

Welcome to the third annual IBM Cognos Virtual Finance Forum 2009. My name is *Mark Jeffery [phonetic]* and it's a pleasure to be back as your host today in this unique and compelling online conference. Cognos along with us sponsors CFO.com and APQC, and plans an exciting agenda for you today. I also want to take this time to acknowledge some of our leading technology partners, who will be exhibiting in the partner of a billion through out today's event including *Deloitte, Cubette [phonetics]*, guide solutions, Revelwood, APQC, CFO.com and of course IBM. Now if you want to learn more about any of the exhibitors products and solutions, visit their booths in the partner pavilion where you will be able to view demos, collect collateral and chat with technical experts online through out the day. They can answer all of your questions.

Now I will seem for this year's finance forum is driving performance in turbulent times. Those five words capture the extraordinary challenges and the opportunities that many of you are faced with today. Finance executives under increasing pressure to manage risk, drive cash flow, contain and reduce costs and at the same time improve profits. They need new tools and disciplines to help simplify and eliminate redundancy and drive dynamic sustainable financial performance management practices that improve visibility insights, and control over the leaders of performance. For instance they need to create more timely reliable forecast that align operating costs with new levels of business activity. They need to gain new insights and to profit drivers to reallocate resources to the most profitable areas of the business and they need to improve insights and responsiveness to the impact of external and internal risks on profits, balance sheets, and cash flow. These are just a few examples of the capabilities that we will feature in the presentations through out the day. This conference is designed to help you succeed in these volatile times.

Now for those of you who may be learning about Cognos for the first time, we are now officially known as IBM Cognos software. We were acquired by IBM in January 2008 and we are the world leader in business intelligence and performance management solutions, with over 23000 customers and 3000 partners worldwide and with just coming up another ground breaking year for IBM Cognos and for all customers, every investment we make in new people, new products, and new services is driven by a cool belief that your success drives our success. We hope you get a sense of our commitment to your success with what we have in store for you today. Today's unique virtual format allows you to participate in the comfort of your office or home and still have the opportunity to hear compelling key notes sessions to explore the partner pavilion where you can visit the Cognos food as well as visit our key strategic and regional partners. You can interact with other attendees and the communications lounge and have access to a content rich resource center where you can download a multitude of white papers, case studies and other types of collaterals.

During this event you will hear from speakers such as *David Axson [phonetic]* of the Sonex group, former head of Corporate planning at Bank of America and author of best selling books on performance management. *Mary Driskill [phonetic]*, a Senior research fellow at APQC, Dough Phaeton, VP of Financial performance management at IBM, *Robert Lobaido [phonetic]* from Coldcom, a Cognos customer, as well as the number of

products and solutions experts from IBM, Cognos and Deloitte during the break house sessions. Dough Phaeton will close out the conference by moderating a panel discussion with our general session presenters to explore best practices in the implementation of a typical performance, management initiative. And you view the agenda in quite a detail by accessing the agenda tab on the bottom navigation tool bar. In our first session of the virtual finance forum, we are pleased to have a very well known industry expert joining us today, David Axson, President of the Sonax group. Now prior to founding Sonax group, David Accent was head of Corporate planning for Bank of America.

In 1991 he helped found the Hackett group and served as the firm's Chief Operating Officer until Hackett merged with Answerthink Inc., he was a member of Answerthink's executive management team and served as the firm's chief intellectual capital officer. Now David spent the first 10 years of his career in London with 80 *[Inaudible]*, Deloitte *[Inaudible]* and self and Lloyds Bank PLC, a well respected writer and speaker, he is the author of the book "Best practices and planning and management reporting". Today David will be discussing how the unprecedented economic events of 2008 have caused a harsh light on many of the management practices, organizations have relied up on for decades. At a time when uncertainty, volatility and risk are at all time highs, many organizations are seeking tools that allow them to better manage the opportunities and threats, inherence in the market place.

David Axson's key note presentation will discuss how managers are harnessing the potential of technology to create the dynamic risk based performance management processes essential for today and tomorrow. Unless you listen to David's presentation if you have specific questions for him, please submit your questions in the question box, it's on your screen and we will make sure those get answered are for the day's events. Also as I mentioned earlier David will be one of the participants in the panel discussion, they had to run today. So we hope you are able to attend that session as well. It's now my pleasure to turn it over to David Axson.

David Axson: Thank you everybody, thank you Mark. It's a pleasure to be with you all today, virtual finance forum 2009. This is the pretty cool way of delivering information. So I am excited to try and share with you some of my perspectives on how people are dealing with what a pretty unprecedented economic times. I think it's going to end up things phenomenal learning experience for everybody, even though it's incredibly painful for many of us at the moment as to try and navigate through the volatility and turbulence that is clearly out there and virtually all market places, in all parts of the world today, we truly are in a global economic down turn. Although what I will tell you is all of my research, a lot of companies and the lot of managers are seeing this is a tremendous opportunity to really create some capacitive distance, you know it's passed *[Inaudible]*, it's always being clear that the best companies out performed in a downturn and emerging a stronger competitive position.

And so what I have liked to try and do for the next few minutes is show with you some very practical perspectives and insights about how I see companies really taking where we are today, the learning of the market environment that we are trying to operate in

today and really embed that in to a much more dynamic risk based performance management process. You know for the last five years when the economy is being good, having great plans, great budgets is nice to have, suddenly it has become really essential and I think a lot of people are beginning to question whether we now need to give a higher priority to the quality, capability and use of technology in our performance management practices. So that's really what I am going to talk about for the next few minutes. Volatility, uncertainty in our business is usual, it's been incredible time, just look at the graph on the left. This is just for the last two years, the trend and brunt crude oil prices. Now if you sat down in the middle of 2007 and drawn this picture, this graph is taken in to your boss and say, I think this is what's going to happen to oil prices. You would have been laughed out of the room, you know going from a lower \$60 in the middle of 2007, all the way up to a peak and all for the \$140 and then collapsing to \$40 range, where oil is trading now is a true case of fact being stranger than fiction.

And unfortunately that level of volatility is being experienced in many other places. Whether it's commodity prices, real estates, consumer spending, exchange rates, just in the last six months of 2008, many exchange rates move by 30 or 40% against the US dollar, which creates havoc in many of our globally connected supply chain and can really make business plans and budgets that will well thought group and considered obsolete in very short order. So with dealing with a series of events and trends that have really a very very different world from math in which we grew up and the math in which many of our management practices were created. I think it's important that we understand that in this globally connected world, volatility and uncertainty are in our business is usual. And we need to think about our management practices sufficiently attuned to operate effectively in that world and I think for many of us, the answer today is probably 'no'.

It's very interesting to me and even some of the best performing companies will admit to struggling, Peter Oppenheimer, the chief financial officer of Apple, who have been on a tag in recent years have really distanced themselves in the consumer electronics space, great innovative new products, but also a very interesting approach where by Apple's strategy appears to be, we will obsolete our own products before our competitors catch up and over take us and so what that really doing is by bringing in new versions of the iPod and the iPhone on a regular recurring basis, that making it ever more difficult for their competitors to catch up. But even in a company like Apple which has great visibility in to it's near term fails through with the Apple stores and through the iTunes store, the CFO admits, visibility is low and forecasting is challenging and to me, who would argue with that statement. Does anybody believe that visibility is high and forecasting is a piece of cake. It's a real big challenge to starting to place bet, work out what ever I cost structure should be for the balance of 2009, and what I asked many companies out there is given the environment we are now operating it, have you changed the management practices to accommodate that? Are you still building your 2009 budget the same way you built your 2008 budget and what if we experience similar levels of volatility this year is the last year, how relevant and how credible is that key management tool going to be. So even the best companies are finding it very hard and gained visibility and perspective on the future and are looking for different ways to increase the level of confidence they

have and the decisions they are trying to make and this really where performance management tools best practices technology can have a very positive impact on organizations.

This to me is very interesting, a few weeks ago I was listening to the proceedings of the world economic forum in Davos, Switzerland and listening to Vladimir Putin's speech, the Prime Minister of Soviet Union, Soviet Union, gosh, it's showing my age now. The Prime Minister of Russia, I should say. The world is now facing the first truly global economic crisis which is continuing to develop at an unprecedented phase. He is exactly right, the level of connectivity and mutual dependence as we have gone through the process of building global supply chain, outsourcing, offshoring, global sourcing, global trade barriers are being collapsing, the internet is truly democratized commerce, we use reverse options, and what is really doing is meaning that the global impact of a local event happens almost instantaneously. In prior down turn, what you were dealing with large like regional issues, may be with Latin America that had a problem, Russia that had a problem, Japan that had a problem.

And the impact of that, yes, it did ripple out globally, but it took time and we had opportunities to prepare, we had opportunities to take corrective action or preventative action. What we are dealing with today is micro events in a local market, rapidly radiate out on a global basis. You know US supplies are based in India and as we sore in December would be unfortunate bombings in Mumbai, it can create in an instant a high level of uncertainty that can potentially challenge plans to forecast up on which you are predicating very significant business decisions. So we are operating the different world today, where the global impact of local or regional events is near instantaneous. We are all connected and even the smallest businesses today have some aspect to the global footprint. And therefore it's important to begin to think through how are our management practices best tuned to that new world. And I think the answer is they are not. We haven't really *[Inaudible]*, just think about the world we are dealing with today.

We have effects we got a world where volatility is the norm. Global entity's dependence is as I mentioned custom ad, these are not supply driven markets anymore. The customer have access to a higher quality and *[Inaudible]* of information, they can get product reviews online, both biased and unbiased and it really allows the customer to in control of the transaction. Intensely competitive, many markets have seen barriers broken down and even with reviewed flats and issues around protection is that, I think the impact on global trade flows is going to be negligible. We have so much that is dependent across board of flows today. We can't simply build artificial political barriers and economic barriers today and expect to have a true impact. Integrated supply chains instantaneous communications and incredibly technology dependence. That's the world we operate in today. Now, what management practices are we using to deal with the uncertainty and that volatility. Let us have a look, we still rely on five years strategic plans often to many organizations the five years strategic plan is really a strategy, it's actually a five year budget.

Now I don't know anyone that has come from internet budget looking at more than about 90 days in a moment. So you know how useful is the five year financial plans, we still tend to do very detailed annual budget. You know most companies will have budget for December, the same level of details is that budget for February or March this year. Is your predictive ability is good to further out you look, can you predict what's going to happen in December? Because easily you can what is going to happen next week or next month? I think no. Quarterly forecast, you know we are dealing with an environment of volatility and uncertainty and yet what's comfortable, just updating our view of the road ahead, three or four times a year, that doesn't make any sense what so ever. We are in an environment where your business prospects could change over night. And that will simply resisting the need and the business purpose of building a forecast and only doing it, you know at the end of March and at the end of June and may be the end of September, frankly it is negligent in the current environment.

The world is moving too fast. Key reporting of monthly metrics on a monthly basis only. We tie everything to the calendar. We can't produce management report until the accounting books are closed, the same things happen with the quadrant. What we need is instantaneous monitoring is the real time flow of business activity and yet our performance management process is an our accounting process, is not geared up to handle that. The primary comparison base we use is actual verses budget. Well, most companies abandon that budget very early in the 2008 cycle and it wouldn't surprise me as the same thing is already happening in 2009. I am speaking with the CFOs last week. They are already moving of that budget because the economic down turn is deeper and deepening with five greatest fees and they ever anticipated just 90 days ago when they were building that budget. So actual verses budget comparisons are largely meaningless and time to grade volatility and uncertainty. Single point estimate, we develop a budget that says we are going to make a \$117.3 million this year. That's a very precise number, unfortunately decisions of equal accuracy and that becomes a real challenge as we go forward. So single point estimate may be, usually moving all about range based that, I will tell more about that in a few minutes.

Very time consuming, we are in an environment today where these management practices is still large predicated on a spread sheet view of the world and many of our professionals are spending an ordinance amount of time gathering data, organizing data, validating data, structuring that data, creating report that of it. The amount of time actually left through meaningful analysis is minimal. In short we got effective management practices that we design for the way business operated 20,30,40 years ago. Frankly redundant in today's real time high volatility world. And it's never been a better opportunity to make the case the change. Really think about a fundamental reassessment in the way we plan budget forecast and report in our businesses, that actually provides business managers with the information, the insights for them to make better, more confident decisions faster and that's really the essence, making better more confident decisions faster. That's the objective of a world class performance management process. So how the best dealing with this turbulence.

Well, it's part of the research for finance forum 2009 in this presentation today. I have great opportunity to speak with executives from a number of different companies. I told what the executives target one of the premier retailers of the United States, IBM, the parent company of Cognos and also one of the companies just performing best in the current economic environment. Qualcomm is right in the middle of the technology tsunami if there is a better way of putting it and really have some very interesting practices based up on a very innovative culture and market leadership in the wireless and chip making business.

Sonax is a small German company focused in the automotive segment, we are cleaning products to the automotive industry. So they are riding a hot, one of the most interesting market places, based in Germany and really are adopting some pretty interesting techniques to simply show that today best practices performance management has no global boundaries. There is no barrier wherever you may be doing business. I have great good fortune to speak with the number of companies in Asia and Latin America last year, the best practice is that they are talking about on our implementing today and no difference, to those we see in North America and Western Europe. We are truly seeing a democratization of best practice deployments around the world. *Emperor Assistance [phonetic]* is a small amplifier manufacturer based out in California that manufactures industrial and military based amplification system. Small fast growing tech business. Moving out of the start up phase and really in to how do we create a serious present *[Inaudible]* in the market place. So this is a diverse group of companies, it sounds very large, global multinational companies, down to some relatively small companies, where they are really being very innovative in their market place. What was interesting was the high level of consistency that executives each of these companies have about their view of the future and the way that businesses were going to continue to operate, perform on a go forward basis. What all these companies do? Well, they share many similar characteristics. You know in times of uncertainty it can't be worrying about the basics.

You need to ensure the basics are being done very very well. You need to be able to focus your attention on the volatility, uncertainty and the rift that existed in the market place, not worrying about do the books get closed on time or our vendors getting paid in a timely fashion and how we effectively managing our cash flow. All of these companies will not sacrifice and will build confidence in their ability to execute the basics very well. The other thing they do is they explicitly address risks, no single point estimates here. They are looking at a range of *[Inaudible]* for how that business and more importantly their markets are going to perform over the foreseeable future, the extent to which you have visibility and their understanding how they will make changes in resource allocations, project prioritization and investment decisions based up on how the business may perform under different scenario and by having done that and provided that frame of reference management, when things that deviate from your expected task, inability to make much more confidence and rapid decisions because you have already contemplated the changes and the impact of volatility and uncertainty on your business.

Very important events and to maintain focus and discipline. It's very easy to get distracted. It's very easy for your associates to get distracted. May be it has been a lay

off somewhere in your business. Needs thinking pay more attention to morale and to discipline and focus. You should begin to execute in a down turn and stop to build capacity and strength. So that when you begin to see your markets pick up, you are in the best position to exploit those outside opportunities. Very important to use talents to the full. You don't have to let you going and hiring additional bodies at the moment, you know the man should know every organizations do more with less, that requires a focus on productivity, it also requires a focus on making sure you have the right talent and the right job. Now what I will tell you is nearly all of these companies recognize that they do actually have some opportunities in the current environment. If they can maintain stability and can deliver financial performance, it exceeds that of the market place, there will be real opportunity to potentially upgrade that talent.

Lot of very talented people on the market at the moment and the ability of companies to offer a clear vision for the role of a finance professional business analysts and then actually walk the talk by delivering that vision in terms of the tools, the focus, the career experience, the level of management interactions, many companies are seeing that this is an opportunity to upgrade the overall talent as they can cherry pick the best that is now in the market. Equally important collaboration is key and this is both internal and external. It is often a tendency in down turn for people to hunk it down and retreat inwards, start and manage their own *[Inaudible]* domain and protect their own little territory. That's the exact reverse of what you need to be successful, communication and dialogue across the functional areas of the business becomes even more important. Immediate flow of insight and intelligence in the marketing, the sales teams to the production and logistics team is even more important when you are dealing with volatility in your revenue stream. Equally important is collaboration with suppliers, customers, and other providers. I was talking with Steve Kowalski, the former treasurer, Target corporation and he made a very important point that in the current environment the strength of your strategic partnerships with your funding partners is really being called in to question and those companies say they develop some mutually trusting relationship with the credit providers and are in a far better position to sustain that and companies that may be have been shopping around that banking business in the last decade and they really go with the lowest price wherever they to do business.

Finally it's time we move beyond the spread sheet. We faked it for years, we have been able to get away for close 25 years by using the spread sheet and expanding it's capabilities, way beyond anything for which it was intended. Unfortunately the environment of a spread sheet based performance management process is simply will not work in the current world. And if we haven't learned a lesson now, we never will. It's time to move on.

So how do they do it, let's talk a little bit about the practical aspects that go underneath this. First of all it sounds very simple and this is a slide, I have been using for a long time, but it really be *[Inaudible]* me how few companies, true we have visibility from the strategy to their financial results. A clear line of sight between a major elements and determine how they believe that company is going to be successful strategically, you know may be it's innovation, so you are really focusing on your ability to bring

innovative new products to market and then sure you are getting customer acceptance with the products. If you have a low cost model, you really do need to be able to demonstrate that your cost structure is sustainable at the lower levels with your customer's other choices your customers may have in the market place. So getting very clear line of sight, strategic statements such as achieving dominant market positions, delivering market leading share, the return and then actually translating that in the metrics that show how you are doing relative to the market and being able to monitor that on the continuous basis and incredibly important, so you could begin to see it's in the current environment may be, there are strategic objectives that you need to question or revisit because the dynamics, the market place has changed so much, what made a lot of funds a year, 18 months or may be five years ago, when you crafted your strategy, simply doesn't make sense in the current world.

So visibility from the strategy to financial result is key. This one is very interesting to me, it's amazing I listen to a lot of earning calls, when CFOs and CEOs talk about performance in the track water and it's almost become the stay pull that every CEO and CFO now talk about the unprecedented market. The exceptional and extraordinary conditions we are dealing with. And after a few weeks and few months, you begin to wonder, you know how many times do you use the word extraordinary before it actually becomes ordinary. And I think one of the things we need to wake up to is that the unexpected is now expected. And the extraordinary is not ordinary. Look at what we had been dealing with, both in terms of specific trends and then one time event. We basically being a trend and events a year that's had a major impact from our businesses, whether it's a major economic upheaval in one or more regions, that *[Inaudible]* in a cycle, you know it's Latin America, one year it's rushing to the next, then it's Mexico, then it's Japan, then it's America. Rapid raise of new economic powers is out of it's career and now we are going through the China, Russia, India and Brazil, and we are even beginning to see significant activity in areas like Vietnam and Cambodia, which only a decade ago, we would never anticipate it.

Commodity booms and bus, that's sort of the normal course of business today. Changing role of that you around all dependents and relating to that environmental stewardship, population growth and demographic change, that one of the few things that we can predict for the recent degree of certainty and all of that linked together few global interdependence. All of these trends are things that they are respecting the normal course of business on a daily basis. Now go to the other side, think about events. We would basically had an event a year for the last decade that has been extra-ordinary. We are going to have extra-ordinary events, we may not know what and we may not know when, but we need a management model that allows us to begin to accommodate the contingency planning and scenario planning to be able to deal with seismic events wherever they may occur and here is just a partial list of some of the things we have to deal with out the last eight or nine years. There will be something later this year, has it happened yet, I am sure it will come to *[Inaudible]* and how will you be able to respond in times of your budget, forecast processes and the rest of your management process, in terms of enabling better fast and decision making when those events do occur. So the key here is the extraordinary is now ordinary. Plans of multiple scenarios, if you

accept my argument on the previous couple of slides, you really need to start to think about which business model and which economic model am I placing my bets on. Having a single view of the future is really a rest of piece for getting it wrong pretty quickly and having no fall back position. So may be in the current environment, pick one of these three scenarios, basically my view on which one of these is likely to play at, it seems to change daily. On bad days it's a deep recession, are we going to be stuck in it for the next two to five years. Zero growth that looks pretty attractive at the moment. Many markets would love to be in a zero revenue growth environment because of the moment they are dealing with significant revenue decline. Modest recovery that was feel like nirvana.

Regardless of which scenario, the choices you make and how you allocate resources need to vary and you often need to build it to your performance management mechanisms, the metrics that give you leading indicators to which one of these scenarios is beginning to play out. So you can be best position to take advantage or to mitigate the negative impact if things turn out to be worse than you expect. That's the key is the ability to have that agility and flexibility based up on insights and intelligence that will determine those companies that navigate through the current rough waters in the most effective way possible. A very practical way to think about embracing risk is to use ranges to acknowledge uncertainty, all that simple graphic does is to show on the left hand side, we had developed a planner of forecast, it's a forecast for a whole balances that year and we need to express a range and that range gets broader, the further out you look. Just as when you are driving a car, the further in distance you look the lush sharp you will view the things that are in the road or on the side of the road it had to be. As you approach and get closer, the image is shortened up, the definition improves and your ability identify what's likely to happen and what that deer is likely to do in the side of the road becomes a lot clearer. So here what you are seeing is, actual visibility improves, you could begin to narrow the range of variability and by communicating future expectations and range, you are explicitly getting people's understand that they should not back on a single view of the future. They should not expect that budget to remain unchanged for the next 12 months.

They should explicitly be thinking about the traces and the flexibilities they need to build in as they begin to see which one of your future views is actually the one that's playing out in the market place. It's a very simple technique that allows you to begin to match your desire to detail and accuracy about a future with your predictive ability. Second component many companies are dealing with, the question, the time horizon of that forecast process. Most companies still use the traditional quarterly calendar forecast, so they tie that forecast to the accounting calendar, the fiscal year and the top example here I am assuming that the accounting year is the same as the calendar year. So in April we do a three plus nine forecast. We have got three months of actual, and we forecast the nine months through the end of the year and then again in July, we do a six plus six, in September we do a nine plus three. And that's that forecast, well a lot of people have questioned the logic of that, you know why is nine months in the future, importance in April, but only three months in to the future imports in October, it doesn't make a lot of sense. The first step a lot of companies went through is the mutual rolling forecast and

we still a lot of companies implement four, six or eight quarter roll in forecast. I am not sure that makes sense to most companies in the current environment. If you implement the six quarter rolling forecast and you couldn't get a full quarter budget rights, what makes you think adding a couple of quarters on the back end is certainly going to improve your accuracy. What I am increasingly seen companies think about is the forecast more frequently, but with shorter time horizon. A lot of organizations are moving towards more of a monthly forecast that may be have that 90 day outlook. And may begin to progressively role that out, so that constantly updating and take accounts of the volatility in the market place that everyone is dealing with at the moment. So one option may be to think about is moving away from the traditional fiscal year forecast, to rolling 90 day forecast that allows you to embed the latest and greatest intelligence and fine tune your operational actions over the next 90 days.

Now if these forecasts progressively get developed, you may see a very significant material trend developing. You know the February, March and April forecast all indicate to a bigger problems, that may cause you to go back and revisit your overall plan or strategy and again it becomes part of the early warning mechanism that allows you to defend with your strategy remains valid or may be it needs question or strategy and then the line tactics that you are executing towards. It's a forecast more frequently, but with the shorter time horizon. I mentioned earlier about the importance of retaining focus, it's very easy in a down turn to try and identify those silver bullets, may be is make a quick acquisition that can mitigate earnings decline. But in fact acquisition isn't core to your business, you may end up doing more damage that you do good. Couple of frame works to think about here in every decision, every project, really think about the translation of the investment or the project in to how well aligned is it with that strategy and what is the financial return look like. Obviously the top right quadrant thinks that have a great financial return and it's directly aligned with that strategy are all primary focused. What's dangerous is to begin to look for a silver bullet that is in the bottom right. It's a quick wind, but it has absolutely nothing to do with your core strategy. That could be very dangerous in the medium and long turn. The other major component, understand risk, what is the variability around your expected return? Are you prepared to change your hurdle *[Inaudible]* and your criteria for investment selection to recognize volatility in the market place, may be with not that previously.

And finally have you gone back and met all of your current projects and investments to this grade. One of the easiest ways to begin through rationalize the port folio or investments and projects is to really refocus on those things that were in the top right or the top left quadrant and really eliminate any thing in the bottom quadrant which is really a distraction and you can *[Inaudible]* to invest in distractions in the current environment. The void complexity, the limit flexibility, it's very easy in times of uncertainty to make micro changes. We will keep adjusting prices, we keep resting them down. We keep offering new features, well, new pricing plans to entice customers. We have gotten to ask two basic questions, does the customer value it and does it improve productivity if you are looking at the expense side of the equation? So in the sense of the product port folio, do additional features and functions really add value? Do you need all the products in your port folio? It's interesting to see the rationalization plans that companies are doing

now that the lot of product portfolio rationalization occurring. All options really necessary. Do customers value the option? Maybe it's different pricing plan, maybe it's different features and functions. Sometimes we just confuse with option of pricing. Final one to look at service levels. Are we really delivering the most cost effective service level for the customer proposition and the promise that we have made to that customer?

It's easy to change all of these things, when things are tough. And what you may end up doing is actually doing more harm than good. On the efficiency side of the equation, investments and technology, process changes, standards, policy changes. Do they directly relate to productivity improvement? Now it's not the time for nice to have projects? Now is the time for things that have a direct and meaningful impact, that is tangible where the line of sight between resources and investments and results is clear. If you can't match a project to a line item of your P&L account, your balance sheet or your performance score card, you should seriously be questioning why are we investing in that. So avoid complexity that limit flexibility. Beautiful slide here, dynamic and real time performance management in action. This is where we need to get through, some companies are already there. But we need to understand both the operational implications, both positive and negative and the management implications of real time events in our business. So here we have a very unlikely situation. We have a plane that's late, one of the consequence of it being late, 23 passengers are going to miss that connections. Well, what does that mean in terms of the operational and management decisions that we need to think about. Well, we need a mechanism that whether the transactional system, which is the flight tracking system, the operational system begins to report that these 23 passengers are going to miss that connections.

We want a mechanism that instantly provides this type of reference. The reservations organization needs to understand that we got 23 passengers we need to rebook. We need to find them seek for alternative planes or alternative airlines. That's the mitigation of the service *[Inaudible]*. There is also a potential opportunity, maybe some of these passengers are connecting to sell that flight, maybe we now have an opportunity to clear the stand by list or sell some seats to people who are looking for these flights, but currently the flight is sold out. We now have an opportunity to mitigate at cost of the passengers missing their flight was incremental revenue, scheduling air cruise. Maybe the in bound cruise is scheduled taken out bound flight. So maybe we need to look for a back up crew. We need to reschedule the cruise and also look at the knock on effect through out the rest of our schedule. Flight operations need to update the flight schedule, clearly flights are not going to be leaving on time. They need to co-ordinate with the air traffic control to see when the slots are likely to open up and how we can best mitigate that and what is the realistic time of departure to give to the affected passengers.

Maybe catering needs to adjust number of meals that we put on the plane and it is cost conscious time saving a couple of meals and despite what you may think about the quality if airline food is actually real dollars. The ground crew need to understand to reroute the baggage and maybe adjust the fuel load on the plane to deal with the fact, it's going to be 23 passengers life. All these are operational considerations that will then

have a direct impact on the organizations results. We want in real time begin to update the fact that are on time statistics are going to be negatively impacted as probably our flight create P&L, most airlines develop a P&L for every flight and [Inaudible] see there is a service quality cost associated with it.

This is not a mechanism that you can rely on ad hoc communication channels or email spreadsheets to begin to understand not just the day today [Inaudible], but the longer term implications that these events are occurring with in your business. So dynamic and real time performance management in action, all of this is possible today by connecting your transactional information flows with your performance management system. One of my hot buttons is to make reporting relevant to decision making. Here we have a typical report, we have a sales region, and this is a report of how much they spent for travel for the last quarter and you can see on the right hand side under the typical arrow, we got the usual actual verses budget comparison and we have to break down and travel and to what we spend the travel on whether it's air fare, hotel, grand transportation etc.

And we are in a pretty bad position here, we have got a negative variance of 4550 units, dollars, Euros, Yen what ever you want. And we can begin to see that most of the additional spending is actually coming air fare and hotel. So I felt in a clearly enjoying themselves and taking too many trips. However, this isn't really particularly insightful. It gives me no insight or intelligence in to why my travel spending is off budget. So let's go to the next slide and here is the different representation of exactly the same data. There are three things I would point out here. The first arrow under the useful signs as we now have a trend, so we are not comparing to a budget that may be meaningless, it may be obsolete today, we created it because the world change. We had incredible volatility in the market place. Now I can begin to see the four quarter trend in spending. I could begin to see under the total travel line that actually my total travel is only about \$850 higher in actual turn, when it was a year ago. That may not necessarily be a bad thing. Now on the left hand side, top arrow on the travel spending, I am now actually breaking down why that travel expenses occurred. How much is my sales team's travel was incurred by selling the new business, new prospects. How much was selling existing customers and how much was educating training to the sales force, which hopefully you are making those investments to improve that productivity and that skill set and you can begin to see that over the last four quarter is my good travel spend declined dramatically from \$16,500 to \$10,700. Something not good is going on here. My sales team is spending less time selling new business while selling through existing customers.

Now look at the other two reasons, mitigating service issues and administrative expenses. So that's travel for administrative meetings or what ever it might be. My mitigating service issues has gone from 3500 to 9000. Now this is a really useful piece of information. I can begin to see that my travel is roughly flat, but the mix is changed. My sales force is spending more time mitigating product for service delivery issues and they are actually selling, that may not be the sales force's fault, in fact it probably isn't, the problem may lie somewhere else in my business and then if you look at the bottom left arrow, you can see them providing some additional information for context.

I can look at my new order flow and you can see that while the declining good travel has been fairly consistent, there is about a 90 day lack in the decline in my sales team actually visiting customers to sell new business and it's impact up on the sales. But in the current quarter, I have really seen that impact hit home and sales went down \$45000. And then I got a couple of compassion metrics was my ratio of good travel to orders. Well, I am actually being more productive, it's only costing me 5 1/2% of my order value in terms of travel to get those orders, that's improvement to 7.2% a year ago. But the real problem is my sales team was spending enough time selling, they are spending too much time mitigating service issues. Now some people say to me this is an unrealistic representation and I disagree, virtually all sales organizations now are using CRM systems or salesforce.com that capturing information about what the purpose of the visit that they took. All you need to do is to combine the data set from your CRM or salesforce automation systems with your expense reporting system and you have this insightful management report that is incredibly more valuable to what we serve on the previous page. All the companies I spoke to, all the executives I spoke to without exception really emphasize the current environment talent you see more importance than in good times. Some very simple things, Jesse Greene the VP of financial management of IBM. It all stopped with that talent, as he commented to me, we can have great systems and processes, but if we don't have the right people in the right job, it doesn't mean anything. So these quality from target corporation, the target had a very interesting approach where by functions were encouraged to collaborate with other functions around the business and look for areas where their skills could be deployed. So for example the treasury function at Target could work very closely with the real estate function to begin to start to think about, not they only risk managements around the real estate port folio, but also cash flow managements around the real estate port folio.

Bring skill sets from different parts of the business to there. Called out *[Inaudible]* to CFO at Empire Orange systems made a very important point, finance has to earn the right to contribute. And if we can do that to implementing new tools and techniques with in our performance management processes, we earn the right to be at the table. Norm Fjeldheim, the CIO of Qualcomm really emphasized the fact that culture in that whole business is built around innovation and entrepreneurship. And people even in the Finance and the IT function are as encouraged as the engineers to develop creative new ideas and bring them to the table. As Sonax over in Germany, the implementation in new tools and technology is a key tool is driving much closer collaboration between the finance team and the business managers which translate in to much more rapid decision making in the volatile times of that having to deal with today. The leveraging talent skills and leadership is never being more important.

Unfortunately many organizations are wasting that talent, this is based up on a survey that the Cognos innovation center and myself completed last year, where we survey close to 200 people around the world on where the finance people spend their time, and unfortunately that *[Inaudible]* of a spread sheet, that collecting the data, maintaining the spread sheets and if they are lucky, they may spend 10-15% of their time, which equates to about half a day a week, actually doing real value added analysis, that's unacceptable any time, it's damn right dangerous in the current environment, that's not acceptable and

you are not going to be able to attract retain the best people if this is the job they are signing up for.

This is where you need to be, by Monday lunch time, we have got to be on the analysis track and we really need to dramatically increase the amount of time, and keep fresh notes, spending, interacting with decision makers. Hoping improve the insights and helping them make best and more confident decisions faster. And by the way we also have the opportunity to begin to invest in some other activities and that's incredibly important, we start to think about leveraging talents and making better decisions faster, my recurring seems through out this conversation.

Cross functional collaboration, I mentioned that one of the hallmarks of a great company is that when time is at the top, the level of collaboration increases. Here is a simple example, we have got a scorecard for our business here. Our sales is a flat, we have begun to see increases in our pipeline, our margins are good and our cash looks good. So when we have a management conversation about what's wrong with this picture, marketing could begin to bring to the table that our competitors can't match our products. We have a better product, but they are pricing below us. So we are not gaining the share that our product quality justifies. The sales organization comments, yeah we are seeing the same thing, our pipe line is increasing, more people want to buy our products because of the pricing difference, our close side were extending, we are having a harder time as the economy softens justifying the incremental price that we command for our product. the operations guys actually got some good news, visiting our operating *[Inaudible]* down, we have been able to drive a little bit of productivity improvement and even the CFOs saying we have got great cash reserves and our receivables are low. By taking all of that in hand, the CEO can sit down and say we got an opportunity here. We have got a better product but with suffering from a little bit of price discrepancy via competitive and as people are becoming more comprised conscious in a down market, we are paying the penalty for that. It looks like we can be a little more aggressive. Let's go out to share with some very targeted promotions that may we provide some attractive pricing, so we can convert that increased pipeline in to renewed revenue. The ability to have that type of cross functional conversation in real time, based up on the latest and greatest insights in your business is what performance management technology can deliver today.

Unfortunately many organizations are not taking that opportunity. As you might have guessed the spread sheet no longer gets the job done. We need to move beyond that, not just for technology sake, it's not to move away from spread sheet to exploding 3D color pie chart. It's really above the ability to consolidate, disseminate and then drive collaborative decision making based up on the real time flow of activity through your organization. Instead of having to wait till the end of the month and end of the quarter, you really want to need processes to becoming on a continuous basis, so that you have the latest view in front of you based up on real events to the happenings today or a worst yesterday. So you can fine tune your business to catch the outside opportunities or be it fleeting they may be at the moment or perhaps more importantly to mitigate the down side risk in your business issue you speak to navigate these turbulent times. Bottom line we have got to match our management practices to the rhythm of our business, that

means we need to operate in much shorter cycles, we need to have a much more continuously update in enrolling view of our business. Our reporting needs to be much more event triggered and the event is not the end of the week, the end of the month or the end of the quarter. It's winning a contract or losing a contract. It needs to be risk based, so think about trend, think about ranges as you start to begin to build your plans. It has to be collaborative, confidence from everyone knowing their role, but also having confidence that everyone else is playing their role as well.

Talented, now is when the talent will shine. Your best professionals will raise to the top and you have an opportunity to selectively bring in upgraded talent based up on the increase in the supply that clearly is available in the market place. We need to focus on decisions, great analysis, the results in no decisions is not great analysis. The proof is in the decision and the results the decision. So you need to drive and focus your analytic processes on bringing out the best decisions to the business of the current time, but also have the Cognos and the intelligence to realize you may need to revisit that as their concern has changed.

All of these tools and techniques that can allow you to match your management practices to the rhythm of the business and perhaps more importantly the rhythm of today's world have a significant underpinning of technology. When I was researching my last book, "Best practices in planning and performance management", I was able to validate that there is no technological barrier to implementing any of these best practices today. We can no longer blame the system. We have the opportunity capture the outside and from a practical back to basics, think about it in a small way stand point, I really see as entering the gold *[Inaudible]*, performance management. We now have the burning platform, the economic uncertainty that we are all living through is really providing a very sharp magnifying glass on the floor that exist in our existing processes and gives us the tremendous opportunity to upgrade. So remember the three Ts, Talent, you have got the right people in the right jobs, technology, take advantage of the collaborative and business intelligence tools to exist out there today and think about how to deploy them in the smart way around the business, and timing. The timing is now. Thank you for your time.