

Modernization of the critical workloads that enable the office of the CFO is needed to help financial services organizations navigate a world of uncertainty to grow revenue and remain competitive.

Modernizing the Finance Function: Financial Services Need to Adapt and Advance or Perish

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Enabling the Digital Evolution Through the Modernization of the Office of the CFO

For financial services organizations, change is the only constant. These organizations, including corporate banks, wealth management institutions, insurance companies, and retail banks, must navigate a world of uncertainty under pressure to grow revenue and remain competitive.

The introduction of technologies such as generative AI (GenAI) promises to create unprecedented opportunities in financial services. However, GenAI will also vie for prioritization and investments from the institution. This technology also requires agility and constant management, both of which can challenge a finance organization still operating with outdated technology.

With such a dynamic environment to navigate, the CFO's office is evolving from managing and balancing the institution's finances to becoming an engine of growth. But legacy technologies could potentially hinder the CFO's ability to respond in an agile way to open the paths for business growth in new markets as well as increased revenue and profitability.

The Financial Services Industry Is Becoming Increasingly Dynamic

The dynamic nature of the financial services industry makes management of the finance function at any institution increasingly complex. Externally, international economies continue to be volatile given the global disruptions taking place as interest rates fluctuate in an attempt to reduce inflation while not triggering recession. Moreover, disruptions in the form of natural disasters are on the rise, forcing many insurance providers to cease operations in some areas as they try to manage the financial impacts of claims at scales much larger than expected.

AT A GLANCE

KEY STAT

In IDC's recent *Office of the CFO Survey*, financial services institutions worldwide said their top priorities were real-time insights, improved compliance, and advanced analytics.

KEY TAKEAWAY

The complexity of technological change in financial services in the context of increasingly volatile market dynamics is challenging the industry to respond quickly and accurately to make the right investment and efficiency decisions. This requires a transformation of the technology underpinnings in the office of the CFO.

At the same time, financial services institutions are wrestling with the need to invest in technologies such as cloud, fraud detection, AI, and GenAI to drive revenue and profits while maintaining financial soundness and risk postures. Every line of business — from wealth management (where an anticipated and massive transfer of wealth represents both challenges and opportunities) to claims processing (where insurers seek to manage risks and fraud in a challenging environment) to lending origination (where interest rates, decisioning analytics, and fraud continue to challenge credit) — needs to transform to leverage new technologies and enable the institution's success and growth in a landscape of ever-increasing competition.

As the industry enters its budgeting cycle, the office of the CFO is tasked with creating an investment and operational strategy to address the uncertainties of external environments, the competing internal needs for transformational investment, and the table stakes of maintaining a sound and resilient organization.

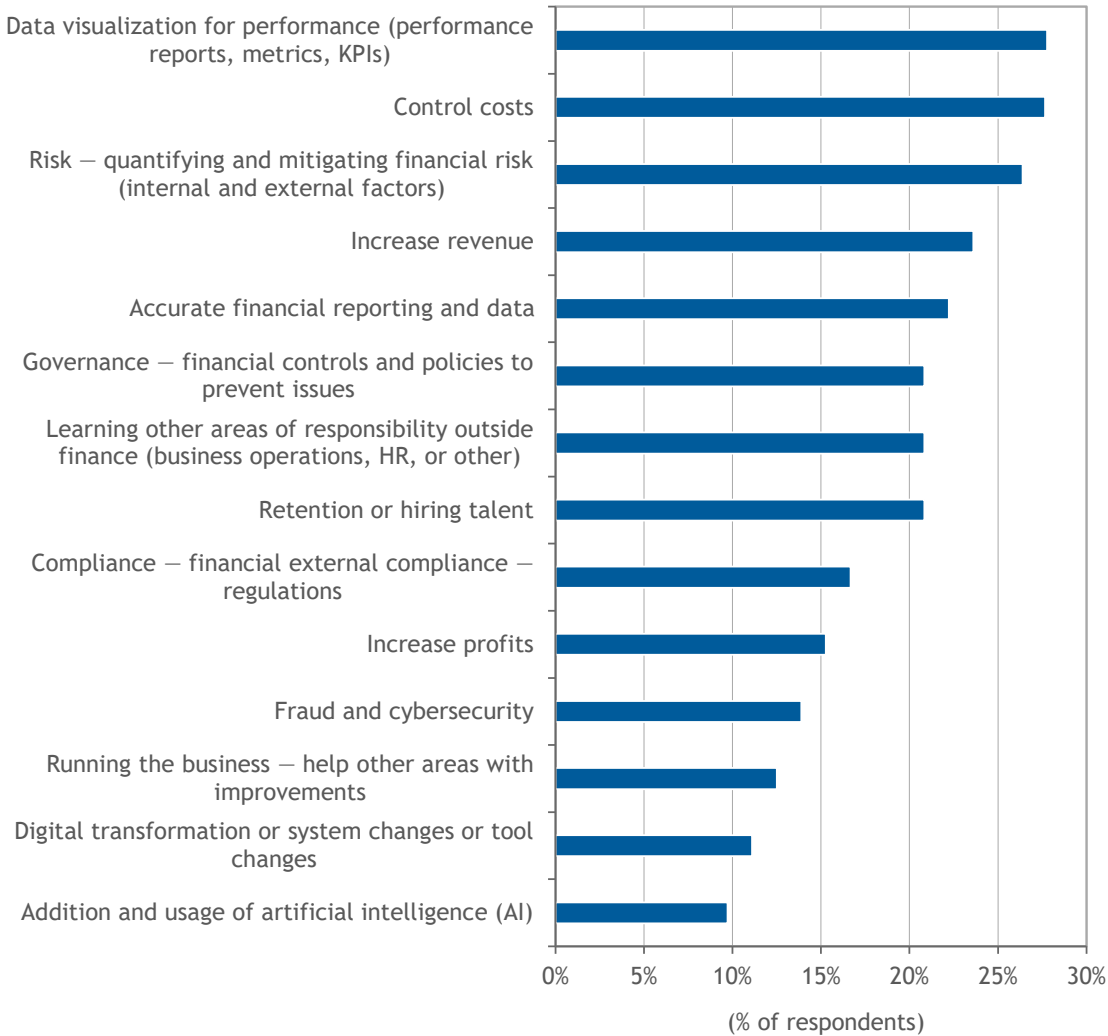
The CFO has a need to:

- » Better observe the external factors that affect the institution
- » Maintain a laser-like focus on the business KPIs that matter most to the institution
- » Have access to data that may be far-flung and can change dynamically
- » Use the most modern tools, including AI, to manage every aspect of finance operations, including reporting, compliance, and business planning
- » Balance priorities between the lines of business, technology investments, and market demands

These requirements are necessary to accomplish the goals of the finance department at financial institutions globally, but the technologies in place often thwart them. Figure 1 shows the primary objectives for the financial institution's finance department for the next 12 months.

FIGURE 1: **Finance Objectives**

Q Which of the following are the primary objectives for your finance department over the next 12 months?



n = 74 for financial institutions worldwide

Source: IDC's Office of the CFO Survey, August 2024

Most importantly, the top 4 responses are ranked significantly higher in importance than the bottom 6, focusing more on attaining observability and agility and being future oriented. IDC believes "digital transformation or system changes" represent the technological modernization necessary to accomplish the first three objectives. In other words, the top objectives in the finance operation are delivered only through a transformation of the supporting data, systems, and applications.

The Benefits of Taking ERP to the "Last Mile"

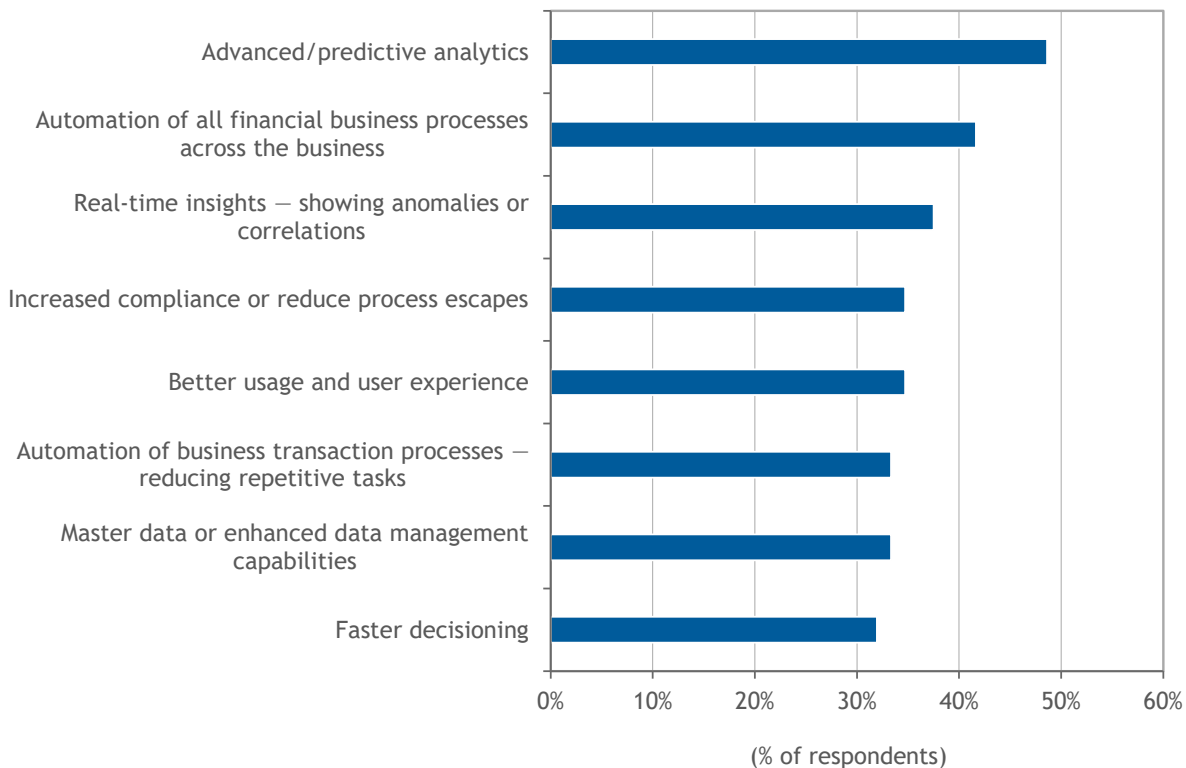
Through surveys and discussions with finance executives, IDC believes that a large part of finance transformation will come from modern finance applications that adhere broadly to four characteristics:

- » **Digital:** Financial applications have long been moving away from paper. But digital B2B commerce growth and digital compliance mandates are accelerating this journey.
- » **Converged:** Financial applications are evolving into a broader expanse of capabilities such as financial reporting, treasury, digital and real-time payments, CRM, expenses, payroll, and corporate tax.
- » **Automated:** Financial close, reconciliations, collections, invoice processing, and more must be automated in part or whole to help reduce the human burden and accelerate responsiveness.
- » **Intelligent:** AI/ML is driving innovation in finance beyond process-oriented tasks such as invoice matching and auditing into strategic analytics, reporting, and M&A.

Figure 2 depicts the priorities finance organizations have cited when considering new finance platforms.

FIGURE 2: **Finance Modernization Requirements**

Q Which of the following are the most important attributes when considering a new financial system?



n = 74 for financial institutions worldwide

Source: IDC's Office of the CFO Survey, August 2024

The modernization of functional applications, with an overlay of AI/ML and GenAI for select use cases, can help progressively improve the finance organization's ability to track and respond to the dynamic environments around them, which can lead to improvements in revenue, cost controls, compliance, risk management, strategic investments, and staff experience.

Considering Oracle and TCS Crystallus

Tata Consultancy Services (TCS) has been one of Oracle's strategic partners for more than three decades. TCS offers solutions tailored to industry and business processes, including consulting, implementation, and managed services, supporting the financial service industry to modernize and drive value. As financial institutions continue their modernization journey, they seek a unified approach, credible and experienced partners, and easy-to-integrate preconfigured offerings to help drive efficiencies and productivity in a dynamic market and competitive landscape.

To support financial services organizations, TCS Crystallus offers preconfigured models to help meet specific industry needs. The solution combines TCS' domain expertise, contextual knowledge, and industry best practices with ready-to-use Oracle Cloud Applications. This approach brings together capabilities such as process design enablers, preconfigured instances, process documentation, and implementation accelerators to support the modernization of a financial services institution. The preconfigured offerings are calibrated to tackle challenges specific to the financial services industry and help streamline business processes to drive continuous improvement and innovation. This combination can lead to faster integration of complex ecosystems and scalability to meet growing business needs with minimal impact on an organization's operations.

Challenges

As with any provider of finance functionality, TCS and Oracle need to demonstrate that they can address the areas that finance professionals have said are most important, including real-time insights and improved compliance. These are complex requirements addressing challenges that organizations face today. An understanding of each financial institution and its environment and application ecosystem is required. As this is not an area where a one-size-fits-all approach can succeed, TCS and Oracle should continue to address this challenge by highlighting their deep understanding of the financial services industry, what makes every individual institution different, and the resources in place to support multiple institution modernization projects simultaneously with potentially little overlap.

Improving insights, analytics, compliance, agility, and more rests on the quality of the underlying data, for which the financial services industry is notorious for not having the most ideal environments. The success or failure of a finance modernization effort will often hinge on whether the data aspect of the project succeeds. Therefore, TCS should review the data landscape at each implementation with its expert resources to ensure the modernization of the finance components succeeds and accomplishes the business objectives for each institution. The data problem is the hardest to solve, and many technology providers have faced challenges fitting functional improvements into poor data environments.

As finance applications converge, the modernization road map must be flexible and leverage modern technologies such as APIs, microservices, and AI/ML to pivot quickly in response to changing markets, regulatory requirements, and technology evolution. One advantage of today's technology is that the openness and agility built into modern systems are balanced by an application infrastructure where software change is more dynamic. However, the ability and risk

appetite of the institution where the technology is deployed should also be considered. Gone are the days of installing and letting a system run unchanged for years. Both TCS' solution road map and the institution's business road map must align to be successful in the long term.

If TCS can apply its modern architecture to the challenges that the finance organization faces today and align its solutions to the long-term trends that the industry will experience, it will be able to successfully support the modernization of the finance function at financial institutions, enhancing their health and growth.

Conclusion

The office of the CFO is evolving from caretaker of the institution's finances to enabler of growth for the digital business. As such, its technology needs now include cloud, AI, and analytics to allow the CFO to predict, detect, and quickly respond to market dynamics that can change the institution's finance position and investments prioritization. An important part of that transformation is embedded in the plethora of applications that the finance function relies on to gather information and create insights to guide the organization.

Existing "legacy" applications aren't up to the task of transforming the institution to one that can thrive in future markets, so a modernization of the critical workloads that enable the office of the CFO is needed. Modern finance applications, based on sound data architectures, practices, and planning environments, can help reduce the obstructions created by older technology and unlock the potential of the financial institution to grow the business without sacrificing risk and trust.

The office of the CFO is tasked with creating an investment and operational strategy to address the uncertainties of external environments, the competing internal needs for transformational investment, and the table stakes of maintaining a sound and resilient organization.

About the Analyst



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Jerry Silva is program vice president for IDC Financial Insights responsible for the Global Retail Banking practice. Jerry's research focuses on technology trends and customer expectations and behaviors in retail banking worldwide. Jerry draws upon over 35 years' experience in the financial services industry to cover a variety of topics, from the back office to customer channels, to governance in the technology shops at financial institutions.

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TCS and Oracle have a long-standing strategic partnership helping clients realize value from their business transformation initiatives. [TCS Crystallus for Banking, Insurance & Financial Services](#) on [Oracle Cloud](#), a set of pre-configured business offerings, helps enterprises accelerate time to market with intelligent, automated and scalable solutions. With Oracle Cloud at its core, the solution framework enables an ecosystem operating model and simplifies the cloud transformation journey by automating processes, connecting disparate systems, and leveraging next-gen technologies to facilitate data-driven decisions with actionable insights.



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