

# IBM Cognos Finance Forum 2010

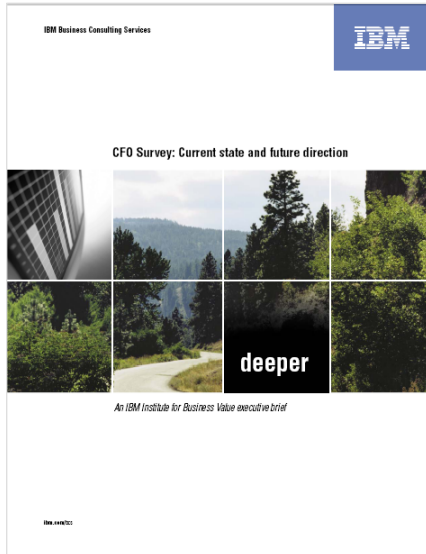
Anticipate and Shape Business Outcomes

## ***Finance's New Role: Insights from the 2010 IBM Global CFO Study***

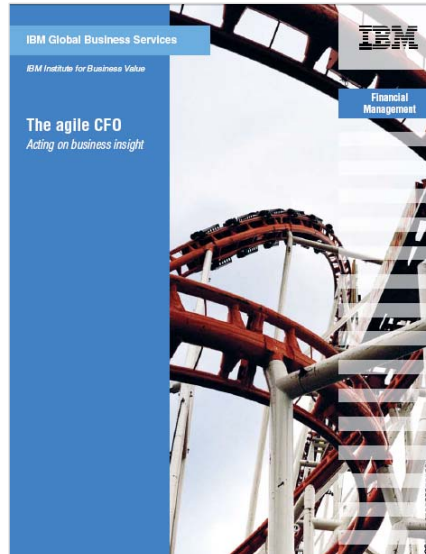


The 2010 IBM CFO Study is the fourth edition since 2003, and builds upon our past primary research from 2005 and 2008

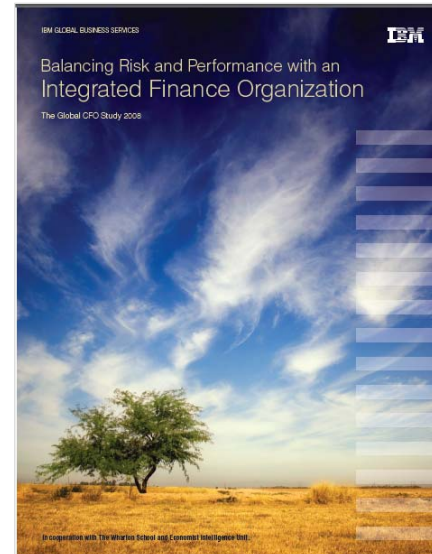
## CFO Studies



2003



2005



2008



2010

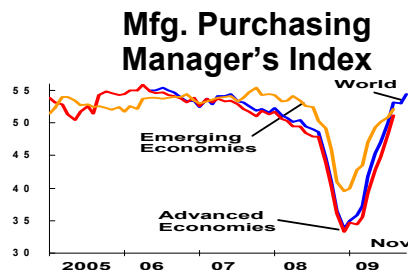
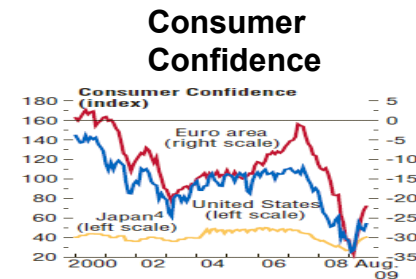
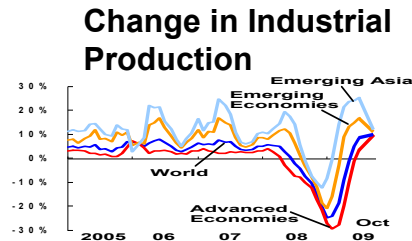
Our study was conducted during the global economic crises and comes to market as signs of a new economic environment emerge

## Economic Environment, recent past and looking forward

### Global Financial Crises

- Liquidity Driven Crises
- Real Estate Bubble burst
- Failure of collateralized debt obligations
- Drop in Global Commerce
- Cost reduction pressures
- Rising unemployment
- Drop in commodity values
- Dramatic drop in consumer demand
- Increased risk, volatility and uncertainty

### Signs of Stability



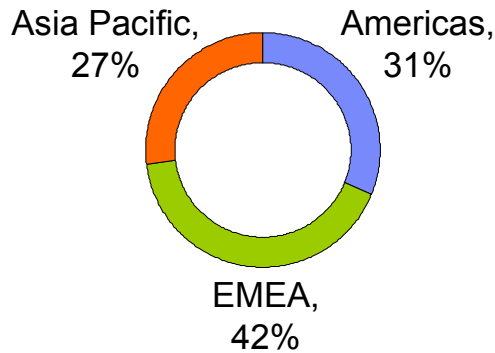
### New Economic Environment

- Subdued growth
- Continued cost pressures
- Continued high unemployment
- Reduced Global commerce and demand
- End-to-end stimulus and Government hand in business
- Sovereign debt concerns
- Industry Restructuring and consolidation
- Continued uncertainty, elevated volatility and risk

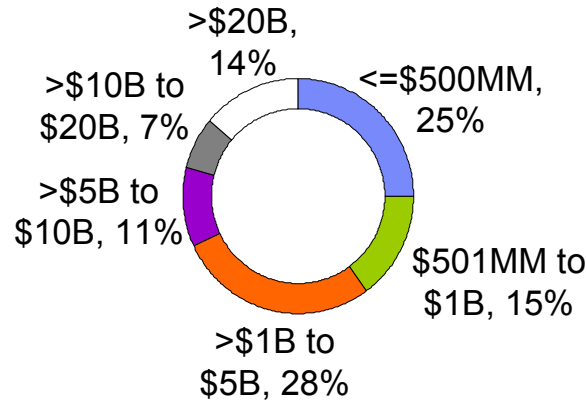
The Global CFO Study 2010 is the largest CFO-level study of its kind with over 1,900 participants

### CFO Study 2010 Firmographics

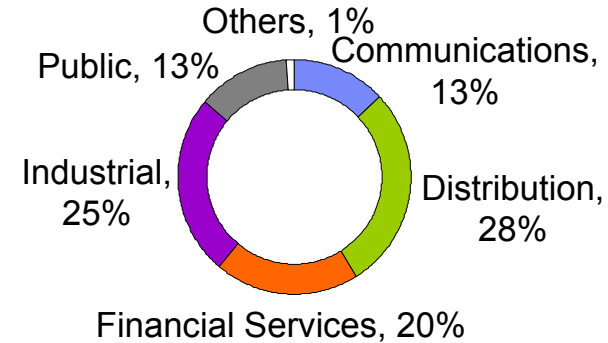
#### Geography



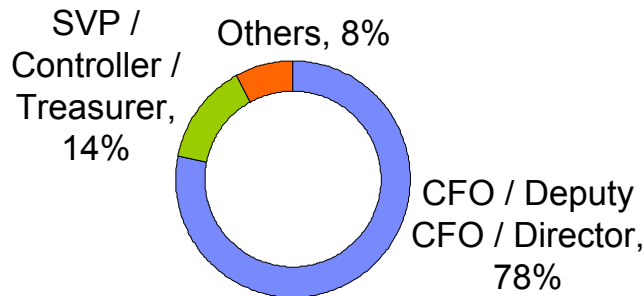
#### Enterprise Size (US\$)



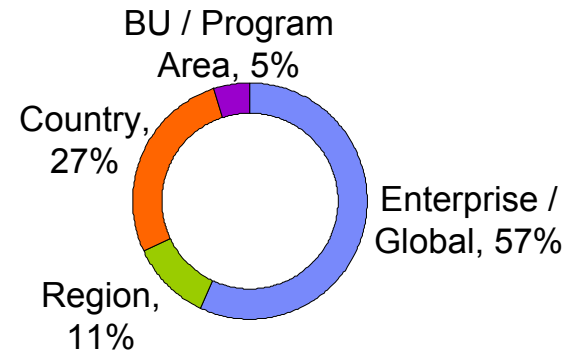
#### Sector



#### Title



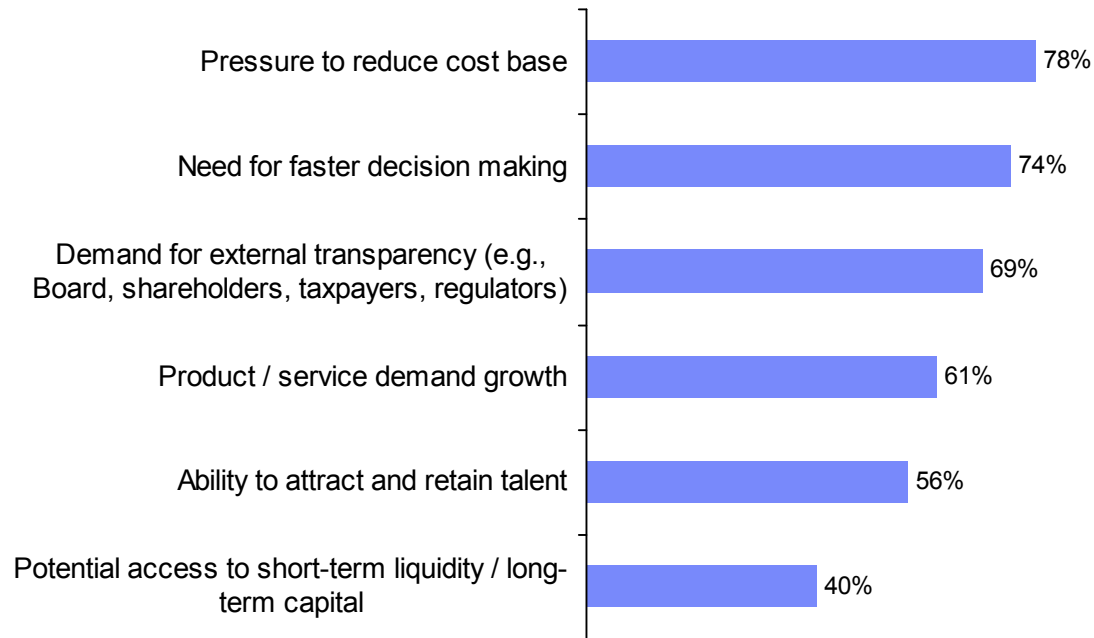
#### Scope of Role



N = 1,910  
 Source: IBM Institute for Business Value, The Global CFO Study 2010  
 Geography = Country of Company Headquarters

# CFOs believe that industry / sector pressures will increase challenges and opportunities over the next three years

## Industry / Sector Changes Over the Next Three Years



*As a result of these factors, ~60% of Finance organizations believe that they have to make major changes to respond.*

N = 1,844 to 1,905

Note: Executives asked: In the next 3 years, how will the following conditions change in your industry / sector? Excludes participants that select "Don't know"

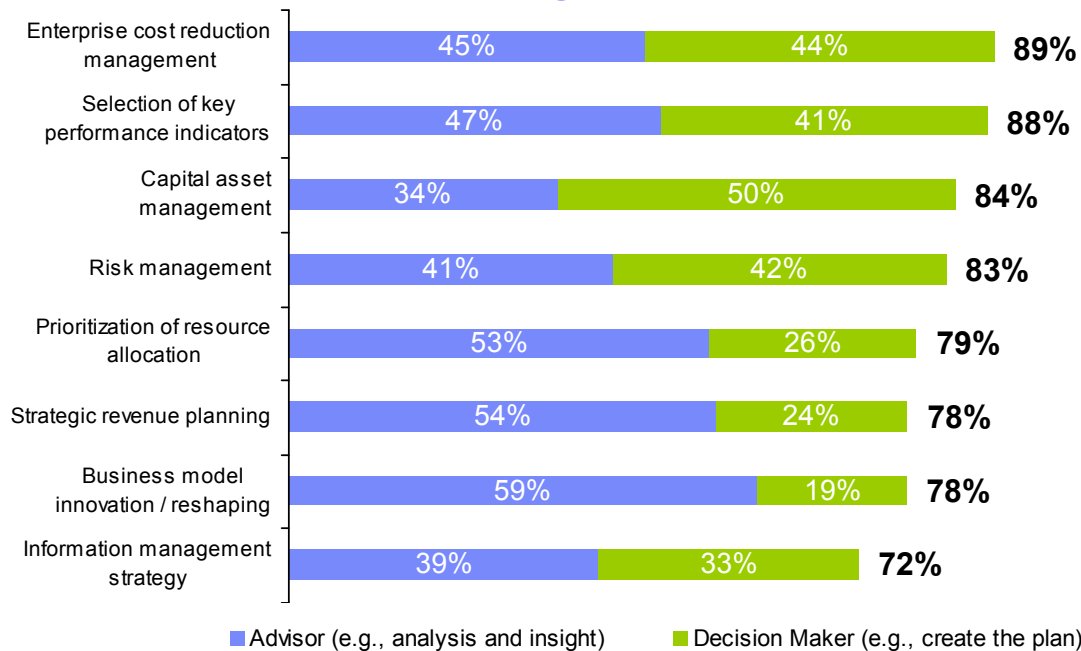
Note: Defined as enterprises selecting [5] Increase considerably and [4] Increase on a 5-point scale where [5] Increase considerably and [1] Decrease considerably

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

# CFOs 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.**

N = 1,881

Note: Executives asked: What role is Finance playing in driving decisions across the enterprise? (Select only one per area)

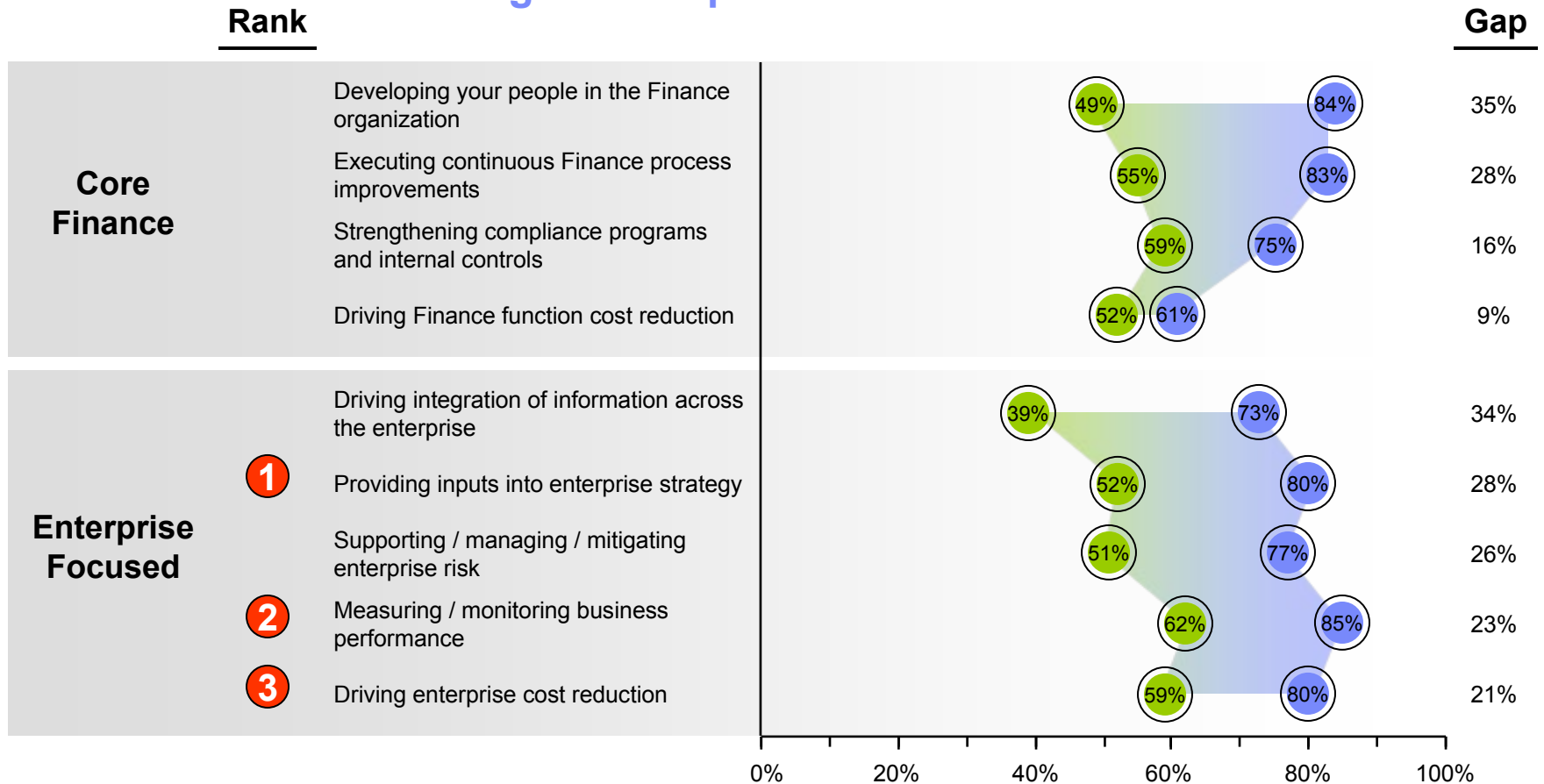
Note: Respondent choices included No Role, Informer, Advisor and Decision Maker

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

# However, Finance needs to improve its effectiveness in order to deliver on the enterprise agenda

## CFO Agenda: Importance vs. Effectiveness

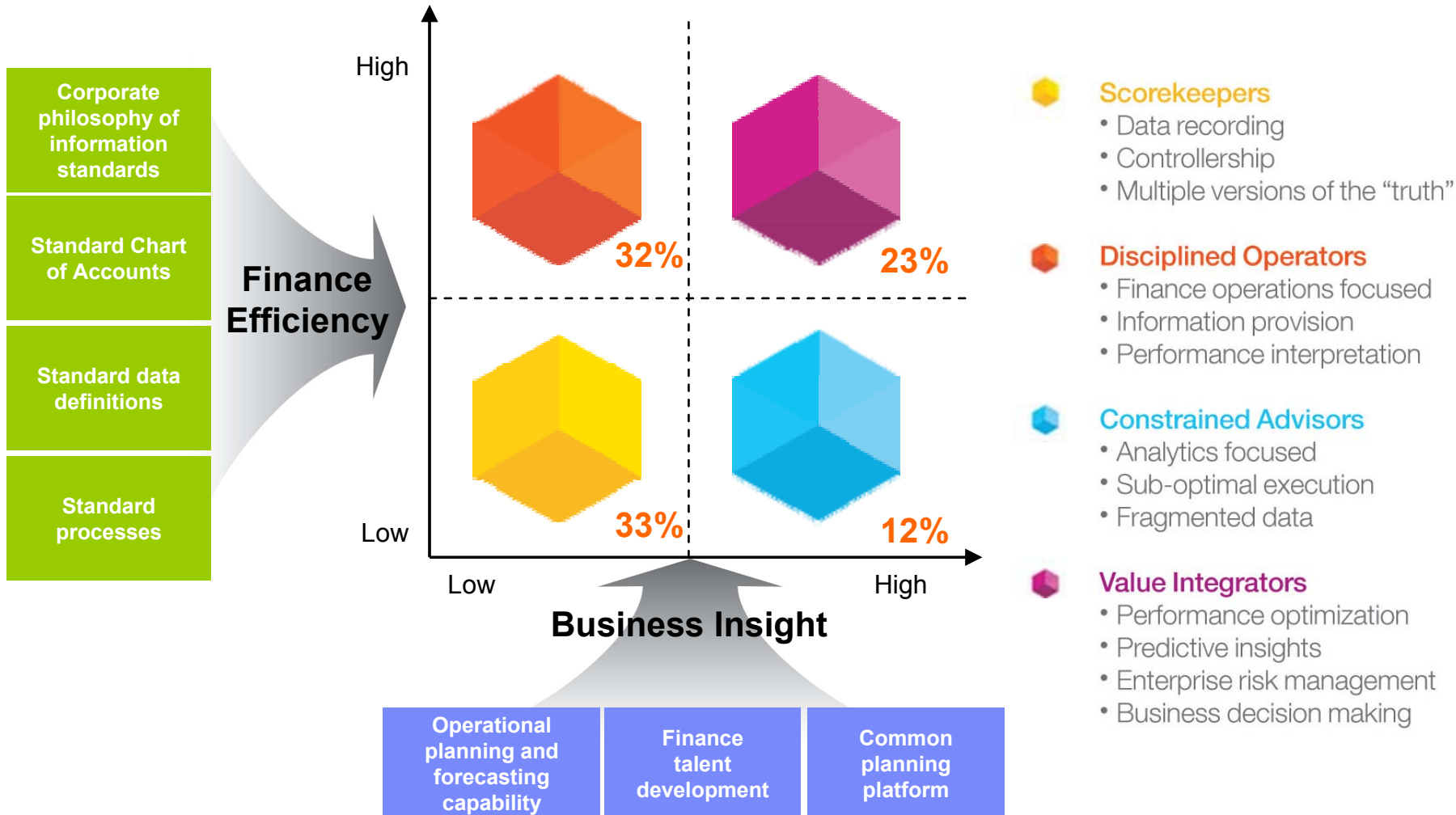
● Importance  
● Effectiveness



N = 1,834 Note: Executives asked: How important to your Finance organization are each of following areas of responsibility? and How effectively do you think your Finance organization is performing in each of those areas? And Please rank your top 3. Importance defined as enterprises selecting [5] Critical and [4] on a 5-point scale where [5] Critical and [1] Unimportant. Effectiveness defined as enterprises selecting [5] Very Effective Critical and [4] on a 5-point scale where [5] Very Effective and [1] Ineffective  
Source: IBM Institute for Business Value, The Global CFO Study 2010

# Four Finance profiles become apparent when participants are segmented by efficiency and business insight

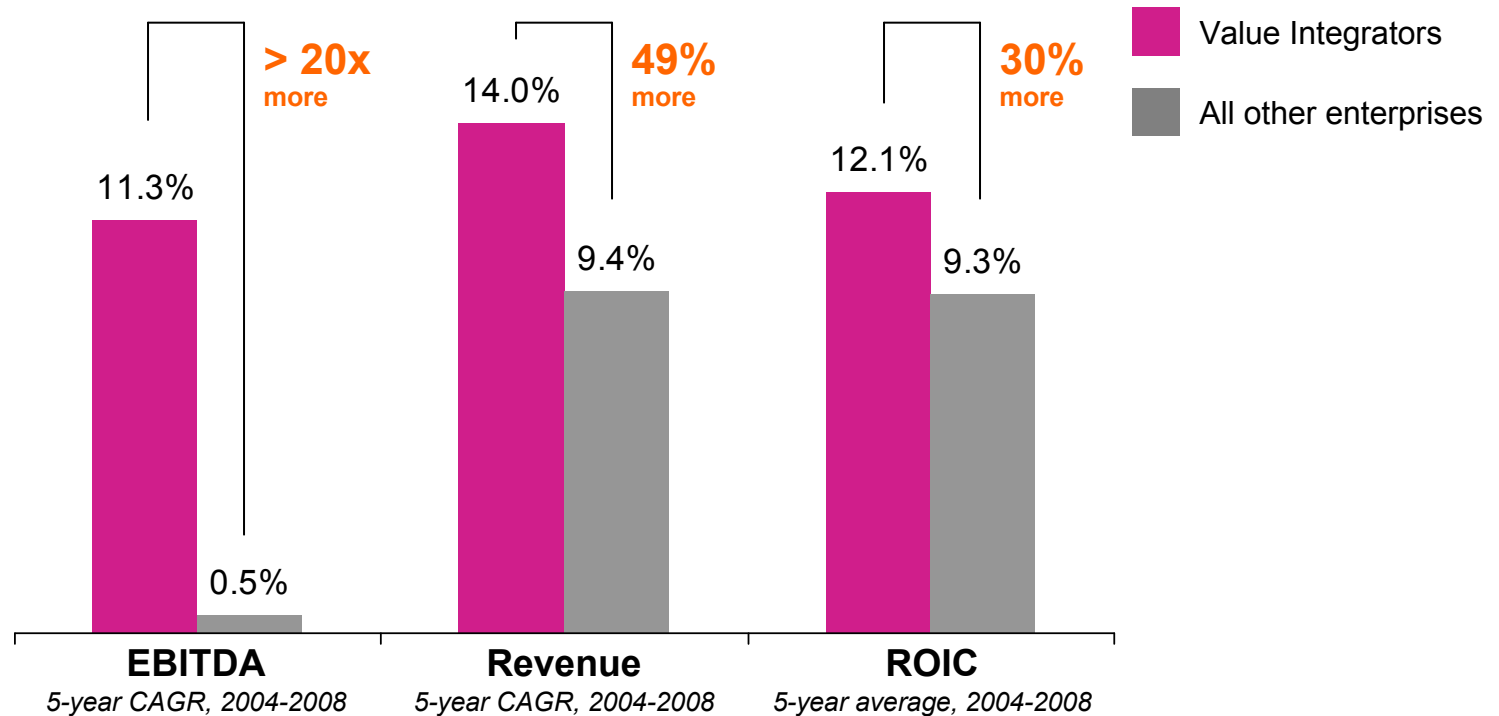
## Finance Efficiency and Business Insight





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

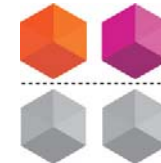
## Efficiency + Business Insight Contributes to Outperformance



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

## Theme #1

- **Delivering efficiency through standards matters more than ever**



- Providing business insight drives performance improvement beyond finance

- The greatest rewards come from doing both well

*“In the next three years, change will drive the criticality of decision support. Therefore, we must find better ways to do transaction support and control activities with improved processes and more automation.”*

*Bob Driessnack  
CFO, Intermec Inc.*

*“Finance has undertaken a number of initiatives to underpin growth, in particular the establishment of a shared service center. This has enabled us to respond much more quickly, close in days not weeks, undertake rapid process change and reduce costs.”*

*Richard Yu  
VP Finance, Aviva-Cofco Life Insurance, Co. Ltd*

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**

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

**Over 35% lack a common  
reporting platform**

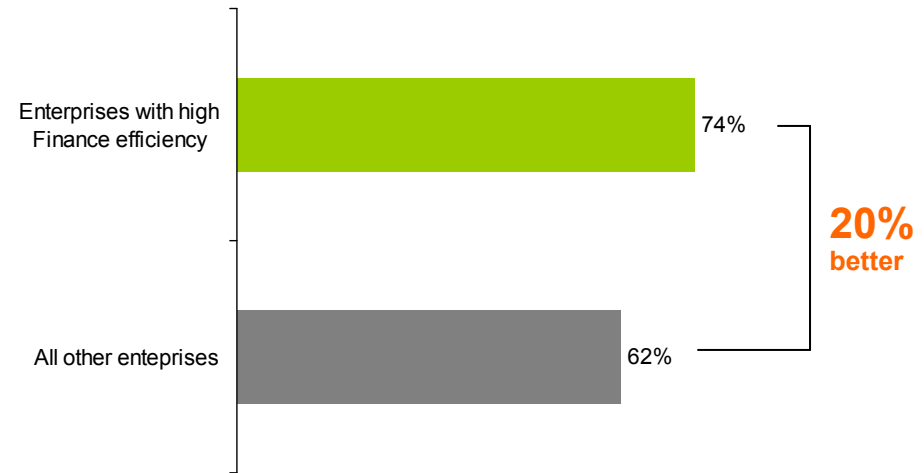
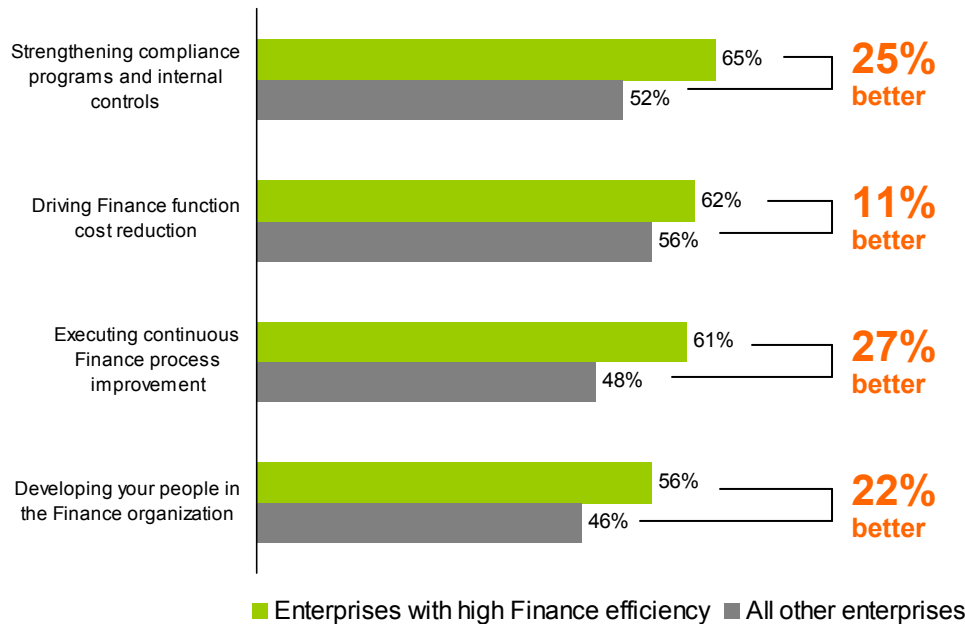
**Over 25% lack the  
necessary common data  
definitions and processes**

# Enterprises that have adopted standards and increased Finance efficiency are performing better

## Effectiveness Benefits of Finance Efficiency

### Effectiveness Against Core Finance Activities

### Finance Efficiency Helps the Enterprise React to External Forces



N = 1,867 to 1,880

Note: Defined as those enterprises selecting [5] Very Effective or [4] Effective on a 5-point scale where [5] Very Effective and [1] Ineffective

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

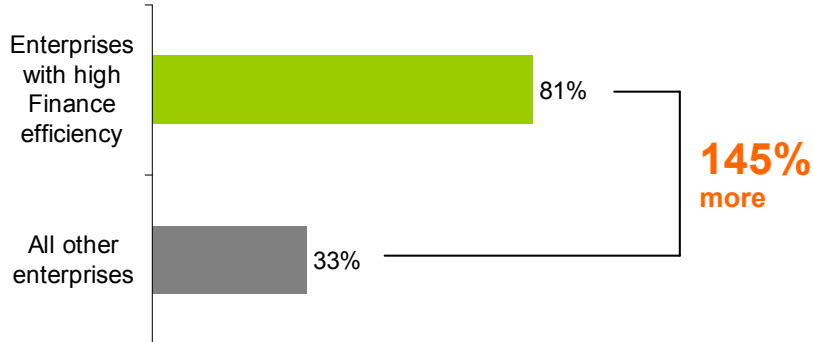
N = 1,883

Note: Defined as those enterprises selecting [5] Very Well or [4] on a 5-point scale where [5] Very Well and [1] Very Poorly

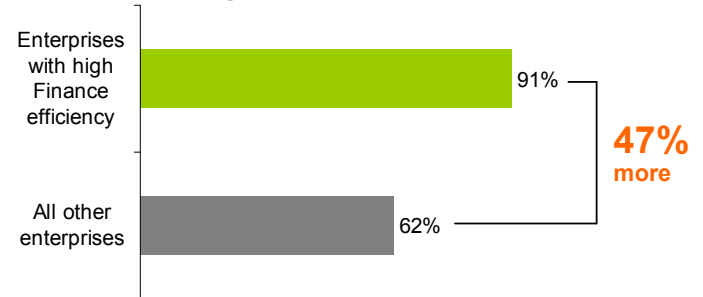
The study revealed the three most prevalent things companies with higher *Finance Efficiency* have done to improve

## Finance Efficiency Accelerators

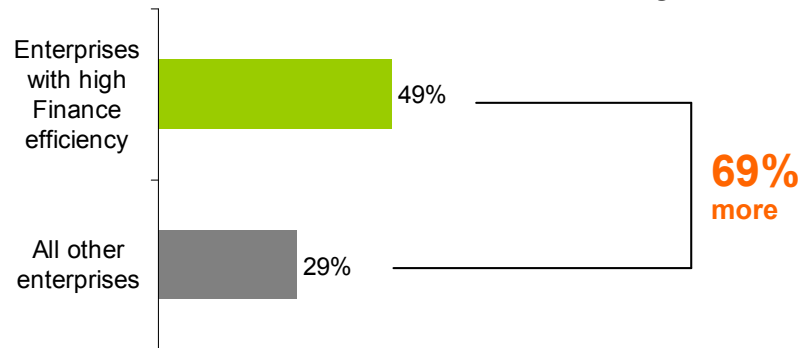
### Adoption of Process Ownership



### Implementation of a Common Ledger and Accounting Transaction Applications



### Adoption of Alternative Delivery Models



## Theme #2

- Delivering efficiency through standards matters more than ever
- **Providing business insight drives performance improvement beyond Finance**
- The greatest rewards come from doing both well

*“For multinational companies, regulatory and political changes can happen arbitrarily at any time, significantly impacting the execution of strategy. As a result, planning must be much more scenario-based with the ability to rapidly adapt.”*

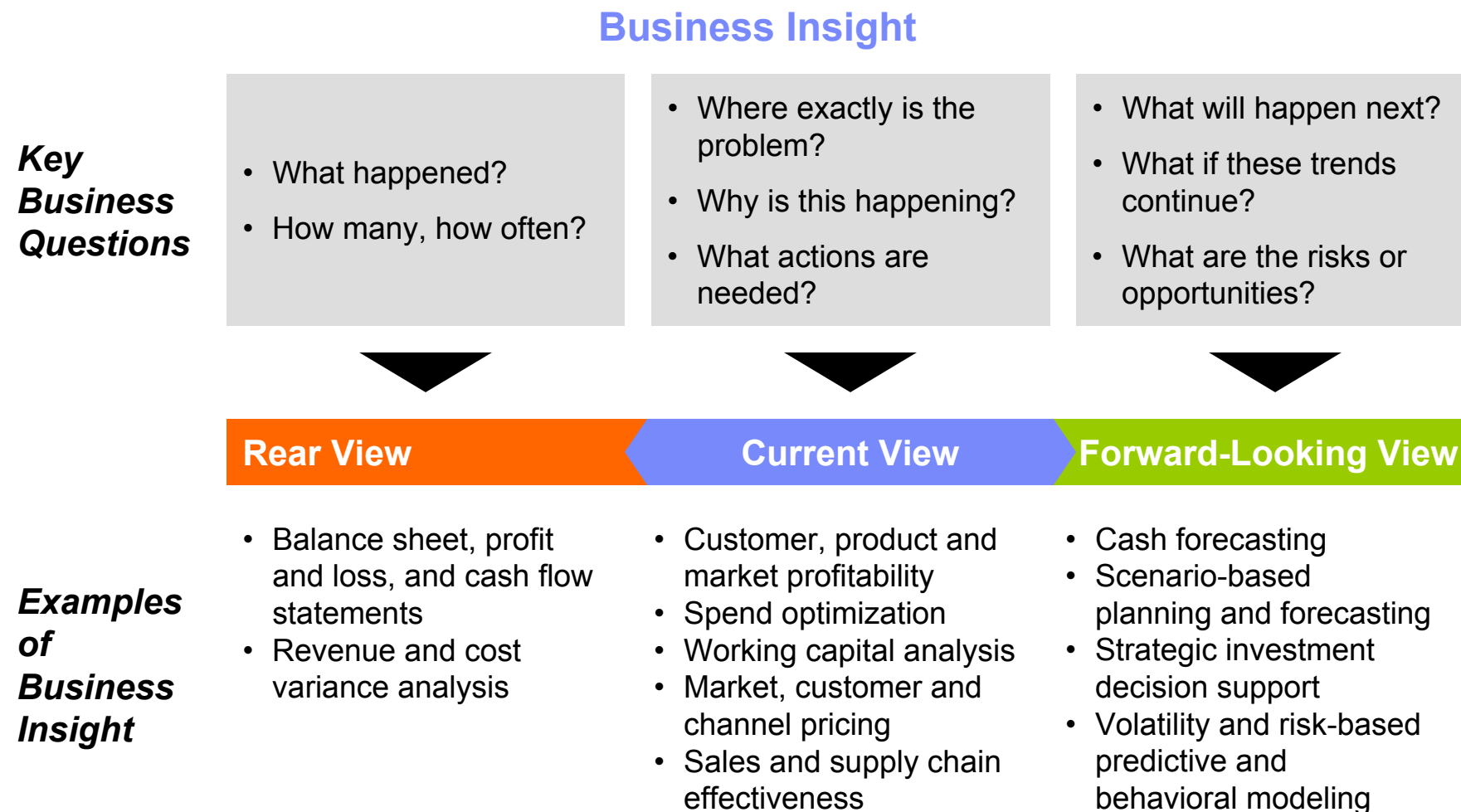
*Markus Kistler  
CFO - North Asia and China, ABB*

*“Business analytics is one of our most critical Finance initiatives. We need to have the right people and tools and stay very close to the business.”*

*Mike Newman  
CFO, Office Depot*



# The following are examples of business insight from rear view to forward-looking view



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

## Business Insight Challenges

**Nearly 50% lack a common planning platform**

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

**Over 50% manually producing operational metrics**

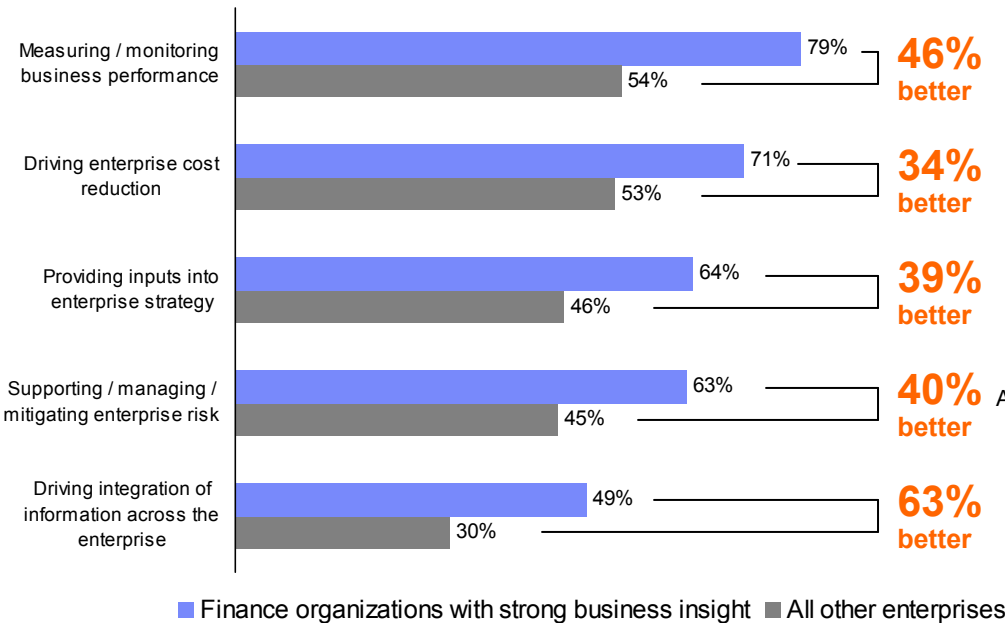
**44% are poor to average at anticipating external forces**



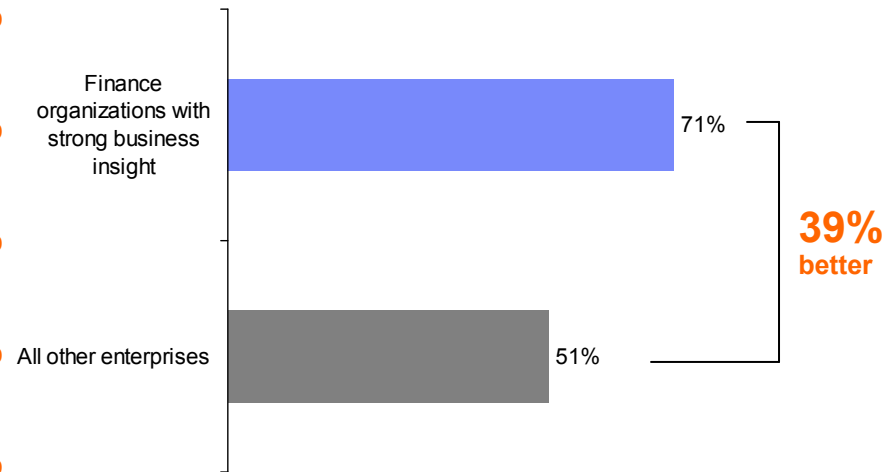
# Finance organizations with strong business insight are performing better

## Effectiveness Benefits of Business Insight

### Effectiveness Against Enterprise Focused Activities



### Business Insight Helps the Enterprise Anticipate External Forces



N = 1,458 to 1,469

Note: Defined as those enterprises selecting [5] Very Effective or [4], on a 5-point scale where [5] Very Effective and [1] Ineffective

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

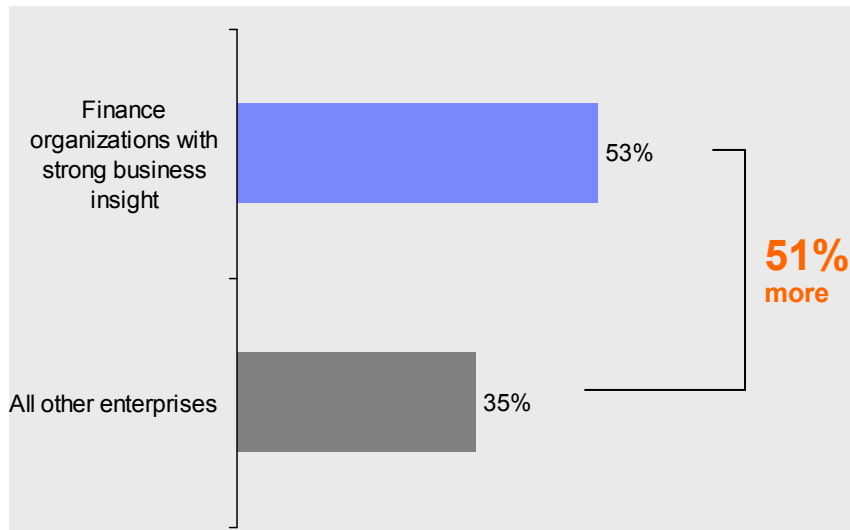
N = 1,471

Note: Defined as those enterprises selecting [5] Very Well or [4], on a 5-point scale where [5] Very Well and [1] Very Poorly

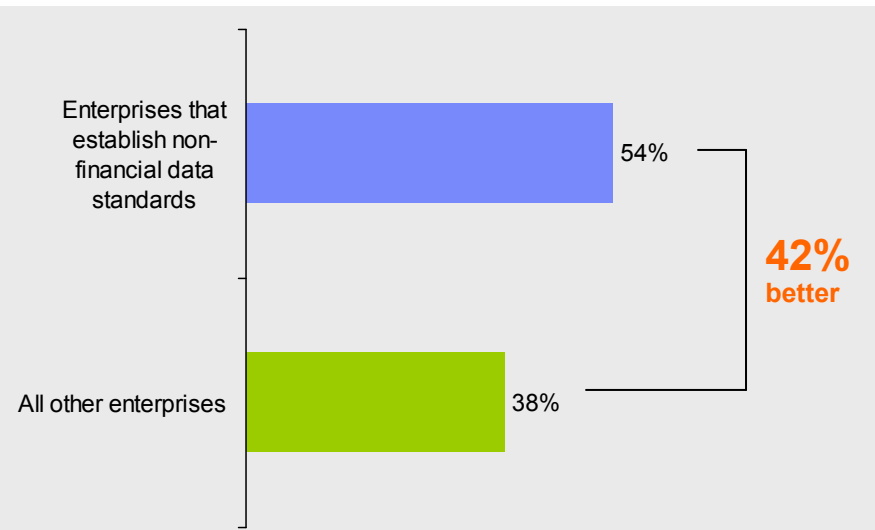
# Finance organizations with strong business insight establish operational data standards, providing common “truth”-based insight

## Accelerator: Establishment of Non-Financial Data Standards

### High Adoption



### Impact on Analytics Satisfaction



N = 1,449  
 Note: Defined as those enterprises selecting [5] To a very large extent or [4] on a 5-point scale where [5] To a very large extent and [1] Not at all  
 Source: IBM Institute for Business Value, The Global CFO Study 2010

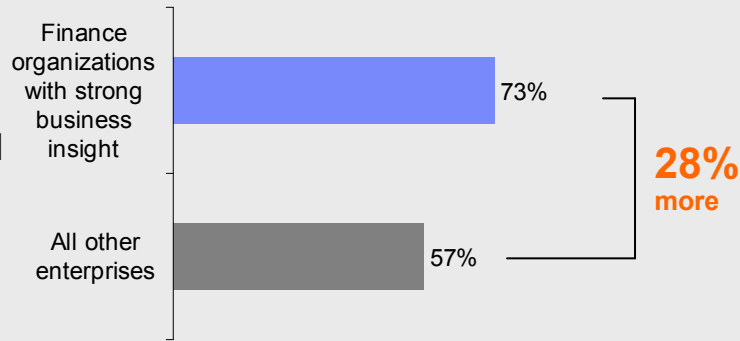
N = 1,442

# Finance organizations with strong business insight have automated financial metrics production, are more efficient, and facilitate speed of insight

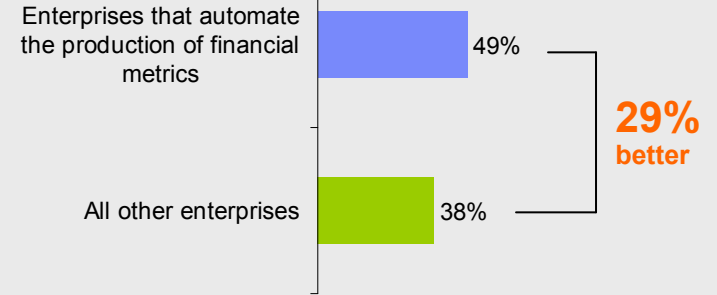
## Accelerator: Timely Financial Metrics

### High Automation

#### Financial Metrics



### Impact on Analytics Satisfaction



Financial: N = 1,463; Operational: N = 1,435

Note: Defined as those enterprises selecting [5] Largely automated or [4], on a 5-point scale where [5] Largely automated and [1] Largely manual

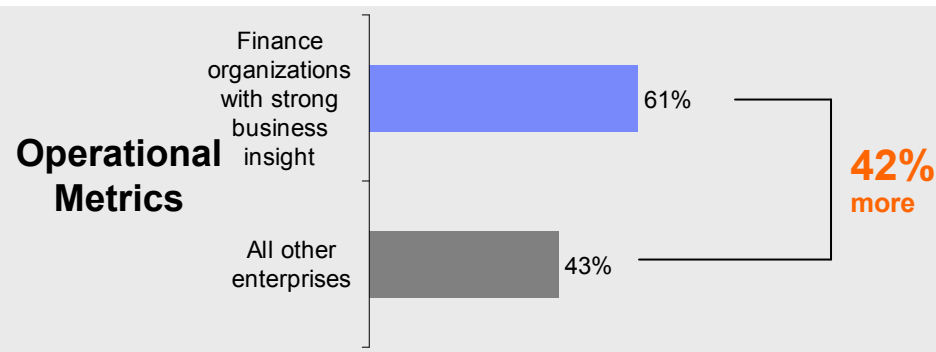
Source: IBM Institute for Business Value, The Global CFO Study 2010

Financial: N = 1,454; Operational: N = 1,428

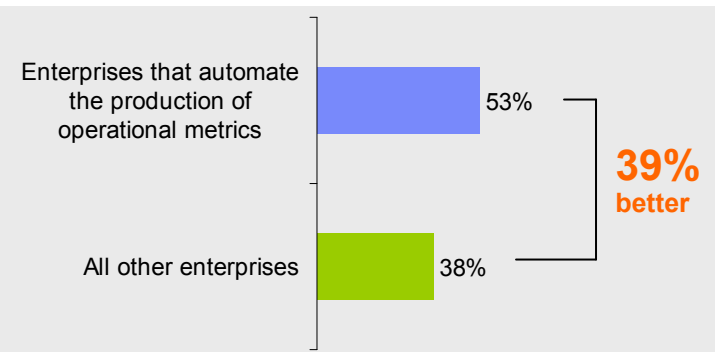
# Finance organizations with strong business insight have automated operational metrics production

## Accelerator: Timely Operational Metrics

### High Automation



### Impact on Analytics Satisfaction



Financial: N = 1,463; Operational: N = 1,435

Note: Defined as those enterprises selecting [5] Largely automated or [4], on a 5-point scale where [5] Largely automated and [1] Largely manual

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

Financial: N = 1,454; Operational: N = 1,428

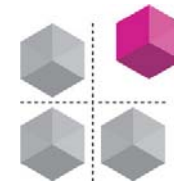
## Theme #3

- Delivering efficiency through standards matters more than ever
- Providing business insight drives performance improvement beyond Finance

- **The greatest rewards come from doing both well**

*“What makes companies stand out from one another is the ability to use analytics across the end-to-end business model. Greater transparency from one end of the business to the other is key.”*

*Dennis Hickey  
VP - Corporate Controller, Colgate Palmolive*

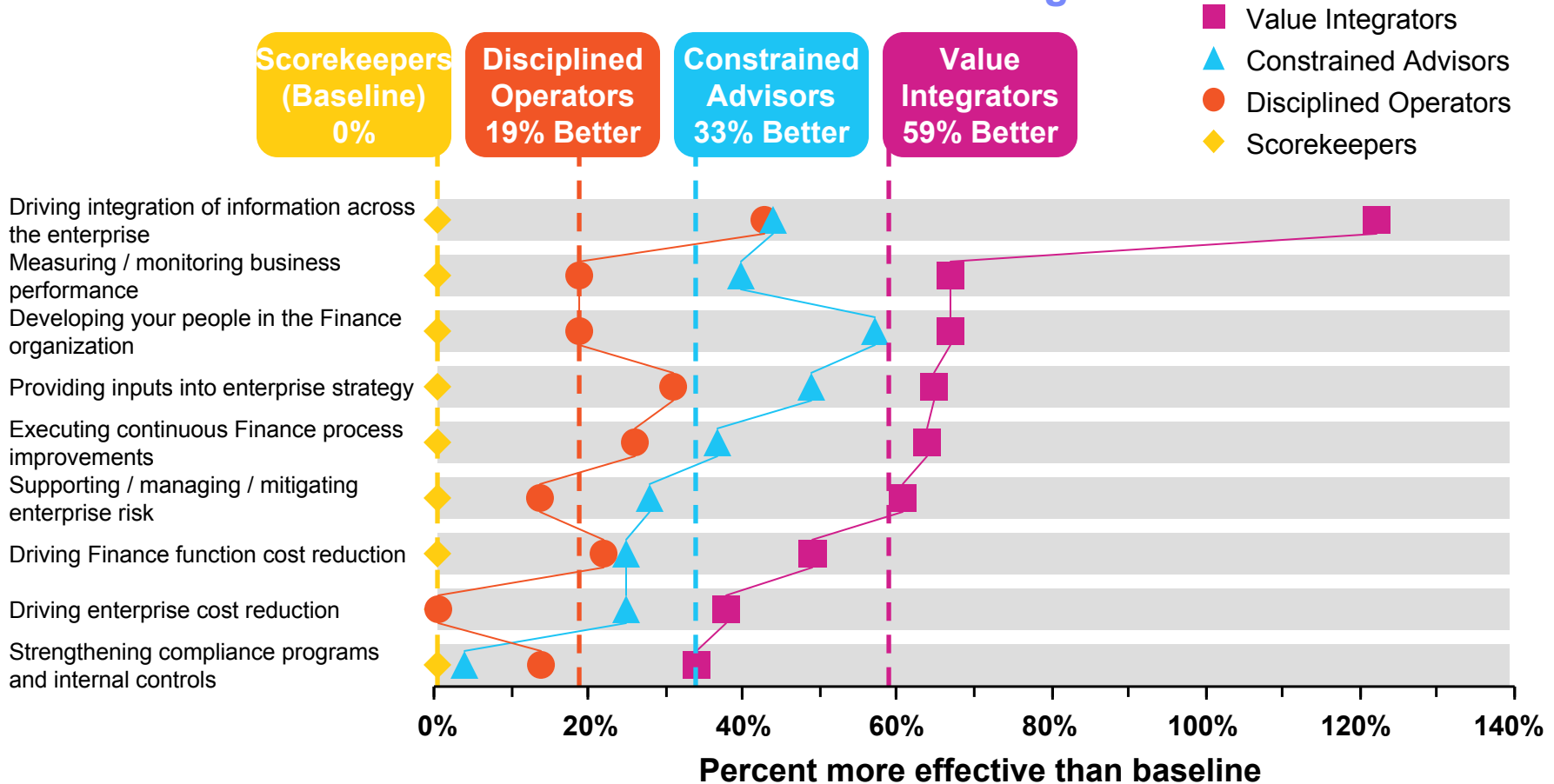


*“Our job is to focus the enterprise on making timely, risk-based decisions by providing access to the right business-relevant information and insight-driven analytics.”*

*Mark Buthman  
CFO, Kimberly Clark Corporation*

# Those that excel in both efficiency and business insight are more effective than those who excel in only one dimension

## Effectiveness Across the Full CFO Agenda



N = 1,454 to 1,469

Source: IBM Institute for Business Value, The Global CFO Study 2008, 2010

# Value Integrators drive broader improvements in data and analytics, process, and technology

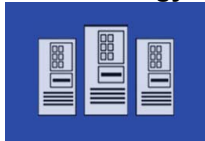
## What do Value Integrators do differently?



**Data and Analytics**



**Process**



**Technology**

Streamlined information delivery

Electronic data capture at the source

Systematic data cleansing and auditing

Business Risks in Performance Reporting

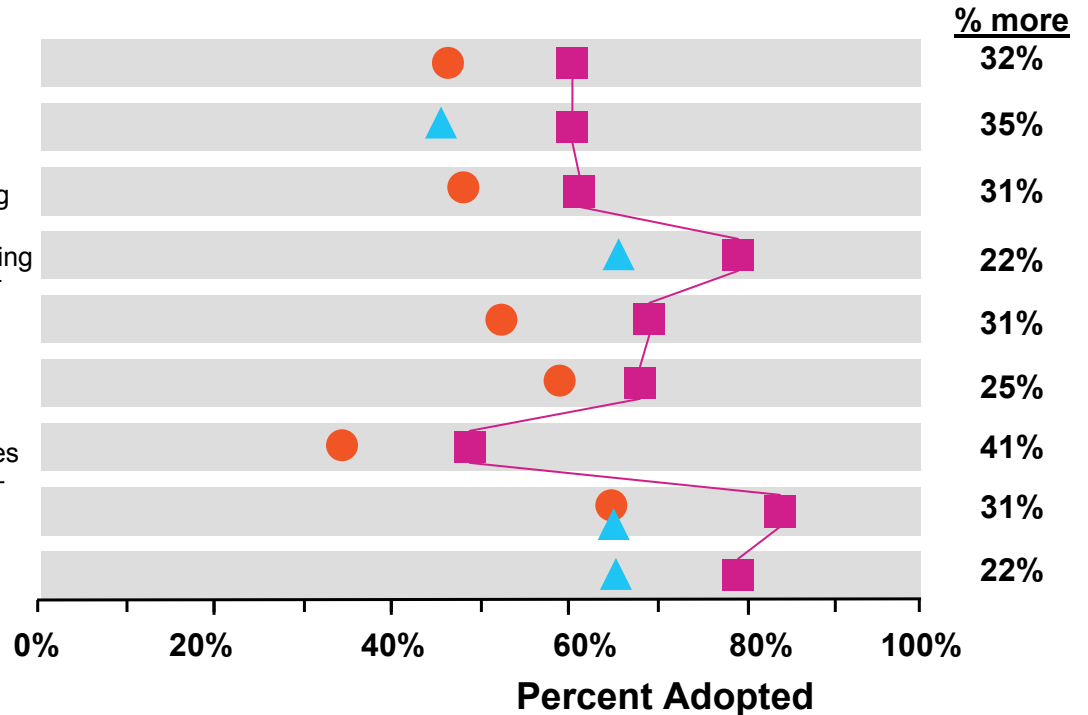
Employed Functional Best Practices

Utilized automated workflow tools

Measurement & monitoring of processes

Common reporting platform

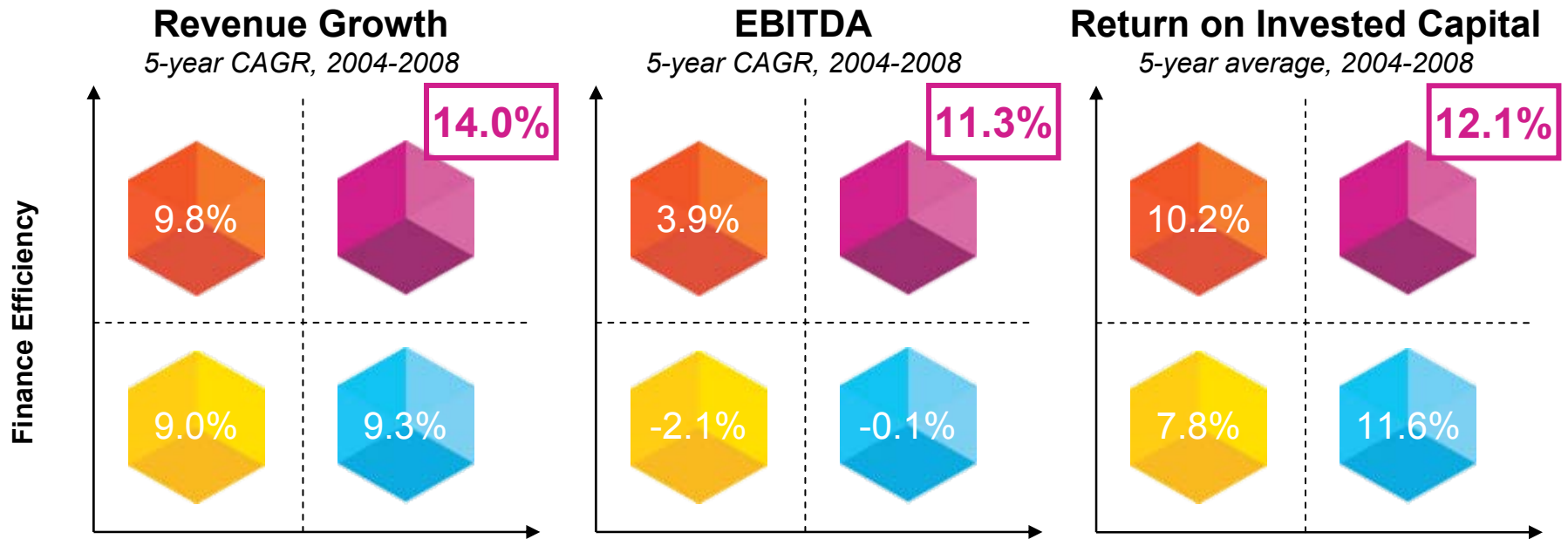
Common planning platform



● Disciplined Operators      ■ Value Integrators  
▲ Constrained Advisors

# Value Integrators excel in both efficiency and business insight, and are rewarded

## Efficiency + Business Insight Contributes to Outperformance



- Value Integrators
- Constrained Advisors
- Disciplined Operators
- Scorekeepers

### Business Insight



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

Revenue Growth: N = 580; EBITDA: N = 531; ROIC: N = 501;  
Source: IBM Institute for Business Value, The Global CFO Study 2010



## The Path Forward

# CFOs aspiring to evolve their Finance Model to higher capability should address performance gaps with specific action plans

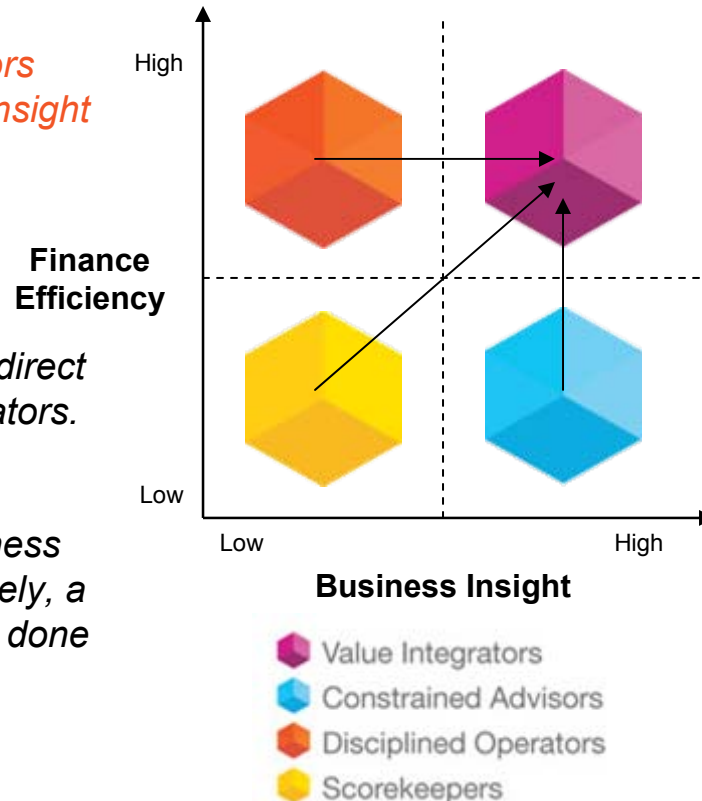
## Paths to Higher Value

*High efficiency enabled by process and Finance data standards suggests Disciplined Operators focus on maturing business insight and partnering capabilities*

*Scorekeepers can attempt a direct path to become Value Integrators. This will involve establishing Finance efficiency while simultaneously building business insight capabilities. Alternatively, a staged approach can also be done*

*Value Integrators can maintain their advantage through a program of continuous improvement to sustain capabilities and value*

*Constrained Advisors have good business insight, constrained by structural complexity, therefore address process and data standards to improve efficiency, accuracy and speed*





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