Workday Rising 2019: Machine Learning Front and Center

Last week, I drove to the Orange County Convention Center in Orlando, Florida and attended Workday Rising – joining more than 13,000 attendees, and a global live streaming of the event. The conference theme – "For a Changing World" – helped Workday highlight it's continuing commitment to innovation, especially in regard to applying machine learning to core business systems.

Aneel Bhusri, Workday Co-founder and CEO, set the tone early in his keynote, sharing "*the technology of today that I believe is as disruptive as the cloud is machine learning . . . Machine learning helps you harness the power of data. It's very clear that this is the way the world is headed*."

Top-line Growth and Margin Expansion

It astounds me how rapidly Workday has grown to become a powerhouse in the cloud. Fifteen years after its founding, the company now has over 2,800 HCM customers, 725 Financial Management, 650 Procurement, 275 PRISM Analytics and 4,500 Planning (with the acquisition of Adaptive Insights a little over a year ago).

Top-line revenues are projected to hit $3.59 billion in FY2020 (+27% YoY). To the Wall Street analysts who attended a private briefing on Tuesday at the event, the company reiterated its guidance of reaching long-term operating margins of 25 percent, a rate that it is already achieving in its HCM segment.

While the company continues to be successful with upper-mid and large enterprises, its customer success with very large enterprises is especially impressive – 40 percent of the F500, and 50 percent of the F50 – with 70 percent "live." This is a great sign that customers are spinning up and gaining value quickly.

I'm not quite sure why the company's stock has gotten so beaten up by Wall Street recently. My read of things is that some of the analysts were surprised that the growth of Workday's HCM line of business is slowing to 20 percent per year. Yet for most of us, this was old news – as the law of large numbers has kicked in. In fact, going forward, it is clear that the company has many growth levers that it can pull to maintain 25-30 percent annual top-line growth for the foreseeable future. This includes international expansion, new growth opportunities in finance, planning, analytics, procurement and learning, and the bevy of new products being introduced including Skills Cloud, People Analytics, Discovery Boards, Workday Credentials, Journal Insights, Accounting Center and its evolving Workday Cloud Platform. While I don’t have room in this blog to focus on all of these, some are highlighted below.

Machine Learning – Now Core

Only a couple of years ago, Workday envisioned its emerging machine learning capabilities as a series of monetizable off-the-shelf functional solutions. However, Workday quickly realized that machine learning would need to become a fundamental underpinning for all of its offerings – and embedded in virtually everything it does.

Across the board, Workday has worked hard to leverage machine learning and broad-based data analytics across the product portfolio. A sampling of key announcements at Rising included:

- Workday People Analytics – built on PRISM Analytics, it delivers natural language-based insights, trends, patterns and organizational anomalies. Will bring a similar capability to

Financial Management and Planning over time.

- Skills Insights – leveraging Workday's new Skills Cloud, provides an automated way to assess individual and company-wide skills information, strengths and gaps.
- Discovery Board – leveraging the data-discovery technology in PRISM Analytics, timesaving drag-and-drop discovery capability to create reports and analysis.
- Journal Insights – uses machine learning to surface journal entry exceptions and anomalies as they occur, which not only helps improve accuracy, but saves time including helping to shorten the close cycle.
- Workday Accounting Center – provides ability to take high-volume data from operational systems and run them through Workday's accounting rules-engine, transforming business events into journal entries. I would look for this offering to evolve over time, as it moves toward becoming a fully transparent audit trail. If this is the case, it could become a unique and differentiated value prop in the market.

Workday is moving fast to fundamentally alter its value proposition for customers and prospects alike. The pace of change is rapid. Some customers will have a hard time keeping up. Among the more than a dozen company execs that I had a chance to sit and chat with at the event, few were taking advantage of Workday's powerful new machine learning capabilities and vision yet. Helping customers understand the value through evolved messaging concerning how they can easily and effectively leverage these new tools and capabilities will be important for the company to maintain its momentum.

Adaptive Insights

I had a chance to sit with some of the leadership from the Adaptive Insights team pre-conference and was encouraged to hear about their continued progress. The unit has added more than 700 customers since the acquisition (now totaling 4,500), with 1,000 or more customers in the sweet spot to potentially become broader Workday customers over time.

The unit has made a lot of progress integrating with Workday, across many dimensions, while still maintaining a “separate from” go-to-market positioning and messaging. Users now have unified identify management across both platforms, and seamless data and metadata integration. In the upcoming release, customers will be able to write data back to Workday (across both Financial Management and HCM), with future releases providing even more seamless integration, and a UI refresh that will bring the look and feel of the two platforms closer together.

Adaptive is quickly expanding its functional footprint, with evolved messaging around the “Intelligent Enterprise” and a vision that it can become the enterprise-wide planning cockpit. This repositioning started well before the acquisition, but it clearly has picked up steam over the past year – as the business unit broadens its strategy to encompass not only financial planning, but other key functional domains such as human resources, sales and operational planning.

As with the rest of the Workday product portfolio, machine learning is front and center, with Adaptive delivering anomaly detection capabilities in the short-run, and a vision to leverage machine learning in scenario planning in the mid- to long-term.

While Adaptive needs to make sure that it continues to deliver value to its large installed FP&A customer base, this broader repositioning is critically important if it is going to succeed against planning competitors such as Anaplan, which is increasingly nipping at its heals.

From several one-on-one customer interactions, I got the sense that receptivity to its Workforce Planning offering has been strong, with several current HCM customers and prospects considering it. On the other hand, most of the customers I spoke to were not yet aware how they would use Adaptive's emerging machine learning capabilities.

Financial Management Update

Workday is making a lot of progress with its Financial Management suite. In fact, the offering is becoming a key growth engine for the company. I was pleasantly surprised to hear that 450 of its 725 Financial Management customers are now live. Workday has worked hard to evolve its vision, messaging and value proposition, in regard to supporting customers growing demand for insight and action – an inversion of the traditional pyramid of effort and responsibility that was previously heavily weighted toward transaction processing.

I was also glad to see a continued focus on going global, and progress in regard to fleshing out and streamlining core financial management workflows, especially around procure-to-pay, supplier invoice automation, stock-to-replenish, contract-to-cash, and the like.

As noted above, Workday signaled that machine learning will be front and central in Financial Management, as it pursues the triad of intelligent automation, augmented analytics, and continuous insight, guidance and recommendations. Its vision for applying machine learning to help shorten the close process looks very promising indeed.

While Workday is having success growing its Financial Management customer base, I did run into two very, very large prospects (one an existing HCM customer, one not yet a Workday customer) who were still cautious about Workday's ability to support them. The issues for both had to do with their large size and global reach, so it appears that Workday still has some work to do to succeed with the F100.

Procurement Now on the Map

I was glad to learn that Workday is now breaking out Procurement as a separate product line from Financial Management — and positioning it as a growth business. The company has already fleshed out a significant amount of functionality in this area over time, especially around inventory management. However, more importantly, breaking it out should help the line of business get more internal funding to grow and expand, as I view this as a significant upside opportunity and growth engine for the company over the next five years.

No doubt, in the short-run, Workday will likely leverage key partners to help it round out a broader spend management / strategic sourcing positioning. As CEO Bhusri noted, the firm will "need to get into other areas such as contracts” – as customers are pushing Workday in this direction. Bhusri also shared that “procurement is a natural place to build a marketplace – but that is a bit early for us now.”

So the game is on, with yet another key battleground to emerge. While Workday will continue to build and partner, I would not be surprised by an acquisition or two, especially if it wants to accelerate growth in the mid-term.

Sage Intacct: The Momentum Continues

The last week of September, I attended Sage Intacct’s annual Analyst / Influencer event in Healdsburg, CA. While the red wines of Sonoma County were no doubt inspiring prior to and after the full-day briefing, I walked away from the event convinced that Sage’s acquisition of Intacct two years ago continues to be on track and delivering solid value for customers and parent company Sage alike.

Business Update

Prior to our arrival, the analysts attending were notified of several key leadership changes at the unit and company. Among the many shifts are:

- Rob Reid, formerly Intacct CEO, is now Sage Chairman of Sage Midmarket Solutions (that includes both Sage Intacct and Sage People).
- Marc Linden, formerly CFO for the Sage Intacct unit was promoted to EVP, Sage Intacct, now overseeing not only Business Ops and Finance, but also leading the Marketing, Product and Engineering group.
- Aaron Harris, formerly CTO of the Sage Intacct unit is now CTO of Sage reporting to Sage CEO Steve Hare.

With two former senior Intacct leaders now on Sage's Executive Committee, this is a clear signal that the acquisition of Intacct is having a major (positive) impact on the company. As highlighted in my blog from a year ago (see **Sage Intacct: Acquisition On Track** – 31Oct2018), virtually the entire leadership team (and most of the employees) remain on board post acquisition – another great sign of successful integration.

While not explicitly sharing detailed financials, it was our sense that the strong momentum that the unit experienced last year post acquisition has been continued through 2019. Based on our guestimates of Sage Intacct's size last year, and its continued success, McNee Associates would not be surprised it the business unit reaches or exceeds $200 million in revenue within the next six-to-twelve months, with margins continuing to expand.

The unit continues to be largely run as an independent business unit, although there is significant cross-sharing of enabling technology innovation across the company, both into and from Sage Intacct.

Sage Intacct's partners continue to be a huge part of its success. I really liked their focus on quality relationships over quantity of partners. In total, Sage Intacct now has 120+ VAR partners, 30 of which are on the top 100 list. While its' relationship with the AICPA continues deliver big results, it now has 297 partners in its Sage Intacct Accounting Program (SIAP), and 165 direct sales reps. Six of its top 12 partners are CPA firms. Adding up all of these direct and indirect channel resources helps put more than 2,000 people on the street for Sage Intacct. Impressive indeed.

Evolving Product Focus

Sage Intacct is clearly moving beyond its roots as a best-of-breed cloud accounting / ERP solution for small and mid-size firms. Responding to changing market demand, Sage Intacct is now beginning to provide a broader suite of (increasingly integrated) tools, delivered both by Sage and by key partners. This includes Sage People, the company's Cloud HR and people management system (deployed on Salesforce), and its fast-growing SMB-targeted FP&A budgeting and planning tool launched last year.

Aaron Harris shared some insights around current and future investments in regard to Sage’s significant firm-wide commitments around AI and analytics. This has included several smaller tuck-in acquisitions which has helped bring in key talent to the organization. In regard to Sage Intacct, its AI focus seems to be around anomaly detection and predictive billing in the short run; however, there appears to be a number of initiatives in the pipeline as it moves toward an evolved positioning around the “Intelligent Organization.”

International Expansion and Micro-Verticals Drive GTM

While this started some time ago, the business unit is focusing its going-to-market around targeted micro-verticals and expanding its international footprint. Whereas stand-alone Intacct was an almost exclusive a US-focused business, Sage Intacct is now investing heavily to grow its business internationally, initially targeting the UK and Australia. They have developed specific offerings that are fully compliant at the country level (in regard to tax, banking, payments, statutory reporting et al), and are providing local data residency.

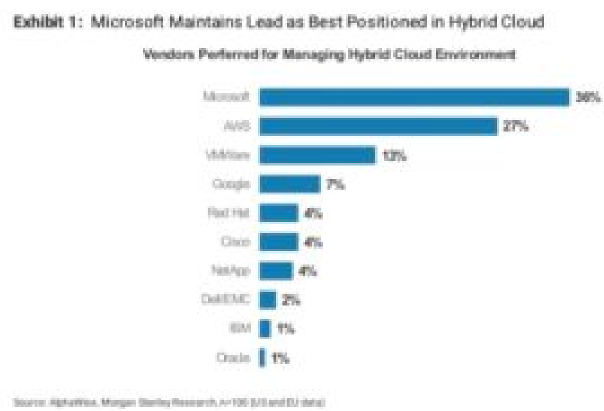
It was fascinating to hear about the extensive research that they do to help identify micro-verticals to target. Greater than 75 percent of new business is now coming from micro-verticals, versus more horizontally focused marketing initiatives.

In conclusion, I walked away with a continuing sense that this has been one of the more successful application acquisitions (along with Adaptive Insights by Workday) over the past couple of years. No doubt, challenges exist, especially from a range of competitors fighting fiercely for cloud ERP market share. We hope Sage puts some marketing muscle behind its new FP&A offering in particular, as this looks like an especially ripe opportunity.

Microsoft and AWS Outpacing the Competition

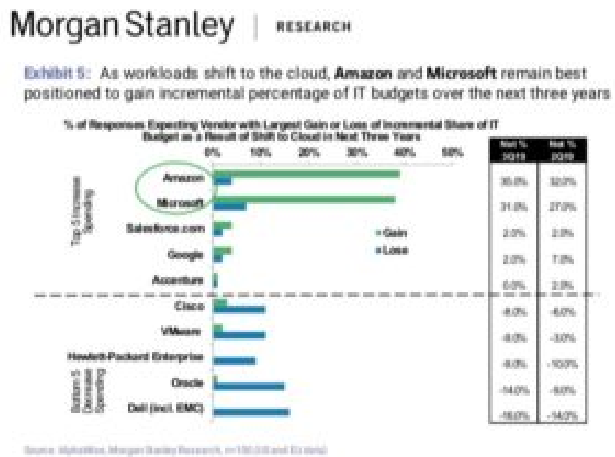
With industrial-strength cloud platforms and hybrid cloud architectures fast becoming a reality, enterprises are now beginning to put plans in place to shut down their data centers, and migrate the vast majority of their legacy application workloads to the cloud. While the market for infrastructure-as-a-service offerings has long been crowded with a bevy of options to choose from, it is becoming clear that Amazon Web Services (AWS) and Microsoft Azure are becoming the dominant choice for the vast majority of CIOs and enterprise leaders.

Research just published by Morgan Stanley shows just how strong this momentum is. Data from their most recent quarterly CIO survey indicates that Microsoft and AWS remain at the top of the heap as it concerns vendor preference for managing hybrid cloud environments (see Exhibit 1).



In yet another chart, the research shows just how dominant these two providers are becoming in regards to IT spend going forward. Exhibit 5 focuses on which vendors will gain or loose IT Budget share as a result of the shift to the cloud over the next three years.

As you can see, both AWS and Microsoft Azure are blowing the field away as providers who will gain share over this time period, while providers such as Cisco, VMware, HPE, Oracle and Dell will no doubt experience significant share loss. This is especially relevant given the fact that many enterprise leaders are now hoping to get out of the data center business, and quickly migrate production / mission critical workloads to the cloud.



Other key insights from the research include:

- CIOs anticipate IT Budget growth to decline from 4.4% in 2019 to 3.4% in 2020, as the economy softens up a bit.
- With the shift to the cloud, Software will continue to grow the fastest among the major categories of IT spend (over Services, Comms and Hardware), although similar to overall IT Budget growth, Software growth will slow to 3.7% in 2020 from 4.7% in 2019.
- The leading spending priorities / investment themes continue to be cloud computing, AI / ML, analytics and digital transformation – all of which are heavily Software-focused.

This research very much supports recent field checks that I have been conducting at various industry events this year. One of my favorite things to do at vendor conferences I am invited to is to sit down wherever lunch is being served, and innocently chat-up senior IT and business leaders sitting nearby. Most are eager to share their experience with the vendor in question, as well as their key priorities and investment plans going forward at a high level.

Many of my most recent discussions have focused on the rapid migration of traditional production workloads to the cloud, in addition to the deployment of new apps and workloads built around next-gen analytics, and AI / ML capabilities. Next week, I head to Workday Rising in Orlando and hope to do just that.

Migrating Complex Enterprise Workloads – A Webinar

I recently participated in a webinar with Velocity Technology Solutions and AWS focused on best practices and lessons learned around migrating complex enterprise workloads to the Cloud. I thought readers might enjoy a listen. Its roughly 30 minutes long.

Here's a link: https://info.velocitycloud.com/webinar/data-center-mig ration

Adaptive Live 2019: All Systems Go

Source: Adaptive Insights

Last week, I spent several days at Adaptive Live 2019 in Las Vegas. Overall, I was very impressed with Adaptive Insights evolution and focus, post-acquisition, as it continues to support existing customers while quickly aligning to Workday’s broader technology and go-to-market strategy.

Even though Adaptive launched its' Sales Planning and Workforce Planning offerings this past year, not surprisingly ninety percent of the 1,600+ conference attendees were there to celebrate the firm's well-respected Financial Planning heritage and tools.

The event had a number of useful customer panels, and guest-speaker keynotes. For me, however, the highlight of the event was spending time with the leadership team in a series of small group analyst briefings, as well as hearing what's coming next.

For some time now, I've been very impressed with the team that Tom Bogan assembled after becoming CEO in early 2015. This includes, but is not limited to, Bhaskar Himatsingka, Adaptive's Chief Product Officer, who has done a great job laying the groundwork over the past couple of years for what could potentially be some game changing analytic offerings.

In July 2018, just prior to its aborted IPO, Adaptive announced that it had fundamentally rearchitected its planning, reporting and analytics engine, leveraging what it called "Elastic Hypercube Technology." Essentially, this new approach provides for unlimited dimensions, dimension values and versions – and does so in a manner that is highly efficient (especially in sparse data scenarios).

A year later, Bhaskar shared that virtually all customers are now on this platform – with many leveraging the new hypercubes at significant scale.

While the new platform provides a significant improvement in performance, it also sets the stage for Adaptive to layer in a range of artificial intelligence (AI) and advanced machine learning (ML) technologies, both of which will likely help transform the Finance function over the next decade.

AI and ML Initiatives

Bhaskar highlighted several key initiatives in what Adaptive is calling its "Intelligent Planning Roadmap." In the short-run, the focus appears to be around automating often mundane processes – such as its soon to be released "Anomaly Detection" offering. Mid-term, the firm emphasized that it will also focus on more strategic initiatives such as the development of "Augmented Analytics" – which, I would presume, could be a basket of capabilities that harnesses data and predictive analytics, supporting and enhancing, rather than replacing, work activity.

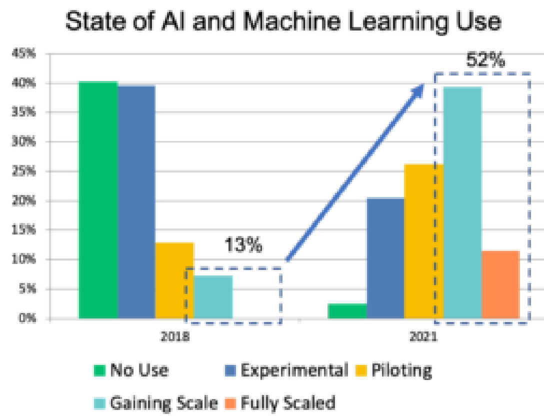
It will be interesting to see how the new Data Access Layer that Workday has been developing will not only connect all three of its engines (Workday's core in-memory database, Prism and the Adaptive hypercube) – but also support its broader ML plans (see Workday Innovation Summit: Key Takeaways).

Based on a series of one-on-one side discussions with nearly a dozen attendees (both existing customers and some prospects), it appears that Adaptive is poised for continued growth – not only organically within its own suite of offerings, but some cross-sell into the broader HCM and Financial Management offerings of its parent Workday.

Emerging Skills Crisis in Finance Real

I walked away from the event even more convinced that Finance is in for a significant restructuring – and we are not talking decades away. While yesteryear's layering of new, more strategic roles and responsibilities will no doubt continue to have a transformative impact – AI-driven process automation and the emergence of ML-led workflow augmentations will demand a new, more analytics-focused workforce. The coming skills crisis in Finance is real.

ML and AI Signposts



Source; McNee Associates, 2018, N=265

I’ve been attending a number of industry events recently that squarely position machine learning (ML) and artificial intelligence on the forefront of change. Last year, McNee Associates conducted original research with 265 senior business and IT executives in the US, Europe and Asia, to get their sense of the shifts that are occurring.

As the graphic highlights, the use of AI and ML is projected to grow rapidly and broadly over the next couple of years. Our research indicates that 52 percent of executives believe that that their firms will be “gaining scale” or “fully scaled” in their use of AI and ML by 2021, up from only 13 percent last year. Having conducted similar research on next-gen technologies over the years, *the slope of change here is significant*.

Across the entire spectrum of cloud infrastructure and apps – from vendors such as SAP, Service Now, AWS, Workday, IBM and others – what is clear is that ML and AI are no longer futuristic technologies, but in the here and now. The range and ways that AI and ML are being imbedded into solutions is vast, and often times largely invisible to the ultimate end-user.

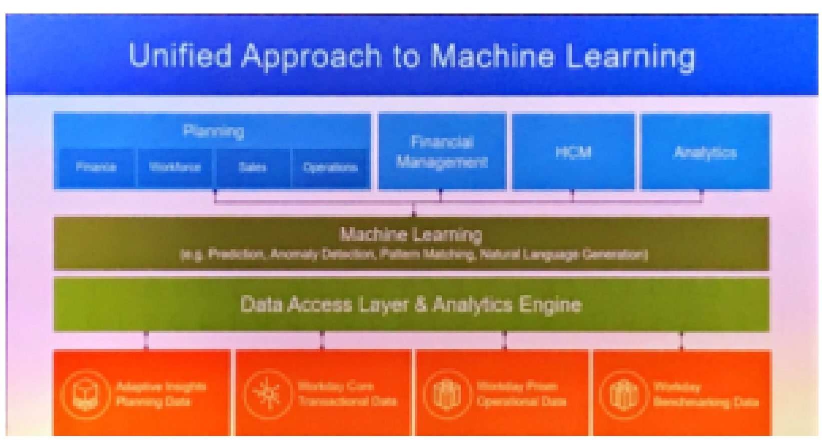
Additional insights from the research:

- 60 percent of execs believe that AI and ML will fundamentally change their industries.
- Almost 34 percent of execs believe that AI and ML will result in significant job losses. Interestingly, US-based IT and business leaders are more optimistic than their colleagues in Europe and Asia (20 vs. 46 percent). This may suggest that they believe these technologies will play more of a supportive role, augmenting existing skills, or that significant retraining can occur for those displaced vs. wholesale layoffs.
- RPA led our list of AI technologies in use, followed by Chat Bots, Expert (knowledge-based) Systems, Machine Learning, and Virtual Assistants, among others.
- Predictive Analytics led the list of top technologies / trends / capabilities that will have the biggest business impact through 2021, followed by Cyber Security and Digitization of Products and Services.

- As expected (based on previous research conducted in this space), *Company Culture* and *Organizational Willingness to Change* topped the list of obstacles / challenges IT organization's face to successfully navigate the emerging technology-enabled business landscape.

Workday Innovation Summit: Key Takeaways

A little over a week ago, I traveled west to participate in Workday's annual industry analyst event – now appropriately rebranded the *Workday Innovation Summit*. As has been the tradition now for several years, the event was held at the beautiful Cavallo Point Lodge, in Sausalito, CA, just below the Golden Gate Bridge.



Source: Workday

While much of the day was spent focusing on Workday’s continued innovation across its HCM and Finance application suites, growing analytics and Cloud Platform capabilities, and AWS support – the theme of extracting greater and greater value for customers, and augmenting executive decision making through machine learning was central to the day. To this end, Aneel Bhusri, Workday’s CEO helped kick-off and frame the day by emphasizing that “*machine learning is the fundamental technology of the future.*”

The good news is that Workday already has a powerful and unified platform that supports many of the key threads of 21st century architecture. Importantly, I came away with a sense that Workday is taking a very realistic approach to their machine learning (ML) investments – focusing on augmenting the user experience, rather than as a replacement – as it builds out a portfolio of algorithm’s that can be applied to a range of business use cases. I’ve just loved the Phil Mickelson “Business Caddy” ads Workday has been running for the past 6-9 months that emphasize, in a non-technical way, machine learning as *supportive* to executive decision making.

Fundamental to the successful execution of this strategy has been a focus on extracting more and more value from the data that Workday already manages, as well as helping it increasingly become a hub that leverages a broad range of enterprise and external data.

I really liked what I saw in regard to the emergence of a single data access layer and analytics engine (see chart) that will help coordinate all of the data (and machine learning services) across its now extended family of products. *While the initial use-case will no doubt bring Adaptive Insights into the "Power of One," the longer-term implications of Workday's vision for a single reporting architecture could help the company more quickly integrate potential future (functional) acquisitions as well*.

I look forward to learning more about this initiative at the Adaptive Insights event in Las Vegas later this month. In closing, I'd like to share how impressed I always am by how well-run this event is, and how open and frank the entire Workday team is in both sharing and receiving feedback about its future plans. This year was no exception. Well done.

Fresh Beginnings

After a little more than a year on the sidelines, I'm pleased to share that McNee Associates will be much more active on a go-forward basis now that we've turned the corner into 2019 – as I am now beyond any constraints in regard to non-competes. I'm especially excited about re-engaging with friends and colleagues throughout our industry, as we are in the midst of so many important disruptive trends and emerging technologies, many of which are driving fantastic business innovation.

In addition to continuing to publish the blog (see topics / themes below), I'm delighted to share that McNee Associates will be providing a range of consulting services for clients. For technology providers, this will focus primarily around Market Strategy and Go-to-Market consulting services, as well as custom research programs that support both internal planning and strategy development, as well as external thought-leadership that can be used to drive business development / awareness with senior business and IT execs. For technology buyers, this will focus primarily around leadership workshops and technology strategy development.

I am excited about participating in a number of industry conferences, events and analyst briefings this year, across the target segments that I'll be covering. First up is Salesforce's Analyst Summit late next week in San Fran, to be followed by a number of additional events this Spring. If you are a provider who would like to invite me to your annual conference, or Analyst Summit – just reach out via email or phone (listed on Contact Us), or via LinkedIn.

As noted, I'll be ramping up my blogging, with a plan to publish a couple of times per month, although we may invite some guest bloggers as well. My blogging will primarily focus on the continued evolution of enterprise applications and infrastructure, and how enterprise data is increasingly becoming a key weapon framing business strategy. This includes the range of emerging analytic tools and technologies that are reshaping how we engage with customers, plan and target new offerings, optimize operations as well as develop new monetization strategies.

Find below a slightly updated list of some of the key trends that I will be tracking and writing about (alpha order only):

- Advanced Analytics / Data Science
- Artificial Intelligence (AI)
- Business and Technology Architecture
- Business / IT Platforms
- Business Model Evolution
- CIO / CFO / CMO Spending
- Cloud Analytics / Planning / Budgeting
- Cloud ERP / Financials

- Cloud HCM
- Digital Strategy / Enablement / Transformation
- Digital Marketing / Digital Customer Engagement
- Driving Innovation / Innovation Management
- Emerging Technology Trends
- Future of Work
- Internet-of-Things (IoT)
- IT Economics
- Machine Learning
- Next-Gen Technology-Enabled Products / Services
- The New Finance

I very much look forward to the adventures ahead, and encourage everyone who visits the website to subscribe to the blog, and to join me in the coming weeks and months ahead as we explore the future of Business IT!

Best,

Bill McNee
Managing Principal

Sage Intacct: Acquisition On Track

Now more than a year post acquisition, Sage Intacct remains on a solid growth trajectory with accelerating product / technology investments and evolving distribution capabilities. Earlier in October, I had a chance to catch up with the leadership team in San Jose, CA, prior to their annual user and partner event just completed in Nashville.

Business Update

Early on in the Analyst Day meeting, it became clear that virtually the entire leadership team has remained on board, and are committed to its future – and the Intacct "get-it-done" and people-centric culture has been maintained, with the business unit intentionally left alone for the first year. Having been involved in a number of acquisitions / mergers myself, maintaining a low attrition rate across the board is a sign that things are going well.

CEO Rob Reid emphasized that the business unit continues to achieve strong 30-40% top-line growth – with Sage corporate significantly investing in marketing and product management capabilities, and helping expand Sage Intacct's VAR distribution channel internationally (especially in Europe). Given the $850 million (8.5X trailing 12 month) valuation associated with the acquisition just prior to its planned IPO – we estimate that the unit will likely reach a $130+ million run-rate before year-end, which is a real win for Sage.

While its AICPA channel remains important to its future, the business unit has increasingly targeted a range of micro-verticals (and channel partners) since the acquisition – including SaaS and Software firms, NFPs and Professional Services firms, with plans to expand into Financial Services, Healthcare, Hospitals and Wholesale Distribution.

This evolved go-to-market strategy is apparently working well, as seventy five percent of its new opportunities are now focused around the micro-verticals versus more traditional horizontal marketing campaigns. No doubt, leveraging Sage's traditional partners has helped grow its VAR channel – however, it is also aggressively building new micro-vertical targeted relationships as well, as it attempts to evolve its Direct / VAR deal mix from 55% / 45% to 40% / 60% going forward.

New Initiatives

While Sage Intacct made a number of new announcements at its annual Advantage 2018 conference in Nashville, TN last week (3,000+ attendees – up more than 50% from last year), the two big initiatives that I'd like to highlight are its launch of the new Sage Intacct Budgeting and Planning Solution, and its investments to embed a range of AI / ML capabilities into the product.

New SMB Budgeting / Planning Tool

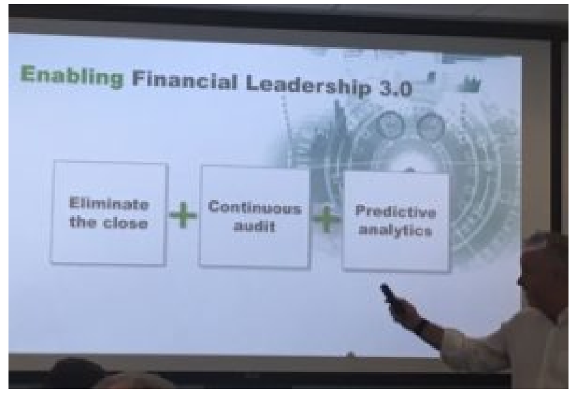
While Sage Intacct continues to primarily target companies with 100-500 employees – the unit has a significant number of customers both above and below these thresholds. In fact, its new budgeting and planning offering is especially well suited for companies with 50-200 employees, a segment not very well served by the range of FP&A competitors in the marketplace (including Adaptive Insights, Host Analytics and others).

This past Spring, Sage Intacct acquired a small Tel Aviv-based software developer, Budgeta, that brought the initial version of the cloud-based financial planning and analysis application to market two years ago. Since its acquisition six months ago, Sage Intacct has been harmonizing the data models between its core Financial Management database and the acquired offering, as well as implementing "dimensions" (before launching at Advantage). Based on the demo that was provided during the Analyst Day, the product is clearly very easy to use, has bi-directional data synchronization with the core Sage Intacct data engine, and offers collaborative and what-if scenarios that make it very powerful. The offering is highly customizable, with the ability to add widgets, KPIs and dashboards.

We think this is a very smart line-extension for Sage Intacct. We anticipate rapid product adoption, well beyond the 30 or so accounts that participated in the BETA program – as this is a terrific cross-sell opportunity to expand the footprint into important market adjacencies that are under served (especially for small but complex orgs, with multiple departments outgrowing Excel). Sage Intacct believes that only 5-10 percent of its 12,000 customers have a planning tool. If it can sell even 10 percent of its customer base over the next two years, this would create a significant recurring revenue stream at $10-15K per customer per year. In fact, we would not be surprised to see the new FP&A solution potentially lead a product sale over time, with the ability to up-sell the core Sage Intacct accounting solution when the customer is ready. *Everybody does budgeting and planning*.

Finance 3.0 and AI

During the Analyst Day event, Sage Intacct emphasized that it believed we are entering a new era of Finance – what it is calling Finance 3.0. It framed Finance 1.0 as representing yesteryear’s focus on financial statements, compliance and the like, with Finance 2.0 helping CFOs move from GAAP accounting to a focus on real-time analytics. In its scenario, CFOs and their teams are increasingly freed up from repetitive tasks in Finance 3.0, to focus on strategic, future-focused issues, including evolving opportunities and threats.



Source: Sage Intacct, October 2018

As the chart highlights, at the heart of Finance 3.0 are three key aspirations: 1) eliminating the close; 2) continuous audit; and 3) predictive analytics. In this regard, Sage Intacct made a number of [product announcements](#) that begin to support its vision (e.g., Dynamic Allocations).

However, much of its investment going forward will focus on leveraging powerful (embedded / integrated) AI and Machine Learning (ML) capabilities to automate a number of routine financial tasks being performed today – where a huge chunk of staff time is devoted. In this regard, we wholeheartedly agree with Sage Intacct, as the Office of the CFO is especially ripe for the AI and Automation / bot revolution we are in the middle of.

Great examples of initiatives already underway include performing banking reconciliations, anomaly detection, continuous trend monitoring, and the like. While a number of other financial management players are likewise moving toward a “continuous accounting” or “continuous close” model (see Workday and Adaptive Insights: Summary Notes from Rising 18) – it is clear that Sage Intacct is right there with them for their SMB-targeted market segments.

Lastly, in regards to Predictive Analytics, Sage Intacct highlighted two key initiatives – a new interactive custom report writer and embedded financial analytics (coming in 2019). Importantly, Sage Intacct is now working more broadly with Sage corporate on a range of AI-based initiatives including cash flow forecasting, and real-time performance insights. Leveraging these core technology assets will be critically important to the business units success longer term.

Net / Net

I first started tracking Intacct more than 10 years ago. To see where they have journeyed is truly impressive. I walked away from the meeting firmly believing that the acquisition of Intacct by Sage is working – and will continue to work – so long as Sage continues to give the business unit some breathing room, and foster its people-centric “intrapreneural” culture.

The business unit has remained highly customer-focused

– with Sage corporate investing for the future both in terms of enabling technologies (especially around AI), as well as innovative line-extensions such as its Budgeting and Planning solution. With no deflections thus far, Sage Intacct should be in for continued growth over the next 12-24 months. Stay tuned.

Workday and Adaptive Insights: Summary Notes from Rising 18

Earlier this month, I traveled west to the City of Lights (Las Vegas) to attend Workday Rising 2018. No doubt, we all missed CEO Aneel Bhusri’s charismatic presence. But the show went on without a hitch for the 10,000+ who attended. This blog post summarizes some of the broader key themes, but primarily focuses on the key takeaways relative to the acquisition and integration of Adaptive Insights.

Key Growth Themes

It is very clear that Workday is pumping on all cylinders right now – with multiple growth levers driving ever higher performance across all segments of

Workday's main marketing mantra of "Plan, Execute and Analyze." On the Execute front, this includes continuing to grow its core HCM and Financial Management solutions domestically, as well as a major push to expand its international presence. With 95% retention rates, its 2,300+ customer base is fueling the expansion of a broad cross-sell strategy, with a major emphasis to further round out the "Planning" and "Analytics" segments (focused on below). Rounding out its announcements, Workday introduced what could be a significant initiative it is calling the "Skills Cloud", as well as further investments its data-as-a-service and benchmarking offerings, its emerging set of Cloud Platform services (both native and on AWS) and future products – all of which will be additive like Lego blocks stacked on top of each other.

Throughout the event, company leaders emphasized the emergence of Workday as the "Predictive Machine." As we have seen with other significant cloud apps players (see [Salesforce 18: And the Beat Goes On]), Workday is now several years into its journey to add a machine learning (ML) fabric into the core of its solutions / platform to bring a new level of intelligence and predictive power for its users.

Workday's Leighanne Levensaler shared in her opening keynote remarks that Workday is "taking a very pragmatic approach to making predictions" – at the same time that developing predictive models in HR and Finance are "more difficult than we initially thought.” This has driven a new hiring profile for the firm that emphasizes next-gen skills, and a better pairing of its growing army of data scientists with subject-matter (business) experts to make sure that they are targeting and solving the right problems. The net of it is that the new ML / predictive layer is clearly becoming table stakes for virtually all major Cloud apps players going forward – which will no doubt only increase customer value and customer stickiness.

Adaptive Insights

With its recent $1.55B acquisition only months behind it (see Workday And Adaptive Insights: A Strong Pairing), it wasn’t surprising that Workday’s plans for Adaptive Insights were front and center at the event.

First, and foremost, it was clear from the get-go that Workday wanted to calm any fears that Adaptive Insight’s existing customers may have – as it repeatedly emphasized that the product line would not be re-platformed, and Adaptive Insights would be managed as a totally separate business unit that leverages a common Workday back-office. The Adaptive Insights product and marketing teams stay intact, which will operate under the Adaptive Insights brand.

The BU is getting beefed up immediately, as the entire Workday Planning team heads over there. Best of breed capabilities and next-gen technology initiatives will be shared (both directions). It is clear that Adaptive Insights will remain a very viable, strong and independent offering for its 4,000+ customers which should help minimize deflections from its large customer base (including NetSuite customers).

As noted, Workday has multiple routes to market with Adaptive. Cross-selling Workday’s HCM and Financial Management solutions into Adaptive Insights upper-mid and large enterprise customer base should yield some quick and sustainable wins. In fact, almost half within Workday’s upper-mid and large-enterprise target zone (1,900 of 4,000) – and only 326 have Workday. While Workday’s direct sales force will focus on these larger accounts, Adaptive Insights highly tuned digital and inside sales driven go-to-market model will continue to target small-to-medium accounts.

No doubt, Workday will begin to aggressively market the Adaptive Insights Financial Planning and Analysis (FP&A) solution to its installed base of 2,300 upper-mid and large enterprise customers. While we anticipate high long-term penetration rates, at issue, however, is how rapidly customers will adopt – as several that we talked to indicated that they will move forward, but only after a wait of at least a year (until Workday fully works out its integration plans).

Adaptive Insights Integration Plans

Workday "Power of 1" Integration Plans: Adaptive Insights

	Workday 32 [Spring 2019 (e)]	Workday 33 [Fall 2019 (e)]
One Source for Data	• Native Data Integration • Drill Through to Data	• Drill Through to Objects • Plan to Execute-Job Requisitions • Budgetary Control • Workday Prism Analytics Data Sharing
One Security Model	• Single Sign-On	• User Management Synchronization • Domain Mapping to Roles and Permissions
One Experience	• Adaptive Worklet on Workday Landing Page • Business Process Framework-Workday Inbox	• Unified Look and Feel • Predictive Planning

Source: Workday Presentations, Rising 18

In a small group meeting with the Adaptive Insights CMO, Connie DeWitt emphasized that they have already begun work on a unified UI, and within 12-18 months, will have deployed a unified data model and security model that is consistent with the "Power of 1." Just to be clear, the two offerings already had some level of data integration.

As the chart illustrates, in Workday 32 (due out in Spring 2019), the company will provide meta data integration that understands the Power of 1, and provides drill through to the data. In Workday 33 (due out next fall), it will provide drill through to objects, as well as Workday Prism Analytics data sharing and a unified look and feel.

I reached out to Ms. DeWitt after the conference to see if she could provide even greater clarity in regards to the integration plans. She emphasized that the goal is for “Workday customers [to be able to] seamlessly share data across Workday applications including Adaptive Insights, have a single security model, and a common user experience. We will not be doing this by re-writing or re-platforming Adaptive Insights, but rather by creating the right software services connections between Adaptive Insights and Workday.”

She went on to explain: “Fortunately Workday and Adaptive Insights share similar cloud-first in-memory architectures that make this transformation easier. We currently have data integration with Workday using a professional services-led approach. As we realize our Power of One roadmap, this will become a product-led unification that is seamless for Workday customers and will not disrupt our non-Workday customers in any way.”

It was clear from the various presentations and off-line discussions that technologies will be leveraged between the development teams, and where applicable they will bring together various capabilities such as their two report writers, leveraging the best of both worlds. Look for significant cross-“pollenization” of its machine learning investments, with PRISM Analytics heavily leveraged going forward.

Workday Planning and Financial Management

Adaptive Insights is now the de facto Planning engine for the company. In fact, Workday quickly launched an Adaptive Insights version of Workday Planning (to complement what it already does around Finance) as a firm declaration of its emerging strategy going forward, although it will keep the existing Workday Planning customer whole by continue to support the product for some time to come. We would anticipate a continued aggressive expansion of Adaptive Insights land-and-expand push into other functional markets (e.g., Sales, Marketing), as it positions itself as the primary competitor to Anaplan – in what otherwise is a highly competitive market (including SAP, Oracle, IBM et al).

In regards to Workday's Financial Management suite, we gathered that it now has more than 500 customers, 60 of which are public companies that are live on the solution. Workday is likewise embedding machine learning capabilities directly into the product. They already offer solutions around expense reporting, account reconciliation and anomaly detection (in regards to payments), with plans to roll out many more in the coming months.

Lots of talk about moving toward “continuous accounting” or “continuous close” – with the advent of the Workday Accounting Center (to launch in 2020), with its ability to bring non-Workday operational data in through as journal entries, and the ability to trace all the way back to source transactions even if not originally on Workday. We just hope that there is some meat behind the slides in these regards.

Other odds and ends:

- They made a big deal about the launch of Workday Assistant, but I didn’t see a lot different than what Salesforce is doing with Einstein.
- Launched “Stories” which looked interesting.
- Last year launched Worksheets – this year adding “Live Sheets” which provides a potentially powerful real-time presentation tool.

Wrap

While Workday is still very much focused on its core “Execute” offerings in the HCM and Financial Management segments – it is clear that it has expanded its vision significantly into “Plan” and “Analysis.” This provides a much bigger set of add-on opportunities into the base, but also brings with it the many sales challenges associated with a “big-bag”.

With “game-on” in the competitive race to add value from emerging ML fabrics across the broad Cloud apps pantheon, we hope that Workday stays focused on providing very specific / narrow predictive solutions across its primary functional targets, rather than general purpose capabilities.

Longer-term, we would not be surprised by additional strategic acquisitions that help accelerate market growth (especially around Supply Chain) – assuming they can find opportunities with the right cultural and architectural fit. But most we see a period of consolidation over the next 12-24 month (other than tuck-in technology acquisitions), as Workday works hard to make the most of its new go-to-market weapon to expand and grow the company.