Your speakers

Christina Churchill, Principal
Christina.Churchill@rsmus.com
National Consulting Financial Institution Lead

Jeff Dunnahoo, Director
Jeff.Dunnahoo@rsmus.com
National Management Consulting Financial Institution Lead
RSM overview

Fifth largest audit, tax and consulting firm in the U.S.
First Choice Advisor in the middle market

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Digital value proposition

- Business strategy and alignment
- People, process and technology
- Human capital and digital workforce
- Operational excellence
- Project and program management

- Technology assessment and digital strategy
- Implementation and process automation
- Data analytics and AI
- Technology innovation

- Due diligence
- Merger integration and optimization
- Divestitures and carveouts
- Private equity

- Finance transformation and automation
- Actuarial and valuation
- Finance investigations and disputes

- Business and technology risk
- Cybersecurity and data privacy
- Litigation, disputes and anti-fraud

- Technology infrastructure
- Managed applications
- Managed cloud
- Finance and accounting
- Security and privacy
- Internal audit

INDUSTRY INFUSION

Financial services | Consumer products | Industrial products | Health care | Life sciences | Technology | Business and professional services
DEMOGRAPHICS
## Survey objectives

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<td>Define the business challenges being solved by digital technology applications</td>
<td>Determine digital technologies that companies are investing in, both now and the future</td>
<td>Understand the prioritization process that companies use for digital investments</td>
<td>Learn the role and function of key influencers on digital transformation and investment</td>
<td>Identify the workforce strategies being implemented around enablement in digital</td>
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Survey demographics

100 C-Level Executives

Topics include: digital technology selection, rationale for digital technology selection, prioritization process for investments, decision influencers

19 Qualitative Interviews

44% of CFO’s are primarily responsible for leading digital projects

72% Digital is a higher strategic priority

Average Age 45-54 years old

100% respondents Agree a Digital Roadmap is required

29% CEOs, 43% CFOs responded to the survey

41% Less than $1B

59% Over $1B

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THE RESULTS
Digital Strategy

• **All acknowledge need for digital strategy**  Half of all respondents said they budgeted 11% to 20% of their revenues on digital initiatives, while 12% said they budgeted from 21% to 30%.
Why are institutions lagging?

- Internal efforts to digitize being outpaced by business change: 36%
- Inadequate inventory of management best practices: 32%
- Inadequate levels of digital investment: 25%
- Difficulty in attracting and/or hiring qualified talent: 25%
- Lack of alignment between digital strategy and business vision: 25%
- Competitors are investing more in digital technologies: 21%
- Unformed or undirected analytics/predictive insight team: 32%
- Internal bias favors familiar, lower-tech systems and processes: 30%
- Inability to align technology applications, customer experience and corporate strategy: 21%
- Funding / access to capital: 21%
- Lack of understanding customer needs: 18%
“Whether its understanding customers, improving our process or improving the ability to increase compliance across the company, digital technology has been very valuable.”
Frictionless customer experience 33% of respondents rated this as the top benefit for institutions.
6 biggest benefits of existing digital investments

- **Frictionless customer experience**: 33%
- **Improved scalability**: 28%
- **Expanded service offerings**: 28%
- **New, differentiated markets**: 27%
- **Product / service quality**: 25%
- **Process and cost efficiency**: 25%
- **Customer transparency**: 24%
- **Data mining/forecasting**: 24%
- **Improved data storage**: 23%
- **Improved supply-demand matching**: 22%
- **Reduced labor costs**: 22%
- **Connected workforce**: 22%
Frictionless customer experience

“Our mortgage loan officers and operations people can see what the client is doing and make sure their experience is smooth and seamless.”

“Our old mortgage application process took 1-2 days for the applicant. Our updated system can get a prequalification in 10 minutes.”
Alignment

• **Aligning to customer needs and change management**
  Customers and employees need to accept the digital investments, but respondents said that’s a difficult hurdle.
What are the biggest prioritization challenges?

- Ensuring standardization – making sure similar standards are maintained across systems (14%)
- Cybersecurity – determining how to address cybersecurity concerns while dealing with legacy systems (32%)
- Difficulty in hiring or attracting qualified talent (32%)
- Funding / access to capital (31%)
- Compliance and regulation – recognizing legal and compliance considerations (30%)
- Lack of agreement on priorities – unaligned leadership at the c-suite level (30%)
- Value assessment – determining the value of the system in terms of efficiency (26%)
- ROI assessments – how to define effective measures of ROI and associated project risks (23%)
- Predicting current and future needs and scalability (22%)
- Achieving higher levels of employee adoption and customer acceptance (20%)
- Planning around legacy systems (20%)
- Lack of appropriate digital skills/experience among our workforce (20%)
- Getting the digital application/technology to meet the needs of the organization (19%)
- Difficulty in hiring or attracting qualified talent (19%)
- Compliance and regulation – recognizing legal and compliance considerations (19%)
- Funding / access to capital (19%)
- Achieving higher levels of employee adoption and customer acceptance (19%)
- Predicting current and future needs and scalability (19%)
- Ensuring standardization – making sure similar standards are maintained across systems (14%)

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How do we innovate?

• **Step 1:** Who do we want to be?

• **Step 2:** Nominate a champion. (Empower that champion)

• **Step 3:** What do you want to do?
  - Challenge those that state “rules” to inhibit change; are those rules real or perceived?
  - Set goals/objectives
  - Ensure alignment with business strategy and vision

• **Step 4:** Buy-in.
The Old Model

• Change dictated from the top
  - Regulatory
  - Budget Driven
  - Expansion
  - Merger / Acquisition

• Ad hoc team assembled to implement initiatives

• Focus on driving towards a deadline vs creating a plan with multiple milestones

• No set methodology to use across departments

• Little follow up after project completion – metrics, goals, did we affect the member experience?
The New Model: build consensus & listen

- Those interacting directly with customers understand the pain points, expectations and obstacles
- The front-line often doesn’t understand why they need to do specific things, why they are asked to push for e-statements
  - Create opportunities for sharing – monthly meetings, sharing of tips/tricks
  - Create opportunities for education – have different departments present what they do to the branches
  - Create opportunities for recognition – in-house certifications, highlight who is adding the most “digital” accounts each month
- A shared vision and objective creates buy-in across the institution
- Remove fear of change by involving those who see the issue
- Ensure all understand the end goal – to create a better experience for the customer
- Tie in to performance
48% of respondents chose AI and 53% chose digital wallets in the top box.

43% Core banking processes

36% Digital money & Cryptocurrency
“Our customers can log onto our platform to make payments, check account balances and virtually do everything from home.”
Mobile Wallets

• Number of mobile payments is increasing
• Smaller dollar transactions
• Generational
• Impediments
  - Merchant acceptance
  - Security concerns

Digital Wallet Users Could Double by 2020
Estimated number of digital wallet users worldwide (in millions)
AI and Robotic Process Automation

Ideal Process & Business Conditions for Automation

1. 75% of process is rule based 25% is programmable human logic
2. Process should be high volume and largely manual with large efficiency gain potential
3. The automation extends to the majority of the process, not just a subset
4. Interacts with 1-3 business applications or data stores
5. Regularly repeated across a department or organization
6. New developments that augment human workers or those that add to or builds on existing automations
7. Best represents the overall complexity of the business
8. Applications have available test environments for development resources to test in progress automation work
9. Business rules are clearly defined and SME availability is guaranteed
10. Includes, but does not rely, on optical character recognition
US Fintech Companies projected to receive $4.7B in funding from investors in 2019

- Funding
- Lending
- Creditworthiness
- AI
- Machine Learning
- Blockchain
Scalability

• **Improved scalability and expanded service offerings** 28% of respondents cited these two areas among their top priorities
Data provides the opportunity to revolutionize how we make decisions

**Few considerations for scalability**
- Avoid investments and decisions that only support “right now” – think about where you want to be 5 years from now

**Budget constraints drive low risk tolerance**
- Increase appetite for investments that promote long-term strategy

**Decisions are made without supporting data**
- Tools that hold valuable data are in place but are not being optimized to drive thoughtful decisions
Cybersecurity

- **Cybersecurity** 32% of respondents selected this as the most challenging consideration.
• **Finding the right people** 32% of respondents selected hiring skilled talent as the most challenging consideration.
Which of the workforce enablement strategies, is helping your institution to help advance digital goals?

- Implement easy to use technology: 34%
- Design flexible and scalable training modules optimized for easy consumption: 33%
- Prioritize simple digital initiatives that reduce training needs and learning curve: 32%
- Develop apprenticeship/certification programs for employees: 28%
- Reward and incent employees for achieving positive performance metrics: 28%
- Share digital updates with employees: 28%
- Invest in internal IT or technical help desk for employees: 28%
- Recruit new, skilled digital talent: 27%
- Assess leadership preparedness for transformation: 27%
- Produce videos to standardize training: 27%
- Develop/empower Chief Innovation Officer or Chief Digital Officer roles: 19%
**Technology Rationale**

- **Point of differentiation.** Institutions seek to differentiate by customer experience and appealing to different markets.
- **Institutions seek scale.** Differentiation must be coupled with scalability to work effectively.
- **Improved Services Matter.** Product/service quality improvement/quality control benefits are sought.

**Marketplace Solutions**

- Automation is of significant importance for FI. AI and RPA were top choices among industry-agnostic technologies for FI.
- Customer experience is still a concern being addressed by technology. Digital wallets align with FI’s technology rationale in making the customer experience as smooth as possible.

**Investment Priorities**

- Exec leaders want to reduce uncertainty about cybersecurity, hiring talent, budgeting (concerning costs) and scalability on a wide variety of digital issues. Technology leaders are most-often responsible for prioritizing investments, but non-IT leaders often lead the prioritizing as well.

**Decision Influencers**

- Executive roles in FI are more responsible for leading digital implementation. CTOs, CIOs and CDOs are tasked with leading strategy and implementation of digital initiatives, with some leadership from project leaders.
- Non-IT roles are highly active as well. CEOs are very involved too.

**Workforce Enablement**

- Digital influence on the workplace and executive roles. With an increased emphasis towards digital expertise, leaders are focusing on training their talent as opposed to outsourcing.

**Opportunities & Barriers**

- Executives see challenges in customer experience and process efficiency. Given emphasis on improving customer experience being a barrier, hiring skilled talent and investing in technology to improve and streamline systems are top concerns for FI leaders.
THANK YOU FOR YOUR TIME AND ATTENTION