



next in financial services

THE SUPER RESILIENT ORGANIZATION

Re-Imagining Transformation
To Thrive In The Digital Age





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Introduction

In the last 18 months, 'resilience' has become a major strategic objective for financial services organizations.

Business leaders had always spoken about the need for their organizations to be able to respond to unforeseen shocks in the market, to deal with competitive threats, and to exploit new opportunities for growth and expansion. And with rapid globalization and digitalization over recent years, their words had become louder and more urgent.



But the global pandemic has taken the need for genuine and complete resilience to another level. For more than 18 months, businesses have had to operate on a continual 'war footing', attempting to serve customers and manage their workforces against a backdrop of disruption, uncertainty, fear and market volatility.

Of course, some organizations have been able to respond better than others to this once-in-a-lifetime challenge. Even within financial services, there have been winners and losers during the pandemic, with some institutions able to respond rapidly to meet constantly evolving customer needs and, in doing so, drive brand loyalty and boost sales. Other organizations have found their

business models simply didn't allow them to move with the necessary speed and they've suffered badly as a result.

“There have been winners and losers during the pandemic, with some institutions able to respond rapidly to meet constantly evolving customer needs and, in doing so, drive brand loyalty and boost sales”

Across the board, however, there has been a recognition that in such an environment, businesses have needed an entirely

different level and type of resilience to anything that they imagined previously. Even the most fleet-footed and agile organizations have been tested to and beyond their limit. Business models and processes that seemed resilient two years ago have been found wanting in what will come to be considered the birth of a new digital age.

More than anything, the last 18 months have shown the need for organizations to adopt business models which can not only cope with uncertainty and volatility, but positively thrive on it. And it is this need for what we might refer to as 'Super Resilience' that must now be the number one priority for business leaders in 2022.

Banks facing unparalleled levels of pressure and complexity

Across the world, banks are now operating in an increasingly complex environment. Customer expectations have soared over the last two years, with consumers looking for personalized support and experiences to help them navigate through this difficult period. Similarly, banks are also coming under pressure from their own employees, to allow them greater flexibility in how they work and to protect and enhance their wellbeing.

Elsewhere, banks are having to face up to a highly complex and dynamic risk landscape, with wholesale digitization

bringing with it a new raft of emerging cybersecurity threats. Geopolitical unrest and economic uncertainty are exacerbating market volatility, and regulatory and competitive pressures are bearing down on the financial services sector as a whole.

Critically, it seems unlikely that the situation will ease in the short to medium term. The pace of innovation and disruption is predicted to accelerate even further over the coming years, even once the pandemic has finally been overcome. Banks can't hope to ride out the storm in the expectation that things will return to how they were in 2019; they need to find ways to manage this level of disruption and uncertainty as part of everyday operations. Otherwise, they simply won't survive.

The concept of Super Resilience involves turning the factory model-based organization of the industrial era into a dynamic, living organism. It's about creating an organization that senses its environment and makes decisions in real-time, based on its surroundings.

“The Super Resilient organization is focused on innovation – not only process innovation but the continual evolution of new, agile business models as well.”

Is digital transformation enough to deliver Super Resilience?

Of course, within most banks and financial institutions, digital transformation has traditionally been viewed as the vehicle to propel organizations into the new world.

By digitizing and automating slow and cumbersome processes, some banks have succeeded in speeding up their back and front-office functions and streamlining their resources. Others have focused on digital transformation as a means to open up new channels to market and deliver omnichannel and personalized experiences to customers.

But herein lies a big part of the problem. Digital transformation has meant different things to different businesses, and the

global pandemic has ruthlessly exposed the limitations of many banks' strategies.

Even where banks have successfully delivered innovative technology implementations, harnessing the agility and speed of cloud computing and embracing the power of Artificial Intelligence and Machine Learning, they've still struggled to respond effectively to evolving customer needs and to optimize their resources.

Many business leaders have come to realize that even in this digital age, where consumers and employees are increasingly demanding the very best digital experiences, technology on its own isn't enough. Genuine business transformation can't just be about automating and streamlining existing processes and business models. It needs to encompass

every facet of the organization, including people, culture, leadership, purpose and values. Without this holistic approach, organizations can never achieve Super Resilience.

For banks, digital transformation can no longer be approached simply as a way to become faster, smarter or cheaper. It's about instilling agility and future-proofing the entire operation and – constantly developing and evolving a portfolio of 'bets' that will ensure cash continues to flow, should the primary business stall or fail.

Re-imagining digital transformation for the future

This paper argues that in order to prosper in this new digital economy, in 2022 and beyond, banks and financial services institutions need to adopt a broader, more strategic approach to digital transformation. Digital transformation must no longer be thought about as improving or enhancing what already exists; instead leadership teams need to start with a clean slate, designing a new organization from the ground up, with a business model that can thus thrive in this current environment and into an uncertain future.

This involves building and retaining a workforce with the skills and values to thrive in this current environment and to adapt quickly and easily to ongoing change. It means understanding future skills requirements, opening up new talent pipelines to overcome skills shortages, and delivering the optimized employee experiences that people are now demanding from their employers.

And it's also vital that banks define and communicate their purpose and values as part of their transformation journey. Environmental, Social, and Corporate Governance (ESG) will become ever more critical within the financial services sector

as consumers, employees and wider stakeholder groups increasingly scrutinize the impact that organizations are having on their wider communities and environments.

Most of all, banking leaders need to accept that digital transformation has to be about more than technology investment. It requires them to recognize the value and potential of their workforce, to re-imagine the relationship between people and technology and to define the type of organization they want to be (and that their customers want them to be) in the years ahead.



“Banks and financial services institutions need to adopt a broader, more strategic approach to digital transformation”

Putting The Workforce At The Heart Of Transformation

For all of the rapid digitization of services in the early days of the pandemic, to maintain operations and meet customer needs, banks simply wouldn't have been able to survive without their people.

Indeed, the fact that the vast majority of financial services institutions have been able to navigate through the pandemic is ultimately testament to the skill, dedication and resilience of their workforces.



Within most banks, entire workforces have had to pivot to remote working almost overnight, while in some retail banks, employees have had to continue to operate in extremely challenging physical conditions, facing up to the threat of a deadly virus each day.

Across the board, employees have been operating under intense pressure for more than 18 months, adapting to new working practices and priorities against a backdrop of fear, anxiety and, unfortunately in some cases, sickness and loss.

The pandemic has undoubtedly had, and continues to have, a significant impact on

mental health across the financial services industry, and employees are increasingly looking to employers to protect and enhance their physical, mental and emotional wellbeing. Encouragingly, banks have for the most part been extremely proactive in supporting their workforces' through this tumultuous time, rolling out wide-ranging wellbeing programs.

At the same time, banks have had to contend with worsening skills shortages, particularly in areas of technology and data science which have become even more critical over the last 18 months. Rapid and wholesale innovation in response to the pandemic has exposed the skills

gaps within many financial services organizations.

Now, as economies gradually re-open and some sense of normality returns to life in most countries, banks have an opportunity to take the lessons of the last 18 months and re-calibrate their workforces for the new post-pandemic era.

In doing so, they can create an agile and engaged workforce, with the competencies and resilience to adapt to constant disruption, embrace new ways of working and to continually learn and upskill to meet evolving business needs.

In order to achieve this Super Resilient workforce, banks must address three key areas:

1 New approaches to close skills gaps

Recent research conducted by Infosys² found a worrying disconnect between employers and employees on the skills that will be required to keep organizations competitive in the future economy. These differences span both soft skills, where managers favor leadership and social influence, while workers place greater value on initiative and self-awareness; and also hard skills, where managers unsurprisingly prioritize technical competencies around technology design and programming, but employees are far more likely to perceive problem solving and multilingualism as important.

It's vital that banks bridge this perception gap as soon as possible. And this has to start with business leaders identifying the skills and competencies that they will need in the future and communicating this to current and prospective employees.

Of course, banks know that they are going to need highly skilled people in areas such as Artificial Intelligence and data analytics in the coming years but given the current paucity of these skills, they need to find new ways to identify and develop these skills.

Lifetime learning, and embedding a culture of learnability within the workforce, will be key to achieving this, and already some

banks are investing heavily to retrain existing employees to fill skills gaps in areas such as coding and data analytics.

Learning and upskilling has to be the route by which banks can ensure they have access to the skills they need now and in the future, and to embed real adaptability and resilience into their workforces. By empowering and incentivizing employees to learn new skills and take on new challenges and roles, they can build a workforce that is agile and equipped to thrive in an era of constant change.

2 Sustainable solutions to flexible working

Much has been said and written about the extent to which financial services workers are or will be returning to offices over the coming months.

Already we are seeing vastly different approaches between individual banks and across markets more broadly³. In the U.S., there is a strong push to get people back in offices as quickly as possible, while in Europe, there is more of a push to find a balance between office-based and remote working. Deutsche Bank is allowing staff to work from home up to three days a week⁴ and Lloyds Banking Group is taking a similar approach⁵. Nationwide Building Society has announced that all of its 13,000-office staff will be allowed to work remotely⁶.

It's essential that banks take a considered approach when setting out their post-pandemic flexible working policies, balancing the need to drive productivity

and optimize costs with the need to meet heightened employee expectations around their working practices.

Business leaders have to accept new workforce dynamics and recognize that the pandemic has merely accelerated shifts that were already well underway within most markets. Ultimately, if the banking sector wants to be able to compete for the best talent and access the specialist skills they need in the future, it must be willing to offer employees some of the flexibility they now crave.

3 Dynamic and innovative employee experience

Linked to this need to understand changing employee attitudes, banks need to re-think the entire employee experience to make it relevant and compelling for today's workers. The pandemic has caused people to re-evaluate their lifestyles, priorities and values. Both inside and outside work, people are placing a higher value on non-financial aspects of their lives, such as flexibility, wellbeing and purpose.

Banks need to respond quickly to this shift by demonstrating to current and prospective employees that they are able to fulfil these new and emerging needs. In particular, they need to develop holistic strategies to wellbeing - including mental health, emotional, physical, and financial wellbeing - and to create inclusive cultures in which all workers feel safe and comfortable. This is key in order to reach new talent pools and to build the diverse and dynamic workforces banks need to succeed.

A Sustainable, Purpose-Driven Approach To Business

As well as recognizing changing drivers and ambitions within the workforce, business leaders also need to understand wider societal dynamics which are seeing all stakeholder groups

Employees, customers, shareholders, government agencies and media – take a far more active interest in an organization's governance.

Once again, the pandemic has dramatically changed mindsets, with people becoming far more conscious and concerned about the big social, economic and environmental challenges we currently face. The massive global focus on the recent COP26 summit demonstrates just how much public opinion has shifted on these major socio-political issues in recent years.

The implication for banks and financial services organizations is that they will come under increased scrutiny, continuing to operate under the spotlight, long after the pandemic has passed.





ESG is now a core pillar of digital transformation

A robust and wide-reaching approach to Environmental, Social, and Corporate Governance (ESG) is therefore essential to thrive in the post-pandemic economy. Leadership teams need to define and set out a wider purpose for their organizations, beyond growth, profit and shareholder value.

This means identifying how their organization can make a positive impact in the world and then putting in place a clear and actionable plan to make this happen.

Alongside this, banks need to ensure they develop a vision and values which become the lens through which all of their decisions are taken. This is critical, not only

to attracting and retaining the best talent, but also to engaging new customers and driving brand loyalty in the digital age. Banks need to be able to communicate what they stand for and why, be willing to listen and engage with contradicting opinions and establish themselves as proactive and committed players in finding solutions to today and tomorrow's biggest challenges.

Given the uncertain environment in which they are operating, it is almost inevitable that organizations will sometimes fall short of the standards and goals they have set for themselves. Therefore it's essential that business leaders develop clear strategies to manage these scenarios and minimize the associated reputational and financial losses as part of their ESG structures. This means being prepared to admit mistakes and to collaborate with third party organizations to learn lessons and make improvements.

Embedding A Culture Of Innovation-As-Usual

It goes without saying that in an economy which is increasingly being driven by digital innovation, technology is critical for banks to thrive.

Indeed, the ability to continuously innovate at speed is essential for banks to respond effectively to change and disruption. Technology sits at the heart of Super Resilience.

“Most admit that their current approach to innovation is not sustainable”



In the immediate response to the pandemic, banks launched new digital services and applications at breakneck speed in order to meet customer needs and enable their workforces to operate remotely. **Recent research conducted by Infosys⁷** found that 95% of financial services organizations at least doubled the speed of their digital transformation initiatives during 2020, and 20% more than quadrupled their pace.

But now, more than a year later, the speed of digital transformation is yet to slow down, and in many instances, it's still accelerating.

Our research found that banks are now focusing on a wider range of technology initiatives in order to grow revenue, increase margins and drive innovation. These include cybersecurity, to manage and protect against the more sophisticated threats that have emerged during the pandemic, data analytics and blockchain.

At the same time, the sharp increase in cloud computing initiatives has enabled banks to rapidly scale their technology usage according to business needs. And the shift towards Application Programming Interface (API) microservices is providing them with speed and flexibility in how they deploy new technologies and a newfound capacity to respond immediately to customer demands.

The need for a more sustainable approach to innovation

But while financial services organizations have made remarkable progress on their digital transformation journeys over the past 18 months, most admit that their current approach to innovation is not sustainable. Many of the traditional barriers to innovation remain, such as aging infrastructure, siloed data, and cultural resistance to change and experimentation.

Legacy systems make it almost impossible for banks to deliver the seamless, frictionless omnichannel experiences that consumers now expect.

banks remain unable to join up data and generate insight at the back end to deliver fast and personalized experiences.

In order to address this problem, business leaders need to avoid the temptation to focus solely on front end capabilities, and instead develop an end-to-end approach which also modernizes back end systems and infrastructure.

Importantly, the pandemic has proved beyond all doubt that digital transformation is not a fixed destination, but rather an ongoing, never-ending journey. It is less a specific business program or strand, but more a critical element of business as usual in today's market. Banks that recognize this and can find ways to embed this level of constant innovation within their day-to-day operations will undoubtedly set themselves up for future success.

Even with the most innovative, intuitive front end customer-facing applications,

Conclusion

This paper highlights the need for leaders within the financial services sector to re-think their approach to digital transformation

Widening their focus away from technology innovation and recognizing the need for a broader strategy which also encompasses people, skills, culture and purpose.



If banking leaders are to prepare their organizations for the future, then this holistic approach to digital transformation is key. They need to re-imagine their banks from the ground up, defining the people, skills, culture and leadership which will enable them to succeed in an era of uncertainty and disruption. When banks are able to combine these innovative, future-proof business models with cutting edge technology then they truly can become super resilient.

“They need to re-imagine their banks from the ground up, defining the people, skills, culture and leadership”

Of course, for many banks, not always known for their willingness to embrace risk, this shift requires a significant change of mindset. It means questioning and

evaluating the relevance and value of every aspect of the business, every process and every function, to assess its relevance and value. It also means making big decisions about the type of organization that bank should aspire to be in the future and the workforce that will be needed to get there.

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