

Driving a Future-Ready Enterprise



New dynamics put new pressures on CFOs

Regulatory environment

- Higher levels of transparency
- New cybersecurity / information security regulations
- Focus on corporate governance

75% of security breaches are driven by financial motives (Verizon)

Uncertainty and volatility

- Uneven economic recovery
- Growing shareholder expectations
- Changes to currency and financial institutions
- Globalization and demographic shifts

"...growth and job creation are still too weak. New risks are arising while several old risks remain." (IMF)

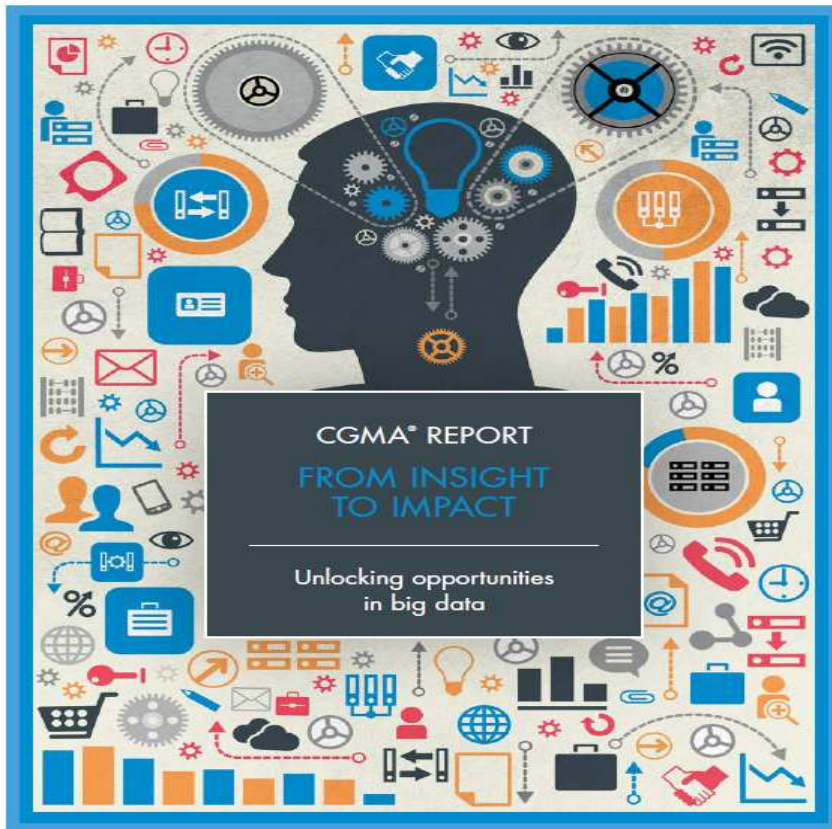


Business model innovation

- Changing nature of transactions (e.g., mobile)
- Partnering for speed
- Growth in emerging markets
- Cash-rich balance sheets

In the U.S., non-financial companies have a record \$1.45 trillion in cash (Forbes)

Big Data and the CFO



Over eight in ten (84%) of those financial professionals polled think that big data and analytics will require a change in how they do their jobs in the coming five years. CGMA October 2013

85% of survey respondents believe that increasing their ability to work with big data will enhance their career and employability.

IBM Finance Forum 2014

Business foresight. Future ready.

Big Data and the CFO



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Jeff Thomson, Contributor

I write about issues facing CFOs and management accountants.

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Emerging Big Data Opportunities For CFOs

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Industry insights: Management Accountants' Role in Internet of Everything and Big Data

Conrad Dias - FCMA (UK), CGMA, FCMA (SL), FBCS (UK), MBA (University of Leicester)

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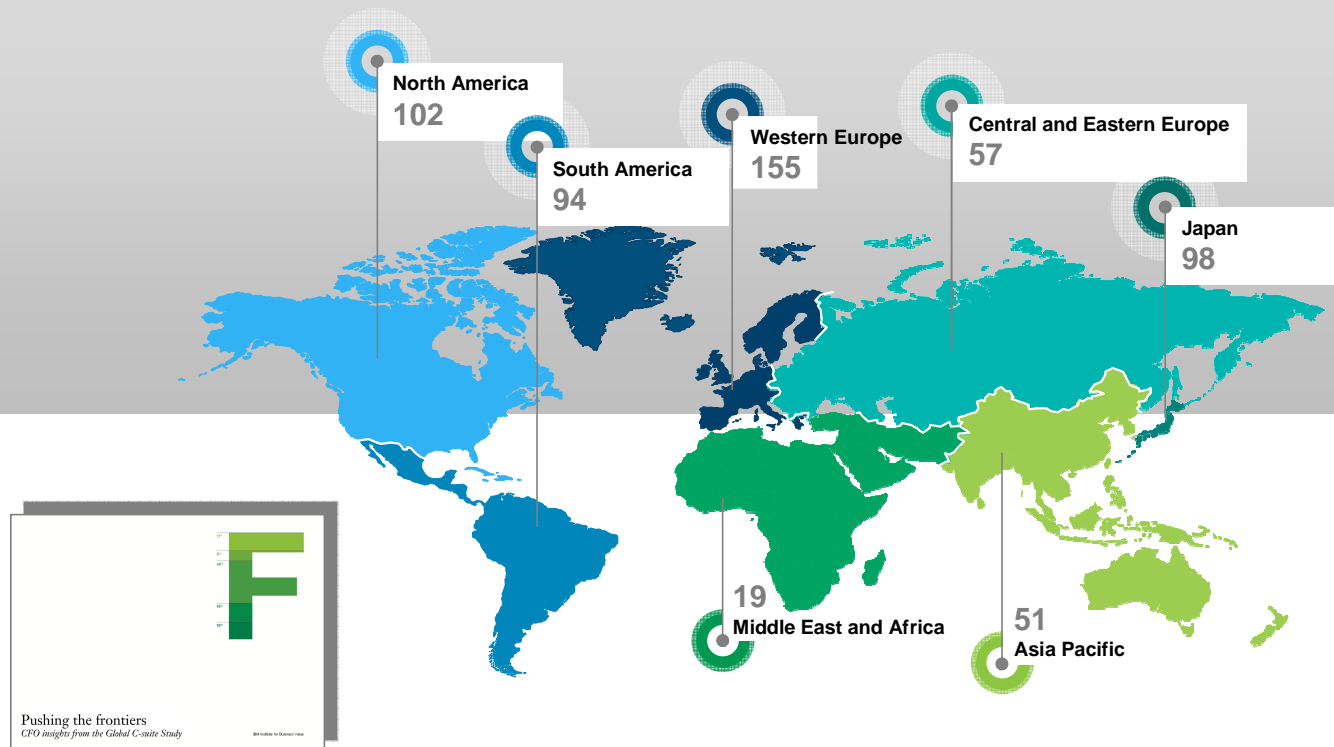
Home > November 2013 > Why accountants should own Big Data

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MANAGEMENT ACCOUNTING

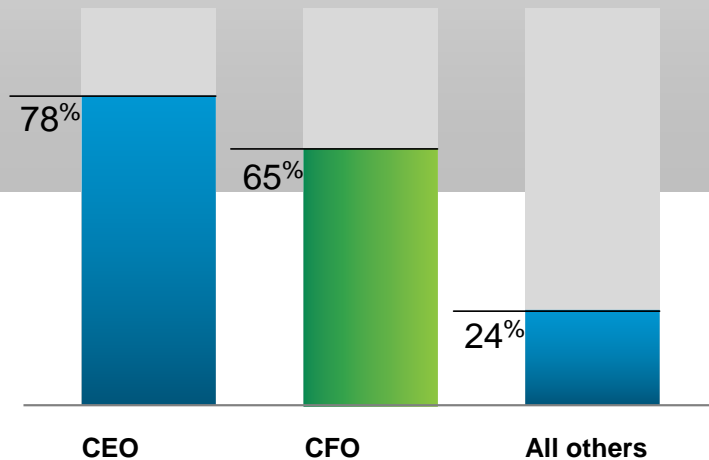
From CGMA Magazine: Why accountants should own Big Data

CFO insights from the IBM Global C-suite Study: 576 CFO interviews from around the world



CFOs rank second only to CEOs in collaborative C-suite influence

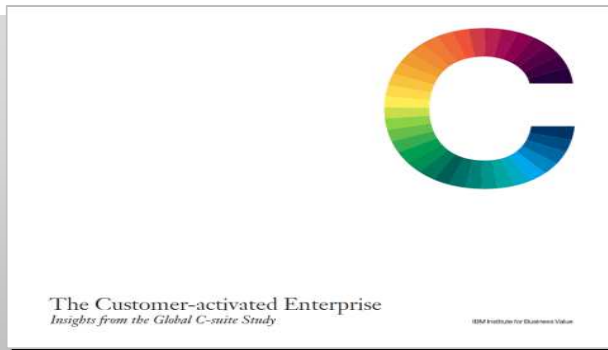
C-Suite collaboration partners



Finance has a role in bringing balance to the funding of innovation. We play a role in challenging ideas and calling out where they are not working. Finance applies discipline to the process

CFO,
Life Sciences, United States

The 2013 C-suite Study explores the newest venture of high-performing enterprises—the Customer-activated enterprise



Open up to customer influence

Breaking down barriers to extend collaboration inside and outside—bringing the customer’s voice directly into the boardroom

Pioneer digital-physical innovation

Fusing traditional activities with social, mobile, and digital networks to create new products, services, and business models

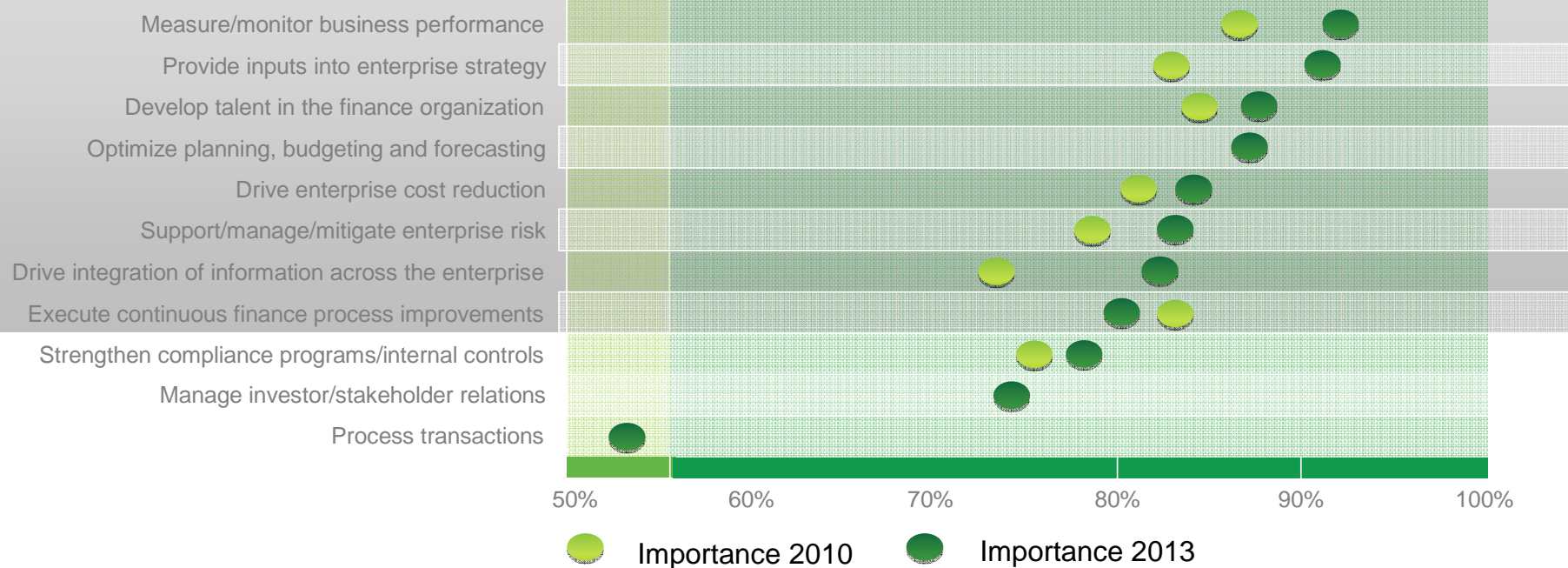
Craft engaging customer experiences

Creating and enhancing seamless interactions which fulfill customer expectations and differentiate the organization

...however, CFOs already have a full agenda running the core finance function

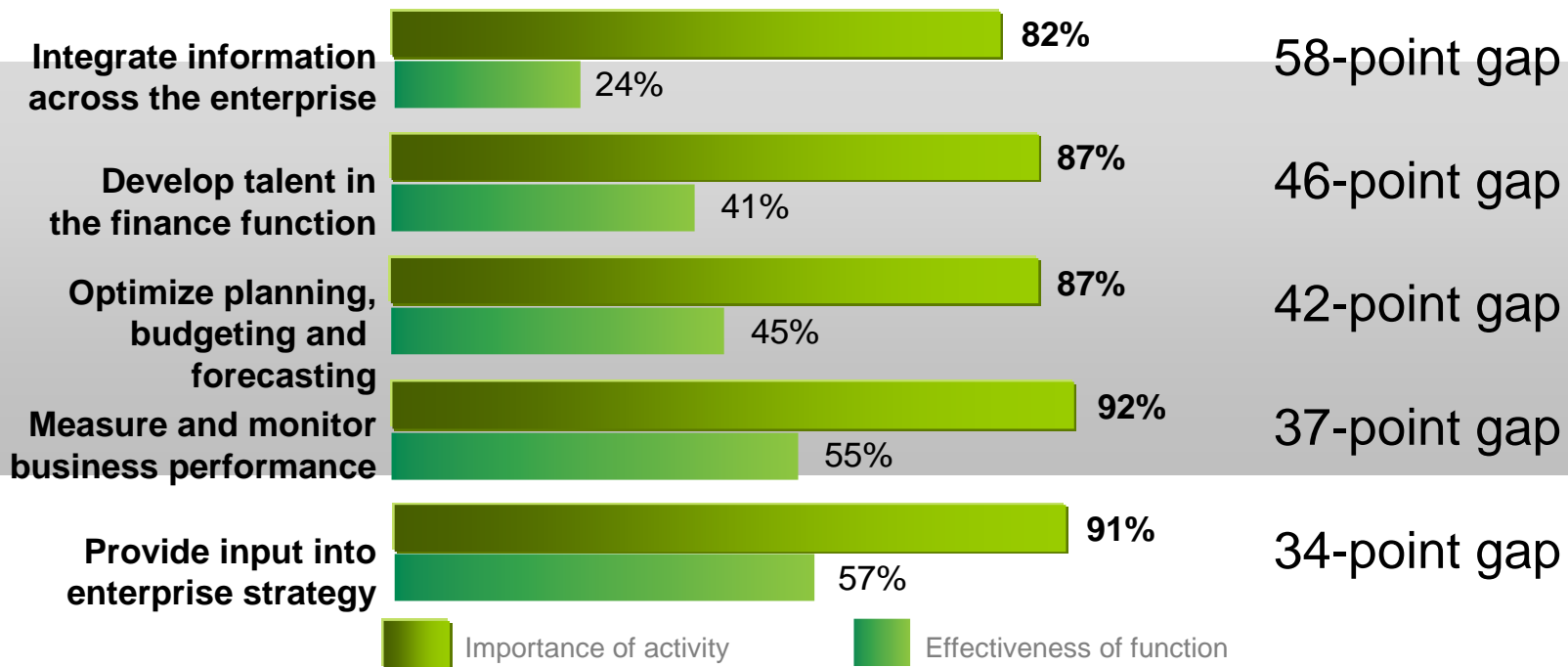
CFOs report that almost all aspects of their role have increased in importance over the past 3 years

Areas of importance—historical



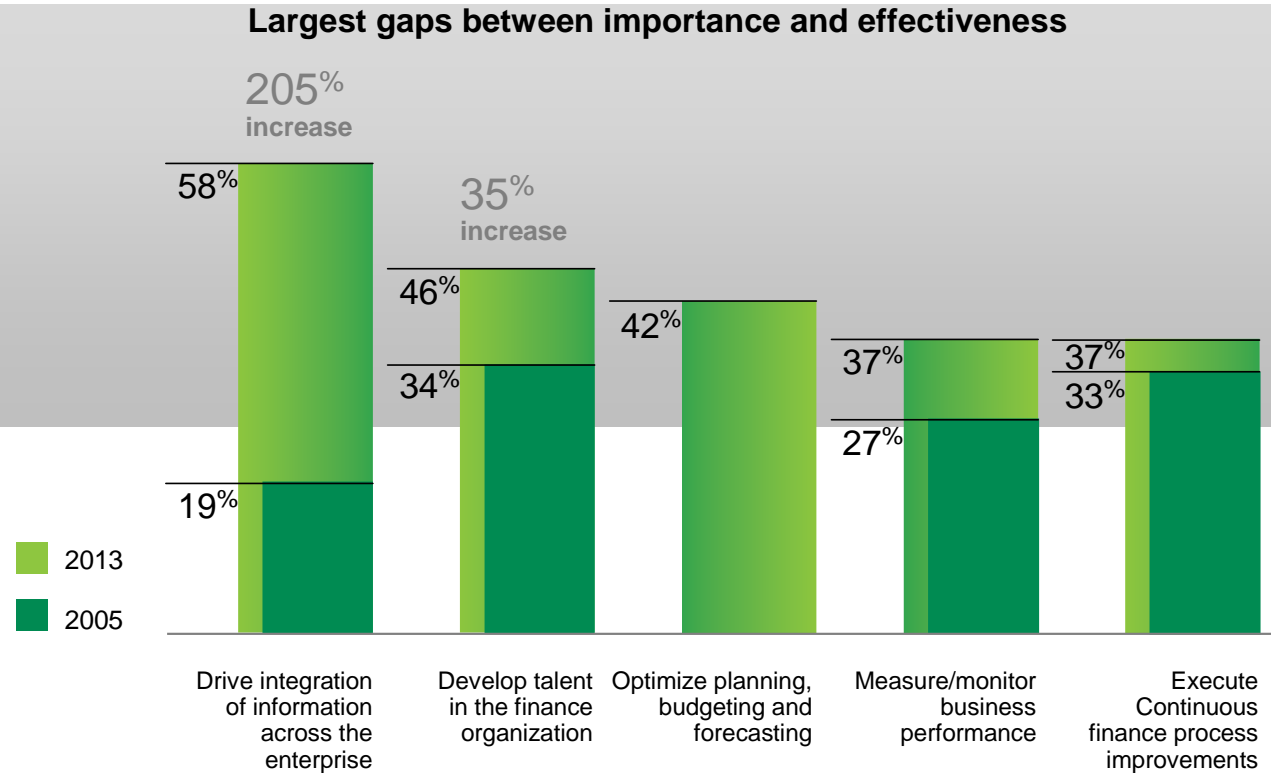
Source: Question CFO1--How important are each of the following areas of responsibility to your enterprise?;

The gaps between importance and effectiveness



SOURCE: IBM, *The Customer Activated Enterprise: Insights from the Global C-Suite Study*, October 2013.

The gaps between importance and effectiveness have grown since 2005, demonstrating growing business pressures



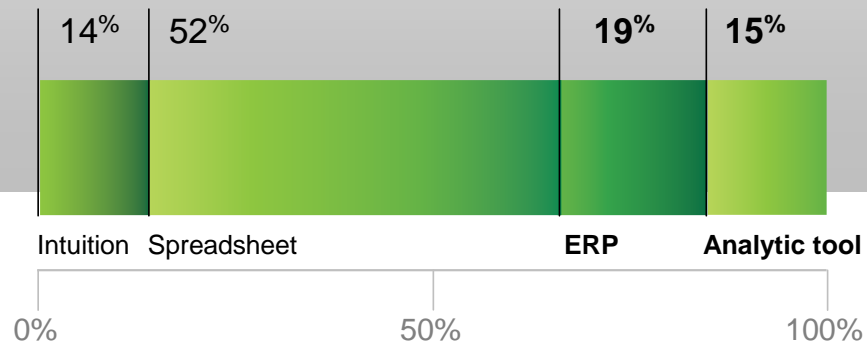
Finance organizations continue to rely on spreadsheets and intuition two-thirds of the time

Capabilities/tools used to support Finance

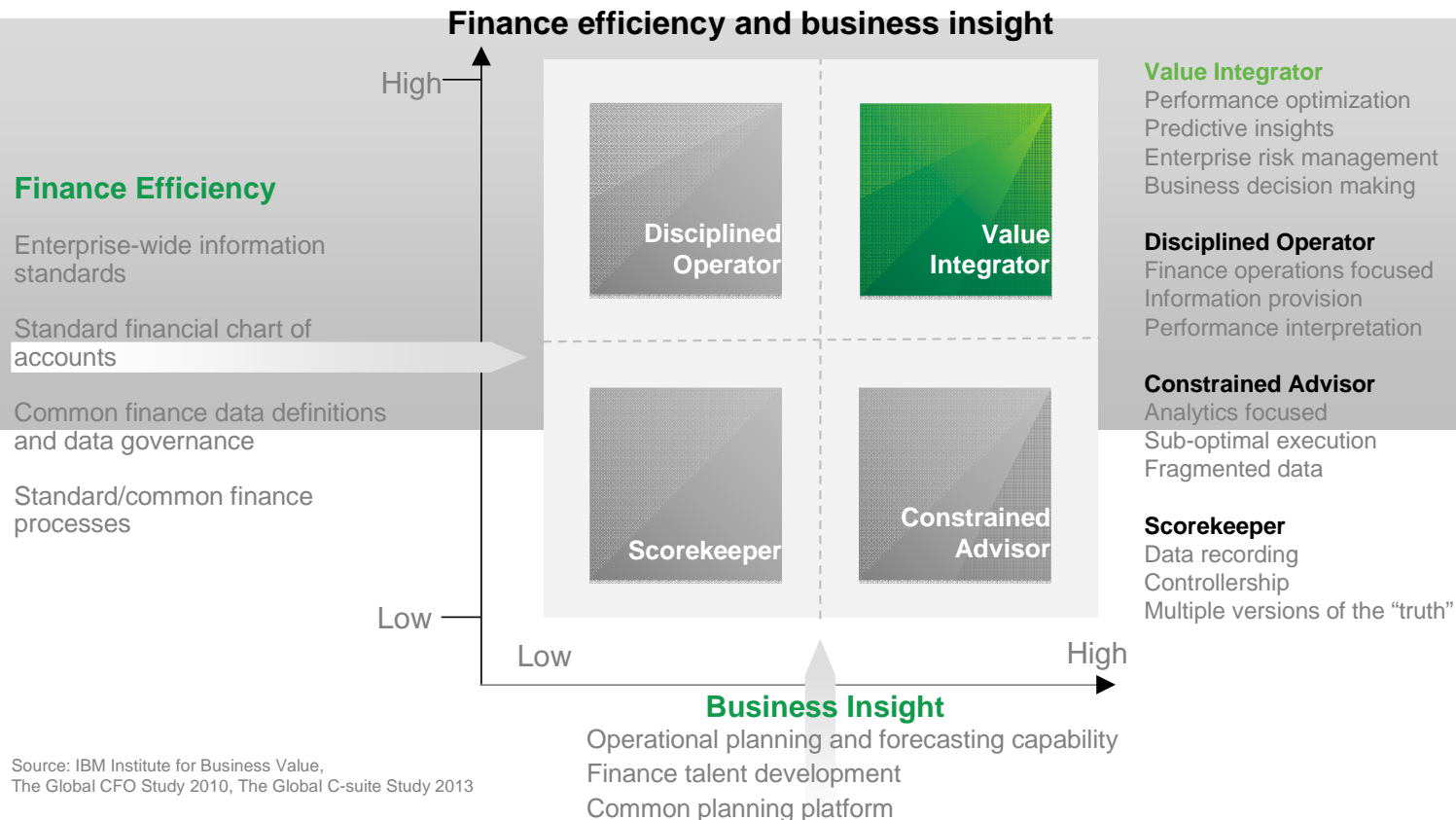


We need to ensure we deliver value through changing technology versus being a slave to our systems

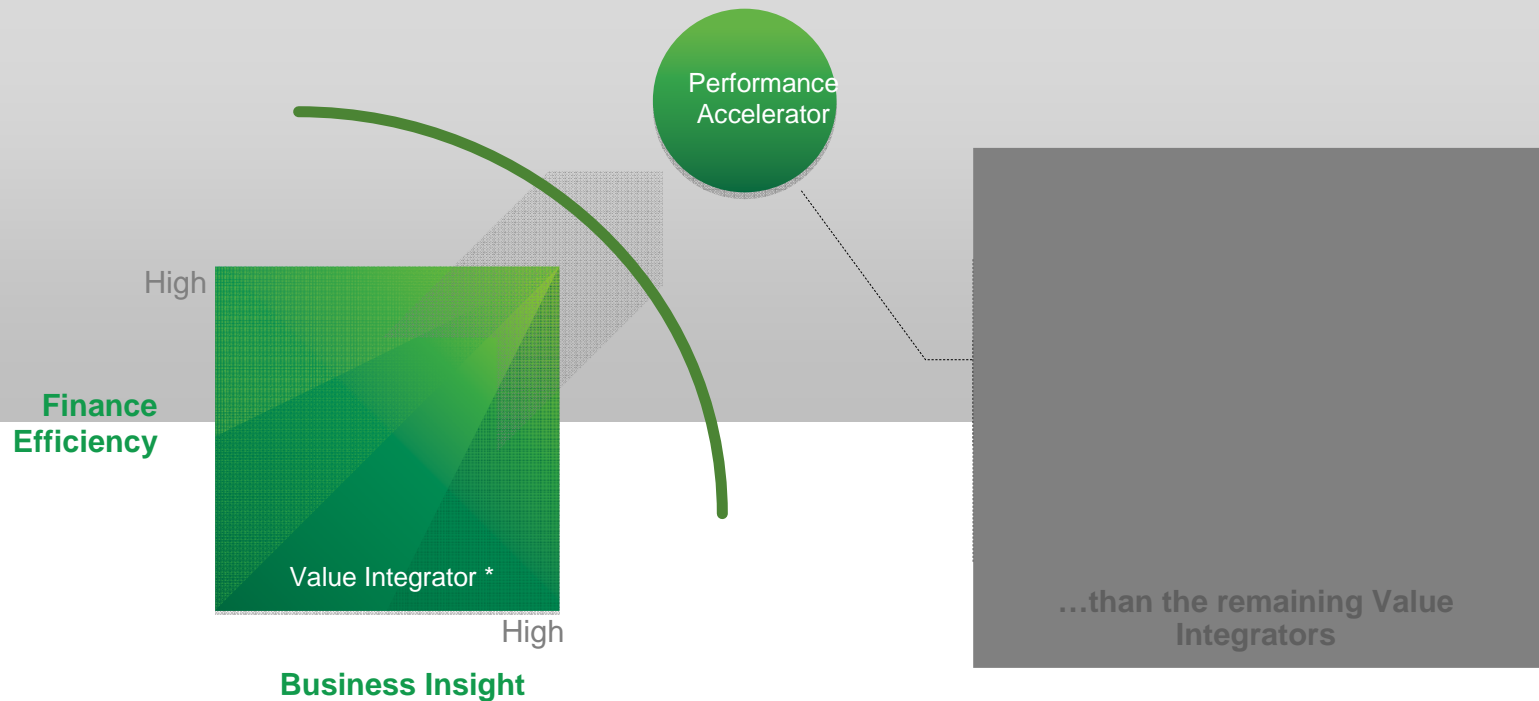
CFO,
Insurance, United Kingdom



Flashback: The 2010 Global CFO Study identified 4 Finance profiles, with one group, Value Integrators, outperforming the rest



Flash forward: Value Integrators are pushing the boundaries of efficiency and insight—a subset are emerging as Performance Accelerators



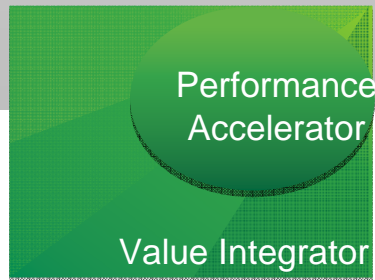
* Value Integrators are 30% and Performance Accelerators are 7% of the overall CFO population interviewed.

Source: "CFO insights from the Global C-Suite Study", IBM Institute for Business Value, 2014

Source: Question E4--How does the revenue growth of your enterprise compare to your industry peers over the past 3 years?; Question E5--How does your enterprise's profitability compare to your industry peers over the past 3 years?

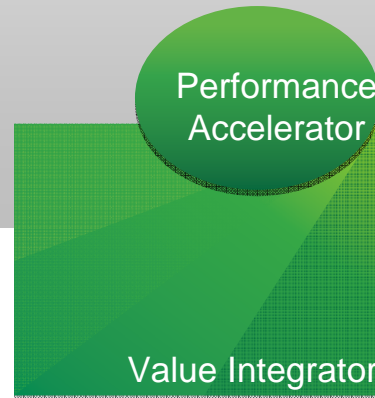
Performance Accelerator's focus areas can be grouped into efficiency, insight, and growth initiatives—one ability builds on the previous

Finance efficiency



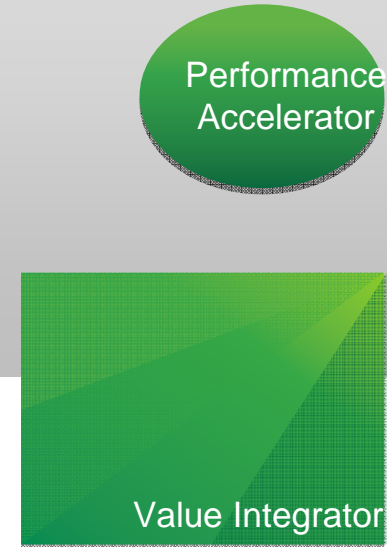
Value Integrators and Performance Accelerators are neck and neck in **finance efficiency**

Business insight



Performance Accelerators begin to pull away in terms of **business insight**

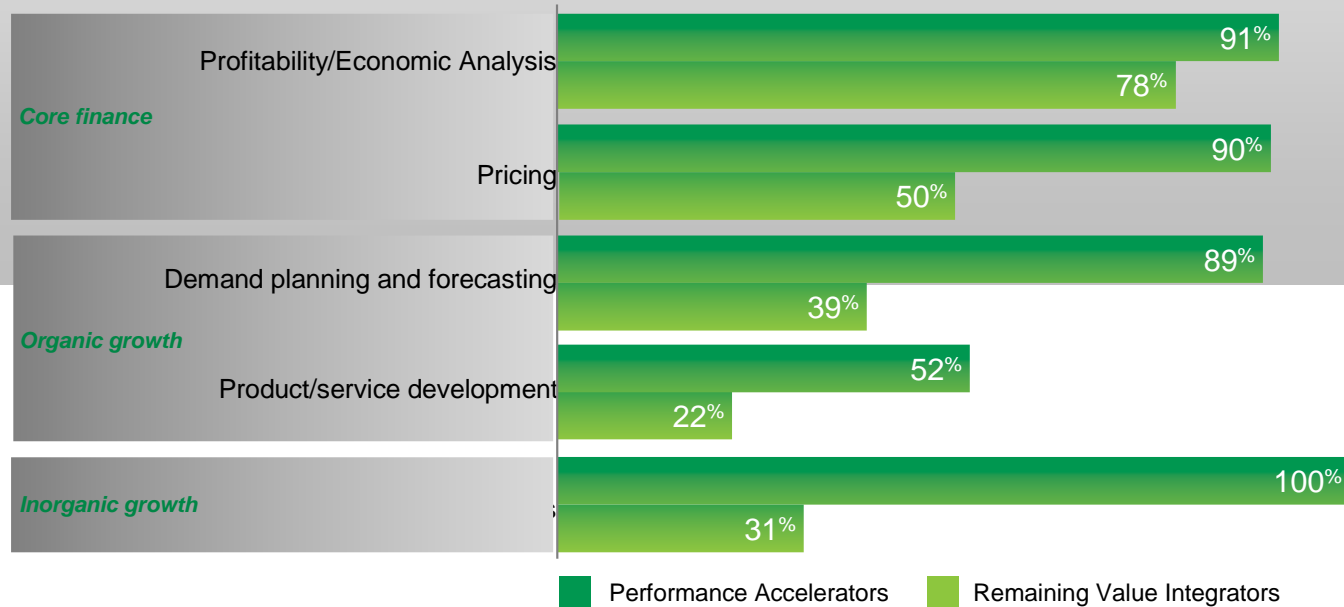
Profitable growth



Performance Accelerators shine when it comes to **profitable growth** and are truly the engines of change

Performance Accelerators are defined by the fact that they're both better at performing core tasks *and* more willing to enter new arenas

Effectiveness of Finance



Performance Accelerator's strong focus on data analytics enables them to excel in delivering stronger business foresight

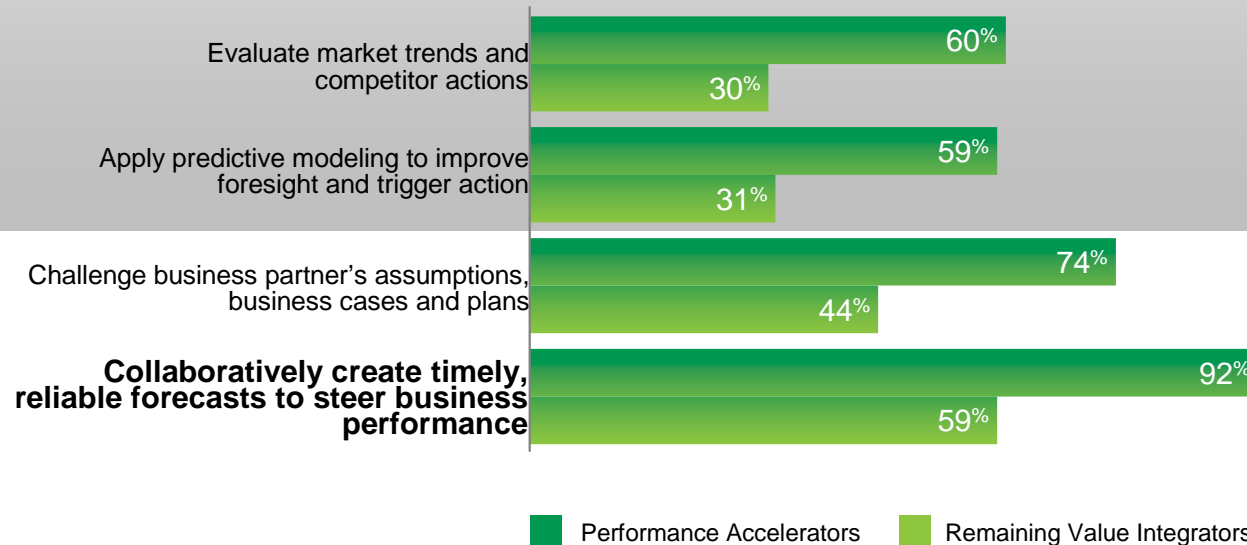
Effectiveness of Finance



My objective is to move the finance staff from a state of transaction thinking to one of analytical thinking

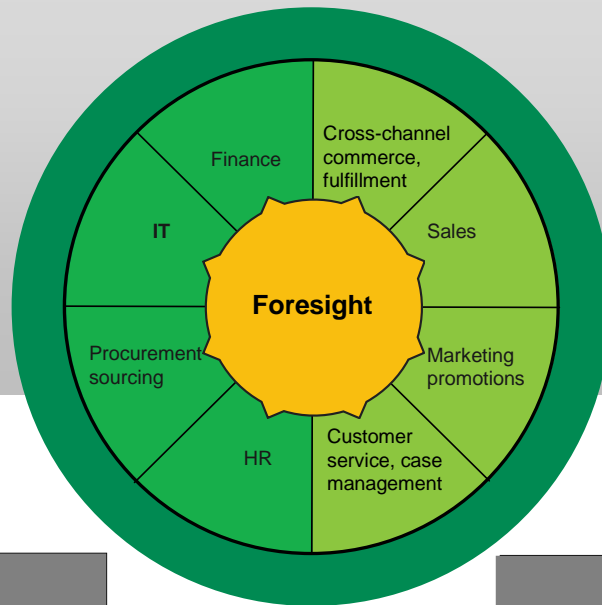
CFO

Insurance company, Canada

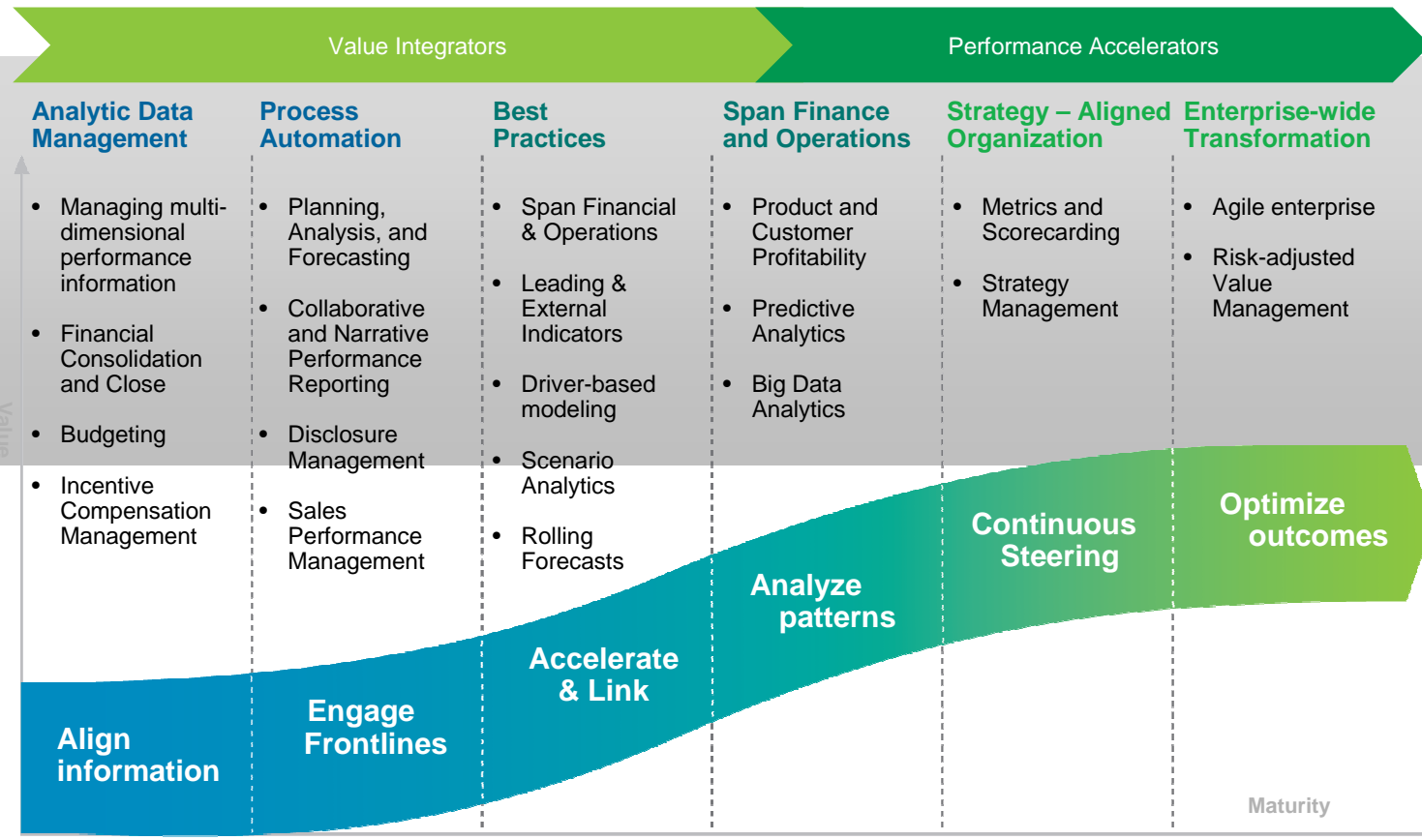


Strong business foresight defines a future-ready enterprise

Key characteristics



IBM is the ultimate partner to drive a future-ready enterprise



Strategic View - Three analytics imperatives drive a future-ready enterprise



Transform the system of engagement



Span finance and operations, risk & performance management



Infuse scenario and predictive intelligence

Guided business processes, mobile, collaboration



Financial & Operational Performance Management



Narrative Reporting & Disclosure Management



Sales Performance Management



Governance, Risk and Compliance

Predictive intelligence and scenario analytics

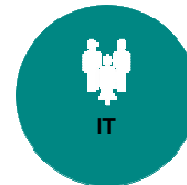
Big data platform

Transform the system of engagement



Engage all the right people when needed

- Tailored user experiences
- High participation and greater frequency
- Guided business process engagement
- Integrated social collaboration





Drive engaging, collaborative performance management



The screenshot displays the IBM Concert interface, which is a comprehensive performance management system. It features several key components:

- Operational Metrics:** Displays YTD Revenue All Companies at 1.20B, Sales Forecast Q3 - US East at 93.0M, and YTD Sales Expenses at 92.0%.
- Overall Performance YTD:** Shows YTD Profit (\$) at 10.3M and a topic for Sales Forecast.
- Ad Hoc Review:** Includes an 'Intro to Concert 4.pdf' and an 'Operating Dashboard'.
- Risk Tasks:** Lists tasks such as 'ISS-PPT-CA-01-01' and 'ISS-TYP-CA-01-03' with their respective statuses and due dates.
- S2 Consolidation Status:** Provides a detailed view of consolidation progress for various units like Cognos Inc, Cognos R&D, Cognos Services, and Cognos Global.
- Disclosure Status:** Shows the status of various financial reports, including the FORM 10-K, with details on due dates and submission progress.
- Collaboration Tools:** Includes a 'Process List Summary' for 2014 Operating Process, a 'Risk Aware Planning' section, and a 'Collaboration' interface for commenting on tasks.
- Task List:** A central table listing tasks with columns for Name, Due Date, Completed status, and User. Tasks include 'Complete and Review Basic Templates', 'Sales Forecast', 'Operational Metrics', 'New Personnel Planning', 'SG&A Expense Planning', 'Capital Expense Planning', 'Review Strategic Initiative Funding', 'Manage Global Staffing Model', 'Update Exchange Rate Assumptions', and 'Update New Market Estimates'.
- Team Performance:** A mobile view showing a team performance summary with a total of \$501M and a 109% increase, along with a bar chart comparing YTD performance against goals.

Span finance & operations, risk & performance management



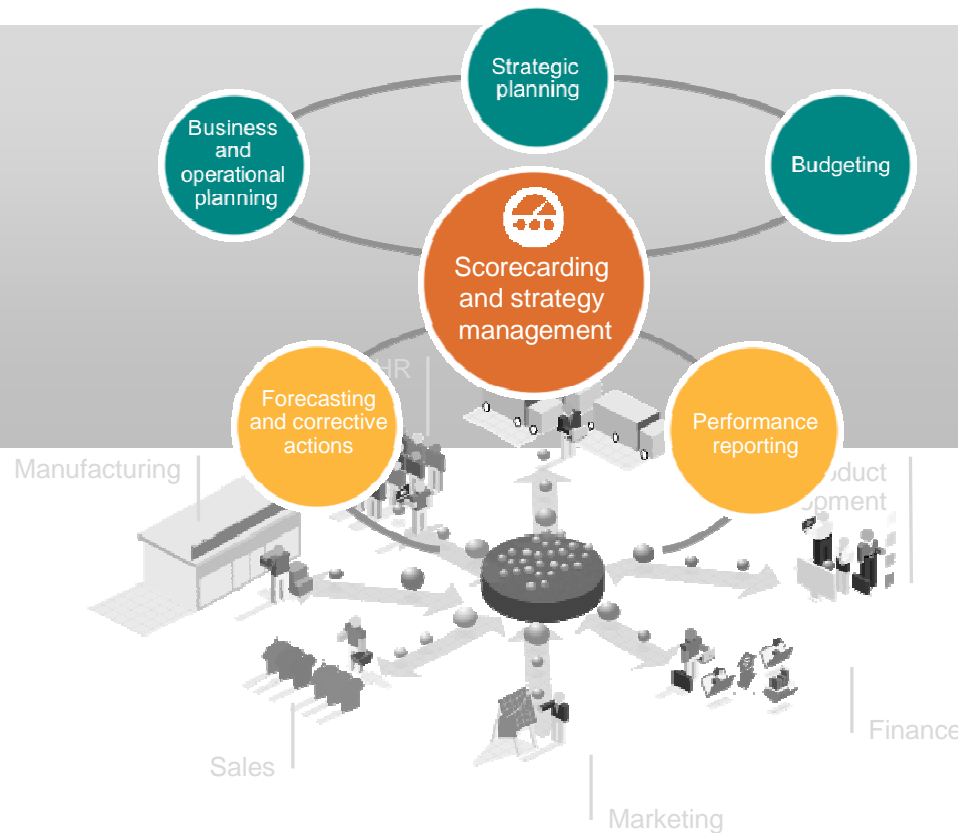
Establish **one comprehensive, analytic, planning, and scorecarding platform**



Integrate scorecards, highlight KPI and metric variances




- Communicate strategy
- Visualize results, outcomes and impacts
- Tie strategic plans to forecasting data



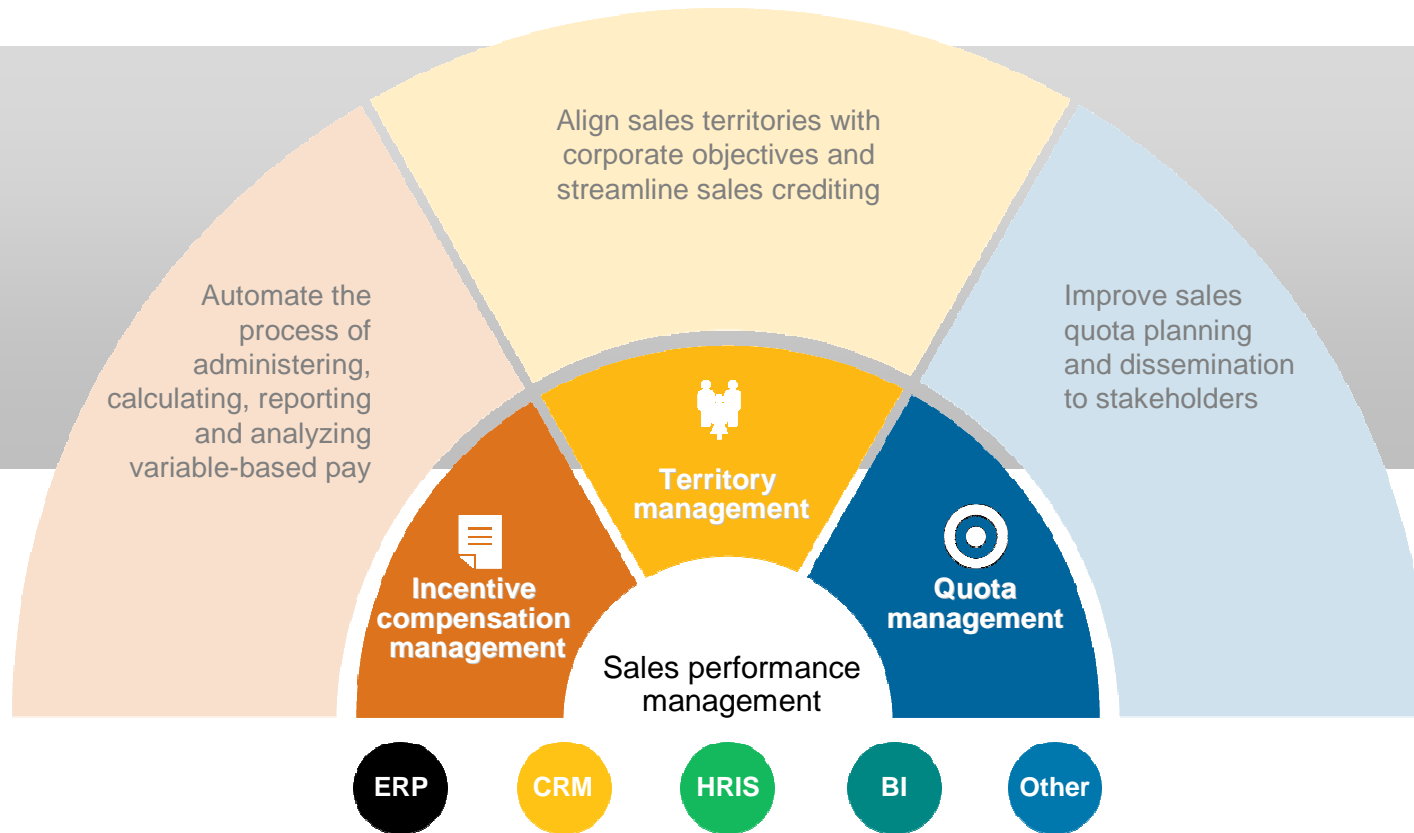
Assemble management and performance reports rapidly


Span finance & operations, risk & performance management



- Save hundreds of hours / year
- Reduce errors
- Accelerate understanding

Link pay-for performance plans to strategy



Take an integrated approach to governance, risk & compliance



- **Reduce** the cost of compliance
- **Accelerate and streamline processes** to reduce operational risk
- **Improve decision making** by providing risk insight and transparency to business decisions
- **Increase your return on capital** by investing in the right opportunities
- **Dynamically evolve** as risk practices and regulations change

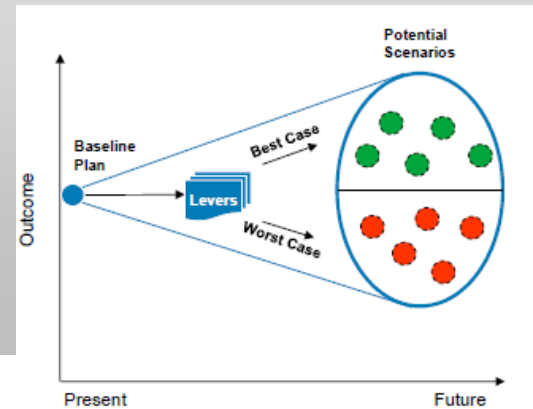
Apply scenarios and range plans to account for uncertainty and risk



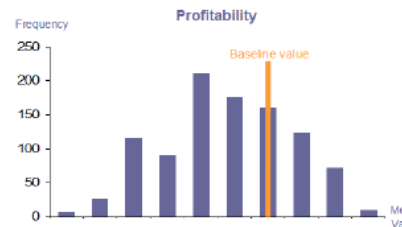
Infuse scenario and predictive intelligence

- Model
 - Build scenarios reflecting range of future market conditions
- Collaborate
 - Collaborate across business units and functions
 - Capture variability of input drivers
- Report & Analyze
 - Create range of outcomes
 - Analyze sensitivity of outcomes to variability in drivers
- Plan
 - Plan for multiple outcomes

Scenario analysis



Range of Outcomes

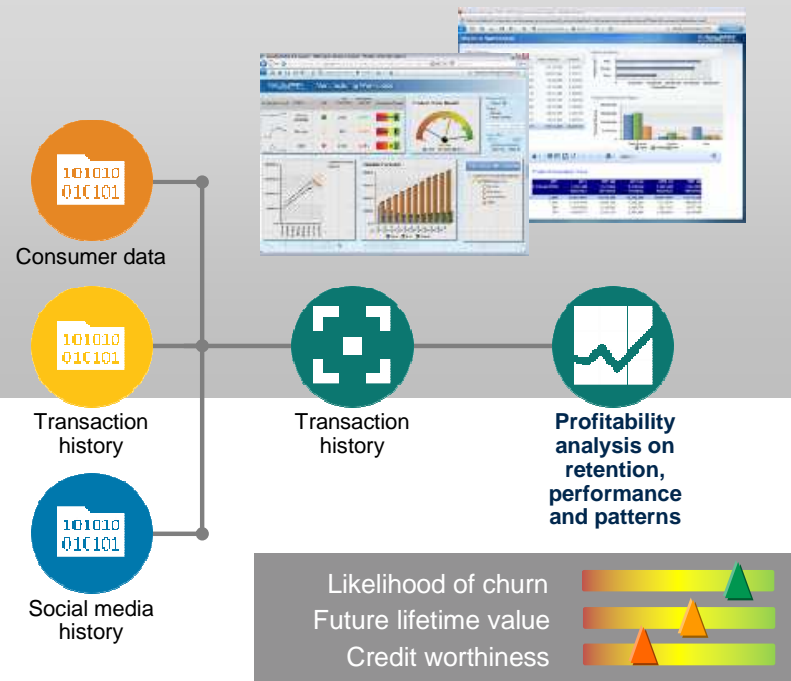


Driver Sensitivity



Bring profitability analytics forward

- Model multi-dimensional operational and financial business structures
- Integrate predictive models for statistical impact - examples
 - Customers most likely to buy specific products or services
 - Customer most likely to turn to a competitor
 - Employees most likely to succeed
- Incorporate predictive outputs into scenario models and plans





Demonstration

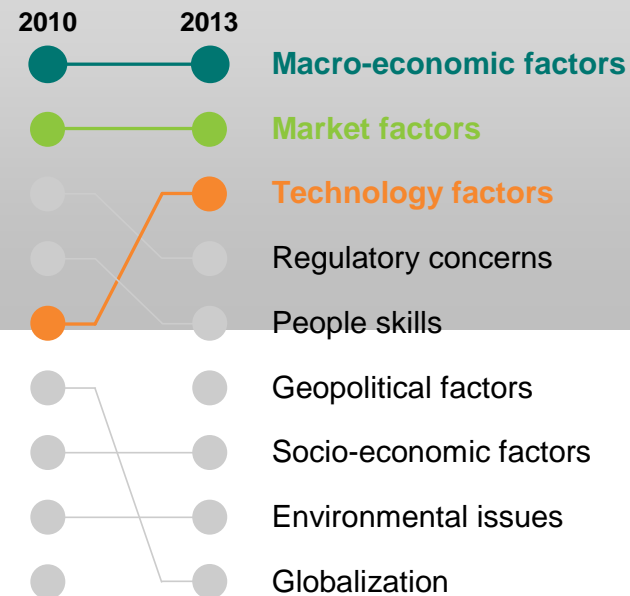
Technology is of ever-increasing importance to CFOs—the key moving forward is capturing its potential



We need to have the right information on time and give it the interpretation value. There is a need to frame information in a financial focus

CFO
Industrial Products company, Mexico

Most important external forces

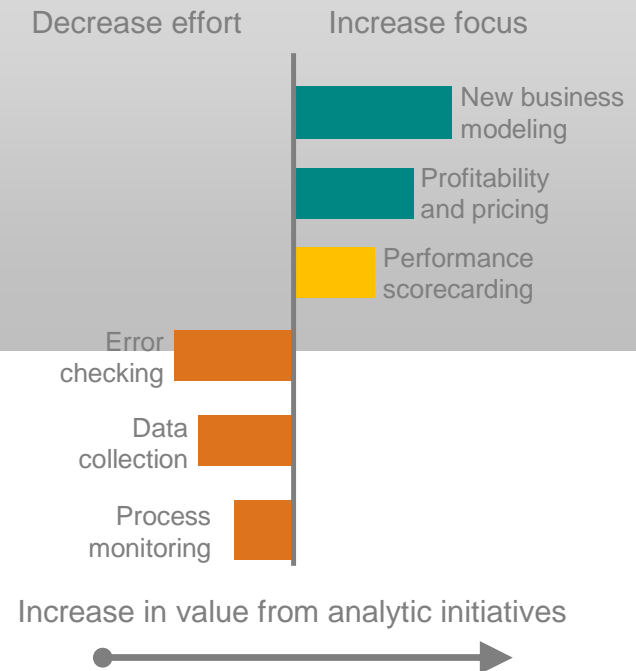
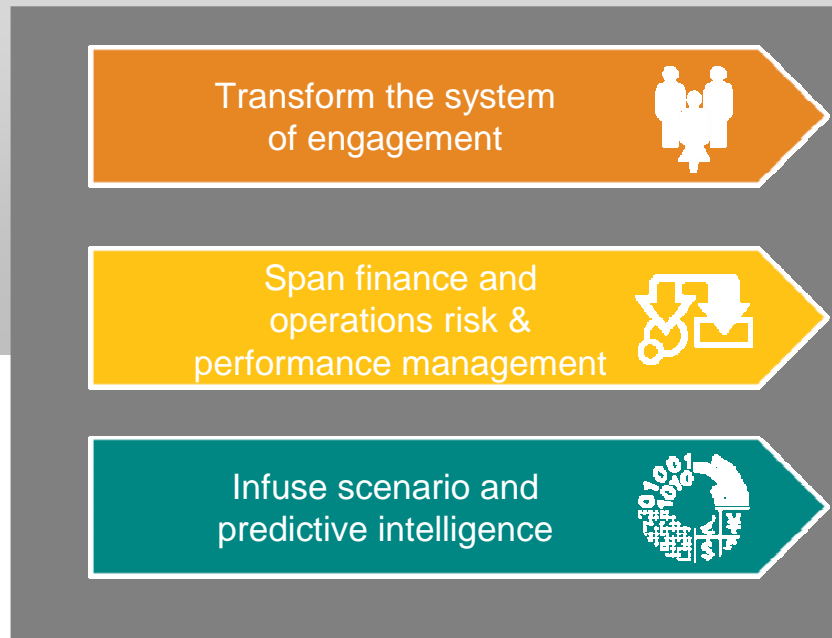


All IBM Solutions: On-cloud or on-premises

Deployment flexibility to meet your needs today, and tomorrow



Substantial gains achievable from your analytics journey



“Think Big, Start Small, Deliver Quickly”



Take a long-term, strategic view of Finance Transformation but attack the problem with targeted, well-coordinated initiatives and focus on delivering rapidly.

Think Big – Determine how to become a Value Integrator/
Performance Accelerator

Start Small – Focus on discrete changes that will support a transition

Deliver Quickly – Show tangible results, engage team

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