




**FINANCE FORUM**  
**2009**

*Developing A Dynamic,  
Risk Based Performance  
Management Process*

David Axson


Information Management

Cognos software

FINANCE FORUM 2009 

***Volatility and Uncertainty are Now  
“Business as Usual”***

***Oil Prices: Last 2 Years  
(Brent Crude)***



■ Brent Crude, Last:44.60, H:144.95, Lo:38.12  
© Digital Look

- Commodity prices
- Real estate
- Consumer spending
- Exchange rates
- Share prices
- Employment

Information Management

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***Even the Best are Struggling***

***“Visibility is low and forecasting is challenging”***

*Peter Oppenheimer, CFO, Apple,  
22<sup>nd</sup> October 2008*

***But Many of our Management Practices have not Kept Pace*****The World Today**

- Increased volatility
- Global interdependence
- Customer led
- Intense competition
- Integrated supply chains
- Instantaneous communication
- Technology dependant

**Typical Practices**

- Five year strategies
- Detailed annual budgets
- Quarterly forecasts
- Monthly reports
- Actual vs. budget
- Single point estimates
- Time consuming
- Spreadsheet driven

### *How are the best coping?*



### *They Share Many Characteristics*


- Do the “basics” very, very well
- Explicitly address risk
- Maintain focus and discipline
- Use their talent to the full
- Encourage and sustain collaboration
- Moved beyond the spreadsheet



# How do they do it?

## Visibility from Strategy to Financial Results

- *Achieve the dominant market position*
- *Deliver market leading shareholder returns*



|              | <u>Co.</u> | <u>Market</u> |
|--------------|------------|---------------|
| Sales growth | 9%         | 3%            |
| TSR          | 17%        | 7%            |

## *Expect the Unexpected; the Extraordinary is Now Ordinary*

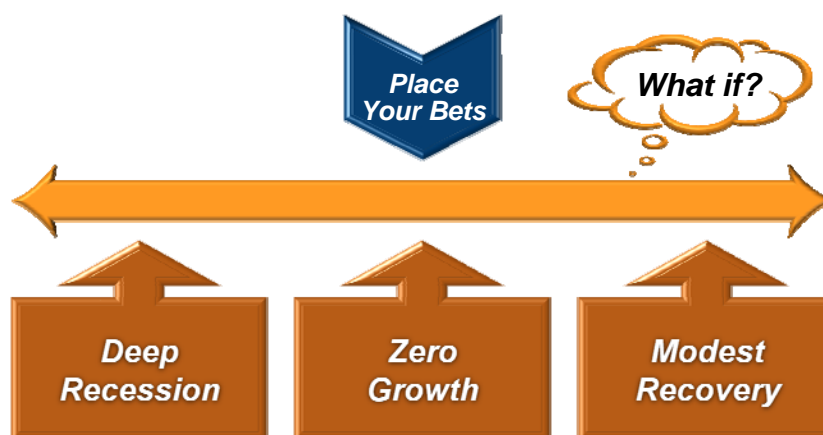
### Trends

- Major economic upheaval in one or more countries/regions (Latin America, Russia, Mexico, Japan, America, etc.)
- Rapid rise of new economic powers (Korea, China, Russia, India, Brazil)
- Commodity boom (bust?)
- Oil dependence
- Population growth/demographic change
- Environmental stewardship
- Global interdependence

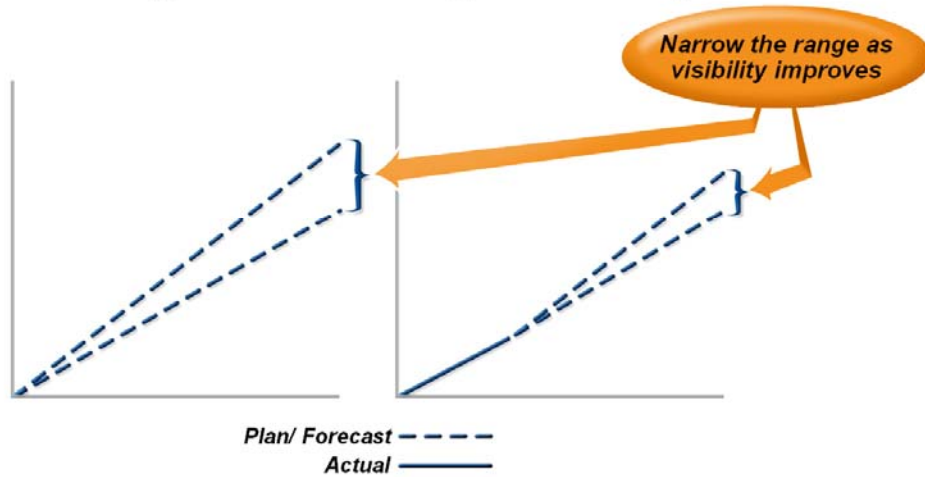
### Events

- Dot.com bubble bursts
- 9/11
- Sarbanes-Oxley
- SARS
- Asian Tsunami
- Hurricanes Katrina and Rita
- Large scale corporate failures
- Global credit crisis
- High jacking of cargo ships

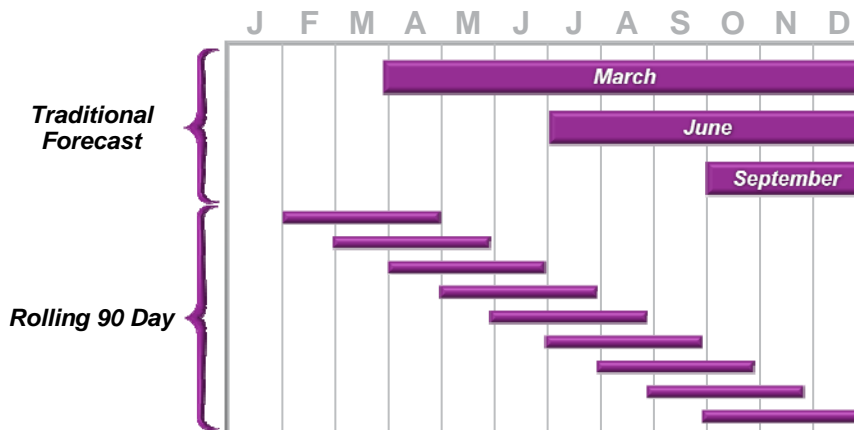
## *Plan for Multiple Scenarios*



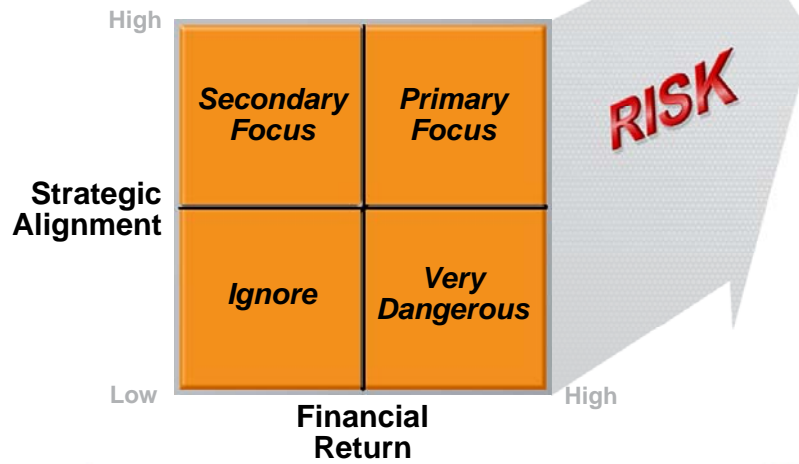
### Use Ranges to Acknowledge Uncertainty



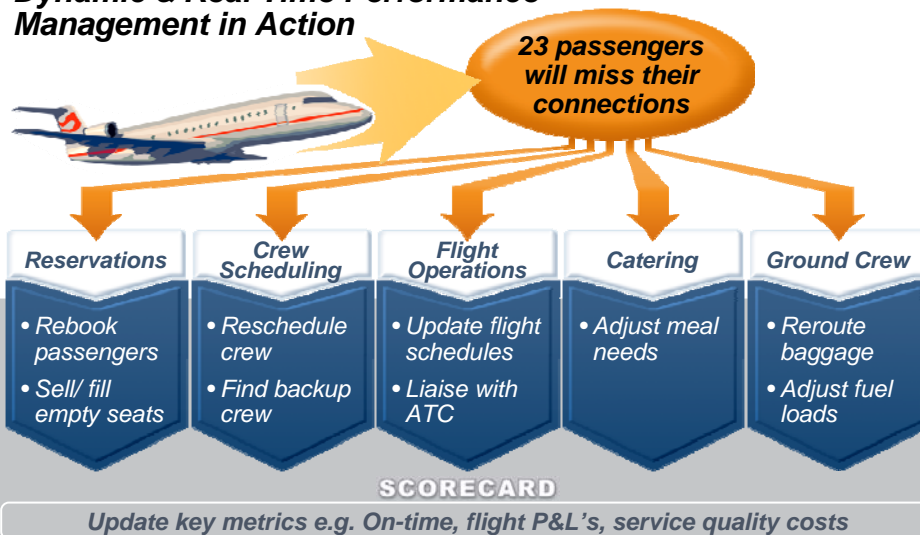
### Forecast More Frequently But With a Shorter Time Horizon



**Retain Focus**



**Dynamic & Real Time Performance Management in Action**



### Make Reporting Relevant to Decision Making



Department: Northwest Sales  
 Period: Second Quarter

| Travel Spending     |                       | Actual        | Budget        | Variance       |
|---------------------|-----------------------|---------------|---------------|----------------|
|                     | Airfare               | 12,725        | 9,225         | (3,500)        |
|                     | Hotel                 | 4,000         | 3,250         | (750)          |
|                     | Ground Transportation | 1,500         | 1,250         | (250)          |
|                     | Lodging               | 2,150         | 2,000         | (150)          |
|                     | Meals                 | 600           | 700           | 100            |
|                     | Other                 | 275           | 275           | 0              |
| <b>Total Travel</b> |                       | <b>21,250</b> | <b>16,700</b> | <b>(4,550)</b> |

### Drive Understanding and Action



Department: Northwest Sales  
 Period: Second Quarter

| Travel Spending            |                              | Actual Q2     | Q1            | Q4            | Q3            |
|----------------------------|------------------------------|---------------|---------------|---------------|---------------|
|                            | Selling new business         | 5,700         | 6,000         | 8,000         | 8,500         |
|                            | Selling to current customers | 4,500         | 5,000         | 7,000         | 7,000         |
|                            | Education & training         | 500           | 600           | 600           | 1,000         |
| <b>Total "Good" Travel</b> |                              | <b>10,700</b> | <b>11,600</b> | <b>15,600</b> | <b>16,500</b> |
| Mitigating service issues  |                              | 9,000         | 7,500         | 4,500         | 3,500         |
| Administrative             |                              | 1,550         | 900           | 300           | 400           |
| <b>Total "Bad" Travel</b>  |                              | <b>10,550</b> | <b>8,400</b>  | <b>4,800</b>  | <b>3,900</b>  |
| <b>TOTAL TRAVEL</b>        |                              | <b>21,250</b> | <b>20,000</b> | <b>20,400</b> | <b>20,400</b> |
|                            | New Orders                   | 195,000       | 240,000       | 235,000       | 228,000       |
|                            | Good Travel to Orders        | 5.5%          | 4.8%          | 6.6%          | 7.2%          |
|                            | "Good" to "Bad" Travel       | 50%           | 58%           | 76%           | 81%           |



**And Focus on Cross-Functional Collaboration**

Competitors can't match our product but they are pricing 5% below us

CEO

Looks like we can be aggressive. Let's go after share with targeted promotions



Marketing

| Trend    | Trend (Last 90 Days) | Status |
|----------|----------------------|--------|
| Sales    | 0%                   | ●      |
| Pipeline | + 14%                | ●      |
| Margins  | +3%                  | ●      |
| Cash     | +7                   | ●      |



Finance

We have excellent cash reserves and low receivables

Our pipeline has increased by \$2m; but close cycles are extending



Sales



Operations

Operating expenses are down; 3% driven by improved productivity

**It's Simple!**



Talent



Technology

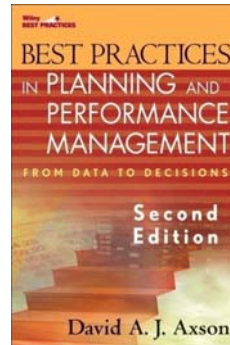


Timing



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