

# Steuerung und Erfolgsmessung ohne fixe Zielvorgaben

FAZ/WSF: Erster Beyond Budgeting Summit

Werner E. Kemke      June 8th, 2005

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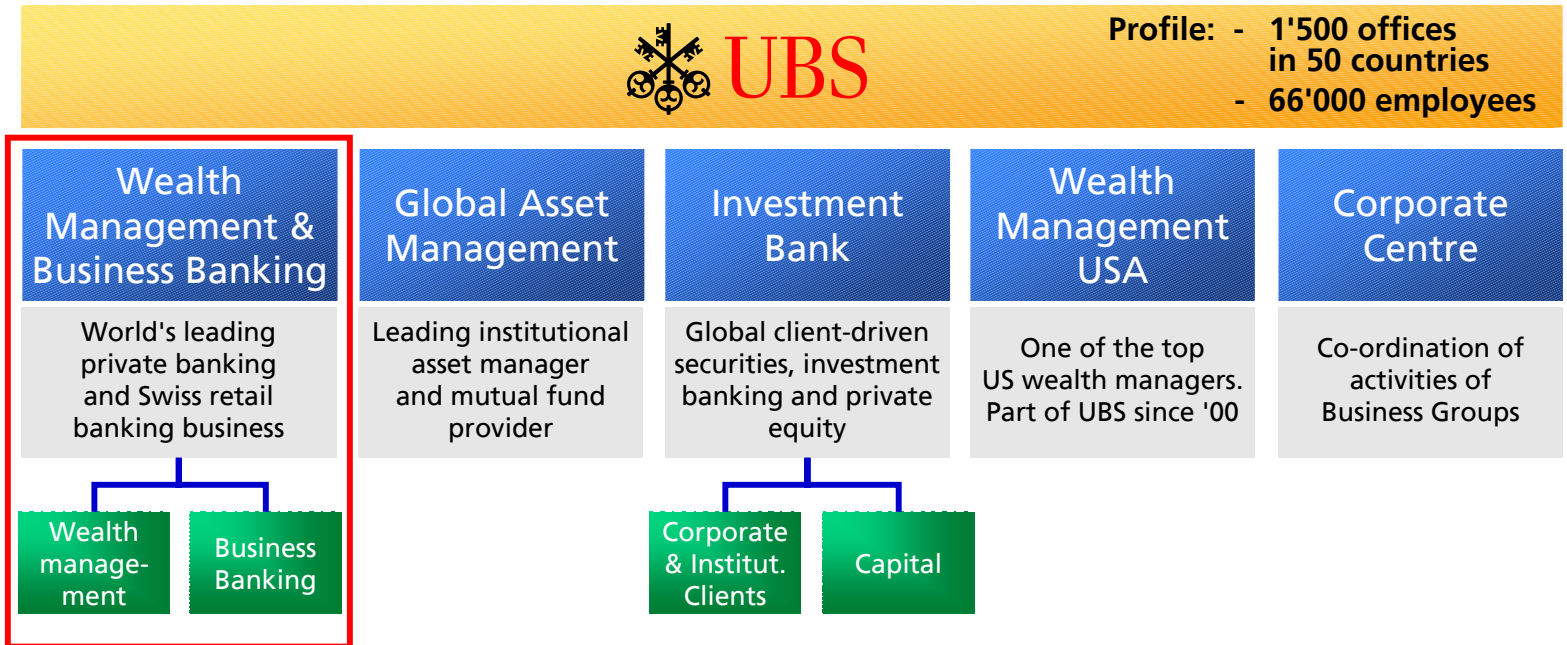
# UBS at a glance

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## SECTION 1

# UBS - Financial Service Group

**UBS is a highly integrated, truly global organisation focussing on Wealth Management and Investment Banking**



■ UBS Group

■ Business Groups

■ Business Units



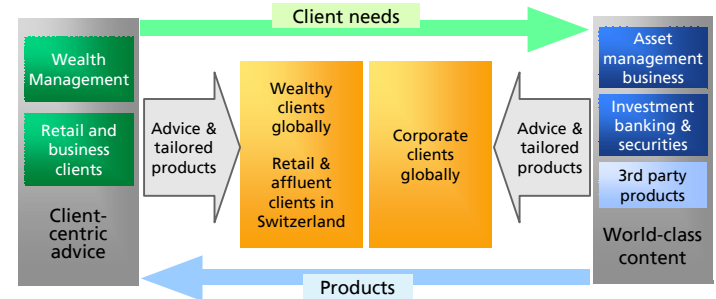
## UBS-WM&BB is an important pillar in the UBS Group strategy

### UBS Group: 66'000 headcount (FTE)



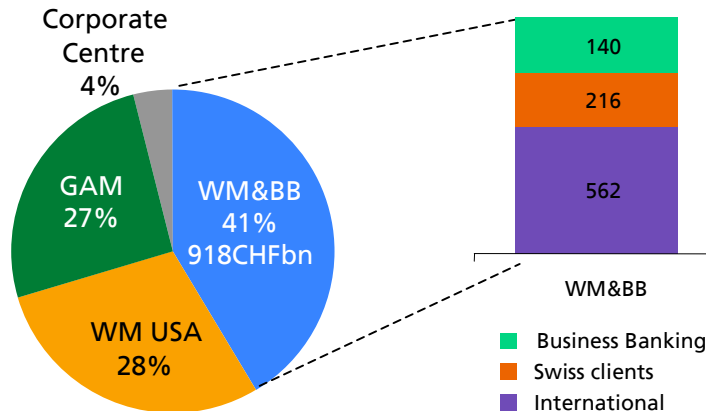
Wealth Management & Business Banking is focusing particularly on products and services for private and corporate clients in Switzerland and wealth management clients in Switzerland and throughout the world

### UBS Group: integrated, client-centric business model

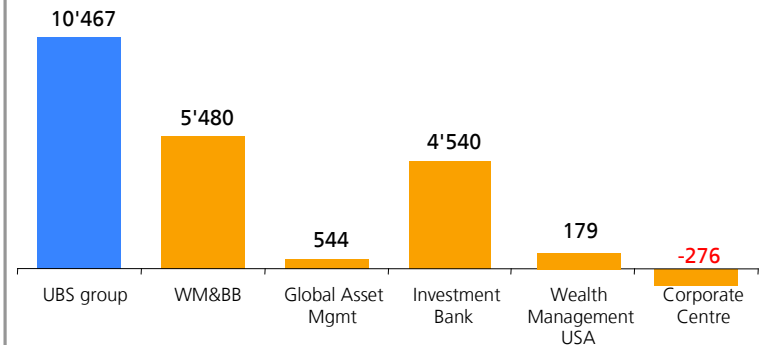


### UBS Invested Assets

(total CHFbn 2'250, 31.12.04)



### WM&BB contributes 52% to UBS's Net Profit, FY04<sup>1)</sup>



1) before tax and minority interests

# External Perception of our Business Model

## Recently received awards (selection)



### **Best Global Private Bank**

EUROMONEY

### **Best Private Bank**

GLOBAL FINANCE

### **Best Private Bank in Western Europe**

EUROMONEY

### **Best Private Bank in Asia**

EUROMONEY & FINANCE ASIA

### **Best Private Bank in Bahamas, Jersey, Luxembourg, Monaco, Singapore, Taiwan, UAE**

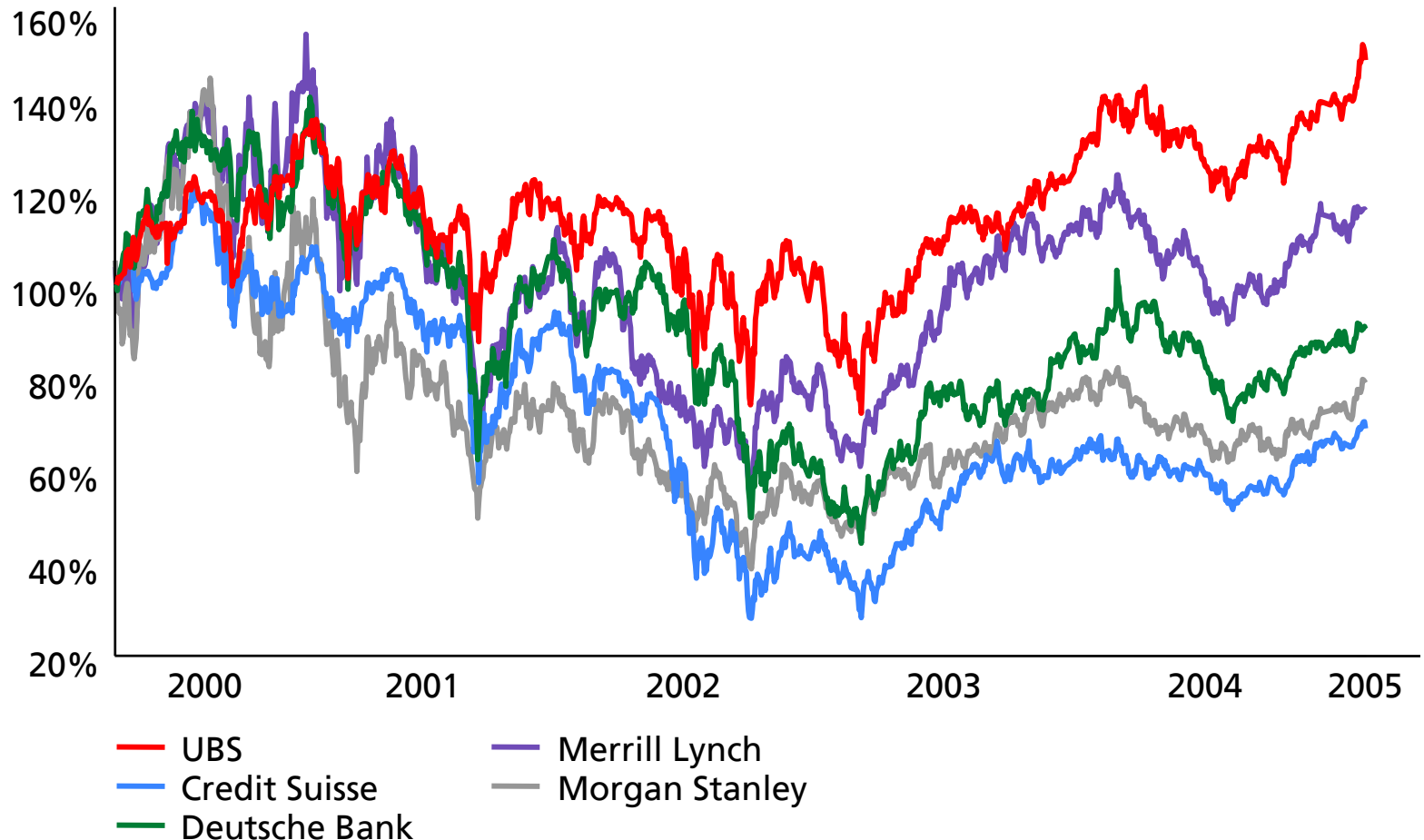
EUROMONEY

### **Best Bank in Switzerland**

GLOBAL FINANCE

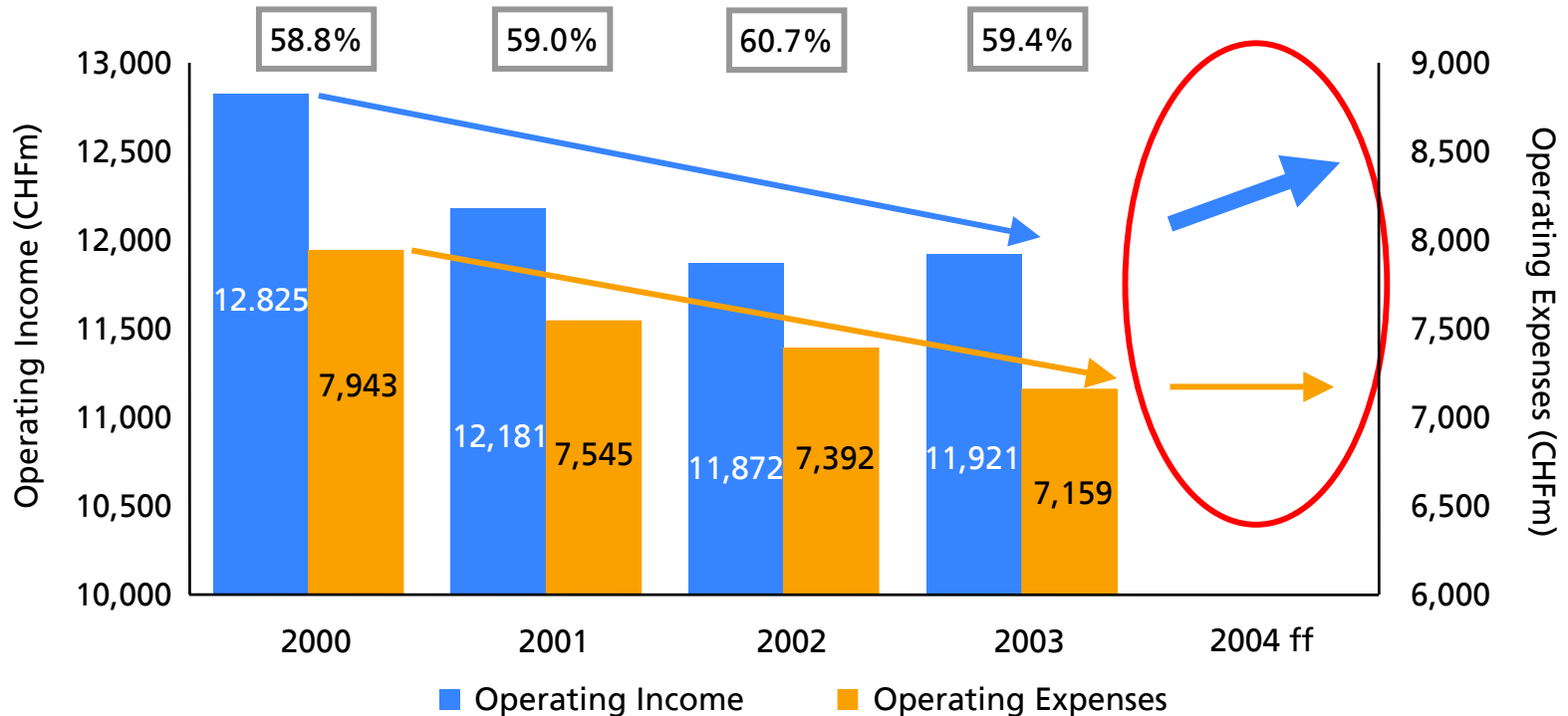
# UBS vs peers—share price development

**UBS has outperformed its peers in difficult and good times, a proof of our balanced business mix.**



# The past... and the future ?

**WM&BB was able to beat its peers as a result of its capability to protect the cost/income ratio in contracting markets...**



**... however, moving forward, with top line growth as the key, are we in a position to fully exploit growth potential and further extend our competitive advantages?**

# The new management approach

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## SECTION 1

# Why did we review our process?

**The changing business environment affects the business model and hence changes the requirements of the planning process**

**2001 - 2003**

◆ **Contracting**  
markets



**Focus on cost management**

- ◆ Rigid / restrictive cost control
- ◆ Command-and-control culture
- ◆ Protection of bottom line
- ◆ Review internal service catalogue

**2004 - ?**

◆ **Growing**  
markets



**Focus on growth**



**To respond to this environment, we must move away from fixed absolute levels of cost control (budgets)**

# The new controlling framework

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## SECTION 3

# Old versus New Framework

**The new framework supports and ensures rational decisions of senior management for a growing market environment**

Dimension	Old Framework	New Framework
Strategic	<ul style="list-style-type: none"> <li>◆ Bottom-up Business Plan</li> </ul>	<ul style="list-style-type: none"> <li>◆ Top-down Business Plan                             <ul style="list-style-type: none"> <li>→ Top-down definition of the Strategy</li> <li>→ Aspiration levels support mgmt for strategic steering</li> </ul> </li> </ul>
Operational	<ul style="list-style-type: none"> <li>◆ Budget</li> <li>◆ Extrapolated YE forecast</li> <li>◆ Actuals</li> </ul>	<ul style="list-style-type: none"> <li>◆ Rolling Forecast                             <ul style="list-style-type: none"> <li>→ Senior management will be regularly provided with financial projections for the upcoming quarters</li> <li>→ In-depth analysis and comparisons to external benchmarks ensure the potential of the organisation is captured</li> </ul> </li> <li>◆ Actuals</li> </ul>
Performance Measurement	<ul style="list-style-type: none"> <li>◆ Actuals to Budget</li> </ul>	<ul style="list-style-type: none"> <li>◆ Actuals vs. Actuals                             <ul style="list-style-type: none"> <li>→ The break of the link between compensation and negotiated targets minimises dysfunctional behaviour</li> </ul> </li> </ul>

# How do we adapt the reporting framework?

## The new reporting framework supports our efforts to enable and drive growth

### Old framework

- ◆ KPIs based on absolute figures (e.g. net new money)
- ◆ Actual / budget comparisons lead to "budget gaming"
- ◆ No overall alignment of KPIs across Business Areas
- ◆ Lack of consistent benchmarking

### Principles of new performance approach

- **KPIs fully aligned** along the performance dimensions '**Growth**', '**Profitability**', and '**Productivity**'
- KPIs based on **relative ratios** (e.g. net new money / client advisor)
- Performance measurement focused on **actual / actual** and run-rate comparisons
- **Internal benchmarking** (league tables) based on market clusters
- **External benchmarking**

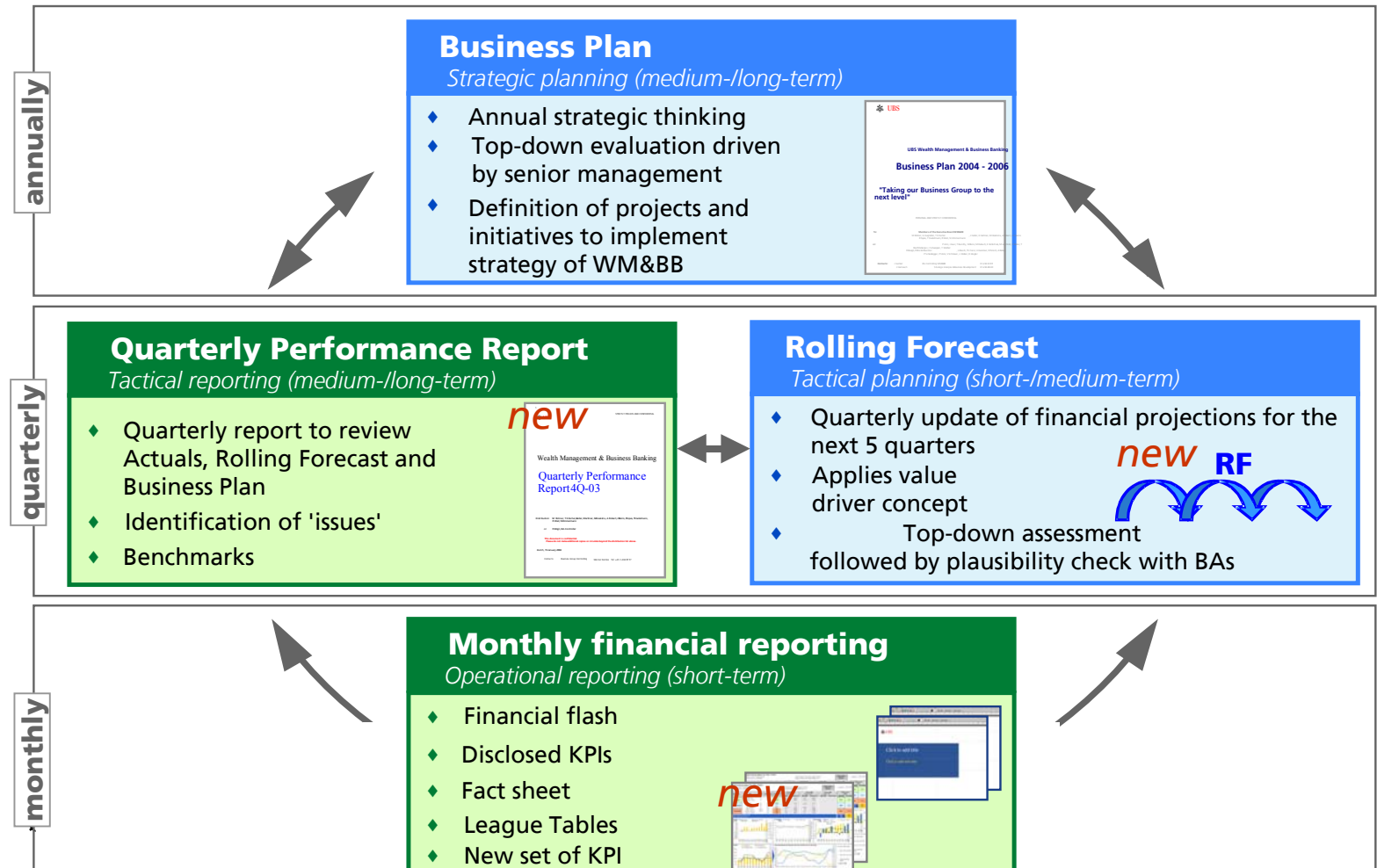
# Wrap-up and Outlook

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## SECTION 5

# New planning and reporting framework

To continually provide an up-to-date assessment of the past and future to senior management a new Performance Measurement Concept (PMB), a Quarterly Performance Report as well as a 5-quarter Rolling Forecast (RF) were established



# The shift in paradigm

**Strict cost management in the past was the right thing, however further profit enhancement through cost reductions is limited. The goal is to create an environment that optimally enhances growth through empowerment.**

- ◆ Shift in paradigm
  - We abandon the concept of fixed targets
  - We de-couple rewarding from budgeting
- ◆ We focus on growth and stay cost conscious
- ◆ We empower/promote our employees to fully exploit their potential

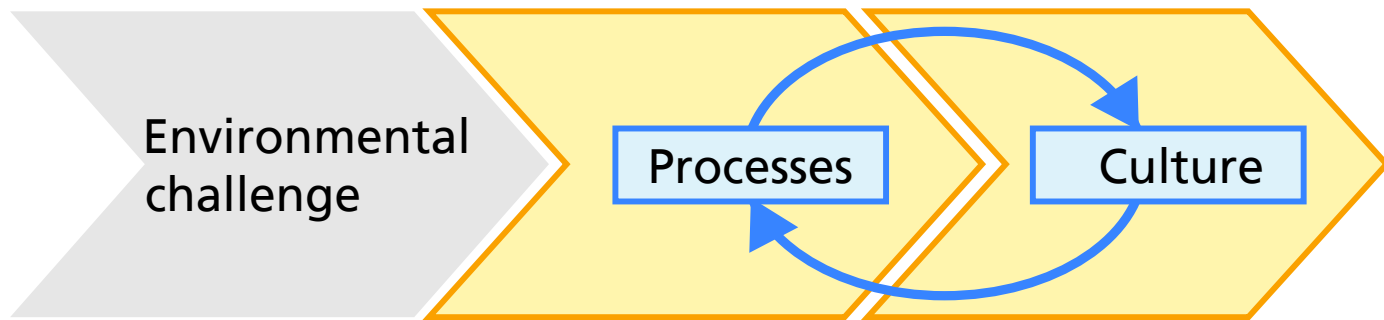


Alinghi crew, Americas Cup, Auckland NZ:  
epitome of an empowered team

**The shift in paradigm requires new dimensions of transparency in reporting systems.**

# Processes and culture are mutually dependent

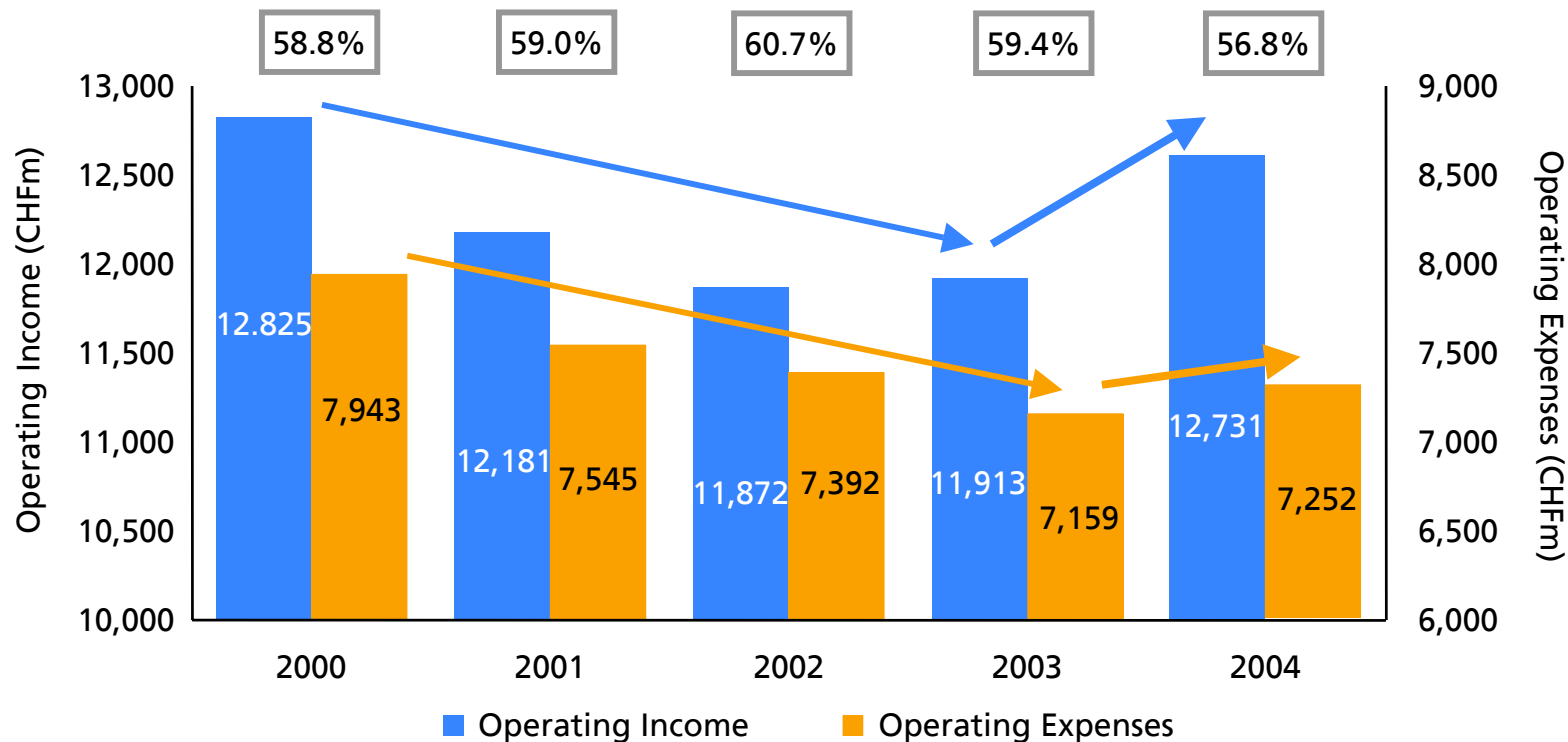
**We need a corresponding change in our mindset, or else the processes will have no effect**



- ◆ Actual/Actual
- ◆ Rolling Forecast
- ◆ No budget
- ◆ Incentive scheme
- ◆ Delegation of authority
- ◆ Maximising client time
- ◆ Coaching
- ◆ Self-responsibility

# Are we on track ?

**WM&BB was able to beat its peers as a result of its capability to protect the cost/income ratio in contracting markets...**



**... and, as a result of the shifted management approach, is in a position to take full advantage of the opportunities in a growing market.**

# Contact information

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