



How financial services industry CFOs can better adapt to change.

by Pete Rutman

Shift happens—again and again. Yet to succeed in an ever-changing business environment, financial services industry CFOs must drive better decision-making and flexibility by uniting operational and financial data in an enterprise management cloud.

CFOs are no strangers to unforeseen challenges.

Long before COVID-19 wreaked havoc around the globe, finance leaders faced increasing complexity and volatility, accompanied by a growing mandate to move beyond number crunching. CFOs are expected to drive the success of their companies, working closely with CEOs to chart the best path in an ever-changing business environment.

Still, a once-in-a-century global pandemic certainly reminds finance leaders just how dramatically business can shift in an instant—and just how many vulnerabilities a crisis can expose.

Here, we'll explore several shifts that COVID-19 spurred in the financial services industry, the weaknesses that prevented companies' legacy systems from adapting, and how CFOs in the industry can leverage unified technology to more nimbly navigate uncharted territory the next time shift happens.

Shift 1: The move to remote work.

COVID-19's abrupt lockdowns highlighted how the back-office functions of financial services and insurance institutions are [hamstrung by outdated technology](#). Whether due to a long-standing prioritization of customer-facing technology solutions, inherent risk aversion, or basic corporate inertia, many financial institutions still rely on aging, on-premise financial systems. Even worse, these mainframe systems tend to linger through mergers and acquisitions. As a result, banks and insurers often use clunky integration technology to extract data from legacy systems and post it to the general ledger.

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These multiple fragmented systems make it difficult to close the books remotely, a capability that became critical in March 2020. The process of cobbling together data from disparate sources through integrations, IT service requests, and spreadsheets is difficult under the best of circumstances—and nearly impossible when the entire finance department suddenly works from home. As a result, finance leaders were forced to put their people at risk by asking them to come into the office to close the books.

That made companies realize their dependency on people for routine processes—and the need for automation to support remote work. In a recent KPMG survey cited in the Workday webinar [“How Financial Services Firms Meet Demand with Digital Acceleration,”](#) over half of the survey respondents said their organization plans to invest in automation as a result of the disruption brought on by COVID-19.

Shift 2: The dizzying pace of disruption.

Before the pandemic, financial services leaders recognized the importance of scenario planning and what-if analyses to make data-driven decisions in a fast-changing business environment. COVID-19, however, accelerated the pace of change in a manner that was previously unimaginable. As financial services firms raced to understand COVID-19's potential impact while government and medical responses evolved, on-premise legacy systems hindered the sophisticated scenario planning required to quickly and accurately reforecast. Spreadsheet-based scenario planning, with its version-control confusion and manual errors, leaves little time for actual analysis and strategic planning.

Additionally, as COVID-19 stressed financial institutions' capital positions and triggered market volatility, companies faced changing risk profiles and new compliance challenges. Outdated systems don't offer financial institutions much help when it comes to compliance with regulatory requirements, which have grown increasingly sophisticated since the 2008 global financial crisis.

Here's an example: [FR 2052a](#), a regulation implemented by the U.S. Federal Reserve in 2014, requires large banks to replace static liquidity reports with dynamic assessments of their cash flows, liquidity risks, and potential drivers of funding vulnerabilities. If they lack a single point of access to consolidated historical data, leaders at these institutions must shoulder a heavy compliance burden.

These drawbacks reflect a fundamental problem: legacy systems are incapable of quickly extracting insight from high-volume data. This inability increasingly hampers business agility with each passing day, as information is generated at an ever-increasing rate.



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Shift 3: The critical role of big data.

Already, the amount of data in the world is so vast as to be virtually incomprehensible. The World Economic Forum estimates that [44 zettabytes of data existed in 2020](#). That's 44 followed by 21 zeros. To put that in context, if this estimate is correct, we now have more bytes of data than stars in the observable universe.

And yet, too many companies try to manage their data via a byzantine collection of systems, tools, and solutions stitched together by middleware and additional programming. So while companies have more data across their organizations than ever before, some firms are still in the dark. Their legacy systems have kept [data inaccessible](#), inaccurate, and isolated.

And so, as executives look to [a post-pandemic future](#), they understand the status quo is no longer acceptable. In an industry facing increased regulatory pressure—not to mention other disruptions, including evolving COVID-19 variants, increased climate concerns, fragile supply chains, and ongoing political and social division—[agility](#) will be the differentiating factor that separates leaders from laggards.

Leaders also recognize that to increase agility and come out ahead, they must take control of their data. In fact, 99% of executives noted the importance of real-time data, according to [a recent Accenture survey](#) of 450 finance leaders at companies with revenue of more than \$1 billion. What's more, highly data-driven organizations are 3x more likely to report significant improvements in decision-making compared to those that rely less on data, according to a PwC survey of more than 1,000 senior executives.

To become an agile organization that successfully leverages its data, financial institutions and insurers need a solution that goes beyond traditional enterprise resource planning systems. Specifically, finance leaders need an enterprise management cloud that creates a state of clarity by uniting operational and financial data to produce real-time reporting with subledger details.

The single-system, active planning solution.

The status quo of extracting data from legacy systems and stringing it together for the general ledger falls short. Because that process creates a ledger that lacks source data, finance leaders can't drill back to efficiently resolve variances, determine risk, explore [drivers that impact results](#), or provide greater visibility into performance.

Moreover, because these legacy systems and workarounds take so long, companies that rely on them are trapped in static planning mode. Finance leaders at these organizations spend so much time accessing, reconciling, and formatting data after the period closes that by the time they deliver reports to business units, the information has become outdated and unusable.

To address this, Workday created [Workday Accounting Center](#), a single cloud-based system that can ingest, enrich, and transform financial institutions' data into accounting. It streamlines accounting and simplifies reconciliation and consolidation, enabling a faster close and richer analysis.



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This solution can be described as the creation of an accessible, efficient, and scalable data pipeline. With an end-to-end enterprise management cloud, financial services companies can collect huge amounts of granular data and, instead of getting bogged down by it, can use that data to enable deeper analysis, faster planning, and better decision-making.

Specifically, Workday architecture refines data in a way that enables executives to easily track details from various subledgers. This process, which is nearly impossible when using legacy systems, allows leaders to quickly analyze profit drivers and other critical metrics.

As a result, banks can now track and record events throughout loan lifecycles, such as bankruptcies and credit scores, allowing more nuanced risk analyses during tumultuous economic times. Insurers, meanwhile, can generate accounting from their brokerages to gain a global view of brokerage revenue and better understand product profitability and risk. This optimized data can also create enterprise-wide insights, such as the ability to track productivity and performance at the broker or loan officer level.

During uncertain times, financial services firms know they need to look around corners to understand their company's future. By leveraging a data platform that serves as a single source of truth, these institutions' finance departments can oversee predictive analysis, dynamic modeling, and scenario planning that not only identifies cross-organizational risks, but also turns those risks into opportunities. As a result, finance leaders can foster agility and help their firms navigate a shifting industry landscape with confidence.



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