

# Finance Transformation |

**“A Closer Look at the Role of Channels Finance in Business Transformation”**

**Finance Operations Forum**

**February 6, 2008**

**Featured Speaker: Gabe Cortes  
Director, WW Channels Finance**

**Featured Moderator: Gretchen Atherton  
VP, Trianz**

# Welcome & Introductions

- Welcome to the second Finance Operations Forum!
- Review of today's agenda

## *Agenda*

7:30 – 8:00 am	Breakfast & Networking
8:00 – 8:10 am	Welcome & Introductions
8:10 – 9:00 am	Presentation
9:00 – 9:30 am	Q&A and Feedback

# Featured Speaker

## Gabe Cortes

- **Current:** Director of WW Channels Finance at Cisco
- **Past:**
  - Cisco Systems (7+ Years)
    - European Services Controller (International Field Sales)
    - FP&A (Corporate)
    - Revenue Recognition & Accounting Ops (Corporate)
  - 8 Years in various financial management positions including:
    - Corporate controllership, financial planning, reporting, audit etc.

# Today's Topic

## “ A Closer Look at the Role of Channels Finance in Business Transformation ”



- Why?
  - Ever-changing business complexities...intro of new biz models moving from HW to Solutions
  - How would we address needs of the business?
  - Business looking for advice on transformational change...stronger finance partnership required
  - How would finance scale to new requirements?



# Channels Represents Over 80% of Cisco's Business



## Company Profile:

- Employees: 63,050 employees  
Corporate HQ: San Jose, CA
- European HQ: Amsterdam, Netherlands
- Asia Pacific HQ: Singapore
- Countries: 75
- Number of Acquisitions: 124
- Direct Resellers: 300+
- Distributors: 130+

Source: Cisco Q1 FY 2008

## Financial Highlights:

- Market Cap = \$141.12B
- Revenues (ttm) = \$36.29B
- Gross Profit (ttm) = \$22.34B
- Net Income (ttm) = \$7.39B
- Cash and Equivalents = \$15.50B
- Profit Margin (ttm) = 21.85%
- Diluted EPS (ttm) = \$1.26
- P/E (ttm) = 12.85
- ROE = 26.70%
- ROA = 11.28%

Source: EDGAR Online Feb 5, 2008



# Operational Effectiveness Areas of Transformation within Channels Finance

Client  
Services

Organizational  
Scalability

People  
Benefits

## Revenue Accounting and Deal Support

- Manages workload and separation of duties (core vs. non-core)
- Holistic end to end support
- Increases scalability and people benefits

## Shared Services Reporting

- Leverages shared service model around data management, analytics, and delivery
- Gives time back for decision support

## Transactional Activities Assessment

- Determine which activities can be outsourced (work in progress)
- Make fundamental changes to the business

# Transformation Approach

## *Phase 1:* *Biz Requirements*

- Start with core business partner requirements...what is critical to run the business vs. nice to have
- Perform high level analysis on current activities and take first cut at core vs. non-core as defined by above biz requirements

## *Phase 2:* *Core vs. Non-Core*

- Ensure fiduciary and compliance responsibilities are still in place - post transformation
- Review operational effectiveness of proposed changes
- Revisit priorities and requirements with biz partner
- Refine core vs. non-core activities
- Ensure new model supports 3 principles

## *Phase 3:* *Deep Dive*

- Deep dive on Channels Finance organization roles & responsibilities; corporate vs. theater etc...
- Focus on changes within cross-functional engagement models and key interactions
- Drill down to specific activities at the tactical level to determine where inputs and outputs can be streamlined to improve overall effectiveness
- Ensure sign-off of business SLA's

# Transformation Benefits

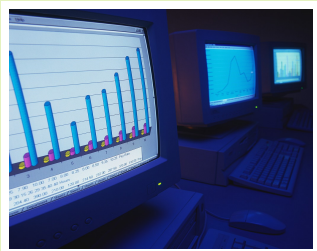
## Collaborative Decision-making & Support



- Understand the needs of the business...and being able to provide proactive decision support
- Getting a “seat” at the table...becoming part of the decision process again
- Cross-organizational collaboration (e.g. boards/councils) that enables more streamlined decision process

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## Improved Business Intelligence



- Proactive reporting analytics
- Provide more dynamic and simulated modeling...(i.e. scenario planning)
- Highest level of data integrity and delivery

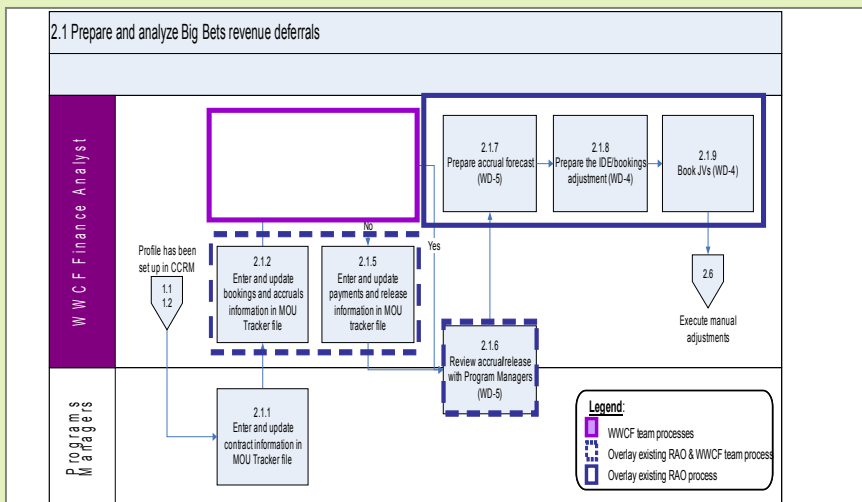
# Key Lessons Learned

- Don't underestimate the time required or the effort needed!
- Drill down to the transactional process flow level...understand the inputs and outputs, dependencies, hand-offs etc.
- Communication is key.....report on progress and findings not only with finance but with biz as well...keep them involved in transformation
- Change Management...provide training on new processes, ensure adequate effort around adoption and post-adoption (quality improvement)



# Illustrative Transactional Process, Roles & Responsibilities Analysis

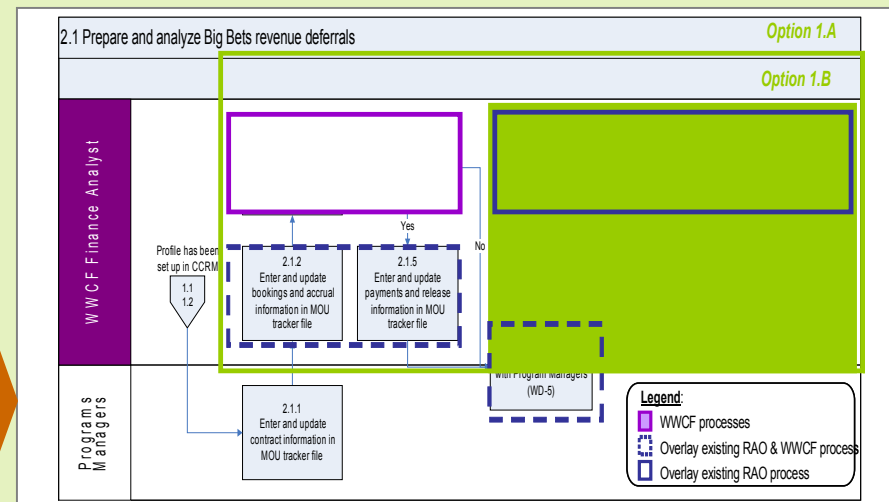
## Current State Process and Roles & Responsibilities Mapping



### Current Process:

- Big Bets contracts with contra-revenue agreements need to be recorded in CCRM profile because Cisco invests money into partners with the condition that they will have to achieve revenue milestones (amounts due to the partners must be deferred)
- Big Bets revenue deferrals preparation / analysis for all the theaters is centralized in SJ (WWCF)
- Big Bets revenue deferral data is prepared manually (MOU Tracker excel file)

## Future State with Task Flow & Engagement Negotiation Analysis



### Option 1.A: Transfer Big Bets data preparation and analysis activities to RAO team, excluding WWCF governance

- Pros:**
- End-to-end process involvement to improve control environment and ensure proper revenue accounting
  - Leverages current RAO core competencies
  - Increases WWCF focus on core responsibilities and allows for better allocation of efforts
- Cons:**
- Requires additional team interaction with business (data preparation and analysis process)
  - Change management challenge for WWCF and Channel Ops team (need engagement model for RAO and WWCF)

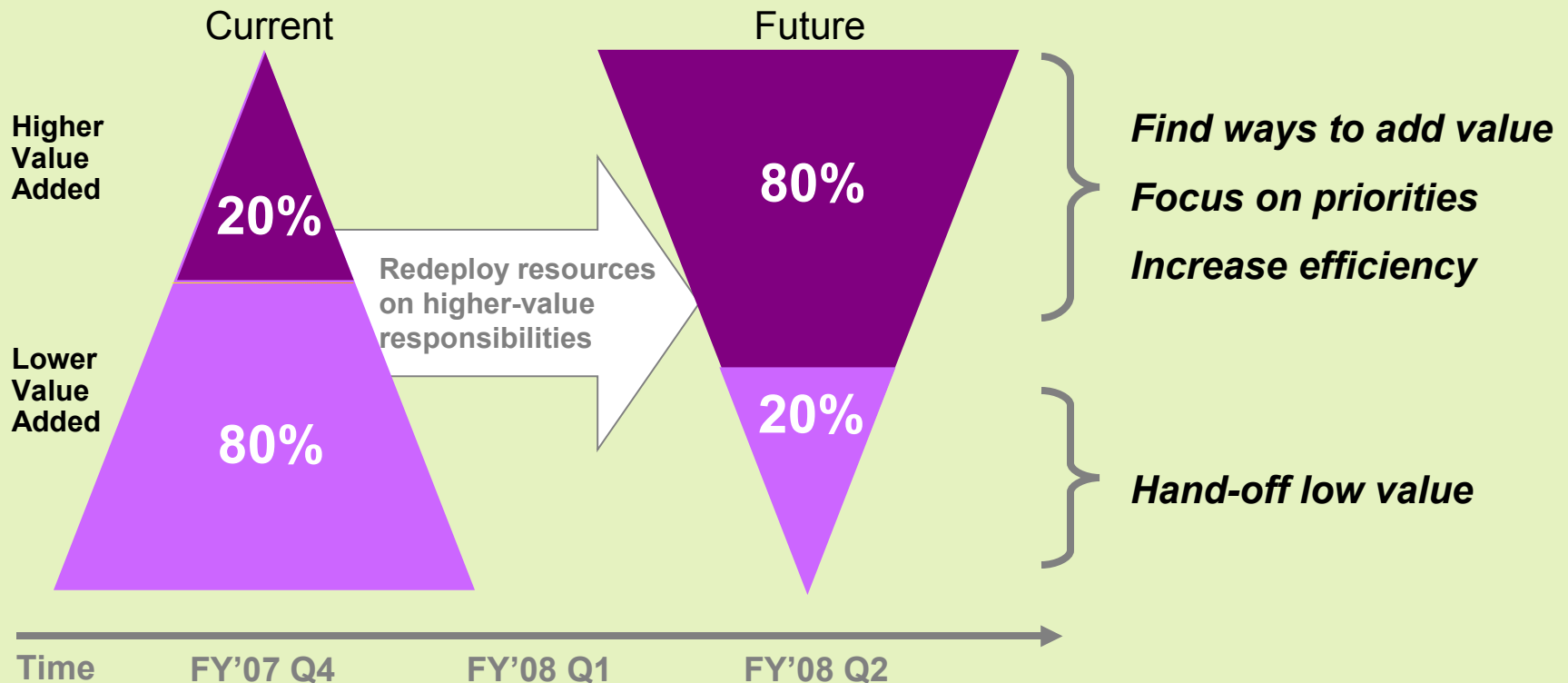
### Option 1.B: Transfer only Big Bets CCRM profile maintenance process to RAO team

- Pros:**
- Provides benefits in transferring activities to RAO team because they have similar capabilities
  - Requires less initial effort to transfer activities
- Cons:**
- Provides limited scope and understanding of the entire process from the RAO team's perspective
  - Loss of transition benefits – does not utilize all of RAO team capabilities

# Business Results

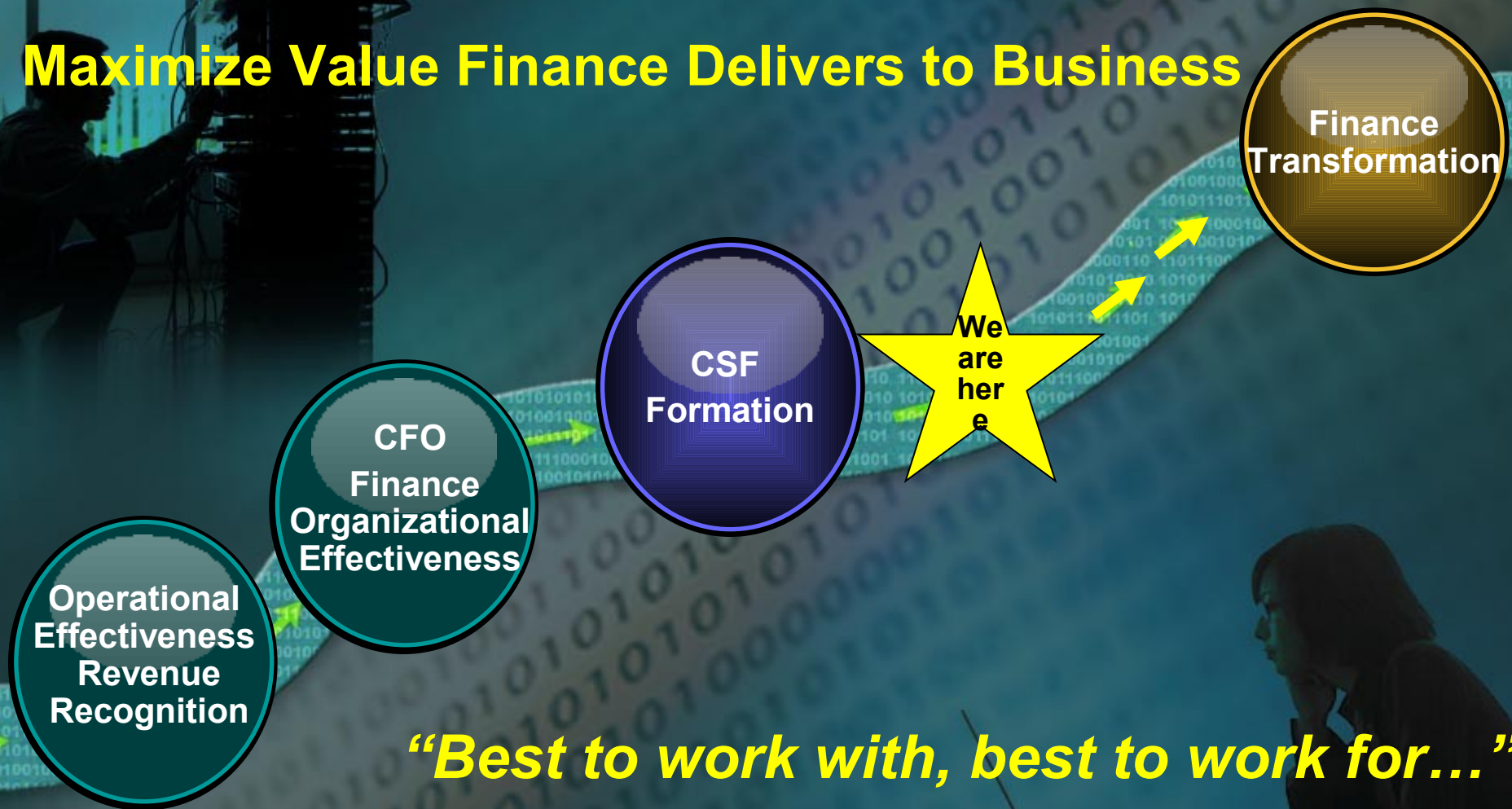
Improvement opportunities exist which can be initiated to address the client needs, increasing business scalability and providing people benefits throughout worldwide Channels Finance

## Allocation of Time Spent



# The Finance Transformation Journey

**Maximize Value Finance Delivers to Business**



***“Best to work with, best to work for...”***

# Finance Operations Forum Facts

- **26 attendees registered, including:**
  - Vice President/Controller, VP Operations, Finance Managers & Directors, Directors of Finance Applications, Directors FP&A, Field Operations Controllers, Sales Controllers, and Revenue Accounting Mgr
- **20 companies attending:**

**Adobe Systems**

**Agilent Technologies**

**Centive**

**Cisco**

**eBay**

**Foundry Networks**

**Intersil**

**Intuit**

**KLA-Tencor**

**Kovio**

**Logitech**

**Mark Monitor**

**Omneon Video Networks**

**Sanmina-SCI**

**Seagate**

**Silicon Image**

**SunPower**

**Symantec**

**WebEx**

**Yahoo!**

# Finance Operations Forum | Audience Feedback



- Share your input on [www.financeopsforum.com](http://www.financeopsforum.com)
  - What are some future topics you would be interested in hearing about?
  - Are you or someone in your organization interested in speaking at a future event? On what topic?
  - Is this a convenient location for you? If not, what location would be?
  - Would you be interested in hosting the Forum?

**Thank You for Joining Us Today!**

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