



Banking Transformation:

# Delivering value in the post COVID-19 environment

Responding to changing customer expectations, higher operating costs, new technology and an evolving regulatory landscape, Financial Services organisations now also face the uniquely challenging environment created by COVID-19. The economic consequences that are unfolding rapidly and unpredictably mean that banks must double-down on both their efficiency and customer experience agendas. We believe that the need to modernise legacy banking platforms will gain sharper focus as banks emerge into this post COVID-19 landscape, driven by the need to focus on value and agility.

A quick scan of headlines over the last few years offers more than ample evidence of the challenges that banks and financial institutions traditionally face when they have tried to transform and replace their banking platforms. It's clear that major banking transformations are extremely risky, with high rates of failure. Looking beyond COVID-19 it's equally clear that the stakes are now higher, so these typical failure rates are more than ever neither sustainable nor acceptable.

Transformation is now non-negotiable if banks are to remain strong and stable and make real progress with their efficiency and experience agendas.

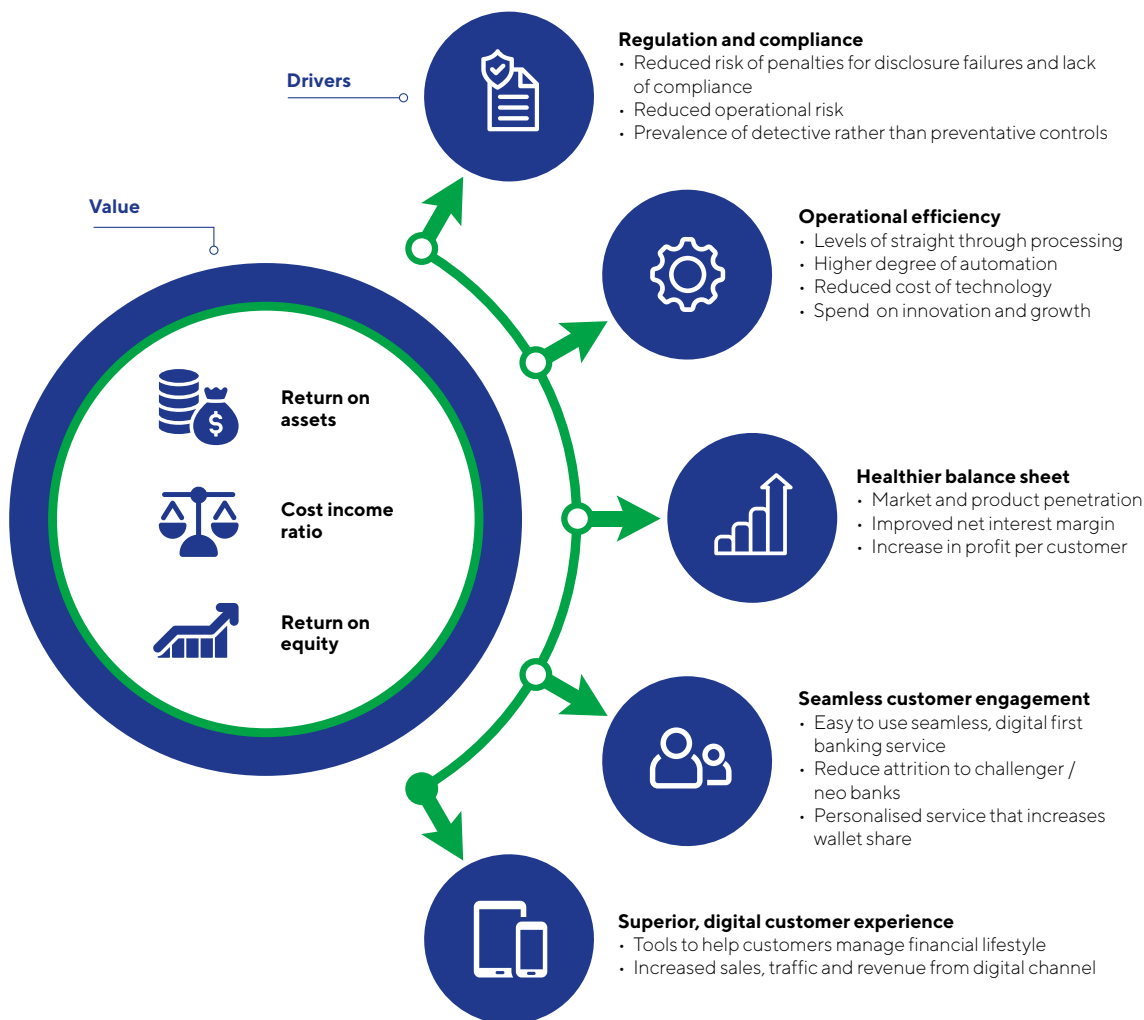
The question is, therefore, how can banks pursue their transformation agenda while addressing the very real risk that modernisation of legacy banking platforms presents?

## Focusing on value

Banking transformation may have traditionally been the domain of the IT function, but Cognizant believes that the impact on current and future value means it should be on the agenda of a much wider set of senior executives. This includes the CIO and COO and should also be top of mind for the Chief Risk Officer, the Chief Financial Officer, the Chief Digital Officer and the Chief Experience Officer.

What's more, viewing transformation through a value lens should also tie it to a range of specific financial and accounting metrics that ultimately measure success. That includes both those that reflect the protection and extension of current value, as well as measuring the extent to which transformation will support the capture of future value.

# Linking transformation strategy, investment and value



We believe it's critical to link transformation directly to the ability to achieve clear and specific financial performance indicators. What they are precisely will vary from bank to bank and they will need to explicitly link strategy and investment with the achievement of value.

Financial services organisations have a huge opportunity to create greater value from existing operations as well as new untapped demand from innovation in product and service. Changing market dynamics are creating a basis upon which

banks and others in the industry can evolve their offerings and organisations. In much the same way as we have already seen in retail (Amazon, Alibaba) and media (Facebook, Netflix), customers are adjusting to a new way of banking that's changing expectations. Banks need to provide easy-to-use digital-first services across their products, as well as introduce new tools to help customers manage their money in the 21st century. And there's no doubt that the fall-out from COVID-19 will likely further drive the degree and extent of digital adoption.

Traditionally, financial institutions take many different approaches to transformation. These range from developing sleek new customer experiences to compete with the neo banks, to developing new platforms and partnering with fintechs. Achieving success for more mature banks is further at risk given the challenge presented by their legacy platforms. Comprising complex, customised systems, these are expensive to run and very expensive to change. What's more, they cannot effectively service the new demands of digital-first banking.

**Transformation: not if, but how.**

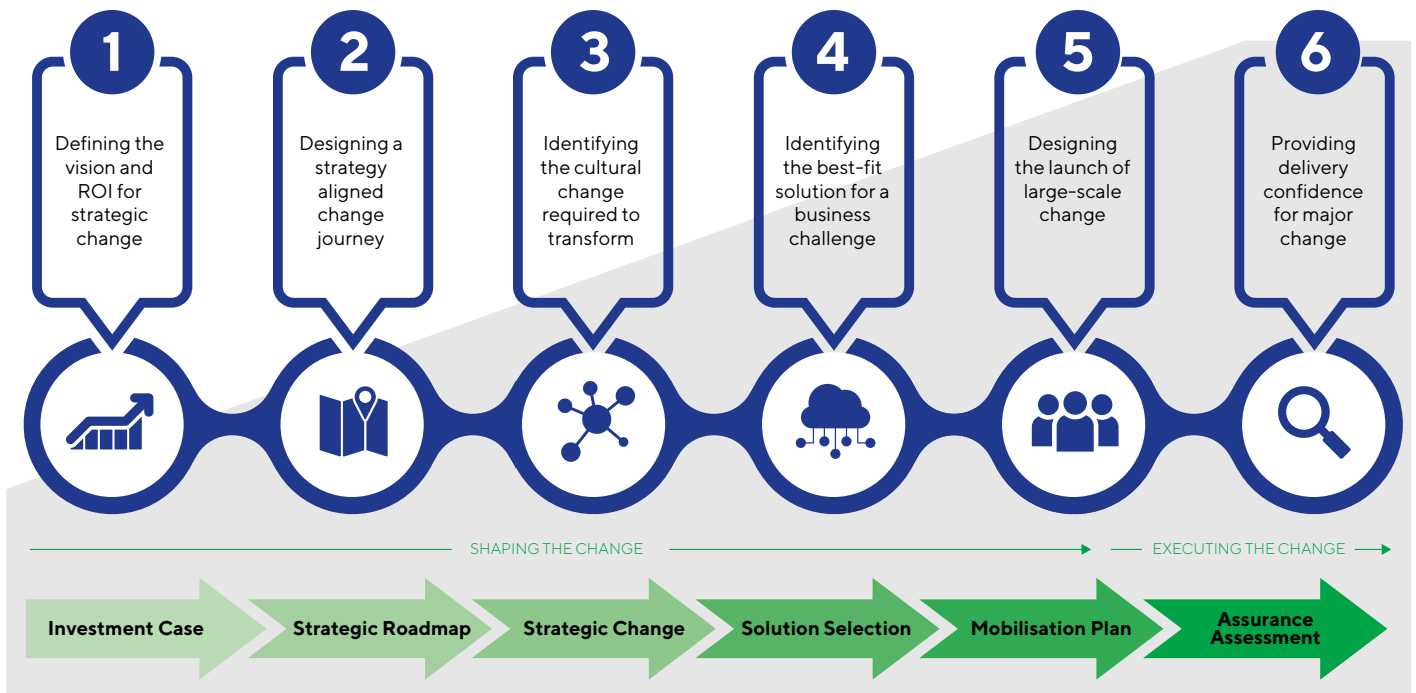
To truly transform operations and experience, many banks are now having to face up to the reality that they cannot move forward without banking platform transformation. That means they must – in one way or another – replace their historic systems with more modern, cost-effective and flexible platforms. That is going to be essential to stand up the capabilities required to enable digital products and deliver the truly revolutionary experiences that customers demand.

Recognising the inevitability of change, many banks are now considering their options. Some have already started down the challenging path and hit bumps in the road. A very small number have successfully executed their ambition to create a platform for the future. All banks contemplating transformation should take lessons from both the successes and the mistakes. These will be critical to inform their plans.

**Moving forward**

Drawing on Cognizant’s experience of shaping and executing the definition and delivery of banking transformations, we believe that there are a number of essential steps to consider (Cognizant Approach). Doing so will help realise value from investment as rapidly as possible, provide an appropriate level of delivery confidence and manage exposure to the operational risk normally associated with such changes. The following principles should also be at the heart of every major platform transformation:

**Cognizant Approach**



### Case Study -

#### Resetting transformation strategy

Cognizant has helped a number of European banks refocus their transformation programmes.

Typically our clients realised that current plans were not delivering value fast enough for a rapidly-evolving market in which digital was fundamental to remain relevant to customers. Technology had also moved ahead since the original transformation roadmaps were agreed.

Working closely with each bank's leadership, we typically took an evidence-based approach towards refreshing their transformation roadmaps. We evaluated the options against the strategic objectives, focusing on the delivery of business value. Taking account of the latest market insights, trends and developments in executing a transformation, we then validated and tested new directions and approaches.

With roadmaps comprehensively reset, we then completed a detailed assessment of each bank's ability to deliver their transformation. By understanding the capacity, capability and budgetary constraints we were able to refocus investment cases and help put in place a technology design to deliver value as well as defining the necessary foundational activities.

## The Cognizant View

### Business strategy must inform every step of transformation

Ensure that the approach to platform transformation is tightly aligned to the wider business strategy. That means ensuring that the strategy is clearly articulated and understood and that any decision and investments in platform modernisation are scrutinised through that strategic lens. Because every bank's strategy will vary according to their markets, customers, products and competitors and what kind of business they want to be, there's no single technology approach that will suit all purposes. Early and continued collaboration between the business and technology teams is essential to secure the right outcomes and avoid the technology tail wagging the business dog.

### Design a strategy-aligned roadmap for delivery

A transformation roadmap should clearly set out the logical order in which business outcomes will be delivered. Here again, that needs to align with the value that the organisation is seeking to achieve, with incremental progress determined by business priorities. That means making appropriate use of modern delivery methods, e.g. agile, and making sure that everything that is done satisfies and is frequently assessed against the relevant value criteria.

### Assess technology selection against business value

Organisations often undertake detailed and exhaustive market, functional and technical assessments when assessing new products and suppliers. More often than not either the technical assessment dominates proceedings

and /or new technology platforms are selected without a clear line of sight to the value required. As a consequence, poor product selection is a risk as well as a lack of understanding of how products should be deployed to inform the sequence of delivery required by the transformation roadmap.

### Assess your readiness for change

Unsurprisingly given the sheer scale and velocity of change that business leaders have to deal with, resistance to change is often a key reason given for the failure of a banking transformation project. However, it's crucial that the ability

of the organisation to deliver and adopt the operational, technical and cultural changes required to support transformation is comprehensively assessed and done early. When assessing readiness, it's also important to do so in light of the complete change portfolio. When building the case for change, this means asking tough questions (and being ruthlessly honest in the answers) such as:

- Do we have the capabilities required to deliver?
- Do we have the capacity to cope?
- Can we afford the true investment required?

## Conclusion...

With the impact of COVID-19 - customer, regulatory, market and investor demands make change an inevitable necessity for the majority of financial services organisations. While the approach to delivering a successful banking transformation, underpinned by a modernised platform, will vary dramatically from bank to bank, the four key principles outlined above address the fundamental challenges to be faced. Above all ensure that business value drives every aspect of change explicitly linking transformation strategy and investment with the realisation of value.

## ABOUT THE AUTHORS



**Jason Smith** – Senior Director,  
Cognizant Consulting,  
UK and Ireland

With a focus on digital strategy, Jason's primary area of expertise and interest is enabling businesses to realise their strategic investment goals through

the design, mobilisation and delivery of business-focused transformation programmes. Jason has over 28 years' operational, business and technology consulting experience in the financial services sector working with retail and investment banks in the UK, European and Global markets. He has broad experience outside of consulting, which includes leadership roles for several global core banking providers and a leading UK bank. Jason is a Fellow of The Institute of Consulting and an Associate of The London Institute of Banking and Finance.

He can be reached via:

[Jason.Smith@cognizant.com](mailto:Jason.Smith@cognizant.com)

[www.linkedin.com/in/jason-smith-3613766/](https://www.linkedin.com/in/jason-smith-3613766/).



**Ambrish Parmar** – Director,  
Cognizant Consulting,  
UK and Ireland

Ambrish is a banking and transformation leader with over 20 years of experience gained across the Banking and the Financial Services sector. Ambrish

operates at the intersection of thought leadership, strategy, innovation and transformation and has successfully partnered with banks to address their challenges or exploit the opportunities that digital presents. Passionate about making a difference across clients, colleagues and partners to engender growth and opportunity. Ambrish has led numerous industry and consulting engagements covering strategy, business, customer and technology-enabled transformation for marquee clients.

He can be reached via:

[Ambrish.Parmar@cognizant.com](mailto:Ambrish.Parmar@cognizant.com)

[www.linkedin.com/in/fsdirector/](https://www.linkedin.com/in/fsdirector/)



**Angus Cologne-Brookes** – Senior  
Consultant, Cognizant Consulting

Angus is focused on transformation strategy and execution. This includes digitally-enabled business strategy, IT strategy and architecture, product design, and technology and operations

transformation. His area of particular interest is helping clients gain competitive advantage by shaping and delivering complex strategic change across industries including; banking and financial services, logistics, telecoms and aviation.

He can be reached via:

[Angus.Cologne-Brookes@cognizant.com](mailto:Angus.Cologne-Brookes@cognizant.com)

[www.linkedin.com/in/angus-cologne-brookes-12b70571/](https://www.linkedin.com/in/angus-cologne-brookes-12b70571/)

### About Cognizant Banking and Financial Services

Cognizant partners with large financial institutions to evolve their business and technology landscape and enable end-to-end digital transformation. We serve the entire financial services spectrum, including retail banking, commercial banking, consumer lending, cards and payments, investment banking and brokerage, asset and wealth management, securities services, governance, risk and compliance. Our consulting-led approach, adopts cutting-edge technologies like artificial intelligence, analytics, blockchain and robotic process automation, helping build the bank of tomorrow.

Learn more about Cognizant's BFS practice at [www.cognizant.com/banking-financial-services](https://www.cognizant.com/banking-financial-services).

### About Cognizant

Cognizant (Nasdaq-100: CTSI) is one of the world's leading professional services companies, transforming clients' business, operating and technology models for the digital era. Our unique industry-based, consultative approach helps clients envision, build and run more innovative and efficient businesses. Headquartered in the U.S., Cognizant is ranked 193 on the Fortune 500 and is consistently listed among the most admired companies in the world. Learn how Cognizant helps clients lead with digital at [www.cognizant.com](https://www.cognizant.com) or follow us @Cognizant.

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