

# The New Value *Integrator*

*Insights from the  
Global Chief Financial  
Officer Study*

Executive Summary

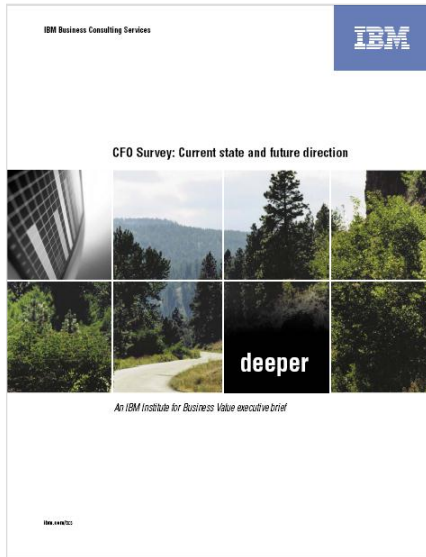
**Celovito obvladovanje internega  
in zunanega poročanja**

*Optimizacija poslovnega poročanja  
na primeru letnega poročila*

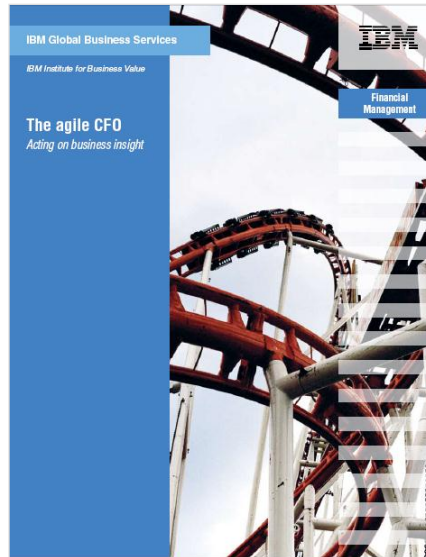
Nick Anderson, IBM Business  
Analytics

The 2010 IBM CFO Study is the fourth edition since 2003 and builds upon our primary research from 2005 and 2008

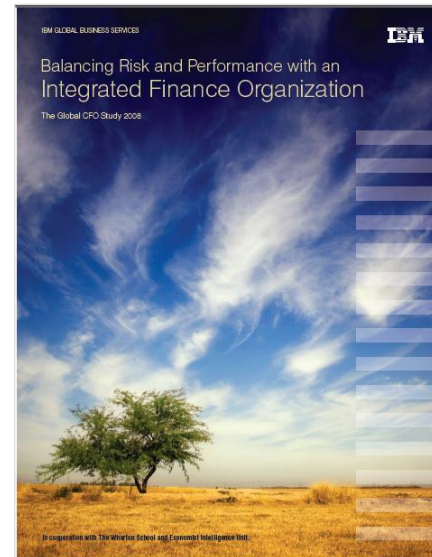
## CFO Studies



2003



2005



2008



2010

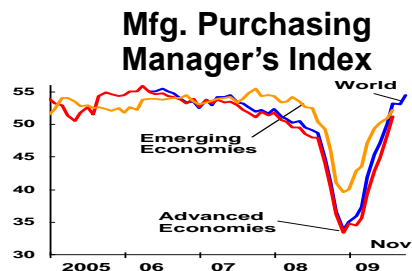
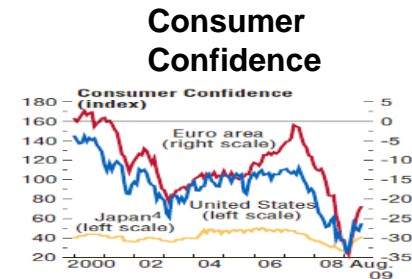
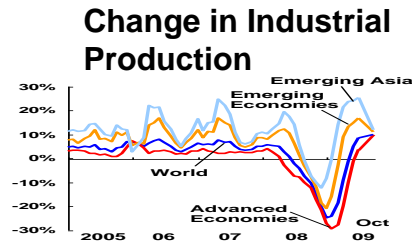
Our study was conducted at the height of the economic crises and comes to market as signs of a new economic environment emerge

## Economic Environment, Recent Past and Looking Forward

### Global Financial Crises

- Liquidity driven crises
- Real estate bubble burst
- Failure of collateralized debt obligations
- Drop in global commerce
- Cost reduction pressures
- Rising unemployment
- Drop in commodity values
- Dramatic drop in consumer demand
- Increased risk, volatility and uncertainty

### Signs of Stability



### New Economic Environment

- Subdued growth
- Continued cost pressures
- Continued high un-employment
- Reduced global commerce and demand
- End-to-end stimulus and government hand in business
- Sovereign debt concerns
- Industry restructuring and consolidation
- Continued uncertainty, elevated volatility and risk

Source: IBM Institute for Business Value; Based on IMF Global Economic Outlook Sep. 2009, CPB Netherlands Bureau for Economic Policy Analysis 24 Dec. 2009, JP Morgan Global Manufacturing PMI (Jul 2006 – Dec. 2009)

The study examines how the CFO can make the enterprise smarter in an era of increased uncertainty

## CFO Study 2010 Provocative Topics



The impact of the New Economic Environment on the **CFO's role**



What Finance model achieves the **optimal mix of capabilities** needed to outperform?



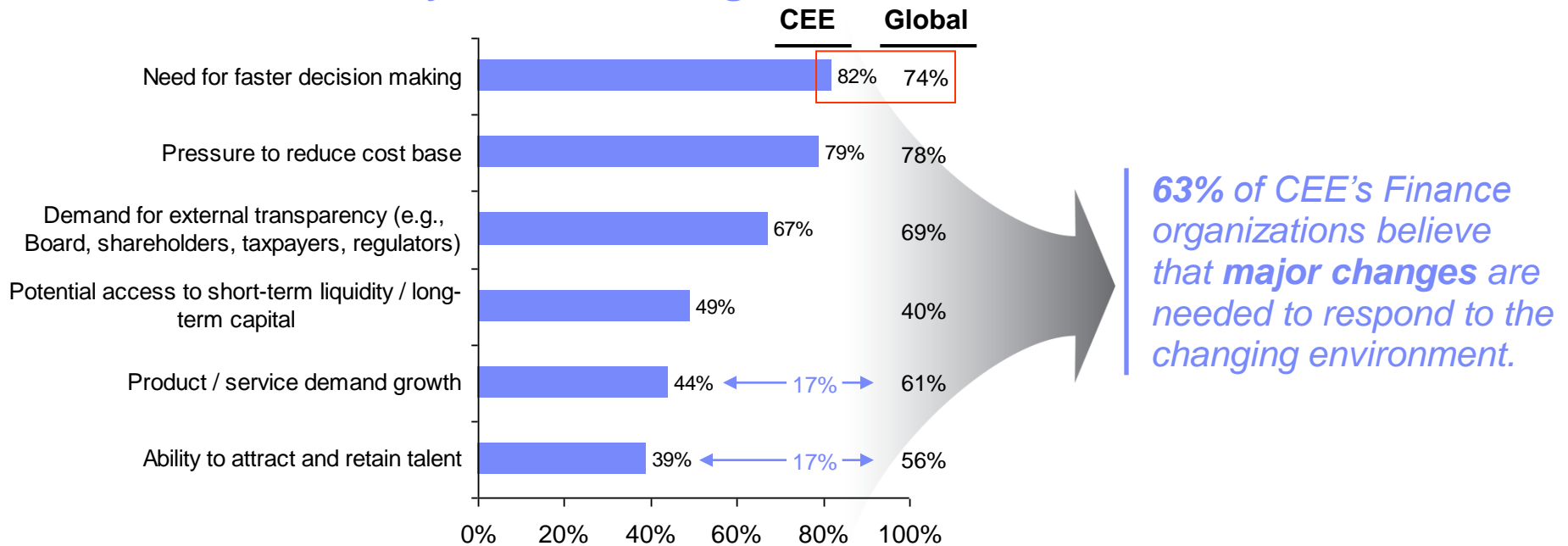
What can CFOs do to enable **timely and informed decision-making**?



How can the CFO help the enterprise **anticipate and shape** its environment?

In CEE, 82% of the CFOs believe that the need for faster decision making will be the strongest challenge in the next three years

## Industry / Sector Changes Over the Next Three Years



➤ Surprisingly, demand growth and ability to attract and retain talent are of much lesser importance for CEE CFOs.

CEE N = 37 to 39; Global N = 1,844 to 1,905

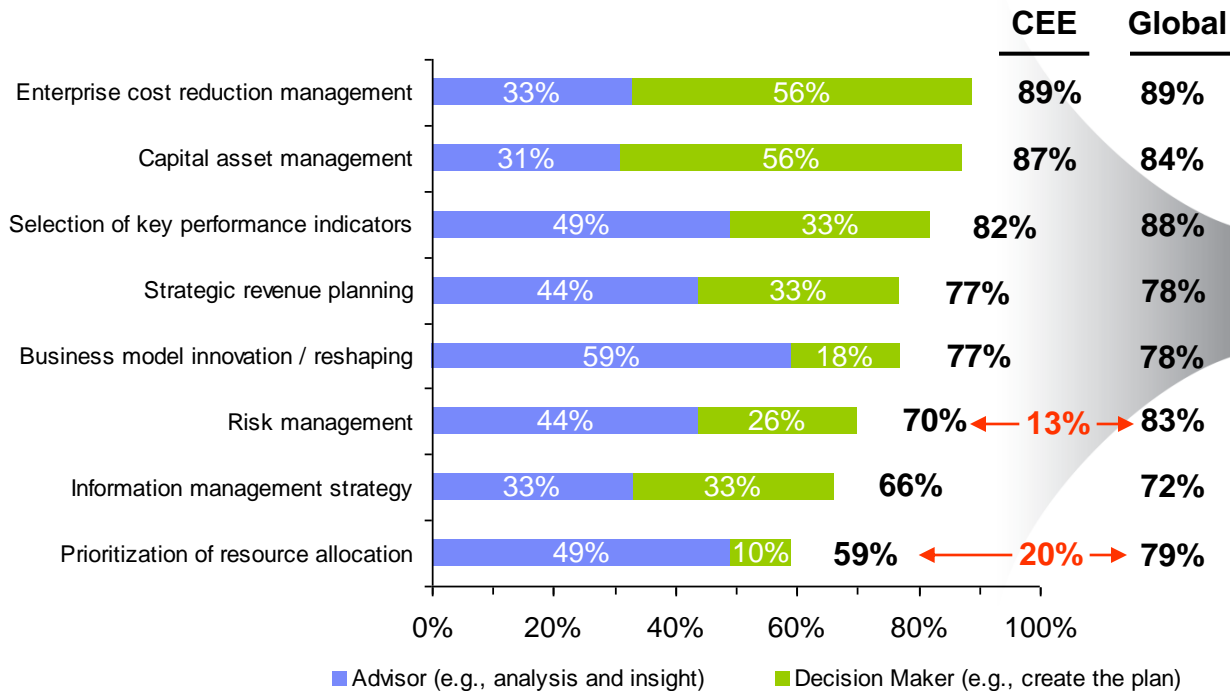
Note: Defined as enterprises selecting [5] Increase considerably and [4] Increase on a 5-point scale where [5] Increase considerably and [1] Decrease considerably

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

# In CEE, the CFO role evolution towards advisory and decision making lags in some key components

## Elevated Role of Finance in CEE

### Role of Finance in Driving Decisions Across the Enterprise



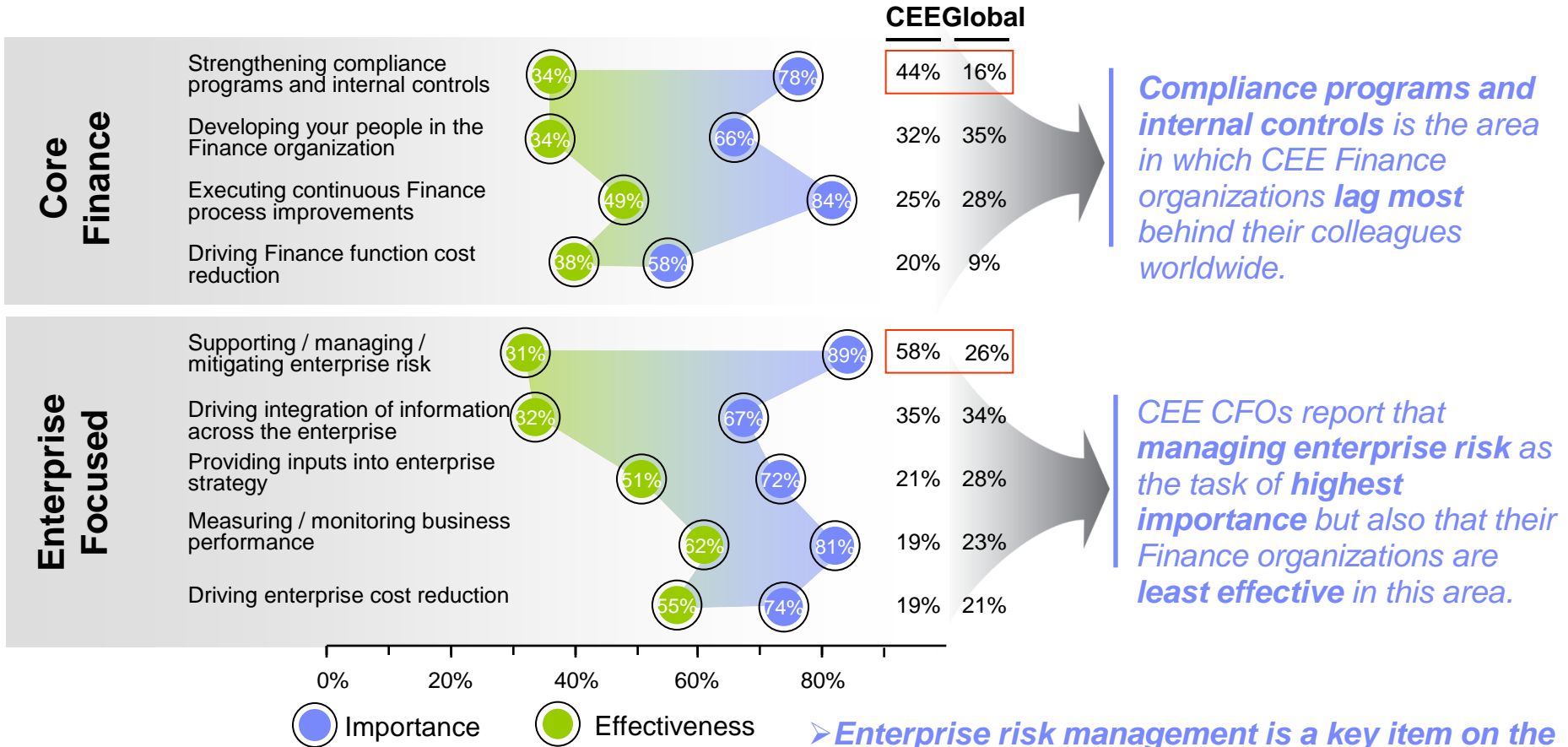
*Over 55% of CEE CFOs believe they have an advisory or decision making role on the enterprise agenda.*

**➤ CEE CFOs are significantly less involved in risk management and prioritization of resource allocation.**

CEE N = 39  
 Note: Respondent choices included No Role, Informer, Advisor and Decision Maker  
 Source: IBM Institute for Business Value, The Global CFO Study 2010

# CEE CFOs consider their Finance organizations considerably less effective than their counterparts on many of the Finance agenda items

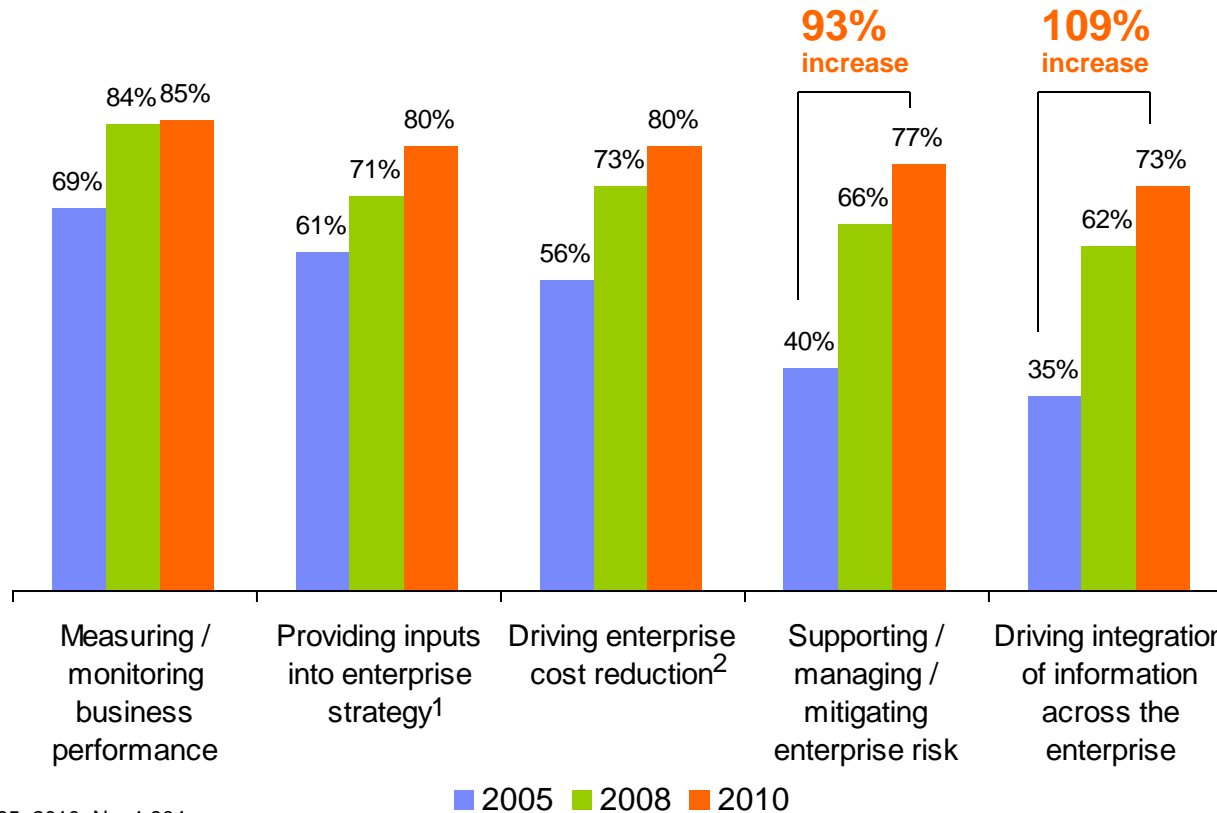
## CEE CFO Agenda: Gap between Importance and Effectiveness



CEE N = 35 to 39  
 Source: IBM Institute for Business Value, The Global CFO Study 2010

# Enterprise focused activities have accelerated in importance for CFOs over the past five years – some dramatically

## Importance of Enterprise Focused Activities Over Time



2005: N = 844, 2008: N = 1,195, 2010: N = 1,904

Note: 2005 uses "High" importance, 2008 uses [5] Critical and [4] Important and 2010 uses [5] Critical and [4] which indicates moderately critical

Note: Defined as enterprises selecting [5] Critical and [4] Increase on a 5-point scale where [5] Critical and [1] Unimportant

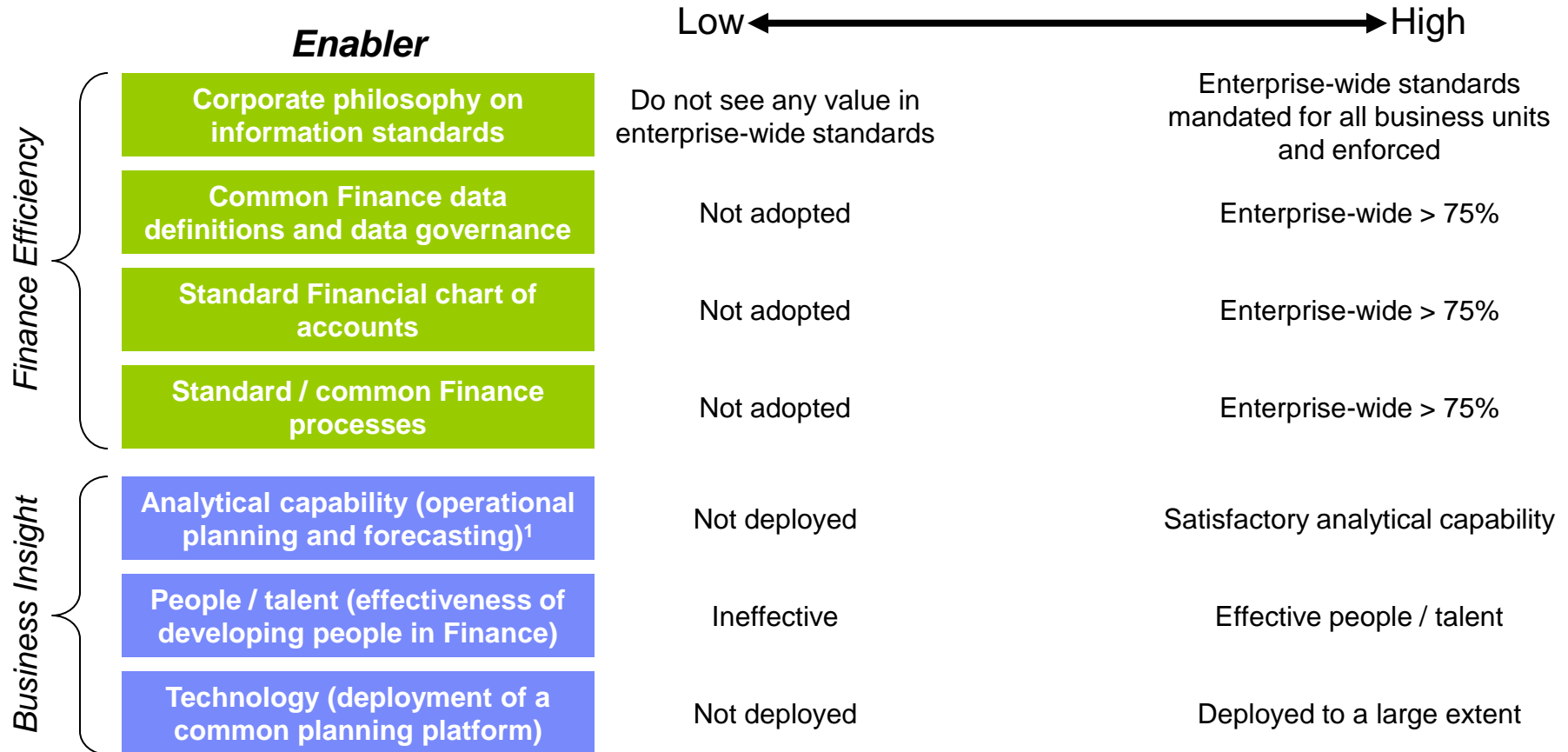
<sup>1</sup> 2005 defined as "Partnering with your organization to identify and execute growth strategies" and 2008 defined as "Inputs into identifying and executing growth strategies"

<sup>2</sup> 2005 defined as "Driving cost reduction" and 2008 defined as "Driving cost reduction"

Source: IBM Institute for Business Value, The Global CFO Study 2005, 2008, 2010

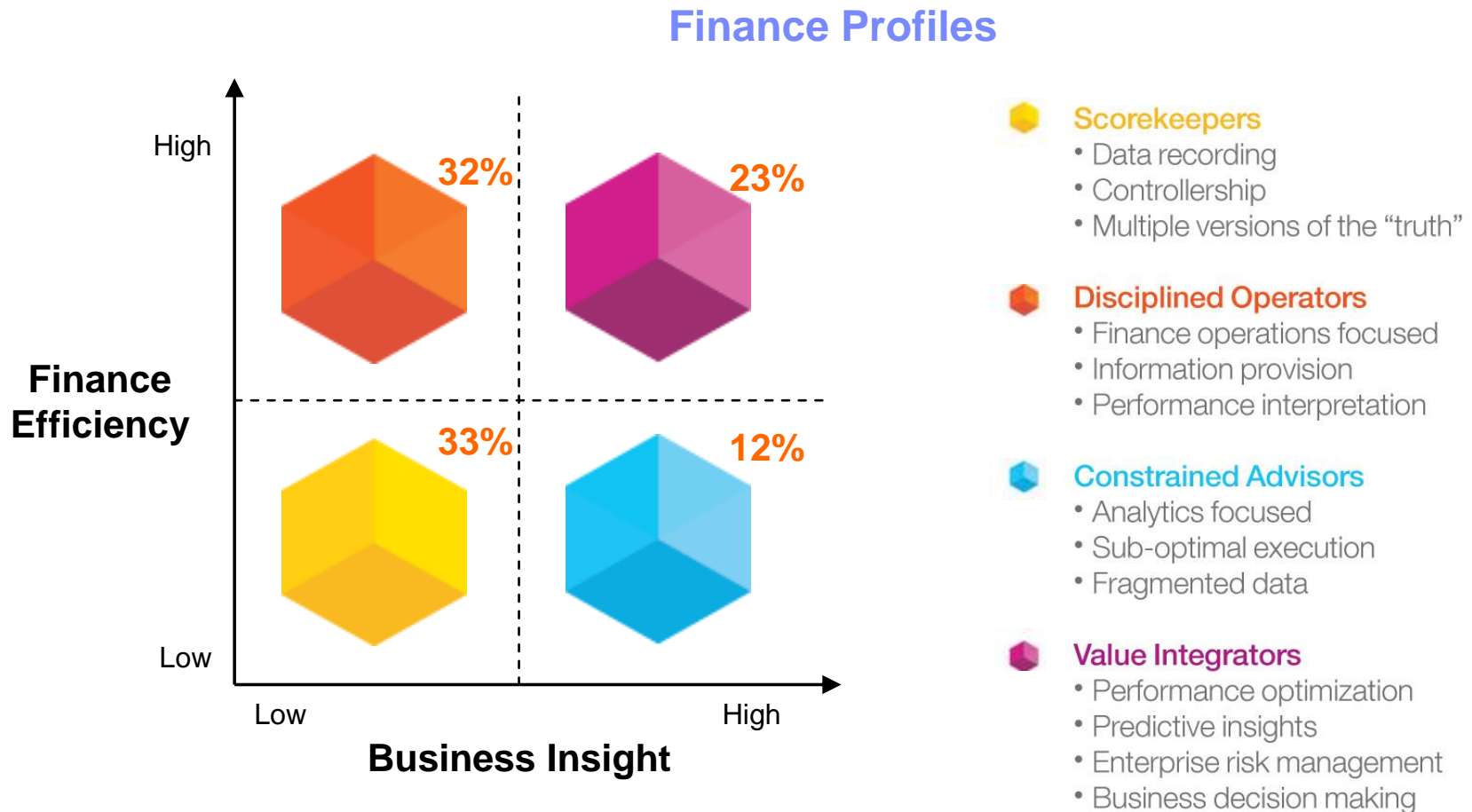
# Analysis of CFO responses and objective enterprise financial measures identified enablers to deliver efficiency and insight

## Finance Efficiency and Business Insight Enablers



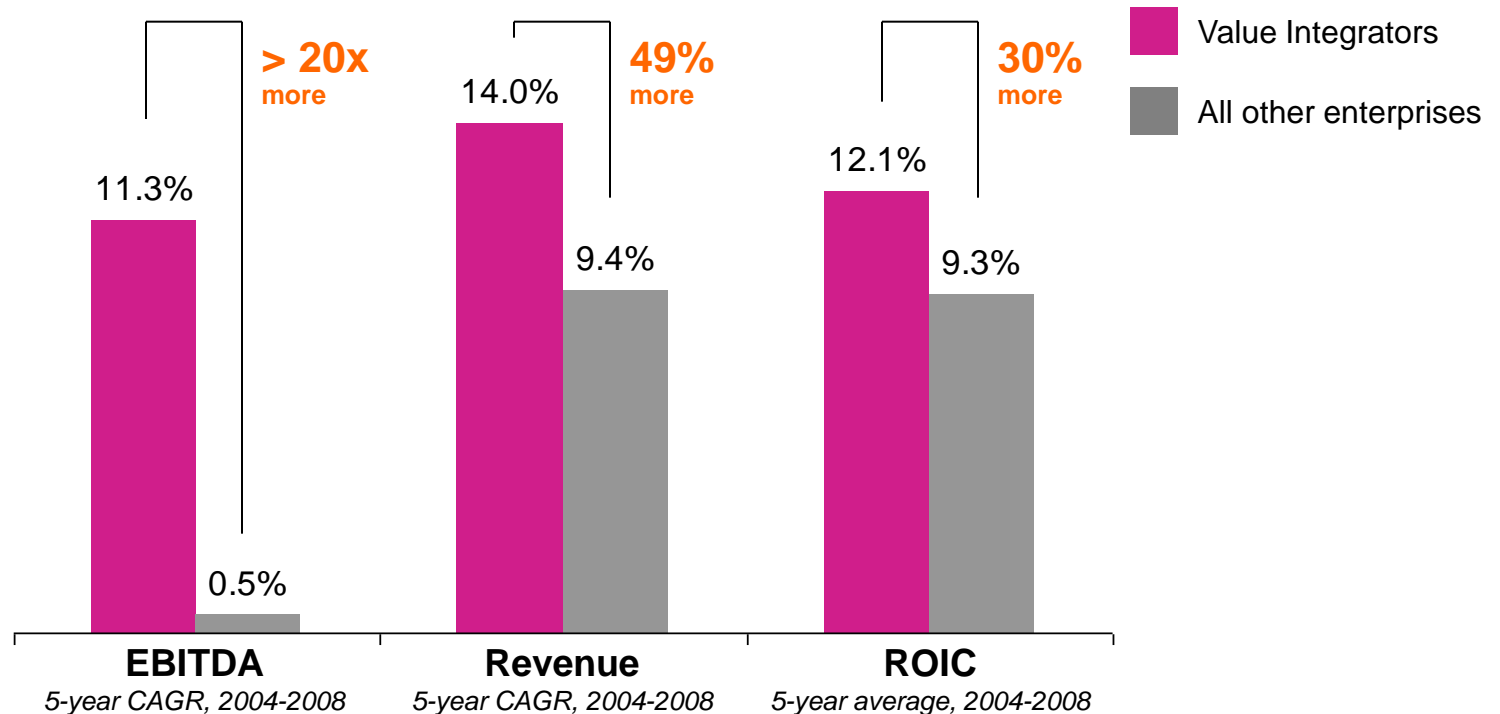
<sup>1</sup> Also analyzed Scenario Planning, Predictive Analytics  
 Source: IBM Institute for Business Value, The Global CFO Study 2010

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



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

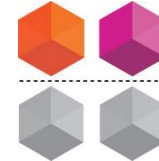
## Efficiency + Business Insight Contributes to Outperformance



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

## 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 three 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 more quickly, close in days not weeks, undertake rapid process change and reduce costs.”*

*Richard Yu  
VP Finance, Aviva-Cofco Life Insurance, Co. Ltd*

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**

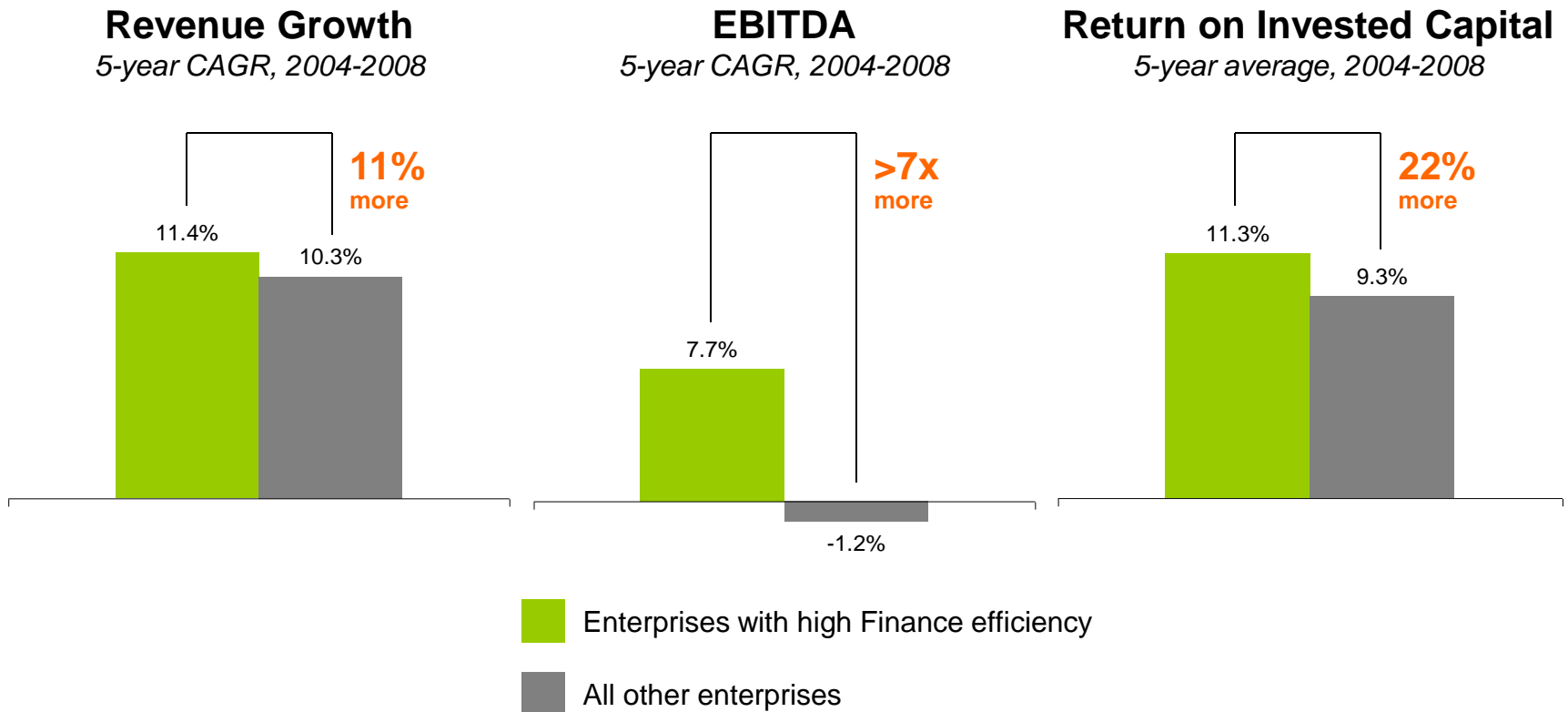
**Finance continues to spend nearly 50% of time on transactional activities**

**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



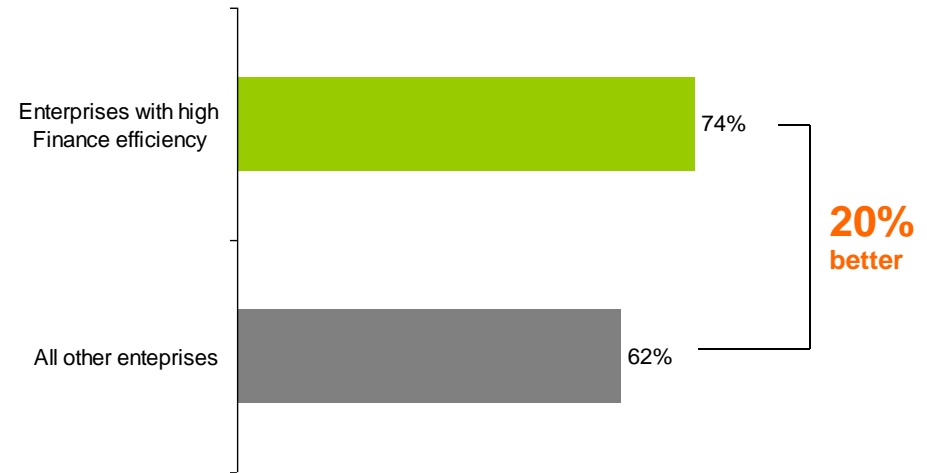
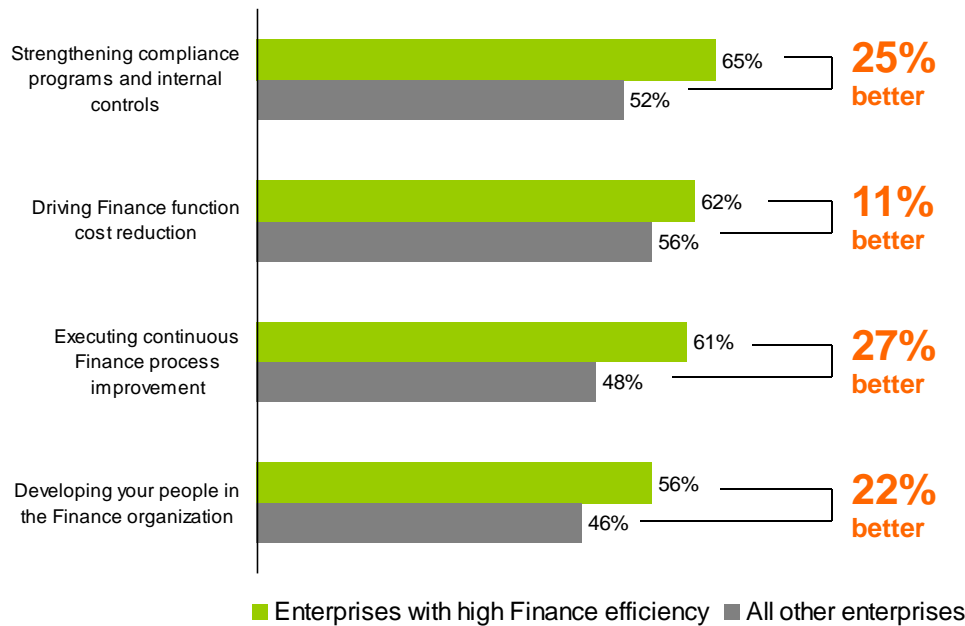
Revenue Growth: N = 745; EBITDA: N = 698; ROIC: N = 791  
Source: IBM Institute for Business Value, The Global CFO Study 2010

# Enterprises that have adopted standards and increased Finance efficiency are performing better

## Effectiveness Benefits of Finance Efficiency

### Effectiveness Against Core Finance Activities

### Finance Efficiency Helps the Enterprise React to External Forces



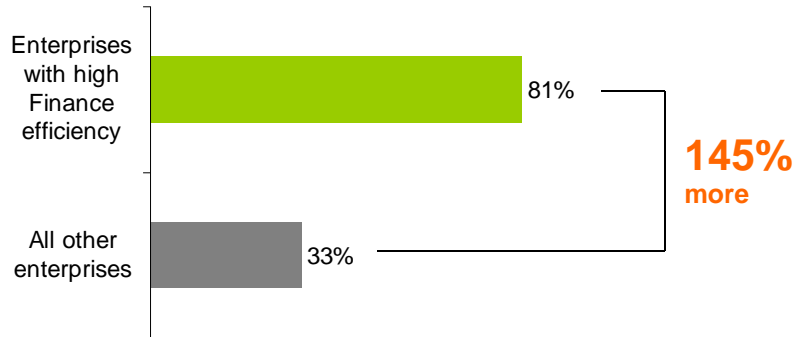
N = 1,867 to 1,880  
 Note: Defined as those enterprises selecting [5] Very Effective or [4] on a 5-point scale where [5] Very Effective and [1] Ineffective  
 Source: IBM Institute for Business Value, The Global CFO Study 2010

N = 1,883  
 Note: Defined as those enterprises selecting [5] Very Well or [4] on a 5-point scale where [5] Very Well and [1] Very Poorly

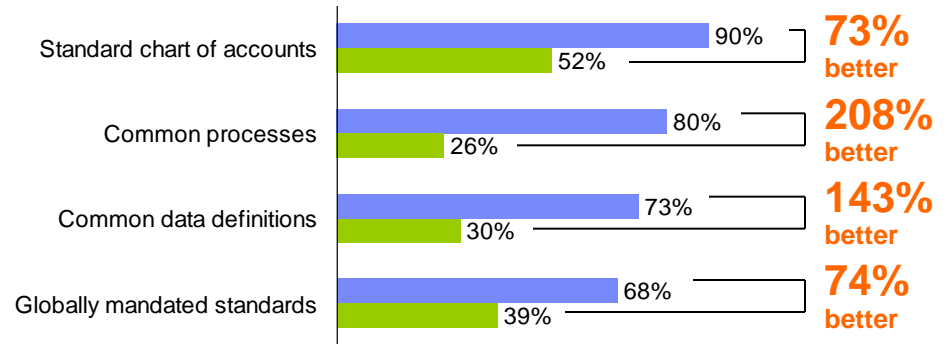
# Enterprises that establish process ownership are far more likely to achieve the standards that enable Finance efficiency

## Accelerator: Process Ownership

### Adoption of Process Ownership



### Impact on Standards *Percent adopted enterprise-wide > 75%*



■ Enterprises that have implemented process ownership enterprise-wide  
 ■ All other organizations

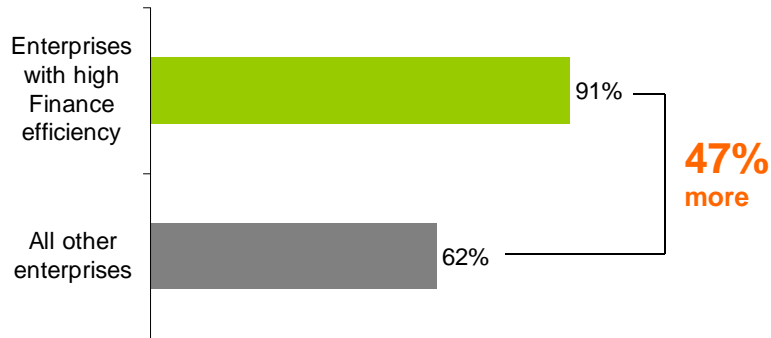
N = 1,869  
 Note: Defined as those enterprises selecting >50% adoption rate  
 Source: IBM Institute for Business Value, The Global CFO Study 2010

N = 1,863 to 1,889

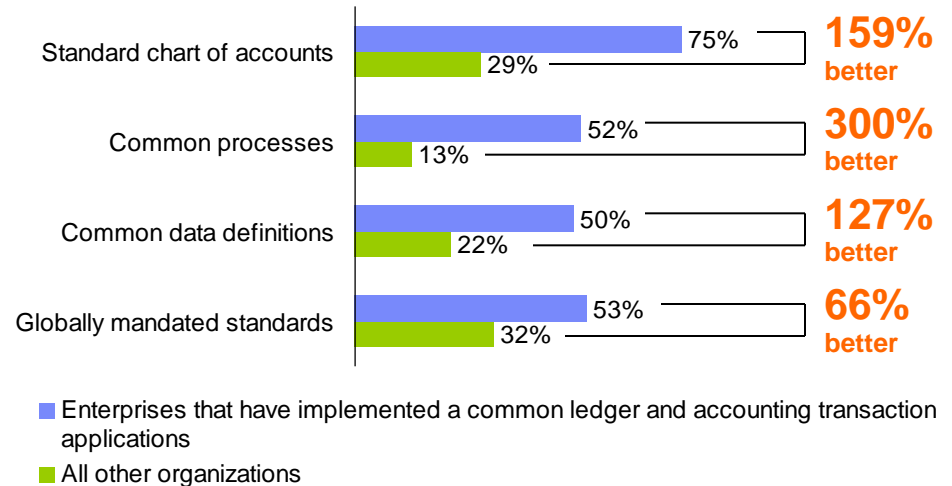
# A common technology platform drives a greater adoption of standards

## Accelerator: Common Ledger and Accounting Transaction Applications

### Implementation of a Common Ledger and Accounting Transaction Applications



### Impact on Standards Percent adopted Enterprise-wide > 75%

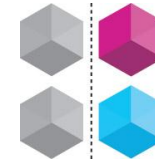


N = 1,875  
 Note: Defined as those enterprises selecting [5] To a very large extent or [4] on a 5-point scale where [5] To a very large extent and [1] Not at all  
 Source: IBM Institute for Business Value, The Global CFO Study 2010

N = 1,852 to 1,880  
 Note: Defined as those enterprises selecting [5] To a very large extent or [4] on a 5-point scale where [5] To a very large extent and [1] Not at all

## 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 due, again, to structural complexity

## Business Insight Challenges

**Nearly 50% lack a common planning platform**

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

**Over 50% manually produce operational metrics**

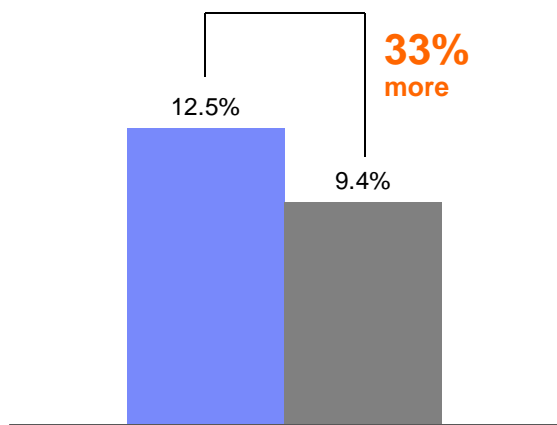
**44% are poor to average at anticipating external forces**

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

## Business Insight Contributes to Financial Outperformance

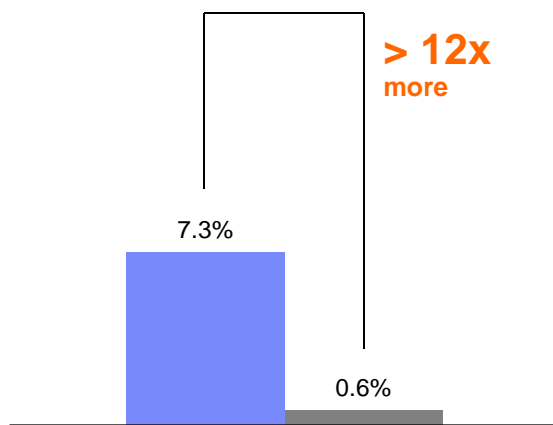
### Revenue Growth

5-year CAGR, 2004-2008



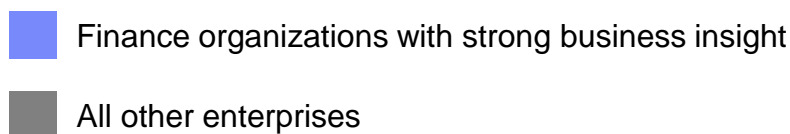
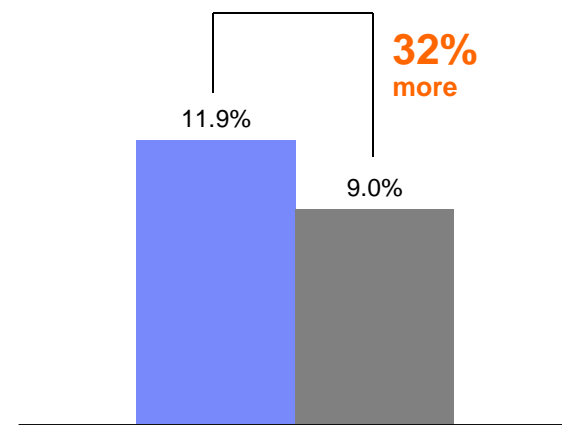
### EBITDA

5-year CAGR, 2004-2008



### Return on Invested Capital

5-year average, 2004-2008

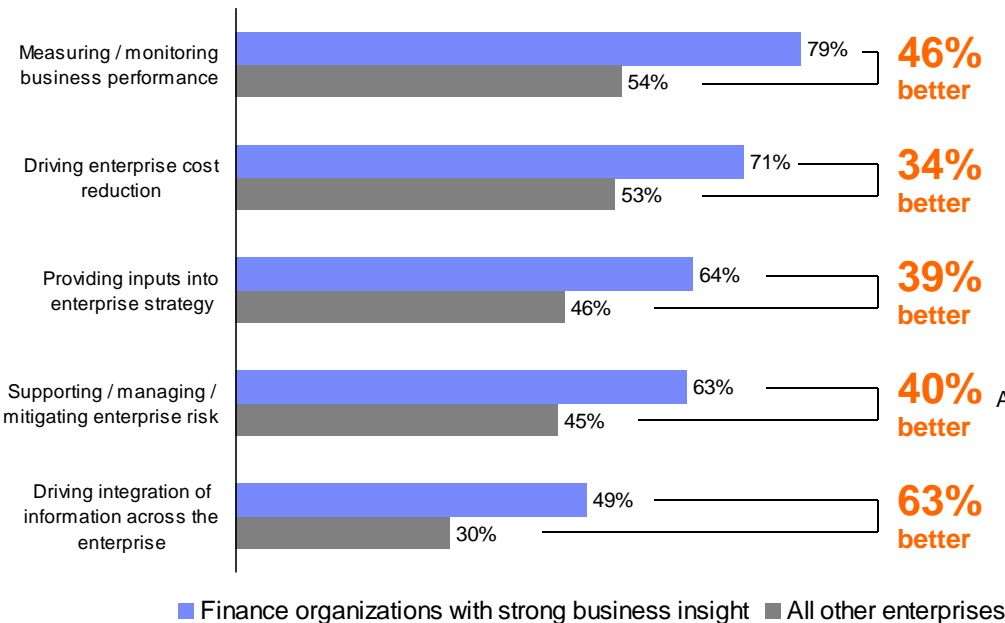


Revenue Growth: N = 580; EBITDA: N = 435; ROIC: N = 606  
 Source: IBM Institute for Business Value, The Global CFO Study 2010

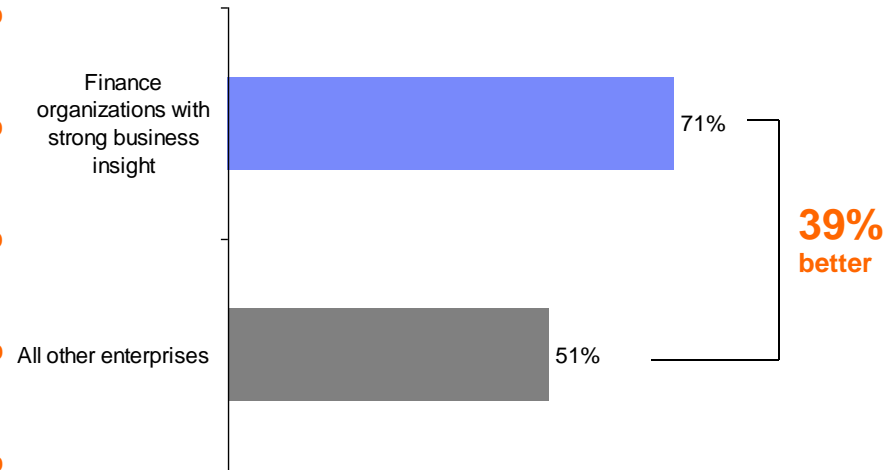
# Finance organizations with strong business insight are performing better

## Effectiveness Benefits of Business Insight

### Effectiveness Against Enterprise Focused Activities



### Business Insight Helps the Enterprise Anticipate External Forces



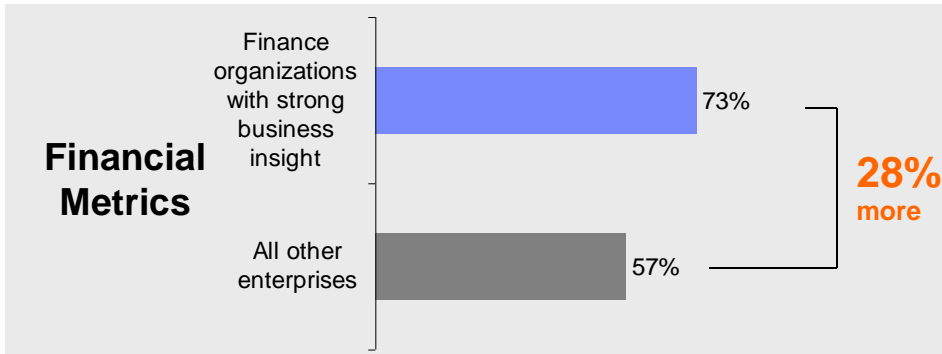
N = 1,458 to 1,469  
 Note: Defined as those enterprises selecting [5] Very Effective or [4] on a 5-point scale where [5] Very Effective and [1] Ineffective  
 Source: IBM Institute for Business Value, The Global CFO Study 2010

N = 1,471  
 Note: Defined as those enterprises selecting [5] Very Well or [4] on a 5-point scale where [5] Very Well and [1] Very Poorly

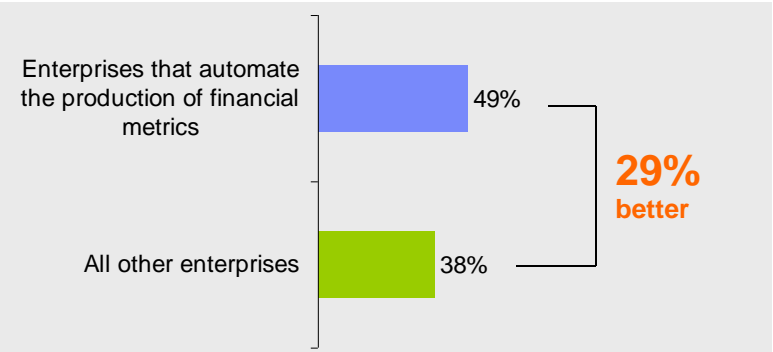
# Finance organizations with strong business insight have automated production, are more efficient, and facilitate speed of insight

## Accelerator: Timely Metrics

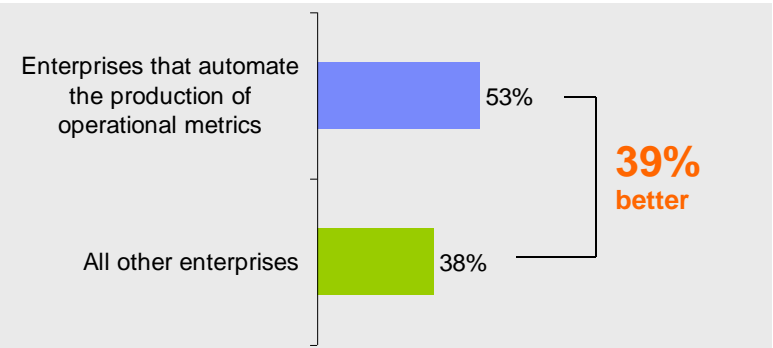
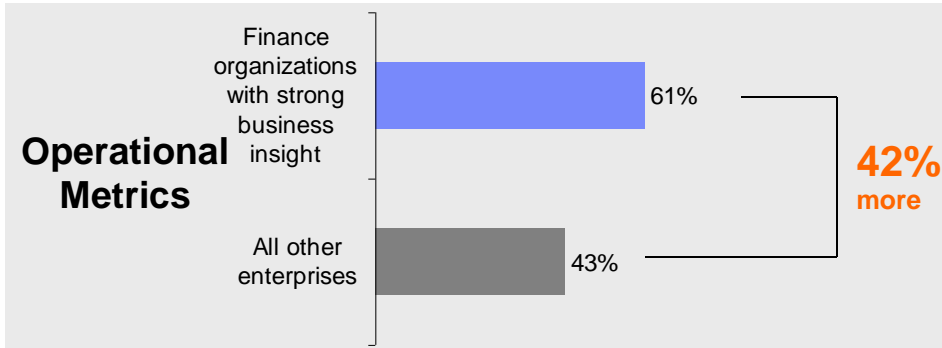
### High Automation



### Impact on Analytics Satisfaction



### Operational Metrics



Financial: N = 1,463; Operational: N = 1,435

Financial: N = 1,454; Operational: N = 1,428

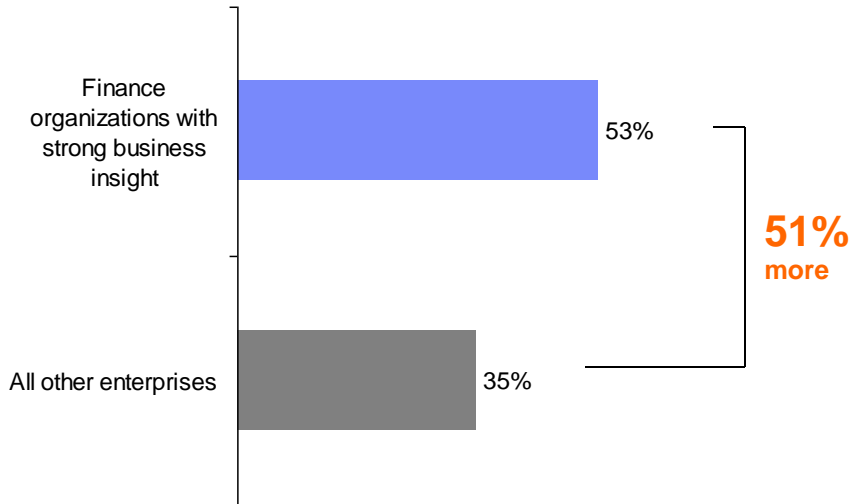
Note: Defined as those enterprises selecting [5] Largely automated or [4] on a 5-point scale where [5] Largely automated and [1] Largely manual

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

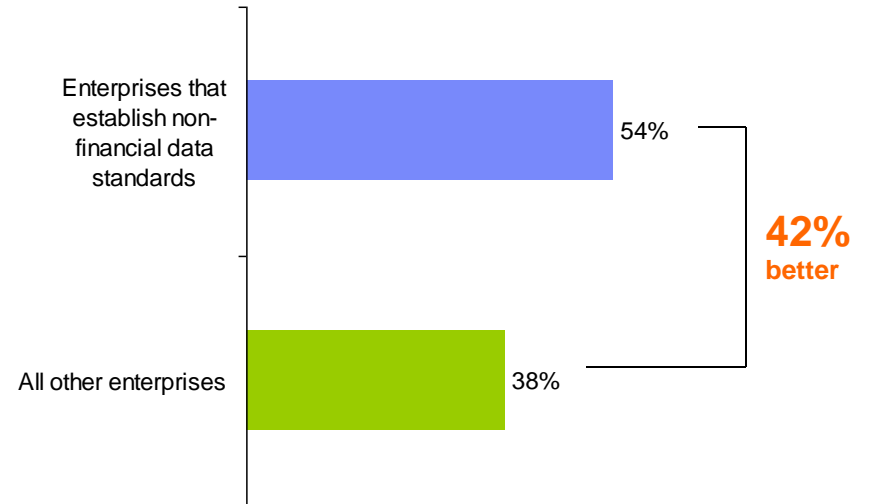
# Finance organizations with strong business insight establish operational data standards, providing common “truth”-based insight

## Accelerator: Establishment of Non-Financial Data Standards

### High Adoption



### Impact on Analytics Satisfaction



N = 1,449  
Note: Defined as those enterprises selecting [5] To a very large extent or [4] on a 5-point scale where [5] To a very large extent and [1] Not at all  
Source: IBM Institute for Business Value, The Global CFO Study 2010

N = 1,442

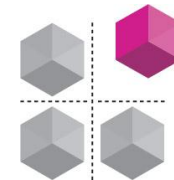
## Theme #3

- 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*

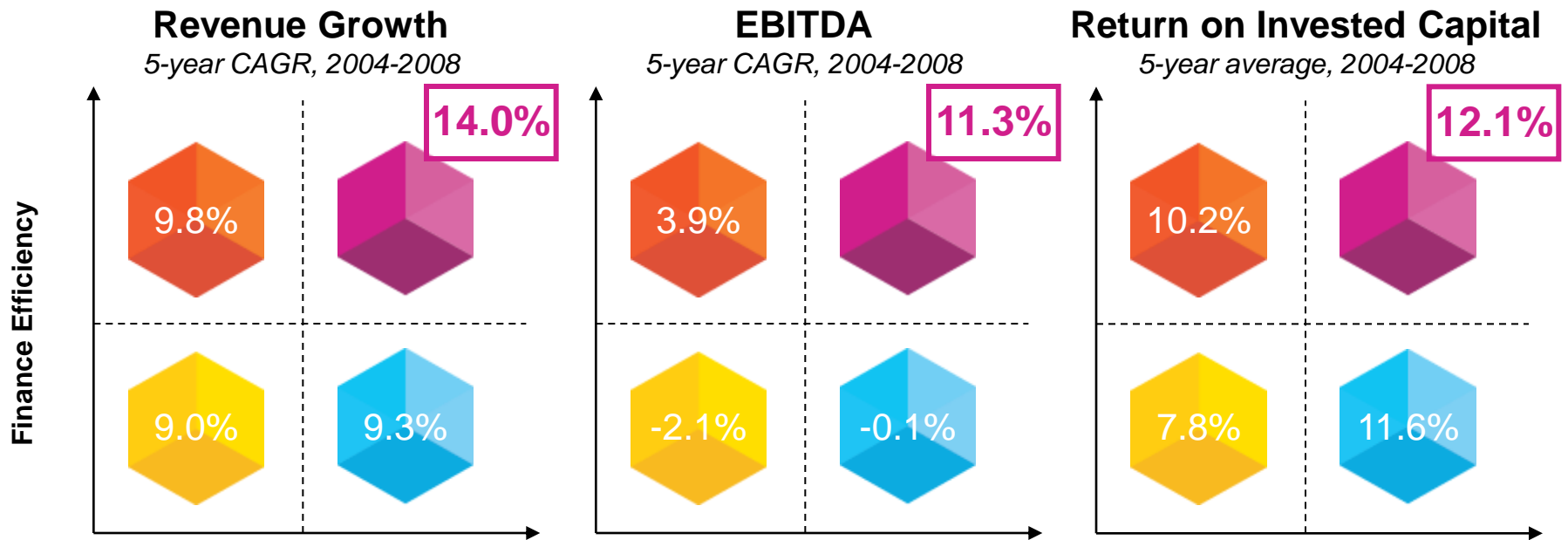


*“Our job is to focus the enterprise on making timely, risk-based decisions by providing access to the right business-relevant information and insight-driven analytics.”*

*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



- Value Integrators
- Constrained Advisors
- Disciplined Operators
- Scorekeepers

### Business Insight

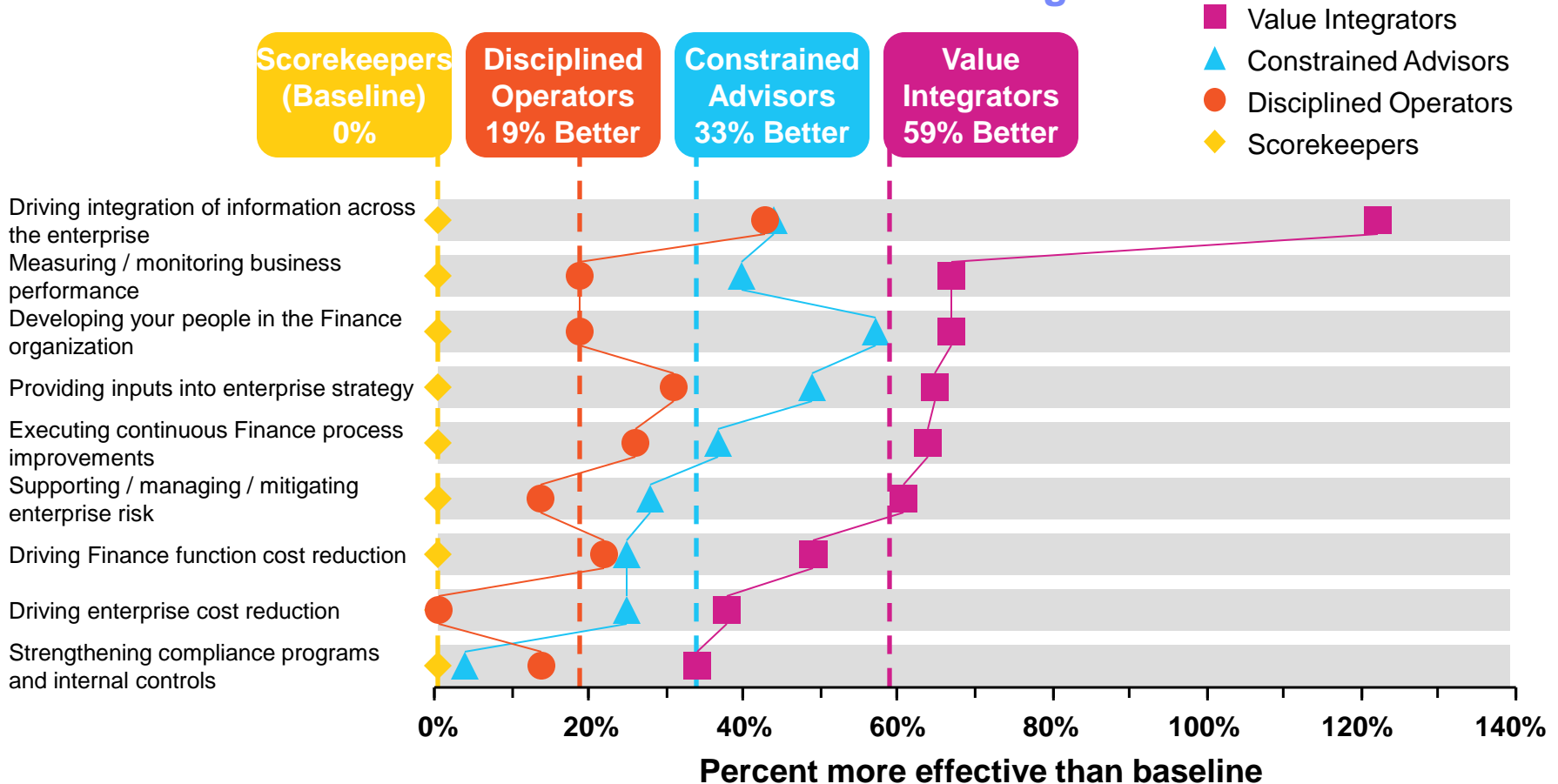


*Value Integrators also have an almost 20% better operating efficiency ratio than all other companies examined.*

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

# 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

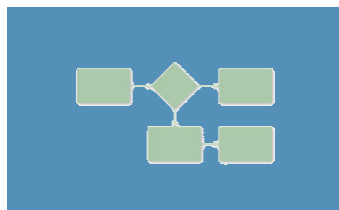
## What do Value Integrators do differently?

### Data and Analytics



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

### Process



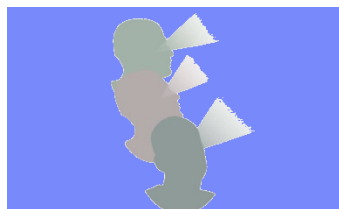
- Focus on next tier process improvements

### Technology



- Rationalize and standardize analytical technologies

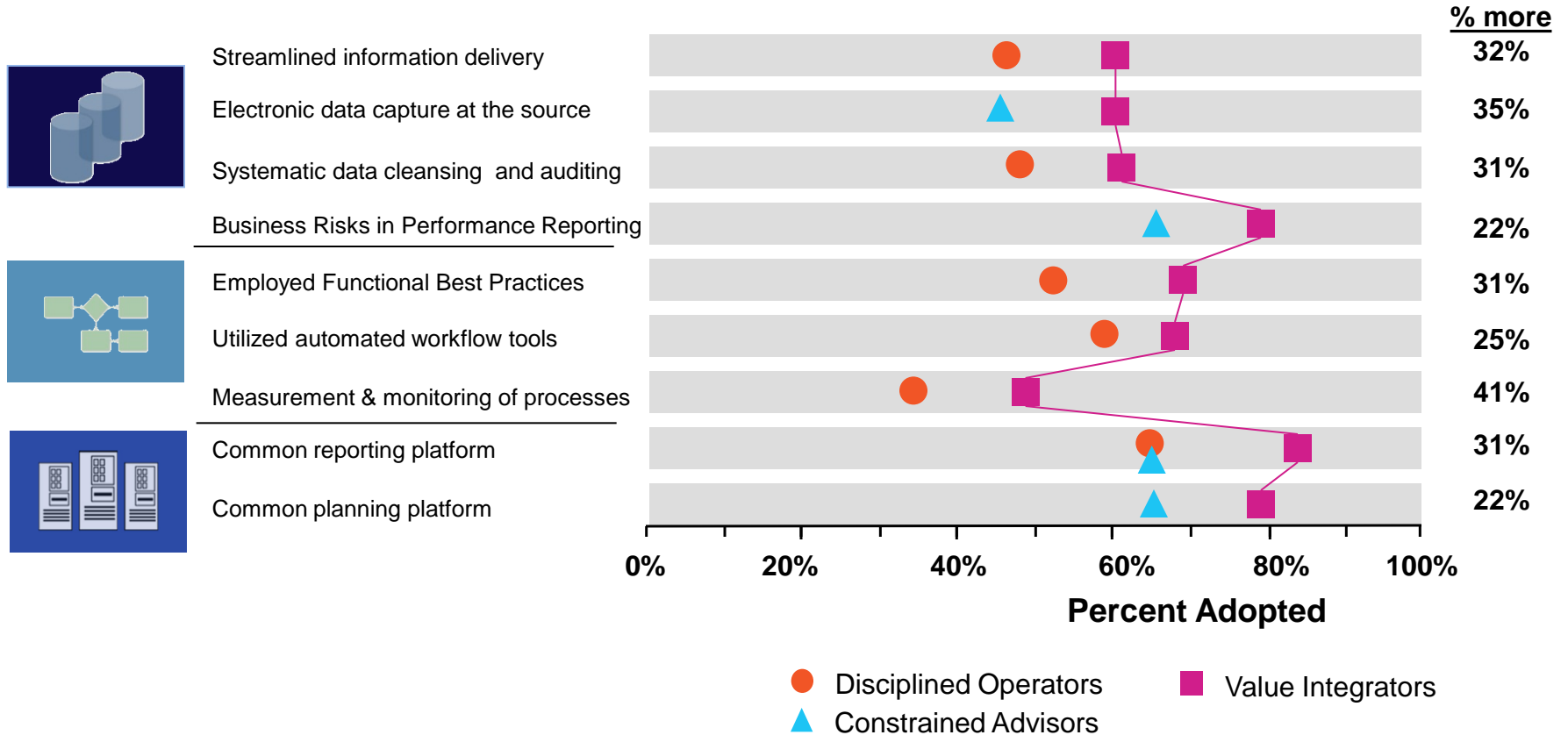
### People



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

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

## What do Value Integrators do differently?



N = 1,454 to 1,469

Note: Defined as those enterprises selecting [5] To a very large extent or [4] on a 5-point scale where [5] To a very large extent and [1] Not at all

Source: IBM Institute for Business Value, The Global CFO Study 2008, 2010

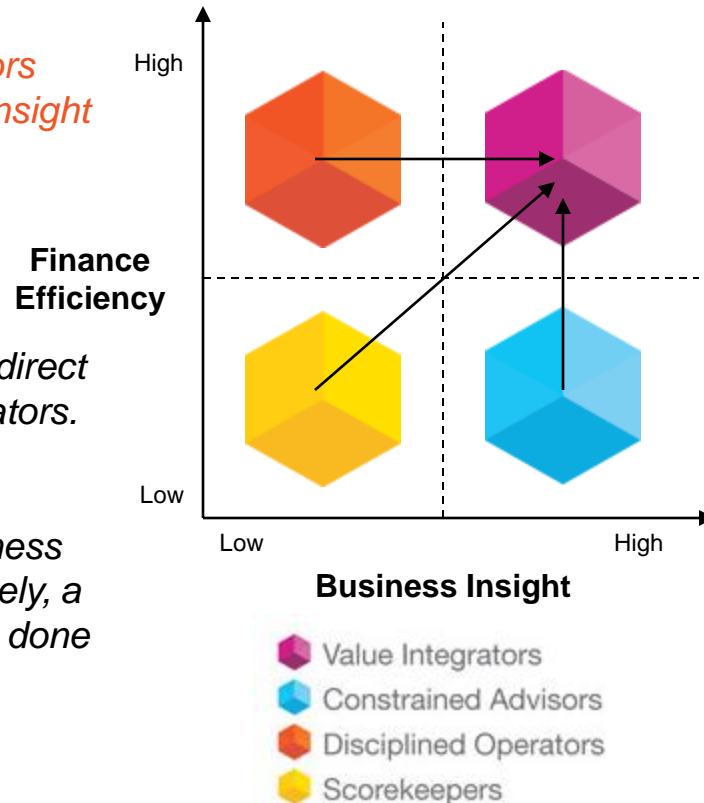
## The Path Forward

# 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*

# The CFO Study reveals that Value Integrators provide strong data points for our Hypothesis

They have implemented common process and data standards across their organizations to increase speed and curtail reconciliation and duplication. With reliable, integrated information as their springboard, they have also developed the talent, technology and analytical capabilities to proactively uncover and communicate business insight.

By executing their core financial activities efficiently and providing the insight their businesses so desperately need, Value Integrators are helping their enterprises make smarter decisions.

Value Integrators		
What Finance model achieves the <b>optimal mix of capabilities</b> needed to outperform?	How can the CFO help the enterprise <b>anticipate and shape</b> its environment?	What can CFOs do to enable <b>timely and informed decision-making</b> ?

Finance Efficiency
How can you increase the effectiveness of finance to satisfy rising expectations?
How do you drive the integration of information across the enterprise?
How do you control costs and improve productivity?

Business Insight
How do you ensure data integrity to produce valid insights?
Do you have the business insight to drive performance improvement beyond finance?
Does your Finance organization have the talent to provide forward-looking insight?