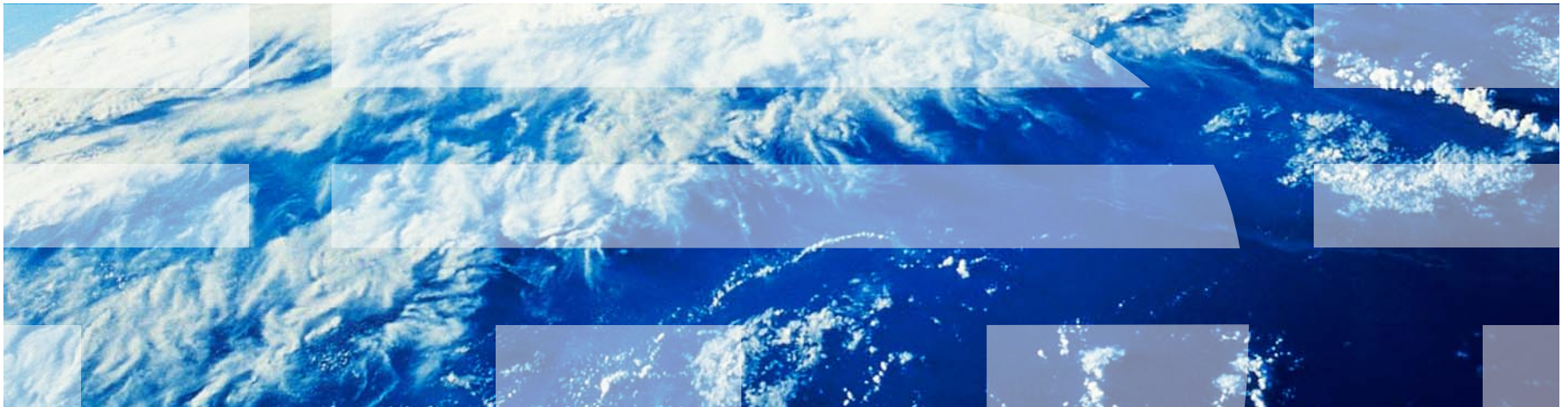


Driving a Smarter Enterprise: Priorities from the Global CFO Study 2010





Today's session

- Managing risk and containing costs while driving cash flow and improving profits in uncertain times is the new normal.
- To understand how leading finance organizations address these concerns, IBM spoke with more than 1,500 global CFOs and senior finance executives.
- From the IBM Global 2010 CFO study, an expanding CFO agenda is emerging. CFOs and their finance organizations must create value by improving standards and analytical effectiveness. They must drive a smarter enterprise through improved analytics and operational efficiency.
- This presentation describes the new tools and disciplines that can help finance organizations anticipate and shape business outcomes, and drive transparency for better decision making.



Agenda



Introduction



Insights from the Global CFO Study



Driving a Smarter Enterprise



Our world is becoming

INSTRUMENTED



Our world is becoming

INTERCONNECTED



Virtually all things, processes
and ways of working are becoming

INTELLIGENT

... to help build a Smarter Planet





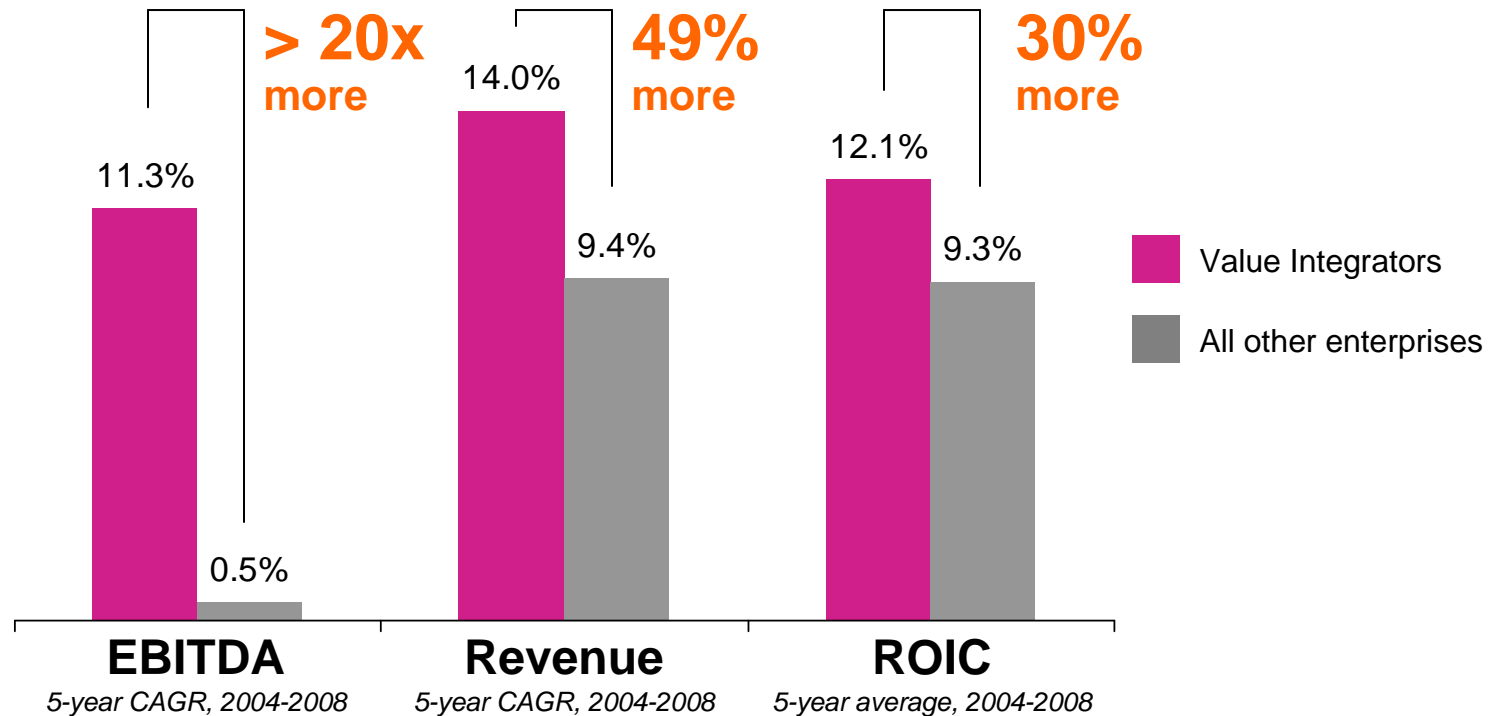
Smarter Planet
Smarter Decisions
Smarter Outcomes



Business
Analytics

Rewards are significant

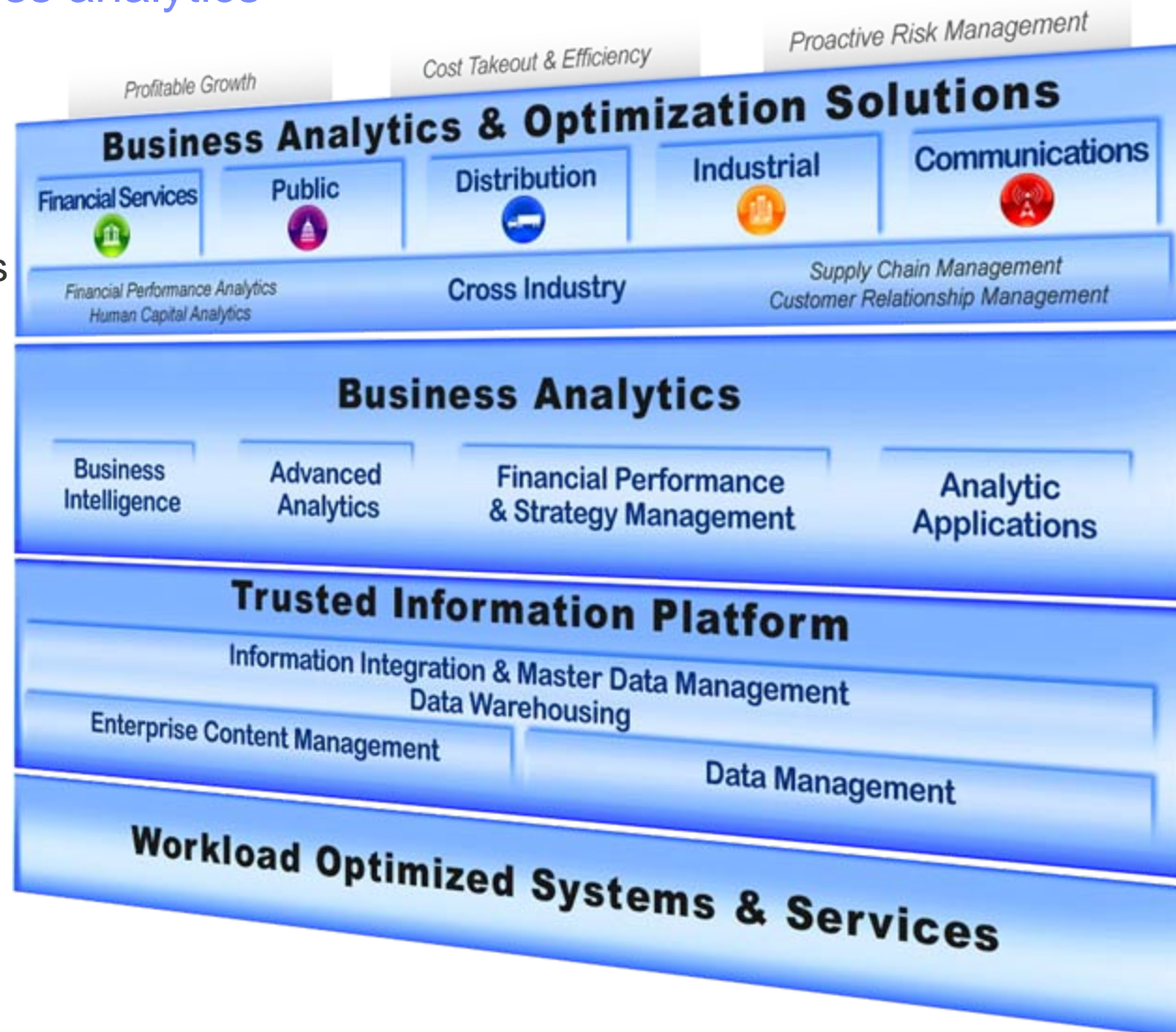
Efficiency + business insight contributes to “Outperformance”



Revenue Growth: N = 580; EBITDA: N = 531; ROIC: N = 501;
 Source: IBM Institute for Business Value, The Global CFO Study 2010

IBM is investing in business analytics

- Over **\$12 billion** in software investments since 2005
- Largest math department** in private industry
- Strong and growing** Business Partner ecosystem
- New **division** for business analytics
- Over 4000** dedicated business analytics optimization (BAO) consultants
- Creation of **6 BAO Analytic Solution Centers**
- Research Centre of Excellence** for Business Analytics at University of Ottawa Telfer School of Management





Agenda



Introduction



Insights from the Global CFO Study



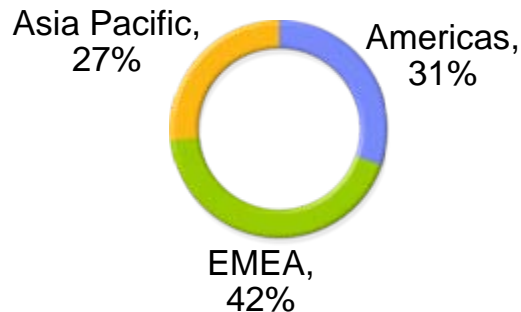
Driving a smarter enterprise



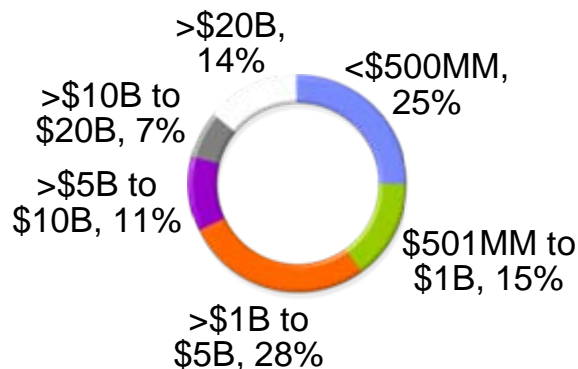
The Global CFO Study 2010 is the largest CFO-level study of its kind with over 1,900 participants

CFO Study 2010 firmographics

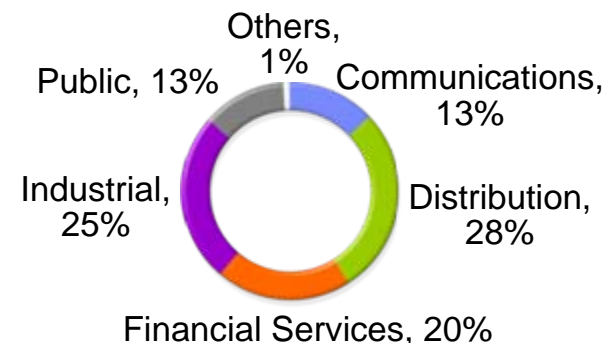
Geography



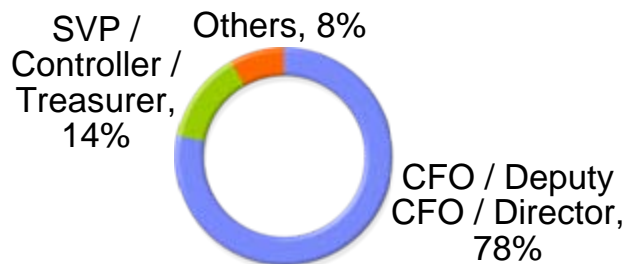
Enterprise size



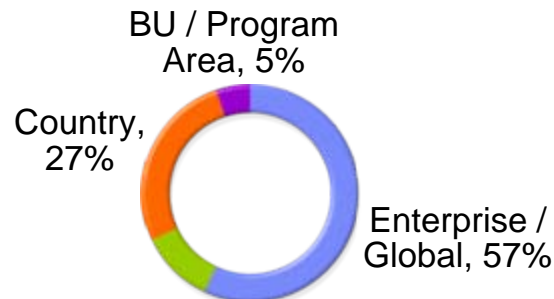
Sector



Title



Scope of role

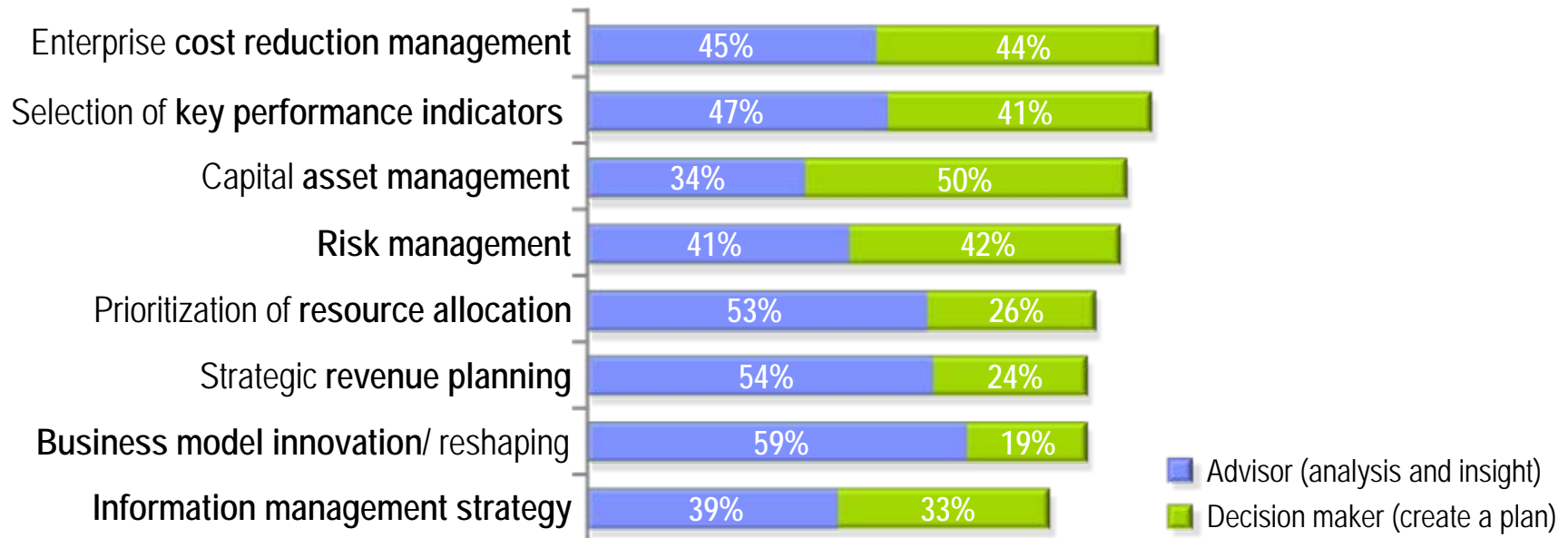


Source: 2010 IBM Global CFO Study

CFOs are taking a more prominent role in enterprise decision making

Elevated Role of Finance

Role of Finance in Driving Decisions Across the Enterprise



Over 70% of CFOs believe they have an advisory or decision making role on their enterprise agenda.

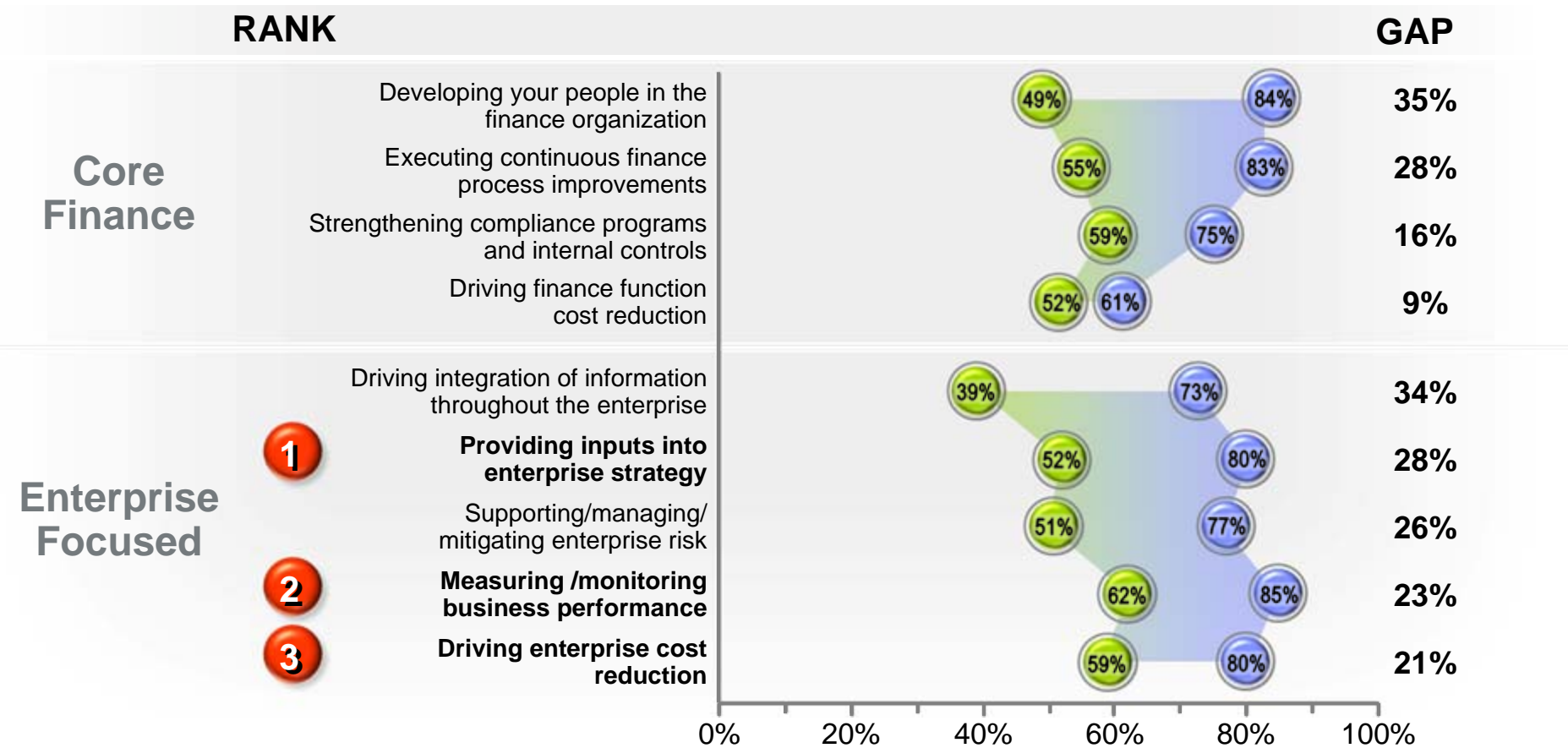
Source: 2010 IBM Global CFO Study



However, finance needs to improve effectiveness on the enterprise agenda

CFO agenda: Importance vs. effectiveness

● Importance
● Effectiveness



Source: 2010 IBM Global CFO Study



Finance continues to struggle with structural complexity because of issues related to automation and standards

Efficiency challenges

Nearly 40% of enterprises produce financial metrics manually

Over 35% lack a common reporting platform

Finance continues to spend nearly 50% of time on transactional activities

Over 25% lack the necessary common data definitions and processes

Source: 2010 IBM Global CFO Study



The majority of enterprises are not able to deliver business insights effectively

Business insight challenges

Nearly 50% lack a common planning platform

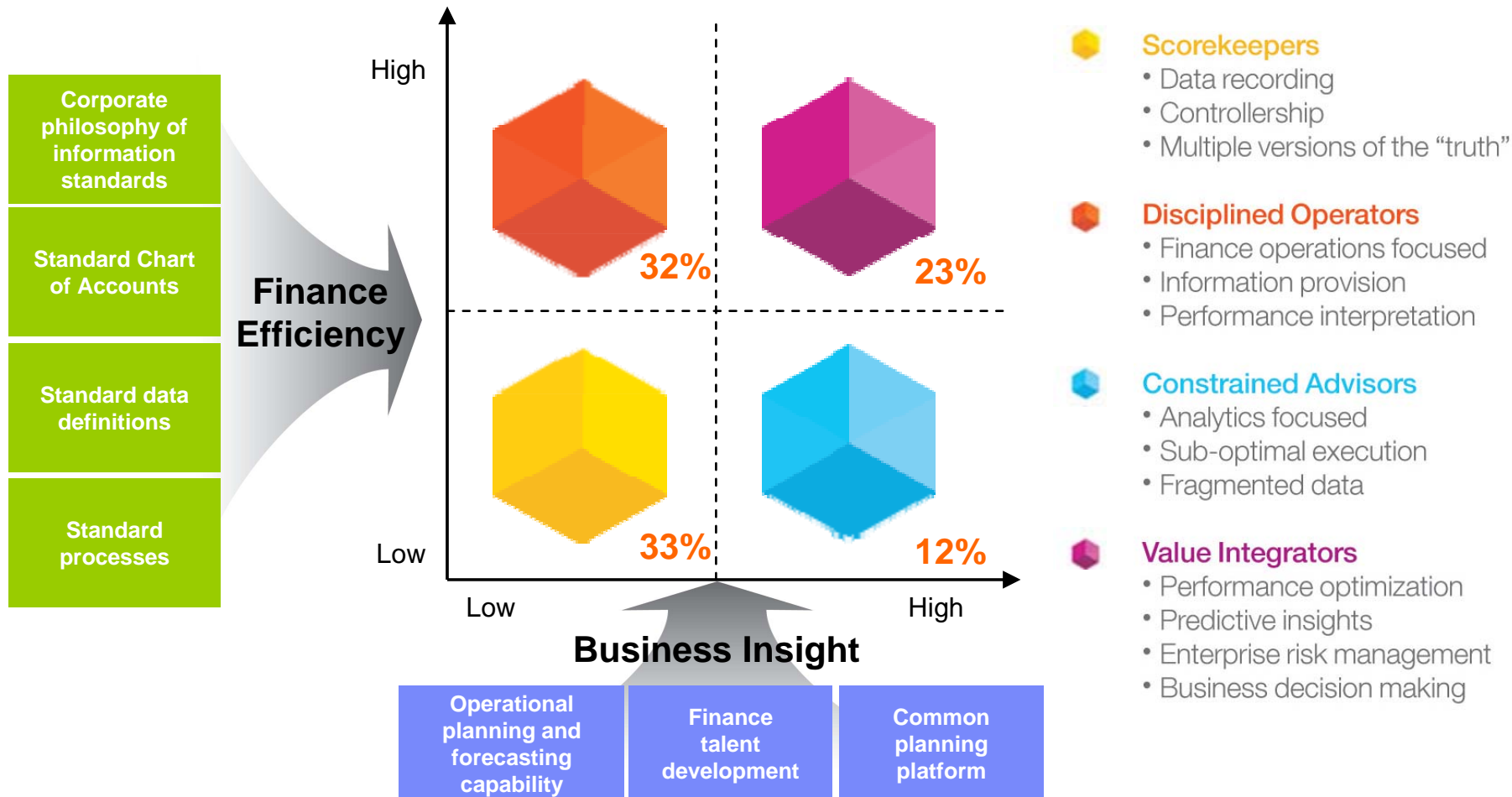
Over 50% manually producing operational metrics

55% not satisfied with their operational planning and forecasting analytical capability

44% are poor to average at anticipating external forces

Source: 2010 IBM Global CFO Study

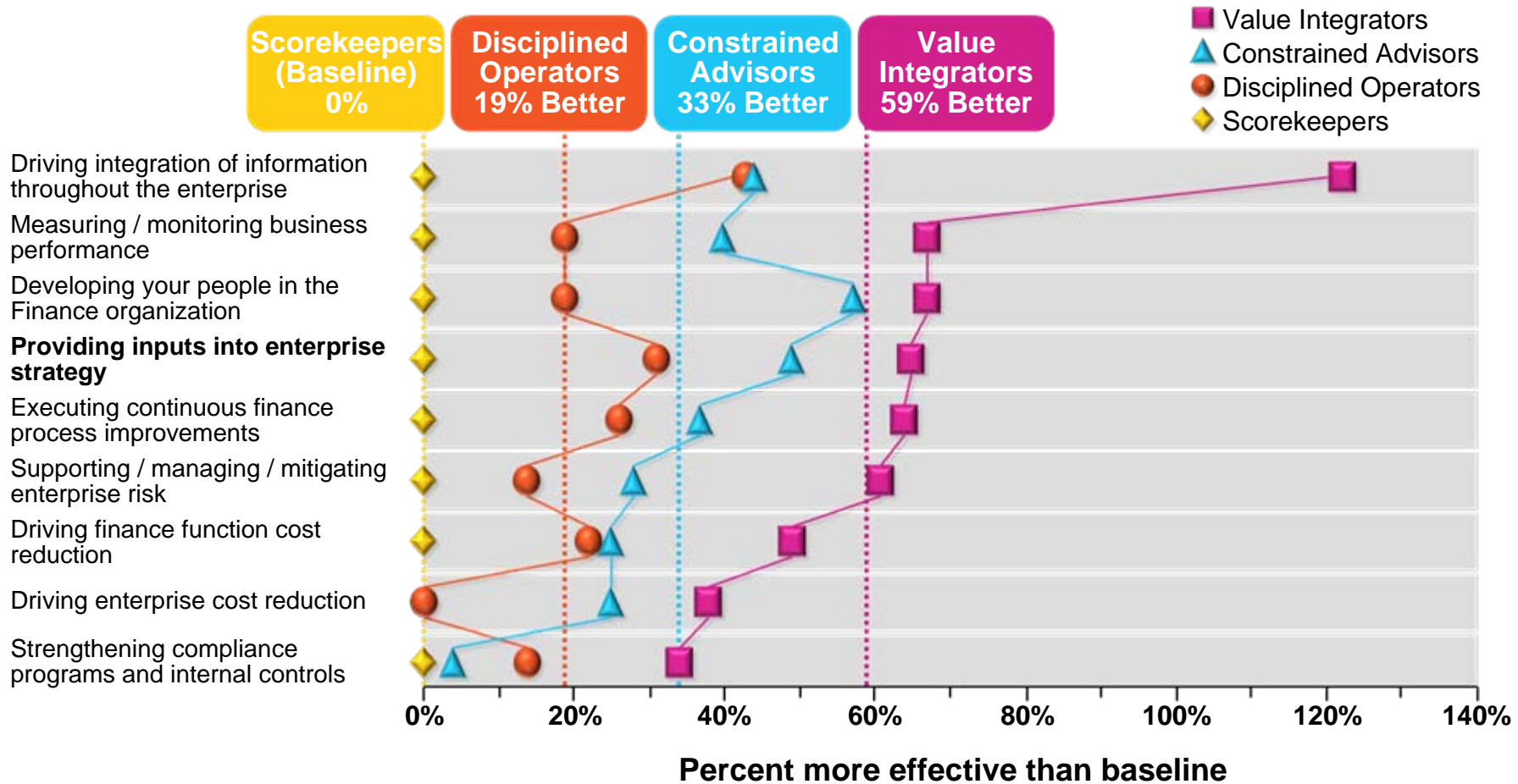
Four finance profiles become apparent when participants are segmented by efficiency and business insight



Source: 2010 IBM Global CFO Study

Value integrators are more effective on enterprise agenda

Effectiveness across the full CFO agenda

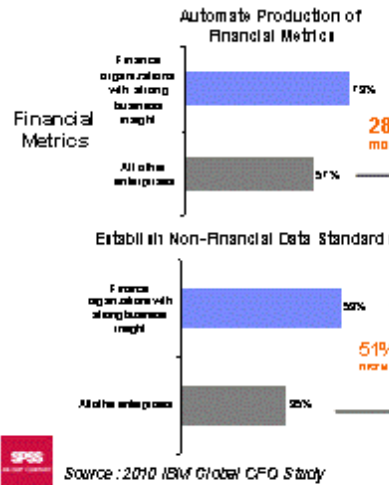


Source: 2010 IBM Global CFO Study

Opportunities to follow the leaders

Business Analytics

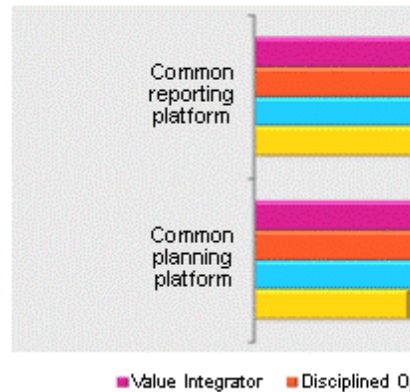
The study revealed the three most prevalent things companies with higher Business Insight have done to improve **Business Insight Accelerators**



Business Analytics

Value Integrators implement a common reporting platform and a common planning platform to a greater extent

Technology: Applications Rationalization

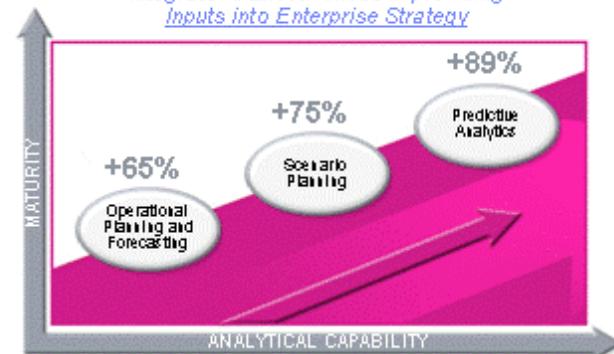


Business Analytics

Advancing analytical capabilities improve the Value Integrator's effectiveness against the #1 CFO agenda priority - providing inputs into enterprise strategy

Evolution of Analytics and Enterprise Value

Integrator's Effectiveness in providing Inputs into Enterprise Strategy



Source: 2010 IBM Global CFO Study

Agenda



Introduction



Insights from the Global CFO Study



Driving a smarter enterprise



How to drive business insight like a value integrator with IBM Cognos® 8



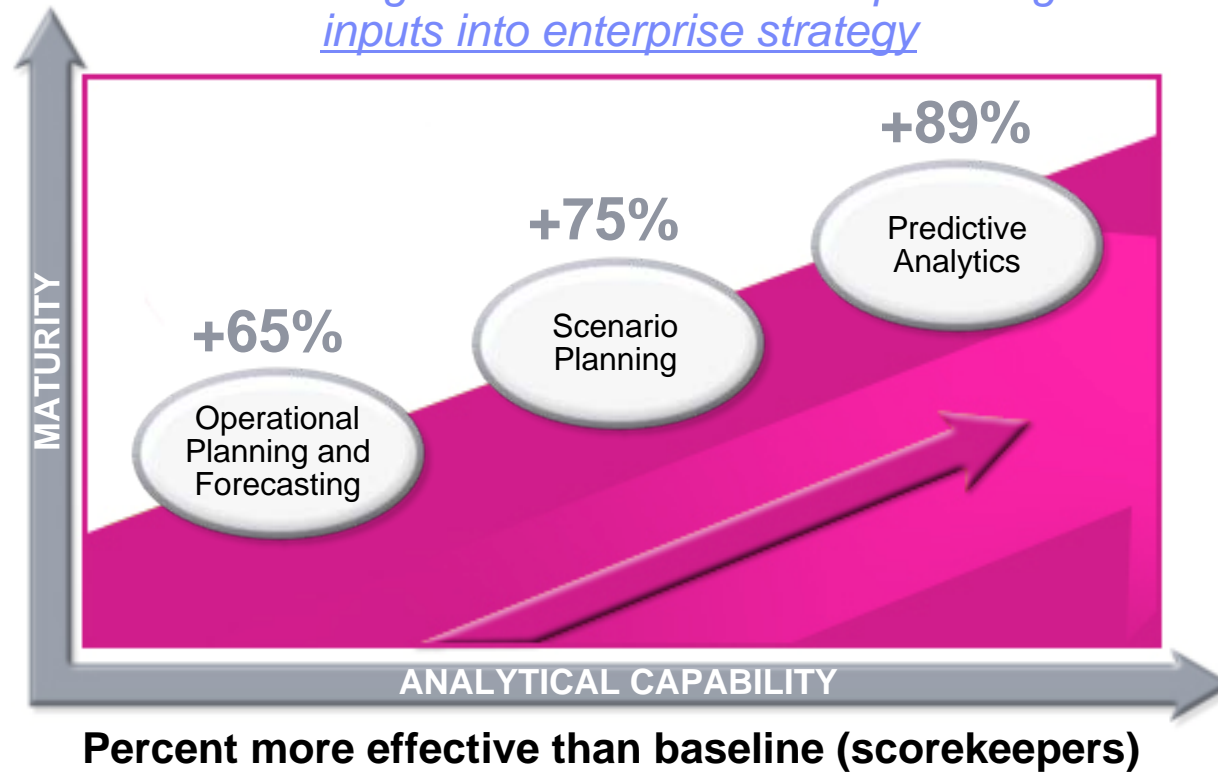
IBM Software Solutions for financial performance management



Plan, Forecast, and Control: Better resource allocation decision-making

Evolution of analytics and enterprise value

Value integrator's effectiveness in providing inputs into enterprise strategy

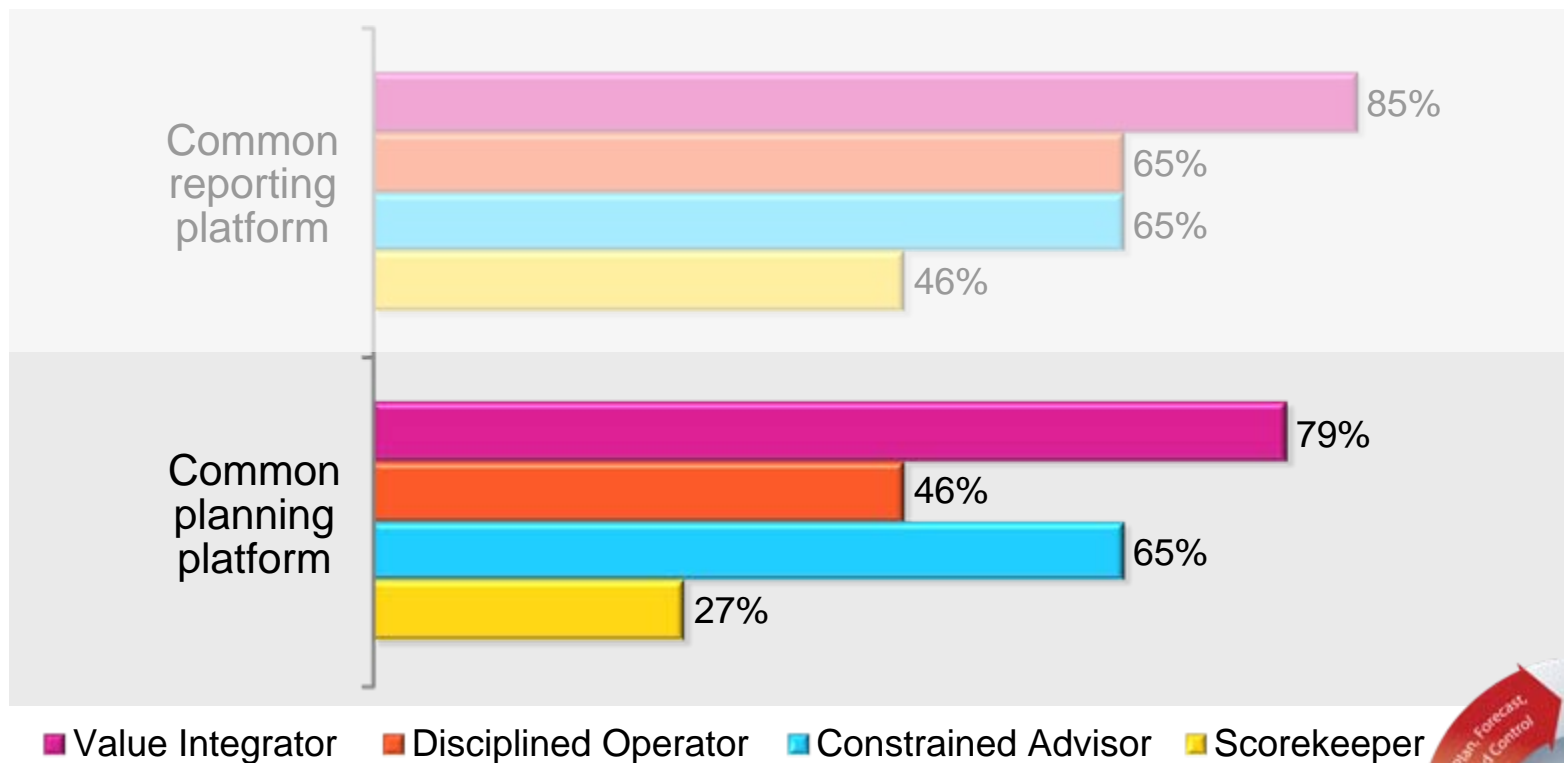


Source: 2010 IBM Global CFO Study



Value integrators implement a **common planning** platform to a greater extent

Technology: Applications rationalization



Source: 2010 IBM Global CFO Study



Plan, Forecast, and Control: Better resource allocation decision-making

Operational
Planning and
Forecasting

- Performance pain
 - Too much time spent validating data, rather than providing value-added analysis to support the business
 - Need for improved “ownership” over data; more dynamic, reliable collaborative planning, analysis and reporting system



- Performance impact
 - Systematic access to strategy, procurement, engineering and finance planning data
 - Web-based data capture and reporting
 - Centralized data store, consolidation of information and assumptions

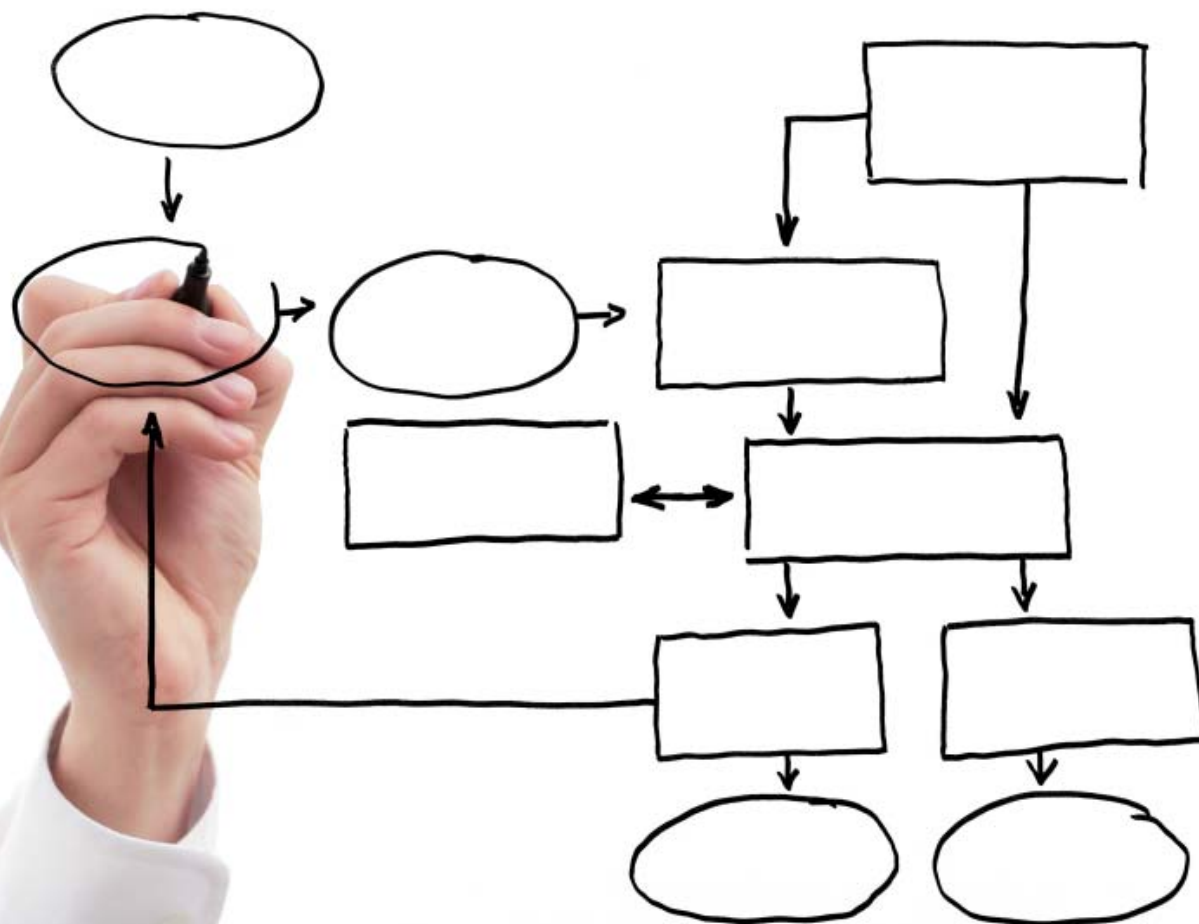
“We believe in the integrity of the data. The data is more trusted.”

Robert Loreto,
Senior Director of IT





Identify risks and opportunities with scenario planning





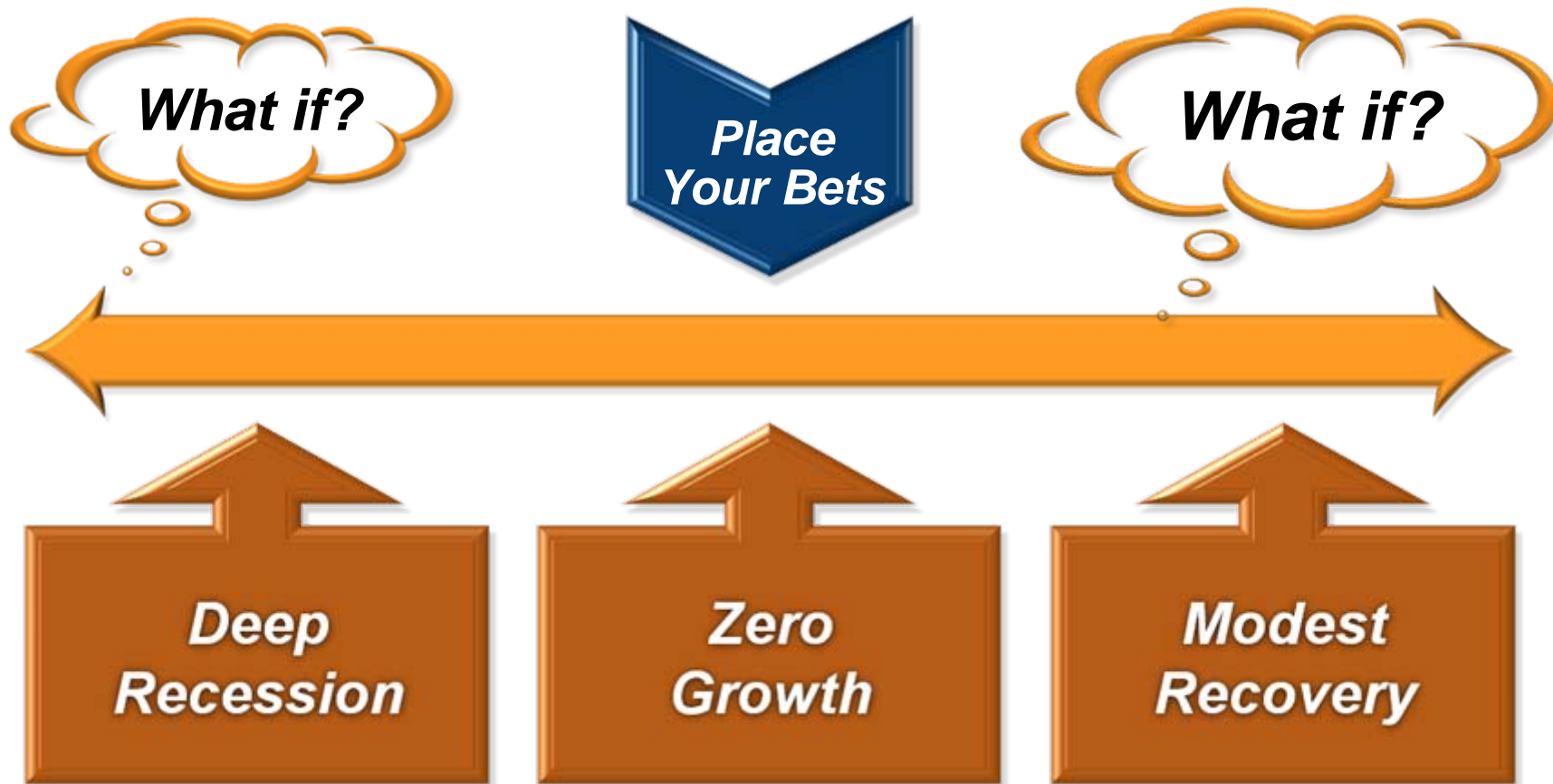
Plan, Forecast, and Control: Better resource allocation decision-making



Planning Summit 2008

- oGrowth path for 2009 and 2010?
- oWhat is our upside potential?
- oAre there risks?

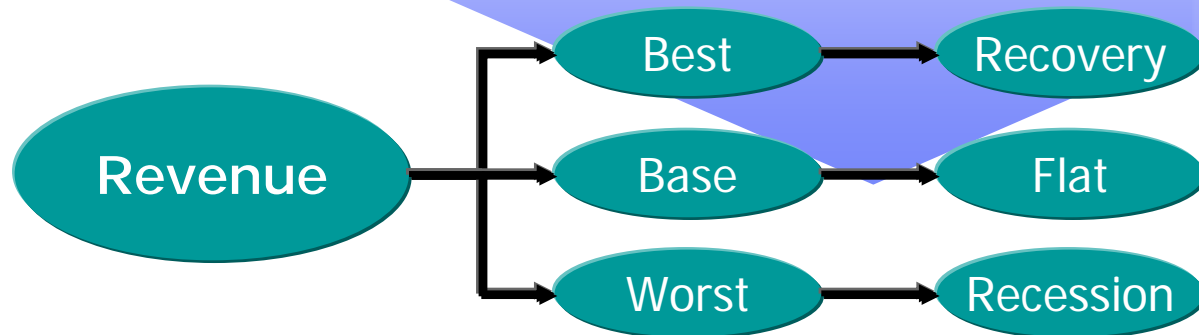








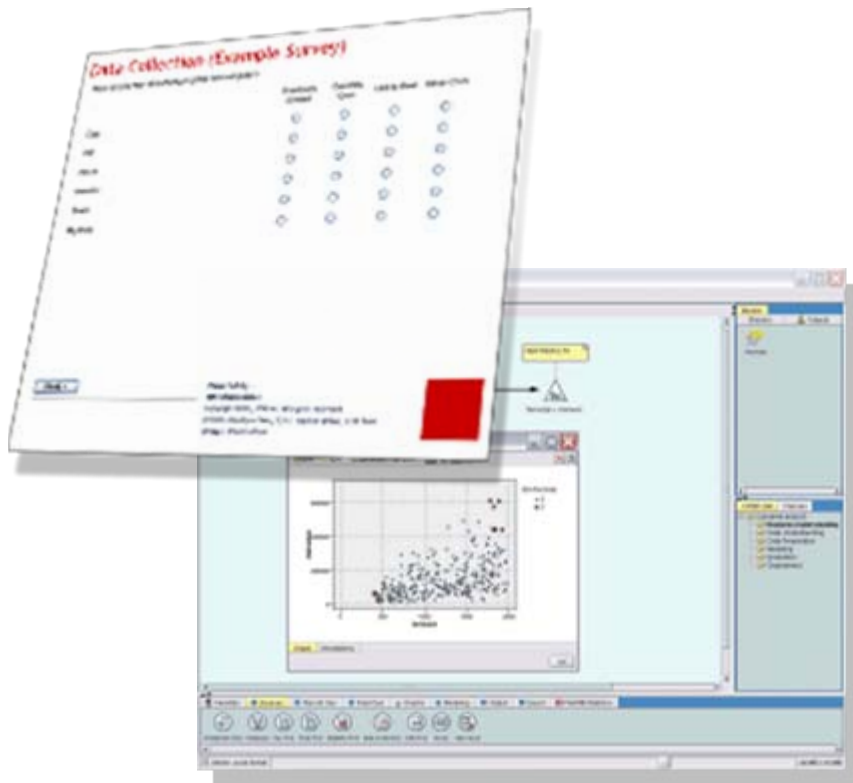
Identify risks and opportunities with scenario planning



CASH FLOW			
	Actual	Plan	Forecast
Net Income	3.6	4.0	3.8
Cash Flow from Operations			
Deprecia			
Changes			
Total			
Cash Flow			
Capital E			
Assets			
Cash	9.0	9.9	9.4
Investmen			
Receivables	5.4	5.9	5.6
Inventory			
PP & E			
Total Assets			
Liabilities			
Payables			
Other Liabilit			
Total Liabilit			
Net Worth			
Profit	3.6	4.0	3.8
Total Liabilit			
& Stock holder			
EPS	1.2	1.3	1.3

Advanced planning and analysis capabilities across a finance and operations spectrum

Predictive analytics drives more effectiveness for “inputs into enterprise strategy” (#1 CFO Concern)



- Capture attitudes and opinions
- Apply text and data mining to uncover new patterns
- Apply advanced statistical analysis to raise confidence
- Deliver KPPs with other BI content to enrich reporting and analysis



Plan, Forecast, and Control: Better resource allocation decision-making

Statistical Tracking & Assessment of Revenue



Statistical Tracking & Assessment of Revenue (STAR): Accurate forecasting of quarterly results

Business Challenge

- Early and continuously forecasting of in-quarter results a highly critical activity to enable rapid shifts of focus and resources to close gaps.
- Forecasting is a manually intensive effort, involving a wide range of considerations and inputs
- Additionally, biases due subjective perspectives by analysts and management have sometimes resulted in surprise misses toward the end of the quarter.

Analytical Approach

- STAR delivers quarter-end revenue estimates for WW and Geo/Brand audience
- Predictive analytics for revenue. Uses statistical techniques to analyze historical pipeline / contract data at a detail level
- The assessments are updated on a weekly basis and go to the IMT/sub-Brand (e.g., France/AMS SO) level.
- STAR defines the starting point for the business, which then needs to add intelligence such as supply constraints, major announcements, detailed knowledge of the largest deals in the works, etc.

Business Impact

- Efficient generation of revenue assessments by eliminating the manual effort of the bottoms-up revenue forecasts
- Objectivity / lack of bias in the assessments
- Accuracy and consistency for greater for greater actionability
- Improvement over incumbent assessments as measured by the average deviation from actual (over last 7 quarters):

	GTS	GBS	STG	SWG
Incumbent assessment	1.8%	3.1%	6.8%	12.8%
STAR	1.3%	1.4%	3.4%	10.4%

15 February 2010

Building a Smarter IBM
Using Analytics to Enable a Globally Integrated Enterprise

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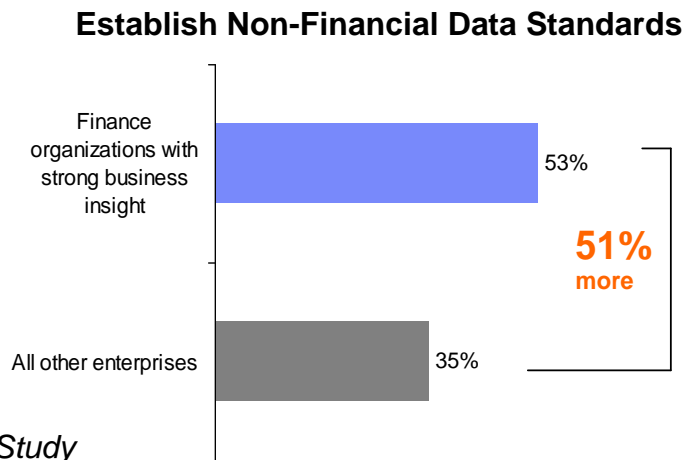
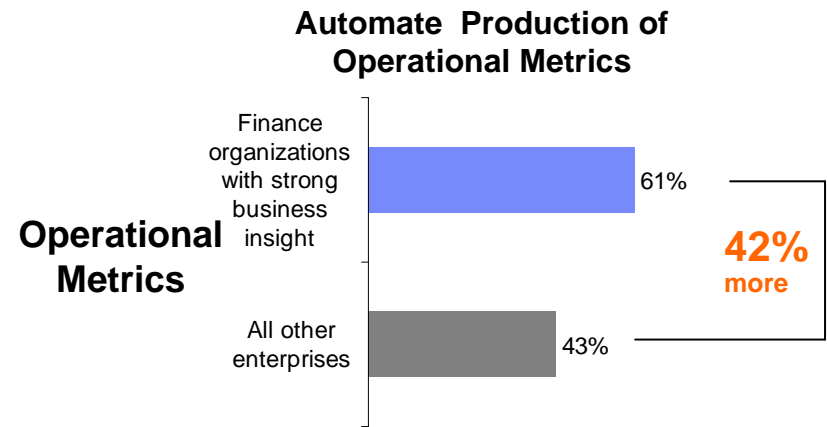
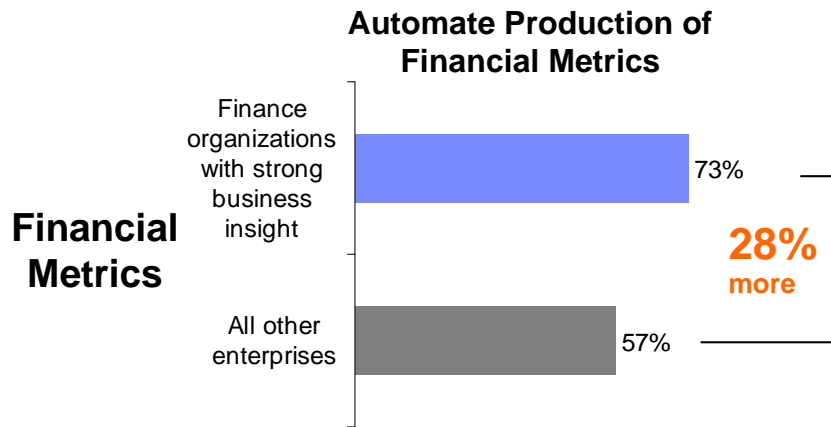


Plan, Forecast, and Control: Better resource allocation decision-making

- From low impact, slow spreadsheet-only processes to fast, efficient high participation systems
- From static budgeting to dynamic, rolling horizon planning
- From finance-centric budgets to business-relevant forecasts tied to operational front-lines
- From “point estimates” to scenario and what-if analysis
- From contribution ONLY based forecasts to objective, empirical assessments for greater confidence and actionability

Business Insight is driven by standards and automation

Business Insight Accelerators



Source: 2010 IBM Global CFO Study

Analysis and Optimization: IBM Cognos Analytic Applications for Comprehensive Business Insight



- Faster insight drives faster time-to-value and action
- Consistent measurement of business strategy
- More effective management of risks and controls
- Anticipate and explore new opportunities



Analysis and Optimization: IBM Cognos Analytic Applications and IBM Cognos TM1 for Agility

Workforce Analytics for insurance firm

provided managers with consistent reporting to assess employees' performance



Large agri-business company consolidated transactional financial data into standard and reliable management reporting



Oil and gas international company projected \$2-\$5 million in savings with consolidated analysis of spend

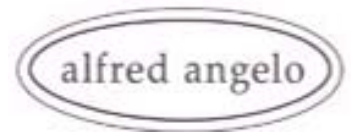


Manufacturer pinpointed sales territory that was discounting too heavily and impacting revenue



Analysis and Optimization: IBM Cognos TM1 for profitability analysis

- Performance pain
 - Lack of reporting capabilities for understanding performance of the retail operations (shift from wholesale sales to retail sales)
 - Extremely manual and required the consolidation of data from over 20 entities



- Performance Impact
 - Reduced annual staffing hour
 - Cost savings from better inventory management
 - More insightful decision making across the company
 - Manage shift in its business model that moved it rapidly into a new industry

“The solution lets the merchandising managers perform what-if analysis to see the expected outcome that changes in pricing would have on sales, margins, and inventory levels”

IDC

SOURCE: Planning and Analytics Turn Retailer Alfred Angelo's Vision Into Reality, Brian McDonough, IDC, March 2010



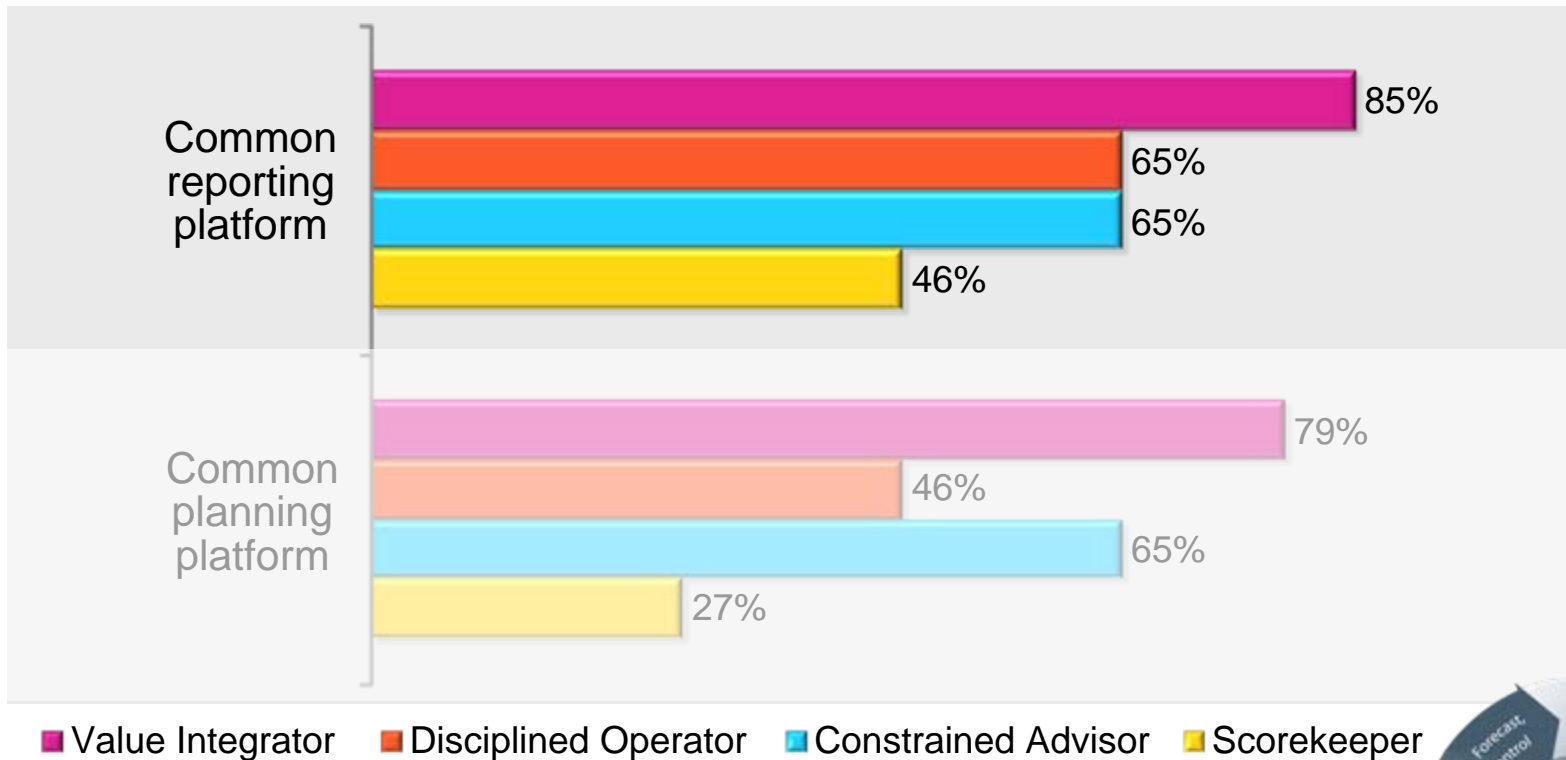


Analysis and Optimization: IBM Cognos Analytic Applications for Comprehensive Business Insight

- From inconsistent analytic models to **standard, sustainable cross-domain analytics**
- From periodic analysis of a subset of performance data to **continuous, effortless analysis** of large data sets
- From simple, standard reporting to **instant creation of business scenarios** to driving higher performance

Value Integrators implement a common reporting platform to a greater extent

Technology: Applications rationalization

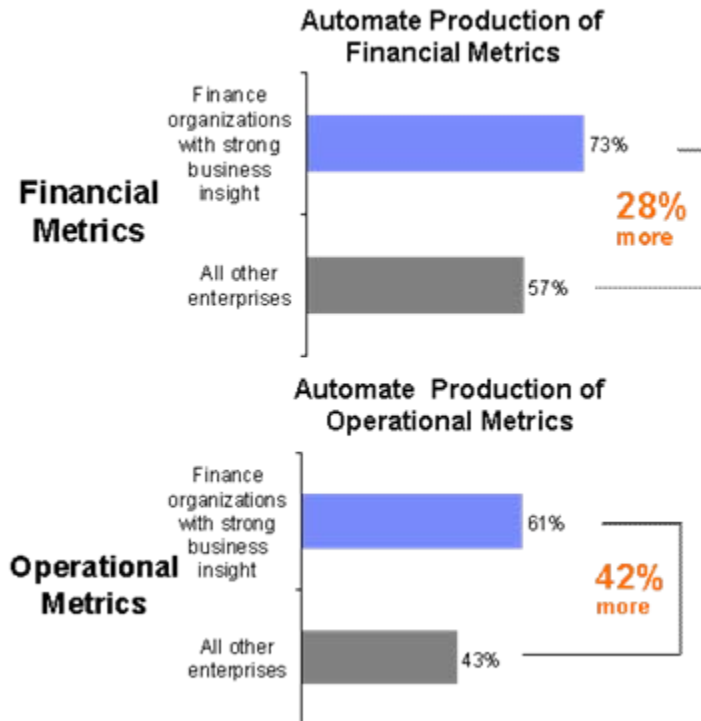


Source: 2010 IBM Global CFO Study

Close, Consolidate, and Report: Stronger automation for complete business insight



Business Insight Accelerators





Close, Consolidate, and Report: Stronger automation for complete business insight

- From fragmented, first generation consolidation products to **functionally rich, purpose-built systems**
- Cementing key financial process and internal controls for **reporting with confidence**
- From limited, financial outcome reporting to external stakeholders to **comprehensive reporting and analysis**

IBM is your best partner



- Full range of business analytic capabilities
- Complete, heterogeneous platform

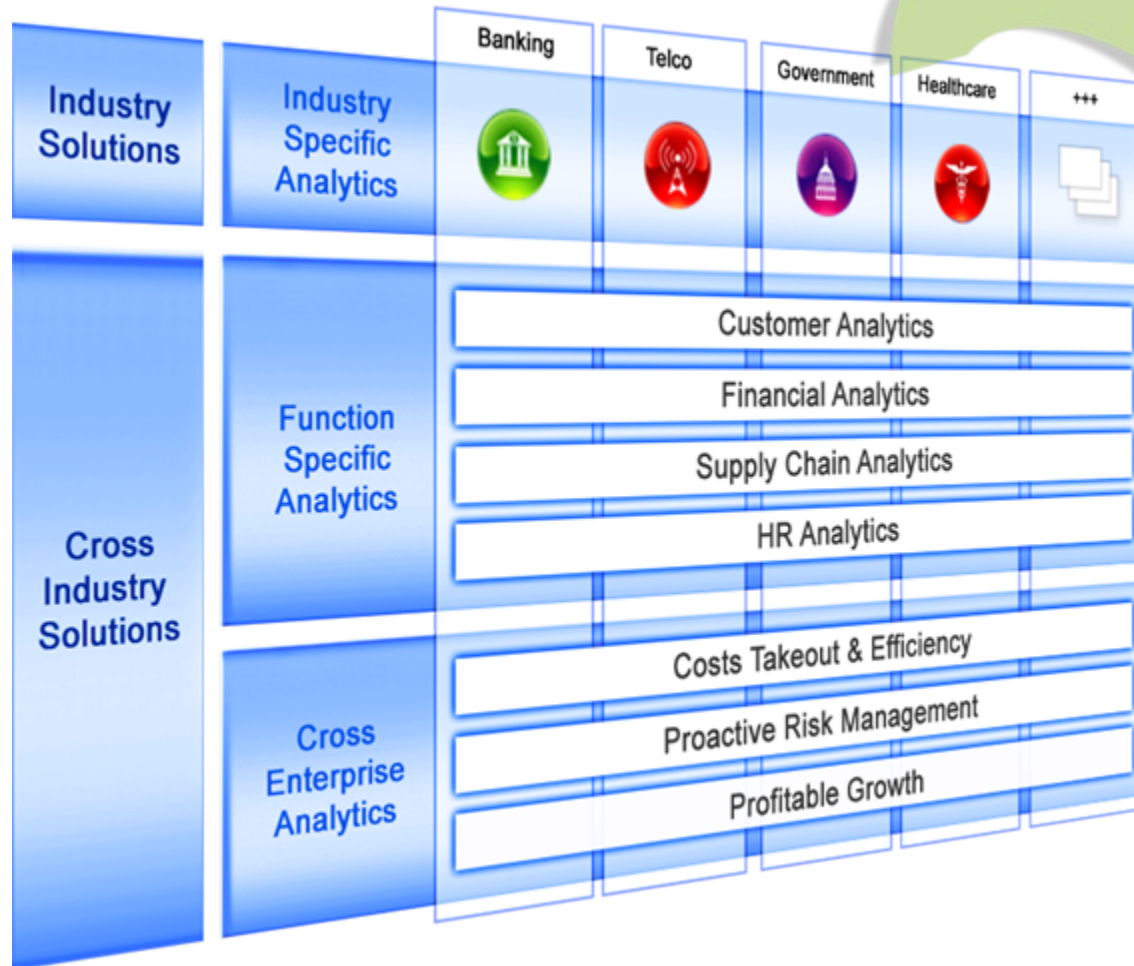


“...Since 2006, IBM has deliberately & doggedly constructed an unparalleled portfolio... it's difficult to see how any competitors will be able to compete anytime soon...”



“IBM, not SAP or Oracle, is now the industry's premo analytics solution/platform vendor...”

Expertise and know-how



INNOVATION CENTER

- Critical performance management processes
- Operational and financial planning and analytics
- Industry and functional Performance Blueprints
- Customer communities
- Performance management experience



Summary



Introduction



Insights from the Global CFO Study



Driving a smarter enterprise

Get started

- **2010 IBM Global CFO Study**
- **2010 IBM Global CFO Study Assessment**
- **Innovation Center for Performance Management**





Thank
YOU

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