

**2014 World Class Finance
EPM playbook**

**Presented at:
UK IBM Finance Forum**

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Content



1. World Class Finance
2. A Supply & Demand challenge
3. Zeroing-in on the System architecture challenge
4. Final thoughts & Q&A

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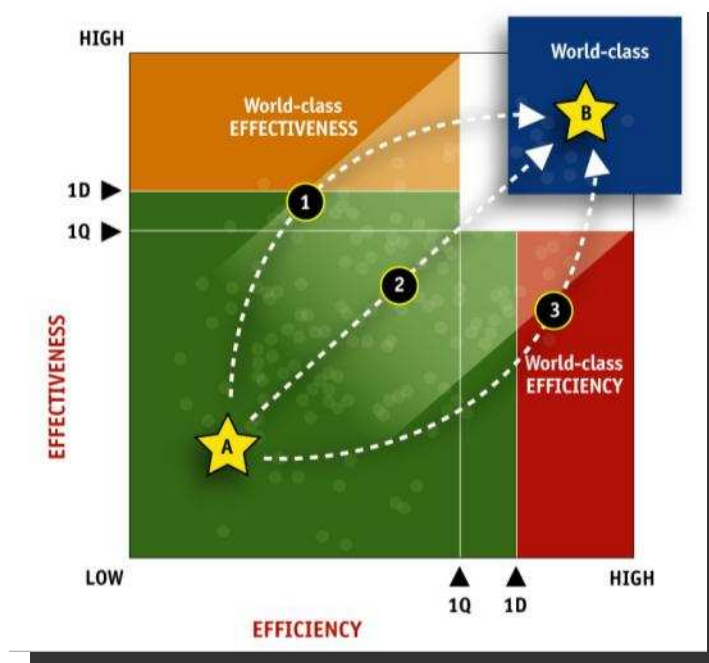
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The Hackett Group – Corporate Overview

Intellectual capital and implementation expertise that accelerates the time to sustainable benefit realization

- We are the global leader in operations improvement strategies, implementation know-how, and G&A agility
- We address both efficiency and effectiveness improvements to enable strategic business objectives
- Our insights are fact based, from over 7,500 performance improvement engagements
- Our Best Practices Intelligence Center™ is a significant differentiator and enabler. It contains:
 - 20,000+ performance metrics updated annually
 - 1,500+ best practices across 95 processes
 - 1,000+ best practice-based process maps, requirements and configuration guides
 - 1,000+ case studies and research
- We deliver results through a global team of senior practitioners using a consistent methodology and best practice-based toolset

Hackett Value Grid™

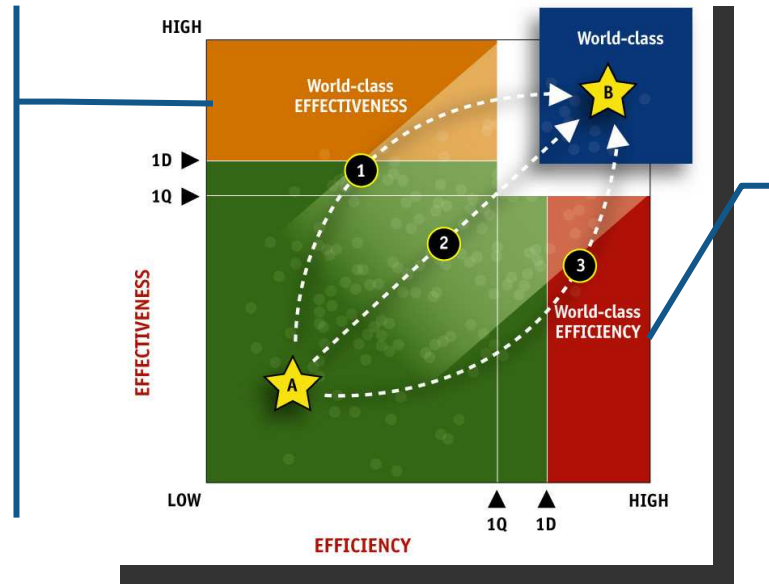


The World-Class Advantage

2013 G&A Costs - World-Class organizations always find a way to get there

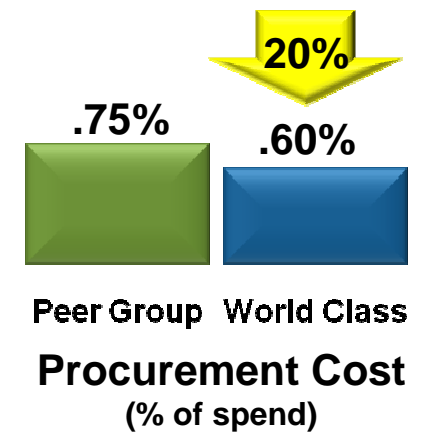
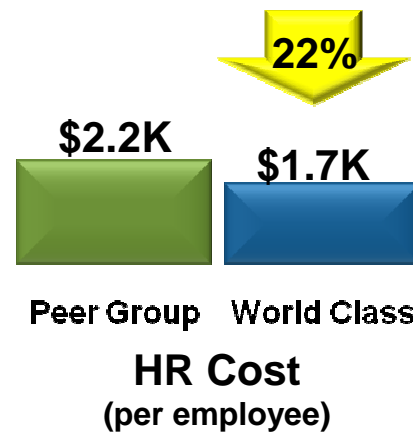
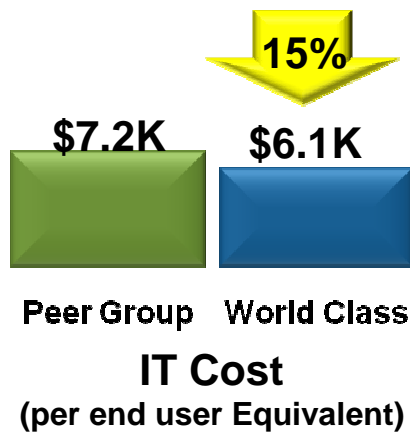
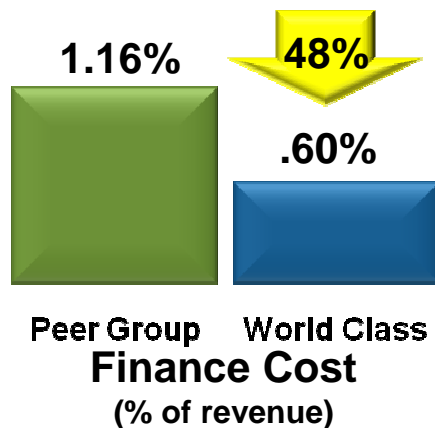
EFFECTIVENESS

- Access to the right information at the right time
- More experienced and flexible workforce
- Value-added supplier leverage
- Greater tax effectiveness
- Better alignment to the needs of the business
- Optimized use of working capital



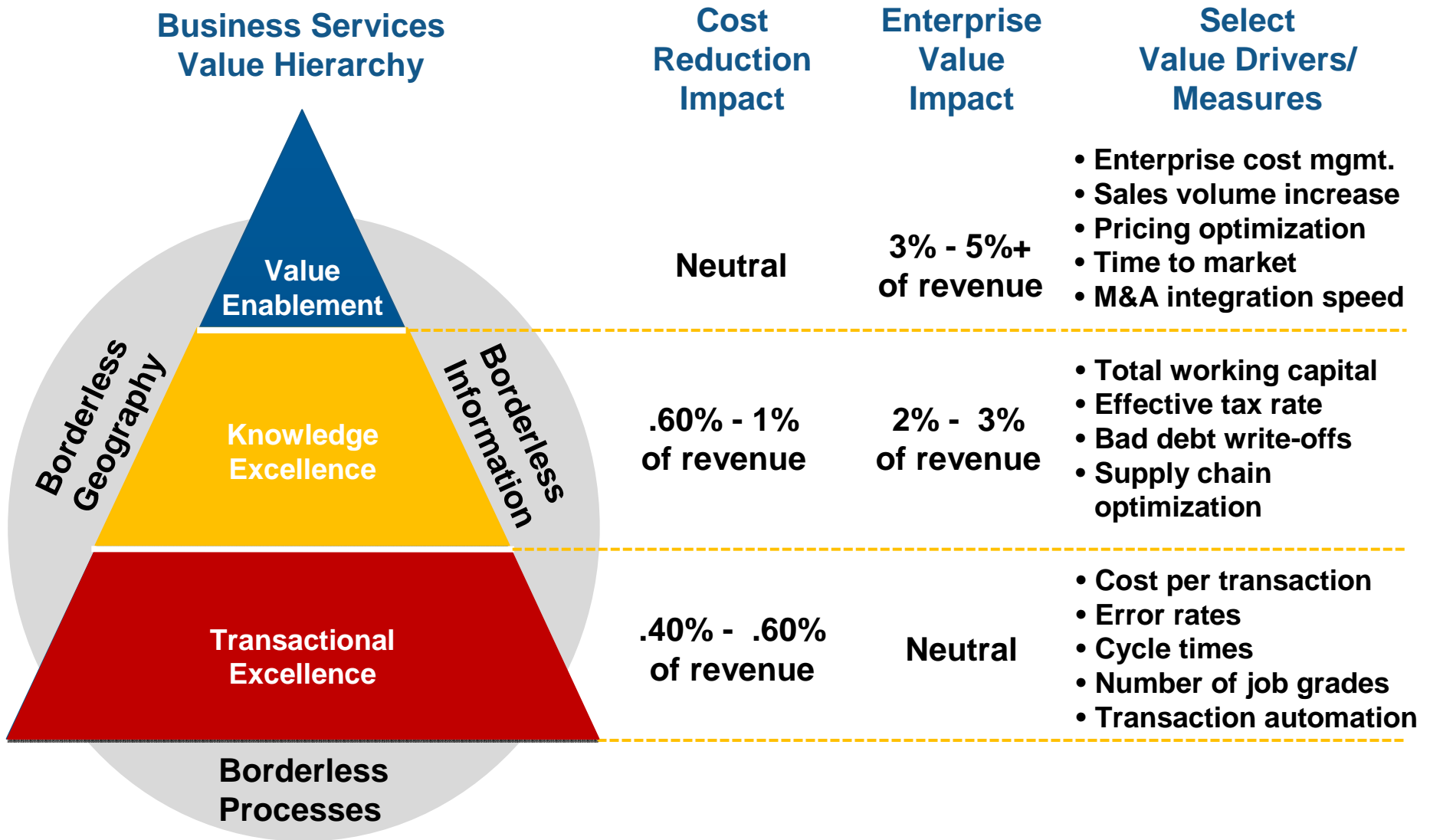
EFFICIENCY

- Lower total costs
- Faster cycle times
- Higher productivity levels
- Better staffing utilization
- Higher transaction automation levels



Achieving World-Class Finance is about unlocking value

The value of “borderless” business to the Enterprise



Unlocking value from revenue and margin growth drives executive priorities



Achieving Borderless Business Advantage

Evolving toward a much broader and higher level of standards utilizing a global approach with global process owners across **geography, information and process.**



Outperformance through World-Class EPM

Fostering the agility required for achieving profit goals when revenue falls short of expectations, to break down the functional data silos, and to focus more on predictive analytics rather than historical reporting.



Winning the War for Talent

Understanding the future operating model of the company and translating to the strategic workforce plan in order to acquire and develop needed skills, retain the truly critical employees, and to manage talent globally.

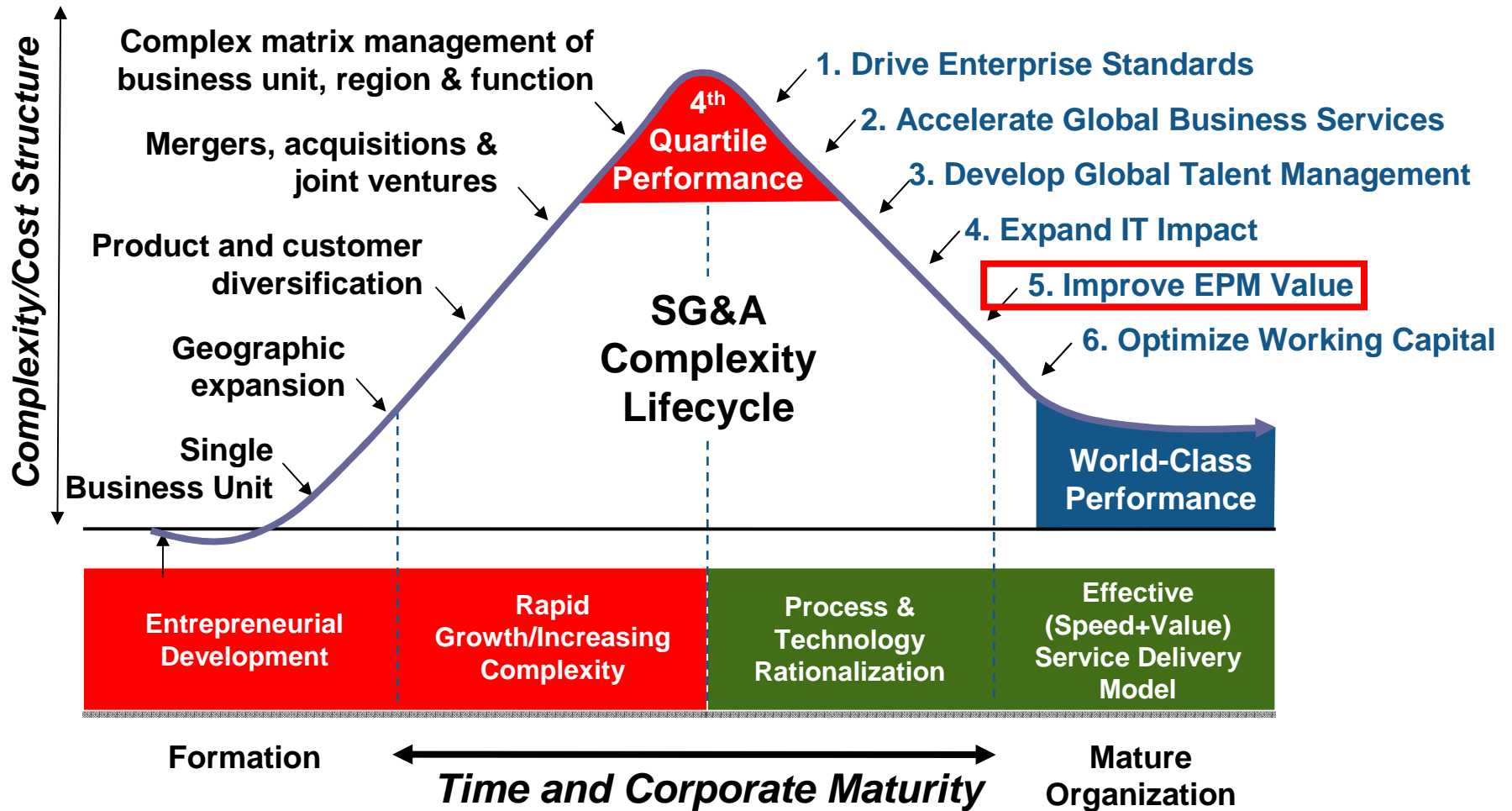


Enterprise Technology Enablement

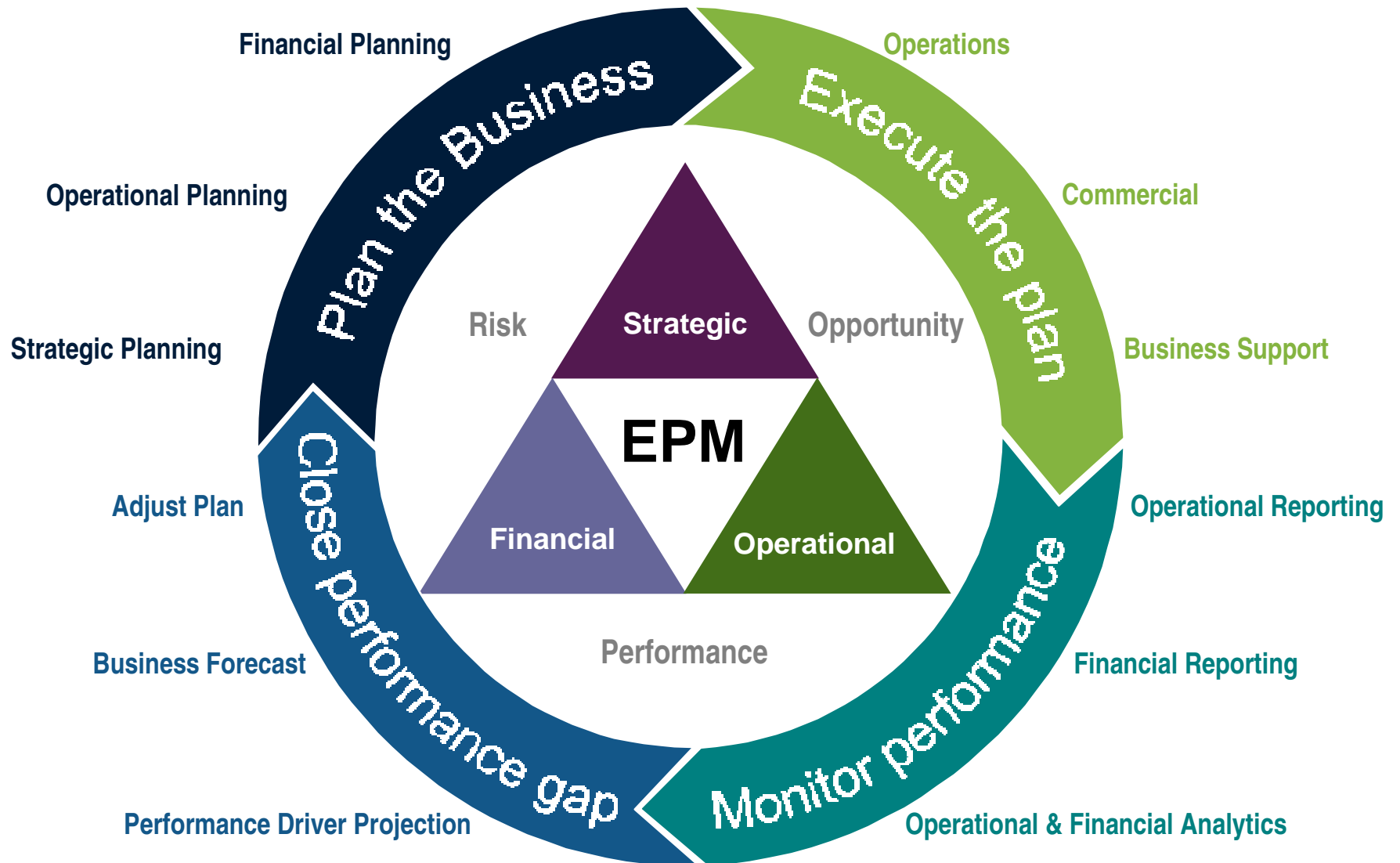
Deriving value from the existing technology footprint through rationalizing out platform and application complexity, designing from a true enterprise process standard, and achieving World-Class automation levels.

Improving EPM is one of 6 World Class transformation levers

World-Class organizations focus on better managing complexity, driving operational excellence, and enabling strategic value



Scope: The integration of strategy to execution to drive value



... 'Improving EPM value' means overcoming critical hurdles in strategy execution ...

46%

“moderate or very low”
integration **between**
strategic planning and other
planning processes

60%

do NOT use predictive
modelling to support
strategic planning

40%

are highly effective at
cascading the strategic
plan to BUs and
functions

71%

report **pervasive use of**
spreadsheets for analytical
models supporting
strategic planning

...but getting it right is worth it, now more than ever

64%

Percentage of EPM top performers who outperform their industry average EBITDA

2X

Average forecast accuracy (sales, earnings, cash) performance gap between top performers and peers

46%

EPM cost gap between top performers and peers

7 days

Average performance gap between financial close & report cycle times of world-class and peers

40%

of business reporting and analysis activities are performed within a center of excellence

Key Definitions

Enterprise Performance Management

Managing strategic execution efficiently & effectively relies on lean and effective EPM

Hackett defines Enterprise Performance Management (EPM) as the organizational competency to dynamically manage execution of the business strategy through:

- Improved management decision making
- Alignment of behaviors of stakeholder with strategic objectives of the organization
- Dynamic measurement of goals & performance
- Leverage of analytical & modeling capabilities



Business Intelligence

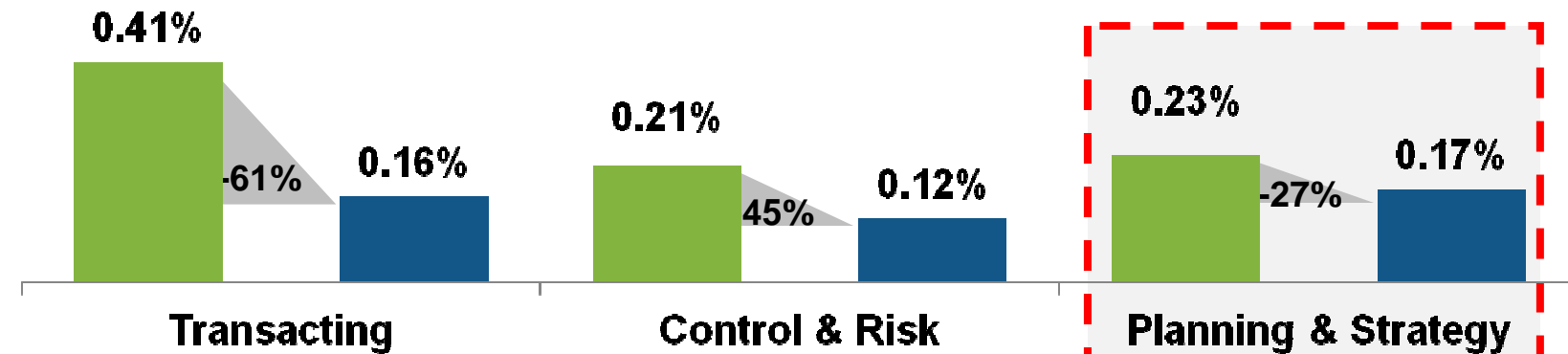
The capability to manage the supply and demand for information across data silos, in order to create meaningful business insight.

Finance organizations require greater enterprise performance management capabilities to support the strategy

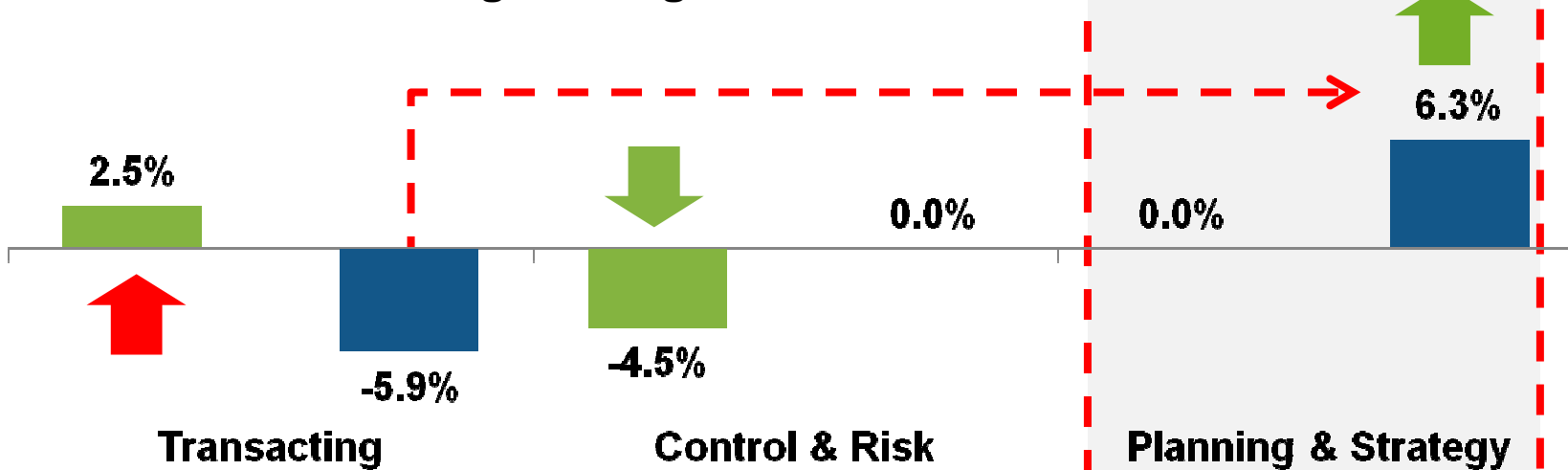


World-Class Finance organizations are reallocating resources in FP&A to improve EPM value

2013 Cost of Finance by Process Category (as a % of revenue)



2012 – 2013 Percentage Change in Process Cost



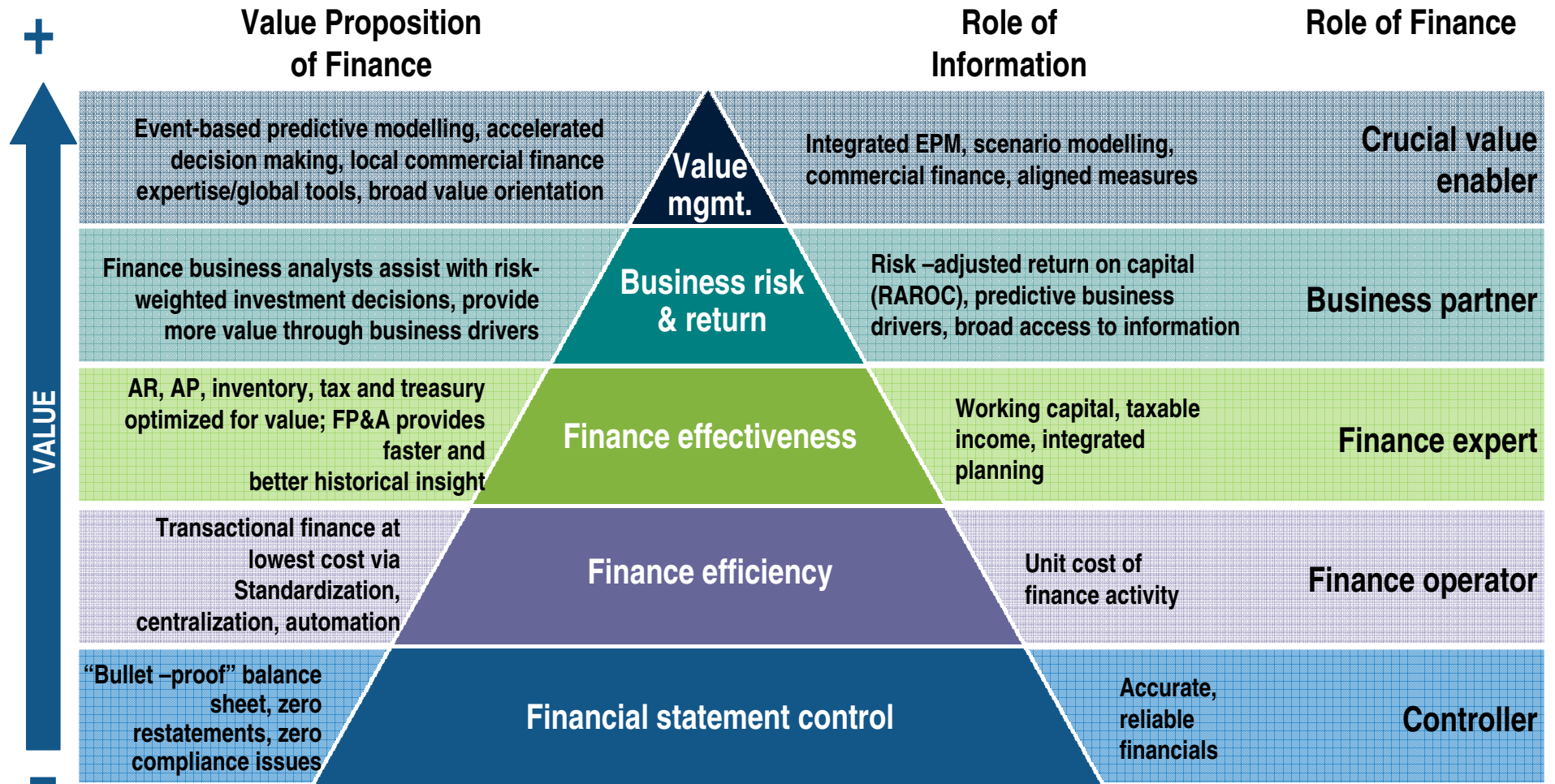
■ Peer Group ■ World-Class

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Maturity in EPM depends on the Finance value proposition



Establish what value the business is expecting, and at what cost to deliver

A common problem is that Management needs less, but more targeted and readily available insight

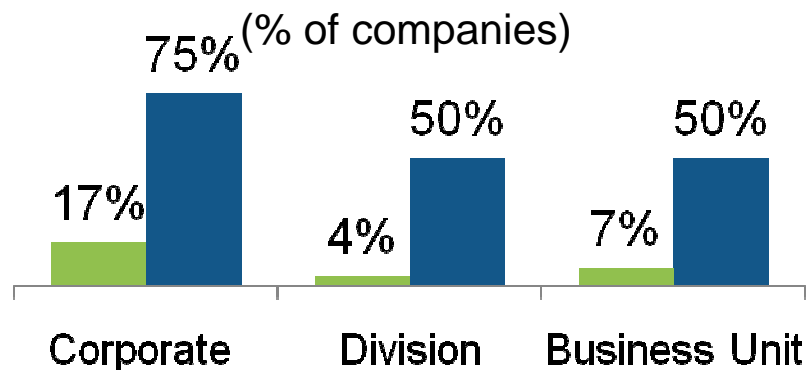
1 *Far fewer reports, and...*

Business Performance Reports
(per \$1B Revenue)



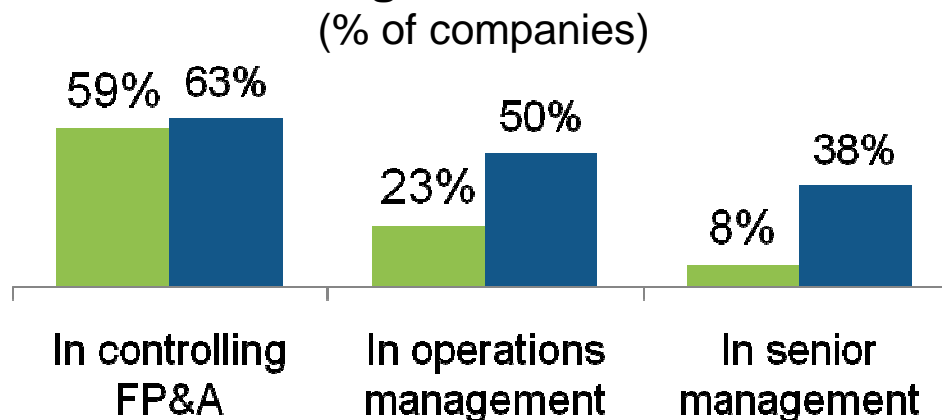
2 *...more targeted information...*

High level of confidence the right KPIs are across all areas of the business



3 *...made available to decision makers*

Access to standard reports and drill-down through online self-service

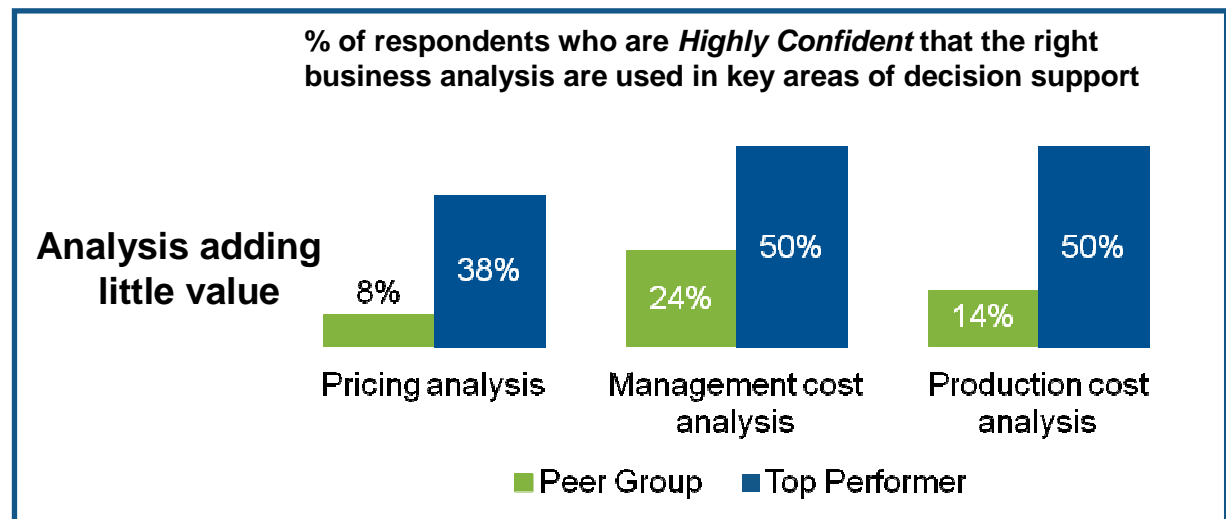
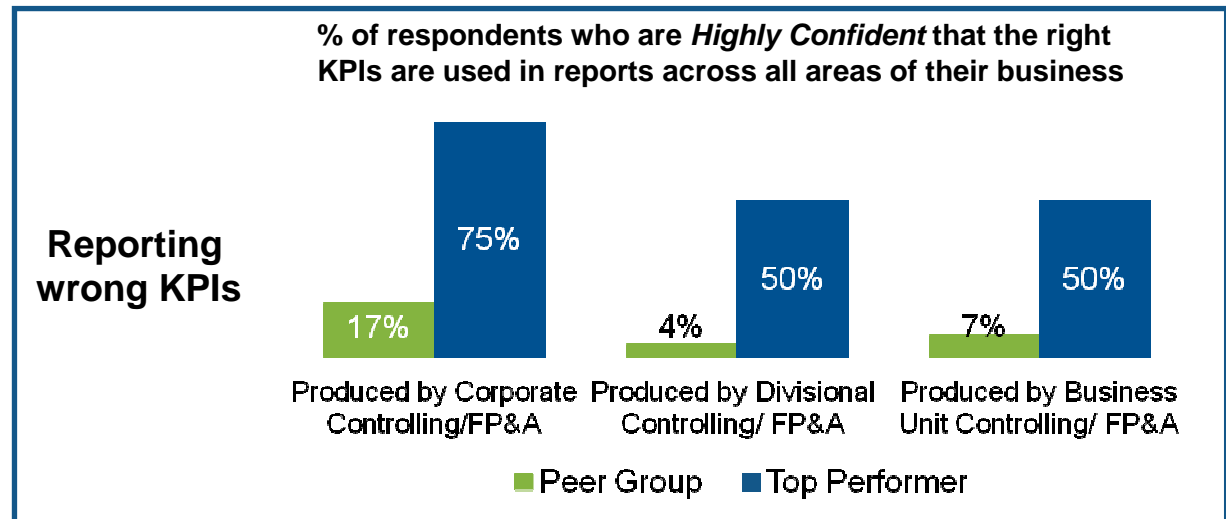
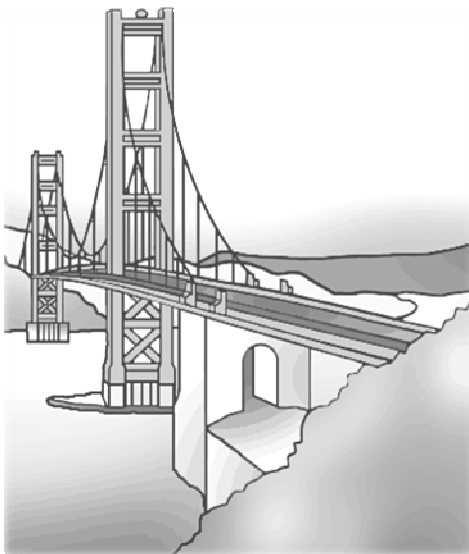


Peer Group Top Performer

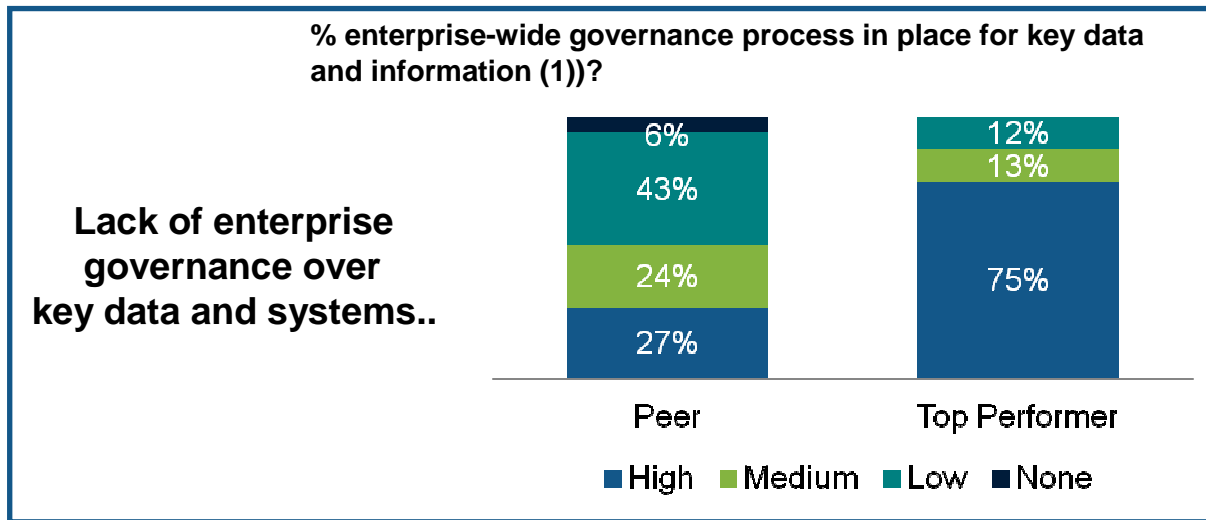
To build EPM capabilities, organizations must first bridge the gap between “Demand and Supply for Management information”

Demand-side problem

Requirements driving information production misaligned with needs for Management decisions

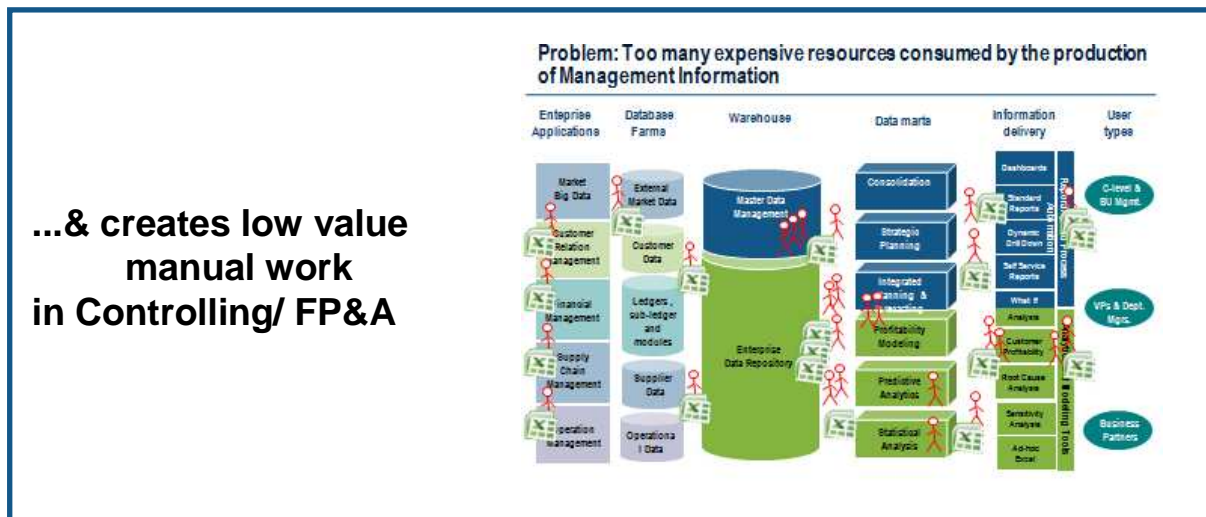


To build EPM capabilities, organizations must first bridge the gap between “Demand and Supply for Management information”



Supply-side problem

Fragmented data models & systems, lack of compelling system architecture vision, wrong EPM/BI systems, ineffective enterprise data management



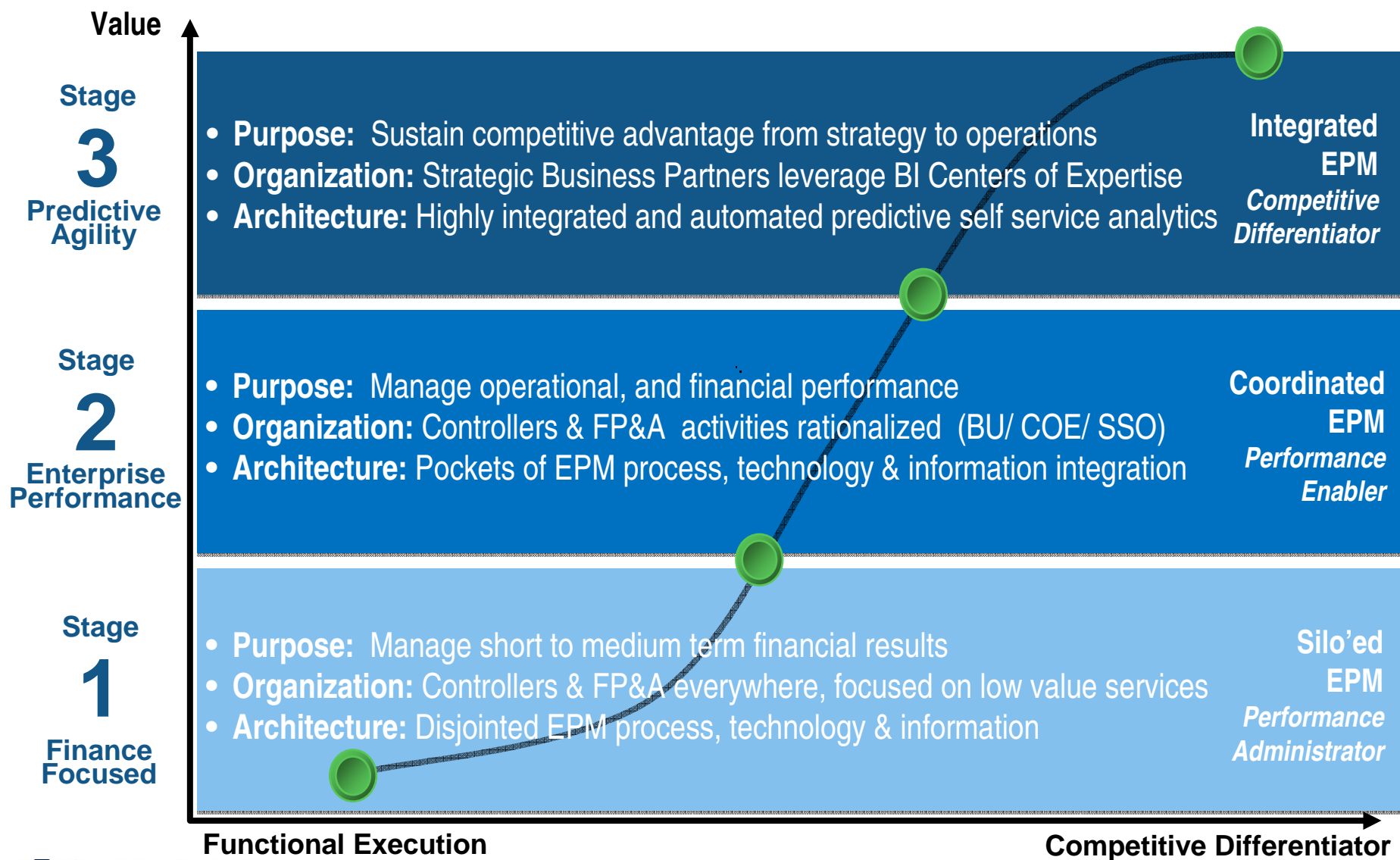
(1) maintaining global standards for master data management, key performance indicators, supporting metrics and their related definitions, reporting hierarchies and reporting business rules

As business needs for analytics proliferate, managing complexity also becomes a monumental task

Human Resources	Sales	Service & Contact Center	Marketing	Order Mgmt & Fulfillment	Supply Chain	Financials
Employee Productivity	Pipeline Analysis	Churn Propensity	Campaign Scorecard	Order Linearity	Supplier Performance	A/R & A/P Analysis
Compensation Analysis	Triangulated Forecasting	Customer Satisfaction	Response Rates	Orders vs. Available Inventory	Spend Analysis	GL / Balance Sheet Analysis
HR Compliance Reporting	Sales Team Effectiveness	Resolution Rates	Product Propensity	Cycle Time Analysis	Procurement Cycle Times	Customer & Product Profitability
Workforce Profile	Up-sell / Cross-sell	Service Rep Effectiveness	Loyalty and Attrition	Backlog Analysis	Inventory Availability	P&L Analysis
Turnover Trends	Cycle Time Analysis	Service Cost Analysis	Market Basket Analysis	Fulfillment Status	Employee Expenses	Expense Management
Return on Human Capital	Lead Conversion	Service Trends	Campaign ROI	Customer Receivables	BOM Analysis	Cash Flow Analysis

...this is a universal challenge...and opportunity

How mature is your organization's capability in EPM today?

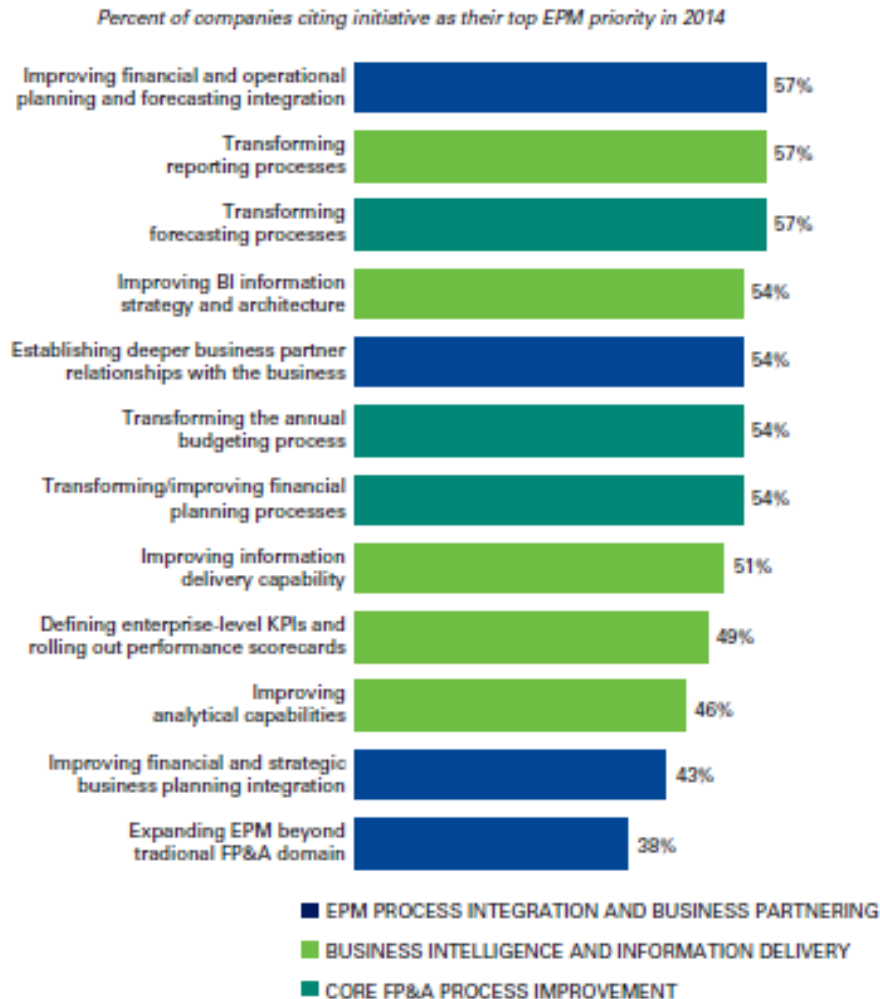


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Most of the 2014 EPM Priorities are co-dependent on well integrated information and on the enterprise system architecture to support it



Source: Key Issues Study, The Hackett Group, 2014

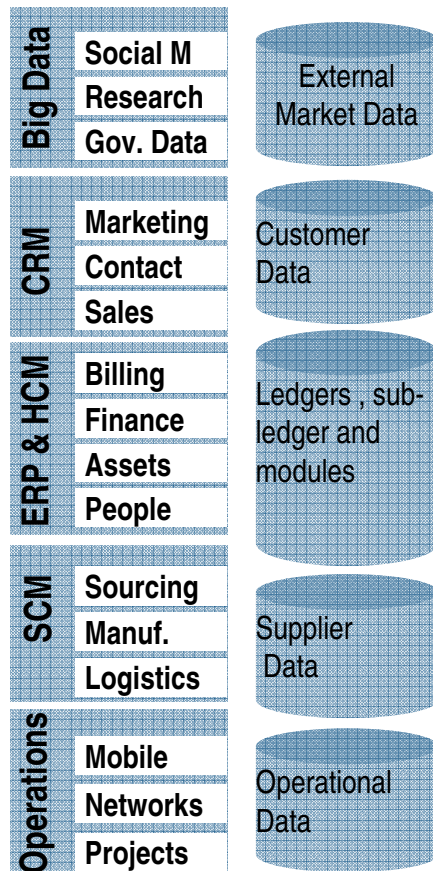
What are the key best practices in EPM system architecture?

EPM architecture components

Categories	Definition	Key design principles
Enterprise Applications	Systems, where operational data is captured, measured or sourced externally	Speed of entry, granular detail and operational information
Database Farm	Systems, where mass data is stored in relational structures using indexes for fast read and write	Fast large data sets optimized for disk read and write performance
Data Warehouse	Systems, to store and combine data from multiple sources according to meaningful management structures	Mass storage, optimised for disk read performance across business information
Data Marts	Systems, which leverage data from the data warehouse in order to enable reporting, modelling and consolidation	Speed of analysis according to predefined consolidated information.
Dashboard and Reporting	Systems, which leverage multiple data sources in a transparent manner to support management information needs	Speed of business decisions based on business conversations Single source information portal.
Data Federation	Process whereby data is collected from distinct databases without copying or transferring the original data itself. Data federation collects metadata—data that describes the structure of the original data—and places it into a single database.	Data federation should give users access to data without full data integration or data warehouse creation

Enterprise applications Best Practices

Enterprise Database
Applications Farm



Information:

- **Single instance of information and system**
- **Robust enterprise master data management**
- **Focus on data that is needed for operational management of resources**

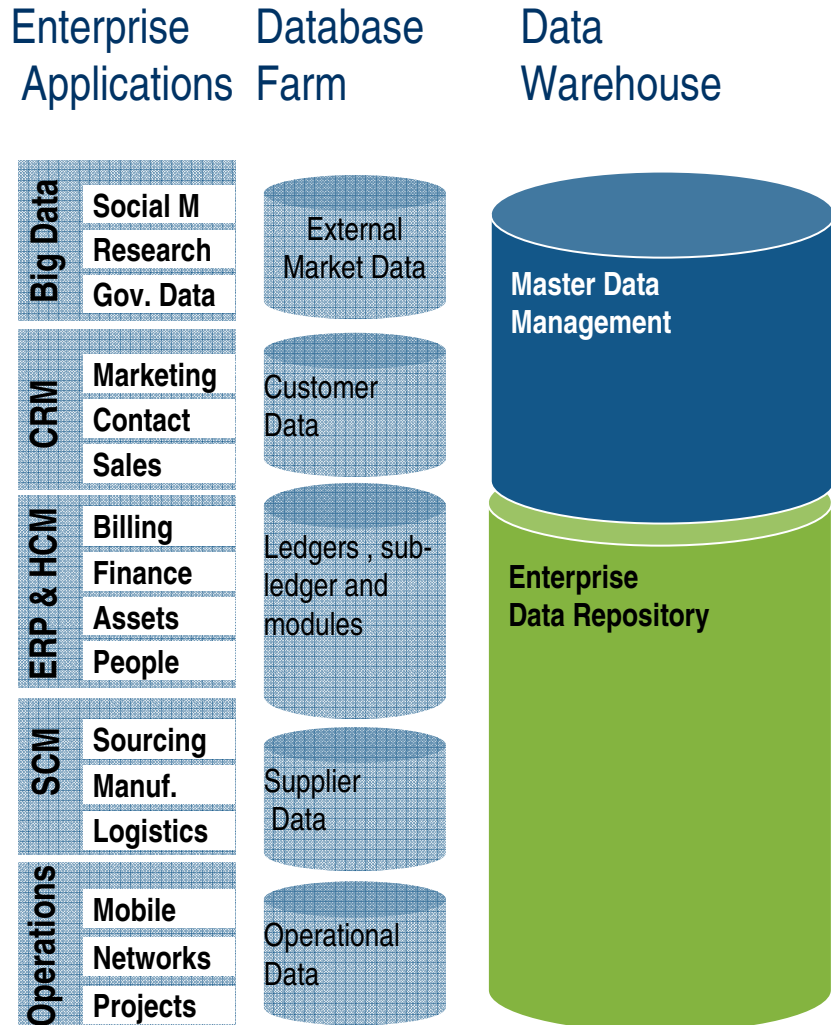
Enabling technology:

- **Automation of business resource allocation decisions**
- **Automated data integration**
- **Recording of audit information**

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Data management applications – best practices



Information:

- Single version of the truth
- Enterprise Master data management
- Focus on data that is needed for decision making in line with strategy

Enabling technology:

- Automated data integration and synchronization
- Mapping from Operations to Management

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Data mart applications – best practices

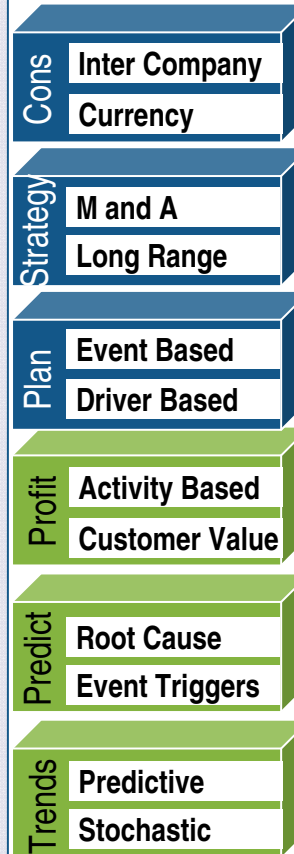
Enterprise Applications Database Farm Data Warehouse Data Marts

Information:

- Reporting Processes mapped to business cycles and strategy
- Drill paths mapped to critical business drivers

Enabling Technology:

- Standardized processes & automated workflow
- Applications for 'fit to purpose' processes
- Analytical engines & modeling tools



EPM architecture components

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Information delivery applications – best practices

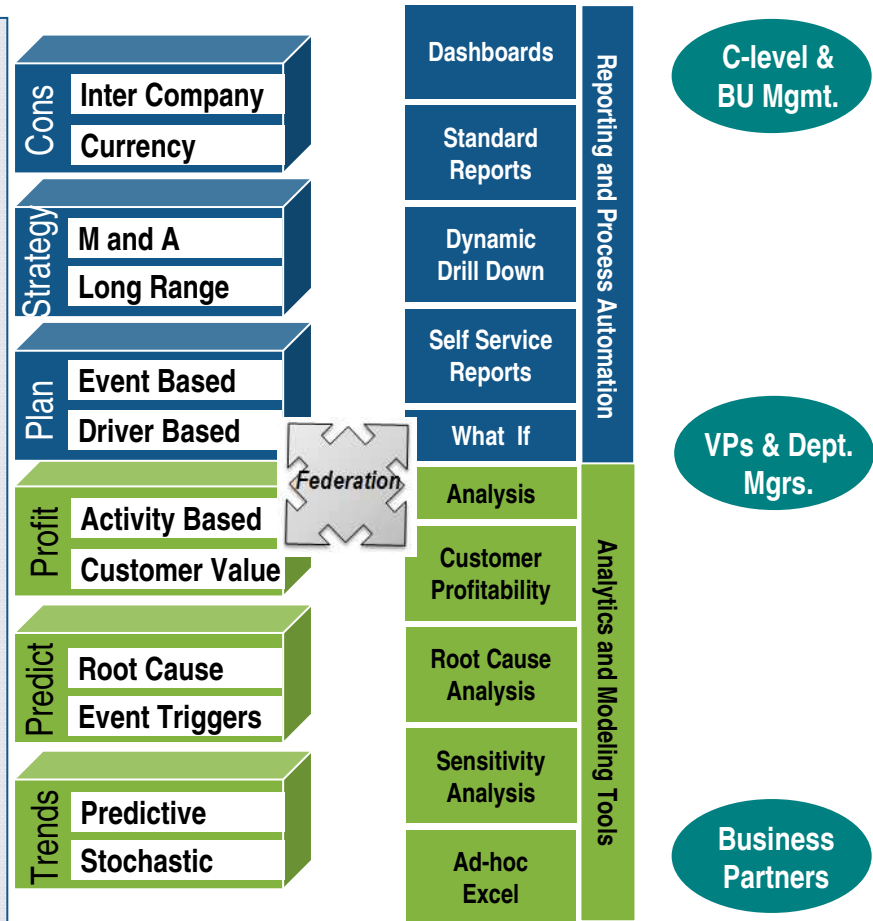
Enterprise Applications Database Farm Data Warehouse Data Marts Information delivery User types

Information:

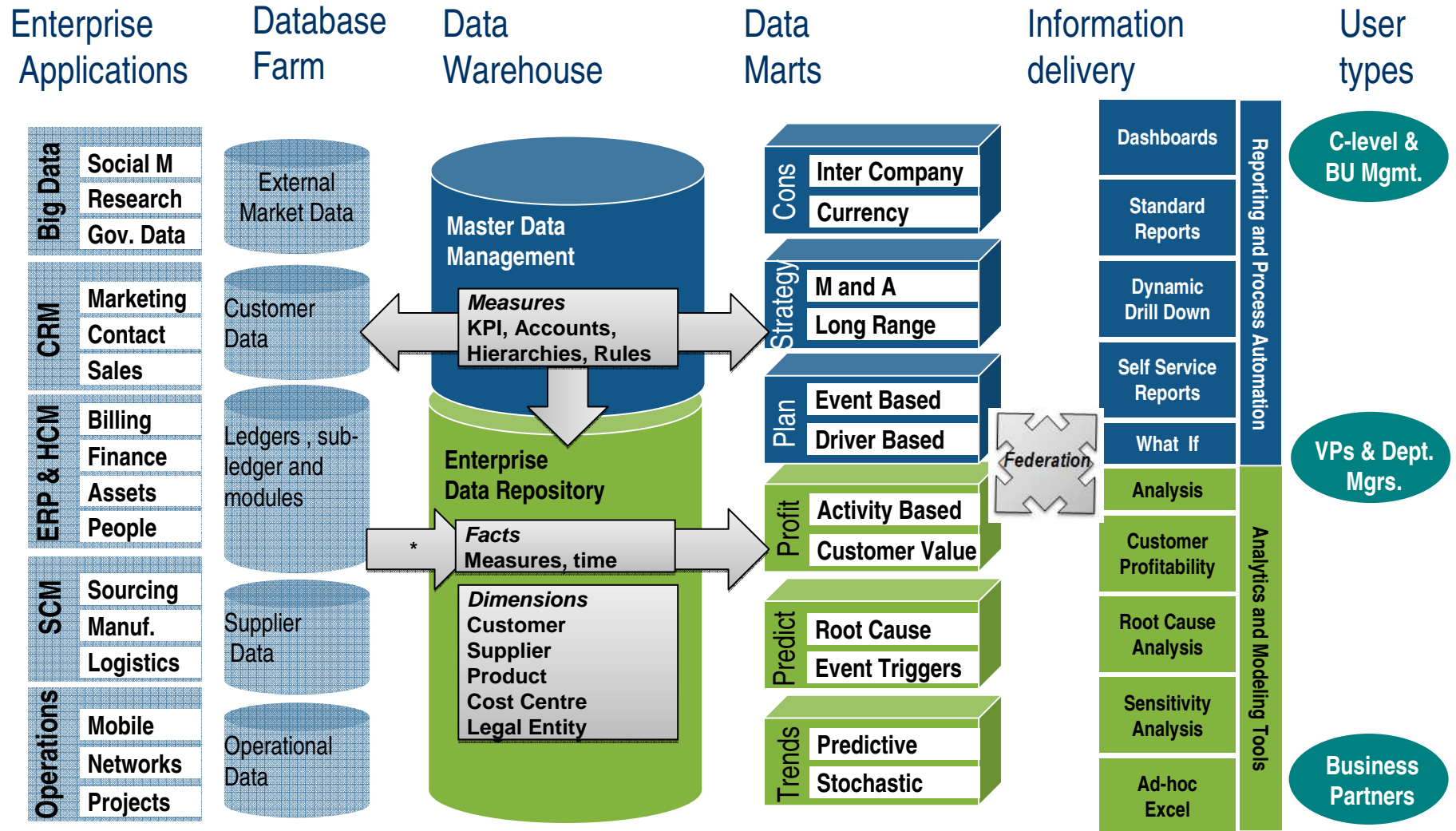
- Standard reporting package aligned to executives' needs
- KPIs and metrics mapped to strategy and business events

Enabling Technology

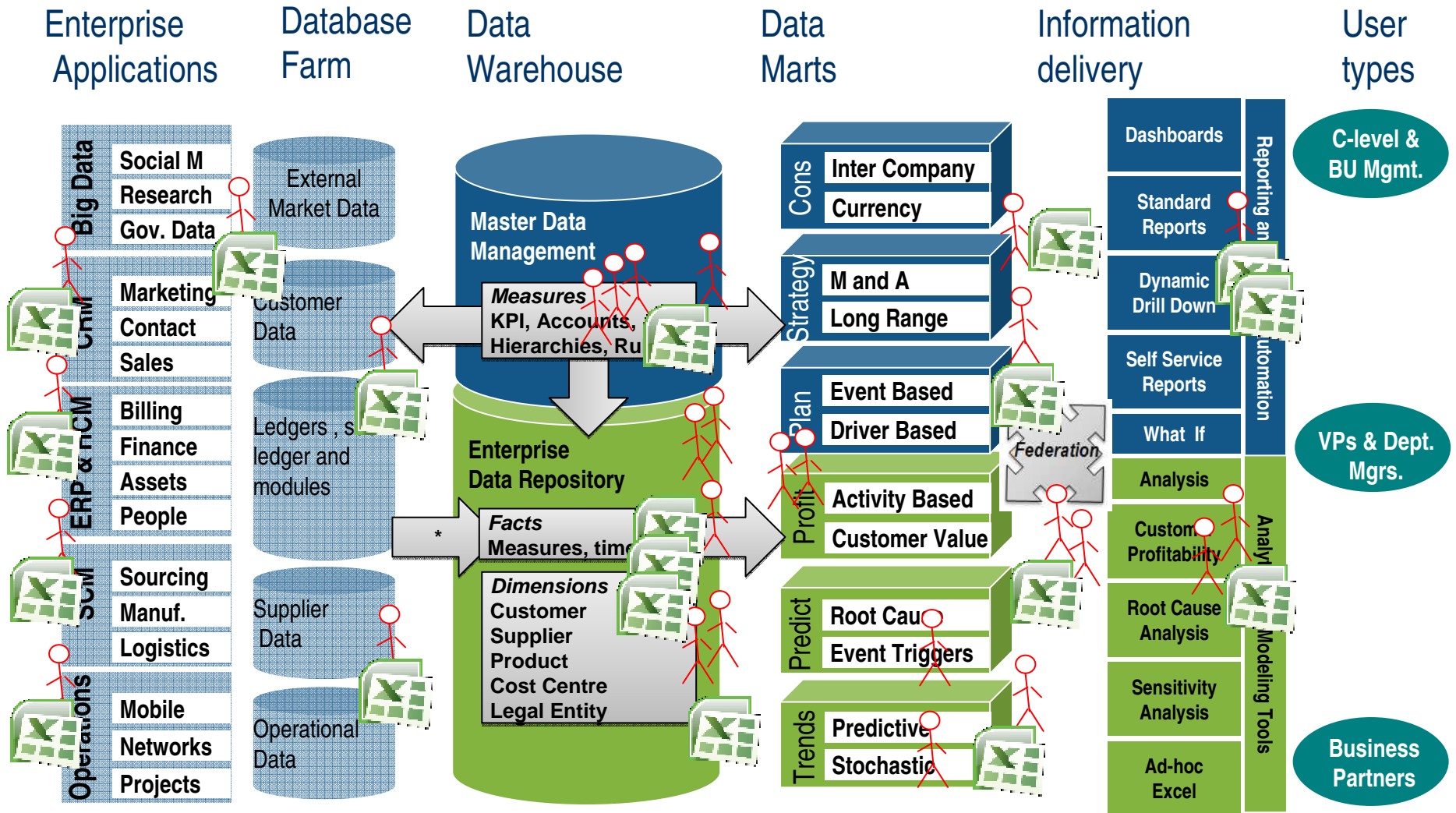
- Drill-downs and analytical capabilities fit to role and function
- Predictive and event based triggers
- Online Adhoc analysis



Recap: Reference EPM System Architecture



Recap: Risk of not addressing the technology architecture



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Closing thoughts: 7 critical success factors to avoid pitfalls

1. Clarity of Purpose and Vision
2. Visible Executive sponsorship & Governance
3. Benefit driven
4. Holistic roadmap, right sequence
5. Right resources deployed in the right way
6. Effective change Management
7. Effective Risk Management

Examples



Questions?

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