Transforming Finance Operations
with Enterprise Disclosure Management

Issues and Challenges

Volatility Expense Risk Growth

Reporting Forecasting Cash Flow

Shareholders Revenues Regulation

Transparency Uncertainty Working Capital

Capital Profitability Variability

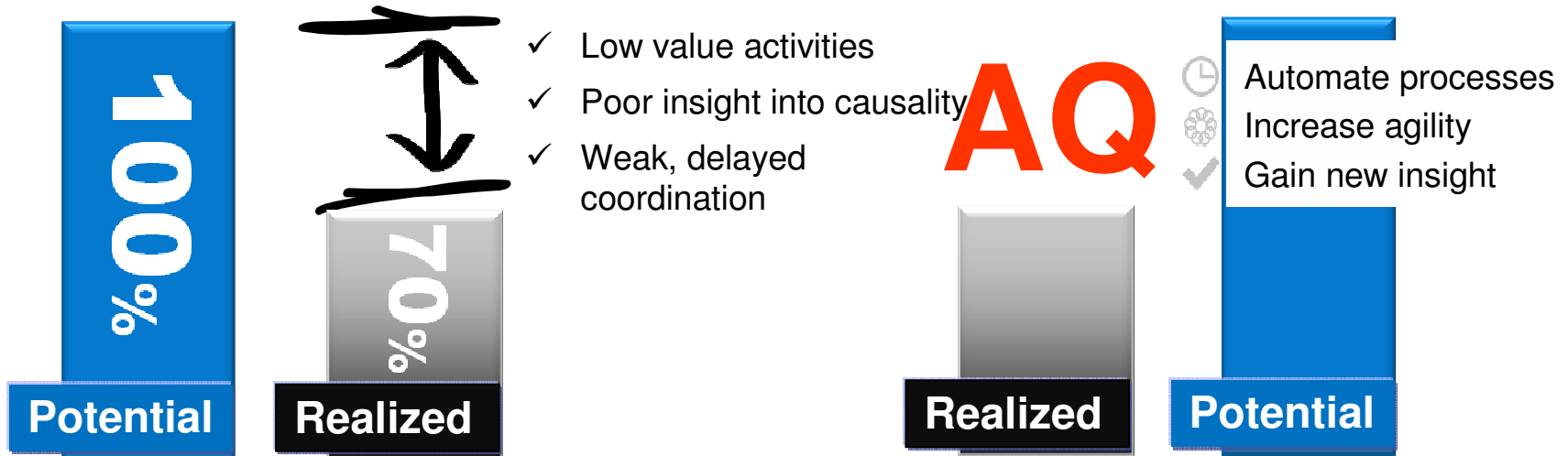# Current Performance Management Systems are Failing

- Standard & Poor's downgrade of U.S. debt (August 2011) "decision was colored by the Treasury Department's claim that the rating agency had made a **$2 trillion mistake in its initial calculations**, which were later revised." Treasury's acting assistant secretary for economic policy, called it "a basic math error".

- "Firm's shares down 0.4 percent"…[company] said the mistaken **information had slipped out** during "a routine consensus collection process."

- "Spreadsheets behind Olympic data mis-entry"…London 2012 Organizing Committee said staff made a **single keystroke mistake** led to four swimming sessions being oversold by 10,000 tickets.

spreadsheets

Source: EuSpRIG (European Spreadsheet Risk Interest Group); Wall Street Journal, August 20, 2011

Poor Practices – Directly Impact Performance

100%

Potential

70%

Realized

✓ Low value activities

✓ Poor insight into causality

✓ Weak, delayed coordination

AQ

Realized

Potential

Automate processes

Increase agility

Gain new insight

30% of performance potential is lost due to subpar performance management

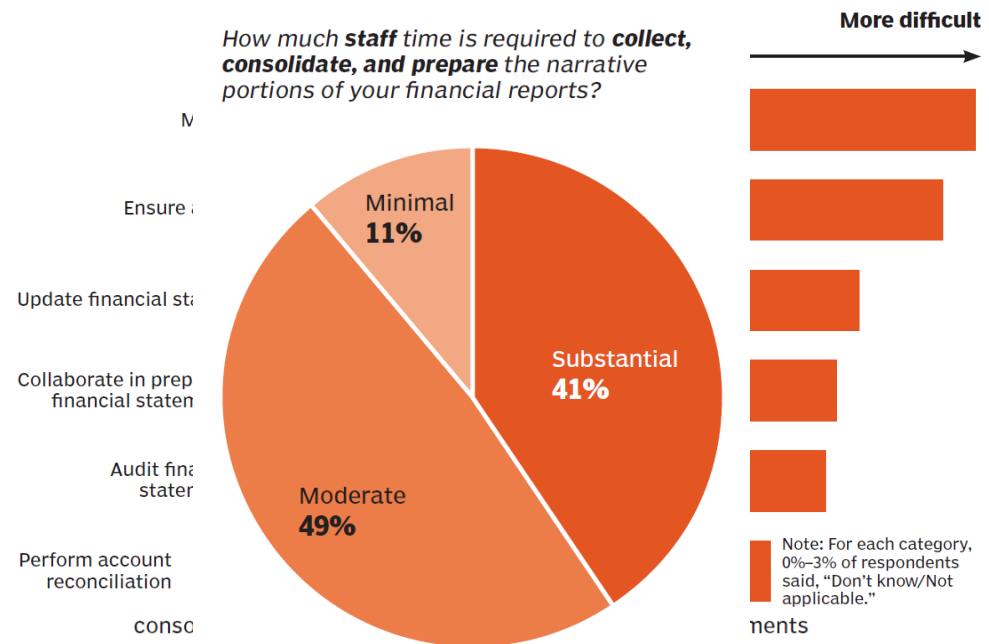**The more you infuse analytics into your business, the higher your AQ and the better you and your business will perform**

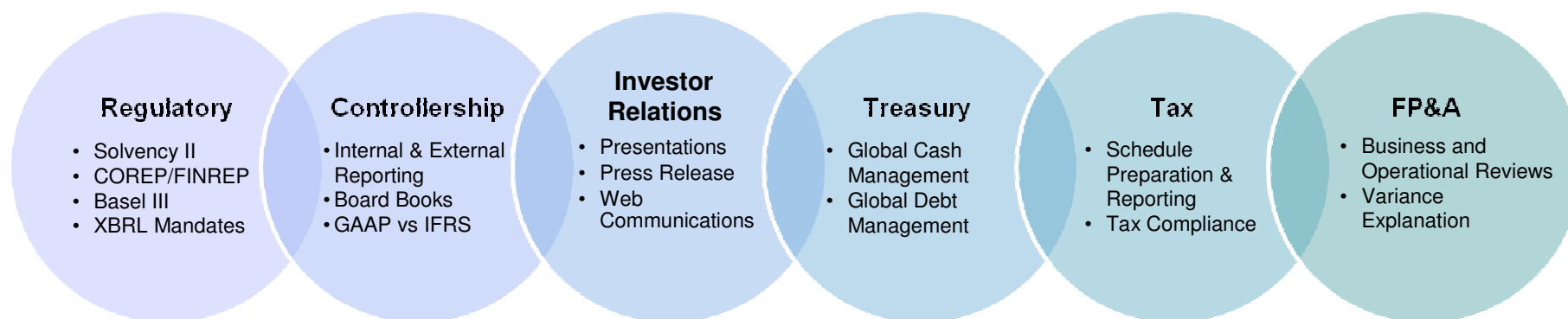# Poor Practices – Directly Impact Performance

- Finance organization must run efficiently and effectively but there are many challenges:

  - Many finance execs say data collection & financial reporting consume too much time

  - Most companies still rely heavily on personal productivity tools

  - Execution , data accuracy & control challenges are pervasive

How much **staff** time is required to **collect, consolidate, and prepare** the narrative portions of your financial reports?

More difficult

Minimal
11%

Substantial
41%

Moderate
49%

Ensure a

Update financial sta

Collaborate in prep
financial staten

Audit fina
stater

Perform account
reconciliation

consc

ments

Note: For each category, 0%–3% of respondents said, "Don't know/Not applicable."

How do the existing processes and tools used to manage and support critical finance activities impact your organization's ability to access, analyze and present insights to drive value?
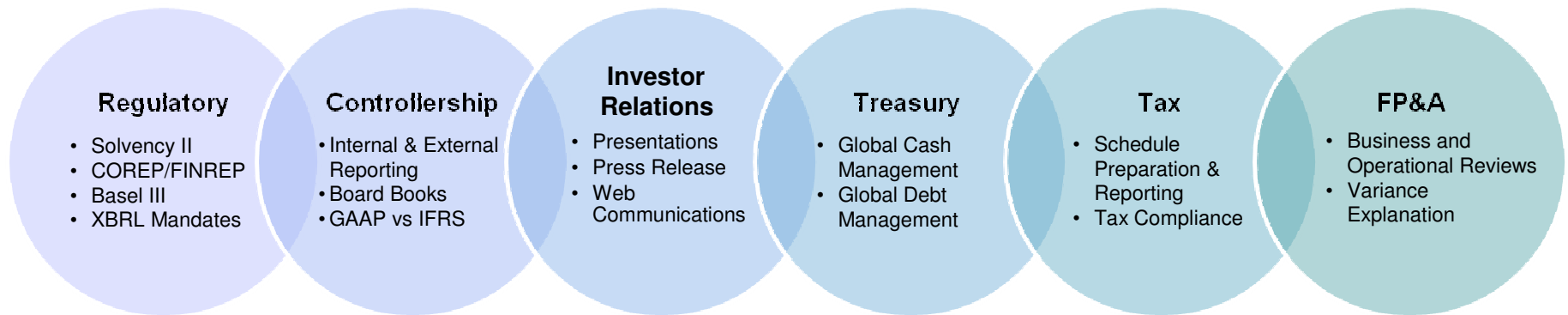
Source: Linking Numbers and Narratives: Correlating Quantitative Reports with Qualitative Analysis , CFO Research, July 2012

Enterprise Performance Management Challenges are Pervasive

Regulatory
- Solvency II
- COREP/FINREP
- Basel III
- XBRL Mandates

Controllership
- Internal & External Reporting
- Board Books
- GAAP vs IFRS

Investor Relations
- Presentations
- Press Release
- Web Communications

Treasury
- Global Cash Management
- Global Debt Management

Tax
- Schedule Preparation & Reporting
- Tax Compliance

FP&A
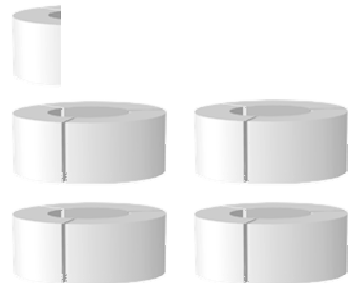- Business and Operational Reviews
- Variance Explanation

- Demands are exploding relative to reporting requirements, timeframes are collapsing, resources limited

- Existing processes and general purpose tools not efficient or effective to scale under new demands

- All this extra work on low value activities steals time from higher value analysis

Enterprise Performance Management Challenges are Pervasive

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FP&A
- Business and Operational Reviews
- Variance Explanation

Significant Number of Financial Applications

43.5 Financial Applications per $B in Revenue (1 = 10 apps)

X

Labor Intensive Processes

90.77 Finance Staff per $B in Revenue (1 = 10 FTEs)

X

Abundance of Reports
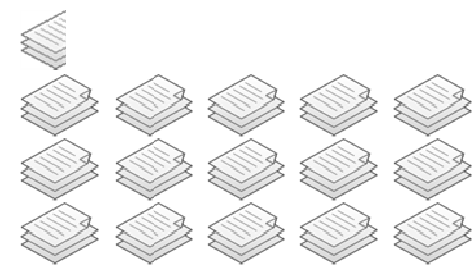
1552 Reports per $B in Revenue (1 = 100 reports)

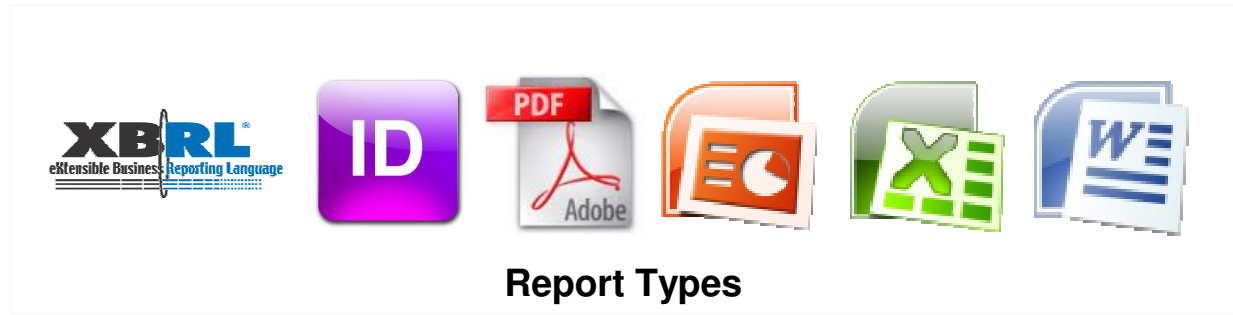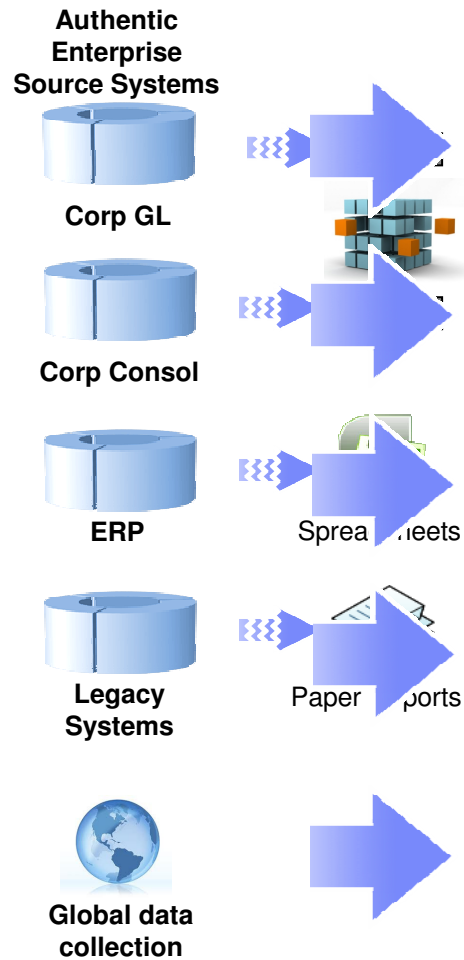## It all adds up to significant opportunity to save time, money, and risk to reputation

Source: Hackett Group, Book of Numbers 2012; All values are medians for peer group.

Lack of Confidence in Reports & Data

Enterprise Disclosure Management Solutions Brings Order

Authentic Enterprise Source Systems

Corp GL

Corp Consol

ERP

Spreadsheets

Legacy Systems

Paper Reports

Global data collection

XBRL eXtensible Business Reporting Language

ID

PDF Adobe

Report Types

| Contributors | Reviewers | Document Managers | Approvers | Report Consumers |

User Management, Workflow & Process Control

IBM Cognos TM1 (optional)

IBM Cognos FSR

Analytic Data Management & Synchronization

Key Features

- **IBM Cognos** disclosure management solutions significantly enhance finance operational efficiency and effectiveness:

  - Controlled, secure environment to integrate reports and presentations with enterprise data sources

  - Workflow and activity dashboards ensures proper approvals at each step in the process

  - Enhance collaboration across global finance organization

  - Automatic rollover to next period – including XBRL tags (when applicable)

  - Add business rules and automatic validations

Use Cases

with Enterprise Disclosure Management Solutions

Controllership and FP&A Reporting

- Executive Presentations
- Operational Reviews
- Board Books
- Budget & Variance Reports

Use Case: Controllership & FP&A Reporting

Data Sourcing

- GL
- Consol
- ERP
- Legacy Systems

Interfaces

Spreadsheets

Paper Reports

Collaboration

Who it affects:
Controller, Audit, CAO, FP&A, Analysts, Ops Managers, BOD, IT

How often:
Daily, Weekly, Monthly, Quarterly

Pitfalls:
Manual processes
Inefficiencies
No single version of the truth

Deliverables

- Executive Presentations
- Operational Analysis & Reviews
- Board Books
- Budget Books
- Variance Reports
- Forecasts

⚠ Complex reporting processes fraught with risks – providing little transparency, preventing consistent results and accurate data

⚠ This can cause management to question the integrity of data in key internal reports

Use Case: Controllership & FP&A Reporting

Challenges

- Report & presentation building is time consuming, error prone and labor intensive
- No automated tools for correlating financial information and operational data from multiple source systems into qualitative analysis
- Lack of governance over aligning day-to-day operations to strategic objectives

IBM Cognos FSR Solution

- Data extraction & mapping
- Automated data synchronization
- Audit trail creation
- Process & report standardization

Impact

- Increased productivity
- Better decision making
- Goal Alignment
- Refocus personnel to high value analysis

> *Nucleus found that when finance departments adopted IBM Cognos FSR they were able to rapidly create a variety of internal reports, including board books, forecasts, budgets, and packages for senior management. By giving decision makers better data, the application enables employees to make more informed decisions, find opportunities to increase revenues, and reduce costs.*
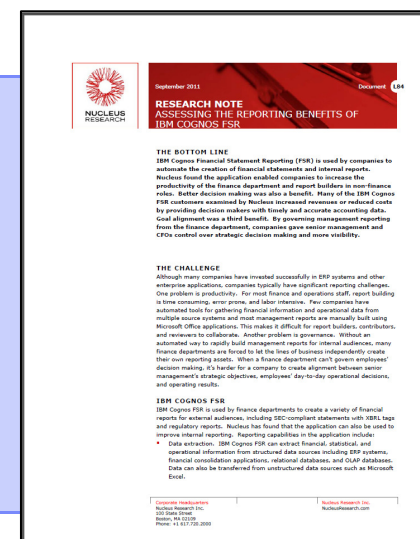
Statutory and Regulatory Reporting

- SEC Compliance Reporting
- Multijurisdictional XBRL Reporting
- COREP/FINREP
- BASEL III
- GAAP /IFRS Convergence

Use Case: Statutory & Regulatory Reporting

Data Sourcing

GL

Consol

ERP

Legacy Systems

Interfaces

Spreadsheets

Paper Reports

Collaboration

Who it affects:
External Reporting, Legal, Audit. IR, Compliance, IT, CFO

How often:
Daily, Weekly, Monthly, Quarterly

Pitfalls:
Multiple data sources
Lack of collaboration
Lack of controls

Deliverables

- Global Statutory Reports

- Consolidated Financial Reports

- Regulatory & Industry Submissions (BASEL III, COREP/FINREP, Solvency 2)

- Multijurisdictional XBRL Reporting

- GAAP & IFRS Financial Statements

⚠ Statutory and regulatory reporting requirements have become increasingly complex and frequent

⚠ Penalties for non-compliance have grown in severity

⚠ Information and data required for reports comes from many different systems, LOBs, and subsidiaries

Use Case: Statutory & Regulatory Reporting

Challenges

- Global Regulatory & Statutory Reporting at a tipping point
- Historical operating models not sufficient to support new reporting requirements
- Controls are hampered due to distributed responsibilities across regional and in-country levels

IBM Cognos FSR Solution

- Centralized, secure data storage
- Enhanced governance and control
- Standardize processes and execution
- Increase efficiency and cost reduction
- Process & report standardization

"We weren't aware of anything on the market like IBM Cognos FSR, so the product sold itself. We realized straight off that this was the control mechanism we needed. Just using the Validations and Variables features of FSR was a great asset to us. Overall, the reduced risk of data inaccuracies and the availability of an audit trail feature convinced us to purchase, and we're glad we did."
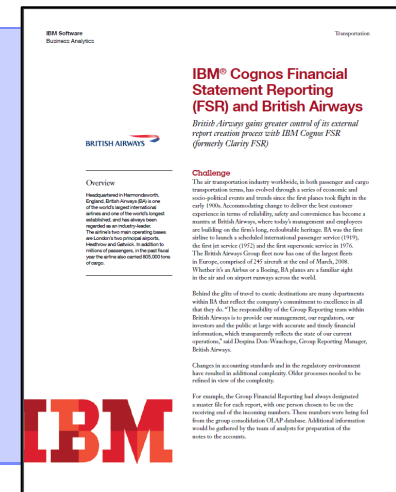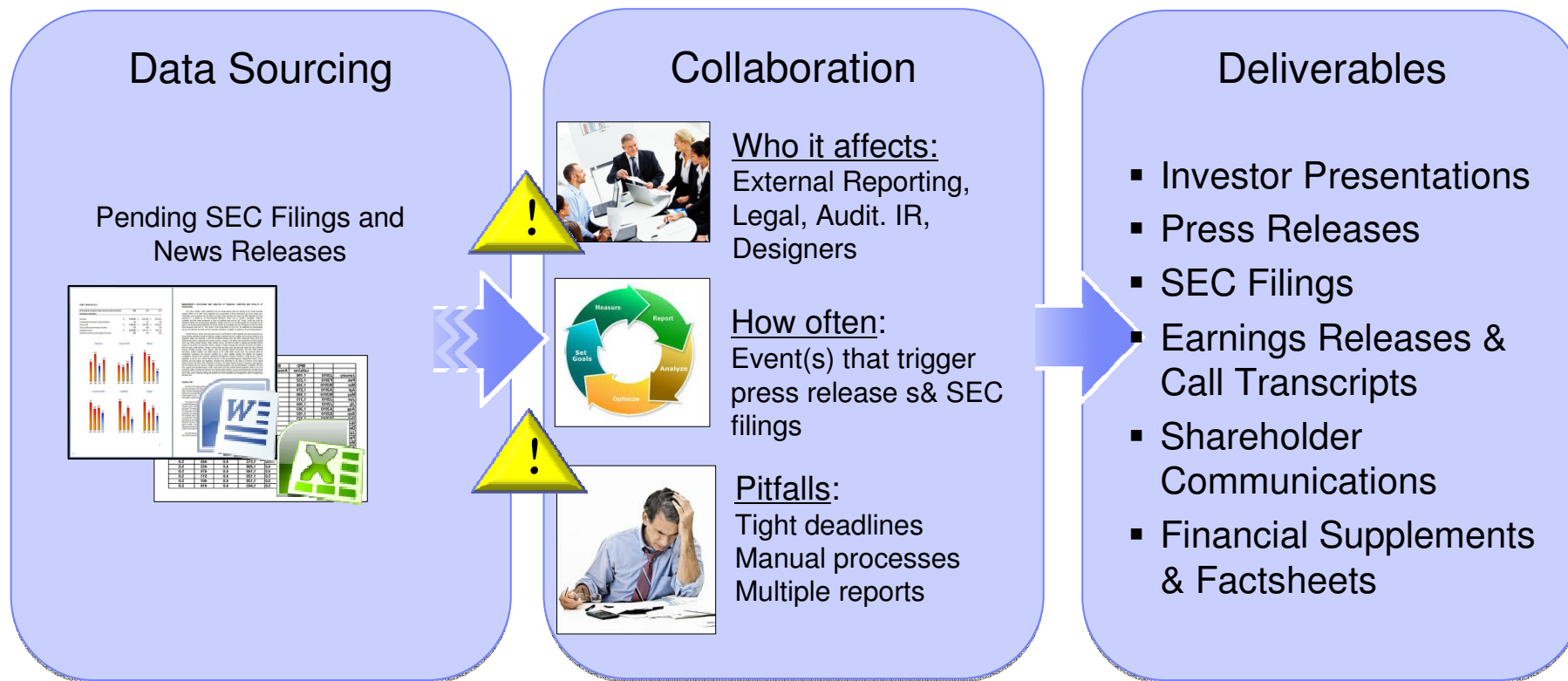
Impact

- Consistent data and disclosures across reports
- Greater involvement and visibility into jurisdictional reports
- Identify what processes can be standardized, automate, and/or centralized

Investor Relations

- Investor Presentations

- Press Releases

- SEC Filings

- Earnings Releases & Call Transcripts

- Web Communications Copy

- Shareholder Communications

- Financial Supplements & Factsheets

Use Case: Investor Relations

Data Sourcing

Pending SEC Filings and News Releases

Collaboration

Who it affects:
External Reporting, Legal, Audit. IR, Designers

How often:
Event(s) that trigger press release s& SEC filings

Pitfalls:
Tight deadlines
Manual processes
Multiple reports

Deliverables

- Investor Presentations
- Press Releases
- SEC Filings
- Earnings Releases & Call Transcripts
- Shareholder Communications
- Financial Supplements & Factsheets

⚠️ IR reports are often filed on the same day as other SEC filings and press releases – difficult to ensure accurate, consistent data across various draft SEC filings, earnings releases and call scripts

⚠️ Tracking down references to updated data points across documents can lead to material errors in shareholder communications and SEC filings

Use Case: Investor Relations

Challenges

- IR department often brought in during latter stages of filing process – causing versioning issues across multiple documents
- Last minute changes are a challenge – manual process to update data across multiple reports & communications

IBM Cognos Solution

- Automated data synchronization across reports
- Process & report standardization
- Integration with enterprise data sources

Impact

- 'Single version of the truth' eliminates risks of data errors
- Update once – change everywhere ensures consistency across filings and communications
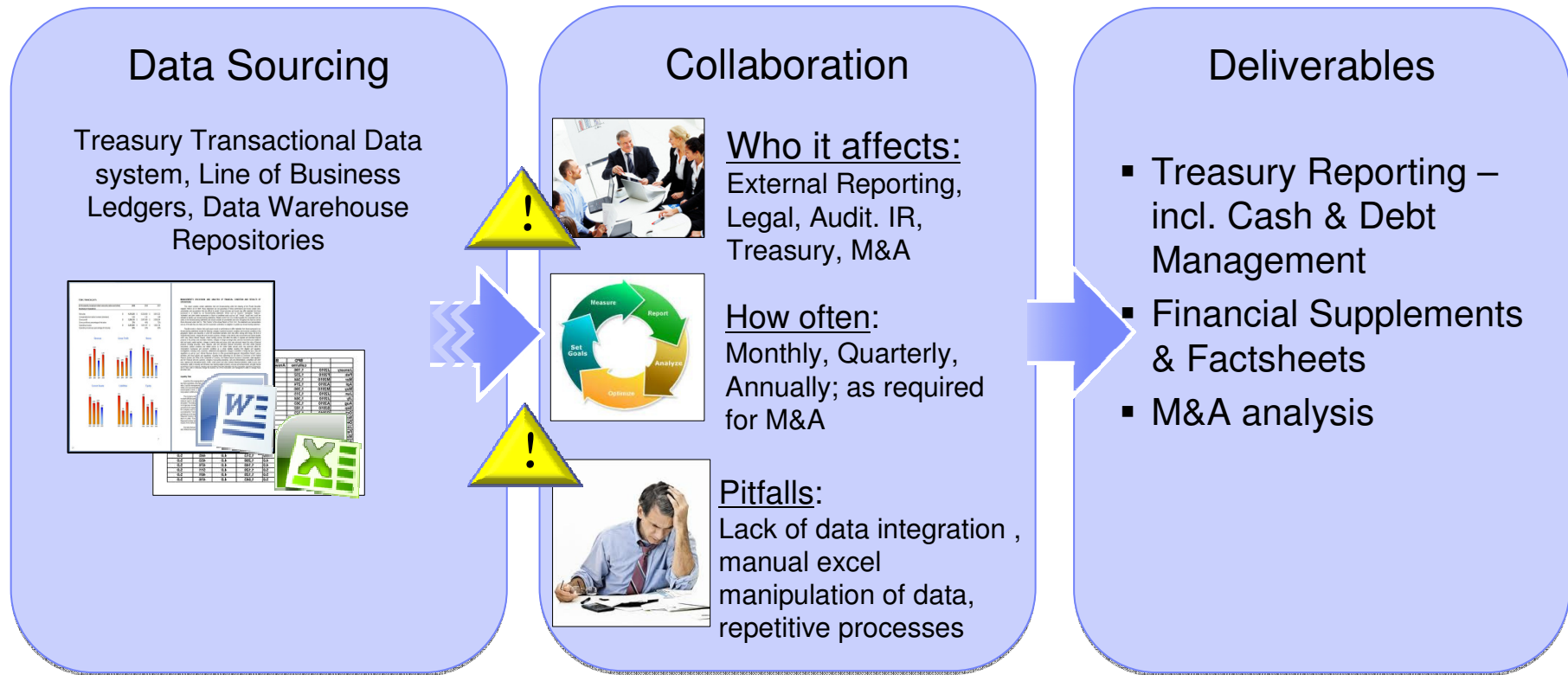- Ensure accurate and timely filings and investor communications

"*IBM Cognos FSR has been a tremendous help in getting our reports done and filed, and has significantly reduced the time pressure. Showing the financial community that you are solid and on track by producing visibility into your financial affairs quickly and accurately is a very valuable thing. IBM Cognos FSR helps us do just that!*"

Treasury Management

- **Cash & Debt Management**

Use Case: Treasury Management

Data Sourcing

Treasury Transactional Data system, Line of Business Ledgers, Data Warehouse Repositories

Collaboration

Who it affects:
External Reporting, Legal, Audit. IR, Treasury, M&A

How often:
Monthly, Quarterly, Annually; as required for M&A

Pitfalls:
Lack of data integration , manual excel manipulation of data, repetitive processes

Deliverables

- Treasury Reporting – incl. Cash & Debt Management
- Financial Supplements & Factsheets
- M&A analysis

Data for treasury reporting is sometimes contained in transactional data warehouses but is usually gathered manually from Ledger systems by various analysts and manually manipulated in excel spreadsheets for various reporting requirements and analysis. The manipulation is repeated every period and one version of the truth is difficult to keep.

There is no audit trail or visibility into the various required data manipulations and thus consistency between reporting periods is difficult to ensure.

Use Case: Treasury Management

Challenges

- Data is in various systems with no way of collecting the data into one area

- Manual data manipulation for different reports

- No visibility of assurance or consistency between reports

- Prior periods are recalculated each time they are presented to ensure they are prepared in same method as current period being reported.

IBM Cognos Solution

- Direct integration with multiple authentic enterprise data sources

- Enhanced audit trail and visibility

- Roll forward capabilities

"Real-time data updates made it easier for those working at Treasury HQ to see what changes are made throughout the day in all 170 countries where IBM operates….The collection, aggregation, review and validation of the quarterly cash and debt data and reports were automated, while controls and visibility over the entire process have been optimized. "

Impact

- Reduction of preparation time for various reports

- Integration of quantitative data points into narrative write-ups

- Audit Trail and control put back in hands of staff preparing each downstream report
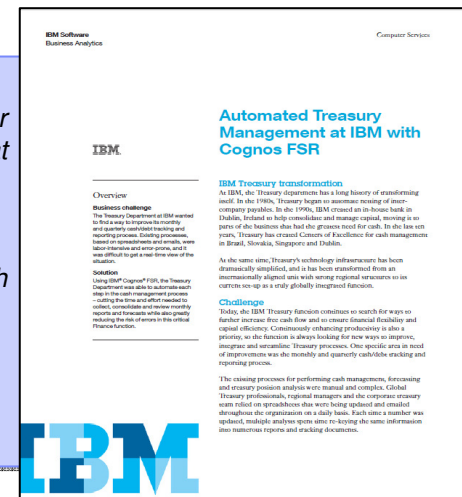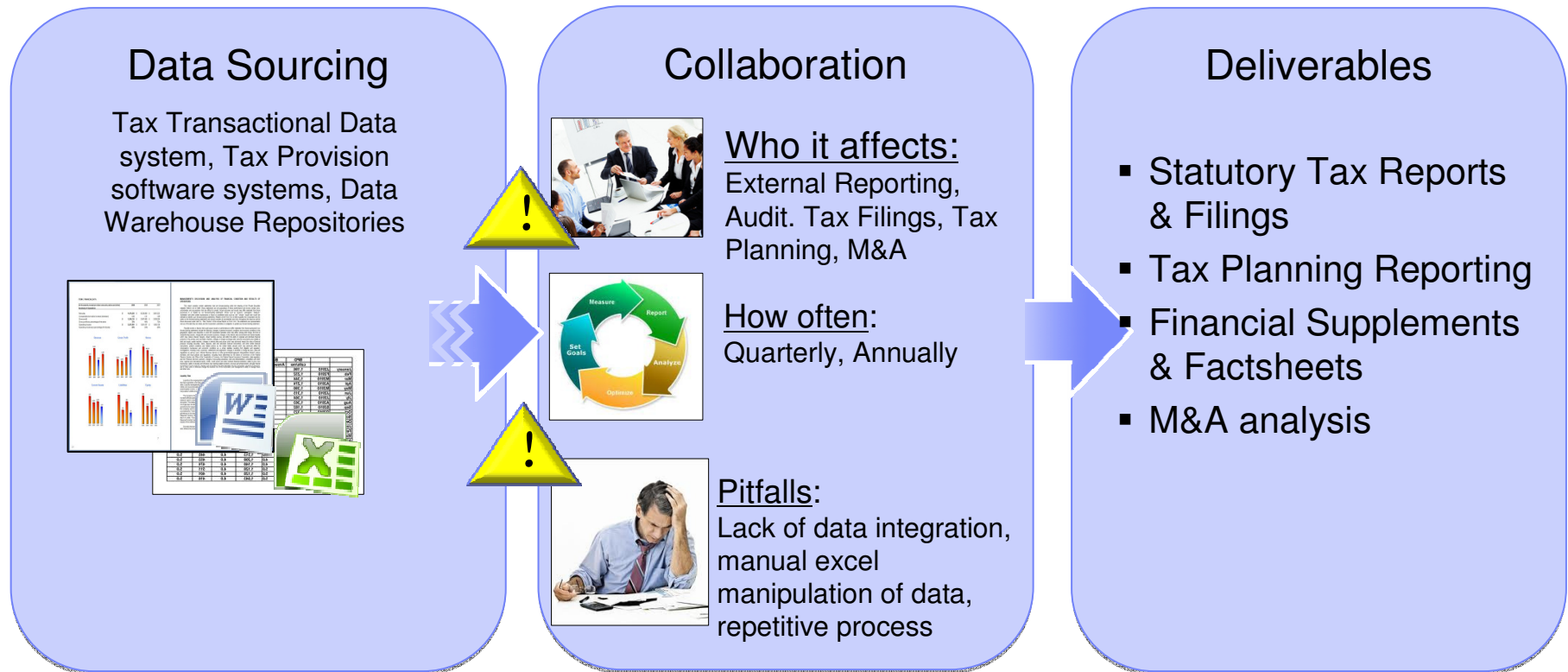
Tax Management

- Statutory Tax Reporting

- Tax Provision Preparation

Use Case: Tax Management

Data Sourcing

Tax Transactional Data system, Tax Provision software systems, Data Warehouse Repositories

Collaboration

Who it affects:
External Reporting, Audit. Tax Filings, Tax Planning, M&A

How often:
Quarterly, Annually

Pitfalls:
Lack of data integration, manual excel manipulation of data, repetitive process

Deliverables

- Statutory Tax Reports & Filings
- Tax Planning Reporting
- Financial Supplements & Factsheets
- M&A analysis

⚠ Data for tax provisioning is sometimes contained in transactional data warehouses but is usually gathered manually from Ledger systems by various analysts. The data is then manually manipulated in excel spreadsheets for various tax provision or analysis purposes.

⚠ There is no audit trail or visibility into the various required data collection and analysis and thus manual controls with human intervention are relied upon

Use Case: Tax Management

Challenges

- Data exists in multiple disparate systems with no way of collecting the data into one area

- Manual data collection and manipulation leaves little time for strategic analysis

- Existing processes, based on spreadsheets and emails, are labor-intensive and error-prone, and it is difficult to get a real-time view of the situation

IBM Cognos Solution

- Single, integrated , collaborative solution that provides visibility and controls over each step of the process

- As data changes in source systems, data in reports built in FSR automatically update in scheduless and narratives

- Data is shared between reporting elements to ensure consistency and reduction of data duplication and errors

Impact

- Reduction of preparation time for various reports as well as integration of quantitative data points into narrative write-ups

- Audit Trail and control put back in hands of staff preparing each downstream report and visibility into the data collection process

- Sharing of data across multiple purposes to ensure reduction of manual tasks.

Benefits & Value to IBM's Customers

*"We've gained **greater control** over the reporting process …consolidation of numerous **spreadsheets…with version control, workflow and audit trail**."*

Group Financial Controller, LV=

*"IBM Cognos FSR has been a tremendous help in **getting our reports done and filed**, and has significantly reduced the time pressure."*

Group Financial Controller, LGC

*"We were able to automate each step in the cash management process – **cutting the time and effort** needed to collect, consolidate and review monthly reports and forecasts while also greatly **reducing the risk** of errors in this critical function."*

Global Treasury, IBM

*"We're created and filed our 10-Q already with Cognos FSR and it really **reduced our workloads**."*

Director, Corporate Financial Systems, TimeWarner

Learn more by selecting from these Cognos FSR Case Studies

Are you ready to drive better outcomes?
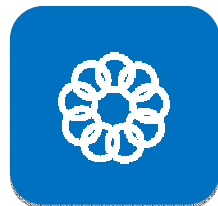
Cognos disclosure management solutions:

IBM   Status Quo?

Time

1. Drive efficiencies and scale

- Structure & automate low value, manual and error prone processes
- Eliminate bottlenecks in collecting data, and building reports and focus on analysis and actions

Control

2. Gain agility and preparedness

- Integrate disparate data from across the enterprise
- Enhance strategy with analysis that correlates analytics with
- Enterprise scalable secure, collaborative environment

Confidence

3. Improve effectiveness and outcomes

- Dramatically reduce risk of errors
- Improve controls and governance across global finance organization
- Cost-effectively address compliance and escalating business expectations

Thank You!