EY Finance 2020 Survey
Banking in Switzerland and Liechtenstein
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Executive summary and key results

Complying with regulatory change as a result of the global financial crisis has absorbed the budgets and focus of the CFO for much of the past decade. As they begin to emerge from the regulatory change burden, CFOs return to find the business has forgotten about them. Much of the business no longer relies on insights provided by the finance function to make decisions or steer the business. The role of the CFO has become one of control and compliance.

CFOs need to reclaim their position as a leader at the C-table, and increase their relevance to the business. Among senior finance professionals participating in the EY Finance 2020 Survey, 84% indicated that “being a better business partner” ranked among their top three priorities, with 40% placing this as number one. To achieve this, the CFO must provide insight into optimal allocation of scarce resources - capital, liquidity, balance sheet - to support profitable growth and remain competitive in a fast-paced, digitized and volatile market environment.

As banks continue to invest in data management and analytics capabilities, the role of finance and risk functions has become even more critical. The processes and systems supporting these functions are key to developing deep insights into business performance, as well as customer needs, preferences and behavior. In response, finance leaders have been increasing their efforts to improve the capabilities of their organizations to meet the new demands. In the survey, 75% of respondents confirmed that they have identified a corresponding investment requirement.

However, the drive to better insights is not without challenges. In private banking, strategy and preserving culture are key to success. The business is demanding advisory-based finance services that tend to be on-site and bespoke, with highly qualified resources. All the while, cost and efficiency continues to be in focus, and the usual levers of off-shoring (+3%) and outsourcing (-1%) seem exhausted. As a result, the ability for these organizations to strike a balance between delivering value to the business and meeting daily operational demands will continue to be a challenge.

Not surprisingly, the current data and technology footprint will require significant change to meet the challenges of the finance function of the future. Across the finance operating model, 56% of survey participants scored data among their top three challenges through 2020, while technology recorded the greatest gap between current and required future state.

In order to address these challenges, banks will need to focus on three key activities:

- Increase the relevance of the CFO to the business. Understand the advisory services the business is demanding, and clearly delineate these services from compliance services such as regulatory reporting.
- Lay the foundation for the digital age. Invest in a platform that is responsive and supports the analytical demand of the business and regulatory demand for data consistency, reporting frequency and granularity.
- Improve operational performance of the finance function by working “smarter, not harder,” by exploring robotic operating models, and aligning the finance advisory service model to the right skills in the right locations.

Daniel Haudenschild
Partner, Finance Advisory Leader
Switzerland

Elizabeth Whitfield
Partner, Financial Accounting Advisory Services
Switzerland
### Key results

<table>
<thead>
<tr>
<th>A. Identifying drivers</th>
<th>Banks see regulatory change, achieving growth and managing cost and margins as the main strategic business drivers through 2020.</th>
</tr>
</thead>
<tbody>
<tr>
<td>B. Responding to the market</td>
<td>Banks have already committed significant investments to address their business drivers. However, potential for optimization is still inherent.</td>
</tr>
<tr>
<td>C. Defining priorities</td>
<td>Overall, 84% of participants place the ability of the finance function to support business decision-making among their top three priorities.</td>
</tr>
<tr>
<td>D. Making progress</td>
<td>Cantonal, regional and private banks risk losing ground to international players as substantial effort is still required to match global and foreign banks, which are further advanced in their efforts to address their finance priorities.</td>
</tr>
<tr>
<td>E. Transforming finance</td>
<td>Finance leaders see biggest improvements to their finance operating model through 2020 within technology, data, operational efficiency and people dimensions, but see no need to be “leading” organization to achieve goals.</td>
</tr>
<tr>
<td>F. Facing challenges</td>
<td>56% of respondents list both technology and data among their three main challenges facing their finance organization through 2020.</td>
</tr>
<tr>
<td>G. Sourcing finance</td>
<td>Through 2020, finance professionals will decrease outsourced and increase off-shored activities.</td>
</tr>
</tbody>
</table>
With our EY Finance 2020 Survey, we set out to gather insights into the challenges facing the finance functions of banking organizations in Switzerland and Liechtenstein. Furthermore, we wanted to understand how current and future trends will influence the shape of finance functions through 2020. More specifically, we wanted to get a sense of how they will evolve in a number of dimensions and placed particular emphasis on two central objectives:

- Identifying the strategic business drivers impacting finance functions between now and 2020 and determining the level of preparedness on their part to address the associated future challenges and opportunities (see Chapter 3. Business drivers and finance priorities).

- Gauging the current level of maturity of the finance operating model and the level to which the finance function will need to aspire in the future (see Chapter 4. Finance operating model).

Our survey was conducted in Summer 2015. Information was gathered from senior finance professionals in Switzerland and Liechtenstein. An overview of the survey participants is provided in the next chapter.
Chapter 2:
Overview of participants
Our survey compiles information from senior finance professionals of banks in Switzerland and Liechtenstein. In the interest of a differentiated analysis, the banks were grouped into three clusters: global and foreign banks (GFB), cantonal and regional banks (CRB) and private banks (PB).

Differences in the nature of these three clusters and their respective business segments meant that the finance functions analyzed varied both in terms of size as well as the responsibilities assigned to them.

### Banks participating in the survey

<table>
<thead>
<tr>
<th>No. of banks</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global and foreign banks (GFB)</td>
<td>10</td>
</tr>
<tr>
<td>Cantonal and regional banks (CRB)</td>
<td>8</td>
</tr>
<tr>
<td>Private banks (PB)</td>
<td>7</td>
</tr>
<tr>
<td><strong>Total banks in scope</strong></td>
<td><strong>25</strong></td>
</tr>
</tbody>
</table>

1 Including asset managers

### Participants by FTE in finance organization

- 1-20: 60%
- 21-80: 24%
- 81+: 16%

### Participants by location

- Northern Switzerland: 56%
- Southern Switzerland: 24%
- Eastern Switzerland and Liechtenstein: 20%

### Responsibilities of participants' finance functions

- Internal reporting: 100%
- External reporting: 100%
- KPI and performance management: 92%
- Finance operations: 76%
- Treasury: 72%
- Risk management: 64%
- Tax: 60%
- Customer and market reporting: 52%
- Mergers & acquisitions: 40%
- Finance IT: 40%
- Project management: 32%
Chapter 3:
Business drivers and finance priorities
A central objective of our survey is to identify the strategic business drivers impacting finance functions between now and 2020. In a second step, we then determine the extent to which finance functions are prepared to address the associated future challenges and opportunities.

The survey results indicate that, firstly, banks have already committed significant investments to address the main strategic business drivers affecting them through 2020 (regulatory change, achieving growth and managing cost and margins), although potential for optimization is still inherent. Secondly, supporting business decision-making is one of the main priorities for the finance function going forward. Thirdly, global and foreign banks are further advanced in their efforts to address their finance priorities than their peers in the other two clusters.

Smart growth shapes spirit of optimism, while regulatory change remains major burden

Much of the past decade focusing on regulatory change and compliance has left banks exposed to the risks inherent in eroding margins. In this challenging environment, it is imperative that banks choose smart growth strategies and make wise investment decisions, capturing opportunities in the market and across the digital arena as they emerge.

Regulatory change still ranks among the top three business drivers for 68% of participants, while achieving growth was indicated as the single most important driver by 36% of participants. More than half of respondents (52%) state that staying profitable in a challenging environment with pressure on cost and margins is among the top three strategic business drivers in their view.

Digital disruption is a key driver that has been gathering momentum in the market in recent years. It therefore comes as no surprise that it is high on the CFO’s agenda at present. Nearly one third (28%) of respondents list digital disruption among the top three strategic business drivers.

There is a risk in the current environment that the relentless focus on regulatory change will leave banks exposed to the threat of eroding margins as they fail to capture opportunities afforded by new and evolving technologies and business models. Staying profitable in this challenging environment requires wise investment decisions. It is therefore imperative that banks choose smart growth strategies and allocate capital to the most productive investments.
Growth is a crucial driver for PBs and GFBs, while CRBs focus on managing cost and margins

Global and foreign banks (GFB) and, more so, private banks (PB) are beginning to turn their attention from regulatory concerns to growth. By contrast, cantonal and regional banks (CRB) are focused on managing cost and margins, although this cluster is keeping an eye on smart growth opportunities in the digital space.

Private banks see growth as a crucial factor in order to reach economies of scale and capture synergies. Indeed, a wave of consolidation is anticipated in the private banking sector, as highlighted in the findings of the EY Bank Barometer 2015. Risk mitigation, risk management and regulatory change remain an important focus for private banks. However, realizing growth ranks higher overall in the top three list of business drivers of private banks.

Global and foreign banks are sharpening their focus on growth, with 60% reporting that achieving growth is the number one business driver. At the same time, cost-efficiency and margins are also high on their agenda, with 40% rating “profit due to ongoing pressure on cost and margins” among the top three drivers. Given that they operate in a multi-jurisdictional environment, it comes as no surprise that regulation is still viewed as one of the main strategic business drivers in the GFB cluster as banks seek to optimize business models against a backdrop of evolving and increasingly localized regulatory agendas.

In contrast, cantonal and regional banks are still very much focused on regulatory requirements, followed closely by managing costs and improving margins. The CRB cluster is less focused on growth, which does not even rank among the top three drivers. This is largely due to the limited growth potential perceived by banks here given the nature of their business and considering the lack of cross-border activity. Also of particular concern to CRBs is the ultra-low interest environment, which has a relatively high impact on their earnings due to the relative size of their mortgage business and their comparably low diversification of revenue streams. That said, digital disruption is nevertheless seen as an important business driver in view of the associated opportunities for growth and penetration of existing markets.

Are you anticipating the need to further invest and undertake improvements in your finance organization in order to support these drivers?

The responsibilities of finance leaders stretch far beyond reporting the past

All bank clusters have already made significant investments in initiatives to address the main strategic business drivers reported. However, the responsibility of finance leaders reaches far beyond reporting the past. In essence, CFOs need the analytical capabilities to assess current conditions and inform material business decisions with long-term impact on the organization.

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Figure 2: The radar shows the proportion of participants that have a program or fit-for-purpose solution to address respective business drivers
Nearly 57% of GFBs and CRBs have programs and solutions in place to address regulatory change. And 43% of CFOs in the PB cluster report that fit-for-purpose solutions are in place and programs in the pipeline. This indicates that there is still substantial potential for optimization and investment.

Looking at the GFB cluster, 67% of CFOs indicate that there are programs and solutions underway or already implemented to achieve growth. Similarly, one in two (50%) private banking CFOs state that this concern is well addressed.

Managing cost and margins is a pressing concern for cantonal and regional banks due to the limited growth potential in the market they operate in. In this cluster, 67% of respondents stated that there are already measures in place or programs in the pipeline to address this focus area. Overall, the investment phase can be described as advanced.

As banks seek to address these increasingly complex and often contradictory objectives and opportunities, finance leaders need to recognize that their responsibility reaches far beyond reporting the past. In essence, CFOs need the analytical capabilities to assess current conditions and lay the groundwork for material business decisions with long-term impact on the organization.

In the fast-paced, digitized and volatile market environment banks are operating in, the importance of strategically relevant business decisions often snowballs, marking the difference between winners and losers. These are the fundamental choices that can determine the evolution and future state of an organization. To remain successful, CFOs must support the business by anticipating the impact of upcoming regulatory requirements on the business, being sensitive to trends, identifying benchmarks and serving as an enabler for smart growth and innovative cost management strategies.

C. Defining priorities

Please rank the three most important priorities facing your finance organization through 2020

<table>
<thead>
<tr>
<th>Priority</th>
<th>1st priority</th>
<th>2nd priority</th>
<th>3rd priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effectiveness of finance to support business decision-making (incl. performance measurement)</td>
<td>40%</td>
<td>28%</td>
<td>16%</td>
</tr>
<tr>
<td>New regulatory and financial reporting requirements (including accounting change)</td>
<td>20%</td>
<td>8%</td>
<td>24%</td>
</tr>
<tr>
<td>Finance to support growth (flexibility and scalability)</td>
<td>12%</td>
<td>16%</td>
<td>8%</td>
</tr>
<tr>
<td>Capital optimization</td>
<td>16%</td>
<td>20%</td>
<td>36%</td>
</tr>
<tr>
<td>Projections (planning, budgeting and forecasting)</td>
<td>4%</td>
<td>12%</td>
<td>16%</td>
</tr>
<tr>
<td>Quality of reporting (internal and external) incl. increased granularity and frequency</td>
<td>44%</td>
<td>20%</td>
<td>28%</td>
</tr>
<tr>
<td>Finance as a control function</td>
<td>12%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Aligning finance, risk and treasury</td>
<td>8%</td>
<td>4%</td>
<td>12%</td>
</tr>
<tr>
<td>Global consistency of financial information</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Figure 3: Percentage of respondents ranking respective priority among their top three
Business partnering is key through 2020

As finance functions begin to find greater bandwidth to deal with issues beyond the heavy compliance burden they have shouldered in recent years, one of their main priorities is to improve business partnering.

In private banking, all respondents (100%) included business partnering in their top three priorities. In addition, close to 60% stated that finance supporting growth was among the top three priorities. Likewise in the GFB cluster, the number one priority is to become a better business partner, and all respondents without exception listed “Effectiveness of finance to support business decision-making” in the top three priorities. Like their peers in private banking, the sights of global and foreign banks are on growth, with 40% of respondents listing “Supporting growth” among their top three priorities.

Business partnering is lower in the list of priorities of cantonal and regional banks, which tend to be geared toward managing cost and improving margins. And in stark contrast to the other two clusters, 50% of respondents indicate capital optimization as the number one priority. Regulatory and financial reporting compliance is a key component of rising costs in the finance organization. Consequently, their management remains high on the agenda of CFOs. Notwithstanding this, CFOs in the CRB cluster are also keen to enhance business partnering capabilities, making the list of top three priorities for one in two respondents.

In recent years, finance functions have had their resources stretched thin in their efforts to deal with the heightened regulatory scrutiny in the wake of the financial crisis. As a result, they have had to compromise on other aspects of service delivery to the business. As they find greater bandwidth to look beyond compliance, CFOs are beginning to explore new avenues in business partnering (cf. adjacent box).

New avenues in business partnering

To enhance their business partnering capabilities, leading banks are taking a two-pronged approach by delineating the service catalog they provide to the business into two distinct, yet mutually aligned, sets of tasks: transactional services and decision support.

- Transactional services – including regulatory filings or tax returns – should be off-shored, standardized and automated to the greatest possible extent (cf. Section G. Sourcing finance).
- In contrast, decision support encompasses a range of advanced capabilities, including predictive analytics, customer and market analysis, revenue stream analysis, or pricing and deal support. Such services are advisory in nature, on-site and typically have to be customized to each specific business unit.

This delineation allows the establishment of a banking platform that takes care of “keep-the-lights-on” processes at a requisite level of quality, but that is still agile enough to effectively support growth.
D. Making progress

Where are you in your finance planning to address the identified priorities?

Effectiveness of Finance to support business decision-making

New regulatory and financial reporting requirements

Capital optimization

Finance to support growth

Projections (planning, budgeting and forecasting)

Figure 4: The radar shows the proportion of participants that have a program underway or have a fit-for-purpose solution to address the respective priority.
**GFBs are ahead of the rest in their efforts to address their priorities**

International players have made inroads addressing their priorities, while banks in the other two clusters are lagging behind. To compete, the Swiss banking model needs a clear strategy for the future. CFOs can serve as the compass that ensures steady progress in the right direction.

Overall, global and foreign banks are best prepared or most advanced in their preparations to address their finance priorities and already have programs in the pipeline or fit-for-purpose solutions in place to support growth. However, substantial effort still has to be made to improve business decision support.

Private banks are prioritizing the ability of their finance organizations to support growth. CFOs of these institutions indicate that there are corresponding solutions in place and programs in the pipeline, although there is still potential for optimization and investment.

According to their finance leaders, cantonal banks are focused on capital optimization. In this context, the CFOs see their institutions at an initial stage of development.

The first-mover advantage of global and foreign players will allow them better market penetration. Private, cantonal and regional banks need to close the gap, and do so quickly, to protect their market share and customer base.

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**Banking in Switzerland and Liechtenstein in the future**

Looking ahead to the future, we can be certain from today’s perspective that the industry will undergo structural change and will have to adapt intelligently. Long-established business models have lost part of their effectiveness, but what criteria will prove decisive for future business models?

1. **Measurable ability to understand clients’ rational and emotional thinking and decision making**
2. **Differentiated and sustainable value proposition addressing client needs (explicit and implicit)**
3. **Ability to systematically manage both client experience and expectations**
4. **Meaningful client-centric advice combining client insights with subject matter expertise and relationship-based with system-based advice**
5. **Efficient execution with decreasing operational and structural complexity**

Against this backdrop, the CFO’s job is pivotal, serving as the compass that ensures steady progress in the right direction. Drawing on market, channel, client and product data, the finance function can provide guidance and insight into an optimal allocation of scarce financial resources along the various metrics (e.g., capital, funding and liquidity).
Chapter 3: Business drivers and finance priorities
Chapter 4: 
Finance operating model
The second point of emphasis of our survey is gauging the current level of maturity of the operating model of finance functions and the level to which they will need to aspire in the future.

The survey indicates that finance leaders see the main improvement areas for their respective finance operating models through 2020 within the technology, data, operational efficiency and people dimensions, although they do not feel that they need to have “leading” capabilities in these dimensions to achieve their goals. The majority of respondents list technology and data among the three main challenges facing their finance organization through 2020. Lastly, we find that finance professionals plan to decrease outsourced and increase off-shored activities.

Please rate both the current and future level of maturity of your finance organization as well as the future maturity level that will be required to meet the objectives through 2020 on the following scale:

<table>
<thead>
<tr>
<th>Maturity level of finance operating model</th>
<th>Basic</th>
<th>Developing</th>
<th>Established</th>
<th>Advanced</th>
<th>Leading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating strategy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance organization</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Processes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Policy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Data</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>People</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technology</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operational efficiency</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 5: Comparison of current vs. future state of sourcing for the finance function
Finance operating model improvement needed, but “leading” operating model is not necessary to achieve goals

Most finance leaders see a need to improve their finance operating model (FOM) but do not believe that they need to reach a “leading” level of maturity in order to achieve their goals. The biggest gaps between the future and the current state of the FOM are perceived in the technology, data, operational efficiency and people dimensions.

Cantonal and regional banks state that their FOM is at an advanced maturity level. Private banks show the biggest investment need in the technology dimension. Here, CFOs state that their technology is at an early development phase and are aiming to reach an advanced state through 2020.

As we have already seen, banks need to improve their business partnering to achieve their priorities (cf. Chapter 3. Business drivers and finance priorities). With this in mind, leading finance organizations are adding forward-looking capabilities (cf. adjacent box) rather than solely reporting the past. This allows them to glean deep insights into business performance, as well as customer needs, preferences and behavior, increasing their relevance for the business and its ability to meet objectives.

Building up forward-looking capabilities

Banks need to improve their business partnering to achieve their priorities. To this end, the finance organization must become a forward-looking function that is relevant for the business. Leading organizations in the market therefore typically focus on building up two main finance capabilities: 1) strategic planning and forecasting and 2) predictive analytics.

Strategic planning and forecasting aims to decrease the cycle time, enhance system support and increase integration of planning and forecasting activities. This capability integrates driver-based analysis and scenario planning focused on key performance metrics reflecting the multiple dimensions (e.g., business line, legal entity, jurisdictional considerations) and constraints (e.g., capital, liquidity, balance sheet) the business is subject to in its management activities. In addition, strategic planning should aim for greater use of product, channel and client data as metrics.

Predictive analytics is the service of data mining concerned with making data-driven predictions of future scenarios and trends, and determining their respective likelihood of occurrence. The central element of predictive analytics is the predictor, a variable that serves as an indicator of an individual's or other entity's future behavior.
F. Facing challenges

Please rank the three most important challenges currently facing your finance organization

<table>
<thead>
<tr>
<th>Challenge</th>
<th>1st priority</th>
<th>2nd priority</th>
<th>3rd priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology</td>
<td>24%</td>
<td>20%</td>
<td>12%</td>
</tr>
<tr>
<td>Data</td>
<td>8%</td>
<td>20%</td>
<td>28%</td>
</tr>
<tr>
<td>Process</td>
<td>12%</td>
<td>8%</td>
<td>16%</td>
</tr>
<tr>
<td>Operational efficiency</td>
<td>8%</td>
<td>4%</td>
<td>24%</td>
</tr>
<tr>
<td>People</td>
<td>12%</td>
<td>12%</td>
<td>8%</td>
</tr>
<tr>
<td>Strategy</td>
<td>12%</td>
<td>24%</td>
<td>4%</td>
</tr>
<tr>
<td>Policy</td>
<td>4%</td>
<td>12%</td>
<td>16%</td>
</tr>
<tr>
<td>Performance management</td>
<td>4%</td>
<td>4%</td>
<td>8%</td>
</tr>
<tr>
<td>Organization</td>
<td>12%</td>
<td>12%</td>
<td>4%</td>
</tr>
<tr>
<td>Governance</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Figure 6: Percentage of respondents ranking respective challenge among their top three

CFOs see the biggest challenges in data, technology and processes

There is broad consensus among CFOs as to the biggest challenges facing their organizations. Technology has advanced to a degree where it is no longer necessary to compromise on what can be demanded from data management and analytics services. As a result, organizations must evaluate their finance platform infrastructure if they wish to remain relevant.

CFOs see the biggest challenges in data, technology, process and operational effectiveness. These are also the fields in which respondents see the greatest improvement potential through 2020. Most participants (56%) see technology and data among the top three challenges facing their finance organization through 2020.

Private, global and foreign banks largely concur in their prioritization of challenges. In contrast, cantonal banks rank strategy as their number one challenge, while technology is lower down on their agenda.

Previously, it is true, CFOs had to live with compromises in analytics due to the volume of data involved and the required granularity. This is quite simply no longer the case (cf. adjacent box). Technology has advanced to a degree where organizations must evaluate their financial platform infrastructure if they wish to remain relevant.

Technological possibilities have reached a new order of magnitude

Three factors underlie recent advances in the technological possibilities available to CFOs.

1. Moore's law (which observes the exponential growth in computing power over time) has evolved to a point where IT performance is no longer an unyielding determinant of design; as a result, the long-elusive universal journal is finally emerging as a workable reality.

2. Information no longer has to take a cumbersome detour through a data warehouse before it is made useful - enabling smart, insight-driven reporting.

3. Companies are quickly realizing that master data management involves a great deal more than simply cataloging data objects; successful approaches are channeling investment into next-generation data management systems that are set to shake up the industry in the coming years.
Please indicate both the current and future state of sourcing for the finance function

<table>
<thead>
<tr>
<th>Local</th>
<th>Shared service center</th>
<th>Outsourced</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>onshore</td>
<td>offshore</td>
</tr>
<tr>
<td>Total</td>
<td>55%</td>
<td>29%</td>
</tr>
<tr>
<td></td>
<td>53%</td>
<td>27%</td>
</tr>
<tr>
<td>Transaction processing</td>
<td>54%</td>
<td>23%</td>
</tr>
<tr>
<td></td>
<td>52%</td>
<td>20%</td>
</tr>
<tr>
<td>Reporting</td>
<td>58%</td>
<td>36%</td>
</tr>
<tr>
<td></td>
<td>56%</td>
<td>36%</td>
</tr>
<tr>
<td>Decision support</td>
<td>64%</td>
<td>31%</td>
</tr>
<tr>
<td></td>
<td>62%</td>
<td>29%</td>
</tr>
<tr>
<td>Control</td>
<td>50%</td>
<td>32%</td>
</tr>
<tr>
<td></td>
<td>52%</td>
<td>31%</td>
</tr>
<tr>
<td>Finance function management</td>
<td>47%</td>
<td>41%</td>
</tr>
<tr>
<td></td>
<td>45%</td>
<td>41%</td>
</tr>
<tr>
<td>Taxes</td>
<td>40%</td>
<td>24%</td>
</tr>
<tr>
<td></td>
<td>35%</td>
<td>27%</td>
</tr>
<tr>
<td>Treasury</td>
<td>75%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Figure 7: Comparison of current vs. future state of sourcing for the finance function

Tax, transaction processing and controls are most frequently outsourced tasks

The survey results indicate that the pendulum is currently swinging away from outsourcing and in favor of using offshore captives. However, the efficiency gains that can still be captured with these levers are diminishing. Leading companies are uncovering far more potential in next-generation technologies.

Largely concurring views on outsourcing are evident across all clusters with the bulk of outsourced activities centering on tax, transaction processing and controls.

Overall, there is an appreciable trend toward offshoring using captives as an alternative solution to outsourcing. Outsourcing in general is in decline and mostly focused on transaction processing and tax. An exception bucking the trend, however, is payroll processing in the private banking cluster.

Although still widely used, offshoring and outsourcing are efficiency levers whose effect has started to diminish. Moreover, offshoring and outsourcing inefficient processes also tends to undermine any incentive to optimize troublesome processes in an emphatic example of the “out of sight, out of mind” axiom. The second mechanical revolution is now changing the thinking behind these often controversial organizational restructuring steps. Indeed, leading companies are uncovering far more potential in advanced data management and analytics technologies, including robotic automation and cognitive analytics.
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