

GROWTH AND COST TAKEOUT FOR CAPITAL MARKETS SERIES

Article 3 – Enabling Continuous Efficiency and Cost Takeout in Capital Markets

Speed Read

- Capital markets businesses should embed a continuous growth and cost takeout mindset whereby all change initiatives are proactively governed and monitored to maximize impact to top and bottom-line
- This cultural and governance shift in capital markets change organizations requires a more agile and rapid transformation approach to achieve goals

EMBEDDING GROWTH AND COST TAKEOUT MINDSETS INTO A CONTINUOUS CHANGE RHYTHM

We began this series by explaining how FIs can address growth and cost takeout objectives in tandem. Capco explored how a broker-dealer must first develop the [growth strategy](#) to lay the foundations for a leaner, more customer-focused [operating model](#) that rationalizes resources for growth. The true value in this approach is that smart growth and cost takeout is not a one-off change, nor can executives expect the approach to be effective without the long-term commitment and a new, more agile way of working.

Outdated ways of working and a lack of collaboration have constrained the industry from smarter growth and cost takeout decisions. Almost all industry players have focused on cost-cutting and growth over the past decade, but a lack of strategic alignment results in both efforts taking place in silos. The regulatory-driven transformation over the past decade has unconsciously increased overhead through complex relationships between business functions, associated technologies, processes

and systems. As a result, industry leaders often struggle to reduce overhead due to limited information, rigid program governance leading to inhibited decision-making and wasted change budgets, or even jeopardized growth opportunities.

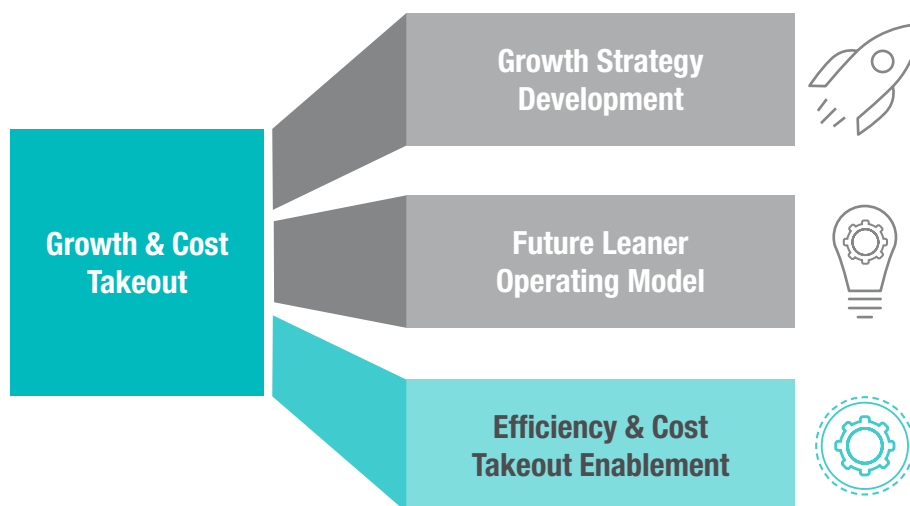
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Agile is one of the key levers capital markets businesses can use to enhance growth and cost takeout initiatives in their organizations. Agile as an approach applies to all levels of the organization and pushes for a collaborative and more growth-focused culture.

– [Owen Priestley](#), US Mid-West & West Digital Lead

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EXHIBIT 1



Instilling a more growth-focused and agile change culture

Building on the previous [two articles](#), capital markets executives should consider the following questions and responses as part of their go-forward approach:

What are the critical success factors to embed this approach?

- FIs should set-up a centralized governance authority to oversee growth strategy execution, leaner operating model changes and monitor the progress of growth and cost takeout initiatives
- The body should be given a level of authority to ensure investment and cost takeout information availability and consistency in decision rights at each organizational level. This authority should be at the group-level, working across all business lines and product areas, for optimal resource rationalization
- FIs must develop a data-driven cost takeout decision making processes to align discovery, alignment, implementation and tracking of initiatives across the entire organization (see Exhibit 2)

How can growth and cost takeout be measured?

- Via efficiency/growth metrics such as profitability (wallet-share), run-rate savings, and revenue per product group to

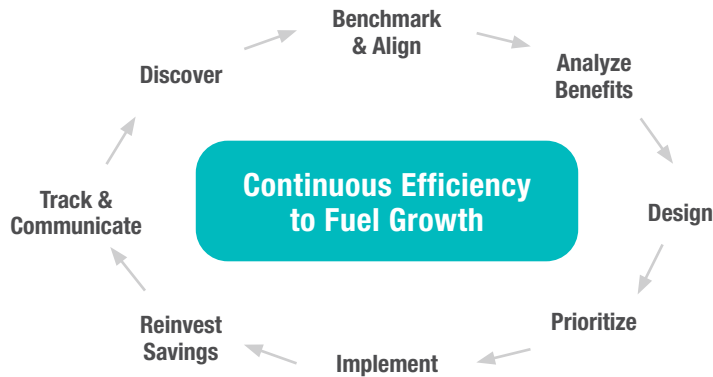
help broker-dealers justify cost reduction or investment in capabilities such as trading, risk and compliance, etc. (covered in the second installment)

- Via customer metrics such as service quality, including speed and satisfaction, based on feedback gathering from clients regularly
- Via employee metrics such as productivity and retention to help assess internal perspectives on the success of a transformation

How to maintain momentum for a continuous growth and cost takeout culture?

- Broker-dealers should build on tactical successes by continuously generating internal stories about savings and reinvestment elsewhere
- The impact should be regularly communicated to clients with a focus on highlighting data-driven value improvements
- Businesses should cultivate a culture of continuous development of new growth and cost takeout initiatives – one approach is to incentivize crowdsourcing of employee ideas via ideas hubs or other corporate mediums/initiatives

EXHIBIT 2:



BREAKING FROM THE CURRENT STATUS QUO INTO A LEANER AND MORE GROWTH-FOCUSED FUTURE OF THE CAPITAL MARKETS INDUSTRY

In this series, Capco detailed the imperative for growth and cost takeout working in tandem and explored the three-step approach to achieve it. [Growth strategy development](#), as the first step, can prompt for aspirational, unrestricted growth decisions while a [leaner operating model design](#) will reveal cost takeout opportunities and fuel growth.

FIs will quickly realize that a one-off growth and cost takeout approach will not be enough - they must shift to a continuous and more agile change approach. Businesses need to build an appropriate structure to cultivate a culture where the whole organization aspires for growth-focused and leaner ways of working at the same time.

If you would like to share ideas, please reach us at George.Black@capco.com and Carl.Repoli@capco.com.

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The time for reinvention is now. The three steps outlined create a compelling mindset for strategic growth driven by cost efficiency, improved client experiences, and increased profitability.

– [George Black](#), US Capital Markets Practice Lead

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