Case study

Prioritizing ethics and integrity: How Microsoft uses data analytics to fight corruption

Client: Microsoft Corporation

Our Role: Design an innovative solution that would leverage data analytics to identify risky transactions for additional Foreign Corrupt Practices Act (FCPA) compliance oversight throughout the sales deal lifecycle (i.e., pre-sale and post-order).

Industry: Technology, Media and Telecommunications

Services: Data and analytics, Risk assurance, Forensics, Anti-bribery and anti-corruption

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Client Challenge:

How we work, the importance of work in our lives and even what we mean by work are all being transformed.

Founded in 1975, Microsoft (NASDAQ “MSFT”) is a worldwide leader in delivering software, online services, devices and solutions that help people and businesses realize their full potential. Microsoft competes in the technology industry, in which companies rely on a complex sales channel structure composed of partners, distributors and resellers. The complexity of the multi-layered channel creates the risk of bribery, corruption, collusion and fraud.

Within the technology industry, many companies have been the subject of Foreign Corrupt Practices Act (FCPA) investigations. Under the FCPA, companies may be liable for acts committed by their channel partners. Companies that violate the FCPA often face substantial fines and reputational damage. In this regulatory environment, Microsoft saw an opportunity to mitigate its corruption risk while also setting a new standard for ethical business practices. The challenge was in creating a solution that would not only detect corruption but also help prevent potential corruption risks from becoming issues.

Microsoft asked PwC to help design an innovative solution that would leverage data analytics to identify risky transactions for additional compliance oversight throughout the sales deal lifecycle (i.e., pre-sale and post-order). Microsoft chose PwC based on the firm’s strong multi-disciplinary capabilities across strategy, risk assurance (e.g., FCPA expertise), finance, operations and IT/technology.

To address this complex business and compliance challenge, PwC brought together multiple practices to better understand the systemic risk profile, leveraging advanced industry practices to help develop a technology-enabled solution and associated operating model.

“Microsoft has a strong commitment to doing business in a way that builds and maintains trust and integrity with customers and other key stakeholders. By approaching compliance with a growth and leadership mindset, we were able to help Microsoft develop an innovative and creative solution which leads the technology industry in fighting corrosive corruption practices.”

- Kim David Greenwood, PwC Strategy& Principal

Approach:

Released the power of data analytics to fight corruption in real time

Tapping into Microsoft's vast amount of sales and channel partner-related data, PwC helped design an analytics-based solution that provides real-time compliance reviews during the sales deal lifecycle. The use of the latest digital technologies, including RPA/IPA, machine learning, artificial intelligence and data visualization, helps expose sales transaction-level corruption risks by identifying trends, patterns, relationships and anomalies.

To complement the analytics, PwC helped design a new operating model, including a "high risk" deals desk that would review sales transactions flagged by the analytics and manage the identified risks. This custom solution embedded enhanced controls in Microsoft's standard sales motion.

The solution helps promote compliance without unnecessarily impacting sales deal velocity because it presents aggregated deal data and "actionable insights" to the high risk deals desk that allows it to make better-informed compliance decisions. By identifying corruption risks early in the sales lifecycle, Microsoft is in a better position to reduce risks and understand whether the correct controls are in place. This solution also improves "hygiene" by driving better construction of sales transactions.

The increased focus on compliance and transaction construction has provided an overall "halo effect" for Microsoft by fostering ethical business practices and underscoring its global commitment to integrity and honesty.

Impact:

Drives ethical sales practices and reduces its corruption risk

This agile, analytics-driven solution aligns accountability for compliance with the business and embeds a proactive compliance function on the first line of defense.

Additional benefits include:

- Compliance leadership: Recent U.S. Department of Justice (DOJ) guidance stresses to companies the importance of leveraging data, metrics and other objective evidence to demonstrate a compliance program is working effectively and manage its compliance risks. The solution is one of the first to bring together disparate data sets to identify and manage company-specific compliance risks.
- Reduction in compliance incidents: The solution reduced the number of compliance issues through early risk identification and compliance oversight. This means less risk of costly fines and reputational damage.
- Increased deal speed and efficacy: By equipping deal approvers with data and “actionable insights” early in the transaction lifecycle, they are able to make better-informed decisions.

To learn how you can innovate to be a compliance leader in your industry, visit www.pwc.com/us/tmt

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