



FINANCE FORUM

2009

Creating a More Intelligent, Dynamic and Integrated Enterprise

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Information Management

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The new economic environment proves challenging

New Economic Environment

- Unprecedented constraints on access to credit and capital; Unwinding of over-leverage
- Falling demand, increased price sensitivity as consumers and enterprises cut back
- Disruptions in supply chains, partner and customer arrangements
- Restructuring of industries: Firms fail, sold off overnight
- New regulatory authorities

Management Challenges

- Manage short term financial matters
- Review and validate or reset the company strategy
- Reprioritize projects/investments
- Interact with the board to assure priorities are correct and are being followed
- Take decisive actions

Even more power now shifts to CFOs as they become key players, even leaders, in major decisions

Power Shift to CFO

- Lead survival plan for the business
- Drive cost out of the business
- Generate or free net cash
- Optimize capital
- Drive ROI earlier
- Provide insights re new growth opportunities



Companies need to do three things:

Focus on Value

Do more with less

- Focus on cash/capital
- Create flexibility

Focus on the core

- Reprioritize businesses
- Revisit initiatives

Re-align relationships

- Assess financial stability of suppliers, partners and customers
- Revisit/renegotiate

Exploit Opportunities

Capture share

- Disrupt weak competitors
- Make selective acquisitions

Build future capabilities

- Protect & acquire talent
- Develop required assets

Change your industry

- Make bold moves
- Position globally

Act with Speed

Manage change

- Communicate clear & simple goals
- Seek and leverage experience

Lead

- Get the information to act
- Set the agenda

Improve transparency

- Drive performance management & analytics
- Manage risk

1. Focus on Value

Cash flow is central to survival and strategic flexibility. Conserve capital and cut spending where they create little value, and redeploy to activities, products, markets that generate growth, margins, and true differentiation.



Do More with Less

- Cut capital and costs in low value activities and segments
- Redeploy to highest return in margin and profitable growth
- Increase variable cost content to adapt to changing demand
- Cut energy waste, improve resource efficiency



Focus on the Core

- Kill off the weak, divest where needed
- Enforce and enhance your differentiators
- Move non-core activities to shared services or outsource
- Re-examine initiative portfolio – zero-based perspective



Re-align Relationships

- Weed out weak suppliers and unprofitable customers
- Tighten collaboration to manage demand volatility and risk
- Renegotiate all relationships to align to the new realities

2. Exploit Opportunity

The severity of the downturn will create opportunities to gain share and build key capabilities. Have a new world vision to define moves that reshape your industry toward your advantage.



Capture Share

- Make selective acquisitions to build share and capabilities
- Flexible pricing to defend or gain share in core businesses
- Rebalance offering portfolio to serve frugal customers
- Aggressively incent sales force, keep highest impact marketing



Build Future Capabilities

- Focus on keeping and motivating top performers
- Recruit new talent at lower cost; leverage global workforce
- Turn IT into an enabler of business agility
- Create new operating model and supporting assets



Change your Industry

- Pursue strategic acquisitions and alliances
- Position to win in a Globally Integrated economy
- Be bold, be disruptive

3. Act with Speed

The new environment will favor the fast and agile. Its urgency provides a unique opportunity to overcome organizational inertia and barriers to strategic transformations.



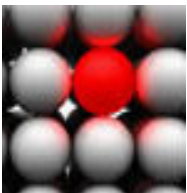
Manage Change

- Dedicate and empower high-ranking executives as change leaders
- Set clear targets and measure results
- Act quickly and be flexible



Lead

- Appoint leadership and align around agreed course of action
- Get the right information to take decisive action
- Establish a vision for the future



Improve Transparency

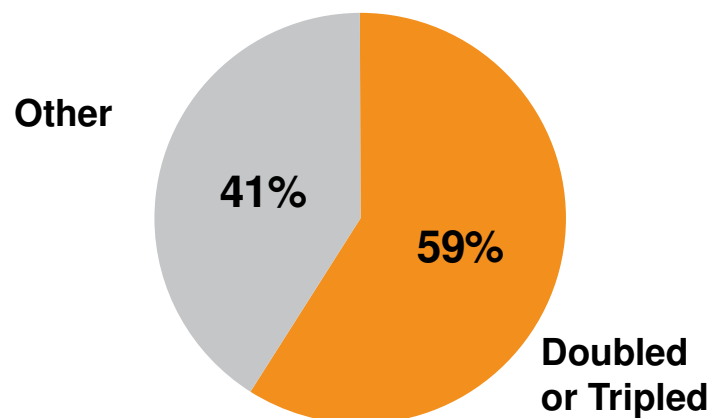
- Apply analytics to improve decision making and create greater predictive capability
- Establish risk management governance and process
- Integrate and rationalize business information

Data dumps and data leakage make it hard to quickly and properly respond

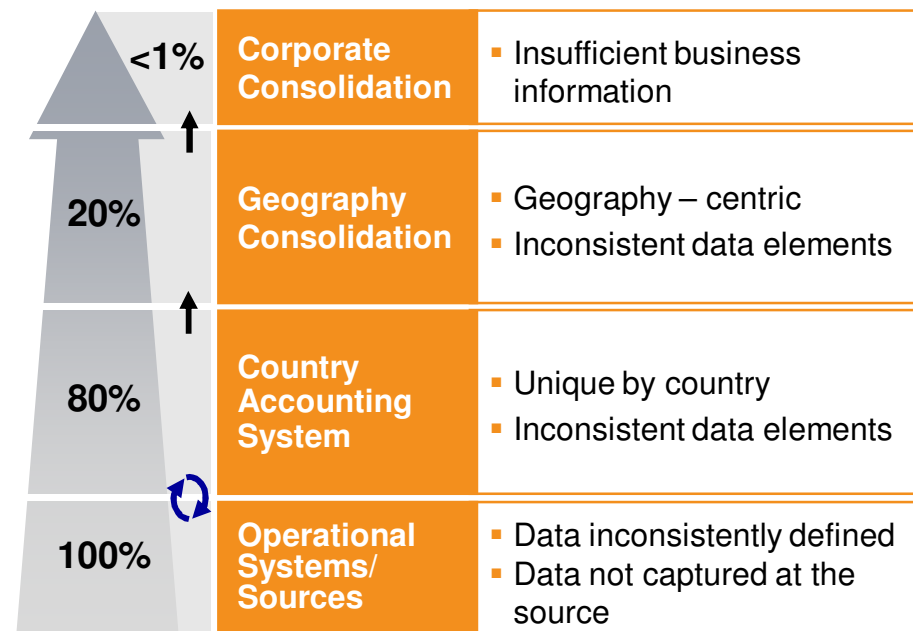
Barriers to Responding Quickly

Data Dumps

Increase in Amount of Data Reviewed
by Executives Over Past Two Years



Data Leakage

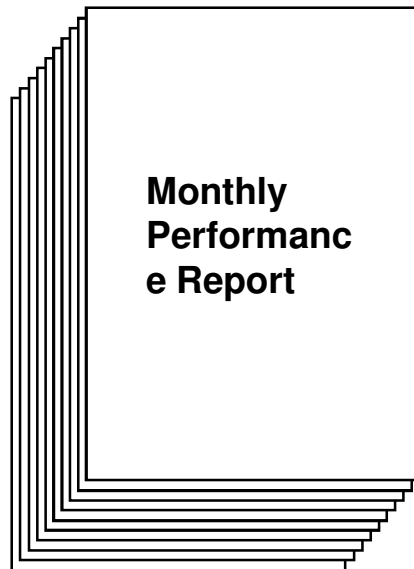


n = 158

Source: CFO Executive Board ("Session Four—High Impact Controllershship: Architecting the Data Pipeline for Business Impact", Finance Leadership Academy, 2007), IBM Finance

As a result, management reporting is over delivering on quantity and under delivering on quality

Quantity ≠ Quality



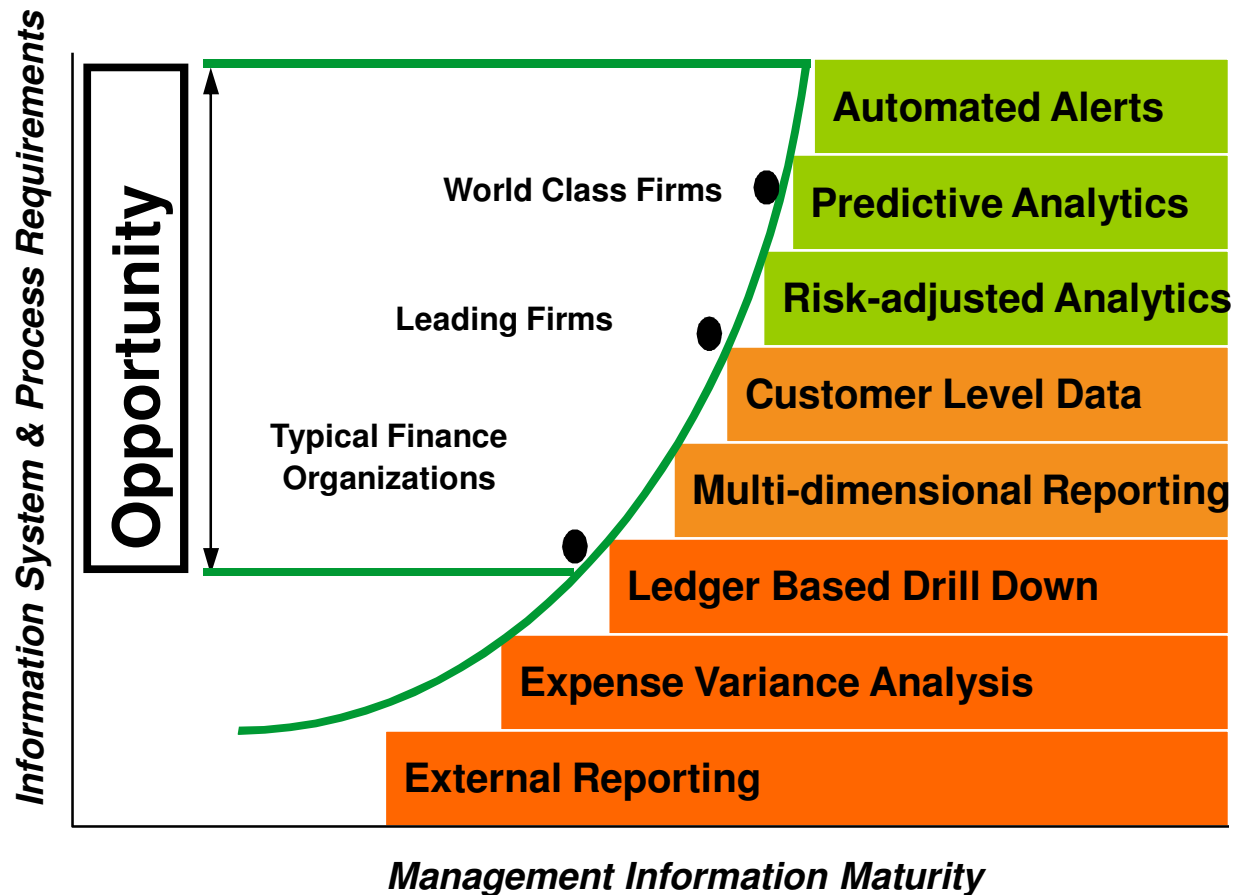
- Average length of management report 30-40 **pages**
- Data points 12,000-15,000
- Average amount of information included that managers find useful 5%

n = 158

Source: CFO Executive Board ("Session Four—High Impact Controllershship: Architecting the Data Pipeline for Business Impact", Finance Leadership Academy, 2007)

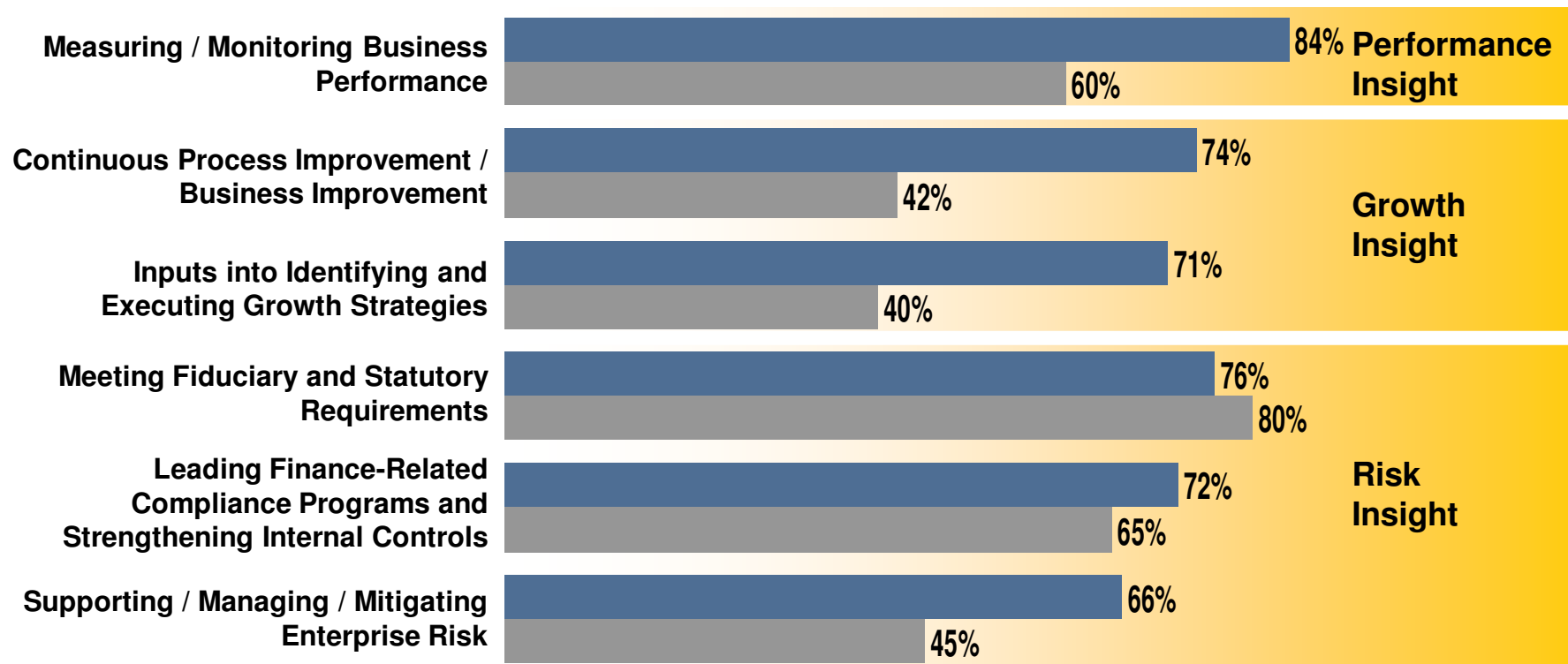
For many, there is opportunity improve performance management to help navigate these turbulent times

Performance Management & Analytics Maturity Model



Finance must effectively deliver insights...impact on the top line

Requirement for Finance: Deliver Insight



■ Importance
■ Effectiveness

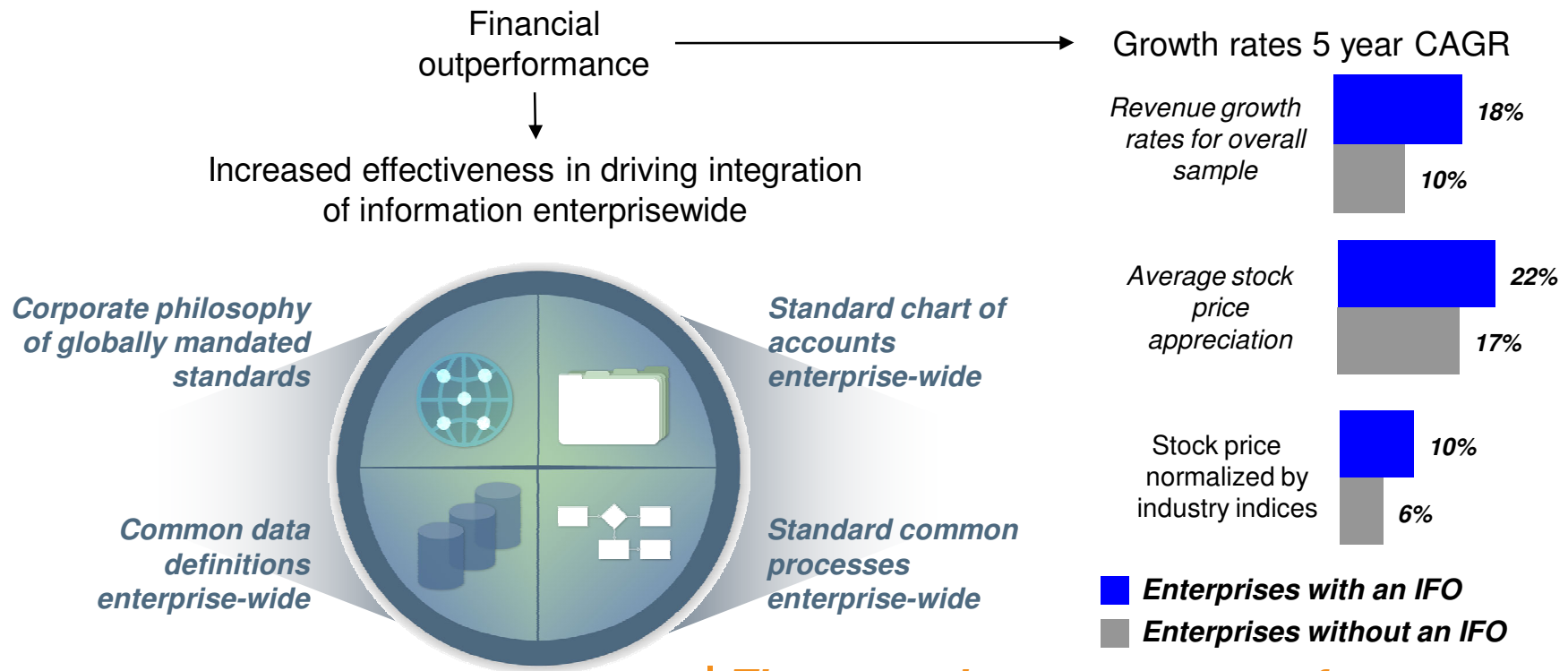
Source: IBM Global Business Services, The Global CFO Study 2008

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The IBM 2008 CFO Study showed that Integrated Finance Organizations (IFOs) outperform non-IFO enterprises

Components of an Integrated Finance Organization



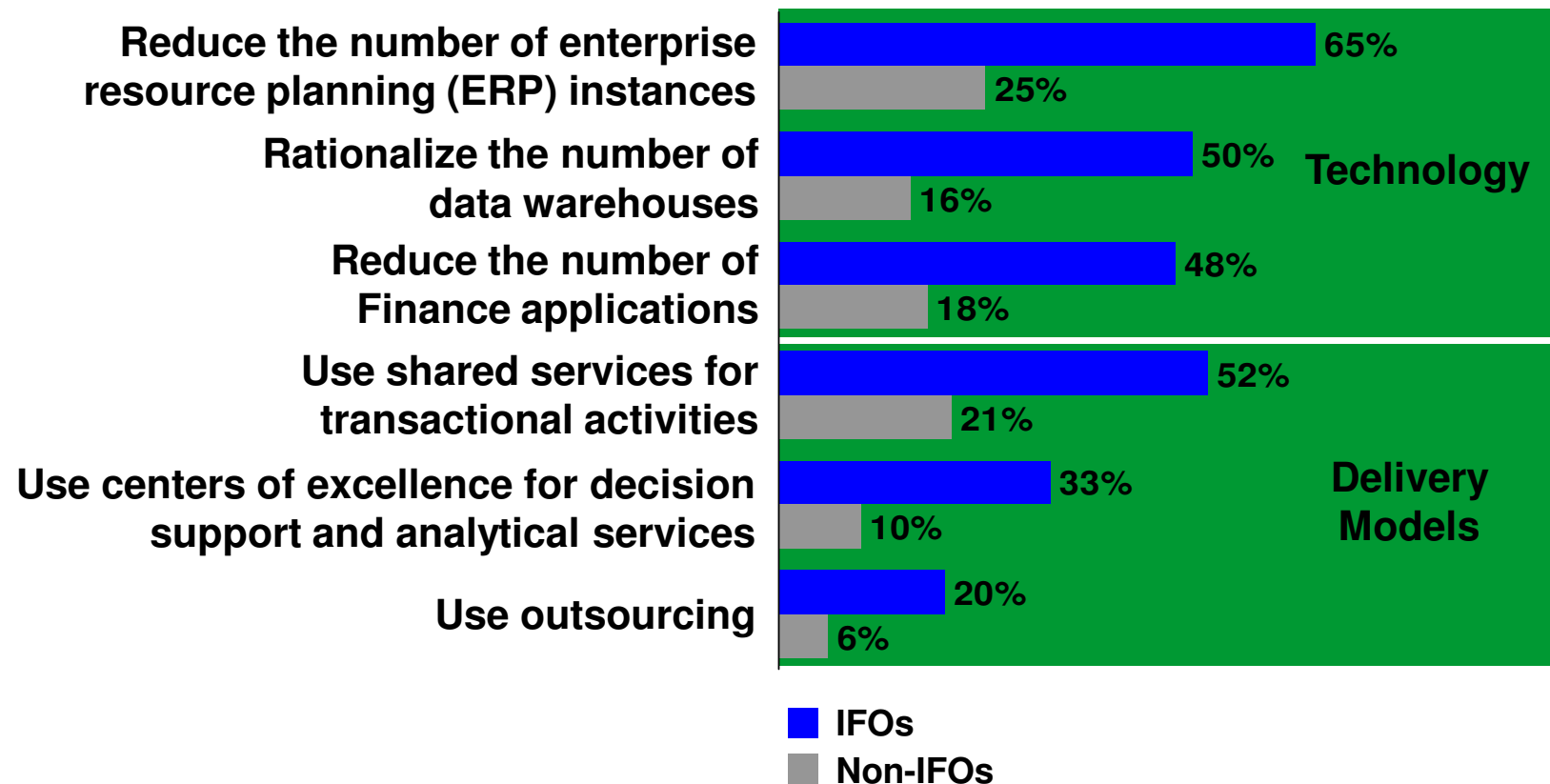
These are the components of process and data commonality and what we call the Integrated Finance Organization (IFO).

Source: IBM Global Business Services, The Global CFO Study 2008

Enterprise standards lead to simplified technology and delivery models help maintain standards

Enterprise-wide technology and delivery model improvements

Percent fully adopted enterprisewide



Source: IBM Global Business Services, The Global CFO Study 2008

Conclusion

	Focus on Value	Exploit Opportunities	Act with Speed
CFO Questions	<p>How do I rethink where human and physical capital is deployed?</p> <p>How do I do more with less or be more effective with the same within Finance and across the organization?</p>	<p>How can I leverage financial and non-financial data to generate timely, relevant insights?</p>	<p>How do I create a scalable and flexible information management framework and financial management model to navigate ever increasing change and provide the necessary control?</p>
Response	<i>Manage costs and maximize capital</i>	<i>Enhance performance management</i>	<i>Integrate Finance</i>



Thank
YOU