

Your Digital Future is Now: How Financial Institutions Can Reevaluate Digital Portfolios to Stay Ahead





“You never want a serious crisis to go to waste. And what I mean by that is an opportunity to do things that you think you could not do before.”

– **Rahm Emanuel, former mayor of Chicago, speaking about the 2008 financial crisis.**

Executive Checklist

- ❖ Do your projects help enable a digital future for your workforce and customers – contactless services, virtual sales, and customer engagement, etc.?
- ❖ Do your projects accelerate end-to-end digitization of operations to support a digital-first customer?
- ❖ Do you have a suite of digital tools to facilitate effective cocreation, communication, and decision making for remote work?

During the peak of the COVID-19 crisis, after the Dow Jones Industrial Average plunged 10% the day before, the contact center of a large financial institution faced a deluge of anxious customer calls— 40% more than a usual day. And the next business day was worse— more than 50,000 calls in one day, when they typically received 40,000 calls per week. The organization had been redesigning its customer interaction channels to develop self-service capabilities, but that redesign was kicked into high gear to reevaluate evolving customer and business needs while accelerating their digital project portfolio.

This is just one example of how the COVID-19 pandemic has been a catalyst to reprioritize technology spending. Many companies found themselves unprepared for the massive operational changes required to address a dramatic shift in how and where to serve their customers.

In this article, we suggest three strategic focus areas to enable organizations to examine their digital priorities: evaluating future needs, assessing portfolio roadmap, and rethinking their organization structure.

1. Reevaluate Your Digital Future

Digital transformation is not a new concept. According to a 2018 survey,¹ 70% of companies have been working on a digital transformation strategy or already have one in place.

Business models can transform or restructure by going digital, especially after a crisis. As an example, since the 2008 financial crisis, the investment management industry has transformed, leaning heavily on technology and data to drive front-to-back digitization. Continuous fee compression, democratization of investment knowledge, and generational shifts in customer demographics have catapulted this industry toward low-cost passive investment vehicles and robo-advice.

With global investments in financial services technology (fintech) growing 40 times since 2008, incumbent legacy financial institutions are constantly reprioritizing investments and making tradeoffs to optimize both customer and organizational impact. The current crisis poses similar questions and executives should reevaluate the organization's digital aspirations for the short and long term. Consider these key areas:

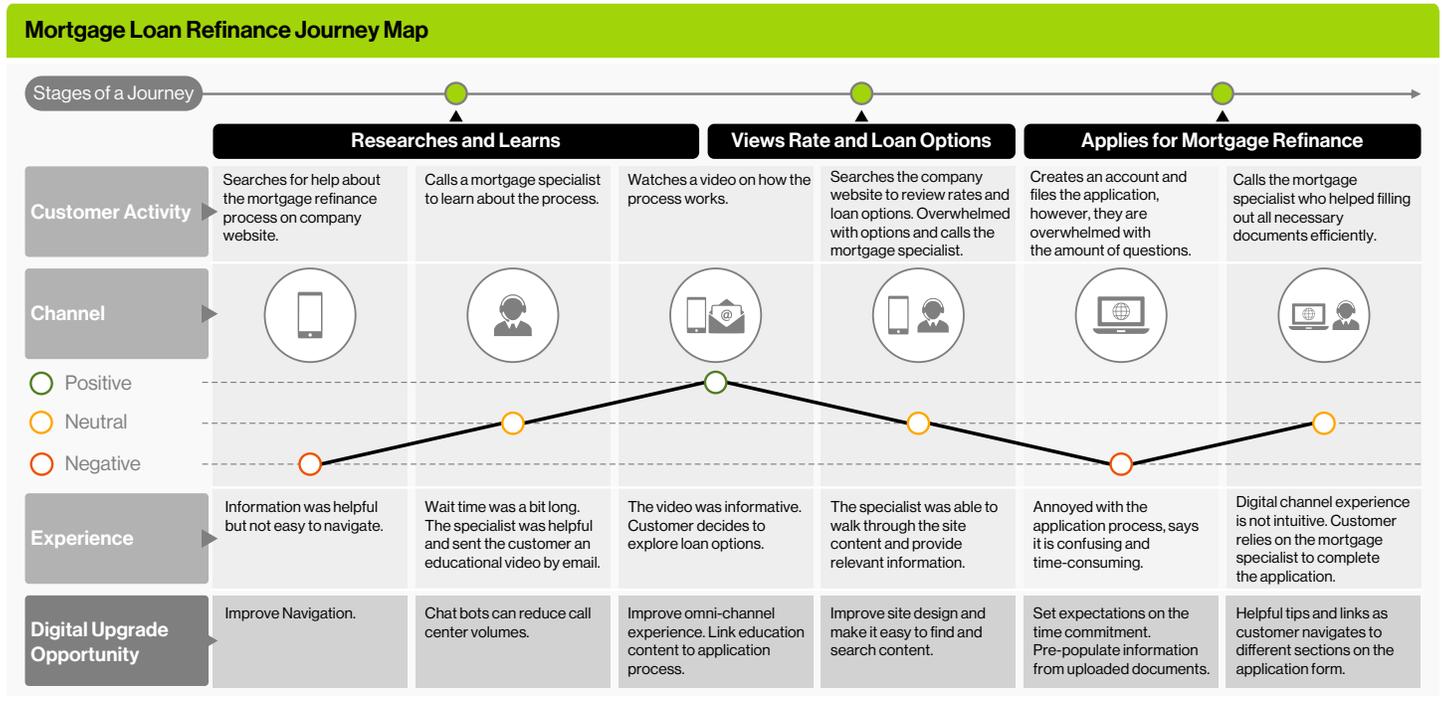
Accelerate Future of Work: Reimagine how the investments in digital capabilities can augment your remote-work strategy, help upskill your workforce, and enable digital interactions that can sustain the corporate culture while continuing to innovate at scale.

1. Melanie Wolkoff Wachsmann, “Survey: Despite steady growth in digital transformation initiatives, companies face budget and buy-in challenges,” ZDnet, August 1, 2018, <https://www.zdnet.com/article/survey-despite-steady-growth-in-digital-transformation-initiatives-companies-face-budget-and-buy-in/>.

Digital Upgrade for All Engagement Channels: Stakeholders will continue to expect all customer engagements to include a digital component. To help provide a frictionless omni-channel experience, critical process touchpoints and handovers should be reassessed. Begin with mapping out the end-user journey (Exhibit 1) to understand moments of truth and evaluate what channels can benefit from digital upgrades and positively impact user experience.

Exhibit 1

Journey map gives an end-to-end view of customer experience and reveals weaknesses within or between touch points across all engagement channels.



Big Data, Big Value: Increased use of digital channels can provide more access to customer-specific data that can help unlock deeper insights to drive customer engagement and experience. Employing a workforce analytics tool can help employees too. According to Sapience Analytics,² individuals and teams understand how their effort impacts the whole organization and validates their outcomes compared to other teams and other individuals in the same position. Organizations should evaluate if they have resources and technology capabilities to harness, manage, analyze, and leverage all this data to generate insights and operationalize into business value.

2. Sapience Analytics, "From Employees to the C-Suite: How Workforce Analytics Can Optimize Enterprises," September 11, 2020, <https://sapiencianalytics.com/productivity-improvement/from-employees-to-the-c-suite-how-workforce-analytics-can-optimize-enterprises/>.

2. Reassess Digital Portfolio and Roadmap

Dynamic market factors and evolving consumer behaviors continuously impact organizational strategy, forcing companies to prioritize which projects to move forward on and which to end.

Portfolio valuation and prioritization should consider a multitude of factors to ensure alignment to the organizational goals and strategy—efficiency or growth, short-term needs or long-term investments.

Executive Checklist

- ❖ Do you make decisions around allocation of capital and resources aligned to the organization's strategic value chain?
- ❖ Do you prioritize projects based on economic value and account for market factors such as growth, competitive positioning, risk, and controls?
- ❖ Do you have a portfolio scoring model to consistently prioritize projects over multiple strategic criteria?

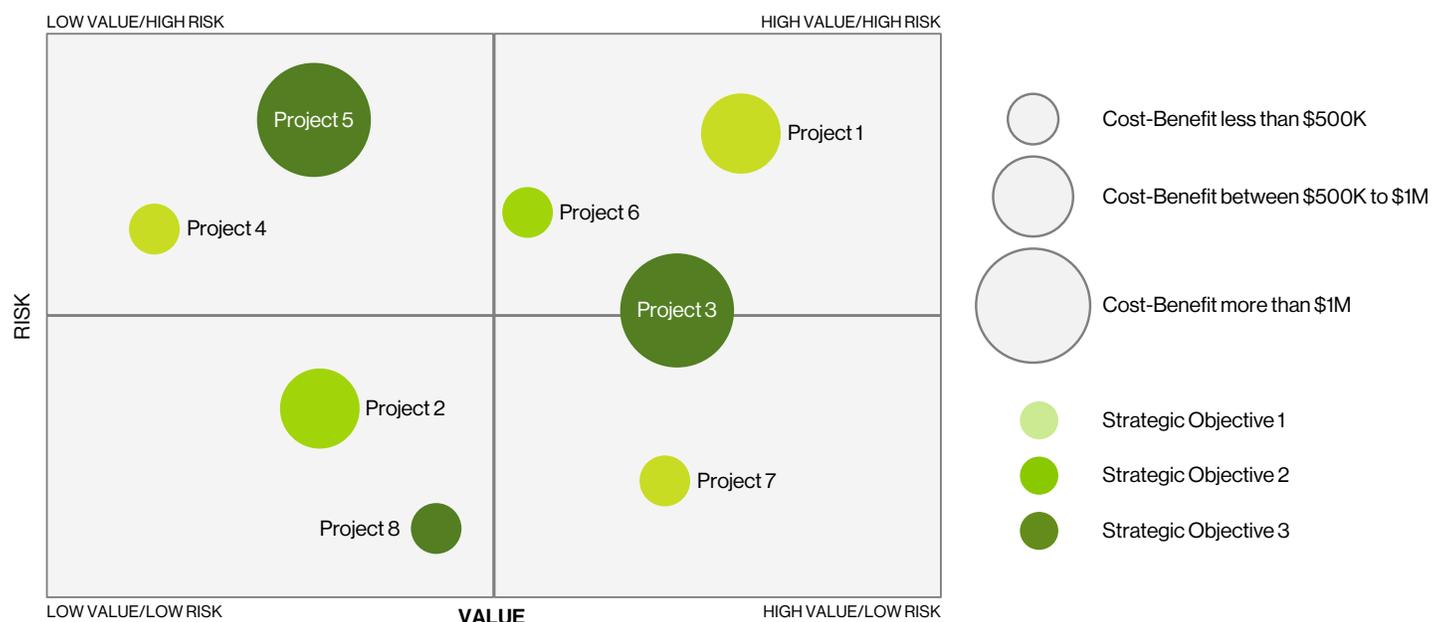
Similar worries were highlighted in a Harvard Business Review study during the 2008 recession.³ According to research into 4,700 public companies, those that were too focused on removing cost or too aggressive on growth initiatives were among the least likely—21%-to-25%—to gain market share. Those companies that emerged as market leaders found the elusive balance between cost savings and growth levers. As companies look to make decisions on capital allocation and prioritization, there are a few approaches to consider:

Reestablish Portfolio-Prioritization Criteria: Once future digital needs are crystallized, leadership should reexamine decision criteria to ensure alignment with the organization's vision and strategy. The digital portfolio criteria should aim to balance strategic initiatives that are growth- and cost-driven, against those based on risk and regulatory pressures. Build a multi-dimensional scoring model for prioritization (Exhibit 2) that can factor cost benefit, risk, and business/customer value.

Exhibit 2

Rule-Based Approach in Scoring Factors for Prioritization

A risk-value bubble chart can help identify any tradeoffs between risk and value. The bubble size often represents the financial cost-benefit or return on investment. A simple example is shown below.



3. Ranjay Gulati, Nitin Nohria, and Franz Wohlgezogen, "Roaring Out of Recession," Harvard Business Review, March 2010, <https://hbr.org/2010/03/roaring-out-of-recession>.



Refresh Roadmap: COVID-19 has likely driven business strategy changes, making this an important time to re-evaluate digital projects and their underlying assumptions. Companies should refresh their roadmap to consider the revised prioritization criteria, adjust revenue and adoption estimates, and reconsider product launch timelines and go-to-market strategy. The shift to remote working, reliance on digital tools, and increased use of digital channels will likely continue post-pandemic and should be factored into future product roadmaps.

3. Realign Organization

The pandemic has increased the pace of change, forcing companies to make quick and impactful decisions with respect to remote work and the need for virtual collaboration.

Executive Checklist

- ❖ Do you have a technology roadmap that aligns with business strategy, gives a clear view of value, and a glidepath of how you will get there?
- ❖ Do you have a governance that can adapt and respond effectively to changing market needs?
- ❖ Do you have a team structure that is cross-functional, nimble, and spans across the organization to make decisions and operationalize in an agile way?

As companies adapt to new ways of working, they should establish clear roles and responsibilities when mobilizing teams. Key areas to consider:

Stakeholder Alignment: Successful implementation of cross-functional digital initiatives starts with establishing clear alignment between disparate stakeholder goals and objectives. Companies often struggle with digital delivery as stakeholders have competing product visions and priorities. Such conflicts may be exacerbated by the lack of continued stakeholder involvement when operationalizing product vision into a robust product strategy.

Additionally, establishing clear governance and change management processes to socialize ongoing changes may help bridge expectation gaps across all stakeholders and ensure ongoing strategic alignment to organizational goals.

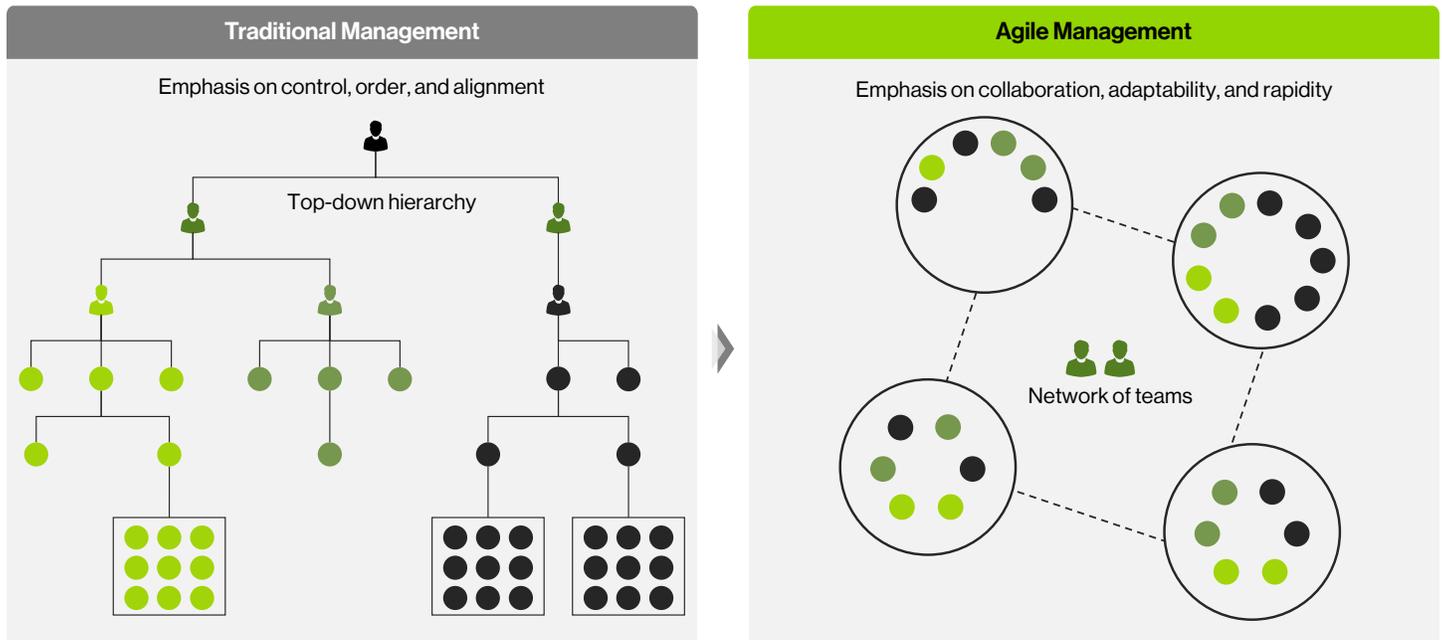
Enhance Agility: During the crisis, companies were forced to adapt operations and make quick decisions to serve anxious customers. One of our largest insurance clients created a small focus group of senior executives, across functional teams, to plan how they can help distressed customers. Within weeks, the group put forth recommendations for operational teams to institute swiftly. Such small, nimble teams across the organization have often made impactful progress during the COVID-19 emergency.

Digital project portfolio outcomes often depend on external factors such as changes in marketplace, technology, and consumer behaviors. Agile organizations characterized by a network of teams (Exhibit 3) can generally respond effectively to continuous changes, whereas traditional organizations are often rooted in a siloed, top-down structural hierarchy.



Exhibit 3

Agile Organization Structure *emphasizes interdisciplinary functionality and enables action, as resources can adapt quickly to changes in the marketplace.*



Double-Down on Customer: Customers expect personalized interactions and frictionless experiences—undesirable interaction can quickly lead to customer erosion. Companies should strive to build processes that obsess about learning from customer interactions and fix the bad experiences. Allow product teams to continuously gather customer feedback and co-create products or services to refine experiences. Developing a healthy obsession about customer experiences can help enable companies to go beyond what’s normal.



Conclusion

Embrace Bold Initiatives

This is no time to maintain the status quo—competitors and new market entrants are nimble and hungry, and inaction will cost market share, customers, and revenue. While COVID has likely shifted organizational strategy, companies should refresh their forward-looking approach with respect to digital investments and priorities. We have identified the three strategic areas to reimagine digital portfolio needs and develop strategies to drive digital change during and after the crisis. While the crisis will inevitably end, the underlying changes in employee and consumer behaviors are likely here to stay and present an opportunity to embrace bold initiatives.

How Guidehouse Can Help

Guidehouse understands the organizational challenges attributed to shifting markets, evolving digital technologies, and dynamic consumer behaviors. Guidehouse has unique insights into how leading companies address the most difficult challenges and helped them craft well-informed yet daringly innovative strategies enabling our clients to challenge the future with conviction.

Guidehouse's dynamic team of financial services transformation consultants and industry experts help financial institutions identify, manage, and implement solutions that align to their strategic goals and objectives. Whether it is pursuing process improvement opportunities, designing effective organizational models, or solving myriad other potential issues, Guidehouse ensures that best practices are implemented, and the organization is positioned for success in the short and long term.



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About Guidehouse

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