

New Study Connects Financial Institution Profitability with Risk and Finance Alignment

Economist Intelligence Unit Research Explores Changing Role of Chief Financial Officer in Financial Institutions

Globally

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News Facts

A recent study conducted by the Economist Intelligence Unit (EIU) and sponsored by Oracle Financial Services

found that financial institutions scoring themselves highly on their ability to align risk and finance functions appear to be doing better financially than their peers.

The

report, *Transforming the CFO Role in Financial Institutions: Towards Better Alignment of Risk, Finance and Performance Management* reviews the current state of finance processes and potential enhancements to address new competitive and regulatory conditions. The global survey included nearly 200 senior banking and risk executives from financial institutions, as well as in-depth interviews with 16 finance and risk executives, corporate leaders and other experts. Key findings include: Sixty percent of the respondents who ranked their organizations as better than their peers at aligning risk and finance performed much better financially, with 92 percent performing above average. Despite the benefits, such alignment has not occurred at many banks and more than one-third of financial institutions are still not well prepared for another crisis. Best practices in overcoming the technical and cultural barriers to aligning risk and finance include joint committees and risk data initiatives.

Supporting Quotes

Regulatory and competitive pressures have made actionable insight into enterprise-wide risk a de facto requirement for today's financial services institutions, said S. Ramakrishnan, group vice president and general manager, Oracle Financial Services Analytical Applications. Alignment between finance and risk processes is fundamental to this objective. To achieve this necessary alignment, financial institutions must integrate data and take steps to create structures and processes that facilitate broader cooperation between the two groups. Banks and other financial institutions must improve how their finance functions understand and use risk considerations and information.

This is not only to better protect themselves against new and emerging risks, but also to help devise a sustainable growth strategy. To do this, finance departments are taking steps to ensure senior executives have better access to risk-related information, which has expanded dramatically the role of the chief financial officer (CFO) at financial institutions around the world, said Katherine Dorr Abreu, senior editor, Economist Intelligence Unit.

Supporting Resources

Economist Intelligence Unit Whitepaper: Transforming the CFO Role in Financial Institutions

Economist Intelligence Unit Podcast

Blog Post: Get Ready for a Macroprudential Approach to Regulation

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