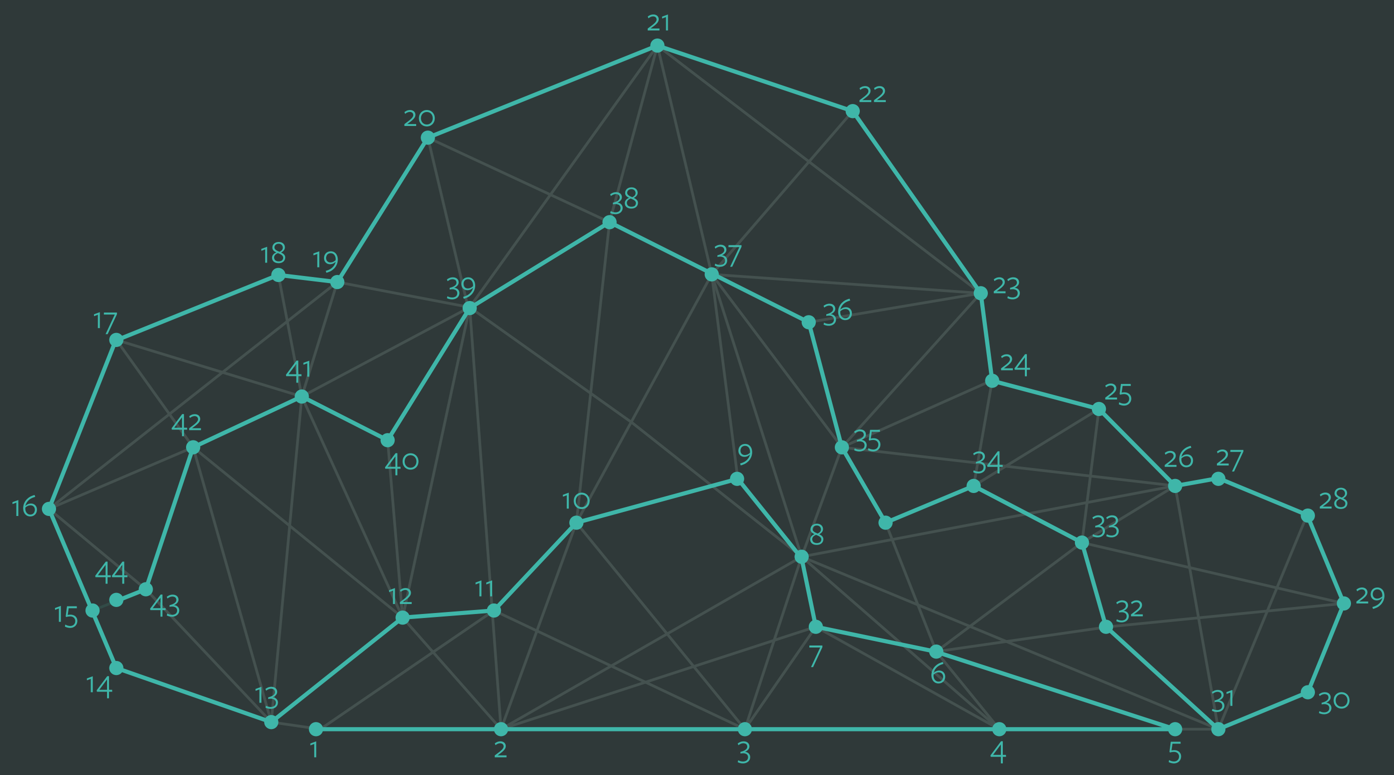


Joining the dots

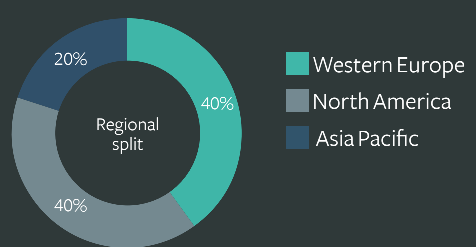
How connected planning will transform banking

Anaplan

FT Remark
Research from the Financial Times Group

Contents

Methodology
In the first quarter of 2017, FT Remark on behalf of Anaplan surveyed 50 senior-level executives including Chief Financial Officers, Chief Information Officers, Heads of Strategy and Finance Directors at retail banks with the majority from the Forbes Global 2000. The survey included a combination of qualitative and quantitative questions and all interviews were conducted over the telephone by appointment. Results were analyzed and collated by FT Remark. All responses are anonymized and presented in aggregate.



Foreword

Operational efficiencies in global businesses are more important than ever and this holds especially true for retail banks. Financial services firms are being squeezed from two sides.

First, a raft of new regulatory requirements are straining operations across the business. And second, fundamental changes in the financial sector due to digital innovation are increasing competition and challenging traditional business models.

This digital transformation has also led to a shift from the cultural side. Retail banks have had to provide new services and become more flexible to customer needs as new players, such as fintech companies and challenger banks, change the banking landscape.

At the same time, retail banks must comply with new financial regulations, including increasing capital and liquidity requirements. And all banks—incumbents and challengers alike—need to serve their end-customers in an omni-channel environment where expectations are ever changing.

If retail banks are to remain competitive in this challenging environment, they need a new approach. They must combine performance data from the past with forward-looking, scenario-based information that can help them prepare for a volatile and disrupted future.

This approach requires an end-to-end connected planning platform that allows real-time access to information from across the enterprise to drive timely and informed decisions.

To understand how prepared retail banks are for a more connected future, Anaplan, in association with FT Remark, conducted a survey of 50 senior-level executives at retail banks across the world. The results reveal an industry in flux—one that understands that it needs flexible, connected planning to compete in a changing world, but that acknowledges there is a long way to go. In a world where the unexpected is an almost daily occurrence, only the most agile and connected banks will survive and thrive.

Five key findings

80%
rate changing customer demands as a significant challenge facing retail banks

66%
see maintaining agility to respond to economic volatility as a major challenge

74%
rate carrying out scenario-based modeling as the most challenging aspect in relation to new capital and liquidity regulations

42%
cite inaccurate or untimely data as the biggest challenge for developing scenario-based modeling

66%
say that their finance and risk architecture is somewhat or very siloed

Banks against the wall

From changing customer demands to increased regulation, digital disruption to a lack of internal integration, banks are facing a rising tide of challenges that they need to stem swiftly

Retail banking is at a crossroads. Having weathered the financial crisis, the sector now faces major strategic challenges in the form of increased regulation, competition from new entrants and the rise of disruptive digital technologies. And this is taking place against a background of rising political uncertainty. Only the most agile and flexible firms are likely to come out of the current uncertain climate unscathed.

The customer's always right

With banks under pressure to cut costs and improve capital allocation, the need for enterprise-wide strategy, budgeting, and forecasting has never been greater. This need is brought into sharp focus by the increasing scale and complexity of the challenges banks must now tackle—including increased digitalization, headcount reduction programs and rationalization of branch networks.

Retail banks see changing customer demands as the biggest strategic issue, with 80% of respondents rating this challenge as significant (Figure 1, page 6). The pressure to adapt operations is uppermost in the minds of executives, who make reference to factors including rising competitive pressures and the need for customer-centric innovation. "Customer demand has been fueling our growth, so it is very important to meet their expectations," says the CIO of an American bank.

Three quarters of respondents cite digital transformation as a strategic challenge. An almost identical number (74%) point to challenges around driving decisions with data and analytics.

Notably, in a period of political and economic volatility, two thirds (66%) highlight maintaining agility to respond to economic volatility as a major challenge. "Even though our processes are up to the mark, there's no guarantee that the steps we have taken will safeguard our firm from the tremors of economic volatility and market insecurity," says the CFO of a US-based bank.

State of flux

As new capital and liquidity regulations put more pressure on banks, flexible end-to-end modeling that is fully auditable could be the solution. However, firms remain overly reliant on point solutions, which are a source of potential operational risk. Agility is compromised, because models cannot easily be updated or replaced when circumstances change. Coupled with this, banks are having to cope with rising compliance costs as reporting exercises cut more and more into staff time.

The survey reveals that banks are finding it hard to develop the necessary scenario-based models to respond to capital and liquidity regulations, with 74% of respondents rating it a significant challenge (Figure 2, page 7). "What-if is a very big question that can have multiple answers," notes the strategy head of an Indian bank. "We are constantly faced with the dilemma of answering this question based on our knowledge and experience, but it's not really enough. Global macroeconomic changes and political instabilities affect banks almost immediately. We are often caught without any notification."

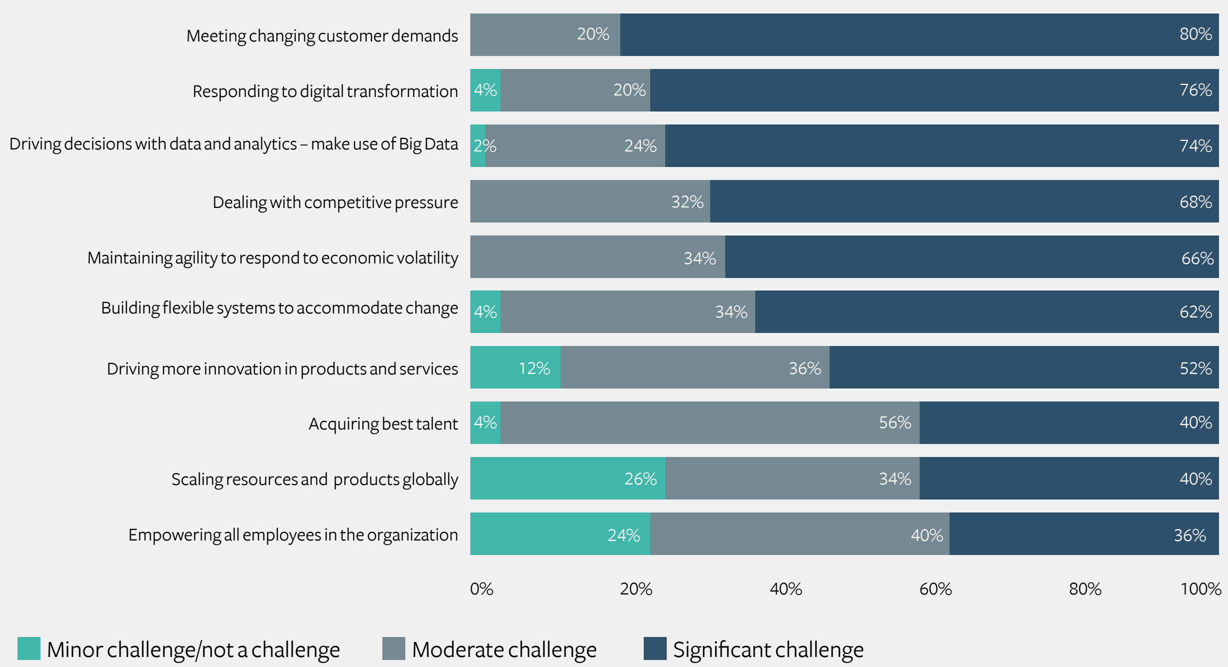
The time-consuming business of replacing the manual steps used in data processing is seen as a significant challenge by 62% of respondents. "Replacing all our manual processes to match our data processing systems took a long time and our company faced major challenges trying to get this to happen successfully," says the CIO of an American bank.

Integrating macroeconomic risk drivers into stress tests is regarded as a significant challenge by 60% of respondents. The problem lies with the sheer volume, variety and volatility of potential factors. "Using stress tests is not easy because they depend on scenarios that are constantly changing," says the strategy head of an Irish bank.

Factoring in political disruption is also an increasing struggle. Unexpected upheaval is the new normal, whether it's the UK's decision to withdraw from the EU or the Trump administration's plans to unwind financial regulations. Whatever happens, banks will have to adapt to even more change.

In some cases, difficulties around stress testing are exacerbated by a shortage of skills. "We still have not developed an effective stress test mechanism in the company because of a lack of talent and the cost of training our employees," says the CIO of an American bank. There are also concerns that immigration controls will restrict the flow of professional talent into the banking sector, adding to the squeeze on skills.

Figure 1
How significant are the following strategic challenges for your organization?



Drilling into the regulatory detail, FATCA, America's law on tax compliance, and Basel III, with its beefed-up capital requirements, are rated as the most challenging and each is chosen by nearly a third of respondents (Figure 3). DFAST (Dodd-Frank Act Stress Tests) is highlighted as the most onerous requirement by 12% of respondents, followed by CRD IV (the EU's Capital Requirements Directive) which is highlighted by 10%.

The spillover from US regulation continues to challenge banks far beyond America's shores. "We are currently trying to deal with the compliance regulations under the CCAR (US Comprehensive Capital Analysis and Review), especially the stress testing assessment," says the CFO of a Swedish bank. "Annually carrying out the stress test scenarios that are mentioned under the new regulations is time consuming, especially because we have to carry out these tests based on our own scenarios."

Does not compute

The survey shows that factors such as poor data quality, the proliferation of interfaces and the disconnect between planning and execution add to banks' scenario-modeling woes. In short, every stage of the scenario-planning lifecycle is beset by problems.

Data—either inaccurate or not timely—poses the greatest challenge in modeling scenarios for the majority of respondents (42%) (Figure 4, page 8). "When trying to develop our business models, we have faced many different problems from inaccurate data," says the strategy director of a French bank. "When gathering data, getting it from a reliable source is important, but identifying and making sure the data is secure is not a simple task."

Figure 2
How significant are the following challenges in relation to complying with new capital and liquidity regulations (i.e. Dodd-Frank, Basel II and Basel III)?

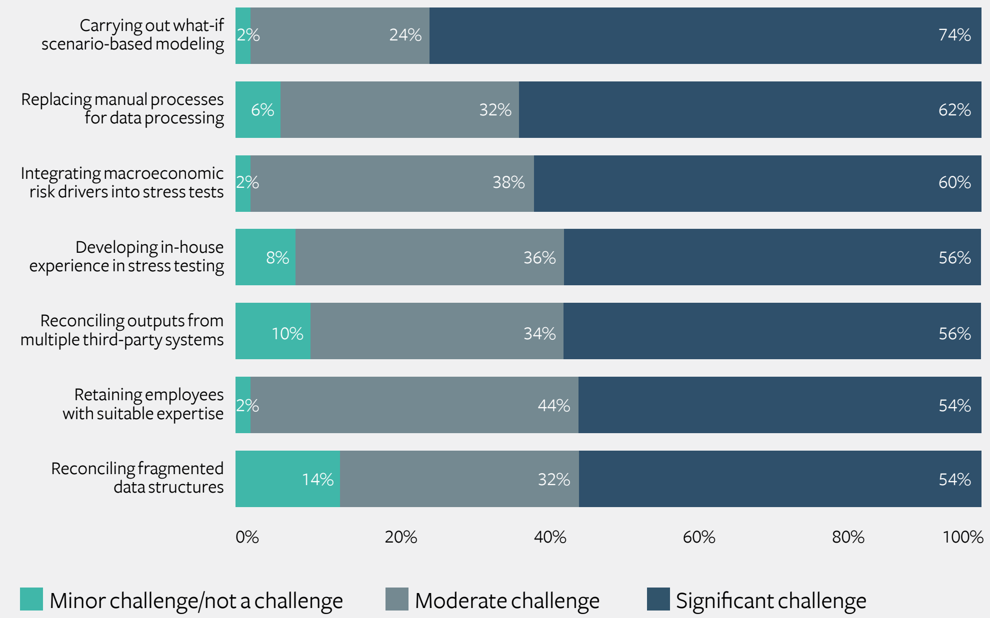
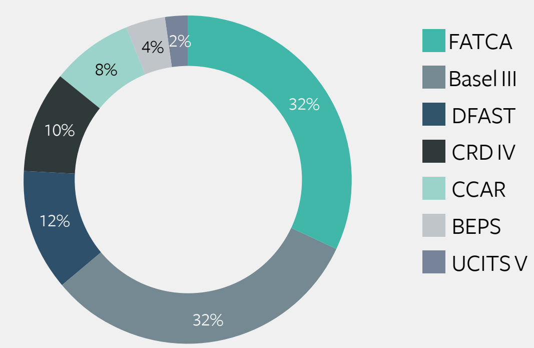


Figure 3
Please specify which regulation(s) or reporting requirements you find most challenging. (Please select only one)



Multiple interfaces, cited as the main challenge by one in five respondents, are another problem for banks. As regulations have proliferated, so have point solutions designed to tackle single problems. The result: an increasingly fragmented array of disconnected silo systems that makes it much harder than it should be to align information.

"Different interfaces interfere with our technologies and affect the way we read and utilize our data. Because of this, we cannot make strong and concise decisions about growth," says the strategy head of a UK bank.

The proliferation of interfaces is also a contributory factor in the third-most highlighted concern: plans not being connected to executions and actions (cited by 18%).

Figure 4
What is your main challenge in modeling scenarios? (Select the most important)

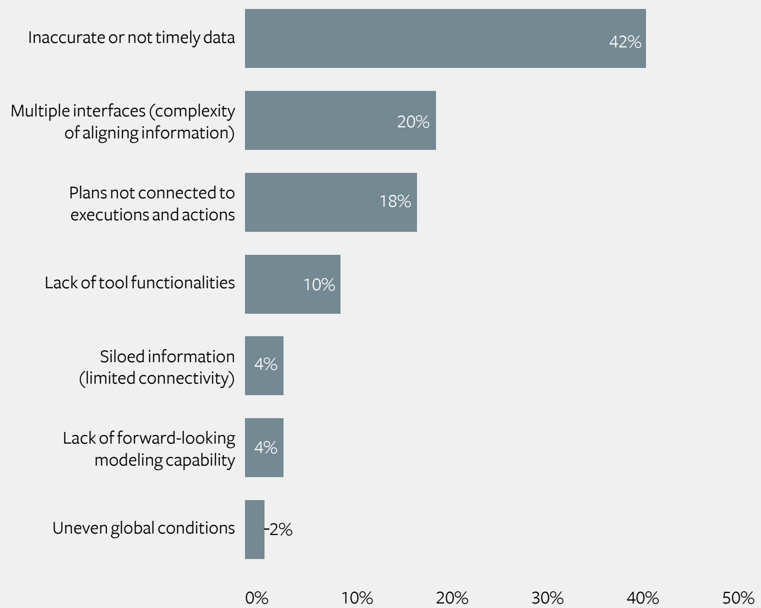
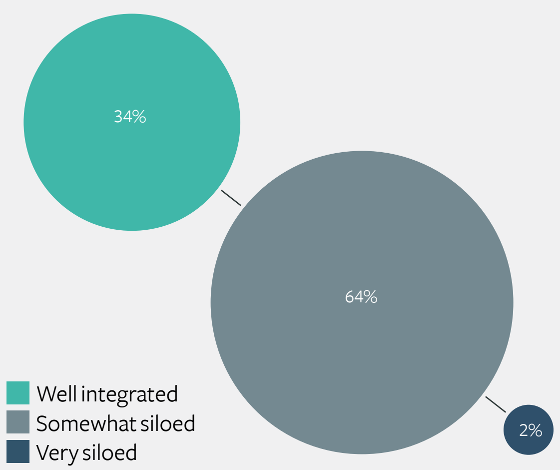
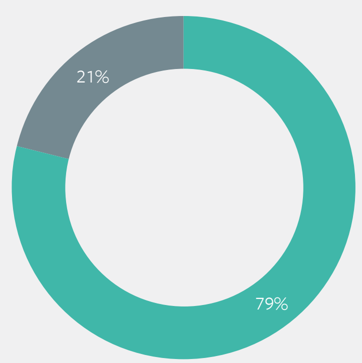


Figure 5
How integrated are your finance and risk architectures?



Well integrated
Somewhat siloed
Very siloed

Figure 6
If somewhat or very siloed, does you organization see it as a priority to improve integration across these functions?



High priority
Moderate priority

The CFO of a US bank points to the problem of the gap between decisions and actions, particularly when those actions have unintended consequences. "On several occasions, we have executed decisions and taken actions, and have then had to reconsider our choice as we were faced with the dilemma of an unknown reaction for which we are unprepared."

Integration or disintegration?

Only around a third of respondents believe that their finance and risk architectures are well integrated, with two-thirds saying that they are somewhat or very siloed (Figure 5, page 8). For these respondents, nearly four in five regard it as a high priority to improve integration between these functions (Figure 6, page 8).

"When we find anything that is siloed, we try to resolve it as soon as possible to avoid any loss of information and to make sure we have a good understanding of how our company works, along with any problems that may exist," says the CFO of an American bank. "Siloed information can lead to wrong decisions because different factors are left unaccounted for when developing strategies."

A similar situation exists in respect of financial planning and regulatory reporting. Only around a quarter of respondents say that there is high-level reconciliation between their financial planning and regulatory reporting, with three quarters reporting moderate or low reconciliation (Figure 7). For these respondents, 87% say that it is a high priority to improve reconciliation in these areas (Figure 8).

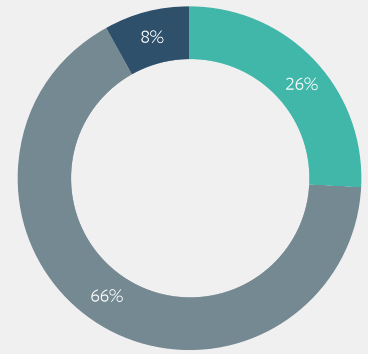
"Financial planning and regulatory reporting should go hand in hand. If there are any problems with this, or if any information is not correctly conveyed, it can become a problem for our bank and can have a major impact on our reputation," says the CIO of a US bank.

Our survey reveals that banks are struggling to develop the scenario-based modeling they urgently need to respond to both regulatory requirements and their own business needs.

This is, in large part, due to inaccurate or untimely data, as well as the challenge of multiple interfaces and a lack of action-oriented, connected planning.

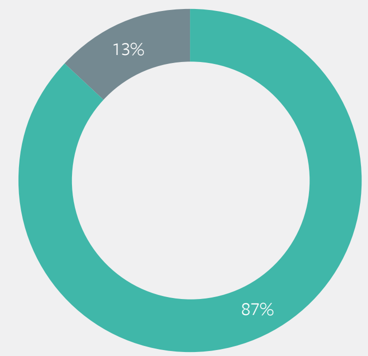
Additional challenges include a lack of integration between finance and risk architectures, as well as a lack of reconciliation between financial planning and regulatory reporting.

Figure 7
How would you rate the level of reconciliation between your financial planning and your regulatory reporting?



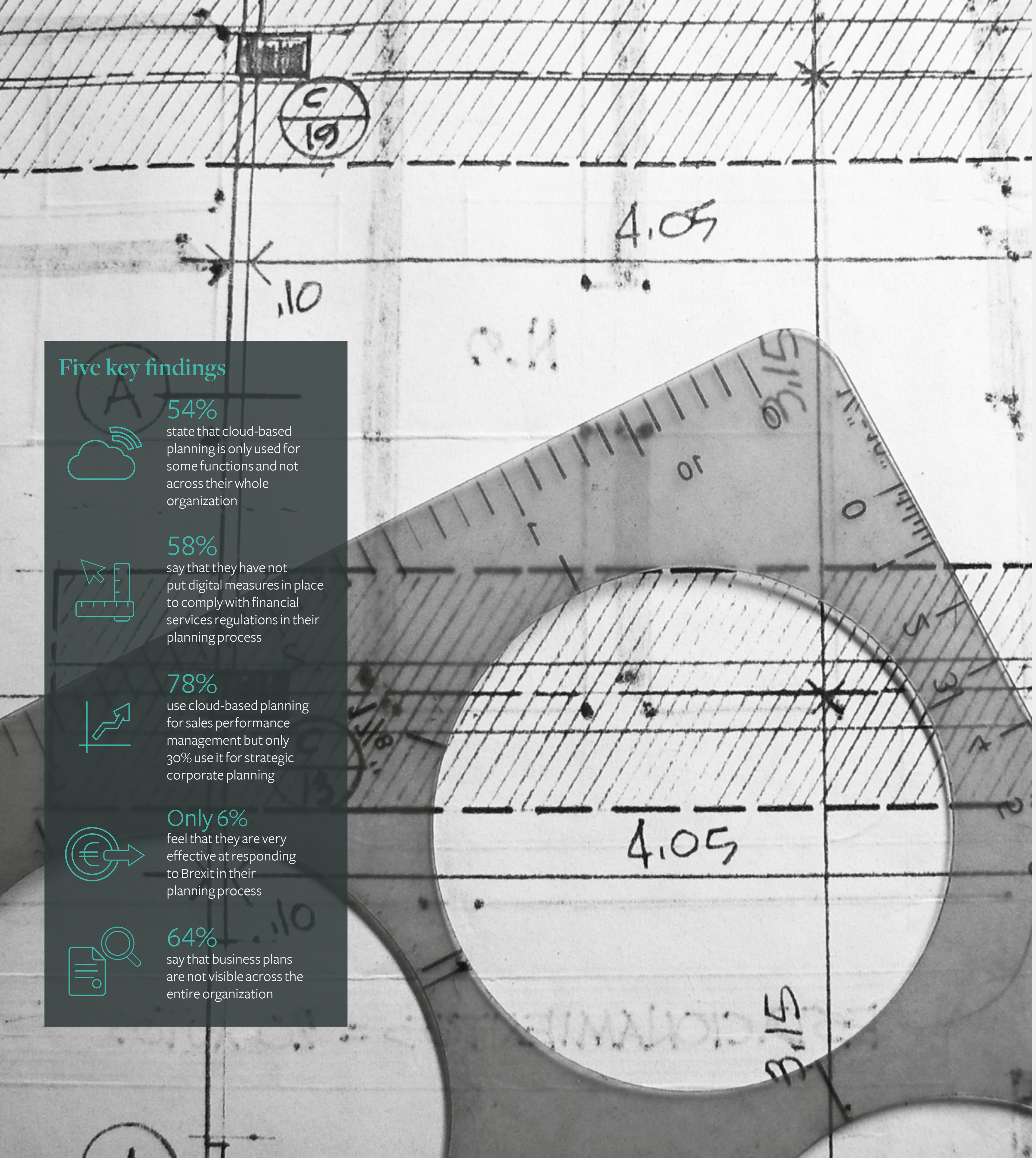
High reconciliation
Moderate reconciliation
Low reconciliation

Figure 8
If low/moderate reconciliation, does your organization see it as a priority to improve reconciliation in these areas?



High priority
Moderate priority

> "Trying to adapt our systems to make successful use of our analytical tools has been very tricky. The data we have used has not always been very good and this has affected the quality of our results and has impacted our growth as well."
> CIO, US



Five key findings

54% state that cloud-based planning is only used for some functions and not across their whole organization

58% say that they have not put digital measures in place to comply with financial services regulations in their planning process

78% use cloud-based planning for sales performance management but only 30% use it for strategic corporate planning

Only 6% feel that they are very effective at responding to Brexit in their planning process

64% say that business plans are not visible across the entire organization

Failing to plan is planning to fail

Our survey reveals that current planning processes are inadequate. Lack of organization-wide and cross-departmental planning is exposing banks to potential risks

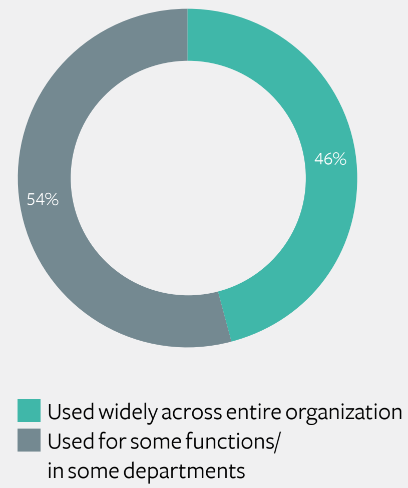
Many of the challenges described in the previous chapter can be addressed by using cloud-based connected planning. This is a platform-based solution that allows organizations to run virtually any planning process by connecting data, people and plans across every part of a business. Yet relatively few banks currently use cloud-based planning, let alone connected planning. As a result, their ability to map and measure the impact of business scenarios across the whole organization is limited.

Cloud on the horizon

Just 46% of respondents say that cloud-based planning is widely used across their organizations (Figure 9). The remaining 54% say that it is only used for some functions or in some departments. "We are slowly increasing the use of our cloud-based services. For now, we have identified areas where we would require it most and where it would have a positive impact on our growth," says the strategy director of a UK bank.

Banks are particularly cautious when it comes to putting in place digital measures to comply with financial services regulation in their financial planning process. Only 42% of firms say they have done so (Figure 10, page 12).

Figure 9
In broad terms, to what extent do you use cloud-based planning across your organization?



Definition: Cloud-based connected planning
Connected planning is a new and better way to run your business. It is built on a cloud platform that puts a powerful and flexible modeling engine in the hands of business users. This planning approach connects data and plans across an organization, and enables everyone in an enterprise to work on the same plans simultaneously. Connected planning helps companies become faster and more agile in a dynamic business environment, and ultimately more profitable.

Figure 10
Have you put in place any digital measures to improve your ability to comply with financial services sector regulation in your financial planning process?

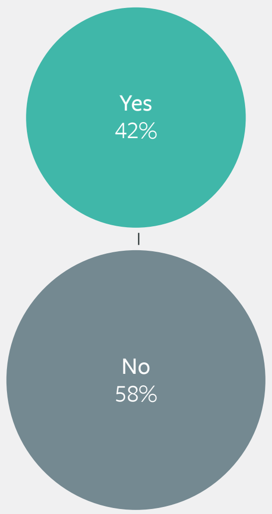
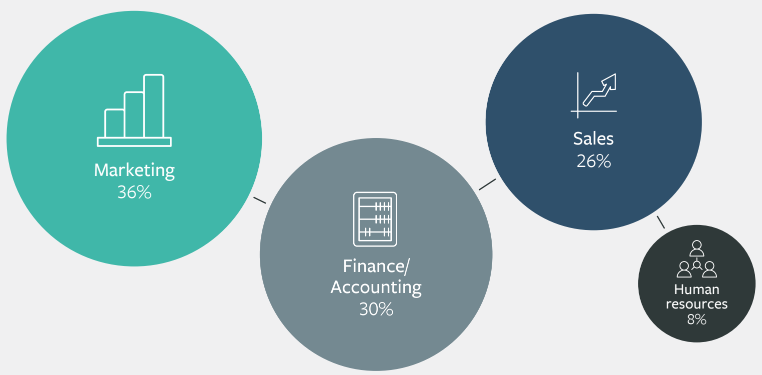


Figure 11
Which business functions do you think would most benefit from cross-departmental or cross-business unit/group planning? (Please select only one)



"We have tried to automate and develop ways of carrying out our activities that reduce paperwork, while making sure we are compliant with rules and regulations," explains the CEO of a US-based bank. "We are very careful with this, because any inconsistencies can prove to be a major burden that can lead to problems with the authorities."

Planning potential

Marketing is seen as the business function that would most benefit from cross-departmental planning (Figure 11). Factors mentioned include enhanced productivity, better capital returns and an opportunity to think outside the box.

"Marketing is expensive and difficult, but it can be improved if it is integrated with a group plan," says the head of finance of a French bank. "This will reduce costs and will help different teams to work together to create a stronger marketing strategy that can be executed efficiently."

For 30% of respondents, finance/accounting is regarded as being the main potential beneficiary of cross-departmental planning.

While optimizing capital allocation is a key attraction for many, respondents also point to benefits such as faster approvals, reduced internal conflict and the ability to get products to market swiftly.

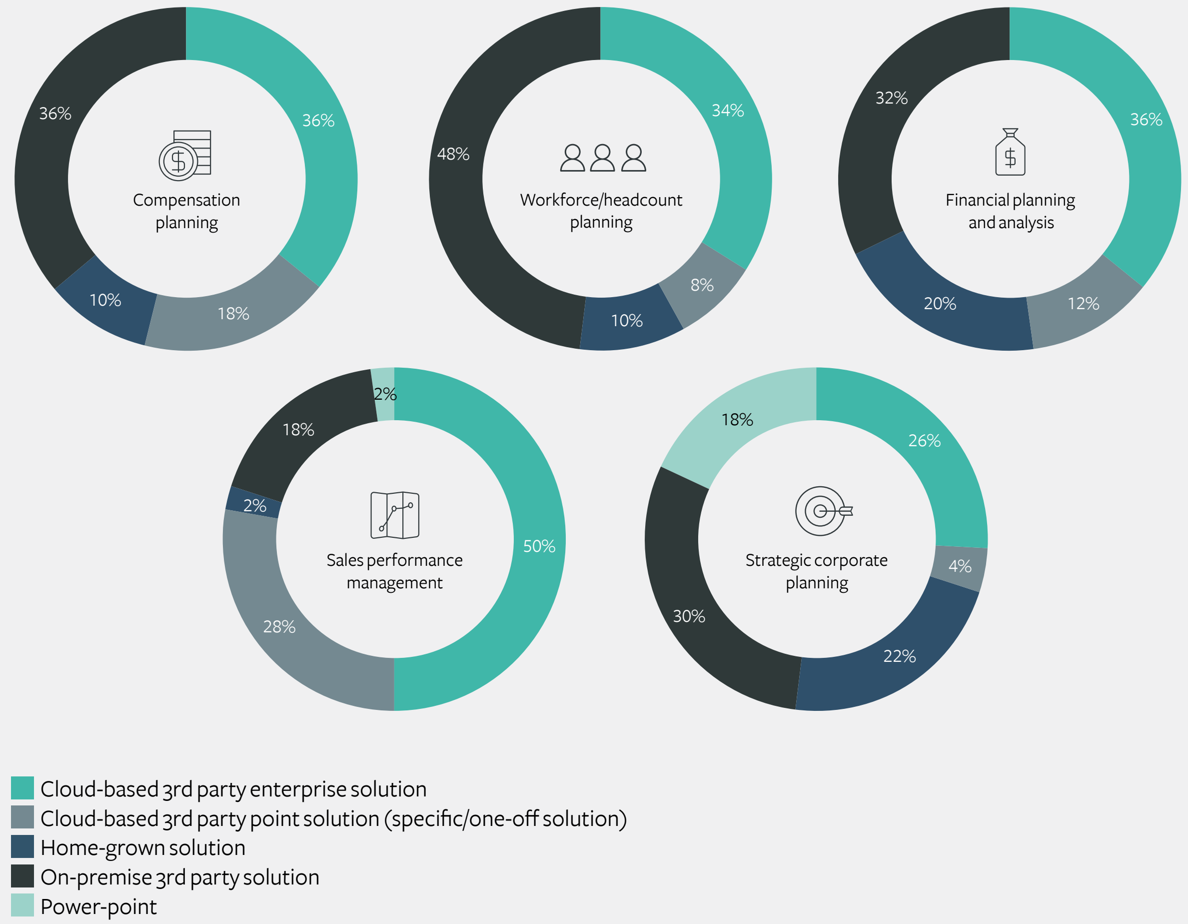
Just over a quarter (26%) of respondents think sales operations would benefit the most from better planning integration between departments. "When marketing and sales departments work together closely, the likelihood of achieving goals increases," says the head of strategy of a Malaysian bank.

State of play

Although some banks already use cloud-based planning tools, including both enterprise and point solutions, the survey highlights significant discrepancies: adoption rates range from 78% within sales performance planning, down to just 30% in strategic corporate planning (Figure 12, page 13). Sandwiched between these extremes are compensation planning (54%), financial planning (48%) and headcount planning (42%).

However, when asked about their ability to respond to a number of factors, including M&A and Brexit, in their planning process, banks' responses were very different. Unsurprisingly, banks are good at planning for situations in which all the variables are readily quantifiable and under their direct control. The ability to respond to the evolution of headcount/workforce, for example—which can be quantified and controlled—received the highest score from respondents, with 44% rating themselves very effective and just 6% not effective.

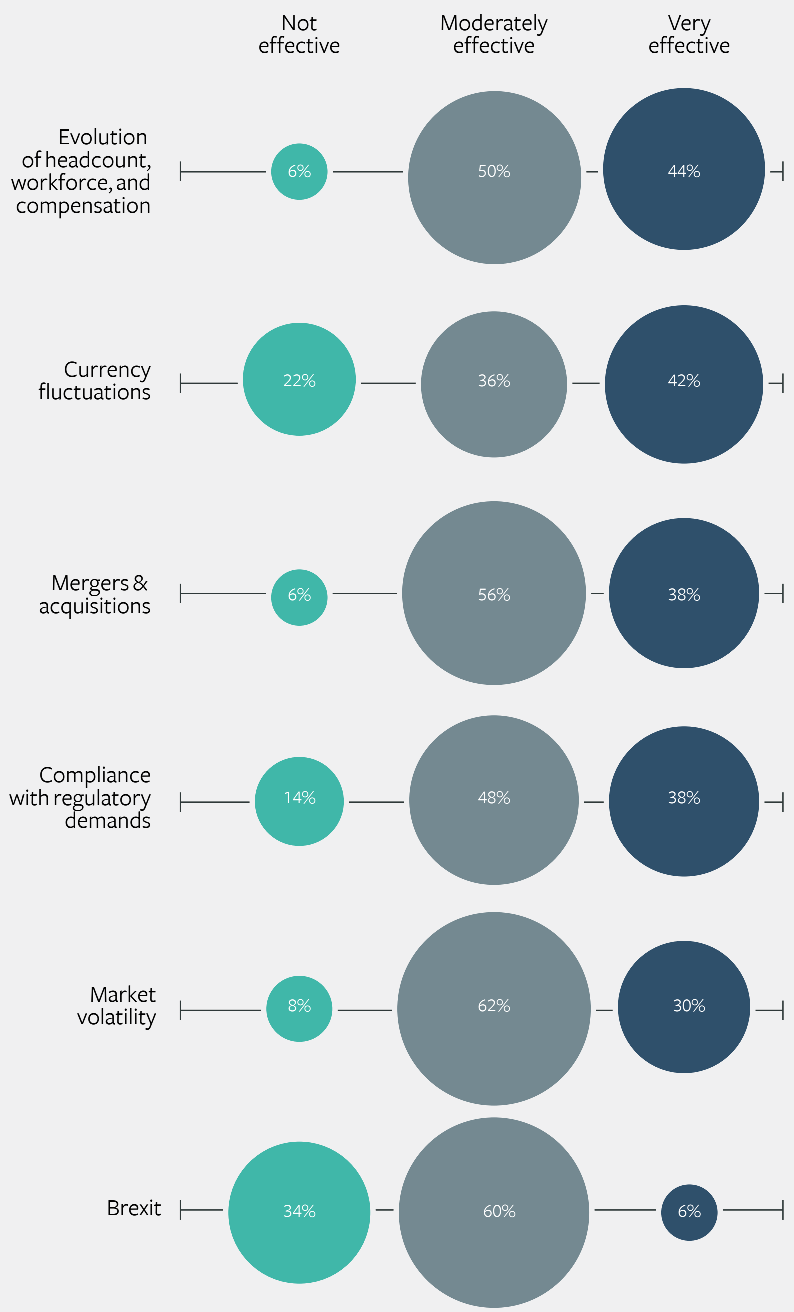
Figure 12
Specifically, how does your bank primarily do planning across the following areas? (Please select only one for each area)



The acid test of any planning process, though, is its ability to take account of wider macroeconomic and geopolitical risks. Here, the survey shows that banks are performing less well. Inflexible legacy tools, siloed business processes and the inability to handle large sets of external drivers, all impose severe limitations on banks' scenario-planning capabilities.

> "Marketing is expensive and difficult, but it can be improved if it is integrated with a group plan. This will reduce costs and will help different teams to work together to create a stronger marketing strategy that can be executed efficiently."
> Head of Finance, France

Figure 13
Please rate your ability at responding to the following factors in your planning process.



This weakness is highlighted by the fact that only 30% believe they are very effective at responding to market volatility in their planning processes (Figure 13). Shortcomings are even more pronounced with regard to Brexit: just 6% of banks consider themselves good at taking into account the challenges associated with the UK's withdrawal from the EU. This suggests that banks may be ill-prepared to cope with potentially adverse consequences should Brexit lead to capital flow disruption and reduced trade—the 'low road' scenario described by the UK's central bank governor.

Out of sight

Visibility around planning—or the lack of it—is another issue impeding joined-up operations. Only around a third (34%) of respondents say that business plans are visible across the entire organization (Figure 14, page 15). For the rest, planning visibility is limited to the department or business unit (52%), team (12%) or region (2%).

The reasons behind this are as much about corporate culture as they are about technology. Teams and departments can be fiercely independent and may resist technologies that promote sharing information. Equally, boards may not see any immediate need for enterprise-wide visibility, particularly where this would mean spending money on new technology.

Comments by respondents on the question of visibility fall into two broad camps: those who favor high levels of planning transparency and those who prefer to restrict visibility to specific departments and teams. "We do not make all our plans visible because we prefer it if our employees focus on their work," explains one CFO.

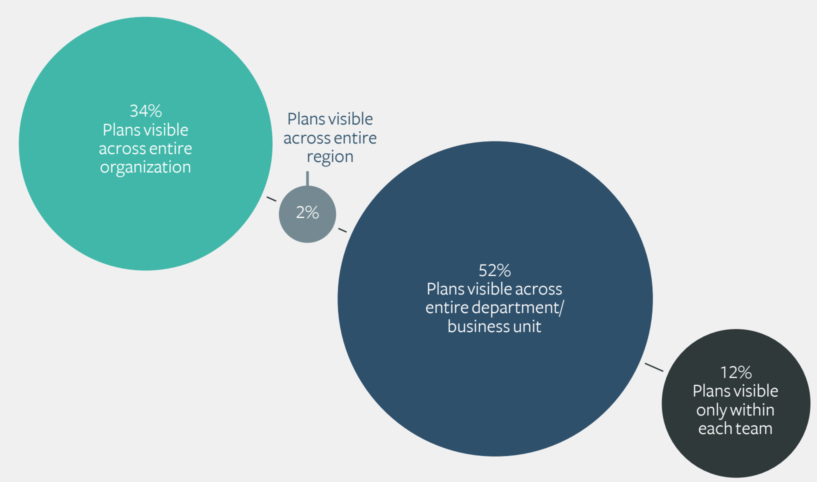
The contrasting view is put forward by the CFO of a Nordic bank: "We have made our business plans visible to all our departments and units—this has helped us develop a base of employees who work towards achieving our goals." Another says planning transparency wins hearts and minds. "Planning is a collaborative process," notes the CFO of a US bank. "Sharing information at all levels gets everyone engaged and makes everyone feel important."

There are also marked differences in the business planning challenges facing different departments. In human resources, the dominant challenge is seen as compliance monitoring, which is cited as the biggest challenge by 52% of respondents (Figure 15, page 16). In the case of marketing and sales departments, by contrast, the primary challenge is analysis (highlighted by 50% and 44% respectively) while in finance, it's budgeting and forecasting/modeling (each 42%) that present the biggest challenges.

Banks not only worry about the complexity inherent in the planning process, but also about the fact that the goalposts keep moving—both in terms of technology and customer behavior. "Financial modeling and forecasting is a process that keeps on changing and it's very complicated—it becomes difficult to manage because of the way the market operates," says the finance director of a UK bank.

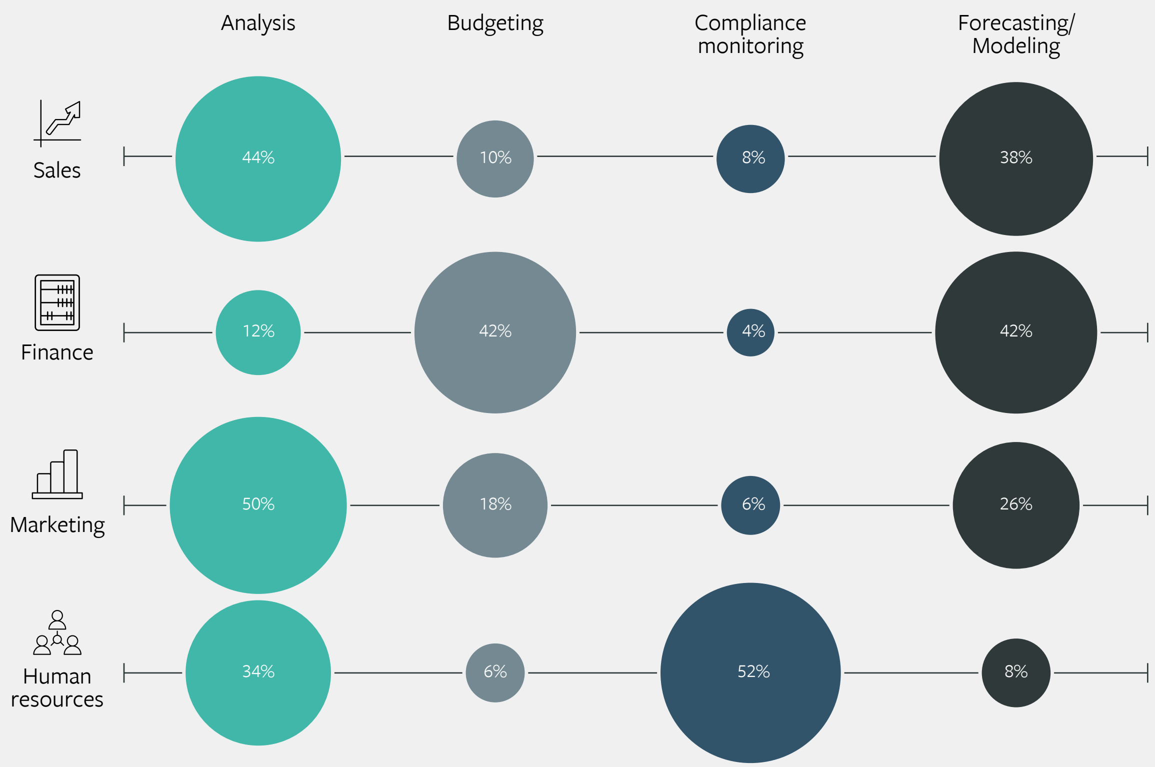
Overall, the survey demonstrates that while some banks are already using cloud-based planning, implementation is patchy, with the majority of deployments in areas such as compensation planning and sales. While a piecemeal approach delivers benefits, it does not provide the cross-cutting insights that are urgently needed to address bigger and more complex macroeconomic questions that require a highly flexible scenario-modeling capability. In tandem with this, the survey shows that plans are often only visible within teams or departments, rather than across the entire organization, which is likely to lead to a lack of joined-up thinking.

Figure 14
To what extent are business plans visible across your organization? (Select only one)



"We have made our business plans visible to all our departments and units—this has helped us develop a base of employees who work towards achieving our goals."
CFO, Nordics

Figure 15
What is the biggest business planning challenge in each of the departments? (Select one for each category)



"Currently, macroeconomic risks are very high and we are trying hard to reduce their impact on our company by implementing new technologies and by trying out new strategies."
CIO, Thailand

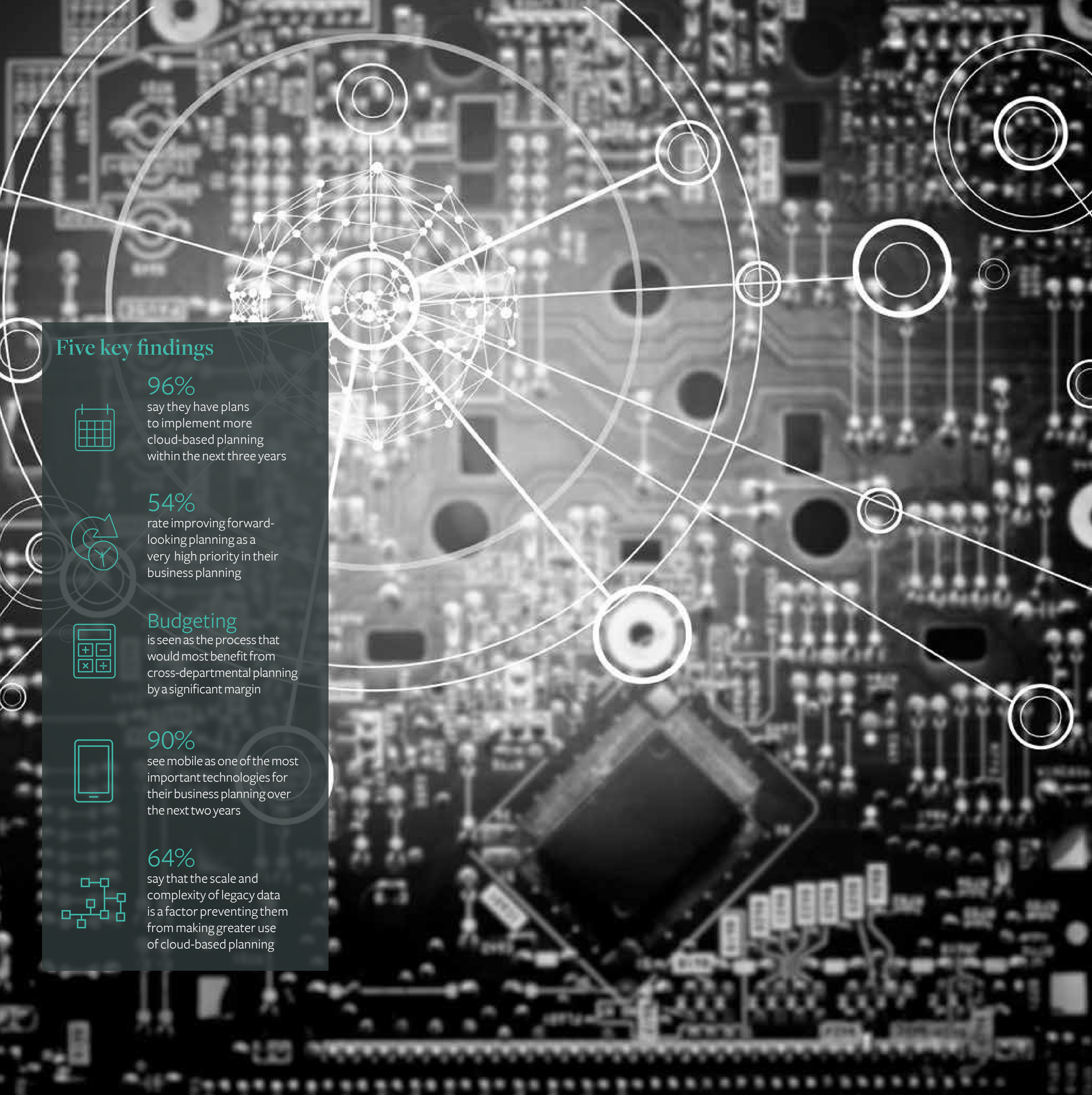
INSIGHT

Henri Wajsblat, Head of Financial Services Solutions, Anaplan, explains why connected planning is so important and how it benefits retail banks.

What's driving the need for connected planning?
Retail banks can no longer drive their businesses the way they used to. The regulatory and competitive pressures they now face are enormous and the environment is evolving rapidly. If banks are to overcome these challenges, they urgently need to improve their ability to model and plan scenarios. They need to be able to do this at scale, using agile technology solutions with drivers that can be adjusted in real time. Cloud-based connected planning meets all of these needs.

Functional integration is a big obstacle for many banks. How does better planning technology help?
The finance function and the risk/regulatory function in banks have each developed significant architectures over the last 20 years. But they have developed in silos. The challenge for banks is delivering much better alignment between business-as-usual finance data, and risk/regulatory data. We believe that technology provides the main part of the answer to this. Uniting finance, risk and regulatory data in one platform for planning, forecasting and reporting is the goal banks are looking to right now. Connected planning touches every part of the value chain, from the customer, to sales, marketing, human resources, finance and risk.

How easy—or difficult—is it to make the transition to connected planning?
It's not difficult, really. When many of our customers in the financial services sector come to us, they've reached the point of no return—they have billions of cells of data that they just can no longer process using conventional spreadsheets or legacy tools. They are buried by time-consuming data consolidation, with little to no time for actual analysis. Customers actually find it easier than expected to transport their planning tasks into cloud-based modeling and to start bringing the data to life.



Five key findings

96%
say they have plans to implement more cloud-based planning within the next three years

54%
rate improving forward-looking planning as a very high priority in their business planning

Budgeting
is seen as the process that would most benefit from cross-departmental planning by a significant margin

90%
see mobile as one of the most important technologies for their business planning over the next two years

64%
say that the scale and complexity of legacy data is a factor preventing them from making greater use of cloud-based planning

The right connections

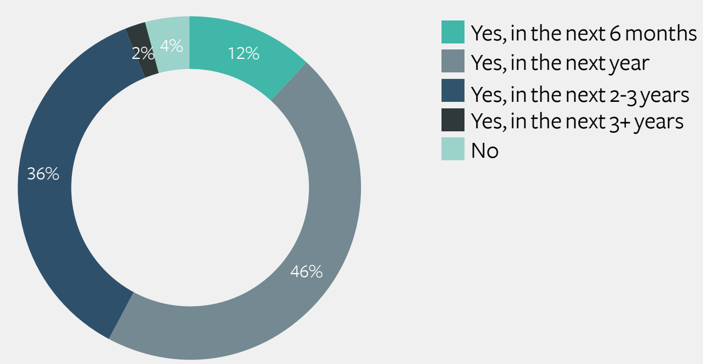
Improved forward-looking planning is the number-one priority for retail banks, with almost all firms intending to implement cloud-based planning in the next 12 months

The retail banks surveyed realize that cloud-based planning is essential to meet the challenges of a fast-changing future. Our survey reveals that the overwhelming majority of banks (96%) intend to introduce more cloud-based planning within the next three years (Figure 16). Investment is likely to be focused on improved forward-looking planning, along with removing complex integration issues, connecting planning components across the organization and improving data quality and transparency.

Among the attractions are increased flexibility, agility and the potential for rapid course-correction. “Cloud-based planning makes our strategies very flexible and open to changes,” says the CIO of a Nordic bank. “This will allow us to develop our strategies and make them secure, as well as allowing our company to develop new technologies and ways to innovate.”

Another respondent points to the freedom offered by cloud solutions. “Information becomes easily accessible anywhere, at any time. This capability is necessary as it helps us to do more, achieve time efficiencies and increase productivity,” says the strategy head of an American bank.

Figure 16
Do you have plans to implement more cloud-based planning in the near future?



Planning priorities

Improving forward-looking planning is the top priority for business planning, with 54% rating it as a very high priority (Figure 17). This is followed by removing complex integration issues, connecting planning components across the organization and improving data quality/ transparency (all 52%).

"By using agile strategies and forward-looking planning, we are in a strong position to make changes when required to avoid slowdowns and risks," says the CEO of an American bank.

Commenting on their planning priorities, a number of respondents make reference to the need for speed in an increasingly competitive climate. The CFO of an American bank looking to improve the firm's forward-looking strategies says: "Timing really matters today and is something that competitors capitalize on when the right action is not taken."

As well as gaining an edge on competitors, better planning is seen as a way to keep pace with rapidly shifting consumer demands. "Our new goal is to accelerate change through the introduction of scaled, agile solutions. We expect this to reduce the turnaround time in response to changing customer expectations, along with engaging current staff and getting new talent on board," says the CFO of a German bank.

Tech the lead

Technology is a moving target for retail banks as they race to keep ahead of competitors while maintaining the highest levels of cybersecurity. However, our survey discovered certain types of technology are more important for banks' planning needs over the next two years—90% point to mobile technology/apps, closely followed by cybersecurity (88%) and cloud (80%) (Figure 18, page 21).

"We already have applications for our customers and a separate mobile application for our corporate clients," says the head of finance at a Nordic bank. "Diversifying and developing better mobile technologies has helped us differentiate ourselves and improve our services and will allow us to boost our growth and returns."

Not surprisingly, cybersecurity is firmly on the radars of most retail banks. "Fast-emerging financial technologies are going to introduce a variety of unknowns," says the CFO of an American bank. "By investing in cybersecurity, our expectation of achieving the highest level in technological advances will be met."

Eight out of 10 respondents point to cloud as being important for their business planning needs. Factors cited include lower costs, increased flexibility, better utilization of information and a reduction in the IT maintenance burden.

Cloud is also central to optimizing the user experience. One way in which this is achieved is by allowing banks to deliver services any way customers want them. "We have assessed the demand among customers to access preferred services and other requirements remotely and the need for this to become available regardless of the device, so cloud can help us in a great way," says the strategy head of an Australian bank.

Social or real-time communication tools are flagged as important by two thirds of respondents. Attractions include the ability to establish a rapport with customers and access to a wealth of new data.

Figure 17

Which of the following is a priority in business planning for you today?

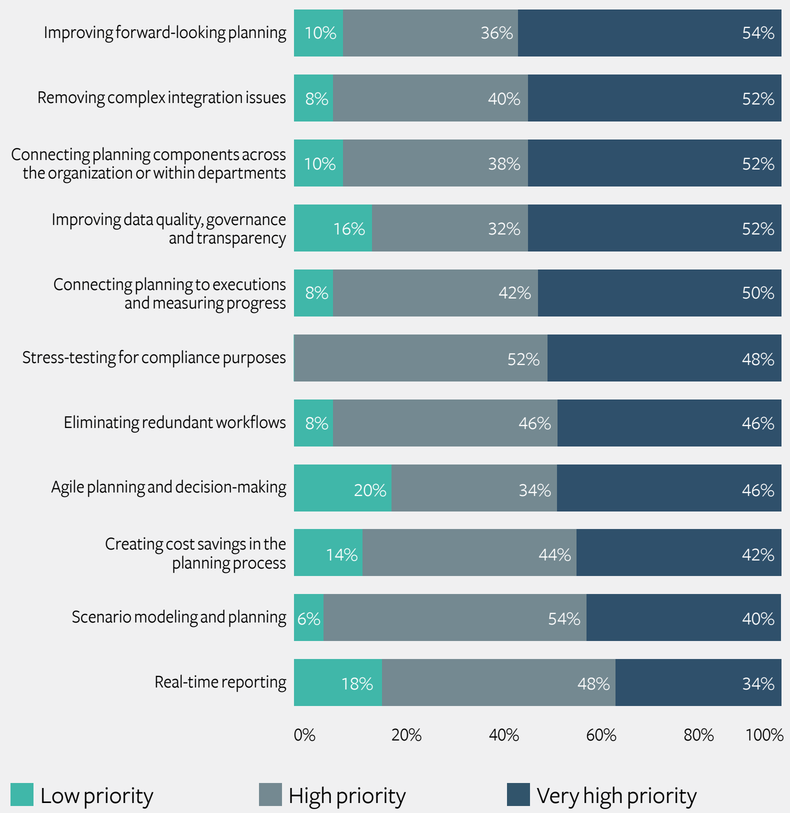
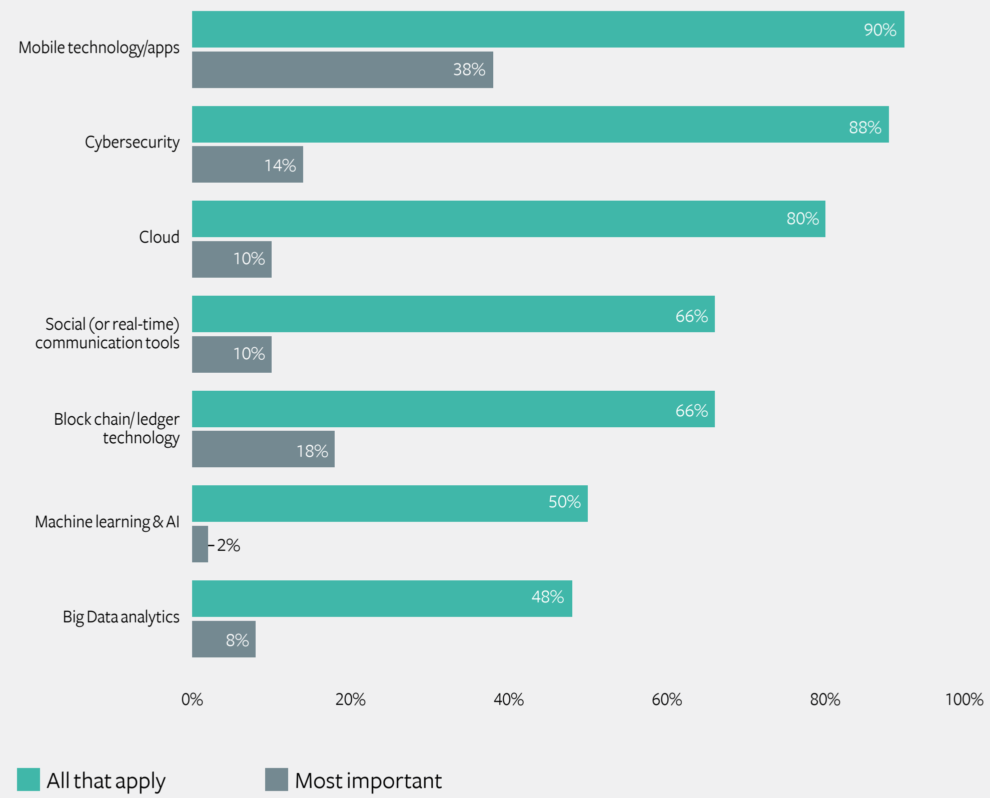


Figure 18

Which types of technology will be important for your business planning needs over the next two years?



> "Diversifying and developing better mobile technologies has helped us differentiate ourselves and improve our services and will allow us to boost our growth and returns."
>
> Head of Finance, Nordics

INSIGHT

Karen Clarke, Anaplan's Regional Vice President for EMEA, discusses the growth of cloud-based connected planning, the obstacles to uptake and the business areas that it can improve.

How extensively do businesses use cloud-based connected planning?
It's a significant market and it's growing. In terms of why it is growing, I think there are two dimensions to that. One is that, in an era of disruption, businesses really need a different way to run their analytical processes. No longer is it sufficient for planning scenarios to take hours or days to produce, businesses need real-time access to information. Furthermore, the intellectual property in many businesses is very spread out. This means that decisions are rarely based on all the required information or knowledge across the organization. Connected planning provides the opportunity for companies to break that information out of the silos, by connecting the data, the people and the plans themselves.

And then, of course, there is the technology. It has changed tremendously and yet, many organizations still have legacy technology. With the cloud, the access to technology is much easier, so users anywhere can log on and access the same single source of data. This creates a much broader opportunity for organizations to get full value out of their information.

What are the obstacles to the uptake of cloud-based connected planning?
This isn't just an IT project. It's a business transformation. Two of the key challenges are that this type of change clearly requires leadership, and the organization really needs to understand the value that it is trying to capture. Companies have to address the cultural and business process changes and communicate the value of this across their organization.

Do companies have to change their mindset to embrace connected planning?
They do. It comes back to leadership. Those organizations that are looking at this as an opportunity to change their business processes and get that end-to-end visibility across their business, are the ones that are going to see new opportunities and results.

Success is also about people within the organization because, now, people are planning in their organizational silos. By connecting all the data and plans, you are gaining value from new opportunities for collaboration and shared knowledge that were not available before.

In which key areas of business do you find customers using cross-departmental planning?
Customers choose to start in an area where they are going to get the most significant return on their investments first, so one common area is financial planning and budgeting. However, we also see customers starting with other areas such as workforce planning, because, at the moment, a lot of organizations are looking at rationalization of their global locations. Other areas include compliance, risk, incentive compensation, expense management, in fact any area of a company's operations.

One area that is of increasing interest to a number of organizations is zero-based budgeting (budgeting plans that require every spend item to be revisited against its value to the current business drivers). The zero-based budgeting approach helps to drive value from an organization by providing a different way of deciding where investments and budget should be placed. After multiple rounds of cost savings, companies are looking for a new way to review the investments against their business drivers. For a number of our customers, zero-based budgeting has helped achieve considerable savings.

Opportunities and challenges

Respondents see the benefits of connecting planning across a wide range of business processes. Budgeting is seen as the process that would benefit most from cross-departmental planning and scores 5.5 out of a possible 6 (Figure 19). Better planning helps by improving transparency, which in turn leads to improvements in resource allocation. "Having the finance team being aware of the requirements of the other support functions in the organization can be a plus point," says the strategy head of a South Korean bank.

Cross-departmental planning is also seen as delivering significant benefits in areas such as forecasting, strategic planning, financial planning/analysis and compliance monitoring. The ability to join the dots makes for better decisions: "Capital is required for everything, so we find that connecting finance to planning is crucial," says the strategy head of an Australian bank. "When there are fewer capital crunches to manage, we can function well, we know our limitations and accordingly choose our targets and close in on requirements that are perfect for us as a business."

Commenting on which business functions would gain the most from cross-departmental planning, the majority of respondents point to the fact that connected planning delivers benefits across multiple areas. Cloud is at the heart of achieving this.

"We realized that, to reduce costs and make our products and services better, we would require a strong system that could manage all areas and aspects of our business," says the head of finance at a Swedish bank. "This is the main reason why we made sure our cloud technologies were implemented across all departments. Using cloud technologies, we have made our systems secure while developing innovative ways of reducing problems when they appear in the company."

Interestingly, a significant proportion of respondents' written responses (50%) independently mention the importance of cross-departmental planning as a tool for spotting and resolving problems. "Identifying problems in our strategies has become simpler and reviewing the performance of every aspect of the company is much easier because of these technologies," notes the CIO of a UK bank.

Figure 19
Which processes do you think could most benefit from cross-departmental or cross-business unit/group planning? (Please rate each from 1-6, 1= lowest benefit, 6= highest benefit)

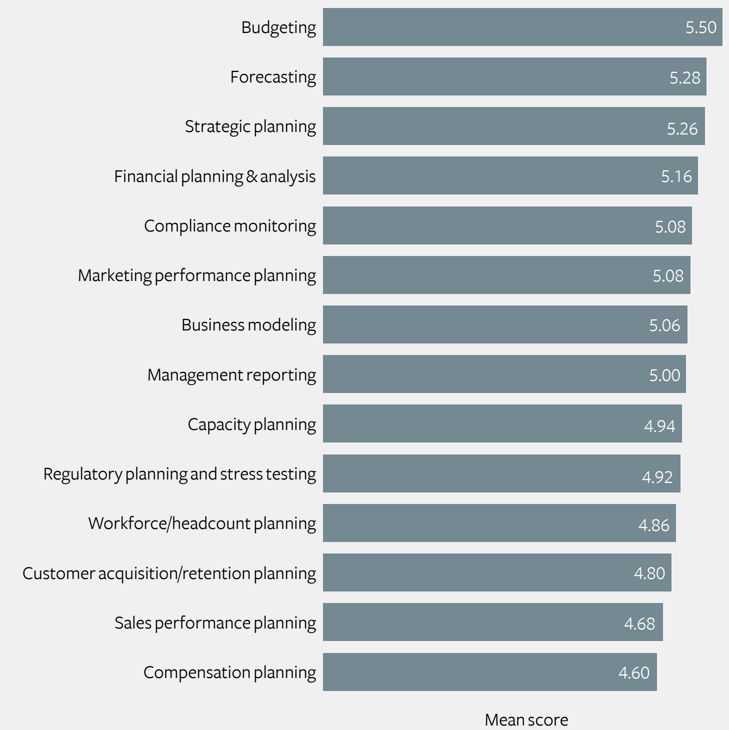
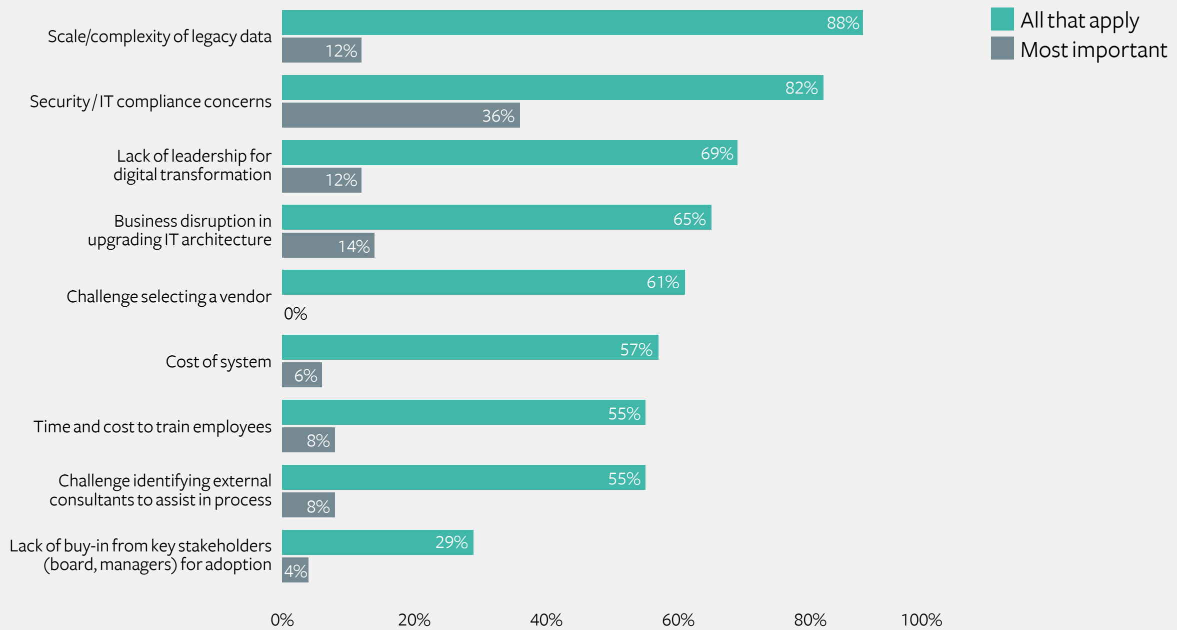


Figure 20
What prevents you from making greater use of cloud-based planning?



Despite the acknowledged benefits of cloud-based planning, obstacles remain. Dealing with the scale and complexity of legacy data is the most-cited reason for not making greater use of cloud-based planning (88%) (Figure 20). "Legacy data needs to be updated onto systems carefully to avoid problems when accessing that data later," says the CIO of an American bank. "Managing this without losing any data and in a way where that data is accessible with ease is not a simple process."

Security and IT compliance is a concern for 82% of respondents. Comments on this subject highlight concerns around hacking, third-party access to data and the risk of strategic information being leaked. However, these risks can be managed. "We were very skeptical about how safe it would be, but after integrating and investing in technologies to help us contain these risks efficiently, we have taken decisive steps in the development of our cloud platforms and are developing our planning process around cloud technologies," says the CIO of an American bank.

Additional factors getting in the way of cloud-based planning include a lack of leadership for digital transformation, cited by 69%, and the risk of disruption during the upgrading of IT architecture (65%).

Our survey reveals conclusively that most retail banks are clear about the need for cross-departmental planning and intend to implement cloud-based planning technology in the near future. Marketing, budgeting, forecasting and strategic planning are all seen as areas that will benefit. The biggest barriers to implementation are the scale and complexity of legacy data, as well as security/compliance concerns and a lack of leadership for digital transformation.

INSIGHT

Michael Gould, Founder and CTO of Anaplan, discusses the planning challenges faced by corporate and retail banks, and how cloud-based connected planning can help overcome them.

What are the major planning challenges for large companies?
Companies need agility. Every big company is now under threat from new entrants who are able to get up and running quicker than ever. The threat of disruption is huge—just consider the potential impact to the banking industry of competitors like Monzo. For large organizations, the only way to respond is with quick decision-making—but that's where the challenges come in. As a big organization, how do you connect business functions when you're dealing with large data volumes and legacy systems? Businesses need the ability to make decisions quickly, using powerful and accurate information, and with a solid understanding of the consequences of those decisions.

What are the advantages of cloud-based connected planning for retail banks?
Banks are looking at their cost structures. Competition is ramping up from new entrants in the market that operate on drastically lower cost structures and that offer digital services. Large banks need the ability to model things like workforce-planning that enable them to restructure while still delivering the distinctive services of a traditional retail bank. They need to plan their organizational structure, their layers of management, their outsourcing and relocation plans—and they can't do that in isolation. Modeling has a huge impact on customer engagement and revenue streams.

How can modeling help banks prepare for scenarios such as Brexit?
Banks need to model out different scenarios for exchange rates or trade barriers that arise from events like Brexit, and are looking at different options for doing so. They may well be forced to relocate or redeploy staff because of changes in regulations or political structures. This is tough, there are many, many options they need to look at—for example, facilities, IT provisioning and the costs associated with making even basic changes in offices. It is critical that they model all those options out.

What factors should banks take into account when looking for a cloud-based connected planning platform?
The number one factor has to be security. Planning systems need to be on par with the security of actual banking transactional systems. Next, banks have to look for a platform that is flexible enough to model out different scenarios quickly in order to make better-informed decisions. In addition, the platform needs to handle complexity, because a lot of the modeling that's required involves multiple interconnected variables. Obviously, the platform needs to be able to handle large data volumes.

And banks need to consider performance. There are two kinds of speed to consider: There's the time required for modeling different scenarios and making decisions. And then there's speed at which a system responds to users—is the system workable and efficient when it is dealing with large data volumes and lots of simultaneous users?

What is the future for connected planning?
The big news is around artificial intelligence (AI) and the impact that's going to have on planning. At present, the use of AI in enterprise planning is at a very early stage—taking an analogy from the use of AI for autonomous vehicles, right now we're about at the stage of adding cruise control or lane-sensing. However, there's huge potential in terms of automated decision making, and having systems that alert you to events or trends that are showing up in your data, and ultimately giving recommendations or even taking action. That's some way off, though we'll see accelerating progress in this area over the next year or two.

Conclusion : A connected future

Survey responses show that banks urgently need to boost the agility of their planning processes. Better planning not only allows them to tackle new threats and meet accelerating regulatory demands with confidence, but also enables them to identify and seize emerging opportunities

Cloud-based connected planning holds the key to meeting the new demands being placed on retail banks by linking data, people and plans across business lines and business functions. This delivers transformative benefits in three ways:

First, cloud-based connected planning enables banks to gather all their finance, risk and regulatory data into a single platform for planning, forecasting and reporting. This eliminates silos and makes it possible to disclose a single version of the truth to all internal and external stakeholders.

Second, it allows users to combine performance data from the past with forward-looking information that can provide signals of what may happen under different circumstances. Data from any source, internal or external, can be integrated to provide fresh insights. And if circumstances change, course-correcting a planned trajectory is quick and easy. Smarter scenario planning not only improves compliance, but also means better business-focused decisions.

Third, cloud-based connected planning promotes seamless information-sharing throughout the enterprise. Collaboration makes it possible to solve problems by tapping into the full resources of the business, not just those of a single department, while enhanced visibility of plans stimulates buy-in throughout the organization making it easier to achieve corporate goals.

The following points should be kept in mind when choosing a cloud-based connected planning provider:

Dedication to security. First, banks need to be certain that their data is safe. Second, banks need to be confident that data transfers are secure. To ensure this, the provider must offer the option for the bank to encrypt its data, using the bank's own encryption keys.

Enhanced modeling. Users need access to a full range of planning tools and capabilities that exceed those offered in the conventional spreadsheet environment. For example, users need the ability to explore "what-if" scenarios on the fly, analyse data in real-time with in-memory processing, and carry out planning across multiple dimensions such as time, currency and geography.

Ease of migration. Banks need to choose a platform provider that has the capability to integrate all of their data—no matter what form it is in, or in which legacy systems it currently resides. An open platform is therefore essential. An open integration approach enables users to easily connect to hundreds of data sources and bring data into planning models.

Migrating to cloud-based connected planning should be regarded as a business transformation project that allows management to make faster and better-informed decisions. And most important of all, it allows the business—rather than individual departments—to own the plan.

About

Anaplan

Anaplan is driving a new age of connected planning. Large and fast-growing organizations use Anaplan's cloud platform in every business function to make better-informed plans and decisions and drive faster, more effective planning processes. Anaplan also provides support, training, and planning transformation advisory services. Anaplan is a privately held company based in San Francisco with 16 offices and over 150 expert partners worldwide. To learn more, visit anaplan.com.

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