



Finance Transformation Guidance You Can Bank On

CREDIT UNION ADVISORY

State of the Industry

Faced with an increasingly mobile and digital world, companies in the retail banking industry have ushered in an era of digital transformation in their organizations.

In order to reach and serve a new generation of customers, financial institutions are beefing up their mobile platforms, leveraging new technology to enhance the customer experience. While traditional private institutions have led the charge in this space, Credit Unions are now undertaking massive digital transformation initiatives to overhaul their businesses to respond to the mobile banking world and a new generation of members. Most of these commonly discussed catalysts sparking the need for digital transformation are focused on consumer-facing technology and enhancing the member experience; however, digital transformation initiatives should not stop there.

As a result of the explosion of digital member interactions, Finance departments have been inundated with new reporting requirements and are armed with mountains of data to answer new questions. Where previously the GL was the primary source for reporting, analysts are now being asked about trends across KPIs and metrics that require them to combine legacy financial data sets with the operational data required to drive decision-making.

With antiquated systems in place, many organizations are struggling to organize and understand these data sets, leading to challenges in the realm of planning and reporting. For decades these groups have relied heavily on financial data, and the systems in place cannot effectively collect, organize, and report the wealth of operational data now coming their way. As part of a digital transformation, Credit Unions must also look inward to assess their readiness to seize the opportunities that lie ahead.



FP&A Trends in the Industry

In working with some of the largest Credit Unions in the country to guide them through their financial transformation initiatives, we have identified the following key finance trends that are having a profound impact on data analysis and the decision-making process.



Profitability Focused: In today's fast-paced and volatile economy, businesses must be able to identify and anticipate changes in the marketplace and act on that insight quickly to maintain a competitive advantage. This includes being able to track and understand costs in order to assess profitability at multiple levels: project, product, department, and even member level, where applicable.



Demand for Insights: To develop a holistic view of the organization's performance and take appropriate action, executives and other stakeholders need to view the organization from several different angles. As the gatekeeper to the data required for these decisions, FP&A is tasked with providing valuable insight into the organization's performance and its strategic initiatives. The Finance function must be able to move quickly to shed light on critical business questions that affect the strategic direction of the organization. With masses of new data coming their way and technology in a state of flux, some Credit Unions are struggling to answer the call.



Explosion of Operational Data: Finance departments have historically relied almost exclusively on financial data to assess organizational performance and drive strategic decision-making. New member-facing systems are now providing a wealth of operational and statistical data that is especially valuable when it comes to understanding performance in alignment with strategic initiatives. Examining operational data, such as member transactions and digital loan applications, alongside financial data can help Credit Unions in this regard.



Technology Modernization: Many Credit Unions are long overdue for upgrades of critical back-office systems, especially in the Finance space. Outdated General Ledgers, legacy Planning solutions, and homegrown reporting tools are no longer adequately serving the business. In order to ensure their back-office systems are future-ready, many Credit Unions are looking to invest in new solutions and are confronted with a pressing decision: is it time to go to the Cloud?

Future of FP&A

It is critical for Credit Unions to address these challenges head-on to enable data-driven decisions in their organizations. Finance groups must focus on:

- Improving Visibility into Performance
- Instant Access to Critical Business Data
- Aligning Planning Processes with Reporting Requirements
- Leveraging New Technology

Adopting these solutions will streamline data flow from source to report and enhance Finance's ability to provide actionable insight to the rest of the organization. Below is an overview of 3 essential components of this approach:

Develop a Data & Reporting Strategy

At the outset of the transformation, FP&A should focus on developing a data and reporting strategy.

Asking questions like the ones below is helpful in beginning that process.

- What information do we need to make decisions across our members and the products we offer?
- Where does this data come from and are those data sets mature enough to support decision-making?
- How do we establish a data-driven culture to support decision-making?

In a data-driven world, FP&A will increasingly be charged with ensuring the integrity and accessibility of data in a timely manner. The ability to swiftly make quality data-driven decisions can prove to be a substantial competitive advantage and access to clean and verified data is paramount to making such decisions. Remember that this stage of the process is strictly defining a strategy, not selecting a tool; a software tool does not equate to a strategy.



Budgeting & Planning Transformation

Organizations must also revisit their approach to budgeting and planning. As their businesses have changed over the years, leaders need to ensure that from a strategic and operational level the business is being planned using the appropriate drivers. In addition, organizations need to begin adopting predictive tools that help produce more accurate forecasts and plans. Enterprise Performance Management (EPM) technology platforms, such as Oracle Cloud EPM, are essential to achieving these outcomes and being future-ready in the following areas:

- **Connecting the Planning Process** – By revisiting processes and understanding linkages across the business, organizations can adopt a more flexible approach to planning while increasing accuracy and transparency. Organizations should consider the following components as part of their enterprise planning process:

- Link driver-based models that share common data points to plan for specific business functions.
- Enable best-practice-based modules such as, workforce, capital asset, and project planning to facilitate a “low-touch, high-accuracy” planning process.
- Perform allocations to assess profitability at all levels across the organization: project, product, department, and member.
- Transform processes to align with technology changes and rapidly evolving business and reporting requirements.

- **Advanced Planning Capabilities** – Leverage advanced planning and analytics to recognize trends in data, use predictive modeling to build forecasts, and evaluate best- and worst-case scenarios. Today’s EPM technologies allow analysts to shift focus away from gathering data and producing forecasts to value-add activities like strategic analysis and tactical planning with other business units.

Advanced Analytics & Reporting

The idea of regular, periodic reporting cycles is beginning to fade into obscurity as the Amazon effect takes hold of the business world; managers and executives want access to flexible and intuitive reports at a moment's notice. In order to meet this expectation, FP&A teams are investing in advanced reporting and visualization tools, such as Tableau and Microsoft Power BI. These tools offer users rich and flexible visual analyses on demand, allowing them to slice and dice data several ways and drill down to additional detail in interactive dashboards. These intuitive depictions of data not only allow users to easily gain deeper insight into their data, but also enable FP&A to tell a more complete story of the data when partnering with other segments of the business on strategic initiatives.

By allowing Finance resources to shift focus away from mundane, repeatable tasks these solutions will empower Finance to partner strategically with leaders across the organization in a greater capacity. Paired with a sound data, reporting, and cloud strategy, these solutions position FP&A to eliminate information silos and foster horizontal integration across the enterprise, leading to improvements in the quality of decision-making and a deeper understanding of strategic initiatives and organizational performance.

Next Steps

As Finance departments are increasingly asked to drive and lead transformation in their organizations, it's important to have a gameplan that aligns data, planning processes, and reporting across the enterprise. Determining where to start and how to proceed can be daunting tasks; SC&H has helped some of the largest Credit Unions in the country navigate the challenges associated with finance transformation.

Contact us to learn more about developing a Strategic Roadmap that will help your organization:

- ✓ Assess current-state planning and reporting processes;
- ✓ Make recommendations to improve processes and leverage new technology;
- ✓ Develop a roadmap to prioritize recommendations and begin transformation.



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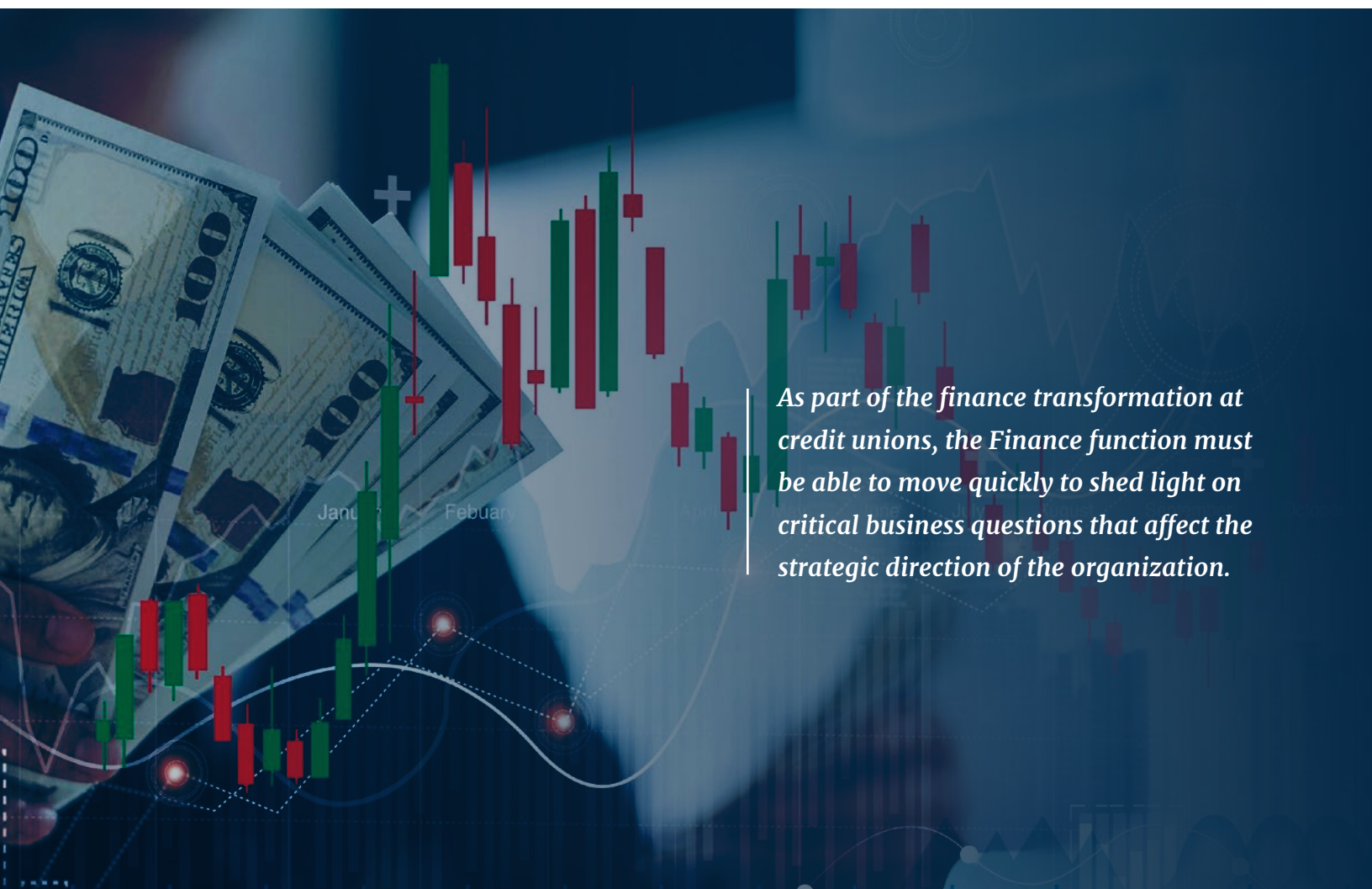
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About SC&H Group

SC&H Group is a nationally recognized management consulting, audit, and tax firm that serves clients ranging from rapidly growing startups to Fortune 500 companies with global brands. The firm's strategic practices provide leading-edge thinking and advice that transform our clients' businesses and help them outpace the competition.

Now that Credit Unions are undertaking massive digital transformation initiatives to overhaul their businesses to respond to the mobile banking world and a new generation of members, it's critical for these organizations to identify modern solutions that will enable finance teams to effectively collect, organize, and report on the wealth of operational data now coming their way. SC&H's cross-disciplinary team of Credit Union experts are well-positioned to offer valuable operational, financial, and strategic solutions tailored to the unique needs of this market. It's important to have a plan that aligns data, planning processes, and reporting across the enterprise, and SC&H has helped some of the largest Credit Unions in the country navigate the opportunities associated with finance transformation.



As part of the finance transformation at credit unions, the Finance function must be able to move quickly to shed light on critical business questions that affect the strategic direction of the organization.