

Welcome and most importantly thanks for joining me today. My name is *Chris Ray [phonetic]*. Product Marketing Manager, Analytic Applications. Our presentation today is on delivering financial insight and control, leveraging IBM Cognos 8 financial performance analytics for managing working capital. No surprises here, what, when, how and why? I will broadly discuss the business context of working capital in today's economy and then review it's constituent parts. Let me be clear, however, I am not promising a *[Inaudible]* or more effectively managing working capital. Our solution is not a key role, what I want to advance with you today is that to begin a journey, to better understand working capital performance, you will need baseline insight in to your financials at a transactional level, particularly for accounts receivable and accounts payable. And what I want to suggest is that this begins with a clear line of sight on your cash position.

Our argument then is that better working capital means you need to know your financials. Now this for many of you sounds ridiculous and condescending, but how well do you really know your financials from summary level detail right down to the core transactional financial information residing in your ERP and other data services. In today's economy it's a question one's management team might ask. And the answer isn't always easy. Especially if the enterprise is desperate with multiple business units and data sources holding financial information. It is in this context that we want to understand working capital and how our agenda flows from the water business issues down to the core reporting and analysis involved in our application, IBM Cognos 8 financial performance, analytics. According to *Moody and Fester services [phonetic]* survey of 1529 credit issuers, 10% of public companies will face liquidity short falls unless management is successful in raising cash or reducing cash consumption. The number doesn't include junk rated companies and if it did our 10% number would surely increase, the implications are severe for these companies, those that run in to liquidity problems will find it difficult to service debt and secure additional linings credit.

Enter working capital management. It's kind of like rigorous exercise, everyone knows you need to do it, but not every one practices it regularly. We let it slip every once in a while, miss a work out here and there. It becomes less and less part of how we live and in the case of working capital, it's how organizations operate efficiently or inefficiently. What's important in as I eluded too early, is that working capital is a disciplined process, the cross across the operations of an organization. It fundamentally requires an integrated approach that reaches deep in to the bowels of an organization, accounts receivable, payable, procurement operations, and supply chain among others. ABQC a US based bench marking firm recently described an integrated approach to working capital on a webinar we conducted in December of last year. They argue quite convincingly that it takes effective cross functional collaboration between finance, sales, marketing and procurement to utilize working capital for competitive advantage. 1) which encompasses procure to pay revenue management and inventory optimization practices. In other words, strategic alignment between demand, cash and supply. Today and in our case, we are focusing on revenue management and it's relationship between organizations cash position. For those companies struggling to stay ahead of a liquidity crunch, the current economy further compounds these challenges, challenges which invariably

cascade down to the operations of their organization. The CFO magazine survey published November 2008 further reinforces this point namely that the cost of borrowing and tightening credit is becoming a real operation issue that will undoubtedly affect the execution of business strategy. As you can see here under how has lenders quality of service changes the crisis began, 59% of respondents say that it has become worse, 58% said the ability to make lending decisions and commitments has become worse. And another 58% said the flexibility of lenders has become worse. For roughly a third of financial professional surveyed by CFO magazine, the relationship between the organization and their lenders will not return to normal in 2009.

With no tangible near term fixes and the lack of available credit, organizations hawker down. Mary Jessy *[Inaudible]* of APQC makes this point one of the main sessions of finance forum most of you are attending. According to Mary panic often *[Inaudible]* 05.07, when credit tightens and liquidity begins to dry up, confronted with higher rates for working capital loans or lines of credit, CFOs and controllers faced with a looming liquidity *[Inaudible]*, meet you force to press customers for early payments, press all customers good and bad for the same payment terms, manage inventory and isolation in demand, extends the power payments, which can damage longer term partnerships and relationships, all of which impact the efficiency of an organization supply chain. This leads to short term and potentially harmful outcomes for suppliers, customers, and the bottom line over the long term. In a survey of it's members and published in 2008, APQC reported that for everyone billion dollars in revenue companies that effectively manage their working capital have an extra 40 million dollars at their disposal. According to the same research firm, such companies enjoy a liquidity boost of 1.3 billion dollars.

After that the 1.4 billion, the company reads because it has less money timed up an inventory when you are looking at a tremendous cash advantage. The implications are significant in these credit challenge times. With better liquidity organizations will lye less on outside credit sources can fund innovation and new product development and ultimately expand and be more competitive. Down economy is an opportunistic economy, some critical elements to better working capital reside in the operational speed of their internal processes of faster cycles of receipt and payment of invoices to the capacity of forecast more quickly, in fact high performers identified by APQC were up to three times more efficient than lower performing ones. I encourage you to read the swipe paper by APQC called "putting working capital back to work" or if you wish, drop me an email and I will send it to you. My email is on the *[Inaudible]* side of the presentation. But here is the *[Inaudible]*. To make informed decisions regarding working capital, you need information and as IBM CFO survey reported in 2008, that's a significant problem representing a 24% gap in importance and effectiveness and how organizations are measuring and monitoring their business performance.

In the main finance department struggle to deliver a consistent version of the truth, for example in the other highlighted areas here, there are clear and pressing needs to improve business processes and alignment, but there is also significant room for improvement for continuous process improvement, the differences between rated importance and effective

32% or the aligning finance with the business is 20%. The implications affect the wider spectrum of business challenges including working capital, that strike not only at the heart of an organization's performance, but also its credibility. This is a very typical scenario which *[Inaudible]* nicely with some of IBM's survey insights. So what's the problem here in a word data? Finance needs or base line approach to asses cash flow and outflow from transaction systems, so that they can begin assessing an integrating working capital strategy, but they can't consistently do this because it is typically time consuming and difficult to create reports that's source and use transactional data residing in your ERP systems. In this context or control their needs or unified approach or looking at all financial data, including transactional data residing on the organization's ERP systems, the controller's goal is to have timely and consistent reporting of financial data particularly pressing for publicly traded companies.

Unfortunately his current financial tools don't allow him to do this. He is challenged by an array of spreadsheets, multiple formats and formulas, inconsistent data and generally time consuming of data systems. What he wants is an application that can source data from different sources. 1) Which can adapt the changing business requirements, 1) that provides them with baseline understanding of his cash position. He also wants operating units to run their own reports based on finances metrics, to ensure consistently measured performance in fact based decision making. We have argued thus far that cashes came, that the principal challenge for many organizations is securing access to cash. That working capital is a strategic business issue that reduces an organization's reliance on outside sources of credit and that accessing this kind of information is difficult. But before you can initiate an integrated approach to working capital, you need three things as starting points. First, a laser beam like, line of sight on your actual and all your financial systems. 2) the capacity to automate the reporting analysis of internal financial reporting and 3) an ability to share this information consistently through out the organization to ensure aligned decision making.

So what's an approach for establishing a base line, early assessment of working capital of your cash position. It starts with package business intelligence and our product family. The IBM Cognos 8 Analytic applications. Product port folio is situated here in the IBM Cognos business intelligence stock. Family's value for many organizations is their ability to provide actionable insight to specific business issues to improve performance using packages adaptable operational or management level financial reporting. In a context of working capital, IBM Cognos 8 financial performance analytics improves the financial performance management of an organization by generating standard reports from *GLEPNAR [phonetic]* off of different data sources. So that control allures their staff and why the business executives can improve and accelerate the analysis of operational performance faster.

First shortly I will discuss how we do this. In the context to financial management performance we provide a much needed window on the performance of actual *[Inaudible]* in an organizational transactional systems, which ensures the accuracy of internal management reporting as well as align in speed financial decision making through out an organization. So what are the main characteristics of a packaged analytic

application and more importantly what's their value to customers. This is how Gardener research describes packaged analytics. Three fundamental characteristics, first, define data extractions, these applications have the fine wave for accessing and managing data from different systems.

Define Data model. Most have a data model that conducts analysis on a *[Inaudible]* sort of entries and maps the relationship between them. In our case we have an embedded data warehouse that conducts analysis against raw ERP data to *[Inaudible]* reports. Unlike our competitors however, our solution is highly adaptable, what this means is that through a configurable process in our data warehouse organizations can automate and streamline the management and implementation of changes to reports through a dragging drop *[Inaudible]*. For Finance and IT this is a tremendous timing cost savers and there is virtually no interpretation, customization or coding of the data involved to change the business requirement. 3) Define business contact, analytic or package analytics have defined business contact, which is UCA collection reports and metrics to arrive from a data warehouse. Why this does all matter?

Because organizations struggled again insight in to their actual residing in a transactional systems because the bill what Gardner describes would cause roughly two to three million dollars. Our value then is faster insight and visibility at the quarter of the cost and consistent internal management reporting analysis. So where do we fit in the Cognos BI family? For our three ops, finance, work force and banking risk, it's right at the top here. Fundamentally and us have discussed we have solutions that solves specific operational business issues seat at the top of the BI stack, what's important about our package analytic application is that they all share three fundamental values. First package business intelligence, two adaptability as I mentioned the capacity to automate report changes equipment cost effectively and 3) industry leading BI in IBM Cognos 8 and open enterprise class platform, which brings me to IBM Cognos 8 financial performance analytics or FPA as we call it.

FPA is an integrated, yet modular solution that helps you answer quickly key business questions regarding financial performance and organization. It uses core business drivers as it's foundation that analyze across different dimensions, critical financial capabilities at transactional level, in general ledger accounts receivable and accounts payable. It's value, besides it's ability to pull together data from different data systems and to stand a reports for analysis for transactional level, financial information. So that organizations can analyze, assess, immediate positions faster. What this means for you, you don't have to create an expensive custom *[Inaudible]* solution. You get package reports and analysis consistently. You get insight at the performance of your cash position from your transaction systems. In the context of adaptability it provides financial flexibility to modify and change your reporting environment as your business evolves. This greatly reduces the cost and total cost of ownership of the application and ensures that the package content remains consistently relevant over time. And lastly as we have mentioned it's core is IBM Cognos 8, which allows finance to extend reporting analysis to other BI tools which is score carding and dash boards. Among others FPA plays an important role in the financial management enclosed process. We provide insight in to

financial data. Our value lies in these areas, more specifically you provide an early performance or reality check on transaction based actual residing in to AP and AR. To ensure that financial information being prepared for close is trending correct lead of plan and performance targets. We want to avoid surprises, with FPA we can provide this early in a close process to help the controller and the staff analyze discrepancies and adapts early to ensure a faster and *[Inaudible]* group flows. But let's not forget everyday operational reporting and the insight needed in to working capital.

How are my AP or AR departments performing? For most organizations this kind of everyday management reporting is critical to assessing operational performance, such as days sales outstanding, cash inflow and outflow, daily, weekly, or monthly. All are key factors and effectively interesting and assessing, working capital performance for our control of these issues reflect a larger need to assess transactional information. Reporting and analytic requirements within this process. This self assessment of questions, I will list it here is not exhaustive, but they do include some good questions, such as can I access all my financial data that's housed in different transaction systems? Can my organization accurately and consistently provide LOPs with internal management reporting across GL, AP and AR? How time consuming is the manual verification of transactional data early in the close process? Are our existing assets helping us or not helping us to generate revenue? What's the effectiveness and performance of our receivables? Do we have a clear line of sight on our organization's cash flow? For finance in different stake holders within the organizations access to consistent management reporting quickly improves the planning cycle, working capital assessments and ensure everyone is on the same page, rather than fourteen different spread sheets. And here it is, IBM Cognos 8 financial performance analytics. Let's review quickly how it works and solves some of the pains we have reviewed.

The product is created around fundamental analytic pillars, what we call business drivers. Planning effectiveness, how is my plan performing over time. Performance effectiveness, how does my actual compared to plan? What's that risk for payables and receivables, are we managing cash and our working capital effectively and how effective are we in managing profitability for example? These analytic pillars feed in two or three modules for GL, AP and AR, which can be purchased separately or altogether. They then do analysis against specific dimensions of the business located right here for across functional and more importantly consistent standard view performance of transactional financial data. One quick example, say we want to compare business unit performance actual to plan. As a controller our instincts tell us that all business units are performing equally, but before the quarter end, I want to avoid any surprises, I would simply open my FPA, GL, select my organization's units for analysis, this specific period and the type of report and then publish. I could send the report via email or report it to a spread sheet. The value for the controller is standard reporting, consistent analysis of actual and overall operational performance, and the capacity to push this kind of reporting information out to different operating units, so that everyone uses the same analysis and reports.

Shortly we will review this and it's relationship to working capital in our short demo *vineyets [phonetic]*. Remember our earlier discussion, we want an early assessment of

our cash position to support plans for an integrated working capital management strategy. This is an example of how our module might help in this regard. In specifically as it pertains to accounts receivable. The application as specific reports around cash management that asks fundamental questions such as what is expected cash inflow based on due date, on discount date, can we collect major accounts earlier, do customers, you would like turns discounts and at what values. Do we grant generous discount terms? Are discounts taken earned? FPA then conducts analysis using code measures comparing and contrasting them against dimensions work cross functional analysis of performance. The result consist of reporting analysis that can be used by the office of finance and shared when necessary to line a business, to ensure aligned decision making. We will review this in our demo *vineyets [phonetic]*.

The following *vineyats [phonetic]* provide a rough overview of three reports that might be used to assess open capital early in the planning process. But first to safe *[Inaudible]* for demo content, it's really meant to provide perspective and contents, nothing more and nothing less. These are examples and approximate what you might want to review and report on. They are certainly not exhausted, these *vineyats [phonetic]* include day sales outstanding, activity ratio trending and cash. Here is a sample screen shot of our first report day sales outstanding.

Let's see how this report works. The demo underscores a baseline assessment for organizations looking at the effectiveness and performance of the receivables. This DSL report provides performance snap shots, in each case our perspective is that there is critical financial information residing in the recesses of the ERP and other data systems that need context and analysis. So what I am presenting here is a baseline to begin a wider more integrated analysis of our working capital. So what I want to analyze is my data by quarter in period company, set up books, and in this report I can review the number of the days outstanding by time.

For one will publish in different formats I can, as you can see here. As well if I want to save the report or email it to our colleague for further analysis, I can do that too. Additionally I can drill down by quarterly period to look at this information at a more granular level. In this report I can view my DSO declining which if this were today would be a good thing and because we have a prompt process, we can expand this report to include other companies in other reporting periods. Here is another screen shot of our second report, activity ratio training. Let's take a look at how this works. Here we have a fairly common package report showing the trend and some common activity ratios, inventory, fixed and total asset turn over. We want to quickly gauge the over all efficiencies of our organization in terms of how we are quickly generating revenue and how our existing assets are helping us or not helping us generate revenue.

It's the same process for our DSO report, who want to select trend type, fiscal year, number of periods, set up books identified. Their report is then generated quickly and less out of this report we have this particular company's ratio for analysis, below is our time period for analysis and the analysis here in this were inventory fixed assets and total assets. So in a nutshell we can glean from this report that falling inventory turn over,

these particular fiscal years may and I want to stress may be the result of any number of potential issues, saying over investment and inventory, dull business, poor quality of goods, accumulation of obsolete or slow moving goods and low revenues is compared to total investment. What it does, it pokes our interest and begins an analysis and early analysis of working capital. At the same time or investments and saying new machinery for manufacturing facility appears to be generating the kind of efficiencies we want to realize as measured by our fixed asset turn over.

While our total asset turn over appears to be driving that kind of efficiencies that we might be expecting at a very least despite this kind of demo data, we have potentially begun to isolate a potential problem within our business from a working capital perspective. Cash inflow analysis is a critical component to cash management and allows us to being analyzing working capital, in this report we are looking at due date cash inflow analysis by customer in period in our AR module. This report shows me over a period of time what's coming and what's at risk right here over doubtful. It provides me with an early reporting context of receivables and helps appear in to the future right here in to how we are currently performing. For example I notice and doubtful and pass to that computer services and rentals is not only doubtful in terms of payment for 1.2 million dollars, but also 30 days pass due for 3.4 million dollars.

This should set up an early alarm bells for monthly planning sessions to assess the impact at this risk. I can easily *[Inaudible]* to roll over this data and if I want I can export the report to a format I described earlier, after I review the report I want to drill down in to this specifics of a certain account, I can, or if I want I can email this report to my controller, what's important to note is that my doubts, which could be a pre-arranged point in time say more than 60 to 90 days out, shouldn't be a part of my cash flow or *[Inaudible]* in given it's current status report some additional analysis.

In summary, today's economy requires a rigorous assessment of working capital and an integrated approach to achieve it's benefits. But before you can even start, you need a way to consistent report on and analyze your transactional level actual and with this in mind, our view is the following. Cashes cling in today's economy, early assessment of working capital performance is critical for integrated approach to improve liquidity. Standard approaches to internal financial reporting is an important start assessing working capital. Consistent reporting through out the organization is a must to ensure fact based aligned financial decision making across the organization. Adaptable to changing business requirements for any package application is vital, otherwise you will be spending all your time customizing, interpreting, including new changes to reports to making business environments. And finally access to a *[Inaudible]* BI tools provide additional value to reporting and analysis. Providing a full *[Inaudible]* of tools and the strength of an industry within BI solution in IBM Cognos 8.

Thank you for listening. I appreciated your time, if you have any comments or questions or would like to request on white paper on working capital, please email me at wrightc@ca.ibm.com *[phonetic]*. Thank you and I will look forward to talking to you.