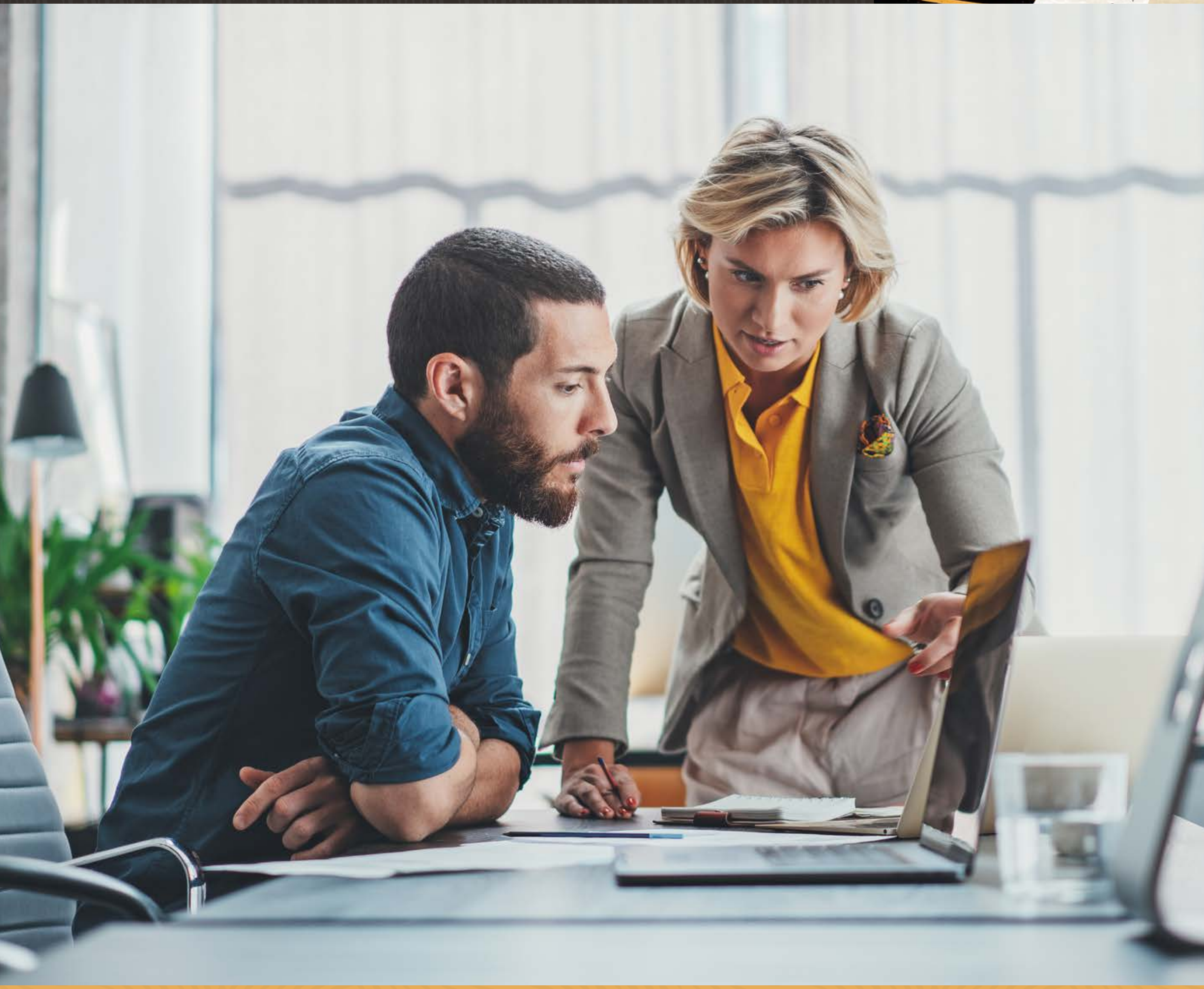
BUSINESS GUIDE

How Cloud ERP Pays Off for Growing Financial Services Firms



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How Cloud ERP Pays Off for Growing Financial Services Firms

Mid-market financial services firms are selecting NetSuite and working with experienced partners like Deloitte Canada to implement and optimize their software investments in ways that meet their current and future needs.

Keeping up with regulations. Exceeding customer expectations. Standing out in a highly competitive space. These are just some of the challenges facing today's financial services firms.

Whether it's a small credit union that serves a select clientele or a mid-market financial services organization that targets a wider audience, these firms need strong technology foundations to help them expand into new markets, launch new lines of business and meet their customers' ever-changing needs.

And, as banks, fintech organizations and credit unions race to get the technology part right—moving from complex, legacy platforms to more integrated, cloud-based systems that enhance efficiency, productivity and quality of service—they also need to stay compliant.

"As any fintech, financial services firm or credit union grows, it has to satisfy increased regulations and regulatory requirements from a reporting perspective," said Paul Buck, Director at Deloitte Canada, a NetSuite Alliance Partner. "It also has to be able to target more profitable customer and product segments. This is all difficult to achieve using aging systems, basic applications and manual processes."

As financial services firms face new pressures like a remote workforce, a talent shortage and growing cybersecurity threats, it's clear that those who are able to increase automation and adapt quickly will be best positioned for success.

The problem? Many are not taking bold enough action. In Deloitte's 2022 Banking and Capital Markets Outlook report, it found that while technology adoption by banks continues to move full-speed ahead, their efforts tend to be incremental, localized and fragmented, often resulting in a "technology trap" that keeps companies from realizing the full potential of their investments.

For example, financial services firms will often invest in a single point solution to solve one problem or support one specific activity without factoring in the broader implications of this siloed approach. With different resources allocated to each of those solutions, maintenance costs rise and inefficiencies start to emerge. With many different siloed systems in place, organizations quickly find themselves "trapped" by these systems. "Getting off of those solutions takes courage," said Buck, "so they just wind up stuck on them."

Growing financial services and fintech firms often focus on servicing customers to the exclusion of managing their own accounting, finance and regulatory requirements. In most instances, these companies started on QuickBooks and have used it ever since. Other financial services firms rely on aging and potentially insecure on-premises legacy systems, disconnected applications and manual processes, while credit unions often use the Ovation central banking system plus a general ledger (GL) and treasury management system.

"Most of these organizations are now grappling with the classic 'hairball' of applications and manual processes," said Buck. They need unified technology platforms that scale along with them, support expansion and help them do more with less.

"By moving away from disparate and manual systems, these organizations not only gain the benefit of automation, but they also get a bigger bang for their buck in terms of IT investment."

Paul Buck, Director, Deloitte Canada

Some of the rewards include fewer software vendors to work with, better licensing deals and lower overall costs.

And, instead of having a 10-person IT "tag team" maintaining all of the disparate systems, companies can redeploy these resources or even reduce headcount. Finally, the firm that's moving into the cloud will be less reliant on IT hardware and servers and have more resources to allocate to other areas of the business.

Most industries could use some technology advancement. The twist for financial services is that these firms need to balance their own stringent back-end security and compliance requirements with customer demands for easier and mobile-first user interfaces. Rapid changes in technology have left many scrambling to strike the right balance. NetSuite application and operational security blocks unauthorized network and service connections, and lets users access the Enterprise Resource Planning (ERP) system from anywhere and with complete confidence.

Robotic process automation (RPA) and analytics have made it easier for companies to automate the financial close process, manage their workflows and compliance requirements, report to central banks and keep their data secure. Financial services firms stuck on legacy systems are missing out on those benefits.

Cloud-based technology supports expanded digitization of both customer-facing and core back-end processes. In particular, a cloud-based ERP platform supported by an experienced implementation partner can help organizations effectively address current issues and plan for the future.

Making the Move to the Cloud

Integrated cloud technologies enhance compliance, efficiency, productivity and quality of service and drive both customer and product profitability. These are wins that can't be achieved without an ERP that generates data on performance and profitability (i.e. which products are most popular, what to offer customers next, how to move faster and make the business more responsive to marketplace and technology changes).

Financial services and fintech firms must also generate high-level executive reports while providing access to very granular levels of data. Both are extremely difficult to do using disparate systems and spreadsheets. The process is particularly onerous for fintech companies, where every action involving a customer is directly tied to an accounting event.

If those two activities are managed manually or in separate systems, aligning them takes excessive work and/or error-prone data reentry.

“Fintechs need seamless data lineage and data traceability, both of which have historically been a ‘myth’ or aspirational play for fintechs, which just aren’t structured to be able to manage processes that way,” said Buck. “As they grow, however, these companies need more robust, unified systems that can satisfy the required controls.”

With years of experience successfully implementing NetSuite ERP across multiple industries, Deloitte Canada bundles best practices and a repository of various configuration templates for a range of industries with the deep expertise of its in-house accounting and advisory professionals. The result? An average of seven to nine months to help mid-market financial services organizations implement and optimize NetSuite.

Deloitte offers a truly end-to-end experience, not only implementing technology but advising customers on current market trends, industry benchmarks and other key metrics. Deloitte also adheres to the overall controls and frameworks set forth by its in-house risk advisory practice. The result is accelerated Return on Investment (ROI).

A unified project management and ERP implementation delivers additional benefits:

- Automated procurement. Growing financial services firms often need help automating their procurement functions, which means going beyond feeding handwritten purchase orders (POs) directly into an accounts payable system. Recognizing this, Deloitte helps companies streamline the procurement function from requisition to PO to payment in NetSuite, which manages procure-to-pay, code-to-cash, asset management and other procurement-related functions.

> “By implementing NetSuite engagements through Deloitte, financial services firms gain about 25% to 40% efficiencies compared to what they would experience when completing an implementation from scratch with another company.” **Paul Buck, Director, Deloitte Canada**

With these processes in place, organizations can save money, better manage their suppliers and optimize the procurement experience. This allows companies to quickly shift as business conditions change and equips them with the information that they need to be able to respond and react quickly. The increased flexibility sometimes surprises financial services and fintech firms that initially decided to adopt a cloud-based ERP to solve a specific business challenge.

Once a company has implemented NetSuite and runs its first quarterly financial reports, the expanded benefits of using a cloud-based ERP become clear. The ability to grow with the company and make data a more valuable asset across the business means that even companies that didn’t adopt ERP with these goals in mind are impressed with the outcomes.

- Responding to changes and risks. As they continue to automate processes and implement technology that helps them run—and tie together—their front- and back-end operations, financial services firms, credit unions and fintechs find that cloud ERP equips them to meet both current and future goals. Most of the financial services firms Deloitte has worked with are looking to work faster and be more responsive to marketplace changes. Some are also seeking ways to mitigate the security risks inherent in aging, on-premises technology platforms.

On-premises solutions require more security-related maintenance that the financial services firm has to take on, whereas cloud applications don’t require that kind of hands-on management of security issues. “With cloud ERP, companies can basically outsource their cybersecurity issues,” said Buck. “As a former CFO myself, I can tell you that’s a huge ‘win’ that’s only growing in importance in today’s business environment.”

Knowing that on-premises systems come with their own set of security challenges, Buck said many organizations are realizing that it’s time to move to a more advanced and secure cloud platform. A company using a legacy system that was put in place five or 10 years ago—and that hasn’t been upgraded since—may be missing out on key functionalities.

“Inherently, cloud solutions like NetSuite offer a slew of new capabilities, be it the digital assistant, automation, machine learning or other advanced features,” Buck said.

- Greater profitability. NetSuite helps growing financial services firms increase efficiencies, reduce their workloads and improve the employee experience to reduce costly turnover. It also helps bridge gaps that may have existed between the organization’s front- and back-end operations. This provides the critical insights financial services firms require to make better business decisions.

When fully integrated, NetSuite also provides a clean general ledger and accurate cost allocation processes, both of which help improve accountability and profitability.

- Ease of compliance. As a financial services company grows, it must satisfy an expanding slate of regulatory and reporting requirements. On starter or legacy platforms, that adds up to a lot of manual work. An ERP enables automation that minimizes errors and frees employees to focus on targeting profitable segments.

As they scale, add new products and take on new customers, financial services firms that explore their cloud ERP options and work with experienced partners like Deloitte can implement and optimize their software investments in ways that meet both their current and future needs.

A Simplified, Standardized, Scalable Process

With NetSuite in place, growing financial services firms, fintechs and credit unions begin to see the immediate benefits of a simplified, standardized and scalable process, which is the basis of Deloitte's "3S" model. Standardization is especially important for organizations that operate in multiple locations and that want to adopt repeatable processes across those sites, while scalability helps firms build out their offerings and platforms in a manner that prepares them to seize future opportunities.

> "When we manage an ERP implementation and build a platform, it's not for the present; it's for the future. That means it's going to meet current requirements, but more importantly as those companies grow, they'll be able to grow with this architecture."

Paul Buck, Director, Deloitte Canada

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