

CFO Performance Objectives <i>Finance-related</i>	How OIS Allows the CFO to Drive Value
<p>Financial:</p> <ol style="list-style-type: none"> 1. Achieve profit plan 2. Achieve revenue plan 3. Evaluate the projected income statement by other criterion other than profit 4. Ability to determine the “sensitivities” of various courses of action 5. Ability to “audit the audit” 6. Ability to answer the unanswerable question: “How much profit is the current income statement leaving on the table?” 	<ol style="list-style-type: none"> 1. OIS redesigns the projected income statement, as traditionally developed, creating the truly <i>maximally profitable one</i>. 2. Thus, if unprofitable demand exists, revenue will be reduced (unless OIS is forced to accept the unprofitable demand). 3. OIS can maximize other financial criteria than just profit including, for example, revenue, economic value and customer life time value. Thus, should these results differ significantly, the firm can then select the criterion that is most suitable for planning purposes. 4. OIS uses the most powerful mathematical approach possible to determine the <i>truly maximum profitable</i> income statement. It answers the question “What is the best X?” All other approaches to “sensitivity analysis” answer a very different question, “What will happen if we do X?” Thus, all such analyses are sub optimal in the face of even a trivial number of different courses of action. 5. OIS requires that a baseline model be created from last year’s income statement’s results. The process of collecting the necessary OPERATIONAL data frequently uncovers errors with the audit. 6. OIS answers that question explicitly. As it does, also, were the question revenue, economic value or customer life time value.

HOW CFO DRIVES VALUE WITH OIS

<p>Cross-Functional Leadership:</p> <ol style="list-style-type: none"> 1. Drive cooperation and collaboration across the corporation, focused on profit including improvements in: <ol style="list-style-type: none"> a) Operations b) Sales/Marketing c) Sustainability 2. Concern that the OIS planning application will disrupt all the cross-functional currently installed 	<ol style="list-style-type: none"> 1. a) OIS is a process-based operational model. Thus, unlike financial models (e.g., cash flow, balance sheet) it develops, simultaneously, i) by function (e.g., manufacturing, sales, marketing) and ii) by process within function ALL the cross-functional income statement resources required to make and fulfill the new <i>maximally profitable forecast</i>. This includes, for example, budgets and also any capacity increases required by the new forecast (e.g., capital investments, OT, additional shifts) In summary, all the functions are collectively harnessed to making and fulfilling the <i>maximally profitable forecast</i> with the optimally feasible operational support (i.e., supply chain). This “optimally feasible operational support” includes addressing simultaneously not only <i>truly maximizing profit</i>, but also issues such as: <ul style="list-style-type: none"> • Facility issues for supplier, manufacturing, DC, cross-dock, pool, and port including number, size, location, and ownership. • Facility mission issues including raw material supplier procurement volumes, costs and limits; manufacturing volumes, costs, capacities and inventory requirements; distribution center throughput & storage levels, operating costs, throughput & storage capacities and inventory requirements; and port, cross-dock and pool throughput levels, operating costs and throughput limits. • Major policy issues including strategic sourcing, target market expansion, international expansion, and supply chain vulnerability. b) OIS maximizes simultaneously: i) whatever financial criterion was selected (e.g., profit) and ii) maximizes the Sales/Marketing ROI by the same criterion. c) OIS has the ability to add constraints on both CO2 usage and energy consumption. 2. It is very important to understand OIS leaves ALL the firm’s other annual planning applications (e.g., Financial Planning and Analysis, Sales and Operations Planning, Budgeting, Forecasting) in place. It, simply, assures they are all executing the maximally profitable forecast supported by the optimally feasible and sustainable supply chain.
<p>Strategic:</p> <ol style="list-style-type: none"> 1. Drive the longer term financial strategies of the corporation with emphasis on long term sustainable financial performance 	<p>OIS has a planning horizon of a year and the granularity is monthly within the year.</p>