



# IBM LeadershipConnect

Driving Transformation for Greater Value

## Reshaping the Mission of Finance

Brett Ison

Performance Management

Business Unit Executive

Business Analytics, GMU

March, 2013

# New market dynamics create the need for change



# Our perspective is built to meet this need Across business and IT needs by industry and role

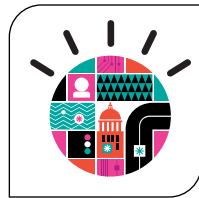
## Industries



Banking



Energy



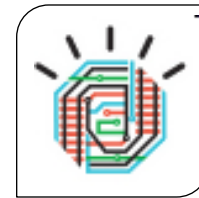
Government



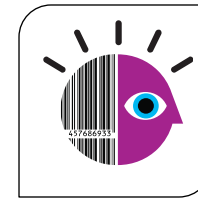
Healthcare



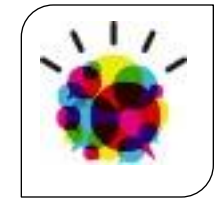
Education



Transportation



Retail



Communi-  
cations

## Functions/roles



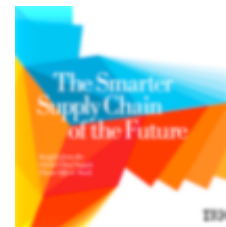
Marketing  
CMO



Finance  
CFO



Human  
resources  
CHRO



Supply chain  
CSCO

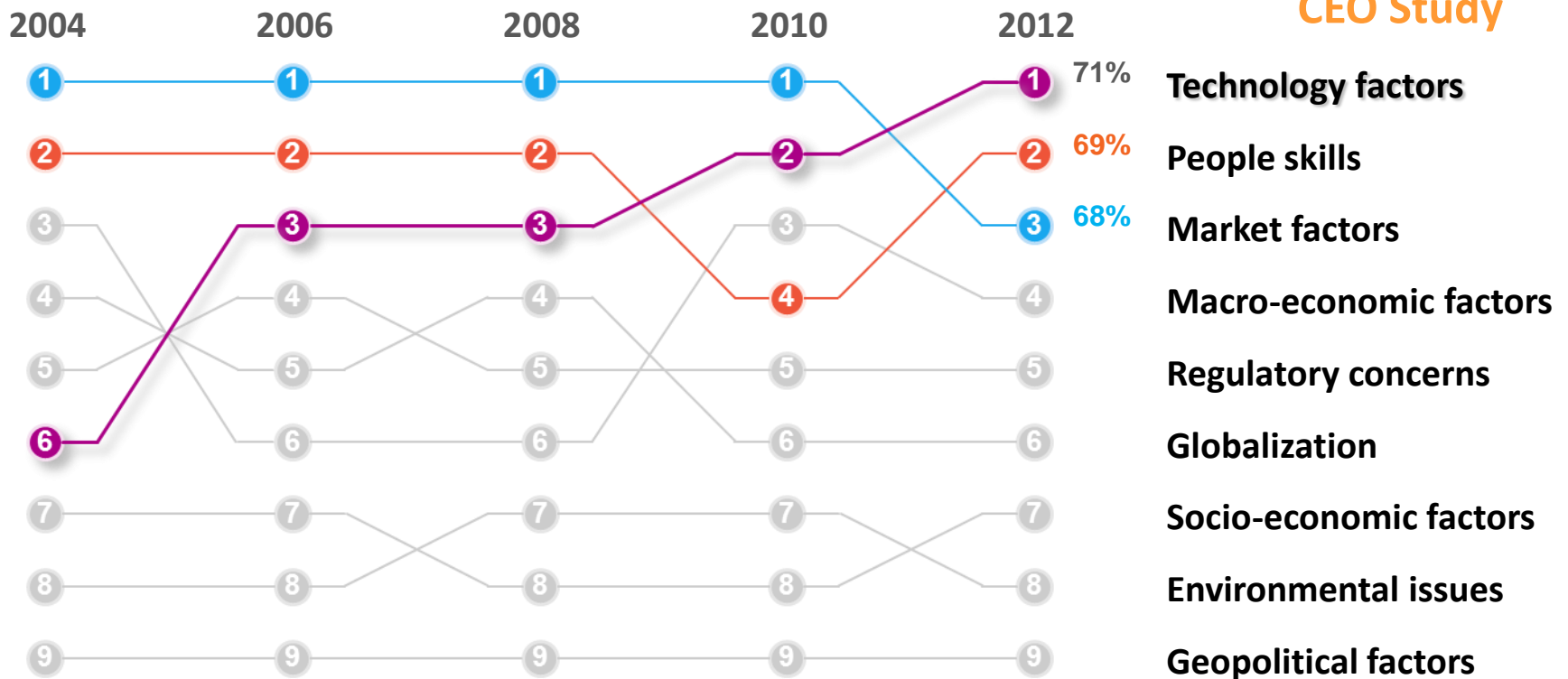


IT  
CIO



# What forces do global CEOs believe poses the biggest opportunity and challenge?

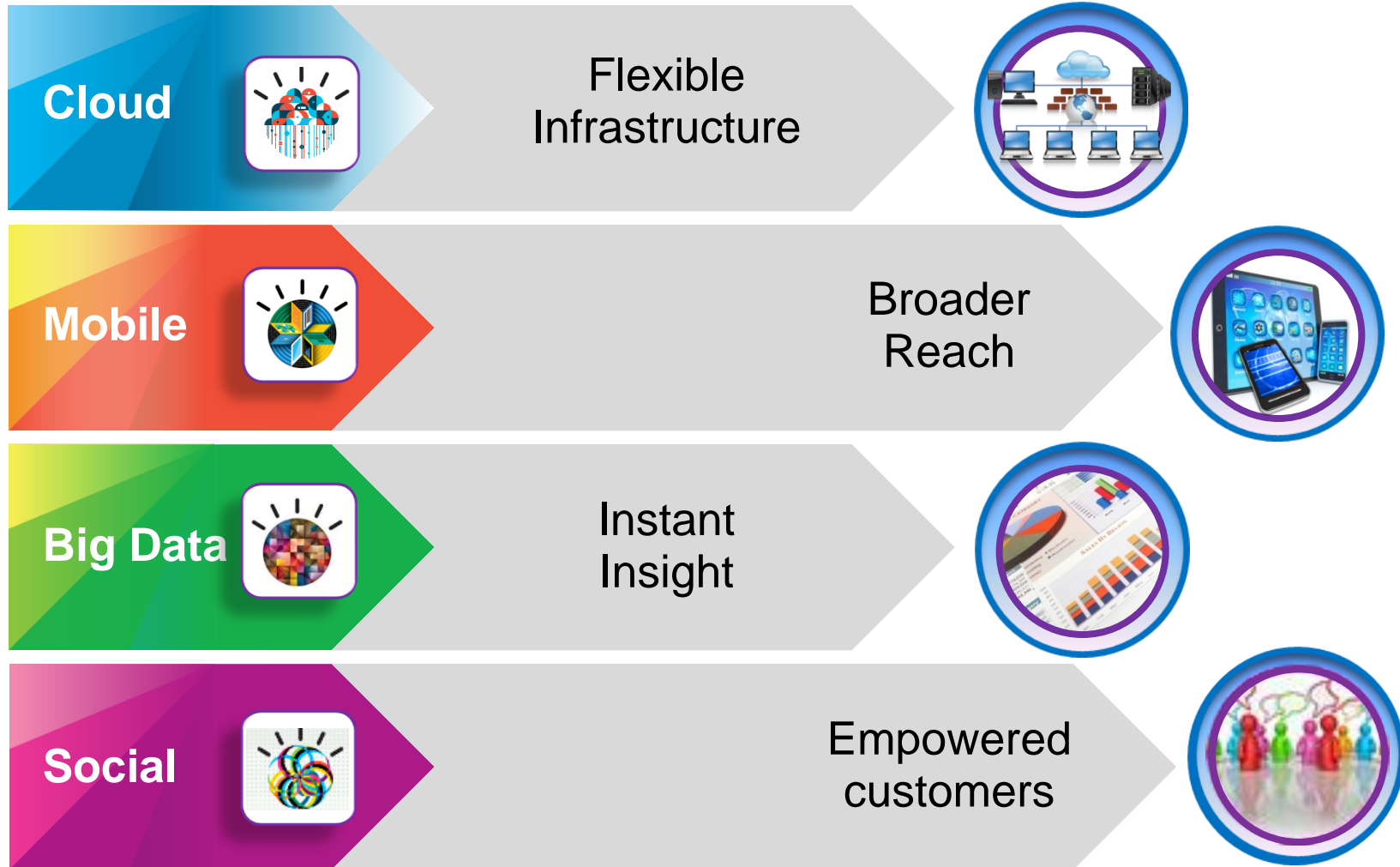
## External forces that will impact the organization



## 2012 IBM Global CEO Study

Source: Q1 "What are the most important external forces that will impact your organization over the next 3 to 5 years?"

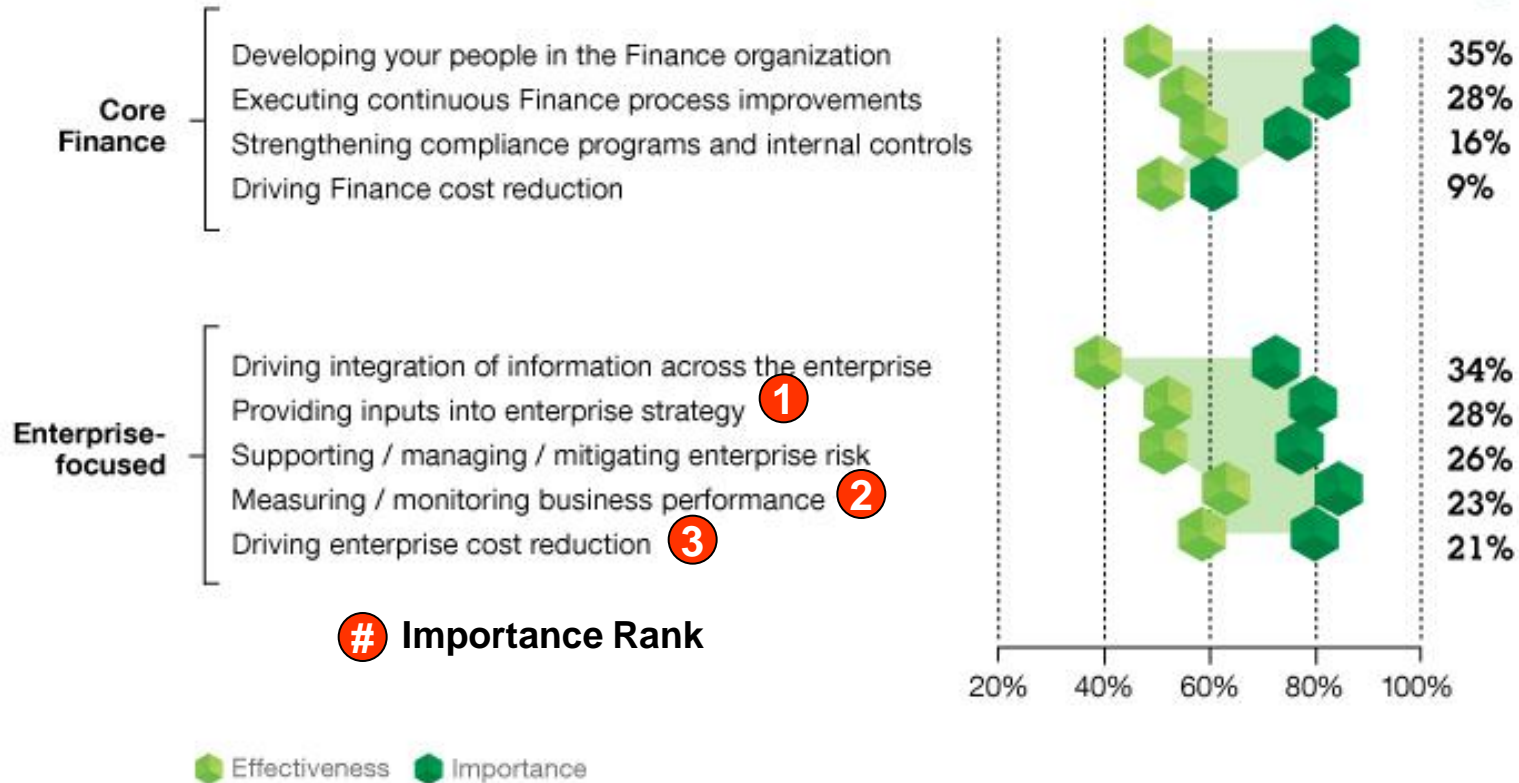
# Technology innovations are creating opportunities in the marketplace





# How should CFOs lead?

## CFO Agenda: Importance vs. Effectiveness



# 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





# To enable transformation, forward-looking CEOs are amplifying innovation with partnerships

## Top 3 CEO Priorities:

Empowering employees through value

Engaging customers and individuals

Amplifying innovation with partnerships



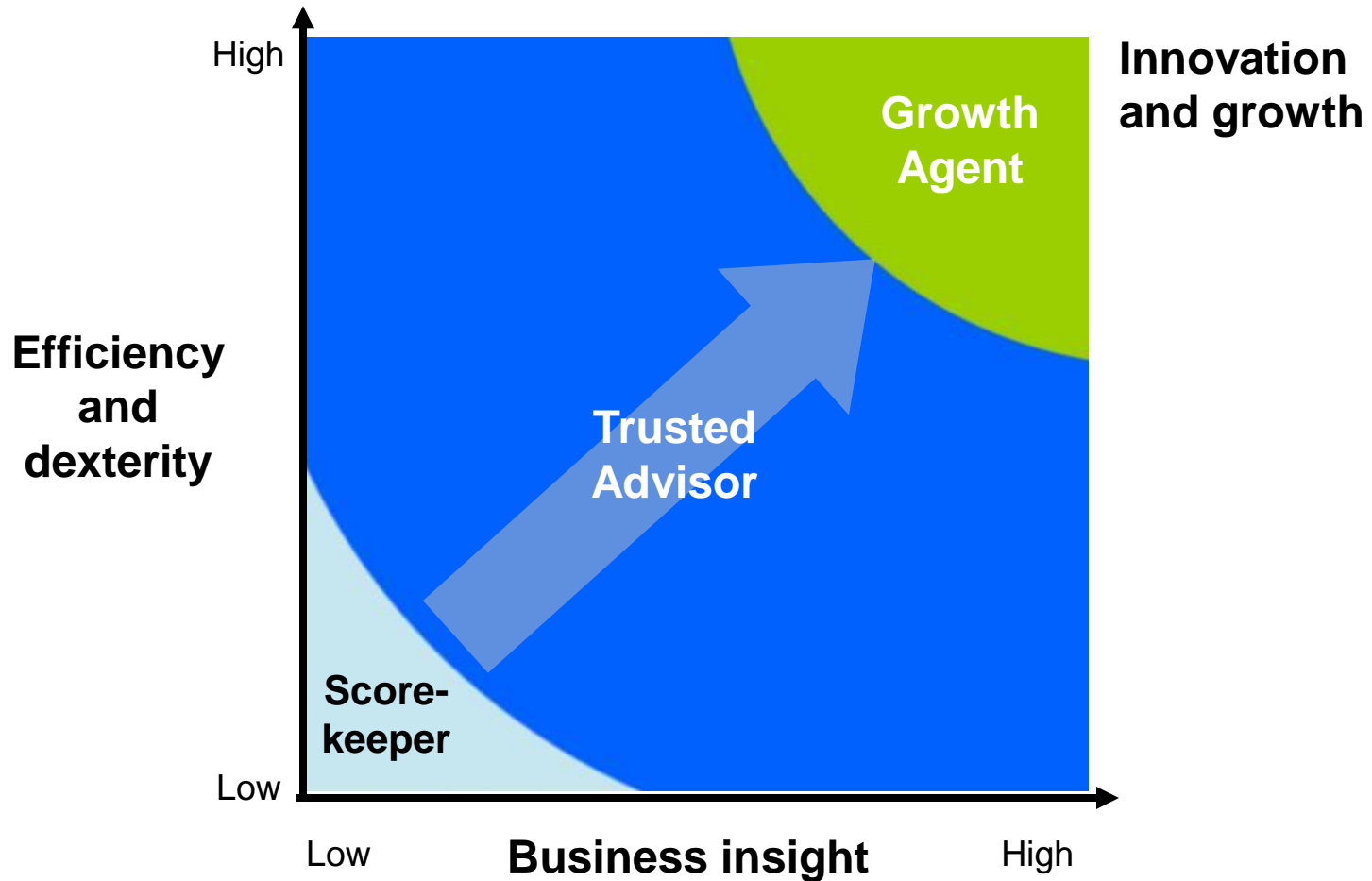
Commitment to external partnering has grown significantly

Virtually all organizations now partner, creating new avenues for innovation

**Outperformers are more likely to partner to innovate, disrupt, and derive revenue from new sources**



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





**As we look to the future role of finance, we must remember the timeless responsibilities of the function.**

## The timeless responsibilities of finance



CFOs have always optimized finance processes for transparency, efficiency and effectiveness.



CFOs have always been driven to make decision based on historical facts.



CFOs have always managed risk, protected enterprise investments and preserved the bottom line.



**Today, these fundamental responsibilities provide the foundation for the three new imperatives.**





# The three imperatives of finance



**Accelerate Enterprise Transformation**



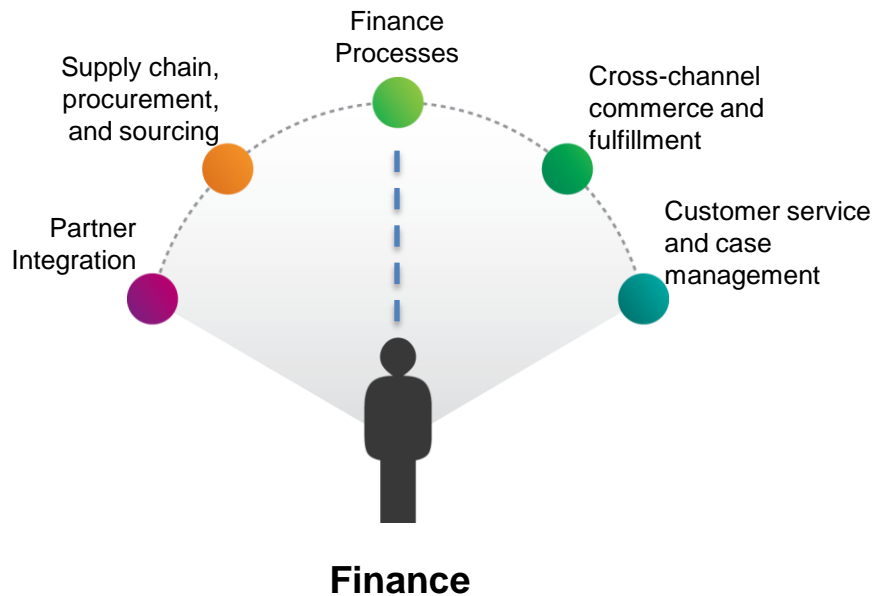
**Anticipate & Shape the Future**



**Drive a Discipline of Growth**

# Imperative One: Accelerate Enterprise Transformation

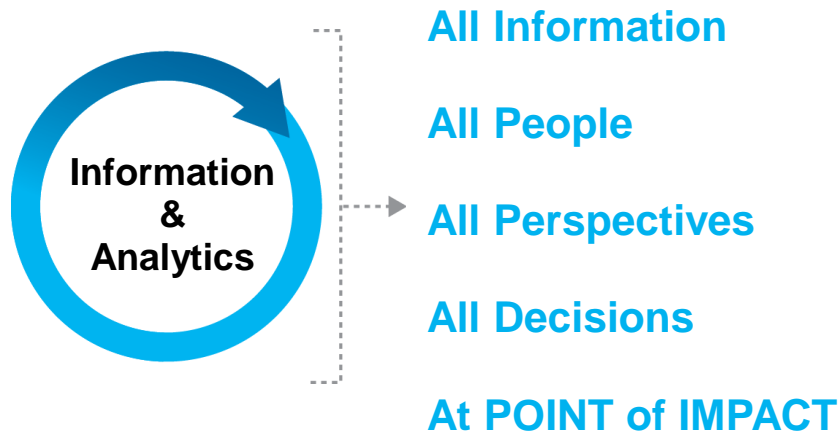
Listen !



- **Integrate processes & standardise data**
- **Optimizing** labor and delivery models
- **Extend** across the value chain and beyond

## Imperative Two: Anticipate and Shape the Future

Provide a forward looking perspective, by driving a culture of fact-based decisions fueled by analytics.

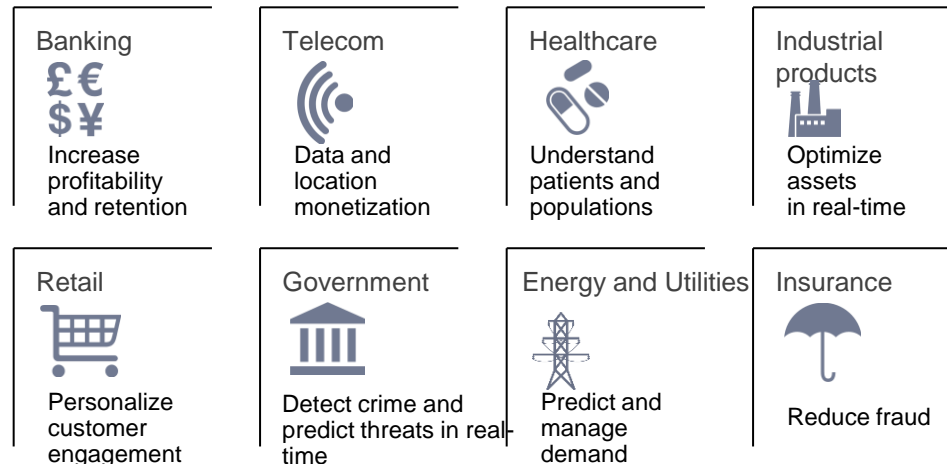


# Imperative Three: Drive a Discipline of Growth

## Align resources to new engines of profitable growth

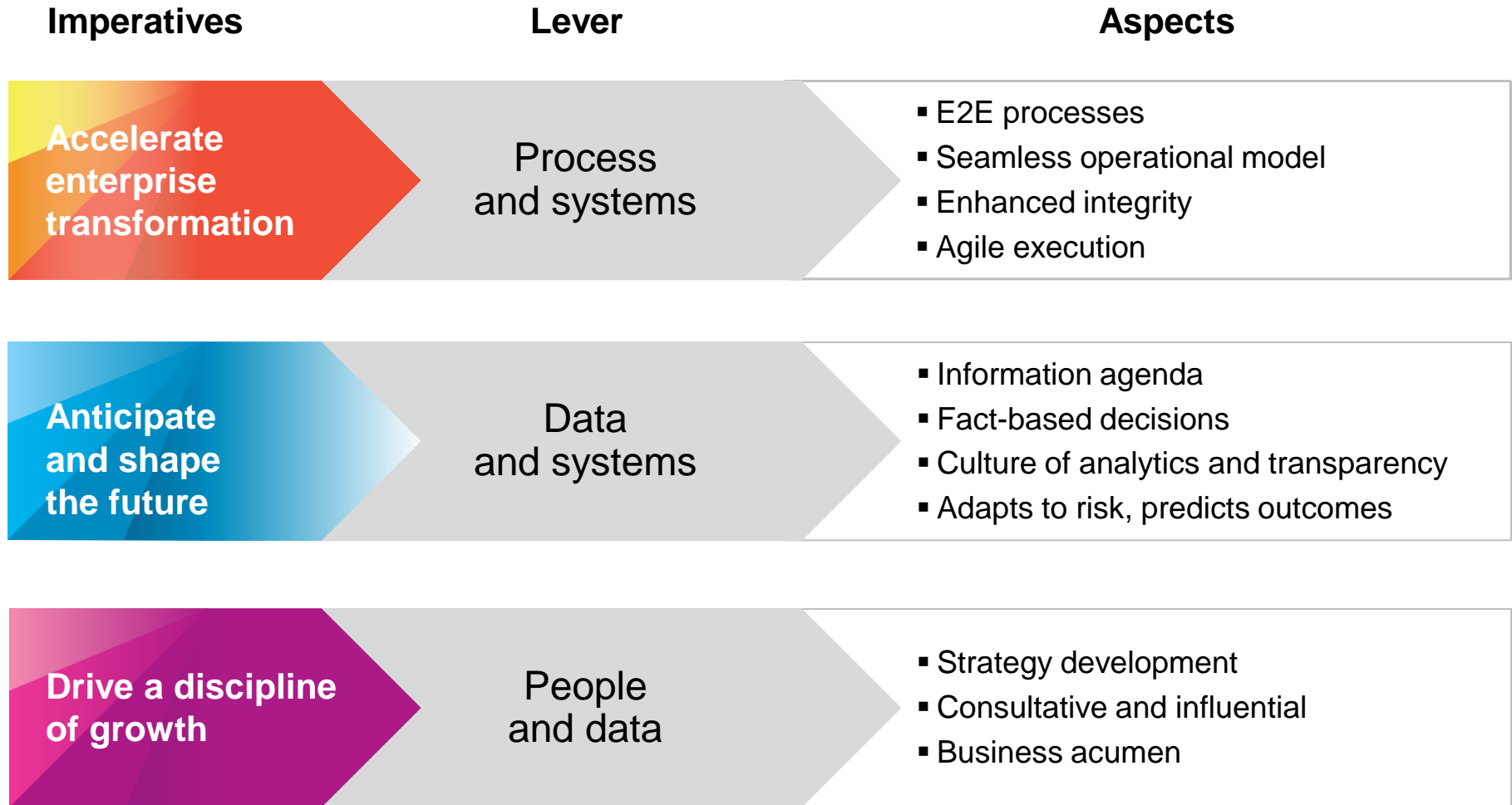
Forward thinking CFOs will leverage **technology disruptors** like big data for business model innovation

- Delivering **new insights** and new possibilities
- Improving current processes and **performance**
- Creating **new revenue opportunities**





# CFOs must reshape the mission of Finance by focusing on process, technology, data and analytics, and people



# Accelerate Enterprise Transformation

## Example outcomes

**10%**

Savings



A global bank realized **10% savings in the first five months** with IBM Global Process Services standardized the procurement processes, and transformed business controls and performance measurements.

**15%**

Improved collection effectiveness



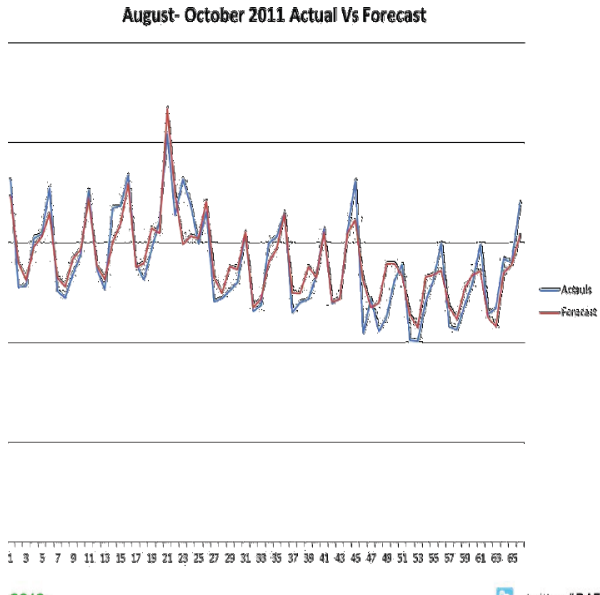
A global financial services organization **improved collection effectiveness by 15%** with the order-to-cash analytics capabilities and a single view of its customer base to identify past-due payments. Significant improvements in loss mitigation, forecast accuracy and effective capacity planning resulted in **over \$1 million in operational savings.**

**\$1 Million**

Operational savings

# Anticipate the future

## Example outcomes:



**Australia Post’s objective was to forecast its daily cash flows in order to maximise investment returns**



*The solution for treasury cash flow was combined with daily P&L from SAP with the historical cash flow forecast combined with the daily agency cash flow. A predictive model was then overlayed on to the cubes to provide what the daily position would be ...*

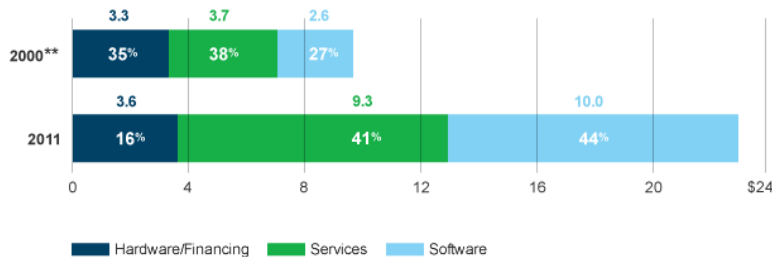


# Drive a Discipline of Growth

IBM changed its business mix toward high-value, more profitable technologies and markets

- Exited commoditized businesses:
  - PCs/ hard disk drives/ printing systems
- Strengthened position in:
  - business consulting/ software
- 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. 2010 Segment PTI is reclassified to conform with 2011 presentation.

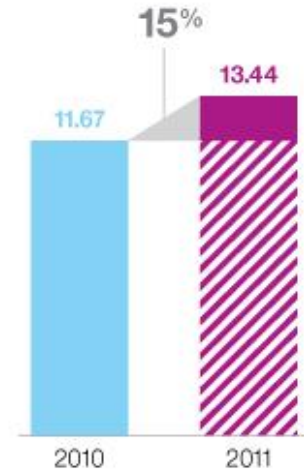
2011 a record year...

**\$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

## Capturing the total IBM smarter analytics opportunity



IBM Business Analytics grows to \$20B by 2015

A broad, deep set of analytics offerings, *integrated by design*

**Market-leading analytics services** with almost 9,000 consultants, 8 solution centers and expertise from thousands of client engagements.

**Unmatched research investment** combined with the world's largest private math department produced 500+ analytics patents in 2011.

An **enterprise-class big data platform** that supports an end-to-end analytics, information and decision management foundation.

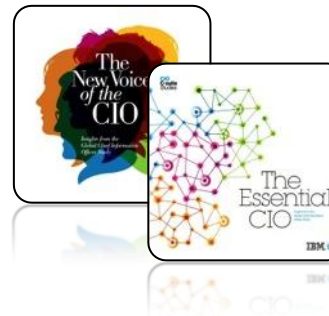
**Integrated analytics capabilities** that embed predictive analytics into organizational processes to improve decisions and outcomes.

# Exclusive Offer !! Participate in the 2013 Global C-Suite Study

5500+ CEOs



5500+ CIOs



4000+ CFOs



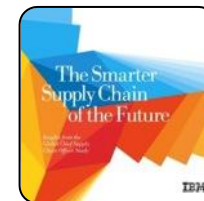
1250+ CHROs



1700+ CMOs



400+ CSCOs





# Add your voice to the discussion

## Get involved and enjoy the benefits

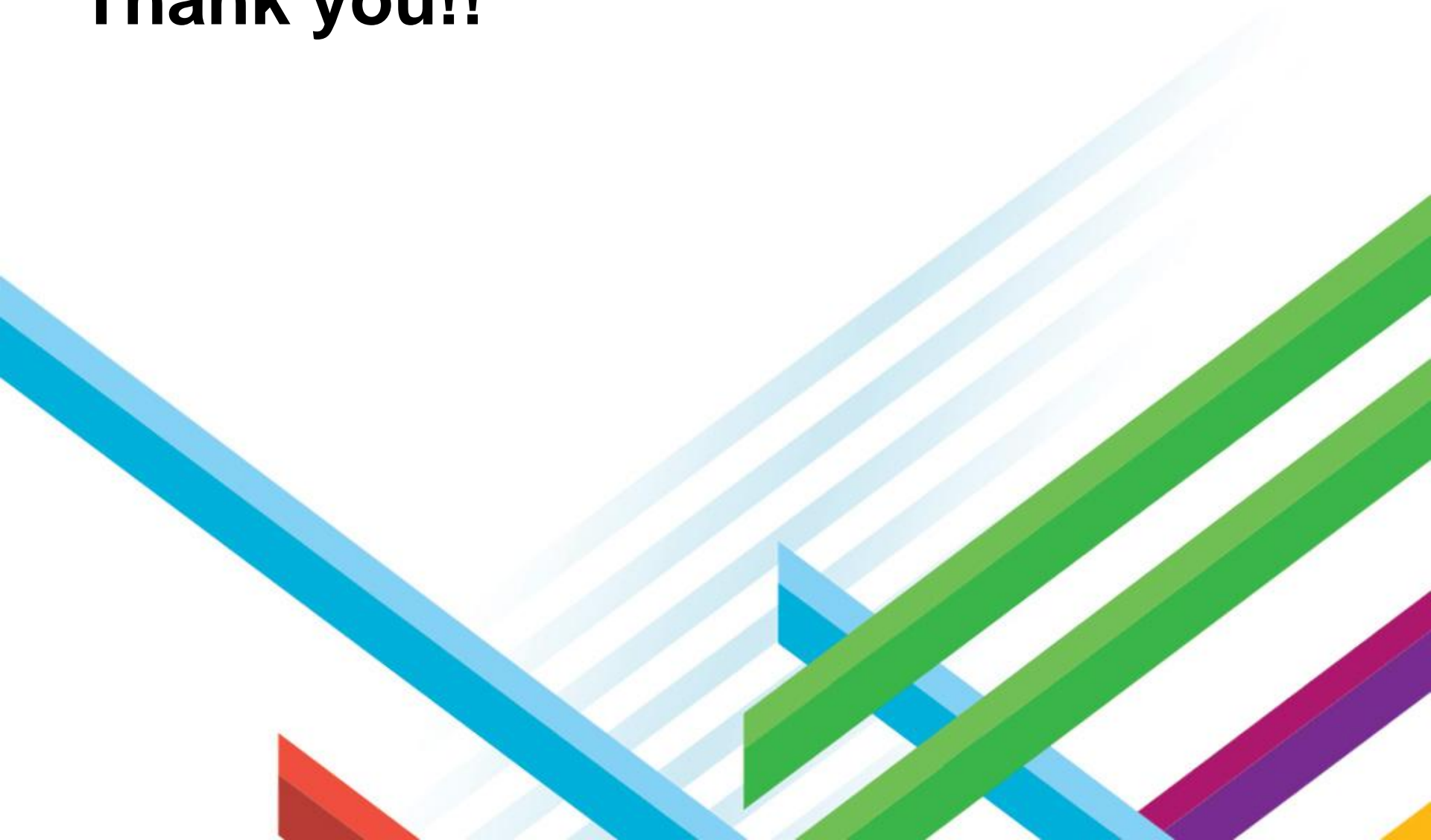
- Receive a copy of the full report containing the research analysis and findings
- Receive a customized report aligning your responses to your industry peers and others in your region
- Engage in a follow-up conversation with an IBM executive to discuss the study and implications for your organization

CMO CFO CSCO CIO CEO  
CFO CEO CMO CHRO CIO CSO  
CIO CMO CSCO CEO CFO C  
CHRO CEO CFO CIO CSCO C  
CEO CSCO CIO CFO CHRO

Ensure your voice is heard!  
Interviews are being conducted from  
February 4 through April 30, 2013



**Thank you!!**





**IBM**®



# Graveyard

# 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*

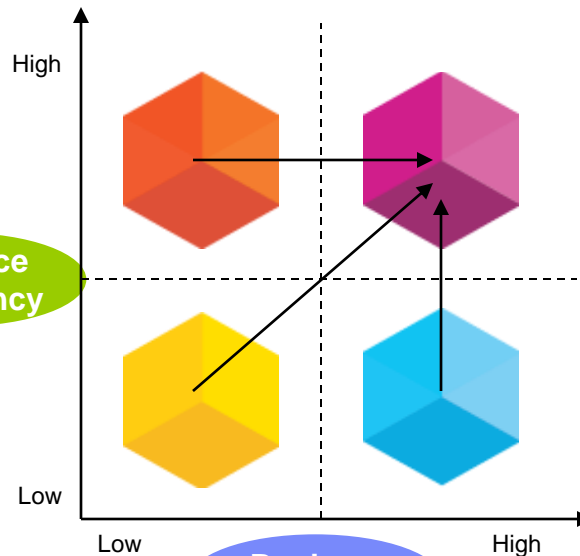
*Scorekeepers can attempt a direct path to become Value Integrators. This will involve establishing Finance efficiency while simultaneously building business insight capabilities. Alternatively, a staged approach can also be done*

*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. Integrate information across the enterprise.*

Finance Efficiency

Business Insight



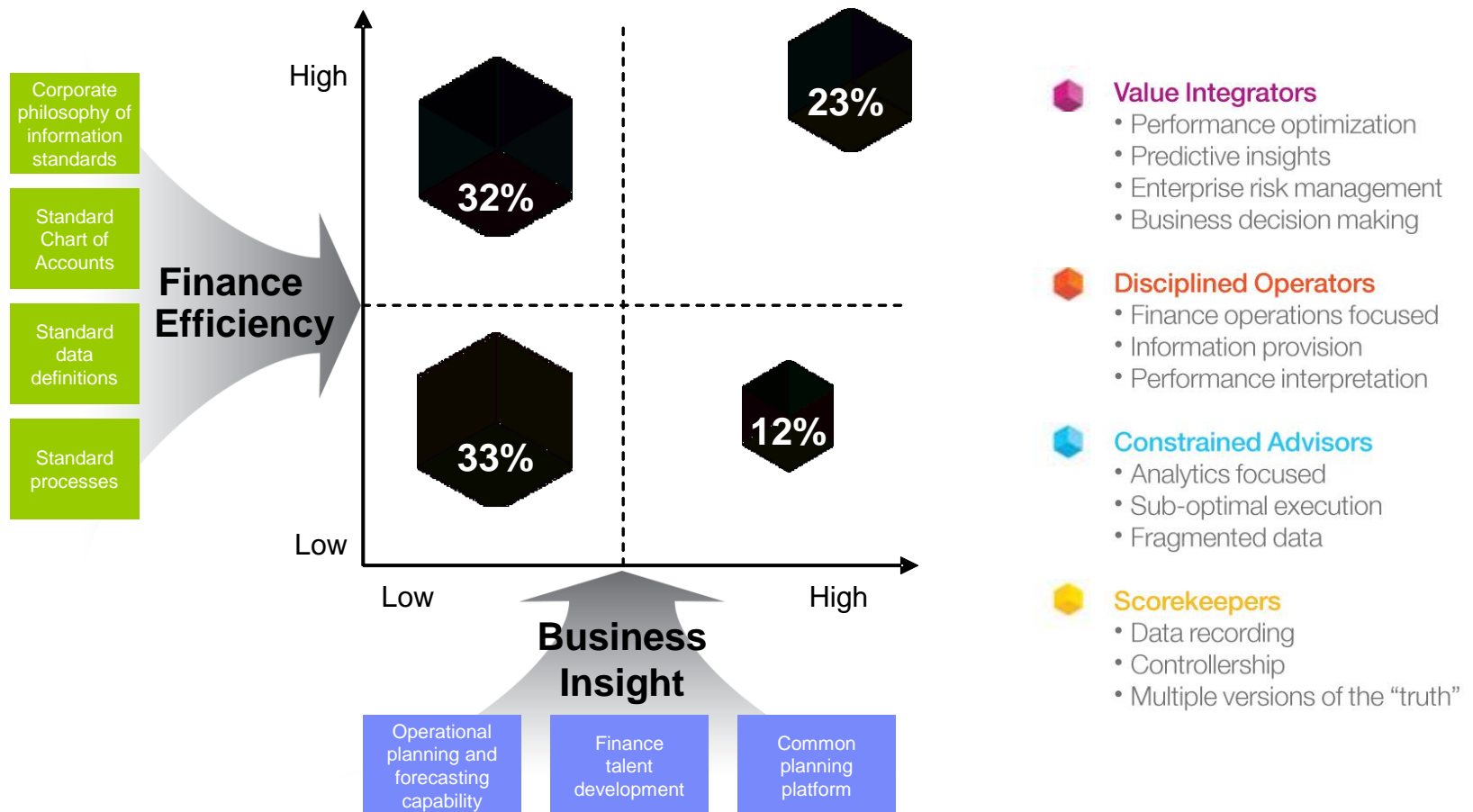
- Value Integrators
- Constrained Advisors
- Disciplined Operators
- Scorekeepers

## However, CFOs must go a step further and focus on innovation and growth

	Scorekeeper	Trusted Advisor <i>Disciplined Operator</i> <i>Value Integrator</i>	Innovation & Growth Agent
Function	Report on history <i>solid balance sheets, stabilizing economy, fierce competition</i> <i>Heightened volatility, uncertainty and risk</i>	Drive efficient performance and preserve cash <i>Big Data, globalization, growing investment</i>	Instill innovation to spur profitable growth <i>Drive and optimize investment and business outcomes</i>
Approach	Focused on finance – running the back office	Focused on operational agility (transactional processes)	Focused on the enterprise – linking strategy and execution <i>Drives the need</i>
Business	Protect, gather and record information	Respond to requests	Capture higher value by <i>need</i>

# The leaders are investing in Efficiency and Business Insight

## Finance Efficiency and Business Insight

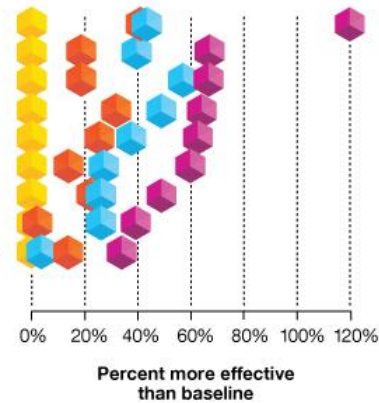


# The rewards are significant

## Benefits of being a Value Integrator

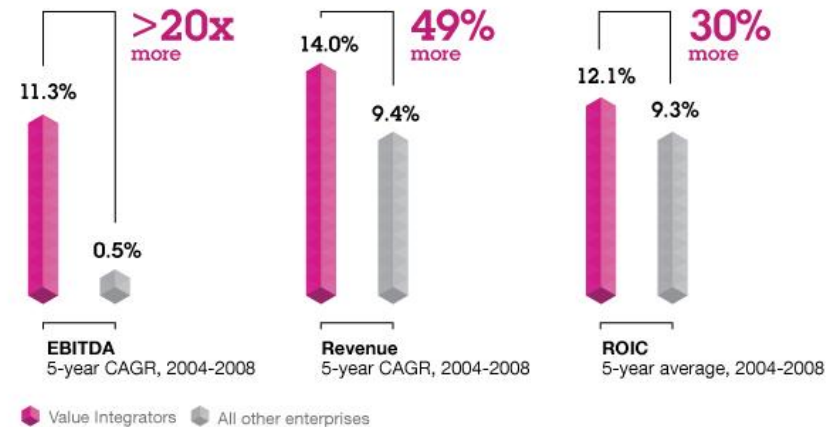
### More Effective Against the CFO Agenda

- Driving integration of information across the enterprise
- Measuring / monitoring business performance
- Developing your people in the Finance organization
- Providing inputs into enterprise strategy
- Executing continuous Finance process improvements
- Supporting / managing / mitigating enterprise risk
- Driving Finance cost reduction
- Driving enterprise cost reduction
- Strengthening compliance programs and internal controls



- Scorekeepers (baseline)
- Disciplined Operators
- Constrained Advisors
- Value Integrators

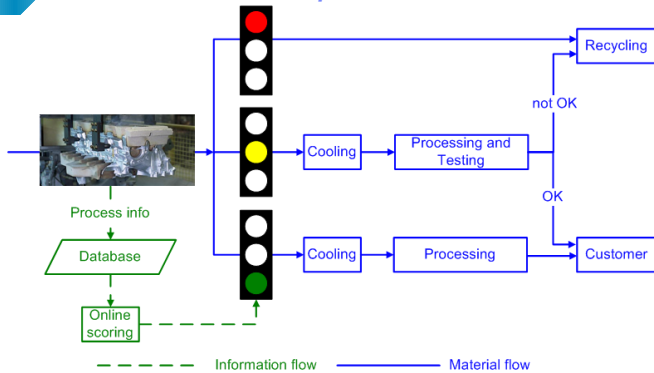
### Financial Outperformance





# Accelerate Enterprise Transformation

... from the Shop Floor to Customer Analytics

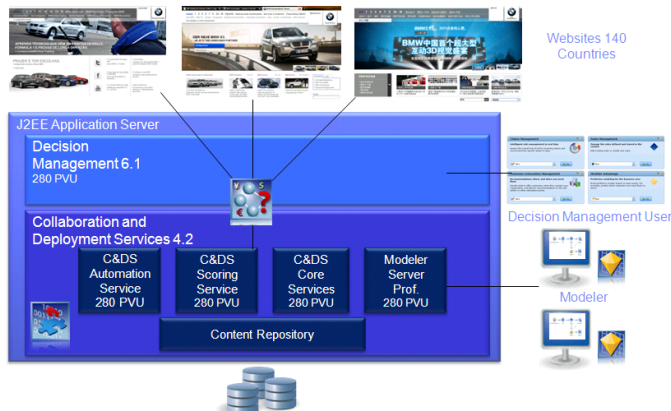


## First - Predictive Manufacturing

Embedded predictive analytics in the manufacturing processes to identify part castings with a high tendency to failure. *Increased efficiency and accuracy of quality control processes resulting in a 60% reduction in failure costs*

## Now - BMW dramatically reduces repeat repairs

Observation of the entire car fleet's repair performance in real time. High data complexity: analyzing 20K signals via 10K DTCs. Reduction of 25% Repeat Repair



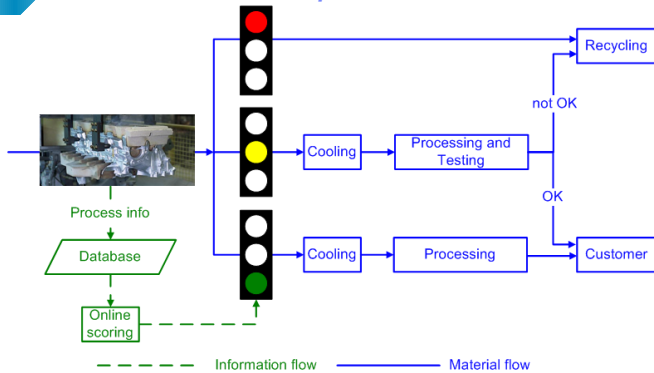
## Next – WW online order configurator

Re-launch of the BMW website using our real time scoring solution (IBM SPSS DM6) to 140 countries worldwide in over 60 languages. A worldwide “next generation car configurator”



# Accelerate Enterprise Transformation

... from the Shop Floor to Customer Analytics

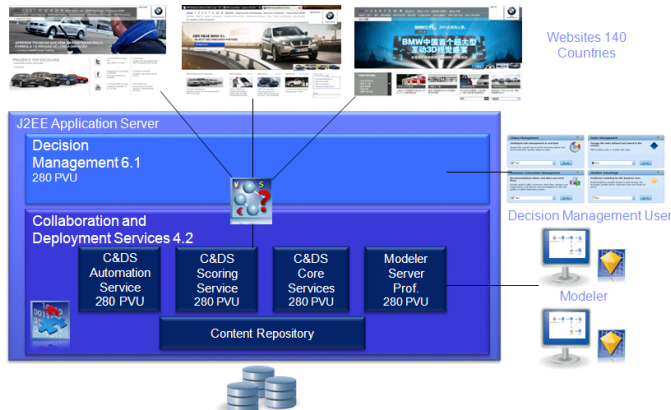


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# Anticipate customer needs for greater profit

