Professionalising Change in Banking

Why the unprecedented scale of change in banking demands a professional change capability and greater bank-wide agility
Unprecedented Change

Banks are facing an unprecedented level of change that continues to grow in complexity and scale every year. Given the diversity, volume and force of the drivers involved, it is not hard to see why change is so pervasive and has become one of the biggest challenges and a core competence for banks.

The industry landscape is dominated by regulatory change, with most banks seeing this consume 60% to 80% of their change spend. These changes are mandatory, deadline driven and externally supervised. Some, such as conduct and standards, require changes in IT systems, processes, culture and behaviours. Many, such as PPI remediation, require activity to fix past errors in parallel to the change activity needed in order to avoid repeating the same mistakes again. The change impact of UK ring-fencing is only just starting to be felt – but this will be even greater still.

At the same time, most UK banks face a stubborn misalignment between a high fixed cost base and sluggish revenues. In response, many incumbents have embarked on strategic cost reduction, simplification and reengineering. Alongside this they are facing increasing competition from both challenger banks (e.g. TSB, Metro) and new entrants attacking lucrative parts of the value chain (e.g. PayPal, Zopa). To retain and grow revenues, banks need to transform the customer experience, with new propositions (e.g. Santander 123) and digital channels (e.g. mobile banking usage has tripled since 2010). Digital resets the 'clock speed' for change, requiring faster and more agile change.

Why Now?

Banks have always faced change. Many have successfully delivered smaller projects and technology changes for many years. However, the track record with transformational change, which is required now, has been decidedly mixed. In parallel, boards and regulators are taking a much more active interest in investment portfolios and the oversight of systemic risks in complex change.

Three issues have converged that have led many banks to start to invest in professionalising change and building bank-wide change agility.1

Firstly, there is more transformational change than ever before. This sort of change alters the fabric of the business – changing the culture, the business model and how the bank serves its customers. Transformational change is inherently multi-disciplinary and complex, so demands new ways of managing change. New operating models that result from transformation are highly disruptive and complex to implement.

Secondly, as strategic cycles have shortened, timescales for transformation have been compressed dramatically. These large scale complex programmes are no longer allowed to run for many years without delivering tangible business benefits and there is a shift to more agile delivery.

Finally, and this is the twist, the available funding for change is constrained and dominated by mandatory programmes. So banks need to 'do more with less', delivering change at lower cost and with greater success rates.

1 As context, by a professional change team we mean specialists who have a skills and a career in programme and change management disciplines, supported by effective tools, methods, governance and other infrastructure. Whereas in bank-wide agility we are referring to the change readiness and competence of all business leadership, managers and employees.
Accelerating and optimising benefits from just a few programmes creates a strong case for investing in change capability.

Business Case

What is the case for professionalising change? There are three key value areas:

1. Change outcomes
   - Does the bank maximise return on investment (RoI) and strategic outcomes from discretionary change investments?
   - Do mandatory programmes achieve sustainable compliance outcomes by the regulatory deadline? Is disruption minimised?
   - What is the opportunity cost and negative impact of failed or miscalculated change?

2. Change effectiveness
   - Do programmes consistently deliver on change goals on time and on budget?
   - Does change ‘stick’ in the bank after implementation?
   - Is the risk profile of the change portfolio understood and managed?

3. Change efficiency
   - What impact would productivity gains of 30–50% in change delivery have?
   - What proportion of change is provided from offshore teams or via industrialised capabilities?
   - Can the change team flex capacity and cost around fluctuating demand?

Accelerating and optimising benefits from just a few programmes creates a strong case for investing in change capability.
Many change teams have evolved over time out of large programmes, or fragmented in siloes across the business. However, given the pressures highlighted earlier, many banks are now taking a more strategic look at what they need within their specialist change team and across the wider organisation. This is similar to the professionalisation and industrialisation of IT that swept through banking previously.

So what change capability do you need? Start with the change portfolio – asking 'what are the change priorities that our bank must execute over the next 3-5 years?'. This allows clear prioritisation of demand and, therefore, the capacity and capability required to address this demand. In particular, it informs decisions regarding how leadership of change needs to be ingrained in the bank and the number of change professionals, the specialist skills they require, and the best location for them.

A professional change capability goes way beyond project management to address a wider range of disciplines such as including change leadership, portfolio management, programme management, PMO, business analysis, business testing, implementation management and change management. These capabilities may also be specialised around certain types of change (e.g. corporate transactions, regulatory change) and business areas (e.g. retail banking, private/wealth, commercial banking, investment banking).

All these capabilities should be underpinned with the right foundation – tools, methods and governance to improve their impact. These provide a common language for change, helping teams get started and improving transparency. They also mean each programme does not need to start from scratch, accelerating and de-risking delivery.

The most important foundation is the people in the change team – attracting the best change talent, developing and engaging your change people, and deploying them effectively across the change portfolio and programmes.

Figure 1: Prioritising the right change capabilities

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So how do you build professional and bank-wide change capability?

This is a challenging journey that takes time. It is often compared to ‘changing the wheels on a moving car’ – change programmes do not stop while you are improving change capability and particular care has to be taken when intercepting in-flight programmes. Our preferred approach towards developing change capability, focuses on the practical application of new capabilities, methods and tools inside pilot programmes as part of a ‘do-learn-do’ cycle.

Once the change portfolio and target capabilities are understood, there are some key operating model decisions on how to structure the capability.

In particular, banks are increasingly developing capability through blends of onshore and offshore capability, load balancing between experienced bank personnel and flexible capacity from external partners.

Figure 2: Operating model decisions in configuring your change capability

Building Professional Change Capabilities

Developing a global change capability

Case 1 – This global bank had amalgamated a number of project management teams across different countries, with mixed capability and inconsistent working practices. Together with the leadership team we ran an in-depth diagnostic and target state development to understand current and future capabilities. A transformation programme was kick started across the global change team through a ‘ways of working’ intervention. Alongside existing business analysis and project management capability, new capabilities were introduced for portfolio management, enterprise PMO, internal consulting and offshore delivery. We developed and implemented six methods, tailored to the bank’s environment, which provide a common language around change. Crucially, the bank placed people at the heart of capability development, investing in professional development, change careers and a new change academy. Throughout we applied a range of assets to help accelerate this journey (e.g. Accenture Delivery Methods, Change Diagnostic, Change Academy etc.). The key outcomes for the bank were: (a) a single global change team, (b) the ability to handle more complex transformational change and (c) lower cost and lower risk execution.
Improving business impacts of change programmes

Case 2 - This large global bank had significant change fatigue and poor employee experience of past programmes. Its ineffective change management created poor adoption and, in turn, poor results. Too many changes were being deployed in an unsustainable way. The internal change unit was given a custom-method, measurement tools, and training on how to better engage the business and manage change impacts within the business. As a result changes were better coordinated and the ‘noise’ around change streamlined to fewer, more impactful programme communications and training. More time was focused on high impact levers such as leadership, operational alignment and focused interventions around adoption and resistance management.

Developing Bank Wide Change Leadership

Just having a great team of change professionals is never enough. Banks must ready the entire organisation for faster paced and more intense change – building up organisation agility and change leadership at all levels of the business.

Particular focus should be applied helping executives get ready to be more effective change leaders. Effective sponsorship is a factor behind all successful programmes – the sponsor needs to set a clear vision, align the wider leadership team, clear the path for delivery, secure resources and create pull within the business. As the Senior Managers Regime is introduced, there is an increased level of focus on executive accountability for programme delivery.

In the past, change leadership roles were a side-ways career step or a secondary role; today they are among the most important roles in the bank and need to be populated with the best leadership talent available. Change leadership roles are a proving ground for key talent stretching them beyond their comfort zone.

Beyond the sponsor, it is essential that change has effective ‘business led’ governance. Fundamental to this is prioritising demand and supply across the portfolio, then overseeing delivery momentum, risk and benefits at both a portfolio and programme level.

Change leadership goes way beyond the programme sponsor and programme director though. It is a vital competence of all business executives and a much deeper set of behaviours, attitudes and skills. Exemplary change leaders raise the ambitions, horizons and beliefs of their bank. They create a constructive environment that can bring out the most innovative and creative thinking from their people. Their integrity and the trust they create with the team creates the commitment needed to drive difficult changes. They take ownership for big and challenging decisions.
Harnessing Bank Wide Agility and Change Capabilities

Much transformational change demands widespread business participation as it aims to change the culture and working practices of the bank (e.g. conduct). This will be constrained or enabled by the change capability and readiness of the wider business management and employees.

Our benchmarked evidence from ChangeTracking© is that participation, trust in line management and team environment are significant factors in change success.

Embedding change activity as a small part of all managers’ and employees’ roles and training them to handle change, can help avoid change being the ‘exception’ and become the ‘norm’ for the bank. At one oil and gas company they trained over 15000 managers in change management, alongside strengthening their specialist change team, which has proven a very constructive step.

Collaborating With Strong Delivery Partners

Beyond the business, change teams often need to be the ‘glue’ that brings together different delivery partners to make change successful. These partners can include compliance, HR, communications, facilities, procurement, finance and, most critically, IT.

Most change is technology-enabled and digital innovation is changing banking. IT and business change teams are separate but symbiotic capabilities. With good IT delivery, business change teams can create more innovative change and deliver great solutions that enable the desired change outcomes. With good business change support, IT can deliver great technology that is well integrated into the business and widely adopted by business and customer users.

The key is collaboration both at a departmental and programme team level. With the explosion in digital delivery, IT and business change, teams must collaborate even closer together using agile delivery. Agile involves tight multi-disciplinary teams working together on sprints. Each sprint delivers a change or part of the change which is self-contained and valuable for the business and customer. Sprint teams involve business stakeholders, subject matter experts, change and IT. Critically, agile needs much greater participation and involvement from business stakeholders and the end customer/user, both in the sprint team and using techniques such as iterative prototyping and model office testing.

In our experience agile can accelerate delivery and bring greater innovation. It can be used in its purest form on smaller digital changes and adapted for larger programmes. Critically agile does not mean abandoning programme disciplines or quality. In particular agile requires intense focus on implementation planning and release management.
For many clients, a key step in professionalisation is building scalable and repeatable ‘industrial’ change capabilities. Some major transformation programmes have sufficient scale to do this alone, such as multiple releases that need to be implemented thousands of times. Others clients build enterprise-wide change services that span multiple programmes.

The areas most frequently targeted as industrial change capabilities are business analysis, programme management office (PMO), business testing and implementation management. Often this creates a significant opportunity for offshore delivery – often the change team can be 30-50% offshore creating a significant cost arbitrage. However the real benefit is using industrialised change capabilities to ‘work smarter’.

There are some key aspects of ‘industrialisation’:
- Integration – e.g. “we can implement these three programmes to this market as a single joined-up deployment”
- Standardisation – e.g. “we will implement to each branch following 15 steps before, during and after each go live”
- Tooling – e.g. “we will regression test for each release using a standard test pack and test automation”
- Specialisation – e.g. “we will manage process analysis through business analysts specialised in lean six sigma”
- Learning – e.g. “we know the pitfalls and success factors based on similar implementations”

The benefits of industrialised change capabilities are faster, lower risk and lower cost change delivery. The key to success is building up the maturity of an industrial capability over time, building confidence in it from programme managers and overcoming siloed delivery.

### Developing repeatable and scalable change capabilities

**Case 3** – This global European-based bank had a significant amount of post-merger integration facing the branch network, spanning customer, process, facilities and technology change. Accenture helped stand up a scaled change network to manage the changes at a site level, coach branch staff and handle live day impacts on customers. A central team provided the ‘command centre’ to create control of progress, transparency and rapid escalation from the implementations across 1300 sites.

**Case 4** – This global US bank faced a significant cost challenge and wanted to execute a programme of process standardisation and reengineering. Accenture helped provide a flexible business analysis managed service from our offshore team to handle this global requirement in a scalable and repeatable way. This team analysed and reengineered over 600 processes, including identifying cost savings from streamlining processes and reuse of operating model and technology capabilities across processes.

### Tools to enhance change productivity and impact

#### Programme Management – Automated Reporting
We use proprietary assets to accelerate reporting and increase transparency
- Tracking status
- Earned value
- Cost and schedule performance

#### Implementation Management – Mission Control Suite
Mission Control helps you increase pace, certainty of implementation by tracking and reporting activity completion and issues to a site-level. It connects multiple change agents and field-based implementation teams with the central ‘mission control’.

#### Change Management – Change Tracking
ChangeTracking® helps you understand change reactions and prove insights on what to do next. Survey responses are benchmarked against over 250 global transformation programmes to generate insights and provide early warning of resistance and slippage.
Across financial services, the sourcing of change capability is a hot topic. There are a range of sourcing options from project-by-project sourcing through to strategic change partnerships and full managed services arrangements. Given the range of programmes, these sourcing models often have to combine both specialist change skills that have a high impact on the change outcome, with lower cost commodity and offshore delivery.

Banks are increasingly sourcing external change capability as a way to gain more rapid access to specialist expertise, create flexibility around fluctuating demand levels, and install a level of delivery focus that can be difficult to sustain in internal teams working alone. These partnership models are often a complement to internal change capability, working alongside and strengthening the bank’s own team.

In our experience strategic change partnerships and managed services arrangements lead to lower unit cost, in particular leveraging offshore delivery and productivity enhancing tools. They also tend to help spark a different style of change bringing innovation and pace to the internal team. Banks are targeting up to 30-50% productivity gain by adopting partnership models.

Case 5 – This regional bank faced a significant portfolio of regulatory, cost reduction and growth changes. Within their change capability they faced headcount constraints, capability gaps and a high risk reliance on day rate contractors. The bank recognised this challenge. They selected Accenture as the sole provider of external change resource and their partner to develop the capability of the retained change team. This arrangement has created greater delivery accountability, a more flexible cost base and lower unit cost, whilst accelerating the path to enhanced methodology and tooling.

Case 6 – This large regional bank recognised they needed greater focus on their core banking capabilities, less on supporting activities such as IT and change. The bank decided to outsource all programme and project delivery to Accenture, including programme management, analysis, development, testing, change and deployment, working in a blended onshore and offshore delivery model. This decision was based on a long standing trust-based partnership and delivery track record across multiple programmes.

Case 7 – This global bank is executing a flagship finance change programme across multiple business areas and geographies. They wanted an experienced change partner to outsource project management, business analysis and business testing. Accenture is providing business change resources in a flexible, scalable model primarily in New York, London and Manila. Delivery risk was minimised through expert onshore resources in year one, with the change outreach now moving to a more cost effective model with 60% of change resources offshore. Additional productivity gains are being made through leveraging external experience, methods, tools and time-zone benefits. Risk has been reduced by consolidating suppliers, removing key contractor risk and creating greater delivery accountability.
Historically, banks have not regarded their change capabilities as a core competence. Faced with unprecedented change that is increasing year on year, this view is changing rapidly. This involves developing bank wide agility and leveraging professional change capability, both developed internally and sourced externally from key partners.

To join our Change Director Forum or to hear more about how Accenture can help your bank transform its change capability for future success, please contact Andy Young (andrew.s.young@accenture.com), Tim Cody (tim.cody@accenture.com) or David Parker (david.m.parker@accenture.com).

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About Accenture

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