



Performance Assessment of the Finance & Risk Value Chain:

Where can you achieve the most benefits?

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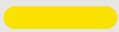
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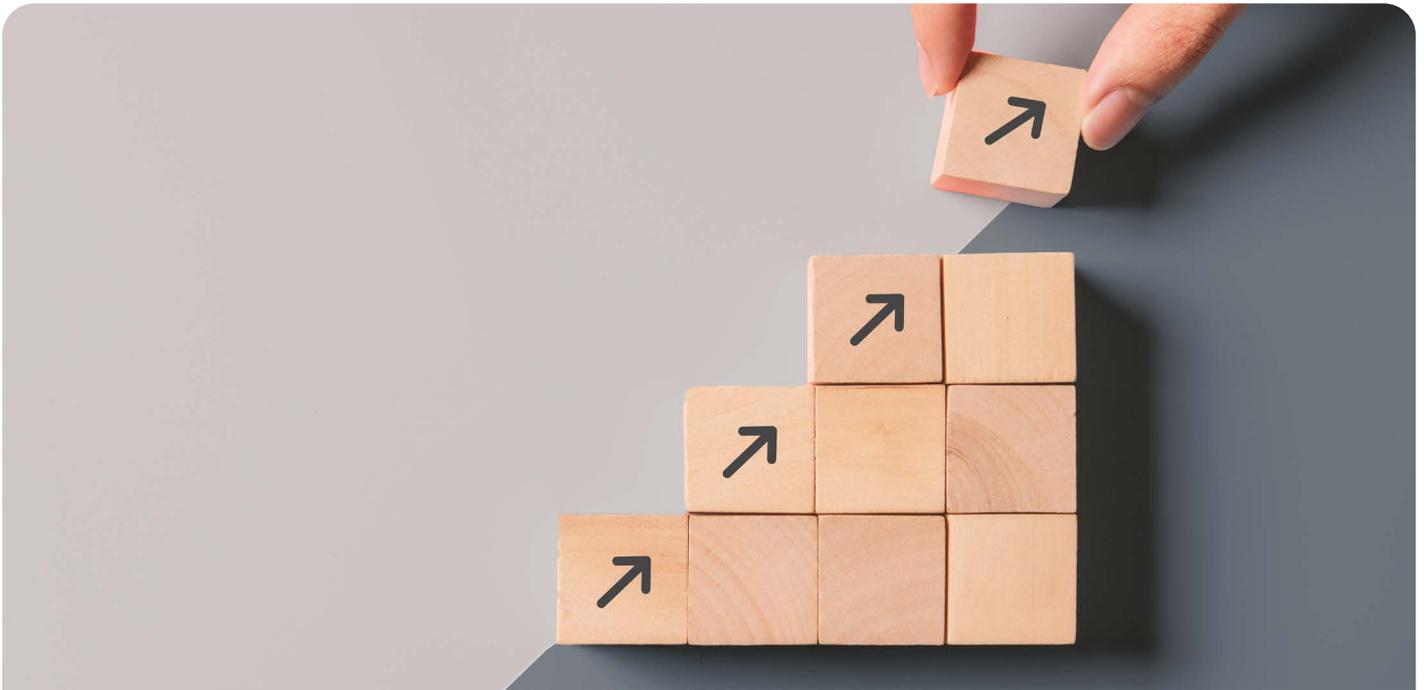
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Once we have established the need to re-design the reporting value chain for improved operational efficiency, where do we start? Unlike technology companies or service providers which specialize only in fewer services, such as Airbnb or even telecom providers, banks are extremely large organizations with innumerable areas flowing into the end-reporting functions with a high funnel ratio. It is important to identify the areas of focus before we invest the time, effort, and technology to optimize the reporting chain.

This article touches upon the different approaches to identify the focus points. It aims to give readers a starting point to define the current state before setting our eyes upon the target state.





Identifying the current end-to-end process

Organizations typically aim to have a flawless, fully automated end-to-end reporting process. With the technological advances of the last decennia you would expect that this should be feasible. The reality is, however, that most organizations still face significant issues in their reporting processes. The main reason is the organization and systems are not aligned with the data flow.

The reporting chain for Finance & Risk flows across the whole value chain of your institution. From the moment a potential client is identified until the relationship with a client is terminated data are required to assess and report the risk

and financial impact of that client relationship. The number of departments, people and systems involved is typically very large and complex. The organizational setup usually does not follow the value chain, but takes a functional, siloed approach.

When looking for improvements of your reporting process, starting your analysis at the point -- where the data enter the Finance & Risk world -- will simply not do the trick. If you want to address issues in your Finance & Risk reporting, you will need to look across the whole value chain.

Figure 1. The Full Finance & Risk Value Chain

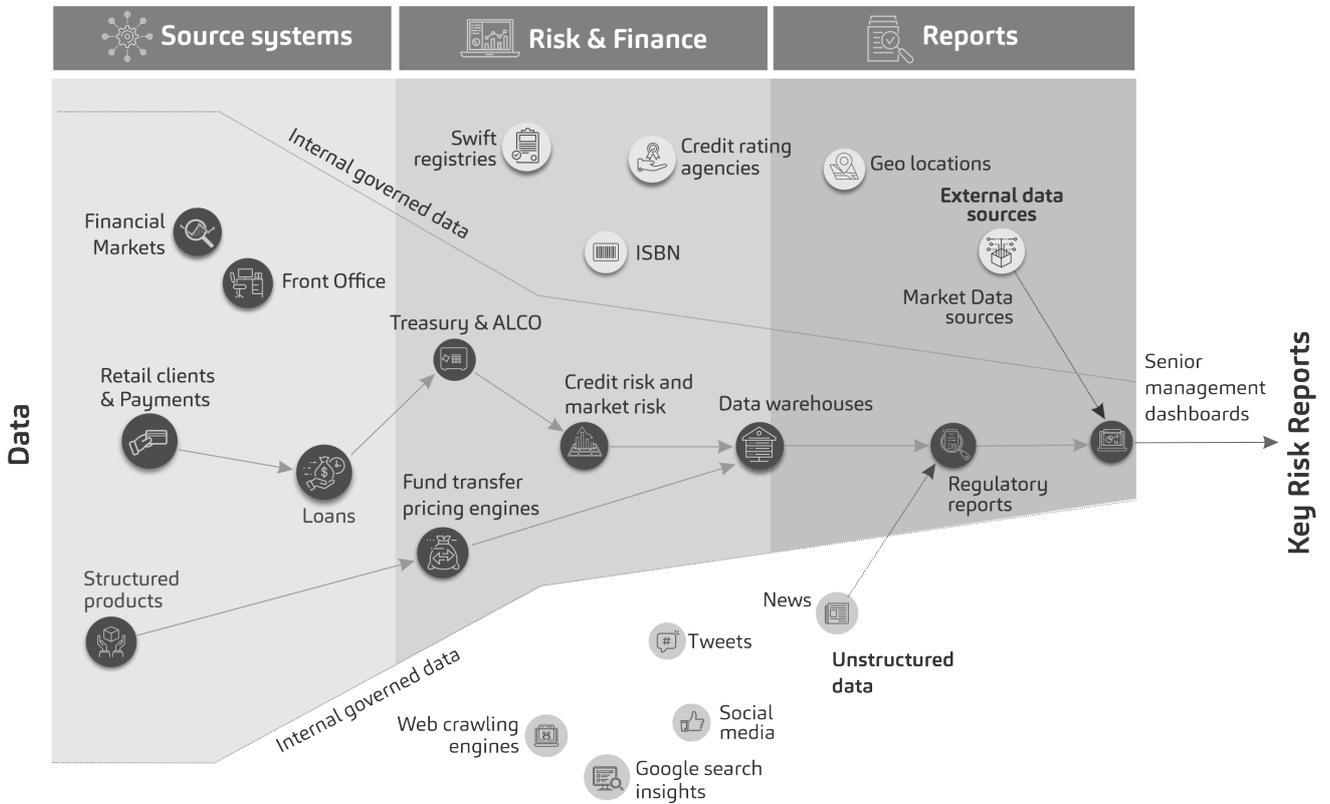
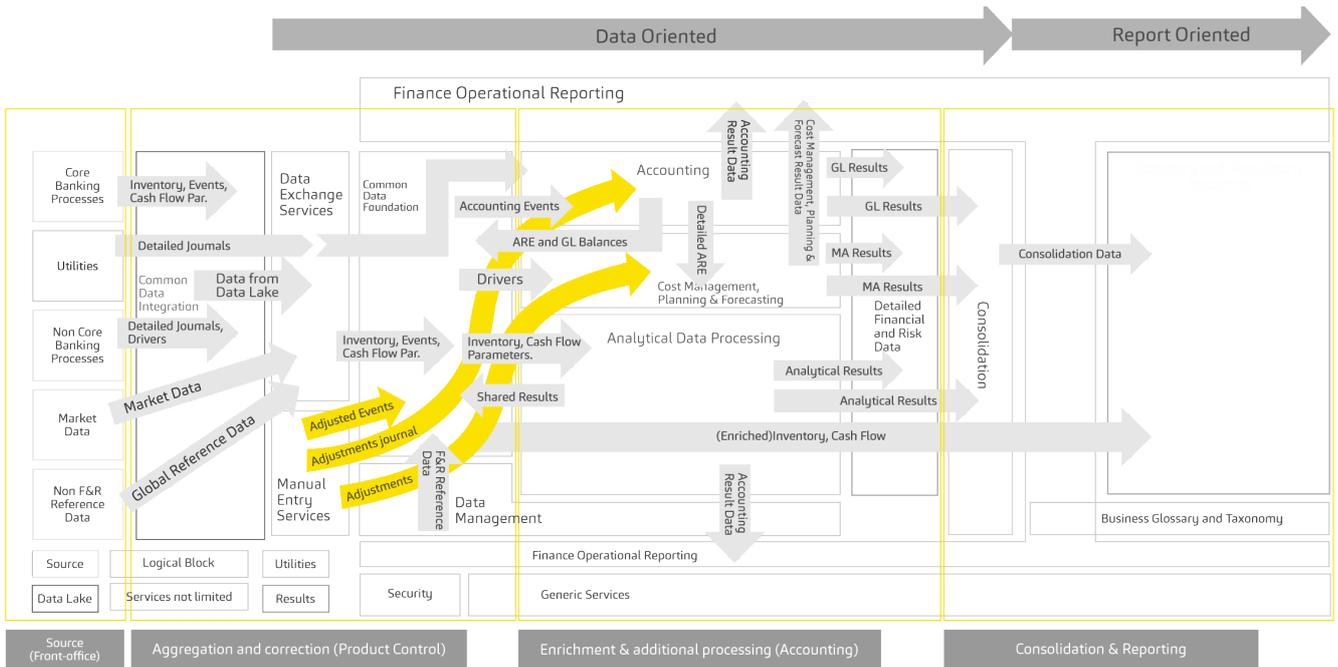


Figure 2. Target F&R Architecture and Dataflows



Mapping current people, data, applications, and systems to the process

If you need to improve the process for a specific report, you first need to identify the full end-to-end process for that report, across the whole value chain. Remember: the aim is to identify which part of the process will need to be addressed to achieve benefits in the reporting process. To make such an assessment, the relevant elements in the process need to be identified. The elements that, together, determine the process are people, data, systems and applications. Mapping these elements to the process will help to assess the key areas that need attention.

As the processes are typically complex, it is easy to get lost in the details. Using a framework for the analysis is therefore useful. One such framework is TOGAF, The Open Group Architecture Framework. This framework can be used both for assessing the current process and for determining the target. How TOGAF can be applied is discussed in more detail in another article in this series.



If you can't measure it, you cannot improve it.

Peter Drucker



Quantifying issues and assessing inefficiencies

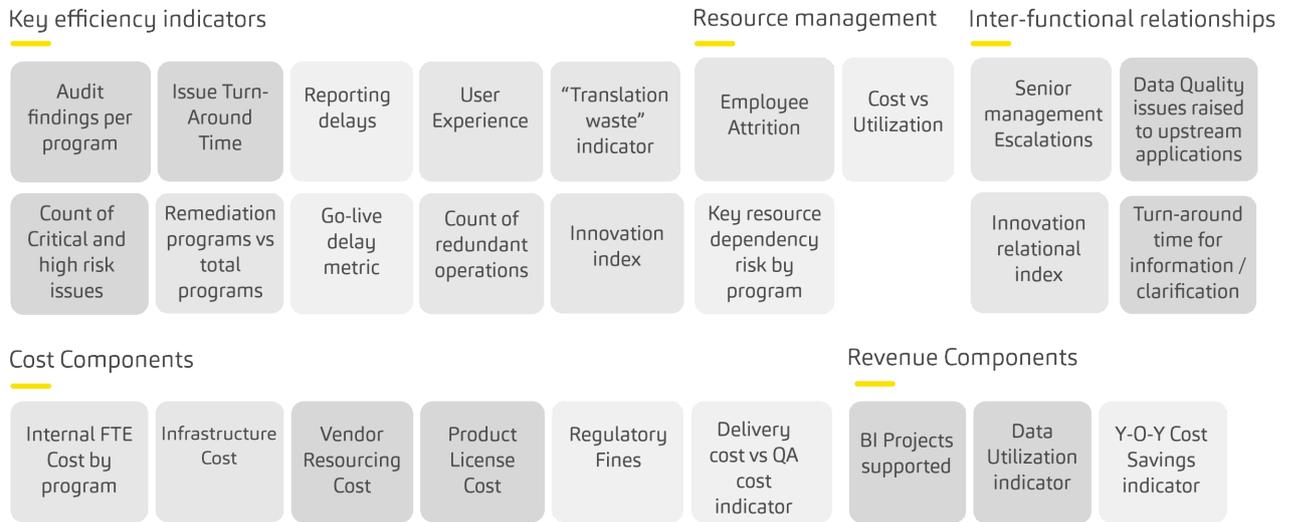
Now that you have identified the relevant elements of the end-to-end process, you can start measuring the performance. Performance measurement is directed towards identifying the gaps versus a target, such as the strategic target. There is a whole scale of possibilities for such measurement. To name a few:

- How is the current system landscape versus the target landscape?
- Which processes are manual?

- Which elements are most costly?
- Is there any duplication in the process?
- Are there any data quality issues?
- Are there any audit findings or issues identified by supervisors?

Based on the key measures, which can be both qualitative and quantitative, heat maps can provide useful insight into the areas that need most attention. In this way you can identify where to start implementing changes in the process.

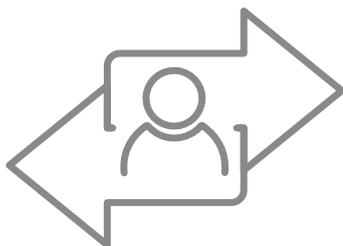
Figure 3. Operating Model Performance Assessment



Taiichi Ohno of Six Sigma famously stated, "costs do not exist to be calculated. Costs exist to be reduced". Same goes for operational efficiency – it doesn't exist to be measured, it exists to be improved.

Control on Data in Finance & Risk: The whole framework

Performance assessment of the Finance & Risk value chain is only one element toward achieving control on data in Finance & Risk. Combining this assessment with the target state vision, drawing the solution, and intelligent execution will lead to being in control on data in Finance & Risk.



Sparked your interest?

At Synechron we are more than happy to explain how your organization can benefit from our experience in assessing and (re)designing processes. Over the years we have helped numerous clients with the change to more resilient reporting processes and tighter data control.

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