

Automation as the Finance Professional's power tool

Charles Pepler
President, Capnetix

Lots of data. Lots of programs.

All the data is right there in front of you, the finance professional. You have applications covering your computer desktop. Unfortunately, each one of those programs has it's own stash of data, and the programs don't talk to one another to share information.

It's a problem. Although you can eventually find whatever specific piece of information you're looking for, you have to remember which application to open to go looking for it. If more than one application needs the same data, you need to manually enter it in several different locations, in slightly different formats. In some cases, you may use program A to perform a calculation, but then that result is required as input to program B. You still need to get the result from program A to program B.

Manual Data Handling

Of course, there is always the ubiquitous Excel (the super glue of the finance industry) to help bridge the gap between programs. Unfortunately, a person still has to manually export the information into Excel, do some reformatting or quick calculations, and then re-import it into the next program. Combined with email, it's certainly a very flexible means for getting a special job done quickly. Unfortunately, when that becomes your primary means for doing business, supporting operations day in and day out, that flexibility comes at a significant long term cost.

Manual data handling is labor intensive, expensive, prone to error, consumes valuable people resources, it's boring for bright people, and doesn't really add value to your customers. There needs to be a way to automate repetitive data tasks and move critical data between applications without human intervention, freeing people to do what they do best, while lowering costs and eliminating errors.

Comparing Industries

Other industries have been forced by the nature of their business to automate information processes. For example in semiconductor manufacturing, a factory can have several hundred pieces of equipment, with automated material handling equipment moving thousands of wafers through a work flow of several hundred steps. It would be impossible to manually move this kind of information and still have a successful business.

The finance industry is just beginning to understand the value of integrated, automated systems. "Straight Through Processing" as a term is just beginning to soak into the daily operations of the industry. The companies that consciously adopt automation techniques hold a significant competitive advantage over those that still manually handle data on a repetitive basis. Automation helps companies to serve their customers more effectively, lower costs, reduce or eliminate data quality problems, and have higher profit margins.

There are two primary classes of systems integration and automated data flow. Mastering these approaches can be critical to a company's business success. They are:

- *Integration of systems within a company* and
- *Integration of systems between companies cooperating to serve a common customer.*

Integration of systems within a company.

You've worked hard to capture a new customer. The customer has agreed to do business with you and purchase your services. All during the customer acquisition process you have been using a Customer Relationship Management system to track all the relevant information about the customer and their business problem. Unfortunately, the customer acquisition "business process" is complete, and the CRM holds data critical to the operations crew responsible for servicing the customer. Unfortunately, operations personnel use completely different systems to deliver value. How do you connect or move the client's critical data to operations where they can service this customer, now that you have them?

The next problem is, over the lifetime of your relationship with that customer, what do you do if the client's data changes? Where are all the applications that store copies of the data, so that you can keep it all up to date? Just keeping track of where the critical data exists can be a significant problem, let alone maintaining it. If you miss one of these locations, and a client's information changes, you run the risk of a report going to an old address, and not get to the customer when they're expecting it. Even worse...the wrong person receives your customer's data.

Integration of systems between cooperating companies.

Financial service companies have realized that they have "core competencies"...those services that they provide to a customer better than any of their competitors. They've also realized that it can make good business sense to outsource those services that may be more effectively provided by a third party company.

This relationship between the primary service provider and the third party provider requires that the two companies cooperate very closely, and to share data in order to service the customer.

Fund Administration Example

In the case of outsourced fund administration, the investment management/custody firm will need to share asset values from the General Ledger in order for the fund administrator to calculate unit share prices and process trades. The fund administration firm will need to share information with the custodian about contributions, redemptions and fees, in order for the investment management firm to manage inbound and outbound

cash flow. This data needs to flow freely, securely, accurately, and in a timely manner for the customer to be properly serviced.

Investment Consulting Example

In the case of investment consulting, multiple consulting firms will pool their client data in a centralized repository at an independent third party, where each consulting firm can compare the performance of their specific clients against the performance of all investments in the “universe”. For these companies, the integration of client data is bi-directional, both storing their client’s data in the repository, and then extracting their client’s data relative to all other clients in the universe.

In either of these (or several other) examples, the efficiency, reliability, response time, and cost the data movement between companies has a direct effect on how effectively the primary and secondary service provider can collectively service the end customer.

So how do you reap the benefits of systems integration and increase automation?

Unfortunately, there is no magic formula for how to integrate systems that were not originally designed for integration and automation. In fact, the process of “gluing things together” after the fact can be difficult and expensive. The business decision is to weigh the cost of integration (typically a one time, controllable expense), vs. the ongoing costs to your business of *not* linking systems together with common data.

The good news is, there are systematic ways to approach what can be a very daunting problem. The goal is to constantly keep the end goal in the forefront: to improve your ability to service your customer, while dropping your operational expenses, improving profitability and growing your market share.

Here are some ideas about how to get started examining the problem. How many systems do you have in house? Take an inventory, and list them all out. Get an idea of their scope, complexity, and how these systems support your delivery of value to your customer.

Next, sketch out the major business workflows in your company. Start with how you acquire new customers, following that relationship right through into operations. Link the major operational work flows to each of the systems in your inventory. You will start to form a picture of how the information in your company should flow.

Identify if there are any data flows that occur on a regular basis between your company and a working partner. How easily does data pass across these boundaries?

Next, identify where your “pain” is the worst. Do your operations people constantly have problems at the juncture between two systems? Are customers complaining because you can’t deliver the data they need when they want it? Any of these would indicate a high priority for an integration project.

Once you've identified the pain points in how your organization uses systems, it's time to take the next step. A good systems architect can help you to identify specific, deliverable individual projects, help you to prioritize them relative to your business goals, and then to work on the nuts and bolts of how to execute those projects. It may require a vendor with specialized skills to strategically link your systems together, but the end benefit will reflect more responsive service to your customer at lower cost, with higher accuracy, and higher profit margins.

Summary

Your company has grown, and as it has, so have the number of systems within it. Your problem is how to get them to work together to help you service your customer. It's a difficult problem, but the companies that solve it will have the competitive advantage. They will have better responsiveness to their customers needs, lower labor costs, and higher data quality. Automated data flows free employees from manual data handling tasks allowing them to perform higher value job functions, increasing employee satisfaction, and providing better returns to your investors. Automation of information will be the competitive weapon of the future in the financial services market.

Who is Capnetix?

Capnetix provides automated record keeping and systems integration services to the financial services industry. Capnetix provides a state of the art, configurable web based administration platform, fund administration, and analytics services. We've discovered that these newer approaches to handling data cause companies to re-evaluate how their systems work together today, and that they may need some assistance in making them more efficient and responsive to their customer needs.

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