

Managing Through a Volatile Economy

Taking Risk out of the Business

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A Scenario for Volatility and Risk

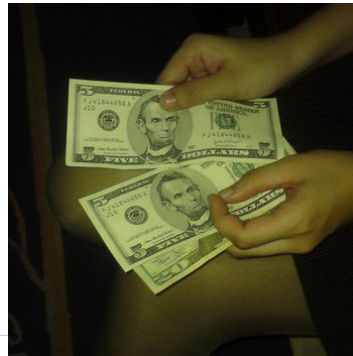


Slow to
Negative
Growth in
Eurozone



EU increase
taxes &
announce
spending
cuts

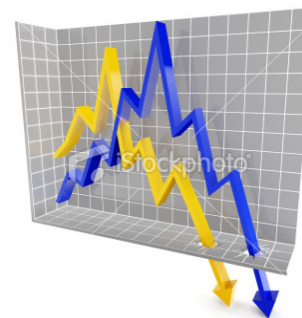
EU writes
down debt.
Dollar
appreciates.



US trade
deficit
widens.
Stock
markets stall.



American &
European
consumers
stop buying.



Growth turns
negative.

4 Ways Executives Reduce Risk



Avoid It

Minimize Capex Investments

Stop or Slowed M&A Plans

Decrease Frequency

Maximize Opex Expenses

“Pay as you go” investment models

Reduce Its Impact

Lock in rates and prices for raw materials and components

Transfer It

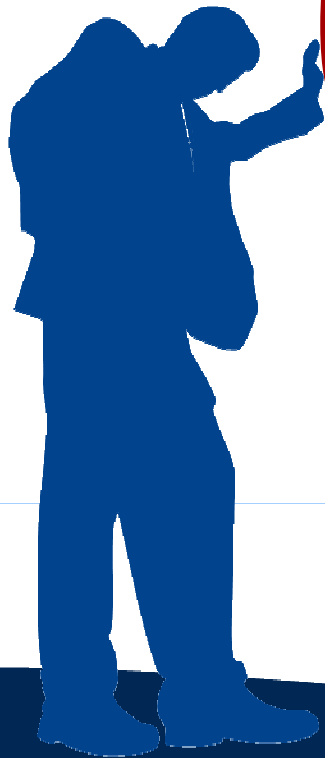
Increased use of Outsourcing

Use channels and distributors

Strategic Objectives Have Changed

Up to

60%



of corporate strategic initiatives are focused on

- cost reduction
- creating efficiencies
- footprint optimization

How CFO's take risk out of the business...

Pre-Crisis

Typical cost of capital

5.5% to 7.5%

CFO Typical investment threshold

**12% to 15% or
2x**

Post-Crisis

New cost of capital

6.5% to 8.5%

Cautious Premium

250 bp

CFO New investment threshold

18% to 20%

CFO capital planning scenarios will continue to assume higher ROI thresholds through 2012

Even Sales is transferring risk...

	Proposition	Price and Payment	Risk	Effectiveness
Old/Capex Orientation	Technology based - Feature or benefit value focus	Cash upon receipt of goods or services	Risk lies with buyer	Fewer sales / Less margin
New/Opex Orientation	Business-based or "financial" sales proposition – <i>Maps benefits to financial results</i>	Leasing/financing - <i>proposition is intimately structured into the solution</i>	Shared risk - <i>Sales helps customer achieve objectives from new technology</i>	More complex sale - <i>Suppliers will be rewarded in the form of higher margins.</i>

Focus moves to Service, not Product

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ROYCE**



Two Other Types of Risk...

Are You Efficient?



Questions

- How many in inventory?
- How fast is production?
- How long to process a transaction?

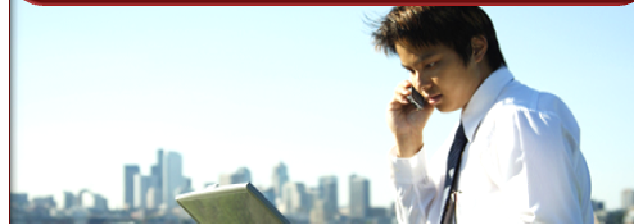
IT Systems

- Classic ERP/CRM
- Demand Planning

Risk

- Efficient Risk

Are You Effective?



Questions

- What country for expansion
- What business models should we use
- Which partners should we use
- What models should we make

IT Systems

- Collaboration tools
- Innovation solutions
- Web 2.0 technologies

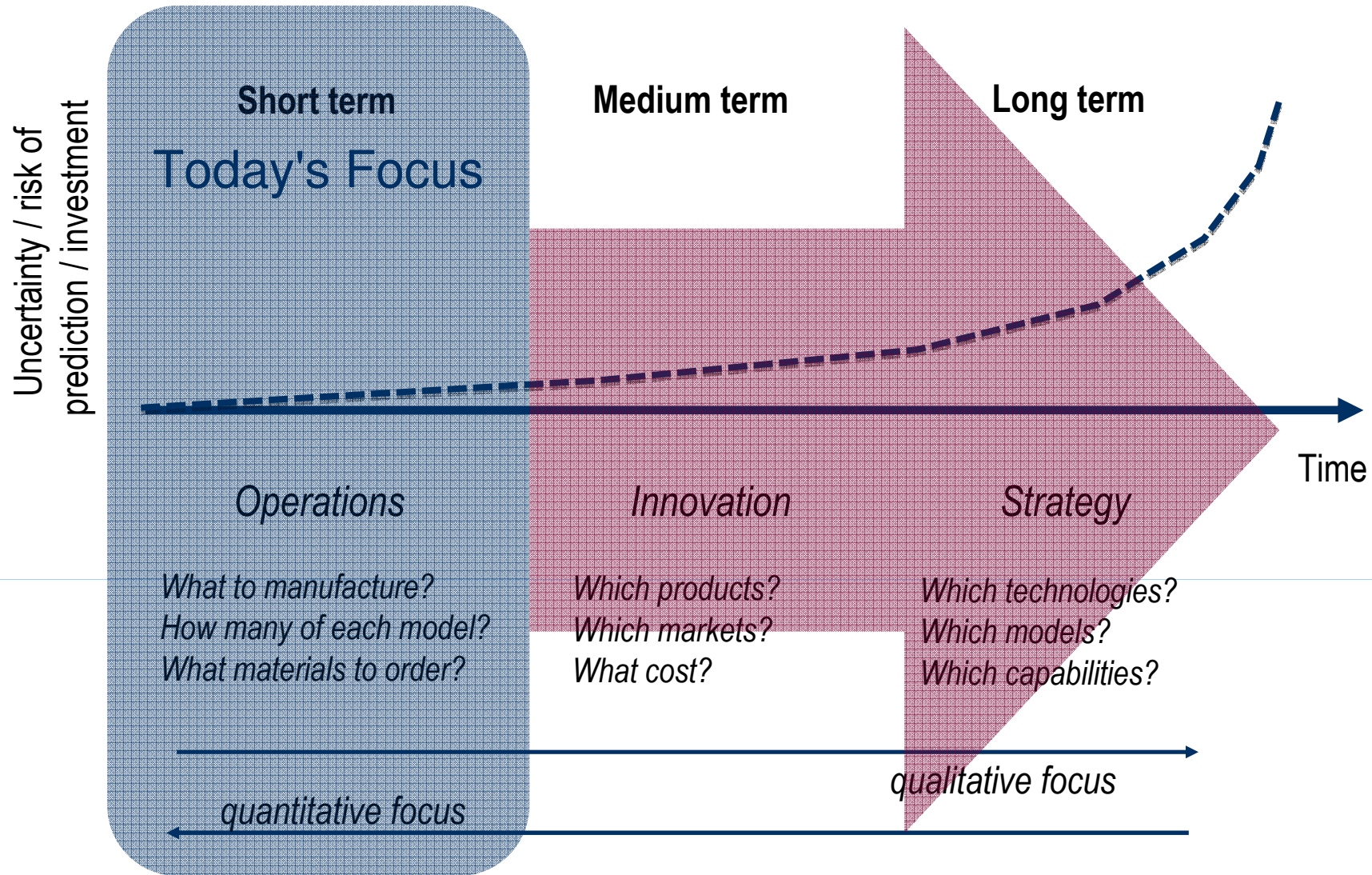
Risk

- Effective Risk

Resources must move from efficiency to effectiveness...



Planning roadmaps must change from short term focus...



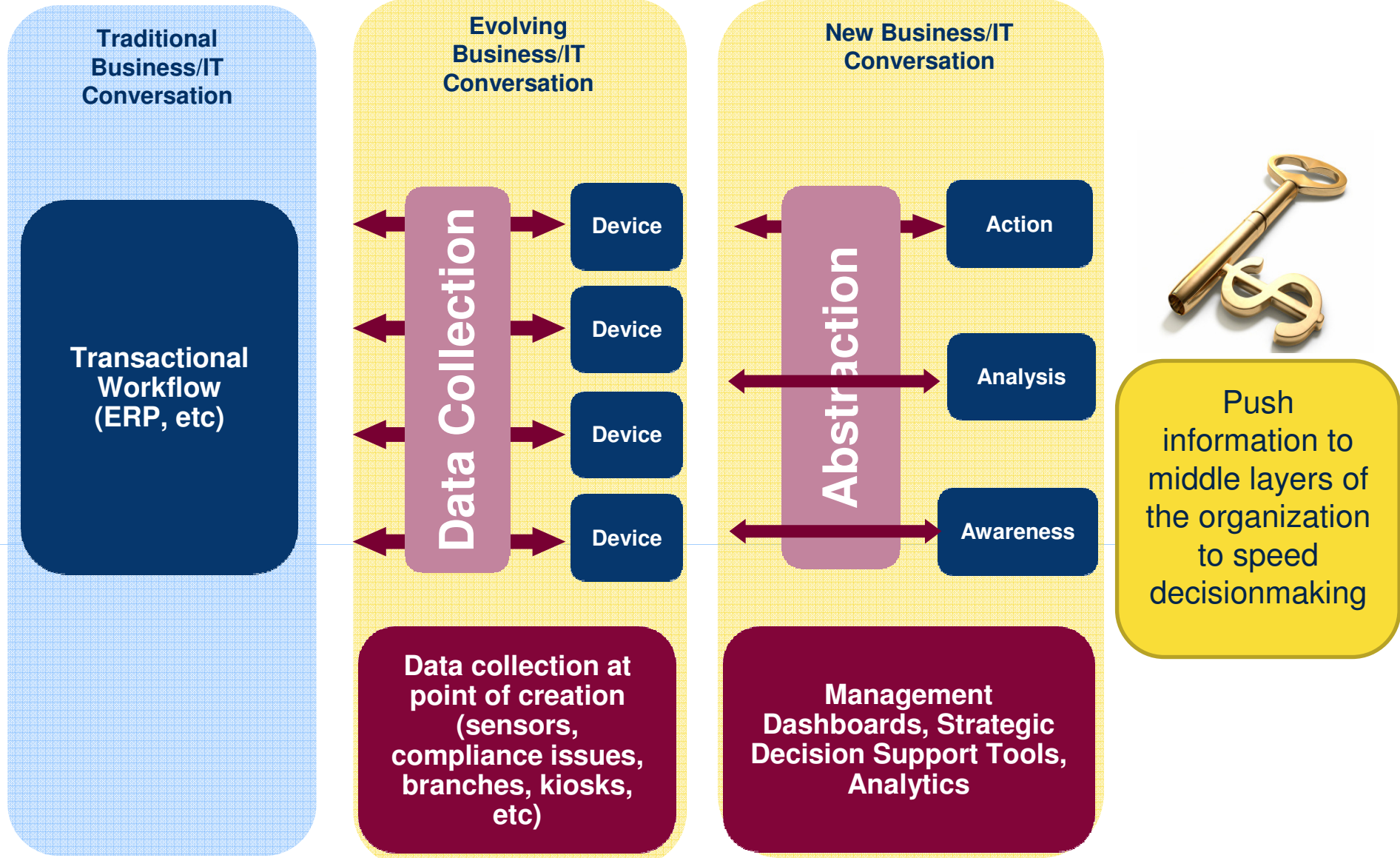
Continued Innovation is Key



“The new paradigm in banking is, ironically enough, back-to-basics. The emphasis however has moved from profit to sustainability and the focus now is to have innovative people, processes and products.”

-COO, Global Retail & Consumer Bank

Moving from Efficient to Effective



CIO's must Innovate Too

"In order to remain competitive and achieve our commercial objectives in a tough economic environment, we need to change the way in which our IT resources are utilised and look at more innovative offerings around a user-pay model with our vendors, so we can share the risk and reward and allow us to grow together."

- CIO, Major Australian Manufacturer

Extended periods of volatility change are changing business models

Changes the way we manage, sell, deliver

Manage

- Remote workers/mgmt
- Outsourcing/Offshoring
- Capex/Opex
- Web 2.0, collaborative technologies

Sell

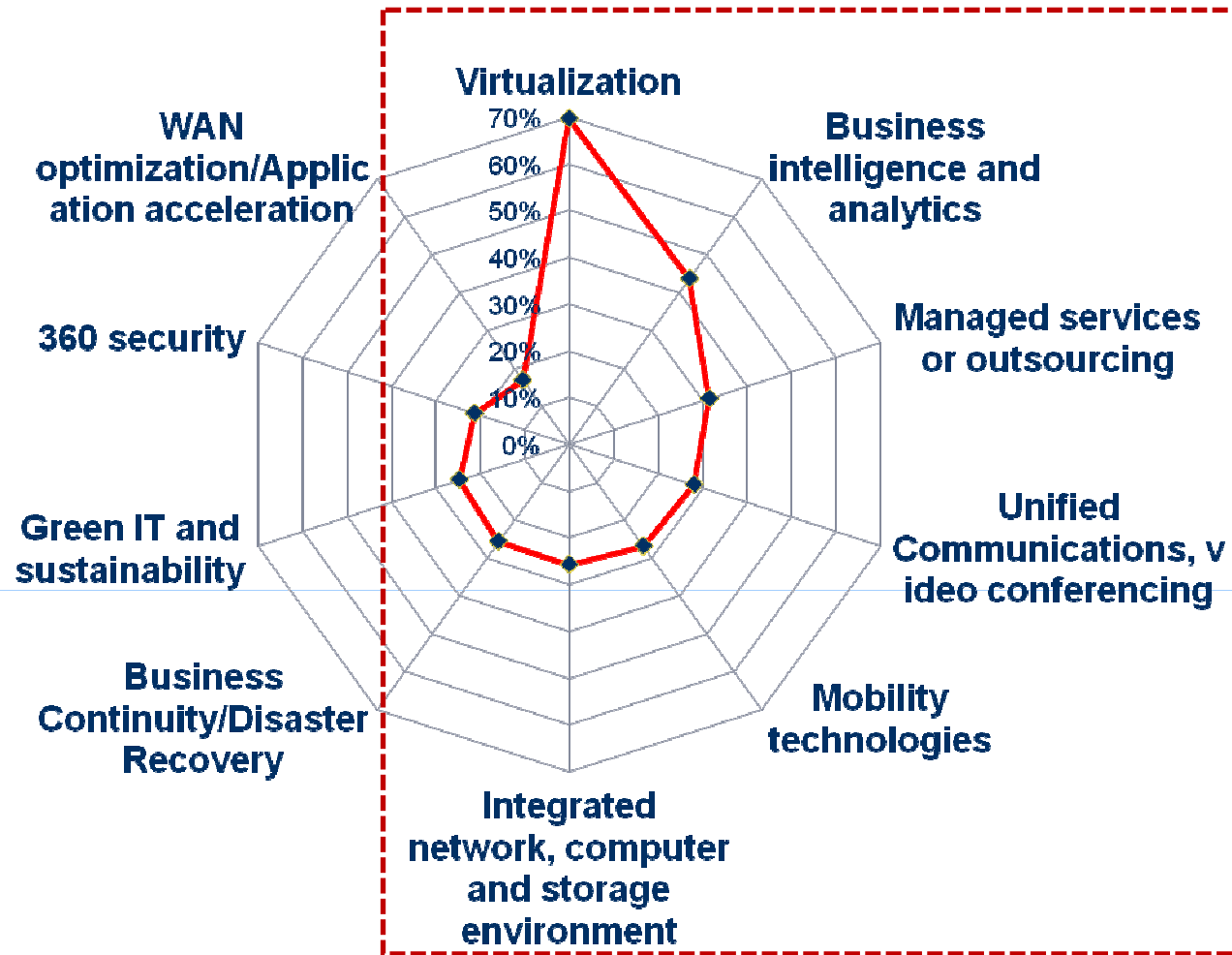
- Channel/Partner Ecosystem
- Mobile sales/support
- Service instead of product

Deliver

- Online
- Value Added Services
- Outcome based agreements

Top “Advantage” Technologies

What technologies would benefit your organization over the next 6-12 months?



Source: IDC, CIO Summit Poll 2010, n=89

Check List for a Volatile Economy



Automate operations – manage the exceptions

Develop a process for managing innovation

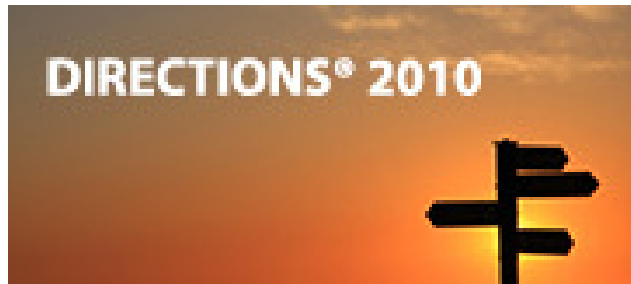
5 best practices for this volatile economy

Increase Transparency- push info to midlevel mgmt

Don't forget about operational efficiencies

Take calculated risks – use a portfolio approach

Thank You



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