



DIGITAL TRANSFORMATION MATURITY **IN FINANCIAL SERVICES**

During a roundtable dinner hosted by The Barton Partnership, Digital leaders from across the Financial Services industry were invited to discuss the challenges and success factors for reaching digital transformation maturity, if indeed there is such a state.

Based on key themes proposed by the participants, we set out to explore the importance of digital leadership, talent strategies, organisation design and the importance of unlocking the value in data. There follows a synopsis and insights drawn from that conversation.

1

Digital: “it’s just what we do now”

For several years we have witnessed the pace at which technology and the digital world has been leading transformation, and the effect this has on the way companies do business, so much so that ‘Digital’ is now the accepted normal state in many companies.

What is important for those ‘mature’ organisations is to understand the underlying drivers of value to ensure that what is being delivered is what is ‘needed’ and not just a ‘nice to have’ (or in some cases ‘no longer relevant’) and to optimise and continually improve the delivery and realisation of this value.

Traditional and long-established companies are working hard to attract new customers whilst protecting their market share against new entrants that are persistently and consistently launching new and innovative products in targeted parts of the value chain using the latest technology available and unencumbered by ‘legacy’.

In these situations, the specific problems to be solved for long-established companies is leading to an ever-increasing tension between internal and external factors.

Internally, the focus needs to be on how companies are structured, both organisationally (org design, culture, ways of working) and from a technical perspective (product and architecture). Externally, it is about staying ahead of the ever-evolving consumer Expectations and the latest technological developments whilst aligning that with the changing landscape of the talent market.



2

We are all “the Business”

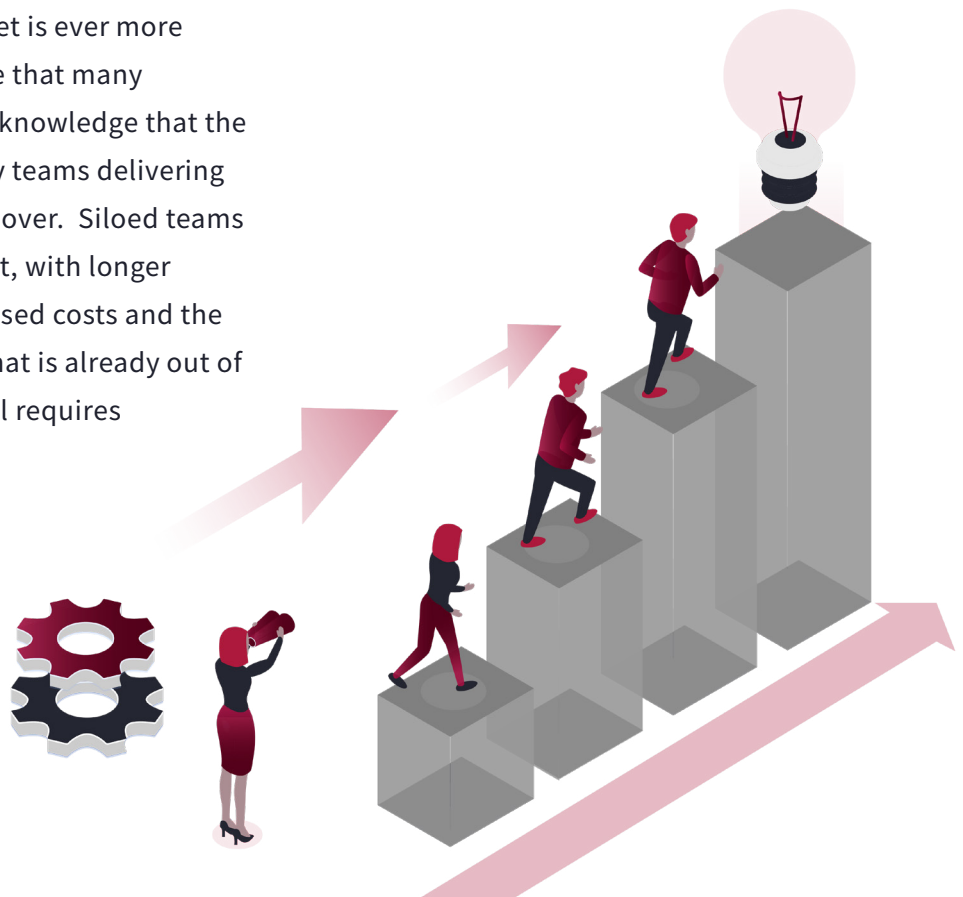
Traditional organisation designs have often led to an environment in which an age-old distinction is drawn between the “Business” (such as Product, Marketing & Distribution) and the “Functions” (such as HR, Finance, IT and Operations).

The result is a process in which the Business defines what the Product should be and what the Customer needs and then Functional teams are tasked with building and implementing them. Those still operating in this way are at risk of falling behind in a digitally accelerating marketplace.

At a time when speed to market is ever more critical, a fundamental change that many companies have taken is to acknowledge that the days of traditional Technology teams delivering what the ‘Business’ wants are over. Siloed teams lead to slower speed to market, with longer delivery lead times and increased costs and the risk of launching something that is already out of date. Instead, being successful requires

multi-functional teams working collaboratively, iteratively and with agility in order to remain competitive. Without legacy structures, frameworks and infrastructures to contend with, this is something the FinTechs do well.

By organising teams around a Product instead of a Project structure, with investment strategies where there is no longer an end game or ‘point of arrival’, companies can be constantly looking ahead and re-imagining the best customer experience and products as an ongoing activity. This in turn leads to iterative product designs that can be enhanced quickly based on customer feedback.



3

Where and when to invest: legacy replacement v digital advancement

The challenges facing legacy financial institutions are all too apparent. Change at scale can be a long and expensive journey, especially for many traditional brands built on what are now regarded as legacy platforms.

These platforms - incrementally modified over many years to remain compliant in a highly regulated environment - struggle under the weight of immense technical debt and are far removed from the slick and digital 'front end' apps and tools that the customer interfaces with.

Much has been done to reduce this tension, however, with ever-faster processors, the incremental segregation of functionality from

data in the mainframes, displacement and replacement of functionality with micro-services, incremental data migration rather than mass migration and the regular use of APIs to better integrate with middleware and front-end digital capability.

Transforming and replacing legacy platforms whilst competing with emerging FinTechs is a difficult balance to strike; challenges such as ever-changing customer expectations, competing with born-digital e-commerce and consumer services businesses and delivering products to customers who expect to bank 100% through mobile devices.

4

The challenges of a regulated environment

For the challengers in banking and digital payments, it was interesting to note that as they scale, they also start to reach a critical point where the organisational design requires them to manage Risk, Compliance, and Regulation in a more structured and scaled way and therein starts to slow down the 'start up' speed of their early days. Also, as new regulation is applied to their once-new technology, it is also at risk of becoming legacy.

One approach suggested that instead of viewing regulation as red tape, it could be seen as an opportunity to 'up the ante' and use it to drive product and technology renewal and a continuous improvement culture.

5

Unlocking the power of data

When it comes to unlocking the power of data, a lack of it has rarely been the issue for established incumbents; however, unlocking insights and value to derive a competitive advantage has been more the challenge.

There are multiple barriers to extracting this value: identifying where the data sits and in what format; consolidating and de-duping; and accessing and organising it to be used and exploited meaningfully.

The approach in most cases has been to invest heavily in big data and data science capability, to create micro services to analyse and identify

value in defined elements of the value chain, at the same time as relying on consumer trust and reassurance through their brands whilst they build the capability and insight.

In contrast, Fintech's are designing their products with data front and centre, and by capturing and using data in real-time they can personalise consumer experiences and products with the aim of building loyalty and better serving customers over time. In contrast, they aspire to the wealth of data the traditional incumbents possess.



6

Talent as a winning strategy

Central to solving these challenges are the people who make companies what they are. There is an ongoing talent war in many regional and city locations as well as between sectors, and traditional brands are struggling to attract the best resources when pitched against the FinTechs.

But whilst some people may be drawn in by warehouse-style workplaces and ping-pong tables, role substance and overall responsibility is crucial. The most talented candidates are 'over' free bananas and chairs made of pallets, and instead seek mastery, autonomy and roles with purpose.

When assessing emerging talent, we need to look beyond just sector experience and as such, the most competitive employers are increasingly focussing more on behavioural capabilities. Yes, technical expertise is important, but if you want to recruit more entrepreneurial, motivated people, particularly those with experience most likely gained outside of Financial Services, then many traditional approaches to recruitment may need to be modified.

Several leaders expressed frustration with traditional HR and internal recruitment practices as the candidates with the strongest traits and capabilities are being filtered out in the screening process in preference for subject matter expertise. However, role content can be taught, so what leaders are now looking for is people capable of learning quickly, as well as leading and driving change.

Some companies are now investing in grass-roots recruitment, attracting interns and working in partnership with technical colleges and universities to help design courses and provide work experience at a younger age. Another approach for those companies seeking a more established talent bench is to partner with specialist providers who are adept at hunting in diverse talent pools and lending creativity to the search process.





In summary

Organisations aspiring to digital transformation maturity may need to recognise there is no defined end point to this 'state'. However, whether a traditional or challenger brand, 'digital' must be embraced as a fully integrated capability and vice versa, to avoid functional silos and disparate and disconnected processes.

Organisation design and culture are fundamental to driving digital maturity through more collaborative ways of working and focusing on empowering cross-functional teams with a clear and product purpose with data driven insights is key.

Legacy and scaling agile are conflicting forces creating challenges for traditional and challenger brands alike, but clarity of purpose and avoiding undertaking anything too big over too long a period of time is probably good advice once the current 'big' platform replacement initiatives have run their course.

To unlock the power of data, it seems, 'the grass is greener on the other side' where traditional incumbents aspire to the agility of new entrants, while new entrants aspire to the wealth of data owned by the incumbents. So advice suggests to 'just get started', looking first to what you already have in place and then growing your own capability to suit your particular needs over time, supplemented in the short term through external data service providers to provide insight and strategic advice for which direction to aim in.

Disrupting recruitment practices and taking a multi-channel approach, as well as working further up the talent-building value chain are necessary steps to building capability over time. Partnering with specialist talent providers to access a wider pool of digital leadership talent will plug the capability gap and keep things refreshed in the meantime.

ABOUT THE BARTON PARTNERSHIP

The Barton Partnership is an award winning provider of Strategy & M&A, Data & Analytics and Transformation & Change talent both on a permanent and independent consulting basis.

Operating from offices in London, New York, Paris and Singapore, our clients include FTSE listed and Fortune 500 companies across all sectors/industries; SMEs, Strategic, Innovation & Management Consulting firms (large and boutique), Global Financial services, Private Equity and Venture Capital organisations.

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