



WHITE PAPER

**EMPOWERING THE FINANCIAL WORLD**

**THE FINTECH EVOLUTION –  
WHY ADAPTATION IS THE KEY TO SURVIVAL**

# EVOLUTION AND SURVIVAL GO HAND IN HAND WITH ADAPTATION.

You may be familiar with Darwin's finches, a classic example of evolutionary adaptation in action. These birds in the Galapagos have been studied for years, with related species vying to emerge as "the fittest" by utilizing their differing avian strengths. Or, you could look at the colorful chameleon, outsmarting its predators with the ability to adapt its hue to match any environment.

In consumer technology, everyday devices have evolved at an accelerated pace over the past several decades, with their features and functions adapting to make our lives simpler and more connected. Think: In a world of smart phones, app-packed tablets and a growing number of wearables, the "brick phone" now survives only in our memories.

In commerce, an ability to adapt holds the key for firms to survive and thrive in today's – and tomorrow's – industry.

## What does it mean to become an adaptive enterprise?

The adaptive enterprise is one that is transformative from top to bottom, inside and out. It is fluid, agile and unafraid to take on new ideas and challenges. It understands and embraces that only through adaptation can it evolve, grow and thrive.

## Are you prepared for what's next?

Markets evolve, technology advances, and economies shift. With each turn there is opportunity and risk. Fintech has evolved to address these challenges by helping to remove friction, whether it's related to back-office processing, management of IT infrastructure or even the need to strengthen connectivity and integration across systems, processes and people.

# TECHNOLOGIES EVOLVE.



Vast parts of the world never connected by wire have gone directly to mobile technology.

**A SINGLE SMARTPHONE HAS MORE  
PROCESSING POWER THAN THE APOLLO  
MISSION COMPUTERS.**

# WHY “INNOVATE OR DIE” ISN’T AN EXAGGERATION

While many industries and sectors are in a state of flux today, financial services and fintech are reemerging as transformative spaces, shaped by the need to provide new capabilities, tackle fresh challenges and meet the increasing demands of customers and internal stakeholders – all at ever-accelerating speeds. Firms that can’t or won’t innovate and adapt put themselves in a precarious position.

**What is driving this “innovate or die” climate?**

## 1. LONG-TERM GROWTH IS TIED TO INNOVATIVE OPERATIONS.

**Has your back office evolved to support your front office?**

Innovation doesn’t happen by doing the same things faster. In that scenario, you end up simply doing more of the same things. With an eye on supporting true innovation, fintech has increased its focus on agility. This applies across the board, from the back office to the front.

The past few decades have produced an accelerated pace of economic growth, which has put pressure on operational systems and functional teams to keep up. In order to evolve and thrive, it will become even more essential that organizations adopt new approaches to how they do business.

By reducing and eliminating unnecessary friction, you can turn your firm into a more adaptive enterprise. Find the areas where manual processes, manual handoffs, gaps in connectivity and communication are slowing you down, and aim to lift out these functions or automate them in a new approach that is not only faster but more efficient and effective.

## 2. PROFITABILITY IS LINKED TO RISK MANAGEMENT.

**Are you missing an opportunity to use risk management to drive growth?**

According to an EY study on risk management maturity, the top 20 percent of companies in risk maturity generated three times the earnings before interest, taxes, depreciation and amortization (EBITDA) as did those in the bottom 20 percent.<sup>1</sup>

What do those top firms have in common? They have taken an adaptive approach to risk management; instead of viewing risk management as simply an unavoidable requirement, they’ve found ways to harness risk management to fuel growth.

Companies that evolve to act on the belief that risk can help create results can find new competitive advantages through the more efficient deployment of scarce resources, better decision-making and reduced exposure to negative events. Now is the time for senior business executives to transform their risk thinking and begin viewing their business with a broad “risk lens.”

## 3. NEW REGULATIONS ARE CREATING NEW BURDENS – AND OPPORTUNITIES.

**How can you alleviate the cost and time burden associated with complying with emerging regulations?**

Regulators have fined the top 50 banks more than \$300 billion in the last five years – a staggering number.<sup>2</sup>

With intense pressure on financial services professionals to successfully and fully comply in this new regulatory environment, adaptive enterprises are in the best position to alleviate these pressures and even uncover opportunities.

People, processes and technology are the adaptation points for compliance.

Looking at ways to create a culture of compliance and build a knowledgeable, skilled staff will help firms to look at compliance in new ways and utilize their resources to minimize compliance costs.

At the same time, firms must review outdated or inefficient processes that may hinder the compliance process.

And, of course, these new rules have new demands, which may require a fresh examination of compliance technology and how it can give a firm better visibility into its data or automate reporting and lessen the new regulatory burdens firms are beginning to face.

<sup>1</sup> EY, TURNING RISK INTO RESULTS, 2013

<sup>2</sup> RISKTECH FORUM, “CHARTIS: CAN YOU RUN THE BANK AND CHANGE THE BANK TOGETHER?” AUGUST 3, 2015

# PROCESS EVOLVES.



Competition breeds innovation.

**FIVE YEARS AGO, MOST TAXIS DIDN'T WANT  
TO ACCEPT YOUR CREDIT CARD.**

**TODAY, YOU CAN USE UBER IN 60 COUNTRIES.**

UBER, UBER.COM/CITIES, SEPTEMBER 2015

#### 4. FINANCIAL SERVICES PROFESSIONALS ARE THINKING BIGGER, FASTER AND SMARTER WITH DATA AND ANALYTICS.

**If you could predict the behavior of your customers, how would that change the way you run your business?**

Gartner predicts that business intelligence and analytics will remain a top focus for CIOs through 2017, and that by 2016, 70 percent of high-performing companies will manage their business processes using real-time predictive analytics.<sup>3</sup> Adaptive enterprises use data as a competitive advantage.

Of course, one of the most discussed and significant illustrations of this trend is in the emergence of big data. With access to more data than ever before, you have new opportunities to turn information into business intelligence and business action in smarter and more agile ways. With margins shrinking and competition increasing, sustainable success will require shifts in thinking and capabilities.

There is an active discussion around big data and its role in changing the landscape of financial services business models. A number of services around big data are being offered by IT service providers, consulting firms and even hardware vendors, and we are only beginning to witness how adaptive enterprises can harness big data and use intelligence to drive further innovation in their business.

#### 5. IN TODAY'S BUSINESS ENVIRONMENT, 90 PERCENT OF ENTERPRISES HAVE SHARED SERVICES, AND 97 PERCENT MANAGE OUTSOURCING RELATIONSHIPS.<sup>4</sup>

**Is the management of your complex IT infrastructure and its integration points slowing you down?**

In an effort to reduce IT costs, many institutions centralize core back-office functions or outsource them to a third-party provider. This is not a pure labor arbitrage play; instead, we are seeing an "outsourcing 2.0" approach, where firms truly examine how best practices and economies of scale can positively change services in new ways. Technology companies are becoming service companies and acting as an extension of core functions, such as trading settlements, payments processing and reconciliation.

Adaptive enterprise leadership teams are bringing together functional leaders and third-party service providers to assess common business practices to operationalize their companies' strategic global objectives. Then they are making forward-thinking technology decisions together to address the most challenging issues, such as consolidating applications and establishing common business processes.

What has emerged is a hybrid of technology and services that is already transforming the role of fintech.

#### 6. CUSTOMER EXPERIENCE IS MORE IMPORTANT THAN EVER.

**Is technology helping or hurting your customers' experience?**

Research shows that providing a positive customer experience isn't simply "the right thing to do," it's a strong indicator of business success. In fact, a recent study found that customers in a transaction-based model who had the best past experiences spent 140 percent more compared to those who had the poorest past experience.<sup>5</sup> Customers in a subscription-based model who rated as having the poorest experience had only a 43 percent chance of remaining subscribed a year later.

And while customer experience has become an increasingly important success factor, customers are also expecting and demanding more. In this regard, you aren't competing with only your industry peers: You're competing to keep up with advances in customer experience across the board. Your customers don't want to feel like they're going back in time three decades when they interact with you and your business.

These factors combine to create an existential challenge for financial services companies today that requires an adaptive approach to overcome. It's how they do so that will determine the outcome.

<sup>3</sup> GARTNER, "GARTNER SAYS BY 2016, 70 PERCENT OF THE MOST PROFITABLE COMPANIES WILL MANAGE THEIR BUSINESS PROCESSES USING REAL-TIME PREDICTIVE ANALYTICS OR EXTREME COLLABORATION," FEBRUARY 26, 2013

<sup>4</sup> HFS RESEARCH, THE EVOLUTION OF GLOBAL BUSINESS SERVICES: ENHANCING THE BENEFITS OF SHARED SERVICES AND OUTSOURCING, JULY 2011

<sup>5</sup> HARVARD BUSINESS REVIEW, "THE VALUE OF CUSTOMER EXPERIENCE, QUANTIFIED," AUGUST 1, 2014

# MEDIA DRIVES BEHAVIOR:



During the 2006 World Cup,  
Twitter did not exist.

**IN 2014, 672 MILLION WORLD CUP  
RELATED TWEETS WERE SHARED.**

TWITTER, [HTTPS://BLOG.TWITTER.COM/2014/INSIGHTS-INTO-THE-WORLDCUP-CONVERSATION-ON-TWITTER](https://blog.twitter.com/2014/insights-into-the-worldcup-conversation-on-twitter)

## CASE STUDY

# FINTECH PARTNERSHIP: POST-TRADE DERIVATIVES UTILITY

Designed to help global capital markets firms better adapt to new market challenges and respond to cost pressures, a post-trade derivatives utility helps global top-tier futures commission merchants (FCMs), investment banks, regional brokers and proprietary traders achieve greater efficiency, mitigate operational risk and reduce total cost of ownership with economies of scale in middle- and back-office processing and technology.

The utility provides customers with derivatives clearing operations and technology services for trade clearing, trade life cycle management, margin processing, brokerage, reconciliation, data management and regulatory reporting. The utility technology platform is underpinned globally by current and future solutions, such as a leading global back-office processing system for listed and cleared OTC derivatives, supporting more than 135 cleared derivatives markets in more than 35 countries.



# FINTECH HAS EVOLVED.

Fintech now combines technology, business services, connectivity and more. There has been a shift in outsourcing drivers that is symptomatic of the evolution of global business services strategies.

Institutions still need to reduce costs, but they are executing global business services strategies that will also improve global operational effectiveness and enable them to meet increasingly complex global regulatory requirements. In many respects, today's financial services landscape has become too complex to go it alone.



## CASE STUDY

# FINTECH EVOLUTION – PAYMENT EXECUTION SERVICES

Corporations today are looking closely at their payments strategies. Take the traditional approach of check writing in North America. Even in a B2B environment, this process is prone to fraud and costly. Not only does it require manual processing, mailing and printing costs, but the recipient is also hit with lockbox processing costs.

For both the payer and the payee, significant cost benefits can be realized by streamlining payments strategy and adopting electronic payments. One such offering is an integrated electronic payments solution that allows companies to send a payments advice file electronically. The file arrives at a service center where vendors are proactively contacted in an attempt to have them take ACH or virtual card payments.

By breaking down the traditional barriers that have blocked electronic payment adoption, this service center approach provides a practical path to transitioning corporate accounts payable disbursements away from the inefficiencies surrounding paper checks and manual processing.



# PEOPLE EVOLVE.



*A National Geographic cover story postulates:*

**“THIS BABY WILL LIVE TO BE 120”**  
AND GOES ON TO EXPLORE THE  
IMPLICATION OF MUCH LONGER  
AVERAGE LIFE SPANS.

NATIONAL GEOGRAPHIC, MAY 2013

# HOW CAN YOUR INSTITUTION BECOME AN ADAPTIVE ENTERPRISE?

**Evolving your business requires standing firmly on the ground and pushing forward from a solid foundation.**

A true adaptive enterprise has the ability to continually transform while staying grounded in its solid core of proven experience.

We're practicing what we preach. With scale and a highly diverse portfolio of assets, FIS™ is well-equipped to help our clients evolve and embrace change. We are positioned at the point between technology and finance, always reinventing to help unleash an organization's potential.

Deep domain expertise is required to understand what could be around the next bend and how to face it head on. In today's fast-paced financial services industry, it is vital to move quickly while maintaining a firm sense of direction, becoming stronger with each iteration.

To evolve and thrive, your enterprise must remove or change whatever is holding it back, whether it's old inventory, a lack of talent, outdated technologies or a business approach in your sector that no longer holds true. By breaking through constraints, you can focus on ensuring that your institution takes full advantage of what's happening now and stands ready for what's coming next, whatever that may be. As you pivot your thinking and capabilities, you will become a true adaptive enterprise, pushing your business forward so that it can survive today and thrive tomorrow.

## About FIS

FIS is a global leader in financial services technology, with a focus on retail and institutional banking, payments, asset and wealth management, risk and compliance, consulting and outsourcing solutions. Through the depth and breadth of our solutions portfolio, global capabilities and domain expertise, FIS serves more than 20,000 clients in over 130 countries. Headquartered in Jacksonville, Florida, FIS employs more than 55,000 people worldwide and holds leadership positions in payment processing, financial software and banking solutions. Providing software, services and outsourcing of the technology that empowers the financial world, FIS is a Fortune 500 company and is a member of Standard & Poor's 500® Index. For more information about FIS, visit [www.fisglobal.com](http://www.fisglobal.com)



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