

EMBRACING TECH IN FINANCIAL SERVICES EPISODE: INNOVATION: 1% INSPIRATION AND 99% PERSPIRATION

TRANSCRIPT

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Tim: It's one thing to have an idea, but the greater challenge is to successfully execute, test, and scale. Today I'm joined by expert guests Harshu Deshpande and Craig Ridley as we look at innovation in business.

Presenter: Welcome to Embracing Technology in Financial Services, a podcast brought to you by Accenture. In this series we will hear from experts to uncover the latest in technology and trends in financial services. Now, here's your host, Tim Broome.

Tim: Good day, everybody, I'm joined again by my podcast friend, Harshu Deshpande who leads the Accenture Liquid Studio.

Harshu: Hey Tim, how are you going?

Tim: I'm good, how are you?

Harshu: Good to be back.

Tim: Yet again, full time.



Harshu: Yes, that's right. Making a habit of it soon.

Tim: Awesome, and also joined by financial services managing director Craig Ridley. So, recently Craig and I teamed up in a work-sports event, which seemed to have a bit of a fallout. How are you feeling?

Craig: I'm feeling likewise, better now. But 48 hours afterwards I certainly had the same aches and pains, but not quite to the same extent of a few of our fellow colleagues, Tim, that were a bit worse for wear.

Tim: Yeah, so shout-out to poor Michael Are who's got a ruptured Achilles tendon.

Craig: Oh, that's commitment there for you.

Tim: Commitment to the cause, absolutely. All right, so topic for this week, the very very broad topic: innovation. I want to explore what we think innovation means, how we think innovation has changed and evolved over the years. I mean, if we look back a few years, what people meant by innovation then is very different from what innovation means now. But, before we start, bit of a quiz question for you.

Harshu: Oh, I like quizzes. Can we decide the buzzers?

Tim: You've got bing, you've got bong.

Tim: All right, there's a quote which has a link to innovation, "Genius is one percent inspiration and 99 percent perspiration." Who said that?

Harshu: Einstein?

Tim: He's attributed to it, but it's not-

Craig: Hang on, where's his bing? Disqualified.

Tim: So you're disqualified. Craig-

Craig: Bong.

Tim: Who made that quote?

Craig: Einstein.

Tim: No! Thomas Edison.

Craig: Ah.

Tim: All right look, there's a reason that I raise that point. It was about genius, it wasn't about innovation, but I think there's a very very important connection between inspiration and perspiration, and how do you take innovation from an idea to an executed solution. Which then leads to the next question. The global innovation index, where is Australia currently placed?

Craig: Number 19 I believe, Tim.

Tim: Thank you, Craig, and Harshu, do you know the balance of the input versus output side of things?

Harshu: Can I guess it's roughly half, input versus export? As in, export is half of input?

Tim: Yes, yes. So, input scored 11, output scored 31, as in ranking.

Harshu: Hmm.

Tim: Which clearly shows within Australia, we're good at generating ideas, but we don't have the strength to execute. So, Craig, I know you've done a lot of research around innovation, what do you think the cause of that is?

Craig: Look I mean, in its basic form innovation I sort of see as change that adds value. Or to put it another way, it's the difference an idea and innovation, is execution. So to your point, we're all great at generating ideas, there's no shortage of ideas, but it's bringing them to life, it's that execution component. How do you take an idea, see it through, implement it, scale it, and derive benefit? I think that's where our challenge is, it's not in the idea, we're a nation that can generate great ideas. We've proven that over and over again.

Tim: Okay so, Harshu what's your experience with that?

Harshu: Yeah, I've got a similar opinion to Craig, and I think one of the challenges we're finding right now is what I call the bookends to innovation, right? You've got a great set of ideas, but then how do you fill those ideas to find the diamonds in the rough? And the second part is, once you've got the idea, you've built a proof-concept, you've trialed it out. How do you hit that scale piece? And I think most cases, we get really good at trying out ideas, and they get a lot of success initially. But then that scale piece is where we really struggle. I think that's been a big challenge for a lot of organisations in Australia, specifically.

So, if you look at all the excitement that was built up over the last three to four years, everyone was really excited about the whole innovation agenda, changing the way that we're doing lots of work, generating lots of ideas. But then, a lot of those ideas really in the last three to four years, haven't really made it to the end goal, right? They haven't made it to production, they haven't made it to the end customer. So, I feel like that's the part that's again been lacking for us, it's not so much the ideas as you said, Craig. Generation of ideas has always been great, but then taking them to execution is where they actually fail.

Tim: So, the scoring behind the whole innovation index and one of Australia's top scores was for education research, rank number three. Now, that's three in the world, that's pretty impressive. But then, when it came to education or tertiary organisations, connections into industry, we scored in the fifties. And that just shows, there's a big disconnect between how we generate the research we do, and what happens next. Harshu?

Harshu: Yeah, I absolutely agree. I mean, if you look at the field of Quantum Computing right now, you look at Australia and where it stands in terms of research, and what's coming out of the US cities. You find there's a big amount of new research coming out, there's a lot of patents that were developing that are really world-first, in leading the way globally. Just given our size, and the size of our uni's, you look at [Michelle Simons](#) who won the Australian of the Year, I

think it was last year or the year before. She's been leading the world in terms of Quantum Computing and doing the research there. But then that translation to our organisations adapting, or adopting that technology, has been very limited.

You look at what's happening in the US and European markets right now, a lot of companies are starting to look at what does Quantum Computing mean for them, as the next step? Perhaps not in the practical sense but looking at what are some of the changes they might need to make to their business. And really, in Australia, there aren't any organisations that I can point to and say, "Well, they're already starting to look at what that next wave of research that's going to come through, is going to apply to their business." And I think I agree with you, and that's the big gap right now is the connection between universities, and the actually industrial sector has really been missing at the moment.

Tim: So Craig, does the public sector deal with that issue? Does the private sector deal with that issue? Because it almost seems that we've got the two factors that are sitting next to each other, that aren't quite connecting. Who do you think takes the lead in addressing that?

Craig: Look, I mean I think we're starting to see the private sector try and step in to create that bridge. We're seeing associations, or linkages start to form between business and some of those research bodies. Whether they be tertiary, whether they be the CSIRO. Things like CSIRO, their establishment of data 61, is a spin-off unit to try and get that closer linkage to private enterprise as a way to try and bridge that gap a bit. I mean, we're even seeing it in the space of in our financial services context, with FinTech. I mean yes, it's FinTech that want to disrupt, but it's FinTech that want to aid. And for those that want to aid, we're seeing accelerators, we're seeing FinTech programs come up. The bank's insurers are partnering in, so that they can try and get that collaboration between idea, and the big stone wall that is enterprise, the big scary beast. To try to break those down and get the collaboration working.



Tim: So do you think that the regulatory environment hinders the growth of the FinTech? And the reason I'm saying that, if we look at something like open banking, we've seen a perforation of companies who have the potential and can acquire some of the data, and do exciting things with that data. But they then hit a point where they considered the same level as the big bangs, and then the same rules apply, and then they don't quite have that nimble ability that they had before.

Craig: Look, I think the regulators are making a great effort at trying to create the environment to foster innovation, whether it be the sandbox environment for FinTech, whether it be working with the government to try and create things like the open data regime. But then also you've got also sorts of activities that they're supporting, they've got outrage programs for startups, to get them to try and find a fast path. We're seeing them reduce the barriers to entry into the industry by creating restricting banking licenses to get out there try.

Tim: Okay.

Craig: So I think in general, my view is the regulators are trying to create that environment. And I think in many instances, we're sort of seeing that work. Is it perfect? Would every FinTech or every startup say, "Hey, the regulator's in my corner, shouting for me"? No, because they've still got an industry that they need to regulate.

Harshu: And if you look at open banking as an example here, I think we've learned some pretty valuable lessons out of what's happened with the UK's open banking limitation.

Craig: Yeah, absolutely.

Harshu: And applied and improved, in many ways what that implementation looks like and how that should be rolled out. Yes, that's been delayed by six months or a year or so, but I think we're still keeping pace with what's happening globally, and really leading the way in terms of some of the stuff that we're trying to do. You

look at the next wave of regulation that's coming up, which is around open energy and open Telco, again we're leading the way around how some of these open standards are set up, such that we can allow better competition in the market, across a number of different industries. And I think, the regulatory environment I agree with you is absolutely trying to lead the way, and set up the right balances in place to encourage, and foster that innovation, as well as keeping the ecosystem honest.

Tim: Okay, so if we went back maybe five, possibly ten years, if we were talking innovation then, I think it would be a completely different conversation now. Craig, you mentioned the FinTech's, if we look at the FinTech landscape now to ten years ago, it's almost chalk and cheese.

Craig: Yeah.

Tim: What do you think was the trigger?

Craig: Look, I think in general the barrier to entry is just been reduced significantly. And there's two sides, one is on the business side, so whether it be, it's sort of saying the availability of restricted banking licenses, and so on. But also very much on the technology side, access to computing power through cloud, rapid development. Some of those sorts-

Tim: Yeah, absolutely.

Craig: -of techniques that we're starting to see now. You know, artificial intelligence, the ability to use some of these technologies that just used to be out of the everyday reach of somebody that had a good idea.

Tim: And I think behind all of that, is cloud. And it's the ready-availability. I think you mentioned a compute now, it's just meant that idea that would've taken a million dollars to get off the ground, now takes 100 dollars. And it's just made it so simple for anybody with a bright idea to actually make that bright idea real.

Harshu: Yeah, if you also look at it's not just the



cloud, but the ecosystem that's built around it. You know, if you look at all the softwares, and service stacks that are now available, that can almost create a banking in a box concept. Where you're leveraging a package application suite, of products, to really get yourself off the ground much quicker. It used to take us a long time to procure hardware, install the software, then customise the hell out of it to get it to work. But now, you're very much relying on the capability that's already built and out of the box. We need to be able to set up a vanilla bank, or vanilla product set. I think that capability is not just cloud, but also the software stack that's now available, that's really encouraged that type of speed to market.

Tim: Yeah, absolutely.

Craig: And I think also, I mean the other piece we'd call that is consumer expectations have fundamentally changed in that period. It's that consumers are now prepared to say, "You know what? This is an MVP. This is seeing a product, it's early stage, I'm prepared to give it a shot to see if it meets my needs." Five-ten years ago it was a case of, "Well, before I launch anything, the only way somebody's going to accept it in the market, is a fully-fledged, beautiful polished, with a bow wrapped around it ready to go."

Tim: Yeah, yeah.

Craig: And people are prepared to accept something that's- and even getting BETA programs these days.

Tim: Mm-hmm (affirmative).

Craig: You know, get in early. We saw that with hot-banking as it released, people were applying well in advanced of its launch. We want to be the first hundred customers to give it a shot.

Tim: And even the proliferation of mobile devices, if you think five-ten years ago, if you wanted to demo a solution, you would have a big investment of what that'll look like. Now, people expect to not necessarily even pay for the app that they're going to use, they'll get the

free version of it, they'll have a play with it, then if they like it, they'll buy. So, people want access to something quickly to experience, before they're actually willing to put the money on the table. That's a big shift from ten years ago.

Craig: Hmm, also segmentation, right? I mean a lot of people are now quite used to going to a specific service or provider, just for one service, but that service is done really well. So this whole one size fits all market it kind of moving away and we're starting to see a lot of companies try to target a specific consumer segment or a specific target in part of the market. And really kind of nail that and create a product service offering that's very unique in that market, it really differentiates themselves. And I think that's what's happened, was look at expectations in the past, you had one bank that you'd bank with, you had one telecom provider that you provided mobile phone plans with, that would be the same provider that provider your internet plan at home. So, that whole one size fits all, consumers just have a different expectation now of what they can acquire.

Craig: And the second thing is also the source of inscription-based economy, right? Is the ability for you to switch back and forth between providers, whenever you want to. It's something like open banking that's really going to open that up because previously you would've had the one bank for 20-30 years. Whereas now you could technically switch banks in three to four months, or less, as soon as a new product or a service offering comes up.

Tim: And Harshu, with that easy switching that you mentioned, I think behind that there's been a push of innovation labs, structures within the banks to try and create those capabilities. How successful do you think that's been?

Harshu: You know, I think in many ways the banking sector's very similar to the other sectors in the Australian market. I think it's been a bit of a journey for all of us, trying to work out what's a good model that would work for innovation, and also as you mentioned, Craig, innovation at scale. So, how do you take not just the one or two ideas, but a regular quorum of ideas through



the whole process, and then really build them up to scale. And if you look at three to four years ago, where most of the innovation that was focused on, they really focused around trying out new, emerging technologies. And they were really just testing out the technology aspect, not the business aspect, not the... What the customer would expect.

Tim: Yeah, it was a big learning component.

Harshu: Absolutely, so nowadays when we look at innovation we always talk about this analysis we do called DFV, so it stands for desirability, feasibility, and viability. So, whenever you look at new ideas that come up, you always need to look at them from the lens of, is this desirable to the end customer? Is this viable, from a business standpoint? And then, is it feasible from a technology standpoint? I think where most of that really focused on last, kind of three years, was really around that feasibility aspect but then they missed out the other two, and I think what we're now starting to see is a bit of a shift in the market, where everyone's trying to focus on not just the prototype, but also burning out that business case, looking at customer testing and where this is actually desirable for the end customer. And then, creating the whole package and looking at rolling that out into production.

Harshu: And I think that's just the maturity curve of where each of the labs is been in, from an establishment phase, now to a more mature phase.

Tim: Okay, and Craig on the venture side of things?

Craig: Yeah look, I mean I think in some regards the jury's still out around the venture funds, I mean there's been failures and there's been successes. National Australia Bank has had its venture fund for a number of years now. They've topped that up, and only in the last week or two did they get their first successful exit from that. But I think more so than just the exit, what the venture fund is enabling our financial services clients to do, is to get very

close to some particular startups. And that gives them unique access, priority access to getting to testing the technology, and the particular offering, and see if that's fit for purpose. So, they're using the venture funds for multiple purposes, test and learn, get close. But also, where's the exit? And where can we make a return on that as well? So, I think we've seen both ends of the spectrum so far, here locally in Australia.

Tim: Okay, and Craig how do you feel with the amount of investment coming into the Australian market, versus what you're seeing overseas in Europe of the US?

Craig: Look, it's interesting, right? So, for the right idea that is beyond just an idea, but it's got a product, a prototype at least there. There is the available venture capital funding here in Australia, but I think the funds that the bank's got here, they're not necessarily just investing in Australian startups.

Craig: So, they're looking locally but they're also looking abroad. The funding I think is there available for the right idea.

Tim: Okay, I want to do a little bit of a jump now. We've talked about the ideas, the ability to generate ideas, the challenge of getting that into production. And then even as a slightly different challenge, how do you scale? And I want to just pivot to the Accenture innovation framework, because that was almost set-up to address this challenge. So Harshu, can you just give us a bit overview of what the components are of the innovation framework?

Harshu: Yeah, so Accenture for a number of years used to have Accenture labs, which were very much R&D focused labs. Which were looking at technologies that were four to five years out, that are still early days but something that needs to be tested out, and tried out. And these labs were set up across the globe. What we found was that, again as Craig pointed out, that venture's ecosystem. Which is a lot of startups, niche players in that market that are really creating some brand-new amazing ideas, but don't quite have the potential to understand



how to scale. Particularly in the inter-price side of the market, we found that was a big gap in that market that we could actually play a part in extension.

Harshu: Therefore, we set up an extension venture's arm that really looks at investing in these startups upfront, not just in the terms of capital but also helping them really accelerate that growth. And apply a lot of the stuff that they would struggle with, things like security, things like compliance and regulatory checks. To be able to allow them to go into an enterprise market. And then, the other gap in the market was the labs were great, but they were peppered around the globe in a few locations. But a lot of the innovation that needs to be done now, needs to be done at coalface.

Harshu: And we found that that was a big gap in our architecture, so we set up these networks of Liquid Studios across the globe. There's 25 of them that have already been launched, there's two in Australia; one in Sydney and Melbourne. And really, the idea was to take not just the ideas that are four to five years out, but take the idea that are this year or the next year, and help clients co-create these ideas. From the initial idea point to do a scale piece, and really help them accelerate and test out these ideas very rapidly.

Harshu: And then for the scale piece, as Craig was talking about before, what we've now done is also set up these things called innovation centers and innovation hubs. Which are really taking these ideas that are developed in places like the Liquid Studio, and scaling them at a much higher, or greater level. And as an example, in Bangalore right now there's an innovation center that's set up, it's got seven stories, and there's a level for each industry. And the top of it sits the Liquid Studio, as well as our Fjord service design, and design capability. And really the idea is you can go into that center and develop an idea that works across industries, or you want to start heading scale. I think that's been a bit of a journey for Accenture as well, and developing their architecture, and looking at not just the initial ideation portion, but also the scale portion and all the bits in the

middle.

Tim: Okay, and Craig what's your experience being of... I know you've been embedded in parts of that, how's it been?

Craig: Yeah, look I'm going to think, whether you're starting with, what's the opportunity? What's the idea? From Accenture research, all the way through to the innovation centers. The architecture's designed in a way that you can drop in at any point, and progress. And where we see the real value of it, is when you bring all those component parts together. You bring the research, you bring the service design, the Liquid Studio, and then into the innovation center. And we've got a number of those major innovation hubs around the world, I had the pleasure about eight months ago to spend some time in our center in Dublin, named the Dock.

Tim: Okay.

Craig: And when you see that all come together, multidisciplinary immersive environment, with our clients and our people, just working there to solve a problem, prove who they are and work out how to take it beyond. Yeah, that's where the magic really happens.

Tim: I've experienced the tower that you talk about in Bangalore, I've experienced that. It's a fantastic experience, you learn so much about what's happening. Within hours you're totally immersed, you get to understand what's happening in the industry, you get to see things that are coming over the horizon, that are actually ready to use. So yeah, it's been a great experience.

Harshu: And, Tim, if I could just add, the way we've always looked at it, we just talked about it before is everyone thought about just the tech component of it, it's really important that we also bring, also you talked about Craig, bringing those other disciplines in. If I gave you a simple example, and everyone's experimenting right now outside of the banking industry, and things like wearables. And you know, wearables are great to deploy-out, but then what do you do in



terms of training your workforce? What do you do in terms of compliance? What happens when the wearables fail? Who's going to maintain these devices? Even something as simple as, who's going to fix these devices when they break down? Or who's going to charge them?

Harshu: A lot of these things, that's where innovation fails, it's not the part where you can test out, and build out your idea.

Tim: Yeah, yeah.

Harshu: And the great bit of tech, it's the scale piece where you have to really solve all these things in a similar manner, that's where it fails. And I think bringing all those types of things into it, as part of your innovation architecture and process is just as important.

Tim: That's fantastic.

Craig: And I'd sort of say, our Accenture labs team have a stage methodology. So, they may have an initial idea, testing a hypothesis or a new technology, but as it works throughout the subsequent stages, there has to be a certain level of business sponsorship that exists. So that is can last beyond just being an idea, and it has that ability to scale, integrate into an enterprise. And I think that's the key to making innovation successful, it's taking it beyond the idea and how do you integrate it? And getting that sponsorship early in the main organisation is what will help.

Tim: So, Craig, that's a great point to end on, you've mentioned the importance of executive sponsorship, and really taking that idea and making sure there's the support behind it to move it forward. And Harshu, you gave some great insight around the depth that we've gone in research, with our struggle that we get in moving it onto the private sector, being able to engage and retake those ideas forward. So, it's really really interesting information, and I think this innovation is an idea is not going to end. We're all going to evolve and learn more as we progress.

Tim: But really, that's all we've got time for this week. So, I really appreciate your time. Harshu, thank you very much.

Harshu: Thanks, dude.

Tim: And Craig, thank you.

Craig: Thank you very much.

Tim: So, if anybody wants to hear any more on this topic, or you want to explore this further with us, please feel free to reach out to myself, Tim Broome, Harshu Deshpande, or Craig Ridley. We're all available on LinkedIn and we'd love to hear more from you.

Tim: Until next time, thank you.

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