INTRODUCTION

RAPID DISRUPTIVE CHANGE DEFINES OUR TIMES

Banks that master change – capitalizing on it while others succumb to it – are more likely to thrive in an uncertain future. Our survey identifies these change leaders, and reveals what they are doing to lead in the new digital economy.

In many ways, over the past 10 years, change in banking has felt like a tough endurance cycle race. After decades of relatively stable business models and high returns, the global financial crisis marked the start of a prolonged period of regulatory, political and cost pressure. These pressures have been felt differently in different markets. For instance, returns in Canada and Australia have remained relatively healthy, whereas banks in the UK and the US have faced significant pressures. The disruption has been amplified by innovation in the wider financial services ecosystem: the maturing of fintech; the growth of niche value-chain players like Lending Club, TransferWise and PayPal; and the emergence of challenger banks such as Atom, N26 and Starling – although none, as yet, has achieved a breakthrough at scale.

The race is starting to speed up, as the pressure intensifies and banks realize their responses to it will determine their future prosperity.

In the last couple of years, while cost reduction and regulation have remained considerable challenges, banks have started to shift their attention to more customer- and growth-focused change. In particular, banks have started to leverage new digital technologies to enhance the customer experience, while simplifying the inside of the bank to reduce costs and risks. The pace of this change varies by market. In Scandinavia, for example, universal connectivity and rapid consumer adoption have allowed banks to move more assertively toward digitization than their US counterparts, which still have to deal with large volumes of checks and cash, plus a more complex regulatory framework.

The upshot of all this is that most banks are exploring – or shifting toward – new business and operating models that are more fragmented and have more of the features of an ecosystem than the traditional vertically integrated bank that seeks to capture the full value chain and be all things to all customers. This is understandable. There are many examples, in financial services (FS) as well as other industries such as travel (Airbnb), media (Netflix), transportation (Uber), retailing (Amazon) and music (Spotify), of well-established incumbents being swiftly unseated by innovative newcomers, often operating more focused, digital and asset-light business models. Accenture believes there will be a growing diversity of banking models over the next decade, but that four primary models are likely to succeed in the retail and commercial sectors (see “Winning in the Digital Economy”).

Like the moment in a long-distance race when the peloton breaks up, there are some banks that are now accelerating away from the pack. Their ability to manage change effectively is a key differentiator, allowing them to put space between themselves and their rivals.
To gain a better understanding of the state of change in the industry, and how banks are tackling change, we commissioned the FS Change Survey. The most important finding is that there is a small group of banks that are more committed than their peers to change, are better at it, and are achieving significantly better change outcomes and commercial performance.

These change leaders, as we call them, have a culture that embraces innovation and transformation. This makes them more agile and better able to manage continuous, rapid change. Like in a long-distance cycle race, as the race speeds up the disruption initiated by these front-runners will eventually cause the chasing peloton to break up. Those not able to adapt and keep pace will slip off the back and out of contention.

Other key results of the survey include:

1. Banks are increasing their investment in change programs. Internal and external drivers are focusing these programs on cost, the customer experience, digital and regulations.

2. The change leaders have a well-defined digital strategy, a clearer vision of the changes that are needed, and greater leadership commitment to making them happen.

3. Change leaders have a sharper focus on the human factor and the role of a supportive culture in successful change.

4. They also have a significantly greater, more professional change capability which, together with the other factors listed above, allow them to execute change with greater pace and discipline.

This report describes how banks are rising to the challenge of change and who is breaking away from the pack. The race is getting interesting.
The Financial Services (FS) Change Survey is a global study in which we interviewed 787 senior FS executives who are responsible for developing their organizations’ change strategy and/or implementing their change programs. Of these, 302 represent large banking groups, 292 are insurers and 193 are wealth and asset managers.

While the charts below represent the full survey sample, this report is based on the findings of the banking interviews.

A parallel bottom-up study is being conducted using Accenture Change Tracking analytics. That report will be published later in 2017.
As the competitive metabolism of the banking industry starts to increase, the survey shows that banks are taking change increasingly seriously. They are currently investing in all aspects of change, with 53 percent expecting to increase their investments over the next 12 months, averaged across all programs.

A variety of factors are driving these investments (Figure 1). The most important change investment priorities for the industry are:

- Efficiency and cost control
- Customer service and experience
- Risk and regulatory compliance
- Digital technology and channels

In many banks these investment priorities are tightly interwoven, as new digital technologies are used both to improve the customer experience and lower the cost to serve.

Cost reduction is currently a priority for most banks and is the investment category most likely to increase over the next twelve months. This is indicative of some of the short-term pressures on the industry and the stubbornly high cost / income ratios faced by most incumbents in mature markets. Without material change they will struggle to close the gap between themselves and the pure digital banks that have few fixed assets and low running costs.

**Figure 1. External and internal factors driving change for banks.**

Q: What are the most important drivers behind your change programs?
A: Important: 4+5 on a scale of 1 - 5

<table>
<thead>
<tr>
<th>Internal drivers</th>
<th>External drivers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer experience, channels &amp; services</td>
<td>Shifts in customer expectations</td>
</tr>
<tr>
<td>Cost reduction</td>
<td>Technological shifts</td>
</tr>
<tr>
<td>Risk &amp; regulatory compliance</td>
<td>Competition</td>
</tr>
<tr>
<td>77%</td>
<td>76%</td>
</tr>
<tr>
<td>73%</td>
<td>76%</td>
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<tr>
<td>73%</td>
<td>74%</td>
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Unsurprisingly, risk and regulatory compliance is another change priority. Eighty-six percent of banks are investing in it now, with 55 percent expecting to increase their investment. Eighty-five percent of executives believe their strategic change portfolio is inhibited by the need to invest in regulatory change. While this is true, the regulations do serve to protect the incumbents. In the UK, for instance, a number of new banks have acquired banking licences but large entrants from other industries – especially the GAFA (Google, Amazon, Facebook and Apple) – do not want the regulated balance sheets, FS returns on equity or individual executive accountability (including personal liability) that come with being a bank.

Despite the burden of mandatory change, 84 percent of banks currently invest moderately or significantly in new digital technologies and channels, and 61 percent expect to increase their investment soon.

Among the digital technologies rated as most important for transformation are big data and analytics and mobile banking, closely followed by cloud, social, the digital ecosystem, blockchain and robotics (Figure 4).

Almost all of these priorities either did not exist or were nascent five years ago, indicating the accelerating rate of change in the banking industry.

One of the most striking findings regarding banks’ change investments is the demand for more rapid payback: 79 percent of respondents said their shareholders expect change programs to deliver the targeted benefits within 18 months or less. Clearly, the days of elongated multi-year programs with back-loaded benefits are long gone, a fact which change leaders appreciate more than other players.

“Mobile is a priority. Four years ago, we didn’t have a single mobile banking customer; we now have around eight million people who use nothing else.”
Peter Hayes, Director of Group Change Management, Lloyds Banking Group
Figure 3. Growing investment in change.

Q. Do you expect investment in these programs to change in the next 12 months compared with the past year?

<table>
<thead>
<tr>
<th>Category</th>
<th>Increase</th>
<th>Maintain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better efficiency and cost control</td>
<td>67%</td>
<td>27%</td>
</tr>
<tr>
<td>New digital technologies and channels</td>
<td>61%</td>
<td>32%</td>
</tr>
<tr>
<td>Better customer service / experience</td>
<td>57%</td>
<td>36%</td>
</tr>
<tr>
<td>Risk and regulatory compliance</td>
<td>55%</td>
<td>39%</td>
</tr>
<tr>
<td>Product and service innovations</td>
<td>50%</td>
<td>42%</td>
</tr>
<tr>
<td>Changes to workforce / organizational structure</td>
<td>50%</td>
<td>37%</td>
</tr>
<tr>
<td>Replacement of legacy systems</td>
<td>47%</td>
<td>41%</td>
</tr>
<tr>
<td>Workplace transformation</td>
<td>44%</td>
<td>43%</td>
</tr>
<tr>
<td>Preparations to enter and service new markets</td>
<td>42%</td>
<td>43%</td>
</tr>
</tbody>
</table>

Figure 4. Banks’ prioritization of digital.

Q. How important have these digital technologies been to the delivery of your change programs?

<table>
<thead>
<tr>
<th>Technology</th>
<th>Very Important</th>
<th>Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile</td>
<td>32%</td>
<td>36%</td>
</tr>
<tr>
<td>Big data / analytics</td>
<td>30%</td>
<td>37%</td>
</tr>
<tr>
<td>Cloud</td>
<td>23%</td>
<td>29%</td>
</tr>
<tr>
<td>Social media / collaboration</td>
<td>18%</td>
<td>35%</td>
</tr>
<tr>
<td>Digital ecosystem</td>
<td>16%</td>
<td>34%</td>
</tr>
<tr>
<td>Blockchain</td>
<td>14%</td>
<td>30%</td>
</tr>
<tr>
<td>Robotics</td>
<td>12%</td>
<td>29%</td>
</tr>
</tbody>
</table>
With constant and increasing change, leaders are defining the new paradigm in banking. Approximately 10 percent of the firms surveyed are achieving significantly better results from their change investments, and report markedly better commercial performance as a result.

While their change investments do not always deliver all of the expected benefits, change leaders are significantly more successful than the rest of the industry in achieving the desired results. All agreed or strongly agreed that their organization had received benefits from their change programs (Figure 5), compared to 72 percent for the rest of the banking respondents. Thirty-three percent of leaders achieved 76-100 percent of benefits and the remainder achieved 51-75 percent.

This compares to 14 percent and 35 percent, respectively, of their peers, 41 percent of whom said they had achieved 50 percent or less of the targeted benefits.

Change leaders are also more likely to boost their commercial performance through change (Figure 6). For instance, in cost reduction and efficiency programs, 71 percent reported better performance compared to 67 percent of their peers. The same pattern applies to all other change investment categories except product and service innovation; the biggest differences between the change leaders and their peers are seen in improvements to new digital technologies and channels, and customer service.

Clearly, change leaders are doing something different and getting better results. What is it that differentiates them?
Figure 6. Change leaders are more likely to achieve the benefits they set out to achieve.

Q. Did your organization achieve the change benefits it was targeting?  
A. Yes

Q. Did your organization improve its commercial performance as a result of its change programs?  
A. Yes
WHAT MAKES CHANGE LEADERS SO MUCH BETTER?

Three main factors appear to be at the root of change leaders’ greater success.

Firstly, they have a well-defined digital strategy, a clear vision of the changes that are required to implement this strategy, and a leadership that is committed to the successful execution of these changes.

Secondly, change leaders foster a culture that embraces change. They harness the passion and drive of their people, enabling the organization to be more agile and responsive to its customers and other market forces.

And thirdly, they have a more professional and effective change capability that delivers the required change outcomes and performance enhancement.

Together, these factors help them execute greater volumes of change at a faster pace and with stronger disciplines.

Figure 7. Change leaders are more strategic in their approach to digital.

Q. Do you agree with the following statements about your organization’s digital strategy and capability?

A. Agree + Strongly Agree

- We have a cross-enterprise digital capability: 92%
- Our digital strategy is long-term: 83%
- We have focused our digital capability in a specialist internal unit: 83%
- We partner with digital innovators & fintechs to accelerate transformation: 81%
- We have carved out a ‘challenger’ bank from our traditional business: 67%
1. STRONGER VISION AND LEADERSHIP WITH A CLEAR DIGITAL STRATEGY

Change leaders in banking are far more likely to take a strategic approach to digital (Figure 7). They are more likely to have a long-term strategy (83 percent vs. 62 percent) and to partner with digital innovators and fintechs to accelerate transformation (81 percent vs. 52 percent). They are investing more in new types of change across all aspects of digital, and they are innovating more in a more coherent way.

For these leaders, innovation and digital are core to their business. A greater proportion of them have carved out a ‘challenger’ bank (67 percent vs. 43 percent) and set up a specialist digital capability (83 percent vs. 58 percent), and they have been particularly successful in spreading their digital capability across the organization (92 percent vs. 54 percent). They have gone from ‘digital on the side’ – as something to be experimented with – to ‘digital at the core’ of their business, at scale and generating real value today.

This entails significant transformation. Change leaders acknowledge this, and all say they have a clear vision of what is needed over the next three years – only two thirds of other banks can say the same (Figure 8).

Their change vision is not a source of rigidity. It stems from a very clear strategic purpose and view of what the business is there for. But because it is re-evaluated continually and amended frequently, it provides direction rather than a fixed destination, and serves as a constantly renewed source of inspiration. The importance of vision and direction is confirmed by Accenture’s extensive Change Tracking study, which has interviewed more than a million employees involved in change initiatives and has found that together these factors have a three- to fourfold greater influence on the realization of change benefits than any other.

Change leaders, unsurprisingly, have significantly stronger change leadership at all levels. Programs are more likely to enjoy the sponsorship of senior executives (92 percent vs. 65 percent) and the support and commitment of team leaders (75 percent vs. 62 percent). This latter finding is particularly important. Change Tracking consistently shows that change leadership at all levels (not just the board) has the highest correlation to business performance during periods of transformation.
2. FOCUS ON THE HUMAN FACTOR

Change leaders know that people are the key to unlocking the full potential of change and have created a flexible, responsive culture that is capable of adopting and sustaining transformation. Employees at all levels of the organization have positive attitudes to change (Figure 9). Eighty-four percent of change leaders’ employees are optimistic, or engaged and motivated about change (vs. 62 percent for their peers). These banks handle more change and achieve better results – 75 percent of change leaders say their organization thrives on fast-paced change (vs. 48 percent for peers), a finding that is consistent with Change Tracking’s findings.

Eighty-nine percent of change leaders are sensitive to employee engagement and performance as an internal driver of change (vs. 68 percent of other banks). They invest a little less in the workforce (28 percent vs. 31 percent) but more in transformation of the workplace (25 percent vs. 21 percent), and are growing these investments to improve the employee experience, enhance human-machine collaboration and raise performance.

This focus on the human factor is critical, as people can be one of the greatest barriers to change; Accenture’s Change Tracking research shows that five of the top seven barriers to transforming and advancing the organization are people-related. Planning or even executing cost-saving or growth initiatives requires the active support of the workforce to realize their full potential. Without emotional agreement and commitment throughout the organization, most people will resort to their old behavior. With a culture that relishes change, builds agility and properly channels people’s passion and energy, anything is possible.

“This if you want a good customer experience, you have to have a good employee experience.”

Maile Carnegie, Group Executive Digital Banking, ANZ

Figure 9. Change leaders’ employees have more positive attitudes to change.

Q. What is the predominant feeling among people in your organization toward change?

Q. Do you agree that your organization thrives on fast-paced change?
A. Agree + Strongly Agree

Figure 10. Completion of change programs on time and within budget.

Q. What proportion of your change programs, completed in the last 12 months, were delivered on time and on budget?
3. MORE EFFECTIVE CHANGE EXECUTION CAPABILITY

Change leaders rate their organization as being significantly more agile than other banks do: 94 percent vs. 55 percent score it 4 or 5 on a scale of 1 – 5. As a measure of their ability to change, this speaks loudly of their current and future competitiveness.

This is supported by other findings that show they are better at executing change. Change leaders complete more of their programs on time and within budget (Figure 10), although being an effective program manager is relatively imitable. More importantly, these leaders truly understand the dynamics and challenges of making transformational change happen.

Almost all change leaders have a dedicated change function, and are developing professional change capabilities and disciplines to help them lead the way (Figure 11). Probed about their change capability, they demonstrate a diverse range of professional change skills and capabilities (86 percent vs. 60 percent), a consistent set of change management methods and tools (81 percent vs. 61 percent), and strong governance and transparency (83 percent vs. 62 percent).

Change leaders are also more likely than their peers to prefer strategic change partnerships to tactically buying support (81 percent vs. 55 percent).

Agile methodologies are key to their change capability – change leaders use them much more than other banks and apply them with more discipline. They use agile for 57 percent of their change on average and are increasingly using it for larger programs.

Change leaders are notably better at making agile work – and they give it credit for better change outcomes, faster delivery of outcomes, better collaboration and innovation, improved stakeholder engagement and greater change efficiency (Figure 12). This is most likely due to the way they use agile, emphasizing frequency and consistency of the basic disciplines such as release planning, participation / prototyping, playbacks, product owners and multi-disciplinary teams.

Figure 11. Leaders have stronger change disciplines and capabilities.

Q. Do you agree with these statements about your organization’s competencies in managing change programs?

A. Agree + Strongly Agree

- We have a diverse range of professional change capabilities & skills
  - CHANGE LEADERS: 86%
  - OTHER BANKS: 60%

- We have strong governance & transparency of change program execution
  - CHANGE LEADERS: 83%
  - OTHER BANKS: 62%

- We use a consistent set of change management methodologies and tools
  - CHANGE LEADERS: 81%
  - OTHER BANKS: 61%

- We increasingly seek strategic change partnerships vs. tactically buying external support
  - CHANGE LEADERS: 81%
  - OTHER BANKS: 55%

- Our change leaders have the data to navigate successful change
  - CHANGE LEADERS: 78%
  - OTHER BANKS: 63%

- Our change teams are centralized
  - CHANGE LEADERS: 75%
  - OTHER BANKS: 55%
Data and advanced analytics also play a key role in change leaders’ capability. They are more likely to apply the insights derived from analytics to make better change decisions. Seventy-eight percent of them (vs. 63 percent of other banks) believe their leadership have the change data and insights to make the right decisions. This, combined with a more agile approach to change, means they can quickly learn and adapt.

While their focus is clearly on financial benefits (81 percent), change leaders also look at a much wider scorecard of success measures than their peers. In particular, they use non-financial goals such as customer service metrics (89 percent vs. 64 percent). This broader approach to delivery measurement – which includes behavioral changes over time – gives banks a better understanding of what is working and helps them inspire workers to embrace continuous improvements and innovation.

“We’re accelerating positive change by placing as much emphasis on team culture and behaviors as we do on performance. We have also strategically brought in different leaders from outside the group, which has opened more pathways and ideas for collaboration across business units.”

Kimberly Miller, SVP, Business Enablement, SunTrust Bank

Figure 12. Change leaders get better results from using agile.

Q: Agile methodologies have delivered the following benefits for my organization.

A. Agree + Strongly Agree
As the disruption of the industry increases, banks face a multitude of choices. Change is inevitable, but the prioritization of change investments is a challenge. At Accenture, we believe banks need to optimize and transform their existing business models while actively exploring new models that will be better suited to the emerging digital economy and will create new value for customers and the organization alike. We call this ‘pivoting to the new’: transforming the core business to reduce costs and maximize growth, and then using the funds released in this way to create space for investments in a new business model and innovative digital ventures. As these new ventures mature and confirm their potential to generate real value, the organization prudently shifts its focus from the core and scales up ‘the new’ (Figure 13).

Whatever change strategy you adopt, your change capability will be critical to the outcomes you achieve and the bank you become. Here are seven steps you can take to thrive in ‘the new’.

1. LEAD CHANGE WITH VISION

Ensure the organization has a clear understanding of the change that is required. If this is lacking, it may be necessary to challenge its existing orthodoxies and explore its future direction. Develop a flexible roadmap for heading in this direction. Strive to deliver outcomes and value more rapidly, and accept that your vision and roadmap will evolve constantly as you learn from your experiences and as the world changes around you. Spend time with leaders at all levels, building their commitment to this vision. And where leadership is weak or trust is broken, take action quickly.

Figure 13. Pivoting to the new.
2. PRIORITIZE INVESTMENTS IN ‘THE NEW’

Balancing change investments across the core business and ‘the new’ can be challenging. Increasingly, these investments are converging, moving from ‘digital on the side’ in a standalone unit or internal challenger, towards investments that both benefit the core business and build the new business for the future. The change portfolio intended to realize these two goals should be re-prioritized continually, and new change should be initiated all the time. Balancing resources between ‘run the business’ and ‘change the business’ is a key leadership responsibility. However, leaders also need to make sure that ‘change the business’ activities are not just enhancements at the margins of existing business models, but actually create new robust and sustainable value streams.

In ‘the new’ there is a need for greater balance between larger programmatic investments, seed funding for innovation and tranche funding for continuous change. These need to be made and managed in different ways. For instance, applying lighter business case disciplines and governance to seed funding allows innovation and reduces time to value.

There will be significant inhibitors to change. Large incumbents, in particular, must overcome the complexity of customized legacy systems and data – most new entrants have flexible technology and better access to high quality data. A two-speed approach to change can help you slowly sort out your legacy, while application programming interface (API) layers allow you to move more rapidly to digital. This will become even more important as cloud becomes widely accepted across the industry, for both platform as a service (e.g. Amazon Web Services) and software as a service (e.g. WorkDay).

“What is key is how banks think about digital and innovation: is it off to the side, where they’re creating a center of gravity that perhaps can accelerate quickly or are they embedding it within the business, changing the organization from the inside out? I think this isn’t either / or, it’s a way to be fit for purpose that includes both approaches.”

Alan McIntyre, Accenture’s Senior Managing Director for Banking
3. INNOVATE AND SCALE FOR VALUE

As the deluge of emerging technologies grows, it is essential that you undertake innovation for the right reasons. Experimentation and scaling thrive in the right culture, with the right funding, talent and infrastructure. Being able to execute proof of concepts and pilots quickly is essential to understanding potential value. Many banks are doing this, but are struggling to scale innovation and join up innovations around new customer propositions and value-chain plays. Where there is no clear value or the innovation does not work in your new business model, stop quickly, learn from the experience, and shift your investment of time and money elsewhere. Where there is the potential for real value you need to increase the investment and clear obstacles to iterate rapidly and scale the innovation to drive real business and customer value.

While some banks innovate on the fringes, in experimentation labs or in partnership with fintechs, others are working to transform the organization in its entirety, embedding innovation throughout the business. Both approaches have their pros and cons, and the choice need not be binary – a fit-for-purpose model may well produce the best results.

4. MAKE CHANGE MORE HUMAN

A more human approach is particularly important as the industry shifts to ‘the new’. Most digital change displaces, automates or augments human work. To avoid fear and job insecurity you should create an inspiring vision and a supportive culture that fosters innovation, increases security by tolerating failure, and nurtures a positive attitude to change. By putting people at the heart of the change you remove many of the barriers to transformation, while allowing employees to acquire new digital skills and creating space for creativity.

“You have mandatory change because of regulation, you have change because of what competitors are doing, and then you have another kind of change: to catch the latest trends and what the customer is asking of you, but also what the customer has not asked for, but which you imagine. This is the change that can deliver the greatest economic benefit.”

Cristoforo Avagliano, Senior Manager, Internal Consulting (Digital Banking Processes), BNL BNP Paribas
5. BE OPEN TO CHANGE FROM OUTSIDE

The growth in fintech, industry utilities and open banking has made banks significantly more open to change from the outside. You need to consider what role you will play in the industry ecosystem – especially your contribution to the customer experience and meeting customer needs, whether you will continue to hold the customer relationship, and whether you will be a platform for best-of-breed services or be a niche player. Integration becomes more important and APIs will become a key part of growing your brand. As this happens, data privacy and cybersecurity concerns will grow, so you need to navigate these challenges without impeding progress. Leaders will decide which partners to work with and invest in. As you collaborate more with fintechs you will need to develop more sensitive ways of working with small startups, especially in procurement and risk.

6. BUILD TRUE AGILITY

Agile change offers many benefits, especially speed to value and learning through iterative change. However, true agility involves much more than applying a new method. It offers established banks a competitive advantage that is hard to beat. It balances pace and stability – adaptability and speed of reaction on the one hand, and effective decision making and strong disciplines on the other. This is confirmed by Change Tracking’s Agility Index, which shows that organizations that strike this balance are twice as likely to achieve superior financial performance.

A culture of risk aversion and resistance to transformation is not the only impediment to agility. Others are complex legacy systems, fragmented business divisions, time-poor product owners, workspace and lack of collaboration tooling and legacy organization structures rooted in old ways of doing business. For many banks these are serious obstacles, but they must be addressed to deal with constant change.

7. PRIORITIZE AND DEVELOP YOUR CHANGE CAPABILITY

To be able to handle constant change, especially larger transformational change, you must develop your professional change capability. An understanding of the change capabilities that are needed depends on a clear change vision and portfolio. Key operating model decisions can then be taken to develop and apply this capability. This change capability should include the right internal teams, methods, tools and governance appropriate for a range of change programs and continuous change scenarios. It also requires relationships with the right external change partners.

“The enterprise picture of the new world suddenly has all kinds of boxes it didn’t have before, and so firms are going to look at the partners they need in a very different way as they build innovation capability at the heart of the organization. In an organization that’s accepting change, the partners it can work with are part of an adventure, helping create a constant stream of innovation.”

Edwin van der Ouderaa, Managing Director FS Digital and Analytics, Accenture
Starling Bank: built for change with digital in its DNA

Starling Bank, a ‘born in the new’ mobile bank in the UK, has embraced a platform-driven business model that aligns its team behind the vision of offering the world’s best transactional banking account.

Rather than building out new departments and adding complexity to its organizational structure, it is leveraging its existing workforce and platform as it grows. The bank, which recently launched a beta of the mobile app that powers its current account, has no centralized technology department, but instead deploys software engineers to different functions as they’re needed.

Starling Bank does not rely on email or traditional business process management and collaboration platforms; it uses Slack as a platform to promote real-time sharing of information such as the issues customers flag when they speak to contact center agents or trends that emerge in social media buzz. It runs its entire business using agile methodologies, bringing product, software, operations and customer service representatives together for 15-minute triage sessions each day.

“We’ve implemented a lean, transparent, flat organizational structure that allows us to rapidly change gears in response to a fast-changing market and the constantly evolving needs of our customers.”
Julian Sawyer, Chief Operating Officer, Starling Bank

One of the world’s leading banks pivots to ‘the new’

To attract top-tier talent in fields such as the customer experience, artificial intelligence, data science, cybersecurity and the cloud, an Accenture client that ranks among the largest financial institutions in the world is reinventing itself as a technology company. Driven by senior leadership – from CEO downwards – the group is marshalling all its resources to ‘pivot to the new’.

Rather than seeking talent exclusively from the financial services industry, the group has recruited top-tier people from fields as diverse as aerospace and defense, technology, and retail to lead its change efforts. It is also empowering lines of business and departments to take charge of driving their own change programs. By giving business leaders across the organization the authority to drive change, the group helps to secure buy-in from them and their teams.

Before it embarked on a wide-ranging transformation of its business, the organization carried out a year-long program to transform its workforce and management.

It flattened several layers of middle management into a simpler and more responsive structure, recognizing that the organization would need to be leaner to take advantage of the new IT.
The future of banking is one of continuous, accelerating change. Some banks remain confident that capital and regulatory barriers to entry will protect them for some time to come. Most are concerned about the economic compression of their traditional business, shifting customer expectations, and the emergence of serious new entrants. The majority recognize that their traditional business models are unlikely to endure.

It follows that banks need to develop the ability to change continuously. This will include constant small changes and adaptive moves inside their current business model, as well as large-scale transformation that changes ‘who we are, what we do, the customers we serve and the way we do things around here’.

Most players in the industry have embarked on a process of simplification and cost reduction. This has bought them some time, especially while dealing with increased regulatory change. But it is not a long-term solution for growth and competitiveness.

Banks need to choose their destiny. They need to make explicit choices about their future business model, form a clear vision of how to develop it, and then execute it boldly and with discipline. Wise decision making and change investment are essential. Those that shrink from this, or opt to wait and see, risk having these decisions made for them by external forces.

Whatever path you choose, change will be inevitable and continuous. The change leaders have shown the way. They are comfortable with rapid, non-stop transformation, and they are generating the change outcomes their shareholders demand. They have the future in their grasp. Other banks could do worse than pay attention to what they do, so that they too may thrive in ‘the new’.

WILL YOU THRIVE IN ‘THE NEW’?
Contact

To find out more about the Financial Services Change Survey or to join our FS Change Directors Forum, please get in touch with

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Further Reading

Professionalizing Change in Financial Services

Time to Join the Revolution:
Agile Change in Financial Services

Join the Race or Be Left Behind:
How Change Is Changing the Competitive Landscape in Financial Services

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