

Fad or the Future?

Beyond Performance Management



Steve Player

Steve Player serves as the program director for the Beyond Budgeting Round Table (BBRT) in North America and works with BBRT member companies to implement continuous planning processes.

He has more than 30 years' experience with improving performance management and implementing strategic planning processes. He is also the managing director of Beyond EPS Advisors, a business consulting firm, and founder of the Activity-Based Management Advanced Implementation Group (ABM SMART).

He is the coauthor of *Future Ready: How to Master Business Forecasting* and *Beyond Performance Management* as well as five other books. He writes the blog "The Finance Transformation" for *Business Finance Magazine*, which features CFO interviews from leading organizations on innovative finance and planning processes.



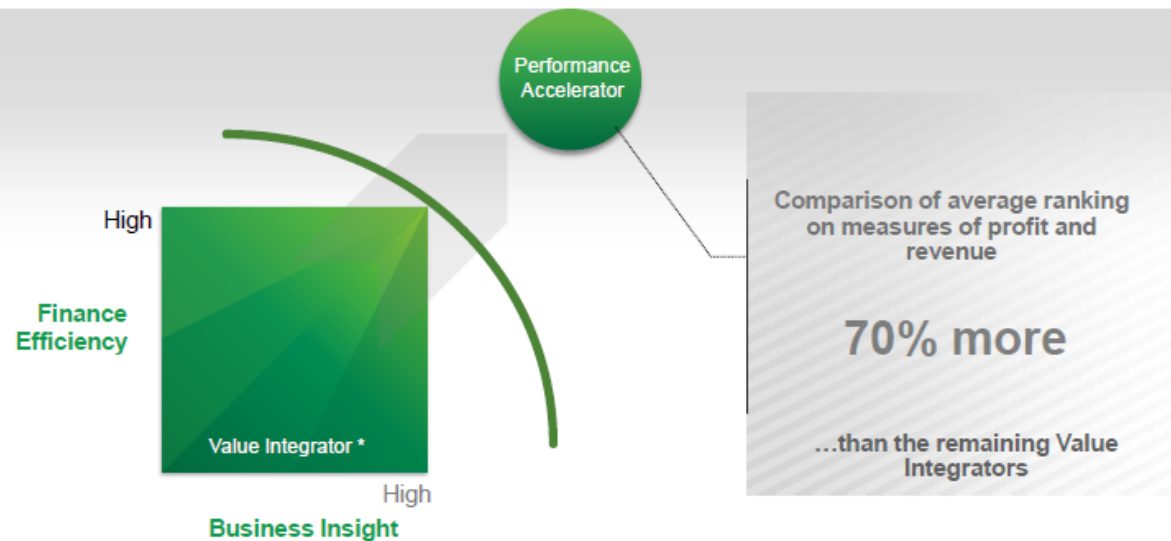
Fad or the Future?

IBM Finance Forum 2014

Business foresight. Future ready.



A subset of Value Integrators are emerging as Performance Accelerators

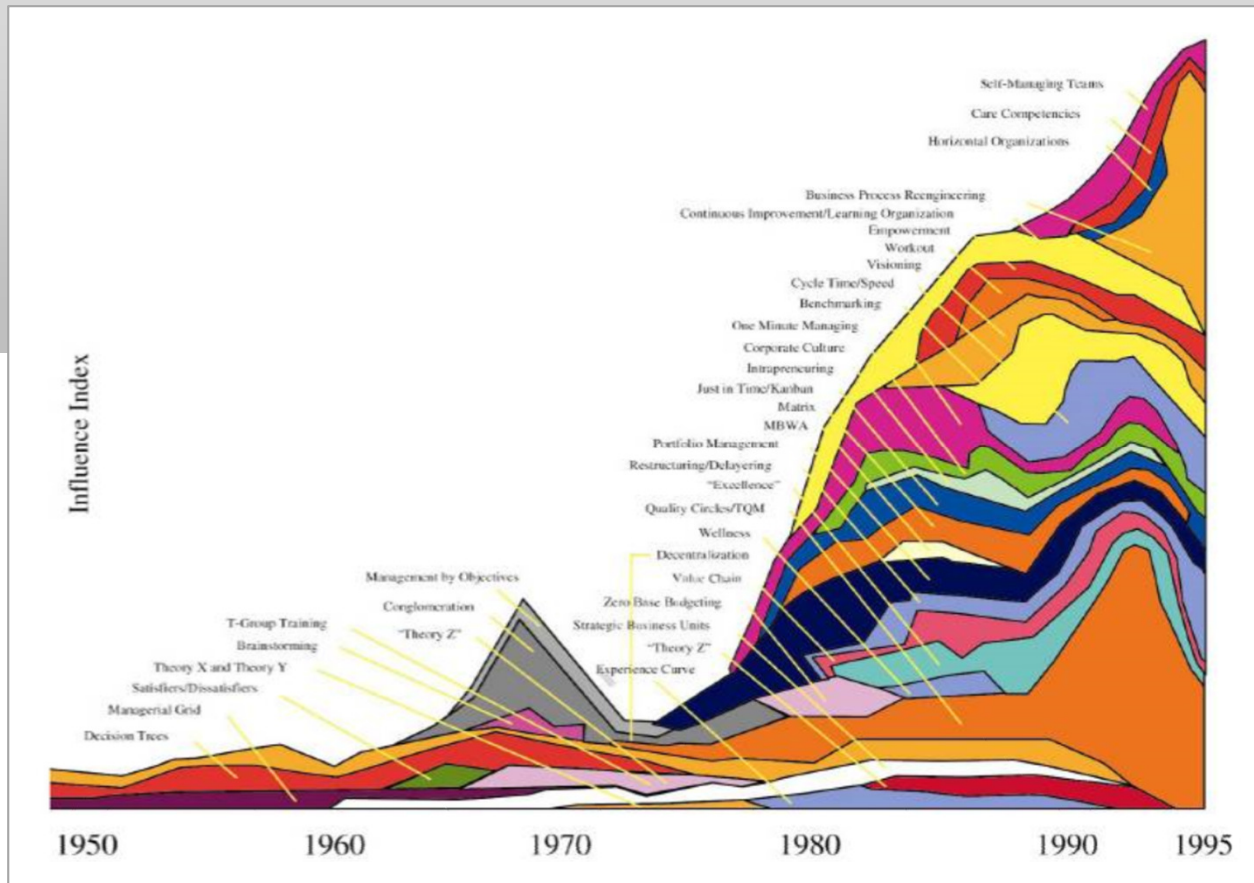


* Value Integrators are 30% and Performance Accelerators are 7% of the overall CFO population interviewed.

Source: *CFO Insights from the Global C-Suite Study*, IBM Institute for Business Value, 2014

Source: Question E4—How does the revenue growth of your enterprise compare to your industry peers over the past 3 years?; Question E5—How does your enterprise's profitability compare to your industry peers over the past 3 years?

It is getting increasingly difficult to tell!



Finance Practice: A historical perspective

A historical perspective

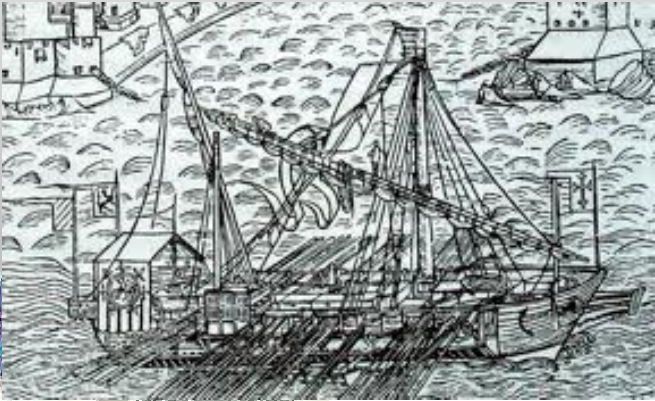
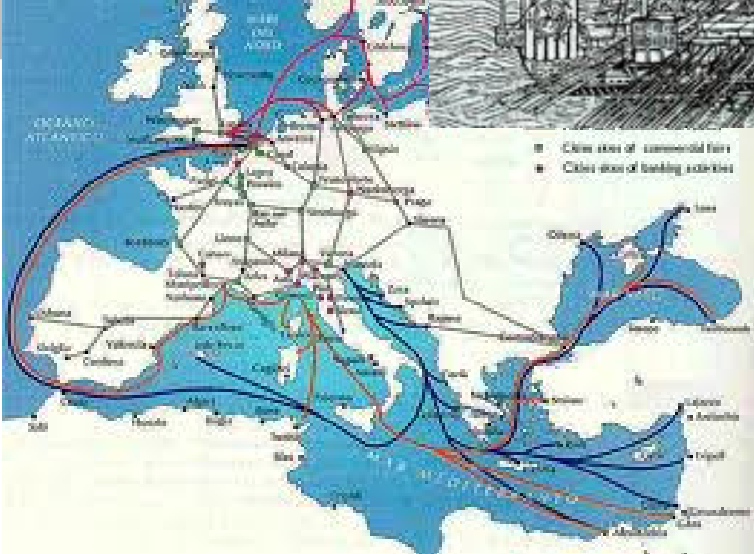


*Summa de arithmetica,
geometria, proportioni et
proportionalità
Luca Pacioli 1494*



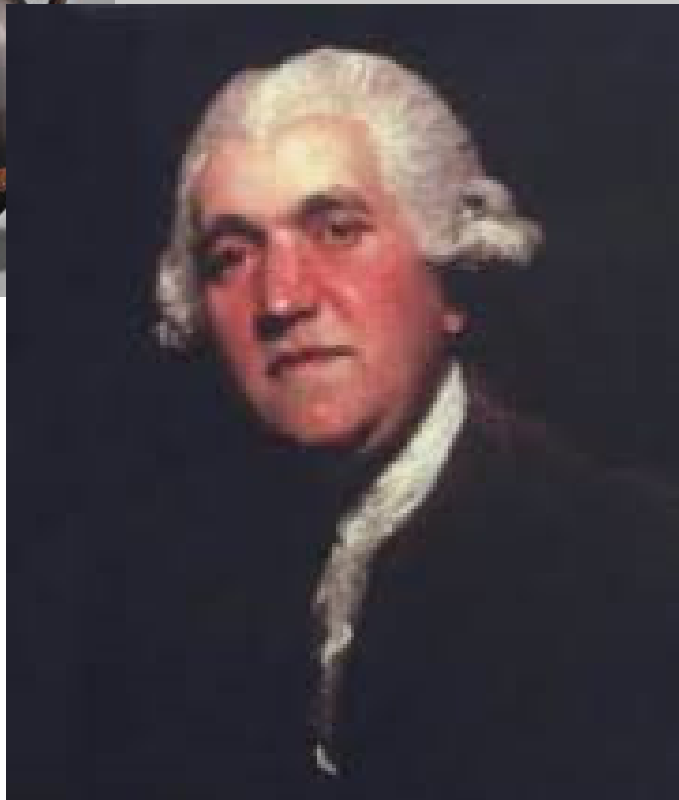
The context

The need



The enablers

The Second Revolution...costing



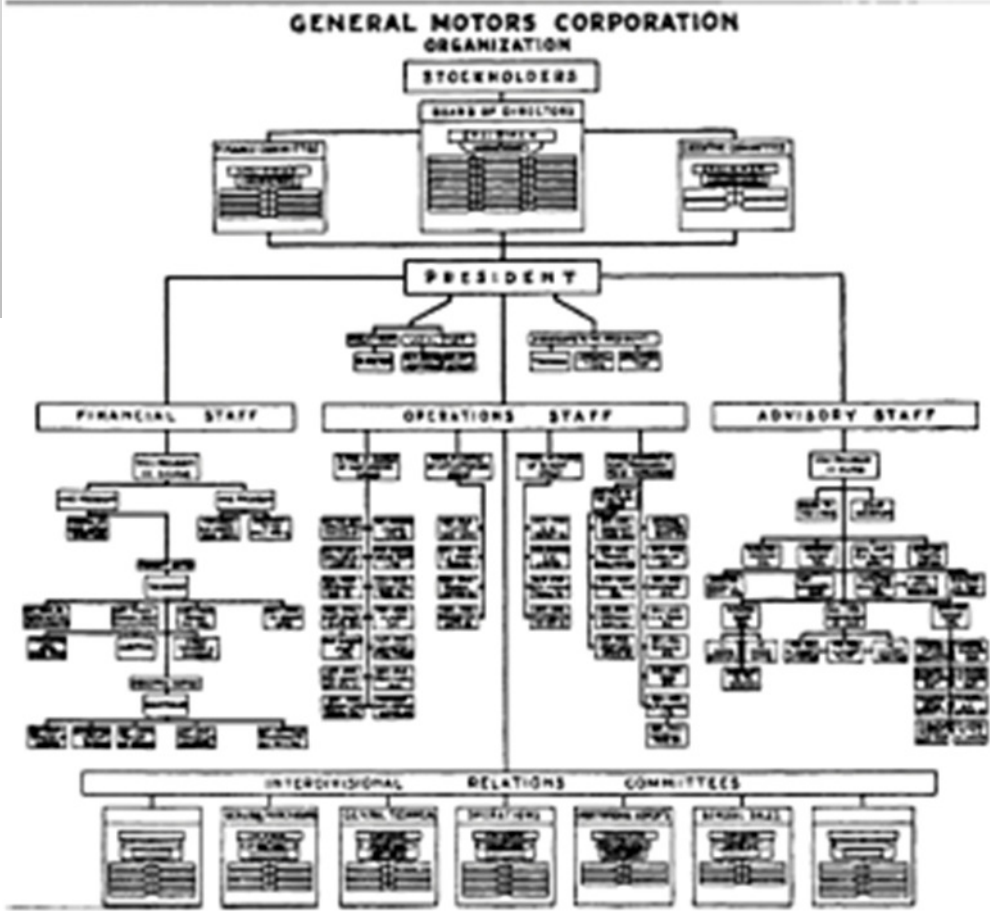
The need

The enablers...communication technology



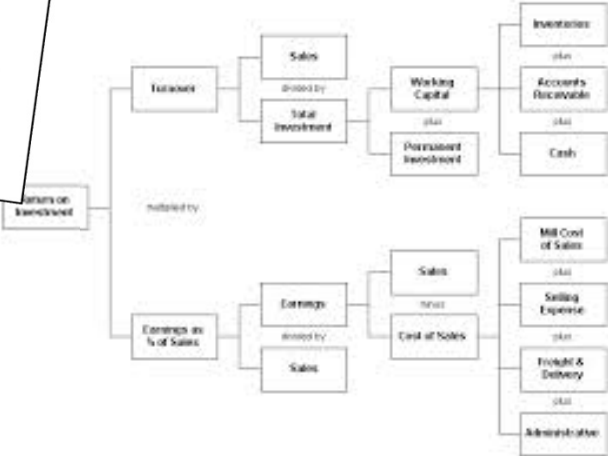
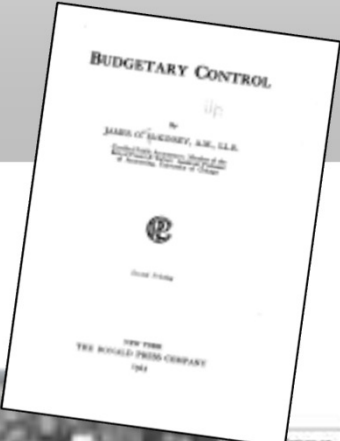


The third revolution: “managing performance”

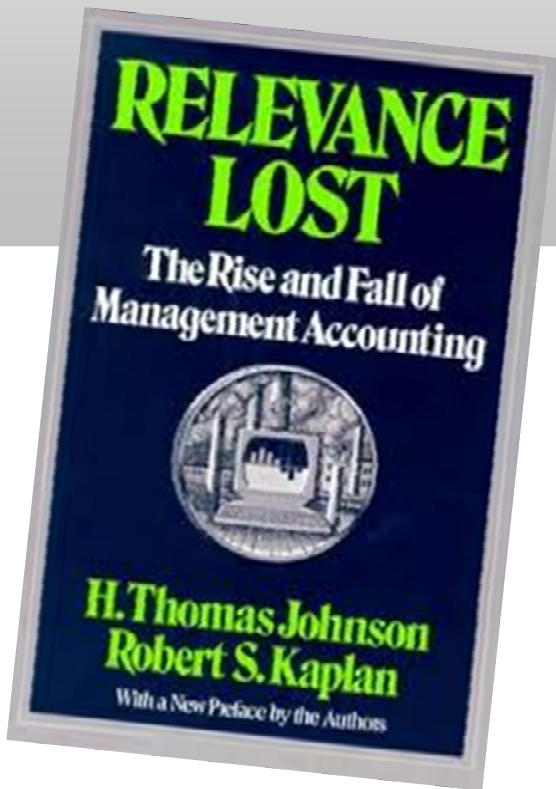




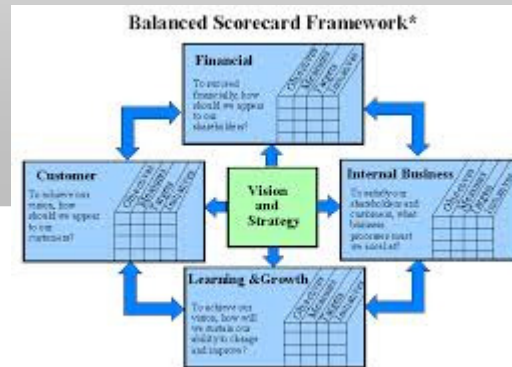
The enablers



The end of an era?



Balanced Scorecard



* Adapted from Kaplan & Norton (1996), 'The Balanced Scorecard', Harvard Business School Press. Original from IBM, TechFA (1996), p. 75

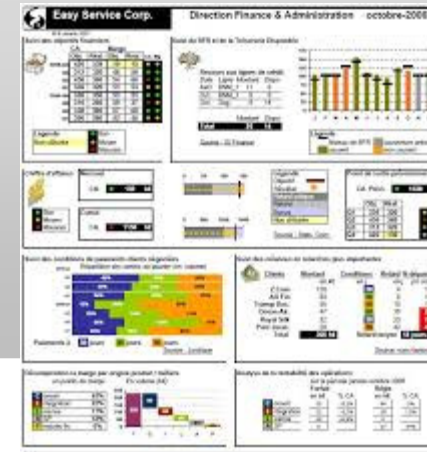
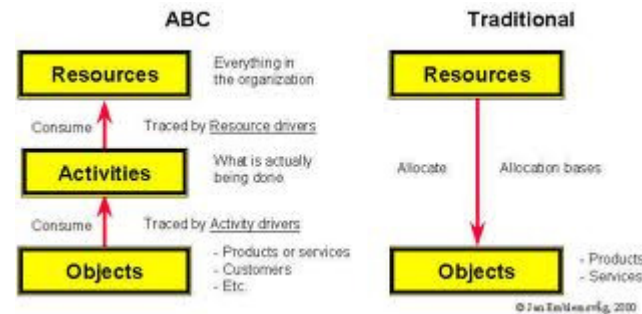


Tableau de Bord

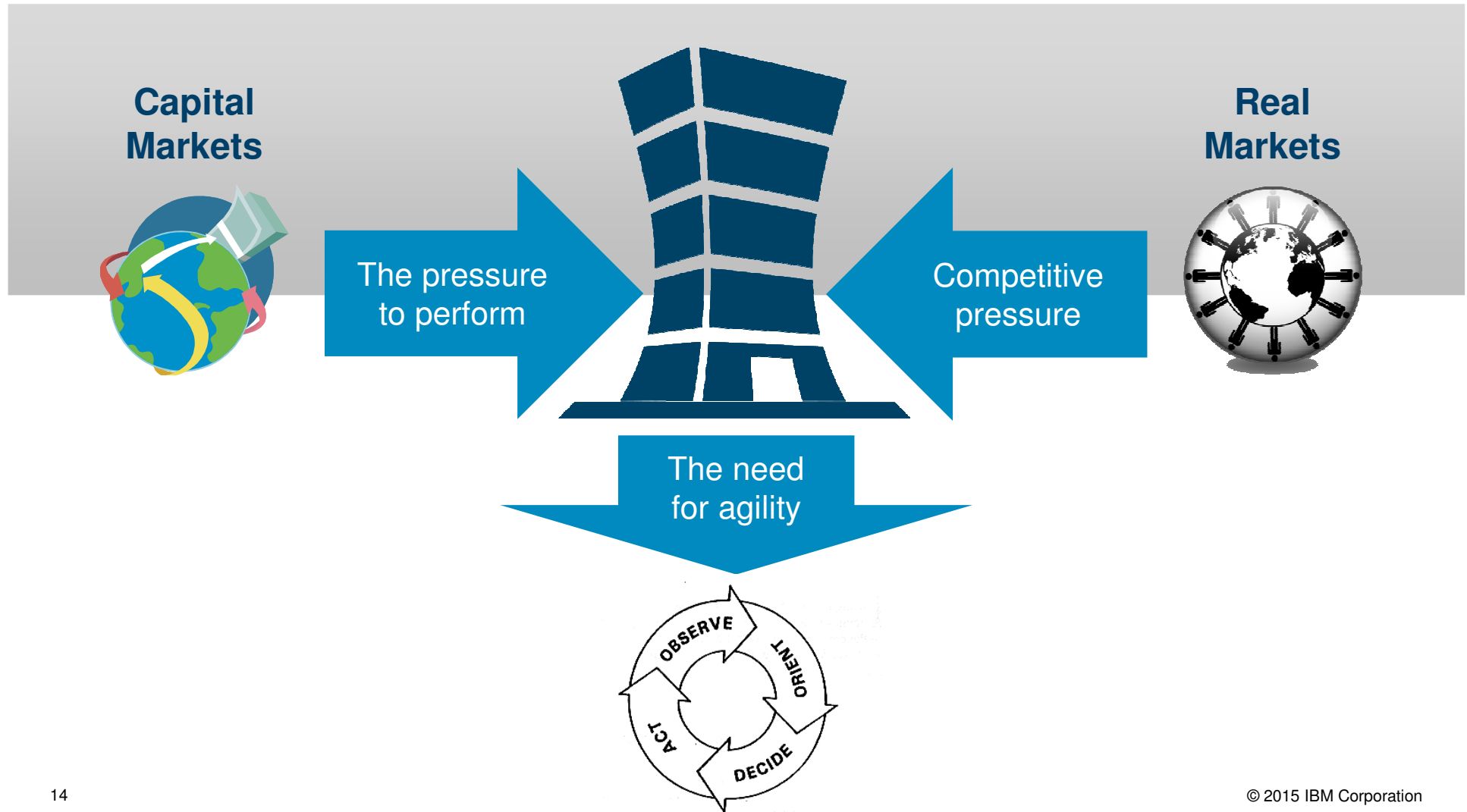
Activity Based Costing



Finance Practice: Beyond performance management?

Beyond 'Performance Management

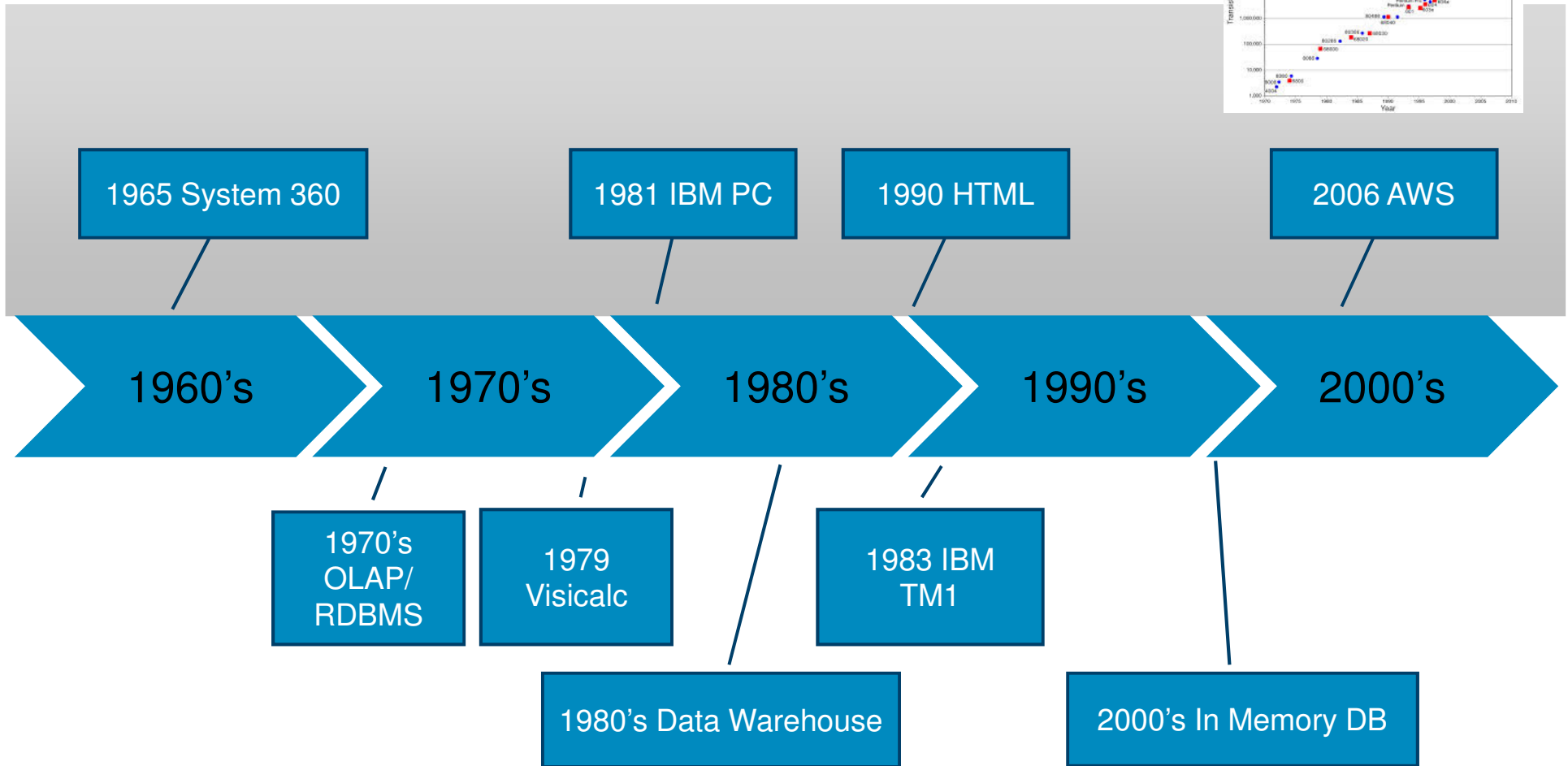
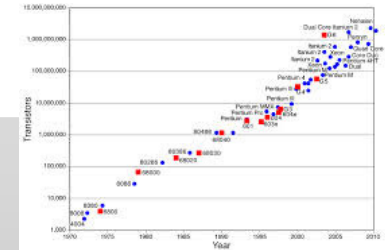
Between a rock and a hard place: Globalisation is a game changer





Beyond Performance Management - enablers

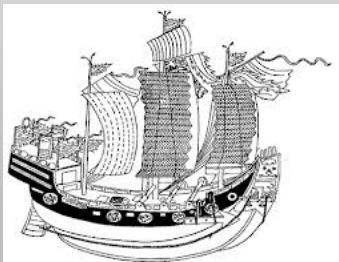
Moore's Law



Beyond Performance Management Themes

1. Breaking the Time Barrier

Mercantile Age



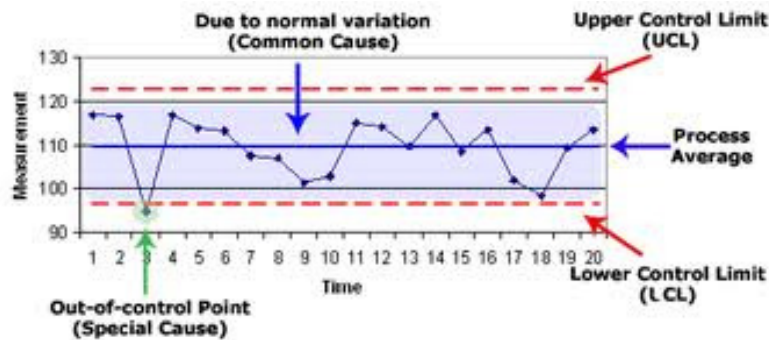
Industrial Age



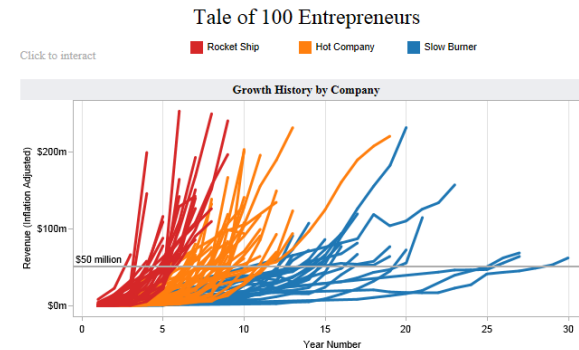
Information Age



Trend Analysis



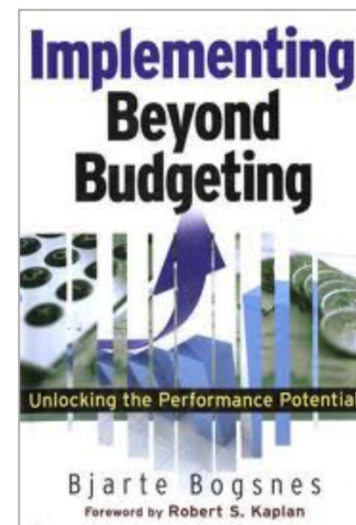
Data Visualisation



1. Breaking the Time Barrier – Example Statoil

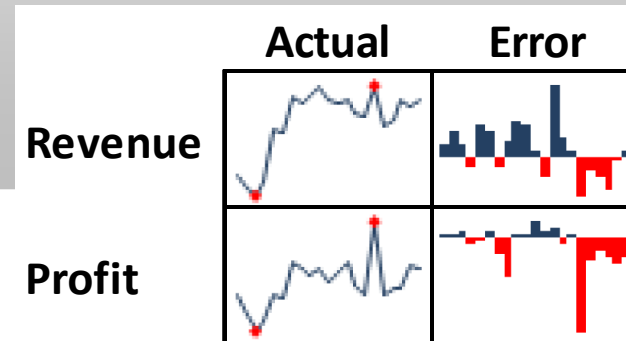
“At Statoil, we have eliminated the calendar as a key part of the management process. We are now event drive, not calendar driven”

Bjarte Bogsnes



1. Key Enabler - Data Visualisation

	Turnover			Profit		
	Forecast	Actual	Variance	BE	Actual	Variance
Jan-12	41.20	39.10	2.10	10.46	9.54	0.92
Feb-12	38.00	33.30	4.70	4.29	4.14	0.15
Mar-12	31.10	28.70	2.40	1.10	0.49	1.58
Apr-12	34.30	35.80	- 1.50	0.17	1.83	- 1.66
May-12	71.30	65.40	5.90	8.36	9.12	- 0.77
Jun-12	68.10	63.50	4.60	9.90	8.68	1.22
Jul-12	81.00	82.70	- 1.70	14.33	18.05	- 3.72
Aug-12	82.20	79.10	3.10	7.60	16.19	- 8.59
Sep-12	89.50	83.20	6.30	15.98	15.06	0.93
Oct-12	95.30	89.60	5.70	16.92	16.29	0.63
Nov-12	82.70	81.40	1.30	16.51	12.91	3.60
Dec-12	77.30	80.70	- 3.40	16.55	15.26	1.29
Jan-13	93.40	81.10	12.30	20.28	18.16	2.12
Feb-13	77.50	73.80	3.70	10.48	11.77	- 1.29
Mar-13	74.10	72.60	1.50	9.64	8.95	0.69
Apr-13	83.40	89.90	- 6.50	8.32	29.40	- 21.09
May-13	65.60	67.80	- 2.20	4.47	9.44	- 4.97
Jun-13	68.20	71.60	- 3.40	8.24	11.11	- 2.86
Jul-13	77.10	82.30	- 5.20	6.72	11.44	- 4.72
Aug-13	78.10	78.50	- 0.40	11.63	17.62	- 5.99
Sep-13	82.50	81.20	1.30	12.34	16.82	- 4.49

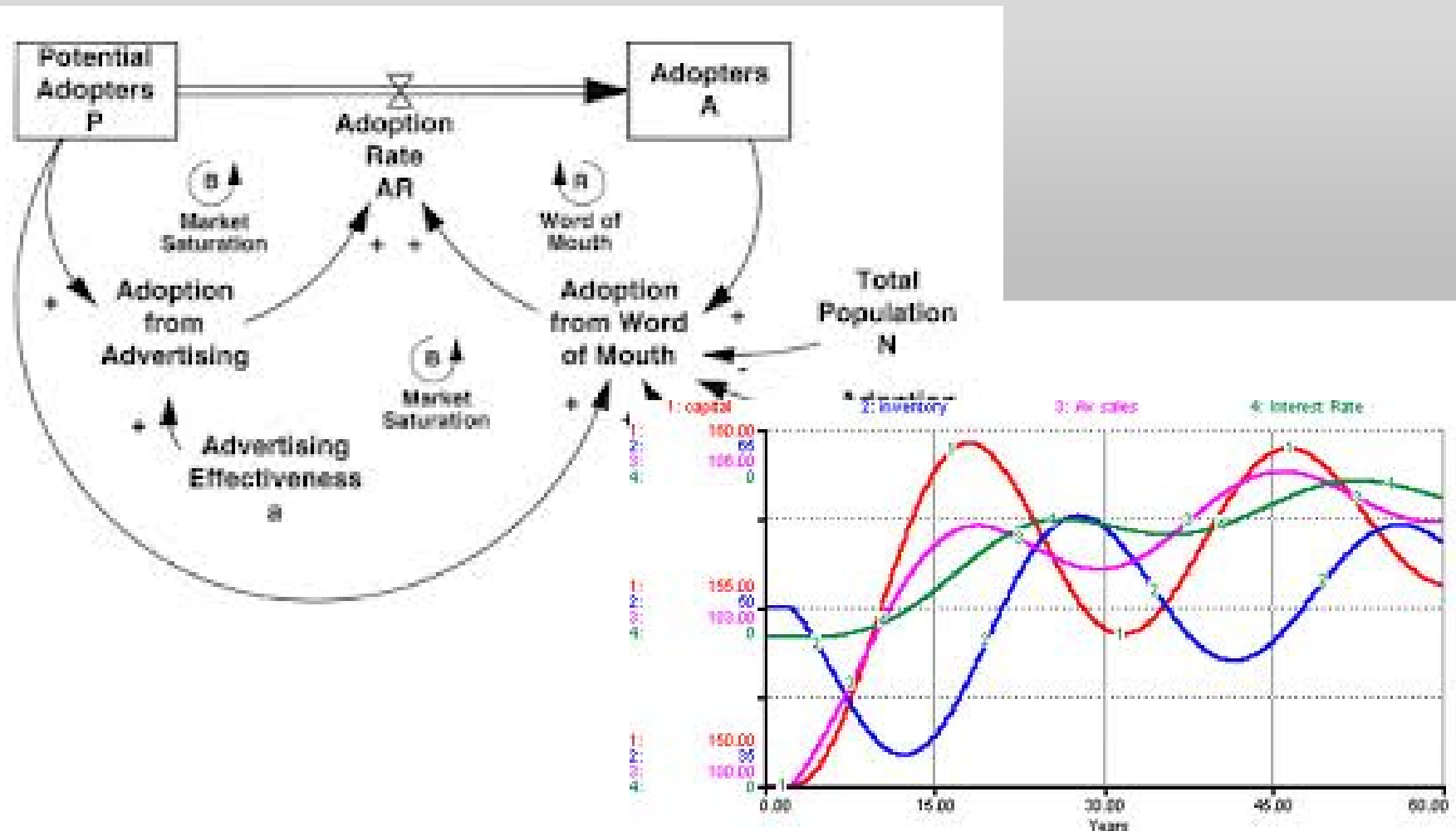


4 data cells

126 cells

Beyond Performance Management Themes

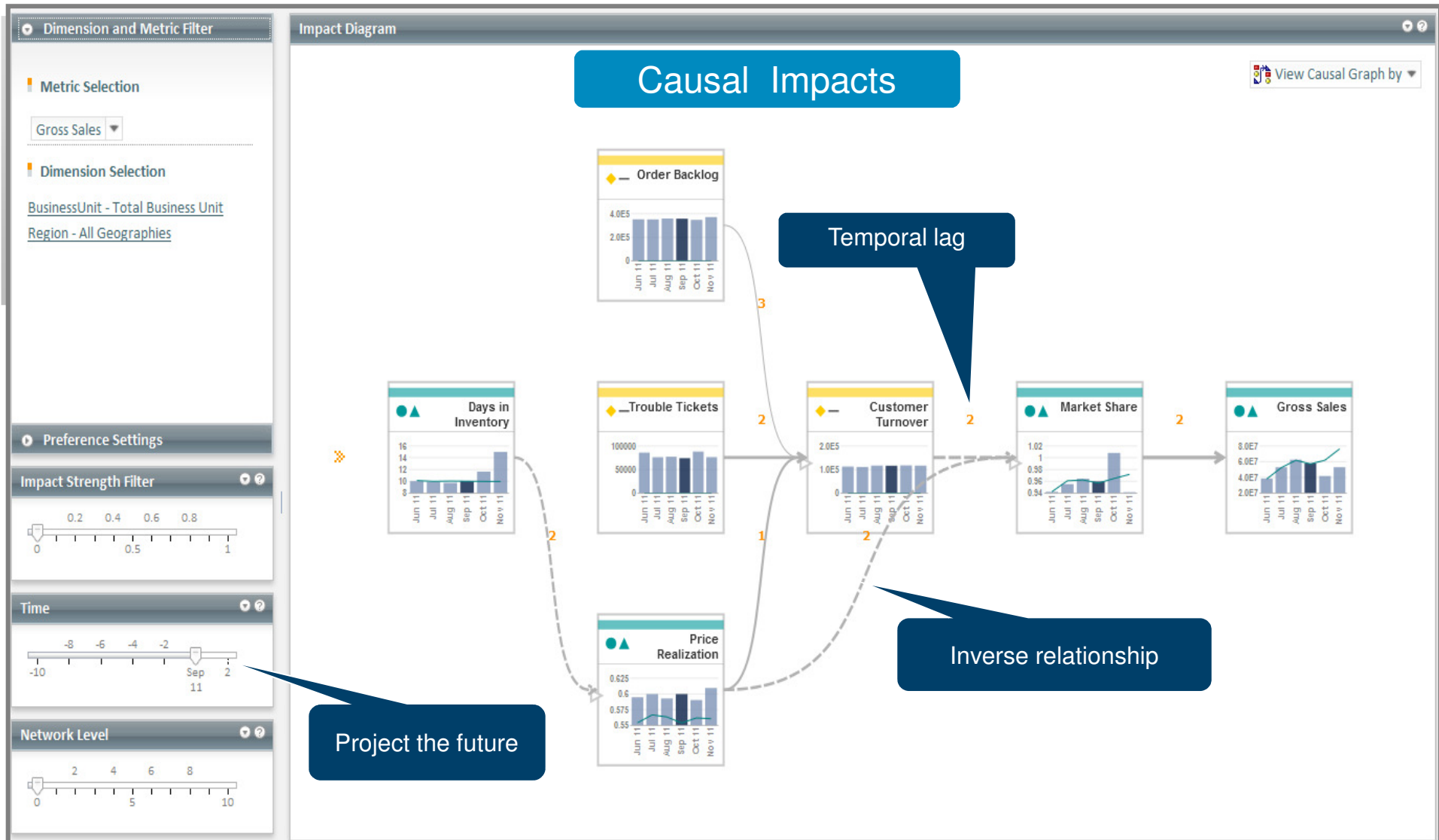
2. From prediction to simulation



2. From prediction to simulation – Example Flight Simulators



2. From prediction to simulation – Key Enabler Advanced Modelling Capabilities



Beyond Performance Management Themes

3. Recognising risk

New product

Estimated demand: 1,000 units +/- 10%

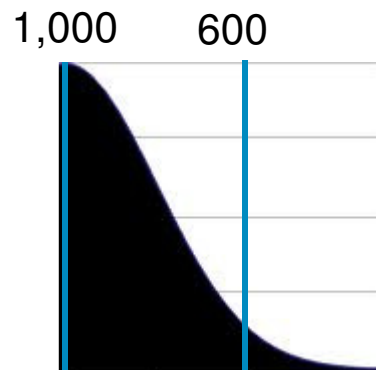
Order: 1,000 units

Most likely profit margin: \$10

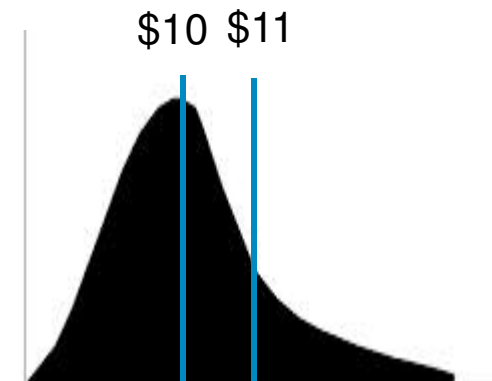
Estimated Profit?

- A. \$10,000
- B. More than \$10,000
- C. Less than \$10,000

Volume



Margin

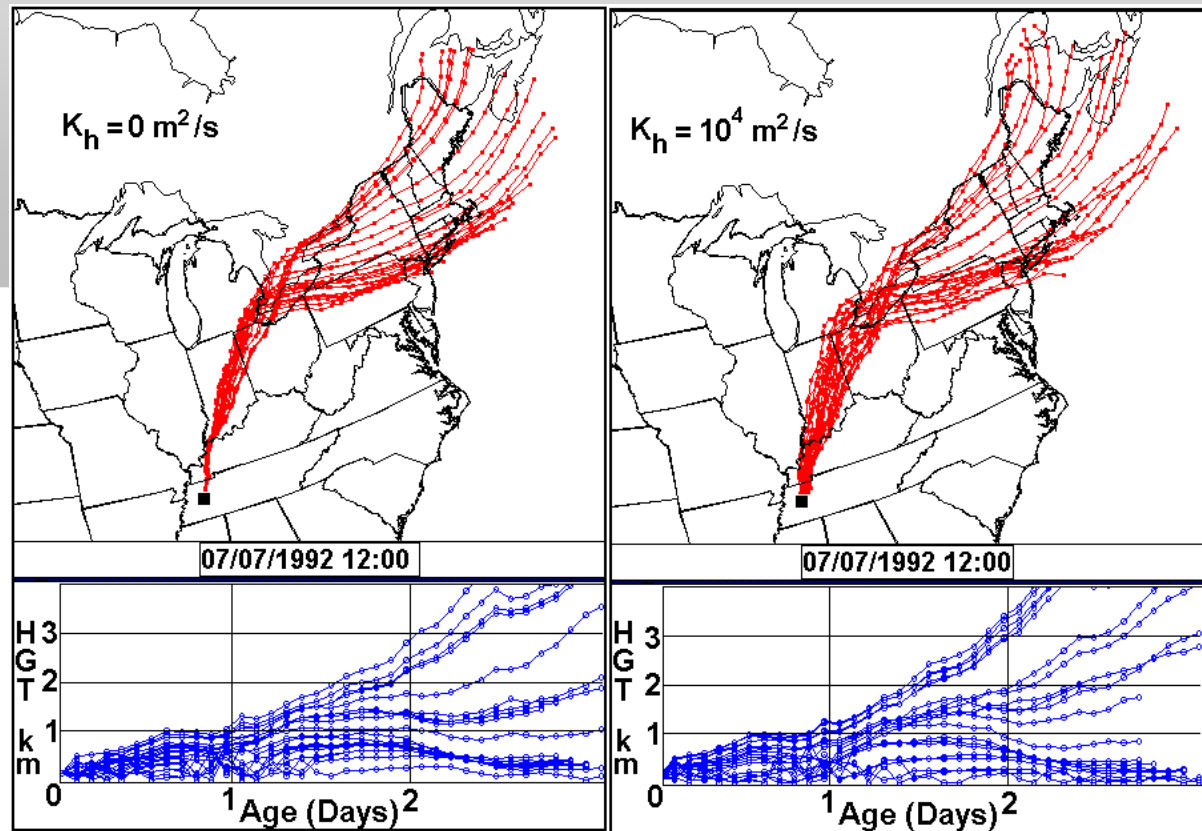
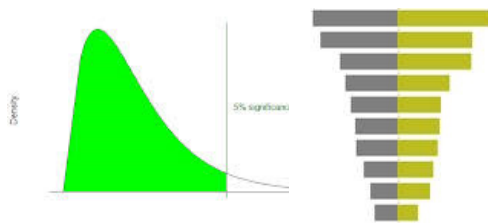


3. Recognising risk – Example Weather modeling

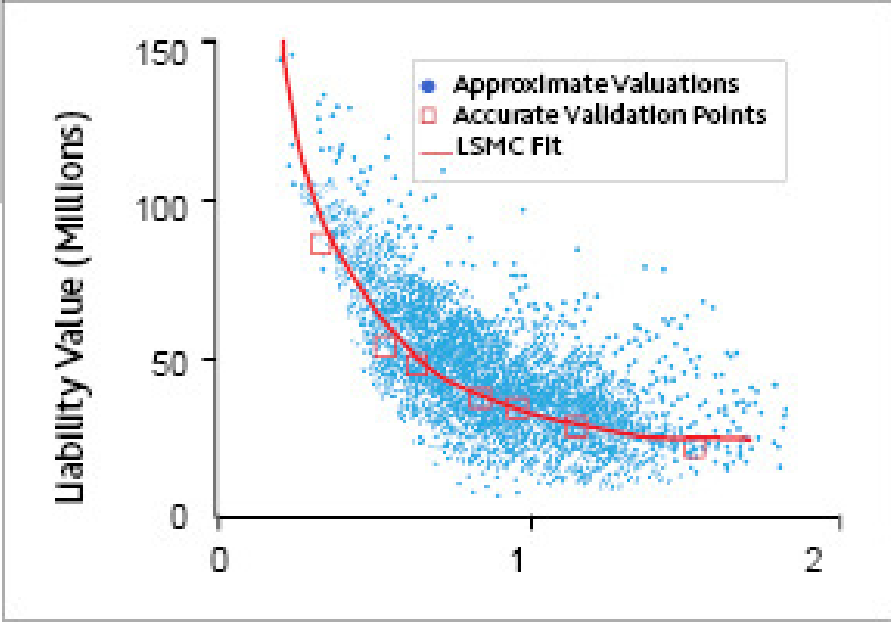
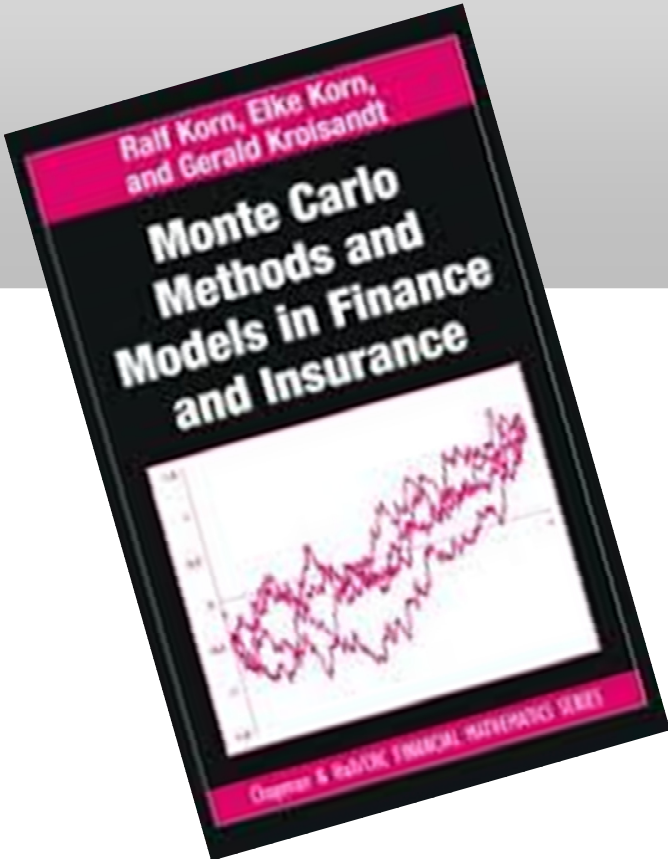
Input
Distributions



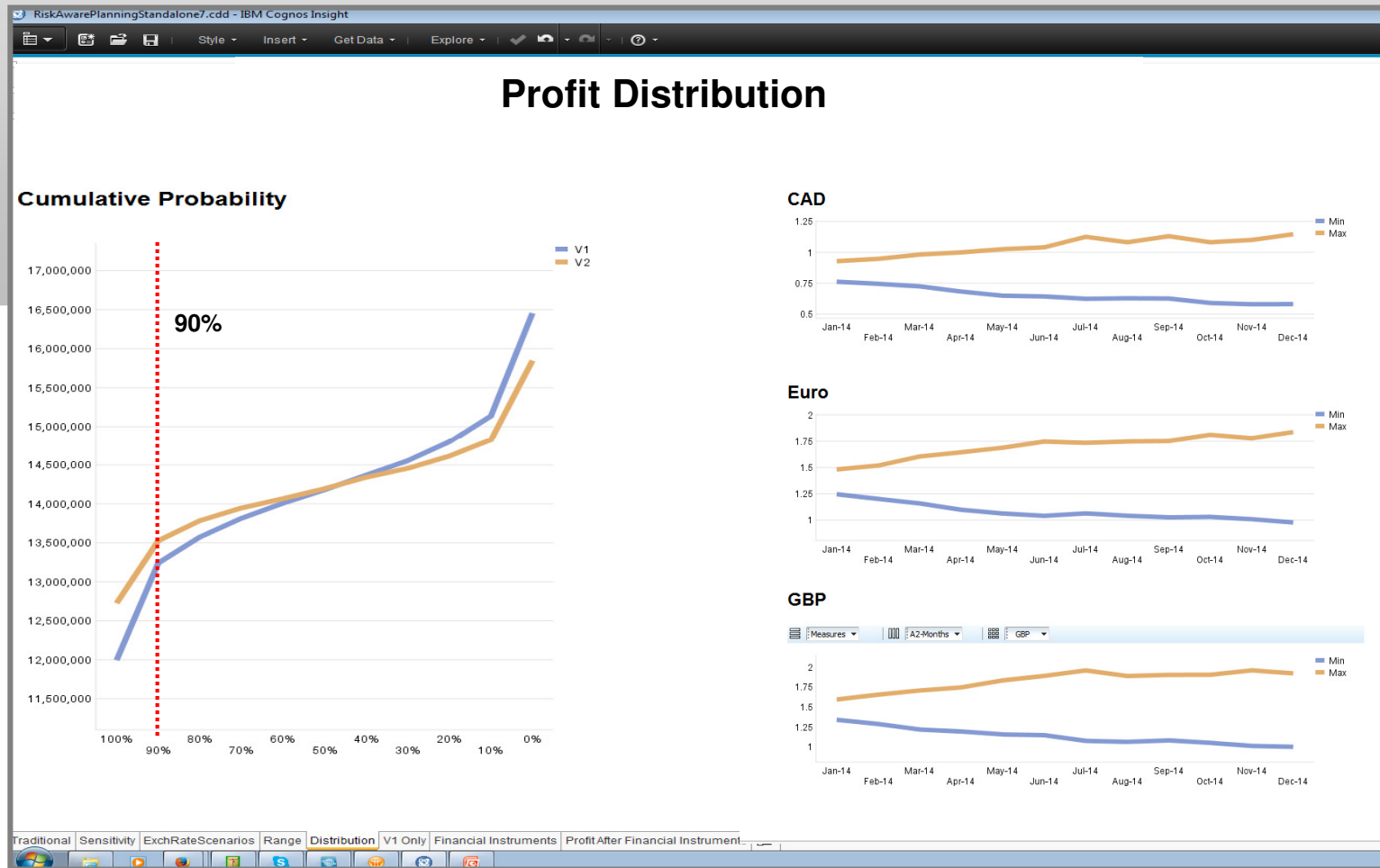
Combine and
Analyse



3. Recognising risk – Example Actuarial cost modelling

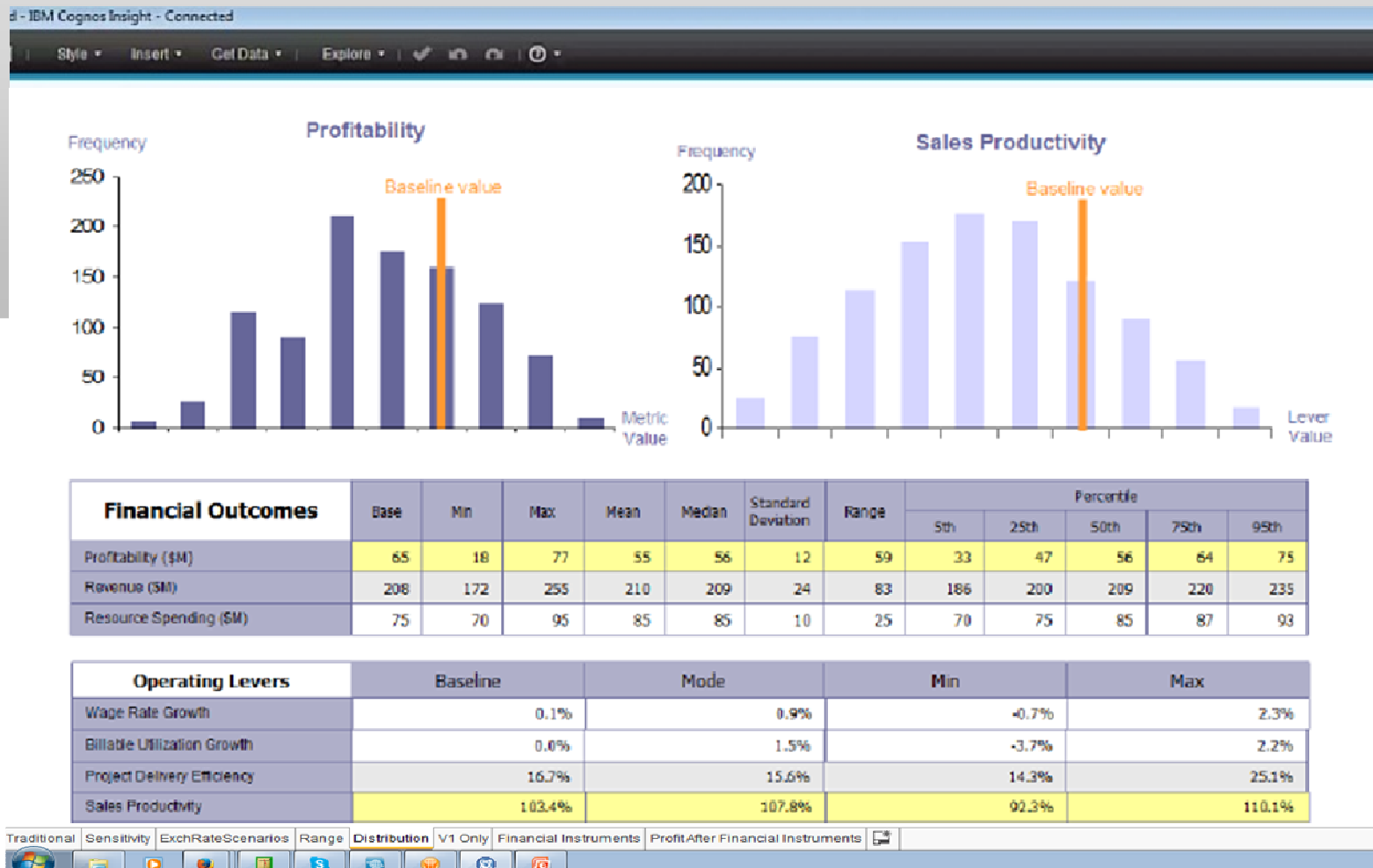


3. Recognising Risk – Key Enabler Monte Carlo simulations of Currency Exchange



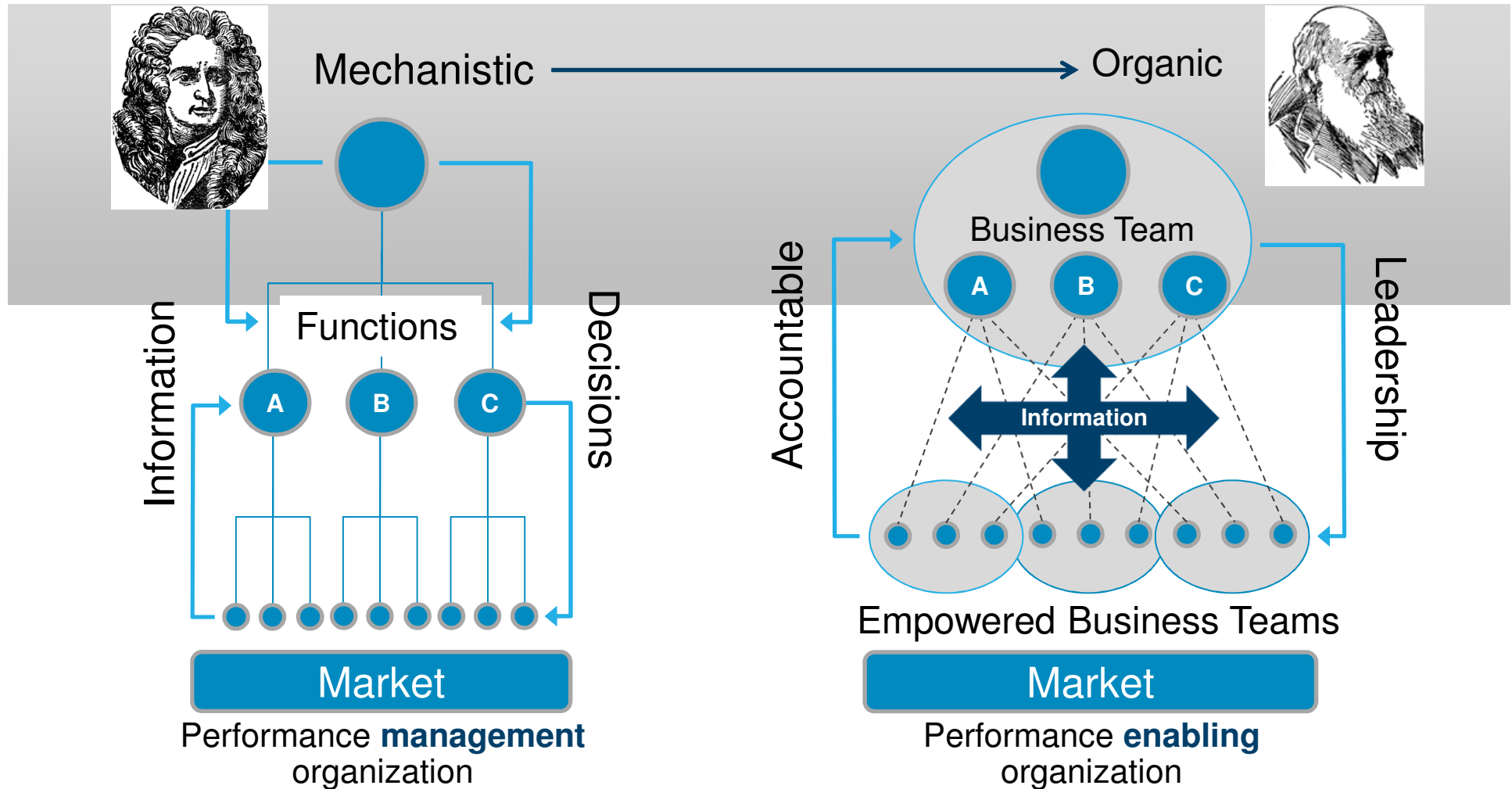


3. Recognising Risk – Enabler Multi-variable simulations of possible outcomes

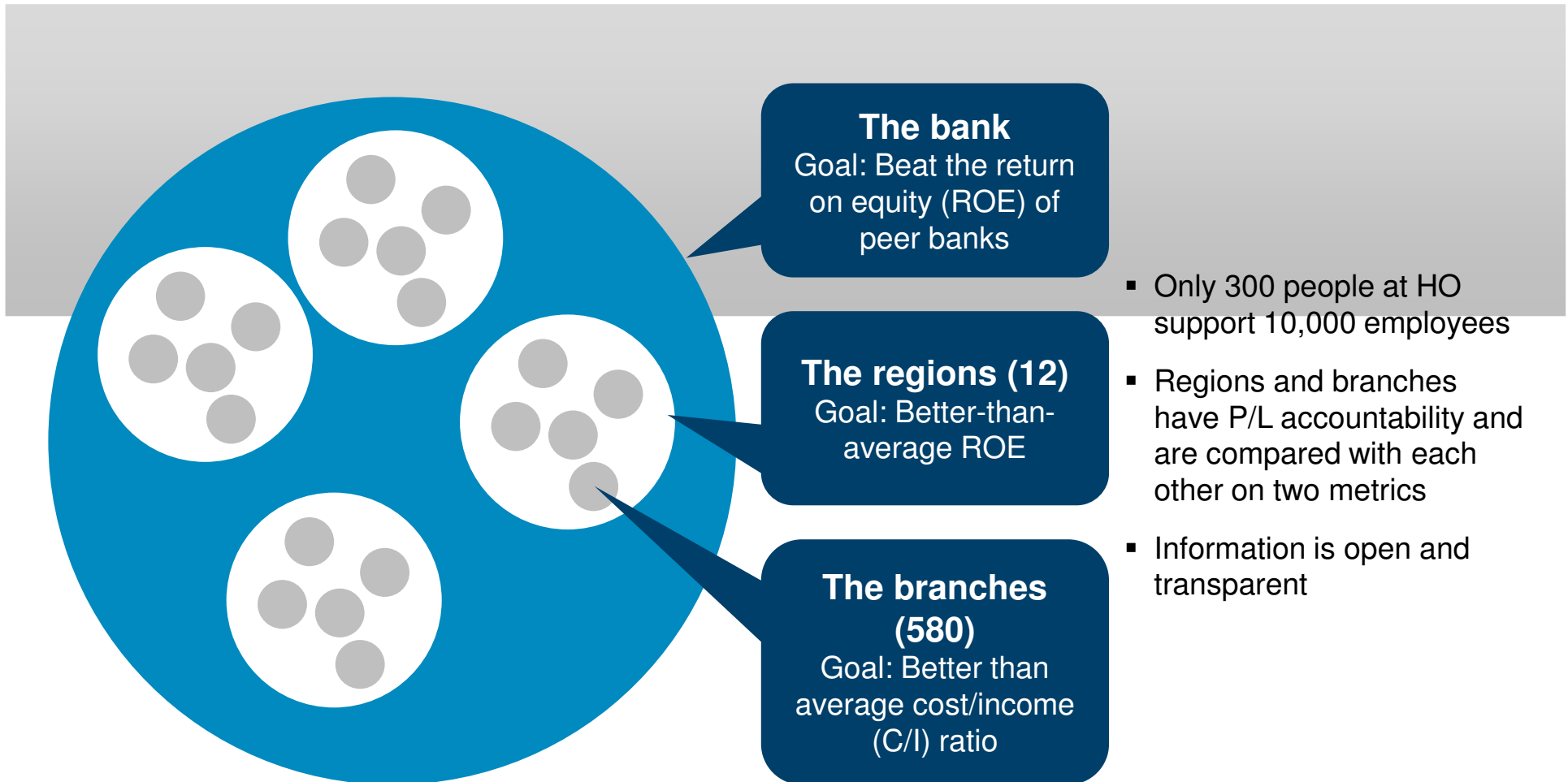


Beyond Performance Management Themes

4. From controlling to enabling



4. From controlling to enabling - Example Handelsbanken



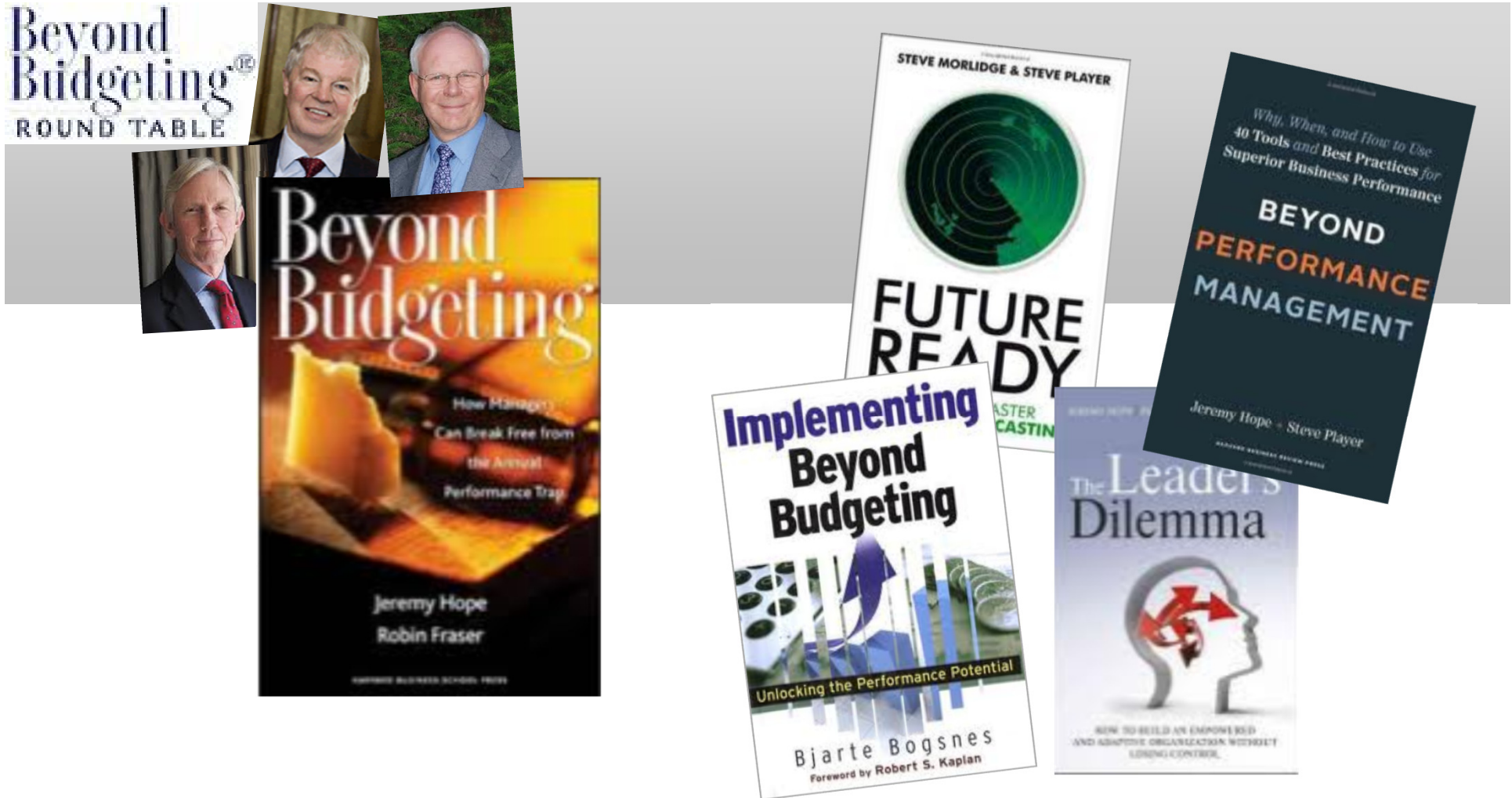
4. From controlling to enabling - Enabler IBM Concert: collaborative performance management

The screenshot displays the IBM Concert interface for expense planning. The main area shows a table of expenses categorized by account, with columns for Base Plan Y2008 Total and monthly breakdowns (Jan, Feb, Mar, Apr). The table is filtered for 'United States' and 'Cooking Gear'.

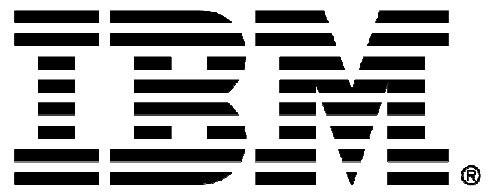
ACCOUNT	Trend	Base Plan Y2008 Total	Base Plan Y2008 Jan	Base Plan Y2008 Feb	Base Plan Y2008 Mar	Base Plan Y2008 Apr
Compensation						
#Employees		9	7	7	7	8
Salary		748,475	59,558	59,558	59,558	65,808
Other Payroll		185,412	12,764	12,764	12,764	15,149
Payroll Taxes		76,074	76,074	76,074	76,074	8,387
Compensation Sub-Total		1,010,961	78,906	78,906	78,906	89,351
Employee Expense Drivers						
Employee Expense Sub-Total		14,594	1,001	987	987	1,128
Operating Expenses						
Advertising		25,880	858	775	575	4,022
Public Relations		30,000	2,800	2,600	2,900	2,600
Promotional Goods		25,000	2,083	2,083	2,083	2,083
Promotional Materials		8,850	4,000	4,000	234	550
Computer Supplies		4,670	1,175	1,150	1,275	445
Consulting		35,000	12,170	12,170	3,421	1,784
Phones		6,500	542	542	542	542
Travel		6,000	500	500	500	500
Rent		25,000	2,083	2,083	2,083	2,083
Operating Expense Sub-Total		171,900	27,216	27,216	14,689	16,104
Allocated Expenses						
A located Finance Expense		276,443	25,008	24,895	25,072	26,028
A located Manufacturing Expense		91,088	5,781	8,437	6,438	7,599
A located Distribution Expense		356,061	32,497	32,183	32,410	32,763
A located IT Expense		176,888	16,090	16,090	16,090	16,091
A located Admin Expense		345,584	27,217	27,217	27,217	28,829
Allocated Expense Sub-Total		1,245,075	106,554	108,823	107,226	109,305
TOTAL EXPENSES		2,442,529	214,687	216,769	202,807	216,487

The right-hand side of the interface shows a social collaboration feed with comments from users like Lincoln Shwen and Paul Henriot, discussing the expense plan and providing feedback.

An emerging alternative: enabling performance...not managing performance



Thank you!



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