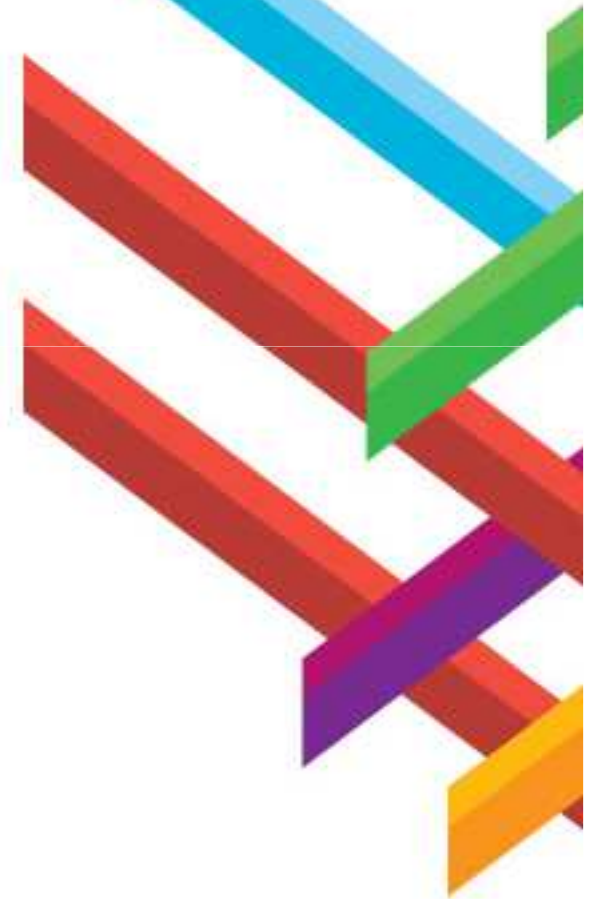


Transform Financial Processes Using Analytics

Veerle De Wit
CFO IBM Belgium & Luxembourg

November 21st, 2013

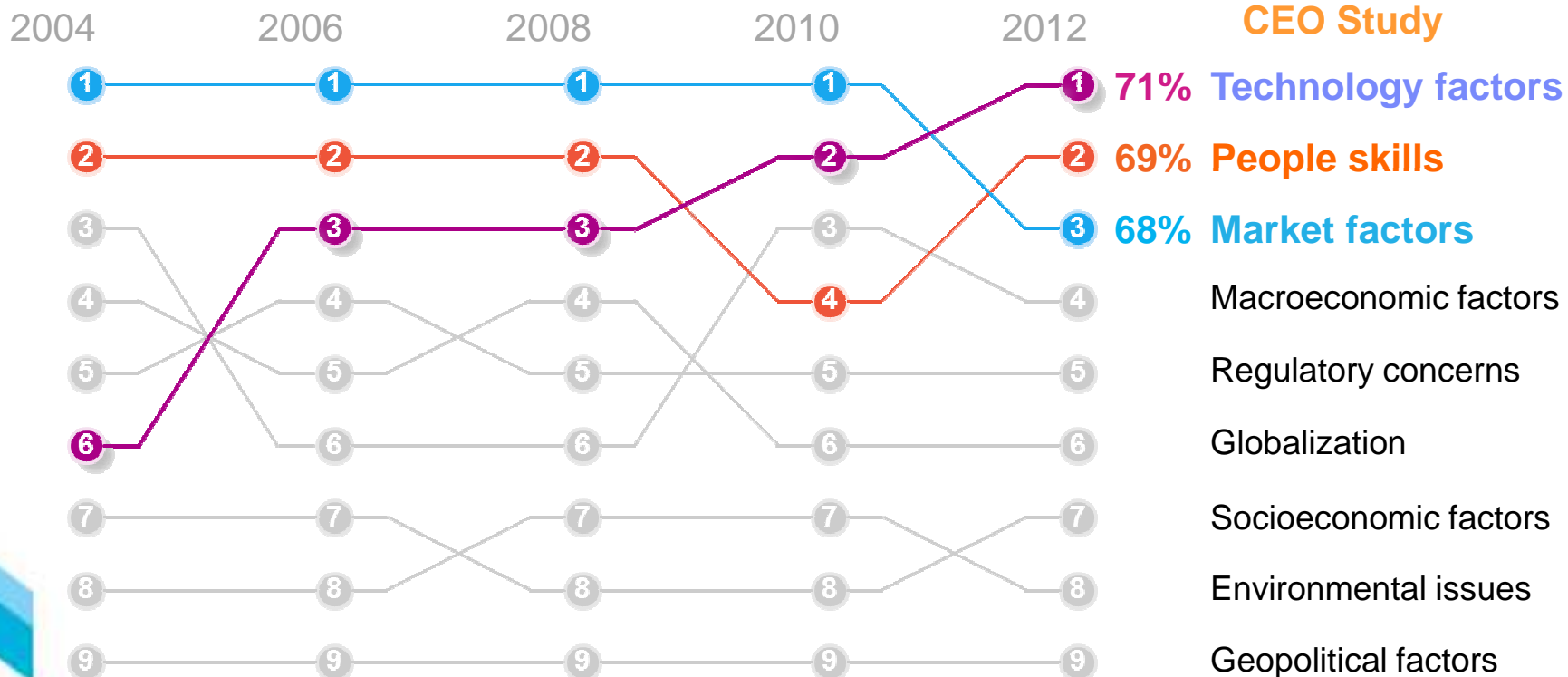


What external forces do global CEOs believe will affect the organization most significantly?



External forces that will affect the organization¹

2012 IBM Global CEO Study



New marketplace dynamics force enterprises to transform

Emerging market growth

Emerging marketplaces, led by China, fuel 2.6 times the growth rate of developed marketplaces, contributing more than 50 percent of all new growth.³



Cloud computing

2011 spending on private cloud services is \$13 billion. ... Growth over the next four years will exceed 26 percent annual growth.³

Mobile enterprise

By 2013, 80 percent of businesses will support a workforce using tablets.²



Big data

The digital universe will grow to 1.8 zettabytes (ZB) in 2011, up 47 percent from 2010 and rocketing toward more than 7 ZB by 2015.³



Next-generation analytics

80 percent of data growth is unstructured.²



Compliance

The cost of noncompliance—fines, legal fees and disrupted services—was almost three times the cost of compliance.⁴

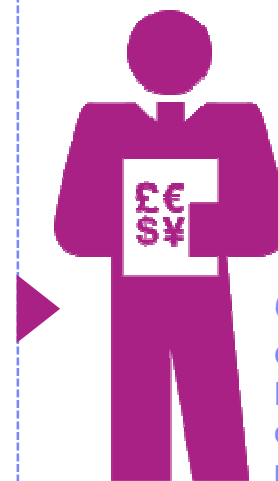
Social business

By 2015, 40 percent of large enterprises will have a corporate “Facebook” for circulating business and personal data.²



Security

Security remains robust for supporting regulatory and policy compliance needs.³



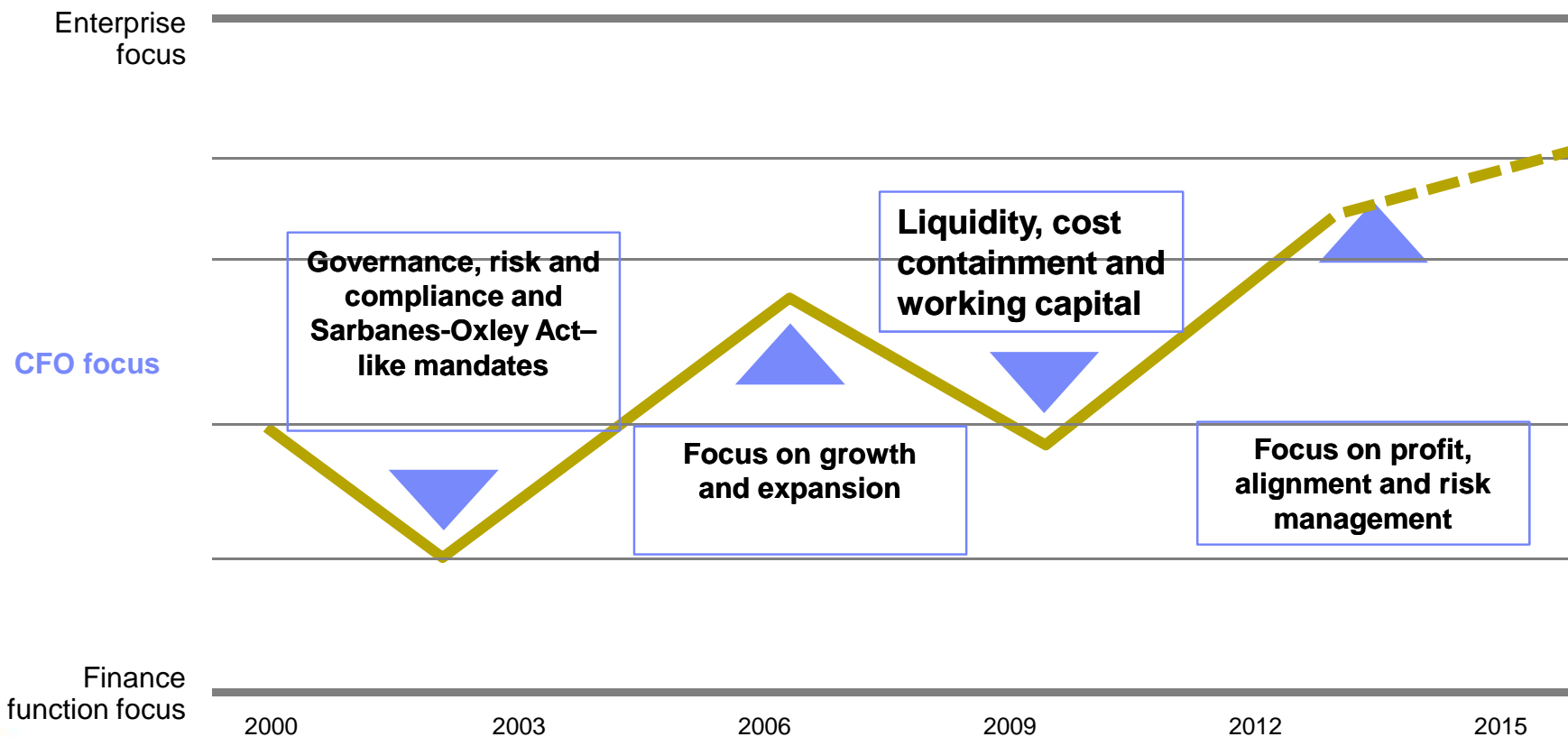
CFOs' opportunity:
Be the agent of innovation and profitable growth

² Gartner

³ IDC

⁴ Ponemon Institute, *The True Cost of Compliance*, January 2011.

CFOs are taking focus on enterprise decision making⁴



⁴ Adapted from CEB Finance, 2011.

CFOs are focused on gaps in core and enterprise processes

CFO agenda: importance versus effectiveness

Core finance

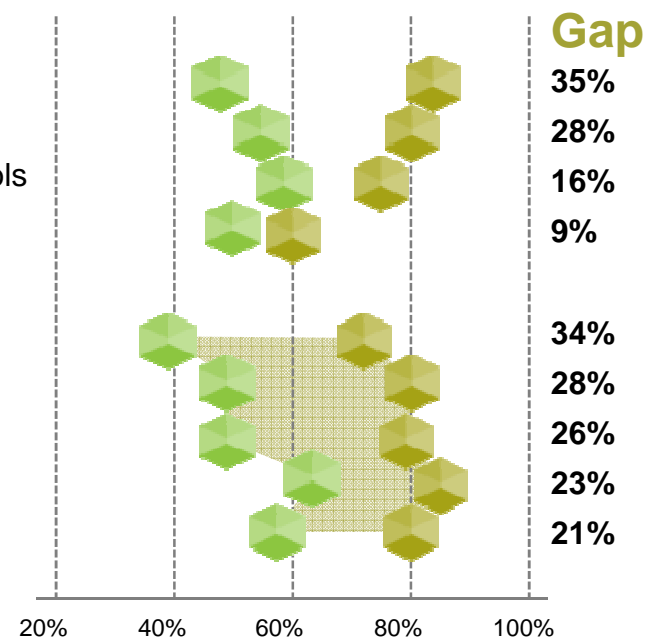
- Developing your people in the finance organization
- Executing continuous finance process improvements
- Strengthening compliance programs and internal controls
- Driving finance cost reduction

Enterprise focused

- Driving integration of information across the enterprise
- Providing inputs into enterprise strategy **1**
- Supporting, managing and mitigating enterprise risk
- Measuring and monitoring business performance **2**
- Driving enterprise cost reduction **3**



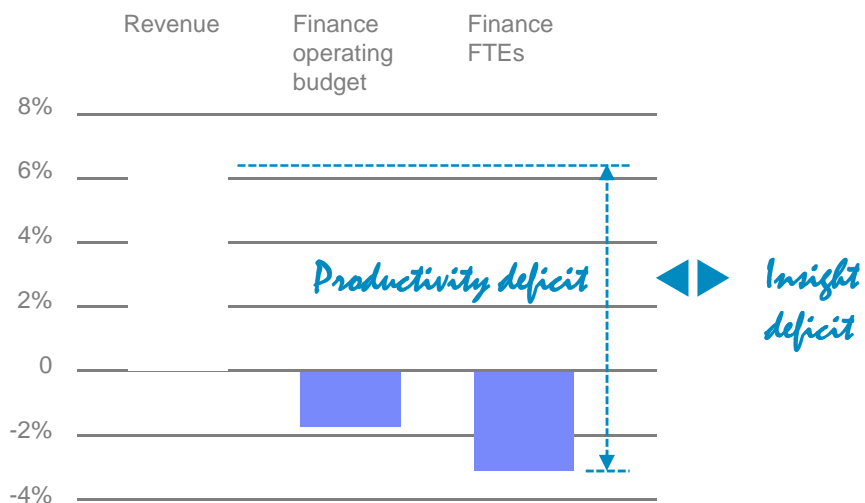
- #** Importance rank
- Effectiveness**
- Importance**



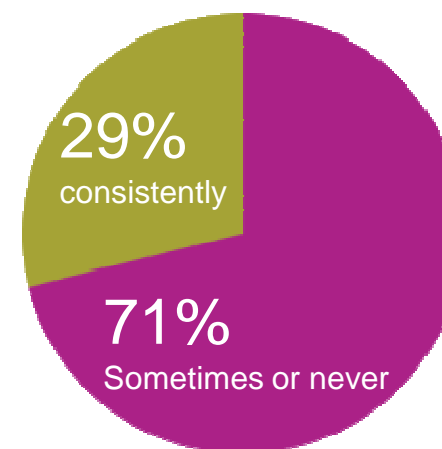
5 IBM, *The New Value Integrator: Insights from the Global Chief Financial Officer Study*, March 2010

In 2013, finance must overcome a productivity and an insight deficit

Anticipated changes in finance budget and full-time equivalent employees from 2012–2013⁶



Ability to use data to derive insights, percentage of respondents, March 2012⁷



⁶ The Hackett Group, *Unlimited Options to Realize Borderless Business Services; Distilling the Key Issues of 2013*, Sean Kracklauer, Michael Janssen and Lynne Schneider, January 2013.
⁷ Anna Kipchuk, "The Insight Deficit in Finance," CEB Finance blog, May 30, 2012.

Finance must drive an analytical culture that delivers stronger business insight at the point of impact



Analytics quotient **AQ**

- Automate analytic processes
- Drive new insight and agility
- Advance analytic maturity

Agenda

Automate analytic processes

Drive new insight and agility

Advance analytic maturity



Financial analytics

Automate analytic processes

automate and transform

performance



WW spending application

Analytics Tool:
IBM Cognos TM1



Smart Fact: IBM Software Group uses Predictive Analytics to automate 90% of M&D spending forecasts

CHALLENGE

- Analyst overwhelmed by back-office forecast preparation
- Inadequate amount of time spent as trusted business advisors
- Subjective perspectives resulted in surprise spending forecast misses in month 3.

SOLUTION

- Developed forecast template using advanced predictive algorithms
- Isolates the “Best Approach” that fits prior quarter activity through least squared regression statistics
- Notifies the FA of confidence in projection
- Allows FA to modify projections based on intelligence/understanding of events within area

Algorithm Methodologies			
Type	SWG	S&D	STG
Run-rate based	4	6	8
Headcount based	2	4	3
Percent attainment	1	1	1
Number of Formulas	7	11	12
Total of 16 unique formulas developed across all brands to be used in harmonized version of predictive template			

- Forecast incorporates spending knowledge from across IBM to develop one comprehensive template

BENEFITS

- Forecasts are within 3% variance of actuals.
- 2,000 FA-loaded forecasts have been reduced by 45% to 1,100 after deployment in Software Group.
- 90% of Software Group M&D spending forecasts have been able to be automated
- 80% of IBM S&D’s spending forecasts have been automated

Predictive Spending at IBM Today

	Predictive	Non-Predictive
SWG	90% of Total	10% of Total
S&D	80% of Total	20% of Total
STG ISC	75% of Total	25% of Total
STG SG&A	40% of Total	60% of Total
STG DE	45% of Total	55% of Total

Statistical Tracking & Assessment of Revenue (STAR) Model

Analytics Tool:
IBM Cognos SPSS



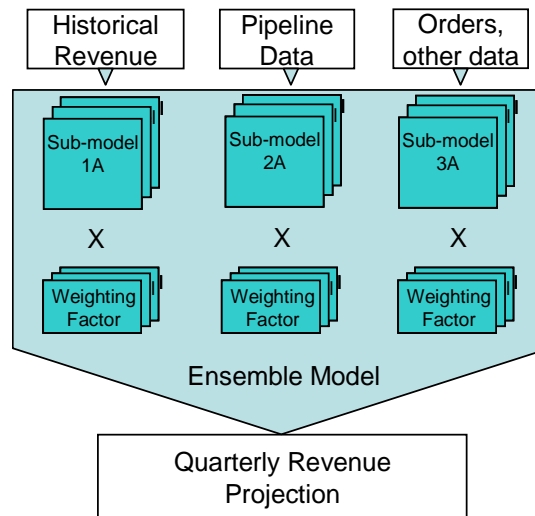
Smart Fact: STAR reduces revenue forecast error by 40% and lifts accuracy to 98%

CHALLENGE

- Existing **bottom-up revenue assessment processes** were labor intensive and inconsistent across business units
- Lack of analytical rigor** in current and next quarter revenue affects availability, accuracy and volatility of projections
- Subjective perspectives** by analysts and management have sometimes resulted in surprise revenue misses toward the end of the quarter.

SOLUTION

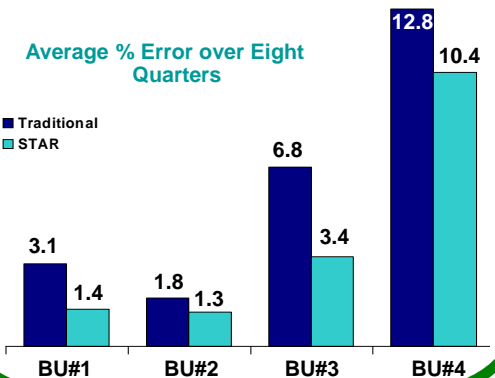
- Predictive analytics that use statistical techniques to analyze historical revenue, pipeline / contract data at a detail level.



BENEFITS

- Revenue forecasts are more accurate, decreasing error on average by 40%
- Revenue predictions with an average deviation of only 2% from actual revenue figures
- Generates a reliable revenue forecast that is automatically updated weekly or as often as input data sources are updated.

Increased Accuracy of Revenue Projections across Different Business Units



Agenda

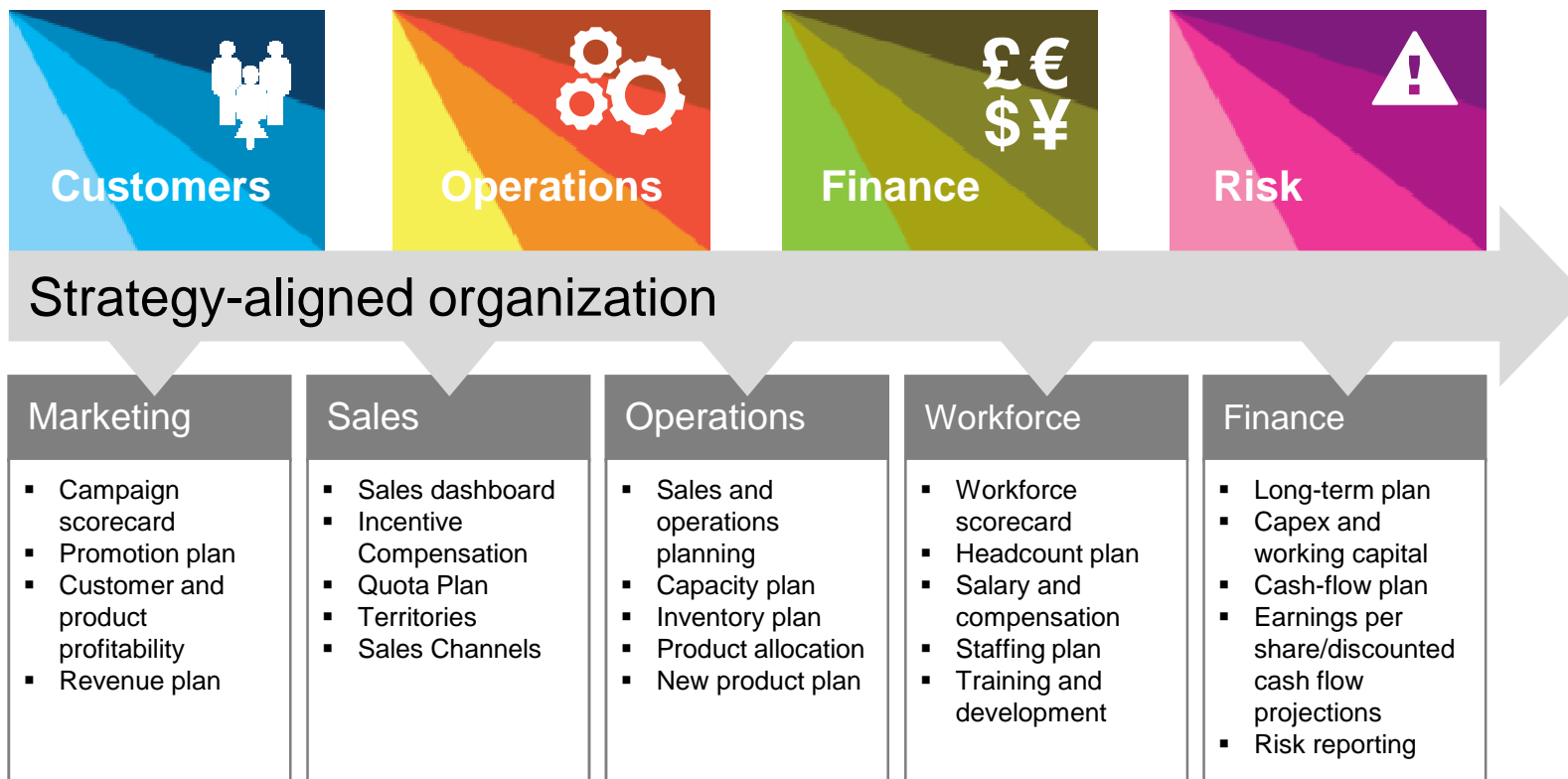
Automate analytic processes

Drive new insight and agility

Advance analytic maturity



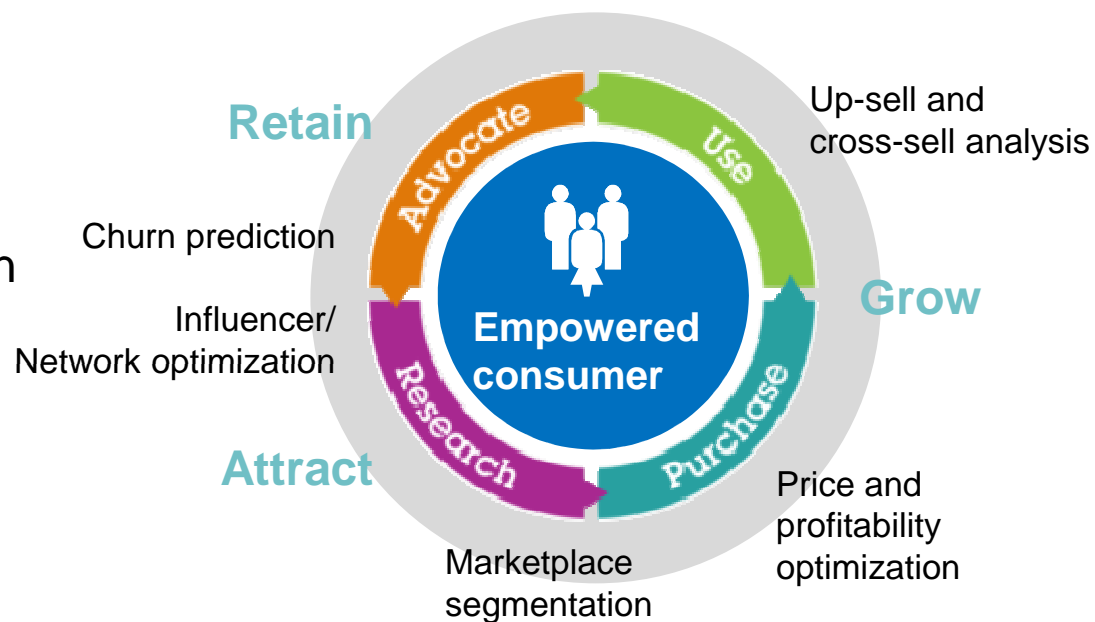
Drive new insight and agility



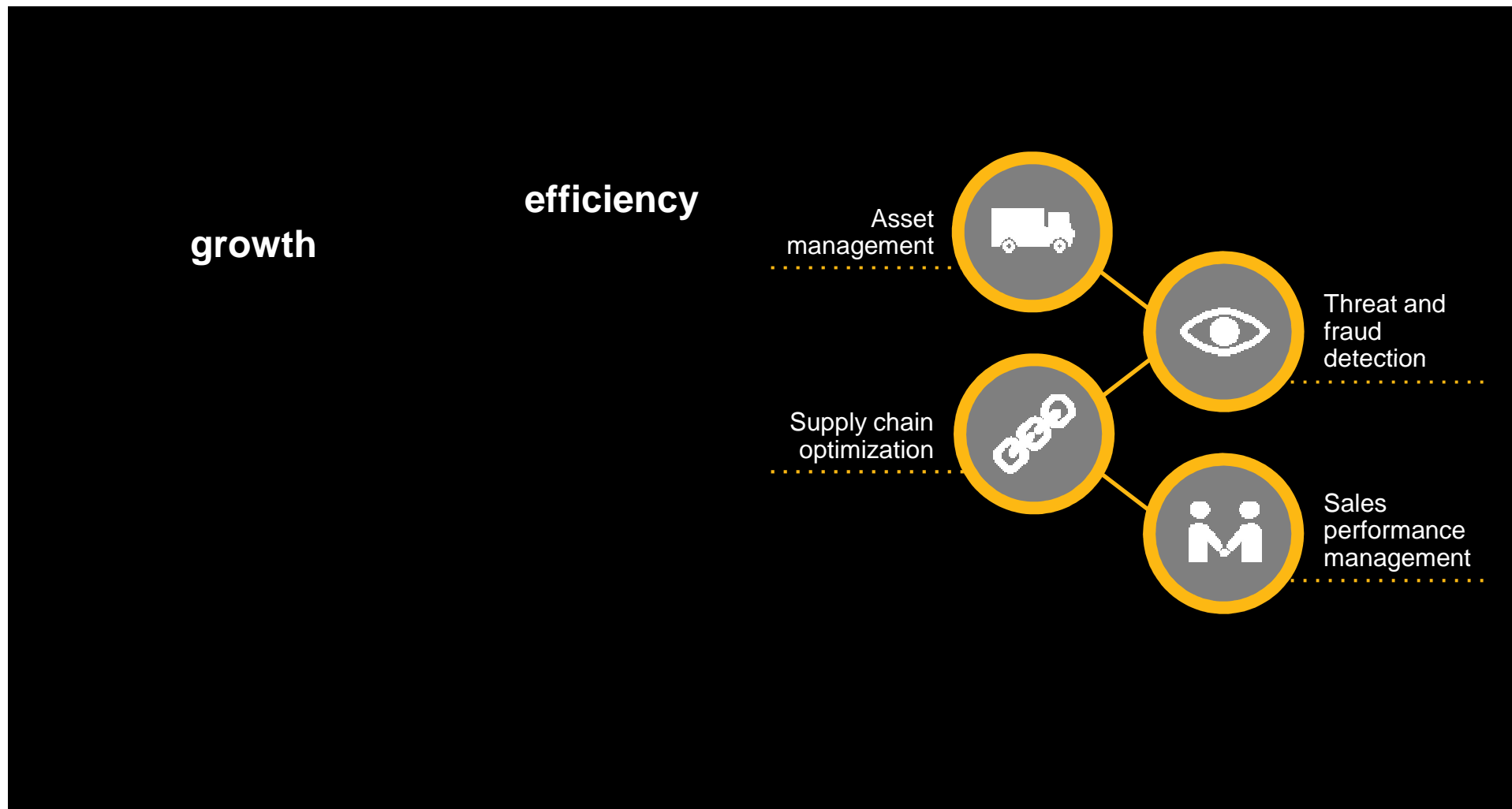


Customer analytics

IBM solutions provide actionable insights to attract, grow and retain **profitable** customers by **optimizing** the customer experience



Operational analytics





Sales performance management



Risk analytics



IBM clients leverage integrated risk management to enable **risk-aware decision making**—a source of competitive advantage



Country Financial Risk Scorecard

Analytics Tool:

IBM Cognos BI

IBM Cognos SPSS



Smart Fact: *Integrated tool managing external risk ratings and macroeconomic data with internal financial data to produce the IBM country risk score for 168 countries, leveraging predictive analytics.*

CHALLENGE

- Provide insight in risk landscape within limited timeframe and consistent data
- Define correlation between multiple data points

SOLUTION

- Combine macroeconomic and external risk data with internal data to monitor geographical risk patterns
- Use predictive analytics to calculate historical, current and predictive risk scores
- Produce heat maps through Cognos BI
- Allow drill down into risk area's to understand and size the drivers/risk

BENEFITS

- Assess company wide risk level within minutes
- Pro-actively manage risk patterns
- Overall guide to company's strategy



Agenda

Automate analytic processes

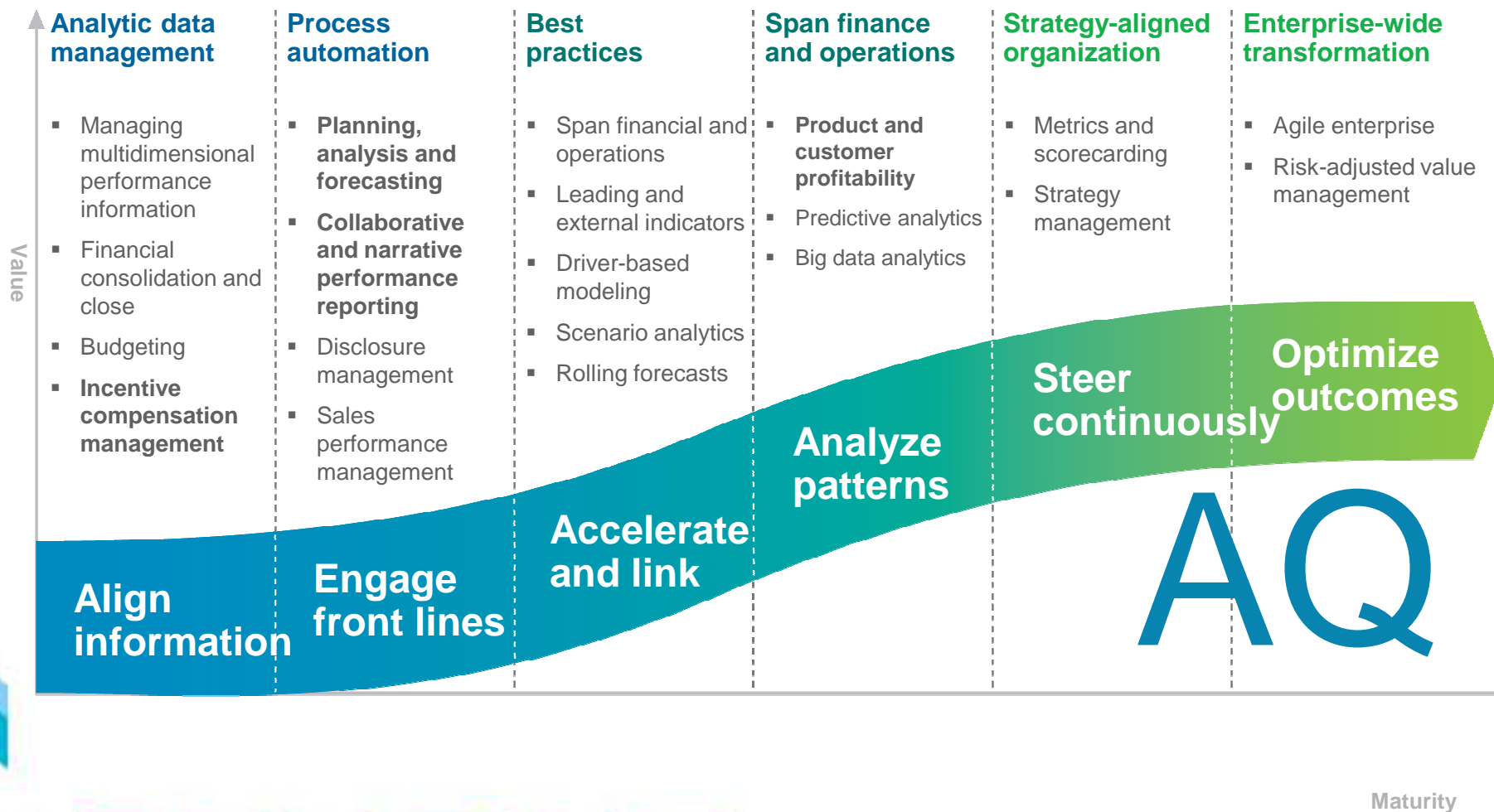
Drive new insight and agility

Advance analytic maturity




Performance Management Maturity Model

IBM is a superior performance management resource







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Thank You !

