

A Forrester Consulting
Thought Leadership Spotlight
Commissioned By DocuSign
May 2019

The State Of Systems Of Agreement, 2019: A Spotlight On Financial Services And Insurance

Financial Services Industry Results From The
May 2019 Thought Leadership Paper, “The
State Of Systems Of Agreement, 2019”



Ensuring agreements are easy, efficient, and secure is as essential for relationship-building as it is for operational benefits.

Introduction

In the financial services and insurance (FSI) industry, agreements are vital to the business. Each agreement, whether it's a loan application, an insurance policy, a partner/vendor contract, or new hire paperwork, has potential to either improve or worsen the firm's customer relationships, employee experiences, and risk exposure. Thus, ensuring that agreements are easy, efficient, and secure is as essential for relationship-building as it is for operational benefits. Digital transformation initiatives thrive when organisations place a premium on driving end-to-end automation wherever possible. Digitising and automating agreement processes should be a critical component of your digital transformation strategy.

In February 2019, DocuSign commissioned Forrester Consulting to evaluate the maturity and automation of organisations' systems of agreement. A system of agreement is the collection of technologies and processes that a company uses to prepare, sign, act on, and manage agreements: sales contracts, employment offers, and hundreds of other agreement types.

To explore this topic, Forrester conducted an online survey of 605 business leaders responsible for document-intensive processes at organisations in North America, Europe, Asia, and South America with 250 to more than 20,000 employees. The survey was supplemented by five phone interviews for further qualitative insights. This spotlight focuses on the 99 respondents and one interviewee from the financial services and insurance industries (51 respondents in financial services and 48 in insurance). We found that while financial services organisations are on the road to digitising their agreement processes, they still have many manual processes and unintegrated systems that drive inefficiency and negative experiences for everyone involved. Modernised digital agreement processes — including cost savings, better security, and superior employee and customer experiences — drive substantial business benefits for financial services organisations.

KEY FINDINGS

- › **FSI companies still rely heavily on manual processes.** Thirty-six percent of companies say they are still using pen and paper for at least half of their agreements, and analog processes span a variety of uses cases throughout these companies.
- › **Poorly executed manual agreements pose a variety of detrimental business problems.** Issues within a paper-based, manual process have been shown to cause challenges with customer experience (CX), internal processes, and compliance.
- › **A modernised approach is essential to maintaining a competitive edge.** About half of respondents are lagging behind when it comes to automating and connecting their systems of agreement. These firms must act sooner rather than later in order to maintain their competitive advantage. A modern approach improves CX, efficiency, employee productivity, and security.

Agreements Are Vital To Digital Transformation, But Today's Processes Are Mostly Manual

For today's FSI companies, creating intuitive and efficient digital experiences is more important than ever. Three in four FSI decision makers (75%) consider the improvement of CX as a high or critical priority for the coming year, and 72% say the same about increasing business agility. While many are working on new initiatives to improve their digital experiences, many firms risk being left behind, with one big factor at play: agreements.

Agreements have often been overlooked as part of digital transformation efforts. Decision makers for document-intensive processes at FSI companies are prioritising many initiatives that fit under the digital transformation umbrella, including strengthening security and compliance (76%), reducing operational expenses (68%), and accelerating time-to-revenue (62%). However, many still find themselves stuck in siloed systems with manual, human-driven processes, hindering the potential for results.¹ While modernising agreement processes can help FSI firms achieve their most critical priorities, our study found that:

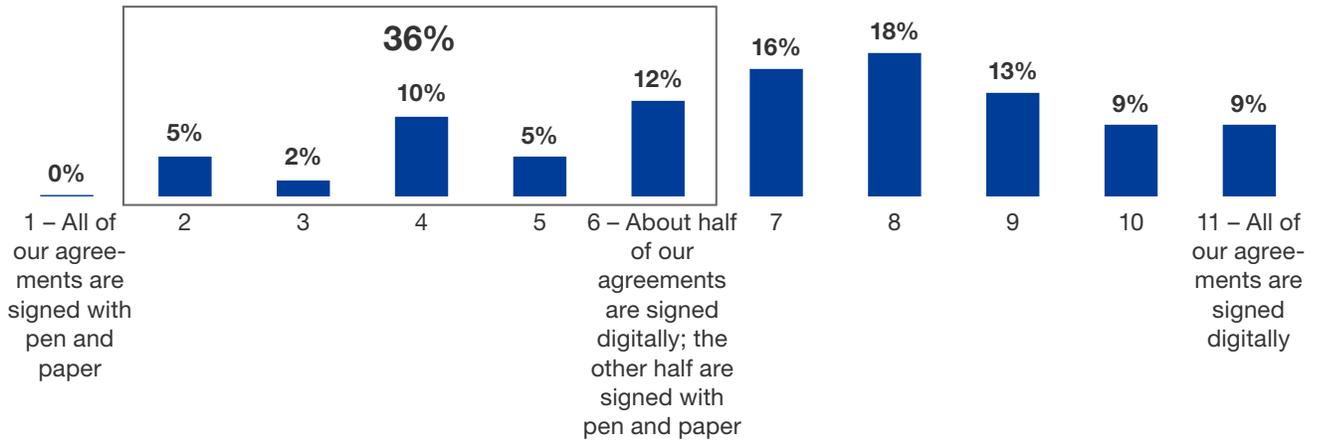
- › **Most companies still rely on analog tools to manage their agreement processes.** E-signature solutions have been available for many years, but FSI firms have been slow to broadly embrace e-signature capabilities. Only 9% say that all of their agreements are digitally signed, while 36% say that at least half of their agreements are still signed with pen and paper (see Figure 1). Furthermore, signature is just one piece of the agreement life cycle. Modern systems of agreement include digital tools for preparing, managing, acting on, and fulfilling agreements. Most FSI agreement processes are still highly analog. For financial services, paper reigns supreme for loan applications (39%), new account opening applications (37%), and direct debit authorisations (37%). For insurance firms, the most analog processes include policy underwriting eligibility/enrollment forms (31%), policy support and service (31%), and paperless document authorisation for billing or policy documents (27%).
- › **Only 14% of FSI providers are "leaders" who have modernised the entire agreement life cycle.** Our study defined *leaders* as those who have robust automation and integration between their systems of agreement and systems of record (e.g., financial, HR, CRM, and ERP systems) to maximise efficiency and visibility through the entire agreement life cycle. FSI firms' lack of progress stems largely from significant inefficiencies in keeping track of agreements. Only 17% say they are highly efficient when it comes to routing agreements to the appropriate people and systems, and 20% ranked themselves as highly efficient at finding completed agreements. The frequent use of paper throughout multiple departments has a substantial impact on efficiency.



Only 9% of FSI firms say that all of their agreements are digitally signed, while 36% say that at least half of their agreements are still signed with pen and paper.

Figure 1: FSI Firms Rely On Manual Processes

“When thinking about all of the contracts used within your department, what percentage would you say are signed with pen and paper versus digitally?”



Base: 99 financial services and insurance decision makers

Source: A commissioned study conducted by Forrester Consulting on behalf of DocuSign, February 2019

INTERNAL AND EXTERNAL PROCESSES SUFFER FROM POORLY EXECUTED MANUAL AGREEMENTS

Manual, paper-based processes pose issues for FSI firms across the board. Digital agreements help companies stay compliant with disclosure rules and capture consent regulations, and they simplify audits by providing digital trails. Digital innovations are also making it easier and more efficient for FSI institutions to comply with know-your-customer (KYC) regulations.² For FSI companies, failing to modernise their systems of agreement creates problems and pain points for:

- › **The customer experience.** Ultimately, customers are the ones who suffer when the agreements process is clunky. Analog internal processes mean the customer is more likely to experience slow turnaround times, risk their information being recorded incorrectly, or reenter the same information in multiple places, to name a few. Not surprisingly, 39% of respondents say customer experience has suffered as a result of their lack of progress.
- › **Internal processes.** Almost all respondents reported issues with paper-based processes when preparing, signing, acting on, and managing agreements within their company (see Figure 2). Additionally, 34% are concerned that their teams lack the necessary skills to successfully go digital. Data inaccuracy, duplicate work, and lack of visibility remain common threads of concern throughout agreement processes.

› **Compliance.** These concerns result from the fact that many have yet to figure out how to modernise their legal, security, and compliance/trust posture. Nearly half (47%) anticipate concern over the legality of electronic signatures, and 39% anticipate trouble with perceived security, confidentiality, and/or compliance concerns when digitizing certain processes. However, *not* digitising agreement processes also creates compliance risk for FSI firms. For example, Regulation E requires financial institutions to disclose the terms and conditions of electronic fund transfers (EFTs) and follow specific, time-bound error resolution procedures. Manual, paper-based agreement processes could lead to noncompliance, resulting in significant financial penalties.³

As these problems span internal and external factors, improvements to the agreement process will be felt everywhere. In order for modernisation efforts to be effective, the solution must not diminish the trust (both internally with employees and externally with customers) that FSI organisations have worked hard to build.

Figure 2: Analog Processes Are To Blame For Snags Throughout The Agreement Process

Preparing agreements



54% – Inefficiency due to manually adding information to contracts that already exist in our systems



52% – Rework due to errors from manually transferring data into agreements



46% – Difficulty maintaining security and confidentiality

Acting on agreements



52% – Errors and rework due to incorrectly entered data



48% – Manual routing of agreement to multiple teams that need to act



46% – Duplicate work required to reenter data from agreements into systems of record

Signing agreements



56% – Lack of visibility into the status of agreements



52% – Delays due to errors and missing information



41% – Delays due to paper-oriented tasks (e.g., printing, scanning, mailing)

Managing agreements



57% – Inability to effectively search all agreements' full text



50% – Difficulty maintaining security and confidentiality



48% – Inability to get a holistic view of operational and other data in contracts

Base: 99 financial services and insurance decision makers

Source: A commissioned study conducted by Forrester Consulting on behalf of DocuSign, February 2019

FSI Firms Must Modernise To Remain Competitive

Modernisation — specifically in the form of automating agreement processes — is not just nice to have anymore, it is crucial to FSI firms' productivity, security, CX, and increasingly, their competitive advantage. Digital disruptors in banking and insurance are reinventing business models, using digital technologies and mobile experiences to create simple, convenient, and more personalised customer interactions. These disruptors are already stealing young, tech-savvy consumer share from established players.⁴ About half of FSI firms are taking action to stay relevant: 48% consider the modernisation of their contract and agreement processes, to support digital transformation, a high or critical priority. However, that leaves 52% lagging behind.

The benefits of these modernisation efforts are widespread and mirror the top priorities that firms list as their guiding initiatives. This includes:

- › **Increased efficiency and employee productivity.** The efficiency of modern agreement processes is the cornerstone benefit that drives all others; 43% of respondents say modernisation provides greater agility. Automated, digital processes result in reduced turnaround times, fewer errors, and much less manual labor. One of our interview participants found that their digital investments resulted in processes that are 3x to 10x faster to complete than before.
- › **Improved customer experience and satisfaction.** Employees aren't the only ones who benefit from the faster processing and fewer errors that digital provides. As digital and mobile technologies permeate every aspect of customers' business and personal lives, they are coming to expect digital experiences in financial and insurance industries.⁵ Customers benefit greatly from digital capabilities when they are able to quickly negotiate and sign off on agreements and have their orders fulfilled automatically. Forty-two percent of FSI respondents said that modernisation improves customer experience.
- › **Increased security/compliance.** Forty-seven percent say improving security, confidentiality, and compliance with clearer tracking and monitoring of documents and approvals, is the top-ranked business driver for modernising systems of agreement. Digital automation of agreement processes means fewer eyes on sensitive documents, fewer opportunities for errors, the ability to tamper-proof key documents, and easier management by legal departments.

"It's 6x faster to deliver an order form to our customers using our digital experience versus our legacy. It's about 10x faster setting our customers up on a trial and enabling their service. We process orders 3x faster in the digital experience versus the old one."

*Digital transformation lead,
US financial services firm*



Key Recommendations

As organisations aim toward digital transformation, the need for true end-to-end automation becomes clear. With agreements, automation of signatures is a common first step, followed by the processes before and after the signature — from preparing and collaborating on agreements, to acting on and managing agreements. This has been particularly critical in financial services where manual processes are everywhere, regulatory changes are a constant, and where disruption by more automated competitors is eventually a *fete accompli*, or done deal. The most common refrain Forrester hears from FSI clients is, “What if an aggressive digital disruptor enters my business?” The answer is that you must be ready to support far more automation and straight-through processing.

Forrester’s study yielded several important recommendations that apply directly to addressing the current and coming challenges for financial services and insurance institutions:



Ask yourself, how far can I get on a mobile app in a single session?

If the bar is set at end-to-end automation, then today’s goal is to drive as much straight-through processing and transparency as possible. And, for FSI, that increasingly must be done on a mobile device. For example, a bank with a traditional loan application system, based on a combination of web forms and paper, will present customers with a lengthy process and no visibility into status at any given moment in time. The new bar is approval in a single session, on a mobile device, which requires an electronic approach to form and signature generation and submission, designed to be executed on a mobile device. One example would be the application of digital identification to remove a cumbersome manual step that stops the digitised experience cold but also opens the door for increased risk like fraud.



Don’t fall for the digital illusion, rearchitect processes from capture.

Many digital transformation failures hinge on trying to put a new experience on a fundamentally manual and error-prone system. Moving from manual systems requires rearchitecting the entire user experience. One key failure point is attempting to leverage existing forms. Instead, look to optimise data capture for a digitised experience. Capture key data, like name, address, etc., and then apply it wherever needed. Couple this with e-signature to remove the need for manual processes and to update all back-end systems automatically, without risk of input errors. A data-centric approach to form capture also allows management of complex variables, like specific regulatory requirements that can vary by region.



Think bigger than e-signature. The value of electronic signatures is clear. However, e-signature is also a critical part of a broader strategy. Align your e-signature efforts with broader agreement and process automation. Apply e-signature within process automation as a critical capability to ensure consistency, speed of execution, and process transparency. For example, KYC regulations require extensive form generation and paper submission that usually in itself requires in-person submission or scanning and transferring of forms and docs through separate channels. Bringing this directly into a process like customer onboarding reduces cost and latency and provides customers with a better user experience and more visibility into status as it removes multiple manual steps.



Look to drive transparency and automation of processes to improve customer experience and drive down costs.

Agreement automation is not limited to customer interactions. It's a pervasive organisational requirement. As you define an architecture, make it part of the overall architecture for process automation. This includes automating and standardising workflows, audits, system updates, and management of all artifacts related to the process. Automating workflows drives transparency of the exact status of the process to all internal and external stakeholders. While there are numerous benefits to automation, including better CX and the ability to compete with digital disruptors, don't lose sight of the significant cost savings. The digital transformation lead for a financial services company gave credence to observable savings achieved by automation: "We've probably saved in the neighborhood of £16 to £25 million in annual run rate savings so far. And there's more work for us to do because we're not done yet. But yeah, it's been fairly significant."



Focus on customer outcomes and align with customer journey.

Seventy-five percent of FSI companies cite improvement of customer experience as a high or critical priority in the coming year. The role of e-signature in achieving this goal is clear, but don't stop there. Automate the process before and after the signature to streamline the experience for customers even more. As you proceed, make customers your partners in automation. Remember, your customers must embrace the solution and see the value. In FSI, the challenge is particularly acute since current customer experiences are rife with manual processes and paper-based forms that are cumbersome to fill out and even more complicated when signatures are required. Customer onboarding, loan generation, credit card application, claims processing (the list goes on and on), are all nightmares from the user experience perspective. Use automation and e-signature, in particular, to automate, remove steps, increase visibility into status, and drive better customer experiences. Work with CX professionals to understand where automation will address the most critical issues and drive the best return.



Include governance, risk, and compliance (GRC) pros.

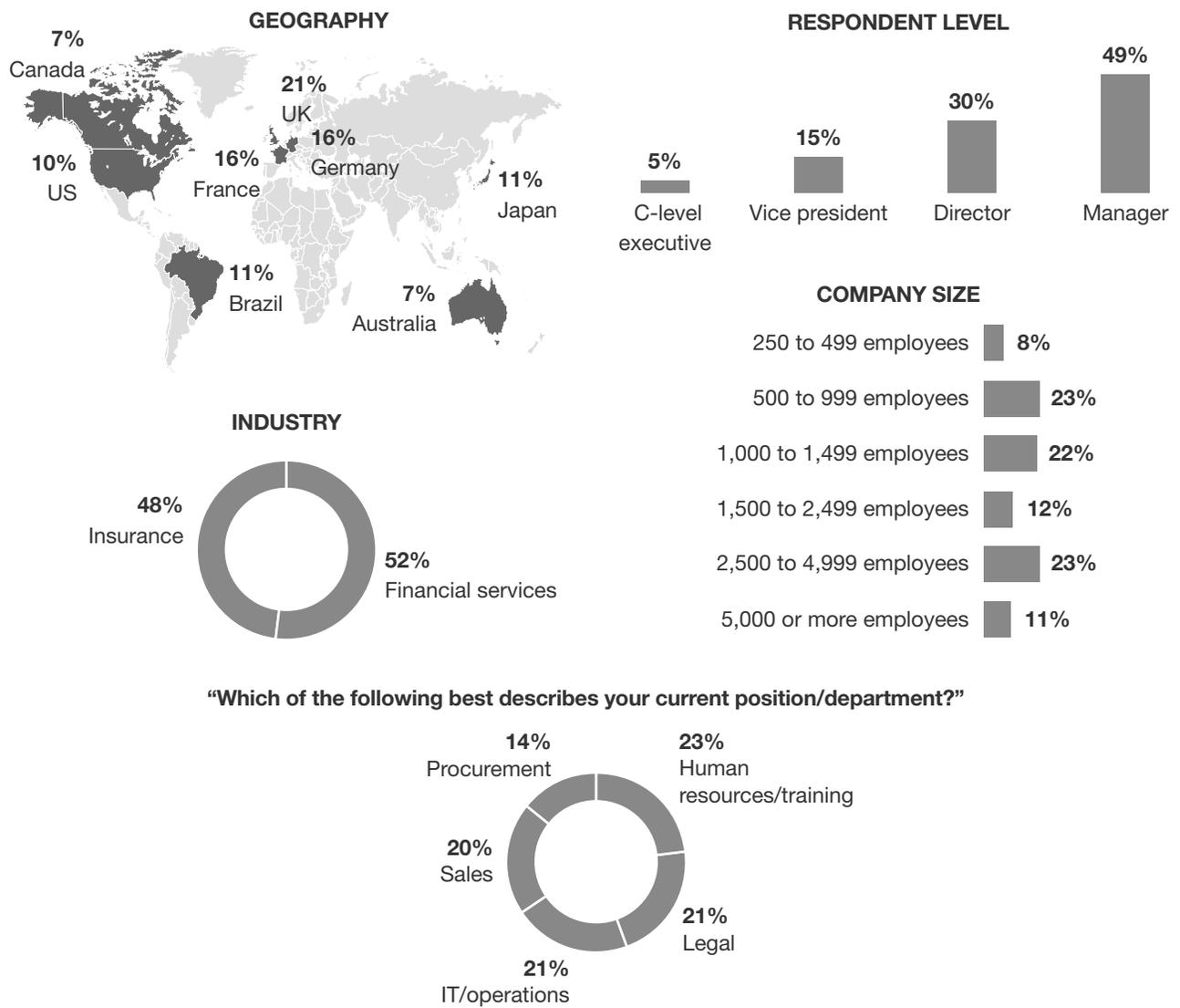
While better customer experiences and improved efficiency are important, don't forget that process improvement and agreement automation also drive consistency and result in less errors. Properly implemented, these can drive far better security, privacy, and compliance. Include GRC professionals in your automation initiatives. They will need to approve the approach and will be major beneficiaries. Driving greater automation and visibility into processes is an important strategy in insuring that processes are standardised and followed. In addition, there are significant areas for automation of forms and signatures with critical external parties, particularly government agencies. For example, in the United States an institution may need to request customer permission to contact the Social Security Administration to verify a user's identity. Automation of this type of form-based activity not only drives efficiency, but it also improves the institutions regulatory compliance posture.

Appendix A: Methodology

This spotlight reflects the results of 99 financial services and insurance survey respondents and one interview, taken from a broader global study.

In this study, Forrester conducted an online survey of 605 organisations in the US, Canada, the UK, Germany, France, Australia, Japan, and Brazil to evaluate their agreement processes across departments. Survey participants included manager-level and above process decision makers in document-intensive roles, including IT/operations, procurement, legal, sales, and human resources. Forrester also conducted five 30-minute phone interviews with respondents fitting the above profile who have achieved advanced digitisation in their agreement processes. While the survey included participants in a variety of industries, this report focuses solely on the 51 respondents and one interviewee in the financial services industry. Questions provided to the participants asked about their business priorities, levels of digitisation of various agreement processes, challenges with current processes, barriers to modernisation, and future plans. Respondents were offered a small incentive as a thank you for time spent on the survey. The study was conducted in February 2019.

Appendix B: Demographics/Data



Base: 99 technology purchasing decision makers
 Source: A commissioned study conducted by Forrester Consulting on behalf of DocuSign, February 2019

Appendix C: Supplemental Material

RELATED FORRESTER RESEARCH

“The State Of E-Signature Implementation,” Forrester Research, Inc., October 27, 2017.

“The State Of Digital Insurance, 2019,” Forrester Research, Inc., February 5, 2019.

“The Forrester Wave™: Contract Lifecycle Management For All Contracts, Q1 2019,” Forrester Research, Inc., January 8, 2019.

Appendix D: Endnotes

¹ This information comes from Figure 1 in the following report: “The Growing Importance Of Process To Digital Transformation, Forrester Research, Inc., May 8, 2018. (<https://www.forrester.com/report/The+Growing+Importance+Of+Process+To+Digital+Transformation/-/E-RES143158#figure1>).

² Source: “Decentralised Digital Identity: A Primer,” Forrester Research, Inc., May 14, 2019.

³ Source: Compliance Guide to Small Entities (<https://www.federalreserve.gov/supervisionreg/regecg.htm>) and Electronic Code of Federal Regulations (https://www.ecfr.gov/cgi-bin/text-idx?SID=f9dc700728e8201982fbb8230c858a9b&mc=true&node=se12.2.205_111&rgn=div8)

⁴ Source: “Disrupting Finance: Digital Banks,” Forrester Research, Inc., May 2, 2019 and “Disrupting Finance: Digital Insurers,” Forrester Research, Inc., January 31, 2018.

⁵ “Improve Investor Experiences With These Technology Building Blocks,” Forrester Research, Inc., April 3, 2019.

For more information, read the entire report: “The State Of Systems Of Agreement, 2019”

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