

A Multi-dimensional Approach to Business Transformation Readiness Assessment in Financial Services

Abstract

Fast-changing dynamics in the business and technology landscape have compelled organizations to undertake transformation programs to gain competitive advantage. In the Business 4.0™ era, harnessing the power of technologies forms the foundation of successful transformation programs. However, not all programs achieve the set goals or deliver the expected benefits, which can be attributed to uni-dimensional, siloed, and unscientific ways of identifying and qualifying the transformation opportunities. In our view, adopting a holistic approach to transformation, where the strategy and goals are defined at the organizational level and sustained over the long term, is critical to success. This white paper presents a unique framework that leverages intelligent technologies, automation, and cloud computing delivered in an agile model to help organizations achieve success in their transformation journeys.

Transforming BFSI: A Key Imperative

Transforming the banking, financial service and insurance (BFSI) industry can fundamentally change the way organizations operate and deliver value to customers. Banks and insurance companies are under tremendous pressure to meet ever-evolving customer expectations, create value, reduce cost, adhere to regulations, mitigate and manage risk, and increase top and bottom line. To deliver on these business goals and meet customer expectations, BFSI firms have prioritized transformation programs and invested heavily in new business and technology solutions.

A Holistic Approach for a Successful Transformation Journey

Transformations in general are hard as is achieving desired results from them. Based on our extensive experience managing and running large transformation programs, we observe that organizations are successful in such implementations only when they take a holistic approach spanning setting of right goals, and adopting the most suitable technologies with long-term objectives. In our view, BFSI firms must leverage their business and technology ecosystems to ensure successful transformation, which in turn will help them deliver a rich and personalized experience and transform the value proposition for customers as well as shareholders.

For a successful implementation, firms must take a step-by-step approach spanning setting the business goals, defining the transformation approach, selecting the appropriate tools and techniques and evaluating the business case.

Set Multi-dimensional Business Goals

Often transformation programs are defined at the business unit level. For example, the operations team may set the goal of reducing headcount in the back-office with automation as the key transformation goal. This may result in ignoring other aspects like customer experience ultimately resulting in fewer overall benefits for the organization.

Case-in-point

A large global bank leveraged optical character recognition technology to automate document scanning in account opening function. While the bank successfully reduced the cost of back-office processing, it failed to improve customer experience or mitigate operational risks.

If the bank had transformed the end-to-end process by digitizing the entire customer journey, it would have reaped much bigger benefits by eliminating the need for a back-office, creating superior customer experience and mitigating the operational risks. Thus, transformation goals must be defined at the organizational level instead of at a business unit level to ensure greater benefits.

Define Transformation Approach

If we can eliminate the process, why automate? Why automate a complex, broken process if we can automate the reengineered simplified process? Why not enable straight-through processing (STP) and eliminate the need for the back-office instead of automating the back-office activities in silos? These are some of the common questions thrown by the experts when transformation projects fail. BFSI organizations must arrive at the right transformation approach by evaluating the processes based on some key criteria (see Figure 1).

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| <p>If the process is not adding value to the organization or the customers, eliminate it</p> | <p>If the process is legacy, too complex, not digital, then simplify and digitize it</p> |
| <p>Eliminate</p> <ul style="list-style-type: none"> Eliminate need Eliminate exceptions at source Discontinue low value and high cost processes | <p>Simplify</p> <ul style="list-style-type: none"> Reduce the number of process steps Digitize the end-to-end customer journey Simplify the channel experience |
| <p><i>Examples: Customer service requests, false positives in fraud detection, failed payments, disputed transactions</i></p> | <p><i>Examples: Legal processing, dispute management, account on-boarding, insurance claims processing</i></p> |
| <p>If the process is valuable and critical, reengineer and automate the entire process</p> | <p>When non-technology transformation is cost efficient and faster to implement compared with technology backed transformation</p> |
| <p>Automate</p> <ul style="list-style-type: none"> Automate the end-to-end process, not just back-office activities Use long-term automation solutions for high value processes and short-term solutions like robotic process automation (RPA) or end-user computing (EUC) automation for low value processes | <p>Optimize</p> <ul style="list-style-type: none"> Optimize the process steps and retain only the required ones Improve productivity Reduce non-value adding activities (Lean) |
| <p><i>Examples: Check collection and processing, trade finance, reconciliation</i></p> | <p><i>Examples: Redundant reports, dual screen monitors for operations, account opening process</i></p> |

Figure 1: Framework to Evaluate Processes and Identify Transformation Approach

Select Right Tools and Technologies

The choice of the tool for a given task determines success. Ergo, choosing the right technology or tool for transformation is key to success. If robotic process automation (RPA) is chosen as the tool for a complex process requiring human judgment, it will result in failure. Similarly, if machine learning (ML) is used

to automate simple, procedural tasks, it will be unsuccessful. For example, RPA cannot be used to automate a complex payment reconciliation process and ML cannot be leveraged to automate payment account number validation, which is a simpler process.

In our experience with implementing global transformation programs, we have observed that organizations tend to embrace new technologies first and then look for a problem statement to solve using new technology. This often results in a mismatch and failure to meet the defined objectives.

Case in point

A North American insurer decided to leverage RPA to automate paper based data extraction in claims processing, which is beyond its capability. In another instance, a large global bank failed to achieve the set transformation goals when it utilized RPA to automate a complex, broken process resulting in loss of money, effort, and time.

Clearly, choosing an appropriate transformation lever following a comprehensive evaluation of features required that make a solution robust and aligning it with the future technology roadmap is key to achieving the transformation objectives. Figure 2 shows a matrix to choose the right transformation approach and technology for different operational processes.

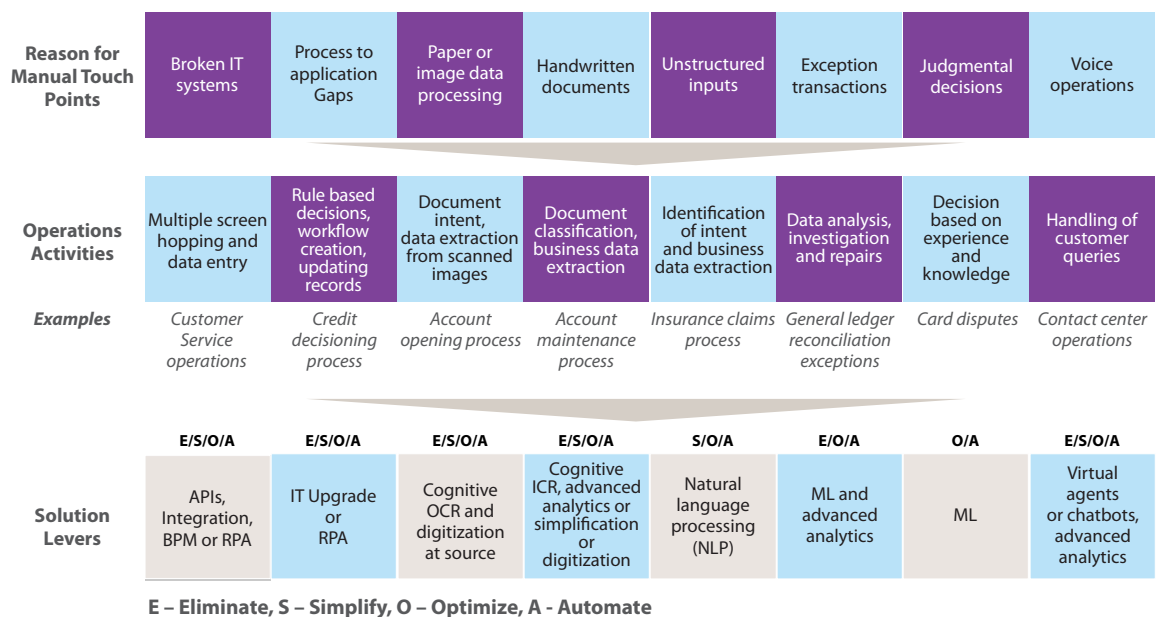


Figure 2: Framework to Map the Right Solution Lever with the Task

Evaluate the Business Case

A transformation program should create value, not destroy it. So, it is imperative to qualify each transformation project before it is added to the book of work. Basically, the transformation program should be evaluated on the value it creates, the commencement and period of value (how long, and when from) delivery, and the cost. Qualifying the right opportunity through a structured, multi-dimensional business value evaluation framework (see Figure 3) creates a strong foundation for the transformation journey.

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| <p>Will the project positively impact the BFSI firm?</p> | <p>Can the project be implemented quickly?</p> |
| <p>Impact on business</p> <p>Estimate the business value that the project will deliver across parameters like impact to end user experience, reduced operations risk, increased operational efficiency in the back office and front office of BFSI firms, impact on top line and bottom line.</p> | <p>Time to implement</p> <p>Evaluate time to implement. Due to continuous change in technology, regulations applicable to banks and insurers, and evolving market conditions, transformation projects in BFSI lose value quickly.</p> |
| <p><i>Examples: Projects aimed at reducing customer churn, improving compliance with anti-money laundering regulations, reducing transaction disputes</i></p> | <p><i>Examples: Projects aimed at improving time-to-compliance, responding to the Fintech threat</i></p> |
| <p>Will the project create long term impact to business?</p> | <p>Will the project deliver positive returns?</p> |
| <p>Project life</p> <p>Estimate the time period for which the project will be relevant. Align the solution to the future technology and business roadmap of BFSI firms.</p> | <p>Cost of ownership</p> <p>Estimate cost of ownership of the project and evaluate return on investment (RoI) and benefits for the BFSI firm.</p> |
| <p><i>Examples: Projects aimed at providing digital-only banking for millennials, implementing banking-as-a-Service, enabling hyper personalization of digital channels</i></p> | <p><i>Examples: Cost to automate reconciliation exceptions vis-à-vis saves from full-time equivalent reduction, cost of chatbot implementation vis-à-vis customer experience improvement</i></p> |

Figure 3: Business Value Framework for Qualifying Transformation Opportunities

Align the Teams for Collaboration

Teams working in silos can be another key reason for failure of transformation projects. For a successful transformation, an organization needs to shift from individual teams working in silos to integrated and coordinated teams working in collaboration. Our experience from transformation journeys in many BFSI organizations in North America and LATAM suggests that IT and operations should work in sync for successful transformation initiatives.

Conclusion

Transformation is a key priority for CEOs of BFSI firms. Adopting a holistic transformation strategy and eliminating silos will be crucial for creating and executing a robust and sustainable transformation roadmap. In our view, BFSI firms should create a comprehensive enterprise-wide transformation framework and standardize the process across opportunity assessment, opportunity qualification, and aligning the effort with business goals to ensure successful transformation, which in turn will help them remain competitive and realize exponential returns.

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