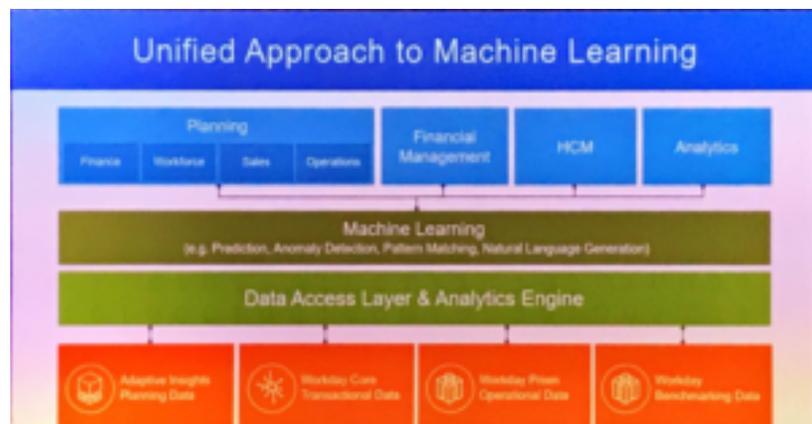


# Workday Innovation Summit: Key Takeaways

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 21<sup>st</sup> 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.

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## **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).

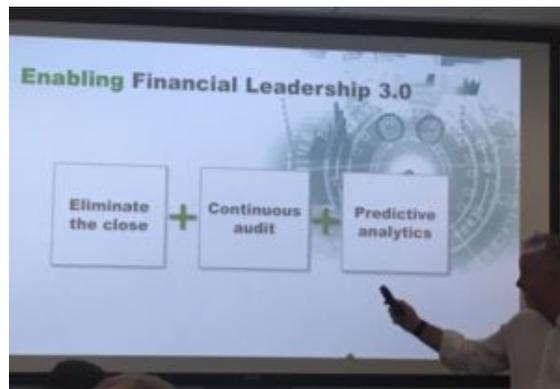
This past Spring, Sage Intacct acquired a small Tel Aviv-based software developer, Budgeta, that brought the initial version of the cloud-based financial planning and analysis application to market two years ago. Since its acquisition six months ago, Sage Intacct has been harmonizing the data models 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.

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## **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		
1	Workday 32 [Spring 2019 (e)]	Workday 33 [Fall 2019 (e)]
<b>One Source for Data</b>	<ul style="list-style-type: none"><li>• Native Data Integration</li><li>• Drill Through to Data</li></ul>	<ul style="list-style-type: none"><li>• Drill Through to Objects</li><li>• Plan to Execute-Job Requisitions</li><li>• Budgetary Control</li><li>• Workday Prism Analytics Data Sharing</li></ul>
<b>One Security Model</b>	<ul style="list-style-type: none"><li>• Single Sign-On</li></ul>	<ul style="list-style-type: none"><li>• User Management Synchronization</li><li>• Domain Mapping to Roles and Permissions</li></ul>
<b>One Experience</b>	<ul style="list-style-type: none"><li>• Adaptive Worklet on Workday Landing Page</li><li>• Business Process Framework-Workday Inbox</li></ul>	<ul style="list-style-type: none"><li>• Unified Look and Feel</li><li>• Predictive Planning</li></ul>

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.

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## **Workday Rising 2017: Signposts of an Evolving Strategy**

Earlier this week, I attended Workday Rising 2017 in Chicago, along with 8,500 customers, prospects, partners and industry influencers. While there is little doubt that its HCM and Financial Management apps continue to drive the vast majority of its top-line revenue growth, Workday used Rising as a forum to emphasize its continuing commitment to innovate, which is now squarely focused around its growing analytics

and platform capabilities.



Source: McNee Associates LLC

**Prism Analytics and the Rise of Workday's Data Strategy.** I had a chance to talk informally with more than twenty current customers (along with a handful of prospects), and across the board the feedback around the launch of Prism Analytics and its Data-a-as-Service initiative was very positive. Built on the backs of its acquisition of Platfora in 2016, the fully rewritten Prism Analytics provides powerful data integration / self-service data discovery / analytic engagement that can be used against both Workday and non-Workday data alike.

While Workday will no doubt continue to be known as a next-gen apps player, the launch of Prism Analytics combined with its investments in Benchmarking, Planning and Worksheets, are clear signposts of Workday's "data" diversification strategy. Frankly, I think this is very smart, as it will not only provide

value to existing customers, but will likewise help open doors to a range of new buyers – especially in the Office of the CFO – who otherwise might not yet be ready to commit to a core financials application overhaul. More on that below.

As CEO Aneel Bhusri emphasized in his keynote, Workday is evolving to become an important “System of Insight” (and in support of what Mike McNamara, CEO of Flex termed in his Weds AM keynote, the “Age of Intelligence” – see [Vinnie Mirchandani's](#) excellent post for more on that). In support of this theme, throughout the conference Workday's presentations were littered with the mantra of “Plan, Execute, Analyze” – new messaging that the brand will get behind that helps frame the scope and breadth of its evolving vision.

**Cloud Platform – The Next Chapter.** Combined with its investments in analytics, Bhusri shared further that, “Cloud Platform is a new chapter for Workday.” After a soft launch with Partners earlier in the year, Workday is now delivering a set of API-driven Platform-as-a-Service (PaaS) capabilities targeted to both customers wanting to extend their current application footprint, as well as SI Partners and ISVs looking to develop unique solutions at either the industry or business process level. We see this as an important competitive catch-up move, as SAP and Oracle can no longer use their rich PaaS toolsets as a unique competitive threat. In fact, this may help accelerate some large

enterprise accounts to abandon their (often frozen-in-time) 20+ year-old legacy deployments now that they can have their cake and eat it too (in terms of off-the-shelf Cloud apps plus custom development capabilities from Workday).

**Ten Year Retrospective.** At Rising, I had the pleasure of catching up with Brian Sommers of [TechVentive](#), who reminded me that he had seen me speak years ago at a Workday event in Chicago at the Intercontinental. After thinking about it, I realized it had been during Workday's initial kick-off briefing tour in the late Spring 2007, when Workday first went to market. It was a lot of fun traveling on the five-city tour with Co-founders Dave Duffield and Aneel Bhusri, Deb Wolf (former VP of Marketing) and the rest of the Workday team as they unveiled their innovative new offering.



Source: McNea Associates LLC, N=23 customers attending Workday Rising 2017

**Customer Satisfaction.** But what was true then is even more true today. I walked away from Rising this year with a firm sense of continued strong momentum for Workday based on two simple questions asked of the 23 customers I spoke with. The first question focused on how “Satisfied” they were with their investments in Workday. The second question focused on whether they would be investing more or less with Workday in 2018.

In regard to the first question, I asked them to rank their level of satisfaction, with a “5” being Highly Satisfied, “3” being Satisfied, and a “1” being Highly Unsatisfied. As the chart illustrates, 96 percent rated their relationship “Satisfied” or better (52 percent “Highly Satisfied”) – with the biggest complaints being: 1) an inability to keep up with the pace of innovation, and 2) growing “skills” challenges, especially around getting the attention of both Workday and 3<sup>rd</sup> party consultants for routine project work. In regard to the 2<sup>nd</sup> question, 60 percent indicated that they would be spending more money with Workday in 2018 than in 2017, 36 percent roughly the same, with only 1 individual indicating that spending would be down moderately.

**Customer Counts.** Framing things in a ten-year perspective, Workday has now grown to 1,800+ customers, with projected F18 revenue in excess of \$2 Billion. While virtually all of its 1,800+ customers have its core HCM offering, Workday is gaining

significant traction across the range of application and analytics segments that it is now pursuing. Customer counts shared at Rising include:

- 370+ Financial Management (58% of which are now live)
- 500+ Expense
- 300+ Procurement
- 170+ Planning

I found the 170+ Planning customer count especially impressive, since the offering was only launched a year ago. At the 2017 Tech Summit that I attended in mid-May, the customer count had reached 110 – so it appears that demand is accelerating quickly. It was noted by Betsy Bland, VP Product Management, that 75 percent or more of demand has been driven around Financial Planning use cases, but they have been pleasantly surprised by its use for Workforce Planning and other non-financial use cases.

**AWS and the Public Cloud.** While I was surprised that a Public Cloud roadmap was not formally announced at the conference, Workday made clear that they are very committed to a Public Cloud option for their customers, and continue to invest to support the AWS platform. In the Wednesday morning Executive Q&A session with Industry Analysts and Influencers, it was made clear by Bhusri and David Clarke (SVP Technology Development) that “we are at least a year away from offering AWS . . . By the middle of 2018, we will have

our 1<sup>st</sup> set of customers live in Canada [where it is being tested] . . . . However, for the next 5-7 years we will primarily be using our own Cloud.” At the same time, Workday shared that it would be increasingly taking advantage of cutting edge features on AWS that they would have a hard time matching internally – *implying that eventually (in a 5-7-year timeframe) a majority of the Workday workload may reside in the Public Cloud.*



Source: McNee Associates  
LLC

**Summing Things Up.** On Wednesday morning, in a side conversation with me just prior to the Executive Q&A session, Bhusri recalled the initial briefing roadshow of ten years ago, and brought up some of the demand forecasts developed in the early days of the SaaS / Cloud revolution. “[Looking back,] I think we are ahead of where we thought we would be in HCM at this point, but just a bit slower in Finance.” However, Bhusri emphasized that the firm’s investments in

Planning and Prism Analytics were likely to accelerate demand in Financial Management, sharing “if [the customer has] HCM, Planning, Prism Analytics and Benchmarking, it is only a matter of time before they adopt our Financials.”