CFOs: It's Time to Make Big Moves

How to transform finance and empower your institution's return to growth

Partner Insights from ORACLE

Presented by AMERICAN BANKER

Introduction

Open a branch. Close a branch. Tweak the business model. Launch a new savings account product.

In today's uncertain, volatile environment, those small changes simply won't move the needle enough. Because banking is evolving at a faster pace than ever—in part due to trends in consumerization and in part due to the global pandemic—financial institutions will need to make bold moves to thrive.

For example, COVID-19 has accelerated consumers' desire for digital banking channels, putting pressure on financial institutions to quickly move to a digital-first model. About a quarter of consumers say that the pandemic has made them more likely to use their bank's website (27%), mobile app (23%), and online mobile payment apps (26%).[1]

And if banks don't provide an exceptional digital experience for consumers, FinTechs and GAFA (Google, Apple, Facebook and Amazon) will happily swoop in. And they may just win the hearts and minds of **bank customers:** 75% of consumers ages 18 to 24 would use a financial product from an established technology company.[2]

In addition to changes in consumer's digital banking expectations, the global pandemic has fueled macro-economic stress. **BIS predicts that the economic costs of** COVID-19 will dwarf those of past epidemics, with an impact on global GDP growth of -4%.[3]

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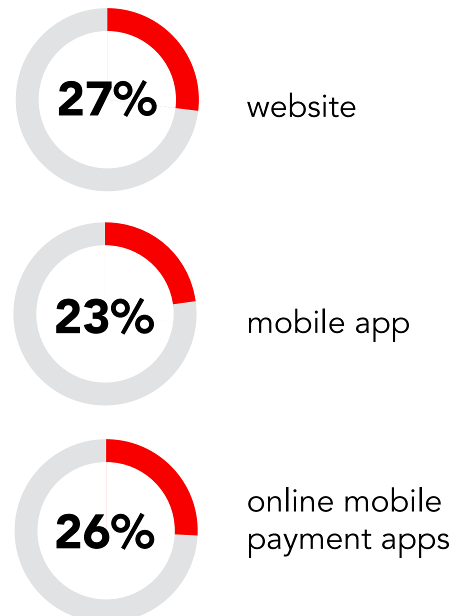

Source: https://www.pwc.com/us/en/industries/banking-capital-markets/library/consumer-banking-survey.html

Throw in low interest rates for the foreseeable future that compress margins and it's clear that financial institutions will need to shake things up and make big moves to survive.

But underlying and driving any decision-making is data. And good data starts in finance. Finance teams touch everything, from long-term market forecasts to mileage-reimbursement requests. But most finance teams spend a large percentage of their time gathering and reconciling data rather than interpreting and analyzing this data.

It's time to modernize financial management.

This eBook outlines how enterprise performance management (EPM) technology in the cloud is enabling CFOs and their teams to innovate, meet the needs of the experience economy, and move past resilience and recovery and return to growth.

Transforming Finance

Within an uncertain environment, finance teams are being asked to accurately forecast and perform scenario modeling to uncover new opportunities. But finance teams can't react quickly and decisively when they are bogged down with time-consuming activities like monthly close. Rather than strategically valuable tasks such as updating financial plans, reforecasting, examining costs, and analyzing margins and allocations, finance resources spend hours and days consolidating and validating data.

Executive teams need timely data to make strategic decisions. Instead, they are forced to work with data that is a month old, at least. They also need to trust that the data is accurate.

To speed their financial and management reporting capabilities and to gain deeper insight into their business, CFOs are turning to automation, machine learning, and advanced analytics to change how they approach financial management.

Finance teams are also relying on EPM capabilities for planning and forecasting. For example, finance teams use EPM to develop scenario models for investment portfolios, create cash forecasting scenarios, or define new operational KPIs.

EPM solutions in the cloud provide quick access to data so finance teams can perform financial close and analysis faster and more accurately. Think about the time that finance could divert to higher-value finance activities. And imagine if data flowed automatically, making close touchless? If a live record of accounts is always available, the close actually becomes irrelevant and financial data and the insights it harbors become almost real time.

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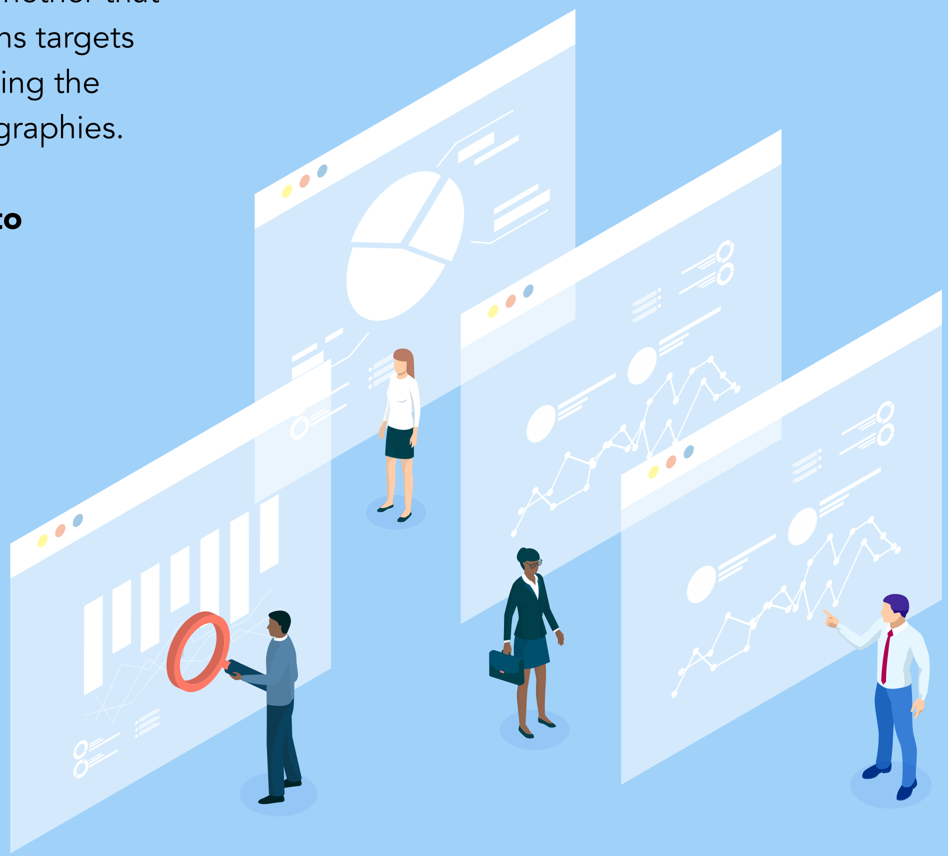
Making Big Moves

Armed with accurate data from across the enterprise, and combined with external data, financial institutions can confidently make big moves, whether that be restructuring the business, finding the best mergers and acquisitions targets at the best price, modeling the impact of divesting businesses, assessing the potential success of creating subsidiaries, or expanding into new geographies.

Within the current uncertain environment, leaders need answers to questions such as:

- How will loan default rates impact revenues, and what levers can we pull to generate more revenue? Should we increase fees? Should we increase wallet-share promotions?
- What are the CECL implications for credit losses on loans?
- How will additional government stimulus impact default rates?
- How will workforce changes impact expense ratios?
- What products and customers are the most profitable?
- What are the best ways to quickly integrate new companies, systems, processes, and employees into our business models with an eye on compliance and security?



What is EPM?

EPM links the operational insights from ERP with financial data, allowing banks to analyze, understand, and report on business performance across the organization. But EPM also allows business leaders to identify key trends and predict outcomes by creating complex models with both financial data and external market data.

Traditionally, finance sends spreadsheets to the business owners in various parts of the bank who enter forecast information and send it back. The finance team then manually enters the data into a central repository. To view trends, finance creates a new spreadsheet and sends back to the line of business. The process repeats—over and over again—wasting time and resources.

Today, banks want a modern EPM where users can get insights and input new information without a massive effort from the financial planning and accounting team to pull and distribute spreadsheets.

EPM is more than an aggregation system; it's the rails that bridge the gap between the finance function and the rest of the organization, marrying financial and operational data into insights that drive decision-making. All stakeholders and business partners gain visibility into what's happening in the organization in near real time.

EPM's data insights can be used across the financial institution: from risk management to marketing to product development to human resources to sales to treasury to regulatory reporting, and more. EPM provides a single source of trusted data and eliminates having to manually reconcile data from dozens of disparate systems. It includes financial consolidation, close process management, account reconciliation, profitability and cost management, and internal and external reporting.

Here's how EPM empowers three big moves:

Big Move 1: New Business Model

More than 90% of executives believe that the fallout from COVID-19 will fundamentally change the way they do business over the next five years.[4] To survive the pandemic and reignite growth, financial institutions must innovate their business to adapt to changes in sales models, the need for new products and services, an influx of competitors, and rapid changes in customer behavior.

Unfortunately, only 10% of executives feel that their financial teams have the skills to support their organizations' ambitions.[5] Just 33% said that the finance function plays an influential role in "mapping future scenarios for a more disrupted and volatile future," restraining finance's ability to guide and influence business model innovation.[6]

In Practice:

"Before launching a new product or expanding our business lines in retail and corporate, we perform an in-depth analysis of our three to five year return on equity. We then work backwards and create a framework to achieve our desired ROE. This enables us to make more informed strategic decisions and drive profitable growth."

—CEO, Regional Bank

Big Move 2: M&A

KPMG predicts that M&A activity will increase as financial institutions strive to improve efficiency, create scale, and support their business model innovation strategies. Financial institutions will acquire other banks, as well as **fintech firms and digital solutions players such as payments and instant lending companies.**[7]

McKinsey notes that joint ventures and alliances will become even more important for financial institutions but they will need a **clear business case and methodology for valuing each partner's contribution.**[8]

The key is to model business changes, identify M&A targets, onboard acquisitions faster, and harmonize accounting to ensure data quality across multiple systems. For instance, financial institutions will need to model how various structures such as sales territories, product hierarchies, geographic locations, or chart of accounts fit into the overall organization.

In Practice:

"As a community bank growing by M&A, we needed a better way to analyze the financial impact of our acquisitions. Setting up our chart of accounts and cost centers in Oracle EPM allows us to easily track financial performance post-acquisition."

—Vice President,
Mid-west Community Bank

Big Move 3: Automated Close

Although more than 75% of finance tasks could be automated,[9] financial institutions still rely on spreadsheets for many tasks, including financial close. But those organizations that have automated their monthly financial close tend to outperform their competitors. These organizations don't waste time and resources gathering data, but are able to get timely, accurate information into the hands of decision-makers quickly.

More automation facilitates better collaboration between teams, supports continuous forecasting and planning, and enables predictive capabilities to respond to market changes.

Benefits of EPM in the Cloud

- Complete financial and performance platform
- Data consolidation
- End-to-end view of financial data
- Extend data provenance from consolidations and analytics back to any source
- Drive efficiencies with intelligent finance applications
- Finance team becomes more relevant to the business

In Practice:

"By moving our technology to the cloud, we have reduced the time it takes for financial close by **almost 80%**. Not only is this a huge cost and time savings, but automated close lets us focus our time and resources on strategic initiatives that will grow our business."

—Chief Technology Officer,
Global leader in wealth management,
corporate, and investment banking
and trading

Empowering CFOs

Finance leaders and teams have always been the keepers of their organization's most valuable data. While finance teams had already been transitioning from a reporting and transaction focus to a forward-thinking approach, the global pandemic, combined with consumer expectations for a digital experience, has accelerated that trend.

To navigate through rapid change and return their institutions to growth, the CFO and the entire finance team need to become a true partner to the CEO and the rest of the organization. Finance needs to be nimble and model financial scenarios to analyze the impact of changes across the organization using large volumes of data. These models will provide leaders with the insights they need to make the big moves.

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