

How to Talk to the CFO

Persuasive Presentations Create Enterprise-wide Change

By Matt Gersper

International trade is a 16 trillion dollar industry experiencing an automation revolution comparable to the revolution of the 1970s and 1980s that automated corporate financial functions using Enterprise Resource Planning (ERP) systems. Most major corporations have tight internal controls, sophisticated ERP technology, and well-managed organizations overseeing

200X+



their various accounting processes. In fact, corporations have become so competent at self auditing every invoice for complete accuracy that error rates typically discovered by 3rd party AP auditing firms are only **one-tenth of one percent**.

Control of global trade processes is often **100 to 200 times** worse compared to accounts payable processes in the same company¹. Surprisingly, this fact has gone unnoticed by many executives and the costs of ineffectiveness continue to grow.

According to a study of 233 enterprises by the Aberdeen Group, “A \$1 billion company that imports a third of its goods can free between \$10 million and \$40 million in cash annually by better controlling its basic global trade processes².” This chart applies the Aberdeen metrics to estimate unnecessary annual costs based on company size.

Undetected and unmanaged risks in the global supply chain are costing businesses millions of dollars annually in hidden, often unnecessary costs, destroying company profits and eroding global competitiveness.

According to another study recently released by Aberdeen, most companies are woefully inadequate in their automation and staff support for global trade³. Global trade operations are overworked, understaffed, and often using outdated technologies. On top of that, government regulations around the world are piling on more and more demands. Many trade professionals simply have too much to do and not enough staff or resources to do it with. An empowered trade professional can become a catalyst for effective change

Poor Controls

Company Size	Estimated Imports (1/3 of revenues)	Minimum Costs	Maximum Costs
\$10 to \$49.9 million	\$6,798,448	\$204,158	\$816,630
\$50 to \$99.9 million	\$22,980,753	\$690,113	\$2,760,451
\$100 to \$249.9 million	\$50,775,041	\$1,524,776	\$6,099,104
\$250 to \$499.9 million	\$116,537,757	\$3,499,632	\$13,998,529
\$500 to \$999.9 million	\$232,940,424	\$6,995,208	\$27,980,832
\$1 to 2.499 billion	\$518,424,451	\$15,568,302	\$62,273,207
\$2.5 billion or more	\$3,483,961,990	\$104,623,483	\$418,493,933

¹ <http://www.gdmllc.com/webinars/30/Competitive Advantage II by GDM.pdf>

² http://www.aberdeem.com/Aberdeen-Library/2028/RA_CFO-GTM_BE_2028.aspx

³ http://www.aberdeem.com/Aberdeen-Library/3172/RA_GlobalTrade_BE_3172.aspx

How to Talk to the CFO

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by clearly, concisely, and persuasively presenting an executive business case that quantifies opportunities and provides well-organized plans to fix problems.

The following process will help trade professionals prepare and present an executive business case for change:

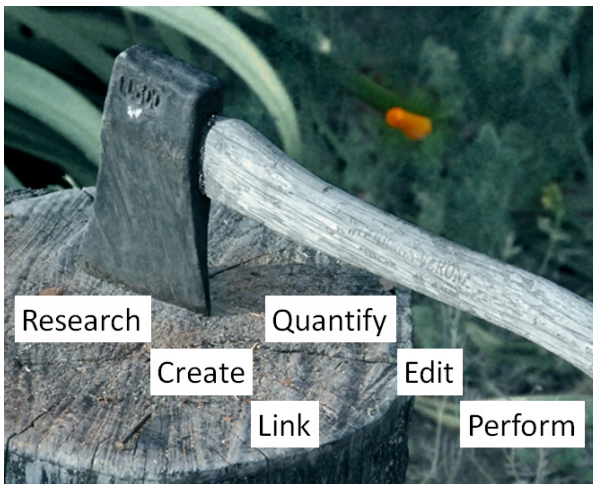
1. RESEARCH: use data, industry sources, networking, etc. – everything that can be found to help research and gather important facts
2. QUANTIFY: use global trade metrics to calculate the enterprise-wide financial impact issues may have on the company
3. CREATE: create personal, easy-to-understand case studies. Use relevant examples to communicate with executives
4. LINK: link stories to company objectives, global trends, national studies, industry experts, etc.
5. EDIT: prepare a 10-minute, well-organized presentation
6. PERFORM: practice the presentation like an actor would prepare for a role. Dress like an executive the day of the meeting. To get an executive to listen and act, one has to perform like a leader worth following

“Give me 6 hours to chop down the tree and I’ll spend the first four sharpening the axe.” Abraham Lincoln

Research

Research sources may include industry information, data analysis, company information and networking. The following are examples of research results:

Example 1: *A study published by “CFO” magazine shows supply chain risks, trade policies and regulations are major concerns for financial executives⁴. Six of the top 20 concerns listed by CFO’s are related to or impacted by international trade effectiveness.*



Example 2: *Shipping container shortages are pushing up prices with the average price for a 20-ft shipping container increasing from \$2,000 to \$2,700 – a 35 percent increase. Analysts conclude, “It may be well into 2011 before production will be able to catch up with demand.” The lowly container has become the bottleneck for global trade and businesses are feeling the impact. So much so that Wal-Mart has recently commissioned a shipping company to build 3 state-of-the-art ships for its own fleet.*

⁴ Source: Business Outlook Survey by CFO Europe, Tilburg University and Duke University

How to Talk to the CFO

Persuasive Presentations Create Enterprise-wide Change

Quantify Risks

U.S. importers can obtain their transactional import data from the U.S. government with minimal cost and effort⁵. An effective audit of a company's transactional data quantifies enterprise-wide financial opportunities and risks, and provides a framework for correcting hidden and unnecessary costs. Rigorous analysis of transactional data provides visibility to the corrective actions required to produce critical improvements and free millions of dollars in unnecessary costs from a business's global supply chain – the very costs identified by the Aberdeen Group.

Quantitative analytics:

- Are fact-based
- Provide visibility
- Provide objective data
- Help leaders assess risks and opportunities
- Help leaders make informed decisions to fund initiatives that create significant returns
- Help leaders create well organized plans to fix problems
- Help companies compete more effectively

Quantify

“You can't
manage what
you don't
measure”

Create Stories

Networking within the company and with industry colleagues can help develop anecdotal case studies or stories to illustrate the direct effect of supply chain inefficiencies. The following is an example of creating personal, easy-to-understand case studies using relevant examples:



“I know we have been buying apparel from China for a long time now, but conditions have changed, and we should take a hard look at some options. Do you know we are paying over 16 percent duty and nearly \$1 million every year just to import our t-shirts? The data reveal that our direct U.S. competitors are importing more than \$1 trillion annually, duty free, from 25 different source countries.”

Linking Relevant Studies

Linking business trends, national studies, and the analysis of industry experts can strengthen the impact of case study examples, give the presenter depth and credibility, and help lead effective change in the company.

Continuing from above...

“And the t-shirts are just the tip of the iceberg. The Aberdeen Group did a study of 233 enterprises and revealed poor global trade procedures are costing

⁵ <http://www.gdmllc.com/FOIA/info.html>

How to Talk to the CFO

Persuasive Presentations Create Enterprise-wide Change

companies millions of dollars annually. Based on the value of our direct imports, Aberdeen estimates we may be able to free annually between \$7 million and \$28 million in cash by better controlling our basic global trade processes in the areas of trade agreement management, sourcing opportunities, supply chain finance strategies and foreign trade zone utilization. We can use our transactional import data to quantify the exact costs in each of these areas.”

Examples of information resources include (1) the National Association of Manufacturers, which estimates the 2009 Importer Security Filing regulation will create a permanent 2.8-day delay in supply chain speed⁶. Manufacturers say the effect of additional operational costs and supply chain delays effectively double the costs of U.S. import tariffs; (2) PriceWaterhouseCoopers (PWC); In a recent study, PWC found that supply chain disruptions destroy shareholder value



and corporate profitability⁷. The study shows the market is quick to punish companies that report supply chain disruptions. On average, affected companies’ share prices dropped nine percent below the benchmark group during the two-day announcement period; (3) McKinsey; McKinsey recently analyzed goods manufactured for consumption in the U.S. market and mapped them to the optimal region to manufacture them in 2003 and then again in 2008⁸. They compared China (as an offshore example), Mexico (as a near shore example) and the U.S. In just five

years, the optimal country to manufacture four of the five commodities changed – an 80 percent shift; (4) The Aberdeen Group; *The CFO’s Agenda for Global Trade Benchmark Report* is the information source linked to the story above.

Linking easy-to-understand, relevant examples to company objectives, industry trends and national studies, helps make the executive presentation credible and powerful.

Edit

Be brutal: scrap every insignificant concept and delete every extraneous word gathered during the research phase. Prepare a 10-minute, well-organized presentation. The broad base of research will help to answer questions and get into the details if requested. During the executive presentation, any extra clutter will be a distraction.



⁶ http://www.cargobusinessnews.com/Oct09/new_items.html

⁷ <http://www.pwc.com/us/en/supply-chain-management/publications/disruptions-shareholder-value-chart.jhtml>

⁸ http://www.mckinseyquarterly.com/Time_to_rethink_offshoring_2190

How to Talk to the CFO

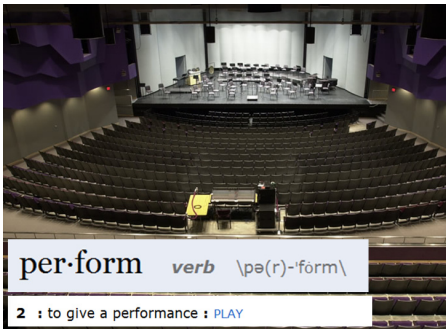
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It is helpful to organize a presentation into these three buckets:

<i>Measure</i>	<i>Assess</i>	<i>Invest</i>
Describe current state, identify missed savings and other risks to the company	Draw conclusions based on facts, define timelines, identify needed resources, and calculate the return on investment (ROI) from funding various projects	Present the business case and ask for executive approval to stop losing money everywhere the ROI meets the company's metrics.

Perform

Imagine casting a movie and seeking someone to play the role of a visionary, rising through the ranks to single-handedly change their company from an average industry performer to a global powerhouse.



- How would the actor dress for the performance?
- How would he or she sound?
- How confident would he or she appear in executive meetings presenting their vision of the future?

In movies and theatre, actors “become the character” by studying and then performing how “real” people dress, sound, and behave in certain circumstances.

This practice can be used to deliver exceptional executive presentations. Read about and learn from admirable executives and practice performing how they might perform – invest emotionally in the performance.

It is important to remember that when asking an executive to listen to a business case and authorize action, one has to perform like a leader worth believing in and following. When taking an important message to company executives, be sure to define the current state with real-life examples, provide a clear vision of the desired outcome, describe persuasively what is needed to get from here to there, and give the performance of a lifetime.

To learn more, visit <http://www.gdmllc.com/webinars/Default.aspx?webinarId=59> for a free, 40 minute pre-recorded webinar.

Matt Gersper (mattgersper@gdmllc.com), founder and president of Global Data Mining and co-owner of CUSTOMS Info, has over 20 years of experience optimizing processes and helping customers turn unorganized data into information that managers and executives can leverage to improve performance.
