



The CFO's Agenda Means Financial Process Innovation

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November 4, 2010



Factors Driving Change in Finance

- Lackluster economic recovery
- Chicken vs. egg – invest before/after demand?
- Profit protection is top priority
- Growth opportunities globally but repatriation tax a worry
- New focus on strategy and execution risk

Sophisticated business analytics must deliver value when home-runs are hard to hit



Free Cash Margin Soars in 2010: Investment Freeze-Frame

CFOs and Treasurers:

- sit on cash – no capital spending, no hiring
- keep SG&A costs in check
- keep receivables and inventory flat
- letting DPO rise



Boards and CEOs Revamp Priorities for Cash

- Pay dividends
- Clean up the balance sheet
- Ride yield curve down—refinance debt
- Share repurchase—actual or just a signal
- Selective “tuck in” M&A
- Invest in process improvement

But this cannot go on forever!



Boards Want Finance to Grow Analytical Capabilities

Finance excels in traditional scope:

- GAAP financial reporting
- Audit review reporting

Finance disappoints on business analyses:

- Operational performance reporting
- Business performance forecasting
- Risk assessment and related reporting
- Risk tolerance and exposure reporting

CFO's Agenda

Increase liquidity but do not disrupt relationships with key vendors or customers

Better cash flow forecasting; stronger accounting controls

Less risk of error in financial statements; reduce cost of financial transaction processing

Manage transaction growth and offer stronger decision-support

Increase ROA, ROIC, volume and earnings growth

Improve

Transform

Process Owner Priorities

AR: targeted acceleration of collections; credit risk analytics;
AP: extend terms without hurting vendors—supply chain financing

AP : automate invoice processing; migrate to e-invoices ; automate workflow in the close process

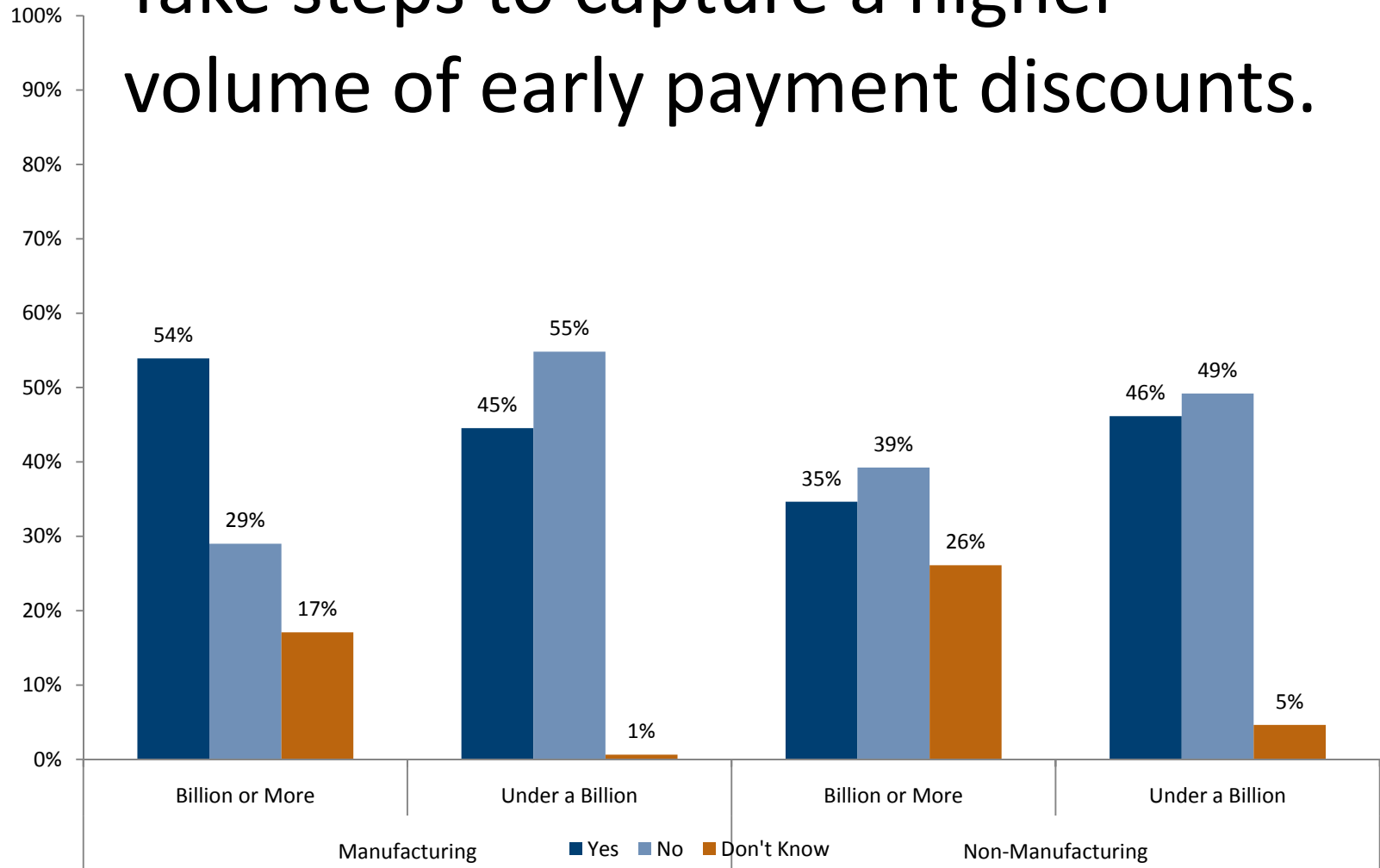
AP and AR: apply Six Sigma disciplines; automated workflows; standardize systems and processes

Multiple FM Processes: standardized, optimized global business services for multiple functions; acquire analytical talent

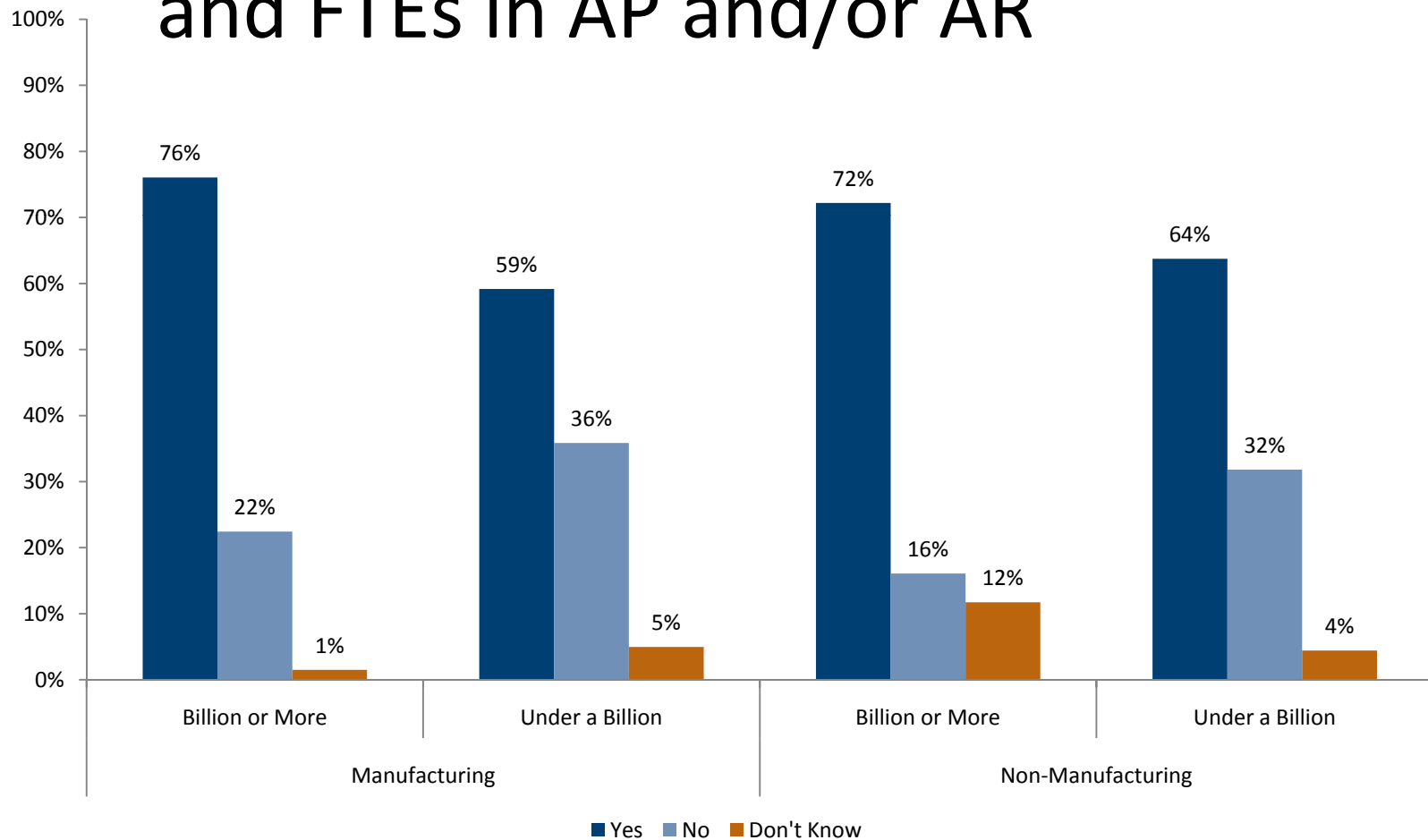
Planning: create models to forecast demand, operating costs, profitability by unit, geo, etc.

Improvement:

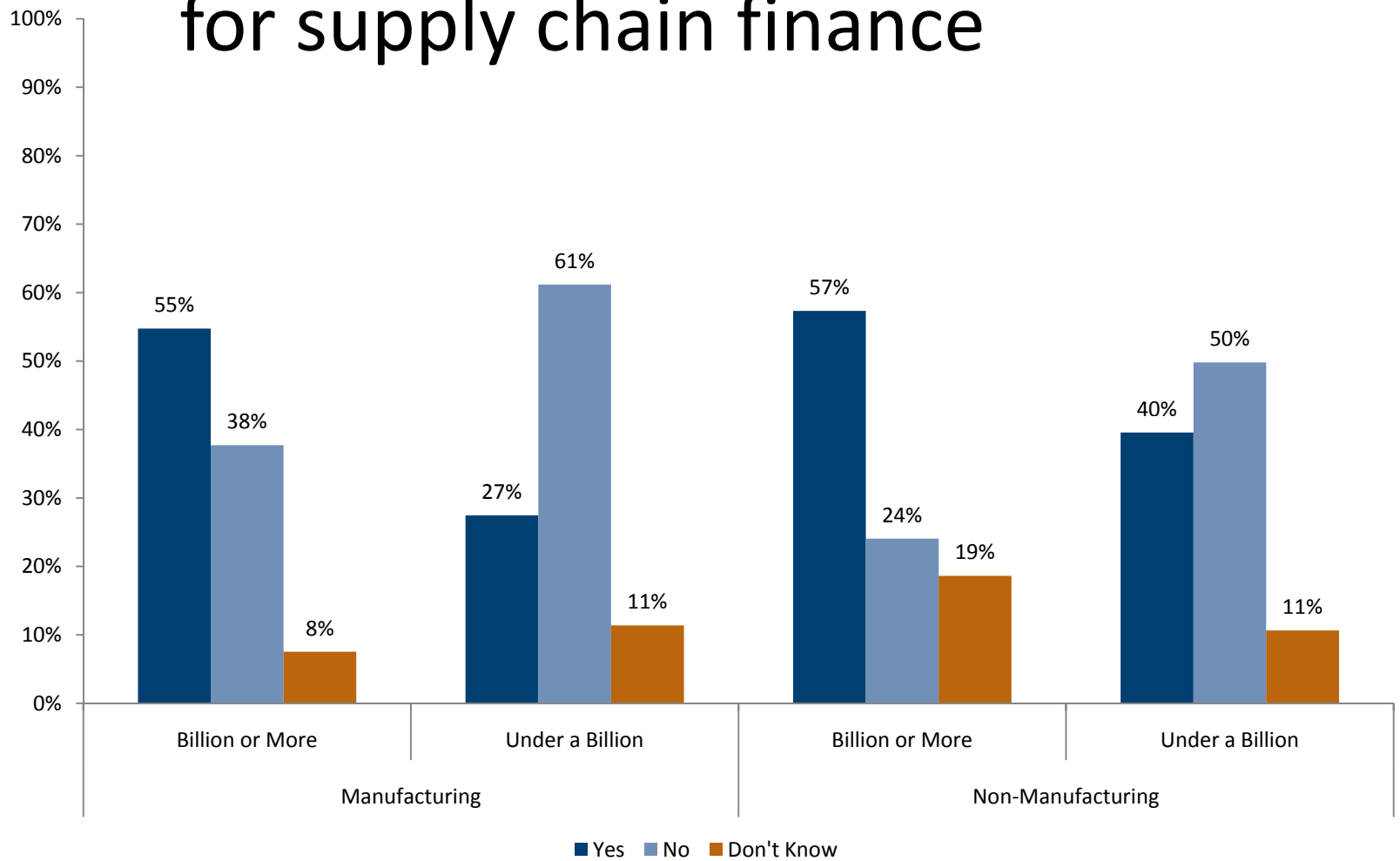
Take steps to capture a higher volume of early payment discounts.



Improvement: Deploy technology to cut paper and FTEs in AP and/or AR



Transform: Consider nontraditional solutions for supply chain finance





Building a Transformation Roadmap

- Example: Boosting Productivity in AP
- Large Global Company: acquisitive innovator
- CEO mandated excellence in execution
- Ripple effect across all business processes

AP Assessment using APQC Metrics:

Result: Good on cost but **lacking on productivity**

<u>Metric</u>	<u>Company</u>	<u>APQC Top Performer</u>
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Cost of AP per invoice processed:

< \$2.56	\$2.61
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of invoices per AP FTE:

9.9K	18.9K
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Invoice line items matched first time:

57%	93%
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of invoice line items received electronically:

72%	80%
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FM Process Evolution Reduced Costs

Decentralized



Regional Shared Services

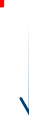


Global Consolidation and Adoption

Next steps:



Technology Enablement & Process Optimization



Add value and insight as end-to-end process owner



Vision: Automate, Standardize, Optimize

Enablers:

- Global end-to-end process owners drive standardization and methodologies in partnership with stakeholders including IT, procurement, and operations
- Identification of successful best practices
- 3rd-party technology to migrate to electronic docs.
- Concrete goals for headcount reduction by automating invoice processing and supplier query management
- Tracking of productivity changes



Pursuit of Best Practices

- Require suppliers to submit invoices electronically via OB10
- Move high volume suppliers to EDI or ERS
- Automated front-end valuations
- Auto posting of electronic invoices to all trans. processing systems
- Supplier self-service model for inquiries
- Automated workflow—e.g. to accelerate payment approvals
- Eventually apply new AP model across globe

Improvement Targets:

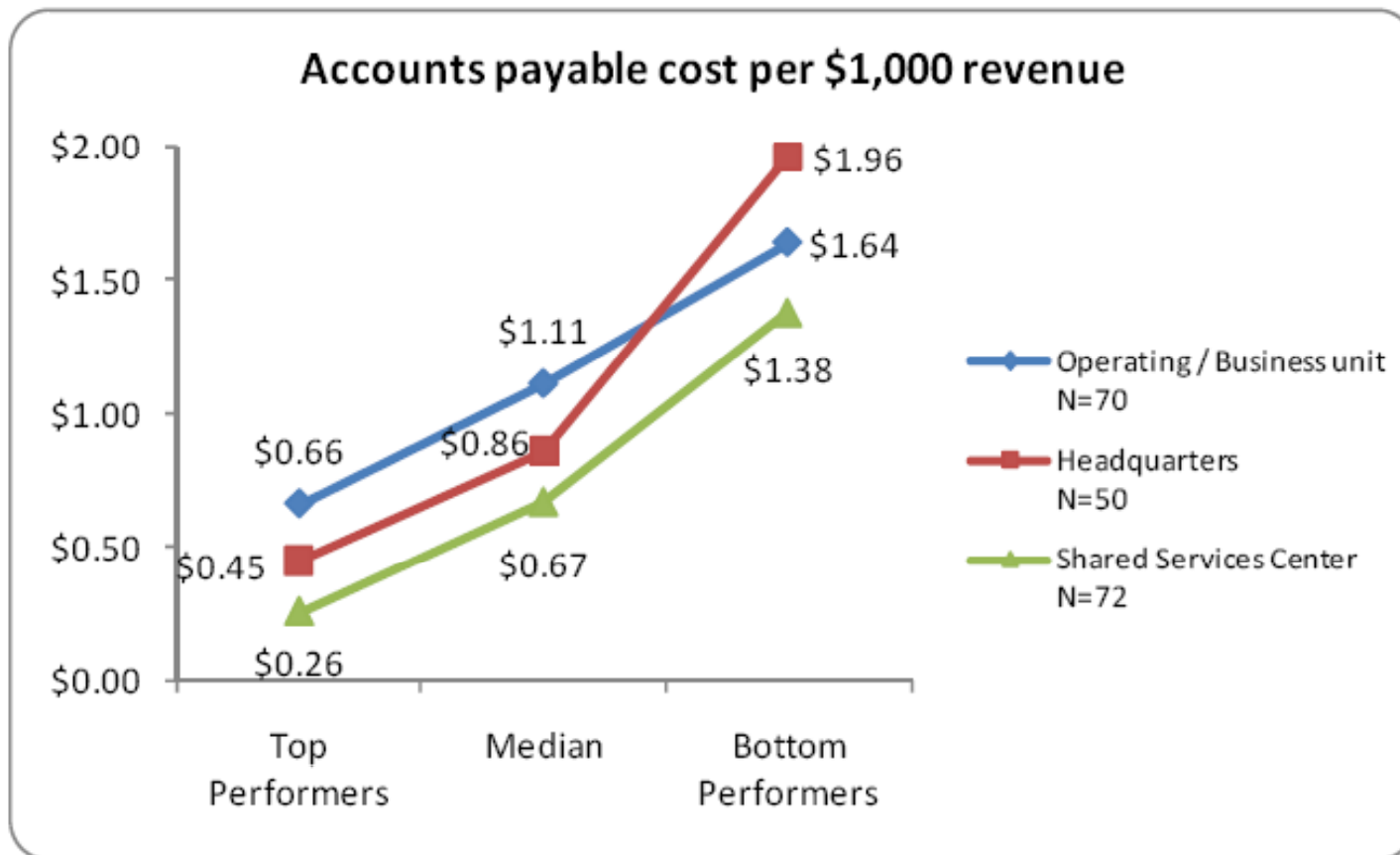
35 headcount reduction from electronic invoicing

19 headcount reduction from front-end validations

52 headcount reduction from automation of supply query mgt.

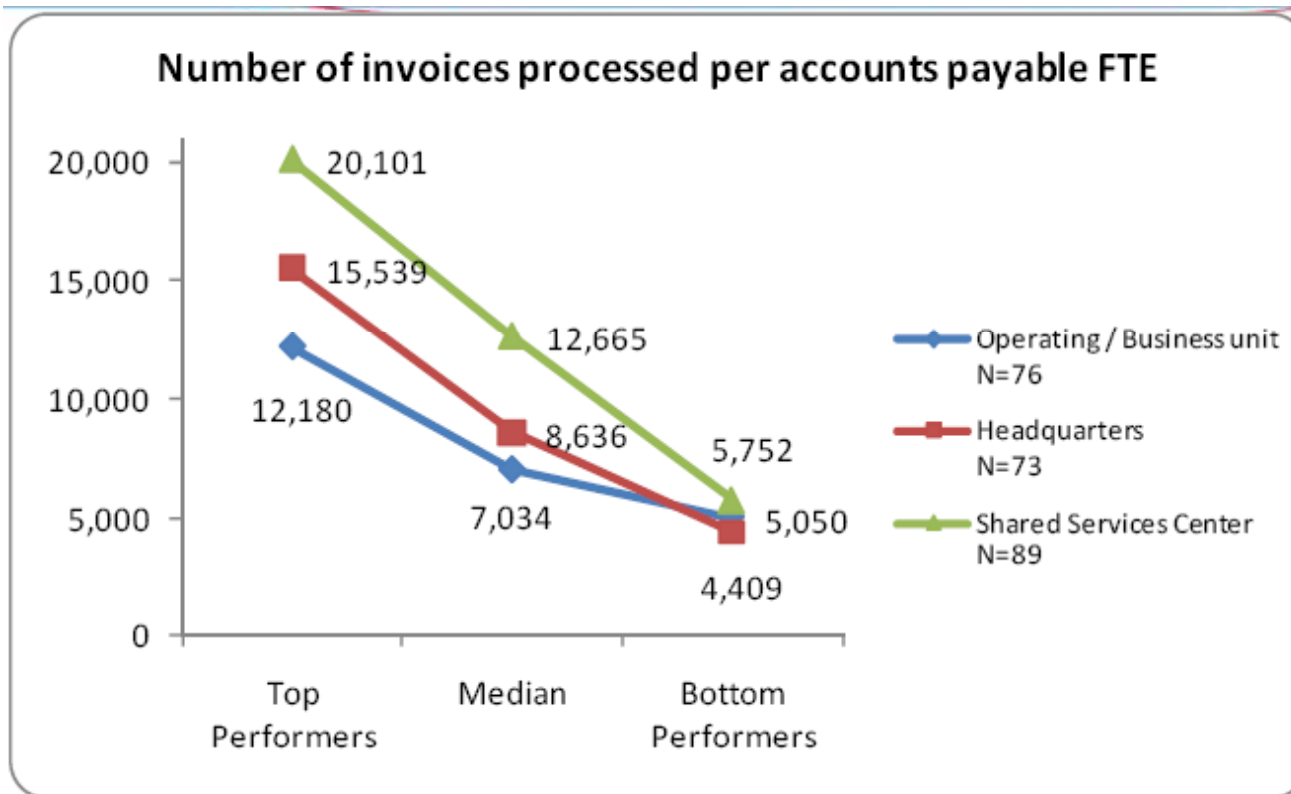
Financial Shared Services

➤ Cost reduction opportunity

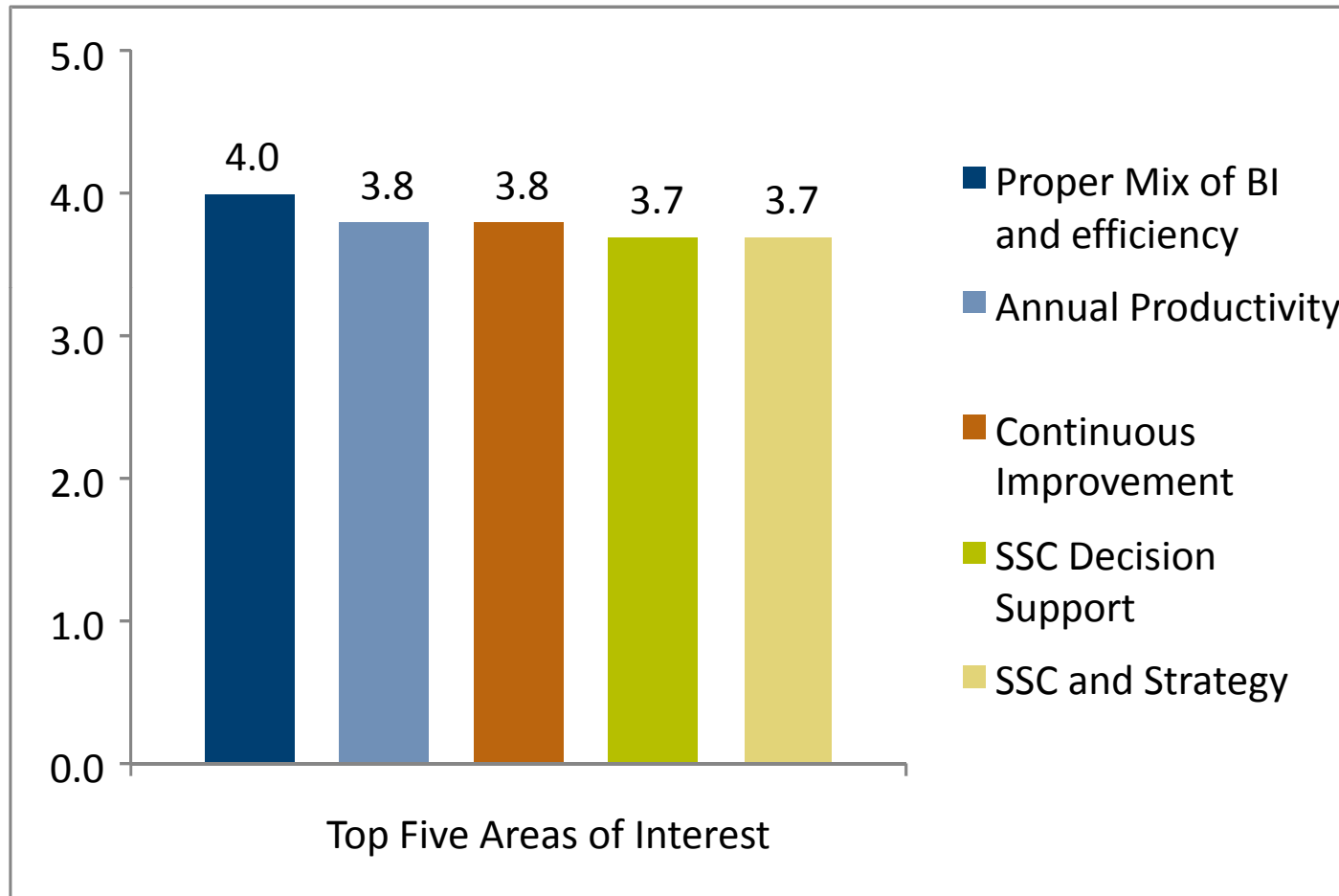


Financial Shared Services

- Opportunity for productivity boost



Next-Generation Financial Shared Services





Driving Value-based Decisions

- Measure WC efficiency at unit level
- Charge back opportunity cost of missed discounts
- Track collections performance by person/account
- Demonstrate customers' relationship value to inform sales and collections judgments
- Gather intelligence on competitors' DPO plans
- Daily cash forecasts circulated to management



Helping General Mills Business Leaders Make Better Decisions

ROC metrics reported at divisional level

- Most complete measure
- More responsive to profit changes than WC
- Balance sheet splits

Also implemented simpler, more actionable metric

- Controllable working capital (inventory) combined with capital expenditures (investment balance)
- Business case more intuitive; highlights cash tradeoffs (less inventory = more capital spend)
- Reported as part of supply chain results; building into performance measures



General Mills – Supply Chain Finance

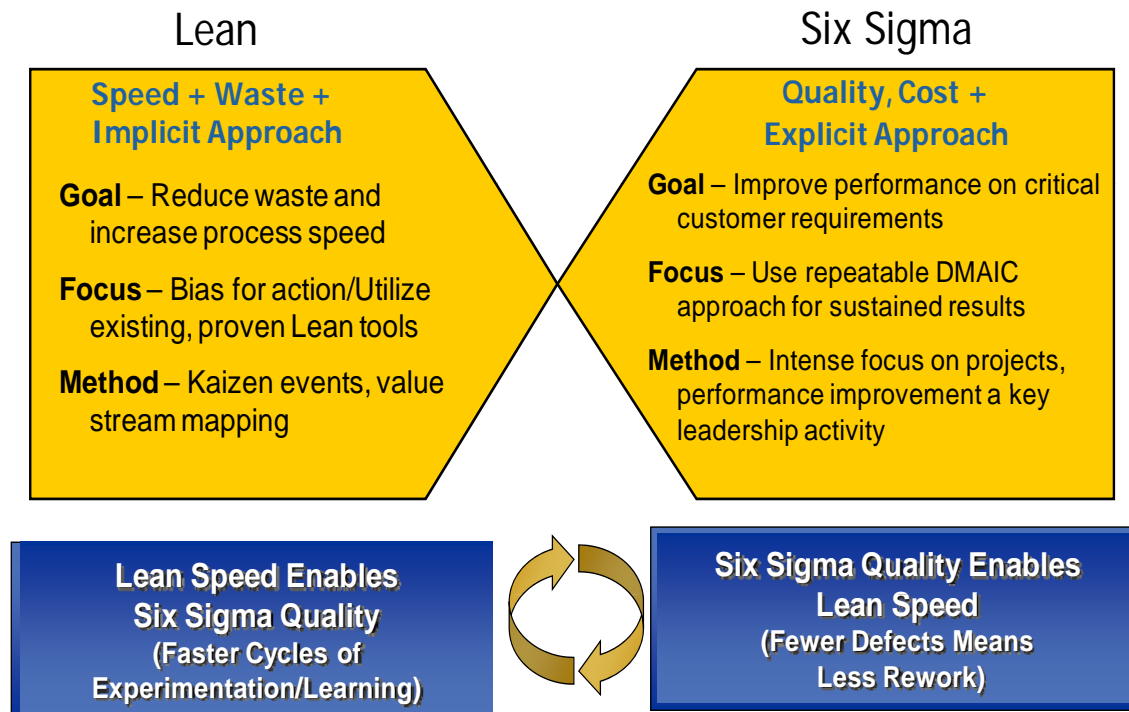
Third party service provider establishes vendor payment capabilities that can be leveraged to improve working capital performance:

- Invoice Visibility Platform (web-based)
- Early Payment System (vendor can elect to be paid earlier than std terms at a discount)
- Automated Payment Solution (vendor has certainty of timing and amount of payment)

GMI introducing across vendor base

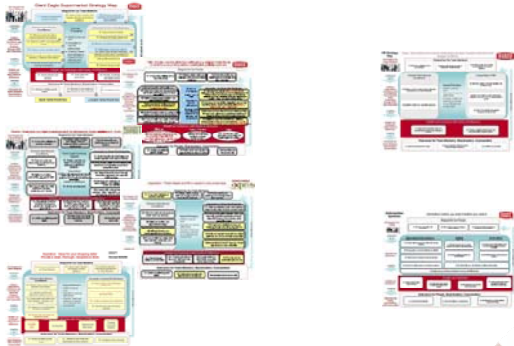
Positive approach to terms extension

Six Sigma Principles Used by Finance at Owens-Illinois

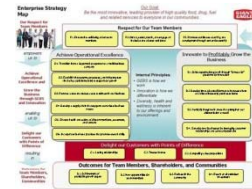


Linking Strategy to Planning—Giant Eagle

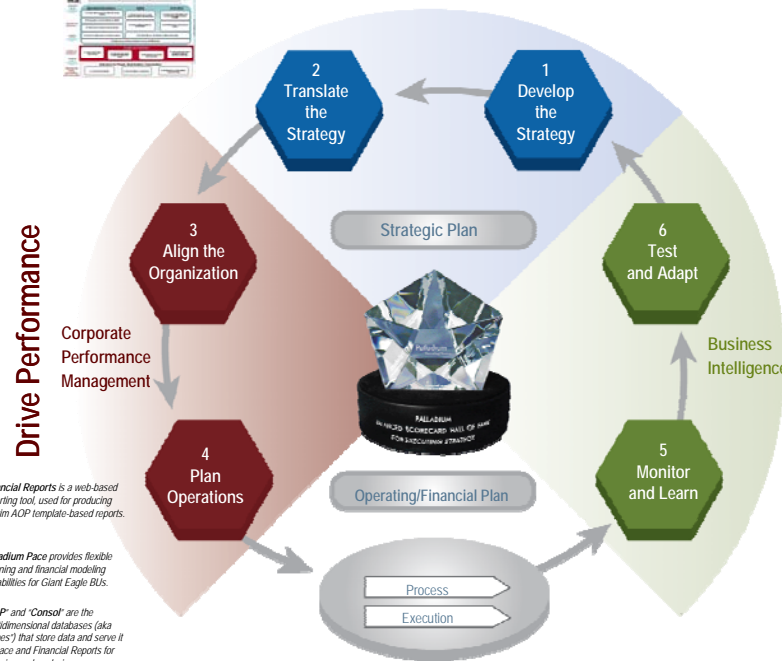
Format and Function Maps



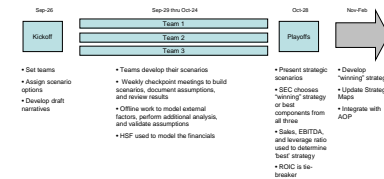
Enterprise Strategy Map



Clarify Strategy

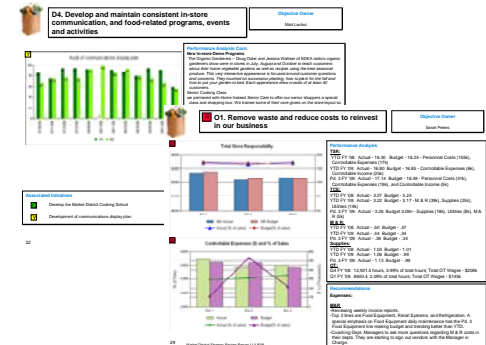


Strategy Game

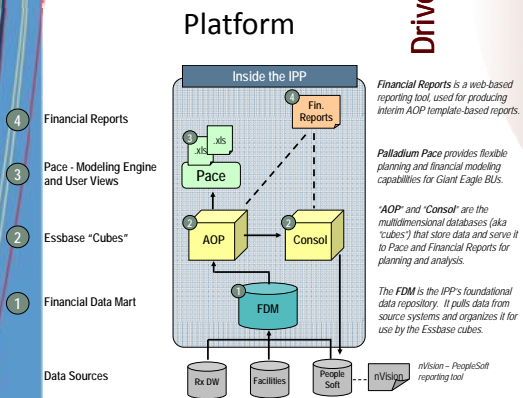


Optimize Data

Strategy Review Meetings



Integrated Planning Platform



Drive Performance

Corporate Performance Management

Business Intelligence

Plans & Budgets

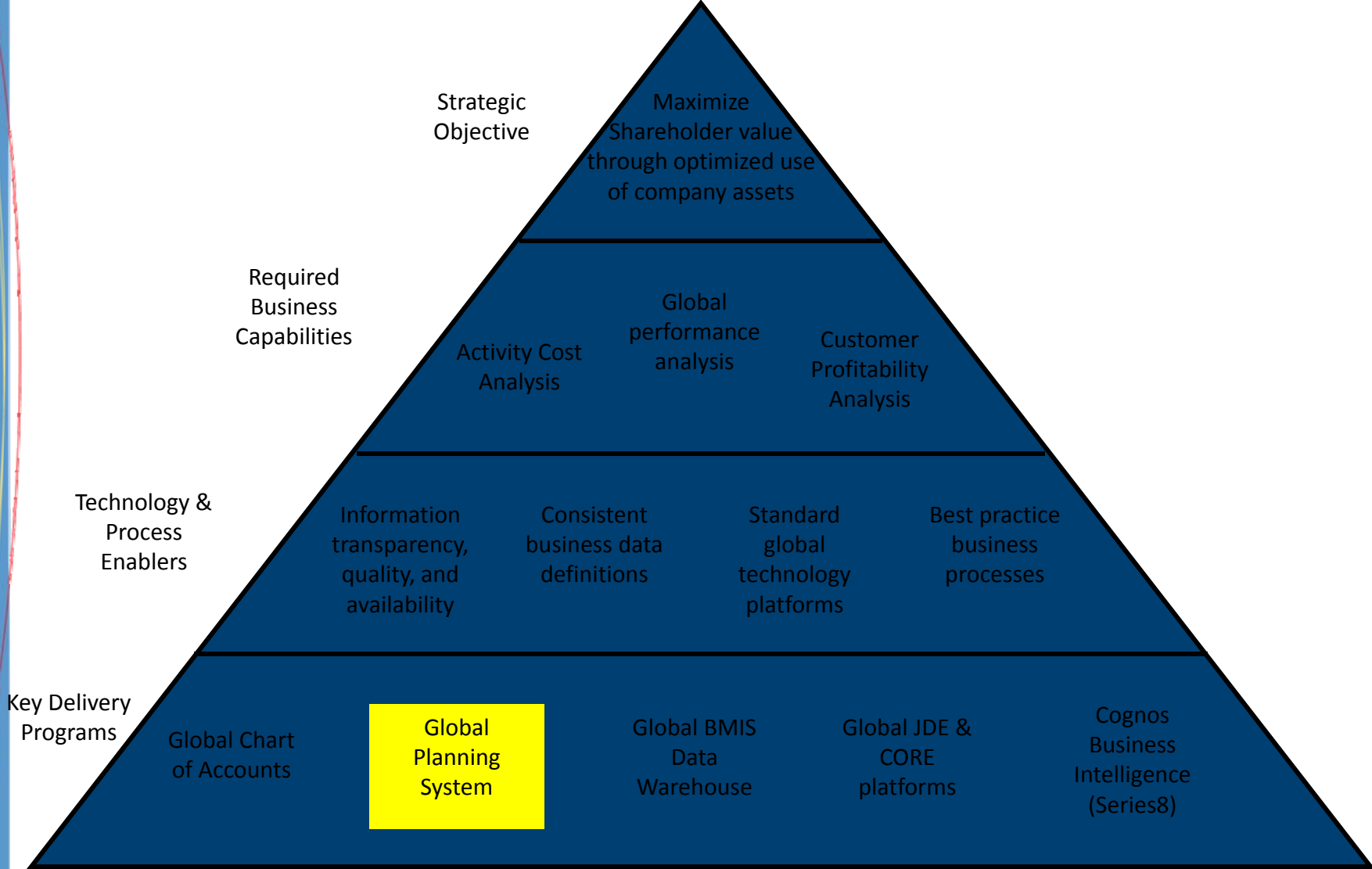
P&L Highlights

Item	2010	2011	2012	2013	2014	2015
Net Sales	1,000.0	1,050.0	1,100.0	1,150.0	1,200.0	1,250.0
Operating Profit	150.0	160.0	170.0	180.0	190.0	200.0
Net Income	100.0	110.0	120.0	130.0	140.0	150.0

Three Year Strategic Plan

Year	Revenue	Operating Profit	Net Income
2010	1,000.0	150.0	100.0
2011	1,050.0	160.0	110.0
2012	1,100.0	170.0	120.0
2013	1,150.0	180.0	130.0
2014	1,200.0	190.0	140.0
2015	1,250.0	200.0	150.0

John Wiley & Sons -- Strategic Context



Realized Business Value at Wiley

One version of the truth

- Global discipline leaders can now report and discuss globally accessible information. Dialogue is focused on analytics rather than consolidation issues.
- The integration of data (actuals/plan/forecast) and Cognos EP and with Series 8 reporting support the end goal of a strong financial systems portfolio (information factory).

Accountability

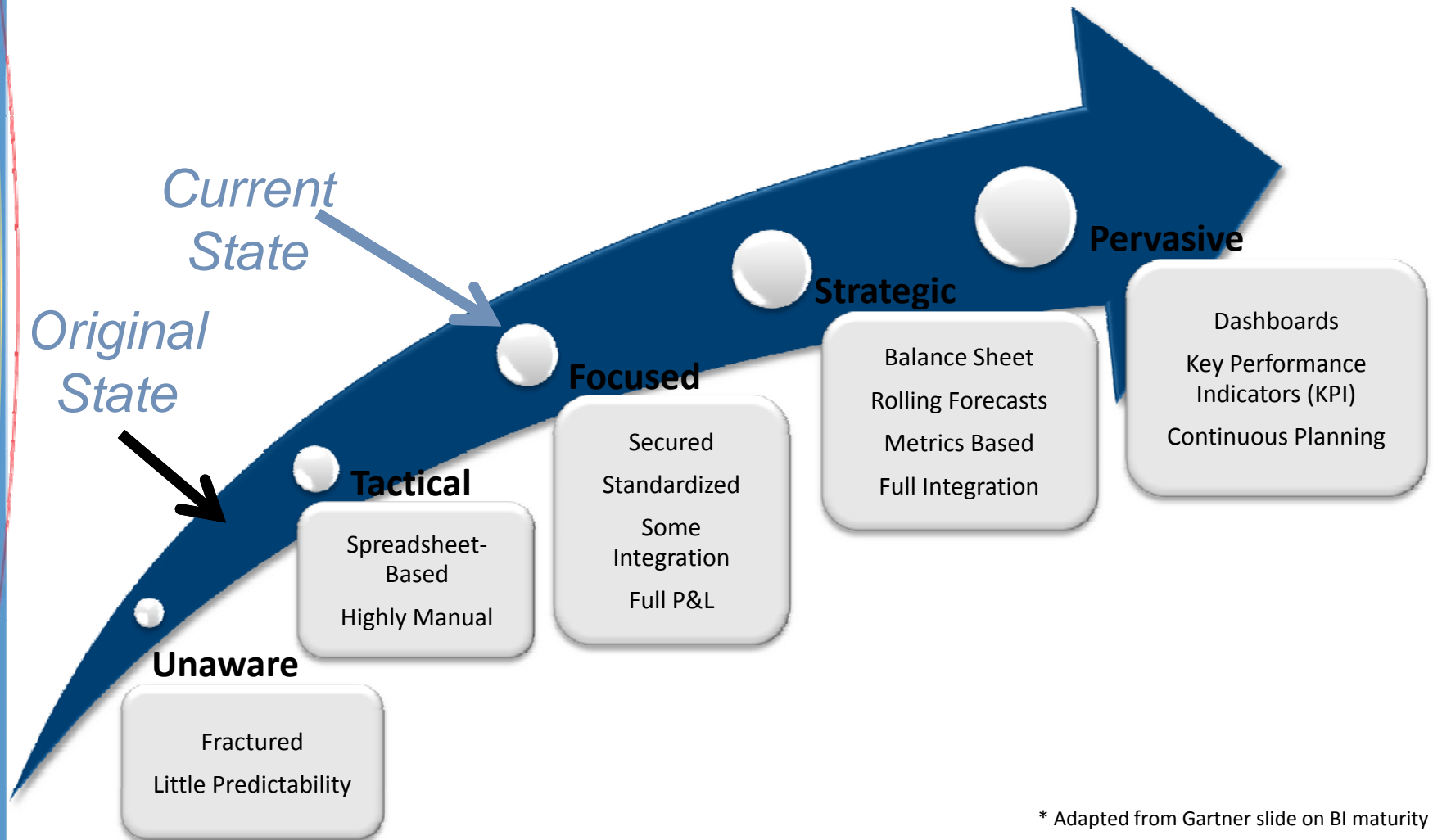
- Online workflow management for the plan submission process enables clear ownership, specifically multiple levels of review allows for the practical regional input of data with a global discipline managing the hierarchy.

Transparency of details

- The ability to slice data by products, global subject categories and natural accounts improves information analytics, quality and availability.



John Wiley & Sons Planning Maturity



* Adapted from Gartner slide on BI maturity

Change Management Principles

Zappos.com Finance

- Build **Awareness** of the need for change
- Create **Desire** to participate and support the change
- Transfer **Knowledge** on how to change
- Develop **Ability** to implement required skills and behaviors
- Provide **Reinforcement** to sustain the change

* Prosci Change Management “AKBAR” method.



Summary: Opportunities Abound

- Demands on Finance have increased
 - Detailed scenario assessments
 - Quantify economic impact of operating decisions
 - Embed further in operations
 - Enable agile resource allocation

- Add more value!
 - Streamline and increase productivity
 - Standardize, automate, optimize
 - Build strong analytical capabilities
 - Raise the financial I.Q. of the enterprise

Thank you

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