

# IBM Cognos Finance Forum 2010

Anticipate and Shape Business Outcomes

## Developing & executing strategy: the critical role of Finance

**Stephen Brook**

Manager, Cognos Innovation Center  
IBM Software



# Agenda

- Strategy and Strategy Management
- Developing and executing strategy
- The role of Finance in strategy Management
- Strategy Management with IBM Business Analytics

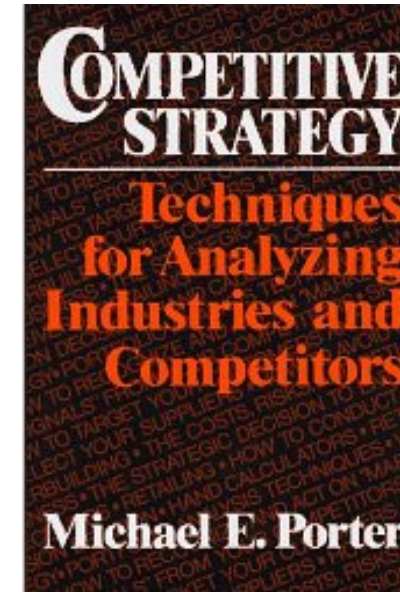
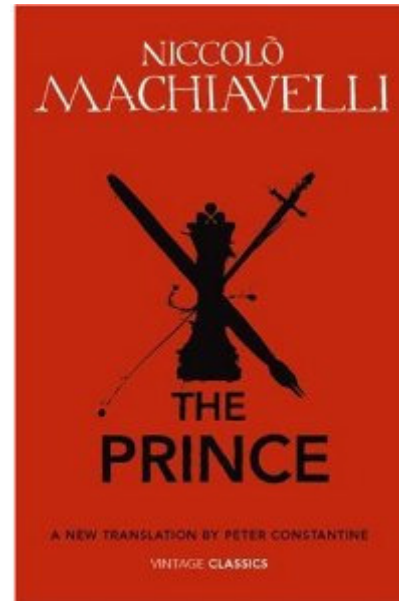
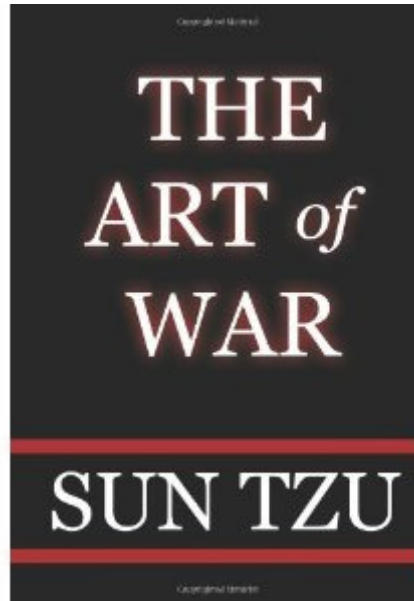


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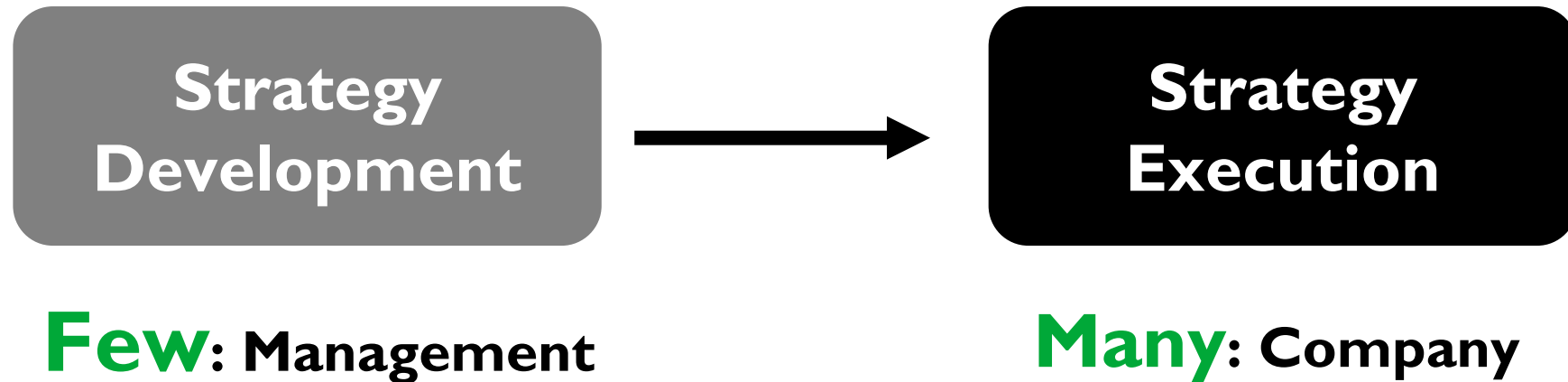
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# Strategy and Strategy Management



## The typical strategy process



“The CFO needs to be a key player in the process of formulating strategy but, even more importantly, a trusted advisor in the process of executing strategy.”

*IBM CFO Study 2010*



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# Strategy development has changed



- Abstract vs **understandable**
- Isolated vs **integrated**
- Infrequent vs **opportunistic**

Strategy development is most often associated with the production of the Strategic Plan



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# The reality of strategic planning?

- Complicated processes
- Information Overload
- Data availability
- Time Pressure



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**“Although CFOs ranked providing inputs into enterprise strategy number one when asked what was most important, only half consider their Finance organizations effective in this area.”**

***IBM Global CFO Study 2010***



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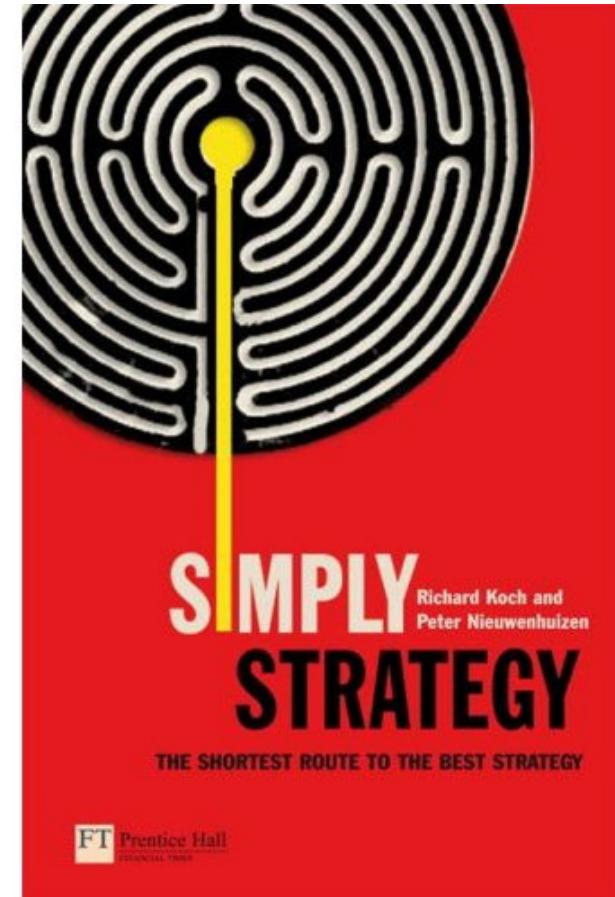
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# Steps to a successful Business Unit strategy

**“Good strategy starts and ends with numbers”**

Dr. Peter Nieuwenhuizen



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# Steps to a successful Business Unit strategy

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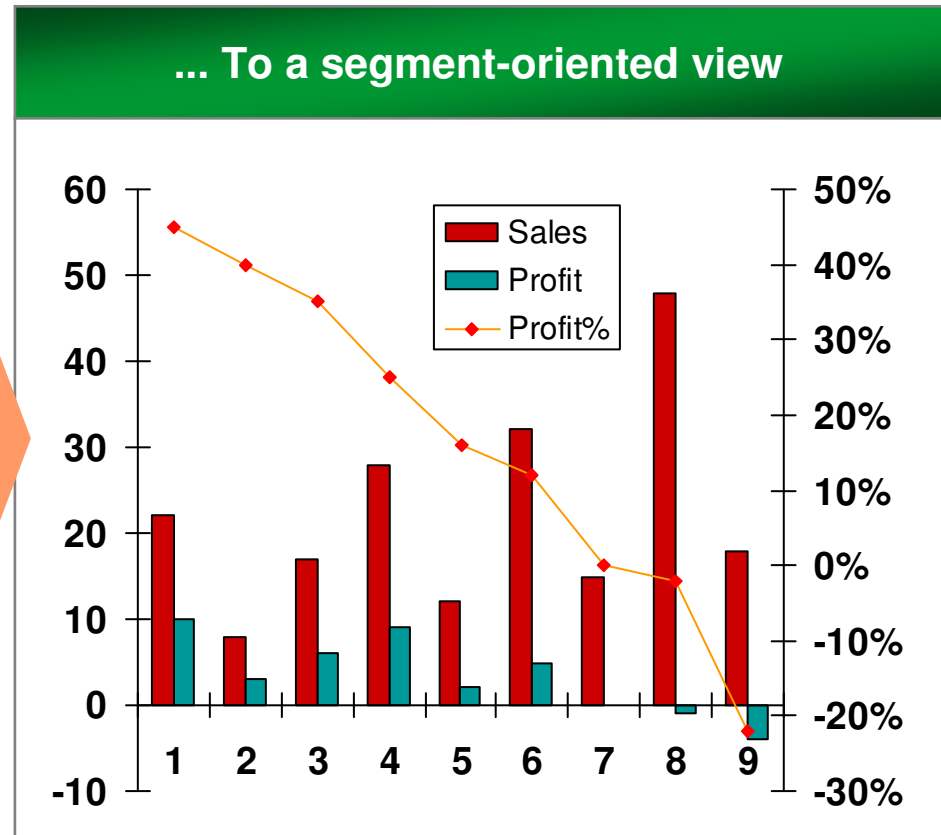
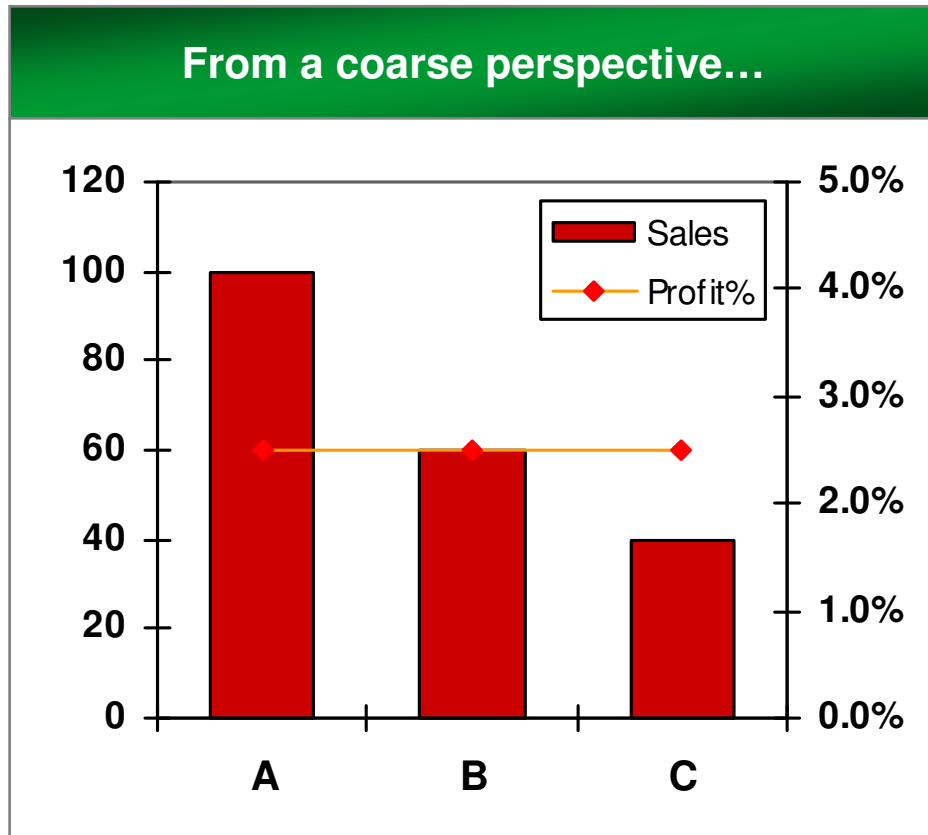


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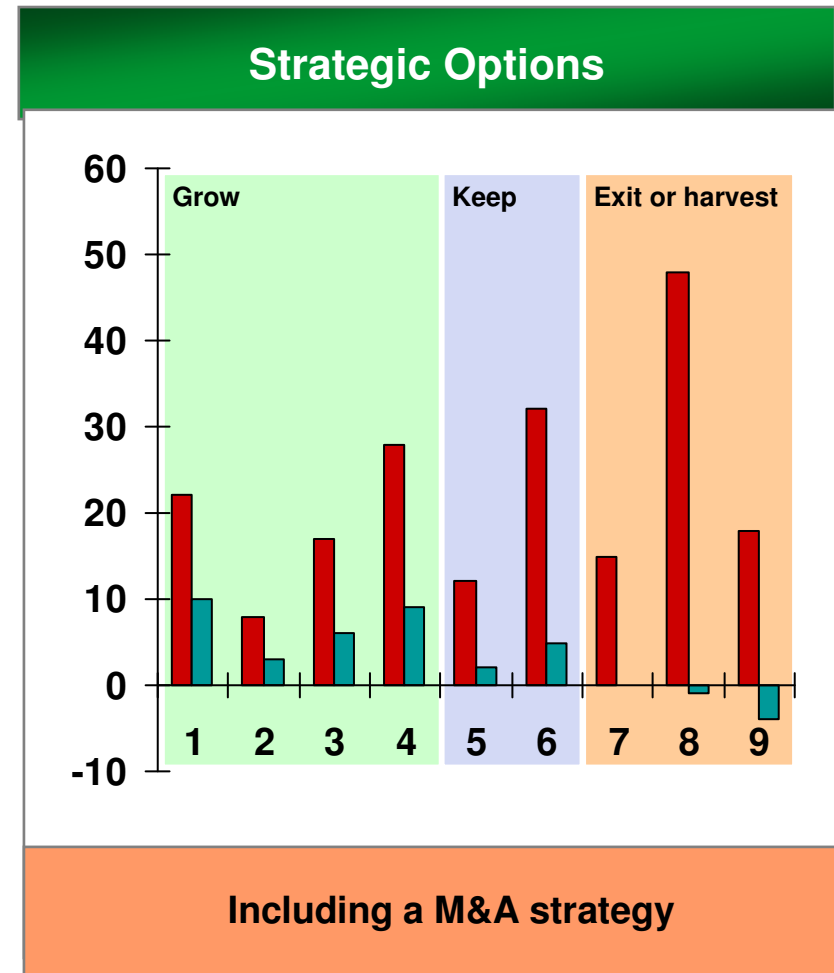
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# Segmentation, offering new ways ...



...and the resulting strategic options



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# What-if analysis and scenarios offer new insights

**“[Value Integrators]...have more mature analytical capabilities, such as integrated planning and forecasting, scenario planning and predictive modeling.”**

*IBM Global CFO Study 2010*

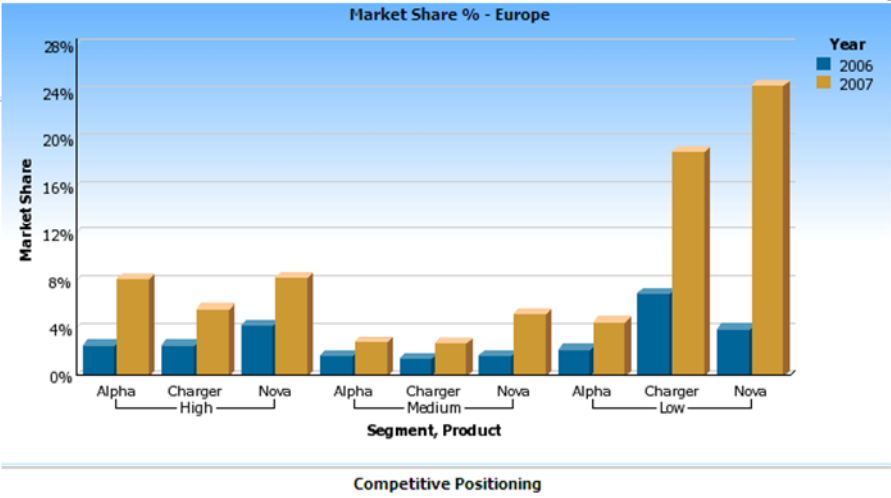
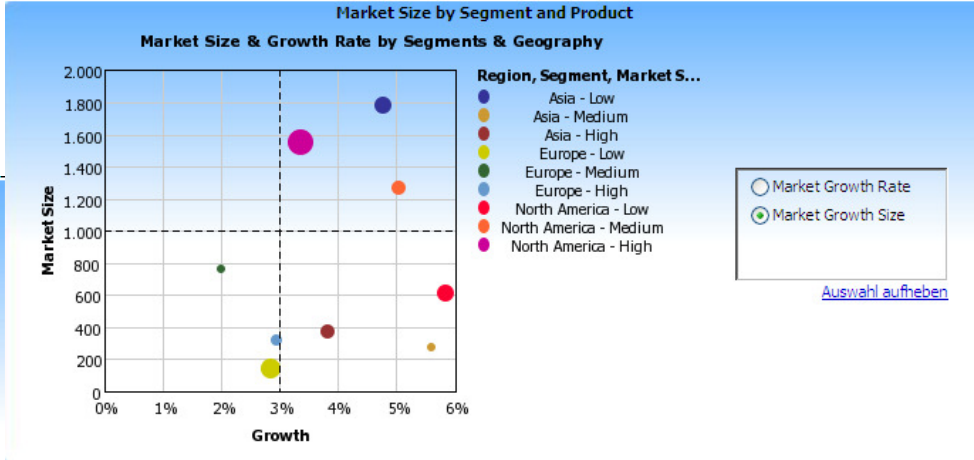
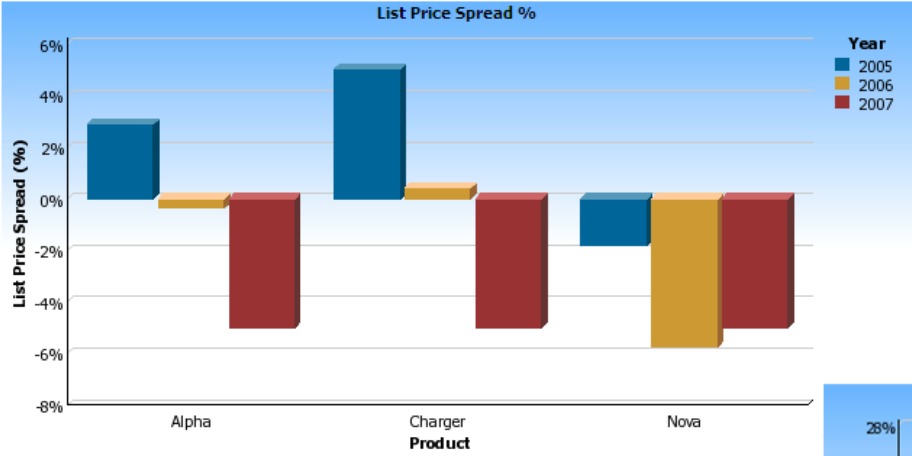


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# Data provide the basis for decisions



# This should be a continuous & sustainable process

**IBM**

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**IBM**

**Product Profitability Analytics Performance Blueprint**

**Integrated Financial Planning and Forecasting Performance Blueprint**

**Product Profitability Console**

Home CFO Sales & Profit Inventory Direct Product Profitability Channels P&L Statement Corporate

440,000  
380,000  
250,000

Jan-08 Jul-08 Sep-08 Nov-08 Jan-09 Mar-09 Apr-09

Operational Margin  
Material Cost  
Operating Margin %

Click on Show Filter, Forecast, Outlook

Financials Comparison: Oct-08

Select Metric: Operating Margin

By Channels

By Products

Actual Forecast Budget

Revenue

	Act-08	Sep-08	Oct-08
Total Revenue	445,309	446,097	411,624
Costs			
Component Cost	140,121	143,985	142,451
Direct Labor	29,762	30,992	30,992
Manufacturing Overhead	25,424	25,948	25,434
Other Direct Costs			
Distribution Cost	3,670	3,809	3,078
Inventory Carrying Cost	6,121	6,270	46,676
Depreciation Cost	30,962	31,909	32,499
SG&A Cost	6,588	6,700	6,582
Cost (AMC)	62,118	62,418	61,794
Margin	290,855	296,612	296,715
Margin %	65.32	66.28	72.11
Operating	174,944	176,443	173,708
Material	67,520	67,620	67,620
Income	33,000	33,686	29,627
Operating	6.10	6.17	6.45

Information Management

Cognos software

-3Q -2Q -1Q Today +1Q +2Q +3Q

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Strategy ok. What about the execution?

Fewer than 10% of  
companies successfully  
execute their strategy \*

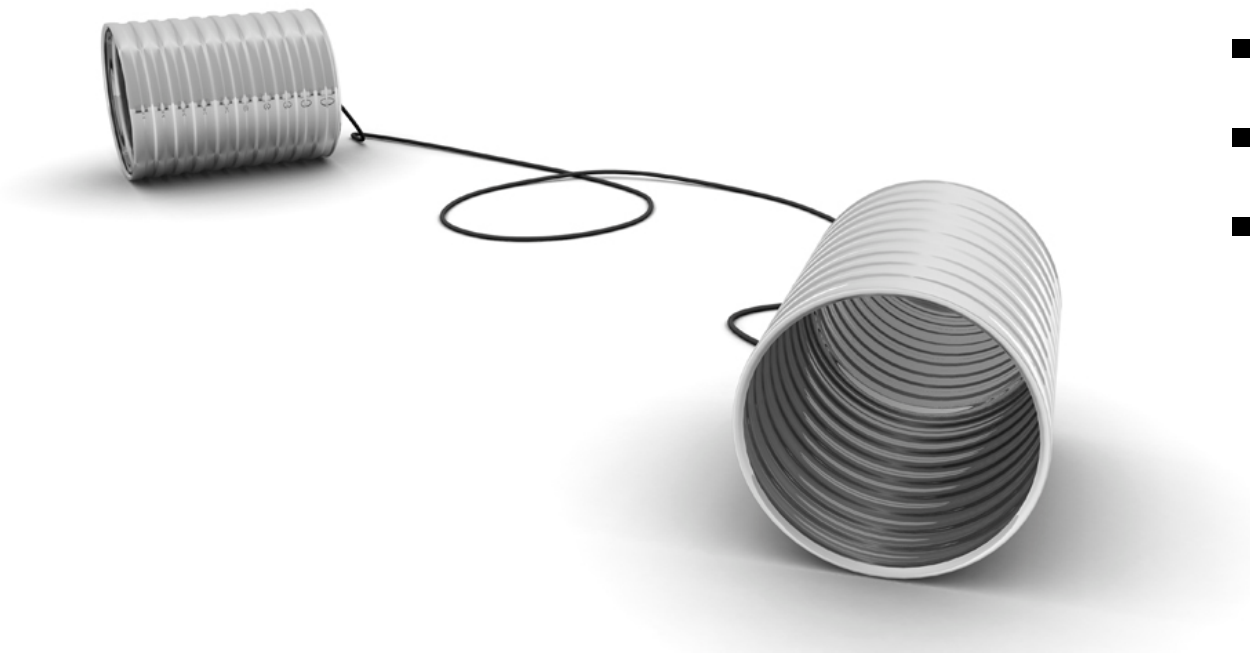
\* Palladium Study, 2006

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# Reasons for strategy execution failure



- Communication
- Focus
- Ownership



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# Scorecards – a proven management tool

**Financial**

Name	Actual	Target	Variance	Variance %	Time Period
Eastern Sales Sales Count	1,024.20	9,846.71	-8,822.51	89.60%	Nov 2006
Avg Yield per Customer - Eastern Sales	US\$54,364.81	US\$67,000.00	-US\$12,635.19	18.86%	Nov 2006
Revenue	US\$1,100,000.00	US\$1,000,000.00	US\$100,000.00	10.00%	Dec 2006

**F2.Improve Margins**

Name	Actual	Target	Variance	Variance %	Time Period
Discount Percentage	19.00%	2.50%	16.50%	660.00%	Nov 2006
Expenses	US\$726,394.06	US\$900,000.00	-US\$173,605.94	19.29%	Nov 2006
Revenue	US\$1,100,000.00	US\$1,000,000.00	US\$100,000.00	10.00%	Dec 2006

**Customer**

Name	Actual	Target	Variance	Variance %	Time Period
Eastern Sales Customer Relationship Index	1.53	0.00	1.53		Nov 2006
Customer Survey	8.86	8.00	0.86	10.72%	Nov 2006
Customer Acquisition	110.84	100.00	10.84	10.84%	Nov 2006
Customer Count - Eastern Sales	595.11	500.00	95.11	19.02%	Nov 2006

**IBM Global CFO Study 2010**

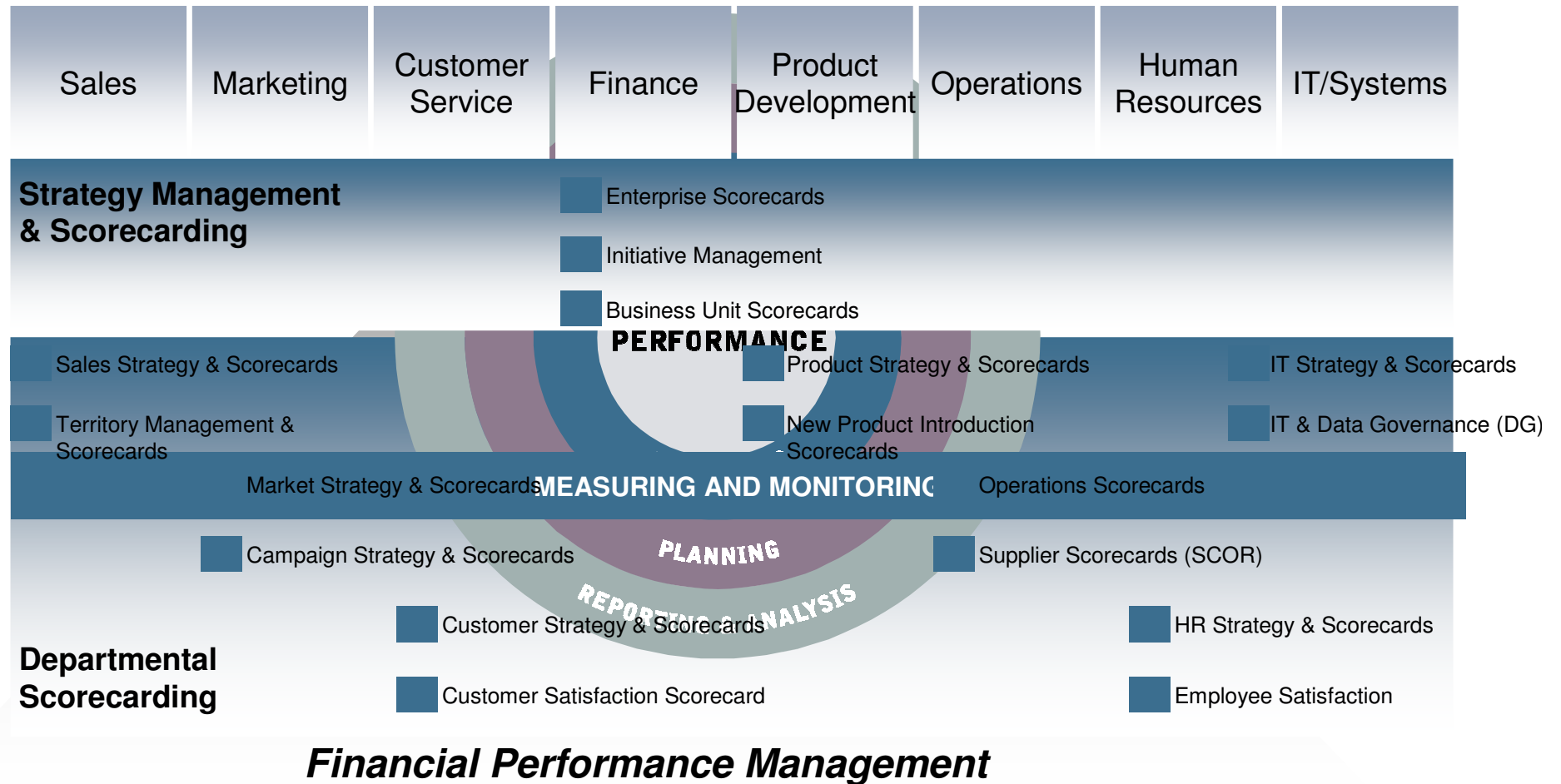
“In terms of monitoring business performance, CFOs believe their organisations do a good job of providing high level metrics but lack the ability to drill deeper. They also talked about the need for business performance management to be more proactive.”

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# Strategy management & scorecarding

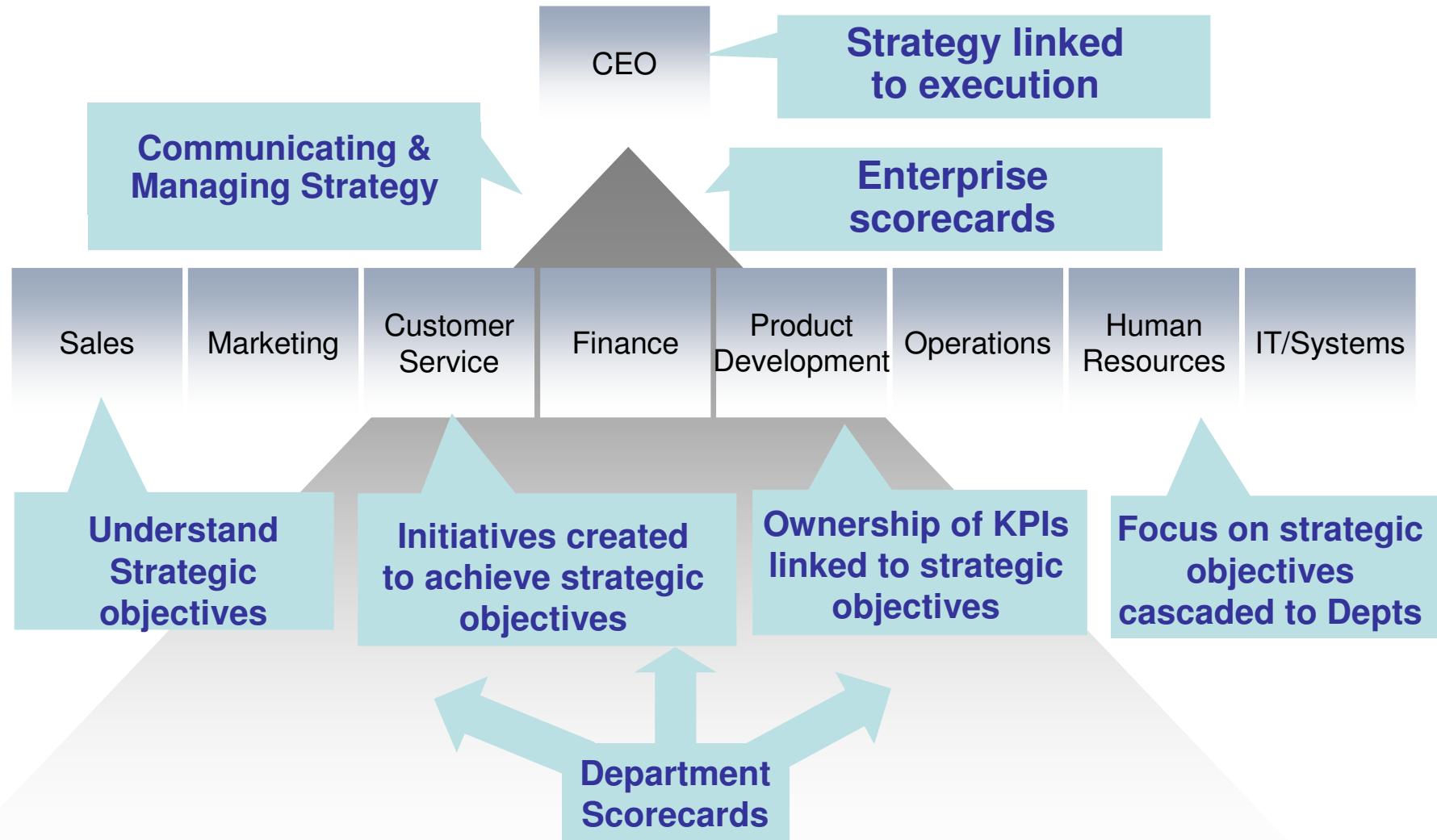


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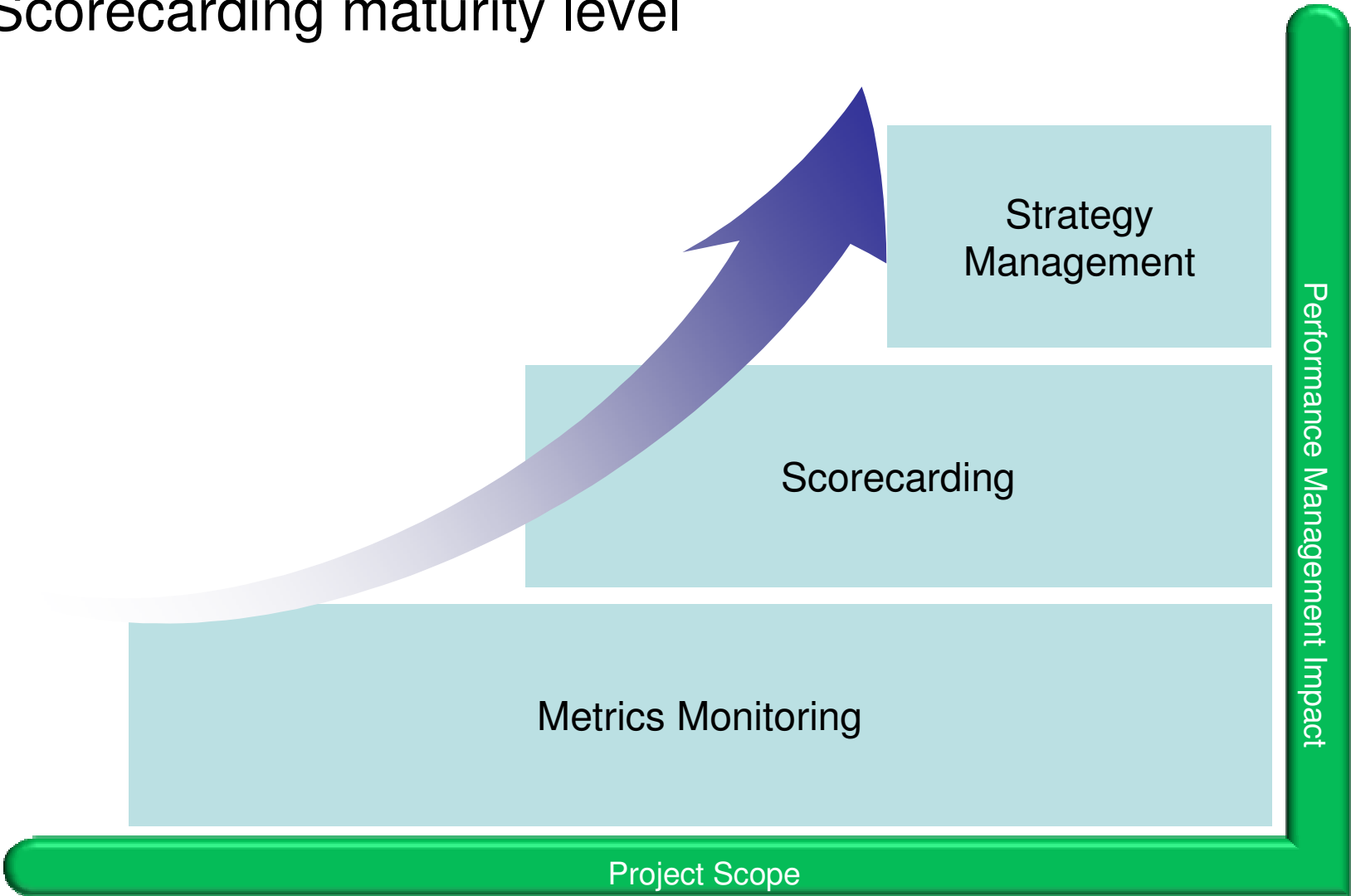
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# Opportunity: Strategy management & scorecarding



# Scorecarding maturity level



# Summary

- Finance is playing a larger part in developing and executing strategy
- Less of the mystique - Strategic Planning & Analysis is all about the numbers
- Your expertise in data management and process discipline makes Finance ideally placed to drive strategy management
- IBM Cognos tools and best practices are there to help you - for Financial Reporting, Profitability Analysis, What-if Analysis and Strategic Planning
- See me or visit [www.ibm.com/cognos/innovation-center](http://www.ibm.com/cognos/innovation-center)



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