ORACLE

BANKING PLAYBOOK

Modernize finance for quick wins and long-term growth

INTRODUCTION

Technology transformation is key to maintaining your bank's competitive edge. Consumer demand is driven by digital convenience, net interest margins are razor thin, and an ever-changing regulatory landscape has put pressure on CFOs and their teams to produce highly granular, more-frequent reporting. Your IT colleagues are busy keeping up with a long list of mission-critical projects, making it difficult for finance to get on the digital modernization agenda. This could mean you'll spend another year with antiquated processes and limited insights—a position you can't afford to be in as the industry and market continue to fluctuate.

Today's business landscape favors the bold and forward-thinking. Recent research from Ernst & Young reveals that these segments identify a fintech as their most-trusted financial services brand.

**51%**
of members
of Gen Z

49%
of millennials

37%
of consumers

By comparison, only 33% of consumers named a bank as their most-trusted brand.

With the growing adoption of advanced technology across the industry, it's becoming clear that finance has the opportunity to do much more than just balance the budget—it has a vital role to play in driving transformation.

Without a strong business case, however, your digital modernization projects may still struggle to take priority. At Oracle, we're helping banks design and implement agile modernization journeys that allow finance to fulfill its strategic role as an integral partner in the success of financial services institutions.
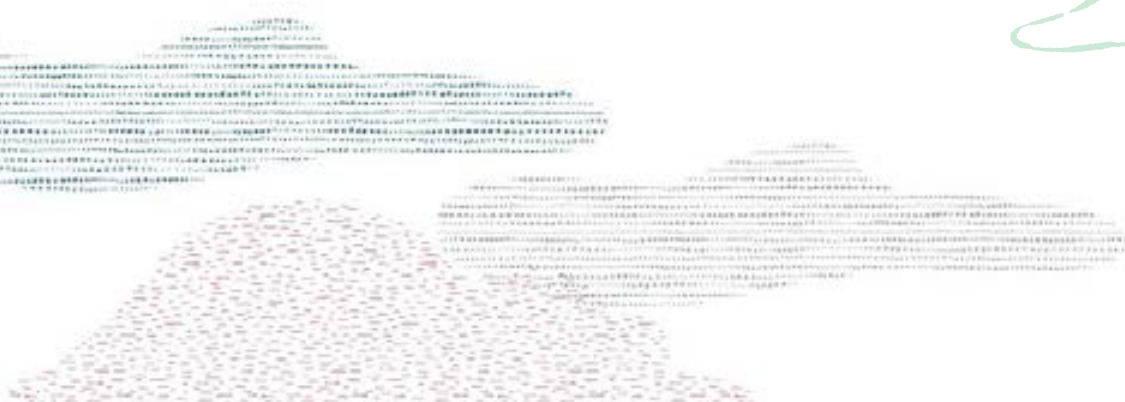
The promise of finance modernization for bank CFOs

It's not a new concept that having a single source of truth and a complete view of your data across the business leads to better decision-making. But by itself, data won't bring you the competitive edge you need, and data alone isn't going to transform how your organization views the finance function. With strategic, incremental modernization, however, finance can harness the full power of data and deliver both valuable business insights and cost-saving operational efficiencies.

Deciding to embark on your finance modernization journey is the first step, but it may not be easy to know where to go from there. If recent years are any indication of the future, the best prediction for the financial industry is more unpredictability. That's why Oracle Financial Services has been helping customers develop agile transformation roadmaps that deliver steady, incremental value to the finance function.

As a result, Oracle customers are demonstrating consistent improvements in operational efficiency, with faster, cost-effective processes, better risk assessments, and increased compliance—and their institutions' leadership is taking notice. Finance staff are no longer simply preparing and handing over standard reports; they're contributing valuable analysis and insights that are helping to transform their organizations. At the same time, better access to integrated data coupled with lean project management is allowing organizations to implement streamlined processes with measurable time, value, and cost savings across multiple types of reporting, including regulatory, statutory, and management.

"By 2023, **30% of organizations will leverage financial consolidation capabilities**, including accounting hubs, within their cloud core financial management suites, reducing deployments of third-party tools."

—Gartner, "*2021 Magic Quadrant for Cloud Core Financial Management Suites for Midsize, Large, and Global Enterprises*"

Plan your approach

The finance modernization journey

Your path to finance modernization will depend on your organization's current state and what needs to be accomplished. Most organizations have learned that reaching modernization requires a series of incremental steps where each project provides near-term value while also moving them closer to their vision for digital transformation.

A single source of truth for data, once a conceptual framework, is no longer just nice to have, it's a necessity. But core legacy and fragmented systems and manual processes pose challenges, and it's impractical to redesign an entire information architecture at once. We recommend a modernization journey without a defined endpoint—one that's guided by an agile finance transformation roadmap that prioritizes opportunities for finance to contribute to your institution's bottom line and competitive edge.

Think of your journey as a lifecycle rather than a one-way ticket to a single destination. You'll build and deploy solutions on an ongoing basis and show quick wins with every progress report. Even if you're still building out your data warehouse, this agile approach of achieving multiple incremental wins can help unlock value throughout your journey.

The benefits of finance modernization

Finance sits at the center of a trove of data, and modernization projects can extract value from that data by providing the following:

Better data availability

Even incremental improvements in data availability will help your institution overcome barriers caused by politics, ownership, disparate systems, and entrenched processes. When data—and access to it—is unrestricted, you can have more trust in the accuracy of your findings.

Reliable data quality

Consistent inputs and data hygiene standards also serve to increase trust in the reliability and predictability of your insights. This allows for more action and less unproductive debate about what the data means.

Data integration

With integrated systems, modern finance departments are transforming from number crunchers into storytellers who create a true 360-degree view of the customer.

Data augmentation

When you've got a handle on internal sources, you can add even more value by layering in external data that provides deeper customer understanding and enables predictive modeling.

Security and compliance

You can build initiatives into your modernization journey to reinforce data security and support compliance without disrupting what you need to do to build your business. You can meet the demands of regulators for specific report templates, more-frequent reporting, and even access to raw data while also adding the most up-to-date security protocols.

When approached as a natural part of ongoing change management rather than a high-stakes IT project, finance modernization allows for continual improvement, giving your institution the flexibility to meet today's challenges while preparing for those to come.

The pressure to innovate

When finance is viewed as a cost center that primarily serves the needs of operational units, it's hard to get attention for modernization initiatives. If you've been living with legacy system constraints for years and have been trying to shape those systems to work with new compliance and operational realities, it's time to make the business case for a new path forward.

First, it's important to show how finance modernization can benefit your organization by enabling better strategic insights and innovation. With less-cumbersome systems, you can increase productivity, assure compliance, and empower bold decision-making. You may also want to highlight four common factors that make modernization an urgent need.

1. Competition

It's not news that forward-thinking banks and fintechs are angling for your customers and chipping away at your most lucrative services. These streamlined financial institutions are unencumbered by legacy systems and manual processes.

2. Regulatory pressure

Keeping up with regulatory demands requires complex governance frameworks as well as increased documentation, tracking, and tailored reporting. You can't just keep adding staff to serve the latest regulatory request when it doesn't do anything to improve your bottom line.

3. Legacy systems

Organizational decision-making is significantly constrained when your data picture is fragmented or incomplete. If you're primarily relying on manual reporting, you probably have a good idea of what you're missing and how much more you could contribute with real-time automated processes.

4. Risk management

Gaps in data availability also bring increased risk—from pricing uncertainty to the heightened consequences of a privacy breach. When you're reliant on monthly spreadsheets for analysis, the right time to deal with a critical situation could easily pass before anyone is aware of its significance.

When making the case for finance modernization, it's also important to tie in your organization's need for increased reporting, data access, and streamlined processes. You're already living with many of the pain points, so you know what's not working. Additionally, you'll need to discover and document the tangible ways in which finance modernization will help meet your colleagues' needs, improve their lives, and make their business more relevant to customers.

Once you mesh your finance modernization plans with your overall organizational goals, you can consider the constraints on available IT investment as you choose which projects to prioritize. When you design a roadmap that consists of a series of quick wins rather than a major overhaul, you're more likely to get funding.

Wrap up your business case by laying out your priorities. In doing so, you'll structure your modernization journey as a series of projects that each bring tangible results, and you'll begin delivering demonstrable value in increments soon after your plan's approval and every few weeks thereafter.

With this kind of agile deployment, project check-ins will no longer be incomplete progress reports—they'll be an opportunity to tout early and ongoing successes that benefit the entire financial institution.
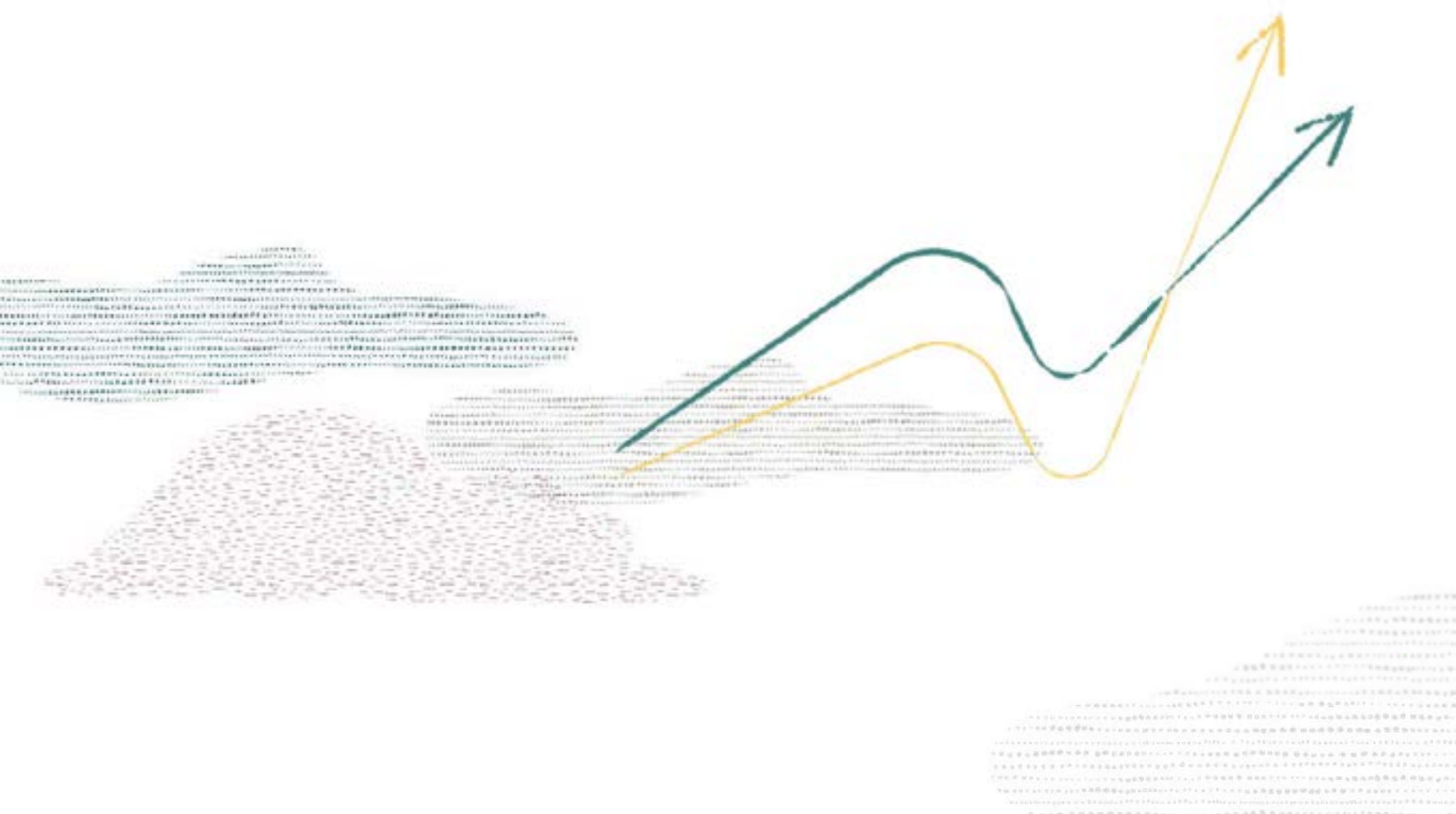
Get started

Information gathering to align strategies

There's good reason to define finance modernization as a journey. Embarking on a years-long transformation project isn't practical in a world and an industry where it's increasingly difficult to predict the future. Oracle's approach is to map out a path in which early-stage projects help build a foundation for subsequent investments. In some cases, cost savings from early projects can even provide the funding for future ones.

Once you've laid out your business case for finance modernization, and you've made sure your implementation strategy is in alignment with the needs of the overall organization, the next step is to gather information more broadly. Studying industry trends, having peer conversations, and accessing best practices and case studies will help you discover solutions that are right for your organization.

Follow information gathering with a technology assessment that takes a clear-eyed look at your finance department's current solutions as well as solutions that are deployed institutionwide. With an objective understanding of your current technological state and available solutions, you can begin to map digital transformation deployments and address the question of what you need to build versus what you can afford to buy.

Value mapping for quick wins

We recommend following this technological assessment with value stream mapping. From a list of possibilities, you'll choose the projects that are most likely to create early and lasting impacts. Design your plan so you can deliver the biggest benefit and the greatest opportunity for success early on. Then, moving forward, you can show continual incremental progress.

As with any technology initiative, having a process for strategic alignment that brings your entire organization along on the journey is key. This includes retraining your team so they can fully contribute during and after the transformation as well as systematically tracking and communicating progress along the way.

We recommend an iterative implementation roadmap consisting of four phases: strategic business plan, release planning, execution, and realignment. The agile implementation of your modernization journey takes a cyclical approach that recognizes continual process improvement with each incremental deployment. Flexibility is built in, and plans are modified based on each success and assessment.
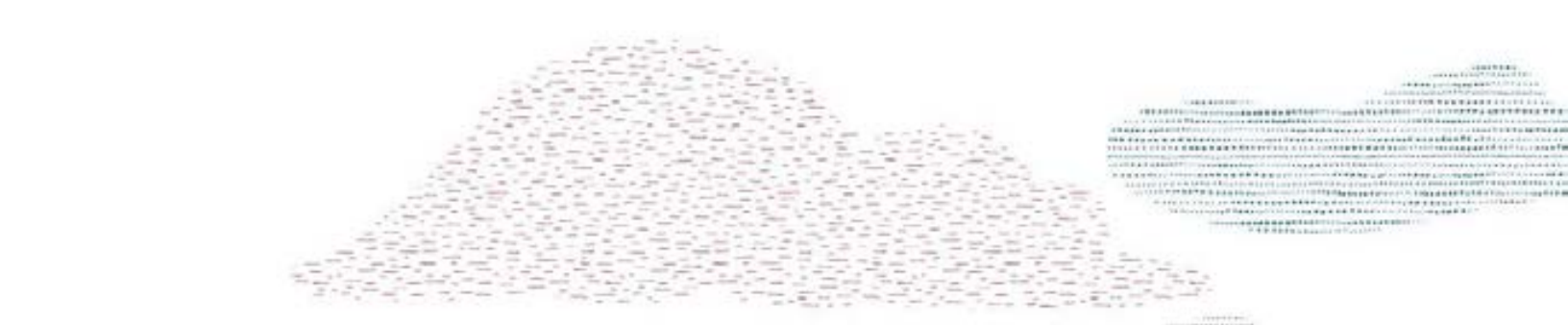
Step 1. Strategic business plan

This is your planning and design phase, which includes gathering business requirements, benchmarking against peers and competitors, and setting goals. It should also include a data extraction and integration plan, a risk and security audit, and personnel and training requirements.

Step 2. Release planning

With quick wins in mind, your agile build will resemble a series of sprints and overlapping developments. This is where your consultants can partner with your in-house IT team to clear progress blockers.

Step 3. Execution

When you conduct ongoing usability testing of a new process in parallel with your legacy approach, you can get real-time feedback to compare performance, check accuracy, and meet compliance. Testing usability before deployment also allows you to fine-tune a rollout plan and finalize performance and efficiency goals. With a well-defined plan, you'll be able to include training and user feedback when rolling out each new process. Your team can monitor KPIs while continuing to run old and new processes for a short period. This will also allow you to easily integrate business and regulatory feedback. Additionally, measuring employee satisfaction during and after rollout can help you identify potential concerns before inefficient or illogical processes are baked in.

Step 4. Realignment

As you push the boundaries of process efficiencies, ongoing assessment of your progress helps you identify opportunities for continual improvement. Each new initiative moves you away from cumbersome legacy systems so you can leverage a modern infrastructure and effectively respond to regulatory and competitive pressure.

Step 1. Strategic business plan

- Develop business and IT strategies
- Confirm investment plans
- Produce solution blueprints, including the vision statement and product roadmap

Step 1 has three main elements:

Speed: Take an iterative approach to quickly establish an initial product vision statement and product roadmap.

Focus: Organize work to prioritize high-value opportunities and by business specialty based on the MoSCoW rating system.

Flexibility: Adopt a flexible approach that can be adjusted as objectives and scope are refined.

Step 2. Release planning

- Create release and product backlogs
- Develop a detailed benefits management framework in line with the portfolio and investment plans

Step 2 focuses on planning, including coverage for:

Evidence-based management: Ensure your release planning includes the holistic management of the four key value areas: unrealized value, current value, ability to innovate, and time to market.

Step 3. Execution

- Release 1
- Release 2
- Release 3
- Release 4
- Release 5
- Release N

Step 3 focuses on developing the sprints in an iterative manner based on the product backlog. It should include the following:

Benefit realization management: Measure each increment (outcome) against the expected value defined in step 1.

Portfolio decision: Take appropriate decisions regarding any increments or releases that haven't achieved your definition of "done."

Step 4. Realignment

- Revise the strategic business plan and release strategy
- Reorder the product roadmap and backlog

Step 4 ensures that the agile team revisits the strategic business plan and release plan with business stakeholders:

Strategic review and realignment: Conduct overall review meetings with the key stakeholders to groom the required artifacts, such as the vision statement and product roadmap.

Receive guidance along your journey

The largest banks have internal business transformation offices charged with aligning IT and business strategy. It's the job of these offices to constantly assess projects relative to the organization's goals. Banks unable to support this function rely on consultants to provide advisory services.

Oracle Financial Services often partners with future-focused consultants who are immersed in industry best practices. A trusted advisor who understands your business can provide everything from high-level consultation in the planning phases to goal setting, business-case building, and project planning.

External financial services experts can also help you work on a proof of concept, labs, and demos. You want a partner who's focused on making sure solutions are deployed immediately and that those solutions benefit your organization in the long term.

Oracle can help you and your IT team move away from solution-first thinking.

A strategic roadmap
for continuous outcomes

Finance modernization is a journey toward integrated data and its related benefits. Each step you take brings you closer to a single source of truth for data and the ability to access real-time, self-service data and insights, which ultimately moves finance closer to the center of business decision-making. When your analysis is backed by reliable insights, you'll avoid interdepartmental disagreements over versions of the truth and more easily agree on decisions.

The benefits of finance modernization go beyond providing faster, more accurate decision-making tools and visualizations. Standardized reporting, analytics, and processes will save you time and free your people from the burden of mundane tasks so they can focus on innovation.

Employees will be empowered to do better, smarter work that will elevate their role and increase their value to the organization.
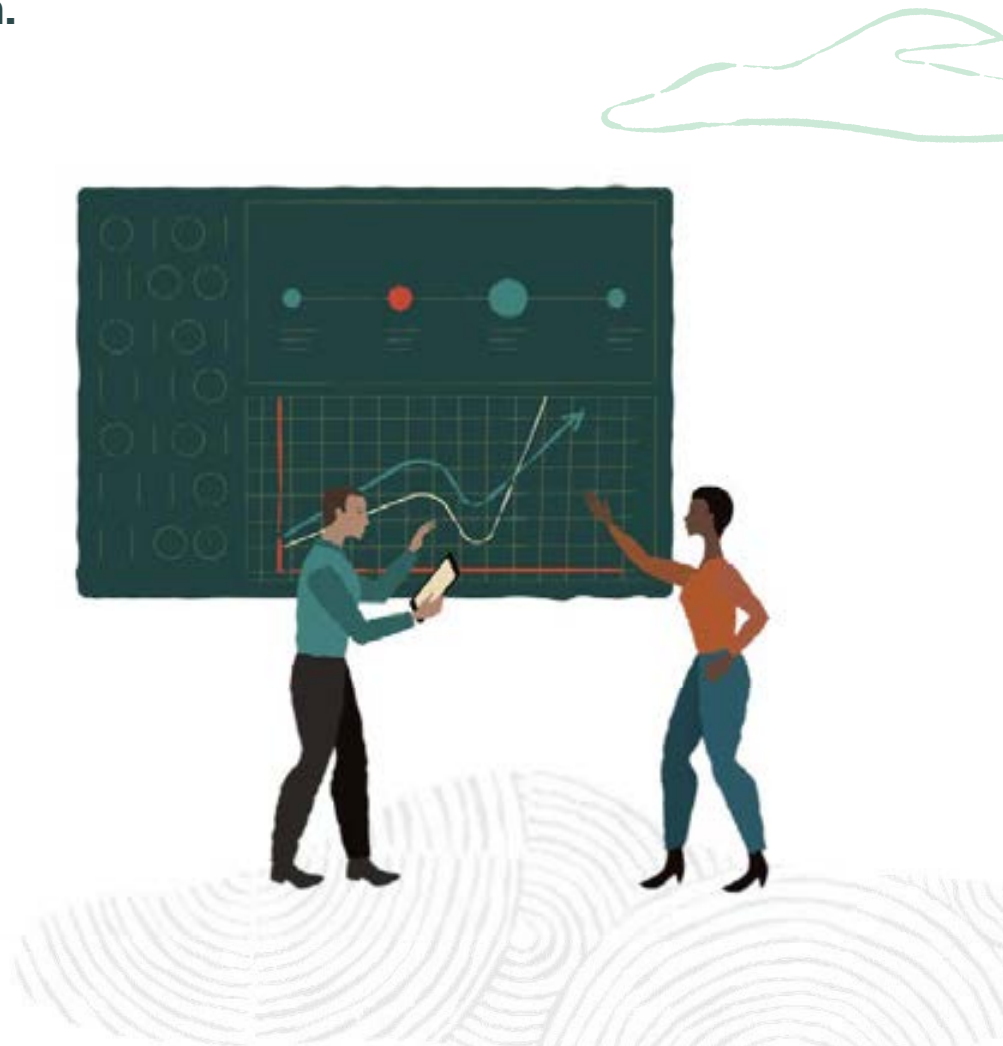
Your strategic roadmap of quick wins will begin to add tangible value early on, allowing you to show cost savings and increased efficiency. Banks that Oracle has worked with have successfully completed projects that:

Allow employees to focus on sales, marketing, or customer relationships rather than spending hours extracting data to produce reports

Analyze profitability and cash flow requirements for each customer relationship and improve risk management

Boost the performance and efficiency of core business operations such as payment processing

Monitor the performance of individual banking products, business units, and relationship officers to assess their contribution to profitability

Reconcile massive volumes of daily customer records from multiple data sources and regions into a single data model

Imagine assigning fewer resources to operational processes, such as regulatory filings, payroll, and reports, and dedicating your people to data interpretation and predictive analysis, enabling them to partner with the rest of the business to identify new trends and opportunities. Imagine having the ability to be highly responsive to change as it's happening, modeling targeted customer offers and responding thoughtfully to competitive threats.

When you're able to significantly reduce the regular burden of month-end, quarter-end, and year-end reporting by using unified, automated accounting systems, your employees can look forward to coming to work. Instead of contending with cumbersome manual processes, they'll leverage modern, intuitive, and responsive tools to efficiently complete daily tasks and move on to higher-value contributions.

Get measurable results tailored to your business

At Oracle, we take a tailored approach to every engagement, recognizing that your finance modernization journey is highly dependent on your organization's current state and its desired outcomes. Our primary goal is to make your journey and its outcomes better, faster, and more complete—we want to give you the ability to deliver frequent, tangible benefits.

With an implementation plan tailored to your business, you can modernize finance at your pace, adding the solutions you need as you need them. There's no need to wait for a complete system overhaul to see faster closing.

Oracle Cloud Infrastructure (OCI) runs a wide range of applications and services in a highly available hosted environment. Our finance modernization solutions, all running on OCI, give banks the chance to leverage a stable cloud-based ecosystem. Oracle Fusion Cloud Enterprise Resource Planning and Oracle Fusion Cloud Enterprise Performance Management give banks a 360-degree view of the organization, with comprehensive capabilities that help streamline, standardize, and automate source-to-settle processes in the cloud and increase influence over spend and procurement practices. Oracle Financial Services risk and finance applications deliver an integrated suite of financial services analytics for banking domains, providing real-time analytical insights with measurable actions.

Through challenging times comes the opportunity for banks to thrive. Your finance modernization journey should include a complete, digitized business model that aligns with your organization's strategic initiatives while providing you with the opportunity to leverage new value-added services for your customers.

Learn how to design a finance modernization journey that fits both your short-term and long-term vision.

> **Map your path to modern financials**