



## Why on-boarding is the key to competitiveness in financial services.

**The intersection of revenue growth, compliance, and cost reduction make on-boarding a nexus of opportunity.**

The new lynch pin to success in financial services is on-boarding. Firms that master on-boarding defend against early attrition, improve success with cross-sell and up-sell, and get revenue-generating assets in-house faster. Flexible and robust on-boarding systems are also key to keeping pace with ever evolving regulations so compliance can be assured without runaway costs.

But major impediments stand in the way of great on-boarding. By its nature, the on-boarding process is cross-departmental, creating communication and collaboration challenges. Inflexible legacy technology systems create hurdles that lead many institutions to revert to manual processes which can't easily be tracked and optimized.

Creating great on-boarding experiences requires great on-boarding information technology systems. In the face of constantly changing market opportunities and increased competition, the only way to achieve lasting on-boarding success is by building your own on-boarding process application on a modern work platform that is designed to handle modern work styles and challenges.

### Introduction.

Many people think that closing the sale is the finish line to winning new business. While that might be true in some cases, it's definitely not the case in financial services. A "sale" is just the beginning of a process of securing new business. The financial institution does not really have a new customer and won't make any money until the new customer is officially "on-boarded." Getting there is a challenge for many financial institutions because it requires coordination and collaboration across different functional areas that often work in their own silos.

The stakes for the on-boarding process are high. On-boarding is really where a customer's relationship with the financial institution begins. A new client's degree of satisfaction with on-boarding processes directly impacts their willingness to buy additional products and recommend the company to others. In fact research studies have shown that a customer's lifetime value and profitability is virtually set in stone in the first 90 days of a relationship. Truly bad on-boarding experiences can lead clients to attrite before the on-boarding process is complete, meaning the company has lost a customer and all the expense that went into the sale.

The importance of on-boarding has grown in recent years as new regulations like Know-Your-Customer (KYC), FATCA, and the yet-to-be implemented parts of the Dodd Frank Act increase the importance of capturing certain facts and accurate information during the on-boarding process. Not doing this leads to extra work for the financial institution, client dissatisfaction due to delays and having to repeatedly provide the same information, and the possibility of high fines for regulatory non-compliance.

The rewards are great for those institutions that excel in the on-boarding process. They get happy clients, more fee income, upsells and cross-sells, and little risk of regulatory issues. For these firms, the on-boarding process becomes a source of strategic advantage. But making this happen is a huge challenge for most organizations that have to wrestle with entrenched, inflexible legacy technology which leads to manual work-arounds that cannot be easily tracked and audited. Often these organizations look to commercial-off-the-shelf (COTS) on-boarding software to modernize their processes and regain advantage. But each organization's on-boarding process is unique, and most find that COTS software can't easily be adapted to their needs. In addition, most COTS solutions lack comprehensive built-in mobile capabilities, limiting useful life in today's rapidly mobilizing world.

This paper examines the challenges of on-boarding in financial services and lays out a path for how using modern, flexible work automation software can turn this complicated process into a source of strength and a competitive advantage.

## The evergrowing importance of on-boarding in financial services.

On-boarding has always been an important part of a financial services organization's operation as income cannot be generated until assets are transferred. Over the past decade on-boarding has become a critical factor behind the growth or decline of many companies, as regulatory changes have curtailed some profitable parts of the financial services world. At the same time, increased levels of competition have made it harder for many firms to differentiate based on the products they offer. That leaves process excellence as one of the few avenues left for firms to stand out from their competition to win and keep new business.

On-boarding process excellence has also become a key element of regulatory compliance. Regulations like KYC, MFID, and FATCA all center on obtaining and verifying key information about customers that is best gathered during the on-boarding process. Missing it during on-boarding leads to rework, increased costs, new client frustration, and the risk of fines and penalties. Since

on-boarding centers on obtaining and loading client data into IT systems, capturing additional information required for new regulations requires changes to those same IT systems. That's easier said than done as most institutions are running on legacy technology that is slow and costly to change. As long as on-boarding runs on those inflexible systems, proper data capture for rapidly changing compliance requirements will require manual collection processes, exposing weakness to regulators.

On-boarding is also where the best opportunities for upsell and cross-sell are identified. A client buying one product is likely to need others or already have them with competing institutions. Research studies have shown that a customer's lifetime value and profitability is virtually set in stone in the first 90 days of a relationship when on-boarding activities are at a peak. A poor on-boarding experience can quickly close off a client's willingness to consider purchasing other services (or even make them attrite before onboarding is complete if the experience is really bad). This is yet another reason for viewing on-boarding as one of, or the most important business process for a financial institution's ability to grow.

## Who knows what tomorrow will bring? (for new regulations that is).

If the financial crisis taught us anything it's that the financial services industry should expect continually evolving regulations. Strains on government budgets are driving new regulations like FATCA aimed at capturing more tax income. It's a good bet that more regulatory changes are on the way, even if we don't yet know what they are. Financial services IT systems must be designed to rapidly adapt to needs that can't be predicted. Investing in anything that cannot rapidly and easily change is guaranteed to shorten useful life and lead to the institution falling behind their competition.

## Legacy system modernization imperative.

It is one thing to create an IT system that supports an organization's on-boarding needs today. It's entirely another thing to create a system that supports on-boarding needs for years to come given the external factors (e.g. new regulation) and internal opportunities (e.g. process optimization, new products, new markets) that will require continual changes to the on-boarding process.

Here are the key elements that an on-boarding IT system needs to have to support an organization for years to come.

- Full automation of all steps (no gaps between steps or system components where manual re-entry of data is required)
- A high degree of flexibility so the IT system can be changed as the organization discovers new opportunities for up-sell and cross-sell, new ways to streamline the process to reduce costs and improve service, and how to incorporate new regulations that require additional data collection
- A visual "no coding" development environment so business process owners can sit side by side with their IT counterparts and rapidly modify and evolve the application to fit new needs and opportunities

- Easy integration with all existing legacy applications, minimizing the need to “rip and replace” technology to get to an ideal state
- A single, unified and consistent interface on desktops, smart phones, and tablets to support a workforce that’s becoming more and more mobile

This is clearly a high bar, but it can be met... with the right technology approach.

## Why traditional software options can’t clear this bar.

No one wants to invest in technology with a very limited useful life, but that’s just exactly what financial institutions do when they think just about their needs today and not how they will change over time. Let’s take a look at the common ways that happens.

Many financial institutions have a history of building their own on-boarding and other IT systems. There was a time when that was the only practical approach to meet needs as pre-built software for specific processes didn’t exist. It’s still a common practice today driven by the fact that pre-built software packages are designed for an “average” customer and therefore often do not fit the needs of specific customers.

Custom development allows an organization to tailor software to their needs but at a significant cost. IT systems written in computer coding language are less flexible and more costly to maintain than other approaches. Hard-wired systems like these frustrate business owners who can’t get their systems adapted fast enough to meet changing requirements. Work that was all done within the system now happens in part outside of the system, breaking management’s control and visibility. Upsell and cross-sell opportunities are missed because systems can’t be programmed to act on new market opportunities. The company’s competitive edge slips away.

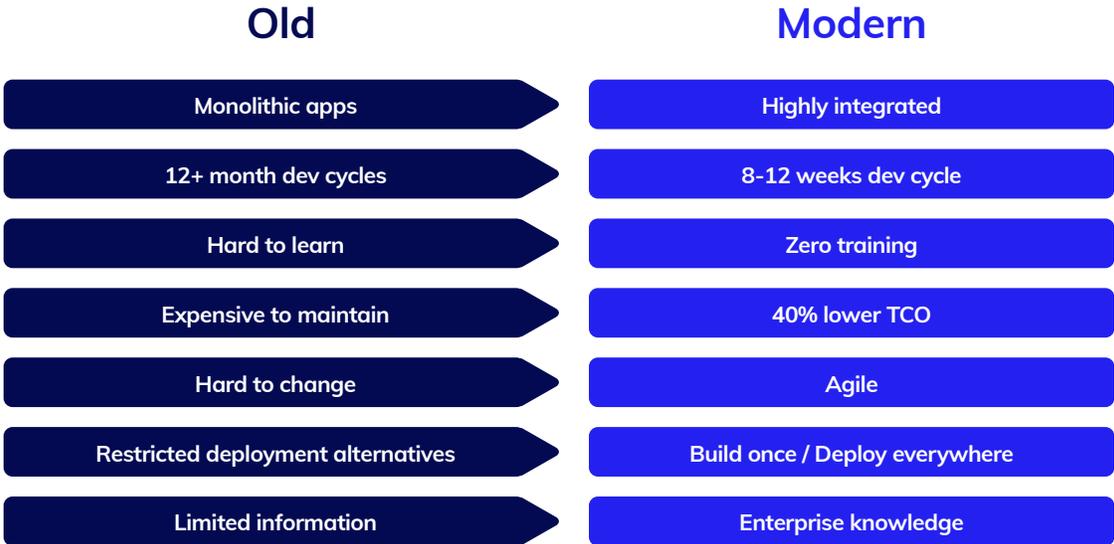
The other common approach to the on-boarding technology challenge is to purchase a commercial-off-the-shelf software (COTS) package. The theory is adapting a pre-built system for on-boarding will allow the organization to get all the benefits of a custom developed system without the time and expense. The reality is different. Companies that sell software for multiple organizations, by definition, have to create an application for the average customer. Since no customer is “average”, that means the product never fits all of any one customer’s needs. Companies that buy COTS often engage in extensive customization to get the software to meet their initial needs. Overtime the situation gets worse as the software vendor has to react to change requests from multiple customers with different needs. Keeping up with changing regulations would be simple for a company that makes one application, but every customer wants to implement the regulatory change in a way that’s most advantageous to their specific business. The other downside to relying on a common “off-the-shelf” application for such a critical application like on-boarding is that it limits a company’s ability to gain competitive advantage in this process. How can you make your process unique when your competitors run the same system?

Meeting the ever-growing mobile opportunity is a challenge with both custom developed and COTS software. Organizations that rely on custom development need to create custom mobile clients for each mobile operating system and for each application, a process that's slow, costly, and likely to have gaps. COTS vendors can create mobile versions of their applications, but they end up as stand-alone apps which are not integrated with a company's other core systems and processes

## How to leverage modern technology to win the on-boarding game.

It's clear that the approaches of the past will not deliver an on-boarding IT system that provides the organization with long-term competitive advantage. But utilizing a modern work platform can get you there.

A modern work platform enables vastly greater automation, communication, and collaboration than any traditional IT system. The graphic below explains the key items behind a modern work platform and how they compare to older approaches.



Appian's modern work platform is powering a wide range of core IT systems for financial services organizations like CME Group, Clayton Holdings, and regulators like the Office of the Comptroller of the Currency. Some financial services firms are using our modern work platform specifically to manage challenges in the on-boarding process. Here are a few examples:

- Edward Jones Trust Company provides personal trust and investment services to nearly seven million clients through a network of over 10,000 financial advisors. On-boarding of trusts is complex and required paper documents and spreadsheets to route information across departments. That approach wouldn't scale and held back the company's growth so Edward Jones turned to Appian. Four months after starting the project, the new on-boarding system cut the number of required steps from 154 to 67, made all handoffs automatically, and cut the number of forms required by over 80%.

- One of the largest institutional investment managers in the United States had relied on purely manual systems to on-board large multi-site clients, often with 20 or more locations to be on-boarded around the globe. Implementing an Appian-based system allowed them to eliminate errors due to manual entry, create proper compliance trails, and significantly reduce the time to on-board assets leading to increased revenue. A key feature of the system was the ability to customize on-boarding to fit within the organization's practices and government regulations which can vary by country.
- To serve the needs of its Islamic customer base, Bank Al Jazira needed to create a system for purchasing real estate that avoided the payment of interest. Using Appian, the bank created an Islamic real estate transfer framework that handles on-boarding of the many contracts generated through a single Shari'ah compliant transaction. The Appian application generates all contracts and handles all clients' paperwork. The system has 50,000 concurrently running processes instances and over 400 users access the system on daily basis.

All of these organizations now have on-boarding systems that meet their needs today and are highly flexible, allowing them to rapidly adapt to new customer needs, new regulatory requirements, and new opportunities in the market. These systems will serve as platforms for growth for many years to come.

## Conclusion.

The sea changes the financial services industry has experienced as a result of the financial crisis and subsequent regulation changed the economics of the industry and made key processes like on-boarding the center of client success and competitive differentiation. Financial services institutions that want to gain advantage need to implement on-boarding systems that support process excellence. The technology approaches of past years have all proven to lead to IT systems that can't keep pace with the needs of the business, exposing weaknesses to new clients just at the moment when you most need to impress them – those crucial first 90 days.

Appian's modern work platform has been used by financial institutions around the globe to create highly flexible on-boarding systems that turn a challenging process into a pillar of strength and a foundation for rapid growth.



Appian provides a low-code automation platform that accelerates the creation of high-impact business applications. Many of the world's largest organizations use Appian solutions to improve customer experience, achieve operational excellence, and simplify global risk management and compliance.

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