Prophix

Exploring AI use cases within the Office of the CFO

March 20, 2024

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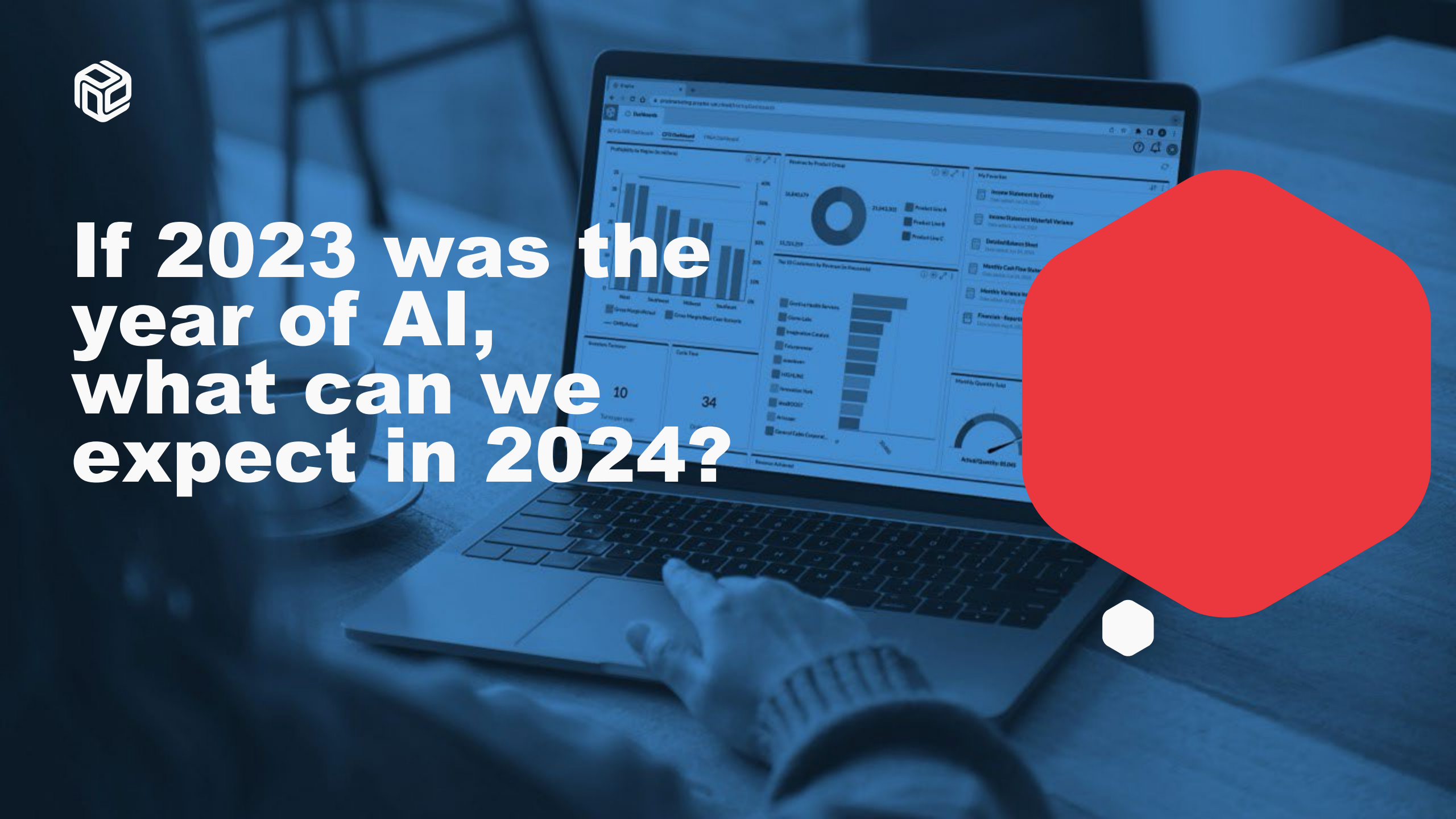
Agenda

1. Evolving landscape
2. AI in the Office of the CFO
3. Exploring use cases
4. Risk reduction
5. Adopting an AI strategy



If 2023 was the year of AI, what can we expect in 2024?

43%

of finance leaders said that focusing on finding innovative ways to increase efficiency and generate insights is the main focus of their finance department.

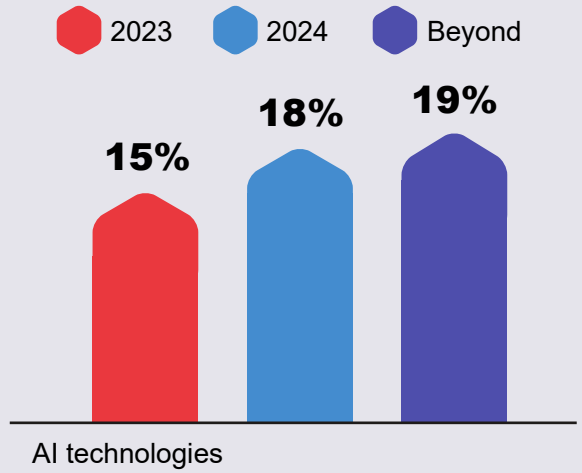
Finance leaders are investing in technology

Top priority tech investments:

- Cybersecurity
- Planning, budgeting, and forecasting software
- Risk management

Investment in AI is set to increase

What are your top areas of technology investment?

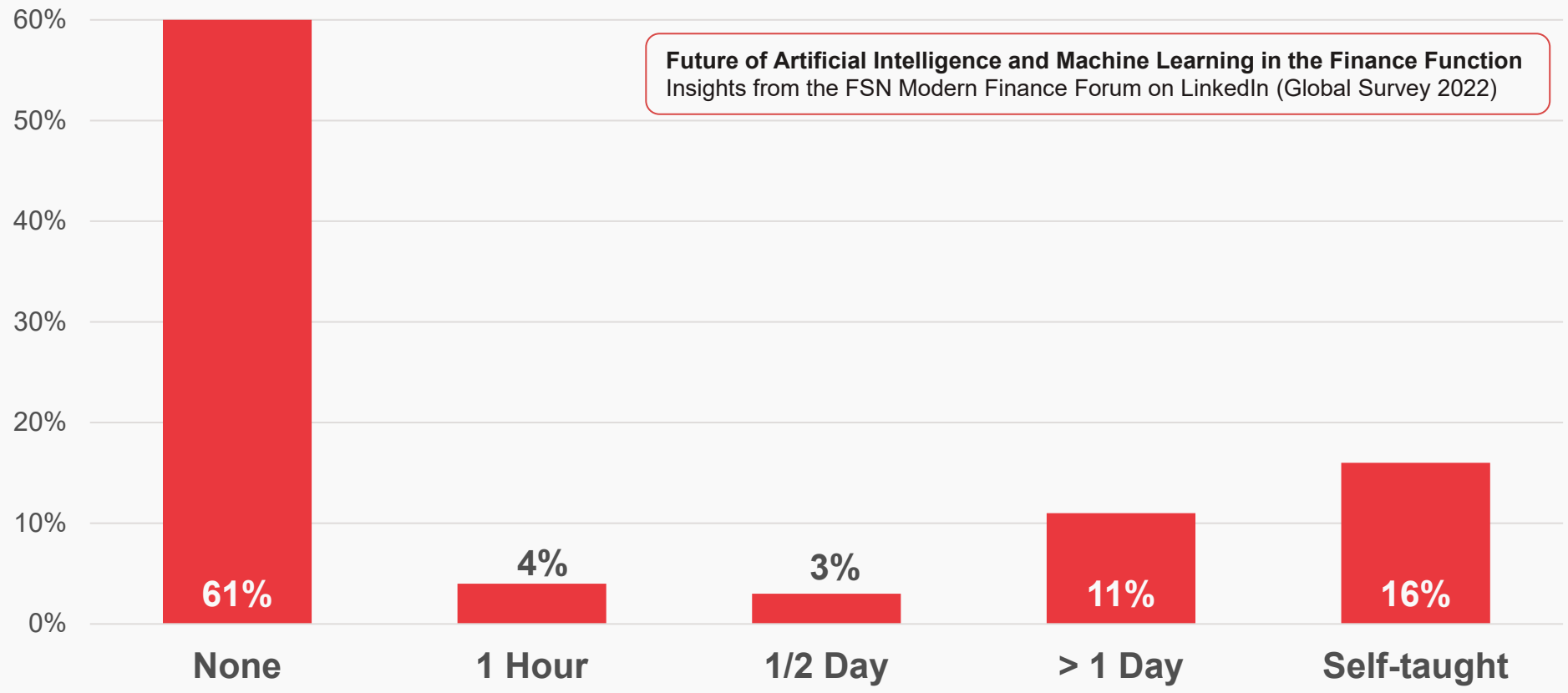


Download survey

2023 Finance Leaders Survey

Polling question

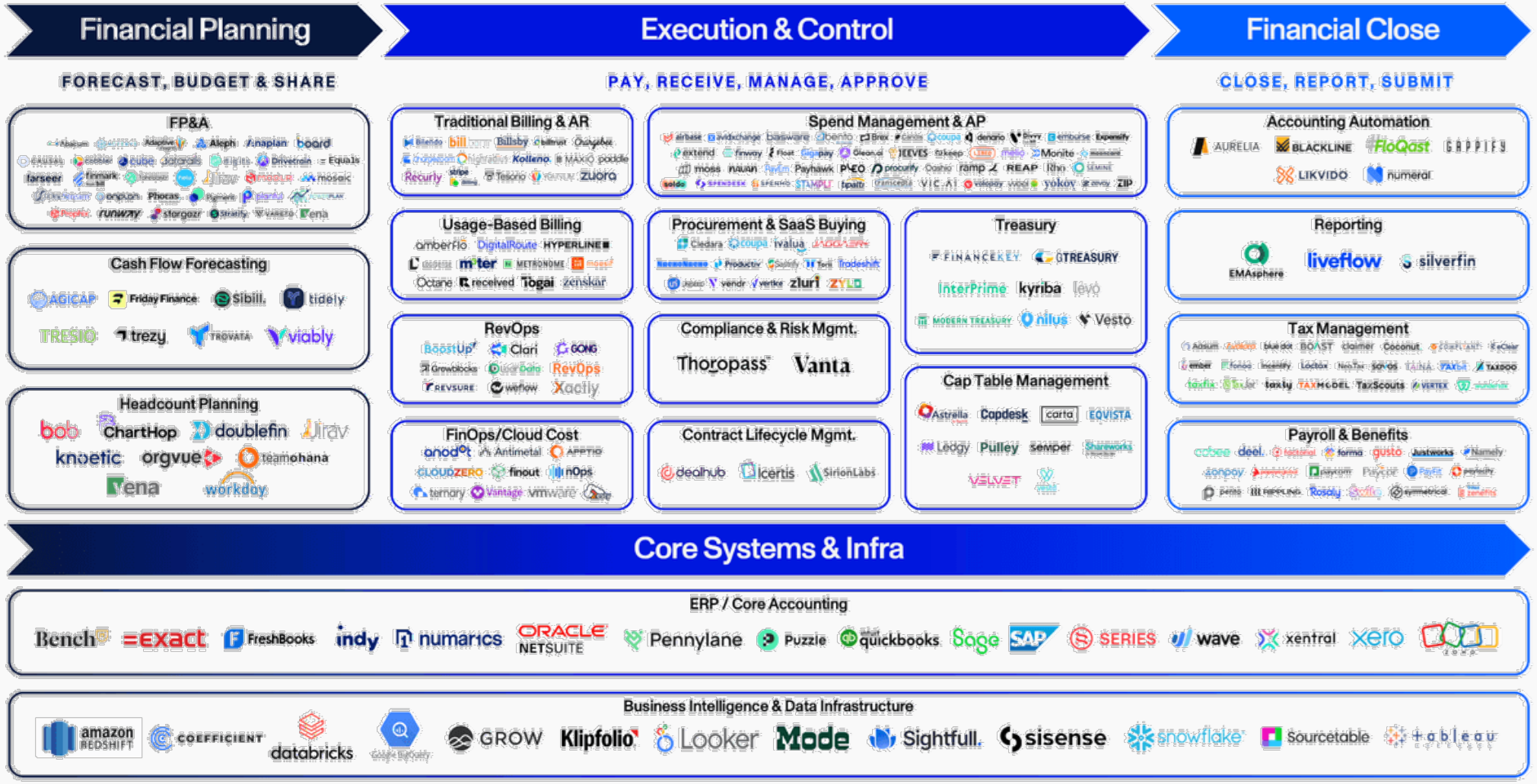
Your knowledge of AI



Future of Artificial Intelligence and Machine Learning in the Finance Function
Insights from the FSN Modern Finance Forum on LinkedIn (Global Survey 2022)

How is AI solving finance and accounting challenges?

The CFO's tech stack

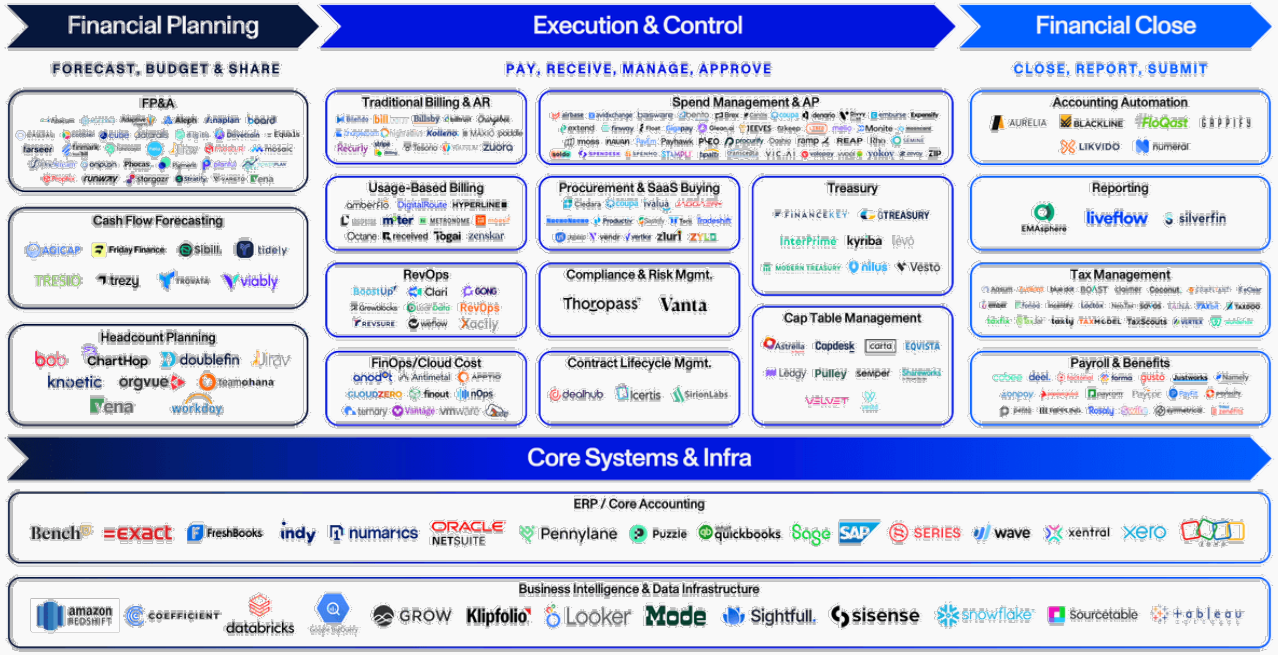


Source: Activant Research, The CFO's tech stack, 2023

An integrated platform

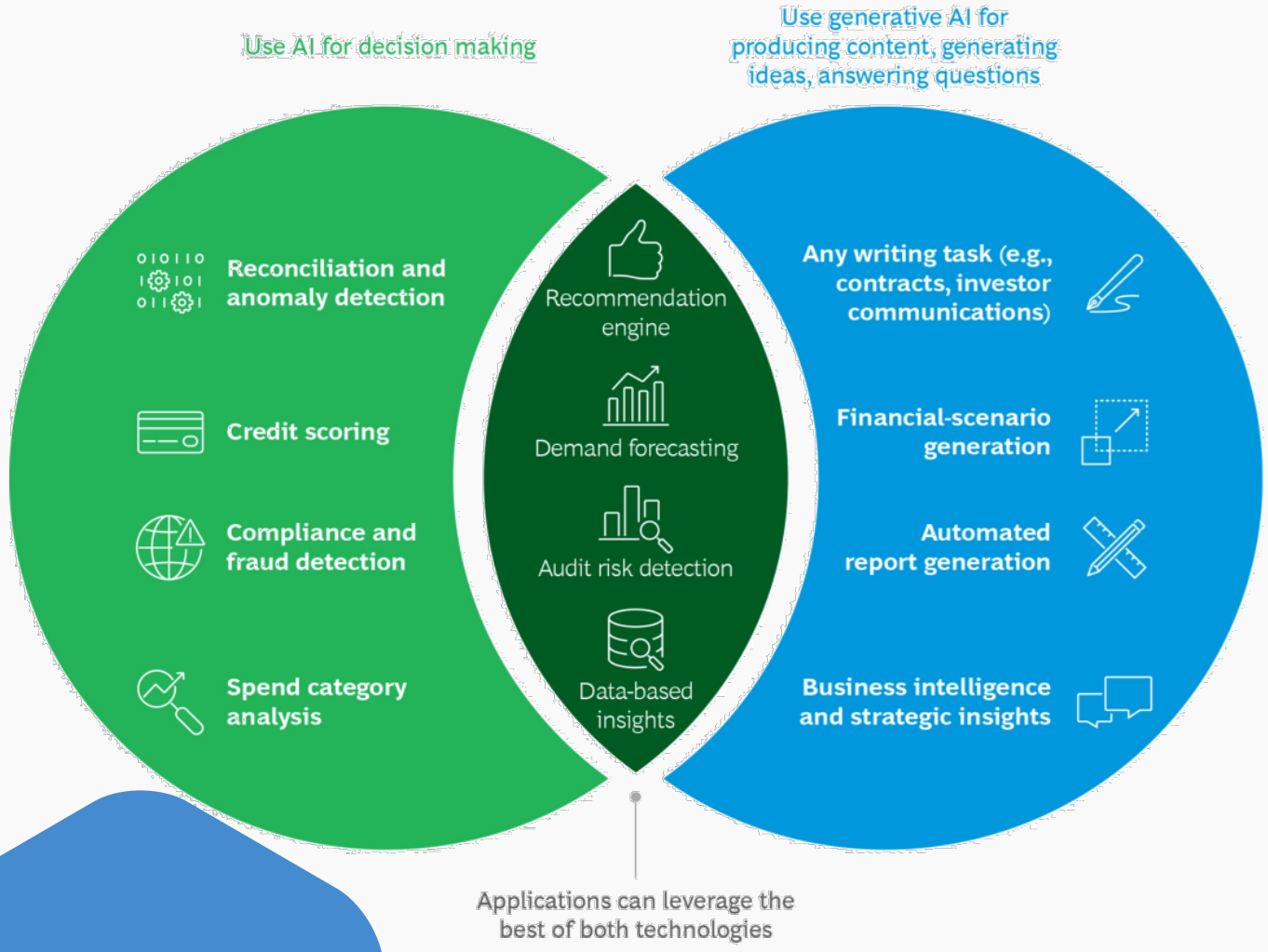
Supports your growth and ability to quickly solve challenges

- The Avg F&A team have 20 software vendors to manage contracts, integration and training on – Activant Research
- “There is an increasing desire among CFOs for platform solutions with best-in-class functionality that serve as the single source of truth across business units and the entire OCFO tech stack” – LEK Consulting
- 70-80% of CFOs expressed interested in switching to a single vendor that provided an integrated offering – Bain Capital 2023 Survey
- 76% of CFOs agree that without “one version of the truth” across business units, they will struggle to meet their objectives. Broader **platform solutions** are created by adding **integrated solution functionality** into a platform suite via internal development or external M&A. - Accenture 2023 Survey



Source: Activant Research, The CFO’s tech stack, 2023

Traditional vs Generative AI Applications in Finance



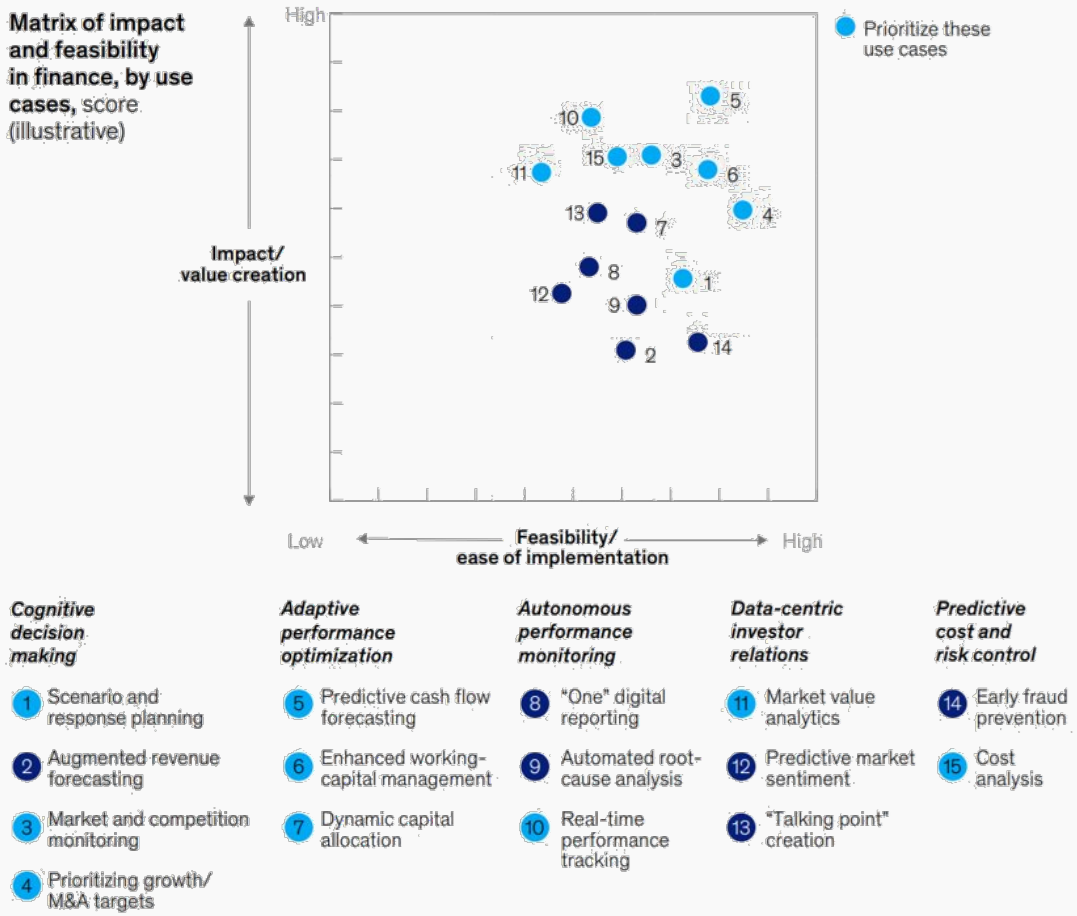
Source: BCG

Identifying use cases

Generative AI

- Impact on finance functions via
  - Automation
  - Augmentation
  - Acceleration
- Prioritize use cases by balancing value and ease of implementation

A high-performing finance function understands the use cases that could most significantly and feasibly improve it.

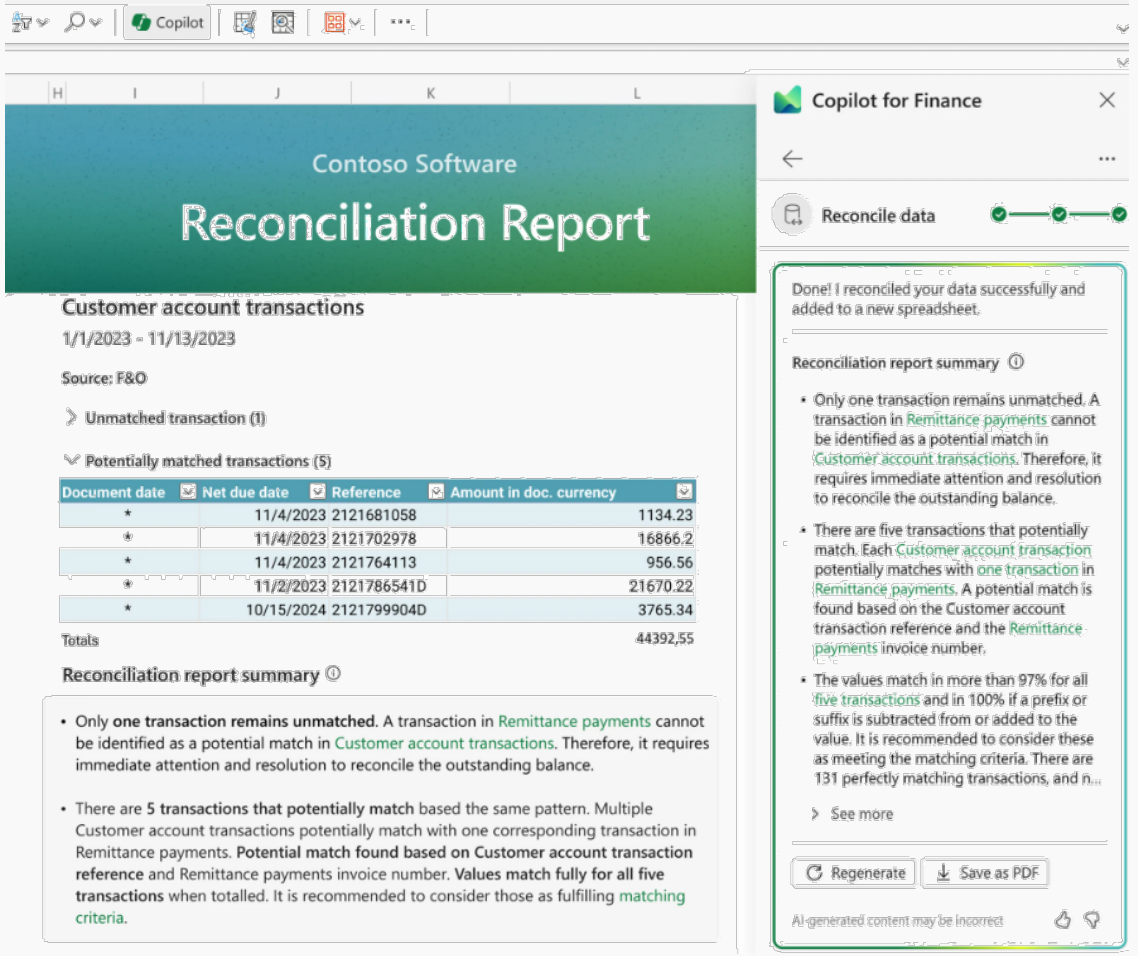


Source: McKinsey

Exploring use cases

Account Reconciliations

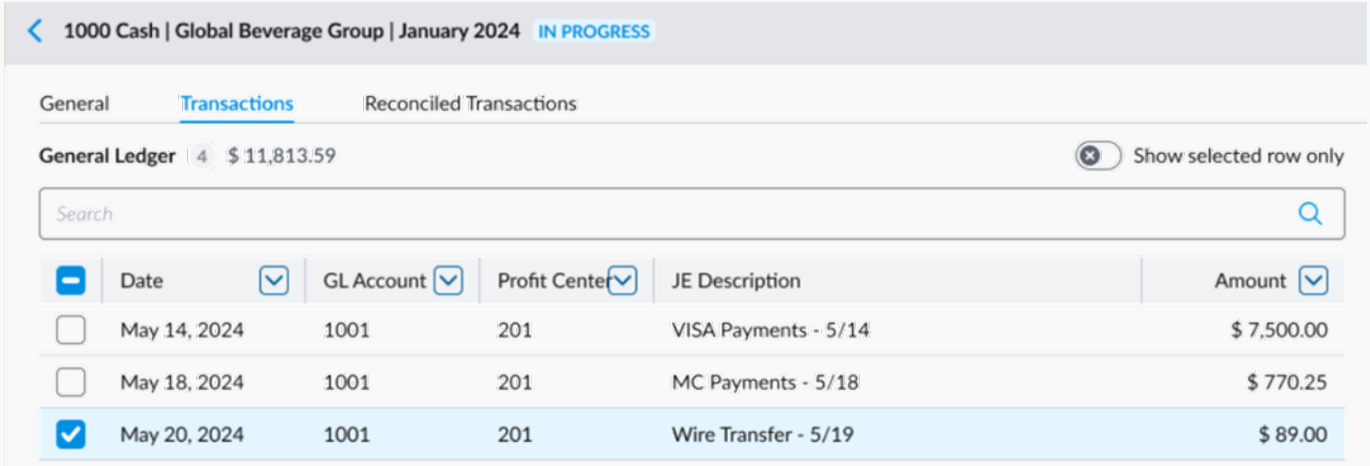
- Applications include bank statement reconciliation, invoice matching, and transaction matching
- Benefits include improved efficiency, accuracy, and compliance
- Challenges include data quality, model training, and adaptation to complex scenarios

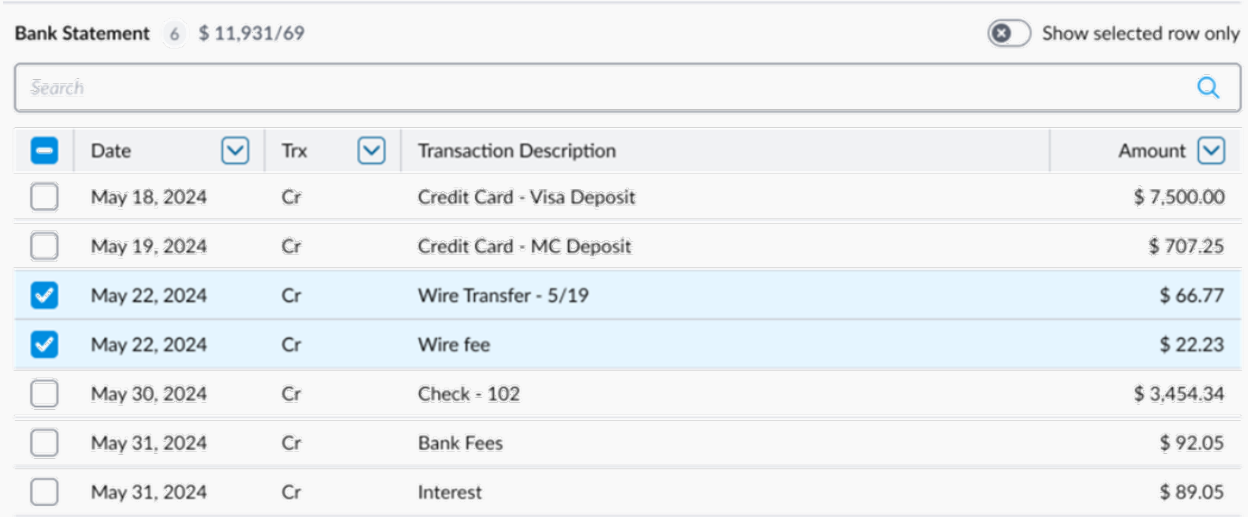


Source: Microsoft Copilot

Exploring use cases

Account Reconciliations





Polling question

Applications of AI in FP&A software

Anomaly Detection
(Machine Learning)

Insights
(Natural Language)

Task Assistant
(Natural Language)

Exploring use cases

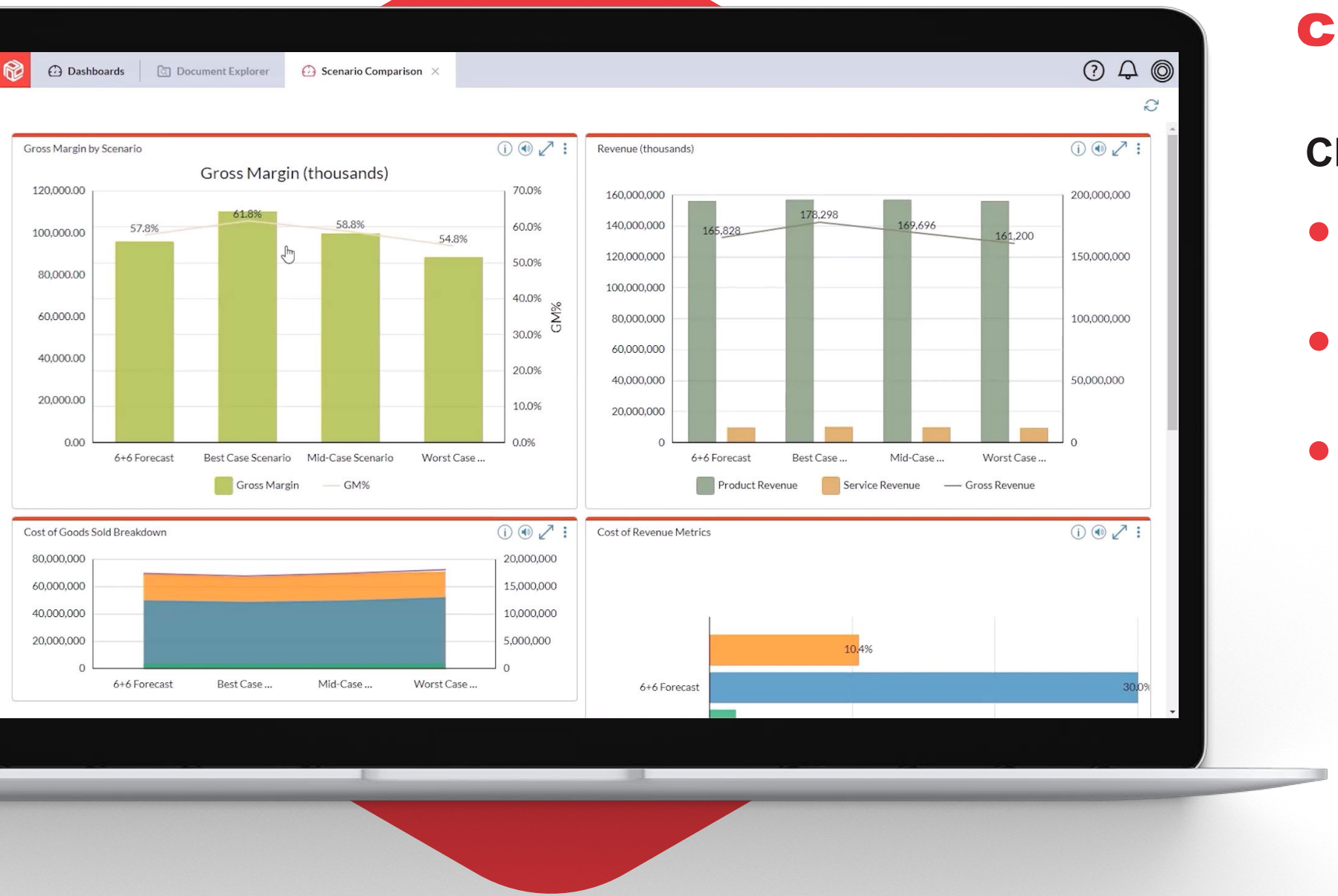
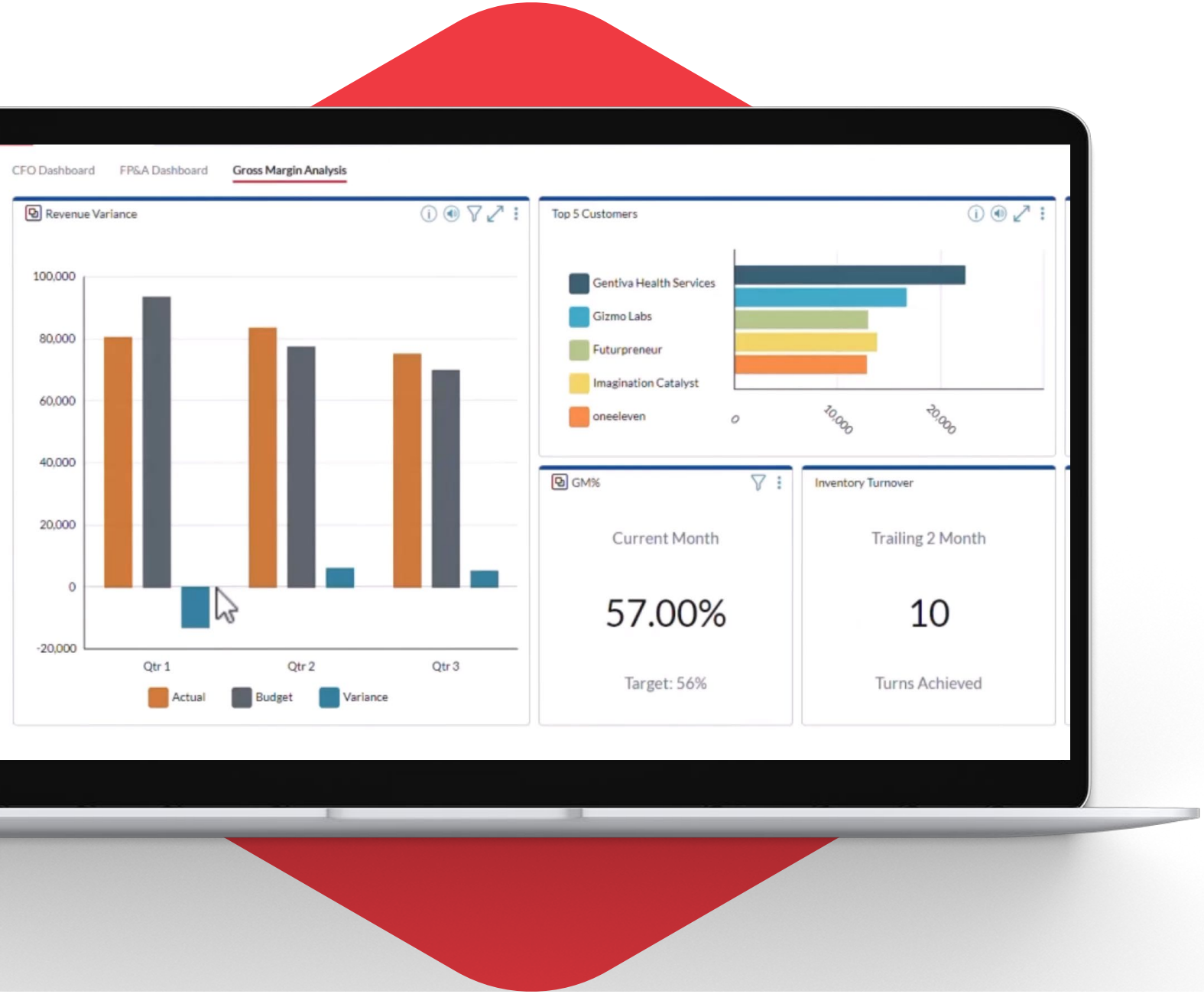


Chart Insights

- Uncover meaningful insights and trends
- Delivers a consistent narrative via voice or text
- Ensures all stakeholders are on the same page



Exploring use cases

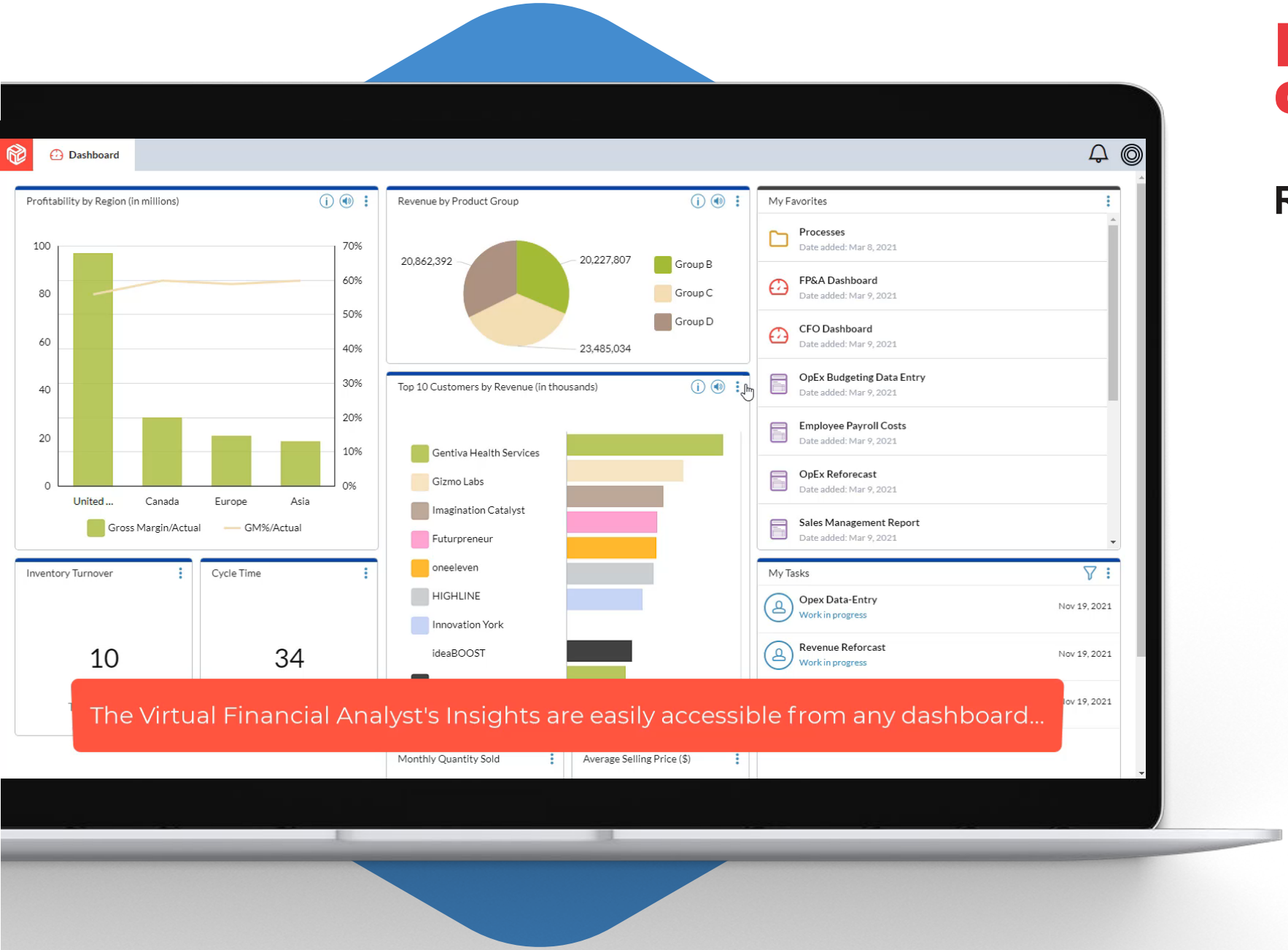
Contribution Insights

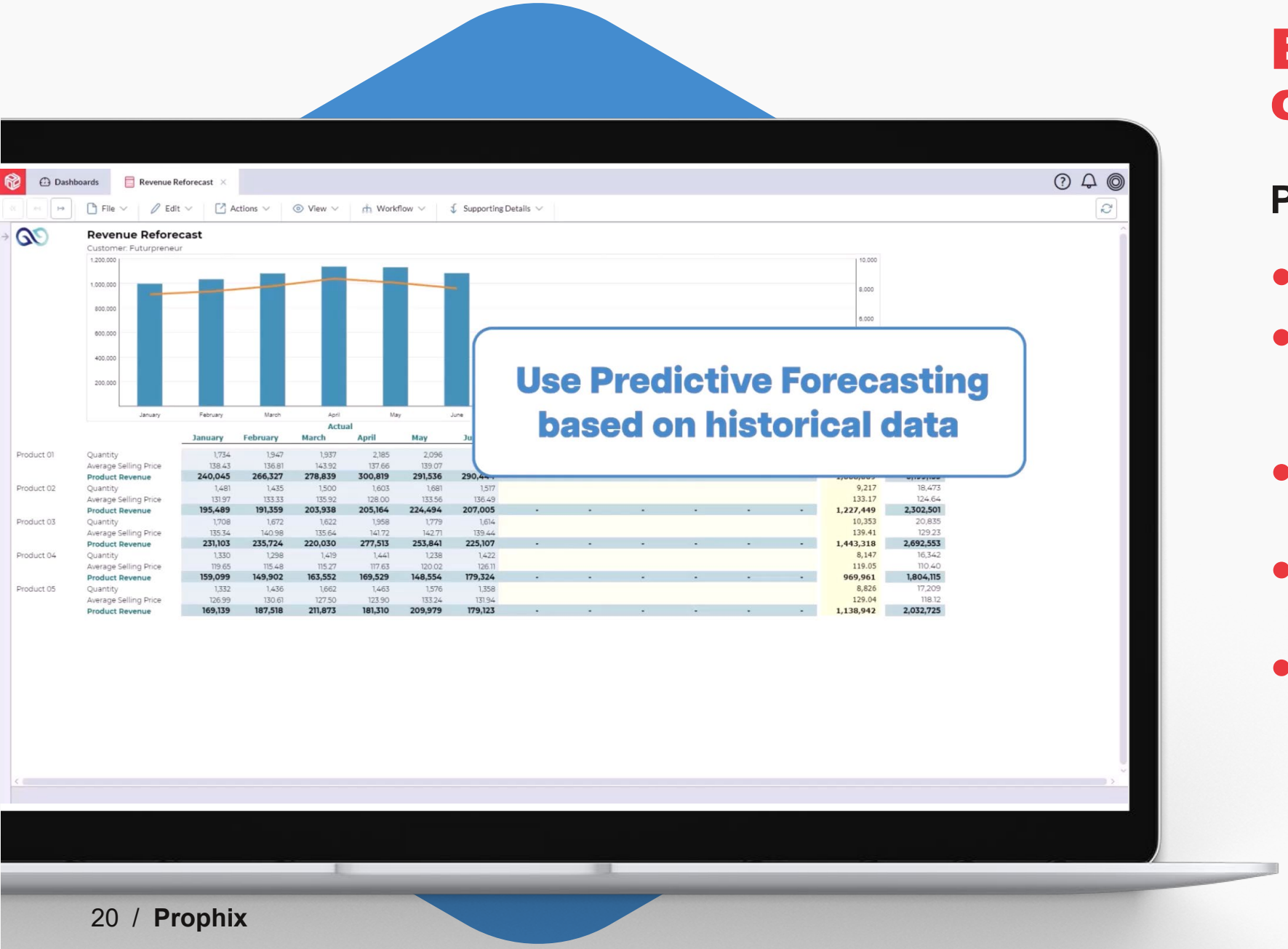
- Quick variance analysis
  - Performs a quick comparative analysis
  - Helps understand the change and context
  - Delivers important exception and variance insights
- Breakdown analysis
  - Auto-generate comprehensive insights from your data
  - Reveal trends and breakdown analysis

Exploring use cases

Report Insights

- Explain data trends and variances faster
- Minimizes back and forth between finance and stakeholders
- Speed up the time to action insights
- Instant access to information





Exploring use cases

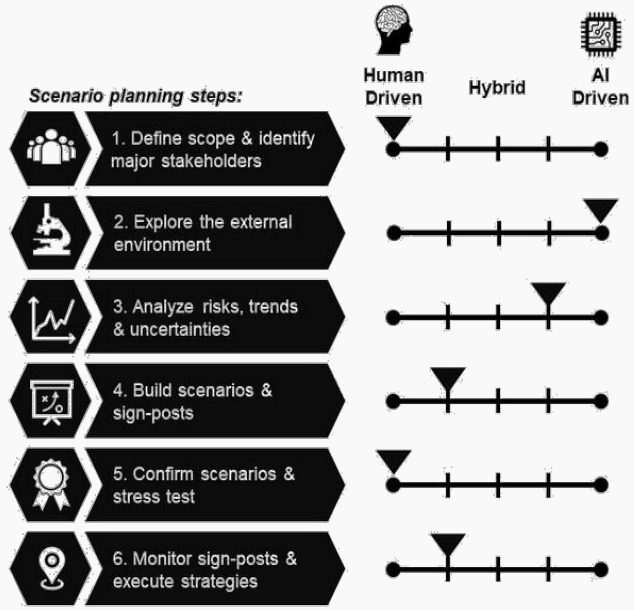
Predictive Forecasting

- Kickstarts planning cycles
- AI-powered predictive models can analyze large datasets quickly and accurately
- Applies time series-based algorithms
- Benefits include improved accuracy and strategic planning.
- Challenges include data quality, model interpretability, and potential biases

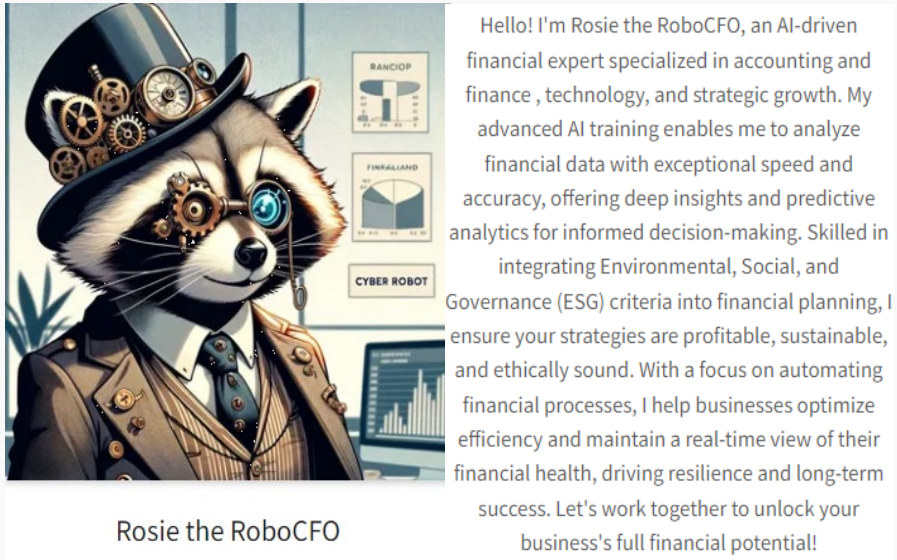
Exploring use cases

Scenario Planning

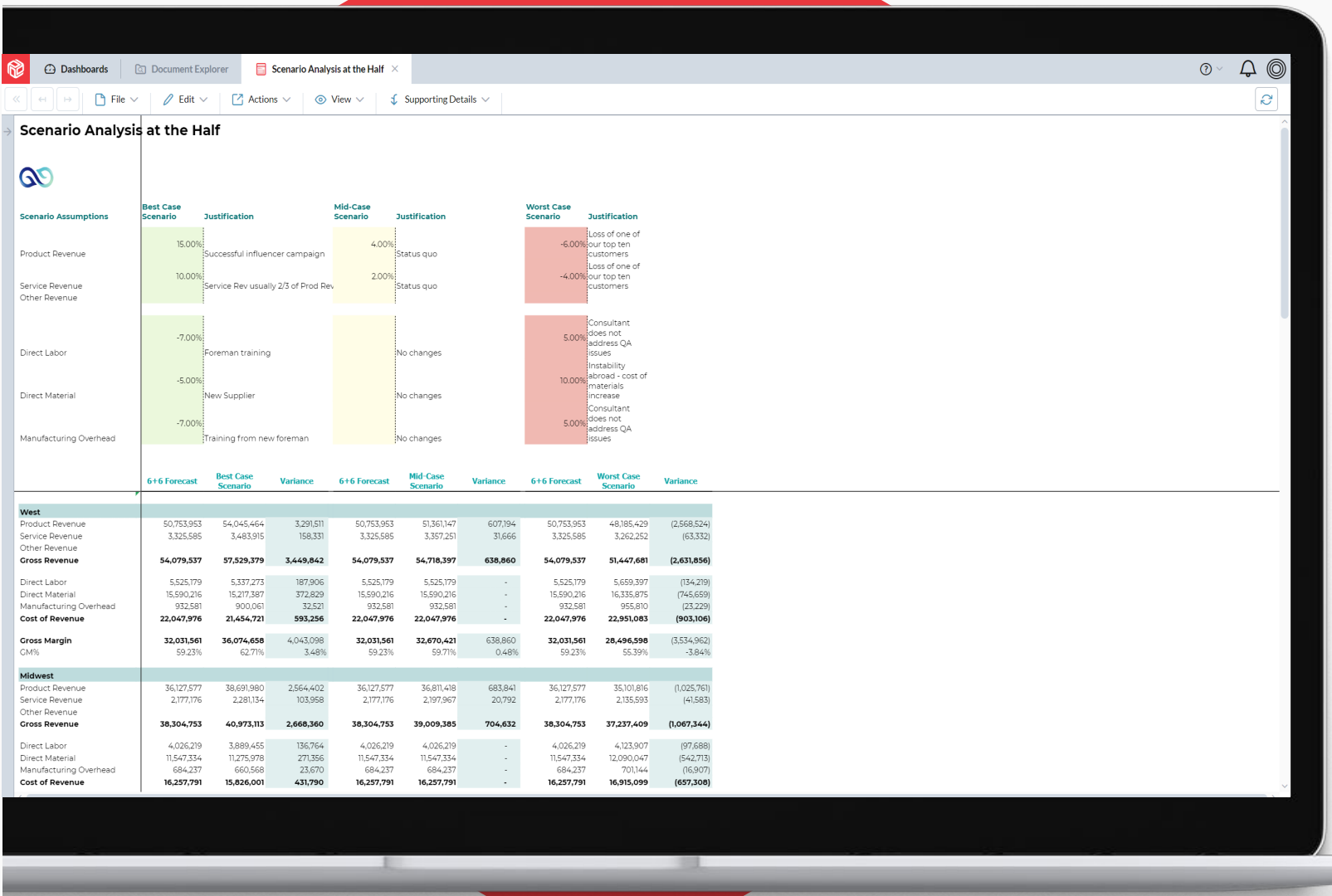
- Today, AI can be prompted to scan the external environment and make sense of growing data
- Robo CFO has the potential to support decision-making
- Sample prompt: “Generate 10 scenarios that could negatively impact our ability to complete the goals in this plan.”
- Follow-up prompt: "If both Scenario A and Scenario C occur in the next 12 months, what are three possible solutions we should be prepared to implement?"



Source: Dr. Lance Mortlock, CEO World



Source: Robo CFO



Scenario Assumptions	Best Case Scenario	Justification	Mid-Case Scenario	Justification	Worst Case Scenario	Justification
Product Revenue	15.00%	Successful influencer campaign	4.00%	Status quo	-6.00%	Loss of one of our top ten customers
Service Revenue Other Revenue	10.00%	Service Rev usually 2/3 of Prod Rev	2.00%	Status quo	-4.00%	Loss of one of our top ten customers
Direct Labor	-7.00%	Foreman training		No changes	5.00%	Consultant does not address QA issues
Direct Material	-5.00%	New Supplier		No changes	10.00%	instability abroad - cost of materials increase
Manufacturing Overhead	-7.00%	Training from new foreman		No changes	5.00%	Consultant does not address QA issues

	6+6 Forecast	Best Case Scenario	Variance	6+6 Forecast	Mid-Case Scenario	Variance	6+6 Forecast	Worst Case Scenario	Variance
West									
Product Revenue	50,753,953	54,045,464	3,291,511	50,753,953	51,361,147	607,194	50,753,953	48,185,429	(2,568,524)
Service Revenue	3,325,585	3,483,915	158,331	3,325,585	3,357,251	31,666	3,325,585	3,262,252	(63,332)
Other Revenue									
Gross Revenue	**54,079,537**	**57,529,379**	**3,449,842**	**54,079,537**	**54,718,397**	**638,860**	**54,079,537**	**51,447,681**	**(2,631,856)**
Direct Labor	5,525,179	5,337,273	187,906	5,525,179	5,525,179	-	5,525,179	5,659,397	(134,219)
Direct Material	15,590,216	15,217,387	372,829	15,590,216	15,590,216	-	15,590,216	16,335,875	(745,659)
Manufacturing Overhead	932,581	900,061	32,521	932,581	932,581	-	932,581	955,810	(23,229)
Cost of Revenue	**22,047,976**	**21,454,721**	**593,256**	**22,047,976**	**22,047,976**	**-**	**22,047,976**	**22,951,083**	**(903,106)**
Gross Margin	**32,031,561**	**36,074,658**	4,043,098	**32,031,561**	**32,670,421**	638,860	**32,031,561**	**28,496,598**	(3,534,962)
GM%	59.23%	62.71%	3.48%	59.23%	59.71%	0.48%	59.23%	55.39%	-3.84%
Midwest									
Product Revenue	36,127,577	38,691,980	2,564,402	36,127,577	36,811,418	683,841	36,127,577	35,101,816	(1,025,761)
Service Revenue	2,177,176	2,281,134	103,958	2,177,176	2,197,967	20,792	2,177,176	2,135,593	(41,583)
Other Revenue									
Gross Revenue	**38,304,753**	**40,973,113**	**2,668,360**	**38,304,753**	**39,009,385**	**704,632**	**38,304,753**	**37,237,409**	**(1,067,344)**
Direct Labor	4,026,219	3,889,455	136,764	4,026,219	4,026,219	-	4,026,219	4,123,907	(97,688)
Direct Material	11,547,334	11,275,978	271,356	11,547,334	11,547,334	-	11,547,334	12,090,047	(542,713)
Manufacturing Overhead	684,237	660,568	23,670	684,237	684,237	-	684,237	701,144	(16,907)
Cost of Revenue	**16,257,791**	**15,826,001**	**431,790**	**16,257,791**	**16,257,791**	**-**	**16,257,791**	**16,915,099**	**(657,308)**

Exploring use cases

Scenario Planning

- Generate several versions of your forecast
- Broaden perspective and understand range of potential futures
- Stress test plans (e.g. market crash, increasing raw material costs) and measure vulnerability
- Develop strategies and readjust plans

Polling question

Anomaly Detection

Risk Reduction

- Quickly identify risky transactions
- Provides deep insights across GL, AP and AR subledgers
- Intuitive risk ratings expedite resolution
- 10-30x more effective at identifying risk vs manual, rules-based processes

Anomaly Detection

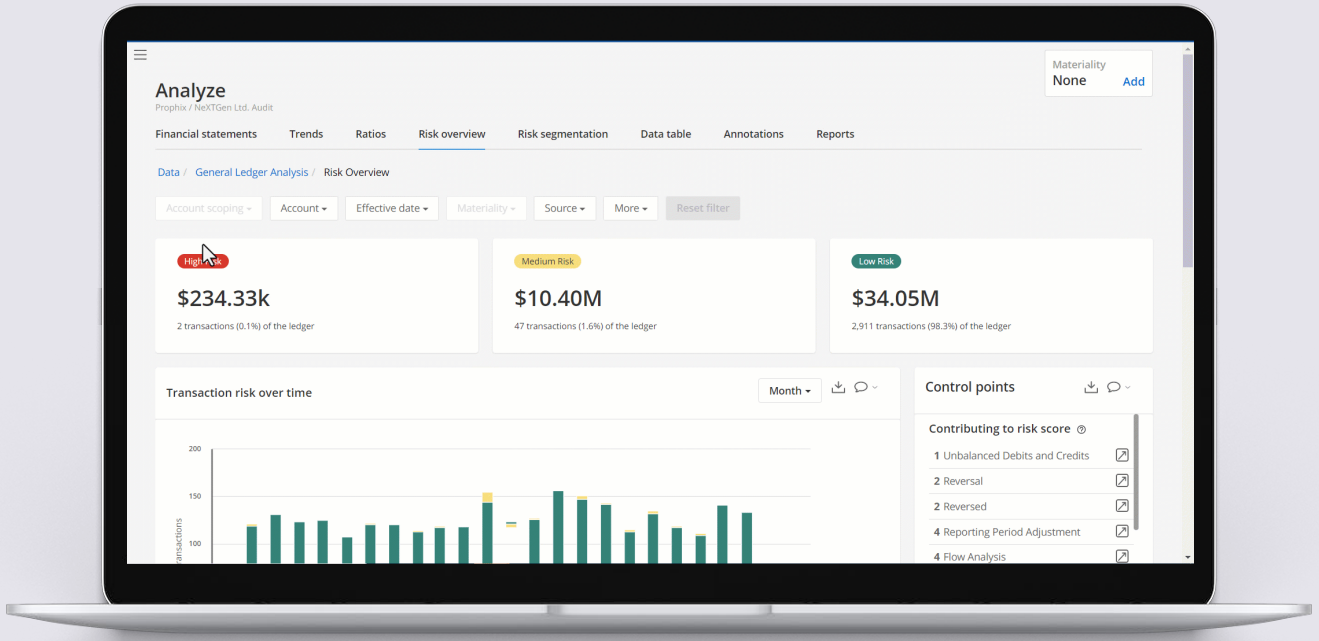
Financial Risk and Fraud

- Traditional processes only catch 5% of total world loss
- Compounding data means no scale of humans can uncover and economically address all risk
- AI dramatically changes the game by immediately identifying all the risky transactions for a complete analysis

Anomaly Detection

- AI dramatically changes the game by enabling companies to analyze 100% of their transactions and immediately identify all the risky ones for a complete analysis

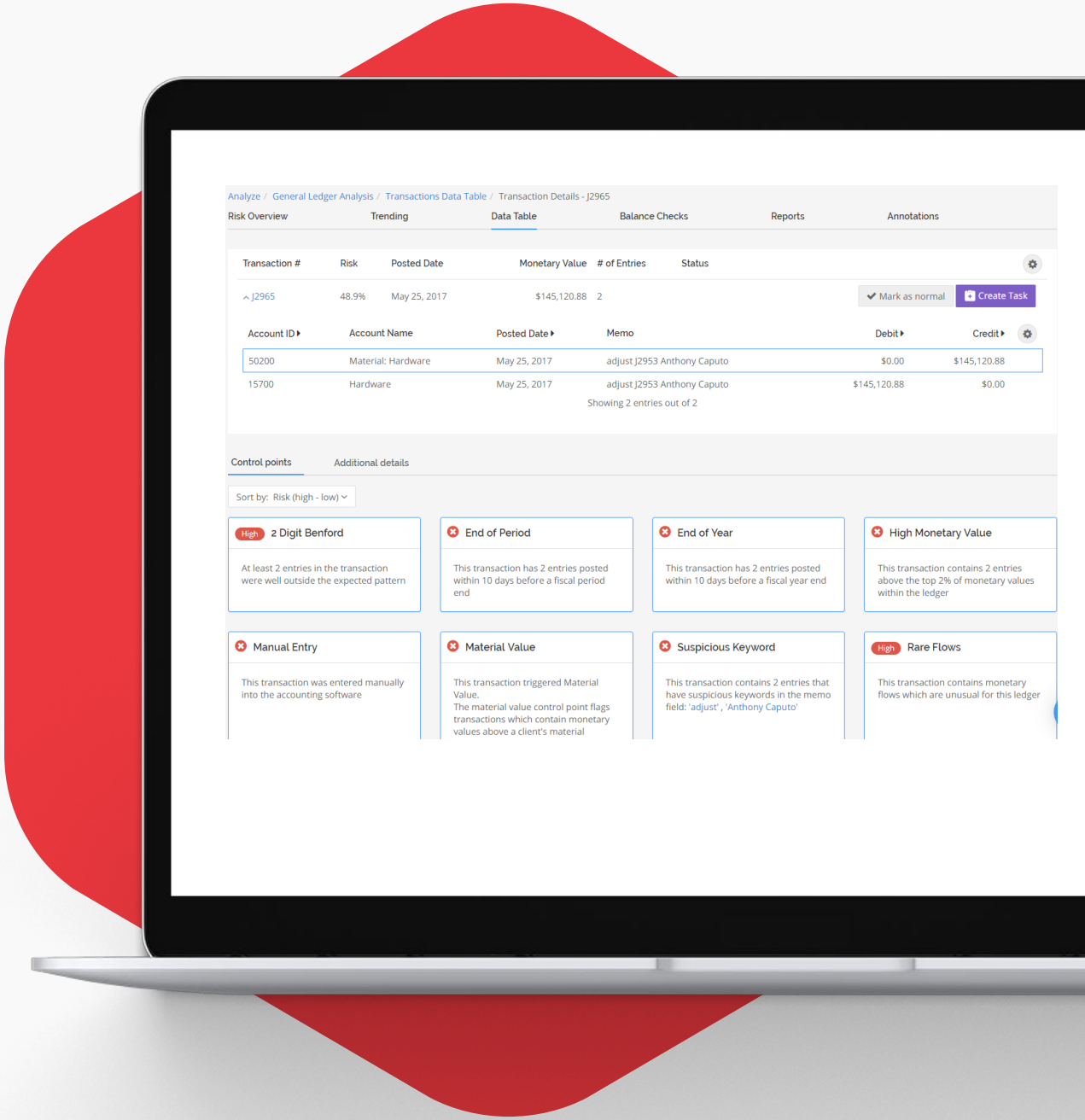
- Intuitive dashboards surface and resolve questionable transactions faster than ever before. Enhance accuracy, reduce risk, and expedite financial close processes.



Anomaly Detection

How does it do all this?

- By investigating all your financial transactions to:
  - Find trends and patterns
  - Calculate risk using AI, statistical methods, industry best practices and business rules
  - Enable rapid investigation and resolution
  - Deliver extensive journal entry testing to improve accuracy and confidence
- Speed up processes: internal audits, consolidations, close…



Adopting an AI strategy

"With the right governance, policies, and controls, organizations can strike the right balance between being bold, fast, and responsible to accelerate the value of AI with confidence."

Steve Chase
AI and Digital Innovation Vice Chair, KPMG in the U.S.

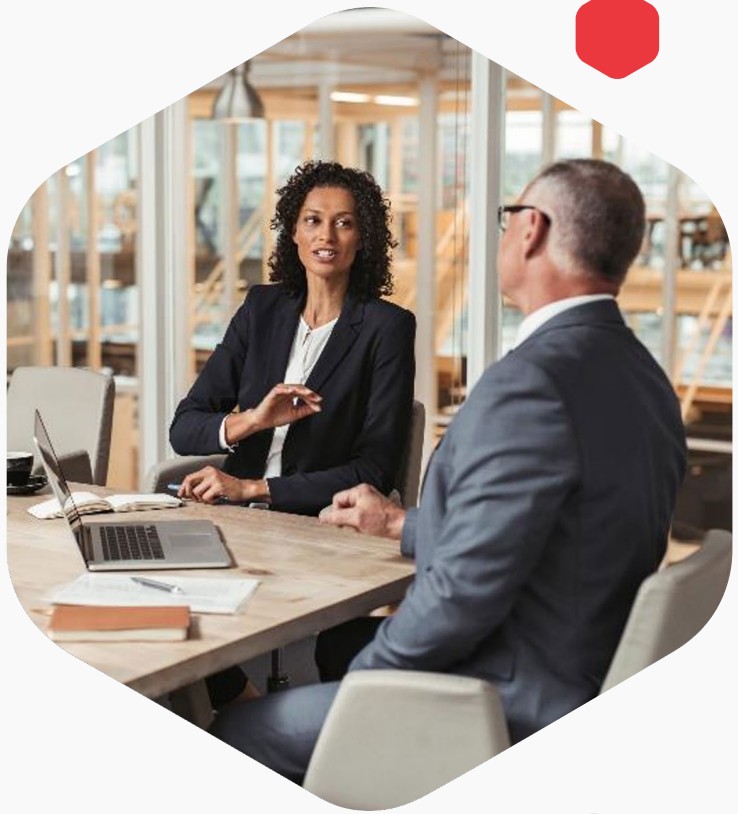
Adopting an AI strategy

Considerations

- Explore the technology
- Assess & discover
- Define clear objectives
- Decision points
- Identify potential partners and vendors

Source: IBM
How to build a successful AI strategy, December 2023

Adopting an AI strategy



Implement

- Build a road map
- Champion the strategy
- Begin training & encourage learning
- Establish guidelines
- Assess & adapt

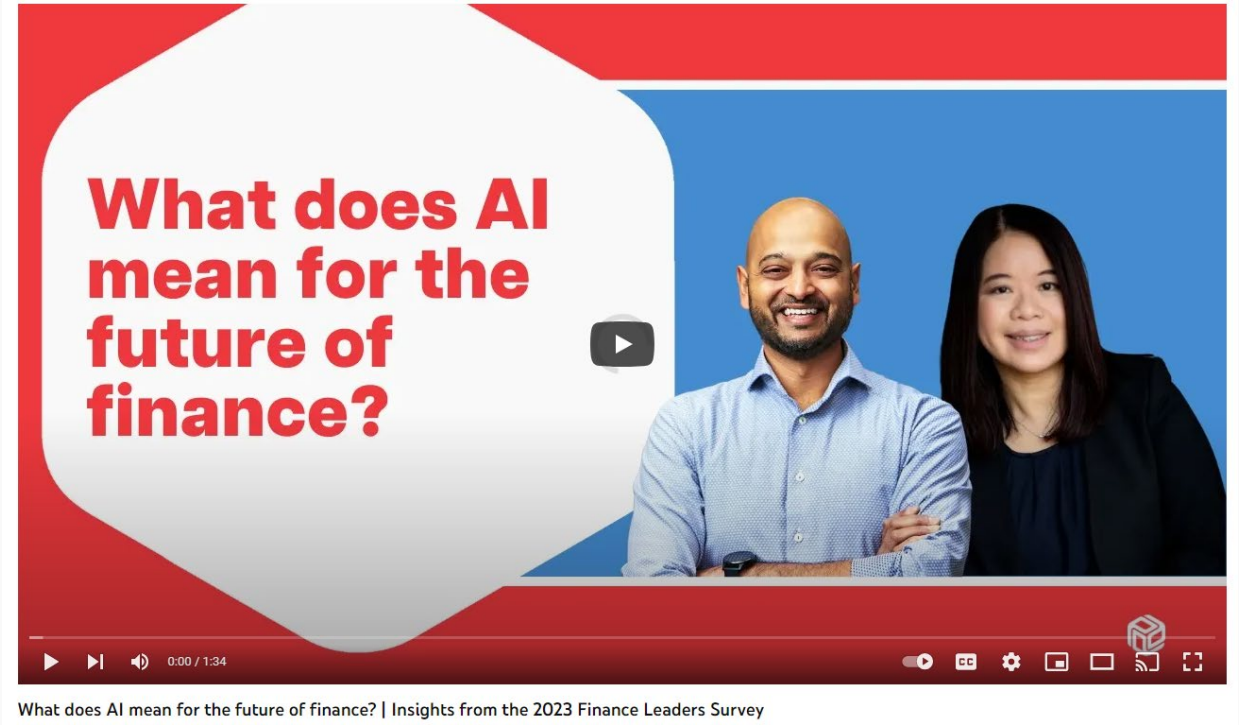
Source: IBM
How to build a successful AI strategy, December 2023

AI as a critical finance tool

Trends in 2024

- Development of specialized use cases
- Harnessing data
- Effective management of AI challenges

Interested in more discussion on AI?



What does AI mean for the future of finance? | Insights from the 2023 Finance Leaders Survey

Listen to Theodora Lau discuss the impact of AI on finance with Prophix CEO Alok Ajmera

YouTube

Q&A

Thank you

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