accenture

ENTERPRISE AGILITY IN FINANCIAL SERVICES

THE NEW STRATEGIC IMPERATIVE

OVERVIEW

TRUE AGILITY CALLS FOR A NEW APPROACH

Enterprise agility—the ability to respond rapidly to opportunities and disruption—is a strategic imperative for financial services (FS) organizations. Yet it is proving elusive.

Following our 2017 Financial Services Change Survey[1] of more than 800 industry executives, we conducted further largescale research involving more than 3,500 employees of FS companies, using our proprietary Transformation GPS and Agility Index analytical tools[2]. These results combined give a unique insight into the state of change and agility within the industry.

In a volatile world, agility is required to respond and adapt to a changing and uncertain environment. Our research shows that true enterprise agility delivers significant financial benefits, giving the organization more than double the probability of achieving top-quartile results compared to the industry average. It also shows that FS firms on average score low on speed and stability, the two key elements that comprise enterprise agility. However, a small group of change leaders in FS are getting better results. They are moving faster, embracing digital, developing an agile change capability, and rewiring their enterprise for speed and stability.

To achieve true enterprise agility, firms must move beyond agile methodologies in IT or on isolated change programs—they must develop responsiveness to market forces and opportunities across all facets of the business, while maturing the stabilizing cultural and governance spine of the organization. This requires an approach that is more transformational than traditional—agility cannot be built using the command and control approaches of the past.

Nor is it something that can be gained by focusing on a few select areas. In this report we address the eight key areas, each of which needs to be optimized if true agility is to be attained: leadership, culture, agile change, risk and governance, funding and investment, organization, channels and operations, and technology and data.

No organization in FS has completely mastered enterprise agility, but many are on the way. There are practical steps that can accelerate the journey, and we have helped many banks and insurers take strides towards enterprise agility.

To find out more and get started on your enterprise agility journey, please contact Andy Young (andrew.s.young@accenture.com), Andrew Woolf (andrew.woolf@accenture.com) or James Tabernor (james.o.tabernor@accenture.com).

ABOUT THE RESEARCH

This report draws, for its conclusions and recommendations, on a number of recent Accenture research studies. They include:

- The 2017 FS Change Survey, in which we interviewed 787 senior FS executives who are responsible for developing their organizations' change strategy and/or implementing their change programs. Within the global sample, 292 respondents were insurers, 302 were bankers and 193 were wealth and asset managers.

- Transformation GPS, an advanced, analytics-based system utilizing a database of input from more than a million employees of some 220 organizations undergoing business transformations. By empirically identifying the variables that have the greatest impact on the success of such transformations, and measuring how individual organizations are performing in terms of these variables, Transformation GPS is able to replace intuition with facts and recommend specific, timely actions that put the change program firmly on the path to high performance.

- The FS Agility Index Study, carried out by the Transformation GPS research team, used a similar methodology with a sample of 3,500 employees within 17 FS organizations in 9 countries. Respondents ranged from senior leadership to team members and spanned all organizational functions. The aim was to gain a detailed insight into how FS companies are performing in terms of the two key contributors to organizational agility—velocity & adaptiveness and a foundational base—and what they need to do to become more agile.

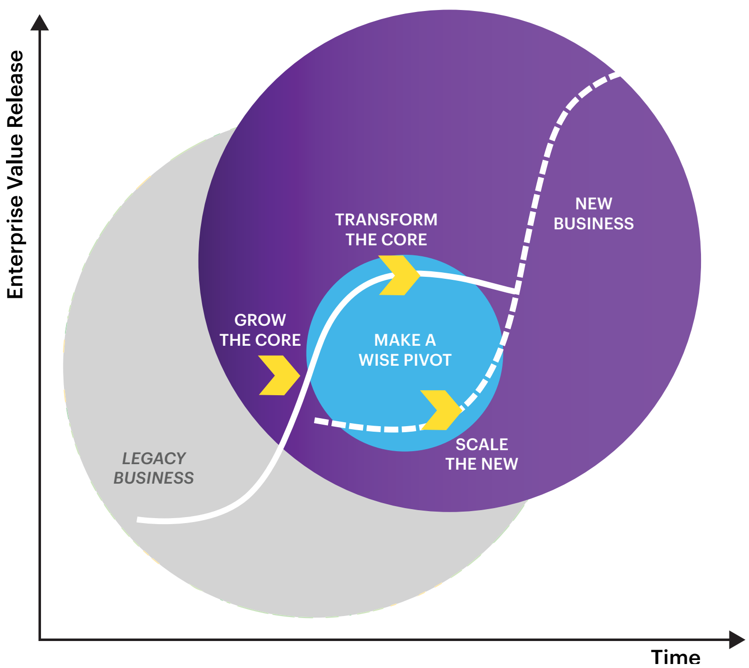
All of these surveys consisted of standardized questionnaires in which respondents were asked to rate a variety of factors, some of which are subjective. The results were used, among other things, to arrange the respondents' organizations in different groups, such as Change Leaders and Truly Agile. While there is a risk that common rater bias amplified the differences between some of these groups, analysis confirms that the distinctions are sufficiently large and consistent to support the conclusions derived from them.

THE VALUE
IN A VOLATILE WORLD, AGILITY IS THE NEW STRATEGIC IMPERATIVE

Enterprise agility is both a strategic and a financial imperative for FS organizations.

First the strategic imperative. Many banks and insurers are stuck in legacy business models and with propositions, operations, workforces and technology that are slow to change. Accenture research shows they may have experimented with innovation, but they've failed to scale new ideas with commercial value in their core business. These organizations remain at risk of slow compression by market forces and niche digital players entering the industry with new business models. Incumbents often struggle to adapt to disruption and change in the market, whether it is caused by shifting regulation, new technology, market volatility or changing customer demands. However, a small number of banks and insurers—the change leaders—have worked out how to rewire their business for continuous change to stay ahead of the market today and build the future business model in parallel.

Figure 1. Pivoting to 'the new'. How FS organizations can gradually shift their focus from their core business to new growth opportunities.



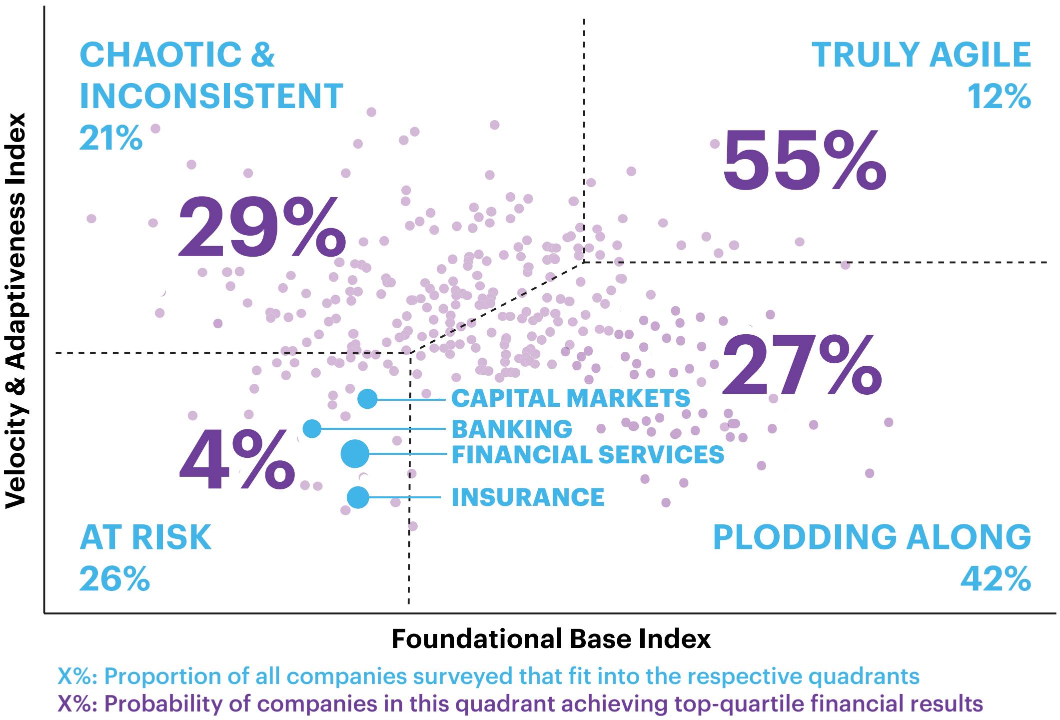
Going further than many previous studies, Accenture research also shows that enterprise agility delivers significant financial benefits. Truly agile firms are more than twice as likely as the average FS organization to achieve top-quartile financial performance (55 percent versus 25 percent), while those companies rated 'at risk' are unlikely to achieve this (see Figure 2)[3]. Truly agile firms show better long-term performance, having achieved a 16 percent growth in EBITDA between 2007 and 2017, compared to 6 percent for our database average and 3 percent for 'at risk' organizations.

It seems a paradox, but as in many effective entities, truly agile organizations run both fast and slow systems:

- Fast: a network of connected subsystems and capabilities that mobilize and respond rapidly to external events and opportunities, driving speed to value.

- Slow: a foundational base, or stabilizing backbone, which comprises leadership, culture, structures and enabling processes for control, coordination and effectiveness.

Figure 2. The probability of organizations with different enterprise agility ratings achieving top-quartile financial performance (versus the average of 25%).
Source: Accenture Transformation GPS study.



Remember learning to ride a bike? Stability without speed meant you stood still, while speed without stability was fun for a few seconds but led to a fall! This is particularly true in a regulated industry like FS, where falling off can have serious economic and customer consequences. In a volatile world, maintaining this balance is the key to long-term success, as it allows the organization to sustain an elevated level of performance.

FS NEEDS TO SPEED UP, AND STRENGTHEN ITS FOUNDATIONAL BASE

Based on our most recent study of approximately 3,500 participants, and as illustrated in Figure 2, financial services is in the 'At Risk' quadrant. In other words, it is slower and less stable on average than our cross-industry benchmark, which is based on more than 220 organizations in 50 industry sectors. Moving a firm from the 'At Risk' to the 'Truly Agile' quadrant hugely increases the probability of top quartile financial results. Put simply, this is an issue that the CEO and the entire C-suite need to care about.

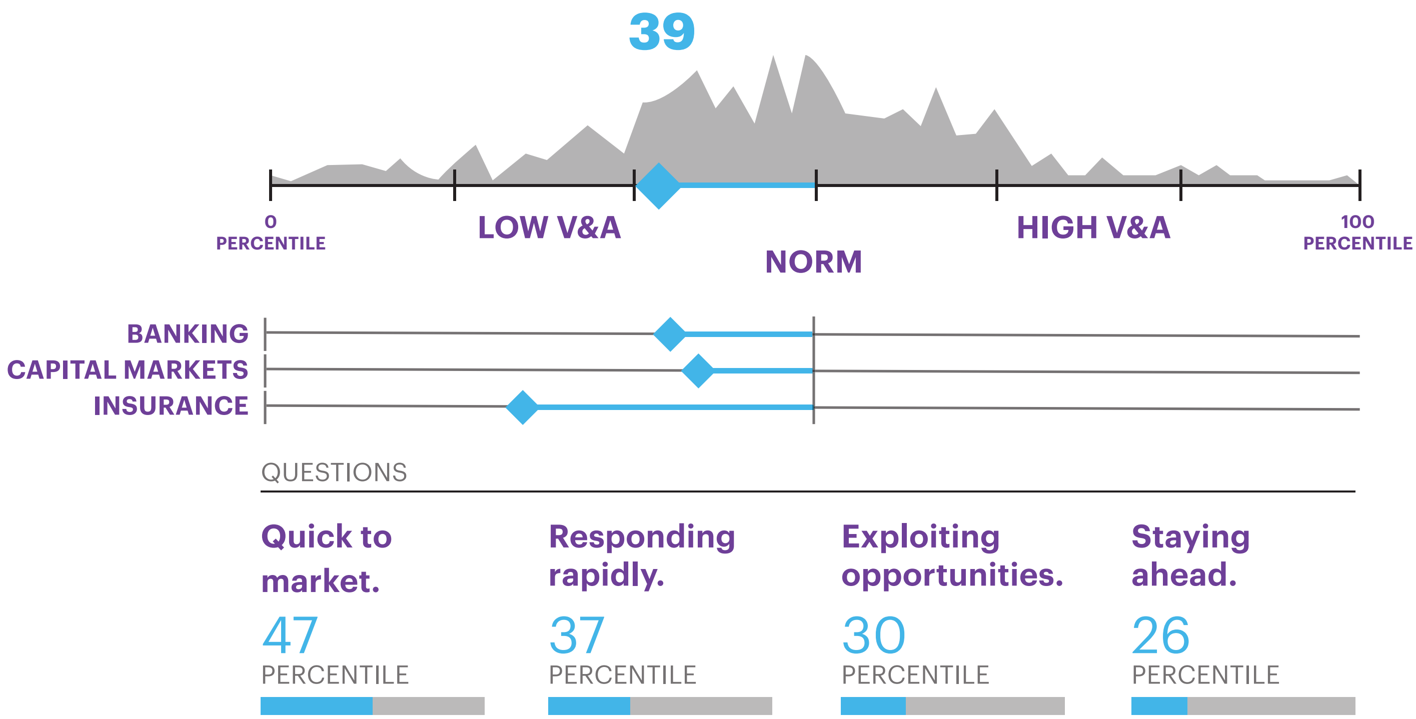
It is not for want of trying. FS firms are second only to software companies in their take-up of agile[4]. Many have started rolling out agile projects, but success levels vary and there is an increasing realization that true agility requires more. To become truly agile, banks and insurers will need to rewire their businesses for speed and stability.

VELOCITY & ADAPTIVENESS

Four key elements contribute to the velocity & adaptiveness score of FS firms: speed to market, responding rapidly, exploiting opportunities, and staying ahead. FS firms fall below the 50th percentile on all four elements and the average score puts them in the 39th percentile for this index. In other words, 61 percent of companies in all sectors score higher. Insurance scored the lowest (16th percentile), with banking (43rd percentile) and capital markets (48th percentile) faring better.

As Figure 3 shows, the speed to market score is just below average (47th percentile), but those for responding rapidly (37th percentile), exploiting opportunities (30th percentile) and staying ahead (26th percentile) are much lower.

Figure 3. The FS industry scores below average for velocity & adaptiveness and its four elements.
Source: Accenture FS Agility Index Study



Note: differences are statistically significant at $p = 0.01$ level

These results are a concern because of the speed of change in the market. A disruptive challenge to the entire value chain, while unlikely, is not impossible—when the Korean social messaging platform Kakao launched a bank it signed up 1.5 million customers in a week. What is more likely is compressive disruption caused by smaller, faster players such as TransferWise, Starling, Monzo, Revolut, Ripple and Lemonade, which are well positioned to target sections of the value chain and claim small but valuable shares of the customer base.

FS organizations are well aware of the need for speed. Seventy-nine percent of executives said shareholders expect the benefits of change to be delivered within 18 months or less[5]. Clearly, the days are long gone when protracted multi-year programs were acceptable. However, speed should be considered in the context of high volatility. Many organizations are able to accelerate their change initiatives under stable conditions, but those that have been trained to avoid uncertainty struggle when conditions become unpredictable.

It's important here to understand the distinction between risk and uncertainty. With risk it is possible to calculate—or at least estimate—the likelihood of a predictable event occurring and therefore its expected cost / value. Uncertainty, on the other hand, is less comprehensible and calculable—we don't know what we don't know. Traditional risk management techniques work well for risk, but are not much help in managing uncertainty. In the absence of probability and cost estimates it is difficult to rationally justify any mitigating actions. As the world became more volatile this was one of the key reasons why agile approaches were developed: to navigate uncertainty by learning as you go.

This ability—to continuously and rapidly read the environment, change course, and learn from the results of change—is an essential element of velocity & adaptiveness. The Transformation GPS survey examines all levels within participating organizations. One interesting result is that the velocity & adaptiveness scores for middle management (17th percentile) and regional and business unit leadership (3rd percentile) are significantly lower than those for executives, team leaders and team members. This reflects the difference between being at head office and at the edge of an organization, close to in-market pressures, regulator demands, competitor moves, and customer expectations and complaints. In addition, in most FS firms, these middle managers have borne the brunt of organizational cost cutting yet have limited decision-making authority. Re-engaging them is critical, given the delegated leadership required for agile change. This will be difficult though, especially in global markets and as regulators take more of a global viewpoint on consistency across market operations.

FOUNDATIONAL BASE

Some may be more surprised by financial services' low score for a foundational base, or stabilizing backbone, than for velocity & adaptiveness, especially given the emphasis on stability, resilience and compliance since the global financial crisis. But the stability that comes from prudent risk management and large capital reserves contributes little to organizations' ability to navigate confidently in turbulent conditions.

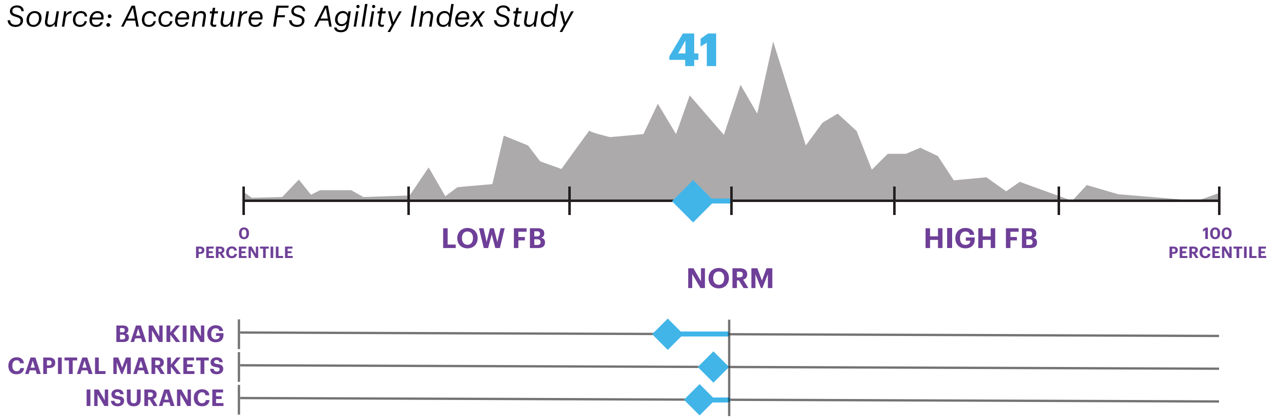
A foundational base is the product of effective leadership and culture, structures, governance processes, coordination, prioritization and resource allocation. Of these, leadership and culture are much more important than governance. Confronted by a crisis, the reaction of many leaders is to tighten control in the hope of preventing a recurrence, to add bureaucracy, and to replace autonomy with instructions. But complex governance, controls and hierarchy do little to banish uncertainty, eliminate risk and build a strong foundational base. The solution is more about organizational alignment than rules and policies; more about accountable and authentic leadership than management oversight; and certainly about having a strong core of talent with a positive mindset.

FS scores in the 41st percentile for a foundational base, with the three sectors—banking (34th percentile), insurance (42nd percentile) and capital markets (44th percentile)—achieving similar ratings.

Digging into the results, what stand out are the scores for attracting the best talent (35th percentile) and having the time, training and resources to ensure quality service (26th percentile). These are of particular concern as the industry struggles to appeal to younger generations and digital talent, who often prefer to work in smaller organizations or in other industries.

Again, the regional and business unit leadership group recorded the lowest scores (29th percentile).

Figure 4. The FS industry also has a below-average foundational base—its stabilizing backbone.
Source: Accenture FS Agility Index Study



QUESTIONS

Avoiding politics.	Living the code.	Competing on cost.	Paying competitively.	Attracting the best.	Ensuring quality.
54 PERCENTILE	46 PERCENTILE	43 PERCENTILE	38 PERCENTILE	35 PERCENTILE	26 PERCENTILE

Note: differences are statistically significant at $p = 0.01$ level

WHY IS ENTERPRISE AGILITY SO ELUSIVE?

If enterprise agility offers so much strategic and financial value, why is it so elusive for FS firms? There are a number of reasons, none of which is insurmountable.

FS firms are regulated and typically have a low risk appetite, which together may slow down response times and decision making. While this may be a consideration, many other industries also operate under regulation and there are ways to create risk-appropriate and multi-speed governance. Newer entrants typically feel less constrained by regulation.

Legacy complexity is definitely a factor for most incumbent banks and insurers. It is very difficult to move quickly when the enterprise is complex and resistant to change. The legacy includes complexity in current propositions, product back books, processes, technology and data.

The same challenges are present in the mind-sets, skills and behaviors of leadership and the workforce. Historically, banks and insurers have operated with a traditional mindset that avoids risk and uncertainty at all costs. They have relied on hierarchical structures, and have worked in siloes with a bias towards command and control. Enterprise agility demands a different approach, but this is unfamiliar and uncomfortable for many FS firms.

In our FS Change Survey, executives rated the challenges their organizations face when trying to change. Figure 5 shows a tightly packed range of findings, with a dozen different barriers being experienced by more than two thirds of respondents. Interestingly, the change leaders more acutely perceived the same barriers to change. However, they are simply better at removing, overcoming or isolating these obstacles.

What is clear from this study is that the change leaders, who are much more likely to derive business benefits from their change programs (100 percent compared to 71 percent for other FS organizations), have better flexibility and agility (see Figure 6). These FS change leaders experience the same challenges and barriers to agility as the rest of the industry, but understand that they can be constructively addressed.

CASE STUDY

MOVING FROM ‘AT RISK’ TO ‘TRULY AGILE’

The benefits of overcoming the barriers to enterprise agility were underlined in our employees study. One of the mid-sized national banks in the sample had moved from the ‘At Risk’ quadrant up into the ‘Truly Agile’ quadrant in the space of two to three years. Starting from a quasi-nationalized background and taking a comprehensive approach to embracing agile, digital and innovation, it rewired the whole enterprise for speed and stability. The bank strengthened its leadership, reset its culture and people strategy, attracted new talent, invested deeply in its workforce and sparked new ways of working. It is now seeing the benefits in speed to value, market competitiveness and financial results.

This is a good example of the merit of a holistic approach, as opposed to one that regards agile, digital and innovation as point solutions. By creating a common foundation to support the various elements, and including leadership and culture as intrinsic to this foundation, the bank increased its agility and rapidly converted that into business performance.

Figure 5. FS organizations face multiple barriers to change.
Source: Accenture 2017 FS Change Survey

Q. What are the biggest barriers to your organization's ability to drive through change?

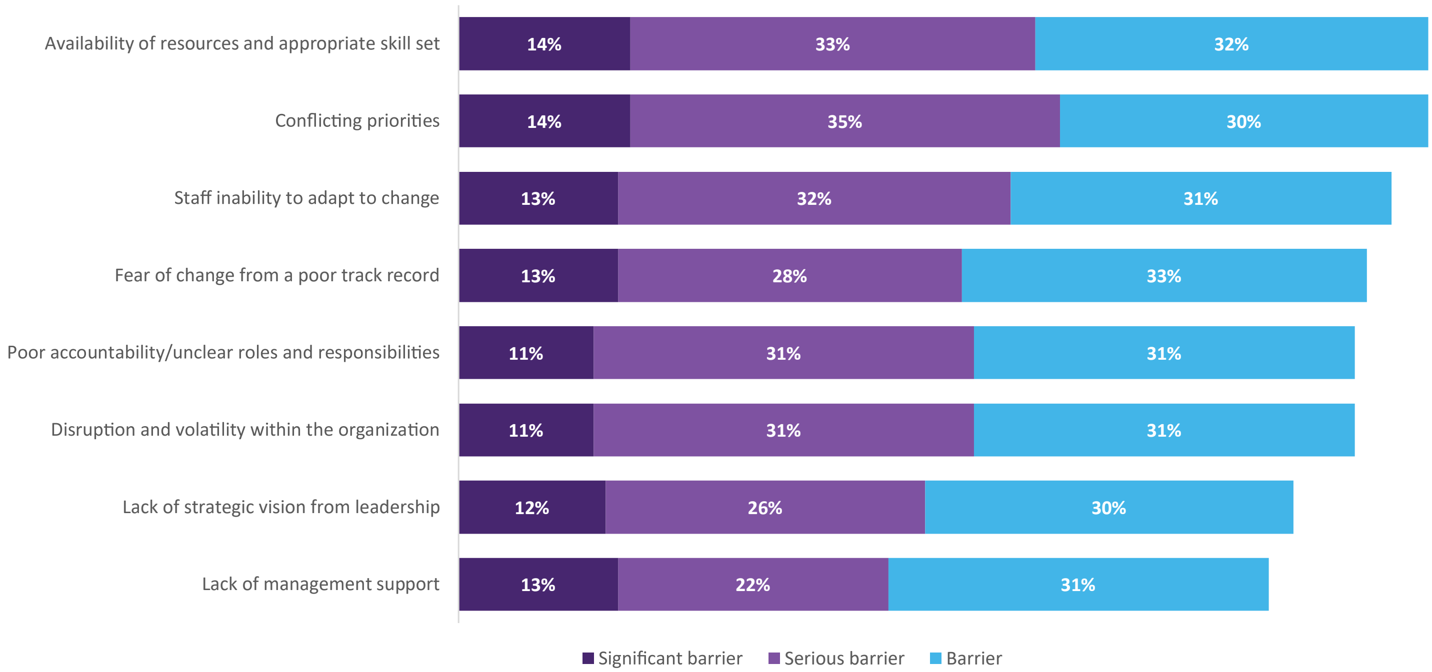
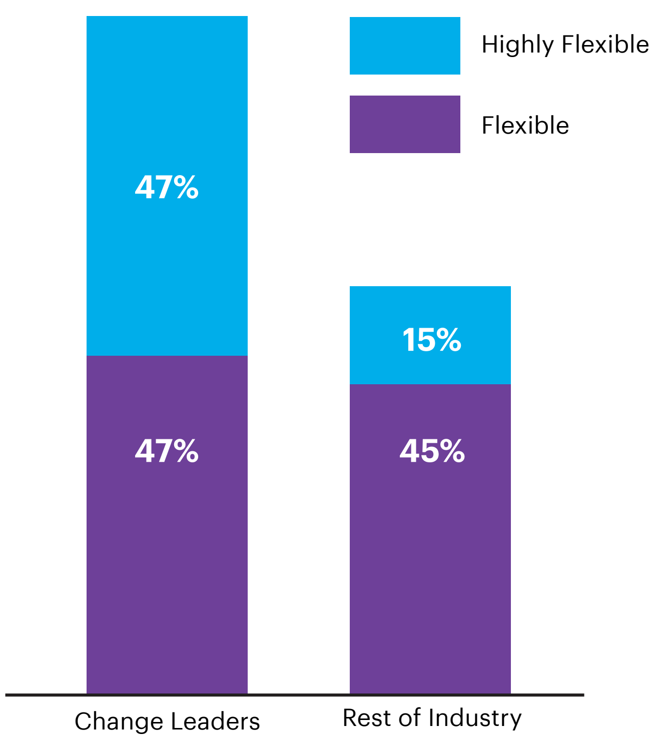


Figure 6. FS change leaders have a high estimation of the agility of their organization.
Source: Accenture 2017 FS Change Survey

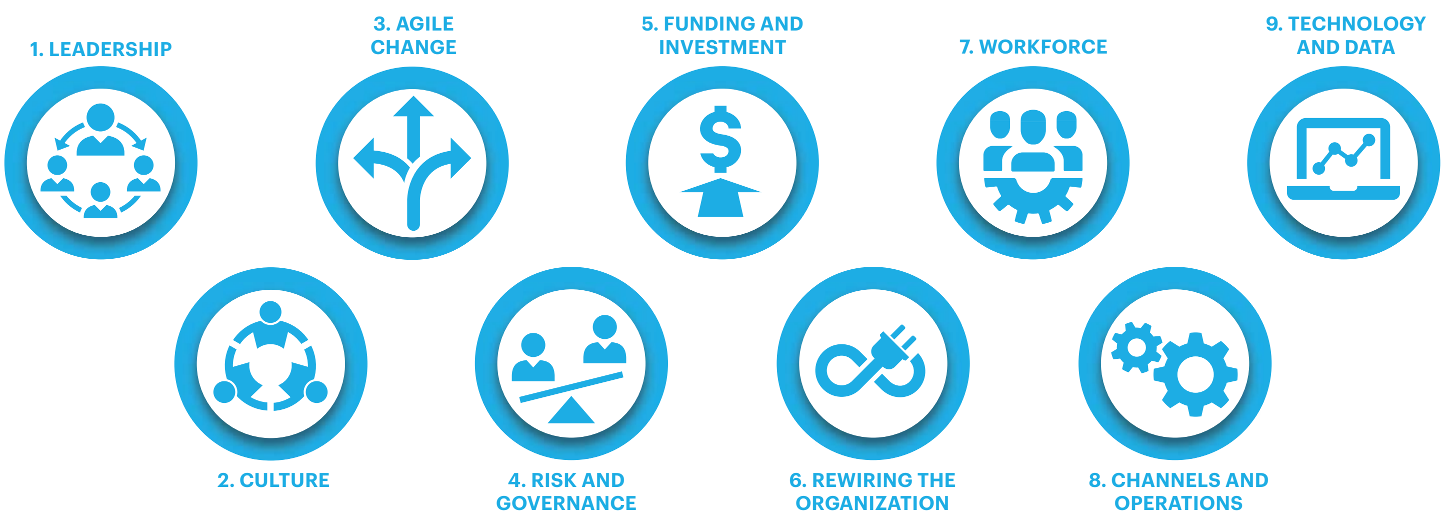
Q. How do your rate the flexibility and agility of your organization?



THE ELEMENTS

REWIRING FINANCIAL SERVICES FOR SPEED AND STABILITY

With significant strategic and financial value at stake, it is worth exploring what makes a truly agile organization. Unfortunately there is no silver bullet—no single method, technology or change to your organization structure that will make you simultaneously fast and stable. Yet our research has provided insights into the key elements that are known to contribute to enterprise agility. In this section we look at the following:



1. LEADERSHIP & VISION AT ALL LEVELS

It sounds like a cliché, but truly agile organizations put their people first. Leadership at all levels has the biggest impact on business performance during any period of transformational change[6]. Leadership is crucial to fostering agility, primarily by modifying the corporate mindset and culture and in that way creating a conducive environment for other kinds of agile operational changes.

In a truly agile organization leadership roles change. Senior leaders need to set the vision and direction, create clear priorities, and then provide the right environment for agility across the enterprise and for effective agile change. An essential part of this is how senior executives grow strong change leaders at the team-leadership, middle-management and senior-management levels. Put simply, truly agile organizations have more leaders committed to change at all levels of their organization (see Figure 7). This requires empowerment and distributed authority, which are cultural attributes enabled by leadership. This is challenging to achieve in FS organizations which, for many years, have removed change and decision making authority from managers. In many organizations we work with, we need to help managers at all levels become ready to lead.

Being a leader in financial services is not easy. Great leaders are both more digital and more human in their mindset. They understand that in an environment of constant innovation and disruption, success depends on valuing, nurturing, respecting and empowering the workforce. By shifting their focus from business processes or labor management systems to people they bring purpose, authenticity and the 'truly human' back to their organizations. They realize that true agility requires them to substitute a fixed mindset, characterized by traditional management practices, with a growth mindset that empowers people and creates a safe environment in which their organization can speed up.

Leaders are aware of the major shifts occurring in work and the fear this can create, so they manage disruption positively and with integrity.

CASE STUDY

COLLABORATION FOR THE TOP 200

Customer service is a strategic imperative for this Accenture client, and to enhance it the organization needed a strong foundation of effective collaboration between leaders and employees. We worked directly with the bank's top 200 leaders to help develop their collaboration with each other and with the rest of the organization. We did this through collaboration coaching, a collaboration behavior framework, kick-start and pop-up challenges on the collaboration platform, and a podcast series focusing on the neuroscience and psychology of collaboration. Most impactful was millennial mentoring by talented and digital-savvy graduates. Together we achieved a significant uplift in collaboration and increased leadership confidence.

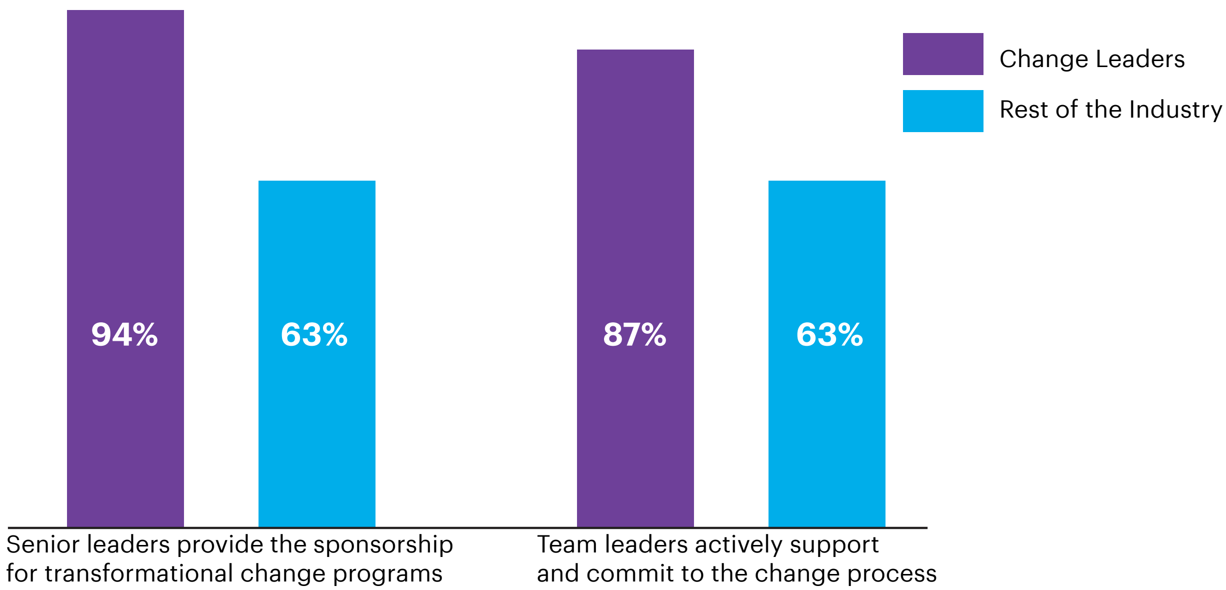
They recognize it as an opportunity for learning, and support their employees as they reskill and grow their resilience. Finally, they understand customers at a human level, empathize with their needs and engage confidently in social media.

Change leaders have a much stronger vision of change (see Figure 8). Done well, change vision is derived from strategy (not just bottom-up inputs), is emotionally compelling (not just rationally clear) and is effectively translated into investment priorities (not just words). The Transformation GPS study confirms that vision & direction has three to four times greater impact on change

Figure 7. Leadership at all levels has the greatest impact on the realization of change benefits.
Source: Accenture 2017 FS Change Survey

Q. Thinking about the change leadership and culture within your organization, do you agree with these statements?

A. Agree + Strongly Agree



benefits realization than any other factor[7]. This is because, in any period of transformational change, it creates clarity of direction and motivates action.

In a volatile operating environment, a clear vision allows the organization to constantly realign back to what really matters. We are not talking about the hollow mission statement or cascading of targets without any strategic context. The vision must be co-created, continually revised to guide the evolving organization, and communicated in a way that is both rationally clear and emotionally compelling.

As the organization leadership shifts its emphasis from controlling individual actions to aligning autonomous teams and individuals around a shared intent, it becomes essential that the vision is actionable. Each team and individual must be able to tie their work, actions and decisions back to the vision—ideally by themselves. This can be challenging, especially in global and complex FS organizations or for operational teams not at the frontline with customers.

Setting a clear vision also means saying no to other changes and activities. Often, executives set too many competing priorities, spreading their time and their key people too thinly over multiple 'side of desk' projects.

To maintain forward momentum as change progresses, senior leaders need to clear the path of organizational obstacles such as conflicting agendas or uncertainty about the future business model. Achieving this requires collaboration with peers and subordinates, enabling the correct priorities to emerge. Leaders have a key role in sensing change and looking outside-in. The market and wider environment move so quickly that the process of collecting and reviewing relevant data, making decisions and acting on them needs to be continuous. Where disruption looms or opportunities beckon, leaders have a key role in shifting focus and resources to act quickly.

This entrepreneurial mindset and growth bias can be difficult to inculcate, especially in the many organizations where, for the last ten years, managers have been driven to achieve compliance and cost reduction, and where the focus has been on the formal organization. In the agile enterprise the focus is on leaders' networks of diverse stakeholders that give them the data and insights needed to develop a broad perspective.

Senior leaders need to delegate decisions more effectively through the organization. In a regulated context, such as the UK's senior manager regime, this does not mean abandoning executive accountability, but instead delegating decisions within clear parameters to leaders at a lower level who are ready and able to make effective and ethical decisions.

When senior leaders support their team members in this way, the effectiveness of agile delivery improves markedly. Local leaders within the bank or insurer's operational and customer-facing areas become more confident in making decisions relating to the overall business model and priorities, having good access to insights and real-time analytics about their business area and customers.

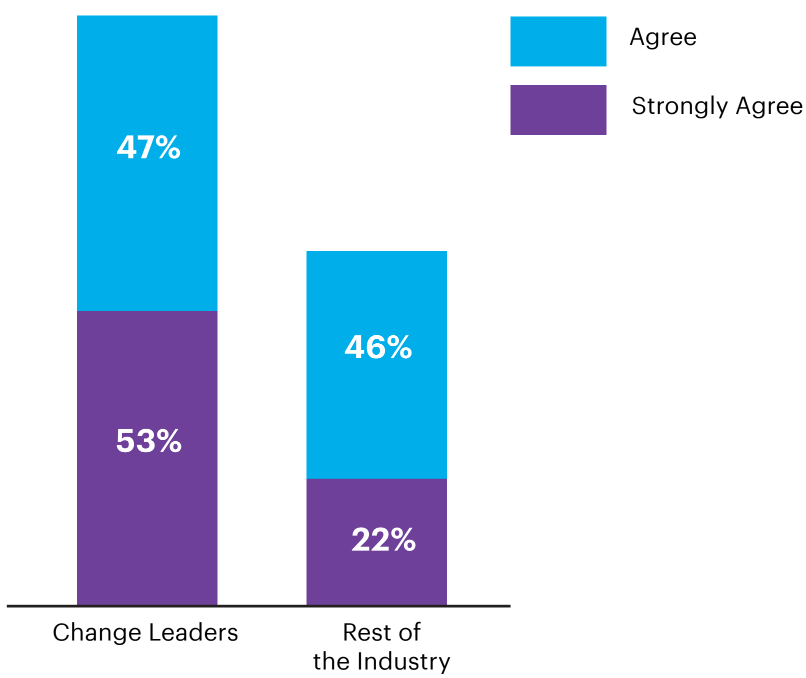
Some of these leaders will play specific product-manager or product-owner roles within agile change delivery. These leaders represent the customer and the business within the agile delivery teams, and help the teams prioritize and deliver the highest priority change.

Great product owners are typically make-or-break for agile initiatives, but they are normally a level or two down from the board. For instance, at one large retailer the product owner saw the digital unit expand from a single team in a basement to more than 300 members representing multiple disciplines and managing multiple release trains and feature teams. However, it is difficult to free up key talent to focus on being product owners, as their operational demands deny them the time for this role.

Finding or developing sufficient numbers of product owners is therefore a challenge for many banks and insurers. Product owners need to understand their business area and what their customers need, they need to think ahead about how customer service and value can be improved, and they need to be able to dedicate time to work with the delivery team. In a number of banks and insurance companies we have helped develop cadres of new product owners and have given them leverage through strong business analyst support structures.

Figure 8. FS change leaders have clearer long-term vision of change in their organizations.
Source: Accenture 2017 FS Change Survey

Q. Do you agree that your organization has a clear vision of change over the next three years?



Senior leaders have a responsibility to free up these individuals and create the organizational support for these difficult roles. In most cases, senior leaders then need to make a conscious decision to step back from the detail. This entails allowing local leaders and self-managing teams to make their own decisions aligned to the vision and within clear mandates, intervening only when performance or changes go off-track or when a shift in direction is required. Executives should avoid overturning product manager and owner decisions or interfering in the day-to-day running of self-managing teams. They need to be ready to support and coach local leaders and product owners when they escalate, and encourage greater self-sufficiency.

Clearly, effective delegation does not mean senior leaders being distant or absent. They know what is going on and have a clear view of accountabilities across the organization as well as of delegated authorities, mandates and decision rights. This reduces the risk of the duplication and confusion experienced by organizations in the 'Chaotic & Inconsistent' quadrant of our agility index. In short, as in a good football team, each player knows their position and doesn't chase the ball around like you see in a kids' match.

Equally, the work of the leadership team, a board or executive committee, becomes that of an agile team. So when a strategic issue arises or an opportunity presents itself, individual leaders take accountability and organize the right multi-disciplinary response. Actions are collaborative, but not everything requires consensus.

This can be counter-cultural in many banks and insurance companies that rely on centralized, consensus-based decision making. But it has been shown, over and again, that people can be trusted to make the right decisions if they have a clear understanding of the common objective and the opportunity to choose to commit to it. Where mistakes do happen, senior leaders must set the tone by helping product owners and teams treat these as learning experiences. When things do go wrong or hit an obstacle, senior leaders must resist the temptation to direct task level activities, thus disempowering the organization again.

CASE STUDY

AGILE TRANSFORMATION—TOP-DOWN AND BOTTOM-UP

To improve customers' experience of its insurance and wealth management products, a leading FS group wanted to move toward a more agile way of working. It took a simultaneous top-down and bottom-up approach, engaging business leaders and enabling teams. To set the foundation for a more agile way of working and for continuous improvement, it:

- *Produced a constantly evolving playbook on 'how to do agile'.*
- *Ran a comprehensive coaching program for senior stakeholders, enabling teams and providing them with hands-on experience in agile.*
- *Built a project-level agile capability on business-critical projects through intensive coaching of product owners, scrum masters and business analysts.*
- *Ran agile change leadership forums to highlight and overcome any adoption challenges at regional level.*
- *Ran a number of highly interactive board-level sessions with business and functional leaders.*

A key part of this journey was identifying and acting on changes in leadership behavior and decision-making.

2. CULTURE – AGILE WAYS OF WORKING

An agile enterprise is built on a culture that consists of critical values. Included among these are an unwavering focus on customer value, a commitment to innovation, enterprise-wide transparency, collaboration within and between teams, an approach to talent that emphasizes leadership rather than management, the empowerment of people to make decisions, and continuous learning. These are not attributes found universally in the DNA of banks and insurers. To develop them as working practices the organization needs leadership role models, time and space for individuals and teams to learn to change their practices—which is rare in a world that prioritizes efficiency—and the removal of organizational barriers.

Agile organizations spend time understanding their customers, their needs, and how they experience the services they provide to them. They put this understanding at the heart of their decisions and actions. They treat complaints and other feedback not solely as performance metrics but as things that happen to real people, and as a valuable source of ideas for becoming more relevant to them. Turning these ideas into appealing, disruptive offerings is not a supplementary pursuit undertaken when time and resources permit, but an integral part of their core production process that is vital to satisfying their customers. For many banks and insurers, this is about rediscovering their customer and growth focus.

Innovation, creativity and experimentation are actively encouraged. While many FS organizations have labs, fintech partners and digital challenger brands, leaders in agile organizations send the message that innovation is something for everyone, not a few. They provide an environment that is inclusive, allowing for creativity and novel thinking, and that allows teams to fail fast—and safely—so that they may progress rapidly. They quickly scale the ideas that work, using them to generate commercial and customer value.

They also understand how to blend and coordinate digital and human interactions to give customers the most appropriate experiences, support and advice to be relevant at the key moments in their relationships and lives. This entails focusing the human effort where and when it matters most.

Truly agile organizations understand that close collaboration within and between teams is the key to success in the knowledge-worker economy—there is no other way to make sense of the rapidly changing environment or narrow the time gap between idea and value realization. This collaboration includes participation and co-creation with colleagues, customers and external partners to incorporate different perspectives and test and learn rapidly. This is best done by

CASE STUDY

BREAKTHROUGH INNOVATION AT ONE OF THE WORLD'S MOST CREATIVE ORGANIZATIONS

We worked with one of the world's most advanced engineering companies to help it achieve breakthrough innovation for its future business. We assembled six directors from the organization, four Accenture strategists and eight designers from Fjord to form one 'super group' that operated like a start-up during an intense 100-day innovation cycle. Using design thinking, the team collaboratively generated hundreds of ideas, refined them into many concepts, and ultimately arrived at one minimum lovable service that was made real by developing it into a functioning prototype. This exercise created a repeatable framework for innovation and produced an idea that is the foundation of a major new business line.

creating new team constructs in the right physical and virtual working environments. It can be reinforced by rewarding collective performance and achievement of team goals, not just individual efforts.

Agility depends on a culture of learning and a growth mindset. This is challenging in an FS environment that has focused on formal and mandatory training—reading the procedure manual to capitalize on prior knowledge—rather than learning, which is the development of new knowledge. To be truly agile, banks and insurers need to 'relearn how to learn' and must develop a growth mindset focused on constant improvement, using experience to learn and resilience gained from setbacks. Using agile rituals like retrospectives can support these reflective learning practices.

Leadership practices go a long way to shaping corporate culture, and this, like trust, builds over time. A healthy culture requires clear intent and tone from the top, but it does not always come easily. Some leaders—but not all—will let go of some decisions, learn from failure, embrace talent and manage in more open ways. These, in theory, are good things. Yet most senior managers were rewarded and promoted for exactly the opposite in the past, especially since the 2008 financial crisis. So for many leaders, until they become 'the way we work around here', these behaviors would make them uncomfortable. To build a culture in which they are the norm, the formal organizational practices—such as measurement, performance management, rewards, capital allocation—would need to be changed. Senior leaders and culture carriers for the organization need to empower their people to make these changes, monitoring them and, when necessary, intervening to ensure that the steady reinforcement of trust and a healthy culture is not interrupted.

CASE STUDY

A CONSTANTLY IMPROVING ORGANIZATION

This online investment company was recognized as a disruptor when it launched. It set up its organizational structures to ensure constant improvement. Today, it has more than $10 billion in assets under management. What did it take?

- *It works in groups of small, self-managing and project-based teams.*
- *Teams and work are organized to allow for failure and iteration, making them more innovative.*
- *Managers exist not to track work progress but to challenge, support and guide.*
- *The focus of performance management is not hours clocked but productivity levels or the end result.*
- *Teams communicate constantly, either by grouping themselves together in a common area or using messaging and other digital tools.*
- *Every employee has access to a common set of enterprise performance goals and data, increasing transparency.*

3. EMBRACING AGILE CHANGE – BEING AGILE & NOT 'ONE SIZE FITS ALL'

Change in a truly agile enterprise becomes less of a 'one off' event and more a constant part of the business. Agile techniques are grounded in iterative and continuous delivery and have been used successfully in software development for over two decades. Now, in an effort to increase speed to value and respond more rapidly to changing business conditions, FS change leaders are using significantly more agile delivery (for 60 percent of programs on average[8]) across all parts of the value chain (Figure 9). Change leaders are also using agile more effectively, and see significantly higher value in terms of outcomes, speed, collaboration, transparency and cost (Figure 10).

One of the defining attributes of FS change leaders is that their workforces thrive on fast-paced change (83 percent agree, compared to 51 percent of other organizations[9]) and we know that high performing teams typically have 30 - 50 percent more change going on[10].

However, agile is neither a silver bullet nor a panacea. Truly agile organizations will typically use a variety of delivery models and the right one for the change outcome. Agile and scaled agile change are suitable where benefits can be incrementally delivered, where speed is important or where there is volatility. Many organizations in

Figure 9. FS change leaders use agile methodologies for more of their change programs.
Source: Accenture 2017 FS Change Survey

Q. Approximately what percentage of your change programs employ agile technology?

Mean for FS Change Leaders: 60% of all change programs

Mean for the Rest of the Industry: 37% of all change programs

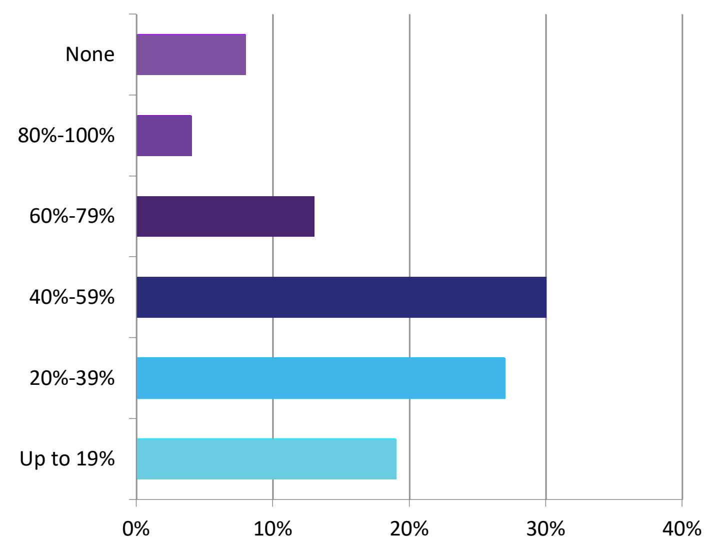
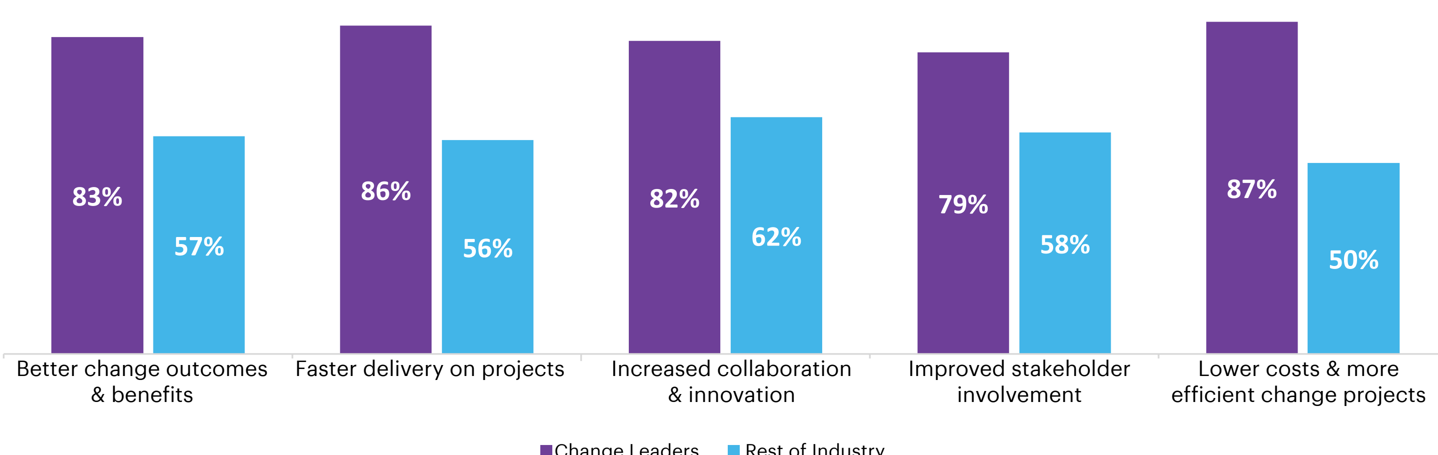


Figure 10. FS change leaders derive greater benefits from their use of agile.
Source: Accenture 2017 FS Change Survey

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

A. Agree + Strongly Agree



FS seek to retain linear 'waterfall' or programmatic delivery for in-flight programs and higher-risk changes, where failure would be catastrophic or where benefits are inherently back-ended. Examples are major deadline-critical compliance programs or core-banking and payments-system changes. However, we are seeing FS organizations take on more complex, scaled and transformational changes using agile approaches as they mature their capability (see alongside for a case study of core-banking changes implemented with scaled agile). Change leaders make these decisions deliberately, rather than leaving the choice to personal preferences or random factors; they understand that the different delivery models have different uses and value.

There is more continuous change across the enterprise, due to the escalation of volatility and opportunity in the market and as a consequence of the mindset of continuous improvement and learning discussed above.

In addition to their ability to manage a greater volume of continuous change, truly agile organizations are capable of more transformational change. These step changes are often intended to release untapped value, create new value streams or develop the future business. They require deeper change capability and exceptional change leadership.

It is worth noting that the word 'transformation' is often misused. Transformation fundamentally changes the business: what it is, the way it does things and the way it serves its customers. It is a leap forward into the new and often the unknown. It is a deliberate process, but is often better executed iteratively. There are several reasons for this.

Firstly, when leaping into the unknown, learning can increase the benefit gained. One of Accenture's clients field tested its 'big bet' after a few iterations. The result was its core idea was doomed to failure, but a related concept was a hidden gem, uncovered by the customer tests.

Secondly, an incremental approach balanced with good architectural insight and release planning can lower the risks associated with exiting one's legacy or breaking with the past.

CASE STUDY

TRULY AGILE 'MODEL BANK' AT GLOBAL FINANCIAL INSTITUTION

This global financial institution offers retail and wholesale banking services to customers in over 40 countries. It is investing heavily in digital transformation to become the best-in-class omni-channel bank, create a scalable and digital financial platform and improve the customer experience. Accenture is utilizing scaled agile methodologies to implement and scale its new digital banking platform across more than 90 countries. This includes organizational change management, impact analysis, country-level governance and data migration, and integration deployment tracking. This program is delivering complex new change on a monthly frequency, which is possible only because of the scaled agile delivery disciplines in place.

Finally, the behavior of customers and colleagues is often most effectively changed by nudging and layering up small changes, rather than imposing big, scary shifts.

For large transformations, many organizations struggle to scale agile change effectively. The most commonly cited reasons are a belief that the company philosophy or culture is at odds with core agile values (53 percent of FS executives), a lack of experience with agile methods (41 percent) and a lack of management support (42 percent)[11].

4. RISK & GOVERNANCE – SINGULAR, MULTI-SPEED & RISK-APPROPRIATE

Effective risk management and governance, done well, empower leaders and create clarity regarding the operating parameters. These in turn enable faster responses and decisions. In some instances the risks are known. However, the threats that FS organizations face—such as cyber-attacks and money laundering—are constantly changing. There are also unknowns in every market context, geo-political events being just one example. These risks are not only threats; they also create opportunity—insurance against cyber-crime is increasingly popular among businesses of all sizes.

Great risk management does not try to eliminate all risks and uncertainties, a futile endeavor in today's volatile world. Yet in most banks and insurance companies, risk and governance are typically single speed (typically too slow), are based on rules rather than principles (which disempowers leaders), and are not adjusted to the prevailing risk levels (one size fits all). Often, decisions are unnecessarily escalated, to be made by committees and then ignored or overturned. In some organizations compliance has changed from being a mandate to a mindset, where the default is always to err on the side of caution. Truly agile companies will differentiate their mitigation actions depending on the specific decision point at hand.

A cornerstone of agility is having individually accountable and empowered leaders who make well-considered decisions quickly and iteratively. Let's break that down. Firstly, decisions have clear individual owners, who consult their stakeholders but take accountability, not always deferring to a committee. Secondly, decisions are made quickly based on the best information available at the time, within the parameters allowed and by the people empowered to make them. Finally, decisions are not 'once and done', as progress, feedback and results may inform a different course of direction.

Another cornerstone is transparency, which must be balanced with the need to protect certain information. Agile organizations use data and insight to increase pace and flexibility, especially as it relates to customer outcomes. This information is shared openly within the organization and with less manual manipulation and effort. Accompanying this, there is a level of honesty about performance and status that means successes are celebrated and problem areas are understood and addressed rapidly. Hoarding information or fudging reports are no longer needed or accepted. However, this level of transparency can be challenging in FS organizations that are starting to grapple with data privacy and data sharing.

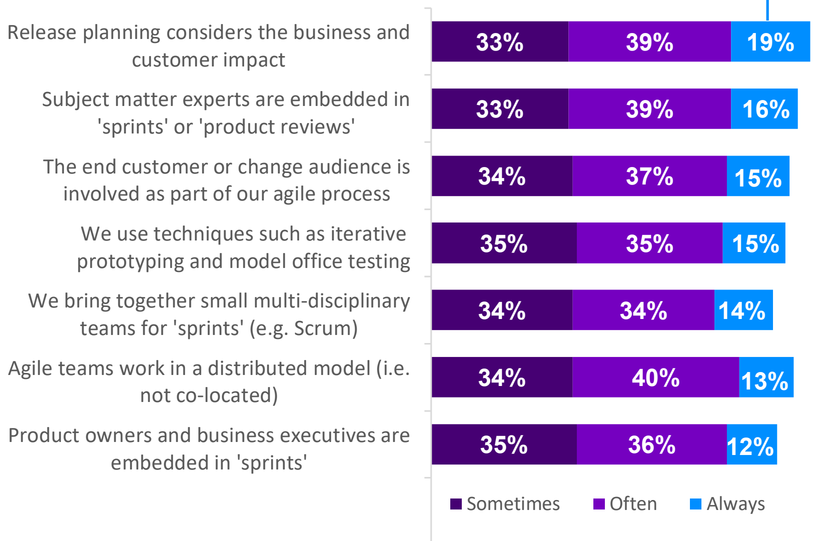
CASE STUDY

SCALING AGILE WITH STRONG RISK GOVERNANCE

This large global bank wanted to scale its agile ways of working, updating its change methods, processes, tools, people capability and governance to enable agile across its portfolio of programs. This work delivered a new framework for agile delivery, embedded into the enterprise-wide methods and aligned with technology delivery. The updates enabled it to deal with a mixed portfolio of waterfall, hybrid, scaled agile, agile and continuous changes. Individual programs were coached through agile adoption and supported with training, while new ways of working and tools were adopted. Risk, compliance, finance and audit functions were all brought into the change early on, which secured their support.

Figure 11. FS change leaders maintain a more disciplined approach to agile.
Source: Accenture 2017 FS Change Survey

Q. How regularly do you undertake the following as part of your agile process?



Change Leaders 'Always'	Rest of the Industry 'Always'
31%	11%
29%	8%
30%	6%
30%	7%
25%	5%
25%	7%
30%	6%

One of the concerns we hear most often regarding agile is that it is an excuse to eliminate planning, documentation and delivery disciplines—and that the organization will lose control over delivery.

Done properly, agile and scaled agile delivery disciplines should lower execution risk and increase control over end outcomes. This is because agile breaks delivery down into smaller controllable increments, allows for learning along the way and creates transparency for everyone. Planning is iterative, meaning plans remain dynamic and relevant.

Our 2017 FS Change Survey indicates these disciplines need to be strengthened across the industry. Change leaders, while not perfect, are more disciplined in their application of agile and see the results (Figure 11).

Moving to more agile change within the portfolio creates new governance demands, including non-sequential planning; frequent constructive changes in requirements; change control reserved for fundamental shifts in scope, cost and benefits; status reporting based on burn down/burn up; more frequent implementation; benefits realization that happens earlier and more iteratively; and different business case rules depending on the type of investment and the policies for allocating capital. In particular, key performance indicators focus more on performance towards outcomes, speed to value and predictability of delivery. Helping steering committees and risk/audit functions adjust to these changes is essential.

The wider organizational support processes and governance need to be adapted too. Procurement processes need to be accelerated to allow rapid and simple engagement of smaller fintech partners and to rapidly develop and test proofs of concept. IT and risk processes need to be ready to deal with new risks relating to cloud, data privacy and cybersecurity. Risk and compliance teams need to play a more active role in defining a 'safe future', helping the product owners and the wider organization manage risk by being involved in guiding and advising, rather than sitting at a distance behind policy and procedure. With agility being the most effective means of managing risk and navigating uncertainty, a continuous effort to improve agility is the best way to achieve these ends.

Effective governance does not need to be slow. It can be done confidently, with decisions made ahead of them being needed (e.g. setting a risk appetite around cloud or putting in place data sharing agreements) or through clear paths that are appropriate to the risks and types of risk faced, where immediate decisions are required.

5. FUNDING & INVESTMENT – PRIORITIZED & DYNAMIC

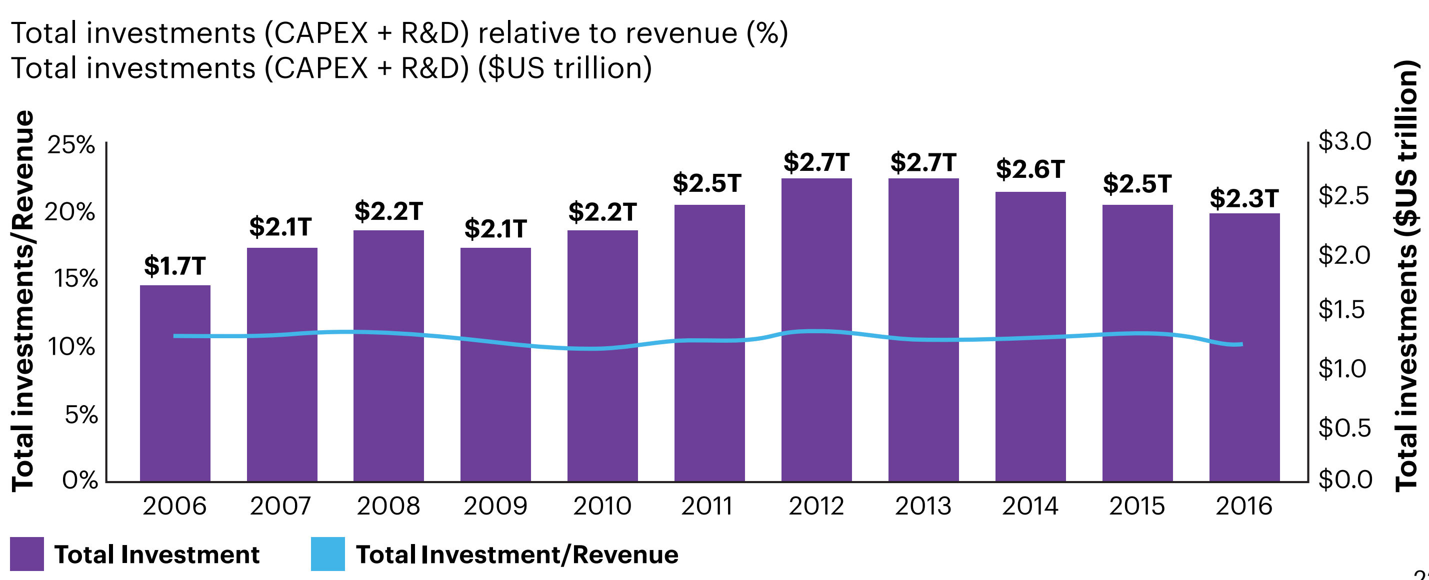
One of the most difficult challenges for leaders of disrupted businesses is to allocate investments successfully. On the one hand they need to preserve and optimize their core business which—despite the disruption threatening its long-term relevance—is still the generator of most of their revenue, profit and cash. On the other, their new ventures need to be given adequate support to prove themselves and mature. The questions of how much to invest, where and how rapidly, tax the brains of most executives today.

An Accenture survey of 1,500 large organizations[12] found that while total investment between 2006 and 2016 increased, investment relative to revenue actually declined slightly (Figure 12). Despite the need to respond to mounting disruption, and the accumulation record levels of cash on their balance sheets, few are accelerating their investments in change, whether in current or new business activities. In fact, only one in three have invested aggressively in new ventures. This is despite the fact that 54 percent of surveyed executives from large organizations expect the majority of their revenue in three years' time to come from new businesses[13].

Change leaders are exceptional at prioritizing funding and investment—and understand the important messages these decisions send to the organization. As Figure 13 shows, they have a clear view of the change portfolio. When leadership ensures that the vision and purpose are clear and shared, agreement on priorities is relatively easy to achieve; without it, building agreement is often difficult and lacks rationality.

By prioritizing initiatives, FS change leaders can deliver greater value from their total change investment. Their change portfolios are more closely linked to the organization's strategy and vision, and to some extent are decoupled from a 'same or a bit more/less every year' annual planning cycle. Initiatives or business areas can then be prioritized for return on investment and strategic alignment. Low-value or irrelevant initiatives can be stopped quickly. At Accenture, as we moved more than 60 percent of business

Figure 12. Investment by large organizations – most remain cautious.
Source: Accenture Research, Wise Pivot Diagnostic, 2017



into 'the new'—shifting our focus from traditional to emerging revenue sources in the space of a few years—we had to make deliberate decisions to decouple funding from the 'run' plan and make big, bold bets in new acquisitions and areas such as security, digital and cloud.

Finance teams need to introduce new budget and funding approaches, while maintaining overall control (see Figure 14). Seed funding creates space to exploit new opportunities and quickly undertake proofs of concept, experiments and prototypes. Instead of detailed plans and business cases to justify the release of full program funding, tranche funding can be synchronized with defined change increments and value delivered. Funding is not fully committed at the start of the year, allowing space for new initiatives that need in-year funding.

Figure 13. FS change leaders have a clearer view of their change portfolio.

Q. Do you agree your organization has a clear view of its change portfolio for the next 12 months?

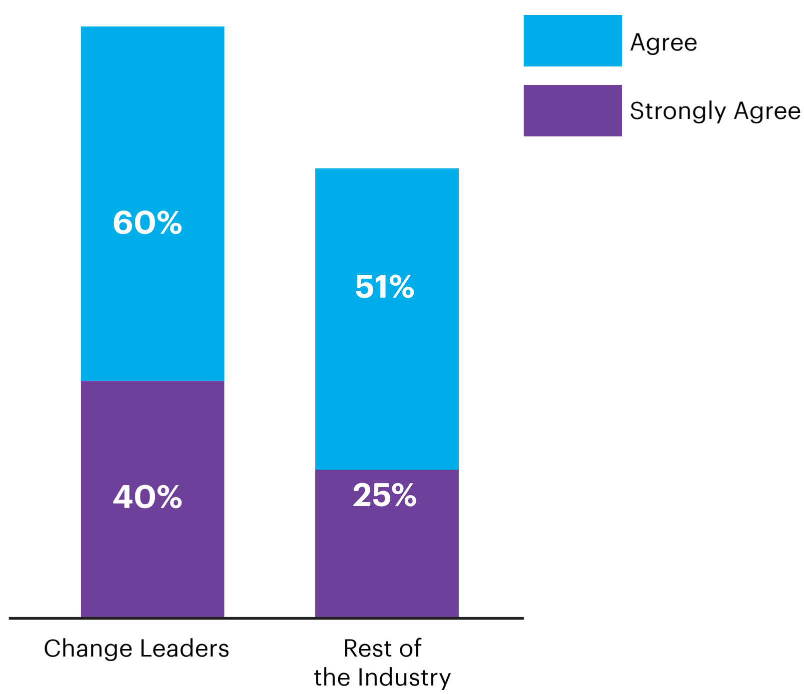
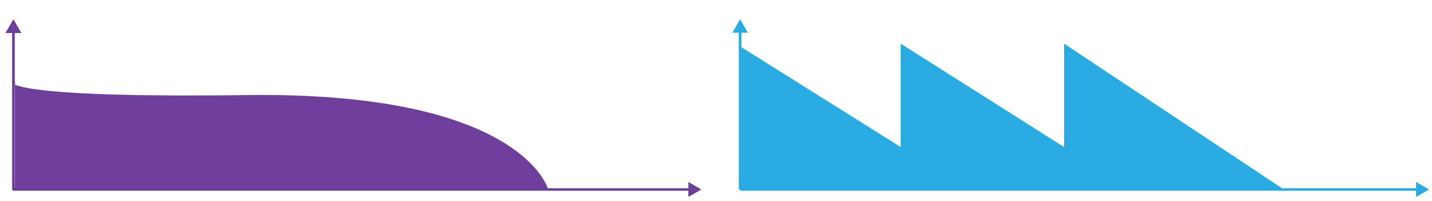


Figure 14. The difference between conventional and tranche funding for change programs.

Classic Budget
Long cycles for Business / IT alignment

Budget for Agile Projects
Short cycles for Business / IT alignment



6. ORGANIZATION – A FOCUS ON LIVING BUSINESS, NOT NEW STRUCTURES

Organization structure can inhibit or facilitate enterprise agility. However, adopting a new structure will not on its own create enterprise agility. While each organization is unique, truly agile organizations typically focus more on purpose, outcomes and an 'organic' approach, rather than mechanistically using fixed processes, structures and jobs to drive results. They recognize that human relationships and informal networks make businesses work, not the boxes and lines on an organization chart.

In truly agile organizations, work is organized differently. Teams become more important than organizational structures and individual superstar heroics. Teams become smaller, self-managing and multi-disciplinary. They leverage the strengths of their diverse membership. They own their outcomes and ideally have accountability for end-to-end services or products (internal or external). Teams allocate and prioritize their own work, allowing them to weed out low value and redundant tasks and address quality issues rapidly. Redundant meetings and bureaucracy are not tolerated for long, a result of applying lean waste reduction and value stream optimization to knowledge work. Crucially, these teams are made up of skilled, full-time and wholly focused team members; 'side of desk' is banned.

Team leaders become the 'first amongst equals' whose contribution includes coaching, challenging, guiding and supporting. Many find this challenging, especially dealing with multi-directional feedback.

The wider organization becomes simpler, more flexible and modular. Leadership becomes experienced in rapidly bringing together new teams around new issues and opportunities—but also knows when teams have served their useful purpose, and then rapidly dissolves them. In both cases, leaders help individuals handle the social process of joining and leaving teams.

While hierarchy will continue to be required for some parts of the organization in most regulatory jurisdictions, structure becomes less relevant. Narrow specializations distant from other specializations become a thing of the past too. For instance, a number of banks and insurers have reconfigured their organizations, for both run and change activities, around customer journeys or value chains (e.g. home buying), bringing together channel, operations, IT and business change teams.

Decision making is affected. Decisions are best made closest to the work that is being done. Agile organizations step back from detailed top-down planning, because in a volatile environment these plans rarely endure and cannot be reset fast enough. Delegating decision making has been a challenging step for many of the banks and insurers we have worked with, especially in corporate and national cultures where there is high authority distance and deference to hierarchical and consensus-based decision making. For delegation to be successful, teams need to be empowered to make decisions, mandates and parameters need to be broad and clear (defining the space in which to perform) and people need time and support to adjust to making more decisions.

What is also changing is the work that is performed and who performs it. At an individual level, roles are more fluid and broadly defined, allowing colleagues to work where and when they want, in order to contribute best to an outcome. Roles and contribution become more important than jobs. The workforce behind these tasks is more flexible, and includes the extended workforce, artificial intelligence and ecosystem partners.

The workspace changes too. Work environments are incredibly important as they can stimulate creativity and wellbeing, or get in the way. They need to be intentionally designed to enable collaboration, while also allowing different spaces for deep thought and concentration. However, not all teams can be co-located. Indeed, Accenture runs hundreds of successful distributed agile teams, often across different time zones and cultures. This requires a deliberate effort to establish the right virtual workspace, including the best collaboration tools for communication, connecting and shared working. Agile rituals become even more important—for instance, a daily stand-up at a time that suits the whole team. Finally, it makes sense to bring the team together periodically, especially at the start of a new project or major increment.

Clearly, some parts of a bank or insurer—such as marketing, product development, technology and change—need the adaptiveness and speed of an agile approach more than others. But experience shows that all areas benefit from increased agility, which cannot be created in a silo. Many firms have set up digital units or 'challengers'. This is an effective way to get started, advance new ideas and create space for more rapid change. However, 'tissue rejection' is a common problem: the untransformed core business makes it difficult for these units to scale change back within the broader organization.

The solution is to push ahead with 'the new' and move the core business. This is demonstrated in the strategies employed by change leaders, which combine digital units, ecosystem partnerships and challenger banks/insurers with generating a cross-enterprise digital capability and developing long-term digital strategies (see Figure 15).

In summary, enterprise agility can call for a major rewiring of the organization. But this is not about an alternative structure; instead, we prefer to think about agile organizations as 'living businesses' (see Figure 16).

Making these sorts of changes can lead to significant cost savings and acceleration of the business. However, it is not possible for all organizations to start with or pursue this level of organizational change. Instead, some choose to start by building agile in specific units or focusing more on developing agile working practices across existing organizational boundaries. However, when a vision is shared and agreed up front, it is much easier to establish, prioritize and adapt a roadmap that, over time, can include even the most ambitious initiatives.

CASE STUDY

MOVING TOWARDS A SIMPLER ORGANIZATION

To enhance the customer experience, this evolving bank is pushing digital adoption at the front-end. With the aim of removing bureaucracy and hierarchies and delivering new products at speed, it recently decided to split its workforce into autonomous, multi-disciplinary teams of about 10 employees each. To create a simpler organization it is reducing its FTE count, improving the efficiency of its operations, and introducing more self-service options for customers. To increase responsiveness, the workforce is adopting the scaled agile methodology. Recent executive changes have improved the alignment of the organizational culture to that of a digital enterprise, and incumbent middle and senior managers are likely to be replaced by coaches and product owners with specific expertise.

Figure 15. FS change leaders show a greater commitment to digital transformation than their industry peers.
Source: Accenture 2017 FS Change Survey.

Q. Thinking about your organization's digital strategy and capability, to what extent do you agree with the following statements?

A. Agree + Strongly Agree

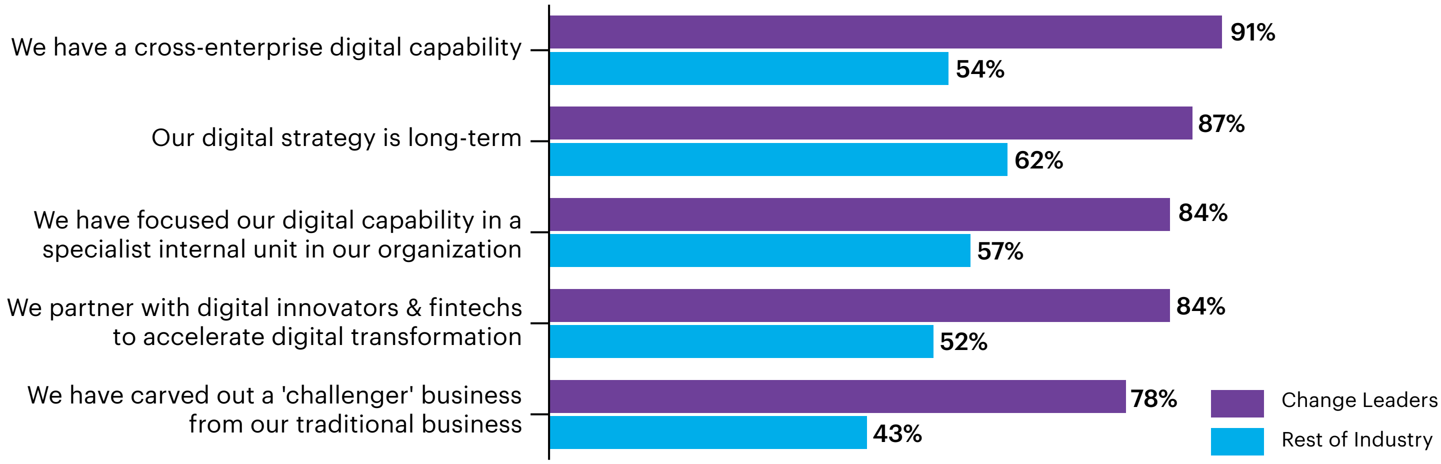


Figure 16. The evolution of organizations, culminating in the 'living business'.
Adapted from Frederic Laloux: "Reinventing Organizations", Nelson Parker, 2016.

AUTOCRATIC – 1900s

Core Ethos:
Power & domination

Features & Advances:
- Command authority
- Highly reactive
- Division of labor
- Exploitation of resources

REGIMENTED – 1950s

Stability & predictability

- Command & control
- Paternalistic
- Future is repetition of the past
- Stable & scalable

INDIVIDUALISTIC – 1980s

Profit & shareholder returns

- Command & control over what, but freedom over how
- Meritocracy
- Innovation & risk taking
- Gut instinct

COMMUNITY – 2000s

Stakeholder & environmental benefits

- Employee empowerment
- Egalitarian management
- Stakeholder / network model
- Digital channels
- Information overload

LIVING – 2020 +

Massive transform-ative purpose & performance

- Self-management
- Continually adapting
- Evolutionary purpose
- Evidence-driven
- Digital at the core

7. WORKFORCE – ADAPTIVE, RESKILLED & HUMAN-MACHINE COLLABORATION

An agile enterprise needs a core, adaptive and extended workforce.

In FS, there will continue to be a stable retained core of employees performing critical roles. These roles will typically have high institutional context, have constant 'run' demand, will work well as fixed jobs, and will often continue to include sensitive or high-risk tasks that cannot be passed around. For instance, you do not want the responsibilities of the Chief Risk Officer being passed around.

However, around this stable core, and to bring in occasionally required skills and flexible staffing, much more of the FS workforce is becoming 'adaptive' in response to changing work and opportunities, and 'extended' into the contingent labor market and partners. The adaptive and extended workforce models are suitable for work characterized by a changing context, variable demand, an infrequent requirement for scarce skills, task-based work, and tasks that do not need continuity of ownership. Individual employees are moving between roles and teams, both vertically and horizontally, on a more frequent basis. Entire teams move around too. Developing an adaptive and extended workforce demands a different talent strategy and can benefit from the use of platforms such as Fieldglass, TaskRabbit and Upwork.

The adaptive and extended workforce also poses new challenges for HR.

The whole workforce—core, adaptive and extended—needs to be reskilled to work with digital technologies, in a more agile way and alongside artificial intelligence (AI). In the age of AI, business success will increasingly depend on people and machines collaborating with each other. AI will elevate and augment people's capabilities. This will not only drive efficiencies, but create new forms of growth and innovation. Accenture research[14] indicates that if FS companies were to commit fully to AI and human-machine collaboration, they could boost revenues by 32 percent and lift employment levels by 9 percent between 2018 and 2022.

CASE STUDY

DIGITAL RESKILLING – A NEW APPROACH

We reset all learning across a large regional bank to use digital and mobile media. Existing learning content was rapidly replaced by new media alternatives that could be consumed on the go and in the workplace. This was accompanied by a new mobile platform and a new approach to content personalization. At the heart of this was a desire to reskill the whole organization, from leaders to frontline staff, in new skills and ways of working that would equip them for an agile and digital world.

To succeed, agile organizations must reimagine work, pivot their workforce to new growth models and 'new skill' their people. Our recent research shows that 75 percent of FS employees believe it is important that they develop their skills to work with intelligent technologies, but only 4 percent of organizations are significantly adjusting their learning budgets to support this[15]. Learning needs to be quick and at the point of need to help people respond to change, take the initiative and change roles.

Understanding what resources are required, with what skills, where and when, requires dynamic analytics and work plans. These plans need to be refreshed regularly, and connected into dynamic operational scheduling. As work is increasingly disrupted by technologies and change below the job level, workforce planning needs to start bottom-up from the allocation of activities between humans and machines, into the skills required to perform the activities, rather than starting at the top where organization structures and jobs are fixed.

To be successful, all these workforce changes need to be matched by a human-centered approach. In a world of constant disruption and change, if people feel included, trusted and safe they will flourish and be able to adapt. In our research, 'fear, anxiety and threat' was the greatest inhibitor of change in the FS industry, way higher than the average for all industries, primarily because of concerns regarding job losses[16]. To prevent fear, anxiety and threat from impeding new working practices and agility, leaders and the HR function need to create a clear vision and direction for change, build a sense of safety, and design good work and careers for the future.

8. CHANNELS, OPERATIONS & FUNCTIONS – DYNAMIC & RESPONSIVE

Digital has brought new channels—new ways to engage with customers and partners, and to provide services—and with it the potential for greater agility in response to customer needs, market conditions and competitor offerings. For FS organizations, this has meant the development of new digital architectures and meeting the much higher expectations of customers. There is a battle going on at the moment for banks and insurers to reinforce their relevance in their customers' lives. The winning formula does not depend on the slickness of the technology, but rather the extent to which the service experience surprises and delights customers. Their expectations are not only constantly influenced and changed by direct competition and new entrants, but also by expectation reference points from new companies that are redefining how services should work (e.g. Uber, Amazon, Airbnb etc.).

Human-centered design emphasizes the customer experience and the customer journey. We do this by using ethnographic research, design thinking, service design and user experience techniques, which are all grounded in empathy and co-creation. To understand and react to fluid customer expectations, colleagues and customers must be at the heart of the product design process and considered throughout the product or project lifecycle. For instance, one large retailer conducted more than

CASE STUDY

DIGITAL OPERATIONS

This bank had a significant increase in operational case workload. Through more than 800 rapid deployments over two years, the following changes were made:

- *Reduction in case workload through analytics-optimized dynamic thresholds for cases to be raised and small guideline changes.*
- *Bringing level 1 and 2 operating 'tiers' together into a single team with end-to-end accountability to address the vast majority of cases, moving away from a 'pass the buck' model.*
- *Augmenting manual operational case work with machine learning and AI.*
- *Implementing modern dynamic operations management practices, supporting technologies and management information to raise control and transparency.*

This project led to a significant reduction in risk operations work, with approximately 6,000 roles redeployed to better protecting the bank. This significant outcome, at speed, was possible because:

- *Although the change spanned many areas, there were shared goals, aligned leadership and pooled funding.*
- *The current state was challenged with clear decision making and rapid escalation paths.*
- *Clear sprints built up operational capability over time, with each linked to clear outcomes and benefits.*
- *There were strong co-location and multi-disciplinary teams (e.g. bringing together risk, operations, analytics and technology specializations).*

10,000 customer home visits to understand how its products were used, and employed this insight to reshape how its business and digital platforms worked for customers.

This does not impact digital channels alone. Understanding how digital technologies can be used in a branch, relationship-management or broker context can help develop a 'phygital' presence that balances the efficiency of digital with the human touch and experience of a physical environment. In addition, agile organizations need operations and processes that are more dynamic and able to deal with shifting workloads and customer demands. The focus of operations design shifts from cost optimization only to include change-readiness and serving the end customer. Operations teams need to be cross-skilled and capacity needs to be dynamic. Processes, where required, need to be more flexible, open to change and oriented around customer value, rather than being rigid and optimized solely for cost reduction. Operations need to become more transparent, with back-office teams having clear information on customer service, feedback and complaints. In many banks and insurance companies this is about pulling operations teams closer into the front office and toward the customer, while not losing the scale of shared services.

Finally, agile is working its way into support functions such as Finance, Risk, Procurement and Marketing. In particular, HR has a significant change to make in order to create a truly agile organization. HR teams are creating faster, simpler and more responsive services and strategies. These changes help the enterprise speed up its workforce and organizational flexibility, as we discussed above, but also help it engage colleagues whose expectations regarding career movement, personal development and personalized services are constantly increasing.

9. TECHNOLOGY & DATA – SPEED, RESPONSIVENESS & INTELLIGENCE

Truly agile organizations have moved way beyond just using agile methods for software delivery. However, you cannot achieve enterprise agility without using digital technologies and data to their full potential.

This requires the simultaneous development of faster digital architectures, built for speed and responsiveness, while managing the complexity of legacy platforms. New digital platforms need to be easy to adapt, integrate and scale—without generating undue complexity or risk—as new technologies emerge, new functionality is required, new partners come on board, new opportunities arise, or the technology needs of the organization change.

These new platforms must coexist with more complex legacy platforms that are slow to change. More often than not the digital platforms need to access and store data in this legacy and are often reliant on logic or rules that do not run in real time. These platforms can gradually be isolated using integration or orchestration layers. This will allow legacy back-end access to be managed and organized via services, which in time will reduce the number of functions they perform and the risk they present. Refreshing and simplifying core platforms also offers significant benefits, but until that is achieved these decoupling techniques allow a faster pace of change. The integration layers are also essential for assembling external technology ecosystem partners and cloud providers.

Truly agile organizations are intelligent. They understand the data they have and how to use it for value. They do this with the trust of their customers and within legal and ethical boundaries relating to data privacy, security and sharing. Increasingly, big data opens up wider and less structured forms of data that can generate new insights.

Yet true enterprise agility comes from how these insights are accessed or distributed and how they influence decision making and actions across the organization. When combined with AI this is particularly powerful. It can be in a loop where an AI improves a product over time (e.g. more responsive pricing), which in turn improves the data (e.g. how customers respond to price changes), which in turn allows the AI to learn and improve what it does next. This also happens at a human level. For instance, a private banking relationship manager who gains a better understanding of her client's wealth and is supported by AI to retrieve relevant investment research, is much better placed to respond to his needs.

In parallel with agile adoption (which in software delivery terms overcomes barriers between the business and development teams), IT teams are also embracing DevOps (which overcomes the barriers between IT development and IT operations). In the past, moving code or configuration 'into production' was risky and infrequently done. In many banks and insurance companies, code and features were delivered frequently, but then hit slow waterfall testing phases. DevOps, however, optimizes collaboration between development, operations and other relevant teams, enabling faster, more predictable and more frequent releases. Like agile, DevOps is based on a number of good disciplines including automated release of software and configuration management; continuous integration techniques with automated build and testing; automated operations with event recovery, monitoring and anomaly detection; and infrastructure provision in the cloud with automated creation of environment, dynamic scaling, drift detection and remediation.

SUMMARY

There is no silver bullet for enterprise agility. While the strategic and financial benefits are clear, it requires the reset of a number of areas in a way that is unfamiliar to many banks and insurers. This paper provided examples and insights regarding changes to leadership, culture, agile change, risk and governance, funding and investment, rewiring the organization, workforce, channels and operations, and technology and data.

CASE STUDY

2010 TO NOW – 75 PERCENT DIGITAL!

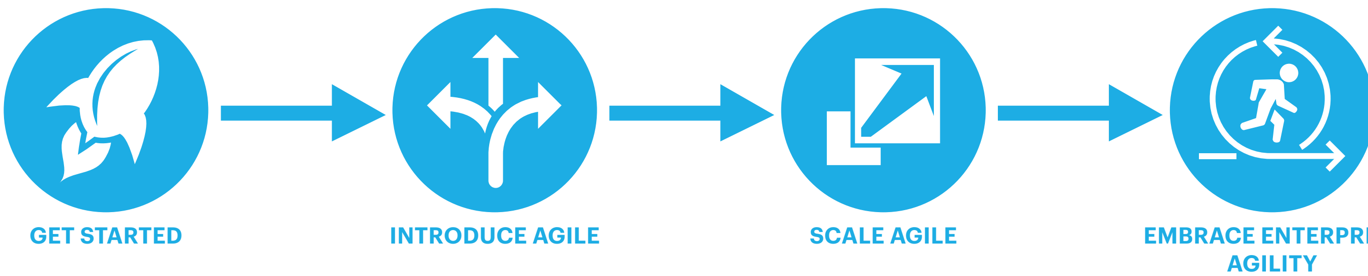
A large US-based commercial bank realized the importance of digital banking and decided to develop a new IT infrastructure to increase its value proposition. The bank needed to deliver new tech-based features faster and required a flexible infrastructure to do it. This it achieved through four key changes:

- *Transitioning to the cloud and long-term reduction of data centers.*
- *Adoption of containers and micro-servers to increase recourse utilization.*
- *Adoption of agile frameworks and methodologies, and of DevOps.*
- *The creation of the open-source dashboard to track code and the real-time status of the entire software pipeline.*

Today, the bank can not only develop and release software updates to customers quickly. In addition, more than 75 percent of its customer interactions are handled digitally and mobile has become the preferred channel for customers.

THE ROADMAP

NAVIGATING THE JOURNEY TO ENTERPRISE AGILITY AND STABILITY



While organizations have different starting points and challenges, there are practical steps that can be taken to build up experience, maturity and discipline over time, increase speed and stability, and develop enterprise agility.

GET STARTED:

This phase sets the right direction and ambition. Even if you have already moved beyond this point, it may be worth reviewing this for long-term success.

Start by evaluating your starting point; for example, you may already be doing agile at small scale or in IT. Then assess your enterprise agility using Accenture's Agility Diagnostic and Agility Index analytical tools. The next step is to set your vision and roadmap. Make sure you have a clear rationale and that you link to your business strategy.

It's important that you get the right leadership in place for the next phase ahead. And then finally, identify the priority business areas and changes so you have a clear understanding of where you intend to get started.

INTRODUCE AGILE:

It makes sense to pilot agile on smaller projects or simpler customer journeys, typically using Scrum. Appoint and empower initial product owners, and allow some pilot changes around decentralized decision-making and fast-track governance. Multi-disciplinary teams will need to be set up—and protected from organizational inertia and barriers.

This is also when you introduce new ways of working and start to reinforce good behaviors, such as collaboration. Consider using an agile coach to help get things going.

SCALE AGILE:

This phase widens the use of agile across the change portfolio and more deeply into 'run' operations. It is accompanied by a strengthening of delivery disciplines. This way agility becomes a genuine and robust alternative to current ways of working.

It is at this point that you start to scale agile to your programs and portfolios. Take on more ambitious change and identify how agile can accelerate speed to value.

Simultaneously, continue to increase your delivery disciplines and rigor, which you will need for scaled agile. Do this by freeing up, empowering and developing your product managers and owners; investing in talent and deepening your agile delivery skills pool; directing the involvement of subject-matter experts such as risk partners; and investing in architecture, release planning and change disciplines. It is also important to speed up wider governance and decision-making.

A key priority of this phase is to scale agile ways of working across the organization and to implement a scalable agile method, such as SAFe. Implement DevOps and encourage widespread collaboration for everyone involved in change—enabled through culture, tooling and physical workspaces.

EMBRACE ENTERPRISE AGILITY:

This phase progressively rewires the business for speed and stability. It is the most invasive phase for both the 'run' and the 'change' operating models, so it is important to proceed in increments. Allow for multi-speed processes, recognizing different needs and different levels of readiness for agility in different parts of the enterprise. Measure maturity and effectiveness regularly.

Develop leaders who are both more digital and more human in their approach, and at the same time nurture a growth mindset and a learning agility across the organization.

Decouple your digital and high-speed architecture layers, while simplifying your core technology.

IN CONCLUSION

ENTERPRISE AGILITY – THE NEW STRATEGIC IMPERATIVE

Enterprise agility delivers financial results and long-term competitive advantage. As our research shows, ‘Truly Agile’ firms are twice as likely as the average to achieve top-quartile financial performance, and many times as likely as firms rated ‘At Risk’, where most of FS is currently placed.

Truly agile organizations rewire the business for speed and stability, adjusting leadership, culture, risk and governance, funding and investment, the organizational structure, workforce, channels and operations, technology and data. They embrace both continuous change and radical transformation.

For incumbent FS firms stuck in the ‘At Risk’ quadrant, time to respond is slipping away. Front-runners are making headway and will, if they stay ahead, reinforce their competitive advantage. It will be increasingly difficult for the followers to catch up, even as the pressure to do so mounts.

There are practical steps that can be taken to increase enterprise agility. These can be done from any starting point and even in a regulated industry context.

While rewiring the business for speed and stability is not easy, the stakes—in terms of competitive advantage and financial results—could hardly be higher. What is clear is that enterprise agility is the new strategic imperative for financial services.

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