



The New Value *Integrator*

*Insights from the
Global Chief Financial
Officer Study*

Executive Summary

IBM Confidential

IBM CFO Study 2010

May 2011

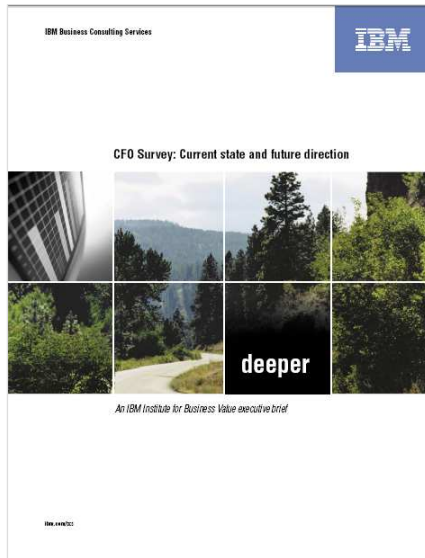
Hans-Georg Schieb

BAO SWAT Team Director CEE



First we establish our credentials, and point out that this years study is diving deeper into our past primary research from 2005 and 2008.

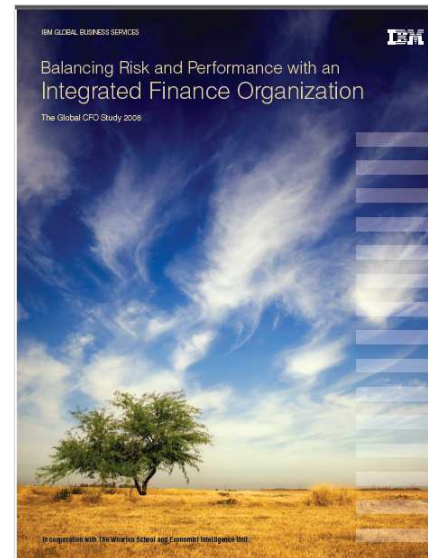
CFO Studies



2003



2005



2008



2010

Second we point to the Global Economic Crises from late 2007 to early 2009, the period during which the study was conducted.

Economic Environment, recent past and looking forward

Global Economic Crises

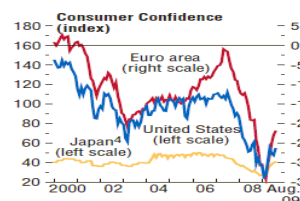
- Real Estate Bubble burst
- Failure of collateralized debt obligations
- Liquidity Driven Crises
- Drop in Global Commerce
- Cost reduction pressures
- Drop in commodity values
- Rising unemployment
- Dramatic drop in consumer demand
- Increased risk, volatility and uncertainty

Signs of Stability

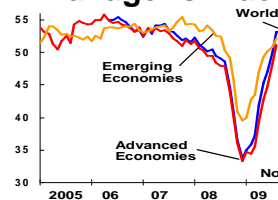
Change in Industrial Production



Consumer Confidence



Mfg. Purchasing Manager's Index



New Economic Environment

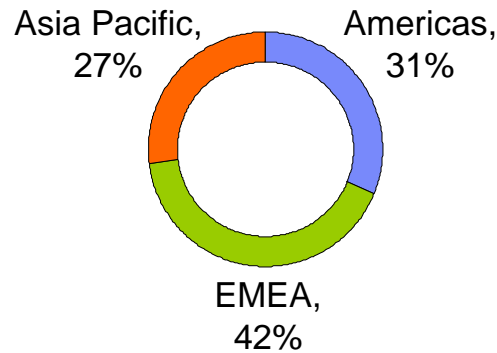
- Subdued growth
- Reduced Global commerce and demand
- End-to-end stimulus
- Government hand in business
- Sovereign debt concerns
- Continued high unemployment
- Data overload
- Industry Restructuring and consolidation

Based on IMF Global Economic Outlook Sep. 2009, CPB Netherlands Bureau for Economic Policy Analysis 24 Dec. 2009, JPMorgan Global Manufacturing PMI (Jul 2006 – Dec. 2009)

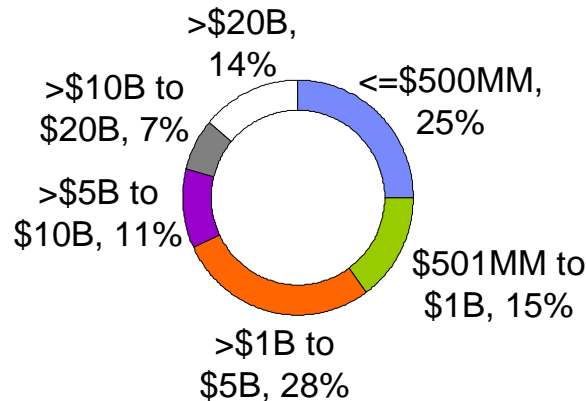
The Global CFO Study 2010 is the largest CFO-level study of its kind with over 1,900 participants

CFO Study 2010 Firmographics

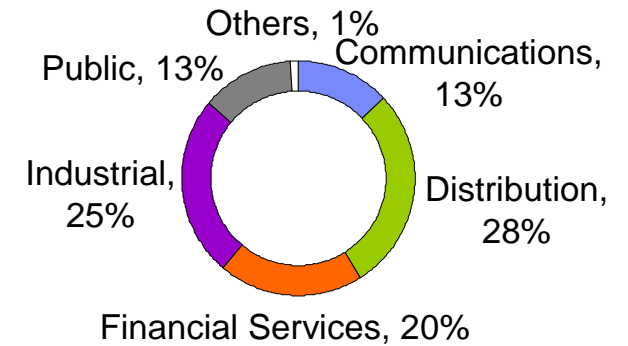
Geography



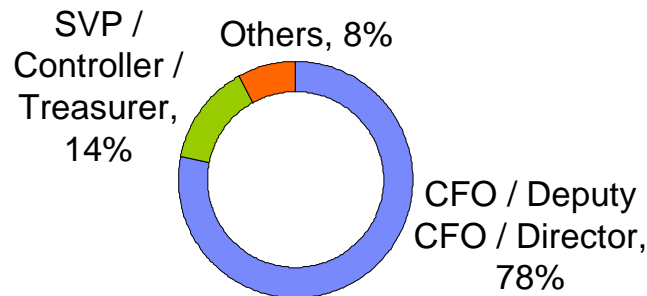
Enterprise Size (US\$)



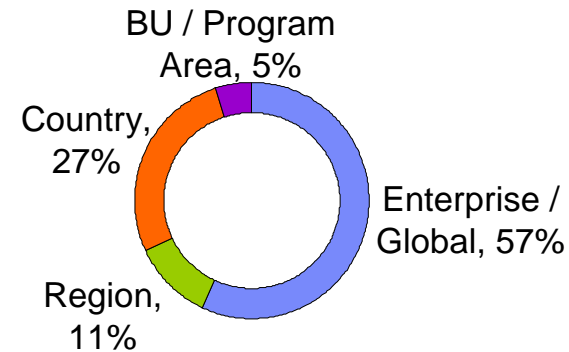
Sector



Title

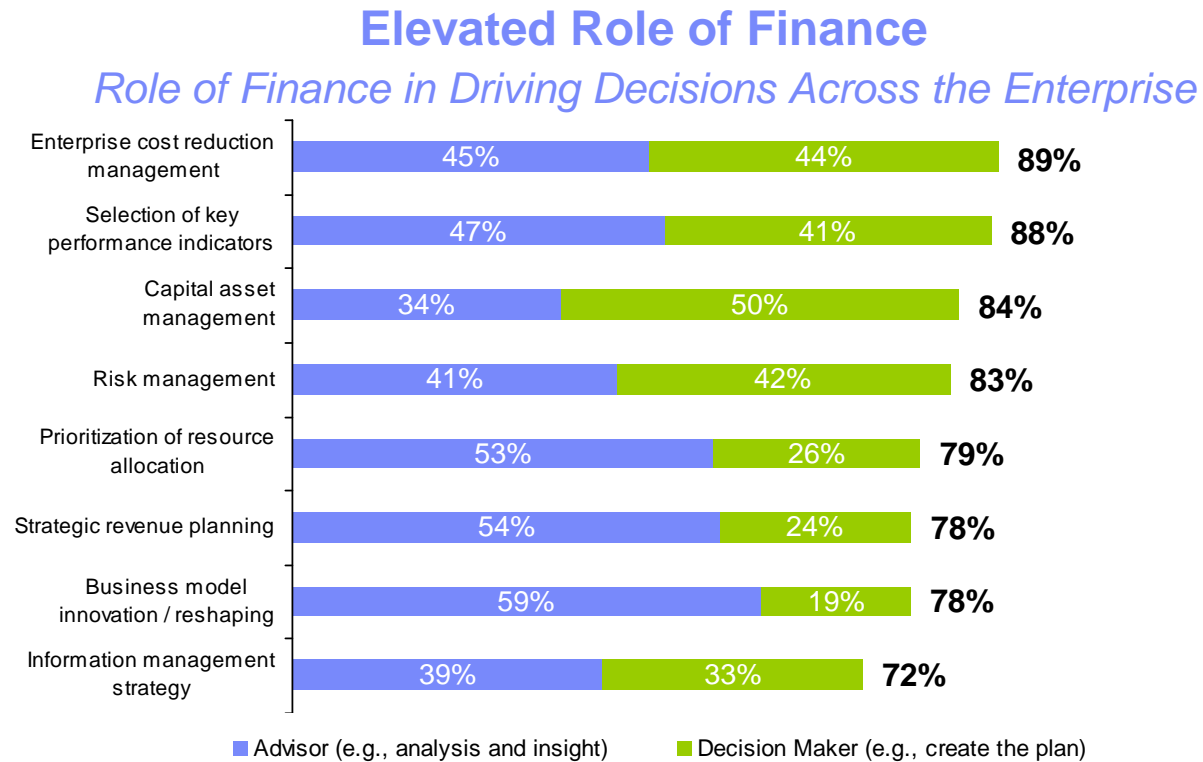


Scope of Role



N = 1,910
 Source: IBM Institute for Business Value, The Global CFO Study 2010
 Geography = Country of Company Headquarters

CFOs are taking a more prominent role in enterprise decision making



Over 70% of CFOs believe they have an advisory or decision making role on the Enterprise agenda.

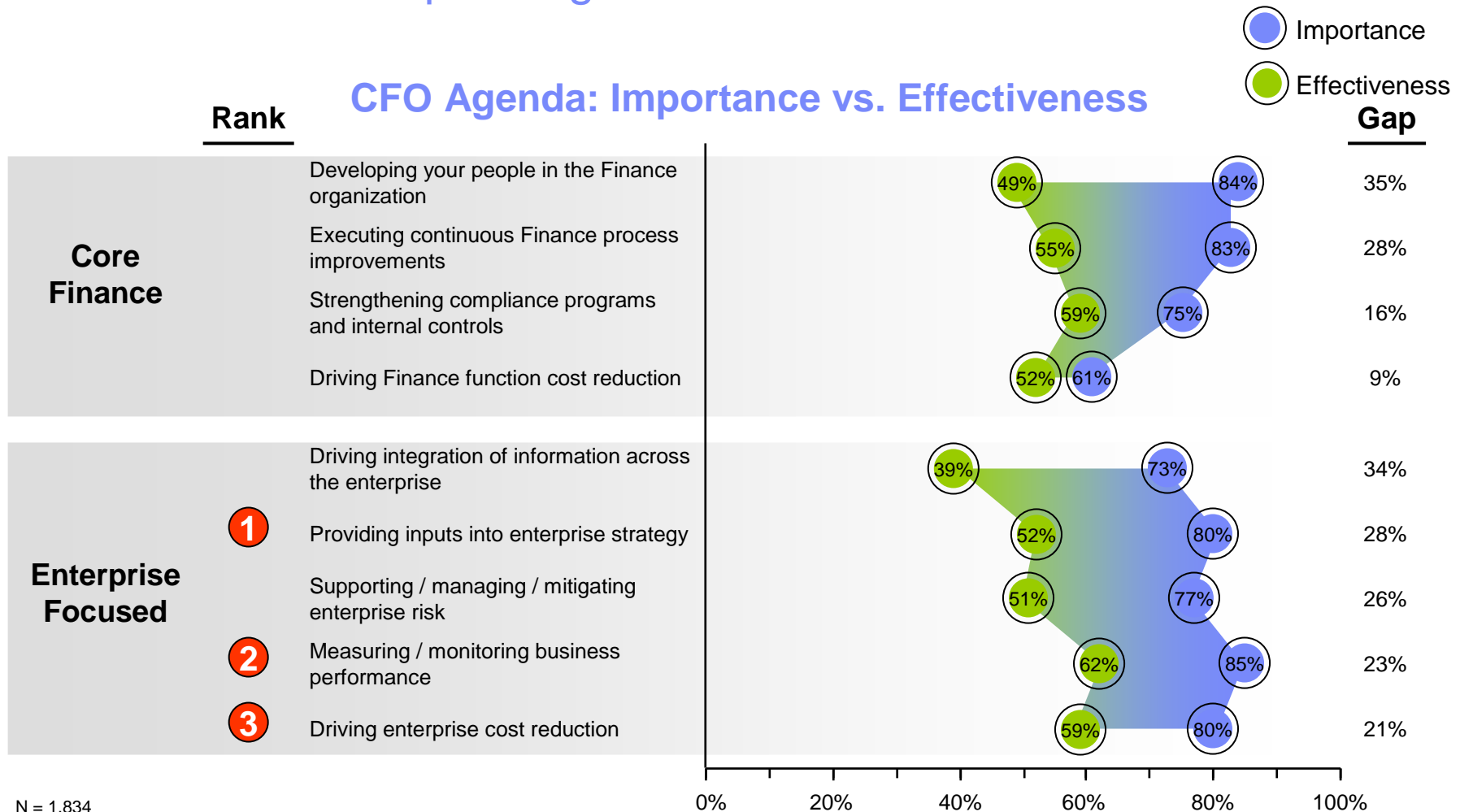
N = 1,881

Note: Executives asked: What role is Finance playing in driving decisions across the enterprise? (Select only one per area)

Note: Respondent choices included No Role, Informer, Advisor and Decision Maker

Source: IBM Institute for Business Value, The Global CFO Study 2010

However, Finance needs to improve its effectiveness in order to deliver on the enterprise agenda



N = 1,834

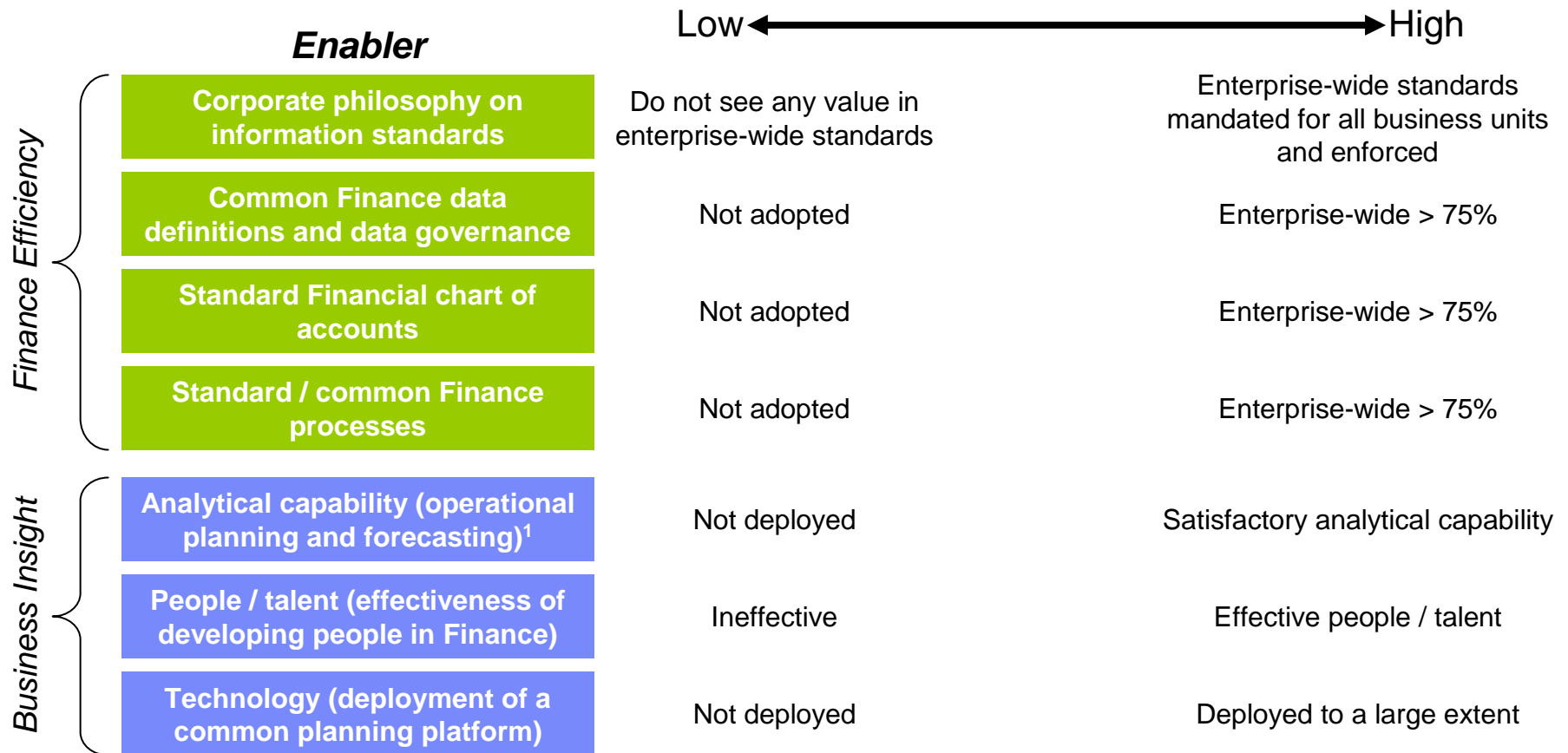
Note: Defined as Importance: [5] Critical and [4] which indicates moderately critical and Effectiveness: [5] Very effective and [4] which indicates effective

Note: Executives asked: How important to your Finance organization are each of following areas of responsibility? and How effectively do you think your Finance organization is performing in each of those areas (of responsibility)?

Source: IBM Institute for Business Value, The Global CFO Study 2010

Analysis of CFO responses and objective enterprise financial measures identified enablers to deliver efficiency and insight

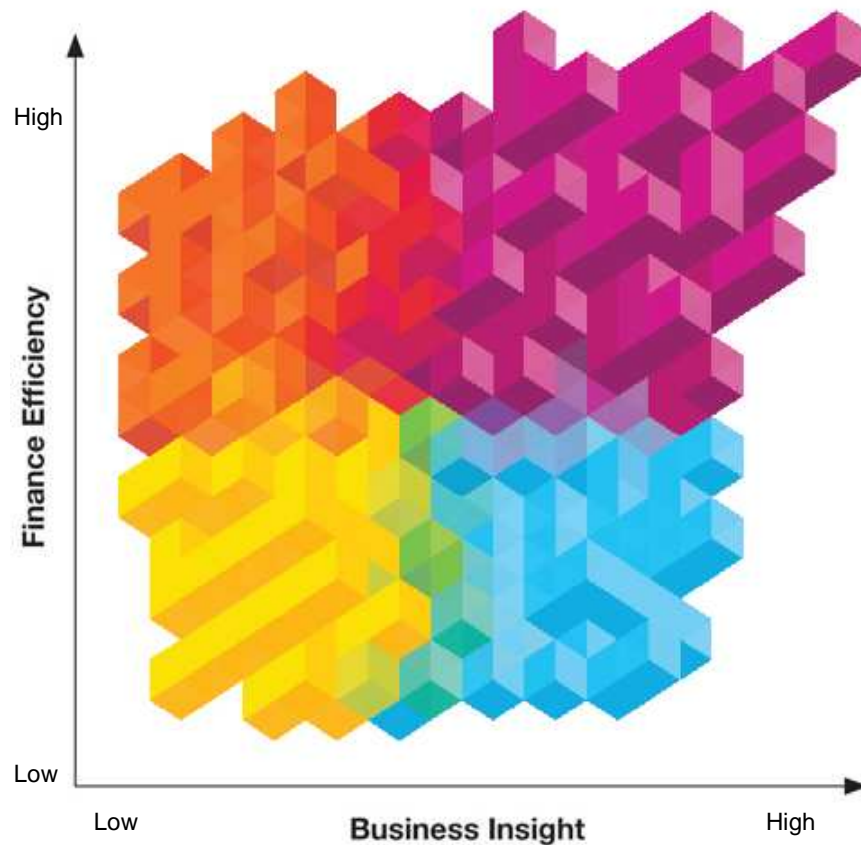
Finance Efficiency and Business Insight Enablers



¹ Also analyzed Scenario Planning, Predictive Analytics
 Source: IBM Institute for Business Value, The Global CFO Study 2010

Four Finance profiles become apparent when respondents are segmented by efficiency and business insight

Finance Profiles

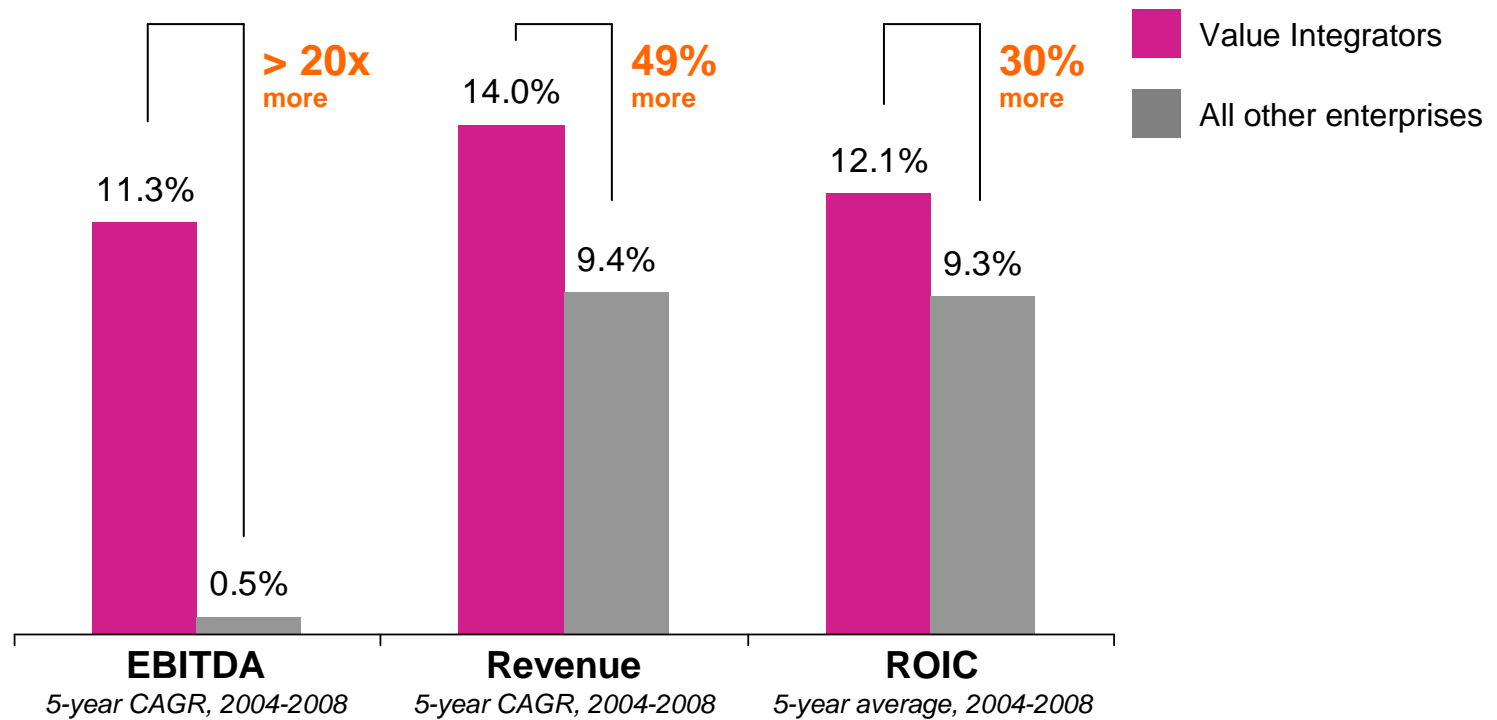


- Scorekeepers**
 - Data recording
 - Controllership
 - Multiple versions of the “truth”
- Disciplined Operators**
 - Finance operations focused
 - Information provision
 - Performance interpretation
- Constrained Advisors**
 - Analytics focused
 - Sub-optimal execution
 - Fragmented data
- Value Integrators**
 - Performance optimization
 - Predictive insights
 - Enterprise risk management
 - Business decision making

Source: IBM Institute for Business Value, The Global CFO Study 2010

Value Integrators excel in both efficiency and business insight, contributing to financial outperformance

Efficiency + Business Insight Contributes to Outperformance

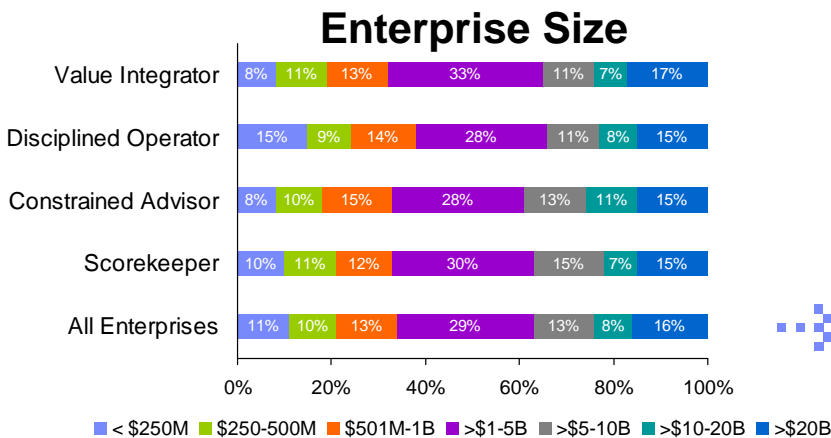
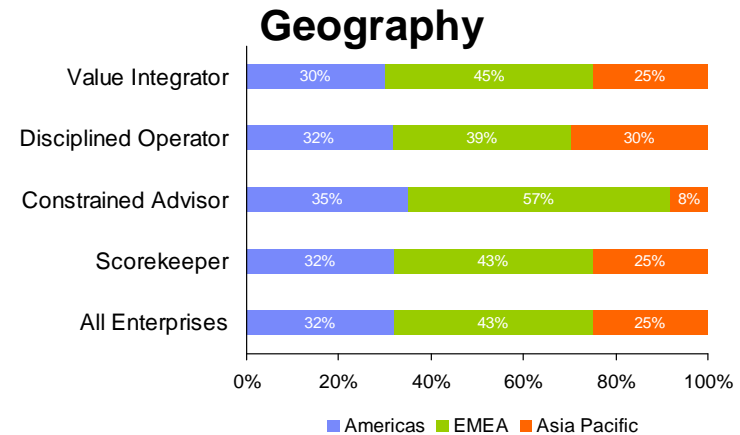
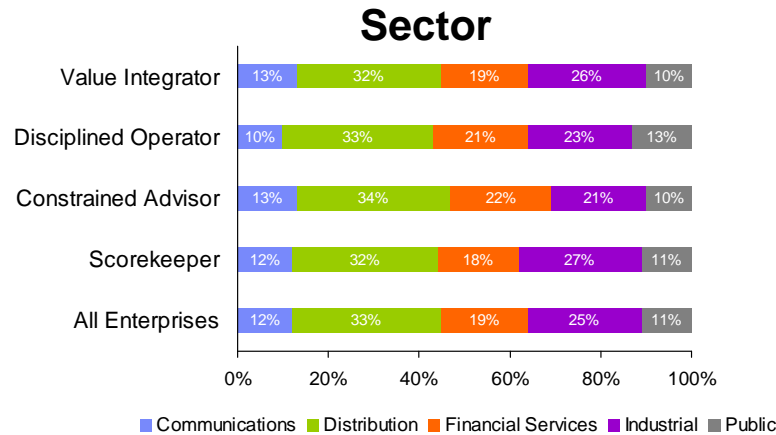


Value Integrators also have an almost 20% better operating efficiency ratio than all other companies examined.

Revenue Growth: N = 580; EBITDA: N = 531; ROIC: N = 501;
 Source: IBM Institute for Business Value, The Global CFO Study 2010

There does not appear to be another significant or predominant characteristic that might explain the Value Integrators advantage

Finance Profile Firmographics



❖ The four profiles are evenly distributed across various firmographics, such as Enterprise Size, Industry and Geography.

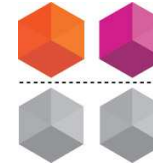
N = 1,387 to 1,478

Source: IBM Institute for Business Value, The Global CFO Study 2010

Geography = Country of Company Headquarters

Theme #1

- **Delivering efficiency through standards matters more than ever**
- Providing business insight drives performance improvement beyond finance
- The greatest rewards come from doing both well



“In the next 3 years, change will drive the criticality of decision support. Therefore, we must find better ways to do transaction support and control activities with improved processes and more automation.”

*Bob Driessnack
CFO, Intermec Inc.*

“Finance has undertaken a number of initiatives to underpin growth, in particular the establishment of a shared service center. This has enabled us to respond much quicker, close in days not weeks, undertake rapid process change and reduce cost.”

*Richard Yu
VP Finance, Aviva-Cofco Life Insurance*

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

Efficiency Challenges

Nearly 40% of enterprises produce financial metrics manually

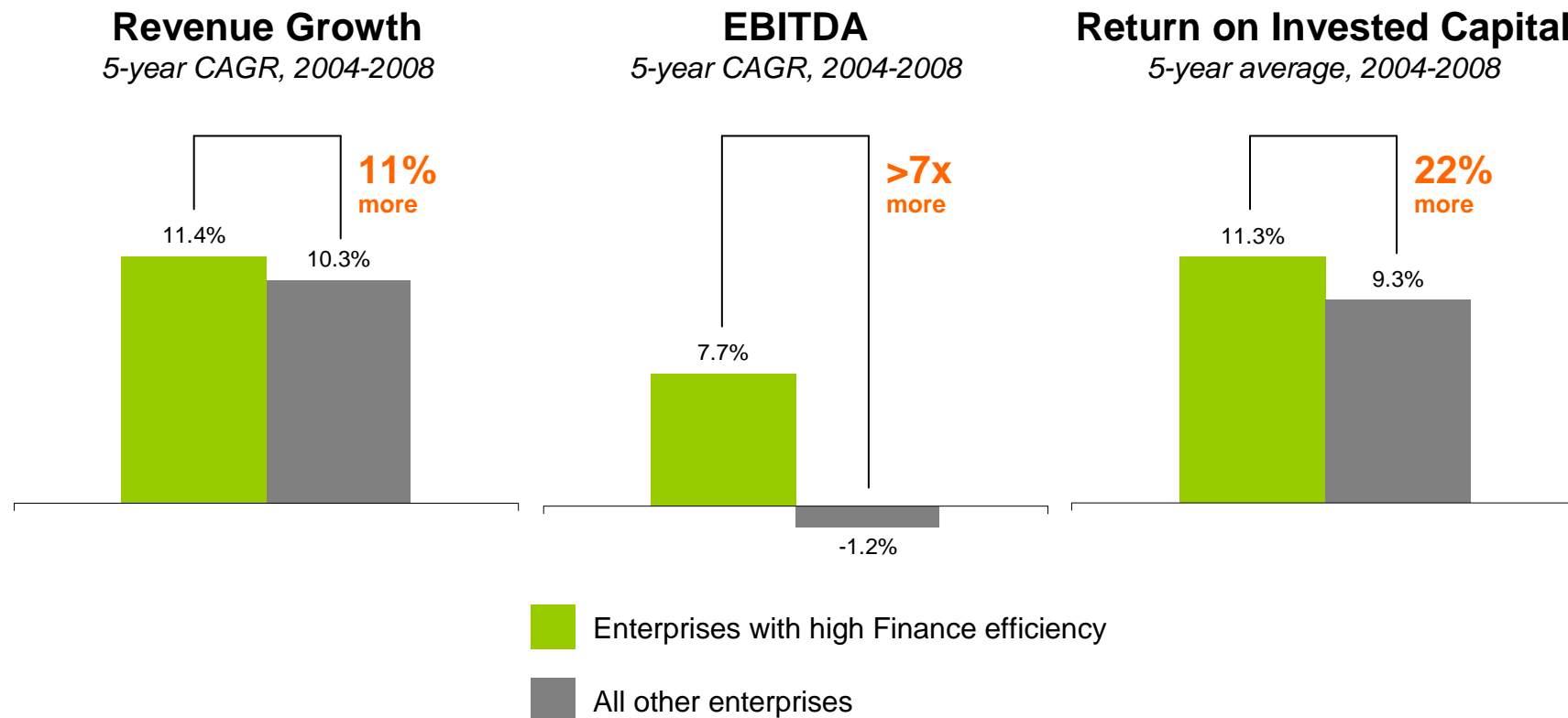
Finance continues to spend nearly 50% of time on transactional activities

Over 35% lack a common reporting platform

Over 25% lack the necessary common data definitions and processes

Enterprises with better Finance efficiency are rewarded financially

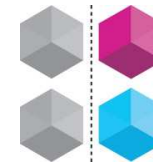
Finance Efficiency Contributes to Financial Outperformance



Revenue Growth: N = 745; EBITDA: N = 698; ROIC: N = 791
Source: IBM Institute for Business Value, The Global CFO Study 2010

Theme #2

- Delivering efficiency through standards matters more than ever
- **Providing business insight drives performance improvement beyond Finance**
- The greatest rewards come from doing both well



“For multinational companies, regulatory and political changes can happen arbitrarily at any time, significantly impacting the execution of strategy. As a result, planning must be much more scenario-based with the ability to rapidly adapt.”

*Markus Kistler
CFO - North Asia and China, ABB*

“Business analytics is one of our most critical Finance initiatives. We need to have the right people and tools and stay very close to the business.”

*Mike Newman
CFO, Office Depot*

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

Business Insight Challenges

Nearly 50% lack a common planning platform

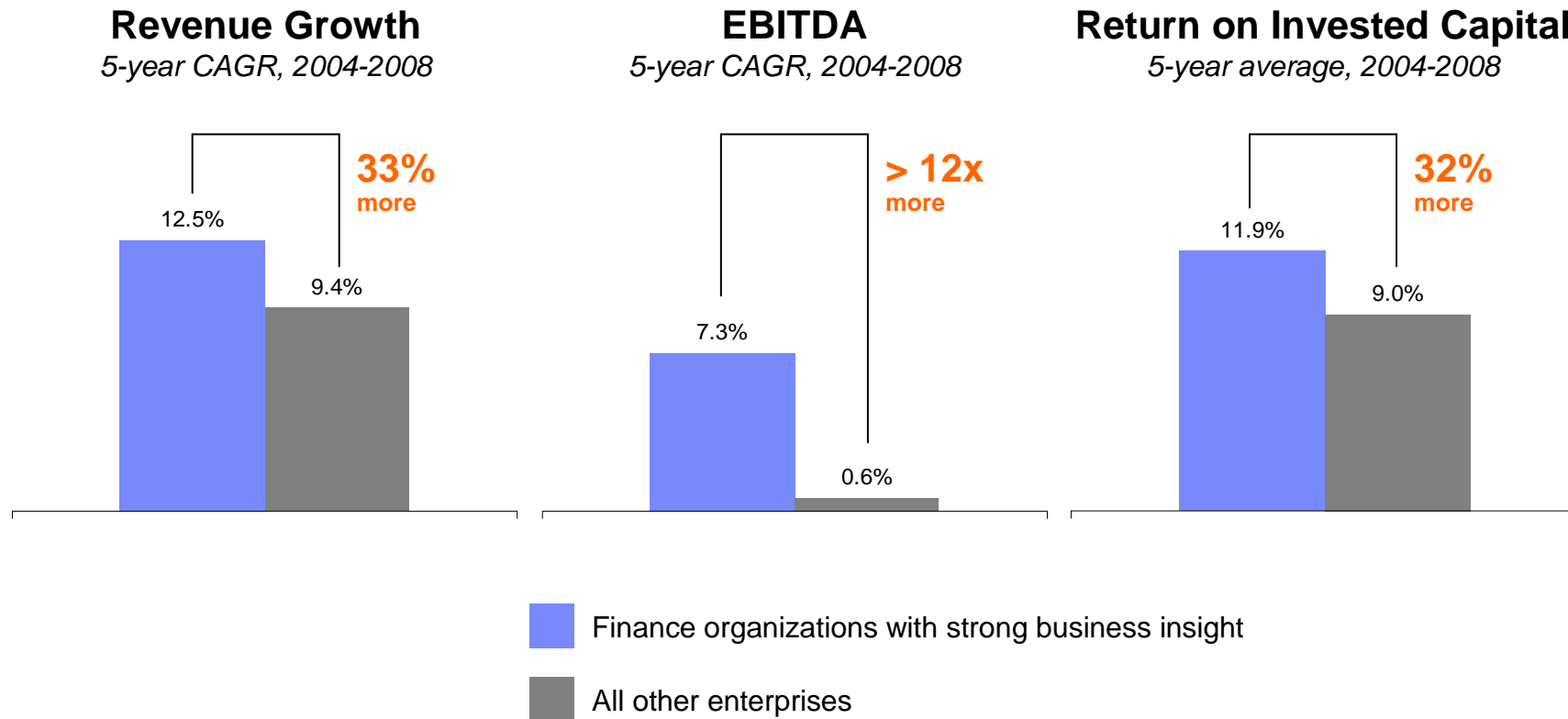
55% not satisfied with their operational planning and forecasting analytical capability

Over 50% manually producing operational metrics

44% are poor to average at anticipating external forces

Objective financial data validates that decision making supported by business insight contributes to enterprise outperformance

Business Insight Contributes to Financial Outperformance



Revenue Growth: N = 580; EBITDA: N = 435; ROIC: N = 606
Source: IBM Institute for Business Value, The Global CFO Study 2010

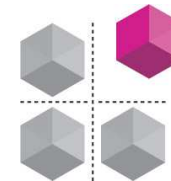
Theme #3

- Delivering efficiency through standards matters more than ever
- Providing business insight drives performance improvement beyond Finance

- **The greatest rewards come from doing both well**

“What makes companies stand out from one another is the ability to use analytics across the end-to-end business model. Greater transparency from one end of the business to the other is key.”

*Dennis Hickey
VP - Corporate Controller, Colgate Palmolive*

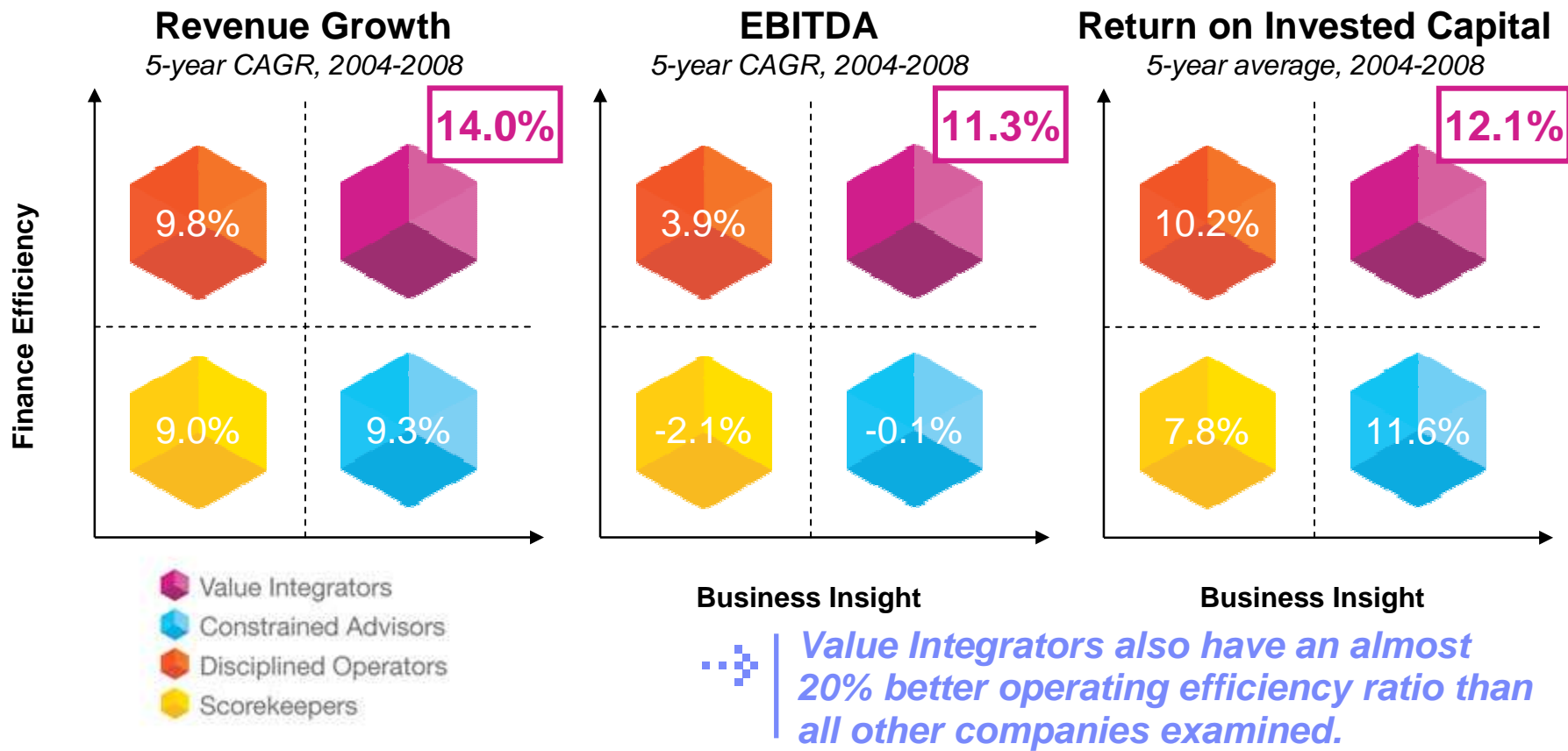


“Our job is to focus the enterprise on making timely, risk-based decisions by providing access to the right, business-relevant information and insight-driven analytics.”

*Mark Buthman
CFO, Kimberly Clark Corporation*

Those that excel in both efficiency and business insight contribute to even better financial outperformance

Efficiency + Business Insight Contributes to Outperformance



Revenue Growth: N = 580; EBITDA: N = 531; ROIC: N = 501;
 Source: IBM Institute for Business Value, The Global CFO Study 2010

Evolving the Finance profile to Value Integrator could drive significant value creation

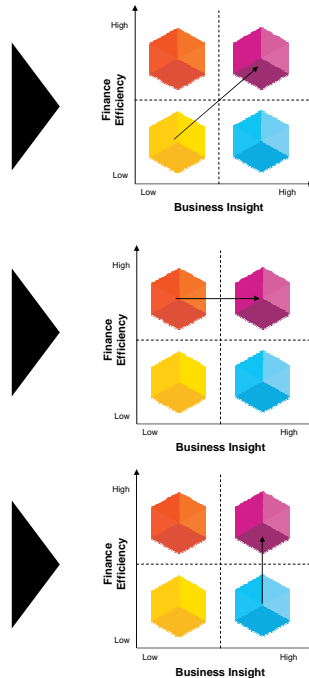
Bottom Line Improvements to Higher Value

Average Financial Profile by Quadrant

Scorekeepers
 Revenue = \$23BN
 EBITDA = \$2.1BN
 Invested Capital = \$21BN

Disciplined Operators
 Revenue = \$16BN
 EBITDA = \$2.1BN
 Invested Capital = \$16BN

Constrained Advisors
 Revenue = \$15.5BN
 EBITDA = \$2.1BN
 Invested Capital = \$16BN



Value Created by Moving to Value Integrator	
Profit & Loss (EBITDA)	Balance Sheet (ROIC)
+\$286 Million	+\$919 Million
+\$153 Million	+\$298 Million
+245 Million	+86 Million

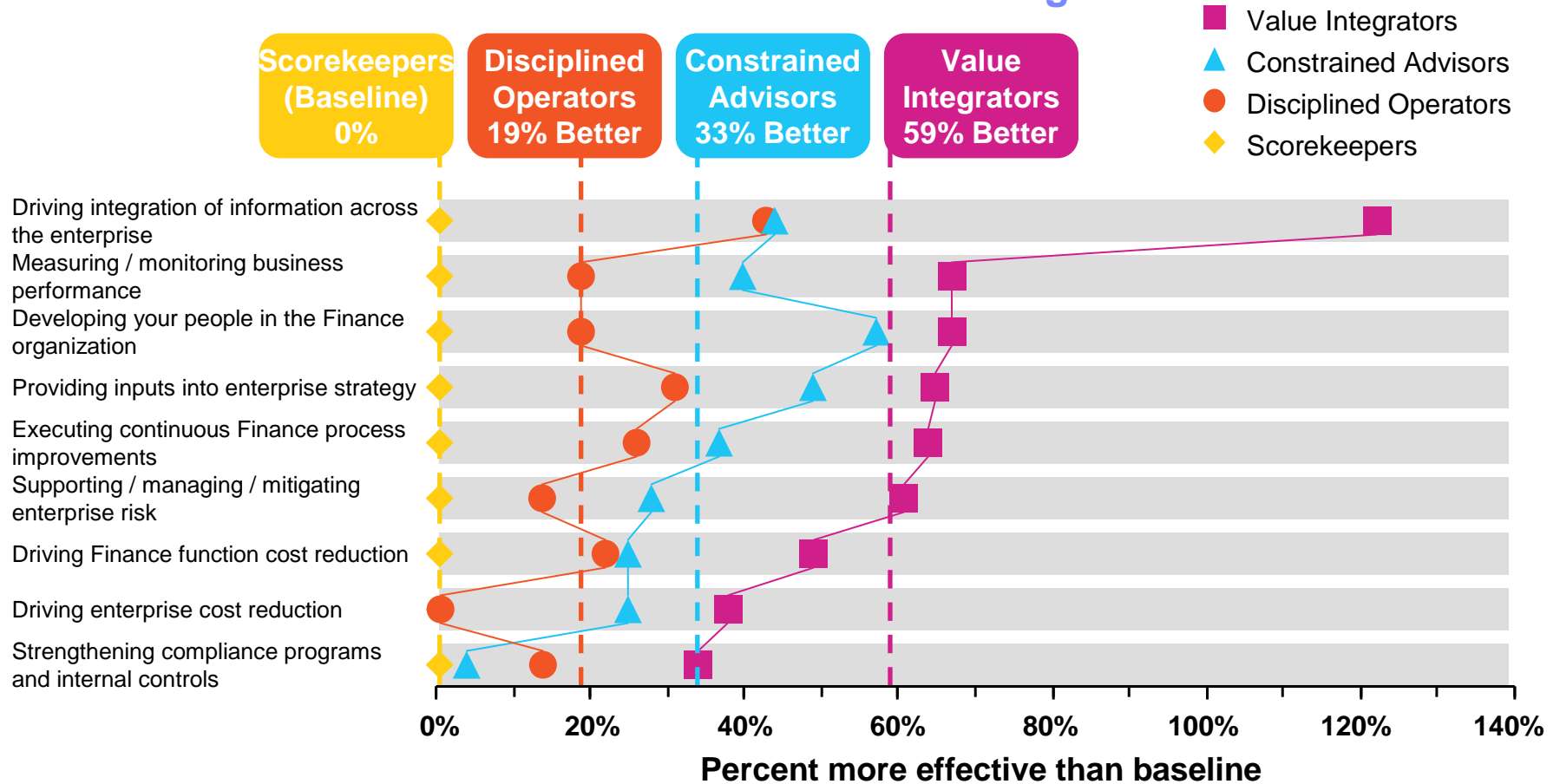
Revenue Growth: N = 580; EBITDA: N = 531; ROIC: N = 501

Note: Profit & Loss (EBITDA) Improvement = Difference between Value Integrator EBITDA CAGR and other Finance Profile EBITDA CAGR x Average EBITDA for Finance Profile

Source: IBM Institute for Business Value, The Global CFO Study 2010

Those that excel in both efficiency and business insight are more effective than those who excel in only one dimension

Effectiveness Across the Full CFO Agenda

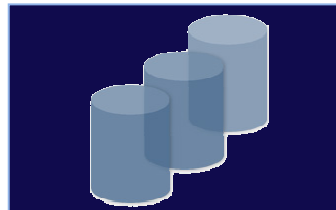


N = 1,454 to 1,469
 Source: IBM Institute for Business Value, The Global CFO Study 2008, 2010

Value Integrators drive broader improvements in data and analytics, process, technology and people

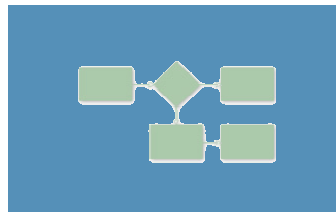
What do Value Integrators do differently?

Data and Analytics



- Improve information delivery
- Drive data integrity
- Use different approaches to help the enterprise make decisions

Process



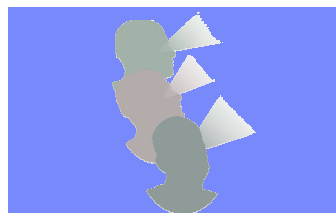
- Focus on next tier process improvements

Technology



- Rationalize and standardize analytical technologies

People



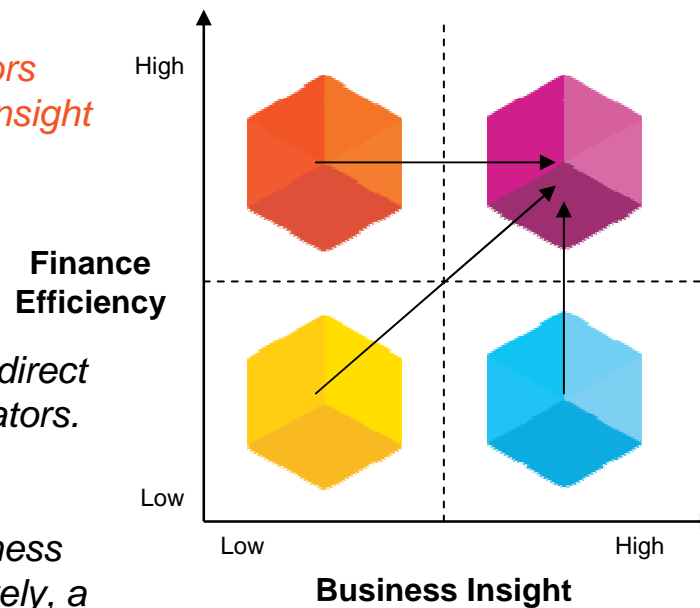
- Drive risk management through CFO direct reports of Controls and Risk Management

CFOs aspiring to evolve their Finance Model to higher capability should address performance gaps with specific action plans

Paths to Higher Value

High efficiency enabled by process and Finance data standards suggests Disciplined Operators focus on maturing business insight and partnering capabilities

Scorekeepers can attempt a direct path to become Value Integrators. This will involve establishing Finance efficiency while simultaneously building business insight capabilities. Alternatively, a staged approach can also be done



Value Integrators can maintain their advantage through a program of continuous improvement to sustain capabilities and value

Constrained Advisors have good business insight, constrained by structural complexity, therefore address process and data standards to improve efficiency, accuracy and speed

- Value Integrators
- Constrained Advisors
- Disciplined Operators
- Scorekeepers

Source: IBM Institute for Business Value, The Global CFO Study 2010