



FINANCE FORUM

2009

Developing A Dynamic, Risk Based Performance Management Process

David Axson



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*

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

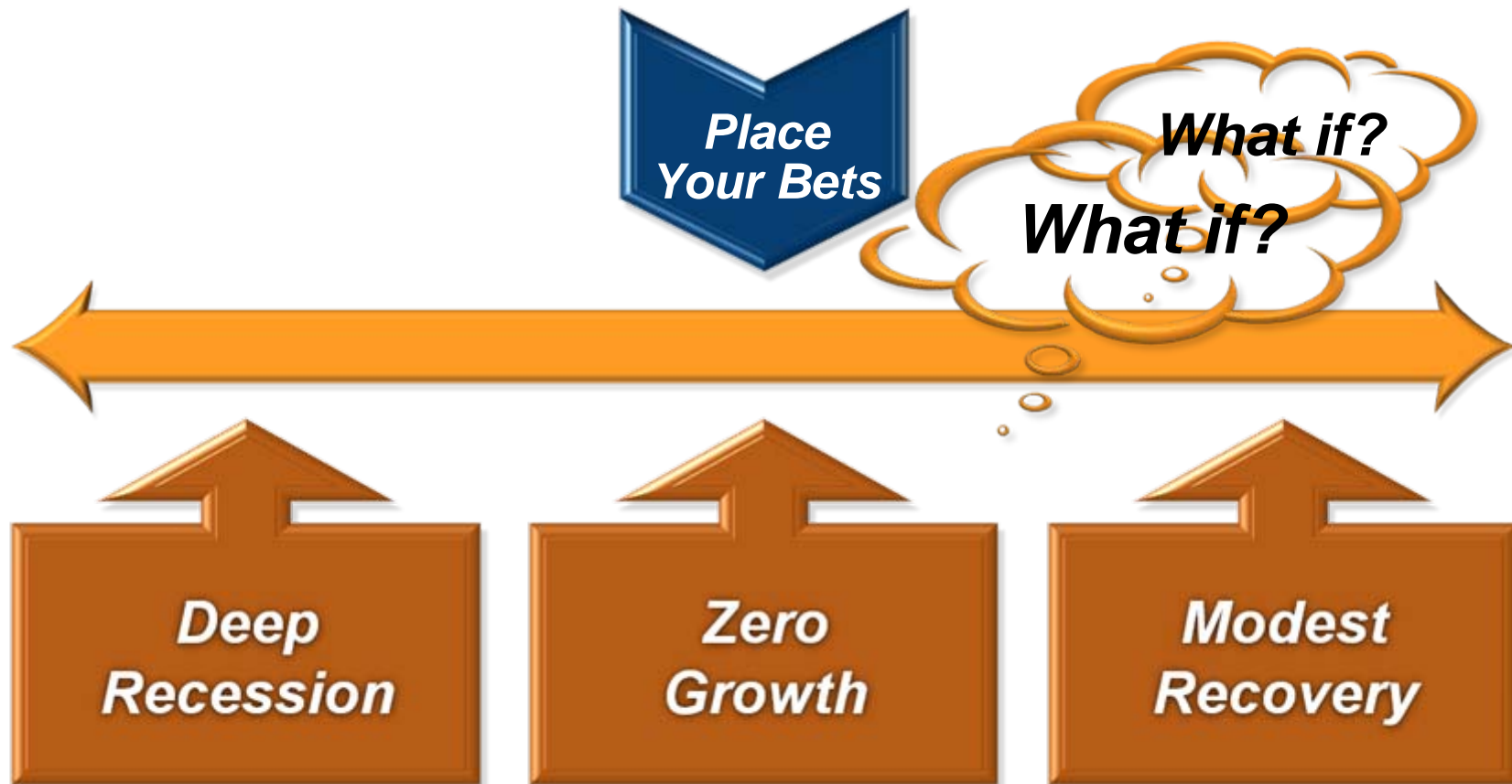
Trends

- 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

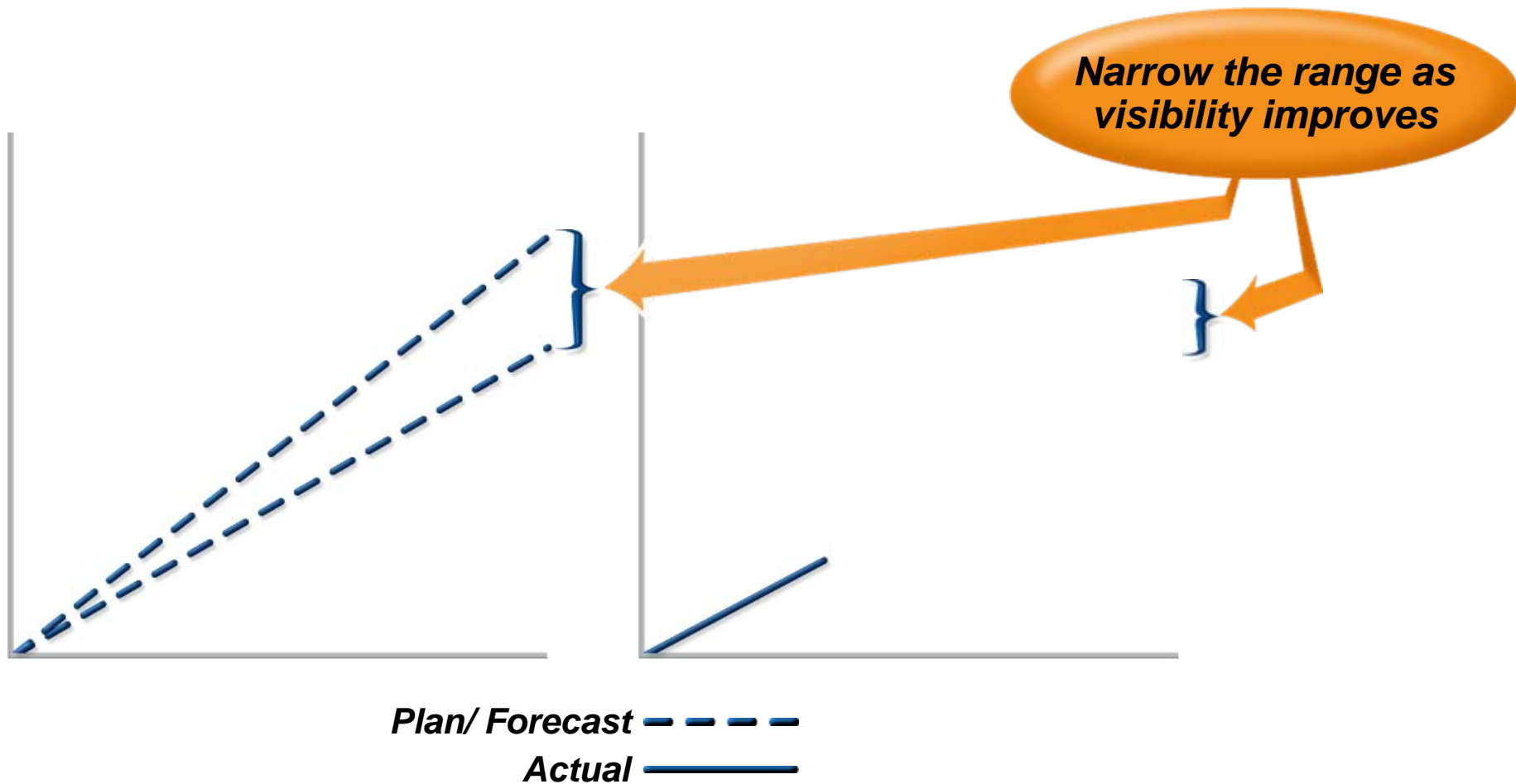
Events

- 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

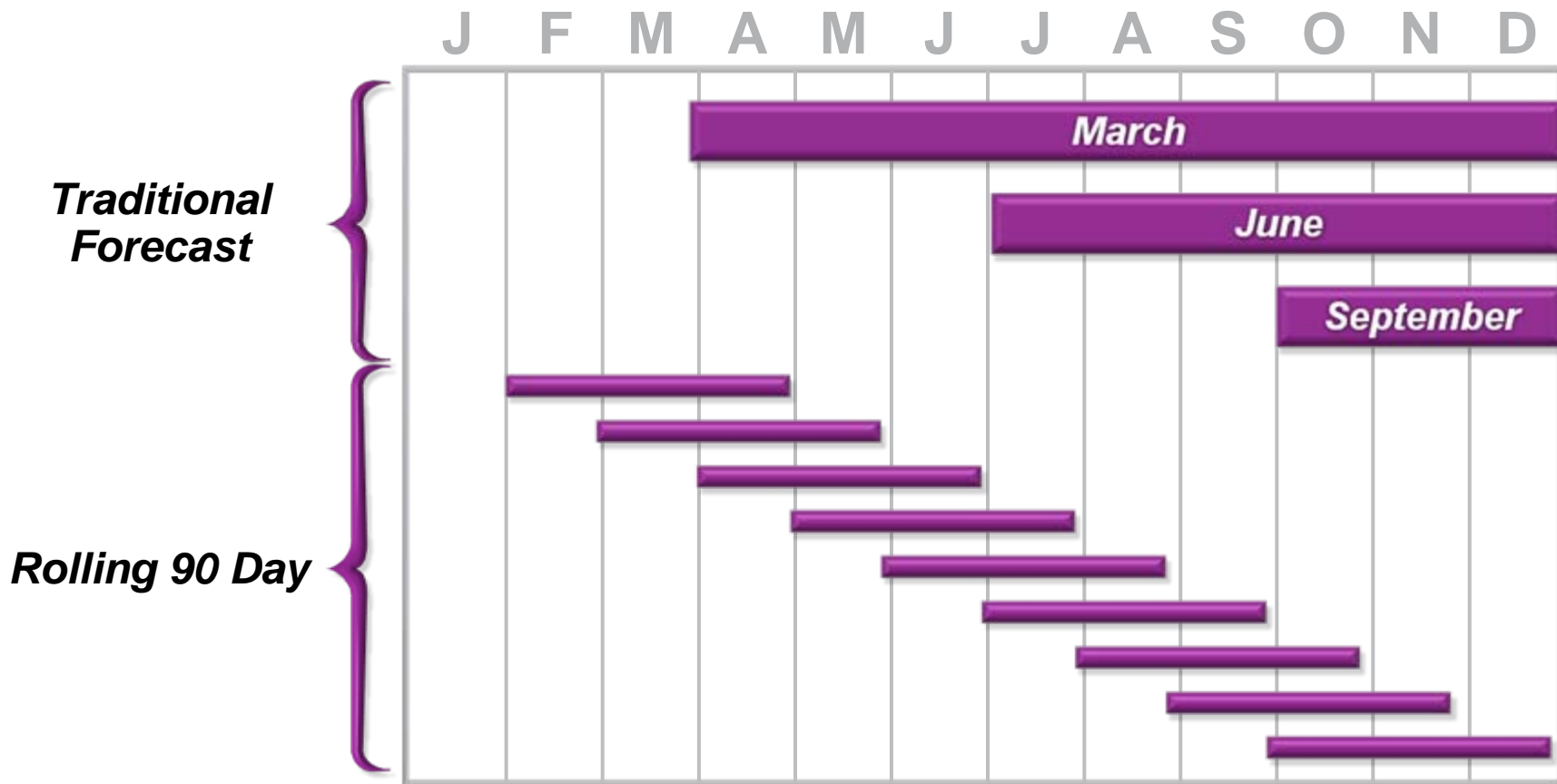
Plan for Multiple Scenarios



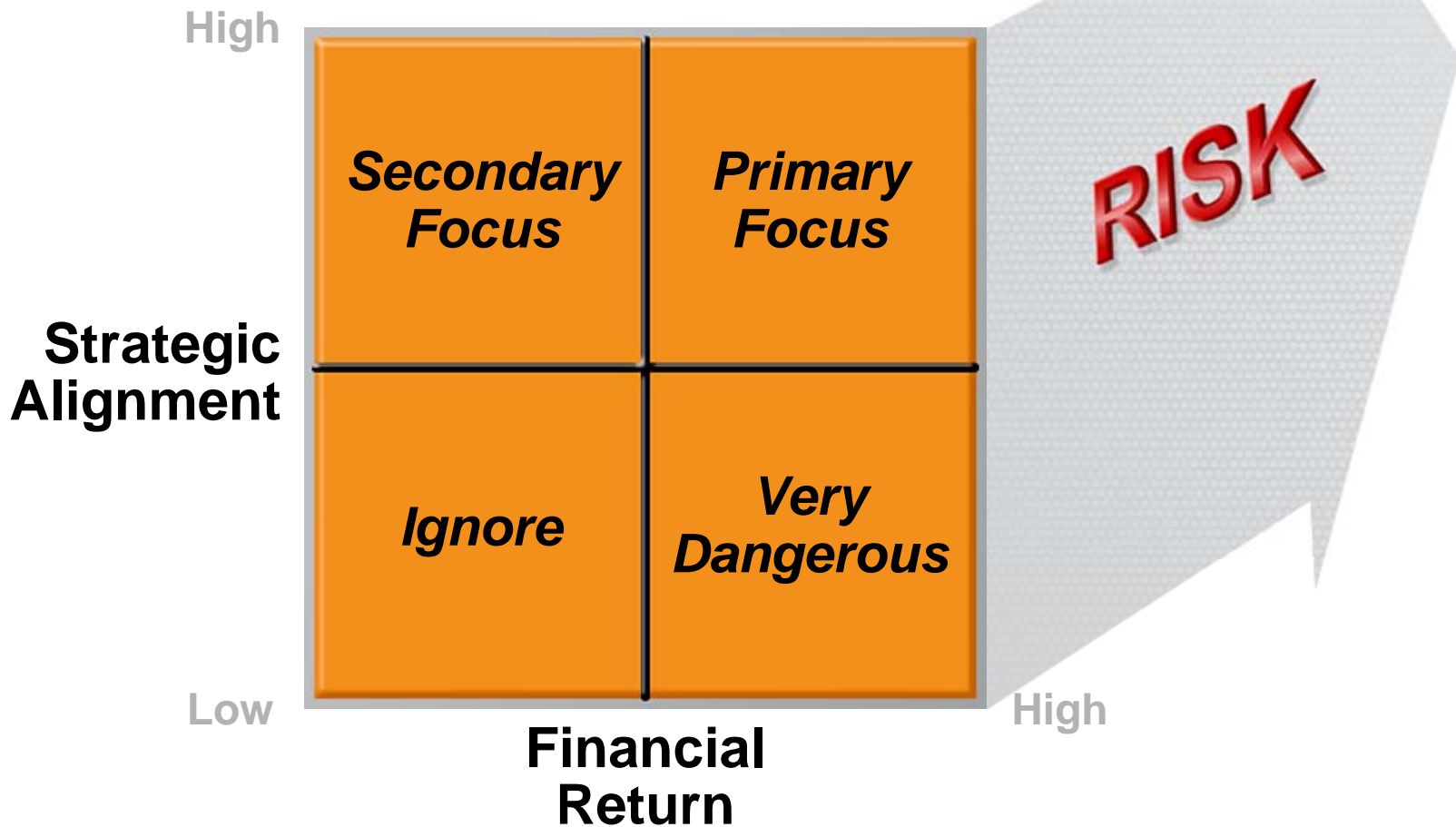
Use Ranges to Acknowledge Uncertainty



Forecast More Frequently But With a Shorter Time Horizon



Retain Focus



Many Organisations are wasting valuable talent

MONDAY

*Collecting
Data*

TUESDAY

*Collecting
Data*

WEDNESDAY

*Maintaining
Spreadsheets*

THURSDAY

*Developing
Reports*

*Maintaining
Spreadsheets*

FRIDAY

*Other
Activities*

*Performing
Analysis*

*Developing
Reports*



The Best Drive Analytics & Insight

MONDAY

*Collecting
Data*

*Performing
Analysis*

TUESDAY

*Performing
Analysis*

WEDNESDAY

*Interacting
With
Decision
Makers*

THURSDAY

*Interacting
With
Decision
Makers*

FRIDAY

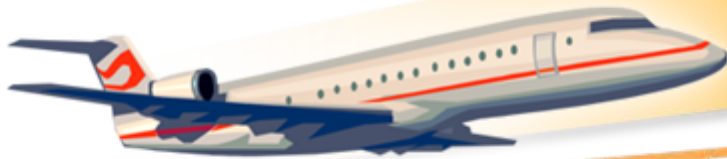
*Other
Activities*

*Strategic
Initiatives*

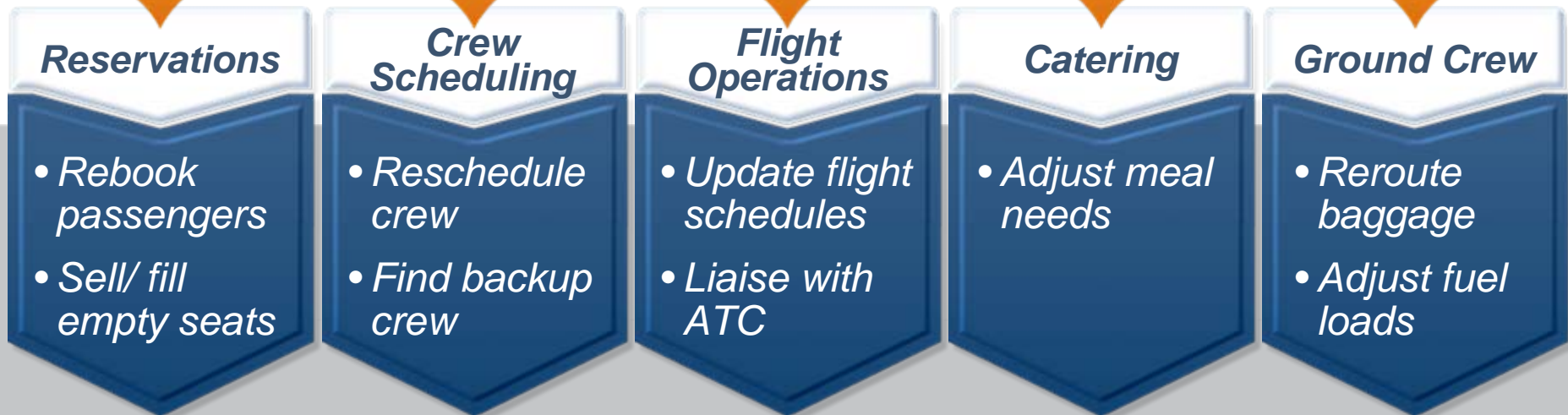
*Personal
Development*



Dynamic & Real Time Performance Management in Action



23 passengers will miss their connections



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



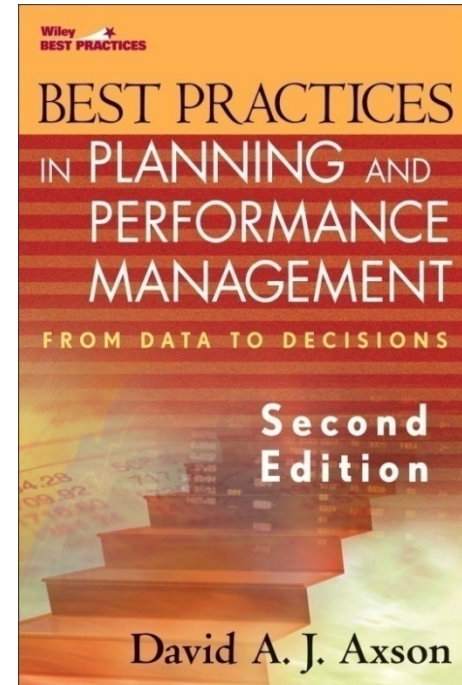
Contact details

o: +1 330 668 4773

m: +1 330 310 2558

e: david@davidaxson.com

w: www.davidaxson.com





Thank YOU

© Copyright IBM Corporation 2009 All rights reserved. The information contained in these materials is provided for informational purposes only, and is provided AS IS without warranty of any kind, express or implied. IBM shall not be responsible for any damages arising out of the use of, or otherwise related to, these materials. Nothing contained in these materials is intended to, nor shall have the effect of, creating any warranties or representations from IBM or its suppliers or licensors, or altering the terms and conditions of the applicable license agreement governing the use of IBM software. References in these materials to IBM products, programs, or services do not imply that they will be available in all countries in which IBM operates. Product release dates and/or capabilities referenced in these materials may change at any time at IBM's sole discretion based on market opportunities or other factors, and are not intended to be a commitment to future product or feature availability in any way. IBM, the IBM logo, Cognos, the Cognos logo, and other IBM products and services are trademarks of the International Business Machines Corporation, in the United States, other countries or both. Other company, product, or service names may be trademarks or service marks of others.

Important Disclaimer

- **THE INFORMATION CONTAINED IN THIS PRESENTATION IS PROVIDED FOR INFORMATIONAL PURPOSES ONLY.**
- **WHILE EFFORTS WERE MADE TO VERIFY THE COMPLETENESS AND ACCURACY OF THE INFORMATION CONTAINED IN THIS PRESENTATION, IT IS PROVIDED “AS IS”, WITHOUT WARRANTY OF ANY KIND, EXPRESS OR IMPLIED.**
- **IN ADDITION, THIS INFORMATION IS BASED ON IBM’S CURRENT PRODUCT PLANS AND STRATEGY, WHICH ARE SUBJECT TO CHANGE BY IBM WITHOUT NOTICE.**
- **IBM SHALL NOT BE RESPONSIBLE FOR ANY DAMAGES ARISING OUT OF THE USE OF, OR OTHERWISE RELATED TO, THIS PRESENTATION OR ANY OTHER DOCUMENTATION.**
- **NOTHING CONTAINED IN THIS PRESENTATION IS INTENDED TO, OR SHALL HAVE THE EFFECT OF:**
 - CREATING ANY WARRANTY OR REPRESENTATION FROM IBM (OR ITS AFFILIATES OR ITS OR THEIR SUPPLIERS AND/OR LICENSORS); OR
 - ALTERING THE TERMS AND CONDITIONS OF THE APPLICABLE LICENSE AGREEMENT GOVERNING THE USE OF IBM SOFTWARE.