Preparing for Growth
Banking Chief Financial Officers Look to the Future with Cautious Optimism
Banking industry survey respondents who took part in “Preparing for Growth, The Accenture 2013 CFO Study” display cautious optimism about prospects for revenue growth this year. The optimism is tempered with concern, as banking survey respondents said they see the European debt crisis (57 percent) and macroeconomic uncertainty (44 percent) as their greatest obstacles to achieving growth targets, with more banking industry respondents citing these factors than respondents from any other industry.

Banking industry survey respondents said they realize the risks of holding cash and they prefer to refinance debt rather than pay it off. Finance function priorities over the next two to three years include investing in systems to support analytics (40 percent); reducing the overall cost of finance (39 percent) and supporting transaction processing (34 percent).

The most commonly cited strategic priority for the future – named by 36 percent of banking industry survey respondents – is cost reduction, with some growth. Clearly, successful bank CFOs will need to balance competing priorities for investment, cost reduction and debt repayment, as well as continuing pressure to return cash to shareholders.
The "Preparing for Growth, The Accenture 2013 CFO Study"2 – based on interviews with 1,250 senior finance executives across nine major economies around the globe representing 12 industry sectors – shows survey respondents display cautious optimism about the prospects for revenue growth. Among the 140 bank finance officers surveyed, by 2015, 90 percent are expecting revenue growth, and 64 percent said they expect five percent or greater growth and 26 percent said they expect growth of 10 percent or more.

Banking industry survey respondents differ from the overall survey group, however, in their expectations of where this growth will come. Banking industry respondents said they see the largest growth coming from Asia (35 percent) and Europe (27 percent), while fewer (18 percent) said they see North America as the primary source of growth.

Compared to respondents from other industries, banking industry survey respondents said they see emerging markets as very important to their overall growth strategy, with 91 percent saying they see emerging markets as important and nearly half (49 percent) describing emerging markets as “extremely important”.

Banking industry survey respondents’ optimism about growth is in line with optimism expressed by other industries, with 43 percent of banking respondents saying they are more optimistic about their growth prospects compared to last year, against 45 percent for all industries. Banking industry respondents said they see the European debt crisis (57 percent) and macroeconomic uncertainty (44 percent) as their greatest obstacles to achieving growth targets this year. These are the highest scores among all industries on both issues.

STUDY FINDINGS

LONG-TERM GROWTH OPTIMISM

64 PERCENT OF BANKING INDUSTRY SURVEY RESPONDENTS SAID THEY PROJECT ANNUAL REVENUE GROWTH OF 5 PERCENT OR MORE

26 PERCENT OF BANKING INDUSTRY SURVEY RESPONDENTS SAID THEY EXPECT GROWTH OF 10 PERCENT OR MORE

EXPECTED GROWTH BY REGION

(identified by banking industry survey respondents)
Banking industry survey respondents see themselves as relatively well-positioned to pursue both organic and inorganic growth. A fairly large number (36 percent) of banking industry survey respondents said they are expecting both organic and inorganic growth to drive overall company growth this year, while another 19 percent said they are expecting just inorganic growth. Nearly two-thirds (66 percent) of banking respondents said they expect inorganic growth to increase modestly or significantly this year.

Banking industry survey respondents said they see the top barriers to inorganic growth as finding attractive targets (51 percent) and high pricing levels for acquisitions (50 percent). These survey respondents’ stated concern about financing for deals was the second lowest among respondents from all industries at 42 percent. And, although 88 percent of banking industry survey respondents described themselves as well positioned to pursue an inorganic growth strategy, this was the second lowest percentage among all industry survey respondents.

In addition to the 36 percent of banking industry survey respondents saying they expect both organic and inorganic growth to drive company growth, another 39 percent said they are expecting just organic growth. For these survey respondents, the barriers to organic growth cited included economic uncertainty (47 percent), pricing and/or cost competitiveness (44 percent) and competitive dynamics (44 percent). A large number (94 percent) of these survey respondents described themselves as well positioned to pursue an effective organic growth strategy.

**36 PERCENT OF RESPONDENTS SAID THEY ARE EXPECTING BOTH ORGANIC AND INORGANIC GROWTH**

WHERE WILL THE GROWTH COME FROM?  
(identified by banking industry survey respondents)

- **49%** Enter new product or service markets
- **46%** Expand presence in existing markets
- **40%** Enter new geographies
- **38%** Expand presence in existing geographies
- **59%** Expand sales channels
- **54%** Enter new markets or geographies
- **50%** Increase sales and marketing efforts
- **41%** Increase product innovation/R&D investment

**INORGANICALLY**  
ORGANICALLY
Banking industry survey respondents said that the visibility and predictability of their organization’s performance is insufficient, with only 17 percent reporting high visibility. The three top factors cited as affecting the ability to forecast performance are: 1) Economic uncertainty (at 54 percent, cited more by respondents from the banking industry than from any other industry except healthcare with 57 percent); 2) volatility (13 percent) and 3) commodity prices (12 percent).
BANK SURVEY RESPONDENTS ARE HOLDING CASH BUT RECOGNIZE THE RISKS

Many survey respondents from the banking industry realize the risks of holding cash and prefer to refinance debt rather than pay it off. These survey respondents also said they plan to make selective investments in their businesses over the next year. The majority of banking industry survey respondents (56 percent) said they plan to maintain their current levels of cash as a percentage of revenue through this year, reflecting concerns such as market or business uncertainty (at 42 percent, the highest among industries) and pressure from shareholders (31 percent).

Given economic uncertainty, most banking industry survey respondents (47 percent) said they prefer to refinance debt at lower rates and maintain cash to be more flexible. Within the next year, however, the majority of respondents from the banking industry (58 percent) said they plan to use their cash mainly to reinvest in the business. A larger majority (83 percent) said they plan to make selective investments in areas that can add significant business value, with more than three-quarters of respondents would reinvest in the business and/or fund acquisitions when they use their cash holdings.

TOP SIX RISKS OF HOLDING CASH
(identified by banking industry survey respondents)

- 53% LIMITS GROWTH OPPORTUNITIES
- 48% LIMITS INNOVATION
- 41% LIMITS GEOGRAPHIC EXPANSION
- 40% LIMITS VALUE CREATION FOR SHAREHOLDERS
- 37% LIMITS MARKET ENTRY

CASH PLAN
(identified by banking industry survey respondents)

- 77% MORE THAN THREE-QUARTERS OF RESPONDENTS WOULD REINVEST IN THE BUSINESS AND/OR FUND ACQUISITIONS WHEN THEY USE THEIR CASH HOLDINGS
- 25% A QUARTER OF RESPONDENTS WOULD REPAY DEBT
- 23% LESS THAN A QUARTER OF EXECUTIVES PLAN TO HOLD ON TO CASH
- 46% ALMOST HALF OF THE RESPONDENTS WOULD INCREASE CASH RETURNED TO SHAREHOLDERS
INVESTING IN TECHNOLOGY, BUT CHALLENGED BY UNCERTAINTY

Banking industry survey respondents’ stated finance function priorities over the next two to three years include investing in systems to support analytics (40 percent); reducing the overall cost of finance (39 percent) and supporting transaction processing (34 percent).

Banking industry survey respondents, however, said they are already using a variety of finance tools and techniques to support analytics and transaction processing and reduce costs, including scenario planning (65 percent); predictive analytics (56 percent); global and regional shared services (56 percent); benchmarking (55 percent) and rolling forecasts (54 percent).

Most survey respondents from the banking industry (89 percent) claim they are at least somewhat confident their current technology can support their business strategy over the next three years.

Analytics is the single largest identified priority for banking industry survey respondents. Over half of these survey respondents said they expect to achieve improved information and analytics for decision-making (57 percent) and enhanced product or service quality (50 percent) from their technology solution investment.

FACTORS HAVING THE HIGHEST IMPACT ON BANK FINANCE ORGANIZATIONS’ TECHNOLOGY INVESTMENTS
(identified by banking industry survey respondents)

89 PERCENT OF SURVEY RESPONDENTS FROM THE BANKING INDUSTRY CLAIM THEY ARE AT LEAST SOMEWHAT CONFIDENT THEIR CURRENT TECHNOLOGY CAN SUPPORT THEIR BUSINESS STRATEGY OVER THE NEXT THREE YEARS

HIGH AND TOP PRIORITIES FOR TECHNOLOGY INVESTMENT OVER THE NEXT THREE YEARS
(identified by banking industry survey respondents)
The most commonly cited strategic priority for the future – named by 36 percent of banking industry survey respondents – is cost reduction, with some growth. Nearly all survey respondents from this industry (99 percent) said that business process outsourcing (BPO) supports a variety of growth objectives including cost reduction (48 percent); increasing functional effectiveness (44 percent) and improving controls (41 percent). The focus on cost reductions is more pronounced in banking than it is in other industries.

As is the case with other industries surveyed, successful bank CFOs may need to balance competing priorities for investment, cost reduction and debt repayment, as well as continuing pressure to return cash to shareholders.
References

1 Preparing for Growth, The Accenture 2013 CFO Study, July 2013

2 Preparing for Growth, The Accenture 2013 CFO Study, July 2013

About Accenture

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