

International Business Machines Corporation

Moderator: (Tim O'Brien)
June 28, 2011
11:00 a.m. ET

Operator: Good day, ladies and gentleman and welcome to today's Web Cast. My name is (Dana) and I will be your event specialist today. Following the presentation we will have a short question and answer session. You can ask questions at any time during the presentation. Click the Ask a Question button, type your question in an open area, and click Ask Question to submit.

If you should need technical assistance, please type you inquiry into to the tech support box on the left side of your screen and click the send button.

It is not my pleasure to turn the Web Cast over to your first speaker, (Tim O'Brien). (Tim), the floor is yours.

(Tim O'Brien): Thank you, and welcome everyone to this installment of the financial performance insider Web Cast series. My name is (Tim O'Brien) and I am please to be your host for this Web Cast today.

Our focus for this Web Cast is to see what's new in analytics for finance professionals. And during this live Webinar, you are going to learn about IBM COGNOS FSR, our leading providing of financial governance software. You going to also learn about Open Page, it's the leading provider of integrated risk and compliance management software.

And you're going to join our IBM product experts, one of which I will introduce in a second here. He is going to join us today as (they) explore how IBM COGNOS FSR and IBM Open Pages (Dilutions) will help your finance organization play a more prominent role in their (apprised) decision-making

and sustainable financial governance. And you are going to discover the critical new capabilities these solutions bring to the table. And how they will help ensure your organization can sustain growth and react quickly to market opportunities in the current (bowed) and uncertain economy.

And through this webinar, and other content that we deliver to our customer community, we're really focused on putting best practices into action. And we're focused on community and customer success. And I work in a group that is focused on the translation of proven best practices and performance management and business analytics into practical easily implemented solutions. And those solutions include our performance blue prints. And these are developed in collaboration with top performing customers and performance management experts.

Many of you have probably heard of performance blueprints. These are –re-defined data process and power key models that address a number of functional process areas, and the needs of specific industry. And they provide the means for forging more effective dynamic connections between strategy and execution. And we'll make sure in our follow-up information coming out of this web cast that you can find out where those blueprints exist on our web site and get more information about all of them.

For those just listening to the on demand version, just as an FYI, you can simply go to IBM.com and just search for performance blueprints. It will bring you right there.

So thank you all for attending. As I mentioned, this is the Financial Performance Insider Web cast Series. This is something that we deliver on just about a monthly cadence. And it's typically delivered the third Tuesday of every month. Now those attending today's live web cast will notice it's the fourth Tuesday. This is an exception rather than the rule.

But this is pretty consistently delivered at 11:00 a.m. Eastern. I am your host. And we bring in product experts. We also bring in thought leaders. Subject matter experts, third party folks out there that are considered leading experts and thinkers around us, not only the practice areas that business analytics

solutions enabled. But we also talk about the actual solutions. And sometimes provide demonstrations as well.

Always leaving time for Q&A. And we certainly want to solicit your feedback over time so that we're delivering the right content to help you basically leverage our solutions to the greatest extent possible. And this is why we deliver this Web cast to you among many other things that are available to you.

And just real quickly, I wanted to mention a couple of those things. I hope you are all aware of our Customer Resource Center within Business Analytics Software. And there is a number of things available to you in this resource center. There is software support and support escalation information, a lot of great details there. I blew out the services and training section a little bit so you could see some of those specific subtopics that you can drill into.

And there is tons of great information there. There is upgrade information. There is the champions kit available to you as well. A lot of great information in that champions kit to help you really drive success across your organization, and the different methods that you can leverage thinking in terms of culture and politics, the change management and user adoption information that you really can benefit from hearing, which you know really goes in line with deploying a successful solution in your organization.

It's not just about the technology. It's really people, process, and technology. So there is a lot of great information there. As well as updated event information as well. And within the customer resource center, there is something called the proven practices site. And you can access the proven practices site through the customer resource center. Great product specific information there. There is also communities and forums you can access as well.

Again, go to IBM.com and type in customer resource center, and you'll find that as well. We'll provide that information in the follow-up. I would give you a quick URL but it's a little too long to layout for you on this Webinar. So hopefully that was helpful.

And now, let's get to our main topic for today. It's my pleasure to introduce (Doug Barton), who leads our worldwide product marketing team for financial and risk analytics at IBM Business Analytics Software. (Doug), you know how the floor).

(Doug Barton): Great, (Tim). Thanks, it's really great to be with you and our audience today. And thanks for all that you continue to do to keep this community well connected and informed. It's critical and you know we're thrilled with the work that you do. So thanks again.

Look, as you, our audience likely know, finance organizations are being called on to deliver better advice, better insight to the business to improve performance. Growing revenue and profits, improving return on invested capital is particularly challenging in the midst of the current economic uncertainties. But if you are delivering, you likely are doing it because you are better at anticipating and shaping business outcomes.

And driving better performance is not all that finance function is called on to do today. So in fact, when we Christian today's web cast, see what's new in analytics for finance professionals, we knew there were new demands really, that must be met. And that's really what's at the heart of our content today. Addressing these challenges well will require some forethought.

So we're thrilled that you decided to be with us. And kind of let's jump into the midst of our presentation. You know there really has been a crescendo of new regulatory and compliance reforms. If you look at this chart, we don't have time to go through all of these that have really buffeted the office of finance of over recent memory.

But there are a couple of unmistakable themes. Increasing transparency, rating agency and regulatory demands for risk and compliance information and disclosure is one. The second is compressed shorter reporting deadlines. And in some jurisdictions now globally, the electronic filing requirements are making themselves known.

And of course, this is all on top of the (penchant) for outperforming expectations as delivered by the capital markets, our investors, our

shareholders. You know they expect continuously improving performance, even through tricky economic cycles. So it seems that finance has taken notice. I have some data I want to share with you here that comes from the CFO executive board. A membership-based organization who routinely surveys some global finance organizations.

And it seem again, that the finance function has take notice of these new demands. As you see here on this chart, risk management finance IT, or information technology and decision support are seeing the largest increases in budgets as departments revive IT projects that had been put on hold.

You know this data which is again, projecting budgetary increases as of 2010; the 2011 survey information is coming later this year. But you'll note a few things. If you look closely, many of the activities that have – that help address both the economic and regulatory challenges are featured prominently on the right-hand side of average, right. Increasing budgetary focus.

Note, the average is about a 1.85 percent increase in the total finance budget. But there are a number of things on the right-hand side. Hard to miss on that far right risk management at a 19 percent increase. Also noted on the right-hand side, external reporting, budgeting and planning, and forecasting are also there.

I'd also suggest, and we'll pick up on this theme a little bit later, that it's noteworthy to see the redeployment of budget from Sox and internal controls which appears on the left, as a decreasing part of the budget. To risk management, which is on the right. A trend frankly, that we see taking hold in our customers, and we support with an integrated risk management suite that will help – that we'll introduce a little bit later.

So you see, finance has to work quickly to close the gaps in their capacity, right. The capacity to generate the outcomes that are necessary. Whether those outcomes are in performance or in addressing financial governance and risk management challenges efficiently.

You know you're probably already familiar with our strengths at IBM and business intelligence or financial performance and strategy management. But

increasingly, we see these technologies, and the processes they address benefit from a thoughtful application of predictive analytics as well. Whether that is perhaps using statistics and predictive analytics to detect forecast bias, or assess forecast confidence to predict uncertain demand, or augment profitability analysis.

You know one it wasn't long ago that we really you know longed for a detailed analysis of the profit contribution of products, markets, channels. But that profitability analysis is so much more insightful and actionable when we understand the profit contribution of a customer, and the customers that are likely to leave us, or defect to a competitor. That's the sort of insight that predictive analytics married with performance management and (BI) technology can deliver.

Look, but in just the last several months, we have also greatly increased our ability at IBM to address financial governance and risk compliance management. And that is the focus of today's conversation, as (Tim) introduced.

IBM COGNOS FSR for financial statement reporting is one of our topics. IBM Open Page is for integrated risk and compliance management is another. And just to give you a sense of what is possible here, I want to share quickly some terrific examples of impact from our customers.

You know these are cases that are gleaned from our work with you know our customers. And they really are outstanding examples of the impact of technology and a process transformation. But while their outstanding, they are not uncommon either.

(Omnicom) for example is a strategic holding company. They manage a portfolio of over 1,000 advertising agencies globally. And they are some of the most recognized in the world. In the first two years, the better transparency that was born from their planning and analytics investment allowed (Omnicom) to increase their cash flow by \$200 million. That principally came from lowering accounts receivable balances and freeing up working capital.

UTC noted here in the middle here, \$60 billion global diversified manufacturing. They produce everything from heating and air conditioning, aerospace systems, (otis) elevators, (inaudible) aircraft engines. They bring a spirit of (relently) perfection to just about everything they do. And thank goodness they do. We use their stuff every day when we're going up and down a tall building or flying across the country.

And financial statement reporting process is no exception. So when they looked at fixing that last mile problem, they found a 20 percent savings by addressing the (inaudible) all mandates and the last mile demands. A huge impact for a company of their size and complexity.

Barclays, example here on the right-hand side, global financial powerhouse. They implemented IBM open pages to address both their financial controls management, but their risk managed – operational risk management challenges. They did it in a single high configurable system. Address their far-reaching compliance and risk management practices. At lower cost improving their confidence.

Again, these stories are truly exceptional but not uncommon among our customers. So let's talk about finance at the center of this. Right. I think these are examples of finance organizations at work in their enterprises rising to the top three challenges we see. Addressing financial governance, mastering risk management, all while driving better performance.

And what we want to do now is take a look at these topics in-depth. And we're going to begin with addressing financial governance. You know it's our conviction that truly rising to the financial governance challenge means addressing the full end-to-end process associated with the financial close, and related disclosures.

That begins on the left-hand side of this chart from account analysis that supports the accounting close, and the analysis of the accounts. To the controls reporting and analysis that is necessary, especially if you are a public company with every 10K and every 10Q.

To the consolidation of financial information, to finally the disclosure management and regulatory filing process. Right. Our topics for today kind of fit neatly into this financial governance. We'll also of course discuss Open Pages and risk management in a completely more expansive context, that of risk management.

Look, not evolving these processes, or perhaps suffering with the status quo being a liability associated with getting it wrong. Having a delayed filing, or perhaps having an error that needs to be corrected. And setting that spiral of sort of investor confidence on that downward trend.

You know the efforts associated with putting this process you know through its paces really threaten to crowd out other value creating work as well within the finance organization. So it's really important we get this process more efficient so we can preserve the level of effort we have to put at other opportunities where finance can be a catalyst for better performance.

So look, we're going to dig into this a little bit more. And I am really pleased. I am really happy to introduce (Dan O'Brien) who leads product marketing for disclosure management to share some thoughts on the challenges, and what they mean for finance professionals. (Dan)?

(Dan O'Brien): Thanks, (Doug). And thanks, to all the customers who joined today. I want to start out by taking a look at some of the challenges that companies are facing right now in relation to their ability to efficiency and accurately create reports.

So to build on the timeline slide that (Doug) showed before, you see there is a variety of things that have happened since the turn of the century. And right now, most companies are running at capacity in terms of effectively managing the existing disclosure requirements, and more recently (XPRL).

But I think they are taking tactical steps to complete these critical statutory and regulatory filing processes. And some of them have purchased point solutions for (XPRL) tagging, but more often than not, companies and organizations are just throwing – more bodies at the existing processes.

What I would like to do is kind of take a look from last year forward. So in the near future, I think organizations are going to need to consider the effect of the global economic meltdown a couple years ago. And the new rules that regulators around the globe are enacting to prevent another large-scale economic downturn.

I think a common theme that we're going to see is that most regulators are going to require significantly more disclosures in a number of areas. So if we just take one example around the globe. If we just take a look at the U.S. market. And if you look at the left-hand side of the timeline, you see that May of 2010 the (Dodd-Frank) bill was introduced.

And over the course of the next year or two 286 (rule) makings will come out under the (Dodd-Frank) rules. These rules will come out of treasury from the FDIC, the SEC, the Federal Reserve, CFTC, and other regulatory bodies.

Those 386 rule makings in total equal about 30,000 pages of regulations that companies are going to have to read through and to fill out you know what they need to do to be compliant. And out of those 386 rules, 95 of them are from the SEC.

And those rules that are around disclosure are significant. There is more disclosure requirements for executive compensation, risk and performance, proxy disclosures, board oversight, and other topics as well.

And what you see here is that a lot of the information that they are going to be requiring is not just quantitative data. But it is going to be qualitative disclosure. So the why and the how. Not just how much you know debt did a company take on? But why did you take so much risk on? And how was the CEO's compensation potentially tied to that?

So if we take this example of just the tremendous amount of new ruling just in the U.S. and you extrapolate this around the world, you can also see how this is not happening in just the major economies around the world, but in almost every jurisdiction, and every country. For example, in South Africa, there is (King three) reporting requirements. Industry related requirements are on the rise too.

So for risk based reporting in the insurance industry, the (solvency two) reporting requirements have just been expanded. There is health, safety, environmental disclosures. Corporate sustainability reporting.

So tremendous amounts of new reporting requirements around the globe. And as part of that, as (Doug) mentioned earlier, is this proliferation of electronic filing, or interactive data, or (XPRL). So as you can see here, most people in the U.S. who report to the SEC are familiar with their SEC mandate.

But it's really taking off everywhere around the world, where stock exchanges, regulatory bodies, all are now requiring companies to report in (XPRL).

So as far as the challenges, the external challenges that organizations face, we think now is the time to consider taking a less tactical approach and look for a more strategic approach. And invest in solutions that will automate each step of these reporting processes. And give finance professionals the tools to enhance the integration of the data, the collaboration, and to optimize governance and controls over these reporting mandates.

If we switch now, we'll take a look at internal challenges to create timely and accurate reports. Many organizations today are working with first generation consolidation technology, legacy ERP systems. And unfortunately, a lot of the work as far as the last mile is concerned is still done in Microsoft Office applications. And like I mentioned before, this is something that I think is manageable under the current disclosure requirements.

But in the near-term future, I think that the frequency of reporting is going to make this something that companies aren't going to be able to do with the current processes and solutions in place.

If you look at the left-hand side here, you can see some of the critical reports and activities in finance that are done in traditionally Microsoft Office applications. So then notion of collecting financial information in spreadsheets, aggregating them into a single master spreadsheet for financial reporting, or treasury management or financial close activities, using Word Processing files to write disclosures and analysis, and then also creating

PowerPoint presentations to give a slice of the certain data to investors, analysts, and to create CEO or board packages.

So on in the right-hand side you see some of the problems with this approach. This over reliance on Microsoft Office products prevents finance professionals from doing a lot of things. So those type of reports that require integration or data from multiple sources is (inaudible) integration, which means a lot of copying and pasting.

Those reports that are process-driven that require different contributors from different departments, and who have different access to different data, working within Excel Spreadsheet, Microsoft Word file environments, and relying on the collaboration tool that is e-mail, just isn't going to work much longer.

So we believe now is the time to automate last mile of reporting. So again, external pressures. This is a volatile and uncertain economy. We're coming out of a market meltdown. So we know that the new disclosure requirements and global (XPRL) mandates are going to add layers of complexity on top of an already manual reporting process.

And internally. (Doug) mentioned before this notion of this thirst for more performance. So a lot of companies are now relying more on the CFO to have a more strategic role in the organization. To help drive performance. And the CFO needs support from the Office of Finance to be able to exceed at this new role. However, finance professionals we see are mired in these complex manual processes. And not able to refocus their time and efforts to do more value added work.

So what if we could find a way to manage all of these various elements of these critical reporting processes as part of overall collaborative and controlled projects? And in its most basic form. This is the framework that COGNOS FSR can provide to your organization. COGNOS FSR allows us to reengineer the reporting process.

It will help eliminate manual hand-offs and copying and pasting information into spreadsheets and Word files. You will be able to embed controls, audit

trail, and enhance your compliance infrastructure. And again, the most important thing here probably is that you are taking highly paid finance professionals and liberating them from these administrative tasks to do more analysis. To focus on what actions to take and to create practices to accommodate reaction response to market opportunities. And essentially what we're trying to do is stop building these reports by hand.

So how does FSR work? Currently we have all of these disparate Excel and Word files that exist on dozens of desktops around finance and other parts of the organization. Well what if we created a centrally managed and secured database that we use to house those Word files, those Excel spreadsheets, and presentations?

So what you are basically doing is, you are leveraging the tools already in use. But now you have a single secure database behind it. And when you do that, you can do some really neat things in the context of it. You know, collection of data. So you can now directly integrate into some various financial data sources.

So ERP systems, consolidation systems, data warehouses. You can also add tools to enhance collaboration. So multiple contributors can work on these documents at the same time. You can give increased views into the process. And CFOs and other managers can see exactly what step in the process each part of these reports are.

You can also embed compliance checklists, business rules and security features to ensure that the data and the reports when they are created are up to date and accurate.

And you can also have multiple versions of output formats. So you can create PDF files for internal reports. You can create (EDGAR) (HTML) submissions. And of course you can create (XPRL) tags for filing with the SEC.

So across the entire collect, collaborate, edit, approve and reporting process, COGNOS FSR can enhance the controls around this process, and automate many of the administrative tasks.

And the latest version of FSR that came out at the beginning of May. We again, we now support the (EDGAR) conversion output. So COGNOS FSR is now a single SEC filing solution that you can output. (EDGAR) (HTML) and (XPRL) tags data. We have support for several new (inaudible) including the latest U.S. (GAAP) (inaudible).

We're building additional integration with COGNOS products like (TM1) and (Controller). We have made several UI and workflow improvements. Enhanced the dashboard capabilities. Improved security. And improved performance of the (S-based) query send and retrieval functionality.

We're also expanding our localization coverage to now support the German French, Hebrew, Greek and Spanish languages.

So just to recap, COGNOS FSR can automate the reporting process and greatly enhance the governance around that process. So you can transition from a fragmented and effective complex closed report and file process to a more automated and secure process.

COGNOS FSR can help greatly reduce the risks of material errors, of late filings, and definitely will increase the timeliness of your (inaudible) results.

At the same time, you will be able to improve productivity on internal reporting and other finance processes. And you can leverage financial information for broader decision-making. And as far as being able to output files for external reporting, again, now you have a single solution that can now output (EDGAR) (HTML) and (XPRL) tag disclosures.

So with that, I would like to turn it back now to (Doug).

(Doug Barton): Yes, thanks, (Dan). Right. It's clear that financial governance disclosure management is something that should be a high priority for many finance teams. You know it's remarkable that in the 25 or so years I have been in business, you know post university, there has been very little change in this financial process. It looks remarkably similar in some ways to what I first

learned, what I first experienced at PriceWater. And it's clear that technology can help make this more collaborative, efficient and effective.

So thanks for taking us through that. You know similarly, mastering risk management has become a really high priority here. Again, it's on the board of director's minds due to the regulatory and disclosure demands. Rating agency revising their risk management requirements. Stock exchanges requiring strong risk management practice.

It's really on the tip of everyone's tongue. Finance again is in a unique position to help their enterprises cope. We talked a little bit earlier about the role of the controls reporting and analysis. Or financial controls, or financial controls management.

And that's a sensible place to start. But that is only part of the challenge. Integrated risk management approach is the best way forward. You know solutions must span financial and operational risk, policy and compliance IT governance, and also internal audit.

So to share more on this challenge, I am really happy to introduce (John Kelley), who leads product marketing for compliance and risk management. (John)?

(John Kelley): Yes, thank you, (Doug). And thank you everyone for joining the call today. As (Doug) mentioned, Open Page is a leader in the governance risk and compliance or GRC software space. We were acquired by IBM in October.

And Open Page's entry into the space (whoever) it was through the financial controls management and reporting area. As we were addressing the market need created by the Sarbanes-Oxley back in 2002.

We have since expanded the risk and compliance areas. But continue to have a very large and thriving financial controls management customer base.

As we first saw back in 2002, and really continue to see today however, the many organizations, when they are first adopting processes for Sarbanes

Oxley or financial controls management are largely still reliant on Word and Excel as (Dan) referred to host their controls.

And this of course makes it difficult to manage all the controls with regard to duplications and consistency. And they also have limited administrative oversight over the testing of controls, as these (siloe) operations are typically not coordinated.

And you know since they are not – since they typically are (siloe), it makes it very difficult to identify areas of concern, and really control – identify the controls that are not operating effectively. So it becomes very difficult to also drive an push down the process in control owner accountability if you lack the ability to assign process and control ownership.

So y perhaps the biggest issue that we're seeing is really the enormity of the controls, the public companies are being acquired to address these days. And the associated costs and complexity of managing these controls.

In a survey conducted by Ernst & Young it was determined that there is a strong correlation between the number of controls identified for testing, and the cost associated with that compliance. So as you can see in this chart, or both on the left, companies with over \$20 billion of revenue have made major investments in the section 404 compliance, which mandates internal controls over financial reporting.

And that some companies were actually testing as many as 50,000 controls annually. So because of this cost and complexity, many of our IBM Open Pages customers have adopted a risk-based approach to control testing, or managing their financial reporting as part of a larger integrated risk management initiative.

And as you can see on the graph on the right, this is really being reflected in our recent IBM CFO survey where finance departments are cutting back on Sox and internal controls, and placing the emphasis on risk management.

So IBM Open Pages enables a top down risk-based approach which is really helping a lot of our customers reduce the cost and improve the overall

operating effectiveness of financial controls and reporting. And our methodology is based on five principles, as you can see here. So we suggest beginning with entity level controls. And then using a top down approach to identify only those accounts and processes that are relevant to internal control over financial reporting.

And then excuse me. Next you will want to identify the financial statement accounts that are material. And then the processes and transactions that generate these material accounts. So with the IBM Open Pages financial controls management solution, the processes are directly related to accounts so that after the accounts and locations are identified, the processes can then be automatically determined and associated.

And then from a risk-based perspective, you'll want to identify the points at which errors or fraud could occur in the process. So for each process and scope, you would take the high exposure risks, identify those, and then the controls associated with them to be tested. So this type of top-down risk based approach will really allow you to focus on the areas of greatest impact and then ultimately significantly reduce the complexity and time need to test your controls.

So the Open Pages solution in this area is called Open Pages FCM, or Financial Controls Management. And this is an enterprise document management business process management and reporting. Enabling your company to document the financial controls and really automate the ongoing testing and review process. We're built on COGNOS. So we have some rich dashboards that can be used by project managers, documentation managers, auditors to help them plan and document and test the internal controls framework and to then attest to the financial statements.

So it provides full financial controls management through a common repository that enables organizations to document compliance policies and procedures, capture a full audit trails and approvals, we have workflow to route tasks to key stakeholders throughout the enterprise so that your period tests are performed, and issues are resolved effectively.

And then the rich, rich interactive dashboards, and reporting provide your executive management team with the assurance that your state of compliance around financial controls and Sarbanes-Oxley and you are confident in your compliance with those. And then you have quick and easy navigations to any of the potential problem areas.

So as just like managing financial controls from the (Siloed) work Word and Excel documents that we have talked about, leads to inefficiencies and poor visibility. Managing financial controls separately from other risk and compliance initiatives also leads to redundancies, limited transparency, and ultimately increased risk management costs.

And as you can see here, a risk management methodology as it converges the needs of compliance operational risk, Sarbanes-Oxley, financial controls, audit, really enables efficiencies to be gained. For instance, one assessment can serve multiple purposes, whether it is an operational risk control assessment, a regulatory compliance assessment, financial controls assessment, et cetera.

The time and resources spent on data aggregation correlation and reconciliation can be reduced. And the visibility of your business and enterprise risk exposure really increased so that you can make better-informed decisions and you know ultimately improve your business outcomes.

So the Open Pages FCM solution is part of the IBM Open Pages (GRC) platform. And this is a solution that provides integrated financial controls, operational risk, IT risk, audit and compliance management on a single platform, enabling interoperability among those modules and sharing of data and services across all those applications.

The platform provides, as you can see in the bottom there a collection of shared services from document management and content management to auditing audit trails, workflow, security, publishing. And as I mentioned early, since it's built on the COGNOS business intelligence layer, you also get rich interactive dashboards and reports.

And so as the GRC market has evolved from the standalone kind of mandate driven initiatives like Sarbanes-Oxley to more of an integrated risk and compliance program, the strategic nature and business value of GSC has increased. And with our recently announced version 6.0 of IBM Open Pages GSE platform, we're really seeing GRC solutions being adopted not only in the risk and compliance offices, but also in the business unit manager office.

And so release 6.0 couples business intelligence from (Cognos) with an apprised risk and compliance management.

So the business unit managers and executives can derive increased insight into the risk exposure for ultimately improved decision making. And with 6.0, business unit managers really now have enhanced dashboards to risk and compliance data to support risk adjusted planning and really align their risk in performance management objectives.

With 6.0, we've also introduced enhancements to the Open Pages policy and compliance management module and this really allows companies to easily communicate changes and laws and regulations and enable quicker reactions by the businesses.

As (Doug) mentioned earlier in the presentation, the pace of regulation and for the need for transparencies has increased significantly and having a programmatic approach to communicating and tracking awareness of internal policy changes and being able to react quickly to these changing regulations is critical and the new PCM updates addresses these challenges.

So building off our previous support for (Cognos) and released 6.0, Open Page and (Cognos) analysis studio so providing drill up and drill down charts and graphs for easy exploration of data without the need for involving report authors or your I.T. team.

And also provides dials and controls on these dashboards that allow real-time scenario modeling so that business managers can explore risk in an ad hoc manner and decide where to best allocate resources based on that risk adjusted view.

So once again, I'd like to thank you for joining the discussion today and I'll hand it back to (Doug).

(Doug Barton): Yes, thanks, (John). You know, that version 6 has been very well received as you noted. It's a great example of business analytics applied to risk and compliance information, you know?

It's really clear, I think, by the (Casey) layout here that a systematic approach is important if you're going to realize the sort of efficiencies and effectiveness in both, like, compliance and risk management practice within the enterprise.

So, you know, to our – to our audience, I want you to know that we're all very excited about the addition of (Cognos) FSR, the product that (Dan) talked about financial statement reporting that's from the acquisition of Clarity Systems and Open Page is really to the business analytical software business.

We've made a lot of progress already in ensuring these strong high valued connections are made between the systems and technologies that you might be relying upon today.

I know I speak for (Dan), (John) and, you know, many others in our labs that are – that are – we're very excited to learn from our customers' experiences as well.

So if you should have questions about how these systems might take advantage of software you have today, be sure and ask them. If we can address them, we'll address them here in the Q&A session that'll follow, just a few closing comments that I have, but we can also address them in one-on-one conversations should your schedule permit.

So, you know, look. As we complete our short tour today, I really wanted to come back to, you know, this point here about driving performance, you know?

Let's remember that while finance is critical in addressing new or perhaps accentuated compliance, governance and risk management demands, it's only part of the challenge for finance organizations.

We must continually push our enterprise performance higher and IBM stands ready to help there, you know, planning analysis and forecasting, profitability modeling and optimization like the example I mentioned at the top of our program, performance reporting and score carding.

These are all processes that have been found to be instrumental in driving this – the sort of, you know, better outcomes or achieving the company's performance potential and we're thrilled to be of service in that way.

So we hope this webinar, right, entitled, "See What's New in Analytics for Financial Professional" was news you can use to rise to what we think of the top three challenges that face the finance organization, addressing financial governance, mastering risk management and driving better performance.

And, you know, at IBM, we know we can help. June this year here in 2011 marked a birthday celebration for IBM. It was our centennial, you know? The event marked really 100-year track record of innovation and progress. Now, globally integrated enterprise and I guess by your presence here, we're of service to you in some way.

We feel incredibly relevant to today's challenges with our broad and deep portfolio business analytic solutions and frankly we're on a mission to create a smarter planet.

It may mean the transformation of industries that you operate in, it may mean the transformation, the realization of excellence in your finance function, but all allowing you to focus on driving your business forward.

So we're really thrilled that you are here today to share some time with us.

I want to put in one plug here. We'd love to see you in person. We have – we've marked all our calendars internally. We're going to be in Las Vegas October 24th to the 27th. We hope to see you there at that upcoming conference.

And for my last words, I really want to leave you with these notions here: We hope you will take inventory of your current priorities, you know? We shared some data on what other finance organizations are doing, you know? Your mileage will vary.

Find what your current priorities are within your finance organization and start to address them, you know? Learn about the latest releases of software that you rely upon today. You might find advances there that are absolutely, you know, make perfect sense to take up immediately.

Engage with experts whether those experts are IBM'rs or those experts are partners that you are working closely with to address your requirements. Where possible, share your feedback.

As I kind of compelled you early, if there are places that you need clarity on how products and technologies work together, do seek out that information. I think you'll be pleasantly surprised by all the progress we've made within our labs to address these high value connections that ultimately help you do things, you know, faster, better, with less effort.

And then, you know, take some next steps. Plot your journey strategically rather than being whip-sawed by the latest, you know, priority. We look forward really to our continued partnership with you in an ongoing dialogue.

So, you know, that's what we have for prepared remarks. Thank you very much for being here. (Tim), let's – why don't we take some questions from the audience in the – in the 10 minutes we have left?

(Tim): Excellent. Thank you, (Doug) and thank you to (Dan O'Brian) and (John Kelly) as well for your presentation today. Now, we're going to open it up for questions. We've got a lot of people on this web cast today. So a lot of questions has come in which is great.

Why don't we start off with one that's focused on governance risk and compliance Open Pages and that is the question reads, "Budgets are tight. How can we make a case for a GRC platform?" (John)?

(John Kelly): Yes. Well, I can – yes, sure. Well, you know, ultimately it comes down to, you know, it be efficiencies that can be gained, you know? It's really – the ROI is very strong. We have some customers that have consolidated – we have a major financial services company that has consolidated over 20 standalone point solutions down to our integrated platform.

And so the – you know, the cost reductions with respect to systems is – it's actually only a small part of it if you consider consolidating 20 different systems. In some cases their SharePoint servers, spreadsheets, other standalone solutions, but the I.T. is only part of it.

Really what comes down to the biggest component of that return is around the improved productivity and the reduced redundancies when it comes to those assessments and the policies.

And, you know, when you have similar compliance regulations and you're sending out surveys, you're really taking a lot of time of your key employees.

And so being able to consolidate those, being able to consolidate the I.T. as well as the processes is a huge payback and then that doesn't – you know, it doesn't even take in a company advantages of being able to run your business better by having a true enterprise, view of your risk and being able to make better decisions.

So it really is, you know – there's a very strong ROI. So, you know, payback can be as little as two to three years.

(Tim): Super. And I'd make a suggestion to everyone out there that you should go out to our business analytics software site on IBM.com. Look for it under the software section. It's right there, a shortcut to it, and there's many case studies and success stories that exist to – in regards to Open Pages and governance risk and compliance that you can leverage as well. So there's a lot of great information out there to access as well.

Another question here and this is related to – maybe we'll play a little ping-pong and go back and forth. This is related to Clarity FSR and that is, "How much of a learning curve is there with FSR?"

(Dan), I'd assume that one's for you.

(Dan O'Brian): Yes, I think the learning curve is small. The user interface actually is Microsoft Word and Excel.

So we actually are leveraging the familiarity of working within Word and the calculation functionality and everything else, you know, in Excel. When you log into FSR and you open a report that's either in Word or Excel, you're actually invoking the Word and Excel on your desktop.

So if there are any kind of add-in's, those will be there as well. The mitigation of the risks of using Excel and Word is taking care of our – you know, eliminated because it's now driven by a central secure database.

So all of the functionality that you have because it's now a database driven solution like the tools to facilitate collaboration, embedded compliance checklist, the auto trail capabilities, those are very easy to understand, you know, kind of drag and drop operations that are just layered on top of what you already know which is Word and Excel.

So I would say that the learning curve is very little. Once our customers start using it, they really seem to enjoy it if it don't take a lot of training and then they start to use it for other processes internally whereas they might've just purchased it to automate SCC reporting. More often than not is that they start to utilize FSR with other departments within the organization because it's so easy to use and because of the benefits that it provides them as far as automation enhanced controls, et cetera.

(Tim): Super. And for everyone out there, as you know, Clarity FSR and Open Pages have recently joined the business analytics software family within IBM and at Clarity Systems, there's a – some website out there which you can access as we bring them into the IBM.com family and further integration there.

You can go out to Clarity Systems – plural – ClaritySystems.com and there's just a host of information out there in Clarity FSR that you can leverage and

we'll include that in the follow-up from this web cast, but a lot of stuff there that – which you should be aware.

Another question, "Now going back to GRC and Open Pages, in recent news, we've seen that even companies with established risk management disciplines failed in some cases, why is that?"

(John), do you want to...

(John Kelly): Yes, that's a good question. I mean, we – if you – if you – if you look back to the financial crisis in 2008, you know, really in many cases it was a small rogue operation that affected and really brought down many of these large companies and, you know, without revisiting history too much, but, you know, it's really about, you know, the operational risks that were not considered within market and credit risks.

So you had these mortgage-backed securities being invested in, but, you know – so there was an analysis of the market and the credit risk, but not the associated operational risk that had to do with, you know, were the credit loan applications being approved and reviewed effectively.

So yes, it's something that really has emphasized the need for a full view of all enterprise risk and, you know, we're doing – we have some interesting solutions that we're working on with IBM across portfolio for what we call finance and integrated risk management that gives you a common dashboard to look at all your risks and compliance so that you can see, you know, what are my credit risks, what are my market risks, what are my operational risks.

So, you know, if you don't look at all of the risks in a totality, then you're really not doing yourself – you can't feel confident that you're managing your business very well.

(Doug Barton): You know, the – a related topic here that I hear a lot of talk – this is (Doug) with another thought is this notion that there are three lines of defense to...

(John Kelly): Yes.

(Doug Barton): ... try to eliminate unexpected losses, you know, that we actually looked to our business managers to be that first line of defense. They need to understand the loss exposure, right?

They need to be sensitive to risks as well as to the expected returns of any investment or business activity. And then we have a risk management team within the enterprise and then finally, we often have group or internal audit that, you know, is very sensitive to business control and risk of misstatement or fraud occurring.

But that three line of defense notion, I think, is one that we're going to see kind of wash over most of the industries in which people operate where the business managers have to be engaged in being sensitive to business risk in a whole new way perhaps that we were relying upon just a small group of folks in the past, (Tim).

So I think – I think we're seeing a bit of a step change here from risks being a department to risk being something that's integral into the business performance landscape.

(John Kelly): That really comes from the top, (Doug). I mean, it's – the executive team needs – really needs to set that tone at the top of, you know, everyone's job to manage risk and, you know, when – in instances where we've seen that be successful, it really makes a difference.

(Tim): And a follow-up question to that, (John) and (Doug), how are organizations rallying if they don't have a formal office of risk management or a sea level executive corporate risk officer?

Have you seen committees set up so that there's enterprise-wide visibility for this type of initiative? What have you seen done to get that cross company representation?

(Doug Barton): Would it be self-serving to observe that we're in a financial performance insider webinar and we're talking about risks? I think the CFO is taking a stronger hand in part because of the board of directors proxy disclosures are all requiring more disclosure, but what the company is doing to manage risks

that it always had to disclose, but now it has to be addressed more systematically.

So look. I think, you know, for our listeners that finance is going to exercise a stronger hand here. Now, there are industries, of course, where risk management has always been their business, insurance, financial services, banking, financial markets perhaps is leading the way.

But (John), you know, what other thoughts do you have on the topic?

(John Kelly): Oh, yes. I mean, it certainly is – if companies are not doing it, they will be. The Dodd-Frank rule actually requires public companies to have a risk committee created if they don't already have one. So – and that is as you – as you mentioned, (Doug), we are seeing quite a bit that's a cross-functional team between risk compliance, CFOs and I.T.

So I certainly think if they're not doing it today, they will be.

(Doug Barton): Now, just one other point here, not to belabor this too much, but I often wonder, right, as people are listening to this, understand that as these mandates kind of hit our enterprise, there can be this sort of challenge to reconcile the new demands of this program or initiative with all the other things that are going on in the enterprise and one of the things I just want to highlight here is this is why it's important, perhaps, to help get your organization's game plan right.

You need almost that, right, we approach these things systematically so not all the new head count in resources, the salaries and other kind of budgetary line items don't kind of run to this one demand, but think about it more systematically.

Just a great example of this is that it's really important that performance management practice, planning analysis, score carding be integrated with risk management. Think about it like this: Your job as an enterprise is to thoughtfully navigate, you know, risky outcomes with driving your performance goals, for growth, for profitability.

One of the things a lot of global enterprises are faced with is they're operating in environments, maybe lesser developed countries or locations that have a different risk management landscape.

And so while so much of their revenue growth might be coming from addressing these local market opportunities in foreign lands, as an example, the global integrated enterprise, they have to have the risk management techniques and practices well developed so they're not taking risky bets or understanding how risk changes their, you know, revenue attributed goal from those growth markets increases.

So, you know, we really have to think of risk and performance as two sides of the same coin even as you're thinking about the systems that support the practice of risk management or performance management.

Sorry for the long answer, (Tim), but I find that it's really important for us to think more – in some ways in an integral fashion versus separate fashion.

(Tim): No. Absolutely appreciate that and I would imagine our listeners will as well. So I appreciate that. And, you know, we do this web cast series and a lot of things that come out of our division of IBM, we do this because we recognize to successfully implement our software. It requires both three critical ledge of the stool that includes people, profits and technology.

And we're as focused on the people in profits as we are on the technology and that's really the purpose of this webinar in many of the things we do. So I think we've just about used our budgeted time.

So I want to thank our presenters, (Doug Barton), (John Kelly) and (Dan O'Brian) for presenting today. I want to make everyone quickly aware of a way to contact us. We want your feedback and what you want to hear in this web cast series and also just coming out of our group business analytic software in general.

An easy way to get a hold of us if you didn't get down our contact information at the beginning of the web cast through the walk-in slide is join our linked in group and it's called the IBM Innovation Center for Business Analytics.

And we've got well over 1,000 members right now and counting. It's really growing. It's a great way to stay connected with us. It's a great place to ask questions and hear about different events, webinars, live events, user groups, those types of forums, customer advisory boards are subgroups within this linked in group.

So a nice chance to connect not only with us and business analytic software, but also other users out there of our technology.

So thank you again for your time. Be on the lookout for our next installment of the financial performance entire web cast and enjoy the rest of your day, everyone. Take care.

END