



Focus for Success  
The High Performing  
Investment Bank  
Executive Summary

High performance. Delivered.

  
**accenture**

consulting | technology | outsourcing

# Focus for success

The ongoing financial crisis has forced many businesses to face some grim realities, none more so than investment banking. Banks have had to undertake large-scale restructuring and cost cutting, whilst scrambling to meet even reduced revenue and profit targets, all within an environment of intense regulatory pressure and lacklustre economic performance.

It has been the perfect storm for the industry. The result is that investment banks have to re-examine the very principles of how they do business. To survive, let alone thrive, banks have to use the new economic realities to fundamentally reform the way they approach the market, and ensure they remain relevant to their clients.

It is because of this paradigm shift that Accenture has conducted a detailed examination of what it will take for banks to be high performing in this new era. With over 30 years working at the heart of the industry, Accenture has a unique perspective on what it takes for banks to be high performing. We have seen a number of banks rise and fall, building extraordinarily profitable businesses before spectacularly crashing. On many occasions, as banks' senior managers readily admit, banks dodged a bullet. They were able to avoid structural change by hiding behind high profits and extraordinary revenue growth rates. However, as Andrew Haldane at the Bank of England recently noted, 'the purchaser of a portfolio of global banking stocks in the early 1990s is today sitting on a real loss.'<sup>1</sup> Clearly, now is a time to re-assess and re-build.

To better understand what has driven high performance in the past, Accenture has carried out a detailed financial analysis of the recent performance of 18 leading investment banks, as well as reflecting on historical trends. This has provided insight into the recent winners but, more importantly, has shown that banks have achieved high performance through multiple routes. Two traditional scale players have stretched clear of the pack, but three smaller 'focused winners' have also

emerged, proving that success is possible through discipline and clear strategic positioning. Whilst these findings provide insight into the building blocks of high performance, they are not the only or definitive answer. Given the game is changing, banks will need to understand what it will take to be high performing in this new era.

To this end, our study has identified a number of key characteristics that will define the new industry. Banks will have to face up to multiple squeezes on profitability, within an increasingly complex marketplace, all under rising competitive pressures. The combination of these factors leaves little margin for error. Banks need to diligently focus on those areas that will generate sufficient returns and are relevant to their clients.

Building a strategy in such an uncertain and volatile environment is challenging. However, market dislocation will bring opportunities for those able to look beyond short-term concerns. To take advantage, banks need to build structural change into their strategic planning. To provide banks with the tools to drive this process, Accenture has identified five business models to help understand how to reach high performance in the new era. These are:

- **The Flow Monster**, which harnesses highly efficient infrastructure to process huge trade volumes at tight spreads
- **The Regional Champion**, which cross-sells risk management and financing solutions to an existing client base of mid-sized corporates
- **The Product Specialist**, which achieves competitive differentiation through niche product offerings



- **The Primary Markets Powerhouse**, which uses specialist capabilities and renowned talent to advise on or structure highly profitable issuances and deals
- **The Risk Master**, which relies on effective controls, powerful infrastructure and management confidence to take on and manage risk.

These are not prescriptive business models, rather an articulation of what constitutes high performance in the different disciplines of investment banking. As such they are designed to frame a strategic planning exercise. The first stage for a bank is to review its portfolio of business lines. Rising capital constraints and sluggish growth rates are hampering the ability to generate sufficient returns on capital, meaning a bank must rework and re-justify the economics of the businesses lines in which it operates. It must then rationalise its portfolio to focus on only those in which they will feasibly be able to compete and that are relevant to its core business strategies. Understanding how current business lines fit to these models will help in analysing the trade offs in the decision making process. Further, and crucially, it must put the needs of its clients at the centre of this exercise.

Secondly, a bank must focus on building a competitive advantage in each of its chosen models. Each model outlines the key features required to be successful, highlighting the necessary management choices, and resulting consequences of these. To develop a winning proposition, banks must diligently focus on effectively stringing these features together and building market-leading capabilities to underpin each one.

It is possible for a bank to be successful in one, or a combination, of models. However, it is crucial to appreciate that each model is fundamentally different and must be treated independently. While many of the features, such as investment in talent, are ubiquitous, the focus for investment varies in each one, meaning that the capabilities are rarely transferable. If a bank wishes to adopt more than one model it must understand how its unique strengths can provide linkages, but also ensure that it is able to back each chosen model with sufficient investment to build a winning proposition.

As investment banks fight to remain relevant in the turbulent marketplace, now is the time for strategic action. Banks must abandon the pre-crisis mindset of trying to be all things to all people and instead re-evaluate their positioning, to ensure lasting relevance to their clients and a viable proposition to their shareholders.

## About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with more than 244,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US\$25.5 billion for the fiscal year ended Aug. 31, 2011. Its home page is [www.accenture.com](http://www.accenture.com).

## Accenture Experts

To discuss any of the ideas presented in this paper please contact:

### Bob Gach

Managing Director, Global Capital Markets  
[robert.p.gach@accenture.com](mailto:robert.p.gach@accenture.com)  
+1 917 452 5952

### Dean Jayson

Senior Executive, Capital Markets  
[dean.l.jayson@accenture.com](mailto:dean.l.jayson@accenture.com)  
+44 207 844 8295

### James Sproule

Head of Capital Markets Research  
[james.r.sproule@accenture.com](mailto:james.r.sproule@accenture.com)  
+44 207 844 3387

### Oliver Knight

Capital Markets Strategy  
[oliver.h.knight@accenture.com](mailto:oliver.h.knight@accenture.com)  
+44 203 335 2667

### Christopher Hook

Capital Markets Strategy  
[christopher.j.hook@accenture.com](mailto:christopher.j.hook@accenture.com)  
+44 203 335 1373



Copyright © 2012 Accenture  
All rights reserved.

Accenture, its logo, and  
High Performance Delivered  
are trademarks of Accenture.