workiva

# Transforming Financial Services: Creating efficiencies across operating functions

WHITE PAPER

# Transforming Financial Services: Creating efficiencies across operating functions

Mutual funds, insurers, private equity, and other securities firms know that post-financial crisis regulatory reforms that required them to generate and preserve data in new ways resulted in treasure troves of valuable information. Industry leaders are leveraging that data, and an evolution is well underway. Financial services is among the leading industries turning to digital processes to exploit the value of data across businesses, according to consultancy Ovum's annual survey of more than 6,300 global IT decision-makers.

While risk and compliance teams are traditionally separated from enterprise sales and marketing units, technology that simplifies regulatory reporting can also produce building blocks for business development. Financial services firms with optimized processes can use information gleaned during mandatory reporting to increase efficiency and refine their product offerings.

For example, financial institutions already collect data on the behavior and spending patterns of customers and businesses as part of anti-money laundering compliance. This know-your-customer analysis can provide insights, such as information about travel and foreign transactions. Firms can then use this information to offer customized products and services to existing customers, identify new customers, and enhance other selling opportunities, according to consultancy PwC.

## Reducing reporting risks, increasing transparency

Financial reporting professionals often worry about the minute details, like whether a particular entry buried in a report was updated accurately or if every department has the latest information. There's a lot at stake. Concerns over financial statement accuracy can create doubts that harm reputations, cause stock prices or credit ratings to fall, and lead to increased scrutiny or potential penalties from regulators. Investors must have confidence in financial reports if companies want to raise capital in the public securities markets.

One reason audits can go wrong is because imperfect technology increases the probability of errors. Imperfections creep in when companies are using multiple IT systems from different vendors, when headcount is hurriedly increased to bolster understaffed compliance departments, or by relying on outsourcing vendors in order to get regulatory reporting and filings done.

**Outsourcing creates particular headaches that vary from assorted and variable costs to losing control of documents.**

With each issue, the risk increases for missed deadlines and delayed delivery. Since document review and PDF markups are sometimes done through email, there are also vulnerabilities with errors and control of successive versions of the work product. In-house staff may spend hours reworking and reformatting documents, especially when compiling data across departments.

### The power of the right solution

With compliance analysts spending hundreds of hours managing documents, they often struggle to maintain version control. During the review process at one organization, several versions of spreadsheets and files that were difficult to annotate were created, making it time-consuming and onerous to complete the review process. Previous data errors due to version control issues left leadership unsure about the documentation they provided to the board of directors and investors.

Implementing a solution from Workiva brought improved data accuracy by having information linked so that changes were automatically updated across documents. Different teams can collaborate and edit policies within a single environment, improving efficiency and data transparency. Additionally, the review and annotation processes have been streamlined since all evidence, policies, and procedures are stored in a single secure environment.

## Technology eliminates pains, achieves gains

Professionals responsible for creating shareholder and financial statements are increasingly digitizing and automating across multiple steps in the financial reporting process. Automating the right business processes can increase workforce productivity by 20 percent to 50 percent, according to audit, tax, and consulting network RSM International.

Such process improvements can deliver dramatic results, including reduced closing times at the end of business cycles, meeting filing deadlines earlier, cleaner balance sheet automation, and greater confidence in accuracy. It can also lead to improved operational reconciliation functions, repeatable processes across functions, and the opportunity for more accurate data and analysis.

Fund companies implementing modern technology can help reporting teams save time completing documents, such as prospectuses, fund books, and shareholder reports, with fewer errors. These benefits also extend to sales and marketing materials that use the same data.

For example, mutual fund fact sheets, which are traditionally created by marketing departments, typically include a graph showing the growth of a potential $10,000 investment and the fund's top holdings. This is the same information included in shareholder reports. In earlier times, teams would copy and paste the information from document to document. Cloud solutions allow teams to update shared information once, link it across multiple instances where it is used, and have it update seamlessly across all instances.

## Improving financial reporting processes

Finance and operations teams face the challenge of balancing planned financial reporting cycles against constant ad hoc data requests. Meanwhile, data volumes also continue to increase. One answer for these demands is finding a software solution that centralizes enterprise data in the cloud to improve financial reporting processes.

**It's important that the system gather, prepare, and enrich financial and other data through automated, transparent, and repeatable processes.**

The system should help users understand massive data sets from structured systems or desktop spreadsheets. It should also reduce or eliminate dependence on desktop databases and spreadsheets and help eliminate complex processes that don't relate to the work being done.

The system should also have the capability to manage ad hoc requests and perform fast, reliable exploration and analysis of data. Tools that enable collaboration and analysis across departments using one data set help fulfill reporting requirements quickly and accurately. With reports instantly updated across the system, preparers can trust the reliability of the numbers and the narrative in documents and presentations.

## Breaking out

Breaking out of the data bottleneck means opening potentially vast new opportunities. The deployment of data analytics is shifting the role of support functions away from information about transactions to developing insights that help drive business decisions and achieve goals.

The right kinds of process improvements can help financial services firms create efficiencies and reduce risks. These can also fulfill specific compliance needs while still allowing teams to focus on more value-added activities. As recently as 2013, companies were using only 12 percent of the data they possessed to help make decisions, according to Forrester research.

*As long as the human element is part of financial reporting, industry professionals know processes can be time-consuming, tedious, and even risky.*

Asked about the top factors contributing to financial reporting risk at their organizations, a third of the 3,000 finance professionals polled in a Deloitte webcast cited "people and organizational constraints and limitations."

**A third of finance professionals polled cited people and organizational constraints and limitations as the top factors contributing to financial reporting risk**

Process automation saves time and eliminates the need for manual entry of data and the risk of human error that can result. And with information being available across departments through cloud storage, accounting, and regulatory reporting, functions can be performed in a timely manner.

These enhancements produce a quick return on investment across departments by connecting risk, legal, and compliance with newly generated insights that can be harvested by marketing and investor relations. According to Accenture, companies that do the most to digitize financial planning and analysis achieve 50 percent greater financial effectiveness than peers that digitize only accounting and finance operations.

### The rise of the data scientist

As more companies work to harness the power of data and streamline operations, the demand for data scientists is increasing across organizations from financial firms to regulators. Innovations from artificial intelligence and other technological advances are shaping the future of the industry, and everyone needs data scientists to help generate those insights.

Banks and investment firms are hiring data scientists to decrease fraud and errors, improve data integrity, and find market solutions, as well as to enhance regulatory compliance through better analysis. Companies are reshaping roles within functions such as compliance, legal, risk, and finance to concentrate more on analysis and providing insights. Freeing up employees from repetitive tasks and shifting the focus from data quality to data analysis will help firms best use this resource.

Regulators, such as the SEC, are increasing data analysis to better understand and control risks. The SEC uses advanced machine learning techniques to process filings, documents, and tips looking for patterns that could lead to enforcement actions. Big data and those who process it are helping the agency effectively allocate limited resources.

## Conclusion

Process improvement through new technology leads to better integration and transparency, as well as deeper insights across departments.

**When data is stored in the cloud, risk is reduced from human error and multiple sources. Automation decreases manual data entry, further reducing risks.**

The view of support functions is shifting away from transactional information to focus on analytics and using insights to help drive business decisions and achieve goals.

*By connecting risk, legal, compliance, finance, and other departments such as marketing and investor relations, companies can see a quick return on investment.*

## About Workiva

Workiva is a leading provider of enterprise cloud solutions for data collaboration, reporting, and compliance. More than 3,000 organizations worldwide, including companies of all sizes, government agencies, and educational institutions, trust our cloud platform to improve productivity, connect data, and gain confidence in their data-driven decisions. For more information about Workiva (NYSE:WK), please visit workiva.com.

wp20180817-j52031





workiva