

IBM Cognos Finance Forum 2010

Anticipate and Shape Business Outcomes

***Driving a Smarter
Enterprise***





Heightened Uncertainty – the New Normal

Oil Prices: Last 2 Years (Brent Crude)

■ Brent Crude; Last: 73.76, Hi: 144.95, Lo: 38.12



2010 IBM Global CFO Study: *how can the CFO drive a smarter enterprise in uncertain times?*

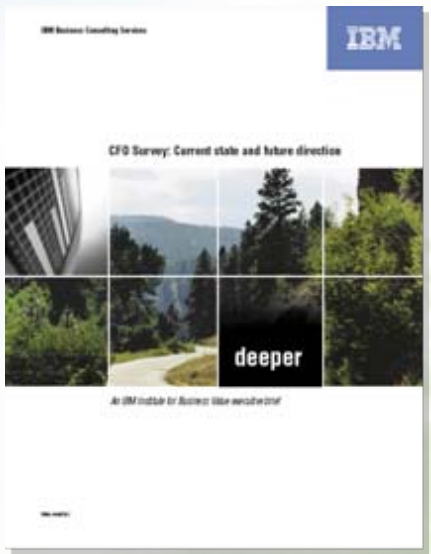
- ! The impact of the New Economic Environment on the **CFO's Role**
- ? What Finance model achieves the **optimal mix of capabilities** needed to outperform?
- ? What can CFOs do to enable **timely and informed decision-making**?
- ? How can the CFO help the enterprise **anticipate and shape** its environment?





IBM's 2010 CFO study, scheduled for release March 2, 2010, is the latest in a series of CFO research

CFO Studies



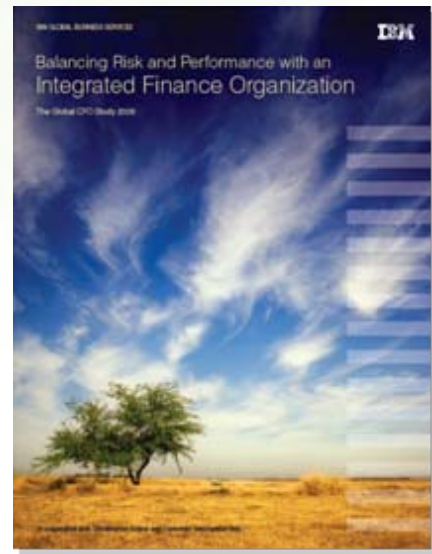
2003

Finance Excellence



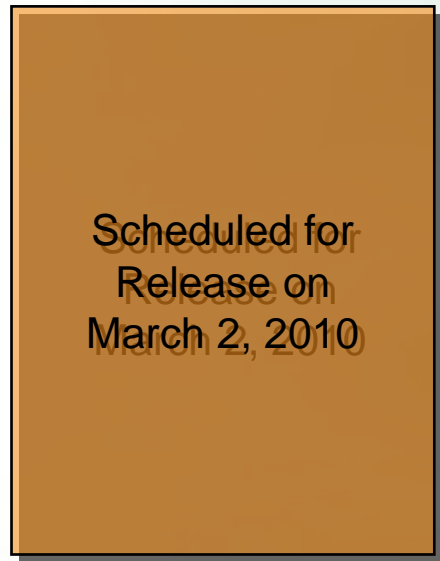
2005

Decision Support



2008

Integrated Finance Organization



2010



The economy and increased demands on CFOs and Finance provide the context/setting for this year's study

New Economic Environment

Economic Challenges and Opportunities

- Changing customer demand
- Uncertainty in global commerce
- Access and availability of capital
- Government stimulus & policy
- Demand for transparency
- Increased risk

Finance's Role

- Revenue and cash flow impacts of demand challenges
- Margin impacts / supply chain & cost base
- Getting capital / restructuring capital
- Regulatory reporting and compliance
- Enterprise performance
- Reacting and anticipating with insight



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

Efficiency Challenges

Many Enterprises still produce financial metrics manually

Finance continues to spend significant time on transactional activities

Many still have no information standards

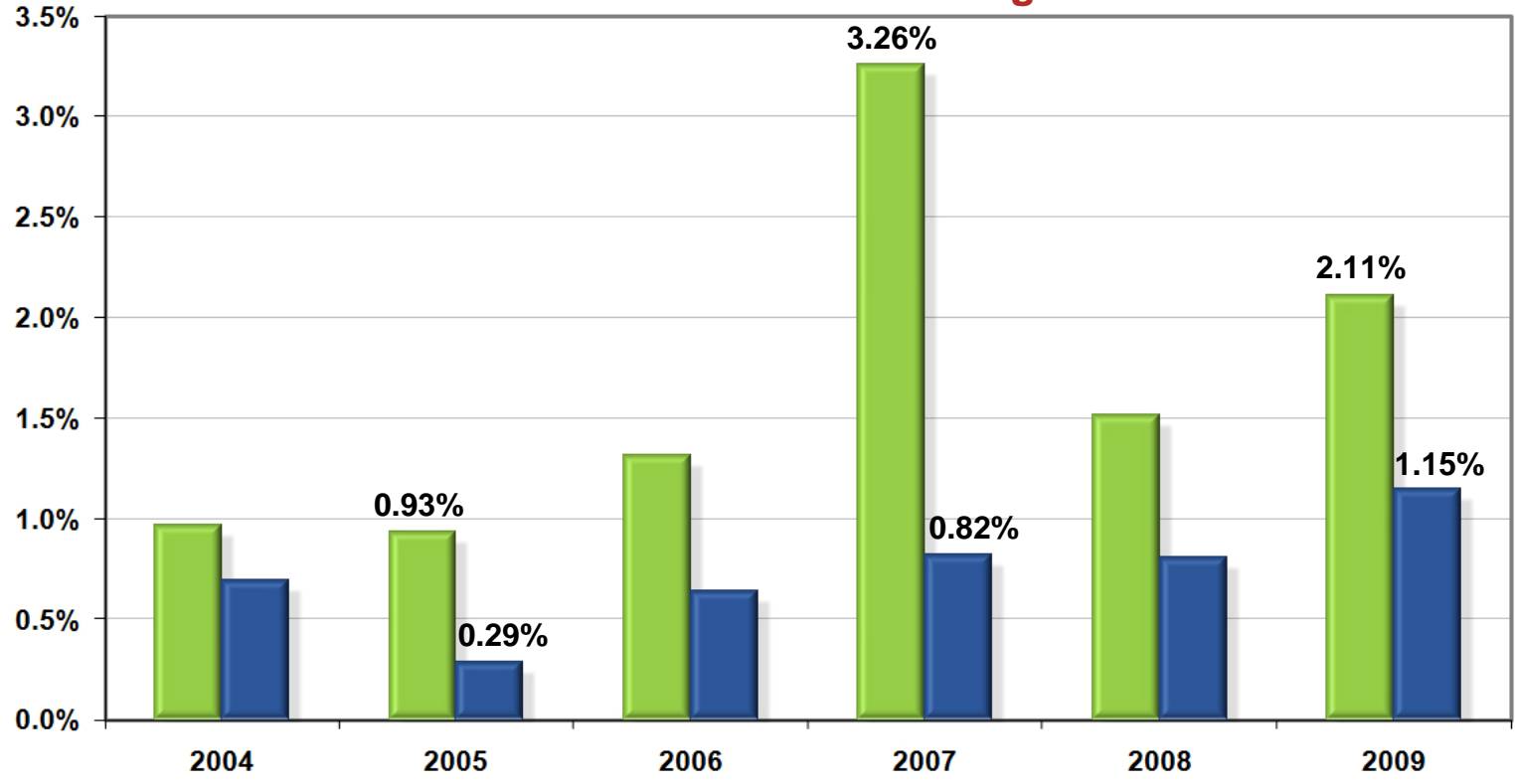
Many lack the necessary common data definitions and processes

Many lack a common reporting platform



Finance function cost is increasing, but at a slower pace for the leading organizations

Finance Function Cost as a Percentage of Revenue



Source: IBM Benchmark Program

■ MEDIAN

■ BENCHMARK



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

Business Insight Challenges

Most lack a common planning platform

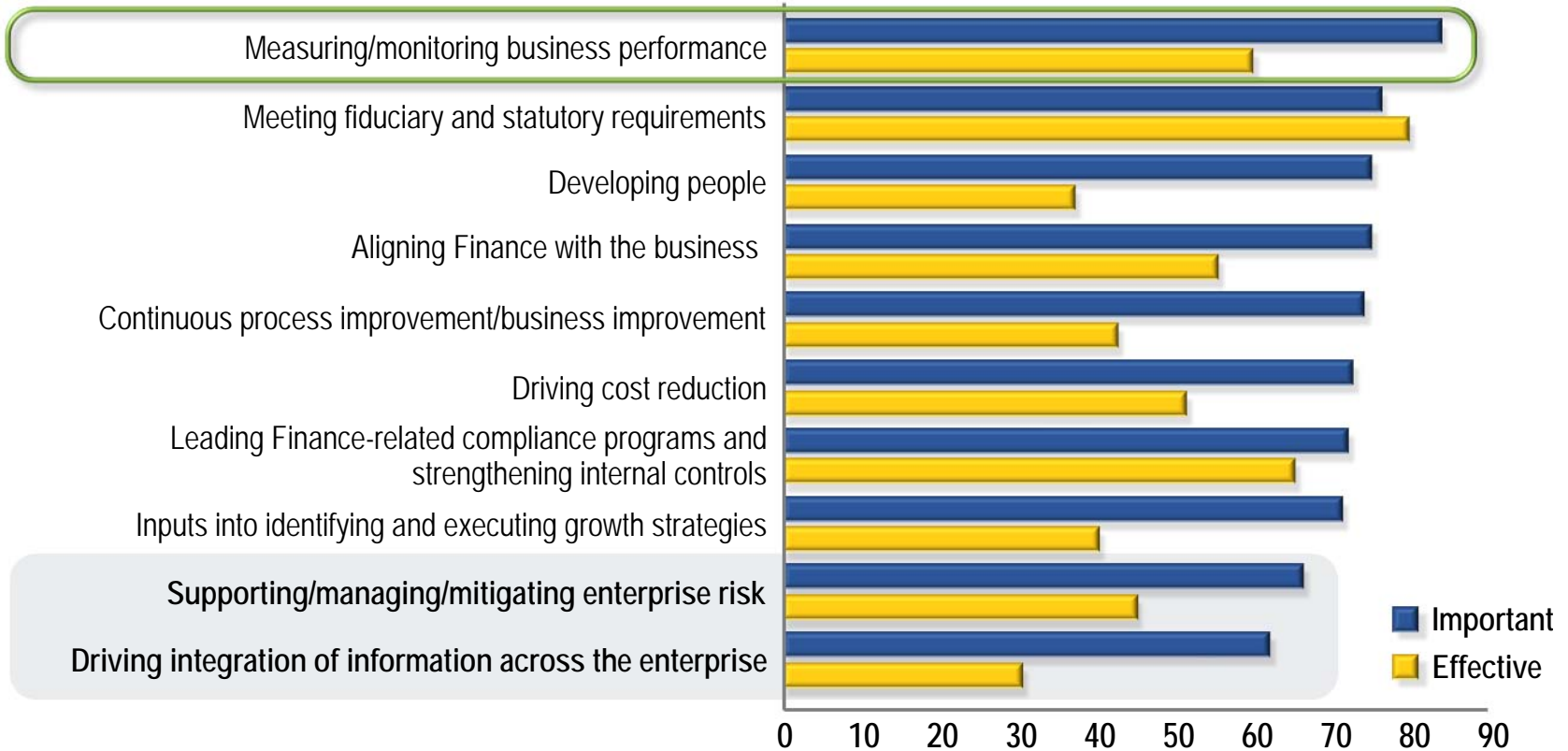
Most are not satisfied with their operational planning and forecasting analytical capability

Most still manually producing operational metrics

Many are poor to average at anticipating external forces



Measuring and Monitoring Business Performance has been a top priority

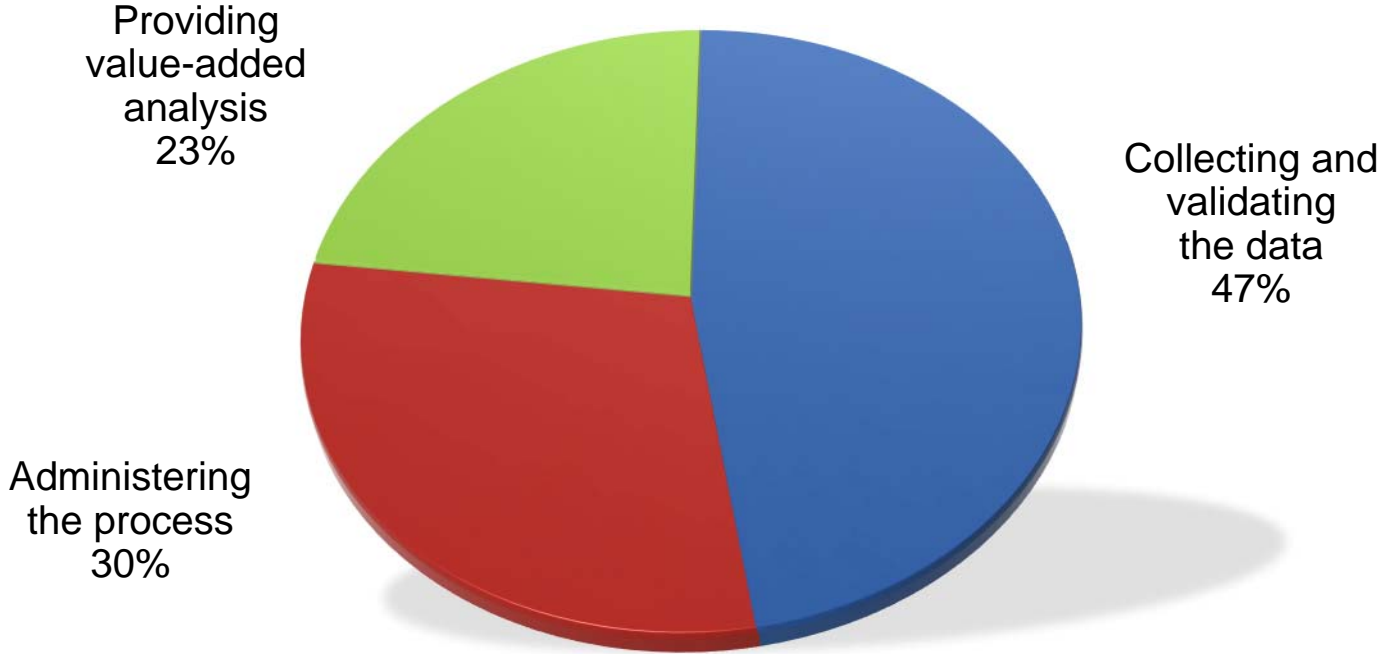


Source: 2008 IBM Global CFO study



Analyst time continues to be consumed in data validation and process administration

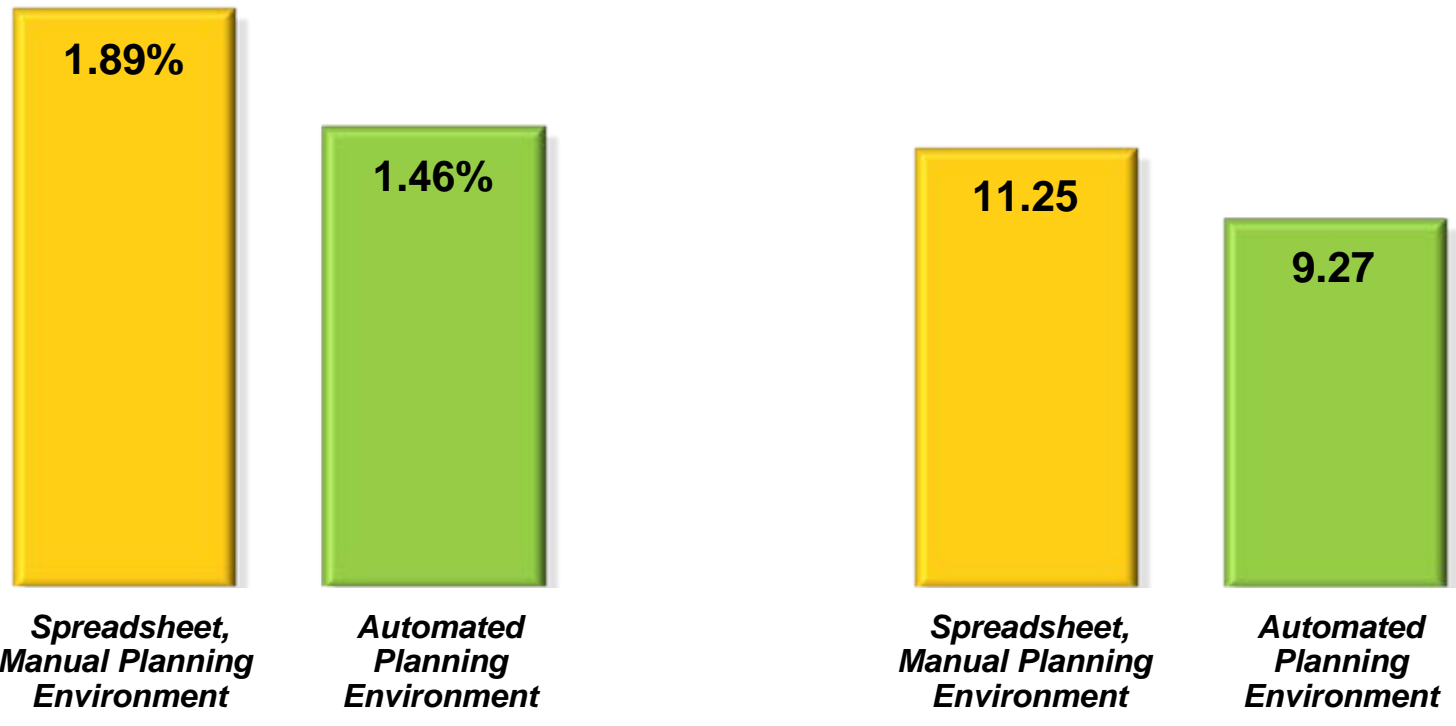
Financial Analyst Time



Source: APQC



Spreadsheet, manual processes are holding costs higher



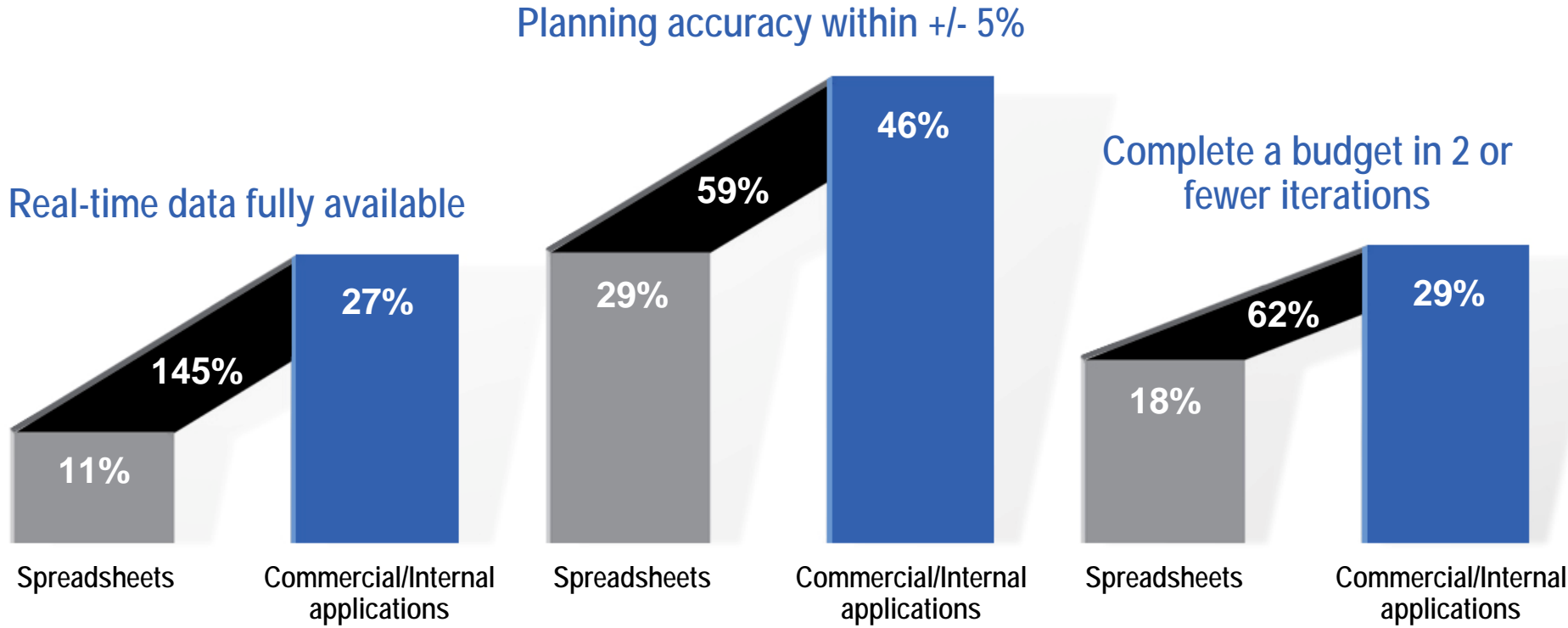
Cost of Finance as a percent of Revenue

FTEs for planning process (per \$1B/yr In revenue)

Source: IBM Benchmark Program



Spreadsheet, manual processes are obstacles to timeliness and reliability



Source: APQC



Several key themes are emerging from IBM's 2010 study

Finance execution excellence matters more than ever. CFOs that have more efficient finance organizations are more successful at driving organizational excellence.

Finance organizations must also deliver value through analytics and business insight. Those that have cracked the code on business insight are helping drive greater value across the Enterprise.

By doing both well – executing core finance activities efficiently and providing the insight their businesses need – Leading Finance Organizations are helping their enterprises make smarter decisions.

IBM Cognos Finance Forum 2010

Anticipate and Shape Business Outcomes



ROI

MAX

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Martin's Point Health Care

learning your trust

search: enter search terms here

1,822%

BLUE MOUNTAIN

HOME WINTER GREEN SEASON LODGING THE VILLAGE THINGS TO DO CONFERENCES & GROUPS GALLERIES

3,623%

U.S. LUMBER

personalized service.

U.S. LUMBER GROUP is a \$250M distributor of building materials headquartered in Atlanta, GA. We currently sell and ship out of 8 distribution centers. We provide highly personalized service to the pro-contractor lumberyard and millwork houses and shops throughout 14 Southeastern and Mid-Atlantic states.

Complete Correct On Time Learn more

Trex Create Your Space.

CEDAR VALLEY



Source: Nucleus Research 2008, 2009



- Systematic access to marketing, procurement, engineering, and financial 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,
Qualcomm*

Performance Pain

- Need for more dynamic, reliable collaborative planning, analysis and reporting system
- Too much time spent validating data, rather than providing value-added analysis to support the business.

IBM Cognos software Impact

- More timely, reliable decision information
- More time spent analyzing key business metrics
- Improved data ownership



- Improved ability to identify drivers of top-line revenue growth, analyze expense constraints, identify risk and address SOX compliance issues.
- Centralized planning reduced the footprint for financial planning by retiring 20 disparate applications
- Able to preserve analytics and reporting flexibility while driving more standardization.

“Finance can focus on providing value-add analytics to drive the business.”

*Marc Berson, Director Business Analytics,
IBM Corporation*

Performance Pain

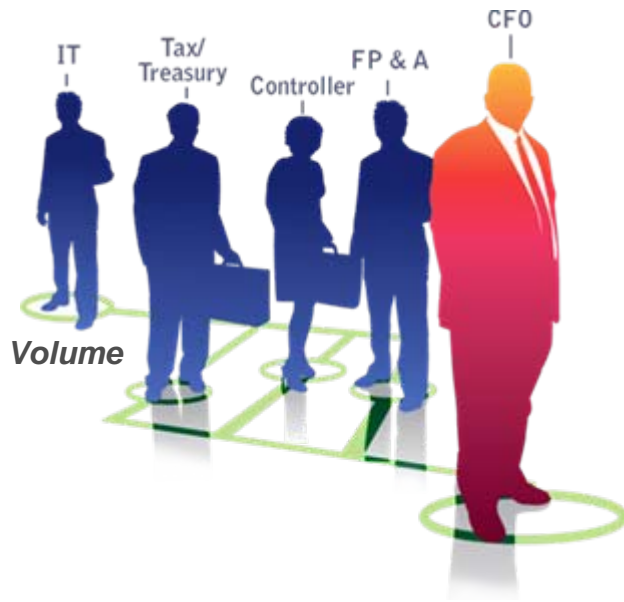
- Need for greater accountability, deeper in the organization
- Need to centralize expense planning
- Need for more consistent views of data

IBM Cognos software Impact

- Provide centrally managed data to analyst communities so they can focus on providing the value-added analysis to drive business;
- Reduce its application footprint;
- Reduce the IT delivery expense associated with supporting the finance function;
- Focus on end-user productivity by streamlining data delivery, providing the right metrics to individuals based on their roles.



Driving a smarter enterprise



- Sense and respond
- Instinct and intuition
- Skilled analytics experts
- Back office
- Automated

Predict and act

Real-time, fact-driven

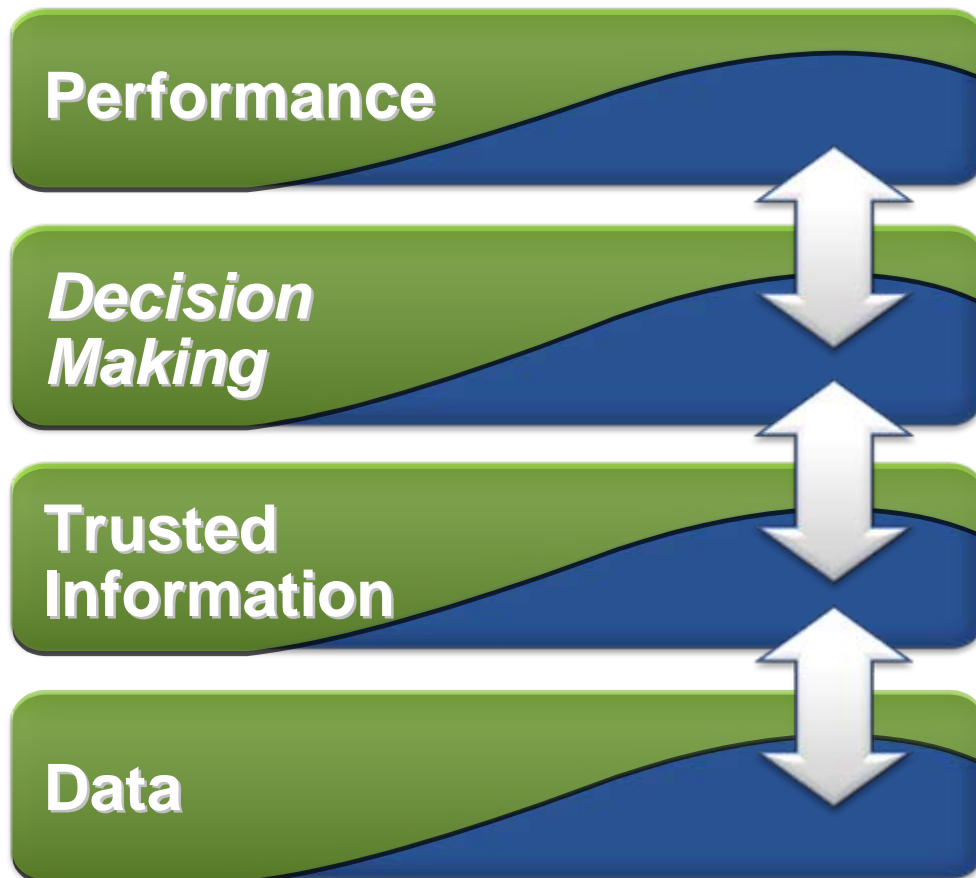
Everyone

Point of impact

Optimized



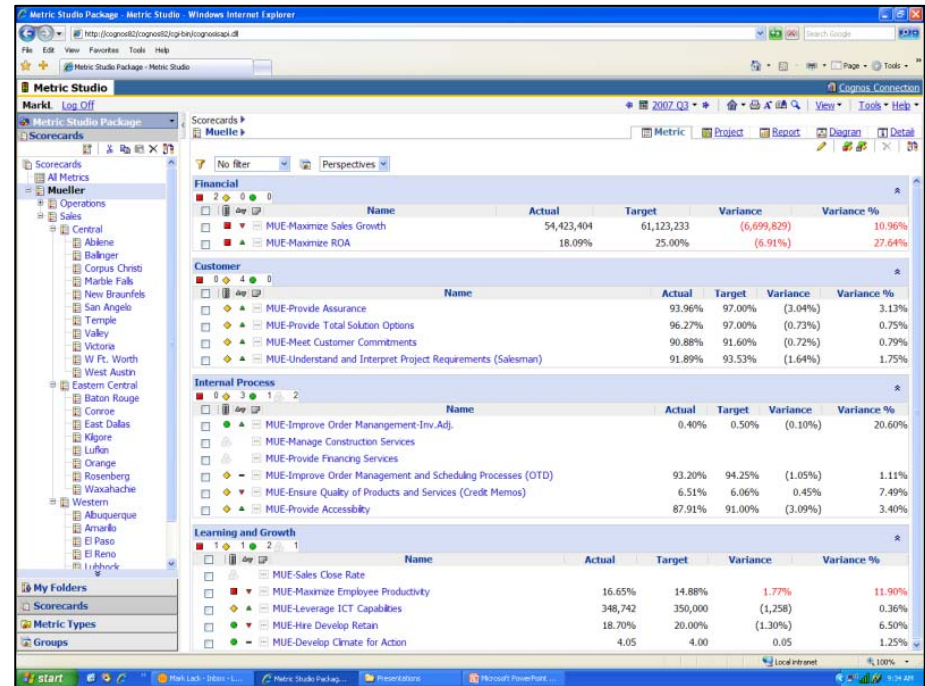
Five key investment opportunities



1. Automate performance monitoring
2. Deliver fast & reliable reporting
3. Link drivers to enterprise plans
4. Improve operational insight
5. Manage Risk

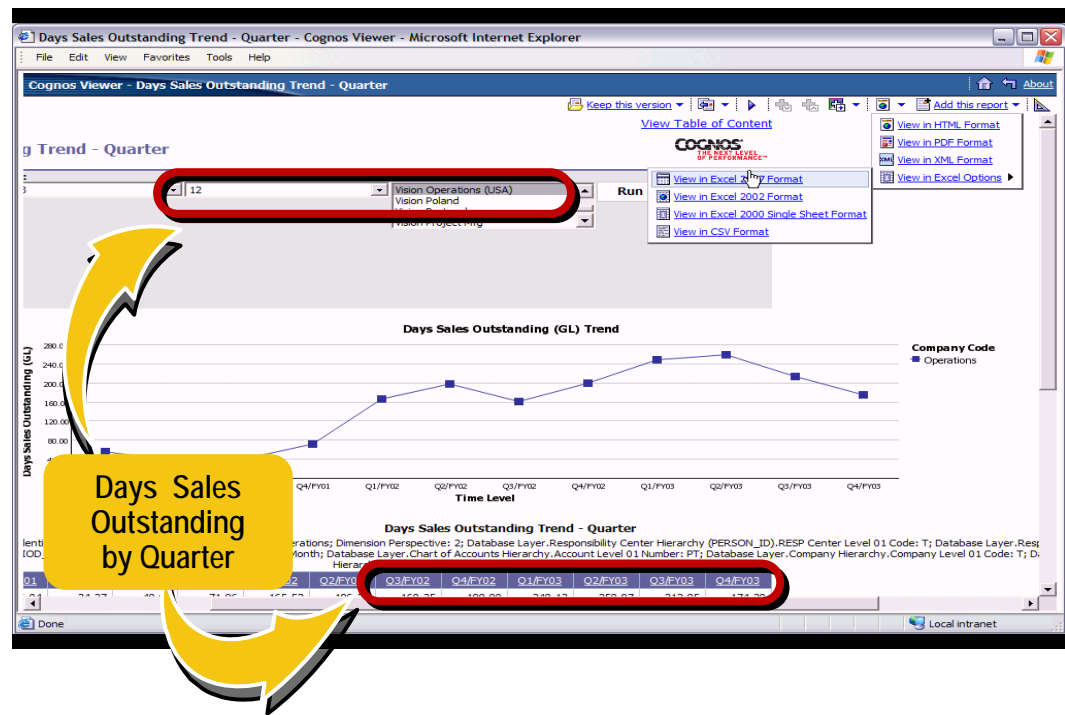
1. Automate performance monitoring

- Automate production of metrics
- Connect financial & operational KPIs
- Link to corporate objectives
- Cascade to all departments
- Enable collaborative reviews



2. Deliver fast and reliable reporting

- Reach all information reliably and timely
- Deliver a complete, consistent view of the business
- Adopt infrastructure and adapt to change
- Cost-effectively scale as user communities grow
- Drive standardization



3. Links drivers to enterprise plans

- Connect organization to planning

- More frequent cycles

- Incorporate financial & operational drivers

- Set multiple time horizons (30, 90, 180 days)

- Develop What-If Scenarios

- Integrate into reporting system

IBM Cognos TM1 Web

Medical Mfg Inc

Budgeted Cash Flow Indirect Method

	Feb	Mar	Apr	May	Jun	Jul	Aug
Total Manufacturing	4,236,475	4,104,723	4,093,776	4,129,446	4,128,849	4,113,464	4,115,734
Quality Control	0	0	0	0	0	0	0
01-5612 Quality Engineering	0	0	0	0	0	0	0
01-5615 Reliability	238	349	349	349	349	349	349
External Mfg	0	0	0	0	0	0	0
01-5130 External Pump Manufacturing	-2,710,773	1,868,056	-466,046	446,800	-482,447	454,385	13,628
01-5321 Disposable Manufacturing	-1,348,139	958,743	-235,470	229,696	-240,390	231,972	4,089
Total R & D	0	0	0	0	0	0	0
Development	0	0	0	0	0	0	0
01-6320 Disposable R&D	46,229	-95,360	66,141	-98,594	56,964	-3,582	-15,296
01-6770 External Pump R&D	0	0	0	0	0	0	0
Research	0	0	0	0	0	0	0
01-6505 Clinical Programs	-4,012,445	2,731,788	-635,026	578,251	-665,523	683,123	2,771
01-6510 Regulatory	224,030	6,836,511	3,458,749	4,707,697	3,463,326	4,796,588	4,118,504
Net Cash from Investing Activities	0	-20,000	-4,000	0	0	0	0
Cash Flow from Financing Activities	0	0	0	0	0	0	0
Receipts/(Payments) of Short-Term Debt	0	0	0	0	0	0	0
Receipts/(Payments) of Long-Term Debt	0	0	0	0	0	0	0

4. Improve operational insight

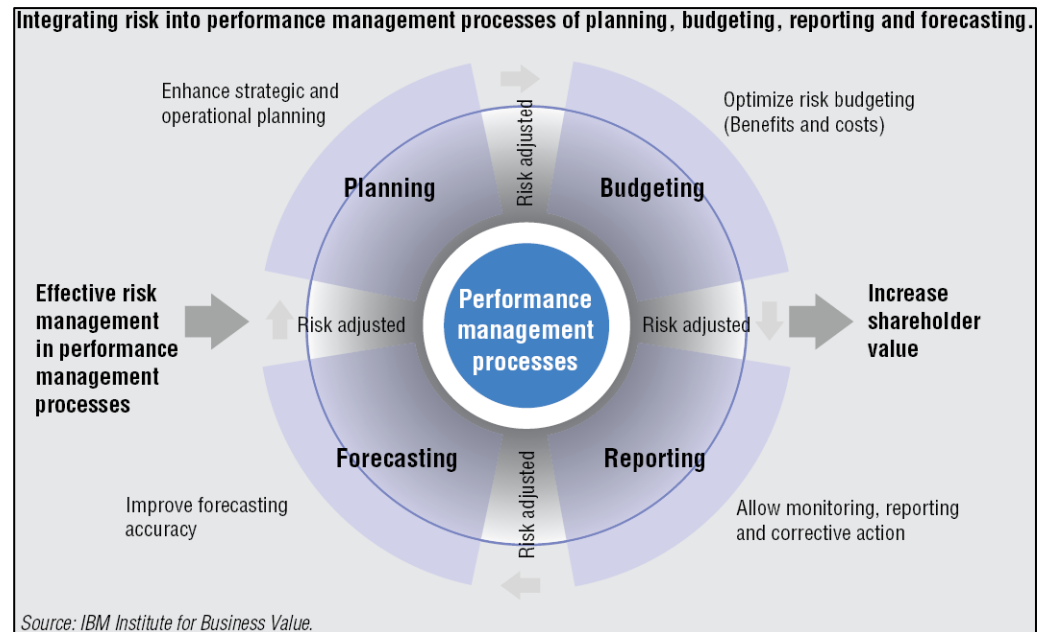
- Build dimensional views of the business: **Division, Region, Product, Customer**
- Model business outcomes & perform sensitivity analysis
- Identify operational improvements
- Evaluate financial impact
- Model risk adjusted views of the business

Entity	Fiscal Year	Scenario	Currency	Home							
Medical Mfg Inc	2008	Version 1	Local								
Budgeted Cash Flow Indirect Method											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug			
Cash Flows from Operating Activities											
Net Income	3,778,061	4,236,475	4,104,723	4,093,776	4,129,446	4,128,849	4,113,464	4,115,734			
Adjustments to Net Income	0	0	0	0	0	0	0	0			
Depreciation & Amortization	0	238	349	349	349	349	349	349		349	
Changes in Assets & Liabilities	0	0	0	0	0	0	0	0		0	
(Inc)/Dec in Receivables	5,465,595	-2,710,773	1,868,056	-466,046	446,800	-482,447	454,385	13,628		13,628	
(Inc)/Dec in Inventory	-393,661	-1,348,139	958,743	-235,470	229,696	-240,390	231,972	4,089		4,089	
(Inc)/Dec in Other Current Assets	0	0	0	0	0	0	0	0		0	
(Inc)/Dec in Prepaid Expenses	0	0	0	0	0	0	0	0		0	
Inc/(Dec) in Payables	-211	46,229	-95,360	66,141	-98,594	56,964	-3,582	-15,296		-15,296	
Inc/(Dec) in Accrued Expenses	0	0	0	0	0	0	0	0		0	
Inc/(Dec) in Taxes Payable	0	0	0	0	0	0	0	0		0	
Total Adjustments	5,071,723	-4,012,445	2,731,788	-635,026	578,251	-665,523	683,123	2,771		2,771	
Net Cash Provided by Operating Activities	8,849,784	224,030	6,836,511	3,458,749	4,707,697	3,463,326	4,796,588	4,118,504			
Cash Flow from Investing Activities											
Sales/(Purchases) of Plant & Equipment	0	-20,000	-4,000	0	0	0	0	0		0	
Net Cash from Investing Activities	0	-20,000	-4,000	0	0	0	0	0		0	
Cash Flow from Financing Activities											
Receipts/(Payments) of Short-Term Debt	0	0	0	0	0	0	0	0		0	
Receipts/(Payments) of Long-Term Debt	0	0	0	0	0	0	0	0		0	



5. Manage Risk – Act before you **NEED** to!

- Expand reporting and planning metrics to include Risk Variables
- Actively capture operational risk items
- Extend operational risk analysis to strategic customers/suppliers
- Model external risk factors into forecasts
- Leverage performance management to automate internal controls





IBM Cognos Software and Analytic Applications

Scorecarding & Strategy Management

Planning & Forecasting

Financial Analytics

Consolidation & Corporate Reporting

Financial Performance Management Solutions

Financial **Workforce** **Supplier / Procurement** **Customer / Sales**

Analytic Applications

Management System & Business Controls





Accelerate Information-Led Transformation

Solutions

6,000 dedicated Consultants,
Industry specific solutions/expertise

Software

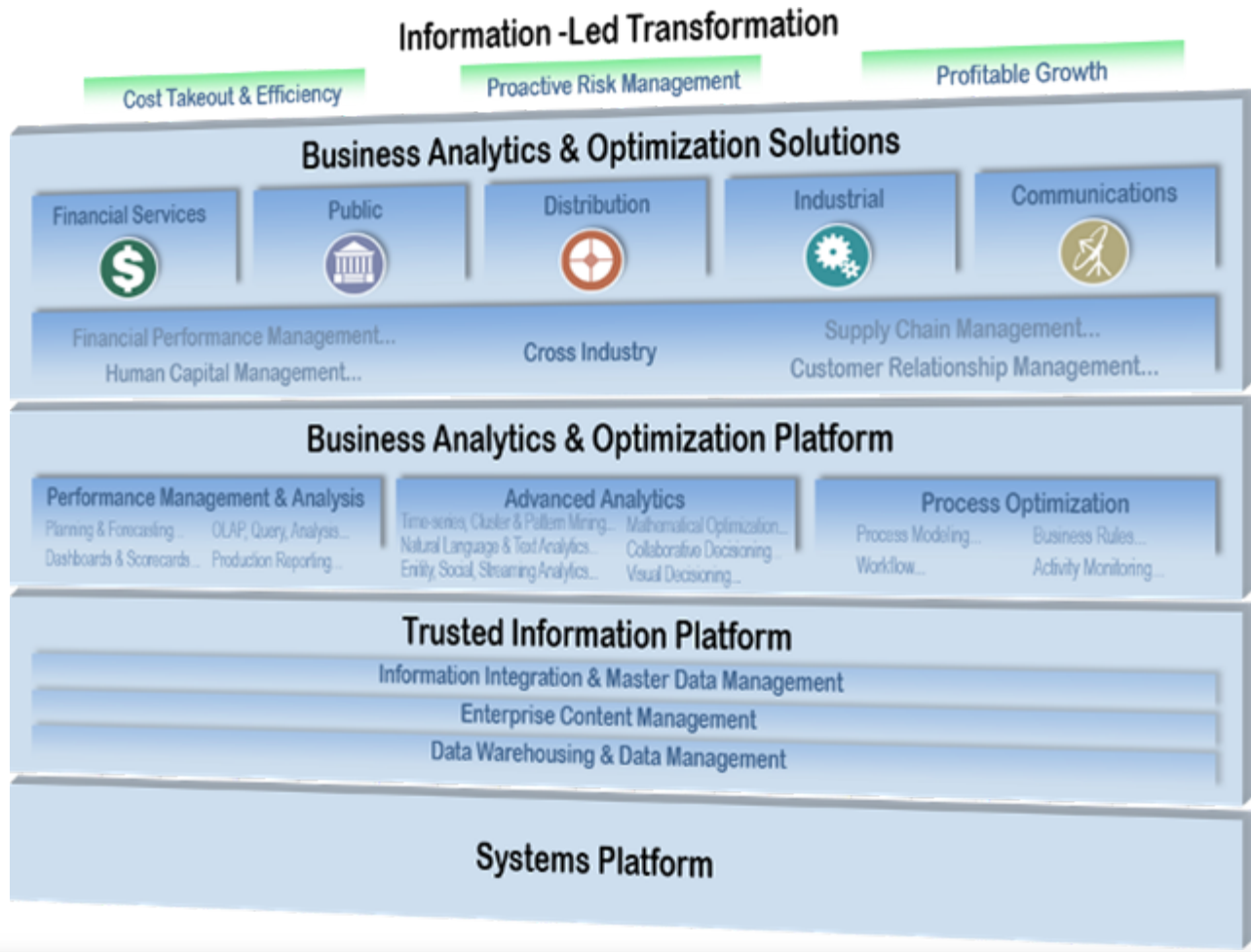
Over \$10B Software Investments in the past 5 years

Systems

Over \$6B invested in Systems R&D; e.g., Smart Analytics System

Research

10 Years Research in Services; largest math department in Private Industry; leading advanced analytics/ optimization experts

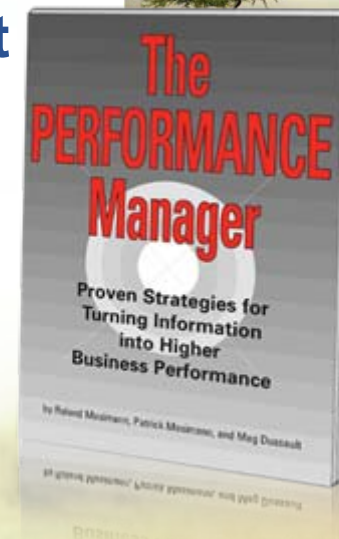
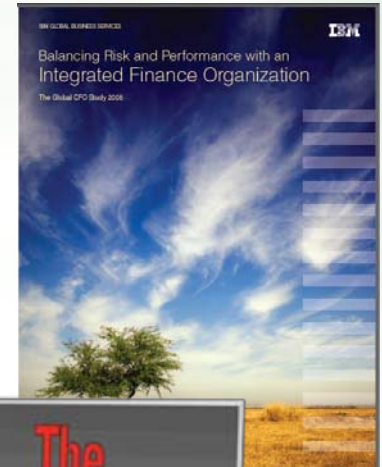




GET STARTED

- 2010 IBM Global CFO Study
- 2010 IBM Global CFO Study Assessment
- Innovation Center for Performance Management
- IBM Cognos Business Value Assessment

IBM Cognos
Innovation Center
for Performance Management



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Anticipate and Shape Business Outcomes



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