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FINANCIAL SERVICES: MAKING INFORMED DECISIONS WITH IMPROVED TRANSPARENCY

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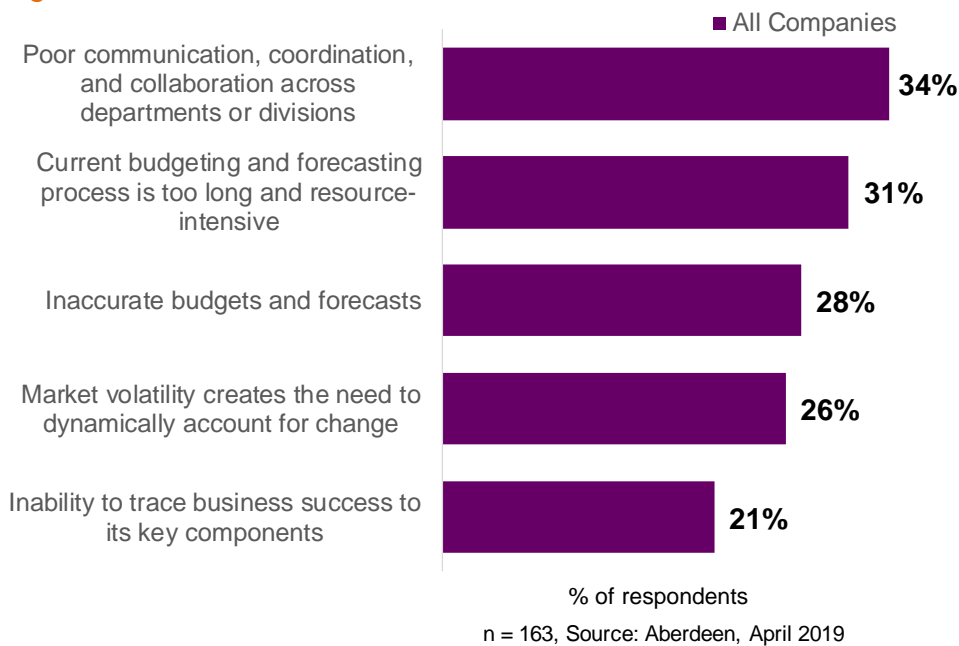
ABERDEEN

Financial Services companies rely on their data to provide relevant information to customers across a variety of areas that support revenue streams (asset, portfolio, risk, and regulatory management). Providing an intelligence edge to the client is their differentiator. Best-in-Class companies do more than their competition to improve their data, visibility, and time-to-information. Automating, streamlining processes, and eliminating “the paper” empowers the Best-in-Class to provide key insights to their customers, which enables more informed decision-making.

Pressures and Challenges Across Financial Processes

Historically, to minimize cost and enhance the visibility of information, financial services companies focus technology and capabilities towards improving the speed and efficiency of transaction processes. Figure 1 highlights the pressures these companies face in their quest to provide greater insights for their customers.

Figure 1: Business Pressures



The Aberdeen maturity class framework comprises three groups of survey respondents. This data determines overall company performance. Classified by self-reported performance across several key metrics, each respondent falls into one of three categories:

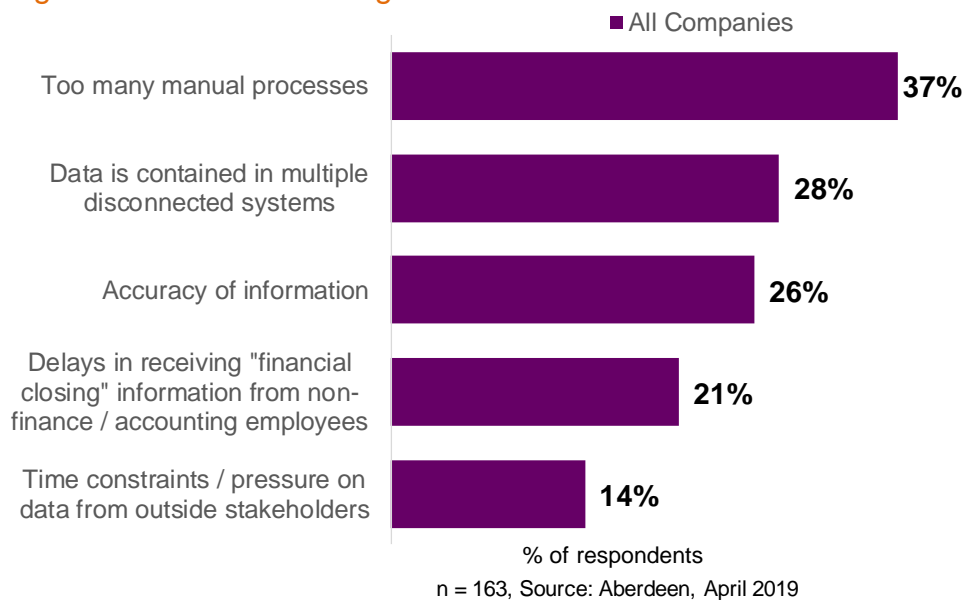
- ▶ **Best-in-Class:** Top 20% of respondents based on performance
- ▶ **Industry Average:** Middle 50% of respondents based on performance
- ▶ **Laggard:** Bottom 30% of respondents based on performance

Sometimes we refer to a fourth category, **All Others**, which combines Industry Average and Laggard.

Underlying these pressures is the goal to increase the speed and flow of business, which puts tremendous pressure on all of the processes upon which the companies rely to gather data and generate insights. Cited as issues: Poor communication, cumbersome processes (many of which are still manual), and the quality of budget data. The volatility of the market itself requires real-time updates to keep projections and forecasts current.

Efficiently managing the volume and variety of data (commonly referred to as *big data*) is at the heart of these challenges. Figure 2 highlights the internal issues that financial services face.

Figure 2: Process Challenges



Addressing process challenges starts with eliminating paper-based routines, which may be obsolete elsewhere, but remain prevalent in the financial services industry today. Exacerbating the issue, these manual processes may span multiple sources, which requires integration and automation to digitalize from end-to-end. Extracting insights requires mining data and promptly applying analytics.

Digitalization is a must for timely reporting. Without digitalization, which enables the automation, companies tend to get bogged down in processing data and shortchange the analysis due to time constraints.

Market volatility is one of the pressures driving digitalization. This volatility requires constant, near-real-time refreshing to update and reforecast changes dynamically while allowing for before-and-after comparisons and complying with on-demand requests.

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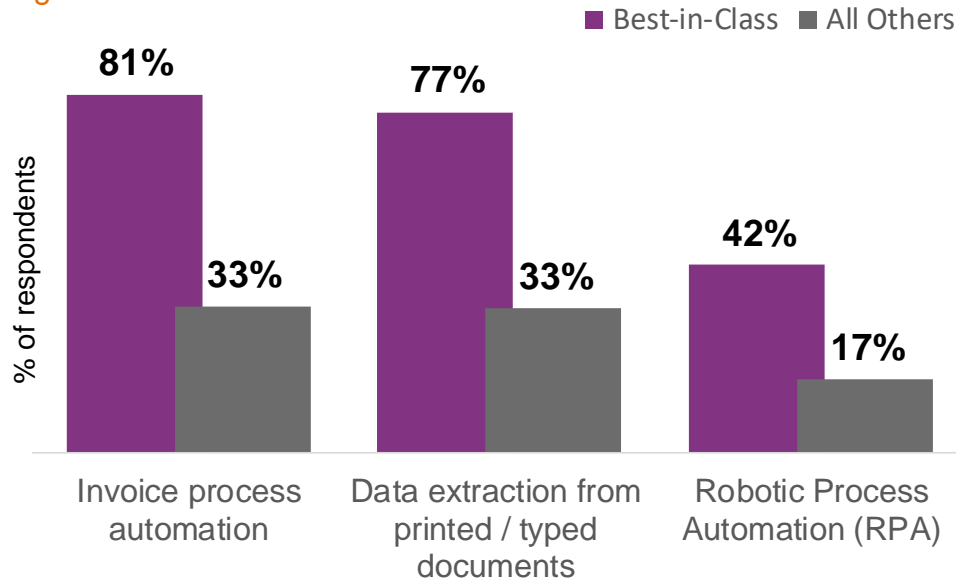
Time-to-information and speed of reporting is also a challenge, particularly across multiple sites. Testing the results to validate critical insights and make informed decisions requires transparent analysis and scenario-planning. Cloud-based solutions can offer tremendous value in this regard by sharing information across a unified platform, thereby making updates universal across the organization.

Best-in-Class companies have a clear, competitive advantage (see sidebar). The adoption of new technologies (Cloud, machine learning, and AI) is changing the financial service environment. Keeping abreast of and investing in new technology is how the Best-in-Class will maintain the competitive edge.

Process Automation Advantages for the Best-in-Class

The Best-in-Class are more than 2x as likely to have automated invoice processing, data extraction capabilities, and to use bots. Figure 3 reflects the priorities that leaders apply to AR / AP automation vs. their competition. These processes deal with the flow of documents throughout the order-to-cash and procure-to-pay cycles. Comparing the core processes with which all companies must deal, the Best-in-Class have a clear advantage across the board.

Figure 3: Financial Process Automation



n = 142, Source: Aberdeen, April 2019

For financial services firms, the flow of all types of documentation, in addition to invoices, is more significant than in other industries. When there are multiple, disparate sources, promptly capturing and digitalizing content at the source enables the movement of data and information from

Best-in-Class Performance

Improved cycle time of key business processes over the past two years:

- ▶ Best-in-Class: 7%
- ▶ All Others: 2%

Improved time-to-decision over the past two years:

- ▶ Best-in-Class: 8%
- ▶ All Others: 2%

Percentage of accurate financial reports:

- ▶ Best-in-Class: 89%
- ▶ All Others: 77%

Productivity improvement over the past two years:

- ▶ Best-in-Class: 12.1%
- ▶ All Others: 0.2%

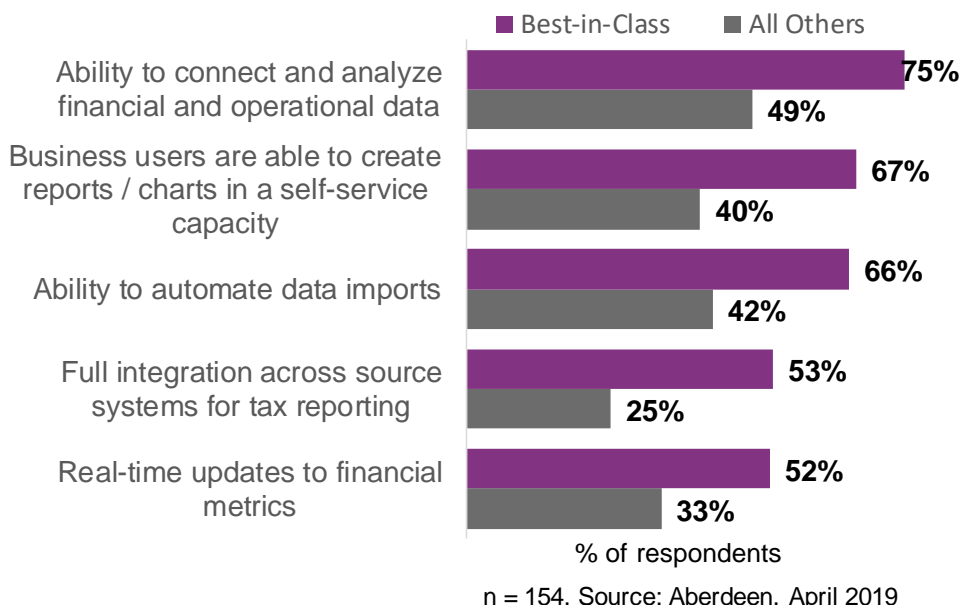
source to point-of-use more quickly. Digitalization with intelligent document management facilitates data extraction from any form, simplifying the capture of information. Streamlining — with robotic process automation (RPA) — reduces the manual effort to manage common exceptions and speeds up the flow of information further. It is clear that all companies must eliminate “the paper,” standardize, and automate processes.

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Data Management and Source Integration

Having the ability to connect and analyze financial / operational data is critical as the issue goes beyond four walls; it requires incorporation from multiple sources. The Best-in-Class are 53% more likely than All Others to have this capacity in place, giving them a considerable competitive advantage. Figure 4 reflects the capabilities needed for managing data and source integration across the organization.

Figure 4: Data Management and Integration Capabilities



Automating data imports from multiple sources dramatically improves the timeliness of the information while ensuring constant updating occurs across the organization. Best-in-Class companies are 57% more likely than All Others to have this ability established.

Integration across source systems makes processes both repeatable (automation) and timely (current), which makes real-time content updating feasible. Best-in-Class companies are more than twice as likely as All Others to have this capability in place.

Having integration in place for complex topics (like taxes) requires the merging of income and sales-and-use data from federal, state, local, and foreign suppliers and customers, as well as any other necessary sources. This level of integration is not easy without both the commitment and the mindset to make it happen.

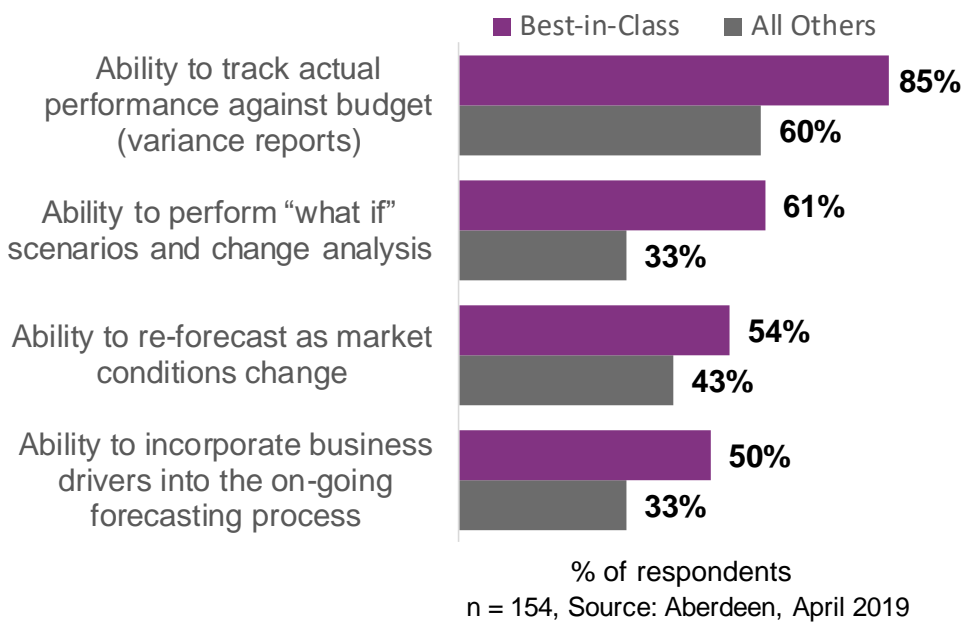
Putting the data into the hands of both the analyst and the business user requires capabilities that allow for ease-of-use access and manipulation, including the ability to generate reports independently. The Best-in-Class are 68% more likely to have this capacity in place. Having the data, but limiting access to it, undermines the entire concept of process streamlining as a means of providing information for consumption and analysis in real-time.

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The Value of Insight and Analytics Capabilities

Companies that leverage analytics across functions are in a much better position to review actual metrics as opposed to static customer budgets and / or plans. The value of the review relies on access to real-time updates and change alerts. Figure 5 reflects the insight and analytical capabilities that give the advantage to the Best-in-Class.

Figure 5: Insight and Analytics Capabilities



Best-in-Class companies are 42% more likely than All Others to have the ability to review actual metrics vs. static plans. The Best-in-Class are also more likely to reforecast as market conditions change. They are also 85% more likely to perform "what-if" scenarios, which provide even greater insight, testing their plans in place that assess the upside, downside, and risk alternatives. These "what-ifs" could be operational or financial.

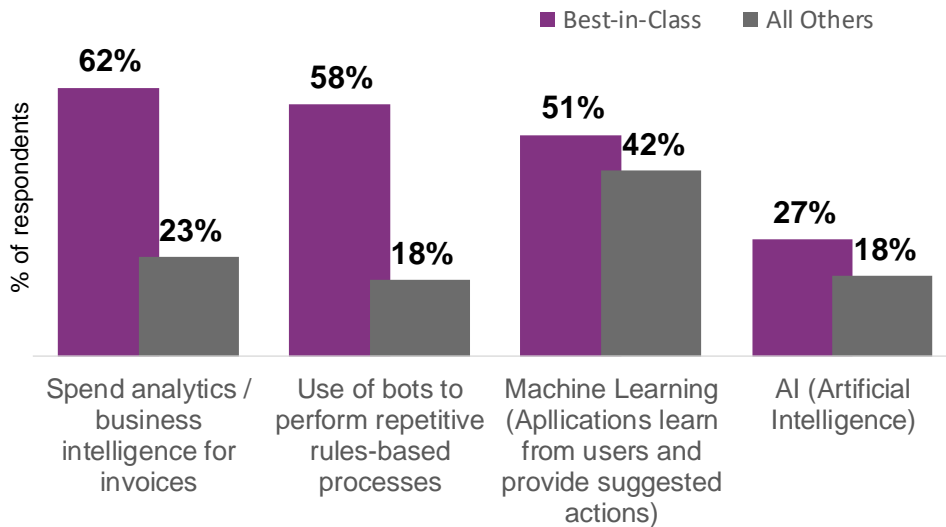
Analysis does require some time; however, if scenarios and the ability to change data and forecast conditions are in place, running scenarios for customers can happen quickly.

These analytical and insight capabilities further highlight the critical need to factor data source integration and real-time updating into plans continuously. Preparing for and establishing processes that provide timely, end-to-end data refreshing sets the stage for Best-in-Class analytics that offer key insights to customers to allow for more informed decision-making.

Leveraging Technology for the Future

When it comes to adopting new technology, the Best-in-Class have a significant advantage across the board. (Figure 6)

Figure 6: Technology Advantages



n = 142, Source: Aberdeen, April 2019

When there is timely access to the data, the focus of new technology moves beyond fundamental processing challenges toward providing better intelligence, quality, and integrity of information. The Best-in-Class are 2.7 times more likely to have spend analytics in place. This is a call to action for All Others highlighting the need to invest in analytics.

To speed up pattern and issue recognition, the Best-in-Class adopt machine learning, which recommends possible alternatives and creates enhanced insights more quickly. Augmenting the other options — with predictive analytics that simulate outcomes — further simplifies the decision-making, saving valuable time, and possibly providing a competitive edge for the customer.

Preparing for and establishing processes that provide timely, end-to-end data refreshing sets the stage for Best-in-Class analytics that offer key insights to customers to allow for more informed decision-making.

Artificial Intelligence (AI) offers tremendous promise beyond machine learning. AI finds new patterns not seen previously; it identifies trends over time; it recognizes organizations / entities that influence outcomes; and, it locates repetitive data issues. AI possibilities are endless. For the Best-in-Class, AI adoption is 50% greater than the competition.

At the process level, the adoption of bots continues to increase, particularly with the Best-in-Class, who are more than 3.2 times as likely to have adopted RPA, which can be used to automate repetitive decision-making within guidelines more quickly, further increasing process speed over basic automation. This speed to information offers the competitive edge; the organization is the first to know and advise, keeping it ahead of the pack.

Accomplishing the Mission

Applying advanced capabilities to revenue streams can put financial institutions and service providers ahead of the competition in many areas:

- ▶ **Asset Management:** Eliminate unproductive research activities. Significantly reduce the time spent digging through internal and external data sources.
- ▶ **Investments:** Use dashboards to create a push-based solution that proactively presents the most relevant information in real-time.
- ▶ **Risk:** Use machine learning and AI to find patterns throughout unstructured data to optimize performance and further minimize risk.
- ▶ **Tax Preparation:** Improve visibility into tax data and proactively prevent mistakes before filing.
- ▶ **Regulatory Compliance:** Use exhaustive monitoring to classify faster, reduce costs, and limit fraud risk.
- ▶ **Retail Banking:** Focus attention on customer support. Streamline data through system integration, minimizing the effort needed to access content across enterprise applications.

Based on their new technology adoption, it is clear that the Best-in-Class currently have significant capability advantages over All Others — and they are taking the necessary steps to maintain their edge.

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Summary and Key Takeaways

Financial Services organizations are under constant pressure to improve performance while reducing process costs. Particularly when it comes to providing better information more quickly, companies must offer improved insights that allow customers to make better-informed decisions. Data management, system integration — compounded by multiple and disparate data sources — along with outdated processes drive this challenge.

When it comes to automation and document management for invoice processing, Best-in-Class companies demonstrate superior capabilities across the board. They have integrated data sources and automated import to streamline forecasting using real-time updates to generate critical modeling scenarios. They also have superior analytical capabilities to offer greater insight to their customers, which leads towards more informed decision-making. The adoption of new technology indicates that the Best-in-Class will continue to lead and likely increase their competitive edge.

Aberdeen recommends that all companies follow the direction set by the Best-in-Class. Their current capability advantages enable their people, improve their systems, and modernize their technology — creating greater transparency for their customers. Their streamlined processes create more timely, accurate, and insightful information. Most importantly, the Best-in-Class provide their customers with greater insights, which allow for more informed decision-making.

About Aberdeen Group

Since 1988, Aberdeen Group has published research that helps businesses worldwide to improve their performance. Our analysts derive fact-based, vendor-neutral insights from a proprietary analytical framework, which identifies Best-in-Class organizations from primary research conducted with industry practitioners. The resulting research content is used by hundreds of thousands of business professionals to drive smarter decision-making and improve business strategies. Aberdeen Group is headquartered in Waltham, Massachusetts, USA.

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