

NOVARTIS



# **Our Finance Journey...**

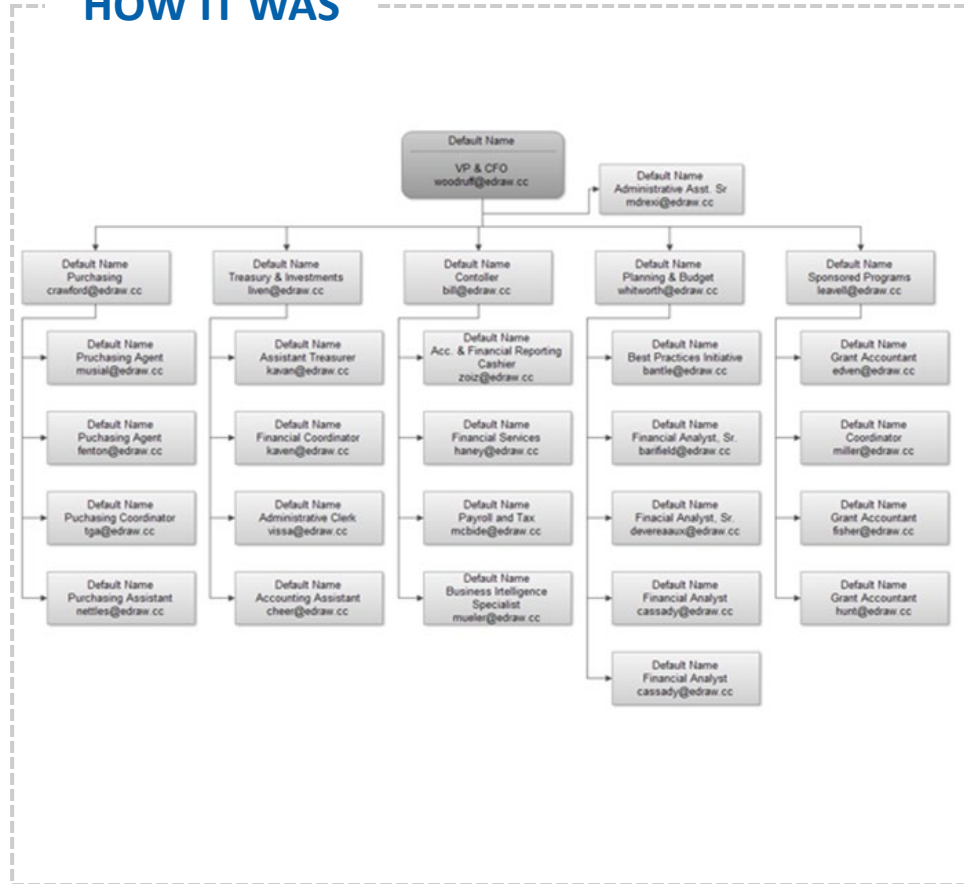
## **From Business Partners to Value Creators**

**Flavio Caruso**

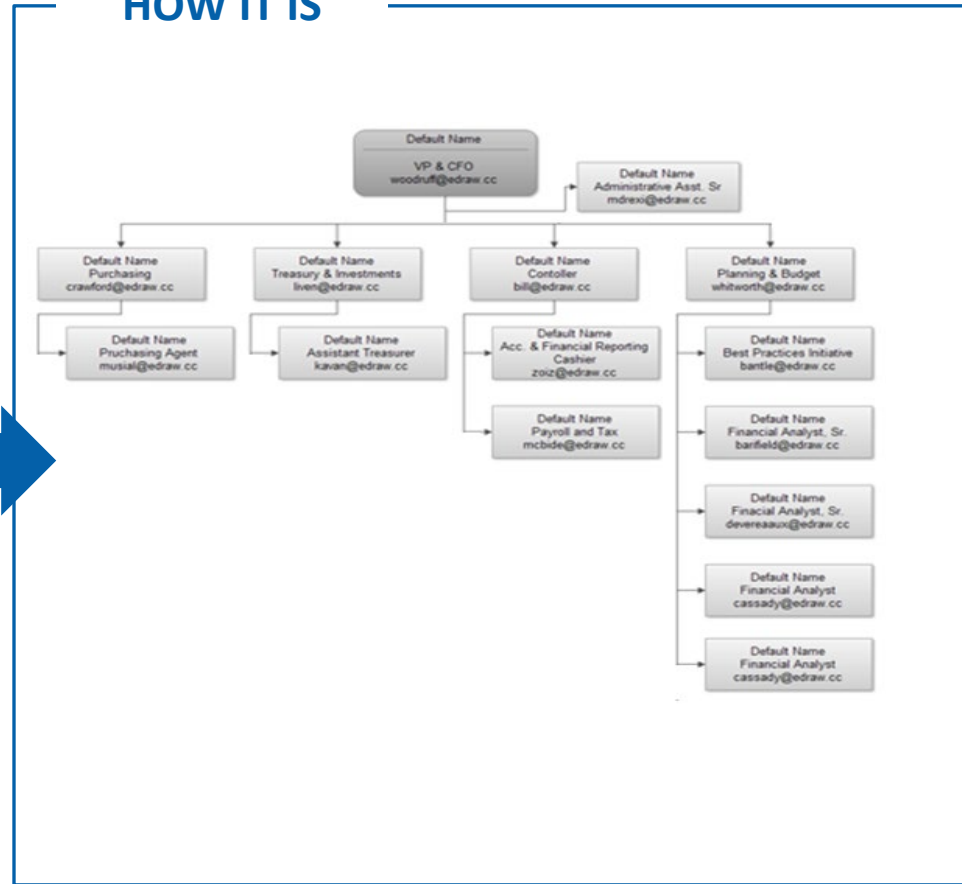
*Chief Financial Officer Innovative Medicine Novartis*

# Finance Organization evolution

## HOW IT WAS



## HOW IT IS



# Finance Role transformation

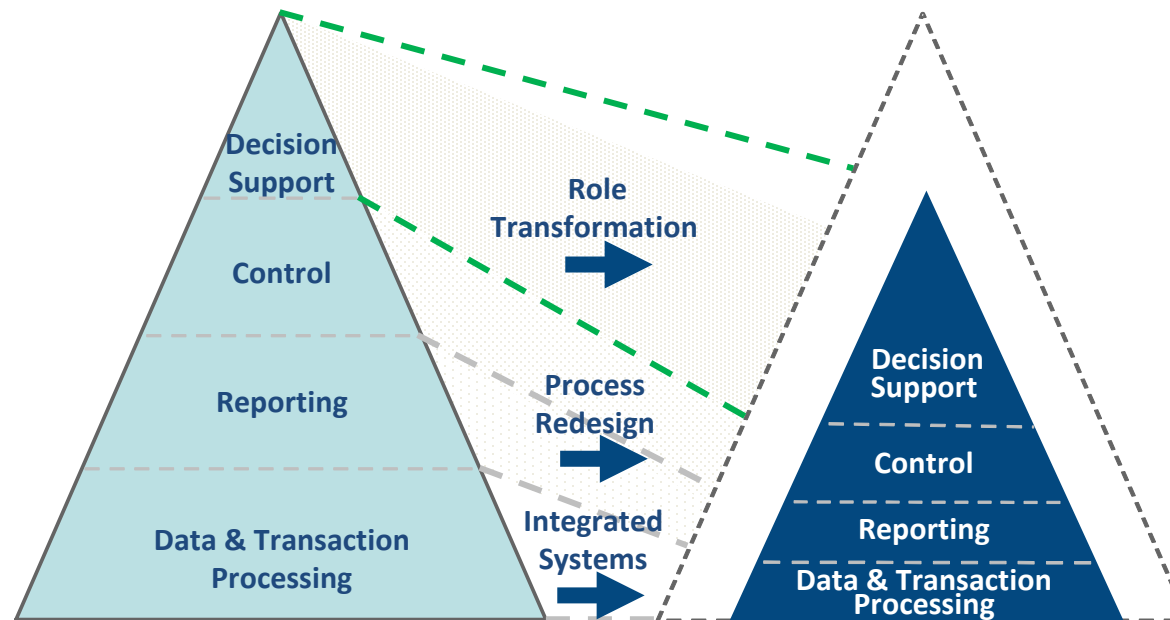
Minimize Local Market Footprint



Migration of Service Delivery to Centralized Team



Higher Proportion of Business Partnering



# The changing role of the CFO



# Finance New Vision

«We **drive** the Business  
to **create Value**»



# Finance New Mission

- 1 Understand the company financials to **evaluate the performance**
- 2 Allocate right resources to **maximize value**
- 3 Drive forecasting process to **face business evolution**
- 4 **Challenge the organization** to overachieve its goals

WHAT WE  
WOULD EXPECT  
FROM YOU?



# From today to tomorrow...

	Today	Tomorrow
<b>Plan</b> Strategic planning, target setting, financial planning, forecasting, tax/treasury planning.	●	⦿
<b>Transact</b> Supplier payments, employee payments, customer receipts, cash management.	●	●
<b>Account</b> Transaction accounting, asset accounting, tax accounting.	●	●
<b>Control</b> Account close/consolidation, account reconciliation, error processing, internal audit.	●	●
<b>Comply</b> Statutory reporting, tax filing, statutory compliance, policy compliance.	●	●
<b>Report</b> Enterprise performance reporting, financial reporting, management reporting.	●	●
<b>Analyze</b> Portfolio analysis, performance analysis, investment analysis.	●	⦿
<b>Advise</b> Business advisor, strategy execution support, M&A support, board of directors engagement.	●	⦿

● Focus of professional staff time

● Largely digitalized (>80%)



# Becoming a Strategic Finance...

The three hats of the modern CFO.



**Accountant**



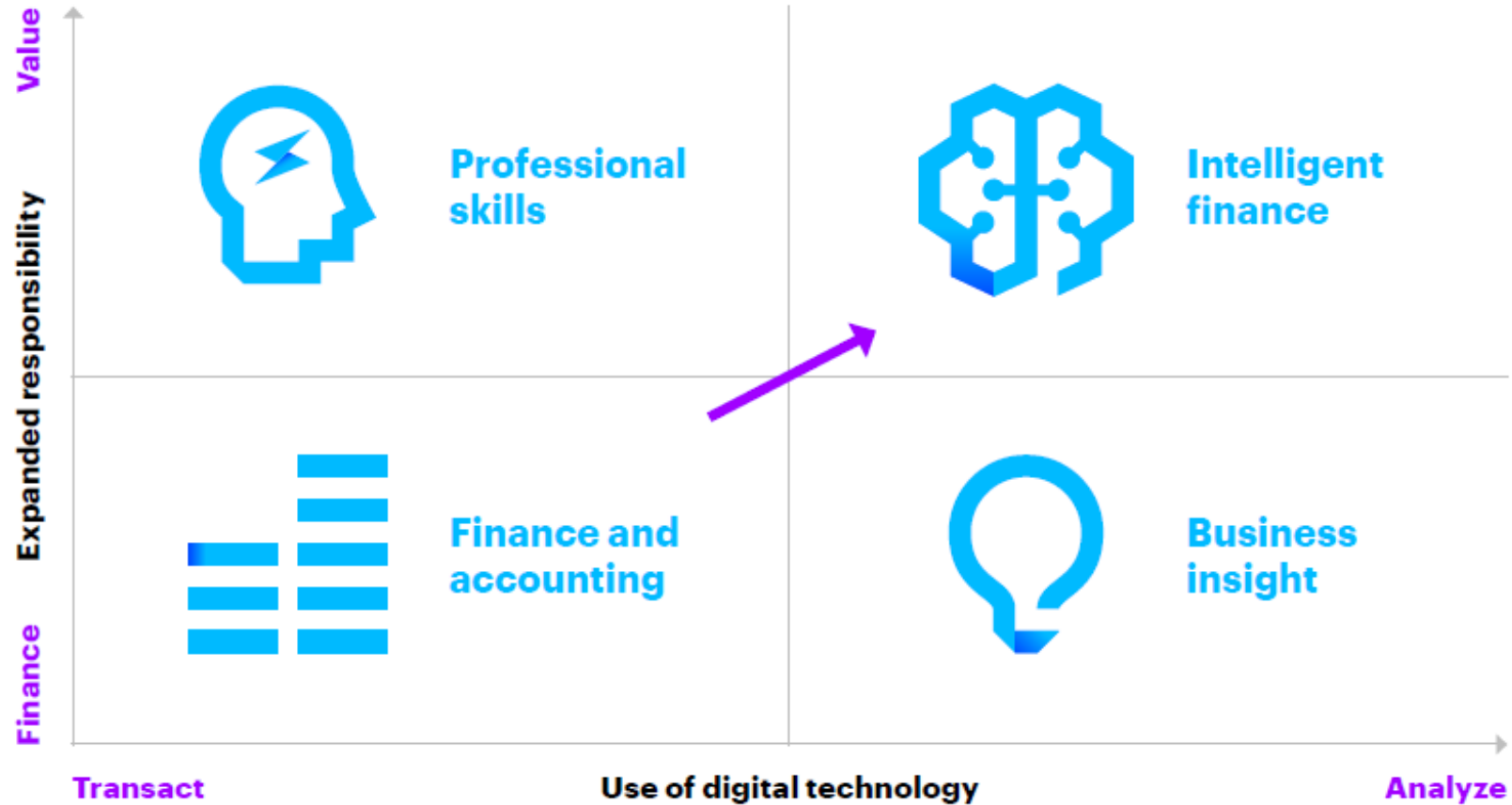
**Business partner**



**Strategic enabler**

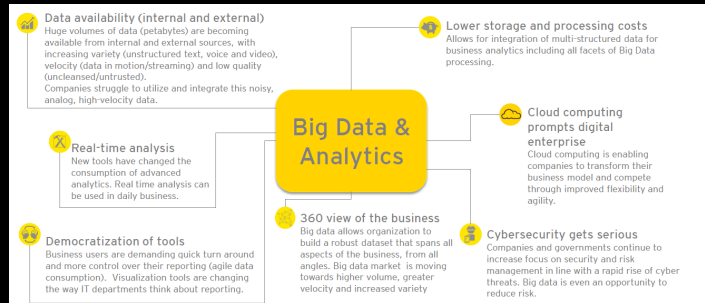
Account-centric	Business-centric	Transform finance productivity
Descriptive	Predictive	Retool and retain talent
Backward looking	Forward looking	Become a data driven organization
Financial data	Financial/ Operational	Applied digital technology
Accounting skills	Analytic skills	Adopt an agile operating model
Functionally siloed	Business aligned	
<b>Past</b>	<b>Present</b>	<b>Future</b>

# Transforming Finance: how we will achieve it

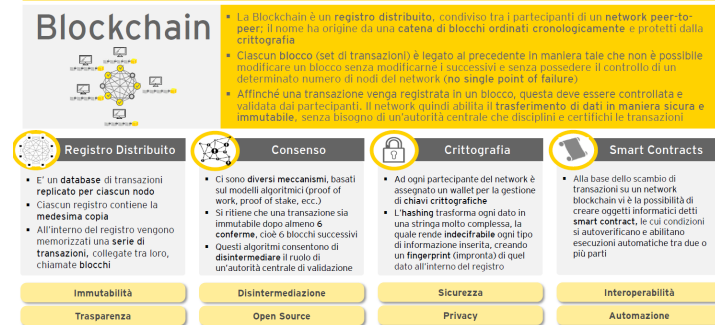


# Now CFO is facing the DIGITAL (R)EVOLUTION

## Predictive Analytics



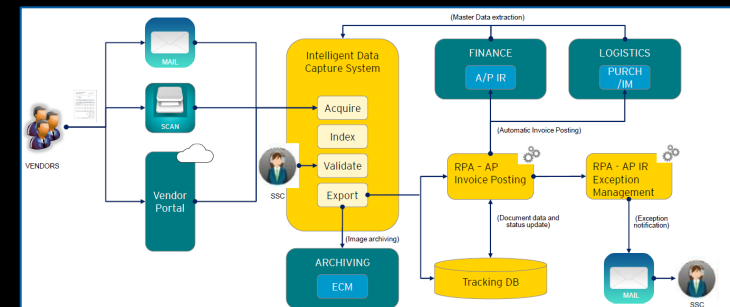
## Blockchain



## Robotics



## Paperless



# Imagine a Finance function of the future revolutionized by GenAI

Increase productivity and free up time to invest in more strategic initiatives

From...

Time-consuming,  
cumbersome, manual  
creation of investor reports...



Controller manually checking  
internal accounting policy  
with latest standards...



Hours spent trawling through  
vast quantities of macro-  
economic reports, market data  
& competitor results...



## Vision

The CFO and finance  
organization **proactively**  
manages the performance of  
the company and support  
business decisions

The professional delivery  
of traditional finance tasks  
(accounting, reporting, tax,  
audit, ...) is a **hygiene factor**

To...

...automated and pre-filled  
report drafts, with humans in the  
loop as approvers and quality  
control, freeing time for value-  
adding activities



...always-on GenAI support bot  
able to answer complex queries  
on proprietary and 3<sup>rd</sup> party data  
with accuracy, speed and relevance



...drastically reduced time-to-  
insight through AI-enablement,  
reducing need for heavy lifting on  
both internal and external data



# Key selection of emerging GenAI applications across CFO responsibilities

Not exhaustive

■ Operational ■ Strategic x Demos next

## Strategy leadership and support



### 1 | Digital performance management

Support CxO-level discussions with synthesized plan-vs-actual status and scenarios, smart root-cause variance analysis, and prescriptive action recommendations

### 2 | Automated financial analysis and visualization

Allow natural-language-based automatic chart/insight generation from existing internal accounting data and management indicators

### 3 | Co-pilot for analysis of raw data

Augment data to insight process of new data and simplify prototyping of new use cases

## General accounting and working capital management



### 4 | Automated policy and contract monitoring

Setup AI agent to monitor relevant financial regulations and policies, contracts, and other relevant documents with alerts arising from material deviations

### 5 | Virtual & compliance expert

Power custom insight extraction engine (e.g., analyzing any external reports), e.g., extracting answers from multiple documents, providing explicit sourcing, and supporting quotes as required for compliance

### 6 | Proactive order-to-cash processes

Automatize typical order-to-cash process, such as customer payment history risk assessment, dunning-related content generation, and pro-active customer credit limit admin (based on market event triggers)

## Stakeholder management



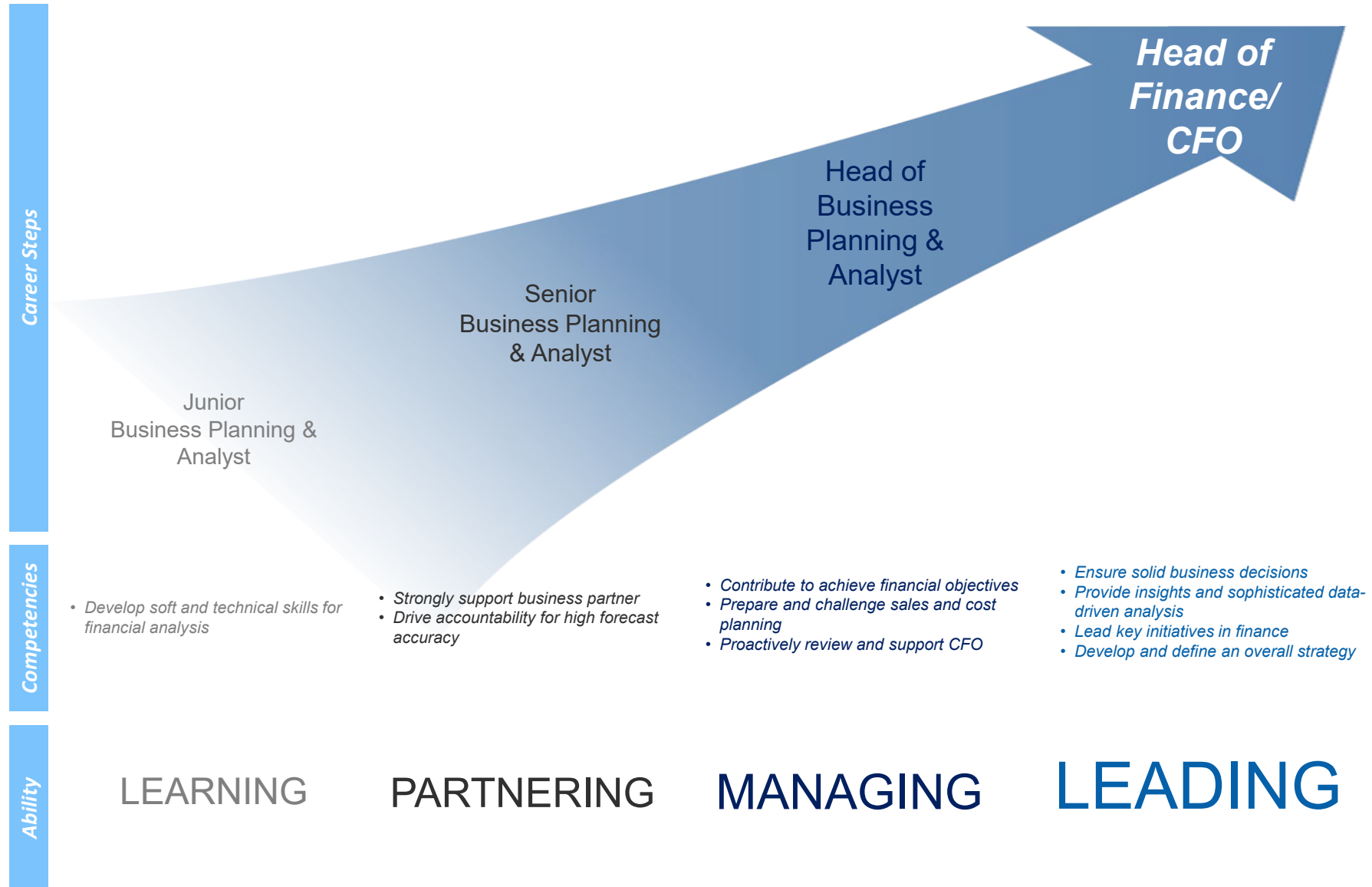
### 7 | Generation of investor reports and presentations

Create first drafts of report and commentary for investors and broader stakeholders based on internal data and customized templates

### 8 | Drafting external financial reports

Draft financial reports for review prior to submission (e.g., 10K)

# Talent development – Finance escalation







**“It always seems  
impossible until  
it’s done.”**

**Nelson Mandela**

# 2.4

**Billions of burgers**  
sold per year

# 48

**Millions fast food customers**  
per day

# 69

**Record #burgers**  
eaten in 8 mins





People make bad choices everyday despite their awareness about consequences, but keep in mind:

«Success is determined by  
our daily choices»

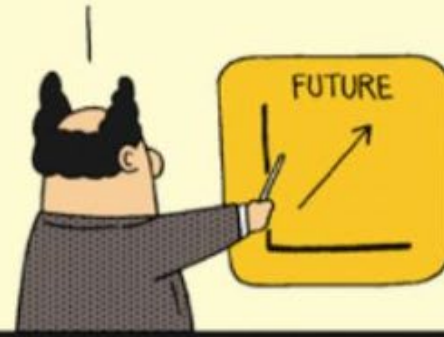
Rick Pitino

SALES ARE  
DROPPING  
LIKE A ROCK.



www.dilbert.com scottadams@aol.com

OUR PLAN IS TO  
INVENT SOME SORT  
OF DOOHICKEY THAT  
EVERYONE WANTS  
TO BUY.



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THE VISIONARY  
LEADERSHIP WORK  
IS DONE. HOW LONG  
WILL YOUR PART  
TAKE?



1

# Data availability

Leveraging on One Planning and Genie App to get the right set of information



Genie App



One Planning

Italy Total USDm @TGT 18 rate	MTD					YTD				
	ACT	vs. PY %	vs. TGT \$	vs. LF2 \$	vs. LO \$	ACT	vs. PY %	vs. TGT \$	vs. LF2 \$	vs. LO \$
Net Sales	31.4	16.7%	0.7	1.3	0.4	280.4	6.4%	6.8	2.0	0.4
Total COGS (incl ICM)	-11.1	-18.1%	0.0	0.1	0.4	-101.5	-5.5%	0.8	0.2	0.4
Gross Profit	20.3	16.0%	0.7	1.4	0.8	179.0	6.8%	7.6	2.2	0.8
Development & Registration	-0.3	10.4%	0.0	0.1	0.1	-3.4	-5.5%	0.8	0.5	0.1
Marketing & Sales	-8.8	0.6%	-0.6	-0.2	-0.2	-80.1	-18.6%	-1.4	-0.2	-0.2
General & Administration	-0.6	-36.0%	-0.2	-0.2	-0.2	-5.8	-22.8%	-1.1	-0.4	-0.2
Total Function Costs	-9.8	-0.7%	-0.7	-0.3	-0.2	-89.3	-18.3%	-1.8	-0.2	-0.2
Total OIE	0.0	-157.4%	0.0	0.0	0.1	-0.2	-128.2%	0.4	0.2	0.1
Operating Income	10.5	34.2%	0.0	1.2	0.7	89.5	-2.7%	6.2	2.2	0.7
RoS	33.4%	+4.3 ppt				31.9%	-3.0 ppt			

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# Business understanding

To more granular information  
and KPIs by Business



# 100

Net Sales **Total Business**



50  
Net Sales **Business 1**

+11%  
vs PY

+7%  
vs TGT



28  
GM Business 1

0%  
vs PY

-1%  
vs TGT



56%  
GM% Business 1

+0.2ppt  
vs PY

-0.3ppt  
vs TGT



10  
M&S Cost **Business 1**

-10%  
vs PY

-1%  
vs TGT



30  
OpInc Total Business



25

Marketing Contribution  
**Business 1**

-2%  
vs PY

+2%  
vs TGT



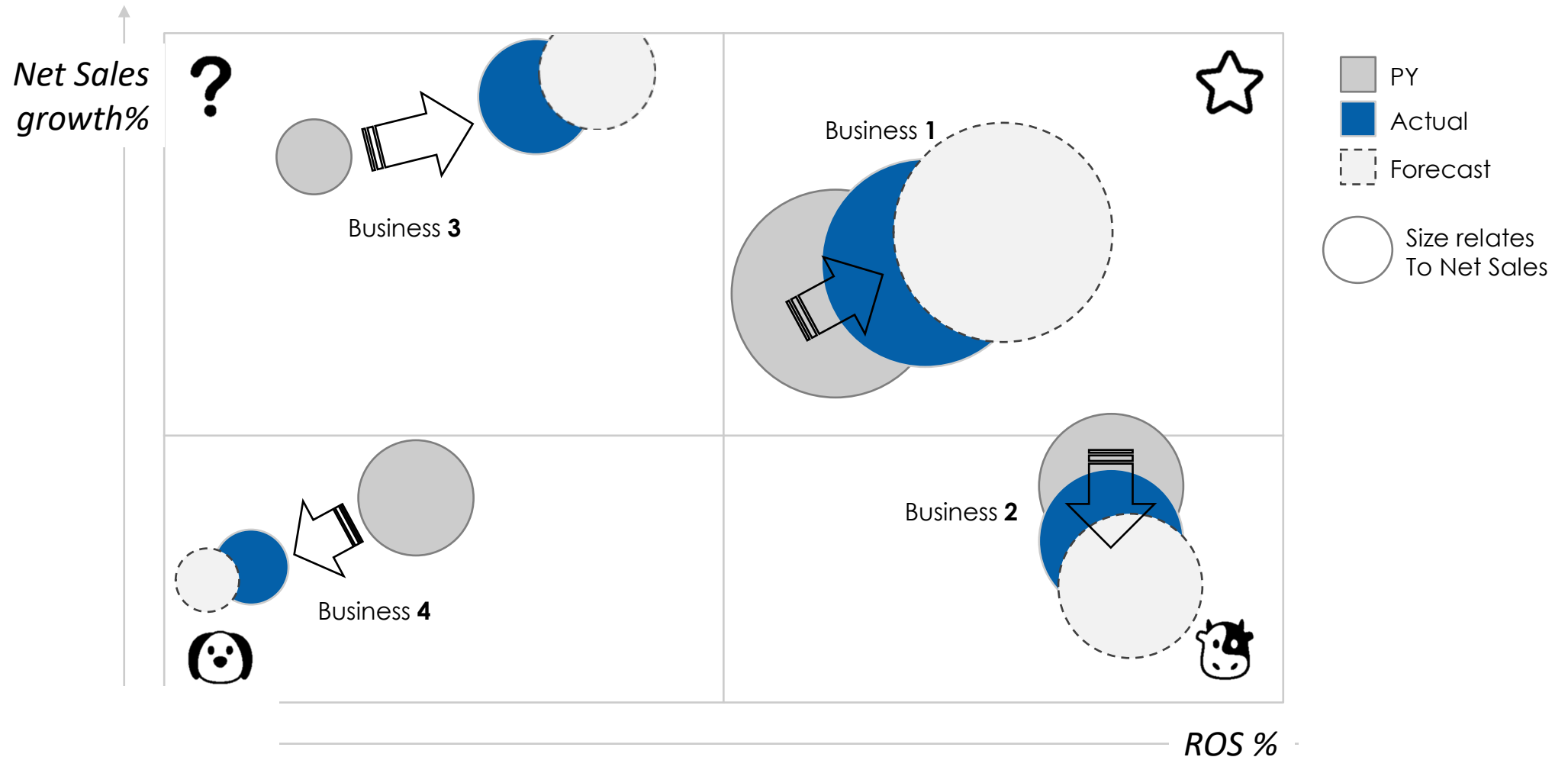
30%

ROS Total Business

# 3

## Data analysis

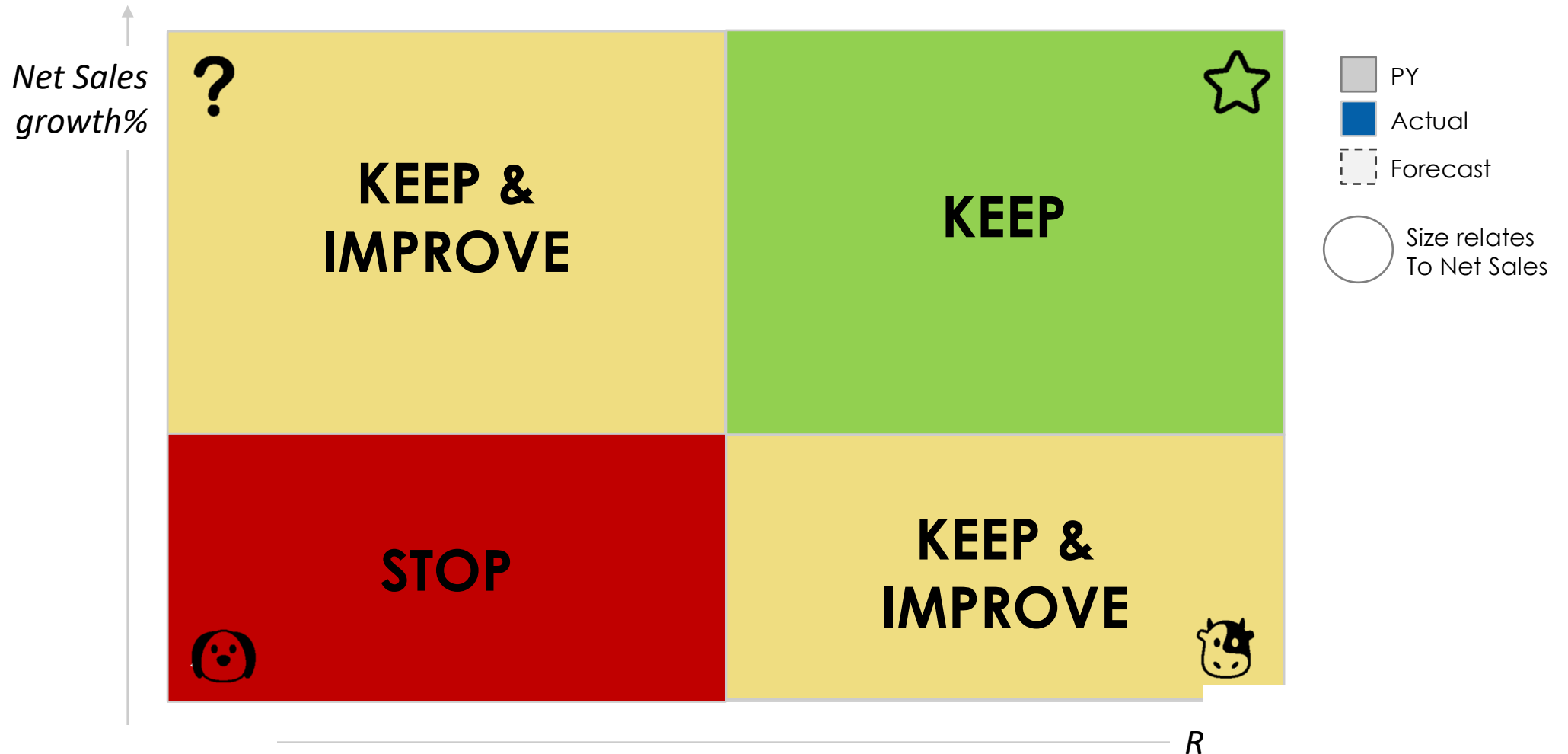
Digital tools support and improve our forecasting, allowing us to make highly-accurate decisions



# 4

## Strategic choices & smart resourcing

Maximizing the value of our resources and securing sustainability of investments





***«Everything in your life is a reflection of a choice you have made. If you want a different result, make different choices.»***

*Popular choice quotes*

# The meaning of WORK

“Once upon a time workers were not slaves. They worked. They cultivated an honor; the leg of a chair must have been done constructed correctly. It was natural, it was intended. It was a record. The chair didn’t have to be well built just for your salary. It wasn’t supposed to be perfect for the boss, the connoisseurs, or the boss’ clients. It was supposed to be perfect simply to fit its nature. It was a tradition and an honor to build that leg the way it was supposed to be done. And the few parts which you couldn’t see of the chair were also built with absolute care, just as well as the parts which were visible. Built under the same principle of cathedrals. I’m the only one who is making such a long story out of such a simple concept. Back then, there wasn’t even a single shadow of meditation. That was their job. People did it well. The work itself was supposed to be well done.”

*Charles Peguy, «L’argent»*