

Capability-Driven Assessments for Strategic Planning

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Capability-Driven Assessments for Strategic Planning

Today's Topics

- Background
- Business Architecture Timeline
- Establishing common business capabilities
- Business capability assessment
- Strategic planning: 2015 and beyond
- Benefits
- Keys to success

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Principal Financial Group Background

- Global investment management leader offering retirement services, insurance solutions and asset management
- Founded in 1879
- Member of the FORTUNE 500®
- \$519.3 billion in assets under management as of December 31, 2014
- 19.7 million customers worldwide
- Offices in Asia, Australia, Europe, Latin America and the United States
- Ticker symbol: PFG



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Accounting Community

- Decentralized accounting function – align with the business
- All accounting and control functions
- 530 employees in accounting roles
 - ~430 US-based, ~100 globally
- Each segment has a Chief Accounting Officer

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Business Architecture Timeline

- Dec 2013 – High-level capabilities identified, limited, inconsistent usage
- May 2014 – Established common strategic context map and business capability map across all business units
- Oct 2014
 - Completed assessment of business capabilities
 - Aligned Accounting Community operational plans with business capabilities
 - Expanded use of business capabilities as a management framework

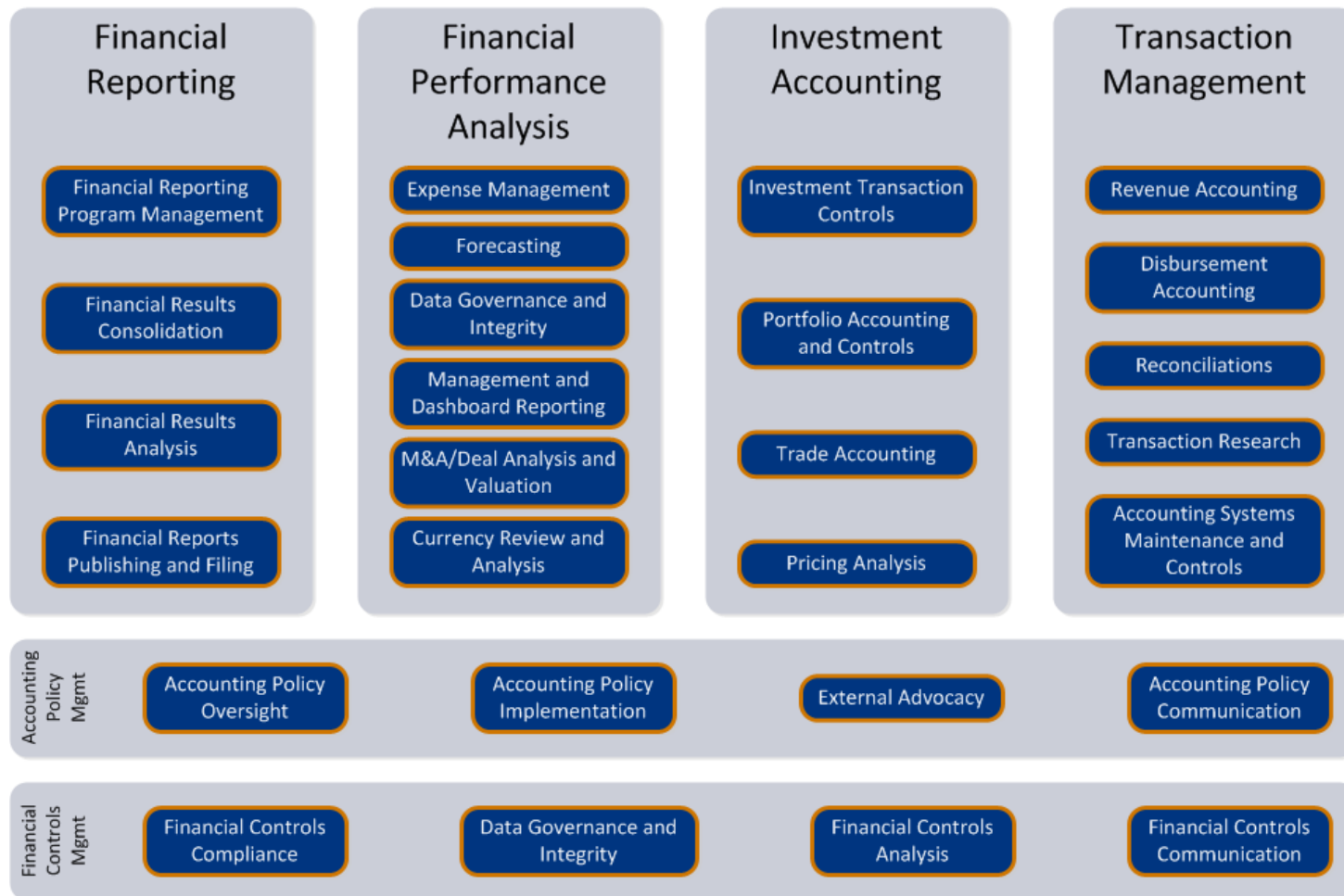
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Business Architecture Approach

- Meetings with each business segment
- Each area created a business capability and strategic context map
- Ultimately developed common vocabulary and definitions

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Accounting Community Business Capability Map



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Business Capability Assessment

Business Capability	Current			Future			Total	Total
	Information	Process	Technology	Information	Process	Technology	Current	Future
Financial Reporting	2.1	3.7	1.6	3.0	5.0	3.0	2.5	3.7
Financial Performance Analysis	3.2	2.0	3.2	4.0	3.7	4.1	2.8	3.9
Expense Management	1.9	2.6	2.8	3.0	3.1	4.0	2.4	3.4
Forecasting	3.4	2.0	4.0	5.0	3.5	4.5	3.1	4.3
Management and Dashboard Reporting	3.8	3.7	2.3	4.0	4.0	4.0	3.3	4.0
M&A/Deal Analysis and Valuation	3.5	3.3	3.6	4.0	4.0	4.0	3.5	4.0
Investment Accounting	3.9	2.5	1.9	5.0	3.0	3.0	2.8	3.7
Transaction Management	3.7	3.3	1.6	5.0	3.5	3.0	2.9	3.8
Accounting Policy Management	1.8	1.8	2.4	3.0	3.5	4.0	2.0	3.5
Financial Controls Management	2.4	1.7	2.6	3.0	3.0	4.5	2.2	3.5

Note: These are not actual results; however they do reflect our capability assessment methodology.

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Business Capability Gaps

Business Capability	Information	Process	Technology		Overall		Value	Focus Score
Financial Reporting	0.9	1.3	1.4		1.2		5.0	6.0
Financial Performance Analysis	0.9	1.7	1.0		1.2		3.5	4.0
Expense Management	1.1	0.5	1.2		0.9		5.0	4.7
Forecasting	1.6	1.5	0.5		1.2		4.0	4.8
Management and Dashboard Reporting	0.2	0.3	1.7		0.7		4.0	2.9
M&A/Deal Analysis and Valuation	0.5	0.7	0.4		0.5		2.5	1.3
Investment Accounting	1.1	0.5	1.1		0.9		2.5	2.3
Transaction Management	1.3	0.2	1.4		1.0		4.5	4.4
Accounting Policy Management	1.2	1.7	1.6		1.5		4.5	6.8
Financial Controls Management	0.6	1.3	1.9		1.3		4.0	5.1

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Where do you focus?

Business Capability	Information	Process	Technology	Do we need an analytics effort?	Value	Focus Score
Financial Reporting	0.9	1.3	1.4	1.2	5.0	6.0
Financial Performance Analysis	0.9	1.7	1.0	1.2	3.5	4.0
Need to focus on this across the community	1.1	0.5	1.1		5.0	4.7
	1.6	1.5	0.9		4.0	4.8
Management and Dashboard Reporting	0.2	0.3	1.1		4.0	2.9
M&A/Deal Analysis and Valuation	0.5	0.7	0.4	0.3	2.5	1.3
Investment Accounting	1.1	0.5	1.1	0.9	2.5	2.3
Transaction Management	1.3	0.2	1.4	1.0	4.5	4.4
Accounting Policy Management	1.2	1.7	1.6	1.5	4.5	6.8
Financial Controls Management	0.6	1.3	1.9	1.3	4.0	5.1

Should we do some process work?

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Selected 2015 Strategy Topics

HLI #1	Business Capability
Operational Plan 1a	Financial Performance Analysis
Operational Plan 1b	Financial Performance Analysis
HLI #2	Business Capability
Operational Plan 2a	All
Operational Plan 2b	All
Operational Plan 2c	Financial Controls Management
Operational Plan 2d	Transaction management
HLI #3	Business Capability
Operational Plan 3a	All
Operational Plan 3b	Accounting Policy Management

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Next Steps

- Initiatives are aligned with capabilities and evaluated for a prioritization score
- Ongoing review of initiatives to determine if they continue to progress towards closing the gap
- Expand usage of current business architecture mappings
- Identify additional perspectives business architecture can provide
- Re-assess capabilities to identify progress toward target state and provide input to 2016 strategic planning

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Benefits

- Common framework and assessment reduces the conversations of whether something is a priority
 - Focus shifts to where the issue lies and how to make it better
- Objective assessment helps identify areas that could be missed in strategic planning
- Aligning strategic (and tactical) work to business capabilities
- Employee education and career development
- Awareness and education about – and within – the community
- Risk assessments
- Have started using this framework for time allocation

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Keys to Success

- Find a champion in the business area
- Mutual, agreed-upon support for the process
- Clear, understandable, communicated business architecture
- Identify the value of capabilities to allow a multi-dimensional assessment
 - Not all gaps are created equal
- Make the discussion about the capability, not the people and organizations
- Frame the informal discussions in a common, consistent language

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Thank You



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