

FinTech & Digital Transformation – Food for Thought (extract)

Transformation Pre-requisites

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“Everything else is changing, why isn’t your business?”

Digital Transformation will only happen if a Top-mandate is given, Customer Interaction is at the centre and 7 ‘Meta-architectural Levers’ in the organization are changed

- **The Board, CEO and Top Management need to embrace 5 key Digital Transformation Imperatives**
- **A Digital Bank needs to prioritize Customer Interaction above all, redesigning accordingly its Value Proposition following Customer Journeys**
- **However, Digital execution will require addressing 7 critical ‘Meta-architectural Levers’ in terms of Organizational Capabilities,...**
- **..... chief among them changes in Organizational Design and Innovation Ownership that should fully enable open collaboration with the FinTech ecosystem, and the elusive, all-pervasive challenge of Culture, which can change via a Re-engineering Programme**

INCUMBENT BANKS' DIGITAL TRANSFORMATION – TOP LEADERSHIP

The Board, CEO and Top Management need to embrace 5 key Digital Transformation Imperatives

5 Digital Transformation Imperatives

What does it mean, in practice, for the Incumbent Bank?

I. ONLY FOR BELIEVERS

- Believe in FinTech's radical disruption for the banking industry, with many new entrants from lateral industries; it is not a red herring

II. HEAVEN COMMANDMENT

- Require a full mandate by Board of Directors to the CEO empowering him for a Digital Strategy & Transformation of the bank

III. BROAD SHOULDERS & FAST LEGS


- Demand a Top Management team 100% on board, with appropriate mandate and budget for the mission, along with decision-making power to move fast when needed

IV. BEYOND A TECH JOB

- Recognize this is not just a CIO/CTO priority, as it is not only about IT, it is about radical business transformation

V. BANKER INSIDER JOB

- Must understand how bankers think and operate so to overcome internal resistance to change, especially at levels 2-3 of the hierarchy



▪ *“Once we accept our limits, we go beyond them” (A. Einstein)*

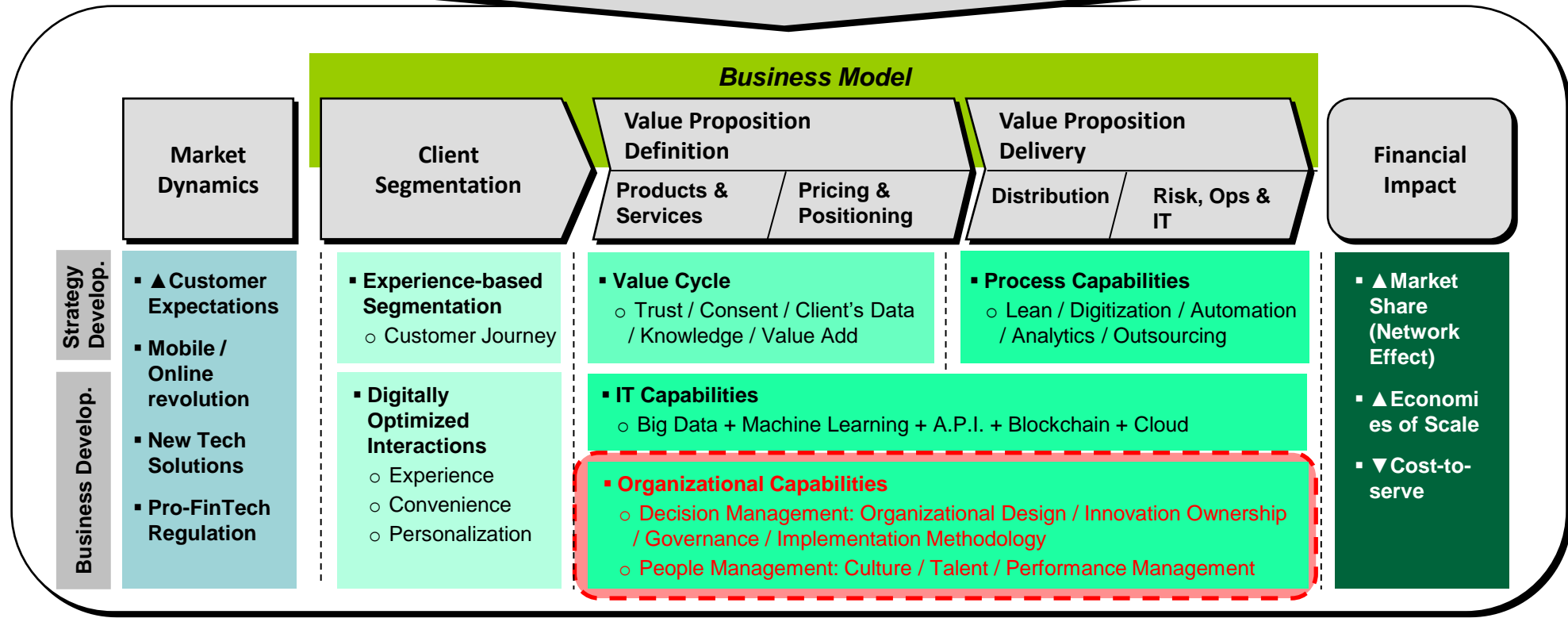


INCUMBENT BANKS' DIGITAL TRANSFORMATION – BUSINESS MODEL CHANGE

A Digital Bank needs to prioritize Customer Interaction above all, redesigning accordingly its Value Proposition following Customer Journeys

Digital Bank – Ultimate Purpose

▪ The INTERACTION between Bank and Customer is the core of its Value Proposition...
... all the rest follows.





INCUMBENT BANKS’ DIGITAL TRANSFORMATION – ORGANIZATIONAL CAPABILITIES

However, Digital execution will require addressing 7 critical ‘Meta-architectural Levers’ in terms of Organizational Capabilities

Organizational Capabilities		From	To
Decision Management	Organizational Design	<ul style="list-style-type: none"> Digital & FinTech Ops + IT (centralized, external access via procurement only) 	<ul style="list-style-type: none"> Digital + Ops + IT (with open access to FinTech ecosystem)
	Innovation Ownership	<ul style="list-style-type: none"> Centralization vs Decentralization Innovation centrally owned 	<ul style="list-style-type: none"> Ownership at centre and BU-level (BAU + Innovation agenda for MD)
	Governance	<ul style="list-style-type: none"> Strategic Operational Annual MTP Quarterly OpCo (gated approvals) 	<ul style="list-style-type: none"> Dynamic Strategic Planning with quarterly Innovation Loops Weekly OpCo (fast escalation)
	Implementation Methodology	<ul style="list-style-type: none"> Sequential vs Agile Large, detailed planning, divided between Ops & IT 	<ul style="list-style-type: none"> Agile multidisciplinary scums implementing solutions in frequent, short time runs (sprints)
People Management	Culture	<ul style="list-style-type: none"> Tradition vs Openness ‘Frozen middle’ Closed via central sourcing; traditional V&Bs Middle layer of non-crafting, non-learning managerial bureaucracy 	<ul style="list-style-type: none"> Open to FinTech collaboration; embracing change, faithful V&Bs Unfrozen middle, continuous learning, crafting leadership
	Talent	<ul style="list-style-type: none"> Internal External Digital focused on IT department Traditional recruitment sourcing 	<ul style="list-style-type: none"> Digital training at different levels Selective, creative recruitment of scarce digital capability gaps
	Performance Management	<ul style="list-style-type: none"> Innovation Change Non-existing objective & metric Qualitative approach 	<ul style="list-style-type: none"> New objective, with tailored metric Quantitative measure of change

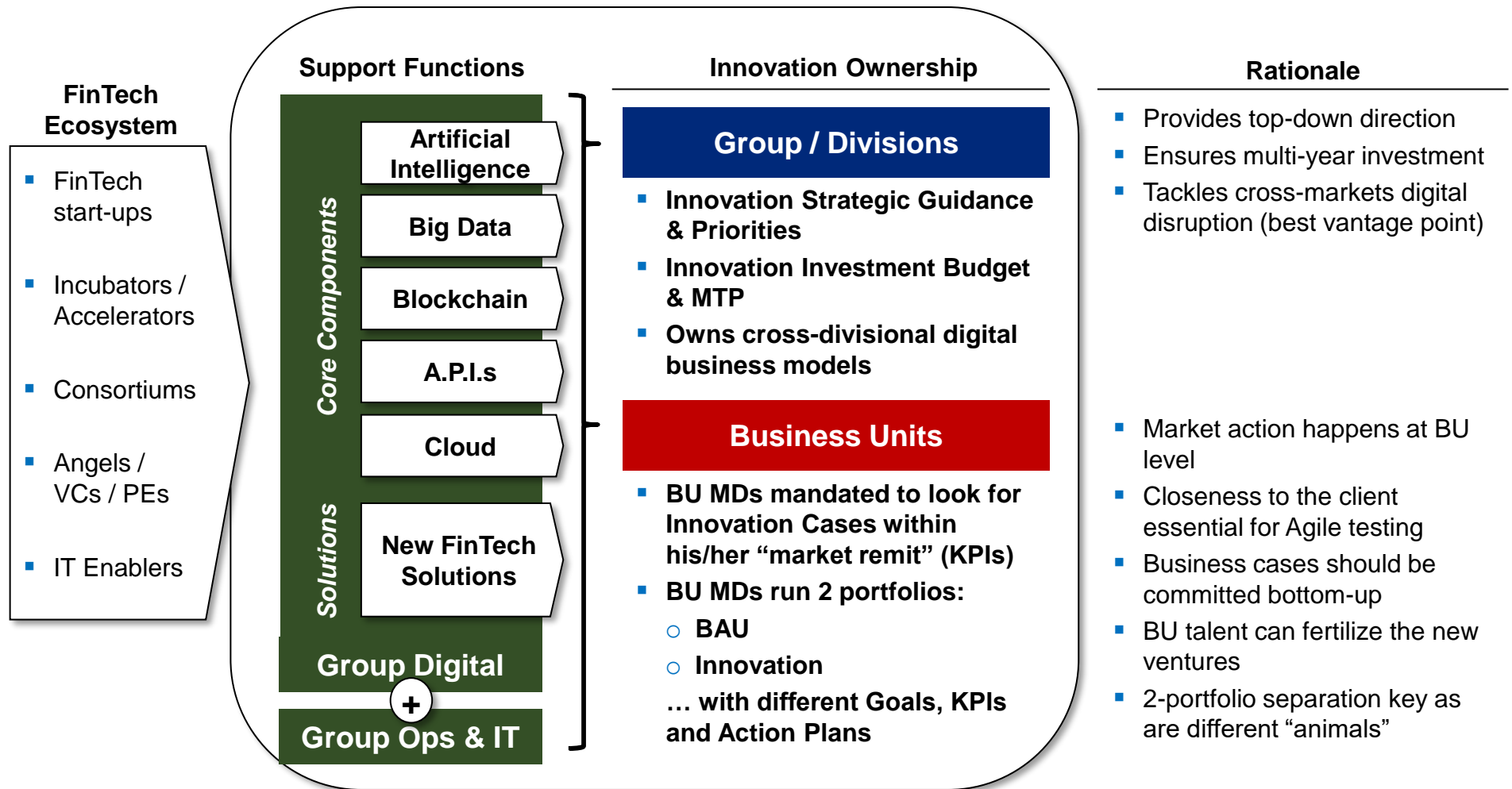
Note: MTP = Medium Term Planning; BU = Business Unit; BAU = Business As Usual; V&Bs = Values & Behaviours
 Sources: “A CEO’s Guide To Digital Transformation” (BCG, May.17); Maile Carnegie ANZ CDO (Adobe Symposium, May.17); own analysis



DIGITAL TRANSFORMATION – META-ARCHITECTURAL LEVRS: ORGANIZATIONAL DESIGN & INNOVATION OWNERSHIP

Changes in Organizational Design and Innovation Ownership should fully enable open collaboration with the FinTech ecosystem

Organizational Design & Innovation Ownership



DIGITAL TRANSFORMATION – META-ARCHITECTURAL LEVERS: CULTURE

The elusive, all-pervasive challenge of Culture can be achieved via a carefully designed Re-engineering Programme

Cultural Re-engineering Programme – Key Elements

Core Principle

- **Accept that culture is 're-engineer-able'**

Aspirations

- **Aggressively uplift aspirations**

Leadership

- **Evolve leadership to delegated & distributed model**

Unfreezing

- **Unfreeze the 'frozen middle'**

Transparency

- **Prepare for your culture to openly transpire externally**

Purpose

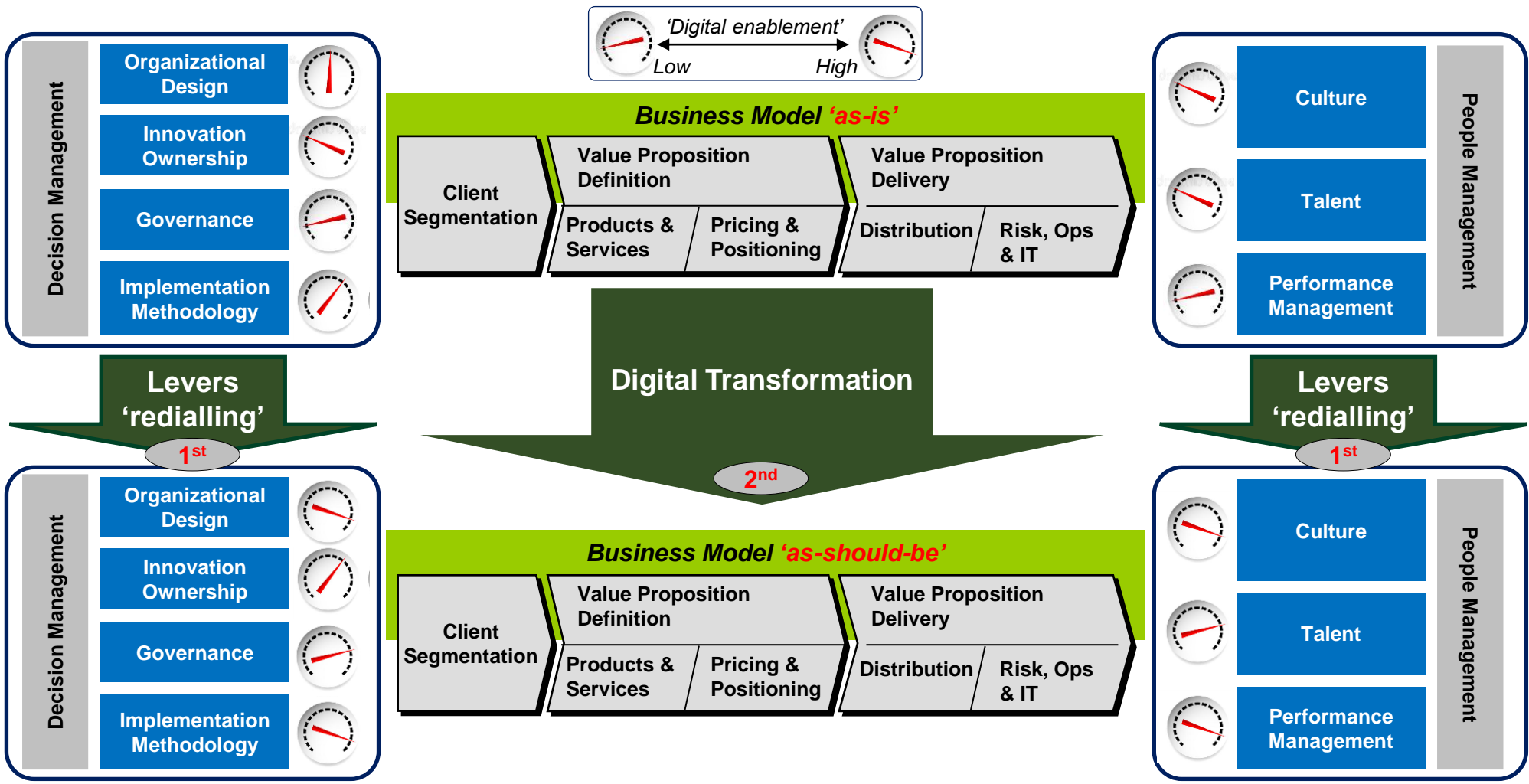
- **Instil passionate purpose all across, at all levels**

ANZ Chief Digital Officer's Views

- “You can engineer culture...it's actually a scientific set of inputs and outputs... if you change these levers, it will change the culture.”
- “Older companies have incremental aspirations...if you don't have what feels like an almost unachievable aspiration, you will fail.”
- “Companies set up to win in the 20th century, still haven't let go of command & control. With 21st companies, leadership models are all distributed... I'm going to delegate leadership down.”
- “There are people who are no longer experts in a craft, who have graduated from doing to managing... will resist change like death. If they're not going to become craftsman and learn anymore, they need to move on.”
- “There is so much opportunity for your internal culture to leak out. If you want good customer experience, you have to have good employee experience.”
- “As a leader, if you don't have a high degree of personal passion for why you're trying to championing change, they will smell it. You need an organic, renewable energy source to keep going.”

DIGITAL TRANSFORMATION – META-ARCHITECTURAL LEVELS

The 'Meta-architectural Levers' must be 're-dialled' first in order to enable the Digital Transformation of the Business Model for success





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