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Oversight Systems

In May 2016, Patrick Taylor, co-founder and CEO of Oversight Systems (Oversight), was considering how to expand the company's customer base. Since 2003, the Atlanta, Georgia–based software firm had developed customized analytics for organizations to monitor their data for errors, fraud, and operational inefficiencies. Oversight's platform could analyze all sorts of data but focused primarily on corporate purchase card (p-card) transactions and travel and expense (T&E) spending.[a] In 2015, the company launched a Software as a Service (SaaS) offering called Insights on Demand (IOD), which allowed customers to select from a suite of pre-packaged analytics and receive periodic reports (called Insights) on patterns and anomalies in spending. Insights were based on best practices gleaned from across Oversight's customers, who typically saved 2% to 5% on p-card and T&E spend—savings of $1 million to $3 million annually, on average, for a Fortune 500 company—by detecting suspicious transactions, reducing time spent on monitoring transaction data by 50% to 60%, and encouraging better employee compliance.

Taylor was considering a channel partnership with Global Credit (GC), a major credit card company, and hoped the partnership would become a significant sales channel for Oversight. However, other experiences with channel partnerships had produced mixed results. Taylor reflected on the implications of going forward with GC. Who would do the selling—GC or Oversight? Should Oversight agree to be exclusive to GC? How could Oversight maximize the GC partnership's joint potential? What was the best overall approach to accelerate growth moving forward?

Founding and Funding

In 2003, Taylor, with others, developed the concept for Oversight. With a bachelor's in mechanical engineering and a Harvard Business School MBA (1990), Taylor had worked in sales and product marketing at Oracle, Red Brick Systems, Symantec, and startups Go Corporation and Internet Security Systems (ISS, later acquired by IBM).

[a] Purchase cards, also known as procurement or payment cards, were corporate credit cards (or account numbers, rather than plastic cards) that facilitated payments for goods and services from suppliers and vendors. Corporate T&E programs managed and processed employee spending related to travel for business purposes.

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The initial idea was to help organizations manage the increasing volume and velocity of data from various corporate systems, such as those managing customer onboarding, payments and transactions, and insurance claims. In addition, in 2003–2004, U.S. firms were investing in internal financial and operational controls in order to comply with the 2002 Sarbanes-Oxley Act, which required management and external audits to assess the adequacy of reporting and control systems. Dan Kuokka, an expert in artificial intelligence, developed the core code for the analytics engine and data-mapping technology. Kuokka had experience in R&D and product management at AOL, Bell Labs, Lockheed Martin, Netscape, and Xerox. The founders intended the software to help companies monitor data in order to improve operational efficiency, reduce losses from fraud and waste, and encourage policy compliance.

Taylor began seeking funding and arranged meetings with angel investors and venture capital (VC) firms. While the VCs initially passed, Taylor raised a $1.2 million seed round from "FOP angels" ("friends of Patrick"). By 2004, he succeeded in raising $6 million from VCs Sigma + Partners and Granite Ventures, which took a combined 50% stake in the company. The angels' convertible notes became equity options that came out of Taylor's equity stake, and he divided the remaining equity with his co-founders. In subsequent years, Oversight raised five further rounds of capital.

Out of (Spending) Controls: The Price of Fraud and Need for Monitoring

In 2013, p-card spending in North America was $245 billion, up from $196 billion two years earlier.[1] P-cards were used for a variety of expenses, including operating goods/services (23% of p-card spending), office equipment and supplies (15%), travel (11%), business services (10%), and more.[2] More than 400 p-cards might be scattered throughout a large organization (sales over $500 million) that spent, on average, more than $12 million annually via p-cards.[3] (See **Exhibit 1**.) In 2014, companies spent $270 billion worldwide on T&E, an average of 8% to 12% of corporate budgets.[4, 5] Companies sent employees on 445 million business trips each year, and in 2012, employees submitted $13,000 per year on airfare, dining, entertainment, lodging, and transportation.[6, 7]

Some T&E spending was paid via p-cards or invoicing, while out-of-pocket expenses needed to be reimbursed. Corporate finance, audit, compliance, and shared service departments managed spending programs. In 2011, multinational organizations spent an average of $3.5 million to comply with relevant regulations and policies, although compliance costs differed by industry and location.[8] At organizations that experienced non-compliance issues—i.e., policy and other violations that led to business disruptions, productivity losses, data breaches, etc.—the cost amounted to $9.4 million annually, about $820 per employee.[9] Automated systems to facilitate expense management and track data could cut policy violations by two-thirds or more, since 75% of fraud incidents took advantage of manual or paper-based expense reporting systems, which 41% of companies used.[10, 11, 12] (See **Exhibit 2**.)

On-the-job fraud cost organizations an estimated $3.7 trillion worldwide annually.[13] More than one-fifth of corporate fraud cases involved losses in excess of $1 million.[14] In 2016, over 1.1 million individuals in the United States were estimated to have been involved in fraud at work and, among Oversight customers, one in five employees submitted at least one potentially questionable expense entry each year.[15, 16] Five percent of employees committed 82% of high-risk transactions, and 10% were responsible for almost 100% of monetary losses from such activity.[17] Common violations included claiming personal purchases as work-related (committed by 45% of U.S. violators), inflating mileage (35%), recording exaggerated tips (29%), exceeding spending limits (28%), and submitting receipts for canceled or returned purchases (10%).[18] Typically, organizations conducted compliance

monitoring via random-sample audits, and on average, only 20% of transactions were actually checked.[19] It was estimated that less than one in five perpetrators was caught.[20]

The Value of Effective Oversight

Oversight's original software automated continuous monitoring of organizational data and provided customized analytics for each customer. "Searching for fraud is like finding a needle in a haystack," said Taylor. "We examine every straw of hay and show you a pile of sharp, pointy things." The customized analytics filtered and tested data from a customer's financial, transactional, or other systems against pre-defined rules (client systems were often run in-house or by firms such as Oracle, PeopleSoft, and SAP). When the system unearthed exceptions—including duplicate invoices, misapplied journal entries, policy violations, circumvention of controls, excessive sales discounting, suspicious out-of-pocket expenses, excessive personal spending, unusual meals and hotel charges, and other transactions (see **Exhibit 3**)—it alerted managers, who could then take appropriate action. This continuous control monitoring (CCM) bolstered controls and reduced waste, policy violations, financial statement errors, and audit costs while improving cash flow.

Across numerous implementations, Oversight identified recurring data monitoring issues, especially related to p-card and T&E spending. "Clients always asked what other companies were doing, what's the best practice," said Manish Singh, who led Oversight's sales and client services team. Taylor saw advantages in a more standardized product:

> I wanted a rapid deployment solution that we could get up and running in 60 days. Customizing the analytics is essentially a professional services business; it takes many hours that decrease margins, and many customers simply don't know what they're supposed to be looking for. I wanted a stronger focus on giving customers practical insights and recommendations based on our knowledge and best practices.

In 2014–2015, Singh and Kuokka created off-the-shelf software analytics products, which became IOD, to solve common monitoring issues in pre-determined domains. For example, the T&E bundle might include running monthly analytics on 1 million transactions and producing Insights on fraud and misuse, suspicious out-of-pocket expenses, duplicate submissions, and suspicious keywords. Customers had the option for additional Insights on meals and lodging outliers, Foreign Corrupt Practices Act compliance, and anti-bribery and corruption risk. Users then accessed the results—such as T&E spend by region or number of exceptions by department—via a web-based Dashboard, which aggregated data graphically. An online Workbench let managers identify and take action on exceptions, for instance, by sending an employee an email asking to explain a transaction or setting up an alert to flag instances of potential violations in the future. (See **Exhibit 4** for screenshots.) "Our packaged analytics include conclusions, not just charts and graphs that you need to figure out yourself," said Kuokka. "An Insight will say, 'This is a duplicate payment,' or, 'This looks like fraud.'"

In 2014, Oversight piloted IOD with 10 existing customers and active leads, while continuing to offer its custom CCM platform. Whereas CCM systems tracked incoming data in real time, IOD allowed companies to periodically analyze data and act on findings. The pilot and subsequent use cases revealed that IOD could help cut compliance costs by 50%; reduce governance, risk, and compliance (GRC) workload; and improve compliance by influencing employee behaviors. "IOD moved us away from a customized platform toward a solution that requires zero customer effort to implement and use," said Singh. "Implementation went from 90 days with our custom product to 10 hours with IOD." (See **Exhibit 5** for IOD bookings and **Exhibit 6** for custom and IOD comparison.) In 2015, Oversight shifted entirely to its IOD products and took its CCM offering off the market.

Customers and Pricing

Oversight CCM contracts cost $200,000 to $500,000 per year per business process monitored and included a subscription software license plus professional services to build out custom analytics. IOD customers subscribed for $50,000 per year, in advance, for monthly runs of the analytics. In 2015, without CCM, Oversight booked $1.9 million in new IOD sales from 39 customers.

Both CCM and IOD were aimed at organizations with more than $750 million in annual revenue and that generated at least 4,000 annual expense reports, but the buyers for the two products were distinct. Typically the CFO, controller, or other senior executive had been the buyer for the customized platform, while IOD buyers might be shared service managers, audit departments, legal teams, or IT.

Different buyers had different responsibilities and needs. A chief compliance officer or chief audit executive might run a company's ethics and compliance program and direct internal investigations into compliance issues, as well as assess product, compliance, or operational risk and develop risk management strategies. Alternatively, T&E managers oversaw the overall corporate card and spending program, including reviewing, validating, processing, and auditing expense claims; keeping current T&E policy; providing training and support to accounts payable; liaising with audit and compliance; and managing vendors. (See **Exhibit 7** for sample buyer personas.) More than two-thirds of companies with more than $1 billion in annual sales used the vendor Concur for T&E; IBM, Oracle, and SAP also offered systems. Smaller players and in-house solutions existed, too.[21] Top p-card issuers included Citibank, J.P. Morgan, and GC, which was a leader in p-card programs specifically for T&E.

Oversight's customers included Coca-Cola, General Electric, McDonald's, Pfizer, United Technologies, the U.S. Department of Defense, and Yahoo!, and use cases varied widely (see **Exhibit 8**). For example, W.W. Grainger, Inc., the industrial supply firm, aimed to change its monitoring approach. After testing 30 days of its data with a CCM competitor and six months of data with Oversight, Grainger chose Oversight's customized platform, citing superior data extraction and performance, more comprehensive and insightful analytic capabilities, and easier usability. Grainger saw a positive ROI within four months. Celanese Corporation, a global specialty materials company, wanted to improve accounts payable after suffering chronic problems with erroneous freight payments. In a proof-of-concept trial comparison of vendors, Celanese chose Oversight and an annual enterprise license for $400,000 for a customized library of integrity checks, saving $2 million within a year of implementation, primarily through efficiency improvements and error reduction.

Oversight found that customers generally paid for the cost of IOD within six months to a year. Google, which had relatively lenient expense policies, saved $4 million annually by using Oversight, at a cost of $80,000 per year. One global industrial company with over 100,000 employees cut its expense report monitoring function from 70 compliance officers using advanced (and expensive) business intelligence tools to an outsourced department of 10 people who used Oversight's system. That company went from catching one to two cheating employees each quarter to firing five to six per week for fraudulent expense reports.

Competition

Oversight competed with CCM offerings and operational intelligence platforms (OIP), which sorted incoming data, filtered it to detect patterns, and processed appropriate responses and alerts based on rules and current conditions. However, no rival was as comprehensive across monitoring capabilities, analytics, and usability. For example, APEX Analytix sold fraud prevention and risk identification software but limited its focus to monitoring supplier payments. CaseWare International and ACL Services focused primarily on software for accounting, audit, and GRC consultants and specialists, not large, complex organizations. Approva, which had recently been acquired by an enterprise resource planning (ERP) software company, offered transaction monitoring components but no equivalent analytic capabilities. Oracle and SAP sold CCM products among their many services, but neither specialized in the field. Many competitors' solutions lacked an easy user interface and generated reports in the form of spreadsheets. Kuokka summarized Oversight's positioning:

> Our system automatically pulls data so you can catch it early and actually stop the payment. But many companies have approvals and limit-checking for payments, so they have the perception that they're covered. It often takes a major fraud event or uncovering a rash of duplicate payments before customers get interested in changing procedures.

In 2014, most OIP platform providers derived 70% of revenue from software licenses and maintenance and 30% from professional services, consulting, and training.[22]

Custom Platform Sales and Service at Oversight Systems

With its customized CCM offering, Oversight had taken a consultative enterprise software sales approach, with sales cycles that lasted an average of nine months and often more than a year. "We were calling VPs of finance, shared services, audit, accounting, CFOs—anyone with a senior title who would take a meeting," said Singh. "We used to pitch to internal audit, but they didn't have a lot of money to buy software. They would refer us to the shared services center that runs the ERP systems."

Early on, Taylor did much of the selling, but Oversight soon hired five experienced enterprise sales representatives (ERs), who made cold calls, sometimes with the help of a call center. "The intention was to get a face-to-face meeting, where they did discovery work and built trust with the client," said Taylor, "because it is difficult to specify in advance the value of unique, customized analytics." In 2009, Singh—having worked in product marketing and on several deployments—began helping ERs close complex deals by resolving data reconciliation problems and, whenever possible, using the client's own data to demonstrate the platform's capabilities. "ERs would open the door, then bring me or another 'pre-sales consultant' from the solutions team to help close the deal," Singh said. About half of ER compensation came in commissions, for a total of $280,000 to $300,000 when they hit their annual sales quotas, on a base salary of $150,000 to $170,000. Both software bookings and after-sale services earned commissions, but ERs made more on bookings. Singh and one other pre-sales employee helped on an ad hoc basis and were not formally incentivized on sales.

Implementation after a CCM sale could take three to six months, involving multiple iterations of testing, professional services, and training. Coordinating with a new client's IT department to transfer the client's transaction data could take 30 days. Singh said, "There was a lot of hand holding. If the customer assigned somebody who really understood different types of implementations, the end product was good. Otherwise, there were lots of issues." Oversight's after-sales function included employees with strong data analysis and implementation skills. Singh explained:

> ERs are expensive—you can't have fresh-out-of-college people selling customized solutions. We also had a forecasting problem: we did not know if or when a deal would close. Clients saw risks in the effort needed to integrate us with their systems, and the contract could be hundreds of thousands of dollars. With IOD, we standardized how we price, package, and deliver product. We then could streamline the sales process to fit.

IOD Sales and Service

With IOD, Oversight replaced ERs with demand generation (DG) employees to open leads and account executives (AEs) to make the sales pitch and close deals. DGs used a scripted telephone-based sales approach to arrange "meaningful interactions" (MI) with clients (see **Exhibit 9**). MIs were 20- to 30-minute phone calls with a company's shared services manager. Singh described the process:

> Demand generation now starts by calling the CEO, who we know won't answer the phone. We work with the assistant to refer us to others within that organization. The assistant says, "You need to call the CFO." Then the CFO's office gets a referral from the CEO's office, and they refer us to the VP of Finance, and on down to shared services executives. At the same time, we're sending emails that are being forwarded and cascaded, so those lower executives recognize Oversight when their bosses' assistants refer us to them. It's pretty successful at generating first conversations and MIs.

Each MI was logged into Salesforce by a DG and handed to an AE, who tried to get the target to agree to an online half-hour demo of IOD. If the customer was interested, Oversight offered a free trial, using three to six months of the customer's data, including a one- to two-hour walk-through of the results with an AE. As part of the trial, customers then had one to two weeks to explore the system, using it with full capabilities. "With the free trial, we treat our prospects like customers," said Taylor. "And once they subscribe, we treat our customers like prospects: we keep them happy every month, or they can cancel for convenience, and we refund the balance of their subscription payment"—typically $50,000 per year.

AEs tracked when they received the customer's data for the trial, when the trial presentation was scheduled and delivered, subsequent security reviews, and final contracting (see **Exhibit 10**). The complete sales cycle could take 6 to 10 months and involve individuals from the customer's audit, legal, finance, and IT departments. IOD customer lifetime value was $654,000, based on $49,000 in acquisition costs and a 7.5% churn rate. "IOD turned our sales model upside down. We went from a face-to-face software selling model adapted to individual customer requirements to an exclusively telephone-based sales approach with scripted processes," said Singh (see **Exhibit 11**).

DGs were recent college graduates with one to two years of experience. They received a fee of $300 per MI on top of a base salary, typically earning $60,000 to $70,000 annually if they made their quotas of 12 MIs per month. They were measured on the volume of contacts they made in pursuit of MIs. "DGs focus on getting the first meeting, not selling," Taylor said. AEs—usually individuals who had been promoted from DG after one to two years—were evaluated with metrics that included scheduling and delivering the demonstration, requesting and receiving the customer's data and non-disclosure agreement, scheduling and delivering the free trial, and sending out and receiving comments on agreement proposals. AEs earned a base salary of around $50,000, plus commissions

when deals closed. When they hit their $800,000 annual sales targets, commissions were about 50% of AE compensation.

Under the old CCM model, clients worked with pre-sales during implementation and training but did not have a dedicated account manager. With IOD, Oversight added post-sale account managers to handle relationships with current clients, including subscription renewals and upselling of additional Insights. Account managers came in initially as DGs and were compensated on renewal rates and upsells. Client engagement employees provided customer service for technical issues and helped DGs, AEs, and account managers during demos, trials, implementations, and trainings. On the back end, the solutions team, led by Kuokka, was the "brain trust" that built the software analytics and received feedback directly from customers and account managers.

Channel Partnerships

Oversight had tried a variety of channel partnerships. Some were more successful than others.

Enterprise Software Giant ESG was a global software provider with more than 265,000 customers and $20 billion in annual sales. Its offerings included analytics, infrastructure, data management, IT management, and security software used for ERP, HR, sales and service, sourcing and procurement, and supply chain systems, as well as consulting, training, and professional services. Worldwide, ESG had over 14,000 different partners that offered solutions to its clients.

In January 2011, Oversight became an ESG Certified Partner Solution (CPS), meaning that its transaction monitoring services were available to ESG customers as part of ESG's comprehensive GRC package. For ESG, Oversight's customized monitoring and analytics capabilities filled a gap in its offering, differentiating it from GRC competitors such as Approva, Hewlett-Packard, Oracle, and SAP. With Oversight, ESG also had an opportunity to upsell existing customers and extend into non-ESG accounts through richer content and cross-platform capabilities.

ESG account managers received information about Oversight's platform and were supposed to contact Oversight AEs when they recognized sales opportunities, although such leads were not systematically registered. AEs then worked with ESG to close sales. Although ESG controlled client access, the offering was sold under Oversight's brand. Oversight controlled end-user pricing and was responsible for after-sales customer support. ESG account managers received quota credit for the sale commission based on the 40% of sale revenues allotted to ESG, not the full price paid by the customer. Taylor summarized Oversight's perspective on the partnership:

> ESG said they could get us in front of customers and help us sell. Before they qualified us as a partner, they ran us through a scaling exercise, security and compatibility checks, the exact language of the value proposition and business case—a lot of hoops.
>
> Their reps got commissions on ESG's 40% cut—which hurt our margins—and made introductions. But their reps owned the relationships, and we had to fight for their attention because they had hundreds of products and each ESG product manager vying for the bandwidth of the account manager. Later we discovered that the ESG people were going to customers and using the Oversight business case we had provided to push a solution that used ESG products instead, because then they made commission on the full price, not just the 40% ESG share. In 2013, we dropped out of their partner program.

Concur Technologies Concur was the leading T&E management vendor with over 60% market share among Fortune 500 companies.[23] Its system streamlined expense, travel, itinerary, and invoice management processes to speed reimbursements, improved accuracy of reporting, and boosted user adoption and policy compliance.[24] Numerous Oversight customers used Concur for their T&E spending, and the two companies sometimes had to coordinate handling of the customer's data.

In 2013, at the suggestion of a mutual client, Oversight partnered with Concur. "Originally we went through our customers, and they would get us the Concur data," said Kuokka, "but then we started interacting directly with Concur, and a partnership was born." Concur's Connect platform had multiple other vendors and partners that leveraged T&E data. The partners added a variety of services for Concur clients outside its core competency in T&E. At the time, Concur had $545 million in sales, 33,000 customers, and was valued at $8.3 billion.[25]

By August 2013, Oversight established a referral partnership through which Concur reps could register sales opportunities with Oversight. Oversight accepted most registrations, although it had the option to decline, and paid a referral fee of 10% of first-year revenues for each registered opportunity it closed. Concur account managers received a bonus when a registered deal closed and were required to have registered at least two partner deals that successfully closed during the year in order to qualify for its quota club. "The bonus from the partner deals isn't huge money," explained Taylor. "But the quota requirement is one reason why their program has been successful." Oversight was also a Concur "App Center" partner; it was listed on Concur's website and paid an annual fee to use the Concur Connector—technology that allowed Oversight to easily extract T&E transaction data from a client that used Concur. Singh explained, "Concur allowed us to extract T&E data for customers and bring it into Oversight with just a release letter. It's five minutes of work on the customer's end."

In 2014, SAP acquired Concur. Since then, observers said, "Concur has operated as an autonomous business unit within SAP, having control over sales, marketing, customer support and product development, with only finance and HR functions centralized under the wider SAP organization."[26]

By late 2015, Oversight was handling a modest stream of incoming Concur referrals, amounting to an incremental $392,000 of potential sales in the pipeline. Rather than continue with multiple people throughout the company devoting time on an ad hoc basis to managing Concur reps and following up on leads, Taylor decided to create a full-time position to manage the partnership. He promoted Rachel Ware, a DG employee, to handle incoming referrals, reach out to Concur's account managers, and be the go-to person at Oversight to manage Concur leads and relationships.

Concur had several hundred account managers who organized events with clients to promote value-added services. "For example, Concur would get its Chicago customers together for an all-day user group event, and Rachel would present at the lunch and pick up the bill," said Taylor. Ware also educated Concur employees about Oversight. "Concur is huge," Ware noted, "with thousands of employees who may not have known we had partnered or what Oversight was about." By May 2016, after just nine months, Ware had established contact with more than 150 account managers and secured speaking slots at 15 user group events. Her efforts were helping Concur account managers to move deals through the pipeline and had resulted in 38 new qualified leads for Oversight. These leads were higher quality than an MI, because Oversight already knew the client was interested and qualified by Concur. Ware found that Concur's reps were generally open to introducing her to their clients:

> Oversight helped them sell the Concur ecosystem to their customers, because they could offer not just T&E management but monitoring, as well. Some of the Concur client executives sent me their account lists directly and asked me to highlight targets. Others said they didn't want to disclose their contacts, so I would run my own report and come back with a list of target companies in their area. Managing the partnership requires the same kind of persistence as if you're selling or cold calling.

Concur client executives entered leads into the company's partner-management system, where Ware could log in and see notes about how to approach the contact. She asked potential buyers to participate in a half-hour visual demonstration with an Oversight AE to experience the IOD software firsthand. Clients could then proceed to a free trial, which required them to allow Oversight to pull their data directly from Concur's system. An AE then walked the client through the Insights resulting from the trial. Finally, the customer was allowed a two-week period during which it could use the IOD software and reports. Ware estimated that, for leads qualified by Concur, it took around six months from the initial meeting with the client to closing. "The challenge was learning to navigate the Concur organizational structure," she said. "Sometimes Concur has several people attached to a single account, and I had to figure out who could put me in touch with a potential buyer."

Ware was measured on the number of demos she created with Concur clients, earning a fee for each demo (independent of the net revenue to Oversight after paying Concur its 10% referral fee) on top of her DG base salary. Taylor noted that "demand generation in the Concur channel has to be thoughtful; we can't just hound the Concur reps. Fortunately, we're genuinely valuable to their customers, so it helps them succeed." In 2015, Oversight was named Concur Partner of the Year.

Oversight's Opportunity with Global Credit

In May 2016, Oversight was in discussions to offer IOD as part of GC's Global Corporate Payments (GCP) offering, used by more than 2,000 customers with annual revenue over $500 million and thousands of large ($300 million+ revenue) and middle-market ($10 million to $300 million) companies. GCP was a critical and increasingly competitive segment for GC. Corporate p-card contracts were renewed every three to four years, so ensuring that clients were satisfied with their programs was a top GC priority. While IOD was not likely to drive many sales for GC, it could strengthen client relationships by providing a value-added differentiator. Taylor explained:

> GC's account executives are compensated for keeping business. All their customers have some corporate card—maybe AMEX, Citi, JP Morgan, or GC—so the account executives need to sell them every few years to keep them from switching. We're a powerful retention angle: if you switch from GC, you'll lose the Oversight monitoring capability. We can help make GC stickier.

Under the proposal, GC's account executives would sell IOD services and Insights to existing and potential GCP clients under GC's brand, not Oversight's. GC account executives had easier access to senior stakeholders than Oversight—including managers of T&E functions and p-card programs, gatekeepers in shared services, GRC, and finance functions—who already trusted GC for security. By contrast, Oversight often faced months-long approvals and security clearances to gain access to customer data. In addition, GC could help manage the complexities of contracting and budgeting with enterprise-level customers, which often added months to the sales cycle.

It was relatively straightforward to extract the customer's GC p-card data, even though GC did not have a ready-made data connector and partner ecosystem application like Concur's. Singh noted, "It's not automated, but we have a process to work with customers to initiate data flow from GC to Oversight." GC's data was also rich in spending patterns and level of detail, which could help Oversight improve its analytics. However, much of that data was already available to Oversight through Concur clients that used GC to manage their p-card T&E spending.

Under the proposal, Oversight would offer IOD to GC for a 40% discount from normal rates, but GC would control end-user pricing, which it would not necessarily disclose to Oversight. GC corporate card clients typically received rebates in the range of 1% on the value of the annual company spend. As a standard practice, this rebate did not appear in shared services budgets, and shared services managers treated it as an unofficial slush fund. For companies that agreed to use IOD, GC intended to simply take the fee out of the client's rebate, preventing the additional service from showing up as an expense. Discussions regarding the terms of exclusivity had not progressed very far, but GC had made clear that it wanted exclusive rights to offer Oversight's products.

GC had proposed a pilot program, starting June 1, 2016, to test IOD's viability. GC would provide Oversight with referrals to five to six major GCP clients to understand client reactions to the joint offering and to identify integration points between GC's system and IOD. The parties had yet to determine the optimal sales and onboarding process for clients and any customizations needed for the joint offering. Taylor reflected:

> GC is slow and methodical. They get their biggest customers together twice per year, and some already use Oversight. At a recent GC client meeting, a manager from GE stood up unprompted and praised Oversight. So we know their customers value us.
>
> But we would need to teach the GC people about Oversight and make it easy for them to deal with us. Do we need to help on GC sales calls and, if so, can we? What about marketing materials? Can we use our existing sales and service approach in this partnership? Do we need another full-time channel manager—like Rachel is for Concur—for GC? What are the economic implications? I'm concerned that Oversight would have little direct access to clients and lose a feedback loop. Is an exclusive white-label deal worth this time and effort? GC doesn't have that many products besides credit cards that it sells to its corporate clients, and it doesn't have many other channel partnerships: is that good or bad?

Coincidentally, while mulling over the potential partnership with GC, Taylor received a call from a senior executive at Banking Worldwide (BW). BW was a retail and commercial bank with numerous branches and operations in more than 50 countries, including the U.S. BW, like other banks, sold p-cards to corporations through a small, dedicated sales team but, unlike GC, p-cards were a relatively small part of BW's overall business and one of many products and services that BW provided to its corporate clients through its corporate account teams (which sold lending products and many other financial services). The BW manager had said to Taylor, "I like your product and it would add value to our p-card offering, which many of our clients now treat as a necessary evil. Let's talk about a partnership."

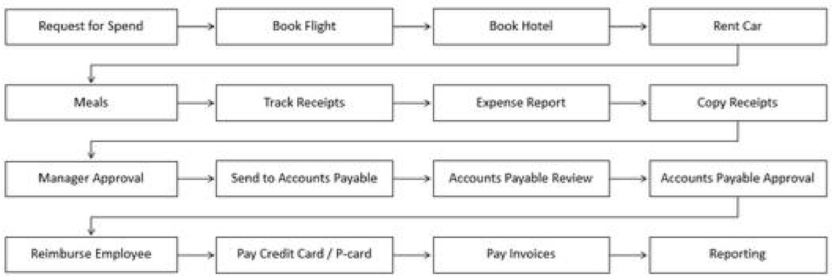
Exhibit 1 Purchasing Card Program Performance Statistics by Company Size, 2010

	Large Market (annual sales $500 million to $2 billion)	Mid-Sized (annual sales $25 million to $500 million)	City and County (fewer than 1,000 employees)	University (fewer than 5,000 employees)
Organization Statistics				
Number of Employees	3,772	858	476	1,920
Program Performance Measures				
Number of Purchasing Cards (p-cards)	449	153	149	423
Card-to-Employee Ratio	11.9%	17.9%	31.3%	22.1%
Average Monthly P-card Spending	$1,028,001	$381,080	$151,583	$637,585
Median Monthly P-card Spending	$725,000	$207,373	$100,000	$350,000
Monthly P-card Spending per Employee	$272	$444	$318	$332
Transactions Under $2,500 Placed on P-card	41%	39%	43%	47%
Transactions Between $2,500 and $10,000 Placed on P-card	28%	26%	25%	20%
Cardholder Activity Measures				
Monthly Transactions per Card	8.6	9.7	4.2	6.4
Spending per Transaction	$267	$257	$242	$234
Monthly Spending per Card	$2,290	$2,489	$1,016	$1,506
Active Cards in a Typical Month	84%	87%	80%	82%

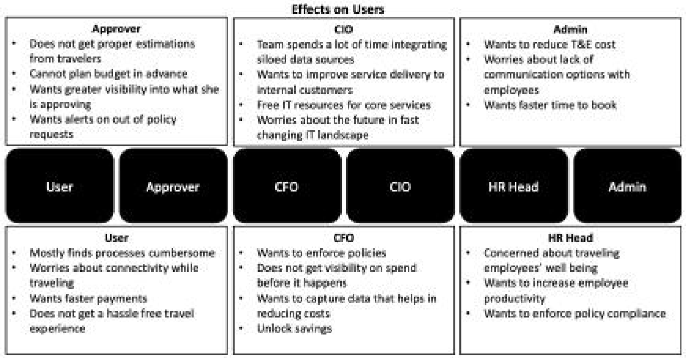
Source: Adapted by casewriter from J.P. Morgan Chase & Co. Commercial Banking, "Purchasing Card Spend Benchmarks," 2010, http://www.msbo.org/sites/default/files/Benchmarking.pdf, accessed June 2016.

Exhibit 2 Expense Management Process Complexity and Challenges

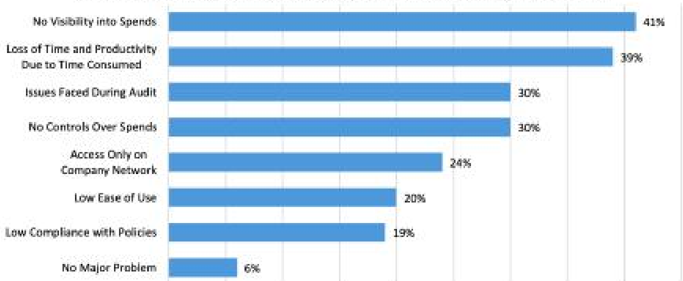
Expense Management Process



Effects on Users



Leading Employee Spend Challenges Reported by Finance and Administrative Functions



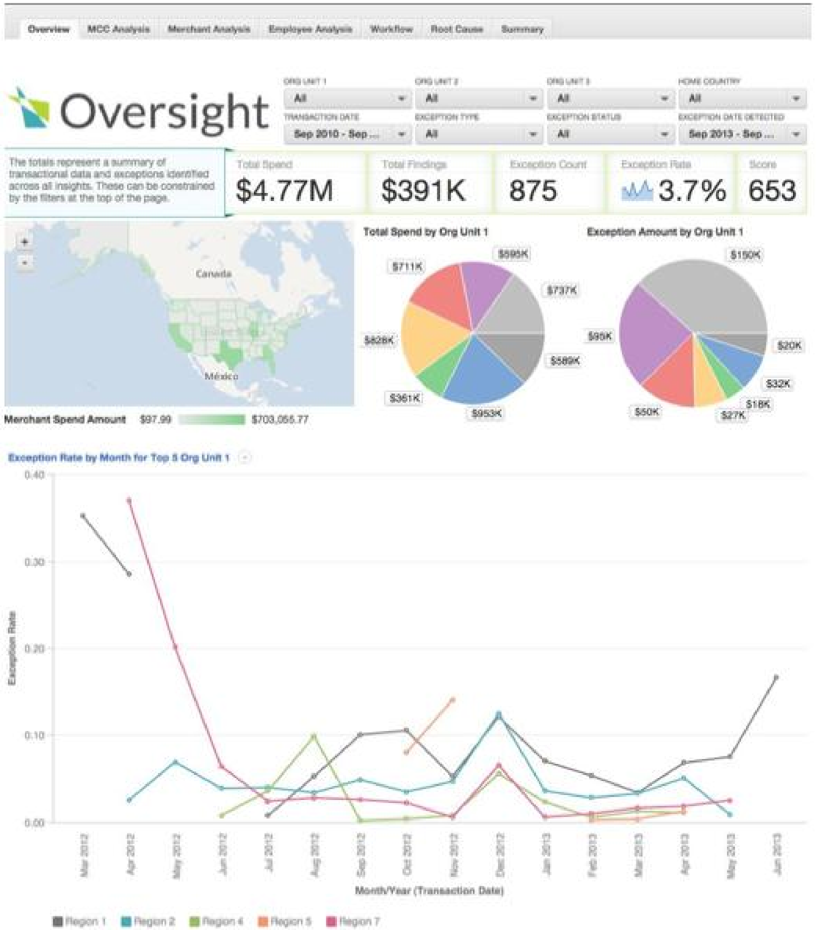
Source: Adapted by casewriter from Sumeet Chamoli, "Optimizing Employee Spend," Concur, 2011, pp. 4, 6, 7, https://assets.concur.com/brochure/Optimising-Employee-Spends-T&E.pdf, accessed May 2016.

Exhibit 3 Oversight Platform Core Analytical Techniques

Analytic Technique	Benefit
Boolean tests and filters	Identify basic anomalous conditions
Related entity identification	Identify related entities and transactions through associations
Numerical statistics	Identify numerically and dimensionally atypical transactions
Recurrence analysis	Filter out valid recurring events otherwise mistaken for anomalies
Format outlier analysis	Separate atypical from typical identifiers
Similarity analysis	Identify similar names, addresses
Clustering and consolidation	Combines similar or related exceptions
Temporal revision and delay analysis	Identify concealment activities and missing transactions
Aggregation, chaining, and meta-reasoning	Identify accumulated and multi-step schemes
Insufficient indicators	Tweak confidence of exceptions
Transaction chain detection	Identify virtual or multi-phase transactions

Source: Adapted by casewriter from company documents.

Exhibit 4 IOD Dashboard and Workbench Screenshot



Source: Company documents.

Exhibit 5 IOD Bookings and Revenue, in $100,000s, 2015–2016 (projected)

	2015 Actual					2016 Projection-Growth				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Deals Booked	6	8	13	12	39	23	27	33	39	122
IOD Bookings	$224	$339	$627	$773	$1,963	$673	$809	$974	$1,176	$3,632
IOD Revenue	$268	$326	$372	$507	$1,474	$778	$973	$1,202	$1,478	$4,431
YOY Growth	5.5%	4.0%	4.6%	1.7%		1.8%	2.2%	2.4%	1.9%	

Source: Compiled by casewriter from company documents.

Exhibit 6 Oversight Custom Platform and IOD Product Comparison

Product	Product Features	Contracting Approach	Target Buyer	Pricing	Sales Cycle and Marketing Support	Post-Sales Service and Implementation
Custom	CCM software platform; data extraction; customized analytics; interface to triage and correct; alerts	Software subscription license + professional services (implementation, testing, building customized analytics)	CFO, Chief Compliance Officer, Head of Audit, Controller	$50,000 annual license + $150,000+ professional services	> 9 months	3 to 6 months
IOD	Analytics bundles; OIP SaaS to extract data and run analytics; Insights (reports); Dashboard and Workbench to address issues	License subscription fee	Shared Service Manager, Audit Department	Average $25,000 to $300,000, based on number of Insights, number of analytics, frequency of runs, number of transactions	6 months	10 hours

Source: Compiled from company documents.

Exhibit 7 Buyer Personas

BUYER PERSONA – Ken

"I need to catch reputation and financial risk issues before they become significant or before the government catches them."

Identifiers

- **Title:** Director of Compliance, Corporate Compliance Director, Chief Compliance Officer, Chief Audit Executive
- **Role:** Responsible for compliance, regulatory and internal policies. Protect company from reputation and financial risk.
- **Salary:** $131,000- $159,000
- **Company size:** Multinational, Enterprise organizations

Demographics

- Male, 45-55, with master's degree, in auditing, regulatory affairs or accounting. 15-20 years experience
- Detail oriented, risk averse, skeptical, loyal, very responsible, honest to a fault
- Thrives in structured environments, where roles are well defined
- Seeks logical outcomes, integrity and honesty across the organization
- Personality Type: ISTJ Characteristics — integrity, practical logic and tireless dedication to duty and enjoys responsibility

Responsibilities

- Establish company-wide ethics and compliance program
- Conduct or direct the internal investigation of compliance issues
- Oversee and ensure that operations within the company adhere to all applicable rules, regulations, policies, and laws
- Assess product, compliance, or operational risks and develop risk management strategies
- Ensure company is protected from reputation and financial risk

Information Sources

- Influencers: Advisors/consultants, associations and peers
- Events: Association meetings, conferences (FCPA Conference) and continuing education
- Online: Blogs, vendor websites, association newsletters, compliance and accounting publications (FCPA blog, ACC newsletter)
- Assets: Research, white papers, slide decks, vendor websites, product reviews, webinars

Overarching Pain Points

- Complexity of multinational compliance policies
- Compliance itself is creating risk by diverting resources
- Fear of scandal and negative exposure
- Visibility into compliance risks and individuals (they actually need to boil the ocean)
- Balancing the need to self-report with the actual likelihood an incident will be discovered (prioritizing risk)

BUYER PERSONA – Ken

Immediate Needs

- Addressing recent significant fraud
- Automating policy analysis and reporting
- Providing visibility to compliance processes
- Identify unusual and habitual errors, excess and misuse
- Prioritizing and mitigating risk
- Doing business in high risk countries
- Enforcement of FCPA

Use Cases

- Reputation management
- Automating transactional monitoring & visibility

Market Drivers

- Increased legislation, regulation and rules
- Heightened focus on holding individuals and corporations accountable
- Lack of public trust in big business
- Doing more business globally

Use Cases (con't)

- Compiles data for self disclosing fraud issues
- Helps ensure compliance in internal audits and external investigations

Buying Criteria

- Ease of use and implementation
- Proven prepackaged analytics
- ROI and time to value (compliance)
- Sufficiently robust

Common Objections

- Status quo or competitive products "good enough"
- Staff too small to help implement and leverage features of solution
- Difficult learning curve and lack of time-savings in existing processes
- Focus elsewhere (a nice to have, not a need to have)

Purchase Process

- Identifies problem
- Identifies potential solution
- Online research of vendors websites in detail
- Discusses with influencers (consultant/advisor, analysts)
- Request demo
- Evaluates features based on immediate needs
- Takes decision to influencers
- 30-60 day trial/POC
- Finalizes decision with influencers, makes purchase (departmental sale)

Role in Process

- Primary researcher, evaluator and decision maker

BUYER PERSONA – Tina

"I can save my company money by identifying trends in non-compliance T&E."

Identifiers

- **Title:** Travel & Expense Manager; Director, T&E; T&E Expense Specialist; Senior Representative, T&E
- **Role:** Management of overall day-to-day corporate card and T&E program
- **Salary:** $50,000- $90,000
- **Company size:** Enterprise organizations with employee base of at least 5,000 (4,000 expense reports annually)

Demographics

- Female, Gen X, 30-50, with bachelor's degree in accounting, 5-10 years experience
- Collaborative, assertive, communicative, analytical, logical, compartmentalizes, risk averse, work-life balance important
- Thrives in a fast-paced and pressurized environment
- Seeks recognition, training, and career growth

Responsibilities

- Manages overall day-to-day corporate card T&E program.
- Reviews, validates, processes, and audits expense claims to current T&E policy.
- Ensures all T&E claims are processed timely & accurately.
- Provide training and support to the Accounts Payable T&E team.
- Liaise with legal, HR, and audit departments.
- Conduct preferred-vendor rate audits.

Information Sources

- Influencers: Peers, CFOs, controllers, financial operations, compliance, line of business managers
- Events: Association meetings, conferences, user groups, continuing education
- Online: Blogs, Linkedin (community), vendor websites, community-focused publications, business travel and accounting publications.
- Assets: Research, white papers, slide decks, testimonials, vendor websites, product reviews

Overarching Pain Points

- Compliance and policies, and employee education
- Long hours, work-life balance
- Compiling monthly forecasts and reports, audits
- Inability of management to understand what can and does go wrong
- Unclear reporting structure (site GM / line of business manager, controller, and finance)
- Fear of risk-taking / sharing ideas to help resolve problems and quickly implementing to show success
- Staying current on latest trends

BUYER PERSONA – Carla

"I ensure that employees expenditures meet regulator and corporate policies."

Identifiers

- **Title:** Assistant Controller; Cost Controller
- **Role:** Oversees the T&E process; Ensures policies, procedures, and activities are in compliance with corporate standards. Audits reports as needed.
- **Salary:** $50,000- $115,000
- **Company size:** Enterprise organizations with employee base of at least 5,000 (4,000 expense reports annually)

Demographics

- Female, Gen X, 30-50, with bachelor's degree in accounting
- Collaborative, assertive, communicative, analytical, logical, compartmentalizes, risk averse, works long hours
- Thrives in a fast-paced and pressurized environment
- Focused on career growth

Responsibilities

- Review expense reports and verify coding, approval, and documentation to ensure policy procedure compliance
- Conduct audits and provide corporate audit support
- Develop processes to automate data collection and to reduce expenses
- Generate cost reports, recommendations, and analysis of invoices
- Track and analyze cost activities
- Establish and maintain internal controls and present reports and potential risk areas to senior management

Information Sources

- Influencers: Peers, CFOs, controllers, financial operations, compliance, line of business managers
- Events: Association meetings, conferences, user groups, continuing education
- Online: Blogs, Linkedin (community), vendor websites, community-focused publications, business travel and accounting publications.
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- Compliance and policies, and employee education
- Compiling monthly forecasts and reports, audits
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- Staying current on latest trends

Source: Company documents.

Exhibit 8 Example Use Case

Global Diversified Wholesaler Uses Oversight Sales Audit to Monitor Sales and Improve Margin

QUICK FACTS

Global Diversified Wholesaler
- International supplier to 1.8 million businesses and institutions in 153 countries
- 2009 Revenue: US $6.2 billion
- Employees: More than 18,000
- System: SAP, SAP GRS, Other Custom
- Oversight solution and services: Order-to-Cash for sales/margin monitoring
- Implementation partner: None Implementation by Oversight Systems

"Our internal sales and customer service groups saw value in the issues Oversight identified during UAT...before go-live!"

- IT Project Manager

Key Challenges
- Evidence of one-off examples of margin below approved "floor" with no visibility into the total magnitude of the situation
- Lack of visibility created a roadblock to quantify the risk and estimate the losses
- Multiple systems, business units, and countries

Implementation Best Practices
- Implement standard tests, refine results, and scale the program.
- Train users of the systems and managers to monitor progress and ROI
- Distribution of findings back to source for continuous improvement
- Engage stakeholders throughout

Financial and Strategic Benefits
- Improved understanding of business through multidimensional analysis of customers, markets, orders, business units, etc.
- 100+% ROI in less than 4 months
- Utilize platform and capability toward additional monitoring and improvements

Why Oversight Was Selected
- Evidence through proof-of-concept of potential for hard ROI
- Advanced analytics to uncover complex trends and errors
- Standard analytics across multiple systems in multiple locations using local currency

Low Total Cost of Ownership
- Fast implementation to benefit
- Web-based with 99.9% up-time
- Objective and automated review of 100% sales activity

Operational Benefits
- Automated a manually intensive process
- Maximized efficiency by automating review of sales orders
- Standard process and interface provided platform to expand program to more geographical regions

Source: Company documents.

Exhibit 9 IOD Demand Generation T&E Emails—Automated T&E Controls; Potential Meeting

Round 1:

Hi **NAME**, I'm reaching out to you in hopes of scheduling a quick 20-minute introductory phone call where we would discuss helping **COMPANY X** identify waste and abuse in your Travel & Expense program, as well as automate the compliance monitoring process. Clients such as Pfizer and Adobe integrate Oversight with their current expense management systems—such as Concur, Oracle, or SAP—and leverage our analytics to:

- Improve T&E management process through automated review of every transaction
- Reduce the level of effort needed to ensure compliance
- Influence employee behavior through better communication
- Reduce waste and abuse to achieve up to 5% annual savings in travel budget

Would you have 20 minutes available **DATE X** to speak further on this topic? Please let me know a time that works for you. Best regards,

Round 2:

Hi **NAME**, I am following up to see if you would be available for a brief discussion of Oversight's solution that helps to identify waste and abuse in your Travel & Expense program, as well as automate the compliance monitoring process. The purpose of the call is to share with you how our clients benefit from integrating Oversight with their current expense management platform, as well as to assess the fit between your priorities and our solution. Do you have 20 minutes available during **the week of X** for the call? I know you're busy, so let me know if another time is better for you.

Regards,

Round 3:

Hi **NAME**, I apologize for the one way correspondence—I am following up to see if you have time for a quick 20 minute call to discuss helping identify waste and abuse in your Travel & Expense program, as well as automate the compliance monitoring process. We integrate with systems such as Concur, Oracle, and SAP to provide automated analysis of T&E and P-Card transactions. I have some availability **the week of X**. Please let me know what day would work best for you- I look forward to talking soon.

Thank you,

Round 4:

Hi **NAME**, I am following up to see if you would be available for the phone conversation mentioned below in the next few weeks. I am looking forward to sharing with you the ways that Oversight can act as a control within your expense management system. What day would be best for you?

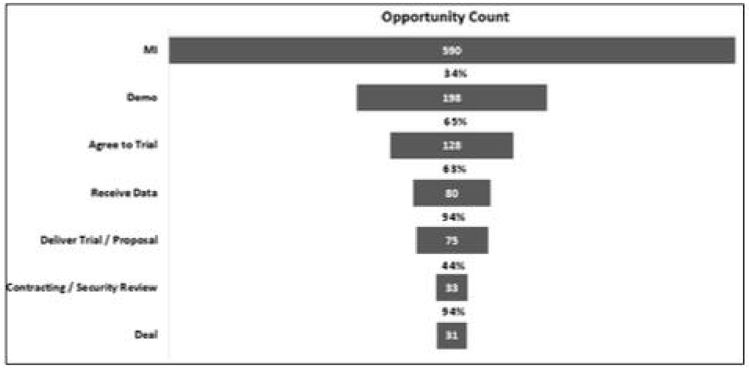
Regards,

Round 5:

Dear **NAME**, I left you a message this **morning/afternoon** to see if you have time in the next few weeks to speak. I'd like to schedule a brief call to share a bit more about our transaction monitoring solution, learn what you are currently doing in this area, and see if we could bring value to **COMPANY X**. I know this time of year is very busy, so please let me know what day would work best for you to have the call. Thank you,

Source: Company documents.

Exhibit 10 IOD Sales Metrics, 2014–2015

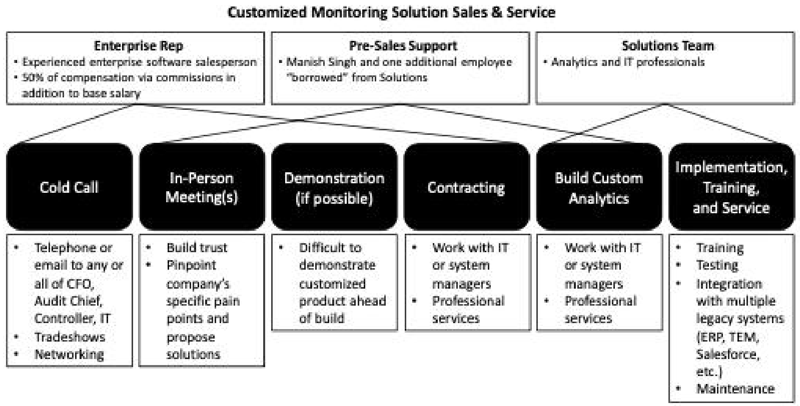


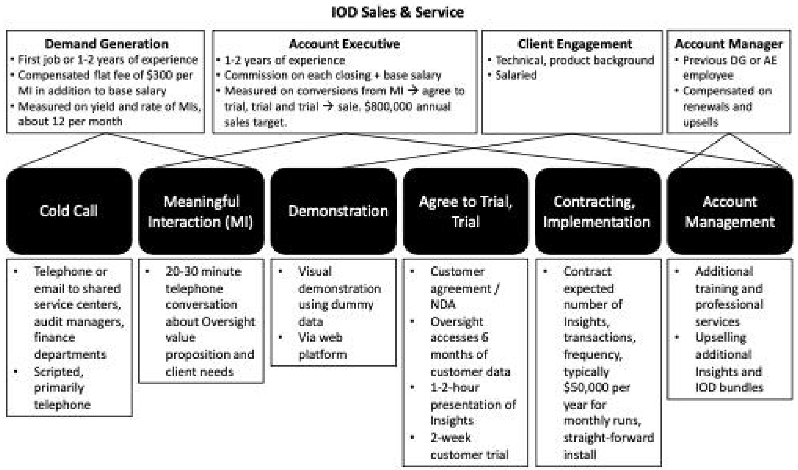
Metric	Assumption	Overall Average
Rounds per Meaningful Interaction (MI)	64	42
MI to Agree to Trial	30 days	26 days
MI to Trial Conversion	40%	35%
Data Request to Data Received		41 days
Trial to Sale Average	90 days	87 days

Source: Adapted by casewriter from company documents.

Note: A round was a measure of an attempt to reach a particular individual at a customer. When trying to reach a particular executive, a set of activities—e.g., calling an assistant and leaving a voice mail, calling the executive's line and leaving a voice mail, and sending email—was collectively considered one round.

Exhibit 11 Comparison of Customized and IOD Sales and Service Processes





Source: Compiled by casewriter from company sources.

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