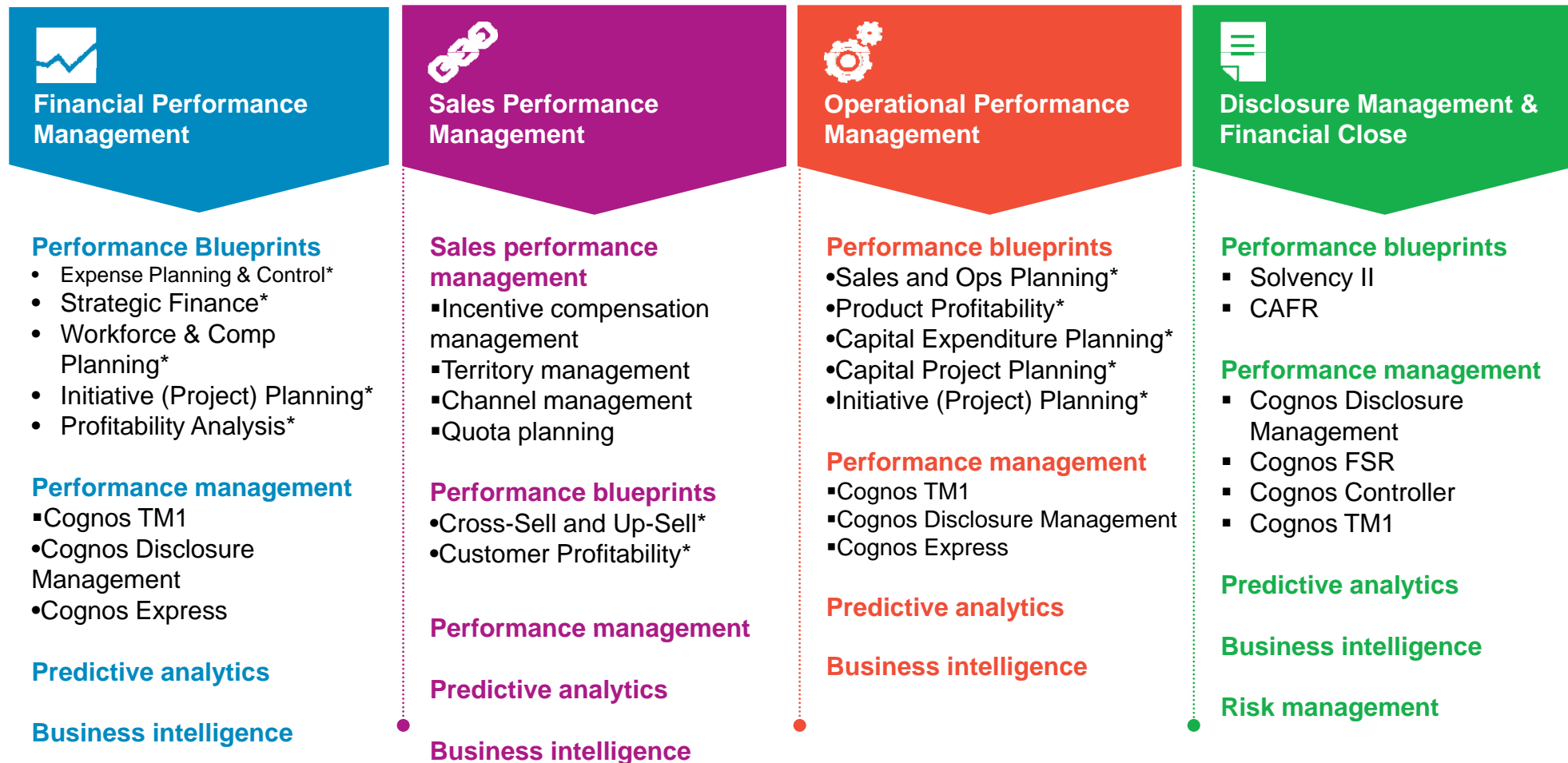
- Increased payment accuracy and reduce monthly processing from two weeks to two days
- Improved transparency of employee performance across the company, along with the flexibility to adapt the solution to meet its unique and changing requirements



Elavon

Elavon is a major processor of credit card transactions and a subsidiary of U.S. Bancorp. The company offers merchant processing in more than 30 countries and was founded in 1991 in Atlanta.

IBM Business Analytics addresses key performance management areas



* IBM Cognos Performance Blueprints are pre-defined data, process and policy models that address a number of [functional process](#) areas and the needs of [specific industries](#). (links available in slide show mode)

Thank You