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A LAUNCH POINT FOR INNOVATION

There is a way forward for Canadian banks to leverage their dominant market position, defend their market share from new competitors, and create a sustainable growth strategy. This transformation starts by streamlining operations to provide a seamless and consistent experience for customers.

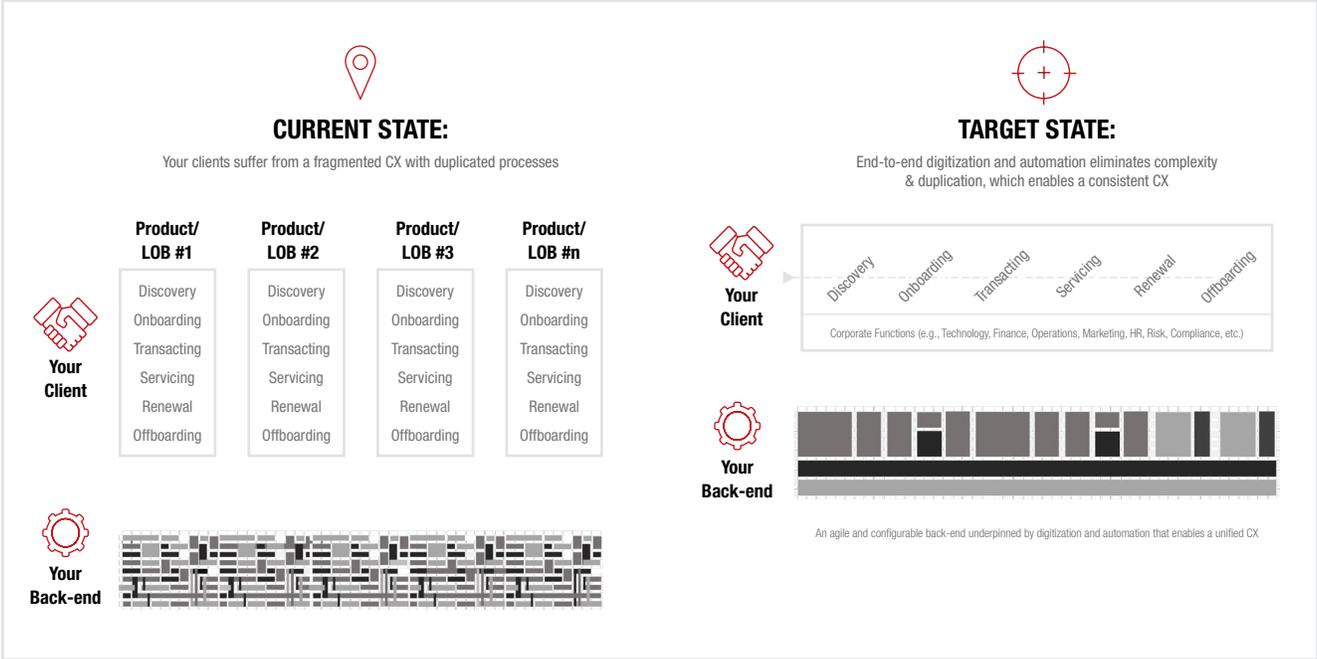
Customers want to interact with their bank the same way they do business with Amazon, Apple, and Google – through seamless digitally-enabled experiences with close to immediate processing times. Complex infrastructure and duplicated processes stand in the way of providing customers of Canadian banks with frictionless customer experiences (CX).

Embracing digitization and automation capabilities is key to unraveling the unnecessary complexity that exists in the banking

ecosystem today. Without this change, Canadian banks will be on the sidelines watching as their market position fades in favour of new digitally enabled competitors.

Take these three key steps to enable your strategic vision and defend your market position.

EXHIBIT 1: BANKS' CURRENT VS. FUTURE STATE CX AND BACKEND



1. BE PURPOSEFUL - UNRAVEL YOUR COMPLEXITY

A notable 2012 paper suggested that banks are “too complex to depict”, limiting the possibility of meaningful public disclosure and ability to truly understand itself¹. Why? For decades, banks have been wedded to complex, outdated legacy core systems that plague the operating environment and constrain them from making targeted improvements. Put simply, organizational technologies as well as how they interact with each other and with customers are too complicated for decision makers to understand.

To untangle the complexity and keep up with rising customer expectations, banks need to be purposeful in developing a detailed understanding of key end-to-end processes. Without

greater visibility, decision makers will continue to initiate white elephant projects that fail to fix the root cause of the problem — the need to go digital. Customers of all ages are moving away from traditional in-person and phone interactions. To keep the customer engaged, banks need to provide effective digital touch points regardless of the channel or device that feel just as personal. This drives the commitment to creating highly personalized digital customer experiences.

Understanding the operating environment at a granular level will allow decision makers to re-imagine operations in today's digital world, and create a clear and compelling roadmap that accelerates the bank's digital transformation journey.

2. SIFT & PROCESS – DETERMINING STRATEGIC VALUE

With a granular view of the operating environment in place, banks are in a better position to picture their ‘North Star’ strategic vision. The next step is to identify what is of strategic value (e.g., a fully automated IVR) and what is not (e.g., manual processes with high levels of human inputs). Identifying shortcomings like this will help determine where short- and long-term value can be generated across the value chain.

Use a common framework to sift through the various opportunities at hand. Commonly, the criteria for segmentation include account strategic directives (e.g., moving to cloud-based solutions), value drivers (e.g., customer wants and needs), complexity (e.g., build vs. buy), cost, time, and effort. These opportunities naturally separate into two buckets: ‘quick-wins’ and ‘transformational’ activities. Segmentation provides clarity and direction for decision

makers, specifically around where and when value can be delivered. Low-effort opportunities should be considered ‘quick-wins’ that generate in-year value while also supporting the ‘North Star’ strategic vision. All other opportunities should be given long-term consideration and be organized as part of a larger ‘transformational’ effort.

Too often, ‘quick-wins’ are mistakenly identified as part of a ‘transformational’ effort. When this happens, the ‘quick-wins’ get bogged down by governance and do not move quickly to achieve early outcomes. To avoid the broken-promise of delivering ‘quick-wins’, ensure they can operate independently of the larger transformational work, while still contributing to the overall success of the longer-term vision.

1. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2083708

3. FUND TEAMS OVER PROJECTS

– ENABLING PROGRESSION TOWARDS THE VISION

As banks transition to Agile ways of working, internal teams are rapidly moving away from traditional project-based teams and funding, to Agile pods and block funding. While moving to Agile, many banks have focused on applying the new ways of working to client-facing teams. This includes distributing funds to teams of people that deliver end-to-end journeys, rather than individual projects. In contrast, operations teams continue to operate in traditional project-based teams and with traditional project-based funding, despite their capabilities being key enablers to client-facing teams and improving CX. These inconsistencies in operating and funding models typically result in uncertainty among decision makers when approaching large-scale change, and have a cascading effect.

Uncertainty from decision makers prevents banks from investing in multiyear operational efficiency and automation programs. Instead, they have opted to fund work on a project-by-project basis with limited alignment to a target end state of increased efficiency through reduced human intervention.

Banks have taken a fundamentally different approach to funding channel and customer-facing projects, where a multiyear strategy and investment plan is clearly defined with Agile pods responsible for delivery. Under this model, banks can effectively drive strategic value by keeping enterprise stakeholders aligned through funding decisions and a constant push to reach the long-term target state.

To successfully resolve these inconsistencies, both client-facing and back-office teams must align to a new mindset and paradigm. Teams across the value chain must operate using a consistent operating model (e.g., funding, team structure, etc.). This new way of funding teams of people rather than projects must be instilled in the DNA of the business. Banks that incorporate these changes into the entire organization are better positioned to successfully deliver an end-to-end journey that is grounded in the intended business outcomes for each customer. Harmonizing the organizational model is critical for banks to optimally fund and approach incremental and transformational work. Banks that fail to adopt this approach will be left behind.

With the vision, mindset, and funding in place, banks can begin to consider the delivery framework for executing their digital transformation journey.

In our next blog post, we will identify how Canadian banks can deliver on their ‘North Star’ strategic vision to become truly digital.

AUTHORS

Nick Jackson, Partner

Mike Connor, Partner

Alex Watson, Managing Principal

Keith Lu, Senior Consultant

CONTRIBUTORS

Nathan Lautens, Associate

Adam Tremblay, Associate

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