




THE FINANCE ROLE IN BUSINESS TODAY



ROB PHEBUS
CFO, FORD LIO HO
26+ YEARS EXPERIENCE
WITH FORD

FINANCE MISSION & KEY RESPONSIBILITIES

The mission of Ford Finance is to contribute to the success of Ford Motor Company by being the most dynamic, efficient, and high-quality organization of its kind.

Ford Finance people strive for excellence and continuous improvement in the quality, effectiveness, and efficiency of the services they provide to internal and external customers.

Finance Personnel Characteristics

Professional --- Intelligence, Creativity,
Judgment and Communication
Skills

Personal --- Integrity, Initiative,
Interpersonal Skills and
Teamwork

Finance Roles

- Develop and operate high-quality financial reporting and control systems
- Develop optimal business practices and processes
- Provide high-quality analysis to support decisions
- Make recommendations as Business Advisors



FINANCE FUNCTIONS

Accounting & Auditing

- Financial Reporting -- Financial Statements, Tax Accounting
- Operations Accounting -- Cost Accounting, Transaction Processing
- Internal and Systems Auditing
- Dealer Auditing
- Supplier Auditing

Treasury

- Capital Structure and Dividend Planning
- Cash and Debt Management
- Foreign Exchange Management
- Pensions, Insurance, and Employee Payroll & Savings

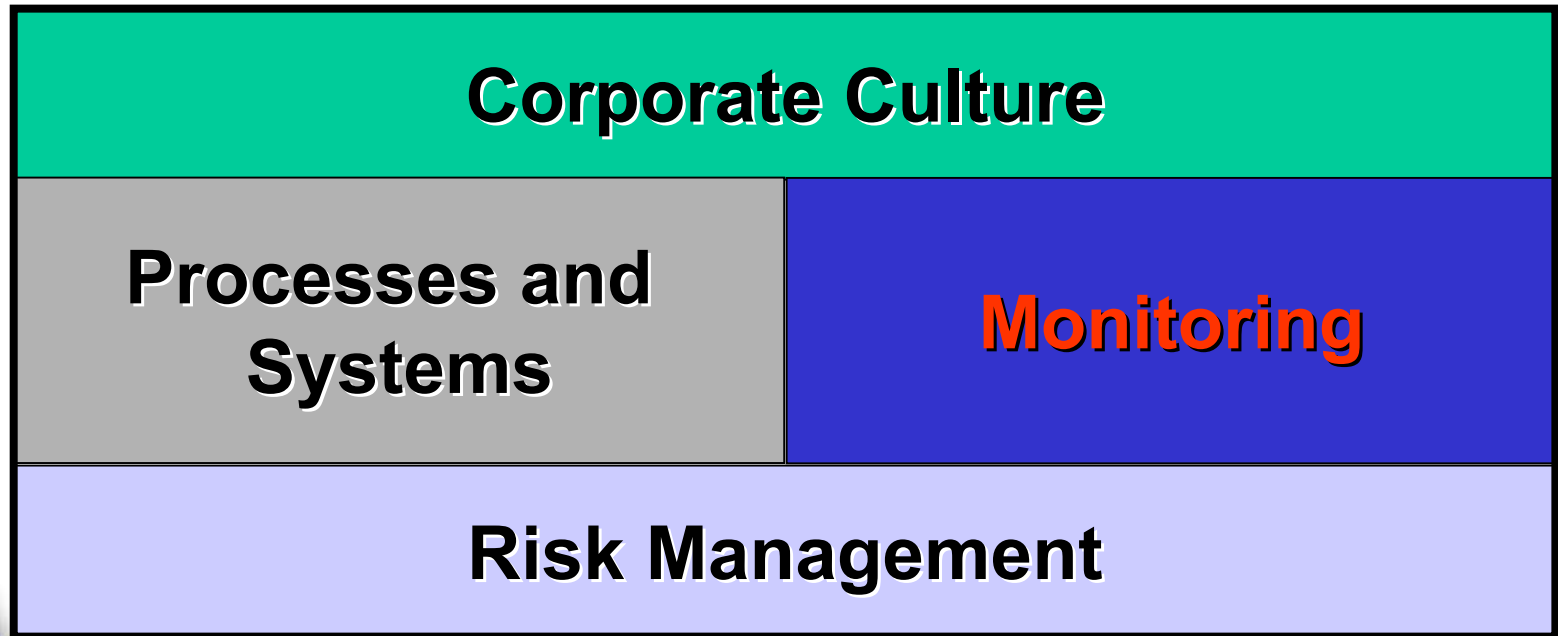


BUSINESS CONTROL THE CFO PERSPECTIVE ON GOVERNANCE

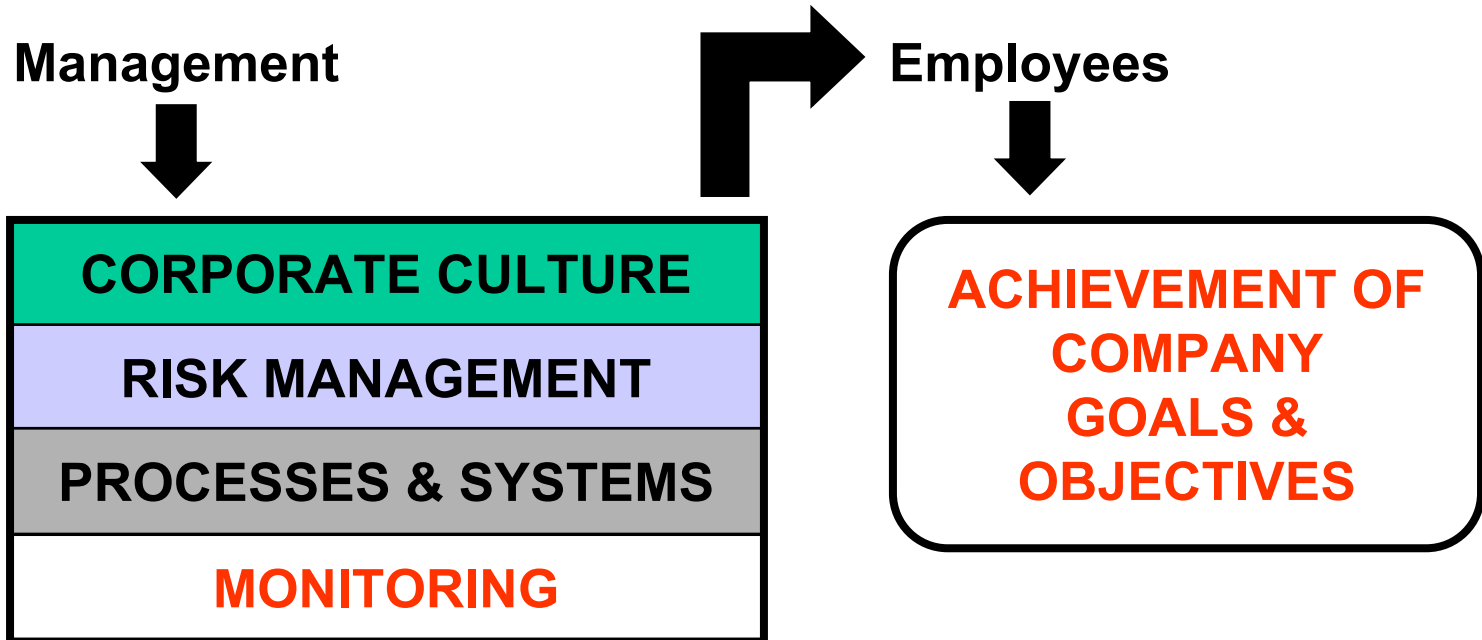
WHAT IS BUSINESS CONTROL?

Any action taken by management to enhance the likelihood that company objectives and goals will be achieved on a sustained basis

ELEMENTS OF BUSINESS CONTROL



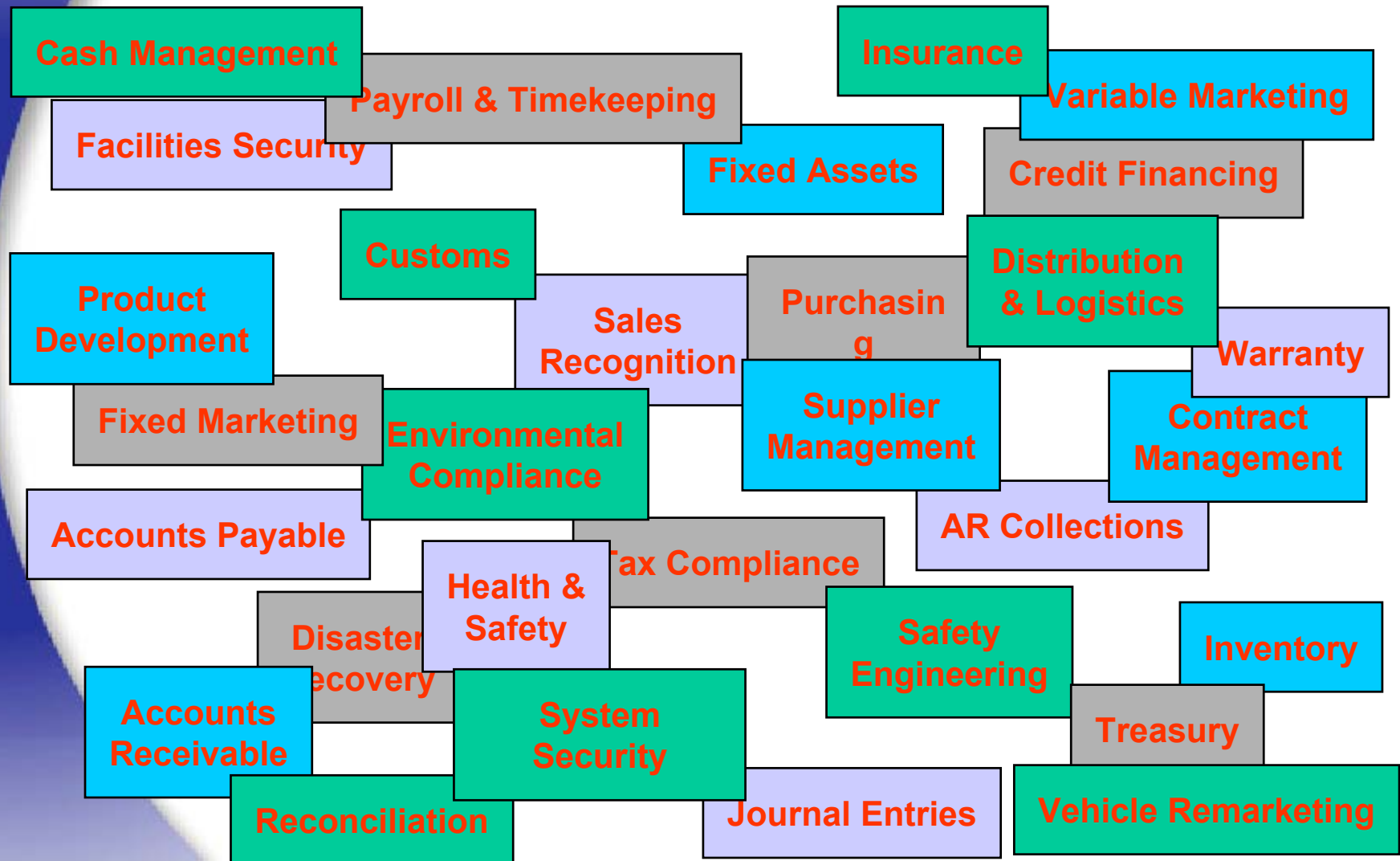
DRIVING FLAWLESS EXECUTION



**Business control drives
achievement of goals!**



WHERE DO YOU FOCUS?



CFO 'TOP SIX'

- Governance and Ethics
- Cash and Treasury
- Asset Integrity
- Revenue
- Purchasing and Payables
- Accounting

GOVERNANCE AND ETHICS

Establishing a decision framework for doing the right thing

POTENTIAL RISKS

- **GOVERNANCE**
 - Business Mismanagement
 - Confusion & Inefficiency
- **ETHICS**
 - Loss of Reputation
 - Litigation Issues
 - Asset Loss

CONTROLS

Audit Committee

Clear Organizational Structure
Formal Delegations of Authority

Policy Letters

Involvement of OGC
Procedures for Reporting
Unusual Events

GUIDELINES FOR AUDIT COMMITTEES

Purpose

- Provide Assistance To The Board Of Directors On Its Fiduciary Responsibilities
- Ensure Reliability Of Accounting And Controls, Reporting Practices, And Quality And Integrity Of Financial Reports

GUIDELINES FOR AUDIT COMMITTEES

Membership

- Two Or More Financially Adept Directors
- Each Should be Non-Executive Members Of The Board
- Company CFO And External Auditors Should Attend Meetings But Are Not Committee Members
- Meetings Held At Each Board Meeting
- Individual Meetings Between Committee And Company CFO And External Auditors At Least Annually

GUIDELINES FOR AUDIT COMMITTEES

Duties And Responsibilities

- Assure Reliability Of Accounting Practices
- Assure Adequate Internal Control Processes
- Assure Compliance With Legal Requirements And Company Policy
- Assure Adherence To A Company Code Of Conduct
- Assure Appropriate Risk Management Processes Established
- Review Appointment And Performance Of External Auditor
- Report To The Board On Matters Of The Committee

CASH AND TREASURY

Protection and maximum utilization of cash and investment assets

POTENTIAL RISKS

- **POOR CASH MANAGEMENT**
 - Theft or Loss of Cash
 - Loss of Interest Income
- **POOR RISK MANAGEMENT**
 - Currency, Interest Rate, & Commodity Exposure
 - Liquidity Risk
 - Property & Casualty Hazards
 - Default Risk

CONTROLS

Appropriate Cash Handling
Delegations of Authority
Account Reconciliation

Hedging & Risk Transfer Tools

• • •

**Use of Treasury & Risk
Management Expertise**

ASSET INTEGRITY

Protection and usability of Company physical and information assets

POTENTIAL RISKS

- **PHYSICAL ASSETS**
 - Loss, Theft, or Damage
 - Waste & Underutilization
- **INFORMATION ASSETS**
 - Loss, Theft, or Damage
 - System / Business Failure

CONTROLS

Physical Security
Tagging & Cycle Counts
Receiving/Shipping Processes

Application Control Review
Disaster Recovery Plan
Passwords
User Access Review

REVENUE

Timely recognition of sales revenue and collection of receivables

POTENTIAL RISKS

- Revenue Over/Understated
- Overdue Receivables
- Ineffective Collection Process
- Bad Debt Exposure

CONTROLS

Separation of Revenue
Recognition & Cash Handling
Procedures for Revenue
Recognition
Aging Follow-up
Bad Debt Allowance Analysis
Account Reconciliation

PURCHASING AND PAYABLES

Purchasing high quality goods and services and paying the right amount at the right time

POTENTIAL RISKS

- **PURCHASING**
 - Unnecessary Purchase
 - Price too High
 - Quality Not to Specification
 - Contracts that Don't Support Goals
- **PAYABLES**
 - Pay Wrong Amount
 - Pay for Goods not Received

CONTROLS

Use Purchasing Expertise
Budget Management
Supplier Database / Preferred Supplier Listing
Low Value Purchase Review
Standard Terms & Conditions

Receipt Verification
Pre-Payment Review
Account Reconciliation

ACCOUNTING

Ensuring that accounting records are accurate and managed properly

POTENTIAL RISKS

- **ACCOUNTS MISSTATED**
 - Improper Entry Made
 - Legal Exposure to Shareholders / Regulatory
- **DATA NOT USEFUL**
 - Poor Categorization
 - Non-Timely
- **DATA NOT USED**

CONTROLS

Account Reconciliation
Reconciling Item Follow-up
Journal Entry Review & Approval

Up-to-Date Chart of Accounts
Closing Procedures

Budgeting & Analysis

EXERCISE: SPECIAL METAL STAMPERS, INC.

Method: Individual Exercise

Objective: Use the CFO Top Six to sift through information and find critical control concerns

Time: Complete Before Class

Instructions: You are Robin James, and today you are taking over from John Smith as Controller at Special Metal Stampers, Inc. a wholly owned subsidiary of We Build Cars. As you sit down at your desk, you notice a full in-basket requiring your attention. Review the narrative provided (a summarization of several introductory interviews) and the contents of your in-box. Which three concerns would you tackle first, and why?

BUSINESS CONTROL TOOLS

Now that you know where to focus, what tools can you use to find and address concerns?

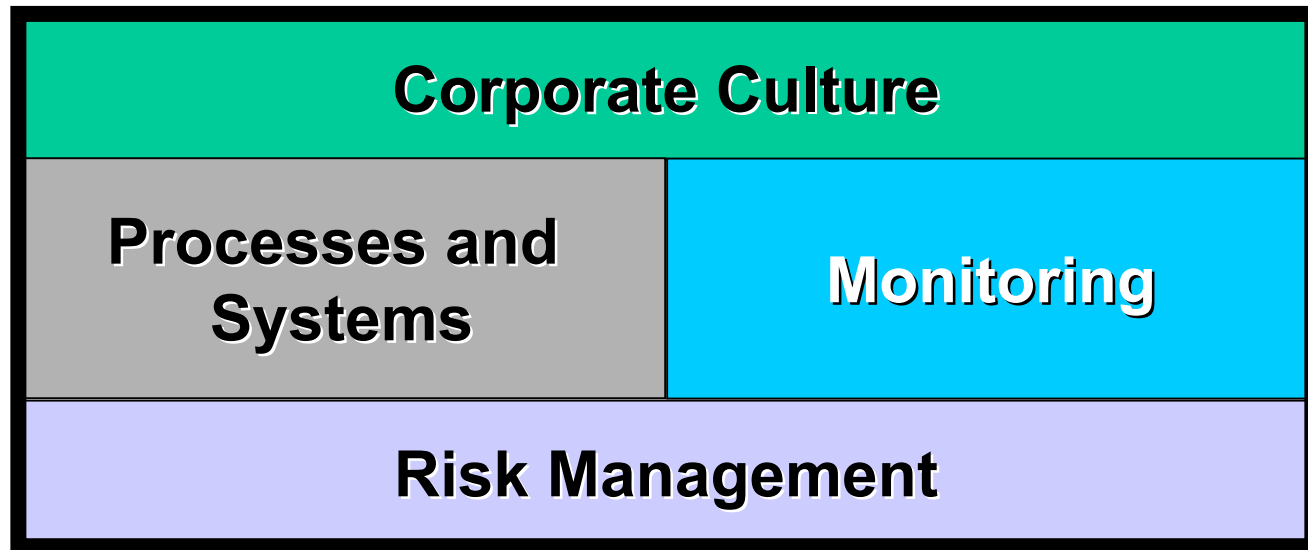
- **Corporate Policies and Standards**
- **Application Control Review (ACR)**
- **Training**
- **Internal Control Coordinators**
- **Modular Control Review Programs**
- **6-Sigma**
- **The GAO**



BUSINESS CONTROL

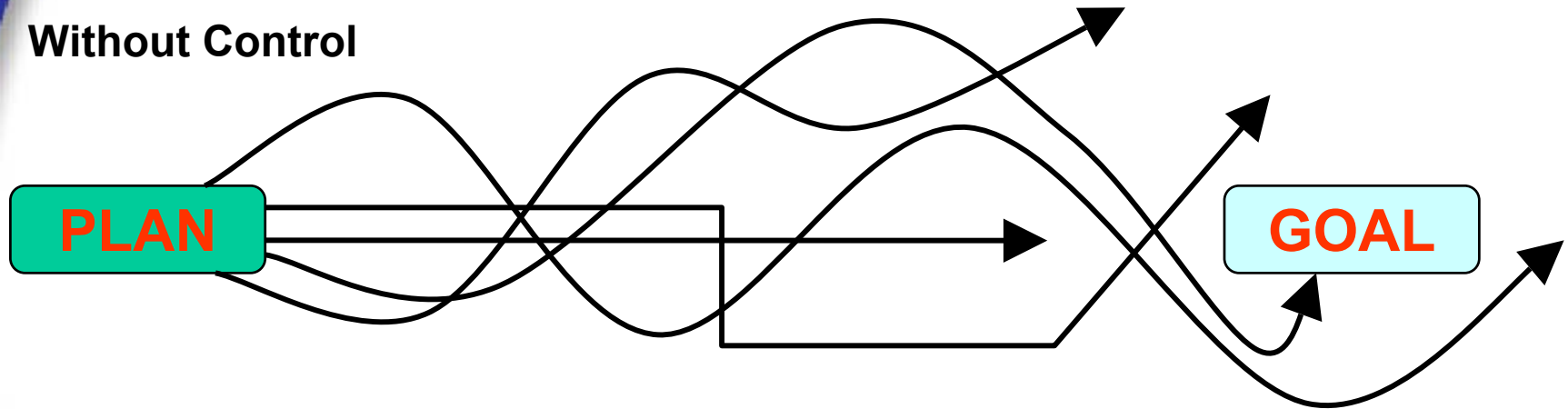
How to Build Control into Business Processes

ELEMENTS OF BUSINESS CONTROL

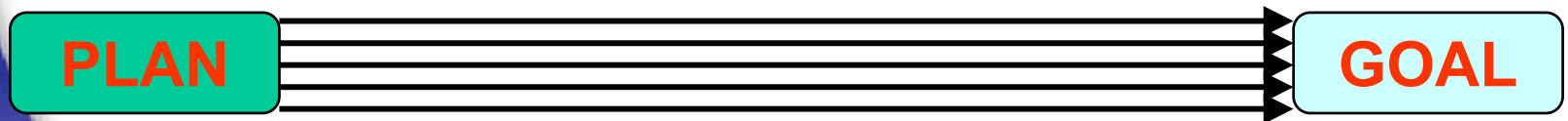


WHY IN-PROCESS CONTROLS?

Without Control



With Control



Hit the target every time with Business Process Control
Repeatability • Sustainability

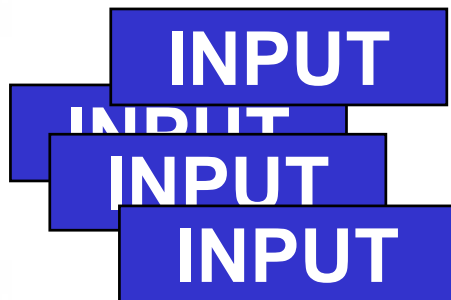
CREATE A CONTROLLED PROCESS

- Understand the Components
- Outline the Existing Process
- Determine Areas of Risk
- Assess the Existing Controls
- Redefine the Process

1. UNDERSTAND THE COMPONENTS

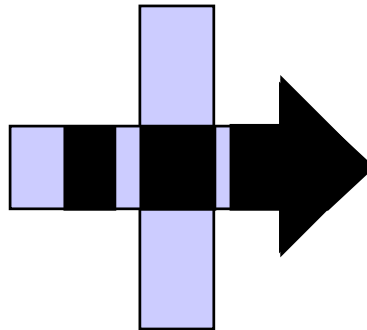
GOAL

WHERE DO YOU WANT TO GET?



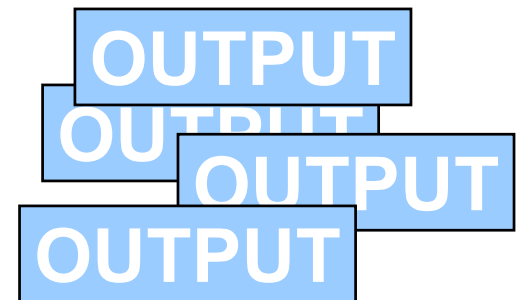
**WHAT DATA
FEEDS YOUR
PROCESS?**

Remember – can be
external or internal



**WHAT PROCESSES
ARE USED?**

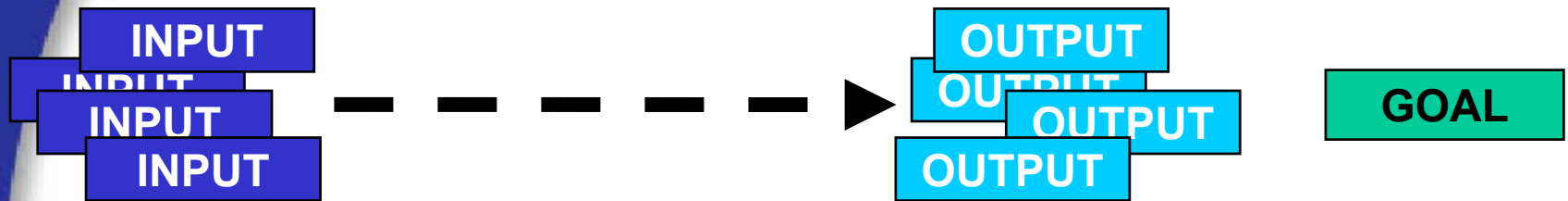
What resources (people
and systems) are used
to transform the input?



**WHAT IS THE RESULT
OF YOUR PROCESS?**

Think enterprise-wide
– are your outputs
someone else's inputs?

2. OUTLINE THE PROCESS



- **State the Goal -- Is it Measurable & Specific?**
- **Detail the Process -- How do Inputs → Outputs?**
 - Identify Process Steps (Sequence / Dependency)
 - When are Decisions Required?
 - Watch for “Dead Ends” – End Should Equal Output
 - Look across Organizations – Understand Handoffs
 - Draw a Flowchart

3. DETERMINE AREAS OF RISK

- Assess Goal Alignment
 - Has the goal changed?
 - Does the output support the goal
- Does Failure (of any process step) Impact Achievement of Goals?
 - What is the consequence of failure?
 - What are the odds it could fail?
- Look for Red Flags

3. DETERMINE AREAS OF RISK

- **Some Possible Red Flags**

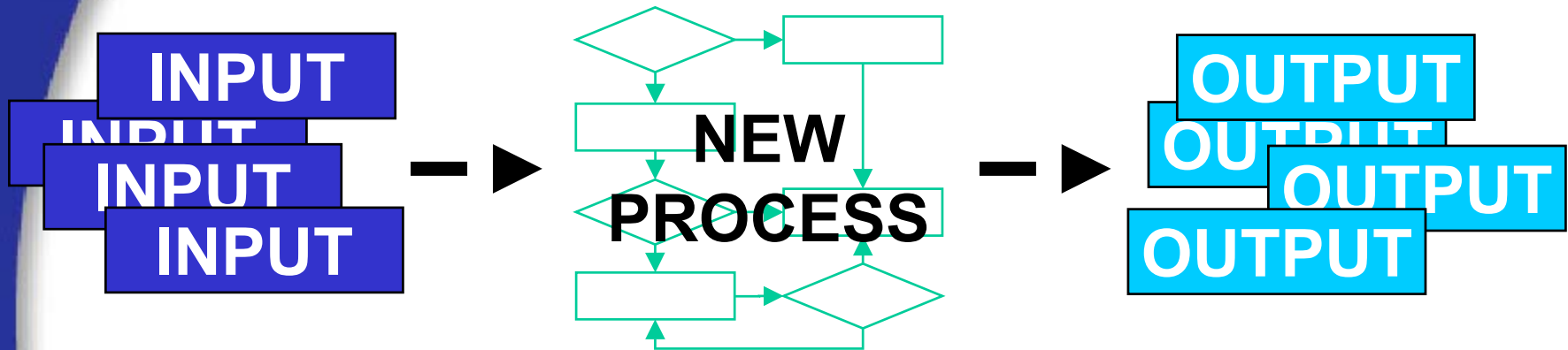
- 🚩 Holding Areas (e.g. overdue payments, unmatched receipts, incomplete orders)
- 🚩 Key Communication Points Transitions (handoffs, transitions, etc.)
- 🚩 Key Decision Points
- 🚩 Manual / Paper Processes
- 🚩 Anything That Can't Be Explained
- 🚩 Long Delays in Retrieving Information
- 🚩 Reliance on Detective vs. Preventative Controls

4. ASSESS EXISTING CONTROLS



- **IDENTIFY EXISTING CONTROLS**
 - Preventive – Reduces likelihood of consequence
 - Detective – Identifies and (if possible) corrects undesired results
 - Directing – Encourages a desirable behavior to occur
- **ASSESS CONTROL vs. RISK**
 - Which risks require additional mitigation?
 - Is there a Company standard / guideline?
 - What type of controls make sense?

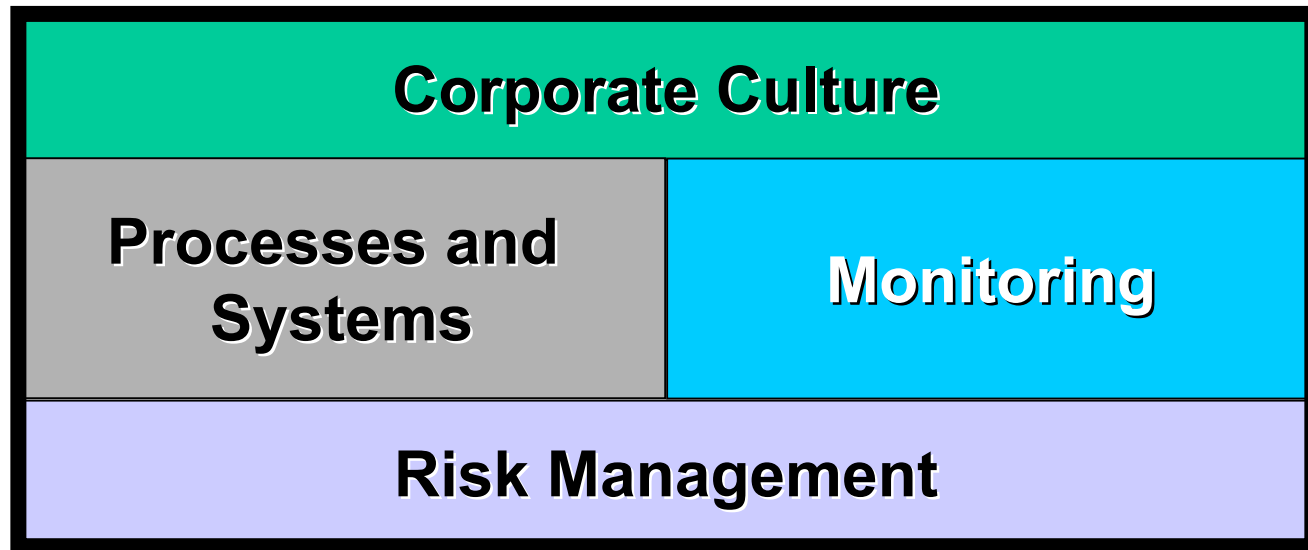
5. REDEFINE THE PROCESS



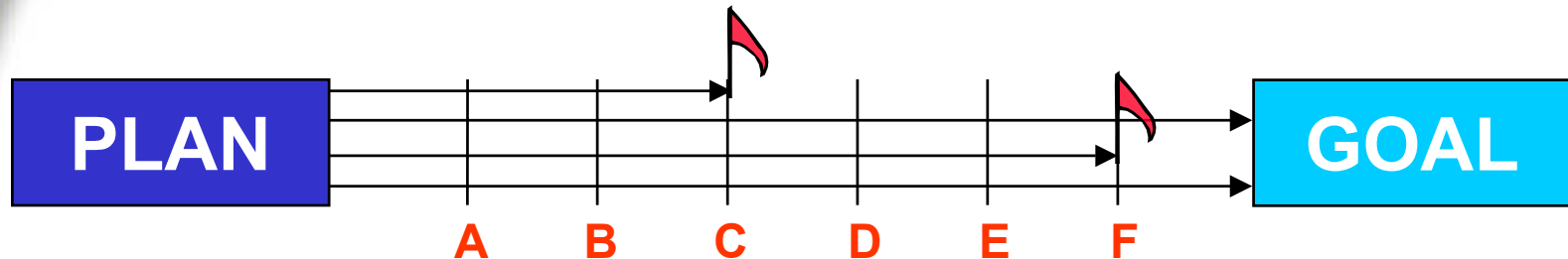
- Build New Controls into Process
- Match Resources to Risk Level
- Ensure Agreement with Stakeholders

Document and **CLEARLY** Communicate Process
AND Roles and Responsibilities

ELEMENTS OF BUSINESS CONTROL



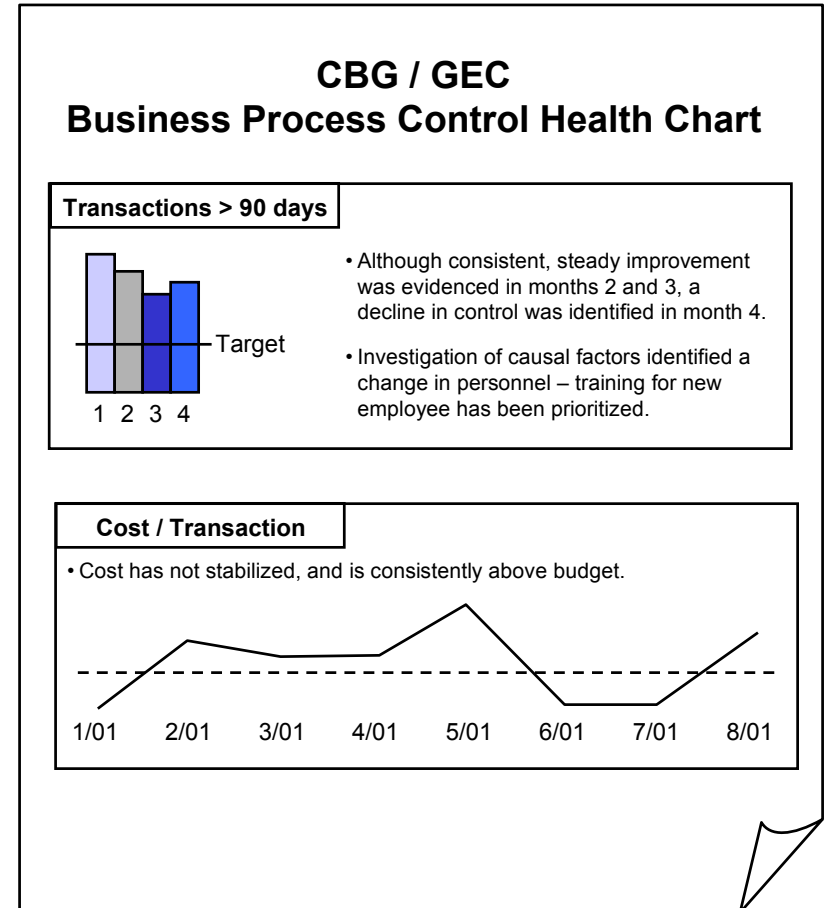
WHY MONITOR YOUR PROCESS?



- Process sets up a sequence of steps – things can get stuck
- Monitoring is a red flag
 - Deal with exceptions
 - Address root cause in the upstream process

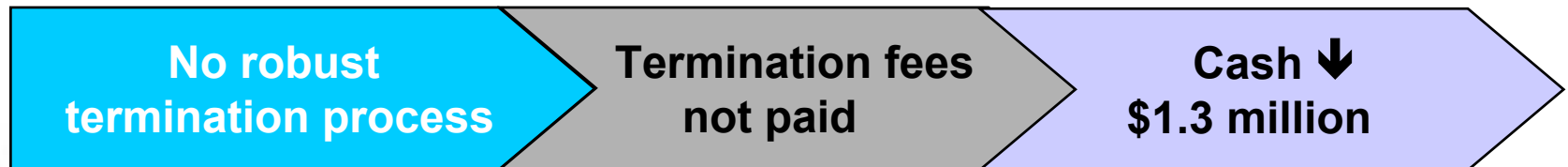
HOW DO YOU MONITOR?

- **Identify Key Control Points in the Process**
- **Determine Metrics for those Points & Outputs**
- **Establish Targets, Triggers, and Variance Guides**
- **Review Metrics Frequently – in and across Departments**



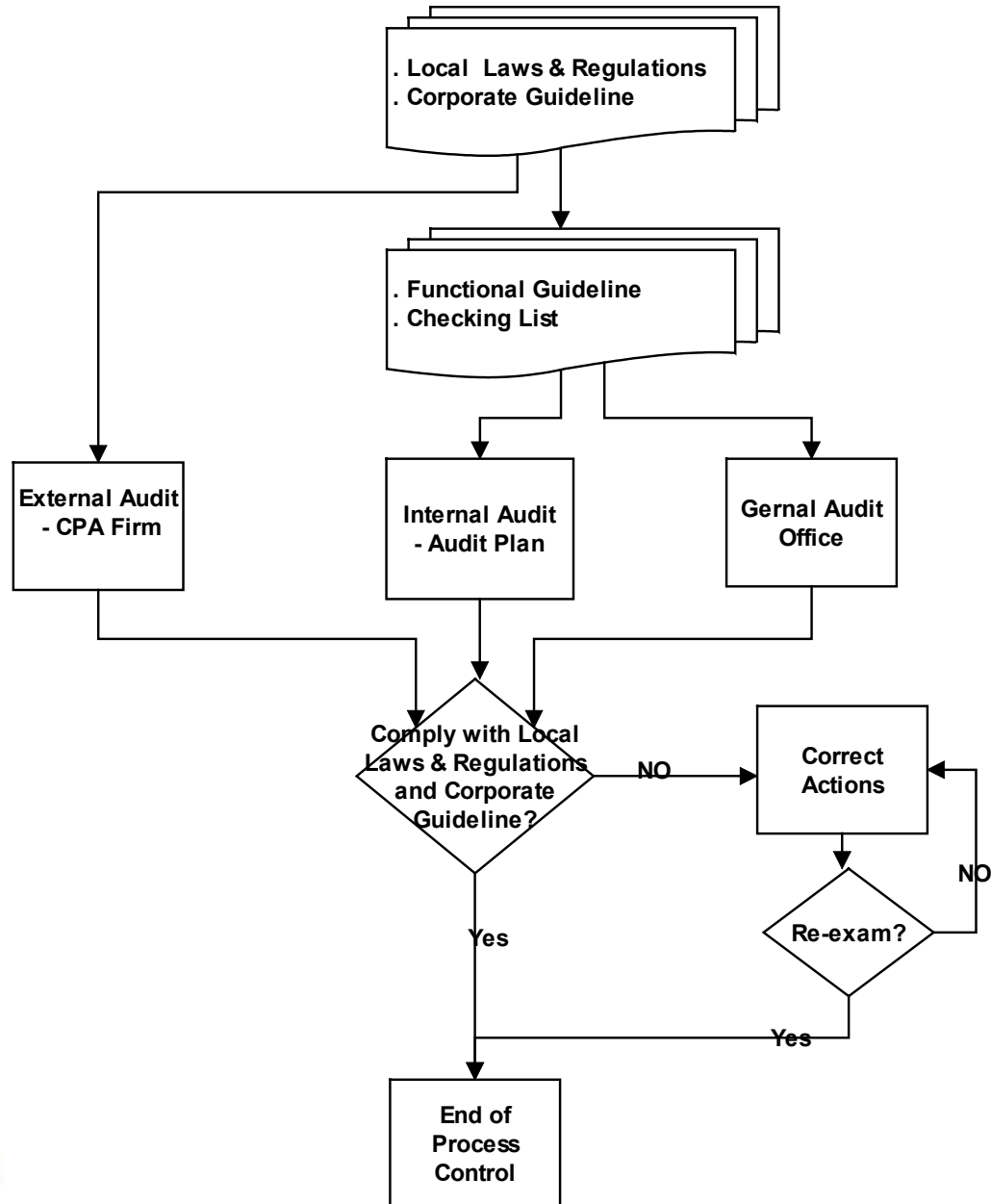
WHAT HAPPENS WITHOUT CONTROL?

The Model E program was launched to provide employees with access to the 'Electronic Age' by offering a computer and internet access for \$5 per month. Employees agree to pay a termination fee if they left the Company prior to the 36-month contract end. 160,000 employees participated.



The absence of a robust termination process impacted the Company's ability to recover payments owed.

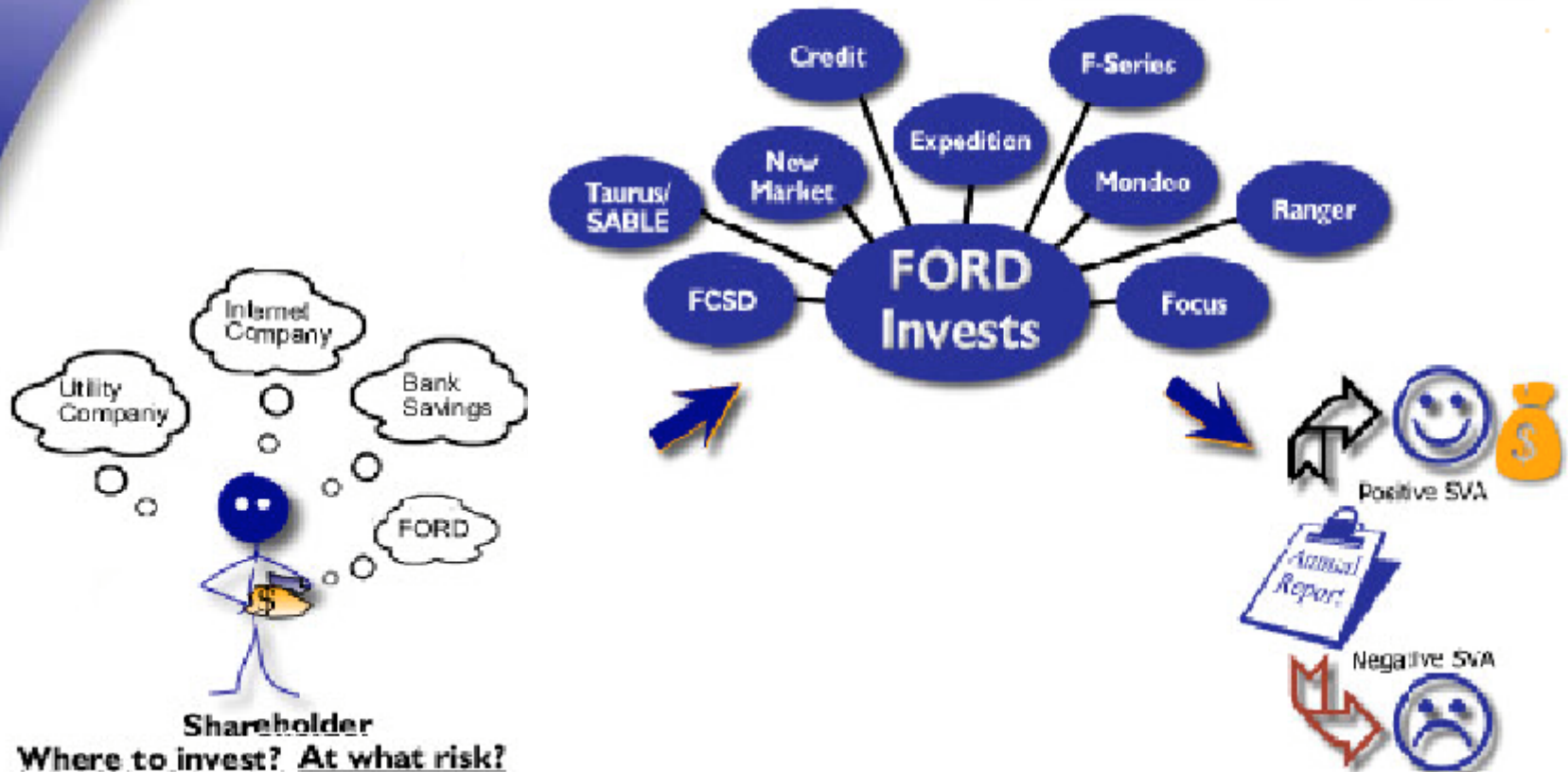
Flow Chart for Internal Control



Financial Analysis

- Profit Analysis and Business Planning – Forecasts and Budgets, Business Planning Process, Joint Ventures and Acquisitions
- Operations Analysis -- Product Development, Manufacturing Cost Analysis
- Market-Related Analysis
- Shareholder Value Planning

What is SVA?




Shareholder Value Added (SVA) is a measure of how much value a company is creating for its shareholders

How is SVA calculated?

$$SVA = \text{Net Income} - \left(\text{NOA Net Operating Assets} \times \text{Cost of Capital} \right)$$

What is Net Income?

 $= \text{Revenue} - \text{Costs} - \text{Taxes}$

What are Net Operating Assets?

"Assets we use to run our business"

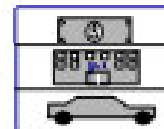
 Receivables -

 Inventory

 Property, Plant and Equipment

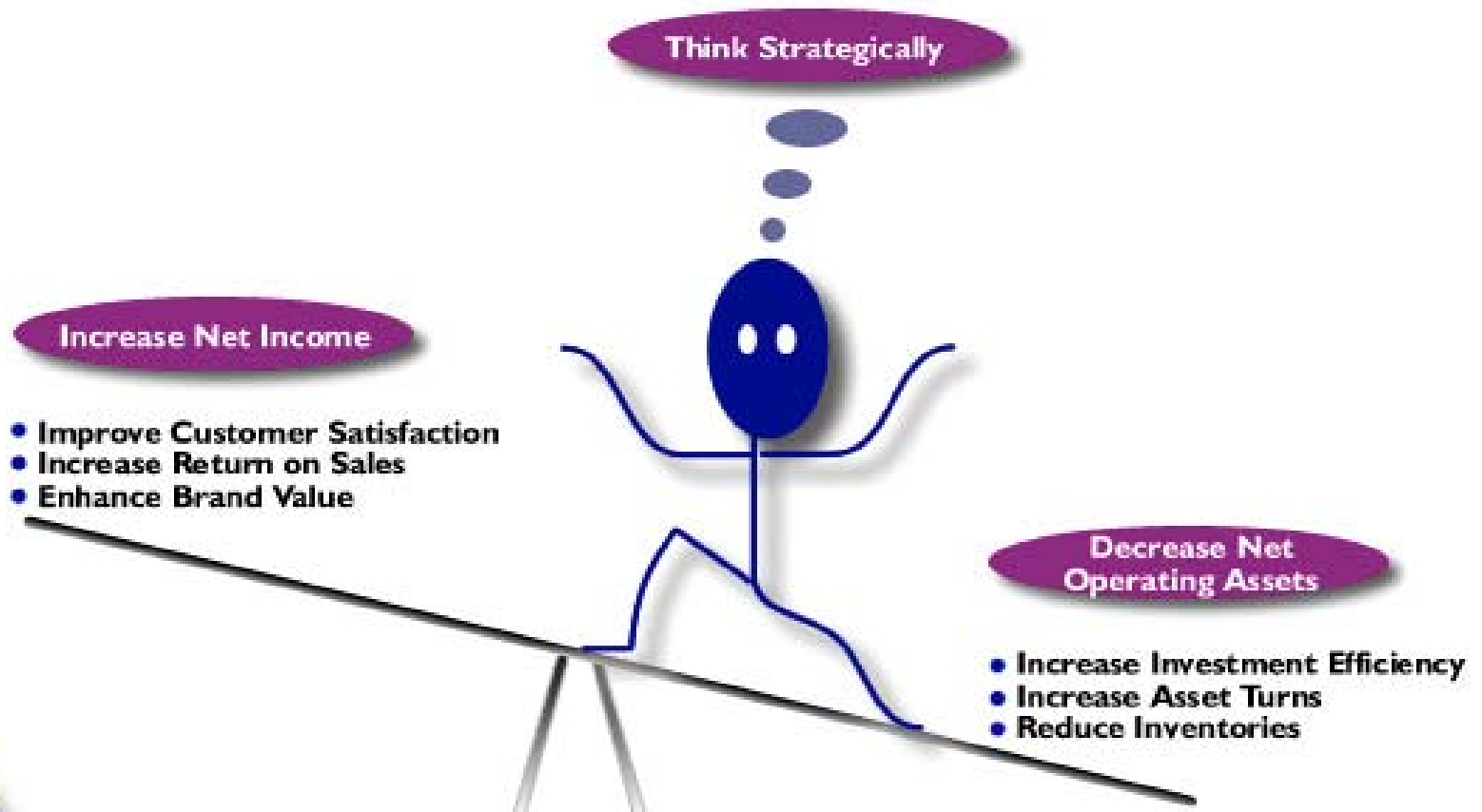
What is the Cost of Capital?

- . Cost to use investor's money to buy Assets
- . The return shareholders require from their investment

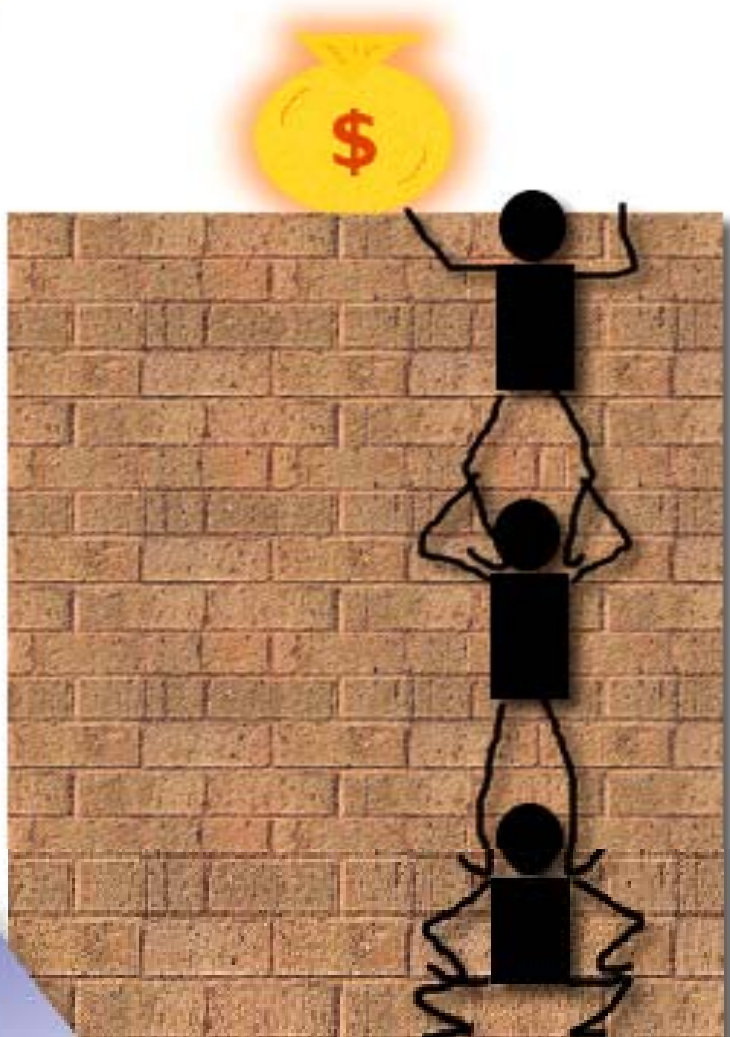


How can I increase SVA?

To increase SVA we need to simultaneously:



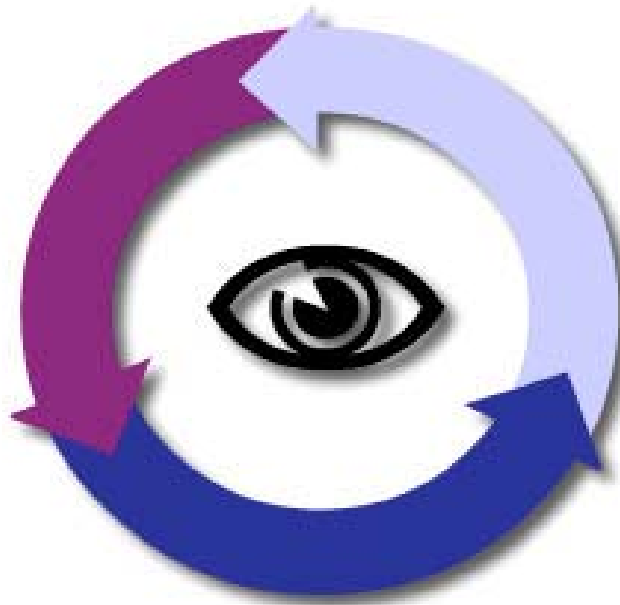
Act Strategically



To act strategically, we need to

- see the big picture
- understand local conditions
- position ourselves optimally

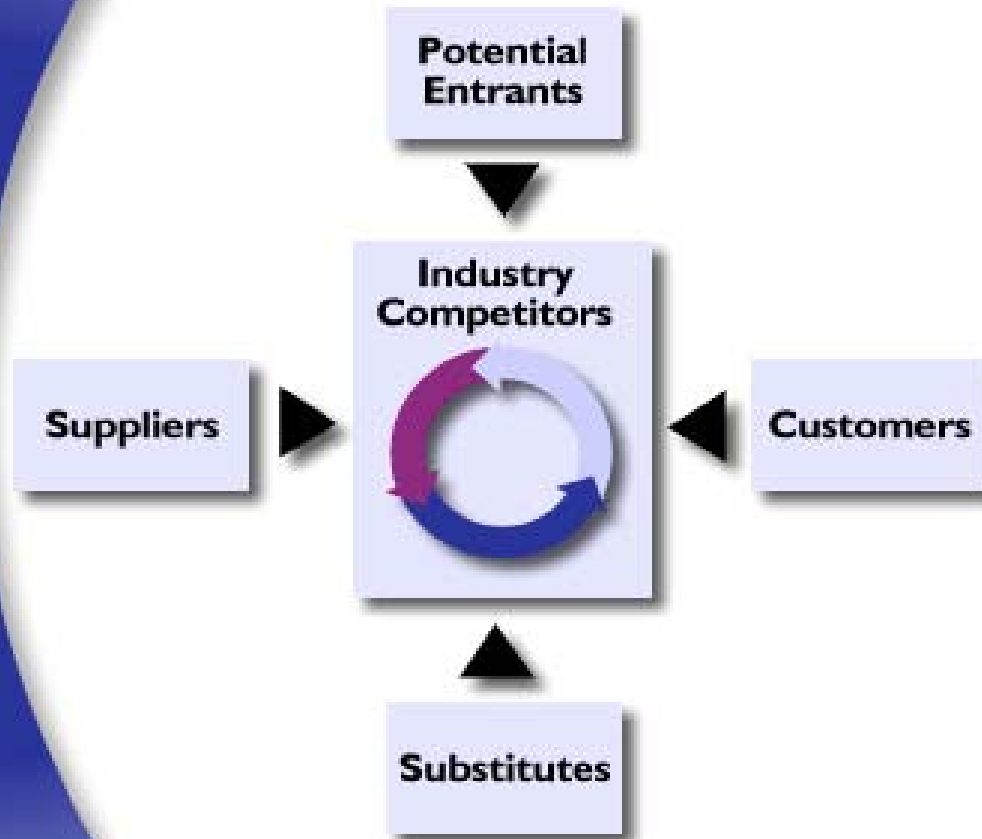
Act Strategically: See the Big Picture



If you know others and know yourself, you will not be imperiled in a hundred battles... if you do not know others and do not know yourself, you will be imperiled in every battle.

Sun Tzu, The Art of War

Act Strategically: See the Big Picture

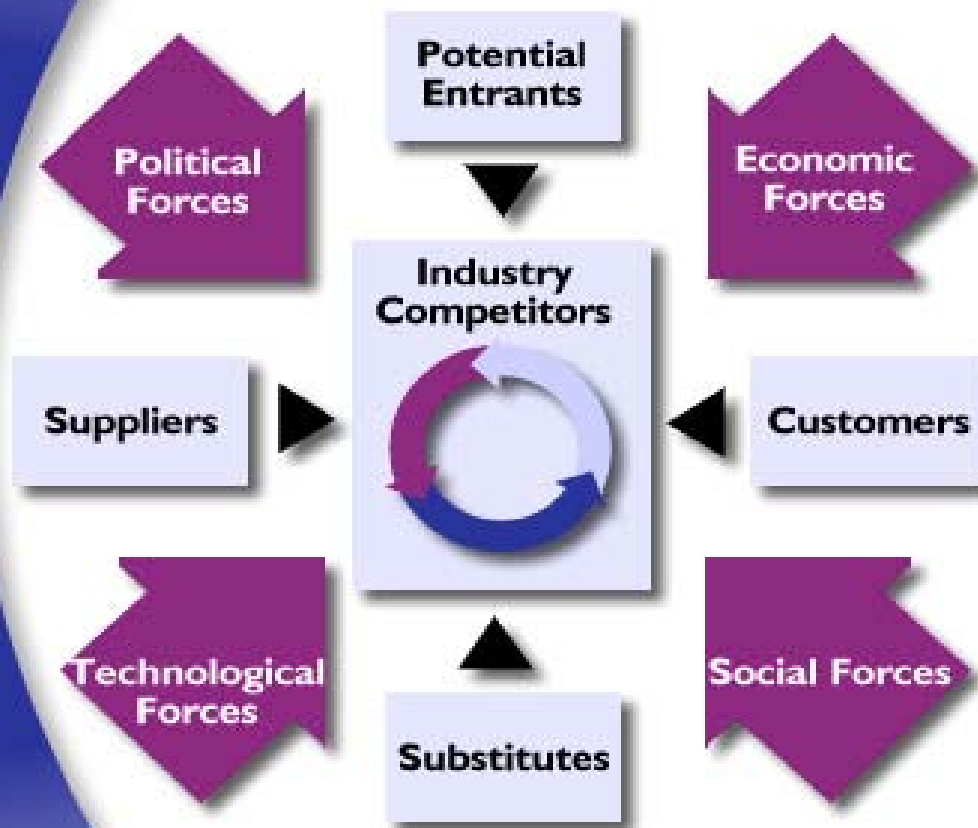


Michael Porter's Five Forces Model is a great way to see the big picture in any industry.

According to Porter, the state of competition in any industry depends on five basic forces:

- the rivalry among industry competitors
- the threat of potential entrants
- the power of suppliers
- the pressure from substitute products
- the power of customers

Act Strategically: See the Big Picture



Along with Porter's Five Forces, which concentrate on particular industries, there are also broader forces that affect multiple industries.

These broader forces include the political, economic, technological, and social forces that shape our market-places and our societies.

These broader forces are usually outside the control of any individual or company, but understanding and dealing with these broader forces can be critical for success.

Act Strategically: Understand Local Conditions



While seeing the big picture is important, it is also necessary to understand local conditions if you want to act strategically.

Understanding local conditions means understanding your costs, competition, customers, distribution channels, products, prices, and promotional activities.

Seeing the big picture and understanding local conditions gives us the background for our most important strategic task – positioning ourselves optimally within our environment.

Act Strategically: Position Ourselves Optimally

The victories of the skillful are not flukes because they position themselves where they will win, prevailing over those who have already lost.

Sun Tzu, The Art of War



Act Strategically: Position Ourselves Optimally

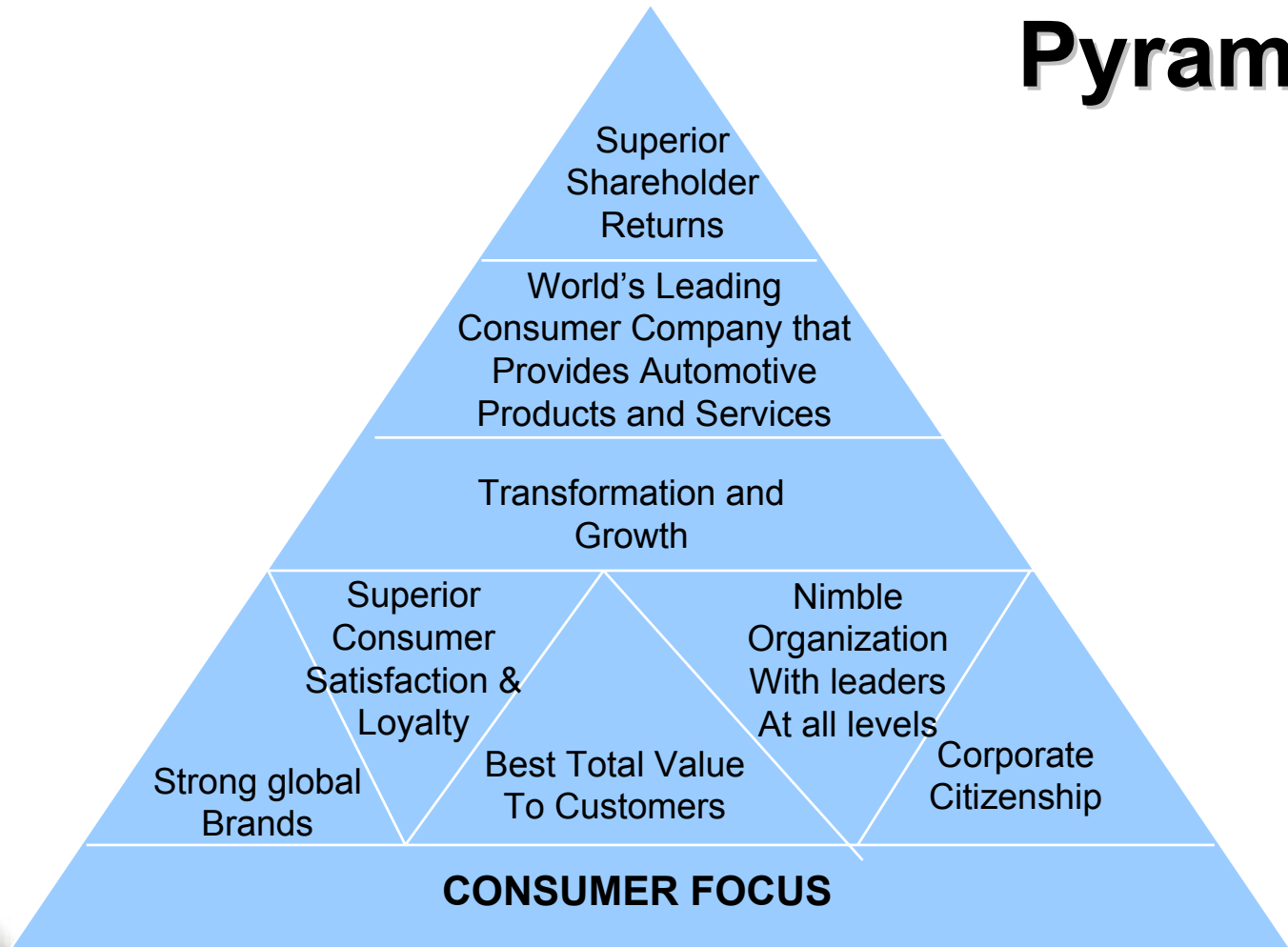
The essence of strategy is choosing to perform activities differently than rivals do. Strategy is the creation of a unique and valuable position, involving a different set of activities.

Michael Porter

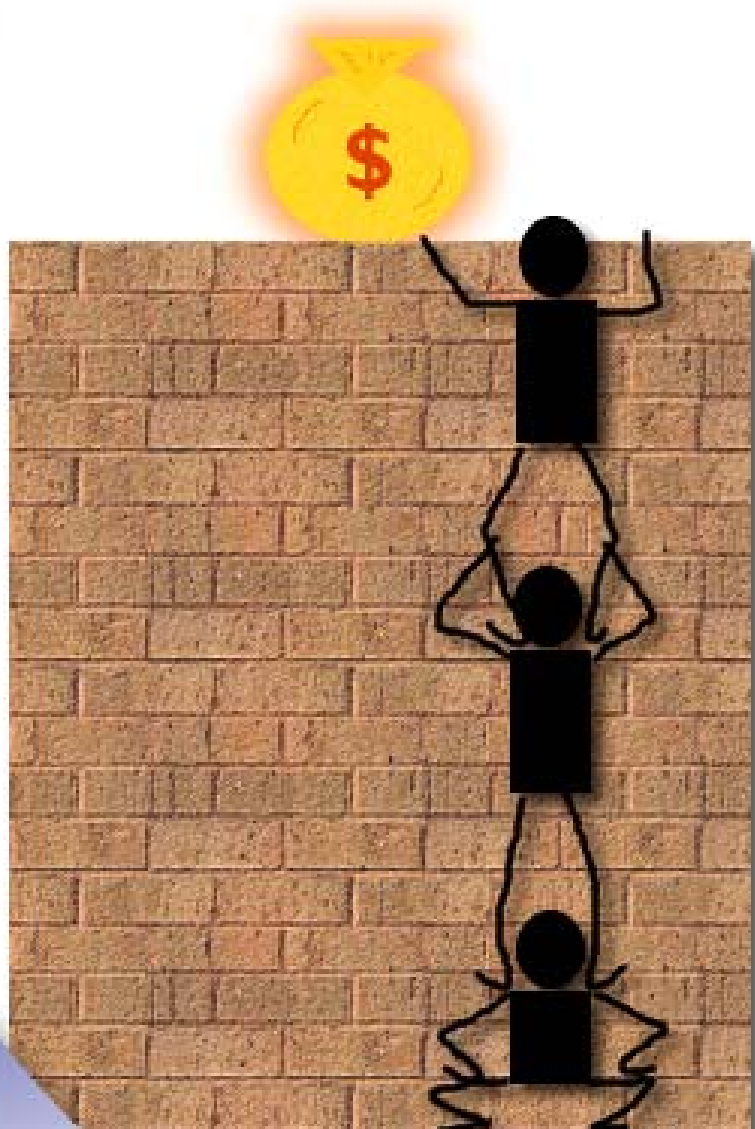


Source: Michael Porter, "What is Strategy?"
in *Harvard Business Review*,
November-December 1996

Act Strategically: Ford's Vision and Strategy Pyramid



Act Strategically: Summary



To act strategically you need to

- see the big picture
- understand local conditions
- position ourselves optimally

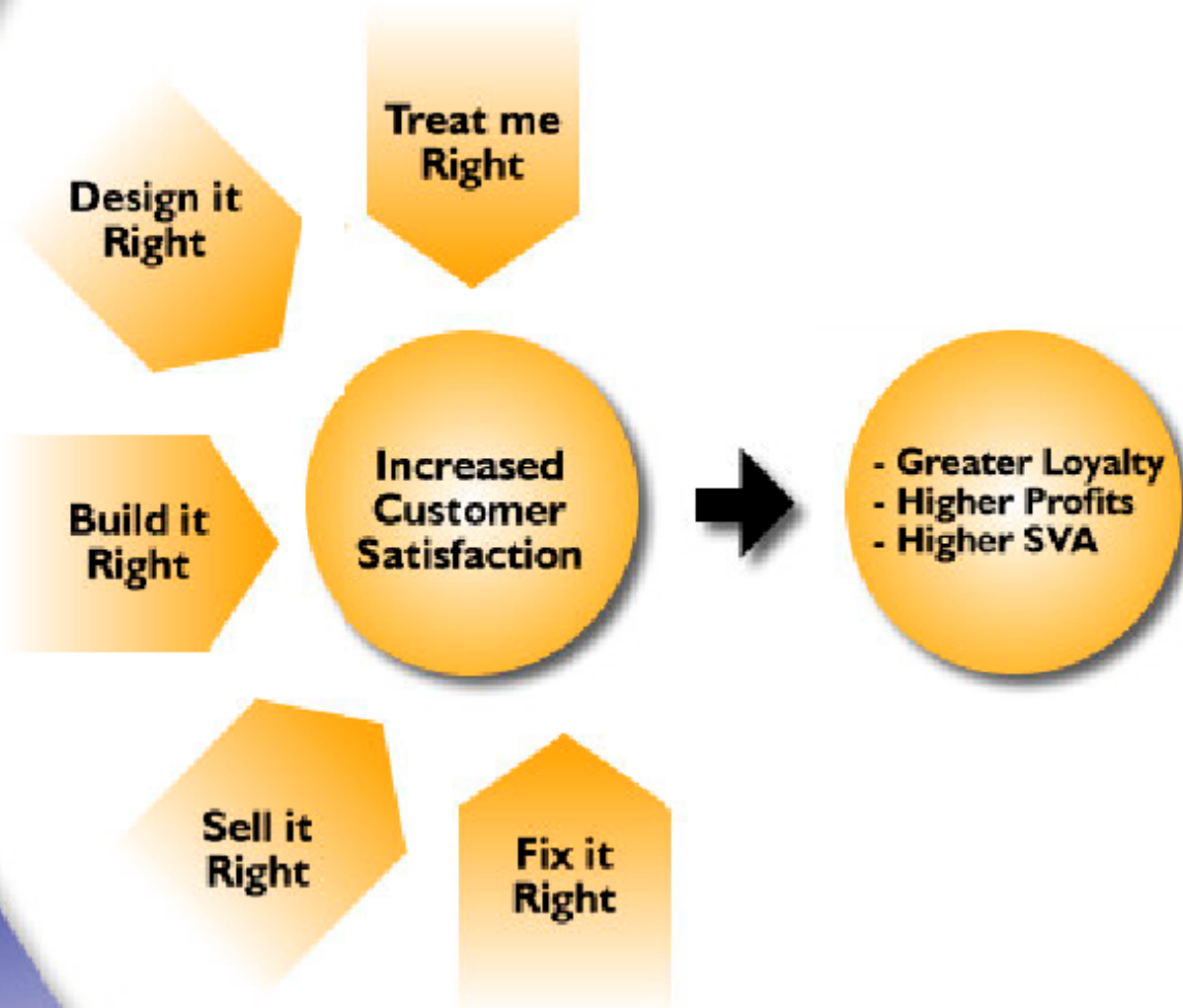
Ford's Vision and Strategy Pyramid is an example of a large step toward the goal of coordinated strategic action and optimal strategic positioning.

However, to turn Strategic Vision into a Strategic Reality, all actions must support and improve the overall strategic position of the company.

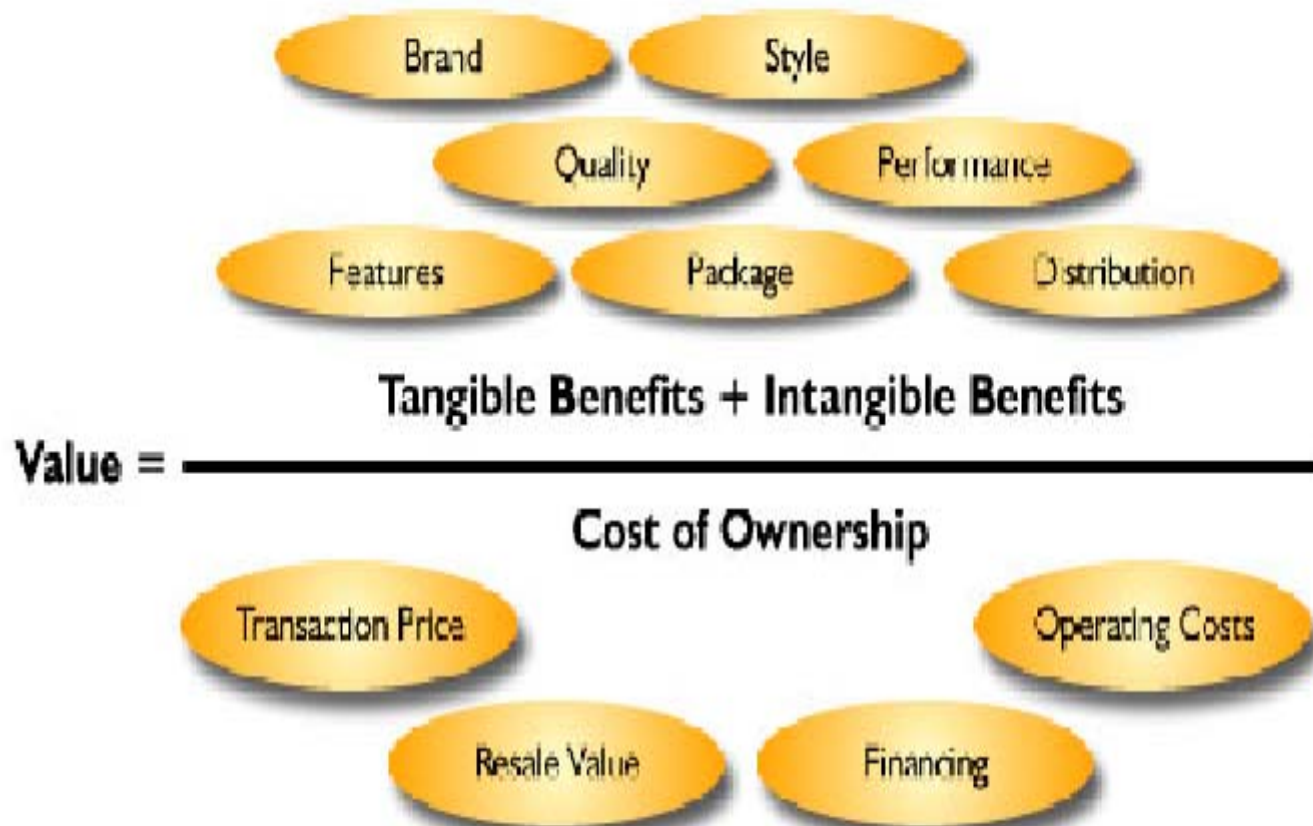
Increase Net Income



Improve Customer Satisfaction



The Customer Value Equation



Increase Return on Sales

Return on Sales is a good measure of a company's efficiency.

Essentially, Return on Sales is profit divided by sales.

Within any given industry, higher Returns on Sales are generally associated with more efficient companies.

Example:

We produce one widget that costs \$2 to make. If we sell it for \$3 then our Return on Sales (ROS) is...

$$\text{ROS} \approx \frac{\text{Profit}}{\text{Sales}}$$

$$\text{ROS} \approx \frac{\text{Revenue} - \text{Cost}}{\text{Revenue}}$$

$$\approx \frac{\$3 - \$2}{\$3}$$

$$\approx .33 \text{ or } 33\%$$

Decreasing costs helps to Increase Return on Sales



**Decrease
Costs**

Decreasing costs lets you make more money off of each product that is produced.

Decreasing costs through improved processes can also lead to improved quality and less waste.

Increasing Customer Satisfaction helps to increase Return on Sales



Increasing Customer Satisfaction makes more people want to buy your products.

Increasing Customer Satisfaction also gives customers options that they are willing to pay for.

The Big Lesson

A big part of the success of any business is to know where you make money and use your product development, manufacturing and sales resources to follow the money.



Follow

The

Money

Follow The Money Concepts

Create Business Units of One

- Establish Profit Centers for Different Business Channels
- Divide Business into Smaller Manageable Subsets
- Make Every Salesperson Responsible for a Direct Business

Follow The Money Concepts

Know the Profit of Everything You Sell

- Know the Variable Profit of Every Product and Service You Sell
- Know the Variable Profit by Major Series and Options within a Product Line
- Know the Profit of Every Region, Zone, and Distribution Channel
- Focus Resources on Improving Profit

Follow The Money Concepts

Leverage Production Programming

- Know the Profitability of Product Portfolio
- Program Aggressively on High-Margin Products and Conservatively on Low-Margin Products
- Work with PD and Manufacturing to Grow High-Margin Business
- Manage Product Allocation to Minimize Marketing And Maximize Profits

Follow The Money Concepts

Grow Non-Traditional Business Channels

- Run the Channel as a Profit Center
- Maximize Total Profit for Every Definable Sub-segment
- Pursue Win-Win Opportunities with These Customers on High-Margin Products and Services
- Work on Unique Product Opportunities
- Focus on Service and Make Yourself Indispensable
- Manage Residual Values

Follow The Money Concepts

Business Regional Sales Staff

- Establish Businesses for Each Zone Manager
- Make Sure They Know the Profit of Every Product and Service They Sell
- Develop Regional Profit Improvement Plans that Exploit Growth Opportunities on Profitable Business
- Focus on Dealer “Turns” to Improve Wholesale Volumes
- Leverage Regional Resources on High-Margin Production with Open Capacity

Follow The Money Concepts

Leverage Retail Marketing

- Know the Profit of Every Product for Every Type of Financing
- Establish Process to Prioritize Marketing on High-Margin Production
- Focus on Filling Open Capacity on High-Margin Products
- Drive Synergies with Supporting Adjacent Businesses
- Balance Out Old Products Early
- Target Marketing by Region and Customer
- Protect Residual Values

Follow The Money Concepts

Price Strategically to Improve Margins

- Know the Profit of All Products, Options, and Packages
- Use Pricing as a Tool to Increase Value on High-Profit Products (or Options)
- Price Aggressively to Improve Margins on Low-Margin Products
- Reduce Complexity and Simplify Product Offerings (Validate with Market Research)
- Price Often to Minimize Market Effect of Increases

Follow The Money Concepts

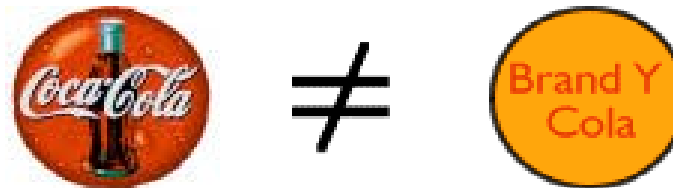
Eliminate Waste – Focus on Cash

- Establish Disciplined Process to Eliminate Obsolescence
- Eliminate Receivables
- Reduce Company Inventory
- Create Tax Efficient Processes
- Manage Currency Risk

Enhance Brand Value

A strong brand is more than the sum of product features and pricing.
A strong brand provides an emotional connection with customers.

Competitors can copy products. For instance, many companies make cola drinks. However, no generic cola can compete with the brand power of Coke. Coke's brand power connects with the feelings and emotions of consumers.



Because strong brands have a powerful effect on consumers and because strong brands are difficult to copy, they represent a significant competitive advantage.

Coca-Cola is a registered trademark of The Coca-Cola Company

Service brands that delight customers

Customers also must be delighted in the services that you offer.



No matter which brand people buy, you must make sure that their ownership experiences are worry-free.

How can I help to create strong brands?



What can I do?

Human Resources

Plays a critical role in the ongoing development of business competencies, one of which is brand marketing.

Public Affairs

Communications with the media, especially on new brands, help to shape the brand image.

Finance

Price the product right for the target customer and find ways to reduce cost without negatively impacting the brand.

Purchasing

As the primary interface with the vast array of suppliers, Purchasing must ensure that suppliers' product proposals are in line with the brand.

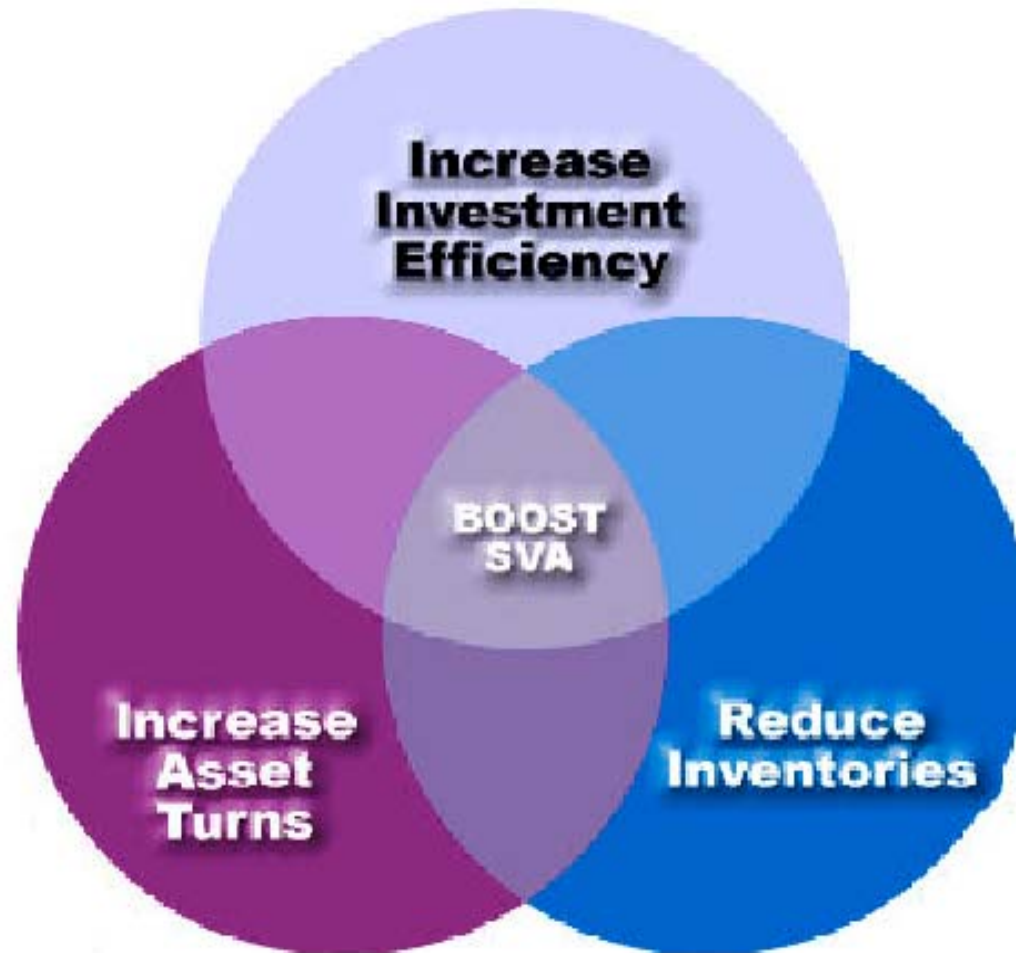
Manufacturing

The guardian of quality and workmanship must understand the brand to ensure that cost reductions and process changes do not harm the brand's essence.

Quality & Process Leadership

Assists the company in developing robust processes, so that we may provide a consistent brand message over time.

Decrease Net Operating Assets



Increase Investment Efficiency

Investment efficiency is the ability to simultaneously minimize investment and optimize value for the customer.



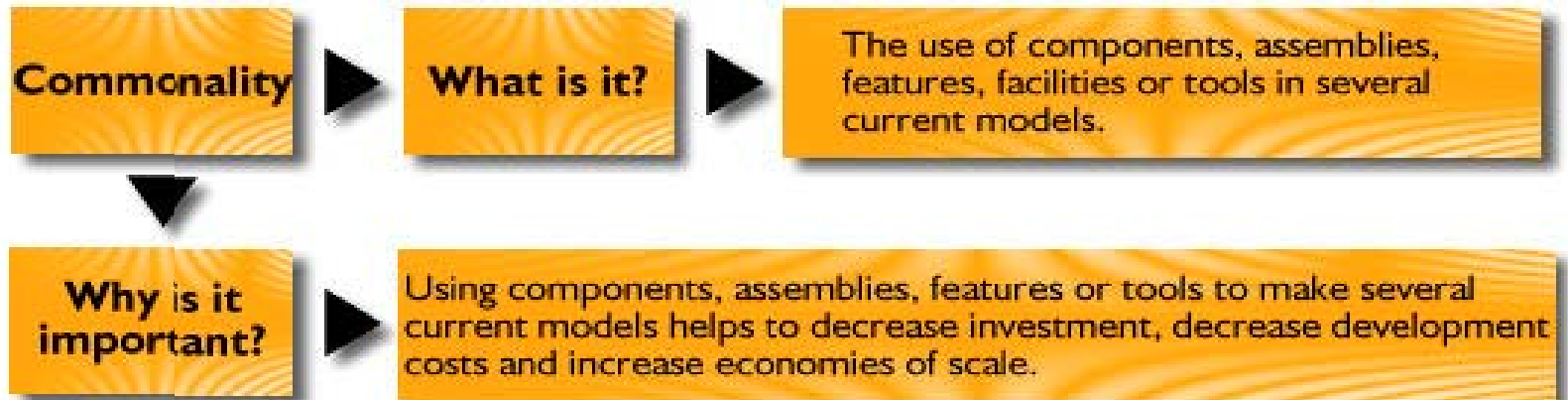
Increase Carryover



Increase Reusability



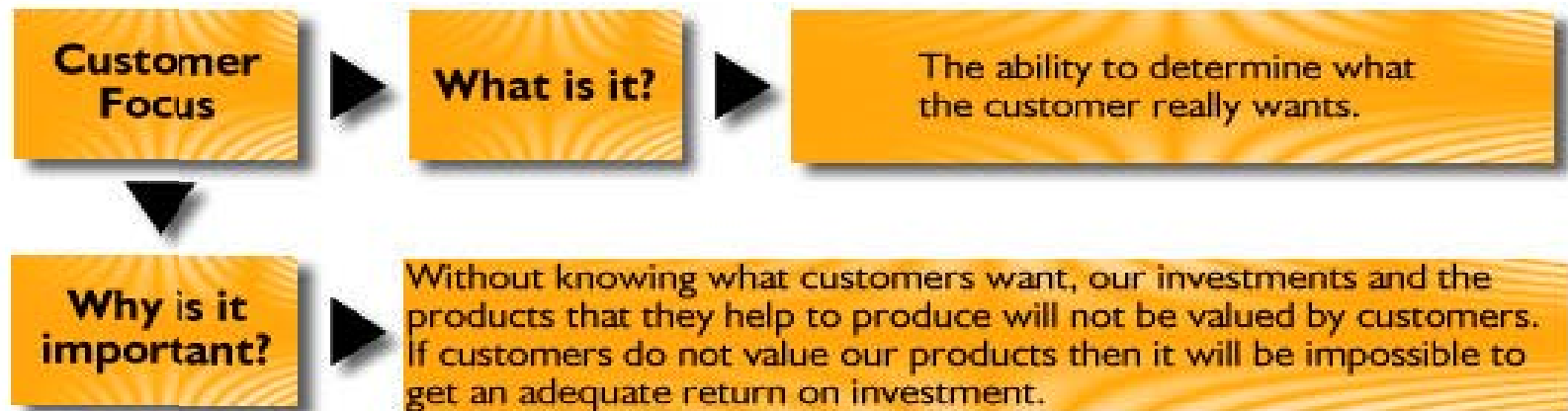
Increase Commonality



Decrease Complexity



Increase Customer Focus



Why are asset turns important?

“In the past, Ford might have thought that certain parts of the business were doing well because they showed positive earnings. SVA, however, suggests that such a simple view does not go far enough”.

“It’s possible that those parts of the business actually destroyed shareholder value—with profits not high enough to cover the net operating assets and meet shareholder demands. SVA underscores the importance of creating profits while improving asset turns.”

Example of Asset Turns

	Product	
	<u>A</u>	<u>B</u>
Net Income	\$ 500	\$ 700
<u>- Asset Charge</u>	<u>400</u>	<u>800</u>
= SVA	\$ 100	\$(100)

At first glance, Product B appears to be better for the company because it produces more net income than Product A.

Product B however is comparatively more asset intensive.

Despite its relatively high net income, Product B actually destroys shareholder value.

Reduce Inventories



Inventories generally represent a significant part of net operating assets.

The best way to comprehensively reduce inventories is to adopt a *Kanban* (or “pull”) philosophy.

Kanban thinking focuses on maximizing the value-added flow and the efficiency of the overall system rather than an individual process step.

Is it in the best interest of the Company?

When evaluating actions to increase SVA, remember to consider the complete business impact of your decision. Some actions **MAY APPEAR** to increase SVA but are either superficial financial engineering or not in the **LONG-TERM** best interest of the company.

Examples

- Some cost reductions can make SVA higher in the short term, but lead to lower quality, decreased customer satisfaction and lower SVA over the long term.
- Leasing assets can decrease net operating assets but may not always increase SVA. The associated leasing costs may be greater than the benefit of lower net operating assets.



Business Advisor **Planning Cycle**

- Strategic Review
- Business Plan
- Objective Setting and Management Reporting

STRATEGIC PLANNING PROCESS

Provides the backdrop for sound decision-making and business planning. Key elements of the strategic planning process include:

- (1) A customer focus,
- (2) A clear Vision and Mission,
- (3) Affordable Business Structures and
- (4) Goals, strategies and tactics which support customer needs as well as the company Vision and Mission.

STRATEGIC PLANNING PROCESS ELEMENTS

- **Vision:** What the organization wants to be in the long run.
- **Mission:** What the organization does or needs to do to achieve its Vision.
- **Strategic Plan:** The goals that must be achieved and the broad general strategies inherent in those goals for the Mission.
- **Business Plan:** Each operation develops specific strategies and general tactics in the form of a business plan that is specifically time-bound to achieve the Strategic Plan.
- **Budget:** The current year operating actions in the Business Plan

PRODUCT PLANS ARE AT THE HEART OF THE BUSINESS

- **Affordable Business Structure:** Affordability is defined by the market equation and a competitive profit return.
- **Company Financial Requirements:** Each major operation is expected to generate sufficient net cash flow to fund its growth and to generate positive SVA.
- **External Market Factors:** The external market factors determine the parameters within which you establish the variables for the affordable business structure

FORD'S ANNUAL PLANNING PROCESS AS AN EXAMPLE

- **External Factors Study:** Establishes the key competitive, economic and governmental scenarios that can affect the business.
- **Cycle Plan:** Provides a 10-year outlook for vehicle product programs.
- **Financial Planning Volumes (FPV's):**
Represent trend automotive industry and segment volumes used for long-term financial planning.

FORD'S ANNUAL PLANNING PROCESS AS AN EXAMPLE

- **Business Plan:** Provides the financial quantification of the Operating Plans and Commitments and include key financial targets.
- **Cash and Spending Plan:** Summarizes the cash needs of the Operations' financial plans included in the Operations' Business Plans.
- **Financing Plans:** Are developed by each major legal-entity based on its projections of cash to identify funding needs for the present year and for the business plan period.

FORD'S ANNUAL PLANNING PROCESS AS AN EXAMPLE

- **Budgets:** Reflect the current year commitment on the part of operating management to achieve identified key measureables.
- **Profit Forecast:** Provides monthly financial information for Corporate and operating management to measure their progress towards budget commitments.

OPERATING CYCLE

Calendar Year

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Jan. Feb. Mar. Apr. May Jun July Aug. Sep. Oct. Nov. Dec.

Forecast

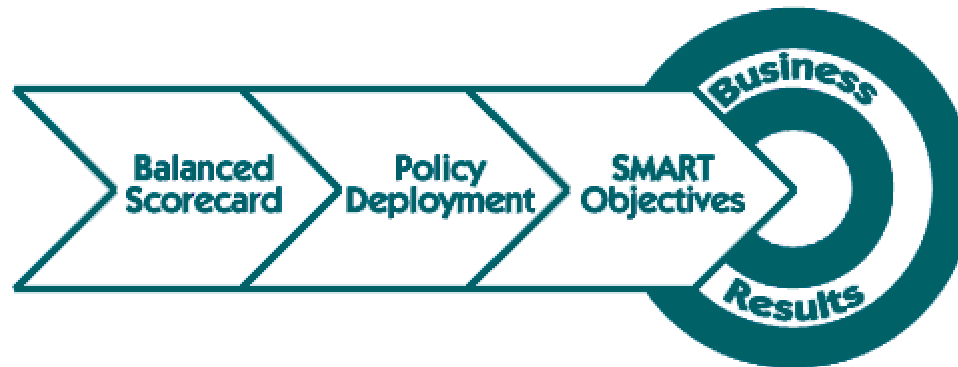
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12+0

IPV/FPV

**Business
Planning**

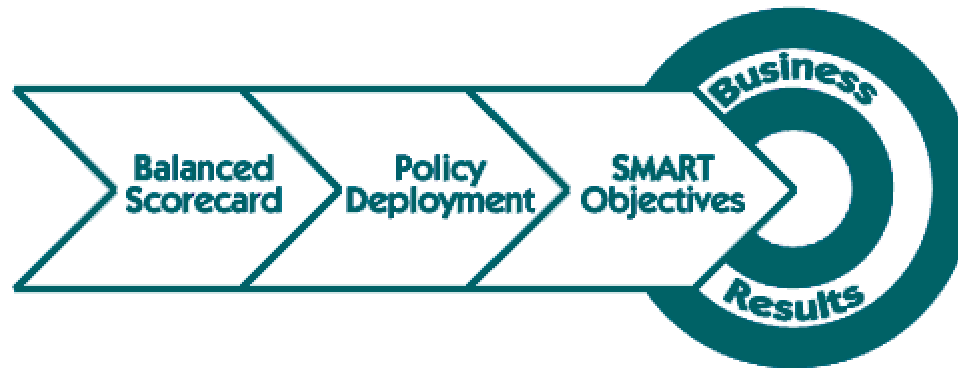
Budgeting

Balanced Scorecard Process Is A Business Planning Tool



- ✓ That Translates Organization Priorities Into Aligned Objectives And Performance Measures
- ✓ That Establishes A Clear “Line Of Sight” Between Corporate Goals And Employee Contributions

Balanced Scorecard Process



Basic Elements Of The Process Include

- Deployment
- Action Planning
- Individual Objective Setting

The Balanced Scorecard Includes



- ✓ Key Focus Areas
- ✓ Priorities To Achieve The Desired Business Results
- ✓ Success Drivers
- ✓ Performance Measures
- ✓ Lead/Support Responsibilities

FLASH

FAP 2003 Scorecard (Taiwan)

FOUR ASPECTS

Owner

Business Priorities	Metric	2003 2001 BP	2003 Target	Progress R Y G	PD Director	Finance Dir	MS&S Dir	Bus. Dev. & Assoc	HR Dir	Reg. & CounMDs	Mfg. Director	Purchase Dir

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C = Champion; S = support

Policy Deployment



- ✓ Communicates High-Level Priorities
- ✓ Ensures Organizational And Individual Objectives Are Aligned To The Priorities

SMART Objectives



Are Clear And Specific Objectives That Are Aligned To Deliver The Business Priorities

SMART Objectives

Stretch and Specific

Objectives should challenge you and state exactly what will be achieved.

In what way does the objective challenge me?

Is the objective clear enough to drive a specific action plan I can deliver?

SMART Objectives

Measurable

Objectives must be quantifiable so that you will know if you have met the requirements.

Can I use data to show I completed this task?

SMART Objectives

Aligned

There must be a clear link between the objective and the Business Plan/Balanced Scorecard.

Do I know how this objective is linked to the overall Business Plan?

Does this objective support the team's objectives?

SMART Objectives

Realistic

While objectives should be challenging they should be achievable.

Do I have a high degree of confidence that I can deliver this objective?

Have I discussed with my supervisor how I will achieve this objective?

SMART **T** Objectives

Time-Targeted

Objectives should specify a completion date and milestones.

When will the objective be met?

Are there significant timing milestones that should be tracked along the way?

OPERATING CYCLE

Calendar Year

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Jan. Feb. Mar. Apr. May Jun July Aug. Sep. Oct. Nov. Dec.

Forecast

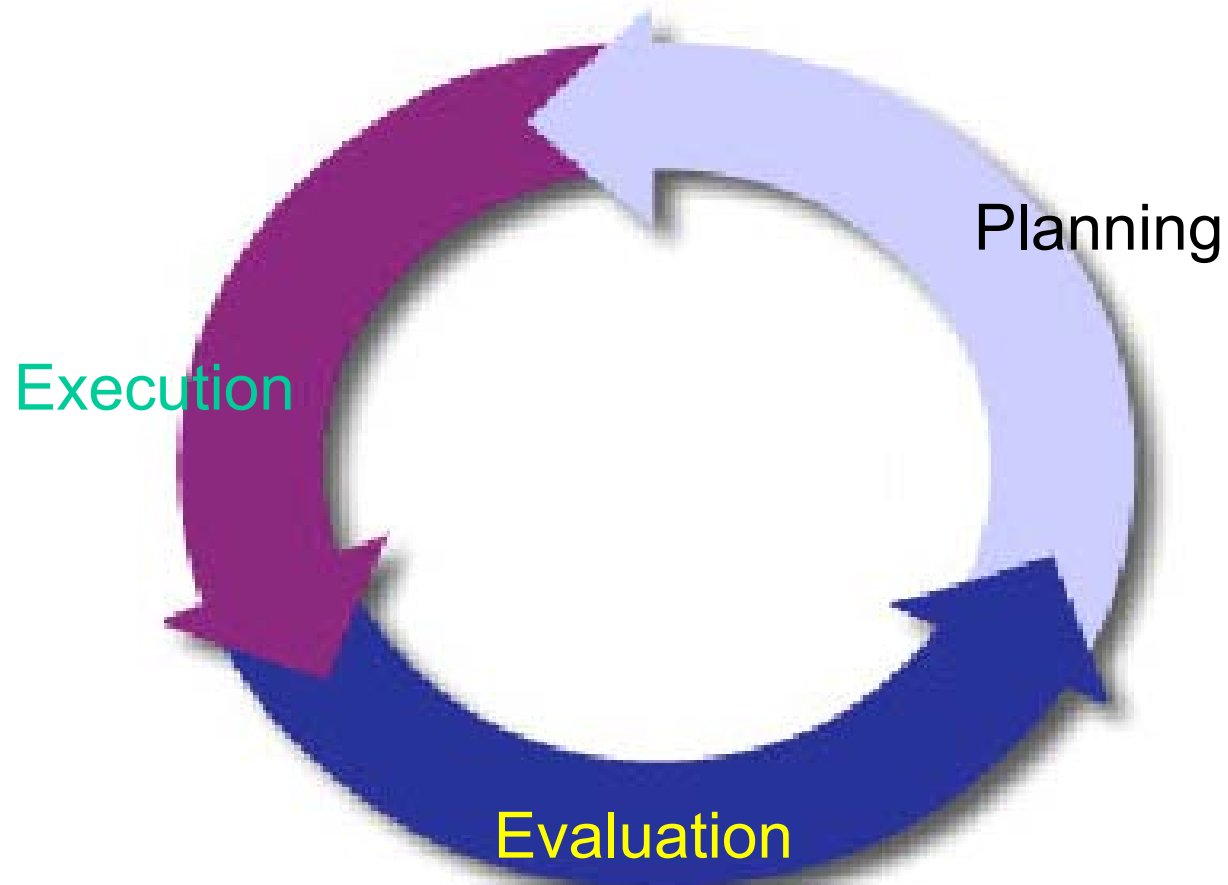
0+12 1+11 2+10 3+9 4+8 5+7 6+6 7+5 8+4 9+3 10+2 11+1
12+0

IPV/FPV

**Business
Planning**

Budgeting

MANAGEMENT CYCLE



MONTHLY MANAGEMENT REVIEW AND REPORTING PROCESS

Meetings

Sales Review
Production Scheduling
Procurement
Taiwan Product Review
Committee
Market Program Review
Cost Review
Customer Satisfaction Team
Product Timing
Inventory

Reports

Budget Performance Report
Issue to Issue
Quarter to Quarter
Year Over Year

Cost Performance
Quality Assessments
Risks and Opportunities

BUSINESS ADVISOR PLANNING CYCLE

In All Facets Of The Process, Finance

- Develops Data To Support The Reviews
- Acts As Advisor To Support Responsive Decision-Making

The Process is Dynamic And Continuous



Now Can You Make Money?