

Crunch time series

Investment Management: Reporting in a Digital World

Foreword to investment management leaders

Data-driven efficiencies can improve industry agility and reporting capabilities

Data is both the lifeblood and the scourge of today's investment management industry.

On the one hand, the ability to access vast amounts of data can be highly beneficial for organizations as they look to price their products and services. On the other hand, the sheer amount of data they draw from and analyze is overwhelming some organizations and hindering their ability to make critical business decisions.

Deloitte's *2021 Investment Management Industry Outlook* report finds surveyed financial analysts and middle and back-office operations are spending as much as 70 percent of their time wrangling and scrubbing data and only about 30 percent of their time analyzing that data to drive business decisions.

That's why today's investment management organizations should consider developing and implementing new, enhanced reporting capabilities. This can help them better identify and process key data and analytics faster, which should help keep their costs under control. Additionally, given the ever-changing regulatory environment, it is important for investment managers to consider implementing improved reporting processes.

To enhance their agility in managing, analyzing, and reporting data, companies should invest in data and modernize their internal systems and processes to meet the challenges they are likely to face around issues of data access, data governance, legacy operations, and latency and completeness (see Epilogue).

By combining different technologies across the entire end-to-end reporting process, investment firms can enable their finance executives to drive insights in an efficient and holistic manner.

The following guide to reporting in a digital world takes a deeper dive into these issues and provides guidance on the ways companies can use today's digital tools and accompanying strategies to work faster, smarter, and more economically.

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“If you always do what you’ve
always done, you’ll always get
what you’ve always got.”

—Henry Ford

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The ins and outs of reporting

As a CFO, you might think you have better things to do than spend 15 minutes reading about how reporting will evolve in the future. After all, there's no big pressure to do anything differently, right?

The answer to that question depends on the kind of reporting you're talking about. For internal management reporting, the business case for change is huge.

In most companies, management reporting works like this: Finance determines what's important for various levels of management to see, and then pumps out that information to recipients on a regular basis. As new requests get added to the mix, the burden of internal reporting grows; rarely are reports removed from the mix. And through it all, Finance seems to have little visibility into how reports are actually used—or if they're used at all.

So one main reason to think about improving internal management reporting is quality: the promise of better decisions.

External financial reporting is different. Much of the required content is driven by various accounting and regulatory bodies, so there's not a lot of room to wiggle. For external reporting, improvement is mostly about efficiency, while maintaining accuracy and control.

The good news? The benefits of both quality and efficiency can be delivered by the same set of digital technologies.

In the pages that follow, we will take a look at how companies are using digital tools to upgrade their reporting processes to get better information distributed faster—and at a substantially lower cost.



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The reporting ritual

When you say the word *reporting*, binders full of spreadsheets, charts, and footnotes might come to mind. Or maybe conference rooms with executives grinding through slide presentations. And behind it all, there's an army of Finance people who've been working for weeks to pull it all together. The ritual continues, month after month after month.

In the best of all worlds, this ritual would deliver reports aligned with the changing needs of the business. That rarely seems to happen.

When we surveyed 600 global Finance leaders on management reporting, we uncovered this fact: Companies surveyed spent 48 percent of their time creating and updating reports vs. 18 percent spent on communicating with the business.¹

The survey also showed that companies knew they had room for improvement. Three-quarters of those interviewed said they were using standardization as a way to gain efficiency and get insights more quickly. In one company, the commitment to standardize led to replacing 1,000 unique reports with just 50 dashboards.

If standardization alone can enhance performance so dramatically, what would happen if you added digital tools like automation, advanced analytics, and machine learning to the mix? Would you be able to make reporting faster, more insightful, and cheaper? Almost certainly.



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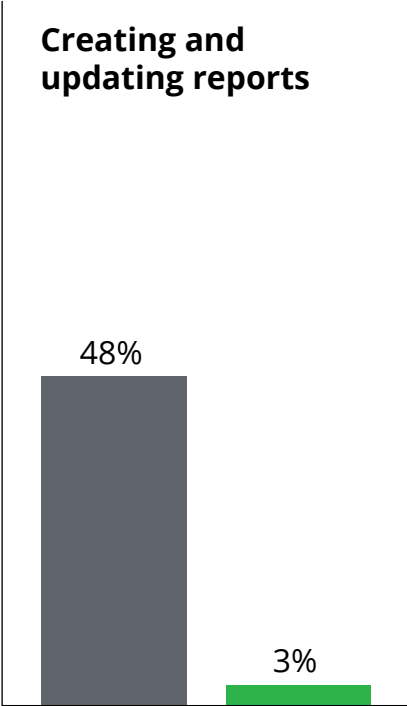
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1. <https://www2.deloitte.com/uk/en/pages/finance/articles/delivering-insightful-management-information.html>

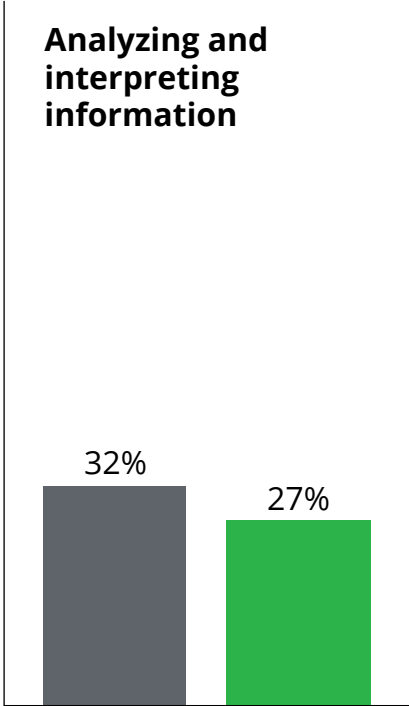
How Finance teams spend their time



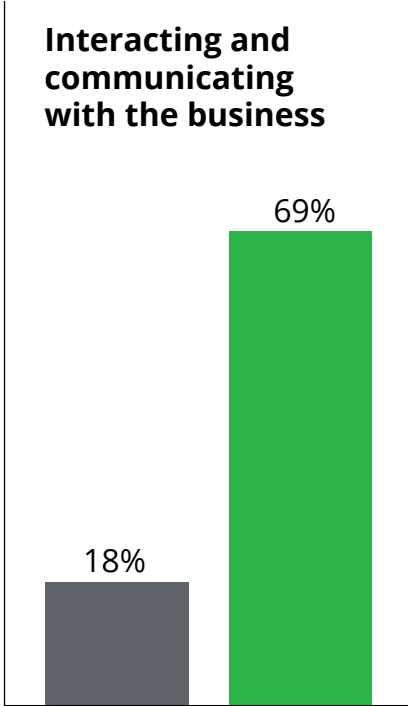
Creating and updating reports



Analyzing and interpreting information



Interacting and communicating with the business



● Current time spent ● Preferred time spent

(n=613) Source: Deloitte analysis



Signs of a shift

Take a step back from Finance and look at what's happening in other parts of your business, where changes in how information is shared are already underway. Sales, marketing, and HR, for example, are all deploying new technology to help people use information more effectively and drive better decisions. Their digital workhorses are automation, algorithms, and artificial intelligence.

And for better or worse, Finance is no longer the exclusive arbiter of who gets what performance information when. When data becomes democratized, often in the cloud, any stakeholder can get a piece of the action.

That said, we haven't yet seen any major company that has cracked the code when it comes to reimagining reporting in a way that is fully automated and dynamic, with real-time insights.

Yes, some CFOs are beginning to see how things might eventually work. They've even begun experimenting with different pieces of the reporting puzzle. But no one has put it all together.

So what are we seeing?

Companies today are applying point solutions to traditional reporting processes to help improve specific capabilities. For example, some are programming chatbots so smart devices and assistants can answer common performance questions. Others are using artificial intelligence (i.e., natural language generation) to write the first draft of narratives about basic financial data—without human intervention. Still other companies are moving to a continuous close and eliminating latency.

These things aren't pie in the sky. They're all possible—and they're all beginning to happen.

The challenge though—the thing that hasn't happened yet—is to combine different technologies across the entire end-to-end reporting process. When that hurdle is cleared, and it will be, external financial reporting and internal management reporting can become intelligent, interactive, and real-time.



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Why reporting will evolve



Cost

The savings companies can see as reporting evolves will be real and sustainable. Companies will be reducing human labor significantly—and delivering reports vastly more efficiently.



Value

The potential for value creation from improved reporting is even more promising. Finance is supposed to help the business uncover insights. That can't happen when people are bogged down with spreadsheet farming, reconciling data between systems, or assembling massive binders.



Customer demand

How many leaders served by Finance will stand up and say that Finance has had a significant and consistent impact on the quality of their decision-making? That's hard to find today, but it's much more likely tomorrow.



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Digital drivers



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A handful of digital technologies are coming together to help reshape how companies can do reporting. We're seeing the early signs of all these technologies being adopted.



RPA

Robotic process automation (RPA) software shortens the time companies spend on data manipulation by automating routine tasks.



Chatbots

These dedicated virtual assistants enable users to interact directly with data using voice or text queries.



Visualization

These now familiar tools allow people to display and play with data dynamically, so it's easier to understand and interact with.



Artificial intelligence

This collection of technologies includes natural language tools that can read and write, as well as machine learning.



Predictive analytics

This statistical technique uses algorithms to execute forward-looking analysis—especially routine financial forecasts.

The future of reporting



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If we fast-forward into the future, what will reporting look like in five years? More specifically, what will we actually see on the ground in leading Finance organizations around the world?

One thing for sure is that the nature of the work involved in reporting will change. The laborious grind of management and financial reporting today likely won't exist in the future. People will be insight generators, not report builders. The talent pool in Finance will expand to include business people with finance backgrounds, data scientists, and storytellers—

all collectively enhancing Finance's ability to support the strategy of the company.

In addition, we see three key characteristics transforming how reporting will get done in the future. Reporting will likely be intelligent, interactive, and real-time.



The laborious grind of management and financial reporting today likely won't exist in the future. People will be insight generators, not report builders.

Reporting will be intelligent

Artificial intelligence, including machine learning, chatbots, and natural language tools, will be a big factor in the future of reporting.

Some of these technologies will improve the user experience, by getting to know what users want. Others will take over some of the reporting grunt work. The writing of reports—at least the first drafts—will happen without people involved.

In addition, intelligent reporting will be more prescriptive. The same tools that are reshaping the future of forecasting—predictive analytics and algorithms—will enhance the quality and value of reports. Expectations for insight will only increase.



Location, location, location

One company is using machine learning and analytics to improve its real estate location strategy. To eliminate bias from the process, the company built an analytics model to estimate both revenue and the number of potential stores for any selected location. With each new set of inputs, the model is being refined through machine learning. Now the company can produce updated lists of global cities with high potential revenue—while also getting a better understanding of how different factors influence those revenue predictions over time.



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Reporting will be interactive

One big transformation in the future of reporting involves how business people interact with reported information. Instead of having static data on paper, Finance customers will use tablets and phones to navigate information at their own pace and in any way they want.

Reporting tools themselves will become interactive, too. If someone needs the latest information on SKU performance in China, she can get it herself by asking a personal digital assistant. If someone wants to see customer churn for South America, he can get that information with a couple of clicks. Chatbots querying databases to get information on-demand are the ultimate self-service experience.

While all this is happening, much of the infrastructure in place for traditional reporting will become obsolete. No more photocopying, no more binders. Users will have their own interactive dashboards.



How may I help you?

Most of us already interact with chatbots online. If you've ever clicked on the chat function on a website, there's a good chance the first level of support is a chatbot. Companies are also using chatbots internally to reduce costs and allow employees to do more through self-service.

- HR chatbots allow employees to schedule vacations or get answers to frequently asked questions about benefits.
- Expense chatbots allow employees to validate expenses, resolve expense issues, and get answers to frequently asked questions about expense policies.
- Finance chatbots? They're on the way. We could soon be seeing them answer frequently asked questions about accounting and tax policies, or details of transactions, operations, and company performance.



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Reporting will be real-time

Real-time reporting will arrive when all aspects of the reporting process get automated and streamlined. The big barriers to that happening today are data quality and latency (i.e., the lack of timeliness). Fortunately, the future of reporting holds real promise for companies that want to take advantage of it.

Automation helps simplify and streamline data management because data used in reporting is no longer prepared for analysis manually. Software does that work. And more often than not, it will happen automatically as transactions occur, freeing analysts to focus on what's hidden—or buried—in the data. In addition, almost no time will need to be spent on reconciliation. By providing the entire organization with a single, cloud-based source of data, all business functions operate from the same reliable starting point.



The reality of real-time

For a fast-moving technology company, traditional reporting processes weren't keeping up. To make effective decisions, leaders needed financial and performance information on a real-time basis. That meant shifting from an end-of-month closing process to a continuous close. The CFO understood the value of real-time reporting, but knew the challenge involved more than technology. Though this shift was driven from the top down, work began at the grassroots level. Business and Finance leaders were engaged to figure out how dashboards would work, both in practical terms and on a theoretical level. The result? Streamlined processes that deliver accurate, real-time financial information across the organization.



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Reporting today

CFO

Are we on track for the management review meeting next week?

Not quite. We're having trouble getting a good set of numbers out of Europe. I know Project Radius for our German R&D Center is going live in a month's time, but it looks like the data is a mess. I can't seem to get a good sense of where we are against budget.

You

CFO

**Sounds familiar. Do you know when we'll have that data?
You know the CEO wants an update on Europe, right?**

I think we should be done in a week. I have my most senior analysts working on it. We're cutting it close but I want to make sure we have the right information.

You

CFO

Keep me posted. I'd like to review this information before I have to actually present it.

You

We're doing our best.



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Reporting tomorrow

You

Alfred, what's the FY18 year-to-date spend on Project Radius?

Year-to-date actual spend is \$7.2M and is tracking under budget by \$300K. The under-spend is attributed to lower spend on computer and networking equipment.

Alfred

Alfred is a chatbot connected to an advanced analytics engine and ERP system

CFO

Alfred, show me the computer and networking equipment budget for FY18 for Project Radius with comparisons to Project Jaguar for the same period.

...

Here are the charts you asked for. I've also emailed you a PDF file for future reference.

Alfred

CFO

I gotta say. This guy Alfred is just about the coolest thing I've seen come out of Finance in forever. Good job getting him up and running. Can he deliver that Europe budget vs. actuals drill-down we talked about?

You

It'll be in your inbox in five minutes.



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Before you go

Reporting methods and practices can sometimes seem like they're cast in stone. Change will take time. And with executives, boards, and outside investors all having a stake, any effort to shift reporting processes could be met with resistance. Until you can prove that a new practice is superior and reliable, you probably won't get very far. That said, there's little doubt that you'll soon find yourself on this reporting journey. Early preparation and experimentation are key to getting it right.



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Getting it right



People lessons

Focus on customers, especially the user experience

Early in your journey, explore “what-if” questions with key audiences. Ask them how they might use information differently if their reports were more intuitive, more visual, and more proactive. Build in formal and informal mechanisms for generating feedback. Create user personas. Watch what people actually do.

Show, don't tell

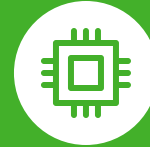
You can talk for hours about how a new approach to reporting would be different and better. Or you can show someone in a minute or two what those differences look like in real life. Get your hands on some prototypes.

Don't over-promise

It's easy to get carried away when exciting new technology arrives on the scene, but it's often a mistake. Better to downplay expectations and have your customers be pleasantly surprised.

Reassure your people

A shift to automation and cognitive technologies can threaten those doing jobs “the old-fashioned way.” Make sure your people know there's a more valuable role ahead for those who adapt—and certainly for those who lead this change.



Technology lessons

Breathe

The process of re-creating how your company does reporting will be frustrating. You'll try something, then you'll improve it, then you'll try something new. Get used to it.

Get your data house in order

Finance data management and enterprise data management involve designing data platforms that can evolve to support structured and unstructured data. Without your data house in order, some of the reporting opportunities discussed in this report won't be possible.

Small steps

Focus on applying solutions to specific segments or functions before implementing more broadly. Look for high-impact use cases to build a base of advocates. For many companies, Flash Sales reports are a good place to start. Also, make sure you pilot with a range of potential users. Span the full range of sophistication among those who will eventually use the technology.



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Final thoughts

Much of reporting in the past has been defined by the steps required to produce the reports themselves: collecting data, constructing reports, and disseminating them. That's changing. In a digital world, dashboards and digital technology do a lot of that work, which means humans get to do more interesting things.

Some of those are things you'll want your best people working on. Bringing insights to the business. Creating effective stories about what information might mean to different audiences. Ensuring that the quality and accuracy of your company's data are superior.

Keep these things in mind. They're important. Don't let yourself get caught up in technology bells and whistles.

Reporting isn't and never has been about technology. It's about understanding information and making more effective decisions. New tools may take some of the tedious and repetitive work out of reporting processes, but there is an indispensable role for human intelligence. Make sure your people know that.



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Epilogue: takeaways for investment management leaders

Many companies have designed their business systems to handle transactions, not information. Now they should consider how to rapidly evolve to meet new data demands.



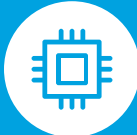
Data access: Outdated investment and finance platforms contain valuable customer and transactional data that cannot be easily sourced, which restricts reporting quality and available granularity



Data governance: Fragmented data management systems with nascent governance definitions that are limited and inconsistent



Latency and completeness: Data architectures rely on manually-intensive workflows, reducing timeliness of insights and inhibiting forward-looking analyses



Legacy operations: Scarce skill sets and suboptimal technology deployments erode the efficacy and potential value of new reporting methods and tools

To address these issues, investment management companies should consider developing their data, reporting, and analytics capabilities in an opportunistic fashion to:



Create new data science teams with loose remits that target wins in point solutions, such as agent and producer targeting support



Develop cloud-based data platforms to consolidate client, investment, and financial data



Optimizing data stores to support structured and unstructured data. Without appropriate organization, many of the opportunities discussed in this report will not be available



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