



FINANCE FORUM

2009

Developing A Dynamic, Risk Based Performance Management Process

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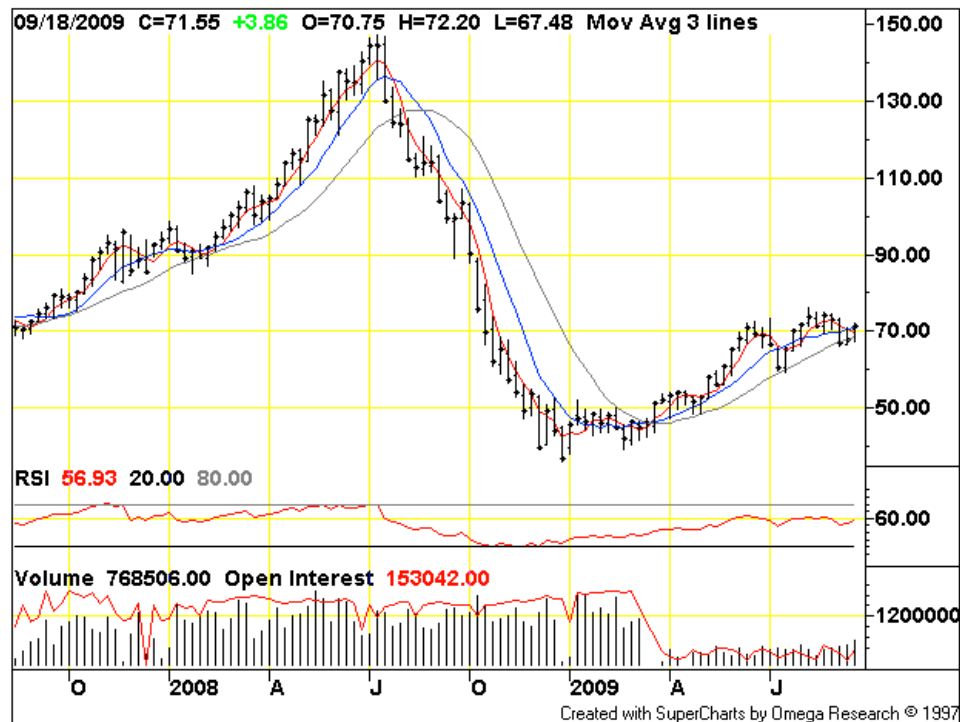


Information Management

Cognos.
software

We live in interesting times!

Oil Prices: Last 2 Years



- Commodity prices
- Investment returns
- Real estate values
- Consumer spending
- Exchange rates
- Share prices
- Employment
- Inflation

Causing many to question traditional management practices

The World Today

- Increased volatility
- Global interdependence
- Information rich
- Intense competition
- Changing delivery models
- Instantaneous communication
- Technology dependant

Typical Practices

- Five year strategies
- Detailed annual budgets
- Quarterly forecasts
- Monthly reports
- Actual vs. budget
- Single point estimates
- Time consuming
- Spreadsheet driven

The extraordinary is now ordinary

Trends

- Major economic upheavals
- Rapid rise of new economies
- Commodity boom (bust?)
- Oil dependence
- Population growth/
demographic change
- Environmental stewardship
- Global interdependence

Events

- Dot.com bubble bursts
- 9/11
- Sarbanes-Oxley
- SARS
- Asian Tsunami
- Hurricanes Katrina/Rita
- H1N1
- Global credit crisis
- High jacking of cargo ships


Leaders are focused on best practice performance management

- Fast
- Decision-focused
- Collaborative
- Integrated
- Focused
- Technology enabled



Visibility from strategy to results

- Achieve the dominant market position
- Deliver market leading shareholder returns



	<u>Co.</u>	<u>Market</u>
Sales growth	9%	3%
TSR	17%	7%

Measure real value

Example: Global aid organization

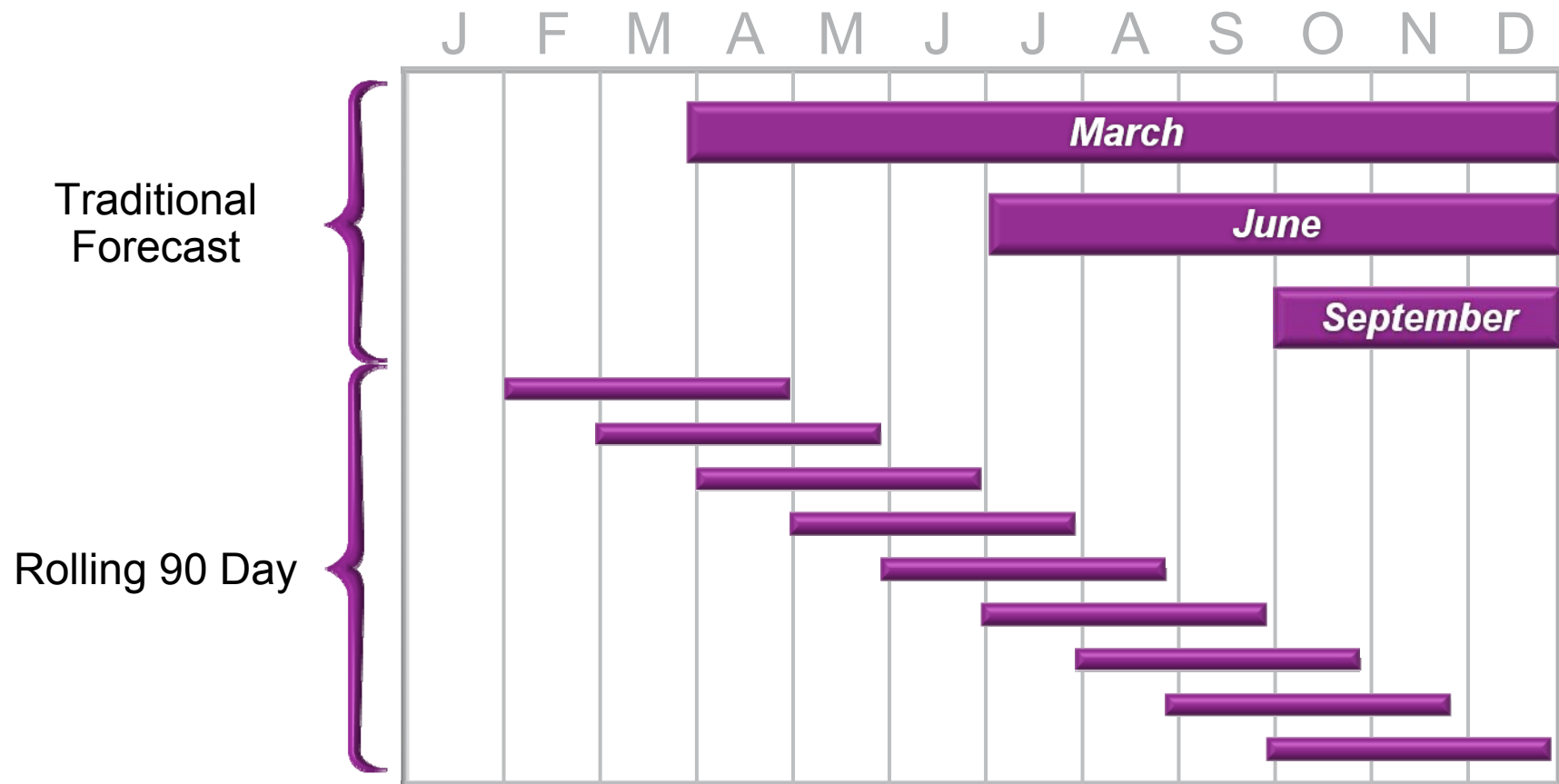


- 60% complete
- 59% to budget
- 55% to time

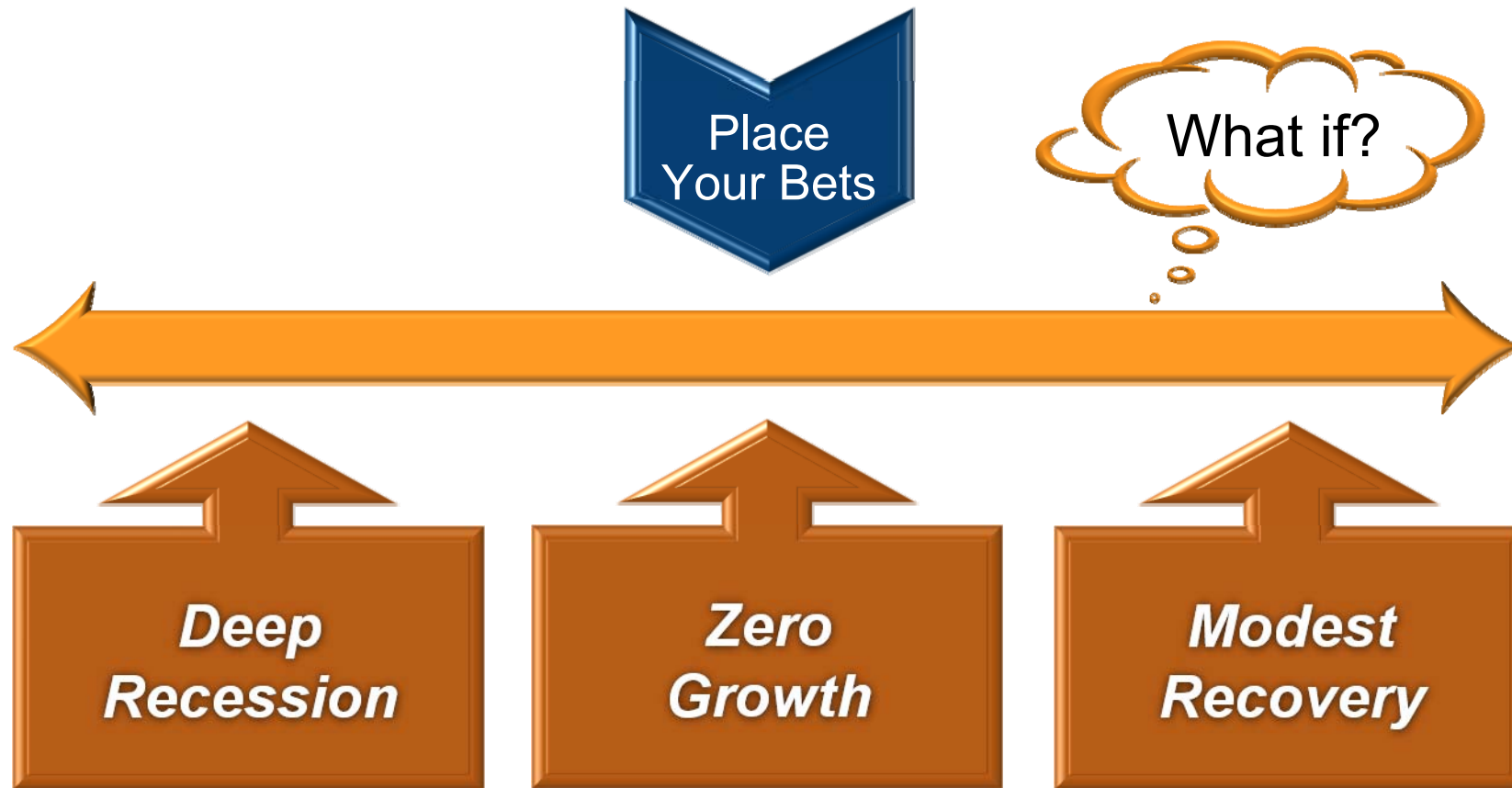
- 6/10 wells completed
- 3/7 filtration systems installed

- Mortality rate down 7%
- Cholera rate down 11%

Forecast more frequently but with a shorter time horizon



Evaluate multiple scenarios



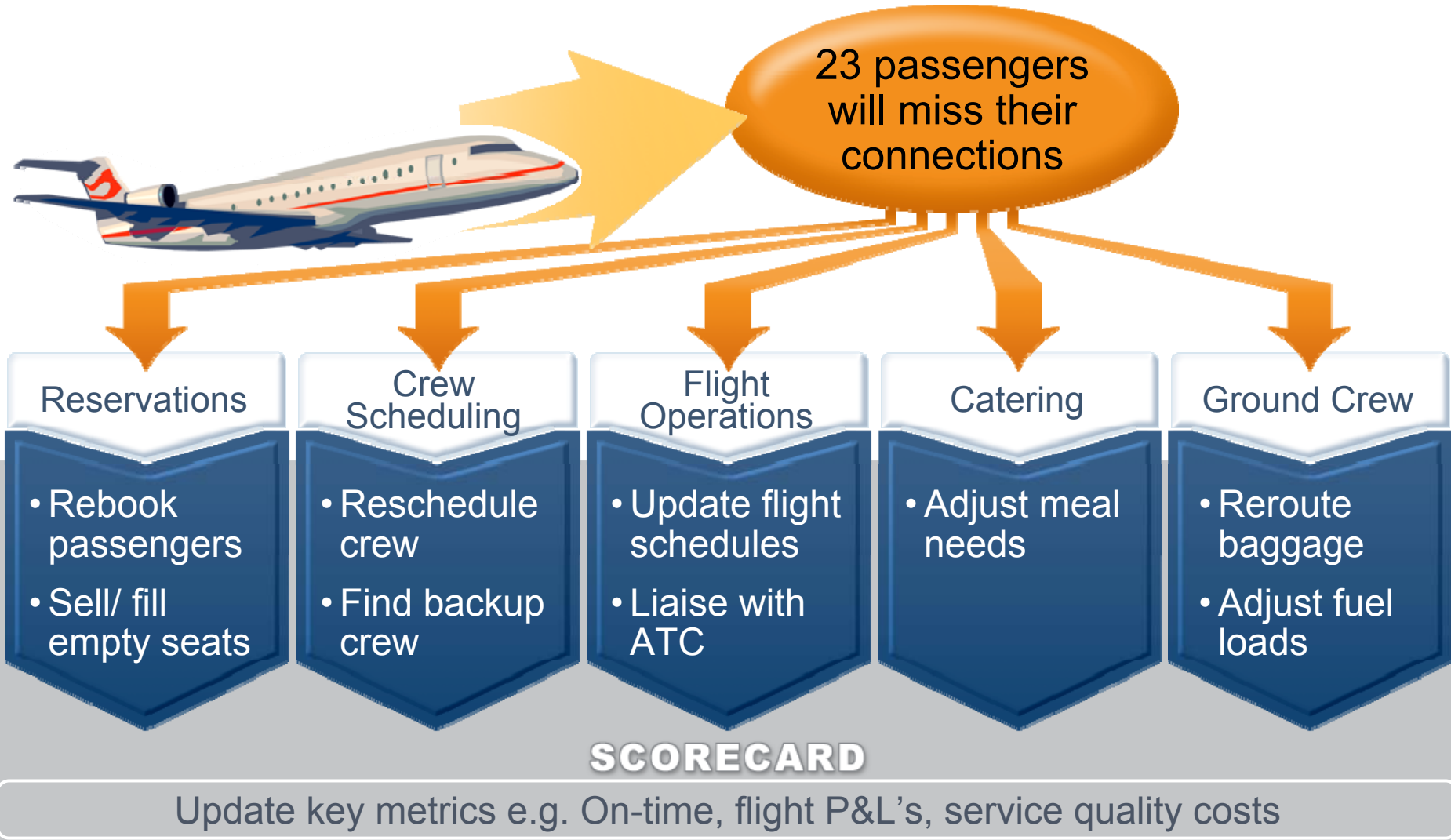
**Forget critical success factors,
what are your...**

**Critical Failure
Factors**

**Criteria for
Abandonment**



Real time performance management in action



Make reporting relevant



Department: Northwest Sales
 Period: Second Quarter



Travel Spending		Actual	Budget	Variance
	Airfare	12,725	9,225	(3,500)
	Hotel	4,000	3,250	(750)
	Ground Transportation	1,500	1,250	(250)
	Lodging	2,150	2,000	(150)
	Meals	600	700	100
	Other	275	275	0
	Total Travel	21,250	16,700	(4,550)



Drive insight and action



Department: Northwest Sales
 Period: Second Quarter

Travel Spending	Actual Q2	Q1	Q4	Q3
 Selling new business	5,700	6,000	8,000	8,500
Selling to current customers	4,500	5,000	7,000	7,000
Education & training	500	600	600	1,000
Total "Good" Travel	10,700	11,600	15,600	16,500
Mitigating service issues	9,000	7,500	4,500	3,500
Administrative	1,550	900	300	400
Total "Bad" Travel	10,550	8,400	4,800	3,900
TOTAL TRAVEL	21,250	20,000	20,400	20,400
 New Orders	195,000	240,000	235,000	228,000
Good Travel to Orders	5.5%	4.8%	6.6%	7.2%
"Good" to "Bad" Travel	50%	58%	76%	81%



Focus on cross-functional collaboration

Competitors can't match our product but they are pricing 5% below us



Marketing



CEO

Looks like we can be aggressive. Let's go after share with targeted promotions

Trend	Trend (Last 90 Days)	Status
Sales	0%	●
Pipeline	+14%	●
Margins	+3%	●
Cash	+7%	●



Finance

We have excellent cash reserves and low receivables

Our pipeline has increased by \$2m; but close cycles are extending



Sales



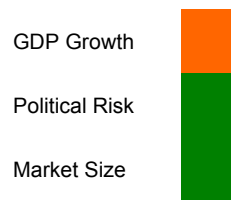
Operations

Operating expenses are down; 3% driven by improved productivity



Prioritize investment risks and opportunities

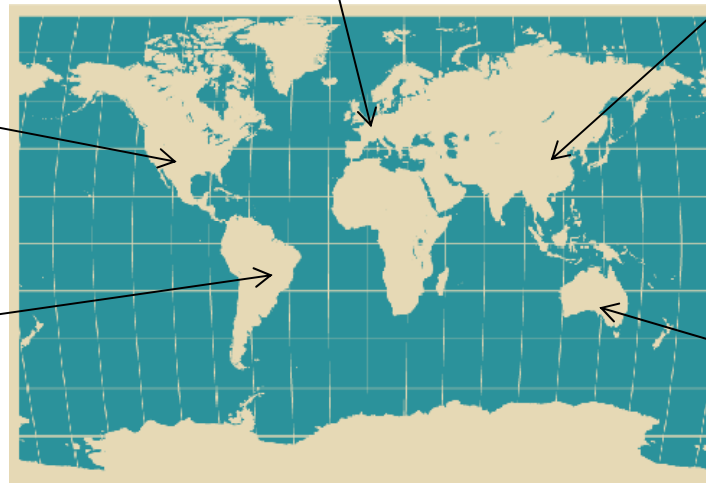
Weak recovery, rising unemployment, softening demand for oil



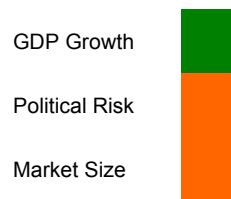
Patchy growth, flat demand



Strong government fuelled growth, rapidly rising demand



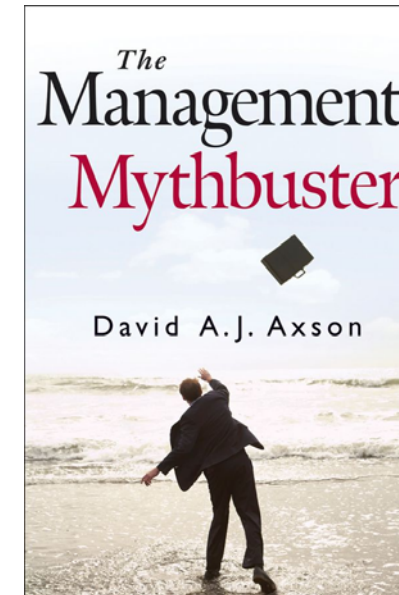
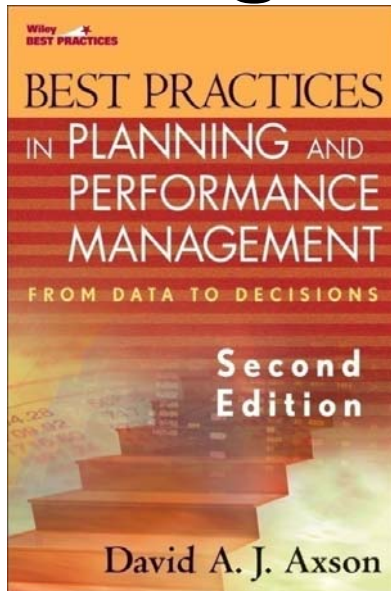
Strong growth, significant new local oil finds



China driven growth due to commodities



Reading list



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