



FINANCE FORUM

2009

Developing A Dynamic, Risk Based Performance Management Process

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Information Management

Coenos.
software

Volatility and Uncertainty are Now “Business as Usual”

Oil Prices: Last 2 Years (Brent Crude)



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

Even the Best are Struggling

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

***Peter Oppenheimer, CFO, Apple,
22nd October 2008***

It is Different This Time...

“The world is now facing the first truly global economic crisis, which is continuing to develop at an unprecedented pace.”

***Vladimir Putin, World Economic Forum,
Davos, 28 Jan 2009***

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

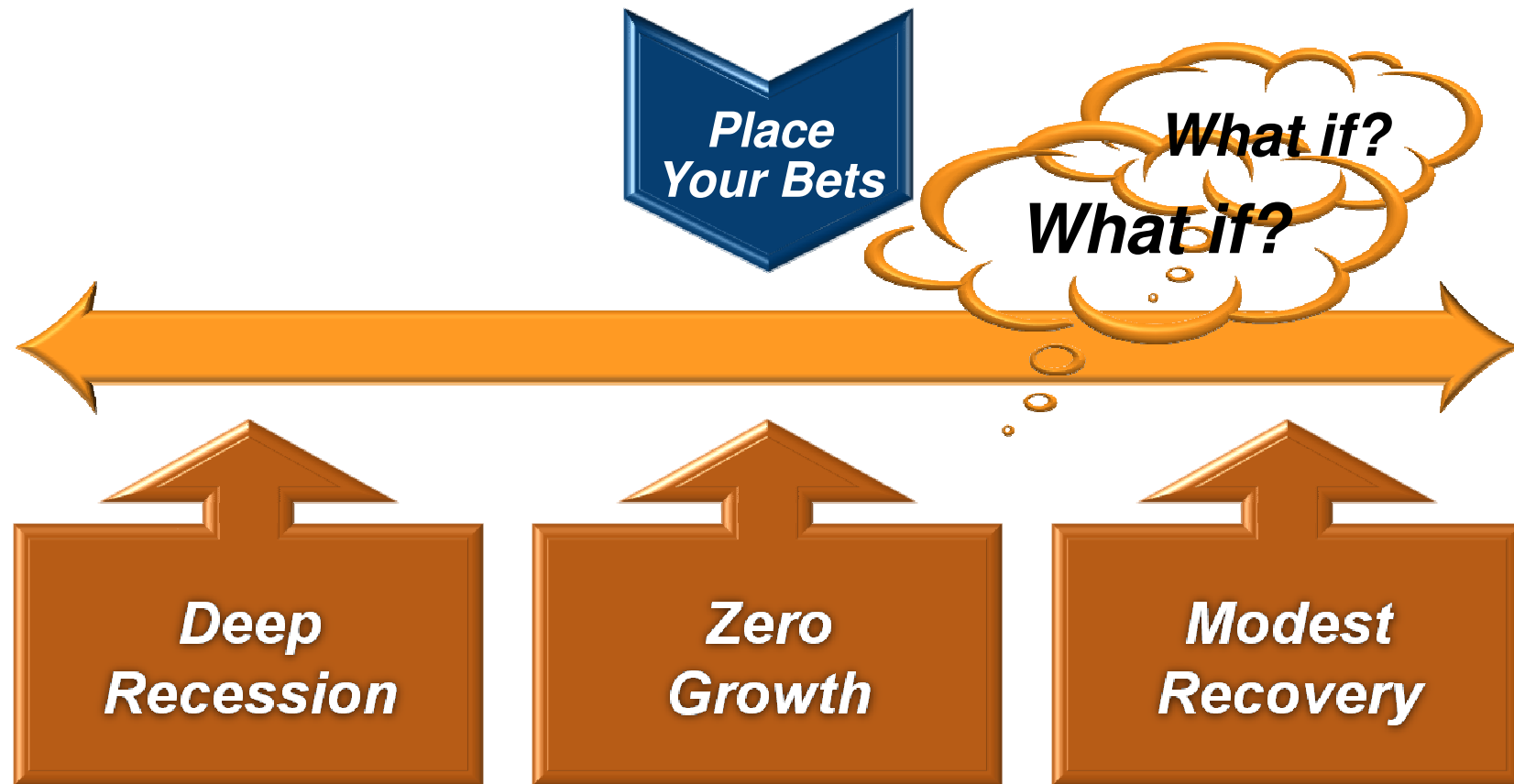
Trends

- 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

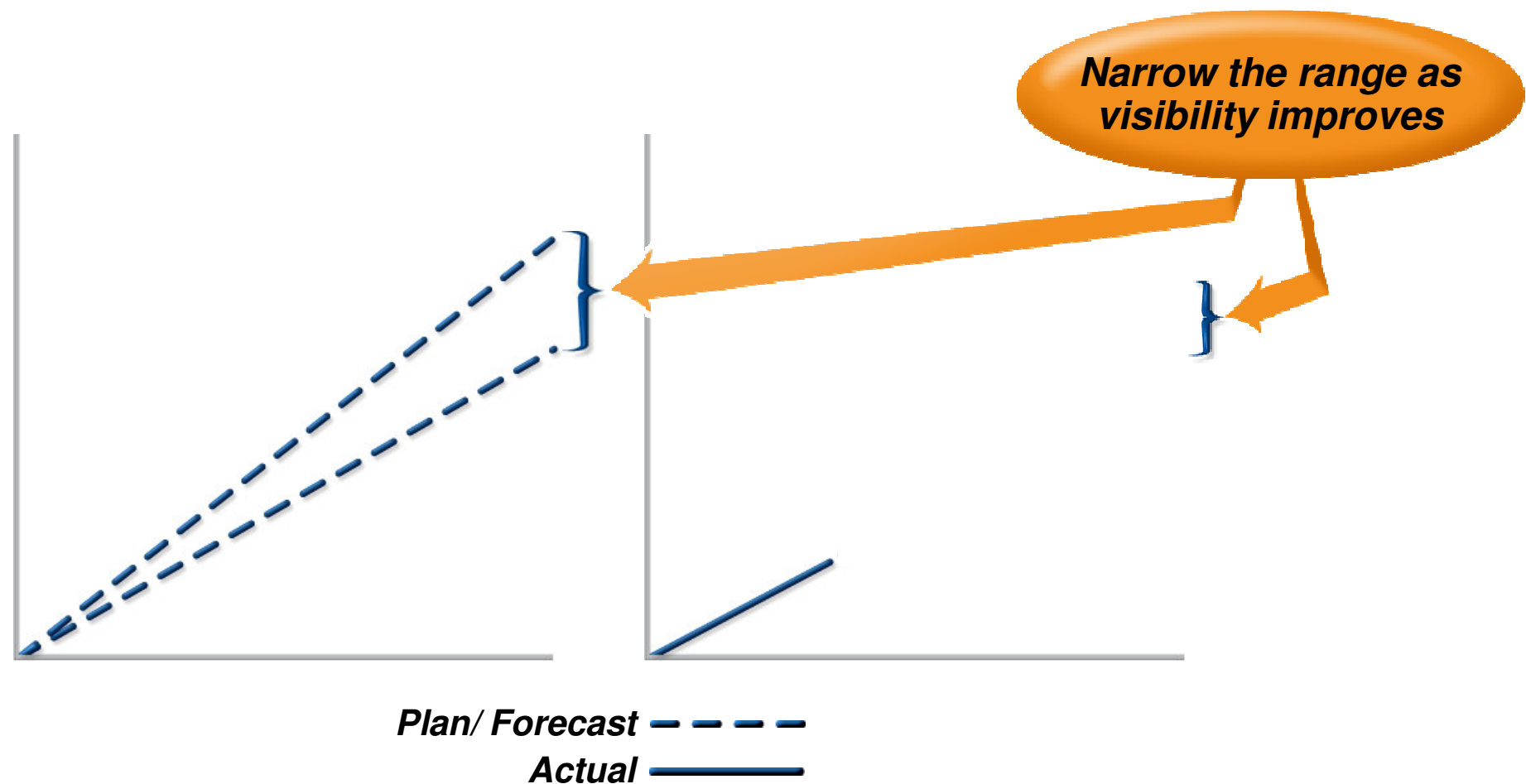
Events

- 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

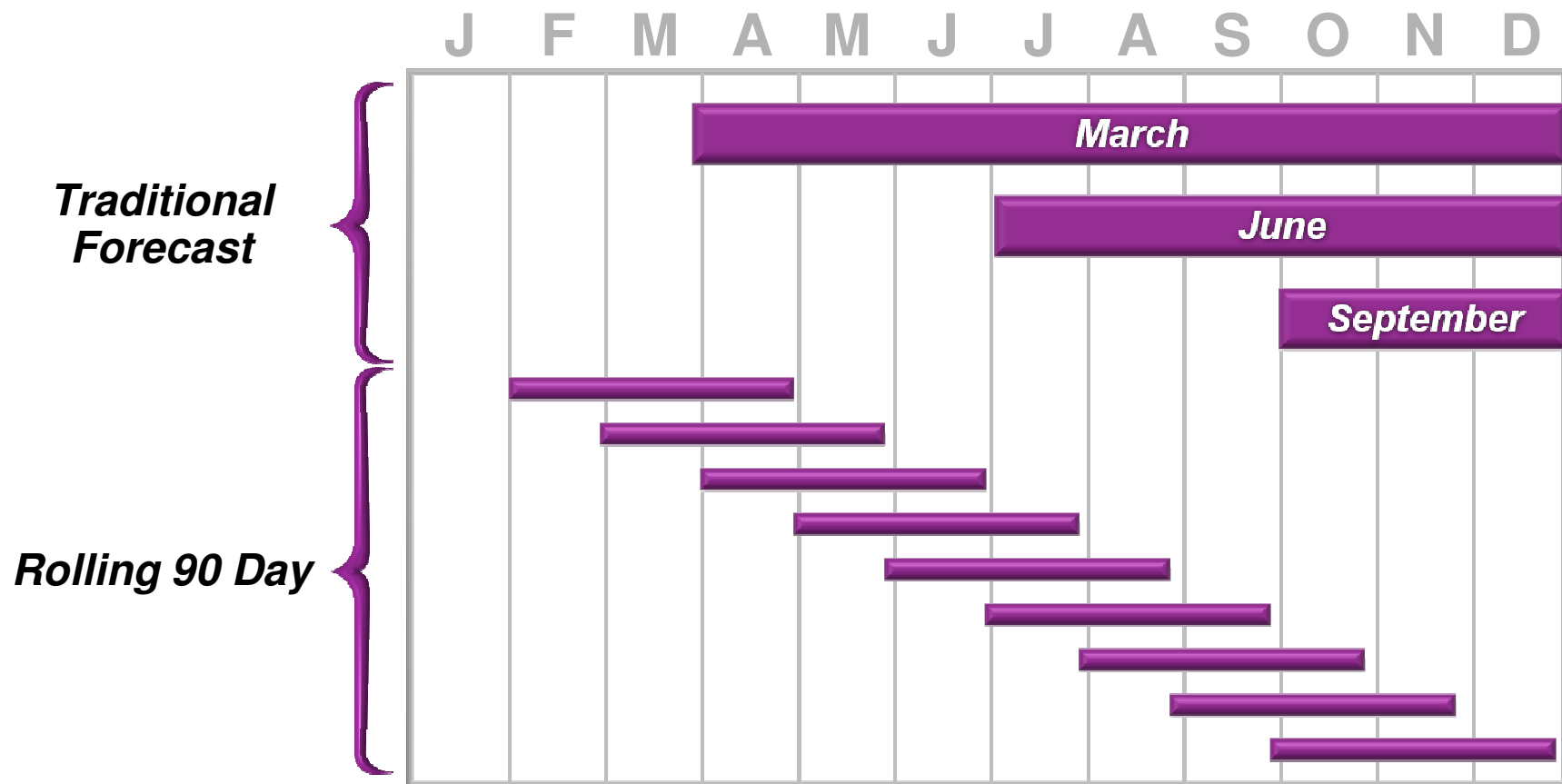
Plan for Multiple Scenarios



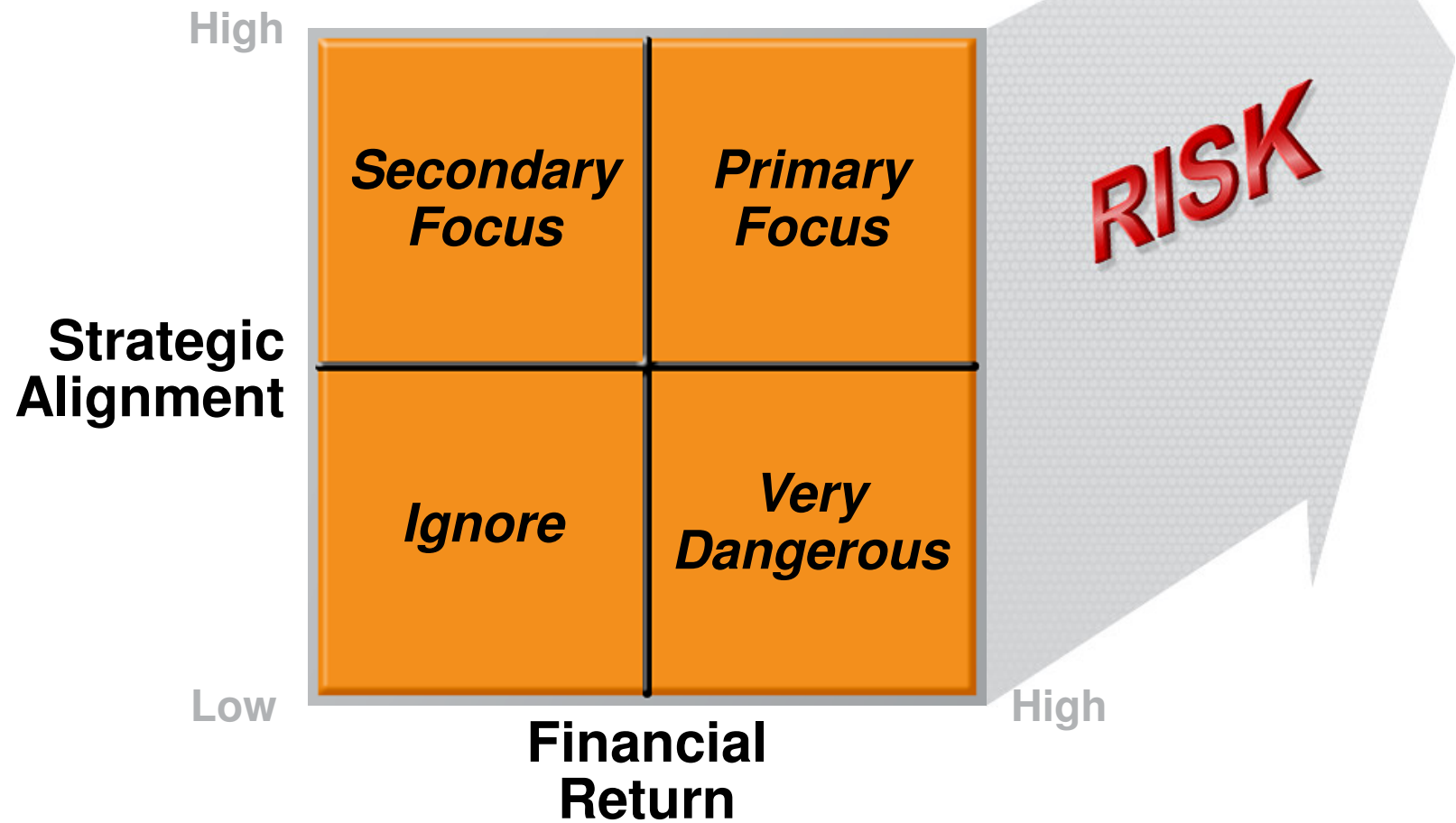
Use Ranges to Acknowledge Uncertainty



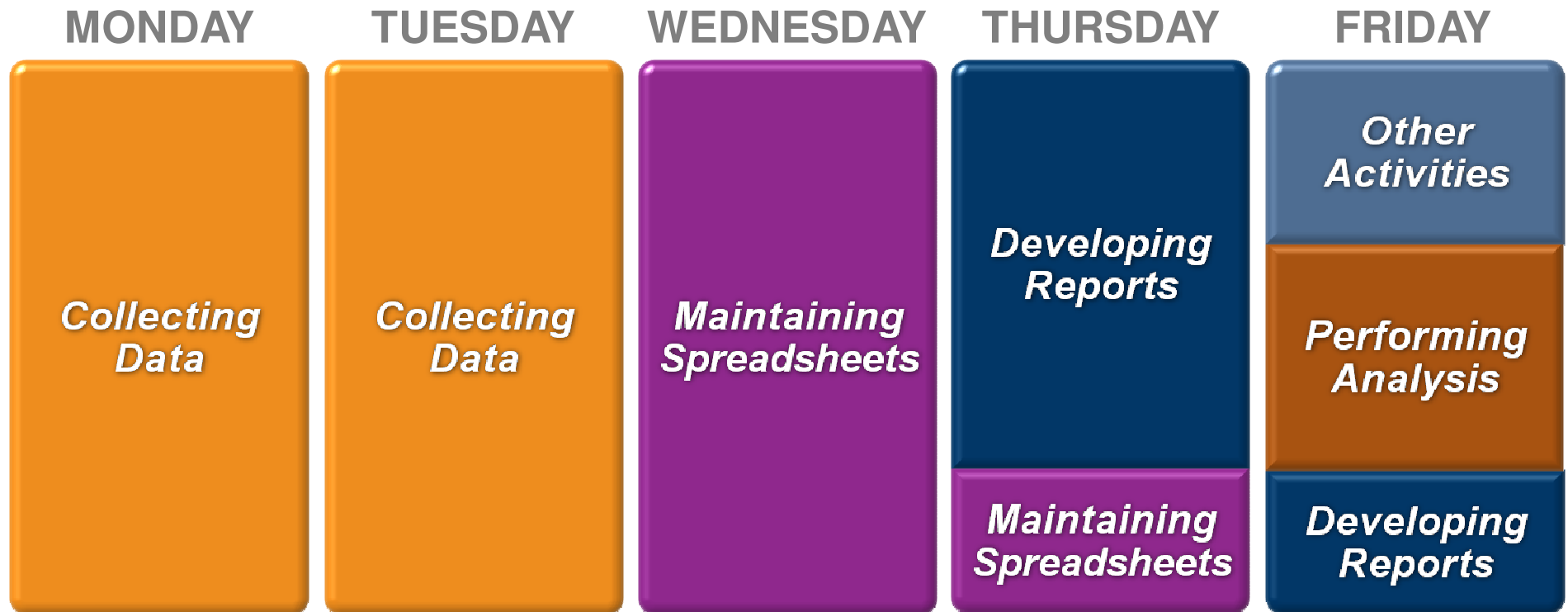
Forecast More Frequently But With a Shorter Time Horizon



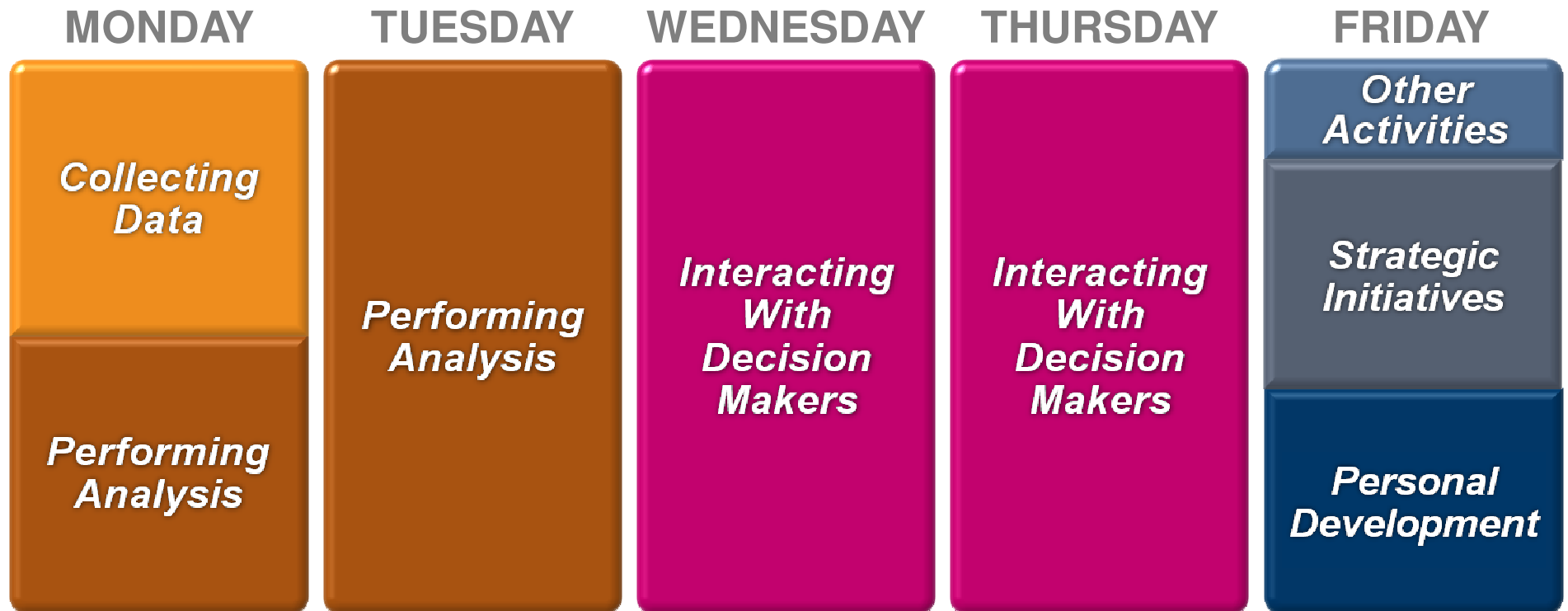
Retain Focus



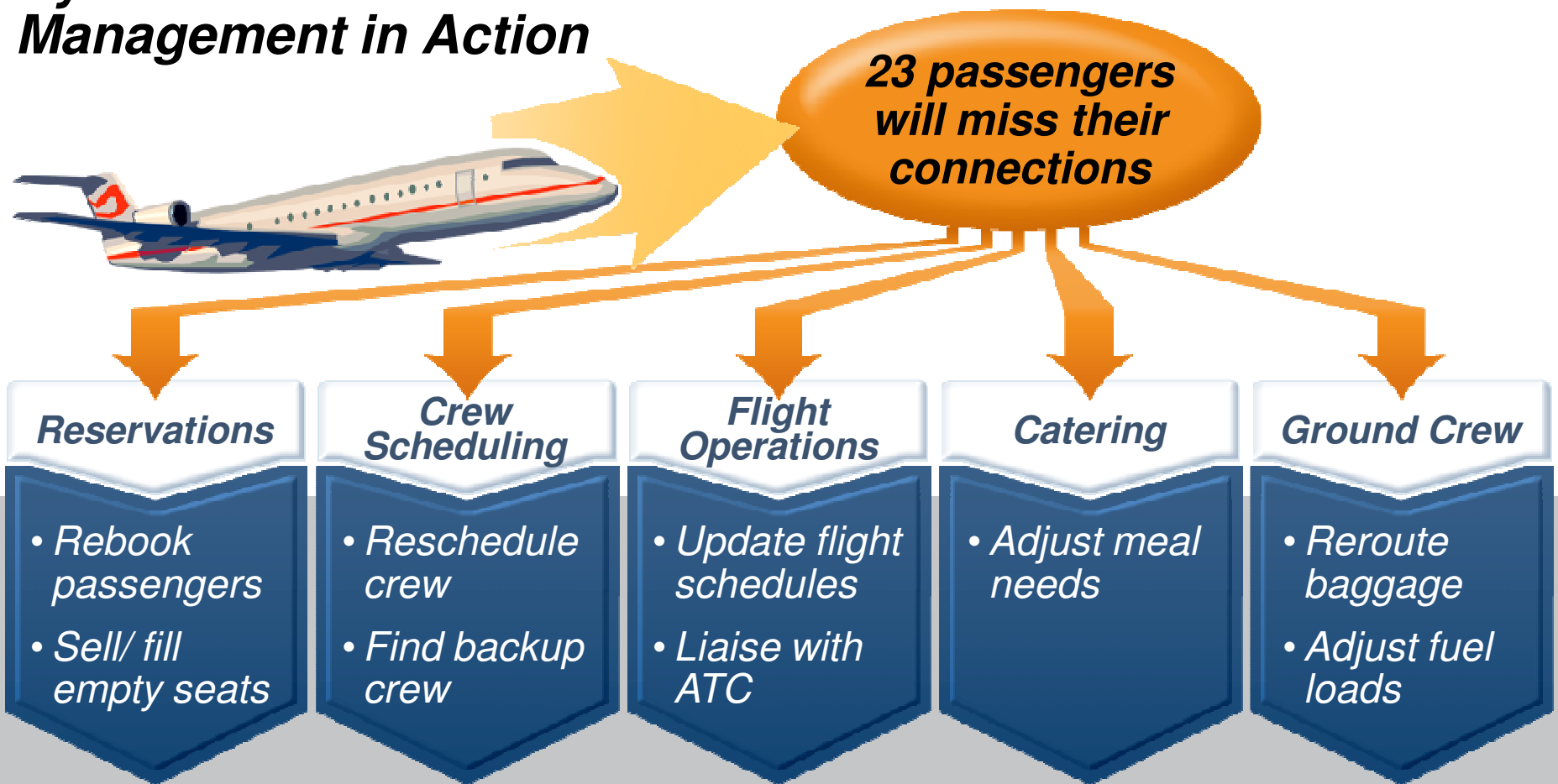
Many Organisations are wasting valuable talent



The Best Drive Analytics & Insight



Dynamic & Real Time Performance Management in Action



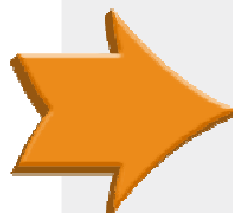
SCORECARD

Update key metrics e.g. On-time, flight P&L's, service quality costs

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
Total Travel		21,250	16,700	(4,550)

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
Total "Good" Travel		10,700	11,600	15,600	16,500
	Mitigating service issues	9,000	7,500	4,500	3,500
	Administrative	1,550	900	300	400
Total "Bad" Travel		10,550	8,400	4,800	3,900
TOTAL TRAVEL		21,250	20,000	20,400	20,400
	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



Marketing

CEO



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

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



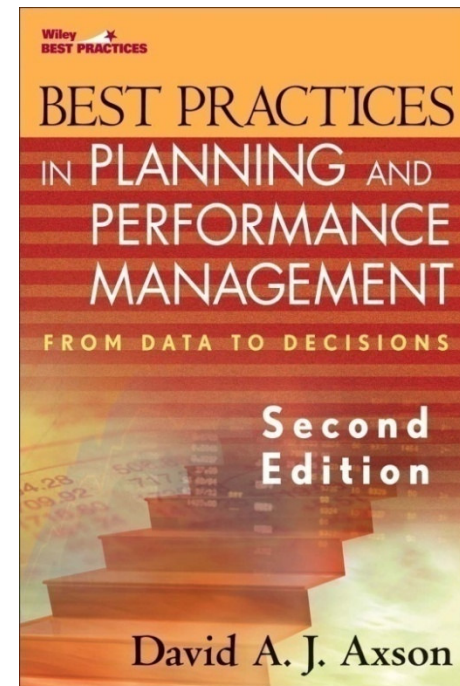
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