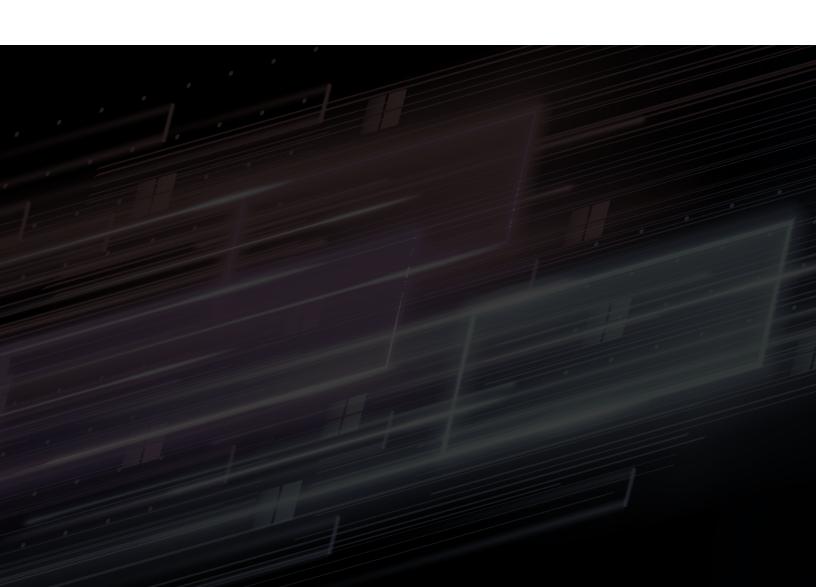
MODERN ORGANIZATION DESIGN



MODERN ORGANIZATION DESIGN

While many organizations recognize that customer satisfaction is key to their success, they are often designed in ways that stifle the ability to prioritize the customer. Traditional businesses are typically architected, focusing on product fulfillment, leading to siloed business-to-IT structures that inhibit operational efficiency and customer engagement. To meet the rapidly evolving needs of the customer and the market, modern organizations consider moving towards team structures aligned to the customer journey.

HOW MODERN ORGANIZATIONS REALIZE DESIGN BENEFITS

Benefits can be realized by embracing design elements such as alignment with overall vision and goals, selecting a best-fit organization model, optimizing organization model characteristics, and enabling modern delivery.

USING DESIGN PRINCIPLES TO ALIGN WITH OVERALL

VISION AND GOALS

Design principles are key inputs that help unlock the efficiencies of a journey-focused organization. Engagement with key stakeholders, particularly senior leadership of various suborganizations, is vital to synthesizing these perspectives into prioritized principles based on each organization's value proposition. For instance, while one business division might value operating efficiency and agility, another part might value alignment with the business and the customer journey. This collaborative exercise acts as a driver for alignment and buy-in from leadership.

ORGANIZATION DESIGN PRINCIPLES PRIORITIZATION



INCREASE EFFICIENCY AND OPTIMIZE COST

Drive high-quality and efficient processes across the organization while being mindful of underlying costs



STAKEHOLDER FOCUSED

Directly align with key stakeholder groups across the organization to best support them and implement enterprise-wide strategies



STRATEGIC INSIGHTS AND ANALYTICS

Enable proactive strategic insights and story-telling through contextual knowledge and enhanced analytics



EXCEPTIONAL DELIVERY

Focus on delivery quality and transparency with customers to become a trusted advisor



AGILITY

Flexible and scalable agile team structures to quickly meet the demands of evolving strategies



FUNCTIONAL ALIGNMENT

Align resources to the functions they support in order to drive subject matter expertise

SELECTION OF A BEST-FIT ORGANIZATION MODEL

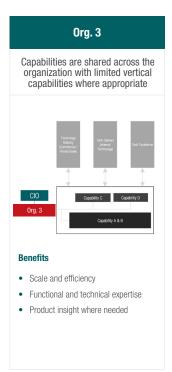
Another key input is the understanding of the key capabilities desired in the future operations of the business. Reconciling capabilities allows for uncovering duplicative efforts and informing future ownership of responsibilities.

Individual organization leadership can use their prioritized design principles and capabilities to select the best-fit design. Design options include customer-aligned, functionally-aligned, decentralized, or even a hybrid of multiple options.

While each model has its relative benefits and trade-offs, leading banks are increasingly aligning their internal divisions or functions to customer journey phases, such as prospecting, onboarding, and servicing. The digital environment has redefined customer expectations for speed, requiring banks to implement straight through processing methods to expedite processing.









OPTIMAL ORGANIZATION MODEL CHARACTERISTICS

Achieving a long-term sustainable organization model requires regular analysis of organizational characteristics such as spans, layers, location strategy, and clearly defined roles and responsibilities. An optimized model unlocks enhanced productivity, efficiency, and ultimately customer experience by leveraging:

- Spans and layers aligned to the vision
- Optimal use of existing and approved locations, evaluating employee cost by location
- Time zone synergies
- The right talent and skills mix
- Centralization of like functions and decentralization of functions with distributed accountability

Additional key characteristics include making investments in data analytics and business intelligence (BI) tools and defining a clear governance and engagement model.

ENABLING MODERN DELIVERY

Weaving in modern delivery principles into the design itself helps realize additional operating model benefits. In addition to driving a continuous improvement mindset among their workforces, these principles help eliminate silos by empowering teams with end-to-end responsibility to drive results. An increasingly common practice is forming pods comprised of cross-functional resources with clearly defined majors (i.e., vertical alignment such as stages of the customer journey) and minors (i.e., horizontal alignment such as functions or domains). This cross-functional team structure supports the value-chain model, where each team focuses on tackling business challenges in a specific stage of the customer journey. Leveraging agile principles, ceremonies, and tools to operate in an iterative fashion where applicable is beneficial. Often, teams leverage tools such as a Kanban board to track progress in assigned tasks and identify roadblocks.

RECENT TRENDS IN ORGANIZATIONAL DESIGN

Though traditional design emphasizes hierarchy, modern organizations break down internal silos to mobilize their workforces' collective strength. The following case studies illustrate this trend:

- Flat Organization Structure Google leverages a crossfunctional, team-based structure that minimizes vertical hierarchy to maintain a small company feel and promote the idea that all employees play an integral part in firm-wide success. Leveraging both a functional and product-based structure, the decentralized organization structure is a key driver of high employee satisfaction.¹
- Customer-Centricity Marcus by Goldman Sachs and Amazon follow agile methodologies to deliver products prioritizing the customer experience continuously. The Marcus team has spoken to over 100,000 consumers to understand their personal banking pain points.² At Amazon, employees with big ideas are encouraged to draft a hypothetical press release detailing the customer benefits of their proposed product. Eventually, leaders provide feedback and can even allocate funding, a process that led to innovations like Amazon Go and Alexa.³
- Innovative Culture BNP Paribas partners with startups and fintech firms to co-create innovative technologies alongside their five in-house start-ups. An example of their dedication to streamlining the banking experience is its International Hackathon, which helped identify tech entrepreneurs who will impact customer experience in banking.⁴

ORGANIZATION DESIGN EXECUTION CONSIDERATIONS

Finally, we need to consider the implications of an immediate big bang or a phased longer-term execution. While it depends on a few factors, firms increasingly opt for a big bang approach with a well-structured change management process allowing for executing and iterating on the design. This mechanism provides leadership with insights into decisions and time to prepare for the impact of changes. A big bang approach is also less draining and has lower execution risk, avoiding external factors that could impact future design changes. Capco has successfully managed the change management process for multiple organization designs and has seen firsthand the importance of implementing quickly and iterating frequently.

ORGANIZATION DESIGN AND THE CHANGE MANAGEMENT JOURNEY

Achieving a more efficient and productive operating model is no small feat, requiring an organizational design that aligns with the business's vision and strengths. While design elements are key to enabling an optimized operating model, it is equally important to focus on the change management journey. Employees must be engaged early and often. Modern organizations however, go above and beyond, seeking to inspire excitement about the possibilities of the future. Distinctly, these firms unlock the power and ingenuity of their workforce and successfully meet their customers' changing needs.



Evaluate the Change Readiness of the Organization



Align Change Activities with Tech Transformation Effort



Assess the Expected Change Impact on Specific Teams



Engage Employees in the Change Management Process



Inspire Excitement about the Possibilities for the Future

VISION AND STRATEGY

Assessing change readiness of the organization informs decisionmakers of the impact of change

Key Action Items:

- Gauge leadership's perception of the broader organizations readiness for change
- Develop a detailed transition strategy and timeline

Aligning change to tech transformation ensures employees understand the change story rationale

Key Action Items:

- Ensure employees understand the reason behind the tech transformation effort
- Determine career path incentives and L&D materials that align with the future organization model

Assessing change impact provides a holistic view of all those who are impacted by the change

Key Action Items:

- Evaluate and communicate change impact for each team
- Determine change metrics for pre-implementation, implementation, and postimplementation

Empowering employees in the change management process allows them to advocate for the change

Key Action Items:

- Assign change champions to enforce best practices
- Ensure open and honest with employees throughout transition

Inspiring the org about the possibilities of change encourages employees to embrace the unknown

Key Action Items:

- Socialize organizational design achievements and milestones
- Continuously improve the organization model to suit changing business needs

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