Transforming Your F&A Department Through Shared Services

9th Annual Educational Conference
Heartland Regional Council of IMA
School of Accountancy, MSU

Michael T. Lockard
VP, Financial Shared Services
Agenda

• Personal Profile
• Company Overview
• Shared Services Level Setting
• Walmart Finance
• Transformation Thru Shared Services
• Q&A
Michael “Todd” Lockard
VP, Financial Shared Services

Wal-Mart/Other Experience:
- 07/08 – VP, Financial Shared Services
- 09/07 – Sr. Director, Int./Ext. Disbursements
- 04/07 – Sr. Director, Internal Disbursements
- 20 Years with United Parcel Service (UPS)
  - Based in Louisville, KY
  - Airline and Supply Chain Mgmt.
  - VP, Finance & Accounting

Interesting Facts:
- Named After Elizabeth Taylor’s Favorite Husband
- Born and Raised in Louisville, KY
- Deanna (Wife) Has Same Birthday (July 5)
- Children: Matthew (15) and Savannah (12)
- Live in Bentonville, AR since 2007
- Hobbies Include Music, Movies, Golf, UK Wildcats Athletics, Friends/Family Time
- Aspire to Have Wayne Newton’s Net Worth (Not Just His Resemblance)

Education / Certifications / Affiliations:
- BA in Accounting/MBA, Bellarmine University
- CPA, CIA, CMA, CFM
- Pursuing CFE and CFA

michael.lockard@wal-mart.com
479.204.0384
• Founded 1962 by Sam and Bud Walton

• Serve 200M+ Customers Weekly

• 8K Retail Units; 53 Banners/15 Markets

• $401B Sales; 2.1M Associates

• www.Walmartstores.com; NYSE: WMT
1962
Walmart
Save money. Live better.

1983
Sam's Club

1991
International
Walmart
Save money. Live better.

1962
1988
2008
Wal-Mart International
Timeline

- 1991 - Mexico
- 1992 - Puerto Rico
- 1994 - Woolco Canada
- 1995 - Argentina, Brazil
- 1996 - China
- 1997 - Mexico
- 1998 - Wertkauf Germany (Exit ‘07)
- 1998 - Korea Makro (Exit ‘07)
- 1998 - Spar AG Germany (Exit ‘07)
- 1999 - Asda, United Kingdom
- 2002 - Seiyu, Japan
- 2002 - Amigo, Puerto Rico
- 2004 - Bompreco, Brazil
- 2005 - CARHCO, Central America
- 2005 - Sonae, Brazil
- 2007 - Trust-Mart, China
- 2008 - India
- 2009 - Chile
Sales Growth

$ in Billions

12%
10-Year Growth Rate

FY99 FY00 FY01 FY02 FY03 FY04 FY05 FY06 FY07 FY08 FY09
Retail Locations (1/31/09)

- United States: 4,258
- United Kingdom: 358
- Canada: 318
- Mexico: 1,197
- Central America: 502
- Chile: 197
- Argentina: 28
- Puerto Rico: 56
- Brazil: 345
- China: 243
- Japan: 371

Total: 7,873

U.S.: 4,258
Int’l.: 3,615
Total: 7,873
Size: Sales By Global Retailer

$ in Billions

- Walmart US ($256)
- Sam’s Club ($47)
- Int’l. ($99)

Retailers:
- Wal-Mart
- Carrefour
- Tesco
- Home Depot
- Metro AG
- Kroger
- Target
- Ahold
- Costco
- Supervalu
Shared Services: Art & Science
Shared Services: Defined

A service-oriented organization (SSO) that provides support to internal customers and eliminates redundant processes, systems, and organizations.

**Benefits**
- Standardized processes and systems
- Increased levels of automation
- Increased productivity
- Reduced back office and infrastructure costs
- Improved controls
- Improved service levels
- Faster integration of future acquisitions
- Tax structure improvements
Shared Services: Process Matrix

- May be shared or unique
- Likely to be unique (Center of Expertise)
- Likely to be shared (Center of Excellence)
- May be shared or unique

Not Critical
Highly Critical
## Shared Services: SSO Processes

<table>
<thead>
<tr>
<th>Process</th>
<th>Onshore</th>
<th>Offshore</th>
<th>Both</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>54%</td>
<td>16%</td>
<td>12%</td>
</tr>
<tr>
<td>General accounting</td>
<td>59%</td>
<td>10%</td>
<td>9%</td>
</tr>
<tr>
<td>Travel &amp; expense</td>
<td>55%</td>
<td>12%</td>
<td>10%</td>
</tr>
<tr>
<td>Fixed assets</td>
<td>58%</td>
<td>13%</td>
<td>4%</td>
</tr>
<tr>
<td>Cash application</td>
<td>60%</td>
<td>9%</td>
<td>4%</td>
</tr>
<tr>
<td>Collections</td>
<td>58%</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Payroll</td>
<td>50%</td>
<td>8%</td>
<td>6%</td>
</tr>
<tr>
<td>Cash management</td>
<td>52%</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Billing</td>
<td>48%</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>Credit management</td>
<td>53%</td>
<td>6%</td>
<td>2%</td>
</tr>
<tr>
<td>Reporting and analysis</td>
<td>39%</td>
<td>8%</td>
<td>10%</td>
</tr>
<tr>
<td>Cost accounting</td>
<td>43%</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>External reporting</td>
<td>36%</td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td>Treasury</td>
<td>35%</td>
<td>5%</td>
<td>7%</td>
</tr>
<tr>
<td>Sales &amp; use tax reporting</td>
<td>36%</td>
<td>3%</td>
<td>6%</td>
</tr>
<tr>
<td>Budgeting</td>
<td>33%</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>Federal &amp; state tax planning</td>
<td>33%</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>International tax reporting</td>
<td>24%</td>
<td>5%</td>
<td>7%</td>
</tr>
<tr>
<td>Forecasting</td>
<td>27%</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>Financial planning</td>
<td>29%</td>
<td>2%</td>
<td>3%</td>
</tr>
</tbody>
</table>
Shared Services: Expected ROI

- Reduce cost: 72%
- Improve process: 62%
- Increase customer satisfaction: 43%
- Improve quality: 39%
- Expand scope: 37%
- Enhance technology: 25%
- Increase service innovation: 15%
- Other: 6%
Shared Services: Pop Quiz

- Does Your Company Utilize SSO?
  - How Many Years?
  - How Structured?
  - How Staffed?
  - Are You Satisfied With Results?
Walmart Finance
Organizational Structure

CFO

Walmart U.S.

Sam’s Club

International

Finance, Tax, Treasury

Internal Audit

Corporate Controller

Global Transformation (SAP Selected Aug. 2007)

U.S. Shared Services (Established Feb. 2006)
$303B Sales
$160M+ Expenses

900+ Associates
1K+ Resources

Started 2006
U.S. Focused

Bentonville, AR
Derby, KS
Receipts
Accounts Receivable

• Collections
• Cargo Claims
• Debit Balances
• Cash Receipts
• Coupons
• Return Center

• Tenant Billing
• Pharmacy
• Optical
• Connection Center

Collected $17.5B+
Internal Disbursements
Payroll & Payroll Tax

- Payroll Call Center
- Garnishments
- Travel & Expense

- Federal
- State and Local
- Unemployment

1.4M+ Associates Disbursed $34B+
Support

- Innovation
- Record Retention
- Invoice Preparation
- Mail

- Data Entry
- Imaging
- Training
- Facilities

15M+ Images
General Accounting
General Ledger

- Home Office Support
- Specialized Accounting
- Enterprise Asset Management
- Account Reconciliations
- Utilities
- GL Close

700+ Accounts
Controls

- Post Audit Recovery
- Master Data Management
- Bank Reconciliations
- Inventory Control
- SOX
- 1099 Reporting
- Escheatment

Recovered $254M+
External Disbursements
Accounts Payable

- Merchandise Payables (Direct)
- Non-Merchandise Payables (Indirect)
- AP Call Center
- Freight
- Exceptions
- Disputes
- Property Tax

139M+ Invoices Disbursed $230B+
U.S. Shared Services Concepts

• People – Process – Technology

• Give the GIFT; Fight the FIGHT

• Success Factors
  – Alignment
  – Measurement
  – Accountability
  – Communications
  – Governance
U.S. Shared Services
Strategic Plan
U.S. Shared Services Strategy
Give the “GIFT”

- **Global**
  - Meet the Needs of a Global Customer Base

- **Innovative**
  - Best-in-Class Processes and Technology

- **Financial**
  - Saving People Money So They Can Live Better

- **Talent Development**
  - Recruit, Develop and Retain Business Leaders
**Mission Statement**

To deliver valuable financial services to Walmart’s business and support units at a cost and quality better than competitive alternatives.
Business & Support Units

- Walmart U.S.
- Sam’s Club
- Suppliers
- Walmart Puerto Rico
- Logistics
- Home Office
- Benefits
- DCs / Warehouses
- People
- Optical
- Pharmacy
- Global Procurement
- Real Estate
- Financial Services
- Associates
U.S. Shared Services Model
Governance Committees Execute Strategy

- Building Pride
- Community Involvement
- Customer Experience
- Finance
- Innovations
- Marketing
- Risk
- Strategy
- Sustainability
- Talent Development
Basic Beliefs: 
(Our Guiding Principles)

1. Respect for the individual  
2. Service to our customer  
3. Strive for excellence  

What is Culture?  

Our culture is what we do and how we act in order to bring our Basic Beliefs to life. It’s how we treat each other and how we behave every day in our business and personal lives.  

Our culture is evidenced by our purpose…  

**We Save People Money So They Can Live Better!**  

WAL*MART® Shared Services
U.S. Shared Services
Examining and Measuring The Business

Management Reporting

- GL
- AP
- Tax
- EAM
- AR
- FSS

Reports by Function

Core Financial Statements

- Income Statements
- Balance Sheet
- Cash Flow Statement

Dashboard / Scorecards

Key Financial Metrics

- Core Financial Statements
- Management Reporting
- Dashboards / Scorecards
- Key Financial Metrics
## As of August 31, 2009

<table>
<thead>
<tr>
<th>Key Financial Metric</th>
<th>FSS Alignment</th>
<th>Goal</th>
<th>Actual</th>
<th>Current Status</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organizational Development</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Associate Turnover</td>
<td>Talent Development</td>
<td>&lt;10%</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>• Associate Opinion Survey (AOS) Engagement</td>
<td>Talent Development</td>
<td>73%</td>
<td>81%</td>
<td></td>
</tr>
<tr>
<td>• Associate Career Opportunities</td>
<td>Talent Development</td>
<td>100%</td>
<td>29%</td>
<td></td>
</tr>
<tr>
<td>• Associate Diversity Tracker</td>
<td>Competitive Advantage</td>
<td>100%</td>
<td>83%</td>
<td></td>
</tr>
<tr>
<td>• People Asset Review (PAR)</td>
<td>Talent Development</td>
<td>100%</td>
<td>98%</td>
<td></td>
</tr>
<tr>
<td>• Individual Development Plan (IDP)</td>
<td>Talent Development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Make the Numbers</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Win At Reducing (WAR) on Expenses</td>
<td>Financial</td>
<td>≤100%</td>
<td>91%</td>
<td></td>
</tr>
<tr>
<td>• Post Audit Dollars Recovered</td>
<td>Financial</td>
<td>&gt;100%</td>
<td>132%</td>
<td></td>
</tr>
<tr>
<td>• Days Working Capital</td>
<td>Financial</td>
<td>7.5/8.8</td>
<td>8.0/9.4</td>
<td></td>
</tr>
<tr>
<td><strong>Business Systems/Processes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• PROFIT Readiness</td>
<td>Innovative</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Electronic Funds Transfer (EFT) Payment (# Accounts and $)</td>
<td>Competitive Advantage</td>
<td>75%/30%</td>
<td>75%/31%</td>
<td></td>
</tr>
<tr>
<td>• Electronic Payroll %</td>
<td>Competitive Advantage</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Control Environment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Balance Sheet Reconciliations ($)</td>
<td>Financial</td>
<td>100%</td>
<td>97%</td>
<td></td>
</tr>
<tr>
<td>• Balance Sheet Reconciliations (#)</td>
<td>Financial</td>
<td>100%</td>
<td>55%</td>
<td></td>
</tr>
<tr>
<td>• Account Reconciliation Tool (AssureNet)</td>
<td>Innovative</td>
<td>32%</td>
<td>28%</td>
<td></td>
</tr>
<tr>
<td>• Audit Deficiencies (#) and Remediated (%)</td>
<td>Financial</td>
<td>0/100%</td>
<td>25/72%</td>
<td></td>
</tr>
<tr>
<td>• Audit “Prepared by Customer” (PBC) Timeliness</td>
<td>Financial</td>
<td>100%</td>
<td>83%</td>
<td></td>
</tr>
<tr>
<td>• Global Pandemic Plan Readiness</td>
<td>Global</td>
<td>100%</td>
<td>77%</td>
<td></td>
</tr>
<tr>
<td><strong>Communication</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Key Customer Business Reviews</td>
<td>Competitive Advantage</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Service Level Agreements</td>
<td>Competitive Advantage</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Customer Satisfaction Survey Completed % / Score</td>
<td>Competitive Advantage</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Planning and Administration</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Strategic Plan</td>
<td>Innovative</td>
<td>100%</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>• Governance Committee Management</td>
<td>Competitive Advantage</td>
<td>100%</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>• On-time Associate Evaluations</td>
<td>Talent Development</td>
<td>100%</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

- below goal
- needs improvement
- on or above goal
Win at Reducing (WAR) on Expenses

Definition: Financial Shared Services divisional budget.

Goal: FYE10 Actual ≤ 100% of FYE09 Actual (Apples to Apples)
THIS CERTIFICATE AND $???? IS PRESENTED TO

Wal-Mart Financial Shared Service Associate

FOR A GREAT SAVINGS IDEA
SUPPORTING THE VICTORY CAMPAIGN
WAR ON EXPENSES

WAL-MART STORES, INC.
SHARED SERVICES

Signature ___________________________ Date __________________
U.S. Shared Services
Relatively New Concept But Delivering Positive Results

- Lowered Costs
- Added Value
- Developed Associates
- Enabled Growth
- Increased Satisfaction
  - Associates
  - Customers
- 2009 IQPC Runner-Up Best New SSO
Walmart Finance
Organizational Structure

CFO

Walmart U.S.
Sam’s Club
International

Finance, Tax, Treasury
Internal Audit
Corporate Controller

Global Transformation (SAP Selected Aug. 2007)
U.S. Shared Services (Established Feb. 2006)
A holistic, global transformation of people, processes, information and technology to position Finance as an even stronger strategic business partner for the entire Company. Internally known as “PROFIT”.

Walmart Finance
Global Finance Transformation

Walmart U.S.
Sam’s Club
International
Support

People

Process

Information

Technology
Transformation = PROFIT

- Partnering with the business...by providing
- Reliable data...resulting in
- One version of the truth...supported by a
- Finance Development Process...
- Information...and
- Technology

Simplify -- Control -- Standardize
World-class financial information and systems

- Improved data integrity and reliability
- “One version of the truth”

Improved stewardship and control

- Increased automation/reduced complexity around SOX compliance
- More efficient financial close with increased automation and controls

Improved planning, decision support and analytics

- Better information quality, availability, visibility and accessibility

Increased flexibility/scalability

- Ability to support continued growth and organizational change
Global Benefits

- Improve strategic partnership between Finance and business segments
- Standardize processes in place
- Enhance enterprise security
- Improve information accessibility
- Improve service levels
- Add strategic value
Transformation Approach

- Transactional Processes
- Extend Processes and Enhance
- Advanced Base Camp
- Summit
  - Optimize
- Base Camp
# Shared Services Transformation

## PROFIT Guiding Principles

<table>
<thead>
<tr>
<th>PROFIT</th>
<th>Shared Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automate</td>
<td>• Automate for efficient data management</td>
</tr>
<tr>
<td>Standardize</td>
<td>• Standardize processes and data to deliver dependable results</td>
</tr>
<tr>
<td>Simplify</td>
<td>• Keep it simple</td>
</tr>
<tr>
<td>Mitigate</td>
<td>• Mitigate risks through the use of controls</td>
</tr>
<tr>
<td>Analyze</td>
<td>• Analyze instead of transact</td>
</tr>
<tr>
<td>Strategy</td>
<td>Stage 1 - Aware</td>
</tr>
<tr>
<td>--------------</td>
<td>----------------</td>
</tr>
<tr>
<td>Scope of Services</td>
<td>The SSC handles routine transaction-oriented processes.</td>
</tr>
<tr>
<td>Location of Services</td>
<td>Limited short-term planning in place - where are the data on imbalances, priorities, and available staff.</td>
</tr>
<tr>
<td>Business Planning</td>
<td>The mission, values, and business unit are defined in a business plan.</td>
</tr>
<tr>
<td>Mission/Vision</td>
<td>The service quality and cost objectives are relatively immature and lack detail.</td>
</tr>
<tr>
<td>Value</td>
<td>The business plan is developed for implementation purposes only.</td>
</tr>
</tbody>
</table>

Example Maturity Model Dimension Definitions

Deloitte
Q&A Session