Digital Transformation for Finance
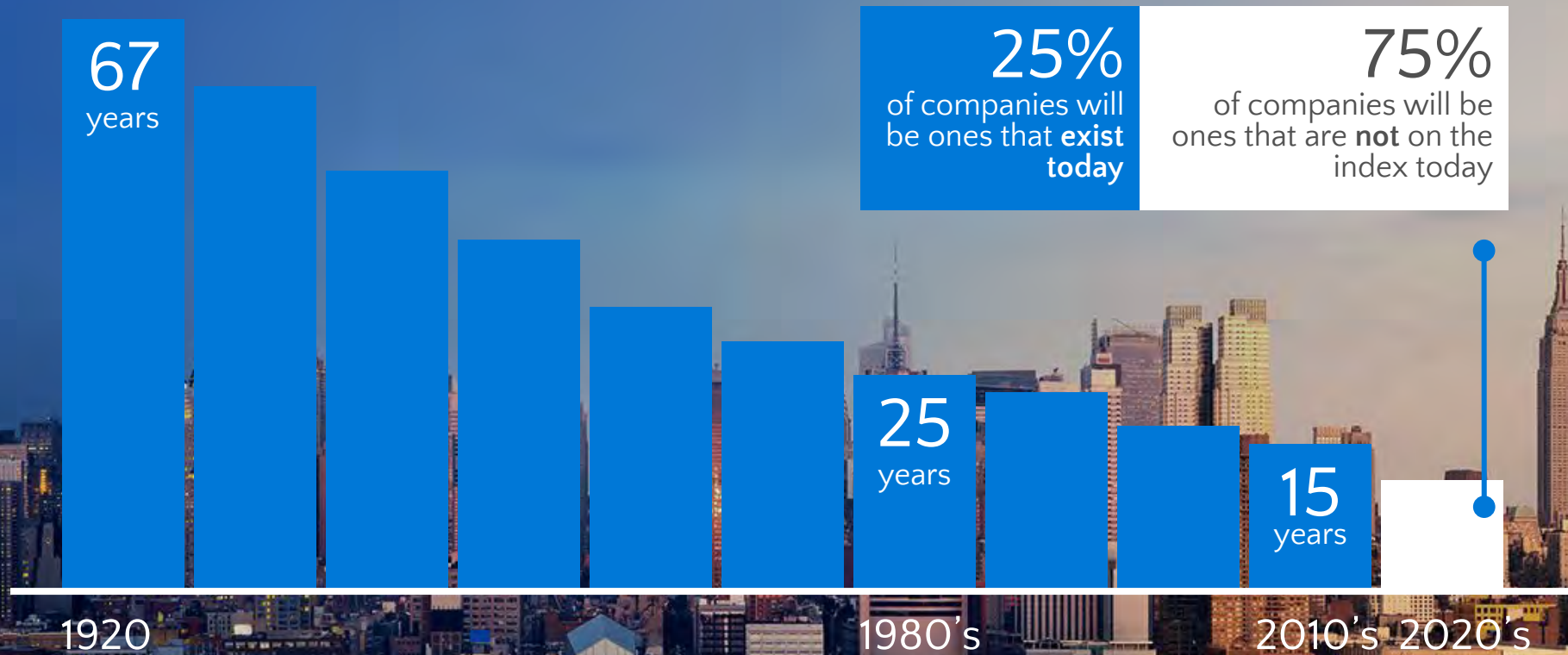
Michalis Tsavdaridis

Industrial Revolution 4.0

Steam, water, mechanical production equipment

Division of labor, electricity, mass production

Electronics, IT, automated production

Blurring the physical and the digital divide

1780s

1870s

1970s

TODAY
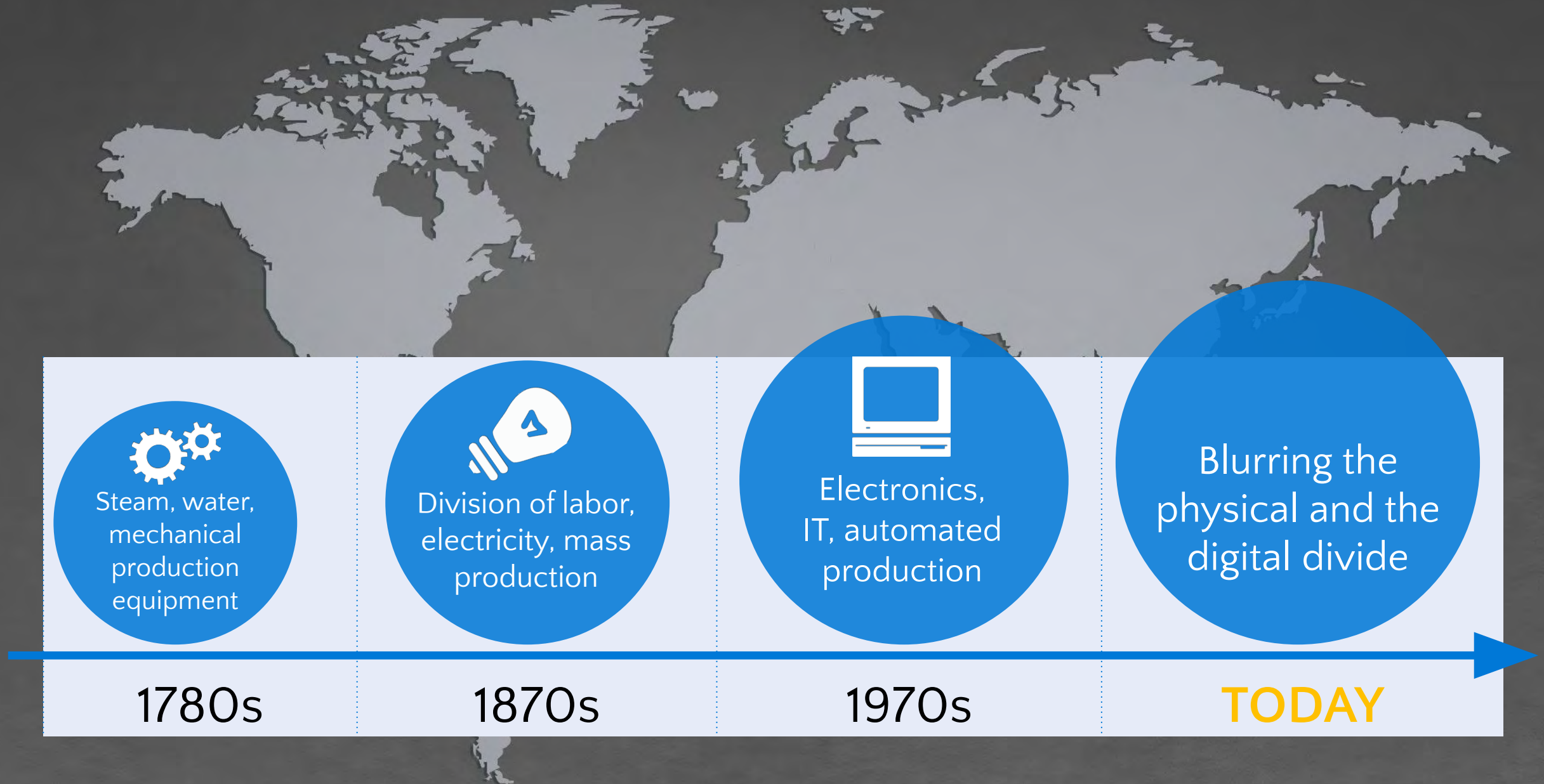
A world of unprecedented change
Average lifespan of a company on S&P 500

67 years

25% of companies will be ones that **exist today**

75% of companies will be ones that are **not** on the index today

25 years

15 years

1920

1980's

2010's 2020's

The digital disruption is already happening

World's largest taxi company **owns no taxis**	U B E R
Largest accommodation provider **owns no real estate**	airbnb
Largest phone companies **own no telco infrastructure**	skype
World's most valuable retailer **has no inventory**	Alibaba Group 阿里巴巴集团
Most popular media owner **creates no content**	facebook
World's largest movie house **owns no cinemas**	NETFLIX
Largest software vendors **don't write the apps**	Google

What that means…

Every Company, irrespective of industry, is or soon will be, thinking and operating like a digital company

Why does this matter to CFOs?

Monitor the pulse of your business with real-time access to business intelligence

CFO as Business Analyst
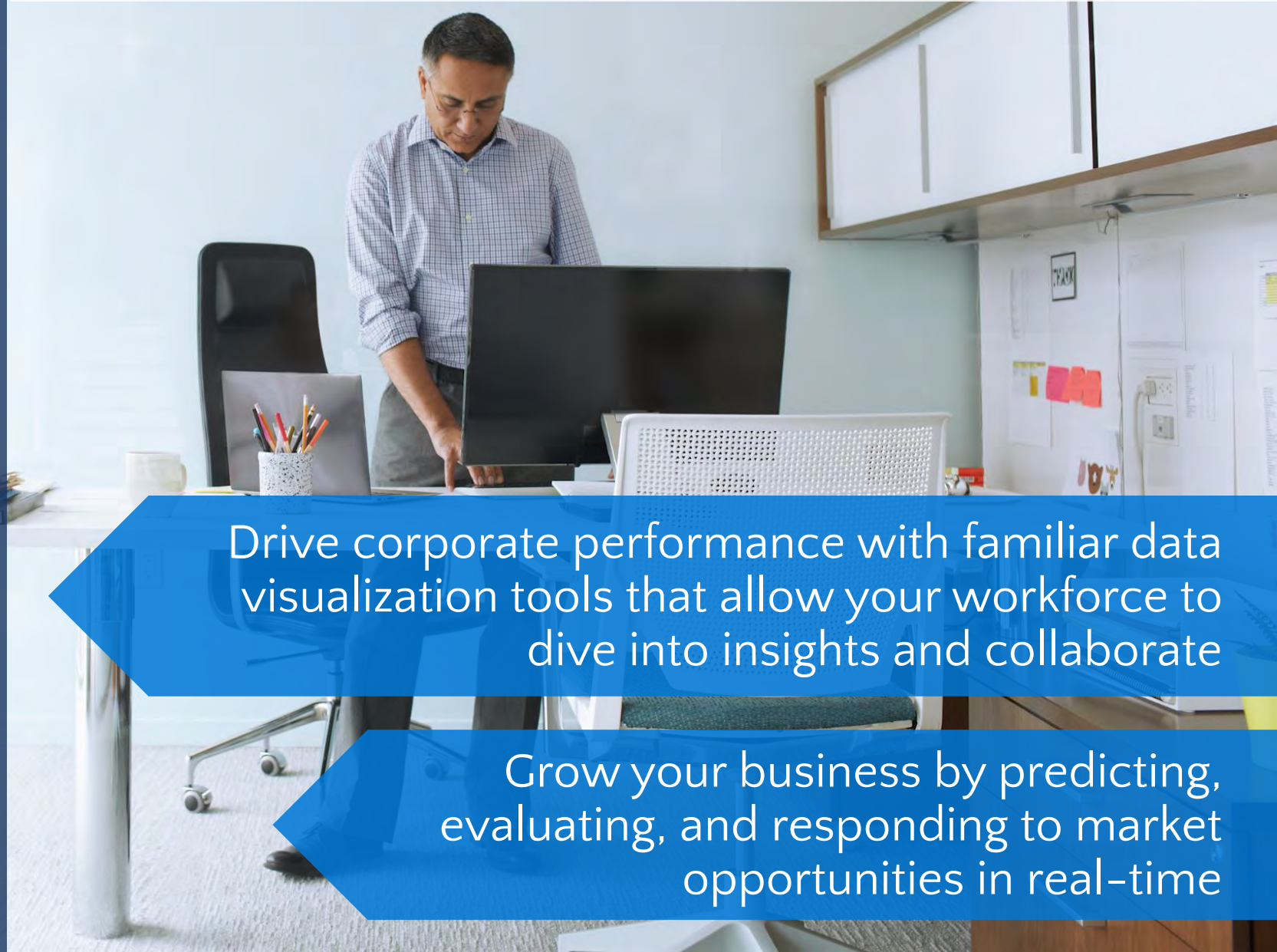
Drive corporate performance with familiar data visualization tools that allow your workforce to dive into insights and collaborate

Grow your business by predicting, evaluating, and responding to market opportunities in real-time

CFO as Risk Manager

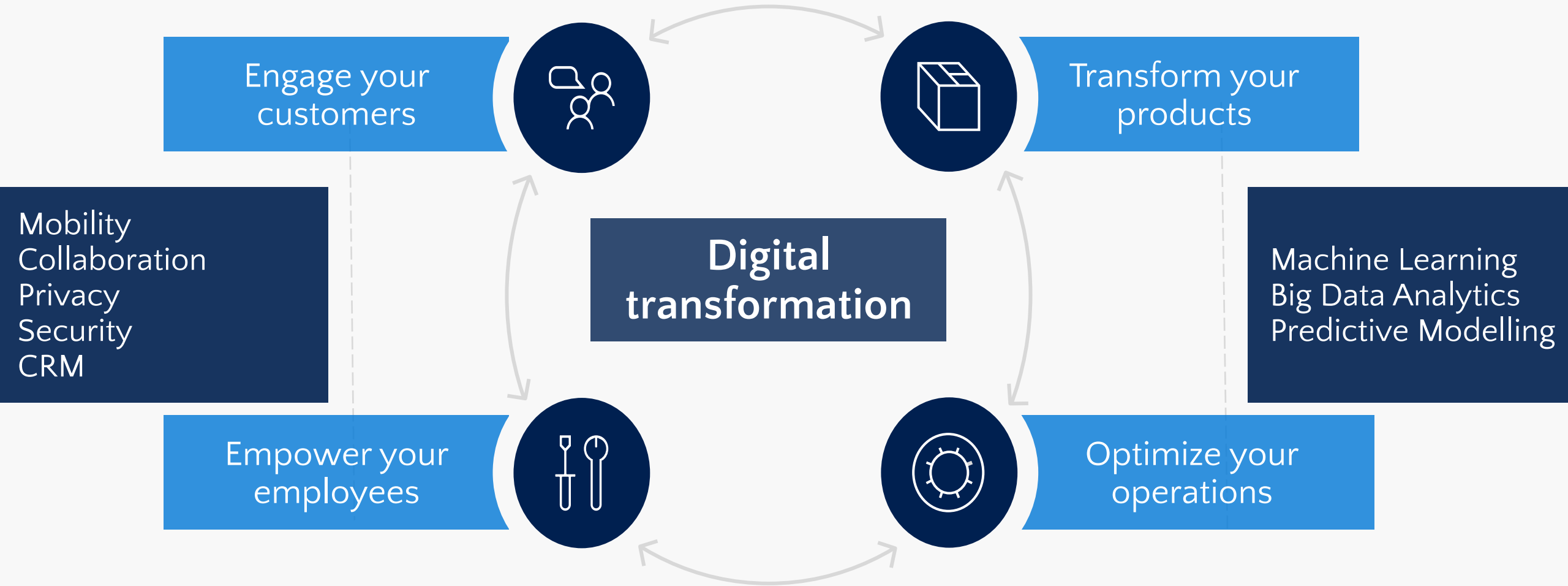## Assess and manage risk through operational leadership

Gain increased visibility to organizational risks with a single view into your business

Minimize risks with self-service tools that reach all employees

How?

And the Cloud enables this digital transformation

Engage your customers

Transform your products

Mobility
Collaboration
Privacy
Security
CRM

Digital transformation

Machine Learning
Big Data Analytics
Predictive Modelling

Empower your employees

Optimize your operations

Economical Opportunities

Why cloud computing?

1   **$**   Economic benefits

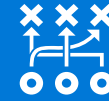**2**   From CAPEX to OPEX

3   Business transformation

Only Pay for what you need!

Lower upfront investment

Reprioritized Capex

No write-offs

Cost Insight & Decision making

Process efficiency

Productivity

Business Flexibility

Competitive Advantage

Green Footprint

On-Premises

Cloud Computing

Software Licenses —

——— Subscription Fee

Customization &
Implementation

Hardware

IT Personnel

Maintenance

Training

Implementation,
Customization,
& Training

Ongoing Costs

- Apply Fixes, Patches,
  Upgrade
- Downtime
- Performance tuning
- Rewrite customizations
- Rewrite integrations
- Upgrade dependent
  applications

- Ongoing burden on IT
- Maintain/upgrade
  hardware
- Maintain/upgrade network
- Maintain/upgrade security
- Maintain/upgrade
  database

Ongoing Costs

- Subscription fee
- Training
- Configuration

Operational Opportunities

Classif

Revenue Analysis
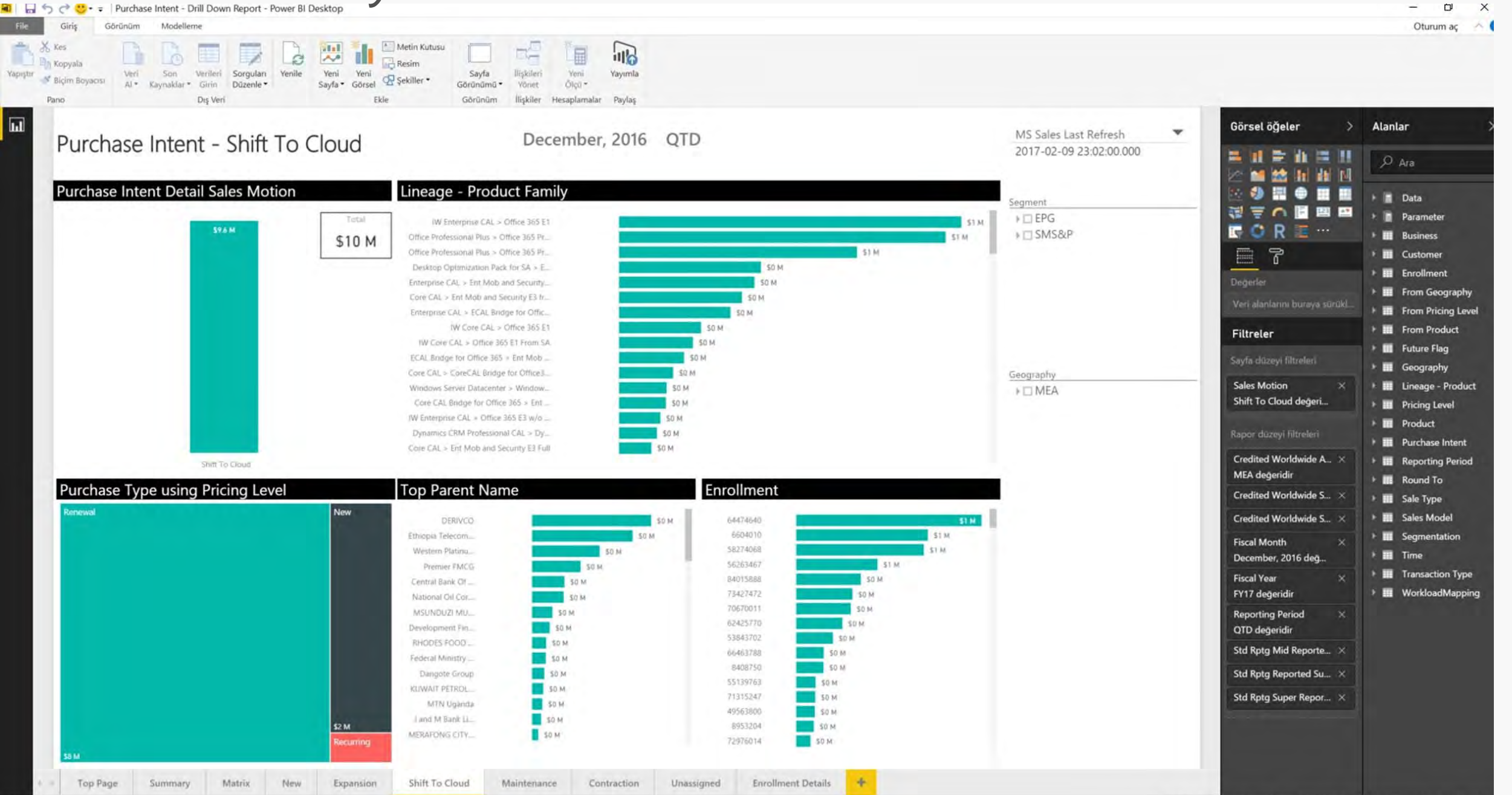
Operating Expenses Analysis
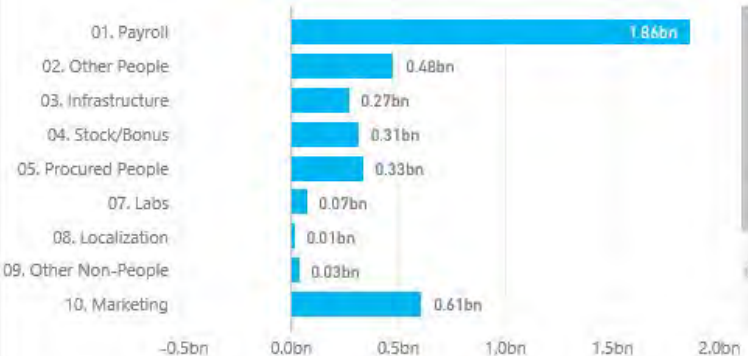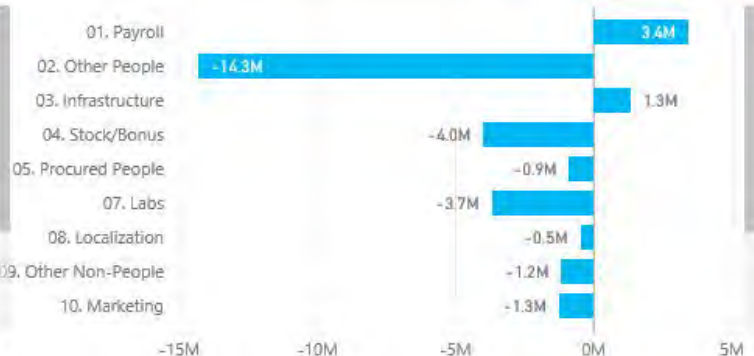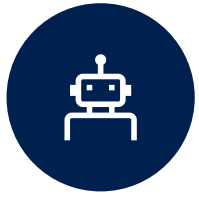
Business Process Automation

Finance Chatbot

PROCESS CHANGE

Create chatbots in finance operations and credit and collections areas to reduce ad-hoc requests about customers' orders and credit status

SOLUTION

Bot Services and Artificial Intelligence Suites providing responsive single user interface

RESULTS

- Decrease response speed from 5–10 minutes to 5–10 seconds

- Reduce manual touchpoints: 12,000 queries/month

- Decrease labor effort: 1,800 hours/month (11.25 FTEs)

TIME TAKEN

2–4 weeks to build and implement

Data Sharing

FYT17 MEA Finance Country Connecti...
GT-Jan

Tabs: MEA | Egypt | Gulf | Israel | NEPA | Nigeria | Saudi | South Africa | Turkey | WECA | +

Guidance

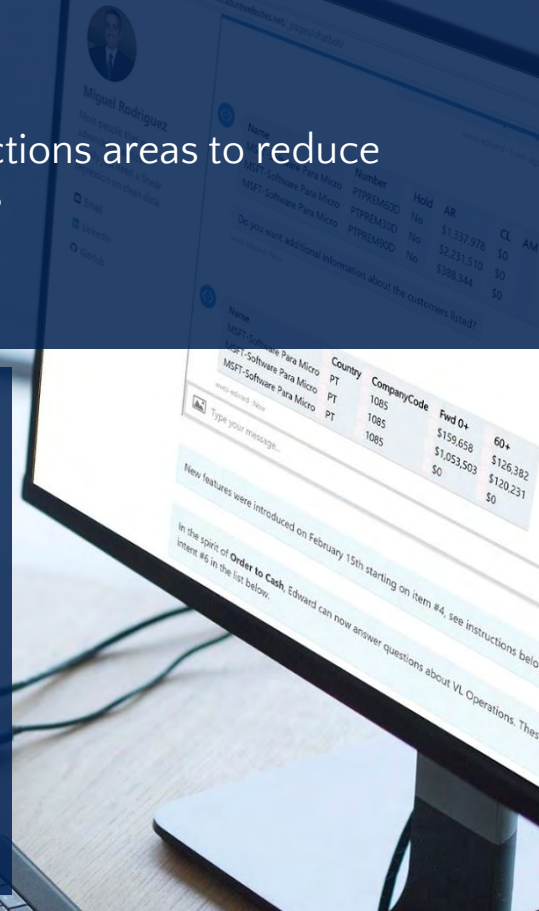Tuesday, 27 September 2016

Finance check in during Oct, Jan, April follow specific agenda to allow for the CFO Forecast discussion. Below is guidance for OneNote following M1 and M2 closing (Aug, Sep, Nov, Dec (assuming no Dec CFO fcst), Feb, Mar, May, June)

Commentary needed before call in the following tabs:

Executive summary QTD:
- Subsidiary top-of-mind, this is where the sub sets the agenda for the call
- Asks to HQ
- High level story around performance (Billed, Adjusted, cloud, P&L) and specific drivers and root causes for performance
- If material (above 1M) VTF on pricing level please mention root cause (will not go through in call)
- High level story for outlook

GSMO Product Performance - QTD (written comments are needed, but we will not go through in call)
- Materiality +/- .3m VTF variance on SC products (SQL, SCS, WSD)
- Explain major VTF on Cloud products (Highlight deal specifics, material slipped deals or pull forwards, renewal motion)
- Highlight selling motions: low customer adds / net seat adds, slower HiPo Growth, SMB run rate trend

EPG
- Sub segment revenue QTD: please comment on VTF (slippages, pull forwards, upsides) no detailed walk through in call
- Weekly outlook for EPG: Please compare outlook to BSP tool and pipeline, in call we will discuss Risk/Upside position for current quarter and next

SMS&P
- Looking back...explaining the variances to budget / forecast / yoy
  - Use CA Revenue Tree to explain key variances ...to be shared during SMS&P community session
  - Use SMB Revenue Tree to explain key variances... to be shared during SMS&P community session
- Looking forward...assessing the forecast accuracy
  - CA : Please compare outlook to BSP tool and pipeline dashboard, in call we will discuss Risk/Upside position for current quarter and next
  - SMB : forecast growth vs YTD growth

CCG
- **Revenue Looking Back:** QTD Revenue performance by Product and Segment; Explain VTF (Primary Focus) VTB and YoY drivers by elaborating: (written commentary in tab - not to discuss in call)
  - Sell Thru Run rate and Inventory Levels
  - Relative performance Vs. Market (i.e. PC Market) very high level in interim months but detail in quarter ends
  - Product Mix / RPE
  - Attach motion and performance for Windows, Office and Accessories attach for Xbox and Surface
  - One Time Deals (i.e. Named OEM, Government Tenders...)
  - Product Supply Challenges
  - Pricing Issues, Grey Market etc..
- **Outlook:** Please comment in the context of upside plan
  - Brief update Vs. CFO Forecast and Growth Plan (Aspirational Upside)
  - Any challenges, dependencies and road blockers and help needed to make the upside

Turkey PnL
Q3- QFA.

Chart values: 38,714 | 32,214 | 35,095 | 33,873 | 47,580 | 38,840 | 38,840

Page panel (right):
- Guidance
  - Monthly Financial Discussion
  - 1-Executive Summary
  - 2-Revenue Outlook - Billed/A
  - 3-GSMO Product Performan...
- EPG
  - 1-Sub segment Revenue QT
  - 2-Revenue Outlook for EPG
- SMS&P
  - 1-Sub-segment Revenue QT
  - 2-Revenue Outlook for SMS
- CCG
  - 1-Revenue
  - 2-Outlook
- Services
- P&L
  - 1-Jan MTD P&L
  - 2-QFA Outlook
  - 3-HC Trend
  - 4-Key Role Hiring Status

Forecasting with Machine Learning

What is Machine Learning

- Machine learning answers clearly defined questions about your data
- It is software (algorithms) that learns patterns and relationships
  - Finds patterns in variables in order to predict something
  - Gives each record a prediction (score)
- An algorithm is similar to a function in Excel

Finds patterns in variables

To predict

The prediction

Customer	Country	CustomSegment	CustomerSize	IndustrySector	Revenue	3 yr Growth	Employees	Nr. Transactions	Uses Competitor	Score
4974932	Ukraine	Commercial	Medium	Banking & Capital Markets	$ 32,156	1.2%	910	22	no	0.2299
2660898	United States	Commercial	Large	Media & Cable	$ 74,123	3.6%	11000	52	no	0.2752
4098153	Australia	Commercial	Small	Professional Services	$ 10,455	2.5%	350	5	no	0.6287
1886308	United States	Commercial	Large	Retail and Consumer Goods	$ 66,444	8.5%	5250	19	yes	0.9829
4746853	Switzerland	Commercial	Medium	Hospitality & Travel	$ 29,448	6.3%	1450	16	no	0.2569
3730978	United States	Government	Large	Government	$ 31,516	6.9%	9465	34	yes	0.8934
1188797	Japan	Education	Medium	Education	$ 12,718	4.6%	300	8	no	0.4478
4837021	Netherlands	Commercial	Large	Insurance	$ 56,846	14.0%	6841	18	no	0.3917
1630999	Greece	Commercial	Small	Professional Services	$ 6,492	8.9%	100	2	no	0.4897
2111180	Japan	Commercial	Medium	Retail and Consumer Goods	$ 39,183	6.8%	1000	35	no	0.2699
3097153	Canada	Government	Small	Nonprofit	$ 9,157	2.4%	500	16	no	0.6749

Machine Learning Scenarios

EXAMPLE SOLUTIONS

Sales and marketing	Finance and risk	Customer and channel	Operations and workforce
Customer Acquisition	Fraud detection	Lifetime customer value	Pay for performance
Cross-sell and upsell	Credit risk management	Personalized offers	Operational efficiency
Loyalty programs	Forecasting	Product recommendation	Smart buildings
Marketing mix optimization			Predictive maintenance
			Supply chain management

B&S Predict: ML Forecast Accuracy Better Than Traditional Bottoms–Up Process

Machine Learning	VTF % CFO Forecast	VT ML % ML Outlook
FYX Q2	3.5%	–0.5%
FYX Q3	–3.3%	3.3%
FYX Q4	1.2%	0.8%

Questions?