

CAPCO

HARMONIZING THROUGH ORCHESTRATION:

HOW CAPITAL MARKETS FIRMS CAN CAPITALIZE ON
DIGITAL TRANSFORMATION FOR SUCCESS

The purpose of this whitepaper is to explore how capital markets firms can assess their readiness to efficiently realize the value of new enterprise technologies, their ability (through Digital Orchestration) to harmonize them with existing structures in a growth-conducive and cost-efficient manner, and their position among the marketplace through a measurement of their Digital Orchestration Maturity.

While capital markets firms are investing heavily in new technology, they fail to match that investment into their ability to orchestrate tailoring those innovations to resonate with their end-users throughout the enterprise.

SPEED READ

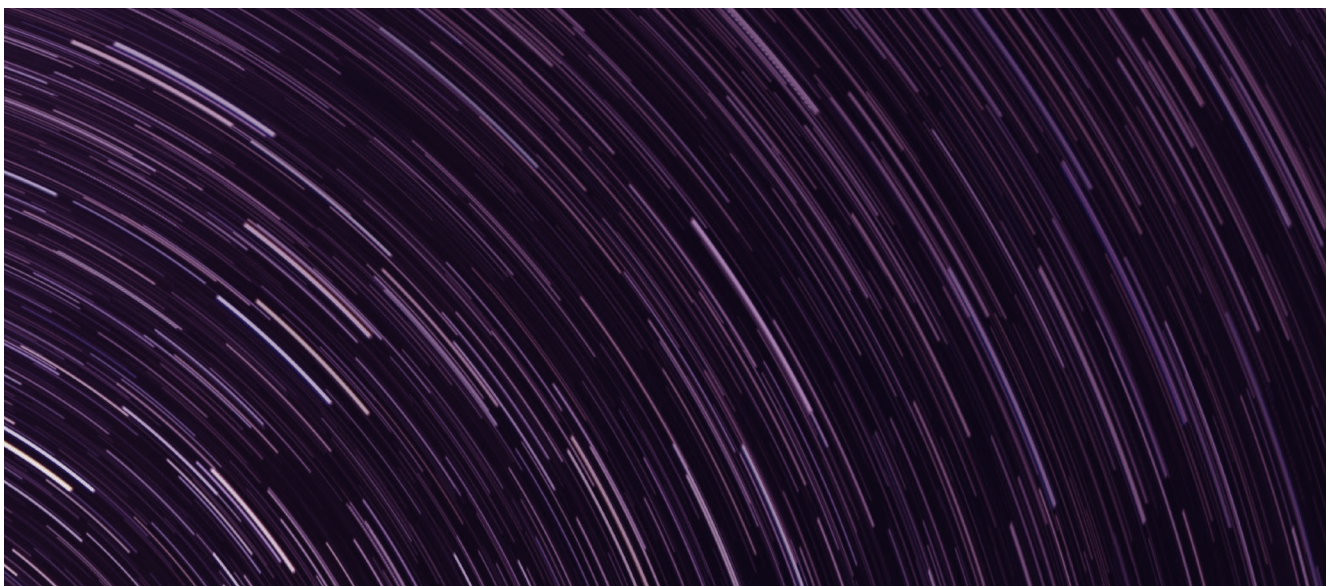
- Capital Markets firms are under immense pressure to adapt to the increasingly digital landscape, but without the ability to orchestrate, firms rarely realize ROI and maximize benefits of any digital transformation;
- Digital Orchestration refers to a firm's proficiency to coordinate abilities and resources across disciplines in an efficient and productive manner, each resource selected for their strength and contribution to the common goal;
- The goal of digital transformation is for a capital markets firm to elevate itself to the status of market leader. In order to accomplish this firms mustn't solely focus on buying the latest cutting-edge technology but also embrace the ideals of a Modern Organization, Design Culture, Cross-Product Infrastructure, Experience-Led Business, and Client Centricity;
- A developed framework can help your firm assess its Orchestration and Capabilities Maturity. Are you a "Sleeping Giant" or a "Market Leader" capitalizing on new technologies?

ORCHESTRATION IS CRITICAL TO MAXIMIZING THE VALUE OF YOUR DIGITAL TRANSFORMATION

The capital markets industry and American football have some things in common. Until recently, American football was driven by the idea of “It’s not the X’s and the O’s but the Jimmys and the Joes,” which focuses on the strengths of individuals within a system rather than the system itself. However, in the modern American National Football League (NFL) this is not the case, as scheme, coaching, training facilities, and front office alignment have become an integral component of a team’s success. Ultimately, the secret sauce is not any single element, but rather all these elements and more working together to bring home the trophy.



This shift in mindset rings true especially in the rapidly evolving Capital Markets industry. It seems that every new piece of technology investment is branded as advancing a firm’s digital transformation goals, yet the end results often feel less than transformational. To build on our prior instalment of the global series (“[How Can Digital Help Realize Value in Capital Markets?](#)”), new technologies and platforms do not inherently unlock value for an enterprise, rather it is how these platforms are utilized by the organization to achieve goals that dictates whether an investment fulfills its business case. Capco believes that true digitally-enabled transformation is as much a function of a firm’s Capabilities, as it is their ability to orchestrate those capabilities across client and enterprise touchpoints in a consistent and effective manner.



KEY DIMENSIONS OF DIGITAL ORCHESTRATION MATURITY

Whether it is sales and trading automation or risk modernization, the goal of any digital transformation at a capital markets firm is to capitalize on its resources, maximize ROI, and elevate the firm to the status of a market leader. In this section, we explore the argument to achieve this not by building or buying the

latest cutting-edge technology, but instead by focusing on key components of a successful Digital Orchestration. Moreover, we invite the readers to consider where their firms are in the Orchestration Maturity journey (from “Low,” to “Medium,” to “High” – see Exhibit).

COMPONENTS TO ASSESS DIGITAL “ORCHESTRATION” MATURITY

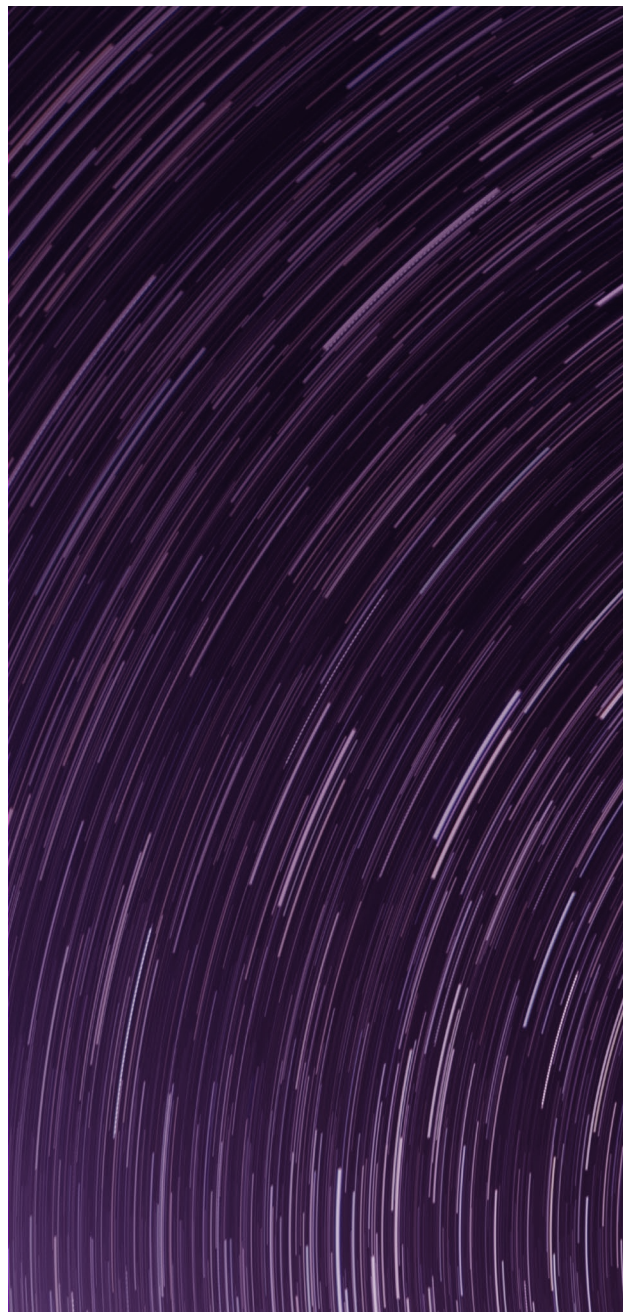
1) Modern Organization	Siloed Teams “Information flows from the top down”	Digital CoE's “Information flows 360° -top-down, peer-to-peer, and bottom-up”	Product-Centric Organization “Collaboration and information-sharing is a core cultural value”
2) Design Culture	“Design makes things look good”	“Design is a partner”	“We are design-led, everybody is an innovator”
3) Cross-Product Infrastructure	Batch Infrastructure Single Product Roadmap	Batch Flexibility/On Demand Recalculation Multi-product Roadmaps	Real Time Infrastructure/ Automatic Recalculation Holistic Enterprise Roadmaps
4) Experience-Led Business	“Experience defines the interfaces/interactions”	“Experience defines the product”	“Experience defines the business”
5) Client-Centricity	Acquisition and Profitability KPIs “Let’s focus on the top 50 most profitable accounts for this business”	Cross-divisional Profitability KPIs “One Firm” KPIs “Our clients have many ways to pay us for the services they value”	Engagement KPIs and Archetype Analysis “We need to understand what our top clients truly value in our relationship, and how to replicate that across similar clients”
	Low	Medium	High

1. **Modern Organization** – Meaning one that is transparent, product-centric, and collaborative. Information should be shared throughout the organization with the goal of breaking down siloes and creating a collaborative culture across different departments front-to-back along the value train. In the current remote, hybrid, and distributed workforce environment, firms must focus on equipping staff with the right tools to collaborate (e.g. JIRA, Symphony), creating groups/mediums open across different businesses and product organizations, and enabling cross-sharing of transformation ideas. Financial institutions should embrace a ‘fail fast, fail often, and fail forward’ mantra that is key to any digital transformation. By aiming to create solutions in short, sprint-like cycles, financial institutions establish the foundation for creating a culture of rapid execution that can significantly improve a firm’s transformation timeline. Finally, being modern in the digital transformation context is about creating a meritocratic dialogue between the front, middle, and back offices, as well as technology and support functions.
2. **Design Culture** – Originally a creative process only practiced by designers, today it is a comprehensive approach that looks at functions and features across multiple attributes that influence end-user and client interaction behavior. Capital markets firms must embrace creative thinking to equip employees from many industries with innovation skills to co-create and spark innovation across functions. Connecting multiple different product teams and businesses, Citi’s D10X innovation lab has acted as a hot “design” bed for new ideas, especially by uniting different businesses to co-create enterprise solutions for

better client and end-user outcomes. One of its outputs is an amalgamation of client experience and computer programming – the Inquiry Engine, a machine learning and natural language processing-powered system that answers client questions automatically. It is a perfect example of how different businesses can co-create and break down cultural and logistical challenges to generate and execute a new idea to reveal a hidden value within client organisations.

3. **Cross-Product Infrastructure** – The vast array of capabilities expected of a modern capital markets firm paired with an ever-changing regulatory landscape creates an elaborate challenge. Firms cannot look at roadmaps on a single product level but must adjust and create enterprise-level roadmaps. Consider a combination of internal and external pressures affecting capital markets firms today. On one hand, Basel IV and the IRB Repair Package regulations are mandating firms to implement a holistic, enterprise-level risk and capital management practices. On the other hand, firms are internally pressured to provide scalability and analytics capabilities to manage capital and balance sheet real-time irrespective of highly fragmented operating models and legacy data/IT architecture. As one of the antidotes, the push for the Cloud-based infrastructure addresses this complex, multi-layered requirement, and enforces the ‘Orchestration’ thinking. Considering all the risks (e.g., information security, data privacy) and benefits, as well as ensuring highly collaborative and orchestrated transformation efforts, the dynamic Cloud infrastructure can drastically increase agility and scalability across an enterprise while reducing integration barriers and costs.

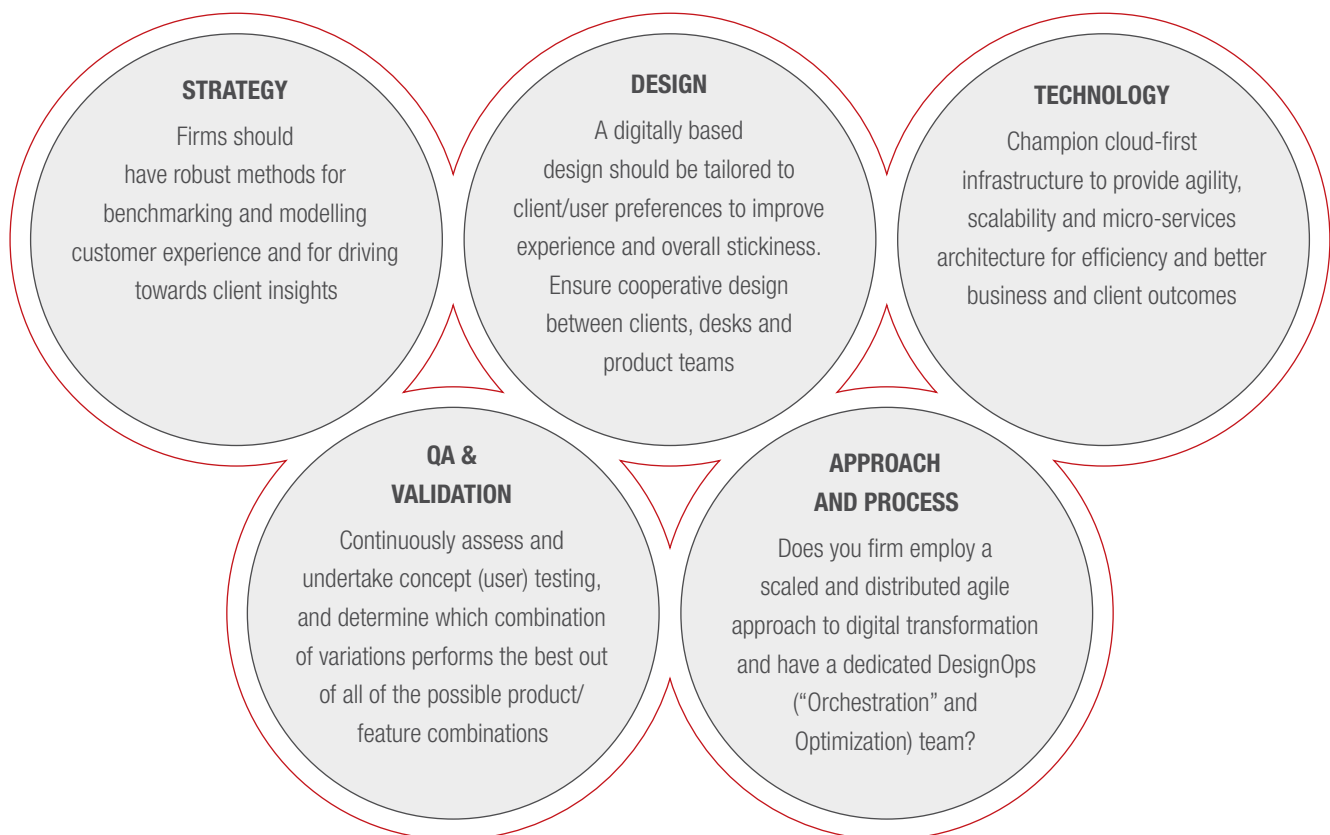
- 4. Experience-Led Business** – These are businesses and enterprise capabilities aligned and structured to the client/user experiences. While experience traditionally defined client/end-user interfaces or products at best, leading capital markets firms ensure that experience defines its entire business. Consider prime brokerage – some capital markets firms have traditionally focused its digital transformation efforts on specific services offered to hedge funds (e.g., trade capture, asset servicing, regulatory reporting). However, market-leading firms focus on building an entire experience through a platform of experiences – be it access to specific data, competitive pricing, funding, exchange connectivity or real-time risk reporting (for more ideas about differentiated prime brokerage [refer to this Capco whitepaper](#)). By focusing its entire business around experiences, a firm can ensure its digital transformation efforts are aligned across and maximize differentiated value for clients and end-users.
- 5. Client-Centricity** – enforcing a better understanding of your client and continuously delivering more value for clients. Enter client-centric analytics: use data to gain visibility into client acquisition cost and the lifetime value of current partnerships. Data-driven insights into client behaviour facilitate marketing to, benchmarking, and acquiring new clients. Realized benefits include more accurate client segmentation, deeper awareness of client profitability, and cross-selling opportunities. In one example, JP Morgan launched a proprietary customer relationship management (CRM) and sales and trading analytics platform where the system mines corporate and institutional client data and its previous trades and behaviour, helping the salesperson suggest trades best suited to the client.



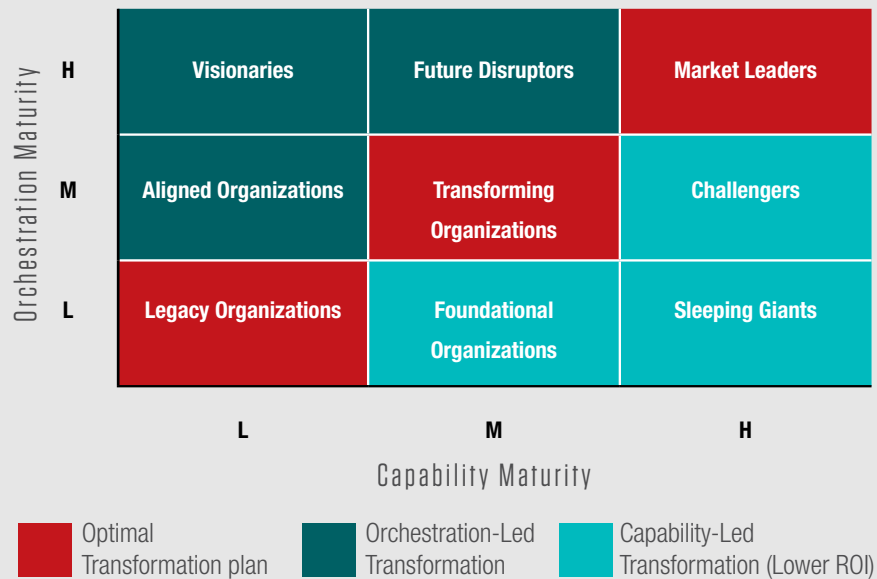
MEASURING YOUR FIRM'S CAPABILITIES MATURITY

While Orchestration takes the main part of the argument for a truly enabled digital transformation, we cannot ignore the importance of Capabilities. Capabilities Maturity refers to a firm's ability to evolve and provide a differentiated service to its clients. Within the framework of our earlier sports analogy, Capability Maturity signifies the players and tools of the sports team. For "players" in capital markets, this refers to the technologies, tools,

and modern skills the firm deploys to provide value to their clients. Capco defines five key pillars that underpin mature Capabilities – Strategy, Design, Technology, QA & Validation, and Approach/Process – all of which reinforce the need for firms to employ structure and enterprise-wide standards in digital transformation of Capabilities (see Exhibit).



WHERE ARE YOU IN YOUR ORCHESTRATION AND CAPABILITIES MATURITY JOURNEY?



Capco has developed a framework (see Exhibit) with which your firm can assess its Orchestration and Capability Maturity. Are you a “Sleeping Giant” or a “Market Leader” capitalizing on new technologies? When considering this framework, reflect on some of the best practices mentioned above. Firms that do not foster a collaborative environment for ideas and information to flow freely across teams can find themselves trapped as “Sleeping Giants” or “Foundational Organizations.” Meanwhile, “Market Leaders” combine the best of both in digital transformation – continuously improving its Capabilities, as well as building a meticulous Orchestration environment at all levels and functions of the organization. Take time to consider:

1. Where does your organization fall in the Orchestration and Capabilities Maturity framework?
2. What are your core Digital Capabilities and assets?
3. What are key areas of focus to build on your Orchestration Maturity and become the “Market Leader”?

For more questions or ideas, please contact George.Black@capco.com, Ben.Burrows@capco.com and Kyle.Chavers@capco.com.

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ABOUT CAPCO

Capco, a Wipro company, is a global technology and management consultancy specializing in driving digital transformation in the financial services industry. With a growing client portfolio comprising of over 100 global organizations, Capco operates at the intersection of business and technology by combining innovative thinking with unrivalled industry knowledge to deliver end-to-end data-driven solutions and fast-track digital initiatives for banking and payments, capital markets, wealth and asset management, insurance, and the energy sector. Capco's cutting-edge ingenuity is brought to life through its Innovation Labs and award-winning Be Yourself At Work culture and diverse talent.

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