Pushing the frontiers

CFO insights from the Global C-Suite Study
Introductions: IBM Core Team

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Pushing the frontiers
CFO Insights from the Global C-suite Study

Agenda

The IBM CFO Study
Revisiting the Global CFO Study: Value Integrators

Pushing the frontier: Performance Accelerators
– Perfecting finance efficiency
– Capitalizing on business insight
– Creating profitable growth
IBM Perceptions
This installment covers 576 CFO interviews from around the world.

- **North America**: 102
- **South America**: 94
- **Western Europe**: 155
- **Middle East and Africa**: 19
- **Central and Eastern Europe**: 57
- **Asia Pacific**: 51
- **Japan**: 98
Our CFO respondents represent a diverse set of industries:

- Communications sector:
  - Energy and Utilities
  - Media and Entertainment
  - Telecommunications

- Distribution sector:
  - Consumer Products
  - Life Sciences
  - Professional & Computer Svcs
  - Retail
  - Transportation
  - Travel

- Financial Services sector:
  - Banking & Financial Markets
  - Insurance

- Industrial sector:
  - Aerospace and Defense
  - Automotive
  - Chemicals and Petroleum
  - Electronics
  - Industrial Products

- Public sector:
  - Education and Research
  - Healthcare
  - NGOs and Government

576 interviews
### Sample Questions

**E9 How do you see the landscape changing over the next 3 to 5 years?**

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<table>
<thead>
<tr>
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<tbody>
<tr>
<td>a</td>
<td>Competitors from same industry</td>
<td>2</td>
<td>1</td>
<td>0</td>
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<tr>
<td>b</td>
<td>Reduced partner base</td>
<td>2</td>
<td>1</td>
<td>0</td>
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<tr>
<td>c</td>
<td>Partnering for efficiency and cost reduction</td>
<td>2</td>
<td>1</td>
<td>0</td>
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<td>d</td>
<td>Innovation from inside the enterprise</td>
<td>2</td>
<td>1</td>
<td>0</td>
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<tr>
<td>e</td>
<td>Approaching customers as a market segment</td>
<td>2</td>
<td>1</td>
<td>0</td>
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<tr>
<td>f</td>
<td>In-person interaction, face-to-face</td>
<td>2</td>
<td>1</td>
<td>0</td>
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<tr>
<td>g</td>
<td>Maintain current products and services</td>
<td>2</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>h</td>
<td>Defend your core markets</td>
<td>2</td>
<td>1</td>
<td>0</td>
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<tr>
<td>i</td>
<td>Operational control</td>
<td>2</td>
<td>1</td>
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</table>

**No change**
**Sample Questions**

**E12** How does your enterprise perceive the effectiveness of Finance in the following areas?

<table>
<thead>
<tr>
<th>Area</th>
<th>Ineffective</th>
<th>Very effective</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategy planning and execution</strong></td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
<tr>
<td>(Enterprise strategy, cost reduction,</td>
<td></td>
<td></td>
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<tr>
<td>investor/stakeholder relations)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Control / risk management</strong></td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
<tr>
<td>(Compliance programs, internal controls,</td>
<td></td>
<td></td>
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<tr>
<td>enterprise risk)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Performance measurement and management</strong></td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
<tr>
<td>(Business performance, information</td>
<td></td>
<td></td>
</tr>
<tr>
<td>integration, planning, budgeting and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>forecasting)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Finance function</strong></td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
<tr>
<td>(Transactional processing, talent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>development, process improvements)</td>
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</tbody>
</table>
CFOs report that almost all aspects of their role have increased in importance over the past few years.

Areas of importance—historical

- Measure/monitor business performance
- Provide inputs into enterprise strategy
- Develop talent in the financial organization
- Optimize planning, budgeting and forecasting
- Drive enterprise cost reduction
- Support/manage/mitigate enterprise risk
- Drive integration of information across the enterprise
- Execute continuous finance process improvements
- Strengthen compliance programs/internal controls
- Manage investor/stakeholder relations
- Process transactions

Importance 2010 Latest
Only half of CFOs believe Finance is highly effective at key functions.
Source: Question E8--What are the most important external forces that will impact the enterprise over the next 3 to 5 years?

"We need to have the right information on time and give it the interpretation value. There is a need to frame information in a financial focus.

CFO, Industrial products company, Mexico
CFOs report they use sophisticated, enterprise-wide tools to support Finance one-third of the time.
The 2010 Global CFO Study identified 4 Finance profiles, with one group, Value Integrators, outperforming the rest.

**Finance Efficiency**
- Enterprise-wide information standards
- Standard financial chart of accounts
- Common finance data definitions and data governance
- Standard/common finance processes

**Business Insight**
- Operational planning and forecasting capability
- Finance talent development
- Common planning platform

**Value Integrator**
- Performance optimization
- Predictive insights
- Enterprise risk management
- Business decision making

**Disciplined Operator**
- Finance operations focused
- Information provision
- Performance interpretation

**Constrained Advisor**
- Analytics focused
- Sub-optimal execution
- Fragmented data

**Scorekeeper**
- Data recording
- Controllership
- Multiple versions of the “truth”
Value Integrators have proven that they are more effective at core finance functions utilizing both efficiency and insight.

Drive integration of information across the enterprise
Optimize planning, budgeting and forecasting
Execute continuous finance process improvements
Develop talent in the finance organization
Measure/monitor business performance
Drive enterprise cost reduction
Provide inputs into enterprise strategy
Support/manage/mitigate enterprise risk
Process transactions
Strengthen compliance programs/internal controls
Manage investor/stakeholder relations

Effective across the CFO agenda

Scorekeeper baseline
Constrained Advisor
Disciplined Operator
Value Integrator
Over the last three years, Value Integrators continue to push the boundaries of both revenue growth and profitability.

**Chart: Average ranking on measures of profit and revenue**

- **All other CFOs**: 42nd percentile
- **Value Integrators**: 58th percentile

38% more
Value Integrators are pushing the boundaries of efficiency and insight—a subset are emerging as Performance Accelerators.

**Performance Accelerator**
- Profitability and economic analysis
- Pricing
- Demand planning and forecasting
- Product and services development
- Mergers and acquisitions

*7% and 30% represent a percentage of the overall CFO population*
Performance Accelerators also lead Value Integrators in both revenue growth and profitability.
Performance Accelerators have mastered core financial enterprise duties—outperforming Value Integrators in every dimension.
Performance Accelerator’s focus areas can be grouped into efficiency, insight, and growth initiatives— one ability builds on the previous.

**Finance efficiency**

- Value Integrators and Performance Accelerators are neck and neck in **finance efficiency**

**Business insight**

- Performance Accelerators begin to pull away in terms of **business insight**

**Profitable growth**

- Performance Accelerators shine when it comes to **profitable growth** and are truly the engines of change.
Performance Accelerators are more effective in certain finance core competencies which use these capabilities.

Effectiveness of Finance

- Industry and competitor analysis: 67% Performance Accelerators, 41% Remaining Value Integrators
- Supply chain financials, economics and forecasting: 55% Performance Accelerators, 43% Remaining Value Integrators
- Resource capacity planning and forecasting: 67% Performance Accelerators, 58% Remaining Value Integrators
Performance Accelerators have implemented key components necessary to generate deep business insights.

- Established a strong operational planning and forecasting capability: 78% (Performance Accelerators), 69% (Remaining Value Integrators)
- Developed analytical talent in finance to partner with the business: 78% (Performance Accelerators), 54% (Remaining Value Integrators)
- Deployed a common planning platform: 67% (Performance Accelerators), 66% (Remaining Value Integrators)
Performance Accelerators are defined by the fact that they’re both better at performing core tasks and more willing to enter new arenas.

- **Core finance**
  - Profitability/Economic Analysis: 78%
  - Pricing: 50%

- **Organic growth**
  - Demand planning and forecasting: 39%
  - Product/service development: 22%

- **Inorganic growth**
  - Mergers and acquisitions: 31%

Effectiveness of Finance:

- Profitability/Economic Analysis: 91%
- Pricing: 90%
- Demand planning and forecasting: 89%
- Product/service development: 52%
- Mergers and acquisitions: 100%
My objective is to move the finance staff from a state of transaction thinking to one of analytical thinking.

CFO
Insurance company, Canada

One third of Performance Accelerators report using data analytics to identify new products and services

Use of big data to identify new products and services

- All other CFOs: 13%
- Remaining Value Integrators: 20%
- Performance Accelerators: 32% more
We have a huge opportunity to help our colleagues understand and get closer to our customers.

CFO
Insurance company, Mexico

“Performance Accelerators understand their customers better than any other group of CFOs”

Source: Question C1--How well do you understand your customer?

26% All other CFOs
34% Remaining Value Integrators
41% Performance Accelerators
21% more
Three imperatives for improving performance management outcomes

Creating a future-ready enterprise

The IBM point of view

Transform the system of engagement
Integrate finance and operations performance management
Infuse scenario and predictive intelligence
Support a wide variety of user needs to encourage high participation

- Cloud
- Mobile
- Desktop—connected and pack and go
- Microsoft Office integration
Monitor strategy execution to quickly recognize performance gaps

Integrated scorecards highlight KPI and metric variances

- Communication of strategy and vision to support success
- Visual classification of the results, outcomes and impacts
- Ability to tie strategic plans to forecasting data

IBM Institute for Business Value
Rapidly assemble management and performance reports to drive understanding

- Daily, weekly, monthly and quarterly board books and presentations
- C-suite and board packages
- Performance reporting

- Save potentially hundreds of hours per year
- Reduce errors
- Accelerate understanding

Narrative reporting

- Workflow and approvals
- Business rules
- Security
Product Presentation
IBM Business Analytics addresses key performance management areas

- **Financial Performance Management**
  - Performance Blueprints
    - Expense Planning & Control*
    - Strategic Finance*
    - Workforce & Comp Planning*
    - Initiative (Project) Planning*
    - Profitability Analysis*
  - Performance management
    - Cognos TM1
    - Cognos Disclosure Management
    - Cognos Express
  - Predictive analytics
    - Business intelligence

- **Sales Performance Management**
  - Incentive Compensation Management
    - Incentive compensation management
    - Territory management
    - Channel management
    - Quota planning
  - Performance blueprints
    - Cross-Sell and Up-Sell*
    - Customer Profitability*
  - Performance management
    - Cognos TM1
    - Cognos Disclosure Management
    - Cognos Express
  - Predictive analytics
    - Business intelligence

- **Operational Performance Management**
  - Performance blueprints
    - Sales and Ops Planning*
    - Product Profitability*
    - Capital Expenditure Planning*
    - Capital Project Planning*
    - Initiative (Project) Planning*
  - Performance management
    - Cognos TM1
    - Cognos Disclosure Management
    - Cognos Express
  - Predictive analytics
    - Business intelligence

- **Disclosure Management & Financial Close**
  - Performance blueprints
    - Solvency II
    - CAFR
  - Performance management
    - Cognos Disclosure Management
    - Cognos FSR
    - Cognos Controller
    - Cognos TM1
  - Predictive analytics
  - Business intelligence
  - Risk management (GRC)

* IBM Cognos Performance Blueprints are pre-defined data, process and policy models that address a number of functional process areas and the needs of specific industries. (links available in slide show mode)
IBM is a world-class ally for this journey

IBM Institute for Business Value
Business Analytics – Financial Performance Management

• Finance seeks to drive growth with greater levels of process agility and business insight as new technology (e.g., SaaS, user experience, analytics) drives innovation in financial performance management (FPM).

IBM Financial Analytic solutions deliver:
• Comprehensive budget, planning, forecasting
• With Financial Reporting and disclosure management
• And a robust translation and consolidation solution
• All delivered on the cloud.

A thought on cloud:
• Time-to-Value
• Low Cost, Low Risk
• Cost Accounting
• Scalability
• Eliminates IT Backlog
Next Steps

- Sign up for Watson Analytics – Freemium
- Go to www.Analyticszone.com
- Let us know if you want to be part of the Next CFO study
- Reach out to any one of us for Additional information
THANK YOU
Today, CFOs work closely with CEOs and maintain strong relations with both the CIO and CHRO.
Overall, CEOs turn most frequently to CFOs for strategic planning advice followed closely by CMOs.

Involvement in organization’s business strategy

<table>
<thead>
<tr>
<th>Role</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>CFO</td>
<td>72%</td>
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<tr>
<td>CMO</td>
<td>63%</td>
</tr>
<tr>
<td>CIO</td>
<td>42%</td>
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<tr>
<td>CSCO</td>
<td>37%</td>
</tr>
<tr>
<td>CHRO</td>
<td>35%</td>
</tr>
</tbody>
</table>

Percentage of valid cases
Performance Accelerators are applying their analytic capabilities to the pursuit of profitable growth

Where Finance spends its time

- **Information agenda to leverage value of big data**
  - Performance Accelerators: 43%
  - Remaining Value Integrators: 17%

- **Acquisitions/divestitures**
  - Performance Accelerators: 67%
  - Remaining Value Integrators: 31%

- **Business model innovation**
  - Performance Accelerators: 61%
  - Remaining Value Integrators: 29%

- **Business unit strategy and execution**
  - Performance Accelerators: 82%
  - Remaining Value Integrators: 60%

- **Performance measurement/metrics**
  - Performance Accelerators: 90%
  - Remaining Value Integrators: 71%

- **Capital management**
  - Performance Accelerators: 79%
  - Remaining Value Integrators: 64%
CFOs play an integral role within the C-suite and Performance Accelerators have the vision to act on evolving landscape changes

“Technology’s not only changing very quickly, new customers are using it in new ways. A vast majority of the C-suite does not understand the way younger consumers get information. What’s our most important customer initiative, moving forward? The one we haven’t thought of yet.”

CFO
Energy and utilities company, United States
Performance Accelerators recognize the value in working with customers and are shifting their priorities.
IBM Methodology

1. Transform the system of engagement
   - Drive participation and greater frequency in performance management processes
   - Support continual, dynamic collaboration with social and mobile advances
   - Guide business process engagement with task lists to help reduce alert overload

2. Integrate finance and operations performance management
   - Link operational models and plans with financial forecasts
   - Monitor strategy execution to more quickly identify performance gaps
   - Assemble performance reports more quickly to drive understanding

3. Infuse scenario and predictive intelligence
   - Leverage available data to drive predictive intelligence into forecasts and profitability models
   - Enable more rapid simulation and scenario analytics across the enterprise

IBM Institute for Business Value
Help ensure tailored user experiences and keep people in the loop, even when on the go

- User experiences support a variety of user needs across the web, desktop and spreadsheet.
- Drive participation and greater frequency in performance management processes
- Guide business process engagement with task lists to help reduce alert overload
- Blend social collaboration and guided business processes with mobile devices into a collaborative performance management process evolution
Scenario analytics

• A patented 64-bit, read-write, in-memory, online analytical processing (OLAP) engine provides analysis beyond the financial planning process to:
  – Profitability modeling
  – Detailed customer analysis
  – Marketing campaign analysis
  – Sales forecasting
  – Headcount analysis
  – Almost anywhere there are large amounts of disparate data

• Supports multidimensional analysis
• Advanced sorting and ranking
• Familiar Microsoft Excel and web interfaces
Profitability modeling

- Modeling and quantifying the business
- Scaling the analytics to include small subsets of the business to the entire organization
- Providing an interactive user experience to manage data and scenarios
- Enabling scope to cover almost all operational and financial aspects of the business
- Direct integration to predictive intelligence modeling for statistical impact

IBM offers best-in-class predictive and big data analytics
What is predictive analytics?

I do not know what I may appear to the world, but to myself I seem to have been only like a boy playing on the sea-shore, and diverting myself in now and then finding a smoother pebble or a prettier shell than ordinary, whilst the great ocean of truth lay all undiscovered before me.

—Sir Isaac Newton

Predictive analytics helps connect data to effective action by drawing reliable conclusions about current conditions and future events.

—Gareth Herschel, research director, Gartner Group
Screen Captures Showing Blue Prints, HR Profitability, Financial Strategic Planning, Metrics
Screen Captures Showing Blue Prints, HR Profitability, Financial Strategic Planning, Metrics
Screen Captures Showing Blue Prints, HR Profitability, Financial Strategic Planning, Metrics
Let’s get started achieving better business outcomes with proven approaches to collaborative problem solving

1. Visioning workshop
   - Whether via web seminar, at your facility or in an IBM solution center, we can begin charting a course.

2. Business value assessment
   - Align business capabilities with business strategy, and recommend a road map for improved value.

3. Solution workshop
   - Lay out the path ahead, from immediate improvements to a common future vision.

4. Proof of concept
   - Prove the path forward, starting small and scaling up.
In the future, successful CFOs and CMOs will collaborate more closely to search for sources of profitable growth.
We invite you to continue the conversation

Connect with us…
For more information about this study and to get the full version of this report, see www.ibm.com/csuitestudy

Access interactive content and listen to CxOs in their own words by downloading the IBM IBV app for Android or iPad.