



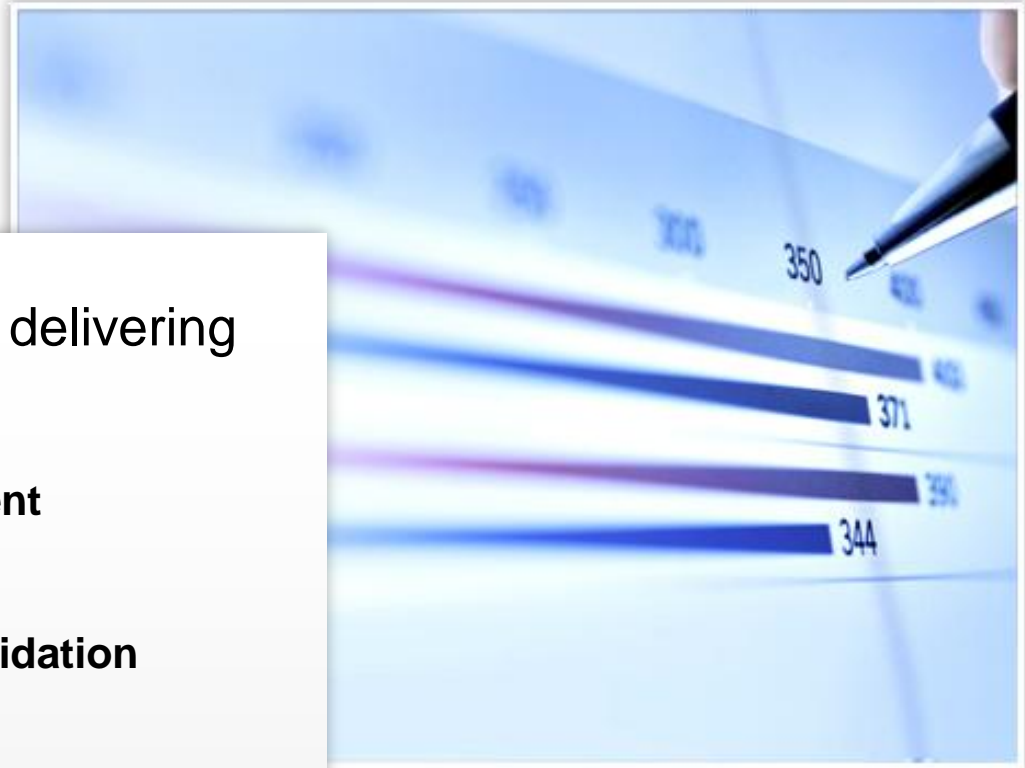
CIMA BiteSize Briefing
Integrated Planning to Drive Profit

23rd September 2010

Vantage Performance Solutions

A finance-literate consultancy delivering IT-based solutions in:

- **Profitability and Cost Management**
- **Planning, Budgeting and Consolidation**
- **Data Services**



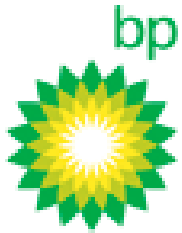
Clients



Scandinavian Airlines



Shell



Retirement has more potential with

PRUDENTIAL



Agenda

- Traditional approaches to planning
- Processes for integrated planning
- Planning and performance management
- Case studies – public & private sector
- Roadmap for success
- Interactive session – results from questionnaire
- Q&A

If a Pessimist sees a glass as half empty....
and an Optimist sees a glass as half full....
how does a Planner see it....

Agenda

- **Traditional approaches to planning**
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I'm planning my holiday for next year...

Daddy

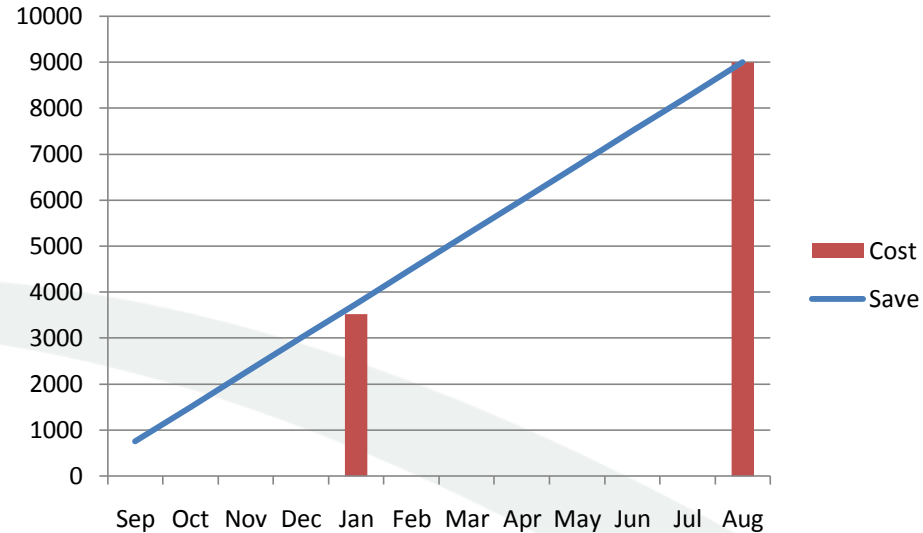
We don't wanna go to rotten old Devon next years cos it sucks and it's always raining. Please can we go to Antigua instead

Please, please, please

Tiff

Holiday to Antigua		
Number of nights	14	
Number in Party	4	
		Total
Flights each	880	3520
Accommodation per week	1250	2500
Food (per person per day)		1400
Trips / Leisure		
Montserrat	200	800
Scuba diving		200
Other		580
Total		9000

Holiday to Antigua		
Number of nights	14	
Number in Party	4	
		Total
Flights each	880	3520
Accommodation per week	1250	2500
Food (per person per day)		1400
Trips / Leisure		
Montserrat	200	800
Scuba diving		200
Other		580
Total		9000



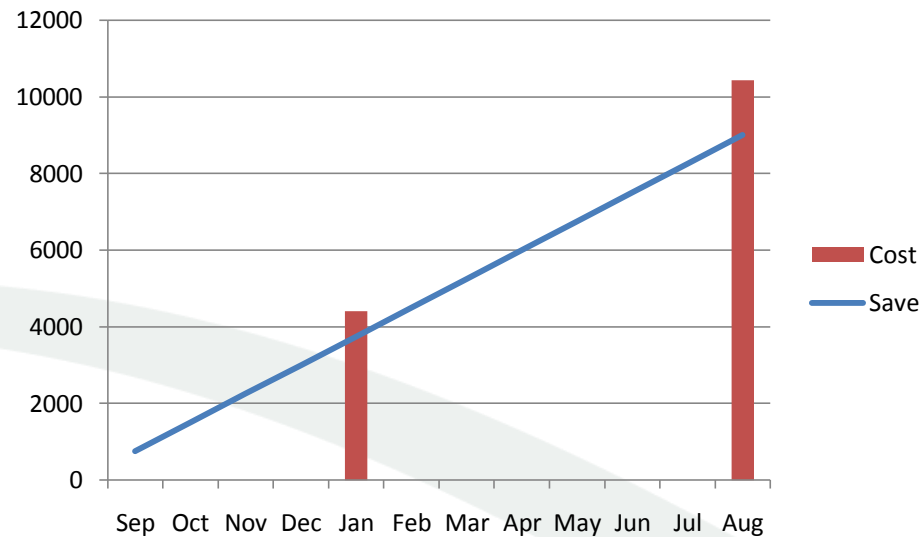
So everything is planned, and my cashflow is sound...

Honey

Did I mention I would quite like to take my mother away with us this year.

Oh... and you're paying!

Holiday to Antigua		
Number of nights	14	
Number in Party	5	
		Total
Flights each	880	4400
Accommodation per week	1250	2500
Food (per person per day)		1750
Trips / Leisure		
Montserrat	200	1000
Scuba diving		200
Other		580
Total		10430



Traditional approaches to planning

What are the traditional approaches?

... Most organisations will

- Set an annual budget
- Re-forecast during the year
- Monitor and report variances between actuals and budget/forecast

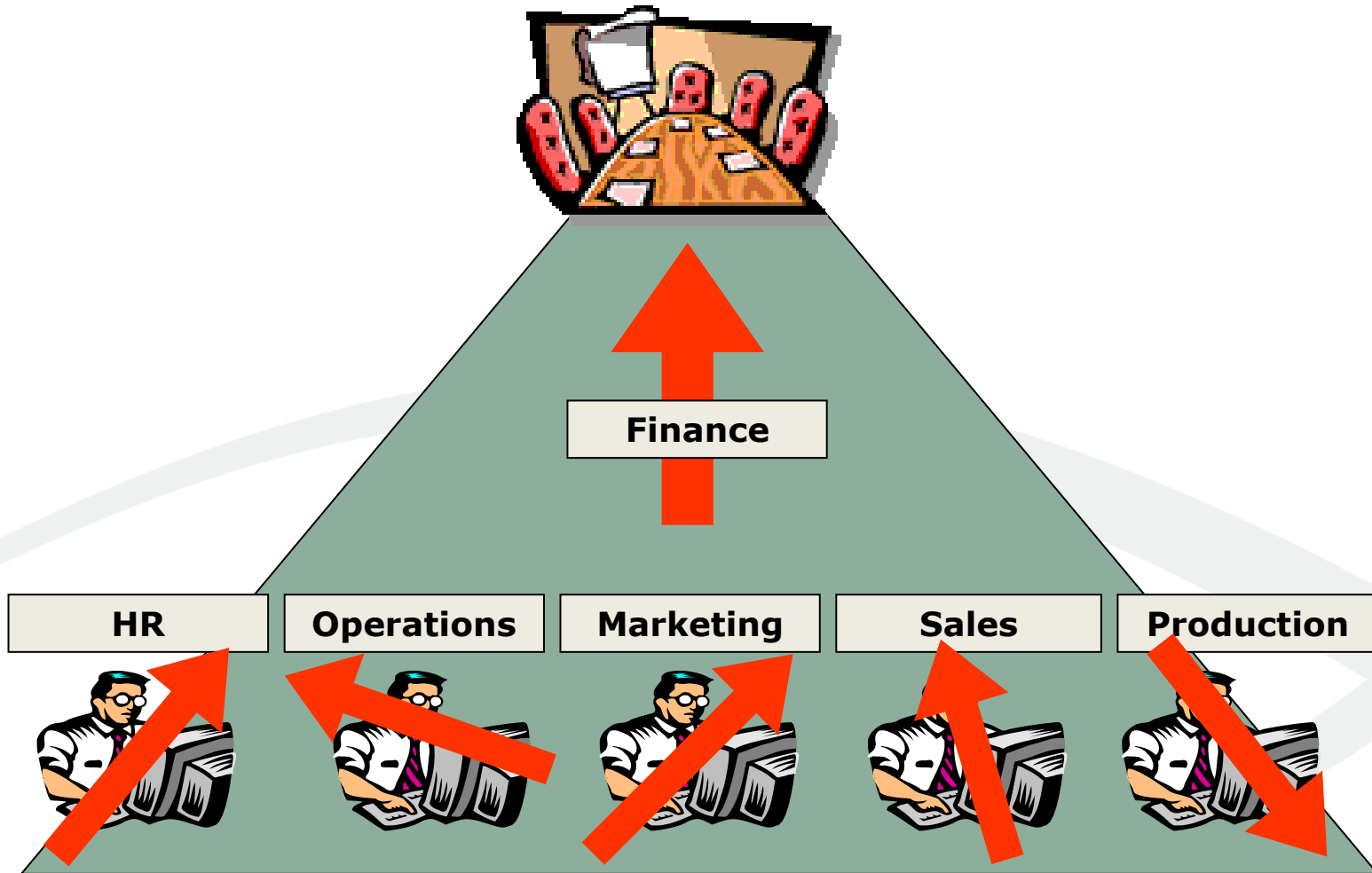
The process for this often takes weeks or months.
Many organisations use Excel to achieve this
forecast

Integrated planning defined

... What do we mean by integration?

- **Collaboration between functions**
- **Link cost to output & profit**
- **The ability to understand the profitability of an organisation, at the output level, based on detailed operational plans**
- **A standardised approach to budgeting and forecasting**

Lack of integration between functions



To do planning in isolation of understanding profit is risky and a poor use of resources.

Organisations must ensure they are investing in areas that offer the best return and are making savings that do not remove underlying value.

To do so requires integration of planning processes and systems.

Ban the Budget

“Budgets are the most dysfunctional tool ever invented.

The “B” word should be banned and replaced by rolling forecasts to the most appropriate time horizon, based on drivers and unit rates.

Steve Benham FCA

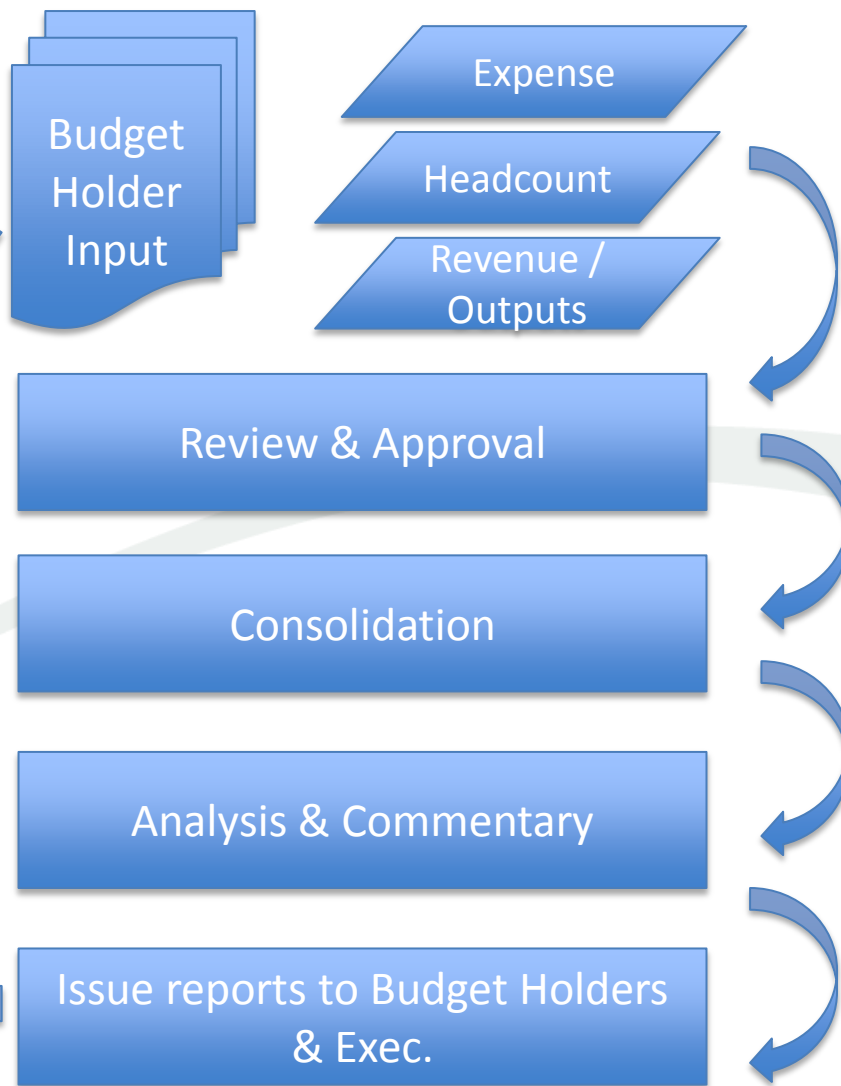
The science of explaining tomorrow why the predictions you made yesterday didn't come true today

Despair.com

“Balanced budget requirements seem more likely to produce accounting ingenuity than genuinely balanced budgets.”

Thomas Sowell - Economist

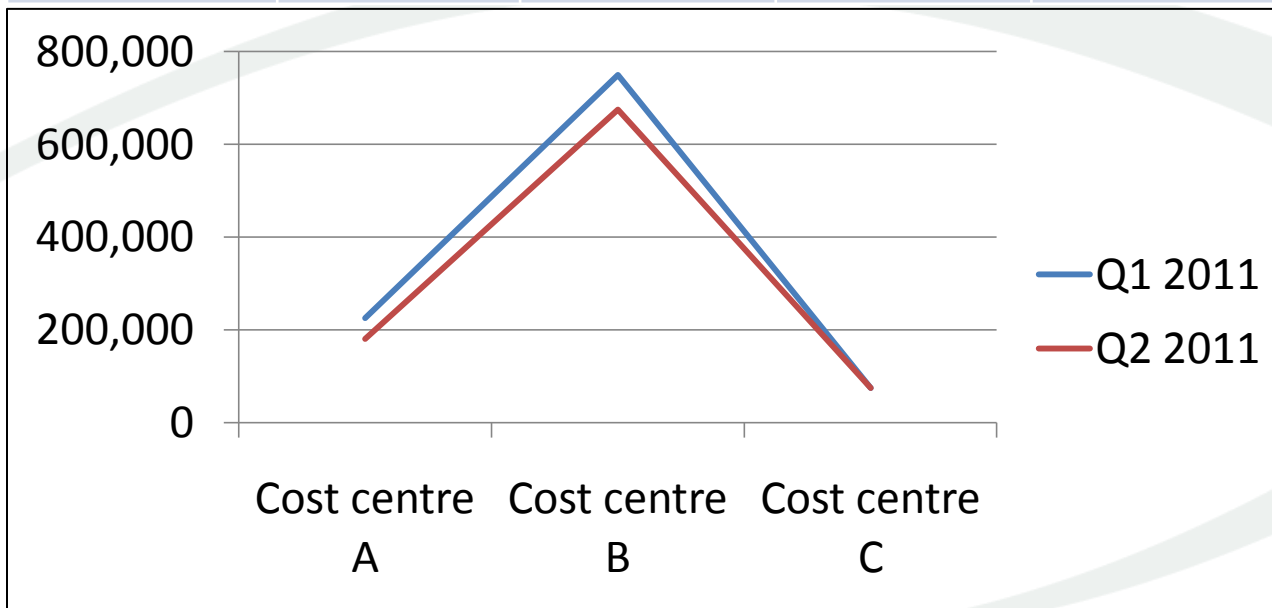
Traditional planning processes



- End users provide inputs including cost and headcount by cost centre and expense type
- Finance review, re-issue and approve inputs
- Finance consolidates inputs, validates & accepts
- Finance provide analysis and creates commentary for Exec.
- A range of reports are issued: P&L, B/s, line item expense, variance analysis, etc.

Analysis available from traditional planning

Cost Centre	Q1 2011 Budget		Q2 2011 Budget	
	Cost (£)	Headcount (FTE)	Cost (£)	Headcount (FTE)
Cost centre A	225,000	15	180,000	12
Cost centre B	750,000	50	675,000	45
Cost centre C	75,000	5	75,000	5
Total	1,050,000	70	930,000	62



Traditional planning does not answer...

**... Which are the most profitable
Customer types?**

... Which Products should we sell?

**... Where will I get the best return on
investment?**

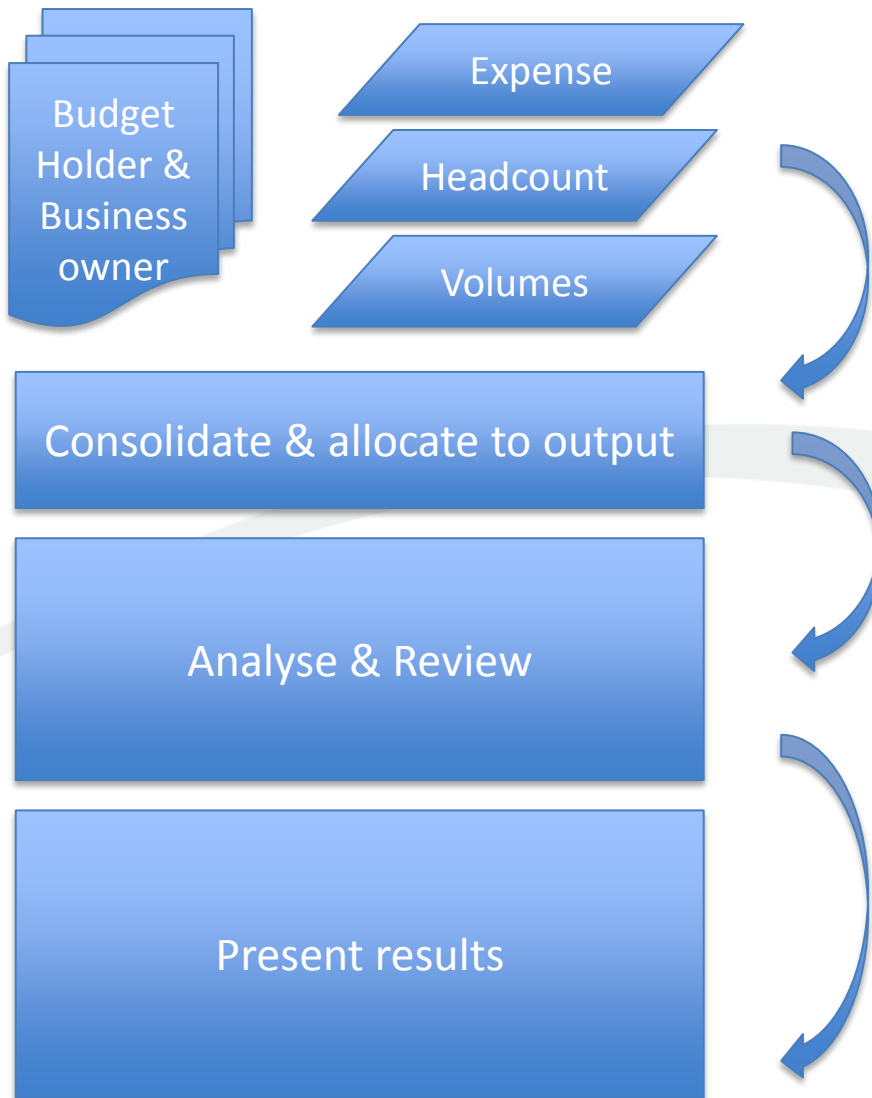
**... Where can I reduce costs without
removing value?**

**... When is the maximum peak in sales
demand?**

Agenda

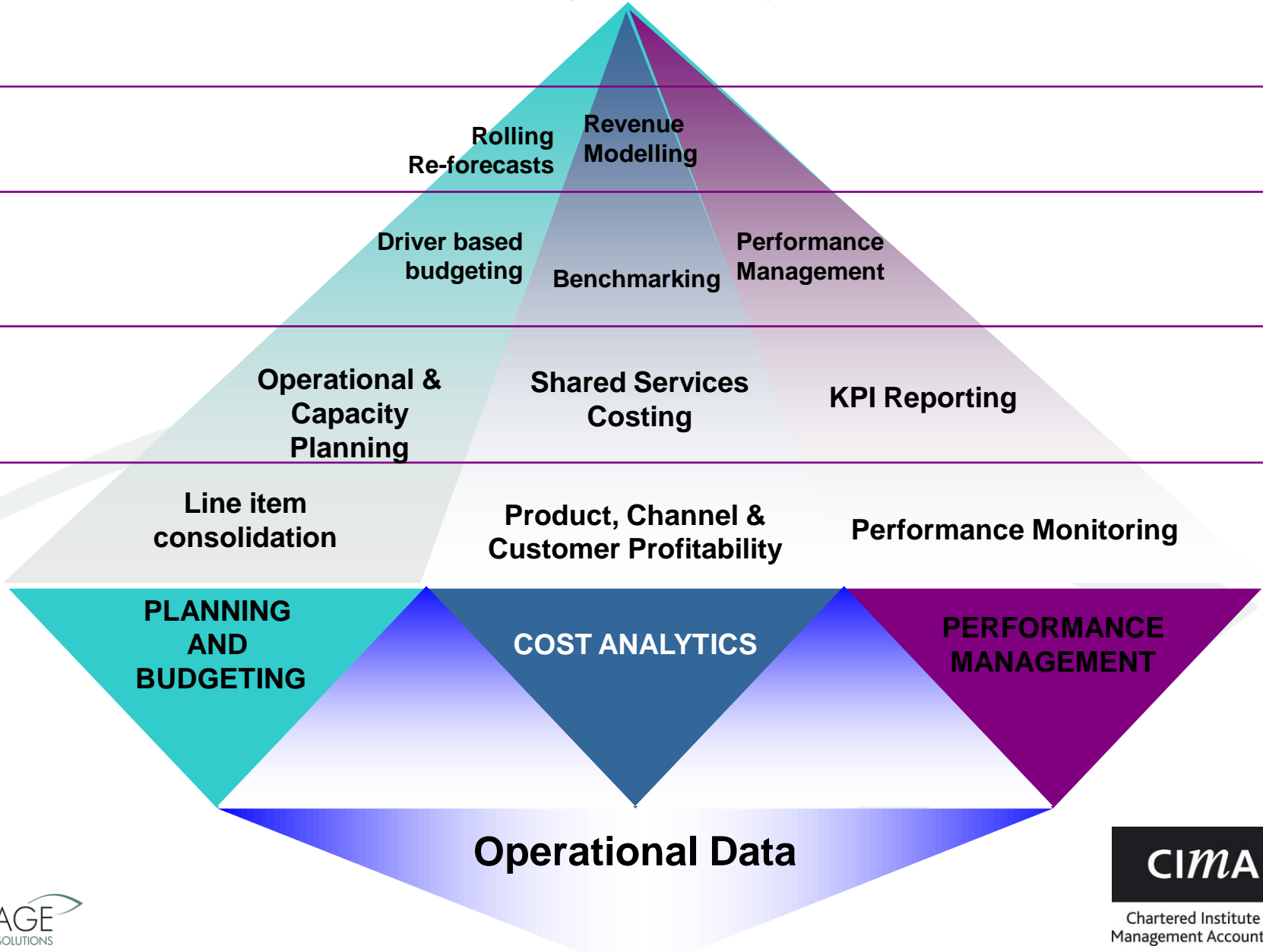
- Traditional approaches to planning
- **Processes for integrated planning**
- Planning and performance management
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Processes for Integrated Planning



- Finance collect a broader range of volumes
- Offline calculations are brought into a central system
- Finance quickly consolidate and allocate costs to outputs
- The link to outputs enables Finance to assess whether detailed operational plans meet organisational objectives.
- Planning becomes more informed and forward looking
- Performance metrics become more relevant

Integrated Planning

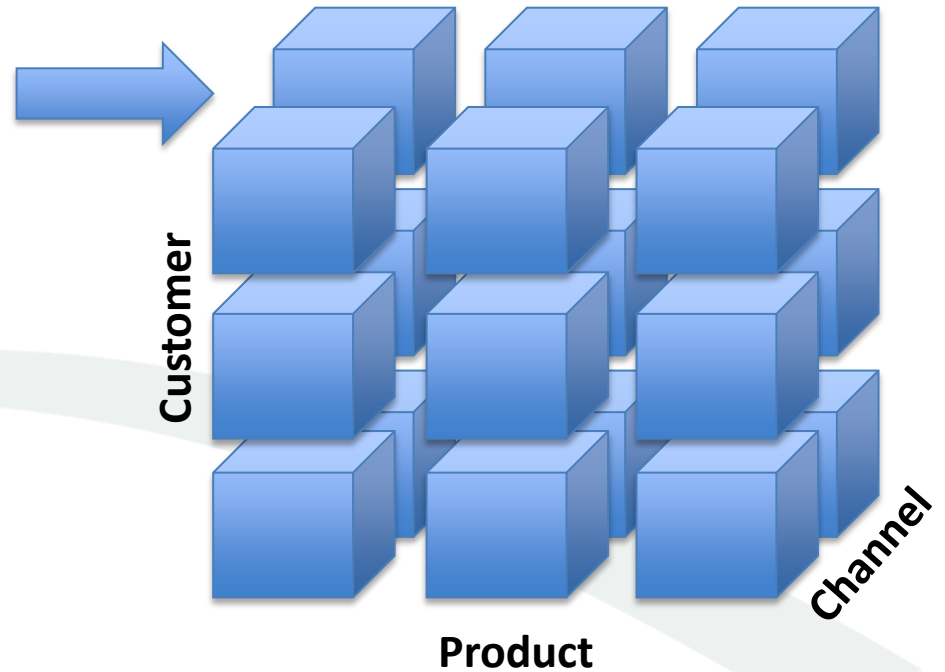


Agenda

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Outputs from integrated planning

Forecast	Q1 Cost (£)	Headcount (FTE)
Finance	225,000	15
Marketing	750,000	50
HR	75,000	5
Sales Region A	300,000	15
Sales Region B	280,000	14



Margin analysis

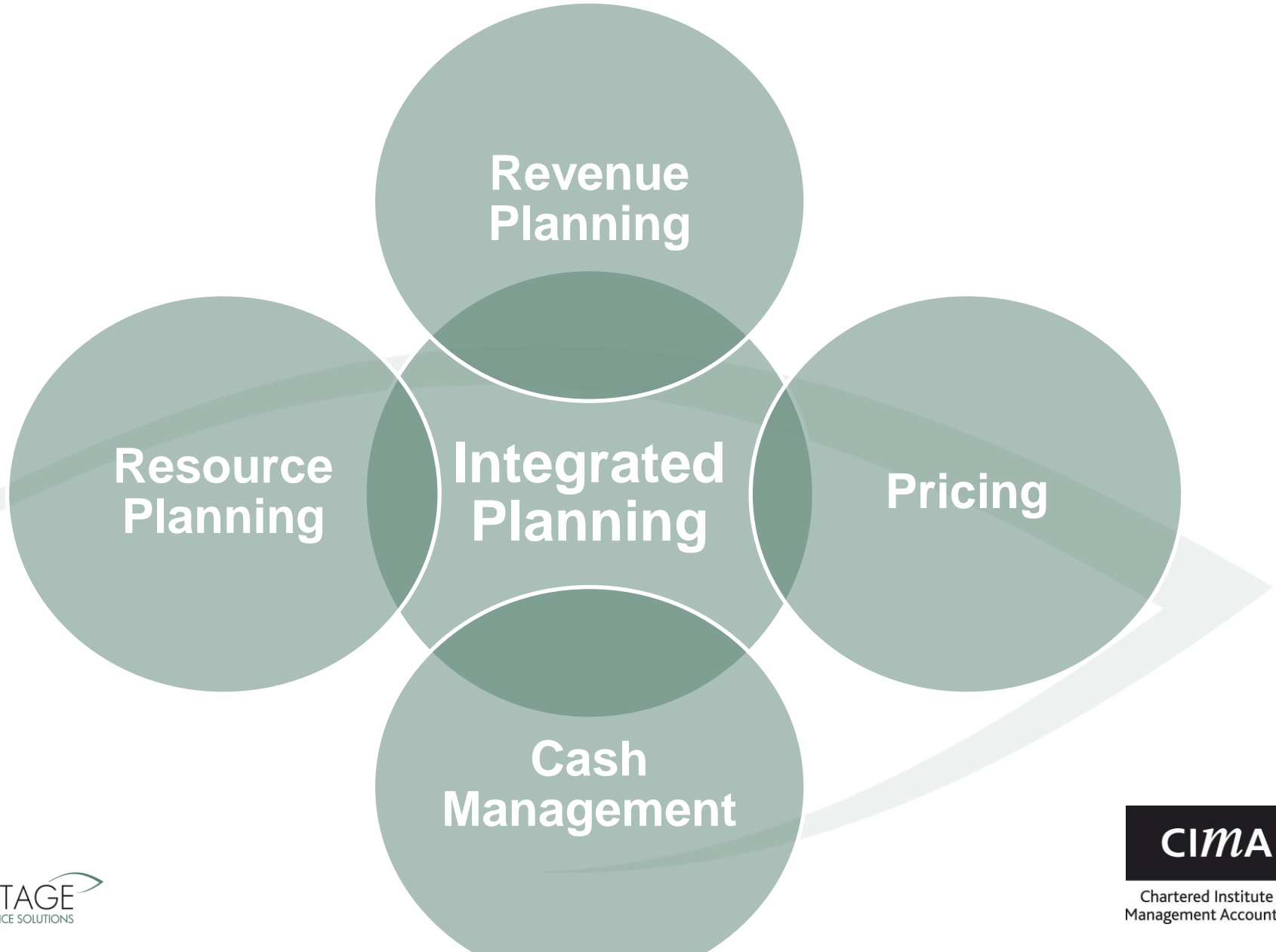
Sales Region	Product	Customer	Depot	Price per litre	Volume	Cost	Margin
A	Propane	B2C	Depot A	50p	10,000	£6,000	£1,000
A	Butane	B2B	Depot B	55p	225,000	£50,000	£73,750
					235,000	£56,000	£72,750
B	Propane	B2C	Depot C	49p	210,000	£100,000	£2,900
B	Butane	B2B	Depot C	54p	70,000	£10,000	£27,800
					280,000	£110,000	£30,700

Performance metrics

Sales Region	Product	Customer	Depot	Price per litre	Volume	Cost	Margin	Margin %
A	Propane	B2C	Depot A	50p	10,000	£6,000	£1,000	20%
A	Butane	B2B	Depot B	55p	225,000	£50,000	£73,750	60%
					235,000	£56,000	£72,750	
B	Propane	B2C	Depot C	49p	210,000	£100,000	£2,900	3%
B	Butane	B2B	Depot C	54p	70,000	£10,000	£27,800	74%
					280,000	£110,000	£30,700	

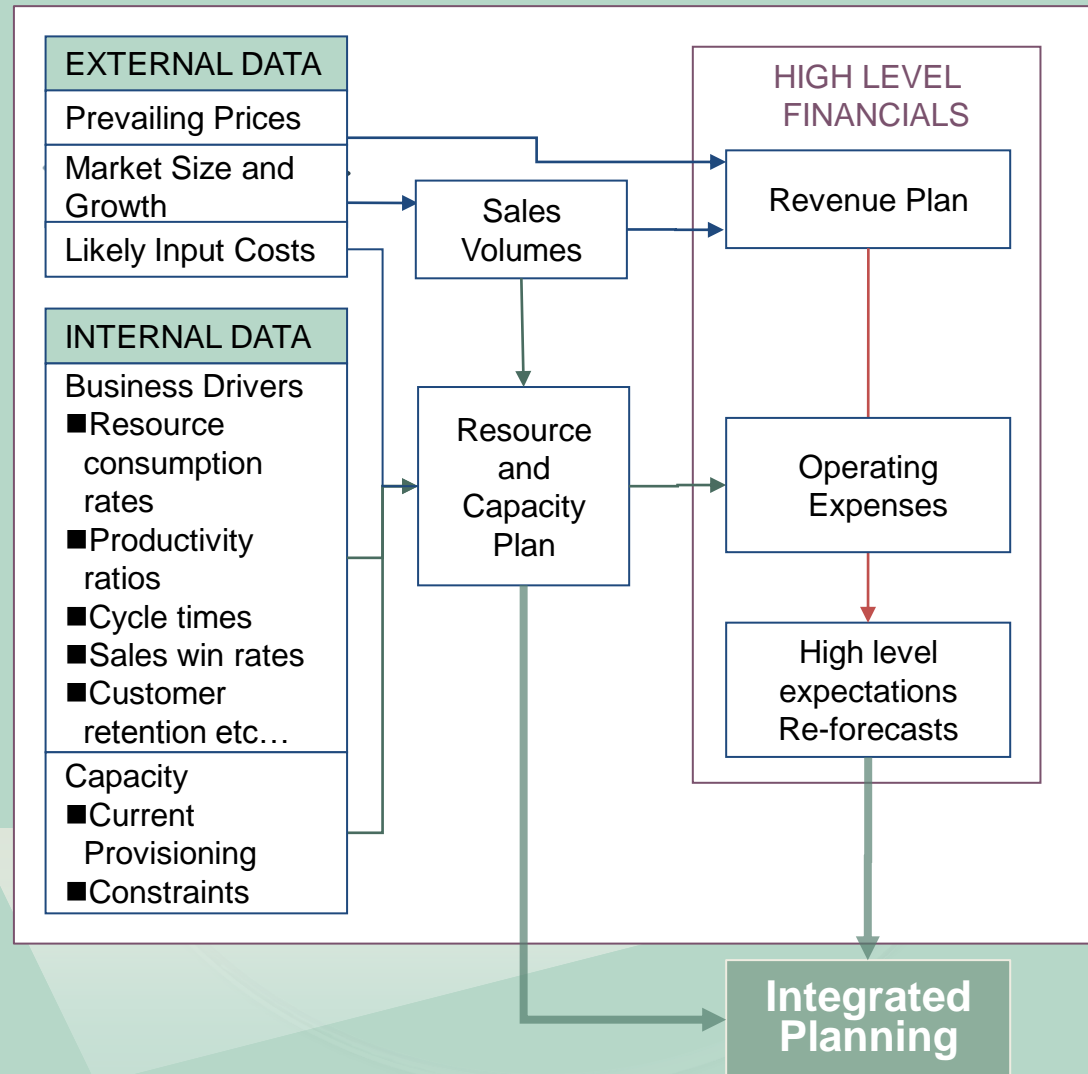
Using the information provided where the greatest margin can be made, a more detailed analysis would enable us to determine profitability by individual customer, depot or product

Examples of different types of planning



Improvements in decision making

- Link resource to outputs
- Quantify cost savings in terms of outputs
- Accurately quantify efficiency savings
- Improve alignment of resources across the organisation
- Increase accuracy in the budgeting
- Quantify the cost of delivering an output
- Provide evidenced based budget requests



“.. effective implementations will aim for “high participation” by configuring solutions for driver-based and event-based planning that enables users to manage financial budgets based on assumptions about changes to the operational environment”

Gartner

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Case study – Chaucer Syndicates

About Chaucer

- Lloyds insurance syndicate
- Employees: 700
- Offer specialist insurance to complex risks
 - Aviation
 - Marine
 - Nuclear

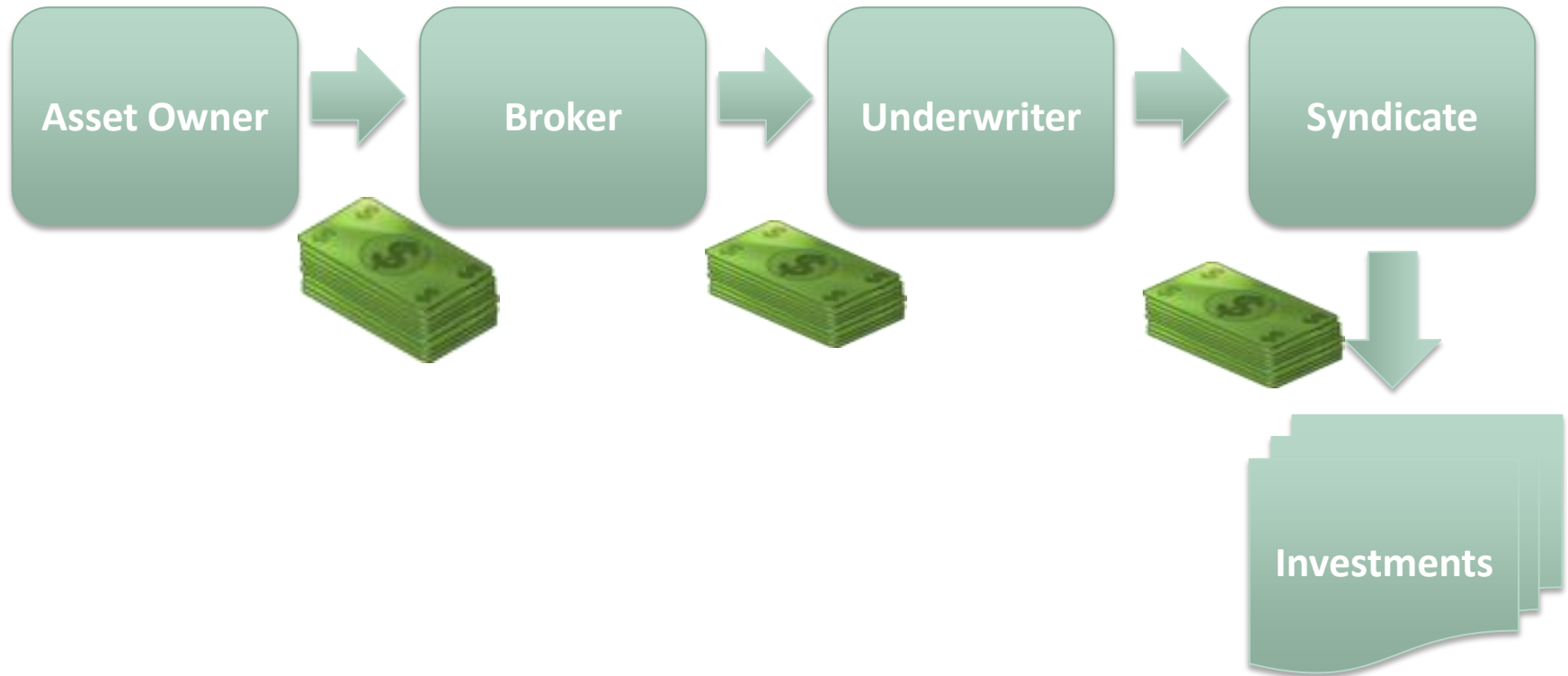
Organisational needs

- Reduce forecasting cycle
- Achieve collaborative planning across functions
- Manage risk
- Achieve the best return on investments
- Identify areas for improvement

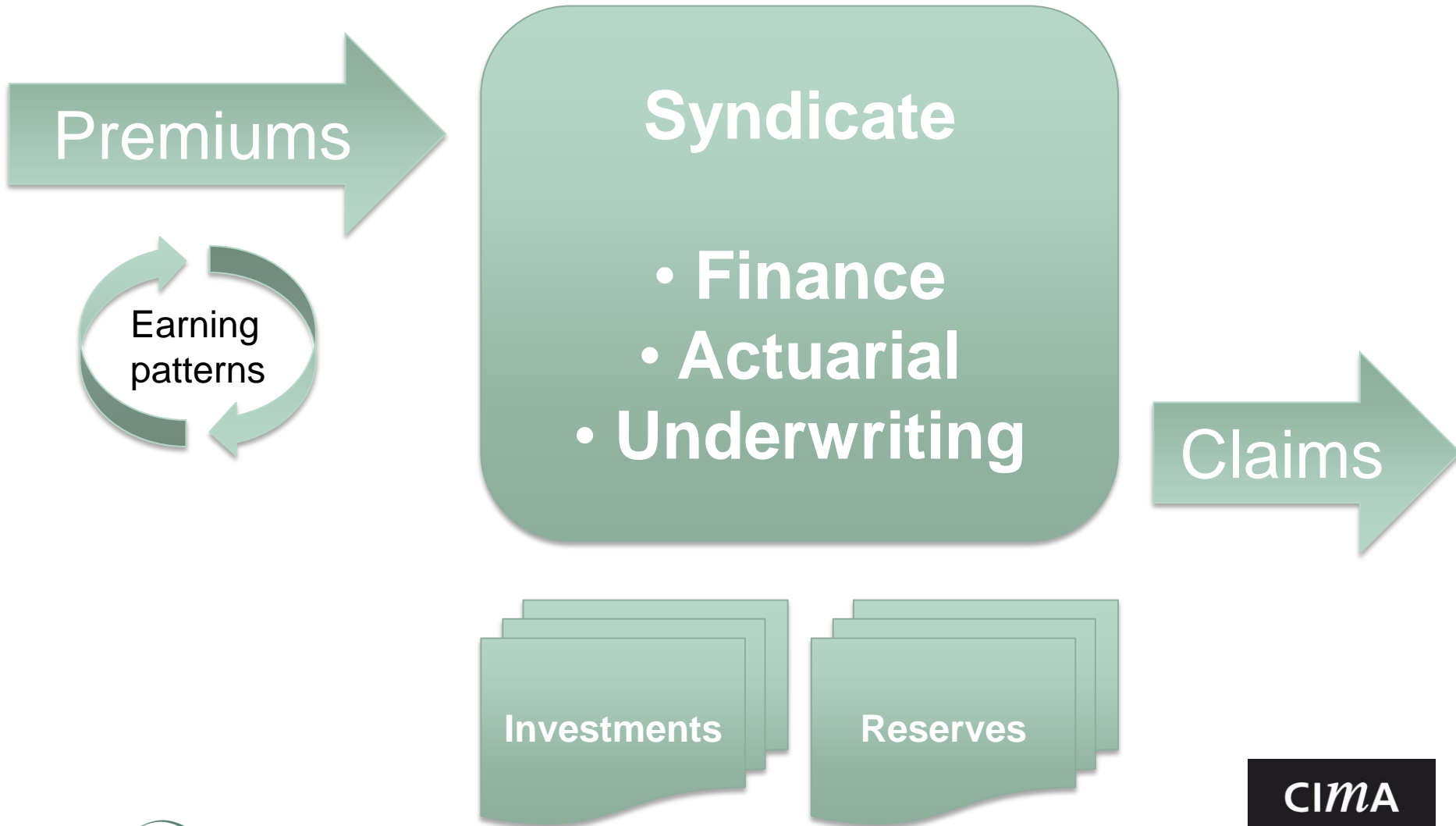
Solution summary

- Operate a single platform planning solution across functions
- Enabled data and results to be shared around the organisation
- Simplified data collection from business owners

Business model overview



Business model overview



Planning requirements

Actuarial

- Reserving Requirements
- Calculates Earning and Written Patterns

Finance

- Financial Statements
- Reinsurance business analysis
- Solvency requirements

Underwriting

- Premium Planning
- Syndicate specialist forecasting
- Analysis for the Expert Review Committee

Provide internal management reports and external returns to Lloyds

Case study – Department for Work and Pensions

About DWP

- 150,000 employees
- Admin cost base of £8bn pa
- Benefit expenditure of £145bn pa
- Delivery units: Jobcentre Plus (JCP) and the Pension and Disability Carers Service (PDCS)

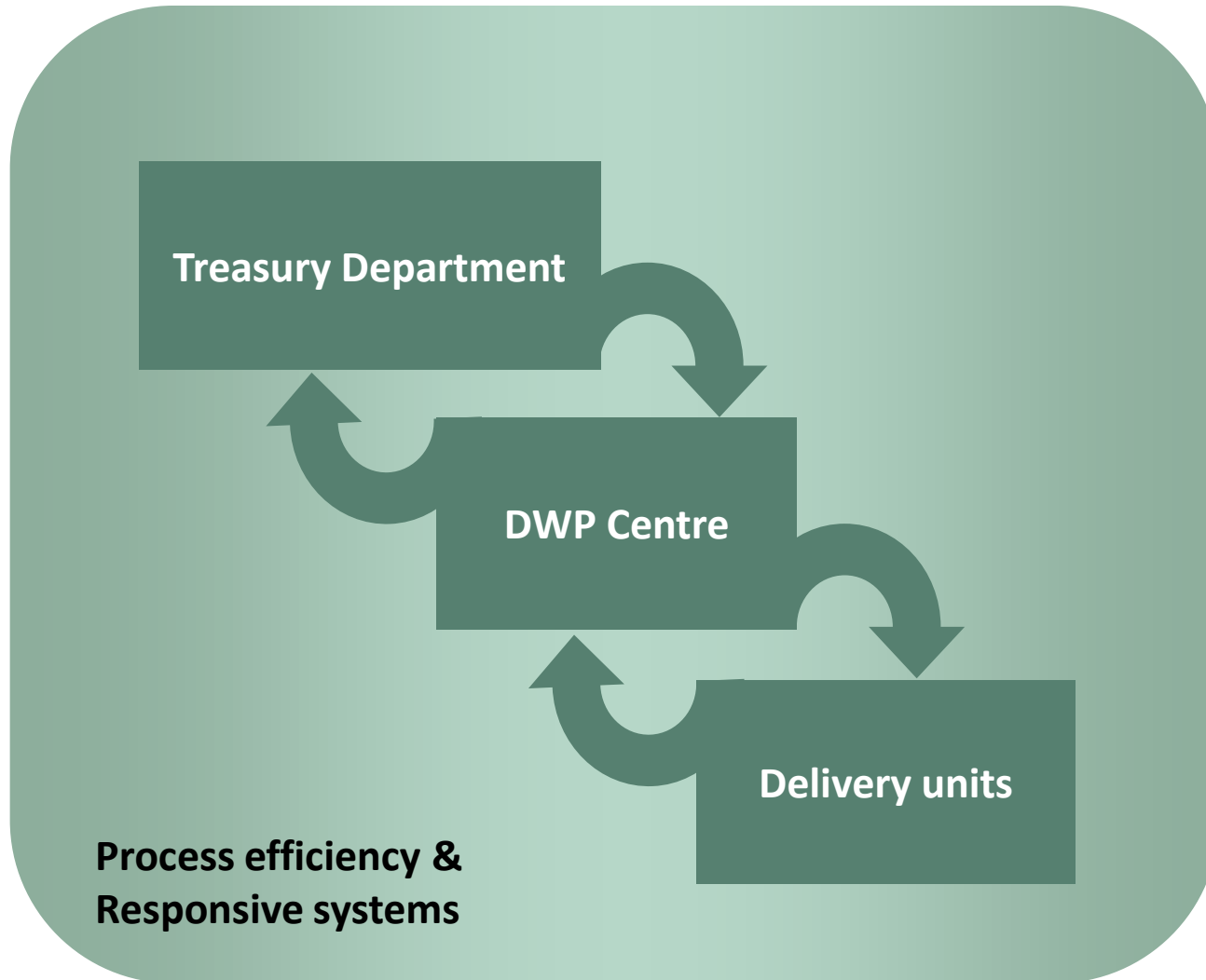
Organisational needs

- Link central plans to operational plans
- Cost individual outputs
- Provide evidence based budget requests
- Quantify efficiency savings
- Achieve efficient use of resource
- Identify areas for improvement

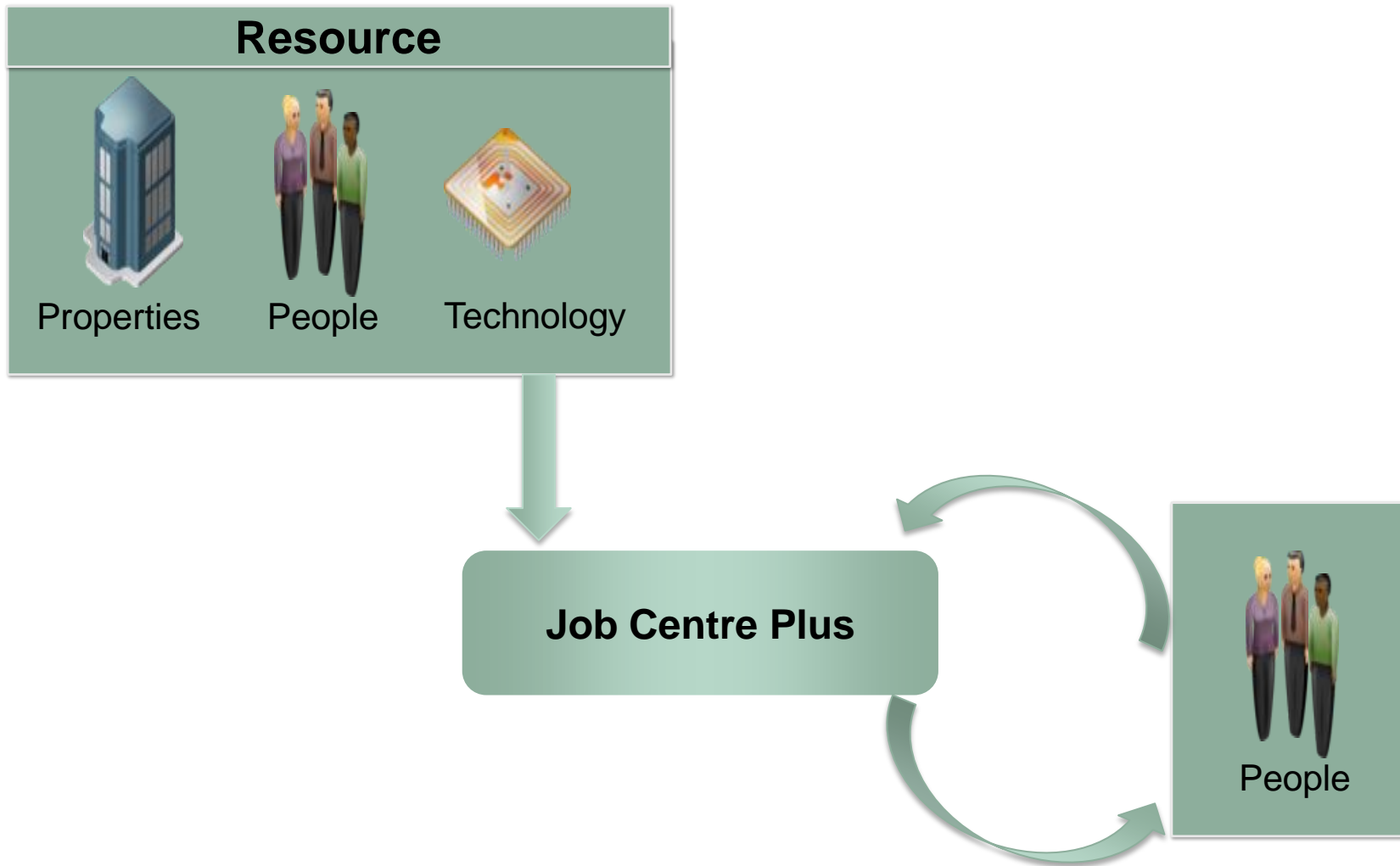
Solution summary

- Integrated planning and performance management
- Identified cause and effect
- Join inputs from across the organisation
- Responsive processes and technologies

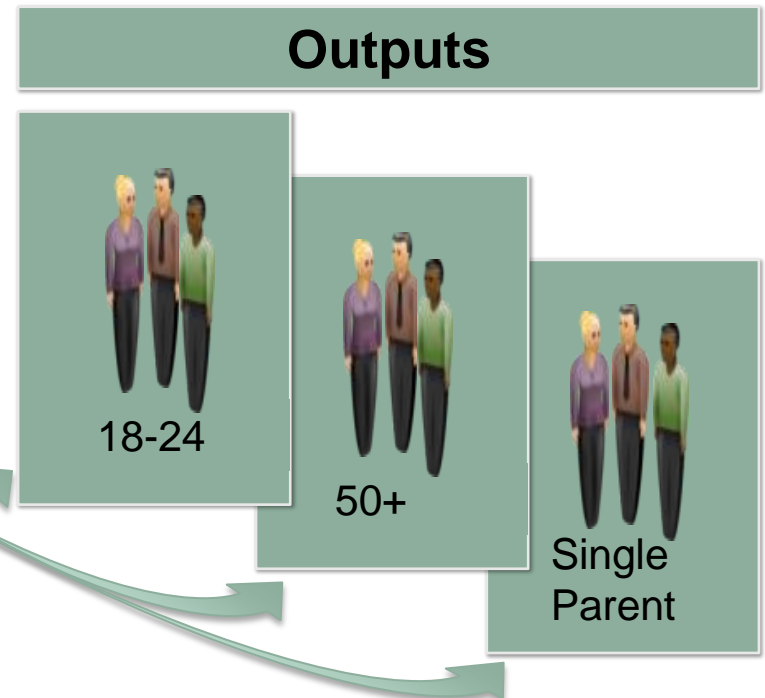
Linking operational and central plans



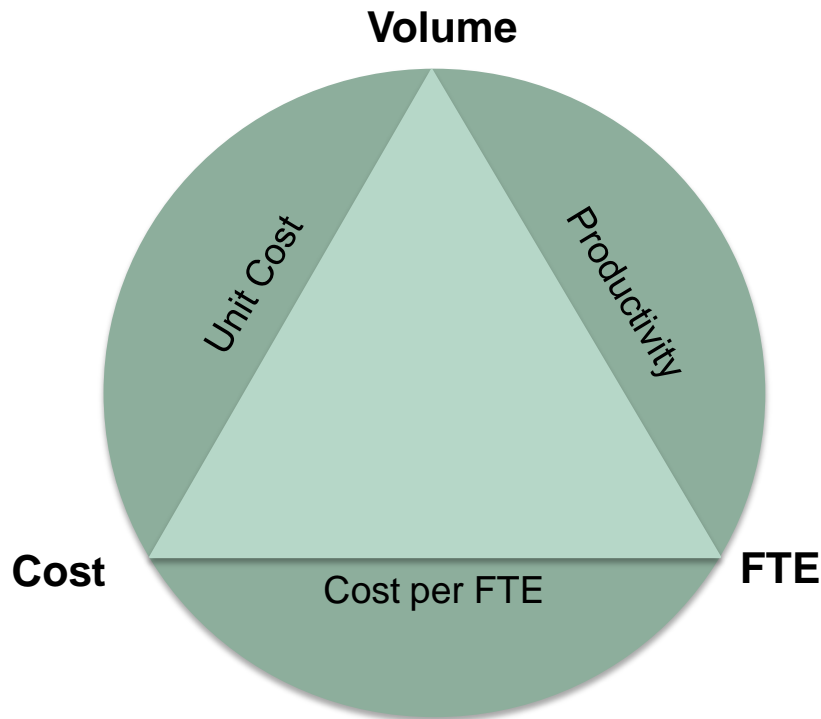
Linking inputs to outputs



Costing outputs



Benefits of the integrated solution



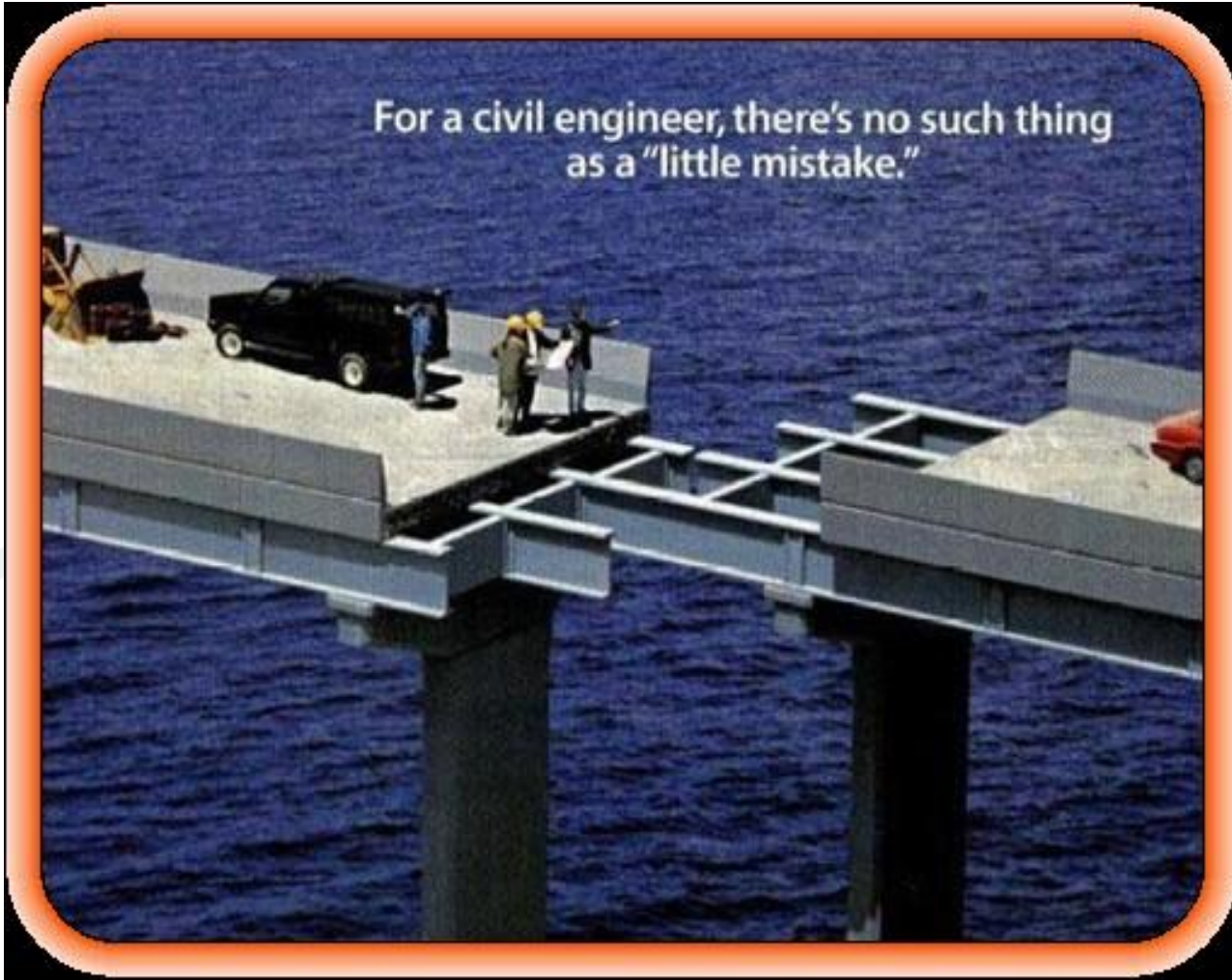
The solution enables DWP to:

- Perform 'What If?' analysis
- Quantify resource requirements
- Link Financial Planning and Performance Management
- Remove the gap between operational and central plans
- Identify any imbalance to ensure that forecasts are realistic
- Identify best practice between locations
- Accurately cost Departmental Strategic Objectives (DSO).

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- Case studies – public & private sector
- **Roadmap for success**
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For a civil engineer, there's no such thing
as a "little mistake."

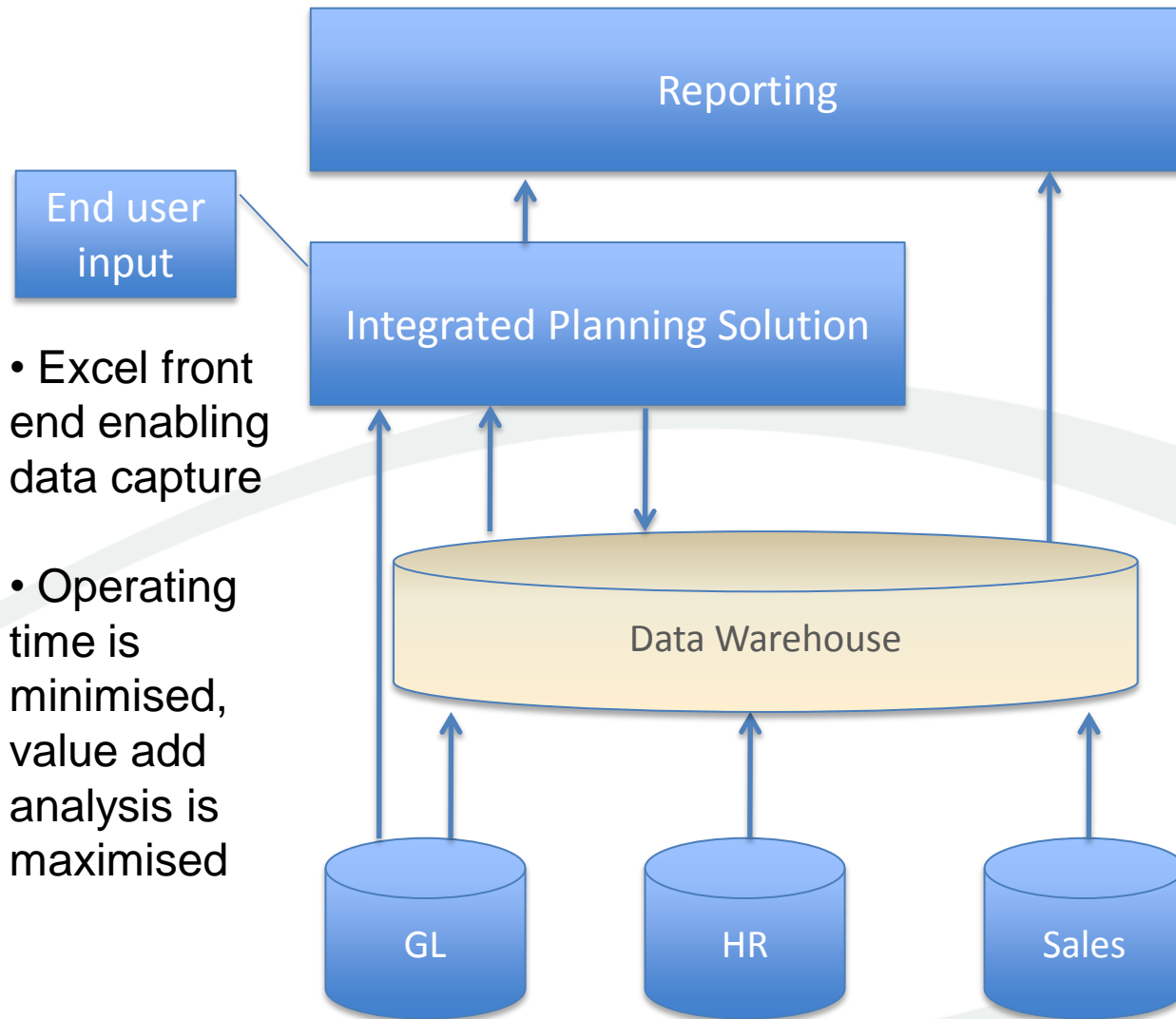


Roadmap for success



Integrated plans, operated within efficient processes, are capable of influencing future decisions rather than merely measuring past performance.

Typical Solution



- Excel front end enabling data capture
- Operating time is minimised, value add analysis is maximised

- The speed to quickly re-plan around key events
- Information is available at the right time in the right format
- Responsive systems with robust workflow design
- Sophisticated modelling capability to perform profitability analysis

RETURN ON INVESTMENT



Scandinavian Airlines

Has seen a dramatic improvement in its contributions since being able to forecast flight/day profitability by round trip, aircraft, cabin class, and sales region

anglianwater

“The automation of processes and reduction in pre-work is saving the Treasury Department valuable time and the dashboard reports make it easier to see a good snapshot of our cash position.”

DWP

Department for
Work and Pensions

Has achieved ‘evidenced based’ budget requests to Treasury to secure additional funding and achieved productivity increases in delivery operations

VANTAGE
PERFORMANCE SOLUTIONS

CIMA
Chartered Institute of
Management Accountants

Summary

- **Reduce process time**
- **Remove the gap between the centre and operations**
- **Quantify use of resources in terms of outputs**
- **Increase the quality of analysis**
- **Our approach enables customers to realise ROI by embarking on a phased implementation of Integrated Planning**

If a Pessimist sees a glass as half empty....
and an Optimist sees a glass as half full....
the planner sees the glass as twice as big as it should
have been....

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- Traditional approaches to planning
- Processes for integrated planning
- Planning and performance management
- Improvements in decision making and payback for adoption
- Case studies – public & private sector
- Roadmap for success
- **Interactive session – results from questionnaire**
- Q&A

LET'S FIGURE OUT
WHAT MAKES US
THE MOST PROFIT,
AND THEN DO MORE
OF IT.



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