Excellence in Management Reporting, Profitability Analysis & Cost Transparency

Marc Seewald, Senior Director
Oracle, EPM Product Management
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financial executives
international

Allocation-based Business Processes

1. What are the Best Practices?

2. What are the biggest opportunities to save time & reduce cost?

3. What is the Business Value of Transparency?

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"Europe's top activist investor calls end to conglomerates: Christer Gardell criticises *'old-fashioned structure that is difficult to manage'"*

— Financial Times, September 10th, 2017

Factors Driving the Need for Change

Globalization & business complexity

Increasing regulatory changes

Rising demands from investors and capital markets

Digital Disruption

Poll Question #1

1. What roles do you represent in your company?
   a. Corporate Finance
   b. Finance – outside of corporate
   c. Shared Services
   d. IT
   e. Other

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Allocation-based Business Processes

Product, Customer, Channel Profitability

Management Allocations

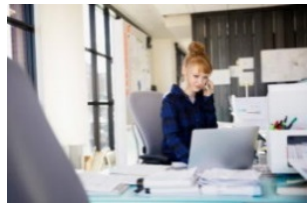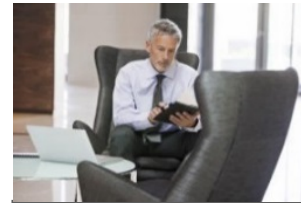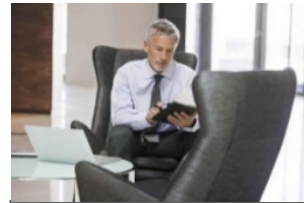IT Service Costing & Chargeback

Shared Service Allocations

Cost Transparency

Operational Transfer Pricing

Allocation-based Business Processes

| Product, Customer, Channel Profitability | Management Allocations | IT Service Costing & Chargeback | Shared Service Allocations | Cost Transparency | Operational Transfer Pricing |

- ✓ **Stakeholder:** VP of FP&A, Business Unit Leaders
- ✓ **Challenges:** Extending financial data beyond the chart of accounts (e.g. customer)

Allocation-based Business Processes

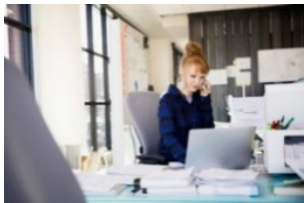| Product, Customer, Channel Profitability | Management Allocations | IT Service Costing & Chargeback | Shared Service Allocations | Cost Transparency | Operational Transfer Pricing |

✓ **Stakeholder:** VP of FP&A, Controller

✓ **Challenges:** Consistency across actuals & plan data; connection to related EPM processes

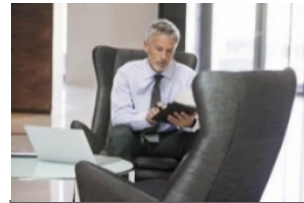ORACLE®

Allocation-based **Business Processes**

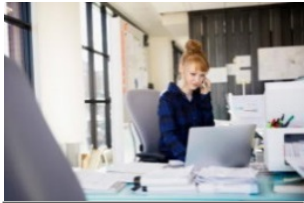| Product, Customer, Channel Profitability | Management Allocations | IT Service Costing & Chargeback | Shared Service Allocations | Cost Transparency | Operational Transfer Pricing |

✓ **Stakeholder:** CIO

✓ **Challenges:** Collecting IT operational data from multiple sources and connecting with Financial data
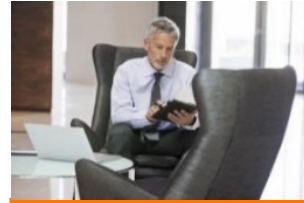
Allocation-based Business Processes

| Product, Customer, Channel Profitability | Management Allocations | IT Service Costing & Chargeback | Shared Service Allocations | Cost Transparency | Operational Transfer Pricing |

✓ **Stakeholder:** VP of Shared Service

✓ **Challenges:** Justification & Credibility
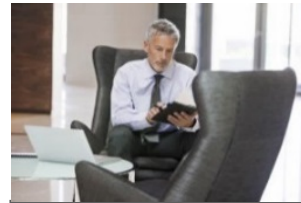
Allocation-based **Business Processes**

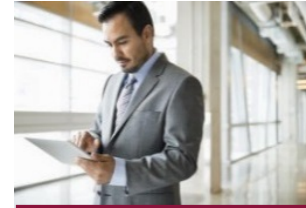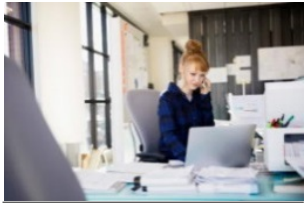| Product, Customer, Channel Profitability | Management Allocations | IT Service Costing & Chargeback | Shared Service Allocations | Cost Transparency | Operational Transfer Pricing |

✓ **Stakeholder:** VP of FP&A, Controller

✓ **Challenges:** Cascading costs down to services delivered (e.g. higher ed, public sector)

Allocation-based Business Processes

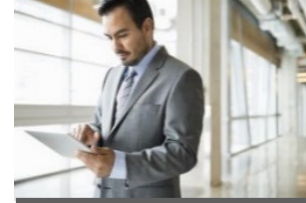| Product, Customer, Channel Profitability | Management Allocations | IT Service Costing & Chargeback | Shared Service Allocations | Cost Transparency | Operational Transfer Pricing |

✓ **Stakeholder:** VP of Tax, Controller

✓ **Challenges:** External credibility, audit defense

Poll Question #2

2. For which allocation-based business process do you have responsibility?

    a. Profitability Analysis
    b. Management Allocation / Cost Transparency
    c. Shared Services
    d. IT Allocations
    e. Transfer Pricing
    f. Other

The Business Case for Aligning Allocation-based Business Processes

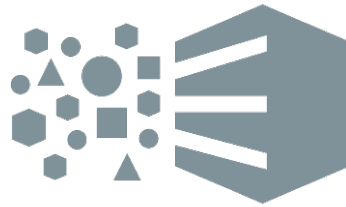| #	Value Point	Examples
1	**Faster Data**	• Financial data (actuals and forecast) • Driver data (e.g. headcount, square footage, etc.) • Operational data
2	**Better Data**	• Metadata (e.g. Revenue) • Consistent use of drivers (e.g. FTE vs. headcount) • User Security
3	**Lower Costs**	• Data integration • Training • Support • Software

Typical Approaches
Allocation-based Business Processes

Spreadsheets

- ✓ Very manual & prone to errors
- ✓ Slow! Time consuming
- ✓ Lacks controls & governance

ERP

- ✓ "Black-box"; lacks transparency
- ✓ Can't be owned by the business
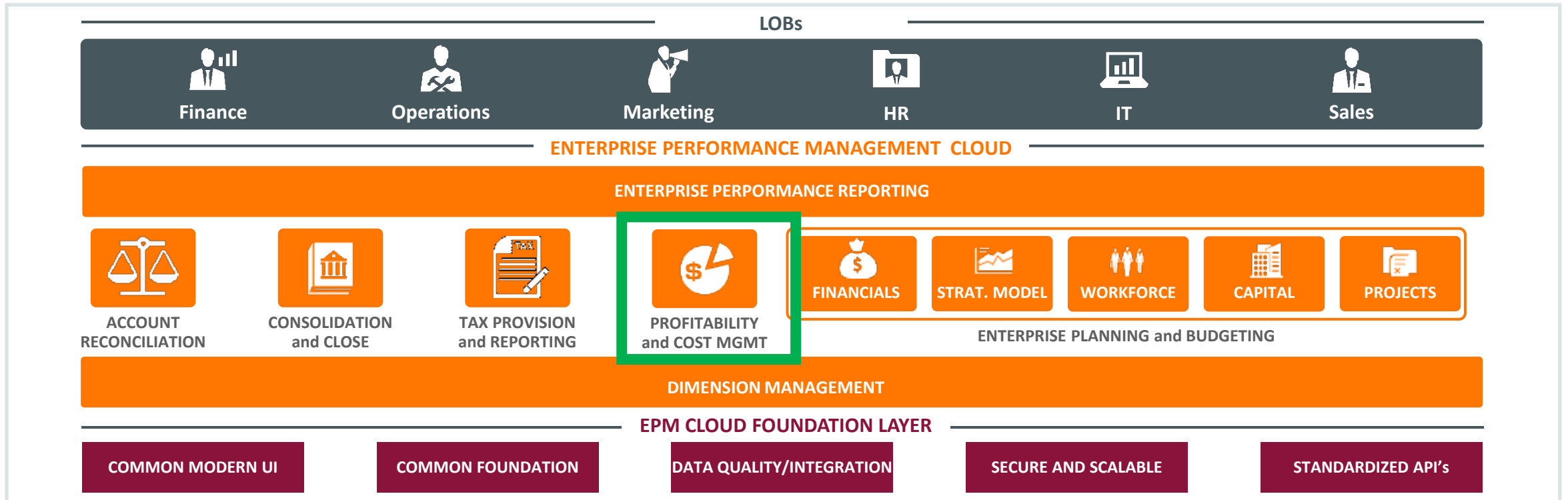- ✓ Unable to extend ERP data (e.g. customer)
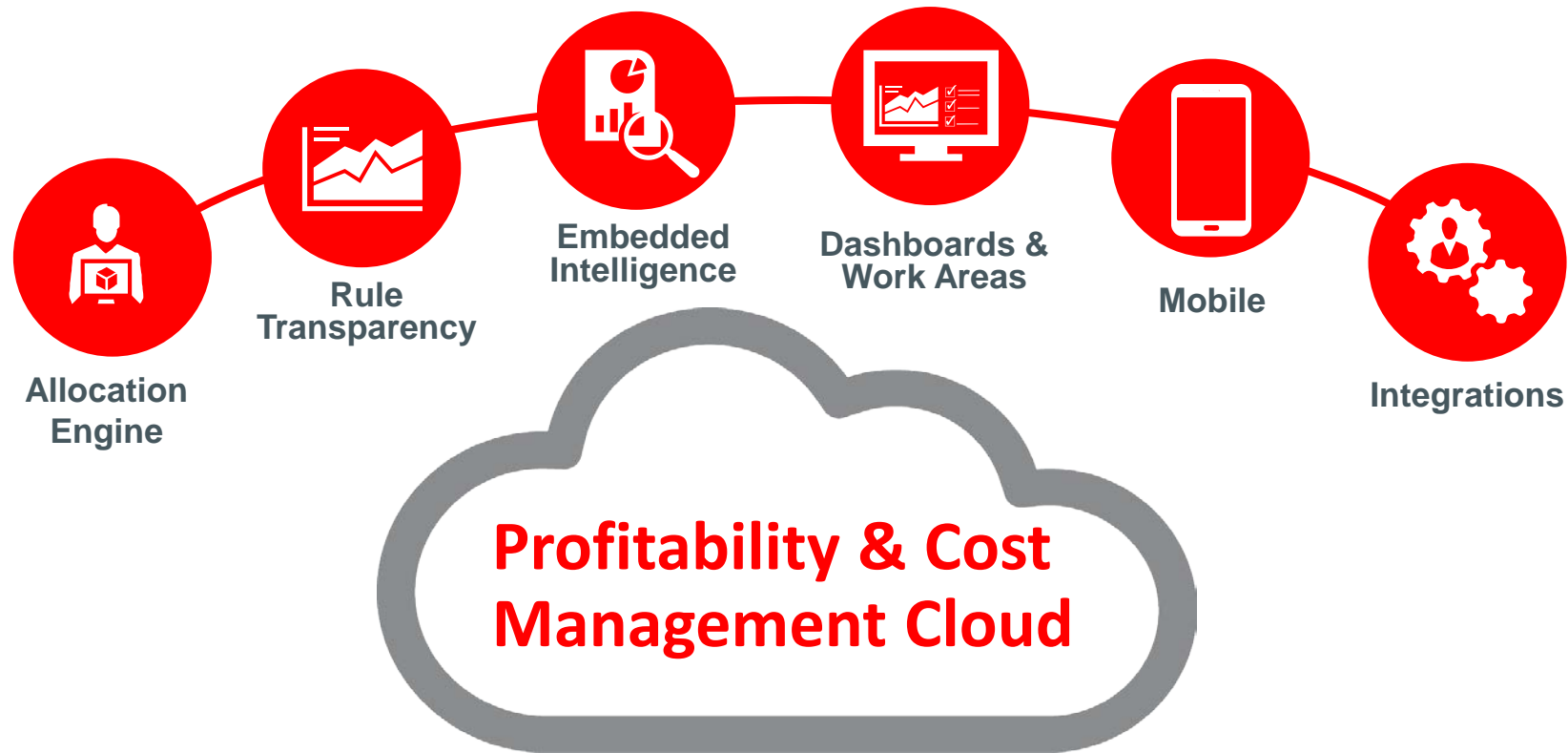
Custom Built
(Planning, Essbase, etc.)

- ✓ "Black-box"; lacks transparency
- ✓ Difficult to change logic
- ✓ Grows unwieldy overtime

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The **ONLY** complete EPM Cloud solution

GLOBAL

MOBILE

SOCIAL

COLLABORATION

MARKET PLACE

SELF SERVICE

DATA VISUALIZATION

INTEGRATIONS

LOBs

| Finance | Operations | Marketing | HR | IT | Sales |

ENTERPRISE PERFORMANCE MANAGEMENT CLOUD

ENTERPRISE PERFORMANCE REPORTING

| ACCOUNT RECONCILIATION | CONSOLIDATION and CLOSE | TAX PROVISION and REPORTING | PROFITABILITY and COST MGMT | FINANCIALS | STRAT. MODEL | WORKFORCE | CAPITAL | PROJECTS |

ENTERPRISE PLANNING and BUDGETING

DIMENSION MANAGEMENT

EPM CLOUD FOUNDATION LAYER

| COMMON MODERN UI | COMMON FOUNDATION | DATA QUALITY/INTEGRATION | SECURE AND SCALABLE | STANDARDIZED API's |

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The **Complete** Allocation Solution

Allocation Engine · **Rule Transparency** · **Embedded Intelligence** · **Dashboards & Work Areas** · **Mobile** · **Integrations**

Profitability & Cost Management Cloud

✓ **Integrates with financial and operational systems**
✓ **Owned by the Business Users**
✓ **Unparalleled Transparency (no 'black box')**
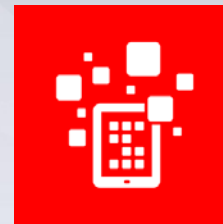
Attack the Challenges Head-On
Oracle Profitability and Cost Management

Visibility into profit winners and losers and areas that need attention

Step-by-step **transparency** into each allocation calculation with robust auditing

Automation of data at a detailed level from the General Ledger and other systems

Ownership to flexibly change assumptions and run scenarios to optimize allocation processes
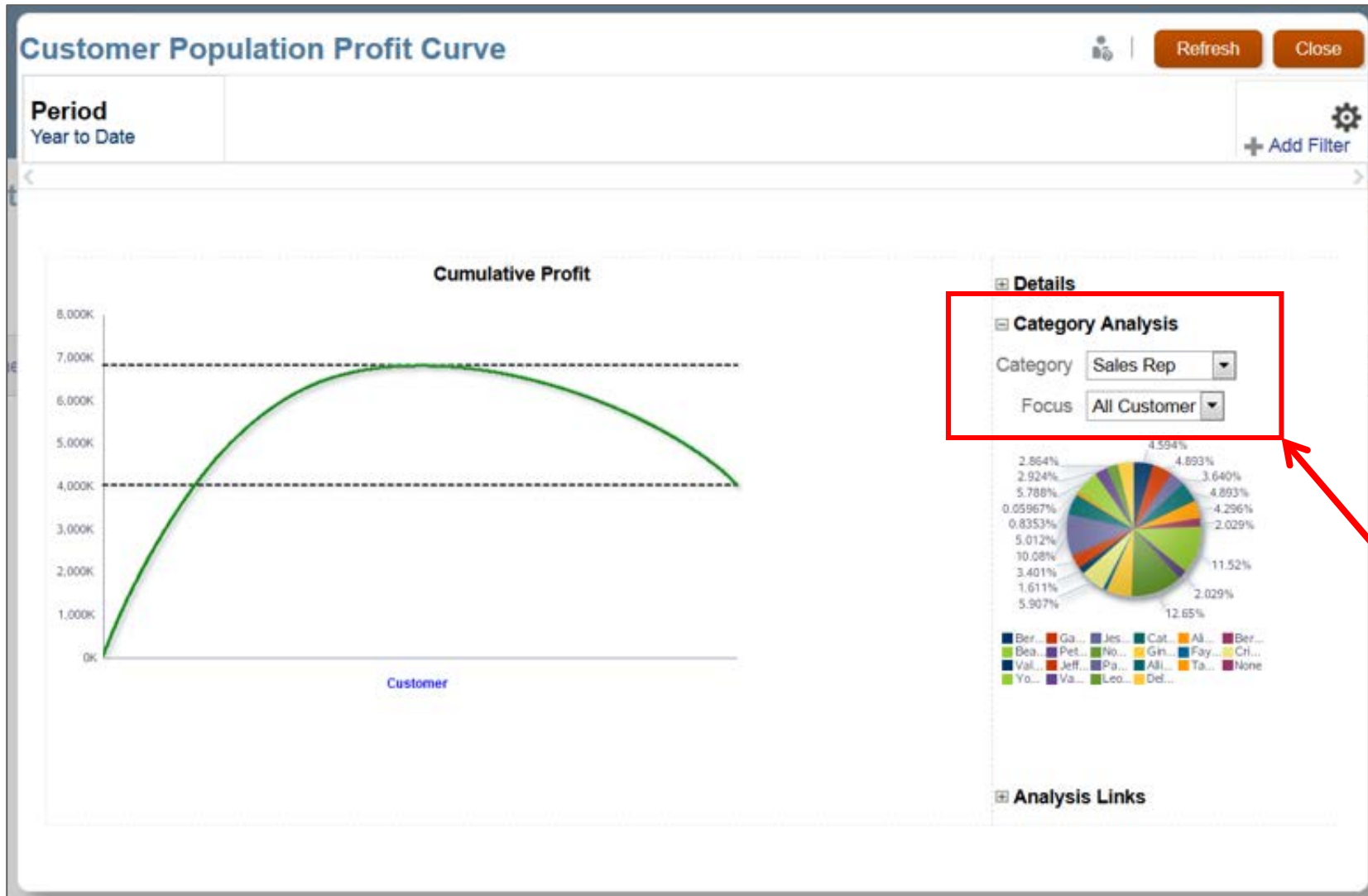
Poll Question #3

3. What do you see as the biggest challenge for allocation-based business processes?
    a. Too much effort to maintain
    b. Lack of transparency
    c. Inadequate data
    d. All of the above

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Visibility via Pre-built Analytics

Visibility

- Actionable insight via profit curve, scatter plot, etc.

- Lower TCO

- Continued investment in roadmap
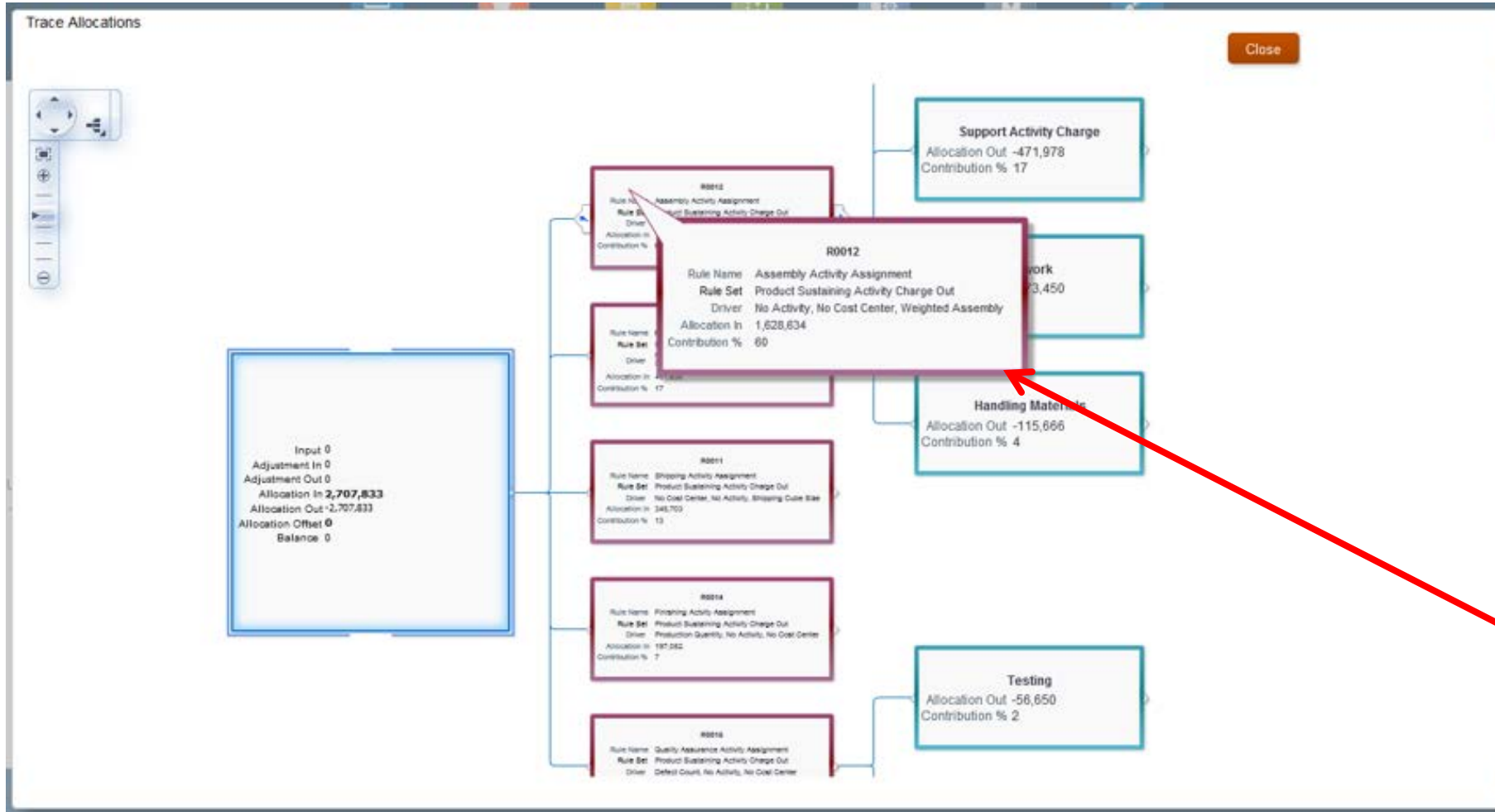
Combine ERP data with operational data for greater insight
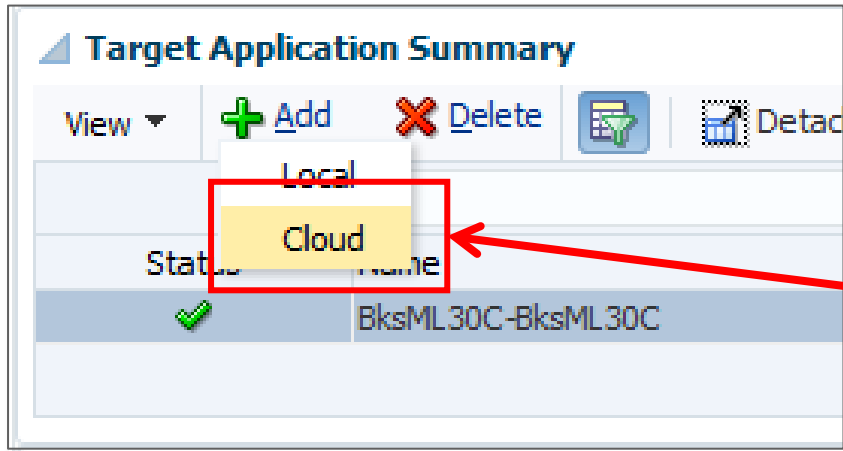
Transparency through 'Trace Allocations'

Transparency

- No more 'black box' calculations

- Transparency promotes Business partnership for 'shared services'

- Drill from 'Rule Balancing' screens directly to SmartView

Insight to each step of the allocation

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Automation of Data via pre-built Integrations

Cloud-to-cloud & Cloud-to-Onpremise integration (no flat file required)

Access to the Right data

- Pre-Built Integration:
  - ✓ Financials Cloud, EBS, PSFT, JDE, SAP
  - ✓ Hyperion Planning & E-PBCS
  - ✓ HFM & FCCS
  - ✓ Etc.

- Robust mapping for 3rd party data

- Support for hybrid deployment

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Business Ownership via Point-and-Click Rule Engine

Easy model building by POV

Point & Click

Business Ownership

- Best practices built-in & no scripting necessary

- Consistent use of drivers and source data

- Strong controls & governance

Poll Question #4

4. From which system do you source financial numbers for you allocation-based business process?
   a. ERP
   b. Financial Consolidation System
   c. Planning System
   d. Data Warehouse
   e. Other

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Allocation-based Business Processes

1. **What are the Best Practices?**

- Find synergy across allocation processes & build business case
- Keep it 'fresh' with a flexible engine
- Empower Calculation Owners (e.g. rule changes, what-if, etc.)
- Empower Calculation Consumers with transparency
- Use the right technology (e.g. don't overburden ERP, Planning, etc.)
- The Cloud materially lowers the threshold for an investment

Allocation-based Business Processes

2. **What are the biggest opportunities to save time & reduce cost?**

i. **Data Collection:** Significantly reduce time spent collecting financial and driver data

ii. **Calculation Maintenance:** Reduce time and costs associated with complex scripting

iii. **Reporting:** Empower users with self-service reporting

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Allocation-based Business Processes

3. **What is the Business Value of Transparency?**

- It hard to precisely quantify value (e.g. more accurate ETR)…
- Opportunity cost of missed insight (e.g. unprofitable customers, products channels, etc.)
- What is the risk of NOT running the business as efficiently as possible?

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Profitability & Cost Management Cloud

Is it 'Old-fashion Business Structure'? Or, is it 'Old Fashioned Technology and Process'?

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Align IT to Run and Grow the Business
Oracle IT Financial Management (ITFM)

- Transparency to IT Service Charges
- Align IT Projects with Strategic Priorities
- IT Spend Analysis: Run vs. Grow vs. Transform
- ITFM helps IT build credibility with the Business

IT Chargebacks & Bill of IT

IT Planning & Analysis

Data Management & Automation

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#EPMCloud #PCMCS
Thank you.

Marc Seewald
EPM Product Management
[in] linkedin.com/in/marc-seewald

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Hardware and Software
Engineered to Work Together

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