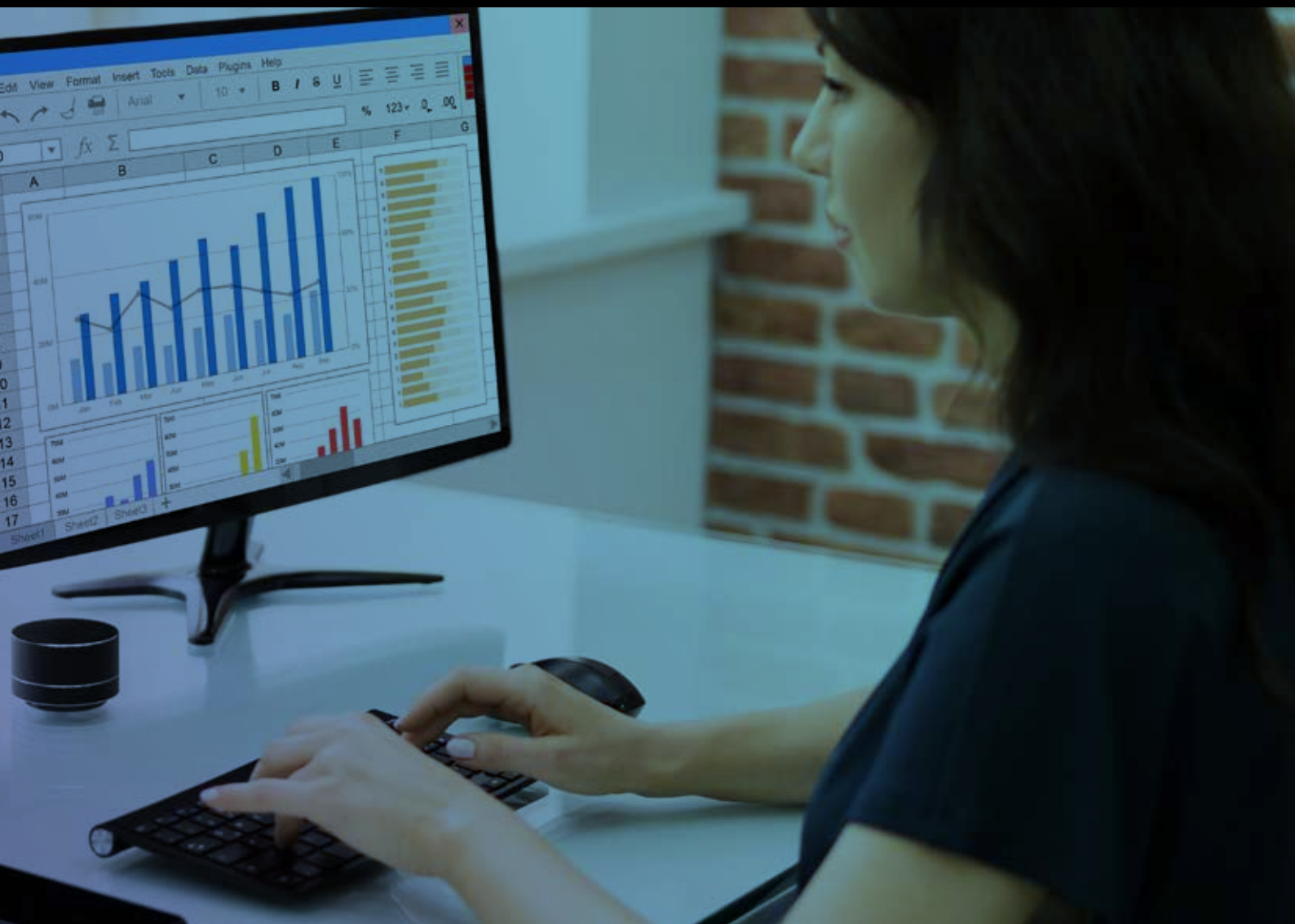


Ushering in boundaryless innovation in financial services

Banking, Financial Services and Insurance



Abstract

With accelerated consumer embrace of digital technologies, adoption of digital transformation initiatives has become mandatory for financial services organizations to thrive in the changing landscape. Innovation has become a hallmark of the banking, financial services, and insurance (BFSI) industry and a crucial imperative to remain competitive in the market. The typical innovation cycle followed in most incumbent BFSI organizations, however, is long and adversely impacts time-to-market, resulting in the product becoming irrelevant by the time consumers can access it.

The need of the hour is to adopt a framework that accelerates the innovation cycle, improving time-to-market, leading to enhanced speed-to-value, that further amplifies growth. This white paper discusses how BFSI organizations can achieve boundaryless innovation by collaborating with clients and stakeholders and fostering an environment of continuous learning. It also recommends the adoption of a problem-solving mindset and the use of latest technologies to rapidly develop game-changing solutions.

Infusing agility into the innovation cycle: A pressing priority for financial services

As the world transformed during the recent COVID-19 pandemic, so did businesses across the world, and the BFSI industry was no exception to this trend. With more consumers turning digital and the massive boost in digital opportunities, prioritizing innovation and digital transformation has become crucial for BFSI organizations to thrive in the next decade.

Striking the right balance between enhancing existing digital capabilities and quickly building new products and services, however, is challenging. This raises the question: what can BFSI firms do to design innovative offerings? How can they capitalize on emerging technologies, build agility, and promote a continual flow of ideas? As business leaders grapple with these questions, they have realized that agility is the key to innovation and has the potential to catalyze transformational growth.

According to a TCS study, continued growth and profitability will likely come from new collaborators (even competitors) and new digital offerings.¹ The study also suggests that innovation and customer and employee centricity must drive the organization's culture. Hence, ideation is no longer the sole responsibility of the research and innovation team but mandatory for every individual and employee. It is crucial to move away from quick fixes and focus on developing and propagating a problem-solving mindset.

A typical innovation cycle involves research to identify relevant ideas. Once an idea is shortlisted, the solution is built and taken to the customer. A sequential cycle like this comes with a longer time-to-

[1] TCS, TCS 2021 global leadership study, accessed 14 February 2022, <https://www.tcs.com/perspectives/articles/na-global-leadership-study-balancing-innovation-with-optimization>

market, and with rapid changes in business scenarios, innovations often become irrelevant. There is thus a critical need to improve speed-to-value and prioritize enterprise agility.

Speeding up the innovation cycle

Shortening the innovation cycle to achieve faster time-to-market is a key imperative for BFSI firms. Firms need to embrace a framework that breaks the typical innovation chain by parallelly running the three tracks of learning, innovation, and customer engagement, instead of the sequential cycle. This will require firms to build capabilities facilitating a constant flow of ideas across all channels and continuous engagement with customers.

The framework must drive innovation through a unifying digital fabric that serves as a catalyst for business transformation, innovation, and purpose-driven growth. A startup mentality, relentless customer focus, agility, the latest technologies, and talented resources—all these components need to come together to build the framework.

The framework must ensure that innovation and learning are closely linked together by encouraging collaboration and co-creation. It must create organizational levers and interventions to enable repeatable and reliable processes. It must also accelerate the process of creating proofs of concept (PoC) or minimum viable products (MVP) to demonstrate proof-of-value.

How does the framework fast-track innovation?

There is no dearth of ideas in BFSI organizations. The issue is the lack of a system or framework to help identify compelling, high-value ideas that target business problems. Traditionally, innovation has always been delivered behind closed doors, limiting responsibility to research and innovation teams. For instance, the development of products based on emerging technology occurs within clearly defined organizational boundaries, where the customer is a passive recipient. In our view, BFSI firms must embrace an innovation framework (see Figure 1) that enables:

1. Boundaryless innovation: function in a hybrid environment (virtual and physical)
2. Customer centricity: focus on meeting end-to-end customer needs
3. Open collaboration: facilitate cross-functional participation to drive a continual flow of ideas increase in the coming years.

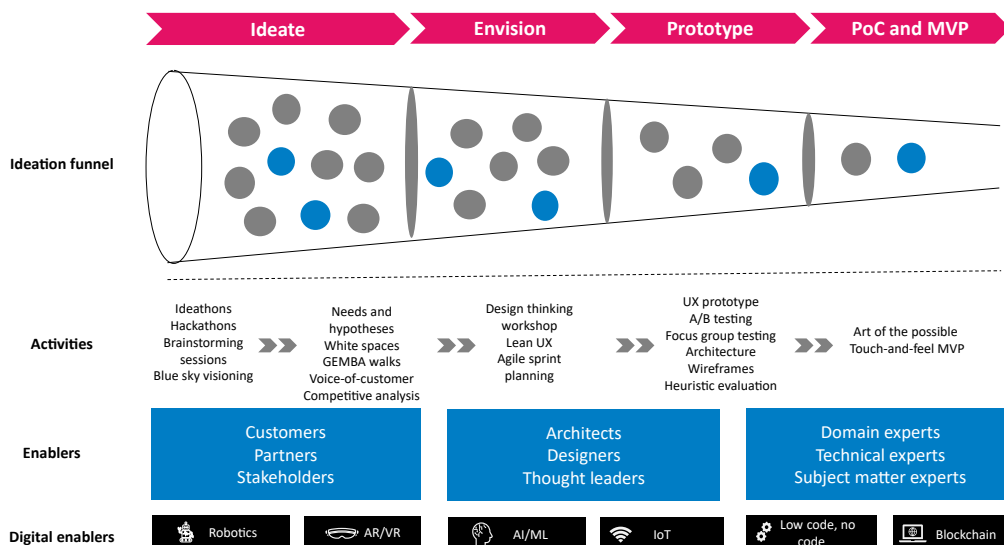


Figure 1: Innovation framework

Boundaryless innovation

Innovation hubs are usually physical spaces built to engage customers and offer technical and business talent as well as proprietary resources, but the scope is limited to talent available in a specific region. A dynamic innovation framework, on the other hand, can enable a virtual setup to tap into geographically dispersed talent, thereby bringing more people and perspectives into the ideation process. Such a framework can offer firms all the advantages of a physical setup in a virtual environment, making innovation truly boundaryless.

Customer centricity

Typically, firms develop new ideas in-house, and then assess market potential, which may not always reflect the actual customer needs. In our view, understanding customers' psyche and making them a part of the innovation process is imperative. Customers must be involved right from the ideation phase to understand their end-to-end needs and identify opportunities to improve their landscape, processes, and technologies.

The framework must incorporate an iterative human-centered design thinking approach, reframe problem statements into opportunities, explore different perspectives such as 'what if' and 'what works', and test ideas to gain new insights. Customer value chain analysis can help map the customer journey, gain mindshare, address gaps, and create innovative products that boost customer acquisition and retention.

Open collaboration

Historically, innovation has been restricted to a dedicated research and development department with a select group of individuals, capabilities, and technologies. In our view, BFSI firms must design an innovation framework fueled by open collaboration facilitating participation and inputs from a diverse set of experts. These could include user experience (UX) designers, architects, developers, thought leaders, and customers to promote a continual flow of ideas. Crowdsourcing events must be leveraged to source ideas, review, curate, and add to the innovation funnel.

The powerful combination of a dynamic innovation framework, agile methodologies, lean UX, and the right accelerators, technology tools, and digital enablers can infuse agility and shorten the development cycle—a prototype or an MVP within four-five weeks can become a reality, impelling customers to stay invested. Furthermore, it can kickstart innovation enabling a continual flow of disruptive ideas, facilitate their rapid conversion into innovative, game-changing digital offerings, and generate an atmosphere of continuous learning.

Leveraging the framework to drive innovation and transformation in BFSI

In the BFSI sector, the innovation framework has the potential to transform several areas such as financial advisory to virtually visualize investment portfolios, insurance to instantly assess vehicle damage and monitor the sick, and treasury operations to predict cashflows, among others.

Consider the example of the tedious and slow loan process for high-net-worth individuals, which involves multiple layers of evaluation and several departments. The lack of visibility into the loan processing lifecycle and inefficiencies in the system cause difficulties for an operations manager to predict the future pipeline, and for a relationship manager to satisfy customers leading to poor experience.

Resolving such issues necessitates an innovative approach that involves collating qualitative and quantitative data across the process. This includes the aspects managed by third parties, to streamline the end-to-end loan process. The innovation framework can be leveraged to build a solution to aid loan underwriters assess risk and promptly make concrete decisions.

Case-in-point

A US-based multinational investment bank and financial services company was looking to enhance their loan management system to increase productivity. To understand the end-to-end process and test scenarios, we proposed using a digital twin—a multi-persona-based mortgage operations solution.

By leveraging the innovation framework, the bank held design thinking workshops to identify potential transformation opportunities and process changes, anticipate external risks, and understand the need for reshaping policies. Several ‘what-if’ scenarios were tested to identify areas requiring improvements and then a prototype was rapidly built.

The innovation framework enabled the bank to quickly validate ideas from experts, understand the market, apply best practices, and leverage emerging technologies to solve business problems. With this solution, the bank increased loan processor productivity, reduced loan processing cycle time by 10%, and enabled tracking of loans with 100% accuracy.

Looking ahead

While the digital juggernaut continues unabated in the BFSI industry, innovation is the key to win customer mindshare and create seamless, personalized customer experience. This will require banks and insurers to rapidly launch purpose-driven offerings that are aligned with the needs of customers and the community. By adopting an innovation framework that encourages collaboration and co-creation, banks and insurers can infuse agility into the innovation process and democratize innovation. This helps maximize the ideation funnel and create a continual flow of disruptive ideas to accelerate innovation. To stay ahead, banks and insurers must foster a culture of innovation, rapidly translate game-changing ideas into action, and deliver superior outcomes. Swift action is crucial to achieve this, and firms that act quickly will steal a march over their peers.

About the author

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Manish Mishra is the global digital practice head for corporate accounts in TCS’ Banking, Financial Services, and Insurance (BFSI) business unit. With over 23 years of experience, he is an enterprising technology leader known for delivering IT-led strategic business transformation programs for large, complex enterprises. He is a diligent student of innovation with a keen interest in emerging and disruptive technologies. As an inspired leader with a knack for conflict management, Manish has driven and mentored large cross-functional teams. He is responsible for driving innovation at the TCS Digital Garage, leveraging deep contextual knowledge to create offerings and build TCS’ IP portfolio. He holds a Bachelor’s degree in Electrical and Electronics Engineering from BIT MESRA, Ranchi, and is a Six Sigma Black Belt and PSM Certified Scrum Master.

Awards and accolades



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